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Proskauer Sees Slight Revenue Drop, Showing 'Great Strength' With Headwinds

By Patrick Smith

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What You Need to Know

- Proskauer saw a rough macroeconomic environment, with revenue taking a slight dip from record 2022.
- The firm leaned into litigation, sports and media and some creative thinking around the capital structure.
- The New York firm anticipates a strong 2024.

Proskauer Rose chair-elect Tim Mungovan is the first to say that deal work and private capital deployment in 2023 was sluggish and that had an impact on how the New York firm performed.

But he also said Proskauer showed “great strength” in the face of those headwinds, managing to see only a 0.7% drop in gross revenue, to \$1.23 billion, after a record year for the top-line figure in 2022.

With head count up about 6% to 788 lawyers, the firm’s revenue per lawyer fell 6.5% to \$1.56 million.

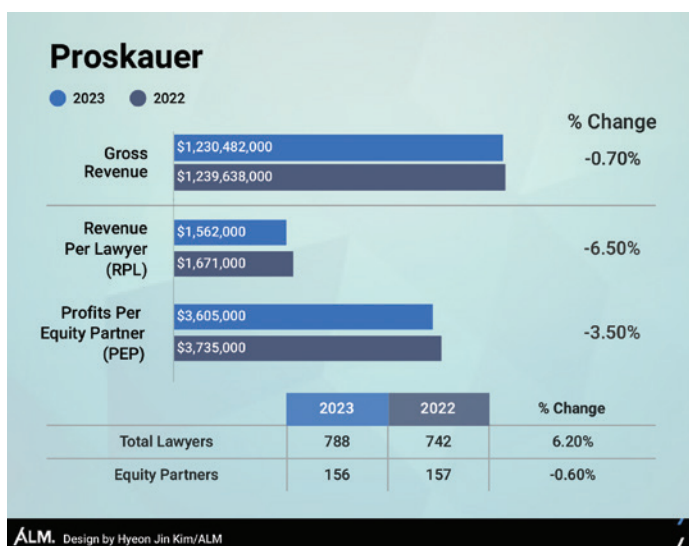
And with its equity tier mostly flat at 156 partners, net income fell 4% and its profits per equity partner shrank by 3.5% to \$3.6 million.



Photo: Monika Kozak/ALM

Meanwhile, the firm’s nonequity tier jumped by nearly 18% to 94 partners, as the firm made 19 lateral partner hires last year in multiple cities and promoted 25 to partner for 2023, according to ALM data. The firm also saw 12 lateral partner exits last year.

“We recruit and promote into the nonequity tier. Ideally, it is a step in the process to be an equity partner. That gives us flexibility to be able to respond dynamically to changes in the marketplace,” he said, adding that flexibility “gives us an advantage in the market.”



Speaking on the firm's overall financial performance, Mungovan said creativity on the finance side, such as leaning into special situations, and some big litigation wins, helped Proskauer temper challenges from interest rate hikes and the related deal flow and capital deployment slow downs.

Mungovan also touted the firm's performance in litigation as well as sports, media and entertainment, two areas the firm leans into heavily, as drivers for its 2023 activity.

"We had a great year," Mungovan said in an interview. "And even better when you take the macro-economic environment into consideration. Interest rates were raised to cool inflation, and our clients are some of the most sophisticated investors in the world, so they slowed down their activity."

Looking ahead, Proskauer's position in the private capital arena sets the firm up well for 2024, Mungovan noted.

"What is great about our firm is the private capital and credit areas require sophistication across a number of practice areas," he said. "Not just transactions, but restructuring, bankruptcy and sometimes sophisticated litigation."

All things, Mungovan said, the firm brings to the table. And while the projected reappearance of institutional lenders could be seen as an impediment to the growth of private capital, Mungovan said the firm sees it as an opportunity.

"The sophistication we have developed and the relationships and experience we have puts us in a perfect position to expand our relationships to more institutional lenders," he said.

The widely held belief that capital markets, deal flow and transactions in general will pick up in 2024 has Mungovan bullish on 2024.

"We decided to invest in our talent and building our practices in what was otherwise a challenging environment, with the expectation that our clients and industries will turn back on," he said. "And to some degree, they have already turned back on."

"I feel very strongly about our prospects this year," he added. "We are off to a very strong start and momentum is continuing to build, activity levels are strong. I don't know if we necessarily need [interest] rates to drop in order for us to have a strong year, but less uncertainty in the market is good for our clients."

Overall, Mungovan said, given the firm's practice mix and the macroeconomic environment from last year, he had a feeling of pride. "I'm proud of the year we had," he said. "In light of the market conditions, we did an amazing job."

It was a busy year on multiple fronts for Proskauer. The firm litigated against a former chief operating officer for allegedly stealing trade secrets, ultimately reaching a confidential settlement in early 2024, and the firm laid off more than 20 business professionals last summer.

In December, firm chair Steven Ellis said he would step down from his position, citing health-related reasons. Mungovan, most recently the chair of its litigation department, was elected as the new chair of the firm, effective April 2024.

Global Footprint

Mungovan said the firm does not have any plans to merge with another firm in 2024 or open an office in a new geography, but said that is somewhat dependent upon client need.

"We will invest in our existing geographies and if our clients move to other ones or there are opportunities available, we are of course open to moving with them. But we are in all the right markets," he said.

The firm currently has 12 offices. He said the firm did not plan on expanding, or contracting, its real estate footprint for 2024, save for its Paris and London offices.

In Paris, where a lateral group from Shearman & Sterling has made hay with the firm's clients, the office there may need to expand, he said.

Meanwhile, the firm's London office, Proskauer's second largest by head count, brought in \$127.6 million in revenue, down 3.5% from 2022. It is moving into a new space this year.

He said the success of the London office is due, in part, to its size.

"It has M&A, funds, capital formation, private credit and all the practices that support them," he said, referencing tax, executive compensation and other service practices.

Largest Matters

Proskauer saw some big litigation wins in 2023. The firm won a victory for Sanderson

Farms regarding an antitrust conspiracy case that would have cost Sanderson almost \$21 billion had the firm not prevailed.

It also got a win for Gilead Science in a \$3.6 billion antitrust case alleging the company struck an anti-competitive "pay for delay" patent settlement related to two HIV medications. The Northern District of California gave a full defense verdict after a six-week trial.

The firm worked a dual-sided deal with Lexington Partners and Atalaya Capital in their purchase of a \$2 billion secondary investment in Wells Fargo. Mungovan noted that the firm has been doing these sorts of transactions for over a decade and is a leader in secondary investment advisement.

The firm also worked with several large private capital entities (Blackstone Strategic Partners, Apollo S3 and Five Arrows) on their investment in health care-focused private equity firm BPOC's first continuation fund. The funds affiliated with the co-investors totaled \$425 million.

Proskauer, with a large sports law practice, can take credit for helping bring Lionel Messi to Inter Miami of the MLS, as well as working with MLS for an expansion franchise in San Diego.

And the firm worked with the Big 12 conference in negotiating its media rights partnership with ESPN and Fox.

On the pro bono front, Proskauer, led by partner William Silverman, helped secure a summary judgment against the city of Chicago for discrimination against the visually impaired when it came to providing accessible pedestrian signals at signalized intersections. The firm hopes the case can be utilized in other urban areas.