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## Reed Smith Grows Revenue 38.5 Percent

Gina Passarella  
[The Legal Intelligencer](#)  
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Reed Smith increased its gross revenue in 2007 by 38.5 percent, due in large part to two mergers completed last year that gave the firm nearly an additional 400 attorneys.

And there is some talk that the firm is currently in merger discussions again, this time with a firm that has strong New York ties.

Reed Smith's revenue increased from \$644 million in 2006 to \$892 million in 2007.

That increase includes revenue from the firm's Jan. 1, 2007, merger with 250-lawyer Richards Butler London and the March 1, 2007, merger with 140-attorney Sachnoff & Weaver in Chicago.

The revenue per lawyer (RPL) grew by about the same rate as last year, 5.8 percent, from \$652,000 to \$690,000.

Reed Smith Chairman Gregory B. Jordan said the RPL is "the heart of driving the improvement" of a firm and he was happy that Reed Smith had such an increase in a year when it completed two large-scale mergers.

The firm's profits per equity partner (PPP) did not increase as much as last year's 17.5 percent jump, but the number did reach a milestone for the firm. Jordan said all of the firm's financial indicators came in above budget.

The PPP grew from about \$940,000 in 2006 to \$1 million in 2007, a 6.4 percent increase.

While Jordan said the \$1 million mark is a milestone of sorts for the firm, he said if it was just trying to maximize profits, the firm wouldn't have done "so many mergers so quickly."

There are a lot of one-time costs, he said, that come with mergers, including travel time, technology, training and events. He said there aren't too many companies that have mergers and profit increases in the same year. Jordan said he expects the firm's profits to increase by double-digit percentage points in 2008.

Reed Smith's average compensation per partner increased by about 6.4 percent from \$593,000 in 2006 to \$631,000 in 2007.

According to the full-time equivalent (FTE) calculation used by *The American Lawyer*, Reed Smith had 1,293 attorneys in 2007. The attorneys who joined from Sachnoff & Weaver, for example, were only counted for 10 months of the year. The firm had a 31 percent increase in the total number of FTEs.

In total, the firm had a little fewer than 1,500 attorneys by Dec. 31 and currently has 1,596 attorneys after the Jan. 1, 2008, merger with Richards Butler Hong Kong.

Of the 1,293 attorneys, which is the metric used to determine the RPL, PPP and average compensation per lawyer, Reed Smith increased its equity partnership by 25.8 percent from 213 equity partners to 268. It increased the nonequity tier by 27.3 percent from 264 nonequity partners to 336.

Jordan said one of the things he was most pleased with was the new revenue brought to the firm by the two mergers that neither Reed Smith nor its merger partners otherwise would have had.

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He said the Richards Butler London combination resulted in \$40 million in additional revenue that neither Richards Butler nor Reed Smith would have had. The Sachnoff & Weaver merger added a little more than \$20 million in new revenue.

The heart of Reed Smith's strategy remains the financial services and life sciences clients. He said the firm's relationships with its banking and pharmaceuticals clients expanded in 2007. The real estate finance and private equity practices were also very strong.

Jordan said the firm saw a pick up in its corporate restructuring and bankruptcy practices as well. The litigation group continued to do well, he said. Unlike other large firms, Jordan said Reed Smith is pretty balanced with the litigation group actually exceeding the business side of the practice in size.

Having one-third of the firm's attorneys outside of the United States is a help, Jordan said, when the U.S. economy is slowing. One example is Reed Smith's expansion into the United Arab Emirates with the addition of former Dubai World general counsel Sahia Ahmad.

Aside from the investment interest in the Middle East, Jordan said there is a lot of work related to the Western investment coming out of the region and the firm hopes to see the same from its ties to China.

As Reed Smith grew over the last year, it saw the departure of some local partners who cited increasing rates as the reason for their move. Jordan said the firm has not systematically done away with any practices or clients. He said the work those attorneys do just might change as the firm looks to do higher-end work for high-end clients.

Two of the firm's objectives for 2007 were to enter the Chinese market, which it did, and grow its New York office.

While Reed Smith is at about the same size in New York as it was in the beginning of 2007, Jordan said the firm added several lateral partners and is still aggressively recruiting in the market.

There have been rumors that the firm is in merger talks with New York-based Anderson Kill & Olick, which has a little more than 80 of its nearly 120 attorneys in New York. The firm's 18-attorney Philadelphia office is largely focused on insurance recovery work. Reed Smith has an insurance recovery practice with 39 attorneys -- mainly from the Chicago and Pittsburgh offices -- with at least part of their practice in that area, according to the firm's Web site.

Without confirming or denying the merger discussions, Jordan said the firm makes it a point not to comment about potential merger partners.

In response to a question about whether the firm was talking to Anderson Kill, New York office managing partner Robert A. Nicholas said in a statement last week "it's no secret that New York is a very important market for us, and we have been open about both our desire and intention to grow in that market.

"Given our overall growth trajectory, we are always talking with people and firms that might help us grow our presence in the New York market."

For the most part, 2008 will be a year of integration as Reed Smith brings in the Hong Kong attorneys and continues integration of its two mergers in 2007. Jordan said the firm would take time to build out its New York and Hong Kong offices.

Reed Smith currently has 330 attorneys in London but is moving into new office space in the spring of 2009 that could hold between 450 or 500 lawyers, Jordan said.

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