Liberty in law

John LeClaire, *Mark Soundy* and *Michael Halford* of Goodwin Procter discuss how the legal industry has changed since *pfm* was launched

Rise of the Americans

At the turn of the century, English Magic and Silver Circle firms dominated the market. Today, not only are many US firms well-established in London, but some have become serious players in the UK and European private equity arena. This is true not just for the execution of local aspects of US transactions or for US clients acquiring assets across the pond but also for work originating from UK and European funds. By contrast, UK-headquartered law firms have still not established substantial footholds in the US.

Maturation of the PE legal market and PE industry

A second, and now third, generation of PE legal professionals have come of age, some of whom have joined their clients. The deal market has segmented into large and mega buyouts at the top end, growth and expansion capital at the bottom end, and the mid-market in between. PE houses competing for investors have sought to differentiate themselves by deal size, sector, geography, and "value-added" offerings such as a global network to assist in accelerating growth and operational expertise. Competition for deals is fierce, with private capital investors rivaling private equity houses, alongside increased interest from trade buyers; while many sponsors tout proprietary sourcing networks and an aversion to auctions, from our vantage point few actually utilize these networks to land deals in lieu of auction processes. IPOs have become a much more common exit route in the UK and European mid-market, unlike in the US. On the fundraising front, the market has grown strongly, particularly for existing groups raising new funds, with terms generally becoming more GP-friendly but LPs standing firm on corporate governance-type issues.

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Changes in the regulatory and economic environment

Increased rules and greater oversight have made regulatory advice a key specialized practice area and continue to force the industry to become more transparent and accountable. Macroeconomic changes leading to an abundance of US debt, available also for the UK and European markets, have produced rich pickings for high-yield debt experts. The recent rise in alternative (non-bank) debt providers has loosened the stranglehold of advisors who have historically acted for lending banks, offering the PE market – in a disintermediated landscape – a plethora of financing options targeted to portfolio company needs rather than a "one-size-fits-all" financing package for mid-market leveraged finance.

Increasingly global projects

Fifteen years ago, a "cross-border" deal would typically have involved an investor from say the US, making a tentative foray to acquire or invest in a European company with operations in one or a few European jurisdictions, requiring it to hire a local law firm to handle the transaction. In today's global environment, any substantial target will likely have extensive operations in both the US and Europe and, unlike 15 years ago, most leading PE houses are now well-established on both continents and use legal advisors with a substantive, integrated global platform. As US investors increasingly look to Europe as a source of attractive and interesting growth companies for buyouts and investments, leading US law firms prioritized expansion in Europe and integration between US and European teams. Transaction processes and even deal terms are evolving toward a more uniform standard, subject to local colour and differences.

Structural changes

Lawyers have collaborated closely with other industry advisors to develop innovative solutions that address clients' needs, such as increasingly sophisticated warranty and indemnity insurance and management incentivization structures that work across different markets, jurisdictions and tax regimes. ■