

**A&O** SHEARMAN & ~~STERLING~~



## **So, it's A&O Shearman!**

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A smart tie up between UK “Magic Circle” firm Allen & Overy and White Shoe New York outfit Shearman & Sterling LLP, or a legal chimera (in Greek mythology a monster having a lion's head, a goat's body, and a serpent's tail)?

Overall, probably a good thing for both firms - and so much better than some of the rumoured alternatives - especially for Shearman which, at one point looked like it might be forced into a shotgun wedding! The new firm will have global scale and punch with exceptional offerings in: leveraged finance, debt capital markets, structured products, project finance and, from a London vantage point at least, a truly formidable pitch in financial services regulatory.

Putting aside the fact that leveraged finance is deadly quiet right now (on both sides of the Atlantic), the problem for both firms has been their relative weakness in transactional private equity – which for the past ten years has been the dynamo behind BigLaw. UK firms have struggled to keep up with US firms in the private equity arena - with Allen & Overy's PE offering probably being the weakest of its Magic Circle peers. Shearman's transactional private equity offering has long been eclipsed on its home turf by US firms that it would once have considered poor cousins.

At heart, both outfits are “finance firms” – a brilliant place to be pre-Lehman, but not quite so peachy post-Lehman. The new firm will doubtless hope that its scale and brand will help remedy this relative private equity weakness but, as everyone in law firm management knows, this will be easier said than done. Private equity “names” are eye wateringly expensive and, precisely because both

Allen & Overy and Shearman & Sterling largely missed out on the private equity boom, the profitability of A&O Shearman will be well below that of the firms it will need to target.

That being said, with global interest rates at a 10-year high, private equity will be less frothy which may help to flatter the new firm's financials against peers, which could in turn help it attract talent.

Assuming the merger goes ahead, A&O Shearman will certainly be a force, but the devil will be in the detail; going back to the chimera analogy - an obvious question will be which part(s) of the new firm will constitute the "head" and which the "body" (let alone the serpent's tail)?