

O'Melveny's Profitability Growth Tracks 9% Revenue Hike in Year of Heavy Investment

The firm directed a significant amount of 2021's gains towards launching new offices in Dallas and Austin, yet profits per equity partner grew 10.2%

By Dan Packel
February 23, 2022

What You Need to Know

- Profits per equity partner rose 10.2% to \$2.7 million.
- Net income rose 12.2% to \$457.3 million.
- The firm grew profits even in a year of rising associate pay and office launches in Texas.

Breaking with a number of Am Law 100 peers, O'Melveny & Myers grew both the top line and the bottom line at a commensurate level in 2021, when gross revenue and profitability increased in the 10% range. In all, gross revenue reached a firm record of \$911 million and average profits per equity partner rose to \$2.7 million.

The financial consistency owes to O'Melveny's significant investments over the past year, notably its June expansion into Texas, which saw [Dallas](#) and [Austin](#) become the firm's first new U.S. offices in two decades.

The two offices now are home to 29 lawyers, 16 of them partners, and establishing that presence required a significant outlay, with costs including real estate, marketing, recruiter's fees and payments to mid-year hires who stood to forfeit bonuses and other pay at their prior firms.

O'Melveny chair Bradley Butwin said that if 2020, when revenues were flat and profits per equity partner grew by 6%, was a year for "strategizing and planning," 2021 "was a year for acting on the firm's ambitious plans and driving growth."

"All of our strategy is guided by clients' needs, and we're opening in Texas because some of our biggest clients are based in Texas and others are active in the state," Butwin explained, pointing to a record in the last decade of major victories in Texas courts and significant transactions for Texas clients including American Airlines, AT&T and ExxonMobil.

The Texas lawyers—who came from firms including Baker Botts, Locke Lord, Norton Rose Fulbright and Thompson



O'Melveny offices in Washington, D.C.

& Knight—are already at work on matters for key clients including T-Mobile, Samsung, American Airlines, Johnson & Johnson and Bank of America, according to Butwin.

2021 Engagements

Work for some of these clients is a big part of how O'Melveny delivered a 9% increase in gross revenue in 2021.

Among the dozen-plus cases tried by the firm's litigators, its work for J&J stood out. After a seven-month trial, a California state court judge ruled in favor of the O'Melveny client and three other pharmaceutical manufacturers and ended a \$50 billion attempt by four local governments to expand public-nuisance laws to address alleged opioid-related harms. Later that month, the Oklahoma Supreme Court reversed a trial court's ruling requiring the company to pay \$465 million for nuisance abatement in an opioid case there.

O'Melveny's labor and employment team found work on behalf of Dallas-based American Airlines, helping end a work stoppage that grounded more than 170,000 passengers and caused 950 flight cancellations at the height of the summer travel season, and it also had engagements on behalf of United Airlines, Frontier Airlines and Spirit Airlines.

The firm also helped Walt Disney defend a breach of contract suit brought by Scarlett Johansson over the streaming release of her film “Black Widow,” which resulted in a confidential settlement, and IP litigators won a federal trial in the Western District of Texas, successfully defending Google in a \$20 million patent infringement suit.

If the comparatively larger litigation department delivered a greater share of revenue, the corporate side demonstrated a greater year-over-year increase in what Butwin called a “fabulous” year. He highlighted growth in private equity work, technology, restructuring, energy, capital markets and cross-border work.

Collectively, O’Melveny closed over 300 M&A transactions around the world, with an aggregate deal value of more than \$105 billion. Meanwhile, the firm raised more than \$165 billion for capital markets and finance clients. With nine IPOs on the Hong Kong stock exchange, Butwin said that the Asia capital markets might have been the firm’s busiest practice. And O’Melveny’s bankruptcy attorneys helped secure the \$120 billion restructuring plan for Puerto Rico that was finalized in January 2022.

Growing Profits and Partners

All of this work contributed to a 2021 where profits per equity partner rose 10.2% to \$2.7 million. O’Melveny’s net income rose 12.2% to \$457.3 million. These figures are up roughly 70% over the past seven years.

Even with the firm’s substantial investments, its profit margin also hit a record high of 50%. These increases unfolded against a backdrop of rising associate compensation costs.

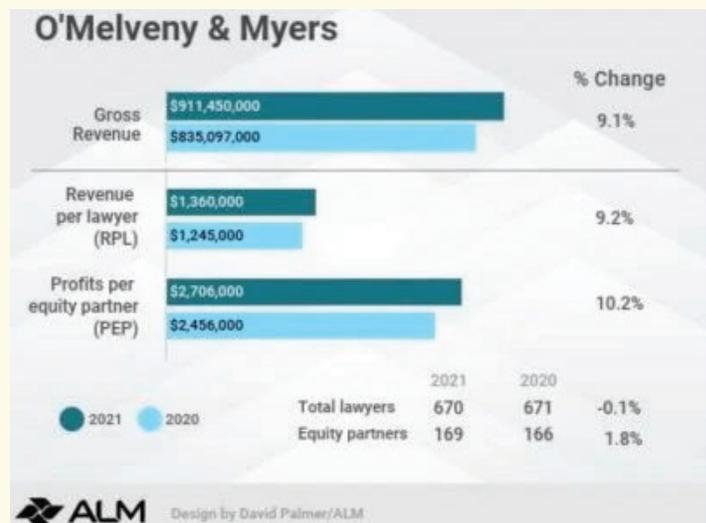
“Obviously it was a big expense, as were our various investments, but it was more than offset by increased demand,” Butwin said.

The size of the firm’s equity partnership also ticked upwards, rising 1.8% to 169 attorneys, according to ALM data. But Butwin asserted that the category grew even more vigorously, noting that the firm added 23 new lateral partners over the course of the year, who are classified by American Lawyer metrics as non-equity partners for their first, incomplete, year at the firm.

“We’ve grown the partnership quite substantially,” Butwin said.

In addition to the hires in Texas, the firm grew its corporate capabilities in China, and also added two standout M&A attorneys—Daniel Kim and Woojae Kim—in South Korea.

“When we go and look to recruit, like in Korea, what we ask ourselves is not, ‘Let’s build it, and it will come,’ but,



‘How will we be able to help our client partners better by these hires?’” Butwin said.

In Korea, he noted that while the firm is doing strong business on the litigation side with Samsung and other clients, there are untapped opportunities to be doing more cross-border corporate work.

Looking Forward

Looking ahead to the rest of 2022, Butwin reports that O’Melveny entered the year with 50 trials or arbitrations scheduled and a deal pipeline that extends into the summer.

The firm’s antitrust litigators are atop the highlight list, serving as lead trial counsel for Penguin Random House as it defends against the Justice Department’s attempt to block its \$2.175 billion bid to purchase Simon & Schuster from ViacomCBS Inc. And the firm is representing Google in four cases brought by game developer Epic and 36 state attorneys general.

The firm is also serving as trial counsel for Colony Capital Tom Barrack as he fights charges of acting as an unregistered agent of the United Arab Emirates, and O’Melveny attorneys are representing CNN in its dismissal of former anchor Chris Cuomo.

Capital markets lawyers meanwhile have nearly 20 IPOs in process in Hong Kong and the U.S.

All of this new work is accompanied by a starting inventory on Jan. 1, that was 42% higher than the start of the previous year. That compares favorably to a industry average increase of 11.9% from a recent [Citi Private Bank report](#).

“We have a lot of wind at our sails,” Butwin said.

