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## Enthusiasm and perseverance – Hengeler Mueller's Georg Seyfarth on increasing competition and his firm's global strategy



Author: [Dominic Carman](#) | 24 Nov 2014 | 00:12 |

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*The German economy may look sluggish but Hengeler Mueller co-managing partner Georg Seyfarth remains upbeat, he tells Dominic Carman*

"In the realm of ideas everything depends on enthusiasm," wrote Goethe. "In the real world everything rests on perseverance."

Appointed in July as the new co-managing partner of Hengeler Mueller, Georg Seyfarth embodies enthusiasm and perseverance – qualities that he and his colleagues will surely need.

Alongside their fellow German independents, the country's leading corporate advisory firm faces some harsh *realpolitik*: the mirage of robust economic growth in the EU's largest economy has once again disappeared over the horizon.

In October the German government savagely cut its GDP forecast for 2014 to 1.2% from its previous estimate of 1.8%. Forecasts for 2015 have been similarly reduced from 2% to 1.3%, while the recent European Commission projection is even lower at 1.1%.

Despite what he terms "the shadows" lying ahead, Seyfarth remains enthusiastic. "If you look at the M&A market, it's been good for the legal industry as a whole, and a very good, if not an excellent, year for us," he says. "We have seen higher-value transactions, both outbound and inbound."

Hengeler has enjoyed "a pretty good share" of innovative corporate work, he continues. "Some was triggered by regulatory changes: financial institutions thinking about what happens with stress tests and new requirements from the regulators." Insurance has delivered "new, challenging work", real estate has been "very busy", likewise TMT (telecommunications, media and technology) and medical biotech. As evidence, he points to an impressive catalogue of large cross-border transactions on which Hengeler has

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advised in 2014, including the €8.8bn (£7bn) BSKyB deal (see box, below).

Seyfarth also identifies a significant rise in litigation, an expanding practice area for many German independents over recent years. Alongside M&A and finance, litigation is now "the third leg" of Hengeler's practice, and the fastest growing – a trend he believes will continue.

One of Seyfarth's "shadows" is the Ukrainian crisis, which has caused several initial public offerings (IPOs) to be shelved. "In IPO work there are certain windows of opportunity," he explains. "In many cases, if an IPO is called off, it's picked up again six or nine months later. From a legal market perspective: no major harm done."

Historically the leading adviser to DAX30 companies – from Allianz to ThyssenKrupp – Hengeler remains in pole position with Freshfields Bruckhaus Deringer right on its shoulder, followed by Gleiss Lutz and, increasingly, Clifford Chance.

But rising globalisation means that DAX30 companies now earn 75% of their revenues outside Germany: growth potential for German law firms winning mandates or joining panels may be limited, especially as the DAX30 constituents continue to expand their in-house legal teams.

And then there is the perennial question of fees, as heavyweight German corporates are pushing ever harder to reduce billing rates, particularly notable among DAX companies rather than German SMEs, known collectively as the Mittelstand. "There is price pressure, but the signals are mixed," says Seyfarth. "We definitely see a clear focus on results rather than price from the Mittelstand and with our private equity clients. Listed companies, with different scales of in-house capacity, are more heterogeneous.



"What we aim for is being the trusted adviser to our clients, and this concept resonates very strongly with the Mittelstand."

Competitive panel processes and the quest to reduce legal spend by German blue chips are ubiquitous. These, he suggests, are being driven not by legal departments or general counsel, but by the sourcing and procurement departments. Lawyers are not the ones making decisions.

#### Eye on the competition

Seyfarth is full of admiration for his domestic challengers – especially Freshfields, Hengeler's greatest competitor, the firm they see most often on transactions and whose quality of work they most admire. Gleiss is regarded as outstanding in competition, M&A and corporate law, while Seyfarth acknowledges that CMS and Noerr are involved in many deals, although they are notably cheaper than Hengeler.

When it comes to competitive pricing, Seyfarth puts distance between Freshfields and Hengeler and the rest. These two firms do not aim to win the mandate by price, but by the quality of work, he believes. And while he concedes that mid-sized firms offering substantially lower rates do secure mandates as a consequence, he says this does not apply to high-end work.

Competition for talent is fierce, especially in recruiting the best young associates, while the market for lateral hires remains reasonably buoyant. While some international firms in Germany are expanding, others have recently downsized in the region: Hogan Lovells and legacy SJ Berwin (now King & Wood Mallesons) both closed their Berlin offices but retained a presence in Frankfurt and elsewhere; Shearman & Sterling consolidated its Duesseldorf and

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Munich offices into its Frankfurt site; and in June Sidley Austin closed its German operation altogether.

### Rise of the indies

Conversely, independent firms, especially some aggressive mid-sized players, have gained market share, partly at the expense of international players and the domestic elite. Notable among these is Heuking Kuhn Luer Wojtek, which for the last five years has substantially grown its revenues, headcount and offices. This includes the September hiring of 18 lawyers when the firm absorbed the entire Stuttgart office of GSK Stockmann + Kollegen.

But will growth at Heuking and other mid-sized independents continue? Seyfarth is sceptical, believing that hiring lawyers to boost turnover will become unsustainable. "It's a different business model," he argues. "Some go for the turnover, others go for the quality. My view: never compromise quality for turnover."

Conceding that some impact from mounting domestic competition will continue, he says his firm looks increasingly beyond Germany: "Our traditional German clients continue to have us on their shortlist, but it is not a monopoly."

What Hengeler may lose domestically, he points out, will be compensated for by work from international clients, looking inbound into Germany and in pan-European transactions. The opening of the firm's new Shanghai office, alongside their existing presence in London, underpins its international strategy.

"A key challenge is to make China work," says Seyfarth. "We are clearly focused on inbound work from Chinese clients coming into Europe. I emphasise Europe, not only Germany." He predicts companies in the TMT and engineering sectors will be of particular interest to Chinese investors.

Seyfarth is sanguine about the future. "Normal M&A, mid-cap M&A, plain vanilla M&A – many lawyers can do that," he explains. "Transactional skill in itself is a necessity, but that's not enough. You need to offer more. So if we want to go to our clients and say 'choose Hengeler', we have to offer them something special: very sophisticated skills in dealing with the regulatory requirements and a difficult economic situation that combine with transactional skills."

Enthusiasm and perseverance seem set to continue as hallmarks of German success.

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### What's on the box?

Hengeler advised British company BSKyB on a series of deals worth €8.8bn (£7bn), creating a European pay-TV giant with 20 million subscribers. BSKyB acquired 21st Century Fox's 57.4% stake in Sky Deutschland (SkyD) for €3.6bn (£2.9bn), while also buying out the minority shareholders in SkyD for €2.6bn (£2.1bn).

That deal closed in October alongside BSKyB's purchase of a 100% stake in Sky Italia for €2.6bn (£2.1bn) in cash, with the balance paid through the transfer of BSKyB's 21% stake in National Geographic Channel. Hengeler devised the legal structure and entities used for the German and Italian deals.

"From a firm viewpoint, it demonstrates our strong international inbound capacity," says Seyfarth. 'Best friend' Slaughter and May was not involved. "It arrived through the personal relations of one of our Frankfurt partners," Seyfarth explains.

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