

Duane Morris' Revenue Figures Show Some Impact From Merger

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Firm is looking to fill out some of its current offices, possibly in Chicago, New York, Washington, D.C., and London

Duane Morris' merger with 60-attorney Hancock Rothert & Bunshoft in 2006 played a noticeable role in its financial performance for the year, increasing the firm's gross revenue while stunting its revenue per lawyer growth.

The firm also announced that it has increased its first-year associate salary by \$10,000 to \$135,000, retroactive to Jan. 1.

Duane Morris' gross revenue grew by 16%, from \$290 million in 2005 to \$336.6 million in 2006. The profits per equity partner (PPP) took an 8% jump from \$674,000 in 2005 to \$728,000 in 2006.

The firm decreased its number of equity partners by almost 4% during 2006, moving to 128 from 133 the previous year. The non-equity partner group grew 15.5% from 136 to 157 in 2006. The firm reported a total of 561 attorneys for last year.

Revenue per lawyer (RPL) inched up 1% from \$593,000 in 2005 to \$600,000 in 2006. The average compensation for all partners increased by 5.5% from \$475,000 in 2005 to \$500,500 in 2006.

Firm Chairman Sheldon Bonovitz said the Hancock Rothert merger had a "modest" effect on the numbers, mainly in the area of RPL. He said Hancock Rothert had a "pretty high percentage" of associates whose addition to the firm brought Duane Morris' leverage to about 1-1. He said the firm expected a slower rate of growth in the RPL for 2006 because of that.

Aside from the Hancock Rothert merger, Bonovitz said Duane Morris brought up a large group of its associates to the non-equity partner tier in 2006, which also had an effect on its RPL.

While the firm has brought on nearly 15 partners since the beginning of the year and is in talks with close to 30 more, Bonovitz said he is more concerned with having about 25% of the firm's attorneys as equity partners than he is with partner/associate leverage. Right now the firm has about 23% of its headcount in the equity tier.

Bonovitz said Duane Morris is not trying to use the non-equity partner tier more frequently, and there were no de-equitizations in 2006. The increase in non-equity partners and the drop in equity was just the way the numbers played out after adding Hancock Rothert attorneys, moving associates to nonequity partners and seeing some retirements, he said.

The gross revenue growth, he said, was attributable to a strong performance in the firm's practice areas – with the exception of bankruptcy – as well as the addition of the 60 attorneys from Hancock Rothert.

Bonovitz said the merger cost the firm between \$3 million and \$3.5 million, which came out of 2006 revenues.

Gloria Cannon of BCG Attorney Search in California said Hancock Rothert was as “an incredibly well known insurance coverage firm” that, as with many smaller firms, had a few attorneys leave for larger firms before it completed a merger.

Cannon said Duane Morris' overall growth strategy and the addition of Hancock Rothert have made it more visible in the California market.

“They are definitely making themselves more well known,” she said.

Given the fact that some mergers result in a decrease in financial performance indicators the first year, Cannon said it is a positive sign that Duane Morris' numbers are in the black. She said next year's financial showing would be more telling, however.

Bonovitz said he is happy that the firm was able to maintain close to the same growth rates as last year given that the firm had only half of the number of contingency cases in 2005 as it did in 2006.

Last year, Bonovitz said the firm wanted to grow from its then-current headcount of nearly 600 attorneys to 1,000 attorneys within two to four years. While the full-time-equivalent attorneys reported for 2006 was 561, Bonovitz said the firm currently has about 630 attorneys and will be in the high 600s by the end of 2007 if Duane Morris doesn't go through a merger this year.

Bonovitz said the firm is talking to two or three potential merger partners domestically, but they are only at the beginning stages. The firm is mainly looking to fill out its current offices, particularly in New York, Washington, D.C., and Chicago, he said.

Duane Morris is looking at potential merger partners in London in order to beef up that office as well, he said.

The firm opened a Singapore office last month and will be opening two offices in Vietnam in the next few months. Bonovitz said he doesn't have any other plans for the Asian market until those offices have been "digested."

The firm also opened a four-attorney Baltimore office in December 2006 with plans to hire at least three associates at the start.

Along with its 2006 financial performance, Duane Morris said it would increase salaries for the second year in a row.

Bonovitz said the firm had budgeted in a salary increase for 2007 and announced it just recently. First-year associates will now make \$135,000, but that increase will not be uniform throughout all associate levels. While the subsequent levels will see increases, the firm measures salaries beyond the second- or third-year associate level based on contributions to the firm, Bonovitz said. He said associate bonuses for 2006 were as much as 20% of an associate's salary. At \$150,000 a year, that's a \$30,000 bonus, he said.