

## Private Equity Group Of The Year: Davis Polk

By Benjamin Horney

*Law360 (January 24, 2020, 2:30 PM EST)* -- Davis Polk & Wardwell LLP handled many major private equity matters over the past year, including guiding across the finish line Brookfield Business Partners' \$13.2 billion deal for the power solutions business of Johnson Controls and steering Warburg Pincus in a \$5.1 billion transaction involving portfolio company SemGroup, earning the firm a spot among Law360's 2019 Private Equity Groups of the Year.

Although it may not have the same quantity of private equity partners as some competing law firms, Davis Polk is confident in the ability of its private equity group to land work on the industry's biggest deals. In fact, Davis Polk doesn't even really delineate which of its lawyers are experts in private equity versus mergers and acquisitions because the firm seeks to employ partners who are capable in both areas.

In total, Davis Polk boasts about 18 partners in its M&A group, many of which have expertise in both M&A and PE.

"It's very hard to keep the quality up when you have 100 partners," said John Amorosi, a partner in the Davis Polk corporate department.

"Our motto is to punch above our weight," noted Bill Chudd, a partner in the Davis Polk corporate department and co-head of the firm's private equity group.

The firm did just that throughout 2019, starting with its handling of a deal that involved people, assets and joint ventures spread across 100 countries. The \$13.2 billion deal saw a Brookfield Business Partners LP-led consortium, which also included Canadian public pension fund manager Caisse de dépôt et placement du Québec and other institutional partners, acquire the power solutions business of Johnson Controls International. It was announced at the tail end of 2018 and closed in April.

Davis Polk served as legal adviser to Brookfield on the deal, which involved one of the largest carveouts from a major public company in history. Davis Polk helped its client navigate a very intricate transaction that not only included complex legal maneuvering in an array of areas but also had timing pressure due to internal reasons from Johnson Controls, according to Leonard Kreyenin, a partner in the Davis Polk corporate department who worked on the deal.



"What we brought to the table more than anything else was creativity," Kreynin said. "We also brought experience and judgment of what issues we needed to stand firm on and where we could compromise."

Like with many of its major clients, the relationship between Davis Polk and Brookfield didn't sprout up overnight.

"The relationship goes back probably three years, give or take," Kreynin said. "With all relationships, you don't waltz into a deal like that on day one. There is a buildup. You do smaller things so the two sides get acquainted with each other, and then ultimately they have confidence and trust you with a very major deal."

Guiding that massive transaction across the finish line was certainly a highlight for Davis Polk in 2019, but it's merely one of many big-time matters they helped handle for notable private equity clients. The firm also advised Warburg Pincus as portfolio company SemGroup Corp. — an Oklahoma-based energy transportation business — was sold to Energy Transfer LP. That agreement, which had an enterprise value of about \$5.1 billion, was announced in September.

It saw Energy Transfer take over SemGroup, which owns the Houston Fuel Oil Terminal. As part of the agreement, Energy Transfer also announced plans to build a new crude oil pipeline, known as the Ted Collins Pipeline, that will connect the Houston Fuel Oil Terminal with Energy Transfer's Nederland Terminal.

"Principally, our role there was helping the client advocate for their points of view in a manner that ensured a max return," Amorosi said. "Because it was a mixed private equity-public company assignment, it sort of played to our strengths."

According to Amorosi, Davis Polk is adept at understanding the complications that can arise when a deal involves both private and public companies, including issues related to the fiduciary duties of a public company's board of directors, as well as the desires and motivations of all sides.

"It's important for private equity lawyers to understand what's going through the minds of their counterparts," Amorosi said.

In this case, the counterparts were the directors of a public company target, and it was all in the context of a take-private deal for a company in which they were invested, Amorosi said.

Other significant matters Davis Polk assisted on over the course of the last year include private equity-backed Nuvei Corp.'s \$889 million takeover of U.K.-listed payment services company SafeCharge; The Williams Cos.' sale of its 50% stake in a Wyoming natural gas joint venture to an affiliate of Crestwood Equity Partners, worth \$484.6 million; and Trilantic Capital Management's successful \$2.75 billion fundraise for Trilantic Capital Partners VI (North America) LP, which closed over the summer and targets investments in sectors like business services, consumer and energy.

The firm was able to handle such a plethora of PE matters because of the deep-rooted relationships it develops with clients. Davis Polk touts that, unlike some competitors, it typically has more than one partner who puts effort into building those relationships.

By having two or three partners who have strong personal relationships with a given client, Davis Polk is

always prepared to handle matters when called upon, according to Chudd.

"One thing that I would say we do particularly well is that it's not just one of the partners that has a relationship with these PE clients," he said. "And we don't have A, B and C teams. We think all of our partners are A quality, and if one partner may be busy at a particular time, there's another who can seamlessly pick it up and has developed a relationship with that client."

Davis Polk's lockstep compensation system, which bases employees' salaries on their seniority within the law firm, is one of the major reasons the firm believes it can so seamlessly counsel clients, because there are never battles over who is going to do the work and get the credit. Thus, the firm's attorneys are able to focus exclusively on getting the job done.

"We're not trying to compete with the behemoths, and we're OK with that," Chudd said. "We're trying to smartly compete in a way we think can add value to clients, and we think we do a great job of that."

--Editing by Orlando Lorenzo.