

McGuireWoods: Teamwork Key to Firm's Success

McGuireWoods is a full-service firm providing legal and public affairs solutions to corporate, individual and nonprofit clients worldwide for more than 200 years collectively. Here, firm partners Penny Zacharias and Ying Hsu discuss McGuireWoods' Banking and Finance and debt finance practice areas and what they are seeing in the industry.

BY EILEEN WUBBE



■ PENNY ZACHARIAS
McGuireWoods



■ YING HSU
McGuireWoods

McGuireWoods' Debt Finance Department comprises about 90 lawyers of the roughly 950 lawyers of the firm, making it one of its biggest departments. A variety of lending transactions, including asset-based lending, syndicated finance, acquisition financing, and leveraged buyouts are handled by the Debt Finance Department. In addition, a segment of the firm's restructuring and insolvency attorneys that primarily work on bank financing and other types of restructuring are part of this department. McGuireWoods has 20 U.S. offices and a London office, with debt finance lawyers in almost all of them.

"One third of the firm's debt finance lawyers regularly work on ABL matters.

We have an ABL team that meets regularly, shares information, talks about transactions and issues and shares information about clients,” explained Penny Zacharias, office managing partner of the firm’s Pittsburgh office, who joined in 2015.

Ying Hsu, office managing partner of the firm’s Chicago office, added that the practice is industry agnostic. About a third of deals she works on are healthcare related. Her practice has gone from being predominately on the lender side to a more balanced mix between lender-side and borrower-side work.

Healthcare and energy are a heavy industry focus of the firm.

“The ABL industry work lends itself to some of the more traditional types of industries, such as metals and industrials,” Zacharias said. “But our ABL covers a variety of industries.”

Zacharias is a co-chair of the firm’s Women in Private Equity and Finance initiative, which promotes the advancement of women in private equity and lending through a series of industry-focused events that provide substantive educational and networking opportunities.

“We’ve built a great network of women leaders as well as women at the earlier stages of their careers that are interested in networking with our group,” Zacharias said. “It’s a nice tie in to the representations we have of women-owned firms or women-owned private credit funds.”

Trends and Challenges in the Secured Finance Marketplace

More covenant waivers and amendments, fewer forbearance agreements, a robust M&A market, the growth of private credit funds and keeping on top of regulatory changes are just a few of the trends and challenges Hsu and Zacharias are seeing in the market.

“I’ve spent a good chunk of my year so far addressing problems that have come up in our deals,” Hsu said. “In our world oftentimes a borrower and lender’s relationship may be pretty quiet and stable, and we might not hear anything other than maybe one or two amendments during a transaction’s three- to five-year term and then a payoff. This year we’re touching so many of our deals with some sort of issue, some small, some larger, and I think that credit approval for those changes has been more challenging than it has been in the past.”

“Given the overall macro state of the economy for the last several years, we all thought that the bottom was going to come out,” Zacharias added. “We haven’t seen that, but we have seen companies struggling. Deals that were put together in recent years, when there was so much capital to deploy and terms and documentation were much looser, are all coming back now on the companies.”

The M&A market looks better and more robust than it did a year ago, which often will drive activity on the lending side, Zacharias added. There is more interest in getting deals done.

“It’s a matter of more diligence being placed on transactions this year, which goes into lenders being a little cautious, but still wanting to have their doors open to do business, which draws out the process. It’s not that the deals aren’t getting done; they just

seem to be taking longer than years past, which isn’t necessarily a bad thing.”

Fee pressure also continues to be a challenge and that isn’t unique to McGuireWoods. Hsu says it is an ongoing issue and has been more challenging in the last few years, and will likely be an increasingly bigger pressure point on the legal industry. The firm also puts effort into its fee structure for clients.

“Making sure we can do the work at the right price for the parties involved is an ongoing pressure,” she said. “We try to be as collaborative as possible, and that’s something I think is special about our culture and has helped our partner retention.”

Additionally, “keeping up with the changing landscape clients are facing, particularly the lenders, with all of the regulatory pressures they are facing, is a challenge,” Zacharias added. “We’re not regulatory lawyers but we are able to be mindful of what’s happening in the greater scheme and then adapting to what that’s going to translate into, such as deals they underwrite and how they’re doing deals and taking them to market. Staying on top of the current market trends is something that our clients expect from us, and there’s been a ton of change over the last several years. With a department as large as ours, it’s a huge benefit of being at a firm with so many internal resources.”

Laser Focused on Client Service and Firm Culture

McGuireWoods prides itself on its excellence in client service. The firm strives to make sure its core values are intertwined in how they’re conducting themselves internally and externally.

“We have a team approach,” Zacharias explained. “When we kick off transactions, we have deal teams, partners and lawyers at all levels, and our more junior colleagues have the chance to do valuable, important work. It’s not like some places where for the first five years you’re sitting in a corner doing the signature pages. That’s an important part of the work, but it’s not the only thing.”

The firm has approximately 50-60 summer associates throughout the firm, and they get to select from a wide variety of assignments in the course of the summer program.

“They can come in thinking they want to do tort litigation and then leave wanting to do what Penny and I do,” Hsu added. “We make it deliberately open so they can try different things, but that can present challenges if I want to pull in a summer associate on a transaction, and then the transaction timeline shifts if a deal doesn’t stop or start or we don’t get the greatest projects for the summer.”

Eileen Wubbe is senior editor of The Secured Lender.