

Sean Wheeler Q&A : Why He Moved, What He Wants To Do, Where He Sees The Market

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By Claire Poole

(Aug. 9) – The news last month that star corporate transactional lawyer Sean Wheeler was moving from Latham & Watkins – whose Houston office he helped found eight years ago – to Kirkland & Ellis sent shock waves through the legal community.

Wheeler is widely viewed as one of the most successful and highest paid capital markets lawyers in Texas. Since January 2016, he led or co-led more than 50 securities offerings worth \$28.6 billion, according to data gathered by The Texas Lawbook’s Corporate Deal Tracker.

The Harvard-educated lawyer also has been active on the M&A front, having advised Andeavor Logistics on its \$1.8 billion merger with Western Refining Logistics last year. His other M&A clients have included EnSCO, Rowan Cos., Weatherford International, Rice Energy, BreitBurn Energy Partners, Athlon Energy, LinnCo, Plains Exploration & Production, Energy Transfer Partners and K-Sea Transportation Partners.

In his first in-depth interview, Wheeler talks about why he joined Kirkland, what he aims to accomplish and how he sees the M&A and capital markets landscapes shaking out for the energy industry.

Why make the move at this point in your career?

I had been considering a move for a while. I was happy at Latham, but I admired what Kirkland had accomplished, going from zero lawyers in Texas in 2014 to over 150 now, if you include those in Dallas. And it’s expected to continue to



Sean Wheeler

grow through the end of the year.

So, my analysis was Kirkland is growing by leaps and bounds and has great people and great capital markets opportunities for me. Matt Pacey and Julian Seiguer are great lawyers, but we have the opportunity to grow even more. And Kirkland also has a great restructuring practice, which continues to be active during downturns.

What do you hope to accomplish?

I want to help grow the capital markets practice and grow the strategic M&A practice. I think I have something to offer in both those areas. Their private equity practice is phenomenal, and I might participate in that as well.

Are you taking anyone with you?

I’ve only been here eight days. And I couldn’t talk to people at Latham while I was still there, and I want to honor my agreements with them, of course. We’ve been evaluating our needs with Matt and Julian and decided that in the near term, we’ll have more people.

What M&A trends are you seeing?

On the M&A side, obviously the private equity practice all over the country is booming. On the strategic side, there is a desire to do transactions, but some of the recent ones weren't received very well and there's been a bit of reluctance among strategics to combine. E&Ps [exploration and production companies] don't really need to combine, although some of the smaller independents might be acquired.

There's a disconnect in other parts of the energy value chain, including oilfield services and the midstream, and it's been hard for buyers and sellers to come to terms on transactions, especially when it involves stock. It's hard to do a cash deal, as companies don't want to lever up again, and on a stock transaction, you have the exchange ratio and the daily movement of stock prices. It can be more challenging to do deals on an all-stock basis.

What are you seeing on the capital markets side?

We're seeing activity, with the oil names and the minerals companies having the best opportunity for IPOs. The recent Berry [Petroleum] deal priced below the range, but the good news is that it got done, which is a good omen for 2019. I don't think the floodgates will open, but oil-weighted companies and mineral companies will have the best chances. The gas names are still weighed down by commodity prices.

We're also seeing a number of SPACs in the office [special purpose acquisition companies], which are a bit trendy. They're not going to take over the universe, but we are seeing them on a fairly regular basis.

In the MLP [master limited partnership] space, stock prices have come back, but there's not much interest in IPOs at this point. There's one

that's in the pipeline that's not public yet, maybe it will be next month. There's still consolidating going on, but MLPs aren't expanding much.

All small energy companies are struggling to attract interest in their stock, which makes it hard for newly public ones to get traction. So private equity-backed companies are electing to take the M&A route rather than the small public company route. The difficulty with being a public company is all the regulation, although the SEC has been working to be more flexible. But a lot of people have lost their love affair with being public. It really depends on where you'll get the better valuation, and M&A is often the better valuation.

What do you expect to see in next six to 12 months?

M&A will be the busiest in terms of actual work on a day-to-day basis for the next three to five months. As folks turn the corner on 2018, capital markets activity will begin to pick up again. You'll see follow-on offerings and private companies going public. The second half of 2019 could be a good time for new issues as long as commodity prices stay relatively stable. The issues with E&P companies have been dealt with and balance sheets are in good shape.

What do you think of the expanding legal marketplace in Houston? Is there room for more firms? Aren't some a bit thin?

I don't know if there's going to be room for more firms in the market. If you only have six or 12 or 18 people, it's hard to have enough critical mass to develop a lot of business unless you're a niche player. It's hard for people to come in and scale up. There will be additional firm mergers, a path to stability for smaller firms. But you might also see groups of lawyers from established firms going to the Lathams and the Kirklands and the Gibsons.