

Management Buyout

2022 marked a turning point in Russia's economic development. The departure of Western corporations created unique conditions for the country's entrepreneurs to establish and strengthen their own production facilities. In the summer of 2022, top managers of a major industrial company, which produces in-demand measuring instruments for the oil and gas industry, approached the firm seeking consultation on a fair acquisition of assets from a foreign owner.

David and Goliath – negotiations' classics

It is no secret that in negotiations, the economic, financial, and political weight of the parties involved plays a significant role. The difference between the seller and the buyer in terms of negotiating leverage can determine the content of the agreements reached and the overall success of the deal. To say that 2022 was a challenging year for the M&A sector would not fully convey the range of complex circumstances and conditions that Russian market participants found themselves in. In such circumstances, asset sellers try to secure terms and conditions that minimize their responsibility and maximize their rights to capital repatriation and buyback option in case of future changes in circumstances. Nervousness, hastiness, and, as a result, shortsighted decisions inherent in such an atmosphere can seriously impact acquired enterprises in the long term.

Experience matters

Given the incomparable negotiating weight of the parties involved and the participation of one of the largest Western law firms on the seller's side in this transaction, the task could have seemed impossible for our firm. Adequate client representation requires knowledge of the applicable law, the structure of such transactions, the documentation involved, fluency in the foreign language used in negotiations, business experience of the consultant, the ability to listen to both sides, and the ability to provide reasoned arguments to clients when they disagree but are wrong. The latter quality is most valued by clients as lawyers are paid not for the process but for the result achieved. An important condition for successful work on cross border deals is the respect of the client's counterpart consultants. Ask yourself — how many consultants do you know who have negotiated with firms like Kirkland & Ellis, Cleary Gottlieb, Latham & Watkins, Greenberg Traurig, having been independent small firms or practitioners? In English? Based on documentation hundreds of pages long? How many lawyers do you know who have negotiated with more than twenty negotiators facing one of your consultants who was alone? Experience matters.

Project Completion

Our firm's participation in the project lasted for over eight months and was successfully completed to both sides' satisfaction. We are grateful to the client for choosing our firm and we know that the acquired plants are now in the hands of competent engineers and managers who will continue to develop production for the benefit of the country's strengthening industry.