

# '2010 - the private realm will start seeing positive developments'

Interview with FLORIAN NITU, Managing Partner of Popovici Nitu & Asociatii.

By Monica Apostol

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*How do you see the trend of law firms in 2009? And how did Popovici Nitu & Asociatii fare in terms of development and turnover?*

Business law firms - there is a reason behind this name - reflect the state of the economy and consequently the law firms fared as the economy. As we could see, the economy fared unevenly. In a word, there was a hard, dense, consistent year. As early as in 2008, I characterized the current state of mind in just a phrase, which - I believe - reflects today's things well: We will work more, for less. It became obvious to us and on such basis we have decided to add more resources and projects. Actually, we have extended our team by a significant number, almost 10 people. Additionally, we continued to invest in training, we have profiled the Knowledge Management Group and have focused to economic zones where we thought there is organic growth potential. We were pleased to see that, during last year, we were able to achieve growth in these adverse market conditions but, as I said, this came at additional cost, with many resources and, generally speaking, with extended permanent effort.

I believe things will start moving in 2010, a series of industries will necessarily get on the move, with transactions, restructurings, mergers. For years we were speaking about "mergers and acquisitions", but we were in fact dealing more with "acquisitions". It turned now that when we quote "mergers and acquisitions", we are in fact dealing more with "mergers". Coming to turnover, Popovici Nitu & Asociatii made a little above EUR 7 M. For 2010 we expect a sustainable increase, somewhere between 5-10 percent.

In terms of further developments, territorial expansion does not fit with our strategy, as we are more a transactional firm, and as known, Romania's big transactions are made in Bucharest and even when transactions are made in the secondary cities, these are still easy manageable from the Bucharest office as, you know, Romania remains a small country.

In terms of how others did in the past year, indeed, there are law firms that restructured their staff, but I think this happened only to those firms that had undergone a non-organic growth, that developed artificially, circumstantially, that grew "in advance" as they say, speculating a certain economic evolution, so it happened that some companies cut their personnel. The large and sound firms, with their roots deep in this market did not suffer in this regard.



*Do you plan a territorial expansion for 2010? What would these projects be?*

There are 4 important business development drivers in our 2010 operations expansion strategy. The first one is the litigations department, which doubled its staff over the last two years. From 6-8 people in 2007, it rose to 14-16 now and we intend to bring even more experts in the group. The second direction refers to legal tax. We traditionally had an in-house group of tax experts, but there is a market demand for more elaborated legal and (technical) tax advice and we shall follow this demand and we'll extend the team by bringing in expert financial auditors, tax litigators. The third direction we developed already significantly during these years - and we start getting results - is the energy department. Traditionally, we were involved in energy, as one of the main players. There is no firm in this country that got involved in all the nuclear power energy projects in the past 15 years (see the four units of the Cernavoda nuclear power plant). But we have equally unparalleled experience in wind and photovoltaic energy production and transmission projects, as well as in hydro-power. Finally, there is fourth direction which we are considering for major expansion in 2010, and that is competition and antitrust sector. We have one of the most experienced competition and antitrust teams in the market. Last year, we succeeded to get involved in almost all the

important industry investigations conducted by of the Competition Council, for individual clients or for industry associations. We were present in the investigation concerning the retailers, the grain producers and traders, just to give few examples, and there are investigations currently pending in the pharmaceutical industry where we have already secured leading advisory roles.

In overall, while for the public sector 2010 it is likely to be a horrible year, in the private realm will start seeing positive developments. For the business community one can already see a change in the local entrepreneurial approach, from and "Wait and see" position during 2008/2009 to a "Let's see what we can do" position from now on.

*During 2000-2008 Romania was very attractive for the international law firms. But since the last year the picture has changed. How do you perceive the phenomenon?*

The international firms, I may say now a truism, decide to enter a jurisdiction if (in a critical mass) their international clients have businesses in the respective jurisdiction. That is the main rationale for such a decision. So, there are two categories of international firms: big, integrated international firms, such as the Magic Circle ones, whose client base is solid and at the same time heterogeneous, which means that they have a relatively low risk position, and

the firms which enter a niche, generally a niche of culture, respectively the language, be it a French, British, Austrian clientele niche which depends chiefly on 2, 5, 7 or 10 important clients and which have a higher risk profile. If you look at the level of the foreign investments in Romania and the origin of capital, which can be a commissioned capital as well, you will see then easily why certain international law firms are here and others not. And the mix we have today on the market it is likely to be preserved for a while as the capital invested in Romania and the foreign businesses are quite stabile. And so the, the foreign law firms which do not suffer considerably as none of the major investors in this country has made a full divestment decision. I believe that the economy will really suffer in the moment when one of the main strategic investors from this country withdraws. This will be a sign showing not only recession, but depression. As to the foreign law firms which stepped in by prospecting or by speculating on further growth of a certain area (say real estate or consumer finance, just for illustration) or those law firms which came after two or three strategic investors, these are suffering and have fallen below expectations.

But the market remains very competitive and, by areas or by profile, sometimes for both, we do have to face competition from the foreign law firms, but not for specific or larger extent from a particular one. But I would say that such competition is manageable, at least for a number of four, six major independent firms which have consolidated well enough their positions in the market in the past 10-15 years.

*How much are the law firms connected with the decline of the real estate industry?*

We have been involved in the real estate for many years; I would say that we have been acting in all pioneering projects in this area. In 97/98 to give and example, we have managed to generate 15% to 20% income out of real estate projects. So we did in 2006 and the same in 2009. For us, real estate advisory has been somehow anti-cyclic.

And if I am to think what was and is behind this sustainability, then I would say that we were very careful with the clients with whom we opted to make a partnership. When in 2007 most of the law firms were doing impressive turnover assisting speculative land deals, we were focusing on partnering with institutional investors. Actually, all through-out the past two decades we have our real estate strategy focused on institutional investors. We had traditionally

## Man of the day: Florian Nitu

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three, four big investment funds in our panel. Then we had same number of developers (if possible with institutional pedigree), and financiers and operators. This was always the approach: try to be busy in the same time with a major investor, a big developer, an important financier and a big operator. Real estate investment, development, financing and operation, there are the four areas which you ought to find when looking into a real estate practice. With such a strategy, the paradoxical effect of the financial crisis was to our firm that a bigger volume of legal real estate work was generated only by the clients and their projects under our assistance.

Indeed, one may say that during the peak years our fees (compared with the number and volume of the projects which we have counseled in) were ridiculously low, but that is in fact sustainable development, you are reaping the crop progressively and have time to renew, all without affecting the growth need. And so we still did 15% of our turnover from real-estate work in 2009 while others have dismantled their real estate departments.

*Which would be the assets of Popovici Nitu & Asociatii?*

Popovici Nitu & Asociatii has three main assets: innovation, adaptability and character. Obviously, I did not mention competence, as without it nothing ever works in professional service business. And if I am to add something, that I think "honesty and devotion" to our clients cause make us distinguish in this market. And further, this may well be the reason for which it looks like we are having one of the most stable client portfolios.

Finally, when I am asked by my trainees what is the most important thing they should keep in mind as Popovici Nitu & Asociatii lawyers, I often quote a Matsushita credo (*the founder of today's Panasonic, probably one of the most spectacular entrepreneurship destinies in the modern history of the world*) that says: "whatever we do should be far better and sell 30 per cent cheaper than our main competitors."