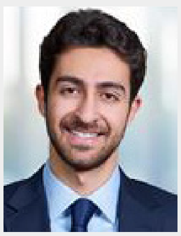
ROPES & GRAY

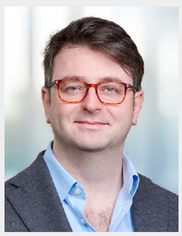
PODCAST TRANSCRIPT

Trainee Insights: London Finance Counsel Sean Darling



Salah Khaddour

Viktor Kavaleff



Sean Darling

Viktor Kavaleff: Hi, my name is Viktor Kavaleff.

Salah Khaddour: And my name's Salah Khaddour.

Viktor Kavaleff: Welcome to the Ropes & Gray Trainee Insights podcast. We're your hosts. Today, we have with us Sean Darling. Sean is counsel in the finance group.

Salah Khaddour: Welcome, Sean, and thank you very much for joining us today. How are you?

Sean Darling: Very well. Thank you for having me.

Salah Khaddour: Great. Would you be able to take us through your journey so far? How did you end up in the finance group at Ropes & Gray?

Sean Darling: I've been at Ropes & Gray for about seven and a half years now. I trained at another US firm and came across. Originally, I did a broad practice of both corporate—so, the M&A piece, the equity piece, a little bit of broader financing—and then, when I came to Ropes & Gray, I specialized in the trickier hard financings that we do in the business in London.

Viktor Kavaleff: Finance is a broad area. How did you find your lane in complex infrastructure financings, and do you think it's important to specialize within a practice group?

Sean Darling: I think you have to build a base. So, whenever you start out as either a trainee or at any business that you're in, you need to have core skills. In financing, that would be acquisition finance. I was very lucky to do quite a lot of that when I first arrived at Ropes & Gray. I was also very lucky to be able to have a little bit of experience doing the equity piece as well, so to see how it fit all together, which was fairly unique in the city, and I think a lot of practice areas maybe don't let you see from both sides and allow you to learn by talking to the clients and working through the full aspect of an M&A deal. After a while, then you find things that you obviously like, and I gravitated towards working with real assets. "Real assets" is a very big statement, so you can have anything from raw materials that were required for production up to building data centers. We can also do transport infrastructure. The last two years, we've been doing a lot of transport throughout the Nordics and leading to Canada, and leading to South America, all of which have been really awesome to work on. And actually, that global aspect of working on something that moves around in a transport asset is fascinating to understand.

Salah Khaddour: Infrastructure's quite topical at the moment, and you've mentioned that your practice includes infrastructure finance, so we'd like to understand from you a bit more. How does infrastructure financing differ from traditional financings? How are they similar?

Sean Darling: Great questions. I think if you look at this from a more traditional aspect—maybe this is controversial; maybe it isn't—people looked at infrastructure as maybe a very static asset at one stage. For example, you had a utility, or you had even a data center asset or a digital infrastructure asset, and it was very much standalone, put in a box, don't touch it. If you've got a hole in the ground that you're developing, you build a hole in the ground up. Any money that's generated from that in terms of rent or in terms of cash flow, that goes immediately to paying down the debt from that original project. And that very much is how I started out. The very first data center deal I did, which was pre-COVID, was a real estate asset. It was very much, "Build this data center in a field." Then, once we started getting some cash flow, we paid down the debt, and that was it. But that was then—now, it's very much more flexible. What you're trying to achieve is to make that asset work within a much broader base of an asset or an asset grouping for a private equity fund or for an asset manager. What you're trying to make sure is that you can make that asset work for the broader business plan.

To go to your question, "Is that different, or is that similar to traditional financings?" What we're aiming to do in Ropes & Gray in London is to show how those have come together a little bit, so they become a lot more hybrid. What they're trying to do is say, "You have to be able to have the CapEx spend to build that asset, to run it, but you also have to be able to go off and do M&A in the same structure, and you have to have the flexibility to do that." That M&A flexibility is probably more like an acquisition financing, like I talked about earlier on—the core skills that people within the financing space develop, you need to have those and then understand the asset you're dealing with. It's very much coming together and becoming a little bit more hybrid now, which is, I think, where the real interesting work is being done. And that's very different from what it once was—perhaps it'll continue to evolve over the next few years into something a bit different as well.

Salah Khaddour: Yes, this is definitely an area to watch out for. Do you act for both lenders and borrowers, or does your practice provide specialized offerings for either side?

Sean Darling: At Ropes & Gray London, we predominantly act for sponsors of the borrower side of these structures. That complements the rest of the business that we have, both in London but, more globally, in the US as well. We do act for lenders from time to time. We do act for lenders in these structures, too. Actually, in the infrastructure space in London and in Europe, you do have teams act for both, so roughly 50-50. That's very different from a pure leveraged finance acquisitions team. Obviously, you have some very well known competitors of ours in London that would only act for borrowers and only act for lenders. That's not what we do—we try and act for the people in front of us and make sure that the deal is right for that particular client.

Viktor Kavaleff: Thank you for outlining whom Ropes primarily acts for. To the extent that you can, could you tell us about a deal that stands out in your mind involving a novel or innovative financing structure?

Sean Darling: Yes. We were lucky enough to win Banking & Finance Team of the Year last year at the British Legal Awards. That was for a deal—one of the transport assets that I referred to early on—for shipping assets. It was originally an aquaculture business based in the Nordics but has expanded internationally, so they expanded to Canada, to the UK, to South America. The whole idea is that they service that quite niche aspects of aquaculture—growing fish, transporting them around the world. We were able to take some traditional documents in that transport infrastructure space and make them work for the business plan. We are honored to win the award, but obviously, we're really, really happy to have the trust of the client.

Viktor Kavaleff: That sounds very interesting and amazing that we won that award. How do you see infrastructure financings developing in the future, and which sectors are our clients most focused on now?

Sean Darling: I think you've got to think about, "Where is our clients' money being deployed?" If you look even in the last couple of months, you've had really big announcements from EQT, from different asset managers and different funds that we would work for across the Ropes & Gray structure from time to time—they're all raising in infrastructure more broadly. Our broader view is that there are five key areas of infrastructure, which are: (1) digital infrastructure, (2) energy transition, which obviously is very, very broad but lots of things within that, including wind and solar, etc., (3) transport and logistics, which are some of the deals we just talked about, (4) infrastructure services, which are businesses and operations focused on servicing those initial categories we talked about, and (5) social infrastructure, which is, again, a very broad category—that could be health care, teaching, a provision of specialized education services. Between those five areas, you have just an enormous range of what these investments can be and, obviously, a lot of capital being allocated into that. So, where do I see it going? People looking for returns and opportunities within those five categories and looking to apply the funds that they've raised in the last few years to those five areas.

Salah Khaddour: It will be really cool to see how these five areas move in the future. To touch a bit more on your own personal career and practice as well as your general time here with us at the firm; we understand that you were on secondment at Partners Group for a year. How did that role differ from private practice? I believe there are many aspiring solicitors, even people currently in practice, that are interested about secondment opportunities, so it would be great for us to learn a bit more about that.

Sean Darling: Absolutely. I spent a little bit over a year in Partners Group, and the way that the secondment came around was it was originally a maternity cover for one of the team. It was actually in COVID, so when I got the call on a Friday afternoon and it wasn't particularly clear what the deal market was going to do in that COVID year, I was a little bit nervous. It was a fantastic opportunity to get inside a really active and sophisticated client that are operating across infrastructure, which is where I've ended up spending a lot of my time recently, but obviously across multiple different asset classes. When you look at the Partners Group website from a public perspective, they're doing so, so much and doing very, very well. In terms of how that's different from a private practice, which maybe would be useful to some of the people listening to the podcast, I think in the private practice role, particularly as a mid-level associate—which is what I was when I went—you're very much the person translating all of this into words on the page. And obviously, let's not forget that's what we're doing—we are project managers, but we're also condensing the commercial agreement into words on a page that will survive over the course of that investment and make sure that people can operate in a commercially acceptable way without having to go back for waivers and continue to do that.

The job of in-house is somewhat different. You are a risk function, a risk control function, but you're also part of the deal teams, understanding what they're trying to achieve. You're also trying to translate maybe some of the commercial concerns that those deal teams have for the external providers. The deal teams are looking at things perhaps from a numerical perspective that perhaps a lawyer traditionally didn't understand quite as well. I think that's changing now because people are having to become much more numerate than they originally were. It's no longer a pure role of producing words which work—it's about making sure that everything's translated and that it actually all works together for that commercial discussion that's happening internally. Also, you're obviously making sure that the money goes out the door at the right time and that it goes to the right place. All of that is very, very different from a private practice role. There's a whole other huge role that you never see the in-house teams actually looking after—it's great to see that and get that experience earlier in your career, as it were.

Viktor Kavaleff: Thank you so much, Sean. That's very interesting. I'm sure a lot of our listeners are very interested in your journey to and at Partners Group. The firm offers secondment opportunities across all fee-earner roles, including trainees. What's your advice to junior lawyers on how they should approach secondment opportunities?

Sean Darling: I think do them. I think they're very positive. I got a lot out of mine over a year at Partners Group, not just because you meet people that are your peers—you see how other firms are operating. You meet contacts within the commercial teams that are obviously going to help your career as you move through the system. You get a massively different perspective from working at a fund role versus an internal private practice role. Understand where you are in the system. So, if you're going in as a trainee, you're going to have a very different experience than me as a mid-level associate, but understand that in advance in terms of what hole you're plugging and what teams you need to look after. And then, early on in that experience, try and find the people that you can help the most. It's a feature of maybe working in a fund that you have a lot of junior people—so, the equivalent of trainees or grads, etc.—that are grappling with legal documentation and legal risk for the first time. They're obviously outstanding at what they do in terms of producing the model and looking for investment opportunities, but if you can add real value to them in terms of helping them through that legal risk allocation process and that project managing process, you've added real value to their career, and you've added real value to what you can achieve for them—and that's a very powerful relationship to form early in someone's career.

Viktor Kavaleff: That's really great advice, Sean. Moving away from your secondment, could you tell us a little bit about a memorable moment in your career?

Sean Darling: Probably the thing I enjoy the most about the job, and, especially, financing, as opposed to some of the other corporate roles that we have, is that financing lasts for the life of the investment. So, if you sign up to a credit agreement as a sponsor, as a borrow restructure, that has to match the business plan that you have to execute on in order to make a return, and it has to allow you to do all the M&A that you want to do and all the management incentive, etc. That's maybe a little bit different from the equity side of things, where you do the acquisition, it closes, and you put that in a box—unless something goes wrong and you have to get the shareholders' agreement out, as it were.

Very early on in my career, I helped a big financing, but which was a very accretive structure, and they kept buying things, and so, making the structure bigger. The deal originated in Hong Kong, but then it came to Europe, then came to the US, and so, we had a couple of years of working on this where the time zones were not great for living your life, but it was a very rewarding experience because you got to see the full life cycle of getting money in, buying something, and selling it. I remember landing at Hong Kong Airport, and they have these TVs as you stand in the queue and wait, which have the business news on them, and it was the IPO of that particular structure that had gone so well that it managed to make a lot of money and put it on the public markets. And that was just a very lovely moment, to see actually we've helped them so much. We had talked to the managers all over the world about what they needed to do and the business plan they needed to execute, but then, it was just this lovely moment of standing in the queue in just watching it all go well for them. That was a really lovely moment and coda of the whole experience.

Salah Khaddour: Thank you for telling us about that memorable moment. Now, we'd like to ask you a fun question. I have to be honest—we may have asked someone very specific that had worked with you before what would be a good question. What we'd like to know is if you were a house in *Game of Thrones*, which one would you be and why?

Sean Darling: I think this is courtesy of Ben, my old trainee, which is a great question—we used to talk about this in the evenings. Everyone would want to be House Stark—obviously, a great house. But you can't just pick House Stark—that's too much. I'm from Northern Ireland, so it's got to be one of the Northern houses. So, I go with House Mormont, because they're from Bear Island, which is a good, loyal house. Everyone dies in the end, but a good, loyal house, and they've got a really cool sword. Obviously, most of the houses in *Game of Thrones* have sad endings, so you're not getting away from that, I guess.

Salah Khaddour: Thank you, Sean.

Sean Darling: Thank you very much.

Viktor Kavaleff: Thank you for answering our questions and providing us with all your insights, Sean. I'm sure it's going to be very helpful for our listeners—we hope you enjoyed listening to this episode as much as we've enjoyed recording it. For more information about Ropes & Gray in London, including career opportunities, please visit the Ropes & Gray website, as well as the social media pages on Twitter and Instagram, both @ropesgraygrads. Feel free to get in touch with us via those social media handles if you have any questions or thoughts for future episodes. You can also subscribe to the series wherever you typically listen to podcasts, including on Apple Podcasts and Spotify.

Salah Khaddour: We hope you can join us on our next episode, where we'll be talking to more of our colleagues here at Ropes & Gray and providing you with insight into the firm's culture and how you can succeed as a trainee or a junior lawyer. In the meantime, take care and thanks again for listening.