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Capital Markets Group Of The Year: Cravath

By Henrik Nilsson

Law360 (January 24, 2024, 2:03 PM EST) -- Cravath Swaine & Moore LLP attorneys recently represented Johnson & Johnson's consumer health spinoff Kenvue Inc. in connection with its \$4.37 billion initial public offering and advised the underwriters in L3Harris Technologies Inc.'s \$3.25 billion registered notes offering, earning the firm a place among Law360's 2023 Capital Markets Groups of the Year.

A primary strength of the group is its active engagement with the U.S. Securities and Exchange Commission in an effort to ensure the agency doesn't lay down speed bumps in executing capital-raising transactions and balances investor protection with efficiency, said Andrew J. Pitts, partner and co-head of the firm's capital markets practice for North America.

"We pair that knowledge of the law with really significant transaction volume," Pitts said. "That gives us great insight into market developments and keeps our finger on the pulse of the market. I think that combination of technical excellence and market insight really differentiates us, and it leads to us getting hired for these types of very high-profile, complex transactions."

That expertise was essential when the firm assisted in Kenvue's \$4.37 billion IPO in May. Kenvue is the company behind brands like Band-Aid, Listerine, Mylanta, Neutrogena, Tylenol and Visine. The proceeds from the IPO went to finance the transfer of J&J's consumer health business to Kenvue in August.

Pitts explained that the transaction was undertaken in the context of a volatile marketplace and required a great deal of flexibility.

"One of the dynamics of any securities offering is that a company's disclosure obligations and the financial information it needs to report changes as time passes," Pitts said. "Understanding the law around those disclosure requirements and syncing them up with an unpredictable calendar can be challenging."

With offices in New York, Washington, D.C., and London, Cravath employs more than 500 lawyers and regularly rotates attorneys through different practice areas. This generalist approach is intended to foster innovative lawyers who can master a wide range of areas, including capital markets, according to its website.



The transactions Cravath had a hand in last year also included advising the initial purchasers of \$2.1 billion high-yield senior secured notes issued by aerospace component producer TransDigm Inc. and the underwriter and dealers in the \$1.6 billion registered secondary common stock offering of AmerisourceBergen Corp.

The practice group also advised the underwriters in connection with the \$3.25 billion registered notes offering of aerospace and defense technology company L3Harris Technologies Inc. Proceeds of the offering went to finance the company's acquisition of Aerojet Rocketdyne Holdings Inc., which closed in July.

The deal came under scrutiny from the Federal Trade Commission, and some Democratic lawmakers called on the FTC to block the merger over anticompetitive and national security concerns.

The U.S. has entered a period of heightened antitrust scrutiny of business combinations, Pitts noted. He said the resulting uncertainty required all parties involved in the L3Harris deal to plan for various scenarios and "balance market windows where the market is receptive to transactions with the timing of an antitrust approval process over which nobody has a lot of control."

The group also assisted gold miner AngloGold Ashanti in a corporate restructuring completed in September. The restructuring allowed the company to switch headquarters from Johannesburg, South Africa, to London.

The company now has a primary listing on the New York Stock Exchange, with a secondary listing on the Johannesburg Stock Exchange, A2X Markets in South Africa and the Ghana Stock Exchange.

The New York Stock Exchange listing allows AngloGold access to the world's most liquid market, said George A. Stephanakis, co-head of the firm's capital markets practice of Europe, the Middle East and Africa.

"Given that it's one of the biggest gold mining companies, it was a statement of confidence in the U.S. capital markets," according to Stephanakis, who is based in London.

Cravath's team acted as lead counsel on the transaction and coordinated a group of law firms providing advice under English, South African, Ghanaian, Isle of Man and Australian law.

"We like the challenges that entails — working with our fellow lawyers in the other jurisdictions to find creative solutions that work under the regulatory regime," Stephanakis said.

He added that the firm's ability to come up with practical solutions when faced with challenges in different jurisdictions is part of the reason companies keep hiring Cravath.

Moving forward, Stephanakis said Cravath's London office hopes to "ride the wave of European companies looking more to the U.S. for the capital."

In the U.S., Pitts said he anticipates more spinoffs similar to the Kenvue transaction, partly driven by shareholder activists who challenge the management of companies with a diverse range of businesses to assess whether value can be achieved for stockholders by separating out a business.

"Our partners are extremely versatile, and that allows us to channel our resources to the most active parts of the market," Pitts said. "Our goal for 2024 is to identify those areas where we anticipate continued and increased activity and position ourselves to participate in that. I think we're very well-positioned to do it."

--Editing by John C. Davenport.

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