

competition for assets, given the “high level of liquidity, the renewed access to leverage finance and the extraordinary dry powder of financial buyers”. With regard to the outlook for the coming year, Frassetto said expectations remain quite high, despite global uncertainties such as Brexit.

There has been an increase in the number of consortiums being formed to acquire assets in Spain, said **Linklaters partner Lara Hemzaoui**. She added that it is also becoming more common for private equity funds to partner with industrial companies on deals.

Baker McKenzie partner Luis Casals said there will be consolidation in the Spanish legal market with many US firms looking for worldwide capability. He added that there will be a lot of transactional activity in the clean energy sector and “health and wellbeing” industries in future.

There will be notable deals activity in the consumer and healthcare sectors, according to **Jones Day of counsel Beatriz Piriz Gómez**. She also said that clients are keen to complete acquisitions quickly, while the use of reps and warranties insurance in transactions is increasing.

Portugal: Private equity funds targeting healthcare and highways

Though new private equity funds are entering the market, some are less reliant on lawyers at the outset due to uncertainty about the prospects of completing a deal

Event: Iberian Lawyer M&A and Private Equity Lisbon Roundtable
Host: MLGTS

M&A activity is on the rise in Portugal with clients competing with each other to complete deals for the most attractive assets, said participants in the *Iberian Lawyer* Lisbon M&A and Private Equity Roundtable. Private equity funds, in particular, have a strong appetite for deals in Portugal,

while there are also many companies that are anxious to restructure their balance sheets.

There was an increase in M&A deals in Portugal in 2017, said **MLGTS partner Ricardo Andrade Amaro**. He added that there were a lot of new private equity funds entering the Portuguese market, with considerable interest in the healthcare and highways sectors, in particular. Andrade Amaro also said that law firms representing sellers in the current market may be handling four or five bids at the same time. Given that there is competition for Portuguese assets, clients involved in bidding processes tend to rely less on lawyers and generally get them involved at a later stage in the process as there is uncertainty as to whether their bid will be successful. Andrade Amaro also said that there is now less restructuring work in Portugal and more traditional M&A and private equity deals.

Private equity funds based in Portugal are very active at present, according to **PLMJ partner Duarte Schmidt Lino**. He added that this is partly because the capacity of private equity funds to raise funds has increased. Schmidt Lino also said that it is becoming increasingly common to see a new type of private equity fund in the market that targets small and medium-sized enterprises for investment. He added that Portugal’s highly leveraged corporate sector means there are many companies that need to restructure their balance sheets. With regard to opportunities for law firms in the coming year, Schmidt Lino highlighted corporate refinancing,

Portugal: What are currently the biggest opportunities for law firms in M&A and Private Equity?

“The real estate sector, especially in the commercial and retail area. The infrastructure, tourism and banking sectors will also generate good opportunities.” **António Pina, partner, Abreu Advogados**

“The increasing use of auctions, which, whenever the assets or businesses being sold have strategic or financial potential, tends to attract several bidders.” **Mário Lino Dias, partner, Garrigues**

“The trend of investment growth will continue throughout 2018, particularly in real estate, tourism and renewable energy.” **Alberto Galhardo Simões, partner, Miranda & Associados**

real estate, infrastructure and the SME sector as key drivers of growth.

While there is a cash surplus globally, there is a scarcity of good assets available, said **Vieira de Almeida partner Cláudia Cruz Almeida**. However, she added that there is still considerable transactional activity in Portugal – infrastructure funds are targeting roads and energy assets, while pension funds are also looking for deals. Cruz Almeida said there has been a boom in the Portuguese private equity market, while the banks’ need to sell non-performing loans is also generating a lot of work for law firms. There will also be a significant number of deals in the construction and real estate sectors, as well as in the health and

Portugal: What are the biggest challenges M&A and Private Equity lawyers currently face?

“Understanding the business of targets is always essential as it enables the proper identification of risks and contingencies – considering the new technological businesses emerging in Portugal, keeping pace will definitely be a challenge for lawyers.” **Bruno Azevedo Rodrigues, partner, Telles de Abreu Advogados**

“The negotiation of fees is always a challenge, especially because many investors are private clients who are not willing to bear the highest fees.” **João Couceiro, partner, FCB**

“Deciding whether to handle increases in work via existing structures or reinforced ones. We wonder how long the present volume of work will last as there is no sustained economic recovery in Portugal. We are simply benefiting from low interest rates and the fact that Portugal is currently fashionable.” **João Vitorino, partner, Macedo Vitorino & Associados**

“Retaining talent is always a challenge for law firms and M&A lawyers will always be looking for opportunities. We have worked hard in the past two years to adapt our workplace culture in order to retain our talent - we attract lawyers with a modern and progressive vision.” **Manuel Gibert Prates, partner, SPS Advogados**

technology sectors.

There are two distinct categories of M&A deals currently taking place in Portugal, said **Campos Ferreira, Sá Carneiro & Associados partner Bernardo Abreu Mota**. “Firstly, there is M&A related to real estate, tourism and non-performing loans which is in good shape, then there is the other type of M&A, which remains less abundant and consists mostly of small and medium-sized deals done by companies that are growing in a context where banks are still reluctant to finance M&A,” he explained. Abreu Mota added that there is still a shortage of bank financing available for deals, consequently M&A is being financed with equity and, for larger deals, debt funds are playing a role and are often providing finance.

The current trend for banks and insurance companies in Portugal to restructure and divest non-core assets is creating significant work for law firms, said **Cuatrecasas partner João Mattamouros Resende**. He added that there had been an increase in activity in the first part of 2018, with a number of deals related to energy, real estate, tourism and leisure, in addition to the finance sector. “Foreign private

equity houses are also playing a more important role in the market,” Mattamouros Resende said.

The “investment cycle” means that, while three or four years ago law firms in Portugal were advising clients on acquisitions, they are now advising the same clients on the respective divestments, said **SRS Advogados partner Nuno Prata**. He added that investors are becoming less risk-sensitive and consequently the decision making process of investors is quicker than before. “We noticed an increase in deal flow across all sectors in the last year – Portugal is on the radar of investors,” Prata said.

Linklaters counsel Diogo Plantier Santos said that investors in Spain often also target the Portuguese market. “We have acted for clients who invested in Spain that want to come to Portugal as well, for example some are targeting real estate assets in both Spain and Portugal,” he explained. Diogo added that clients are under pressure to complete deals quickly given the current market and want due diligence conducted in a very short time frame.

Private equity firms often have the same teams dealing with the Spanish and Portuguese markets so lawyers are often dealing with the

same people when advising on deals in both countries, said **Uría Menéndez - Proença de Carvalho partner Catarina Tavares Loureiro**. She added there are bidders competing for most assets, and that clients are consequently “asking for abort fees and exclusivity”. Tavares Loureiro said that there would be a considerable number of deals in the energy, real estate, telecoms and media sectors.

CMS Rui Pena & Arnaut partner Margarida Vila Franca said Portugal is currently a “seller-friendly market”, while also observing an increase in the use of reps and warranties insurance in deals. She added that while artificial intelligence can help to speed up the due diligence process, it is not easy for law firms to introduce such technology into the way they work.

The issue of artificial intelligence can be challenging for law firms because “given the state of the art legal technology solutions, it is difficult to anticipate which ones will prevail, and be adopted by the market, and which ones will not be adopted either because they are flawed or they are launched too soon”, said **CCA Ontier managing partner Domingos Cruz**. He added that if firms are able to successfully address this issue, “I’m sure the return on investment will be huge”.

NPL deals pose particular challenges in Spain

Spain is one of the most active markets for non-performing loan (NPL) sales because there are many sellers willing to divest in this type of product in order to improve their balance sheets, says **Marcel Enrich, partner at Baker McKenzie**.

“The sellers are usually financial institutions that accumulated non-performing loans because of the global financial and real estate crisis, which particularly affected Spanish banks,” he adds. Enrich says the value of an NPL deal depends on factors such as the type of non-performing assets, the size of the portfolio and whether the debt is secured or unsecured, for example. In one of the biggest NPL deals in 2017, Banco Santander sold 51 per cent of Banco Popular’s real estate owned (REO) and NPLs for an estimate value of €10bn.

Enrich says NPL deals have been a significant source of work for almost all leading law firms in Spain in recent years. Such deals generate instructions

for law firms “both acting for sellers or for potential investors in tender processes to acquire NPL portfolios”, says Enrich. “From a legal perspective, these kind of deals include numerous areas of law – related to finance, mortgages, real estate, bankruptcy, litigation and tax, for example – so these transactions are usually carried out by law firms with sufficient size to offer comprehensive legal advice to the client.”

According to Enrich, while NPL transactions in Spain are similar as in other countries, there are important practical issues that should be taken into account by legal advisors when a portfolio is sold or acquired in Spain. “Well thought out due diligence processes are needed on both sides of the deal (seller and buyer),” he explains. “The Spanish banking sector was restructured through several mergers and acquisitions and banks may not have all the information on the products inherited.”



Marcel Enrich