

AN INTERNATIONAL SOLUTION TO M&A - FRANCO CAIADO GUERREIRO & ASSOCIADOS

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When assessing how best to respond to a lack of deal flow in Portugal, the solution to the problem perhaps lies beyond its borders, says João Caiado Guerreiro, Managing Partner of Lisbon's Franco Caiado Guerreiro & Associados.

Unlike Greece or Italy, which have more domestically focused markets, Portugal benefits from its expansionist legacy and there is now a new three-pronged deal engine that is increasingly connecting Portugal with its former colonies.

"It is clear there is not much domestic growth so companies are targeting markets that are growing," Guerreiro observes. "Angola, Mozambique and Brazil are where the major activity is now taking place and the majority of Portugal's largest businesses are now in at least one of those countries."

There is a new cross-border dynamic between the centres. Recent deals have seen Brazilian mining company Vale pledge hundreds of millions of euros to Mozambique, Angolan oil producer Sonangol is investing in Brazil, Portugal's Galp recently sold a stake in its Brazilian business to China's Sinopec, and domestic bank Millennium BCP has announced plans to open in Brazil this year.

“Some of these deals have gone below the radar because of their size, but there is actually a lot of international activity flowing to and from Portugal,” he says.

Many from the former colonies, and beyond, see Portugal's domestic downturn as a buying opportunity, and the firm has worked on matters for clients from Angola, Brazil, France and other jurisdictions looking at Portuguese assets, especially in key sectors like energy, natural resources and financial services, Guerreiro says.

“The problem is not a lack of buyers but a lack of targets. Foreign investors are keen to acquire good assets but the current owners do not want to sell. But I expect, as the market stabilises, more family-owned Portuguese companies will look to sell stakes to outside investors.”