

CORPORATE OVERVIEW: A SLOW DOWN IN 2008?

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Tras dos años de aumento en las operaciones de fusiones y adquisiciones en el mercado portugués, la actividad se ha ralentizado notablemente en el primer trimestre de 2008.

Martim Morgado, de PLMJ, facilita un sumario de los asuntos más emblemáticos de 2007 y apuesta por varios sectores de interés en 2008. Éstos incluyen el de energía, recursos naturales, telecomunicaciones, medios de comunicación, nuevas tecnologías y hasta el sector minorista.

Este año se anticipan menos operaciones de fusiones y adquisiciones por parte de los fondos de capital riesgo, por lo que las empresas gozarán de más flexibilidad en sus operaciones y no considerarán a estos fondos como competidores. Como ejemplo, EdP ya ha anunciado la prospección de más adquisiciones.

Following the surge of M&A transactions in Portugal in recent years the outlook for 2008 is cautious. In spite of the moderate growth of the Portuguese economy, the truth is that there was a substantial increase in M&A transactions in 2006 and 2007 both in terms of the number of deals and their overall

value (more than 100 deals were reported in 2006 with an aggregate value of roughly €29 billion, a figure six times higher than in 2005).

It is perhaps surprising, then, that the M&A landscape during this period was, in fact, clearly marked by two particular (failed) deals: BCP Millennium's €4.3bn offer for Banco BPI (followed by BPI's own friendly merger attempt); and the €11.9bn offer by Sonaecom, Sonae's telecommunications unit, for Portuguese Telecom (PT), which fell through when shareholders at an Extraordinary General Meeting (EGM) voted against Sonaecom's proposal to remove the 10% limitation on voting rights in PT's internal statutes.

The value of the Sonae bid alone, a transaction which involved a number of Portugal's most high-profile law firms, represented the value of all other M&A deals in 2006.

It is also worthwhile noting the increased role of private equity houses, following the European trend, which in 2007 already represented a substantial part (reportedly around 25%) of the M&A Portuguese market, diverting a significant proportion of acquisition opportunities away from industry and trade players.

However, the well-publicised subprime crisis and credit crunch have adversely affected the ability of private equity houses to maintain and increase the level of M&A activity, as financing has become more expensive and difficult to obtain.

The issue has been aggravated by rumours related to the sub-prime impact in Spain (because of the close economic relations with Portugal), and by a concern in relation to the evolution of the European economy in general.

Therefore, it would be no surprise if the Portuguese M&A market slowed down in 2008, particularly as regards private equity investments. On the other hand, and in spite of the difficulties, this may leave more space for industry players to make their move without pressure from private equity houses competing for the same business.

In any event, and despite the existing uncertainty as to the short-term future, there have already been announcements of a few transactions for 2008.

The energy sector should continue to be particularly active not only in Spain but also in Portugal, including the area of renewable energy.

For example, following the €2bn acquisition of US-based Horizon Wind Energy from Goldman Sachs last year, EDP has announced additional investments for 2008, regardless of whether the predicted €8bn-€11bn IPO of its renewables subsidiary, EDP Renováveis, moves forward as anticipated in May – and which itself may provide further acquisition opportunities.

Other sectors with possible M&A activity during 2008 include natural resources, telecommunications, media, start-ups and hi-techs, as well as the retail sector, in the wake of deals seen in 2007.

It is hard to predict, however, if Portugal will play a significant part in the European M&A scene in 2008, in the same way as in 2006 and 2007.

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