

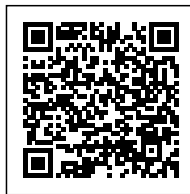
EUROPEAN COMPANIES INTEREST IN IBERIAN DEALS INCREASING

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Top law firms advising on Iberian M&A by volume			
Rank	Law firm	Value (€m)	Deal Count
1	Cuatrecasas	2.565	30
2	Garrigues	3.169	19
3	Uría Menéndez	4.243	16
4	Linklaters	8.026	14
5	Deloitte Legal	1.149	13
6	Gómez-Acebo & Pombo Abogados	866	13
7	Clifford Chance	2.927	12
8	DLA Piper	31.903	11
9	KPMG Abogados	3.453	11
10	CMS	2.152	11

Source: Mergermarket M&A League Table - Q1 Jan 2017 to 31 Mar 2017

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Lawyers report new trend for 'European-based corporates' to target assets in the Spanish and Portuguese real estate, tourism, insurance, finance, healthcare and energy sectors

Optimism regarding M&A activity has steadily grown throughout 2017 as lawyers report growing interest from European-based businesses in buying Spanish and Portuguese assets as well as an increasing appetite for deals among private equity funds. However, there is also a trend for clients to demand that their legal advisers share more of the risk through the use of success fees and abort fees.

Among the most significant deals in Spain in 2017 was the acquisition of Allfunds Bank by Hellman & Friedman and GIC Private for €1.8 billion. Linklaters and Uría Menéndez advised Allfunds, while Hellman & Friedman and GIC Private's advisers included Freshfields Bruckhaus Deringer.

"I am much more positive about M&A than I was six months ago, as Spain is doing well as a country and micro-economic conditions are good," says José Armando Albarrán, partner at Freshfields Bruckhaus Deringer in Madrid. "There is significant interest from many different types of investors and corporate cross-border deals are a trend, and not just the big funds acquiring or investing, but European-based corporates looking for opportunities in other markets – this is something we haven't seen for some time."

Javier Villasante, partner at Cuatrecasas in Madrid, says that in contrast to the worst years of the crisis, when aggressive investors such as hedge funds were the most active players in the market, now Spain is attracting interest from a different breed of investor. "Lately, we've seen other types of players like private equity funds and even some strategic investors," he adds.

In terms of what such M&A activity means for fees going forward, Stephen Hess, partner at Uría

Menéndez in Madrid, says that for complex transactions, whether national or cross-border, lawyers must now be open to different types of fee arrangements as a means of demonstrating commitment to clients. "Recurring clients will often look to its counsel and other advisors to share the risks and rewards of a transaction," he says. This can include success fees and abort fees, which is a phenomenon especially common in auction processes, Hess adds. An abort fee is often paid in the event that a client decides not to proceed with a proposed transaction. The abort fee is usually designed to compensate the legal adviser for the time and expense devoted to a project where payment, had the transaction been concluded, would have been on a commission basis.

The type of investors appearing in deals in Portugal is also changing. Diogo Perestrelo, partner at PLMJ in Lisbon, says: "Portugal is currently attracting more investors with a long-term vision and long-term objectives, including not only large foreign funds with a significant international standing, but individual investors that choose to establish their lives in Portugal," he explains. He adds that, while the main players are still foreign companies making inbound transactions, recent activity shows that Portugal is still an attractive market for foreign investors seeking opportunities in the field of non-distressed assets, as well as startup companies "especially in the new technologies sector".

Political stability luring investors

While real estate is a key driver of M&A transactions in Iberia, lawyers highlight growing interest in a range of other deals. Diogo Leónidas Rocha, partner at Garrigues in Lisbon, argues that Portugal's current political stability is a factor in attracting private equity firms looking to acquire non-performing loans, as well as assets in the tourism, insurance, finance, healthcare, energy and infrastructure sectors.

Francisco Brito e Abreu, partner at Uria Menéndez in Lisbon, says it is becoming more common to see joint ventures in which industrial companies partner with financial investors. "These investors range from global funds to domestic private equity funds and family offices," he adds. "Multinational companies are also closely monitoring the market."

The indications are that legal fees in Portugal are no longer decreasing, lawyers say. Perestrelo says: "We have been able to once again attract clients at the prices that fit the quality of our legal services."