

MID-MARKET M&A INCREASING AS 'MEGA-DEALS' DECLINE

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| Legal Advisors League Table by Deal Count - Iberia | | | |
|--|--------------------------------|------------|------------|
| Ranking | Company Name | Value (€m) | Deal count |
| 1 | Cuatrecasas, Gonçalves Pereira | 2.592 | 18 |
| 2 | Clifford Chance | 2.465 | 16 |
| 3 | Garrigues | 286 | 14 |
| 4 | Uría Menéndez | 1.403 | 10 |
| 5 | Linklaters | 2.692 | 7 |
| 6 | King & Wood Mallesons | 993 | 7 |
| 7 | PwC legal | 967 | 7 |
| 8 | CMS | 825 | 6 |
| 9 | Gómez-Acebo & Pombo Abogados | 175 | 5 |
| 10 | Allen & Overy | 2.621 | 4 |

Source: Mergermarket

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A decrease in large M&A transactions in Iberia in 2016 means law firm M&A departments are being sustained by medium and small-sized deals, particularly in energy and real estate

Mega-deals are in decline in Iberia and are being replaced by a spike in medium and small-sized deals, according to lawyers. There were only three deals with a value of over €1 billion in Iberia in the period 1 January to 24 May 2016, data shows. Topping the bill, according to Mergermarket, was Inversora Carso's €6.8 billion bid for Spanish building and infrastructure group FCC. The only other €1 billion-plus deals were Inversora Carso's €1.3 billion offer for a controlling stake in Realia, and Cinven and Canada Pension Plan Investment Board's €1.2 billion acquisition of Spain-based travel service provider Hotelbeds Group, with the latter deal including roles for Allen & Overy and Freshfields Bruckhaus Deringer.

"We are not seeing many mega-deals taking place this year in the market, in-bound nor out-bound," says Allen & Overy partner Iñigo del Val. "The market was quite quiet during the first two months and now there is significant activity, but in medium/small deals." Del Val adds that, while investors are constantly on the look-out for opportunities, deals are not necessarily being closed. "The reasons could be many," he adds. "Brexit, the US and Spanish elections, the China crisis, petrol prices, or all these factors together."

Sectors where the new wave of medium and small-sized deals are taking place include energy, infrastructure and real estate. Renewable energy is an industry that has seen an especially high level of activity – transactions this year included EFG Hermes' €550m acquisition of EDP Renováveis, on which Linklaters, King & Wood Mallesons and Portugal's MLGTS were among the firms instructed. In addition, Bridgepoint Advisers sold its Spanish asset Bora Wind Energy Management to Exus Management Partners for €500m – Allen & Overy, DLA Piper, Linklaters and PwC Legal advised on the transaction. "Infrastructure and energy, in particular renewables, are seeing a lot of movement and interest," says Del Val.

'Best year ever'

An environment in which there has been a surge in medium and small-sized M&A deals has resulted in some firms' M&A teams performing to unprecedented levels. "Last year was the best year ever for our M&A department," says King & Wood Mallesons partner Roberto Pomares. "We've seen many funds raised recently and there have been funds selling portfolios; we're generally still positive and confident." Pomares adds that investors from the Middle East and China are active in the market, though he adds that some deals involving private equity funds – especially those related to regulated assets – are on standby pending the outcome of the Spanish general election on 26 June. "Some transactions are not moving as fast as people would like – no one has a clear picture [of what will happen after the election]," says Pomares.

Javier García de Enterría, partner and head of M&A Spain at Clifford Chance, which has advised on 16 deals in 2016 (see chart), says there is significant interest from international investors and that they are "ready to pursue transactions in Spain once there is some visibility about the future Spanish political framework". He adds: "Legal certainty is an essential condition to trigger new investments. Local players continue to be very active and we are quite optimistic about the future of the Spanish M&A market."

Cuatrecasas, Gonçalves Pereira partner Javier Villasante says real estate deals are currently "driving the M&A market". He adds: "SOCIMIs [Spanish real estate investment trusts] are acquiring many assets and international funds are competing strongly." Meanwhile, the TMT sector is "more active than ever", according to Villasante. He continues: "We have seen an interesting battle to consolidate the cable business in the north of Spain – R Cable was acquired by Euskaltel and Telecable by Zegona – and now we are even witnessing another attempt to sell Yoigo."

Newer entrants into the Spanish market can be "aggressive on fees", says Pomares, who adds that often such clients often want three or four firms to compete for a tender. However, Pomares says longer-standing, loyal clients are "more flexible on fees, particularly if the transaction is successful". Though there are fewer large M&A deals and more small transactions, this does not necessarily mean a corresponding drop in legal fees. "There is not always a direct relation between deal value and fees," says Del Val. "It is easier to contribute, and evidence, value in larger deals, but there are many situations in which small deals require a huge level of sophistication, partner involvement and are very time consuming." Villasante concludes: "During the crisis, more clients insisted in capping our fees, and this trend continues."

Uria Menéndez partner Juan Martín Perrotto says the "relative sluggishness" of the Iberian M&A market is due to a number of political factors in Europe. "These factors go from the purely domestic, such as the inability of Spanish politicians to form a government, to broader European concerns such as Brexit," he says. "While most Europeans would tend to consider those risks as low, they probably puzzle non-European boardrooms – this could be the reason why the market has become a bit more domestic, in terms of deal volumes, than it used to be." IL