

NEW EQUITY BREATHES LIFE INTO MARKET - PBBR

Posted on 12/12/2013



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Corporate activity may be slow in Portugal, but new sources of equity are promising to push investments forward

Traditional M&A activity amongst Portugal's corporations and businesses has been slow the past few years. Transactions are few and far between, in large part because the banks are not lending, explains Alexandre Jardim, a Corporate and Banking & Finance Partner at pbbr. This has put the emphasis on a large equity component – predominantly from private equity sources – to fund acquisitions.

"There are presently four deals with the Portuguese Competition Authority and three of those involve private equity firms," says Jardim. "We are now seeing more interest from private equity investors as they target distressed assets."

A flow of private capital into certain sectors helps generate work and goes some way to provide confidence in the wider economy. Jardim points out that private equity firms are looking at assets in industry as well as travel and tourism, especially hotels and resorts.

For Portugal, of course, the biggest source of external capital has been the privatisation programme, he adds. Acquisitions have already attracted investment from Chinese companies but, unlike the

existing privatisation deals, the expectation is that the capital markets may now play a role.

The Portuguese Government's proposed sale of a 70 percent stake in local postal service operator Correios de Portugal (CTT) via an initial public offering (IPO) would be a landmark in attracting private capital to a company, says Jardim. "In addition to CTT, other IPOs are being proposed and that would be a great help in terms of overall corporate and M&A work – every business needs cash for acquisitions and the lack of liquidity from the banks has meant there is little money for investments."

The good news, therefore, is that IPOs and other capital markets offerings could provide Portuguese companies with cash reserves, he concludes, which will help more transactions to become viable and breathe life into the M&A market.