

# 'OUR OBSESSION WITH M&A'

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The members of Iberian Lawyer's [overlib linktext="Group of Experts" text="Iberian Lawyer's Group of Experts are 100 of the leading partners in law firms in Spain and Portugal. For every issue of Iberian Lawyer, we ask them a question relating to the practice of law or the management and development of their practice areas." title="Who are the Group of Experts?"] examine whether the legal community is placing too much importance on M&A and ask "who actually benefits from the mega-deals?"

The significant increase in the value of recent Iberian M&A – with mega-deals like Telefonica/O2, Endesa and Sonae/Portugal Telecom – have made headlines around the world. But despite an increase of over 150% in deal values last year the actual number of deals fell, with Spain and Portugal ranked last in Europe for number of deals.

The consensus among members is that the major M&A deals are good news for lawyers although, in the short-term, they may pull resources away from other transactions. Though some suggest they

may damage market confidence if they do not succeed. Most members predict a rise in M&A – although for some this depends on the outcome of the current deals like Gas Natural – with a number of practice areas, not just M&A lawyers, benefiting from the increase.

Los miembros del grupo de expertos de Iberian Lawyer opinan sobre si el mercado jurídico está concediendo excesiva importancia al sector M&A (Fusiones & adquisiciones), y cuestionan quiénes son los verdaderos beneficiados de las macro-operaciones. El aumento significativo del valor de recientes transacciones en la Península Ibérica -como Telefónica/O2, Endesa y Sonae/Portugal Telecom- está resonando por el mundo. Sin embargo y a pesar del incremento del 150% del valor de estas operaciones, el número de las mismas decayó el año pasado.

Con todo, hay consenso entre los expertos respecto a que las macro-operaciones de M&A son buenas noticias para los abogados. La predicción general es de crecimiento en el campo de M&A, lo que beneficiará no sólo a especialistas de M&A sino también a otras disciplinas jurídicas. El único temor es que el fracaso de una macrooperación pueda dañar la confianza en el mercado.

### **Does the handful of mega-deals have a positive impact on the legal market as a whole?**

"Yes, in the mid-term, though so many people focusing on one single deal detracts attention from the other transactions. It is not unusual for small and medium size deals to be delayed, although the boost of the mega-deals incentivises the whole economy with longer term advantages."

✘ "Yes, in terms of transactions, size does matter. Just look at the large amount of listed advisors to any party in each of those of so-called mega-deals." Francisco J. Escat Cortés, Baker & McKenzie

"The positive impact is obvious in terms both of fees and reputation for those involved. It is not so obvious for firms not directly involved. A considerable number of firms may get involved since a new entrant will have to find a firm which is not conflicted."

✘ "They imply a lot of work for many law firms, which will have to adjust their resources to the significant current demand for services in this field. Likewise, these transactions may attract US law firms to the Iberian market thus increasing the level of competitiveness, which should result in an increase of the quality of the legal advice rendered."

✘ "They are always a driving force of the market. On the other hand, mega-deals may be perceived as an important sign of confidence in the market and therefore creating favourable conditions for other small players to invest."

✘ "Clearly though the deals have to work - in the sense that, increased size brings a degree of increased risk. The progress of M&A activity will be severely affected if there is a noticeable failure."

✘ "Yes, they have a positive impact, since they normally pose a number of additional opportunities for medium-sized players."

✘ "In most of the cases, linked to these mega-deals there are a number of ancillary transactions which generates a significant amount of extra legal work."

✘ "I expect to see not only an increase in the volume of Iberian M&A but a wider group of firms advising on these deals."

### **Do you expect to see an increase in the volume of Iberian M&A over the next 12 months?**

"There are still some "jewels" waiting for their turn. The process started by the Gas Natural offer over Endesa could well be just the beginning of a turning point in the Iberian Energy Sector or even in the European one."

✘ "Yes, the economy is recovering and the levels of confidence are increasing."

✘ "We see an increased number of consultations on potential mergers. This shows at least that companies are studying deals, but I am not sure whether this shall result in an effective increase of deals."

"People will watch with interest to see how involved the Government in Spain will really get with the Endesa; i.e. to what lengths it will really go. Clearly that may have an effect on investment generally but particularly in regulated and "semi" regulated industries." Steven Fox, Ashurst



### **Will an increase in M&A benefit other areas of legal work or is it only good news for M&A lawyers?**

"M&A continues to be the locomotive of most law firms as M&A departments in Spain still represent a large part of the income of the major law firms." Pedro A. Rueda, Araoz & Rueda

"Movement is the key driver for a dynamic legal services market and M&A is pure movement." Francisco J. Escat Cortés, Baker & McKenzie

{mosimage}"M&A deals also generate an important amount of legal work in the financing departments of law firms as such transactions are often accompanied by a sophisticated financing package that need advice from legal experts in those matters." Fernando Vives, Garrigues

"Yes, it is particularly good for M&A lawyers but also beneficial to most areas of legal work." Carlos de Sousa e Brito, Carlos de Sousa e Brito & Asociados