

PORTUGAL PRIVATISATIONS SLOWING, BUT INTERNATIONAL INVESTORS STILL SEEK M&A DEALS AVM

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Chinese and Angolan investors continue to eye Portuguese assets, but they are facing increasing competition from investors in Spain, the US, Luxembourg and France

Many of Portugal's key assets have been transferred to private hands in recent years but António Vicente Marques, managing partner of AVM in Lisbon, expects the sell-offs to slow down.

"The privatisation operations, which in the last years resulted essentially from the national bailout programme, are expected to be considerably reduced in the coming years and shall cease to be the key driver of M&A activity as they have been in recent times," he says.

Vicente Marques says both Chinese and Angolan investors "remain attentive" to business and investment opportunities in Portugal but adds that M&A lawyers are starting to see a considerable volume of investment and M&A activity from Spain, the US, Luxembourg and France.

Banking sector consolidation

"Foreign investment and M&A activity has been substantial in the financial and insurance sectors, as well as in commercial real estate assets such as office buildings and shopping malls, there has also

been significant investment in the tourism sector," Vicente Marques says. "Consolidation within the banking sector is also likely to occur in the near future, while the technology, energy and health sectors have also been assuming greater importance in terms of M&A activity."

However, Vicente Marques points out that investors have been facing some uncertainty from a taxation perspective. He adds: "The considerable financial and public budgetary constraints of the last years, as well as the implementation of austerity plans – sponsored by the European Commission, the European Central Bank and the International Monetary Fund – have led to various modifications in the taxation legal framework which had an impact not only upon families, but also on companies operating in the country."

Tax uncertainty

Despite the improvements in the cost of foreign financing and the moderate recovery in economic activity, Vicente Marques says the outlook for the coming years remains somewhat unclear from a tax perspective.

That said, he predicts that, following the moderate recovery of the Portuguese economy, the confidence of international investors in relation to the prospects for growth in Portugal will be restored. This, in turn, shall contribute to an increased appetite for investing in the country. Against this background, Vicente Marques expects M&A activity in Portugal to increase, which will result in an increase in opportunities for law firms.

Real estate opportunities

"There are significant opportunities, in particular in real estate, as well as in the financial, insurance and banking sectors," Vicente Marques says. He adds that Angola remains an attractive destination for both Portuguese and international investors.

Vicente Marques predicts that foreign investors from around the world will be forging closer relationships with Angolan companies operating in a number of sectors. "In general, we have been seeing a considerable volume of investment and M&A activity from Portugal, China, Brazil, the United Arab Emirates, South Africa, the United States and France," he says. "Considering the economic constraints and the publication of the new Private Investment Law, we expect an increase in the formation and strengthening of partnerships between foreign investors and Angolan companies in certain sectors of activity."

Angolan bond issue

Meanwhile, Vicente Marques says the recent merger between Banco Privado Atlântico and Millennium Angola has created a number of opportunities and expects the deal to act as a catalyst for a "new wave of mergers in the commercial banking sector in Angola".

However, Vicente Marques says a number of challenges remain. In particular, he highlights issues relating to customs and tax. Despite this, he says the Angolan Government is confident that the economy will grow and that the country is prepared to support long-term economic development. To this end, Angola recently issued Eurobonds – the initiative raised \$1.5 billion via a 10-year issue with a yield of 9.5 percent. The objective is to use the proceeds to support long-term economic development in the country.