

PORTUGUESE LAW FIRMS 'MUST DIVERSIFY BUSINESS IN AFRICA'

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Africa: M&A fact file

- The highest valued deal in Africa in 2014 was Steinhoff International Holdings' acquisition of a 92 per cent stake in South Africa's retailer network Pepkor Limited for US\$ 5.7 billion – this was the second largest South African deal on record, according to Mergermarket data.
- Linklaters remained the lead legal advisor in the Africa and Middle East region with 20 deals worth US\$ 18 billion, up 20 per cent from 2013. Freshfields Bruckhaus Deringer was second with 24 deals worth US\$ 12 billion, up 33 per cent, while Clifford Chance was third with 35 deals worth US\$ 11.6 billion, up 50 per cent.

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The economic downturn affecting the oil industry in Angola and Mozambique means Portuguese firms are now targeting property, agriculture and Francophone Africa

With the fall in oil prices having caused a downturn in the economies of Angola and Mozambique, lawyers in Portugal argue that it is essential that law firms begin to look for non-oil and gas-related opportunities in Lusophone Africa as well as potential business in other parts of the continent.

Rui Amendoeira, managing partner at Miranda, Correia, Amendoeira & Associados, has no doubts that building practices in African countries other than Angola and Mozambique – which have traditionally been the primary focus of Portuguese firms – is a realistic strategy. He adds: "It's not just realistic, but a must, given the economic downturn that Angola is experiencing at the moment – it is critical for Portuguese firms to look beyond these two jurisdictions, where there is a lot more competition these days."

This was the strategy behind Miranda's decision to expand into Francophone Africa, specifically Gabon, Cameroon, the Democratic Republic of the Congo and the Congo. To aid this expansion, Miranda last year announced it had added Paris-based firm Cabinet Sophie da Cunha to its Miranda Alliance network. With regard to the Democratic Republic of the Congo, Amendoeira highlights the "increasing activity" in the infrastructure, mining and telecommunications sectors.

However, Amendoeira says viewing large firms from the US and UK as competitors in Africa, or actually attempting to compete with them would be a "big mistake". He adds: "Miranda has been working in tandem with these firms, in some cases for 25 years – we can assist international law firms by providing a bridge into Africa for their clients."

With regard to non oil and gas-related opportunities in Lusophone Africa, Amendoeira says investors are targeting deals in the property and agriculture sectors. "In Mozambique, there has been recent investment in commercial real estate," he adds. "Meanwhile, prior to the civil war, Angola was a key exporter of coffee, tobacco, rice and maize." In addition, Amendoeira says there is a booming tourist industry in Cape Verde, while São Tomé and Príncipe are gaining popularity as holiday destinations.

Broadening horizons

Rui Mayer, a partner at Cuatrecasas, Gonçalves Pereira, points to the Democratic Republic of the Congo, Malawi, Kenya, Namibia and Equatorial Guinea as active markets for Portuguese businesses. "These companies require legal assistance in setting up, financing and managing their deals and operations," he remarks. "Also, the fact that there are Portuguese expat and emigrant communities in several countries, such as South Africa, who maintain links with their families and in many cases continue to see Portugal as the place where they would like to retire to, helps establishing links and projecting Portuguese interests."

Francisco Ferraz de Carvalho, a partner at Linklaters in Lisbon, says the time when foreign investment was almost solely mineral resources driven or related to the infrastructure necessary to develop such resources has gone. "There is a wide variety of sectors which require international advisers," he adds. "To give just a few examples, in the last years we have acted on the project financing of a shopping centre in Angola, a wind farm in Cape Verde and an M&A transaction in the financial sector in Mozambique."

António Vicente Marques, senior partner at AVM Advogados says that, while Angola and Mozambique are unquestionably the "bigger, higher volume and value markets for Portuguese firms", there are opportunities in other African jurisdictions. "Other potentially interesting markets, but to a lesser degree, are Cape Verde, Macau, São Tomé and Príncipe, and Timor-Leste – once again due to historic, cultural and language ties."

Mayer concludes that, although he believes that there are indeed opportunities, most Portuguese law firms do not have the scale needed to develop practices that focus exclusively or mostly on African business outside Angola and Mozambique, and much less to establish a formal presence in such countries. "I would believe that most of them would prefer to follow the route that a lot are already following even in Angola and Mozambique, by establishing partnerships with local firms," he says.

Vicente Marques says one of the most important ingredients for success when breaking into new markets is "placing senior practising lawyers in those local markets which is sometimes difficult to do because of local bar association restrictions or because senior Portuguese lawyers are not willing to make the sacrifice of moving to those markets". He adds: "The success of London and US firms in the past in their expansion was usually having one or more resident London/US partners based in the foreign offices to implement quality control procedures, protecting their investments and generally supervising."