

PORTUGUESE M&A FARES BETTER THAN EUROPEAN NEIGHBOURS

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Mergermarket, Cuatrecasas and Marsh report has evidenced that deal value and foreign investment value rise in 2020



In line with global dealmaking, Portuguese M&A struggled this year as the coronavirus pandemic caused companies to withhold large-scale spending and travel restrictions caused complications to deal with logistics. However, in a new report, ["Volume falls but value rises on Portuguese M&A in 2020"](#), published by Mergermarket in conjunction with Cuatrecasas and Marsh, it was revealed that by value, Portugal fared better than most European countries, with a handful of large deals announced in 2020. As a result, this year's value represents the country's highest annual figure since 2014 and an 8.3% uptick versus the full-year 2019 value of €7

billion.

The largest deal in Portugal so far this year saw the €4.1 billion acquisition of toll road company Brisa – Auto-Estradas by a consortium comprised of the National Pension Service, APG Group, and Swiss Life Asset Management from José de Mello SGPS and Arcus Infrastructure Partners.

Foreign investment in Portugal has been mixed in 2020. While there have been several high-profile deals, the overall total has fallen. Foreign investors have announced 30 deals so far this year, down from 53 in 2019. However, value has risen to €6.9 billion – its highest annual since 2014 and accounts for over 90% of the country's total M&A value this year.

Portuguese Private Equity activity has fallen significantly in 2020 following a blockbuster 2019. So far this year, there have been only eight buy-outs worth a combined €1.2 billion. Much of the total came from Partners Group's €1 billion takeover of agrichemical company Rovensa Group from Bridgepoint Advisers. Despite a slight downturn over the summer, European buy-out activity has, once again, performed admirably and is on course to hit €150 billion for the third successive year. With plenty of dry-powder still available to sponsors to deploy, buy-out activity looks set to increase further in 2021.

Mergermarket Research Editor EMEA Jonathan Klonowski commented: "Portugal has seen subdued M&A activity in 2020, with the coronavirus outbreak and the subsequent restrictions causing the business to pause investment. As cases across Europe rise once again, further restrictions will likely limit M&A activity during the final few weeks of 2020 and the opening to next year. However, dealmakers may be cautiously optimistic that M&A will return to pre-COVID levels after recent positive vaccine developments."

Cuatrecasas partner Mariana Norton dos Reis (pictured left) commented: "We started 2020 with a very strong pipeline and international and domestic PE firms had good expectations for buy-out opportunities in Portugal. The COVID outbreak reduced M&A activity as several deals were delayed or cancelled since sellers considered that they would be harmed by the market conditions. Buyers had to factor in uncertainty and expensive financing in the purchase price, and deal terms and many targets underperformed. PE firms had to give primary focus to their portfolio. However, even if the M&A volume dropped substantially in Portugal, the value was held up well due to the macro deals in infrastructures (sale of Brisa) and agribusiness (purchase of Rovensa). It is quite exceptional in the Portuguese market to have deals valued in more than €1 billion and 2020 had more than one!"

Marsh Portugal CEO Rodrigo Simões de Almeida (pictured right) commented: "From our perspective, foreign investment will continue to be the most relevant driver for dealmaking in our country. As it

can be noted by reviewing the list of this year's top deals list, 8 out of 10 were held by either financial or strategic foreign investors, this being even more impactful if you consider the deal values, where c. 95% involved international buyers. Also relevant to be noted is the current level of dry powder hold by private equity funds (estimated to be in excess of \$1.5 trillion) coupled with the assets rotation plans developed by strategic investors (notably in sectors such as energy, power and utilities), which may both positively impact next year's dealmaking in Portugal."