

STATE STILL INFLUENCES PRIVATE EQUITY FUNDS - ABBC

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While there has been an increase in private equity activity in Portugal, it is a sector that is still heavily influenced by the state and by national banks, says João Costa Quinta, partner at Azevedo Neves, Benjamim Mendes, Carvalho & Associados (ABBC) in Lisbon.

“There aren't many private equity funds raised by private companies that do not have any connection with the state or with the banking sector,” Costa Quinta says. “You don't have fundraising like you do in the UK where you can resort to private companies in order to convince them to put money under your management – instead, in Portugal, the funds are largely connected to the state, acting solely or in partnership with national banks.”

The government's interest in the private equity sector is largely due to the fact that Portuguese companies are under-capitalised and the banking sector has greatly reduced the financing usually available to such companies. “As such, the state considers private equity instruments as an essential mechanism for the capitalisation of Portuguese small and medium-sized enterprises (SMEs),” Costa Quinta says. “The state will not invest directly, but it is highly probable that it will use the model adopted during 2012 – that is, public bids resulting in €220 million being put under the management of three private equity companies.” He adds: “Thus it is likely that, during the first semester of 2015, a

new programme aimed at awarding new European funds to private companies will be open." Costa Quinta says that, until a couple of years ago there were only ten to 15 private equity companies registered with the securities exchange commission, and not all those were active. "But now, there are perhaps more than thirty such companies already registered," he adds. "However, the question remains as to whether this increase in private equity activity will translate into real growth that is not dependent on public funds."