HUNTING EL DORADO

Iberian firms have experienced startling growth in Latin America in recent years. But in the quest for adventure, have they kept home fires burning?

TOM BAKER

A year ago, Spanish leader Garrigues unveiled its fifth office in Latin America, adding Chilean firm Avendaño Merino to its existing outposts in Brazil, Colombia, Mexico and Peru. And, as the most expansive Iberian practice in the region, there is undoubtedly pressure to prove the strategy effective. Fortunately, Garrigues has seen startling 81% revenue growth to €18.6m in the region in the last 12 months and expects to generate €30m from Latin America in 2017.

Managing partner Fernando Vives Ruiz says the turning point was a tactical switch to offer a fully-integrated practice in Latin America rather than relying on best-friend alliances. It decided to go it alone in 2013 when it pulled the plug on its Latin American alliance, Affinitas, which it set up in 2004.

'We are following a different path to others. When we talk with our Bogotá or Lima offices we are working in the same way as if a client came to Barcelona or Lisbon. I am fully convinced that this way is the best way ▶

'We are not obsessed with growth. Our main concern is quality and sustainable growth.'
Luis de Carlos, Uría Menéndez

▶ to give clarity to the market, to present Garrigues to the market as a law firm, not a franchise or a Swiss Verein.'

Cuatrecasas – Garrigues' main Spanish competitor along with Uría Menéndez – has offices in three Latin American countries (Brazil, Mexico and Colombia) but favours an alternative approach when it comes to cracking the market.

'When we see our competitors' strategies, they are just the same in every region,' says corporate co-ordinator, Javier Villasante. 'We have a more flexible approach and so far clients appreciate it. Clients come to us because they know we have a particular expertise to help them with a transaction.'

Cuatrecasas has operated in Brazil via its São Paulo office for over a decade. However, the firm started cautiously in Colombia, adopting a best-friend alliance with local practice Posse Herrera Ruiz in September 2016. The Mexico branch (which opened in March 2016) has picked up some significant deal work, notably advising Multitel on the largest telecoms project in Mexican history, worth €6.6bn. Villasante estimates that 10%, or around €27m, of the firm's turnover is generated from Latin America, a notable achievement given the offices in Colombia and Mexico have been operating for less than a year.

Many of the transactions that take place in the region are done through Spanish holding companies. This is down to the fact that Spain has bilateral investment treaties with most countries within Latin America, whereas there are very few between the various Latin American countries themselves.

Uría – the third of Spain's legal heavyweights – relies heavily on alliances to sustain its Latin American practice. Its 30% stake in Philippi Prietocarrizosa Ferrero DU & Uría gives the firm access to a network ▶

FIGHTING BACK: TOP IBERIAN CORPORATE MANDATES IN 2016

- **Pérez-Llorca, Garrigues and Uría Menéndez all provided Spanish advice on the €16.9bn listing of Coca-Cola European Partners on multiple stock exchanges, including the Bolsa de Madrid, Euronext London, Euronext Amsterdam and the New York Stock Exchange. The company, a result of a merger between Coca-Cola Enterprises, Coca-Cola Iberian Partners and Coca-Cola Erfrischungsgetränke, has a reported market capitalisation of more than €20bn.**

- **Garrigues provided Spanish advice to Enel Green Power on its partial €3.1bn repurchase by parent company Enel in April 2016. The company, which is listed in both Italy and Spain, was de-listed under the legal requirements of both jurisdictions.**

- **Garrigues advised Spanish hospital operator Quirónsalud on its September 2016 €5.8bn buyout by German healthcare provider Fresenius. The acquisition will create the largest hospital operator within the EU and one of the largest worldwide. The new group will have more than 100,000 employees and will oversee 155 health centres across the continent.**

- **Cuatrecasas advised steel manufacturer ArcelorMittal on listing 1.26 billion new shares on the Spanish stock exchange. The April 2016 deal, which was worth €2.8bn, saw new share prices set at €2.20.**

- **PLMJ assisted Barclays on the €175m sale of its Portuguese business to Spanish bank Bankinter. As part of the transaction, approximately 1,000 Barclays employees and 84 branches were transferred to Bankinter.**

- **PLMJ also provided legal advice to private investment fund Ardian Infrastructure during its August 2016 acquisition of shareholdings held by Ascendi, the joint venture in Portuguese motorways. The deal was valued at €600m.**

- **ABBC advised Santander Totta in its €150m acquisition of the Portuguese bank Banif – Banco Internacional do Funchal in February 2016, in a deal that saw Santander become Portugal's second-largest private bank with a 14.5% market share in loans and deposits.**

'In January this year, we did 30% more work than January last year. Things are improving.'
Fernando Vives Ruiz, Garrigues

▶ of 353 lawyers spanning Chile, Colombia and Peru.

Managing partner Luis de Carlos estimates that just over 10% of the firm's €210m revenue comes from Latin America. He contends that 75% is procured from the Iberian market and that the firm is 'not obsessed with growth'.

'Our main concern is quality and trying to garner sustainable growth, which is compatible with the quality and international cohesion that characterises us.'

While the revenues generated by the three leading Spanish firms in Latin America are only a fraction of their global revenues, the rate of growth generated by the trio in the region points to an unmistakable focus on developing new business. The question is whether hunting gold in Latin America has allowed smaller firms to capitalise on gaps left in the domestic market.

EYE ON THE BALL

'It's true that partners focus on more international matters, but at the end of the day it's also domestic work,' says Villasante. 'It's helping your clients in Madrid to do a transaction in Peru, but it's also helping your US clients do a transaction in Spain. International doesn't necessarily mean that you are neglecting your practice in Spain, which is international itself.'

Gómez-Acebo & Pombo is an example of a successful Iberian firm bucking the trend of globalisation. A smaller Spanish outfit with offices scattered across Barcelona, Bilbao, Madrid, Valencia and Vigo, the firm possesses only four international offices. Discounting its Lisbon office in neighbouring Portugal, managing partner Carlos Rueda Gómez-Calcerrada estimates that only 10% of its €60.2m revenue is generated from its London, New York and Brussels offices.

For Rueda, the largest Spanish players' focus on Latin America is the natural next step after outgrowing the domestic market and he sees opportunities as a result: 'I wouldn't say [the larger firms] are neglecting the local market, but obviously they have to keep an intense eye on Latin America. Maybe they cannot maintain the same level of dedication to the local market, where there is a lot of work around.'

Rueda's optimistic assessment of the Spanish market appears well founded. The Spanish economy has seen a steady improvement in recent years, characterised by consecutive years of 3% growth in 2015 and 2016. Unemployment is at its lowest level since 2009 and the political situation has steadied after a turbulent 12 months, which saw three elections and a potential failure to produce a budget for 2017 avoided.

Vives believes that the stable economic and political conditions have invited significant foreign investors to consider Spain as a viable option again, and this is the main factor behind the country's growth.

'In January this year, we did 30% more work than January last year. Things can change, but it's a sign that things are improving,' he says.

Perhaps the best indicator of the growth of the domestic market is produced by observing the smaller mid-tier Spanish firms who are more inwardly focused. Gómez-Acebo's homeward strategy appears to be paying off, with the firm reversing a three-year fall in revenues to record a 2% rise in the last financial year.

Rueda agrees with Vives regarding the viability of the Spanish market to foreign investors. However, he describes his home market as 'quite an attractive market in itself, with a lot of opportunities, well-developed markets and big possibilities in real estate'.

In a similar league to Gómez-Acebo is Pérez-Llorca, a 160-lawyer practice with offices in Madrid, Barcelona, London and New York. Senior partner Pedro Pérez-Llorca describes the domestic market as 'lively', but is clear on the contribution from international transactions: 'Latin American-Spanish investment flows continue to grow in both directions and this is undoubtedly bringing us a lot of business.'

INTO AFRICA

For Portuguese firms, the international expansion narrative is just as pertinent as for their Spanish neighbours, although the key players have their sights set on an altogether separate international market.

'Portugal is neither a country with a large size nor a very robust internal business structure,' says Nelson Raposo Bernardo, managing partner of Raposo Bernardo & Associados. 'It is a country that depends heavily on foreign investment and suffers from the effects of what happens in other markets, especially in the European Union. To this extent, international markets are crucial to support access to mandates of importance and with a transnational dimension. About 50% of the work we handle in the Lisbon office comes from foreign clients.'

Miranda & Associados, which has a network of alliance partners across the continent, advertises itself as 'the Pan-African law firm'. This is supported by the range of

BONES OF CONTENTION: MAJOR IBERIAN DISPUTES AND REGULATORY MATTERS IN 2016

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- Cuatrecasas represented Bombardier in its case against Spain's national train operator Renfe over a modification of the procurement specifications for up to 30 high-speed trains, including a stipulation that the manufacturing of the trains must take place in Spain. Spain's administrative court ruled against Renfe in May 2016, ordering the company to restart the bidding process.

- Pérez-Llorca acted on behalf of Banco Bilbao Vizcaya Argentaria in a multibillion-euro dispute before the Court of Justice of the European Union (CJEU), regarding an order that Spanish banks should reimburse customers who lost money as a result of 'floor clauses', which restricts the minimum interest rate on mortgage loans, meaning that customers missed out on potential profits. The Bank of Spain estimates that banks could be forced to pay more than €4bn to consumers due to the ruling.

- Operation Marquês: a number of high-profile figures have been indicted after a wide-ranging investigation into tax fraud, corruption and money laundering committed by Portuguese politicians and banking chiefs, most notably former prime minister José Sócrates, who was arrested in November 2014. Uría Menéndez is acting for Ricardo Salgado, the former president of Banco Espírito Santo, who is accused of corruption, abuse of trust, influence peddling, money laundering and qualified tax fraud.

- Garrigues is representing Banco Santander, World Duty Free Group and others as part of the so-called 'financial goodwill' state aid case. In 2002, Spain introduced a special tax scheme that would see companies pay discounted corporate tax rates if they bought shares and bonds of foreign companies. This was ruled as anti-competitive state aid by European Commission decisions in 2009 and 2011, and these decisions have been upheld by a December 2016 CJEU judgment. Global amounts are not known, but the fees involved are substantial given the large number of companies impacted by the case.

- Garrigues is advising Obrascón Huarte Lain (OHL) in its International Chamber of Commerce claim against Qatar Foundation. The claim relates to Qatar's decision to terminate OHL's position as one of the main contractors for the building of the unfinished Sidra Medical and Research Center in Doha. Qatar alleges that a lack of diligence on the part of OHL was a factor in its decision, which OHL refutes. The claim is valued at $2bn and the final award is expected to be rendered in 2018.

- Vieira de Almeida (VdA), Miranda and PLMJ are all acting on a €2bn dispute between a number of asset managers and the Portuguese Central Bank. The claimants allege that the bank acted improperly when moving five bonds from the bank Novo Banco to Banco Espírito Santo, resulting in the value of the bonds dropping. VdA are representing the Portuguese Central Bank with Miranda and PLMJ both acting for asset managers.

‘Africa is part of our DNA. It’s something which is so natural we don’t even really question it. Africa is the continent of the future.’
Diogo Xavier da Cunha, Miranda & Associados

▶ African territories now under the Miranda Alliance, with independent firms in Angola, Mozambique, Equatorial Guinea, São Tomé & Principe, Cape Verde, Guinea-Bissau, Cameroon, Democratic Republic of the Congo (DRC), Gabon and Republic of the Congo, while it also lays claim to be the first European law firm to launch in the Ivory Coast, adding local firm CDI Counsel to its alliance in 2016.

Managing partner Diogo Xavier da Cunha estimates that roughly 75% of the firm’s revenue is generated from its international offices. ‘Africa is part of our DNA,’ he says. ‘It’s something which is so natural we don’t even really question it. Africa is the continent of the future.’

Domestic rival PLMJ – which has roughly the same fee-earner headcount of 290 lawyers – has a smaller African offering, with offices in Portuguese-speaking Angola and Mozambique. For PLMJ, the key to taking advantage of the African market is also found through forming alliances with local firms.

Managing partner Luís Miguel Pais Antunes says international clients represent roughly 40% of the firm’s clients, with international offices bringing in around 30% of the firm’s turnover.

Likewise, Vieira de Almeida & Associados (VdA) also has a sophisticated African presence, which has developed significantly in the last year. The firm has three full offices in Lisbon, Porto and East Timor, but in late 2015 pushed to develop a wide-ranging integrated network of firms in Angola, Cape Verde, Congo, Gabon, Guinea-Bissau, Equatorial Guinea, Mozambique, DRC and São Tomé and Príncipe after hiring a team of around 30 lawyers from Miranda, including its former chair Rui Amendoeira. This global push has seemingly paid off for VdA, with international turnover understood to have increased from around 10% of total revenues in 2015 to just under 20% in 2016. In the same period, firmwide revenue grew by 21%.

The Portuguese market contrasts to the Spanish market in the sense that the drive to expand internationally permeates the full spectrum of firms. While Spanish mid-tier outfits Gómez-Acebo and Pérez-Llorca have a primarily domestic focus, similarly-placed Portuguese firm Abreu Advogados has six international offices achieved through an alliance network. Abreu has an African offering in Angola and Mozambique, alongside offices in Brazil, Cape Verde, China and East Timor.

The notion of smaller firms taking advantage of gaps in the domestic Portuguese market is well-received by Antunes, who is open-minded about competition: ‘There is room for the smaller firms if they are well organised and have know-how.’

Considering Portuguese firms’ emphasis on the global outlook, inevitably there are questions surrounding the suitability of the domestic market for facilitating financial expansion for law firms. Despite recent monetary stability, economic uncertainty lingers. The socialist government, led by prime minister António Costa, has eased austerity at the risk of inviting reprimands from Brussels over loan repayments.

Sure enough, the Portuguese economy has seen some uplift of late. The overall economic growth rate in 2016 was at the second-highest level in six years, fuelled by consecutive years of increasing investment rates and a steadily climbing GDP.

‘The troika intervention put Portugal on the world radar,’ says Raposo Bernardo. ‘At first for negative reasons, but in the end for the positive way the country has managed to meet the challenges. The most difficult times have led to large devaluations of companies and other assets, mainly real estate. Foreign investment did not take long, and in fact many M&A and real estate transactions have been carried out in recent years. This environment has been a source of great growth in law firms.'

Essentially there is some difference between the international approach of the firms in the two Iberian countries. In Portugal the market is less dominated by two or three large domestic firms and a handful of global players. Therefore, while there is a potential for mid-market Spanish firms to dedicate themselves to their domestic market in the quest for a strategic hedge and leave the globalising to the big three, from a Portuguese perspective, a cramped market with a sluggish economy necessitates the wider search abroad for work.

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Nelson Raposo Bernardo, Raposo Bernardo

History reveals the Portuguese have always been an explorer nation, through Vasco da Gama and Pedro Álvares Cabral in particular. But, as far as Latin America is concerned, it appears there is no limit to opportunities available to the three dominant Spanish firms. **LB**

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