

Portugal: Destination unknown

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With a bumper year behind them, but economic storm clouds gathering, Portugal's indies are divided on what the future holds. Philip Hoult reports

For much of the past decade Portugal saw its economy grow at what seemed to be a pedestrian rate — at least compared with its neighbour, Spain. Now, though, this moderate expansion seems to have been a blessing.

“We haven’t had the same excesses, and we haven’t seen Portuguese businesses financing themselves with the same exuberance that we saw with Spanish companies,” says Jorge Santiago Neves, a partner at Barrocas Sarmento Neves. “But since we weren’t invited to the party, we didn’t get the hangover.”

Portugal’s banks have also been run more conservatively, and so are less exposed to the toxic financial instruments that have heaped such troubles on their international counterparts.

While the nationalisation of Banco Portugues de Negocios this November caused a degree of consternation, the government was quick to stress that the bank was brought down by losses incurred before the liquidity squeeze.

Portugal’s prime minister Jose Socrates has insisted that while the economy has slowed, it will continue to grow in 2009 — if only by a small amount. The country will be in the group of states to avoid a recession, he believes.

Business conditions are still favourable despite the downturn, agrees Antonio Pinto Leite, co-managing partner of Morais Leitao Galvao Teles Soares da Silva (MLGTS). “There is no panic in Portugal but we never have panic here,” he says. “Of course we have some concerns for 2009, although more for our clients than necessarily ourselves.”

All parts of Morais Leitao are growing, not just litigation, he adds. “We have had more than a 20% increase in new clients. We are waiting for a dark cloud but it has not come yet.”

While the stream of major transactions that flowed in 2005 and 2006 has dried up, MLGTS has still notched up some impressive deals this year. These include acting for Energias de Portugal on the Å8 billion initial public offering (IPO) of EDP Renovaveis, its renewable energy arm. Linklaters advised the banks on the deal, the largest-ever IPO in Portugal.

It is a similar story of solid performance at Vieira de Almeida (VdA). “Up to now, we haven’t felt the crisis,” says managing partner Joao Vieira de Almeida. “This will



probably be the very best year we have had. However, I'm absolutely convinced that next year will be different." VdA's deals in the second half of 2008 include the €1.2 billion purchase of parts of the Iberian energy business of asset management firm Babcock & Brown.

Although certain international-focused transactions have been put on hold until conditions improve, there are still deals being done. This is true even in the real estate sector, which has not seen prices fall anything like they have in other countries.

Vieira de Almeida believes assets will continue to change hands in 2009 and that there are a number of industries where consolidation could take place. "It's up for grabs," he says. "It could happen anywhere, including the banking sector. There are good opportunities in terms of the pricing of certain assets."

There is considerable hope too that the government will press ahead with multi-billion euro infrastructure projects such as the high-speed rail link to Spain and the proposed new airport for Lisbon. However, some lawyers fear that these projects will be delayed.

"People are questioning whether the private sector — which is being counted upon to do these projects on a concession basis — can get the financing," says Sarmiento Neves. "To get these projects off the ground, there has to be some kind of change in approach, but it's unclear what that's going to be."

Meanwhile, Portugal's lawyers continue to benefit from advising their clients on their overseas activities, most notably in Portuguese-speaking countries such as Angola and Mozambique. "The whole Portuguese economy has one eye on Angola, which is growing faster than China," says Morais Leitao's Pinto Leite. "It's a land of opportunity but we also have to be careful the way we do things there."

The legal services market in Portugal may not be one of the largest in Europe, but it nevertheless remains pretty competitive. Two UK firms — Linklaters and Simmons & Simmons — have a permanent base, alongside leading Spanish firms Garrigues and Uria Menendez. Gomez-Acebo & Pombo, another Spanish giant, recently announced plans to launch a Portuguese practice in January 2009.

What the next 12 months hold in store for Portuguese firms is uncertain, however. Pinto Leite is optimistic — indeed, he is more concerned with how Morais Leitao will cope if there is a sudden upturn. The firm has hired 37 lawyers this year, and Pinto Leite expects it to grow further in 2009.

By contrast, Joao Vieira de Almeida is cautious. "Firms will be hit next year, although how badly, I don't know," he says, pointing out that, after 20 years of continuous growth, none of the major firms has ever dealt with a situation where its revenues have actually decreased. Nor has the market seen redundancies on any significant scale.

"I'm not saying that's going to happen, but if it does — and it's certainly a possibility — Portuguese firms will be in a totally new situation," he warns.