

M&A market finally turns a corner

While Portugal's economy has been flat for some time, indications are that activity is set to take a turn for the better

There has been a marked rise in interest from private equity house investors looking at Portugal for corporate opportunities, promising a boost in the M&A market, according to Jorge Bleck, who recently joined Vieira de Almeida as Head of its M&A and Corporate Finance practice group.

"This is also the information that we are getting from some of our friends in London," he says, "and this interest is said to be stretching through Portugal to Africa and other Portuguese-speaking countries – although this is more towards projects than corporate finance and M&A".

While some investors, mostly private equity houses from London and New York, are taking decisive action, others are, for the time being, taking a more calculated approach. "From 10 calls we receive, we see five transactions take shape, out of which two turn into actual investments," says Bleck. "But this is far better than the situation last."

Investors want a substantial return

on their investments, so unless they are guaranteed their projected return, some are still hesitant to act, he explains. "But this is changing and we should see evidence of an increase in transactions as the year closes."

With over 30 years M&A and corporate finance experience, Bleck has played a lead role in many of the country's most important transactions and IPOs. But the days of these big transactions are over, he says. "Portugal is fortunate, however, as we currently have more opportunities to offer for the European standards companies." Real estate, in particular in relation to shopping malls, resorts and hotels, is proving to an area where investors are capitalising on bargain prices.

And Bleck sees the domestic economy taking a positive step forwards. "The feeling in the global markets is that Portugal has already hit rock bottom point and is now at a turning point – and the only way is up."



Jorge Bleck

Ha habido un marcado aumento en el interés de los inversores de capital privado en relación con las oportunidades que ofrece actualmente Portugal, que promete un impulso en las fusiones y adquisiciones del mercado, según Jorge Bleck de Vieira de Almeida. La economía nacional está dando un importante paso hacia adelante.

A positive platform for investment

A recent trend for investors using Portugal-based 'holding companies' as vehicles to access the African markets may have positive implications for the Portuguese market, according to Miguel Castro Pereira, Managing Partner of Abreu Advogados. "Aside from creating tax advantages for the foreign investors, these companies create employment and domestic investment, for example in real estate."

Many countries, such as China and Hong Kong, do not have a double taxation agreement with African Portuguese-speaking jurisdictions, so may consider using Portugal as a platform from which to headquarter their African investments to reduce double taxation. "This means their operations are treated as being Portugal-based and they can take advantage of a specific provision in domestic law that creates conditions that effectively replicate a double taxation treaty where none is in place," explains Castro Pereira.

The profits made in Africa are taxed locally and the holding company will be subject to zero tax in Portugal while double taxation agreements between Portugal and China or Hong Kong, for instance, will apply to the profits sent upstream. "This could lead to savings of up to 10 percent tax on investment, which, given the size of transactions these Asian markets are involved in, is a huge advantage," he adds.

Any investors that use these structures, and invest over €1m, will also have direct access to Portugal 'Golden Visa' programme, whereby they can secure a Portuguese residence permit, and benefit from a flat tax rate of 20 percent on domestic employment, business and professional services income. So while the domestic market is stagnant, the use of the country as a platform to other markets may bring investment that is otherwise lacking, says Castro Pereira. "However, the Government has still to effectively turn Portugal into an attractive offshore regime that could help in boosting the ailing economy."



Miguel Castro Pereira

La tendencia de los inversores que utilizan empresas holding censadas en Portugal para acceder a los mercados africanos tiene consecuencias positivas para el mercado portugués, dice Miguel Castro Pereira de Abreu Advogados. Además de crear ventajas fiscales para los inversores extranjeros.