

# The changing face of Portuguese companies

As the costs associated with a full takeover have risen so therefore has the emphasis on maximising interference, notably through access to a company Board, says João Vieira de Almeida, managing partner of Lisbon-based Vieira de Almeida & Associados.

**“A**lthough it may be a bit early to jump to conclusions, it does seem that companies have become more open and vulnerable, as market regulations tighten, supervisors test their muscles, and demand increases,” says João Vieira de Almeida, managing partner of Vieira de Almeida & Associados.

The result is a discernible change in the make-up and structure of Portuguese public company structures.

“What used to be fairly closed and strictly controlled companies are changing into much more open organisations, where shareholders – existing and potential – exercise their influence, together with other stakeholders who for the most part were either previously ignored or non-existent.”

Notably he raises the increasing influence on corporate transparency of supervisory boards, international rating agencies, and of regulatory bodies. But such changes reflect not only a change in Portuguese corporate culture but of Portuguese society more widely.

“This goes together (as a consequence but also as a driver) with the slow erosion of the carefully woven old-boys’ network that prevailed in the country for many years. The recent attacks on Portugal Telecom (PT) and Banco BPI, the changes at the top of Millennium BCP, and the new shareholders in Brisa, all these are welcome signs of a market slowly coming of age,” he says.

The last two years have seen the two largest public company takeover bids in Portuguese corporate history: Sonaecom’s €11.9bn bid for Portugal Telecom, and Millennium BCP’s €4.3bn bid for Banco BPI – both of which ultimately proved unsuccessful.

Since then however, Portugal Telecom has divested its multimedia arm, while BCP has seen shareholder revolts, prompting the departure of its CEO, as well as the chairman and founder of the bank, Jorge Jardim Gonçalves. Boardroom stability was little helped by BCP’s rejection of a friendly merger by BPI, in part because of concerns over its fragmented ownership – Spain’s La Caixa being the largest single shareholder.

In certain circumstances full ownership of a target company is now no longer an imperative for incoming corporate shareholders, notes Vieira de Almeida. Acquirers may instead be content to reach certain shareholding thresholds rather than seek full control.

“For instance, in the privatisation of Rede Eléctrica Nacional (REN), the national grid manager, first wave acquirers bought from Energias de Portugal (EDP) stakes of 5% each. The same has happened in Brisa, where Babcock & Brown now holds around 15%, with a seat on the Board but no other parallel arrangements.”

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João Vieira de Almeida, Vieira de Almeida & Associados

He notes also a change in emphasis placed on issues such as voting limitation rights, and the influence of the regulators. “The recent mandatory tender offer cases led the market supervisor to look closer at the situation and issue a number of regulations which were made to make the processes more open and transparent, and to avoid defence tactics that may put off potential acquirers,” says Vieira de Almeida.

The trend within the larger listed companies, he suggests, is to try to maximise interference rights (for example, access to Board) without the massive investments required to get full control.

“The recent failures of the two big proposed bids, for PT and BPI, have further shown that the costs involved in a hostile acquisition may be excessive in a country used to consensual solutions to most problems. So although companies are now much more transparent than they used to be, this does not necessarily mean that purchasers will seek control at whatever cost.”



En los últimos años hemos visto un cambio en cuanto al énfasis puesto en los accionistas dentro de las empresas cotizadas en Portugal, afirma Vieira de Almeida, socio director de Vieira de Almeida & Associados. El resultado ha sido que los adquirentes están centrando más su interés en cómo maximizar su derecho de interferencia (por ej., mayor acceso a la Junta), evitando así las grandes inversiones que serían necesarias para obtener el pleno control.