



GREAT EXPECTATIONS

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She is currently a managing associate at the Corporate & Governance practice area. Over the last decade, Sofia has worked in some of the most relevant transactions in which VdA was involved, mainly focused on mergers and acquisitions as well as corporate reorganizations of large corporations or private equity investors.

During 2017 and 2018, Sofia joined the Corporate practice area at Kirkland & Ellis LLP in New York as a Foreign Associate, where she was involved in several international private equity deals.

Sofia has also actively worked in corporate finance and acquisition finance transactions, advising several national and international clients.

The COVID-19 crisis may turn out to be a unique opportunity for Portugal. In the wake of *OECD Capital Markets Review of Portugal* and the financial incentives under the *Recovery and Resilience Facility*, all eyes are on the capital markets' reform to be approved this year. In 2020, the OECD shone a spotlight on the importance of creating across-the-board attractive capital market

investment opportunities to foster the Portuguese economy's ecosystem, its resilience and growth while encouraging the participation of both domestic and foreign investors. The key recommendations have highlighted the need to promote access to equity capital, long term market-based debt financing and to create a corporate growth-friendly environment.

The Portuguese government stepped up to the challenge and announced the creation of a task force dedicated to reform the capital markets by simplifying the regulatory framework and creating tax incentives for equity financing, channeling part of the Recovery and Resilience Facility towards that goal. This last year we have witnessed a worldwide change of life and work habits,



consumer needs and a pressing call for online transition and standardization. We have realized that we can build a workforce of global reach and that distance is no longer a challenge. There are still a lot of opportunities for local niches and customized offers for small businesses, but when it comes to financing, money will know no borders and the frameworks should be inviting.

With limited sources of equity funding in the local market, Portuguese companies have turned to international institutional investors for equity investments to fund their growth but struggle to bring the Portuguese legal framework in line with the most recent international trends. In the past, the design, standards and mechanisms available pushed investors away to more alluring flexible holding structures abroad and inevitably lead to a continuous detachment to from the Portuguese market, but we have an opportunity to change this state of affairs and get ahead.

Aside from the high expectations regarding

the economic and business incentives to a more attractive capital market both on the publicly listed companies but also on the private side, the bar is also set high for the review of the legal framework, which could lead smooth the path to an attractive equity market.

On the public side, in the last two decades Portugal has lost a significant part of its listed companies leading to a very limited free-float and low liquidity creating the perception that the gain is not sufficient to pay off heavy disclosure undertakings. If the OECD recommendations and review are put to good use, we can expect legal formalities to be relaxed in the review of the Portuguese Securities Code and Companies Code to adopt mechanisms that will allow companies to seek equity financing. A good example would be to have, within certain limits, more flexibility on the issuance of shares that would allow for a book building process in which the companies could take advantage of market gains as the mechanisms currently available require a

creative approach that moves at a pace much slower than the market demands.

On the private investment side, there are also high expectations that this opportunity to bring flexibility to legal framework will smooth the adoption of international trends and create the incentives towards equity financing and investment.

Over the last few years, we have seen a trend in structuring equity financing through preference shares, but Portuguese entities and market are still very reluctant to follow that path, especially in domestic transactions. An increased flexibility aligned with appropriate tax and financial incentives could be critical to foster the use of these mechanisms and create a more dynamic equity financing market.

In a nutshell, COVID-19 and the lockdowns brought about a pressing need for change and innovation. Portugal has the opportunity created by the COVID-19's call for action, the diagnosis fostered by the OECD capital markets review and the funding from the Recovery and Resilience Facility to step up to the challenge and create an ecosystem with the latest and greatest international standards, leveling the playing field for Portuguese companies' access to capital markets and equity financing. The success of the task force's work should also be measured by how fast and seamless the process of understanding the Portuguese legal framework for investment will become. Hopefully we can soon become a country as inviting for investment as we are for tourism.