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Investment opportunities in Portugal: old businesses and new ventures

VdA's Helena Vaz Pinto on how companies may benefit from the new legal framework

The Portuguese economy has gradually improved in recent years, attracting investment in a number of different sectors (such as real estate, tourism, energy, infrastructure, telecoms and financial services) but without the fundamental structural issue of excessive levels of indebtedness of the private sector – generally recognised as the country's Achilles' heel – having been resolved.

This problem, which has been affecting Portugal for many decades, has been a focus of concern for many governments, and the subject of public and private initiatives, some of which started to be implemented before the beginning of the 2008 financial crisis, including through sales by Portuguese banks of portfolios of non-performing loans (NPLs) – both in securitisations or through straight portfolio sales to end-investors – the bigger chunk of which has mainly consisted of mortgage credits.

The Portuguese corporates' NPLs (in particular the big corporates) are now the major area of attention and are required to be tackled in a hasty fashion. This will most likely involve customised solutions – particularly individual transactions having both a restructuring component and another of investment of fresh money – there being numerous opportunities in a multiplicity of sectors for those investors, in particular for private equity and investment funds specialised in distressed assets, willing to take the risk and reward.

In this context, the Portuguese government has approved a specific programme – Programa Capitalizar (Capitalisation Programme) – which has as one of its key sections facilitating the capitalisation and recovery of economically-viable companies in financial distress.

As part of this programme, on 2 March, a set of laws was published, providing creditors with a special regime for the conversion into share capital of credits held over undercapitalised and defaulting companies[1] (Law nr 7/2018), and giving companies facing solvency issues the ability to negotiate and enter into restructuring agreements with their respective creditors, in the context of a special and tendentially confidential, non-judicial recovery procedure (Law nr 8/2018).

Although an in-depth assessment of the new legal regimes is not possible at present, given their very recent nature, our general and preliminary impression of the same is that they may be a factor for stimulating the finding of solutions for existing complex situations, as these legal instruments seem to enhance and simplify the process for the reconfiguration of the conditions of the debtors' assets and liabilities or their capital structure (or any part or combination thereof), including through the sale of assets or parts of the business.

On another topic, Portugal is now definitely on entrepreneurs' maps as the place to start and develop their businesses, and is receiving more and more attention from investors interested in innovative start-ups and enterprises.

Add to that favourable social and geographical conditions, very qualified human resources and a reputation gained with some major international events (such as the Web Summit) that take place in Portugal, the country has created an attractive ecosystem for new ventures. This includes several incubation and acceleration programmes and initiatives, platforms of business angels and a growing number of new venture capital funds, as well as the availability of financing lines (in the context of the European Structural and Investment Funds programme for 2020) and tax incentives.

The Portuguese venture capital legal framework is fairly straightforward and flexible, which has permitted the successful development and implementation of 'contractual technology' in line with the international standards, which enable flexibility and a broad-based approach to investments. It benefits as well from a friendly tax regime, notably for foreign investors.

[1] Other than insurance companies, credit instructions, financial and investment companies, 'public companies' (ie listed companies and publicly-subscribed companies) and state-owned companies.

'Portugal is receiving more and more attention from investors interested in innovative start-ups and enterprises.'
Helena Vaz Pinto, VdA

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