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Independent Law Firms

New worlds to conquer

Spanish and Portuguese firms are making the most of their colonial past to expand internationally. Dominic Carman reports

"He who is prepared has his battle half fought," wrote Cervantes 400 years ago — at the height of the Iberian Union between Spain and Portugal.

Today, Don Quixote's strategic advice is being applied by the managing partners of Iberia's largest law firms. Emerging somewhat leaner from the post-crisis years, they are once again prepared for action: less tilting at domestic windmills, more fighting fresh battles in foreign markets where cultural links are strong — in Latin America and lusophone Africa.

That is not to diminish the impact of Iberian recovery. All three big Spanish firms — Garrigues, Cuatrecasas Goncalves Pereira and Uria Menendez — point to a rebound in technology, telecoms, energy, pharma, and especially in real estate: the speculative bubble that burst so painfully after 2008.

"Government reforms have completely changed investor confidence," says Rafael Fontana, senior partner at Cuatrecasas.

"Sentiment is positive; there's been much activity in M&A and capital markets — the best year since 2007," echoes Luis de Carlos, Uria's managing partner. His firm advised Aena and Cellnex Telecom, Europe's largest initial public offerings (IPOs) this year, providing a strong vote of confidence for Madrid.

Most big ticket M&A work remains monopolised by global players, however. Only Uria makes the top ten by deal value in Mergermarket's Spanish table to Q3. "Because the large transactions are cross border and international firms are better positioned, you can see the rankings — they are what they are," says Fontana.

Spanish independents perform much better in volume terms, where mid-sized deals predominate. Cuatrecasas tops the latest table with 26 transactions so far this year.

More deals certainly reflect a healthier economy: Spanish GDP is anticipated to grow by 3% with 600,000 jobs created this year. Uncertainty over the December election result is the only immediate cloud on the local horizon.

Meanwhile, Portugal's opposition party has struck up a coalition with the communist party to enter government and GDP growth is predicted to approach 2%. "We've had our best year ever — so much activity," enthuses Joao Vieira de Almeida, managing partner of Vieira de Almeida (VDA).

His counterpart at Morais Leitao Galvao Teles Soares da Silva (MLGTS), Nuno Teles, concurs, pointing to: "A huge privatisation programme in utilities, transport and banking, while renewable energy has been very active. We have stability, and the country has regained credibility."

The relief that this belated recovery has brought is tangible. Responding to the post-crisis famine, Spanish firms have spent several years slimming down. "We reduced the workforce, and since 2010, we've increased productivity by 40%", says Fernando Vives Ruiz, managing partner at Garrigues.

"Local law firms are now more efficient organisations, more productive," agrees Manuel Martin, managing partner at Gomez-Acebo & Pombo, Spain's fourth biggest independent law firm.

Despite their renewed optimism, caution and quality are the buzzwords of every Spanish managing partner: "We are cautious. Our main objective is not to increase the revenues in Spain, but to increase the quality of the revenues," says Vives Ruiz.

"Spain and Portugal are mature markets. Our focus is quality-driven growth and we are very cautious," adds de Carlos.

Pacific Alliance

Instead, Garrigues and Uria see Latin America as the new engine of growth. Both firms plan to develop a strong local footprint in Chile, Colombia, Mexico and Peru: the countries of the Pacific Alliance trade bloc established in 2012 — but their strategies differ.

Vives Ruiz suddenly sounds less cautious. "Our plan is to be the regional leader in Latin America," he proclaims.

"Our priority now is Colombia: from a standing start two years ago, we will be among the top local firms next year by size and revenues. Local partners will be Garrigues partners."

As continental Europe's largest firm, Garrigues abandoned the Affinitas Alliance two years ago to launch its own Latin American offices. "Next, we will increase our presence in Peru," Vives continues. "It will be in the same position as our Colombia office in the next few years. Then comes Mexico. We will also open in Chile within months: we will have more than 100 lawyers in Latin America."

Through a continued process of local hiring and mergers, Vives plans to have 200 Garrigues lawyers and 25% of total revenues outside Spain by 2020. This year, it also added a new Beijing office to its Shanghai presence. "Our network will directly increase the relationship between Latin America and China, not necessarily through Spain or Portugal," he says.

To the same end, Uria has adopted a different approach. In January, the firm took a 30% stake in Philippi (Chile) and Prietocarrizosa (Colombia), two of their best friend firms, which merged. The combined firm now operates as Philippi Prietocarrizosa & Uria with 220 lawyers.

"Uria was founded in Madrid. It became a national firm, then an Iberian firm. The plan is to consolidate as an Ibero-American firm," says de Carlos. "It is the best opportunity for future growth. The interconnection with Spain provides a two way flow of investment."

Geographically, Uria's plan mirrors Garrigues: "Short term: Peru. Medium term: Mexico. Long term: full merger," explains de Carlos. "First, we will open in Peru, then we will deal with Mexico. We aim to increase our 30% stake and eventually have a full merger."

Fontana does not plan a Latin American network for Cuatrecasas. "It's not easy to find the right people," he says, pointing instead to advisory work for their Mexican and Colombian clients investing in Spain. But the firm is in Angola, which he terms "a very difficult market", and is awaiting licence approval for a new Beijing office, adding to their presence in Shanghai.

Gomez-Acebo adopts the Cuatrecasas position. Martin identifies the "strong local firms in Colombia and Peru," and "strong Mexican investment into Spain from large family-owned companies."

Into Africa

In Portugal, Teles amplifies the outlook of his Spanish neighbours: "It's very difficult to grow in a small market. Strategically, it's important to grow internationally. We have a competitive advantage in the Portuguese-speaking world — they still have our law and our legal regime."

MLGTS has had a Brazilian alliance for nearly 20 years, and has developed more recently in Angola (2008), Mozambique (2010) and Macao (2011), working through formal alliances with local firms. By next January, MLGTS will open an office in Hengqin, a new free trade zone bordering Macao.

"Chinese investment in Portugal is developing at a rate you would never imagine," says Teles. "They are also interested in Africa and it makes sense to use a Portuguese firm."

VDA has been even more radical in extending its African footprint. In addition to Portugal, the firm now has offices in Angola, Cape Verde, Congo, Gabon, Guinea-Bissau, Mozambique, Democratic Republic of Congo, Sao Tome and Principe and East Timor. Until 2014, VDA only had affiliations with local firms in Angola, Brazil and Mozambique. Last March, it opened in East Timor. Then in August 2015, VDA hired 20 lawyers — including six partners — from Africa specialists, Miranda Correia Amendoeira & Associados.

"We were not prepared for this," quips de Almeida. "These guys bring with them huge expertise, particularly in oil and gas, in lusophone and francophone Africa."

He anticipates that non-Portuguese billings will exceed 20% within three years, and that the firm will be in China within five years.

Whatever challenges may face him and his fellow Iberian lawyers, they seem fully prepared for the battles ahead.

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Nuno Teles, Morais Leitao

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“‘ENSafrica has always provided us with a very professional and prompt service of the highest standard,’ says one client. Others praise the ‘very good work’ of the team overall.”

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