



OUTLOOK 2017

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FUNDAÇÃO
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JOÃO PAULO FELICIANO
(Detail)
Kleidoscopic Blues Machine
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MAIN TRENDS EXPECTED IN THE CORPORATE/M&A SECTOR

Despite the numerous uncertainties arising from the global political situation, we expect that 2017 will at least match 2016 in terms of number of deals.

2016 seems to be a record year for worldwide M&A activity. According to the information available in the last edition of Intralinks Deal Flow Predictor, the number of M&A deals grew 3% compared with the previous year and should, with high probability, take its place as the new record year for globally announced deals.

Portugal has also shared in this growth. Despite the serious impact of the economic and financial crisis on the Portuguese economy, efforts made over recent years and the current economic situation have made it possible to look with new (although moderate) optimism at the mergers and acquisitions market in Portugal.

In 2016, there were 225 deals between January and November, representing an increase of 2% over the same period of the preceding year¹.

Even though the value of some deals was not disclosed, this period witnessed a total volume of transactions of EUR 9.5 billion, and the most active sectors in the Portuguese market were real estate, finance and insurance, technology, and distribution and retail, following the trend already begun in 2015.

Considering all the registered deals, the large majority involved acquisitions made in Portugal by foreign companies ("inbound transactions"), in particular, by US, Spanish, French and UK companies. The acquisitions made by Portuguese companies in foreign companies ("outbound transactions") were made predominantly in Spain, Brazil and France.

In terms of specific trends, our forecasts for 2017 are the following:

1. FORESEEABLE STABILITY IN THE MERGERS AND ACQUISITIONS MARKET

Despite the numerous uncertainties arising from the global political situation, we expect that 2017 will at least match 2016 in terms of number of deals.

Recent indicators² do indeed forecast worldwide growth of 5% in the number of M&A deals in the first quarter of 2017, compared with the same period in 2016.

Therefore, it is expectable that the mergers and acquisitions market in Portugal will be able to maintain the trajectory of moderate recovery that has characterised most recent years.

¹ According to information made available in the Transactional Track Record ("TTR") report of November 2016.

² According to information made available in the last edition of Intralinks Deal Flow Predictor - "Forecast of global M&A activity through Q1 2017"

In any event, the uncertainty created by Donald Trump's election as President of the United States of America, by the result of the British referendum decision on the United Kingdom leaving the European Union ("Brexit"), and by the growth and consolidation of nationalist parties in some European countries, is very likely to have a negative influence on the mergers and acquisitions market, in particular, on cross-border transactions. The results of the elections in France, Germany and Italy may also have an effect on the decisions of foreign investors.

2. SALE OF NON-CORE ASSETS AND DISTRESSED ASSETS

The strategy of divestment in non-core assets and distressed assets will expectably continue to be a trend in 2017.

After a period of growth, many companies have opted to sell its non-core assets. The aim of this divestment is to improve the financial structure of the companies and to facilitate new investments in strategic interests.

Furthermore, Portugal will continue to be attractive to foreign investors looking for business opportunities involving the acquisition of distressed assets. The sale of assets at reduced prices, in particular by a weakened financial sector seeking to clear balance sheets and achieve greater liquidity, should continue to be an incentive to foreign investment in Portugal. In this area, the fast-approaching deadline set by the European Commission to complete the sale of Novo Banco stands out (and the alternatives for this sale are still to be defined). Other highlights include the investment opportunities that may result from the sale and liquidation of the interests and assets of the Espírito Santo Group (spread across a broad variety of economic sectors).

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3. TYPE OF DEALS

As in 2016, we expect 2017 to be a year with a much higher number of inbound transactions – acquisitions made by foreign companies in Portugal – than outbound transactions.

In terms of the amounts involved, in a market like Portugal, where the business fabric tends to be made up of small and medium-sized companies, it is expected that medium-value transactions will continue to dominate.

When it comes to types of investments and/or deals, there is also no expectation of any great changes in 2017. The trend should remain as it has over the last five years, with traditional M&A deals dominating the market to a large extent, compared with a few dozen private equity ("PE") and venture capital ("VC") deals.

In the case of private equity and venture capital, the increase in private investment over recent years may drive some PE and VC to exit from investments previously made, with investors taking advantage of the current economic situation to sell their investments for a reasonable return.

4. SECTORS OF ACTIVITY

Our forecast is that the most active sectors in 2017 will be real estate, tourism, finance and, above all, TMT (technology, media and telecommunications).

The fact that Lisbon will continue to host the Web Summit – one of the world's largest digital technology events – in 2017 and 2018 leads us to believe that this sector is very likely to continue its boom. The Web Summit will also bring greater visibility to Portugal and make it possible for the country to consolidate its position as a destination to create new businesses and new investments.

The tourism sector also remains promising. Official data from the National Institute of Statistics on growth in the tourism sector in Portugal in 2016 reveals that Portugal has never received as many tourists as it is receiving at the moment. The sector boasts growth forecasts both for tourist numbers and for the amount of revenue generated. This sector should also be one of the strongest drivers in the mergers and acquisitions market in 2017.

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Iberian Law Firm of the Year
The Lawyer European Awards, 2015-2012

Portuguese Law Firm of the Year
Who's Who Legal, 2016-2015, 2011-2006
Chambers European Excellence Awards, 2014, 2012, 2009

Top 50 - Most Innovative Law Firm in Continental Europe
Financial Times - Innovative Lawyers Awards, 2016-2011