

Takeover fever as merger becomes defensive strategy

Sonae bid for PT followed by Banco BPI and Millenium BCP

Iberia's elite law firms are benefiting from a wave of Portuguese merger activity, in a series of deals seen by many as defensive moves against potential Spanish takeovers:

Garrigues, Gonçalves Pereira Castelo Branco, PLMJ and Vieira de Almeida have all been instructed by Portugal Telecom (PT) to defend a €14.4bn unsolicited bid from rival Sonae. New York's Simpson Thacher & Bartlett and Cleary Gottlieb Steen & Hamilton are also advising.



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"Total War" was the headline in *Diário Económico* as PT announced its defence strategy, although the number of firms instructed in the deal is unusual, says one Lisbon lawyer, and "perhaps indicative of the companies' desire to tie-up lawyers against potential counter bids".

Porto-based Sonae is being advised by Osorio de Castro Verde Pinho Vieira Peres Lobo Xavier & Associados, recently merged with Morais Leitão Galvão Teles Soares da Silva & Associados (MLGTS). New York firm Skadden Arps Slate Meagher & Flom is also advising, with Linklaters representing financiers Santander Central Hispano.

If successful, the deal would be the largest-ever all-Portugal merger. Although the Portuguese business press are widely predicting counter bids. Banco Espírito Santo and Spain's Telefonica are among those suggested, as are the private equity houses Kohlberg Kravis Roberts, Providence Equity, The Blackstone Group, Permira, Cinven, and Texas Pacific Group, and a consortium of banks including Royal Bank of Scotland, Deutsche Bank, BNP Paribas and BBVA.

If successful, Sonae has indicated that it would sell Vivo, PT's Brazilian joint venture with Telefonica.

This was followed by a €4.3bn hostile offer for Banco BPI by Millennium BCP, Portugal's biggest listed bank, in what it describes as a bid to create a

"genuine Portuguese champion" among the top five Iberian banks.

Joao Soares Da Silva at MLGTS is leading the team advising Millenium. Banco BPI is advised by Linklaters and Vieira De Castro Silva Lopes Pessanha Costa Leite.

The takeovers pose interesting challenges for company lawyers. Portugal has long-enjoyed a stable corporate climate, with anti-hostile takeover provisions in many company by-laws, while the government retains 'golden shares' in former state monopolies (such as PT) – EU opposition to which, believes Fernando Campos Ferreira, Chairman of PLMJ, means that it is "only a matter of time" before its ability to block takeovers is lost.

"These deals have opened a Pandora's box" says Jorge Neves of Barrocas Sarmento Neves. "With the beginning of shareholder activism, and possibly revolts, it means exciting times for lawyers."