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Law firms earning higher fees as foreign direct investment in Portugal surges

Foreign direct investment doubled between 2014 and 2016 as assets in the Portuguese finance, insurance, science and technology sectors changed hands

Foreign Direct Investment in Portugal in 2016 by country

There was a total of €6.1 billion of foreign direct investment in Portugal in 2016. The main sources were:

The Netherlands	25.6%
Spain	22.9%
Luxembourg	18.0%
United Kingdom	7.6%
France	4.8%
Brazil	2.5%
Germany	1.9%
Belgium	1.8%
United States	1.7%
Switzerland	1.6%
China	1.6%

Source: UNCTAD

Foreign investment in Portugal has doubled in recent years resulting in an increase in instructions for Lisbon lawyers from international private equity firms. A surge of investment from foreign clients in sectors such as banking, transport and telecommunications also means that Portuguese law firms are benefitting from higher fees.

Data from UNCTAD (La Conferencia de las Naciones Unidas sobre Comercio y Desarrollo) shows that foreign direct investment in Portugal stood at €6.1 billion in 2016, up from €2.9 billion in 2014. Around three-quarters (72 per cent) of the 2016 total was invested in the finance and insurance sectors, with 15 per cent invested in science and technology-related industries.

Privatisations and initiatives such as the Golden Visa scheme have been key drivers of investment in the country. “Long-term macroeconomic headwinds generated significant opportunities for foreign investors, with reprivatisations in key sectors, notably air transport, the postal service, waste water treatment and telecommunications,” says Diana Ribeiro Duarte, managing associate at MLGTS. She adds that the financial sector has been a key driver of growth in M&A work as banks divest non-core assets due to the tougher regulatory environment.

In addition to opportunities in the finance and insurance sectors, real estate has generated enormous interest among foreign investors. “We see a lot of activity in relation to urban regeneration, and the sale of business units to foreign nationals entering the Portuguese market through the Golden Visa or non-habitual resident schemes,” says Duarte Garin, partner at Uría Menéndez. Portugal is now firmly in the sights of investors from a wide range of jurisdictions including Brazil, the UK, the US and China. “We act on behalf of large private equity firms – as well as family offices from Brazil and other Latin American countries – who are looking for opportunities in Europe,” says Garin.

Middle class consumers

William Smithson, partner at SRS Advogados says: “The burgeoning middle class in China is driving growth in sectors such as food and beverages, and we see a lot of interest from family offices, private banks and high-net-worth individuals.” He adds that such investors do not necessarily buy companies outright, preferring instead to operate through local partners while retaining a majority stake. Market observers agree that foreign clients are generally used to paying higher fees for legal services, but they also demand flexible billing practices, as well as highly capable teams, and law firms are having to respond accordingly, lawyers say. “Foreign direct investment brings sophisticated and challenging clients, and selecting teams of lawyers with deep knowledge of the client´s business is crucial,” says Ribeiro Duarte. She adds: “Risk sharing and alternative fee arrangements such as payment schedules, retainers and flat fees are ways in which law firms are addressing the needs of foreign investors.”