

The US-Latin American connection

Iberian companies are taking advantage of falling US company values to make strategic acquisitions in key sectors across both North and Latin America, say Talbert Navia and Allen Miller of Chadbourne & Parke LLP.

A Latin America connection is proving to be an increasingly important element of the attraction of US companies to Iberian investors, and there is now an evident upturn in pan-American deals.

"A noticeable trend among some of the most high profile Spanish acquisitions over the past year has been the attraction of US businesses that also have operations across Central or Latin America," says Allen Miller, head of Chadbourne & Parke's corporate practice and co-head of the Latin America practice.

EDP's \$2bn (€1.5bn) acquisition last year of Houston-based Horizon Wind Energy, he notes, was a deal undertaken under New York law and which made it not only the country's third-largest wind farm operator in the US.

"Companies are going global in search of scalability and there is huge potential in these markets. In addition to pursuing opportunities in the energy and renewables sector, Iberian companies are also taking a legal role in infrastructure development," says Miller. "With a weaker US economy, many states are increasingly looking to public-private partnership models to build tunnels, roads, bridges, airports and other infrastructure projects. Chadbourne is an early leader in this sector and we are now seeing Iberian and Latin American infrastructure companies among the most active participants in this sector."

Talbert Navia, who heads the firm's private equity group, and also co-leads the Latin America practice, notes that M&A prospects for Iberian companies looking at the US and Latin America are strong.

"The value of assets has fallen so much in the US that European companies are clearly now very well-positioned and with considerably more buying power than before. The US continues to prove attractive because the economy will inevitably bounce back," he says.

Both note also a wave of regional consolidation among Latin American companies, and of international capital raising and expansion.

Chadbourne's 20-lawyer Mexico City office focuses on cross-border transactional work and international arbitration (the head of the arbitration practice there, Luis Enrique Graham, is President of the Mexican Bar Association). Chadbourne is also now reported to be planning to open in Brazil with a similar practice focus.

Dynamism

"What we are seeing is the emergence of significant consortia, comprising both Latin American and Iberia companies, and which again are looking to the US and Canada in what we call 'The American Play,'" says Miller.

Such developments are evidence of the increasing dynamism of the region and of the region's corporations, believes Miller. "From a historical perspective, what is now evident is a third wave of international deal activity across Latin America."

Chadbourne was among the first US law firms to focus on the region in the early 1990's. Miller explains, "We saw a major wave of acquisitions by US companies and which was accompanied by a significant demand for capital, mostly through Rule 144a private offerings and public offerings

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and New York listings." The decade also saw the privatisation of major sectors such as energy, telecoms and infrastructure across Latin America, and the "corporatisation" of many previously family-owned industrial groups.

Subsequent however was the collapse of many of the newly privatised groups, and the restructurings and cross-border insolvencies that characterised the start of the 2000s, most notably in Argentina and Colombia. "We have been part of the cycle of full market conditions plus the development cycles of the local businesses," says Talbert. In fact, Chadbourne's strengths in infrastructure, energy and finance more than ever reflect the local requirement.

An emerging trend now, they say, is the evident appetite among hedge funds and private equity houses (PEHs), initially US but now domestic, for regional acquisitions. Talbert himself was formerly with a PEH and involved in deals across the region. "In some cases we are seeing PEHs joining consortia for large infrastructure projects, the emergence of Latin American sponsors of US-style PE funds, and which are now of course investing outside of the region."

There is a virtuous investment circle, they say. Iberian and Latin American companies, and funds, are combining their financial firepower and sector expertise to capitalise on opportunities in some of the most in-demand sectors across the continent, wherever they may be.



Talbert Navia



Spanish companies are now not only acquiring attractive US businesses at attractive prices, but specifically targeting those that also have operations across Latin America, say Talbert Navia and Allen Miller, co-heads of the Latin American practice of Chadbourne & Parke. In addition, there is increasing consolidation among Latin American businesses and the emergence of funds targeting the region. A new wave of deal-making is therefore emerging they say, in which consortia comprising Iberian and Latin American businesses, and funds, are combining resources and expertise to seize on specific opportunities wherever they may be, in North or Latin America