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Voicu & Filipescu law firm sees M&A deals in safe sectors, says real estate still interesting

Feb 4, 2009 (DW) - Romanian law firm Voicu & Filipescu sees more M&A opportunities in local sectors with traditionally high potential like medical services and pharmaceuticals but claims that real estate would still be an interesting sector in 2009.

"The interesting sectors are those with potential like medical services, pharmaceutical, pharmacies, from retail to large distributors, of course real estate - it's here where we'll see sales, and in real estate, probably there would be forced sales, like residential projects which [developers] can no longer support," Daniel Costea, partner with the law firm, told DealWatch in an interview.

"The real estate field is still going, not as spectacular as in the previous year though," he added.

At the same time, Costea said that, considering the financial crisis, the market could see a few deals made under pressure in the second part of the year.

Although valuation multiples are still important and the correction in those is deemed natural, what is also very important is the type of business that a potential target company runs, Costea underlined.

"The [price to] EBITDA [multiple] was huge, at levels of 9-10, so certainly there was a correction and the first transactions in 2009 will be done at very low EBITDA multiples. But this is only an indicator. More important than anything is the outlook of the business. If they work in a safe territory, like food industry or medical services, the decrease in multiples would not be that big."

Although financing conditions are tougher and circumstances under which deals are negotiated are different than last year, Costea said the situation could prove very good for some parties.

"The shareholders are discussing things under much tougher and harsh conditions, [having] fewer resources, or better said more cared for. Those who lack resources will sell cheap. And it's here where we expect deals and those who do have [resources], expect to buy for lower prices. (...). There is [market] tapping at this point and I do expect a few spectacular transactions this year," he said.

Costea sees the market as still holding important opportunities for those having the money to buy at this point and underlines the possible pressure from foreign investors that want to recover some of their money.

"Those with money to invest will make exceptional deals this year. (...) There are investment funds that are having a tough time holding on and will carry our rapid exits, maybe even for a price below [the entry price], under foreign investors' pressure."

As regards the size of these transactions, Costea said there won't be necessarily very large or small ones and it would depend on each case.

The corporate law firm expects to close more deals than last year in terms of numbers, while also having an eye on neighbouring Moldova, where important privatizations could draw clients' attention.

"On the privatization side in Molova, we have an eye on the market in case some of our clients could be interested in that area. It's just that this is not the best period for investments, unless real good opportunities come up, something special," Costea added.

The law firm recently strengthened its tax practice by integrating the team of the tax and accounting consultancy company Steuer & Buchhaltung Partner, member of the Romanian Tax Advisers Chamber. It also created a department specialized on insolvency matters.

However, Costea pointed out that the firm would not shift its focus from the other advisory fields, like real estate, M&A, banking and finance.

"We already set up an insolvency department. The market is moving, and we have to follow it. We had some signs since last year and we prepared in advance, both in tax advisory, which is now officially launched as V&F Tax Advisors and insolvency, which is put together by two of our best lawyers," he said.

"We have to be flexible, we cannot survive without this, and we will assign our resources to any department which is of use for our clients," he said.

Voicu & Filipescu advised on eight M&A deals in 2008 with a total value of around USD 370mn.

Daniela Popescu

dp/bm