Latin America

Capital markets

Recommended firms
Tier 1
Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Simpson Thacher & Bartlett
Tier 2
Shearman & Sterling
Skadden Arps Slate Meagher & Flom
White & Case
Tier 3
Clifford Chance
Milbank Tweed Hadley & McCloy
Sullivan & Cromwell
Tier 4
Cravath Swaine & Moore
Linklaters
Mayer Brown
Proskauer Rose
Tier 5
Arnold & Porter
Chadbourne & Parke
Gibson Dunn & Crutcher
Latham & Watkins
Sidley Austin

Activity across Latin America's capital markets remains very active, keeping the international firms busy. The main story is Brazil, as the region's largest economy leads the way as it has done for the past three years. But Latin America is no longer a one-market success story, even if all the headlines seem to point that way. Deal volume is rising in Mexico and markets such as Colombia, Peru and Chile are becoming more active.

Still, the international firms are heading to São Paulo because that's where most of the action is. A dip in activity in 2007 was more a reflection of how frenzied the Brazilian capital markets had been. Many regional lawyers have noted that the equity markets have already picked up, evidenced by some record deals.

The Bovespa stock exchange went public in October 2007, raising $3.6 billion. This was followed by the $3.4 billion raised for futures exchange BM&F in December 2007 (the two have since merged). The record-setter was the June 2008 OGX offering, which raised $4.12 billion to complement the $1 billion the company had already raised through private placements.

These three deals suggest the deal capacity that the Brazilian equity capital markets provide for international law firms. They also leave little doubt of the separation between Brazil and Spanish-speaking Latin America. The law firms reflect that reality - since 2007, eight international firms have or will open a São Paulo office but only one notable firm has done so in Mexico City - Chadbourne & Parke.

But among the ranked firms, there is a distinction between those that serve the region and those that have only been active in Brazil. Two trans-regional firms have been cited most often - Cleary Gottlieb Steen & Hamilton, and Simpson Thacher & Bartlett. Both have been praised by rivals and clients alike, placing these firms in a class of their own.

The consensus for Latin American capital markets is that a law firm can earn a living doing deals outside of Brazil, but it is more difficult to be recognised as a regional firm that way. "If you never do a deal in Brazil, there is still a lot of work in Latin America," said one regional specialist, "but it will affect your branding."

Cleary Gottlieb Steen & Hamilton

The regional law firms and their clients are unanimous in recommending Cleary Gottlieb Steen & Hamilton as a top-ranked firm. The firm has the largest presence in the region, with 14 partners in the regional capital markets group, despite doing all its work from New York. One market specialist says: "Cleary is deservedly top - they are standouts in capital markets."

With so many deals, Cleary inevitably finds its way into the larger offerings. This was the case in a June 2007 deal for Companhia Vale do Rio Doce (now simply Vale). The mining multinational placed a $1.88 billion SEC-registered convertible bond, the largest convertible offering in Latin America. Nicolas Grabar and David Lopez led the team advising Vale.

Jorge Juantorena advised Mexican construction company ICA on a $535 million SEC-registered equity offering. This October 2007 deal was notable not only for being large for a Mexican company on this sort of transaction, it also came at a time when deals were being held back because of the subprime credit mess.

That same month, Cleary counselled Grupo Clarin on the Argentine media company's $463 million IPO. Andrés de la Cruz led the team for the year's largest Argentine equity offering. Clarin was the first-ever Latin American issuer to list on the London Stock Exchange - Latin American companies typically do not look to list on LSE, so this was a groundbreaking deal.

One rival partner comments: "Cleary represents the most sovereigns, they represent the most blue-chip companies, they have the most partners - they hit all the parameters."

Davis Polk & Wardwell

The past 12 months have been active and successful for Davis Polk & Wardwell in Latin America. The firm has been seen across the region, and participated in the only IPO in the Caribbean in 2007, for Triple-S Management.

It is the firm's role in taking public the Brazilian company OGX Petróleo e Gás Participações that vaults Davis Polk into a top-tier ranking. Manuel Garciadiaz led the team advising OGX in the June 2008 deal, which raised $4.12 billion in the largest-ever IPO in Latin America. Garciadiaz also took the lead on the second-largest IPO, $3.4 billion for BM&F futures exchange. The firm acted for the underwriting syndicate in a Rule 144A/Regulation S deal from December 2007.

The tricky Argentine markets did not see many SEC-registered IPOs in 2007, but Davis Polk was on the $307 million listing of the country's largest electric distributor, Edenor (Empresa Distribuidora y Comercializadora Norte). Nicholas Kronfeld led the team advising the lead managers, JP Morgan Securities and Citigroup Global Markets, in the May 2007 deal. Five months later, Kronfeld again acted for underwriters - this time Citigroup Global Markets and Deutsche Bank Securities - on another Edenor financing deal. This was a high-yield debt issuance, comprising $220 million 10.5% 10-year senior notes.

Displaying the extent of its regional knowledge, Davis Polk advised the underwriters on two deals in Mexico. Manuel Garciadiaz acted for Morgan Stanley on the $296 million Maxcom Telecomunicaciones IPO, and for JP Morgan on the $625 million public offering of Megacable Holdings.

Simpson Thacher & Bartlett

Simpson Thacher & Bartlett is not a firm to rest on its laurels. The firm merits a well-deserved place in the top tier because of its work beyond Brazil. The firm has announced plans to open a São Paulo office, which can only deepen its relationships in the region. Rivals already comment that the firm is stronger than most because of the depth of its regional group.

David Williams, Todd Crider, Jaime Mercado and Glenn Reiter form a rather imposing and praiseworthy Latin American team. One regional specialist says: "If I had to hire someone, I'd hire Glenn Reiter." Meanwhile a client singles out Todd Crider for particular praise: "I think he's fantastic."

The firm has done deals across the region, but a couple of Brazilian deals best sum up its capabilities. Reiter led the underwriters in the IPO for ethanol producer Cosan. The September 2007 deal only raised $1.2 billion, half the expected amount, but was still the largest SEC-registered Brazilian IPO since 2000. There was controversy on Brazilian regulatory matters, but Simpson Thacher was counsel for only the US law aspect of the deal.

Todd Crider, Jaime Mercado and Rob Holo led Simpson Thacher as advisors to futures exchange BM&F on its $3.5 billion IPO. The January 2008 deal was the second-largest listing in Brazil at the time. The deal also paved the way for the merger between BM&F and the Bovespa exchange.

Shearman & Sterling

Shearman & Sterling receives strong praise from its clients and peers. The firm's work in Brazil is noted, particularly since its São Paulo office was opened in 2003. Antonia Stolper is particularly singled out for her presence in the region.

"Antonia is the one we work the most with, and she knows the issuers and the banks in the region," says one banker. "She is extremely knowledgeable, understands the nuances in the region, and will know how to find the practical solutions to difficult transactions."

It was Andrew Jánszky, however, who led Shearman to advise Bovespa on its October 2007 IPO, for $3.6 billion. The Brazilian exchange was the first Latin American stock exchange to go public, and was the largest IPO in Latin America at that time.

Jánszky and Alberto Luzarraga also acted for Redecard when the Brazilian credit card company went public in July 2007. The $2.2 billion offering was one of the largest in Brazilian corporate history.

Antonia Stolper demonstrated the firm's capabilities outside Brazil, representing Deutsche Bank and Citigroup on a $302 million notes offering for Bogotá Distrito Capital. The deal was Rule 144A/Regulation S listed, and was denominated in Colombian pesos. It is this sort of deal for which Stolper receives accolades.

A banking client sums up his experience with the firm: "Shearman is one of the bulge-bracket firms we use in Latin America. When I think of firms that I would usually contact for complicated transactions, clearly Shearman is one of them."

Skadden Arps Slate Meagher & Flom

When Skadden Arps Slate Meagher & Flom announced its opening of a São Paulo office, many regional specialists praised the firm's commitment to Latin America. The firm is definitely a key practice in the Brazilian market despite having a relatively small team of lawyers. Its relationship with Mexican multinational Cemex offers Skadden a foothold in the region's second market, which should allay any concerns of being too focused on Brazil.

Certainly the firm has been very active of late. Paul Schnell guided the underwriters Goldman Sachs and Credit Suisse on the $3.7 billion Bovespa IPO. Six weeks later, Schnell again took the lead, acting for the underwriters - this time UBS Securities, Banco do Brasil and Deutsche Bank Securities - on Banco do Brasil's $1.9 billion secondary offering.

Moving beyond Brazil, the firm worked on a complex listing for Cemex. The Mexican company listed €730 million floating-rate callable debentures on the Irish Stock Exchange. This tranche was the fourth issuance under the debt programme, and the first euro-denominated tranche, raising $3 billion for Cemex. Robert Chilstrom led the team on this May 2007 deal.

Alejandro Radzyminski represented ABN Amro for two deals in the Cayman Islands. The first was for $750 million high-yield 9.5% 10-year senior notes for natural-gas transporter Empresa Colombiana de Gas, followed by $610 million seven-year 8.75% notes for electric utility Empresa de Energía de Bogotá. Radzyminski also acted for the Dutch bank on $650 million 10.25% senior guaranteed notes due 2014, for Venezuelan electricity distributor La Electricidad de Caracas.

White & Case

White & Case has the unique benefit of being the only international firm with offices in both Brazil and Mexico. This has led a few competitors to note that the firm has been active in both markets; offices in New York and Miami means that White & Case has an office in each of the key centres for Latin American work.

There is also talent within the capital markets team. Don Baker is commended highly by the local partners in São Paulo. The firm is also highly regarded for its work in the Mexican market. A rival partner says: "They have Alberto Sepúlveda, one of the sharpest lawyers in Mexico." One banking client also recommends John Vetterli, from the New York office.

The firm's regional scope allowed it to participate in several first-to-market deals around the region. Don Baker advised Banco Pine on its $250 million IPO in June 2007. Pine was the first mid-sized Brazilian bank to go public since 2001. The following month, Baker acted for underwriters Credit Suisse and UBS on the $1.13 billion Banisrul IPO, the largest until BM&F went public three months later.

A deal for an Argentine bank, however, may have the widest-ranging effects. Tomer Pinkusiewicz led the team advising Banco Patagonia on a July 2007 initial offering. This was the first time that ADRs and BDRs (Brazilian depository receipts) were offered by an Argentine issuer. There have been subsequent cross-border listings on Bovespa since, hailing the Brazilian exchange as a legitimate alternative to more established exchanges.

Milbank Tweed Hadley & McCloy

The headlines may have had a decidedly Brazilian bent to them over the past five years, but Milbank Tweed Hadley & McCloy recognises Mexico as the other axis point in Latin America. The firm's long relationship with that market has served it well, and clients recognise this.

One international banker says: "Mike Fitzgerald and Taisa Markus are knowledgeable about the markets in general so it's not just the technical expertise, they are also aware of what our competitors' practices are."

Another says: "I know I can send them work in the middle of the day and they will get back to me that same night."

Meanwhile a rival singles out Marcelo Mottesi: "He is someone who does not get enough attention. I think he deserves more - it's always a pleasure working with him, he's pragmatic and cares about doing things right."

Fitzgerald and Markus worked on the $535 million SEC-registered equity offering for Mexican construction company ICA. The October 2007 deal was placed just as the international markets were affected by the US subprime issues. There was enough investor demand for a company like ICA to allow the deal to go through.

Milbank's expertise in Mexico allowed the firm to represent Banco Compartamos on its $466 million IPO. Fitzgerald and Markus were again on the deal, which was oversubscribed 14 times, and was the first time a Latin American microcredit lender had gone public. It was also a timely offering because the Mexican banking authority had been expanding retail credit into a broader population.

Sullivan & Cromwell

Sullivan & Cromwell is not in a lot of deals, but the firm performs a first-rate job by all accounts. The firm has a long history in the region, and leveraged its visibility into choosing which deals it can devote its resources to. Says one market specialist: "Sullivan & Cromwell does extremely high-quality work. They are serious lawyers who care about getting it right."

Sergio Galvis led Sullivan on Bancolombia's first SEC-registered equity offering since 1995. The Colombian bank offered $322 million preferred shares as ADSs. The firm has a recognised presence in Colombia, and has regularly acted as counsel on sovereign offerings.

One such deal was representing the underwriters, Credit Suisse and Merrill Lynch, for Colombia's January 2008 dual-tranche $350 million 7.375% 30-year bonds. Sullivan & Cromwell also advised on a concurrent $650 million 10-year notes offering with the same coupon.

Andrew Dietderich led the team that advised the underwriters for Mexican multinational Cemex's €730 million callable perpetual debentures. The bonds had a 6.277% fixed-to-floating rate, and were offered in multiple tranches and stages, a deal type of which this was the first to be denominated in euros.

The firm had another opportunity to showcase its skills in complex transactions when Robert Risoleo and Matthew Hurd acted in a refinancing for Transportadora de Gas del Sur, the Argentine natural-gas transporter. The offering placed $500 million notes used to pay off note holders, and to prepay $290 million in Inter-American Development Bank loans.

Other notable firms

Mayer Brown has ambitions for Latin America, and scored big points in the region when it snared veteran lawyer Stephen Hood for the firm's São Paulo office. Rivals and clients also praise the work of Peter Darrow and Doug Doetsch.

Chadbourne & Parke went against the grain when it opened an office in Mexico City, but the opportunity was there for the firm to expand its Latin America presence. The firm also lured partner Marc Rossell, which market insiders say should have a positive impact on Chadbourne's regional presence.

Banking

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Latham & Watkins
Linklaters
Proskauer Rose

Bank lending in Latin America has tailed off in recent years. The past 12 months have held little hope for loans, as companies across the region have turned to alternative means of raising capital. One international lawyer says: "It's hard to tell region-wide, but in Mexico a lot of clients are not accessing international bank markets - they just use the local capital markets and local bilateral loans."

The US economic malaise has not impacted Latin American bank lending as severely as many expected. Regional specialists agree that tightening liquidity would have derailed any growth in years past. This has not happened, and most of local economies are still expanding. It is, however, more difficult to get deals through than just a year ago. "There has been a flight to quality," says a lawyer. "Deals are going through more due diligence, and there is a lot of selectivity to see who gets financing."

Put simply, it is easier for a company to issue a bond than take out a loan these days.

Still, bank financing is by no means passé. There are several avenues that lenders can take to offer capital. The rise of true multinationals in the region - Cemex, Petrobras, Vale, Marfrig - has led to increased cross-border corporate actions. One regional partner says: "We've seen [a trend of] Latin American companies are borrowing money to buy assets outside Latin America."

Deals are also getting larger, so even a drop in deal volume would maintain the overall effect of higher capital requirements. Increased activity from private-equity firms - local and foreign alike - is also adding to the need for deal-flow financing such as bridge loans.

But as the smaller Latin American jurisdictions become more sophisticated, they become less reliant on international financing. Institutional investors in Peru, Chile and Colombia have injected significant liquidity into their local markets. The result is less cross-border banking than could have been expected with all the economic growth.

Many international banking lawyers have turned to project finance, an area that has become active (and much needed) in the past 12 months. A rebound in banking activity, however, is expected soon. Lawyers point to investment-grade ratings awarded to Brazil and Peru in 2008, which should make loans relatively inexpensive. In the meantime, international firms are building relationships with Latin America's lenders in the hopes that this will lead to new business down the road.

Cleary Gottlieb Steen & Hamilton

A true regional law firm has a history of commitment to the region, including dedicated expertise and resources. By all accounts, Cleary Gottlieb Steen & Hamilton meets these criteria, and for that reason is the only firm unanimously considered a first-tier banking firm by its rivals. While some firms have chosen to focus on select markets, Cleary has consistently participated in deals across the region.

Andrés de la Cruz counselled Grupo Petersen in Argentina's difficult financial market. The company needed to finance its purchase of a 14.9% minority stake in YPF from Spanish-Argentine oil-and-gas company Repsol YPF. The capital came from a $1 billion senior secured loan, and a $1 billion subordinated seller loan, from Repsol.

Cleary also represented clients in the critical Brazilian market. Richard Cooper and Duane McLaughlin led the team advising Deutsche Bank on a $100 million senior secured loan to Brasoil do Brasil Exploração Petrolífera. The energy industry has become ever more important with the rise in commodity pricing, and this financing allowed Brasoil to acquire four oil-and-gas reserves from Queiroz Galvão Óleo e Gás.

Ana Demel led the Cleary team that advised Citigroup's venture capital group in a

Peruvian fishing industry buyout. This key local industry has gone through significant consolidation since 2006. The November 2007 deal allowed Citi, as shareholder in Pesquera Exalmar, to buy a 50% stake in Corporacion del Mar.

One Cleary partner - Nicolas Grabar - has been specifically singled out by rivals and clients across the region for his banking work.

Milbank Tweed Hadley & McCloy

Milbank Tweed Hadley & McCloy has an active acquisition finance and private-equity lending practice. The firm's long history in the region includes working on key debt restructurings in the eighties. A top ranking is deserved because of the firm's deals over the past 12 months, say rivals and clients alike.

One client says: "I prefer to use them because they are one of the few firms with expertise on all the legal implications of doing deals in Latin America, and specifically in Mexico."

Michael Bellucci and Marcelo Mottesi led Milbank on the financing for Grupo Petersen, an Argentine investor. The firm represented Credit Suisse as co-lead arranger of the $1 billion credit facility that Petersen used to acquire a minority position in Spanish-Argentine oil company YPF.

The firm represented Citigroup on several deals last year. Richard Gray represented Citigroup and Calyon as co-lead arrangers on a $3.82 billion acquisition financing for Argentine steelmaker Ternium in July 2007, used to buy out Mexico's Grupo Imsa.

Milbank acted for Citigroup again the following month, on a $635 million regional acquisition financing to Mexichem, for Amanco Holding and Petroquímica Colombiana. Newly-promoted partner Carolina Walther-Meade led the team advising Citigroup in a multi-borrower and multi-guarantor structure across eight jurisdictions.

The firm is also able to work with other financiers, and in smaller jurisdictions, with equal ease. Glenn Gerstell advised Standard Bank on a $165 million loan to Guatemala's Banco Industrial. The bank used the capital to take over Banco del Pais, of Honduras.

Shearman & Sterling

Shearman & Sterling also has a long history in the region. It is the only top-tier banking firm with a physical presence in Latin America - the firm opened its São Paulo office in 2004. Shearman has established itself in the significant jurisdictions in the area - Mexico, Peru, Argentina, Brazil and Chile - and has advised clients of all types, including corporates, financiers and sovereigns.

The firm receives frequent commendation from clients. "Shearman is great, and on syndicated loans, they are outstanding," says one international banker.

In June 2008 Denise Grant led the Shearman team on a $400 million unsecured credit facility for Endesa (Empresa Nacional de Electricidad), Chile's national electricity supplier. The firm represented the banking syndicate, a multinational group including BBVA Bancomer, The Bank of Tokyo-Mitsubishi UFJ, and Banco Santander, among others.

The firm advised another international syndicate - including Standard Chartered Bank, JP Morgan Chase and Wachovia - on a $300 million bridge loan to Banco de Crédito del Perú. The December 2007 deal required a fast turnaround because the credit crisis was limiting deal flow just as the loan was closing.

Shearman was involved in a first-to-market deal for Camposol, a Peruvian company. The agri-food business obtained a $130 million secured loan from Credit Suisse. The deal was done in two tranches, on a five-year loan period. Denise Grant was again involved for Shearman, representing Camposol on the first significant loan by a foreign lender in this sector of the Peruvian economy.

Simpson Thacher & Bartlett

Simpson Thacher & Bartlett announced it was finally opening an office in Latin America in 2008. This lack of a physical presence had not precluded the firm from participating in some of the most noteworthy deals across the region. While some of its competitors focus on lenders as clients, Simpson deals with corporate clients looking for financing representation in the region.

The firm is active on multi-jurisdictional deals, and derives acquisition financing work from its strength in regional M&A activity. Glenn Reiter and George Miller advised a lending group including ABN Amro, Calyon and Citigroup on a $1.2 billion bridge loan for Brazilian petrochemicals company Braskem. The May 2007 financing was used for one of the largest deals in Brazilian corporate history, the $4 billion takeover of Ipiranga Group's petrochemicals assets.

In December 2007, David Williams represented Chilean food retailer Cencosud on a $480 million acquisition financing. The supermarket chain used the proceeds of the deal, obtained from BBVA Bancomer, to buy out Brazilian supermarket company GBarbosa.

Moving north, Simpson Thacher participated in one of the biggest deals in Mexico's steel industry. The firm represented Grupo Simec on the February 2008 financing to acquire rival Corporación Aceros D. The $450 million syndicated credit facility represented more than half of the $850 million price tag.

White & Case

Offices in São Paulo and Mexico City give White & Case the distinction of being the only firm with a physical presence in the two leading financial cities of Latin America. The firm has been able to advise some of the largest corporations in the region as a result, but it has also been able to find work in smaller jurisdictions like Colombia and Venezuela.

It was one of the more complex deals of 2007 where White & Case was able to show its regional capabilities. Emilio Alvarez-Farré led the team for Banco Santander, the lead arranger on a $350 million syndicated senior secured bridge financing to Arcos Dorados. The proceeds were used to finance the $700 million takeover of RestCo Iberoamericano's franchise of McDonald's restaurants. The financing was coordinated across 18 Latin American countries, and involved the counsel of 42 other law firms.

March 2008 saw Carlos Viana lead White & Case on a $600 million A/B term loan for Telefónica Móviles Colombia (Temco), from the Inter-American Development Bank. The deal was complicated by negotiations with Temco's parent company in Spain, Telefónica. Viana and his team had to negotiate with lenders in North America and Europe as well as Colombia, and as an extra challenge, were asked to close the deal in less than one month.

A few months earlier, Viana teamed up with Victor Alvarez to guide BNP Paribas as bookrunner and administrative agent on the refinancing of $1.13 billion credit facility for Petróleos de Venezuela. The new revolving credit, totalling $1.16 billion, was issued by a syndicate including ABN Amro, China Development Bank, RBS and the Venezuelan economic development agency.

Clifford Chance

It has not been easy for non-US international firms to establish a presence in Latin America, but Clifford Chance is a notable exception. The firm is looking to leverage its international reputation into more prominence in the region. A São Paulo office is typical for international firms; but Clifford Chance was the only UK firm that landed a significant number of banking deals beyond its Brazil office.

Evan Cohen and Jay Gavigan lead the firm from New York, while Charles Johnson directs the banking deals from the São Paulo office. In October 2007, Cohen represented

Citigroup and Calyon on a $310 million financing for Gol Transportes Aéreos. This allowed Brazil's second airline to purchase 21 aircraft from Boeing.

There were three key export finance deals for Charles Johnson's team, including two in September 2007. The firm acted for Dutch development bank FMO (Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden) on the $150 million syndicated pre-export finance restructuring for Argentine grain exporter Nidera, and then advised Banco Bradesco on a $50 million secured export prepayment facility for sugar and ethanol producer Usina Navirai, in Brazil.

In March 2008, Johnson again led on a significant banking deal. This time the firm represented ABN Amro, on a $160 million financing deal for Companhia Nacional de Açucar e Alcool.

In Mexico, Jay Gavigan acted for BBVA and WestLB on a $150 million bridge loan to Grupo R. This financing offered Clifford Chance the opportunity to work on a project finance deal for Pemex, in an offshore oil platform project, which could enhance the firm's growing reputation in Latin American project finance.

Davis Polk & Wardwell

An impressive list of financing clients allows Davis Polk & Wardwell to gain an edge in Latin America. The firm has been successful in working across the region instead of focusing on a particular market.

"Davis Polk are fabulous, period, full stop," says a client. "They are thorough, careful and super-knowledgeable of the region." The one partner consistently singled out for praise is James Florek. One client says: "James Florek is fantastic, and I have nothing but the best to say about him. He was patient with the bankers on a complicated deal that could have gone badly, but he managed to make it work. He handled things beautifully and his performance is terrific."

Davis Polk was able to participate in deals across Latin America through its relationship with JP Morgan Chase. The bank was the administrative agent on a $600 million senior credit facility for Organización Soriana in January 2008, and a $460 million senior secured dollar-and-peso-denominated facility for Mega Cable in August 2007. The firm also followed JP Morgan into Colombia, on a $250 million senior secured loan for Terpel, in December 2007.

There was no let up for Davis Polk in 2008, with two notable deals in Argentina - the first, in January, was a $150 million senior secured loan for Aluar Alumino Argentio, again representing JP Morgan. The next month, the firm acted for oil company YPF, advising the company on two export financing deals for an aggregate $160 million.

Mergers and acquisitions

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Latham & Watkins
Proskauer Rose
Weil Gotshal & Manges
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Chadbourne & Parke
Greenberg Traurig
Hogan & Hartson
Hunton & Wiliams
Sidley Austin
Vinson & Elkins

M&A activity in Latin America has been thriving. Unlike other practice areas that have clear-cut market leaders, M&A is much more competitive. There is a lot of jostling among the ranked firms, and not a lot of separation between them.

These firms have been kept busy following several distinct but interrelated trends across the region. The local markets have become stronger, allowing larger companies in each jurisdiction to look for consolidation opportunities. Larger companies in Mexico and Brazil have another option - expansion in the form of outbound M&A deals.

Companies like Mexico's Cemex and Brazil's Vale have been busy buying up properties across the region, even in the United States. Typically, these buyouts are from industries that are traditional strengths of Latin companies - such as mining, energy, steel and meat. The deals typically require US counsel because they tend to be done under New York law, partly out of tradition but also because the legal structure is unquestioned.

The merger between Brazilian exchanges BM&F and Bovespa highlights several trends in one deal. The $22 billion merger showcased the emergence of Brazil as a legitimate source of capital, as the new entity - Nova Bolsa - seeks to become the region's exchange of choice. It was also one of the largest deals in Latin American corporate history, underlining the scale to which the larger Latin companies have grown.

For many international firms, M&A work derives from relationships established through financing work. The emergence of São Paulo as a financial market has lured many international firms there, seeking to establish relationships that can drive corporate work. The idea is to use Brazil as either a launching pad into the rest of the region, or to work within the market to build deeper ties with local clients.

The flipside of the outbound deals trend - and one consequence of the US credit fiasco - is that inbound deals now involve non-US companies. Latin America, long considered an American backyard, now generates interest among European companies looking for expansion opportunities; many are seriously contemplating deals across the Atlantic for the first time. Asian companies, which have been in the region for some time, are stepping up activity as well. Many of them turn to their New York advisors to help them structure deals in Latin America.

UK law firms are hoping to ride this wave into the region on behalf of their clients, but the transition has not been as smooth as they might have hoped, even for those firms with well-earned international reputations. The fact that Latin American clients typically still value long-standing relationships over pricing should maintain the status quo - at least for the time being.

Cleary Gottlieb Steen & Hamilton

A combination of factors has led Cleary Gottlieb Steen & Hamilton to be considered one of the premier M&A firms in Latin America. The firm transacts in all the leading markets. Rivals cite the firm's dedicated regional group and the sorts of deals that the firm lands. "Cleary has a practice that anyone would envy," says an opposing partner. "They do half the deals out there, on either side of the table."

Cleary showed up on numerous complex transactions across the region this year. Andrés de la Cruz took the lead advising Grupo Petersen on its purchase of a $2.2 billion stake for 14.9% of Argentine oil company YPF from Spanish oil group Repsol. That was a big price tag for the Argentine market.

Furthermore, the deal required the firm to address Spanish, Argentine and US legal issues.

The firm again showed its capabilities in the sale of McDonald's restaurants to Woods Staton in August 2007. The $700 million deal gave Staton franchise rights across 12 different jurisdictions in Latin America and the Caribbean. Janet Fisher led Cleary as McDonald's principal law firm, and coordinated the efforts of firms in each jurisdiction plus counsel for the underwriters.

Cleary found itself representing ING Group in another multi-jurisdictional takeover. The Dutch financial group paid $1.3 billion to Banco Santander in return for the Spanish bank's portfolio of pension assets in Mexico, Colombia, Uruguay, Argentina and Chile. The transaction established ING as one of the leading pension-fund managers in the region.

Such deals explain why Cleary's competitors and clients think so highly of the firm. The question is whether Cleary can keep this up in the face of intense competition, particularly as São Paulo attracts newcomers to the area.

Shearman & Sterling

A long history in Latin America and participation in significant deals have pushed Shearman & Sterling to a top ranking. Rivals comment on the firm's high level of activity over the past year. "They do big M&A deals," says a partner at a competing firm, "and big private-equity deals."

This was affirmed in April 2008, when Andrew Jánszky advised on the $22 billion merger of Brazil's two stock exchanges, the Bovespa stock exchange and BM&F. The deal confirmed São Paulo as a legitimate alternative exchange for cross-border listings. The new entity - the Nova Bolsa - is expected to handle 80% of the stock trades in Latin America.

Alberto Luzarraga and Jánsky then led the Shearman team that advised BM&F Bovespa on its $1.2 billion partnership with CME Group, Chicago's exchange operator. The deal allowed two of the world's three largest exchanges to transact trades more easily. It is another signal of the importance of Brazil as a financial market, and places Shearman in a good position for future representations.

Luzarraga and Jánszky again worked together on a notable deal in June 2008. They acted for Brazilian meat processor Marfrig Frigorificos e Com de Alimentos (Marfrig) on its $900 million takeover of the Brazilian and European operations of competitor Grupo OSI. This sort of deal - the outbound cross-border acquisition - is becoming commonplace for Brazilian multinationals.

Simpson Thacher & Bartlett

In June 2008 Simpson Thacher & Bartlett announced plans to open an office in the thriving São Paulo market. Capital markets work might be the impetus, but the new office is also intended to increase relationships to grow the firm's M&A practice in the region. This can only help a practice that is recognised for its commitment to the region. One Latin American competitor says: "They are small but active, and they are tier-one because Latin America is a focus for them."

David Williams should be praised for his work, says a regional lawyer: "He is all over the place... He's done an effective job there."

Todd Crider is another Simpson partner often cited by rivals. Crider led the team that acted for Brazilian steelmaker Gerdau on its takeover of Chaparral Steel. The $4.22 billion deal is a sign of the times - a Brazilian company making a cross-border acquisition within its industry. Strategically, it created one of the leading mini-mill steel producers in North America. Simpson's relationship with Gerdau led to another cross-border deal in the US, the $1.67 billion takeover of the building products business of Quanex.

Brazil is not the only market for Simpson Thacher. The firm advised Rinker Group in Mexico, when cement producer Cemex paid $14.2 billion in an all-cash deal to buy out the Australian building materials company. This was the largest cross-border deal for a Mexican company, and confirmation that the outbound M&A trend is not restricted to Brazilian multinationals.

Skadden Arps Slate Meagher & Flom

International firms in Latin America are curious to see how Skadden Arps Slate Meagher & Flom progresses with its new São Paulo office. The firm has been active across the region for some time.

The signature deal in Latin America was the merger between the Bovespa and BM&F stock exchanges. The $22 billion deal not only created the largest securities exchange in the region, it also confirmed that Brazil's status as an attractive destination to raise capital. Paul Schnell led Skadden's team, which acted for the financial advisor on the deal, Goldman Sachs.

While some say Skadden is focused only on Brazil, the deal flow suggests otherwise. The firm represented Japanese trading company Marubeni on its acquisition of a 30% stake in two Chilean copper mines from Antofagasta. The $1.31 billion deal highlights the importance of Latin America as world commodities prices reach record levels. The deal involved New York law firms, London bankers and Asian investors.

More cross-border provided mandates for Skadden in 2008, including an instruction from Peruvian food retailer Grupo de Supermercados Wong. Jon Bisgaier advised on international law as the supermarket chain was bought out by Cencosud in a $700 million transaction. The Chilean multinational is looking to compete against Wal-Mart and French retailer Carrefour.

The firm is recognised in other regions for its M&A prowess. Should Skadden successfully leverage its Brazilian office into more mandates, it could provide the firm with a strong cross-regional platform.

Davis Polk & Wardwell

Davis Polk & Wardwell gets recognition for its strong relationships with Spanish clients, which drive a lot of Latin American business its way. It is a solid firm, say competitors. "They are talented lawyers," comments one regional specialist, "and once you have them in a deal, they'll do a good job." Another rival partner says: "I trust the quality of their work. I wouldn't mind them across the table."

John Amorosi led Davis Polk's team when Brazilian mining company MMX Mineração e Metálicos spun off its IronX Mineração affiliate in a $5.5 billion divestiture to Anglo American, a UK natural-resources company.

In December 2007, Amorosi was again in Brazil, along with Dianne Kerr and Joseph Hall, advising Ultrapar Participações. The conglomerate paid $4.1 billion to take over local fuel distributor Ipiranga Group. This was a multi-step buyout which included a series of SEC-registered mergers, which Davis Polk was well-suited to handle.

The firm represented Repsol-YPF when the Spanish-owned oil company sold a stake to Grupo Petersen in December 2007. The $2.4 billion price tag gave Petersen a 14.9% interest in the Argentine unit, YPF.

Sullivan & Cromwell

Sullivan & Cromwell enjoys an enviable reputation in Latin America, partly down to the length of its service in the region. Sullivan also has a history with mining companies; as commodities become more critical due to global pricing, these relationships allows the firm to participate in some of the more interesting cross-border deals in the region. "They have a pretty high-powered shop," says a veteran lawyer in the region, "and Sergio Galvis is a big name in the practice."

Galvis may be the name most mentioned by lawyers at other firms, but one client adds two other corporate partners, Fred Rich and Christopher Mann: "They understand the key legal issues, and know how to think about things in a business context," says the banking client. "They look out for your interests, and how they can affect your interests."

Experience in mining brought the firm into two of the largest corporate actions for Sullivan in the past year. Galvis and Mann led the Sullivan team that acted for Anglo American when the British mining group acquired IronX for $5.5 billion in March 2008. IronX was a spin-off of the Brazilian mining company MMX Mineração e Metálicos.

Galvis also advised the Chilean company Antofagasta on its sale of a 30% stake in two copper mines. Japanese investment group Marubeni paid $1.3 billion for the mining interest.

But it is not just mining deals for Sullivan & Cromwell. Galvis and Matt Hurd were advisors to Argentine tube manufacturer Tenaris on two deals involving Hydril, a US competitor. First was the $2.2 billion purchase takeover of Hydril, in May 2007; eight months later, Tenaris sold Hydril's pressure-control business to a division of General Electric for $1.12 billion.

White & Case

White & Case also has a relatively long tenure in Latin America, and the firm's work in Brazil helps push it into a higher ranking. White & Case uses its offices in São Paulo, Mexico City, New York and Miami to drive business from all of the leading Latin American deal hubs.

Don Baker led a team that included partners from New York, London and Washington DC acting for ethanol manufacturer Cosan. The Brazilian company bought Esso Brasileira de Petróleo from ExxonMobil for $826 million in April 2008. This deal put White & Case in the middle of the alternative-fuels industry, as Cosan could use Esso's retail stations across Brazil to distribute ethanol. It also gives Cosan the distinction of becoming a fully-integrated ethanol producer, from sugar cane to fuel distribution.

Alberto Sepúlveda of the firm's Mexican office led White & Case's team on a deal with Coca-Cola and its Latin American distributor Coca-Cola Femsa. The Coca-Cola companies paid $500 million to acquire Jugos del Valle, a Mexican manufacturer of still drinks.