



OPENING SPEECH

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Greetings and thank you for coming.

Welcome to the tenth Medcap Forum of Medium Capitalisation Companies. Ten years in which we have had their presence and support to hold what certainly is the main gathering of its kind in Spain: 70 listed companies and more than 350 investors and intermediaries will work together during these two days, holding a record number of one-to-one meetings (750 registered) and participating in the roundtables that will fill the programme.

The economic and financial situation has improved over the last few quarters. This has been verified through several indicators. At the opening of last year's Forum, the stock market indices started to signal a slight recovery. Not only the Spanish economy, but in particular the perception of international investors improved. Since then, the IBEX 35® has gained 27%, on better volumes and stock liquidity.

The performance of mid and small-cap stocks has been particularly satisfactory. In twelve months the Ibex Medium Cap index has gained 49% and the Small Cap index 58%. The volumes in the components of both indices has doubled, which has led trading to spread to these types of stocks, which already account for 45% of the market (15% higher than the year before). On top of these good data, the price ranges have reduced by a third, which has led to an average savings of 15bps for investors in mid-cap stocks and 50bps in small-cap stock trades. These savings are good for investors and companies given that the implied cost of capital consequently drops.

These positive situations combine and are undoubtedly helped by the persistently high level of liquidity in the world financial system.

However, in order for this financial and stock market improvement to feed through to business activity and, therefore society at large, investment needs to be boosted which would require fresh, more dynamic financing. Financing these investments is the greatest challenge to consolidating high, sustainable growth, which will make it possible to create jobs and wealth in Spain.

With this backdrop, observers are for once unanimous in the view that Spain (and Europe as well) needs to work towards a more balanced financial system, with greater participation in financing in the form of capital and financing obtained through market

mechanisms. After having insisted on this point for years, it is satisfying to see that it is a widely accepted idea.

This can be seen by the fact that corporate financing has been significantly diversified.

According to the data obtained by analysing the liability structure of 25 non-financial companies that traded on the IBEX 35 between 2010 and 2013, equity, companies' capital, increased by 3.6%, while total external financing fell 7.4%. It is precisely the external financing where we see the most significant results: long-term bank financing fell 35% and short-term financing dropped 37%. On the contrary, long-term market financing through Fixed Income instruments increased 9% and short-term financing with these instruments jumped 65%.

Despite being prudent when assessing how much of this trend can feed through to Spanish companies, given their relatively small size, I would be so bold as to point out a phenomenon that coincides with the improved economic and financial conditions in Spain: last year investment flows into equity channelled to listed companies amounted to over 32 billion euros, making the Spanish market the fourth-largest in the world in these terms. A year earlier, in 2012, over 28 billion euros flowed into these companies.

The stock market's ability to finance mid and smallcap companies has continued to grow in the last few years. These companies have raised 22.6 billion euros in capital in the last four years. In 2013, listed Spanish companies not trading on the IBEX 35 increased capital to the value of 6.8 billion euros and in the first few months of 2014, this figure already totals over 3.1 billion. On top of the amounts issued by already listed companies comes the funds from new IPOs.

It should be pointed out that many of the investors participating in these deals are foreigners. The Spanish securities market and its participants have a global profile. In fact, the participation of international investors in the IBEX 35's daily trading reached 82% in 2013, a record figure in the last decade.

In summary, the crisis is going to have a significant impact on the fundamental role markets play: financing companies. The drive to deleverage comes on top of the regulatory requirements regarding bank financing.

In several parts of the world new financing mechanisms are being created to cover the real needs of companies through various markets. Once more, as they have done throughout the crisis, traditional markets have the opportunity to demonstrate that they are an efficient and safe way of providing Spanish companies with financing. It will not be easy and we are entering a scenario that poses new challenges. Nevertheless, the conditions are right and we have the opportunity to meet these challenges.

In light of this backdrop, it is difficult to understand the logic behind the financial transaction tax. BME joins a long list of experts, market observers and organisations that reject the so-called Tobin tax, because it will raise the cost of capital for companies that are making an enormous effort to build up their balance sheets.

The MAB market for growth companies, designed to facilitate the access of small companies to stock markets, continues to develop. Its growth in terms of trading and prices was very upbeat in 2013. The stock trading volume increased five-fold last year and the number of trades increased eight-fold. Total capitalisation already amounts to over 3 billion euros and, since starting up in July 2009, companies have raised 200 million euros in financing.

The MAB needs fiscal incentives to attract fresh investors. Many companies have a liquidity volume and size that is smaller than that of the main listed companies. Therefore, they are considered riskier, which means their financing needs to be made more viable. If companies are to enter the market, the investors that invest in them need to be enticed. The main European markets for SMEs, in England and France, have always provided attractive fiscal incentives to encourage investment and financing for these companies. Furthermore, setting up funds or special investment vehicles would constitute definitively help foment investment and make it more professional.

In 2013, the financing options for companies increased thanks to the start of MARF (Mercado Alternativo de Renta Fija). This is an electronic trading platform capable of providing transparency and liquidity for Fixed Income markets and guaranteeing the best trade execution possible. It was created to meet the needs of different sized companies and to reduce the terms of Fixed Income instrument issues. In recent

months, several companies have already launched their first issues, which have been met with great acceptance by domestic and international investors.

Promoting the use of these markets will allow more companies to consistently obtain financing through the stock markets and, in many cases, enable them to gain size and become more competitive, factors that are vital to a sustainable economy.

I would like to end by thanking in particular the sponsors of this Forum for the support they have provided: Deloitte, which has been a travelling companion at the MedCap Forum from the beginning, as well as Ahorro Corporación, Morningstar, Fransalipp, Lyxor, Selinca, Mabilia, Instituto Español de Analistas, and €FPA, and, of course, all those who have actively participated in the meetings, panels and debates held throughout the event.

I will now give the floor to Jaime Garcia-Legaz, Secretary of Trade, but first I would like to point out two more data points. First, I would like to highlight how important capital from abroad is for the Spanish market: 40% of the traded stock is in their portfolios and over 80% of the traded volume comes from non-resident investors. Secondly, bear in mind the considerable exposure the listed companies have to business abroad, where 62% of the turnover of IBEX 35 companies comes from outside of Spain.

Thank you very much.