



## **OPENING SPEECH**

**ANTONIO J. ZOIDO**  
**Chairman of BME**

**Madrid, 29 May 2018**



Good morning, ladies and gentlemen and

Welcome to the fourteenth Medcap Forum and the eighth MAB encounter. I would like to present the people on this inaugural panel with me: María Ángeles Vallvé, Chairwoman of GVC Gaesco, Fernando Ruiz, Chairman of Deloitte, Antonio Zabalza, Chairman and CEO of Ercros, Francisco López, CEO of Gestamp, and Ramón Aragonés, CEO of NH. I would like to thank them all for coming.

This year we are set to break all the records for previous Forums. The response of participants has been truly outstanding: 110 companies, more than 190 investors - 60 from outside Spain - and more than 1,500 bilateral meetings requested. In parallel with these, the individual panels and presentations will provide an opportunity to explore the strategies and outlooks of these companies in depth.

The importance of small and medium cap companies to the economy has been growing in Europe over recent years. Spain is no exception to this trend.

At year-end 2017, the total capitalisation of the companies listed on the markets managed by BME amounted to 1.1 trillion euros, the highest year-end figure for more than a decade, and 10% higher than in 2016.

A major part of this increase was due to new shares admitted to trading through new listings and capital increases by listed companies. Many of these are small and medium sized companies.

As you know, the Spanish stock market has two specific indexes for such companies, the IBEX Medium Cap and the IBEX Small Cap. Most of the companies in these indexes will be here with us at the Forum.

The strong international profile of most listed companies is a distinguishing factor in their growth and expansion, driven by the competition and transparency requirements associated with stock-market listings.

The turnover of most listed companies is increasing. Strong growth in revenue from abroad has driven the weight of this item to an all-time high of 67%, one point higher than in 2016. 10 years ago it stood at less than 50%.

The companies of the IBEX Medium Cap have the largest aggregate volume of income from abroad, at 69% in 2017, followed by IBEX 35 companies, at 68%. The figure for the 30 companies in the IBEX Small Cap index is 54%.

The IBEX Small Cap index was one of the leading international stock market indicators in 2017, rising by 32% in the year (35% including dividends), demonstrating the health of listed Spanish companies of most sizes and sectors. This index has been the star again so far in 2018, having risen by 18% to last week. Analysts and investors are continuing to focus on such companies.

In 2017, companies listed on the Spanish stock exchange but not included in the IBEX 35 index raised 9.4 billion euros through capital increases, 14% more than in 2016. The trend in funding obtained by smaller listed companies in the market has now been rising since 2013. The funding obtained by companies not included in the IBEX 35 has increased eight-fold over the last five years.

Over the first four months of 2018, investment flows channelled by Spanish securities markets to small- and medium-cap companies through capital increases amounted to 972 million euros, with 646 million euros being raised by stock market flotations.

But the journey doesn't end when a company is listed - quite the opposite. Being listed on the stock market makes transparency and a public presence more important than ever. But some companies just aren't being covered. This is a

universal problem: it has been estimated that between 30% and 40% of the securities listed in the world are not tracked by analysts.

To deal with this situation, we have launched a fundamental analysis service - working with the Institute of Spanish Financial Analysts - to analyse securities not monitored by financial firms. This service is not designed to advise investors, but to increase the market's knowledge of listed securities about which there is no basic data.

I would like to make a special mention of the MARF, which is the subject of one of the Forum's working sessions. The MARF is the perfect mechanism for raising funding through Fixed-Income issuances. This BME market is barely four years old, but it is continuing to achieve the purpose it was designed for by contributing to company funding through various types of Fixed-Income issuances: straight bonds, commercial paper and project bonds.

The MARF provides transparency and guarantees best execution of orders. With the latest issuances, 44 companies have now raised finance directly in the MARF. Two new issues are being admitted today, and neither of the two companies involved is listed.

This market facilitates knowledge for companies in capital markets. This panel today features Gestamp, which first issued bonds on the MARF and then floated on the stock market. This is a clear success story, showing how companies can choose from the options to attract funds and enhance their balance sheets in response to their needs and situation at the time.

We are dedicating the third day of the Forum to the eighth MAB encounter.

This market was very effective in 2017, with intensive funding activity. MAB listings offer a powerful combination of alternative funding, liquidity for shareholders, permanent valuations and public recognition for companies.

There are currently 93 companies on the MAB. These companies undertook 33 capital increases in 2017, five of which were a prelude to MAB flotations. These operations raised 689 million euros, double the funds raised in 2016.

The pace of capital increases and new flotations shows no sign of slackening, and more favourable economic conditions will further stoke this.

We believe the MAB can play a very important role in the Spanish economy, giving a huge number of SMEs access to funding and fostering their growth. But this will need joint effort by government and the private sector, incentivising investment in these companies.

Progress in the European Capital Markets Union (CMU) project has led the European Commission to conclude that one of the keys to increasing the competitiveness and robustness of the European economy is to foster the flotation of more companies, which the Commission defines generically as “promoting the public presence of companies in the markets”.

Valdis Dombrovskis, the EU's Financial Services Commissioner, recently pointed out that only 3000 of the 20 million SMEs in Europe are currently listed. Brussels is seeking to enhance access to capital markets for these companies through its new regulatory initiatives.

During our event, these companies - the least well-known in the markets - will be holding discovery meetings to explain their businesses and strategies. I would invite you all to take part.

BME is already taking action in this area, through our agreement with Cepyme to help small companies access the markets, and our Entorno Pre Mercado initiative for start-ups, for example. These are training, guidance and support projects that will help the smallest companies grow, develop and internationalise.

Also Inverco has launched a proposal to create a type of investment fund for SMEs based in Spain (FIPE, for the Spanish acronym), which seeks to foster the involvement of stable investors and capital in interesting business projects that need support to gain traction and scale.

The importance of small and medium-sized enterprises as drivers of the economy and the foundations of the balance and sustainability of the drivers of a country's growth and jobs is clear from the figures on their activity.

The priorities also for the Administration must therefore include decisive actions to foster their competitive and efficient development.

Stock or alternative market listings lead companies to levels of transparency and openness of their capital that enhance their corporate reputation and stability, and lead to a better balance in their financial structure. It is important that smaller companies are able to take full advantage of the options offered by the markets at different stages in their lifecycles. But the current offering must become more visible and expand for this to happen.

I would like to finish by extending my thanks to the sponsors of this forum for their unstinting support. I would like to thank Deloitte and GVC Gaesco, as the main sponsors, and Morningstar, Asexor, Gesvalt, Mabilia and World Televisión for their sponsorship.

I would also like to thank all of you who will be actively participating in the meetings and discussions that will engage us over the coming days. Thank you very much.