

OPENING SPEECH

MEDCAP FORUM 2023

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Good morning:

It is a pleasure to welcome you to the Madrid Stock Exchange Palace to celebrate together the inauguration of the nineteenth edition of the Medcap Forum. The Stock Exchange is the home of investors and companies all year round, its doors are always open, but these days in May even more if possible.

Until next Thursday in this building will be held more than 1,000 private meetings and Discovery meetings between more than 130 investors and more than 110 companies registered in this event, which is approaching 20 years of history and has established itself as the meeting of reference for small and mid-cap companies.

As always, in addition to the private meetings, we will have panel discussions on current issues. I am convinced that we will learn a lot from them and from the interventions from all the guests, whom I thank for their presence at this Forum. In a few minutes, for example, we will have the opportunity to listen to the reflections of Tatyana Panova, head of the Capital Markets Union unit of the European Commission. This is certainly a very relevant issue, which I will refer to later. Thank you very much, Tatyana, for your presence here today.

Before discussing the state of small and medium-sized companies, which are by far the biggest contributors to GDP and job creation in Spain and throughout Europe, it is important to know in what context they have to develop their activity. These are not easy times, it is true. In addition to the uncertainty caused by the Russian invasion of Ukraine, there is high inflation and, in response to this, the change of course in the monetary policy of the main central banks. A year ago, when we held the last edition of the Medcap Forum, interest rates in the euro zone were at 0%. Today, after six consecutive hikes by the ECB, they are at 3.75%.

Although this is a normalization, because it was not sustainable to have interest rates at zero or even at negative rates, this change has undoubtedly added uncertainty to the markets and has caused punctual tensions in some sectors such as part of regional banking in the United States. The new rate environment clearly influences all investments, from fixed income to equities.

We started the year with fears of a sharp economic slowdown, even a recession, but the Spanish economy is holding up much better than expected. Various national and international organizations have recently revised upwards their growth prospects for this year. The IMF, for example, puts GDP growth in Spain at 1.5%, with inflation at 4.3%. For 2024 it forecasts growth of 2% and inflation of 3.2%.

All the experts agree that this new era of high rates, or at least higher than usual, is conducive to new IPOs. That is true, but companies that are thinking of entering the market also need an environment of certainty, something that war and geopolitical tensions do not make easy. Nevertheless, in Spain we have already welcomed four new companies to BME Growth, the small and medium-sized company stock exchange, and we have good prospects for the coming months. I remind you that in 2022, 18 new companies joined the Spanish stock markets.

The arrival of new companies on the stock market should be a priority objective for our country, a true question of State. There are many academic studies that show that those economies whose companies are financed more through the capital markets are more solid and resilient in the face of turbulence. It is important that more companies come to the market and that all the parties involved, from the authorities to, of course, us, the market operators, do everything in our power to facilitate this. This is what we try to do at this Forum and also what we do wherever we go, such as at the forums on the advantages of being listed on the stock exchange that we have organized in recent months together with the CNMV in Bilbao, Barcelona and Madrid.

Although there is no doubt that, for various reasons, IPOs have slowed down worldwide in recent years, it is also important to make it clear that the arrival of new companies on the Spanish stock exchange has been unceasing. In the last three decades, 340 new companies have entered the Spanish market. What these companies find is the visibility, reputation and access to recurrent financing that only the financial markets offer.

Visibility in the eyes of national and international investors, because the Spanish stock market is a market in which all the world's major investors are present. According to data from BME's Studies Service at the end of the third quarter of 2022, international investors controlled 51% of the Spanish stock market. In addition, there is at least one foreign investor as buyer or seller in between 75% and 80% of the volume traded on BME.

The main advantage for companies listed on the Spanish stock exchange is access to financing. In the last two decades, between 2001 and 2022, Spanish listed companies have raised 455,396 million euros in nearly 2,600 capital increases of various types for different purposes. I repeat: 455,396 million euros. This figure is almost 80% of the average capitalization of Spanish securities listed on the stock exchange during that period, a higher relative measure than that recorded in any comparable stock market in the world.

For investors, the jewel in the crown of the Spanish stock market is the dividend yield, which has stood at 4% over the last 25 years. No other comparable developed stock market offers such a positive figure. In the last 20 years, Spanish listed companies have distributed 490.6 billion euros in dividends to shareholders, almost 25 billion per year.

The figures are stark: Spanish companies are traded in Spain, on the Spanish regulated market. Last year, BME had a 67% share of IBEX35® stocks, almost three times more than the leading alternative market. This higher market share is also accompanied by leadership in the first level price range and market depth.

If we talk about liquidity in companies listed on the Spanish Stock Exchange and at the same time on other markets, the figures are also clear. For example, there are four BME Growth companies that are also listed on Euronext Growth by dual listing. In them, BME Growth concentrates between 96.5% and 99.5% of the combined liquidity in both markets.

This is not only true for smaller companies. Spain is also the market with the highest volume in the main market, with percentages ranging from 40% to 69%. In other words, Spanish companies trade in Spain.

The level of internationalization, security, liquidity and efficiency offered by the Spanish stock market is world class. Large Spanish companies listed here are present in the European benchmark indexes, international leaders in the asset management sector invest here, and companies that are world leaders in their sectors have been financed from here, from the Spanish stock market.

This Forum focuses on smaller-cap companies, which bring diversity to the market and whose presence on the stock market is positive for the companies themselves, for the economy as a whole and, of course, for investors, who can diversify their portfolios thanks to these stocks. Since the lows of the 2012 financial crisis, the Ibex Medium Cap has revalued by 85% and the Ibex Small Cap by 151%, compared to 52% for the Ibex 35. Furthermore, investors' interest in smaller stocks is reflected in the strong growth in the volume traded in BME Growth companies, which is up 152% so far this year.

It is true that these types of companies often receive less attention from the market. Initiatives such as this Medcap Forum, the meetings between investors and companies that we organize throughout the year in different European cities or the Lighthouse analysis firm, promoted by the Spanish Institute of Analysts and supported by BME, are some of the actions we carry out to improve their level of awareness among the investment community. It is worthwhile to learn about the attractive business models and the enormous diversity of areas of activity offered by small and medium-sized securities.

As I mentioned at the beginning of my speech, in a few minutes we will have the pleasure of hearing Tatyana Panova speak about the Capital Markets Union. This is a fundamental issue for the development of financial markets in Europe and their competitiveness at the international level. We all have a lot at stake. The regulatory environment is key to meeting the objectives of increasing the number of companies

listed on the stock exchange. At BME, we have been supporting the necessary Capital Markets Union for years, to whose principles we are fully committed.

We welcome the ambition and depth of the European Commission's Listing Act proposal and we are optimistic about the effects it may have. This proposal is a good exercise in assessing the main challenges facing companies and we are confident that it will improve the financing framework. There are aspects that we applaud, such as the simplification of prospectuses, the standardization of the information requested by national supervisors or the proposal on free float flexibility. We also think that other aspects need to be improved, especially the need to include data from systematic internalizers and OTC in the cross order book surveillance mechanism, which we think is essential.

I would like to conclude with a mention to sustainability, an issue that is on everyone's lips and which is crucial for us as a company and also as an operator in the financial markets. At BME we promote the development of sustainable finance on different fronts. Last year, for example, the number of green, social and sustainable fixed-income issues registered on BME's markets and platforms rose from 63 to 96. BME also has two sustainability indexes: the FTSE4Good and the Ibex Gender Equality, which includes the most advanced Spanish companies in terms of gender equality. This family of sustainable indexes will grow in the future.

Of course, sustainability will also have its place in this Forum, as one of the panels will deal with the rules, regulations and reporting of sustainability information. It will take place tomorrow and will include a special speech by the vice-president of the CNMV. By the way, I would like to take this opportunity to tell you that for the first time in its 19-year history, the Medcap Forum will measure its carbon footprint this year.

I would like to end by thanking you all for attending this nineteenth edition of the Medcap Forum, and a special thanks to Deloitte, the main sponsor of the Forum, our sponsors Renta 4 Banco, Norbolsa, GVC Gaesco, EthicFinance Ratings, World Television, Morningstar and Mediatree, and our collaborators CFA Society Spain, the Spanish Institute of Analysts and Atribus.

Many thanks to everyone.