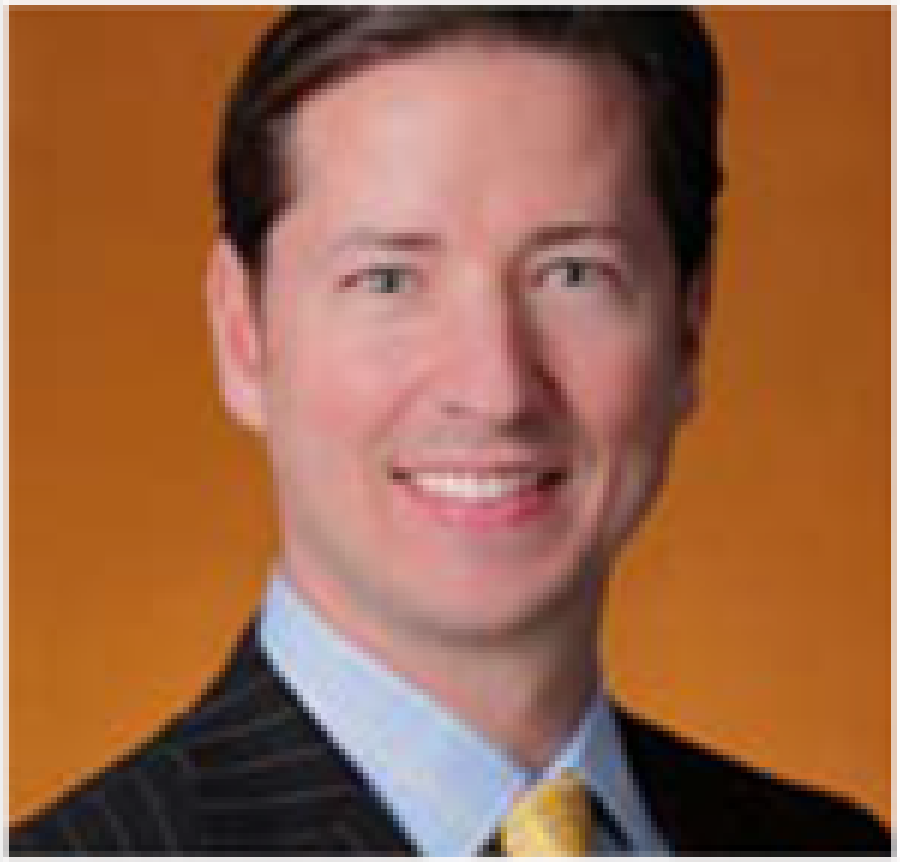
LEANING TOWARDS THE US - DAVIS POLK & WARDWELL

Posted on 21/06/2013



Category: Uncategorized

The large-scale initial public offerings (IPOs) of the last decade may have slowed down in recent years, but Spanish companies remain committed to the US capital markets for investment and stability, says Michael Willisch, Davis Polk & Wardwell's Madrid Managing Partner.

The mid-2000s was a good time for Spanish companies, during which a run of large IPOs was made on a 'Rule 144A' basis – where shares are privately placed to US institutional investors. But the most recent large, completed deals were back in 2011, with Bankia's €3.092bn IPO and Banca Cívica's €599.8m IPO, both made on a 'Rule 144A' basis.

"There is less of the big IPO work around at the moment, but we are seeing younger, smaller Iberian growth companies look at undertaking SEC-registered IPOs in the US," says Willisch, who acted on the Bankia and Banca Cívica deals. "There are fewer transactions and they are harder to complete, but the situation in Europe has made a US IPO an attractive proposition because of the valuations and market stability."

Willisch says that large Spanish companies have long tapped the US public markets, with recent examples including Telefónica’s SEC-registered $2bn note offering in May 2013, and Banco Bilbao Vizcaya Argentaria’s similar $2bn note offering in October 2012, both of which Davis Polk advised on. But more recently, other Spanish corporates have pursued secondary listings outside Spain. “Economic conditions and concern over the Euro have meant Spanish companies have looked to secondary listings in deeper markets, like New York, London and Hong Kong, in order to hedge the wider market risks,” Willisch adds. “The concern is that they could be adversely affected should Spain or the Euro Zone run into trouble again.”