

MADRID MAKING MOVES - GRANT THORNTON

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The investment capacity of Madrid-based companies has been overlooked recently, but there is a distinction between ambition and confidence

While the boom period for business growth has been suffering a slow period, there is an emerging rejuvenation of regional and international business opportunities for Madrid-based companies, according to Carlos Serrano, a Partner at Grant Thornton in Spain.

"In terms of investment capacity, these companies have 90 percent of their assets managed by the big banks both for funds and potential corporate operations," he explains. "Many family offices are located in Madrid too and these companies in particular are looking to grow their businesses."

Spanish investors have focused their strengths on selling shares resulting from bank portfolio sales, as many national operators are only interested in disinvesting, says Serrano. "This has created an opening for entrepreneurs looking to capitalise on consolidation, while most cautious investors are still waiting for a market where the demand could lead them to concentrate their attention."

M&A is not always viable as banks remain reluctant to lend, therefore the biggest challenge in attracting investment is acquisition financings to back expansion. "The finance sector is still not lending, with balance sheets very focused on meeting the demands from Brussels, while small and

medium-sized enterprises are still not getting credit," he says. "Now we are hearing that the European Central Bank might open several credit lines for companies, but this has not yet happened."

Madrid, of course, is still the hub for capital markets operations, which take place on the trading floors, either looking for options to purchase or sell, as the reality of the progress of the Spanish economic is only really seen by those involved in these operations. "Trading floors are too short in equity, are seeking liquidity for their shares as these shares consume capital resources," Serrano concludes. As such, Madrid companies currently require at least 40 percent equity to stand a stand a chance of securing financial backing in deals.