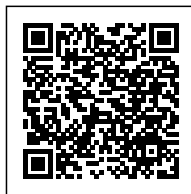


MANAGING SELLERS' PRICE EXPECTATIONS - BROSETA

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One of the major barriers stopping the flow of M&A work in Spain is the high price tag on target companies, say lawyers. Despite the economic turmoil, owners are holding on to their prized assets rather than sell them on the cheap.

Julio Veloso, a corporate Partner at Broseta in Madrid, believes that the problem is less however about the simple over-valuation of companies and more because of the lack of corporate finance options.

"One of the challenges for the M&A market is that many businesses are actually successful," he observes. "The fact that many takeovers are struggling is not because of a wrong business plan but a lack of liquidity from the banks. As such, when it comes to selling a company, owners are reluctant to cut the price because of what they see as temporary issues, such as limited availability of

acquisition finance."

This situation has created something of a stalemate, he says. Acquirers, especially private equity investors, are worried about over-paying for a company and less likely to take a risky investment decision than a few years ago. On the other side, the sellers are wary of selling too cheaply. The result is that deal activity has slowed not because of a lack of deals, but the economic uncertainty.

Veloso points to the findings of a recent OECD report that predicts a slump in Spanish corporate activity. The first half of 2012 will be very difficult, but the attitude of many in the country also needs to change.

There needs to be more positive thinking, and he points optimistically to what he sees as potential new developments in the private equity arena.

"So far, there have not been any notable private equity vehicles looking at distressed assets in Spain," he says. "I believe that there are plans by some investors to establish such funds and that may help the situation.

There are still some good deals out there to be done, on the right terms."