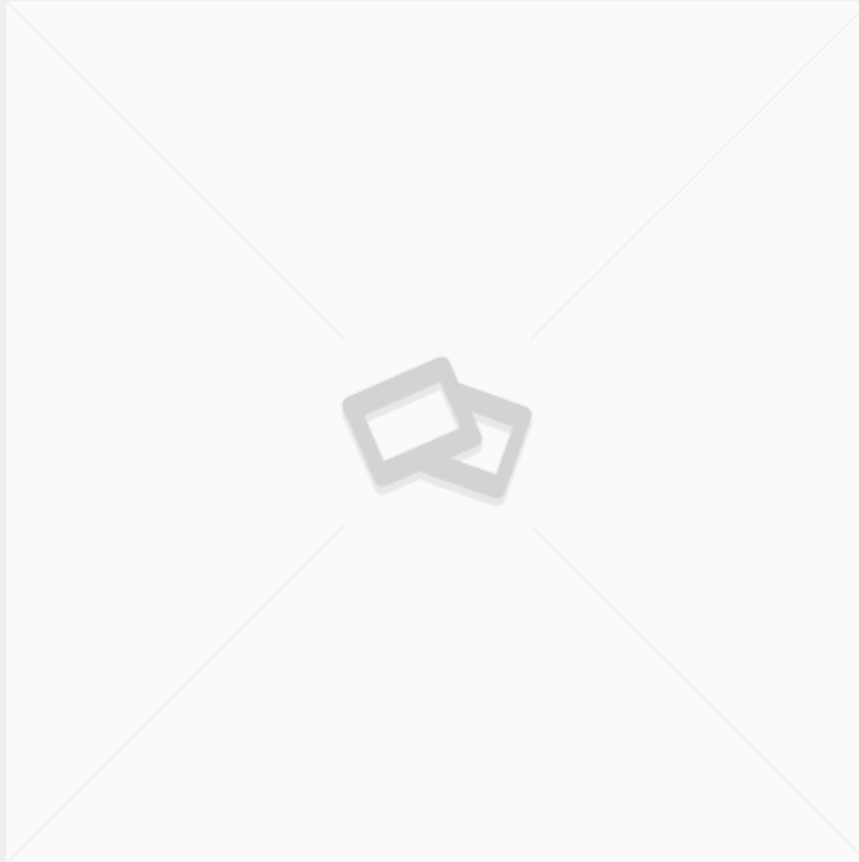
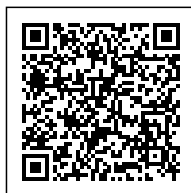


# PRIVATE EQUITY FUNDS TARGETING MID-SIZED SPANISH CONSUMER BUSINESSES

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## **Spain witnessing surge of investment in mid-market companies as private equity funds in fundraising mode aim to show their investors they can create wealth**

Spain is experiencing a surge in investment in mid-sized companies with private equity funds targeting sectors including foods, consumer and pharmaceuticals, lawyers say. Fund managers now view mid-market companies in Spain as a very attractive proposition. For example, earlier this year it was announced that Abac Solutions Manager had raised €320m for its debut fund Abac Solutions, which will focus on backing “midmarket companies in Spain”. Investors in the fund include pension funds, endowments, financial institutions, fund of funds and family offices. Abac was advised by King & Wood Mallesons on the matter. Linklaters partner Alejandro Ortiz says there has been a surge in mid-size investment activity over the last eighteen months, particularly in the foods, consumer, pharmaceutical and healthcare

sectors, as well as infrastructure and renewable energy. One such deal was US private equity fund The Carlyle Group acquiring a majority stake in the Spanish food producer Palacios Alimentación. In addition, Ortiz highlights other sectors that are being targeted by private equity funds for mid-sized investments. "There are private equity funds that are seeking to build portfolios in sectors such as energy, with smaller assets," he says. Ortiz adds that, despite the political uncertainty in Spain, investor appetite for acquiring assets in the country remains strong. "A lot of our clients have considerable interest in Spain – investors are focused on successful companies that have been able to come out of the crisis," he says.

Allen & Overy partner Iñigo del Val says there is significant mid-market activity involving private equity funds. He highlights sectors such as healthcare, energy and infrastructure and telecommunications as generating a high level of interest. "A lot of private equity firms are in a fundraising phase and need to show their investors that they have the capacity to create wealth," he adds. The consumer products sector is also being eyed by investors. Recent deals included Nazca Capital's acquisition of a 75 per cent stake in Spanish household product container manufacturer Caiba. Uria Menéndez advised Nazca Capital on the deal, while the vendors, the Baños Family, was advised by BDO and Grant Thornton. Allen & Overy advised Oquendo in relation to the financing of the transaction.

### **Fewer distressed deals**

Del Val says that, in the last two years, there have been "fewer distressed deals in Spain" and more international investment in "what are perceived as growth sectors, such as infrastructure and renewable energy". He adds: "The majority of Spanish private equity funds target local firms with an international reach, ones that are present in Latin America for example, or are targeting Latin American firms that could be a good investment for the companies in their portfolio in Spain." Del Val says US-based private equity funds are also very interested in Spain.

Low interest rates are driving M&A deals in Spain, which is now no longer seen as a high-risk market, according to Del Val. However, he adds: "There was an acceleration of deals in 2014 and 2015, but certain macro uncertainties, such as Brexit and the political instability in Spain, have cooled things a little." Del Val says political uncertainty in Spain surrounding the failure of the countries' main political parties to form a government has had an effect on deal numbers, but that, after such a long time without a stable government, the situation has become 'the new normal.'