RECORD-BREAKING YEAR FOR ASSET PURCHASES

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Figures for 2013 show foreign firms buying up Spanish assets as the economic gloom continues to dissipate

While 2013 was a year of challenges for many in the Spanish economy, it would appear those operating in the buyout market were enjoying a bumper year. Indeed, recently released statistics show that Spain posted a record-breaking year when it came to the purchase of Spanish assets by private equity firms.

Mergermarket research states that the level of Spanish buyouts soared to new highs in 2013, both in terms of volume and value of transactions. The company said there were 43 buyouts valued at $10.7bn last year some 154.8 percent higher in value terms than 2012 (which stood at $4.2bn) from a relatively low 13 announced transactions.

Lawyers are taking this as a sign that confidence is returning, even growing. Francisco J Martínez Maroto, an M&A and Private Equity Partner at Cuatrecasas, Gonçalves Pereira, says that the perception of the Spanish economy has substantially changed as a result of the various adjustment

measures adopted in recent years – both the private sector (such as reduction of costs, improvement of the productivity and internationalisation) and the Government (such as fiscal consolidation, amendment of the labour legislation and reform of the financial sector).

"As a result of that, and despite certain risk factors still remaining, like a high rate of unemployment and a lack of credit, the macroeconomic picture seems to be stabilised and a number of Spanish companies has turned out stronger," Martínez Maroto adds. "Both factors are allowing new investments in certain type of Spanish assets, particularly from international investors that were not present insofar and that, therefore, had no exposure in the Spanish market."

Even more encouraging is that the level of investment from companies outside of the EU hit an all-time high in 2013, according to Mergermarket. A total of 17 buyouts were valued at $3.7bn; a marked increase on the 11 buyouts valued at $2.9bn in 2012.

Headline transactions include US-based investor Bain Capital's €1bn takeover of call centre outfit Atento, HIG Capital's purchase of a 939-home portfolio for €100m from Sareb and Blackstone Group's €128m deal with Madrid's city government for 1,890 rent-controlled apartments in the Spanish capital.

There are further deals lined-up for 2014 to ensure the momentum continues. There are possible sales suggested for certification company Applus as well as troubled fishing company Pescanova, which is currently subject to a non-binding takeover offer from a consortium led by US-based Kohlberg Kravis Roberts. Recently, a host of international investors – including CVC Capital Partners, Carlyle Group and PAI Partners – were linked to possible bids for local food giant Deoleo.

"Rather than specific sectors, where perhaps the most relevant ones would be those related to industrial services and healthcare, the most demanded assets are those companies where a significant percentage of their turnover is made abroad," Martínez Maroto concludes.

Lawyers expect this trend to continue as long as the general macro picture continues to be stabilised and even improving and the risk factors still affecting the economy start to be addressed.