

TAKEOVER BIDS AND MARF LISTINGS DRIVING DEMAND FOR CAPITAL MARKETS ADVICE

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Increased liquidity in the market as well as low interest rates for equity investments has led to growth in capital markets activity in Spain

Lawyers in Spain are reporting an increase in demand for capital markets-related advice, due to a surge in takeover bids, as well as an increase in activity in the Spanish Alternative Fixed-Income Market (MARF). Meanwhile, it is anticipated that reforms made by Spanish regulators could lead to an increase in initial public offerings (IPOs).

Takeover bids are on the rise due to the fact that investors are looking for new opportunities at a time when stock markets are performing sluggishly. "As stock prices are in decline, takeover bids are providing investors with new purchasing opportunities", says Álvaro López-Jorrín, partner at

Garrigues. Recent examples include Blackstone's €2 billion bid for real estate company Hispania, Brookfield's €1.2 billion bid for Saeta Yield, and Thailand-listed company MINT's €619 million bid for NH Hotel Group.

However, in contrast, IPOs have been rarer in recent times. Ignacio Gómez-Sancha, partner at Latham & Watkins, says: "The momentum in the IPO market we saw in 2017 hasn't quite transferred to the first half of 2018." In a subdued market, the only development of note has been the IPO launched by real estate company Metrovacesa.

But there has been substantial capital markets activity in other areas, for example real estate investment trust (REIT) listings as well as note issues on MARF. Though such issues are smaller when compared to international high yield markets – being around the €40-50 million market – such issuances are "quite frequent", says Gonzalo García Fuertes, partner at Garrigues. Meanwhile, Cuatrecasas partner Gerard Correig highlights the fact there was a substantial increase in such listings last year – data shows that, in 2017, the total value stood at €3.9 billion, a 74 per cent increase on the previous year.

Generally, investor confidence has increased in recent years and foreign investors are making more capital available in Spain. Institutional investors such as pension funds, mutual funds and insurance companies have invested in Spanish listed companies, while investment banks are particularly keen on investing in the real estate, infrastructure and energy sectors.

The uptick in capital markets activity in Spain is attributed to a number of factors including increased liquidity in the market and low interest rates for equity investments. In addition, Allen & Overy partner Fernando Torrente expects the capital markets to be further boosted by changes made by the Spanish Securities and Exchange Commission (CNMV) to the procedures for IPOs. "It is now common practice to permit IPO prospectuses to follow the international format which foreign investors are used to working with, and to be drafted in English, which significantly simplifies the process," he explains.

Meanwhile, the impact of new technology could be another factor driving the demand for capital markets-related advice, says Cuatrecasas senior associate Coro Fernández-Rañada, who adds that matters related to blockchain and artificial intelligence will generate work in the future. Market observers anticipate an increase in capital markets transactions involving technology companies. However, there are concerns that increased financial regulation, such as the green bond regulation, could jeopardise future potential deals.

Major deals cancelled

While increased activity has meant growth in capital markets-related revenue for law firms, this has been mitigated by the fact that "major deals have been cancelled or postponed," says Torrente. He adds that the potential for law firms in terms of increased fees is limited due to the highly competitive nature of the market.

The fact that capital markets deals are becoming increasingly international represents a major challenge for law firms. Torrente says that capital markets lawyers are required to "form cross-border teams and take into account regulatory requirements and restrictions in many jurisdictions".