

SME Financing Through Stock Markets And COVID-19 European Programmes

Spanish SMEs -navigating COVID-19

Accounting for 65% of Spanish GDP, SMEs have been disproportionately impacted by COVID-19. A study by McKinsey, for example, found 80% of Spanish SMEs had seen their revenues drop since the crisis began. In response, the European Investment Bank and the European Investment Fund both subscribed to multiple tranches of a synthetic securitisation of an SME loan portfolio enabling Banco Santander to provide over €900 million in financing and supplying liquidity for a number of SMEs. This turned out to be a lifeline for many. With SMEs urgently scrambling for financing to plug cash-flow shortfalls, markets such as the BME Growth are proving to be an invaluable source of liquidity.

Leveraging Capital Markets

Speaking at AFME's (Association for Financial Markets in Europe) 12th Annual Spanish Capital Markets Virtual Conference on February 25, 2021, Jesús González Nieto, Chief Executive Officer, BME Growth, said that a number of Spanish SMEs were still unfamiliar with how capital markets actually work. "Many SMEs assume that it is only the big cap companies which can tap into capital markets. This is a view among SMEs which has been reinforced by their advisers and intermediaries providing financial services, who tell them repeatedly that they should obtain financing through traditional bank credit lines and not capital markets. The BME Growth, however, is in a position to support SMEs in accessing the capital they need enabling them to expand their businesses," he said. Elsewhere, low or negative interest rates are incentivising investors to incur more risk in equities and mid-cap corporate bonds, in what is likely to lead to more SMEs tapping capital markets for funding.

The Market shows its resilience

Although SMEs in Spain are generally struggling, the constituents that comprise the BME Growth Market have proven resilient amid the pandemic. During 2020, the BME Growth attracted nine new companies, while 59 financing operations were executed, leading to new funding totalling €383 million. "COVID-19 has affected the activities at companies but in vastly different ways. In some sectors, COVID-19 had a positive effect. The BME Growth has sectoral concentration in areas such as biotechnology and healthcare; digital, renewable energies; and telecommunications. These are companies which were very well-positioned to deal with COVID-19," said González Nieto. However, he added performance across other sectors – most notably real estate investment trusts (REITs) – had been more mixed. González Nieto noted REITs focused on retail were under pressure, although countered that those firms specialising in logistics and residential property had performed strongly.

Corporate transactions have also been healthy on the BME Growth. "There has been a lot of consolidation among companies on the BME Growth. For example, we saw takeover attempts by main market companies of businesses listed on the BME Growth. We also observed companies on the BME

Growth launch acquisition bids of their own. On the BME Growth itself, we have seen two healthcare companies merge thereby creating a business of scale,” said González Nieto. Given how well the BME Growth navigated COVID-19, González Nieto is optimistic about its prospects for 2021.