



“The current situation of stock market flotations”  
Closing of the *Actualidad Económica* awards granted to  
the 100 top CFOs

SEBASTIÁN ALBELLA, THE CNMV'S CHAIRMAN  
Madrid, 27 June 2019

Good morning everyone.

First of all, I would like to thank *Actualidad Económica* and KPMG for inviting me to participate in this event. An event that highlights the importance of a professional segment, a senior management area of companies which, for us, at the CNMV, is key: that of chief financial officers.

They are executive professionals of listed companies and issuers with whom our teams primarily interact:

- on the occasion of planning and carrying out financial and corporate transactions;
- on the occasion of exercising our supervisory function on financial reporting;
- and also in all matters related to the disclosure by listed companies of information of interest for the market.

I must say, incidentally, that in our experience, it is a collective with a high level of expertise, which, in general, is fully in line, in terms of culture, with the principles and objectives pursued by securities market regulations.

Therefore, it is a great pleasure to be here today, and of course, I would like to thank the chief financial officers, many of whom are here today,

- for their continued collaboration with the CNMV,
- and to encourage them to comply with and promote the compliance of securities market regulations in their respective organisations,

in the literal sense and in spirit, as I said a few days ago at an event on corporate governance.

I would also like to take this opportunity to briefly comment on, exaggerating a little to attract your attention, what seems to be a phenomenon of our times: the reduction in the number of stock market flotations.

I am a strong supporter of companies going public.

I believe that if companies are listed, and there are more companies going public, this is very positive in the general interest.

- To be listed means being more transparent but also greater opportunities and easier access to finance, both in terms of capital and debt (and not only because it is more natural and easier to issue bonds or other debt instruments, but also because a listed company, in general, has greater potential to access bank credit or can do so under better conditions). As we have, once again, seen this week, by listing, companies have quicker access to the market via ad-hoc capital increases without requiring a prospectus, raising capital in record time (in just a few hours).
- Likewise, being public is a factor that reinforces professionalism and rigour in management, and, in general, the reputation and brand of companies. In addition, it facilitates remunerating directors and employees via schemes associated with the creation of value in the medium and long term.
- Going public provides liquidity to shareholders, and in many cases, is a natural step in the development of a company, required by its growth or advisable due to family succession reasons or for risk diversification by its owners.

As you can see, there are many reasons for going public, and this is something that any established company, of a certain size, should consider at some point.

Incidentally, my list of advantages, of reasons for going public, is even longer, and lately, following numerous discussions with intelligent people around me (and perhaps also on my own initiative), I am expanding it. A director of a large company that recently went public, for example, told me that one of the main reasons for being happy for having gone public is that, by doing so, his position has been strengthened greatly when it comes to attracting and retaining talent; another director told me that the experience had been very positive as employees have ongoing and more in-depth knowledge of the company and its progression, thus increasing the awareness of the company's business plan.

Sometimes, to close my persuasive speeches, I like to say that stock market flotations are extraordinarily attractive not only from a professional prospective but are also vital for the owners of the company and its senior management. They are very intense processes in which high-level professionals interact (investment bankers, analysts, lawyers and auditors), entailing a promising and, at times, passionate strategic reflection, which normally implies an immersion in a new world, the exciting world of capital markets.

In any case, I will not deny that going public is a big step which is not easily reversible and which implies being subjected to market scrutiny, which at times leads to a certain degree of precaution. Not everyone is willing to hop on board. This step also has some disadvantages, which I would call inconveniences. For example,

- disclosing financial information to the public on a regular basis (although as you may know, the CNMV has proposed, and the Ministry of Economy has recently included in the draft bill for implementing the 2017 European Directive on shareholder rights, that the quarterly disclosure of information by listed company will become purely voluntary);
- the obligation of storing and disclosing insider information in a timely fashion;
- the duty of shareholders exceeding 3% or certain higher thresholds to report such situation to the market via the CNMV;

- and certain obligations related to corporate governance.

In any case, unlisted companies are not obliged to publish their accounts via the companies registry, and more and more companies are subject to more duties of transparency and control. For example, companies of a certain size, even if they are not listed, must also have an audit committee and are likewise obliged to publish non-financial information. This will soon also be the case when new requirements to publish information related to environmental impact enter into force.

Of course, we at the CNMV are vigilant and will at all times promote a level playing field in terms of obligations which may entail costs or discomfort among listed and unlisted companies in all those cases in which the reasonable approach to be considered is the size or other characteristics of companies and not the fact that they have their capital distributed throughout the market.

At present, however, as I said at the beginning, there are very few stock market flotations. In 2018, there were only three flotations in Spain in the primary market, some of which were quite modest, Metrovacesa, Árima and Solarpack, and to date this year, there have been none (although I must say that there are at least four in the pipeline).

This phenomenon is not exclusive to our country and has also emerged in Europe, in particular, although also, to a lesser extent, in the United States, a market that is traditionally more important and active in IPOs and which has always favourably viewed flotations as an essential mechanism to promote what is known as capital formation, and in short, production sector funding and dynamism of the economy.

We consider that there are various reasons for the current slow-down in the flotation activity, which has a structural component but also is only temporary, some of which are linked:

- First of all, the extraordinary development in recent years of venture capital, private equity, a very positive phenomenon from the perspective of funding and potential for company development, which has especially taken root in our country.

On the one hand, venture capital represents an alternative, in terms of liquidity and risk diversification, to flotation. On the other hand, it is a factor that often causes delays in stock market flotation plans.

In addition to the current strength of private equity, particularly in the United States, there are other sources of private capital cited as an alternative to stock markets: cash surpluses of many large companies, in particular, large technology companies, which are used not only for share repurchase programmes, but also to acquire start-ups (with the resulting implications, incidentally, in terms of competition).

- Secondly, the bearish and particularly unclear trend that the stock market has been witnessing for more than a year.

Stock market flotation processes involve a certain degree of complexity and, in general, take a minimum of four to six months. However, there is always the risk that on the date scheduled for the shares to go public and become listed, the market situation may not be appropriate.

This is what occurred in the latter part of 2018 in Spain with various transactions, among others, when Cepsa shares were listed again, on which the company, and we at the CNMV, had worked so hard.

All of this also favours, as a competitor, venture capital.

On the other hand, we are currently living in a time where the market, which combines low valuations for many companies, and therefore, potential moderate valuations for flotations, with very low interest rates, in addition to being attractive for financing via debt, is not exactly contributing to positive changes with regard to potential valuations.

In any case, I would like to conclude by conveying a message of faith in the stock market, and for its future.

In the long term, among other things, as it is one of the objectives of the European Capital Markets Union Project, we are moving towards an economy where the relative weight of funding through capital markets, in contrast to bank finance, will increase, and all the advantages and opportunities that listing represent will still be there.

Of course, we at the CNMV will always be open to this. We, in essence, are a supervisory authority, but we are also committed to developing our markets, and in short, facilitating better financing and strengthening our companies and the Spanish economy.