ESPIRITO SANTO INVESTMENT BANK

Capital Markets

MARF:

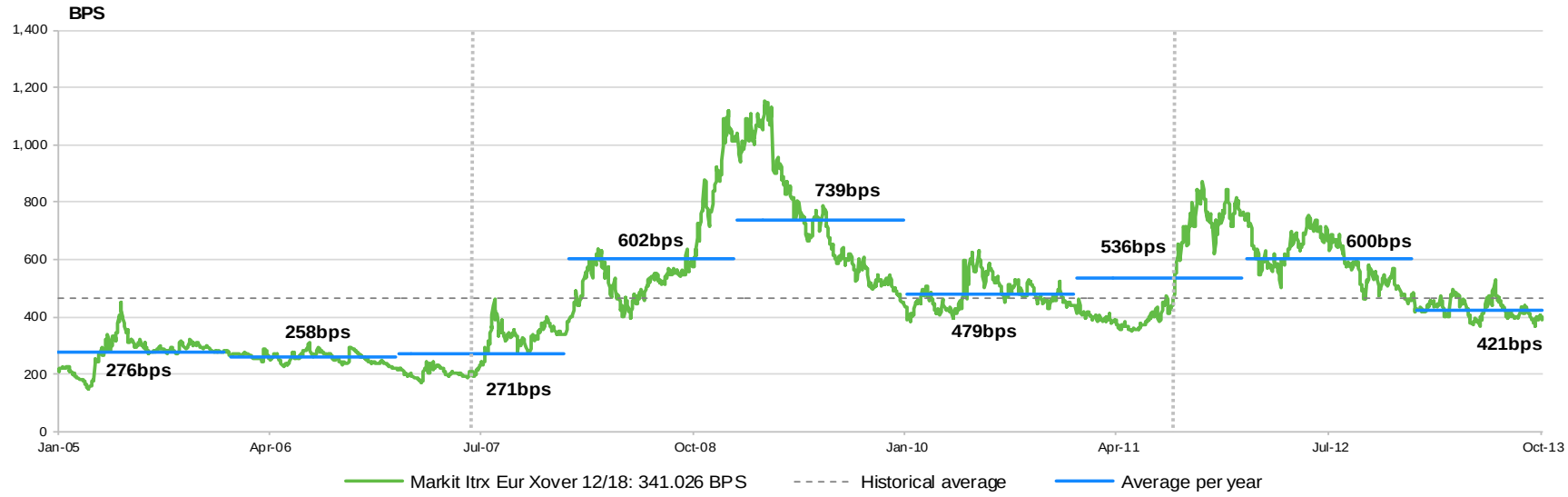
New Alternative Fixed Income Market in Spain

FIT FOR
A NEW **ERA**

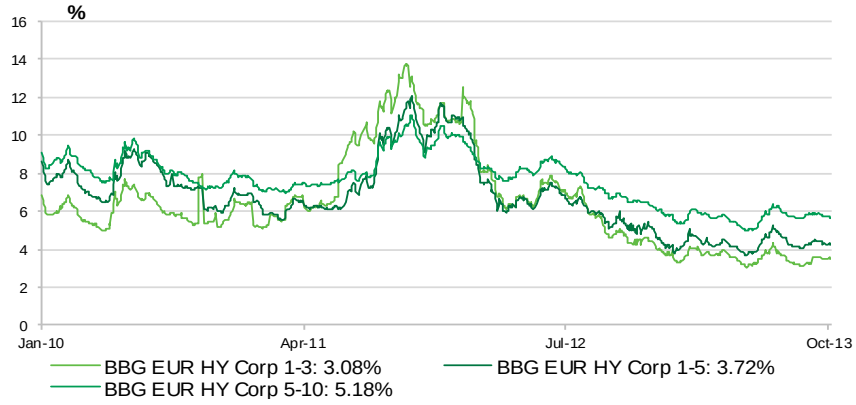
27 February 2014

High yield spreads and pricing: historical lows

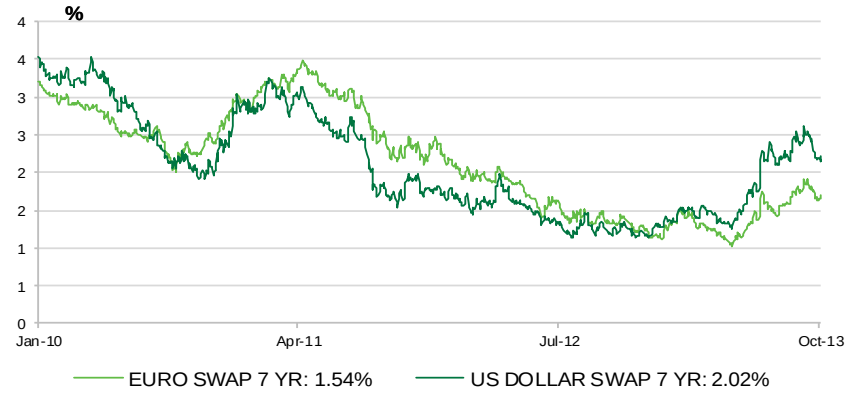
Historical iTraxx Eur Xover



European HY Indexes

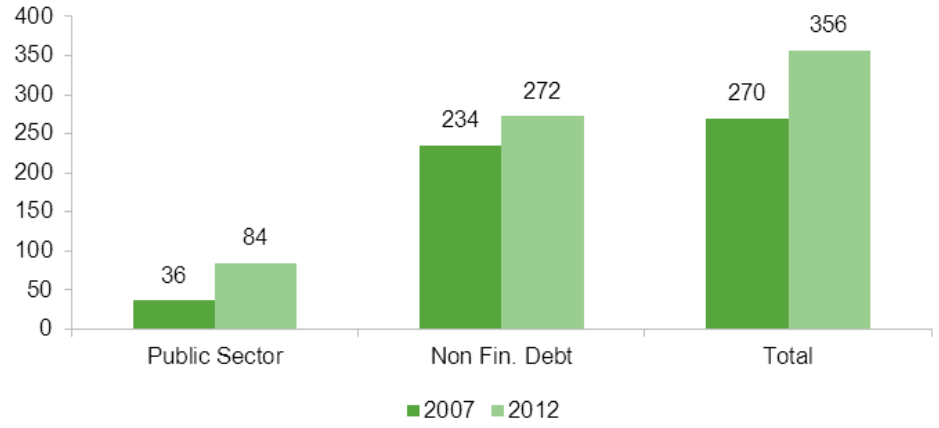


Swap rates (%)

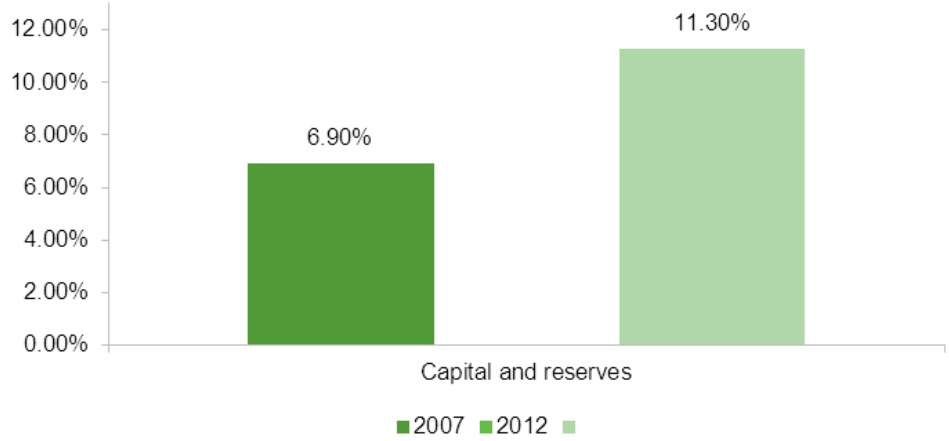


High level of credit to GDP ratios[1] leading to banks' deleveraging

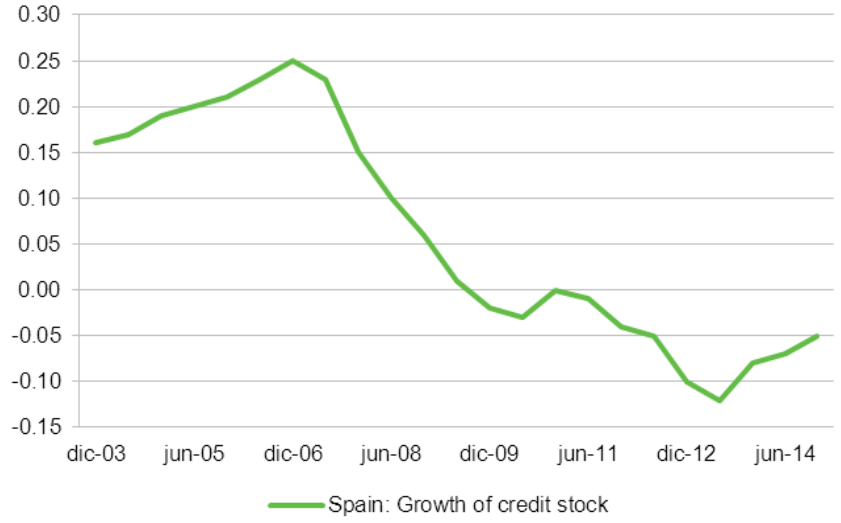
Spain: Total Non Financial Debt



Spain: Capital and reserves over banks' assets



Spain: Stock of credit growth



Spain: New loans and repayments

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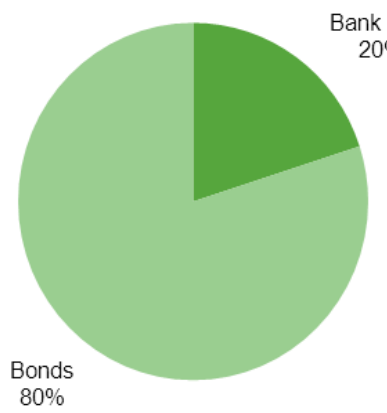
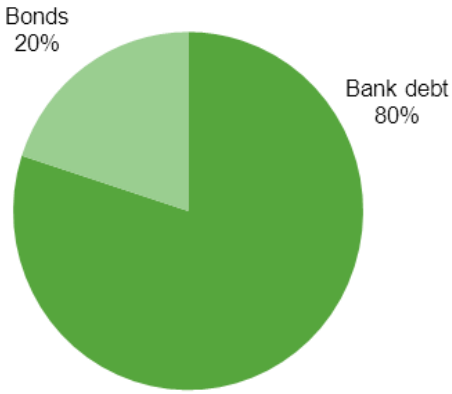
(1) Spain Total Non Financial Debt / GDP: 356% . Sources: Bank of Spain, BBVA Research.

European financing sources heading towards capital markets

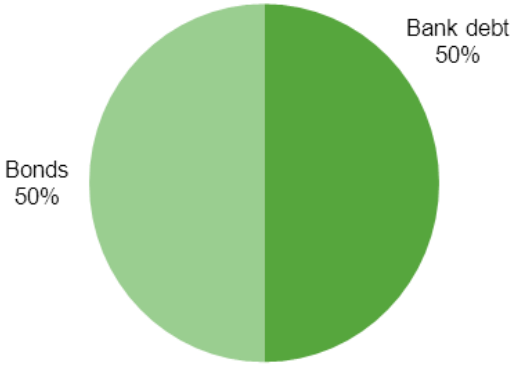
USA: Total Financing Sources



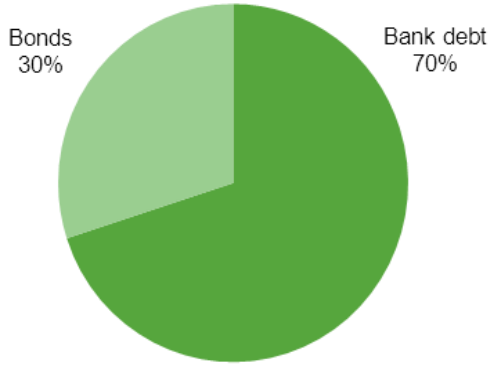
Europe: Total Financing Sources



Europe: HY Issuers' Financing Sources



Spain: Listed Companies' Financing Sources[1]



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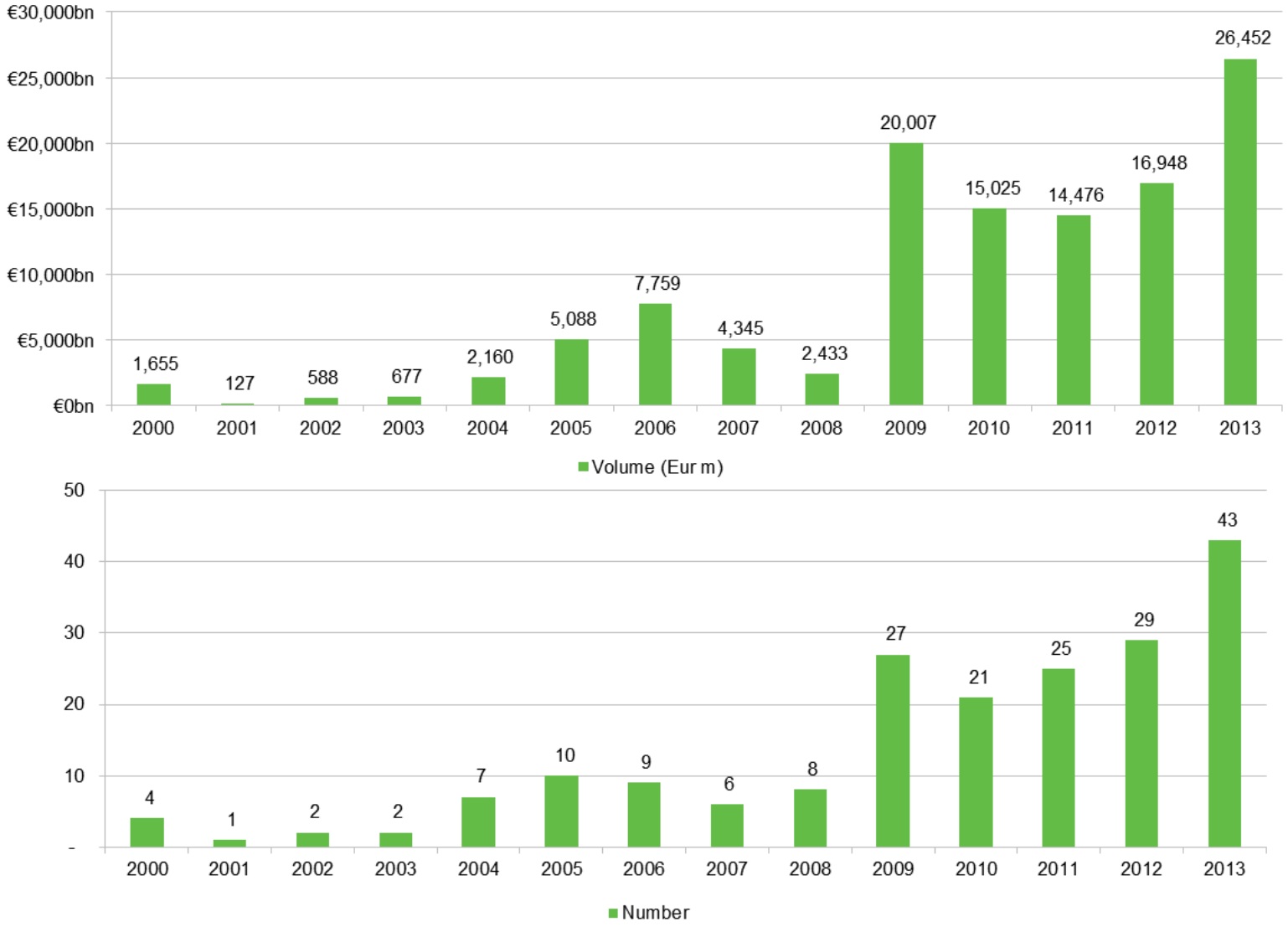
(1) By volume, excluding financial entities. Sources: Wall Street Journal, Morgan Stanley, Bloomberg.

Clear trend and accelerating in 2012- 3T2013

Significant increase in both volume and number of bond issues in Spain

Markets reopened following the summer break and companies accelerated issues, paving the way for new comers

Spain: Total Bonds Issued[1]



(1) Including equity-linked bonds . Source: Bloomberg; Analysis: BESI Capital Markets.

Historical record of Spanish companies tapping the bond market

After refinancing has reached its limit, most Spanish large, and mid caps are considering diversifying its sources of financing

Many of these firms have already shadow ratings

13 Spanish new issuers have tapped the market in 2013

Most on the new issuers have overhauled their debt in 2013, combining refinancing bank debt and issuing bonds

2013 Spanish new issuers

	Amount issued	Coupon	Tenor	Rating
COPASA	50m €	7.5%	5yr	HY (MARF)
PortAventura	420m €	5.88%/7.25%	6/7yr	HY
empark	385m €	6.75%	6yr	HY
El Corte Inglés	600m €	-	2yr	IG
NH HOTELES	250m €	6.875%	5yr	HY
Madrileña RED DE GAS	500m €	3.779%	21.5yr	IG
ACS	1,400m €	5.76%	8yr	IG
ferrovial	500m €	3.40%	5/6yr	IG
avanza GRUPO	490m €	7.5%/9%	7yr	HY
Gestamp	768m €	5.625%/5.875%	5yr	HY
PROSEGUR	500m €	2.75%	7yr	IG
ATENTO	$ 300m	7.38%	7yr	HY
ENCE	250m €	7.25%	7yr	HY

Bookrunner

Co-Lead Manager

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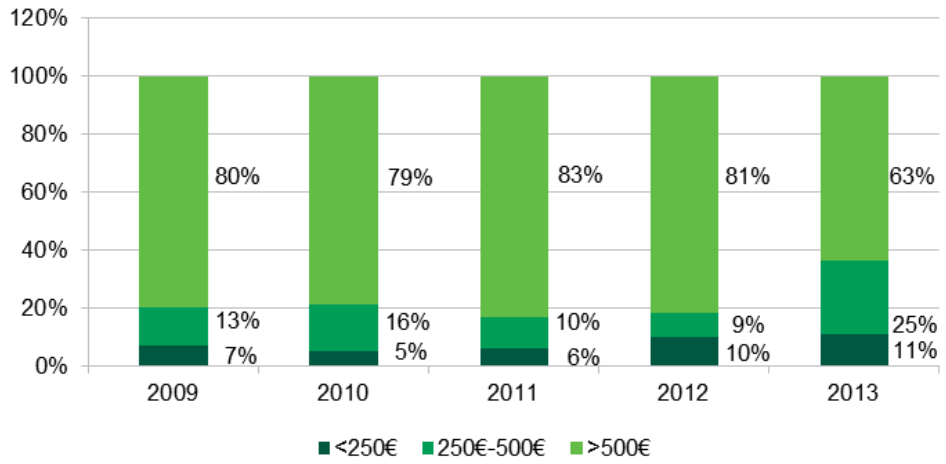
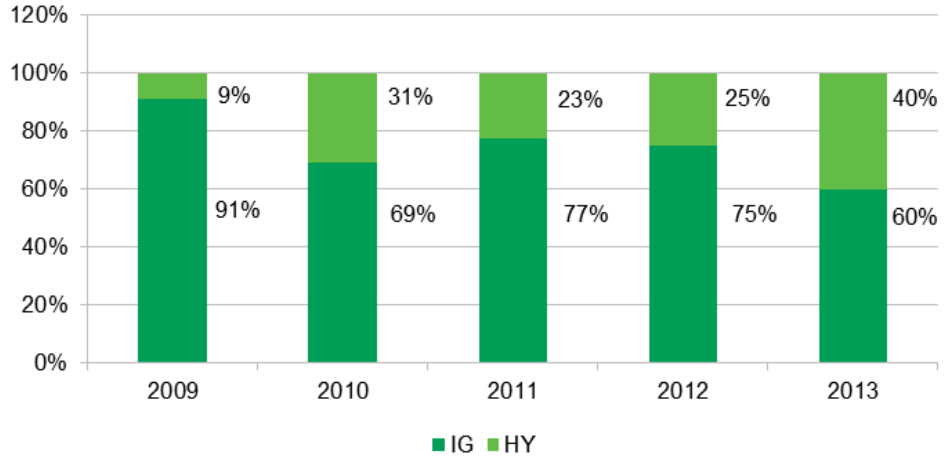
(1) Including equity-linked bonds . Source: Bloomberg; Analysis: BESI Capital Markets.

New issuers are predominantly midcaps, with lower ratings and issuing smaller amounts

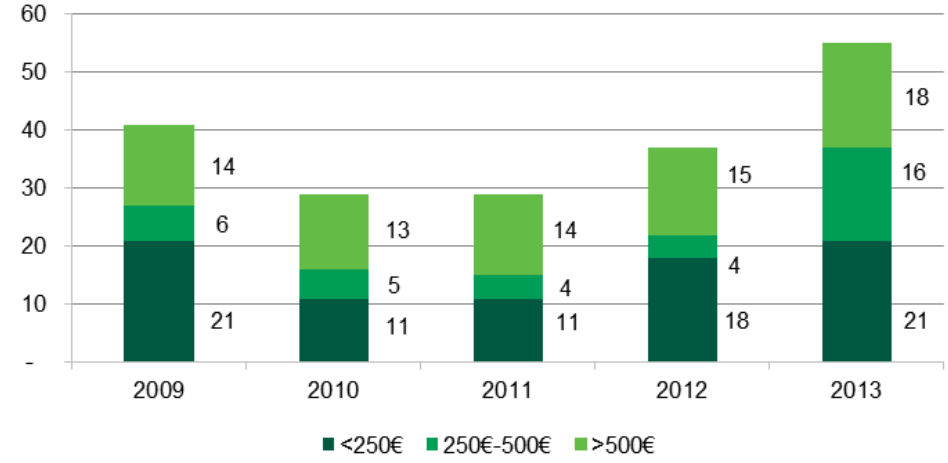
Spain: Issue size breakdown by volume



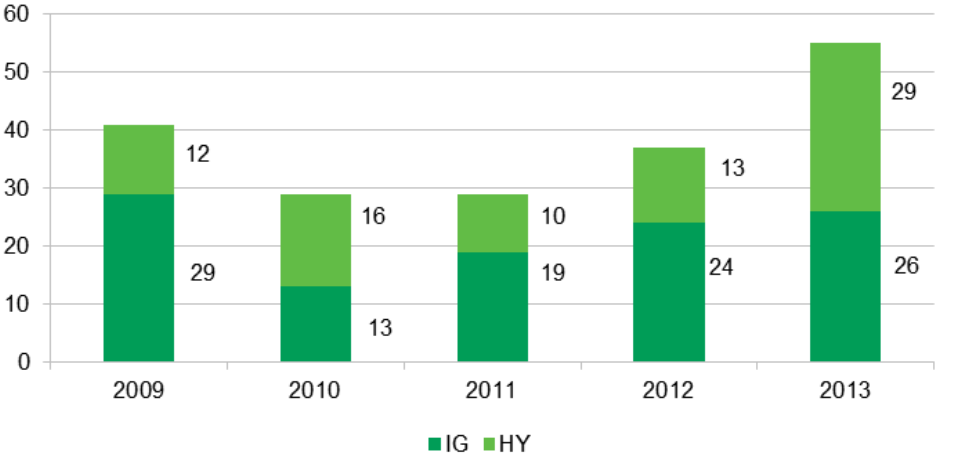
Spain: Issue rating breakdown by volume



Spain: Issue size breakdown by number



Spain: Issue rating breakdown by number



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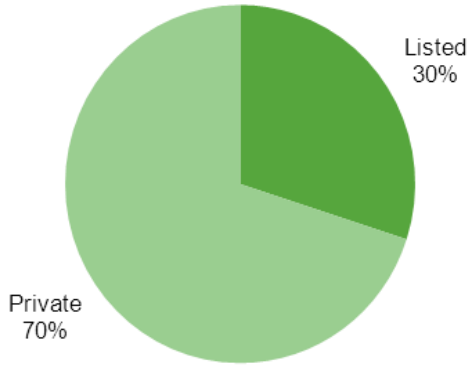
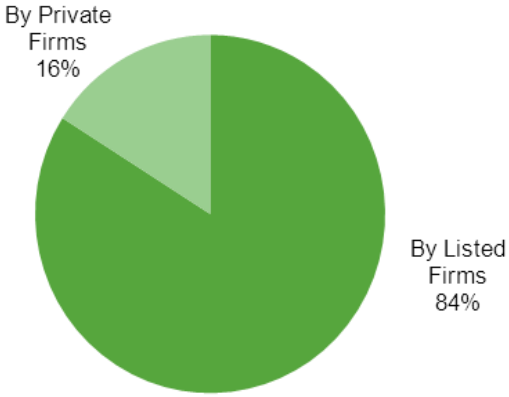
(1) Including equity-linked bonds . Source: Bloomberg; Analysis: BESI Capital Markets.

55% of listed companies have not tapped debt capital markets

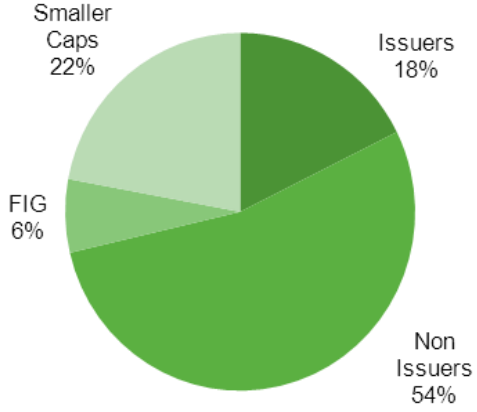
Spain: Issuers



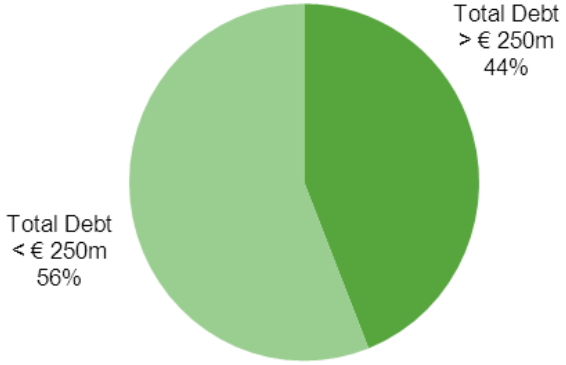
Spain: Volume



Spain: Listed companies



Spain: Issue rating breakdown by number



ESPIRITO SANTO INVESTMENT BANK

(1) Including equity-linked bonds . Source: Bloomberg; Analysis: BESI Capital Markets.

MARF: New Alternative Fixed Income Market in Spain

New MARF

- Part of the MoU signed by European Comission and Spain in 2011 for the Bank rescue fund
- Presented in Oct 2013 by the Minister of Economy, but not yet operative
- Regulated by BME (as MAB)
- Registered Advisor and Liquidity Provider needed
- Only for Institutional Investors
- Companies targeted:
  - Listed companies with debt < €250m
  - Non listed firms with sales > €150m
  - Rated by an ESMA1 authorised Agency
  - EBITDA > €20m
  - Net Debt / EBITDA ratio < 3x
  - Issues > €25m
  - Reportedly >800 SMEs could issue

German Alternative FI Market

- Since 2010
- 5 German stock markets trading these FI securities
- Volume > € 4 billion issued
- Average volume per issue: € 45m
- Average tenor: 5 years
- Average weighted cost of debt: 7,41%
- Minimum rating: B
- Rated issuers: 72%
- Issuers' turnover: € 20-1,000m

marf mercado alternativo de renta fija

GROUP BME SPANISH EXCHANGES

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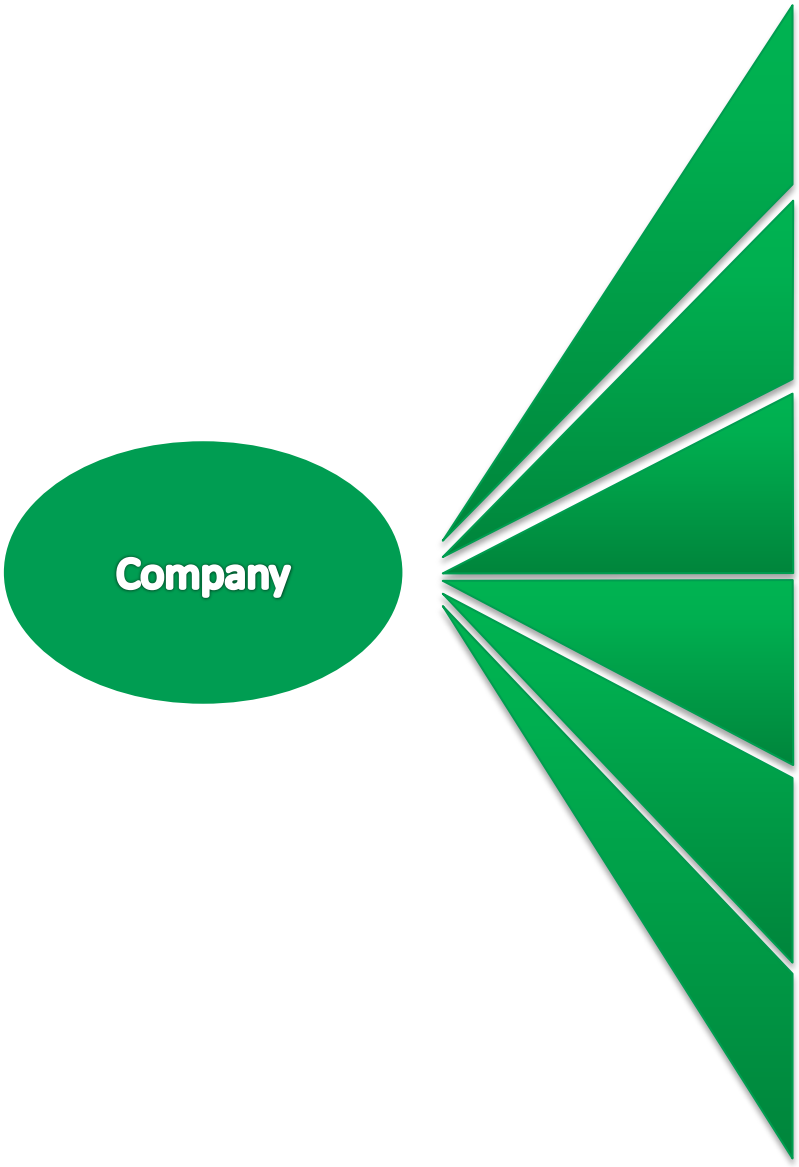
(1) ESMA: European Securities and Markets Authority. Source: Bloomberg; Analysis: BESI Capital Markets.

How can a MARF bond issue help companies



Bank financing alternative	Market support to company's track record	Way out for current debt financing sources
Long term financing	Access to a truly European institutional investor base	Flexible financing terms

Benefits of issuing a bond for a company:

- Represents a diversification of funding sources
- Allows longer funding terms
- Wide range of issues types (secured or unsecured bonds, senior or subordinated debt, convertible, redeemable, notes, etc..)
- Allows subsequent short-term financing issues
- Allows refinancing via new issues before maturity
- Initial process expensive, but then repetitive and easy
- Allows taking advantage of attractive financing conditions and windows of opportunity in the markets (like the present)
- Allows quick and easy access to finance organic growth or through acquisitions

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Source: MARF and Espírito Santo Investment Bank

Traditional domestic investment funds may not play a central role in the MARF

Rating, issue size, and liquidity may decrease interest for MARF bonds issues among traditional investors

#	FUND MANAGER	No. Funds	AuM (€ Th)	%
1	SANTANDER ASSET MGT.	237	21.130.596	16,19
2	BBVA ASSET MANAGEMENT	195	19.770.650	15,15
3	INVERCAIXA GESTION	138	15.502.001	11,88
4	BANKIA FONDOS	142	6.303.192	4,83
5	POPULAR GESTION	74	5.843.410	4,48
6	AHORRO CORP. GESTION	163	4.918.880	3,77
7	IBERCAJA GESTION	92	4.507.529	3,45
8	BANSABADELL INVERSION	81	4.430.063	3,40
9	BANKINTER Gº ACTIVOS	95	3.680.136	2,82
10	BESTINVER GESTION	9	3.302.365	2,53
11	BARCLAYS WEALTH MANAG.	36	2.936.670	2,25
12	BBK GESTION	44	2.573.616	1,97
13	MUTUACTIVOS	25	2.443.484	1,87
14	CATALUNYACAIXA INVERSIO	39	2.355.031	1,81
15	CAJA ESPAÑA FONDOS	69	2.188.052	1,68
16	BCA.CIVICA G.ACTIVOS	30	2.054.061	1,57
17	GESCOOPERATIVO	59	1.754.861	1,35
18	UNIGEST	39	1.754.198	1,34
19	MAPFRE INVERSION DOS	27	1.730.970	1,33
20	ESPIRITO SANTO GESTION	48	1.508.439	1,16
21	KUTXAGEST	33	1.307.911	1,00
22	DWS INVESTMENTS	30	1.235.649	0,95
23	CAJA LABORAL GESTION	28	1.070.082	0,82
24	LIBERBANK GESTION	25	846.196	0,65
25	U.B.S. GESTION	24	840.097	0,64
26	VITALGESTION	23	833.186	0,64
27	AMUNDI IBERIA	15	734.927	0,56
28	RENTA 4 GESTORA	38	730.079	0,56
29	GIIC FINECO	25	713.99	0,55
30	AVIVA GESTION	11	698.496	0,54
31	MARCH GESTION FONDOS	26	698.29	0,54
32	GESNORTE	4	562.524	0,43
33	BNP PARIBAS ASS. MANG.	19	474.095	0,36
34	GESTIMED	22	441.233	0,34
35	ABANTE ASESORES Gº	19	423.16	0,32
36	FONDITEL	7	417.543	0,32
37	CREDIT SUISSE GESTION	19	416.069	0,32
38	POPULAR GEST. PRIVADA	18	395.953	0,30
39	GVC GAESCO GESTION	36	353.09	0,27
40	CAIXA PENEDES GESTIO	31	333.112	0,26
41	BANKPYME	16	321.182	0,25
42	GESCONSULT	7	316.103	0,24
43	INVERSEGUROS GESTION	10	297.306	0,23
44	CREDIT AGRIC.MERCAG.	18	295.601	0,23
45	CARTESIO INVERSIONES	2	287.136	0,22
46	GESPROFIT	3	261.784	0,20
47	CAJA INGENIEROS GESTION	19	249.742	0,19
48	SEGUROS BILBAO FONDOS	7	244.621	0,19
49	GESIURIS	13	229.326	0,18
50	NORDKAPP GESTION	28	205.232	0,16
51	GES FIBANC	21	192.69	0,15
52	MERCHBANC	8	184.491	0,14
53	ICR INSTITUTION.INV.MNGT.	3	168.836	0,13
54	UNNIM GESFONS	10	164.468	0,13
55	GESTIFONSA	10	154.861	0,12
56	CREDIGES	10	152.012	0,12
57	PRIVAT BANK PATRIM.	8	142.319	0,11
58	EDM GESTION	6	141.322	0,11
59	INTERMONEY GESTION	6	130.008	0,10
60	ATLAS CAPITAL GESTION	9	122.35	0,09
61	CONSULNOR GESTION	7	116.486	0,09
62	ASESORES Y GESTORES	7	112.09	0,09
63	GESALCALA	5	110.794	0,09
64	INVERSIS GESTION	11	106.442	0,08
65	LLOYDS INVEST. ESPAÑA	4	103.867	0,08
66	WELZIA MANAGEMENT	9	102.836	0,08
67	MIRABAUD GESTION	7	101.727	0,08
68	ALLIANZ GESTION	7	97.991	0,08
69	B. MADRID Gº ACTIVOS	11	93.8	0,07
70	BPA GLOBAL FUNDS A.M.	8	91.956	0,07
71	CANTABRIA FONDOS	6	80.769	0,06
72	RIVA Y GARCIA GESTION	9	80.616	0,06
73	CYGNUS ASSET MNGMNT.	2	73.409	0,06
74	OMEGA GEST.DE INVERS.	3	68.441	0,05
75	DUX INVERSORES	6	60.415	0,05
76	ALTAN CAPITAL	2	53.295	0,04
77	GESBUSA	3	53.04	0,04
78	BRIGHTGATE CAPITAL	1	49.377	0,04
79	AMISTRA SGIIC	2	47.593	0,04
80	J.P.MORGAN GESTION	1	47.513	0,04
81	SIITNEDIF	1	46.687	0,04
82	METAGESTION	3	38.558	0,03
83	TRESSIS GESTION	5	37.482	0,03
84	ALPHA PLUS GESTORA	7	29.786	0,02
85	ALTEX PARTNERS GESTION	3	27.033	0,02
86	ARQUIGEST	2	25.387	0,02
87	BELGRAVIA CAPITAL XXI	1	22.673	0,02
88	OPTIMAL ALTERNAT.INVESTM.	4	21.124	0,02
89	ACACIA INVERSION	4	19.173	0,02
90	EUROAGENTES GESTION	5	17.859	0,01
91	PSN GESTION	3	17.043	0,01
92	GESINTER	4	14.758	0,01
93	AM TREA CAPITAL	4	11.729	0,01
94	EGERIA ACTIVOS	1	10.399	0,01
95	BBVA PATRIMONIOS GEST.	2	10.262	0,01
96	NMAS1 ASSET MANAGEMENT	2	9.351	0,01
97	MDEF GESTEFIN	1	4.668	0,00
98	VALIRA CAPITAL ASS.MNGT.	1	4.303	0,00

Source: Inverco

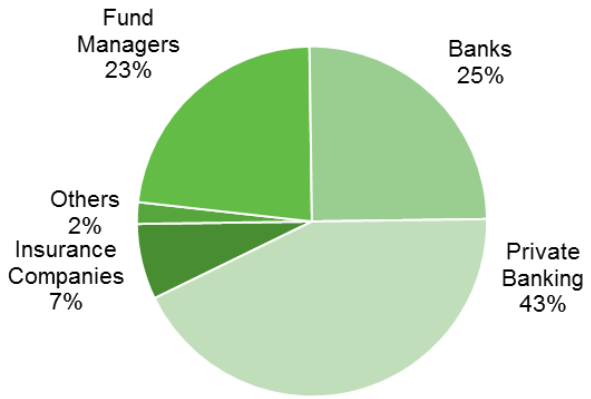
Significantly increased appetite for peripheral risk

Selected investors taking positions in the latest issues by Iberian issuers led by Espírito Santo IB

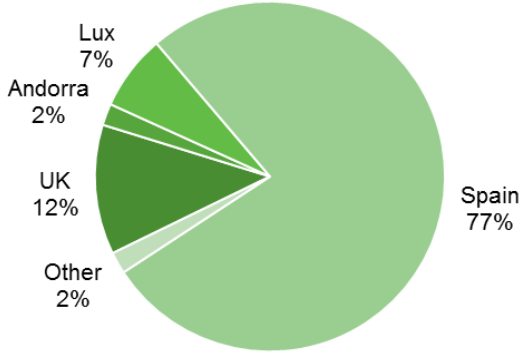
Source: Espírito Santo Investment Bank

Investor type and final demand for MARF issues still a question mark

Copasa placement: distribution by investor type



Copasa placement: distribution by geography



Investors that have shown interest in MARF issues

- Investment Funds
- Pension Funds
- Insurance companies
- Private Banking
- Banks & Fin. Insts.
- Debt Funds
- Hedge Funds
- Family Offices

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Source: Espírito Santo Investment Bank and Bankia for Copasa placement data.

Rating agencies universe

International Credit Rating Agencies

STANDARD &POOR'S

DBRS

FitchRatings

MOODY'S

Other ESMA Registered Credit Rating Agencies

CRIF

INFORMA

Feri

axesor

conocer para decidir

EULER HERMES

SCOPE

ASSEKURATA

TRANSPARENZ. ORIENTIERUNG. SICHERHEIT.

A.M. BEST

ARC Ratings, S.A.*

Source: The companies and ESMA (European Securities Markets Authority)

Disclaimer

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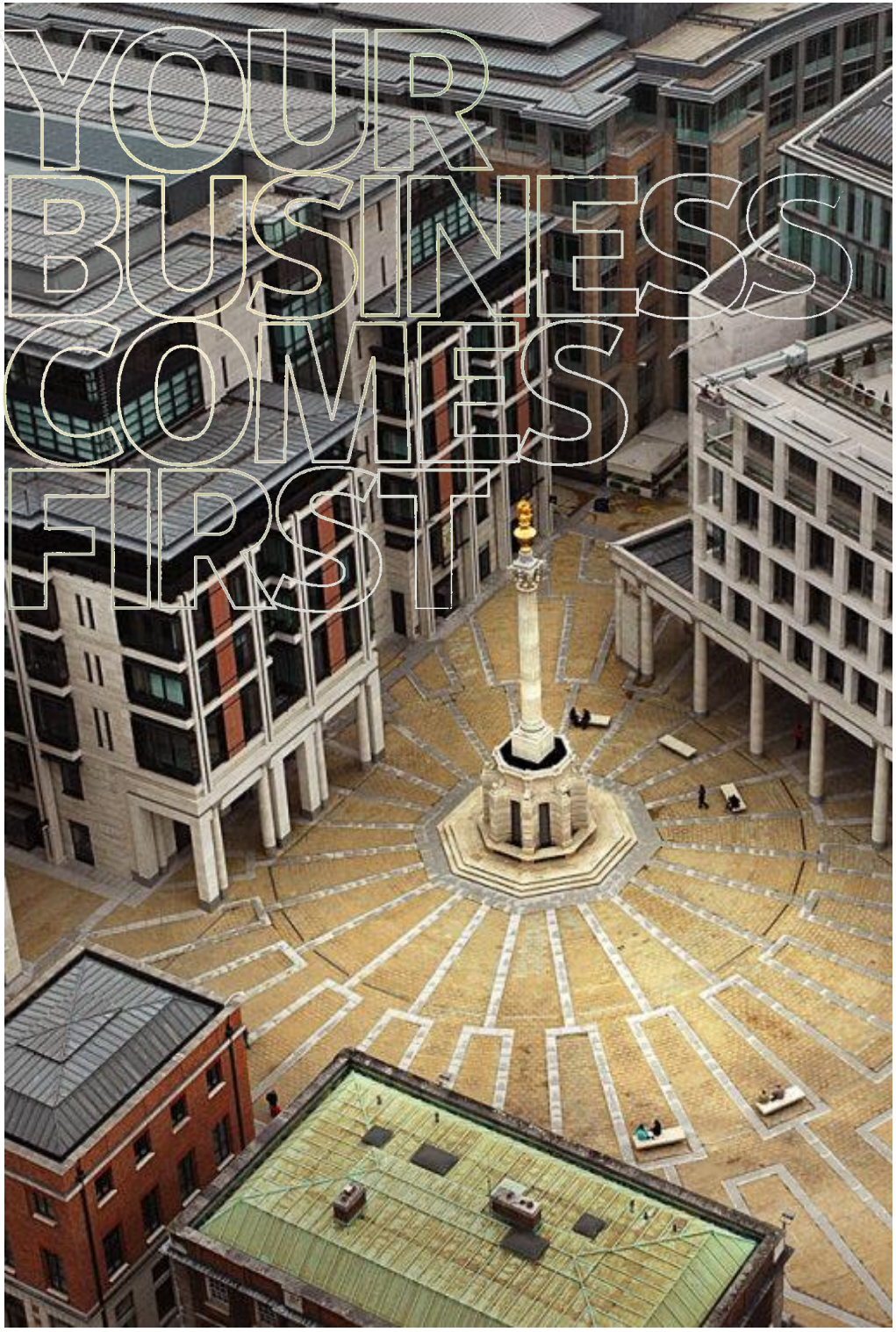
- He is MBA Cum Laude by IE Business School (Madrid), CEFA/CIIA Foundation certified by EFFAS and has a certification in Fixed Income by IEB (Madrid). He holds a degree in Economics and Business Administration by Universidad Complutense de Madrid and the University of Westminster (London), as well as a degree in Humanities (Hons) by UOC (Barcelona).



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