

# Spain

## Europe's economic success story takes center stage

Spain's economic successes have been overlooked in the past, but the country is fast becoming western Europe's rising star. As it emerges from the shadows of the worst of the Covid-19 pandemic, the country is poised to accelerate a recent upwards trajectory, supported by one of the most ambitious and well-financed reform and recovery agendas in the entire European Union (EU), and big plans for green and digital development.

Like so many others in Europe and around the globe, Spain was dramatically impacted by the Covid-19 pandemic. World Bank data shows that GDP contracted by nearly 11% last year as one of the country's most important industries, tourism, ground to a halt. Services comprise roughly two-thirds of Spain's GDP, and waves of successive lockdowns sent the country into a spiral. But its recovery has been remarkable, outperforming the expectations of even the most optimistic analysts.

According to the Ministry of Economy, GDP growth is forecast to rebound by an astounding 17.5 percentage points this year to hit 6.5%, and climb even higher in 2022, reaching 7% - one of the highest rates in Europe. The country had regained nine of out 10 jobs lost due to the pandemic as of July 2021, and the European Commission reports that business and household sentiment was approaching an all-time high in the same month. Early recovery indicators point to a smashing success, and Prime Minister Pedro Sánchez knows exactly why.

"Spain is a highly internationalized economy. We strongly believe that an open economy is a more competitive and resilient country. During the 2008 international financial crisis, the Spanish external economic sector was a key factor to overturning the general slump, and we have seen that it is playing a fundamental role in this recovery too," he explained.

"To give an idea of that economic openness that Spain enjoys, I would like to share some data with you. In Spain, the ratio between goods and services exports to GDP is over 30%, above peer countries such as France or Italy. This trend is visible in the foreign investment arena too: Spain is the eleventh largest recipient of foreign investment in the world with an investment stock of over \$850 billion."

Even before the pandemic, Spain's GDP growth was outpacing the rest of the EU, averaging 2.6% annually between 2014 and 2019, against the EU average of 2%. The country's powerhouse tourism sector, which generated €155 billion of revenues in 2019, explains some of this growth, but expansion has also been underpinned by steady gains in education, real estate, ICT, and most especially manufacturing and exports. According to the United Nations Conference on Trade and Development, annual merchandise exports surged by nearly 60% between 2005 and 2020 to end last year at \$307 billion.

Leading exporters point out that this is not a new phenomenon; the country has shown considerable dedication to fostering manufacturing and export growth since the 1980s.

"When Spain joined the EU in 1986, people were skeptical that it could meet the challenge, but when we put our minds to it, we delivered. The way Spain has caught up with the rest of Europe in so many aspects has been impressive. In terms of creativity and the ability to take opportunities and make it work, I believe we're really good at that," asserted Marc Puig, chairman and CEO of Puig, one of Europe's top beauty and fashion conglomerates.

Spain's manufacturing development path has been markedly different from peers like Germany, whose industrial model hinges on automotive manufacturing. The country has played to its strengths and capitalized on its natural resources; as one of Europe's top agricultural producers, its food processing and manufacturing segments have become European leaders. Annual growth in these segments exceeded 6% over the past decade, according to Flanders Investment & Trade, and industry leaders expect it will continue on the same trajectory in the coming years.

"Spain produces a lot of juice because of its Mediterranean-weather crops, such as oranges, clementine, pomegranates. Our industry has been extremely important during Covid: consumers need to feed and nourish themselves and their families. While shopping habits changed from 'out-of-home' or 'on-the-go' to traditional grocery retailers and on-line, total consumption has actually increased," said Antonio Muñoz Beraza, CEO of AMC Natural Drinks, a leading natural juice producer based in Murcia.

The country's competitive advantages extend well beyond manufacturing, however. Culture, education, digital industries and recreation have also been important growth drivers, and the Spanish way of life offers something truly unique, as Jesús Huerta Almenro, president and CEO of Sociedad Estatal Loterías y Apuestas del Estado, revealed:

"There are also a lot of opportunities for investment in Spain, because we are a country where you can come, and we will open the door for you. The lottery is a symbol of opportunities of Spain, because we have a very good balance between traditions and progress."

He's not alone in stating this: businesses increasingly view Spain as not only the ideal crossroads between North American and Europe, but as a choice destination for investment in innovation, according to Miguel Arrufat, CEO of the country's leading digital higher education institution, Proeduca:

"The pandemic has hit hardest those countries which considerably rely on tourism and services, like our own country. Nonetheless, Spain is outstandingly positioned within Europe and will grow as Europe grows. It was reported that Vodafone has chosen Malaga to set up a super R&D&I center in which 600 highly-qualified employees will develop state-of-the-art



technological solutions and digital services. These are companies which decide to settle in Spain to operate in Europe."

Digital innovation is high on the agenda given the government's recovery plans, and Spain is set to reap huge rewards from the Next Generation EU recovery fund - €140 billion has been earmarked for the country, making it one of the biggest beneficiaries in the entire EU. The plan focusses initially on a quick recovery from Covid-19 between 2021 and 2023, but it also includes 110 planned investment projects and 102 economic reforms. Green and digital initiatives are prioritized, and will account for 40% and 29% of total investments, respectively.

This spending will dovetail an anticipated surge in new private sector capex and foreign direct investment (FDI), building on years of steady success: According to the latest data available from the Foreign Investment Registry of the Ministry of Industry, Trade and Tourism, more than 16,000 foreign companies operate in Spain, with an investment stock equivalent to more than €500 billion, and employing more than 1.7 million people. This investment not only finances the economy, but brings diversification, knowledge and increased technological development to the national business fabric, particularly

in sectors with greater value added, according to Sánchez. A robust talent base further strengthens the case for investment in although the country's world-leading infrastructure and communication networks are also a major plus, he said:

"Our labor force is highly skilled and, at the same time, we have top-notch infrastructure in transport and ICT, with the second-largest high-speed railway network worldwide, and first in Europe, as well as cutting edge logistic platforms. Furthermore, Spain ranks number one in Europe in network fiber optic cable, and the government, in the framework of the recovery plan, will continue to invest heavily in 5G technology."

The country's green and digital future will be driven by new solar, wind, and electric vehicle projects as envisioned by its national recovery fund spending plan, and renewable energy holds enormous potential for foreign investors.

Like the rest of the EU, Spain has committed itself to carbon neutrality by 2050, but it is particularly well-positioned to meet this target given its abundant solar energy; according to the European Commission, the technical potential for residential solar voltaic energy in Spain is 13,620 megawatts, and the country added 4639 MW of new renewable energy capacity in 2020 alone, of which

3256 MW was for photovoltaic installations.

But as Andrés Sendagorta, CEO of leading domestic engineering and construction conglomerate Sener Group argued, energy is just one of many industries set for a major transformation, both in Spain and abroad:

"Energy is going to change. Transportation is going to change. Covid has sped up things. Infrastructure is going to change. Aerospace is going to change. Space is going to change. Space engineering was designed to perform. Now design-to-cost is more important. When things are going to happen in certain fields, there will be big opportunities."

And with the first tranche of recovery fund spending already disbursed by the European Commission, the time to act is now, according to Sánchez:

"Overall, I think Spain has an enormous potential to keep attracting investment and human capital over the next years. Our country is a great platform for doing business, not only in Europe but in other important markets, too. We have a privileged position with North Africa and the Middle East, and we serve as a great hub between Europe and America ... I want to make clear that we are committed to working shoulder-to-shoulder with foreign investors to foster Spain's economic transformation, employment and inclusive growth," he concluded.



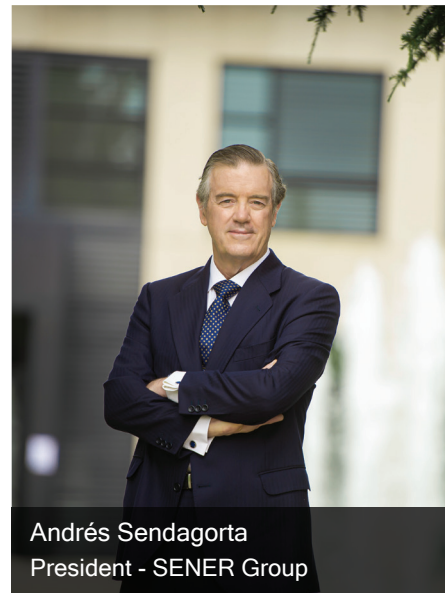
## SENER Group - Advanced know-how supports global expansion

The global construction industry took a major hit in 2020, but vaccination campaigns are paying off and the world is re-opening. Eighteen months of pent-up demand is set to explode, and construction contractors stand to benefit - the industry will expand by 5% globally in 2021, and nearly 4% in Europe. Spain's SENER Group is already a major international player; now it is shifting into growth mode.

Founded in 1956 as a marine technical office, SENER Group has risen to become a globally-competitive engineering and construction firm with an extremely diverse international portfolio. It offers advanced engineering know-how in aerospace, energy, infrastructure, and marine.

According to Andrés Sendagorta, group president, the agility and adaptability derived from a team of 2500 savvy engineers with transferable skills is a core strength for the group: "One advantage we have is that we are organized to allow for our technology to move very easily and quickly from one place to another. If you have a section of engineers that work on piping, we source the very best talent in that area. These professionals design piping that can be used on a space platform, on a carrier, or in a refinery. The solution they found to fix a certain problem on a space platform can be applied elsewhere."

SENER has successfully delivered advanced projects across a range of sectors, particularly



Andrés Sendagorta  
President - SENER Group

aerospace and defense, where it has supplied more than 275 pieces of equipment and systems to satellites and space vehicles for NASA, ESA, Airbus Space & Defense, and Thales, among many others. The group is also part of a Spanish joint venture that is developing the European

Future Combat Air System, a multi-billion dollar next-generation fighter jet that will play a pivotal role in European defense and strategic autonomy.

Beyond aerospace and defense, the group's long track record of EPC and design work extends to many high-profile energy, transportation and infrastructure projects including the Kincardine floating offshore wind farm, the Solar Complex NOORo in Ouarzazate, Morocco - the largest solar facility on the planet - the Abu Dhabi light rail transit system, and the design and expansion of the Tenerife North Airport.

The company has weathered the Covid-19 pandemic well - revenues declined only moderately and its risks are spread over a vast international portfolio - 88% of its income was earned abroad in 2020. As the global construction market rebounds and European recovery fund money starts flowing, SENER is set for a big growth year in 2021. "We are long distance runners. We were very conservative in 2020 and we used Covid as an opportunity to make provisions. Now we're definitely in a growth mood. We need to grow internally, but also via acquisitions which we are ready to make. We have some great ideas in mind and the money ready to do it," concluded Sendagorta.



## Gransolar Group - Spain's solar leader scales up

Spain's post-Covid recovery is kicking off now, and renewable energy will be playing a major role. Spain ranks among Europe's top three solar markets, with more than 2.6 gigawatts (GW) of new capacity added in 2020 alone, and deep domestic expertise has also allowed it to become a major player in global photovoltaic (PV) manufacturing and engineering. Leading Spanish solar group Gransolar saw the first renewables boom coming 15 years ago; now it's gearing up for the next.

Gransolar Group was established in 2005 by a group of construction experts who benefitted from keen foresight. They invested in solar early, and the group rose quickly to become one of the world's leading engineering, procurement and construction (EPC) players in the field. The group has since delivered some of the world's best and biggest solar PV power projects in countries such as United Arab Emirates, Australia, South Africa, USA, Brazil, Mexico, Portugal and Italy.

According to Domingo Vegas, group president, a sharp focus on high-quality construction has kept Gransolar's clients coming back for more: "We're competitive but for us it's very important to do a good job and to leave our clients satisfied and can actually say most of the clients that work for us wind up being repeat customers."

Gransolar boasts impressive vertical integration. The group is active in all segments of the solar value chain, from designing, building and developing solar PV plants through its



Domingo Vegas  
President - Gransolar Group

EPC subsidiary GRS and its engineering arm Ingenia Solar Energy (ISE), to manufacturing and installing products for PV plants, most notably specialized steel structures and trackers, the elements that support solar modules and orient them into the sun.

This is one more area where Gransolar excels - its investment in solar tracker manufacturing via

its subsidiary PV Hardware (PVH), the world's third largest tracker manufacturer, which now accounts for just under 50% of the group's income and led to a noticeable worldwide improvement in the quality of this critical equipment.

Gransolar is also moving into solar energy storage, an area where the company's management foresees extensive growth in the future, through its subsidiary Energy Storage Solutions (E22), which designs and integrates its own VRFB batteries.

The combination of EPC and manufacturing strengths has enabled rapid international expansion, with foreign clients now accounting for 88% of group revenues, and this growth is set to continue as the global push for green energy accelerates. Vegas expects 2021 and 2022 will be record-setting years for Gransolar; €600 million of turnover is forecast this year alone.

"We are in a good market. Six years ago, everybody saw renewable energy as attractive, but it was not competitive, it required subsidies. Today PV energy is the cheapest. The only energy that can compete with us is wind, and only in certain locations. But in the world, there is more sun than wind, and solar energy is still more competitive," he concluded.



## Pryconsa - Spain's vertically integrated property leader

More than a year of lockdowns, travel restrictions and health crises are coming to an end in Spain, with one sector of the economy - real estate - set to play a significant role in supporting future growth. The government's College of Registrars reports that Spanish real estate has not only recovered, it is booming, with house sales rising by 92% y-o-y in April 2021, and surpassing pre-pandemic levels. One of the nation's leading real estate developer, Pryconsa, saw it coming.

Founded July 1965, Pryconsa is one of the most experienced, diversified, and successful real estate developers in the country. Active in all segments of the real estate market, particularly residential housing, the company had by 2021 completed more than 70,000 homes in its whole trajectory in Spain. CEO Marco Colomer Barrigón explained that this is owing in large part to the group's highly integrated vertical operations:

"We have our own land selection team that prepares land. We have our own construction company, which is rare for a development company. We build for ourselves. Sometimes, we build for others. We have our own sales team. We have our own guarantee team which provides guarantees for 10 years after we deliver the keys to the apartments and houses."

Pryconsa's business model is not the only area where it has distinguished itself. The company was unfazed by the pandemic despite the doom and gloom headlines, recognizing early that demand for



new types of accommodation - including spacious, ground floor units with terraces, gardens, and large windows - would surge. It maintained operations throughout a challenging year, delivering nearly 600 new units during the worst of the lockdown.

The Spanish government's financial support packages for banks have helped keep mortgage growth strong - indeed, the total number of mortgages taken out on new homes surged by 31.5% in Spain in the year to April 2021 - and Pryconsa is now looking to build on its recent successes with new partnerships aimed at expanding further into high-potential segments.

Having successfully delivered a gorgeous residential resort on Isla Canela, near the Portuguese border, the company is hoping to build further on its successes in this segment.

"We know the market very well. We have all the services inside on offer. We are client-focused and always aim to offer the perfect price, so that people can afford our properties. The residential touristic market is a particularly good partnership possibility," Colomer concluded.



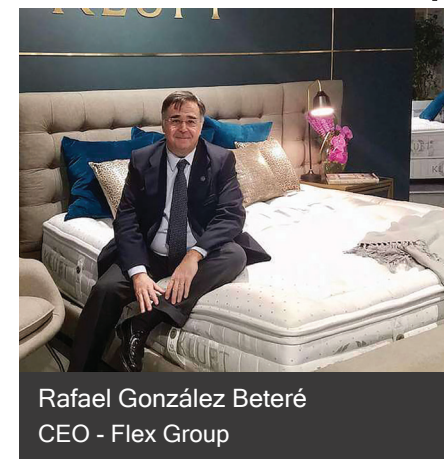
## Flex Group - The world's best premium mattresses

Spain's manufacturing and retail segments are forecast to record sharp improvements this year, underpinned by the country's easy access to European and American consumer markets. Its mattress market is already rising fast: mattress sales are forecast to surpass \$1.3bn this year, and grow by an average of 4.1% annually until 2025, supported by strong international demand for premium exports. Flex Group is already capitalizing on new opportunities.

For more than a century, Flex Group has built its reputation as the go-to brand for top-quality mattresses, box springs, bedroom accessories, building multiple domestic and international business lines from its headquarters in Madrid. CEO Rafael González Beteré explained that while the group benefits from its deep history and long track record of success, recent events have also helped it adapt to the modern realities of global retailing:

"Covid-19 has completely changed the landscape. Few retailers had been prepared to support customers' demand for products online prior to the pandemic, but we have shifted our strategy and moved from bricks-and-mortar to a more diversified approach. At the end of the day, it's going to be a hybrid situation."

For Flex, that means maintaining existing



Rafael González Beteré  
CEO - Flex Group

relationships with traditional retailers, while expanding to new online platforms such as Amazon. The group already manufactures affordable and mid-tier mattresses in Spain and LATAM, and maintains a world-leading position in premium mattress sales under four top brands: Vispring, Klüft, Aireloom, and Marshall. Its North American operations are supported by a robust retail chain in the US, and it is also active in Canada, Portugal, the UK, Brazil and Chile.

In 2020, the company sold more than

800,000 mattresses, and it is set for another banner year, having acquired in February this year an online platform in Chile to expand its online distribution network. It followed up on this success in June 2021, when it bought 100% of the shares in Spanish startup Marmota. A digital pioneer founded in 2016 by Atresmedia Hub Factory, a joint venture between the Atresmedia group, Antai Venture Builder, and Catalan entrepreneur furniture visionary Toni Estellé, Marmot will underpin Flex's effort to expand its domestic digital footprint.

Flex is also open to new partnerships as it seeks to expand its empire, and as González highlighted, it has much to offer.

"We have a solid financial structure, and as a family-owned company we have been financially wise, which has allowed us to build up the resources for new investments. We are searching for opportunities in Europe and in LATAM of course, but we are also searching for opportunities in the online business."

