

Bi-monthly report #6: Invest in Alicante

Global expansion and Alicante's situation

Introduction

Alicante is an attractive city, with a strong tourist image, but it does not stop there. It has unique characteristics that give it the ability to create a heterogeneous business fabric, with a presence in virtually all sectors of activity, and increasingly present in the sectors of the future thanks to the ongoing public-private efforts to transform the economic model of the province in a digital and innovative key. This report suggests the following measures to cultivate an ecosystem conducive to growth and investment attraction:

- **Promotion of Business Strategies:** important strategies continue to be promoted that are enabling the development of new business poles or industrial nodes that will allow Alicante's business fabric to grow.
- **Strengthening the Academic Role:** it is essential to reinforce the role of universities and the different training centers within this type of strategies. They are proving to be fundamental as incubators of projects focused on sectors of the future and high employability.
- **Challenges Pending:** despite the improvement in the growth of the average size and in the business confidence index of companies in Alicante, it is still insufficient and comparatively we are lagging behind, and this, together with our specialization in sectors that are not very productive, can be a serious handicap.

This, the sixth of the bimonthly reports focuses on the composition and situation of its business fabric, seen through the presence of large companies and multinationals that operate or have a presence in the economic activity of the province, examining their level of turnover or their main sectors of activity. In addition, new strategies developed throughout this year 2023 are analyzed in order to capture the attention of this type of companies and to develop the Alicante ecosystem itself. This type of initiatives are key, as they involve all sectors and economic agents of the region, so it is very necessary to establish roadmaps with clearly defined objectives to achieve the goal of turning Alicante into a powerful attractor focus.

This report focuses on analyzing the structure of the multinational ecosystem in Spain, evaluating the adaptation of the Alicante structure to receive and enhance the expansion of these companies. In addition, it takes an optimistic look at the main strategic actions at local, provincial and regional level aimed at maintaining and attracting multinationals. A positive analysis is also made of the large groups operating in Alicante.

What are the big groups performing in Spain like?

In the current global context, characterized by globalization and hyperconnection, the relevance of multinational companies is fundamental. Their investments, responses to significant socioeconomic shocks and, in general terms, their development, are elements of great importance for both the region and the country they host. It is no coincidence that these companies concentrate the main stock exchanges and employment centers in the cities where they operate, representing a considerable part of the national Gross Domestic Product (GDP). In some cases, they even exceed the GDP of several countries in the world. It is worth noting that at present, it is estimated that more than 70% of world trade and all international transactions take place through multinationals.

To assess whether Alicante can be seriously considered as a candidate to host and bring together this type of companies, we must first know the characteristics, composition and field of action of such groups, as well as locate them on the map to distinguish what are the characteristics of the destinations chosen to be located. For this purpose, we are going to focus on the analysis of various indicators where the large companies operating in Alicante are located, whether they have decided to locate their main headquarters in our region or not.

The most relevant points detected in indicators such as the IBEX35, turnover data of the main companies in Spain or of the subsidiaries of foreign companies are presented below:

- The **main sectors of activity** of **IBEX 35** companies are: **Construction (4); Electricity and Gas (5); Banks and Savings Banks (6)**.
- The **remaining sectors** are very varied and mix traditionally low-productivity sectors with highly innovative sectors: **Petroleum (1); SOCIMI (1); Tourism (1); Textile (1); Insurance (1); Engineering (1); Pharmaceuticals and biotechnology (2); Telecommunications (2); Electronics and Software (2); Minerals, metals and transformation (2); and Transportation and Distribution (3)**.
- The **vast majority** of them are **located in Madrid** (24 of the IBEX 35 total), while the Valencian Community only manages to be attractive for 2 companies and a single sector of activity (banking) with CaixaBank in Valencia and the **Banco Sabadell** group **in Alicante**.
- In the **top 15 companies with the highest turnover in the country**, the **Oil and Energy sector stands out** above all, but the **Commerce sector** also has a strong presence in the ranking and Mercadona currently leads the ranking.

- By **market capitalization**, Foreign Securities (407,207 million euros) stand out, followed by Oil & Energy (163,802), Financial Services (156,444), Consumer Goods (100,374), Basic Materials & Construction (69,962), Technology & Telecommunications (67,469), Consumer Services (37,215) and Real Estate Services (26,526).
- 43.3% of foreign subsidiaries in Spain are micro-enterprises, while medium-sized ones represent 18.82% and small ones 28.82% of the total. Thus, the **foreign SME network is over 90%**.
- By sector of activity of **foreign subsidiaries**, the **Services** sector stands out (45%), followed by **Commerce** (35%) and **Industry** (20%).
- Among the subsidiaries that are **large companies**, 40% operate in **Services**, 37% in **Industry** and the remaining 23% in **Trade**.
- By regions of these subsidiaries, the **European Union** stands out as the main region of the parent company, followed by the **United States**.

The characteristics of Alicante's business network and large groups operating in the region

The genetics of Alicante's business network is characterized by its high dynamism, by its capacity to create and develop companies, and by a heterogeneity often overshadowed by its eminent tourist image. The province of **Alicante is a region of high specialization in various sectors** (textiles, construction, tourism, various manufacturing, food, footwear...) **that are beginning to update and hybridize with the new sectors of disruptive technologies** (biotechnology, biomedicine, chatbots...).

It is very important to create an ecosystem capable of accommodating the new sectors of high productivity and technological intensity, since they are the ones that are setting the course of international markets, they are the most attractive to investors and basically we are 'condemned' to understand each other because their presence is increasingly clear. However, the city and region of **Alicante would fall into a major mistake if it decided to abandon its most important records, its hallmarks and what gives it those special characteristics**. It is necessary to provide digital tools, scalable solutions and sustainable growth plans to entrepreneurs, education offers and workers in order to continue growing.

Currently, and as discussed below in the highlights of Alicante's business network, **companies in Alicante are SMEs**, characterized by a **lack of financing, low scalability in their business models** and a **low-skilled workforce**. Likewise, the **specialization** and the sector **of activity** of the companies operating in Alicante continue to be **those that are not very productive** or are doomed to have to reinvent themselves. It is necessary to take steps

little by little, and although Alicante is still very much marked by its "traditions", it is taking them.

The following is the main information on the main characteristics of the business ecosystem in Alicante, the companies operating in it, their sectors of activity, size and expectations:

- Currently, the **economy of the province is in a phase of recovery and growth that is ideal** for increasing the size of Alicante's business fabric.

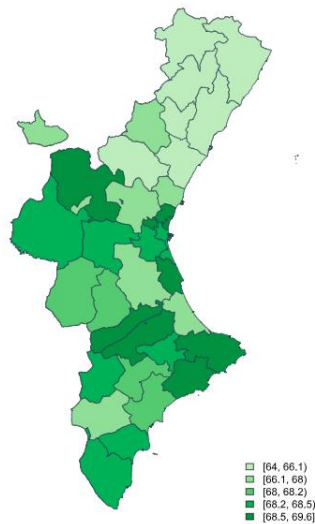


Emphasize not only the fact that the city of Alicante ranks fifth in terms of the number of companies in the Valencian Community, but also highlight the prominent role played by the cities of the province of Alicante as a whole, thus boosting the economic dynamism of the region.

- This is reflected in the **unemployment data**, which continues to improve, and in the **growth of the average size of the company in Alicante**, which has grown for the second consecutive year (8.6 workers on average), although **still far from the national average** (11.4 workers).
- This is also reflected in the **increase in the number of large companies** in Alicante, from 90 companies with more than 250 employees in 2021 to 94 in 2022 (last year available in the INE). The number of companies with between 250 and 999 employees also improved, from 75 to 80.
- Thus, around **55% of the companies in Alicante are companies without employees** and around **45% are SMEs**, with only **0.07% of these being large companies**.
- **Compared to rival cities or cities with similar specialization**, such as Valencia or Malaga, **this type of business structure is similar**, although the **average business size in Alicante is smaller** compared to both.
- **Another indicator of this ideal growth phase** for the business ecosystem that Alicante is experiencing is that of **business expectations**, where the **harmonized business confidence index (ICEA) has grown again**. Despite the fact that the ICEA of the Valencian Community is below the Spanish average, **Alicante has been the province with the highest growth this year in this indicator**, 4.7%.

- Alicante stands out for presenting extremely positive results in the **rate of active renewal** and in the rate of labor aging. This region stands out for **regenerating its labor force** above the regional and national average.

Indicadores del mercado de trabajo a nivel subprovincial
Tasa de ocupación por comarcas. Población de 16 a 64 años
Tercer trimestre de 2023



Compared to the previous quarter, there was a general increase in the employment rate in all the counties of the Valencian Community.

Particularly noteworthy is the significant increase registered in l'Alacantí, where the **employment rate** experienced an outstanding growth of **3.24 points**. These indicators underscore the strength and dynamism of the labor market in the province of Alicante.

- Alicante is the **fourth province in number of active companies**, only surpassed by Madrid, Barcelona and Valencia. However, it is **the province with the highest rate of new company creation**.
- Companies in Alicante are engaged in **Services (87%)**, followed by **Construction (10%)** and **Industry (3%)**.
- As for the **large groups or companies** operating in Alicante, by turnover, the top 10 include the **Retail, Pharmaceutical, Banking, Tourism and Technology** sectors.
- These will account for nearly 3 billion euros of the provincial GDP and more than 10,000 jobs by 2022.
- By location, four companies in this top 10 are located in the city of Alicante (**Sprinter, Euro Pool System, Nexiapharma and Banco Sabadell**).

Actions for provincial development and attraction of large companies

From different public administrations, entities, public and private organizations, different local, regional and provincial strategies are being developed to achieve the different objectives of the **digital development strategy of Alicante**. It is important that the main public-private strategies are aligned and allow to generate an **innovative ecosystem**,

adapted to the needs of the new digital society in which we are advancing. In this sense, different strategies are being carried out focused on the development of **Alicante's international brand** (beyond tourism), on the improvement of its infrastructures and facilities through the creation and development of new industrial poles and in general on enhancing the current virtues of the province to be much more attractive and competitive when it comes to attracting investors.

As we have been seeing in the different monthly briefing notes and the bimonthly thematic reports, these sectors and the **new technologies** that drive them are the most appropriate for increasing the business size of the region, since their **business models are highly scalable**, they present 'easily achievable' economies of scale, they present a much greater knowledge of demand and markets by collecting and exploiting Big Data, they tend to obtain more financing and their workforce is usually **highly qualified personnel**, endowed with digital skills and newly updated.

Alicante has a powerful **business genetics** that has been demonstrated throughout its history, but it is not currently up to date. However, this does not mean that it does not have **great referents at present**, although many of them have developed professionally far from the province. Some of them have ended up returning to our land to promote their projects and to contribute to the Alicante ecosystem, helping to ensure that the next projects or success stories do not necessarily have to come from here. In this sense, actors such as the Alicante City Council and its various agencies, the University of Alicante or the Valencian Community itself are making strong bets to make Alicante a technological benchmark and an attractive business ecosystem for foreign investors but also so that local talent can grow and develop in their own home.

Among the main actions and strategies for the local development of Alicante's business fabric and for the attraction of entrepreneurs, companies, talent and foreign investment are the following:

- The **Digital District** is the main commitment to achieve all these objectives. It continues to achieve its goal of attracting national and international companies: it has more than **100 companies installed in its centers**; it has more than **500 companies and corporations linked to it**; and it provides more than **1,000** highly qualified jobs.
- In this regard, this year saw the inauguration of its **new building in the Port of Alicante**, where more than 20 new companies are expected to take over and provide another estimated 600 jobs.
- It has begun with the objective of **territorial expansion** of the District to **Alcoy**, also in Alicante, in the form of a sub-site.
- The District's main sectors of activity are highly related to new technologies: 20% of the companies are dedicated to **Digital Marketing**; 15% to **software development**;

13% to **Digital Services**; 7% to **Tourism**; 5% to **Digital Transformation**; another 5% to the **e-health sector**; 4% to **ICTs**; 4% to **Gaming** media; another 4% to **e-sports**; and another 4% dedicated to **Sustainability and Renewable Energies**.

- The remaining 19% are associations or collaborations that take advantage of their **digital tools and modern infrastructures**: 45% of them are service companies; 29% are associations; 12% are coworking companies; 8% are institutions; and 6% are municipalities.
- The **University of Alicante** and the **Ellis Foundation** have created a joint R&D unit on **Artificial Intelligence**, coinciding with the new AI Engineering degree at the UA.
- **The second edition of the European Artificial Intelligence Forum was held, with more than 1,200 attendees**, including several experts and leading entrepreneurs from leading sectors.
- The University of Alicante has inaugurated the **Alicante Science Park** building as a business center, where more than 41 companies linked to innovative sectors such as health, ICTs or the new economy are already accumulating.
- Among them, the case of the startup **Calpech**, chosen this year as the best sustainable and scalable company by the MIT Enterprise Forum, stands out.
- The **Port of Alicante** continues to be one of the city's main logistical and industrial hubs. Progress has been made on the New Sports Marina project and the territory occupied by the Digital District has been expanded.
- As a result of the project's progress, the year 2023 is going to close with almost 70% more passengers than in 2022 and with almost 30 more calls. These figures are expected to improve again by 2024 according to forecasts and trends based on the last two years.
- Alicante Futura has promoted 8 new startup projects, working as a launching pad through its Entrepreneurship Incubation program, from its LAB Alicante Futura Emprende. With these, there are now more than 20 companies launched in sectors related to new technologies and artificial intelligence.
- The **ALIA Investment Attraction Office** has launched projects such as the Smart Meeting Club or the Alicante Investment Summit, with the aim of attracting the main local and regional investment funds to Alicante.
- In addition, they have strengthened strategic alliances with the **Mediterranean Business Relations Association (REM)**, ensuring that more than 500 companies act as ambassadors of Alicante to organizations and companies interested in the city.