

ECMI 2018

Annual Conference

Antonio Zoido

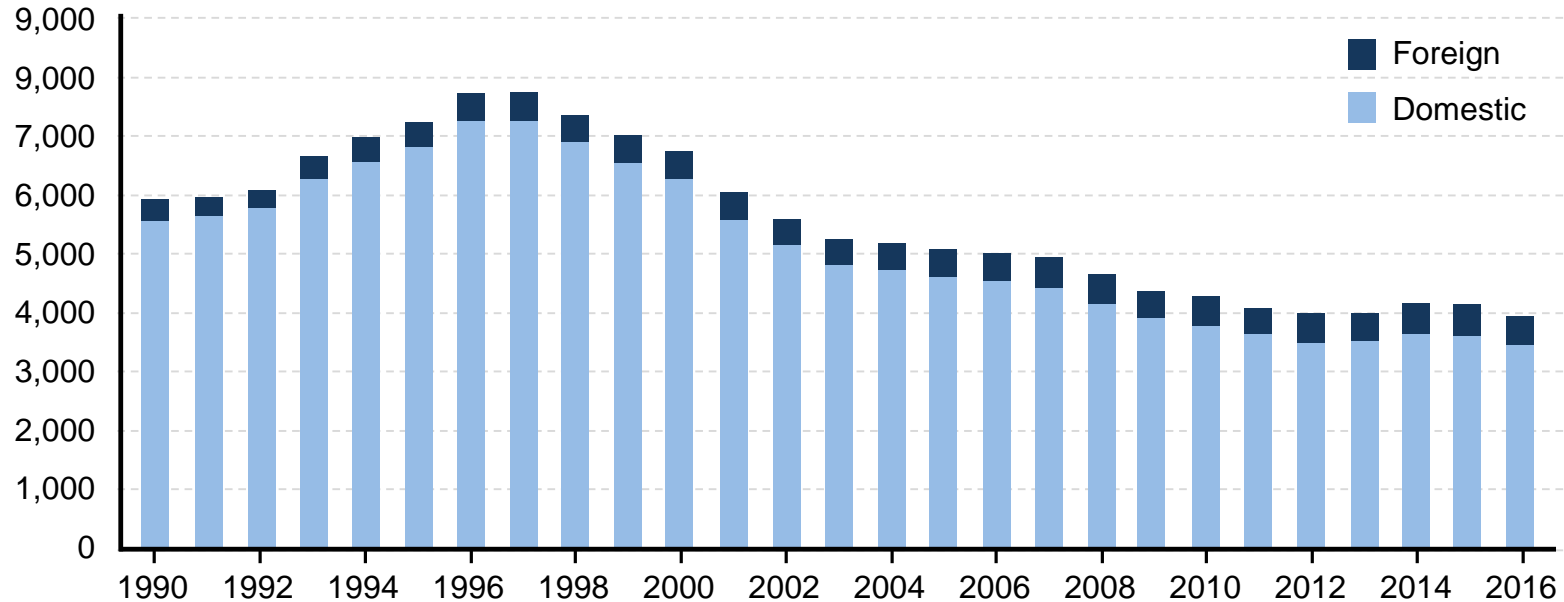
Chairman

10 October 2018



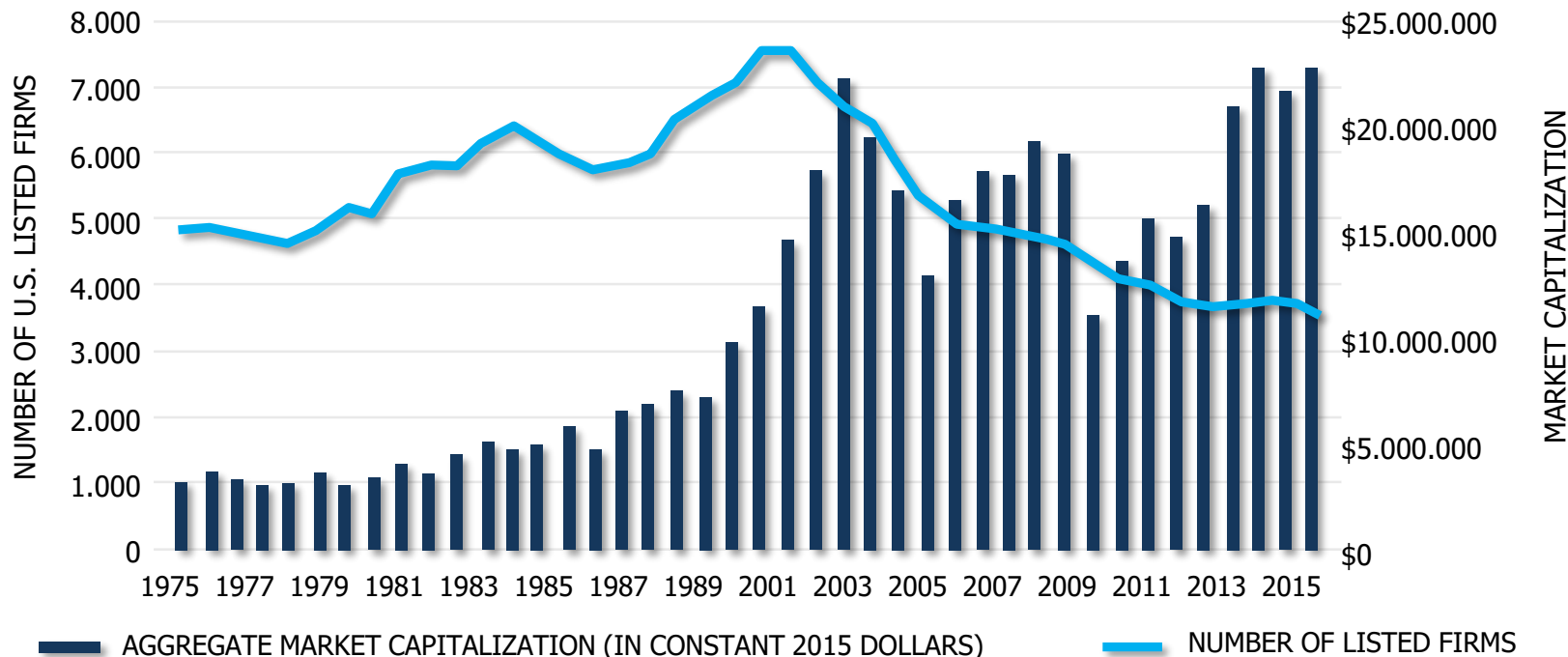
- Role of the public markets.
(Did the CMU initiative get all the action in the picture?)
- The number of listed companies in the US and European exchanges is declining: implications and causes.
- Something has to change.

Number of Public Companies in US (1990-2016)



Source: Securities and Exchange Commission staff analysis using data from the Center for Research in Securities Prices U.S. Stock and U.S. Index Databases© 2016 Centerfor Research in Securities Prices, The University of Chicago Booth School of Business.

Number of listed US firms and their aggregate market capitalization



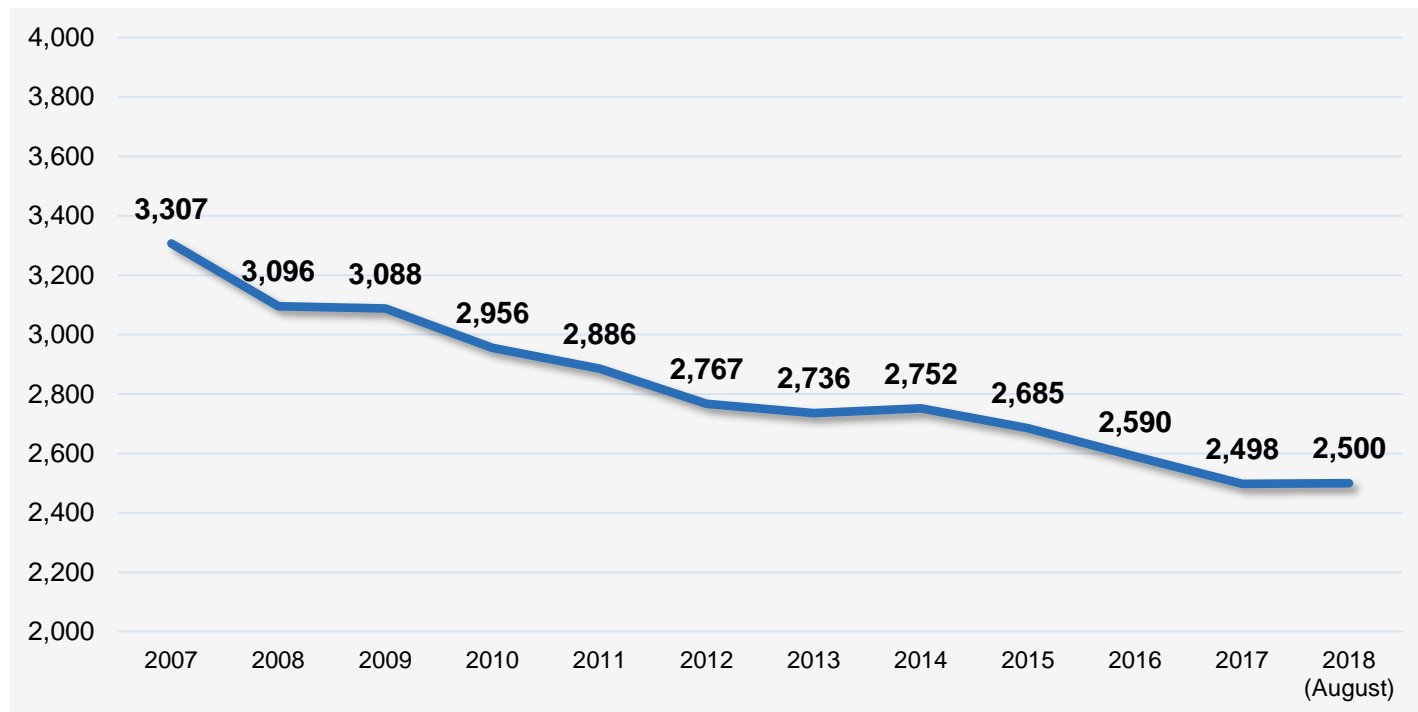
Source: The center for research in security prices (CRSP).

Note: listed firms include U.S. Firms in CRSP that are listed on the NYSE, AMEX, and NASDAQ. Investment companies, mutual funds, reits, and other collective investment vehicles are excluded.

Aggregate market capitalization is in 2015 dollars. The sample period is from 1975 to 2016.

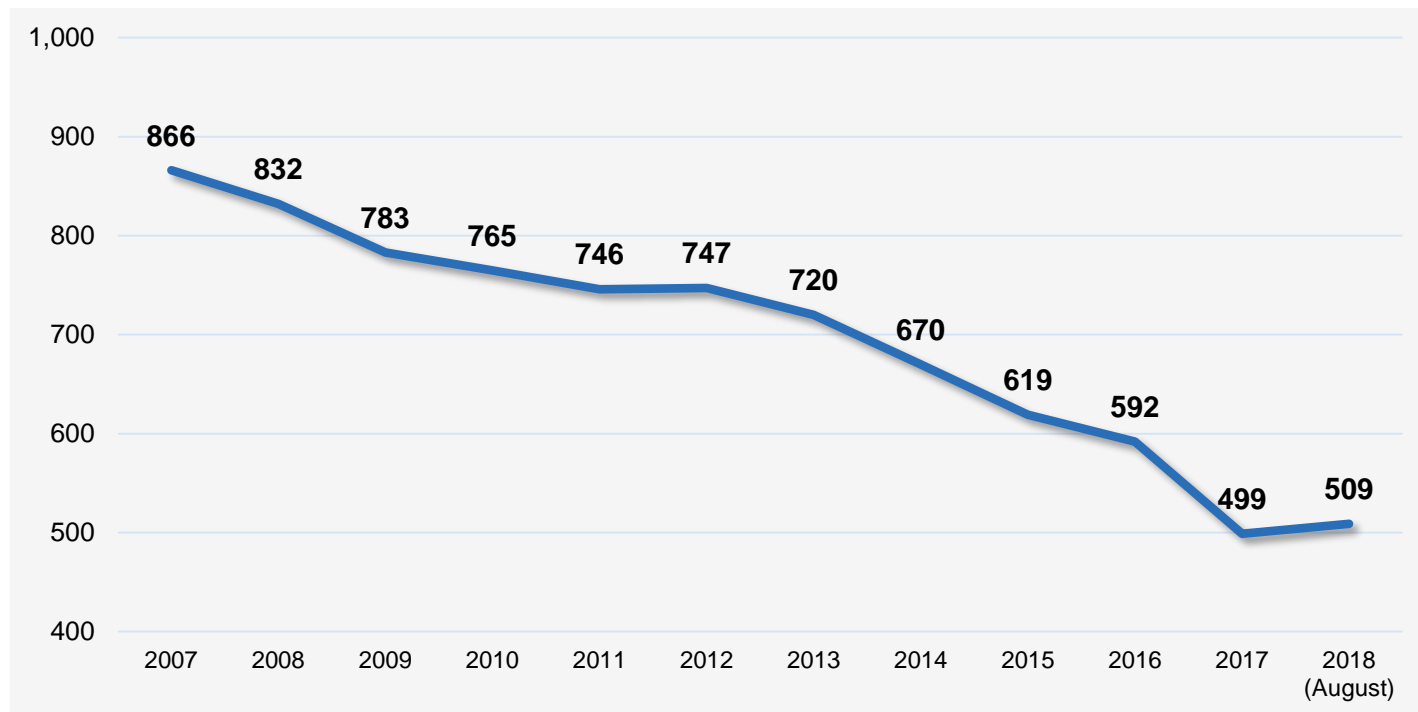
Total number of listed companies at year-end

LONDON STOCK EXCHANGE (2007-2018)



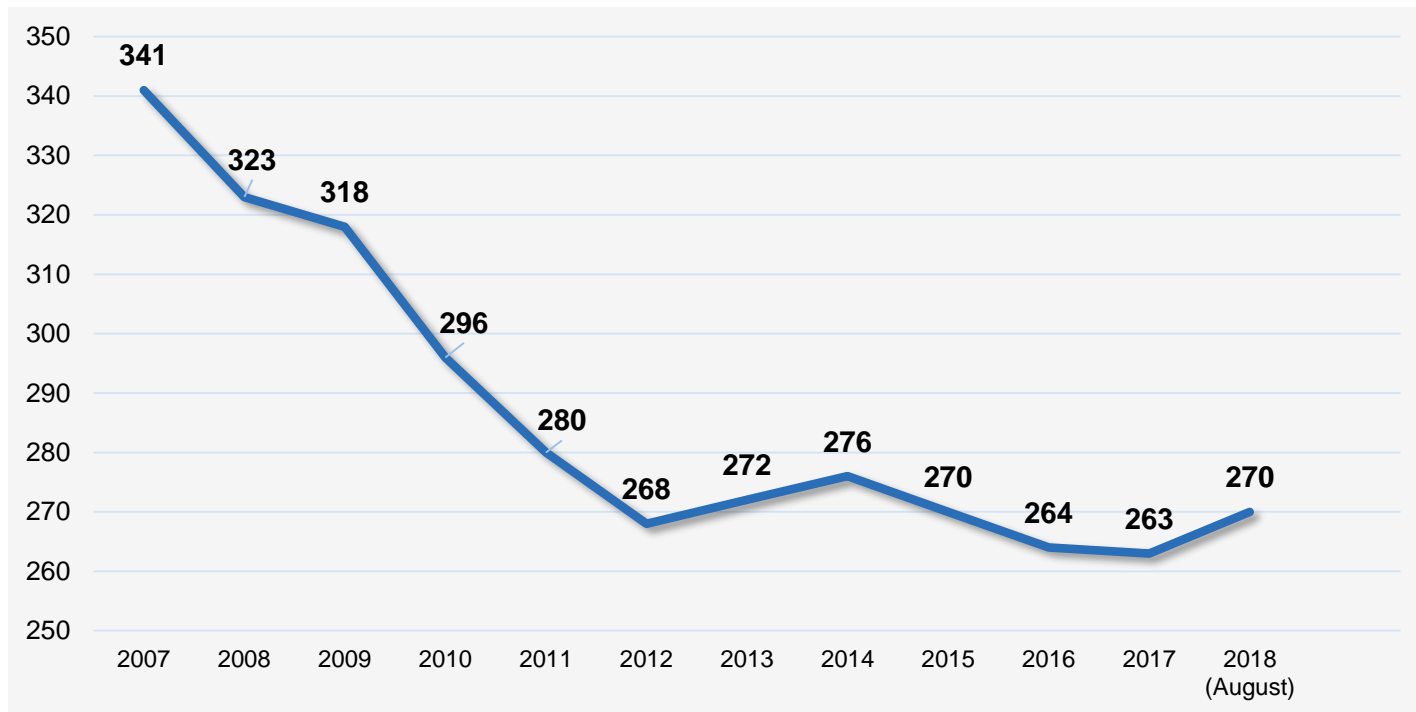
Total number of listed companies at year-end

DEUTSCHE BÖRSE (2007-2018)



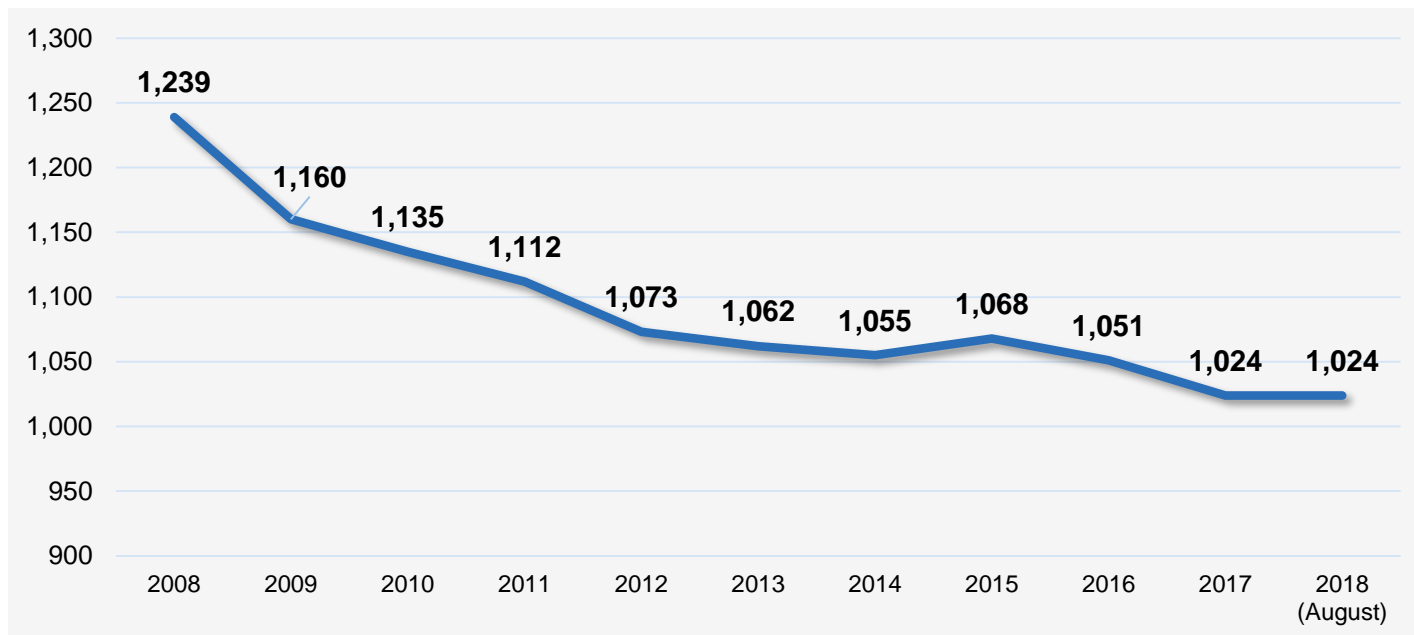
Total number of listed companies at year-end

SIX Swiss Exchange (2007-2018)



Total number of listed companies at year-end

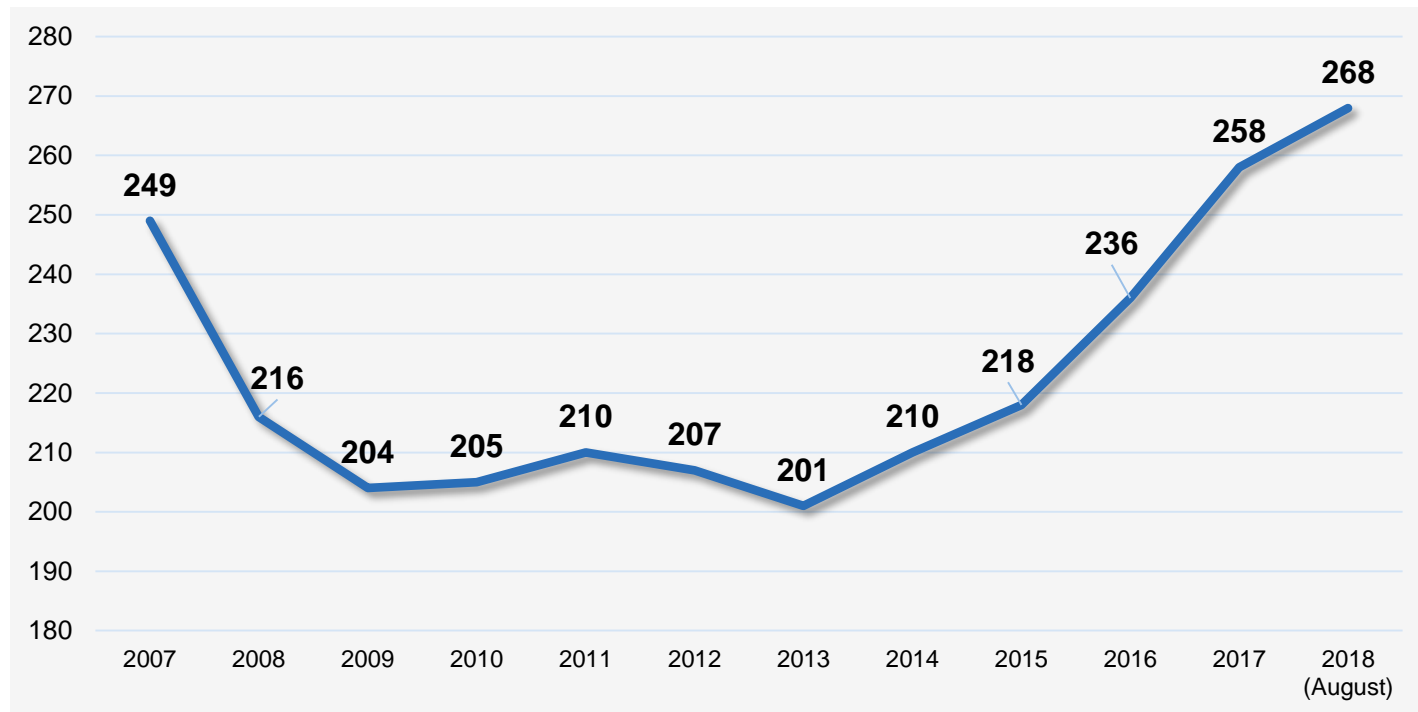
EURONEXT (2008-2018)



* In this chart, the figures of companies in Euronext Access segment have not been considered. As of 2017 Euronext includes in its number of companies those admitted in the non-regulated market segment called Euronext Access.

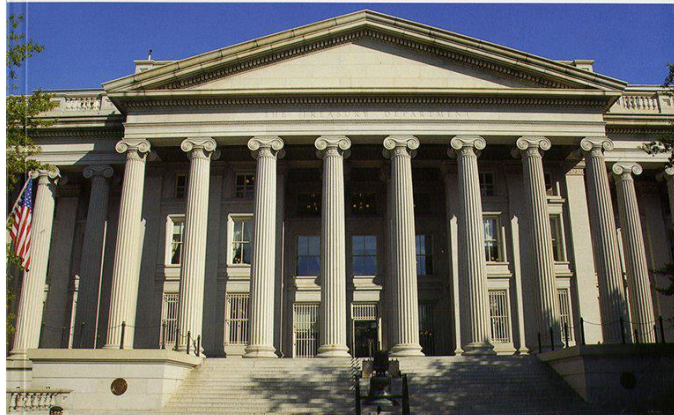
Total number of listed companies at year-end¹

BME (Spanish Exchanges) (2007-2018)



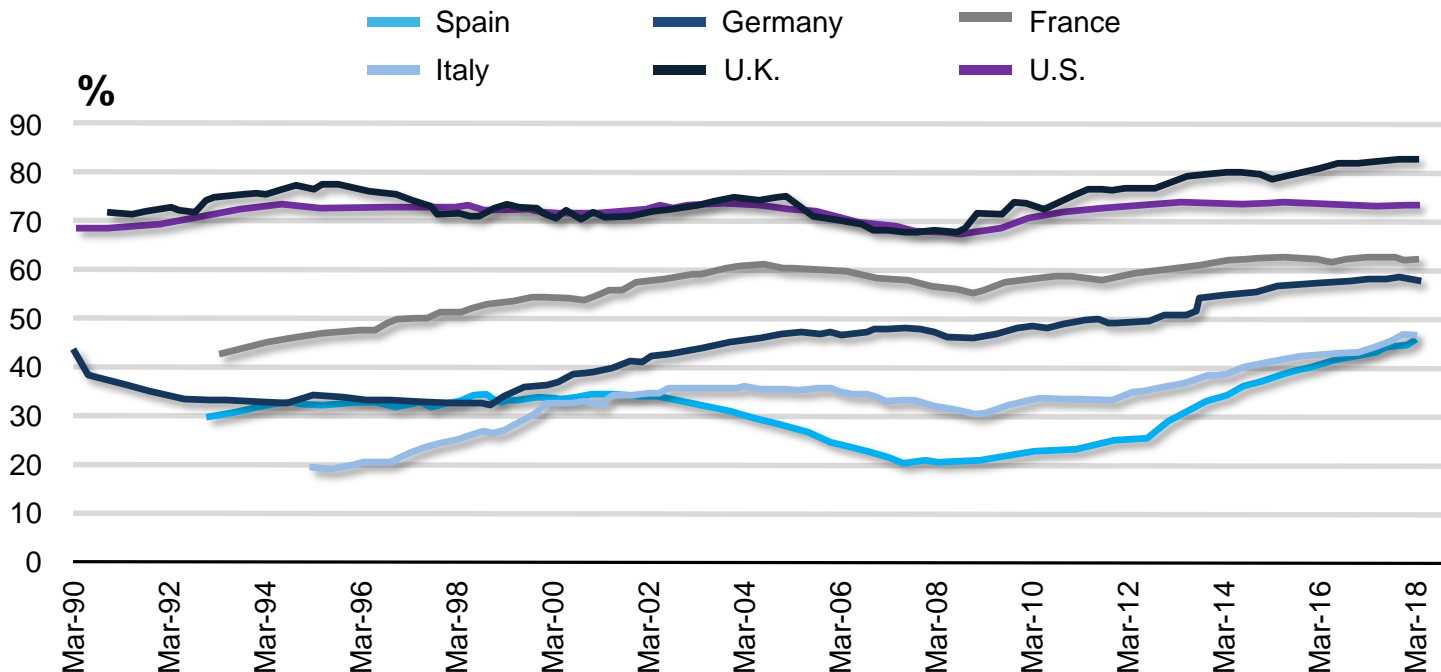
U. S. DEPARTMENT OF THE TREASURY

A Financial System
That Creates Economic Opportunities
Capital Markets

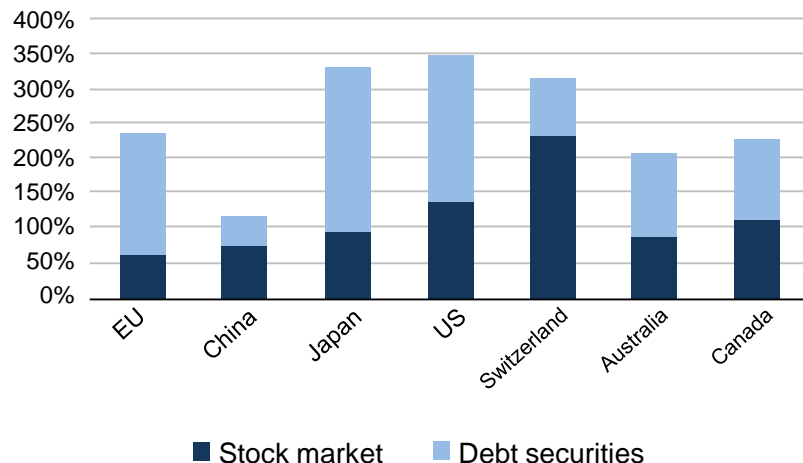


OCTOBER 2017

Market financing (%) vs. Total financing (market + bank) (1990 -2018)

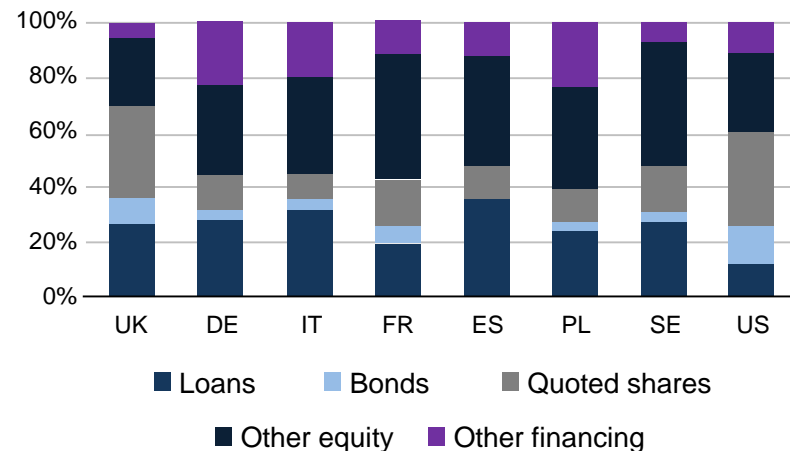


Stock market capitalisation and debt securities (% of GDP)



Source: ECMI statistical package

Financing patterns corporates (in % of total liabilities)



Source: Eurostat, OECD.

Note: Loans include bank loans and intercompany loans.

"Broadening access to market-based finance for our small and medium sized companies is at the heart of the **Capital Markets Union project**. Today out of the 20 million SMEs in Europe, only 3,000 are listed on stock-exchanges. We want to change this. We propose rules that will make it easier for SMEs to access to a wide range of funding at all stages of their development and to raise capital on public markets."

*Valdis Dombrovskis, Vice-President for Financial Stability,
Financial Services and Capital Markets Union. 2018*
http://europa.eu/rapid/press-release_IP-18-3727_en.htm

FINANCIAL TIMES

German IPOs: rocket-fuelled

Looks can deceive. Even as global equity markets have soared to new highs, their appeal to businesses has been fading. In Germany, the number of listed companies has dropped by two-fifths over 10 years. But interest in the German market is perking up this year. The \$8.7bn raised by 15 initial public offerings (IPOs) — the most for a decade — is the highest this century.

Westwing, an online “home and living” shopping club backed by the Rocket Internet incubator is the latest to declare. It brags about the loyalty of customers lured to its website by items like a “grand glam” €139 velvet pouf. Its flotation follows that of Home24, another Rocket-backed online furniture store, which joined in June at a valuation of two times last year’s sales. A similar valuation would give Westwing a market capitalisation of at least €500m.

Shares in Home24 jumped on their debut but have since slipped by a fifth following a warning that the heatwave had hit sales. That is part of a mixed picture for investors who bought into Germany’s IPOs this year. Shares in Siemens Healthineers, the world’s largest maker of medical imaging equipment, are up more than a quarter since March. But those in DWS, Deutsche’s asset management subsidiary, are down 26 per cent since its parent offloaded a stake in March. Another setback was a last-minute decision by scientific magazine publisher Springer Nature to pull its €3.2bn listing in May, blaming weak demand.

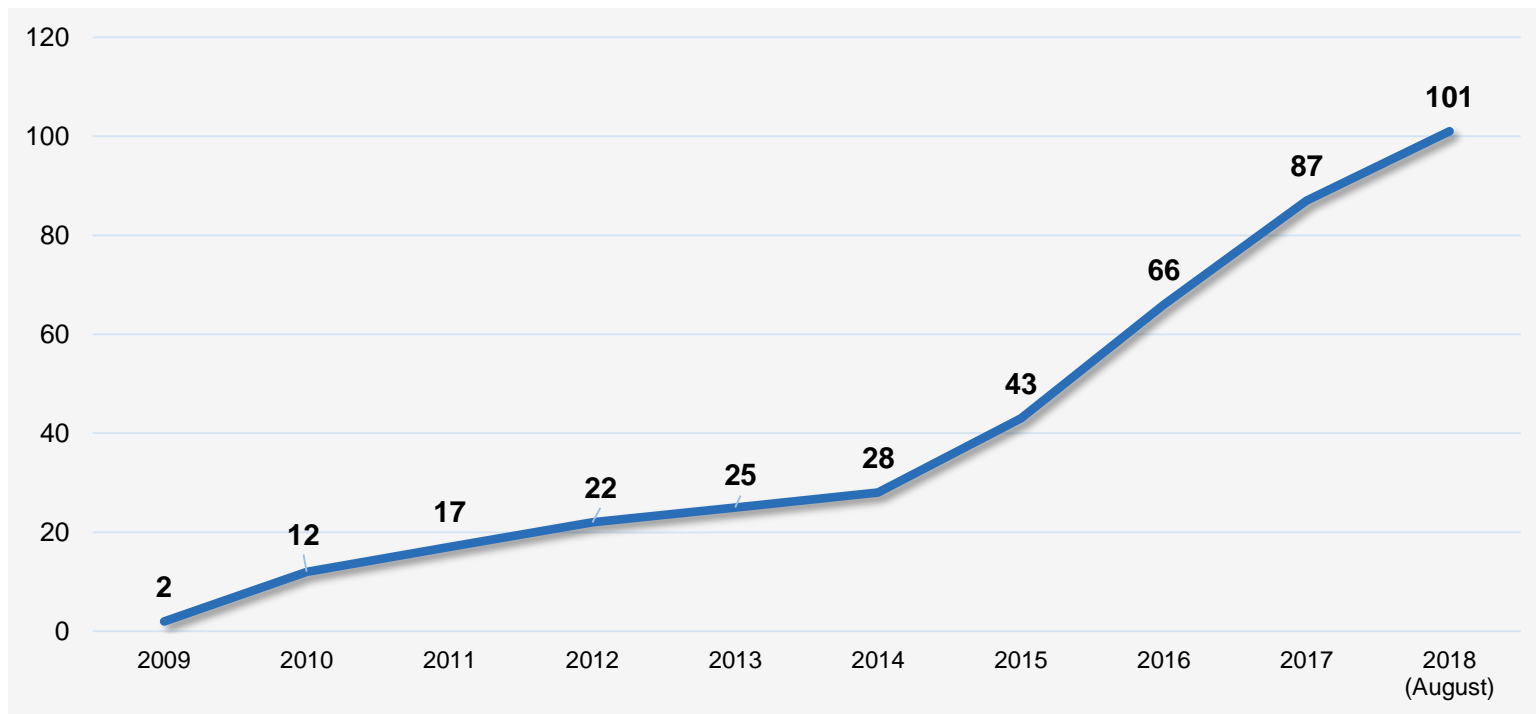
The pipeline is strong. There are more digital companies in the wings. A vogue for streamlining means other companies will follow Siemens in spinning off businesses. Succession planning will also be a driver, as with family-owned brakes company Knorr-Bremse. But owners usually have other options. The latest flurry of interest has been fuelled by hopes of strong valuations. Germany’s Dax index has more than tripled since its 2009 lows. If markets fall, enthusiasm for joining them will dim too.



‘the number of listed companies has dropped by two-fifths over 10 years’

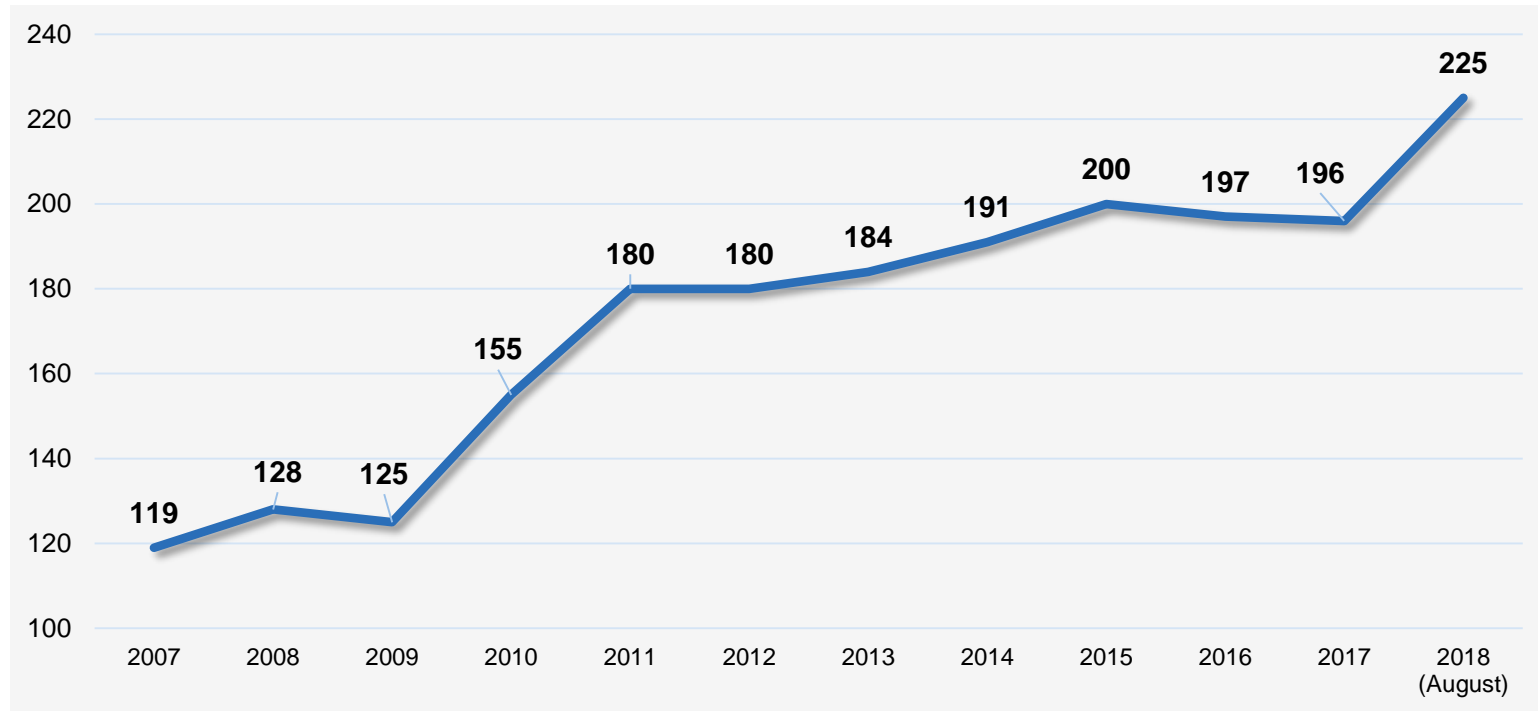
Number of companies listed in alternative growth markets at year-end

BME's Growth Market MAB (2009-2018)



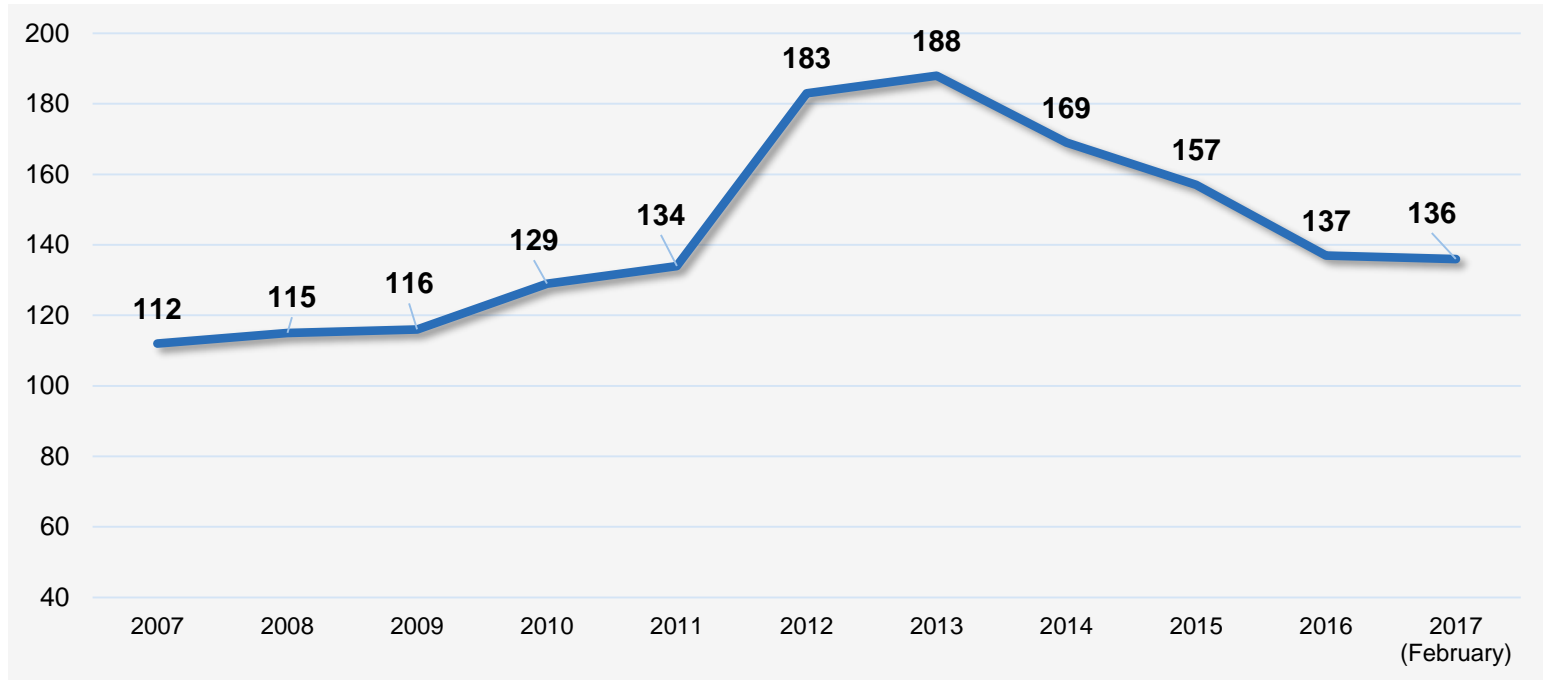
Number of companies listed in alternative growth markets at year-end

Euronext Growth Market (2007-2018)



Number of companies listed in alternative growth markets at year-end

DEUSTCHE BÖRSE: Entry Standard (2007-2017 February)

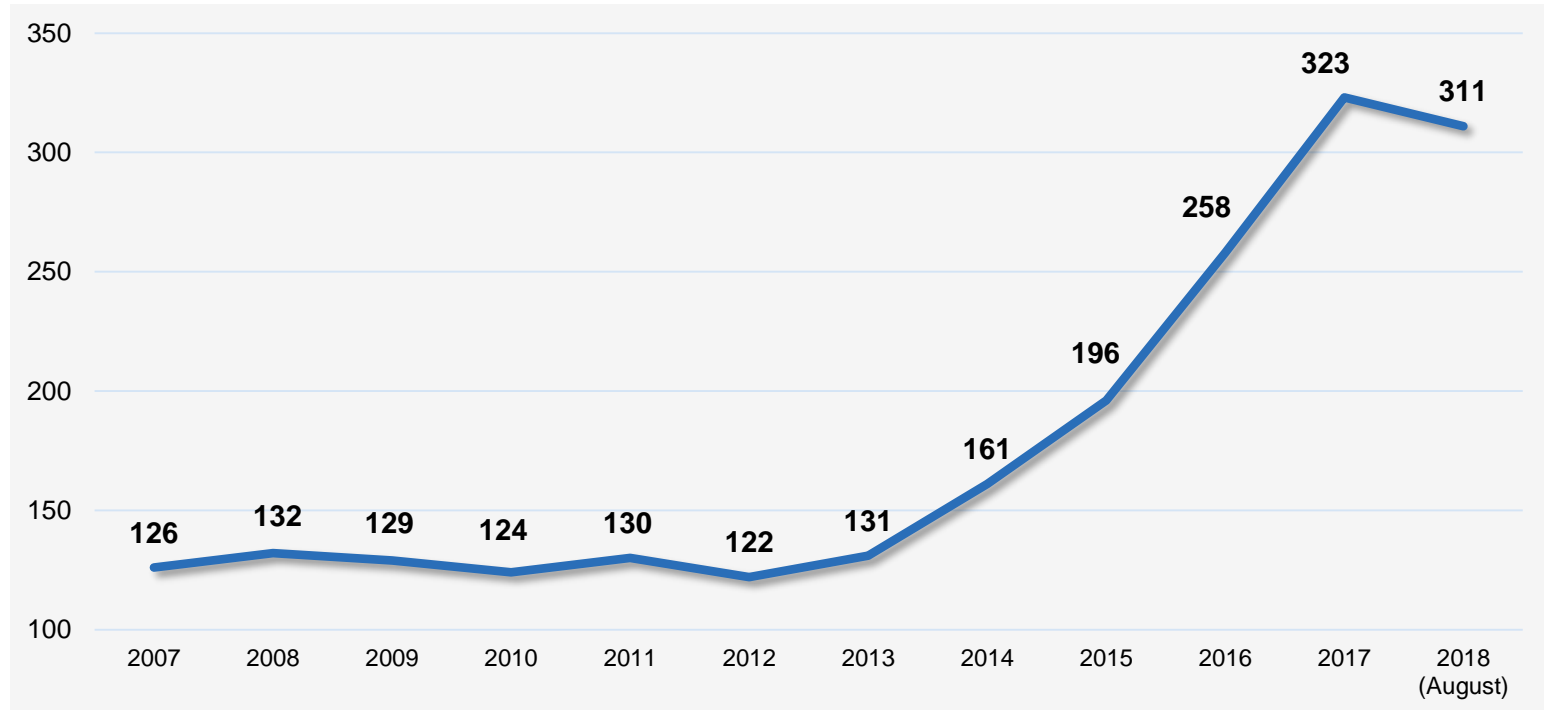


* As of 2017 Deutsche Börse stops publishing Entry Standard data.

Source: FESE

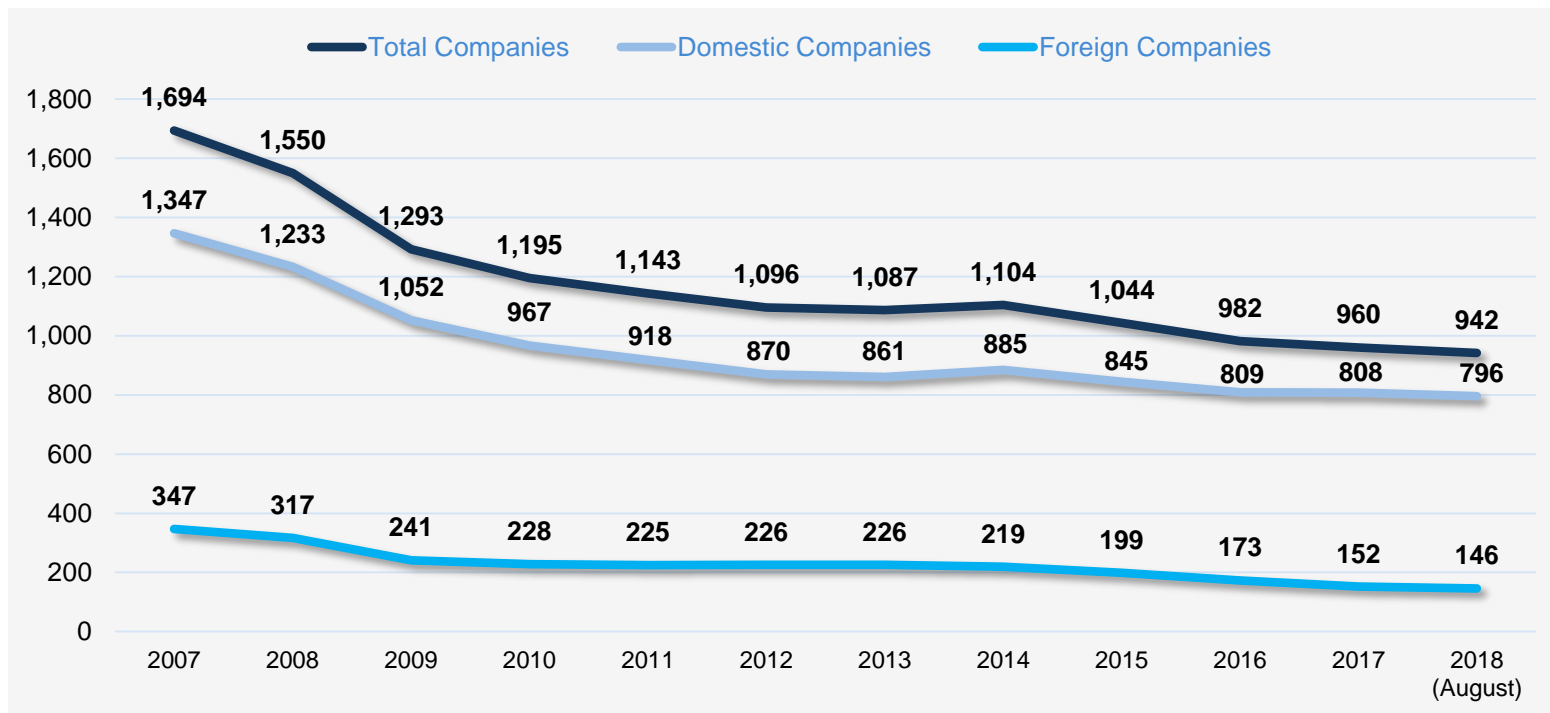
Number of companies listed in alternative growth markets at year-end

NASDAQ NORDICS & BALTICS: First North Alternative Market (2007-2018)

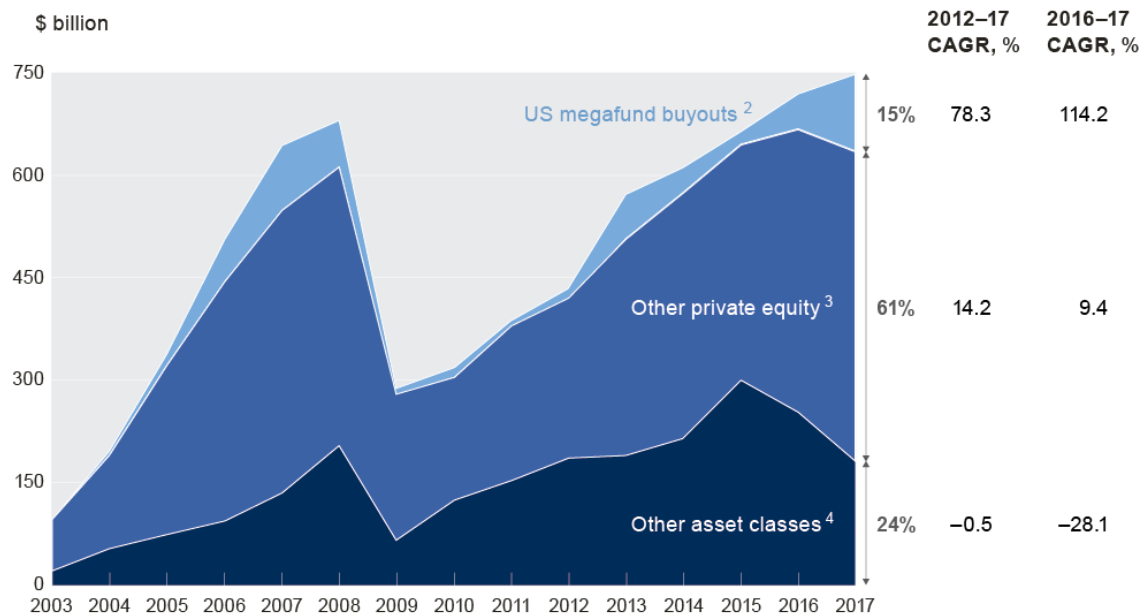


Number of companies listed in alternative growth markets at year-end

LONDON STOCK EXCHANGE: AIM (2007-2018)



US global private markets fundraising (2002-2017) ¹



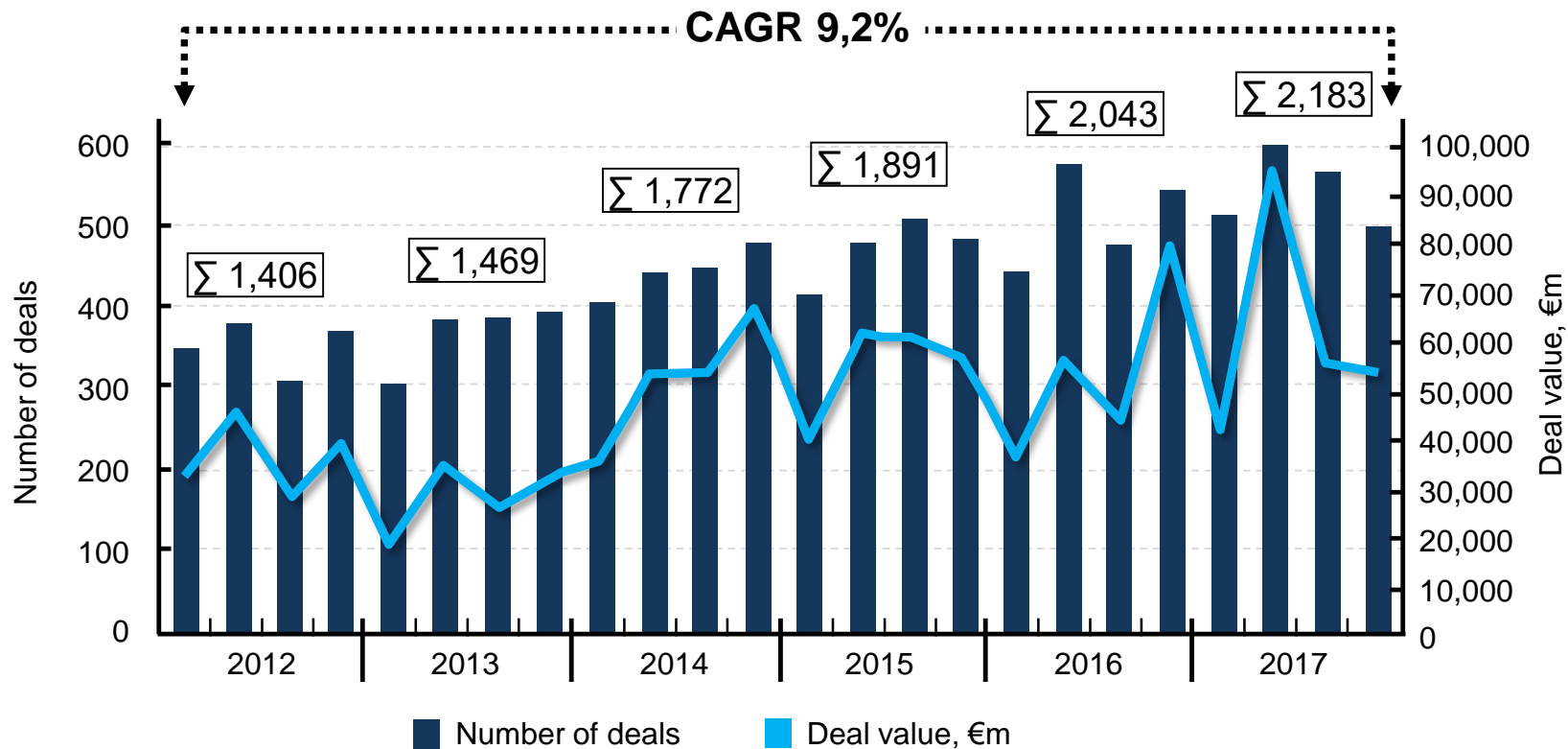
¹ Private markets refers to private equity, real estate private equity (i.e., closed-end funds), private debt closed-end, natural resources closed-end funds, and infrastructure closed-end funds. Secondaries and fund of funds are excluded to avoid double counting of capital fundraised.

² Buyout funds based in the US that closed above \$5 billion.

³ Includes venture, growth, other private equity (balanced, hybrid, private investment in public equity).

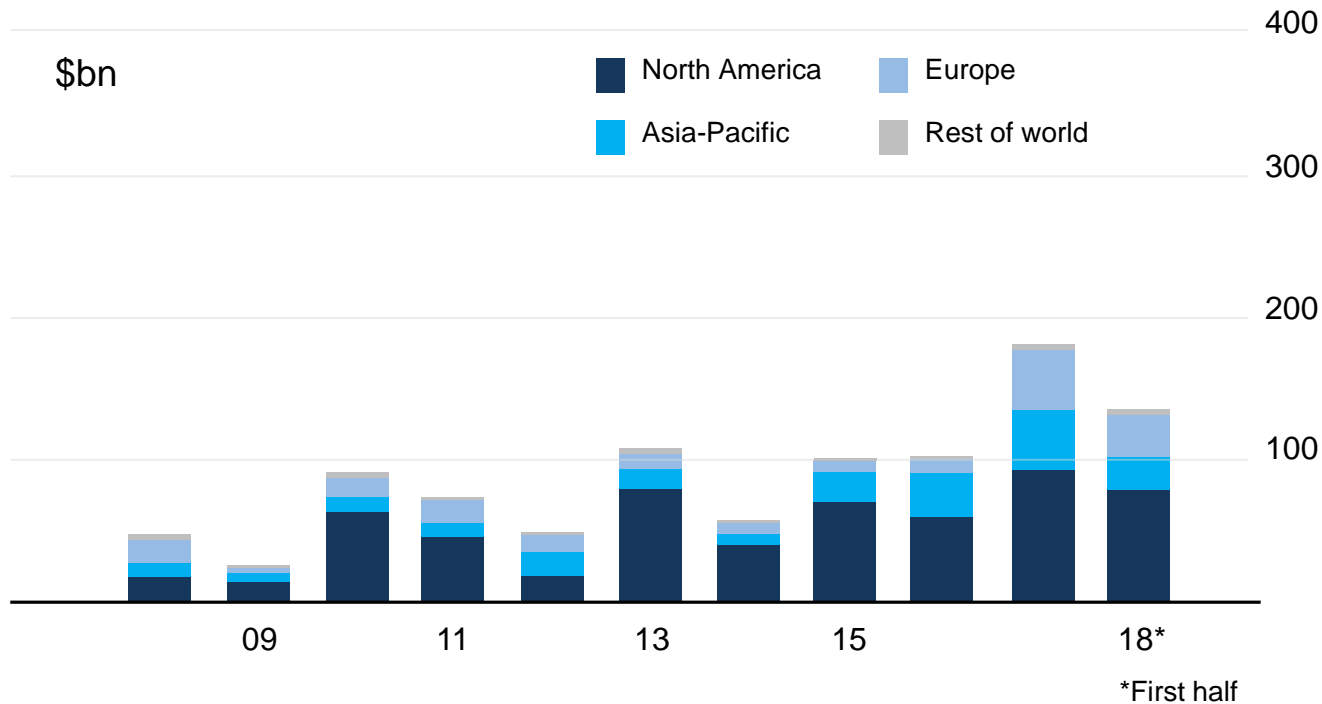
⁴ Includes closed-end real estate, private debt, natural resources, infrastructure.

European Private Equity Trends (2012-2017)



Pulling up the drawbridge (2008-2018)

Public companies being taken private, worldwide



ISSUES

- Regulatory burden
- Increasing private equity activity
- The growth of the intangible asset company
- Tax bias favoring debt
- Wrong liquidity culture
- Inadequate investment instrument's structure
- What is an exchange?

THANK YOU



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