Can the stock markets provide the Business Angels with an exit?

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21 October 2011
What exit opportunities do the stock markets provide?

• **General opinion:**
  Stock markets are only for the large companies, the “Googles” or “Facebooks” of this world

• **Regulation:**
  There are more and more constraints and regulations applicable to listed companies

• **Facts:**
  Many SMEs manage to go public and access the financial markets
Number of IPOs in the world by nationality of issuer in 2011

216 issuers raised < 2 m€ in the stock markets in 2011

Source: Dealogic – 01/01/2011 ➔ 07/10/2011
Explanation: Development of “entry markets”

Main junior markets in Europe

Most stock markets have launched non regulated markets for SME
**Definitions**

**Regulated market:** A multilateral system managed by a market operator which brings together buyers and sellers in financial instruments … and functions in accordance with the Markets in Financial Instruments Directive (MiFID)

- Also called “main market”, “first market”,…
- Examples: LSE, Euronext (merger of Eurolist, Second Market and Euro-NM),…

**Multilateral Trading Facility: (“MTF”):** *a contrario*, a market that is **not** a regulated market

- 2 categories:
  - Alternative trading platforms: Chi-X, Turquoise, BATS, Equiduct,…
  - Entry/ junior markets: AIM, Alternext, Free Market,…
- MiFID 2 should create a distinction between these 2 categories
### Main junior markets in Europe

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Junior Markets</th>
<th>Listed Companies 31/03/2011</th>
<th>Total Market Cap (Bn€) 31/03/2011</th>
<th>Avg size (m€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London SE / Borsa Italiana</td>
<td>AIM</td>
<td>1.178</td>
<td>93.4 bn€</td>
<td>79.3</td>
</tr>
<tr>
<td>Deutsche Börse</td>
<td>Entry Standard</td>
<td>132</td>
<td>11.6 bn€</td>
<td>87.9</td>
</tr>
<tr>
<td>NASDAQ OMX</td>
<td>First North</td>
<td>123</td>
<td>3.1 bn€</td>
<td>25.2</td>
</tr>
<tr>
<td>NYSE Euronext</td>
<td>NYSE Alternext</td>
<td>158</td>
<td>5.9 bn€</td>
<td>37.3</td>
</tr>
<tr>
<td>NYSE Euronext</td>
<td>Free Market</td>
<td>240*</td>
<td>6.2 bn€*</td>
<td>25.8</td>
</tr>
<tr>
<td>Warsaw Stock Exchange</td>
<td>NewConnect</td>
<td>220</td>
<td>1.4 bn€</td>
<td>6.4</td>
</tr>
</tbody>
</table>

* as of 26/07/2011

- **Main differences with regulated markets are**
  - lowered admission constraints
  - less demanding publication/disclosure requirements

- **These markets attract much smaller companies**
Zoom on the 132 IPOs that took place in Europe in 2011

Only 1/3 of the IPOs took place on the “main markets”

Source: Dealogic – 01/01/2011 ➔ 07/10/2011
Many deals are very small but issuers get access to the markets

Source: Dealogic – 01/01/2011 ➔ 07/10/2011
Population: IPOs on entry markets excl. top 10
Why do companies go public?

• To raise capital in order to **finance growth** and **reinforce the balance sheet**

• To increase their **visibility** and their **credibility**

• To provide minority shareholders with an **exit possibility**

• To provide all shareholders (majoritary, minority, employees,…) with **some liquidity**

• To get a **permanent valuation** of the company (for acquisition, stock option plans,…)
## Comparison with private money

<table>
<thead>
<tr>
<th></th>
<th>Stock market</th>
<th>BA/PE/VC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to funding</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Liquidity</td>
<td>XX</td>
<td>X</td>
</tr>
<tr>
<td>Visibility</td>
<td>XXX</td>
<td>X</td>
</tr>
<tr>
<td>Credibility</td>
<td>XX</td>
<td>X</td>
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<tr>
<td>Advice / guidance</td>
<td></td>
<td>XXX</td>
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<tr>
<td>Feed-back</td>
<td>X</td>
<td>XX</td>
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<tr>
<td>Permanent valuation</td>
<td>XX</td>
<td></td>
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<tr>
<td>Time / delay</td>
<td>- - -</td>
<td>- -</td>
</tr>
<tr>
<td>Cost</td>
<td>- - -</td>
<td>-</td>
</tr>
</tbody>
</table>
Markets are volatile: issuers have to be ready in case the opportunity arises!
1) Stock markets have created "entry markets" for SMEs

2) Stock markets are not in direct competition with Business Angels:
   • There are advantages and drawbacks in both alternatives
   • The best choice for a company depends on its maturity

3) Good news for Business Angels: exits can happen sooner (market conditions permitting!)