

# GLOBAL TRENDS IN SME ACCESS TO MARKET-BASED FINANCE

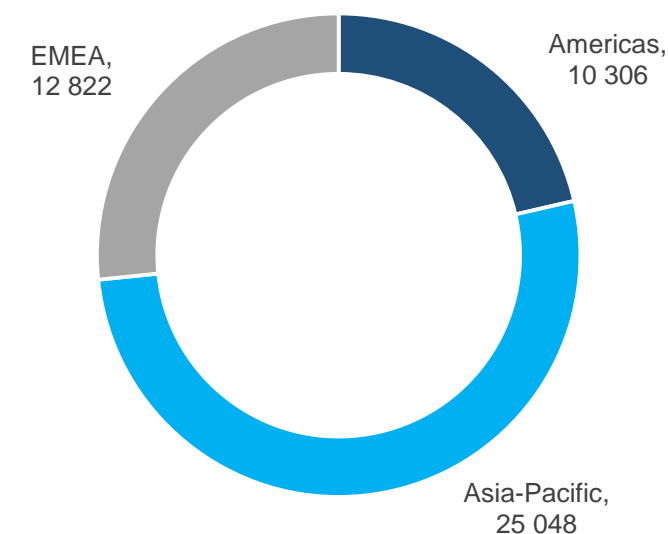
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ATHENS, DECEMBER 2015

# OVERVIEW OF GLOBAL MARKETS

- Total number of listed companies growing again – though driven largely by activity in Asia-Pacific region
- Region now accounts for over 50% of all listed companies



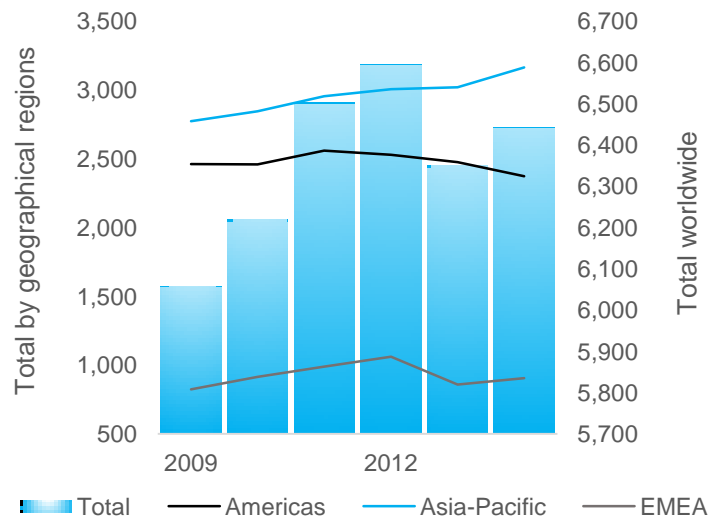
Total listed companies end Aug 2015



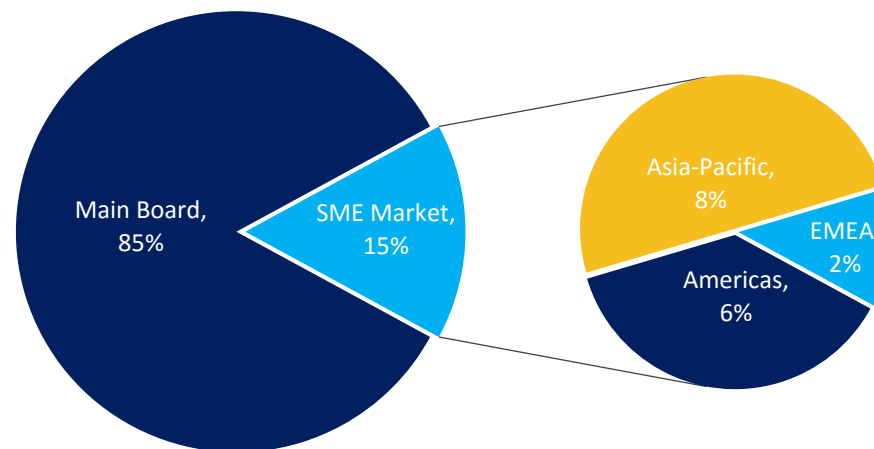
# DEDICATED SME EXCHANGES

- Nearly half of the WFE’s 64 members have dedicated SME markets
- SME-market listed companies still account for small % of total
- As expected, SME market valuations characterised by degree of volatility

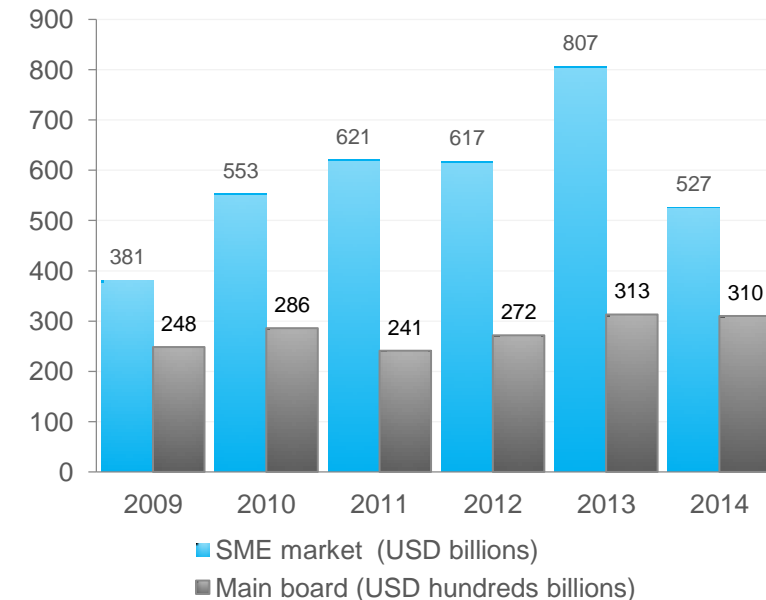
Number of companies listed on SME markets



SME market listed companies as % of total (end 2014)

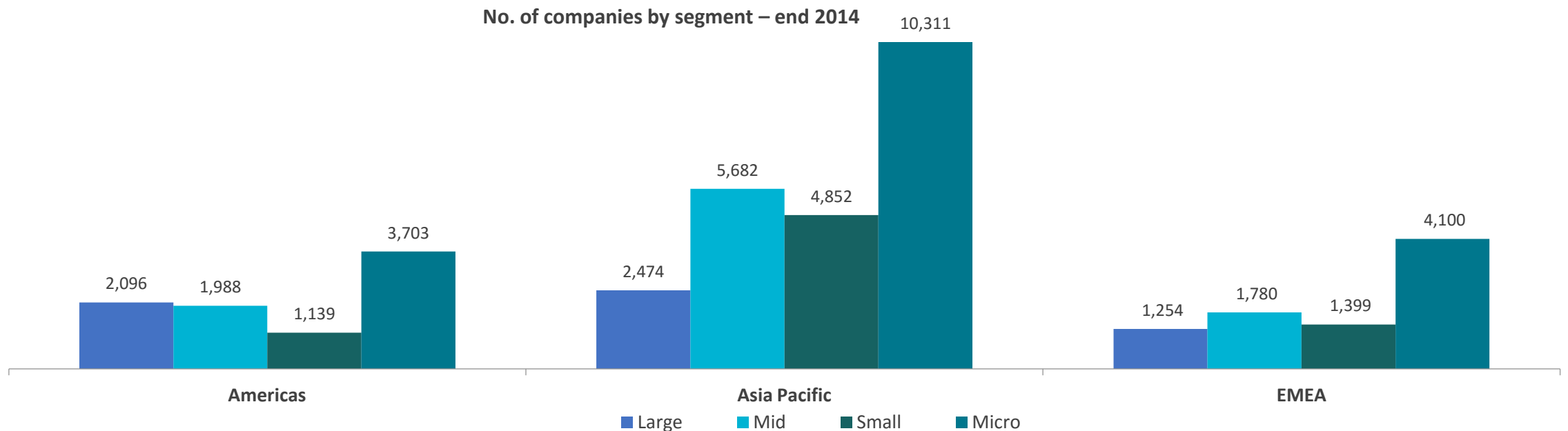


Market cap - SME Market and Main Board



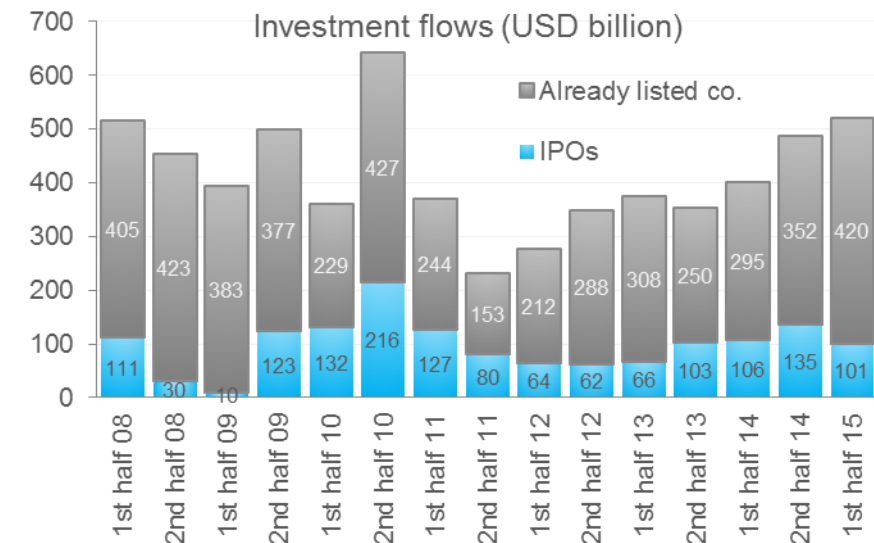
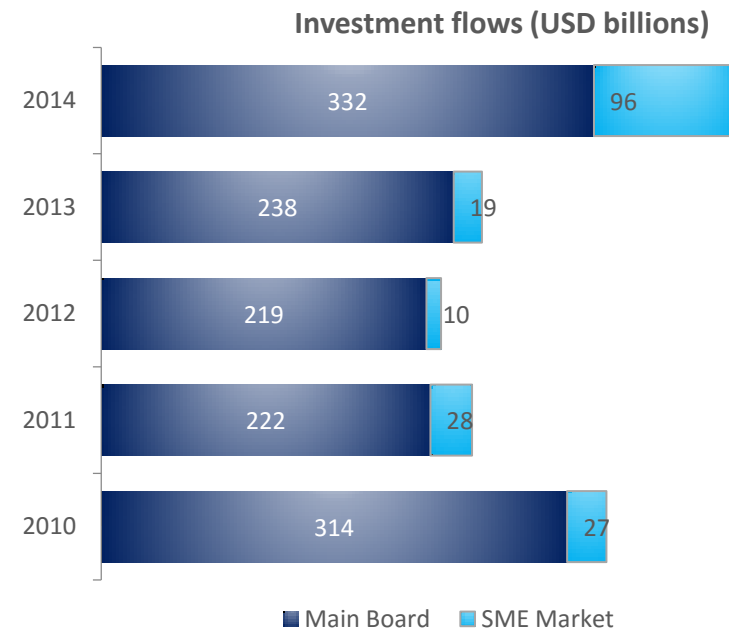
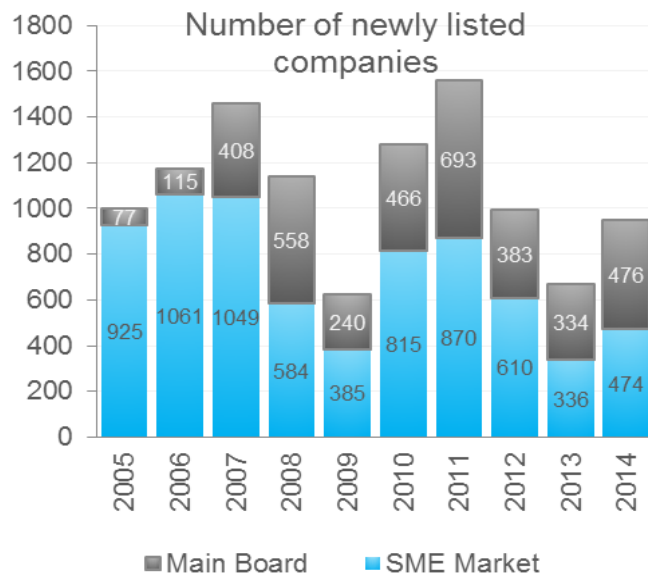
# MARKET SEGMENTATION VIEW

- Looking only at dedicated SME markets ignores the full picture - over 40% of listed companies are micro-cap companies
- Trading activity however tends to be concentrated in larger-cap companies, particularly in emerging markets



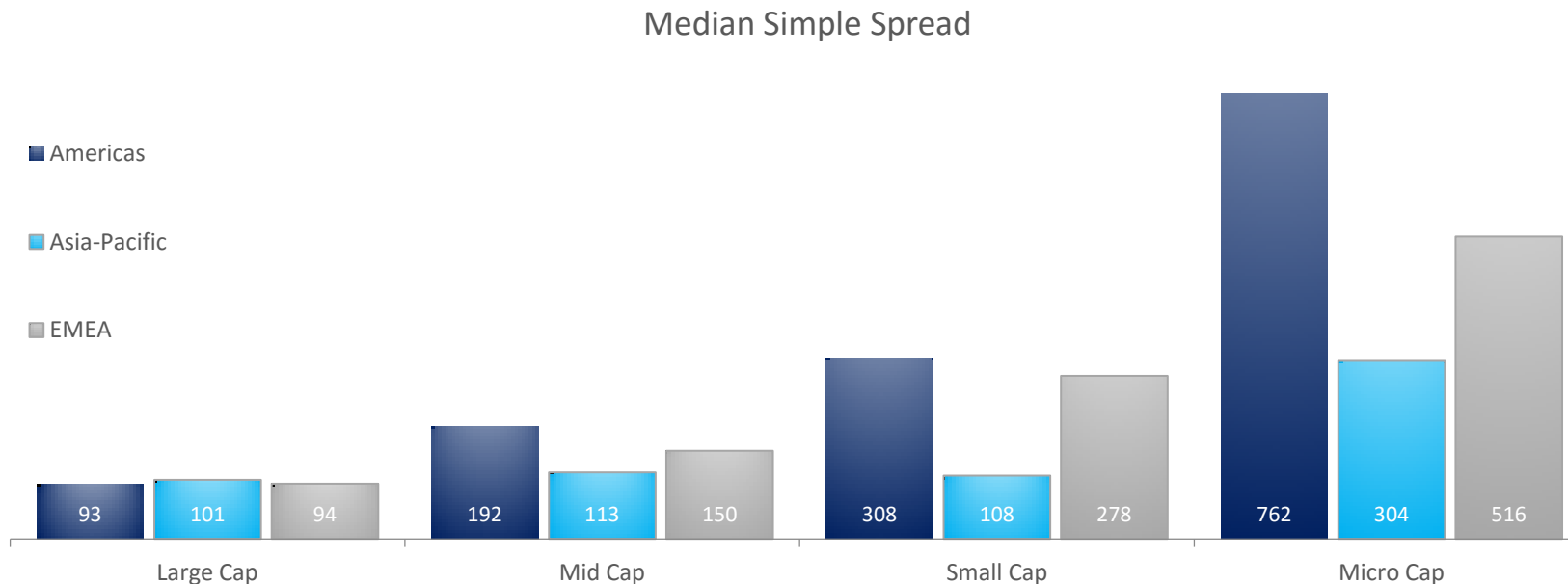
# CAPITAL RAISING THROUGH MARKETS

- Markets continue to be a source of equity capital funding both for already and newly listed companies
- Investment flows channelled through Main Board and SME markets increased by 23% and 236% respectively (2014 on 2013)
- Increase in SME funding in 2014 driven largely by single exchange in China



# MARKET SIZE AND LIQUIDITY IMPACT

- Recent WFE analysis of market spreads demonstrates liquidity challenge of small and micro cap companies relative to large cap companies.
- This holds across regions though seems more pronounced in the Americas and EMEA.
- Study still being refined so results should be viewed with caution.





# FINANCING SMES - CHALLENGES

- For investors:
  - Lack of research coverage/high cost of monitoring cost relative to size of investment
  - Lower levels of liquidity and free float
  - Mandate issues
- For issuers:
  - Initial and ongoing costs of listing
  - Administrative burden of compliance requirements



# CONCLUSION: OPPORTUNITIES IN FINANCING SMES

- Public markets by definition not suitable for all SMEs – funding continuum (though lines are blurring)
- Need for dedicated SME Markets? Probably need some SME concessions (e.g. current Capital Markets Union work)
- Need to strike balance between overly onerous regulatory and administrative burden and appropriate investor protection
- Supportive ecosystem and investor and issuer education
- Public markets as a source for debt as well as equity – focus on other innovative financing options
- Need for innovation



# APPENDIX: MARKET SEGMENTATION

- Large market cap segment: market cap > USD 1. bn
- Mid-market cap segment: USD 1.3bn > market cap > USD 200m
- Small market cap segment: USD 200m > market cap > USD 65m
- Micro market cap segment: market cap < USD 65m