„SMEs on the Capital Markets“
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Forum Alpbach

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Corporate financing in Europe is strongly bank based - particularly for SMEs

Bank loans and credit lines remain most relevant for SMEs in the EU

Northern European SMEs more geared towards equity financing
Why widening the range of financing instruments?

Outstanding loans to private households and non-financial corporations in the euro area in billion euros

- Weak loan demand due to economic uncertainties
- Selective supply due to higher risk perception along with restrictive banking sector regulation (e.g. Basel III)

Source: ECB
Alternative sources of finance and capital markets are underdeveloped

- Competitive disadvantage for business models depending on capital market financing -> ambitious high-growth firms
- Lack of exit options for equity/risk capital investors (i.e. IPOs for small caps)

**Alternative Finance Volume Per Capita in EUR**

**Selected SME-Markets in Europe**

<table>
<thead>
<tr>
<th>Market Name</th>
<th>2015</th>
<th>Market cap. in million EUR</th>
<th># of listings</th>
<th>average market cap. per listing in million EUR</th>
<th>Total turnover in million EUR</th>
<th># of IPOs</th>
<th>IPOs in % of Listings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third Market-Wiener Börse</td>
<td></td>
<td>1.584</td>
<td>5</td>
<td>317</td>
<td>22</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>NewConnect-Warsaw SE</td>
<td></td>
<td>1.913</td>
<td>418</td>
<td>5</td>
<td>443</td>
<td>19</td>
<td>4.5%</td>
</tr>
<tr>
<td>AIM Italia - MAC-Borsa Italiana</td>
<td></td>
<td>2.925</td>
<td>71</td>
<td>41</td>
<td>n/s</td>
<td>21</td>
<td>29.6%</td>
</tr>
<tr>
<td>First North-Nasdaq OMX Nordic</td>
<td></td>
<td>9.658</td>
<td>219</td>
<td>44</td>
<td>4.123</td>
<td>61</td>
<td>27.9%</td>
</tr>
<tr>
<td>OSLO Axess-Oslo Bors</td>
<td></td>
<td>1.330</td>
<td>29</td>
<td>46</td>
<td>928</td>
<td>3</td>
<td>10.3%</td>
</tr>
<tr>
<td>Alternative Investment Market-London SE</td>
<td></td>
<td>100.678</td>
<td>1.044</td>
<td>96</td>
<td>42.551</td>
<td>31</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Source: University of Cambridge & EY (2015)

Source: administrative data
Eco-system for SME/mid-cap financing

Capital Markets Union – selected initiatives targeted at public markets

- Further simplification of prospectus requirements according to EU regulation (2016) - threshold EUR 10 million
  → **Austrian** Crowdfunding Regulation (2015)


**MiFiD II (2018): new category - SME Growth Markets**

- market capitalization less than EUR 200 million

  - organized as multilateral trading facility
  → Issue of tradability of registered stocks on MTFs in **Austria**: mandatory entry in the stock register -> settlement issues regarding dividend payments + stockholders meeting (Company Law Amendment Act (GesRÄG) 2011)
Austrian Start-up Package (announced in July 2016)

- **New funding sources for aws Seed-Financing**
  - additional EUR 20 million for knowledge- and technology oriented start-ups

- **New funding sources for aws Business Angel Fonds**
  - additional EUR 20 million from private investors and EU funds

- **Risk capital premium for Investors**
  - Reimbursement (max. 20%) for accumulated investments of up to EUR 250,000 per year

- **Investor friendly taxation framework**
  - Financing Company for SMEs (MiFiG)

- **24h-Quickcheck for funding requests (aws, FFG)**

- **Reduced auxiliary wage costs**
  - for first 3 employees during a period of 3 years

- digital one-stop-shop for founders • secure skilled employees • start-up visa related to red-white-red-card • founding-fellowships for academic spin-offs
Thank you for your attention!

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