

JUNE 2021

ISSUERS

THE CHOICE OF PARIS

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The Paris Financial Center benefits from a diversified and dynamic ecosystem to support market financing for French and international companies, in addition to bank financing, and from an adapted regulatory environment, with a very high level of professionalism and efficient execution by regulatory authorities.

Paris now has a rapidly growing number of Initial Public Offerings (IPOs), while benefiting from a favourable framework for the development of innovative financing tools (particularly the Special Purpose Acquisition Companies (SPACs) and hosting headquarters.

The **strengths of the Paris Financial Center** are:

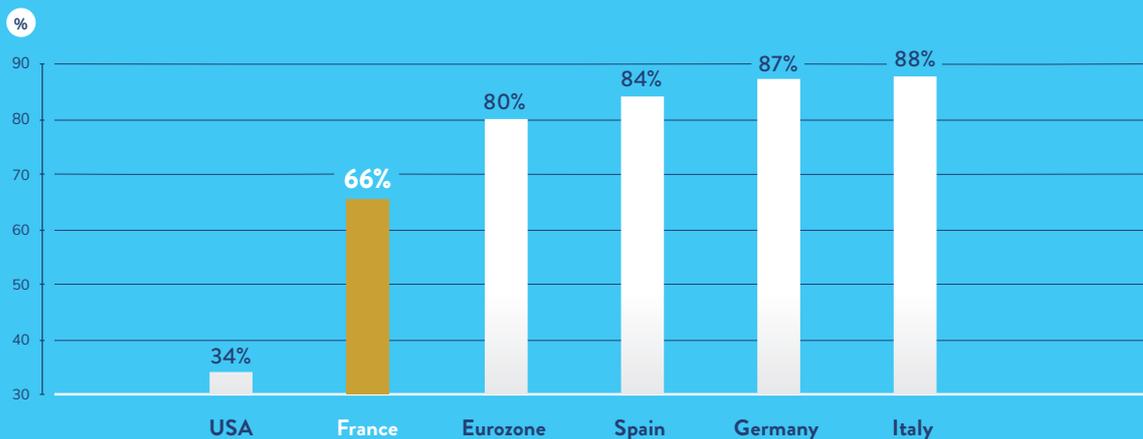
- **A sharp rise in initial public offerings during the recent past** PAGE 5
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1. A STRONG RECOVERY

OF INITIAL PUBLIC OFFERINGS

The Paris Financial Center benefits from the fact that, compared to many other European economies, French companies are more **geared towards market financing**: they have a more balanced way of financing their debt between bank loans (60%) and market financing (40%), compared to an average of 80%/20% in the euro area (Figure 1 below).

Figure 1 : Share of bank credit in non-financial corporate debt at the end of 2020



Source: Banque de France

With regard to the tools made available to companies to develop their market financing, and in particular with regard to equity financing, the main trading platform in Europe, Euronext, offers in Paris certain **specific venues**, which do not exist in Amsterdam for example: Euronext Growth, reserved for fast-growing SMEs, or Euronext Access for start-ups. These platforms have the advantage of being faster (in terms of listing schedule), flexible (in terms of regulation) and more accessible (in terms of cost) than a so-called regulated market within the meaning of the European MiFID2 (Markets in Financial Instruments Directive) regulation.

An acceleration of **IPOs** has been observed in Paris over the recent past, particularly those of Française Des Jeux (FDJ) in 2019, the MEDIAWAN, 2 MX ORGANIC, Accor Acquisition Company, Transition and Dee Tech SPACs, and the IPOs of HRS, Believe, Affluent Medical, Aramis, and soon to come, Colis Privé, Ogury, GreenYellow, and OVH.



« The IPO of FDJ was exceptionally successful, both among individuals and among French and international institutional investors. »

Stéphane Pallez
Chief Executive Officer
of the FDJ Group

« The success of Accor Acquisition Company's investment and IPO demonstrates investors' confidence in our ability to add value and the attractiveness of Euronext. »

Amir Nahai
Chief Executive Officer
of Accor Acquisition Company

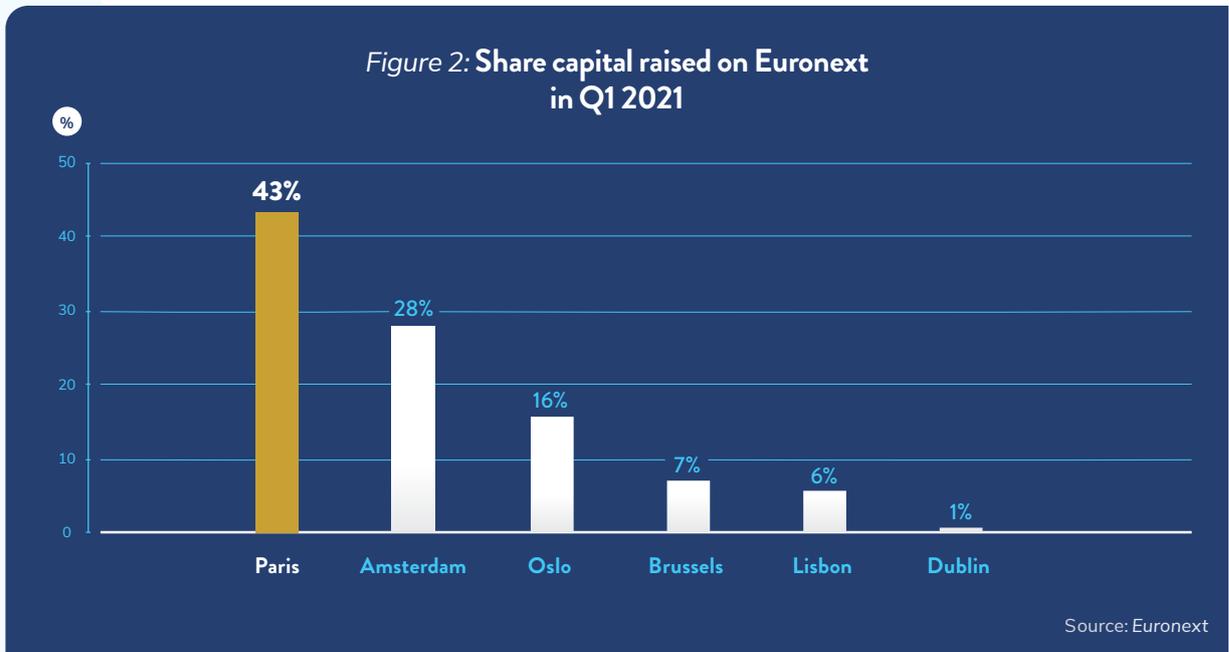


« Listing in Paris is more logical, especially since we have the support of the financial center. Today, Paris offers a pool of interesting investors. I prefer a stock that has visibility in Paris rather than a small company in the US. »

Denis Ladegaillerie
Chief Executive Officer
of Believe



According to Euronext Paris, given the candidates who have already expressed their interest, the new IPOs will be at the highest they have been in many years. Based on the latest available quarterly data, equity capital raised in Paris in the first quarter of 2021 is significantly higher than that obtained by companies on other European financial centers (Figure 2 below).



France's positioning supports Paris EUROPLACE in its strategy of accelerating the development of the Paris Financial Center, particularly on the basis of the main lines of its **recommendations** published in November 2020¹. These included accelerating the flow between private equity and IPOs, developing corner-stone funds to accompany these introductions, strengthening research on SMEs and promoting listed Techs under La French Tech.

¹ Report - "La Bourse comme levier de croissance", published in November 2020 by Paris EUROPLACE at : <https://www.paris-europlace.com/fr/file/3326/download?token=LSQlgaBS>

2. CHOOSING THE PARIS FINANCIAL CENTER

The Paris Financial Center benefits from numerous advantages to support companies in their IPO process:

- The offer of a phase of **dialogue** and exchange, at the time of initial public offerings, with a large pool of specialised investors and historically focused on promoting market financing;
- A high **density** of long-established headquarters of global players (corporations, banks, insurance, etc.)
- The relocation of major international banks is accelerating in Paris (JP Morgan, Morgan Stanley, Goldman Sachs, Citi, Barclays, Standard Chartered, etc.), with the development of their trading activities in the Paris Financial Center, such as the development of the activities of major international investment funds (BlackRock, Citadel, Schroders);
- **Opportunities** for formal or informal contacts with many existing business executives, in particular Tech Clubs;
- The geographically privileged **base** in Europe represented by Paris for an expansion of corporate customers far beyond France.

In addition, companies are benefiting from a much improved environment over the recent past in several respects:

- **An efficient regulator** in the support and services it provides to issuers, in particular with regard to compliance with the timing of the securities issue procedure;
- A proven practice of the European methodology, establishing the pricing **range** for new shares introduced, which contributes to a secure valuation of the market capitalisation of companies coming into the market, unlike in other financial centers where some stocks have undergone corrections that were severe and rapid;
- Significantly lower **costs** of IPOs on Euronext compared to those charged by other operators, for example in the United States (Figure 3 below);
- Tax **reforms** that have resulted in lower corporate, fiscal and wealth taxes. Labour costs also benefited from lower social security charges and easing of labour market regulation.

Figure 3: Cost of an IPO compared to the total transaction cost



Sources: Euronext, Dealogic (moyenne du 1er janvier 2015 au 31 janvier 2021)

3. A FAVOURABLE ECOSYSTEM TO SERVE

THE MOST DYNAMIC COMPANIES

The attractiveness of a financial centre is also measured by its ability to reflect the diversity of its productive fabric. Paris is distinguished by the welcome given to all the economic sectors concerned, and not to a limited number of specialised activities.

In addition:

- Company executives and management receive **support** and advisory services tailored to their company's profile, for example through the PEShare and TechShare training programmes offered by Euronext Paris;
- Paris' positioning is reinforced by an ecosystem of **global** players in the banking, insurance and asset management financial industries in particular. This critical mass is also fuelled by the recognised role of investment funds and family offices, but also of the many facilitators, in particular professional associations, lawyers, consulting firms, statutory auditors and auditors;
- This **large pool** of investors and stakeholders contributes to the mobilisation of abundant and stable available savings, reinforced in this sense by certain tax schedules (SME equity savings, e.g. PEA).

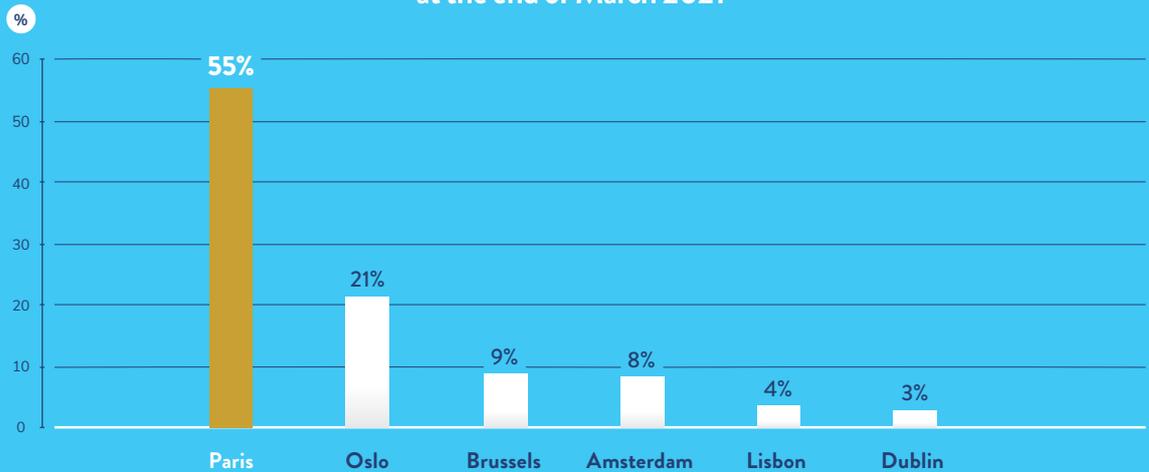
Most recently, following on from the **Tibi report**, the government's goal of raising the target for the capital raised by approved funds for financing technology companies from 20 to 30 billion euros by the end of 2022, will result in a significant increase in the number of companies wishing to take advantage of this support to prolong their growth by entering the financial markets in Paris;

- More broadly, the **liquidity** of the Paris Financial Center is recognised as benefiting from an order book covering Europe on Euronext, characterised by a wide range of players, with complementary strategic profiles and investment horizons. Finally, the Paris Financial Center **ecosystem** can take advantage of the initiatives taken by France in the field of sustainable finance in recent years, particularly since the *Paris 2015 Accord*. This reference,

now established worldwide, allows synergies to emerge between issuers, rating agencies, platforms and investors.

Ultimately, the ability of the Paris Financial Center to attract companies to the markets is reflected in Paris' positioning within Euronext in terms of the number of listed companies, and particularly among SMEs (Figures 4 and 5 below).

Figure 4: Breakdown of companies listed on Euronext at the end of March 2021



Source: Euronext

Figure 5: Breakdown of SMEs listed on Euronext as of 31 March 2021



Source: Euronext

4. REGULATION THAT IS ADAPTED TO MARKET DEVELOPMENTS

The ability of economies to rebound rapidly after the public health crisis highlights the decisive role of the financial industry. At the same time, the United Kingdom's exit from the European Union last January and the UK authorities' reflections on financial regulation have highlighted the urgency of maintaining a **stable, predictable and competitive regulatory environment** across countries, including outside Europe. From this point of view, favourable developments have taken place in France over the recent past, both in terms of **market regulation** and many of the approaches taken by the regulator itself.

The elements that enhance the **attractiveness** of the Paris Financial Center can be summarised in the following four points.

- **Simplified** rules, guarantee of quality:

EU law is applicable in all jurisdictions of the twenty-seven member states and no cases of overtransposition have been identified in France: The Autorité des marchés financiers (AMF) systematically ensures that no additional requirements are added to the European rule, which has resulted in a simplification of the law and a reduction of the obligations for the Paris Financial Center.

- Financial regulation assessed and **adjusted** to improve its application:

The AMF has explicitly provided for flexibility in its strategic plan. It proposes to assess the consequences of the new rules on the functioning of markets, the financing of the economy, the protection of savings, but also in terms of their impact on relations with third countries and the competitiveness of European markets, by making adjustments, where appropriate, at the national level or with its European partners.

- **Dialogue** with stakeholders to facilitate access to the law:

Unlike other European countries, the AMF has for several years organised the launch of public consultations and the publication of educational guides that help market participants **understand** the standard, thereby increasing the predictability of the law and the security it offers.

- A regulator **attentive** to the needs of the Paris Financial Center:
The AMF exchanges within deadlines that have been considered by the professionals interviewed to be particularly effective, and in English as much as necessary, in order to make Paris a benchmark financial center in Europe. Documents may also be published in English when requested by issuers.

Finally, a number of technical provisions confirm the opening of the Paris Financial Center and the availability of authorities to incorporate some of the recent techniques of financial innovation into appropriate regulation.

5. AN ATTRACTIVE ENVIRONMENT FOR FINANCIAL INNOVATION

The abundance of global liquidity and the renewed interest of investors (particularly individuals, notably those representing younger generations) in the stock market helped to fuel an appetite for fast-growing SPACs in the United States. Europe is seeing the listing of such structures increase, particularly in Paris.

The AMF reaffirmed the flexibility of the regulatory environment for listing SPACs, without neglecting the necessary investor protection. As a result, the attractiveness of the Paris Financial Center can rely on the following points.

a) A **range** of financing tools, asset classes and diversified companies:

- **Preferred** shares make it possible to differentiate the shares subscribed by the founders or sponsors of a company from those offered to other investors;
- **Redeemable** preferred shares give investors the opportunity to redeem their shares if they do not wish to remain shareholders;
- BSA **warrants** give investors the right to acquire shares at a later date at a predetermined price to take advantage of a company's potential success;
- BSA issues and capital increases **reserved** for certain investors may be used to raise additional funds necessary for other acquisitions.

b) **Security** for companies and investors:

- Investors are provided with comprehensive and understandable **information**, including information on the industry, risk factors and governance;
- Pending acquisitions, a SPAC may **sequester** funds raised at initial public offerings with leading institutions;
- Investors may be **reimbursed** if the proposed acquisition does not take place.

PARIS FINANCIAL CENTER
FRENCH TECH AND SUSTAINABILITY ECOSYSTEM

← LARGE CAPS →

← MID CAPS →

← SMALL CAPS →

INITIATIVES

INVESTORS

75+ INVESTORS specialized in TECH AND SUSTAINABILITY

Non-listed companies

Source: Companies



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