

Press Release

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« Issuers: The Choice of Paris »

Report of Paris EUROPLACE's Working Group

On the attractiveness of the Paris Financial Center for Issuers

Augustin de Romanet, Chairman & CEO of ADP, Chairman of Paris EUROPLACE, Xavier Girre, Senior Executive Vice-President, Finance, EDF Group, Chairman of Paris EUROPLACE's Corporate Issuers' Committee, and Philippe Henry, former Head of HSBC Global Banking in Europe, Middle-East & Africa, rapporteur, presented to the press the report of Paris EUROPLACE's Working Group on the attractiveness of the Paris Financial Center for Issuers.

The Working Group was set up last April by Paris EUROPLACE's Corporate Issuers' Committee in a context marked by the need to accelerate the recovery of economic activity and employment and to support the resumption of IPOs on the Paris Stock Exchange.

The Working Group has been run by Philippe Henry and coordinated by Paris EUROPLACE. It interviewed approximately fifty experts from the Paris Financial Center to perform a situational analysis and propose recommendations regarding the attractiveness of Paris for Issuers. Emphasis was placed on IPOs, financial innovation - notably on SPACs (*Special Purpose Acquisition Companies*) – and on the establishment of corporate headquarters.

Experts interviewed underscored the very positive evolution of the ecosystem of the Paris Financial Center over the past five years as well as the strengths that Paris has when it comes to attracting issuers:

- **A sharp rise in IPOs in recent months**, namely with those of HRS, Believe, Affluent Medical and Aramis as well as Colis Privé, Ogury, GreenYellow and OVH which are due soon. In Q1 2021, Paris accounted for 43% of the capital raised on Euronext, versus 28% for Amsterdam. In total since the beginning of 2021, over 1.4 bn€ were raised in Paris in 23 transactions (incl. 10 IPOs and 13 capital increases). The market cap of the companies that carried out an IPO over the period amounts to over 7 bn€. And by 2025, an additional 20 to 30 IPOs could be launched by French Tech companies.
- **Comparison criteria - presence of leading investors, the diversity, breadth and depth of the listed market (many companies with a significant float), efficient regulatory authorities which act expeditiously: all these assets make Paris a place of choice for listing in Europe:**

- The combined market capitalization of Euronext (6 trillion euros at the end of March 2021) has exceeded that of London (3.7 trillion) and Frankfurt (2.4 trillion), particularly since the acquisition of the Oslo and Milan stock exchanges;
- Paris is home to 55% of companies listed on Euronext, versus 21% for Oslo, 9% for Brussels and 8% for Amsterdam;
- 5,400 institutional investors from 63 countries trade in Paris - nearly half of them (48%) are American;
- **A full ecosystem - investors, banks and intermediaries, regulatory authorities – particularly geared to list Tech and fast-growing companies:** the cost of an IPO is significantly lower on Euronext (3.4% of the transaction cost) than on the New York Stock Exchange (5.7%) and on Nasdaq (6.3%);
- **Competence, efficiency and openness towards innovation of regulatory authorities;**
- **An attractive environment for the promotion of innovation, including to list SPACs** (Mediawan, 2MXOrganic, and in June 2021 Accor Acquisition Company, Transition and DEE Tech) as presented by an AMF (Autorité des Marchés Financiers, Financial markets authority) document dated April 15 and to the security of investments.

Based on the findings of the interviews, the Working Group has made four sets of recommendations to further strengthen the attractiveness of the Paris Financial Center for issuers:

- **Strengthen the position of investors in growth stocks on the Paris marketplace,** whose role is essential: in particular, bolster cornerstone funds (with cornerstone investors who commit in advance to invest) and crossover funds (which support fast-growing companies over time), encourage institutional investors – insurance companies, banks, pension funds, asset management companies – to participate more actively in IPOs, ensure that the commitments of Tibi funds to invest in the Paris Financial Center’s technology companies – whether listed or unlisted – are met and accelerate developments in employees’ shareholding.
- **Expand ESG (Environmental, Social, Governance) investments in the Paris Financial Center for the benefit of issuers:** sustainable finance in Europe accounted for 7% of outstandings in 2020 (twice as much as in 2018) and 42% of net flows (vs 20% in 2018) in equities. In its report, the Working Group recommends that the Investors’ and Issuers’ Committees of Paris-EUROPLACE design measures to make the framework of European non-financial reporting efficient. Moreover, goldplating in France must be avoided.
- **Enhance the attractiveness of the regulatory and tax framework of the Paris Financial Center. Regarding tax,** a recommendation is the deductibility of IPO and capital increase expenses. Furthermore, the report once again states that greater tax stability is absolutely necessary in order to preserve the attractiveness of Paris and to ensure that France is comparable in terms of corporate income tax rate with other European countries over time.

Regarding corporate law, the report advocates the launch of a European-style *Small Business Act* in order to alleviate the obligations that bear upon small companies, whether they are listed or not, especially as far as the composition of Boards of Directors and the publication of compensation-related information are concerned. In conjunction with AMF and HCJP (Haut Comité Juridique de Place, Legal High Committee for financial markets of Paris), another recommendation consists in considering the authorization of preference shares with multiple voting rights. The report also advocates the acceleration of the digitization of corporate law in order to make for smoother and more efficient relations between issuers and shareholders.

Regarding stock exchange law, in order to expedite IPOs under certain circumstances, the report recommends that issuers who wish to do so could be allowed to undertake an IPO without having to offer a tranche to retail investors at large or at least to be able to close such transactions earlier.

- **Internationally capitalize on the many recent reforms of the Paris Financial Center and its positioning in listed tech companies.** The measures recommended are particularly aimed at accelerating investments in listed Tech companies in keeping with French Tech campaigns and extending the role of Paris EUROPLACE in the international promotion of the Paris Financial Center.