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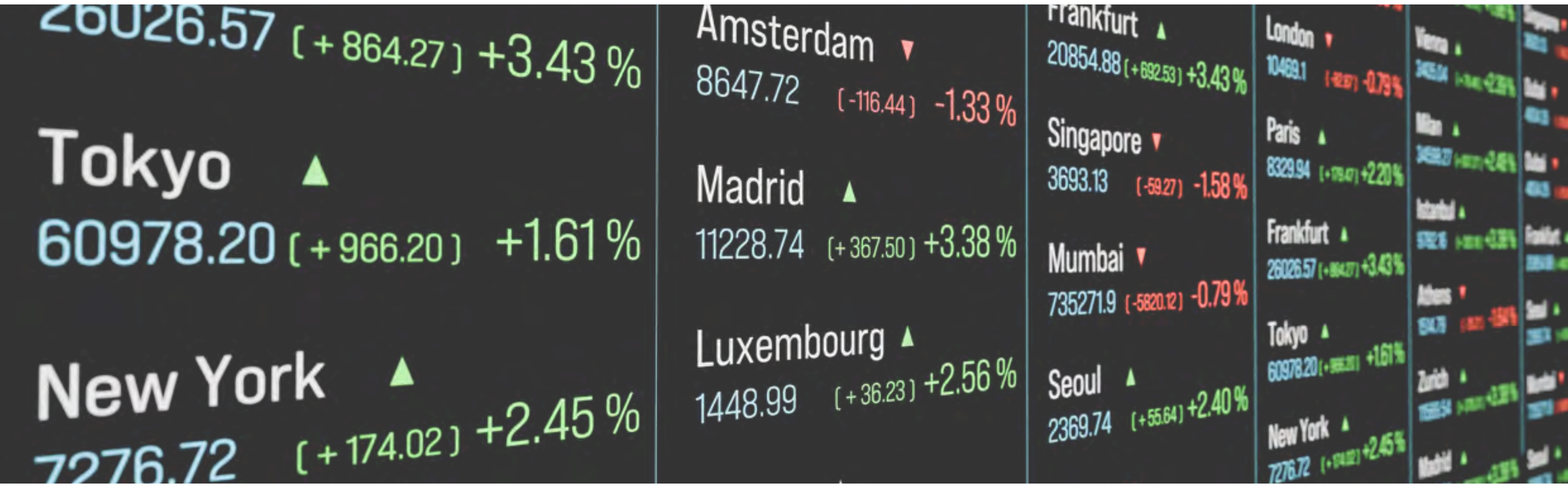
Press release



Europe's IPO problem starts before the stock exchange: New study calls for deeper markets, more investment and larger listings in Europe

Europe is losing the IPO race. While the US has recently seen prominent listings, Europe has produced few comparable IPOs. Its companies are also going public at too small a size. The number of new companies listing in Europe is well behind that of the US and their value has dropped significantly over the last decade. Europe faces a 'scale-up gap': while it produces many innovative startups, they struggle to grow across Europe and access capital as they enter the crucial growth phase. Strong public equity markets are key because they provide additional capital to promising firms and an 'exit' for venture capital and private equity investors.

The new study 'How to revive Europe's stock market listings' co-authored by the Centre for European Reform, the Jacques Delors Centre and the Bertelsmann Stiftung, lays out how Europe could revive its equity markets. Europe's companies are going public too small. Between 2014-2025, 72 per cent of European listings issued shares with a value below €100 million, compared with 49 per cent in the US. And only 12 per cent achieve a market capitalisation of at least €1 billion at the time of their initial public offering (IPO), compared with 29 per cent in the US.

Rather than relying on shortcuts such as lowering listing requirements or creating a single European exchange, the EU and its member-states should focus on three areas:

- Putting Europe's savings to work. Pension reform and greater retail investment should shift more household wealth into equities. Deeper capital pools would improve valuations and liquidity, providing more funding for companies to scale.

- Reducing fragmentation to encourage the market-driven integration of stock markets across Europe, improving their liquidity and efficiency. This will then help attract and retain larger listings. Policy-makers should consider a new pan-European growth market for promising, young companies.

- Facilitating a stronger pipeline of firms ready to list in Europe. That means completing the single market to ensure companies grow in Europe, expanding late-stage growth capital and creating incentives for larger, higher-quality IPOs.

As European leaders reconvene this autumn to discuss Europe's economic competitiveness and sovereignty, reviving Europe's IPO market should be part of the answer. Europe needs to complete the innovation flywheel: from founding, to scaling, to listing, and back to funding the companies that come next.

James Green, Research Fellow at the Centre for European Reform in Brussels and co-author of the report, said: *"Talent and training may be the foundation for innovation, but a healthy risk-capital ecosystem is its fuel. As policy-makers work to strengthen Europe's tech ecosystem, which is vital for its competitiveness and sovereignty, they cannot forget a major piece of the puzzle: well-functioning public equity markets."*

Marlene Schörner, Policy Fellow for EU Financial Markets at the Jacques Delors Centre in Berlin and co-author of the report, said: *"Trying to forcibly create a pan-European stock exchange to overcome fragmentation and pool liquidity is tempting but would be putting the cart before the horse. The root of the problem is the fragmented regulatory environment and associated infrastructure barriers that make cross-border trading costly."*

Claudia-Dominique Geiser, Senior Expert on EU Economic Policy and co-author of the report, explained: *"To improve European public equity markets, it is important to get the diagnosis right: Europe's companies reach public markets too small. Incentivising more listings and lowering listing requirements will not necessarily generate more liquidity and attract institutional investors. Europe needs to help its firms grow first."*

The study shows that Europe does not primarily have an IPO problem. It has a scale-up problem that becomes visible on the stock exchange.

Notes for editors:
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