



**London**  
Stock Exchange Group

## *Performance CFO*

# I mercati dei capitali europei come opportunità di crescita per le imprese

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Primary Markets  
London Stock Exchange Group



# Contents

1. Macroeconomic Environment
2. Which Lessons from the crisis?
3. The London Stock Exchange Group's markets: global competitive benchmarking



## London Stock Exchange Group - European leadership

The London Stock Exchange merger with Borsa Italiana, creating Europe's leading equity platform.

- #1 in Europe by market capitalization (over 47% of FTSEurofirst 100)
- #1 in Europe by no. of listed companies (over 3300 companies)
- #1 in Europe in wholesale / retail electronic bond trading
- #1 in Europe by value of order book shares trades
- #1 in Europe by no. of order book shares trades
- #1 in Europe for electronic trading of ETFs





## AIM Italia - “The road to growth”

AIM Italia is the Italian SME-dedicated market built on the global success of AIM

- Launched December 1<sup>st</sup> 2008
- First companies listing 8<sup>th</sup> April
- First joiner: a Greek company (Neurosoft)
- Nearly 10 Local Nomads already active
- Over 20 trading members active
- The largest SME potential in Europe

**AIM Italia**

BORSA

Da sempre offriamo alle imprese nuove opportunità per crescere.  
Da oggi con AIM Italia ancora di più.

Dall'incontro di Borsa Italiana e London Stock Exchange, nasce AIM Italia.  
Un grande mercato per le imprese leader di domani.

[www.borsaitaliana.it/aimitalia](http://www.borsaitaliana.it/aimitalia)  
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**Borsa Italiana**  
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Macroeconomic Environment



## The origin of the Crisis

The current economic and financial crisis - usually associated with the US subprime mortgage market, dated back August 2007 - is the consequence of several causes:

- failures by policymakers
- global macroeconomic imbalances
- distortions in the functioning of banks and markets
- gaps in financial regulation, supervision and control

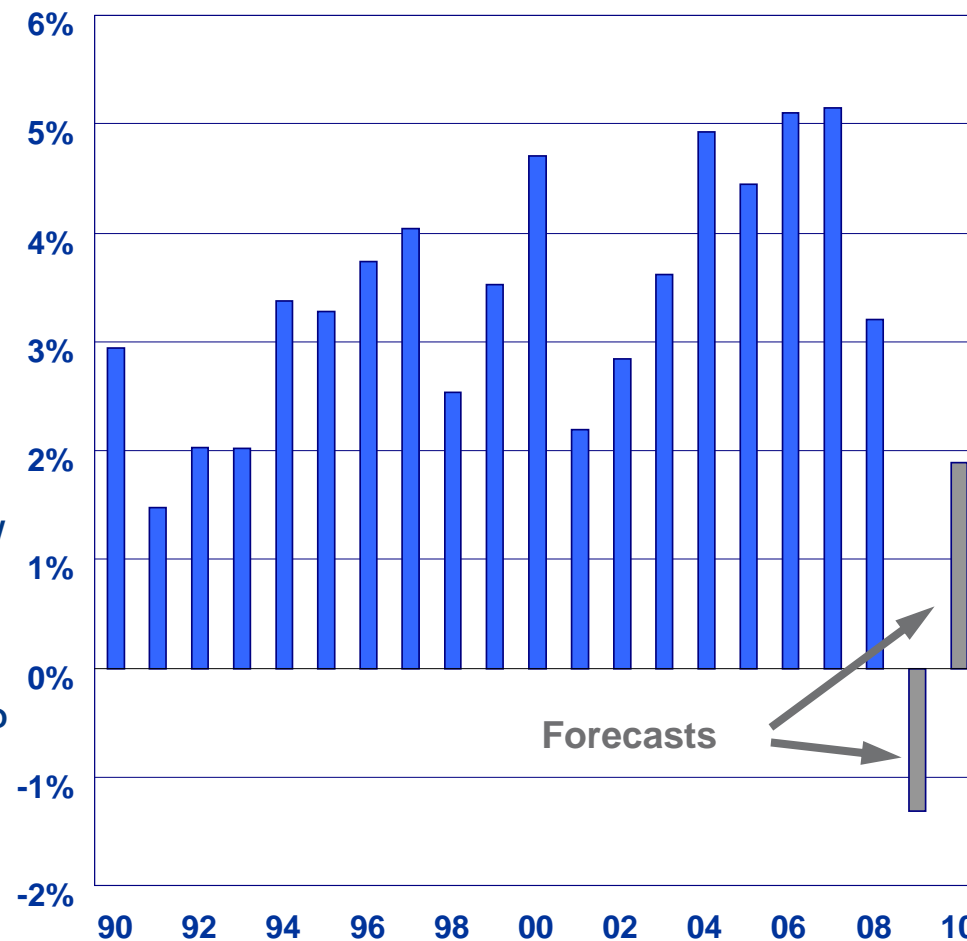


## Current Economic Environment (I)

The effect of financial crisis on the real economy has been severe and we are now experiencing the worst recession in more than 70 years.

The world output is expected to contract by as much as 1.3% this year. The recession is deeper for advanced economies, whose GDP is expected to fall by -4.8%.

World GDP, yearly percentage growth

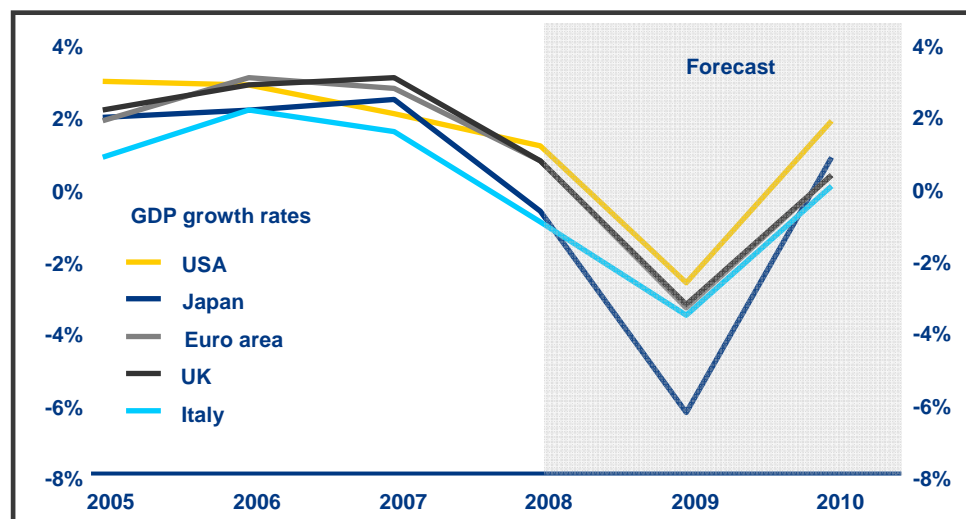




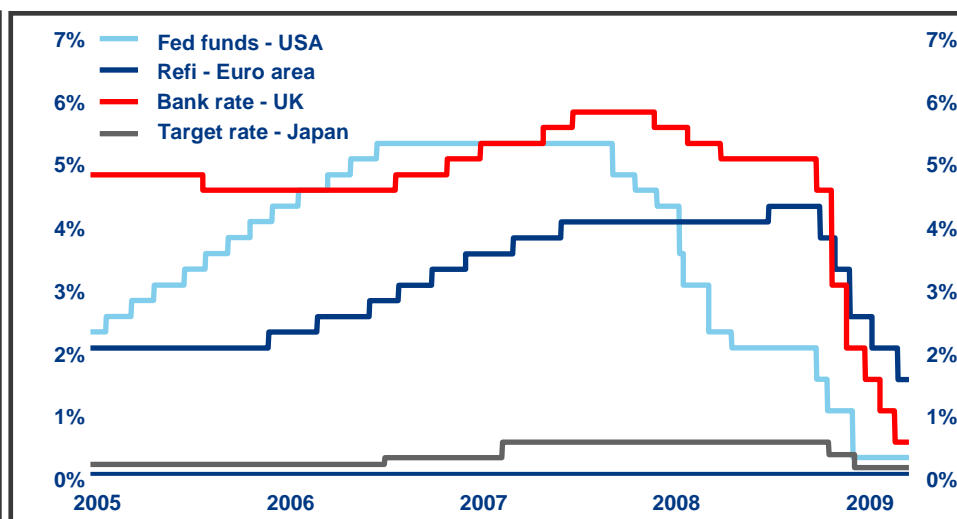
## Current Economic Environment (II)

- Companies are reducing inventories and installed capacity
- Capital expenditure has contracted
- Unemployment is rapidly increasing
- Households are reducing consumption and increasing their propensity to save

GDP rate



Inflation rate





## The effect on the Banking System and Financial Markets

Banks were most affected by the crisis. The loss of value of many financial instruments in their balance sheet called for large devaluations and the need of capital injections to re-establish sound capital ratios.

Confidence in the stability of banks was dented and it will take time to be restored.

Some markets, credit derivatives and mortgage-backed securities traded OTC, have stopped functioning and liquidity dried up.



## The Outlook for the Economy and Financial Markets

The working of financial markets has returned to more normal conditions thanks to massive interventions by public authorities:

- Central Banks provided huge amounts of liquidity to financial institutions
- Treasuries injected large amount of public funds in banks' capital
- Fiscal policy supported firms and households through increase in spending

In the last few months we have observed encouraging evidence that the worst might be already behind us. This nonetheless, the recovery will occur at a very slow pace and not before 2010.



Which Lessons from the crisis?



## Which Lessons from the Crisis?

There are certainly many lessons that should be learned from this difficult experience. Three are more directly linked to the functioning of regulated Exchanges:

- The importance of liquidity and transparency
- The importance equity capital versus debt: re-equitisation
- The importance of risk management and post-trading services



## Regulated Exchanges - Liquidity and Transparency

The development and transmission of the crisis is strongly linked to the opaqueness of some OTC markets and securities. As confidence deteriorated and risk aversion soared liquidity in OTC securities disappeared exacerbating the depth of the crisis. This meant that was not possible to get a reliable price for many assets.

Even during the most acute period of turbulence of financial markets, regulated exchanges kept performing their role and provided liquidity to companies and investors.



## Regulated Exchanges - Re-equitisation

After a period in which very low interest rates and innovations in the banking system led to an artificially low cost of debt, companies are now returning to equity markets and strengthening their balance sheets.

If IPO activity remains subdued, money raised by already listed company is at record levels. In the first half of this year:

- €14.8 billion was raised by further issues on companies listed on Borsa Italiana;
- £40 billion was raised on LSE markets, almost doubling the amount raised in the same period of 2008 (a total of £118 billion since Jan 2008).



## Regulated Exchanges - Risk Management and Post-Trading

Public authorities across countries now see as crucial the (usually overlooked) service performed by clearing houses as Central Counterparty in increasing operational efficiency and achieving better risk management.

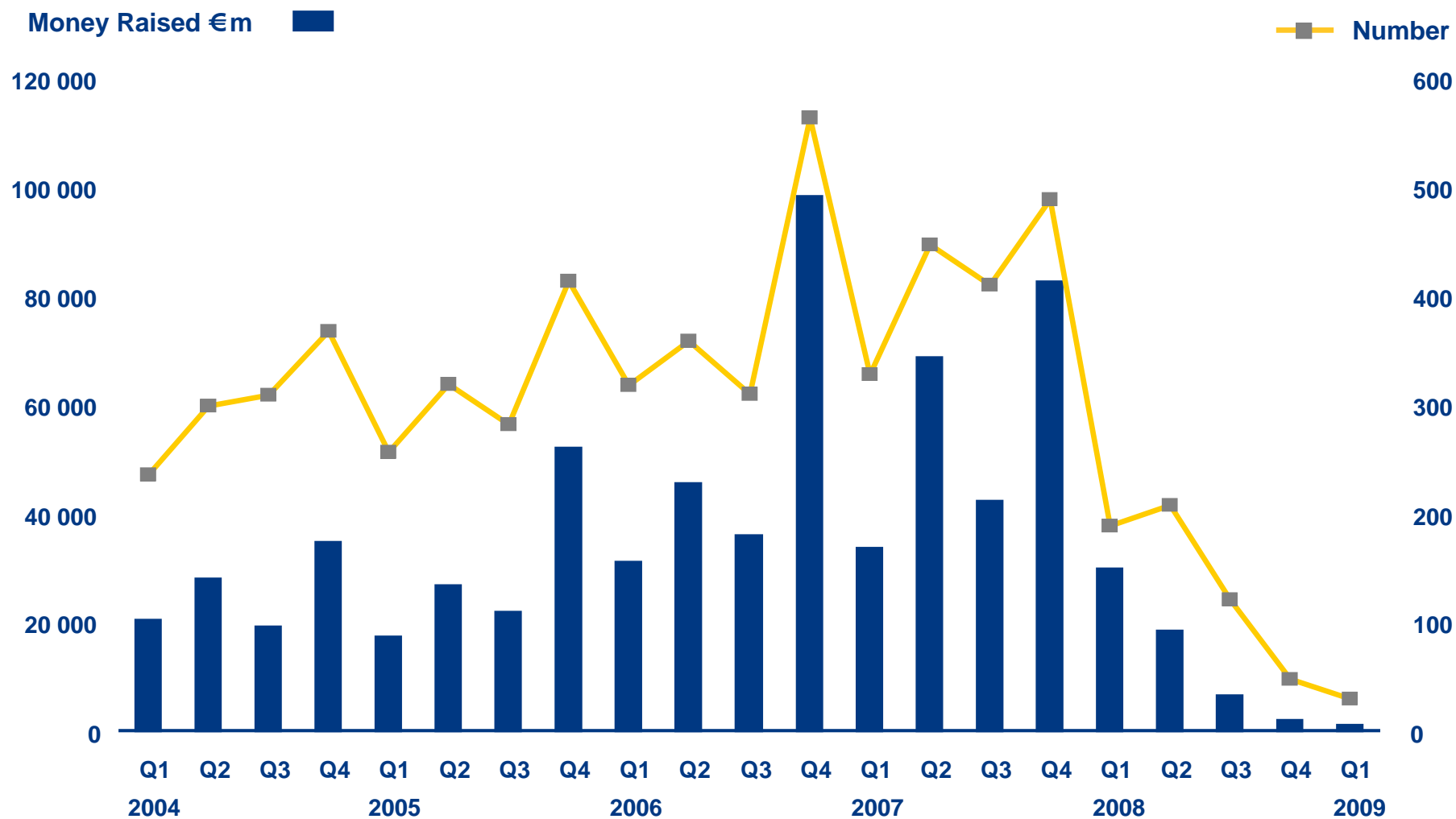
This further demonstrates the value of the service provided by regulated exchange



# LSEG's markets: Global Competitive Benchmarking



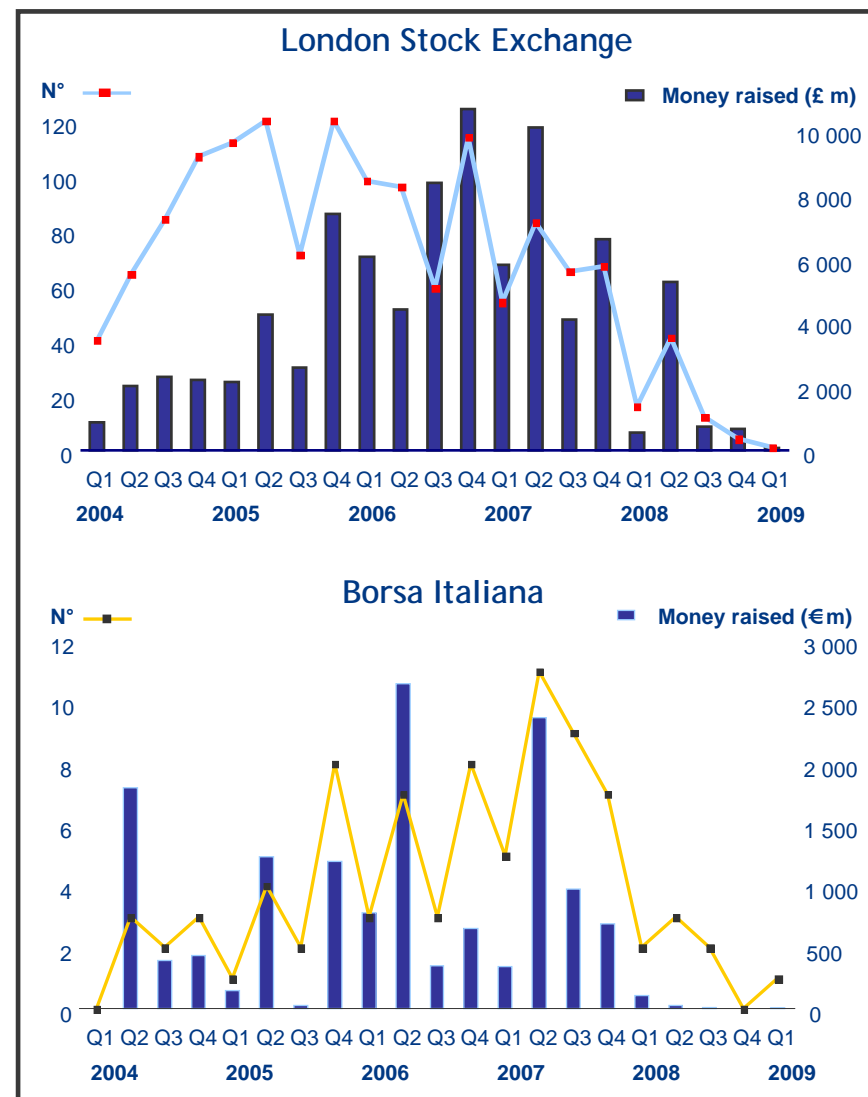
# Global Trend by Quarter





# IPO Number and Money Raised on LSEG

Number and Money Raised (m)	2007	2008	Q4 2008	Q1 2009
London Stock Exchange	269 £26 510	73 £7 216	4 £665	1 £3
UK Main Market	51 £7 391	23 £3 110	3 £663	1 £3
International Main Market	31 £11 512	9 £2 940	- -	- -
AIM	182 £6 262	38 £ 917	1 £2	- -
PSM	5 £1 345	2 £194	- -	- -
SFM	-	1 £55	- -	- -
<hr/>				
Borsa Italiana	32 €4 392	7 €143	- -	1 €8
MTA	16 €3 673	1 €56	- -	- -
Expandi	11 €569	4 €26	- -	- -
Investment Companies (MTF)	2 €131	1 €50	- -	- -
AIM Italia	-	-	-	-
MAC	3 €20	1 €11	- -	1 €8

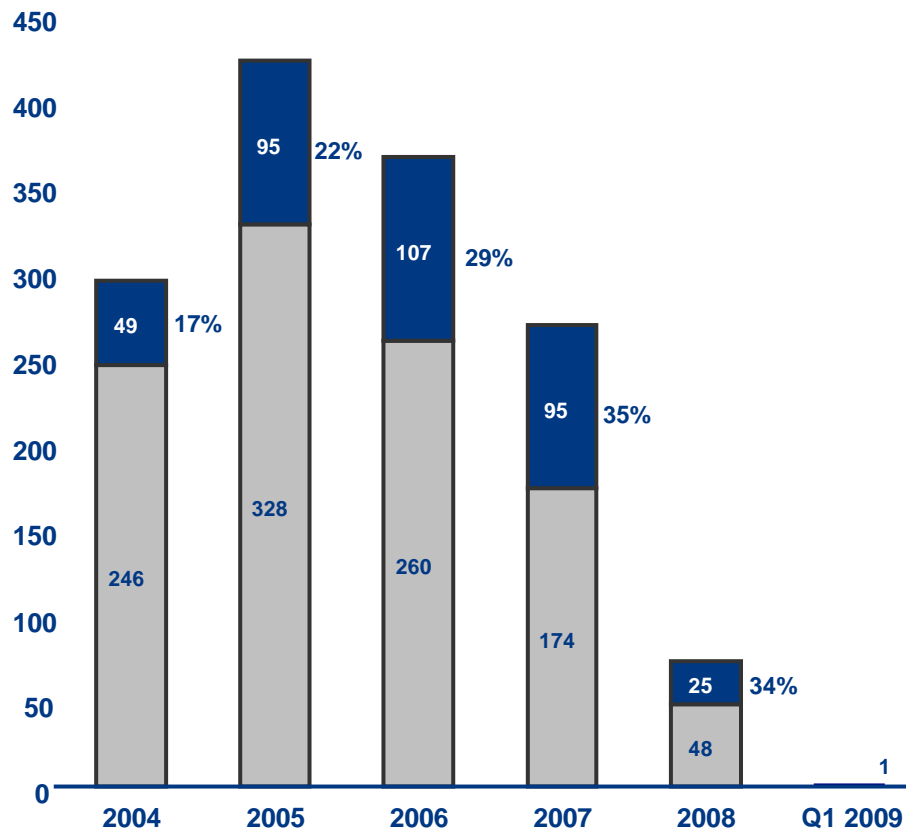




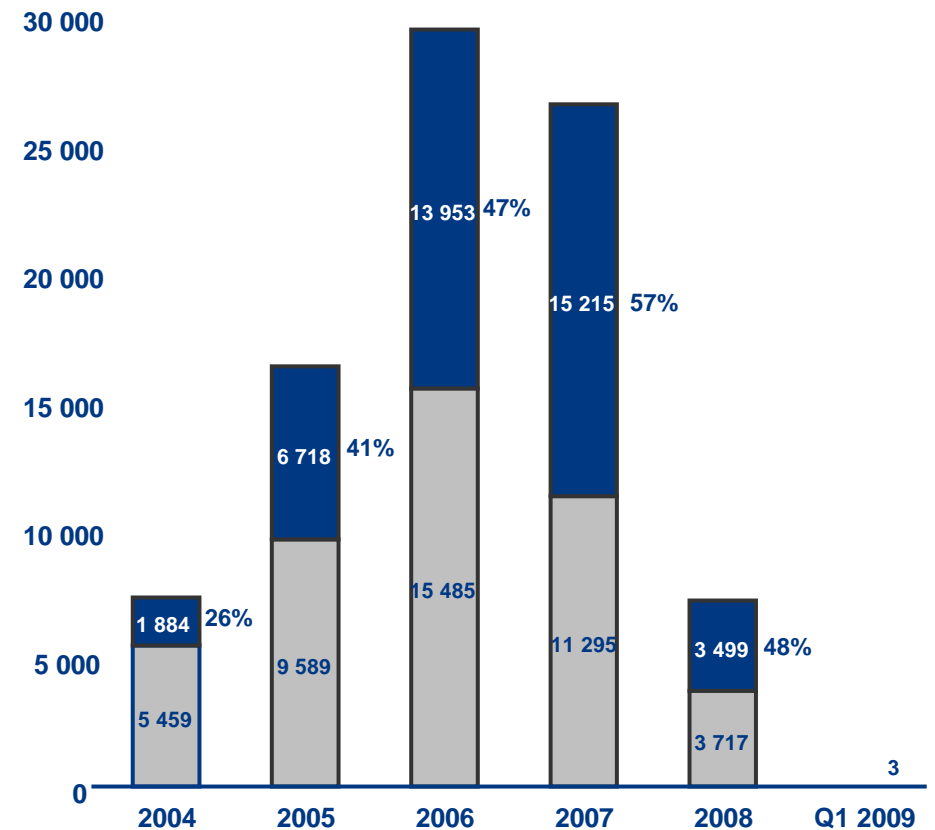
# Domestic and Foreign IPOs on LSEG

Foreign  Domestic 

Number

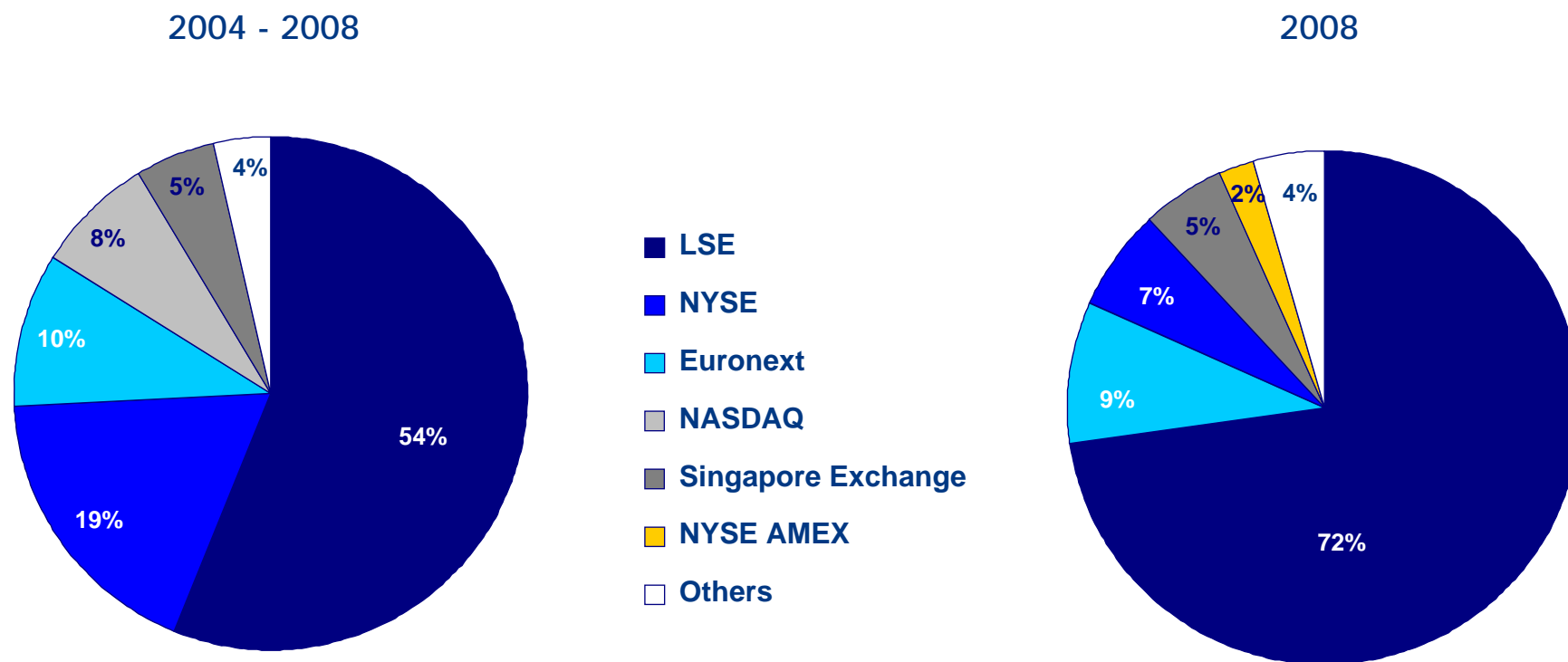


Money Raised (£ m)



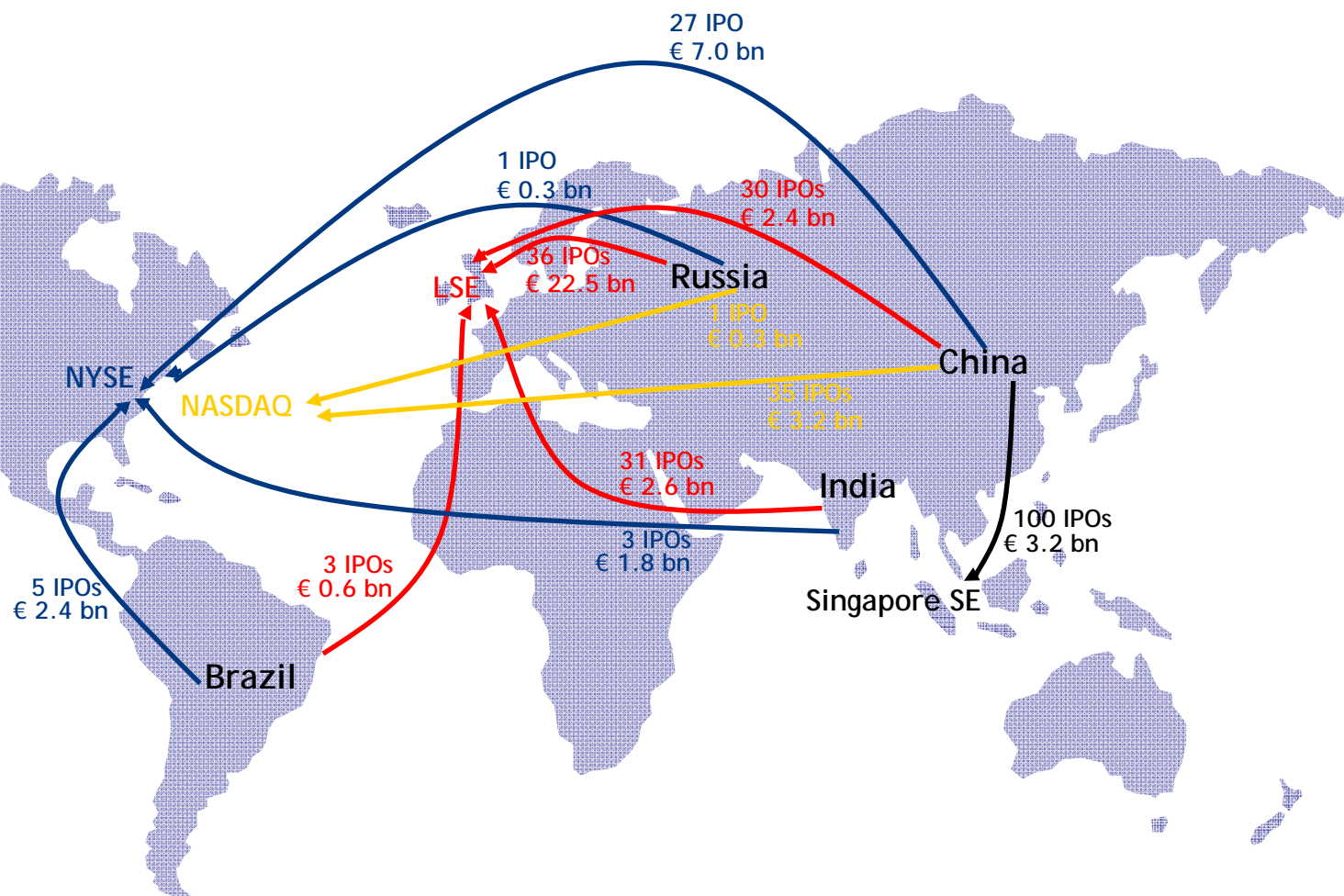


## Market Share in International IPOs by Money Raised





## Listing of BRICs Companies abroad (2004-2008)

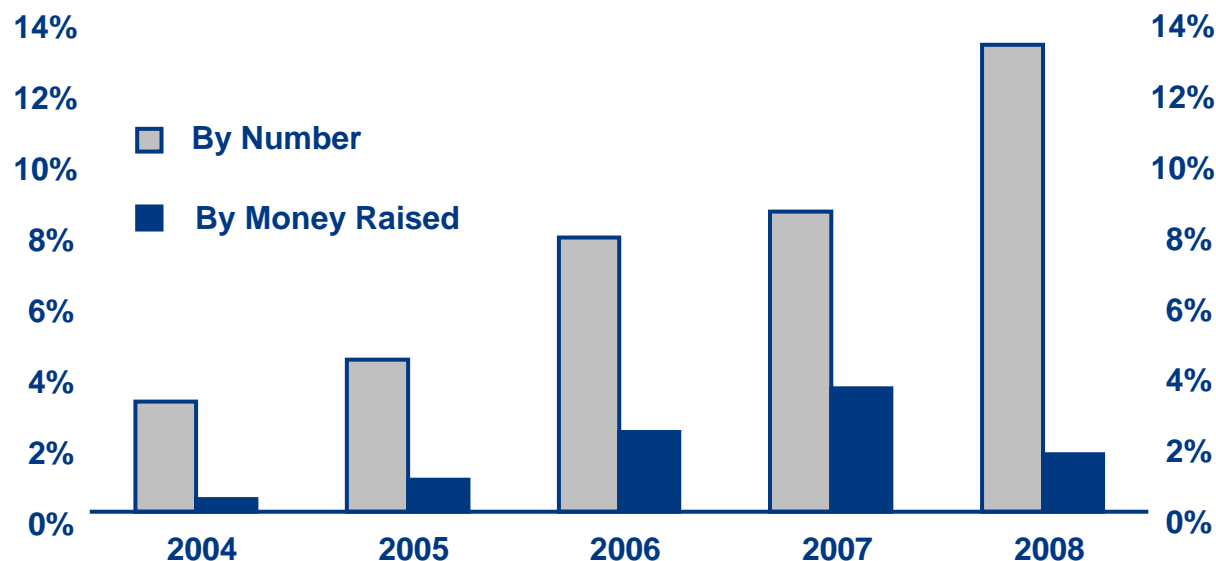


Figures exclude the listing of closed-end funds and REITs; IPOs are defined as domestic or foreign according to their Country of Origin  
NYSE, NASDAQ, LSE and Singapore Exchange account for 91% by number and 99% by money raised by BRICs companies  
Source: LSEG - R&D analysis on LSEG and Dealogic



# Attractiveness of LSE for US Companies

US companies IPOs on LSE as % of US domestic IPOs



*“U.S. companies have recently begun to do their own IPOs abroad. This is remarkable for two reasons. First, it is relatively rare for any company, particularly one from a developed market, to do its IPO only abroad. Second, the SEC’s Regulation S prevents U.S. resident investors (which mainly affects retail investors who have no presence abroad) from participating in the primary offering or from trading the shares for two years. Thus, the movement of U.S. IPOs abroad is an important indicator of the unattractiveness of the U.S. market”*

The Competitive Position of the US Public Equity Market, December 2007  
Committee on Capital Markets Regulation

US IPOs on LSE

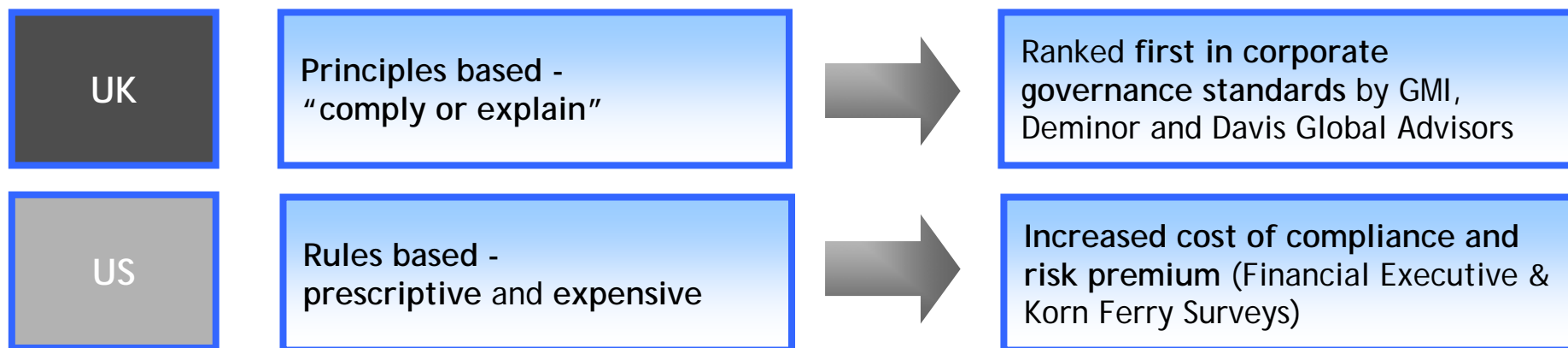
	2004	2005	2006	2007	2008
Number	6	8	15	19	5
Money Raised €m	106	239	658	1 311	303

From 2004 to 2008, 5 UK companies did an IPO in the US:

- 2 on NASDAQ, raising €106 million
- 3 on NYSE, raising €351 million

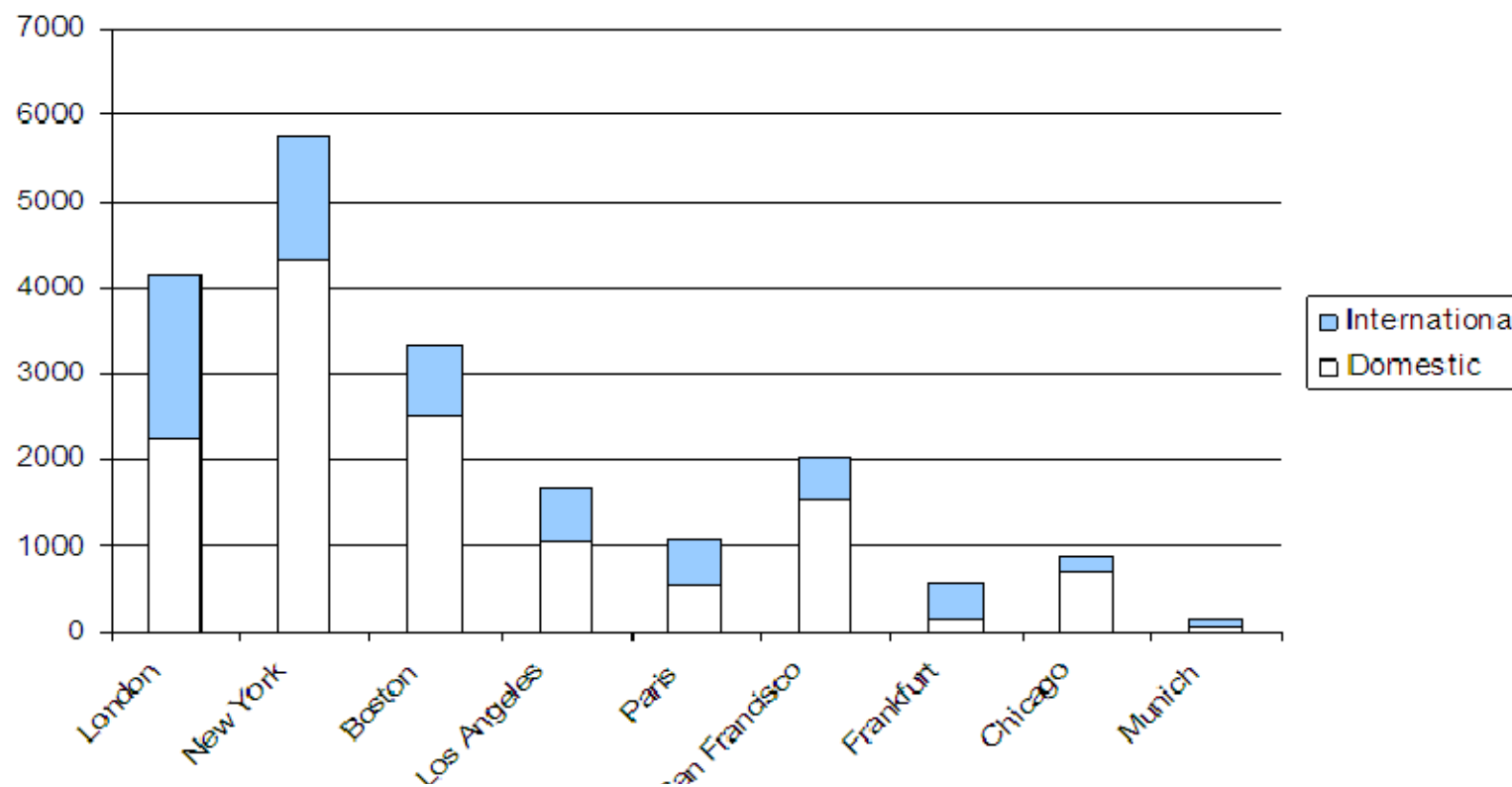


## An intelligent approach to regulation





## More international equity assets under management



Equity assets under management by centre. In US\$ billions

London has a far bigger international presence and weight. 45% of equity assets under management are invested in international markets (Source: IPREO 2007)



Conclusions



## Conclusions

- The effect of financial crisis on the real economy has been severe and we are now experiencing the worst recession in more than 70 years
- Even during the most acute period of turbulence of financial markets, regulated exchanges provided liquidity to companies and investors
- As market conditions will improve, companies are likely to return to equity markets and strengthening their balance sheets
- The London Stock Exchange Group is well positioned to be the equity platform of choice for international companies



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