About the research

The Future of Equity Capital Raising: How Private Capital is Reshaping Public Markets was commissioned by Baker McKenzie and researched and produced by Thought Leadership Consulting (TLC), the thematic research division of Euromoney Institutional Investor PLC.

During the period of December 5 to December 20, 2018, TLC surveyed 353 senior executives from across management roles, private and public companies, industry sectors and geographies.

Most of the respondents were Chief Financial Officers (23%), Chief Investment Officers (18%) and Finance Directors (16%). Other respondents composed Heads of Investor Relations (15%), General Counsel (11%), and Treasurers (10%).

In total, 200 (57%) executives from private companies and 153 (46%) executives from public companies participated in the survey.

Companies participating in the survey came from six industry sectors: consumer goods and retail (21%); financial services (18%); Technology (18%); Industrials and manufacturing (17%); Healthcare (14%); Energy, mining and infrastructure (13%).

By region, most executives worked for companies headquartered in Asia (30%) and Europe (30%), followed by North America (25%) and Latin America (15%).

In addition, in-depth interviews with 12 capital markets experts were conducted throughout January, February and March, 2019.
Experts interviewed and contributors

ADAM FARLOW  
Head of EMEA Capital Markets  
Baker McKenzie

DOUG ADAMS  
Co-Head of US Equity Capital Markets  
Citi

ALAIN BAETENS  
Head of Large-Cap Listings  
Euronext

IVY WONG  
Partner  
Baker McKenzie

ASHOK LALWANI  
Partner  
Baker McKenzie

JACKIE LO  
Partner  
Baker McKenzie

CHEW SUTAT  
Executive Vice President,  
Head of Equities and Fixed Income  
Singapore Exchange (SGX)

KOEN VANHAERENTS  
Head of Global Capital Markets  
Baker McKenzie

CLIVE DE LARRABEITI  
Director, Corporate Finance Adviser  
Pineapple Power Corporation

NEIL MITCHELL  
Head of Equity Capital Markets EMEA  
Credit Suisse

CHRISTOPHER BARTOLI  
Head of US Capital Markets  
Baker McKenzie

RICHARD TAYLOR  
Head of Corporate Finance and Capital Markets Ex-China  
CLSA

CRAIG COBEN  
Vice Chairman of  
Global Capital Markets  
Bank of America Merrill Lynch

SAMUEL LOSADA BORRAJO  
Head of Equity Capital Markets EMEA  
Bank of America Merrill Lynch

Contact Baker McKenzie’s Global Capital Markets Team:

Brussels  
Koen.Vanhaerents@bakermckenzie.com  
+32 2639 3769

London  
Adam.Farlow@bakermckenzie.com  
+44 207 919 1514

Chicago  
Christopher.Bartoli@bakermckenzie.com  
+1 (312) 861-8676

Lima  
Pablo.Berkholtz@bakermckenzie.com  
+51 11618 8508

Hong Kong  
Ivy.Wong@bakermckenzie.com  
+852 2846 2357

Beijing  
Jackie.Lo@bakermckenzie.com  
+86 10 6535 3838

Singapore  
Ashok.Lalwani@bakermckenzie.com  
+65 6434 2684
Survey results

Q1. What are your company’s main sources of long-term capital? (Select up to three)

- Debt capital markets: 44%
- Equity capital markets: 37%
- Bank loans/debt: 36%
- Private equity (general partner) fund investment: 35%
- Crowdfunded equity capital: 33%
- Corporate venture capital investment: 30%
- Venture capital fund investment: 30%
- Private capital investment (incl. owner family, family office or SWF): 28%

All respondents

Q2. Over the next five years the overall volume of equity capital raised on public and private markets will:

- Significantly increase: 23%
- Moderately increase: 53%
- Stay the same: 58%
- Moderately decrease: 29%
- Significantly decrease: 9%

All respondents

Q3. In your opinion, is the appetite for IPOs among companies increasing or decreasing?

- Increasing: 42%
- No change: 50%
- Decreasing: 8%

All respondents

Q4. Do you believe a shift – specifically from public to private markets – is underway in where companies source equity capital?

- Yes, but it is only temporary: 53%
- Yes, we are at the beginning of a long-term trend: 31%
- No, but this could happen in the future: 10%
- No, I expect public markets to remain dominant: 5%
- Don’t know: 1%

All respondents
Q5. From which countries has your company preferred to raise or attract capital from in the past, and from which countries is your company planning to in the future? (List up to three)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total score past</th>
<th>Total score future</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>491</td>
<td>503</td>
</tr>
<tr>
<td>Brazil</td>
<td>173</td>
<td>201</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>196</td>
<td>190</td>
</tr>
<tr>
<td>Canada</td>
<td>99</td>
<td>124</td>
</tr>
<tr>
<td>China</td>
<td>94</td>
<td>111</td>
</tr>
<tr>
<td>France</td>
<td>91</td>
<td>92</td>
</tr>
<tr>
<td>Germany</td>
<td>58</td>
<td>85</td>
</tr>
<tr>
<td>Singapore</td>
<td>57</td>
<td>72</td>
</tr>
<tr>
<td>India</td>
<td>75</td>
<td>69</td>
</tr>
<tr>
<td>Japan</td>
<td>57</td>
<td>61</td>
</tr>
</tbody>
</table>

All respondents. Scores were awarded by order of preference (First = 4 points; Second = 3 points; Third = 2 points) and then aggregated for each country to produce the ranking.

Q6. What are the most important factors for a company when choosing which stock exchange to list on? (Select up to three)

- Valuation and liquidity
- Strength of local regulatory regime
- Analyst coverage and size of investor base
- The cost of establishing and maintaining the listing
- Extent of financial and professional services support
- Speed of listing process
- Sector focus of exchange
- Peer-group performance
- Proximity to company’s current core or biggest markets
- Proximity to company’s future core or biggest markets

- Public companies
- Private companies

<table>
<thead>
<tr>
<th>Factor</th>
<th>Public companies</th>
<th>Private companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation and liquidity</td>
<td>56%</td>
<td>66%</td>
</tr>
<tr>
<td>Strength of local regulatory regime</td>
<td>43%</td>
<td>51%</td>
</tr>
<tr>
<td>Analyst coverage and size of investor base</td>
<td>39%</td>
<td>23%</td>
</tr>
<tr>
<td>The cost of establishing and maintaining the listing</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Extent of financial and professional services support</td>
<td>29%</td>
<td>22%</td>
</tr>
<tr>
<td>Speed of listing process</td>
<td>27%</td>
<td>32%</td>
</tr>
<tr>
<td>Sector focus of exchange</td>
<td>24%</td>
<td>18%</td>
</tr>
<tr>
<td>Peer-group performance</td>
<td>22%</td>
<td>34%</td>
</tr>
<tr>
<td>Proximity to company’s current core or biggest markets</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>Proximity to company’s future core or biggest markets</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Q7. Which of the following benefits of public equity capital markets are most important? (Select up to three)

- Efficient capital allocation
- Promotes transparency and higher corporate governance standards
- Balance sheet repair or recapitalisation
- Raising growth capital
- Provision of liquidity
- Supports staff incentives and remuneration
- M&A financing
- Enables savers to participate in economic growth/wealth creation

Public companies

- Efficient capital allocation: 56%
- Promotes transparency and higher corporate governance standards: 50%
- Balance sheet repair or recapitalisation: 44%
- Raising growth capital: 40%
- Provision of liquidity: 36%
- Supports staff incentives and remuneration: 23%
- M&A financing: 21%
- Enables savers to participate in economic growth/wealth creation: 18%

Private companies

- Efficient capital allocation: 62%
- Promotes transparency and higher corporate governance standards: 43%
- Balance sheet repair or recapitalisation: 46%
- Raising growth capital: 34%
- Provision of liquidity: 35%
- Supports staff incentives and remuneration: 27%
- M&A financing: 27%
- Enables savers to participate in economic growth/wealth creation: 16%

Q8. What is most challenging or burdensome about your company being publicly listed? (Select up to two)

- Regulatory risk: 40%
- Short-termism: 40%
- Ongoing public company costs: 32%
- Shareholder activism: 25%
- Litigation risk: 25%
- Loss of control: 16%
- Governance burden: 14%

Q9. Do you believe all countries should allow public companies to report their financial results every six months instead of every quarter?

- Yes: 73%
- No: 26%
- Don’t know: 1%

Q10. What factors are most important when deciding which underwriting banks to mandate? (Select up to two)

- Underwriting league table position: 58%
- Expertise in listing jurisdiction: 35%
- Existing banking relationship: 34%
- Industry expertise: 27%
- IPO/listing execution price: 27%
- Personal relationship with banker(s): 16%

Q11. Has your company worked with an independent financial/capital markets advisory firm before?

- No, but it is something we have considered: 56%
- Yes: 37%
- No, it is not something we have considered: 8%
Q12. Which stage of the IPO process was the most challenging?

- Execution (i.e. selecting advisers, due diligence, devising equity story, regulatory engagement) 82%
- Completion (i.e. investor and analyst engagement, book building, pricing) 16%
- Planning (i.e. IPO evaluation and objectives, corporate structure adjustments) 2%

Public respondents

Q13. Overall do you judge the IPO to have been:

- A success and exceeded expectations 26%
- A success and met expectations 71%
- A success but fell short of expectations 3%
- Unsuccessful 0%

Public respondents

Q14. Public companies have been buying back shares in record volumes in recent years. What is your assessment of this trend?

- The trend is positive but can have negative consequences (i.e. shrinks public equity markets) 69%
- The trend is positive, benefiting companies, shareholders, the economy and society 28%
- The trend is negative 3%
- Don’t know 1%

Public respondents

Q15. Has your company previously raised capital on the following markets?

- Public debt capital markets 39%
- Private debt capital markets 54%

Private respondents

Q16. Is your company considering an IPO (partially or fully) in the future?

- Yes – in 1-3 years 9%
- Yes – in 3-5 years 65%
- Yes – in more than 5 years 10%
- No 17%

Private respondents

Q17. Is the amount of capital available today from private equity firms and other private capital providers an important factor in determining when your company might list?

- Yes – it means we can stay private for longer 51%
- No – it has no impact on our plans 48%
- Don’t know 1%

Private respondents
Q18. Which of the following reasons best describe why you are not considering an IPO? (Select up to two)

- No need to access public capital markets – private capital is abundant and less onerous: 56%
- Management wants to maintain maximum control of the company and culture: 50%
- Staying private means our company has greater financial, operational and governance freedom: 24%
- Public companies are more vulnerable to litigation and regulatory risk: 9%
- IPO and ongoing listing costs: 6%

Private respondents

Q19. To what extent do you agree or disagree with the following statements:

- Compared to the past, companies today are waiting longer to go public: Agree 84%
- Companies today can raise all the capital they need to grow without going public: Agree 79%
- Increasingly companies do not choose to list because they need capital; they choose to list because their owners want a liquid market to exit their investment: Agree 44%

All respondents

Q20. In the future, do you expect to see a rise in the number of public companies voluntarily de-listing/being taken private by their management?

- Yes: 43%
- No: 55%
- Don’t know: 2%

All respondents

Q21. In the future, do you expect to see a higher volume of direct listings (free of investment bank advisory/underwriting support e.g. Spotify’s 2018 IPO)?

- Yes: 65%
- No: 28%
- Don’t know: 7%

All respondents

Q22. In the future, do you expect to see the following markets become more important to start-up companies raising capital for growth and development?

- Equity crowdfunding: Yes 94%
- ICOs (Initial Coin Offerings): No 31%
- Don’t know: 62%

All respondents

Note: Due to rounding, some totals do not equal 100%