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Das Kapitalmarktmagazin



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Neuerungen, Meßbarkeit, Aktien-Performance



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# Alternext

*A new way to raise capital for small and mid-size companies in the Euro zone*

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*Indeed, this is the objective for this new and somewhat unusual market that Thierry Breton, the French Finance Minister, has set. Largely inspired by London's AIM market, Alternext, which falls under Euronext's jurisdiction but with a lesser degree of regulation. Alternext's ambition is to provide a less costly alternative with less regulation to high-growth small and medium sized businesses that do not have the resources or market capitalization to be listed on Eurolist, while at the same time providing a market environment that can give investors a greater level of confidence than might be available on totally unregulated markets.*

## **Simplified requirements concerning the access to the market**

How can a company list on Alternext? It's relatively simple. First, the minimum float is only 2.5 million Euros (against 15 million for the Eurolist). Second, the issuer must have filed their accounts for the two fiscal years prior to the listing. It is not necessary for those accounts to show a profit, but it is recommended that prospective issuers be profitable.

The initial public offering on Alternext can be done in one of two ways: The company can issue new shares in a public offering based on a simplified prospectus subject to review by the French securities market regulator, the "Autorité des Marchés Financiers"; the simplified prospectus is indeed far less burdensome to prepare as compared to the standard prospectus requirement on Eurolist. After the EU "Prospectus Directive" becomes effective, the review will be carried out by the regulator of the country of origin, thereby facilitating the listing of values within the Euro area. Direct listing of existing shares without an offering of new securities and without any prospectus requirement so long as the issuer has concluded a private placement within the past two years that raised at least 5 million Euros involving at least five different investors.

## **Once listed, Alternext requirements remain flexible but with protections for investors**

While the regulations governing Alternext are more flexible than those that apply on the other French



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securities markets (for example, Alternext does not mandate use of the IFRS norms), companies must still meet minimum public reporting requirements as follows:

- ◆ Publication of the annual financial statements audited and a six-monthly unaudited report on the first 6 months of the fiscal year as compared with quarterly reporting requirements on Eurolist.
- ◆ Ongoing obligation to communicate to the market any information which may have an impact on the listed securities; in addition, transactions between the issuer and its officers must be disclosed.
- ◆ Furthermore, general rules regarding securities fraud apply fully to Alternext issuers: insider dealing, market manipulation, spreading false information. In case of a tender offer, minority investors are also guaranteed the right to sell at the same price as larger holders who together sell more than 50 % of the issuer's shares or voting rights (on the Eurolist, such a public offering is compulsory in case of assignment exceeding 33 %).
- ◆ Finally, the reporting obligations for investors increasing or decreasing their holdings in Alternext-traded issuers are much less onerous as compared with Eurolist. Public declarations are only required when an investor passes the thresholds of 50 % or 95 %.



### A new market participant: the listing sponsor

The involvement of a listing sponsor (a financial intermediary licensed by the AMF which represents the company) is compulsory through the initial listing and for two years thereafter. The listing sponsor looks after the issuer's compliance with the information reporting requirements applicable to the issuer. During the initial listing procedure, the listing sponsor also conducts due diligence to verify that the prospectus does not contain any inaccurate information or significant omissions that would be misleading to investors. The presence of a listing sponsor is therefore an additional layer of safety for the investors.

### Some promising tax advantages represent an additional inducement for investors

French Finance Minister Breton has announced at the end of June several tax incentives intended to encourage individual investors to buy shares traded on Alternext. First, long-term capital gains on Alternext investments will be completely exempted from taxation. Second, individuals will be able to reduce their income taxes by 25% of the amounts invested (up to 40.000 Euros for a couple) in small and mid-size businesses that are quoted on so-called "non-regulated" markets (which includes Alternext).

#### Conclusion:

In sum, Alternext creates a powerful new opportunity for both investors and issuers. For issuers, there is now a Euro-zone market for smaller companies who are put off by the increasingly burdensome regulations on other markets. For investors, Alternext provides a level of market information requirements and other structures that make it attractive as compared to other "non-regulated" markets such as the Marché Libre in France.

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