

### Marché Libre – much better than the Open Market

For a long time, the First Quotation Board of the Open Market of Deutsche Börse has been the Mecca for small- and medium sized companies from all over the world. Thus, it was quite a shock that Deutsche Börse closed this segment on December 15th 2012. More than 1.000 companies that were listed on the First Quotation Board at that time had the choice of upgrading to a higher segment – the Entry Standard – or to become deleted from the stock exchange. Another option to stay in Frankfurt was the change to the Second Quotation Board with a main listing on one of 82 qualified stock exchanges besides Deutsche Börse.

„We wanted to avert further damage from Frankfurt Floor by closing this segment“, stated Alexander Höptner, head of the primary business of Deutsche Börse. Deutsche Börse was worried about the profile of some of the companies that were quoted on the First Quotation Board and that complied with just a few transparency rules. A listing was possible for 750 Euro only and the yearly listing fee was low as well: 2500 Euro. There were just a few listing criteria such as a minimum shareholder’s equity of 500.000 Euro and a minimum nominal value of 0,10 Euro. In addition, the listing application had to be submitted by a qualified member of Deutsche Börse.

This framework stimulated the greediness of some shady businessmen. Louis Rönberg, lawyer specialised in commercial and corporate right, represented almost 20 investors that lost more than 4 million Euro by buying shares of dummy companies. „This was just the tip of the iceberg, I had hundreds of requests and the total damage is probably more than 100 million Euro“, so his comment.

Next to the Open Market in Frankfurt, that was formed by the former Freiverkehr in October 2005, there is the Marché Libre in Paris, that started already in 1996. Currently, there are 246 companies from 17 countries listed on Marché Libre, representing a total market cap of more than 10 billion Euro respectively an average market cap of 40 million Euro per company. Almost 20 percent of those companies are based outside France. Trend: upwards. Thus, Marché Libre is much more international than for instance the Entry Standard, being currently the lowest available segment in Germany. More than 90 percent of all companies listed in the Entry Standard are national (German) ones.

Even the daily trading volume of a company listed on Marché Libre of more than 20.000 Euro at an average is appealing.

### **What are the conditions for getting listed on Marché Libre, why there have not been comparable scandals like in Germany and what are the reasons why some many companies want to get listing on Marché Libre right now?**

Euronext Paris, being responsible for Marché Libre, requests two financial statements, a shareholder’s equity of at least 225.000 Euro, certified articles of association and a notarized excerpt from the company’s register.

In addition, the issuer has to have three partners: a listing sponsor, being responsible for the going public including the valuation for the first quotation/ first market cap, a paying agent, being member

of Euronext and Euroclear and taking care of the clearing and settlement of the traded shares as well as a broker that will take care of the first auction that triggers the technical activation of the shares for all almost all banks and online-brokers in Europe – including Germany.

The total one-time costs for a listing on Marché Libre are significantly lower than for the Entry Standard in Germany: Euronext Paris charges a flat-fee of 5.000 Euro for the analysis of the listing application plus 0,125 percent of the market cap in the first auction. Example: a company wants to start trading on Marché Libre with a first valuation of 10 million Euro. In this case the costs for Euronext would be 17.500 Euro (5.000 Euro plus 12.500 Euro). This amount has to be balanced before the company starts trading as the payment if part of the admission requirements.

A paying agent can be mandated for 2.000 Euro, the broker charges 5.000 Euro. Last but not least there is the fee for the listing sponsor that actually takes care of most of the work. The prices for the listing sponsor vary significantly depending on the size of the listing sponsor with an average of 20.000 Euro. As a result, the one-time costs for a going public on Marché Libre are approximately 45.000 Euro.

The ongoing (yearly) costs for the stock exchange, the paying agent and the listing sponsor sum up to an average of 10.000 Euro – again significantly cheaper than the Entry Standard.

Almost 250 companies, full connectivity to almost all European banks and online-brokers, appealing trading-volume and – at first sight – performable requirements. Why Marché Libre does not have that dark spots that the First Quotation Board of Deutsche Börse had?

The answer is simple: while some of the responsible market members of Frankfurt Floor bent the rules and preferred to make a quick bug over the quality of their clients, an issuer has to pass several checkpoints on its way to become public. Thereby, the stock exchange itself is just the most obvious one.

In addition, the issuer is checked by the listing sponsor, that normally has the first contact with a company that potentially might go public. The listing sponsor will verify, whether the issuer is ready for the market and whether the business model is serious. This is in the own interest of the listing sponsor, as the listing sponsor can easily lose its license if there are too many rotten eggs in its basket.

The paying agent will perform a know-your-customer check, too. This is probably the hardest one as we are talking about big institutions such as BNP Paribas or Société Générale with huge compliance departments. These departments will do a background check of the shareholders, the management and the business itself. The failure rate is high.

A similar check will be done by the broker, that focuses more on the shareholders of the issuer. Again: the failure rate is high.

Even in case the stock exchange would admit an issuer for trading – there will be no listing with having all aligned: listing sponsor, paying agent and broker.

In the end, Marché Libre for sure is one of the best alternatives for small- and medium-sized companies to the closed Open Market. Affordable costs enable those companies to gain first experience on the capital markets and to open the door to additional ways of funding.

By the way: the admission process takes in average one month.

### Case Study: Hamburg based SendR SE – prosperous, profitable and steadily growing – already became a big success on Marché Libre

SendR is listed on Marché Libre in Paris since January 20th 2015. Currently, its share do quote already more than 50 percent higher than on the first trading day. The daily trading volume is appealing and there seem to be no end to this attractive development.

SendR is a pioneer in the music industry. Actually, finetunes, a 100 percent subsidiary, established the first legal music-download-portal in Europe. Long time before iTunes.

Today, SendR is one of the leading independent clearing houses for the digital exploitation of music licenses, boosting a catalog of more than 120.000 artists and over 1.1 million tracks that have triggered more than 1 billion usages (downloads and streams). SendR's business model consists in the acquisition of license rights from independent music labels and subsequent resale via a broad range of online portals such as iTunes and streaming platforms such as Spotify. SendR also offers a number of auxiliary services ranging from content digitization to marketing and promotion solutions to meta data provision. SendR is free of debt and highly profitable. The company generates revenues of around 9 million Euro. Thereby it tripled its sales since 2008. Thus it is no surprise that the current quotation of 16 Euro still offers significant upside potential according to analysts.

Henning Thiess, co-founder and manager of SendR regarding his choice of Marché Libre: „All the relevant segments offered by Deutsche Börse seemed to be – at least in comparison – rather unalluring to us. Actually, a more international positioning than by a listing on Euronext with the option of an uplisting to the Alternext does not exist. Via the uplisting we would even qualify for an additional listing on the Second Quotation Board in Frankfurt including the option to list on XETRA as well.“

SendR – for sure – will not stay the last German company that gets listed on the Marché Libre in France. Actually there are already several companies waiting in the wings.

For further information about a listing on the Alternext or Marché Libre markets please do not hesitate to contact us:

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