

Empowering EU Startups and Scaleups

IPOs as a Key Exit Strategy

Channel more Households Savings into Capital Markets Investments

We appreciate the Commission's initiative to open a call for evidence to ascertain the hurdles startups and scaleups face in Europe. As the Deutsches Aktieninstitut, we recognize the significant challenges these companies encounter, particularly in financing and regulatory compliance, and emphasize the importance of Initial Public Offerings (IPOs) as a crucial exit strategy for fostering growth.

Detailed Answers of Deutsches Aktieninstitut to the Call for Evidence Questions:

Question 1: Do you agree that startups and/or scaleups face the hurdles identified in this document?

As Deutsches Aktieninstitut, the association representing German listed companies dedicated to promoting equity culture and strengthening the capital market in Germany, we recognize the significant hurdles that startups and scaleups face, particularly in accessing finance, navigating regulatory burdens, and overcoming market fragmentation.

In our work, we focus on Initial Public Offerings (IPOs) as an exit strategy, which is an important part of a well-functioning venture and growth capital ecosystem. For an “adult” start-up, the stock exchange is the continuation of growth financing. Venture capital ensures that a broad range of companies are ready for an IPO during the expansion of their business models. In turn, an IPO as exit route offers venture capital investors a very attractive opportunity to sell their shares and invest the freed-up money in other start-ups. So far, the potential of IPOs in the EU has not yet been fully utilised. For example, we only counted 9 IPOs in Germany in 2023 and 2024.

To boost IPOs and provide more capital in the later-stage financing, transforming a startup into a stock-listed growth company, more household savings should be channeled into capital market investments. Therefore, we strongly support initiatives like the Savings and Investment Union (SIU), which aims to improve IPOs and stock listings. See our position paper attached.

Question 2: Are there any additional hurdles faced by startups and/or scaleups?

To further develop a well-functioning venture and growth capital ecosystem, we need more measures to increase IPO numbers in the EU. This is a general task of establishing a culture of equity/growth capital in the EU. This includes promoting equity/venture capital investments through pension system reforms, creating a

label for an EU long-term savings-product, promoting financial literacy among the population, decreasing regulatory burdens which hinders companies tapping capital markets, and providing a growth friendly corporate law e.g. by setting a 28th regime.

3. What actions do you think the EU and/or its Member States should take to address these hurdles?

To enhance IPO attractiveness across the EU, please see our recommendations in our position paper attached. In addition to promoting IPOs, we propose the following strategic measures:

- **Enhance capital raising and market access:** Improve start-ups' ability to raise capital through initiatives like the WIN program in Germany, an alliance of business, associations, politicians and the Kreditanstalt für Wiederaufbau (KfW) committed to invest EUR 12 bn. until 2030 in the German venture and growth capital ecosystem.
- **Develop a European marketplace for direct secondary transactions:** Create a marketplace for trading shares of late-stage and pre-IPO startups, allowing broader investor participation while ensuring protection.
- **Align tax regimes to attract talent:** Promote employee shares with tax incentives and align tax regimes across the EU to support start-ups in attracting talent.
- **Promote financial education and public-private collaboration:** Encourage financial education programs and strengthen public-private partnerships to equip entrepreneurs and investors with the knowledge to navigate capital markets effectively.
- **Increase attractiveness of SME Growth Markets:** Provide a more flexible regulatory regime which fits the needs of small and mid-cap companies.

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We act as the voice of capital markets and represent the interests of our members at national and European level.

We promote connections between our members, bringing them closer together and providing them with the most compelling opportunities for exchange.

As a think tank, we deliver facts for the leaders of today and develop ideas for a successful capital markets policy. We do this because companies, investors and society alike benefit from strong capital markets