

# **CULTIVATING INVESTORS – SHARING EXPERIENCE: BEST PRACTICES FROM ABROAD**

**HENRIK HUSMAN**

**PRESIDENT, NASDAQ HELSINKI**

**BALTIC CAPITAL MARKETS**

**FORUM 2016**

**MAY 12, 2016**



# AGENDA

- ✓ Over 100 years of Stock Exchange history in Finland
- ✓ Global outreach of Nasdaq Helsinki and its listed companies
- ✓ Activities to broaden knowledge about listings in Finland
- ✓ How to encourage long-term saving
- ✓ New winning investor trend: Sustainability

# OVER 100 YEARS OF STOCK EXCHANGE HISTORY IN FINLAND



# WHY STOCK EXCHANGE

**Finland needs  
GROWTH AND JOBS**

**Companies need  
CAPITAL TO GROW AND  
TO CREATE JOBS**

**Investors need  
POSSIBILITIES TO GET WEALTHIER**

**Nasdaq Helsinki is committed to this  
crucial role in the society.**

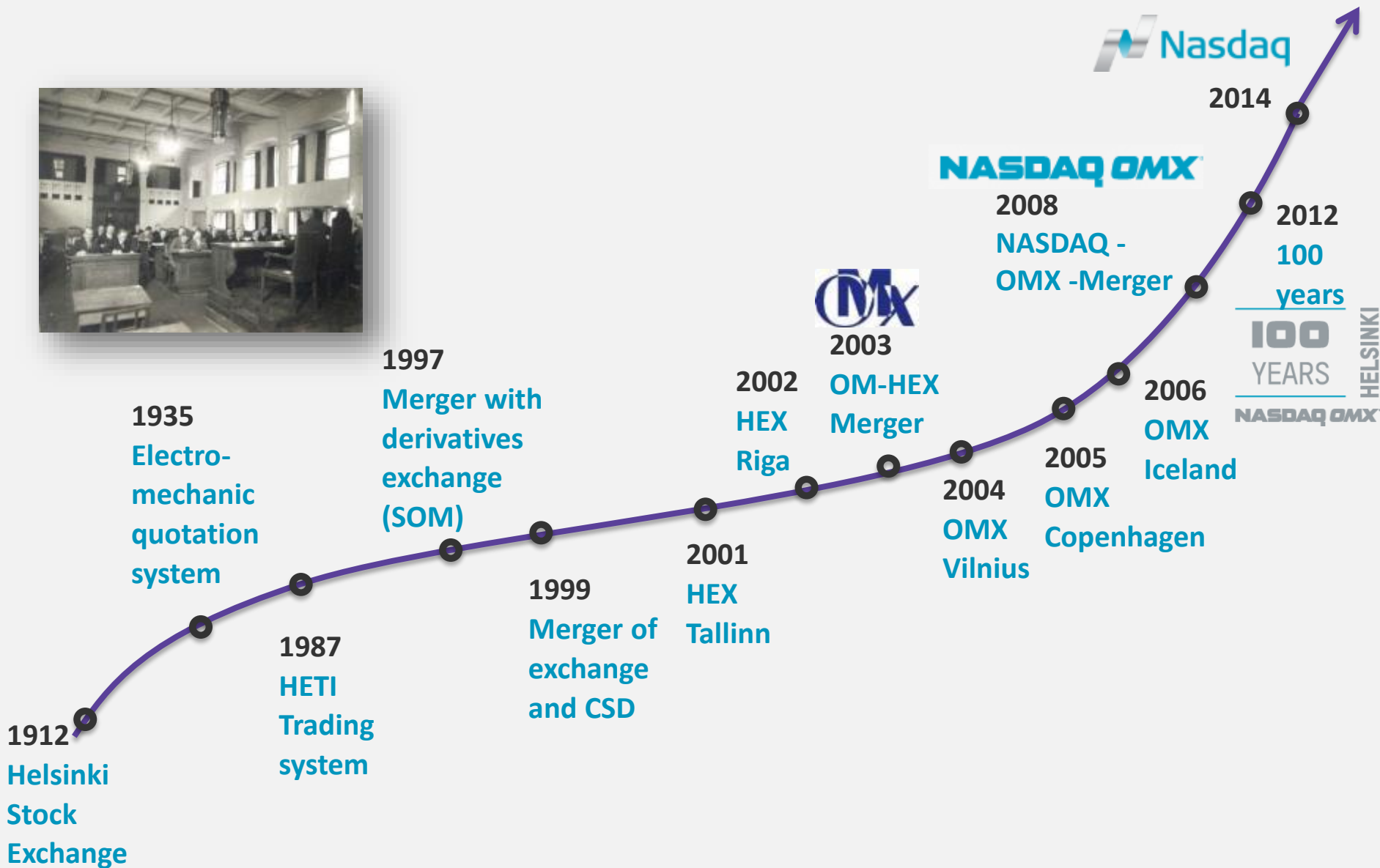




# INAUGURATION OF THE HELSINKI EXCHANGE BUILDING FEBRUARY 2, 1912



# EXCHANGE HISTORY IN FINLAND



# NASDAQ NORDIC AND BALTIC, END OF 2015

- Market cap EUR 1,164 billion  
*Helsinki EUR 187 billion*
- Daily turnover EUR 3.1 billion  
*Helsinki EUR 483 million*
- 638 companies on Main Market  
(excluding 12 dual listings)  
*126 in Helsinki*
- 297 on First North  
*15 in Helsinki*

2015	99 new companies
	36 Main Market
	63 First North



# NEW LISTINGS ON NASDAQ NORDIC & BALTIC 2015

## 99 COMPANIES

MAIN MARKET: 28 + 8



18



5



2



3

(8 FIRST NORTH > MAIN MARKET)

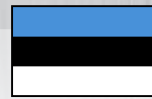
FIRST NORTH: 63



55



6



1



1

**Top 3 sectors**

- Financials
- Industrials
- Health Care

**Capital raised 2015**

EUR 6.5 billion

**Year-to-date 2016**  
Main Market: 10+4  
First North: 13





# HELSINKI 2016: 7 LISTING CEREMONIES SO FAR



## **First North**

Ahola Transport 30 March

Suomen Hoivatilat 31 March

## **From First North to Main Market**

Taaleri 1 April

Siili Solutions 20 April

## **Main Market Newcomers**

Lehto Group 28 April

Tokmanni 29 April

## **Partial Demerger**

Digia Plc => Qt Group Plc to Main Market, 2 May

## **Intention to Float (published listing plan for 2016)**

Privanet Plc, 4 May (to First North)

Kamux Plc, 9 May (to Main Market)

# WHY DOES NASDAQ HELSINKI THRIVE?

## Globally, local stock exchanges attract companies and investors

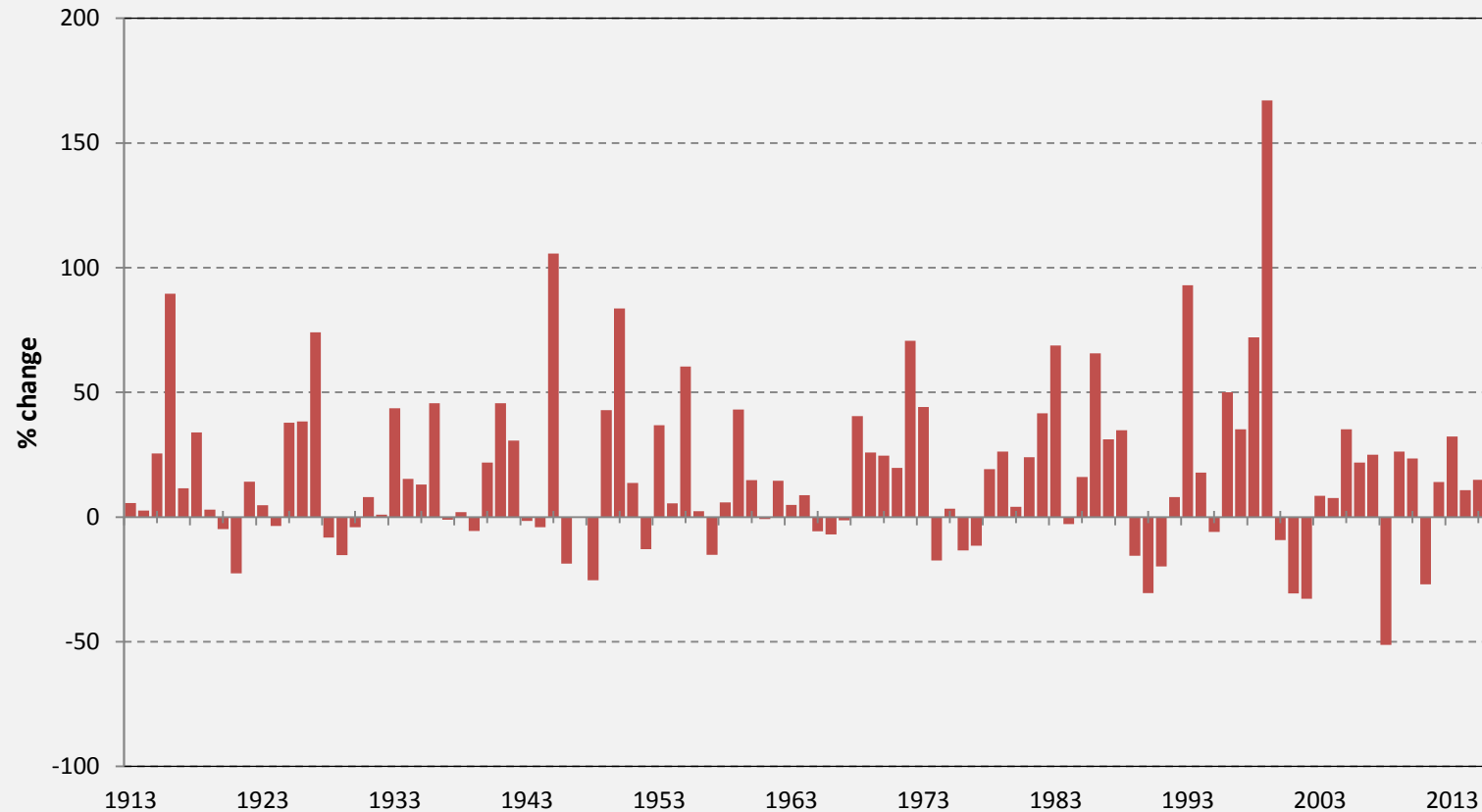
- Over 90% of new listed companies choose stock exchange in home country
- International investor are more confident to invest in a company with existing domestic ownership

## Strengths of Nasdaq Helsinki

- Global reach: investments in Nordics, Baltics, United States
- Finnish listed companies are highly-valued by domestic and international investors.
  - Consistent, responsible and sustainable – great know-how in investor relations and IR communications
- Foreign ownership percentage is one of the highest in Europe
- Large number of international members and investors
- High long-term return (see next slide)

# RETURN ON SHARES, HELSINKI STOCK EXCHANGE 1913–2015: NOMINAL ANNUAL RETURN 17.55 % AND NET ANNUAL RETURN 9.84 %.

OMX Helsinki Gross Index Annual Return 1913-2015



Source: Nyberg, Peter – Vaihekoski, Mika (2010): "A new value-weighted total return index for Finnish Stock Market." Updated figures 1/2015.

# ACTIONS TO IMPROVE TRADING EXPERIENCE

- Continuous optimisation of Market Model
  - Intraday auctions
  - Round Lot 1
  - CCP clearing
  - Lowered tick sizes
  - Smart Order Routing service
  - Low latency trading system
  - Pre and post trade anonymity
  - Spread costs more than halved during the last 10 years
  - More efficient price formation
  - More attractive to trade
- Increased DMA access as from 1998 has hugely increased retail trading in Finland
- Availability of information/analysis on listed companies
  - Fact Sheet on all Nasdaq Nordic listed companies available since 2014
  - Looking for models to incentivise further research coverage in small cap companies without analysis coverage

# GLOBAL OUTREACH OF NASDAQ HELSINKI AND ITS LISTED COMPANIES





# GLOBALLY KNOWN BRANDS

4 companies listed  
over 100 years ago



FISKARS

FINNAIR

Huhtamaki

KONECRANES

kemira



KESKO

marimekko®



NOKIA

Nordea

NESTE OIL

Outotec



outokumpu



SAMPO GROUP

Rapala®

storaenso



SIILI

VAISALA



YIT

# GEOGRAPHICAL DIVISION OF NET SALES

## 24 major Finnish companies in 2012 – % of their net sales:

- 23% in home country
- 37% in other European countries (EMEA)
- 12% In Asia an Pacific area (APAC)
- 11% in America
- 17% unspecified

Source: Deutsche Bank Market Research 4.9.2013

## 16 of the 25 largest listed companies in Finland (incl. in the OMXH25 index):

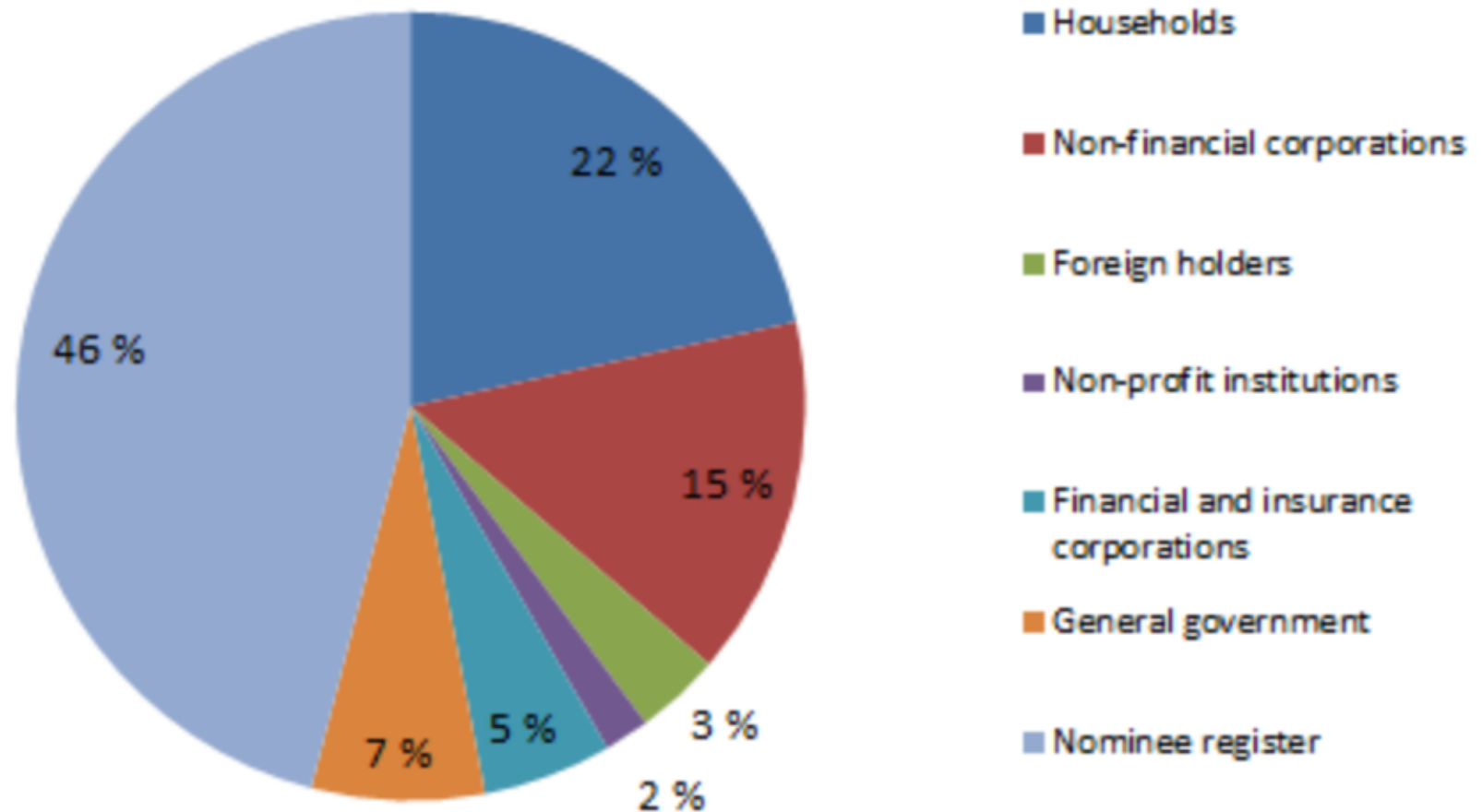
- 90% of their net sales come from other countries

Source: Seppo Saario, professional private investor, Jan 2016,

# DISTRIBUTION OF SHARE OWNERSHIP BY SECTOR

(FINLAND, 31 MARCH 2016)

Foreign holders (3%) + Nominee register (46%)= 49% foreign ownership



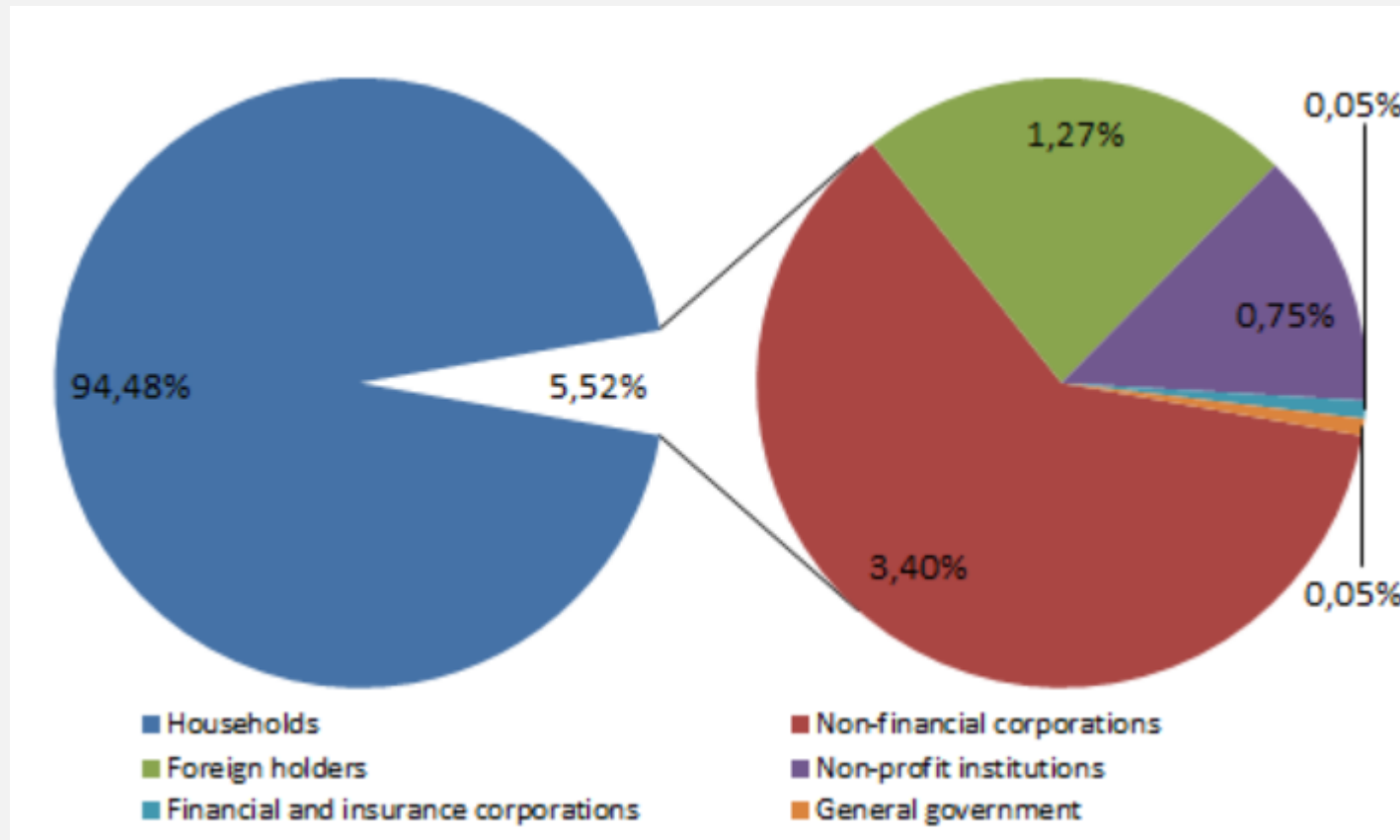
Major institutional investors like employment pension schemes belong to general government.

Source: Euroclear Finland

# DISTRIBUTION OF SHAREHOLDERS IN SECTORS

## (FINLAND, 31 MARCH 2016)

Individual investors (households) make almost 95% of the total number of shareholders



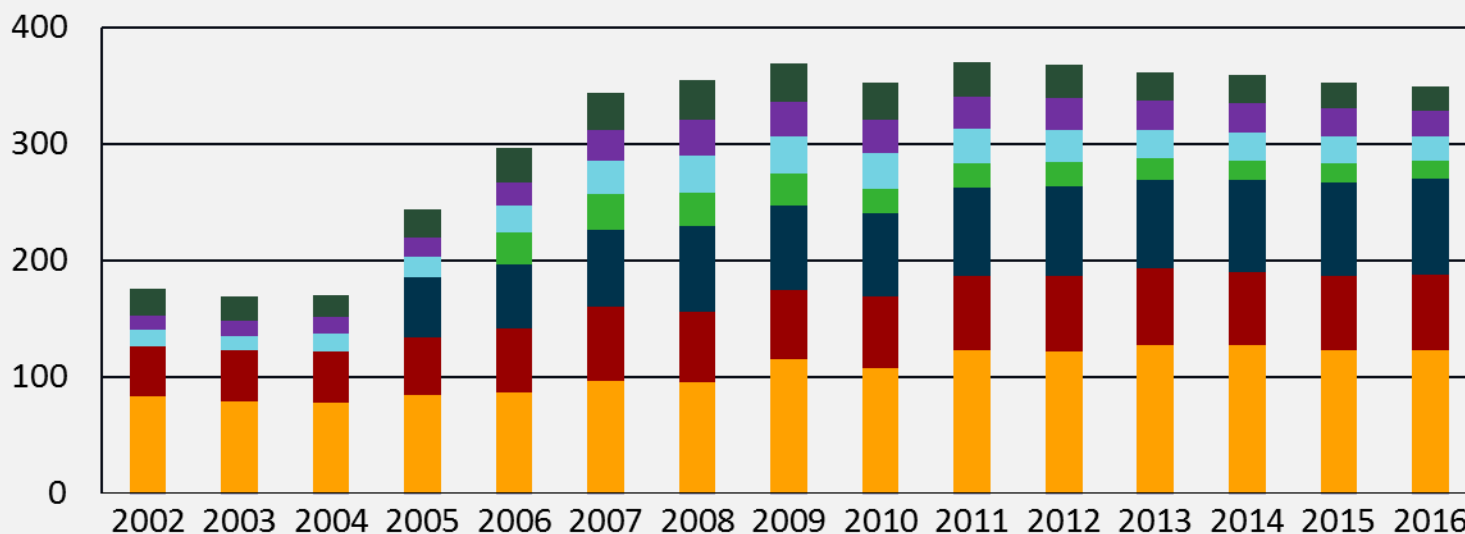
Custodians administering nominee registered holdings belong typically to financial corporations. Major institutional investors like employment pension schemes belong to general government.

Source: Euroclear Finland

# GROWING NUMBER OF TRADING MEMBERS IN HELSINKI 2002 – MARCH 2016

## NEW REMOTE MEMBERS OVER THE YEARS

Unique New Members  
This Month: 1  
Year-to-Date: 5

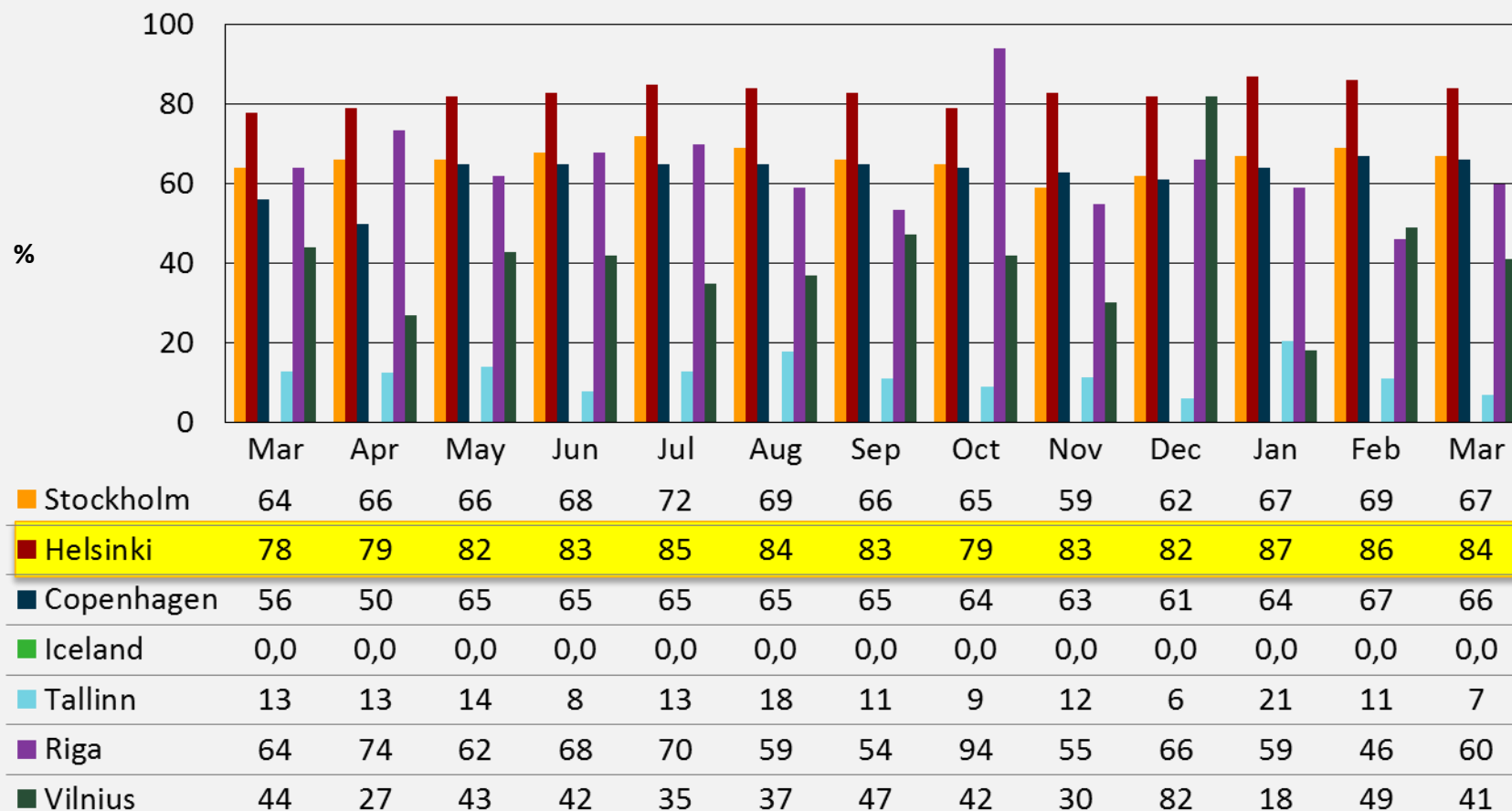


Cross-members	-43	-45	-48	-96	-137	-183	-192	-194	-179	-187	-189	-186	-186	-184	-180
Vilnius	23	21	19	24	29	32	34	33	32	30	29	24	24	23	21
Riga	13	13	14	17	20	27	31	30	29	27	27	25	25	24	22
Tallinn	14	12	15	18	23	28	32	32	31	30	28	24	24	23	20
Iceland					27	31	29	27	21	21	20	19	17	16	16
Copenhagen				51	56	66	73	72	71	75	77	76	79	80	82
Helsinki	43	44	44	50	54	64	61	60	61	64	65	66	63	64	65
Stockholm	83	79	78	84	87	96	95	115	108	123	122	127	127	123	123
<b>Total</b>	<b>133</b>	<b>124</b>	<b>122</b>	<b>148</b>	<b>159</b>	<b>160</b>	<b>163</b>	<b>175</b>	<b>174</b>	<b>185</b>	<b>179</b>	<b>175</b>	<b>173</b>	<b>169</b>	<b>169</b>



# REMOTE MEMBERS' MARKET SHARE OF TRADING VALUE

## MARCH 2015 – MARCH 2016

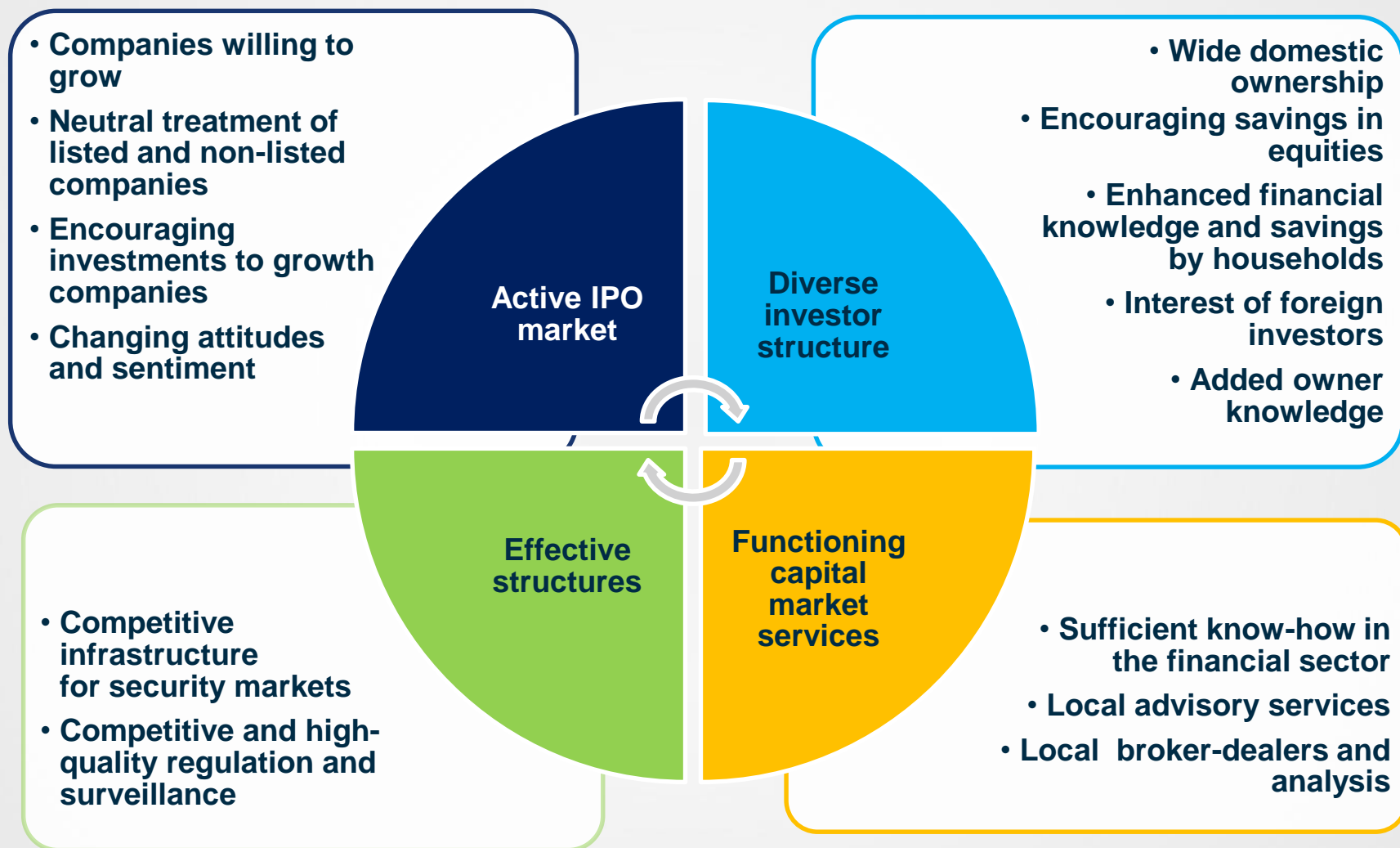


Excluding OTC Turnover

# ACTIVITIES TO BROADEN KNOWLEDGE ABOUT LISTINGS IN FINLAND

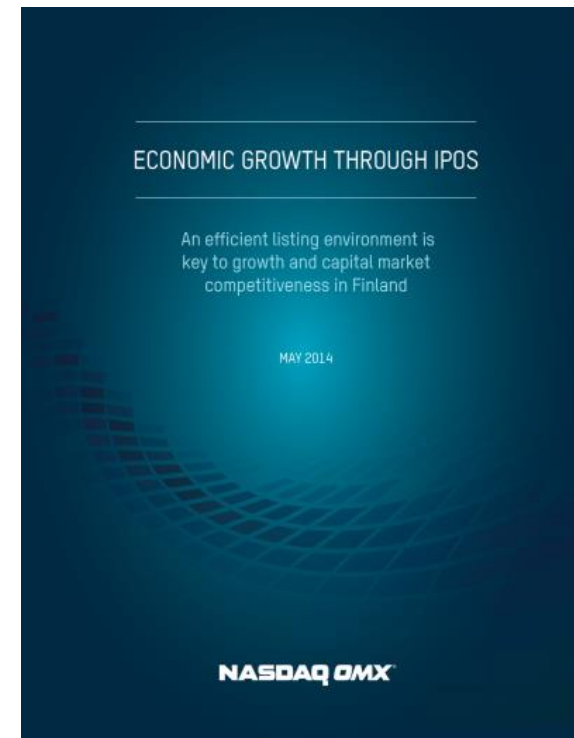


# MARKETPLACE FINLAND – HOW TO DEVELOP IT



# KEY STAKEHOLDERS, DECISION-MAKERS AND MEDIA

- One-on-one meetings with CEOs of Institutional Investors, Government Ownership Steering Group, CEOs of Investment Banks, Advisors, etc.
- Speaker opportunities and media interviews for the President and IPO team (team at Global Listing Services)
- Lobbying with members of the Parliament
- Background events for the media
- Nasdaq Helsinki 100th Anniversary in 2012 – several stakeholder events with key messaging
- IPO Task Force 2014
  - 25 proposed measures on making listing environment in Finland more competitive
- Participating SuomiAreena, a political summer event for lobbying, during Pori Jazz every July
- Campaigns to advertise Nasdaq First North among investors and companies



# START-UPS, GENERAL PUBLIC AND RETAIL INVESTORS

- Active participation/visibility in **start-up events**: Slush, Polar Pitch, Arctic 15, Cleantech Venture Day, Kasvu Open, Mining Industry events
- **IPO Breakfast events** with corporate finance advisors or auditors for prospect companies
- The Annual **Sijoitus Invest Retail Fair** every November (listed company presentations, a panel discussion for those planning to get listed)
- **Open House** – 4th Annual Open House Aug 31, 2016, for retail investors (company presentations, and elevator speeches by prospect companies)





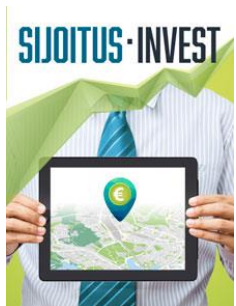
# EDUCATIONAL AND PR

- **First North Listing Guide** was published by The Finnish Foundation for Share Promotion (Pörssisäätiö), in 2014 (Nasdaq Helsinki participated)
- **Main Market Listing Guide** will be published by Pörssisäätiö in June 2016 (Nasdaq Helsinki will participate)
- **Listing School** by Pörssisäätiö for state-owned companies. A new course planned for Fall 2016 for all interested listing candidates. (Nasdaq Helsinki will participate)
- Finnish First North companies two years in a row a finalist at **European SME Awards competition** (2014: Siili Solutions, 2015: Taaleri)
- **Next year: Finland 100 years – Nasdaq Helsinki**  
**105th Anniversary Seminar**  
on 5 October 2017  
(plus bell ceremony in New York)



# NASDAQ OFFERS INTERNATIONAL VISIBILITY FOR LISTED COMPANIES

- Listing press releases & Social Media
- Welcome Ceremony
- Nasdaq Tower Picture
- "The company of the Month" interview
- Events at Nasdaq Helsinki premises
- Sijoitus Invest Fair & the Annual Open House & Slush
- Bell Ceremonies at Marketsite NY
- Video interviews
- Morningstar Fact Sheets
- Participating European SME Awards Competition





## SLUSH NOVEMBER 2015. OPENING BELL



# HOW TO ENCOURAGE LONG-TERM SAVINGS



# ACCOUNT FOR LONG-TERM SAVINGS FAILED

The account for long-term savings (PS account) was launched in Finland in 2010

- Goal: to offer additional financial security for retirement years by using the PS account during active years to invest in savings, shares, funds or voluntary pension insurance.
- Tax deduction from income capital max EUR 5.000 per annum  
>> meaning EUR 1.500 less tax per annum.

Why PS account failed: citizens were not willing to commit to a contract with invariably changing conditions

- Assets saved can be withdrawn only at retirement age. At first the age limit was 63 years, but now it is 68 years. In addition, it is now forbidden to withdraw all savings in less than ten years.
- Savings withdrawn are taxed as income capital
- It is impossible to know in advance how high the future tax on income capital will be.

**WHAT NEXT?**



# ISK ACCOUNT IN SWEDEN (INVESTERINGSSPARKONTO)

## ISK (Investeringsparkonto) was launched in Sweden in 2012

- An investment savings account for private customers for saving shares, funds or other securities.
- Return on investments, sales profit or dividends will not be separately taxed and losses cannot be deducted on the account (whereas deductions are possible in final taxation)
- Continuous, annual tax paid on the capital base (kapitalunderlag)
- Example of taxation on ISK paid for 2016, to be declared in 2017
  - Investment savings account imputed (schablonintäkt)  
= Capital base x 1.40%  
(1.40 = Swedish state loan rate applied for 2016: 0.65%, added with the new basic amount of 0.75%)
  - Tax = 30% of the investment savings account imputed
  - E.g. tax paid on capital base of SEK 100.000:
  - $100\,000 \times 1.40\% \times 30\% =$  Final tax: SEK 420 – i.e. 0.42% per annum

## NUMBER OF ISK ACCOUNTS DOUBLES EVERY YEAR – NOW ABOUT TWO MILLION ACCOUNTS



Year	Number of ISK	ISK imputed (capital base; tax (MEUR /year)
2012	222 664	77 (capital base 4 667; tax 23 )
2013	493 221	218 (capital base 14 631; tax 65 )
2014	891 550	589 (capital base 28 182 ; tax 177 )
2015	1 839 697	431 (capital 47 889; tax 129)

Source: Skatter i Sverige, Yearbook on Tax Statistics 2015. Skatteverket.

## COMPILING STATISTICS ON PS ACCOUNTS WAS TERMINATED IN JANUARY 2014 – DUE TO LOW POPULARITY



Year	Number of PS	Savings (MEUR) – taxed when withdrawn, capital income tax paid
2010	9 811	10.7
2011	18 644	23.9
2012	28 629	47.2
2013	27 824	74.5

Source: Bank of Finland Statistics. [www.suomenpankki.fi](http://www.suomenpankki.fi)

# **NEW WINNING INVESTOR TREND: SUSTAINABILITY**



# HELSINKI STOCK EXCHANGE LEADS 2015 PACK AS MOST SUSTAINABLE STOCK EXCHANGE

Companies listed on Helsinki Stock Exchange topped Corporate Knights Capital's Ranking for the second year in a row, July 2015

[Measuring Sustainability Disclosure: Ranking the World's Stock Exchanges 2015](#)

Rank	Exchange	# of large companies listed	Final score (%)
1	Helsinki Stock Exchange	19	89
2	Euronext Amsterdam	35	86
3	Copenhagen Stock Exchange	22	76
4	Australian Securities Exchange	90	74
5	London Stock Exchange	206	73
6	Euronext Paris	116	73
7	Deutsche Borse	92	73
8	Johannesburg Stock Exchange	55	72
9	Oslo Stock Exchange	14	72
10	BME Spanish Exchanges	45	71

# SSE – THE U.N. SUSTAINABLE STOCK EXCHANGES INITIATIVE

- Launched by UN Secretary-General Ban Ki-moon in 2009.
- A learning forum: how exchanges can encourage sustainable investments and enhance corporate transparency.
- **Nasdaq was one of the founding partner exchanges in 2012.**
  - ✓ Helsinki, Stockholm, Copenhagen, Iceland, Tallinn, Riga and Vilnius included
- On 4 November 2015, Nasdaq Helsinki hosted a high-level U.N. SSE Regional Dialogue event– the first event of its kind in the Nordics and Europe.
- At the same time, Nasdaq Nordic and Baltic exchanges joined the initiative.
- The commitment marks Nasdaq's continuous efforts to develop and promote sustainability guidelines.



# SSE – NASDAQ NORDIC HAS COMMITTED TO PRODUCE AN ESG GUIDANCE IN 2016

- ✓ 4 November 2015 the seven stock exchanges in the Nasdaq Nordic joined the SSE Initiative: Helsinki, Stockholm, Copenhagen, Iceland, Tallinn, Riga and Vilnius

**1 March 2016** they published a commitment to produce **a guidance on environmental, social and governance (ESG) disclosure** for listed companies by the end of 2016, thereby joining the United Nations Sustainable Stock Exchanges (SSE) initiative's **Campaign to Close the ESG Guidance Gap**.





# CONTACTS

---

**Henrik Husman**

*President of Nasdaq Helsinki*

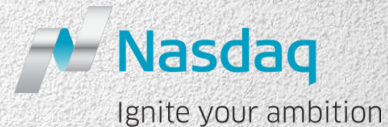
*VP Cash Equities Product Management*

**Phone: +358 9 61667208**

**Mobile: +358 50 60015**

*E-mail: [henrik.husman@nasdaq.com](mailto:henrik.husman@nasdaq.com)*

---





**THANK YOU**

