

European Equity Markets and SME Financing

Evidence from a Comparative Study of European Stock Exchanges (2005–2025)

Executive Summary

This report synthesises the findings of a comprehensive comparative study of equity capital issuance across selected European stock exchanges between 2005 and 2025. The analysis covers nearly 24,000 equity issues across France, Germany, the United Kingdom, Switzerland, Belgium, Ireland, the Netherlands, and the Nordic countries. The evidence challenges a core assumption underpinning current EU policy debates: that further centralisation of European capital markets will materially improve access to equity financing for small and medium-sized enterprises (SMEs).

The data shows that more than 90% of all equity capital issues in Europe are undertaken by SMEs, but that the effectiveness of equity markets in serving these firms varies widely across countries. These differences are not explained by fragmentation per se, but by deeply rooted national ecosystems for risk capital, taxation, savings behaviour, institutional investment, and market culture. In this context, excessive centralisation risks weakening those local ecosystems that currently function well, without solving the structural barriers to cross-border SME investment.

The central policy implication is that Europe's capital markets challenge is not primarily one of market structure, but of incentives, trust, and locally anchored risk capital formation.

1. Policy Context

The European Union has, for several years, pursued a strategy aimed at deeper integration and centralisation of capital markets. Fragmentation across national exchanges is frequently cited as an impediment to efficient capital allocation, reduced liquidity, and limited cross-border investment—particularly for SMEs. The underlying assumption is that a more centralised market would generate deeper liquidity pools and attract retail and institutional investors to finance smaller companies across borders.

This study provides empirical evidence that allows these assumptions to be tested against actual issuance behaviour across Europe's most developed equity markets.

2. Scope and Data

The study analyses approximately 24,000 equity capital market transactions from 2005 to 2025, drawing primarily on data from Euronext and Dealogic. The dataset has been cleaned

and harmonised to ensure cross-country comparability. Companies with a pre-issue market capitalisation below USD 10 million were excluded due to data quality constraints.

Equity issues are classified by company size (micro, small, mid, large, and mega cap) based on standard market capitalisation thresholds. This allows for a consistent comparison of SME versus large-cap activity across jurisdictions.

3. Core Empirical Findings

3.1 SMEs Dominate European Equity Issuance

Across all examined countries, SME issues account for an average of 93% of total equity transactions. This pattern is remarkably consistent across markets, regardless of size or overall market capitalisation. Large companies rarely issue equity; when they do, the amounts raised are substantial and typically marketed globally.

This finding has two important implications:

- European stock exchanges already function primarily as SME financing platforms.
- Large-cap financing is not materially constrained by market fragmentation.

3.2 Large Cross-Country Differences in SME Activity

While SMEs dominate issuance everywhere, the absolute number of SME equity issues varies dramatically between countries. Sweden and Norway stand out with exceptionally high levels of SME issuance relative to the size of their economies, while several larger EU countries exhibit far lower activity.

These differences are not cyclical, but structural and persistent over time.

3.3 Large-Cap Equity Is Already European and Global

France, Germany, and the UK dominate large-cap equity issuance in absolute value terms. These transactions attract international investors and are not meaningfully constrained by national market boundaries. For this segment, fragmentation does not appear to be a binding constraint.

4. Interpretation: Why SME Financing Is Local

The data strongly suggests that SME equity financing is inherently local in nature, a phenomenon often described as “home bias”. Several structural factors explain this:

1. Illiquidity and ownership constraints: SMEs have limited free float and market capitalisation, making them unsuitable for large international asset managers.
2. Limited research coverage: Companies below approximately EUR 200 million in market value receive little or no analyst coverage, reducing visibility for foreign investors.
3. Information asymmetries: News flow for SMEs is local, reinforcing the perception that domestic investors are better informed.



4. Taxation and legal frictions: Differences in capital gains taxation and the risk of double taxation discourage cross-border retail investment.

As a result, SME equity markets across Europe have evolved as national or even regional ecosystems, supported by local investors, intermediaries, and institutions.

5. Case Study: Sweden versus Norway

A longitudinal comparison between Sweden and Norway illustrates how policy, taxation, and institutional design shape SME equity markets.

Both countries have similar wealth distributions and a comparable number of high-net-worth individuals. However, Sweden exhibits:

- Significantly higher SME issuance volumes over time
- A much larger ecosystem of specialised SME funds
- Greater participation by institutional and semi-institutional investors

Contributing factors include long-term tax stability, early pension fund reforms allowing equity exposure, abolition of wealth and inheritance taxes, and the introduction of tax-efficient retail investment accounts (ISK). These measures were implemented gradually and consistently over decades, fostering trust and long-term risk capital formation.

The comparison suggests that successful SME markets are built through cumulative national policy choices rather than market centralisation.

6. Policy Implications for the EU

The findings point to several implications highly relevant for policymakers in Brussels:

1. **Centralisation is not a substitute for ecosystems**
A single European capital market will not, by itself, generate risk appetite, research coverage, or trust for SME investment.
 2. **One-size-fits-all reforms risk unintended consequences**
Further harmonisation may weaken well-functioning local markets without materially improving weaker ones.
 3. **Policy should focus on incentives, not only infrastructure**
Taxation of savings, long-term pension capital, retail participation, and stability of rules matter more than trading venue structure.
 4. **Fragmentation can be a strength for SMEs**
Local exchanges play a critical role in channelling capital to entrepreneurial companies and supporting regional growth.
-

7. Conclusion

Europe's challenge in SME financing is not primarily one of market fragmentation, but of unevenly developed national ecosystems for equity risk-taking. Large-cap financing already



operates efficiently at a European and global level. SME financing, by contrast, depends on trust, proximity, incentives, and long-term policy consistency.

EU initiatives should therefore aim to complement, not replace, national capital market ecosystems. A balanced approach—supporting local strengths while addressing specific cross-border frictions—offers a more realistic path to strengthening Europe’s capacity to finance growth and innovation.



European equity issues: A comparative study

March 2026

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An overview of equity capital issues at selected European stock exchanges

- There is currently a significant push in the EU for centralization of capital markets across the national stock exchanges
- The fragmentation across EU/EEA capital markets is seen as an impediment to providing capital to the business sector and a more centralized European capital market is supposed to provide ‘a deeper liquidity pool’ and thereby secure more cross-border financing of companies in the region
- There is a particular belief that a centralized market will improve the flow of capital to small-medium-sized companies
- This is linked to the thought that private persons (retail) across Europe will alter their savings allocation to the stock market and foster cross border investments in SMEs if there is a centralized capital market



MISP-proposal December 2025

Questions and answers on the market integration package

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1. Why is market integration important for the EU economy?

More integrated markets are essential for revitalising the EU's economic strength and ensuring that the Union can achieve its strategic priorities linked to long-term competitiveness, security, and the digital and green transitions.

Deeper integration of the EU's financial markets is not an end in itself, but a means to build a genuine single market for financial services—one that makes access to capital markets simpler, more efficient, and more attractive for both investors and businesses. The reality is clear: no individual Member State possesses an economy or financial system large enough to act as a significant global player on its own. Only by creating a truly integrated financial system can we achieve the scale needed to support a deeper, more liquid market that more efficiently connects the EU citizens' savings with productive investments.

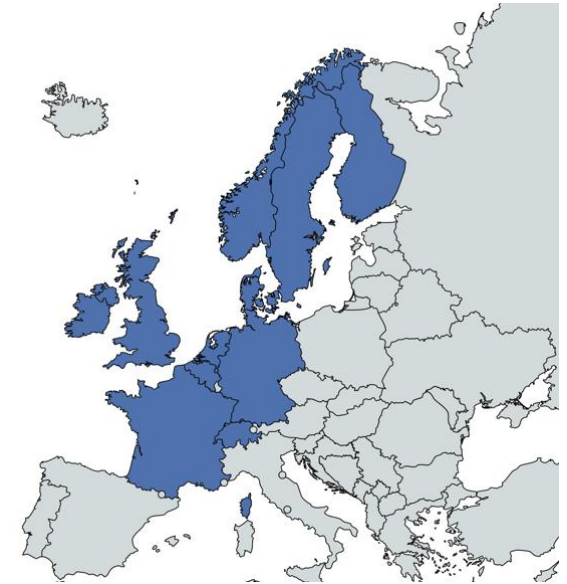
The fundamental aim of integration is to establish a virtuous circle: capital markets become more efficient in providing fair earnings to citizens who, in turn, choose to invest, thus meeting the financing needs of EU businesses wherever they are located.

This increase in efficiency, scale, and participation ultimately boosts competitiveness, helps economic activity to grow, and stimulates job creation across the EU.

https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_2894

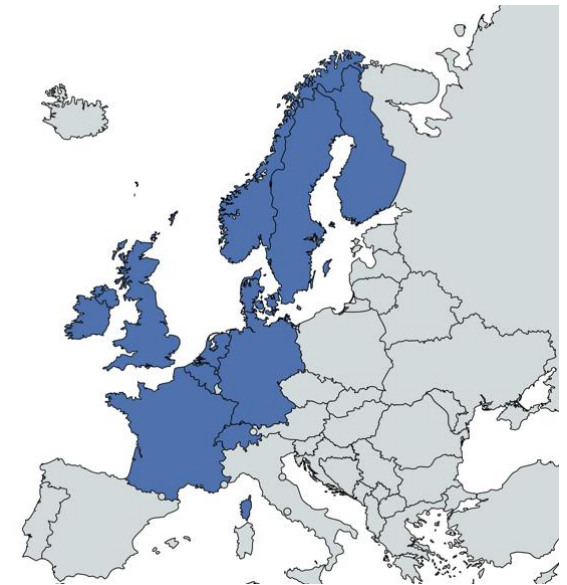
An overview of equity capital issues at selected European stock exchanges

- We have undertaken a study of the historical data on selected European stock exchanges to get an improved understanding of the anatomy of equity capital issues over time
- The dataset comprises approximately 24.000 observations across the stock exchanges in France, Germany, UK, Switzerland, Belgium, Ireland and the Scandics
- These countries are perceived to historically have had the best developed equity capital markets in the region
- We have sorted and cleaned the data to improve comparability across the national exchanges



A note on ‘metrics’

- Many reports use the aggregate market capitalization over GDP as a measure of the viability of a given equity market. MCAP/GDP is a proxy, it is static and you can only infer so much. The degree of ‘development’ and ‘depth’ in an equity market requires much more nuanced data
- A ‘developed’ and ‘deep’ equity market must be defined differently. It can go along 2 axis; the secondary market and the primary market. At the end of the day, the primary market is usually regarded as most important as it defines the ability of a given stock market to furnish capital to the businesses listed at the exchange.
- This again, is usually measured in two ways; total amount issued in IPOs and Follow-on’s and/or the number of equity issues in IPOs and Follow-on’s. To capture the activity in a given market, the amount issued can easily be polluted by single large issues and the preferred metric to capture ‘development’ and ‘depth’ in the primary market is the number of equity issues for a given period categorized by company size of the company. An additional interesting measure is the number of issues at the different listing venues in the market.
- This will show the activity in the given market across all sizes of companies and across the listing alternatives.
- Countries/exchanges scoring highly in this regard, would normally be regarded as ‘developed’ and ‘deep’.



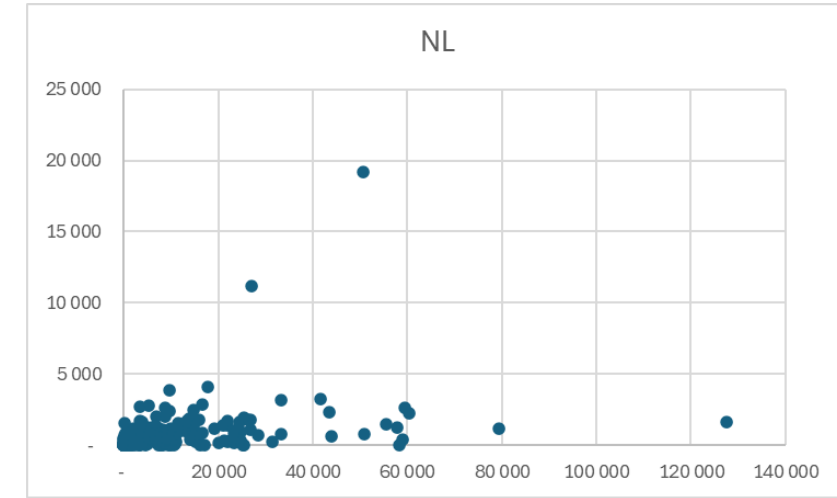
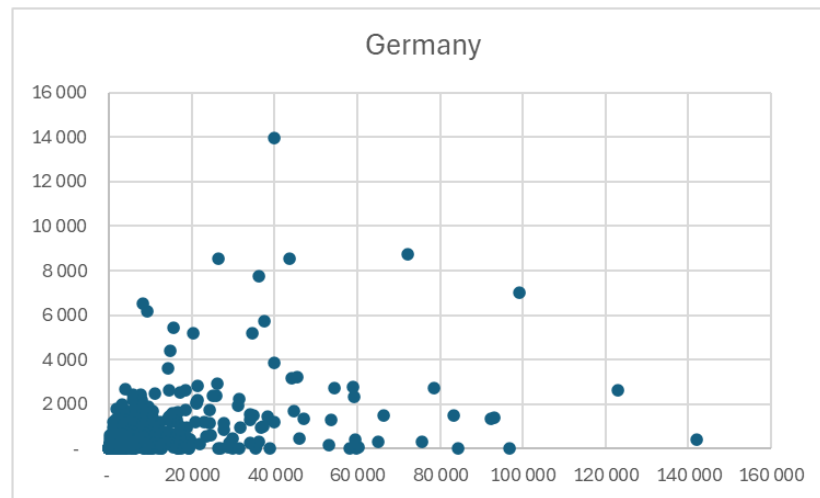
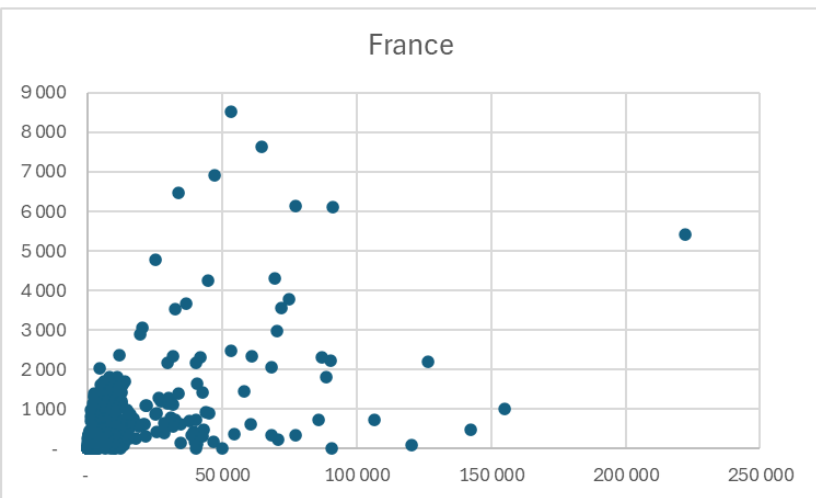
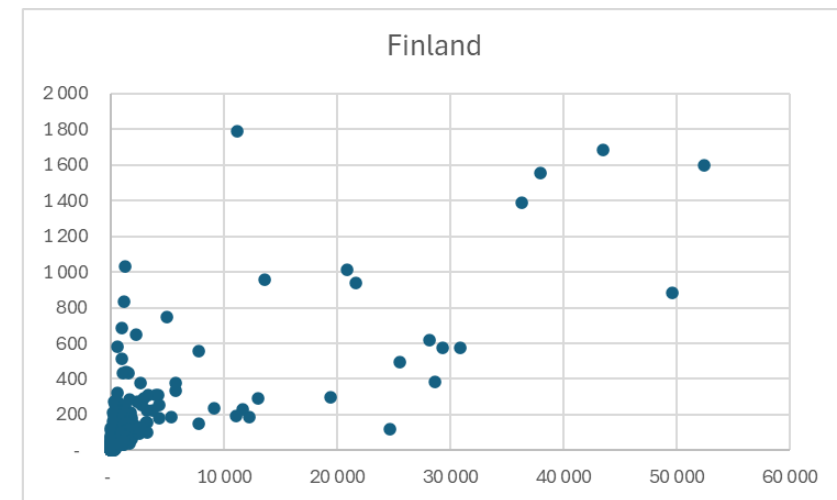
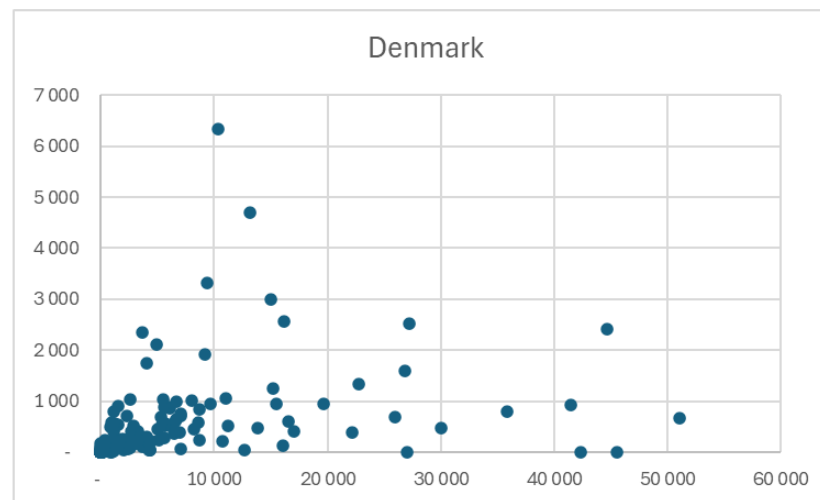
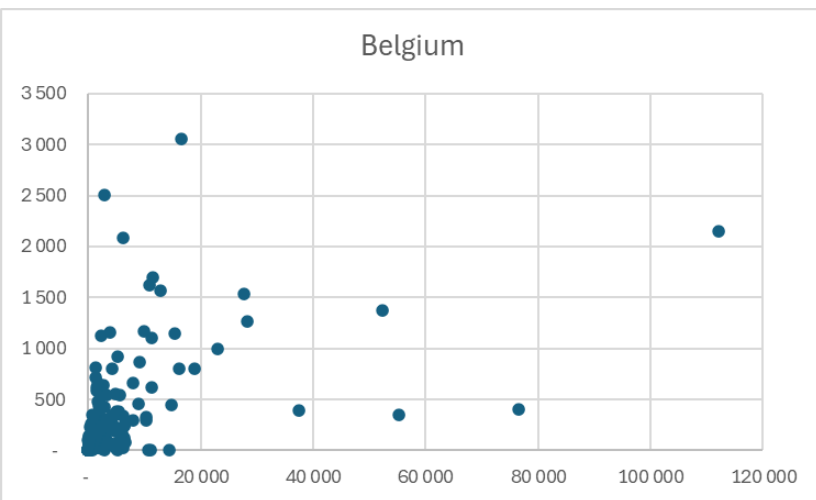
The dataset

- There are close to 24.000 equity issues in the dataset from 2005 to 2025
- We have 'deal value'-data on 20.000 of these
- In the green highlighted countries, we have augmented the dataset by inferring the deal value from the number of shares pre- and post-issue multiplied with the offer price. This has only been done after testing the methodology against observed values. The total number of data points increases by approximately 500
- We have excluded issues in companies with pre-issue market cap of less than 10 MUSD as the data quality is poorer. This takes approx 3.000 lines out of the sample

	#	Missing	miss/tot
BE	350	15	4 %
DK	420	100	24 %
FI	390	15	4 %
FR	1729	330	19 %
DE	2145	367	17 %
NL	416	50	12 %
NO	2140	179	8 %
SE	3406	530	16 %
CH	466	65	14 %
UK	11978	1801	15 %
IE	109	1	1 %
Secondaries	405	27	7 %
Total	23954	3480	15 %

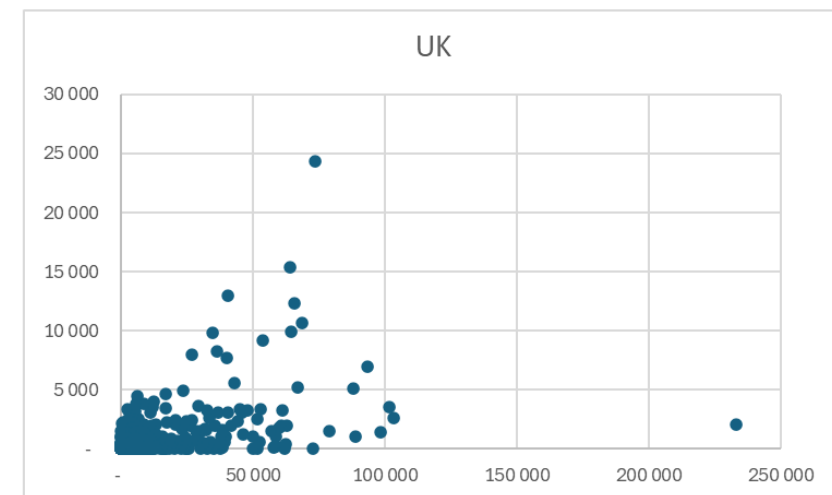
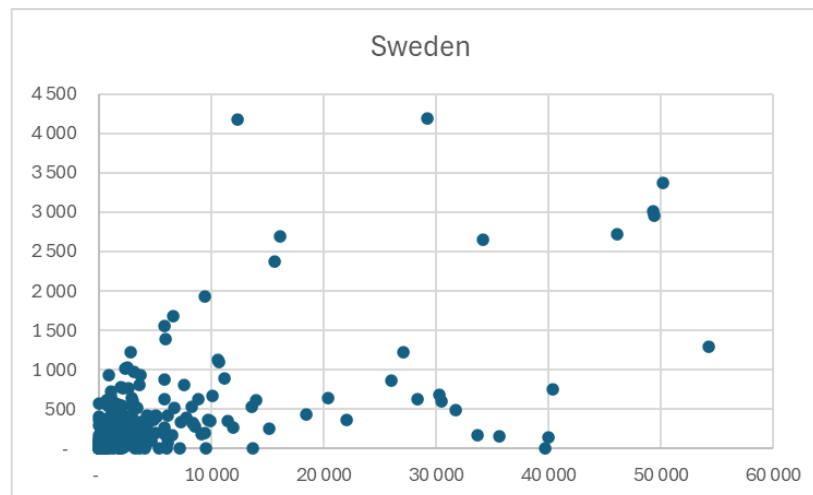
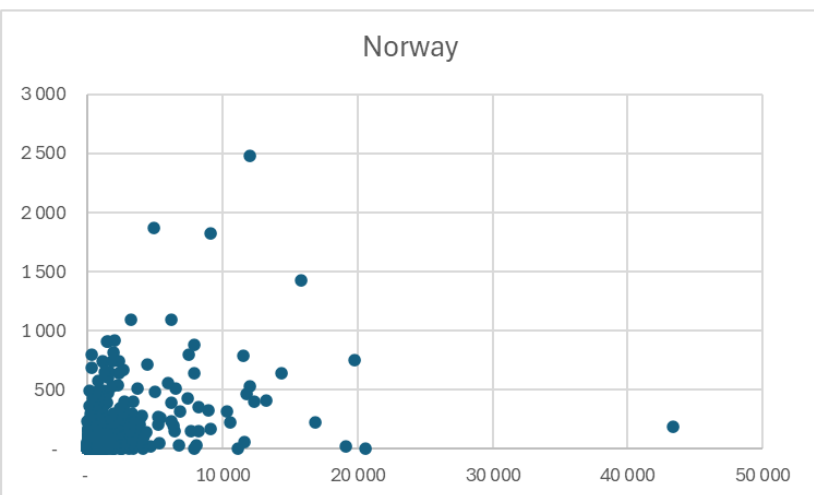
Finding 1: The majority of stock market issues is in smaller companies

Market capitalization pre issue on x-axis, issue value on y-axis, both in MUSD



Finding 1: The majority of stock market issues is in smaller companies

Market capitalization pre issue on x-axis, issue value on y-axis, both in MUSD



Definitions

On exchanges, small, mid, and large-cap stocks are defined by their **market capitalization** (total value of shares), with common ranges being: **Large-cap** (\$10B+), **Mid-cap** (\$2B-\$10B), and **Small-cap** (\$300M-\$2B), though exact figures vary slightly by source, with mega-caps exceeding \$200B and micro-caps below \$300M. These classifications help investors understand a company's size, maturity, growth potential, and risk profile. [🔗](#)

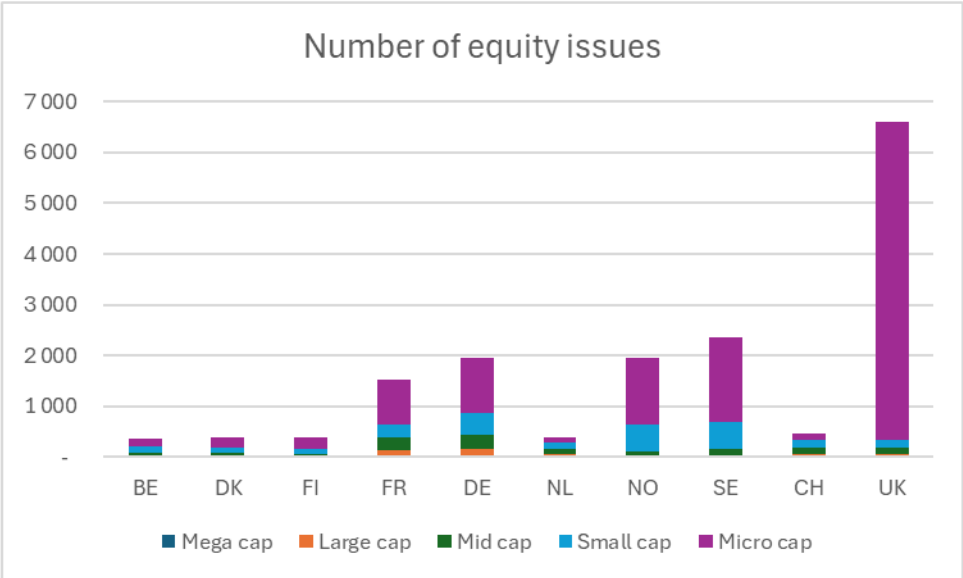
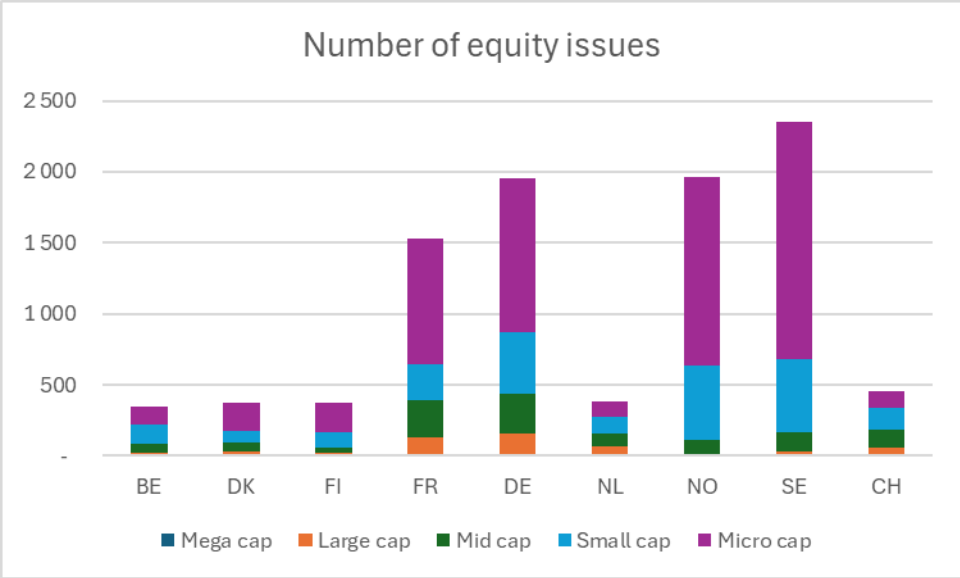
Market Capitalization Definitions (Common Ranges)

- **Mega-Cap**: Over \$200 Billion
- **Large-Cap**: \$10 Billion to \$200 Billion (Mature, stable, well-known)
- **Mid-Cap**: \$2 Billion to \$10 Billion (Established, growing)
- **Small-Cap**: \$300 Million to \$2 Billion (Younger, niche, higher growth/risk)
- **Micro-Cap**: Below \$300 Million (Very small, highest risk/potential) [🔗](#)

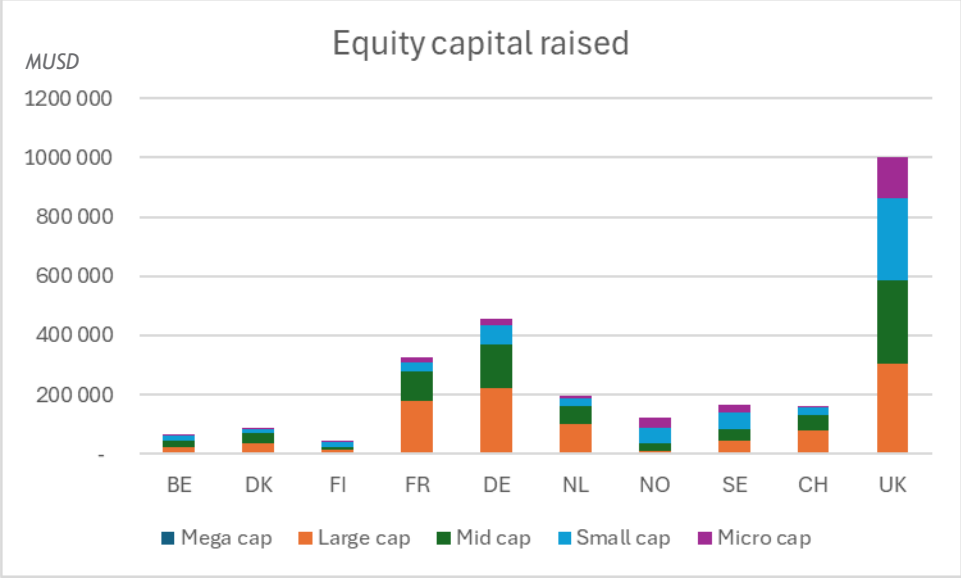
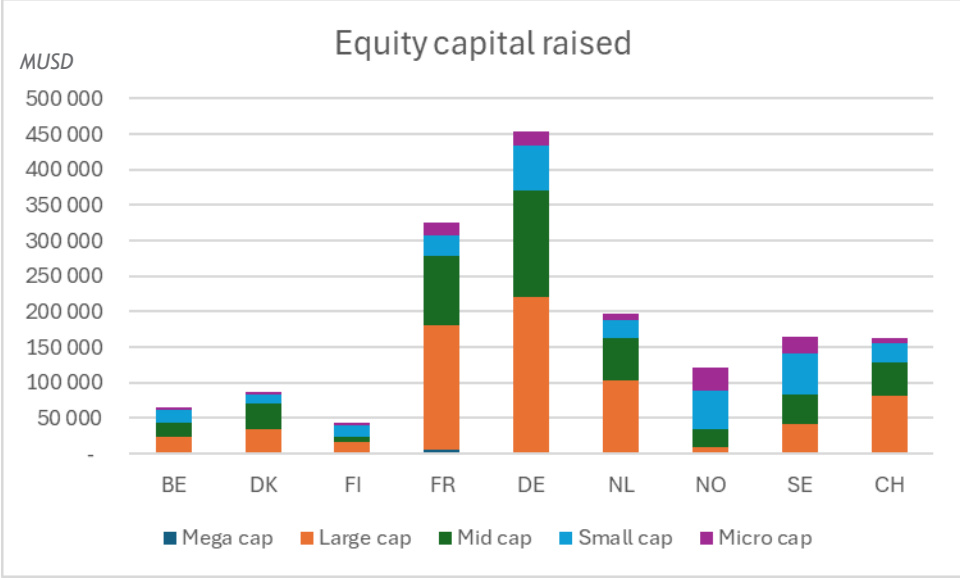
Source: Investopedia

Finding 2: The SME-capital issuance 2005-2025 varies across countries

The number of issues in Sweden and Norway are extremely high compared to the size of the economies (Pre issue market cap > 10 MSD)

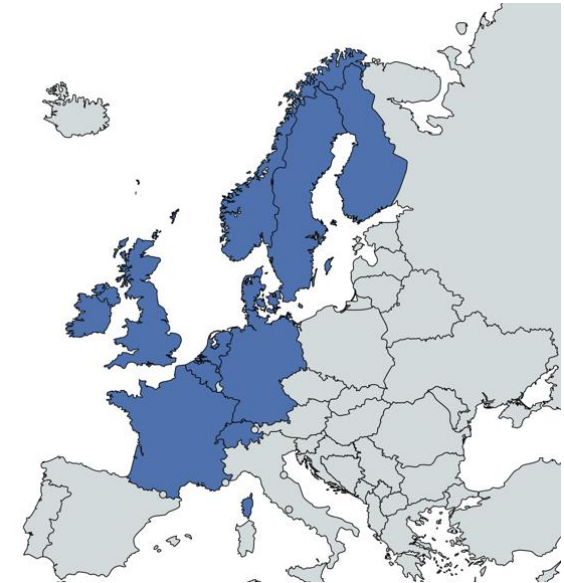
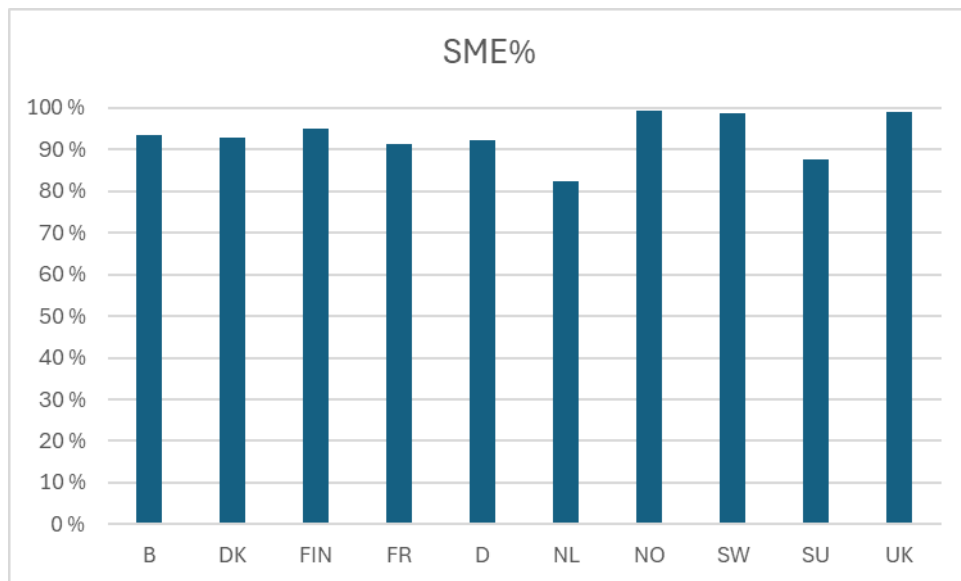


Finding 3: The large-cap issuance in MUSD in France and Germany is significant together with the UK



Summary of findings

- If we, based on the categorization used in this study, include micro-small-mid-cap issues in the tally, the average proportion of SME-issues is 93%
- The prominence of SME-issues is uniform across the countries



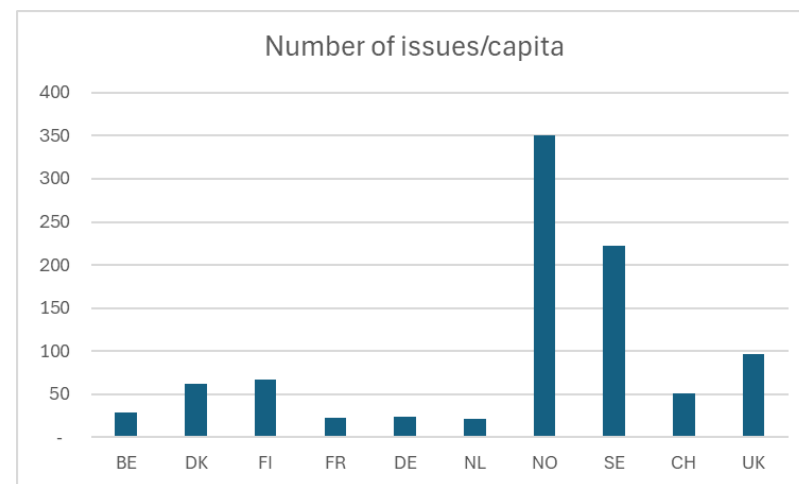
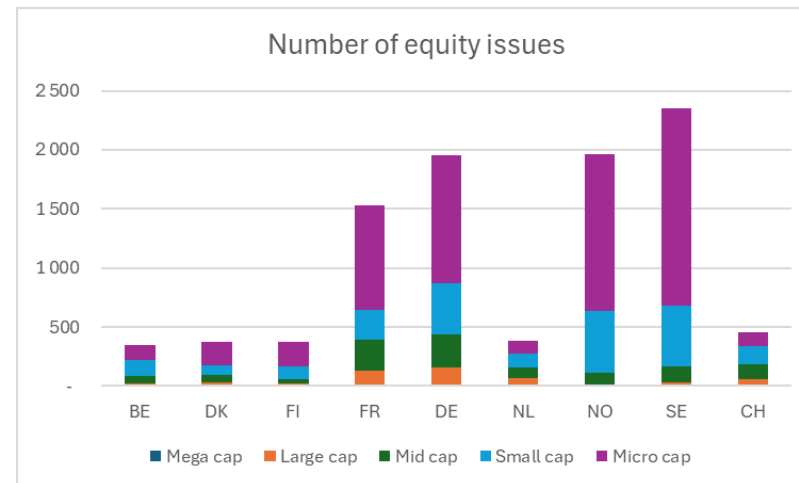
Sources: Dealogic, VPFF

Note: Pre-issue market cap > 10 MUSD

	B	DK	FIN	FR	D	NL	NO	SW	SU	UK
Mega cap	-	-	-	1	-	-	-	-	1	1
Large cap	23	27	19	134	154	68	15	33	56	56
Mid cap	58	63	38	259	285	92	98	137	125	125
Small cap	139	83	111	249	432	118	521	514	158	158
Micro cap	129	200	205	890	1 083	105	1 329	1 672	120	6 257
Total	349	373	373	1 533	1 954	383	1 963	2 356	460	6 597
SME%	93 %	93 %	95 %	91 %	92 %	82 %	99 %	99 %	88 %	99 %

Inference from findings

- The data shows clearly that across all stock exchanges in the study, over 90% of all capital issues are to SMEs
- The ability to raise equity capital for SMEs varies widely across the exchanges/countries
- The differences between countries illustrate the degree of 'equity risk culture' in the local/national markets
- The varying ecosystems for risk capital and investment patterns have developed locally over decades
- SME financing is characterized by 'home bias'



Sources: Dealogic, VPFF

Note: Pre-issue market cap > 10 MUSD

Explanation of ‘home bias’

The factual backdrop for SME investing.

1. Illiquid

SME's are by definition of limited size and the larger asset managers cannot invest in these companies, as they would break the limitations on ownership after employing just a fraction of their capital.

Not only do SME's have limited market cap, but SME ownership is often dominated by the founders/locals and the free float is therefore often even much smaller than the market cap

2. Under analyzed

Small and illiquid instruments are not profitable for Investment banks to allocate resources to

There is generally very limited, if any, coverage of listed companies with a market cap under 200 MEUR

3. Less natural information in broad media

Smaller companies are not newsworthy for broad media and the news flow is local

As an investor, you would always fear/expect the locals to have better access to both direct and indirect information than yourself

4. National taxation rules for capital gains differ and double taxation is an issue

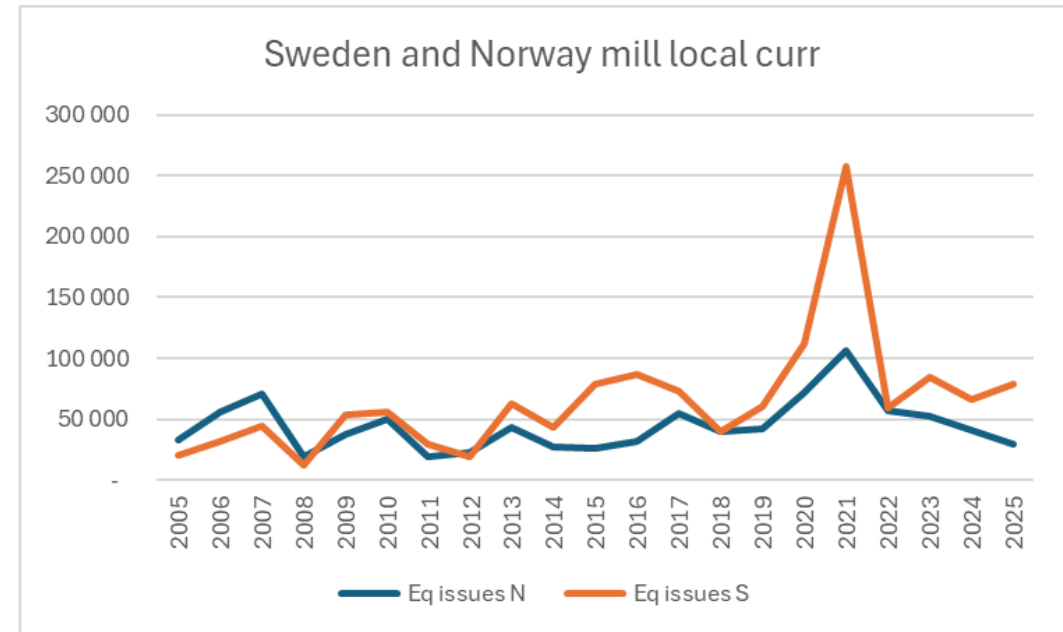
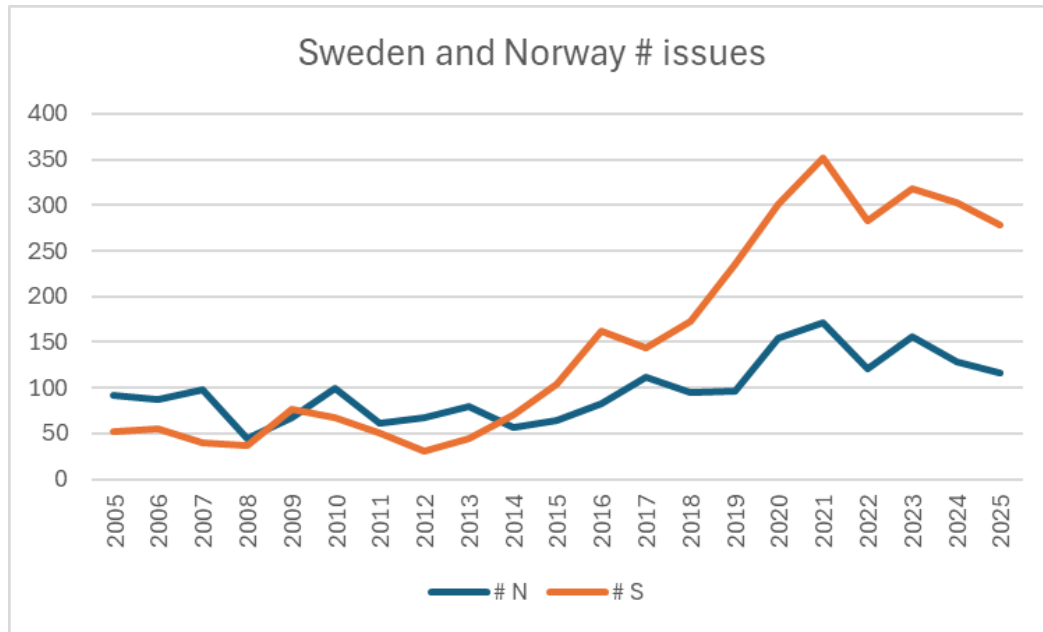
For these reasons, the ‘home bias’ in SME investments is high and it is therefore natural that throughout Europe, the markets for SME investing are national/local. Even in the Nordic region, where we have a fairly uniform platform in terms of language, financial reporting, taxation and securities trading, the funding of SME's tends to be overwhelmingly local

Conclusion

- A strong and resilient economy is based on fostering entrepreneurialism, driving and adapting to changing competitive forces and growth
- Financing in the capital market is a cornerstone in building strong economies together with other factors such as taxes for corporates and investors, presence of investable capital, trust in capital market participants and investor competence
- Large cap financing on the exchanges is not a problem in Europe. These issues are marketed globally, and ‘fragmentation’ is not an issue
- **SME financing on the exchanges appears to depend on developing local ecosystems and fragmentation could be an advantage**



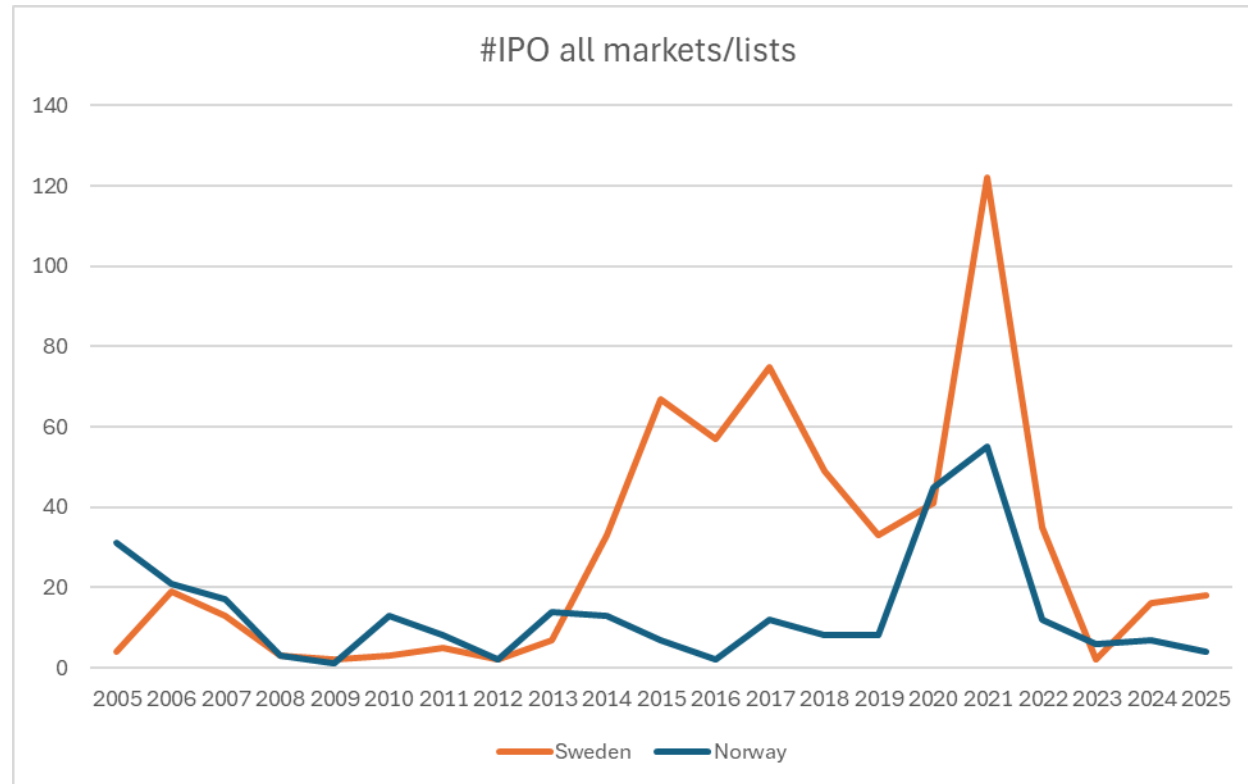
A longitudinal comparison between Sweden and Norway



A longitudinal comparison between Sweden and Norway

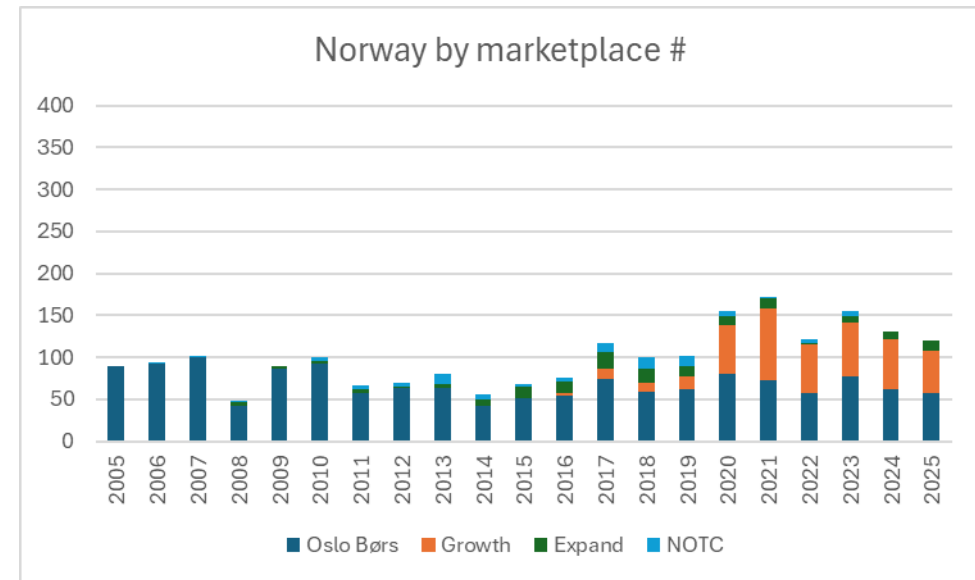
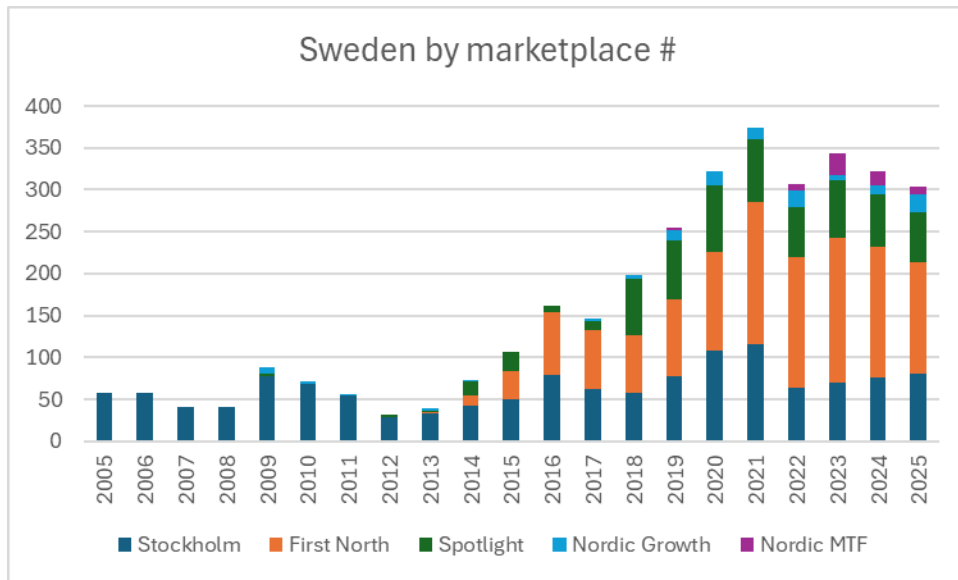
IPO comparison

- Norway and Sweden fairly similar between 2005 and 2013
- Huge IPO activity in Sweden 2014-2022
- What happened in Sweden around 2013?

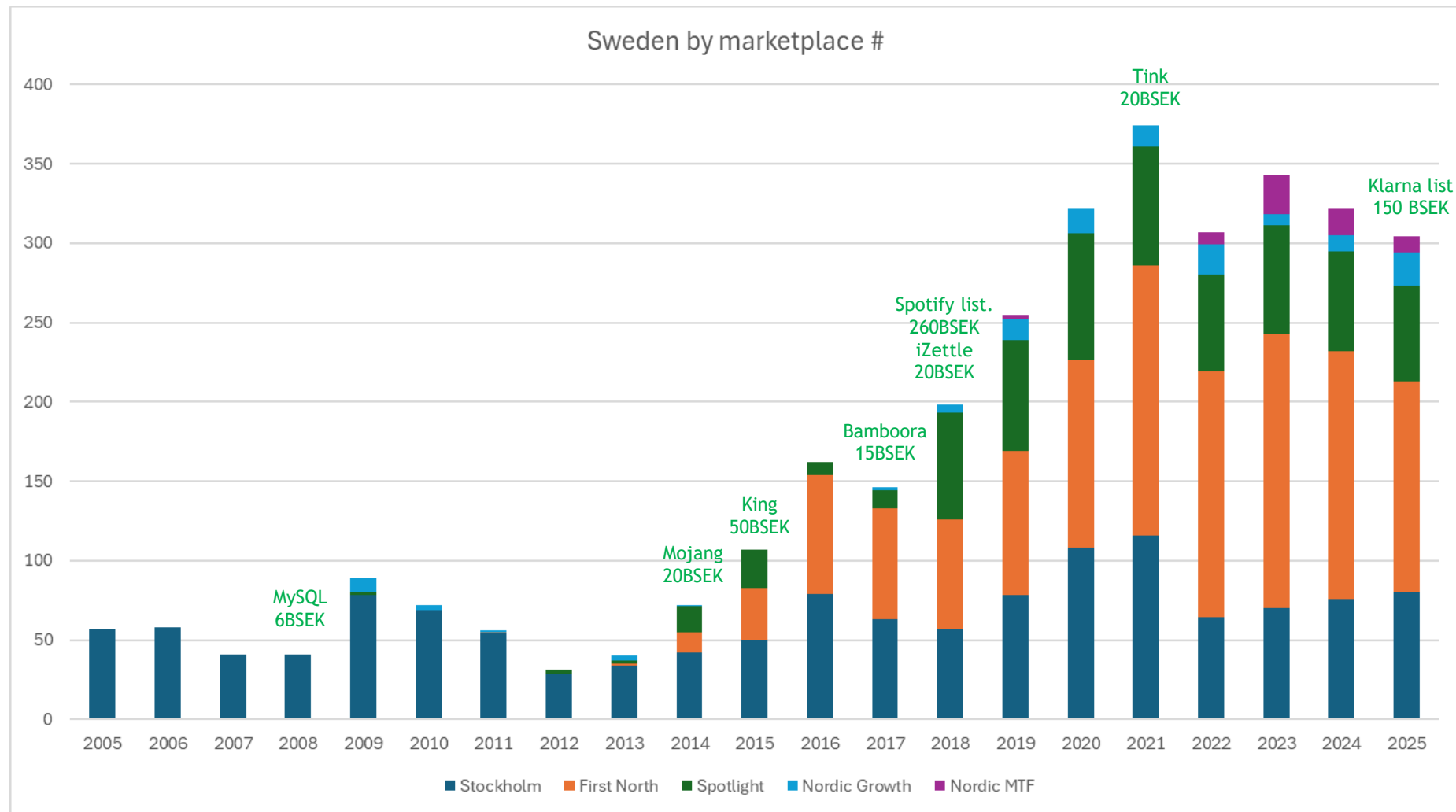


A longitudinal comparison between Sweden and Norway

of ECM transactions on different exchanges

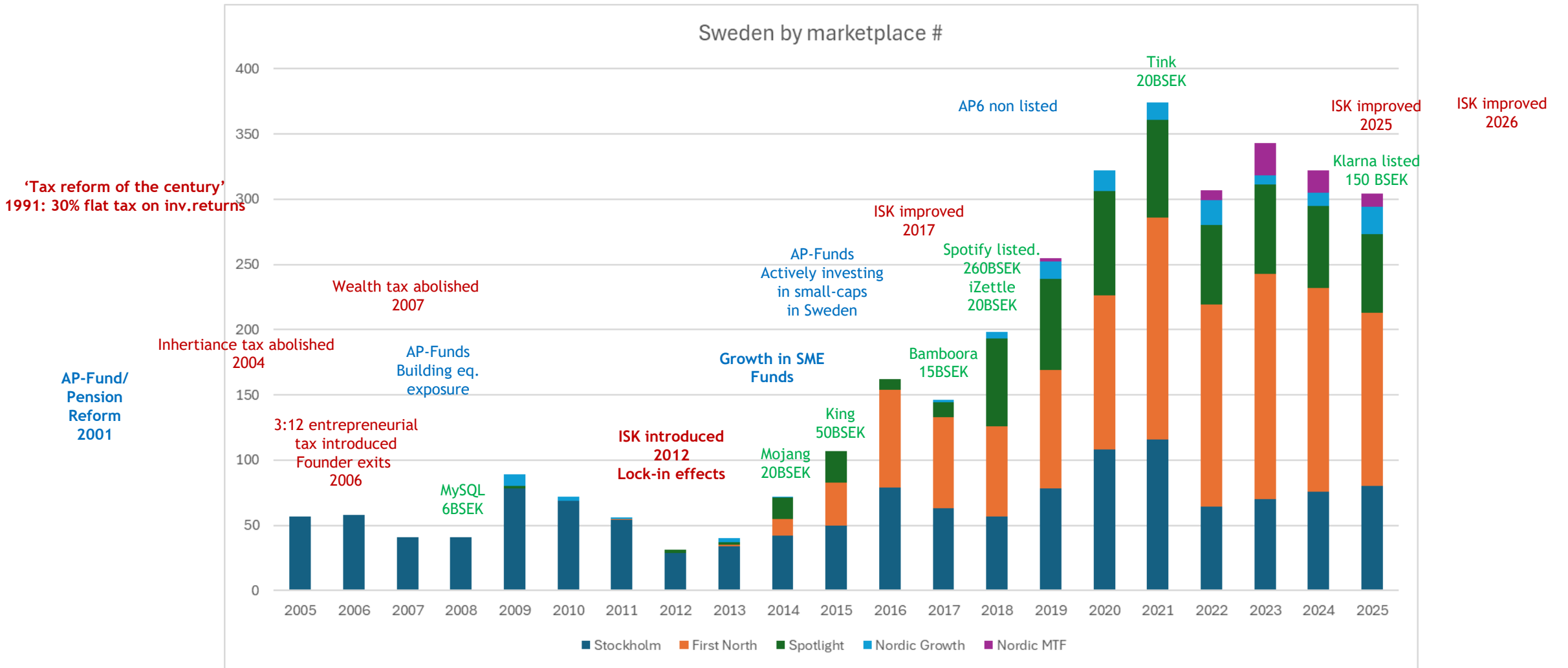


Factors possibly contributing to the Swedish success story: Exits-monetizations in VC-space



Factors possibly contributing to the Swedish success story:

Exits
Taxation
AP-Fonder



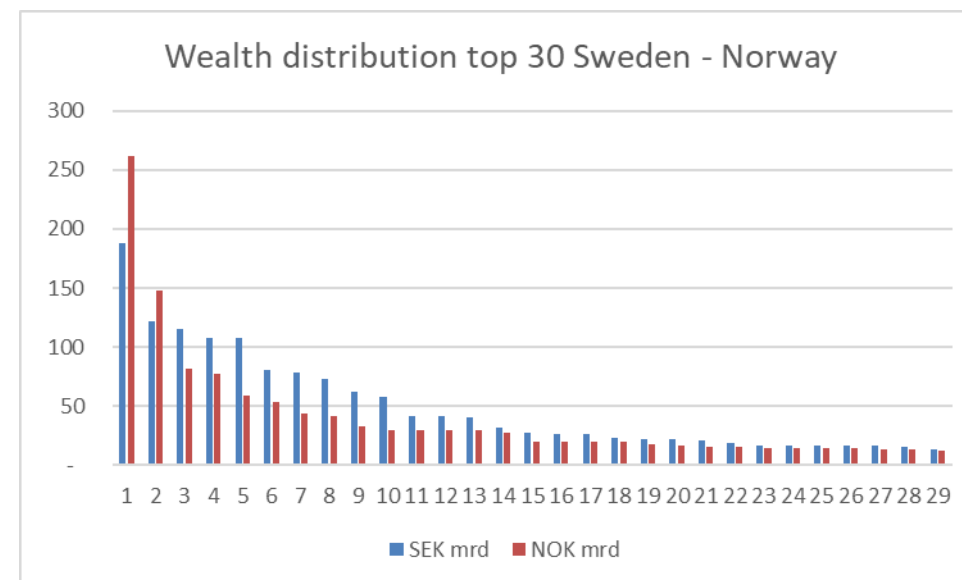
How does Sweden do it? Who are the investors in the SME-space?

- To be found at the top of the wealth-lists?
- To be found at the fund manager level?
- To be found at lower end of high-net-worth, fam-office list?
- To be found at retail/ISK level?
- To be found at AP-pension money level?
- To be found internationally?



Capital pool: USD -billionaires comparison

- There are about 50 USD-billionaires in both countries
- The wealth distribution is not widely different
- A bit more in total in Sweden, but not enough to explain meaningful difference in capital availability
- Is the explanation more in background, type of money?
- Or is the explanation further down on the list sub 1 BUSD? Or somewhere else, altogether?



Swedish top billionaires: Appr. 50% active investors

Namn	Formue (mkr)	Viktigste investeringer	Sektor
1. Stefan Persson	188 100	62,9% av H&M, Ramsbury Property	Retail
2. Antonia Ax:son Johnson	121 400	Axfood, Dustin. onoterade innehaven AxSol, Novax och Martin & Servera,	Retail, Investor
3. Martin Lorentzon	115 300	Spotify	IT, Investor
4. Finn Rausing	108 200	TetraPak. SIG Combibloc, där de är näst största ägare. Betydande innehav i International Flavors & Fragrances och Givaudan	Industri, retail
7. Carl Bennet	107 200	Lifco, Getinge, Elanders	Activist investor
8. Fredrik Lundberg	80 900	Lundbergföretagen, Industrivärden, Handelsbanken, Sandvik, Hufvudstaden och Husqvarna	Real estate + Acitivist
9. Daniel Ek	78 900	Spotify, – Antheia Investments och Andula. Tanken är att de ska delfinansiera europeiska startups och ”moonshot”-projekt	IT, Investor
10. Carl Douglas	72 800	Latour investments, Fortknnox, MIPS, New Wave	Investor, IT
12. Frederik Paulsen	61 700	privatägda Ferring Pharmaceuticals	Pharma, investor
13. Sofia Högberg Schörling	57 700	Hexagon, AAK och Assa Abloy, Hexpol, Nibe, Anticimex	Investor
15. Roger Samuelsson	41 500	SHL Group	Industri
16. Erik Selin	41 500	Balder	Real estate
17: Torbjörn Törnqvist	40 500	Gunvor	Oil/Commodity trader
18. Dan Sten Olsson	31 400	Stena AB, Stena Metall, Northvolt	Transportation, Investor
19. Ali Ghodsi	27 300	Databricks	IT/AI
20. Bertil Hult	26 300	EF	Language school, travel
20. Lottie Tham & familj	26 300	H&M	
22. Katarina Martinson	23 300		
23. Louise Lindh	22 300	Lundeberg	
23. Elisabeth Douglas	22 300	Latour	
25. Stefan Olsson	21 200	Stena AB	
26. Conni Jonsson	19 200	EQT	P/E
27. Jenny Lindén Urnes	17 200	AB Wilh. Beckers, Höganäs	Industrials
27. David Mindus	17 200	Sagax	Real estate
27. Karl-Johan Persson	17 200	H&M	Investor
30. Tom Persson	16 200	H&M	Investor
30. Charlotte Söderström	16 200	H&M	Investor
32. Thomas von Koch	15 200	EQT	P/E, Investor

Norwegian top billionaires: Appr. 25% active investors

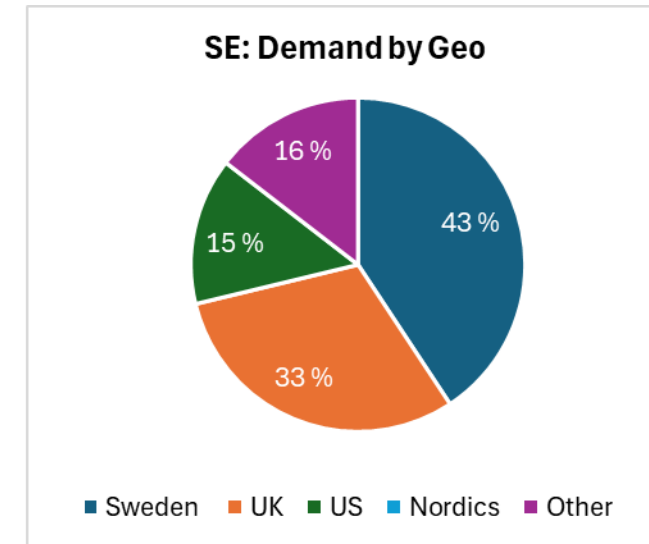
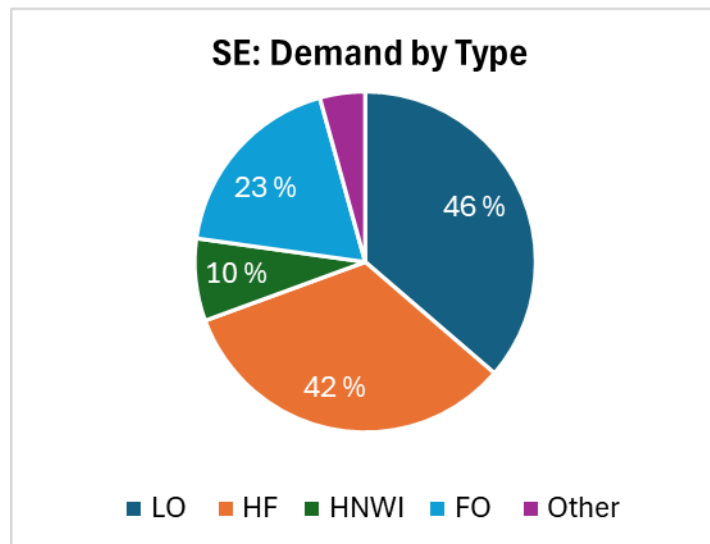
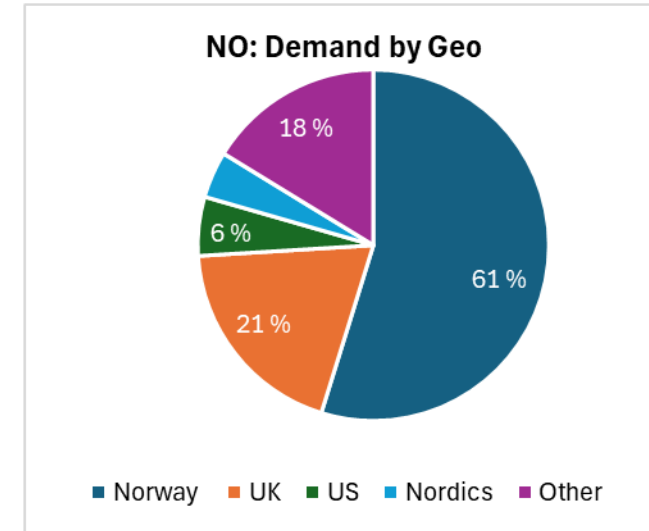
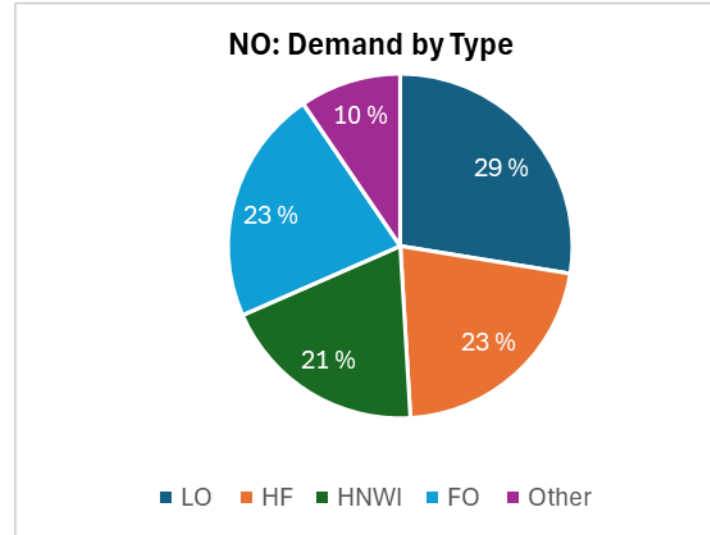
Namn	Formue (mrdkr)	Viktigste investeringer	Sektor
John Fredriksen	262		Shipping, Real Estate, Investor
Torstein Hagen	148		Shipping
Ole Andreas Halvorsen	82		Hedge fund mgr
Odd Reitan	77		Retail
Johan Johannson	59		Retail
Johan H. Andresen	53		Investor, mostly direct
Gustav Witzøe	44		Fisheries, Investor
Kjell Inge Røkke	42		Industrialist, direct investor
Stein Erik Hagen	33		Industrialist
Arne Alexander Wilhelmsen	30		Shipping
Bent Christian Wilhelmsen	30		Shipping
Peter Preben Wilhelmsen	30		Shipping
Svein Støle	29		Investment bank
Petter Anker Stordalen	27		Real estate, hotels, investor
Lars Wenaas	20		Real estate, hotels, investor
Christen Sveaas	20		Offshore, industrialst, some investments
Torstein Ingvald Tvenge	20		Real estate
Tore Lærdal	20		
Bjørn Rune Gjelsten	18		Industrialist, direct investor
Ole Ertvaag	17		P/E
Edgar Haugen	16		Real estate
Ivar Erik Tollefsen	16		Real estate
Bjørn Erik Borgen	15		Direct investor
Erik Must	15		Direct investor
Niels G. Stolt-Nielsen	15		Shipping
Kristian Siem	14		Shippiong, offshore, direct investments
Peter T. Smedvig	14		Investor
Trygve Seglem	14		Shipping

Concrete comparison of 15 representative SME-deals in each country

- Much more Long Only-Fund demand in Sweden. LO and HF account for 50% in Norway and 80% in Sweden
- Surprisingly less demand from Fam office/HNWI in Sweden
- Surprisingly less domestic demand in Sweden

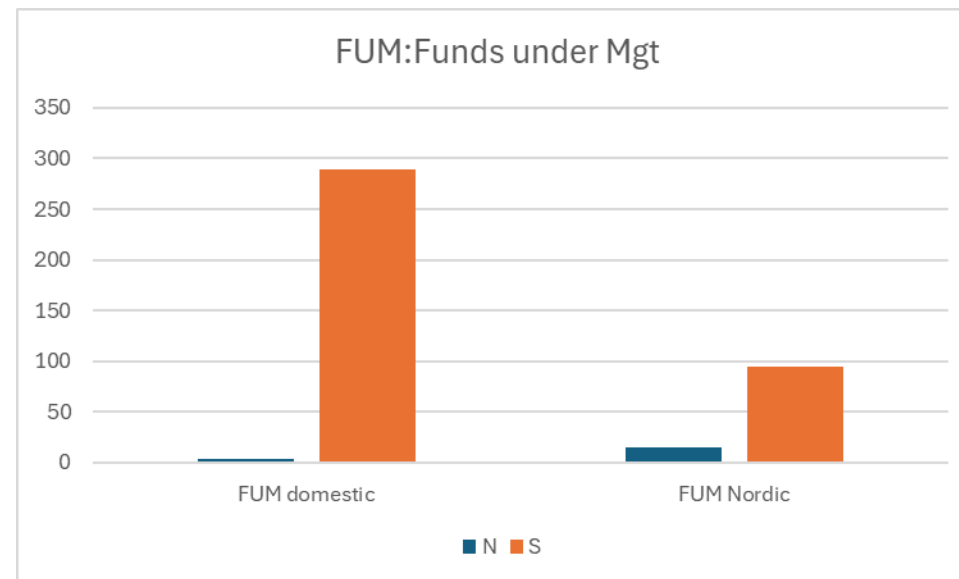
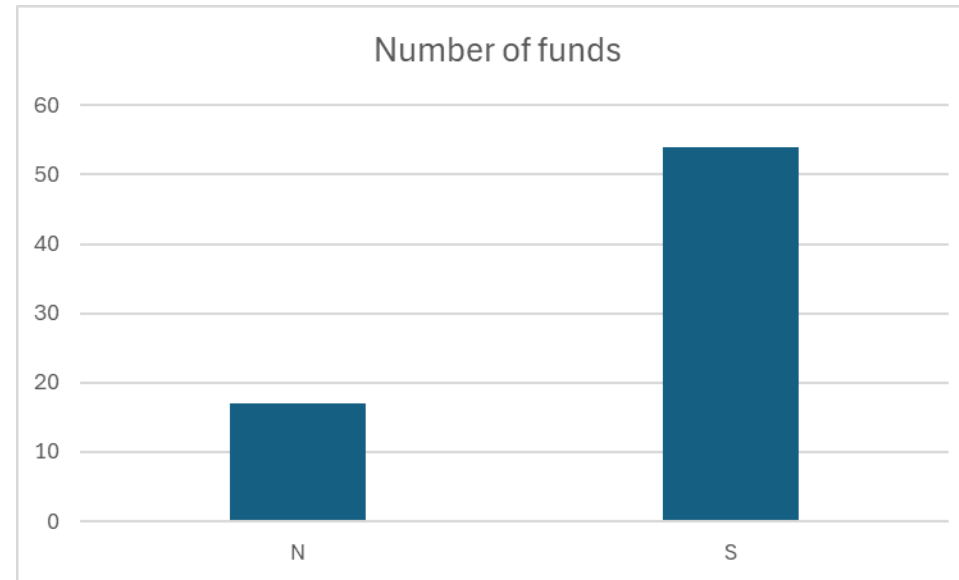
Inferences:

- More institutional demand, both domestic and international, for Swedish SME equity issues



The role of specialized funds in the SME market

- 54 specialized SME funds in Sweden vs 17 in Norway (excluding AP-Fonder)
- Close to 300 BSEK in FUM in Sweden vs 4 BNOK in Norway
- Apparently strong correlation between ISK-establishment in 2012 and the successful growth of SME funds which retail investors use for exposure
- Huge difference between the composition in Norway and Sweden



Summary

- **Local exchanges in Europe function primarily for channelling capital to SME-companies**
- There is wide variation in how national markets have developed over the last decades
- Sweden has a vibrant capital market, and the organic development of the local ecosystem is many-faceted, but the political and tax related issues are of foundational importance. A concerted national approach without abrupt changes over decades has proven successful
- The fairly active capital market in Norway has developed slightly differently as the business sector has been very capital intensive and the need for funding growth outside of internally generated cashflow has been a driving force for cultivating international investors over time, in addition to local sources
- **The importance of national developments in political and taxational issues are crucial in development of equity capital markets. The fragmentation/centralization push in the EU must be balanced and targeted, and not seen as a single solution**



**VERDIPAPIRFORETAKENES
FORBUND**