

Deutsches Eigenkapitalforum

21 – 23 November 2011
Frankfurt/Main

»Entrepreneurs meet investors«



Conference Magazine

Issue No. 2

Publishing Partner
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The “Mittelstand” (SMEs) needs a partner

Comprehensive capital market and financing support for greater returns

Many drivers use a garage to provide them with all-round support, because a good garage knows the vehicle's history, knows when the oil, brakes, tires, etc. next need to be changed. However, anyone who visits a garage that just specialises in changing the oil or brakes, for instance, only gets the oil or brakes changed. All the while, other important things are left undone. In short: good all-round support completely represents customers' interests. The same principle applies to the Mittelstand (SMEs) in regards to investment banking.

At times it is still suggested that SMEs only require a very restricted approach in the form of traditional banking, that is payments, deposits and lending. This is incorrect in my opinion. First-class investment banking services can sustainably increase, in particular, an SME's sales and profits. And not just major companies are entitled to excellent capital market and financing services, SMEs are too! Our experience shows that SMEs are increasingly interested in receiving support from a bank with a presence in a number of European financial centres with access to the German and international capital market – and accordingly to international investors.

The partner must be a perfect fit

In my view, two points in particular are important for SMEs: Firstly, like the driver, SMEs should only work with qualified organisations. That is an institution with a team of experts and a sustainable network to offer a comprehensive and



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high-quality range of investment banking services; this is the only way for SMEs to gain access to all capital market opportunities. And secondly, SMEs, like the driver, need a partner who speaks the same language and who understands his clients' requirements and demands particularly well. Naturally, this is the case with a smaller, medium-sized and business-oriented bank.

What are the advantages of all-round support? The SME could, after all, have different institutions to cover the various investment banking services. In this case, the SME would have to know the best current services and solutions types itself. This would also result in a conflict of interests as each institution would give special mention to the services they provide. As with the car example, the customer with all-round support is usually better off.

Customer closeness provides competent real-life solutions

In contrast, a comprehensive partnership approach aims to find the best solution for the SME using experts with similar interests. Only someone who knows a company well can also recognise and utilise capital market opportunities. There are many types of transactions, but it is important to select those that best fit the customer's strategy and business model. Factors such as exclusivity, flexibility, sustain-

Figure 1: Working principles for banking services



Source: Silvia Quandt & Cie.

ability and discretion are also extremely important to SMEs. These can best be delivered using a long-term comprehensive approach.

Some real-life examples: Customers have the option of equity and borrowed capital financing solutions or a com-

bination of the two; what solution fits best needs to be examined on a case-by-case basis. Institutional brokerage means more than just finding and getting to know investors, it also means selecting investors who will support the company for some time. Designated sponsoring does not provide a share with liquidity but gives important information on the situation in a share's market, which is of great interest for capital measures, for instance. And qualified research ensures that interest is generated for a company and its business model in the first place. An investment banking partner also helps with tasks such as preparing presentations so that they meet investors' expectations. And M&A can show a company its development opportunities. All these factors are closely linked in a relatively small bank. Being a partner to an SME means promoting a company with expertise and passion.

SMEs will benefit

All in all, a long-term comprehensive approach is an advantage, just as with the example of the car. However, such an approach can only bring about the desired positive results if the all-round support is not secured at the expense of quality in individual areas.