



INTERVIEW

IT'S IN EVERYONE'S BEST INTEREST TO COME OUT STRONGER FROM THIS CHALLENGE CAUSED BY THE PANDEMIC

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1 How do you see the Romanian economy at this moment and what are the major challenges it faces?

The pandemic transformed 2020 in an atypical year for all sectors of the economy. As in the previous crises, we have casualties, but there are winners, as well. The pandemic came with many uncertainties, as well with opportunities.

We must see that beyond all problems, this health crisis and its limitations in the area of traffic have led us to give more importance to local business, to understand that we must rely on what we have around us and at the same time, that we must support the Made in Romania business. We have seen many Romanian entrepreneurs reinventing themselves during this period, on one hand, to help their peers and, at the same time, for their business to survive this situation. We saw a tighter cooperation between the business environment and authorities, as all of us had to fight this pandemic.

One of the first steps in reinventing the business environment, where it was possible, was digitalization. We witnessed a digital revolution, with many businesses going online in order to survive. If before the pandemic, for many companies going online was a "nice to have" topic, the pandemic reshuffled the priorities, thus going online moved to "mandatory" and it meant the survival of the business itself. Now, we see farmers and other manufacturers selling their products online. As well, many companies that were online even before the pandemic rose their market share. The same is for the courier companies which had to accelerate their growth in order to comply to all the orders.

If we look at the global picture, the International Monetary Fund (IMF) autumn forecasts indicate a decline in international trade by 10.4% year / year in 2020, followed by an increase of 8.3% year / year in 2021.

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For world GDP, the IMF forecasts a decrease of 4.4% year / year in 2020, followed by revitalization by 5.2% year / year in 2021.

Now we understand that the support for the Made in Romania business must come, first of all, from us, those who live in Romania, because globally the situation does not look that good.

2. The pandemic has certainly repositioned priorities. How do you feel the attitude of Romanian companies towards Bucharest Stock Exchange, compared to the pre-Covid19 crisis period? What trends can you identify in this direction? How can Bucharest Stock Exchange support Romanian entrepreneurs that need financing for their projects?

As we have seen in history, any crisis comes with opportunities, and in the current context, I think that one of the opportunities is to support Romanian businesses, so that they develop, to become formidable players.

The capital market is a real support for all companies, because on the stock exchange they can find the necessary capital for development and, at the same time, they can attract new clients, or convert the current clients to become as well their shareholders. Investors are more inclined to consume the products or services of a company in which they are shareholders, having more confidence in them. This opportunity is a two-way highway, as the customer is more inclined to become a shareholder of a company whose products and services he/she uses.

We have examples even this year marked by the pandemic, in which we saw financing rounds successfully carried out by Romanian companies, but also by the Romanian State, and the values are impressive, because we are talking about over EUR 500mn, money attracted via the capital market investors. The amounts ranged from several hundred thousand euros to hundreds of millions of euros. They are small and medium companies, but also large companies. All these financing rounds were a success because investors are always attentive to the opportunities that arise and are willing to place some of their money in these

companies, whether we are talking about companies that access the money by selling shares or issuing bonds.

In the last two years alone, we have witnessed almost 30 rounds of financing through bond issues, with a cumulative value of EUR 1.5bn, which strengthens the fact that money is not a problem on the capital market, but they expect only opportunities to be placed. This year only, there were listed 12 bonds issues, worth EUR 538mn, and we witnessed the listing of two companies, both from agribusiness. Other financing rounds are carried out even when we speak, as there are about 15 companies in the pipeline, and these are only based on the information publicly available.

So, we could conclude that the Romanian capital market is seen better and better by Romanian entrepreneurs as it provides an unlimited access to finance even in times of uncertainty.

3. Beyond the pandemic situation, this year also brought good news for the Romanian capital market, which was recently upgraded to emergent market. What exactly does this mean for the Romanian business environment?

September 21st, 2020 is a historical moment for the Romanian capital market as it marks the upgrade to Secondary Emerging status, by the international indices provider FTSE Russell.

By entering the category of Emerging Markets, we have access to a much larger investment universe, which in terms of money means about EU 250bn. Now, Romania has a small share in the FTSE Russell indices for Emerging Markets, but it is up to us as a market to increase this share and to have as many companies as possible in these indices.

Banca Transilvania (TLV) and Nuclearelectrica (SNN) are the first two Romanian companies to be included in the Emerging Markets indices, and this access has brought other benefits to the local capital market, so that other listed companies will be able to enter FTSE Russell indices, and the first example is the TeraPlast (TRP) company. OMV Petrom (SNP) and BRD-Groupe Societe Generale (BRD) are the other two Romanian companies that

have chances to enter the FTSE indices for Emerging Markets next year.

We hope to have at least one more important company included in the indices at the next rebalancing decision, which will be taken by FTSE Russell in March 2021. And following our goal, we are in discussions with other companies that may qualify to be included in the FTSE Russell indices and present them with several solutions to improve liquidity and make them more visible to investors. We can say that at the moment, we have a capital market in which a much stronger community of individual and institutional investors operates, a market that is much more attractive for companies already listed or who want to be listed in terms of financing costs through the market of capital. A larger number of investors leads to a higher demand for financial instruments issued by Romanian companies, and the effect is a better assessment of them and, implicitly, access to finance at lower costs. We already see that more and more Romanian companies are starting to realize this created opportunity and consider the financing through the capital market as the main solution for the development strategies they have in mind.

Along with joining the Emerging Markets league, our objectives have been raised and we must aim even higher, and for an improvement in liquidity we are working on several levels, we want to implement ESG standards among listed companies, we are considering a wider coverage of issuers through analysis reports and a number of projects for both issuers and investors are still being prepared.

The upgrade to Secondary Emerging Market status by FTSE Russell is a first step towards the next upgrade, that by MSCI, but for this we still need to increase at least in terms of liquidity. There are currently 4 companies that have chances to meet the criteria imposed by MSCI, namely Banca Transilvania (TLV), Romgaz (SNG), BRD – Groupe

Societe Generale (BRD) and OMV Petrom (SNP). Unfortunately, only Banca Transilvania meets them consistently, the other three mentioned companies still have certain months in which they do not meet at least one of the imposed criteria. However, it must be said that in this context, a listing of an important company such as Hidroelectrica, would significantly help to meet the criteria imposed by MSCI.

4 ■ Are investors more careful now, given the pandemic context, or do they seize more opportunities in time of crisis?

Volatility, opportunities and maturity are the words that can characterize 2020 on the stock market.

We are talking about a maturity of investors, because many investors saw in the price drops back in February – March some very good opportunities to enter or re-enter the market. If we look only at the evolution in the first quarter, when the market reached the lows of the year, there were already about 10% (almost 1500 accounts) more active accounts than at the end of 2019. The number of accounts continued to also increase when the market trend reversed and the prices started to grow, so we can say that volatility in the first half of the year has led to an increase of about 15% -20% in the number of new or reactivated retail accounts (somewhere around 3,000 investors), a trend similar to many of the developed markets. At the same time, the brokers that allow the online opening of investment accounts have had an important contribution to this evolution, especially in these times when the sanitary distance must be maintained.

All this time, we have witnessed successful financing rounds on the Romanian capital market, which shows that despite volatility, fears and uncertainties, investors are paying attention to any investment opportunity arises.

Therefore, we can say that the pandemic brought significant opportunities for those who were

The most important lesson in the pandemic is the one taught by the listed companies and by those who attracted funding through the capital market - namely that the stock market is an engine of the economy.

The moment the entrepreneur turns to other people's money, he starts to be part of a team that is part of that business, a team of shareholders who have invested money in the company, and governance, transparency, communication, are starting to become key elements.

careful to identify them and had the courage to take advantage of them. And, we must not forget one thing: no matter how the markets evolve in the short term, an investor must not give up the discipline of investing recurrently, having a long horizon for investment in the capital market

5. Which is your main objective now, as Chairman of Bucharest Stock Exchange?

Bucharest stock Exchange is a team and it always was, thus I will speak about our main objectives: to have more companies listed and to have more active investors.

Of course, from these two objectives derives more targets and so on.

Despite the difficulties in the first half of the year, we can say that 2020 promises to be a year with many projects and progress for BVB. The upgrade to Emerging Market status is, certainly, the most significant achievement and, without a doubt, it will bring new foreign institutional investors to contribute to the financing of the Romanian economy.

In the light of this upgrade, we will do our best to have more Romanian companies included in the FTSE Russell Indices for Emerging Market. Thus, BVB focuses on projects that aim to better promote local issuers, both internally and externally, by improving coverage with fundamental analysis, and by implementing reporting standards for responsible investment, the so-called ESG standards, which are becoming increasingly important for foreign investors. We are convinced that these projects will have a visible positive impact in the medium term and will increase the interest in companies listed on BVB.

6. What do you think that this Covid19 crisis has to teach us? Which is the lesson that we must not miss from this atypical and unprecedented situation?

I think the most important lesson is the one taught by the listed companies, by those who attracted funding through the capital market, including the Ministry of Public Finance, namely that the stock

market is an engine of the economy, it is a channel that allows the transfer of money from those who own them and want to invest them in companies that need that money to grow. We are talking about financing rounds of over EUR 500mn only this year, money that was placed by investors on the Bucharest Stock Exchange.

We have noticed that some companies have put their development plans on hold as a result of the crisis caused by the Covid-19 pandemic, but on the other hand, we have seen companies that have continued to grow and finance this development through the capital market.

In fact, previous crises have shown that such periods are good for investment, and the companies and investors who have identified the opportunities generated by the crises have been and are the ones to win.

7. What's your „Focus on ...“ advice for the Romanian entrepreneurs, regarding their finances and investments?

The focus must be on their company sustainable development. On the Stock Exchange we see more and more young, entrepreneurial companies, which came a long way and they have reached a certain level of development. Any development involves several stages, the entrepreneur gets to a point where he has to make a decision related to limiting the growth of the company to the resources that it has and the resources that the entrepreneur has or to use the resources of other people to accelerate this growth. And this is the stage where the investors step in, either they are investors on the stock market, venture capital or private equity.

But the entrepreneur should Focus on the investors, as well. The moment the entrepreneur turns to other people's money, he starts to be part of a team that is part of that business, a team of shareholders who have invested money in the company, and governance, transparency, communication, are starting to become key elements.