

Why not consider a listing?

By Carolyn Gelling, Head of Isle of Man Office, The International Stock Exchange Group

An exchange listing does not have to be the preserve of multinationals and all companies should consider how accessing the capital markets could aid their ambitions.

Many business owners in the Isle of Man may consider that an exchange listing is the preserve of multinationals but that does not have to be the case. The International Stock Exchange (TISE) provides a more appropriate offering for a wider range of companies and their owners should consider how accessing capital markets might be able to aid their ambitions.

A listing offers several benefits but there are also certain requirements which need to be met. As such, owners cannot afford to wait until they are ready to list before they act but instead, preparations should form part of their strategic thinking. Forward planning is key to the success of any company and as part of that, there needs to be early consideration of an exchange listing.

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Clearly an exchange listing is not going to be suitable for every company but it does offer several key benefits. These might include one or more of the following:

- » Enhanced prestige and profile for the owners and their business
- » Access to a new pool of capital which will help take the company to the next stage of its development
- » A clearly defined price for the shares and valuation of the business
- » Demonstrable adherence to well recognised standards of transparency and governance
- » Provision of a stepping stone to a listing on another major global exchange
- » Route to exit

Perhaps the most appealing benefit of an exchange listing is the potential access to a new pool of capital.

The problem

Smaller businesses might find Angel investment to help them develop for a period and increasingly new methods of alternative financing, such as crowdfunding, may play a part but often more significant funding is required to really take a company the next level. The problem is that many business owners don't like the loss of control afforded by private equity investment and traditional (i.e. bank) finance has dried up even further since the financial crisis.

The solution

An exchange listing can fill that current gap in funding. It offers access to a new pool of capital because some investors can only invest, or have to invest a certain proportion of assets, in listed products.

One of the reasons that certain investors are mandated to invest into listed products is because they know that the company in which they are investing must adhere to specified standards of transparency and governance.

It is these requirements which mean that owners need to have given thought to whether or not they see an exchange listing playing a part in the development of their business well before they actually reach that stage.

By giving this consideration early in the company's life, a company can start to make the necessary preparations for an exchange listing so that they are in the best possible position to meet the required conditions at the time they wish to be admitted.

“An exchange listing can fill that current gap in funding”

The fact that a company is able to clearly demonstrate that it meets these standards is not only attractive in terms of investment but reflects a strength of corporate governance for a company to achieve in its own right, as well as providing strong foundations for the future. For example, the company may wish to attract further investment, perhaps by dual listing on another global exchange.

TISE

Isle of Man companies might choose to list on TISE because it offers the advantage of being able to facilitate the listing directly from the island. In addition, TISE also has a fee regime and admissions criteria which are better suited to meeting the needs of growing businesses than those of some larger exchanges.

In fact, a company may use a TISE listing as a way to raise its visibility and get comfortable with the requirements of being a listed company and then, once it has grown, transition to being listed on a major global exchange. In this way, TISE might be considered an 'incubator exchange' or a 'stepping stone'.

For many businesses that is likely to be a longer term objective but in the meantime, they should still ensure that they are adequately planning for the future and as part of that, consider how an exchange listing could aid their ambitions.



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