

# An alternative financing option for UK SMEs

Listing on The International Stock Exchange [TISE] provides UK SMEs with an alternative option for raising capital, according to Fiona Le Poidevin, CEO at The International Stock Exchange Group [TISEG].

Business owners in the UK are constantly looking at ways in which they can raise capital and many will 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 this capital market might aid their ambitions.

## The financing conundrum

Raising finance is a constant challenge for business owners and especially owners of Small and Medium Sized Enterprises (SMEs). This has taken on extra importance – and something of a political dimension – with the UK Government viewing SMEs as the engine of the UK economy through Brexit.

To play this role, SMEs are going to be reliant on accessing finance to help fund growth and as such, increase employment opportunities. However, there is something of a financing conundrum.

***“Raising finance is a constant challenge for business owners and especially owners of SMEs.”***

Bank finance has long been the source of funding for SMEs and it is often a complaint of SMEs that this was not as forthcoming as it might have been but the evidence (anecdotal or otherwise) is that it has dried up even further since the financial crisis of 2008.

Other sources of financing, such as crowdfunding, are increasingly playing a part but that sector remains nascent and often more significant funding is required to really take a company to the next level.

Smaller businesses might find angel investment to help them develop in the initial phase and venture capital and private equity can play a role in later stages but many business owners don't like the loss of control afforded by these forms of investment.

## The benefits of listing

A stock exchange listing can overcome these issues in terms of providing access to a significant amount of capital without requiring an owner to accede full control of their business.

Indeed, the benefits of a listing might include one or more of: enhanced prestige and profile for the owners and their business; a route to exit; a clearly defined price for the shares and a valuation of the business; and the opportunity to retain and reward staff via equity-linked incentive schemes.

Perhaps the most appealing benefit of an exchange listing is the potential 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.

***“A stock exchange listing can overcome these issues.”***

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.

However, owners of SMEs often perceive that meeting these standards will be overly bureaucratic and that the financial cost of listing makes it unviable and therefore they are precluded from doing so.

## The benefits of TISE

TISE offers the benefits of listing on a recognised stock exchange but with an admissions criteria and fee regime which are better suited to meeting the needs of growing businesses than many traditional exchanges.

***“TISE offers the advantage over other exchanges that it provides UK SMEs with certainty and continuity.”***

In addition, while the UK faces extreme uncertainty in the face of Brexit, TISE is headquartered in the Channel Islands and therefore sits outside of the EU. This means that TISE offers the advantage over other exchanges that it provides UK SMEs with certainty and continuity over the next few years while enabling them to stay within the ‘British family’.

## Conclusion

Brexit has increased the reliance on the growth of SMEs for the UK economy yet, at the same time, conditions for SMEs to raise finance have worsened and listing on traditional exchanges can be seen as overly bureaucratic and/or expensive.

TISE provides an alternative option in being able to raise finance through a listing but with a marketplace better suited to SMEs and from a location in the British Isles which provides certainty in the face of Brexit.

It might be that in the longer term the company will grow and migrate to a major venue but by acting as an ‘incubator’ exchange, TISE can help to oil the wheels of economic growth in the UK, especially given the context of Brexit.



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