

How SMEs can benefit from a listing

The International Stock Exchange offering makes listing viable at a much earlier stage and so could help business owners access capital and grow their companies sooner than they may think. In this Q&A, Fiona Le Poidevin, chief executive of The International Stock Exchange Group, outlines how SMEs can use the capital markets to access growth finance.

Is listing a realistic option for small to medium-sized enterprises (SMEs)?

Yes, most definitely. Traditionally, the cost and complexity associated with listing on a stock exchange has meant that it has been the preserve of multinationals. However, The International Stock Exchange [TISE] provides a more appropriate offering for a wider range of companies, including SMEs.

Often SMEs do not always reach profitability in their early years and can be capital-intensive, so being able to list sooner than has been traditionally possible and access new sources of funding offers significant potential benefits for scale and growth.

What are the benefits of listing?

A stock exchange listing offers the benefits of enhanced prestige and profile, a clear price for the shares and a valuation of the business, the opportunity to retain and reward staff via equity-linked incentive schemes and a route to partial or full exit for the owners, as well as potential access to a new pool of capital.

What role can the capital markets play in providing finance?

Angel investment, bank finance, alternative finance such as crowdfunding, venture capital and private equity are all forms of financing that businesses may use at various stages of their life cycle, but they are not always easily accessible.

An exchange listing can fill that gap by offering access to investors who can only invest in listed products because they need to know that the company in which they are investing is adhering to specified standards of transparency and governance and that there is liquidity through secondary market trading.

What is so attractive about TISE?

TISE offers the benefits of listing on a stock exchange that has a business established since 1998 and more than 2,500 listed securities with a total market value of more than £300bn but where the offering is tailored to meet the needs of growing businesses, such as SMEs.

Typically, the exchange fees will equate to £12,000 in year one (for admission and the first annual fee) and £6,000 each subsequent year during the life of the listing. There will be professional adviser fees as well, but the total package that TISE offers is less in comparison with traditional exchanges.

In addition, TISE has proportionate listing requirements, which include the company being worth at least £1m upon listing. TISE is therefore attractive for a wider range of companies because it allows an earlier point of listing.

What is the process for listing on TISE?

It is simple and straightforward. A company must appoint a TISE listing member as a sponsor to help the company with the listing application process and meet its continuing obligations. It is worth having early conversations with a potential sponsor, but otherwise owners or their advisers can always speak to those of us at TISE in the first instance.

How does the secondary market operate on TISE?

Trading on the exchange must be carried out through a TISE trading member. Usually a company will appoint one of these as a market maker to enhance the liquidity of the stock and facilitate trades.

Are there current examples of UK companies that have listed on TISE?

Yes, companies listed on TISE include Likewise Group, which is a Birmingham-headquartered floorcoverings distributor that listed on TISE in January this year to raise funds for working capital and future acquisitions.

The company raised an initial £7m, taking the market capitalisation to £12m upon admission. Since listing, the company has raised a further £8m and undertaken merger and acquisition activity. There has also been an active secondary market in the shares.

What is the next step for an SME looking to list?

For many businesses, listing is likely to be a longer-term objective but it is useful to recognise that TISE's offering makes this viable at a much earlier stage, and therefore it could help business owners access capital and grow their companies sooner than they may think.

It is worth taking this into account as part of a company's strategy, speaking to an adviser to understand what they need to do to be IPO-ready and, of course, speaking to us directly at TISE.



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