

If you have ever watched Dragons Den you will probably have heard a budding entrepreneur express their desire to 'exit by way of a sale or an IPO (Initial Public Offering) within 5 years'.

Northern Ireland:

is it time to go public?



Richard Fulton, Mills Selig

Many local entrepreneurs consider listing/floating their company on a stock exchange as part of their exit strategy, yet in recent years in Northern Ireland only three companies have actually taken the leap to become publicly quoted companies - UTV Media plc, Andor Technologies plc and First Derivatives plc.

Proportionally this is much smaller when compared to the rest of the UK or Ireland given that some 2,030 UK incorporated companies are quoted on the London Stock Exchange and a further 48 companies incorporated in Ireland are quoted on the Irish Stock Exchange. So why is Northern Ireland's 'public sector' so small? Is listing/floating a company from Northern Ireland on a recognised stock exchange merely a pipe dream?

Richard Fulton, partner in local law firm Mills Selig, suggests otherwise: "It is a common misconception that companies have to be a certain size and have a certain level of recurring

revenue before going public. Coupled with the fact that the majority of companies in Northern Ireland are small to medium enterprises, most people here feel their business is not suitable for the public markets. The success of our local plcs is a strong indication that flotation is a viable route for NI business".

The introduction of growth markets such as AIM, the London Stock Exchange's market for smaller and growing companies, gives these smaller businesses an opportunity to raise significant capital by offering their shares to the market. This enables exponential growth of the business and potentially substantial returns.

Mark Fahy is the Head of UK Small and Mid-Cap Companies for the London Stock Exchange, and is responsible for Northern Ireland, often meeting with local companies considering flotation.

"There are many reasons why companies choose to float either on AIM or the Main Market. The most significant of these is the opportunity



Mark Fahy, London Stock Exchange

to access capital for growth, both on flotation and through further fundraisings. Flotation increases public awareness of a company and enhances a company's reputation and credibility with customers and suppliers who take comfort in the fact that the company operates to the



"Listing First Derivatives on AIM and IEX made it easier for us to attract funds from both professional and institutional investors."

Brian Conlon, First Derivatives plc

standards required by the market. It also provides a currency in the form of shares to use as part of acquisition currency or attract and retain key employees through the use of share options"

Richard Fulton and his colleagues at Mills Selig have experience unique to local law firms in bringing companies through to market. "We acted for First Derivatives plc in its flotation on AIM in 2002 and on IEX (the equivalent to AIM on the Irish Stock Exchange) in 2007". Mills Selig continues to work with the company today: "I act as company secretary advising the board of directors on corporate governance matters and my team advises the company on a wide range of commercial matters including their international acquisitions and software contracts."

In 2007 Richard also led a team advising AssetCo Group Limited on its reverse takeover of Asfare plc to create AssetCo plc.

Is flotation right for my company?

Determining whether to float your company on a stock market is an important decision, and it is not necessarily right for everyone.

Brian Conlon of First Derivatives plc considered the issues when he decided to list the company on AIM in 2002, shortly after the dotcom technology 'bubble' had burst and just six years after starting his business. At that time the company had just 27 employees. Since then it has grown in revenues and profits year on year and now has over 660 employees worldwide. It is recognized as one of the fastest growing capital markets service providers in the world. The company's clients include nine of the 10 largest US investment banks, 30 of the world's top hedge funds, two of the world's largest Stock Exchanges and three of the largest retail banks in South East Asia.

"Listing First Derivatives on AIM and IEX

made it easier for us to attract funds from both professional and institutional investors. Having access to this additional capital enabled First Derivatives to make a number of significant developments, including strategic acquisitions in the US, Canada and Australia and gave us the ability to hire highly qualified employees to enable development of new products. Being a listed company also enhanced our professional reputation amongst our customers, the majority of whom are large international financial institutions. Quality is key to our business and listing added credibility and transparency to our business that enhanced our relationship with our customers".

Brian's forward-thinking strategy at this key time when others were battering down the hatches in the technology sector has contributed to the success of First Derivatives plc. It is unsurprising that he was recognised for his achievements and awarded the title of Ernest & Young Entrepreneur of the Year 2010.

Regulatory Requirements

It is true that the flotation process can be complex and the process may take up a significant amount of management's time. Going public, also means additional obligations and reporting requirements for the company and its directors.

However, as Mark Fahy commented these requirements are often less onerous than people believe:

"Part of AIM's success is due to its regulatory environment which has been tailored to meet the needs of smaller and growing companies. AIM operates in a regulatory environment that has less onerous regulatory requirements than the Main Market and, unlike the Main Market, has no minimum capitalisation or trading record requirements."

Richard Fulton agrees: "This 'softer' regulatory regime eases the administrative burden on companies listed on growth markets such as AIM considerably and makes them ideally suited to many of the local companies operating in Northern Ireland."

How can your business prepare for listing?

It can be costly, both in time commitment and financially, to undertake a listing and it is vital to ensure you are correctly advised by your team of financial and legal advisors. However, the listing costs are usually factored into the budget and included within the capital requirements of the initial fundraising.

These advisors all play their part in making sure your company's listing is successful by ensuring you satisfy the rules and regulations and meet the market's expectations.

These include a 'Nominated Advisor' (referred to as a 'Nomad') who is usually an investment bank or corporate finance house; a reporting accountant; and a legal team who will all work with you to prepare the Admission Document and all the other legal and financial reports required for flotation. Once quoted, you will have additional advisors such as brokers and registrars. Companies aspiring to listing can take steps well in advance of flotation to make the transition to public trading easier. Setting good corporate governance strategies in place will be key:-

- ensure your company has a clear strategy and business plan;
- ensure the structure of the board is suitable and robust;
- prepare the directors and management team for the greater disclosure, openness and accountability that investors and the market require following flotation;
- be ready to invest the time and effort to get your company ready for flotation;
- ensure the current structure of your company is appropriate for life as a publicly traded company.

Richard believes that becoming a publicly traded company is a realistic goal for many companies in Northern Ireland, including those who may consider that it is not an option for their business. "The success of First Derivatives, Andor and UTV is clear evidence that local companies are capable of doing business and flourishing as public companies. Accessing investors through flotation can enable local businesses to develop and expand into international markets, which many commentators have said is key to growing our local economy. I would encourage entrepreneurs here to actively consider listing their companies in the future - it is an achievable reality and not just an aspiration mooted in funding pitches. Northern Ireland's 'public' sector still has room for expansion."