Grant Thornton

Beginner's guide to listing

When it comes to listing for the first time, there's a lot to consider. This guide outlines the main stages to take into account.

Appointing a sponsor or financial adviser

The sponsor or financial adviser can help determine your suitability for listing. They will act as a project manager for the entire flotation process and will usually manage the drafting of the prospectus.

Appointing other professionals

These include reporting accountants, lawyers and stockbrokers, amongst others (such as a financial public relations adviser and registrars):

- reporting accountants report on the financial information for inclusion in the prospectus. This involves more work than simply copying your already published financial statements. They are also often responsible for financial due diligence.
- the lawyers will draw up the documentation required for flotation – both that required by the exchange (external) and that required under company law (internal).
- the stockbrokers are often key to the transaction as they will be responsible for finding investors.
- the sponsor or financial adviser will have a strong influence over the appointment of the stockbroker.

Preparing for a fundamental change in attitude

Listed companies have to provide a wealth of information on a regular basis to satisfy the regulatory requirements of the exchange as well as the requirements of investors.

What do I need to produce?

In order to list, a company needs to produce a prospectus for potential investors setting out full details of the company's financial performance, legal and statutory position and a description of the company's activities and future plans.

How much will it cost?

Listing is not a cheap exercise!

- in addition to the costs of sponsors, stockbrokers, lawyers, accountants and the exchange itself, there are the hidden costs of acting as a listed company.
- listing costs on the cheaper markets typically start at US$300,000, plus underwriting costs of between three and ten per cent of funds raised.
- if listing internationally, these costs immediately start to rise as the added complications of dealing with two legal and regulatory frameworks are met, in addition to the costs of servicing the needs of a disparate investor base.

Reasons for listing on an international stock exchange

There are a number of reasons why a company might consider listing internationally:

- to achieve a higher valuation
- to provide easier access for investors and achieve greater liquidity
- to improve visibility within a market.

In order to generate and maintain interest in a company's shares, a listing on an international market should usually only be considered if a company has any of the following:

- international investors
- international markets
- international suppliers.

The beginner's guide to listing complements the 2008 Grant Thornton global growth markets guide. The report analyses the performance of the eight largest and most important stock markets in the world competing to list growth company stocks throughout 2007.

Download the full Global growth markets guide at www.gti.org

Grant Thornton member and correspondent firms specialise in helping ambitious companies to grow and achieve their aims. If you would like more information on any of these markets, please contact the Grant Thornton member firm in your country or:

Edward Turner
E edward.t.turner@gtuk.com
T +44 20 7391 9513

Markets – size and sectors

Established main markets tend to attract large companies and are generally less amenable to smaller companies. Stocks in larger companies are usually more liquid than smaller ones as the companies have more free capital. In contrast, a smaller company with a controlling share interest held by one or two directors is substantially less liquid. Smaller companies may become obscured in these markets and end up with:

- less visibility within the market
- less access to investors
- less liquidity.

Larger markets in the main financial centres also have greater analyst coverage and enhanced access to institutions. However, for smaller companies these benefits are more likely to be found on markets dedicated to smaller companies.

Dual listing

A relatively safe way of exploring a listing on an international market is to opt for a dual listing of the same shares on two separate exchanges.

Advantages of dual listing

- poor liquidity and a low profile in one market can be offset by a better performance in another market. The share prices in each market will always be the same.
- companies gain access to a larger investor base with a larger pool of capital available for investment.
- visibility and profile can be increased by obtaining press coverage in two different countries.

Disadvantages of dual listing

- the listing requirements of both markets must be complied with. Despite the apparent convergence of standards between markets, there will be greater expense and more compliance work involved.
- it may be necessary to produce accounts under two different sets of accounting rules, possibly leading to the reporting of different results in different markets.
- domestic investors must have access to the same information as international investors. All published information could therefore need to be produced in two languages.

Evidence of a company's ability to attract overseas investors must therefore be sufficiently compelling to outweigh the burden that a dual listing brings.