Article: Publicly Listing a Company, the Advantages & Disadvantages

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A company's reasons for deciding to publicly list on the stock exchange often include the ability to get access to the capital markets for financial expansion and acquisitions. They usually have invested many years of plowing back profits and guaranteeing borrowings and rather than sell out, they wish to remain with the company and be part of its future growth.

Even if your business is suited to floatation, it may not be the right choice for you. There are a number of key advantages and disadvantages to weigh up:-

Advantages:

- You get access to new capital to develop the business
- A float makes it easier for you and other investors to realize your investment
- You can offer employees extra incentives by granting share options
- Being a public company can provide customers and suppliers with added reassurance
- Your company may gain a higher public profile, which can be good for business
- Having your own traded shares gives you greater potential for acquiring other businesses, because you can offer shares as well as cash
- Personal guarantees of directors are not usually required for borrowings

Disadvantages:

- Your business may become vulnerable to market fluctuations, which are outside your control.
- If market conditions change during the floatation process you may have to abandon the float.
- The costs of floatation can be substantial and there are also ongoing costs such as higher professional fees.
- You will have to consider shareholders interests when running the company – which may differ from your own objectives.
- You may have to give up some management control of the business and ultimately there's a risk that the company could be taken over.

- Public companies have to comply with a wide range of additional regulatory requirements and meet accepted standards of corporate governance

- Managers could be distracted from running the business by the demands of the floatation process, and by dealing with investors afterwards

It generally takes 6 months to publicly list a company on the stock exchange although the time period can range from 3 months to 2 years. You will need a range of professional advisors to assist with the legal, financial, accounting and valuation aspects of publicly listing plus prospectus preparation, underwriting of shares and assistance with IPO Plans.

To learn more about the advantages and disadvantages of a public listing, contact your stockbroker or establish a relationship with an investment banking or corporate advisory firm who specializes in these opportunities. There is also a lot of free information on the ASX website. Go to www.asx.com.au

 21st September, 2007

About Len McDowall - Managing Director, Integral Capital Group Pty Ltd

Len McDowall was previously inaugural Chairman and Managing Partner of Bird Cameron Chartered Accountants (now known as RMS Bird Cameron), which employed 1000 people in 50 offices in Australia and Hong Kong. Len, who established Bird Cameron's mergers and acquisitions division, has extensive experience in all facets of financial management with a particular emphasis on structuring and negotiating joint ventures and capital raisings. Following his retirement from the accounting profession Len and his partners established the Integral Capital Group which specialises in mergers and acquisitions, public floatation's and capital raisings.