IN FACT AND IN LAW

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Ten Good Reasons To Take Your Company Public

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Why would a business leader be tempted to take his company public and list it on a stock exchange? After all, it is a rather costly process that requires time from top executives and subjects the company, its senior officers and major shareholders to many obligations. The reason is very simple indeed: For a company that has the necessary profile to go public, the benefits far outweigh the disadvantages. We therefore present to you 10 good reasons to go public and list your company on a stock exchange.

1. Increased Access to Capital

As soon as you take your company public, you significantly increase and diversify the sources of financing available to you. From then on, your company will be able to raise capital much more easily and less expensively, through the issuance of shares or convertible securities, as well as subscription rights or warrants. Your base of financial backers will also expand well beyond the realm of your founding shareholders, your banker, your close friends and your family. All of these financing tools will enable you to manage your company's growth more aggressively and thus benefit from business opportunities that would be well beyond the reach of a private company.

2. Improved Financial Position of the Company

What about the effects of these financing methods on the company's balance sheet and financial position? By issuing additional share capital, you will improve the allocation of risk between your creditors and shareholders, thereby improving your chances of benefiting from additional, less expensive bank financing in the future. Additionally, financing through the issuance of share capital does not entail recurrent interest charges that would directly affect your company's net earnings.

3. Increased Liquidity for You and Your Shareholders

Public companies benefit from a liquid market for the sale of their shares. Although some shares cannot be sold immediately after the company becomes public, as a founding shareholder, you nevertheless can dispose of a portion of your holdings should you so desire. Not only is the value of your holdings likely to increase, but you will also benefit from greater flexibility in their total or partial realization. Such increased flexibility also facilitates the raising of capital, since it guarantees investors an easy and affordable solution should they wish to sell their securities.

4. Less Dilution when Raising Capital

Since taking your company public will likely increase its market value, you will be able to raise capital on far better terms for the company and its shareholders. In fact, the addition of new shareholders in a public company will create less dilution for existing shareholders than it would have had the company remained private because the price of the shares will include the increase in value generated through the company's change of status.

5. Facilitate Mergers and Acquisitions

Listed companies have a significant advantage when putting their expansion plans into effect. Once you have gone public, you will be able to acquire another company by using shares of your own company as a bargaining chip. Such an option will provide you with greater flexibility, thus increasing your chances of a successful negotiation. This method of financing will also enable you to grow more aggressively, since you will no longer be limited by conventional methods of financing.

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6. Increased Visibility

By taking your company public, you will achieve greater visibility. Your initial public offering will provide you with the opportunity to introduce your company to the investing public, particularly through road shows organized by brokers who participate in the offering. Public companies are also normally followed by financial analysts, which provides an advantage to them in commercializing the companies' products and services.

7. Credibility in the Eyes of Clients and Suppliers

Doing business with a public company is reassuring for many clients and suppliers. They perceive the company as being well-established. Such a perception may help you conclude sales contracts or supply contracts. Having the status of public company may even result in better terms and conditions when negotiating important contracts.

8. Better Compensation for Key Employees

Attracting talented people is easier for public companies because of the incentive plans such companies can offer to key employees. Implementing a share purchase plan or granting stock options can permit employees to participate in the company's success and may significantly increase their compensation. This is a major advantage, particularly in sectors where the key to success rests mainly on human capital.

9. Increased Market Value of the Company

Lower financing costs, increased liquidity for the shares of your company, improved growth potential and increased visibility are elements that translate into a far greater market value for your company. Once it goes public, the book value of your company will no longer be the main element determining its worth. The company will be worth what investors recognize as its value, based on its growth potential and its performance relative to that of competing companies carrying on business in similar sectors.

10. Facilitate Corporate Succession

As a major shareholder, it will be much easier for you, when the time comes, to retire from the company and realize the benefits of your years of efforts. You will then have many choices for your exit strategy. Among other things, you will be able to dispose of your shares through a secondary offering. It will also be possible to attract a talented individual to replace you in a leadership role because of the numerous benefits attributed to being a public company.

To learn more about the benefits relating to public company status, we invite you to contact any member of our Securities Law Group.

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