Why go public on a stock?

Going public constitutes a real driver for the development of a company, enabling it to increase its equity while also reinforcing its structure and reputation, not forgetting the unifying dimension of a project of this kind on an internal level.
NYSE Euronext highly qualified teams are willing to help you ahead from the decision-making process.

Diversifying sources of financing and facilitating transfers of ownership

Increasing the company's equity

All growth companies sooner or later reach a threshold at which the capital needed to finance their expansion can no longer be provided by the founder shareholders alone. Going public is a way of overcoming this constraint while also diversifying sources of financing. By carrying out a capital increase or issuing negotiable securities (shares, convertible bonds, warrants, OCEANE bonds etc.), the company reinforces its equity and obtains a substantial cash position. This solution satisfies savers by giving them access to the share capital of a growing company while also guaranteeing the independence of majority shareholders. Furthermore, listed company status enhances the company's credibility among banks and generally allows for more favourable borrowing terms.

Offering liquidity to financial, family or minority shareholders

Buying and selling shares in an unlisted company can prove complicated due to the lack of liquidity and clear pricing.
Going public provides the opportunity for the company's financial, family and minority shareholders to sell all of their shares at the time of the IPO or gradually once the company is listed. They can also choose to increase their stake in the company through market offerings and share the risks with new shareholders while also benefiting from the potential increase in the company's value.

Diversifying director-shareholder portfolios

All good business managers look for way of diversifying their portfolio harmoniously in order to spread the risk. This also applies to director-shareholders, who invest the majority of their assets in the company's share capital. The stock market allows them to realise part of their portfolio under favourable conditions without calling into question their control of the company.

GOING PUBLIC ALLOWS:

- **THE COMPANY** to obtain finance without the need for debt;
- **SHAREHOLDERS** to increase or divest of their stake more freely on the basis of a clear price;
- **DIRECTOR-SHAREHOLDERS** to realise part of their portfolio and prepare for a buyout of the company

Preparing for a company buyout

Going public facilitates company buyouts, regardless of the options chosen: family ownership, transfer to managers, gradual withdrawal etc. In particular, it enables members of the director-shareholder's family to sell shares in order to pay inheritance taxes, thereby avoiding having to sell all of the company's assets. They are also able to offer shares or cash to heirs that do not take a role in the company's development.

Possibility of paying for acquisitions with shares

Shares in a listed company constitute a negotiable trading currency. By listing itself on the stock market, a company can make acquisitions financed wholly or partly by shares. This avoids excessive debt or needing to use cash assets. At the same time, going public can allow the seller to sell the company gradually and continue to benefit from its development. If the target company is also listed, the buyer submits a public share exchange offer and thereby increases its own shareholder base.

Bolstering the company's strategy, strengthening its image and motivating its staff

Clarifying the company's business and strategy

Strategic issues should be a central concern when preparing for listing. It provides the opportunity for management to stand back and think about the company's future growth and the resources required to meet its targets.

- What are the company's business activities and the key factors behind its success?
- What are the company's competitive environment and positioning?
- What is the strategy for the next five years?
- What are the reasons for going public?
- What is the desired shareholding structure?

Opening up the company's share capital

Going public means welcoming new shareholders. Who will they be? What will they be looking for? The prospect of opening up a company's share capital sometimes raises uncertainties for management. The business owner should consider this stage as an opportunity by placing it within the larger framework of the company's strategy objectives.

Creating adequate structures

Going public implies obligations towards the financial community and individual shareholders. The company makes a commitment in particular to a development plan and regular communications. Some companies already have the structures needed to meet these requirements, while for others going public provides an opportunity to review their organisation. This can concern in particular reinforcing the executive management team, clarifying certain functions or even changing the company's organisational structure.

Developing the company's reputation

Going public enhances a company's credibility thanks to efforts to ensure transparency and the commitments it implies. Acting as a quality standard – for example, fewer than 1,000 companies in France are listed out of a total of 2.5 million it attests to a company's solidity, its openness to the outside world and its desire to expand. This new status therefore makes the company more attractive in a number of respects, such as broadening the choice of suppliers and clients and recognition in its business sector. It also constitutes a real advantage on the international stage.

Facilitating hiring of new staff and boosting management

Going public also has a managerial impact. By strengthening the company's image, its new status increases the value of its employees and involves them in a unifying project. To a certain extent, it reflects the quality of the men and women working within the company. Dialogue within the company is changed. Hiring of new staff is also facilitated thanks to an increase in spontaneous applications. Furthermore, the appointment of top-level managers can be envisaged even in areas far away from the major financial centres. Lastly, going public favours share-based payments (stock options, company savings plans etc.).

Equity story

A company looking to go public needs a story to tell. Investors want to know

- *where it comes from and what it does;*
- *what its products and markets are;*
- *what its success factors are;*
- *its prospects.*

All of this information makes up the "equity story", which gives investors the clarity and visibility they need to make their investment decision.

GOING PUBLIC:

- **REQUIRES** re-examination of the company's strategy;
- **STRENGTHENS** the company's structures and its organisation;
- **ENHANCES** the company's reputation and its ability to attract clients, suppliers and employees.

This is where NYSE Euronext professional team can help.