

PUBLIC LISTING – ADVANTAGES AND DISADVANTAGES

By Reuben Buchanan, Director – Integral Capital Group Pty Ltd

A company's reasons for deciding on a public listing often include the ability to get access to the capital markets to finance 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

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

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ABOUT REUBEN BUCHANAN – DIRECTOR, INTEGRAL CAPITAL GROUP PTY LTD

[Reuben Buchanan](#) is a corporate advisor for Sydney based advisory firm, Integral Capital Group. His primary role involves raising capital for both public and private companies, of amounts between \$1m and \$20m. These companies use the funds to expand or make acquisitions of other companies. Integral Capital also assist companies with their IPO plans as an advisor, and from time to time do private placements into public companies of around \$1m to \$5m.

Previously Reuben Buchanan owned Wealth Creator magazine, which launched in 2002.

(www.wealthcreator.com.au) He on-sold the business three years later to a private investor group. Wealth Creator is still highly regarded in the business sector in Australia.

Reuben is also the co-founder and director of [Think Big](#) magazine, Australia's largest personal development magazine.

IMPORTANT: This information is general and should not be taken as specific advice. Readers should always seek their own professional advice. Send your questions to reuben@integralcapital.com.au