


Preparing your company for a PLUS quote - The FD's role

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- ✿ Firm of part-time Finance Directors.
 - ✿ We're all qualified accountants but we're not a firm of accountants!
- ✿ We have all been there and done it...
 - ✿ in permanent roles and have chosen to follow the portfolio route
- ✿ We act as each clients' in-house FD...
 - ✿ and are part of the management team, not "advisors"
- ✿ We work with clients on an as needed basis...
 - ✿ with clear objectives which we and our client pre-agree will add value
- ✿ Clients get access to a high calibre of FD...
 - ✿ that they couldn't attract on a permanent basis and wouldn't want to pay for full time.




- ✿ Your Corporate Adviser (CA) and PLUS will assist with the process.
- ✿ You, the company, need to address;
 - ✿ **Process:** interface with PLUS and the CA to provide them with the information they need to progress the process
 - ✿ **Documentation:** create the documentation required by PLUS/CA and for your own purposes
 - ✿ **Credibility:** ensure that you have all the credibility and governance aspects in place
 - ✿ **Benefits:** ensure you capture all the benefits of the quote
- ✿ The management team could do this but who will drive the business forward?
- ✿ Usually left to the Finance Director

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You need to interface with your CA, your accountants and other advisers

- ✿ Some people find this interesting
- ✿ But most entrepreneurs would rather focus on growing their business...
- ✿ ...and not be distracted from business performance
- ✿ Risk: You get your company quoted and then once you are quoted growth is curtailed because of the focus on getting quoted
- ✿ Can make sense to have a dedicated person dealing with the process
 - ✿ Eg. application forms, working capital reports, etc.

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Key documents include;

- ✿ Audited report and accounts no more than nine months old
 - ✿ Many companies have never been through an audit until they come to quote
 - ✿ Time consuming process which will usually stretch a company's Finance team
 - ✿ Can result in changes in accounting policies and reported results
 - ✿ Ensure they don't detract from your investment story
- ✿ Demonstrate adequate working capital
 - ✿ Detailed forecast of cashflows to demonstrate at least 12 months survival post fundraising
 - ✿ Stress-testing against revenues below plan
 - ✿ Your advisers will pay close attention to this as their reputation depends on it!

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Demonstrate appropriate levels of corporate governance

- ✿ How is the company managed?
- ✿ Is there a balanced management team?
- ✿ Does the company have a Finance Director (full-time or part-time)
- ✿ The company should have at least one independent non-executive director

www.nedaglobal.com



NEDA NON-EXECUTIVE
DIRECTORS ASSOCIATION
DEVELOPING PROFESSIONALS

- ✿ If you're particularly keen, refer to the Quoted Companies Alliance Corporate Governance Guide.



http://www.quotedcompaniesalliance.co.uk/guidance_booklets.asp



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- Does the investor know what they are investing in?
- Are there things they won't like which should be cleared out or explained carefully?
- Related-party transactions
 - Does the company pay you or another of your companies for services?
Eg. property, airplanes
- Control of assets
 - Does all the IPR the company needs to function reside in the company?

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- Access to capital
- Raised profile
- “Currency” for future acquisitions.
- For shareholders and employees
- Liquidity and valuation
- Wealth and tax

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Access to capital from institutional and private investors

- 🌸 Keep the story simple
- 🌸 Ensure you have a complete and credible management team
- 🌸 Select the people to be in front of investors (Usually CEO and FD) and ensure they are prepared for the investor presentations
- 🌸 Answer their questions precisely and succinctly
- 🌸 Work with your advisers to target the right type of investor
- 🌸 Don't try to be wacky
- 🌸 Don't be overawed
- 🌸 Don't try to second guess the investor's priorities



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Raised profile and enhanced visibility for your business

- 🌸 Adds credibility to your business but how will you use this?
- 🌸 Plan for proper integrated PR campaign using PR firms
- 🌸 Target both Trade press and Financial press
- 🌸 Communicate your vision and potential
- 🌸 Make sure all your stakeholders feel the positive buzz ie. suppliers, customers, partners, and.....
- 🌸 Don't forget your employees (current and future)
- 🌸 But not PR for PR sake – try to target, quantify and capture the benefits



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A quote provides a currency for future acquisitions.

- ✿ Issues shares in whole or part for payment of an acquisition
- ✿ Does your business plan include an acquisition strategy?
- ✿ Should it?
- ✿ What criteria will you set?
- ✿ Ensure that your acquisitions are not earnings-diluting
- ✿ Another reason to perform and drive your share price up
- ✿ Can create a virtuous circle if you can buy on low p/e
- ✿ But the difficulties of integrating acquisitions are done “in public”



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For existing shareholders:

- ✿ They can realise part or all of their investments
- ✿ But the management team should do so cautiously
- ✿ Investors want you to keep some chips on the table

For employees:

- ✿ Creates a clear basis for employees' share schemes
- ✿ Private companies may have EMI or Approved schemes already...
- ✿ .. but pricing will have been less clear and opportunities to sell more infrequent
- ✿ Share options can be a strong recruitment and motivational tool if used sensibly



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Shareholders can buy and sell through a stockbroker as they wish (subject to availability) unlike private companies

Except for directors and other shareholders who may be locked in for a time and during close periods

Can broaden out your shareholder base

Share price gives an indicative valuation for your company


How will you attract new shareholders, and what type of shareholder?

How will you manage your liquidity and valuation?

- Regular newsflow and updates – plan for the coming months
- Investor relations and research

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Wealth and Tax - Numerous benefits to PLUS


EIS, Inheritance Tax, VCTs, CGT (Business Asset Taper Relief and Gift Relief)*

Pre Budget Report proposals: (flat 18% and “entrepreneurs” relief - 10% for first £1m gain)

Does your company qualify or do you need to restructure beforehand?


Is your management team’s tax position optimised to benefit?

Needs careful attention prior to quote especially if they will be selling a chunk of equity on quote.



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- ✿ Companies can achieve significant benefits from a PLUS quote
- ✿ The process is relatively straightforward but still takes a great deal of time
- ✿ The benefits don't arise automatically; they need planning, preparation and execution
- ✿ Don't lose sight of the business as you prepare for a PLUS quote
- ✿ Have a person dedicated to the quote process to avoid loss of focus on the business
- ✿ Find a good, broadly experienced FD and they will drive the process to completion.