Five good reasons to list your company on the stock exchange and opt for equity financing

June 15, 2021

In 2020, the pandemic disrupted the Quebec economy and the trend continued in 2021. After a difficult year for local businesses, there is an opportunity for business owners to rethink their business model as they develop their recovery plan. In this context, an initial public offering and equity financing might be a good idea. While the process is relatively costly and time-consuming for senior management, not to mention that it results in a series of obligations for the company and its executives and major shareholders, the benefits far outweigh the disadvantages. Here are five good reasons to take your company public and use equity financing to ensure a successful future.

1. Equity financing: financing your company's growth differently

The moment your company goes public, you significantly expand and diversify your equity financing sources. You are no longer dependent on traditional bank loans. Your company can now raise capital much more easily and at a much lower cost, for example through the issuance of convertible securities, share capital, rights or warrants. In addition, your pool of funders expands considerably, going far beyond founding shareholders, your banker and your very close friends and relatives. All these equity financing tools make it possible to more aggressively manage the growth of your business and take advantage of new business opportunities.

2. Equity financing: facilitating mergers and acquisitions

Having a company listed on the stock exchange means having a key advantage when it comes to your expansion plan. Once listed, you can acquire another business using your company's shares as leverage. This added flexibility increases your chances of success in negotiations. You can thus be more bold in your growth management, as you will no longer be limited to conventional financing methods.

3. Equity financing: gaining notoriety

By making the decision to take your business public and opting for equity ?nancing, you will give your business greater visibility. First, the initial public offering will be an opportunity to make your company known to investors through promotional events organized by the brokers participating in the issuance, among others. Second, public companies are often followed by ?nancial analysts, and such attention can be an asset when it comes to marketing products and services. In short, by having your company in the spotlight, it will inevitably gain notoriety, both with investors and economic partners. Finally, for many customers and suppliers, doing business with a publicly traded company is reassuring. They see it as a sign of a well-established business, and this perception can facilitate the conclusion of a sale or supply contract.

Copyright (c) Lavery, de Billy, S.E.N.C.R.L. - L.L.P.

4. Equity financing: increasing the market value of your business

Better ?nancing costs, greater liquidity for your company's shares, improved growth potential and increased visibility will all make the market value of your company signi?cantly higher than it was before going public. Once listed, book value will no longer be the main indicator used to determine your company's worth. It will be worth what investors recognize its value to be, based on its potential for growth and pro?tability and its performance relative to competitors.

5. Company succession made easier

When the time comes, it will be much easier for you to retire from your business and bene?t from the fruits of your years-long effort. You will have a number of options, including disposing of your shares through a secondary offering. It will also be easier to attract talented people to take over your business because of the multiple bene?ts that come with the status of public company.

The advantages of listing your company on the stock exchange and opting for equity ?nancing are many. In addition to the ?ve points presented here, we could add increased credibility with clients and suppliers, better compensation for key employees, less dilution during fundraising, and others. More companies entering the stock market will rebuild our economy. If you are thinking of transforming your company into a public one, opting for equity ?nancing and taking the plunge into the stock market, do not hesitate to call on one of our lawyers practicing in business law to guide and advise you in the process.

Copyright (c) Lavery, de Billy, S.E.N.C.R.L. - L.L.P.