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Listing is expensive. And there's no point seeking capital without a project

Only more structured companies can afford the fees. Greater transparency in governance must be accepted

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On the one hand, there are the opportunities to seek new capital to invest in growth, greater visibility on the market, and the security of being able to rely on a system of codified governance rules. On the other, there are the costs, the necessity of doing business with new shareholders outside the entrepreneurial family, and the inevitable share price fluctuations.

These are the pros and cons that must be weighed by businesses debating whether or not to be listed on the Stock Exchange.

"The decision of whether or not to seek a stock exchange listing is often a watershed moment in the life of a company. It can be spurred by various reasons—generational succession, managerialisation, raising capital, and so on— and so should be evaluated very carefully," explains Angelo Meda, Head of Equities at Banor Sim.

"On the one hand, beyond the economic benefits of an injection of fresh capital, it provides businesses with excellent visibility, both in the media and towards clients, suppliers and other stakeholders, thanks to the various certifications necessary to complete the listing process, which are almost akin to a seal of quality". On the other hand, he adds, "Opening a business to the stock market also requires a certain open mentality from the owner or governing body when it comes to governance, accepting greater transparency in the decision-making process and introducing a series of procedures required by law and by the Italian Stock Exchange".

Other areas will be subject to greater scrutiny too, such as environmental and social issues, conflicts of interest and related party transactions, "aspects often seen as meddling with the business' management, but which in fact are intended to protect the interests of minority shareholders," adds Meda. Consequently, this is not necessarily the road to the best price. In that case, it would be better to try to sell the business outright. "However, it is the best course of action for those wishing to managerialise or internationalise their business while maintaining control and guiding strategic decisions".

"Listing is the best way to accelerate growth, as capital can be raised much more quickly than by other methods," explains Franco Gaudenti, Chairman of Envent, a company which acts as Nomad (supporting businesses during the IPO process) for a quarter of all businesses listed on AIM, the Italian stock market dedicated to SMEs. "A stock market launch is the quickest way to raise capital, even if it's not an easy transition. The business has to adopt governance procedures in line with rules which have been codified over time". And there are numerous costs to be accounted for, from the fees paid to the advisors during the IPO process (which can range from 1 to 3% of the transaction value) to the annual listing fees (around €100,000 per year).

The amounts involved are likely to exclude micro-businesses, while not posing too much of an obstacle for others. "Some of the businesses launched on the stock exchange recently have done so as part of a process of restructuring the entrepreneurial family," adds Gaudenti. "In fact, listing gives shares an extrinsic value and enables shareholders to leave the business, if they want, and monetise their stake".

So when is it better not to list? "Firstly, if you don't have a clear growth plan, because you can't expect to find investors if you can't clearly explain how the raised capital will be used," responds the Envent chairman. "Secondly, if you're not prepared for a cultural transition, considering that a listed company no longer belongs just to the owner but also to its stakeholders, investors, clients, suppliers, employees, the market, the financial authorities, etc., each with their own powers of intervention".

Simone Stracchi, managing partner of Electa Ventures, which has overseen countless IPOs in Italy with the SPAC model, adds another aspect, comparing listing with other forms of capital diversification. "Entrepreneurs who are listed can maintain the governance of the business and will never be unwillingly dragged into a sale to third parties of the stake they hold in their company's capital". Another positive factor in listing is the transparency, "which must be provided through the prompt disclosure of information to the market, generally resulting in greater recognition and benefits across all relationships". On the other hand, possible disadvantages include the perceived complexity of the listing process, the uncertainty of success and the daily psychological fatigue of being at the mercy of the share price, "which, in some circumstances, can be driven by the actions of asset managers influenced by factors extraneous to the company's development," he concludes.

Meda (Banor Sim) "Opening to the market also means greater openness in governance"

Gaudenti (Envent) "Listing is better avoided if you don't have a clear growth plan"

Stracchi (Electa Ventures): "Shares can be influenced by extraneous factors"