

# ESM GUIDE

A GUIDE TO LISTING ON THE  
ENTERPRISE SECURITIES MARKET

MAY 2016

ARE YOU

TO

# READY WILLING & ABLE

Step into an exciting international shop-window  
Broaden your shareholder base  
Increase your market capitalisation

Get your company ready for the IPO process  
Expose your business to new opportunity and new investment  
Invest in this exciting opportunity

Meet the market capitalisation of at least €5 million  
Comply with ESM Rules and requirements  
Satisfy potential investors that your business is robust and growing

If so, read on

*This guide provides you with expert, detailed guidance on preparing to launch your business on the ESM. These small steps are designed to make that big step a little easier.*



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## LISTING YOUR COMPANY ON THE STOCK EXCHANGE DELIVERS:

- ACCESS TO CAPITAL FOR GROWTH AND EXPANSION
- A LIQUID MARKET FOR YOUR SHARES
- AN INDEPENDENT VALUE ON THE COMPANY'S BUSINESS
- CAPITAL TO FUND ACQUISITIONS
- ENHANCED COMPANY PROFILE AND STATUS WITH ALL STAKEHOLDERS
- INCREASED EMPLOYEE PERFORMANCE AND MOTIVATION THROUGH INCENTIVISED SHARE SCHEMES

*The ESM is designed by the Irish Stock Exchange (ISE) for smaller ambitious companies which are growing and expanding.*



# FOREWORD

*We know that taking your company to the Enterprise Securities Market (ESM) is a significant milestone in the life of your business and we want to help make it a success.*

Expanding companies like yours that have real potential to flourish at home and abroad are central to strengthening Ireland's economic infrastructure. At the Irish Stock Exchange (ISE), we take pride in our role of assisting corporate growth by fostering innovation and entrepreneurial spirit in the indigenous business community. We want to help you to take this step to market – if it is the right one for your company.

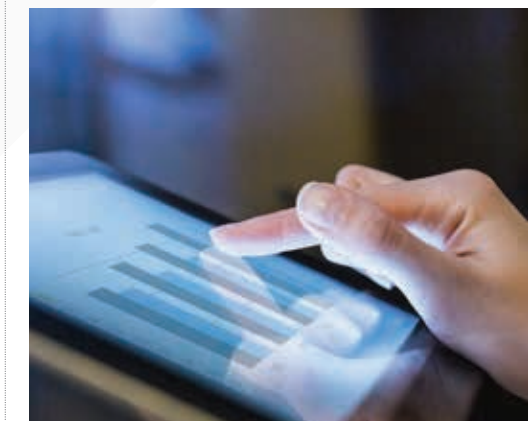
We have prepared this guide to ESM admission to help you understand the potential benefits of an ESM quotation and to explain how to negotiate the rigorous Initial Public Offering (IPO) process. The guide will tell you what steps are needed to achieve an ESM quotation and how your company may benefit from being on a public market. It will also outline the disciplines of what life as an ESM company entails.

The ESM will play a vital role in providing funding and a market for your business. These benefits should provide you with a stronger financial structure combined with wider options for trading partners and new opportunities. In turn, new companies joining the ESM help to ensure that the market itself continues to provide potential investors with new opportunities. A healthy ESM also provides valuable growth opportunities for potential investor companies.

The ISE has been committed to the growth and development of the market sector since we opened our doors over 200 years ago. We believe there is real opportunity for many Irish companies to expand and grow using the ESM and we have developed a portfolio of support services to help enhance and support companies after they have achieved an ESM quotation.

We hope that you find this guide useful and we look forward to talking to you about what the ESM can deliver to your company.

Further information is available on [www.ise.ie](http://www.ise.ie)





# CHAPTER ONE

## THE ESM EXPLAINED

### What is the ESM?

The ESM is designed by the Irish Stock Exchange (ISE) for smaller ambitious companies which are growing and expanding. These may already have benefitted from venture capital investment or other forms of private equity. They may be established companies which have identified specific expansion opportunities and need new capital.

### How does the ESM work?

The ESM is an exchange regulated market. Its regulatory regime is designed specifically for smaller companies in a growth phase. The ESM has fewer requirements and a more simplified approach than the Main Securities Market which is EU regulated and more suited to larger, more established companies with higher demands and greater financing requirements.

### Why the ESM might work for you

It provides access to a ready market for capital on admission. Further funds may be raised, usually in conjunction with a significant investment or acquisition.

The publicly-quoted ESM share price places an objective value on your company.

It will provide a broader shareholder base with on-going liquidity for all investors.

It provides you with an exit mechanism for early-stage investors such as venture capitalists and liquidity for founders, friends and family.

It provides you with a currency to fund acquisitions.

Media coverage and analyst coverage raise your company's profile, especially useful in new markets.

Enhanced visibility in the ESM shop window can attract new suppliers, customers and investors, especially if you are expanding into new regions or markets.

It can improve your ability to attract, incentivise and reward employees through a liquid and transparent instrument.

### What are the entry criteria to the ESM?

The entry criteria include a minimum market capitalisation of €5m. A trading track record of two years is normal but companies with a shorter track record are also eligible for admission. There is no pre-vetting of ESM documents by the ISE and there is no minimum number of shares required to be held in public hands.

### What rules has the ESM set out?

Life on the ESM is governed by the ESM Rules. A key requirement is that your company appoints an ESM advisor who will become part of your team and must be retained by the company during its lifetime on the market. There are specific rules governing the Admission Document for the ESM, continuing obligation requirements and compliance and enforcement procedures. Your ESM advisor will guide you in relation to all of these rules.



How is the ESM regulated?

The ESM is regulated by the ISE with a regulatory regime that is designed to be pragmatic and meet the needs of smaller-growth companies. It aims to ensure an appropriate level of protection for potential investors without making undue demands on the needs of its member companies. As it mirrors the UK’s AIM, it allows you to join both markets using the same admission timetable and essentially the same Admission Document.

Is the ESM an international market?

The ESM is open and accessible to all international investors. ISE-quoted companies attract a broad range of shareholders. A Euro quote on the ESM provides access to institutions across Europe that invest in Euro dominated securities.

Who is available to support an ESM quotation process?

An experienced range of Irish brokers, corporate finance houses, legal, accounting and PR firms can offer the detailed advice you require at each step of the process. You must appoint an ESM advisor at the start of the process who will support you throughout and continue to work with you once your company has an ESM quotation.

Where will you find a good ESM advisor?

A register of advisors is available from us at [www.ise.ie](http://www.ise.ie). The ISE has a separate regulatory regime for ESM advisors. Corporate finance firms must meet certain requirements set by the ISE and be approved by the ISE in order to act as ESM advisors, especially given their crucial role in ensuring that companies comply with all ESM regulations. Good advisors also help to maintain the integrity of the market for all companies.

What if your company is trading on another ESM designated market?

The ISE facilitates a dual listing with certain other markets by allowing companies to utilise the same timetable and Admission Documents. In addition, any company which has had its securities traded on an ESM ‘designated market’, for at least 18 months before seeking admission to the ISE’s ESM, can be fast-tracked. This means you would not need to publish a full Admission Document. Instead you will have to submit a detailed pre-admission announcement.

What is an ESM Admission Document?

This document is your ‘Dragon’s Den’ moment! It tells the story of your company and is your pitch to potential investors and to the ISE for admission. It must provide details of your financial position, business strategy, company activity and your governance structures and risk strategy. Such a document will take many months to prepare and must follow the ESM Rules and structure.

Where will your company shares be traded?

Your shares will be traded on the ISE Xetra® trading platform which has a global base of trading members. ISE Xetra® uses leading-edge Deutsche Borse technology to ensure visibility of your shares on trading screens across all major world investment markets.

Are there other benefits to joining the ESM?

Your shares may be eligible for inclusion in the ISEQ and Eurostoxx indices. Both of these listings expose your business to potential new investors.

How will the ISE help your company during this time?

We provide a number of specific services for you:

Equity Trading Analysis Report

Our detailed monthly issuer reports ensure that your senior executives get the additional insight and analysis relating to the performance of your company’s shares on the ESM.

Events/seminars

We host regular relevant seminars and events for our members. We focus on key challenges such as corporate governance and investor relations. These events are also a forum for networking and informal sharing of ideas, issues and experiences. The ISE’s historic trading floor is also available to companies as a venue for activities such as board meetings or results announcements.

Information dissemination

We know how important it is for your company to provide regulatory and financial information to the market quickly and efficiently. Our information service is easy to use, fast and competitively priced.

What are the challenges for your company?

You and your company will require commitment, determination, discipline and resolve to seek an ESM admission.

Your company will be subject to heightened media exposure, a loss of control to outside shareholders and market conditions. Your management team will devote considerable time on this process and directors will face more restrictions and increased responsibilities. Your company will need to comply with a higher degree of disclosure, transparency and corporate governance.

You will need to consider the impact on your customers and your employees. You will need to examine the skill set of your management team. You will have to assess your corporate governance procedures. You will have to have robust legal, tax, accounting, reporting and corporate structures.

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NEW COMPANY LISTINGS ON ISE MARKETS 2006 - 2015



Source: ISE  
\*Equity funds raised relate to all listings and include equity monies raised through introductory offers, share placings, open offers, rights issues, share allotments, and other means.

CURRENT ESM DESIGNATED MARKETS	
ISE Main Securities Market	NYSE
AIM - the London Stock Exchange	Toronto Stock Exchange
UKLA Official List	Deutsche Börse
Euronext	Stockholmsbörsen
NASDAQ	Johannesburg Stock Exchange

67%

INTERNATIONAL INVESTORS  
IN IRISH LISTED COMPANIES

Source: Federation of European Securities Exchanges (FESE) - market research 2007

## ADVISORS IN THE IPO PROCESS



## CHAPTER TWO ADVISORS – WHAT THEY DO

It will take your company time and careful consideration before you decide to apply to the ESM.

When you commit to this route, you must appoint a team of advisors. The most important of these is the ESM advisor. A list of suitable ESM advisors is available from us at [www.ise.ie](http://www.ise.ie). Your ESM advisor may also be your broker. Other advisors will also assist you in drawing together your ESM Admission Document. These will include a law firm, accountant, broker and PR firm. You may require specialist advice in areas such as intellectual property, natural resources or real estate.

### What is the role of the ESM advisor?

Your ESM advisor is the expert who will guide you through the admission process and continue working with you as an ESM company. Choose this person carefully as they will be crucial to the success of your application and your membership of ESM.

### The ESM Advisor has three key roles:

#### Principal contact

The advisor is the principal contact between your company and the ISE on regulatory and other matters related to the ESM. This is an efficient channel of communication for both parties.

#### Manage the listing process

The advisor is expected to manage the listing process. This includes assembling the team of professionals, advising on regulatory matters, troubleshooting, ensuring the production of the Admission Document and setting and driving the admission timetable.

#### Long-term involvement

Being a member of the ESM brings benefits and obligations. The advisor ensures continuing compliance with ESM rules and advises on governance and investment matters.

*You must appoint and retain an ESM advisor at all times. The ESM advisor is the principal contact between your company and the ISE on regulatory and other matters related to the ESM. This is an efficient channel of communication for both parties.*

### What is the role of the broker?

Your broker must be a trading member of the ISE and can be from the same company as your ESM advisor. Indeed, the ESM advisor often takes on the broker role as well. You will want to appoint a broker who has familiarity with your sector and business, has a good track record in raising funds for similar companies and has good relationships with analysts, investors and traders interested in your stock. A good broker usually has carried out respected equity research in your sector.

The broker will play the lead role in raising funds at IPO (and any future fund raisings) and act as market maker in your stock to ensure liquidity. They will advise on trading and market related matters as well as assist with your investor relations strategy. The broker should also publish research reports on your company.

An integrated stockbroker provides the following services:

- corporate finance;
- equity research;
- equity sales and trading; and
- corporate broking.

#### Corporate Finance

The corporate finance team helps to prepare your company for an IPO; advising on structure and timing, managing the process, overseeing the preparation of documentation, and co-ordinating input from other advisors. Post-IPO, the team continues to advise on on-going merger and acquisition opportunities, fund raisings; and exit options where relevant.

#### Equity Research

Equity analysts write company reports, provide regular analysis of company news and sectoral developments, and maintain frequent communication with investors. Analysts are important in determining the stock market's view of a company and thus influencing the valuation of an individual company.

#### Equity Sales and Trading

Equity sales personnel are the front line of the distribution team. The team builds relationships with institutional investors and develops deep knowledge of the investment profile of each client.

#### Corporate Broking

The corporate broking team provides service and support to companies relating to their stock market activities. Your company can have confidential discussions about matters such as the impact of upcoming results or transactions on share prices and valuations which will be strictly confidential.

At IPO, corporate broking provides the bridge between the corporate finance team, which is responsible for structure and documentation, and the front-facing sales and research teams, responsible for distributing the shares.

### What is a market maker?

Your broker will act as a market maker for your shares. A market maker takes on the obligation of always making a two-way (bid and offer) price in each of the shares in which they make markets. For an ESM company, most orders will be executed via a market maker, who generally deals with brokers buying or selling shares on behalf of clients. This is in contrast with the order-based, more electronic execution system which is used for large companies on the Main Securities Market.

Market makers usually hold an amount of shares for a time, assuming some risk in the hope of a small profit. This adds to the liquidity and depth of the market. On the ESM shares can always be bought and sold from a market maker as they are obliged to deal.

At any moment, your broker can give you the level of trade in your shares; essential market feedback for shareholders or other institutions.

### Can your broker help with secondary capital raisings?

After admission to the ESM, secondary capital raisings can be used to raise new funds for your company in transactions, such as acquisitions or debt restructuring. These should not be confused with secondary market offerings, which involve placing large blocks of shares, already in issue, held by large investors, institutions, private equity firms or founding shareholders. The proceeds of such an offering go to the sellers, not the issuing company. In both cases, it is important that the market is aware of the company's investment proposition and as such can digest sizeable blocks of shares under normal circumstances.

If you opt for an ESM quotation, your company will develop strong relationships with the investment community to enhance your capacity to raise further capital for your business. You will work closely with your broker to make this decision. The broker will then be responsible for specific information on the structuring, sizing, timing and pricing of any capital raising post-IPO, whether through rights issues, placings, open offers or block trades. Normally, the broker will organise a marketing programme to support an issue and may secure sub-underwriting or placing arrangements with a spread of institutions.

### What is the role of the reporting accountant?

The reporting accountant is central to your team and is often your auditor. The reporting accountant must review and report on a number of financial matters. Two key documents to be produced are the long form report and a working capital report.

The reporting accountant will also review and comment on the historical financial information of a company and prepare any such information as is required for admission and inclusion in the Admission Document. They will also provide a documented, true and fair opinion of the financial information in the Admission Document.

Your company's corporate structure will be assessed to ensure it will be appropriate for a public company and the reporting accountant will assess the suitability of the company's capital and financing structure. Further details are contained in Chapter 4.

### What does the legal advisor do?

Your legal advisor will work alongside the ESM advisor in assessing if your company is suitable for ESM membership. The advisor will perform due diligence on your company. This is vital to minimise potential liability for your company and its board of directors. Any issues that arise can then be dealt with before ESM admission. The legal advisor will also supply relevant information for the Admission Document.

### What does the PR firm do?

Hiring a financial communications firm will help to promote your business and its potential in the wider market. Creating a strong media presence is an important aspect of the IPO. Key messages for the media, investors, customers and other key stakeholders will need to be developed as part of your communications strategy. Media training for key executives may be offered. Your PR firm will also advise on the optimum use of social media to raise your profile and foster investor appetite. You will need a strong PR strategy, for the listing process and beyond, to build your profile with investors and stakeholders.

### The Registrar

Companies appoint a registrar to maintain and update the list of shareholders.

These professionals will form part of your IPO team. Their ability, commitment and experience will make your company's admission to trading on the market a success, so you must choose them carefully. You must foster a strong personal rapport with them as they will be part of your future success in the ESM.

In the following chapters, some of these experts have set out the detail of what is required of you, and them, in order to gain admission to the ESM and to be successful when you get there.

*Advisors play a key role in an IPO process – understand their role and choose them carefully.*







*Ensuring your company is #IPOready is critical prior to embarking on the IPO process*

# CHAPTER THREE

## A STEP BY STEP GUIDE TO ESM ADMISSION

Expect to spend up to two years of your life gearing up for life on the ESM. There are no shortcuts.

The first eighteen months will be slow. You will consult, do research, hold meetings and take advice. Once you, your management team and shareholders make the final decision to proceed, expect to spend the final 24 weeks in serious listing mode.

### 6-24 MONTHS BEFORE ADMISSION

Getting #IPOready is one of the most important steps you take. Ensuring that the company looks like and acts like a publicly-quoted company as soon as possible is critical. You should use this time well to ensure your company has:

- Comprehensive systems of internal control
- Appropriate management and Board structure
- Appropriate corporate, legal and tax structure in place
- Legal documents in order, signed and filed correctly
- Developed a good understanding of the process and advisors available
- Defined your equity story – i.e. why investors should invest in your company

If your company is well prepared then the IPO process will take 24 week to complete.

### 24 WEEKS BEFORE ADMISSION

#### *Step 1: Appoint advisors and issue detailed instructions*

Letters of engagement and detailed instructions need to be agreed. Your ESM advisor will discuss the details of the admission process formally with the board of directors. Initial views of market potential will be shared by your advisor team and administrative documents will be issued by the advisors. You will also be defining your business plan with your clear objectives which you want to achieve through the IPO. Your company and your advisors will decide on the mix of fresh capital and existing shares to be placed on the market.

#### *Step 2: Prepare and agree a timetable for admission*

This timetable must be detailed and realistic and agreed by all. Your advisors will list all documents required to meet the deadlines.

#### *Step 3: Meet market capitalisation requirement*

Your ESM advisor must be satisfied that your company will meet the €5 million capitalisation by the admission deadline – or before.

#### *Step 4: Be realistic*

Identify and review any problems or weaknesses that could delay or prevent you meeting the deadline for admission and address them with advisors.

### 12 WEEKS BEFORE ADMISSION

The deadline is very close. You will require all hands on deck as managers will need to spend time providing detailed analysis of the business for advisors for the due diligence process. You may be surprised at how much time this will take and you may need contingency plans for running the day-to-day business activity.

#### *Step 5: Completing the draft Admission Document*

This is a comprehensive document which is your passport to the ESM. It includes:

- Board of directors and management details
- Company background and prospects
- Details of current business activities
- Details of already agreed material contracts
- Offer details and rights attaching to shares
- Relevant risk factors about your company, its shares and the industry it operates in
- Share option plans

- Statement defining the adequacy of working capital
- Summary of taxation position
- Three-year historical financial information (if available)

Be prepared for many drafts and changes to this document as you refine it under the guidance of your ESM advisor.

You will also need to prepare other documents for admission at this time. These documents comprise of a number of financial reports, as explained in Chapter 4. The lawyers and accountants will also carry out a due diligence exercise encompassing the legal and financial aspects of your company.

#### *Step 6: Pricing*

This decision will be left as late as possible to take account of all influencing factors including economic background, performance in your sector, attractiveness to potential investors and desire to raise funds. Beware that a rapid decline in markets may mean postponing or abandoning your admission process. Always listen to this advice even if it is disappointing.

#### *Step 7: Be PR ready*

All your promotional material and related activities must be approved at this stage by the legal team, the board and the ESM advisor. The pathfinder document should be complete also. You will be working towards preparing for the investor roadshow and your broker's analyst will provide an independent assessment of your company's prospects and valuation through consultation with your company.

#### *Step 8: Be ready for the analysts*

You will need to make presentations to analysts who will be tracking your company's performance in the period up to and after ESM admission.

6 WEEKS BEFORE ADMISSION

*Step 9: Finalising the draft Admission Document*  
You should be in the final polishing phase of this vital document as all your advisors feed in their observations before sign off.

*Step 10: Let the lawyers verify*  
Your legal advisor must verify the Admission Document to ensure complete accuracy and so that nothing can be construed by potential investors as misleading. Your directors will be involved in this stage as the directors are individually – and collectively – responsible for the contents of the Admission Document. Take no shortcuts here.

*Step 11: Time to go on the road*  
Now it's time to sell yourself and your potential in a series of road shows in the key European financial centres (Dublin, London, Edinburgh, Paris and Frankfurt). You will meet potential institutional investors and start to build crucial relationships and open an order book for investors to place orders within your pre-established price range. Once the full size of the transaction is comprehensively covered by demand, the company and the corporate broker decide on the correct price at which to issue the shares. The best price is not always the absolute maximum that can be achieved. Rather, it is the price that can be achieved which will lead to follow-on demand from institutional investors. An IPO is judged on the performance of the shares in the subsequent months. Success depends on some upside being left in the price until it reaches a fully valued position.

*Step 12: One more piece of paper*  
Your ESM advisor must notify the ISE formally at least 10 days before your expected admission date. This is your first regulatory announcement, known as the Schedule One announcement. It contains basic factual information about your company, directors and the proposed issue of securities.

ONE WEEK BEFORE ADMISSION

*Step 13: Finalise documents*  
You will check that all documentation has gone through the legal due diligence process, proof read and signed off and is ready for the big day.

*Step 14: Finalise the price and allocation of the offer*  
All factors are weighed up and the final price is agreed by the broker and your directors. When the book-building is complete, the broker will allocate the securities to the investors. Then, the broker will organise the exchange of securities for funds, mostly through CREST.

*You will meet potential institutional investors and start to build crucial relationships and open an order book for investors to place orders within your pre-established price range.*

*Step 15: Pay your ESM fees*  
ESM fees are based on the market capitalisation of the securities being admitted to the ESM.

The fee schedule is outlined below.

Fee Type	Market capitalisation	Amount
Admission	≤€100m	€10,000
	€100m – €250m	€30,000
	>€250m	€60,000
Annual	<€250m	€5,000
	>€250m	€8,000

*Step 16: Submit the documents to the ISE*  
Three days before your admission date, you must send the Admission Document, ESM application form and ESM fees to the ISE.

ADMISSION

The long haul is complete! The ISE will have processed your application and at 7am, on the morning of admission, the ISE will release an ESM admission notice to the market, setting out your company details. Trading will then commence in your shares on ISE Xetra®.

Your company is now an official ESM company.



DUAL ADMISSION

The ISE has designed the ESM to facilitate companies that want to avail of the benefits of a dual ESM/ AIM quotation, including a Euro quote on the ESM and Sterling quote on AIM. This has proven to be a very attractive feature of the ESM for companies as highlighted by the fact that the vast majority of companies on the ESM have a dual quotation on AIM.

The process for a dual ESM/AIM quotation is streamlined for companies as the ESM regulatory regime is closely aligned with that of AIM. This means that companies can achieve quotations on both markets using the same timetable and the same admission document. Although separate applications are made to the ISE and the LSE, the information provided to each exchange is very similar.

FAST-TRACK ADMISSION

If your company has been on a 'designated market' (see table on page 8) for at least 18 months (or for a shorter period if agreed with the ISE beforehand) prior to the date of admission to ESM, you can apply to have your securities admitted to ESM using the ESM fast-track route.

The key benefit of fast track is that your company will not need a full ESM admission document. Instead, at least 20 business days before the expected date of admission to ESM, your company must publish a detailed 'pre-admission announcement'.


However, your company must appoint and retain an ESM advisor and ensure that your company's market capitalisation is at least €5 million. You will also have to satisfy the lock-in requirements for new businesses, if applicable.







# ISE LISTED COMPANIES RAISING FUNDS INTERNATIONALLY

## €26bn

EQUITY FUNDS  
RAISED 2006 - 2015

		FUNDS RAISED €bn	% OF TOTAL
	Irish Companies	€22.6bn	87%
	Other Companies	€3.4bn	13%

## TOP 6 MOST SIGNIFICANT FACTORS IN COMPANIES DECISION TO LIST ON THE IRISH STOCK EXCHANGE

	Access to Irish investors	88.4%
	Access to international investors	80.8%
	Achieving the best valuation for the company	77%
	Ability to maintain or grow liquid market for shareholders	72%
	Profile of company raised with investors, customers, suppliers, other finance providers and employees	69.2%
	Access to option of dual listing with certain international markets	68%

Source: Indecon analysis of Confidential Survey of ISE-listed Companies



# CHAPTER FOUR

## WHY YOU MUST PROVIDE YOUR HISTORICAL FINANCIAL INFORMATION

### Your past record matters

A company intending to come to market must consider its historical financial information. Our experience tells us that the preparation and reporting of this information is time consuming. Experienced advisors will be needed to assist you in this complex process and will certainly reduce the time it takes to complete the work. A reporting accountant (often the company auditor) usually carries out this work in conjunction with your directors and your ESM advisor. The final result is known as the ‘accountants report.’

### What is an accountant’s report?

This report is an audit of the relevant ‘track record period’ and is not the same as an audit opinion which applies only to the relevant year-end date. The accountant’s report must provide a ‘true and fair’ opinion of that period and will take account of interim financial information, consolidated group accounts, takeovers and geographic accounting variations. The work is governed by the Standards for Investment Reporting (SIRS) issued by the Accounting Standards Board of the United Kingdom and Ireland.

### What is the track record period?

Your company’s historical financial information is known as the track record period and should cover three years. So, if you have been in business for 10 years, the three most recent years will suffice. If you have only been in business for two years, then two years is all you can provide. Your track record period is required for ESM entry. You cannot simply add together the existing audit opinions for each year; you must provide an ‘accountants report.’

### What other financial records are relevant?

#### *Profit forecast:*

expressly states or indirectly indicates a figure, or a minimum or maximum amount for the likely level of profits or losses for the current financial period. A profit forecast relates to a financial period end which has not yet passed.

#### *Profit estimate:*

relates to a financial period which has passed without publication of financial information. Profit estimates are not recommended for an Admission Document.

If either a forecast or estimate is included, the principal assumptions which might have a material effect on the achievement of the forecast or estimate will need to be stated. The directors must also include a statement that the forecast/estimate has been made after due and careful enquiry. It is not a ‘back of envelope’ process.

#### *Pro forma financial information:*

is a table of information in your Admission Document which illustrates the impact of a transaction on previously published financial information. The most common pro-forma financial information presented is in relation to the balance sheet only.

#### *Long Form Report:*

forms a back-stop to the accountant’s report for the same ‘track record period’ and is essentially a due diligence report on the applicant. This will assist the ESM advisor to decide if your company is suitable for ESM admission.

Typically a Long Form Report will look at the key drivers of the business: revenue, cost of sales, gross profit and gross margin percentage, the administrative cost base, capital costs, working capital and cash flow profile of the business (in terms of debtors, creditors, stock), financing history, tax affairs, the seasonality of the business and any obligations or commitments of the applicant.

Your reporting accountant should give you a detailed list in order to obtain all this information from you and should have detailed meetings with you and your directors and managers prior to producing the report. You will be able to see and comment on the report as it progresses.

### Projecting your financial position

Part of the ESM application procedure also requires that your company agrees and formally signs that “procedures have been established which provide a reasonable basis for the directors to make proper judgements as to the financial position and prospects of the issuer and its group.”

Your ESM advisor and the reporting accountant will complete a detailed commentary report referred to as the Financial Position and Prospects Report or ‘FPP Report’ to ensure that these procedures are in place. This report is similar to the Long Form Report and includes details on the financial position of the company, projected profitability, cash flows and funding requirements.

Your company may already have FPP procedures in place but they may need to be revised and strengthened for the purposes of an ESM admission. The FPP report will need to show how your company has dealt with FPP historically and should outline an action plan for FPP as an ESM company.

### Working capital

Applying to the ESM also requires a statement from your directors that “in their opinion having made due and careful enquiry, the working capital available to it [the applicant] and its group will be sufficient for its present requirements – that is for at least twelve months from the date of the admission of its securities.”

#### *What does ‘working capital’ really refer to?*

This statement can only be signed when you and your directors have prepared a cash flow model on a monthly or quarterly basis (including an income statement and balance sheet) which extends not just for twelve months, but for a minimum of 18 months. This ensures there are no surprises for investors after the first twelve months. This ‘financial projections model’ must be consistent with your accounting policies, with a focus on the financial projections, underlying assumptions and potential downsides. If debt is being raised, then the debt should be built into the model, along with any financial covenants associated with that debt.

### Recording significant business changes

The Admission Document should include any significant change in the financial or trading position of the company which may have occurred since the end of the last financial period for which audited statements have been published. The reporting accountant should complete this by reviewing management accounts, reading shareholders’ minutes and checking any changes with all relevant financial managers and directors. This can be confirmed in a private letter to the ESM advisor.

### What must you provide for fast-track ESM entry?

You must supply the following financial information for a fast-track admission:

- the capital to be raised on admission
- anticipated accounting reference date (relevant half-yearly and annual report dates)
- any significant change since the most recent audited and published statement
- directors statement confirming working capital availability
- the number of each class of securities held as treasury shares



# CHAPTER FIVE

## LEGAL CHALLENGES OF AN ESM QUOTATION

### What legislation governs ESM companies?

ESM companies must comply with the ISE ESM Rules in addition to a number of company law provisions. Your legal advisor and ESM advisor are best placed to advise you in relation to company law requirements.

Trading in securities of ESM companies are subject to insider dealing provisions (*Companies Act, 1990; Part V*) which prohibits the use of price sensitive information for dealings in the securities of the company.

ESM companies are required to disclose to the market dealings by directors in their securities, as well as holdings by large investors of their securities.

### Admission Document

Your Admission Document is not a prospectus and so, it is not subject to the additional civil and criminal liability provisions set out in legislation (*Investment Funds, Companies & Miscellaneous Provisions Act, 2005*.) However, a negligent misstatement or fraudulent misrepresentation rightly would give rise to liabilities for which you and your directors are responsible.

Avoid any misrepresentation by undertaking appropriate due diligence and verification exercises. These will ensure the accuracy of the Admission Document and protect the directors from potential liability if the Admission Document contains any material mis-statements.

Due diligence is in addition to adherence to ESM Rules and the requirements of the ESM Advisor.

### What about Corporate Governance Regulations?

ESM companies are not subject to Corporate Governance Regulations<sup>1</sup>. They also do not need to comply with the UK Corporate Governance Code. However, many larger ESM companies strive to meet the standards of the UK Corporate Governance Code. Some ESM companies choose to apply the QCA Corporate Governance Guidelines for Smaller Quoted Companies.

### Do Irish Takeover Panel Rules apply to ESM companies?

ESM companies are deemed relevant companies for the application of the Irish Takeover Panel Rules and the Substantial Acquisition Rules. This means, that any acquisition of substantial shareholdings in an ESM company, as well as any attempt to acquire control of an ESM company, must comply with the Irish Takeover Panel Rules and the Substantial Acquisition Rules. An offer document for an ESM company must comply with the same content requirements and disclosure standards as apply to any offer document issued for a company listed on the Main Securities Market.

<sup>1</sup> The European Communities (Directive 2006/46/EC) Regulations 2009 and the European Communities (Directive 2006/46/EC) (Amendment) Regulations 2010

*Strong corporate communications skills are essential to a successful life on the ESM.*



## CHAPTER SIX COMMUNICATIONS MATTER

As an ESM company you are required to disclose price sensitive information to the market without delay. This is a core principle of the ESM. However, your company must also take care to communicate its image and themes to the wider market.

### **Why does your image matter?**

Your image in the market is vital to how well you thrive and grow on the ESM. Never underestimate the need to manage this image carefully and consistently. You will need to invest time and money to build that good image. In turn, a good image must be matched by a sound business, and keeping investors informed.

You and your managers will need to know and be able to explain the key themes of your business so that you have a consistent message which you are always able to deliver.

You must be able to define and refine a clear investment proposition which incorporates your short, medium and long term strategies, helping investors and potential investors to gain insight into your company's thinking and future direction.

You will need to reassure your investors that you are meeting your ESM objectives and you will need to keep them informed of your activity and your intentions. If you build a reputation for transparency, this will help your investors to have confidence in you for the future. A good corporate governance structure will also help.

### **Who is your audience?**

Institutional investors, private clients and the media always have an interest in your business. Investors include long-only funds (including pension funds), hedge funds and sovereign wealth funds. They are constantly seeking out new opportunities and keeping an eye on current investments.

#### *Long-only investors:*

are the traditional fund managers who invest over the long term and do not use leverage when taking positions in stocks. These funds manage pooled money and invest across various asset classes, depending on the specific fund mandate.

#### *Hedge funds:*

adopt different 'unconstrained' investment strategies which allow them to take short positions also.

#### *Sovereign wealth funds:*

are institutions that manage funds on behalf of individual nations.

#### *Private clients:*

are wealthy individuals who invest their own money through their broker.

Building relationships with these investors is vital for all ESM companies. In quoted companies with smaller market capitalisations, these investors can make up a greater proportion of the share register than larger listed companies, providing a good source of liquidity as the company begins life on the market.



*The media:*

primarily print, broadcast and online media will influence how the company is perceived by the general public and by your investors too. Financial PR advisors can help you to build a profile over the longer term, placing stories in select publications and using social media where appropriate. They can also give guidance on sponsorship and involvement in non-core activity which can help raise profile. Such advisors are especially useful in more difficult times.

**How do you speak to such a wide audience?**

Each group within your wide audience will require targeted information and an appropriate programme to meet their needs. For example, with your investors, think of them as divided between the ‘buy side’ and the ‘sell side.’ The ‘buy side’ are the institutional and private investors in your stock. The ‘sell side’ are investment banks and stockbrokers. This separation allows you to see how their needs will differ and how your communication strategy will need to be varied.

**What opportunities do you control?**

Your annual report is an opportunity for a comprehensive report to market which chimes well with your key themes and continues to build the story and identity of your business.

Any presentations made at results time are an opportunity to talk directly to your various key audiences.

Your website should be informative, relevant and always up-to-date. It should include a variety of features; a brief company history, company presentations, events calendar, announcements section and contact details for the investor relations officer in the company. The ESM Rules specify the information that should be available on your website.

**What is an Investor Relations programme?**

All publicly-quoted companies should have a proactive, well organised and rolling investor relations (IR) programme. This begins with investor targeting, which includes an analysis of the company share register to reveal geographic concentration of holdings and any changes in holdings in the period being analysed. It can also identify under and overweight shareholders. Your corporate broker will add additional intelligence and advice on opportunities for targeting investors.

**Speak directly to your investors**

As an ESM company, you will have to plan one to two primary roadshows per year. These are run by the executive team, as a series of investors meetings in appropriate geographic locations. Your broker will assist with these plans and ensure a feedback report after each road show.

You may also consider doing additional ad-hoc IR days to cover off the main investment centres. Where appropriate, site visits are a useful way to visually convey your story by inviting the buy (institutional investors) and sell side (brokers) to visit your company’s operations.

Corporate brokers can also organise sector or generalist investor conferences, where a mix of companies and institutions meet in one-on-one and group meetings and may involve an open presentation to potential investors. ‘Capital Market’ or ‘Investor’ days are another tool for companies to showcase the depth of management.

Your broker can advise on best-in-class IR processes and how to balance the stock market demands with the value of senior management time.

Consolidating and growing your investor base is important, especially attracting international investors. The ISE has one of the most diversified investor bases of any exchange in Europe with over 67% of the shares in Irish companies held by investors in the UK, US and Continental Europe.

**Can other advisors help with your company image?**

Your corporate broker should provide you with the best possible advice and the best access to Irish and international markets. Your broker will also build and maintain crucial relationships with institutional investors. Every good relationship strengthens your reputation in the market.

The relationship with your corporate broker begins at the Initial Public Offering (IPO) planning stage. The broker will be the intermediary between your company and the stock market. They will provide ongoing advice on market conditions and investor perceptions. Once you are an ESM member, your broker will continue to work with you to ensure that your equity story is well marketed and well understood by investors.

Key responsibilities include:

- Advice on capital market matters
- Analysis of trading activity on stock exchanges where you are quoted
- Communicating news flow influencing share price movements
- Co-ordinating investors marketing programmes
- Liaising on ESM issues
- Producing board papers and advice on strategic decisions
- Providing investor feedback
- Share register analysis

In addition to regular equity-related services, full-service brokers also advise on active capital management programmes, involving share buyback programmes and other returns of capital to shareholders such as tender offers.

**How can a research analyst help to build your corporate image?**

Research analysts get your corporate message into the market. They do this by assessing your prospects and earnings potential in relation to your direct competitors. The research analyst is expected to provide up-to-date sectoral and global insights to your management team, along with institutional feedback and comment gleaned during analyst marketing trips. Your finance director or investor relations officer must manage this key relationship.

**Where will you find a research analyst?**

Research analysts work in broking houses and their success is built on the distribution network and relationships of the equity sales team in their firm. Irish broking houses have global networks linked to all core investment centres. Most Irish companies have worldwide investors in London, Edinburgh, Continental Europe and North America. This provides geographic balance and encourages long term stability.

The research analyst works alongside broking specialists and spends much time working with your existing shareholders. This group will either increase their positions in your company over time or they may opt to sell stock to take profit at various stages.

ISE LISTED COMPANIES  
GLOBAL FOOTPRINT



Source: Indecon analysis based on Bloomberg 2012 data. Figures exclude Tesco and Diageo.

CONTINUING  
OBLIGATIONS

TRANSACTIONS

**ASM ADVISOR**

DISCLOSURE

SHARE DEALING

ASM ADVISOR

TRANSPARENCY

FINANCIAL  
REPORTING

CORPORATE GOVERNANCE

COMPLIANCE

CORPORATE  
ACTIONS

**SHARE DEALING**

TRANSACTIONS

CORPORATE ACTIONS

**CORPORATE GOVERNANCE**

COMPLIANCE

CONTINUING  
OBLIGATIONS

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DISCLOSURE

## CHAPTER SEVEN

### REGULATORY LIFE ON THE ESM

Much hard work will be done to bring your company to the ESM. Your next step is ensuring that you capitalise on that effort and do so within the regulations laid down by the ESM. Combining these twin aims should bring your company success and security into the future.

#### What happens after an IPO?

Your shares will be traded freely on the ESM and a market starts to build for shares in your business as investors decide to opt in or out of your company. Analysts from a variety of firms will begin to analyse and rate your business. The financial results cycle has also started, with half-yearly and annual result requirements. These moments will attract both sell-side (broker) and buy-side (investor) interest and can act as a trigger for buy and sell decisions by shareholders.

Your corporate broker will keep in touch and let you know about share price changes in your company and in your sector. The broker will help to prepare information releases to the market and organise investor meetings. You will also agree timings on any secondary share offerings or a primary offering for additional finance.

#### What are the key responsibilities of an active ESM company?

- You will need to promote your company to the investment community on an on-going basis.
- You will need to listen to what the market is telling you about your business.

- You must disclose information to the market on an ongoing basis. This includes price sensitive information and yearly and half-yearly results.
- Directors and employees with access to price-sensitive information must comply with designated restrictions on share-dealing activity.
- You will benefit from a strong investor relations programme led by your key executives.
- You will benefit from using your share register to assist you to promote your business and broaden your shareholder base.

#### How important is corporate governance for an ESM company?

Corporate governance is the set of principles by which your company's board of directors controls and manages the company's affairs to protect the interests of shareholders.

The ISE strongly encourages ESM companies to adopt good corporate governance practices. Many companies use the Combined Code as a benchmark and adapt its principles and provisions to their own requirements.

ESM companies are not required to comply with the UK Corporate Governance Code and the Irish Corporate Governance Annex but compliance is regarded as good practice and many investing companies expect it. The codes are mandatory for companies listed on the Main Securities Market of the ISE.

**Who keeps an eye on your compliance?**

Your ESM advisor will want to ensure you comply with all regulations and will ask for all necessary information to ensure this is happening. The advisor will need to attend board meetings, monitor internal company forecasts and trading and advise on strategy. The advisor will also appoint a qualified executive to guarantee consistent communication.

In turn, you must contact your ESM advisor if you have any regulatory, market or corporate challenges or dilemmas. The advisor can assess the situation, make necessary adjustments and liaise with the relevant authorities if needed.

Your company will be suspended from the ESM if you do not have an ESM advisor for any reason. You have one month from suspension to replace an ESM advisor. If you fail to meet this deadline, the ISE will cancel the admission of the securities.

Your company must also retain a broker at all times.

**What corporate finance opportunities does your ESM quotation offer?**

Being on the ESM means your company will be open to new opportunities. You will be seeking opportunities to raise additional capital to finance organic expansion, pay down existing debt, reduce exposure to banks or buy out founder shareholders.

Your ESM advisor is well connected across the corporate world and should be able to bring new expansion ideas to your board.

If you are making acquisitions, you may choose to use your shares as a form of payment. This is a very pragmatic option because it allows you to act quickly while keeping costs down. Shares in a public company with an open market value are more attractive to vendors than shares in an illiquid private company.

If you choose not to issue more equity, lenders will appreciate the rigour of the IPO procedure when considering your application and may provide you with more flexible covenants or terms on a loan.

**What information must be announced or disclosed?**

Your company will need a Regulatory Information Service provider to ensure that you disclose certain information to the markets at the right times. Categories include:

**Price sensitive information**

An ESM company must disclose price sensitive information to the market without delay. If your company experiences change in its:

- business performance
- financial condition
- performance expectations
- sphere of activity

Immediate disclosure is essential, because these changes are likely to cause substantial movement in the price of the company's securities.

**Share dealings and restrictions**

If there are:

- any dealings by directors
- any relevant changes to significant shareholdings; those with 3% or more of the shares

your company must notify the ISE as soon as possible.

Directors and relevant employees must not deal during a 'close period'; the two months which precede your company's annual or half-yearly results. Your ESM Advisor should be consulted before any of your directors deal in the company's securities.

**Transactions**

Transactions of a certain size and nature must be disclosed to the market. In order to determine the appropriate action in relation to a transaction your ESM Advisor will perform four tests, known as "class tests" which compare the size of your company with the transaction being contemplated. The class tests are set out in Schedule 3 of the ESM Rules:

- Gross Assets test
- Gross Capital test
- Profits test
- Turnover test

*Substantial Transactions:*

exceeds 10% in any of the above class tests. When your company notifies the market that this has occurred, certain information (schedule four, ESM Rules) must be included so investors can assess how the transaction affects the company.

*Related Party Transaction:*

occurs when it exceeds 5% of any of the above class tests. Related parties are defined clearly in ESM Rules. They include parties such as directors, substantial shareholders and their associates (family or companies controlled by such parties).

*Reverse Takeover:*

is any acquisition or number of acquisitions that exceed 100% in any of the class tests or result in a fundamental change in the business, the board or the voting control. The acquisitions must occur in the same 12-month period. A reverse takeover requires shareholder consent and the publication of a circular with detail of the enlarged entity and the convening of a general meeting.

*Fundamental Changes of Business:*

occurs when a disposal or number of disposals exceed 75% in any of the class tests. Disposal/s must occur in the same 12-month period. A change of business requires shareholder consent and the publication of a circular detailing the disposal, any change in business and the convening of a general meeting.

**Financial reporting**

An ESM company is required to produce and publish both half-yearly reports and annual accounts.

*Half yearly reports: (Interims)*

must be produced and notified within three months of the end of the relevant six-month period. The report must include balance sheet, income statement, cash flow statement and corresponding figures from the preceding period. No audit is required.

*Annual accounts:*

must be published and sent to shareholders within six months of the year-end. If the company is incorporated in an EEA country then accounts must comply with International Accounting Standards.

A company outside EEA can comply with either International Accounting Standards or certain other Generally Accepted Accounting Principles ("GAAP") specified in the ESM Rules.

The accounts must also include details of any related party transaction not previously disclosed which exceeds only 0.25% of any of the class tests. In addition, details of directors remuneration during the past year must be disclosed.

**Website disclosures**

An ESM company must maintain a current website which should make certain information available free of charge including:

- all reports published since the last annual report
- board and committee responsibilities
- business description
- details of ESM advisor
- most recent annual report
- names and biographies of directors
- number of securities in issue and holdings by significant shareholders





# CHAPTER EIGHT

## AN ESM

## INVESTOR'S

## PERSPECTIVE

### What are investors interested in?

The aim of investors is to find companies whose development they can support over a number of years. Such attractive opportunities give client investors the chance to earn a return on their money, for their pensions or savings.

### What characterises an attractive investment opportunity?

Portfolio managers look for key characteristics in a company which make them attractive investment opportunities.

### Business characteristics

#### *Growth potential*

Businesses with significant organic growth opportunities ahead of them who are building a sound, defensible position in their market and looking to exploit the growth ahead of them will attract investors. Organic growth is preferred to acquired growth because it is less risky. Businesses which are able to raise their selling prices and take market share have shown themselves to be good investments over time. Other attractions include strong brands, intellectual property (whether patented or not), recurring revenue streams, integration with suppliers or customers and a well invested asset base.

#### *Returns potential*

Companies that can earn returns on the capital invested in the business, which exceed the cost of that capital, attract investor interest. This is heightened if there are organic investment opportunities to deploy further capital at high returns.

### Financial characteristics

#### *Balance sheet structure*

A sensible debt level for a business cannot be defined. It varies widely with the operational cyclicalities and operational gearing of the business, as well as the availability and cost of debt finance. A utility can clearly support more debt than a construction business. The key to carrying debt is not to impose excessive financial risk on equity holders; they are the last in the queue to be paid, so future sustainability of the business matters. The term profile of the debt finance is an important factor; companies where debt maturities are widely spread, with no one debt maturity big enough to pose refinancing risks, will be of greater interest.

#### *Cash flow*

One of the great challenges for all businesses is managing cash flow. Businesses with a good track record of converting earnings into cash will always interest investors. A sound record of managing working capital with inventories, receivables and payables all under control, are signs of a well-managed business. A company which factors receivables should disclose this to investors.

#### *Accounting*

High quality accounts matter and will stand out to potential clients. Revenue recognition, asset capitalisation / depreciation, and provisioning are all areas (among many others) where your management team can exercise discretion but it should be done with an eye to the investor. When in doubt, take the more prudent road; this will lead to lower reported earnings in the short term, but a much higher quality of reported earnings in the long term.

### Ethical, Social Governance (ESG) characteristics

#### *Sustainability*

Adhering to the highest standards of ethical behaviour can be costly in the short term; failing to do so will be costly in the long term and will ensure a loss of investors. Companies that take their environmental and social responsibilities seriously will be rewarded across a range of business areas and ultimately by investors.

#### *Corporate governance*

Professional companies with professional investors need to adhere to high standards of corporate governance. A strong board of directors with expertise and experience will make your business more attractive. The board must be able to challenge its executive management team and advise and guide them in tough decisions.

It is important that managers hold shares in the business. What kind of signal does it send out if management does not invest in its own backyard? Management incentive plans are important too but their targets and rewards should always be open to external scrutiny.

### Stock market characteristics

#### *Free float*

A minimum level of free float shares is necessary post-IPO to ensure an orderly after-market and to facilitate trading by investors. This free float can come, either from new capital raised at the IPO to invest in the operating business, or from a secondary sell-down from existing investors.

#### *Open dialogue*

Your passion for the development of your business should be shared with investors and portfolio managers on a regular basis. They are likely to share advice, support and insights from other company experiences as, ultimately, their interests are best served by vibrant and ambitious companies which offer good investment opportunities.







# WE ARE HERE TO HELP

## #IPOready

The ISE runs #IPOready programmes which you can register for by sending an email to the contact details below.

## Our equity markets

The ISE operates 3 equity markets. Please contact us if you would like to discuss which market best suits your company.



## Contact

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# GLOSSARY

<b>Admission</b>	Admission of securities to ESM.
<b>Admission document</b>	A specific document produced by a company seeking to have its securities admitted to ESM.
<b>AIM</b>	Alternative Investment Market operated by the London Stock Exchange.
<b>Book-building</b>	Common for large IPOs involving significant institutional participation. The Admission Document does not provide a fixed price. Instead, the price is determined through an institutional offer which is made at a completely open price or at a price within a range. The final institutional offer price is determined through a book build process, conducted by one or more brokers. Institutional investors submit bids for a number of shares and indicate the price they are prepared to pay. The price is set at a level that reflects the level of institutional demand for the shares, as well as other factors such as the level of retail investor demand and the desire for an orderly aftermarket.
<b>Broker</b>	A corporate advisory firm that provides capital raising, stock broking and research services.
<b>CAO</b>	The Companies Announcements Office of the ISE which disseminates information to the market for ESM companies.
<b>Capital</b>	Funding for investment in capital assets or to operate a business. Also refers to the value of an investment in a business, or in assets such as property or shares.
<b>CREST</b>	Securities clearing system operated by Euroclear UK & Ireland.
<b>Dividend</b>	Distribution of part of a company's net profit to shareholders. Usually expressed as a number of cents per share.
<b>Director</b>	A person who acts as a director of a company (as defined by the Companies Acts) and has legal responsibilities.
<b>Equities</b>	Equities are a synonym for shares and represent part-ownership of a company, as distinct from debt securities such as bonds and debentures.
<b>ESM</b>	Enterprise Securities Market – the ISE market for growth companies.
<b>ESM advisor</b>	Required appointee of any company seeking admission or already a member of ESM (advisor list: <a href="http://www.ise.ie">www.ise.ie</a> ).
<b>ESM company</b>	A company which agrees to abide by the ESM Rules for companies and wants its shares to be traded on the ESM.
<b>ESM Rules for Companies</b>	Companies must comply with the ESM Rules for admission and as a member company.
<b>Float</b>	The initial raising of capital by public subscription to securities, such as shares offered on the market.
<b>FPP</b>	Financial Position and Prospects Report.
<b>GAAP</b>	Generally accepted accounting practices.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Investment bank</b>	A financial intermediary performing a variety of services including underwriting, acting as an intermediary between companies and investors, facilitating mergers, acquisitions and other corporate reorganisations, and also acting as a broker for institutional clients.
<b>IPO</b>	Initial Public Offer. The first sale of shares by a company to the public.
<b>ISE</b>	The Irish Stock Exchange plc. Founded in 1793, it operates from Dublin with an electronic trading platform.
<b>ISE Xetra®</b>	The ISE's electronic trading platform which is accessible by member firms of the ISE.
<b>Liquidity</b>	Ability to convert assets into cash easily, quickly and with little or no loss of capital. A liquid market is a market with enough participants to make buying and selling easy.
<b>Listing</b>	Listing of a company's shares on a public market.
<b>Long-form report</b>	A detailed report prepared by the reporting accountant on every aspect of the company's business, excluding forecasts. The scope of the long-form report is agreed between the reporting accountant, the company's directors and the ESM advisor. The report usually covers the business history, business operations, management and staff, financial reporting and historical financial information, taxation and other issues.
<b>Market capitalisation</b>	The total number of shares on issue multiplied by their market price. This can be applied to work out the market value of one company or of the value of all companies listed on an exchange.
<b>Pathfinder document</b>	This is the same as an ESM Admission Document but it excludes the final pricing and allocation details which have still to be decided. It is used as the primary marketing tool for the investor roadshow.
<b>Pro forma financial information</b>	Financial information included in an ESM Admission Document at the company's discretion to illustrate how the IPO proceeds and/or any acquisitions that may affect the financial information of the company.
<b>Securities</b>	A general term applied to all shares, debentures, notes, and government bonds.
<b>Shareholder</b>	A holder of any legal or beneficial interest, whether direct or indirect, in an ESM security.
<b>Underwriter</b>	Guarantees to the company that the funds sought in an IPO will be raised and any shortfall will be taken by the underwriter.
<b>Working capital report</b>	A private report prepared by the reporting accountants to provide assurance to the company's directors and to the ESM advisor on the adequacy of the company's working capital.

## OVERVIEW OF IPO PROCESS

	- 24 weeks	- 12 weeks	- 6 weeks	- 1 week	Admission
Get Ready					
IPO Process	Appoint advisors Agree timetable				
Financial	Financial due diligence Financial position and prospects report Working Capital report Use of proceeds Long Form Report for inclusion in Admission Document				
Legal	Legal due diligence All legal documents agreed and finalised				
Admission Document	Drafting of Admission Document		Verification of Admission Document		
Analyst Research	Drafting of analyst research			Publish research	
Roadshow		Get PR ready Drafting roadshow presentation	Pre-marketing	Commence roadshow	
Offer		Consider pricing and size of offering	Finalise offer structure and size	Price and allocate the offering	
ESM				Submit documents to the ISE	Shares admitted to trading on the ESM



**Find out more about the ESM**

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