Five steps for raising capital

Going public in Thailand

http://www.mai.or.th

Market for Alternative Investment, Thailand

Step 1: Appoint a financial advisor; replace auditor

The company must select a financial advisor who has been approved by the Securities and Exchange Commission (SEC) to help prepare the company for listing. The roles of a financial advisor are to:

- Conduct due diligence;
- Organize the structure(s) of the company, the business, its capital and its shareholders;
- Prepare the necessary company data and information for submission to the SEC for its approval for public offering and submit an application to be listed on the MAI;
- Underwrite the securities or arrange for an underwriter; and
- Continue to oversee the company for a year after the company is listed on the Market for Alternative Investment (MAI).

A company that does not already have an auditor who is approved by the SEC should replace him/her with one who has the SEC's approval, and then create accounting and internal auditing systems that meet the required standards. These measures will substantially reduce the preparation time involved in becoming a listed company.

Tips

Selection method for a financial advisor

Before selecting a financial advisor, a company should interview a few financial advisors to select the most suitable one for its specific needs.

Selection criteria for a financial advisor

A financial advisor should be experienced, have a pleasant personality, be able to make himself/herself available and charge a reasonable fee.

Step 2: Conversion into a public company

A company must convert into a public company before filing with the SEC for a licence to make a public offering of its shares. The conversion must be completed prior to filing for the SEC's licence through the Ministry of Commerce, which typically takes about one to two months. Legal advisors can provide recommendations on legal issues and other related regulations.

Tips

Appropriate timing for a conversion

A limited company should convert itself into a public company once it is adequately prepared to seek a licence from the Securities and Exchange Commission (SEC) to make a public offering. Typically this should happen around one to two months before applying for the licence. This would allow the company flexibility in its administration and reduce the adverse effects that uncertainties might bring from the conversion. This is because conversion into a public company is an irreversible process. Once the conversion is accomplished, a company cannot be converted back into a privately held limited company.

Step 3: Filing for licensed securities and applying for market listing

After the financial advisor has analyzed the company's information and organized its structures and the company has been converted into a public company, the financial advisor represents the firm in filing for a licence from the Securities and Exchange Commission (SEC) that will allow it to offer shares to the public. The financial advisor also represents the firm in applying for its Market for Alternative Investment (MAI) listing.

At this stage, both the SEC and the MAI study the company's information and arrange for company visits to allow the enterprise to conduct its business presentations and answer additional questions. The SEC normally needs about 45 days to study the application and related documents. Once the company is granted a licence by the SEC, the MAI admits the firm as a listed company only after it completes a mandatory share allocation to minor shareholders in accordance with the MAI's prerequisites.

Tips

Simultaneous filing at the SEC and the MAI

A company may file its applications for a licence to make a public offering with the SEC at the same time it applies to be listed on the MAI. This would allow the MAI to study the company information in advance and arrange for a joint company visit with the SEC, saving the firm time and money. The MAI should take no longer than a week to approve a company's listing after it receives a licence, supplemented by the other required documents, from the SEC, but this is contingent upon the company's successful compliance with the MAI's prerequisites on distributing shares to minor shareholders.

Step 4: Distributing shares to the public

After the company is allowed to offer its shares to the public and be provisionally listed on the MAI, pending its compliance with the minor shareholding requirements, the firm appoints a securities distributor and an underwriter to facilitate the public share offering process.

There are two main types of securities distribution and underwriting:

- **Firm underwriting**. The underwriter is responsible for distributing all the securities put on the block. It is bound to purchase any securities it cannot dispose of. This arrangement would assure the company of the full amount of capital that it plans to raise from the public.
- **Best-effort underwriting.** Under this arrangement, the underwriter will try its best to distribute as many of the commissioned securities as possible, but it is not bound to purchase any that are unsubscribed. This type of arrangement normally costs less than firm underwriting.

Tips

Publicize the company for extensive recognition

Prior to the public offering, the company should generate extensive awareness of its businesses among the public, investors and all other concerned parties. They should be informed of relevant company information that would be useful in making their decisions about purchasing company stocks. The company may utilize its in-house PR team or retain a publicist company. It is typical for a firm launching a public offering to run a PR campaign for about six months prior to the event. The campaign should regularly publicize the company in a continuous manner, but not violate the SEC's or the MAI's regulations.

PR strategy

A good PR strategy should focus on the firm's prominent profile and growth potential, providing potential investors with a better understanding of the real value of the securities being offered.

Step 5: Listing on the MAI

After the company distributes its shares to its minor shareholders, as required by the MAI, it should prepare for trading on the MAI by doing the following:

- Open an account with the Thailand Securities Depository Co. Ltd. (TSD).
- Deposit the required number of securities as required by the MAI with the TSD.
- Register its capital increase with the Ministry of Commerce.
- Provide the MAI with the required additional documents, including the Certificate of Capital Increment issued by the Ministry of Commerce and a Report on Share Distribution, and then pay the required fees.
- After the documents are fully furnished, the MAI will announce that the securities have been listed.
- Commence trading on the MAI.

Tips

Utilizing the capital market in the future

Becoming a listed company is the first big step to gaining access to numerous opportunities. An MAI-listed establishment should fully utilize the capital market to continue to strengthen its financial position. Listed below are some of the opportunities which a listed firm may consider.

- **Financial opportunities**
  A listed establishment has the opportunity to use more types of financial tools, e.g., bonds, warrants, and preferential shares, to name just a few. Depending upon the financial market's condition and the enterprise's financial needs, a listed company may choose to use any of the financial tools at any time. Choosing the right financial tool will help to strengthen the establishment's financial status.
- **Business expansion opportunities**
  Being a listed firm helps promote its business growth and increases its number of business opportunities, giving it the reputation that can attract business alliances.

Time needed for raising capital

On average, the duration needed to prepare a firm for listing on the MAI takes around six to nine months. However, some enterprises may require less or more time, depending on their readiness. The determining factors include the amount of capital, type of industry, the firm's accounting and internal control systems, its auditor, its financial and shareholders' structures, and the degree of cooperation from the establishment's personnel in providing information for filing with the SEC and the MAI. ❐

How to raise venture capital

21 tips for SMEs

http:// www.thecapitalfund.co.uk

The Capital Fund, UK

1. Plan to devote time and effort to the process - it's worth it. It might help to think of how much product you'd have to sell to generate an equivalent boost to your net assets. You will need to be able to develop your business and sell your products whilst the fundraising process progresses.
2. Don't wait until the last minute - the process of raising venture capital will typically take 3 to 6 months, and VCs don't respond well to time pressure!
3. Bear in mind that venture capital investment is a highly selective process - VCs typically invest in only 2 to 5 per cent of the opportunities they see, and they see a lot of proposals. The proposals selected will have potential for high growth in sales, profits and shareholder value and have the management team to achieve that growth.
4. Remember that venture capital investment is a highly subjective business - it's got a lot to do with assessing future performance - so be prepared to hear some fairly subjective reasons if a VC declines your proposal.
5. VCs take a portfolio approach - some companies will fail; so the valuation and rate of return they seek on all investments will take this into account - i.e., the successes must pay for the failures!
6. Before you approach, find out if your potential VCs have any industry sector preferences or experience, and the stage and size of investment they go for. Look on their website for details of businesses they have invested in.
7. Consider using a reputable and knowledgeable fund-raising professional if you are new to the game. They will help to focus your efforts and should know the preferences and criteria of likely investors - but you will have to pay them.
8. Personalize your approach: try to avoid making your initial contact look like a mailshot.
9. Keep your information memorandum and presentation short, clear, balanced and up-to-date. Make sure you cover: background, current position, products, markets, management, strategy, financials and the shape of the deal you are looking for. Also, increasingly, VCs are accepting - and even prefer - initial applications via their websites.
10. VCs like facts and figures - rather than just projections, guesses and speculations - so do your best to give them as much quantitative information as you can.
11. Don't be afraid to include a SWOT (strengths, weaknesses, opportunities and threats) analysis in your proposal - the VCs will need it. Don't pull any punches on the weaknesses and threats - all businesses have them and VCs will expect you to know exactly what they are so that you can plan and execute appropriate countermeasures.
12. Always keep in mind that VCs want to back complete, balanced teams - rather than individuals - so make sure you cover all the key management functions relevant to your business - e.g. general management, marketing, sales, finance, development, production, fulfilment, etc. VCs also will be looking for both breadth and depth of experience, financial and personal commitment.
13. A comprehensive sales plan is **absolutely essential**. You should regard this as the heart of your proposal. Be prepared to answer very detailed questions about what you will need to do - and the resources you will need to do it - in order to achieve your sales projections. And I mean detailed questions - routes to market, channel partners, lead generation, prospect qualification, sales call rates and conversion, target customers, sales cycles, market drivers, customer needs, product benefits and advantages, pricing policies, marketing strategy, the competition, etc. Be ready to talk about your sales pipeline, sales contracts, recurring revenues and prospects.
14. Don't assume that VCs know your products, sector or industry, so keep things simple to begin with, and avoid - or at least be prepared to explain - any technical complexities and jargon. In the latter stages of the investment process, the VCs will probably enlist the services of sector experts if a detailed assessment is required.
15. If you get to make a presentation to VCs, be professional and try to look like a team: work out in advance who will say what and when, and don't bicker, argue, or fight in front of your VCs - yes, it does happen!
16. Remember that you are selling a stake in your company, so treat VCs the same way you'd treat any potential major customer or commercial partner.
17. Be direct, open and honest - if you don't have the answer to a question, say so.
18. Know what you'll do if you can't raise the funding you are looking for - it will do wonders for your credibility.
19. VCs are investing other people's money and they are highly regulated. To do their job properly (and meet their FSA obligations) they will need to have a detailed understanding of you and your business before they invest - this takes time, so you may need a lot of patience.
20. Get legal advice from a firm that understands venture capital - it could save time, money and heartache.
21. At the end of the day venture capital is all about buying and selling shares, so be prepared to make a commitment to sell your company - most likely to a trade acquirer in three to five years. ❒