

GETTING A PUBLIC VOTE OF CONFIDENCE

North West companies are taking the City route to drive their growth and for many it is paying dividends



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Serial entrepreneur Mark Mills is back in the City and he's urging more North West businesses to seriously consider taking the same journey as they look to fund their growth plans.

Mills is non-executive chairman of Lancashire company Velocity Composites in Burnley, which floated on the Alternative Investment Market (AIM) at the end of May with a £30m valuation. The ambitious aerospace business is now looking to replicate its success in the UK by establishing a series of satellite manufacturing hubs in Europe.

Founded ten years ago, Velocity makes advanced carbon fibre and ancillary material kits that are used in aircraft production. The float raised more than £14m to help to fund those growth plans and Velocity expects to spend up to £1.5m on each of the hubs.

Mills became chairman of the business in 2016. He is no stranger to the Stock Exchange: he was founder and chief executive of AIM-listed cash machine operator Cardpoint, which he ran from 1999 to 2006.

From his base in Lytham St Annes, on the Lancashire coast, he now advises companies on growth strategies. And he remains a firm champion of the City and what it can deliver. Mills believes customers and suppliers appreciate that a market listing offers transparency, as well as access to capital and even greater corporate governance.

Mills also talks of "long-term sustainability" and the "huge amount of credibility" that comes from being a public company. Mills also stresses the need for a good "growth story" for any company considering an IPO. It's a buoyant time for the markets, he says, adding: "If you want to access capital to expand your business, doing it by way of an IPO is a good idea."

In the North West, Mills says businesses are missing out on potential opportunities to float. Many, he says, remain under the radar

of brokers and the advisers in the City of London who power flotations. He also points to the region's wealth of strong and active private equity houses offering companies an alternative route.

For many companies it is a case of weighing up how attractive a float is against other options, says Stuart Thwaites, director at EY in Manchester. At the end it comes down to "realising value".

He agrees that private equity is active in the region, but says the triggering of Article

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50 to put the UK's exit from the EU in motion caused some companies to pause any plans to float and instead wait and see. He is forecasting a build-up of activity towards the back end of the year, saying: "It remains a definite option and is looked on more favourably than it was two or three years ago."

Reflecting on Velocity's experience, Mills says: "Velocity is a great business. Its model is predicated on helping manufacturers save time and material costs, and therefore money, while allowing them to concentrate on their core business to help increase production rates. Having helped to identify growth opportunities, the team recognises the need to open more facilities around the world over the next five to ten years."

"Velocity required a solution for additional funding and a long-term plan to meet customers' demands. It was warmly greeted in the City, and the investors all run long-term funds, which suits the company, as it will be able to meet any future potential funding requirements as it expands further."

Accrol Group is another company with growth in mind. The tissue manufacturer has had a strong first 12 months since its IPO in June 2016. The toilet roll maker, with its headquarters in Blackburn, hailed "a successful maiden year" as a listed company with revenues up 14 per cent to £135m.

Chief executive Steve Crossley said: "This has been a year of positive change for Accrol as we have transitioned to life as an AIM-listed company. We have won new contracts and increased our share of the discount sector to more than 50 per cent."

Accrol opened a 168,000 sq ft manufacturing facility in Leyland during that time and, earlier this year, announced plans to open a 368,000 sq ft warehouse in West Lancashire, which will become the group's central distribution hub.

HIVE OF ACTIVITY

It certainly appears that going public is paying dividends for companies across the North West. In the first three months of the year the value of the region's listed companies rose healthily from £39.2bn to £41.6bn. The North West's FTSE-listed companies performed well in the first quarter, with each company adding an average of almost



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£140m to their total market capitalisations.

Residential property developer Redrow has been busy and its value jumped 19 per cent in that time, making it worth almost £300m.

JD Sports was another company to record strong growth, adding £655m to its total market capitalisation. The group earlier announced that its pre-tax profits had risen by 81 per cent to £238m, a record for the company. The fashion brand's expansion across Europe – it has opened 54 stores over the past 12 months – is helping to grow those numbers, according to City watchers.

The North West's 50 AIM-listed companies also reported that figures were moving in the right direction, adding £236m to their total values in the first quarter. They include Stobart Group, which added £158m, according to business advisory firm Deloitte's North West shares index. Stobart has acquired aircraft leasing company Propius Holdings as it continues to target further growth in the aviation sector.

Deloitte remains cautious about the future, calling uncertain times "the new normal",

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but says its share index provides continuing evidence of the strength of the region's listed businesses and their contribution to its economic wellbeing.

Tim Grogan, equity capital markets director at Deloitte in the North West, says: "The public markets have shown strong resilience to economic uncertainty and an appetite for investment. Historically, the North West has been a great source of IPO candidates and has had some great successes."

Tatton Asset Management, based in Wilmslow, is hoping to join that list of successes. In June it announced plans for an AIM float valuing the company at £87m and netting selling shareholders more than £40m. Dounder and chief executive Paul Hogarth said the IPO marked an "important and exciting milestone" and would allow the group to raise its market profile.

While the number of flotations has been low in recent times, Richard Baty, assistant director, corporate finance at PwC in the North West, expects investors to "continue to back IPO candidates with an attractive valuation, a differentiated product and an equity story which is underpinned by strong performance."

Jonathan Bell, head of private equity firm LDC in the North West, also points out that an IPO can be a route to raise additional capital to speed growth. It can also provide the right exit strategy for shareholders looking to realise their investment. He says: "We've supported many of our portfolio companies through an IPO and often maintain a shareholding to support their continued growth."