THE CHALLENGES AND OPPORTUNITIES OF TAKING A SMALL SOFTWARE BUSINESS PUBLIC

Case of Sparecom PLC

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Abstract

The purpose of this case study was to look into the factors that should be taken into consideration concerning possible stock listing of a software company Sparecom PLC, and describe the profitability and value effects of taking the company public. In addition, the comparison of two suitable, alternative stock markets First North Finland and NASDAQ Capital Market was realized.

Sparecom PLC and its operations in Finland and abroad are presented in this research. The theoretical framework was based on previous studies of domestic and foreign stock markets as well as IPO process in general. The research method used was qualitative and semi-structured interviews were used as a primary data collection method. There were total three interviews, two for the CEO of Sparecom PLC and one for the Managing Director of Eirikuva Digital Image Oyj Abp. Other primary data sources used were emails for representatives of stock exchanges. However, the research questions were answered by using some combination of secondary and primary data due to the international nature of the research.

The results showed that the stock listing of Sparecom is a plausible idea, and the company meets the general listing requirements of the two comparison stock market tiers. The decision of taking the company public involves risks and requires a lot of investment but the benefits can be versatile and the company can obtain more market value and profit substantially from the IPO. The comparison of the NASDAQ Capital Market and First North revealed that First North has the advantage of being domestic exchange and therefore the listing process can be easier, less time-consuming and less expensive choice. On the other hand, NASDAQ Capital Market is considerably larger exchange and it is noted globally, thus attracts more international interest. NASDAQ is also capable of proving more added value for its companies.

Keywords

Stock markets, bourse, going public, IPO.

Miscellaneous

Chapters 1.4, 4.3, 5 and 6 are confidential until 17.3.2013.

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Tiivistelmä

Tämän tapaustutkimuksen tavoitteena oli selvittää tekijät jotka pitäisi ottaa huomioon koskien ohjelmistoyritys Sparecom Oyj:n mahdollista pörssilistautumista, sekä kuvailla yrityksen pörssilistautumisen kannattavuutta ja lisäarvoja. Tämän lisäksi, tutkimuksessa vertailtiin kahta yritykselle sopivaa, pörssin vaihtoehtoista markkinapaikkaa: First North Suomea ja NASDAQ Capital Marketia.

Sparecom Oyj:n sen toiminnot Suomessa ja ulkomailla ovat esitettynä tässä tutkimuksessa. Teoreettinen viitekehys perustuu koti- ja ulkomaisten pörssimarkkinoiden sekä IPO -toiminnan aikaisempiin tutkimuksiin. Tutkimusmenetelmänä oli kvalitatiivinen tutkimus ja puolistrukturoidut haastattelut olivat primäärisen tiedonkeruun keinoina. Yhteensä tehtiin kolme haastattelua, kaksi Sparecom Oyj:n toimitusjohtajalle ja yksi Eirikuva Digital Image Oyj Abp:n toimitusjohtajalle. Muita primäärisiä tietolähteitä olivat sähköpostit pörssiyhtiöiden edustajille. Tutkimusongelmiin vastaus löytyi kuitenkin yhdistelemällä primääristä ja sekundääristä dataa, johtuen tutkimuksen kansainvälisestä luonteesta.

Tutkimuksesta kävi ilmi, että Sparecomin pörssilistautuminen on järkeenkäypä ajatus, ja yritys täyttää kahden vertailussa olleen markkinapaikkojen yleiset listautumisvaatimukset. Päätös pörssilistautumisesta on täynnä riskejä ja vaati paljon investointia, mutta hyödyt voivat olla monipuoliset ja yritys voi saada lisää markkina-arvoa sekä hyötyä pääosin IPO:sta. NASDAQ Capital Marketin ja First Northin vertailu osoitti, että First North on kotimainen ja siksi listautuminen voi olla helpompaa, vähemmän aikaa ja rahaa vievää vaihtoehto. Toisaalta, NASDAQ on huomattavasti isompi pörssiyhtiö ja kuuluisa ympäri maailmaa ja niinpä se houkuttelee enemmän kansainvälisiä sijoittajia. NASDAQ pystyy myös tarjoamaan enemmän lisäarvoa yrityksilleen.

Avainsanat (asiasanat)

Pörssit, pörssiyhtiöt, listautuminen, arvopaperimarkkinat.

Muut tiedot

Kappaleet 1.4, 4.3, 5 sekä 6 ovat salaisia 17.3.2013 saakka.

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1 INTRODUCTION

1.1 Goals of the research

When the time comes to take the company public, the choice of a stock exchange isn't necessarily going to be simple, and that has become a question for a software company Sparecom PLC as well. The globalization of capital has widened the listing options around the world. However, around 90% of the world's companies, their primary listing place is still on their domestic stock exchange.

The purpose of this study is to examine the potential value effects, opportunities and challenges of listing Sparecom PLC on stock markets. The research aims to provide useful information about stock markets in general, information about the process of going public and various issues related to it.

The company has done some prior research about the stock exchange alternatives, and reckons that the most plausible markets where the company is qualified and ready to list are on alternative stock markets. Therefore, upon the company's request alternative stock market tiers First North Finland and NASDAQ Capital Market are chosen for more profound research. So-called alternative exchange markets are meant for less capitalized, young and growing companies such as Sparecom. The comparison of these stock markets is designed to be a fact- and interview based comparative tool for Sparecom while weighing the exchange alternatives.

This study can hopefully act as a support upon which the company's management can build their decision as to which stock exchange suits the company's long-term needs and whether the timing is right for the company to go public or not.

1.2 Research questions

The following research questions are deduced from the goals of this bachelor's thesis:

1. What factors should be taken into consideration concerning possible stock listing of Sparecom PLC?

2. What are the profitability and value effects of possible listing to Sparecom PLC?

3. What are the benefits of one market tier over the other in a possible listing?

4. Is listing overall a plausible and realistic option for Sparecom PLC and why?

1.3 Methods of the research

The research can be defined as a case study where the methods involve an examination of a single case. The research approach is inductive. Inductive approach involves the development of a theory as a result of the observation of empirical data (Saunders, Lewis & Thornhill 2003, 85). The primary data collection methods include interviews and emails. The secondary data consists of exploration of existing studies, Internet sites of companies, credible publications, trade journals, and different kind of public data and literature. Primary data can be defined as a data collected specifically for this research project whereas secondary data is data collected earlier for some other purpose. However, this research requires international comparison, and therefore the secondary data provides part of the main sources to answer the research questions. All of the research questions are answered by using some combination of secondary and primary data.

In this research, there have been used qualitative methods in the interviews, which means data is based on meanings expressed through words. The use of interviews helps to gather valid and reliable data that are relevant for the research questions and goals. (Saunders et al. 2003, 378) The interviews were conducted for the CEO of Sparecom PLC and the Managing Director of Eirikuva Digital Image Oyj Abp. The interviews included two face-to-face interviews and one phone conversation.

The type of interview in this research is called a focused interview, which means a semi- structured interview. In semi-structured interviews, the themes and questions to be covered are determined beforehand, although some of the questions may be cut out and the order of questions may also vary depending the flow of conversation. On the other hand, additional questions may be required in order to obtain essential data for the research questions and goals. (Saunders et al. 2003, 246-247.)

In addition to the interviews, primary data sources include emails that were sent in order to receive relevant information about First North and NASDAQ Capital Market. First North Company Services and NASDAQ International were contacted via email in February 2008. The information received from the emails concerned the listing fees and obligations of being listed on First North and NASDAQ Capital Market.

The secondary data sources were mainly the websites of the stock markets and online versions of various financial magazines. In addition, one of the most useful sources was the website of Ernst & Young, which is one of the world’s largest professional services firms focusing on assurance, tax, transaction and advisory services.

1.4 Overview of Sparecom PLC

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strategic choice that should be determined primarily by a company's business drivers. (Op. cit. p. 52.)

2.1.2 Determining when to go public

The ideal timing for deciding when to go public is crucial. Right timing applies to market conditions as well as to company's growth, future prospects and current operating conditions. The ideal timing for IPO helps to avoid either a delayed offering or a reduced price for a company's stock. (Raymond James 2008.)

The following factors should be accounted in determining the optimal timing for an IPO:

- **Market conditions:** If the overall market conditions are not considered good at the time of the IPO, a company could be faced with the possibilities of selling stock at a lower than desirable price, selling less stock than was meant and/or not being able to complete the offering at all. (Op. cit.)

- **Company performance:** Most companies must have several years of consistent financial performance and growth in order to consider their equity securities acceptable to public investors. Recent periods of unfavorable financial performance can make a company much less attractive as an initial public offering candidate. (Op. cit.)

- **The company's prospects for future:** The future prospects must be good for the company. If the recent sales or earnings have been, or are expected to be harmfully affected by competition, losses or other serious problems, it may be advisable to postpone financing until the company's performance shows that such difficulties have been overcome. (Op. cit.)

- **Qualified personnel:** Company must have a solid infrastructure of qualified personnel. The people have to be able to handle the application process as well as the reporting and regulatory requirements of a publicly held company. (F. di Stefano 2004.)

2.1.3 Advantages and disadvantages of going public

The decision to go public is one of the most important issues that the company will do in its lifetime. It may bring growth but the company also needs to be ready for risks, revelations and regular reports.

Being a public company often delivers the following benefits:
The most assertive benefit of going public is that it helps to stimulate growth and investment by bringing together companies and people who want to invest in them. The demand for products and services rises and being listed increases profitability in its entirety. A listing creates also an increased access to unlimited capital resources. As the company develops, it can raise further capital through the issue of new shares. (OMX 2008.)

The financing is no longer limited to the profits generated from operations and bank borrowings when a company becomes a public company. Even the most successful businesses are forced to stretch retained earnings and bank loans to finance expansions or major new investments under way. (Raymond James 2008.)

The listing on a public market inevitably means that the business and its activities will attract more interest and broaden awareness of the company. Daily market quotations and disclosure requirements mean that the public gains insight into the company. This helps to build and keep up interest in the company, its products and services, and attract qualified staff. (Sloman & Sutcliffe 2004, 393)

Public offerings increase the company's visibility and the media constantly follows the progress of listed companies. This greater visibility can generate new interest from customers and suppliers, as well as from financial and business associates. Efficient electronic information distribution channels can be used for press releases and daily price information in printed media serves as a constant reminder of developments among listed companies. This new reputation and higher visibility can be a real and continuous asset. (OMX 2008.)

A listed company is more attractive to foreign investors and it may strengthen the company’s credibility as a future partner because it’s easier to do business with a well-known company. A listing provides also more opportunities to form strategic alliances, for example through cross-border cross share holdings, by improvement of the negotiability of the company’s shares and establishing a well-defined price of the company’s shares. (Op. cit.)

Companies listed on stock market are subject to strict regulations and this is likely to stimulate investor confidence, which makes it easier for the company to raise finance (Sloman & Sutcliffe 2004, 393).

Listed company obtains more market value. Often a privately held company is valued on the basis of its net capital. A public offering exposes the full market value of the company. In most cases, this value exceeds the book value considerably. The growth prospects and security of a public company are usually greater than those of a private held firm. This higher value can turn into significant wealth for owners of the company. Even if they don’t realize immediate proceeds by selling a portion of their existing stock during the initial offering, they can use their publicly traded stock as collateral to secure borrowings for other investments. This opportunity is rarely available to shareholders in privately held companies. (OMX 2008.)

The listed company is able to have an acquisition of other companies listed on stock exchange. Because the shares of the continuing company are listed on a stock exchange, the continuing company may thus use liquid listed shares instead of cash as payment, in full or in part, to the shareholders in the ceasing company. Those shareholders will be able to make a more detailed evaluation of an offer if the values are fixed through a reliable marketplace. (OMX 2008.)

Furthermore, the listed company has an opportunity to give incentives to employees by issuing employee shares at a favorable price, using warrants and convertible bonds as well. This creates more motivation and encourages employees' active participation in the ownership of the company and helps to retain quality personnel. For the owners of a private held company, being on stock market gives them the opportunity to exit and get access to the capital invested in the company. (Op. cit.)

In summary, going public can give a company the funds it needs to invest in acquisitions, expansion and facilities, without loosing the owner's capital or the company's store of ready cash used for daily operational expenses. Equally important to a firm with high growth prospects is the ability to secure the financial stability that can enable the company to aggressively pursue opportunities and provide a defense against well-capitalized competitors.

The following are the disadvantages of becoming a public company:
Being listed on stock market imposes costs on companies. It is expensive for companies to be listed and the public exposure may drive the company to make decisions based on how the market is likely to react, rather by what the company perceives to be in the business's best interest. The main costs consist of the underwriter's compensation, legal and accounting fees, printing charges and filing fees as well as transfer agent fees. (Raymond James 2008.)

Then there are other costs of going public and those are ongoing costs. The company must invest time and money to new areas such as shareholder relations, public relations, public disclosures and reviewing stock activity. All of this time, and the time of the personnel hired to handle these functions, would otherwise be spent on other management tasks in a privately held company. There are also various out-of-pocket expenses for legal services, accounting and auditing services, printing fees, fees for filing, shareholder meetings, public relations, and annual and quarterly reports, (Op. cit.)

Another disadvantage of going public is that it can foster short-termism, which means that the company management may be tempted to make decisions based on the likely short-term performance of a company rather than on its long-term prospects. Earnings are reported quarterly, and shareholders and financial markets always want to see good results. Long-term strategic investment decisions may tend to have a lower priority than making current numbers look good and therefore, companies may neglect its long-term profits and growth. (Sloman & Sutcliffe, 2004, 393)

One of the biggest disadvantages involved in going public is the time involved. It can require several months or more of planning beforehand. Some companies may also require some restructuring to assist the change from a private company to a public company. The capital structure of the company must accommodate a large number of shares to be held by the public. In addition, special classes of stock designed to meet specific financial and estate planning objectives of family members or management are generally eliminated. On the whole, the entire IPO process may last even up to two years. Many people find the listing process to be an exhaustive process and would prefer just to run their company. (Raymond James 2008.)

Furthermore, public companies must be prepared to disclose information about the company, the officers, the directors and certain shareholders. This information includes, for example, company sales and profits by product line, salaries and other compensation of officers and directors, as well as data about major customers, the company's competitive position, related party transactions and any pending litigation. The company will become available to competitors, customers, employees and the general public by releasing this information. (Op. cit.)

Being public means that the owners of the company may eventually lose the voting control of the company if an enough large proportion of the company's shares are sold to the public. It may also be required to maintain an assignee responsibility to the outside shareholders in regards to the decisions they make for the company, regardless of whether the company owners retain a majority of the company's stock. This responsibility will be under constant observation and may limit the flexibility that the privately held company previously enjoyed. (Op. cit.)

To summarize, the decision of going public involves risks and it has aspects that clash with each other. It is difficult to foresee how the company will do and know whether the decision to go public is right or not. But as the saying goes: "*Life is trying things to see if they work",* and going public is of the things that a company may need and want to try. Nevertheless, the good side of it is that if the company is qualified, big and profitable enough, and the management is competent and well prepared, it is very possible that the company will succeed and benefit from an initial public offering.

2.2 World stock exchange trends

Ernst & Young has done extensive interviews with the world's top investment bankers, stock exchange leaders, and global company executives in order to examine the global IPO trends and major developments in the worldwide IPO markets in 2007. This in-depth examination shows that the globalization of capital has been driving global IPO markets forwards and the IPO activity reached record levels in 2007. The capital raised and the number of companies listed in the first 11 months of 2007 exceeded the whole year of 2006. Investors are searching for higher returns abroad, especially from emerging markets such as China, Russia, Brazil and India. Consequently, the emerging markets accounted 14 out of the top 20 largest deals in 2007. (Ernst & Young 2007c.)

The figures 2 & 3 show that in the first 11 months of 2007, US$255 billion was raised globally through 1739 IPOs. This record level of activity has been achieved despite there were no mega-deals in 2007. The largest IPO of 2007 was Russia's VTB Bank, which raised US$8.0 billion compared to Chinese bank ICBC' s US$22 billion, the largest IPO of year 2006. (Ernst & Young 2007c.)

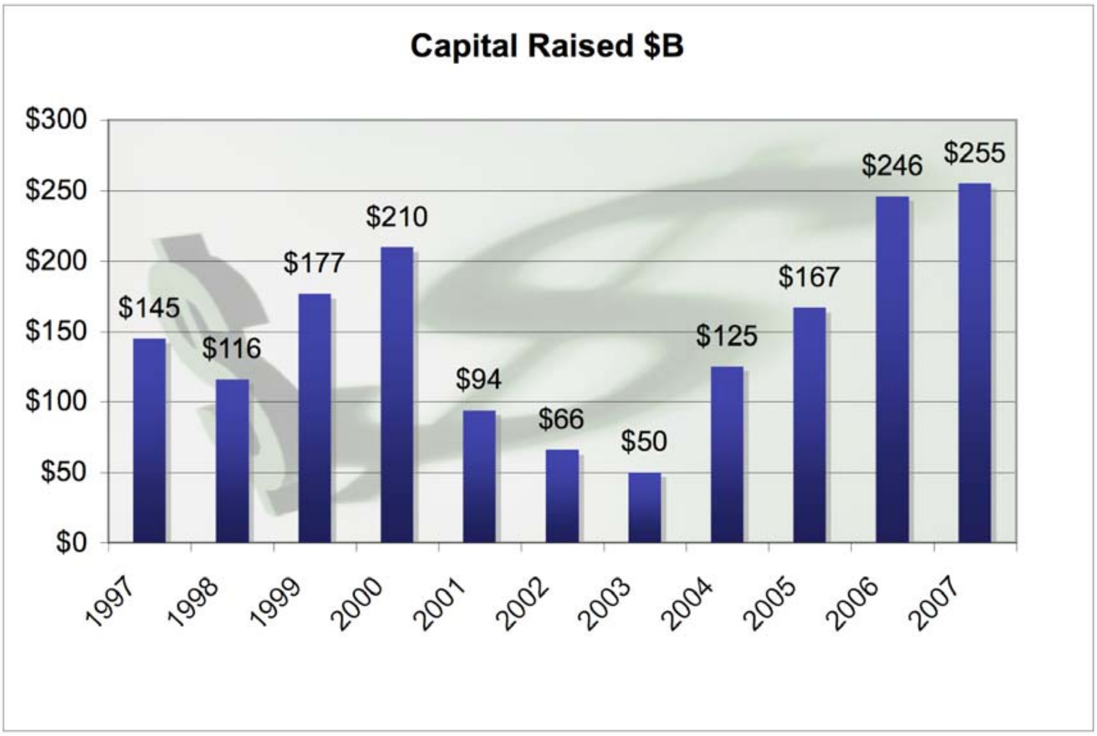

FIGURE 2. Global capital raised by year. (Adapted from Ernst & Young 2007a, 5; 2007c.)

FIGURE 3. Number of global deals. (Adapted from Ernst & Young 2007a, 5; 2007c.)

The growth of local liquidity and international investor interest has enabled even the largest companies to list at home. Most pre-listed companies prefer to stay local for their IPO since their customer base is usually local, and local investors know more about domestic firms and this is unlikely to change. For most companies, the local markets are where infrastructure, investor relations, regulatory framework, and market expectations are the most familiar as well. (Ernst & Young 2007a, 6.) Another reason for listing home is currency risk. This obstacle to capital mobility has been eliminated within the euro area, so you could expect less of listings on domestic markets in Europe. Another sign is the evolution of stock exchanges. In the USA, there are fifteen stock exchanges but only two or three significant ones, and all are dominated by the New York Stock Exchange. The Euro area is evolving in this direction as well, towards one major centre and many secondary exchanges. Nevertheless, each country seems to be keen to retain its stock exchange because it's prestigious and it can be a major activity. (Baldwin & Wyplosz 2006.)

Stock listing in Finland

The figure 4 shows the listings in Finland between 1984-2007. Compared to years 1988 and 1999, the stock listing in Finland has been decreasing in last years. According to study by Selosmaa, the IPOs in other Nordic countries have increased in last years. Moreover, numbers of Swedish and Danish companies have listed on so-called alternative stock market First North but in Finland only two companies are listed on it at the moment. The number of Finnish companies that qualify for stock listing is small and very few companies even want to grow, which is alarming. The unilateral investor group, small amount of companies eager to grow and the taxation are the major impacts on the decisions to go public in Finland. (Selosmaa 2007, 20-21.)

FIGURE 4. Stock listing activity in Finland. (Adapted from Listautumisannit Suomessa vuosina 1971-2007. Selosmaa 2007, 3.)

As a conclusion, the stock collapse in the beginning of 21st century has had a long-lasting effect on the stock markets and new initial public stock offerings. However, the world seems to have recovered from it and global capital raised in 2007 was already more than in 2000, and global IPO deals have almost reached the same numbers as in year 2000. But he listing activity in Finland doesn’t seem get better although the dot-com boom and its crash happened over five years ago. There are many reasons for low interest in listing in Finland and each company has surely its own individual reasons as well. But generally speaking, many companies are not eager to grow in Finland, and they see that the Finnish markets, economic situation and regulations of the exchanges are not suitable to consider public offering.

2.3 SWOT analysis

SWOT analysis is a strategic planning tool that draws the critical Strengths, Weaknesses, Opportunities and Strengths from an involved company. Strength and Weaknesses are the factors that most affect company's success and they can be seen as the internal factors in the analysis. Opportunities and Threats are the external factors in the analysis, which means the information gathered from outside of the company. All four factors have an impact on each other and other way around. The goal of the analysis is to maximize the potential of the strengths and opportunities while minimize the impact of the weaknesses and threats. When the analysis has been completed, a SWOT analysis can be generated and it may assist the company in the goal setting, strategy formulation, and implementation. It also shows what obstacles must be overcome or minimized to achieve the desired results. (Kotler, Armstrong, Saunders & Wong 2002, 81-85.)

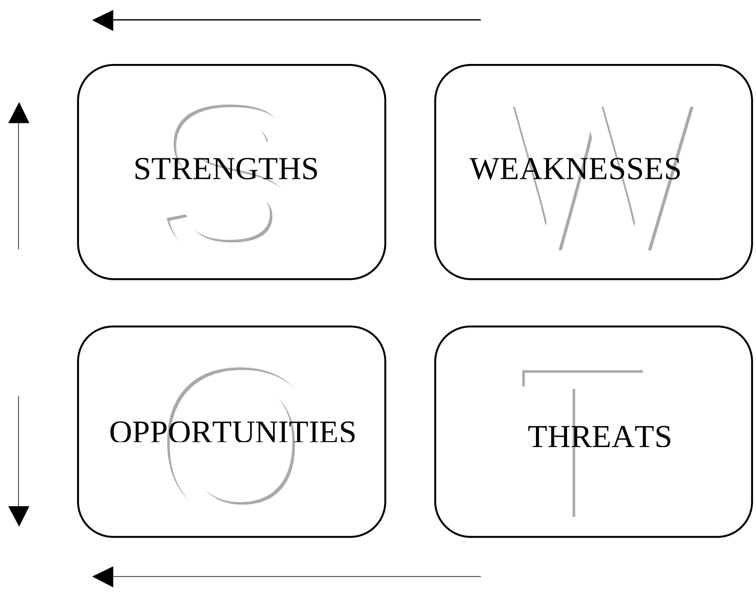

FIGURE 5. SWOT analysis

3 IMPLEMENTATION OF THE RESEARCH

3.1 Interviews

One of the most important sources of case study is interview (Saunders et al. 2003, 93). Altogether three interviews were conducted in this research. The interviews were documented by taking all-inclusive notes. The interview for the CEO of Sparecom was essential in order to obtain more information about company because there was only some public material available. One of the most important issues was to find out the real motivations and reasons why the company is considering an initial public offering and whether the company is ready for going public. The interview for the Managing Director of Eirikuva Digital Image Oyj Abp concerned the company's listing on First North Finland. This particular interview was important because it gave insight of First North and its listing process. It was useful source for the comparison of First North and NASDAQ Capital Market, and it also provided supplementary information and practical experiences about going public in Finland.

Two interviews were conducted to the CEO of Sparecom, Jarmo Puhakka. The interviews were made in English and they took place in the premises of the company in Jyväskylä in the beginning of 2008. The interview questions concerned about the main aspects of the company, future prospects, stock market listing motivations and needs. It was also important to hear the CEO' s personal reasons for wanting to take the company public. The interviews were useful in defining company's internal and external factors in view of the possible stock listing as well.

The third interview was conducted to the Managing Director of Eirikuva Digital Image Oyj Abp, Merja Ailama-Mäkitalo. The interview was a phone conversation and it was in Finnish. Eirikuva is the first Finnish company being listed on First North and the only Finnish company that has been listed for over two months on First North. The goal of the interview was to acquire more information about the First North, the listing process and advantages and disadvantages of being listed on First North as a Finnish company. It was also beneficial to hear Merja Ailama-Mäkitalo' s personal opinions and experiences about the Finnish stock markets.

Eirikuva Digital Image Oyj Abp is one of the six central photo-processing labs in the Nordic region, and is part of the Swedish Amago Capital Group.
Esko Riihelä founded the company in 1944. Eirikuva Group includes also Eiri Kehys Oy Ab and the Swedish Eirikuva Nordic AB, which was founded in the summer of 2007. The company has a workforce of 70 people in Finland and three in Sweden. The Group recorded net sales of 6.5 million euros in 2006. (Eirikuva 2008.)

Eirikuva' s key strategy is to produce and develop consumer-friendly photo and gift product services. In addition, Eirikuva is offering more Internet based services and it has developed a kiosk concept for digital image ordering.
The company believes that markets for special products will grow in 2008 and the company aims to maintain its focus on improving its service concept, with key priorities including the kiosk concept, launching new value-added products, and easy-to-use, consumer-friendly photo-ordering software. (Eirikuva 2008.)

In addition to the interviews conducted, couple of emails were sent to First North Company Services and NASDAQ International. The email to First North Company Services was sent so as to receive information concerning the First North listing process and fees. Laura Patrikainen from OMX replied to the email and sent relevant data for the comparison of First North and NASDAQ Capital Market tiers. The second email was sent to the Managing Director of NASDAQ International, Paulina McGroarty. The email concerned the information about listing of a Finnish company to NASDAQ Capital Market and the relationship between the Finnish Government and the Finnish company listed on foreign markets.

3.2 NASDAQ Stock Market ®

In order to evaluate and compare First North and NASDAQ Capital Market, it is relevant to know about OMX and NASDAQ in general. This chapter provides basic facts about NASDAQ and its market tier Capital Market. The chapter 3.3 focuses on OMX and its market tier First North. The data of these two subchapters is based mainly on the Internet sites of the exchanges and the information received from the representatives of these two exchanges.

NASDAQ Stock Market is the largest U.S electronic screen-based equity securities trading market in the United States, and it trades more shares per day than any other U.S. market. The National Association of Securities Dealers (NASD) founded NASDAQ in 1971, and it is owned and operated by The NASDAQ Stock Market Inc., the stock of which was listed on its own stock exchange in 2002. Together 3135 companies from 37 countries (NASDAQ 14.2.2008) and across all industry sectors are listed in NASDAQ but no Finnish companies are being listed. (NASDAQ 2008.) The table below describes the top companies listed on NASDAQ by market capitalization. Market capitalization (market cap) is a measurement of the company size equal to the share price times the number of shares outstanding of a public company (Investopedia 2008).

TABLE 1. Top companies listed on NASDAQ measured by market cap. (Adapted from Yahoo Finance. Feb. 15, 2008.)

Company Name	Market Cap
Microsoft Corporation	$264.50 B
Cisco Systems, Inc.	$140.02 B
Google Inc.	$165.38 B
Intel Corporation	$117.46 B
Apple Inc.	$109.53 B

In 2007 NASDAQ announced that it has become the largest U.S. stock exchange, matched volume in all U.S. securities was a record high of 442.9 billion shares in 2007, an increase from 331.0 billion in 2006. Consolidated volume in all U.S. securities last year was a record 1.52 trillion, compared with 1.21 trillion the previous year. NASDAQ attracted more IPOs in 2007 than any other U.S. exchange. Of the 237 IPOs that were eligible to list on NASDAQ or the NYSE Group 2007, NASDAQ listed 154, or 65 percent. (NASDAQ 2008.)

TABLE 2. Number of issuers in NASDAQ. (Adapted from NASDAQ Performance Report. February 15, 2008.)

	Issuers	New issuers in February 2008
Global Select Market	1156	4
Global Market	1478	17
Capital Market	501	6
Total	3135	27

Market Makers

The NASDAQ is an electronic screen-based stock market where the buyers and sellers meet electronically. Compared to the New York Stock Exchange and some other smaller exchanges, there is no physical NASDAQ trading floor. The computers keep track of all the orders, but there is still a human involved in the NASDAQ and that is the market maker. The market maker is an investment company that registers with the SEC (U.S. Securities and Exchange Commission) to buy and sell a specific stock on the NASDAQ. There are over 500 member firms that act as NASDAQ market makers. Their job is to fill orders for their company's customers and for their own account. They also act as dealers hoping to profit from the difference between the bid and ask price for the stock. (Little 2008.)

The market markers are required to maintain two-sided quote in the securities they cover. This means they are obliged to buy and sell at their displayed bids and offers' prices. These displayed prices along with customer orders go into the NASDAQ computer system and the system ranks the orders. The computer fills first the best prices to buy and the best prices to sell, which automatically go to the top of the queue. The computer makes it possible that the orders and prices are moving faster through the system than what human has ever could have done. In general, the market maker assures that there will be a market for the security but they don't guarantee it will be at the price you want. (Op. cit.)

3.2.1 NASDAQ Capital Market

NASDAQ Capital Market is one of the three main listing tiers of NASDAQ. It is the smallest market tier, which exists for securities of smaller, less-capitalized companies (small caps) that do not qualify for inclusion in the NASDAQ Global and Global Select Market. 68 out of the 501 issuers of NASDAQ Capital are foreign issuers. As small cap companies grow, they often move up to the NASDAQ Global Market. (NASDAQ 2008.)

3.2.2 Listing requirements & fees

All companies listed on NASDAQ Capital Market must meet certain financial requirements and comply with NASDAQ's corporate governance standards. The financial criteria for listing are not as stringent as for the NASDAQ Global Market. The corporate governance standards, however, are the same. (NASDAQ 2008.)

The NASDAQ has three sets of listing requirements. The company must meet at least one of the three requirement standards, as well as the main rules for all companies. (Op. cit.)

NASDAQ Capital Market Initial Listing Requirements for all companies

- Each company must have a minimum of 1 million publicly- traded shares upon listing, excluding those held by officers, directors or any beneficial owners of more than 10% of the company.
- The minimum bid price of the stock upon listing must be at least $4 / €2.7 (* 1 USD = 0.68 EUR. XE February 18, 2008.)
- Each listing firm is required to follow NASDAQ Corporate Governance rules 4350, 4351 and 4360.

- Companies must also have at least 300 shareholders. A shareholder is defined as a holder of 100 shares or more.
- Furthermore, the companies are required to have three market makers that will provide liquidity to the trading of their stock. (Listing Standards and Fees 2007, 11.)

The following listing requirements are according to the standard 3, which is most likely the best standard option for Sparecom, based on the statistics, interview of Puhakka and company’s previous research.

Standard 3 Listing Requirements

- The company must have minimum stockholder equity of $4 million / €2.733 million
- The market value of the publicly held shares traded must be at least $5 million / €3.416 million upon listing
- The operating net income from either the last fiscal year, or two of the last three years, must total a minimum of $750 000 / €512 419. (Listing Standards and Fees 2007, 11.)

Entry fees are based upon the aggregate number of shares to be listed at the time of initial listing, regardless of class. Fees are assessed on the date of entry in the NASDAQ Capital Market, except for $5000 / €3416 fee, which presents a non-refundable application fee. This fee must be submitted with the company’s application. (Op. cit. p.12.)

For non-U.S. issuers, entry fees are levied only on those shares or American Depositary Receipts issued and outstanding in the United States. Entry fees paid by a company for all classes of securities listed on the Capital Market, including entry fees previously paid by the company to list securities at an earlier date, shall not exceed $75 000 / €51 239. However, notwithstanding this fee cap, applications are subject to the $5000 / €3416 non-refundable fee. (Op. cit. p.12.)

TABLE 3. NASDAQ Capital Market fees. (Adapted from Listing Standards and Fees 2007, 13.)

NASDAQ Capital Market Entry Fees

Shares	Entry Fees
Up to 15 million	$50,000 / €34,160
Over 15 million	$75,000 / €51,240

Annual Exchange Fees

Total Shares Outstanding	Annual Fee	for ADRs
Up to 10 million	$27,500/€18,790	$17,500/€11,960
Over 10 million	$27,500/€18,790	$21,000/€14,350

Many European issuers' public offerings are in the form of American Depositary Receipts, ADRs. Depositary receipts are negotiable U.S. securities that usually represent a company's publicly traded equity or debt. ADRs support distribution and trading of existing shares of stock and capital raising. Each ADR generally represents a multiple or fraction of the underlying securities and is quoted in American dollars. Depositary receipts are usually structured so that the trading price for a company's ADR will be in the range of $10 to $30. In addition to ADRs, a company can establish other structures that will allow it to list common shares in the U.S. (Going Public: A Guide for European companies listing on the U.S. securities markets 2006, 20.)

3.2.3 Requirements for foreign issuers

If a private Finnish company decides to list in the US stock markets, the local company act does not dictate any additional obligations domestically. But if the company gets taken over, there might be issues regarding taxation and employment rules and the antitrust legislation. (McGroarty 2008.)

In general, foreign private issuers may follow certain home country governance practices on NASDAQ instead of the comparable NASDAQ requirements. In order to do so, company must provide NASDAQ with a letter from outside counsel in the company’ s home country, certifying that the company’ s home country law does not prohibit the company’s practices. Foreign private issuers must also comply with corporate governance requirements mandated by US securities laws and regulations. (NASDAQ 2007b, 43.)

Furthermore, foreign private issuers are required to follow the requirements of the Sarbanes-Oxley Act of 2002. If the private issuer does not apply US GAAP for purposes of preparing its initial financial statements, then it is bound to adjust from the initial GAAP used to US GAAP. Most foreign private issuers are obliged to provide an audited balance sheet as of the end of the latest two fiscal years and audited statements of income and cash flows for the latest three years in annual periodic filing. (Op. cit. p.43.)

Timeline of going public

In NASDAQ, the process of going public usually takes between six months to a year, depending on the company. The investment bank will consults with the company and they decide a practicable timeline for the company’s IPO, taking into consideration company’s needs. The timetable depends also on the market conditions, the speed at which the company is able to adapt to the listing requirements and the speed at which due diligence is completed. (Going Public: A Guide for European companies listing on the U.S. securities markets 2006, 19.)

After drawing up the timetable, on of the first tasks is to review the historical financial statements of the company. This ensures that the financial statements meet U.S. auditing standards and either company’s home country GAAP, International Financial Reporting Standards (IFRS) or U.S. GAAP requirements. (Op. Cit. p. 19.)

3.3 OMX AB

OMX Corporate is a Swedish-Finnish financial services company, formed in 2003 through a merger between OM AB and HEX plc. It has two divisions, OMX Exchanges, which operates seven stock exchanges in the Nordic and Baltic countries, and OMX Technology, which develops and markets systems for financial transactions used by OMX Exchanges, as well as by other stock exchanges. The company is a world leader in financial instruments trading systems. (OMX 2008.)

In February 2008, OMX AB accepted the public offer from Borse Dubai Limited and the agreed, subsequent acquisition of OMX shares by The NASDAQ Stock Market, Inc. NASDAQ combined with OMX creates the world's largest exchange company. The Borse Dubai sold the OMX to the NASDAQ in return for a minority holding in the combined NASDAQ OMX. The name will be changed to “The NASDAQ OMX Group” and the headquarters will be located in New York. (Goldstein 2008.) NASDAQ and OMX believe that the merger is beneficial for the clients of the both companies, shareholders and other stakeholders. The merger will also strengthen the position of the Nordic countries as a financial centre. The strategy of this new company is to raise the volume and expand the clientele by combining the strengths of both of the companies. The merger will also improve the career opportunities of the new company. (OMX Pörssitiedote 2008, 2.)

TABLE 4. Top companies listed on OMX by market cap in January 2008. (Adapted from Monthly Report - Equity Trading by Company and Instrument January 2008, OMX Nordic Exchange.)

Nokia Oyj	€ 97.999B
A.P. MØller – Maersk A/S	€ 28.820B
Telia Sonera AB	€ 26.650B
Hennes & Mauritz AB H&M	€ 26.470B
Ericsson, Telefonab. L M	€ 24.469B

Year 2007 was a record year for OMX Nordic Exchange with five turnover records and three records for number of trades set in share during 2007. Average daily share turnover amounted to €5.273 billion against €4.197 billion in 2006, and the turnover rate was 130 (132) percent. As you can see from the Table 3, there were 93 new companies, 38 in the main market and 55 companies in the First North in 2007. The total number of listed companies in OMX Nordic Exchange amounted 855. (OMX 2008.)

TABLE 5. Number of issuers in 2007. (Adapted from OMX Statistics December 2007.)

	Issuers	New issuers
OMX Main Market	728	38
First North	126	55
Total	855	93

3.3.1 First North

First North is the OMX Nordic Exchange’s alternative marketplace operated by the exchanges within OMX Nordic Exchange in Helsinki, Stockholm, Copenhagen and Iceland. OMX launched First North in 2006 and it is one of the fastest growing alternative market place in Europe. (First North 2008.)

First North is especially tailored to younger, smaller and rapidly expanding companies, providing an easy access to the Nordic and global financial markets. First North has become the second largest exchange of its kind in Europe and only the London Stock Exchange’s AIM could claim more companies by the end of 2007 with over 1600 issuers. (London Stock Exchange 2008.) Alike NASDAQ Capital Market, First North is also often the step towards the main market. For instance, the fashion company Björn Borg has moved up to the OMX main market from the First North as well as the Tanganyika Oil Company Ltd, an international oil and gas exploration and production company. (First North 2008.)

> *Through First North we make it easier for growing companies to raise capital. This supports economic growth and benefits the whole Nordic region. First North offers the companies increased visibility and access to Northern Europe's largest pool of capital. The expansion of First North gives investors a wider variety of investment opportunities. For smaller companies, First North can be seen as a first step towards our main market on the Nordic Exchange.* (Ruuska 2007.)

The number of companies listed on First North is 128 (OMX 2008). The first out of the two Finnish companies being listed on First North was Eirikuva Digital Image Oyj Abp. One of the reasons for low interest of Finnish issuers in First North has been a 1,6 % transfer tax imposed on so-called alternative stock markets. However, the government removed the transfer tax in the end of the year 2007. In 2008 First North is expecting from 10 to 20 new Finnish companies to list on it. (Korteila 2007.)

The other Finnish company listed on First North is a holding company Powerflute Oyj, which operates through its wholly owned subsidiary Savon Sellu Oy, a paper mill near Kuopio, Finland. The company manufactures high quality Nordic semi-chem fluting made primarily from birch wood. Its shares were admitted to trading on the First North Finland in February 2008. The shares in Powerflute are traded on AIM operated by London Stock Exchange plc. The goal of the company's secondary listing on First North Nordic is to facilitate trading in Powerflute shares for investors in Finland and Sweden. Irishman Dermot Smurfit, Chairman of Powerflute said:

> *We are delighted that our listing on First North has been completed successfully. First North is an exciting opportunity to attract liquidity from Finland and Sweden, where the paper industry and we in general have strong followings.*

The company may in the future also acquire and manage complementary companies or assets related to paper and packaging or other forestry derivatives. In 2007 the company’s turnover was €110 million and operating margin nearly €20 million. (Powerflute 2008.)

3.3.2 Listing requirements & fees

First North services in Finland are legally driven within the frame of the Stockholm Stock Exchange's operations. Being part of the OMX Nordic Exchange, the companies admitted to trading at First North are given the same possibilities as large companies, but the regulations are lighter. (First North 2007.)

First North is an alternative market, but it does not have the legal status of an EU- regulated market. Regulated market is a term used in the EU directive, regulating Securities Companies and Exchanges, called MiFID. The term regulated market includes the Swedish notion Exchange. According to MiFID, an Exchange can organize trading with a less complicated set of rules within the framework of a Multilateral Trading Facility (MTF). Issuers on First North are subject to the rules of First North (*First North Nordic – Rulebook)* but not the legal requirements for admission to trading on the regulated market. Therefore the risk in such an investment may be higher than investing in a company on the main market. (Op. cit.)

A company can join First North regardless of the country of origin or industry sector. Finnish companies may disclose information in Finnish, Swedish or English. Listing and trading for Finnish companies are offered in EUR, SEK -denominated shares. The rules for companies joining in First North are divided into two parts: admission requirements and continuous disclosure rules. The admission requirements specify what must be fulfilled in order to be eligible for trading on First North and disclosure rules regulate the procedures regarding when and how companies disclose information to the market once the company has been admitted to trading on First North. All information that is likely to materially influence the valuation of a company must be published in a way that ensures that it reaches all market participants simultaneously. (First North Nordic – Rulebook 2007, 4 & 25.)

The overall admission requirements for First North

- The company must have at least 10% of the share capital traded in public hands upon listing (First North Nordic – Rulebook 2007, 4.)
- The number of shareholders must be either 300 or 100 + Liquidity Provider. (Patrikainen 2008.)
- The company is required to retain the services of a liquidity provider who will provide liquidity to the trading of its stock. (Patrikainen 2008.)
- The minimum share price of the stock upon listing must be at least €0.5
- The exchange must receive a Publication of a Company Description
- The company must at all times have an agreement with a Certified Adviser
- The company must accept and sign the general terms and conditions for admission to trading on First North
- The company must possess the organization and staff required in order to comply with the requirements regarding disclosure of information to the market. (First North Nordic – Rulebook 2007, 4-8.)

The Certified Advisor of the company is either a member of the Nordic Exchange or another professional financial advisor. The advisor's obligation is to continuously monitor the company with regard to its fulfilment and compliance with the First North requirements as well as to guide the company through the application process. The Certified Advisor initiate investigations and the exchange can impose sanctions on the company if necessary. The Finnish Financial Supervision Authority does not supervise First North services in Finland, and the Finnish Securities Markets Act does not apply to them. (Op. cit. p. 14-16.)

TABLE 6. First North fees. (Adapted from Official Price list for First North 2007.)

First North Entry Fees	
Entry fee	€5,400
Fixed fee per new issue	€5,400
Maximum fee	€81,500
Quarterly Exchange Fees	
Market Capital in € millions	Quarterly Fee
0-22	1,400 (Minimum fee)
22-54	1,400 – 3,800
54-110	3,800 – 6,500
110-220	6,500 – 9,200
Over 220	9,200 (Maximum fee)

4 EVALUATION OF GOING PUBLIC

4.1 Interview results of First North Finland listing

Eirikuva Digital Image Oyj Abp listed on First North in December 2007. The company organized a share issue before listing on First North by offering new shares for subscription primarily to shareholders of Amago Capital Group and secondary to undefined group of investors with a subscription price of 0,80 euros per share. All of the shares were subscribed and they were traded on First North from December 2007 on. The company was required to have a Certified adviser in order to list on First North and therefore Privanet Pankkiiriliike Oy acts as the Certified Adviser for Eirikuva. (Eirikuva 2008.)

The year 2007 was a year of changes and activities for the company. During the year, Eirikuva reached a significant market share in Sweden. Ailama-Mäkitalo thinks that the listing on First North was a right decision and now the company has started to reorganize and boost the operations, which should show by the end of the year 2008. The company’s goal is to keep on focusing in improving the sales and company’s service concept but also expanding Eirikuva’ s operations with new digital products and internet-based services. They also have to find a way to decrease the costs in order to reach the desired economic growth. (Ailama-Mäkitalo 2008.)

The main reasons of Eirikuva to go public were to grow and raise more capital. Ailama-Mäkitalo says that listing on First North Finland was a natural choice for the company because the listing requirements are not as strict as in the OMX main market, and being part of the Swedish Amago Capital Group that is listed on Nya Marknaden in OMX Sweden, made Eirikuva’ s decision easier to list on First North. The listing process of First North was time-consuming and required a lot of bureaucracy, however, the company was prepared for that and eventually everything turned out really well. (Ailama-Mäkitalo 2008.)

> *The personnel in OMX were very professional, friendly and they were willing to advice at any time during the listing process if needed. Eirikuva is the first and only Finnish company listed on First North at the moment and that had an effect on the listing process as well. A large amount of practical issues had to be done before being listed on First North.* (Ailama-Mäkitalo 2008.)

Some improvements could be done concerning the share subscriptions and organizational issues in First North but in its entirety, Ailama-Mäkitalo is very content and happy for the decision to list on First North, and she's looking forward to see how the company manages to be listed on an alternative stock exchange even though there is a risk that there may not be enough demand for the shares of Eirikuva and the share price can fluctuate aggressively and even fall down below the issue price. (Ailama-Mäkitalo 2008.)

Eirikuva' s listing on the OMX main market in Helsinki is not topical at the moment and Ailama-Mäkitalo cannot say yet if the company would list on the main market later. First North Finland seems to be a good choice for the company so far and she recommends it to other small and medium-sized Finnish companies as well. The expectations of new companies listing on First North Finland are high. (Ailama-Mäkitalo 2008.)

According to the Eirikuva' s financial report, the results of the year 2007 are not looking so great for the company. Eirikuva made losses of €1,45 million, which was way more than expected. The net sales were the same as in 2006, €6,4 million. The losses consisted of €1,2 million expenses of the share issue of listing on First North. The listing fees were greater than expected, which was due to unsteadiness of the equity markets. The report notes that the establishment of distribution network and sales organization in Sweden caused the major reason for the bad results. (Eirikuva 2008.)

As a conclusion, Eirikuva' s management appears to be content with the decision of taking the company public on First North. Because Eirikuva was the first Finnish company on First North Finland, it most likely had effects on the listing process and time, and it is very possible that the next listings on First North Finland go smoother and faster. For Sparecom, the interview results of Ailama-Mäkitalo show that taking the company public on First North requires time and a lot of investment, and company should be prepared for even more costs than what they are ready to invest. However, it is difficult to say if the selection of First North is the best one because it depends primarily on company’s situation and Eirikuva’ s listing is just a one example of companies being listed on First North.

4.2 Comparison of First North & NASDAQ Capital Market

The comparison stock exchanges markets First North Finland and NASDAQ Capital Market are quite similar by their primary characters but the major difference is clearly that one is domestic and other is foreign exchange. However, both belong to alternative stock market tiers and now they are even part of the same stock exchange, NASDAQ OMX Group. It is interesting to see how the emerge of NASDAQ and OMX exchanges will affect these smaller market tiers in the long run. Nevertheless, this chapter compares the listing requirements of First North and NASDAQ Capital Market, as well as the valuation, quality and visibility of them.

The CEO of Sparecom states that the good side of First North is that it is in domestic markets, which is naturally easier place to list on, and the costs of listing and being public are probably less than on NASDAQ Capital Market. The process of listing is more clear and facile as well. On the other hand, the obvious benefit of listing on NASDAQ Capital Market is that people around the world are familiar with it compared to OMX that has a smaller audience. Puhakka’ s personal opinion is that in the long run NASDAQ Capital Market would be more beneficial for Sparecom than First North, supposing that the listing process on NASDAQ is easy enough and the listing requirements are fulfilled. (Puhakka 2008.)

4.2.1 Listing requirements

The following table is the author’s comparison of the differences in listing requirements and fees of NASDAQ Capital Market and First North. What can be noticed is that the minimum requirements in First North are lighter in many ways, but the listing and annual fees can be less expensive in NASDAQ depending naturally on company’s situation.

TABLE 7. Differences in the admission criteria of First North & NASDAQ Capital Market.

	First North	**NASDAQ Capital Market / Standard 3**
Stockholder’s equity	No minimum	€2 780 000/ $4 million
Market value of publicly held shares	No minimum	€3 474 000 / $5 million
Net income from continuing operations	Not needed	€521 100 / $750 000
Publicly held shares	Least 10% of the share capital	€695 000 / $1 million
Share price / Bit price	€ 0,50 / $ 0.72	€2.78 / $4
Shareholders	300 or 100+liquity provider	300
Market makers / Certified Advisers	1 Certified Adviser	3 Market makers
Entry fees	€5400 - €81,500	€34,160 / $50,000 - €51,240/ $75,000
Annual fees	€5600 - €36800	€11,960 / $17,500 - €18,790 / $27,500
Corporate Governance	Not needed	Yes

4.2.2 Value –added benefits of listing on First North

OMX is a leading expert in the exchange industry focusing on assisting its customers with the implementation of efficient securities transactions. The OMX Nordic Exchange is Europe’s fifth largest exchange in terms of the number of equity transactions. Nordic Exchange is the largest in the European IT exchange sector, second largest in the fashion exchange and it is also the leading exchange for paper products in the world. OMX companies such as Nokia, Ericsson, Volvo and Hennes & Mauritz are known around the globe. (OMX 2006.)

OMX Nordic Exchange’s alternative market First North is one of the fastest growing alternative market places, thus it has quickly become the second largest exchange of its kind in Europe. The rapid growth arises from the quality of the market, and it serves also as a springboard for the companies before listing on the main market. When the company is ready for the main market, it is already well-known to OMX and all of the market participants. First North provides companies the same efficient trading system and publicity to investors as offered by the Nordic Exchange. The companies admitted to trading at First North are given the same possibilities as large companies in the main market, but the regulations are lighter. It is easy for companies to join and be listed at First North. (OMX 2008.)

OMX Nordic Exchange and First North offer a wide range of products and services to listed companies or companies preparing for listing. The services and products promote and support trading and investor relations, improve efficiency and transparency and increase the competitiveness and growth of the companies. The professional tools offered facilitate communication of shareholder information, which enhances both transparency and visibility. (OMX 2008.)

Nordic Exchange provides the service of Liquidity Provider in order to increase volume and improve the quality of trading in less-traded shares. The Liquidity Provider is a trading member that takes on the responsibility of ensuring liquidity in a designated company share. Liquidity Provider can help to improve liquidity and maximize the company performance in the financial market. The Liquidity Provider is committed to quote prices in at least four trading lots, on either buy and sell side, and ensure that bid and ask prices do not deviate more than four percent from each other based on the ask price. (OMX 2008.)

Nordic Exchange webcasting gives companies the opportunity to broadcast presentations of quarterly and other reports, reaching investors, analysts and media through the Internet. Investors have the possibility to participate by Internet or on the spot. Another way to raise visibility and facilitate the disclosure of company is the Company News Service, where company can disclose information such as stock exchange releases, press releases, reports, etc. to the major information vendors and brokerage firms. (OMX 2008.)

To summarize, OMX provides added value for its issuers by being a leading expert in the exchange industry and specially being the largest in the European IT-exchange sector. First North is one of the fastest growing alternative markets in Europe and the step to the main market is easy for companies on First North. OMX Nordic exchange offers many products and services to companies, for example, Liquidity Provider and visibility tools such as webcasting and Company News Service.

4.2.3 Value-added benefits of listing on NASDAQ

NASDAQ is noted around the world as the largest and most renowned U.S. stock market. In 2007 it became the largest U.S. stock exchange, it has more listed companies, trades more volume and handles more IPOs than any other U.S. exchange. NASDAQ has also greater brand recognition than any other U.S. exchange. In 2005 was the first time in history more companies switched to NASDAQ from the NYSE than vice versa. (NASDAQ 2008.)

NASDAQ has remarkable penetration in a wide range of industry sectors such as in financial, industrial, healthcare and consumer companies that comprise over 50% of NASDAQ listings. The innovative NASDAQ companies touch the people across the globe every day; for example, Sirius Satellite, JetBlue, Starbucks, Costco, Google, Charles Schwab, Fifth Third Bank and Staples. NASDAQ attracts companies from around the world and all sectors of the business with the value proposition as a listing and trading venue. An outstanding amount of companies from Europe, Israel, China and India are listed on NASDAQ. (NASDAQ 2008.)

The data required by the U.S. Securities and Exchange Commission and which is reported by all market centers shows that NASDAQ performs better for investors. On average, a NASDAQ stock with a $1 billion market cap that trades more than one million shares per day has $1.5 million lower trading costs per year than a similar stock on the NYSE. This is due to the faster speed with tighter spreads and greater certainty of execution of NASDAQ stocks trade according to the data from SEC. (NASDAQ 2008.)

Companies listed on NASDAQ have a dedicated relationship manager to facilitate their access to NASDAQ products and services in market intelligence, risk management, investor relations and corporate governance. The product and service support provided by NASDAQ Corporate Services is essential for a publicly-traded company. NASDAQ make the process of going public and being public easier and cheaper by providing D&O insurance consulting and brokerage, press release distribution, investor relations website management and conference call support and facilitation of independent third-party research to mention but a few. (NASDAQ 2008.)

ON the NYSE, NASDAQ is number one and it is increasingly the preferred venue for trading NYSE-listed stocks. More and more, firms are turning to NASDAQ to place their NYSE-listed order flow. NYSE market share of NYSE-listed trading has recently dropped to as low as 61.9% as the buy side crowds to NASDAQ and other electronic markets. NASDAQ's has also lower fees than the NYSE has for initial listing, annual fees, and fees for the listing of additional shares. Even for smaller companies the savings are visible: a company that has 50 million total shares outstanding and does one stock split will save $500,000 on fees over five years by listing on NASDAQ. For larger companies, the annual fees can be over 80% less on NASDAQ. (NASDAQ 2008.)

Financial products based on NASDAQ Indexes offer a controlled inflow of capital from institutional investors with incomparable publicity for both large and small companies. The NASDAQ-100 Index Tracking Stock PowerShares are the most actively traded liquid equity in the U.S, thus NASDAQ-100 listed companies gain a remarkable and passive shareholder. (NASDAQ 2008.) NASDAQ’s Market Intelligence Desk is a team of market professionals that provide issuers with a single source of real-time market intelligence, objective trading analysis, real-time information and leading-edge technology to keep them on top of the market. The trading analysis gives NASDAQ-listed companies insight into the trading activity of their stock and their peers' stocks, regardless of where they are listed. The service is proactive and reactive, and it can be customized to the needs of the company. (NASDAQ 2008.)

Moreover, NASDAQ's visibility properties provide benefits for listed companies. The NASDAQ MarketSite, located in New York’s Times Square, provides a unique venue for corporate meetings, product launches, press conferences and other special events. With one of largest video towers in the world, MarketSite provides spectacular panoramic views and the ultimate high-visibility setting for any event. In addition, millions of visitors are using NASDAQ.com as their primary information resource on companies. Finally, industry-leading institutional investor conferences give companies the ability to gain significant exposure to potential international investors. (NASDAQ 2008.)

As a conclusion, NASDAQ offers versatile value benefits for its issuers. The exchange is known around the globe and it is the largest U.S. stock exchange. Companies listed on NASDAQ are world famous and they come all over the world. Compared to NYSE, NASDAQ is proved to perform better to investors and issuers and NASDAQ is number one on NYSE as well. Products and services for companies are comprehensive and unique, such as the NASDAQ Market Site and Intelligence Desk.

The following table is the author's idea of different aspects for Sparecom to select First North or NASDAQ Capital Market tier. It shows that the exchanges are comparable and they both have positive and negative sides. First North outdoes NASDAQ Capital Market with being domestic and therefore it is easier exchange selection, and the listing process is most likely less time-consuming as well. On the other hand, NASDAQ Capital Market is larger and it is noted around the globe. Listing on NASDAQ would attract more international and versatile investor interest and the quality of institutional investors is higher. Still, both of the market tiers are growing and they have done great results last few years.

TABLE 8. Different point of views for choosing the market place.

	First North	**NASDAQ Capital Market**
Domestic advantages	+	-
International advantages	-	+
Costs of listing	+	+
Lighter regulations	+	-
Less financial criteria for listing	+	-
Larger market place	-	+
Growing market	+	+
No corporate governance	+	-
Easier joining	+	-
More added value	-	+
Easier move to the main market	+	-
Wider investor interest	-	+
Timeline of listing	+	-
Peer companies listed on the market	-	+
Quality of the institutional investors	-	+
Versatile investors group	-	+

4.3 Profitability effect on Sparecom PLC

Confidential until 17.3.2013.

4.3.1 Internal analysis of the company

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4.3.2 External analysis of the company

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FIGURE 6. SWOT analysis of Sparecom PLC.

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5 CONCLUSION

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6 DISCUSSION

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