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CommunityZ Chest



Featuring

Tim Ward

in conversation with



Alderman & Sheriff Professor Michael Mainelli
Executive Chairman, Z/Yen Group

 @mrmainelli

www.zyen.com





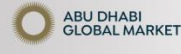
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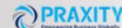
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Our Guest



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

FTSE



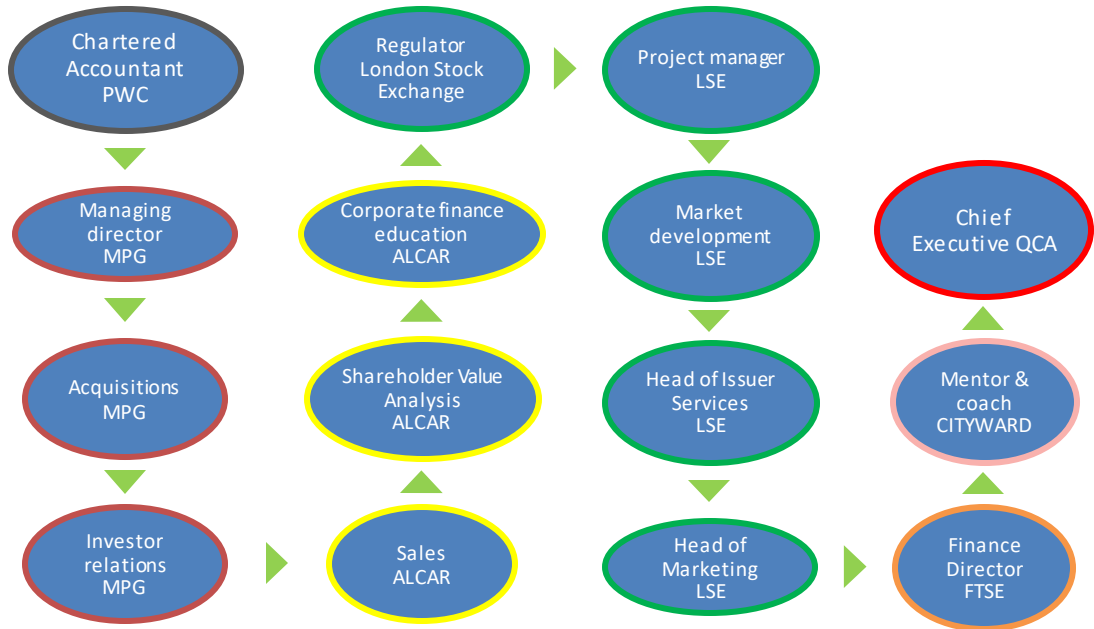
London Stock Exchange



Henley
Business School



The long and winding road of reinvention...



“Most of what we call management consists of making it difficult for people to get their work done.”
Peter Drucker



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About The QCA



Independent membership organisation, not-for-profit

Championing the UK small and mid-size quoted sector

We campaign, inform and create interaction

Companies (210) and advisory firms (80) as members

We publish the **QCA Corporate Governance Code**



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Why do small and mid-caps matter?



A recent QCA/Hardman & Co study: companies outside the FTSE100... account for **93% of all companies on UK public equity markets**, but just 20% of market capitalisation;

Employ over **3 million people** - an estimated 11% of total UK private sector employment; and contribute over **£26bn in taxes** - about 5% of total UK tax take.

Quoted small and mid-caps play a key part in retaining **skilled employment**, boosting future UK economic growth, and ultimately contributing more tax.

Insolvencies and early takeovers in this sector lead to **loss of intellectual property, key skills, less growth and less tax-take.**



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QCA work examples



Kingman Review of FRC: The report accepted QCA recommendations that any reform pays due regard to proportionality in relation to company size and resources;

Henley Business School research into the Role of NEDs in Growth Companies: an example of supporting boards and NEDS in particular;

European IPO Taskforce: Tim was invited to be on EU taskforce set up to influence the incoming European Commission on how to encourage IPOs, particularly smallcaps;

Investor Engagement: many events involving small-cap investors who give their presentations to the companies;

Corporate Governance on AIM Research Report: YouGov survey results find that 39% of AIM companies say that adopting the QCA Corporate Governance Code has helped their business. 89% of AIM companies have chosen the QCA Code, launched in 2018

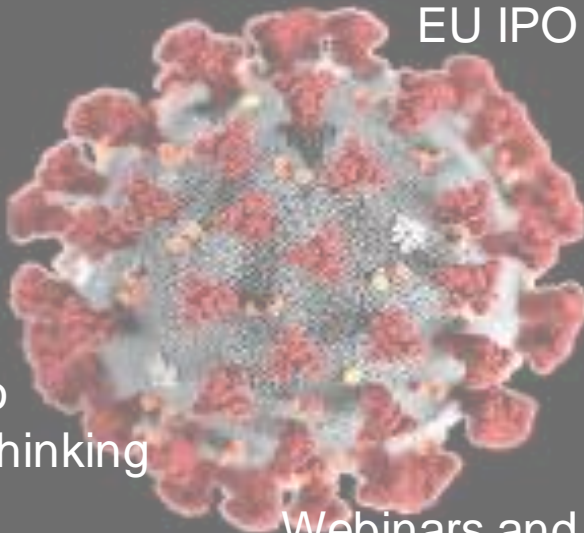
Top of the In-tray

Lockdown Lowdown

Access to finance –
EU IPO Fund

Access to
investor thinking

Webinars and surveys –
is it just us?



Covid-19 - lessons so far

- ◆ *“Any liquidity crisis tends to highlight costs and roles that are not absolutely necessary.”*
- ◆ *“We are introducing 13 week rolling cashflow forecasts as a means to better forecast and control liquidity.”*
- ◆ *“More home working which leads to a better work-life balance.”*
- ◆ *“Better understanding of insurance cover, what is and more importantly what isn't covered. Employment contracts, introducing flexibility.”*
- ◆ *“...increased move to cloud services.”*
- ◆ *“We have responded in a very agile manner, but could have had better contingency plans for the future. Need to have a stronger influence on government policy in our area.”*

Covid-19 - no going back

- ◆ *“The public markets are likely to close for smaller companies (sub £50m) for a while, and given other factors before the Covid-19 crisis (greater regulation, BREXIT, Woodford) may have changed forever and may not return. There are fewer fund managers running less money... and less advisers - becoming a self fulfilling problem for the growth part of our economy.”*
- ◆ *“This is the death of 2nd and 3rd brands in the market. Less competition more dominance of large organisations.”*
- ◆ *“The need to have a flexible workforce, processes and IT systems. More companies need to ensure they have financial liquidity in place for when the next exogenous shock occurs.”*
- ◆ *“Stiff and formal in-person AGMs. Time to revolutionise how we interface with companies, boards and investors.”*
- ◆ *“The number of advisors will reduce dramatically, and a more limited decline in the number of quoted companies.”*



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Communication is key

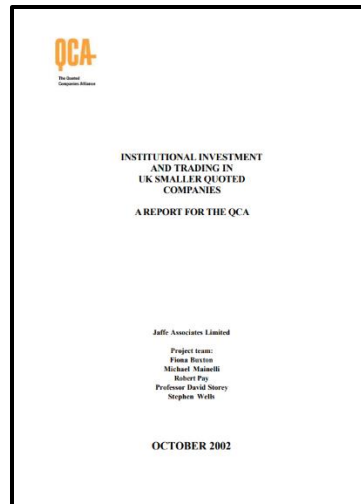


- ◆ “I know that you believe that you understand what you think I said but I am not sure you realise that what you heard is not what I meant.”

Unknown

Common Interests

- ◆ Equity versus debt
- ◆ ESG (environmental, social, governance) and companies
- ◆ Equity market structure & trading venues
- ◆ Registries versus exchanges
- ◆ Employee share ownership
- ◆ Use of options as executive incentives
- ◆ Globalisation

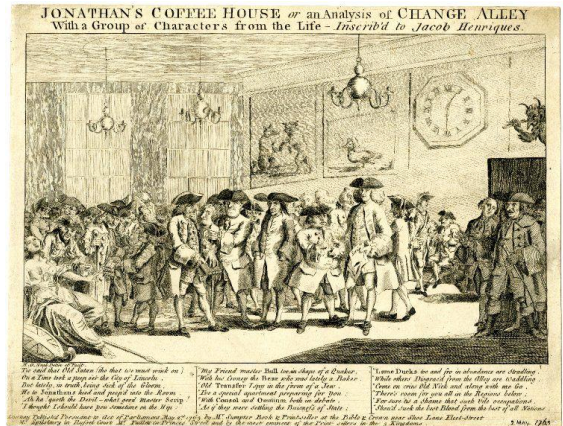


Common Interests

- ◆ Equity versus debt
- ◆ ESG (environmental, social, governance) and smallcap companies
- ◆ Equity market structure & trading venues; disintermediation
- ◆ Stock markets as a social good
- ◆ Enabling v policing
- ◆ The fight for proportionality
- ◆ Local v global



Coffee houses created capital value





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Groundhog Day?



“The Macmillan Report (issued in 1931) asserted that "the relations between the British financial world and British industry ... have never been so close as" those relationships in Germany and the United States. From this conclusion arose the term the "Macmillan Gap”.

The term Macmillan Gap is the most enduring part of the report. It was also one of the few recommendations which were acted upon.

In response to the committee's suggestion, an institution was created to finance small businesses: the Industrial and Commercial Finance Corporation. Later to become **3i**.



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Build it and they will come?



Outside the FTSE 350, since 1999 the number of companies has fallen 72%.

In December 2019 the number of companies outside the FTSE 350 was 252

The average AIM IPO market cap has risen from £21m in 1995 to £127m in 2019 (inflation adjusted)

Since 2007 the number of companies has fallen on Main Market by 25% and on AIM 49%



Is this our theatre of dreams?



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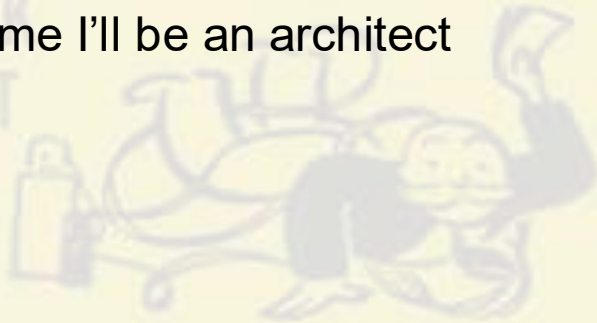
Most Surprising



Community Chest

FROM SALE
OF STOCK
YOU GET
\$45

Next time I'll be an architect





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Most Thought-Provoking



Little changes have a big effect...

If you were heading towards the moon and you altered your course by just one degree, you'd miss by 4,169 miles

Heading to the sun, you'd be over 1.6 million miles away



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Funniest



Community Chest

YOU HAVE WON
SECOND PRIZE
IN A
BEAUTY CONTEST
COLLECT \$10

© THE PARKER BROTHERS

The Fax about David



Big Suggestion

Community Chest

Best practice is a waste of time.

Good practice is what should
aim to achieve.

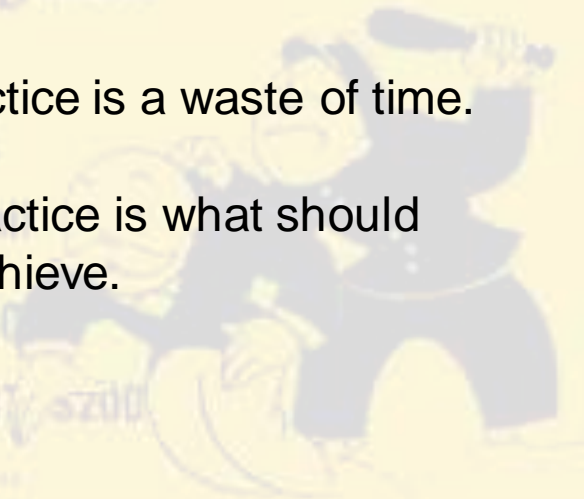
GO TO JAIL

Go Directly

DO NOT PASS GO

DO NOT COLLECT \$200

© 1998 BOARD OF MONOPOLY





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Tim's 'Ask'



...that COVID-19 leads to a more cohesive society that recognises the strength of common-wealth rather than wealth

THIS CARD MAY BE KEPT UNTIL NEEDED, OR SOLD



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Questions, Comments, And Answers



Outlook





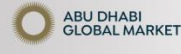
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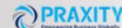
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When Would We Know Commerce Is Working?

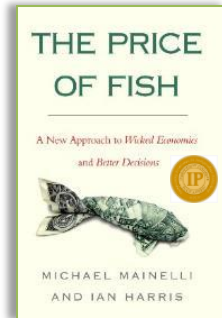


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“Get a big picture grip on the details.”

Chao Kli Ning



Thank you!

