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Jersey sees growth in attracting global companies

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Jersey is home to more FTSE companies than anywhere outside the UK, says Raulin Amy of Ogier.

Jersey has long been known as a preferred tourist destination, and the Jersey Royal potato is a firm favourite among foodies. But in the last 40 years, Jersey has also established itself as a leading international finance centre, whose economic and political stability, reliable judicial system and pro-active approach to legislation and regulation has helped keep it ahead of the game in terms of attractiveness to investors.This was illustrated again in February this year when statistics published by Jersey Finance bore witness to the island's success in establishing itself as a key jurisdiction from which global businesses can access the world's equity capital markets.

According to these statistics, 110 Jersey companies are now listed on stock exchanges around the world, from North America to London, Amsterdam, Luxembourg and Hong Kong. In terms of number, this represents a reported growth of some 13 per cent since 2013. Perhaps more importantly, the statistics reveal that in 2014 the total market capitalisation of these companies increased by approximately 62 per cent to almost £269 billion.Given this, it is not entirely surprising that, by September last year, Jersey was home to more FTSE 100 companies than any other country outside the UK.

Tax and company law

One of the main advantages of incorporating a holding company in Jersey is the ability to benefit from the island's tax neutrality. Another key advantage is the flexibility provided by the island's corporate laws. From a tax point of view, a Jersey holding company pays no income or capital taxes in Jersey and is not obliged to make withholdings on its dividends. It also suffers no local stamp duty on the issue or transfer of its shares. Long term, this can give Jersey companies a real edge over their competitors based in other jurisdictions, where the tax rates may be higher or may be subject to change.

From a legislative perspective, the Companies (Jersey) Law 1991 in many ways resembles the equivalent statute in the UK and so is conceptually familiar to many potential investors. However, in a number of key aspects – for example, the sources from which dividends can be paid and from which shares can be repurchased - Jersey offers greater flexibility than the UK. It is this flexibility which potentially gives Jersey companies a significant advantage when it comes to attracting investment.

IPOs

It is not just large FTSE 100 companies that have recognised the opportunities this fiscal and legislative landscape affords. Newer, smaller businesses looking to attract initial public investment have also chosen to use a Jersey holding company to access the equity capital markets. 57 Jersey companies are now listed on London's AIM market, the exchange which is specifically designed for small to medium sized enterprises.

Among these AIM companies are Boohoo, the online own-brand fashion retailer which raised £300 million when it went to market in March 2014, and MySale, a leading Australian online retailer backed by Top Shop owner Sir Philip Green, which raised £40 million when it listed three months later. In coming to market, these companies had a lot in common: both had a proven track record and a compelling offering, both sought funds to help them accelerate growth into identified new territories, and both were successful at the placing price.

Far East

In Asia, similarly, Jersey's status as a leading player in the equity capital markets has not been overlooked. China, in particular, has recognised that Jersey offers a highly reputable and advantageous gateway via which to access the UK markets. According to the recent Jersey Finance statistics, around 20% of Chinese companies listed on AIM are now incorporated in Jersey. These include new entrant GTS Chemical Holdings Plc, the largest Chinese manufacturer of ammonium sulphite, which joined in 2014.

Meanwhile, looking Eastwards, the Hong Kong Stock Exchange approved Jersey as an overseas jurisdiction more than five years ago, opening the door for the listing of Jersey companies, including Glencore Xstrata, on the Hong Kong exchange. As a result, businesses wishing to access Asian investment can do so using a Jersey incorporated company.

Bonds

But Jersey companies are not just making their mark on the equity capital markets. Jersey debt-issuing vehicles, too, also continue to be used successfully, particularly by large corporates and private equity houses, to raise funding for mergers, acquisitions and other event-driven corporate finance requirements. This is often a more cost-effective alternative to bank lending and frequently involves the issue of high yield bonds, such as those used by Avis Budget to finance its $500 million acquisition of Zipcar in 2013.

Convertible bonds, too, also remain a popular tool in Jersey's kit-box. In addition to the more typical placing of shares or rights issues, these convertible bonds are often issued by Jersey special purpose vehicles in so-called "cash box" structures to facilitate the creation of distributable reserves or funds for M&A activity by UK-incorporated, UK-listed Plcs, without the need to apply pre-emption provisions on the issue of shares.

With its stable foundations, its compelling equity and debt offerings, and the presence of its companies on exchanges across the globe, Jersey is a small island which offers big opportunity. Its appeal to the Chinese business community, in particular, is expected to lead to further growth. As 2015 unfolds, the island has never been better placed to build upon its success in these markets.

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