

# MANCHESTER LEADS AIM'S INTERNATIONALISATION

**The professional community in Manchester was the first city to grasp the importance of AIM. It was Manchester professionals who recognised the benefits of exploiting this new investment market overseas and marrying UK capital with the financial needs of international businesses.**

The first country to be targeted was Australia and, as a result, AIM now contains a multitude of Australian companies that have grown large and successful with the help of UK investment and capital. The targeting of companies in countries such as Russia, South Africa, Ukraine, China and India followed, which has helped to make AIM a truly international market with more than 319 foreign listed businesses.

The introduction of Sarbanes Oxley, which has rendered NASDAQ inaccessible for small to mid cap companies, has also supported a flourish of international AIM IPOs.

International listings have helped to ensure the continued growth of AIM, with more than **25%** of all the companies listed on the market being based outside of the UK. To date Australia (44), Canada (44) and the US (39) have provided the most companies to AIM.

**International businesses are attracted to AIM for the following reasons, which no other exchange can offer:**

- Quick and cost-effective access to the world's largest and deepest pool of capital for investment
- A quotation on one of the world's most liquid capital markets for trading in the shares of small and growing international companies
- A higher profile among London's unrivalled community of investment analysts specialising in sectors and regions worldwide
- Promotion of the company's image and brand on an international scale among UK and European consumers and clients
- Support and advice from a dedicated team created to help international companies join AIM
- A flexible and responsive system of regulation specially geared to the needs of smaller and growing international companies

The resources sector is without a doubt the most highly represented sector by international companies on the market. However, as the profile of AIM as an international market continues to grow, so does its attraction to a wider audience, with China recently delivering a number of high-tech IPOs.

Manchester professionals have continued to take full advantage of the international demand having sent due diligence teams across the globe from Montevideo to Moscow. The extent of the international AIM work undertaken by Manchester professionals has resulted in the formation of a number of specialists teams that focus on work with companies from countries as diverse as China, Russia and Australia. The IPOs that have resulted from this focus include Secure Design KK, the first Japanese company to be admitted to AIM, Diamondcorp, a South African mining business, as well as Platinum Minerals and West China Cement.

Regional advisers have also acted on the **£123 million** AIM IPO of Timan Oil & Gas, an independent oil and gas exploration company with assets in the Timan-Pechora region of Western Russia and the Caspian basin, following a three way merger between Greenwich Resources, Buka Minerals and Danar Resources NL.

Manchester professionals are also retained advisers to Highland Gold, which was the second largest business listed on AIM following its **£200 million** IPO in 2003. The mining company, whose main asset is the Mnogovershinnoe mine in the far east of Russia, continues to use regional advisers and has recently completed a **\$100 million** share agreement with Barrick Gold Corporation, the largest gold miner in the world, followed by the **\$36 million sale** of its development project at Novosibirskoye.

Manchester advisers are proud of the part they have played in the development of AIM and are committed to developing relationships with businesses across the globe.

With thanks to Baker Tilly for providing the information for this article from its 2007 Taking AIM research report

Manchester has played a key role in the development and prosperity of the Alternative Investment Market (AIM). **Daniel Charles Mouawad**, Chief Executive of pro·manchester, comments on the success.

"The recent and relatively rapid emergence of AIM as a cost effective and well-regarded means for companies to raise capital is striking. Manchester has established itself as a pre-eminent centre for providing advice to companies considering flotation, both in the region and internationally, and now has the full range of advisers available in the city, from Nomad and broker, to lawyer, accountant and financial PR. Companies need look no further for top quality advice, as we can provide experienced, credible and friendly services, which are both cost effective and also commercially aware.

"We understand that companies coming to the market for the first time need to choose advisers who can properly support their clients through what is a time intensive and distracting process. They need to have confidence in their advisers and believe they are getting the best professional support as they step up to the plate, appreciating the increased profile that being listed brings. "For some companies AIM also

provides a solid stepping stone to the main list, which is also well served in terms of advisory support from the North West. As the volume of companies listed on AIM increases, and its credibility as a maturing market develops, it is likely that some will move to the main market to benefit from the increase in liquidity and the bigger profile a main listing affords.

"I am delighted to present this newsletter which outlines Manchester experience and credentials, and look forward to welcoming you to our community."

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**Mark Fahy**, North of England Regional Manager for the London Stock Exchange, agrees with Daniel:

"Since its launch in 1995 AIM, the London Stock Exchange's junior market for small and growing companies, has grown from just ten companies to one of the largest markets in the world in its own right as more and more companies from across the UK and around the world have turned to it to fund the next stage of their development. During 2006 alone companies raised £15.7 billion for their businesses.

"Companies are attracted to AIM for a variety of reasons: the market's specially designed, less onerous regulatory environment provides the flexibility that growing companies need, there is a deep pool of investment capital available, half of it provided by institutional investors, and there is a well-established AIM community with experience in both investing in and advising smaller companies.

"As AIM's profile has matured, UK companies have shared in that success. Amongst the 1,645 companies from 70 countries and 39 sectors, 139 companies are from the North West.

"These companies include firms like Morson. Based in Eccles, this global provider of technical recruitment services joined AIM in November last year. On its first day of trading, the Group had a market capitalisation of £72.6m. The flotation raised the company's profile with investors and the media and provided finance to reduce debt and to provide additional financial and strategic flexibility. The business has since undertaken several transactions as part of its strategic development.

"Given the strength of advisory services in the North West, and the vitality of the region's economy, we hope to be able to bring more companies from the North of England to AIM so that they can use the market as a springboard to their future success."

**"During 2006 alone companies raised £15.7 billion for their businesses"**

## Key Facts:

- Manchester is most active city for AIM work outside of London
- Manchester advisers acted on **132** AIM floats in 2006



# AIM listing: the ro

pro•manchester has sought out some top tips from the professionals on what differentiates a successful float on AIM.

## **Planning and preparation**

To achieve the best reception to your listing, a company should present itself as professional and accessible. This involves a lot of planning and preparation, from creating a solid financial reporting track record to having a user-friendly website and accessible corporate literature.

The company also needs to ensure it has the necessary expertise on the board to support it through the process and beyond.

John Pierce, Chief Executive of the Quoted Companies Alliance, comments:

"Companies considering listing should seek out good quality non executives that complement their existing board talent, and get them familiar with the company well before a possible admission. It may also be worth offering existing directors suitable training to prepare them for the rigour of PLC requirements."

## **Appointing your advisers**

Choosing the right team of advisers that suits your culture and will become an essential part of your team over an intensive few months is critical. It's also worth at this point thinking about the support they will be able to give once you are listed, as the responsibilities and demands on time in maintaining a strong following of supporters in the aftermarket

is important. Martin Robinson, Chairman of Plant Impact says: "Getting the chemistry right around your table will make the process a lot more enjoyable and contribute to the success of your flotation. You want to know that your advisers will all provide honest and value-generating input to the experience. We particularly valued being able to choose advisers who were based close to us, as well as having the necessary expertise and experience."

**"Companies considering listing should seek out good quality non executives that complement their existing board talent"**

## **Getting the ball rolling**

With your advisers on board, the company enters an intensive period of preparation, undertaking large amounts of due diligence as the various documents for admission are prepared. Business controls are checked, data gathered and concerns need to be ironed out, while management also continues to run the business. Conversations start around

possible valuation, pricing and a suitable investment peer group during this period as well.

Andrew Wright, Head of Public Markets at law firm, Cobbetts, comments: "This process can come as a shock to the management team, but doing our homework properly before we get to market makes the marketing process so much easier. They are then prepared for the tricky financial questions from potential investors, as well as providing a professional endorsement to their accounting and management procedures."

## **Marketing the business**

Once the substantial paperwork is near completion and advisers are comfortable that there is market appetite for the stock, a period of intensive marketing begins. This may be supplemented with an intention to float announcement, to generate some interest and publicity around the business, as the company's broker takes management to meet a broad range of institutional investors, identifying who may be prepared to invest.

Phil Adams Managing Director of Investment Bank, Altium, comments: "Companies will be subjected to detailed questioning around their strategy and prospects, and need to be well prepared for a gruelling few weeks if they are to achieve a fair price. Fitting

this in around finalising the prospectus and preparing for admission can prove a challenge for those who aren't well prepared."

While the house analyst will provide the key research for investors during this period, it's also worthwhile encouraging independent analysts to take an interest in the stock as well, to ensure there's a solid aftermarket in the shares once they start trading.

## **Pricing, admission and aftermarket**

Impact day when the shares are priced and admitted to the market is always a highlight. Everyone watches the performance on the day to see if the shares have been well priced - so exiting investors get a good deal, but new investors also get some capital performance and liquidity. Getting a good selection of investors to follow the stock in the early days will help support the aftermarket and ensure the shares remain an attractive investment.

Mark Brady, Head of Corporate Finance at Brewin Dolphin Securities, said: "After weeks of hard work, it's always good to see a client's shares perform well when they get to market, reflecting the quality of their business and their communications efforts."

## “Getting the chemistry right around your table will make the process a lot more enjoyable and contribute to the success of your flotation.”

### Getting back to business

After all that effort, you still have a company to run, and publicly stated targets which you need to achieve! An ongoing commitment to investor relations, maintaining your reputation with the investment community and continuing the interest in your business as a solid investment will pay strong dividends over the longer term.

**Sarah Lindgreen, head of financial PR at MC2, comments:**

“Demonstrating to your investors that you remain committed to an effective dialogue with them, and to regularly refreshing your pool of interested and target investors, is incredibly valuable over the longer term. This includes spending time on one to one meetings, but also engaging with the media and the sell side analysts to generate some supportive chatter about the business. Management need to invest in these relationships over a period of years if they are to get the most from their listing.”

### Case Study | Plant Impact

Plant Impact plc has developed and markets a range of crop nutrients and natural pesticides that improve the health and

productivity of crops, whilst being inherently non-toxic and ecologically sound. The Group's products allow crops to be grown in a way that is better for the environment, the consumer and the grower, whilst increasing yield, quality and shelf life. The company floated on AIM last October.

Martin Robinson is Chairman of Plant Impact, Braemar Group and Non Executive Director of Regenesys Group plc. He comments on his recent experience of the flotation of Plant Impact: “Choosing a team that you get on with will make the process a lot more enjoyable and will contribute to the success of your flotation. You want to know that, by providing sound commercial advice with a common sense approach, your advisers will add value to the process.

**We particularly valued being able to work with advisers based close to us who, as well as having the necessary expertise and experience, helped us to complete the flotation on time, on budget and raise the money needed.”**

“After all that effort, you still have a company to run, and publicly stated targets which you need to achieve!”