

To float or not to float?

The Alternative Investment Market (AIM) provides an excellent option for small to medium sized companies to raise growth capital by the sale of shares within a regulatory regime specifically designed for their needs.

But why should you consider AIM? And what do you need to do in the run up to, and after, a successful flotation?

Why AIM?

There are several reasons why you might consider AIM, but the principal driver is usually the desire to access the capital needed to support future growth.

If you have high aspirations for your business, are on the acquisition trail, or if you need capital to support the development of new products or R&D for innovation, AIM can prove to be a great way to access the capital you need.

It can also have a significant impact on the profile of your business, not just within the marketplace, but also from an employee perspective too.

Often businesses that have floated on AIM experience huge benefits in terms of brand perception. They can be treated differently by customers and suppliers, who perceive them as being more established, with greater integrity and transparency.

If you're an owner of a business with an excellent management team, AIM can also give you the opportunity to realise some of your investment in your business, whilst keeping your team in place to take the business forward.

How do you approach a flotation?

Once you've decided that an AIM flotation is for you, how do you actually go about it?

The first thing to do is to appoint appropriate advisors to take you successfully through the process. You'll need a Nominated Adviser, a Broker, Accountant, Financial PR and a lawyer.

Your Nominated Adviser will be approved by the LSE and will be able to provide corporate finance advice, as well as assessing the suitability of your company for AIM. The Broker will be responsible for canvassing investor interest in your business and for raising the capital. They will advise on the value of the company and the pricing of the shares to be issued.

Floating on AIM is quite a complex journey, and can take anything from 6 weeks, to 2-3 years in the planning. But the process itself can be split into five phases:

1. Preparation
2. Market testing
3. Documentation/governance
4. Roadshow
5. Launch

The first phase can involve structuring the management team, introducing robust business controls and defining the strategic plan.

Phase two is about market testing and reducing risk. Your broker introduces you to fund managers to see what potential value would be placed on your company if it were to float and what their appetite would be to buy your shares.

During phase three you embark on the complex process of checking that your company is in good shape, defining and writing down what your business' strategy is and setting out the scene for investors. This information is pulled together into an "Admission Document", checked for accuracy by your legal team.

A financial analyst employed by your broker then uses this document and liaison with your management to produce a briefing note for investment managers. It provides analysis of your market and your potential within it, compared with others in your sector.

Once all the agreements and documentation is in place you're ready to launch into the real fund raising stage. Several days of intensive meetings with, and presentations to, potential investors usually in London and Edinburgh. At the end of this, you will know how much you have been able to raise.

Finally, you move to "impact," where all the documents are formally signed, the shares are issued to investors and the money flows into the company or to selling shareholders.

What happens after the big event?

So you've floated, and you've raised the capital that you wanted to. As with any business, the hard work doesn't stop there. Now you need to deliver the strategy you laid out in your admission document and investor presentations.

The good thing is, AIM allows you to get on with it. You are expected to comply with the AIM rulebook, but your nominated adviser and your lawyers will help you, ensuring that you publish your financial results and provide ongoing information on developments to investors to explain both historic performance and your strategy for the future.

Making the decision to float your business on AIM isn't an easy one, and you will need to decide whether it is for you personally, as well as whether it is right for your business. It's a complex and expensive process, typically costing about 10% of the funds you raise, but the long term benefits in terms of how it can help to prepare your business for and to deliver future growth, are palpable.

Make sure that you get the right professional advice from brokers, analysts, financial PR advisers, lawyers and accountants to guide you along the way. The support you receive from advisors can dictate the success or failure of your floatation, so it's important to do your homework, and select an expert team with a successful track record.

If you require advice in relation to any of the above, or if you have any further questions, please contact Andrew Davison:



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