The AIM listing Process
Steps to a Successful AIM Listing

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Background

- Established in 1995, AIM now has 1,501 companies trading (of these 252 are overseas companies) with a total market capitalization in excess of £70 billion
- Individual market capitalization ranges from less than £2 million to more than £1 billion
Basic Listing Requirements

- No minimum criteria in relation to company size, track-record, country of origin or set number of shares to be in public hands
- Main requirement: company must be appropriate for the market (determination made by nominated advisor)
- AIM company under obligation to comply with AIM rules of the London Stock Exchange (the “AIM Rules”), which set out eligibility requirements and disclosure obligations
Nominated Advisor ("Nomad")

- Each company seeking listing must appoint and retain a nominated advisor ("Nomad") at all times.
- The Nomad is a firm of experienced corporate finance professionals who are approved by the London Stock Exchange.
- The Nomad decides on AIM suitability, unlike the LSE senior market, in which case the company’s listing suitability is assessed by the UK Listing Authority.
- The Nomad confirms to the LSE that all AIM admission rules and regulations have been complied with and that the company continues its obligations after admission.
After admission announcements: form and content

- The Nomad advises on need for announcements. Such announcements include:
  - Interim and final financial results, share dealings by directors or significant shareholders, the issue of new shares, board changes, substantial and related party transactions and any price sensitive information.
Broker

- Under AIM rules, an AIM company must always retain a broker.
- The broker’s principal responsibility is to raise funds from its institutional clients and manage aftermarket trading of the company’s shares.
Brokers role in a placing

- The broker helps target institutional investors with an offering of new / existing shares (a “placing”)
- The broker plays an important role finding prospective investors for the company’s shares; prepares marketing presentations of the company and accompanies the company on road shows to promote shares to prospective investors
Role of the Company’s Counsel

- Conduct legal due diligence on the company
- Advise on necessary corporate restructuring
- Advise on drafting of the Admission Document
- Negotiate terms of placing or introduction agreement
- Prepare verification notes
- Prepare board minutes
Role of the Reporting Accountant

- An independent reporting accountant must be retained. The reporting accountant:
  - Conducts financial due diligence and prepares long form report (private document used by the Nomad to assess whether the company is appropriate for AIM admission)
  - Prepares a short form report on the company’s financial record for inclusion in Admission Document
  - Reports on the company’s working capital requirements
  - Reports to the directors and Nomad on adequacy of the company’s financial systems and controls
Public Relation Advisors

• The company will need to retain a public relations advisor to:
  • Arrange press coverage in advance of listing
  • Coordinate publicity on day of and after admission to trading on AIM.
Key Issues / Documentation Required

- Due Diligence Report
- Admission Document
- Financial Statements Working Capital Report
- The Placing or Introduction Agreement
- Lock-in Requirement
- Verification Process
- Settlement of AIM Securities
Due Diligence Report

• A legal due diligence report must be prepared by the company’s lawyers
• Scope of report determined by Nomad in consultation with the company and company lawyer
• At minimum required to establish:
  • Corporate structure and standing of company and its subsidiaries
  • Verify title to respective assets
  • Examine material contracts and employment agreements
  • Review any current or prospective litigation
Admission Document

• To gain admission company must produce an admission document (the “Admission Document”)
• It includes information on the company’s directors, promoters, business activities and financial position
• The Admission Document is not pre-vetted by the LSE nor the UK listing authority, but rather by the Nomad
How Prospectus Requirement Avoided

• The fund raising is customarily done on an institutional placing to avoid the need to prepare a public offer prospectus (which requires UK regulatory authority approval)
• To be exempt, the offer must satisfy one or more of certain prescribed criteria, including making the offer to not more than 100 persons (other than “qualified investors”)
• AIM broker will seek, if possible, to ensure that such criteria are met, thus avoiding a prospectus requirement
Disclosure rules

- Detailed content requirements for an Admission Document are prescribed under schedules to AIM Rules
- Customary for each director to sign a responsibility letter
- General duty of disclosure requires that company include “any other information which it reasonably considers necessary to enable investors to form a full understanding of:
  - The assets and liabilities, financial position, profits and losses, and prospects and its securities
  - Rights attaching to those securities
  - Any other matter contained in the Admission Document
Financial Statements

• Audited historical financial statements covering latest three financial years (or such shorter period company has been in operation)

• Audit report of each year must be included in Admission Document

• Must be prepared in accordance with UK or US GAAP or International Accounting Standards or reconciled to them
Working Capital Report

- 12 or 18 months of sufficient working capital required (AIM rules require 12 but customary for Nomads or brokers to require 18)
- The Admissions Document will require directors to make a statement in support of any such declaration
- The Nomad will usually require reporting accountant to produce a working capital report
Placing Agreement Requires

- Warranties by the company and its directors on accuracy of Admission Document
- Indemnity from company to Nomad and broker in relation to any liabilities arising out of Admission Statement
- Any lock-in of shares of the company to be given by the directors
- Fees, commissions and expenses to be paid by the company to the Nomad and broker
- Obligations to consult Nomad before engaging in transactions which are material in the context of the placing or the admission to trading on AIM
- Events which will entitle the Nomad and/or broker to terminate the agreement and therefore not proceed with the company’s admission to trading on AIM
Lock-In Requirement

- Where the company’s main business activity has not been independent and earning revenue for at least two years, all the company’s directors, any shareholders holding more than 10% of the company’s shares and employees holding more than 0.5% must agree not to dispose of any of their interests in the securities for one year from the date of admission.
Verification Process

- Is a series of questions and answers designed as a way of providing a formal record of the steps taken to check accuracy of statements made in the Admission Document
- Statements which cannot be verified will be removed from the final version of the Admission Document
- Depending on nature of disclosure, the process can be time consuming therefore scope and timing should be agreed to early in the process
Settlement of AIM Securities

- Settlement of securities on AIM must be eligible for electronic settlement
- Settlement is normally effected through CREST
- Non-UK issuers can settle through CREST indirectly through other depositories
- In such cases, settlement mechanics should be agreed with the depository as soon as possible once CREST decided upon
The “Fast Track” Designated Market Route

- No Admission Document is required if company is listed on one of the following markets for at least 18 months prior to application for admission to AIM:
  - Australian Stock Exchange, Euro Next, Deutch Bourse, Johannesburg Stock Exchange, NASDAQ, New York Stock Exchange, Stockholmborsen, Swiss Exchange, Toronto Stock Exchange (does not include Venture Exchange) and Official List of the UK Listing Authority
Time and Costs

• Admissions usually takes three to four months.
• Type of company, speed and accuracy of the information provided for inclusion in the Admission Document, amount of due diligence and ease of verification factors
• Costs include AIM admission fees (£4,340) and annual fee (£4,340) and costs payable to advisors which is generally around 7 to 10 percent of amount raised in a fund raising, including commissions. This commission will be higher if a relatively lower amount (I.e. less than US$10 million) is to be raised