

## Beginners Guide to Floating on AIM

Andrew Baker of Allenby Capital provides an overview of the basics.

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The AIM market of the London Stock Exchange provides many valuable benefits for companies whose shares trade on the market. When a company joins, it can generate cash, raise the company's profile and provides a way of incentivising staff with share options.

### Background to AIM

AIM was set up in 1995 to encourage investment in start-ups and smaller companies. There is less red tape involved in getting quoted on AIM, so it is considerably quicker and less costly than to obtain a listing on the main London market. It has now become the most popular way to float, and AIM's success as the leading global growth market has seen it raise over £39.6 billion\* since launch. It offers the capital-raising benefits of a public flotation combined with a flexible regulatory approach.

### Tax Advantages

Admission to AIM can provide generous tax breaks. Shareholders in an AIM-listed company only need to pay Capital Gains Tax on gains of 10 per cent, rather than the usual 40 per cent. Certain AIM holdings are also free from inheritance tax. In recent times bigger companies have been attracted to AIM because of these advantages. From its launch in 1995 with just 10 companies this had risen to more than 1,600\* being quoted on AIM by the end of 2006. Companies with several hundred millions of capital should consider an AIM flotation, rather than a full market listing.

### When to float

There isn't really a hard and fast rule about when to float, but a company needs good management, a real business and prospects. You need to speak to a nominated advisor (NOMAD) who specialises in helping companies float on AIM. These are commercial organisations, regulated by the Financial Services Authority, whose business is to get clients through the regulatory process as professionally and with as little drama as possible.

They will assess whether there are likely to be enough potential investors who are going to want to buy shares in your company.

### How to start

The first step is to appoint a NOMAD and a broker who will oversee the Admission process and advise you of your regulatory duties afterwards. You will also need lawyers and accountants. This will be your team of professional advisors, together with a financial public relations expert.

Choose a NOMAD who is experienced in raising the amount of money you need to raise. You should also go for someone who's helped other companies in your sector before. The London Stock Exchange website [www.londonstockexchange.com](http://www.londonstockexchange.com) has a list of NOMADs but the best way to find an advisor is to get a recommendation from someone who's had a good experience.

### **How long will it take and how much will it cost?**

The process will take between three and six months.

AIM admission costs vary depending on your circumstances and a NOMAD will be able to tell you more. That said you should be thinking of paying at least £250,000 overall plus commission on the money raised.

AIM offers a lot of benefits for quoted companies, and companies should consider the following points to ensure the process runs as smoothly as possible:

### **Talk to people who've already joined AIM**

As anyone whose shares are already quoted will tell you, the process can be quite a learning curve. Get the benefit of other peoples' experience. They can help you with choosing advisors and they can also tell you about their own personal challenges and how they overcame them.

### **Choose advisers who are as experienced as possible**

All your professional advisors should be experts in getting companies admitted to AIM.

### **Choose people you like**

Bear in mind that you will have to work closely with these advisors on an ongoing basis. Choose people that you think you can work with.

### **Be realistic about the valuation**

Most companies think they're worth more than they really are.

### **Create a dedicated team**

You need to create a team that focuses just on the AIM process, rather than the work of running the business. This will speed things up and stop the procedure interfering with other aspects of your business.

\*London Stock Exchange AIM Market Statistics - December 2006

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