

AIM Market

Growth funding opportunities for
Australian companies

March 2017





“We are currently seeing significant interest from Australian companies in accessing UK capital markets through AIM. AIM is tailor-made for mid-sized companies looking to access growth capital and is an attractive option for those companies with international businesses.”

Holly Stiles

Partner, Corporate Finance
Grant Thornton Australia

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Executive summary

AIM is the most successful growth market in the world. Established over 20 years ago, it provides growth companies from all around the world with access to an international pool of investor capital.

There were 982 companies on AIM at 31 December 2016 with a total market capitalisation of £80.8 billion (A\$130.7 billion). As seen in recent years AIM continued the trend of investors favouring high quality investments in larger companies, with the average market capitalisation of an AIM listed company increasing to £82.3 million (A\$133.1 million) at 31 December 2016, an uplift of 17.5% on the average market capitalisation at 31 December 2015.

New admissions to AIM in 2016 raised £1.1 billion (A\$1.8 billion) and there continued to be a very active secondary fund raising market, with secondary issues raising £3.7 billion (A\$ 6.0 billion) in 2016.

During 2016 Australian companies Thinksmart Ltd and Aura Energy Ltd were admitted to the AIM market and Australian business BOS Global Holdings Limited was admitted to trading on AIM via a reverse takeover (or backdoor listing).

An AIM admission appeals to companies in growth sectors that are looking to attract sophisticated investors with longer term investment horizons. Currently there is strong institutional investor interest in companies in sectors such as Technology, Mining, Health Care, Financial Services and Online Retail.

The key attributes of Australian businesses that are likely to attract AIM investors include:



Strong management teams with good track records



Good growth prospects



A proven business model, with businesses ideally having reached profitability



An international flavour to the business, particularly businesses that have strong growth opportunities in the UK and Europe



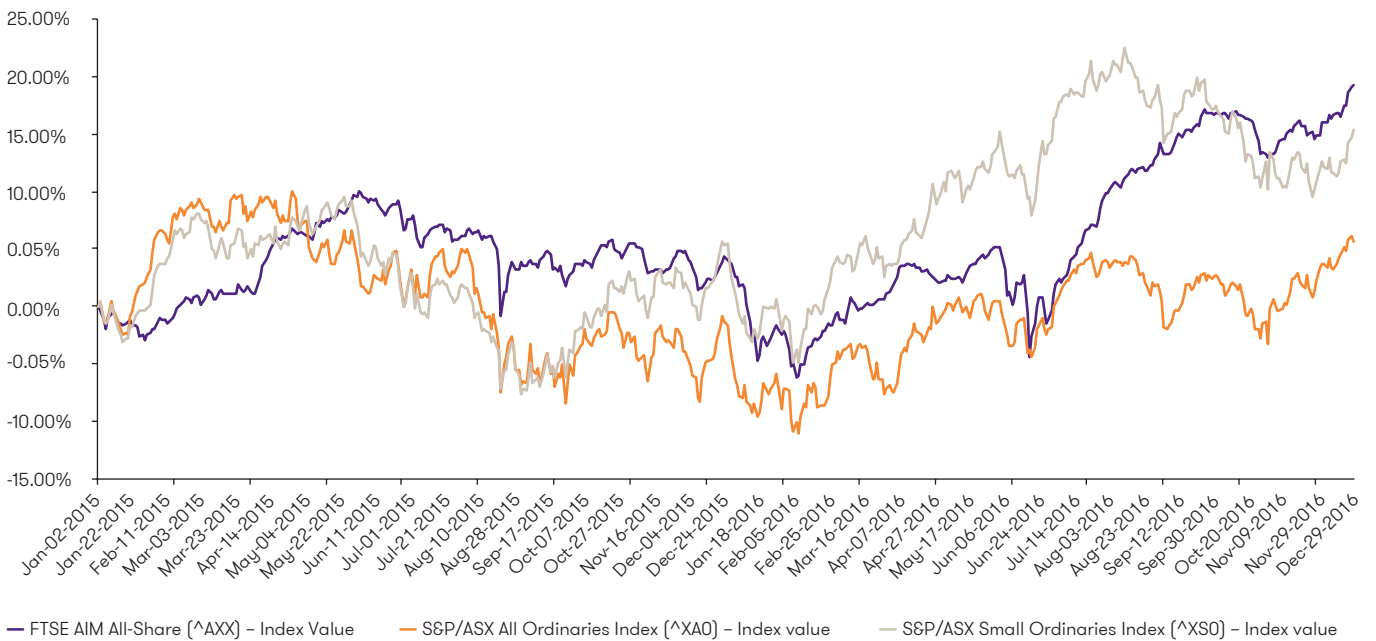
For resource companies, advanced assets located in jurisdictions that European investors are more comfortable with, eg Africa and Europe

Currently we are seeing strong interest in AIM from Australian technology companies that see significant growth potential in Europe and have found UK investors to have a greater understanding of their businesses.

Australian companies with international businesses that would benefit from the increased exposure of an international listing should consider accessing the growth funding opportunities presented by an AIM IPO or dual listing.

Comparative AIM and ASX returns: January 2015 to December 2016

AIM has outperformed the S&P/ASX All Ordinaries and the S&P/ASX Small Ordinaries indices in the two year period to 31 December 2016. In spite of the Brexit market tip, AIM has had a particularly strong second half of 2016 due to investor sentiment remaining committed to the growth market. The chart below shows the comparative returns, over the period January 2015 to December 2016, of the FTSE AIM All Share index, the S&P/ASX All Ordinaries and the S&P/ASX Small Ordinaries indices.



Source: S&P Capital IQ

Why consider an AIM admission?

AIM is the world's leading growth market and benefits from being an integral part of the London Stock Exchange, one of the world's leading securities exchanges and a hub for global capital.

Key attractions of AIM

For internationally focused Australian companies, the key attractions of the AIM market include:

Access to a deep pool of growth capital

Over £100 billion (A\$161.8 billion) has been raised on AIM through new and secondary issues from a diverse range of investors, including both retail and institutional investors

Access to an international investor base

Investors in AIM are domiciled in over 60 countries, including the US, Europe and the UK. London is home to the most geographically-diverse base of investors in the world

Access to liquidity

Over £35 billion (A\$56.6 billion) in trades were made per annum on average over the last three years, which represents average trading volumes totalling £140 million (A\$226.5 billion) per day

Attractive valuations

Higher valuations may be achieved by some businesses due to the focus on growth companies, the higher proportion of institutional investors and deeper investor knowledge of certain sectors

A market for global companies

AIM includes companies operating in more than 100 countries with a combined market capitalisation of approximately £80 billion (A\$129.4 billion). Over 3,700 companies have joined AIM over its 21 year history, establishing it as the leading market for growing businesses

A tailored regulatory approach

AIM is an exchange-regulated market with a balanced regulatory environment suited to dynamic, growing companies

Increased profile

Potential to raise the international profile of the business to assist in expanding into new markets

Increased opportunities for mergers and acquisitions

The ability to offer locally listed shares as currency for acquisitions in Europe

Admission Criteria

As the AIM rules have been designed for smaller growing companies, the admission criteria are more flexible than many other markets. Key flexibilities of the admission criteria include:

- No minimum market capitalisation
- No minimum trading history
- No minimum requirements for shareholder spread
- No minimum share price
- Shares must be freely transferable and electronically tradeable
- Companies must have 12 months working capital at admission to AIM
- Companies must appoint a Nominated Advisor ("Nomad") to determine suitability for admission to AIM and give guidance on the AIM Rules

AIM companies must appoint and retain a Nomad, who is responsible for ensuring that the company is suitable for admission. As part of this role, the Nomad will project manage the admission process, advise and guide on the AIM rules, coordinate the advisers in the due diligence process, assist with broker selection and help prepare the Admission Document.

Dual listings

The London Stock Exchange offers a streamlined and cost effective process for companies listed on certain markets, including the ASX, to be admitted to trading on AIM.

Companies who have had their securities traded upon the ASX and which have been operating substantially in their current form for at least 18 months prior to the date of admission to AIM, can take advantage of reduced admission disclosures.

AIM companies

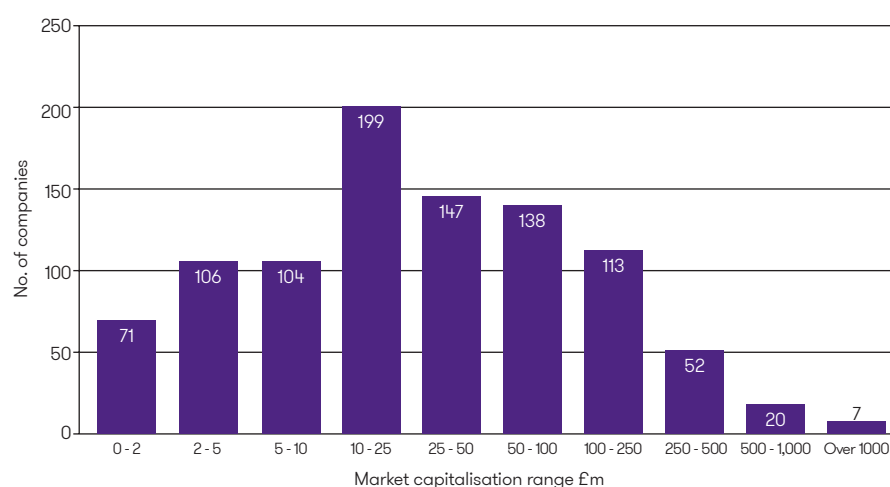
There were 982 companies admitted to trading on AIM at 31 December 2016, with a combined market capitalisation of £80.8 billion (A\$130.7 billion).

For comparison to the ASX, removing the ASX 200 which includes banks and other multinationals which would be listed on the Main Market of the London Stock Exchange in the UK, the average market capitalisation of an ASX company is A\$18.5 million at 31 December 2016 which is significantly lower than the average market capitalisation of an AIM company of A\$133.9 million.

ASOS PLC has remained the largest company on AIM for a number of years, with a market capitalisation of over £4.1 billion (A\$6.6 billion) at 31 December 2016. ASOS is the UK's largest online-only fashion store which markets fast fashion to customers aged 16 to 34 years. ASOS has continued to grow on the back of its organic growth strategies as well as strategic investments in its technology, warehousing and distribution systems. During 2016, ASOS reported revenues of £1.4 billion (A\$2.3 billion), its market cap rose by £1.3 billion (A\$2.1 billion) and the company's shares were the most actively traded security on the AIM Market for the year.

AIM is a growth market and whilst it remains attractive even to very large companies, the median company on AIM had a market capitalisation of £20.9 million (A\$33.8 million) at 31 December 2016.

Distribution of companies on AIM by market capitalisation at 31 December 2016



Source: AIM December 2016 factsheet

Top 10 AIM companies by market capitalisation at 31 December 2016

Company	Country of operation	Sub Sector	Revenue* (£m)	Market capitalisation (£m)
ASOS	UK	Apparel Retailers	1,445	4,141
ABCAM	UK	Biotechnology	172	1,532
BOOHOO.COM PLC	UK	Apparel Retailers	195	1,514
HUTCHISON CHINA MEDITECH	Hong Kong	Pharmaceuticals	116	1,432
FEVERTREE DRINKS PLC	UK	Soft Drinks	59	1,313
BURFORD CAPITAL LTD	USA	Specialty Finance	67	1,192
JAMES HALSTEAD	UK	Building Materials & Fixtures	226	1,004
BREEDON GROUP PLC	UK	Building Materials & Fixtures	318	996
CLINIGEN GROUP PLC	UK	Biotechnology	340	805
SIRIUS MINERALS PLC	UK	General Mining	-	789
Total				14,718

* Revenue is based on the latest financial report available

Source: AIM December 2016 factsheet and latest financial reports

Key sectors

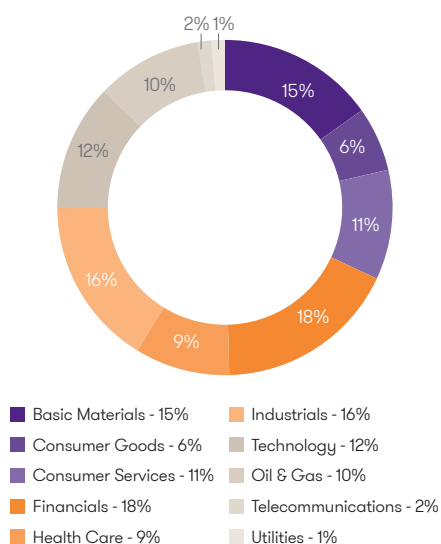
The AIM market is comprised of a diverse range of companies across many industries. Key market sectors include natural resources, financials, industrials, consumer services, technology and healthcare.

The largest sectors by market capitalisation are consumer services and financials which accounted for 18.2% and 16.4% of the market capitalisation respectively at 31 December 2016.

There is a very active market for secondary fund raisings on AIM. Fund raisings by existing AIM companies in 2016 were dominated by the Financials and Basic Materials (mining) sectors which together accounted for over 46.7% of total further issues in 2016. Specifically within the Financials sector there were 260 secondary raisings which raised £874 million (A\$1.4 billion) in 2016. Within the Basic Materials (mining) sector there were 493 secondary raisings which collectively raised £838 million (A\$1.4 billion). Other active sectors by number of fund raisings (albeit smaller value fund raisings) in 2016 included technology (with 262 further fund raisings), oil & gas (with 219 further fund raisings) and healthcare (with 235 further fund raisings).

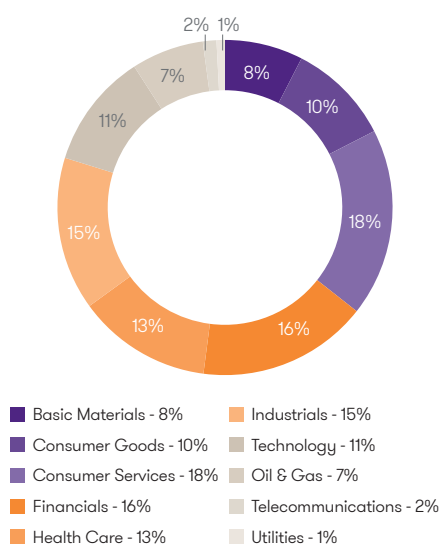
Number of companies on AIM by sector at 31 December 2016

Source: AIM December 2016 factsheet



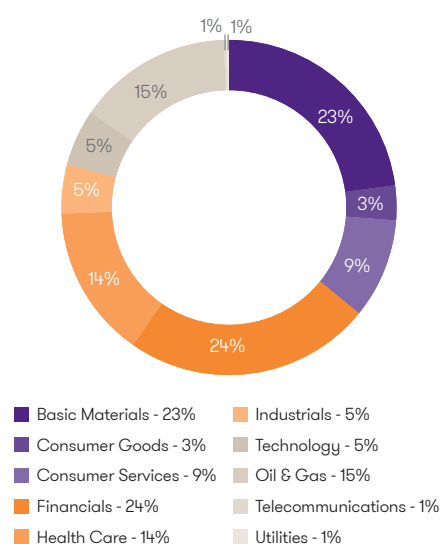
Distribution of market capitalisation of companies on AIM by sector at 31 December 2016

Source: AIM December 2016 factsheet



Distribution of secondary funds raised by AIM in 2016 by sector

Source: AIM December 2016 factsheet



New admissions to AIM in 2016

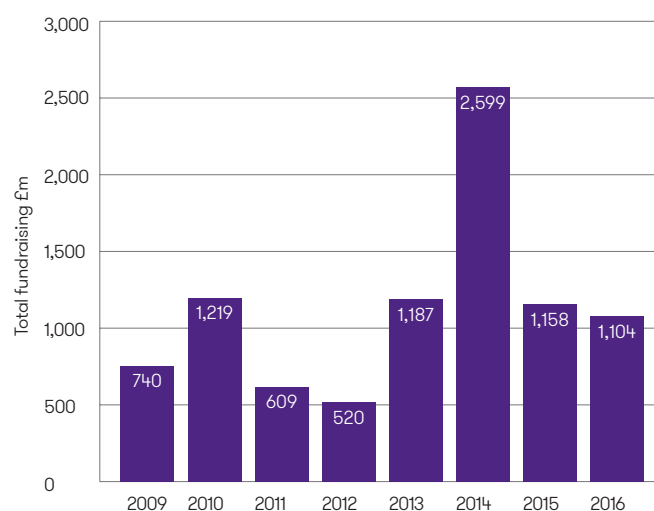
Over £1.1 billion (A\$1.8 billion) was raised through new admissions in 2016, with the average fund raising at admission to AIM being £17.3 million (A\$27.9 million) in 2016. The number of IPOs increased to 64 during 2016, an increase of 4.9% from 2015. There has been a continuation of the investment trend seen across most equity markets (including ASX) for investors favouring more established, higher quality businesses. The average market capitalisation of AIM companies increased from £70.0 million (A\$113.2 million) at 31 December 2015 to £82.3 million (A\$133.9 million) at 31 December 2016.

Top 10 new admissions to AIM in 2016

Company	Sub-Sector	Funds raised £m	Market capitalisation £m
SAN LEON ENERGY PLC	Exploration & Production	170	199
TIME OUT GROUP PLC	Publishing	90	181
WATKIN JONES PLC	Home Construction	85	258
CITYFIBRE INFRASTRUCTURE HLDGS PLC	Fixed Line Telecommunications	80	155
DRAPER ESPRIT PLC	Specialty Finance	74	125
JOULES GROUP PLC	Apparel Retailers	66	170
PREMIER ASSET MGMT GRP LTD	Asset Managers	47	143
TAX SYSTEMS PLC	Specialty Retailers	45	60
ACCROL GROUP HLDGS PLC	Nondurable Household Products	43	102
SHIELD THERAPEUTICS PLC	Pharmaceuticals	33	170
Total		734	1,564

The technology sector, specifically software & computer services, led the number of new admissions to AIM in 2016, with 12 admissions to AIM in this sector raising at total of £61.2 million (A\$99.0 million). The next most common sectors were financials, with 10 new admissions raising a total of £151.4 million (A\$244.9 million), and resources, with 10 companies raising a total of £211.9 million (A\$342.8 million).

Fund raisings on new admissions to AIM



Source: AIM December 2016 factsheet

The largest fund raising on admission during 2016 was the re-admission of San Leon Energy PLC. San Leon Energy was established in 1995 and is an independent oil and gas exploration company headquarters in Dublin, Ireland. San Leon Energy is currently focused on the exploration of oil and gas in Nigeria and holds keys interests in a portfolio of properties in Albania, France, Ireland, Morocco, Poland and Spain. The transaction that gained entry into Nigeria constituted a reverse takeover under the AIM rules and San Leon Energy was re-admitted to AIM on 21 September 2016 raising £170 million (A\$275 million) to fund the cash consideration of the transaction.

The second largest admission to AIM in 2016 was the admission of Time Out Group PLC. Time Out Group is a media and e-commerce company, operating in 108 cities across 39 countries. Time Out Group operates as a digital and print publisher to allow users to discover and share information about food, attractions, events, culture and shopping in cities around the world. Time Out Group was admitted to AIM on 14 June 2016 raising £90.0 million (A\$145.6 million).

International companies on AIM

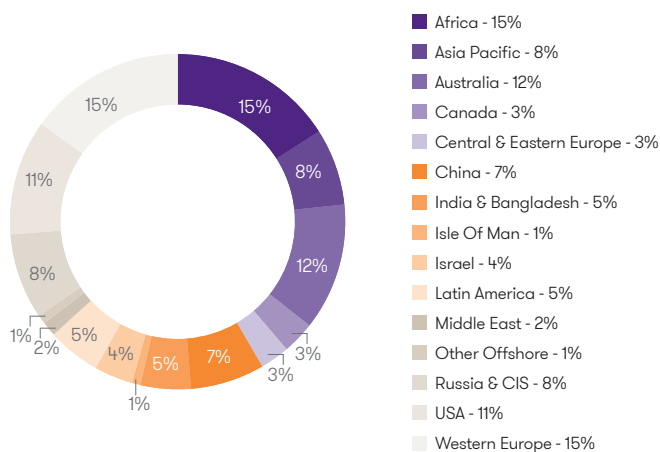
Internationally incorporated companies represented 17% of the companies admitted on AIM as at 31 December 2016. However, the actual proportion of international businesses is significantly higher as many overseas companies incorporate a UK holding company for the purpose of their AIM admission.

Unsurprisingly, the largest companies on AIM are predominately domestic UK companies, whose average market capitalisation was £91.3 million (A\$147.7 million) at 31 December 2016, compared with £66.0 million (A\$106.8 million) for international companies. The offshore regions with the highest average market capitalisation at 31 December 2016 were Western Europe, India & Bangladesh and China.

Many Australian resource companies have found investor interest has been very limited in recent years and as interest picks up there appears to be a strong preference from Australian investors towards Australian projects. Those resource companies with offshore projects, particularly those with projects in Europe and Africa, should consider the benefits of accessing European institutional investors (very familiar with these jurisdictions) through an AIM IPO or dual listing.

International companies listed on AIM at 31 December 2016 by country

Source: AIM December 2016 Country of Operation and Incorporation Report and Grant Thornton analysis



International AIM companies at 31 December 2016

Country of operation	No. of companies	Total market capitalisation (£m)	Average market capitalisation (£m)
UK	631	57,628	91
Western Europe	53	5,964	113
Africa	56	2,408	43
USA	39	1,988	51
China	25	2,682	107
Australia	43	1,500	35
Asia Pacific	26	1,785	69
Russia & CIS	29	1,422	49
Latin America	18	853	47
India & Bangladesh	17	1,986	117
Canada	11	521	47
Central & Eastern Europe	10	675	68
Israel	13	884	68
Middle East	5	332	66
Other Offshore	3	151	50
Isle Of Man	3	36	12
Total (all countries)	982	80,814	82.30

Source: AIM December 2016 Country of Operation and Incorporation Report and Grant Thornton analysis

Currently there is strong investor interest for businesses operating in the Technology, Financial services, online Retail, Health Care sectors which provide opportunities for established Australian businesses with an international market for their products or services to raise capital and increase their global profile.

Australian companies on AIM

There is a long history of Australian companies accessing the UK and European capital markets through an AIM listing. Currently we are seeing strong interest in AIM from Australian technology companies that see significant growth potential in Europe and have found UK investors to have a greater understanding of their businesses.

Top 10 Australian AIM listed companies by market capitalisation at 31 December 2016

Company	Sector	Market capitalisation (£m)
Solgold Plc	Basic Materials	372
Mysale Group Plc	Consumer Services	167
Berkeley Energia Ltd	Basic Materials	138
88 Energy Ltd	Oil and Gas	112
Base Resources Ltd	Basic Materials	89
Mariana Resources	Basic Materials	87
Coal Of Africa Ltd	Basic Materials	59
Wolf Minerals Ltd	Basic Materials	51
Seeing Machines	Technology	51
European Metals Hldgs Ltd	Basic Materials	49
Total		1,177

Source: AIM December 2016 factsheet

The largest Australian AIM company by market capitalisation at 31 December 2016 was mining exploration company Solgold Plc. Solgold has experienced a phenomenal rise over the past twelve months and is a prominent success story of the AIM market.

Focus: Solgold plc

Solgold (AIM: SOLG) is a Brisbane (Australia) based mineral exploration company. Solgold's IPO on AIM was originally in 2006 when it was focused on projects in Australia and the Solomon Islands. However, in 2012 it shifted its exploration focus to South America and acquired a majority interest in the Cascabel gold claims in Ecuador.

Solgold has seen extraordinary share price growth over the past year, from 2.5p at 1 March 2016 to 39.0p at 28 February 2017. This has been driven by exploration success, which has attracted the interest of the majors. Newcrest Mining Limited took an interest of 10% in October 2016 and Guyana Goldfield Inc holds an interest of 7.2%. The company also received an investment and earn-in proposal from BHP Billiton in October 2016. The company is now well funded with approximately US\$40.0 million for a major exploration program intended to build towards a maiden resource.

Solgold's market capitalisation has grown to £558.6 million (A\$903.6 million) at 28 February 2017 and it is now in the top 50 AIM companies.

Currently, the vast majority of Australian AIM companies are in the resources sector (basic materials or oil & gas). However, we believe there is significant potential for Australian technology companies to explore an AIM IPO or dual listing in order to access UK capital markets, have locally listed shares as currency for acquisitions and to be listed in a region with greatest commercial potential for their businesses.

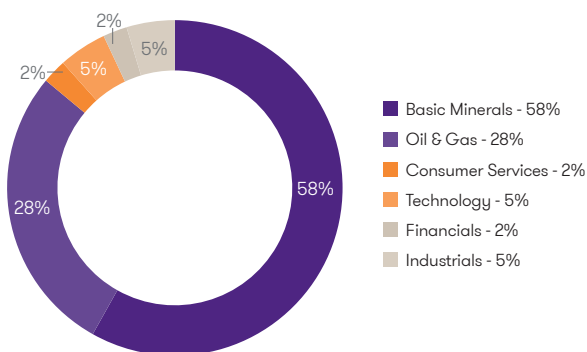
Three Australian companies were admitted to the AIM market in the twelve months to 31 December 2016:

- ThinkSmart Limited provides lease and rental financing services around the world. The company is a market leader in business-to-business (B2B) and business-to-consumer (B2C) digital, paperless, retail point of sale finance in the UK. Based in Australia, ThinkSmart was admitted to AIM on 2 December 2016 following its decision to delist from the ASX in order to align its shareholder base with its UK focused trading operations.
- Aura Energy Limited – is an Australian resource development company headquartered in Windsor, Victoria. Aura Energy was admitted to AIM on 12 September 2016. At admission, Aura Energy raised £2.70 million (A\$4.75 million) with a market capitalisation on admission of £7.45 million (A\$12.1 million). Aura Energy’s current key focus is the development of two major uranium projects in Mauritania and Sweden both with large proven reserves.
- BOS Global Holdings Limited was admitted to trading on AIM on 30 August 2016 via a reverse takeover (or backdoor listing) using AIM company Forte Energy NL. Forte Energy was previously dual listed on the ASX and AIM but delisted from the ASX in April 2015. BOS Global Holdings is a fintech company focused on the financial services sector.

A fast-track admission route (also known as the AIM designated market route) may be available for ASX-listed issuers that have been listed for at least 18 months. The key benefit of a fast-track process is the removal of the requirement to produce a full Admission Document (the equivalent of a prospectus).

Australian AIM admitted companies by sector at 31 December 2016

Source: AIM December 2016 Country of Operation and Incorporation Report and Grant Thornton analysis



Tlou Energy Limited



Fast track admission to AIM of ASX quoted Tlou Energy Limited
November 2015
Oil & Gas Exploration and Production

Grant Thornton acted as nominated adviser

“We appointed Grant Thornton because of their AIM experience and because of their coverage both in the UK and Australia. During the admission process, the Grant Thornton team worked seamlessly with our other advisers to a tight timetable. The team provided endless support to us and we look forward to working together as we grow as a company.”

Colm Cloonan

Finance Director, Tlou Energy Limited

Could an AIM admission be right for you?

Successful AIM companies come in all shapes and sizes. Could a listing on AIM be the right decision for your organisation? Perhaps some of these questions will resonate with you:



Do you have a funding requirement?

Is access to international institutional money an attractive option to management?



Do you have international business operations?

Would an increase in profile from an international listing benefit your business operations?



Do you have a strong growth trajectory?

Would you benefit from investors who understand and support growth companies?



Do existing shareholders see liquidity?

A listing on a stock exchange such as AIM will provide this.



Perhaps you are PE backed and looking for an exit?

Now that confidence is returning to the markets, valuations are delivering more attractive exit multiples for PE houses, particularly those only looking for a partial exit.



Do you want to better attract and retain talented employees?

Share option schemes in publicly traded companies offer the potential for significant upside and incentivise key staff.

Want to find out more?

Grant Thornton is the leading advisor to AIM companies. With over 250 AIM related mandates completed, we have the depth and breadth of experience to help you succeed and achieve your growth aspirations.

We are also the only independent Nominated Advisor to have dedicated specialist staff in both Australia and London, with over 10 years of experience in advising Australian companies on their AIM admissions.

Advising more companies than any other AIM advisor

Having more than 250 AIM related mandates

Acting as auditor to 137 AIM companies

Acting as Nomad to 35 companies

Providing non-audit services to more than 44 AIM companies

Contact Grant Thornton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. We help dynamic organisations unlock their potential for growth by providing specialist services, business advice and growth solutions.

In Australia, we have more than 1,200 people across six offices in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney. We combine service breadth, depth of expertise and industry insight with an approachable 'client first' mindset and a broad commercial perspective.

We are a member of Grant Thornton International which comprises firms operating in more than 130 countries worldwide. Through this membership, we access global resources and methodologies that enable us to deliver consistently high quality outcomes for owners and key executives of our clients.

In preparing this publication, we have relied upon the following key sources of information, including: S&P Capital IQ; AIM historical statistics and other publicly available information.

Our analysis is based on the assumption that the information derived from the different sources mentioned above are correct and that no material information is missing. Whilst all reasonable actions have been observed to ensure that the information in this report is not false or misleading, Grant Thornton does not accept any liability for damage incurred as a result of facts or deficiencies in this report. Conclusions and judgements reflect our assessment at the time of the publication's completion.

Currency conversions were based on prevailing rates as at 6 March 2016.

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