



Grant Thornton

An instinct for growth™

FEBRUARY 2015



AIM Market

Growth funding opportunities for Australian companies



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Executive summary

The AIM market was launched in June 1995 by the London Stock Exchange and is now the most successful growth market in the world. AIM helps smaller and growing companies raise the capital they need for expansion.

Following subdued conditions since the Global Financial Crisis, market activity has greatly increased over the past 12 months, with admissions to AIM raising £2.6 billion (over A\$4.9 billion) in 2014. This is significantly more than the £1.2 billion (over A\$2.2 billion) raised in the 2013 calendar year. Mysale Group, an online retailer with headquarters in Sydney, was the largest Australian company admitted to AIM in 2014. Mysale's IPO raised £40 million (A\$72.4 million) and achieved a sell down for existing shareholders of £75 million (A\$135.8 million). On admission to AIM Mysale had a market capitalisation of £341 million (A\$616.6 million).

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 the technology, financial services, biotechnology and online retail sectors, although recent admissions to AIM have been across a broad range of sectors.

Australian companies with international operations looking for growth funding should consider an AIM listing or dual listing to access UK and global capital.

AIM investors are currently looking for businesses with:

- 1 Strong management teams with a good track record
- 2 Good growth prospects
- 3 A proven business model, ideally with profitability already achieved, or, for resource companies, quality, advanced stage assets, with near term development or production prospects
- 4 An international nature, for example an international customer base or offshore projects

Comparative AIM and ASX returns: January 2012 to December 2014

AIM is currently performing well above the Small Ordinaries Index of the Australian Securities Exchange (ASX) over the 3 years to 31 December 2014. The chart below shows the comparative returns, over the period January 2012 to December 2014, 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?

The AIM market provides small and medium sized growing companies with the opportunity to raise capital and to provide a liquid marketplace to trade shares.

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:

- 1 Access to the UK capital market, one of the deepest pools of capital in the world
- 2 Access to international institutional investors
- 3 Higher valuations may be achieved by some businesses due to the focus on growth companies
- 4 Potential to raise the international profile of the business, to assist in expanding into new markets
- 5 Simplified regulatory environment, specifically designed for the needs of growing companies
- 6 No minimum entry criteria in relation to company size, track record, number of shares in public hands etc.

Admission criteria

AIM has been designed for smaller, growing companies and does not have minimum admission criteria in terms of company size, trading record, market capitalisation or shareholder spread.

Required	Not required
Admission of all the shares in one class	Minimum trading record
Shares must be free transferable and there must be ability to settle shares electronically	Minimum number of shares to be held in public hands
Company to have 12 months working capital	Prior shareholder approval for transactions, unless reverse take-over or substantial disposal
Nominated Adviser ("Nomad")	Minimum requirement for company's issued share capital, market capital, net assets, revenues or profits

Source: AIM website

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 prepare the Admission Document.

Dual listings

ASX listed companies may be eligible to be admitted under the Designated Market rules, which remove the need for a full Admission Document (prospectus equivalent).

AIM companies

There were 1,104 companies on AIM at 31 December 2014 with a combined market capitalisation of £71.4 billion (A\$132.6 billion). These companies ranged from small shell companies to Songbird Estates, the largest company on AIM, with a market capitalisation of over £2.3 billion (A\$4.3 billion).

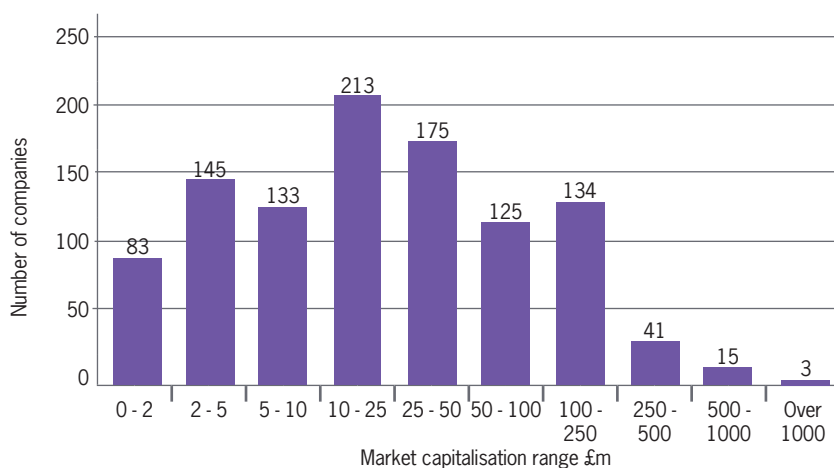
Songbird Estates is a real estate holding and development company which has been growing strongly on the back of favourable borrowing conditions in the global low interest environment. Songbird's diverse investments in property include Canary Wharf in London.

Songbird Estates is subjects to a takeover by Qatar Investment Authority and Bookfield Property Partners LP that is currently in the final phases of completion.

The second largest company on AIM by market capitalisation is ASOS.com, a global online fashion & beauty retailer operating on an e-commerce platform which markets fast fashion to young consumers. The company reported revenues of £975 million (A\$1.9 billion) in the year ended 31 August 2014.

The AIM market is intended to attract smaller growth companies, due to its flexible regulatory environment and the lower costs associated with maintaining a listing or undertaking further corporate fundraisings and transactions. This is evident by the average market capitalisation of only £65.8 million (A\$125 million) as of 31 December 2014.

Distribution of companies on AIM by market capitalisation at 31 December 2014



Source: AIM December 2014 factsheet

Top 10 AIM companies by market capitalisation at 31 December 2014

Company	Country of operation	Sector	Revenue* (£m)	Market capitalisation (£m)
Songbird Estates	UK	Financials	380	2,361
ASOS	UK	Consumer services	975	2,149
New Europe Property Investments PLC	Central & Eastern Europe	Financials	46	1,782
ABCAM	UK	Health care	128	923
Origin Enterprises PLC	UK	Consumer goods	1,133	885
Purecircle Ltd	Asia Pacific	Consumer goods	59	868
Market Tech Hldg Ltd	UK	Financials	24	855
GW Pharmaceuticals	USA	Health care	30	825
Hutchison China Meditech	China	Health care	28	731
Imperial Innovations Group	UK	Financials	4	689
Total				12,068

* Revenue is based on the latest financial report available

Source: AIM December 2014 factsheet and latest financial reports

Key sectors



The AIM market is comprised of a diverse range of companies across many sectors. Key market sectors include resources (oil & gas and basic materials), financials (including real estate, equity investment instruments and general financial), industrials (including construction & materials, electronic & electrical equipment and support services), consumer services (including media and travel & leisure) and information technology (IT).

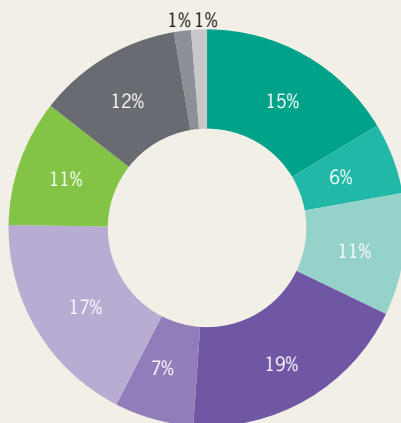
The key sectors by market capitalisation are financials and industrials which each account for 19% and 17% of the market respectively.

Total capital raisings by sector in the 2014 calendar year have been broadly consistent with the total market capitalisation of companies by sector.

The sectors where companies have raised the most capital in recent periods are industrials, consumer services and financials.

Number of companies on AIM by sector at 31 December 2014

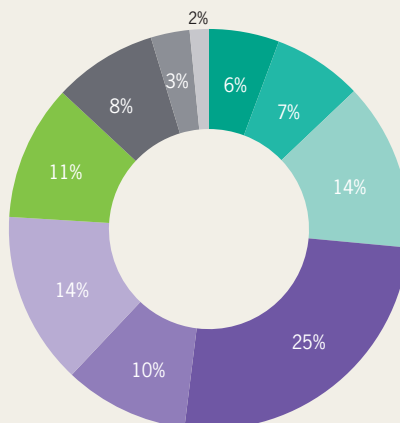
Source: AIM December 2014 factsheet



- Basic Materials - 15%
- Consumer Goods - 6%
- Consumer Services - 11%
- Financials - 19%
- Health Care - 7%
- Industrials - 17%
- IT - 11%
- Oil & Gas - 12%
- Telecommunications - 1%
- Utilities - 1%

Distribution of market capitalisation of companies on AIM by sector at 31 December 2014

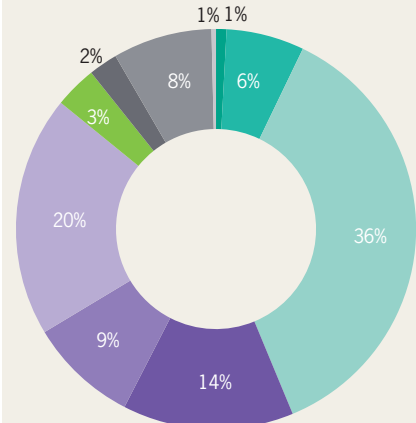
Source: AIM December 2014 factsheet



- Basic Materials - 6%
- Consumer Goods - 7%
- Consumer Services - 14%
- Financials - 25%
- Health Care - 10%
- Industrials - 14%
- IT - 11%
- Oil & Gas - 8%
- Telecommunications - 3%
- Utilities - 2%

Distribution of total funds raised from new admissions AIM in 2014 by sector

Source: AIM December 2014 factsheet



- Basic Materials - 1%
- Consumer Goods - 6%
- Consumer Services - 36%
- Financials - 14%
- Health Care - 9%
- Industrial - 20%
- IT - 3%
- Oil & Gas - 2%
- Telecommunications - 8%
- Utilities - 1%

New admissions to AIM in 2014

Fund raising activity levels on AIM have increased significantly over the past twelve months as investor appetite has returned due to the increasing confidence in global business conditions. The 2014 calendar year was the largest single year of fund raising from new admissions since 2007. In aggregate £2.6 billion (over A\$4.9 billion) was raised through IPOs in 2014, more than double the amount raised on new admissions to AIM throughout the 2013 calendar year (£1.2 billion or A\$2.2 billion).

Top 10 new admissions to AIM in 2014

Company	Sector	Money raised (£m)
Boohoo.com Plc	Consumer Services	300
Dalata Hotel Group Plc	Consumer Services	222
Dx Plc	Industrials	201
Rm2 Intl Sa	Industrials	137
Mysale Group Plc	Consumer Goods	115
Manx Telecom Plc	Telecommunication	89
Xlmedia Plc	Consumer Services	42
Zoltav Resources Inc	Financials	41
Horizon Discovery Group Plc	Health Care	40
IMIMOBILE Plc	IT	30
		1,216

Source: AIM December 2014 factsheets

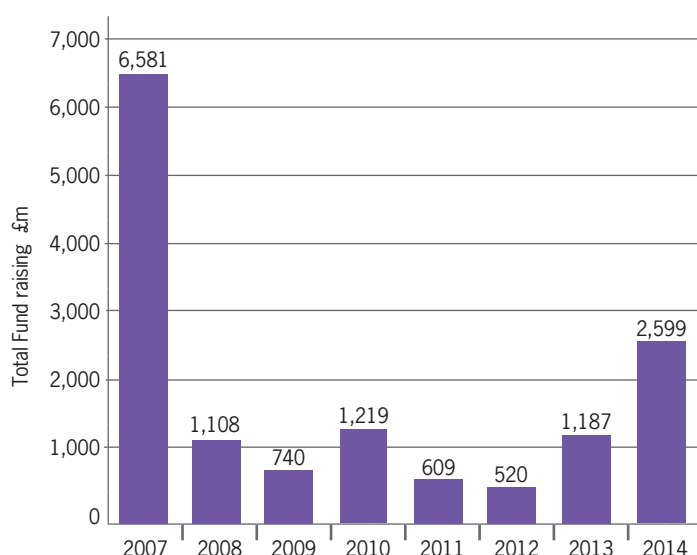
The largest admission during 2014 was that of the fast-growing online retailer Boohoo.com, who's IPO in March 2014, raised £300 million (A\$540 million), with £50 million (A\$90 million) reportedly retained for investment.

The second largest admission was that of Dalata Hotel Group. Dalata operates hotels across Ireland and the UK and it's admission in March raised £220 million (A\$395 million). The company attracted significant institutional investment and the capital raising provided the business with the funds it needed to acquire a large portfolio of Irish hotels.

The third largest admission during 2014 was that of DX Group who raised £200 million (A\$395 million) in February. DX Group is an independent mail, parcels and logistics end to end solutions operator in the UK and Ireland. The company has positioned itself to benefit from the fast growing parcel and freight markets that online retailing has generated.

Fund raising on new admissions to AIM by year

Source: AIM December 2014 factsheet



International companies on AIM

Internationally incorporated companies represented over 41% of the companies admitted on AIM as at 31 December 2014. The actual number of international businesses is likely to be significantly higher as many companies incorporate a UK holding company for the purpose of their AIM admission.

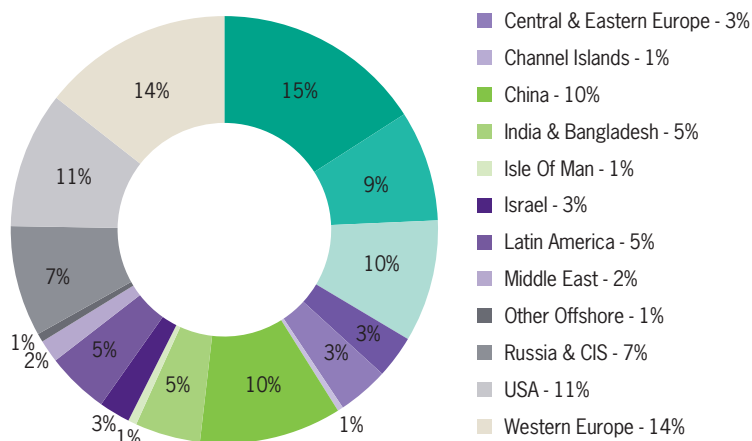
International AIM companies as at 31 December 2014

Country of operation	No. of companies	Total market capitalisation (£m)	Average market capitalisation (£m)
UK	655	47,174	72
Western Europe	68	5,510	81
Africa	66	2,519	38
USA	48	1,489	31
China	47	2,398	51
Australia	46	796	17
Asia Pacific	39	2,680	69
Russia & CIS	33	1,243	38
Latin America	23	1,102	48
India & Bangladesh	22	1,995	91
Canada	15	885	59
Central & Eastern Europe	15	2,197	146
Israel	12	947	79
Middle East	7	205	29
Other Offshore	4	89	22
Isle Of Man	3	55	18
Channel Islands	1	13	13
Total	1,104	71,295	

As would be expected, the largest companies on AIM are domestic UK companies. The average market capitalisation of UK registered companies was £72 million (A\$129.5 million) at 31 December 2014, compared with £53.7 million (A\$96.6 million) for international companies. Western Europe and Africa are the next largest regions by currently admitted companies. African companies are mostly resource extraction companies with operation throughout Africa. The countries with the highest average market capitalisation at 31 December 2014 were Canada and India & Bangladesh who had significant concentrations in the Materials and Industrials sectors.

International companies admitted on AIM at 31 December 2014 by country

Source: AIM December 2014 Country of Operation and Incorporation Report and Grant Thornton analysis



The vast majority of Australian companies on AIM are in the resource sector and have experienced declining values in recent times, as have resource stocks listed on the ASX and other markets globally.

With strong investor interest at this time for operating businesses in sectors such as technology, financial services, online retail etc, there are opportunities on AIM 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

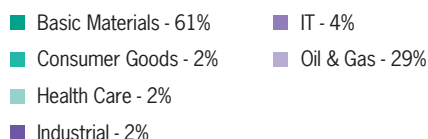
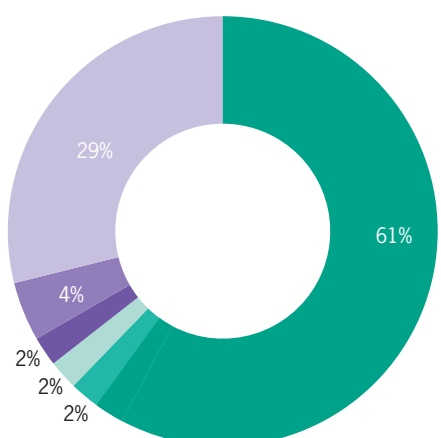
Top 10 Australian AIM admitted companies by market capitalisation at 31 December 2014

Company	Sector	Market capitalisation (£m)
MYSALE Group	Consumer Services	125
Wolf Minerals	Basic Materials	95
EServGlobal	Technology	71
Hydrodec Group	Oil & Gas	61
Base Resources	Basic Materials	52
Seeing Machines	Technology	51
Jupiter Energy	Oil & Gas	31
Vmoto	Consumer Goods	28
Berkeley Resources	Basic Materials	27
Emerging Market Minerals	Basic Materials	26
Total		566

Source: AIM December 2014 factsheet and Country of Operation and Incorporation Report LSE Website, S&P Capital IQ.

Australian AIM admitted companies by sector at 31 December 2014

Source: AIM December 2014 Country of Operation and Incorporation Report and Grant Thornton analysis



The largest Australian AIM listed company by market capitalisation at 31 December 2014 was discount 'flash sales' retailer Mysale Group, which was admitted to AIM in June 2014, raising £40 million (A\$72.4 million) plus a sell down of existing shares of £75 million (A\$135.8 million). Mysale had been successful in securing strategic investment from Shelton Capital Limited, a company ultimately owned by Lady Christina Green (the owner of the Arcadia Group, a British multinational retailing group). Shelton Capital Limited acquired a 25% interest in Mysale in May 2014 (pre-admission to AIM) and FTSE 100 company Sport Direct purchased a 4.8% stake in June 2014, following Mysale's admission to AIM.

The vast majority of other Australian AIM admitted companies are in the resources sector (basic materials or oil & gas) and many of the larger Australian AIM companies are dual-listed on the ASX. These companies include Wolf Minerals, Base Resources, Eservglobal, Range Resources and Oilex.

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.



An AIM admission can be an effective mechanism for Australian companies with global assets or business operations to access funding from institutional investors and to raise their profile internationally.

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:



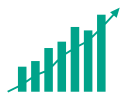
Do you have a funding requirement?

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 executed
more than
250
AIM related
mandates

Acting as
auditor to
146
AIM companies

Acting as
Nomad to
40
companies

Providing
non-audit
services to
more than
35
AIM companies

Contact Grant Thornton

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In Australia, we have more than 1,300 staff 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 120 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.

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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.





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