



Grant Thornton

An instinct for growth™

MARCH 2016

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 provides growth companies with access to an international pool of investor capital.

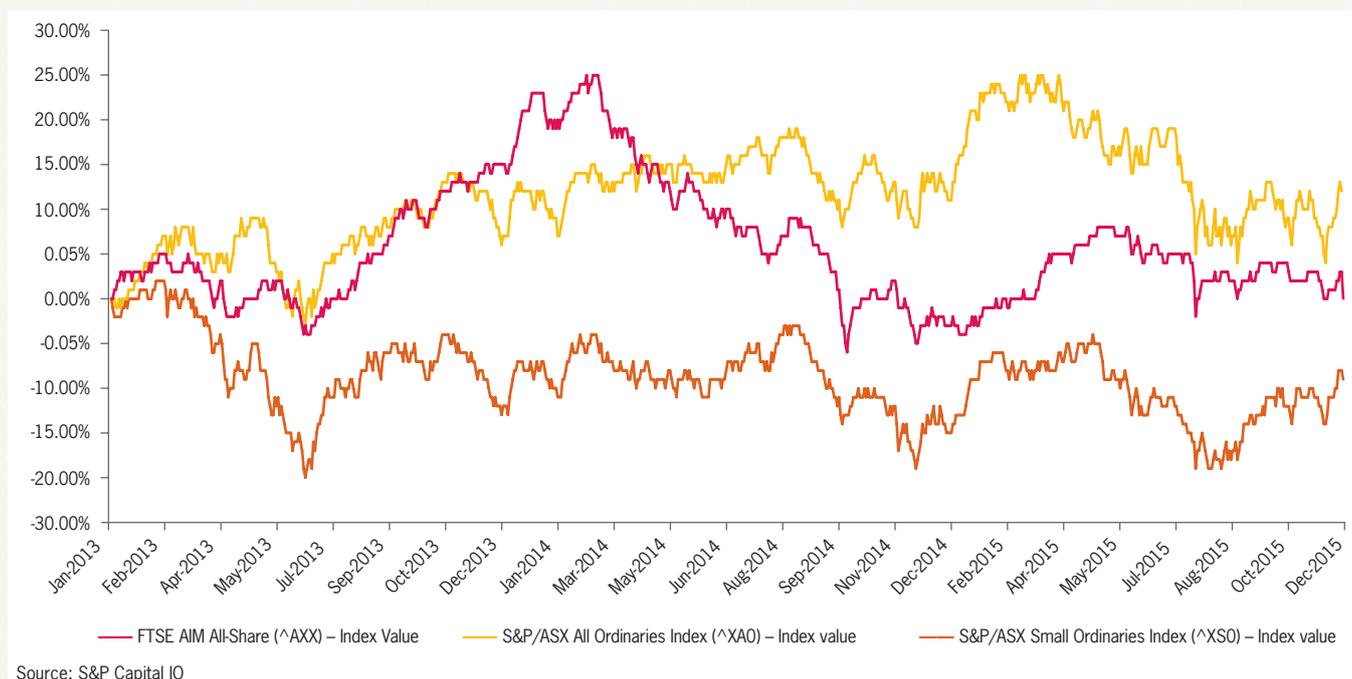
During 2015, new admissions to AIM raised £1.2 billion (over A\$2.4 billion) and there was an increased trend across the market towards a reduced number of high quality investments in larger companies. The average market capitalisation of AIM companies increased from £64.7 million (A\$131.6 million) at 31 December 2014 to £70.0 million (A\$142.4 million) at 31 December 2015. In addition, further fundraisings by existing AIM companies increased 32% to £4.3 billion (A\$8.7 billion) compared with £3.2 billion (A\$6.5 billion) in 2014. The sectors with the highest fundraising activity levels were Health Care, Financials and Consumer Services.

There were four Australian companies admitted to AIM during 2015, all of which were in the resources sector. Of these, the largest fundraising was by IronRidge Resources Limited, which raised £9.7 million (A\$19.7 million) on admission to AIM in February 2015 and at admission had a market capitalisation of £25.4 million (A\$51.6 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 sectors such as Technology, Health Care, Financial Services, Biotechnology and Online Retail.

Comparative AIM and ASX returns: January 2013 to December 2015:

AIM performed well above the Small Ordinaries Index of the Australian Securities Exchange (ASX) over the 3 years to 31 December 2015. The chart below shows the comparative returns, over the period January 2013 to December 2015, of the FTSE AIM All Share index, the S&P/ASX All Ordinaries and the S&P/ASX Small Ordinaries indices.



Key attributes of Australian businesses that are likely to be attractive to AIM investors include:

- 1 Strong management teams with good track records
- 2 Good growth prospects
- 3 A proven business model, with businesses ideally having reached profitability
- 4 An international flavour to the business, particularly businesses that have strong growth opportunities in the UK and Europe

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.

Why consider an AIM admission?

The AIM market provides mid-sized growing companies with the opportunity to raise capital and 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

The AIM Rules have been designed for smaller; growing companies hence, the admission criteria are more flexible than many other markets, these include:

- No minimum market capitalisation
- No minimum trading history
- No requirement 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

ASX listed companies may be eligible to be admitted under the Designated Market or “fast-track” rules, which remove the need for a full Admission Document (the equivalent to an ASX prospectus).

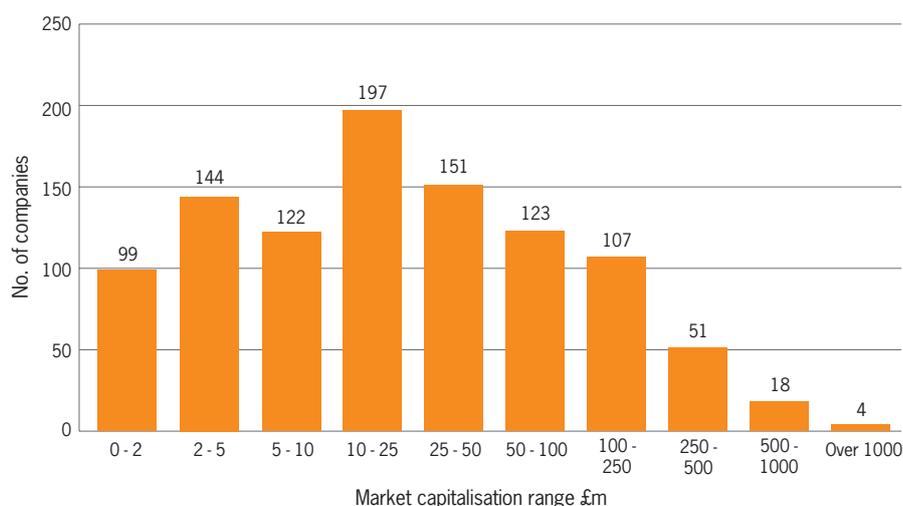
AIM companies

There were 1,044 companies listed on AIM as at 31 December 2015, with a combined market capitalisation of £73.1 billion (A\$148.7 billion).

This compares to 2,108 companies listed on the ASX at 31 December 2015, which had a combined market capitalisation of A\$1.6 trillion. In the UK, the largest companies including banks and other financial institutions are listed on the Main Market of the London Stock Exchange, which had 919 listed companies as at 31 December 2015, with a combined market capitalisation of £2.2 trillion (A\$4.5 trillion). In Australia the Australian Securities Exchange includes companies of all sizes on the one market and the ASX 200 accounted for a combined market capitalisation of A\$1.2 trillion at 31 December 2015. For a more realistic comparison of the AIM and ASX markets, if we exclude the ASX 200, the average market capitalisation of an ASX-listed company is A\$18.5 million which is significantly lower than the average market capitalisation of an AIM company of A\$130.1 million as at 31 December 2015.

ASOS PLC was the largest company on AIM as at 31 December 2015, with a market capitalisation of £2.8 billion (A\$5.7 billion). ASOS is the UK's largest online-only fashion store which markets fast fashion to consumers aged 16 to 34 years old. ASOS has been growing strongly on the back of its organic growth strategies as well as strategic investments in its technology, warehousing and distribution systems. During 2015, ASOS reported revenues of £1.1 billion (A\$2.2 billion) and the company's shares were the most actively traded security on the AIM Market during the year.

Distribution of companies on AIM by market capitalisation at 31 December 2015



Source: AIM December 2015 factsheet

Top 10 AIM companies by market capitalisation at 31 December 2015

Company	Country of operation	Sector	Revenue* (£m)	Market capitalisation (£m)
ASOS	UK	Consumer Services	1,151	2,879
NEW EUROPE PROPERTY INVESTMENTS PLC	Central & Eastern Europe	Financials	102	2,425
HUTCHISON CHINA MEDITECH	China	Healthcare	107	1,542
ABCAM	UK	Healthcare	144	1,324
MARKET TECH HLDG LTD	UK	Financials	83	991
GW PHARMACEUTICALS	USA	Healthcare	29	990
JAMES HALSTEAD	UK	Industrials	227	987
DART GROUP PLC	UK	Consumer Services	1,375	844
CLINIGEN GROUP PLC	UK	Healthcare	184	802
ORIGIN ENTERPRISES PLC	UK	Consumer Goods	1,105	757
Total				13,541

* Revenue is based on the latest financial report available

Source: AIM December 2015 factsheet and latest financial reports

Key sectors



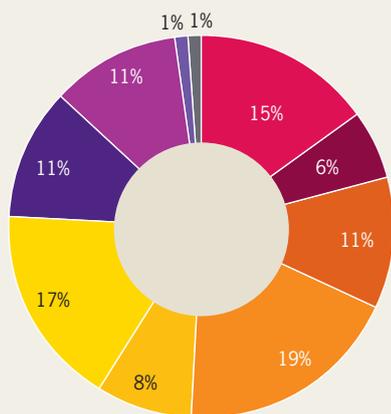
The AIM market is comprised of a diverse range of companies across many sectors. Key market sectors include resources (oil & gas and basic materials), financials (including real estate, equity investment instruments and general financial services), industrials (including construction & materials, electronics & 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 consumer services which accounted for 22% and 17% of the market respectively as at 31 December 2015.

Fundraisings by existing AIM companies during 2015 were dominated by the Health Care and Financials sectors which accounted for 37% and 21% of total raisings, respectively. Specifically within the Health Care sector, there were 206 secondary placings which raised £2.0 billion (A\$4.1 billion) during 2015. Within the Financials sector, there were 227 secondary placings which collectively raised £1.1 billion (A\$2.2 billion).

Number of companies on AIM by sector at 31 December 2015

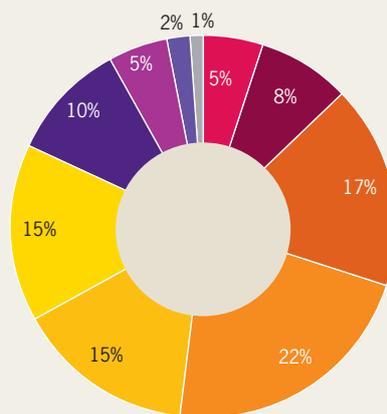
Source: AIM December 2015 factsheet



- Basic Materials - 15%
- Consumer Goods - 6%
- Consumer Services - 11%
- Financials - 19%
- Health Care - 8%
- Industrials - 17%
- IT - 11%
- Oil & Gas - 11%
- Telecommunications - 1%
- Utilities - 1%

Distribution of market capitalisation of companies on AIM by sector at 31 December 2015

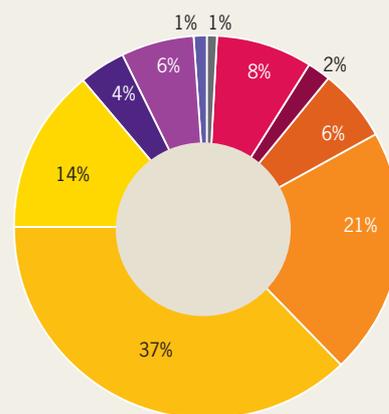
Source: AIM December 2015 factsheet



- Basic Materials - 5%
- Consumer Goods - 8%
- Consumer Services - 17%
- Financials - 22%
- Health Care - 15%
- Industrials - 15%
- IT - 10%
- Oil & Gas - 5%
- Telecommunications - 2%
- Utilities - 1%

Distribution of secondary funds raised by AIM in 2015 by sector

Source: AIM December 2015 factsheet



- Basic Materials - 8%
- Consumer Goods - 2%
- Consumer Services - 6%
- Financials - 21%
- Health Care - 37%
- Industrials - 14%
- IT - 4%
- Oil & Gas - 6%
- Telecommunications - 1%
- Utilities - 1%

New admissions to AIM in 2015

In aggregate £1.2 billion (over A\$2.4 billion) was raised through new admissions during 2015, with an average raising on admission to AIM of £19.0 million (A\$38.6 million). The number of new admissions to AIM in 2015 decreased significantly from 2014, when there were 118 new admission raising a total of £2.6 billion (A\$5.2 billion). However, this appears to be in part, a structural shift across the AIM market towards investors favouring higher quality assets of larger companies. This is evidenced by the number of AIM listed companies decreasing by 60 over the course of 2015 and the average market capitalisation of AIM companies increasing from £64.7 million (A\$131.6 million) as at 31 December 2014 to £70.0 million (A\$142.4 million) as at 31 December 2015.

Top 10 new admissions to AIM in 2015

Company	Sector	Funds raised (£m)
ZEGONA COMMUNICATIONS PLC	Financials	251
BENCHMARK HLDGS PLC	Health care	186
CONVIVALITY PLC	Consumer services	130
ALLIANCE PHARMA	Health care	79
APPLEGREEN PLC	Consumer Goods	51
MARSHALL MOTOR HLDGS PLC	Consumer Goods	40
DALATA HOTEL GROUP PLC	Consumer services	38
ELEGANT HOTELS GROUP PLC	Consumer services	32
GLOO NETWORKS PLC	Financials	30
ZEGONA COMMUNICATIONS PLC	Financials	30
Total		867

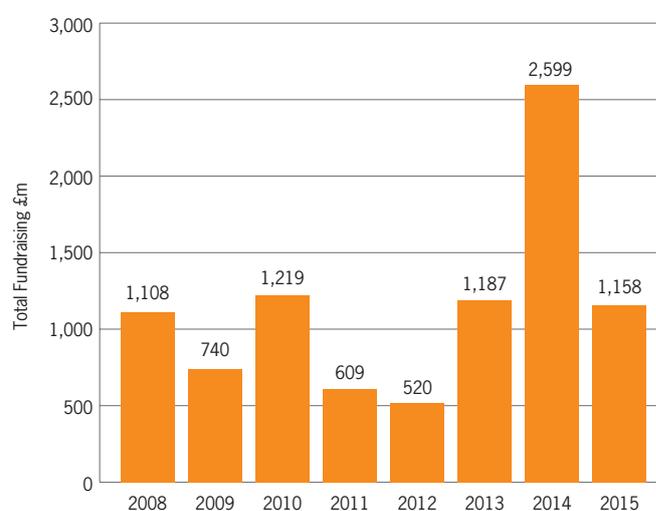
Source: AIM December 2015 factsheets

New admissions to AIM in 2015 were dominated by companies in the Health Care, Financials and Consumer Services sectors, which accounted for 31%, 31% and 27%, respectively, of all fund raisings by new AIM companies.

The largest admission during 2015 was that of Zegona Communications PLC. Zegona was established by former Virgin Media executives to acquire and operate businesses in the Telecommunications, Media and Technology sector with a “Buy-Fix-Sell” strategy and was originally admitted to AIM

Fund raisings on new Admissions to AIM

Source: AIM December 2015 factsheet



in March 2015 raising £30.0 million (A\$61.0 million). Zegona then acquired Telecable in August 2015 and was readmitted to AIM raising a further £251.0 million (A\$510.6 million) to fund the cash consideration of the acquisition. Shortly after, Zegona announced its intention to list on the Main Market of the London Stock Exchange to continue its acquisition strategy, the company was listed on the Main Market on 29 September 2015. This is a good example of a company that has used the AIM market to successfully raise significant growth funding in a short timeframe.

The second largest admission to AIM in 2015 was the re-admission of Benchmark Holdings. Benchmark Holdings is an innovation company, operating and consolidating businesses in the global food production sector. Benchmark acquired Inve Aquaculture a specialist manufacturer of aquaculture and nutrition health products. The size of the transaction constituted a reverse takeover under the AIM rules and Benchmark Holdings was re-admitted to AIM on 30 December 2015 raising £185.7 million (A\$377.7 million) to fund the cash consideration of the acquisition.

International companies on AIM

Internationally incorporated companies represented 32% of the companies admitted on AIM as at 31 December 2015. However, the actual proportion of international businesses is significantly higher as many companies incorporate a UK holding company for the purpose of their AIM admission.

International AIM companies December 2015

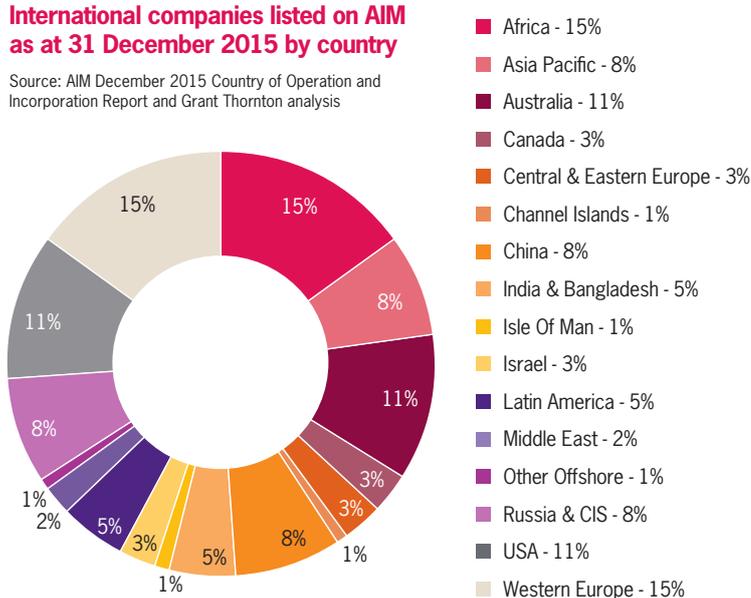
Country of operation	No. of companies	Total market capitalisation (£m)	Average market capitalisation (£m)
Western Europe	63	6,306	100
Africa	61	1,750	29
USA	46	1,751	38
Australia	42	611	15
China	33	2,393	73
Asia Pacific	33	1,603	49
Russia & CIS	32	1,016	32
Latin America	21	641	31
India & Bangladesh	21	1,334	64
Central & Eastern Europe	14	2,775	198
Israel	14	787	56
Canada	13	324	25
Middle East	7	122	17
Other Offshore	4	189	47
Isle of Man	3	44	15
Channel Islands	1	13	13
Total	408	21,659	53

Source: AIM December 2015 Country of Operation and Incorporation Report and Grant Thornton analysis

Unsurprisingly, the largest companies on AIM are domestic UK companies whose average market capitalisation was £81.0 million (A\$164.7 million) as at 31 December 2015, compared with £51.0 million (A\$103.7 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 operations throughout continental Africa. The regions with the highest average market capitalisation as at 31 December 2015 were Western Europe and Central & Eastern Europe.

International companies listed on AIM as at 31 December 2015 by country

Source: AIM December 2015 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 and health care sectors. This provides 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

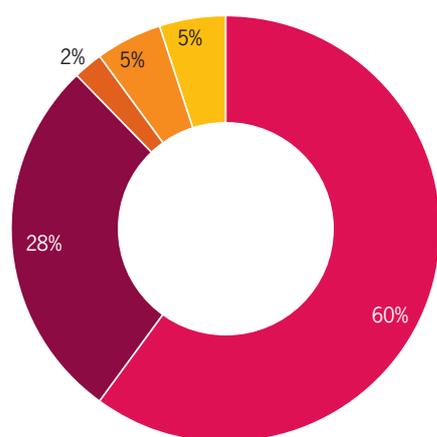
Top 10 Australian AIM listed companies by market capitalisation as at 31 December 2015

Company	Sector	Market capitalisation (£m)
Mysale Group Plc	Consumer services	68
Wolf Minerals Ltd	Basic Materials	65
Seeing Machines	IT	47
Berkeley Energia Ltd	Basic Materials	47
Coal Of Africa Ltd	Basic Materials	47
Churchill Mining Plc	Basic Materials	29
Jubilee Platinum	Basic Materials	29
Hydrodec Group	Oil & gas	25
Range Resources	Oil & gas	23
Solgold Plc	Basic Materials	17
Total		397

Source: AIM December 2015 factsheet and Country of Operation and Incorporation Report LSE Website, S&P Capital IQ.

Australian AIM admitted companies by sector as at 31 December 2015

Source: AIM December 2015 Country of Operation and Incorporation Report and Grant Thornton analysis



- Basic Materials - 60%
- Industrial - 28%
- IT - 2%
- Oil & Gas - 5%
- Consumer Goods - 5%

The largest Australian AIM listed company by market capitalisation as at 31 December 2015 was discount 'flash sales' retailer Mysale Group, which was admitted to AIM in June 2014. In 2015 other key performing Australian AIM companies included;

- *Wolf Minerals* – The second largest Australian AIM listed company by market capitalisation as at 31 December 2015. Wolf Minerals is a specialty metals and global tungsten producer operating out of Devon UK. Wolf Minerals was admitted to AIM in November 2011. The company completed the commissioning of its processing plant at Drakelands Mine (Devon) in September 2015 and its first shipment of concentrate represents the company's maiden revenue. This was a significant achievement given global market conditions in the resources and commodities sectors during 2015.
- *Ironridge Resources Limited* – Ironridge Resources is a company focussed on the discovery and development of world-class and globally-demanded commodities. Ironridge Resources IPO raised £9.7 million (A\$19.7 million) and on admission to AIM, the company had a market capitalisation of £25.4 million (A\$51.7 million).

New Australian admissions to AIM during 2015 were dominated by the basic materials (60%) and Industrials (28%) sectors.

The vast majority of other Australian AIM admitted companies are in the resources sector (basic materials or oil & gas). Many of the larger Australian AIM companies are dual-listed on the ASX, for example, 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. 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).



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.

Case study – Tlou Energy

Our Corporate Finance team acted as Nomad on the AIM dual listing of Tlou Energy Limited in November 2015.

Background to deal

Tlou Energy Limited (“Tlou” or the “Company”) is a Coalbed Methane (CBM) natural gas explorer and pilot producer with interests in southern Africa. Its principal assets are based in Botswana, where it has one of the most advanced CBM projects in the country.

Botswana is one of Africa’s most stable countries and its recent economic growth has been high by African standards. It is the world’s largest exporter of diamonds but has recently been seeking to reduce its economic dependence on diamonds, moving to boost local business and employment in other sectors.

Tlou was set up to supplement the energy needs of the rapidly growing southern African region through supplying natural CBM gas to generate new electrical energy as well as to replace existing diesel and coal fired power generation..

Tlou listed on the Australian Stock Exchange in 2013 with a large number of UK shareholders and the Company wanted chose to dual list on AIM to take advantage of their UK investor pool.

How we made a difference

Grant Thornton UK were engaged as Nominated Adviser alongside Grant Thornton Australia. The client was sold on our ability to service AIM companies through our teams in the UK and Australia.

Tlou successfully raised £1.2 million (A\$2.5 million) through a mixture of existing and new investors from the UK and Australia. The dual listing completed on schedule with only 10 weeks between our appointment and the announcement of the transaction. Tlou was admitted to trading on AIM with a market cap of £12.5 million (A\$26.1 million) on 30 November 2015 under the ticker TLOU.

Holly Stiles, Partner - Corporate Finance, who led the deal from Australia, commented:

“Tlou has an exciting story and importantly is led by a strong management team with great credentials in the industry. The AIM dual listing allowed us to capitalise on our international network and our experience over 12 years of assisting Australian companies to access the AIM market. Once again, we were able to demonstrate that we can seamlessly service AIM clients across jurisdictions and time zones, resulting in an efficient and high quality level of service which was recognised by our client.”

The deal represents another strong credential for Grant Thornton in the natural resources sector.

“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 work 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, Executive Director and Chief Financial Officer,
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 executed
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

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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.

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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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