



AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Lighting the economic touch paper for a brighter tomorrow

Many hope that a new entrepreneurial dynamism can be the saviour of the UK economy, having been laid low by the impact of the COVID-19 pandemic and as challenges loom following the UK's exit from the EU. Certainly the UK has a long track record of invention and innovation that has seen successful domestic enterprises borne out of novel ideas. Yet moving from idea to delivering a reality at scale can often be a stony path to tread. Too often, it seems the challenges in financing that journey are presented as being insurmountable, resulting in trade sales or exits to private equity.

If the City needs one priority under the new normal we are working under, perhaps it is to foster pathways to help the widest possible number of companies access public capital markets. So instead of defaulting to the easier routes of direct loan funding or private equity, pursuing an outright equity listing is really what needs to be championed. Founders can remain invested, new subscribers can join, the business can scale and all can share in its successes.

Ultimately, for a fledgling enterprise getting equity traded gives significant credibility along with a valuation, whilst simultaneously providing means to raise further financing. So what are the options which lie quite literally on the doorstep today?

25 years on from its inception, as a successor to the USM (Unlisted Securities Market), the LSE operated AIM venue (Alternative Investment Market) offers the opportunity for smaller companies with shorter trading histories the opportunity to list their equity within an environment that is less demanding than that of the LSE itself. Nevertheless the ongoing costs to issuers are not insignificant and this is a consideration that needs to be made carefully. Currently there are over 720 AIM listed companies with a total market capitalisation of over £90 billion. The seventeen largest listers are individually valued at over £1bn, a far cry from the 10 companies that it started with back in 1995 when the total market valuation was just £82 million. Undoubtedly it has suffered from the polarisation of institutional investment interest that for many largely mitigates against investing in small caps and with over three quarters of AIM companies are valued at less than £100 million, this can have a real impact.



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Whilst AIM can appear to some smaller issuers as far too large a first step, it should always be remembered that London does have other venues offering less onerous listing options for smaller companies. Aquis Exchange recently completed its takeover and rebranding of NEX Exchange from CME earlier this year, following final FCA approval. NEX itself had previously had several incarnations including Plus Market, ISDX and OFEX. This market is now expected to evolve toward what could be an exceptionally interesting pan-European venue. But as it stands Aquis Exchange offers a significantly less testing option for acquiring a trading venue and thereby the benefits that trading brings.

JP Jenkins and Asset Match are two other well established peripheral market venues in London who offer an even lighter set of listing demands for issuers who value the opportunity to offer holders a trading facility. Shares are traded via a matched bargain basis between brokers who put up offers or bids into the platform. That may mean lower liquidity, but it also means lower costs.

And it should always be remembered that there is little to prevent an issuer taking a journey up this 'venue ladder' as their needs change over time. That could quite possibly culminate in full LSE listing. As CREST registrars, Avenir are able to offer full registry services to companies whose equities trade on any of the exchanges mentioned in this article – and provide the necessary support for these businesses as they hopefully realise their full potential of scale over time.

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