

Is AIM for you?

If you've grown your company successfully is the Alternative Investment Market (AIM) suitable for you?

The decision on the suitability of a company for admission to AIM is taken by the sponsor to the issue, which will have regard to whether:

- the company is in a growth industry
- the company's business model makes sense and its strategy is clear and convincing
- there are sufficient barriers to entry to make it unlikely that the company will face strong competition
- too much reliance is being placed on one factor for success.

AIM imposes no requirements on the size of a company to be admitted, but advisers are unlikely to be interested in a company with pre-tax profits of below £500,000 or with a market capitalisation of below £10,000,000.

Advantages and Disadvantage

The advantages of applying for an AIM listing include:

- marketing: preparing your company for a listing can flush out a private buyer or improve the offer of someone who has already expressed an interest
- efficiency gains: preparing for listing can spark improvements in management and financial systems increasing the business's efficiency
- funding growth: listing can allow you to finance acquisitions wholly or partly with your company's paper rather than wholly in cash
- prestige: the higher profile of a listed company can produce commercial opportunities and improved trading and credit terms
- retaining control: in the short to medium term the interest that you retain in your company may allow you to keep day to day control of it
- motivating staff: listing will permit you to motivate staff by offering them shares (or options over shares) for which there is a reasonably ready market
- realising shareholder value: upon or following listing, existing shareholders will be able to realise all or part of their investment in a way that would not be possible if the company remained unlisted, although directors will often not be allowed to sell any of their own shares upon admission or for a while afterwards
- tax advantages: companies whose shares trade on AIM are treated as qualifying unquoted companies for tax purposes.

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This briefing is for general information only and is not intended as a substitute for taking appropriate professional advice.

The disadvantages of obtaining an AIM listing include:

- greater stress on performance: directors and management will have to respond to the growth and/or profitability expectations of the company's new shareholders and to meet with public and press criticism if they disappoint
- dilution of control: if the company is successful and a large number of new shares are issued the original owners' interest in the company will be diluted
- corporate governance: directors will not be able to manage the company as freely as before and will have to take account of the wishes of external (especially institutional) investors, particularly as regards adherence to the principles of good corporate governance
- cost: the cost of obtaining and maintaining an AIM listing are considerable, both in terms of money and management time
- tax: an AIM company can still fall within the definition of a close company for tax purposes and IHT post-mortem revaluation relief is not available for its shares.

How can William Sturges help you?

We can help you to get your company into shape and legally compliant before your chosen sponsor checks it out.

We can also help your company and its directors with the agreements and arrangements at the very heart of an AIM listing, including by reviewing and advising on the terms of underwriting and lock-in agreements and by assisting in the preparation and formulation of the contents of the prospectus and in its verification. We can also draft necessary service agreements for executive directors and letters of appointment for non-executive directors.

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