

AIM CEO and NED Breakfast

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Being listed on AIM requires work to make it beneficial for any organisation, and this causes many AIM companies to consider regularly if the hassle is worthwhile. Regulation is increasing and simplification of the AIM Rules is just a pipedream. However, the market can be a very efficient way of raising capital, although that has clearly become more difficult in recent times and this has caused many companies, especially those with illiquid shares to stall or flounder.

Mix of investors

The group discussed the importance of having the right balance of investors to maintain a liquid market in the stock at all times. However, all present recognised that this, while highly desirable, was in reality a very difficult objective to achieve. The easiest way to come into the market is through a placing with two or three institutions, but some delegates asserted that, by doing this, you will shortly only have those investors and will be 'locked' into illiquidity. The answer to this is to diversify more at flotation and when further placings provide the opportunity.

Retail investors need to be considered in all situations. It is they that often help to build share price, although, it is currently particularly difficult for them to have access to large flotations as institutions and investment banks may withhold access. Some believe that retail investors have no place on the small markets as they have limited understanding about the businesses and thus can cause large fluctuations in the share price.

But for many the problem lies with having to spend time courting and dealing with investors. CEOs want to be running their businesses not dealing with multiple investors. All agreed that the chairman must play an active role in helping the CEO to communicate with the investor base.

Brokers, NOMADs and advisors

All the members present had concerns with quality of their NOMAD. Many have changed NOMAD on more than one occasion. Many have recognised that the broker is just interested in the fees generated from placings and that beyond that the value add of the NOMAD or in-house analyst is limited. Much of the group was wondered what alternatives they really have, since it is a requirement of being listed on AIM that you engage an authorised NOMAD.

The consensus among the delegates is that you should thoroughly reference your NOMAD prior to formal engagement and not simply rely on the references provided by the NOMAD. Like anything in life, if you find a good one, be prepared to follow them if they move to a new organisation.

One participant was so disappointed with the quality of one particular advisor and broker that he has negotiated down their fees and is now using them purely for administrative functions. He now has a team in the US and is getting fantastic results.

The City is full of people that know about the City but not about business. The group said the City is like a cartel - there is very little differentiation between NOMADs and brokerage firms and not much difference in the fees they charge. However, some present stated that they had had some success in negotiating down fees recently. The critical point is that you must have fundamental trust in the person with whom you are dealing. Further, if stock liquidity is key to your business you should consider commissioning your own independent research and not simply rely on the in-house analyst.

Reasons for being listed

It is important to think about why you are on the market.

One participant explained that, before listing, his organisation considered a number of different financing options and then decided on AIM to raise finance that would strengthen the balance sheet, whilst allowing further facilities. "We have done the deal and it has served its purpose. We are now looking at what to do next," he said.

Many contended that, if your reason for being on the market is to create value for management, then Plus Markets might be a better place to be.

Liquidity

A participant, who actually wrote the rules of AIM, asserted that creating liquidity is impossible. Stock usually sits with five or six institutions which can cause huge fluctuations.

Another worry concerning AIM is the lack of news flow from listed companies which can lead to illiquidity. One Member recommended using the media to make share price more visible. Ongoing noise in the media can help and becoming a thought-leader and expert in your field will keep interest in stocks.

NASDAQ vs. AIM

A delegate who moved from NASDAQ is very disappointed with the information and research provided by AIM. The impression he gets is that there is a dedicated community committed to NASDAQ, whereas the community for AIM is committed to another market: the FTSE. It is as if AIM is the third division – resulting in the provision of third division advice.

Another benefit of NASDAQ is that it delists companies if their stock price falls below a certain level. This is something that AIM should also consider.

NASDAQ advisors are paid on a transaction and results basis, with no retainer. "On AIM everyone has their hands out every month," stated a participant.

Key take-aways

- Try to have a good mix of retail and institutional investors at flotation
- Many leaders are questioning City advisors
- Liquidity is nearly impossible to create
- Ensure you are clear why you are on the market