

Centillion's London Capital Markets Newsletter

September 2014 Issue



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Editorial

We're delighted to bring you the September issue of our newsletter.

The theme of both of these month's articles is the IPO revival across most of the major indices in 2014. The Global Invacom case study will highlight the benefits of dual listing on AIM for Asian Companies.

We'd also like to take this opportunity to share with our readers some photos taken at our **Listing in London Workshop** in Guangzhou earlier this month. We hope you enjoy this issue.



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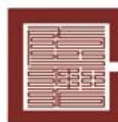
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Listing in London Workshop 企业在伦敦上市 研讨会

Tuesday, 23rd September 2014
Grand Hyatt, Guangzhou
China



Upcoming Events

The Jersey Finance Roadshows 2014

Monday 17th – Thursday 20th November
Hong Kong | Kuala Lumpur | Singapore

Topics:

- Private Client
- Funds and Capital Markets

2.5 hours
CPD

To reserve your place, please contact: [Helaine Tam](#)
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Seeking a Dual Listing on AIM – An Opportunity for Asian Listed Companies

This article discusses the attractions of a dual listing on the London Stock Exchange's AIM market (AIM) for companies already listed on an exchange in Asia and also looks at some of the issues to be aware of drawing upon the experience gained from the dual listing of Global Invacom Group Limited ("Global Invacom"). Global Invacom is a satellite equipment provider listed on the mainboard of the Singapore Stock Exchange (SGX), which recently completed a successful admission of its shares to trading (listing) on AIM, the first dual listing of its kind. K&L Gates LLP acted as legal counsel for Global Invacom on the listing.

IPO Market 2014

2014 has witnessed an initial public offering (IPO) revival in almost all of the world's major markets. Globally, in the first half of 2014, there were 588 listings or IPOs, an increase of 60% over the same period in 2013. These listings collectively raised US\$117.7 billion, a 67% increase over the first half of 2013.

In the first half of 2014, highlights of the global IPO market included:

- Europe, the Middle East and Africa IPO numbers surged, representing an increase of 97% compared with the first half of 2013.
- United Kingdom (UK) IPOs accounted for 35% of IPOs on European, Middle Eastern and African stock exchanges and 40% by capital raised in the first half of 2014.
- The New York Stock Exchange (NYSE) and NASDAQ accounted for a combined total of 162 IPOs in the period, raising US\$35 billion in capital (including seven deals that broke the US\$1 billion barrier).
- Four of the 20 largest IPOs in the World took place on Asian stock exchanges.

- Private Equity and Venture Capital backed IPOs drove global deal activity, accounting for 33% of global IPO volume, 64% of U.S. IPOs and 31% of European IPO deal volume.

AIM, in particular, is enjoying a good year, with a total of £3.7 billion having been raised on AIM in the first half of 2014, representing a 151% increase on the first half of 2013. Additionally, the total amount raised in primary fundraisings on AIM in the first 6 months of 2014 was £1.7 billion which is 53% more than the total amount raised in primary fundraisings on AIM for the whole of 2013.

Against this backdrop, there has recently been renewed interest shown by Asian small to mid-cap companies who are already listed on an Asian stock exchange, in seeking a dual listing on AIM. Inevitably, there will be some additional costs and different regulatory and governance requirements involved with such a dual listing; however, companies already listed on Asian stock exchanges (with existing stringent and well-established regulatory and corporate governance requirements, such as the stock exchanges in Singapore, Malaysia and Hong Kong) are unlikely to find such regulatory and governance requirements unduly onerous with the benefits of seeking a dual listing on AIM comparing very favourably to the costs of doing so.

The Attraction of AIM

So what is the attraction of dual listing on AIM for a company which is already listed on another stock exchange in Asia? From a fundraising perspective, the London Stock Exchange is among the top five exchanges in the world in terms of capital raised. In the first half of 2014, companies listed on AIM raised a total of £3.7 billion.

A listing on AIM offers companies the opportunity to:

- (a) fund their growth and development through access to an international investor base in a globally recognised marketplace

- (b) raise their international profile with global customers and suppliers
- (c) broaden their shareholder base and offer existing shareholders an exit strategy.

The Potential Benefits of an AIM Dual Listing

Companies that are successful in completing a dual listing on AIM are presented with the opportunity to secure a number of potential benefits and/or advantages commonly associated with a dual listing, these include:

- benefiting from a lower cost of capital as a result of a second listing on a foreign stock exchange
- signalling their quality to outside investors, by dual listing on another stock exchange with strict disclosure requirements, and providing improved information to potential customers and suppliers
- enhancing the visibility of the company in the country of primary listing, which may complement the operations of the company in those markets
- acquiring an “acquisition currency” for further M&A activity in the secondary listing market (i.e. rather than have to deal with the issues of foreign exchange rates, a dual listing can provide the means to raise the required foreign currency directly)
- enjoying increased liquidity, prestige and image which comes from listing on a internationally recognised market
- increased access to foreign capital markets and/or financing ability which flows from being dual listed
- the ability to better facilitate and advance the implementation of its global strategy.



Global Invacom - The World's First Singapore/AIM Dual Listing

A good example of a company taking advantage of the potential of a dual listing is the admission to trading on AIM on 2 July 2014 of Global Invacom, a SGX mainboard company, following an oversubscribed placing of ordinary shares at 19.75 pence per share, which raised a total of £11.80 million (approximately US\$20 million). K&L Gates LLP acted for Global Invacom on the listing. As a result of the dual listing Global Invacom saw a significant increase in its market capitalisation.

When the project started in late 2013, Global Invacom's share price was hovering around SGD0.16 and had been trading at or around that price for approximately a year. In the month following completion of the dual listing, Global Invacom's share price traded between SGD0.48 and SGD0.52, representing approximately a 300% increase in the share price from late 2013. The dual listing was a world first as it is the first time that a SGX listed company has successfully dual listed on to AIM.

Lessons Learnt

The project threw up a number of challenges, several of them specific to a dual listing. These included:

- (a) Determining the correct price for the shares on admission and the total amount to be raised, bearing in mind the potential dilutive effect on the shareholding of the current shareholders whose approval for the AIM listing had to be obtained.
- (b) Advising and helping Global Invacom with Singapore counsel to navigate the approvals process and respond to questions raised by the SGX on the transaction.
- (c) Working closely with the nominated advisor to address concerns and/or issues raised prior to listing.
- (d) Assisting Global Invacom with managing the ongoing due diligence exercises in the various jurisdictions in which its operations are located.
- (e) Advising on the amendments required to be made to the constitutional documents of Global Invacom to ensure compliance with the regulatory requirements of both SGX and AIM.
- (f) Advising on the share dealing code and dealing reporting process to ensure that directors and employees observe the differing share dealing restrictions and 'black-out' periods imposed by the SGX and AIM.
- (g) Working with the company's Singapore Registrars, as well as the newly appointed Share Depositary in the UK, to ensure that Global Invacom's shares could be traded on both stock exchanges.

Conclusion

A dual listing on AIM presents an excellent opportunity for companies already listed on another international exchange to advance its international growth strategy and expansion plans, broaden its shareholder base and enhance value for its current shareholders. AIM offers a solid platform for listing Asian companies which want to tap into alternative sources of capital based in London.

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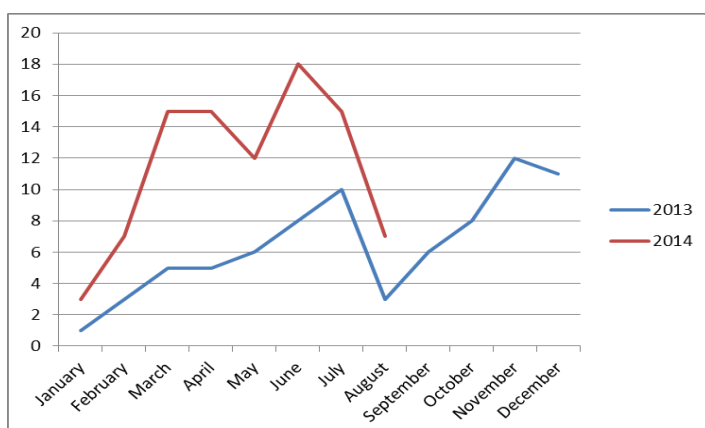
IPO market revival as UK companies set to raise record amounts in 2014

- **IPO market back with a bang in 2014**
- **Main market IPOs forecast to raise £11.7bn in 2014 smashing the record of £7.5bn in 2006**
- **Average raised by AIM listings the highest since records began**
- **Overall IPOs are set to drum up £18.5bn in 2014, more than twice the £8.3bn raised last year**
- **Consumer service companies steal the limelight, raising over half the market total for 2014**
- **Top five flotations in the last 12 months raise £6.1bn from UK shareholders**

London's IPO market has bounced back in 2014, as the year shapes up to bring in a bumper crop of flotations on the UK main market. New research by Capita Asset Services, which has administered over 60% of this year's IPOs in the UK, shows a dramatic uplift in the number of companies making their debut on the London Stock Exchange, with more companies taking to the stage than in any year since the recession.

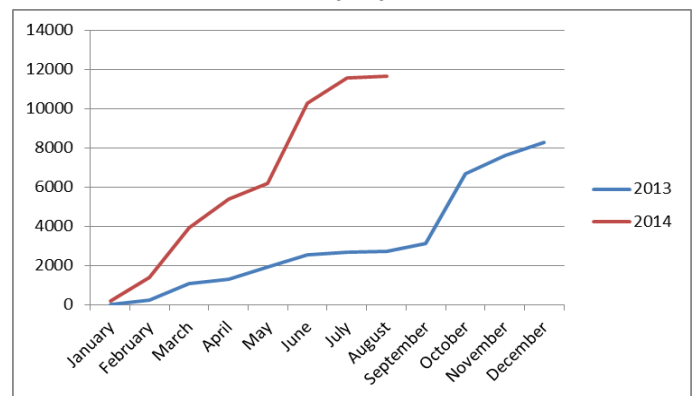
Across the UK main market, the international market and AIM, the sum raised by companies is finally approaching pre-crisis highs. In 2006, the record year, £25.6bn of shares were sold in 307 IPOs. So far in the year to August 2014, £11.6bn has been raised through 92 IPOs, and this should reach at least £18.5bn by the end of the year. Recent concerns about the appetite for initial public offerings mask an undercurrent of high value flotations in the last 12 months and flurry of activity in June and July, when £5.4bn of shares was snapped up by UK investors.

Number of IPOs in 2013/14



The UK main market in particular is already closing in on the £7.5bn record for money raised in 2006. By the end of August, it had already reached £7.4bn. If it keeps up the current rate, flotations on London's main market could well raise £11.7bn before the year end, shattering pre-recessionary highs. On the junior AIM market, only 55 IPOs have staged so far this year, a far cry from the 325 in a busy 2005. However the average raised by these 55 companies, £32m each, is more than at any point since records began, suggesting the market is still alive and kicking. Encouraging larger, more liquid new issues is a big positive for AIM investors.

Cumulative sum (£m) raised 2013/14

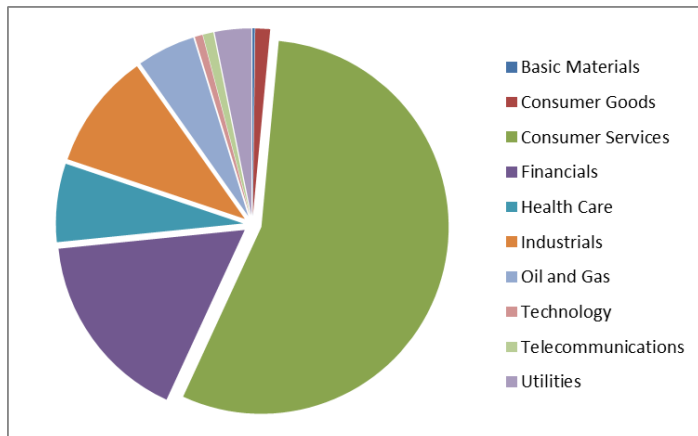


Consumer facing companies in particular have flooded the public market across the exchange in 2014. 32 companies, one in every three floating across the UK main market, the international market and AIM, have been in consumer goods and consumer services, with 13 of these being general retailers. Indeed 57% of all the IPO money raised so far in 2014 has come to these consumer industries, a total of £6.6bn in the year to August. The flotation of AA Plc in June for £1.35bn was the largest in the period, followed closely by two international main market flotations for B&M European Value Retail (£1bn) and Lenta Ltd (£576m). On the UK main market, Saga (£550m), Pets at Home (£464m), Poundland (£375m), and Zoopla (£352m) have helped bring the total figure raised by homegrown consumer companies to £4bn.

CAPITA

Asset Services

Sum raised by industry



Justin Cooper, CEO of Shareholder Solutions, part of Capita Asset Services, which handles the administration of IPOs said: “The IPO gold rush in the first half of 2014 came hot on the heels of a sharp upturn in share prices, as the stock market soared at the end of 2013. However, despite a strong start, and a surprising summer flurry of flotations, those hoping to come to market in the latter half of 2014 are having to contend with a cocktail of flat markets, weak earnings and poor dividends. With a number of IPOs failing to meet expectations, enthusiasm amongst fund managers is lower than at the start of the year, and has allowed them to be more discerning as they approach the offers on the table. Indeed this fear of market saturation recently led to several companies, including Hungarian budget airline Wizz Air, to withdraw from the field.

“But that said, the economy is strong, and continuing to strengthen, and there’s still a steady stream of private owners looking to exit their business. It’s also no coincidence consumer companies are dominating the picture as spending in the UK has picked up sharply. We are a long way ahead of where we were just 12 months ago, and 2015 will likely be even stronger. Rumours resound about a potential listings of challenger bank Aldermore and telecoms giant EE among others, joining a healthy pipeline of companies gearing up to make themselves available to UK shareholders. If these all come to the market in the next year we could see the total raised by IPOs across the exchange come close to £30bn in 2015, comfortably above the records set in 2006.”

The Asian perspective

In H1 2014, there was limited activity from companies based in Asia. Interestingly, there were four with their central operations based in China and each from a different sector including Oil & Gas, Financials, Technology and Basic Materials, with the largest being Adamas Finance Asia Ltd, raising £144m. Also of note is the first ever Singapore to London dual listing in Global InvaCom - will this be the first of many Asian companies looking to access the London market via a secondary listing?

Robert Ayliffe, Managing Director of Capita Asset Services in Singapore comments “Clearly, there is capital available for investment in London, which has to be encouraging for Asian-based companies. Whilst the volume of Asian deals is currently relatively low, we are aware of a good pipeline of businesses looking to IPO in London in the near future. We are regularly approached by businesses across SE Asia who are keen to explore the London option. Our advice to them is to work closely with their advisors to plan carefully, well in advance, to ensure they are truly investor ready and that a successful IPO can be achieved.”



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