



Grant Thornton

An instinct for growth™

AUGUST 2014



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 helps smaller and growing companies raise the capital they need for expansion.

Following subdued conditions since the Global Financial Crisis, market activity has greatly increased over the past six months, with admissions to AIM raising £1.7 billion (over A\$3 billion) in the first half of 2014 alone. This is significantly more than the £1.2 billion (over A\$2.1 billion) raised in the full 2013 year. Mysale Group, an online retailer with headquarters in Sydney, was admitted to AIM in June 2014, raising £40 million (A\$72.4 million) and achieving a sell down for existing shareholders of £75 million (A\$135.8 million), with a market capitalisation on admission to AIM of £341 million (A\$616.6 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 the technology, financial services, biotechnology and online retail sectors, although recent admissions to AIM have been across a broad range of sectors.

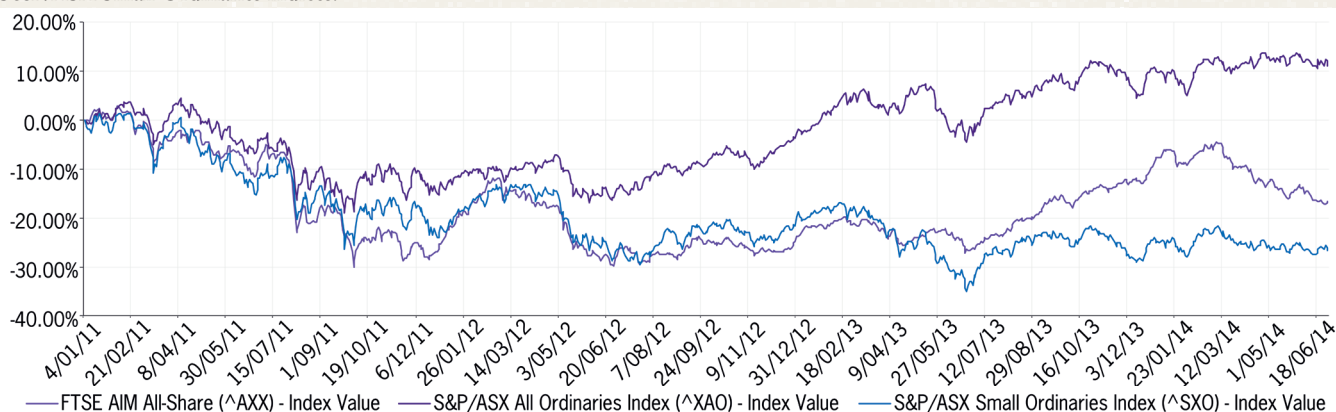
Australian companies with international operations looking for growth funding should consider an AIM listing or dual listing to access UK and global capital.

AIM investors are currently looking for businesses with:

- 1 Strong management teams with a good track record
- 2 Good growth prospects
- 3 A proven business model, ideally with profitability already achieved, or, for resource companies, quality, advanced stage assets, with near term development or production prospects
- 4 An international nature, for example an international customer base or offshore projects

Comparative AIM and ASX returns: January 2011 to June 2014

AIM is currently performing well above the Small Ordinaries Index of the Australian Securities Exchange (ASX). The chart below shows the comparative returns, over the period January 2011 to June 2014, of the FTSE AIM All Share index, the S&P/ASX All Ordinaries and the S&P/ASX Small Ordinaries indices.



Source: S&P Capital IQ

Why consider an AIM admission?

The AIM market provides small and medium sized growing companies with the opportunity to raise capital and to provide 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 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

AIM has been designed for smaller, growing companies and does not have minimum admission criteria in terms of company size, trading record, market capitalisation or shareholder spread.

Required	Not required
Admission of all the shares in one class	Minimum trading record (e.g. all ordinary shares)
Shares must be free transferable	Requirement for "free-float"
Ability to settle shares electronically	Minimum number of shares to be held in public hands
Company to have 12 months working capital	Prior shareholder approval for transactions, unless reverse take-over
Nominated Advisor ("Nomad")	Minimum requirement for company's issued share capital, market capital, net assets, revenues or profits

Source: AIM website

AIM companies must appoint and retain a Nomad, who is responsible for ensuring that the company is suitable for listing. As part of this role, the Nomad will project manage the listing process, advise and guide on the AIM rules, coordinate the advisers in the due diligence process, assist with broker selection and prepare the Admission Document.

Dual listings

ASX listed companies may be eligible to be admitted under the Designated Market rules, which remove the need for a full Admission Document (prospectus equivalent).

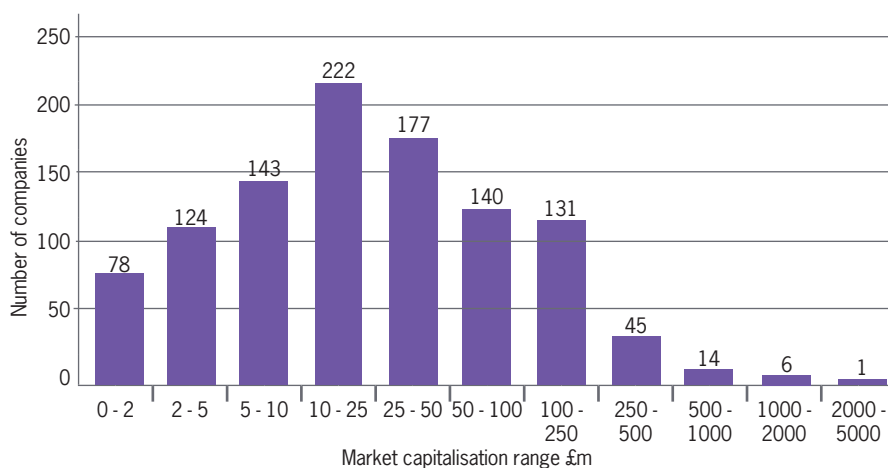
AIM companies

There were 1,104 companies on AIM at 30 June 2014 with a combined market capitalisation of £78 billion (A\$140 million). These companies ranged from small shell companies to companies with a market capitalisation of over £1 billion (A\$1.8 billion). The largest company on AIM, by market capitalisation as at 30 June 2014, was ASOS.com, a global online fashion and beauty retailer, which has been growing strongly and has reported sales in excess of £760 million (A\$1,368 million).

The second two largest companies on AIM by market capitalisation are Songbird Estates Plc, a company with investments in property portfolios including Canary Wharf in London and Energy XXI, an oil and gas company with assets in the Gulf of Mexico.

The AIM market is intended to attract smaller growth companies, due to its flexible regulatory environment and the lower costs of maintaining a listing and undertaking corporate transactions. This is evident by the median market capitalisation of only £23 million (A\$41 million) at 30 June 2014.

Distribution of companies on AIM by market capitalisation at 30 June 2014



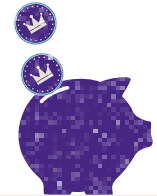
Source: AIM June 2014 factsheet

Top 10 AIM companies by market capitalisation at 30 June 2014

Company	Country of operation	Sector	Revenue* (£m)	Market capitalisation (£m)
Asos	UK	Consumer Services	769	2,469
Songbird Estates	UK	Financials	362	1,890
Energy XXI (Bermuda)	USA	Oil & Gas	1,209	1,277
Firestone Diamonds	Africa	Basic Materials	10	1,193
GW Pharmaceuticals	USA	Health Care	27	1,175
New Europe Property Investments PLC	Central & Eastern Europe	Financials	55	1,071
Vatukoula Gold Mines PLC	Fiji	Basic Materials	39	1,007
Purecircle Ltd	Asia Pacific	Consumer Goods	47	997
Monitise PLC	UK	Telecommunications	73	997
Bankers Petroleum Ltd	Canada	Oil & Gas	276	966
* Revenue is based on the latest financial report available				13,043

Source: AIM June 2014 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), industrials (including construction & materials, electronic & electrical equipment and support services), consumer services (including media and travel & leisure) and information technology (IT).

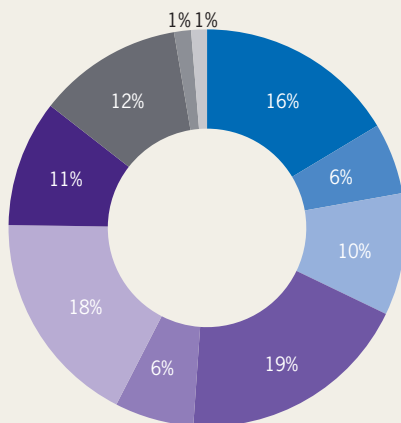
The key sectors by market capitalisation are resources and financials which each account for 24% and 21% of the market respectively.

Total capital raisings by sector in the period ended 30 June 2014 have been broadly consistent with the total market capitalisation of companies by sector.

The sectors where companies have raised the most capital in recent periods are resources, financials and consumer services.

Number of companies on AIM by sector at 30 June 2014

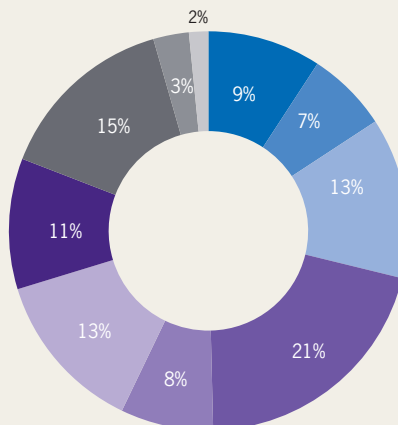
Source: AIM June 2014 factsheet



- Basic Materials - 16%
- Consumer Goods - 6%
- Consumer Services - 10%
- Financials - 19%
- Health Care - 6%
- Industrial - 18%
- IT - 11%
- Oil & Gas - 12%
- Telecommunications - 1%
- Utilities - 1%

Distribution of market capitalisation of companies on AIM by sector at 30 June 2014

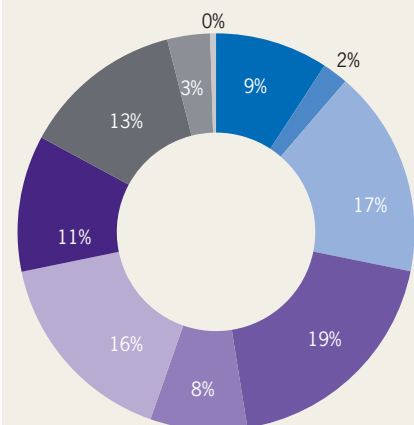
Source: AIM June 2014 factsheet



- Basic Materials - 9%
- Consumer Goods - 7%
- Consumer Services - 13%
- Financials - 21%
- Health Care - 8%
- Industrial - 13%
- IT - 11%
- Oil & Gas - 15%
- Telecommunications - 3%
- Utilities - 2%

Distribution of total funds raised from new admissions and further fund raising by AIM companies by sector from January 2013 to June 2014

Source: AIM December 2013 and June 2014 factsheet



- Basic Materials - 9%
- Consumer Goods - 2%
- Consumer Services - 17%
- Financials - 19%
- Health Care - 8%
- Industrial - 16%
- IT - 11%
- Oil & Gas - 13%
- Telecommunications - 3%
- Utilities - 0%

New admissions to AIM in the first six months of 2014

Fund raising activity levels on AIM have increased significantly in recent months. In the first half of 2014 (to 30 June 2014) more funds were raised on IPO on AIM than in any half year since 2007. In aggregate £1.7 billion (A\$3.1 billion) was raised on IPOs in the six months to 30 June 2014, significantly more than the amount raised on new admissions to AIM throughout the full 2013 year (£1.2 billion or A\$2.2 billion).

Top 10 new admissions to AIM in the six months to 30 June 2014

Company	Sector	Money raised (£m)
Boohoo.com Plc	Consumer Services	300
Dalata Hotel Group Plc	Consumer Services	222
Dx Plc	Industrials	201
Rm2 Intl Sa	Industrials	137
Mysale Group Plc	Consumer Goods	115
Manx Telecom Plc	Telecommunication	89
Xlmedia Plc	Consumer Services	42
Zoltav Resources Inc	Financials	41
Horizon Discovery Group Plc	Health Care	40
IMMOBILE Plc	IT	30
		1,216

Source: AIM January to June 2014 factsheets

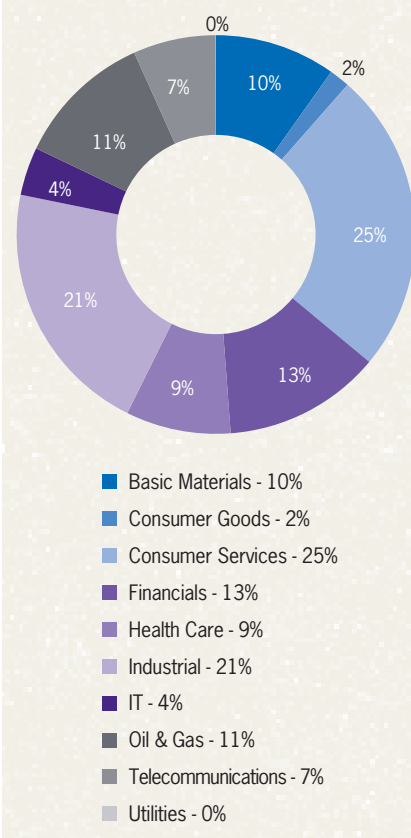
The largest admission during the six months was that of the fast-growing online retailer Boohoo.com. The IPO in March 2014 raised £300 million (A\$540 million), with £50 million (A\$90 million) reportedly retained for investment.

The second largest admission, Dalata Hotel Group, operates hotels in Ireland and the UK. The company attracted institutional investment through its admission on AIM and the capital raising provided the business with the funds it needed to acquire a portfolio of Irish hotels.

The third largest admission, DX Group, is an independent mail, parcels and logistics end to end network operator in the UK and Ireland. The company is positioning itself to benefit from the fast growing parcel and freight markets.

Distribution of total funds raised from new admissions and further fund raising by AIM companies by sector June 14 YTD

Source: AIM June 2014 factsheet



International companies

Internationally incorporated companies represented over 42% of the companies admitted on AIM as at 30 June 2014. The actual number of international businesses is likely to be significantly higher as many companies incorporate a UK holding company for the purpose of their AIM admission.

International AIM companies as at 30 June 2014

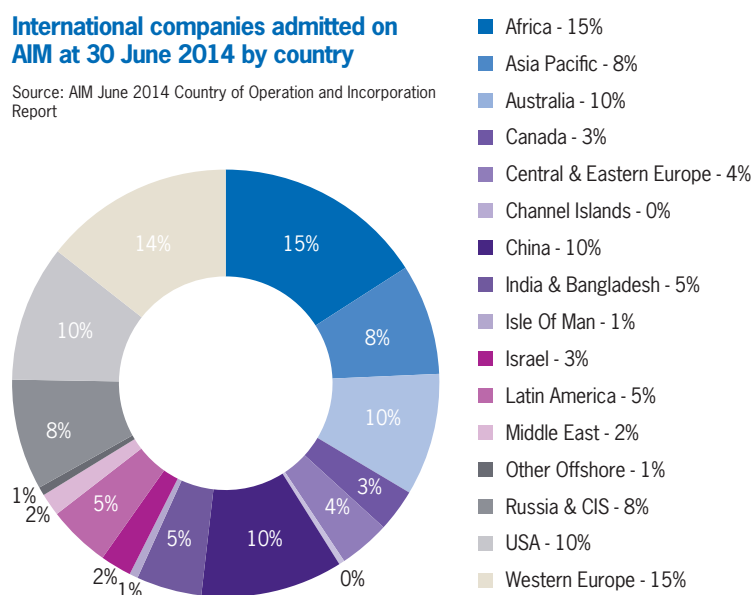
Country of operation	No. of companies	Total market capitalisation (£m)	Average market capitalisation (£m)
UK	664	46,125	72
Africa	71	4,584	65
Western Europe	68	5,946	87
China	48	3,116	65
USA	48	3,045	63
Australia	45	1,357	30
Asia Pacific	39	2,872	74
Russia & CIS	37	1,737	47
India & Bangladesh	22	2,315	105
Latin America	21	1,450	69
Central & Eastern Europe	18	1,634	91
Canada	15	1,719	115
Israel	12	859	72
Middle East	7	276	39
Other Offshore	4	82	21
Isle Of Man	3	82	27
Channel Islands	2	48	24
Total	1,104	77,248	

As would be expected, the largest companies on AIM are domestic UK companies. The average market capitalisation of UK registered companies was £72 million (A\$129.8 million) as at 30 June 2014 compared with £68 million (A\$122.6 million) for international companies.

Africa has the highest number of companies incorporated outside of the UK, with 71 companies on AIM at 30 June 2014, many of which are resource companies with African projects. The countries with the highest average market capitalisation were Canada and India & Bangladesh.

International companies admitted on AIM at 30 June 2014 by country

Source: AIM June 2014 Country of Operation and Incorporation Report



The Australian companies on AIM are, on average, smaller than companies from many other jurisdictions. There are opportunities for established Australian companies to take advantage of the benefits of an AIM admission.

Australian companies on AIM

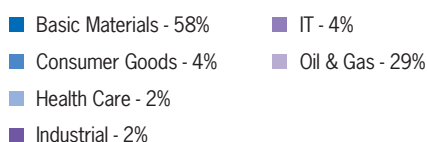
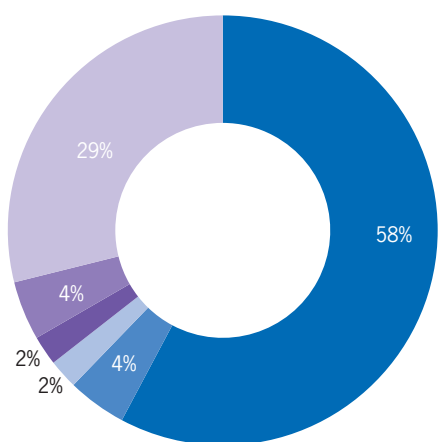
Top 10 Australian AIM admitted companies by market capitalisation as at 30 June 2014

Company	Sector	Market capitalisation (£m)
Mysale Group Plc	Consumer Goods	321
Wolf Minerals Ltd	Basic Materials	119
Base Resources	Basic Materials	98
Eservglobal	IT	94
Hydrodec Group	Oil & Gas	91
Range Resources	Oil & Gas	63
Solgold Plc	Basic Materials	52
Seeing Machines	IT	49
Oilex Ltd	Oil & Gas	38
Empyrean Energy Plc	Oil & Gas	37
Total		962

Source: AIM June 2014 factsheet and Country of Operation and Incorporation Report LSE Website, S&P Capital IQ.

Australian AIM admitted companies by sector at 30 June 2014

Source: AIM June 2014 Country of Operation and Incorporation Report and Grant Thornton analysis



The largest Australian AIM listed company by market capitalisation as at 30 June 2014 was discount 'flash sales' retailer Mysale Group, which was admitted to AIM in June 2014, raising £40 million (A\$72.4 million) plus a selldown of existing shares of £75 million (A\$135.8 million). Mysale has been successful in securing strategic investors, including Shelton Capital Limited, a company ultimately owned by Lady Christina Green (the owner of the Arcadia Group, a British multinational retailing group). Shelton Capital Limited acquired a 25% interest in Mysale in May 2014 (pre-admission to AIM) and FTSE 100 company Sport Direct purchased a 4.8% stake in June 2014, following Mysale's admission to AIM.

The vast majority of other Australian AIM admitted companies are in the resources sector (mining and oil & gas).

Many of the larger Australian AIM companies are also listed on the ASX. These companies include 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.



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.

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:



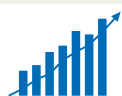
Do you have a funding requirement?

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 to 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
146**
AIM companies

**Acting as
Nomad to
40**
companies

**Providing
non-audit
services to
more than
35**
AIM companies

Contact Grant Thornton

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We are a member of Grant Thornton International which comprises firms operating in more than 120 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 in 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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