

Advantages and disadvantages of listing on the Alternative Investment Market

A Guest Article by Andrew Killick
August 2008

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Is the AIM the right route to market?

While public market conditions are challenging at present, it doesn't mean that the market is closed or that time shouldn't be spent preparing to float when the markets are more active. So what are the main advantages and disadvantages of taking this route to market?

Advantages of the Alternative Investment Market

- **Mergers and acquisitions being easier to pay for** – once shares are listed, the opportunity may exist to use the issue of shares to fund an acquisition instead of using cash resources or further borrowings.
- **Improved opportunities for finance raising** – this can be undertaken at the time of a flotation or at a later date by way of subsequent share issues.
- **Regulation being lighter** – and therefore cheaper, for corporate transactions compared with the Main List.
- **Greater marketability** – the existence of a public market allows for share transactions that had not previously been possible, and a flotation is likely to increase the shareholder base.
- **Higher value/improved value** – higher multiples being applied to listed companies and improvement through positive share price performance.
- **Enhanced corporate image** – undertaking a public listing increases the company profile, raising public awareness.
- **Increased employee participation via share schemes** – and hence higher morale if employees see improvement in the company's share price performance.

Disadvantages of the Alternative Investment Market

- **Loss of control** – following flotation a large proportion of shares may be held by institutions and not management.
- **Management time** – the flotation process is a time-consuming exercise and, once listed, the continuing obligations can seem an onerous task, particularly for the finance director.

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- **Loss of privacy** – a flotation puts the company in the spotlight and under scrutiny, and this continues throughout a public company's life.
- **Reporting requirements** – public companies have to report results to a tighter timetable and to International Financial Reporting Standards.
- **Initial and ongoing costs** – although these are much lower than for a Main List flotation.
- **Shareholders' expectations** – independent shareholders may well be critical of company performance if actual trading results don't match up to expected levels.
- **Restrictions on selling existing shares** – management will be restricted in its dealings in the company's shares.

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If you would like more information on any of the points covered in this Guest Article, please contact **TCii** on **020 7099 2621**.