AIM helps firms have their cake and eat it

A listing on the Alternative Investment Market is increasingly attractive for Scottish businesses looking to grow quickly, writes *COLIN CALDER*

THIS year is set to end with a flurry of corporate finance activity – as more and more companies actively investigate a listing on the Alternative Investment Market (AIM).

Dealmakers across Scotland say this unprecedented level of activity has been sparked by a flotation on AIM being viewed as a relatively quick and straightforward way to access new funding for acquisitions or to provide an exit route to venture capital financiers.

As a result most corporate finance teams in Scotland are known to be working on at least one potential AIM listing – and many have a handful on their books.

John Rafferty, corporate finance partner at law firm Burness, said: "We are seeing increasing interest in AIM amongst Scottish companies. The healthy markets and good prices are resulting in more companies coming forward who are interested in getting liquidity into their shares.

"A flotation on AIM can be done quite quickly – within a three-month time scale if required. It is also a much cheaper option than going for a full stock market listing."

Stewart MacDonald, head of corporate finance at accountants Scott-Moncrieff, is also a fan of AIM flotations. "There has been a sea change of attitude in Scotland. Until recently AIM would not have been on the radar screen for many firms now looking at it as a viable option.

"The attraction of AIM is to give ambitious companies better access to funding as and when required to pursue growth by acquisition, rather than organically, which can sometimes be too slow for aspirational management. It can also significantly increase the visibility of a company by raising its profile."

Burness and Scott-Moncrieff were both involved in one of the most talked about AIM floats this year – that of Lees Food Group, the firm responsible for Scotland's world-famous macaroon bars and snowballs.

The company, which has made Scotland's much-loved confections for 75 years, decided that AIM was the best route to raise fresh capital to fuel an expansion drive.

The deal – which took only three months to complete – was not particularly high value. But its significance lay in a Scots company, which nearly went bust 12 years ago, preparing to go on the acquisition trail while at the same time making it possible for staff who had been awarded shares to exchange them for hard cash.

Since the introduction of an employee share ownership scheme in 2000 – structured by Burness – Lees' staff have been awarded 100 shares on an annual basis.

Rafferty said: "The management was aware that some members of staff wanted to cash in their shares. Those who decided to sell received a substantial cash payment, while those who retained their holding have seen the shares rise in value. So there have been benefits all round from the move onto AIM, and this has helped underpin staff commitment to the firm."

The company was officially listed at the end of June and since then its shares have risen from the debut price of 200p to 230p, valuing the business at £5 million.

The share issue has marked a dramatic transformation for Lees which was saved from liquidation in 1993 when Raymond Miquel, the company's 74-year old chairman, acquired the business from Northumbrian Fine Foods.

Miquel breathed new life into the ailing company by opening a new factory, modernised the packing of products and won major contracts with supermarket chains. The result was that the traditional sweets made a comeback. And now the company is on the hunt for deals to expand the business.

Miquel said: "The AIM listing has enabled the company to access capital for growth more readily, while enhancing its profile with customers, suppliers and potential shareholders. We are actively looking at various opportunities to accelerate our growth through acquisitions."

Successful flotations like Lees have been the catalyst for much of the boost in interest in AIM, according to Kenneth Rose, partner in the corporate finance team at Dundas & Wilson. "If there is seen to be success on AIM, then it tends to breed more interest in it. We have several potential listings in the pending file, but timing is very important.

"As to what is hot, I'd expect to see activity focused on technology and renewable energy sectors – with perhaps a few service sector propositions emerging."

Rose said it was important to remember that AIM is not a one-track option. "It is quite a versatile tool, which can be used strategically. AIM is quite attractive for putting a company into the shop window for an eventual takeover."

Another law firm enjoying the new interest in AIM is Biggart Baillie, which has several potential flotations in the pipeline. David Allen, corporate finance partner said the AIM market had been "fantastic" at driving deals. "A hyper-active AIM market is also good for stimulating deals right across Scotland. One of the things that an AIM listing does is to give companies access to deal capital – and that in turn means companies go on the acquisition trail."

The stockbroking community has also benefited from the recent upsurge in interest in AIM listings. Bryan Johnston, director at Bell Lawrie said: "It has been a very energised sector of the markets over the last couple of years because it is less restrictive and cheaper than a full listing. The number of Scottish firms listed on AIM demonstrates an integral part of wealth creation north of the border."

Johnston is predicting a busy end to the year. "I am very bullish about the prospects for the Scottish economy, and with markets at a four-year peak, more Scots companies looking to raise capital will decide on the AIM route."

Success has snowballed for Lees since its AIM listing in June. Chairman Raymond Miquel, right, rescued the firm in 1993