



**London**  
Stock Exchange

# Listing at the centre of global finance

Yi Xie, CFA  
London Stock Exchange Group

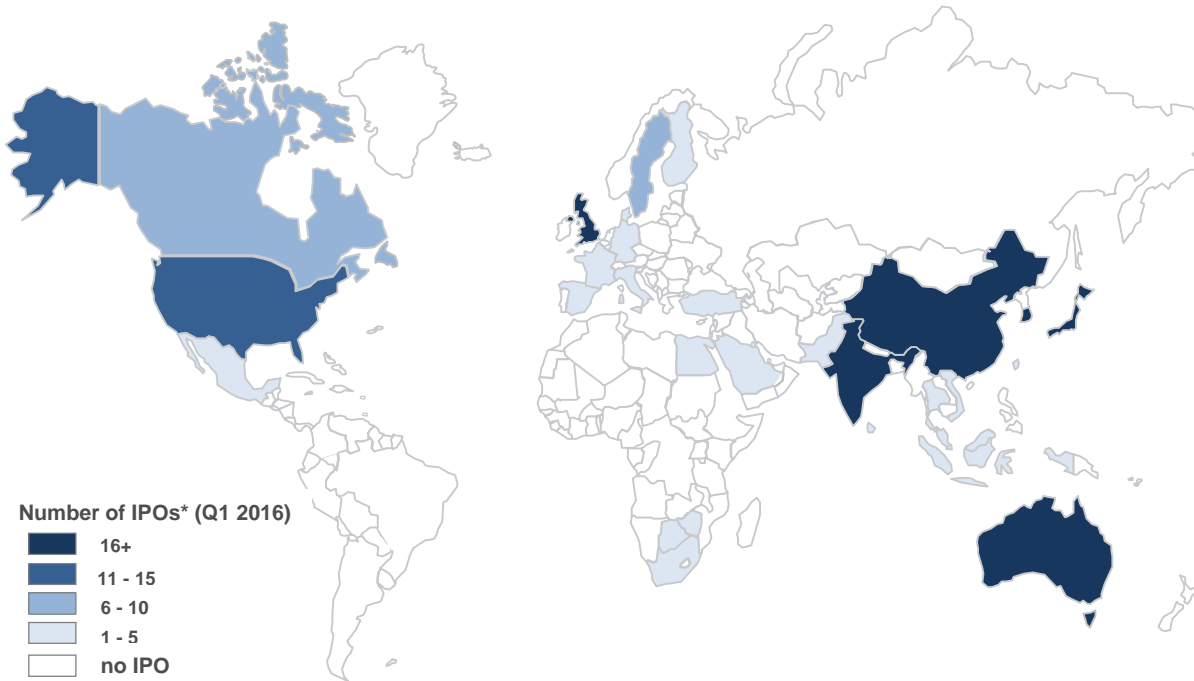


May 2016

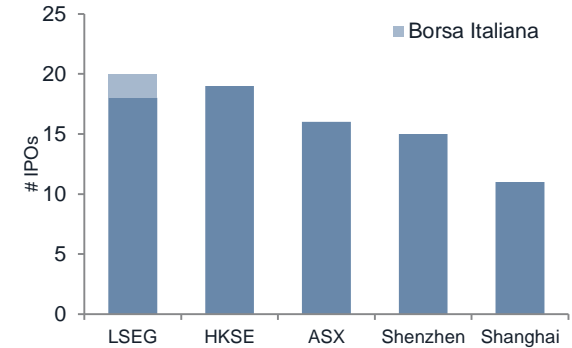
# 2016 Q1 – Encouraging IPO performance in London despite Weak Global Backdrop



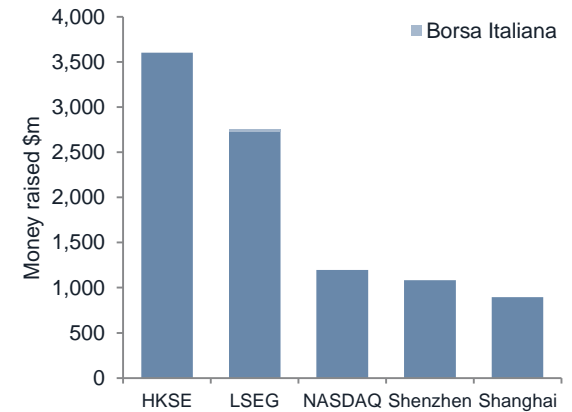
**London**  
Stock Exchange



**Top 5 Exchanges by # IPOs 2016 Q1**



**Top 5 Exchanges by Money Raised at IPO 2016 Q1**



- Global IPO proceeds in Q1 2016 were \$14.3bn compared with \$30.4bn in Q1 2015. London Stock Exchange Group ranks top globally in terms of capital raised at IPO after the first quarter with 20 IPOs raising \$2.8bn.
- LSEG can support deals of various sizes. Larger deals: 6 of the 20 LSEG deals raised over \$100m each and smaller, 7 of the 20 LSEG deals raised under \$10m each.

Source: Dealogic, London Stock Exchange stats, April 2016

\*Number of IPOs by listing venue

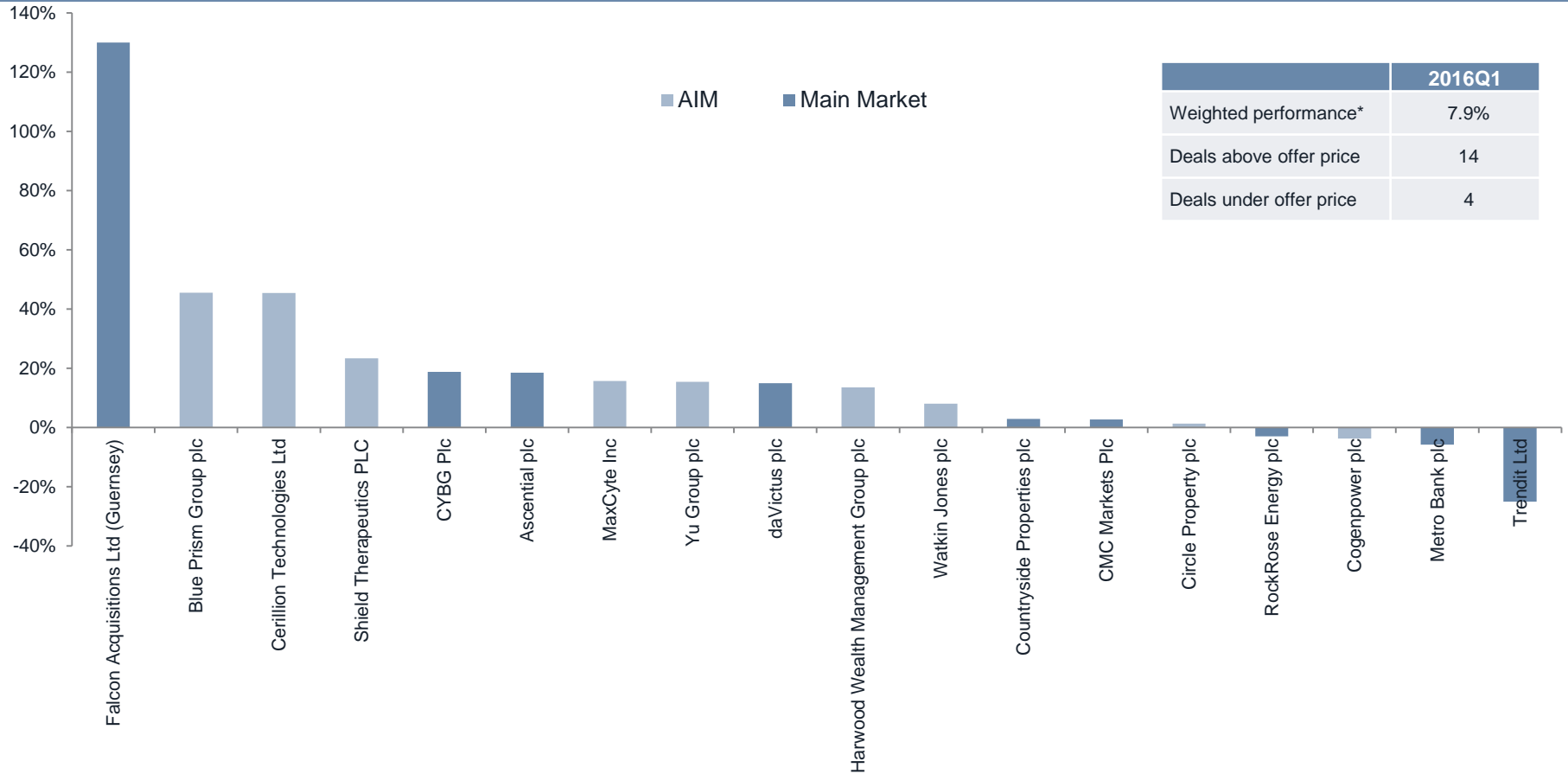
\*\* Weighted by market cap at offer

# 2016 Q1 – London IPOs are Trading Well



**London**  
Stock Exchange

London IPO Performance (2016Q1 IPOs)

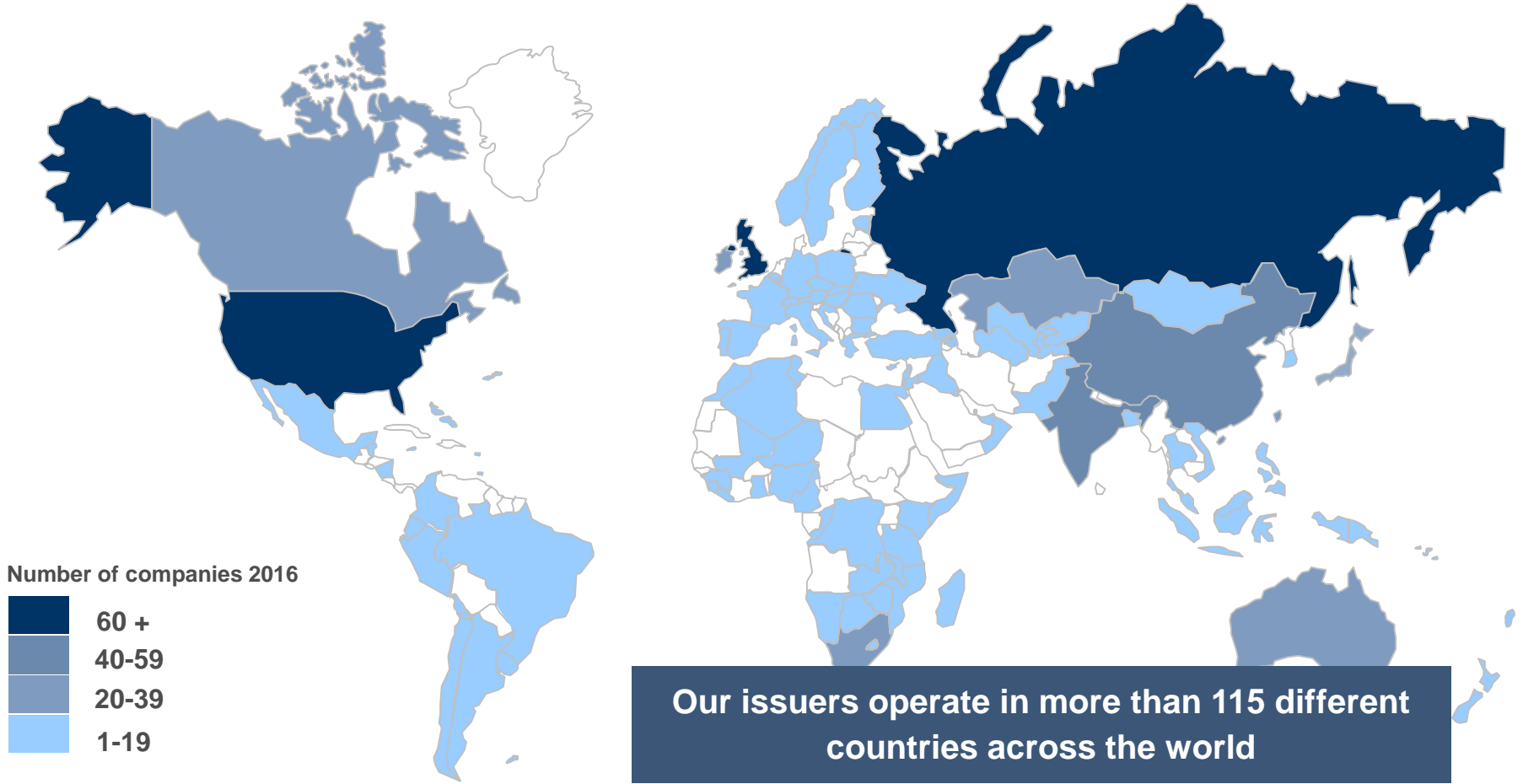


	2016Q1
Weighted performance*	7.9%
Deals above offer price	14
Deals under offer price	4

Source: Dealogic, Bloomberg, price performance as of 8<sup>th</sup> April 2016

\*Weighted by market cap at offer

# LSE Listing - Access to Global Community



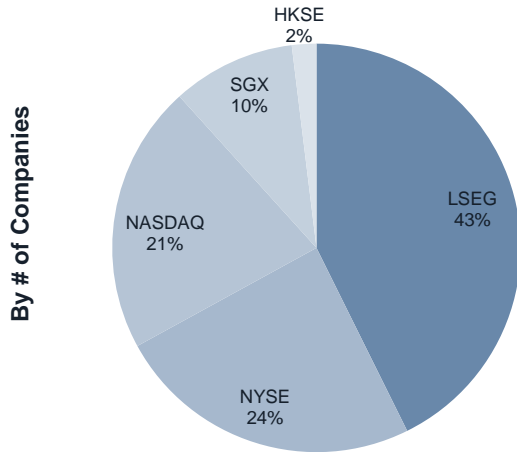
Source: London Stock Exchange statistics. Based on country of primary business.

# LSE Group – International Market of Choice

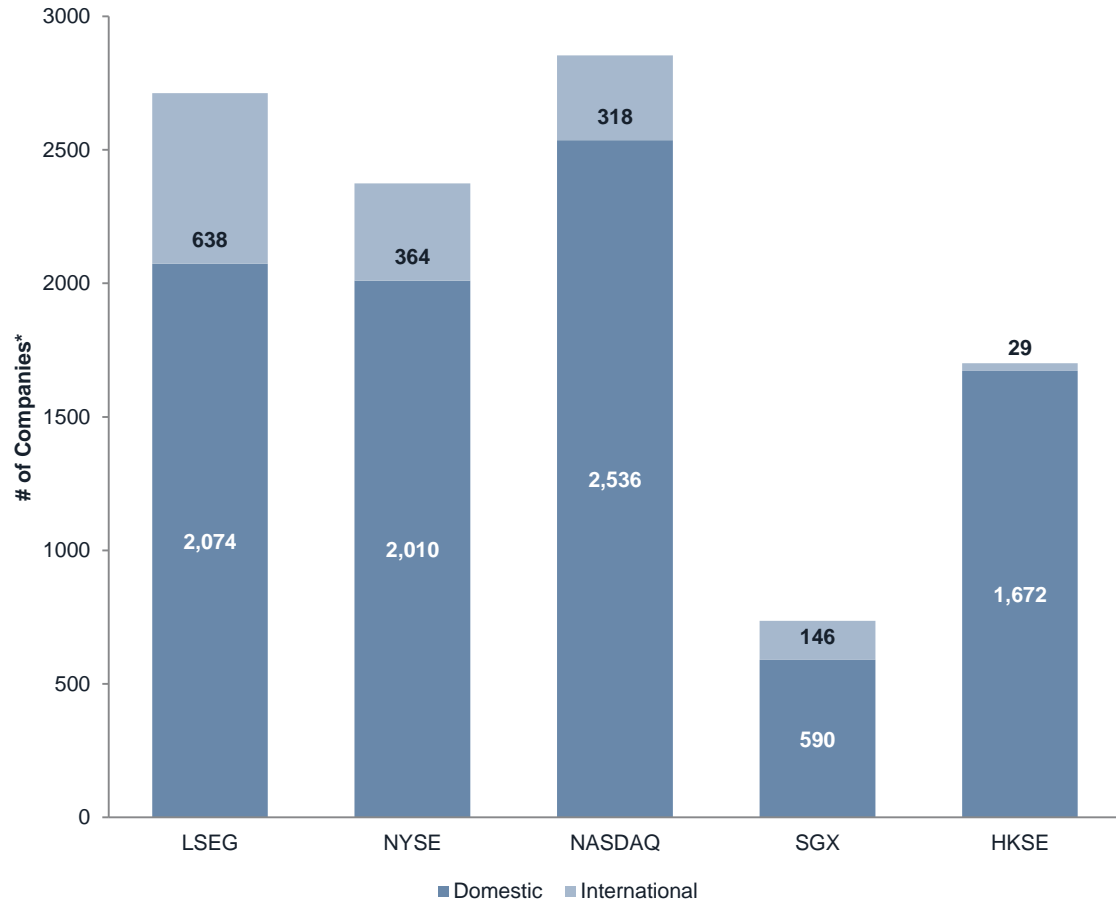


**London**  
Stock Exchange

## Cross Border Listings on International Exchanges



- More international companies choose London for listing than any other exchange. Over 40% of all major exchange listed international companies are listed on LSE.
- Tried and tested market expertise, developed financing infrastructure and internationally-minded investor community.



Source: Bloomberg, January 2016

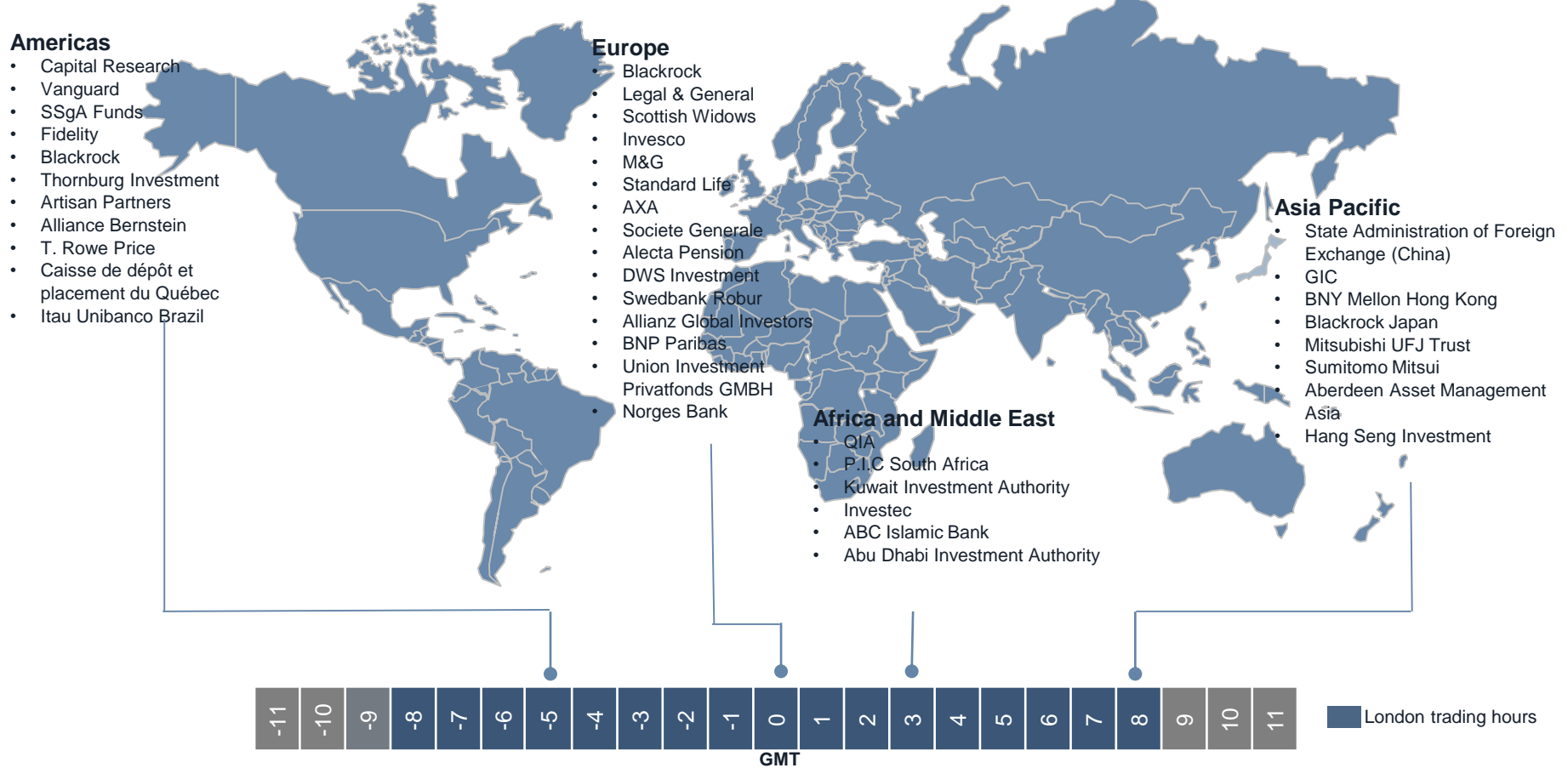
\* International classification based on country of domicile

# London – Connects Investors Around the World



**London**  
Stock Exchange

## Selected Major Institutional Investors in London Listed Equities

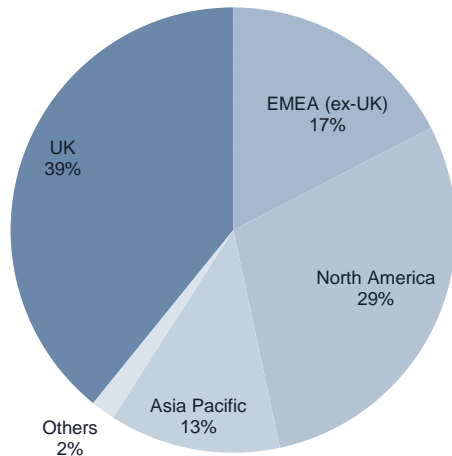


Source: Factset

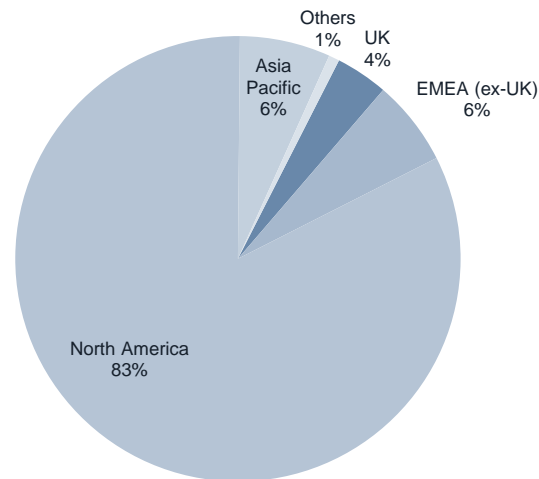
# London – The Most Globally Diverse Investor Base

## Domicile of Top 50 investors in listed securities by country

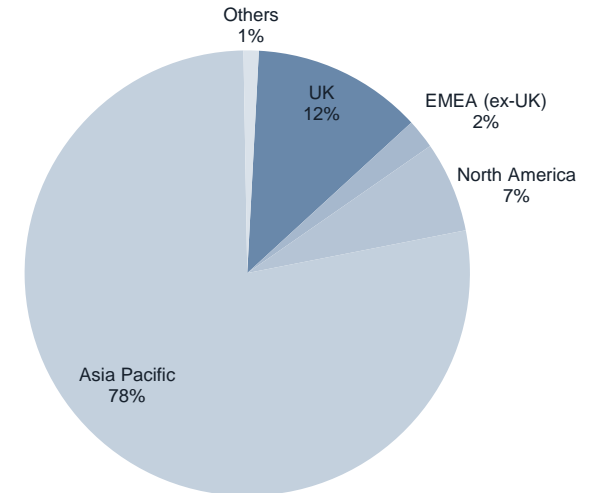
UK



US



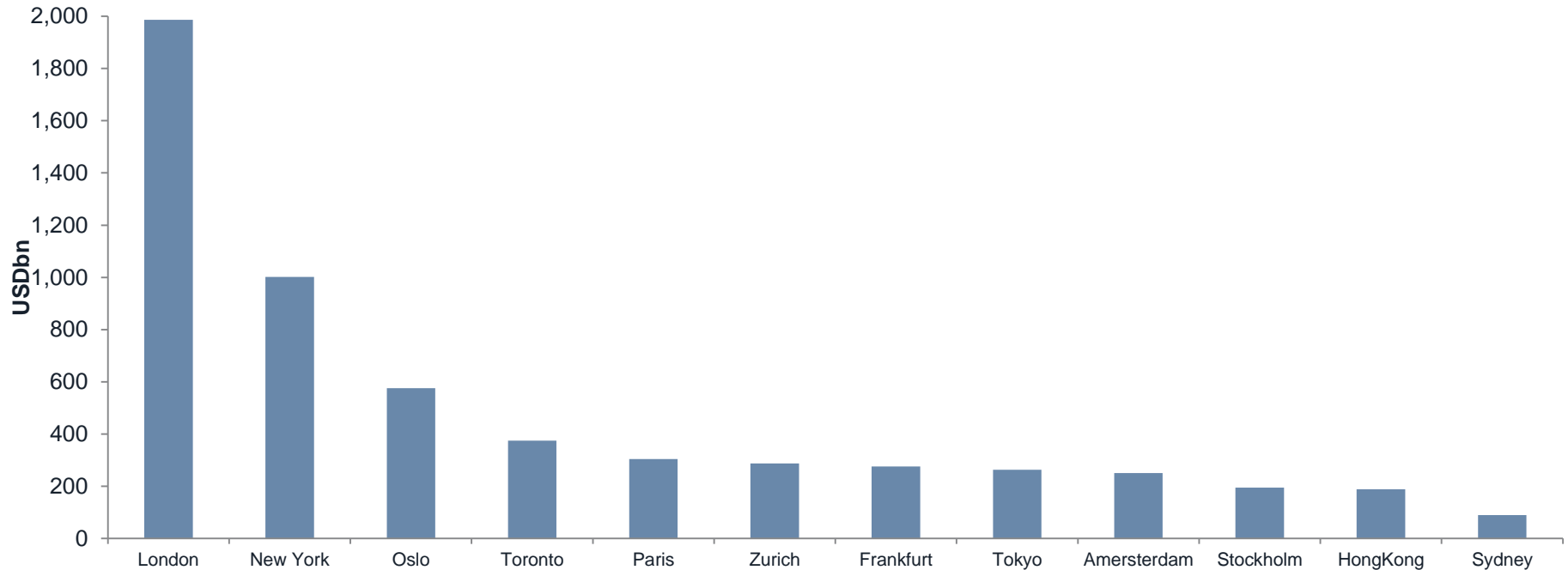
HK



- London is the key global equity financial centre, with more international assets under management than any other global financial centre.
- Companies listing in London are able to access overseas investors through widely used and well understood capital raising routes.
- Apart from the large investor community in London, companies raising capital can also access a global investor base, including sovereign wealth funds, global institutional funds, tracker funds, specialist sectoral and geographic funds.

# LSE – Leading International Equity Centre

Equity AUM held in International Portfolios, by Metro Area (Q4 2015)\*



- London is the key global equity financial centre, with more international assets under management than any other global financial centre
- Apart from the large investor community in London, companies raising capital can also access a global investor base, including sovereign wealth funds, global institutional funds, tracker funds, specialist sectoral and geographic funds.

Source: Facset and LSE calculation, January 2016

\*international portfolios defined as investment in companies with a domicile different to the country of domicile of the portfolio manager



# 2016YTD – Investor Diversification Across Our Markets



**London**  
Stock Exchange

Largest Institutions Investing in LSE Listed Stock	Equity AUM (USDbn)
BlackRock Investment Management (UK)	96.4
Legal & General Investment Management	74.0
The Vanguard Group	59.2
Norges Bank Investment Management	52.5
Invesco Asset Management	39.9
Standard Life Investments	36.1
Schroder Investment Management	33.8
Capital Research & Management Co. (World Investors)	32.5
Aberdeen Asset Investments	31.7
State Street Global Advisors	31.2
Capital Research & Management Co. (Global Investors)	31.1
M&G Investment Management	30.1
Threadneedle Asset Management	25.5
Fidelity Management & Research	25.4
FIL Investment Advisors (UK)	23.2
BlackRock Fund Advisors	22.2
SSgA Funds Management	21.9
AXA Investment Managers UK	21.8
Royal London Asset Management	18.4
Aviva Investors Global Services	17.7

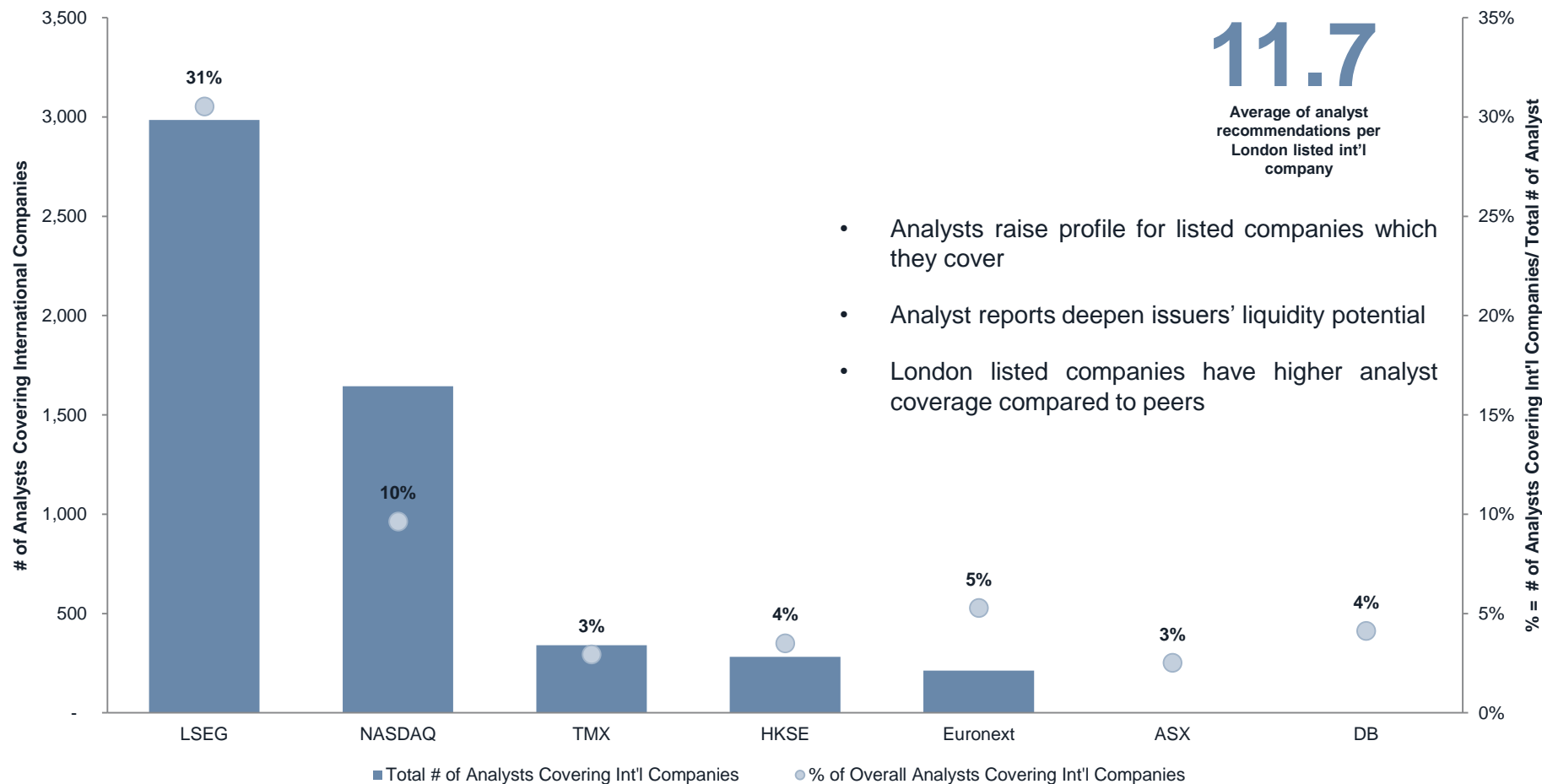
Top 10 Investors on AIM
Invesco Asset Management
Woodford Investment Management
Hargreave Hale
Schroder Investment Management
BlackRock Investment Management (UK)
Henderson Global Investors
Octopus Investments
Standard Life Investments
Liontrust Investment Partners
Miton Asset Management

Top 10 Investors on SFM
Baillie Gifford & Co.
M&G Investment Management Ltd.
CCLA Investment Management Ltd.
Invesco Asset Management
BlackRock Investment Management (UK) Ltd.
Insight Investment Management (Global) Ltd.
Aviva Investors Global Services
Old Mutual Global Investors (UK) Ltd.
Threadneedle Asset Management Ltd.
Investec Wealth & Investment Ltd

Top 10 Investors on PSM
BlackRock Advisors (UK)
Brandes Investment Partners
BI Asset Management FondsmÅŠglerselskab
Skagen AS
Gilder, Gagnon, Howe & Co
BlackRock Investment Management (UK)
LSV Asset Management
BlackRock Fund Advisors
The Vanguard Group
Invesco PowerShares Capital Management (UK)

Source: Factset and London Stock Exchange calculation, April 2016

# London - Superior Analyst Coverage



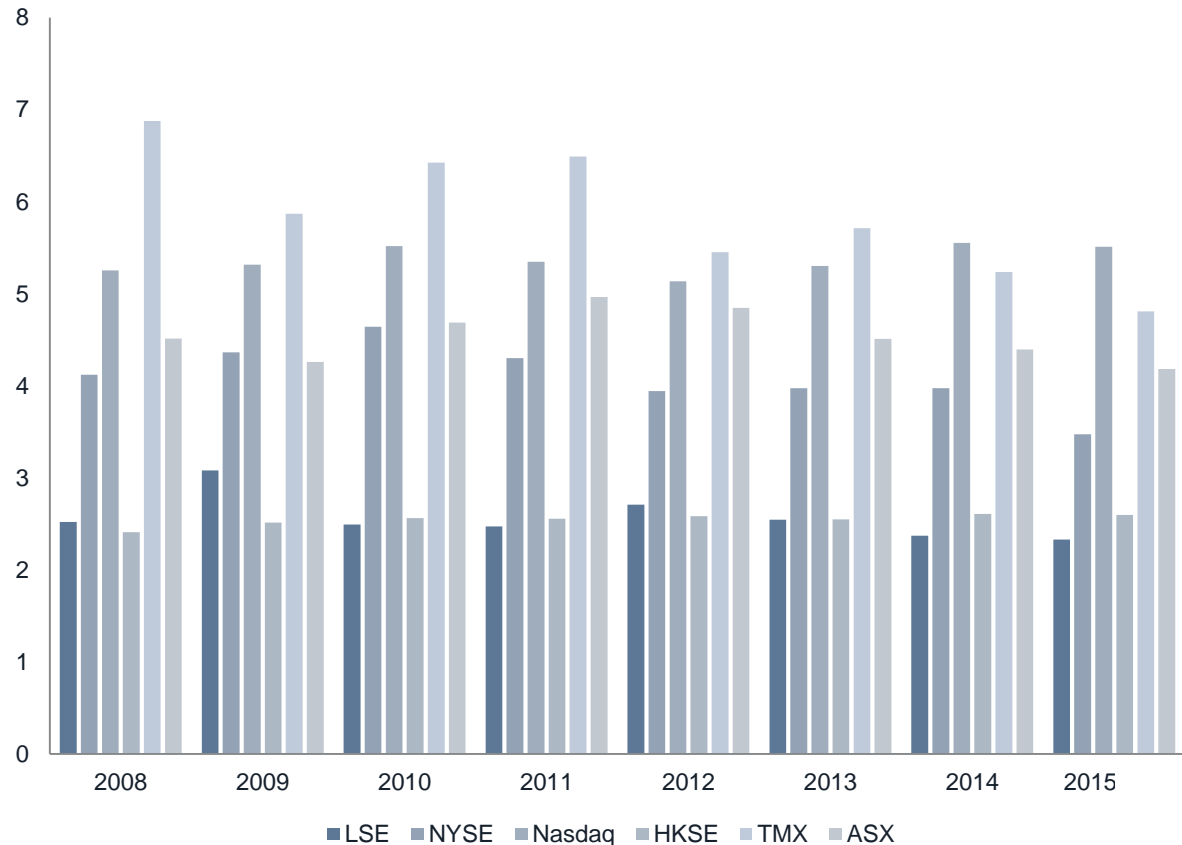
Source: Bloomberg  
\*excluding investment funds and smaller corporates

# London - Lowest IPO Fees

## Cost of listing in London is further reduced by:

- Regulation which is widely tested and balanced
- Highly competitive legal services which have experience of listing process
- Timing of the admission process is clearly communicated
- Direct communication with the regulator and the Exchange
- All disclosures in English

Comparison of Underwriting Costs (%)\*



\*Based on gross underwriting fees % (excluding AIM).

Source: Dealogic, LSE data, 2016

# Choice for companies and investors

The route to market a company chooses will depend on a number of factors including:

- Stage in a company's development
- Complexity of the offer and securities issued
- Target investors
- Company's size
- Company's strategy and objectives

**Securities admitted to official list**  
(maintained by UKLA)

**Securities not admitted to official list**  
(maintained by UKLA)



# Premium Listing on the Main Market



**London**  
Stock Exchange

## Key eligibility requirements

<b>Listing Rules</b>	<ul style="list-style-type: none"> <li>• Compliance with the Listing Principles (LR 7)</li> <li>• Appointment of a sponsor</li> <li>• 75% of the business to be supported by a historical financial information</li> <li>• Control over the majority of the entity's assets</li> <li>• Independent business as main activity</li> <li>• Unqualified working capital statement</li> <li>• Minimum 25% shares in public hands</li> <li>• Minimum market capitalisation GBP 700,000</li> <li>• Free transferability of securities</li> <li>• Eligible for electronic settlement</li> </ul>
<b>Accounts</b>	<ul style="list-style-type: none"> <li>• 3 years of audited financial information*</li> <li>• Latest accounts no more than 6 months old (Interims included if accounts more than 6 months old)*</li> <li>• EU IFRS or equivalent</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>• UK Corporate Governance</li> </ul>
<b>Prospectus</b>	<ul style="list-style-type: none"> <li>• Prospectus approved by the UKLA</li> </ul>
<b>Admission &amp; Disclosure Standards</b>	<ul style="list-style-type: none"> <li>• Compliance with the London Stock Exchange's Admission and Disclosure Standards</li> </ul>

## Key continuing obligations

<b>Periodic Reporting</b>	<ul style="list-style-type: none"> <li>• Annual Financial Report (four months after the end financial period)</li> <li>• Half yearly financial report</li> <li>• Interim Management Statement</li> <li>• Significant transactions (class tests)</li> </ul>
<b>Listing Rules</b>	<ul style="list-style-type: none"> <li>• Pre-emption rights extended to existing shareholders</li> <li>• Model code</li> </ul>
<b>Disclosure and Transparency Rules</b>	<ul style="list-style-type: none"> <li>• Inside information made public without delay</li> <li>• List of insiders</li> <li>• Major shareholder notification</li> <li>• Directors Dealings</li> <li>• Related party transactions</li> </ul>
<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>• UK Corporate governance – comply or explain</li> <li>• Statement in the annual report</li> </ul>
<b>Sponsor</b>	<ul style="list-style-type: none"> <li>• To be retained at all time</li> </ul>

\*Does not apply to mineral or scientific research companies

# Standard Listing of Shares on the Main Market



**London**  
Stock Exchange

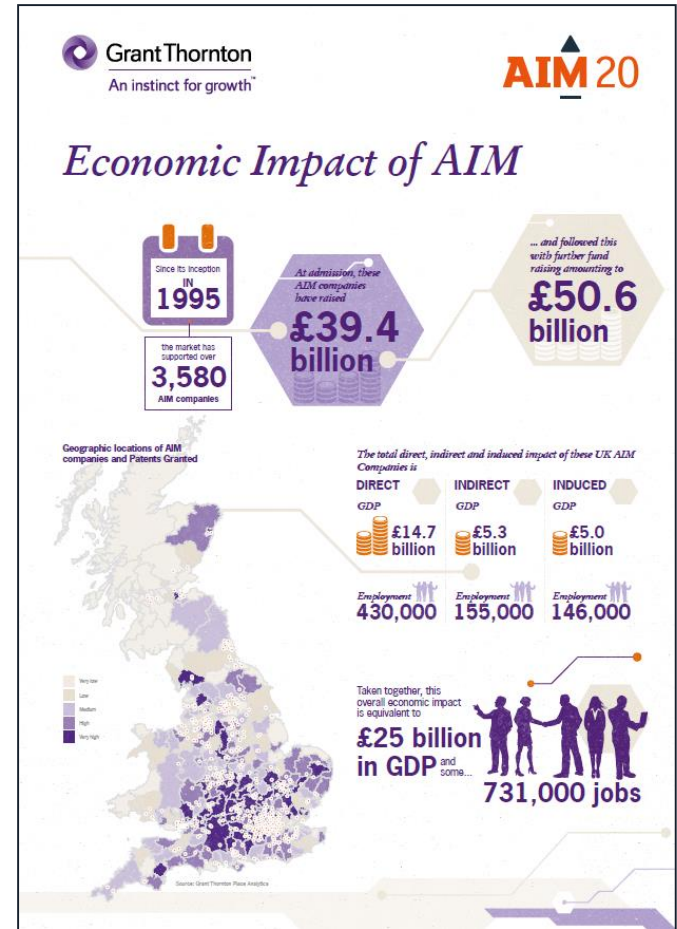
## Key eligibility requirements

<b>Listing Rules</b>	<ul style="list-style-type: none"> <li>• Minimum 25% shares in public hands in one or more EEA States</li> <li>• Minimum market capitalisation GBP 700,000</li> <li>• Free transferability of securities</li> <li>• Eligible for electronic settlement</li> <li>• 12 month working capital statement</li> </ul>
<b>Accounts</b>	<ul style="list-style-type: none"> <li>• 3 years of audited financial information (or such shorter period that the issuer has been in operation)</li> <li>• Latest accounts no more than 18 months old (if audited interims included) or 15 months old (if unaudited interims included). If accounts are older than 9 months, interims must be included.</li> <li>• EU IFRS or equivalent</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>• Domestic corporate governance code applies</li> </ul>
<b>Prospectus</b>	<ul style="list-style-type: none"> <li>• Prospectus approved by the UKLA</li> </ul>
<b>Admission &amp; Disclosure Standards</b>	<ul style="list-style-type: none"> <li>• Compliance with the London Stock Exchange's Admission and Disclosure Standards</li> </ul>

## Key continuing obligations

<b>Periodic Reporting</b>	<ul style="list-style-type: none"> <li>• Annual Report (four months after the end financial period)</li> <li>• Half yearly financial report</li> </ul>
<b>Disclosure and Transparency Rules</b>	<ul style="list-style-type: none"> <li>• List of insiders</li> <li>• Inside information made public without delay</li> </ul>
<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>• Domestic Corporate governance applied</li> <li>• Corporate governance statement in the annual report</li> </ul>

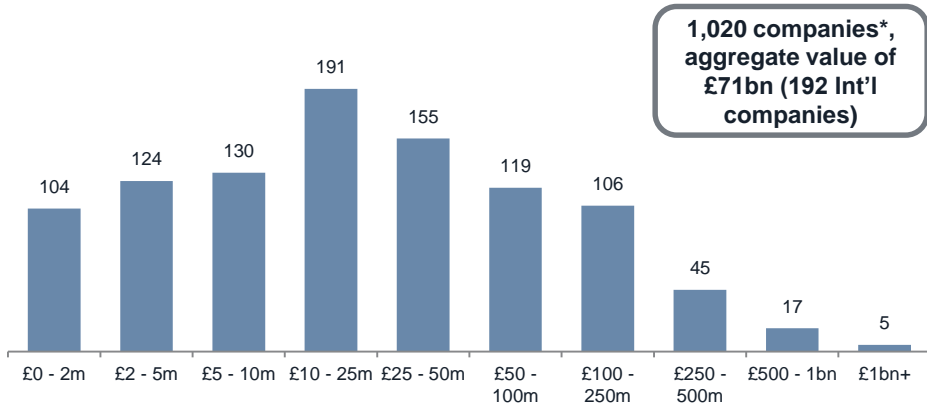
- Home to around **1,000** companies from over **40** sectors around the globe, AIM has firmly established itself as the world's most successful and international growth market.
- Since inception in 1995, the market has given SMEs access to the deepest pool of long term international capital in the world through a market specifically designed to suit their needs.
- Supported by an experienced community of advisers and a balanced regulatory approach, AIM has welcomed more than 3,600 companies, raising more than **£95bn** through IPOs and further issues.



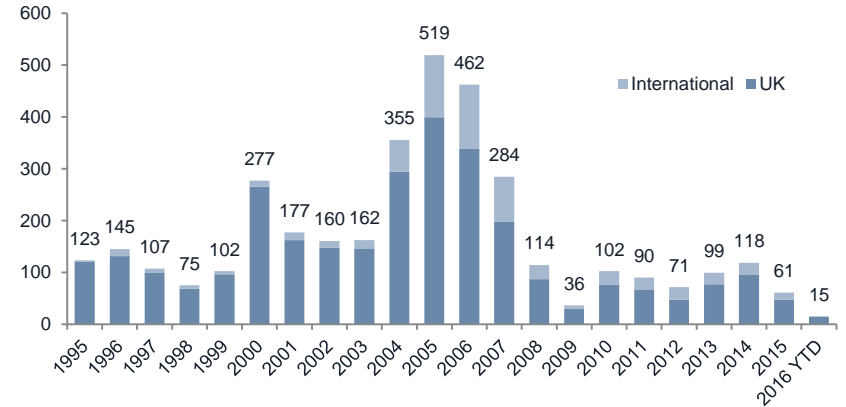
# A Snapshot of AIM



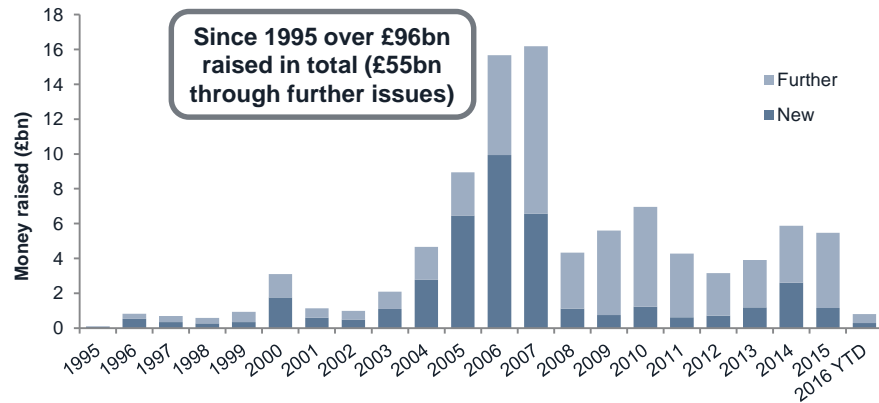
## Profile of AIM Companies



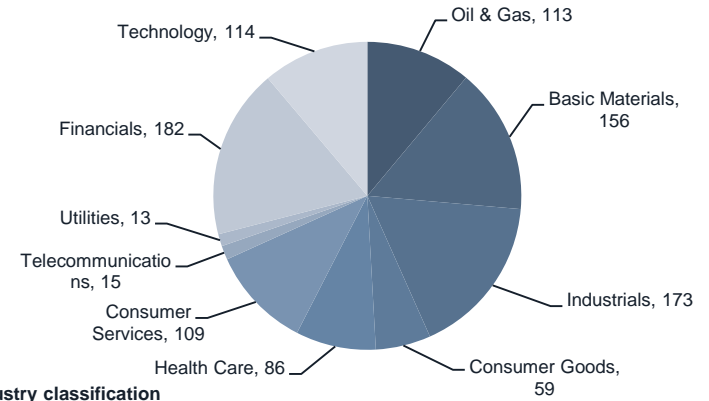
## Admissions to AIM – 1995 to 2016 YTD



## Fundraisings on AIM – 1995 to 2016 YTD



## Industries\* Represented – by Number of Companies



Source: LSE statistics, 31<sup>st</sup> of March 2016

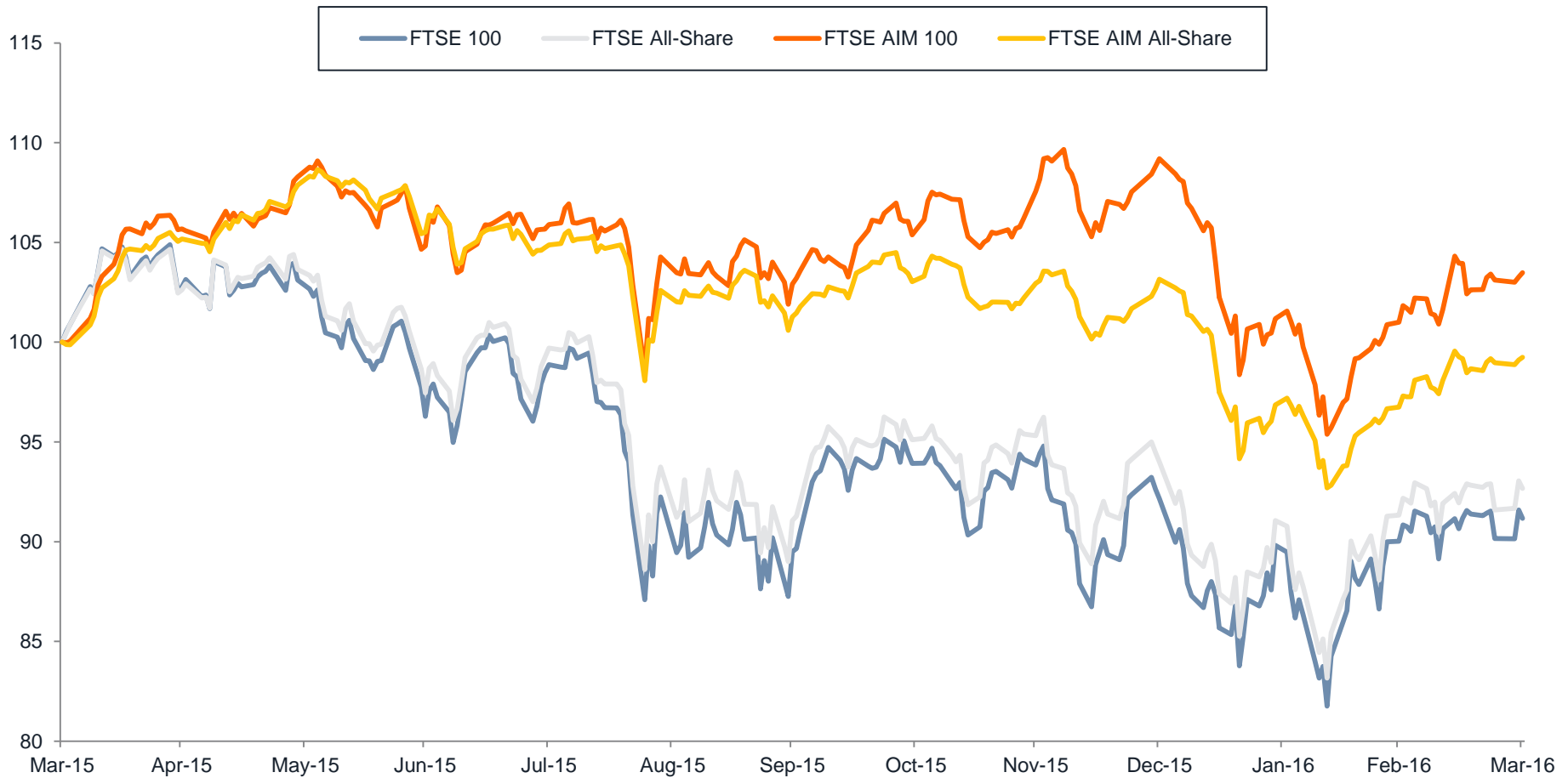
\*23 companies either suspended or undetermined value



# AIM Profile & Performance – Index comparison



**London**  
Stock Exchange



Source: Bloomberg, March 2016

# The Benefits of AIM



**London**  
Stock Exchange

## Access to capital

Diverse & deep pool of capital

Strong support from institutions

Funding for acquisitions & expansion to new markets

**BLACKROCK**<sup>®</sup>



## Wide support network

Nominated advisers

Accountants

Lawyers

Banks/Brokers

Analysts

Financial PR / IR

Media

## Profile

Visibility

Bargaining power with customers & supplier

Access to incremental research coverage

Marketability of stock

Global peer group

FTSE AIM Index Series



## Balanced regulatory approach

Disclosure requirements tailored to growing companies

Based on EU FSAP Directives & UK Prescribed Market Regime

Local & International investor confidence in regulatory framework

# AIM regulatory framework



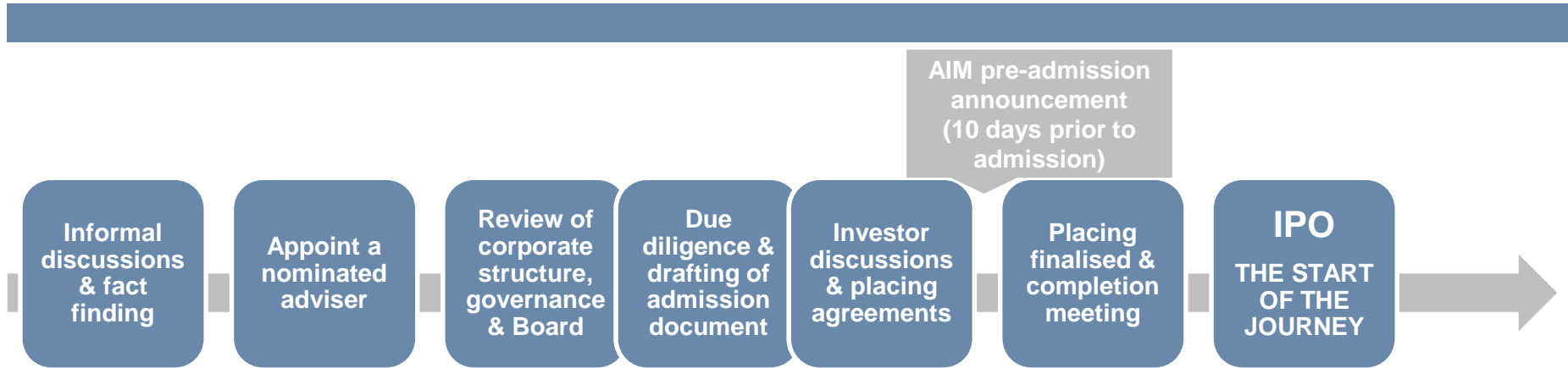
**London**  
Stock Exchange



Key eligibility requirements	
<b>Rulebooks</b>	<ul style="list-style-type: none"> <li>AIM Rules for Companies and Nominated Advisers</li> </ul>
<b>Eligibility criteria</b>	<ul style="list-style-type: none"> <li>No minimum track record requirement or free float criteria, but company must demonstrate appropriateness to join a public market</li> <li>Appointment of nominated adviser</li> </ul>
<b>Admission documents</b>	<ul style="list-style-type: none"> <li>Pre-admission announcement at least 10 business days prior to admission</li> <li>AIM admission document</li> <li>Nomad declaration of appropriateness</li> </ul>
<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>Adoption of corporate governance measures as appropriate for the business</li> <li>UK Corporate Governance Code / QCA Corporate Governance Code as best practice</li> </ul>

Continuing obligations	
<b>Periodic reporting</b>	<ul style="list-style-type: none"> <li>Audited Annual Report</li> <li>Half yearly financial report</li> </ul>
<b>Disclosure requirements</b>	<ul style="list-style-type: none"> <li>Price sensitive information to be made public without delay</li> <li>Significant shareholder notification</li> <li>Directors' dealings notification</li> <li>Company website with up-to-date regulatory information</li> </ul>
<b>Corporate transactions</b>	<ul style="list-style-type: none"> <li>Class tests to assess transactions</li> <li>Notification of substantial transactions, related party transactions</li> <li>Shareholder approval for reverse takeovers, fundamental disposals &amp; cancellation</li> </ul>
<b>Adviser</b>	<ul style="list-style-type: none"> <li>To retain a nominated adviser at all times, failure to do so may result in suspension in the company's shares</li> </ul>

# Understanding the AIM Admission Process & Associated Costs



## Costs of IPO

Advisory & due diligence	These include nomad, reporting accountants, lawyers and other due diligence costs. These are mainly dependent on complexity of the business & sector, but can be significantly higher for the Main Market due to legal costs of producing a Prospectus approved by the UKLA
Exchange fees	Incremental based on company's market value
Broker commission	Actual % depends on the quantum & can be affected by sector and complexity of deal

## Ongoing compliance – can vary with corporate activity

Nomad/Corporate adviser	Similar for AIM & Main Market companies – as Main Market companies usually retain a corporate adviser
Auditors	<ul style="list-style-type: none"> <li>• Similar for comparable companies on AIM &amp; the Main Market</li> <li>• Can vary dependent on complexity of the business</li> </ul>
Internal Costs	Include corporate governance costs including non-executive directors as well as increased public relations & investor relations efforts
Other	Include exchange fees, registrars, website, AGMs etc

*Fees may vary significantly depending on the size, complexity and sector of a company.*

# The AIM Framework: Understanding the Role of the Nominated Adviser



**London**  
Stock Exchange

AIM companies are supported by a large and highly experienced community of advisers - nomads, brokers, accountants, lawyers, public relations and investor relations firms. The role of the nomad is the most critical as the AIM rules require every company to retain a nomad at all times.

<b>Who are nomads?</b>	<ul style="list-style-type: none"><li>• An investment bank, a corporate finance or accountancy firm approved to act in the capacity of a nomad by London Stock Exchange</li><li>• It is important a company chooses a nomad firm with relevant sector experience and understands the business. It is likely that the company will have a long and close relationship with their nomad</li><li>• A company can change its nomad firm as circumstances arise but must retain a nomad throughout its time on market</li></ul>
<b>What does the nomad do?</b>	<ul style="list-style-type: none"><li>• Undertakes due diligence to determine whether the company and directors are suitable for AIM</li><li>• Prepares the company for life on a public market and provides support in appointing team of advisers</li><li>• Co-ordinates the preparation of the admission document which details the company's investment proposition</li><li>• Confirms to London Stock Exchange that the company is appropriate for AIM</li><li>• Acts as the primary regulator throughout a company's time on AIM by ensuring the company continues to understand its obligations under the AIM Rules</li><li>• Gives corporate finance advice in relation to transactions whilst on AIM</li></ul>
<b>Why is the nomad role important?</b>	<ul style="list-style-type: none"><li>• To support and guide companies to achieve their growth potential</li><li>• To help companies provide an assessment of their business and prospects for investors</li><li>• A regulatory role to ensure a company meets its on-going obligations</li><li>• To safeguard the integrity of the market. Strict criteria in place for becoming an approved nomad ensures companies have access to the high-quality advice they deserve</li></ul>



## Hong Kong

**Yi Xie**, CFA

Director, Asia Pacific

London Stock Exchange Group

Tel: +852 2164 3258

Mobile: +852 5378 9008

Email: [yxie@lseg.com](mailto:yxie@lseg.com)

Visit our website: [www.lseg.com](http://www.lseg.com)



This document has been compiled by the London Stock Exchange plc (the “Exchange”). The Exchange has attempted to ensure that the information in this document is accurate, however the information is provided “AS IS” and on an “AS AVAILABLE” basis and may not be accurate or up to date.

The Exchange does not guarantee the accuracy, timeliness, completeness, performance or fitness for a particular purpose of the document or any of the information in it. The Exchange is not responsible for any third party content which is set out in this document. No responsibility is accepted by or on behalf of the Exchange for any errors, omissions, or inaccurate information in the document.

No action should be taken or omitted to be taken in reliance upon information in this document. The Exchange accepts no liability for the results of any action taken on the basis of the information in this document.

All implied warranties, including but not limited to the implied warranties of satisfactory quality, fitness for a particular purpose, non-infringement, compatibility, security and accuracy are excluded by the Exchange to the extent that they may be excluded as a matter of law. Further, the Exchange does not warrant that the document is error free or that any defects will be corrected.

To the extent permitted by applicable law, the Exchange expressly disclaims all liability howsoever arising whether in contract, tort (or deceit) or otherwise (including, but not limited to, liability for any negligent act or omissions) to any person in respect of any claims or losses of any nature, arising directly or indirectly from: (i) anything done or the consequences of anything done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this document, and (ii) the use of any data or materials in this document.

Information in this document is not offered as advice on any particular matter and must not be treated as a substitute for specific advice. In particular information in the document does not constitute professional, financial or investment advice and must not be used as a basis for making investment decisions and is in no way intended, directly or indirectly, as an attempt to market or sell any type of financial instrument. Advice from a suitably qualified professional should always be sought in relation to any particular matter or circumstances.

The contents of this document do not constitute an invitation to invest in shares of the Exchange, or constitute or form a part of any offer for the sale or subscription of, or any invitation to offer to buy or subscribe for, any securities or other financial instruments, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever.

London Stock Exchange and the London Stock Exchange coat of arms device are registered trade marks of London Stock Exchange plc. Other logos, organisations and company names referred to may be the trade marks of their respective owners.

© April 2016  
London Stock Exchange plc  
10 Paternoster Square  
London EC4M 7LS  
Telephone +44 (0)20 7797 1000  
[www.lseg.com](http://www.lseg.com)