

# Accessing **London Capital Markets**

Matthew Gorman

Hotel Mulia Senayan, Jakarta

5 October 2016



# Reed Smith Overview



Leading international, full service global law firm with sector expertise

More than 1,700 lawyers and more than 800 partners

Trusted legal adviser to leading international business, including Fortune 100 & FTSE 100 corporations

One fully integrated global partnership across markets and sector groups

A theme of seamless and consistent service – tailored for each client and led by Client Relationship Partners

A client relationship firm - Reed Smith ranked in the BTI Client Service 30 in *The BTI Client Service A-Team 2016*. We have been a Client Service 30 firm for twelve **years running**

# Reed Smith Network

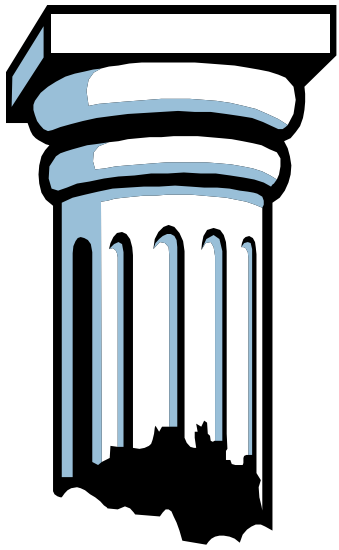
**More than 1,800 lawyers within 26 offices worldwide.**

Substantive practices are organised across geographic boundaries and assisted by technology so our work is performed in the most cost-effective and efficient manner.

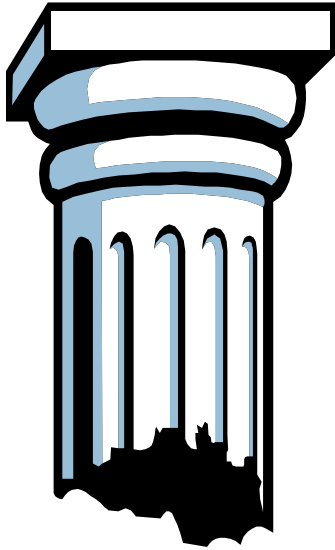


U.S. West	U.S. Central	U.S. East	Europe	Middle East	Asia
270+	180+	800+	420+	25+	150+

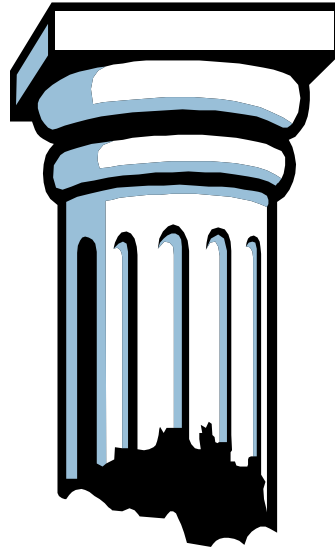
# Reed Smith Strengths: Five Pillars



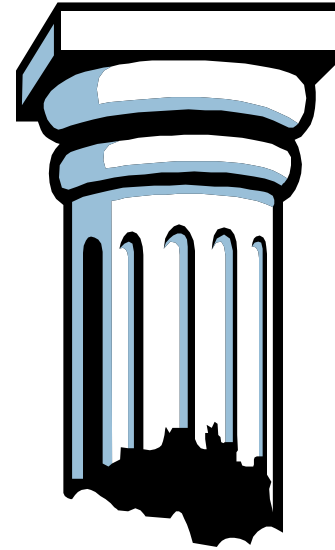
**Energy & Resources**



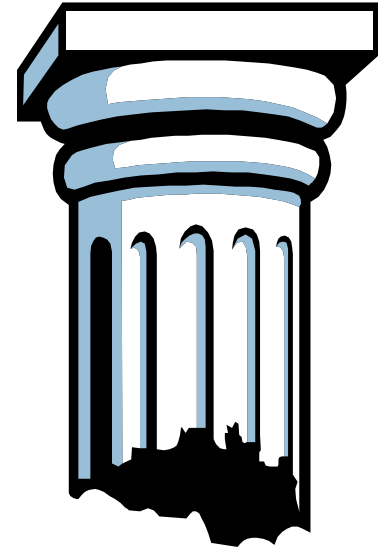
**Life Sciences**



**Shipping & Transportation**



**Entertainment & Media**



**Financial Services**



# Asian IPOs to London



**TOD CREATION  
INVESTMENTS  
LIMITED**



**daVICTUS**

**MYANMAR  
INVESTMENTS**



**Sorbic  
International Plc**



**GEONG**



**shoto'**

**RADIANT GROWTH  
INVESTMENTS LIMITED**



# Overview

- Pros & cons of listing
- Choosing the right bourse
- What to expect from your lawyer
- Due diligence
- Verification
- Common pitfalls for IPOs
- A word on structure
- Why London?
- Key features

# Pros & Cons of listing

<b>Pros</b>	<b>Cons</b>
<ul style="list-style-type: none"><li>• Access to capital</li><li>• Profile/reputation</li><li>• Exit route</li><li>• Motivation/incentive (ESOS)</li></ul>	<ul style="list-style-type: none"><li>• Loss of control</li><li>• Ongoing obligations</li><li>• Disclosure / accountability</li><li>• Costs</li><li>• Transparency</li><li>• Loss of privacy</li><li>• Management distraction</li><li>• Increased litigation risk</li></ul>

# Choosing the right bourse

- **Consider:**

- Type of business
  - Active/operating
  - Passive/investment holding
- Stage of development
  - Exploration/development
  - Production
- Location
  - Assets
  - Customers
  - Management
- Required speed/timing to market
- Management/technical resources
- Market conditions
- Costs



Indonesia Stock Exchange  
Bursa Efek Indonesia



London  
Stock Exchange





# What to expect from your Lawyer

- Pre IPO structuring / fundraising
- Licences / regulatory approvals
- Reviewing engagement terms
- Admission document / prospectus
- Due diligence / verification
- Placing documents
- Securities legislation
- Directors' duties / corporate governance
- Ongoing compliance



# Due diligence: Why?

- Directors: have a general obligation to ensure that Admission Document/Prospectus contains all information reasonably necessary to enable investors to form a full understanding of, inter alia, the assets and liabilities, financial position, profits and losses, and prospects of the Group and the rights attaching to the securities to be listed.
- Nomad is also required to confirm to AIM that, in its opinion, it is satisfied that the applicant is appropriate for listing on AIM.
- Due Diligence is one of the processes in the listing process for satisfying these requirements.

# Due Diligence: Scope

## Covers the company's entire business:

- Commercial (Nomad / Sponsor)
- Financial (Reporting Accountant)
- Legal (Lawyer)

## Due diligence findings:

- Information to be included in AD/Prospectus
- Matters to be “fixed”:
  - Pre IPO requirements
  - Post IPO commitments / recommendations

# Due Diligence: Detail

- General company information
- Accounts
- Real property and other material assets
- Indebtedness and financing documents
- Creditors and debtors
- Other material contracts and arrangements
- Employees, pensions and benefits
- IP, marketing, sales and operations
- Insurance
- Regulatory matters
- Litigation and disputes
- Environmental and health



# Verification

- **Need to verify:**
  - Admission Document/Prospectus
  - Presentation Materials
- **AIM verification period can be short (2/3 weeks) because:**
  - Admission Document is comparatively short
  - No vetting by the Exchange
- **More work required for a Main Market Listing**
- **With good planning, a lot of the information required for verification will come from the due diligence process**

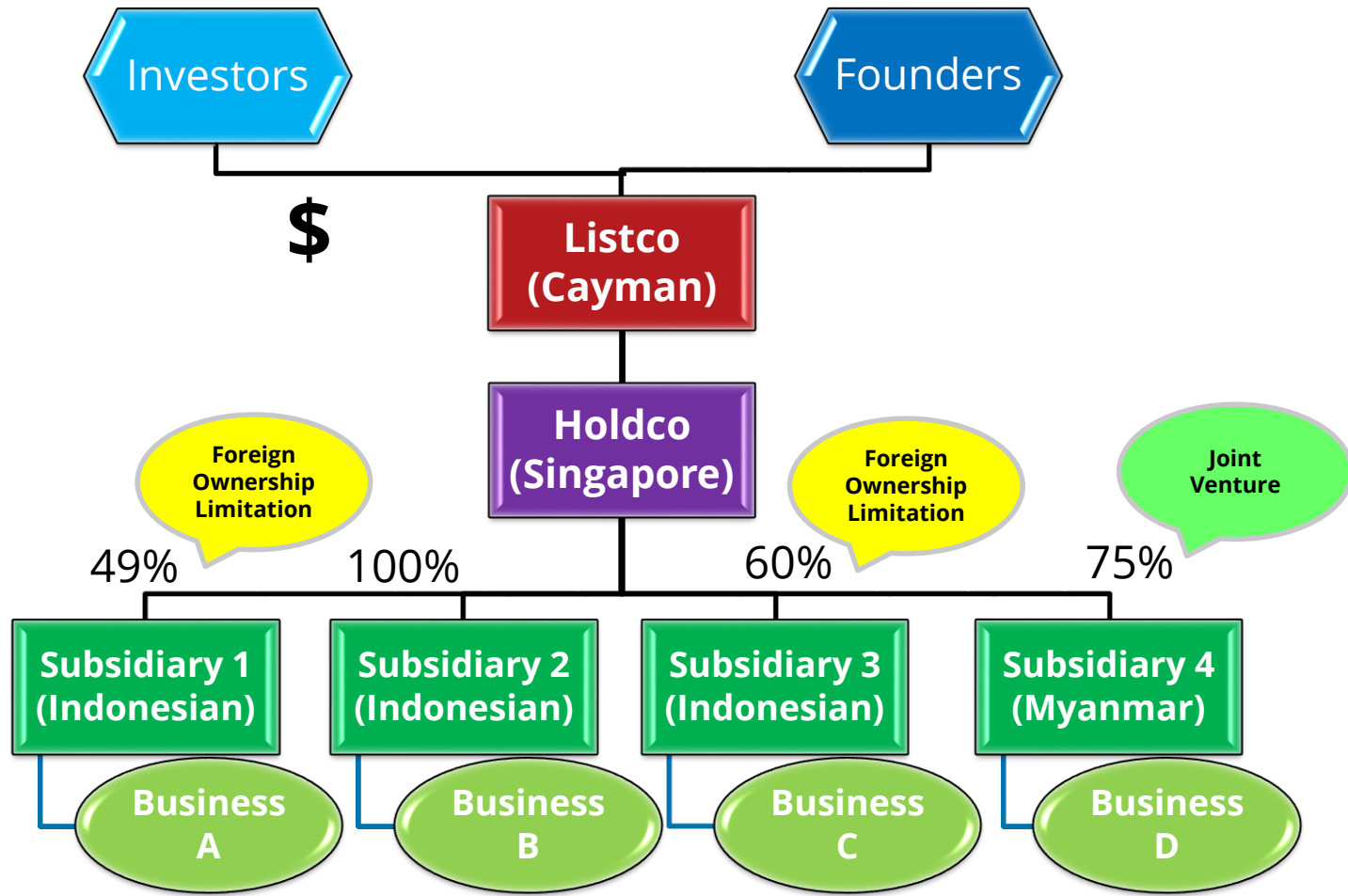
# Common pitfalls for IPOs

- Going to the market too soon...or too late
- Thinking too much about process not strategy
- Seeing the IPO as the end of the journey
- Under-estimating the commitment
- Not embracing the consequences of an IPO
- Not trusting your advisers
- Not being flexible



**#Mistake**

# A word on Structure



# Why London?

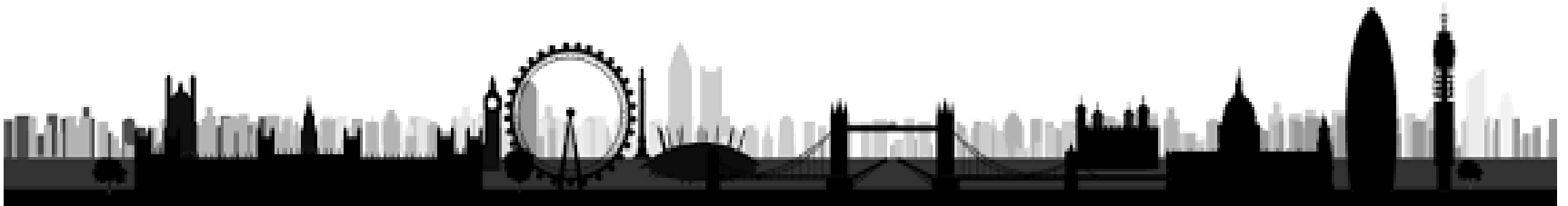
- Considerable investor knowledge and expertise
- Track record of liquidity
- Well differentiated ECM products
- Strong research platform
- Deep pool of international capital
- International visibility and profile



# Why London?

## Options:

- Main Market (Premium)
- Main Market (Standard)
- AIM



# Key features: Sponsor / Nomads

## Premium Listing

- Sponsor required for listing
- And thereafter for certain transactions

## Standard Listing

- Not required
- But sponsor often acts as financial adviser on listing

## AIM

- Nomad required for listing
- And on ongoing basis

# Key features: Minimum public float

## Premium Listing

- 25%
- In EEA

## Standard Listing

- 25%
- In EEA

## AIM

- None stipulated
- 15% in practice

# Key features: Market capitalisation

## Premium Listing

- GBP 700k
- Ideal size? FTSE 350

## Standard Listing

- GBP 700k
- Ideal size?

## AIM

- None stipulated
- Ideally GBP 40-100m

# Key features: Trading history

## Premium Listing

- 3 years for 75% of business
- Independent business

## Standard Listing

- None stipulated
- Up to 3 years if they exist

## AIM

- None stipulated
- Up to 3 years if they exist

# Key features: Financial reporting

## Premium Listing

- Annual report - 4 months
- Half-year report - 2 months
- Quarterly summary - 45 days

## Standard Listing

- Annual report - 4 months
- Half-year report - 2 months
- Quarterly summary - 45 days

## AIM

- Annual report - 6 months
- Half-year report - 3 months

# Key features: Post-listing compliance

## Premium Listing

- Announce price sensitive information
- Class 1 transaction requires shareholder approval and sponsor opinion
- RTO treated as new listing

## Standard Listing

- Announce price sensitive information
- Class tests by voluntary adoption
- RTO treated as new listing

## AIM

- Announce price sensitive information
- Disclose significant and related party transactions
- RTO requires shareholder approval and treated as new listing

# Key features: Corporate governance

## Premium Listing

- NEDs – ½ the Board (usually at least 3)
- CG Regime: Combined Code

## Standard Listing

- NEDs – None stipulated (usually 2 by voluntary adoption)
- CG Regime: None specified (usually Combined Code or QCA Guidelines)

## AIM

- NEDs – None stipulated (usually 2 by agreement with Nomad)
- CG Regime: None specified (usually QCA Guidelines)



# Why Reed Smith?

*"Reed Smith are really nice people - the culture in the firm is fantastic. They're easy to work with, efficient, good on costs and very experienced in what they do."*

*"They're very capable, consummate lawyers. Would I work with them again? Absolutely."*

Chambers UK 2016

# Matthew Gorman



**Partner**  
**Singapore**

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mgorman@reedsmith.com

Matthew is a corporate partner with extensive transactional experience across a range of corporate and commercial disciplines including mergers and acquisitions, joint ventures, equity capital markets and private equity and venture capital.

Matthew provides strategic advice to both private and public companies and his knowledge of complex financing issues and his experience in understanding clients' objectives makes him a skilled advisor in sectors spanning, energy and resources, transportation and logistics, media, real estate and financial services.

Having worked in London for over 10 years before moving to Asia, Matthew has built up particular expertise in advising companies, financial institutions and intermediaries on transactions on the London Stock Exchange and its AIM market in particular. He also brings to any fund-raising transaction his thorough knowledge of the investment process and his understanding of Asian markets, cultures and corporate business styles.

Matthew's extensive cross-border experience covers a wide range of jurisdictions throughout Asia and beyond - including Singapore, Malaysia, China, Vietnam, Myanmar, Indonesia, Oman and Georgia.

Matthew is recognised by Chambers Asia 2016 as a Leading Individual in the Corporate/M&A and Capital Markets categories. Clients have commented that:

*"Matt impressed us with his hands-on commercial approach which, combined with his experience of cross-border M&A deals and an ability to work well with local counsel, meant that he was able to focus our attention on the critical issues."*

*"Matt has considerable experience of doing deals in Asia and always combines his expertise and experience with a measured and commercial approach to the transactions on which he advises."*

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