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AIM: Nominated Adviser & Broker Viewpoint

**Lindsay Mair - Corporate Finance
Katie Shelton - Corporate Broking
Daniel Stewart & Company plc**



➤ **Lindsay Mair (Head of Corporate Finance)**

Lindsay joined Daniel Stewart in December 2004. He has specialised in corporate finance for smaller quoted companies for nineteen years and has worked at director level on a wide range of transactions including flotations, secondary market fund raisings, take-overs and acquisitions and disposals. Lindsay is a chartered accountant having qualified with Deloitte and Touche in 1987, with whom he spent four years.

➤ **Katie Shelton (Corporate Broking)**

Katie joined Daniel Stewart in November 2005, having previously worked for 3 years at Kroll within their Corporate Recovery and Restructuring team. She has experience of leading IPOs and coordinating the associated fund raisings. She qualified as an Chartered Certified (ACCA) accountant in 2005, obtaining the Bronze Worldwide prize for her final set of exams. She has a first class Economics degree from Loughborough University.

- About Daniel Stewart
- Role of the Nominated Adviser
- Role of the Broker
- AIM IPO process
- Secondary issues
- Case study
- Valuation at IPO
- Using your quotation
- Post IPO dos and don'ts
- Appendix – about Daniel Stewart

- Specialist investment bank in the UK small cap sector, particularly AIM
 - Established 1989
 - Listed on AIM October 2004

- Focus on growing companies
 - Equity research
 - Institutional fund raising
 - Corporate finance (nominated adviser)
 - Corporate broking

- Growing client base, whilst maintaining a personal and pro-active, research-led service to each client

- Offices in London and Manchester with a presence in New York

The Role of the Nominated Adviser

- All nomads are approved by the London Stock Exchange
- All companies listed on AIM are required to retain a Nomad throughout their time on the market

At IPO.....

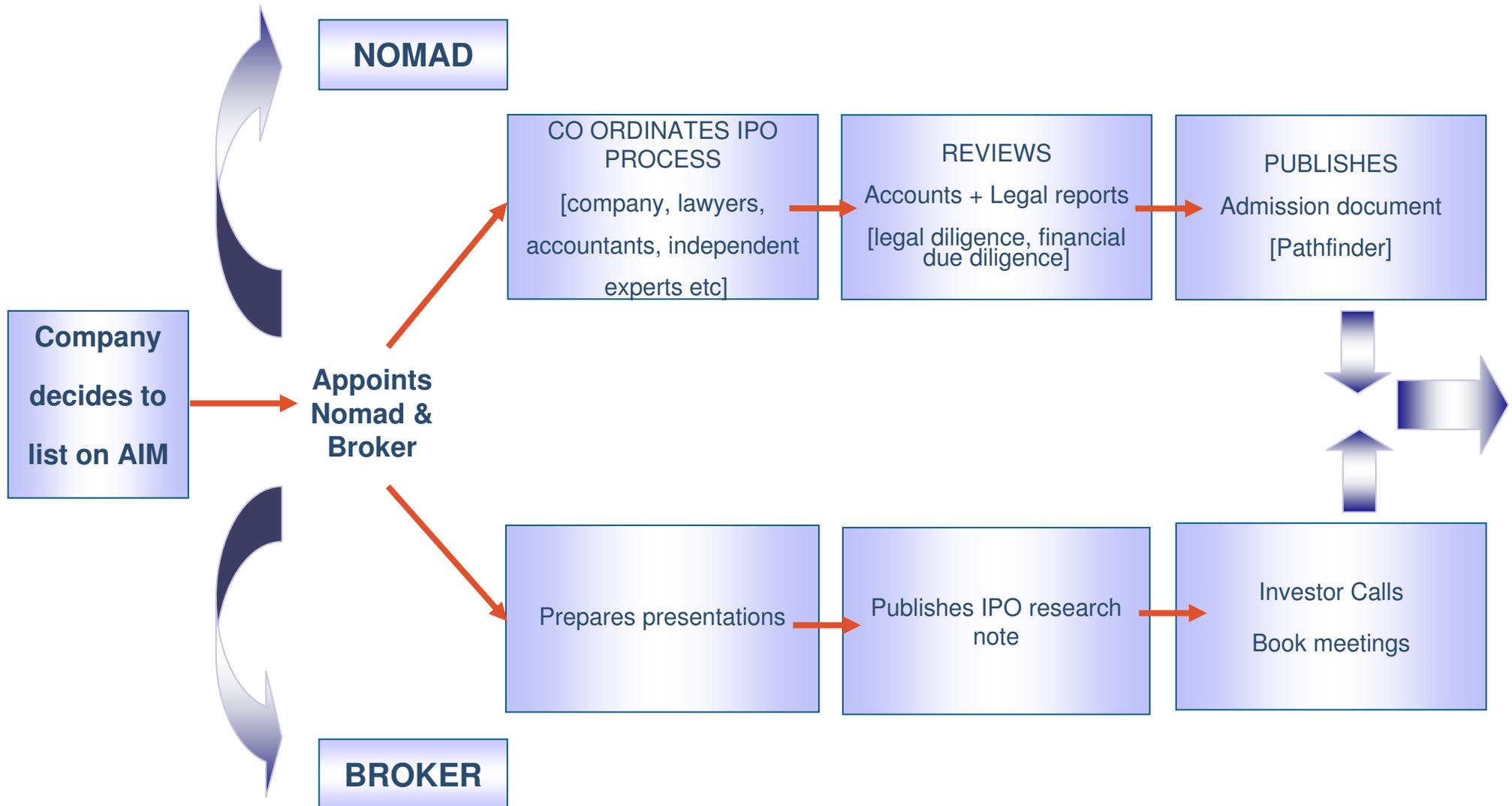
- Responsibility for assessing suitability of the potential company admitting to AIM
- Guides company through the flotation process and acts as project manager
- Undertakes extensive due diligence to ensure your company is suitable for AIM
- Overseas preparation of the admission document

After IPO.....

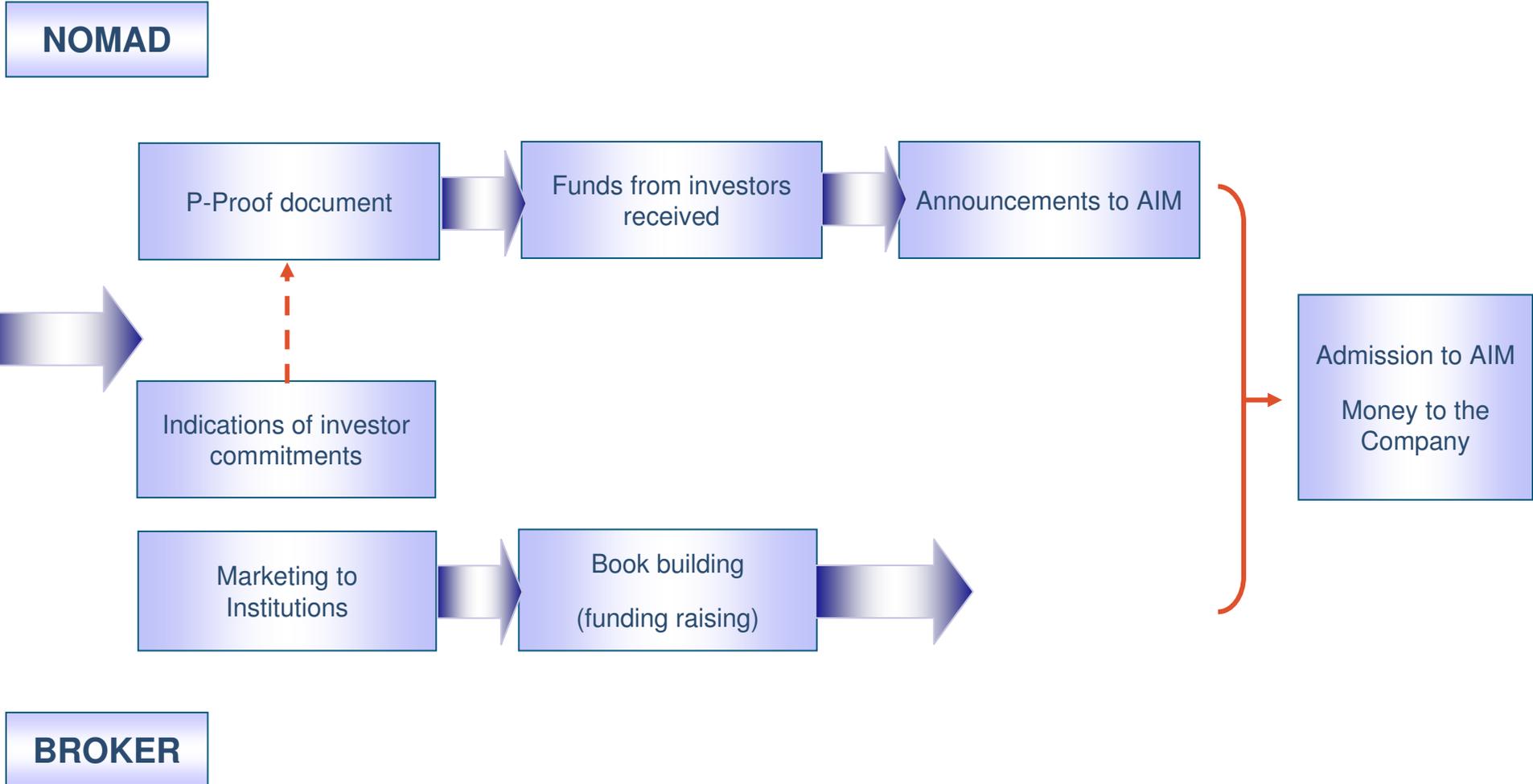
- Responsible for 'policing' AIM companies
- Main point of contact for company's directors
- Acts as a 'referee' to the company throughout
- Ensures the company adheres to the AIM rules and regulations and keeps the company up to date with rule changes
- Acts as financial adviser providing ongoing assistance to the development at the company

- Advise on market and trading related issues
- Act as the interface between potential investors and the company
- Co ordinate fund raising at IPO and any subsequent follow-on issues
- Advise on the pricing of shares and investment issues
- Ongoing promotion of trading of company's shares
- Responsible for issuing research on the company both at flotation and afterwards

AIM IPO Process (1)

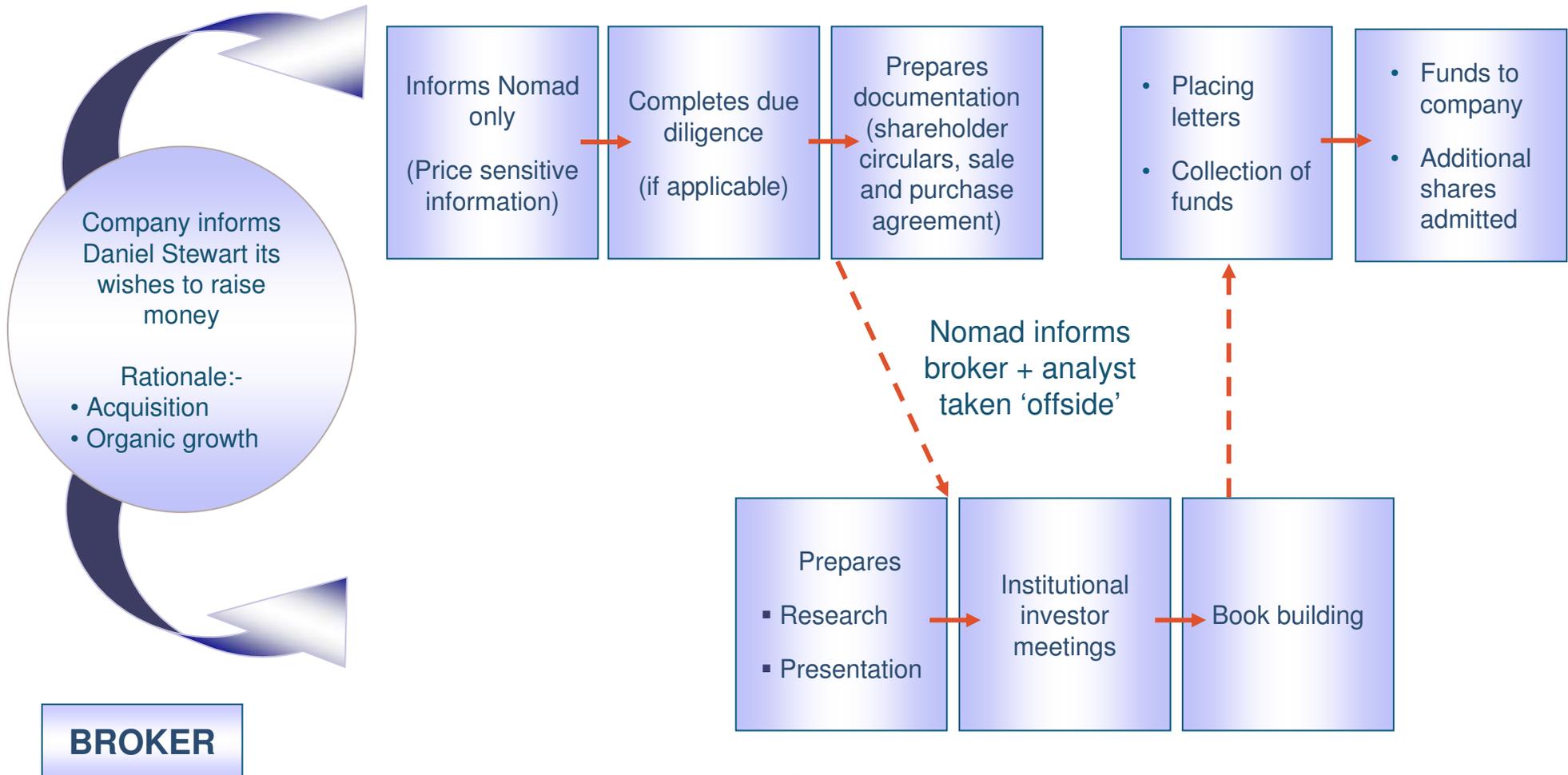


IPO Process (2)



Secondary Issues – How they work

NOMAD



Helius Energy

- Renewables company focused on building biomass power stations
- Based in UK and Southern Africa
- Approached Daniel Stewart in October 2006 to act as Nomad and Broker
 - Previous Nomad & Broker relationship had broken down
- Daniel Stewart considerations on taking on Helius:-
 - DS research analyst with necessary understanding of sector
 - Support of DS sales team
 - Nature and structure of business
 - Strength of management team

Helius Energy IPO – November 2006

➤ **Daniel Stewart Coordination of all IPO parties**

- **Lawyers** – legal due diligence
- **Accountants** – financial due diligence
- **Experts** – independent report
- **PR** – press releases/announcements
- **Nomad** – admission document
- **Broker** – presentation, investor meetings

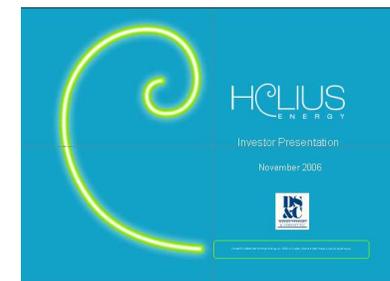
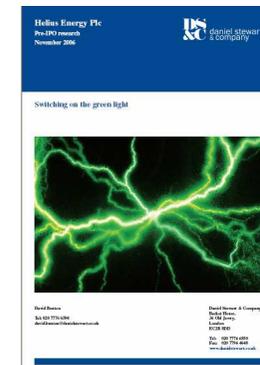
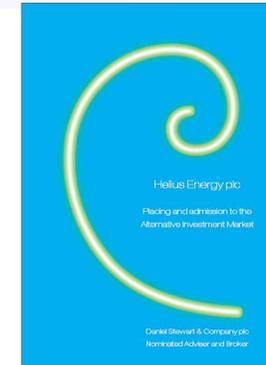
➤ **Pathfinder published**

- Sent to potential investors

➤ **Daniel Stewart analyst publishes research note sent to potential investors**

➤ **Sales team – investor roadshow**

- 1-2 weeks, 4-5 meetings a day



- **Broker**
 - Liaise with investors
 - Obtain final indications
- **Nomad**
 - Placing letters sent to investors
 - Collection of funds
 - Announcements
 - Public
 - To LSE
- **Admission to AIM**
 - Shares publicly tradable (Buy & Sell)
 - List price 26p
 - Share price at end of first day 40p
- **30 days later**
 - Research note and forecasts sent out into market

- Research note sets indications
- Usually price earnings ratio – comparable companies' - growth expectations
- Sometimes discounted cash flow
- Book building exercise to set price
- IPO discount / trading range

Once on AIM – using your quotation - AIM background

AIM background

- In 2006, 398 AIM admissions, raising £9.9bn (at IPO) and £5.7bn (afterwards)
- Over 1,600 companies on AIM with an aggregate market capitalisation of over £90bn

What does this mean for an AIM company?

- Competition for attention/capital – need to stand out
- Quotation is the starting point and a means to an end, not the end
- Use quotation to grow the business

Who are the AIM investors?

- 57% of AIM shares in 2006 held by institutions *
- Tend to be 'generalist' in sectors
- Mix of house and individual styles – growth, value

“The AIM market has proven highly successful at attracting many interesting investment opportunities. By its nature it is a stock picker’s market and you need to do your homework before you invest, but the potential investment returns make it well worth the effort”

Lindsay Whitelaw ‘Artemis Investment Management’

* Source:- Growth Company Investor

Top institutional investors in AIM

- Fidelity
- Artemis Investment Management
- F+C Asset Management
- AXA
- Gartmore
- AMVES CAP
- RAB Capital
- Goldman Sachs
- Bank of New York

Source: AIM Website

Using your quote – know your investors

- Mix of house styles...
 - Growth
 - Value
 - Momentum
 - Contrarian

- ...and individual styles
 - Absolute returns
 - Capital protection
 - Tax
 - Venture capital

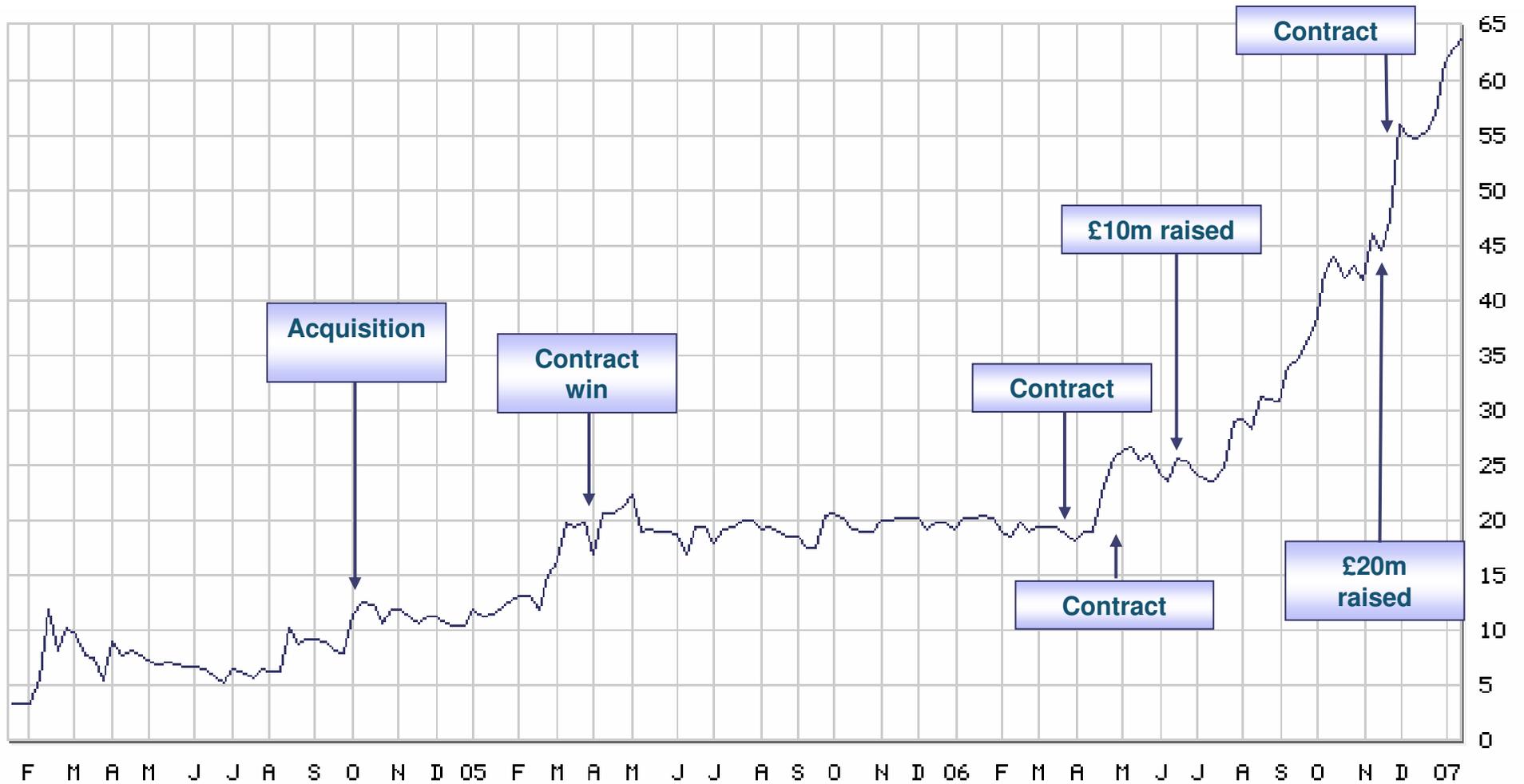
- All have different needs and requirements

- If you want to use your quotation, you must give investors what they want

Investment criteria (sample from a major AIM investor)

- Non-private management
- A balanced board
- Simple capital structure
- An absent bank manager
- A business positively planned
- Good growth prospects
- Dividends
- References

An example



Do

- “Under-promise and over-deliver”
- Be clear
 - What the business does
 - Key drivers
 - Board structure
 - Capital structure
- Take public company obligations seriously, and demonstrate that
- The virtuous (City) circle
- Be ‘candid’ and ‘balanced’

Investor Quote

“I don’t look to jump over 7 foot bars, I look around for 1 foot bars that I can step over”

Investor Quote

“It takes 20 years to build a reputation and five minutes to ruin it”

Investor Quote

“Turn – arounds seldom turn”

Don't

- Take it personally
- Bad mouth the competition
- Over-obsess re the share price (once listed)

Investor Quote

"I would rather have a great business run by average management, than a poor business run by stars"

Investor Quote

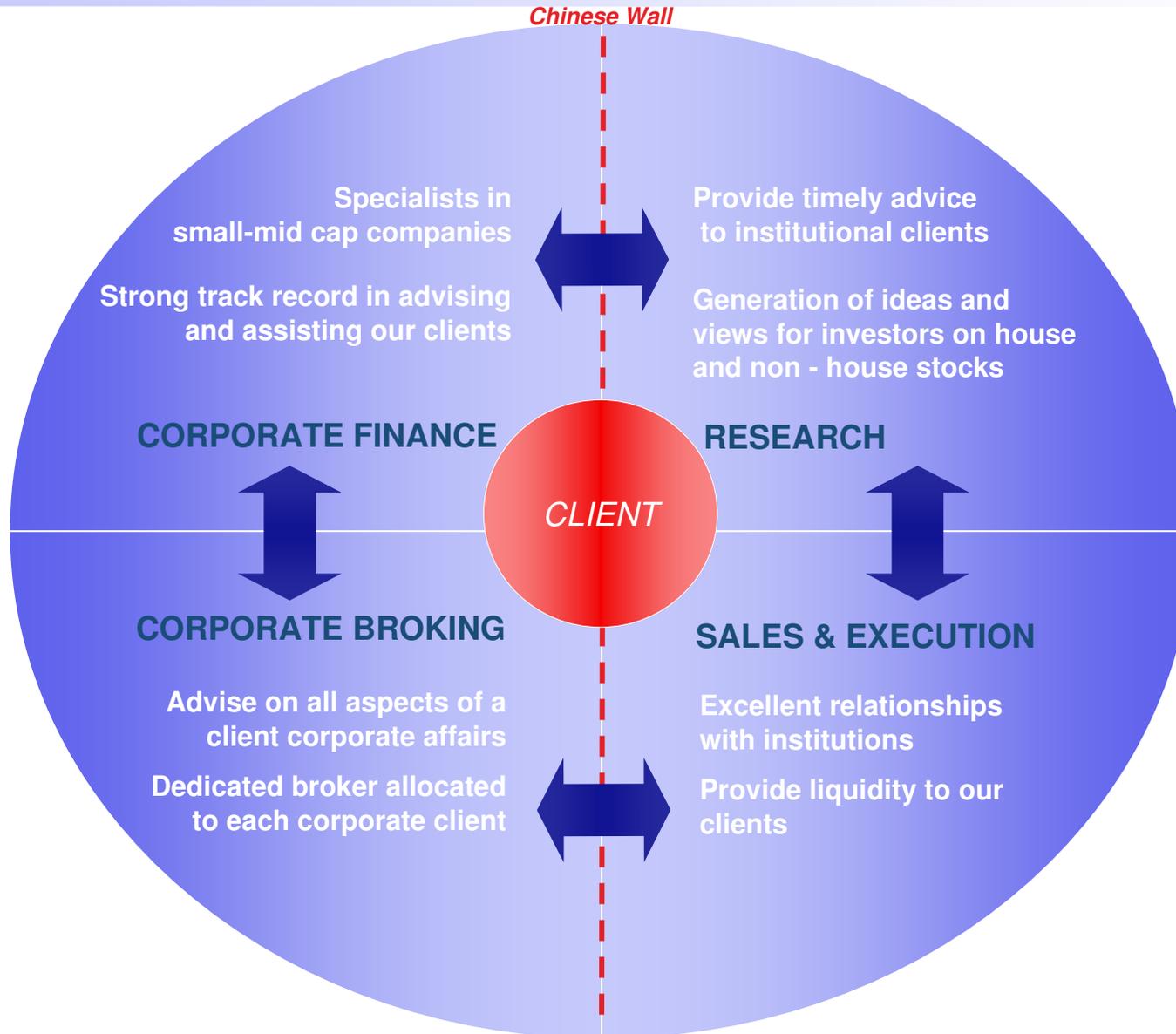
"If a business does well, the stock eventually follows"

- Use your shareholders
- Manage your share register
- Follow the virtuous City circle
- Disappointment damages

Investor Quote

“Should you find yourself in a chronically leaking vessel, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks”

Appendix



- Leading investment bank in the UK small cap sector
 - Established 1989
 - Listed on AIM October 2004
- Comprehensive range of services focusing on equity capital markets
 - Equity Research
 - Sales & Execution
 - Corporate Broking
 - Corporate Finance
- Over £80m raised for corporate clients in the six months to 30 September 2006 (FY2005: £140m)
 - Well respected by institutional investors
- Growing client base, whilst maintaining a personal and pro-active service to each client
- Offices in London (HQ) and Manchester with a presence in New York
- Research driven

Advantages of the model

- Aftermarket service, not 'float and forget'
- Ongoing commitment to sector coverage
- Highly rated analysts in chosen sectors
- Coverage of small/mid cap and large cap

Advantages of sector expertise

- Credibility with investors
- Added value feedback
- Good M&A advice
- Quality filter – our analysts' views matter to us

- Experienced team of analysts
 - Sector expertise
 - DSC short listed for *Best Research* at 2005 Aim awards
- Value-added sector specific research
 - Successful track record in specific sectors/verticals
 - Broad coverage within chosen sectors – support our corporate clients at each stage of their development
 - IPO, secondary and thematic research to entrench our institutional relationships
- Wide distribution
 - Strong relationships with numerous institutions
 - Electronically distributed to over 500 investors

Sectors Covered

Alternative Power
Engineering
IT Software
Leisure
Media
Speciality Financials
Support Services
Technology
Telecoms

- Highly experienced team
- Each corporate client is assigned a dedicated corporate broker
- Service tailored according to each client's needs

Investor Relations	Equity Placings	Advisory
<ul style="list-style-type: none">• Roadshows/presentations• Company investor days• Institutional investor feedback• Share price monitoring• Share register analysis	<ul style="list-style-type: none">• IPO• Secondary• Directors' shares	<ul style="list-style-type: none">• Corporate strategy

- Specialist small to mid cap focus
- Excellent relationships with small and mid cap institutional investors
 - UK institutions
 - Relationships in US and Europe
 - Hedge funds
 - Specialist financial funds

- Experienced team focused on small and mid cap stocks, principally on AIM
- Market awareness due to proximity to broking business
- Relationship rather than transaction driven
- Small corporate client list equates to high staff/client ratio and high service levels with senior level involvement with all clients
- Excellent reputation with regulatory authorities and other advisers
- Focus on adding value

Daniel Stewart has access to a broad institutional client base



Our two most recent equity fund raisings

- Both £80 – 100m market capitalisation
- 2 times plus subscribed
- Raised circa £20m

Company A – Placees included

- Aegon
- Canada Life
- Close Brothers
- Contiga
- Corinthian
- Ennismore
- Fidelity
- First State
- Gartmore
- Hargreave Hale
- Henderson
- Insight
- Investec
- JP Morgan
- Jupiter
- Lazards
- New Star
- Old Mutual
- Rathbones
- Rensburg
- Trafalgar

Company B – Placees included

- AXA
- Corinthian
- Gartmore
- Henderson
- Invesco
- Investec
- Jupiter
- Legal & General
- JP Morgan
- Lansdowne
- Standard Life

- Accuma Group plc
- Amazing Holdings plc
- AT Communications plc
- Avarae Global Coins
- Betex Group plc
- CareCapital Group plc
- Chaco Resources plc
- Corpora plc
- DA Group plc
- Dori Media Group plc
- FPS plc
- Gold Oil plc
- Hardide plc
- Helius Group plc
- Immedia Broadcasting plc
- Impact Holdings plc
- Inova Holding plc
- Interactive World plc

Corporate clients – continued

- Jarvis Securities plc
- Jelf Group plc
- K3 Business Technology Group plc
- Landround plc
- Lighthouse Group plc
- Litcomp plc
- Medial Entertainment plc
- Playgolf Holdings plc
- Pubs N Bars plc
- Red Squared plc
- Sportingbet plc
- Teleunit SpA
- TG21 plc
- Vane Minerals plc
- Waterline Group plc
- Xpertise Group plc

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