

Plus Markets focus

Two years Plus

The reinvented form of Ofex is now two years old and establishing itself where Aim used to be, says **Tessa Laws**

IT IS ALMOST EXACTLY TWO YEARS since London's tertiary market, Ofex, was rescued from the brink of bankruptcy and subsequently overhauled by investors backing the vision of Simon Brickles, former head of the Aim Market.

Ofex is now re-branded under the Plus Market banner and is thriving, cornering the global market for smaller flotations and enjoying much activity in share trading. China Biotech Healthcare, a Jersey-based company which specialises in developing and distributing healthcare products in conjunction with universities and research institutes, is one such example, having joined Plus earlier this year.

For those who have concerns that Plus Markets is in some way less discerning than Aim or the Full List, Simon Brickles is quick to note that quality assurance is an integral part of the Plus strategy, although it is true that companies joining Plus do have fewer regulatory hurdles to jump.

Another plus for Plus is that it is generally less expensive to join than the Aim Market, which is reassuring and has doubtless assisted in encouraging the 180 companies who currently have their primary listing on Plus. Leading investment banking boutiques are now supporting Plus in making markets in Plus-quoted shares, and more than 800 shares now trade on this exchange, representing a combined market cap of over £121 billion.

Naturally Plus specialises in smaller companies, representing a wide range of sectors and at all stages of development, seeking finance at an early stage. Those raising up to £3 million in equity capital with a market capitalisation of no more than £20 million are generally believed to be best suited to Plus. An example of a company currently seeking admission to Plus is Alvaston Media plc, which is incorporated specifically to acquire businesses in the advertising and media services space. It is raising £500,000. The cash-shell approach is quite popular with Plus companies and given the restrictions on Aim shells these days it has proven useful for investment companies still to be able to use Plus for this model.

The biggest concern is the ability to raise funds. Companies appear to join Plus and then raise funds at a later stage. This is

something of a chicken and egg scenario, because until fund managers really buy into Plus then fundraising will be a challenge – but once companies manage to fundraise successfully then fund managers will be convinced.

It is encouraging that a variety of brokers – including Numis and Teathers – have started looking at Plus as a serious alternative to the lower end of the Aim market. Nemone Wynne-Evans of Plus (formerly of Aim) recently commented: “When I used to promote the Aim market to smaller companies, I used to say, come to Aim for two reasons: It’ll cost you less than going to the main market, and you’ll get profile. Now it doesn’t cost you less than the main market... If it’s expensive to raise money and they can’t get any profile, then maybe it’s not working for companies at the smaller end any more.” The lower cost is now true of Plus rather than Aim.

There are many other benefits to those investing in Plus. One is potential tax relief under the Enterprise Investment Scheme. Another is when a firm comes to Plus after a private financing round, after which it is a stepping stone and the transition is generally smooth and fast.

Some companies choose to move on to Aim after a successful sojourn on Plus.

Recently these have included Sportingbet and Betex. The popular view is that, while Plus is a real market these days, it is also a good learning ground for companies to gain their stripes before moving on to different challenges and the scope for bigger cash raisings on Aim. Oasis Healthcare is one such company. This does not mean Plus is not a viable market in its own right – it most certainly is – but it does mean that companies now have greater flexibility to choose where they sit most comfortably and to control their market, which is a welcome relief.

Companies wishing to join Plus need to appoint a corporate adviser, who will advise on the requirements for joining and suggest on any company sprucing-up required in order to ensure the company concerned meets the requirements. Further details can be sought from www.plusmarketsgroup.com. ■

Tessa Laws is a partner at Rosenblatt Solicitors
www.rosenblatt-law.co.uk

