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European 'Small Cap' Companies Go to London's AIM: Taking Stock

June 7 (Bloomberg) -- Riccardo Parrini honored an Italian holiday tradition on New Year's Eve that augurs riches for whoever eats the most lentils. He also described an untraditional strategy for pursuing wealth. "We're going public in England," the 24-year-old co-founder and shareholder of Acta SpA said with his mouth full and his spoon in hand. "And we're hoping to raise lots of money." Acta, a Milan-based developer of fuel-cell technology, may complete its initial public offering as soon as this month. The company would become at least the 10th based on the European continent to list on Britain's Alternative Investment Market, or AIM, a unit of the London Stock Exchange that caters to smaller companies. Businesses such as Acta are turning to AIM rather than their home country. Some, including Germany's BKN International AG, a maker of animated films, have listings both domestically and in London. Either strategy may help these companies maximize funding and minimize regulatory hurdles. "It's easier for small companies to find people in London who speak the language of investment," said Filippo De Luca, who manages \$1.2 billion at LMF Servizi Finanziari SA in Lugano, Switzerland. The shift reflects the growing presence of non-U.K. companies on AIM, which was started 10 years ago. During the past three years, the proportion of listings from outside the U.K. has almost doubled to 12 percent. "AIM is being quite proactive," said David Wilkinson, head of initial public offerings at Ernst & Young LLP in London. "It's branding itself as the growth market for international companies. It has developed a niche as a source of venture capital." Italy Not Interested Acta's planned IPO may pave the way for as many as eight more from Italy during the next 18 months, according to Oscar Williams, a banker with Market Capital in Milan who specializes in listing Italian firms abroad. He worked with Teleunit, a telecommunications company based in Perugia, Italy. "Small companies aren't interested in listing in Italy because the Italian market isn't interested in them," said De Luca at LMF Servizi. About \$1.9 billion is invested in small-capitalization funds based in Italy, compared with about \$21.5 billion in similar funds domiciled in the U.K., according to Britain's Investment Management Association and Morningstar Inc. Shares of Punch Graphix Plc, a printing equipment company based in Lier, Belgium, started trading on AIM on May 26. The company wasted "absolutely" no time considering a Belgian listing, Chief Executive Officer Dick Tilanus said. Luring Foreigners "We knew we might meet three investors in Brussels; there's not a lot of interest in small companies," Tilanus said. "In London we found an audience. Of the 50 investors we met, more than half pledged money." AIM listed 1,166 companies as of April, and most have market values of less than 250 million pounds (\$458 million). The total includes 138 that are based outside the U.K. in countries such as Australia. Besides the promise of more eager investors, the market is drawing companies with less stringent requirements for listing than many other exchanges across Europe. The London exchange only stipulates that applicants have a nominated adviser, or "Nomad," to arrange investors and ensure the company obeys AIM regulations. The firm can be an investment bank, broker or corporate law firm. There are no rules about how much stock must trade publicly or how old the company must be. For the Future Borsa Italiana's Star Segment and the Nuovo Mercato, where about half of Italy's traded companies valued at less than 800 million euros (\$984 million) are listed, require one to three years of audited earnings reports. Companies must also have independent directors and at least 30 percent of the shares must be publicly traded. "You don't need a three-year track record" on AIM, said Mat Wootton, the market's deputy head. "There are lots of six-month-old companies which need money and deserve it. That's why AIM was created." Last year, the 243 initial public offerings on AIM raised a combined 2.38 billion pounds. Fifty-seven were listed in March alone, including 12 non-U.K. companies. "It's now becoming much more the market of choice for small- and indeed some mid-cap companies," said Neil Austin, head of new issues at KPMG Corporate Finance in London. "Institutions now have got AIM firmly on the radar." Some with longer histories are turning to the market as well, such as BKN International. The Cologne, Germany-based company went public in Frankfurt in 2000. The company sold more shares in December 2003, this time on AIM. "AIM is where we see the future," said Chief Financial Officer Wayne Mowat. "In Germany now, everything has to be a big bank or something very secure to get any interest." 'Can't Miss Out' Still, listing in London bears liabilities, such as the struggle to get noticed by investors. Companies including Geox SpA, an Italian shoemaker that generates more than half of its revenue at home, have consequently listed locally. Immobiliare

