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# Global Mining Finance: Cash Shells: Cheaper Fundraising?

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# 1. Introduction

- AIM Cash Shells: £3m minimum
- Standard List Cash Shells: £700k minimum
- Standard List available for IPOs since 2010

## 2. Example

- 2 Standard Cash Shells listed in December each raising £3.5m cash: total of £80,000 each in fees
- Went to an immediate premium on listing

# 3. Requirements

- Eligibility for LSE: Board experience and proper governance
- Market cap of at least £700k (£1m in practice)
- 25% “free float”: shareholder base other than managers and anyone holding more than 5%
- Prospectus regime: new prospectus each time share capital increases by 10%
- An acquisition/reverse takeover within 12 months

## 4. Advantages

- No sponsor or broker required
- No related party rules
- No class tests (other than a reverse takeover)
- No 3 year track record required

## 5. Initial Fundraising

- A “do it yourself” transaction
- Company raises its own funds
- Investor protection rules
- Pre-emption rights
- Misrepresentation laws
- A “blind pool” investment requires good management track record

## 6. The Acquisition (1)

- A share for share transaction
- Agreement on relative value is key
- Compliance with conflict of interest rules if shell is connected to the Target, but no shareholder approval required
- Compliance with Takeover Code: accelerated whitewash

## 7. The Acquisition (2)

- Further fundraising:
  - An uplift for founding shareholders
  - Review 25% free float
- New prospectus for relisting



## 8. Relisting on AIM?

- Once the Shell is a “real” company may choose to appoint sponsor and broker
- Cash differential with AIM reduces
- AIM shares have no stamp duty and qualify for EIS Relief being “unquoted” for this purpose
- No shareholder approval required for delisting

## 9. Conclusion

- If a Shell is right for you, standard list is cheaper
- Standard list is designed to facilitate growth by acquisition, subject to managing the prospectus regime
- If you decide that you need advisers, AIM has some advantages