Case Study: daVictus PLC London Main Market Listing

daVictus PLC, a Jersey Company established to undertake acquisitions in South East Asia and / or the Far East, successfully listed on the London Stock Exchange Main Market on 29 January. The management team followed a well established path by forming a Jersey Company, but it was interesting to note that they chose a Standard Listing on the Main Market over AIM.

What were the drivers for this? What are the principle differences between the Main Market and AIM? Is this a trend we can expect to see more of? Why is Jersey a preferred structuring choice?

In this article, key advisors acting for daVictus PLC tackle these critical questions and other important considerations for any Asian businesses considering a London IPO.

What do you do and what is your connection to Asia?

Gavin Wilkins – I am Client Relationship Director at Minerva, a global independent provider of corporate and private client administration services. Minerva has been working with Asian businesses for over 35 years and we are present in Asia, Africa, Europe and the Gulf. I am a regular traveller across Asia.

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Robin Stevens – I'm head of Capital Markets within Crowe Clark Whitehill, the UK member of Crowe Horwath International, a leading global accounting group with strong representation throughout Asia Pacific and beyond. We've worked on over 130 capital market transactions, of which more than 50 involve companies operating in Asia.

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Matthew Gorman – Based in Singapore, I head up Reed Smith's Corporate Finance team in South East Asia. Reed Smith is a global law firm with over 1,800 lawyers spread across 25 offices. Our Capital Markets Team advises clients on their IPOs and ongoing regulatory requirements on the World's leading stock exchanges including London, New York and Hong Kong. Our team members have advised numerous Asian companies from a range of sectors on their UK listings.

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Leon Santos – I am group partner in Collas Crill's Singapore office. My main areas of experience are advising companies, private equity and hedge fund managers and banks. I also specialise in fund establishment, investment structuring and operational issues. Collas Crill advises clients on Cayman Islands, Guernsey and Jersey laws and offers a one-firm model with the ability to support transactions in Asia, Europe and America.

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In summary, what were the key points of the transaction?

Gavin Wilkins: daVictus PLC was established to undertake one or more acquisitions of businesses which operate in or own Western food and beverage eatery franchises in South East Asia and the Far East. The intention is to focus on premium franchises where it is believed there will be local appeal in Malaysia, Thailand, Laos, Cambodia, Vietnam, Hong Kong, China and Taiwan.

daVictus PLC was incorporated in Jersey in early 2015 and its shares were admitted for trading on the London Stock Exchange's Main Market on Friday 29th January 2016. It is one of only 15 companies with a Standard Listing on the Official List and Main Market.

Why did the management team choose a Standard Listing over AIM?

Robin Stevens: The decision was based on speed, certainty and flexibility. Provided that the founders have a well-researched and presented business plan, have assembled a suitably experienced board, and have access to potential investors, either directly or via brokers, a new acquisition company can be formed and can join the Standard Segment very quickly. Initial discussions and correspondence with the UK Listing Authority also identify any potential issues at an early stage such that execution risk can be reduced to one relating purely to the raising of funds and not to future regulatory approval. Once on the Standard Segment the company has the flexibility to remain in that market, or move to AIM or a Premium Listing depending on the scale and substance of its future acquisitions. For the board of daVictus these issues were very persuasive and they believe that the company now has the platform it needs to move forward to identify and complete suitable acquisitions from a position of strength.

How do the principle entry requirements differ between the Standard Segment and a shell on AIM?

Matt Gorman: Whilst there are a number of differences between the entry requirements of these two listing platforms the key ones are as follows:

Financial Adviser Requirement: For the Standard Segment there is no mandatory requirement for the issuer to appoint a financial adviser either in relation to the IPO or on an ongoing b asis. This is in marked contrast to AIM which is fundamentally dependent on the Nominated Adviser as the regulatory gatekeeper. Indeed, AIM listed companies that do not have a Nominated Adviser in place at all times run the risk of suspension and delisting. Given that many cash shells or special acquisition companies have strong corporate finance skills in-house as part of their strategic make-up, not having to engage a financial adviser - unless one is needed for a specific transaction - is seen as an attractive cost saving advantage of the Standard Segment particularly in the early days of the company’s life when it is yet to make an investment and conserving cash is important.

Minimum Market Capitalisation: At just GBP700,000 the minimum market capitalisation required for a company listing on the Standard Segment is significantly lower than the GBP3.0 million equivalent requirement for an investment company joining AIM. Moreover, in October 2015 AIM announced that it proposes to raise this limit to GBP6.0 million. For companies like daVictus that are still in the process of proving their investment strategy, this may prove to be more than investors are prepared to commit at an early stage and hence makes the Standard Segment a more flexible option.

Do you see companies joining the Standard Segment as an increasing trend?

Robin Stevens: Yes, we definitely see the use of the Standard Segment as an increasing trend for both established businesses seeking a listing, and for smaller special purpose acquisition companies like daVictus.

Although a Standard Listing requires the preparation of a prospectus the overall costs of entry are likely to be lower than would apply on AIM. This is particularly relevant where the main purpose of listing is to raise corporate profile on the Main Market of the London Stock Exchange rather than necessarily raise capital on admission. Similarly, companies looking for a secondary listing in London may find a Standard Listing faster and cheaper to achieve compared with an AIM admission.

Recent and proposed changes to the AIM rules relating to Investment Companies, in particular raising the size threshold of funds to be raised from GBP3.0 million to GBP6.0 million (yet to be confirmed), has given a Standard Listing a clear advantage in attracting admissions where the initial fund raise is in the sub GBP6.0 million space.

Why did the management team choose Jersey for the holding company?

Gavin Wilkins: Jersey's credentials as a preferred jurisdiction for a listed holding company are very well established. The market is comfortable with Jersey - its governance standards, political stability and proven track record - which ultimately increases the chances of the IPO being successful.

Jersey is physically very close to London, is AA rated by Standard & Poors and enjoys political stability coupled with a stable, tax neutral environment which is outside the UK Value Added Tax network. Investors may also gain additional comfort from the fact that Jersey is covered by the UK Takeover Code which isn't true of other offshore jurisdictions.

From a technical perspective, securities in Jersey listed companies can be enabled for electronic settlement in CREST which contrasts with non-UK companies which need to adopt a more convoluted approach through the creation of depositary interests.

What is the Jersey legal framework governing investment companies like daVictus plc?

Leon Santos: Jersey offers a strong legal and corporate governance framework for companies looking to list in London. The Companies (Jersey) Law 1991 was updated as recently as 2014 to introduce some key benefits for companies. Perhaps the greatest benefit for listed companies is the balance between recognised standards of corporate governance based on English law principles and flexible Jersey legislation.

Listed companies are established as public companies in Jersey. Public companies are those that have at least 30 shareholders, have issued a prospectus or are market traded. Jersey companies must submit an annual return each year with certain corporate information and public companies must prepare annual audited financial statements.

Most listed companies will issue some sort of prospectus in relation to the offering of its securities. The Companies (Jersey) Law 1991 requires certain details to be included in a prospectus. However, these comprise of items that one would usually expect to find in such a document, for example, details of the offer of securities and material contracts. A prospectus must be submitted to the Jersey Financial Services Commission and approval received for the issuing of a prospectus. Approval usually takes approximately a week to be granted.

A company with a mandate to acquire investments, like daVictus plc, must also consider whether it falls within the investment funds regime in Jersey. If a company is treated as a fund under the Jersey regulations, then it may choose certain regulation-lite categories such as being classified as an unregulated exchange traded fund.

Companies like daVictus plc will also have to consider the rules of the Alternative Investment Fund Managers Directive, which applies in the United Kingdom. If a company falls within this Directive under the UK regulations then it must also register as an alternative investment fund in Jersey. As in the case of daVictus plc, with careful planning and advice it may be possible to fall outside these regulations.

Can we expect to see more London listings from Asia?

Gavin Wilkins: Absolutely. There is a strong track record of Asian businesses listing on the London markets. Access to deep pools of capital and enhanced profile are key ingredients for any growth business with an international strategy and a London listing can provide both of these. Whether the Main Market or AIM is appropriate will depend on the specific circumstances of a particular company, but London can provide flexibility and choice. Asian growth businesses continue to capture the imagination and interest of global investors and I can't see that changing significantly any time soon.

Summing up

daVictus PLC listed on the London Stock Exchange Main Market on 29 January. The Company will undertake acquisitions in South East Asia and the Far East. The management team followed a well-trodden route by forming a Jersey Company but instead of AIM, they chose a Standard Listing on the Main Market. The decision was based on speed, certainty and flexibility. The company will now have the flexibility to remain in that market, or move to AIM or a Premium Listing depending on the scale of its future acquisitions.

There are a number of differences between AIM and the Standard Segment of the Main Market. The latter has no mandatory requirement for the appointment of a financial adviser whereas AIM requires a Nominated Adviser to be appointed at all times. Where a company has strong corporate finance skills in-house, not having to engage a financial advisor may be an attractive cost saving. The minimum market capitalisation required for a company to list on the Standard Segment is significantly lower than is required for an AIM listing.

Standard Listings on the Main Market may be something we see more of, both for established businesses and smaller special purposes acquisition companies like daVictus. The overall costs of entry are likely to be lower than for AIM which may be particularly relevant where the main purpose of the listing is to raise corporate profile.

Jersey's credentials as a preferred jurisdiction for forming a holding company for listing are well established. Investors are comfortable with Jersey which ultimately increases the chances of an IPO being successful.

Jersey has a strong legal and corporate governance framework. Listed Companies are established as public companies in Jersey and must submit an annual return each year and file annual audited financial statements. Companies must also consider whether they fall within investment funds rules or the Alternative Fund Managers Directive which applies in the United Kingdom.

There continues to be a strong track record of Asian businesses listing on the London markets. Asian growth businesses continue to capture the imagination and interest of global investors and therefore we can expect to see more successful listings either on the Main Market or on AIM.

Robert Pincock (Chief Executive Officer - daVictus) - "We were delighted by the speed in which the listing was achieved, and without doubt this was a reflection of the calibre of specialist advisors we had chosen, who assisted us at every stage. Certainly the Standard Segment's flexibility as well as the lower entry was a key driver in our decision."