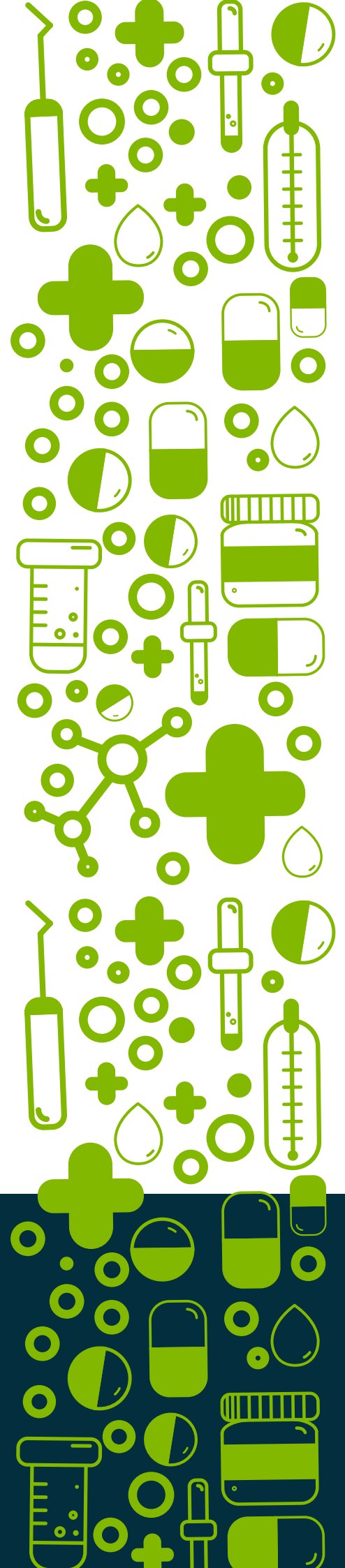


Listing a Healthcare Company in London

A Guide to Raising Funding and
Floating a Healthcare Company
on the UK Stock Markets



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The Healthcare Sector on the London Stock Markets

The Growth and Importance of the Healthcare Sector

Shifting demographics and increasing lifespans mean that demand for healthcare products and services will continue to increase globally year on year over the next decade. The development of new technologies particularly in predictive and preventive areas will lead to less invasive treatments and therapies going forward. Governments and regulatory authorities are well aware of the economic arguments for treating diseases and illnesses before they require hospitalisation and much focus will be dedicated to these areas of healthcare in the coming years.

Healthcare Companies on UK Stock Markets

In recent years an increasing number of healthcare companies have used the UK stock markets to access vital funding to support research and development and to fully commercialise healthcare products and services. This trend has led to a greater proportion of stock market investors funding companies operating in the sector.

There are over 100 healthcare companies listed on the UK stock markets. These range in size from those valued at under £2m up to those valued at over £1b. A quarter of the companies listed are valued at less than £10m.

Many healthcare companies have chosen to raise funding at the time of listing and then raised additional tranches of funding once listed. Generally funding has been used to support organic growth, however a number of healthcare companies have also undertaken acquisitive growth strategies and have as a result seen their value increase dramatically.

The Impact of Covid 19

The global challenges faced as a consequence of Covid 19 has raised the profile and importance of the healthcare sector as a whole to unprecedented new heights. So it's perhaps unsurprising that now more than ever stock market investors, whether they are small individual shareholders or large institutional shareholders, are looking to support a broad range of innovative healthcare companies.



London Fundraisings

On average more funding raised on London Stock Markets per annum than all other European Stock Markets combined



Why do Healthcare Companies List in London?

Why London?

London remains one of the largest and most important financial centres in the world with more investment capital available to companies than any other centre in Europe. London stock markets are renowned globally for achieving an effective balance of regulation, whilst offering companies a destination to undertake fundraisings.

Why do Healthcare Companies Choose to Raise Funding on The UK Stock Markets?

Resilience to Economic Pressures

The healthcare sector tends to be less sensitive than other business sectors to economic turbulence because there is always growing demand for new medical products and services.

Broad Investor Support

The healthcare sector offers investors potential returns over a range of timeframes and delivers growth through economic cycles making it attractive to a range of stock market investors.

Funding for R&D

The barriers to entry in many niche subsectors within the healthcare sector in terms of R&D are prohibitive and, as a result, margins and returns on capital are generally higher for companies in the sector when compared with other sectors.

Positive Returns

In recent years the Healthcare sector has achieved compound growth at over 20% per annum.

Investor Commitment to the Medium and Longer Term

Whilst often companies in the sector are expected to have a long lead time for getting products and services to market, stock market investors have shown an increasing willingness to forego short and medium term rewards in exchange for longer term returns.

Investor Understanding of the Sector

Stock market investors have become more knowledgeable about the healthcare sector. Healthcare companies have therefore been successful in fundraisings on the UK stock markets even through the most challenging economic periods.

Future Funding Trends

There is increasing appetite from the stock market investment community in providing further support for healthcare companies who are seeking investment capital to grow their businesses.



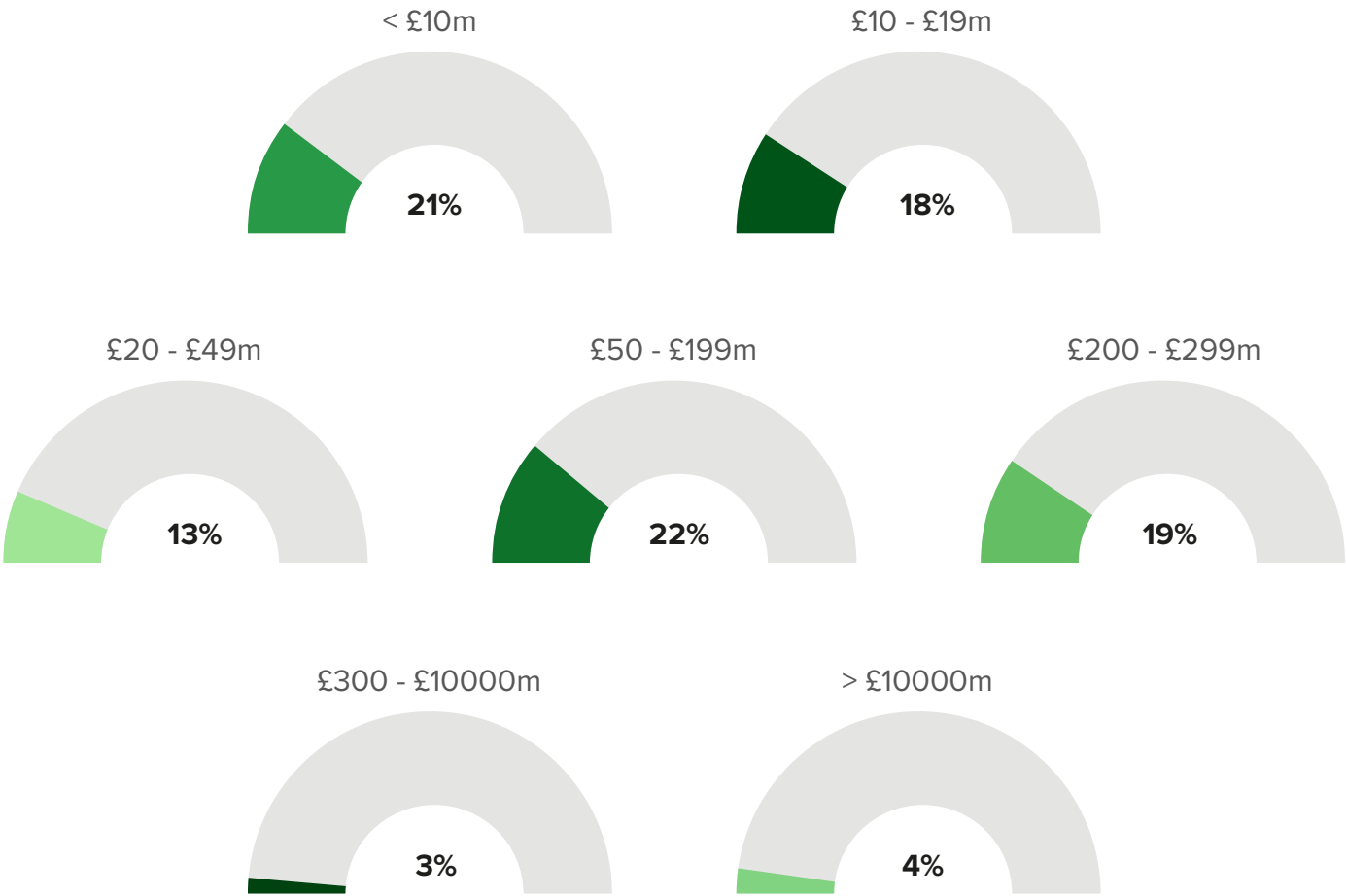
Healthcare Shareholders

Over 50% of shareholders in healthcare companies keep their shares for more than 5 years



Distribution of the Size of Healthcare Companies Listed on the UK Stock Markets

Market Cap (m)



Choice of Markets

UK and non UK healthcare companies can access a variety of stock markets based in the UK. Companies and their advisors will choose a stock market most suited to their particular needs, taking into account the current size and growth profile of the company, the amount of funding required, and the Company's future growth strategy.

What Makes a Successful Healthcare Stock Market Listing?

The success of the transaction from a private company to a public company relies, to a large extent, on the ground work undertaken ahead of the Listing and the formal joining process. Thereafter, news flow about the company helps existing and potential investors remain engaged with the company and its strategic goals.

Key Benefits of Listing on a Stock Market

- A platform to raise initial funding
- A mechanism to undertake further repeat fundraisings
- Enhanced profile and credibility leading to new business opportunities
- A strategic exit route for existing investors over a chosen period of time
- An enhanced company valuation
- A method of attracting, incentivising and retaining employees through share schemes

Summary of the Characteristics of the UK Stock Markets

	AIM	Standard Listing Main Market	Premium Listing Main Market
Suitable for	Small and medium companies	Small and medium companies	Mid and large companies
Eligibility Requirements	No trading record required	No trading record required	75% of business must have at least 3 years financial information
Shares to be placed on the market	No minimum	25%	25%
Sponsor required	No	No	Yes
Nomad required	Yes	No	No
Admission Documents	Approved by LSE	Vetted by the FCA	Vetted by the FCA
Prospectus required	Usually only an Admission document	Yes	Yes
Financial reporting	Annual update within 6 months of year end	Half yearly reports	Half yearly reports
Tax reliefs	EIS and VCT tax relief for qualifying co's	EIS and VCT not available	EIS and VCT not available



| Timetable

Stage 1: The Feasibility Stage

It's prudent to undertake a feasibility exercise first, so that fully informed decisions can be taken about if, how and when a listing could and should happen and the amount of funding to be raised.

Stage 2: The Decision Stage and Initial Ground Work

A timetable for the transaction ensures disruption to the business is prevented. In addition, the investment case should be articulated into a cohesive document to communicate key messages about the Company and its strategy.

Stage 3: Commencing the Process

Assuming a decision has been made to proceed with a listing, a more detailed timetable with key action points will be circulated and advisor teams appointed. A formal admission document or prospectus will be prepared and fundraising activities undertaken by a regulated broker.

Stage 4: Listing

The process of listing a company takes between 3 to 6 months depending on the stock market chosen and the complexity of the transaction.



Preparation

Harvard business school research shows that pre-listing preparation is the single most important factor for a successful stock market listing



I Types of Listing

IPO (Initial Public Offering)

A company offers new or existing shares for sale and the company gains funding from new investors who could be institutional or retail.

Private Placement

Shares in the company are sold to a selected group of qualified and professional investors. In such cases an approved prospectus is not required. This is generally regarded as a faster and more cost effective method of securing a stock market listing and raising investment capital.

Introduction

Generally this will involve listing on a stock market only and not raising new capital at the time of listing.

Reverse Transaction (Cash Shell transaction)

A reverse transaction into an existing listed cash shell company is an increasingly popular route to a stock market listing. Cash shells are available on all UK stock markets and they offer a transparent amount of cash together with listed status to the right target companies. This means that the success of a fundraising at the time of listing is not dependant on attracting new investors to support the initial fundraising. In addition, a cash shell may be used to fund a proportion of the advisor fees involved in a stock market listing, making this an attractive route to listing for certain healthcare companies.

Pre-Float Funding

Used by smaller growing companies looking to add scale to their company ahead of a stock market listing. There can be a significant benefit raising a tranche of capital in the months prior to a listing. This may enable sufficient time to use the capital effectively and so join a stock market with a larger and more attractive investment case a few months later.



Life as a Listed Healthcare Company

Further Fundraisings

Even through the most challenging economic conditions, Healthcare Companies listed on the London stock markets have been able to raise significant amounts of capital to support growth or recapitalise. The process involved in undertaking further fundraisings once listed is quicker and easier than the initial listing and therefore significantly less expensive to undertake.

Funding Acquisitions

Many Healthcare companies use their stock market listing to support acquisitive growth. One of the key benefits of listing is that companies can use their shares as currency in full or part consideration for undertaking acquisitions.

Enhanced profile and new marketing opportunities

A listing on the London stock markets provides a valuable platform from which Companies are able to benefit from an enhanced profile and credibility. This can have a beneficial impact on the status of a company with new and existing customers and suppliers. The enhanced profile may also lead to new business opportunities that were previously not possible prior to listing.

Enhancing employee performance

The introduction of meaningful and transparent employee share schemes help Healthcare companies to recruit, motivate and reward staff, enhancing overall employee performance.



Raising Additional Funding

Over 70% of funding raised by healthcare companies on the UK stock markets is via post listing repeat fundraisings

| Case Studies



Tristel plc

Background

In 1993 the founding shareholders developed a proprietary chlorine dioxide formulation to be used for the purpose of disinfection in hospitals. At that time a different chemical was used universally within the UK and globally for disinfection of heat sensitive medical instruments; however it was known to be toxic.

In the years following development the founders worked to establish Tristel as a market leader in the clinical area of endoscopy. A key milestone in Tristel's development was the establishment of its manufacturing plant in Cambridgeshire in 2007. They have since diversified and have three portfolios:

- Tristel for the hospital market
- Anistel for the veterinary market
- Crystel for the contamination control market

Stock Market Listing

Tristel floated on the Alternative Investment Market of the London Stock Exchange (AIM) in June 2005, with the initial share price offered at £0.37. Since then the value of the Company has increased significantly and its share price is over £4. With the support of its investors the Company continues to go from strength to strength and the value of the Company is now in excess of £230m. Over recent years there has been a consistent distribution of cash back to shareholders via normal and special dividends.

Future Growth

The business has also grown internationally and it now has subsidiaries in a number of other countries, and sells its products in seven currencies. Further increases in global revenues are forecast in the years to come.

| Case Studies



Polarean Imaging plc

Background

Polarean is a medical imaging technology company which develops equipment that enables existing MRI systems to achieve an improved level of pulmonary imaging. This offers a non-invasive and radiation free imaging option which is more accurate and less harmful to the patient than current methods of diagnosis. In addition, the Company develops and manufactures high performance MRI coils, which are a required component for imaging.

Stock Market Listing

Following two rounds of pre-IPO funding in 2017 which collectively raised £2.2 million, a further £3 million was raised via a flotation on AIM in March 2018. The placing involved 20,000,000 ordinary shares at a price of 15p, which represented around 27% of the company's share capital. Polarean's market capitalisation was £11 million at admission. In July 2018 a placing of additional shares raised a further £0.8m.

The funding raised was used by the Company to complete clinical trials with their products to gain clearance to market. Polarean now has a market capitalisation over £40m, nearly 4x that when it listed in 2018.

Future Growth

Polarean is pursuing regulatory approval for clinical use, and also sells its hyperpolarizers and related equipment to academic research institutions worldwide. Polarean Imaging plc systems are installed at academic research institutions worldwide, including the United States, Canada, UK, Germany, and Sweden.

| Further Information

Holland Bendelow are the UK's longest established stock market consultants, with a successful track record of advising UK and International companies about stock market flotation.

We specialise in advising the directors and owners of privately owned companies considering an IPO on any of the UK stock markets, including, London Stock Exchanges Main Market, (both Standard Listings and Premium Listings), AIM , Aquis Stock Exchange (NEX), Asset Match and Nasdaq First North. For further information about raising funding and joining a stock market, or to arrange a confidential consultation please contact John Holland.

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Further Reading

- ① The essential AIM Stock Market guide
- ① The essential guide to a Standard Listing
- ① The essential Aquis Stock Exchange guide
- ① The Cash Shell guide

All available at www.hbcg.co.uk

