

*In October 2021, AQSE consulted on proposed changes to the rules governing the eligibility criteria and ongoing obligations applicable to Special Purpose Acquisition Companies (SPACs) on the Access segment of the AQSE Growth Market.*

*AQSE thanks all those who responded for their thoughtful and constructive feedback. This paper sets out a summary of the responses and AQSE's conclusions.*

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#### **In summary:**

- The new term “enterprise company” will replace the SPAC definition within the rules;
- To be eligible for admission, an enterprise company must:
  - raise a minimum £2 million by or at admission;
  - have an expected market cap of no more than twice its net tangible assets; and
  - have a minimum free float of 25%; and
- Enterprise companies will have two years to implement their strategy.

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#### **Responses to the Consultation**

We were pleased that responses were generally very supportive of the proposed changes.

##### *Question 1. Creation of a new category*

There was universal support for our proposal to broaden the scope of the rules relating to SPACs through the creation of a new category. However, it was thought that the term “venture company” may be confused with venture capital.

##### *AQSE response*

To avoid such confusion, we are now defining the new category as “enterprise companies”. The term will encompass companies that may have previously classified themselves as SPACs or investing companies.

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##### *Questions 2 and 3. Introduction of a minimum fundraise at admission*

Respondents were also supportive of the proposed introduction of a minimum fundraise at admission for enterprise companies. There was some discussion on the optimal amount required to meet our objectives without unduly burdening companies, with £1 million being suggested as a possible alternative. However, the majority agreed with the proposed minimum of £2 million.

##### *AQSE response*

We have considered the suggestion that a lower sum of £1 million might be appropriate as a minimum fundraise. However, an objective of the proposed changes is to measure if there is sufficient investor support for the applicant from a wider investor base than the immediate “family and friends”, and our view is that £2 million will be more effective in achieving this objective.

#### *Question 4. Maximum valuation at admission of 2 x net assets*

There was also broad agreement that an enterprise company's valuation on admission should not exceed twice its net assets. This was considered to represent a reasonable balance, recognising that the cash raised on or near admission is likely to represent tangible value added to the business at this stage. One response questioned how founder warrants and options would be addressed in this regard and cautioned against structures heavily weighted "in the money" warrants.

#### *AQSE response*

We have considered the impact of founder warrants and options and agree the metric should be calculated on the basis of the fully diluted share capital. The final rules have been further amended to incorporate this concept.

#### *Question 5. Requirement to implement investment strategy*

There was full support for a new rule to allow AQSE to suspend and subsequently withdraw an enterprise company if it has not substantially progressed its investment plan or completed an acquisition or reverse takeover within two years of admission. One response queried how "substantially progressed" would be quantified in the case of an investing company.

#### *AQSE response*

AQSE would consider "substantially progressed" on a case-by-case, taking into account submission from the company. In most cases, AQSE would likely consider a company that has undertaken an investment constituting more than 50% of its net tangible assets to have met this criteria.

#### *Question 6. Other suggestions*

In addition to the changes proposed by AQSE in the consultation, several respondents advocated the introduction of a higher free float requirement (20% or 25%) and/or minimum number of shareholders for enterprise companies. It was considered that such measures would help to increase liquidity and reduce volatility.

#### *AQSE response*

AQSE has considered the proposals put forward in respect of the minimum free float for enterprise companies and agrees that an increase will be beneficial in helping to maximise liquidity and limit volatility. We therefore propose to put in place a minimum free float requirement of 25% for enterprise companies.

### **Next Steps**

The amended Access rulebook is published today and is effective from 8 December 2021.

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