

RNS Number : 4356I
AFH Financial Group Plc
09 December 2015

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AFH FINANCIAL GROUP PLC
("AFH" or the "Company")

Proposed fundraising to raise up to £6.50 million

and

Notice of General Meeting

The Board of AFH, a leading financial planning led investment management firm, is pleased to announce that it has conditionally raised up to £6.50 million (before expenses) by way of a Placing of 2,727,273 new Ordinary Shares and a Subscription of up to 1,212,121 new Ordinary Shares (together the "Fundraising") at a Placing Price of 165 pence per new Ordinary Share. Allenby Capital Limited is acting as sole broker to the Company in connection with the Placing.

Under the Placing, the Company has conditionally raised £4.50 million (before expenses) through a placing of 2,727,273 Placing Shares at 165 pence per share with institutional and other investors. Under the Subscription, the Company intends to raise up to £2.00 million (before expenses) from the issue of up to 1,212,121 Subscription Shares to existing and new investors in the Company at the price of 165 pence per Subscription Share. The Placing Price represents a discount of approximately 12.70 per cent. to the closing mid-market price on AIM of 189 pence per Existing Ordinary Share on 8 December 2015, being the last dealing day prior to the publication of this announcement.

It is proposed that the net proceeds of the Fundraising will be applied by the Company to fund the purchase of further IFA companies and the working capital requirements of the enlarged organisation. The Company has a portfolio of acquisition opportunities which the Board are keen to take advantage of during the first six months of 2016.

The Placing is conditional, *inter alia*, upon the Company obtaining approval from Shareholders to grant authority to the Board to allot the Placing Shares and to disapply pre-emption rights which would otherwise apply to the allotment of the Placing Shares. The Placing is conditional upon Admission, which is expected to take place on or around 30 December 2015.

Alan Hudson, Chief Executive Officer of the Company, said: "We are delighted to raise additional funding of up to £6.50 million from both existing shareholders and new investors to enable AFH to continue to execute upon its growth strategy. We look forward to welcoming our new shareholders on board, including the River and Mercantile UK Micro Cap Investment Company and Octopus Investments, and we would like thank our existing shareholders for their continued support. We believe our shareholders will see the benefits of our growth strategy in the years to come."

Copies of the circular, which were posted to shareholders yesterday evening, 8 December 2015, will shortly be available on the Company's website (www.afhfinancialgroup.com). Edited extracts from the circular are detailed below. The same definitions apply throughout this announcement as are applied in the circular. The circular contains a notice convening a General Meeting to be held at 11.00 a.m. on 23 December 2015 at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, B60 4JE, at which the Directors will seek Shareholder approval for the Placing.

Enquiries:

AFH Financial Group PLC
775

01527 577

Alan Hudson, Chief Executive Officer
Paul Wright, Chief Financial Officer
www.afhfinancialgroup.com

Allenby Capital Limited
5656

020 3328

(Nominated Adviser and Broker)
Nick Naylor
Chris Crawford
Nick Athanas

Yellow Jersey PR Limited
739

07768 537

Dominic Barretto
Aidan Stanley

1. Introduction

The Board of AFH is pleased to announce a proposed placing of 2,727,273 new Ordinary Shares at the Placing Price to raise £4.50 million (before expenses) from institutional and other investors together with a proposed subscription of up to 1,212,121 new Ordinary Shares at the Placing Price to raise approximately £2.00 million (before expenses). The gross proceeds of the Fundraising are up to £6.50 million. The net proceeds of the Fundraising will be used to fund the continued growth of the Company and in particular to provide funding for the Company's pipeline of prospective IFA acquisitions. The Placing has been arranged by Allenby Capital. The Fundraising is not being underwritten.

The Board has called a General Meeting to consider the Resolutions, which would give the Board sufficient authority to issue the Placing Shares. The issue of the Subscription Shares will be undertaken from the Company's existing share authorities that were put in place at the annual general meeting of the Company, held on 23 April 2015. The Company intends to procure Subscribers for the Subscription Shares prior to the date of the General Meeting.

The purpose of this circular is, amongst other things, to:

- (i) set out the reasons for, and details of, the Fundraising;
- (ii) explain why the Board considers that the Fundraising will promote the success of the Company for the benefit of Shareholders as a whole; and
- (iii) seek Shareholder approval of the Resolutions.

This circular also contains the Directors' recommendation that Shareholders vote in favour of the Resolutions. Notice of the General Meeting at which the Resolutions will be proposed is set out at the end of this circular. A Form of Proxy is enclosed with this circular.

The Placing is conditional, amongst other things, upon Shareholders passing the Resolutions at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings in the Company which amount, in aggregate, to 7,852,725 Ordinary Shares and represent approximately 38.93 per cent. of the Company's Existing Ordinary Shares.

The Directors believe that the Fundraising is the most appropriate way to raise additional funds for AFH. The Directors consider that the Fundraising provides greater certainty than other available means of raising additional funds in a timely fashion and minimises transactional costs.

2. Background to and reasons for the Fundraising

On 9 November 2015, the Company announced a trading update. During the last 12 months the Company has enjoyed strong organic growth with a significant increase in its recurring fee income with total revenues for the full year expected to exceed £20 million, over a 30 per cent. increase year on year. In addition AFH has increased its national footprint by completing 11 acquisitions at an average capped consideration of approximately £1 million. The acquisition model is based on a capped earn out over a two year period with the initial consideration set at up to 50 per cent. of the anticipated total value. During 2015, the Company used a combination of shares and cash to finance its larger acquisitions. As at 31 October 2015, the Company had cash balances of in excess of £3 million and remains fully funded to satisfy the deferred consideration liabilities of announced acquisitions as they fall due.

On 9 November 2015, the Company also announced it was considering additional financing options, including further share issues, to take advantage of the pipeline of acquisition opportunities. As previously announced there has been a continued increase in the size and rate of IFA companies becoming available for purchase and the Board believes the net proceeds from the Fundraise will provide the Company with a strong platform to finance new IFA acquisitions as well as providing funds for the working capital requirements of the enlarged organisation.

3. Details of the Fundraising and use of proceeds

The Fundraising is expected to raise a total of £6.50 million before expenses (assuming that the Subscription is fully-subscribed). The net proceeds of the Fundraising (being approximately £6.29 million after the costs associated with the Fundraising) will be applied by the Company to fund the purchase of further IFA companies and the working capital requirements of the enlarged organisation. The Company has a portfolio of acquisition opportunities which the Board are keen to take advantage of during the first six months of 2016.

Under the Placing, the Company has conditionally raised £4.50 million (before expenses) through a placing of 2,727,273 Placing Shares at 165 pence per share with institutional and other investors. The Placing has been arranged by Allenby Capital. The Company has entered into a Placing Agreement under which Allenby Capital has agreed to use its reasonable endeavours to procure Places for the Placing Shares at the Placing Price. The Placing has not been underwritten. Under the Subscription, the Company intends to raise up to £2.00 million (before expenses) from the issue of up to 1,212,121 Subscription Shares to existing and new investors in the Company at a price of 165

pence per Subscription Share. The Company intends to procure Subscribers for the Subscription Shares prior to the date of the General Meeting.

The New Ordinary Shares will represent approximately 16.34 per cent. of the Enlarged Share Capital (assuming that £2.00 million is raised pursuant to the Subscription and no Options are exercised prior to Admission). The Placing Price represents a discount of approximately 12.70 per cent. to the closing mid-market price on AIM of 189 pence per Existing Ordinary Share on 7 December 2015, being the last dealing day prior to publication of this circular.

The Placing Agreement contains, inter alia, customary undertakings and warranties given by the Company in favour of Allenby Capital as to the accuracy of information contained in this circular and other matters relating to the Company. Allenby Capital may terminate the Placing Agreement in specified circumstances prior to Admission, including, inter alia, for material breach of the Placing Agreement or any other warranties contained in it and in the event of force majeure.

The Placing Agreement is conditional, inter alia, upon:

- a) the passing of the Resolutions; and
- b) Admission occurring by not later than 8.00 a.m. on 30 December 2015 (or such later time and/or date as the Company and Allenby may agree, not being later than 8.00 a.m. on 29 January 2016).

If any of the above conditions are not satisfied or, if applicable, waived, the Placing will not proceed.

The New Ordinary Shares will be issued credited as fully paid and will rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared on or after the date on which they are issued.

It is expected that CREST accounts will be credited on the day of Admission and that share certificates (where applicable) will be despatched within 5 working days of Admission.

4. Significant Shareholders

The issue of the New Ordinary Shares (assuming that the Subscription is fully subscribed) will result in the following changes to the shareholding interests of the Company's existing Significant Shareholders and Directors:

<i>Significant Shareholder or Director</i>	<i>At the date of this Circular</i>		<i>On Admission</i>	
	<i>Number of Ordinary Shares held</i>	<i>Percentage of Issued Share Capital</i>	<i>Number of Ordinary Shares held**</i>	<i>Percentage of Issued Share Capital**</i>
Alan Hudson (Chief Executive Officer)	7,555,700	37.46	7,555,700	31.34
Philip Mobberley*	2,967,919	14.71	2,967,919	12.31
Paul Connor	2,000,000	9.91	2,000,000	8.29
John Wheatley (Non-Executive Chairman)	227,121	1.13	227,121	0.94

Paul Wright (Finance Director)	35,000	0.17	35,000	0.15
Mark Chambers (Non-Executive Director)	19,904	0.10	19,904	0.08
Austin Broad (Executive Director)	15,000	0.07	15,000	0.06

**Includes 816,347 Ordinary Shares held by Lynne Karen Mobberley (Philip Mobberley's wife) and 489,041 Ordinary Shares held by P Mobberley Carpenters Limited (a company whose voting rights are 50 per cent. held by Philip Mobberley and 50 per cent. held by Lynne Karen Mobberley).*

*** Assumes the maximum of £2,000,000 is raised pursuant to the Subscription and no participation in the Subscription from the Significant Shareholders or Directors.*

5. Application for Admission to AIM

Application will be made to the London Stock Exchange for the Placing Shares and Subscription Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 30 December 2015.

6. General Meeting

A notice convening the General Meeting to be held at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, B60 4JE at 11.00 a.m. on 23 December 2015 is set out at the end of this circular. At the General Meeting shareholders will consider the Resolutions which, among other things, grant the Directors authority to allot the Placing Shares and disapply statutory pre-emption rights in relation to such allotments.

At the General Meeting, the following resolutions will be proposed:

1. an ordinary resolution, to grant authority to the Directors to allot, pursuant to the Placing, shares in the capital of the Company up to an aggregate nominal amount of £272,727.30. This authority is in addition to the authorities granted to the Directors at the Annual General Meeting of the Company held on 23 April 2015, and will expire (along with such authorities) at the conclusion of the Annual General Meeting of the Company to be held in 2016; and
2. conditional on the passing of resolution 1 above, a special resolution to disapply statutory pre-emption rights in respect of the allotment of the Placing Shares for cash pursuant up to an aggregate nominal amount of £272,727.30. This authority is in addition to the authorities granted to the Directors at the Annual General Meeting of the Company held on 23 April 2015, and will expire (along with such authorities) at the conclusion of the Annual General Meeting of the Company to be held in 2016.

7. Action to be taken by Shareholders

Shareholders will find accompanying this circular a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it to SLC

Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ as soon as possible and, in any event, so as to arrive no later than 11.00 a.m. on 21 December 2015.

Completion and return of the Form of Proxy will not affect Shareholders' right to attend and vote in person at the General Meeting if they so wish. Further information regarding the appointment of proxies can be found on page 13 of this circular.

8. Recommendation

The Board considers the Fundraising to be in the best interests of the Company and Shareholders as a whole and therefore the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their, in aggregate 7,852,725 Existing Ordinary Shares (representing approximately 38.93 per cent. of the Company's Existing Ordinary Shares).

Expected Timetable of Principal Events

Publication of this circular	8 December 2015
Latest time and date for receipt of Form of Proxy	11.00 a.m. on 21 December 2015
General Meeting	11.00 a.m. on 23 December 2015
Admission effective and dealings in the New Ordinary Shares expected to commence on AIM	8.00 a.m. on 30 December 2015
Date for crediting of New Ordinary Shares in uncertificated form to CREST stock accounts	8.00 a.m. on 30 December 2015
Date of despatch of share certificates in respect of the New Ordinary Shares in certificated form	by 7 January 2016

If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through the Regulatory Information Service. All references to time and dates in this circular are to time and dates in London.

Definitions

The following definitions apply throughout this circular, unless the context requires otherwise:

"2006 Act"	the Companies Act 2006 (as amended)
"Admission"	the admission to trading on AIM of the Subscription Shares and the Placing Shares in accordance with the AIM Rules for Companies
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules for Companies"	for the AIM Rules for Companies, as published and amended from time to time by the London Stock Exchange
"Allenby Capital"	Allenby Capital Limited, a company incorporated in England and Wales with company number 06706681 and which is authorised

	and regulated by the FCA
"Board" or "Directors"	the directors of the Company from time to time
"Business Day"	any day (other than a Saturday or Sunday) upon which commercial banks are open for business in London, UK
"Company" or "AFH"	AFH Financial Group plc
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland which facilitates the transfer of title to shares in uncertificated form
"Enlarged Share Capital"	the issued ordinary share capital of the Company immediately following Admission (taking into account the issue of the New Ordinary Shares)
"Euroclear UK & Ireland"	Euroclear UK & Ireland Limited, the operator of CREST
"Existing Ordinary Shares"	the 20,172,376 existing Ordinary Shares in issue as at the date of this circular
"FCA"	the Financial Conduct Authority of the United Kingdom
"Form of Proxy"	the form of proxy accompanying this circular
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Fundraising"	together, the Placing and the Subscription
"General Meeting"	the general meeting of Shareholders to be held at 11.00 a.m. on 23 December 2015 at AFH House, Buntsford Drive, Stoke Heath, Bromsgrove, B60 4JE, and any adjournment thereof
"Group"	the Company, together with its subsidiary undertakings
"IFA"	an independent financial adviser
"Issued Share Capital"	the entire issued share capital of the Company from time to time
"London Stock Exchange"	London Stock Exchange Group plc
"New Ordinary Shares"	the Placing Shares and Subscription Shares
"Notice" or "Notice of General Meeting"	the notice of the General Meeting comprising part of this circular
"Official List"	the daily official list maintained by the FCA
"Ordinary Shares"	the ordinary shares of 10p each in the capital of the Company
"Options"	options over Ordinary Shares
"Placees"	the subscribers for Placing Shares pursuant to the Placing
"Placing"	the conditional placing of the Placing Shares by Allenby Capital as broker for the Company at the Placing Price pursuant to the Placing Agreement

"Placing Agreement"	the conditional agreement dated 8 December 2015 between (1) the Company and (2) Allenby Capital relating to the Placing
"Placing Price"	165 pence per Ordinary Share
"Placing Shares"	the 2,727,273 new Ordinary Shares to be issued to the Placees pursuant to the Placing
"Resolutions"	the resolutions to be proposed at the General Meeting, set out at the end of this document
"Shareholder"	a holder of Ordinary Shares
"Significant Shareholders"	Shareholders owning 3 per cent. or more of the Issued Share Capital
"stock account"	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
"Subscribers"	the subscribers of the Subscription Shares at the Placing Price pursuant to the Subscription Agreements
"Subscription"	the proposed subscription of the Subscription Shares at the Placing Price by the Subscribers pursuant to the Subscription Agreements
"Subscription Agreements"	the conditional agreements to be entered into between (1) the Company and (2) Subscribers relating to the Subscription
"Subscription Shares"	up to 1,212,121 new Ordinary Shares to be issued by the Company pursuant to the subscription
"UK Listing Authority"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

This information is provided by RNS
The company news service from the London Stock Exchange