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Growth in the Fast Lane

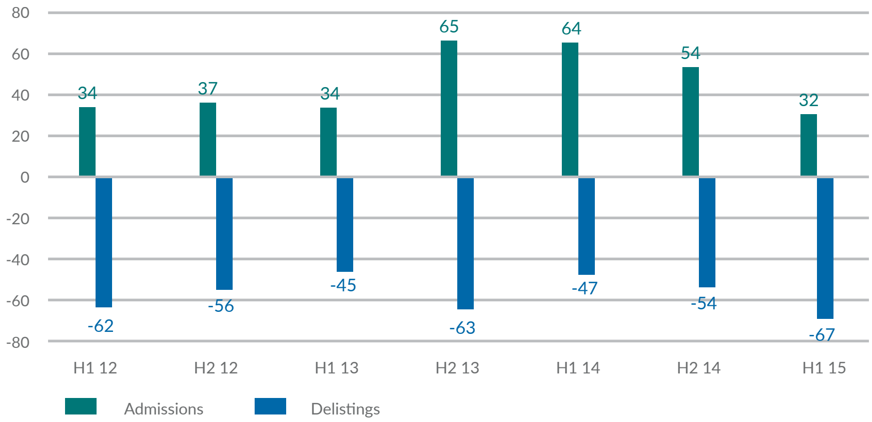
Over 3,500 companies have joined AIM since its launch in 1995, raising more than £90 billion. **Marcus Stuttard**, Head of AIM, talks to **Mary-Anne Baldwin** about why it's essential for high-growth companies to have access to capital

The combination of institutional investors, advisors and a light touch regulatory framework, continue to make AIM – the London Stock Exchange's junior platform for high-growth companies – an attractive destination for ambitious management teams.

In its purest form, the idea behind AIM is to provide an ecosystem for entrepreneurial companies, granting them access to investment and giving them the ability to either scale-up organically or via acquisitions. There have been plenty of success stories, including pizza company, Domino's; online clothing retailer, ASOS; and wound care specialist Advanced Medical Solutions.

Marcus Stuttard, Head of AIM, says: "Even if you look at very established markets such as the US, from a capital markets perspective, it's very difficult to raise finance if you've got a market cap below £500 million.

AIM Admissions vs Delistings – 2012 to 2015



Source: BDO, with data from AIM

"In Europe, we don't typically see growth markets with more than 200 or 300 companies listed, so AIM is unique in providing that capital to relatively small companies and there is a core community that supports the market."

At present, there are 1,066 listed companies on the market (204 are international) with a combined market value of £74.7 billion. According to Marcus, the moves to increase investor activity, such as including AIM shares into ISAs and the abolition of stamp duty on shares, have been welcome. "We've seen quite significant increases in daily liquidity across the market and greater retail investor participation," he says.

Cautious times

The special ingredient within AIM has always been the weighty support of institutional investors, particularly after the financial crisis in 2008. As valuations nosedived and IPOs dried up, many companies were able to conduct much needed secondary fundraising.

While markets have undoubtedly improved since then, it's clear that 2015 has been slow for the public markets in general. This year on AIM, there have been 46 IPOs, raising a total of £676 million, compared to 88 for the same period last year when £1.9 billion was raised.

Secondary fundraising remained strong for first nine months of 2015. A total of £3.2 billion has been raised, only >

Chris Searle
Partner, Corporate Finance
BDO

REVIEWING AIM

Chris Searle, Corporate Finance Partner for professional services firm BDO, says: "2014 was the best year on AIM since 2007, both in terms of the number of companies admitting to AIM and the amount of money they raised. However, this year has been pretty poor, perhaps because of the election in the UK, the ongoing Greek crisis and the Chinese slow down."

Chris explains that, over the last few years, the number of Nomads has been "right-sized" to suit the number of AIM-listed companies, which fell from its 2007 peak of 1,694 to around 1,100 currently.

Yet he does expect business on AIM to pick up in 2016, possibly returning to the level of activity experienced in 2014.

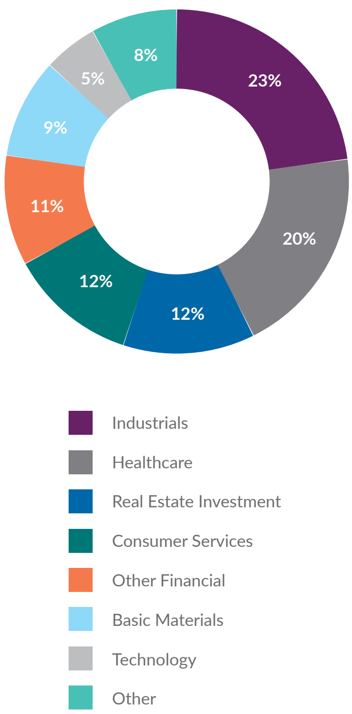
Chris notes that sentiment around global economic crises has stabilised but that there will be continued concern regarding investment in companies from outside the US and Europe. "People in London are more nervous about engaging with companies from jurisdictions where there have been problems in the past, for example China," he explains.

two per cent down on 2014. “We’re continuing to see the focus still being on investors supporting existing AIM-quoted companies,” he says. “This demonstrates that there is a long-term pool of predominantly institutional capital that supports the market.”

According to Marcus, the dip in new issues can be explained by ongoing economic volatility and uncertainty in the UK around the General Election, yet he does identify a shift in what investors are looking for from businesses wanting to IPO.

“A number of companies have come to the market this year, raising £30 million to £75 million,” he explains. “We’re seeing that they’re raising much

Total New and Further Funds Raised by Sector - H1 2015



Source: BDO, with data from AIM

> *“Institutions are looking for bigger ticket prizes”*

more capital. Institutions are looking for bigger ticket sizes and it is important that companies are at the right size and stage before they consider an IPO.”

As this adjustment takes place, the volume of companies leaving AIM so far this year has risen to 86, compared to 81 for the same period last year.

In terms of sectors, industrial and healthcare have been the most active, accounting for 23 per cent and 20 per cent of total funds raised over the first half of the year. To date in 2015, the London Stock Exchange has welcomed four pharmaceutical and biotech companies to AIM, including two US-based companies: Verseon Corporation, which raised £65.8 million and has a current market cap of £338.6 million and MotifBio, which raised £2.8 million has a current market cap of £66 million.

Other significant IPOs include the two retailers, Marshall Motor Holdings, which raised £40 million, and Ireland’s Applegreen, which raised £75.1 million.

The number of Nominated Advisors (or Nomads), which act for companies quoted on AIM, has halved from 80 to 40. According to Marcus, this is due to consolidation in the market. “When we said we had 80 Nomads there was quite a long tail of very small finance houses that weren’t doing very many deals,” he says. “Now we’ve got a smaller more active core of Nomads.”

Few public markets are without their challenges at present. For companies considering AIM as a destination to IPO, there’s no question that the funds are available provided the growth story of the business is clear and well-articulated.

“Markets like AIM provide an important source of long-term funding for businesses and will continue to evolve with the wider economy, supporting ambitious UK and international firms as they look to expand,” says Marcus. ■

Marcus Stuttard
Head of AIM
London Stock Exchange

Marcus was appointed Head of AIM in April 2009, having previously been Deputy Head of AIM since 2006. He is also a director of TOKYO AIM, the joint venture between the London Stock Exchange and Tokyo Stock Exchange Group to develop a new market for growing companies in Japan and Asia.

Marcus has been with the Exchange since 1994. During this time, his various roles have focused on primary markets development and the management of the Exchange’s relationships with the corporate advisory community.

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