



AIM INSIGHTS

REVIEW OF AIM FOR THE SIX MONTHS TO DECEMBER 2017

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There were conflicting forces in play over the UK economy in 2017. On the one hand, global economic growth was accelerating, helping to lift the UK economy on a tide of growing exports and manufacturing output.

On the other hand, the UK consumer has been subdued due to rising inflation and business investment has been restricted by the ongoing uncertainty caused by the Brexit process, with a decision by the EU to proceed to the next phase of the Brexit negotiations only reached at the end of the year. In addition, political instability following the inconclusive election result has added to the headwinds affecting the UK economy.

So which of these factors has had most influence over the listed SME sector? The BDO Capital Markets team considers the performance of AIM and AIM listed companies for the six months ended 31 December 2017 in the ninth edition of AIM Insights, its six monthly survey of the AIM market, and also looks back at the year as a whole.

How has AIM performed relative to the wider capital markets? What have been the trends in the number and size of AIM listed companies and how successful have they been in raising equity funds? Which sectors have been most in demand and which advisers have been most active?

KEY FINDINGS

2017 AND H2 2017: AT A GLANCE

	2016	2017	H1 2017	H2 2017
No of companies	982	960	963	960
Total market capitalisation	£80.8bn	£106.9bn	£93.6bn	£106.9bn
Ave market capitalisation	£82.3m	£111.3m	£97.2m	£111.3m
New admissions	64	80	28	52
IPOs ¹	42	50	18	32
Total fundraising	£4.77bn	£6.38bn	£2.02bn	£4.36bn
IPO proceeds	£710m	£1.38bn	£332m	£1.05bn
Average IPO proceeds	£16.9m	£27.6m	£18.4m	£32.8m
Further issue proceeds	£3.67bn	£4.78bn	£1.57bn	£3.21bn
Average further issue proceeds	£8.4m	£7.7m	£6.9m	£14.0m

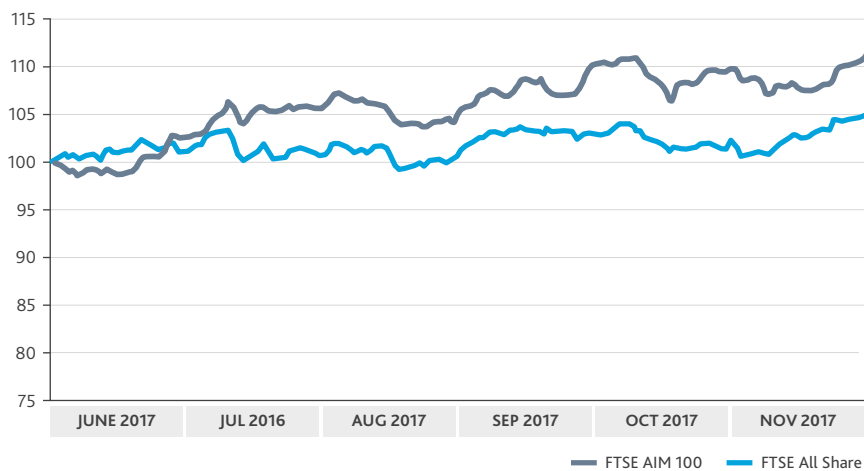
¹ IPOs in this document are defined as excluding introductions and reverse takeovers (unless otherwise stated)

- The total market cap of all AIM companies registered another substantial increase, rising by 14% from £93.6bn at June 2017 to £106.9bn at December 2017. For the year as a whole, market cap increased by an impressive 32%.
- As a result, average market cap per company increased in the second half of 2017 from £97m to £111m, another record high for AIM following records set at December 2016 and June 2017.
- Whilst there was a net decrease in company numbers, the rate of decline (22 in H1 2017, 3 in H2 2017) has slowed markedly compared to the reduction of 60 in 2016.
- There were 52 admissions in H2 2017, a significant increase from the first half of the year (28) and the same period last year (23). For the year as a whole, there was also an increase in the number of IPOs in 2017 (50) compared to 2016 (42).
- Total proceeds from both new admissions and further issues in 2017 was £6.4bn, a 34% increase compared to 2016. This was largely due to an acceleration in both IPOs and further issues in the second half which saw total proceeds of £4.4bn compared to £2.0bn in the first half.
- IPO proceeds in H2 2017 of £1.05bn were more than double those in the first half (£332m). Further issue proceeds also increased from £3.67bn in 2016 to £4.78bn in 2017, with the second half contributing £3.21bn or 67% of the annual total.
- The increase in AIM's market cap and the impressive fundraising proceeds in the second half of the year suggest that the impact of the growing global economy and a greater risk appetite from investors seeking a return (despite the recent rise in interest rates) is having a greater influence on investor confidence than domestic sentiment and UK political instability.
- The most active sectors for fundraising in H2 2017 were Real Estate and Support services (13% each) but the most notable feature about fundraising in the second half was how proceeds were spread over a wide number of sectors (seven sectors accounting for 73% of proceeds).
- Having been the No.1 reporting accountant in each of the six years between 2011 and 2016, BDO were pipped at the post in 2017 by Grant Thornton, who acted on 11 IPOs compared to BDO's 9. Nevertheless, BDO were No. 1 reporting accountant on IPOs over the last five and ten years, with 64% and 53% more than any other reporting accountant over these time periods. The most active nomads in 2017 were finnCap, Zeus Capital and Liberum Capital with four IPOs each. The most IPO money was raised by Zeus Capital (£238m).

MARKET PERFORMANCE

AIM CONTINUES TO OUTPERFORM WIDER LONDON MARKETS

STOCK MARKET INDICES: H2 2017 (REBASED)



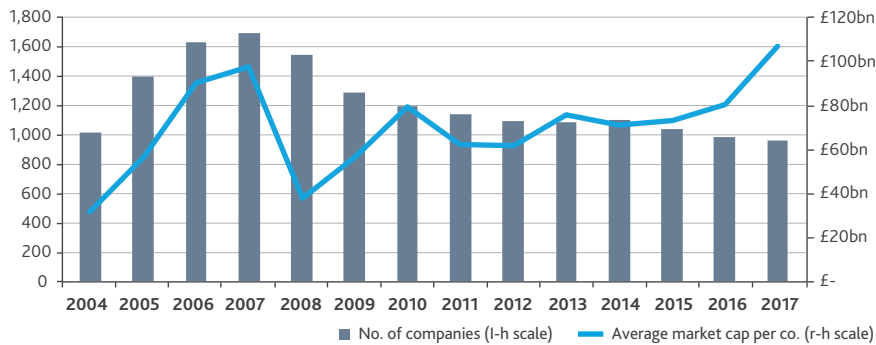
STOCK MARKET INDICES: 5 YEAR (REBASED)



- The AIM 100 index outperformed the FTSE All Share again in the second half of 2017, the third six monthly period in a row AIM has outperformed the wider London markets. It increased by 11.6%, significantly outperforming the FTSE All Share which only increased by 5.5%.
- Although growth was slightly lower than the 18.2% experienced in the first half, the full year saw a total increase of 32.9% compared to 9.0% for the FTSE All Share.
- The very strong continuing performance of AIM over an 18 month period is evident from the five year graph. Up to mid 2016, the performance of AIM was broadly in line with the FTSE All Share but, since then, AIM has dramatically taken off. Over a five year period, the AIM 100 index has increased by 68%, more than double the 33% achieved by the FTSE All Share.
- It is difficult to pin down the precise reasons for AIM's dramatic recent performance but in the most recent edition of [DirectAIM](#), we did assess the likely contributing factors. It would appear that the mix of companies is one of the key factors, with AIM having a particularly strong contingent of companies in some of the best performing sectors (notably natural resources and technology & media).
- The consolidation in the AIM market, with a marked decline in the number of small companies (see page 3) below is also a contributory factor and the fall in the value of Sterling has boosted the earnings of AIM's international contingent.

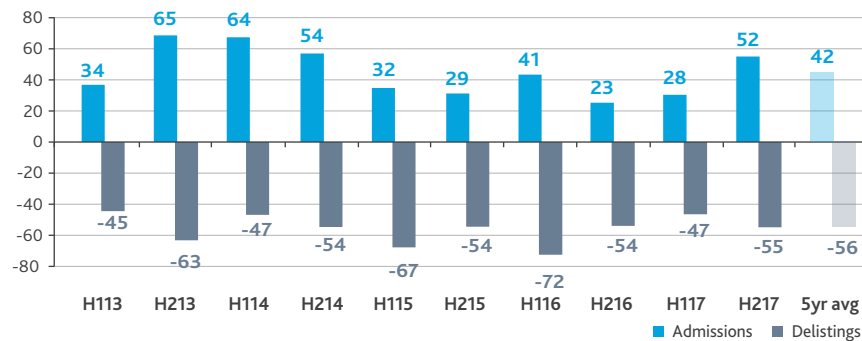
AIM NUMBERS RECORD MARKET CAP AS AIM SOARS ABOVE £105BN

AIM NUMBERS AND AVERAGE MARKET CAP



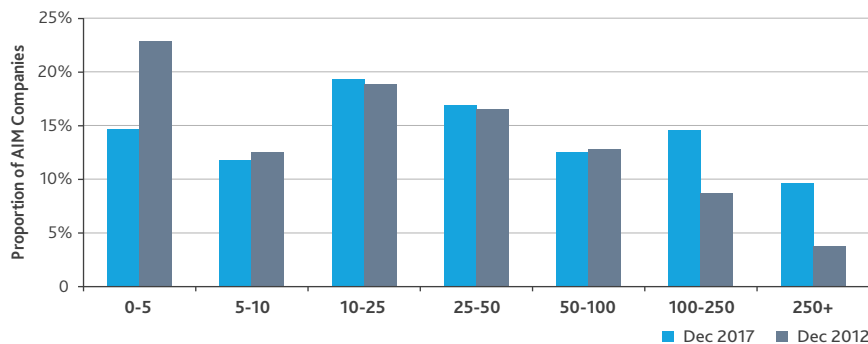
- The total market cap of all AIM companies was £106.9 billion at 31 December 2017, a 14% increase on the total at 30 June 2017 of £93.6 billion, which itself was 16% higher than 31 December 2016. The total market cap at 31 December 2017 is a year end record high for AIM.
- AIM's total market cap is now 35% higher than a year ago and 97% higher than five years ago.
- After a substantial increase seen in H1 2017, the average market cap per company accelerated further from £97.2m at 30 June 2017 to £111.3m at 31 December 2017, an increase of 15% and a new record for AIM.

AIM JOINERS AND LEAVERS



- The increase in AIM's total market cap and average market cap per company is in stark contrast to the Main Market. As we report in Main Market Insights, the total and average market cap of Main Market companies both declined by c2% in 2017.
- There were 52 joiners in the six months to 31 December 2017 which was the highest number of new entrants to the AIM market since the second half of 2014 and was 10 higher than the average new joiners in the last five years of 42.
- There was a net reduction of three in the number of AIM companies in the second half of 2017 from 963 at the end of June to 960 at December 2017.

PROPORTION OF AIM COMPANIES BY MARKET VALUE



- This is the smallest reduction for two and a half years with net reductions of AIM companies of 25 in the second half of 2015, 62 in 2016 and 19 in the first half of 2017. It will be interesting to see if, in 2018, the number of AIM companies can increase for the first time since H1 2014.
- The net reduction over 2017 as a whole was 22, significantly lower than the equivalent prior year period (62).
- The AIM market has achieved higher growth rates and record market capitalisation in recent years. This growth, coupled with sustained rationalisation of the number of companies, has contributed to a more even spread of companies by market capitalisation at December 2017 compared to December 2012.

FUNDING

A BOOM YEAR ON AIM

- Total proceeds from both new admissions and further issues amounted to £4.36bn in H2 2017 which, together with £2.02bn raised in H1 2017 (£6.38bn total), was the highest annual combined proceeds raised on AIM since 2010 (£6.85bn) and £1.61bn (34%) higher than in 2016.
- New admission proceeds in 2017 amounted to £1.14bn, 159% more than the £442bn raised in H1 2017 and reflected buoyant market sentiment which was broadly spread across a number of sectors.
- The vast majority of new admission proceeds in H2 2017 (£1.05bn) related to IPOs, with the balance relating to reverse takeovers and other non-IPO admissions. 76% of total new admission proceeds was generated from the 10 largest fundraisings (nine IPOs and one non-IPO).
- Total proceeds from further issues in the second half of 2017 amounted to £3.21 billion. This is more than double the amount raised in the first half (£1.57bn) and a 30% increase from the amount raised in the same period in the prior year (H2 2016: £2.46 billion). Further issue proceeds were nearly double the five year average up to H1 2017 of £1.64bn.
- The average further issue fundraising per company in H2 2017 was £14.0m. This was somewhat higher than the comparative figures in the two previous six month periods (H1 2017: £6.9m, H2 2016: £10.8m).
- There were a number of substantial new and further issues that helped to contribute to such high levels of total amounts raised in H2 2017, with three IPOs raising in excess of £150m each and seven of the top 10 further issues raising over £100m (three over £200m). This was a significant improvement compared to H1 2017 when only one new or further issue broke the £100m barrier.

TEN LARGEST IPO FUNDRAISINGS: H2 2017

COMPANY	SECTOR	£m
Greencoat Renewables	Financial	238
STRIX Group	Technology	190
Warehouse REIT	Real estate	150
Arena Events Group	Travel & leisure	59
CIP Merchant Capital	Financial	55
Footasylum	Retail	43
Sumo Group	Leisure goods	38
Alpha Financial Markets Consulting	Support services	35
City Pub Group	Travel & leisure	35
Mirriad Advertising	Media	25

- Average IPO fundraising per company in the second half of 2017 was £32.8m. This is almost double the average of the previous six months (H1 2017: £18.4m) and over three times the level seen in the same period last year (H2 2016: £10.2m).

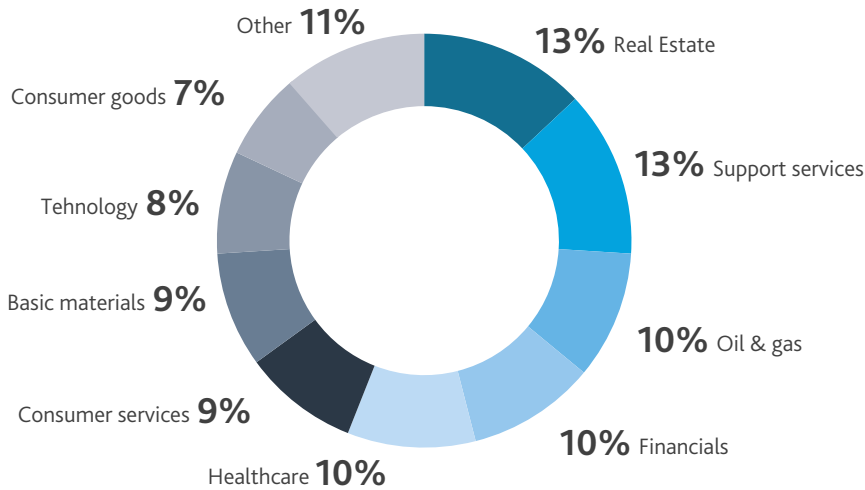
TEN LARGEST FURTHER ISSUES: H2 2017

COMPANY	SECTOR	£m
Globalworth Real Estate Investments	Real estate	285
Hurricane Energy	Oil & gas	234
Cityfibre Infrastructure Holdings	Telecommunications	202
RWS Holdings	Support services	185
Victoria plc	Household goods	180
Smart Metering Systems	Support services	150
Central Asia Metals	Mining	113
Hutchison China Meditech	Pharmaceuticals & biotech	99
IQE	Technology	95
Horizon Discovery Group	Pharmaceuticals & biotech	80

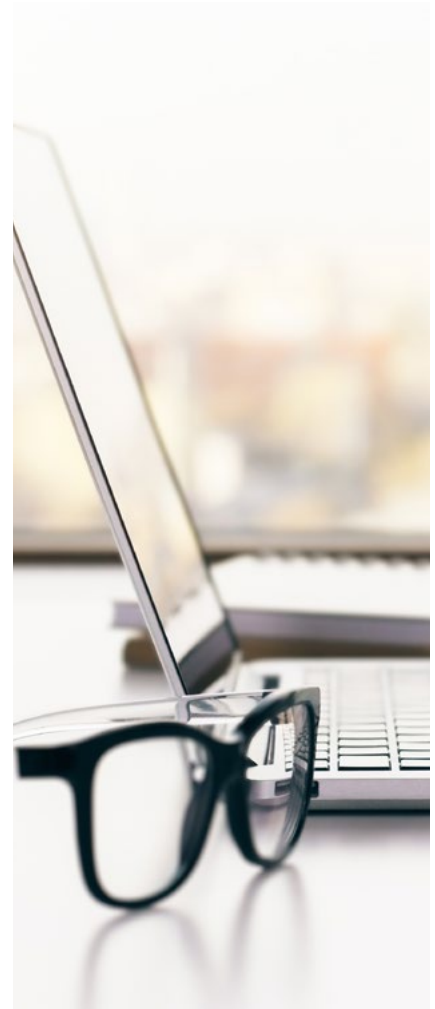
- By contrast, activity levels were largely unchanged. 229 companies raised money through secondary issues in H2 2017, in line with the number in H1 2017 (229) and H2 2016 (228).

FUNDING PROCEEDS WIDELY SPREAD ACROSS SECTORS

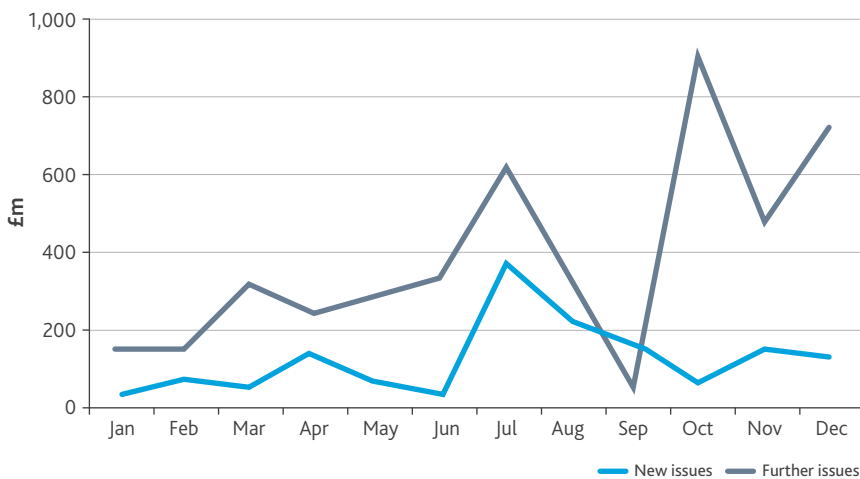
TOTAL NEW AND FURTHER FUNDS RAISED BY SECTOR: H2 2017



- Funds raised by sector shows a relatively even distribution across a number of sectors, with 73% of funds raised spread across seven sectors (financials, real estate, oil and gas, healthcare, consumer services, basic materials and support services), each within the range of 9%-13%.
- Real estate and support services were the most active sectors with 13% each of funds raised but these proportions are very low compared to most half year periods when the most active sector normally accounts for between 17% and 22%.
- Strong performance in the Real Estate sector is of particular note, growing from £52m raised in H1 2017 to £562m in H2 2017, reflecting Globalworth Real Estate Investments which was the largest further issue in the second half (£285m) and Warehouse REIT (£150m) which was one of the largest IPOs.
- Support services raised £547m in H2 2017, compared to £255m in H1 2017 and benefitted from further issues from RWS Holdings and Smart Metering Systems plc, raising £185m and £150m respectively.



NEW AND FURTHER ISSUES



- Activity levels were highest for new issues in July 2017 which saw the successful IPO of Greencoat Renewables plc, the largest IPO in the six month period, raising £238m.
- There was growing trend of further issue fundraising over the course of 2017, with proceeds growing from £648m in Q1 2017 to £2.17bn in Q4 2017.
- It will be interesting to see whether the buoyant levels of activity seen in Q4 2017 will be maintained in 2018, particularly if agreement can be reached with the EU over the terms of a transition period which should give businesses more certainty over the short to medium term.

MOST ACTIVE ADVISERS

NOMADS

- The most active Nomads on AIM IPOs in the year ended December 2017 were finnCap, Zeus Capital and Liberum Capital with four IPOs each.
- The most successful Nomads on AIM in terms of IPO proceeds in 2017 were Zeus Capital (£238m) and Peel Hunt (£200m). In both cases the amount of money raised was dominated by one large IPO - STRIX Group for Zeus (£190m) and Warehouse REIT for Peel Hunt (£150m).

IPO¹: MOST ACTIVE NOMADS

YEAR ENDED 31 DECEMBER 2017

COMPANY	IPOS NO.	MONEY RAISED £M
Zeus Capital	4	238
Liberum Capital	4	84
finnCap	4	26
Peel Hunt	3	200
Cenkos Securities	3	134
Strand Hanson	3	62
Allenby Capital	3	13
SP Angel Corporate Finance	3	6
Grant Thornton UK	2	38
Others	21	580
	50	1,379

¹ IPOs include introductions

REPORTING ACCOUNTANTS

- BDO has been the leading reporting accountant on AIM for seven of the last eight years and has been reporting accountant on 64 and 104 transactions in the last five and ten years respectively. This is 64% and 53% respectively more than any other accounting firm.
- Grant Thornton acted on 11 IPOs in 2017, closely followed by BDO with 9.
- As noted in Main Market Insights, BDO was the leading reporting accountant for IPOs on the Main Market of the LSE in the year ended 31 December 2017.

IPO¹: REPORTING ACCOUNTANTS ON AIM

YEAR ENDED 31 DECEMBER

COMPANY	2016	2017	COMPANY	5 YEAR TOTAL	10 YEAR TOTAL
Grant Thornton	5	11	BDO	64	104
BDO	11	9	Grant Thornton	39	68
Crowe Clark Whitehill	4	8	KPMG	35	49
PWC	3	5	Baker Tilly / RSM	18	49
PKF Littlejohn	-	5	Deloitte	22	46
KPMG	7	2	PWC	26	37
Deloitte	3	5	E&Y	10	23
Other	10	5			
	43	50			

¹ IPOs include introductions

BDO CAPITAL MARKETS UK

26 AIM
IPOs
IN LAST 3 YEARS¹

£434m
FUNDS RAISED
IN LAST 3 YEARS²

£1.3bn
MARKET CAPITALISATION
IN LAST 3 YEARS²

1 REPORTING
ACCOUNT³

AN **AWARD WINNING**
CORPORATE FINANCE BUSINESS

- Total AIM IPOs on which BDO was reporting accountant up to December 2017
- Total for 26 AIM IPOs on which BDO was reporting accountant up to December 2017
- On AIM IPOs over the last 3 years

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