



# AIM INSIGHTS

REVIEW OF AIM FOR THE SIX MONTHS TO DECEMBER 2015

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The general consensus amongst City commentators was that AIM had a poor year in 2015. Not only were IPO numbers about half what they were in 2014, they were at their lowest since 2009 which was in the depths of the recession. The perception was that fundraising on AIM was challenging, particularly as the year went on and a steady stream of companies continued to leave the market. Some have even questioned the long term future of AIM in the light of these developments.

There were certainly a number of headwinds in 2015, notably the UK general election in May, the slowdown in the Chinese economy, Eurozone uncertainties relating to the Greek bailout and collapsing commodity prices, notably oil. But behind the headlines and the gloomy backdrop, what was the real performance of AIM?

In the fifth edition of AIM Insights, its six monthly survey of the AIM market, the BDO capital markets team considers the performance of AIM and AIM listed companies for the six months ended 31 December 2015 and reflects on the year as a whole.

How has AIM performed relative to the FTSE All Share? 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

- The decline in AIM company numbers seen in the first half of 2015 continued in the second half, albeit at a slower rate. There was an overall reduction of 25 companies from 1,069 at 30 June 2015 to 1,044 at 31 December 2015, reflecting 54 leavers and 29 new joiners.
- The number of new admissions (29) was the lowest since the second half of 2009 when there were 23.
- There were 11 IPOs in the second half of 2015, substantially lower than the number seen in H1 2015 (22) and in H2 2014 (38).
- New admission proceeds in H2 2015 of £808m were substantially higher than the amounts raised in the previous half year (H1 2015: £432m). This was largely due to non-IPO admissions, in particular three large reverse takeovers which together accounted for £567m of new admission proceeds.
- IPO proceeds in the second half of 2015 of £118m were significantly lower than in the first half (H1 2015: £352m)<sup>2</sup> and the same period last year (H2 2014: £801m).
- Further issue proceeds of £1.88 billion were lower than in H1 2015 (£2.342 billion), although the first half included a very large raise by Optimal Payments (£452m). Total further issue proceeds for 2015 as a whole of £4.22 billion was almost 30% higher than in 2014. This indicates a strong preference by investors to target established listed companies rather than the relatively unknown quantity of IPO candidates.
- In H1 2015, healthcare, other financial and real estate were the most active sectors for fundraising with 22%, 19% and 14% of total funds raised respectively. Healthcare has been in the top two most active sectors for three consecutive half yearly periods.
- BDO retained its position as No. 1 reporting accountant on IPOs in the year ended 31 December 2015 with 6 IPOs. It also completed 5 further non-IPO admissions, resulting in a total of 11 AIM transactions, five more than any other firm.
- The most active nomads over this period were Zeus Capital, Numis Securities and SP Angel with 3 IPOs each, although Shore Capital raised the most IPO money (£66m).

## H2 2015: AT A GLANCE

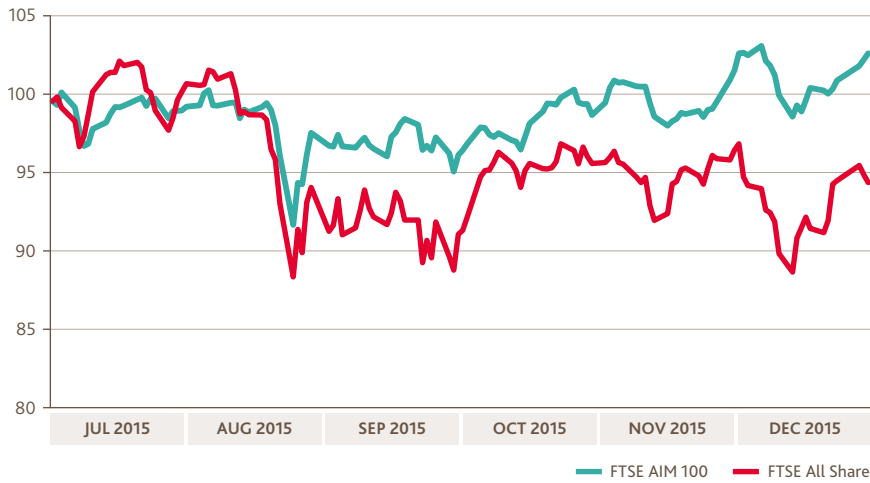
	2014	2015	2015 <sup>2</sup> H1	2015 H2
No of companies	1,104	1,044	1,069	1,044
Total market capitalisation	£71.4bn	£73.1bn	£74.0bn	£73.1bn
Average market capitalisation	£65m	£70m	£69m	£70m
New admissions	118	61	32	29
IPOs <sup>1</sup>	79	33	22	11
Total fundraising	£5.72bn	£5.46bn	£2.77bn	£2.69bn
IPO proceeds	£2,472m	£470m	£352m	£118m
Average IPO proceeds	£31.3m	£14.2m	£160m	£10.7m
Further issue proceeds	£3.12bn	£4.22bn	£2.34bn	£1.88bn
Average further issue proceeds	£7.0m	£9.5m	£10.6m	£8.4m

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

<sup>2</sup> Reflects updated LSE data compared to previous edition

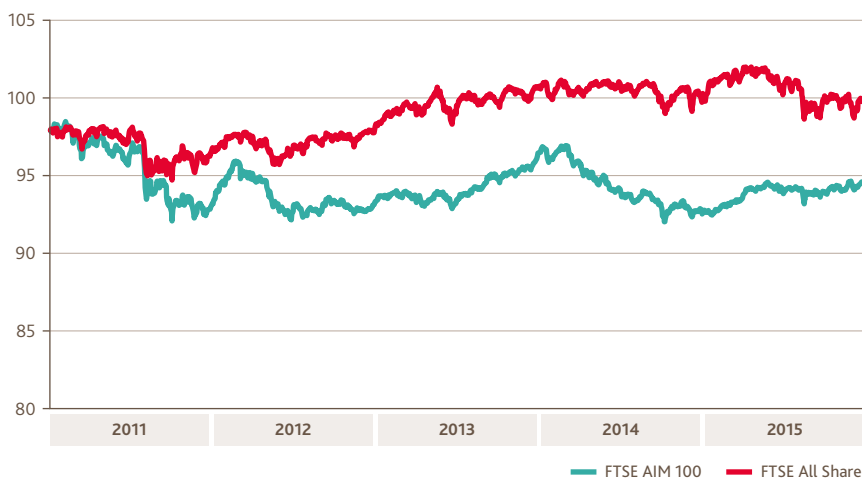
## MARKET PERFORMANCE: AIM OUTPERFORMS LARGE CAPS

STOCK MARKET INDICES: H2 2015 (REBASED)



- During a period of general stock market volatility, the AIM 100 was relatively stable in the second half of 2015, compared to the FTSE All Share. Whilst the FTSE All Share declined by nearly 5%, the AIM 100 registered growth of nearly 3% over this six month period.
- The decline in the FTSE 100 index (6%) was greater than the FTSE All Share, indicating that large multinationals, in particular resources companies which have such an influence on the FTSE 100, have fared worse than the mid-market.
- Although the AIM 100's growth over this period was modest, it builds on the 9% growth registered in the first half. For 2015 as a whole, the AIM 100 increased by over 13%, noticeably better than the 2% decline for the FTSE All Share index.
- The relative success of the AIM 100 in 2015 is, however, in contrast to a comparison with the FTSE All Share over a five year period. Whereas the FTSE All Share rose, albeit modestly, by 10%, the AIM 100 declined over this period by nearly 19%.
- As previously noted, this highlights the relative volatility of the AIM market compared to the wider capital markets. However, although AIM stocks may not have performed over the long term, their performance in 2015 does highlight the ability of investors to make positive returns in the short term if investments are proactively monitored.

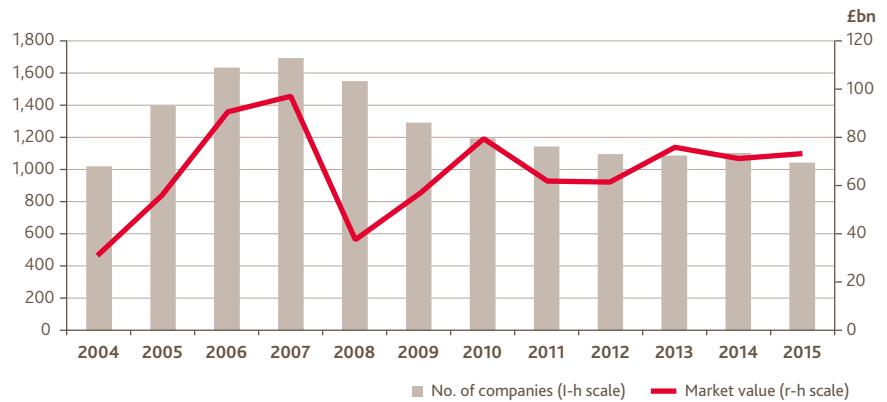
STOCK MARKET INDICES: 5 YEAR (REBASED)



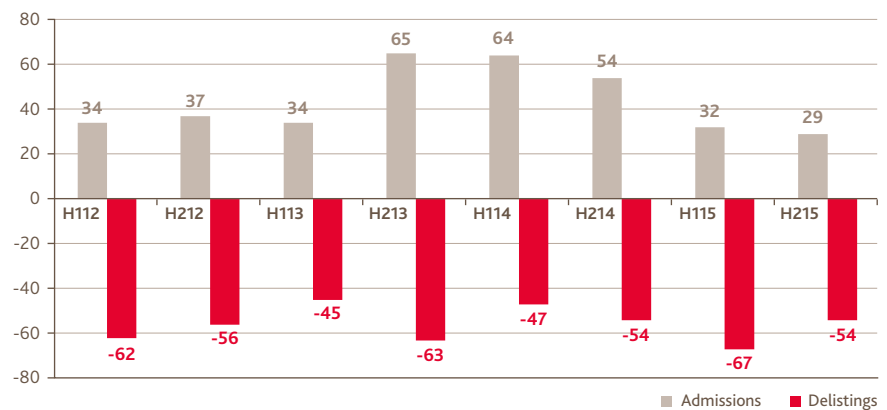
## AIM NUMBERS – DECLINE RESUMES

- There was a net reduction of 25 in the number of AIM companies in the second half of 2015 from 1,069 at June 2015 to 1,044 at December 2015. This follows a net reduction of 35 in H1 2015 and no change in numbers in H2 2014.
- The full year reduction in 2015 was 60 companies compared to a net increase in 2014 of 17.
- There were only 29 new admissions to AIM in the second half of 2015, the lowest number of joiners since the second half of 2009 (23). This was broadly similar to the 32 seen in H1 2015. Full year new admissions in 2015 of 61 were approximately half the number of new entrants in 2014 of 118.
- The majority of new admissions were non-IPOs (such as introductions and re-admissions) which amounted to 18 in H2 2015, higher than both H2 2014 and H1 2015 numbers of 16 and 10 respectively.
- There were only 11 IPOs in the second half of 2015, half the number in the first half of 2015 (22) and a substantial reduction on the 38 seen in the second half of 2014.
- On a more positive note, there was a reduction in the level of churn from 67 in H1 2015 to 54 in H2 2015, slightly lower than the average over the last four years of 56.
- Despite the reduction in AIM company numbers, the total market cap of all AIM companies was broadly maintained at £73.1 billion at 31 December 2015 (£74.0 billion at 30 June 2015), a small reduction of 1%.
- Average market cap per company at 31 December 2015 was £70m, broadly similar to the average at 30 June 2015 (£69m), but an 8% increase on the average at the end of 2014 (£65m). The increase in average market cap comes despite the increase in sub £5m market cap companies (see below).
- The average market cap for new admissions in H2 2015 was £114m in H1 2015, a 61% increase on H1 2015 (£71m) and 50% higher than in the same period last year (H1 2014: £76m). This increase is a reflection of the non-IPO new entrants. These were principally reverse takeovers, notably those of Optimal Payments which had a market cap of £1.36bn at the date of re-admission, Benchmark Holdings (£390m) and Zegona Communications

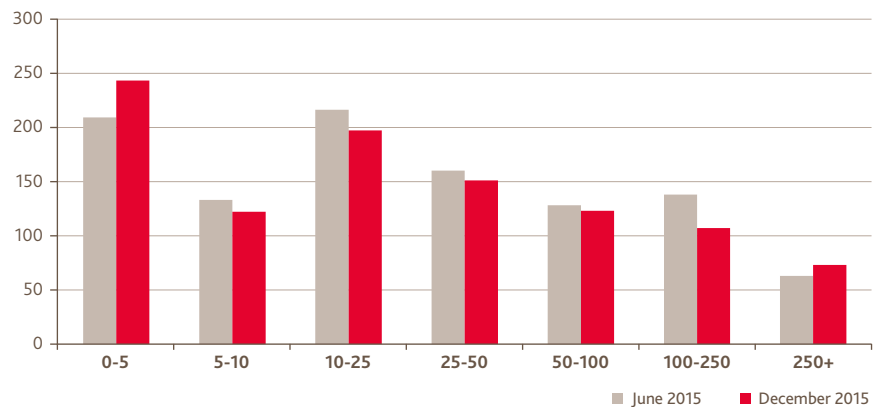
### AIM NUMBERS AND MARKET CAPITALISATION



### AIM JOINERS AND LEAVERS



### AIM COMPANIES BY MARKET VALUE



(£308m). By contrast the average market cap of IPO companies was £45m, down 33% compared to the average of £67m in H1 2015.

- The distribution of companies by market value between June 2015 and December 2015 shows a noticeable increase in

the number of very small companies (ie less than £5m) from 209 to 243. This is somewhat surprising given that the overall AIM market cap was broadly stable over this period. The only other category to show an increase is very large companies (>£250m) which increased from 63 to 73.

## FUNDING – INVESTOR APPETITE MAINTAINED

- Total proceeds from both new admissions and further issues in H2 2015 amounted to £2.69 billion, very similar to the amount raised in the first half of the year of £2.77<sup>2</sup> billion. New admissions proceeds in the second half were substantially higher than in the first half, largely offsetting a reduction in further issue proceeds (due to the very large Optimal Payments occurring in H1).
- However, total proceeds in H2 2015 were 33% higher than in the same period last year (H2 2014: £2.02 billion).
- Total proceeds for 2015 as a whole amounted to £5.46 billion, 5% down on the £5.72 billion raised in 2014, which was generally considered to be a very good year for AIM. Although new admission proceeds were substantially lower than in 2014, this was largely offset by higher further issue proceeds.
- Total proceeds from new admissions in the second half of 2015 amounted to £808m, substantially higher than the amounts raised in the previous half year (H1 2015: £432m)<sup>2</sup> but broadly similar to the same period last year (H2 2014: £869m). Full year new admission proceeds in 2015 amounted to £1.24 billion, substantially down on the £2.60 billion raised in 2014.
- The vast majority of the new admission proceeds in H2 2015 related to non-IPOs (£690m) with only £118m being raised from IPOs. For 2015 as a whole, IPO proceeds amounted to £470m, with non-IPO funds amounting to £770m.
- The non-IPO new money proceeds related principally to Zegona Communications (£251m), Benchmark Holdings (£186m) and Conviviality (£130m). The placings for these companies all related to reverse takeovers, being the acquisitions of Telecable Capital, INVE Aquaculture and Matthew Clark (Holdings) respectively.

### FIVE LARGEST IPO FUNDRAISINGS: H2 2015

	SECTOR	£m
Gloo Networks	Financial	30
Diurnal Group	Pharmaceuticals and biotech	25
Purplebricks Group	Real estate	25
Faron Pharmaceuticals	Pharmaceuticals and biotech	10
Orchard Funding Group	Financial	10

### FIVE LARGEST NON-IPO FUNDRAISINGS: H2 2015

	SECTOR	£m
Zegona Communications	Financial	251
Benchmark Holdings	Pharmaceuticals and biotech	186
Conviviality	Food and drug retail	130
Alliance Pharma	Pharmaceuticals and biotech	79
Hornby	Leisure	15

- Average IPO fundraising per company in the first half of 2015 was £10.7m. This is lower than the average of the previous six months (H1 2015: £16.0m)<sup>2</sup>, which itself was substantially lower than the same period last year (H2 2014: £21.1m).
- Total proceeds from further issues in H2 2015 amounted to £1.88 billion. Although this is a 20% reduction compared to the first half of the year (£2.34 billion)<sup>2</sup>, the first half was inflated by a very substantial raise from one company, Optimal Payments (£452m). H2 2015 proceeds were 16% higher than the six monthly average proceeds over the last five years and 63% higher than the same period last year (£1.15 billion).
- Full year further issue proceeds in 2015 were £4.22 billion. This is 29% higher than in 2014, when secondary fundraising proceeds totalled £3.12 billion.

### TEN LARGEST FURTHER ISSUES: H2 2015

	SECTOR	£m
Market Tech Holding	Real estate	201
NewRiver Retail	Real estate	150
Dalata Hotel Group	Travel & leisure	118
New Europe Property Investments	Financial	95
Renuron group	Pharmaceuticals and biotech	68
Scotgold Resources	Mining	58
Telford Homes	Household goods	50
Ithaca Energy	Oil & gas	43
Breedon Aggregates	Construction	41
Xerox Technology Group	Industrial engineering	40

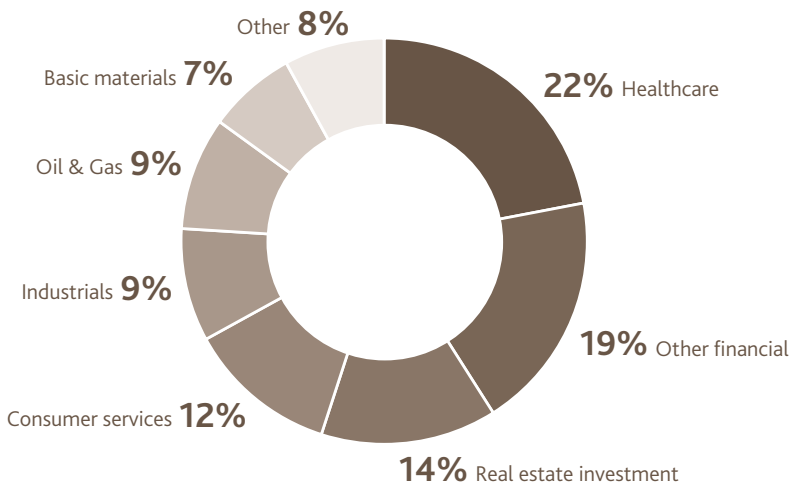
- 225 companies raised money through secondary issues in H2 2015, very similar to the number in both H1 2015 (220) and in the same period last year (H2 2014: 221).
- The average fundraising per company in H2 2015 was £8.4m. Adjusting for the large Optimal Payments raise, this was broadly in line with H1 2015 (£8.6m) but higher than H2 2014 (£5.2m).

<sup>2</sup> Based on updated LSE data

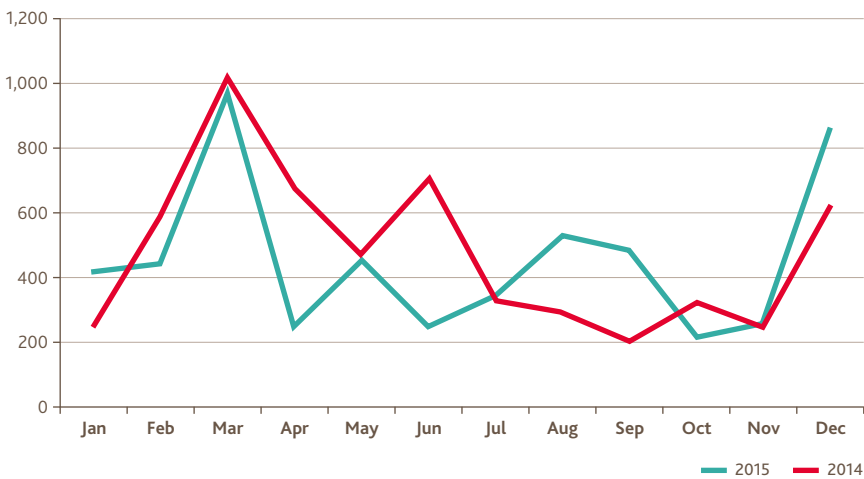


## FUNDING – INVESTOR APPETITE MAINTAINED

TOTAL NEW AND FURTHER FUNDS RAISED BY SECTOR: H2 2015



## NEW AND FURTHER ISSUES



- In H2 2015, healthcare and other financial were the most active sectors for fundraising with 22% and 19% of total funds raised respectively. Real estate investment also had a strong six months with 14% of total funds raised.
- In H1 2015, the most active sectors were industrials with 23% of funds raised (H2 2015: 9%) and healthcare with 17% (H2 2015: 22%).
- In the corresponding period in 2014, the most active sectors were healthcare (17%) and other financial (12%). It is the third consecutive half year period that healthcare has been among the top two most active sectors.
- The healthcare sector includes the placing proceeds of Benchmark Holdings (£186m) and Alliance Pharma (£79m) and the further issue proceeds of Reuron Group (£68m).
- Other financial includes the further issue proceeds of New Europe Property Investments (£95m) and the non-IPO new admission proceeds of Zegona Communications (£251m) relating to the acquisition of Telecab Capital (although these funds could be attributed to the technology sector as Zegona is a company set up to invest in TMT acquisitions).
- Q2 2015 was a quiet period for fundraising, probably reflecting the impact of the May general election on fundraising plans. However, Q3 2015 was relatively strong, indicating a return of market confidence following the unexpectedly decisive outcome of the election.
- December was a very strong month, with £858m being raised that month, the second highest monthly total of the year. Given the poor performance of the capital markets in January, it remains to be seen whether this momentum will be carried over in to 2016.



## MOST ACTIVE ADVISERS

### NOMADS

- The most active Nomads on AIM IPOs in the year ended 31 December 2015 were Zeus Capital, Numis Securities and SP Angel with three IPOs each.
- The most successful Nomad on AIM in terms of IPO proceeds over this period was Shore Capital which raised £66m, with Zeus Capital in second place with £57m. Shore Capital's IPOs were Applegreen (£51m) and Redx Pharma (£15m) while Zeus Capital's IPOs were for Elegant Hotels Group (£32m), Purplebricks Group (£25m) and MXC Capital (Introduction).

### IPO<sup>1</sup>: MOST ACTIVE NOMADS

	IPOs No.	Money Raised £m
Zeus Capital	3	57
Numis Securities	3	31
SP Angel	3	21
Shore Capital	2	66
Liberum Capital	2	52
Cenkos Securities	2	30
Panmure Gordon	2	20
Cantor Fitzgerald	2	16
Cairn Financial Advisers	2	13
Allenby Capital	2	4
Grant Thornton	2	4
Strand Hanson	2	4
Sanlam Securities	2	-
Others	12	75
	<b>41</b>	<b>393</b>

<sup>1</sup> IPOs include introductions

### REPORTING ACCOUNTANTS

- In the year ended 31 December 2015, BDO retained its position as the leading reporting accountant for IPOs on AIM with 6. These companies operate across a range of sectors, being mining (2), oil and gas, travel and leisure, financial and technology.
- If reverse takeovers and other non-IPO admissions are taken into account, BDO acted as reporting accountant on a total of 11 admissions in 2015, five more than any other firm.

### IPO<sup>1</sup>: REPORTING ACCOUNTANTS ON AIM

	2014 No.	2015 No.
BDO	23	6
Crowe Clark Whitehill	4	6
KPMG	13	4
PwC	8	3
Deloitte	7	3
Baker Tilly	5	3
Grant Thornton	10	2
Ernst & Young	3	2
Others	13	12
	<b>86</b>	<b>41</b>

<sup>1</sup> IPOs include introductions



**29** AIM  
IPOs  
IN LAST 2 YEARS

**£489m**  
FUNDS RAISED  
IN LAST 2 YEARS<sup>1</sup>

**£2.4bn**  
MARKET CAPITALISATION  
IN LAST 2 YEARS<sup>3</sup>

**1** REPORTING  
ACCOUNT<sup>4</sup>

**1** FOR EXCEPTIONAL  
CLIENT SERVICES<sup>2</sup>

1. Total for 29 AIM IPOs on which BDO was reporting accountant

2. Independent research (Mid Market Monitor 2012, 2013, 2014 and 2015) undertaken by Meridian West shows BDO has the highest client satisfaction rating among its peers

3. Total for 29 AIM IPOs on which BDO was reporting accountant

4. On AIM IPOs for the fifth consecutive year

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