



AIM INSIGHTS

Review of AIM for the six months to June 2015

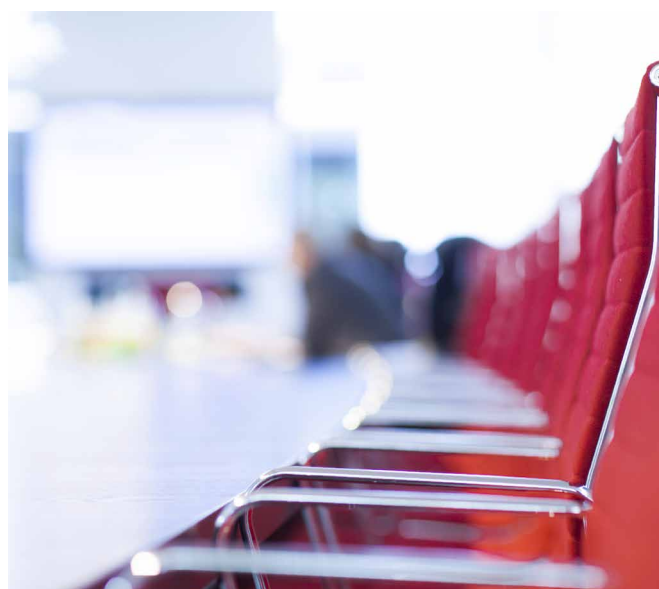
REVIEW OF AIM FOR THE SIX MONTHS TO JUNE 2015

Following a very strong year for AIM in 2014, many commentators were predicting a slowdown in investment appetite in 2015. There was already evidence that investment activity was slowing in the second half of 2014, perhaps reflecting a natural tendency for investors to take stock after a particularly strong first half performance. In addition, there was the uncertain political backdrop presented by the UK general election in May, which was widely expected to result in an inconclusive outcome that would further bear down on investor sentiment.

Whilst lower oil prices were expected to provide impetus to the wider global economy, the start of the year also saw a change in the Greek government, with the incoming Syriza party elected on a promise to renegotiate the terms of the Greek bailout, bringing with it the prospect of a return of volatility to the European economy. All these factors, together with continuing fears over the slowdown in the Chinese economy, represented significant headwinds resulting in a general sense of caution in the AIM market at the start of the year.

Against this economic backdrop, the BDO Capital Markets team considers the performance of AIM and AIM listed companies for the six months ended 30 June 2015, in the fourth edition of AIM Insights, our six monthly survey of the AIM market.

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

- After several years of relatively stable or increasing numbers, there was a decline in the number of AIM companies from 1,104 at 31 December 2014 to 1,069 at 30 June 2015, reflecting both an increase in leavers (67) and a reduction in new joiners (32).
- The number of new admissions was the lowest since the second half of 2009 when there were 23.
- There were 22 IPOs¹ in the first half of 2015, substantially lower than in H2 2014 (38) and in H1 2014 (41).
- IPO proceeds in the first half of 2015 of £270m were significantly lower than the previous six month period (H2 2014: £801m) and the same period last year (H1 2014: £1,670m).
- In contrast, further issue proceeds of £2.36 billion were substantially higher than in H2 2014 (£1.15 billion) and H1 2014 (£1.97 billion), suggesting investors were willing to invest but in established listed companies rather than the unknown quantity of IPO candidates.
- In H1 2015, industrials and healthcare were the most active sectors for fundraising with 23% and 20% of total funds raised respectively. Healthcare was also one of the most active sectors in H2 2014 (17%) together with other financial (12%). The industrials sector was particularly strong in H1 2015 due to a very large raise by Optimal Payments of £452m in March 2015.
- BDO was the most active reporting accountant in the year ended 30 June 2015 with 17 IPOs, almost double the number of the second firm on the list. The most active nomad over this period was Cenkos Securities with 8 IPOs although Investec Bank raised the most IPO money (£216m).

H1 2015 AT A GLANCE

	H2 2014	H1 2015
Number of Companies	1,104	1,069
Total Market Capitalisation	£71.4bn	£74.0bn
Average Market Capitalisation	£65m	£69m
New Admissions	54	32
IPOs ¹	38	22
Total Fundraising	£2.02bn	£2.71bn
IPO Proceeds	£801m	£270m
Average IPO Proceeds	£21.1m	£12.3m
Further Issue Proceeds	£1.15bn	£2.36bn
Average Further Issue Proceeds	£5.2m	£10.7m

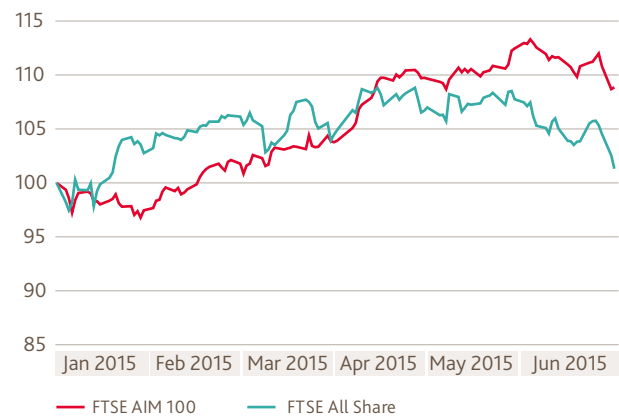
¹ IPOs in this document are defined as excluding introductions and reverse takeovers (unless otherwise stated).

MARKET PERFORMANCE

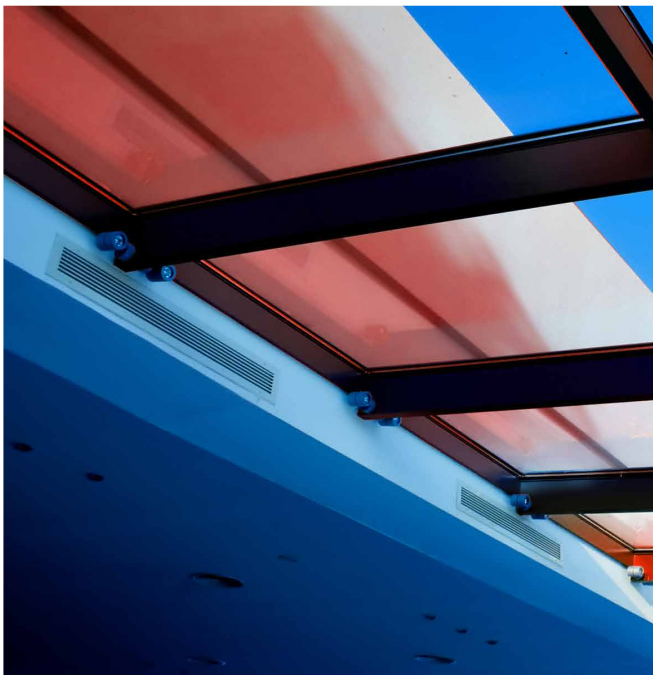
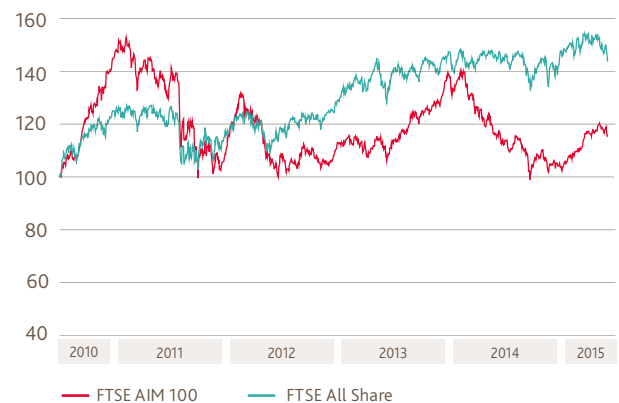
STEADY GROWTH FOR AIM

- The AIM 100 experienced relatively steady growth during the first half of 2015 compared to the FTSE. It increased by nearly 9% over this period compared to an increase of only 1% for the FTSE All Share.
- H1 2015 was a period of contrasting fortunes for the AIM 100 relative to the FTSE All Share. It initially underperformed compared to the wider market in January and February, falling in the first few weeks of the year while the FTSE All Share was increasing. However, in Q2, it continued to grow while the FTSE All Share declined (by 6% between late April and the end of June).
- The 9% increase in the AIM 100 index in H1 2015 is in contrast to a 10% decline in the second half of 2014. As we have highlighted in previous editions, this is further evidence of the relative volatility of the AIM market compared to the wider capital markets.
- Over the 12 month period to 30 June 2015, the AIM 100 is broadly flat, declining by less than 1%. This is slightly better than the FTSE All Share, which ended nearly 2% lower over this period.
- Over a five year period, there have been periods when AIM has outperformed the FTSE All Share, but for the majority of the period it has underperformed, highlighting the inherent volatility of the junior market. The AIM 100 has increased by 16% over this period, compared to 44% for the FTSE All Share.

STOCK MARKET INDICES - H1 2015 (REBASED)



STOCK MARKET INDICES - 5 YEAR (REBASED)

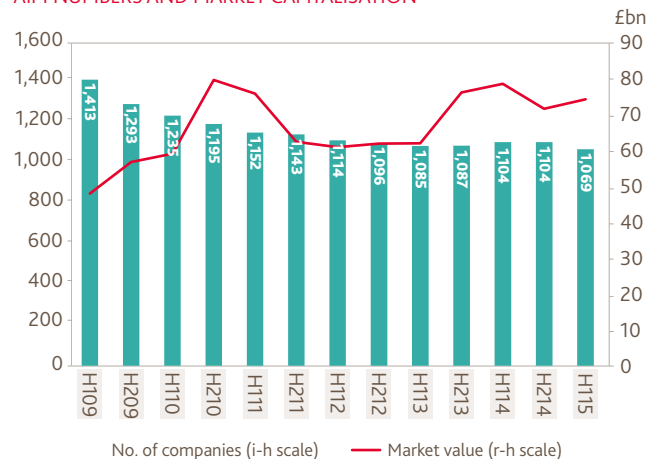


AIM NUMBERS

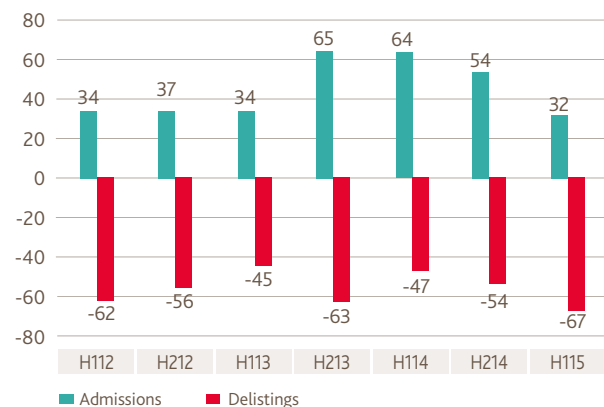
DECLINE RESUMES

- There was a net reduction of 35 in H2 2015 from 1,104 at December 2014 to 1,069 at June 2015. This follows no change in numbers in H2 2014 and a net increase in H1 2014 of 17.
- H1 2015 saw the first reduction in AIM company numbers since H1 2013.
- There were only 32 new admissions to AIM in the first half of 2015, the lowest number of joiners since the second half of 2009 (23). This was half the level in the first half of 2014 (64). This reduction is likely to reflect the reluctance of IPO candidates to commence the listing process until the outcome of the general election was known.
- There were 22 IPOs in the first half of 2015, a substantial reduction on the 41 seen in the first half of 2014 and the 38 in H2 2014.
- Other admissions (such as introductions and re-admissions) amounted to 10 in H1 2015, also down on H1 2014 and H2 2014 numbers of 23 and 16 respectively.
- In addition to the reduction in new entrants, there was also an increase in the level of churn, with the number of delistings rising from 54 in H2 2014 to 67 in H1 2015. This is the highest number of leavers since H2 2011 when there were 83 leavers.
- Despite the reduction in AIM company numbers, the total market cap of all AIM companies increased from £71.4 billion at 31 December 2014 to £74.0 billion at 30 June 2015, a rise of 3.6%. Although total market cap is 5.5% lower than at the same time last year (£78.3 billion), it represents a welcome return to growth following the 9% reduction in H2 2014.
- Average market cap per company at 30 June 2015 was £69m, which represents a 6% increase on the average at 31 December 2014 (£65m). In addition to the increase in total market cap of the AIM market, this also reflects a reduction in the number of very small AIM companies (see opposite).
- The average market cap for new admissions in H1 2015 was £71m, a 7% reduction on H2 2014 (£76m) and 21% lower than in the same period last year (H1 2014: £90m). Although the new admission average in the latest six month period has declined again, the rate of decline is approximately half that in H2 2014 of 16% and is still 45% higher than in H2 2013 (£49m).
- The distribution of companies by market value between December 2014 and June 2015 shows a noticeable reduction in the number of very small companies (ie less than £5m) from 228 to 209. It also shows an increase in the number of larger companies, with the number of companies with market caps over £50m increasing from 318 to 329.

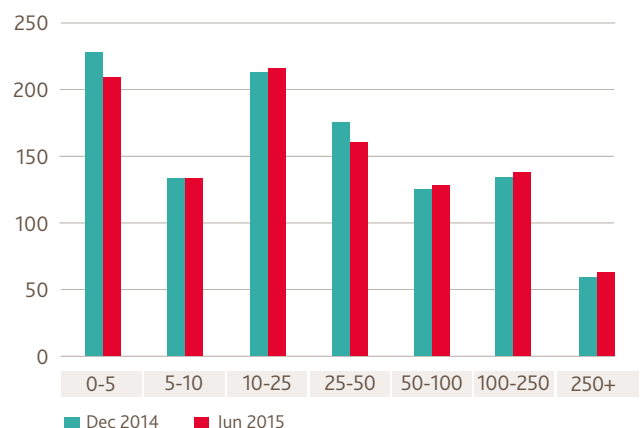
AIM NUMBERS AND MARKET CAPITALISATION



AIM JOINERS AND LEAVERS



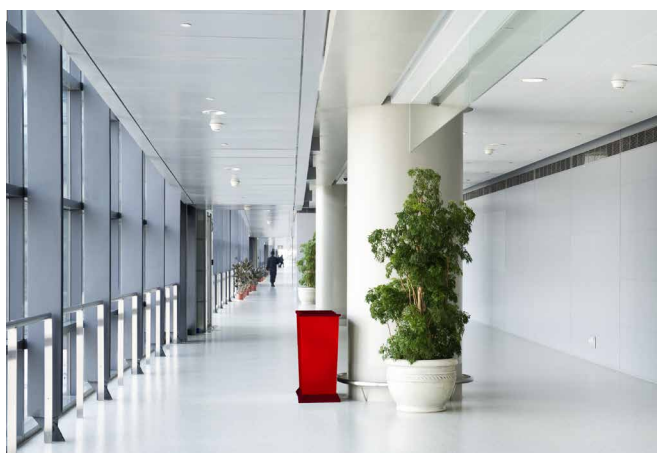
AIM COMPANIES BY MARKET VALUE



FUNDING

STRONG APPETITE FOR EXISTING LISTED COMPANIES

- Total proceeds from new admissions in the first half of 2015 amounted to £350m, substantially lower than the amounts raised in the previous half year (H2 2014: £869m) and the same period last year (H1 2014: £1,735m).
- This was the lowest half yearly fundraising total for new admissions since H1 2013 (£338m).
- The vast majority of the first half new admission proceeds (£270m) related to IPOs.
- Average IPO fundraising per company in the first half of 2015 was £12.3m. This is substantially lower than the average of the previous six months (H2 2014: £21.1m) and the same period last year (H1 2014: £24.9m, adjusted for three unusually large fundraisings in that period). It is the lowest half yearly average since H2 2013 (£11.3m).
- Total proceeds from further issues in H1 2015 amounted to £2.36 billion, more than double the amount raised in the previous half year period (H2 2014: £1.15 billion) and 20% higher than the same period last year (H1 2014: £1.97 billion). This is the highest half yearly amount since the first half of 2011 (H1 2011: £2.56 billion).
- Even allowing for the very large fundraise by Optimal Payments, the underlying level of fundraising in H1 2015 was still substantially higher than in the second half of 2014.
- 220 companies raised money through secondary issues in H1 2015, almost exactly the same number as in H2 2014 (221) and in the same period last year (H1 2014: 224). The average fundraising per company was £10.7m, higher than both of the previous two half year periods (H2 2014: £5.2m; H1 2014: £8.8m). Even adjusting for the large Optimal Payments raise, average proceeds per company of £8.7m was higher than in H2 2014, although the adjusted average was in line with H1 2014.



TEN LARGEST IPO FUNDRAISINGS - H1 2015

	Sector	£m
Applegreen	Retail	51
Marshall Motor Holdings	Retail	40
Elegant Hotels Group	Travel & Leisure	32
Zegona Communications	Financial	30
Adgorithms	Media	22
REDX Pharma	Pharmaceuticals and biotech	15
Stride Gaming	Travel & leisure	11
Gear 4 Music (Hldgs)	Travel & leisure	10
Ironridge Resources	Mining	10
Aquatic Foods Group	Food	9

TEN LARGEST FURTHER ISSUES - H1 2015

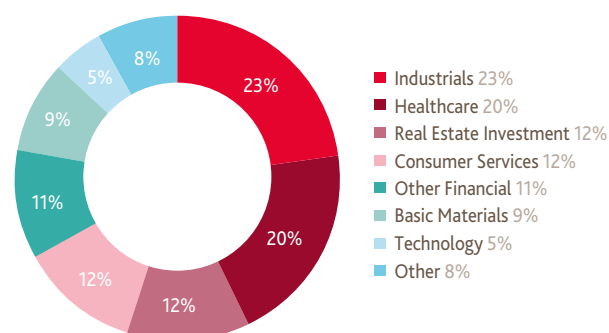
	Sector	£m
Optimal Payments	Support Services	452
Clinigen Group	Pharmaceuticals and Biotech	136
Oakley Capital Investments	Financial	130
GW Pharmaceuticals	Pharmaceuticals and Biotech	118
Emed Mining Public	Mining	98
Summit Germany	Real Estate Investment	90
Newriver Retail	Real Estate Investment	75
Avanti Communications Group	Telecoms	61
Fastjet	Travel & Leisure	50
Dolphin Capital Investors	Real Estate Investment	46

FUNDING

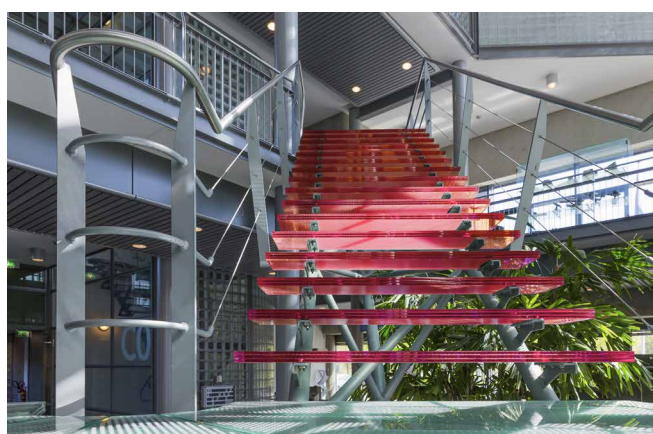
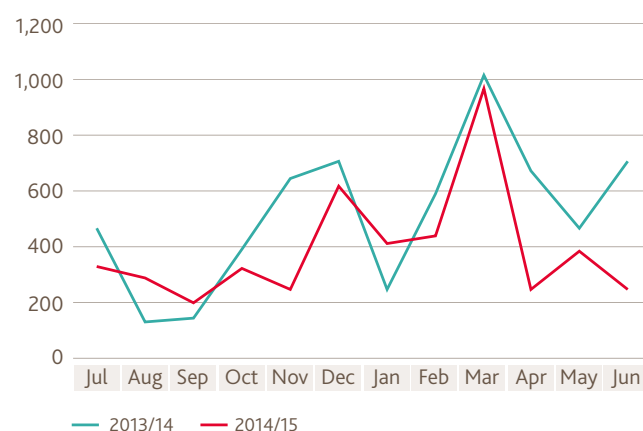
STRONG APPETITE FOR EXISTING LISTED COMPANIES

- In H1 2015, industrials and healthcare were the most active sectors for fundraising with 23% and 17% of total funds raised respectively.
- In H2 2014, the most active sectors were healthcare with 17% of funds raised (H1 2015: 23%) and other financials with 12% (H1 2015: 11%). It is the second successive half year period that healthcare has been among the top two most active sectors.
- In the corresponding period in 2014, the most active sectors were consumer services (24%) and industrials (21%).
- The fundraising for the industrial sector in H1 2015 was dominated by the very large raise by Optimal Payments of £452m in March 2015 included within the support services sub-sector, accounting for 71% of the industrials proceeds. The healthcare sector included the further issues of Clinigen Group (£136m) and GW Pharmaceuticals (£118m).
- Adjusting for the large Optimal Payments proceeds, there was a relatively even spread of investment across sectors in H1 2015. After healthcare, the next five sectors each accounted for between 9% and 12% of total adjusted funds raised.
- Total funds raised in H1 2015 (£2.71 billion) was 34% higher than in the previous half year period (H2 2014: £2.02 billion), with substantially higher further issue proceeds more than offsetting lower new admissions proceeds. This also reflects a notable split in the fundraising profile between the first half and second half of the calendar year: as noted in previous editions, first half proceeds tend to be substantially higher than in the second half.
- However, total proceeds in H1 2015 were 27% lower than in the same period last year (H1 2014: £3.71 billion). Although secondary issues were higher in the first half of 2015, this was more than offset by substantially lower new admission proceeds in that period compared to the prior year.
- Total funds raised in the year to June 2015 were lower than in the equivalent months of the previous year, apart from August and September 2014 and January 2015.
- Proceeds in the quarter ended June 2015 were particularly low, probably reflecting the fact that fundraising plans were put on hold by a number of companies due to the uncertainties of the general election in May. It will be interesting to see if this pre-election lull in investment activities results in a strong bounce back in the second half of the year, particularly as the outcome of the election was more decisive than most commentators had predicted.

TOTAL NEW AND FURTHER FUNDS RAISED BY SECTOR – H1 2015



NEW AND FURTHER ISSUES



MOST ACTIVE ADVISERS

NOMADS

- The most active Nomad on AIM IPOs in the year ended 30 June 2015 was Cenkos Securities with 8 IPOs.
- The most successful Nomad on AIM in terms of IPO proceeds over this period was Investec Bank which raised £216m. Investec Bank's IPOs in the period included Fevertree Drinks (£93m) and Gamma Communications (£83m).

IPOS ¹ - MOST ACTIVE NOMADS (H1 2014)		
	IPOs (No.)	Money raised (£m)
Cenkos Securities	8	168
Zeus Capital	5	129
Finncap	5	48
Panmure Gordon	4	46
SP Angel	4	21
Investec Bank	3	216
Shore Capital	3	112
Canaccord	3	45
Strand Hanson	3	38
Cairn Financial Advisers	3	10
Sanlam Securities	3	6
Others	20	232
Total	64	1,071

REPORTING ACCOUNTANTS

- In the year ended 30 June 2015, BDO was the leading reporting accountant for IPOs on AIM with 17, almost twice as many as KPMG in second place. It serviced clients across a range of sectors, with the most active being technology and media (5) and real estate, healthcare, food and drink and travel and leisure (all 2 each).
- BDO was also the leading reporting accountant in the year ended 30 June 2014 with 16 IPOs.

IPOS ¹ - REPORTING ACCOUNTANTS ON AIM		
	2013 No.	2014 No.
BDO	16	17
KPMG	11	9
Grant Thornton	9	7
Crowe Clark Whitehill	7	6
PwC	11	4
Deloitte	8	4
Baker Tilly	7	4
Ernst & Young	5	2
Other	15	11
Total	89	64

¹ IPOs include introductions

BDO UK CAPITAL MARKETS

3 AIM IPOs in 2014 | **£564m¹** funds raised | **1** for exceptional client service²

1 reporting accountant⁴ | **£2.46bn** market capitalisation³

- total for the 23 AIM IPOs for which BDO was reporting accountant
- independent research (Mid Market Monitor 2012, 2013 and 2014) undertaken by Meridian West shows BDO has the highest client satisfaction rating among its peers
- total for the 23 AIM IPOs for which BDO was reporting accountant
- on AIM IPOs for the fourth consecutive year

CONTACTS

ANDY HARRIS

READING

Partner

t: +44 (0)20 7893 2162

e: andy.harris@bdo.co.uk

CHRIS HEATLIE

MANCHESTER

Partner

t: +44 (0)161 833 8362

e: chris.heatlie@bdo.co.uk

CHRIS SEARLE

LONDON

Partner

t: +44 (0)20 7893 2058

e: chris.searle@bdo.co.uk

GRAHAM ELSWORTH

BIRMINGHAM

Partner

t: +44 (0)121 352 6212

e: graham.elsworth@bdo.co.uk

IAN COOPER

LONDON

Partner

t: +44 (0)20 7893 2678

e: ian.cooper@bdo.co.uk

JEFF HARRIS

GATWICK

Partner

t: +44 (0)129 384 8994

e: jeff.harris@bdo.co.uk

JOHN BARKER

LONDON

Partner

t: +44 (0)20 7893 3980

e: john.barker@bdo.co.uk

MATT COPLEY

LEEDS

Partner

t: +44 (0)113 204 1217

e: matt.copley@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

© 2015 BDO LLP. All rights reserved.

www.bdo.co.uk