

### About AIM Advisers

AIM Advisers helps small and medium-sized, growth-oriented U.S. companies complete IPOs on the Alternative Investment Market (AIM) of the London Stock Exchange. AIM Advisers also provides a range of services to the 49 U.S.-based companies that are already listed on AIM.

## Secondary Offering Activity – 2015

### Highlights

- After a two year bull market for AIM IPOs, 2015 was a year to digest the new entrants
- £4.9 billion (\$7.4 billion) raised in secondary offerings during 2015, the most since 2010
- Secondary offerings on AIM raised 51% more during 2015 than 2014
  - Sustainable economic growth has gathered pace in the UK and the U.S.
  - AIM is in its 20<sup>th</sup> year; the companies are maturing and require acquisition capital
- Ratio of secondary offering to IPO funds raised returns to pre bull market levels  
2011 - 6.46:1    2012 - 3.57:1    2013 - 2.65:1    2014 - 1.16:1    2015 - 7.59:1
- Unsurprisingly, 61% of the 1,044 companies listed on AIM are based in the UK
- Since 2011, UK has captured only 50% of IPOs, China 9%, Africa 7% and the U.S. 7%
- The internationalization of AIM is expected to continue but focus should shift to the U.S.
  - Healthcare and technology-enabled businesses were, and will be, the main drivers
  - China is in turmoil and investors fundamentally don't trust Chinese companies
  - African IPOs were natural resource focused, sector currently closed to investment
- Average size of secondary offerings rose by 50% during 2015 compared to 2014  
2013 - £4.58m (\$6.87m)    2014 - £5.39m (\$8.09m)    2015 - £8.11m (\$12.17m)
- Consistent rise in the relative number of AIM-listed companies completing secondaries  
2011 - 45%    2012 - 48%    2013 - 54%    2014 - 55%    2015 - 57%
- Distribution of secondary offerings continued to 'barbell' during 2015
  - < £3m and > £10m raises were 80% of activity, now 85%
  - £3m - £10m raises were 20% of activity, now 15%

	IPO Funds Raised (in £ millions)	Secondary Offering Funds Raised (in £ millions)
2011	560	3,616
2012	695	2,478
2013	1,025	2,716
2014	2,818	3,269
2015	650	4,936
<b>Total</b>	<b>5,748</b>	<b>17,015</b>

Since the London Stock Exchange launched AIM in 1995, an aggregate of £96 billion (\$144 billion) has been raised for growth-oriented SMEs, £41 billion (\$62 billion) for IPOs and £55 billion (\$82 billion) for Secondary Offerings.

The table on the previous page shows that after a two year bull market for AIM IPOs, 2015 was a year for the market to digest all of the new entrants. This is evidenced by the fact that £4.9 billion (\$7.4 billion) was raised during 2015 in secondary offerings, the most since 2010. UK equities' markets also faced four major political and macroeconomic headwinds during 2015; the UK General Election, a resumption of the Greek debt crisis, the continuing collapse of the energy and commodity sectors and general market volatility triggered by China and other emerging markets and the U.S. Federal Reserve. The two political headwinds have been ameliorated; the UK General Election was definitive and positive for business and Greece has taken a more reasonable and realistic position with the EU, however, the two macroeconomic headwinds will likely linger throughout 2016.

Secondary offerings on AIM raised 51% more during 2015 than 2014. Beyond simply digesting all of the new entrants from the 2013/14 AIM IPO bull market, sustainable economic growth has gathered pace in the UK and the U.S. AIM is now in its 20<sup>th</sup> year and the companies listed on the market are maturing and require acquisition capital. The ratio of secondary offering funds raised to IPO funds raised was 7.59:1 during 2015, reminiscent of the 2011 pre bull market level of 6.46:1, as opposed to achieving near parity at 1.16:1 during 2014.

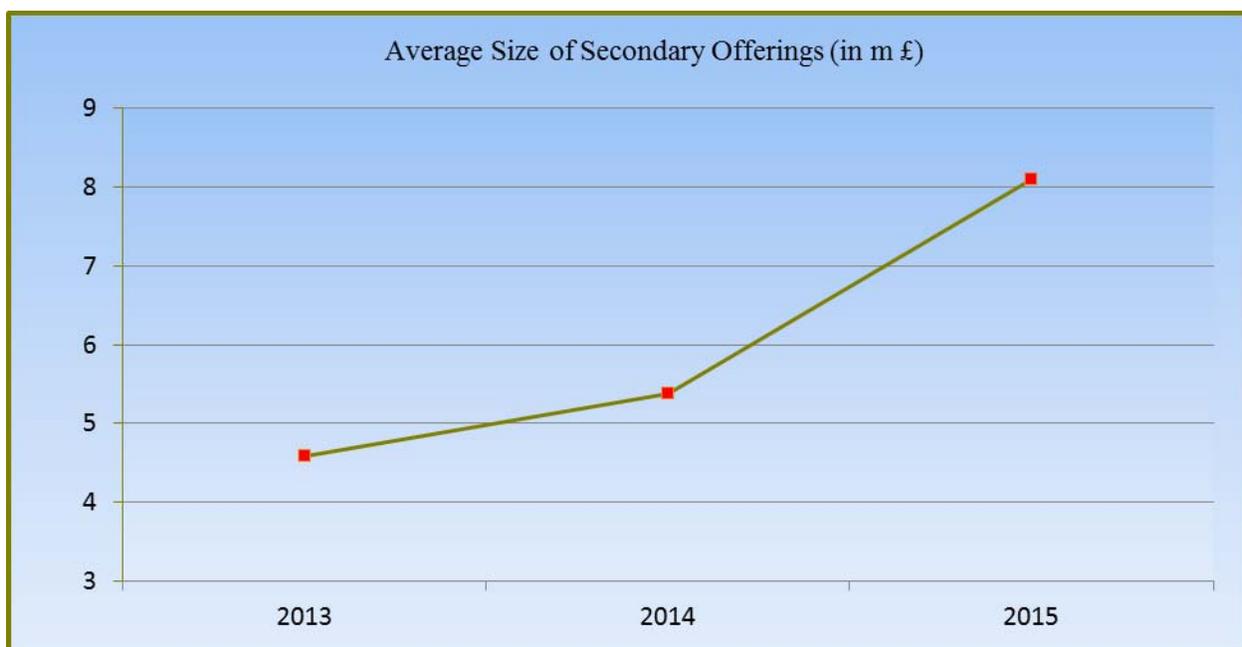
Unsurprisingly, approximately 61% of the 1,044 companies currently listed on AIM have their main place of operation in the UK, however, the UK has only accounted for 50% of all AIM IPOs since 2011. There has been a relative surge of AIM IPOs since 2011 from China, Africa and the U.S., accounting for 9%, 7% and 7%, respectively. The internationalization of AIM is expected to continue, however, the focus should shift strongly towards the U.S.

Healthcare and technology-enabled businesses have been, and will be, the main growth drivers on AIM; sectors that are particularly well represented in the U.S. China is in turmoil and investors fundamentally don't trust Chinese companies. The vast majority of African IPOs were natural resource focused, which is a sector that is currently closed to investment. This leaves the U.S. as undoubtedly best placed to capitalize on the continuing internationalization of AIM.

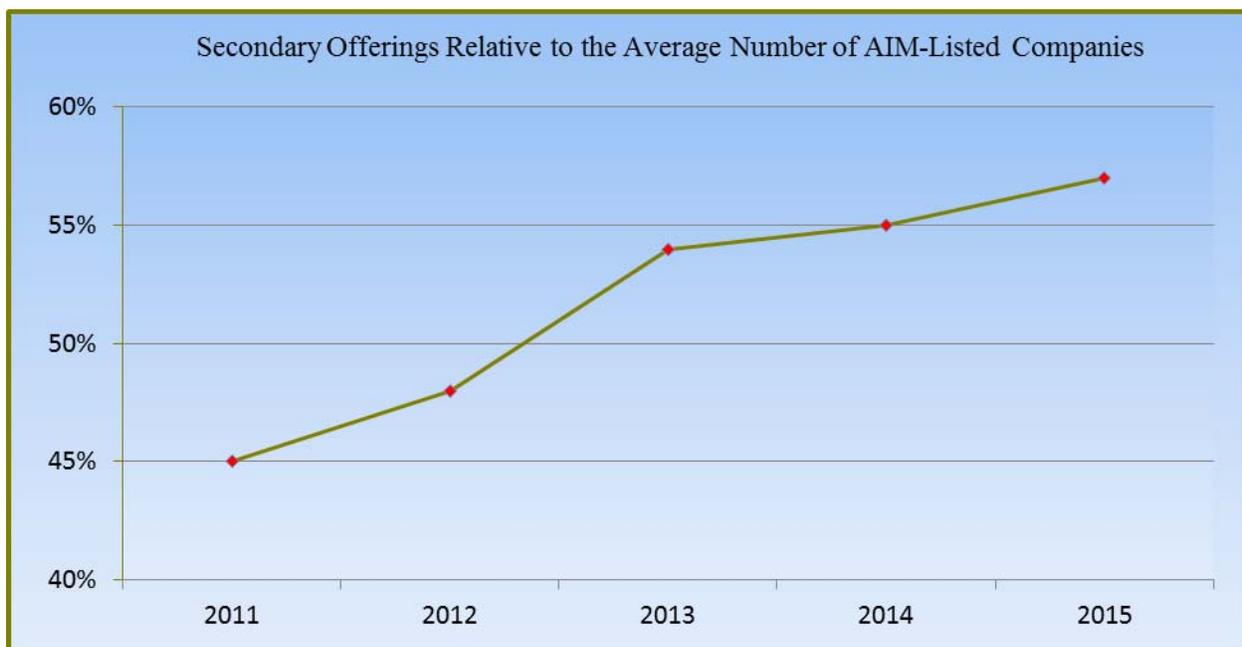
The table below shows that *gross funds raised from secondary offerings* rose by 51% during 2015 compared to 2014. With a similar number of secondaries in each year, the *average size of secondary offerings* rose by 50% to £8.11 million (\$12.17 million). Many companies listed on AIM have achieved significant scale and are using the secondary offering market to raise substantial amounts of additional capital to aggressively acquire competitive and complementary businesses.

	Number of Secondaries*	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2013	593	2,716	4.58
2014	607	3,269	5.39
2015	609	4,936	8.11
<b>Total</b>	<b>1,809</b>	<b>10,921</b>	<b>6.04</b>

\* This is the number of discrete secondary offering transactions. Some companies completed more than one secondary offering per year.

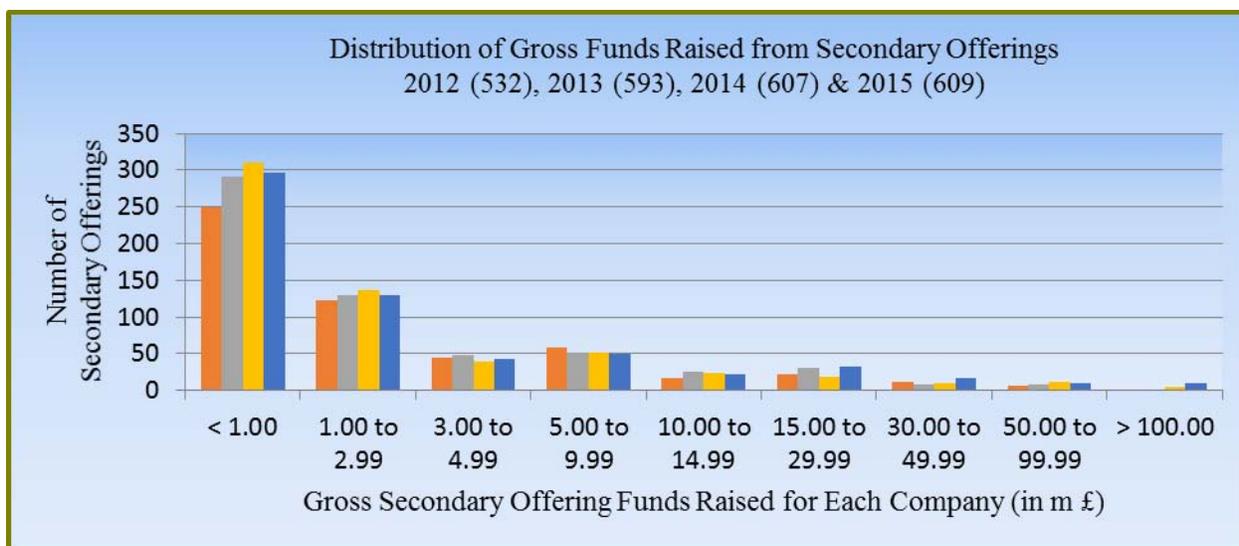


There has also been a consistent rise in the relative number of AIM-listed companies completing secondary offerings, with more than 50% completing a secondary offering in **each** of the last three years. The robustness of the secondary offering market on AIM is indisputable, which is the litmus test of success for a stock exchange focused on growth-oriented SMEs.



The table below shows that the *distribution of gross funds raised from secondary offerings* retained its ‘barbell’ pattern during 2015, with raises of less than £3 million and more than £10 million accounting for 85% of the activity. The fact that 4% of the activity shifted from raises of less than £3 million to raises ranging from £10 million to £50 million is consistent with the previous commentary regarding the average size of secondary offerings on AIM rising by 50% during 2015. The chart below the table provides more detail.

(in £ millions)	2012	2013	2014	2015
< 3	70%	71%	74%	70%
3 - 10	20%	17%	15%	15%
10 - 50	9%	11%	8%	12%
> 50	1%	1%	3%	3%



Coming out of the global financial crisis, which lingered in Europe through 2012, AIM largely consists of two classes of growth-oriented SMEs; those that are very close to self-sustainability and only require small cash injections and those that have achieved significant scale and are using the secondary offering market to raise substantial amounts of additional capital to aggressively acquire competitive and complementary businesses.