

### 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 52 U.S.-based companies that are already listed on AIM.

## Secondary Offering Activity – 2014

### Highlights

- £3.3 billion (\$5.1 billion) raised in secondary offerings during 2014
- Secondary offerings on AIM raise 20% more capital during 2014 than 2013
  - Sustainable growth has gathered pace in the UK and the U.S. in particular
  - Companies are maturing, as is AIM in its 19<sup>th</sup> year, and require acquisition capital
- The second half of 2013 represented the start of a new bull market for AIM IPOs
  - More AIM IPO capital raised during 2014 than in 2011, 2012 and 2013 combined
  - Ratio of secondary offering funds raised to IPO funds raised decreases sharply
 

|               |               |               |
|---------------|---------------|---------------|
| 2012 - 3.57:1 | 2013 - 2.65:1 | 2014 - 1.16:1 |
|---------------|---------------|---------------|
- The internationalization of AIM is expected to continue but focus should shift to the U.S.
- Pent-up demand still to be satisfied in the UK, global financial crisis was deeper/longer
  - Since 2012, UK captures 52% of IPOs, China 11%, Africa 5% and the U.S. 5%
    - China lifted its moratorium on domestic IPOs in January 2014
    - African IPOs were natural resource focused, which is now out-of-favor
- Average size of secondary offerings rose by 18% during 2014
 

|                         |                         |                         |
|-------------------------|-------------------------|-------------------------|
| 2012 - £4.66m (\$7.22m) | 2013 - £4.58m (\$7.10m) | 2014 - £5.39m (\$8.35m) |
|-------------------------|-------------------------|-------------------------|
- Distribution of secondary offerings continued to ‘barbell’ during 2014
  - < £3m and > £10m raises were 80% of activity, now 85%
  - £3m - £10m raises were 20% of activity, now 15%
- Step-change up in the relative number of AIM-listed companies completing secondaries
 

|            |            |            |
|------------|------------|------------|
| 2012 - 48% | 2013 - 54% | 2014 - 55% |
|------------|------------|------------|

|              | IPO Funds Raised<br>(in £ millions) | Secondary Offering Funds Raised<br>(in £ millions) |
|--------------|-------------------------------------|--|
| 2012         | 695                                 | 2,478  |
| 2013         | 1,025                               | 2,716  |
| 2014         | 2,818                               | 3,269  |
| <b>Total</b> | <b>4,538</b>                        | <b>8,463</b>                                       |

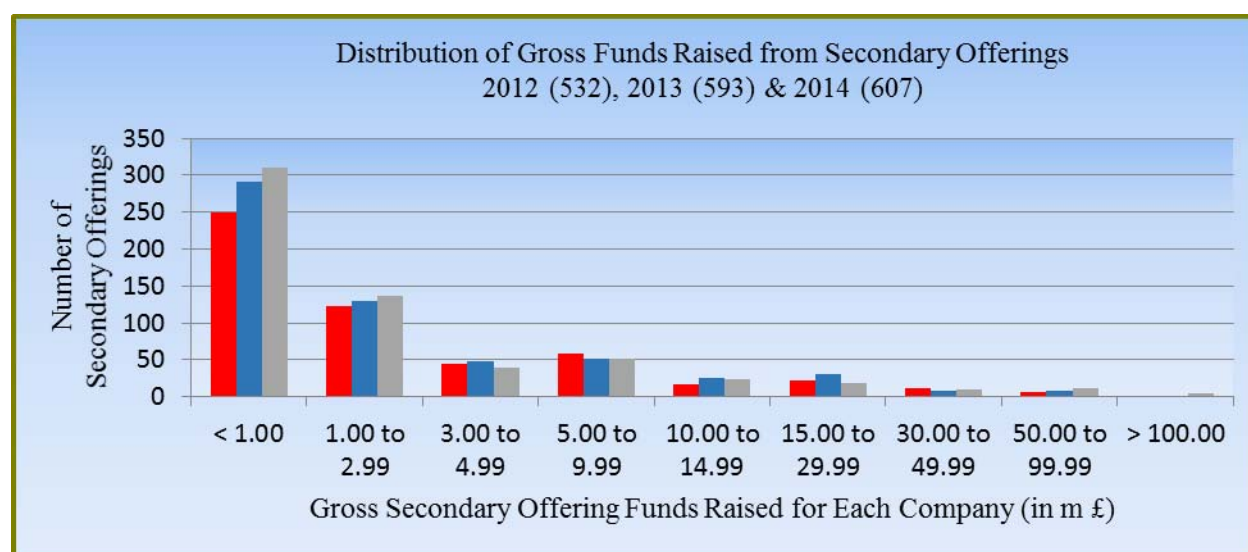
Since the London Stock Exchange launched AIM in 1995, an aggregate of £90 billion (\$140 billion) has been raised for growth-oriented SMEs, £40 billion (\$62 billion) for IPOs and £50 billion (\$78 billion) for Secondary Offerings.

The second half of 2013 represented the start of a new bull market for AIM IPOs that carried over into 2014. In fact, more capital was raised on AIM for IPOs during the 2014 than in 2011, 2012 and 2013 combined. Further evidence of the start of a new bull market for AIM IPOs can be found in the aggressive shift in the ratio of secondary offering funds raised to IPO funds raised; reducing from 3.57:1 in 2012 to 2.65:1 in 2013 and to near parity at 1.16:1 in 2014.

Sustainable economic growth has gathered pace in the UK and the U.S. in particular. While 59% of the 1,104 companies currently listed on AIM are based in the UK, only 52% of the IPOs since 2012 were for UK companies. There has been a relative surge of IPOs from China, Africa and the U.S., accounting for 11%, 5% and 5%, respectively, since 2012. The internationalization of AIM is expected to continue, however, the focus should shift towards the U.S. since China lifted its moratorium on domestic IPOs in January 2014 that had been in place since October 2012 and the vast majority of African IPOs were natural resource focused, which is currently out-of-favor.

The table below shows that the *distribution of gross funds raised from secondary offerings* continued to ‘barbell’ during 2014. Coming out of the global financial crisis, 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 aggressively acquiring competitive and complementary businesses for substantial sums.

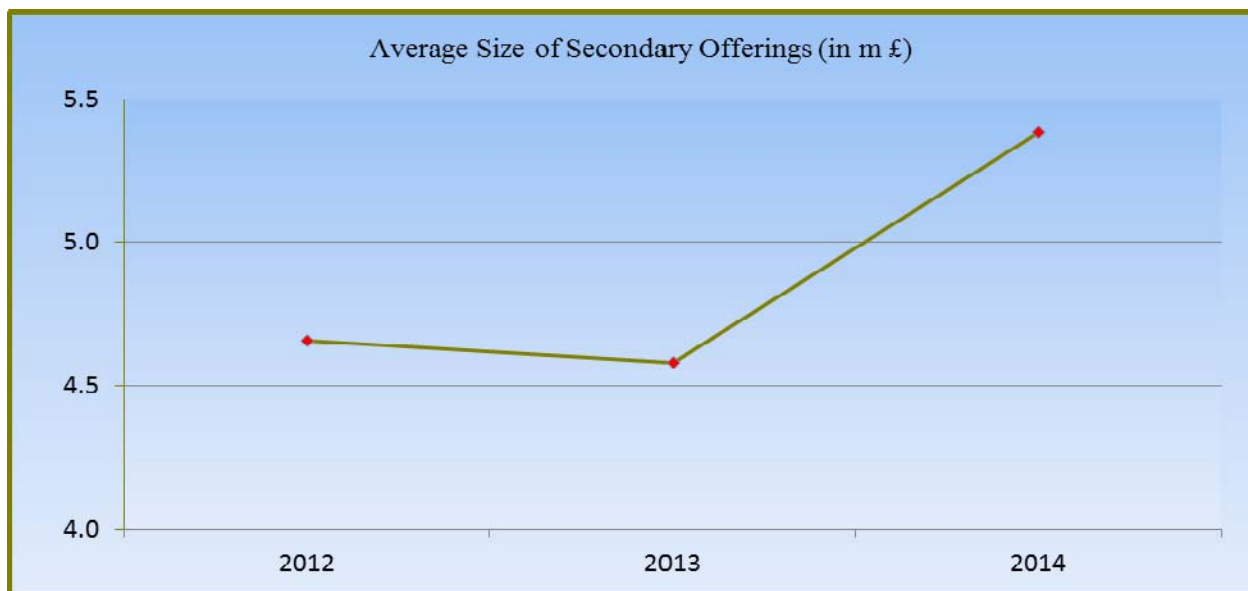
| (in £ millions) | 2012 | 2013 | 2014 |
|-----------------|------|------|------|
| < 3             | 70%  | 71%  | 74%  |
| 3 - 10          | 20%  | 17%  | 15%  |
| 10 - 50         | 9%   | 11%  | 8%   |
| > 50            | 1%   | 1%   | 3%   |



The table at the top of the next page shows that *gross funds raised from secondary offerings* rose by 20% during 2014 and, consistent with the above with respect to many AIM-listed companies now seeking larger amounts of capital so as to execute upon acquisition campaigns, the *average size of secondary offerings* rose by 18% during 2014.

|              | Number of<br>Secondaries* | Gross Funds Raised<br>(in £ millions) | Average Funds Raised<br>(in £ millions) |
|--------------|---------------------------|---------------------------------------|---|
| 2012         | 532                       | 2,478                                 | 4.66                                    |
| 2013         | 593                       | 2,716                                 | 4.58                                    |
| 2014         | 607                       | 3,269                                 | 5.39                                    |
| <b>Total</b> | <b>1,732</b>              | <b>8,463</b>                          | <b>4.89</b>                             |

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



The chart below shows that there has been a step-change up in the relative number of AIM-listed companies completing secondary offerings, which coincides with the start of the new bull market for AIM IPOs. 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.

