London Stock Exchange

AIM 25

Celebrating 25 years

Ambition
Growth
Resilience

London Stock Exchange

London Stock Exchange Group

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In Capital Markets, the Group operates a broad range of international equity, ETF, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS (a European fixed income market); and Turquoise (a pan-European equities MTF). Through its platforms, LSEG offers market participants unrivalled access to Europe's capital markets.

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Post trade and risk management services are a significant part of the Group's business operations. In addition to majority ownership of LCH, a multi-asset global CCP operator, LSEG owns CC&G, the Italian clearing house; Monte Titoli, a leading European custody and settlement business; and UnaVista, our trade reporting business

LSEG Technology delivers robust, scalable, high-performance technology including broker, exchange, market data, risk and collateral management, surveillance, clearing and settlement products to customers around the world. LSEG Technology's solutions are used by financial market infrastructure and financial services firms, including the Group's own markets.

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Further information on London Stock Exchange Group can be found at www.lseg.com. The Group's ticker symbol is LSE.L

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A SIGNIFICANT ANNIVERSARY DURING AN UNPRECEDENTED TIME

SUPPORTING COMPANIES THROUGHOUT CHANGING BUSINESS AND ECONOMIC CYCLES, AIM HAS BECOME THE MOST SUCCESSFUL GROWTH MARKET IN THE WORLD.

NIKHIL RATHI
CEO, LONDON STOCK EXCHANGE PLC & DIRECTOR OF INTERNATIONAL DEVELOPMENT, LSEG

For the past 25 years, AIM has provided a resilient platform for growth companies to raise equity capital. Supporting companies throughout changing business and economic cycles, AIM has become the most successful growth market in the world.

From the start of the COVID-19 pandemic, AIM has enabled companies to respond swiftly and positively to the challenges. From January to May 2020, 158 companies raised over £1.9bn in follow-on capital on AIM, including 27 healthcare companies – many of which are leading research into treatments for COVID-19 – that raised over £195m. The ability of the public equity markets to mobilise capital rapidly and at scale has been remarkable. And through our partnership with PrimaryBid, a new channel has also opened, enabling retail investors to participate more easily in equity offerings.

Through its constant support of ambitious and growing businesses, AIM has made a vital economic contribution to the UK. This report details that contribution. By providing companies with earlier access to public equity capital than many other capital markets, AIM has played a key role in supporting economic development and employment, enabling companies to fund innovation and export growth.

AIM's success is in no small part due to its ability to attract a broad range of quality companies and investors. It provides investors with access to high-growth opportunities in an appropriately regulated environment and promotes the allocation of capital towards the most productive companies. By enabling retail and institutional investors to access growth, AIM plays a vital part in the nation's wealth creation process.

Since its inception in 1995, the market has supported over 3,800 companies, and has evolved to suit business and economic cycles. Its ecosystem of support, with its diverse and committed base of investors, has enabled companies to flourish, currently attracting businesses from 79 countries across the globe. Combined, these companies have raised £118bn; 39% at admission and 61% through further fundraising, highlighting the long-term nature of support provided by investors to companies on the market.

The significance of this to the UK economy should not be understated. AIM companies' ability to efficiently raise long-term patient capital enables them to support growth and create employment, benefitting the wider economy. In 2019 alone, they contributed £33.5bn Gross Value Added (GVA) to UK GDP and directly supported

"By providing companies with earlier access to public equity capital than many other capital markets, AIM has played a key role in supporting economic development and employment, enabling companies to fund innovation and export growth."

more than 430,000 jobs. They made a tax contribution of £3.2bn to the Exchequer.

Over the past five years, the direct economic contribution made by AIM companies has grown by 35%, from £24.8bn, and their employment numbers have grown by 22%. The ripple effect of a vibrant AIM is striking. When economic activity through their supply chains and the expenditure of employees in their local economies is taken into account, the overall economic impact of AIM companies is even larger – equivalent to £67.2bn in GVA and over 900,000 jobs.

AIM companies create jobs, drive productivity, and foster innovation and exports. They are more productive – their GVA per job is £77,700, compared with the national average of £56,387. Over the last 10 years, AIM companies have grown their overseas sales from £7bn in 2010 to £12.4bn in 2019. This is a strength that will be particularly important as the UK reviews its trading relationships around the globe over the coming period.

This is a remarkable economic contribution – and one London Stock Exchange is very proud of. However, this contribution goes further and broader. Over recent months, we have been proud of the many achievements of AIM companies that have been in the frontline of the battle against COVID-19; from biotechnology companies seeking cures and treatments, to manufacturers pivoting their capabilities to produce personal protective equipment for healthcare workers.

The road ahead has many uncertainties. The global economy is having to adapt to the impact of COVID-19. The UK is reframing its international relationships and its approach to climate change. But, as we describe in this report, the process of becoming and remaining a public company creates more resilient, sustainable businesses that are capable of scaling and achieving their full potential – rewarding their employees, investors, stakeholders and the wider economy.

AIM TODAY

THE COMPOSITION OF AIM, BY GEOGRAPHY AND INDUSTRY.

Since its inception in 1995, AIM has supported more than 3,800 companies. AIM has adapted to meet the changes in the global economy and evolving investor appetites, and it has always covered a broad range of sectors.

It is home to companies from 79 countries and has provided access to long-term capital for UK companies. Taken together, they have raised £45.4bn at admission and further fund-raising has amounted to £72.4bn, highlighting the long-term nature of support provided by investors to companies on the market.

In every year since 2007, the amounts of follow-on capital raised on AIM have been significantly larger than those raised on admission: during this period, 73% of all funds have been raised in follow-on rounds.

Fig 1: Composition of AIM by region

170

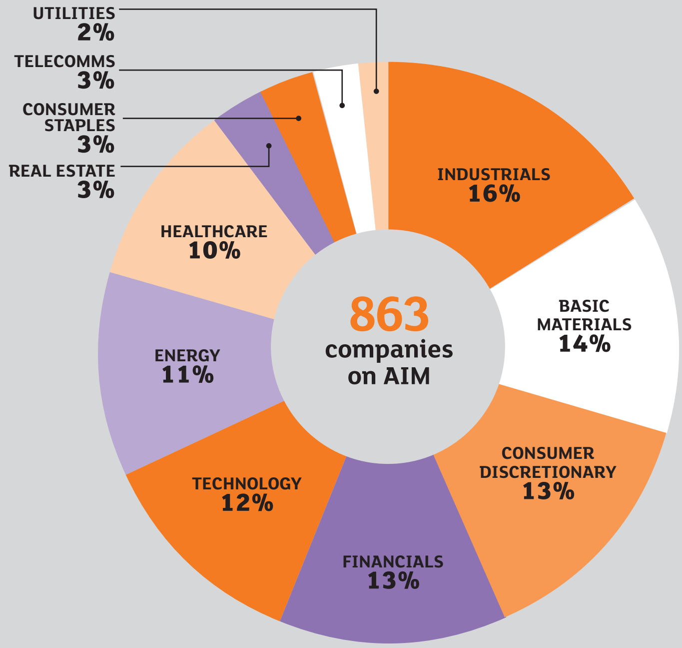
INCORPORATED OVERSEAS

SEE PAGE 16 FOR AIM'S GLOBAL REACH

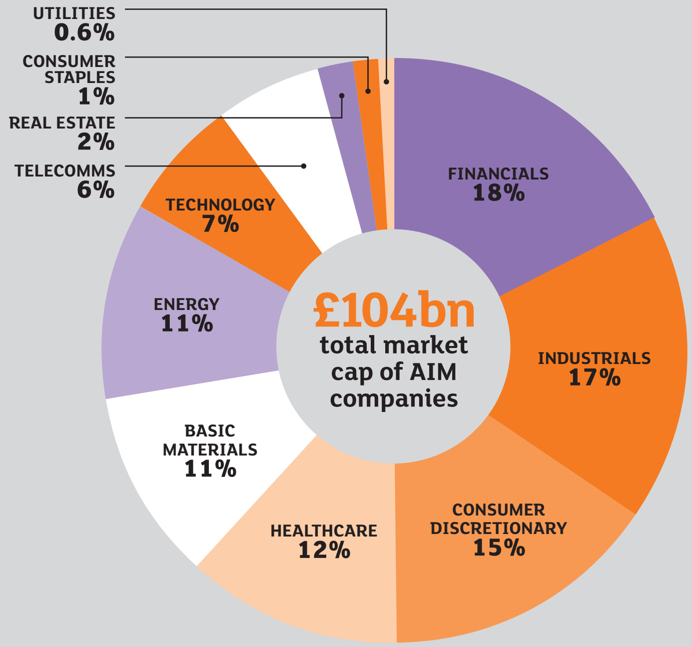
Sources: London Stock Exchange, Factset

Fig 2: AIM by industry

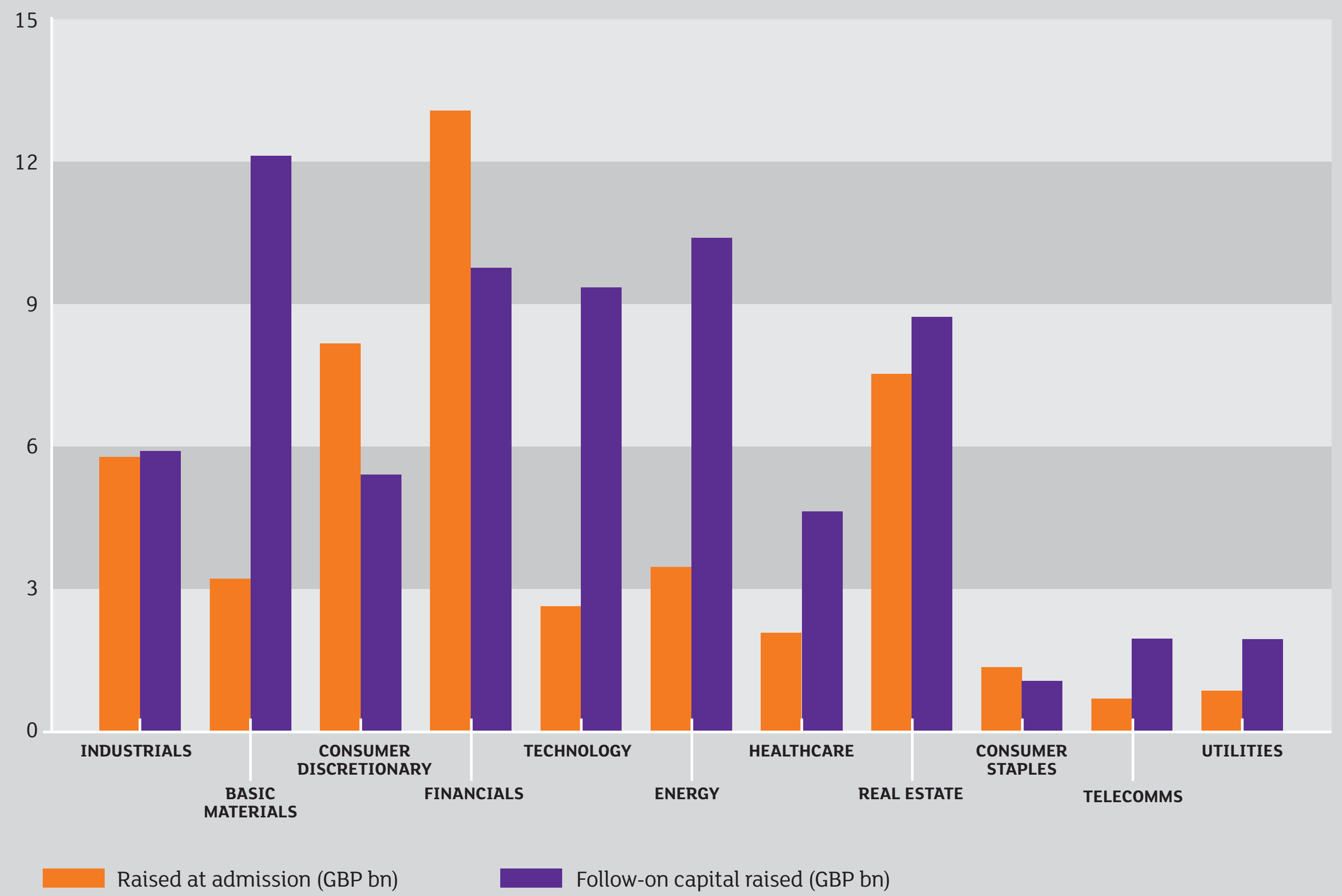
(i) No. of companies as of 31/12/2019



(ii) Market cap as of 31/12/2019



(iii) Capital raised by all AIM companies per industry: launch to 31/12/2019



RENALYTIXAI

RenalytixAI
Sector: Healthcare
Region: North America
www.renalytixai.com

RenalytixAI's diagnostic products could change the lives of millions who suffer from kidney disease. Admission onto AIM has been central to the strategy of this emerging growth company. The company's lead diagnostic product addresses diabetic kidney disease – one of the world's most common and costly chronic medical conditions. The AI-enabled KidneyIntelX allows the accurate calculation of a patient's risk of experiencing rapid kidney function decline and kidney failure.

"Currently available diagnostics do a relatively poor job of discriminating early on who has kidney disease that matters and should be aggressively treated," says James McCullough, CEO of RenalytixAI and a veteran of the medical diagnostics market.

A venture incubated out of UK diagnostics firm EKF Diagnostics (AIM: EKF), RenalytixAI is building KidneyIntelX as a platform, integrated with healthcare systems such as Mount Sinai, that can be expanded to continuously analyse further information from electronic health records, predictive blood-based biomarkers and other genomic data.

From its inception, the strategy was to develop RenalytixAI as an independent company and take it to the public markets. The business model focuses initially on commercialisation with large US healthcare systems with corner-stoned financing by EKF and UK institutional investors. The RenalytixAI IPO took place in November 2018 on AIM, raising £22.25m.

McCullough says that AIM was "very attractive" for a number of reasons. "It provided us with a distributed institutional shareholder base, the ability to raise enough capital to drive a world-class product development effort, and put public market governance and reporting discipline in place – all with a clean, flat-capital structure of common stock."

There were other factors in AIM's favour. "On AIM we report six-monthly, which helps us focus on longer-term business objectives. AIM is structured to support an emerging growth company such as ours. But you have to be confident that you are going to deliver on time."

"AIM provided us with a distributed institutional shareholder base, the ability to raise enough capital to drive a world-class product development effort, and put public market governance and reporting discipline in place – all with a clean, flat-capital structure of common stock."

James McCullough, CEO, RenalytixAI

£22.25M
AMOUNT RAISED BY THE RENALYTIXAI IPO IN NOVEMBER 2018

THE ECONOMIC IMPACT OF AIM

AIM COMPANIES HAVE MADE A SIGNIFICANT COLLECTIVE ECONOMIC CONTRIBUTION TO UK PLC BY CREATING VALUE, DRIVING PRODUCTIVITY AND DELIVERING EXPORT REVENUES.

Research by Grant Thornton shows that AIM companies have made a significant collective economic contribution to UK plc by creating jobs, driving productivity and delivering export revenues. Their capacity to fuel jobs growth and be the engines of future earnings power and economic production plays a vital role in today's economy.

AIM companies support growth and create employment. In 2019, they contributed £33.5bn GVA to UK GDP and directly supported more than 430,000 jobs. They made a tax contribution of £3.2bn to the Exchequer.

A striking ripple effect

Over the past five years, the direct economic contribution made by AIM companies has grown by 35% from £24.8bn and their employment numbers have grown by 22%. The ripple effect of a vibrant AIM is striking. The research demonstrates that when economic activity through AIM company supply chains and the expenditure of employees in their local economies is taken into account, the overall economic impact of AIM companies is even larger – equivalent to £67.2bn in GVA and over 900,000 jobs.

AIM companies create jobs, drive productivity, and foster innovation and exports. AIM companies are more productive than the national average – their GVA per filled job is £77,700, compared with the UK average of £56,387. Over the past 10 years, AIM companies have grown their overseas sales from £7bn in 2010 to £12.4bn in 2019.

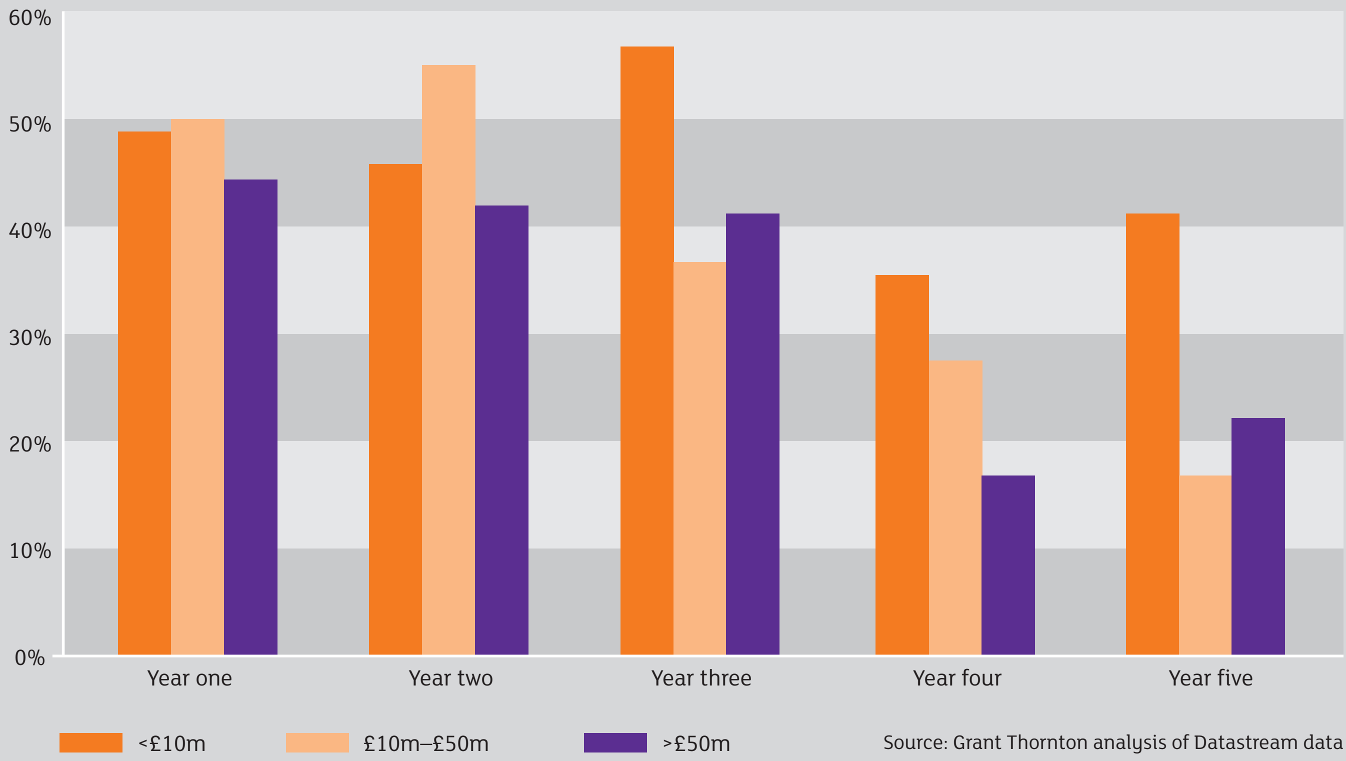
A catalyst for scaling

An IPO on AIM does not create a single injection of growth. Rather, it is the catalyst to scale and grow businesses over the

"As the pattern of the economy changes, AIM will be part of the solution, not just in terms of financing existing companies but in acquiring businesses and embedding them in a better capital structure."

Gervais Williams, Head of Equities, Premier Miton Investors

Fig 3: Revenue growth since AIM IPO by market capitalisation at admission (2010 onwards)



Source: Grant Thornton analysis of Datastream data

medium and long term. It is true for businesses of all sizes. Smaller businesses see particularly explosive growth in the early years, while larger businesses generate sustained growth over a five-year period. An IPO provides a platform for growth over the longer term.

By enabling growth-oriented companies to raise external finance at different stages in their lifecycle – as well as providing an exit route for early-stage investors – AIM plays a key role in the UK's SME funding environment. It is this access to appropriate financing options that is so important in unlocking barriers and enabling businesses to scale.

> "It has become more obvious for management teams that AIM can accompany them on a long-term scaling journey without the disruption of change of ownership. Having investors that can stay that length of time and develop with them is something that AIM does uniquely well."

Richard Power, Head of Smaller Companies, Octopus Investments

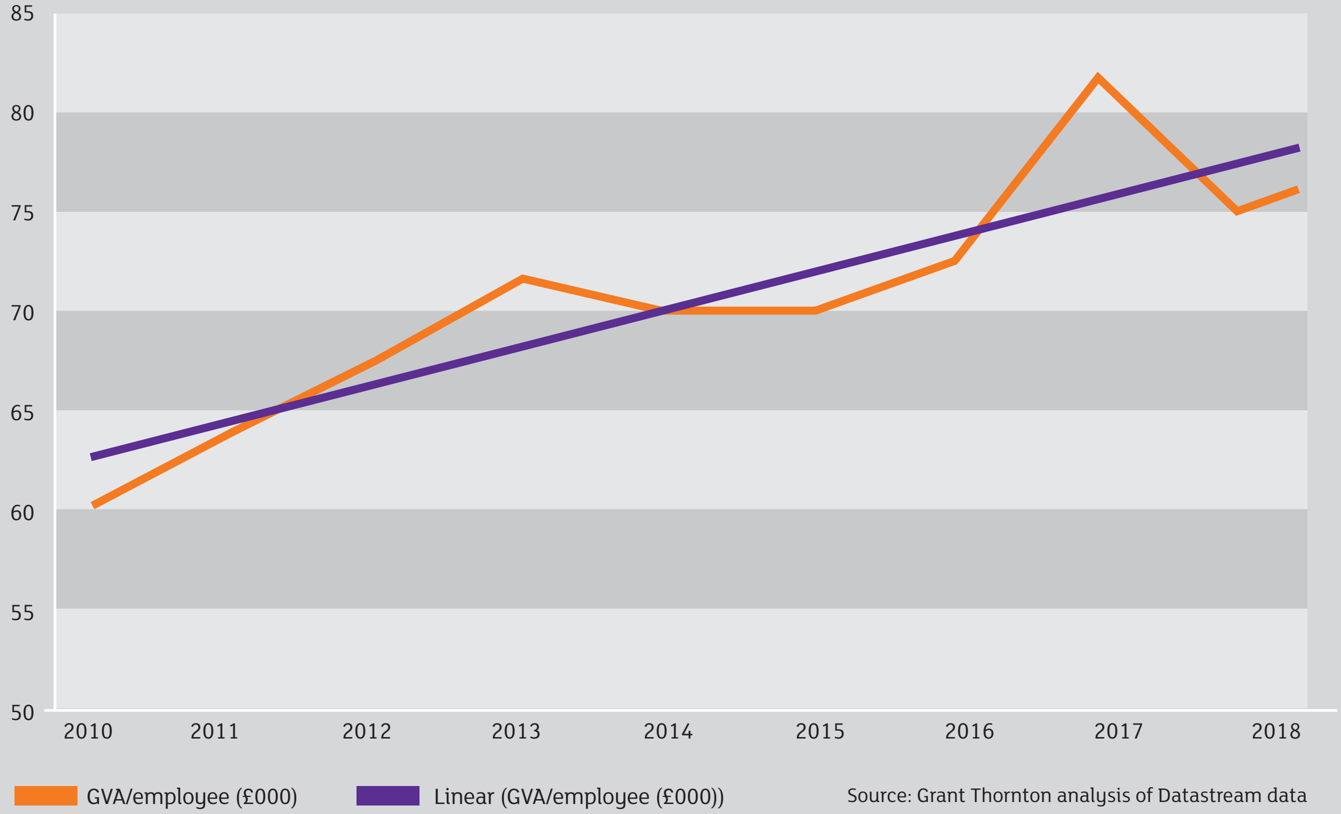
Revenue and profit growth

The scaling of AIM companies does not come at the expense of operating profits. The research by Grant Thornton shows that average profits as well as total profits have grown considerably and consistently since 2010. This is important, as profitable businesses may be better able to attract further investment, retain talent, and provide motivation and incentives to owners, leaders and employees alike.

Driving productivity

The UK's productivity challenge has been well documented – yet AIM companies

Fig 4: AIM GVA per employee 2010–2019



Source: Grant Thornton analysis of Datastream data

demonstrate that this challenge can be overcome.

The average productivity of AIM companies – measured by GVA per filled job – is £77,700. This is significantly higher than the UK national average of £56,387.

Over the past five years, the productivity of AIM companies has improved by 11% – compared with 10% nationally and 9% in London.

Local economic development

Long-term investment and a dynamic economy are critical for increasing UK productivity. AIM delivers on both. It provides access to funding to enable new and existing companies to invest and turn ideas, patents and knowledge into new and innovative products and services. It is a powerful stimulus to entrepreneurship and innovation.

Importantly, the broad geographical spread of AIM businesses – generally more productive and faster-growing businesses – demonstrates their important role in local economic development, with nearly 60% of the UK-incorporated AIM businesses based outside London. This is especially the case where there are clusters of AIM companies in particular regions, such as the Midlands, Yorkshire and the North East.

Fig 5: GVA and employment contribution of AIM in 2019

	GVA	Employment
Direct	**£33.5bn**	**430,387**
Indirect	**£20.3bn**	**294,085**
Induced	**£13.4bn**	**181,118**
TOTAL	**£67.2bn**	**905,590**

Source: Grant Thornton analysis

25 YEARS OF SUPPORTING GROWTH AND RESILIENCE

FOR 25 YEARS, AIM HAS BEEN PROVIDING AMBITIOUS, SCALING BUSINESSES WITH A PLATFORM TO ACCESS LONG-TERM, PERMANENT CAPITAL.

As businesses around the world recover from the impact of COVID-19, AIM will continue to play a vital role.

Public markets sit at the top of the “financial escalator”. The possibility of a flotation on AIM provides many types of early-stage investors – family and friends, angel investors, crowdfunders, university spin-out offices, seed capital and venture capital firms – with the confidence to support businesses in their earlier stages.

And while AIM can help crystallise value for founder investors, it also provides an opportunity to introduce fresh investors who are keen to invest in the future growth of a business.

Access to the right form of finance plays a key role in enabling management teams to efficiently realise opportunities for growth. Once admitted onto AIM, companies have repeat access to long-term finance. AIM is also a valuable option for scaling businesses, which can prevent them being sold too early in their lifecycle. By continuing to fund and grow companies on AIM, particularly where they are innovative and rich in intellectual property, AIM ensures that the economy continues to benefit. The regulatory framework provides an ideal introduction to the rigours of public company reporting, so that if a company decides the time is right, a transition to the Main Market is more seamless.

This ability for companies to scale is clearly demonstrated by the research recently conducted by Grant Thornton which shows how AIM companies have the ability to scale long after their admission to the market. Revenue growth reported by AIM companies is above 40% year on year for the first three years and 20% in the fourth and fifth years following IPO. This revenue growth is accompanied by a strong growth in operating profits.

This growth dividend, underpinned by the process of an AIM admission and the discipline of continuing obligations when on the market, is undoubtedly a factor management teams take into consideration when undertaking an IPO. It provides businesses with a unique opportunity to build resilience by investing in the governance, management and strategy of the business, helping deliver value over the longer term.

The process of admission onto AIM enhances the business, enabling it to better analyse its performance, its strategic position and its growth prospects. It is a process which promotes greater financial discipline and provides an opportunity for a thorough review of corporate governance within a company. An IPO is an important step for a company – but its subsequent steps demonstrate the extent of the value it can derive from being a public company.

Each business that is admitted onto AIM is distinct. They differ in their stage of maturity, size, sector and geographic reach. Yet the admission process and their ongoing life as a public company, and the framework that surrounds them, yield many common advantages and benefits. The research also shows that AIM companies significantly outperform their private peers in five out of six of the largest sectors represented.

Ongoing access to capital

For the past 13 years, the amounts of follow-on capital raised on AIM have been significantly larger than those raised on admission. In 2019, AIM companies raised £489m on admission but £3.3bn in follow-on rounds. Investors who support

158

AIM COMPANIES RAISED FOLLOW-ON CAPITAL IN THE FIRST FIVE MONTHS OF 2020

£1.9BN

RAISED BY AIM COMPANIES IN FOLLOW-ON ROUNDS IN THE FIRST FIVE MONTHS OF 2020

The Pebble Group

The Pebble Group
Sector: Technology
Region: North West
www.thepebblegroup.com

Manchester-based The Pebble Group, which provides products, services and technology to the promotional products market, had an initial buy-out in 2012 and a secondary buy-out took place in 2017. The private equity investors and debt providers were very supportive, says CEO Chris Lee, but another refinancing of the business would have been required in order to power further acquisitive growth. In itself, that was not a problem, but raising two rounds of private equity money was sufficient. For Lee, the attraction of the permanent money of the public markets was compelling.

"As a public company, we can now take a medium-term view," he says. "There is not another sales process in the offing and, now that we no longer carry debt, we can fund future acquisitions in whatever form will be best for the business."

The mechanics of the IPO process were fascinating for Lee and his team, who held 80 investor meetings in a 12-day period. "From having a single shareholder with an opinion, you start to hear many different views and opinions about your business from many potential investors. Everyone sees your business differently.

"You get a lot of good feedback but it can be hard to hear criticism when, after all, you have built up the business over many years. But after you have heard all of these views – and you are being put under pressure by some clever people – you can distill them and turn all that knowledge into your own. And then you can put your own stamp on it.

"The process helped me understand our business better, how to strengthen it and where our growth potential lay."

It has been quite a journey for Lee, who joined the company in 2000 in what he describes as "a relatively junior finance role" before rising up the ranks to become CEO in 2008.

"I have gone from running a division of a UK business to being the CEO of an international business. The level of support I have received along the way has been humbling and motivating."

> "The IPO process helped me understand our business better, how to strengthen it and where our growth potential lay."
>
> **Chris Lee,** CEO, The Pebble Group

DEC 2019
THE PEBBLE GROUP'S ADMISSION TO AIM

a company at its IPO generally expect to provide future support. As a company begins to develop a track record on AIM, it can attract new investors and potentially reduce its cost of capital. The speed with which AIM companies can raise fresh capital – in comparison with their privately-owned peers – has been vividly demonstrated during the COVID-19 pandemic.

Ability to attract and retain talent

The ability to use share option schemes to reward, attract and retain talent is a key benefit for AIM companies. Share option schemes motivate staff and align their interests with the business. Employees can see how the performance of the company, as measured by its share price, benefits them personally. Additionally, it provides companies with a meaningful alternative option to remunerate their employees, meaning they can conserve cashflow, which can be invested elsewhere in the business, allowing them to scale faster. HMRC-approved share schemes such as SAYE provide employees with a unique opportunity to share in the success of a business, boosting their earnings at no risk to their savings.

Creating a stronger corporate culture

The combination of factors such as effective share option schemes, greater public visibility, ongoing financial transparency and strong corporate governance helps to create a stronger corporate culture. Reporting on such matters post IPO helps to encourage a mindset of continuous refinement and evolution as the company grows.

Retain management control

The decision to go public represents a conscious decision to invite a broader set of shareholders, underpinned by long-term institutional investors, to share in the company's future growth. Investors also have a market through which to sell their shares. AIM enables management teams to retain control over the direction and day-to-day management of the business while having the ability to raise capital from a broad range of investors. This contrasts with private ownership, where investors can often have a majority stake accompanied by a seat on the board.

Greater ability to make acquisitions

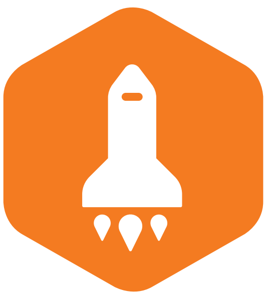
Admission to AIM provides companies with a new currency to finance acquisitions that can fuel their growth strategy – their own paper. AIM companies are able to offer their own shares as partial or full consideration for an acquisition, while AIM's regulatory framework is tailored to facilitate such strategies. This is a particular advantage over their unquoted peers and competitors.

Improve corporate profile

While there are particular communications obligations placed upon an AIM company, a clear benefit of admission onto the market comes from the greater recognition and understanding of the business, both locally and internationally. The global reputation of London Stock Exchange increases the visibility of AIM companies, and the increased transparency associated with disclosure to the market opens up business opportunities that a company may not have been able to secure as a private business.

Once a company is admitted to AIM, it is subject to reporting requirements and scrutiny that frequently go further than those placed upon private companies. AIM companies produce half and full-year results and make public announcements of price-sensitive information. This enhanced transparency results in wider credibility with third parties including customers, suppliers and investors. By being visible on an international growth market, AIM companies can be seen alongside their global peer group.

> "AIM is incredibly attractive and supportive for a company that wants to execute an acquisition strategy."
>
> **Stuart Skinner,** MD, Investment Banking, Numis Securities



40%

YOY REVENUE GROWTH REPORTED BY AIM COMPANIES IN THE FIRST THREE YEARS FOLLOWING IPO

20%

YOY REVENUE GROWTH REPORTED BY AIM COMPANIES IN YEARS FOUR AND FIVE FOLLOWING IPO

Diaceutics

Diaceutics
Sector: Healthcare
Region: Northern Ireland
www.diaceutics.com

Advances in genetic analysis are revolutionising healthcare. Belfast-based Diaceutics is at the forefront of data collection and analysis in this revolution, enabling medical decisions, treatments, practices and products to be tailored to each individual patient.

The company, which was founded in 2005 and floated on AIM in 2019, has built up a wealth of data containing aggregated testing events and anonymised patient data for over 227 million patients covering approximately 300 diseases. This provides the real-world evidence that informs the decision-making of more than 35 global pharmaceutical companies across hundreds of precision medicine projects.

CEO Peter Keeling and CFO Philip White began to look at raising fresh capital in 2017. Initially they considered private equity and attracted several interested investors, but in mid-2018 they decided to focus on an IPO. “We are fast learners and we learned from our conversations with private equity that our equity story was a strong one,” says White. “Furthermore, the market opportunity is huge and in order to fulfil our clients’ global needs, we could see that the business would require more than one capital raise.”

Another factor was that their customer base was principally composed of publicly traded companies; becoming a public company itself would enhance Diaceutics’ status as a trusted global partner.

Despite taking place during the uncertain period around the initial Brexit deadline in March 2019, the IPO was 2.5 times oversubscribed. Diaceutics also kept firmly focused on its day-to-day business. In the financial year in which the IPO took place, revenues increased by nearly 30% and customers by 19%.

More than a year later, Keeling and White are clear that the decision was the right one.

“Do our clients appreciate our transparency? Absolutely. Do we see a path through investor confidence to additional capital raising in the future? Absolutely.”

Peter Keeling, CEO, Diaceutics

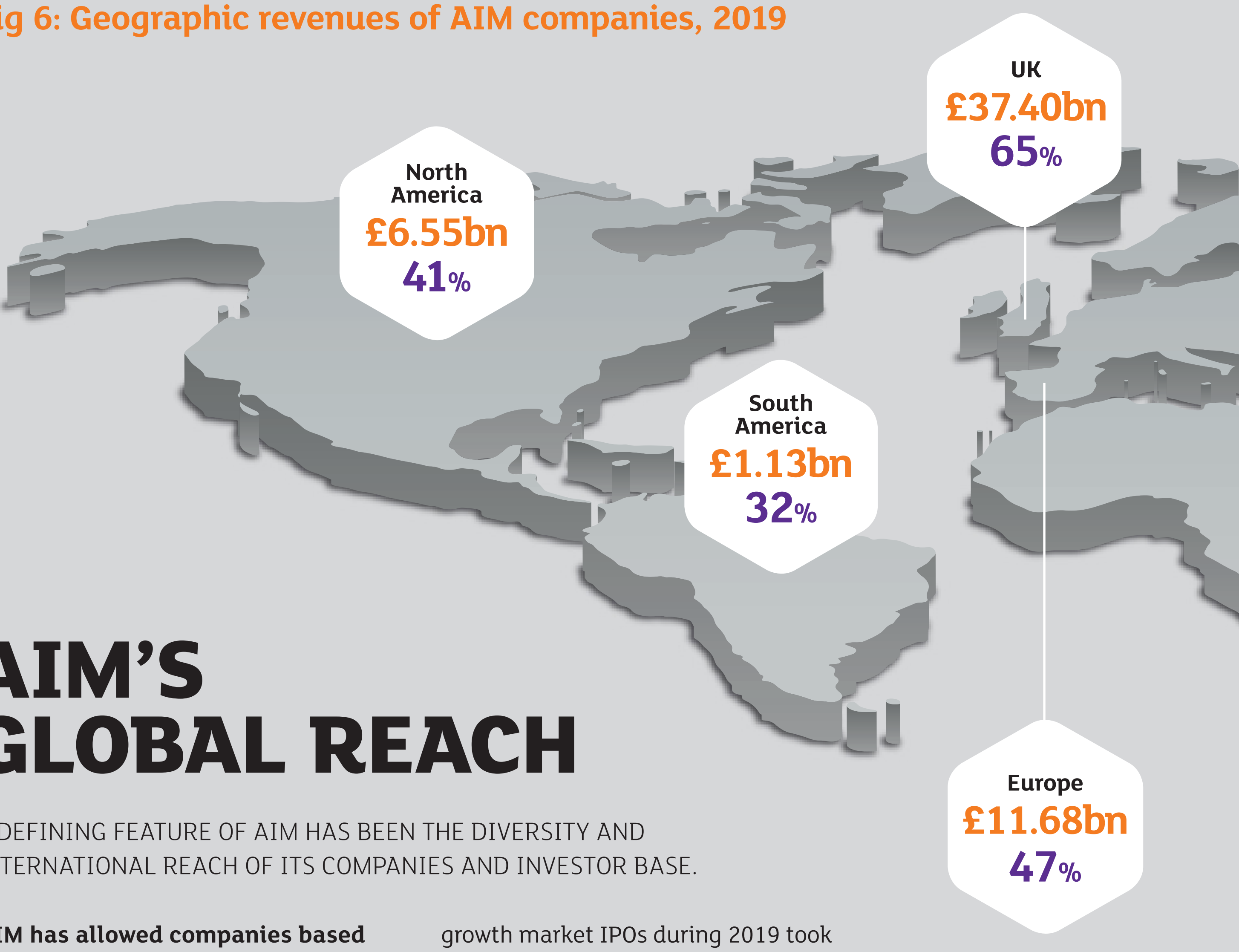
“Do our clients appreciate our transparency? Absolutely,” says Keeling. “Do we see a path through investor confidence to additional capital raising in the future? Absolutely.”

The IPO has fuelled confidence throughout the company, adds White, “from the youngest accountant to our senior executives”. Diaceutics enabled its employees to buy into the shares through a convertible loan note. “That really lifted the business,” he recalls. Eighty per cent of the company’s employees subscribed more than £500,000: “I was blown away by that.”

That employee bounce continues to reverberate among the 120-strong workforce across 17 countries. Diaceutics has launched a comprehensive long-term incentive plan to provide every employee with access to shares in the business.

19%
INCREASE IN CUSTOMERS IN THE YEAR IPO TOOK PLACE

Fig 6: Geographic revenues of AIM companies, 2019



AIM'S GLOBAL REACH

A DEFINING FEATURE OF AIM HAS BEEN THE DIVERSITY AND INTERNATIONAL REACH OF ITS COMPANIES AND INVESTOR BASE.

AIM has allowed companies based all over the world to realise their ambitions of gaining recognition on an international stage, while providing investors with a trusted platform to access international growth opportunities.

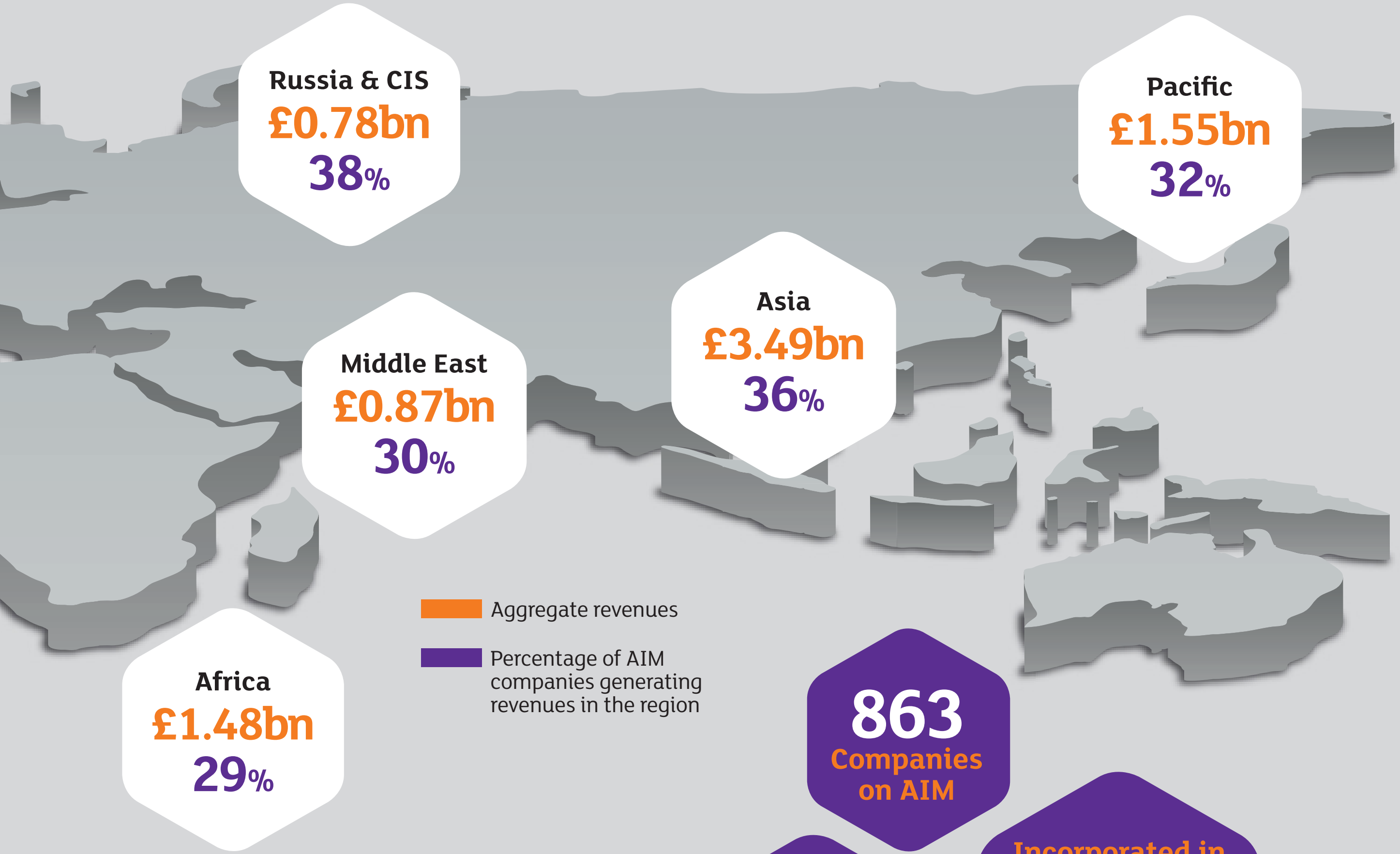
A key benefit for AIM companies is the ability to use funding they have secured at admission or while on market to broaden their geographical reach. AIM is an important growth engine for such geographical expansion, and in 2019 it accounted for 60% of all IPO and follow-on capital raised on European growth markets – 2.9 times more than the next European growth market. In total, there were 362 deals on AIM, raising £574m through IPOs and £3.8bn in follow-on rounds. Five of the top 10 European growth market IPOs during 2019 took place on AIM.

It is this position as an internationally renowned growth market that has helped it attract institutional investment from around the world and enabled AIM companies to sell their products and services into a staggering 205 countries and dependencies around the world. It also makes it a natural choice for fund managers with an international client base looking to increase their clients' exposure to growth opportunities. ONS data[1] shows that 48.2% of holdings in AIM companies are driven by investors from around the world, which has grown from 42.8% in the survey two years before.

[1] ONS: Ownership of UK quoted shares, 2016 and 2018 releases.

60%
AIM'S SHARE OF THE TOTAL CAPITAL RAISED ON EU GROWTH MARKETS IN 2019

362
TOTAL NUMBER OF DEALS ON AIM IN 2019



863 Companies on AIM

Incorporated in **25** countries around the world

Generating aggregate global sales of **£65bn**

Selling in **205** countries and dependencies

Attracting **£48bn** of global institutional investment

170 Incorporated overseas

Primary operations in **79** countries around the world

Fig 7: Institutional investment attracted from regions

Investor region	Value invested (GBP)
UK	37bn
Americas	7bn
Europe (ex UK)	4bn
Asia	345m
Africa	145m
Pacific	60m
Middle East	33m

Source: London Stock Exchange

Beeks Financial Cloud
Sector: Technology
Region: Scotland
www.beeksfinancialcloud.com

Beeks Financial Cloud has grown rapidly since its inception in 2011. It is a technology company serving the financial sector, "so we are as fintech as you get," says its CEO Gordon McArthur. Its 'infrastructure as a service' offer of cloud computing and secure, fast connectivity to enable same-day trading is proving increasingly attractive to a growing number of financial asset classes.

From the outset, McArthur was certain that AIM was his preferred route. "We needed a greater profile, which the public markets gave us. We are seeking to grow our international footprint and to build our business with global financial institutions; the credibility of being listed on the world's most international stock market was very important. The public markets would provide us with the opportunity to raise additional finance for future acquisitions but the management team was able to retain its majority stake in the business." So certain was McArthur that he started to talk to nominated advisers when Beeks reached its £1m turnover milestone.

Headquartered proudly in Glasgow, Beeks currently employs 40 staff globally and has 11 data centres around the world. Geographic expansion is central to its growth. "Connecting to venues is a never-ending process," says McArthur.

Beeks floated on AIM and raised £7m, strengthening its working capital position as well as its profile and growth potential.

Prior to the IPO, McArthur had participated in the London Stock Exchange ELITE programme. "I got a great deal of value from it," he says, "particularly getting access to people with experience of taking their company public. In my situation, it was awesome and inspirational to meet people such as Nick Robertson, the founder of ASOS."

Being CEO of a quoted company is a positive experience. "We are realising the expected benefits," says McArthur. And there has been an unforeseen advantage. The higher calibre of staff that Beeks is now able to attract is "night and day" from its years as a private company, McArthur observes. "The calibre of candidates for recruitment has increased hugely. It has given us access to people that we would not previously have attracted – from their own career progression point of view, we are now an attractive business to work for."

"We needed a greater profile, which the public markets gave us. We are seeking to grow our international footprint and to build our business with global financial institutions; the credibility of being listed on the world's most international stock market was very important."

Gordon McArthur, CEO, Beeks Financial Cloud

11
NUMBER OF BEEKS DATA CENTRES AROUND THE WORLD

THE AIM ECOSYSTEM

AIM'S ECOSYSTEM MAKES A SIGNIFICANT CONTRIBUTION IN SUPPORTING GROWTH.

The research by Grant Thornton shows that the IPO process accelerates the performance of companies that are admitted onto AIM. Furthermore, once they have made the transition to AIM, they outperform their privately owned peers (see Figure 8, below).

AIM's ecosystem makes a significant contribution in supporting such growth – from helping companies prepare for an IPO to guiding them on the admission process, and then enabling them to access long-term permanent capital.

Nominated Advisers are integral to the market. Each company applying to AIM must appoint and retain a Nominated Adviser to guide it through the admission process and its subsequent life as a public company.

Brokers are responsible for raising finance and facilitating and promoting trading in the company's shares on the market.

The guidance and support provided to management by the dedicated Nominated Advisers is a significant attraction for many AIM companies. Many such advisers have been involved in AIM since its inception, and association with a member of the AIM community can help a company enhance its own profile among investors.

The ecosystem has a diverse and committed base of investors, ranging from global institutions to private investors. For them, AIM is one of the few places in the world where they can invest in such a diverse range of smaller companies with the capability to deliver strong growth and returns. The market is also supported by an extensive network of market specialists, including lawyers, accountants, PR and investor relations professionals, and registrars.

The regulatory framework is designed to provide an appropriate balance to enable entrepreneurs to flourish and to give investors confidence in the standards of disclosure and protections provided to them. The result is a market that meets the requirements of issuers and investors.

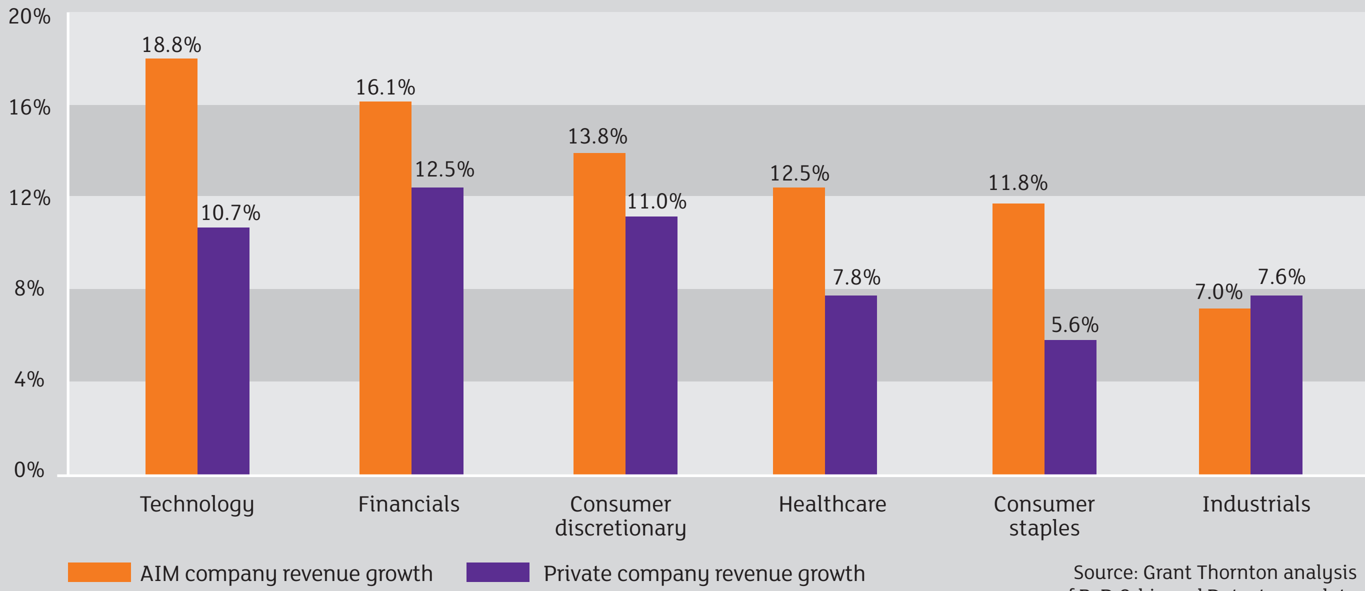
18.8%

AIM COMPANY REVENUE GROWTH IN THE TECHNOLOGY SECTOR, 2015–2019

10.7%

PRIVATE COMPANY REVENUE GROWTH IN THE TECHNOLOGY SECTOR, 2015–2019

Fig 8: AIM company v private company revenue growth (CAGR 2015–2019)



Source: Grant Thornton analysis of BvD Orbis and Datastream data

team17
Sector: Technology
Region: Yorkshire & the Humber
www.team17group.com

Founded in 1990 and admitted to AIM in May 2018, Wakefield-based video games developer and publisher team17 has been a constant innovator – in its content, its approach to development and its business model.

The company has a roster of its own proprietary titles, but also creates games in partnership with independent ("indie") developers worldwide. It is focused on the premium – rather than free-to-play – area of the market and its portfolio currently comprises more than 100 games.

A games fanatic who wears her heart on her sleeve and keeps her hair purple, Debbie Bestwick does not conform to the stereotype of the public company CEO.

The prospect, therefore, of an intense round of meetings with potential investors for the IPO looked intimidating. But, she says, she received great advice from other CEOs in her industry, as well as from her professional advisers. "They told me to be myself – 'they will love you for being you.' On the roadshow I soon discovered it was okay to be me." And the resulting IPO was heavily oversubscribed.

team17's IPO raised £107.5m, the proceeds of which were used to repay debt and distributed to existing shareholders. It also put team17 in a secure financial position and provided the company with ready access to additional financial capacity to support future M&A plans.

Moreover, it gave the company a higher profile and enhanced credibility among its international partners and, crucially, allows it to attract high-quality talent to support its growth plans.

Importantly for Bestwick, it also enabled the company to start building an employee benefit trust, thus embedding the ability to incentivise both current and future employees. It was a way for the business to give back to its employees through incentive schemes and shareholdings. Although discussion about the share price is firmly discouraged – "I don't talk about it, and I am the biggest shareholder," she says – equity participation is proving very popular. According to Bestwick, up to 50% of the company's employees contribute each month towards buying shares as part of the scheme. "They are in team17 for the long term."

"The IPO has been a good and positive experience."

Debbie Bestwick, CEO, team17

100+
PORTFOLIO COMPRISES MORE THAN 100 GAMES

AIM'S FUTURE ROLE

AIM HAS PROVED ITSELF TO BE AN ENDURING MARKET ACROSS ALL CYCLES AND SECTORS. TODAY, THIS NEED FOR A MARKET FOR YOUNG, DYNAMIC, INNOVATIVE COMPANIES IS MORE IMPORTANT THAN EVER.

MARCUS STUTTARD
HEAD OF UK PRIMARY MARKETS, LSEG AND HEAD OF AIM

A quarter of a century ago, AIM was established as a platform for smaller and growing companies to gain earlier and more efficient access to the public markets with the support of an experienced investor and advisory community. It has been a great success story.

Throughout its history, AIM has adapted and evolved to meet the needs of growth companies. It has adapted to business and economic cycles – from the technology boom at the start of the millennium to the global financial crisis – and it will continue to do so. It has proved itself to be an enduring market for all cycles and sectors.

Today, this need for a market for young, dynamic, innovative companies is more important than ever.

The coronavirus crisis has demonstrated the capacity of AIM to provide its quoted companies with access to capital and support during the pandemic. Some companies have used the proceeds raised since the onset of the pandemic to shore up their balance sheets. Others have used the funds to help them return to or maintain their growth trajectory and support further acquisitions or adapt their business models to new ways of working.

It continues to be a powerful demonstration that access to ongoing capital is made easier when a business is visible, understandable and known to a wide base of investors, which all come with being a public company. Public equity markets are extremely efficient at providing long-term funding at the very moment that companies need it. The diverse range of investors accessible to companies through AIM, from individuals to global institutions, provides companies with access to capital and liquidity at IPO and throughout their life on AIM. The investor base has been able and willing to stand behind companies to support them during an exceptionally testing period.

The nominated adviser model has provided a consistent and distinctive cornerstone of AIM since its inception. The regulatory framework and the commitment of the regulatory team operating the market have ensured the market's robustness and resilience. This helps to attract investors who seek growth from high-quality companies. Maintaining consistency through economic cycles and sector trends has been an essential facet of AIM.

AIM has a critical part to play to support growth, innovation and employment across the UK economy. In many regional and sub-regional economies, these companies are flagships and demonstrate the benefits of using equity capital. They provide a model and example for growth. They create local employment opportunities and economic value. They attract investment that will not only help facilitate the economic recovery but will also help stimulate new growth in new industries and sectors.

"The benefit of being an AIM company will only increase as investors, as well as customers, employees and wider stakeholders, demand greater levels of transparency and accountability."

AIM in the wider funding landscape

Since AIM's launch in 1995, the wider funding landscape for businesses has altered considerably. We have seen increased availability of early-stage equity finance, such as angel finance, and the growth of crowdfunding and peer-to-peer lending. The sources of non-bank funding available to scale up businesses have diversified, and this has contributed to the fact that we have seen larger companies joining AIM over recent years.

There has been an evolution in the size of companies using AIM. Today, more than half (53%) of AIM-quoted companies have a market capitalisation above £25m, compared with one-third in 2000.

This maturing of the market, along with greater availability of funding in the wider ecosystem, means that AIM is attracting an increasingly diverse, more global investor base and enhanced liquidity.

While AIM provides access to institutional capital, it is not purely an institutional market. It has always been essential that individual retail investors can access the growth and wealth-generation opportunities that AIM provides. AIM gives individual investors the opportunity to participate in the success of high-growth, high-quality companies.

"The coronavirus crisis has demonstrated the capacity of AIM to provide its quoted companies with access to capital and support during the pandemic. Public equity markets are extremely efficient at providing long-term funding at the very moment that companies need it."

Retail ownership of AIM stocks is close to 30% and retail investors represent an opportunity to increase the diversity and scale of an issuer's base of active shareholders, which in turn contributes to daily trading volumes and underlying liquidity. Throughout AIM's development, we have focussed on ensuring that companies have access to the broadest range of investors. We have worked with the Government to ensure that the fiscal incentives such as EIS, VCTs and Business Property Relief support long-term growth and enable companies to transition from private ownership to the public market as seamlessly as possible without facing funding gaps. Similarly, the eligibility of AIM shares for ISAs and exemption from stamp duty have improved the efficiency of the market, making it more attractive for investors, and this in turn has increased the availability of capital for companies.

London Stock Exchange's collaboration with PrimaryBid, whose platform digitally connects retail investors to public company offerings on the same terms as institutions, allows companies to unlock the retail investor pool of capital and liquidity.

Sustaining the future

The global economy continues to adapt and change, in many ways quite radically and at a quicker pace. It is therefore vital that capital markets evolve in tandem.

New businesses and technologies

“Throughout AIM’s history, we have remained focused on meeting the needs of entrepreneurial businesses and their investors, by operating a market that supports growth and fosters investor confidence. The close ongoing engagement between London Stock Exchange, nominated advisers and AIM companies has contributed to AIM’s resilience through business cycles and has enabled companies to receive the support they need as they grow and develop on market.”

Nilam Statham, Head of Primary Market and AIM Regulation, London Stock Exchange

will emerge to create new opportunities and tackle the new challenges and these innovative companies will need capital. For many of them, equity will be the most appropriate finance and AIM will be the source.

The benefit of being an AIM company will only increase as investors, as well as customers, employees and wider stakeholders, demand greater levels of transparency and accountability.

Societies want to see capital deployed in more sustainable ways. They want to see more inclusive economic models. Sustainable investment is becoming a key consideration for many investors. A significant reallocation of global capital is taking place, with growing demand for investors for decision-useful, climate-related financial information on how companies have prepared, or are preparing, for a lower-carbon economy. They want to understand companies’ exposure to green products and services.

The Green Economy Mark, launched by London Stock Exchange in 2019, enables companies – including those on AIM – that generate more than 50% of their total annual revenues from green products and services to be more visible and to tell their

green narrative to these investors.

At present, there are 37 companies on AIM that have the Mark. Between them, they have raised £656m on admission and a further £1,522m in follow-on fundraising.

They exemplify the wide range of companies on AIM, well beyond 'pure-play' green or clean technology companies, that are driving the transition to a sustainable, low-carbon economy.

AIM is a success today through 25 years of collective effort – from the entrepreneurs who have founded, floated and grown their businesses on the market to the community of investors, nominated advisers, brokers and intermediaries who have supported them. London Stock Exchange remains committed to supporting future generations of entrepreneurs by bringing them together with a wide base of diverse and committed investors. AIM plays a central role in this strategy. We are excited about its future.

"This maturing of the market, along with greater availability of funding in the wider ecosystem, means that AIM is attracting an increasingly diverse, more global investor base and enhanced liquidity."

SMS plc

Sector: Industrials
Region: Scotland
www.sms-plc.com

Starting life in 1995 as a gas connections company – the same year as the launch of AIM – Glasgow-based SMS has grown into an enterprise that is at the forefront of transforming and decarbonising the UK's energy networks. And, says its CEO Alan Foy, the opportunities in front of the business are "incredible".

The company finances, installs, manages and maintains smart meters. At the end of 2019 there were 16.5m smart and advanced meters operating in the UK, leaving more than 36m still to be exchanged. That spells a full order book. "There is tremendous growth on the smart meter front," says Foy.

Carbon reduction, says Foy, is not "a percentage of our business – it's 100%. Everything we do is about reducing carbon." So it was a natural step to seek to gain the Green Economy Mark from London Stock Exchange. The Green Economy Mark identifies companies and funds on London's public markets that generate between 50% and 100% of their total annual revenues from products and services that contribute to the global green economy. It includes, but also looks beyond, 'pure-play' green or clean technology companies to highlight those across all industries driving the transition to a sustainable, low-carbon economy – such as SMS.

"It is a must-have, not just a desirable badge. We have been committed to the green economy for some time, so I was delighted that we were accredited with a Green Economy Mark. It clearly demonstrates our credentials to investors," says Foy. The Green Economy Mark is a central element in SMS's discussions about its wider ESG credentials and is making the company increasingly attractive. "We have had many new investors coming into our stock, as they can see that we are a well-positioned ESG business."

Foy led the flotation of SMS on AIM in July 2011. "As a public listed company on AIM, public institutions in other countries can see that your business is governed properly. We could have spent too much time trying to convince them that as a private business we could look after their data. The badge of being a public listed company – with strong ESG credentials – really helps."

> "As a public listed company on AIM, public institutions in other countries can see that your business is governed properly. The badge of being a public listed company – with strong ESG credentials – really helps."
>
> **Alan Foy,** CEO, SMS

The Green Economy Mark identifies companies and funds that generate between 50% and 100% of total annual revenues from products and services that contribute to the global green economy

"The process of becoming and remaining a public company creates more resilient, sustainable businesses that are capable of scaling and achieving their full potential – rewarding their employees, investors, stakeholders and the wider economy."

Nikhil Rathi, CEO, London Stock Exchange Plc
& Director of International Development, LSEG

London
Stock Exchange

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