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CEO, London Stock Exchange Group

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When I joined London Stock Exchange Group six years ago, AIM, like other markets around the world, was gritting its teeth in the face of the financial crisis. As some companies left the market, some commentators speculated that the world’s most successful market for growth companies, AIM, would struggle. We saw things differently. We knew that the market, despite the fall-off in IPOs, was continuing to serve its primary purpose: to provide capital for small and medium-sized growth companies from the UK and around the globe. In the four years that followed, AIM companies used the market to raise more than £16bn in further capital – a lifeline in a storm for many, when other sources of financing were simply unavailable. And as the global economy has returned to health, so too has the IPO market: 2014 was AIM’s fourth-best year on record, with almost £6bn raised through a combination of new and further issues.

Today, AIM boasts companies from more than 100 countries and 40 different sectors, with a combined market capitalisation of more than £70bn. This gives AIM a much broader reach than any growth market worldwide, including South Korea and Canada, the only other two markets of note in this space. More than 3,500 companies have joined AIM in its 20-year history and have raised over £10bn to support their growth and development. That makes AIM, undoubtedly, the most successful public equity market for growth companies anywhere in the world.

As we celebrate AIM’s 20th anniversary, we are taking the opportunity in this landmark report to look not only at how AIM has played a positive role in the corporate lives of thousands of companies, but also how AIM companies have had a significant impact on the wider UK economy. The Grant Thornton research commissioned for this report presents the clearest picture yet of a market that serves not just its quoted companies and their advisers, but the country as a whole. The figures are exceptional: AIM is responsible for a £25bn contribution to UK GDP and almost three-quarters of a million jobs in Britain alone.

AIM was founded on four principles that were just as relevant 20 years ago as they are today. On pages 36 and 37 of this report, we remind readers of the principles that guided AIM’s foundation and supported its ability to weather global financial storms. Those capture AIM’s spirit of accessibility for companies and investors of diverse variety and origin, as well as AIM’s capacity for development and evolution; truly tested in these most recent turbulent times.

While we rightly pause to look back proudly on 20 years of AIM, we also look forwards with excitement and optimism. The market’s exceptional contribution as a source of long-term finance for ambitious, innovative companies – all keenly focused on adding new jobs and growth to the real economy – is being recognised. Policymakers of all stripes have voiced their conviction that AIM is an engine of growth and jobs that must be well-oiled to keep driving the British economy forwards.

While this report is produced by London Stock Exchange Group, in reality AIM’s 20th anniversary belongs to the community that has made it possible: companies, advisers, investors, market-makers and liquidity providers, brokers and supporters. On behalf of London Stock Exchange Group, thank you. We are very proud of this vibrant growth market and all that it supports. I hope you are too.

“AIM is responsible for a £25bn contribution to UK GDP and almost three-quarters of a million jobs in Britain alone”

Xavier Rolet
CEO, London Stock Exchange Group

FIND OUT MORE ABOUT THE REGIONS THAT ARE HOME TO AIM’S CURRENT GROWTH COMPANIES

UK SNAPSHOT

<table>
<thead>
<tr>
<th>Region</th>
<th>Money Raised GBP (M) at Admission</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>£365.6m</td>
<td>26</td>
</tr>
<tr>
<td>North East</td>
<td>£185.4m</td>
<td>16</td>
</tr>
<tr>
<td>Yorkshire &amp; The Humber</td>
<td>£276.8m</td>
<td>35</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>£1.8m</td>
<td>3</td>
</tr>
<tr>
<td>Wales</td>
<td>£115.6m</td>
<td>11</td>
</tr>
<tr>
<td>West Midlands</td>
<td>£168.1m</td>
<td>24</td>
</tr>
<tr>
<td>South West</td>
<td>£128.9m</td>
<td>29</td>
</tr>
<tr>
<td>East Midlands</td>
<td>£400m</td>
<td>56</td>
</tr>
<tr>
<td>East</td>
<td>£128.9m</td>
<td>29</td>
</tr>
<tr>
<td>South East</td>
<td>£965.9m</td>
<td>117</td>
</tr>
<tr>
<td>London</td>
<td>£2,874.3m</td>
<td>368</td>
</tr>
</tbody>
</table>

(East Midlands and East share the same values and are marked as 56 in the diagram for simplicity.)
CRUNCHING THE NUMBERS
FROM CONSUMER SERVICES TO INDUSTRIALS, WE TAKE A LOOK AT THE SECTORS DRIVING AIM FORWARD
THE ECONOMIC IMPACT OF AIM

AS LONDON STOCK EXCHANGE GROUP’S INTERNATIONAL MARKET FOR SMALLER, GROWING COMPANIES, AIM HAS A VITAL ROLE TO PLAY IN SUPPORTING BUSINESS GROWTH

By providing access to capital and ongoing finance, AIM plays a key role in the funding ladder, enabling ambitious companies to raise external finance so that they can make a step change in their development. It is through this role that AIM has made, and continues to make, a substantial contribution to the UK economy. The following pages quantify the scale and nature of this contribution.

Grant Thornton has drawn on a range of data sources in undertaking the independent analysis contained in this section. Commissioned by LSEG, this analysis provides an update on Grant Thornton’s 2010 report. By updating that earlier analysis, this data clearly shows not only how the market withstood the global financial crisis and subsequent recession, but also that its economic contribution and importance have actually increased.

AIM supports growth-oriented companies
Small and medium-sized enterprises (SMEs) have a critical role to play in the economy, and access to appropriate financing options is key to facilitating their growth. Equity finance is essential for such companies as bank finance may often be unsuitable, for example for younger companies with no immediate revenue streams and limited cash flows. For technology firms and fast-growing companies needing to make upfront investment, equity is often the most suitable form of capital.

AIM plays a key role in the UK’s funding environment, allowing companies to raise external finance at different stages in their lifecycle and providing an exit route for early stage investors (such as company founders or private equity investors). It also offers a regulatory framework designed specifically for smaller, growing companies, proving less prescriptive than for companies listing on the Premium segment of London Stock Exchange’s Main Market. As companies continue to grow, they benefit from the advisory and investor support network that has developed around AIM over the last 20 years, and from the ease with which they can return to the market to raise further funds.

Characteristics of AIM
Since its inception in 1995, the market has supported more than 3,500 AIM companies. The chart in Figure 1 details the admissions of these companies since 1995, looking at both those incorporated in the UK and internationally. By the end of 2014, UK incorporated AIM companies represented 81% of all new admissions to AIM and 80% of the total stock of AIM companies. Taken together, these AIM companies have raised £39.4bn at admission and followed this with further fundraising amounting to £50.6bn.

Since 1995, the total turnover of UK-incorporated AIM companies has increased from less than £1bn to just over £50bn. As can be seen from the chart in Figure 2 (overleaf), growth was particularly rapid from the turn of the millennium until 2007, when the financial crisis and global recession slowing this expansion between 2008 and 2010. Encouragingly, the positive growth trend returned in 2011 and has continued over the last two years.

For some companies, admission to AIM is a long-term proposition, whereas for others, it serves shorter-term growth plans including the aspiration to position for sale or progress to the Main Market.

The growth dividend from dynamic businesses
For many businesses, and in particular the people responsible for leading them, increasing the size of the business is a core aspiration. Growth also sits at the heart of UK policymaking with ever-increasing focus being placed on how best to support and encourage sustainable business growth that creates employment opportunities and positively contributes to UK GDP.

For a large number of these aspiring businesses, access to finance – and particularly the right form of finance – can play a central role in unlocking the barriers to, and realising the opportunities for growth. AIM fulfils this key enabling role, as it allows companies to raise external finance at different stages in their lifecycle. As can be seen from the chart in Figure 3 (overleaf), this support enables a step change in the growth of the business, which then continues for a number of years.

Figure 1: Number of Admissions to AIM, 1995 to 2014

2004 Prospective Directive introduced - AIM becomes Exchange Regulated
2005 The FTSE AIM Index Series introduced
2006 Number of UK Admissions
2007 AIM rules for Companies updated and AIM rules for nominated Advisers introduced
2008 AIM Italy launched
2013 AIM securities eligible for ISA
2014 Stamp duty abolished

£14.7 GBP (BN) Contributions
£430,000 Jobs Supported
£2.3 GBP (BN) Tax Contribution

The impact of AIM companies in 2013

The economic impact of AIM

The Economic Impact of AIM

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This growth dividend is especially apparent for smaller business. As can be seen from the chart in Figure 4, while businesses of all sizes grow both turnover and employment by more than 20% in the first year post-admission, companies with turnover of less than £5m grow by 200% in turnover and more than 100% in employment. This underlines the key role that AIM plays in the UK funding environment and highlights how it has successfully created a regulatory framework that, by being less prescriptive, works for smaller, growth-aspirant businesses.

By looking at three separate three-year cycles – one pre-recession, one during the recession and one post-recession – and comparing the levels of growth achieved by AIM companies with the broader business population, an interesting picture emerges. Pre-recession (2005–07), it is apparent that AIM companies significantly outperformed the wider business population with turnover growth of 28% compared with just 12%. During the recession, this relative performance was reversed with AIM companies experiencing a 2% decrease in turnover between 2008 and 2010, while the wider business population experienced 4% growth. However, in the period immediately following the recession, it is clear that AIM companies have recovered faster, with a growth rate of 7% over the three-year period compared with just 1% across the wider business population.

Acting as a spur to innovation and enterprise

Alongside growth, it is also apparent that AIM plays a wider role in supporting innovation and helping to create dynamic local economies across the UK. In stimulating levels of innovation and enterprise, AIM is acting as a spur to both productivity and economic growth.

- **Innovation** – SMEs and growth companies influence the level of innovation and are at the heart of technological changes.
- **Enterprise** – AIM companies are typically growth and smaller businesses created by entrepreneurs. Entrepreneurship is a key driver of the economy, based on the value of knowledge and ideas being translated into new products and services.
- **Productivity** – both innovation and enterprise create spillover benefits in the wider economy. Over time, new products, technologies, knowledge and skills created by SMEs and entrepreneurs are transferred to other industries and sectors, raising the level of productivity.

Access to the necessary funding allows new and existing companies to make the investment needed to turn ideas, patents and knowledge into marketable products and services. Raising equity capital through AIM as a platform is particularly important to small and growth companies as it directly stimulates innovation in the economy, increasing productivity as a result.

**Making a substantial economic contribution**

As well as supporting the growth of individual businesses, companies supported by AIM make a significant collective economic contribution to UK plc. In 2013, AIM companies contributed £14.7bn to GDP and directly supported more than 430,000 jobs (see Figure 5). To put these numbers in context, the UK aerospace and automotive industries – two of the UK Government’s key industrial sectors – make an economic contribution of £9.4bn6 and £11.5bn respectively, while the UK pharmaceutical sector contributes £13.3bn. In addition, AIM companies made a significant tax contribution of £2.3bn to the Exchequer7.

These figures are also higher than in the previous analysis in 2010, which found that in 2009 companies supported by AIM contributed £12bn to GDP and directly employed 256,000 people. Therefore, despite the deep recession, which dominated the period between the two reports, the economic contribution of companies supported by AIM has actually increased. The significant increase in employment numbers should be of particular interest to policymakers, underlining the important economic development role that can be fulfilled by financial markets.

In addition to this direct contribution, the supply chain of companies supported by AIM supports a further 155,000 full-time equivalent jobs and contributes £5.3bn to GDP. This indirect impact includes suppliers to AIM companies, which provide financial services (nominated advisers, market-makers, brokers, corporate finance), business services (registrars, financial public relations, legal, tax, accountancy) and wider goods and services.

Directly and indirectly, employees spend their wages on goods and services supplied by UK businesses, generating further employment and GDP through so-called induced effects. This induced impact is estimated to support a further 146,000 full-time equivalent jobs and to contribute £5.3bn to GDP. Taken together, this overall economic impact is equivalent to £25bn in GDP and some 731,000 jobs.

**“AIM has maintained its position as the most successful growth market in the world and is now an established part of the funding ecosystem in the UK, supporting innovation, driving productivity and creating employment”**

Philip Saccott, Partner and Head of Public Company Advisory at Grant Thornton UK LLP
AIM’S GLOBAL NETWORK
A CLOSER LOOK AT THE COMPANIES ACROSS THE WORLD THAT ARE POWERING AHEAD ON AIM

FIND OUT WHERE THE GROWTH COMPANIES CURRENTLY ADMITTED TO AIM ARE BASED AND THEIR COMBINED MARKET CAPITALISATION, DISCOVER WHICH REGION IS HOME TO THE COMPANIES THAT GENERATED THE HIGHEST COMBINED FUNDS AT ADMISSION TO AIM AND IN SUBSEQUENT FUNDRAISING.

UK
684
£50,103m
£7,463m
£11,979m
£ ALL GBP (M)

EUROPE EX. UK
56
£4,457m
£1,119m
£1,460m
£ ALL GBP (M)

RUSSIA & COMMONWEALTH OF INDEPENDENT STATES
33
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£721m
£1,510m
£ ALL GBP (M)

WESTERN HEMISPHERE
57
£14,940m
£23,727m

AFRICA
77
£2,908m
£771m
£3,017m
£ ALL GBP (M)

ASIA
112
£6,583m
£2,903m
£2,151m
£ ALL GBP (M)

NORTH AMERICA
70
£2,545m
£732m
£1,965m
£ ALL GBP (M)

SOUTH AMERICA
30
£1,200m
£600m
£830m
£ ALL GBP (M)

MIDDLE EAST
19
£1,439m
£407m
£53m
£ ALL GBP (M)

PACIFIC
23
£455m
£224m
£762m
£ ALL GBP (M)

TOTAL GBP (M)
1,104
£70,800m
£14,940m
£23,727m

KEY
NUMBER OF COMPANIES*
MARKET CAP (FEB 2015)
MONEY RAISED AT ADMISSION** GBP (M)
FURTHER FUNDRAISING** GBP (M)

* International companies based on country of primary business
** Figures represent money raised by companies on AIM at end December 2014

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** Figures represent money raised by companies on AIM at end December 2014
“AIM, thanks to the exceptional community upon which the market is founded, is the world’s most successful growth market. Its evolution is a unique achievement and after 20 years, AIM remains better positioned than ever to serve the needs of ambitious growth companies and their investors”

Marcus Stuttard
Head of UK Primary Markets and Head of AIM
Wiltshire-based AB Dynamics (ABD) started out as a supplier of noise, vibration and suspension engineering services to the British motor industry in 1982. By the early 1990s, the UK automotive business was in decline and a change of direction was called for.

The company’s decision to switch to the manufacture of testing systems proved to be shrewd. By 2013, the management was keen to raise more capital.

The AIM admission that followed fulfilled a wide array of aims and objectives, according to Managing Director Tim Rogers. “The objective was to increase the profile and credibility of ABD within the global automotive industry and enable the company to develop a broader range of products and services, both organically and, in time, through acquisition,” he says.

The admission would also provide capital to help fund the construction of a new factory and growth in ABD’s marketing, sales support and distribution channels in the rapidly growing and developing Asian markets. “It offered the opportunity to provide equity-linked incentive arrangements for present and future employees and allowed founding shareholders to sell some of their existing shareholdings,” Tim adds.

Today, the company exports 90% of its production to overseas markets across a range of continents – a strategy that has reduced its exposure to downturns in specific territories during the recent global slowdown. “Our traditional markets in Germany and Japan remain very buoyant,” says Tim. “Added benefits are coming from new demand in Korea and China.”

Indeed, ABD has performed so well that it is outgrowing its design, development and manufacturing base in Bradford on Avon. With planning delays preventing its move to a new facility, it has acquired and refurbished supplementary premises two miles from its main base in order to relocate certain functions.

After being rebuffed by venture capitalists at the turn of the millennium, Abcam’s principal founder Jonathan Milner – a post-doctoral researcher – was forced to adopt desperate measures. He would tour the laboratories at the University of Cambridge, carrying an ice bucket full of antibodies and selling them to friends and colleagues to generate the funds necessary to keep afloat his nascent protein research tools company.

By 2005, however, Abcam was generating revenues of £12m, and the £15m it raised by floating on AIM that year gave the company the cash it required to fund its expansion plans.

Today, Abcam’s turnover stands at £128m and it sells its products to more than 100 markets internationally from ten offices in six countries.

“The proceeds raised through our placing were used to kick-start this growth and the access to public capital markets we gained through AIM was critical in raising the international status and market profile of the company,” says CFO Jeff Illiffe.

“It has allowed us to reach a wider audience of investors than if we had stayed private, building a broader and more stable base of shareholders, many of whom have been with us for the long-term.”

“In conjunction with our share-option schemes, the liquidity and value for the company’s equity provided by the AIM market have helped us to continue to attract, motivate and retain high-calibre talent.”

The latter point is illustrated by the fact that of Abcam’s 800-plus employees, more than 100 have PhDs.

“Becoming a public company can be a tough experience and is definitely not for the faint-hearted,” says Jeff. “But the benefits it brings are enormous. We have found AIM to be the perfect place for us, as we have gone from a market cap of £57m back in 2005 to just above £1bn today. All the way along, we have benefited from the continued support of the AIM community.”
Companies are facing greater pressure than ever before to save costs. Advanced Computer Software Group (ACS) provides software and IT services to help companies in the public, private and not-for-profit sectors – particularly within the healthcare arena – achieve greater financial control.

Since its admission to AIM, the group’s revenue has grown to £203m, with adjusted EBITDA rising to £45m as at February 2014. This impressive growth has been achieved through a combination of complementary acquisitions and strong organic growth.

“ACS decided to join AIM because the board knew from previous experience that the platform would offer the group the ability to raise capital and create value in a flexible environment that favours entrepreneurism,” says CEO Vin Murria. “Being admitted to AIM has given ACS the ability to quickly and efficiently raise capital via placings, to both acquire key businesses and create a war chest for future acquisitions. This has enabled ACS to make rapid strategic decisions, when necessary, to take advantage of market conditions and seize opportunities.”

Launched in 2008, ACS is now the third-largest UK-based software and IT services provider to the UK market, with more than 2,000 employees, serving 20,000 customers across private and public markets. Vin attributes the group’s success to the continued rising demand for IT solutions and managed services, which allow a wide range of private and public organisations to achieve cost savings while optimising performance.

“I would recommend any company looking to access finance from public capital markets to consider joining AIM very seriously,” Vin says. “The ability AIM provides to swiftly raise capital enables entrepreneurial companies to focus wholly on using the funds raised to support and accelerate their growth ambitions to optimal effect.”

ACS was acquired by Vista Equity Partners for an enterprise value of £750m in March 2015. Vin says: “The growth of the business from zero in September 2008 to this exit valuation was very much supported by being on AIM.”

Amerisur Resources was founded with a bold strategy: to unlock, acquire and develop large-acreage oil fields in underexplored basins in South America. The independent, full-cycle oil and gas company has assets in Colombia and Paraguay.

“Our biggest challenge has been moving from being a high-risk explorer to being a cash-generative producer, using a sensible amount of capital that didn’t dilute our shareholders,” says CEO John Wardle. “We achieved this through the patience of our investors and the skill of our management, operational team and board.”

The halving of the oil price in the space of six months has presented another significant challenge to the company. It has responded by cutting back exploration spend and reducing production to focus on profitable production, so its exploration and development work programme is covered by internally generated cash flows.

“Amerisur has been successful principally because we have attracted and retained the best people, from board and senior management to operational colleagues,” says John. “We have also benefited from a single-minded focus on our strategy, which has remained consistent since 2007. We wanted to unlock, acquire and develop large-acreage positions in South America’s underexplored basins.”

Amerisur has had a consistent strategy since 2007.

This has enabled ACS to make rapid strategic decisions, when necessary, to take advantage of market conditions and seize opportunities.”

Launched in 2008, ACS is now the third-largest UK-based software and IT services provider to the UK market, with more than 2,000 employees, serving 20,000 customers across private and public markets. Vin attributes the group’s success to the continued rising demand for IT solutions and managed services, which allow a wide range of private and public organisations to achieve cost savings while optimising performance.

“I would recommend any company looking to access finance from public capital markets to consider joining AIM very seriously,” Vin says. “The ability AIM provides to swiftly raise capital enables entrepreneurial companies to focus wholly on using the funds raised to support and accelerate their growth ambitions to optimal effect.”

ACS was acquired by Vista Equity Partners for an enterprise value of £750m in March 2015. Vin says: “The growth of the business from zero in September 2008 to this exit valuation was very much supported by being on AIM.”

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The US healthcare system is notoriously expensive and has come under increased scrutiny in tough economic times to create a more predictable and transparent cash flow, while increasing net revenue and quality patient care. Cuts in resources and fewer reimbursements for the pharmaceuticals that hospitals administer can make this particularly difficult. Fortunately, there is help at hand.

As a market leader in billing software for US hospitals, Craneware allows hospitals and healthcare providers to better price, charge, code and retain earned revenue for patient care services and supplies.

Craneware’s headquarters are in Edinburgh, Scotland, and house the company’s R&D and client support teams. Its US administrative office is in Atlanta, with regional offices located in Tennessee, Massachusetts and Arizona. The company was founded in 1999 by CEO Keith Neilson and CTO Gordon Craig. At the turn of the new millennium, the pair had signed more than 20 clients. By 2015, this had grown to about one in four US hospitals, ranging from small community hospitals to large healthcare networks. Chief Marketing Officer Mark Montgomery attributes the company’s success to ‘the Craneware framework’, a set of values that includes fostering innovation and listening to clients’ needs.

Craneware was admitted to AIM in September 2007. Public capital markets have not only given the business a broad and stable investor base, they’ve heightened Craneware’s public profile and encouraged it to ‘think big’.

“The strength and depth of the AIM market allows a company of our size to leverage our equity in a timely fashion, without the cost of many competing markets around the world,” says Mark.

“In our experience, working with the AIM community has encouraged the company to continue to strive to raise its game,” he adds. “We’re constructively challenged to think bigger, quicker and smarter, helping to drive a vibrant and dynamic internal culture of improvement.”

The year of Craneware’s admission to AIM
Domino’s has become synonymous with pizza delivery, so much so that the brand dropped the word ‘pizza’ from its logo back in 2013. Today, its red and blue domino tile is one of the most easily recognisable symbols in the UK when it comes to takeaway food. The brand has also gained fans across the Atlantic, following its move from AIM to the Main Market in 2008.

“After a successful nine-year period on AIM, one of the key reasons for moving to the official list was to be able to attract a wider and more geographically diverse investor base,” explains CEO David Wild. “As a Main Market listed company, we were better able to engage with mainstream US investors,” he adds.

As well as an enhanced public profile, both at home and abroad, this move provided Domino’s with the opportunity to exercise best practice in relation to corporate governance, says David – an attractive proposition for any high-quality business partner, be it a supplier, employee or new franchisee.

While the economic backdrop of rising food prices has been challenging for the company, Domino’s has continued to grow in the UK and the Republic of Ireland, opening new stores and focusing on increasing franchisee profitability. “When people have to tighten their belts, they may stop going out to restaurants, but they still afford themselves the occasional treat such as sharing a pizza at home with family or friends,” says David.

Promotions and national bundle deals have helped here, as has an early investment in digital, with 70% of Domino’s delivered sales currently ordered online. David says, “We make it as easy as possible to order pizza through our market-leading website and mobile app, adding to our technical advantage versus the competition.”

EMIS Group is the UK leader in connected healthcare software and services. Its solutions are used across every major UK healthcare setting, from primary and community care through the EMIS brand, to high street pharmacies with Rx Systems, and secondary care and specialist services, under the Ascribe and Digital Healthcare brands.

The group owes much of its success to its ‘for clinicians; by clinicians’ mantra. “Our software and services are designed by clinicians, with clinicians’ needs in mind – essential for successful implementation of any IT project and the reason EMIS Group remains a market leader,” explains CEO Chris Spencer.

As well as providing support for clinicians, EMIS serves patients directly through its award-winning patient information site, www.patient.co.uk. “With 40 million patient records and a strong footprint across every major UK healthcare setting, the group is uniquely positioned to help the NHS deliver better connected, and more efficient, healthcare,” says Chris.

In 2010, the group joined AIM, motivated by a desire to increase visibility at a more senior level. “Prior to flotation, we were already a significant supplier of software and services to clinicians, providing vital services to millions of people,” Chris notes. Despite tough economic conditions, EMIS has since built on this success and achieved significant business growth, securing larger NHS contracts and expanding into new areas of the market. The group attributes these achievements to a strong focus on customers’ needs and providing solutions for improved healthcare services.

In many ways, today EMIS is worlds away from the company that floated in 2010. But, crucially, it has retained its healthcare-first ethos. “The accountability that comes with being quoted on AIM emphasises how seriously we take our role as an organisation that can lead the development of a digital healthcare economy with the power to improve lives,” Chris adds.
The Common Cold Unit, established by the Medical Research Council in the 1940s, pioneered the idea of studying people throughout the viral cold disease cycle to understand how the cold virus infects an individual and makes them sick. That seminal principle forms the foundation of hVIVO’s approach to developing market-leading human disease models for accelerating drug development and discovery in respiratory and infectious diseases, including common cold, influenza and asthma.

The hVIVO platform leverages human models of disease as drug development tools and as a way to gain biological insights into a given disease. With these models, hVIVO illuminates the entire disease life cycle from healthy to sick and back to health, capturing disease in motion. The results can then be used to streamline drug development and identify drug targets and biomarkers in areas of high unmet medical need.

In May 2012, hVIVO (formerly Retroscreen Virology) was admitted to AIM to raise funds and scale up its operations, following its move to a new purpose-built facility at Queen Mary BioEnterprises Innovation Centre a year earlier. “The company was also looking to expand its human challenge models into new disease areas,” says CEO Kym Denny, and the public admission was beneficial in this respect.

“The flotation on AIM has supported hVIVO’s efforts to raise its profile among public capital markets,” says Kym. “In turn, this has enabled us to build strong relationships with investors who know the company well and recognise its long-term potential.”

The funds raised at the time of the admission enabled hVIVO to do several things. First, to build the platform. Second, to expand into adjacent markets such as asthma and third, to leverage the platform to develop rationally selected biomarkers and drug targets. “It has helped hVIVO create visibility and awareness with prospective clients who are looking for successful companies to help them identify promising therapies sooner, speeding the time to market,” Kym adds.
Imperial Innovations’ name dates back to its days as the technology transfer office for Imperial College London, when its role was to protect and exploit commercial opportunities arising from the university’s outstanding academic research.

Following its admission to AIM in 2006, the multimillion-pound war chest the company raised enabled it to expand its operations to encompass the so-called Golden Triangle of Oxford, London and Cambridge – home to four of the world’s top ten universities.

Since 2006, Imperial Innovations has raised more than £346m from investors. As of 31 January 2015, its portfolio was valued at £262m, comprising companies in which it has already invested a total of £198m and that have collectively raised investment of £927m. With recent investments and commitments, this has crept past £1bn invested in UK innovation since 2006. “Our preference is to drive businesses for longer as private companies, so that if they were to stage an IPO or be acquired, they would not do so too early,” says CEO Russ Cummings. “Our focus now is on using our substantial capital resources to accelerate the development of our most promising late-stage businesses.”

Imperial Innovations completed four public company transactions last year and benefited from healthy investor appetite for IPOs and life-sciences stocks, in particular.

Russ describes his experience of being admitted to AIM and interacting with the AIM community as “very positive”, but adds that benefits go beyond the capital-raising function. “Of course there is an extra overhead in terms of reporting, but being a listed company also enforces good corporate disciplines and the adoption of best practices, which ripple across the company,” he says. “We have very good, long-term, trusted relationships with all of our advisers and value the support they give us.”

One of the company’s ongoing challenges is to communicate the long-term nature of the investments it makes, with investment horizons in the order of eight to ten years – or longer. However, both its shareholders and covering analysts are supportive of this approach, says Russ. “They understand our business model carries through to the quality of companies and management teams in our portfolio.”

Mattioli Woods has built its wealth management and employee benefit services business on a firm foundation of integrity. Established in 1991, the company has since grown its client base to 6,000 and today manages assets valued at more than £5bn, which it services from offices in Leicester, London, Aberdeen, Glasgow and Newmarket.

“We believe that we need to retain integrity as a core value,” says CEO Ian Mattioli. “This provides a framework for responsible and ethical business practices. It has always been our aim to run a business that looks after our clients’ wealth as if it were our own.”

Ian attributes Mattioli Woods’ success to this foundation of integrity, as well as to its exceptional staff. “We are renowned for our expertise, training and mentoring, and we have created administration and consultancy teams that are second to none, ensuring that everything we do is best-in-class,” Ian says.

It was this emphasis on attracting and retaining the highest calibre of talent that led Mattioli Woods to admit to AIM in 2005. “The directors considered that the enhanced profile resulting from admission to AIM, coupled with the introduction of employee share schemes, would enable the group to attract new employees and to incentivise and retain key staff,” Ian explains.

Like all wealth management businesses, Mattioli Woods has faced considerable challenges in recent years. “Economically, the last five years have been complex for the wealth management and employee benefit business,” says Ian. “We kept clients informed and recommended the maintenance of defensive positions. We never wait to ‘see what happens’ and we always make sure our skills are up-to-date and we offer the right services in order to stay ahead.”

The company has offices in Leicester, London, Aberdeen, Glasgow and Newmarket.

CEO Ian Mattioli says the business aims to look after its clients’ wealth as if it were its own.

£346m

The amount Imperial Innovations has raised from investors since 2006

£5bn

The value of clients’ assets that Mattioli Woods looks after
Specialist agricultural and distribution company NWF Group joined AIM just three months after the market was launched in 1995.

Founded in 1871, NWF was originally a cooperative but transitioned to a plc structure prior to its flotation, which was designed to generate liquidity for shareholders and to provide access to capital. Today, the Cheshire-based company – the first company from the North West to admit to AIM – has a turnover of £538m and more than 800 employees.

In 2006, NWF raised £6m to support an expansion of its warehousing capacity and has also benefited over the years from improved access to debt facilities.

“During the recession, the group delivered several years of record performance and has actively continued to invest in the development of each division,” says CEO Richard Whiting. “In the last five years, we have made three sizeable acquisitions – the latest being the £6.75m investment in the acquisition of S C Feeds Ltd in November 2013.”

He adds, “The macro-economic environment has been tough, particularly in the context of the food distribution business. However, we have successfully managed down debt and focused on cash flow and working capital management, which has led to a substantial reduction in net debt.”

NWF is split into three divisions – feeds, food and fuels – and provides a wide range of specialist products and services including cattle feed, heating oil and warehousing and distribution. This means it is important for the group to connect with investors who have an interest in these sectors.

As Richard says, “The best advice I could offer anyone seeking to float on AIM would be to carefully select a team of professional advisers who are suited to the size and nature of your company. Also, to ensure the broker you select is well-connected to the right mix of institutional investors to support the development of the company.”

When Bob Holt, Chairman of housing-repair specialist Mears Group, decided to join AIM in 1996, his company was an SME with a turnover of £12m and 83 hardworking employees.

Less than two decades later, Mears is one of the leading businesses of its kind in the UK, with revenues of nearly £1bn and almost 17,000 staff. Every day, it carries out 6,000 repairs on a selection of properties in its portfolio of more than a million homes nationwide.

Such progress is a ringing endorsement of the flotation strategy of Bob and his colleagues all those years ago. “The board felt that the group had reached a size where the company would benefit from greater liquidity in its shares, a higher profile with investors and increased access to capital,” Finance Director Andrew Smith recalls. In particular, greater liquidity was expected to support Mears’ acquisition strategy, where either equity fundraising was required or consideration was being paid in shares.

Andrew adds: “The AIM listing played an important part in the success of Mears since then, financing a number of acquisitions.”

The AIM platform also played a key role in employee recruitment, reward and retention, as the share price reported growth and a large number of staff at all levels in the organisation shared in the company’s success.

Not surprisingly, Mears outgrew AIM and transferred to the Main Market in 2008. When it floated on AIM in October 1996, its shares were priced at 10p. At time of writing, the share price stood at 438p, valuing the business at £440m – a landmark success story if ever there was one.

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There aren’t many companies that can claim to have grown their market capitalisation from £10m to almost £1bn in under 20 years, but Petra Diamonds is one of them.

When it became the first diamond mining company to be admitted to AIM in 1997, Petra put itself in a good position to raise funds for mining acquisitions and, following De Beers’ decision to rationalise its portfolio around a decade ago, Petra took full advantage. Between 2007 and 2011, it acquired five diamond mines – including its two flagship assets, Cullinan and Finsch – with the aid of US$345m in equity fundraising.

“Petra’s AIM listing provided the company with access to capital in order to deliver on its growth strategy,” says CEO Johan Dippenaar. “As one of the world’s leading financial centres, London has access to a broad and deep pool of investors, and is surely one of the most international capital markets.

As Petra grew into London’s largest quoted diamond group, its board decided that the Main Market was a more appropriate platform for its continued growth as it would allow the company to “access a broader range of investors internationally and further enhance the company’s reputation and stature”.

In the years since the De Beers acquisitions, Petra has breathed new life into the mines by empowering the management teams and keeping a sharp eye on costs.

As Johan says, “We have now put in place long-life, sustainable mine plans for these assets and are well advanced on our growth strategy to increase annual production to five million carats by FY 2019.”

Mobile technology has swept through the gaming landscape and made it easier and faster than ever for people to take a punt while on the go.

The resulting growth of multi-channel gaming solutions has prompted increased regulation in the UK and overseas, and brought the sector into sharp focus. One company that has thrived in this field is Playtech, the world’s largest online gaming software supplier.

The company was founded in 1999 by entrepreneurs from the casino, software engineering and multimedia industries. Since welcoming its first casino licensee in 2001, it has added a raft of other products to its stable, including Live Casino, Bingo Network, iPoker network, land-based offering Videobet and Mobile Casinos.

Playtech used London’s public capital markets to attract premium investors, staff and clients and listed on AIM in 2004, before transitioning to the Main Market in July 2012.

“AIM was the best market to provide us with access to investors that matched our investment profile.” Playtech’s Head of Investor Relations Andrew Smith explains. “When we transferred to the Main Market, we felt ready to widen our investment pool and we now have a market cap of over £2bn due to the support of sophisticated investors accessed through London.”

Andrew says Playtech’s investment in an experienced and dedicated team has allowed the company to overcome tough economic conditions and to grow both organically and through several key acquisitions. “We also have positive partnerships that have allowed us to improve our wider offering,” Andrew adds.

Andrew’s advice for other businesses starting out is simple. “Communicate as much as possible with investors,” he says. “Be transparent. Tell the market your plan and then execute it.”
Consultancy company SQS Software Quality Systems may be based in the German city of Cologne, but when it decided to go for a stock market listing ten years ago, it opted not for Frankfurt, but for London. Today, CEO Diederik Vos reckons it was one of the best decisions he’s ever made. “The AIM listing has enabled us to fund five major acquisitions and grow the company from a revenue of €55m when we listed to almost €270m last year,” he says. “In London, there are far more institutional investors prepared to invest in AIM companies than elsewhere.”

Apart from funding growth, Diederik believes SQS’s listing inspires confidence among existing and prospective customers and helps to lure top talent. “Most of our clients are listed companies and they prefer to work with suppliers who are more transparent because of their listing,” he says. “I think it also helped to attract better staff. We operate in an attractive market segment that allows us to grow organically at close to 10% per annum, even in tough times. But in the end, a strong sales team and excellent client delivery are the key factors to enable business growth.”

Diederik says he would have no hesitation in recommending a float to any business looking to raise money on public capital markets – as long as the principals go into the process with their eyes open. “If it is a growth business and the management accepts that interacting with investors is as important as selling to clients, then I would strongly recommend floating the company to raise capital,” he says. “Our experience of listing on AIM has been very positive and I have met many very professional people working in the AIM community.”

The company’s AIM admission has enabled it to fund five major acquisitions and double its revenue to €270m in 2014 – up from €55m when it listed in 2005.

*Staffline operates in a sector that is poorly regarded by the public and some of its customers, says Andrew. But as a plc, the company has been able to significantly differentiate itself from its competitors and align itself with its customers, many of whom are also public companies.*

He adds, “Working with such a wide range of institutional and other investors allows us to benefit from their ideas and thinking, adapting their experiences in different sectors to work in our business. Our shareholders have been superb in supporting us and what we are trying to achieve: they have been very receptive to new ideas and have given us the confidence to grow significantly. He does have one piece of advice for newly listed companies: “Don’t look at the share price more often than once a week, otherwise despair and euphoria will rule your life!”
When New Labour won with a majority of 167 seats in the 2001 general election, just two opinion pollsters predicted its share of the vote to within one percentage point. One of them was a new kid on the block called YouGov, then just over one year old. It was not only a great coup for a young company but a stunning vindication of its then controversial research methodology, which involved online polling rather than the more traditional telephone-based approach. It was this ‘audacity’, at a time when the internet was still in the process of taking off, that CEO Stephan Shakespeare cites as being one of the key drivers of YouGov’s success. In the years that followed, it worked on building up a panel of respondents that now totals more than three million members in 35 countries, made itself the most talked about market researcher in the UK, and launched a range of ground-breaking new products.

Another significant landmark in its progress from industry disruptor to leading pollster was, of course, its AIM flotation of April 2005. “There were two main reasons behind the decision to float,” says Stephan. “First, to raise funds for our initial international expansion through acquisitions, and second, to raise the company’s profile ahead of the launch of BrandIndex, a daily brand perception tracker.”

The decision has certainly paid off. When YouGov joined AIM, it had a turnover of £2m, 120 clients, one office in London and fewer than 20 employees. Ten years later, YouGov’s turnover is £67m, and it has 2,000 clients, 25 offices across 17 countries, and more than 600 staff.

Vertu Motors plc was formed in 2006 and in fewer than nine years it has grown to become the sixth-largest car dealership group in the UK. This remarkable success story was made possible by the Group’s AIM flotation in December 2006, which raised £25m. This initial war chest, along with a further £10m placing in March 2007, enabled Vertu to acquire Birmingham-based Bristol Street Motors, now the largest single Hyundai dealer in Europe and the third-largest Ford dealer in the UK. Growth by acquisition has been pursued energetically ever since. “The company has raised equity on three occasions since the initial flotation,” says Finance Director Michael Sherwin. “This access to capital has enabled the company to grow from a project eight years ago to being a substantial business and employer of more than 4,500 colleagues today.” He adds, “We had a clear strategy, which we consistently explained to colleagues and to the investment community, and it helped that there was growing evidence of the delivery of this strategy in the financial results.

“We also have great colleagues, who share a common vision linked to the strategy, and we all keep a constant focus on delivering the basics of the business exceptionally well, every day.”

Vertu Motors’ performance is all the more impressive, given that it was only in its second year of operation when the country was beset by the biggest financial crisis since the 1930s. Michael describes this as the company’s “biggest challenge”, which it overcame by taking an opportunistic, but financially cautious, approach to growth through acquisition.

It adopted a similarly cautious approach to borrowing and refused to allow any potential distractions to get in the way of executing the group’s strategy. The result is a company in rude health. Revenue rose by 23% to £2.1bn for the year ended 28 February 2015, with like-for-like revenues up 11%. Meanwhile, pre-tax profit was up 33% to £21.0m from £15.8m in 2014 and the dividend increased to 1.05p.

Vertu Motors acquired Bristol Street Motors, the UK’s third-largest Ford dealer

Vertu Motors is the sixth-largest car dealership group in the UK

Finance Director Michael Sherwin

YouGov conducts public surveys online

The company is a global market research and data company

Another significant landmark in its progress from industry disruptor to leading pollster was, of course, its AIM flotation of April 2005. “There were two main reasons behind the decision to float,” says Stephan. “First, to raise funds for our initial international expansion through acquisitions, and second, to raise the company’s profile ahead of the launch of BrandIndex, a daily brand perception tracker.”

“AIM was the clear choice over the Main Market because as a fast-paced, entrepreneurial, rapidly growing online business, YouGov was – and still is in many ways – a quintessential AIM company. The simple admission process and obligations of an AIM listing hope is one of the reasons why Vertu have a good fit for YouGov.”

The decision has certainly paid off. When YouGov joined AIM, it had a turnover of £2m, 120 clients, one office in London and fewer than 20 employees. Ten years later, YouGov’s turnover is £67m, and it has 2,000 clients, 25 offices across 17 countries, and more than 600 staff.

Vertu Motors is the sixth-largest car dealership group in the UK

Finance Director Michael Sherwin

Vertu Motors is its own reward

The number of people employed by Vertu Motors

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AIM’S FOUNDATION FOR THE FUTURE

WE OUTLINE THE FOUR KEY PRINCIPLES THAT UNDERPIN AIM’S APPROACH AND SUPPORT ITS FUTURE GROWTH

“Few might have envisaged when AIM opened its doors, “to little fanfare,” as Reuters put it at the time, with just ten companies to its name, that it would celebrate a 20th anniversary. Much less an anniversary which has seen the market welcome more than 3,500 companies from around the world, raising more than £90bn through new and further issues and becoming, without real compare, the world’s leading growth market.

We believe AIM’s success lies in the four broad principles that have guided the market since its inception.

1. A market open to ambitious growth companies from all sectors

All markets, but growth markets in particular, live or die by their ability to attract and retain a sustainable network of issuers. What informed AIM’s genesis and development has been a deeply held belief that the market should not be defined by a single or narrow set of sectors. Nor that it should become solely the preserve of companies at a single, particular stage of growth.

In its history, AIM has hosted IPOs from FTSE 350-sized companies down to those valued at less than £5m. And the market is structured to be able to support the needs of these companies from the time of their IPO and throughout their growth journey.

Certainly, the market has seen developments in sectors, reflecting wider global economic trends in mining, oil and gas in the mid-2000s and technology stocks in the late 1990s and at the turn of the decade. But AIM, unlike most other growth markets, has not been hostage to an individual sector’s fortunes. Today, around 1,100 AIM companies represent 40 sectors.

London Stock Exchange has an ongoing commitment to ensuring that the market’s appeal is as wide as possible.

2. A market built on a rich tradition of market-making, open to investors of every kind

A repeated difficulty for many growth markets around the world has been attracting the number and diversity of investors required to sustain quoted companies through their IPO, but also as they seek further growth capital or support for their balance sheets.

AIM’s success has been, in part, due to the fact that it ensures issuers have access to the world’s largest asset managers – a vibrant cohort of retail investors and, thanks to London’s unique status, an unparalleled pool of international capital.

Whilst the number of IPOs and the amount of money they raise is often cited as a key indicator of the vibrancy of any market, AIM’s value in providing a venue for raising further capital and liquidity, often receives less attention. Since 1995, more than £50bn has been raised for further issues, allowing companies to access the market across all phases of a company’s growth cycle and throughout difficult periods in the wider economic cycle when other avenues of finance have been closed. That the market can raise additional capital is only possible because of the broad mix of large and small, long-term and short-term investors supported by a buccaneering and unique market-making community committed to providing liquidity throughout the business cycle.

London Stock Exchange continues to make every effort to ensure that the market remains attractive to investors of all kinds; promoting AIM to fund managers, as well as educating and informing private investors.

We continue to work with the UK’s market-maker community to ensure that liquidity, a vital ingredient for all growth markets, remains as deep as possible.

3. A regulatory approach that recognises the needs and capacities of growth companies

When London Stock Exchange created AIM, two key insights informed its unique structure. First, that growth companies needed a public market which offered an approach to regulation that suitably reflected the nature and size of the companies making their first steps into public life. Second, that younger companies would need the structured support of experienced advisers to introduce them to public life and to stay with them to provide support and advice to help them meet their ongoing disclosure obligations to the market.

Those insights defined the nominated adviser’s role, often called the ‘Normad’ model, which is unique to AIM. The key effect of establishing a role for the nominated adviser has been to facilitate a relationship between young, ambitious companies with experienced corporate advisers who take on an ongoing responsibility to London Stock Exchange to provide companies with advice to help them meet their obligations as a public company.

The global network of these specialist advisers that understands smaller, high-growth businesses is crucial to the market’s success. Alongside the dedicated nominated advisers, there is a network of lawyers, accountants and brokers, as well as public relations and investor relations agencies, which help companies join the market and understand their ongoing obligations to investors and shareholders.

Whilst the infrastructure that has built up around AIM provides much-needed support for its companies, a core principle remains that, first and foremost, companies themselves are responsible for adhering to both the spirit and letter of the AIM Rules. If they fail to meet their obligations, AIM Regulation remains vigilant, investigates and, when necessary, takes action to enforce the AIM Rules.

Our belief in AIM’s approach to regulation and disclosure has been reinforced over the last 20 years in great part by the value it has created for companies, their investors and the economy alike, and because of the community that has been created around the market’s regulatory framework. While AIM will naturally evolve and adapt over the next 20 years, we remain fully committed to the same core principles that first guided us.

4. A market open to learning and evolution

AIM’s success has not been without growing pains, moments of difficulty or introspection. We acknowledge, for example, that at times the market has perhaps grown too quickly, only to shrink later. We are committed to working to ensure that issuers and investors make use of the market, fully understanding not only the benefits but also the risks and obligations of doing so.

There is always more that we can do and are doing already, to help companies, investors, nominated advisers, market-makers and the wider AIM community to access the market as fully and transparently as possible.

Where we have had to make difficult decisions or impose sanctions over the years, we feel we have done so in the best interests of the market, trying to balance the needs of all of its users. AIM is a healthy, vibrant and successful market that balances its founding values with the need to adapt and evolve over time. We are grateful to our stakeholders that they continue to provide constructive feedback and take an active role in the development of the market.

These four founding principles have guided us in our stewardship of the market over two decades. On the occasion of AIM’s 20th anniversary, we reaffirm both our commitment to those values and our wholehearted promise to build, together with the broader community, AIM’s future on these foundations.

We celebrate 20 years of the world’s most successful growth market, and we look forward with optimism to the next 20 years.

“Over 20 years, the value of AIM and its quoted companies to the UK has been exceptional. Small and mid-size businesses are the lifeblood of the British economy for which AIM provides a vital framework, giving them access to long-term growth finance and investor support”

Tim Ward
CEO, The Quoted Companies Alliance

£90bn
Total capital raised through AIM in its 20-year history

Tim Ward
Managing Director, Miton Group plc

“In contrast to nearly all other exchanges dedicated to smallness that ceased to exist during the recent credit boom, the AIM market bucked the wider trend. Indeed AIM has grown, as others have disappeared, to become the most well-established market for small and microcap stocks in the world. Its breadth is remarkable”

Gervais Williams, author, The Future is Small

“AIM’s success has been, in part, due to the fact that it ensures issuers have access to the world’s largest asset managers – a vibrant cohort of retail investors and, thanks to London’s unique status, an unparalleled pool of international capital. Whilst the number of IPOs and the amount of money they raise is often cited as a key indicator of the vibrancy of any market, AIM’s value in providing a venue for raising further capital and liquidity, often receives less attention. Since 1995, more than £50bn has been raised for further issues, allowing companies to access the market across all phases of a company’s growth cycle and throughout difficult periods in the wider economic cycle when other avenues of finance have been closed. That the market can raise additional capital is only possible because of the broad mix of large and small, long-term and short-term investors supported by a buccaneering and unique market-making community committed to providing liquidity throughout the business cycle. London Stock Exchange continues to make every effort to ensure that the market remains attractive to investors of all kinds; promoting AIM to fund managers, as well as educating and informing private investors. We continue to work with the UK’s market-maker community to ensure that liquidity, a vital ingredient for all growth markets, remains as deep as possible.”
About London Stock Exchange Group:

London Stock Exchange Group (LSE.L) is a diversified international market infrastructure and capital markets business sitting at the heart of the world’s financial community. The Group can trace its history back to 1698.

The Group operates a broad range of international equity, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS, Europe’s leading fixed income market; and Turquoise, a pan-European equities MTF. It is also home to one of the world’s leading growth markets for SMEs, AIM. Through its platforms, the Group offers international business and investors unrivalled access to Europe’s capital markets.

Post-trade and risk management services are a significant part of the Group’s business operations. In addition to majority ownership of multi-asset global CCP operator, LCH.Clearnet Group, LSEG operates CCG, the Italian clearing house; Monte Titoli, the T2S-ready European settlement business; and globeSettle, the Group’s newly established CSD based in Luxembourg.

The Group is a global leader in indexing and analytic solutions. FTSE and Russell Indexes offer thousands of indices that measure and benchmark markets around the world. The Group also provides customers with an extensive range of real time and reference data products, including SEDOL, UnaVista, Proquote and RNS.

Following the acquisition of Russell Investments, LSEG conducted a comprehensive review of the investment management business to analyse its strategic fit with the Group. This was concluded in February 2015, and LSEG is now exploring a sale of the business in its entirety.

London Stock Exchange Group is a leading developer of high performance trading platforms and capital markets software for customers around the world. In addition to the Group’s own markets, more than 35 other organisations and exchanges use the Group’s MillenniumIT trading, surveillance and post-trade technology.

Headquartered in London, with significant operations in North America, Italy, France and Sri Lanka, the Group employs approximately 4,700 people.

Further information on London Stock Exchange Group can be found at www.lseg.com

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