

AIM Market

Growth funding opportunities for
Australian companies

February 2018



Key insights

As at 31 December 2017



960

companies



£106.9bn

total market capitalisation
(A\$184.7bn)



£1.5bn

total funds raised on admission
in 2017 (A\$2.6bn)

Largest sectors by market capitalisation



18%

Consumer services



16%

Industrials

Median market cap of an AIM listed company...



£31.1m

AIM listed (A\$53.7m)



46

Australian AIM listed companies
with an average market
capitalisation of £57.8m
(A\$100.2m)



£4.8bn

(A\$8.3bn) raised through
secondary fund raisings on AIM

Greater than the median company
on ASX (excluding the ASX 200)



£18.6m

ASX listed (A\$32.2m)

“ An IPO or dual listing on AIM enables mid-sized growth companies with international businesses to access institutional investors for growth funding.”

Holly Stiles, Partner, Corporate Finance
Grant Thornton Australia

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Executive summary

AIM is the most successful growth market in the world. With over 20 years of operation AIM continues to provide growth companies with access to an international pool of investors.

There were 960 companies on AIM at 31 December 2017 with a total market capitalisation of £106.9 billion (A\$184.7 billion). As AIM has matured, Investor preferences have driven a move towards higher quality and more advanced companies, with the average market capitalisation of an AIM listed company increasing to £111.6 million (A\$192.9 million) at 31 December 2017, an uplift of 37% on the average market capitalisation at 31 December 2016.

New admissions to AIM in 2017 raised £1.6 billion (A\$2.7 billion), a 44% increase from £1.1 billion (A\$1.9 billion) in 2016. The secondary fund raising market also continued to be very active, with secondary issues raising £4.8 billion (A\$8.3 billion), an increase of 30% from £3.7 billion (A\$ 6.0 billion) in 2016.

An IPO or dual listing on AIM may appeal to growth companies with international business looking to attract long term, sophisticated investors in order to raise funds for business expansion. Currently there is strong institutional investor interest in companies in sectors such as Technology, Mining, Health Care, Financial Services and Consumer Goods.

The key attributes of Australian businesses that are likely to attract AIM investors include:



Strong management teams with good track records



Good growth prospects



A proven business model, with businesses ideally having reached profitability



An international flavour to the business, particularly businesses that have strong growth opportunities in the UK and Europe



For resource companies, advanced assets located in jurisdictions that European investors are more comfortable with, eg Africa and Europe

We are currently experiencing strong interest in AIM from Australian technology companies that see significant growth potential in Europe and have found UK investors to have a greater understanding of their businesses.

Australian companies with international operations that would benefit from the increased exposure of an international listing should consider accessing the growth funding opportunities presented by an AIM IPO or dual listing.

Similarly, there has been significant interest in AIM from mining companies, particularly those with African or European assets, and a number of ASX listed companies are in the process of undertaking a dual listing on AIM.

Comparative AIM and ASX returns: January 2015 to December 2017

The AIM market continues to outperform the S&P/ASX All Ordinaries and the S&P/ASX Small Ordinaries indices.

In the three year period to 31 December 2017, the AIM market continued to outperform the S&P/ASX All Ordinaries and the S&P/ASX Small Ordinaries indices. Following from the post-Brexit resilience of the market in H2 2016, AIM has continued to show its strength due to investor sentiment remaining committed to the growth market. The chart below shows the comparative returns, over the period January 2015 to December 2017, of the FTSE AIM All Share index, the S&P/ASX All Ordinaries and the S&P/ASX Small Ordinaries indices.



Source: S&P Capital IQ

Why consider an AIM IPO or dual listing?

AIM is the world's leading growth market and benefits from being an integral part of the London Stock Exchange, one of the world's leading securities exchanges and a hub for global capital.

Key attractions of AIM

For internationally focused Australian companies, the key attractions of the AIM market include:

Access to a deep pool of growth capital

Over £106 billion (A\$183.2 billion) has been raised on AIM through new and secondary issues from a diverse range of investors, including both retail and institutional investors.

Access to an international institutional investor base

Investors in AIM are domiciled in over 60 countries, including the US, Europe and the UK. London is home to the most geographically-diverse base of investors in the world and has a greater portion of institutional investors than the ASX.

Access to liquidity

Over £65 billion (A\$112.3 billion) was traded on AIM during 2017, which represents an average trading volume of over £268 million (A\$463.1 million) per day.

Attractive valuations

Higher valuations may be achieved by some businesses due to the focus on growth companies, the higher proportion of institutional investors and deeper investor knowledge of certain sectors and geographies.

A market for global companies

AIM includes companies operating in more than 85 countries with a combined market capitalisation of international companies of approximately £106.8 billion (A\$184.6 billion). Over 3,600 companies have joined AIM over its 22 year history, establishing it as the leading market for growing businesses.

A tailored regulatory approach

AIM is an exchange-regulated market with a balanced regulatory environment suited to dynamic, growing companies.

Increased profile

Potential to raise the international profile of the business to assist in expanding into new markets.

Increased opportunities for mergers and acquisitions

The ability to offer locally listed shares as currency for acquisitions in Europe.

Admission Criteria

As the AIM Rules have been designed for smaller growing companies, the admission criteria are more flexible than many other markets. Key flexibilities of the admission criteria include:

- No minimum market capitalisation
- No minimum trading history
- No minimum requirements for shareholder spread
- No minimum share price
- Shares must be freely transferable and electronically tradeable
- Companies must have 12 months working capital at admission to AIM
- Companies must appoint a Nominated Advisor ("Nomad") to determine suitability for admission to AIM and give guidance on the AIM Rules

AIM companies must appoint and retain a Nomad, who is responsible for ensuring that the company is suitable for admission. As part of this role, the Nomad will project manage the admission process, advise and guide on the AIM rules, coordinate the advisers in the due diligence process, assist with broker selection and help prepare the Admission Document.

Dual listings

The London Stock Exchange offers a streamlined and cost effective process for companies listed on certain markets, including the ASX, to be admitted to trading on AIM. Companies who have had their securities traded upon the ASX and which have been operating substantially in their current form for at least 18 months prior to the date of admission to AIM, can take advantage of reduced admission disclosures.

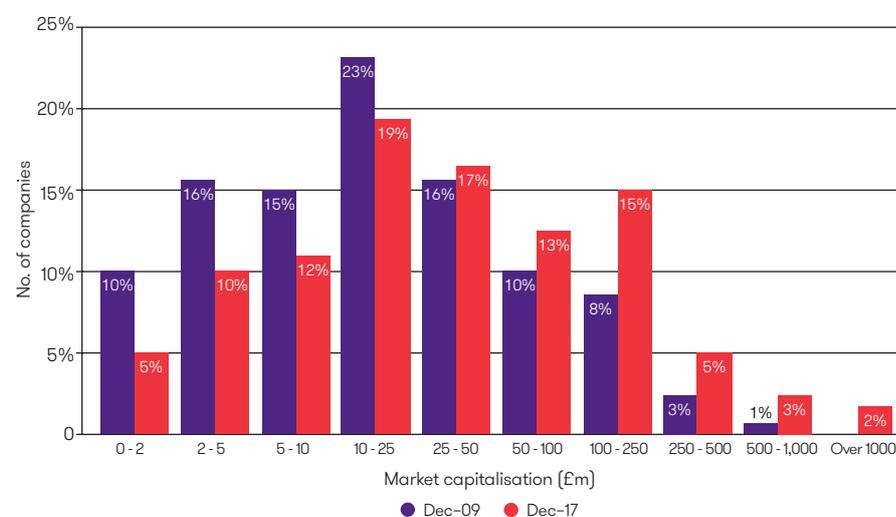
AIM companies

Key attractions of AIM

There were 960 companies on AIM at 31 December 2017, with a combined market capitalisation of £106.8 billion (A\$184.6 billion). AIM is a growth market and whilst it remains attractive even to very large companies, the median market capitalisation of an AIM listed entity was £31.1 million (A\$53.7 million) at 31 December 2017. For comparison to the ASX, removing the ASX 200 which includes banks and other multinationals which would be listed on the Main Market of the London Stock Exchange in the UK, the median market capitalisation of an ASX company is A\$32.2 million at 31 December 2017. As shown in the graph below, the distribution of companies by market capitalisation on AIM has changed significantly in the last 8 years, with a greater number of companies having a market capitalisation of £100 million (A\$172.8 million) or greater at 31 December 2017 than at 31 December 2009.

ASOS PLC has remained the largest company on AIM for a number of years, with a market capitalisation of over £5.6 billion (A\$9.7 billion) at 31 December 2017. ASOS is the UK's largest online-only fashion store which markets fast fashion to customers aged 16 to 34 years. ASOS has continued to grow on the back of its organic growth strategies as well as strategic investments in its technology, warehousing and distribution systems. ASOS reported FY2017 revenues of £1.9 billion (A\$3.2 billion), a 33% increase on FY2016 was had the most actively traded security on the AIM Market for the year.

Distribution of companies by market capitalisation (Dec-09 against Dec-17)



Source: AIM December 2017 factsheet

Top 10 AIM companies by market capitalisation at 31 December 2017

Company	Country of operation	Sub sector	Revenue*	Market capitalisation (£m)	Market capitalisation (A\$m)
ASOS	UK	Apparel Retailers	1,924	5,616	9,705
Hutchison China Meditech	China	Pharmaceuticals	178	3,721	5,653
Fevertree Drinks	UK	Soft Drinks	175	2,624	4,535
Burford Capital	UK	Specialty Finance	219	2,399	4,146
Boohoo.com	UK	Apparel Retailers	295	2,166	3,743
Abcam	UK	Biotechnology	217	2,161	3,734
RWS Holdings	UK	Language Support Services	164	1,260	2,177
Clinigen Group	UK	Biotechnology	302	1,260	2,177
Breedon Group	UK	Building Materials & Fixtures	689	1,248	2,157
Purplebricks Group	UK	Real Estate Services	47	1,136	1,963
Total			4,209	23,591	39,991

* Revenue is based on the latest financial report available

Source: AIM December 2017 factsheet and latest financial reports

Key sectors

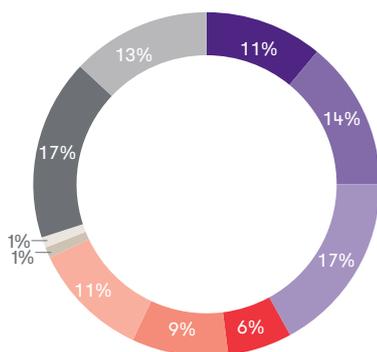
The AIM market is comprised of companies from a diverse range of industries. Key market sectors include natural resources, financials, industrials, consumer services, technology and healthcare.

The largest sectors by market capitalisation are consumer services and industrials which accounted for 18% and 16% of the market capitalisation respectively at 31 December 2017.

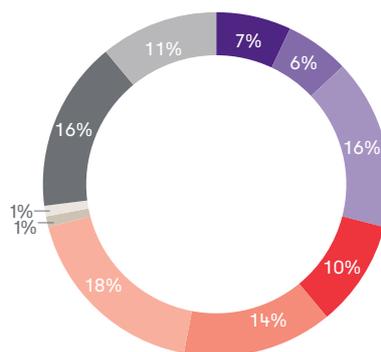
There is a very active market for secondary fund raisings on AIM with £4.8 billion (A\$8.3 billion) raised by AIM companies in 2017.

Investors supported AIM companies across many different sectors with secondary fund raisings in 2017 including the financial sector which raised £0.84 billion (A\$1.5 billion), the industrial sector which raised £0.7 billion (A\$1.2 billion) and the healthcare sector which raised £0.7 billion (A\$1.1 billion).

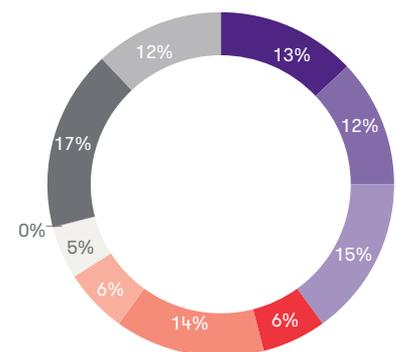
Number of companies on AIM by sector at 31 December 2017



Market capitalisation by sector at 31 December 2017



Secondary funds raised by sector at 31 December 2017



Source: AIM December 2017 factsheet

New admissions to AIM in 2017

Over £1.6 billion (A\$2.7 billion) was raised through new admissions in 2017, with the average fund raising at admission to AIM being £19.8 million (A\$34.2 million) in 2017, up from £ 17.3 million in 2016 (A\$27.9 million). The number of new issues increased to 80 during 2017, an increase of 25% from 2016 and the average market capitalisation of AIM companies increased from £82.3 million (A\$133.1 million) at 31 December 2016 to £111.3 million (A\$192.3 million) at 31 December 2017. This reflects the continuation of the trend seen across most equity markets (including the ASX) in which investors favour more established, higher quality businesses.

Historically, as a growth market, vendor placings (or sell downs by existing shareholders at the time of admission to AIM) were rare. As the market has matured, established companies have achieved significant vendor placings at IPO, for example Eddie Stobart Logistics in April 2017 as shown in the table below.

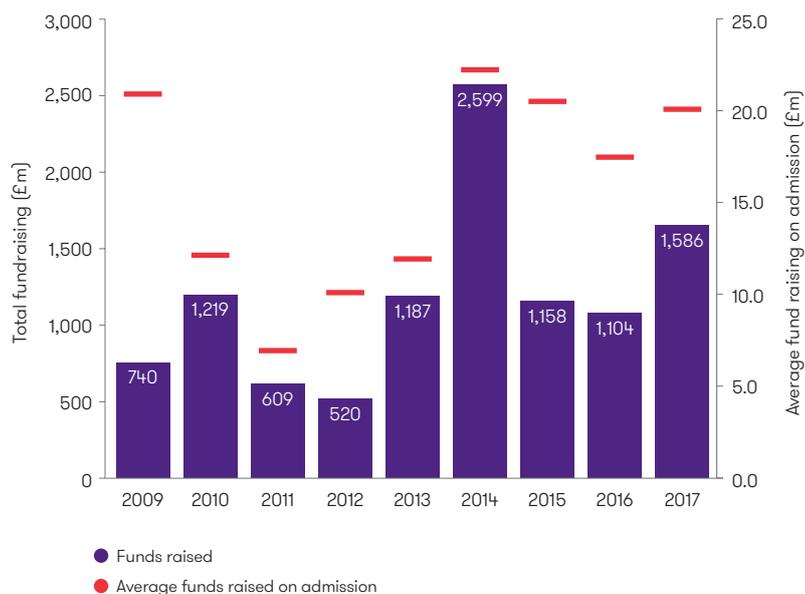
Top 10 fund raisings on new admissions to AIM in 2017

Company	Sub-sector	Funds raised via ordinary shares (£m)	Funds raised via vendor share placement (£m)	Total funds raised (£m)	Market capitalisation at admission (£m)	Market capitalisation at admission (A\$m)
Greencoat Renewables	Renewable Energy Investment	238	-	238	253	437
Strix Group	Electrical heating components	190	-	190	256	442
Warehouse REIT	REITs	150	16	166	169	292
Eddie Stobart Logistics	Transport & Logistics	122	271	393	582	1,006
Arena Events Group	Events Management	59	1	60	69	119
CIP Merchant Capital	Asset Management	55	-	55	56	97
Footasylum	Apparel Retailers	43	22	65	195	337
Sigmaroc	Construction Materials	40	-	40	47	81
Diversified Gas & Oil	Oil and Gas Production	40	-	40	71	123
Sumo Group	Entertainment Software	38	40	78	173	299
Total		975	349	1,325	1,871	3,233

Source: AIM Monthly factsheets for 2017 and Grant Thornton analysis

The Industrials sector, specifically in Support Services, experienced the highest number of admissions to AIM in 2017 with 14 new issues, raising £409.8 million (A\$244.9 million), overtaking the technology sector, which had led the number of new admissions to AIM in 2016, with 12 admissions to AIM in this sector raising a total of £61.2 million (A\$99.0 million). The next most common sectors for 2017 were financials, with 13 new admissions raising a total of £530.4 million (A\$916.6 million) and Oil & Gas, with 12 companies raising a total of £88.3 million (A\$152.6 million).

Funds raised on new admissions from 2009 to 2017



Source: AIM Monthly factsheets for 2017 and Grant Thornton analysis

The largest fund raising on admission during 2017 was by Greencoat Renewables PLC, which invests in, acquires and operates wind farms. The company's admission to AIM occurred on 25 July 2017, raising £237.6 million (A\$410.6 million) with a market capitalisation on admission of £252.7 million (A\$436.7 million). The company is based in Dublin, Ireland and currently operates two wind farms in Ireland with an aggregate capacity of 137 megawatts.

The second largest admission to AIM in 2017 was the admission of Strix Group PLC, a manufacturer of kettle controls, including steam boilers, instant flow heaters, turbo toasters and stealth coating products. Strix Group is incorporated in the Isle of Man and was admitted to AIM on 8 August 2017, raising £190.0 million (A\$328.3 million) with a market capitalisation of £ 255.6 million (A\$441.7 million).

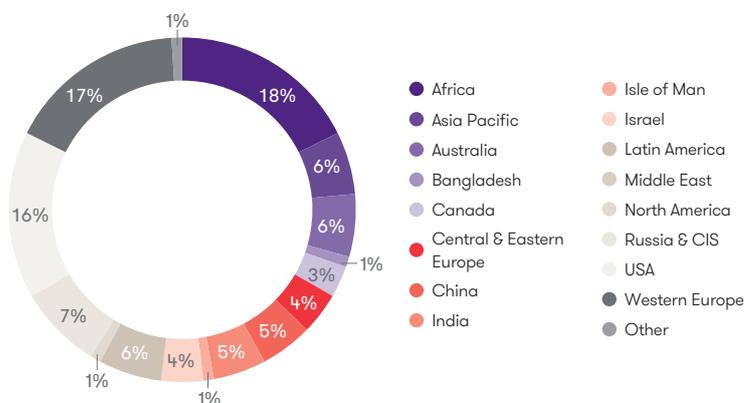
International companies on AIM

Over 35% of AIM companies have their main operations outside of the UK. Unsurprisingly, the largest companies on AIM are predominately domestic UK companies, whose average market capitalisation was £124.6 million (A\$216.0 million) at 31 December 2017, compared with £88.6 million (A\$153.1 million) for international companies. The offshore regions with the highest average market capitalisation at 31 December 2017 were Western Europe, China and Israel.

Currently there is strong investor interest for businesses operating in the technology, financial services, online retail and health care sectors which provide opportunities for established Australian businesses with an international market for their products or services to raise capital and increase their global profile.

Many Australian resource companies have found investor interest has been very limited in recent years and as interest picks up there appears to be a strong preference from Australian investors towards Australian projects. Those resource companies with offshore projects, particularly those with projects in Europe and Africa, should consider the benefits of accessing European institutional investors (who are very familiar with these jurisdictions) through an AIM IPO or dual listing.

International companies listed on AIM at 31 December 2017 by region of operation



Source: AIM December 2017 Country of Operation and incorporation

International AIM companies at 31 December 2017

Country of operation	No. of companies	Total market capitalisation	Average market capitalisation (£m)	Average market capitalisation (A\$m)
UK	610	76,021	125	216
Western Europe	56	7,440	133	230
Africa	53	1,977	37	64
USA	50	3,338	67	116
Australia	46	2,661	58	100
Russia & CIS	27	1,995	74	128
Asia Pacific	19	1,587	84	145
China	18	4,340	241	417
Latin America	17	1,711	101	175
India & Bangladesh	17	1,480	87	150
Central & Eastern Europe	12	1,296	108	187
Israel	12	2,007	167	289
Canada	11	410	37	64
Isle of Man	4	297	74	128
Middle East	3	158	53	92
Other	5	123	25	71
Total (all countries)	960	106,843	1,470	2,570

Source: AIM December 2017 Country of Operation and Incorporation and Grant Thornton Analysis

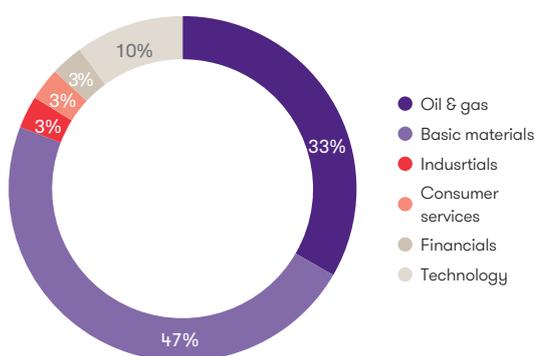
Australian companies on AIM

There is a long history of Australian companies accessing UK capital markets through an AIM listing. Of the 46 AIM listed Australian companies, the largest by market capitalisation at 31 December 2017 was general retailer Mysale Group PLC, a company providing discounted online retail services internationally.

Historically, the majority of Australian AIM companies have been in the resources sector. However, an increasing number of Australian technology companies are choosing AIM for their IPO or dual listing in order to access UK capital markets, have locally listed shares as a currency for acquisition and to be listed in a region with the greatest commercial potential for their business.

A fast-track admission route (also known as the AIM designated market route) may be available for ASX-listed issuers that have been listed for at least 18 months. The key benefit of a fast-track process is the removal of the requirement to produce a full Admission Document (the equivalent of a prospectus).

Australian AIM admitted companies by sector at 31 December 2017



Source: AIM December 2017 factsheet

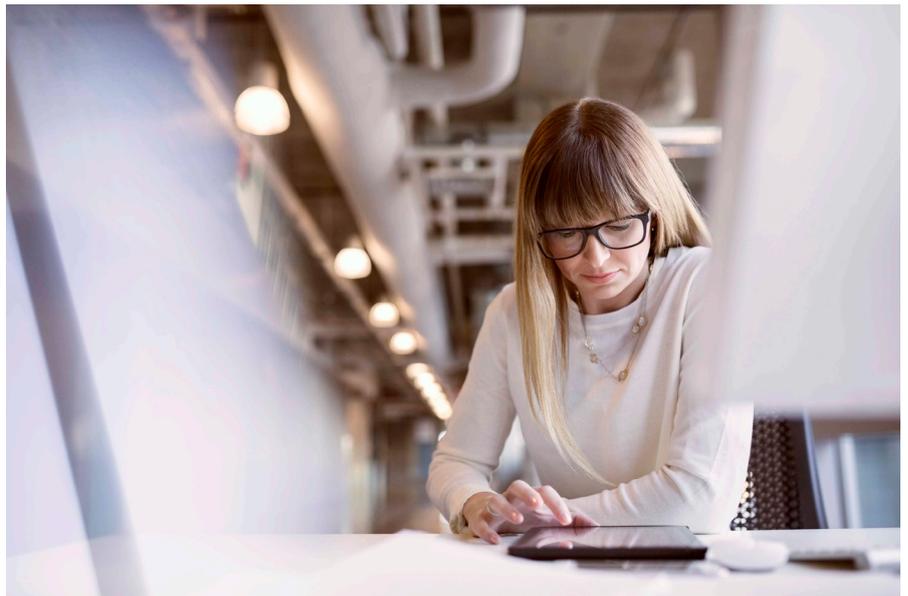
Top 10 Australian AIM listed companies by market capitalisation at 31 December 2017

Company	Sector	Market capitalisation (£m)	Market capitalisation (A\$m)
Mysale Group	Internet & Direct Marketing Retail	166	287
Base Resources	Diversified metals and mining	162	280
Berkeley Energia	Coal and Consumable Fuels	143	247
Churchill Mining	Coal and Consumable Fuels	125	216
Eservglobal	Application software	99	171
Asiamet Resources	Diversified metals and mining	86	149
Seeing Machines	Electronic equipment and instruments	84	145
Ironridge Resources	Oil & Gas exploration and production	77	133
88 Energy	Oil & Gas exploration and production	72	124
MC Mining	Coal and Consumable Fuels	59	102
Total		1,073	1,854

Source: AIM December 2017 Country of Operation and Incorporation and Grant Thornton Analysis

GetBusy

ASX listed Reckon Limited demerged its document management business, GetBusy, which undertook an IPO on AIM in August 2017. In conjunction with the demerger, shareholders participated in a fully underwritten rights offer to raise A\$5 million for working capital purposes.



Client name:

GetBusy

Sector:

Document management software

Grant Thornton services:

Grant Thornton acted as nominated advisor and reporting accountant

GetBusy is a global document management software business, with two established core products and an exciting new product in development (code-named SCIM), which seeks to combine document management with communication functionality and many other features. Reckon chose to demerge this document management business to free that business to raise capital and pursue an independent strategy developing new global document management offerings. GetBusy will build on its existing customer base and

create its own personality consistent with the innovative nature of its new product offering. ASX listed Reckon Limited AIM was chosen as the most appropriate market for GetBusy's IPO given the international nature of the business, with 85% of revenues from overseas, and due to AIM's position as a successful growth market with access to institutional and retail investors and an unparalleled pool of international capital.

Completion of the demerger and admission of GetBusy to AIM occurred on Friday 4 August 2017.

Grant Thornton acts as Nominated Adviser to GetBusy and also provided reporting accountant services for the AIM IPO, in both cases servicing the company with teams in Australia and the UK.

“We appointed Grant Thornton due to their extensive UK public markets experience and cross-border capabilities. The Grant Thornton teams based out of London and Sydney worked together seamlessly to provide essential support and quality advice throughout this fast-moving and complex deal. Grant Thornton collaborated closely with the other advisers to meet a tight timetable. We very much look forward to working with Grant Thornton in the next phase of our growth and I would not hesitate to recommend their services.”

Daniel Rabie, CEO, GetBusy plc

Could an AIM admission be right for you?

Successful AIM companies come in all shapes and sizes. Could a listing on AIM be the right decision for your organisation? Perhaps some of these questions will resonate with you:



Do you have a funding requirement?

Is access to international institutional money an attractive option to management?



Do you have international business operations?

Would an increase in profile from an international listing benefit your business operations?



Do you have a strong growth trajectory?

Would you benefit from investors who understand and support growth companies?



Do existing shareholders see liquidity?

A listing on a stock exchange such as AIM will provide this.



Perhaps you are PE backed and looking for an exit?

Now that confidence is returning to the markets, valuations are delivering more attractive exit multiples for PE houses, particularly those only looking for a partial exit.



Do you want to better attract and retain talented employees?

Share option schemes in publicly traded companies offer the potential for significant upside and incentivise key staff.

Want to find out more?

Grant Thornton is the leading advisor to AIM companies. With over 250 AIM related mandates completed, we have the depth and breadth of experience to help you succeed and achieve your growth aspirations.

We are also the only independent Nominated Advisor to have dedicated specialist staff in both Australia and London, with over 14 years of experience in advising Australian companies on their AIM admissions.

Advising more companies than any other AIM advisor

Having more than 250 AIM related mandates

Acting as auditor to 137 AIM companies

Acting as Nomad to 35 companies

Providing non-audit services to more than 44 AIM companies

Contact Grant Thornton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms.

These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions.

Grant Thornton Australia has more than 1,200 people working in offices in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney. We combine service breadth, depth of expertise and industry insight with an approachable "client first" mindset and a broad commercial perspective.

More than 40,000 Grant Thornton people, across over 130 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work. Through this membership, we access global resources and methodologies that enable us to deliver consistently high quality outcomes for owners and key executives in our clients.

In preparing this publication, we have relied upon the following key sources of information, including S&P Capital IQ, AIM historical statistics and other publically available information. Our analysis is based on the assumption that the information derived from the different sources above are correct and that no material information is missing. Whilst all reasonable actions have been observed to ensure that the information in this report is not false or misleading, Grant Thornton does not accept any liability for damage incurred as a result of facts or deficiencies in this report. Conclusions and judgements reflect our assessment at the time of the publications completion.

Currency conversions were based on prevailing rates as at 31 December 2017.

More information:

Holly Stiles

Partner, Corporate Finance

T +61 2 8297 2487

E holly.stiles@au.gt.com

Offices

Adelaide

Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
E info.sa@au.gt.com

Brisbane

Level 18, 145 Ann Street
Brisbane QLD 4000
T +61 7 3222 0200
E info.qld@au.gt.com

Cairns

Cairns Corporate Tower
Level 13, 15 Lake Street
Cairns QLD 4870
T +61 7 4046 8888
E info.cairns@au.gt.com

Melbourne

Collins Square
Tower 1, 727 Collins Street
Melbourne VIC 3008
T +61 3 8320 2222
E info.vic@au.gt.com

Perth

Central Park
Level 43
152 - 158 St Georges Terrace
Perth WA 6000
T +61 8 9480 2000
E info.wa@au.gt.com

Sydney

Level 17, 383 Kent Street
Sydney NSW 2000
T +61 2 8297 2400
E info.nsw@au.gt.com



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