AIM's spectacular 3 year run

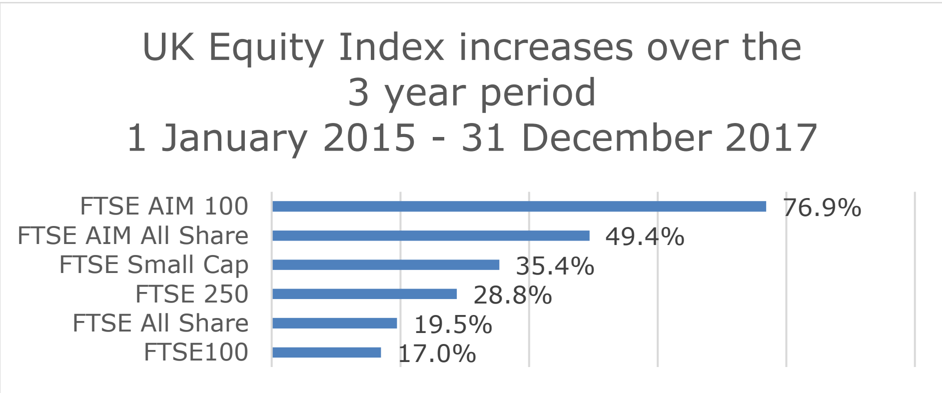
16 January, 2018

In recent years we have written a series of notes on AIM, and its performance relative to the FTSE All-Share Index. We published the first of these notes on 5th of August 2013, the very date that AIM listed shares were (finally) permitted to be included in ISA accounts. At the time we suggested that this one change would be the catalyst to AIM starting to outperform the FTSE All-Share, after many years of relative underperformance. Our "bullish call" has proved to be absolutely spot on.

2 subsequent events, both in the spring of 2014, in the form of the abolition of stamp duty on AIM share purchases, and George Osborne's "death of annuities" budget, which made the inheritance tax planning advantages of holding AIM shares much more relevant, further significantly strengthened AIM's "hand".

AIM has consistently outperformed since then and has enjoyed a buoyant 12 months: in 2017 the AIM All-Share Index rose 24%, while the more concentrated AIM100 Index rose a very impressive 33%. In sharp contrast the FTSE All-Share Index rose a modest 9%, and the FTSE100 just 8%.

The 3 year performance data is nothing short of sensational in AIM's favour!



Source: ADVFN

AIM All Share (AXX)
January 1 – December 31 2017

Source: ADVFN

AIM All Share (AXX)
January 1 2015-– December 31 2017

Source: ADVFN

AIM an important market for private investors

The Office for National Statistics released a paper on 29 November 2017 entitled 'Ownership of UK quoted shares' (which related to data at the end of 2016). **It stated that 29.7% of all AIM shares are held by individuals, and a further 11.3% by Unit Trusts**, where "individuals" are presumably in most cases the ultimate owners. These high numbers confirm the increasing all-round attractions of AIM to private investors, swollen by a combination of more AIM companies paying dividends and the £20,000 pa ISA allowance encouraging greater individual ownership.

We are now in a new, post MiFID II world, with the number of brokers' analysts continuing to decline at a pretty alarming rate (with institutional equity commission effectively now a thing of the past). Going forward, the key for AIM companies wishing to continue to perform is to ensure that their broad investor base has free & widely available access to research & forecasts.

This should no longer be the sole preserve of the select group of institutions which are now being obliged to pay hard cash to brokers for their research.

Gilbert Ellacombe (Author)
0207 065 2690
gilbert@equitydevelopment.co.uk
Hannah Crowe
0207 065 2692
hannah@equitydevelopment.co.uk

Changing composition of AIM

Oil & Gas / Mining at new all-time low % of AIM's market cap.

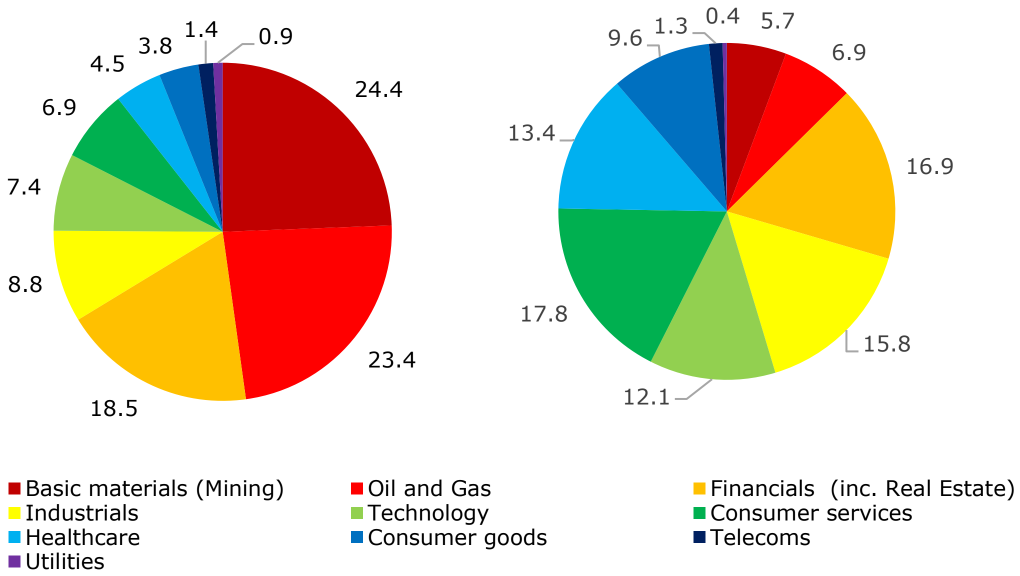
As recently as February 2011, Basic Materials (Mining shares make up approx. 70% of the Basic Materials sector) plus Oil & Gas dominated AIM at 47.8% of AIM's entire market cap.

At the time of our last update, using March 2017 stats, Basic Materials (inc. Mining) and Oil & Gas represented just 15.7% of AIM, and by the end of 2017 this combined number had dropped to an all-time low 12.6%, and this despite the oil price currently being at a 3 year high!

In sharp contrast, the Consumer Goods & Consumer Services sectors have risen from a combined 10.7% in February 2011 to 27.4% now. Other sectors moving strongly in the "right" direction in recent years include Healthcare and Technology.

February 2011 AIM market: Sector split by market cap (%)

December 2017 AIM market: Sector split by market cap (%)



Source: LSE AIM market statistics

Individual stock winners

ASOS remains AIM's "top dog", in terms of performance, size, shares traded etc. Founded and run for the first 14 years of its quoted life by the dynamic & charismatic Nick Robertson, ASOS IPO'd at 20p in October 2001. At 6,832p today, the shares are up a mind boggling **34,160% in 16 years**. Its market cap. is currently £5.7bn, making it easily the biggest company on AIM.

A similar recent success story, in the same "online consumer selling space" is **boohoo.com,** which IPO'd in March 2014 at 50p, rose to 85p on its first day of dealings, then suffered a profit warning within its first 12 months of listing and fell (briefly) as low as 22p, since when it has recovered nearly eightfold to 180p, giving a current market cap of over £2bn. The contrast in the share price performance of ASOS and boohoo, and "old style" (physical) store based retailers such as Debenhams or Mothercare, is stark.

Overseas 'multi-baggers' have been rather fewer in number, but again there are some massive success stories: **Hutchison China MediTech** (Hutch Chi Med as it is known) IPO'd at 275p in May 2006, and has risen to 5,530p now, after a huge share price surge over the last 2 years, taking its market cap to £3.67bn, (climbing to number 2 on the AIM market cap list in the process).

It is safe to say that not all Chinese companies listed on AIM have been this successful! Indeed Hutch Chi Med is a "100 bagger" for the CEO, Christian Hogg, who managed to buy 100,000 shares at 55p during the post Lehman market shakeout nearly 10 years ago. Ironically all three of these "winners" fell (well) below their IPO prices in their early months on AIM.

Without naming them all, as there are far too many to list given AIM's very strong performance in recent years, other very consistent and stellar AIM performers include: **Fevertree Drinks** (current market cap. £2.47bn), **accesso technology** (£569m mkt cap), **Bioventix** (£128m), **Clinigen** (£1.28bn.), **Ideagen** (£205m), **Impax Asset Man** (£230m), **Keywords Studios** (£917m), **Porvair** (£238m), and **XLMedia** (£420m).

Many of these companies (including accesso, Clinigen, Ideagen, & Keywords) have regularly used their shares as a currency to grow their business when making earnings enhancing acquisitions, which, of course, is precisely why they listed (on AIM) in the first place.

2017: Another excellent year for AIM

There is absolutely no doubt that AIM ended last year in fine fettle. As at 31 December 2017, AIM could claim:

- Record average AIM company market capitalisation of £109.4m
- Record 14 companies over £1bn market cap plus a further 217 over £100m
- Record proportion of AIM constituents paying a dividend
- 184 AIM companies have made the move onto the LSE full list
- Much more evenly balanced sector split, with Mining and Oil & Gas no longer dominating AIM (and arguably hindering its performance) as they did for most of its early years
- £105.4bn of new money has now been raised (for companies) in AIM's 22 year history: new money raised at IPO £43.2bn, follow on (secondary) company raises £62.2bn.
- Decent performance by the vast majority of 2017's AIM IPOs, with a healthy pipeline going into 2018

Equity Development has been working with small companies for 22 years, producing detailed research across a wide range of sectors during this period. We organise regular Private Investor Forums, Company webinars, and offer twitter commentary on company news.

If you would like to know how Equity Development's services might help your business or those of your clients, please email andy@equitydevelopment.co.uk or contact:

Hannah Crowe
Direct: 0207 065 2692
Tel: 0207 065 2690
hannah@equitydevelopment.co.uk

Justin Langen
Direct: 0207 065 2697
Tel: 0207 065 2690
justin@equitydevelopment.co.uk

More information is available on our website

www.equitydevelopment.co.uk

Equity Development, 15 Eldon Street, London, EC2M 7LD. Contact: info@equitydevelopment.co.uk 0207 065 2690