

About AIM Advisers

AIM Advisers helps small and medium-sized, growth-oriented U.S. companies complete IPOs on the Alternative Investment Market (AIM) of the London Stock Exchange. AIM Advisers also provides a range of services to the 49 U.S.-based companies that are already listed on AIM.

U.S. Company IPO and Secondary Offering Activity – 2015

Highlights

- Both U.S. company AIM IPOs during 2015 are featured in this newsletter
 - [Verseon](#) - California - Healthcare - Pharmaceuticals
 - Raised \$100 million, 2nd largest AIM IPO of the year
 - Opening market cap of \$460 million, largest valuation of the year
 - Founded in 2002, pre-revenue with \$34 million invested since inception
 - [Motif Bio](#) - New York - Healthcare - Biotechnology
 - Raised \$35 million with an opening market cap of \$86 million
 - Pre-revenue with \$14 million invested since inception
- U.S. companies account for 7% (19 of 272) of AIM IPOs since 2011
- Unsurprisingly, 61% of the 1,044 companies listed on AIM are based in the UK
- Since 2011, the UK has captured only 50% of AIM IPOs but China 9% and Africa 7%
- The internationalization of AIM is expected to continue with focus shifting to the U.S.
 - Healthcare and technology-enabled businesses were, and will be, the main drivers
 - China is in turmoil and investors fundamentally don't trust Chinese companies
 - African IPOs were natural resource focused, sector currently closed to investment
- U.S. accounts for 9.9% of IPOs during AIM's second decade of existence (2006 - 2015)
 - Investors desire exposure to USD assets/revenue
 - Seeking high-quality, growth-oriented SMEs
- Currently 4.7% (49 of 1,044) of the companies listed on AIM are from the U.S.
- End-of-decade expectation in 2019 is that 10% of AIM will consist of U.S. companies
- Prospective issuers should carefully consider:
 - Suitability before embarking on the process
 - Key advisers, most notably Nominated Advisers and Nominated Brokers
- £409 million raised from secondary offerings on AIM for 32 U.S. companies since 2011
- 65% of the U.S. companies on AIM have completed at least one secondary since 2011
- 65% of secondary offerings raise between £1 and £10 million (\$2 and \$16 million)
- Industry and geographic dispersion of the 49 U.S. companies listed on AIM - page 7
- Detailed descriptions and insights into the 49 companies - pages 8 - 11

Since the London Stock Exchange launched AIM in 1995, an aggregate of £96 billion (\$144 billion) has been raised for growth-oriented SMEs, £41 billion (\$62 billion) for IPOs and £55 billion (\$82 billion) for Secondary Offerings.

U.S. Company IPOs - Macro View

The table below shows that after a two year bull market for AIM IPOs, 2015 was a year for the market to digest all of the new entrants. This is evidenced by the fact that £4.9 billion (\$7.4 billion) was raised during 2015 in secondary offerings, the most since 2010. UK equities' markets also faced four major political and macroeconomic headwinds during 2015; the UK General Election, a resumption of the Greek debt crisis, the continuing collapse of the energy and commodity sectors and general market volatility triggered by China and other emerging markets and the U.S. Federal Reserve. The two political headwinds have been ameliorated; the UK General Election was definitive and positive for business and Greece has taken a more reasonable and realistic position with the EU, however, the two macroeconomic headwinds will likely linger throughout 2016.

Entire Market	Number of IPOs	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2011	45	560	12
2012	45	695	15
2013	62	1,025	17
2014	82	2,818	34
2015	38	650	17
Total	272	5,748	21

During 2015, financials accounted for 24% of AIM IPOs with four of the nine being Investing Companies with TMT mandates. Healthcare accounted for 16% with five of the six coming from the biotech sub sector and none of the six generating revenue. Consumer services also accounted for 16% and it's interesting to note the technology component; three of the six engage with consumers exclusively online. Six industrial companies completed IPOs on AIM for a 16% share. Pure play technology companies accounted for 13%. Consumer goods' businesses accounted for 11% where two of the four were focused online. Finally, the basic materials (i.e. mining) and oil and gas sectors accounted for an aggregate of 4% of AIM IPOs during 2015 after accounting for an aggregate of 11%, 21%, 33% and 51% during 2014, 2013, 2012 and 2011.

The 49 U.S. companies that are currently listed on AIM account for 4.7% of the 1,044 companies listed on the market, however, during the second decade of AIM's existence (2006 - 2015), 9.9% of all IPOs on AIM were for U.S. companies (74 of 751). The medium-term expectation is that U.S. companies will account for approximately 10% of all companies listed on AIM by the end of this decade in 2019; growing from 49 to 104. It is clear from this trend that investors desire exposure to USD assets and revenue streams from high-quality, growth-oriented SMEs.

United States	Number of IPOs	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2011	8	46	6
2012	2	55	28
2013	4	37	9
2014	3	19	6
2015	2	88	44
Total	19	245	13

Unsurprisingly, approximately 61% of the 1,044 companies currently listed on AIM have their main place of operation in the UK, however, the UK has only accounted for 50% of all AIM IPOs since 2011. There has been a relative surge of AIM IPOs since 2011 from China, Africa and the U.S., accounting for 9%, 7% and 7%, respectively. The internationalization of AIM is expected to continue, however, the focus should shift strongly towards the U.S.

Healthcare and technology-enabled businesses have been, and will be, the main growth drivers on AIM; sectors that are particularly well represented in the U.S. China is in turmoil and investors fundamentally don't trust Chinese companies. The vast majority of African IPOs were natural resource focused, which is a sector that is currently closed to investment. This leaves the U.S. as undoubtedly best placed to capitalize on the continuing internationalization of AIM.

U.S. Company IPOs - 2015 Transactions

The table and summaries below provide some high-level insights the two U.S. company IPOs on AIM during 2015. Further details can be found by clicking on the company name, which leads to a comprehensive five page summary of each transaction.

The diversity of the sectors in which AIM-listed companies operate is worth noting (see the pie chart on page 7) and reinforces the message to private companies seeking additional growth capital for the next stage of their development that AIM is open to companies from all sectors. The three most important factors, in the eyes of prospective UK investors, are the quality of the company's management team, the extent of international operations and/or the formulation of credible international expansion plans and the realistic prospects for growth of revenues, profits and cash flows.

(in USD millions)	<u>Verseon</u>	<u>Motif Bio</u>
Industry Sector	Healthcare Pharmaceuticals	Healthcare Biotechnology
Gross Capital Raised	\$100*	\$35
Net Capital Raised	92	32
Opening Market Cap	460**	86
Revenue	N/A	N/A
Investment Since Inception	34	14
	* 2 nd largest AIM IPO of the year ** Largest market cap of the year	

[Verseon](#) is a technology-based pharmaceutical company that employs its proprietary technology to design novel therapeutics for today's challenging diseases. The Company was founded in 2002, is pre-revenue and \$34 million has been invested since inception.

Verseon's proprietary drug discovery platform is the first systematic, computationally-driven solution to achieve the molecular modeling accuracy necessary for rapid and cost-effective drug discovery. The Company generates multiple, chemically-diverse drug candidates for each discovery program and, as such, is not reliant on the success or failure of just a single drug candidate in the clinic. Verseon's drug discovery platform can be used to find drugs for a multitude of diseases that are now well-defined due to advances made in genomics and proteomics research over the last two decades, including the mapping of the human genome. The platform can consistently design novel drugs that are unlikely to be found using conventional methods. The Company is currently advancing drug discovery programs in anticoagulation, diabetic macular edema and oncology (solid tumor). Verseon initially intends to out-license drug candidates at early stages of clinical development to pharmaceutical companies. As the business matures, it is expected that these out-licensing deals will be struck at progressively later stages of clinical development.

Verseon's drug discovery and development process entails designing virtual, novel, drug-like, synthetic compounds, using a proprietary, computer-based molecule creation engine in numbers that are far in excess of the distinct, synthesized compounds currently in the corporate collections

of today's pharmaceutical companies. These virtual compounds are then assessed *in silico* (i.e. computationally) against a disease-causing target protein by leveraging Verseon's proprietary breakthroughs in physics-based molecular modeling of protein-drug interactions in water and sophisticated optimization algorithms that can be deployed in parallel across a large dedicated, private computing cloud. Virtual compounds that are predicted by the platform to interact or bind strongly with the target protein can then be synthesized in the laboratory and subjected to a battery of biochemical assays for assessment of *in vitro* (in glass) bioactivity and further biological characterization. Promising candidates are further characterized via *in vivo* (in animals) assessment of pharmacokinetics, efficacy and safety. Further computational design facilitates lead optimization for a discovery program. This process leads to new variants of compounds to be synthesized for laboratory assessment. The expected end products for each discovery program are multiple, novel, chemically-diverse candidates for entry into clinical development.

[Motif Bio](#) is a clinical stage biopharmaceutical company that specializes in developing novel antibiotics designed to be effective against serious and life-threatening infections caused by multidrug-resistant bacteria. The Company has been focused on drug discovery and development since 2009 and acquired its leading drug candidate, iclaprim, as a result of a merger with a Maryland-based company simultaneous with the IPO. Iclaprim is in Phase III, the final stage of clinical trials, with plans for commercialization in 2018.

Resistance to antibiotics is a major global health threat. So called 'superbugs' are developing resistance to currently available antibiotics faster than new, effective antibiotics are being developed. Each year these drug-resistant bacteria infect more than 2 million people across the U.S. and kill at least 23,000 according to the U.S. Centers for Disease Control and Prevention (CDC). In the past, some of the most dangerous superbugs were confined to healthcare settings, however, some strains are out in the community and even healthy people can become infected. One common superbug seen outside hospitals is methicillin-resistant *Staphylococcus aureus* (MRSA), which can cause skin infections and, in more serious cases, pneumonia or bloodstream infections. The CDC estimates that more than 80,000 aggressive MRSA infections and 11,000 related deaths occur each year in the U.S. Dr. Margaret Chan, Director-General of the World Health Organization said, "A post-antibiotic era means, in effect, an end to modern medicine as we know it. Things as common as strep throat or a child's scratched knee could once again kill. Some sophisticated interventions, like hip replacements, organ transplants, cancer chemotherapy and care of preterm infants would become far more difficult, or even too dangerous, to undertake". The worldwide antibacterial market was valued at \$44 billion in 2010.

Motif Bio is designing iclaprim to be administered in hospitals as an intravenous infusion. Hospital settings are where novel antibiotics effective against multidrug-resistant bacteria are most urgently needed since this is where patients often succumb to serious, life-threatening infections that require immediate treatment with the best available antibiotic. Commercialization of hospital products is relatively easy and can be done with fewer resources than in the broader community for the simple reason that there are fewer hospital healthcare professionals to communicate with, compared to having to educate a much larger number of primary care physicians and other practitioners.

U.S. Company Secondary Offerings

The 49 U.S. companies listed on AIM account for 4.7% of the 1,044 companies listed on the market, however, they only accounted for 2.4% of the secondary offering funds raised since 2011. In prior years, the U.S. companies have accessed larger amounts of capital, resulting in rapid growth, and are now more advanced in terms of their stage-of-development relative to AIM as a whole. As such, many are now self-sustaining and simply require less growth capital.

Entire Market	Number of Secondaries*	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2011	524	3,616	6.90
2012	532	2,478	4.66
2013	593	2,716	4.58
2014	607	3,269	5.39
2015	609	4,936	8.11
Total	2,865	17,015	5.94

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

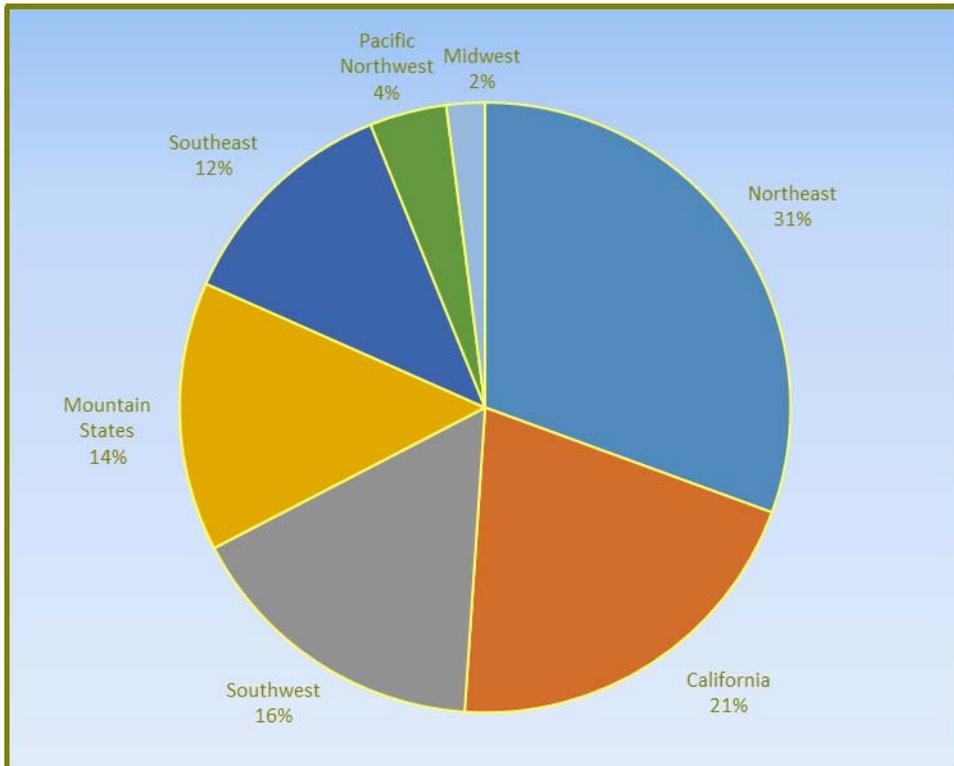
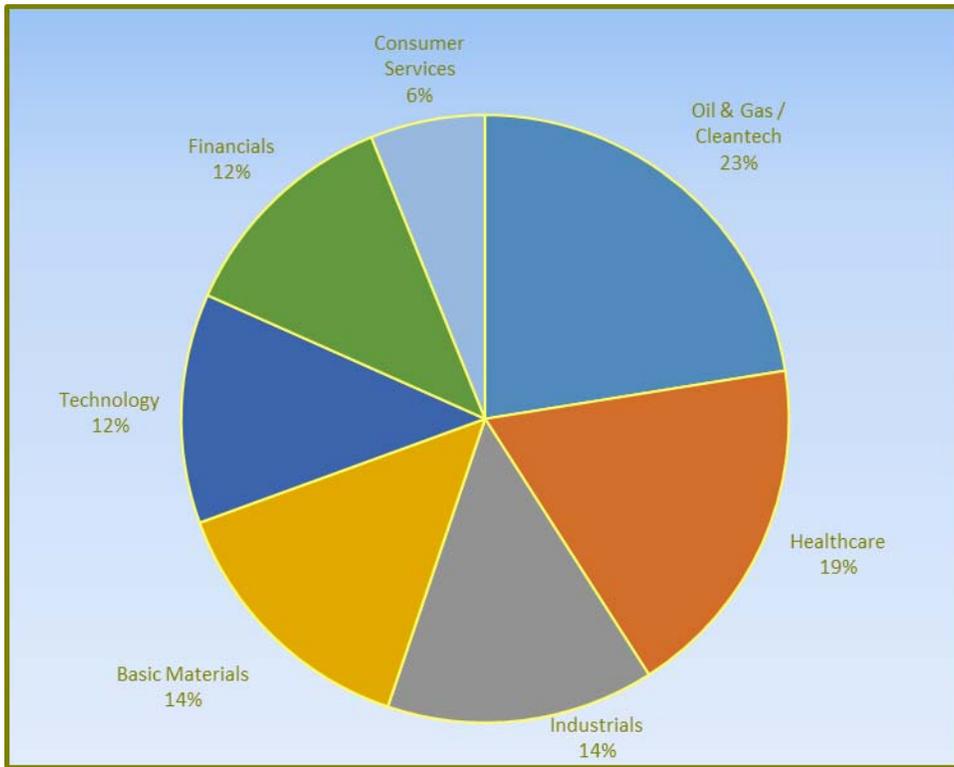
United States	Number of Secondaries*	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2011	9	37	4.11
2012	16	96	6.00
2013	16	93	5.81
2014	15	105	7.00
2015	16	78	4.88
Total	72	409	5.68

* This is the number of companies that completed secondary offerings as opposed to the number of discrete secondary offering transactions.

Of the 49 U.S. companies on AIM, 32 (65%) have completed at least one secondary offering since 2011. The distribution of the 72 annual gross fundraisings by these companies is illustrated in the chart below, with 65% (47 of 72) raising between £1 and £10 million (\$2 and \$15 million).



U.S. Company Industry and Geographic Dispersion



Industry & Geography	Oil & Gas / Cleantech (11)	Healthcare (9)	Industrials (7)	Basic Materials (7)	Technology (6)	Financials (6)	Consumer Services (3)
NE (15)		4	3	1	2	5	
CA (10)	2	2	1		2	1	2
SW (8)	4	1	2	1			
MS (7)	4			2			1
SE (6)	1		1	2	2		
PNW (2)		1		1			
MW (1)		1					

AIM-listed companies are organized into 90 sub sectors, which feed into 40 sectors, which feed into 10 super sectors. The 49 U.S. companies currently listed on AIM are quite diverse and operate in seven of the 10 super sectors.

The first pie chart on the previous page illustrates the relative number of U.S. companies listed on AIM in each super sector as of the end of 2015. Since the classifications can be deceptive, as many of these businesses are ‘technology-enabled’, the following paragraphs provide some detailed descriptions and insights into the individual companies. The second pie chart on the previous page shows the main place of operation within the U.S. for these companies, although, it should be noted that most have some, and in some cases substantial, overseas operations and/or assets.

Seven of the 11 **Oil & Gas / Cleantech** companies are engaged in oil and gas exploration and production in Texas, Louisiana, Oklahoma, North Dakota, Colorado and Wyoming with assets focused on the Gulf Coast of Texas and Louisiana, the Permian Basin in West Texas, Tyler and Polk Counties in East Texas, all of Oklahoma, including the Anadarko Basin in Central Oklahoma and North Texas, the Bakken/Three Forks Sanish formations in North Dakota, the Denver-Julesburg Basin in Colorado and the Big Horn Basin in Wyoming. The two companies operating primarily in Louisiana also have interests in Mexico and Indonesia and Argentina and Paraguay, respectively.

Two companies are oil and gas field technology services’ companies; one designs and manufactures products focused on the measurement while drilling market and the other has technology that is able to clean water by permanently and immediately removing free, emulsified and dissolved hydrocarbons.

One company specializes in the exploration and production of iodine and iodine specialty chemical derivatives with operations in Montana, Kentucky and Oklahoma. This company has achieved complete vertical integration; producing iodine in the field, manufacturing the chemical end-products derived from iodine for the consumer and recycling iodine using iodinated side-streams from waste chemical processes.

The sole Cleantech company enables energy recovery from municipal waste or from renewable and alternative fuels such as biomass, lignite (brown coal), tires and plastics to create synthetic gas for power generation or reformulation into liquid fuels for transportation.

Three of the nine **Healthcare** companies have developed medical devices; one, with regional offices in Brussels, Belgium and Sao Paulo, Brazil, for the transportation of organs, which improves transplant outcomes and lowers the overall cost of transplantation, one with rapid diagnostic screening and testing capabilities and one with a range of non-invasive neurodiagnostic hardware and software products used to monitor and interpret brain activity.

Two companies operate in the biotech space; one recently entered Phase III with novel antibiotics thought to be effective against infections caused by multidrug-resistant bacteria and the other is focused on enhancing productivity in aquaculture (i.e. fish farming).

One is a technology-based pharmaceutical company that is advancing drug discovery programs in anticoagulation, diabetic macular edema and oncology (solid tumor).

One, with operations in Scotland and New Zealand, is a developer and manufacturer of medical grade collagen products and provides related services to create collagen components for use in regenerative medicine, medical devices and in-vitro diagnostics.

One is a medical technology company that uses its hypochlorous acid platform to enhance the quality and freshness of produce and floral products in supermarkets and cleanse a variety of chronic and acute animal and human wounds, including diabetic ulcers and burns.

One is a healthcare services organization that provides revenue cycle management, practice management and group purchasing service to hospital-based physicians and physician groups.

The **Industrials** sector is comprised of seven very different companies. One invents, develops, manufactures and markets advanced, technology-based products used to mark, track and authenticate high value goods.

One, with operations in Ireland and the UK, is a designer and manufacturer of LED illumination systems and laser diode modules for industry leading OEMs, for machine vision, industrial inspection, security, and ultra violet applications, and for medical equipment companies.

One provides residential and commercial water leak detection and remediation services.

One manufactures laser-guided, horizontal concrete placing equipment and related machinery.

One provides B2C, voice-based, contact center services and other business process outsourcing solutions to primarily Fortune 500 telecommunications and consumer technology companies.

One is a B2B provider of financial clearinghouse services for merchants, online stores and telecommunications companies, specifically for local exchange carriers in the areas of phone clearing, billing and settlement solutions and toll clearing services, wholesale transactions in Wi-Fi ecosystems and voice logging services for third party verification and call recording.

One, with operations in the UK, is an aerospace services company that provides hardware, software and services for unmanned aerial systems (i.e. drones) to civilian, law enforcement and military customers.

Four of the seven **Basic Materials** companies are mining concerns, one is developing a number of early stage copper, gold and silver exploration targets, one is prospecting for silver, one mines and processes anthracite coal and one processes and sells magnetite iron ore they recover from tailings storage facilities located at an inactive copper mine.

The remaining three fit broadly into the Specialty Chemicals sub sector; one is a clean water antimicrobial technology company that manufactures products and out-licenses proprietary technology for the water treatment and antimicrobial coatings markets, one provides biological products to global agriculture markets to improve the health, vigor and yield of major field crops such as corn, soybeans, cotton and rice and specialty crops such as fruits and vegetables and one is a life sciences company that has developed and licenses/markets nature-derived insect and parasite control products that target nerve centers active only in invertebrates, making them safe for humans and animals in the fight against head lice and insects and pests in livestock settings.

Four of the six **Technology** companies are focused on enterprise software and the other two are focused on consumer software.

The four enterprise software companies are all very different; one provides software and services to background screening companies and employers that help facilitate better recruitment and hiring decisions, one provides software solutions for ticketing, queuing and admission to leisure/theme parks, entertainment venues and cultural attractions, one has developed a mobile workforce management software platform used by field service organizations to improve productivity and efficiency and one provides consultancy, enterprise software and analytics to foster, drive, maintain and monitor corporate innovation, turning it into a sustainable competence.

The two consumer software companies are also very different; one has developed an Internet video search engine that leverages speech recognition and text and image analysis to deeply understand the meaning and context of video content so as to generate improved search relevancy for consumers and the other has developed consumer software solutions that transform various types of 2D and 3D content for use on TVs, PCs and tablets.

Four of the six **Financials** companies are Investing Companies; one makes equity investments in West Coast biotechnology and biopharmaceutical companies, one provides equity and debt venture and growth capital to renewable energy and sustainable technology companies, one makes control equity investments in cross-border companies, primarily those that operate in the US-India corridor and one acquires business claims that are in litigation or arbitration, effectively shifting the risks and rewards from corporations to themselves.

One is a financial services company, staffed with lawyers, that provides litigation financing to companies, effectively creating a portfolio of investments where they receive a portion of the proceeds from any positively resolved matters.

One incubates and provides debt and/or equity financing to high-growth medical, life science, and technology businesses in the U.S. and the UK.

Two of the three **Consumer Services** businesses utilize technology; one is an owner and operator of new generic Internet top-level domains and also provides domain name and domain registry services and the other one provides B2C online customer acquisition solutions to large, consumer-facing organizations, such as U.S. cable companies, through the use of pay-per-click, search engine optimization, integrated websites, email, social media and contact center support.

The third consumer services company is an athlete representation agency that also provides sports marketing and event management services.