

### 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 55 U.S.-based companies that are already listed on AIM.

## **U.S. Company IPO and Secondary Offering Activity – 2013**

### **Highlights**

- U.S. companies account for 9% (13 of 152) of AIM IPOs since 2011
  - U.K. captures 40% of AIM IPOs, Africa 11% and China 10% since 2011
  - Internationalization of AIM is expected to continue, with focus shifting to U.S.
- Three of the four U.S. company AIM IPOs during 2013 are featured in this newsletter
  - [Digital Globe Services](#) - Colorado - Consumer Services - Media Agency
    - Raised \$20.5m, of which, \$12.5m cash exit for the Strategic Investor
    - Market Cap \$73.9m
    - Revenue and EBITDA multiples of 3.3 and 22.0, P/E ratio of 36.6
  - [Electrical Geodesics](#) - Oregon - Healthcare - Medical Device
    - Raised \$12.0m, Market Cap \$44.3m, Pre-Money Revenue Multiple 2.6
  - [IBEX Global Solutions](#) - Washington, D.C. - Industrials - Business Support Svcs.
    - Raised \$22.5m, of which, \$5.9m cash exit for the Strategic Investor
    - Market Cap \$89.9m, Pre-Money EBITDA Multiple of 13.8
- 2005 - 2010, U.S. companies account for 8% (68 of 892) of AIM IPOs
- Since 2011, U.S. companies account for 9% (13 of 152) of AIM IPOs
  - Investors desire exposure to USD assets/revenue
  - Seeking high-quality, growth-oriented companies
- Currently 5% (55 of 1,087) of the companies listed on AIM are from the U.S.
- End-of-decade expectation 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
    - Of which, there are 50 and 100, respectively
- £382 million raised from secondary offerings on AIM for 35 U.S. companies since 2011
- 64% of all U.S. companies on AIM have completed at least one secondary since 2011
- 70% of secondary offerings raise between £1 and £15 million (\$2 and \$24 million)
- Selling shareholder activity at IPO increases from 25% historically to 31% since 2011
- U.S. Accredited Investor and QIB participation increases from 20% historically to 27%
- Industry and geographic dispersion of the 55 U.S. companies listed on AIM - see page 7

## U.S. Company IPOs - Macro View

The table below shows that all indicators were up in 2013, compared to broadly flat, yet stable, years during 2011 and 2012. The number of IPOs and gross funds raised during 2013 increased by 38% and 47%, respectively.

<b>Entire Market</b>	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
<b>Total</b>	<b>152</b>	<b>2,280</b>	<b>15</b>

There was a surge of 40 IPOs on AIM during the second half of 2013, compared to between 19 and 26 IPOs during each of the other five half-years dating back to 2011. From a sectoral perspective, technology has taken the most share, rising from 4% of IPOs in 2011 to 18% in 2013. Consumer-facing businesses have also been prolific, rising from 11% of IPOs in 2011 to 22% in 2013. Financial companies have always been a popular and continuing trend, rising from 13% of IPOs in 2011 to 21% in 2013. All of these sectors have advanced at the expense of the natural resource sectors (i.e. oil and gas and mining), falling from 52% of IPOs in 2011 to 21% in 2013.

Historically, U.S. companies have accounted for less than 5% of AIM, however, since 2005, there has been a relative surge of U.S. companies completing IPOs on AIM. From 2005 - 2010, 8% of all IPOs on AIM were for U.S. companies. Since 2011, this figure has grown to 9%. With a limited number of data points, it's difficult to draw firm conclusions; however, 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; growing from 55 to over 100. It is clear from this trend that investors desire exposure to USD assets and revenue streams from high-quality, growth-oriented companies.

<b>United States</b>	Number of IPOs	Gross Funds Raised (in £ millions)	Average Funds Raised (in £ millions)
2011	7	45	6
2012	2	55	28
2013	4	37	9
<b>Total</b>	<b>13</b>	<b>137</b>	<b>11</b>

The macroeconomic healing process in the developed world is largely complete and sustainable growth is gathering pace in the U.K. and U.S. in particular. While 57% of the 1,087 companies listed on AIM are based in the U.K., only 40% of AIM IPOs from 2011 - 2013 were for U.K. companies. Over that same timeframe, there has been a relative surge of AIM IPOs from Africa, China and the U.S., accounting for 11%, 10% and 9%, respectively. The internationalization of AIM is expected to continue, however, the focus should shift towards the U.S. since the vast majority of African IPOs were natural resource focused, which is currently out-of-favor, and China finally lifted its moratorium on domestic IPOs that had been in place since October 2012.

## **U.S. Company IPOs - 2013's Featured Transactions**

The table and summaries below provide some high-level insights into three of the U.S. company IPOs on AIM during 2013. Further details can be found by clicking on the company name, which leads to a comprehensive, four-page summary of each transaction.

The diversity of the sectors in which these three companies operate is worth noting 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 U.K. investors, are the quality of the company's management team, international operations/plans and future growth prospects.

<b>(in USD millions)</b>	<a href="#"><u>Digital Globe Services</u></a>	<a href="#"><u>Electrical Geodesics</u></a>	<a href="#"><u>IBEX Global Solutions</u></a>
Industry Sector	Consumer Svcs. Media Agency	Healthcare Medical Device	Industrials Bus. Support Svcs.
Gross Capital Raised	\$20.5	\$12.0	\$22.5
Opening Market Cap	73.9	44.3	89.9
Revenue	20.0	12.5	136.0
EBITDA	3.0	0.6	5.3
Net Income	1.8	0.2	1.0
<b>Pre-Money Multiples/Ratio</b>			
Revenue	3.3	2.6	0.5
EBITDA	22.0	53.8 <sup>1</sup>	13.8
P/E	36.6	161.5 <sup>1</sup>	73.3 <sup>1</sup>
<b>Cash Received by Strategic Investor Selling Shareholder</b>	\$12.5	N/A	\$5.9

[Digital Globe Services](#) provides outsourced online customer acquisition solutions to large, consumer-facing organizations; mainly U.S. cable companies. The Company procures paid search advertising, develops and manages branded web sales portals and establishes and maintains sales contact centers. DGS's competitive advantages include its proprietary databases and algorithms for cost-effective procurement of online advertising and the driving of customer action, expertise in optimizing websites and contact centers for maximum sales conversion and a fee-per-sale business model to closely align the economic interests of DGS with their clients. The Company was founded in 2008 and is headquartered in Castle Rock, Colorado, however, the vast majority of DGS's 427 employees are based in Pakistan. Future growth opportunities are focused on providing additional services to existing customers, expansion into new geographical markets, such as Latin and South America, Europe and Asia and expansion into new industry verticals, such as energy, finance, insurance and healthcare. The Company's Strategic Investor acted as the Selling Shareholder and achieved a partial exit of \$12.5 million in cash at the time of the IPO.

<sup>1</sup> Not particularly meaningful given the relatively small denominators.

[Electrical Geodesics](#) is a medical device company that designs, develops and commercializes a range of non-invasive neurodiagnostic hardware and software products used to monitor and interpret brain activity. A key component of these products is the Company's proprietary dense array electroencephalography (dEEG) platform technology. The dense array method gathers brain activity data from many more electrodes (up to 256) than conventional EEG products, generating significantly higher-quality and more precise levels of information. Electrical Geodesics' technology has advanced steadily over the last 20 years, with regulatory clearances from the U.S. FDA, EU MDD/CE and a number of other major international regulatory bodies. Barriers-to-entry include reliance on trade secrets and know-how as well as patents, particularly with respect to the myriad technologies surrounding electrical brain imaging. The Company was founded in 1992 to commercialize advanced EEG products invented by the Company's Co-Founder, Chairman and CEO in the Brain Electrophysiology Laboratory at the University of Oregon. The vast majority of the Company's 78 employees are based in Eugene, Oregon. Electrical Geodesics' technology has been increasingly adopted as a powerful research tool and, more recently, as a cost-effective and patient-friendly clinical neurodiagnostic platform.

[IBEX Global Solutions](#) provides voice-based contact center services (i.e. inbound customer support and retention, technical assistance and sales order entry and outbound customer acquisition) and other business process outsourcing solutions; mainly to U.S.-based, Fortune 500 telecommunications and consumer technology companies. The majority of the Company's services are provided 'onshore' from eight locations in the U.S. and the balance is provided 'offshore' from three locations in the Philippines and one in Senegal. IBEX's competitive advantage lies primarily in maintaining efficient variable and fixed cost structures. Variable costs are controlled by understanding the labor markets in which the Company operates and targeting optimal wage and benefit levels. Fixed costs are controlled by locating the majority of the Company's support functions in Pakistan (software and technology development and analytics) and the Philippines (workforce management and quality assurance). IBEX was founded in 2002 when the Strategic Investor acquired a stake in one of the operating companies and then acquired and integrated six additional companies over the next decade. The Company has 8,000 employees; 3,850 in the U.S. at its Washington, D.C. headquarters and across the eight contact centers, 2,100 in the Philippines, 1,600 in Pakistan, 400 in Senegal and 50 in the U.K. Future growth opportunities are focused on providing additional voice-based services to existing U.S. clients, winning new voice-based U.S. clients, diversifying into non-voice services, such as email support, chat and website administration, adding industry verticals, such as healthcare and utilities, and expanding into Canada, the U.K. and France. The Company's Strategic Investor acted as the Selling Shareholder and achieved a partial exit of \$5.9 million in cash at the time of the IPO.

## U.S. Company Secondary Offerings

The 55 U.S. companies listed on AIM account for 5.1% of the 1,087 companies listed on the market, however, they only account for 4.3% 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.

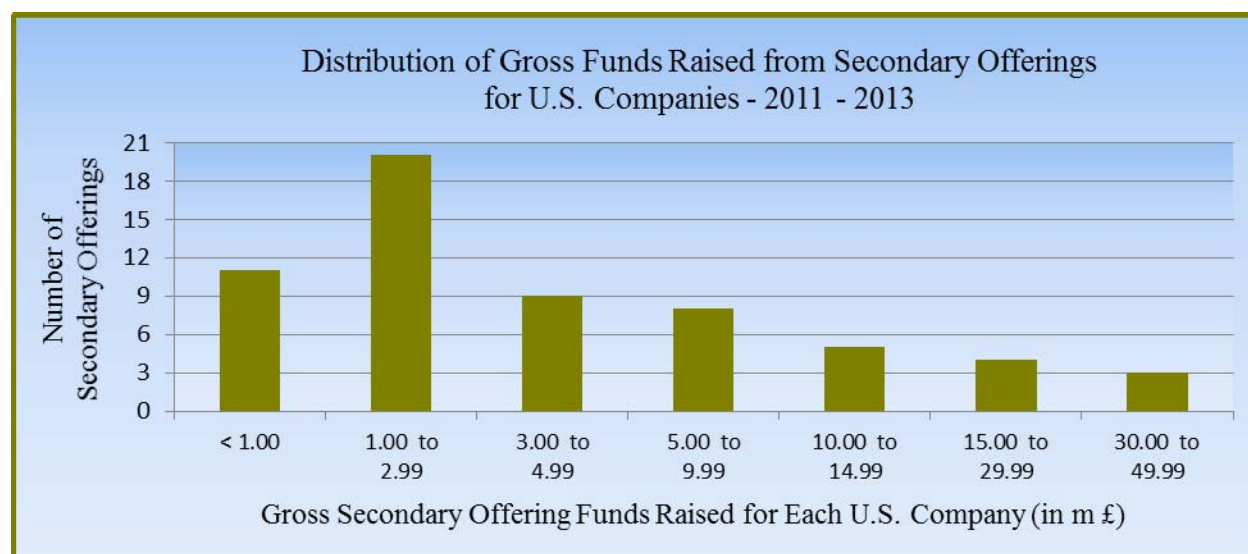
<b>Entire Market</b>	<b>Number of Secondaries*</b>	<b>Gross Funds Raised (in £ millions)</b>	<b>Average Funds Raised (in £ millions)</b>
2011	524	3,616	6.90
2012	532	2,478	4.66
2013	593	2,716	4.58
<b>Total</b>	<b>1,649</b>	<b>8,810</b>	<b>5.34</b>

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

<b>United States</b>	<b>Number of Secondaries*</b>	<b>Gross Funds Raised (in £ millions)</b>	<b>Average Funds Raised (in £ millions)</b>
2011	17	97	5.71
2012	20	111	5.55
2013	23	174	7.57
<b>Total</b>	<b>60</b>	<b>382</b>	<b>6.37</b>

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

Of the 60 U.S. companies that completed secondary offerings since 2011, 25 completed secondary offerings in more than one year, therefore, 64% of the U.S. companies (35 of 55) have completed at least one secondary offering since 2011. The distribution of gross funds raised by these 60 U.S. companies is illustrated in the chart below, with 70% (42 of 60) raising between £1 and £15 million (\$2 and \$24 million).



### **U.S. Company Selling Shareholder Activity**

The ability of existing shareholders to sell some or all of their holdings in an AIM IPO depends on a variety of factors; the most important of which are the strength of the company and the level of new investor support. Historically, from 2005 - 2010, 25% of U.S. company IPOs on AIM included selling shareholders who were often either founders of the company, longstanding members of executive management or the board of directors, commercial partners who had made a strategic investment in the company or VCs/PEGs who invested in and nurtured the company for several years prior to its IPO.

None of the U.S. company IPOs on AIM during 2011 included selling shareholders. Both of the U.S. company IPOs on AIM during 2012 included substantial cash and other consideration received by the founders and other shareholders, amounting to \$47.4 million and \$54.1 million. Two of the four U.S. company IPOs on AIM during 2013 included the Strategic Investor as the selling shareholder, receiving \$12.5 million and \$5.9 million in cash, as described in detail on pages three and four above.

While selling shareholders are most common in conjunction with an IPO, U.S. company insiders have sold in the aftermarket in organized transactions on three occasions since 2004; twice as part of secondary offerings and once on a standalone basis. In all three instances, the companies were performing exceptionally well with the organized insider selling driven by a need to “satisfy excess demand” for the company’s shares. There were no such transactions from 2011 - 2013; however, insider selling in the normal course of daily share trading is commonplace.

### **U.S. Company Accredited Investor and Qualified Institutional Buyer (QIB) Activity**

U.S. Accredited Investors and QIBs are permitted to participate in AIM IPOs and secondary offerings. Historically, from 2005 - 2010, they have provided 20% of the funding for U.S. company IPOs on AIM and 20% of the secondary offering funds raised for those companies.

From 2011 - 2013, 27% (16 of 60) of the U.S. companies that completed secondary offerings were at least partially financed by Accredited Investors or QIBs, providing 16% of the total funds raised.

## U.S. Company Industry and Geographic Dispersion

AIM-listed companies are organized into 90 sub-sectors, which feed into 40 sectors, which feed into 10 super sectors. The 55 U.S. companies that are listed on AIM are quite diverse and operate in eight of the 10 super sectors.

There is a concentration of oil and gas exploration and production companies in Texas, which includes three oil and gas field technology services companies. The other major concentration is in industrial and consumer technology, including; digital media, biotech and cleantech, between Boston and Washington D.C. and in California.

Within Basic Materials, three of the nine produce chemicals/compounds for the health and growth of fish, plants and agriculture, four are mining concerns, one is a forestry investment fund and one is a clean water antimicrobial technology company.

Industrials is comprised mainly of a wide range of industrial technology companies; from body armor for the military and other customers to the marking, tracking and authentication of high-value goods to B2B electronic payment companies and B2C voice-based contact center services and other business process outsourcing solutions.

Consumer Services consists of a media company with some unique technology, an athlete representation agency and a provider of B2C online customer acquisition solutions.

The Consumer Goods company develops fuel cells for vehicles.

