

# HYBRIDAN

YOUR PARTNER FOR GROWTH

***Strategic corporate finance  
professionals for private and listed  
companies***



***June - August 2021***

# Hybridan: Go To Partner for Strategy

We have a long and proud track record of helping growth companies to raise capital, promote investor awareness and adapt their capital structure to their stage of development.

H Our focus is on helping our corporate clients grow in the most efficient way possible, with none of the conflicts of interests that can arise from also providing wealth management. We are in continual contact with our clients to ensure they are speaking to the most relevant investors and that the most productive listing, capital-raising or investor outreach strategy is being followed at any given time in the market cycle.

H We pride ourselves as being one of the very few profitable corporate finance and broking firms in the City, something we have achieved through a highly disciplined approach when seeking to forge and maintain both corporate and institutional relationships. We have a strong network of growth investors and investment funds across most sectors.

H Coupled with our focus on our corporate clients, the quality of our institutional investor relationships is of paramount importance to us and is what sets us apart from our peers. These relationships have proven invaluable during the lockdown period and have enabled us and our clients to continue to execute transactions. Our core investor base includes:

- Institutional fund managers
- VCT and EIS fund managers
- Family Offices
- High Net Worth investors
- Wealth Managers

Regulated by the  
FCA.

Member of the  
LSE.



Expertise in  
stocks quoted  
and listed on the,  
LSE, AIM, AQSE

Began trading in  
January 2007.  
Held in high  
regard by  
corporates and  
institutions.

Member of the  
CISI.



Member of the  
QCA.



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# Corporate Finance Offering

EIS and  
VCT  
strategies

Experienced  
team

Fundraising

Investor  
Access

Pre IPO  
planning

IPO  
preparation



- H Private company fundraising strategies
- H Tax-efficient fundraising strategies – EIS, VCT
- H Input on Board composition and corporate governance issues, particularly from the point of view of what investors will be focusing on
- H Advice on capital structure
- H IPO preparation: from investment proposition to which market is most appropriate – AQSE, AIM, Main
- H Co-ordination of other advisors
- H Valuation, Single joint expert witness work in AIM shares, Rule 3, consultancy services

# Strategic Adviser for Unlisted Companies

- H We only act on a retained basis for strategic advisory services to unlisted companies.
- H We bring the discipline of the listed environment to the unlisted world of fast growth companies.
- H For shareholders we can prepare a quarterly description of the business and an update since often CEOs do not understand their obligations to shareholders and optimum communication.
- H Development and focus on the investment case, including advice on strategic direction (e.g. new markets and products, M&A, customer acquisition, margin improvement).
- H Increase awareness among prospective investors.
- H Fundraising services, with focus on EIS/VCT eligible companies, and secondary transfer work/ vendor sell down.
- H Evolution of valuation metrics and comparable companies.
- H Input into investor presentation based on best practices from successful fundraisings in the past, as well as on going corporate finance advisory services post fundraise
- H Preparation for a liquidity event, including IPO, PE/VC funding, strategic investment or trade sale.
- H We believe there is a strong correlation between the quality of a company and its retaining advisers to look after investors / investment, enabling the management team to focus on growing the business.

Retained  
committed  
adviser

CEOs spend  
too long on  
shareholder  
politics and  
fundraising

Allows the  
company to  
focus on Bus  
Dev, we do the  
shareholder /  
investor part

Restructure,  
reorganise,  
dispose...the Go  
To Strategy  
House

Private  
companies ill  
prepared for  
fundraising

Companies need  
to be well  
organised to  
achieve their  
goals



# Unlisted Companies: Our Investors' Criteria

- ⌘ We are not prescriptive and these things change, but at the moment our investors are mainly looking for the following criteria, although it is a balancing act:
  - ⌘ EIS eligibility, if not for an IPO but a pure private round
  - ⌘ Circa £1m annualised revenue, with recurring element if possible
  - ⌘ Have had outside investment, maybe a double-digit number of external investors, but not 1000's of shareholders
  - ⌘ Unlevered balance sheet
  - ⌘ Simple capital structure
  - ⌘ Management teams correctly incentivised
  - ⌘ Beyond proof of concept, real paying customers
  - ⌘ Clear scalability and route to market
  - ⌘ Lifesciences, technology, IP rich sectors are en vogue



# Hybridan's Role

**H Retained advisory services:** quarterly description of the business to shareholders, presentation advice for fundraising focusing on the investment case and valuation, increase awareness among prospective investors, preparation for a liquidity event / IPO.



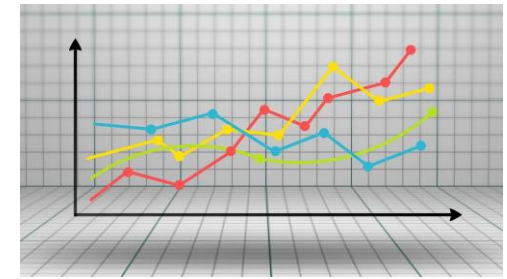
**H Commissions on investor introductions:** Fundraising services, focus on EIS /VCT, as well as secondary transfer work.



**Project work:** valuation work of listed shares on a probate or family matter as a single joint expert witness or single expert adviser to legal counsel.

# CURRENT MARKET SENTIMENT

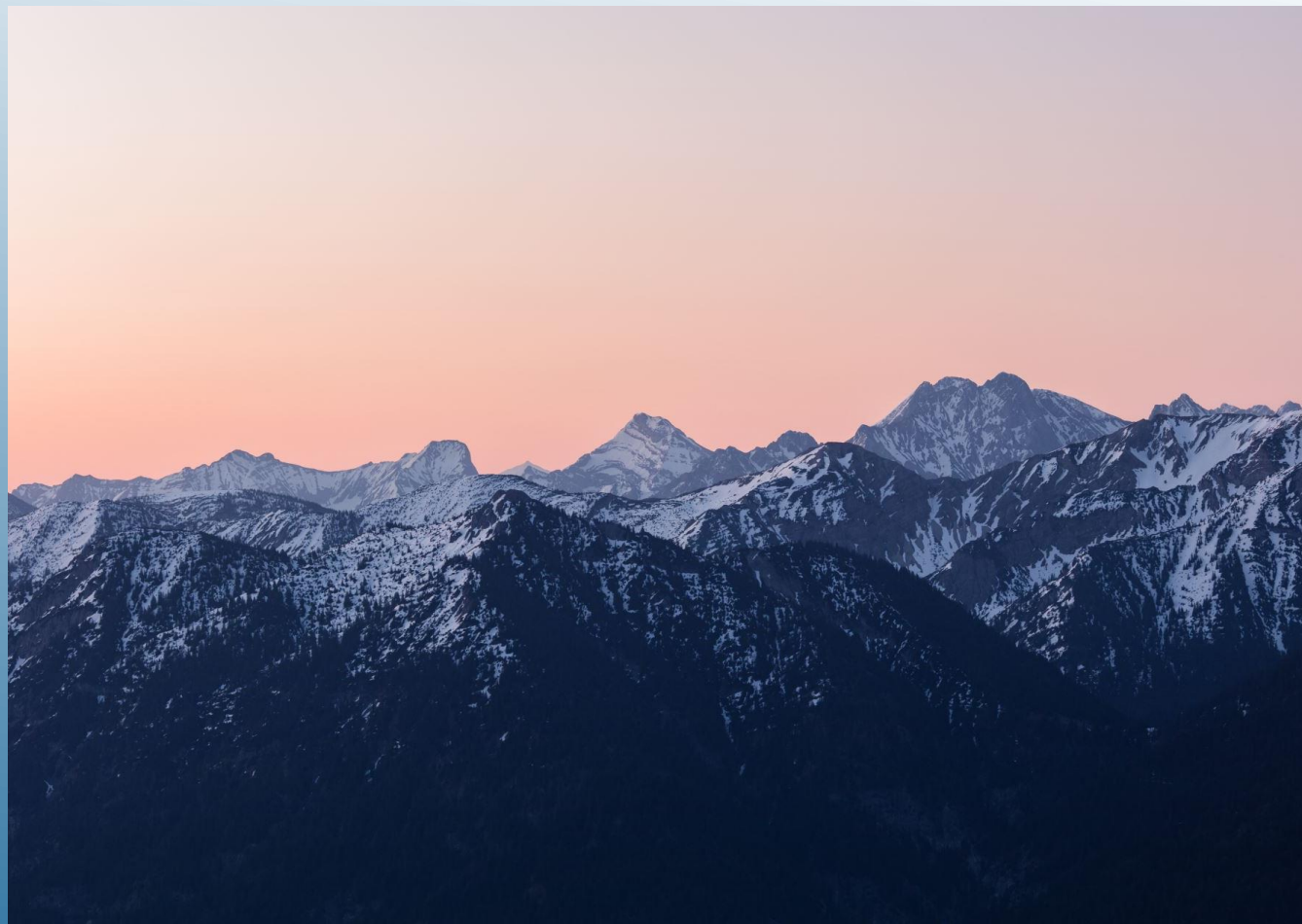


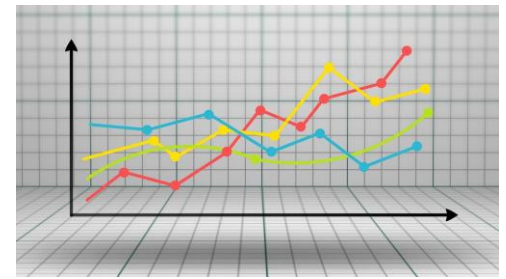


- ❖ UK small cap market sentiment remains buoyant in 2021, continuing the positive momentum of 2020, in which the AIM market has risen 8.6% in the first 5 months of 2021 and the largest 100 company's index rose 6.9% over the same period. At the other end of the scale as of April 2021 there are 28 companies on AIM valued at more than £1bn, the highest number there has ever been on AIM. Strong momentum continues as AIM is up 31% ahead since the end of 2019 and the largest 100 UK listed companies seeing a 25% increase.
- ❖ 2021 so far has all the hallmarks of 2014 with the main market welcoming companies such as Deliveroo, TrustPilot, Moonpig and Dr Martens. AIM as well continuing to be a hot bed for exciting growth companies such as TinyBuild; the video games publisher was the largest US company to list on AIM with a market cap of \$470m, raising half that market cap at IPO. Other AIM IPOs Belluscura, Kitwave, Glantus and Dianomi, all had a combined market cap of over £300m.
- ❖ SPACs (Special Purpose Acquisition Company) or simply “shell” to the traditionalist has been the latest bandwagon to hit the London market. Our friends across the pond on Wall Street are leading this new craze having raised over \$100bn in SPACs so far this year. This “blank cheque” investment approach to small caps is thwart with danger and usually only benefits the holders of the free options handed out at the start. If the target company is sound enough – avoid the potential skeletons in the closet IPO of a SPAC!
- ❖ Investors and companies are spoilt for choice when it comes to their exchange of choice. Aquis Exchange (AQSE) has been making great progress in redefining itself as an IPO destination for growth companies, most notably welcoming ecommerce tech firm, Samarkand raising £17m at IPO. Lord Hill's Listings Review has also been hotly debated, with the inclusion of 15% free floats and dual class share structures on the Main Market Premium, which we have witnessed for Deliveroo and The Hut Group on the Standard list of the Main Market.
- ❖ Company valuations have continued to rise on AIM, with just over one-third of AIM companies currently valued at less than £25m, accounting for 2% of the market capitalisation on AIM. As a result of larger flotations and strong share prices there are fewer smaller companies on AIM.
- ❖ Average monthly trading volumes for companies as a percentage of their market cap was 4.2% in Q1 2021. This is double what it was in 2019.
- ❖ AIM finished 2020 at its highest ever total market capitalisation, of £131bn, up from £104bn in the previous year, even as the number of companies listed dropped to 819 from 863. While that's the least number of listed companies since 2003, the average market capitalisation is over £160m, up from £66m a decade ago, showing the market is maturing with a trend to more established companies.
- ❖ There were 10 IPOs on AIM in the final quarter of the year raising £192m compared to three in Q3 raising £76m. Things have only accelerated in 2021 with 17 new IPO's from Jan to late May. That compares to only 10 IPOs on AIM in the whole of 2019, so life is certainly coming back to this entrepreneurial SME market.



# OUTLOOK





- ❖ “Make hay when the sun shines” is a very apt statement to how markets are feeling right now. With inflation worries simmering and the UK credit card looking flimsier than ever – the macro-outlook for small caps doesn’t bode well. That being said; momentum in the markets means the environment is still rife with placings and IPOs still coming on stream. Whilst we were long overdue a bull run, how long this one lasts remains to be seen.
- ❖ With vaccines continuing to be rolled out globally, optimism in the equity markets has returned and remains high with investors keen to look at transactions and hear new investment stories.
- ❖ Our own deal pipeline remains strong, as it has throughout lockdown, both in the public and private spheres, including a mix of IPOs, secondary fundraises, reverse transactions and block trades/ vendor placings.
- ❖ Our message to companies seeking to spread their investment case or raise capital is to strike while the iron is hot.
- ❖ So long as there is a compelling reason for capital raising, such as adding to revenue-generating teams or making accretive acquisitions, or a management team wishes to update investors on their equity story that has perhaps been overlooked and consequently mispriced, investors will be willing to listen.
- ❖ There may be uncertainty in 2022 as to how the equity markets will perform. At some point government support needs to be withdrawn globally and naturally insolvencies will follow.
- ❖ We continue to urge small cap management teams to think about their next steps in this current equity friendly ecosystem and to look at the public market’s excitement. Now is a good time for Boards to think about the listed company environment.
- ❖ Flexibility is key in these markets – do not cut your nose off to spite your face when it comes to valuation expectations. Fundamentally sound businesses will always attract the right investor. We may indeed be at a point in the economic cycle where investors are starting to move from alpha to defensive so do not price yourself out of the game.

# Contact Details

***CEO & Managing Partner  
Corporate Finance***

Claire Louise Noyce

T: +44 (0)20 3764 2341

E: [claire.noyce@hybridan.com](mailto:claire.noyce@hybridan.com)

***Director, Head of Corporate  
Broking & Sales***

Niall Pearson

T: +44 (0)20 3764 2343

E: [niall.pearson@hybridan.com](mailto:niall.pearson@hybridan.com)

***Director, Head of Research***

Derren Nathan

T: +44 (0)20 3764 2344

E: [derren.nathan@hybridan.com](mailto:derren.nathan@hybridan.com)



**HYBRIDAN LLP**

E: [enquiries@hybridan.com](mailto:enquiries@hybridan.com)

W: [www.hybridan.com](http://www.hybridan.com)

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