



HYBRIDAN

YOUR PARTNER FOR GROWTH

March – April 2022

*Strategic corporate
finance professionals
for private and listed
companies*



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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.



HYBRIDAN

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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:



- London was the most active equity market in Europe in 2021, with: 2.3x more transactions (642* IPOs & secondary transactions) than the next most active European exchange, Stockholm (284 IPOs & secondary transactions) and 1.6x more in IPO and secondary transactions' proceeds (£49.3bn) than the next European exchange, Frankfurt (£30.2bn).
- Number of IPOs in London continued at pace throughout 2021 with 126 listing (60 on Main Market and 66 on AIM), the highest since 2014, raising £16.9bn.
- However, it was always going to be tough for markets to maintain the momentum and volumes that flourished across 2021. Research from UHY Hacker Young, found that AIM solidified its reputation as the best junior stock market in Europe – having raised over £9.5bn. Comparing this to other all European growth markets which raised £8.5bn between them.
- UK Small caps are having a tough start to 2022 – currently trading on an earnings basis at a wider discount than UK large caps for the first time since 2002/2003.
- Even prior to the War in the Ukraine, the AIM market had fallen more than 20% in the prior six months. As of February 2022, there were 845 Companies on AIM, with a total market capitalisation of £134.6bn.
- Three large and highly traded companies are leaving AIM. ASOS left AIM for the Main Market in February, while Clinigen and Blue Prism are set to leave towards the end of Q1/ early Q2. The total value of these three companies' trades in February is circa £1bn. This could lead to a big shortfall in AIM trading volumes as a result.
- The fuel cell and electrolyser developing companies have been slipping back since early 2021, but Ukraine invasion and the subsequent oil and gas price rises have also sparked a recovery in these shares, but they have a long way to go before they get anywhere near their previous level.
- ESG is increasingly important and a key theme in reporting. At the end of 2021, the LSE had 116 Green Economy Mark issuers with a combined market cap of £164bn

Outlook:



- With inflation and rising interest rates, investors will continue to make a move to more defensive/income-based companies which are not common in the small cap sphere.
- That being said, brave yet wise small cap investors acknowledge the segment's ability to outperform the UK stock market over the long term. A return to a patient capital approach is required once again.
- Across the latter half of 2021, as we saw the gradual lifting of pandemic restrictions. We envisaged it would be a struggle for predominantly online retailers to continue their aggressive YOY growth from 2021. The e-commerce sector was hit with the perfect storm of wage inflation, labour shortages, ongoing supply issues and less consumer activity. Boohoo, ASOS, AO World, Ocado, The Hut Group, CMC Markets were all victims of the return to normal for consumer behaviours.
- Looking ahead, with oil now at the highest level for almost 14 years, oil and gas company share prices are likely to continue their run. Soaring coal and oil prices are not helping investors' cause of supporting a net zero investment policy.
- We continue to see a hotbed of innovation in small caps – especially at the crossover between healthcare and technology, in innovative consumer brand loyalty, new energy production and storage technologies, cyber is still a hot area, along with Web3 related technologies. Whilst Covid did not create any “new” behaviours, the pandemic certainly accelerated the pace of adoption.
- We believe that any rebasing of valuations in small cap growth stocks can present an opportunistic buying opportunity. This is particularly the case for companies with disruptive solutions that already count the likes of transport networks, public sector bodies, blue and blue chip corporates amongst their customer bases. Gladly there are several companies that fit this bill across a range of sectors amongst Hybridan's corporate clients.



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