



HYBRIDAN

YOUR PARTNER FOR GROWTH

April – June 2022



We are small cap
brokers and advisers,
dedicated to fund
raising, promoting
investor awareness and
providing market-driven
corporate finance advice.

We raise capital for companies in the most efficient manner possible and pride ourselves as being one of the few consistently profitable broking firms in the City. This has been achieved through a highly disciplined approach when seeking to create both corporate and institutional relationships.

Coupled with our focus on our corporate clients, the quality of our institutional 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 enabled us and our clients to continue to execute transactions.

We communicate the investment cases of our clients to the market through equity research and frequent non-deal investor road shows. We provide market-driven corporate finance advice to our clients to help deliver shareholder value.

Our core investor base includes but not limited to:

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

Our Offering

Corporate Finance

Corporate Broking

Equity Research

Equity Sales/
Structured Financing

Investor Access

EIS/VCT Fundraising



The Three R's

Research

- We believe that research by a broker who has spent years nurturing the trust of institutions carries significant credibility.
- The digestion of an in depth research note is often an investor's first step in the DD process, followed up by regular updates so that news is viewed in a relevant context.

Roadshows

- To gain a new holder companies may need multiple meetings, over a period of months or if not years.
- We have shown that over time smaller quoted companies can build up significant institutional holdings.

Results

- The element most closely within the remit of the company itself. This applies to financials, or milestones in the execution of the business plan as well as non-financial KPIs.
- We stress the importance of delivering relevant and material news flow between the bi-annual statutory reporting dates that prevail.

Our Work

A level of professionalism in handling investors and research normally found in a large institution, but our expertise is in the small cap arena.

No NOMAD, no wealth management and no market-making = no conflicts and no hidden profit centres with different agendas.

Corporate Broking is what we do best: our only interest is in looking after our Corporate customers, which also means looking after our investors.

Well connected, often presenting at events, interviews and podcasts. Our CEO is Deputy Chairman on the QCA Board and until recently Chairman of the Small Cap Awards.

We are constantly monitoring for developments both in our market and clients' markets too, publishing our daily *Small Cap Feast* update which is sent to over a thousand investors and other market participants.

There is no hidden agenda behind our corporate finance advice to growth companies. It is 100% driven by our expert knowledge on current investor sentiment when it comes to valuation and deal structure. Test-marketing for every new corporate is essential in our take on procedures to ensure there is investor appetite ready and waiting.

We are one team of people and are very accessible beyond normal working hours.

We Avoid

What we feel we don't understand and therefore investors may not understand.

A sector that is an area of decline or managed decline.

Questionable numbers – or lack of delivery against targets set in fund raise use of proceeds, companies without revenue traction and those with inefficient cost bases.

Red flags in management (appropriate management team for size of company, an equally strong CEO as CFO, an independent non exec board, and exec management having alignment with investors in terms of stakes in the business).

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 listings** (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. As of April 2022, £99.7m of new money has been raised on AIM, across only 11 joiners. This compares to the £598m raised during the comparable period in 2021 from 21 new joiners.
- Despite the upward trend of companies on AIM increasing over the last few years, this has begun to decline. At the end of April 2022, AIM recorded 842 Companies, after starting the year with 852. The IPO market has slowed down and has been offset with companies either leaving the market or being acquired.
- The first four months of the year saw £936m raised through secondary fundraises on AIM, which was down on the £1.92bn raised in the comparable period in 2021.
- **Alternative Energy** has been the hot sector throughout 2022. It has been the largest contributor to both primary and secondary raises having raised 31% of the total new money raised and 25% of the £936m. The largest IPO in 2022 so far in the UK is Clean Power Hydrogen, listed in February, at a market cap of £120m raising £30m.
- The overall market capitalisation of AIM reached an all-time high at the end of August 2021 of £151.9bn, which has decreased since then to £122.5bn as of April 2022. The average market capitalisation of AIM companies at the end of April 2022 was £145m.
- Trading volumes in 2022 do not compare with those seen in Q1 of 2021. We are seeing a trend of a shrinking average trade size.
- In terms of liquidity, in April AIM stocks traded a median value of 2.43% of their market capitalisation which was below the 3.21% average seen throughout 2021 and below the April 2021 figure of 3.95%.

Outlook



- With spiralling 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.**
- 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, 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.**
- The challenging conundrum ensues between investor willingness to embrace ESG and net zero versus the market backdrop of rising energy costs forcing a surge in oil and gas prices. Climate change strategy has taken a battering with the UK on the brink of keeping coal-fired power stations open over the winter which would follow Germany and Austria amid gas shortages as a result of the ongoing Russian invasion of Ukraine.
- Pay rises can not keep pace with inflation to help with the current cost of living crisis. With talk of a recession on the cards, this is undoubtedly going to trickle down to consumer spending with flight bookings and car sales plummeting.
- Bond yields are on the rise and the outlook for equities and small caps is likely to remain uncertain for some time to come. In order to identify the buying opportunities and long-term winners in this environment, rigorous stock selection of quality companies, backed by robust equity research is more important than ever. This is a core pillar of Hybridan's service provision.

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