



HYBRIDAN

YOUR PARTNER FOR GROWTH

July - September 2022

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 is 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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