

Economic impact of AIM



Contents

| Section | Page |
|---|-------------|
| Introduction | 3 |
| Delivering a positive impact on the UK Economy | 5 |
| Creating a more resilient, sustainable and diverse business | 9 |

Introduction

Despite an extended period of uncertainty, exacerbated by the COVID-19 pandemic, AIM continues to play an important role in supporting business growth and in doing so delivering notable economic value to the UK.

AIM is the London Stock Exchange’s international market for smaller growing companies. It provides access to capital and on-going finance to ambitious companies and in doing so plays an important role in supporting business growth, through enabling companies to access external finance so that they can make a step change in their development. In doing this, AIM provides a range of investor opportunities and continues to make an important contribution to the UK economy.

The purpose of this short report, commissioned by the London Stock Exchange, is to update previous analysis on the impact of AIM. This analysis was last undertaken in June 2020 and as such this update provides an important, first, “post-COVID” view. As such, at a number of points throughout the report the latest analysis (2023) is directly compared to the “pre-COVID” position (2019).

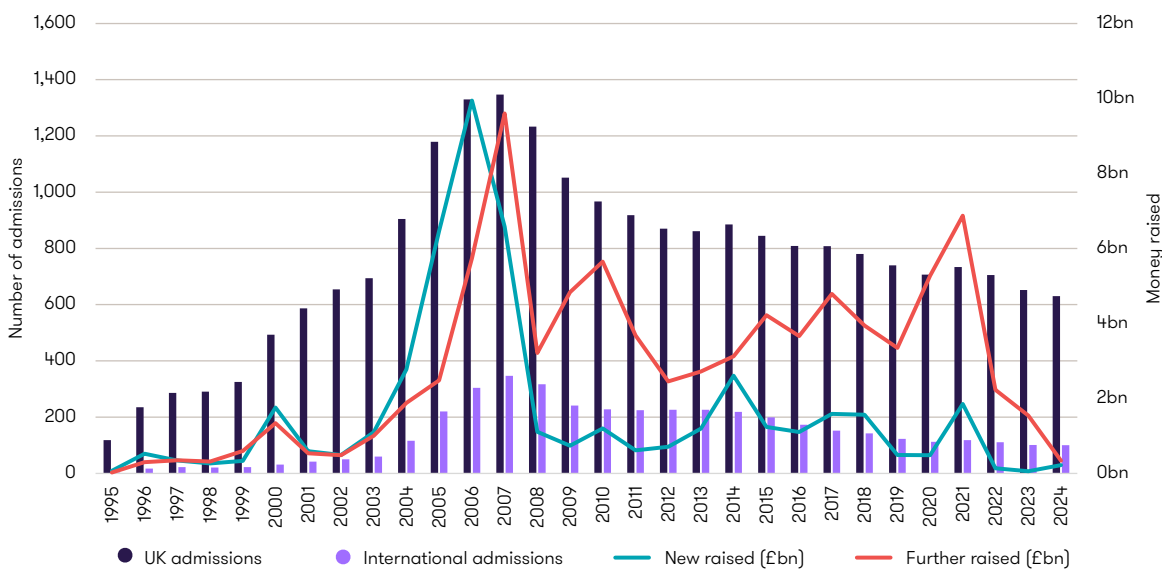
Since its inception in 1995, AIM has supported over 4,000 quoted companies.

AIM continues to welcome a broad range of companies incorporated overseas or with significant international operations, although the vast majority (83% of new admissions since 2015) of these companies have been UK incorporated.

Since its inception, AIM companies have raised £48 billion at admission and followed this with further fundraising amounting to £87 billion. In the first 10 years of AIM, 54% of the money raised was through new admissions compared to an average of 19% in the last 10 years.

Since 2007, 75% of all funds have been raised through secondary issues (£72 billion of £95 billion), however, total money raised has fallen by 71% between 2020 and 2023.

Figure 1: AIM new admission and money raised since 1995



Source: London Stock Exchange Group

Note: The money raised data does not include capital raised by existing shareholders selling shares in the company, as a result these numbers may be slightly lower than data from other sources.



Methodological approach

This report follows the same method adopted for previous analysis and draws on data from a range of sources which are detailed throughout the report.

In general, for the headline company performance measures, LSEG Datastream was used to obtain all available annual revenues, employee numbers and operating profits for the period 2010 to 2023 for all companies quoted on AIM from 1995 onwards with a UK registered ISIN.

As such, the population consists of companies that are currently active on AIM and those that have cancelled their shares but have disclosed over the reporting period. At the time the analysis for this report was undertaken (May 2024), not all currently active AIM companies had filed 2023 accounts (c.80% had), therefore 2023 figures represent a hybrid combining the actuals of those companies that have filed 2023 accounts and 2022 data for those companies where this is their most recent year end.

The economic impact analysis uses an industry standard methodology to quantify three levels of impact:

- Direct impact which is the post-tax profit, wages and employment produced directly by AIM companies.
- Indirect impact or supply chain impact, that results from AIM companies buying goods and services from other businesses; and the
- Induced impact which relates to the wider economic benefits from employees of AIM companies and their suppliers as they spend their wages in the wider economy.

To model estimates at each of these levels, the Office for National Statistics Input-Output analytical tables were used. These tables provide detail of how different UK industries trade with one another in terms of consumption and investment. In doing so they provide a representation of national economic accounts. This data was modelled based on the sectoral nature and performance of the individual AIM companies.

Delivering a positive impact on the UK economy



Delivering a positive impact on the UK economy

Economic impact

The health of an economy is measured by its scale and its growth in terms of the goods and services it produces over a specific time period, at a national level this is measured in terms of Gross Domestic Product (GDP).

In 2023, AIM companies contributed £35.7 billion Gross Value Added (GVA)¹ to UK GDP and directly supported more than 410,000 jobs. By comparison, the UK's agriculture, forestry and fishing sector contributed £19.2 billion; advertising and market research contributed £21.6 billion; the motion picture, video, TV programme and broadcasting sector contributed £21.8 billion; and the arts entertainment and recreation sector contributed £31.0 billion².

In addition, AIM companies made a significant corporation tax contribution of £5.4 billion to the Exchequer³.

Over the last 4 years (pre- and post-Covid) the direct economic contribution made by AIM companies has grown by 6.6% from £33.5 billion although employment has fallen by 4.7%. By way of context the UK employment rate (the number of working age population in work) fell from 76.1% in 2019 to 74.8% and changes in employee numbers were not uniform across all sectors with AIM companies in consumer, industrial and technology sectors actually growing.

In addition to this direct contribution, AIM companies support further economic activity through both their supply chains and the expenditure of employees in their local economies.

Through their supply chain expenditure, AIM companies support a further 212,800 jobs and £18.6 billion of GVA. This indirect impact includes a broad range of suppliers to AIM companies such as financial services (nominated advisers and stock brokers), business services (registrars, financial public relations, legal, tax, accounting and audit) as well as wider goods and services.

Both those employed directly by AIM companies as well as those employees supported through the supply chain will spend their wages on goods and services supplied by UK businesses. These so called induced effects generate further employment and GVA. The induced impact is estimated to support a further 155,778 jobs and a £13.6 billion GVA contribution to GDP.

Taken together, the overall economic impact is equivalent to £68.0 billion in GVA and over 778,000 jobs.

Figure 2: GVA and employment contribution of AIM 2023 vs 2019

| | 2023 | | 2019 | |
|--------------|-------------|----------------|-------------|----------------|
| | GVA (£bn) | Employment | GVA (£bn) | Employment |
| Direct | 35.7 | 410,311 | 33.5 | 430,387 |
| Indirect | 18.6 | 212,800 | 20.3 | 294,085 |
| Induced | 13.6 | 155,778 | 13.4 | 181,118 |
| Total | 68.0 | 778,888 | 67.2 | 905,590 |

Source: Grant Thornton analysis of LSEG Datastream and Office for National Statistics data

1 GVA measures the contribution to the economy of an individual producer, industry or sector

2 ONS Regional Gross Value Added by industry April 2024 release

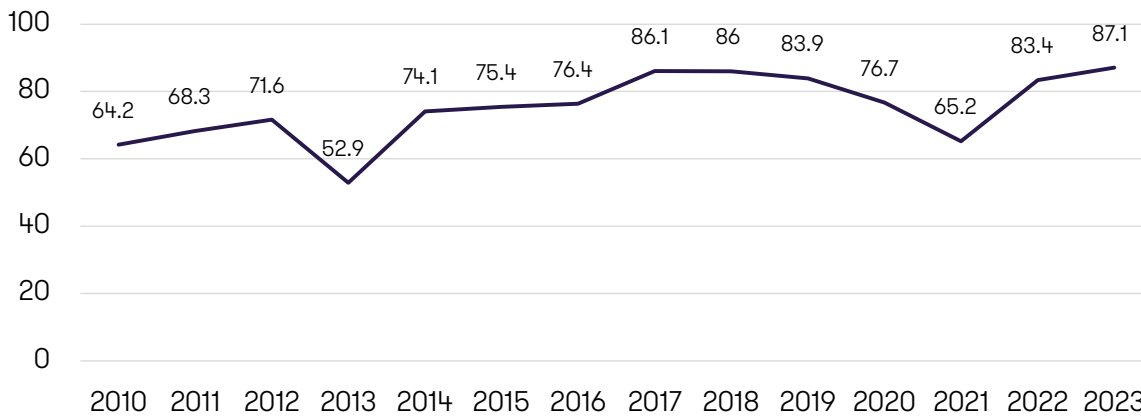
3 The estimated tax take associated with AIM companies is based on an analysis of profitability. It is calculated using data on the profitability of AIM companies and a calculation of the Corporation Tax due

4 ONS Labour market statistics time series – employment rate (aged 16-64, seasonally adjusted June 2024 release)

Improving productivity

By providing access to the necessary funding, AIM enables new and existing companies to make the investment needed to turn ideas and knowledge into marketable products and services. By looking at productivity – as measured by GVA per filled job – AIM companies are, on average, more productive than the national average with productivity of £87,100 GVA per employee (see Figure 3). This compares to a national (UK) average of £58,327 and a London – the most productive region in the UK – average of £82,801⁵. Over the last 4 years, the productivity of AIM companies has improved by 4% compared to 3% nationally.

Figure 3: AIM GVA per employee 2010-2023 (£000)



Source: Grant Thornton analysis of LSEG Datastream data

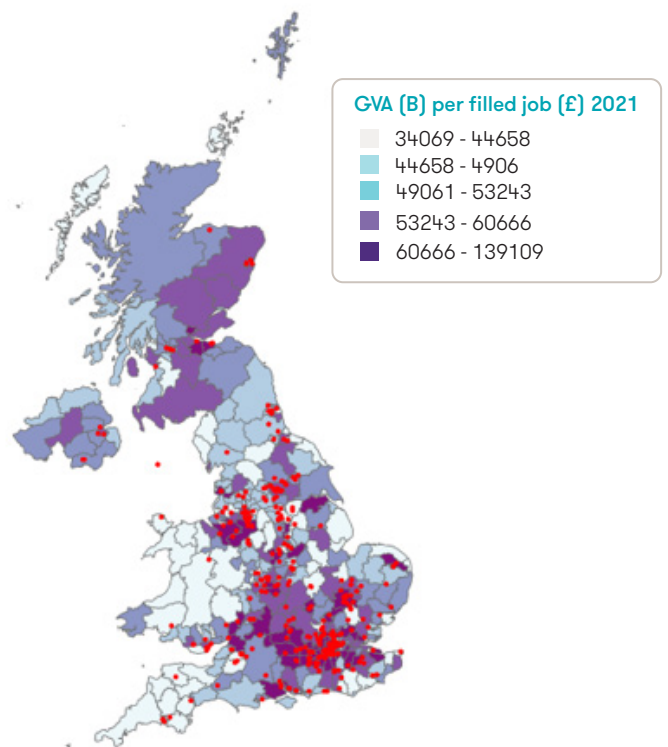
Regional growth

Driving regional and sub-regional growth and prosperity remains a core challenge for the UK. It was an important priority for the Conservative Government through its “levelling up” agenda and sits at the heart of the new Labour Government’s growth mission to kickstart economic growth and: “secure the highest sustained growth in the G7 – with good jobs and productivity growth in every part of the country making everyone, not just a few, better off”⁶.

The map in Figure 4 shows the broad geographical spread of AIM businesses across the UK and in doing so highlights that the market is one that delivers UK wide benefits.

By overlaying these geographic locations on a heat map showing how productivity differs across the country (with higher productivity represented by the darker shaded areas) it is clear that AIM businesses – as generally more productive and scaling businesses – can play an important role in helping balance regional disparities. This is particularly the case where there are clusters of AIM companies in certain regions where productivity is lower such as the Midlands, Yorkshire, the North East and parts of Scotland and Northern Ireland, for these areas AIM companies are often important anchor institutions for the local economy.

Figure 4: Geographic location of AIM Companies and GVA per job



Source: Grant Thornton analysis of London Stock Exchange and Office for National Statistics data

⁵ ONS Sub regional productivity June 2023 release

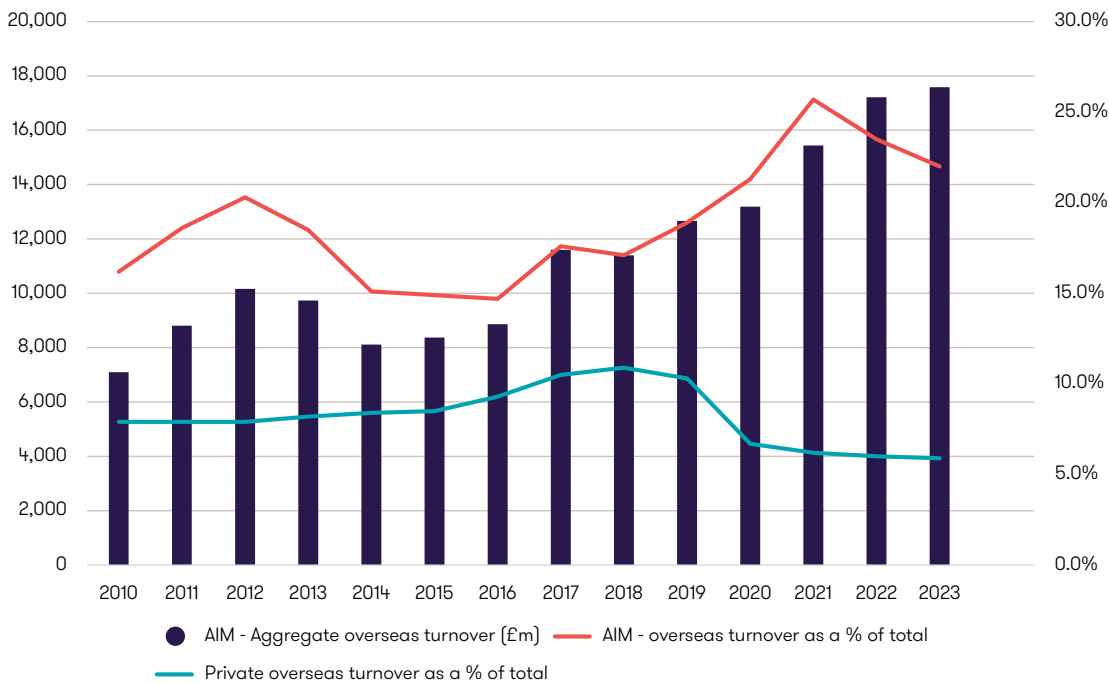
⁶ See Labour Party (2024) 5 Missions to rebuild Britain

Encouraging exports

Exporting remains a critical component of growth and post the UK's exit from the European Union it is an area that has been placed under increased focus by policy makers. The rationale remains simple: exporting draws additional revenues into the UK from overseas.

Figure 5 presents an interesting picture. In headline terms the aggregate overseas turnover for AIM companies has continued to grow from £12.7 billion in 2019 to £17.6 billion in 2023. However, the proportion of overseas turnover as a percentage total turnover has dropped since 2021 from a peak of 25.7% to 22%. Between 2019 and 2023, AIM companies have consistently generated four-times as much of their revenue from overseas exports, compared to private company counterparts in the UK.

Figure 5: Overseas revenues of AIM companies versus private peers 2010-2023



Source: Grant Thornton analysis of LSEG Datastream and BvD Orbis data



Creating
more resilient,
sustainable and
diverse businesses

Creating more resilient, sustainable and diverse businesses

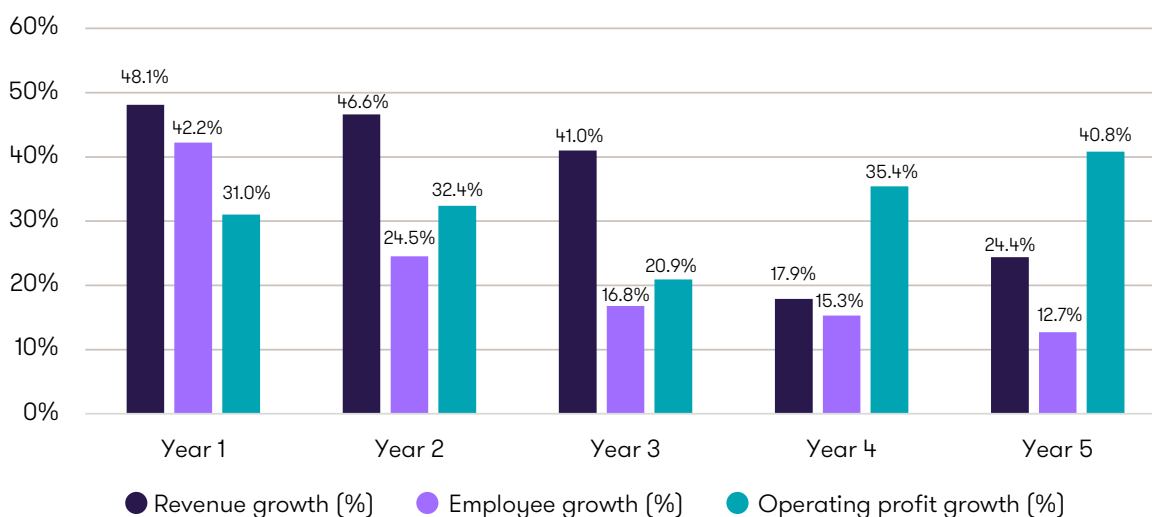
AIM has an important role to play in the funding continuum, by enabling companies to raise external finance. This is coupled with a further requirement to go through a number of processes as part of the preparation for IPO that enhance and strengthen the business's operations, this includes working through processes that optimise business performance, financial disciplines that underpin public company reporting and the adoption of a recognised corporate governance code. Together these help to create more resilient and sustainable businesses.

Supporting growth

Continued growth remains a key feature of AIM companies who not only deliver impressive growth immediately following IPO but who continue to deliver this year on year, in terms of increases in both revenue and employees. Figure 6 shows both the scale of revenue and employment growth following IPO as well as how this growth persists, with revenue growth above 40% year on year for the first three years and 17% for the fourth and fifth years following IPO. This suggests that an AIM IPO does not just deliver immediate growth but rather enables companies to scale and grow the business over the longer term. Significantly these companies also become more profitable with operating profit increasing to 35% and 41% in years 4 and 5 respectively.

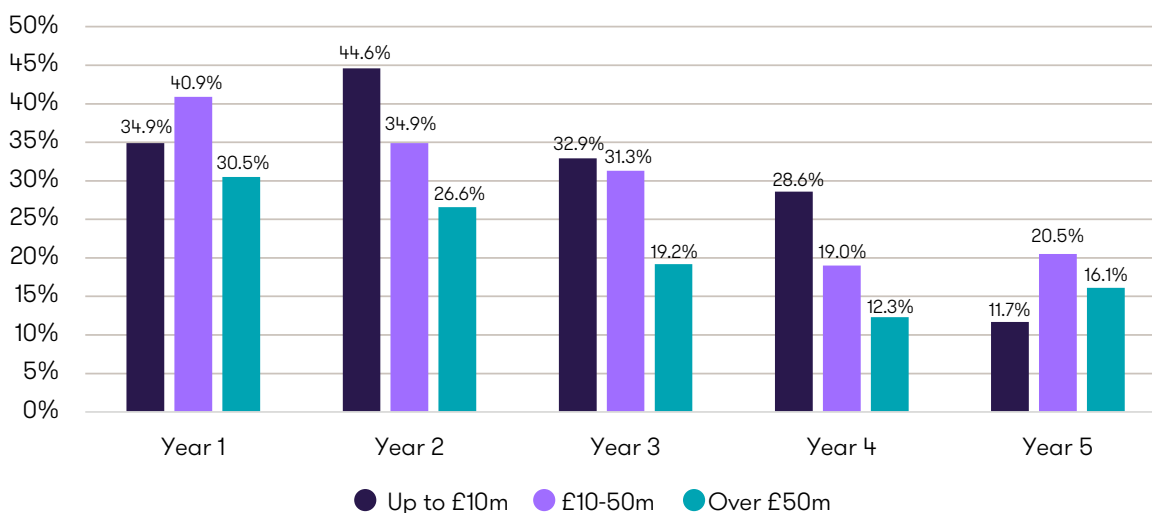
This growth is true for businesses of all sizes (see Figure 7) with businesses seeing particularly strong growth in the first three years and lower but still strong growth in years four and five.

Figure 6: Average annual revenue, employee and operating profit growth by post-IPO year



Source: Grant Thornton analysis of LSEG Datastream data

Figure 7: Average annual revenue growth by post-IPO year by market cap at listing

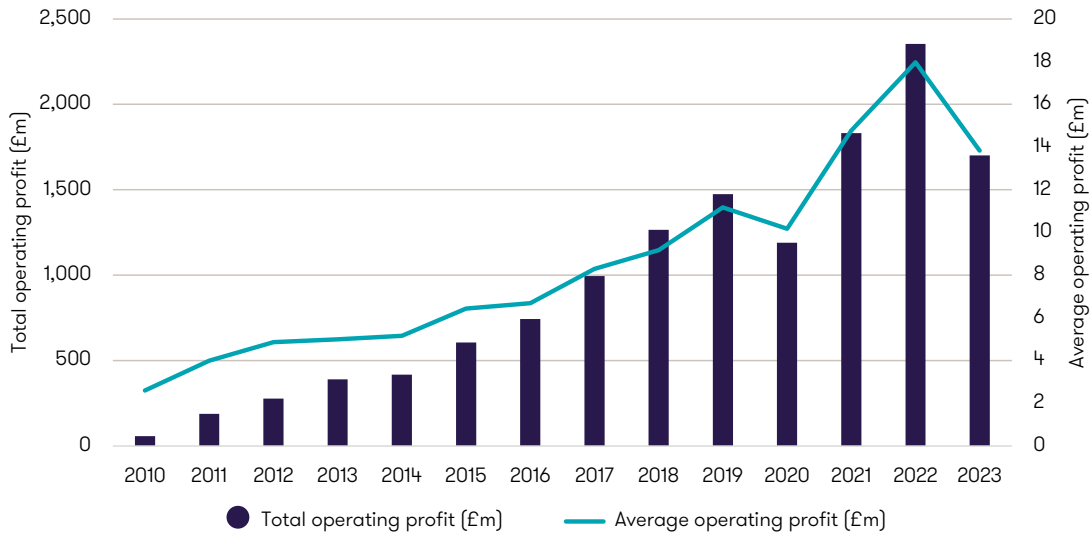


Source: Grant Thornton analysis of LSEG Datastream data

Creating consistent growth

In terms of the consistency of this growth, data suggests that this uplift in sales is also being converted into profits. Figure 8 shows that both the average profit (the total profit recorded for the year divided by the number of companies reporting a profit) as well as the total profit have grown considerably and – with the exception of 2020 and 2023 – consistently since 2010. Coupled with this, in the last financial year, the total dividends paid by UK Incorporated AIM companies was £1.2 billion, with an average dividend yield of 3.9%⁷.

Figure 8: Total and average profits since IPO (2010 onwards)



Source: Grant Thornton analysis of LSEG Datastream data

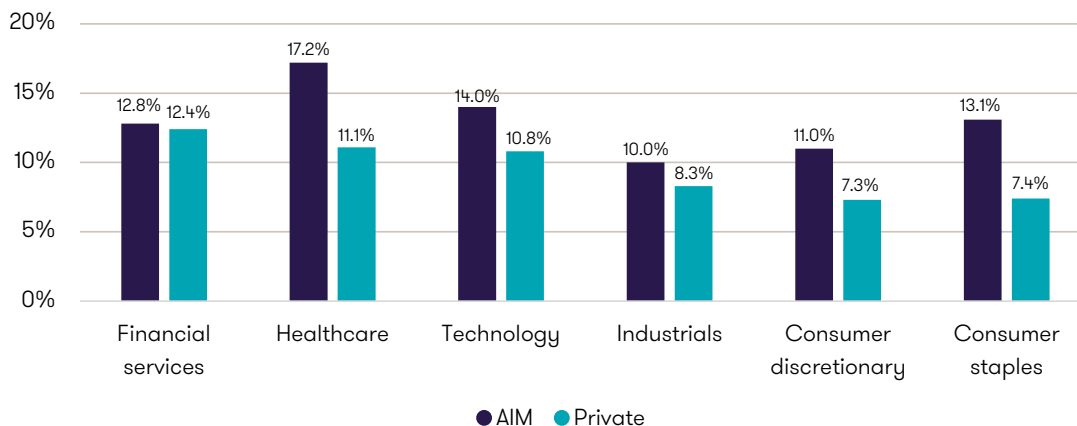
How growth compares to private peers

By looking at the six largest sectors (by revenue) of AIM companies in 2023 and comparing the growth of companies in these sectors to a comparable cohort of privately owned businesses in the same sector, we can further examine the role that AIM plays in supporting growth.

Looking at the Compound Annual Growth Rate (CAGR) of revenue over the past five years shows that AIM quoted companies significantly outperform their private peers (see Figure 9):

- Technology companies had a CAGR of 14.0% compared to 10.8% across private peers
- Financial companies had a CAGR of 12.8% compared to 12.4% across private peers
- Consumer (discretionary) companies had a CAGR of 11.0% compared to 7.3% across private peers, while Consumer (staples) had a CAGR of 13.1% compared to 7.4%
- Healthcare had a CAGR of 17.2% compared to 11.1%
- Industrials had a CAGR of 10.0% compared to 8.3%

Figure 9: AIM company v private company revenue CAGR 2019-2023



Source: Grant Thornton analysis of LSEG Datastream and BvD Orbis data

⁷ Dealogic and LSEG Workspace data

The importance of sustainability

In addition to the financial data, it is also apparent that AIM companies are increasingly recognising the importance of sustainability considerations. In headline terms:

- The Green Economy Mark has been provided to 34 UK-Incorporated AIM companies. The Green Economy Mark identifies London listed companies and funds that derive at least 50% of their revenues from products and services that are contributing to environmental objectives such as climate change mitigation and adaptation, waste and pollution reduction, and the circular economy.
- There are now four UK incorporated companies on AIM which are certified B-Corps, with the most recent receiving their certification in August 2024.
- 5% of AIM companies have a female CEO and 23% have a female CFO. 58% of AIM companies have at least one woman in a board position⁸. More recent research by Addidat – an ESG-data specialist – found that the number of AIM boards with no female representation had dropped from 42% to 37% between 2023 and 2024⁹.



⁸ LSEG Workspace

⁹ Addidat, Indigo: Independent Governance (2024) Gender Diversity in AIM company boards – Progress update March 2024

Facilitating future growth



Facilitating future growth

Despite an extended period of uncertainty, it is clear through this analysis that AIM companies continue to play an important role in the UK economy. AIM helps deliver significant economic value as it supports business growth and drives productivity. It is a market that supports businesses in doing this across the UK.

Therefore, given the Labour Government’s mission to support economic growth and in particular its desire to create “good jobs and productivity growth in every part of the country” consideration of the role that AIM is playing – and can continue to play – in achieving this mission is vitally important.

AIM has historically benefited from support from the Government via the Enterprise Investment Scheme and Venture Capital Trusts as well as various other tax reliefs such as capital gains (through gift relief and Business Asset Disposal relief), inheritance tax (through business property relief) and relief for losses. Collectively, these schemes and reliefs provide a comprehensive and well calibrated package of support that incentivises investment.

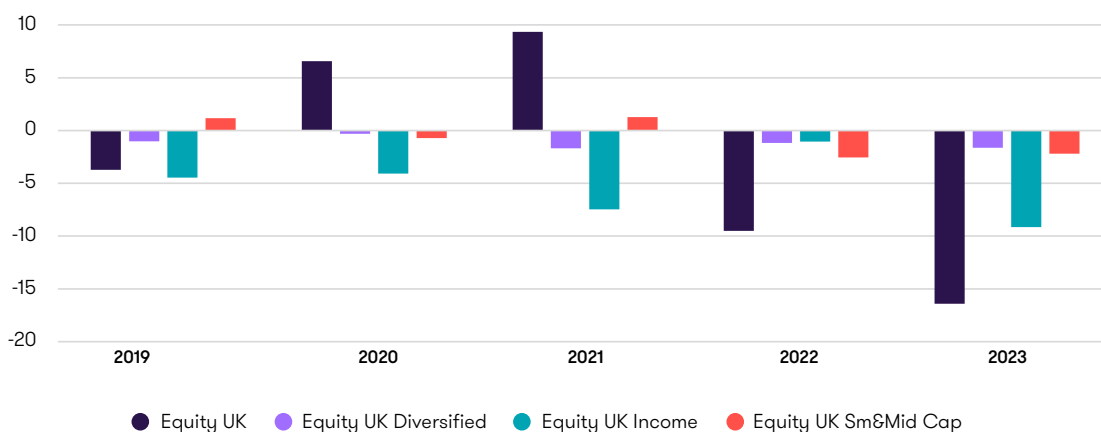
These reliefs – coupled with the effective platform AIM offers in terms of providing growth finance – have helped to create a cohort of businesses that are more productive and delivering significant and sustained value to the economy. It is fiscal support that this analysis would suggest has helped to facilitate a notable growth dividend for the UK.

However, while AIM has proven itself to be a robust market over nearly three decades, wider macro conditions are presenting significant challenges.

One of AIM’s great strengths has been its ability to attract investment from those wanting to take a longer-term view. It has done this by providing those wanting to invest in businesses with the information they need to assess the risks involved against a promise of future growth. AIM’s success in doing this is demonstrated by the fact that since its inception, AIM companies have raised £48 billion at admission and followed this with further fundraising amounting to £87 billion. However, the challenge for AIM – and by extension the UK economy – is that the scale of investment has slowed, with the total money raised falling by 71% between 2020 and 2023.

It is a slowdown that is particularly impacting equity investment in UK small and mid-cap businesses. Figure 10 shows fund flow data for dedicated UK Equity funds across four categories over the past 5 years. This figure illustrates very starkly the scale of equity fund outflows from UK equity markets and underlines the challenge facing small and mid-cap businesses in terms of the level of equity available.

Figure 10: UK Equity Fund Flows 2019-2023 (£billion)



Source: London Stock Exchange Group

Therefore, if future growth is to be a reality and the Government's mission delivered, thriving and growing private sector businesses will be critical. To make this happen Government needs to support and enable a funding continuum that helps companies to raise external finance throughout their growth journey – such as AIM – and in doing so facilitate their growth.

An important part of this will be protecting the various fiscal incentives and reliefs that encourage investment. Given the current market conditions and recent speculation about the status of some of these incentives which have had a negative impact on confidence, removal of these incentives risks reducing equity investment even further. A reduction that will hinder the growth of innovative and ambitious businesses. A reduction that will impact local economies across the UK.

Instead, by committing to the ongoing availability of the current set of targeted fiscal incentives and reliefs, Government can facilitate successful entrepreneurs and new businesses in identifying and delivering the industries and services of the future. It can support markets like AIM in continuing to play an important role in helping SMEs in the sectors of the future to secure funding for their growth. By doing this, Government will continue to facilitate a diversity of investors to plug a primary capital raising gap at the smaller end of the market and in doing so help to support and encourage a culture of innovation, investment and enterprise, which will be critical to delivering against its mission.

About us

At Grant Thornton, we prioritise personalised business solutions, building relationships, and celebrating fresh thinking. Our Economic Consulting team conducts a wide range of economic impact assessments for various clients, with experts from diverse backgrounds. Additionally, our Capital Markets Advisory offers strategic, financial, and operational advice, integrated solutions, and cross-border services for public and private companies, including those transitioning to public markets and overseas companies seeking access to London's equity capital markets.

If you would like to know more about our services, please visit our website, [Grant Thornton UK LLP](#).

Contact us



Philip Secrett

Partner, Head of Public Company Advisory

T +44 (0)20 7728 2578

E philip.j.secrett@uk.gt.com



Schellion Horn

Partner, Head of Economic Consulting

T +44 (0)20 7865 2288

E schellion.j.horn@uk.gt.com



Rob Turner

Director, Public Services Advisory

T +44 (0)20 7728 2741

E rob.g.turner@uk.gt.com



Maureen Paul

Director, Economic Consulting

T +44 (0)20 7728 2044

E maureen.paul@uk.gt.com

GRANTTHORNTON.CO.UK

© 2024 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication. DTSK-8592