

A report by Shore Capital Markets

Raising funds during a pandemic

Returns on new capital issuance during the pandemic period

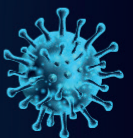
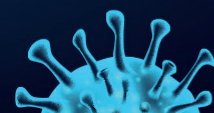
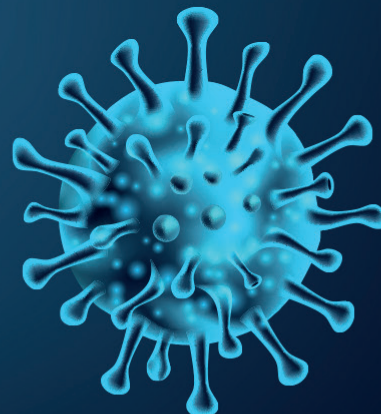
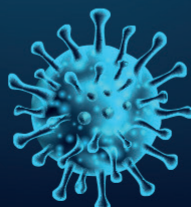
2020 has demonstrated the resilience of equity capital markets faced with an unprecedented crisis.

Over the course of the year so far, equity capital markets have shown that their primary function continues to work extremely well – to allow companies to raise capital and, in this instance, to do so quickly (aided by fast moving and pragmatic regulatory changes).

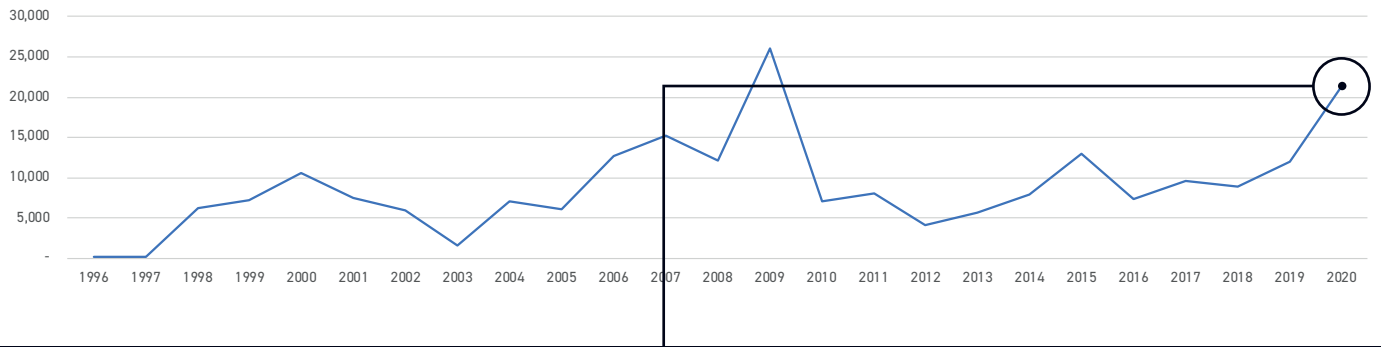
Amid economic and political turbulence, London's capital markets have enabled listed/quoted companies (excluding IPOs) to raise **£20.5bn**, an 79% increase on the £11bn raised in the same period of 2019 and the second-highest amount raised in the last 24 years.

Investors have seen significant returns, with a **c.28%** simple average return on all placings in the period 2 March to 9 October 2020 (compared to 1% over the same period in 2019), clearly rewarding those who have continued to invest at a time of unprecedented risk and uncertainty.

These stellar returns have been driven in particular by companies in the small and mid-cap space (with market capitalisations between £10m and £500m), which represent more than half of the placings by number over the period, and which have rewarded investors with an average simple return of **c.33%**.




Total Raised (£m)



The second highest amount raised in the last 24 years.

£ 20.5 bn 

raised to date in 2020

79% 

increase from the £11bn raised in Jan-Oct 2019

28% 

absolute return on placings (compared to a 1% return in the same period of 2019)



Dru Danford

Head of Corporate Advisory
Shore Capital

“ This data demonstrates the strength and resilience of equity capital markets here in the UK, and their increased importance at a time when many companies needed additional capital to replenish and strengthen their balance sheets. Participating investors have been rewarded as demonstrated by the returns generated during this time.

“It is clear from the support provided over this difficult period that business requiring growth capital should be attracted to public markets to provide their growth capital in the future.

And with a significant period of change as we have seen during the pandemic, it is small and mid-cap companies that have been able to use their agility to be disruptive and adaptive. If you take, for example, Clipper Logistics – a company Shore Capital was appointed broker to at the start of the crisis – you can see the ways in which the company has been able to utilise existing technology and online logistics expertise to pivot quickly to providing the goods and services most needed in a moment of national crisis, such as PPE for the NHS and online shopping and delivery services. Its share price as a result has risen by 261% from 135p at the beginning of March to 488p at 30 September.

“It is also worth noting that the relaxation of pre-emption rights from 1 April has allowed for much faster and cheaper issuance for Main Market companies, which was critically important in the midst of the crisis. While this relaxation is currently slated to end in November, it may be worth exploring a further extension or permanence (in line with prospectus rules) given the benefits over this period.”

Summary

Market cap ¹	Number of companies	As a %	Total raised	As a %	Average raised	Average Gain / Loss ²
>£1bn	46	21%	14,738	72%	320	21%
>£500m, <£1bn	13	6%	1,473	7%	113	13%
>£100m, <£500m	71	32%	3,163	15%	45	30%
>£10m, <£100m	76	34%	974	5%	13	37%
<£10m	15	7%	198	1%	13	-3%
Total	221		20,545		101	28%

Small/mid cap companies were the strongest performers

66%

of placings have been by small to mid-cap companies (between £10m and £500m)

33%

simple average return for companies between £10m - £500m

Top Performers

	1	2	3
Over £1bn	Asos plc Raise (£m) 274.00 Gain 247%	William Hill plc Raise (£m) 224.00 Gain 116%	Ceres Power Holdings Raise (£m) 52.00 Gain 65%
£500m to £1bn	SolGold plc Raise (£m) 30.90 Gain 96%	Team17 Group plc Raise (£m) 39.40 Gain 22%	Biffa Raise (£m) 100.00 Gain 17%
£100m to £500m	Synairgen plc Raise (£m) 14.00 Gain 389%	MaxCyte Inc Raise (£m) 25.10 Gain 236%	4d Pharma plc Raise (£m) 7.70 Gain 197%
£10m to £100m	Providence Resources plc Raise (£m) 2.70 Gain 353%	Gfinity plc Raise (£m) 2.25 Gain 305%	Surface Transforms plc Raise (£m) 2.40 Gain 273%
Under £10m	Sapo plc Raise (£m) 2.50 Gain 40%	Bonhill Group plc Raise (£m) 2.50 Gain 30%	Deepmatter Group plc Raise (£m) 2.10 Gain 3%

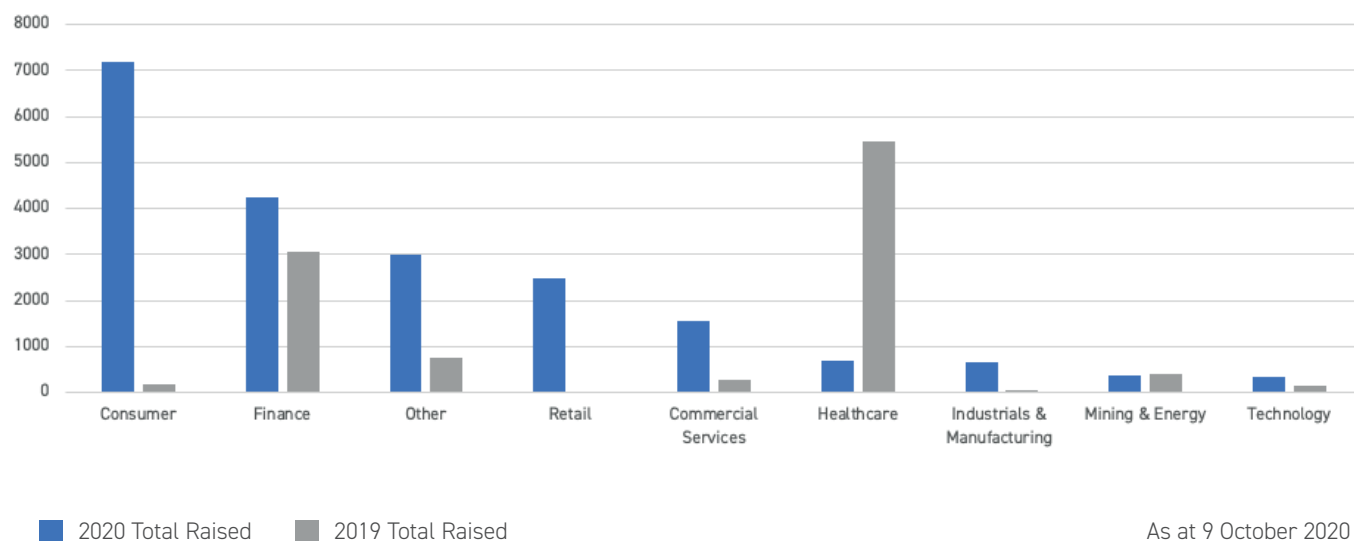
¹ Company size is based on market capitalisation as at 9 October 2020 ² Gain/Loss is calculated by using the placing price and comparing to closing price at 9 October 2020

Sector on sector relative performance (2020 v 2019)

2020 Sector Analysis							
Sector	Raises	% of Total	Avg Mkt Cap (£m)	Average Raise (£m)	Total Raise (£m)	Avg Gain / Loss (%)	
Consumer	38	17%	1572	190	7200	8%	
Finance	35	16%	1093	121	4237	6%	
Other	30	14%	1058	100	3006	8%	
Retail	9	4%	5481	276	2485	36%	
Commercial Services	23	10%	675	68	1553	26%	
Healthcare	26	12%	410	26	682	69%	
Industrials & Manufacturing	17	8%	287	39	656	50%	
Mining & Energy	27	12%	109	14	374	44%	
Technology	16	7%	245	22	352	37%	
Total	221		1214		20545		

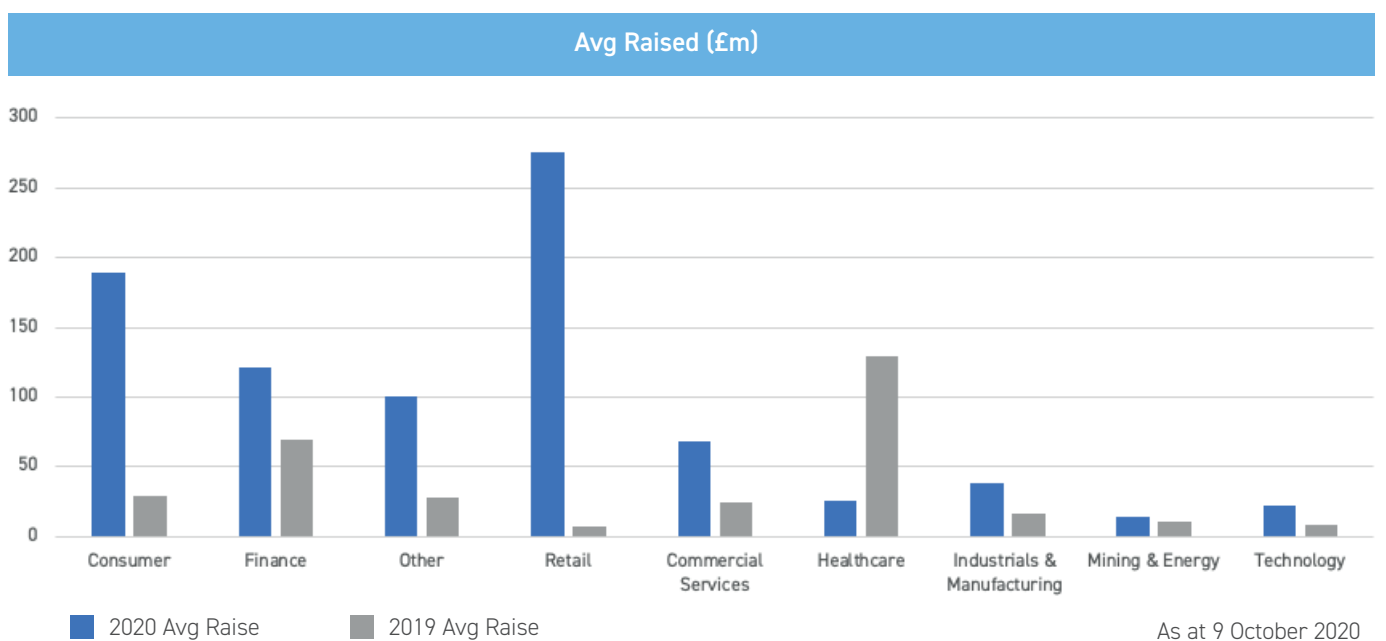
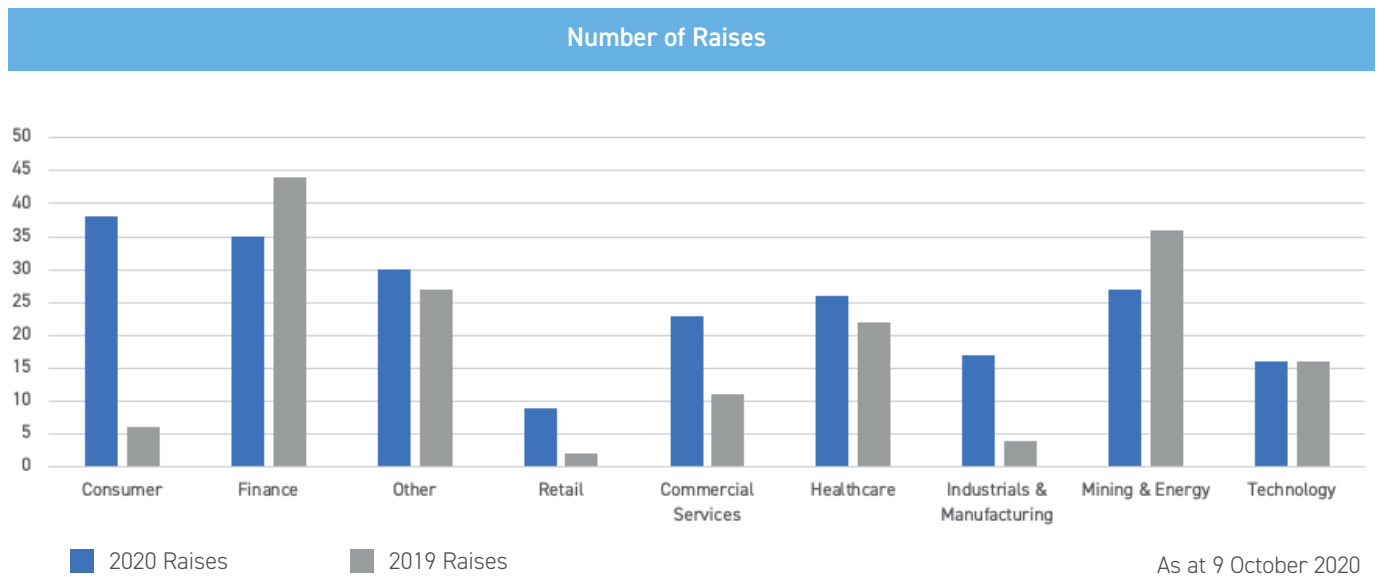
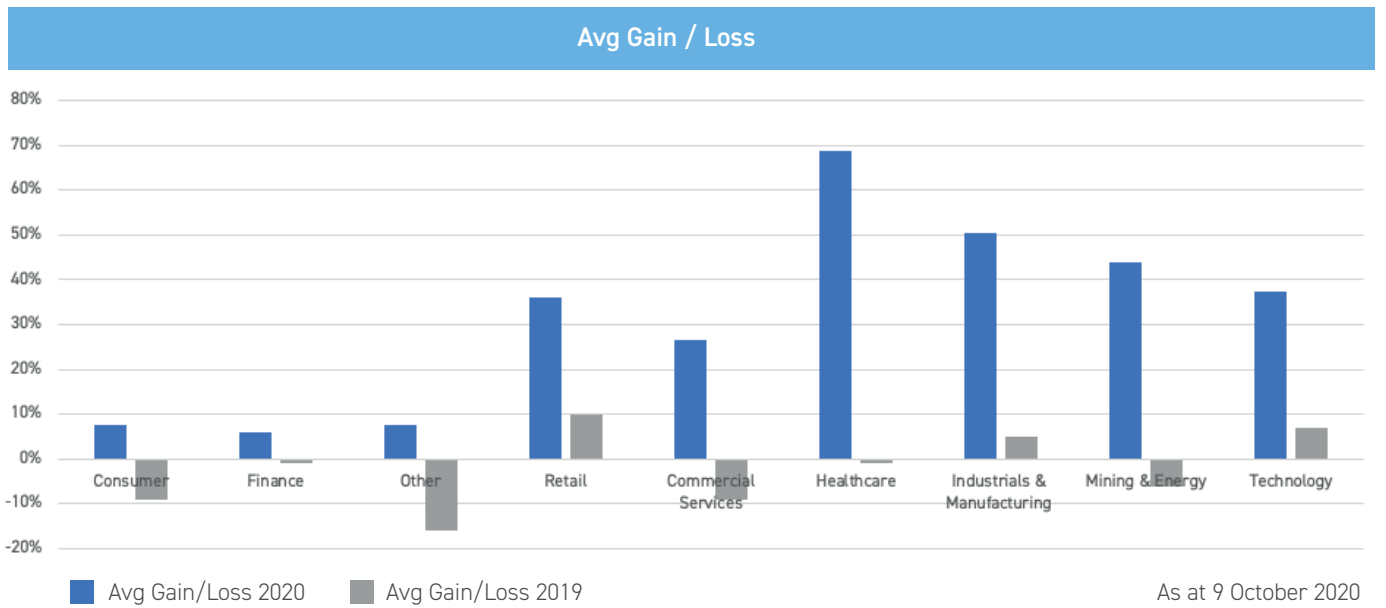
2019 Sector Analysis							
Sector	Raises	% of Total	Avg Mkt Cap (£m)	Average Raise (£m)	Total Raise (£m)	Avg Gain / Loss (%)	
Consumer	6	4%	173	29	173	-9%	
Finance	44	26%	1153	70	3064	-1%	
Other	27	16%	191	28	750	-16%	
Retail	2	1%	87	7	15	10%	
Commercial Services	11	7%	202	25	279	-9%	
Healthcare	22	13%	266	129	5448	-1%	
Industrials & Manufacturing	4	2%	157	17	67	5%	
Mining & Energy	36	21%	86	11	402	-6%	
Technology	16	10%	95	9	136	7%	
Total	168		268		10334		

Total Raised (£m)



As at 9 October 2020

Sector on sector relative performance (2020 v 2019)





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Recent Transactions

Oct 2020	Sep 2020	Sep 2020	Jul 2020
			
£9.5m Placing	£6.4m Secondary Placing	US\$8m Placing	£35m Placing & Open Offer; acquisition of Ignite
Sole Bookrunner	Sole Bookrunner	Joint Broker and Bookrunner	Nomad & Joint Bookrunner
Jul 2020	Mar 2020	Feb 2020	Feb 2020
			
£23.7m Placing & Subscription	£9.5m Placing and Subscription	Initial Public Offering	£21.68m Secondary Placing
Sole Broker & Financial Adviser	Financial Adviser to the TasHeel Group	Financial Adviser & Sole Bookrunner	Sole Bookrunner

Recent Appointments

Aug 2020	Jun 2020	May 2020	Feb 2020
			
Mkt Cap £29m	Mkt Cap £22m	Mkt Cap £264m	Mkt Cap £30m
Joint Broker	Sole Broker	Joint Broker	Financial Adviser & Sole Broker
Feb 2020	Dec 2019	Dec 2019	Oct 2019
			
Mkt Cap £104m	Mkt Cap £165m	Mkt Cap £34m	Mkt Cap £117m
Sole Broker	Joint Broker	Nomad and Broker	Nomad & Joint Broker

Methodology

The data used to prepare the statistics in this report was compiled by tracking all fundraisings undertaken by companies listed in London (on both Main and AIM) since 2 March 2020 to 9 October 2020. On top of noting the amount raised for each transaction, we have also recorded the placing price for the fundraising and the sector which the company belongs to in each case.

Using this data, we have calculated resulting percentage gains or losses for each fundraising by comparing the share prices of each company on 9 October 2020 against the placing prices applicable to each fundraising. Analysing the data, we removed all placings less than £2 million and have categorised each company into market capitalisation bands using their current market capitalisations. Finally, we have calculated the overall return for all the placings and for each sector by taking a simple average of all the individual returns for each fundraising, i.e. we have not applied any weighting for market capitalisation or fundraising size.

The collation of our data has also enabled it to be analysed by sector and company size to compare where investors have made relatively better gains and losses in the market since lockdown. On a sector basis, we have also calculated the returns of placings done during the same period as our dataset to make comparisons – again all returns for these sectors have been calculate done on a simple average basis. Finally, we compared the total amount that has been raised to 9 October 2020 to the amount raised in previous years in London which provided the evidence for the strong conclusion that 2020 has been an extraordinary year for equity fundraisings.

Sources:

Investigate (02/03/20 – 09/10/20),

FactSet (data from 02/03/19 – 09/10/20, accessed between 2/3/20 – 09/10/20,

London Stock Exchange website (data from 1/1/96 – 31/09/20, last accessed on 09/10/20)

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