

PEEL HUNT

QUOTED
COMPANIES
ALLIANCE

UNLOCKING
GROWTH
AFTER
LOCKDOWN

QCA/Peel Hunt Mid and Small-Cap Survey 2021

YouGov®



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INTRODUCTION FROM PEEL HUNT

The events of 2020 made for an extraordinary year, unlike anything we've seen before. With a global pandemic and extended periods of lockdown sending shockwaves through every economy worldwide, corporates of all sizes faced a liquidity crisis that not even the most bearish scenario planners had foreseen. Dividends and share buybacks were halted and capex was reined in. Companies lined up to raise fresh capital to keep their operations afloat. And the investment community answered their call, injecting more than £46 billion into UK plc since we first went into lockdown 12 months ago.

With corporate activity in the first half of 2020 dominated by fundraises, UK M&A came storming back in H2 with more deals announced than in any other half of the last three years. Meanwhile, take privates in H1 2020 reached new heights, as cash rich private equity piled into the public domain, drawn in by the deepening underperformance of the FTSE All-Share against international comparators and the opportunity to acquire attractive listed assets at knockdown prices.

2020 will also be remembered as the year that ESG took centre stage, with investors challenging Boards more than ever before to ensure that companies are playing a positive role in society, treating customers, suppliers and staff fairly, while contributing to the fight against climate change. Equally, the importance of engaging with the burgeoning retail investor base was brought to the fore, with growing retail inclusion in fundraises and their louder calls for access to IPOs reflecting the growing importance of treating all shareholders equally and good corporate governance.

While the arrival of an effective vaccine in December provided some much needed hope that the end of the pandemic and a return to normality was within sight, many challenges still remain. From the continued uncertainty over the City of London's future relationship with the EU, to ongoing regulatory concerns, rising levels of corporate distress and spiralling public sector debt, it is clear that the capital markets will play an essential part in both unlocking growth after lockdown and ensuring the UK regains its crown as the destination of choice for private companies seeking capital.



Our latest investor sentiment survey conducted by YouGov touches on all of these topics, identifying the scale and importance of emerging trends to UK investors and the way that corporates must adapt to the changing world around them. Despite the various headwinds that persist, public markets have proven that they are the lifeblood of our economy and will continue to have a key role in the post Covid recovery. To get businesses back on their feet, to enable investment to facilitate growth, and to build a more sustainable future as we work to heal the scars that the pandemic has left behind.

Steven Fine
Chief Executive

PEEL HUNT

THE QCA VIEW

Amidst the chaos of the early days of the pandemic, and the ongoing challenges for many businesses needing finance to bridge uncertain times, the UK's public equity markets showed their worth.

The evidence shows that publicly quoted companies were able to use the markets to seek financing when needed and that there was a pool of active investors ready to provide liquidity and see them through the hard times, with a long-term view to the future.

This is something that should be recognised and understood by our regulators and policymakers, not just applauded as a success story. Instead it should be something doubled down and capitalised upon. The story of the last 20 years has been about the decline of the UK's public equity markets, and in particular a consistent shrinking of the number of small and mid-sized companies using them, preferring instead to opt for low cost debt or private equity.

Having well functioning public equity markets not only provides finance for high-growth and innovative companies but also helps diversify the concentration

of businesses in the UK reliant on debt financing. In addition it provides an alternative to private equity, where the transparency and governance requirements are lower and there are few opportunities for wider society to invest savings and pensions for the long-term. The social benefit of the public equity markets is unrecognised by many.

The regulators played their part in 2020. Decisive action was taken by a number of bodies to enact temporary measures that helped make it easier for companies to seek finance. We believe that there is a strong case for some temporary actions to be made permanent and to examine what more can be done.

The need to stimulate our economy, combined with the opportunities that leaving the EU provides, can build momentum to revitalise the UK's public equity markets. Lord Hill's review of the UK listing regime in early 2021 is examining this and we hope this forms part of a well coordinated approach from the government to do this and lead to an expanding small and mid-cap ecosystem in the UK.



This survey, conducted by YouGov, throws light on many of these issues and provides strong evidence that the markets worked well in 2020 but that the future health of our markets is by no means guaranteed. Much more needs to be done.

Many thanks to Steven and the team at Peel Hunt for working with us again on this survey.

Tim Ward
Chief Executive



EXECUTIVE SUMMARY

The UK's public equity markets provided a vital service during 2020. When businesses needed finance to see them through the disruption brought by the pandemic, the markets enabled investors to provide liquidity and long-term finance.

The findings of this report are based on surveys with 103 UK-based fund managers, and 141 mid or small-sized quoted companies in late 2020. The respondents are positive on how both

the UK markets and UK regulators responded to enable companies to get financing and there is support for some of the temporary measures enacted to be made permanent and built upon.

The pandemic and resulting restrictions also forced companies and investors to connect with each other differently and the majority see this as a positive outcome, pushing them to be more efficient and enable online interaction in difficult times.



65%

65% of investors think that the UK's public equity markets were effective in 2020.



77%

77% of investors think that the temporary actions taken by the UK's financial regulators and policymakers to help companies access finance through the pandemic were helpful.



73%

73% of companies that have found temporary changes made by the UK's financial regulators helpful think that the flexibility around holding AGMs should be made permanent

Despite these successes, optimism for the future of the UK's public equity markets is low and decisive action needs to be taken to protect and build on our mid & small-cap markets - a great British asset. Joined-up government action is needed to review how the public equity markets are working and address how the many benefits for companies of being listed are being outweighed by the rules and regulations aimed at the very largest listed companies, having a disproportionate impact on our mid and small-sized enterprises.

72% of investors and over **52%** of companies have been engaging with each other in different ways due to the pandemic. This is most predominantly online engagement in place of face-to-face meetings and most companies and investors believe this has been a positive development.

But only **21%** of investors and **5%** of companies think the number of companies listed on UK markets will rise in the future.



58%

58% of companies believe that burdensome listing requirements and excessive scrutiny are one of the main reasons for shrinking markets.



67%

67% of investors think that there should be improved tax incentives for pension funds and insurance companies to invest in small and mid-sized quoted companies.

78% of investors and **73%** of companies think UK mid and small-caps should be exempt from MiFID II unbundling requirements.

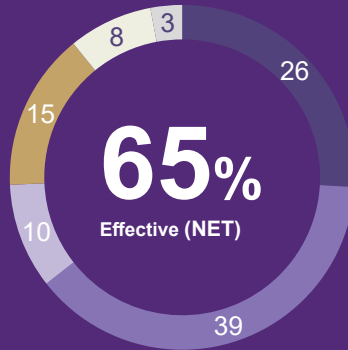
THE PUBLIC EQUITY MARKETS AND THE PANDEMIC

65% of investors and 56% of companies thought the UK public equity market was effective in 2020

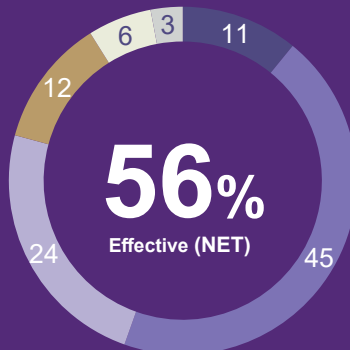
How effective or ineffective do you believe that UK public equity markets have been in 2020?

- Very effective
- Quite effective
- Neither effective nor ineffective
- Quite ineffective
- Very ineffective
- Don't know

INVESTORS



COMPANIES



Investors' views

"Despite the crisis there have been successful fund raisings and the odd IPO. Other than liquidity problems in March in all financial markets it has been possible to trade freely in the market all year i.e. have remained reasonably liquid."

"Count the number of raisings that have been done and think about the jobs and companies that have been saved. Important that regulators notice this. This has been achieved not by passives. If the regulator wants to prevent the effects of the next crisis they want to take less of a negative view on active fund management."

"Markets remained open throughout the duration of the COVID-19 crisis and regulators rightly ignored calls to suspend trading in the wake of the March sell off (which would have destroyed confidence)."

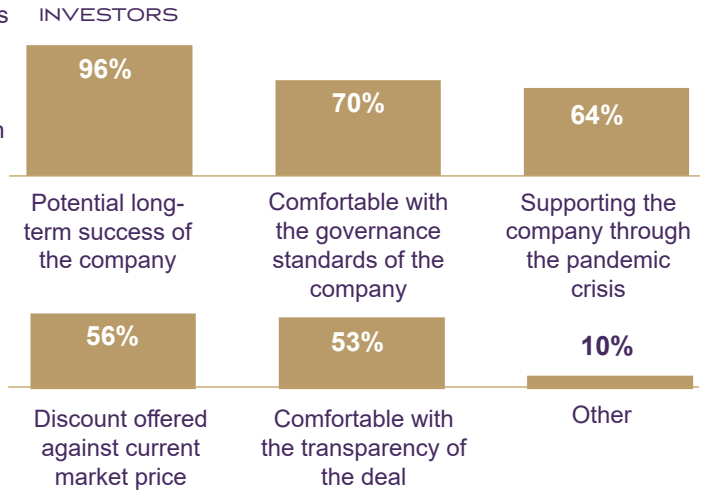
"Large amount of liquidity available to the companies that needed it and at the time they needed it. Despite reported outflows from UK small caps, fund managers have been widely supportive of recapitalisation events through the year."

"Capital markets have provided companies with vast sums of capital over the course of the pandemic, proving their efficiencies. Many companies would have gone bankrupt without institutional investors backing them through the pandemic. I think the fact these fund raises were carried out remotely further emphasises the effectiveness of the public markets."

After an initial period of adjustment, UK public equity markets have been effective and it has been relatively easy to raise capital.

Participation in fund raisings

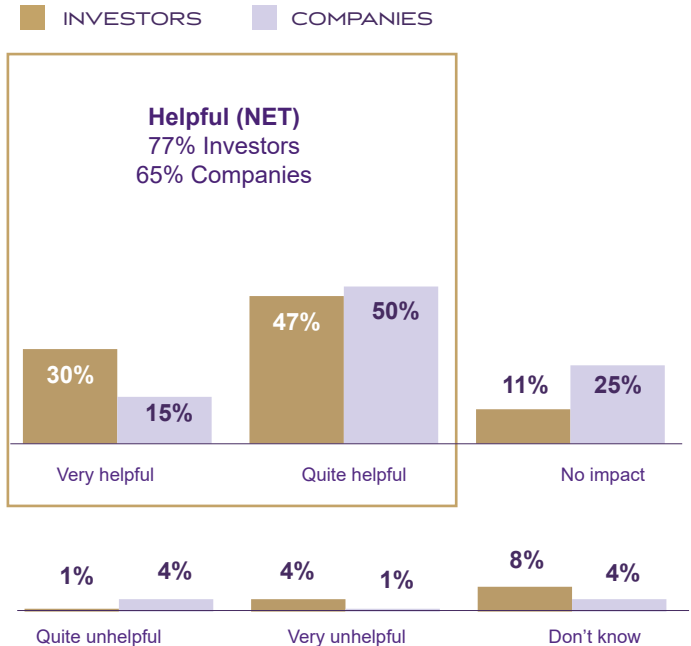
(There were 459 fundraisings on the UK public equity markets from 1 January to 30 September 2020). What attracted you to participate in these fundraisings?



Temporary actions in UK market were helpful through the Covid-19 pandemic

Between March and August 2020 the UK's financial regulators, policymakers and other actors took a number of temporary actions with the aim of helping companies access finance through the Covid-19 pandemic.

Overall, how helpful or unhelpful do you believe these actions have been for small and mid-cap quoted companies?

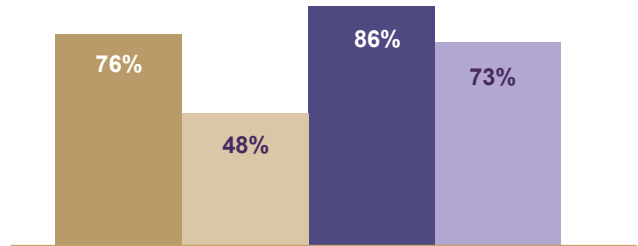


The most helpful temporary actions and which should become permanent

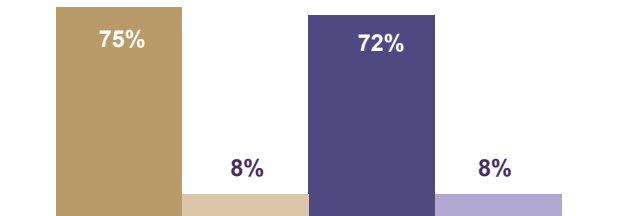
Which of the following temporary actions, if any, do you believe were helpful? And which of these temporary actions, if any, should be made permanent?

INVESTORS COMPANIES
■ Helpful ■ Helpful
■ Permanent ■ Permanent

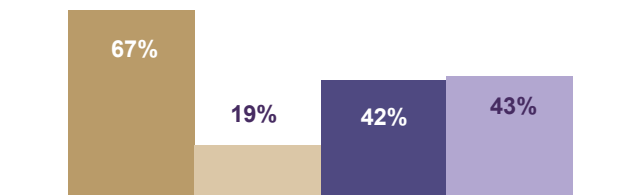
These numbers are based on those participants who have said that temporary changes made by regulators are helpful



Flexibility around holding AGMs (being able to hold them virtually etc)



Flexibility on deadlines to produce financial reports and accounts

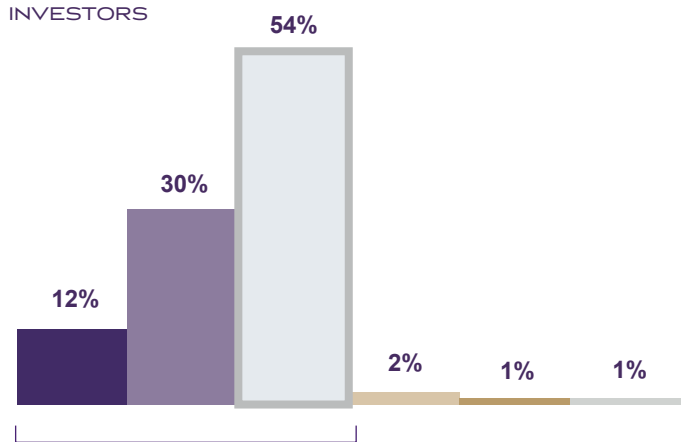


The Pre-Emption Group recommendation that investors consider supporting issuances by companies of up to 20% of their issued share capital

96% of investors plan to increase or maintain their exposure to UK mid and small-cap companies

Over the next 12 months how do you see your exposure to small and mid-sized quoted companies changing?

- Increase significantly
- Increase a little
- Stay the same
- Decrease a little
- Decrease significantly
- Don't know



96% increase or stay the same

Investors' views

"There are good funds and companies in market and Covid is having an effect on them. There is no reason why investments shouldn't continue. Many are solid companies and the need for them of investment remain more or less static in next 12 months."

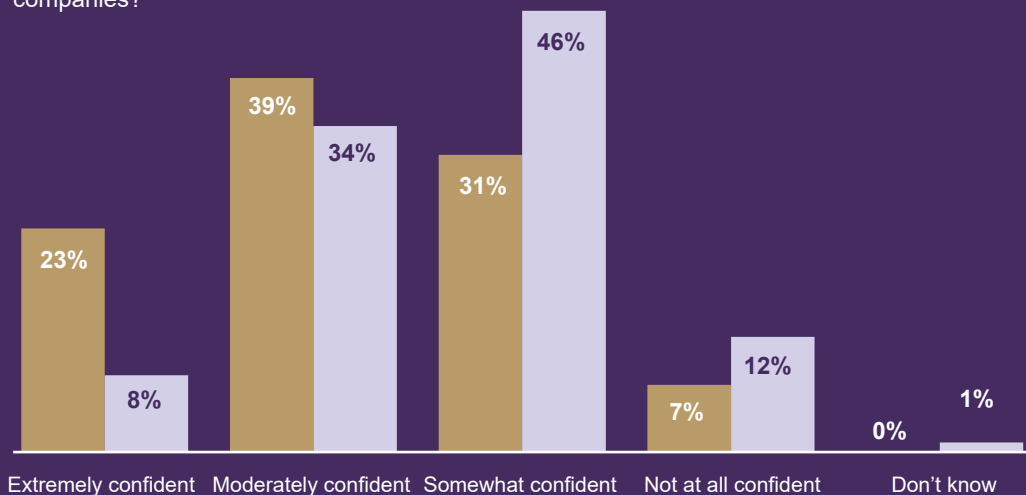
"At the moment changing portfolio construction significantly is not the right answer until we get more clarity."

THE STATE OF THE MARKETS AND HOW TO IMPROVE THEM

Confidence in the future of the UK stock markets

How confident, if at all, are you about the future of the UK's stock markets in their ability to provide finance to small and mid-sized quoted companies?

■ INVESTORS
■ COMPANIES



Investors' views

"The rules on liquidity for open ended funds drives most investors up the size scale which has reduced the number of investors in the small cap sector, which is where the capital is needed to support growth companies."

"There is a lack of institutional capital and increase in regulation and cost. The companies and investors must deal with a higher compliance burden that is not comparable to the private markets. Regulation makes it less attractive for non-executive directors who are then able to spend less of their time adding

value to the company. Small cap businesses have more funding options available to them (across debt and equity in the private markets). At the small end of the market there is a lack of liquidity meaning that it can be difficult to raise capital and thus can damage a business growth prospects."

Companies views

"There are structural and cost inefficiencies for institutional investors to support small & mid-caps (e.g. MIFID 2) and there are insufficient tax incentives for significant retail investment. This leads to a lack of depth in market pools for this sector of the market."

"The post Brexit regulatory environment will offer opportunities to markets to operate in a less rigidly regulated environment, although there is no certainty that the UK will capitalise upon this."

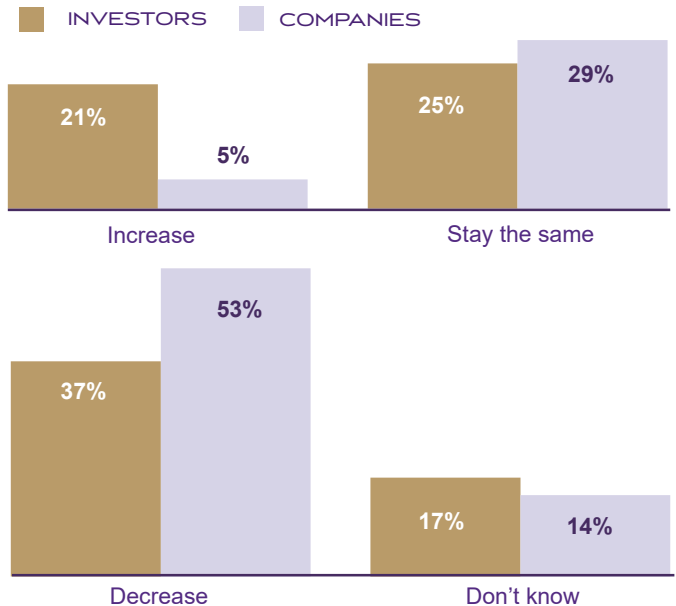
"Raising capital from institutional investors is proving an increasing challenge as many have criteria that excludes smaller companies however there are family offices and retail investors that will invest in smaller AIM companies."

"I think the money and interest will be there for the right companies but the regulatory and compliance burden for listed SMEs is significant in terms of cost, time and effort."

"The period March to October 2020 showed investors were more than ready to support UK companies of all sizes, and particularly small caps. While risk appetites may temporarily decrease at times, I believe that sensible companies with good growth plans will generally always get a fair hearing from the investment community."

Only 21% of investors and 5% of companies think the number of companies listed on UK markets will rise.....

The number of companies quoted on the UK's public equity markets has declined in recent years. Do you think the number of companies coming to market in the future will...?



Investors' views

"The shrinking of markets has slowed and when we get over the pandemic this should encourage companies to consider coming to market again as the market has proved it can raise cash quickly."

"There have been plenty of reasons not to list over the last few years. As Brexit becomes something of the past, there is likely to be re-equitization."

"We have made it incredibly onerous for companies to be listed, never ending rise in red tape. The markets have become more and more short term as more and more assets are run by machines."

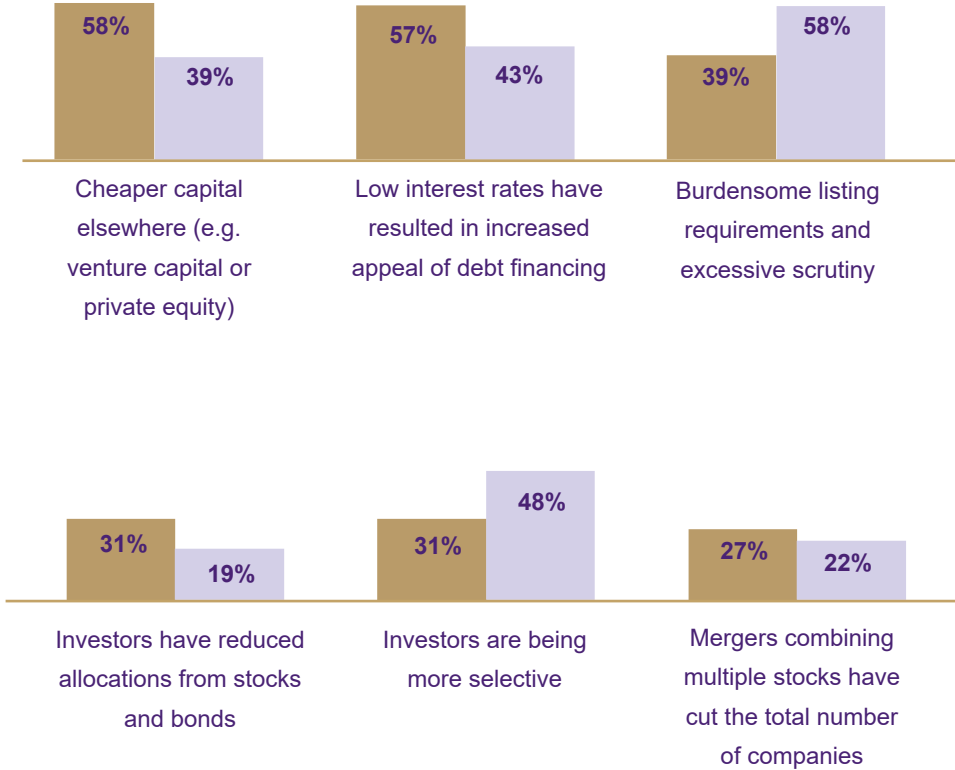
"These long term trends go in cycles. More UK private companies will now see the benefits conferred by being listed in raising emergency funds as a consequence of the pandemic."

"I wish it wasn't the case but markets that are increasingly run by machines are more and more short term. So it makes private ownership more appealing sadly. Societally that means a far smaller % of the country can participate in the success of business."

Why is the UK public market shrinking?

Which of the following, if any, do you think are the main drivers of the shrinking of the UK public markets?

INVESTORS
COMPANIES



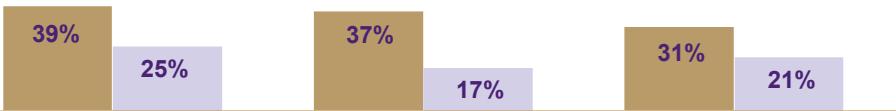


COMPANIES

Burdensome listing requirements and excessive scrutiny

INVESTORS

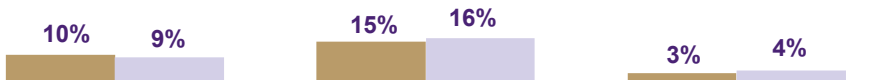
Cheaper capital elsewhere (e.g. venture capital or private equity)



Companies are slower than before in launching into public markets

Exchange rates making sterling-valued companies look cheap for takeover

Companies are using their own money to buy back stock, removing shares from public markets



Companies are being more cautious determining their pricing range

Other

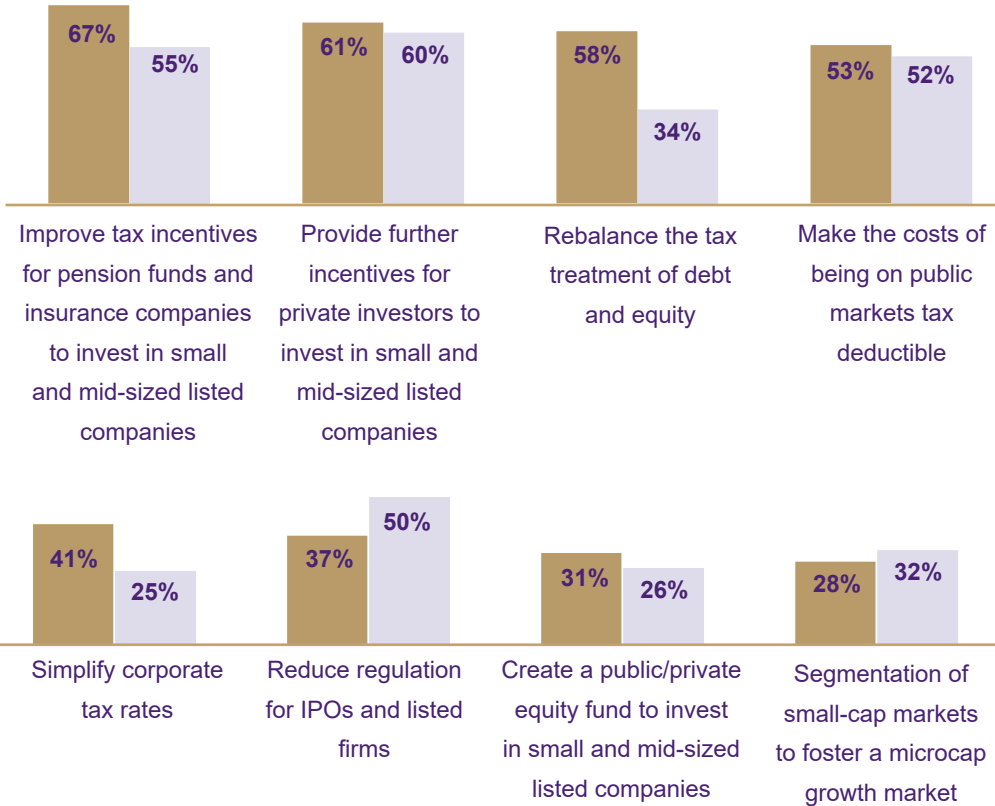
Don't know

None of these
 Companies - 0%
 Investors - 2%

...and what can be done about it?

How can the UK Government and other policy makers encourage the flow of private companies to list on to the UK stock market?

INVESTORS
COMPANIES



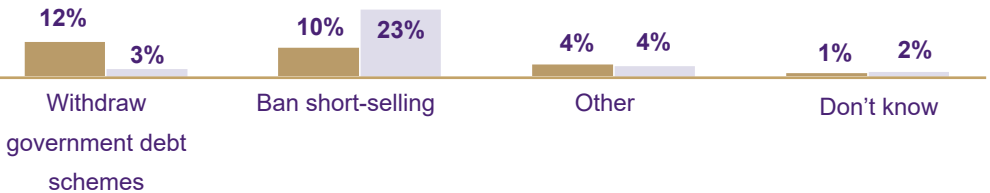
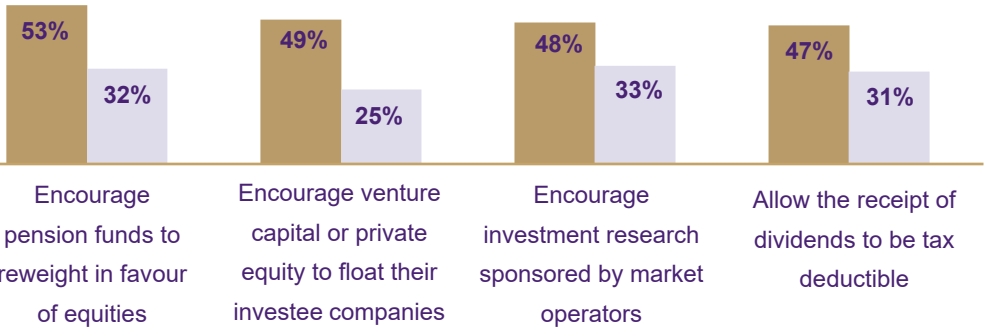
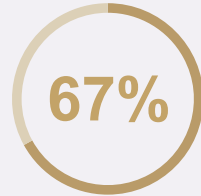


COMPANIES

Provide further incentives for private investors to invest in small and mid-sized listed companies

INVESTORS

Improve tax incentives for pension funds and insurance companies to invest in small and mid-sized listed companies



None of these

Companies- 0%

Investors- 2%

The most attractive stimuli to create greater depth of liquidity are based on tax breaks and incentives.

What would be a real stimulus to create greater depth of liquidity for small companies?

INVESTORS

“More government infrastructure spending to create more business opportunities for smaller suppliers.”

“A complete re-think of the unintended consequences of Mifid 2 - there is now too little (if any) independent research on companies. This increases risks. Higher risk needs high rewards. If they are not there then other asset classes will be proportionately more attractive”

“More tax breaks for investing in smaller companies and more allocations by fund selectors into UK small and mid-caps. [There is a] vicious circle at the moment as liquidity prevents allocations increasing.”

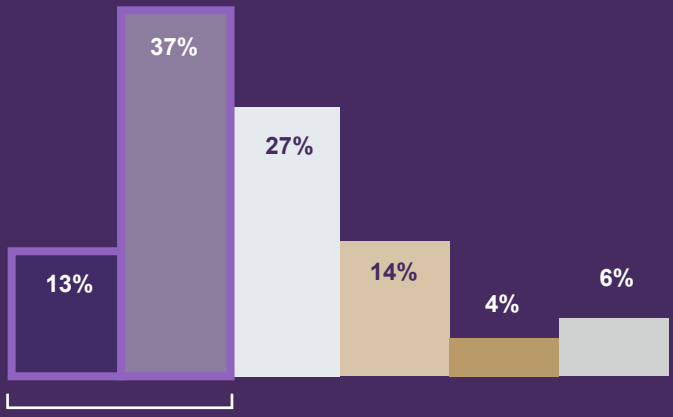
ESG & CORPORATE GOVERNANCE

Rise in ESG funds will positively impact public markets for private companies

What impact do you think the rise of ESG funds will have on the overall attractiveness of public markets for private companies?

- Very positive impact
- Quite positive impact
- No impact
- Quite negative impact
- Very negative impact
- Don't know

INVESTORS



50% Positive

Investors' views

"AIM/LSE regulations require an appropriate level of corporate governance, which is a good thing. By obliging companies to be more open on ESG matters so it will drive behavior and decisions that should in the long-term be beneficial to all stakeholders"

"Private investors have sought robust ESG/sustainable/impact investment and this is now much more widespread than only 5 years ago. The savings flows into these areas from UK investors and savers could be significant in coming years."

"Encouraging improving standards in environmental and other such matters should enhance the appeal of public markets."

"UK plc was already quite good at ESG and is therefore well placed to offer plenty of good investment opportunities."

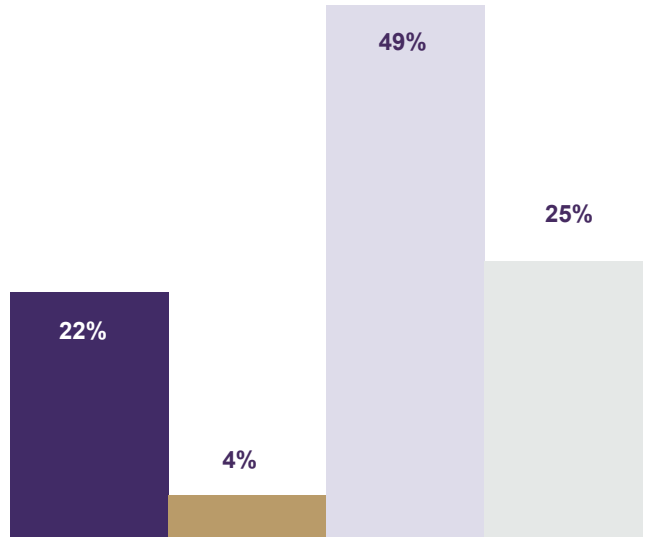
"ESG is going to end up being implemented clumsily so that creates a significant burden for smaller companies in terms of disclosures and actions required by shareholders, regulators and action groups. The intentions are right but the implementation is already in danger of descending into a green washing farce."

Corporate governance quality holds steady

Has the quality of corporate governance in small and mid-caps changed in the past 12 months?

INVESTORS

- Yes, improved
- Yes, worsened
- No, has stayed the same
- Don't know



Investors' views

"[Greater] awareness of broader stakeholder groups, employee awareness and treatment under covid-19, general awareness and understanding of ESG related issues has increased."

"There has been an increased need for governance with the change in how people have been working. There has been more emphasis on employee wellbeing and how they deal with their customers."

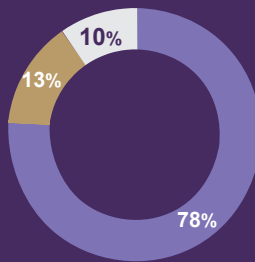
MIFID II IN THE UK

Over 70% of respondents surveyed think UK mid and small-cap companies should be exempt from MiFID II unbundling requirements

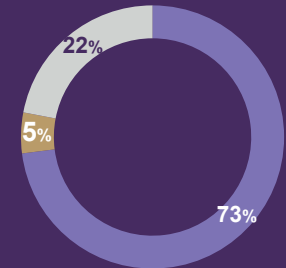
In the EU it is being proposed that small and mid-sized quoted companies be exempt from the MiFID II research unbundling requirements. Do you think this should be replicated in the UK?

- Yes
- No
- Don't know

INVESTORS



COMPANIES



The vast majority of those surveyed agree that the EU's plan to make small and mid-sized companies exempt from MiFID II's research unbundling requirements should be replicated in the UK.

In this survey last year, 70% of investors thought MiFID II had a negative impact on UK small and mid-sized quoted companies. What could regulators change within MiFID II to reverse this negative impact?

INVESTORS

"Keep the good bits (disclosure), remove the parts which are clearly detrimental to UK markets and market participants (e.g. payment for broker research)."

"Remove smaller company research from the scope of the regulation."

"Allow all research to be freely available (with usual caveats) in the interest of better market knowledge and an attempt at 'perfect information'. It should be an implicit cost from companies/brokers or an embedded cost within the trading relationship as was the case before with full disclosure."

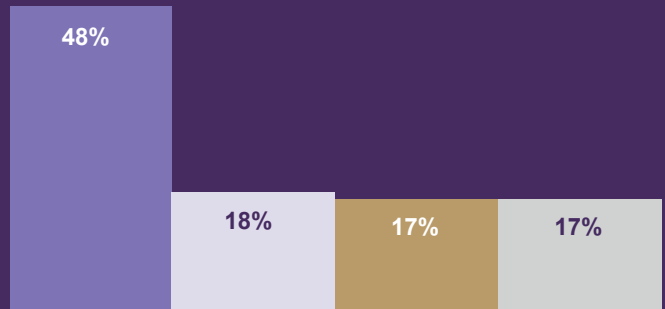
DEFINING THE UK'S SMALL & MID-CAP MARKETS

Support for creating a lightly regulated micro-cap market.

Would segmentation to create a lightly regulated micro-cap market to attract more companies to public markets be...

- Positive
- Neutral
- Negative
- Don't know

INVESTORS



A plurality of fund managers believe that segmentation to create a lightly regulated micro-cap market would be a positive thing and, if established, a similar proportion believe the maximum market cap should be £50m.

Investors' views

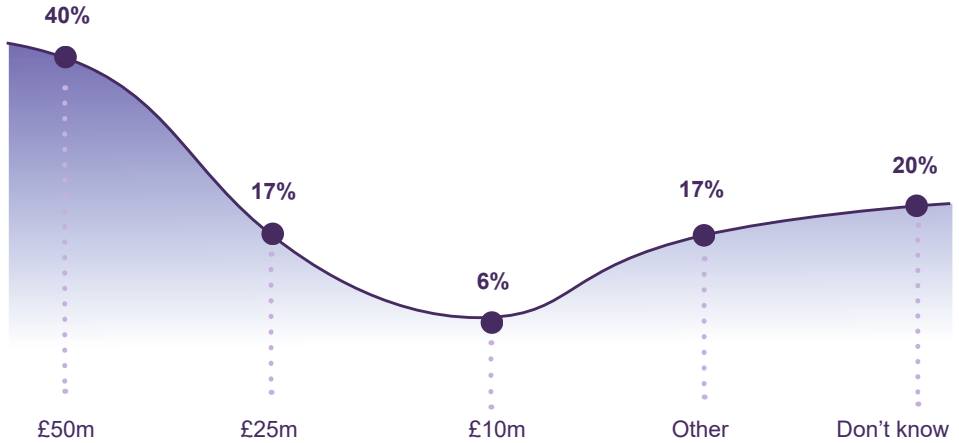
"Anything that helps to encourage business and listing, it can only be a positive thing that would drive growth."

"Reduced costs to encourage greater listings and market participation for new companies."

"It would support micro-cap companies who are trying to raise capital and I think it would be a great engine for the economy."

If a segmented micro-cap market was established, what do you believe should be the maximum market capitalisation for a new entrant?

INVESTORS

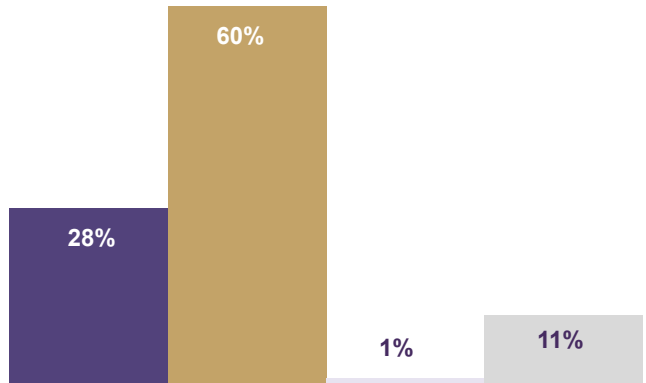


Definition of 'small & mid-sized company' should be set by market capitalisation.

Should the definition of quoted "small & mid-sized company" be set at the index or market cap level when setting the exceptions for small & mid-cap issuers?

INVESTORS

- Index
- Market capitalisation
- Other
- Don't know

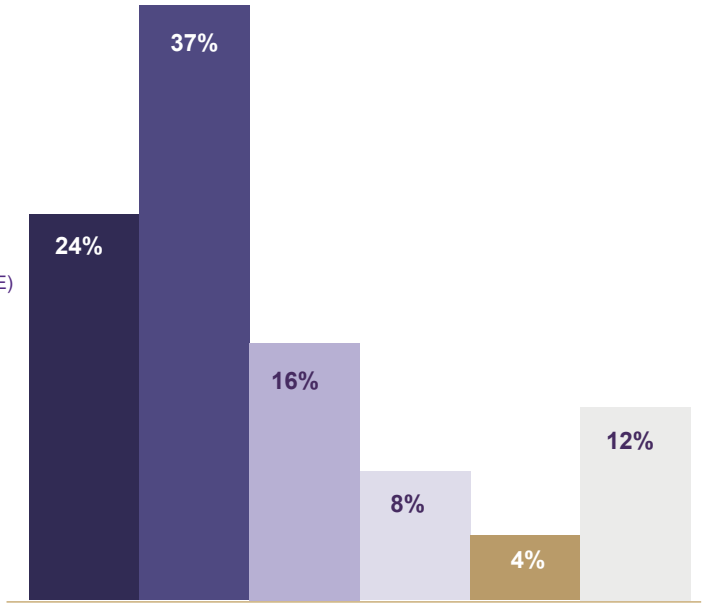


Most investors believe that the definition of small & mid-sized companies should be set at the market cap level. However, there is not a unanimous view on what that level should be.

If set at the index level, at what segment should the definition of quoted "small and mid-sized company" be set?

- Below FTSE 100
- Below FTSE 350
- FTSE SmallCap and below
- Growth markets only (AIM & AQSE)
- Other
- Don't know

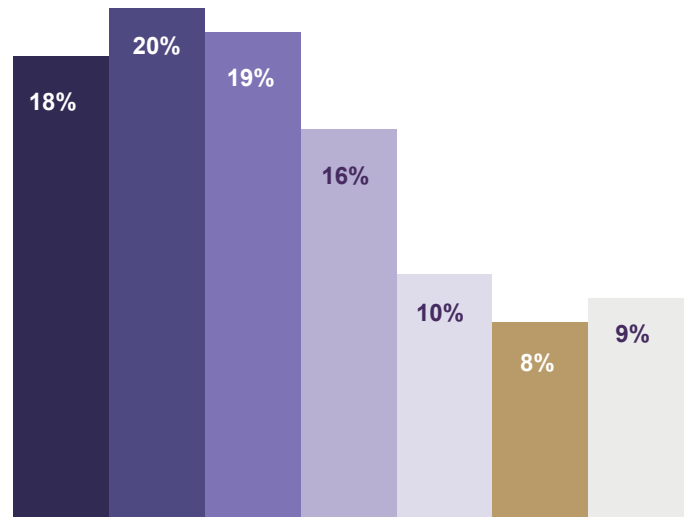
INVESTORS



If set at the market capitalisation level, what should the definition be for a quoted "small and mid-sized company"?

- £2 billion
- £1 billion
- £500 million
- £250 million
- £100 million
- Other
- Don't know

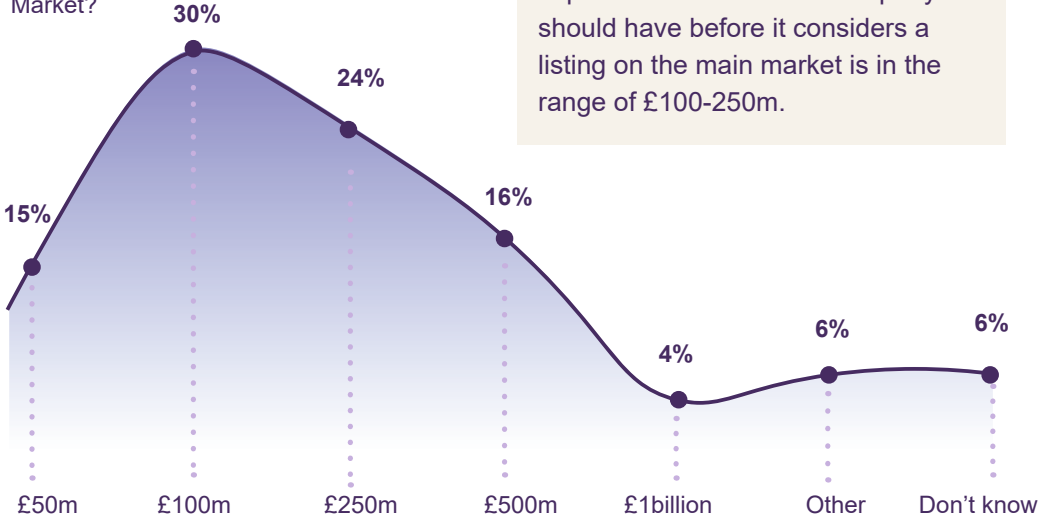
INVESTORS



What do you think is the minimum size in terms of market capitalisation that a company should have before it considers a listing on the Main Market?

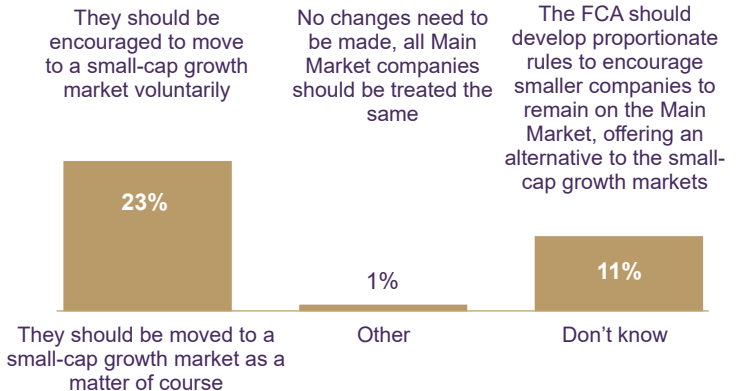
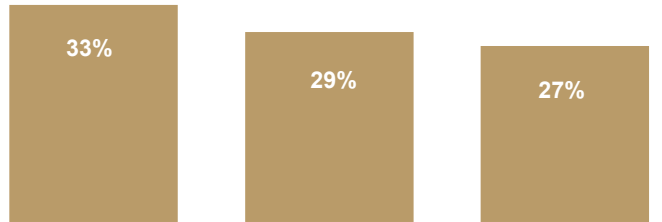
INVESTORS

Just over half of investors surveyed believed that the minimum market capitalisation size that a company should have before it considers a listing on the main market is in the range of £100-250m.



What happens with companies below this market capitalisation?

INVESTORS

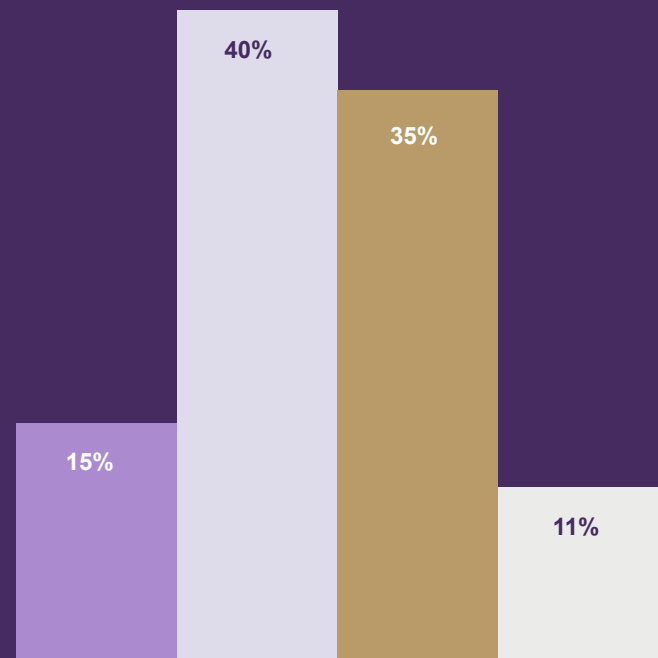


LIQUIDITY

In your view, how has the liquidity of UK small and mid-sized quoted company stocks changed in the past 12 months?

- Improved
- Stayed the same
- Worsened
- Don't know

INVESTORS



RESEARCH

More independent research would raise investor interest in more companies.

If there was more independent research available in the market, what impact do you think this would have on your investment decisions?

INVESTORS

It would raise my level of interest in these companies

56%

It would have no effect on my decision making

35%

It would decrease my level of interest in these companies

1%

Other

4%

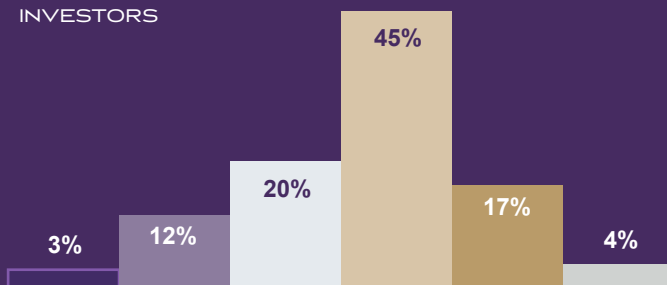
Don't know

4%

Compared to research from an independent source, how useful do you find sponsored research?

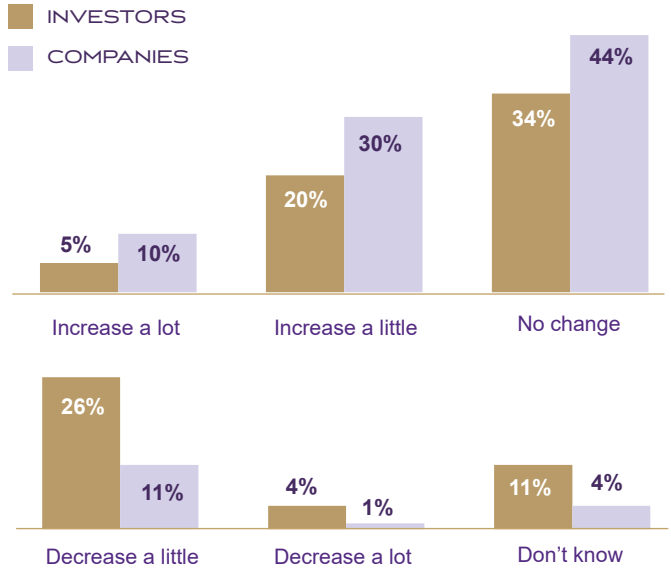
- A lot more useful
- A little more useful
- Exactly the same
- A little less useful
- A lot less useful
- Don't know

INVESTORS

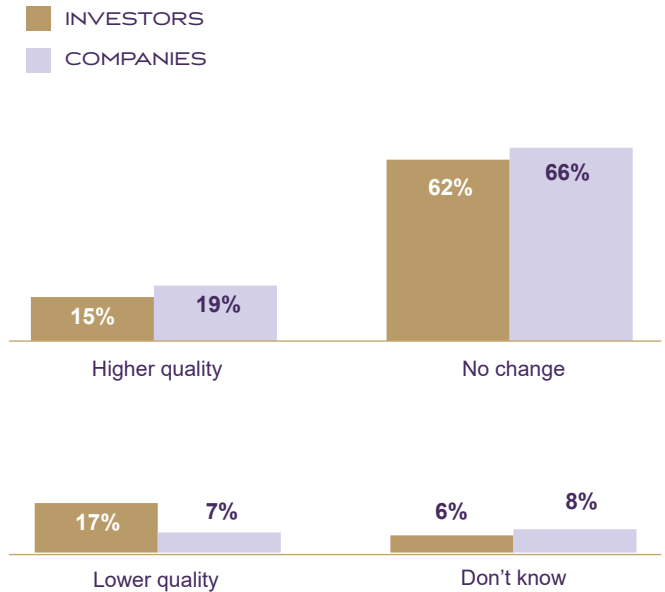


62% of investors say less useful

In the next 12 months, how do you think the volume of research on mid and small-cap quoted companies will change, if at all?



Looking ahead to the next 12 months, do you expect a change in the quality of research that is available on mid and small-cap companies?



As well as an improvement in quality, investors are also more likely than last year to predict a higher quality of research over the next year. However, the vast majority still expect there to be no change.

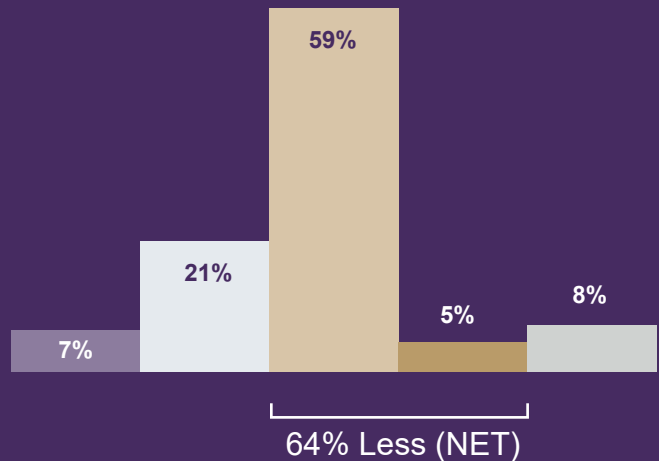
CORPORATE BROKING BUSINESSES

64% expect the number of corporate broking business to fall further

What impact, if any, do you think the current economic outlook will have on the number of corporate broking businesses in the next 3 years? As a result of the economic outlook there will be...

INVESTORS

- A few more
- No real change
- A few less
- A lot less
- Don't know



Investors are most likely to think that the current economic outlook will lead to fewer broking houses in the next few years.

How can Corporate Brokers help investors and companies?

Investors' views

"Stop bundling huge groups of "small institutions" into group meetings and just giving 1on1s to existing large investors. Put out a decent well researched note once a year rather than just one pager maintenance research."

"Make access to the company easier, help companies improve their own communications."

"Engage further down the cap scale (i.e. with smaller companies) earlier and more frequently."

"Understand investor perceptions and undertake proactive research to determine where a story is not being communicated effectively"

"Provide regular, high quality research and invite more company meetings, including online group meetings with invitations extended to significant private individual investors."

"Enable greater access for smaller shareholders to speak with company management. Encourage pre-emption rights to be enforced when open offers/placings take place (so smaller shareholders are not diluted)."

"Encourage investor relations, including engagement on ESG matters. Encourage and publicise investor presentations over the web."

Companies views

"Spend far greater time and resources on introducing the company to a wider value of institutional investors at a time when we don't actually need the money."

"Engage with retail - allow research to be freely available to all investors"

"Be more proactive in all corporate ways e.g. identifying new: investors, NED candidates, funding opportunities, acquisitions etc. Industry is largely reactive."

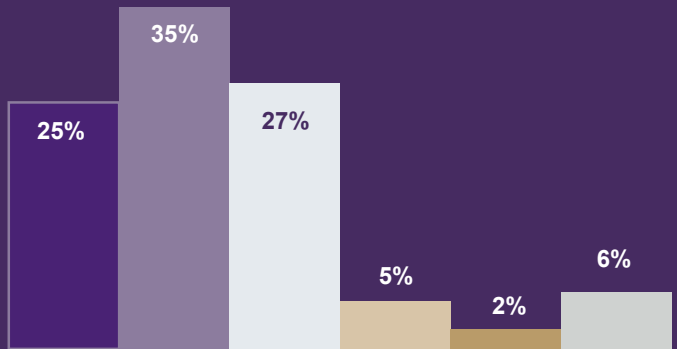
RETAIL INVESTMENT

60% of investors are positive towards the idea of retail investors being a feature of company's share register

How desirable or undesirable do you consider retail investors to be as a feature of a company's share register?

- Very desirable
- Quite desirable
- Neither desirable nor undesirable
- Quite undesirable
- Not at all desirable
- Don't know

INVESTORS



60% Desirable

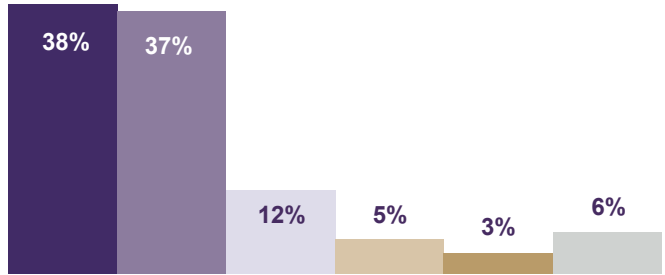
Retail investors are considered important liquidity providers but a majority of fund managers consider the prospectus requirements for quoted companies to access them to be cumbersome. There is a high level of agreement that IPOs over a certain size should be offered to this type of investor.

To what extent, if at all, do you either agree or disagree with the following statements?

Retail investors are important liquidity providers

- Strongly agree
- Slightly agree
- Neither agree nor disagree
- Slightly disagree
- Strongly disagree
- Don't know

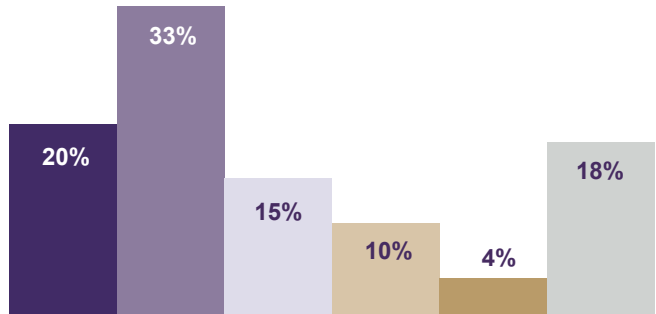
INVESTORS



The Prospectus requirements for quoted companies to access the retail investment market are too onerous/costly

- Strongly agree
- Slightly agree
- Neither agree nor disagree
- Slightly disagree
- Strongly disagree
- Don't know

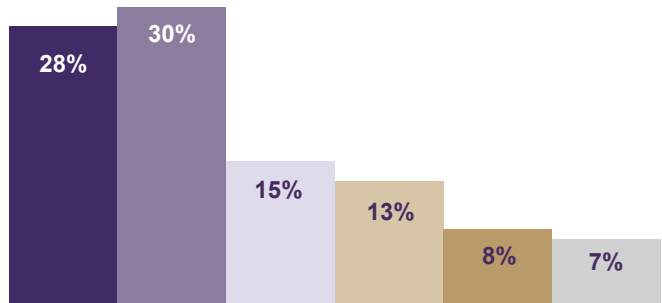
INVESTORS



All IPOs over a certain size of fund raise should have a requirement for a certain proportion to be offered to UK retail investors

- Strongly agree
- Slightly agree
- Neither agree nor disagree
- Slightly disagree
- Strongly disagree
- Don't know

INVESTORS



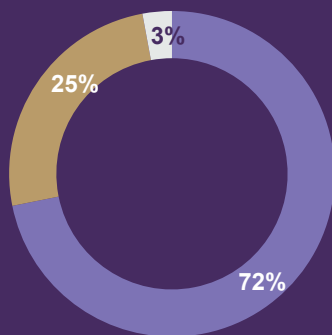
ENGAGEMENT

Over 70% of investors and over 50% of companies have been engaging in different ways with each other

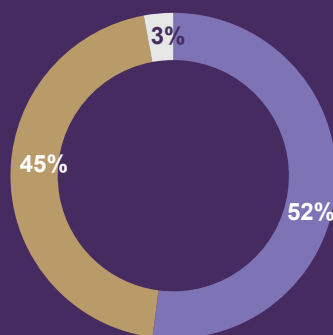
In the past 12 months, have you been engaging with companies/investors in different ways?

- Yes
- No
- Don't know

INVESTORS



COMPANIES



You said you have been engaging with companies in a different way. If so, what are you doing differently?

INVESTORS

“More engagement on remuneration policies than before particularly with regard to non-financial measures, like ESG.”

“Fewer F2F meetings. More engagement on governance and board composition.”

“A lot more video calls and conference calls rather than meeting face to face.”

“Talking to the board as well as Directors and using different brokers to get different access and views”

“More capital markets days (online)”

“Very few in-person meetings and a lot more initial and due diligence meetings done by web conferencing.”

The general consensus is that these new ways of communicating are here to stay

You said the way in which you engage with investors has changed in the last 12 months. What has changed?

COMPANIES

"We held a virtual AGM. Normally we get around 5 investors. The virtual AGM attracted around 80."

"Meetings have moved virtual easing scheduling and fitting more meetings into the same elapsed period."

"Face to face meetings have obviously gone by the wayside and planned regional investor events have had to be cancelled."

"We are now holding Zoom/Teams calls with institutions and are about to trial Investor Meets Company to find a new way to engage smaller and private investors."

"We have begun on-line retail engagement."

"Greater efforts by both broker and company to keep investors engaged and to reach potential investors"

"Now all virtual meetings. Has resulted in more contacts, which is perhaps a good thing, though all virtual also has shortcomings over the longer term"

"COVID has made the world go to a virtual model. We are also producing more bitesize communications to help understand changes within the business (RNS is becoming too transactional and is losing its impact as a stand alone tool)."

What changes, if any, in how you engage with companies do you think will be permanent?

INVESTORS

"Physical 1 on 1s are better"

"We prefer to visit companies rather than conduct calls but they are useful in the interim."

"It has been easier to talk to some people since COVID as they are more accessible - not going somewhere else. There will be more people WFH after this and they will expect online meeting to be available."

"Higher utilization of social media platform like LinkedIn."

"Zoom, Virtual meetings and phone calls (90% of answers referred to)"

"Governance standards will continue to be a key focus"

"More multi level engagement in terms of board, directors and multiple brokers"

"Integrating ESG analysis with fundamental analysis"

"While it is OK to catch up with known management teams virtually, it is more difficult to get to know new issues and new business via a web conference call."

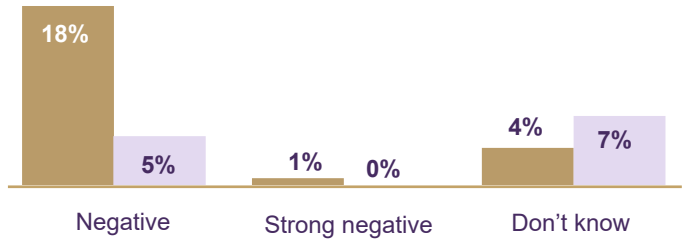
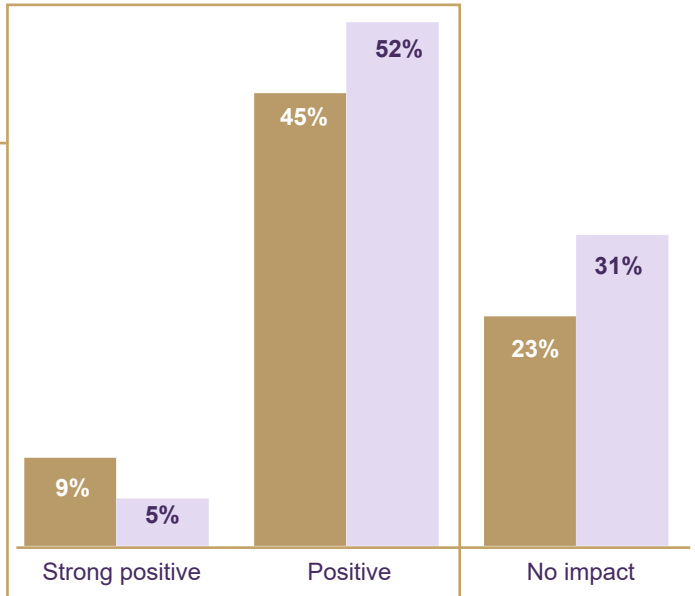
"More frequent but shorter communications done remotely"

"Online communication"

Overall, has engaging with companies/investors differently in this period impacted your business more positively or negatively?

INVESTORS
COMPANIES

Over half of investors and companies are notably positive



PRACTICAL TAKEAWAYS FOR QUOTED COMPANIES

The most important questions that small and mid-sized companies should be asking their brokers or investors are largely based on raising equity and the importance of retail investing.

What are the three most important questions small and mid-sized quoted companies should be asking their broker or investors in the current economic environment?

INVESTORS



#1: What are the obstacles to raising equity finance at the moment?



#2: How important are retail investors in contributing to liquidity from an institutional investor's perspective?



#3: Should I include a retail element to every fundraising that I do as a matter of course?

31%

Should I take on another broker to increase research coverage?

31%

What level of contact are investors expecting currently?

26%

Are there investors that would prefer meetings to be organised directly by the company?

22%

How can I track the quality of research written on my firm?

21%

Are online company meetings here to stay?

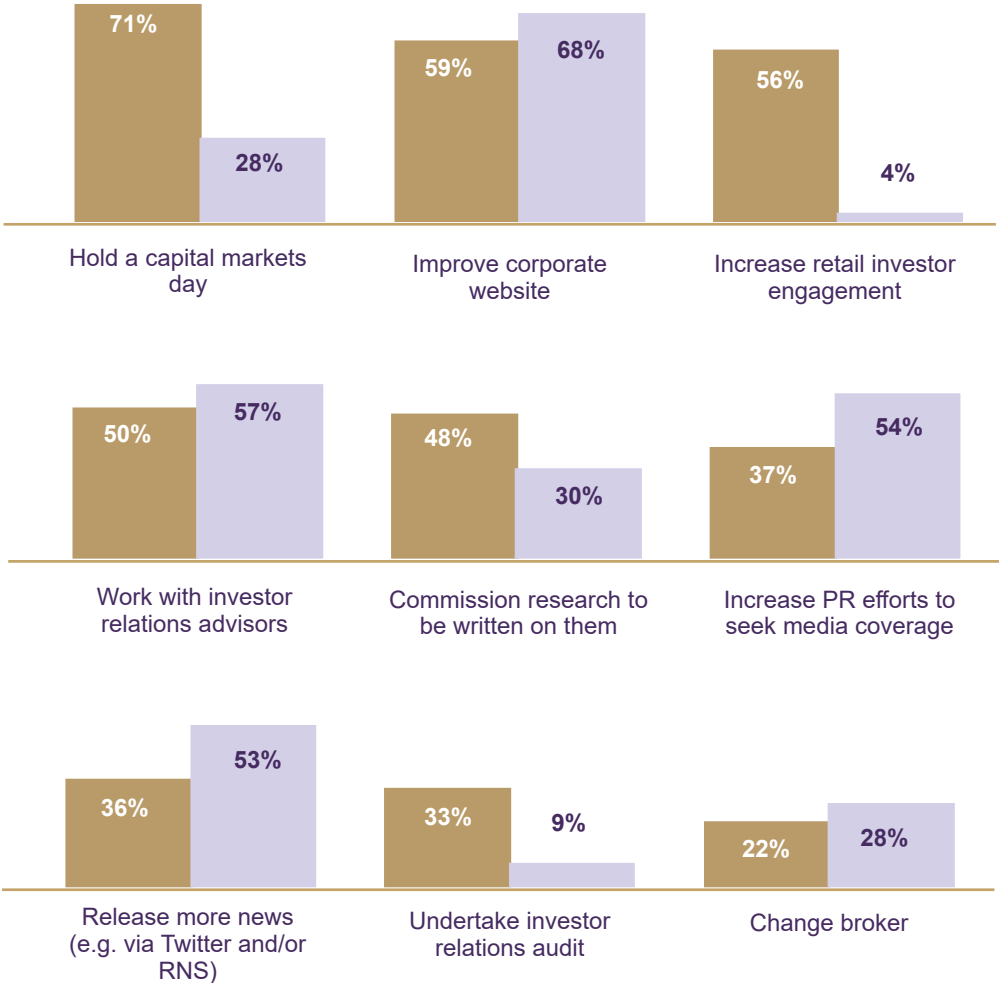
12%

Is there a way of determining who reads the research written on my company?

Holding a capital markets day could potentially help companies to increase their visibility with investors. Improving corporate website and retail investor engagement are also seen as important drivers.

Which of the following, if any, do you think would most help companies to increase their visibility with investors?

INVESTORS
COMPANIES



The most important question being asked of small and mid-sized companies is whether they have enough liquidity in this challenging environment.

What is the most important question you are currently asking small and mid-sized quoted companies in the current economic environment?

INVESTORS

“How have you coped with COVID and are you in a strong position coming out?”

“How much debt have you got?”

“How do you maintain your culture in a WFH world?”

“What are the key growth drivers in your business?”

“Are you taking market share?”

“Has COVID-19 improved your business model and do you see a continuation of this trend in 2021?”

“Have you got sufficient liquidity?”

“How are your cash flows holding up?”

“What are the obstacles to raising equity finance?”

“How is your balance sheet?”

“What are your short, medium and long term plans for the future?”

PEEL HUNT

1ST

In research

1,154+

Research relationships

£15^{BN}

Equity raised

Peel Hunt is a leader in UK investment banking with a focus on UK mid and small-cap companies. Our joined-up approach allows us to consistently deliver value to corporates, global institutions and trading counterparties. We take a long-term view to building our business – for the benefit of our clients, our people and our partners.

Post MiFID II, we have 1000+ research relationships which is a +112% increase before MiFID II. We have expertise across a broad range of sectors offering high quality advice, ideas-led and highly rated research and flawless execution within a team-based and collegiate environment. Peel Hunt benefits from a powerful distribution platform that makes markets in c3,500 equity and fixed income products.

Since 2015 we have raised more than £15bn of equity for our clients including 36 IPOs. We have 156 retained corporate clients with 37 analysts covering over 389 companies.

Peel Hunt ranked 1st for research in the 2020 Institutional Investor Survey (previously known as Extel) of UK Small & Mid Cap Brokerage Firms for the fourth successive year, while its sector teams achieved more Top 3 rankings than any other broker.

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We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small and mid-sized quoted companies.

The value of our members to the UK economy is vast – as is their potential. There are around 1,250 small and mid-sized quoted companies in the UK, representing 93% of all quoted companies. They employ approximately 3 million people, representing 11% of private sector employment in the UK, and contribute over £26bn in annual taxes.

Our goal is to create an environment where that potential is fulfilled.

We identify the issues that matter to our members. We keep them informed. And we interact to build the understanding and connections that help our members stay ahead.

The influence we have, the influence we use, and the influence we grow, ensures that our members always benefit from the impact of our initiatives.



YouGov plc is a global market research and data company built on a simple idea: The more people participate in the decisions made by the institutions that serve them, the better those decisions will be. YouGov completes thousands of interviews every year with senior politicians, business people, members of the media and other stakeholders, providing guidance for clients in how best to optimise their activities and communications.

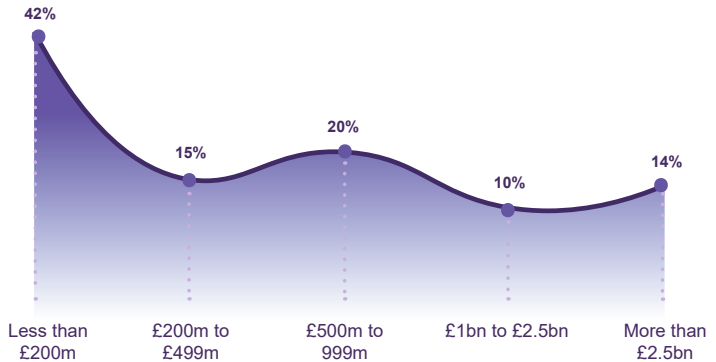
The company was founded in 2000 and is now publicly listed on the London Stock Exchange's AIM market. It has over 800 employees in over 30 offices globally including several in the US but is headquartered in the UK. It is a member of the British Polling Council and is also registered with the UK Information Commissioner's Office.

METHODOLOGY & RESPONDENT PROFILE

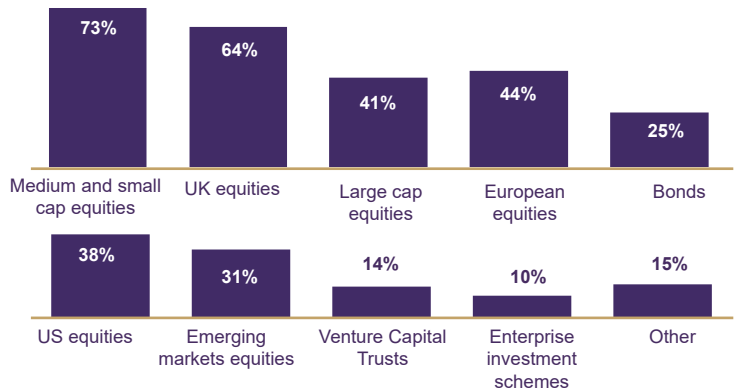
Two surveys were undertaken by YouGov to gather these findings:

103 UK-based fund managers were surveyed between 19 November and 16 December 2020.

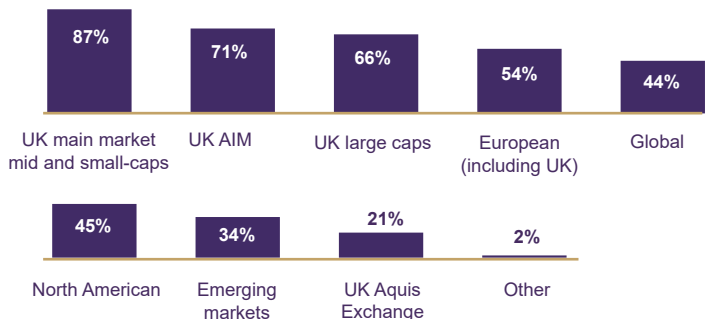
Size of assets under management



Types of funds managed

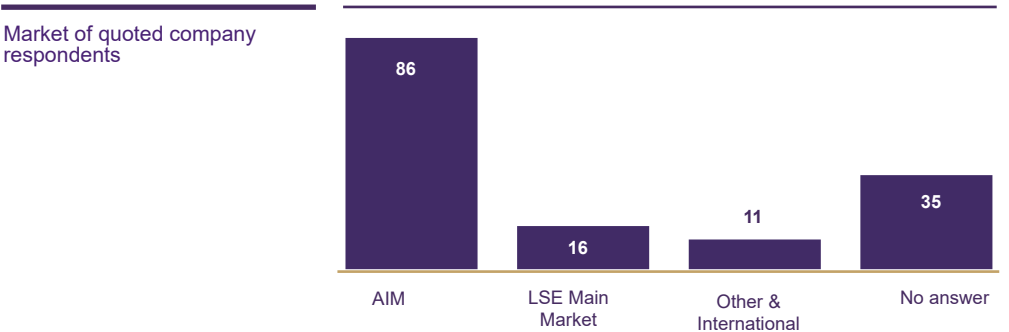
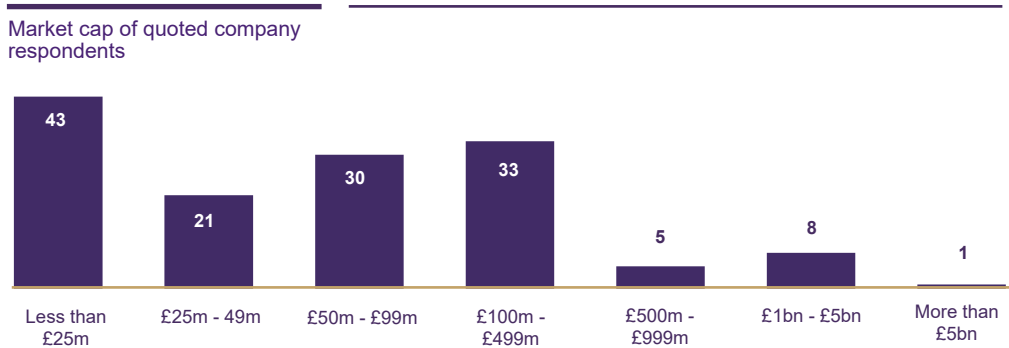


Equity areas Funds invest in - those investing



Respondents were sourced from a combination of contact lists provided by Peel Hunt, the Quoted Companies Alliance and YouGov. The survey lasted approximately 15 minutes and was completed on YouGov's online platform. All data was collected confidentially.

141 small and mid-cap UK quoted companies were surveyed between 27 October and 9 November 2020 as part of the QCA's Small & Mid-Cap Sentiment Index.



This survey has been conducted using an online interview administered to members and associates of the QCA. An email was sent to the QCA database, inviting them to take part in the survey and providing a link to it. A link to the survey was also circulated by the QCA to their contacts. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data, but the advisory companies are not weighted in any way.

This publication follows on from similar studies conducted in 2017, 2018 and 2019 using the same methodology. Some questions have been repeated or their scales amended slightly, and data from these earlier surveys have been used to highlight any changes during the interlude.

NOTE: There may be some discrepancies in NET scores due to rounding of data.

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