

# AIM DIVIDEND MONITOR

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# CONTENTS

Introduction to AIM	3
Executive Summary	4
Overview of 2020 and H1 2021	5
Sectors	8
Special Dividends	9
Yield	10
Top Payers	11
Outlook	13
Appendix	14

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# INTRODUCTION TO AIM

By the end of June 2021, the combined value of AIM companies reached £133.5bn<sup>1</sup> spread across 747 companies from the UK, Ireland and Channel Islands. The index of leading AIM stocks bounced back quickly from the low point reached as the pandemic swept across the world in March 2020. By 9 August 2021 it had risen 102%, even after falling back a little as concerns over the outlook for economic growth in the UK and around the world grew in tandem with resurgent infection rates.

IPO activity is on the up, indicating growing confidence in the economic recovery. In 2020, 14 new companies listed on AIM (almost all of them in the second half), compared to just ten in the whole of 2019. And in 2021, the first six months of the year saw a further 20 companies make their debut on AIM from a broad mix of sectors. More deals are in the pipeline. Given the general drift away from public markets in recent years, this is a very encouraging development.

Dividend-paying is much less common among AIM companies than their Main Market counterparts, simply because they tend to be less mature companies still needing capital for growth. But AIM nevertheless presents interesting opportunities for income investors. Our annual AIM Dividend Monitor, the sister publication to our quarterly main-market UK Dividend Monitor, shows that AIM payouts held up relatively well during the first year or so of the pandemic and are now recovering strongly.

## Dividends from the junior AIM stock market showed remarkable resilience through the pandemic compared to the Main Market

In the first year of the pandemic (April 2020 to March 2021) AIM dividends fell slightly less than the Main Market on an underlying basis;



**-40.4% v -41.6%**

For full year 2021 Link expects **32.2%** growth on a headline basis to a total of **£1,076m**. The underlying increase is set to be **21.9%**, significantly faster than the Main Market



2021 will see AIM's payouts back to a level last reached **in late 2018**



<sup>1</sup> Companies incorporated in UK, Channel Islands, Gibraltar and Ireland

# EXECUTIVE SUMMARY



## The pandemic impact on AIM dividends

- AIM companies have less financial flexibility than big multinationals, suggesting their dividends were vulnerable to lockdowns
- AIM payouts fell 40.4% during the first four quarters of the pandemic, taking them back to a level last seen in mid-2016
- This was a significant decline, but it was less severe than the Main Market, thanks to a more diversified sector mix, less concentration among a few big companies, and there being very few AIM banks
- Two thirds of AIM companies cut or cancelled dividends, in line with the Main Market



## The rebound

- Q2 was the anniversary of the pandemic cuts so is the first to see the rebound – payouts soared 56.6% on an underlying basis (excluding one-off special dividends) to £265m
- First half dividends jumped 19.5% underlying to £432m, ahead of expectations; headline payouts were £558m, up 40.7%
- Underlying growth from AIM was twice as fast as from the Main Market
- Special dividends hit a record in H1 – £125m



## Sectors

- Every sector saw higher dividends in Q2 2021, driven in particular by strength from cyclically sensitive companies
- Industrials, property, and building materials led the charge, with IT companies also making a significant contribution



## Yield

- Our forecast for AIM dividends has risen, but share prices have recovered more quickly, so the prospective yield has dropped a little
- Over the next twelve months we expect AIM to yield 0.8%, down from 1.1% this time last year
- This compares to 3.2% on the Main Market



## Outlook

- H2 dividends set to rise 24.2% to an underlying £486m. Headline set to hit £519m
- Full-year 2021 payouts should rise 21.9% to £918m; headline +32.2% to £1,076m
- AIM set to return to pre-pandemic highs by 2023, two years faster than Main Market

# OVERVIEW OF 2020 AND H1 2021

## AIM - vulnerable or resilient?

Small, faster-growing companies tend to be more vulnerable to economic disruption than their multi-national counterparts. They benefit far less from diversification either geographically or by business line. Crucially, they also have much more limited access to funding. Big companies can usually tap capital markets by issuing bonds or they can rely on their large shareholder bases to inject new equity in times of need. Small companies do not enjoy such advantages so they must run their finances more conservatively to ensure they can ride out a storm, and they must move quickly to preserve cash during the bad times.

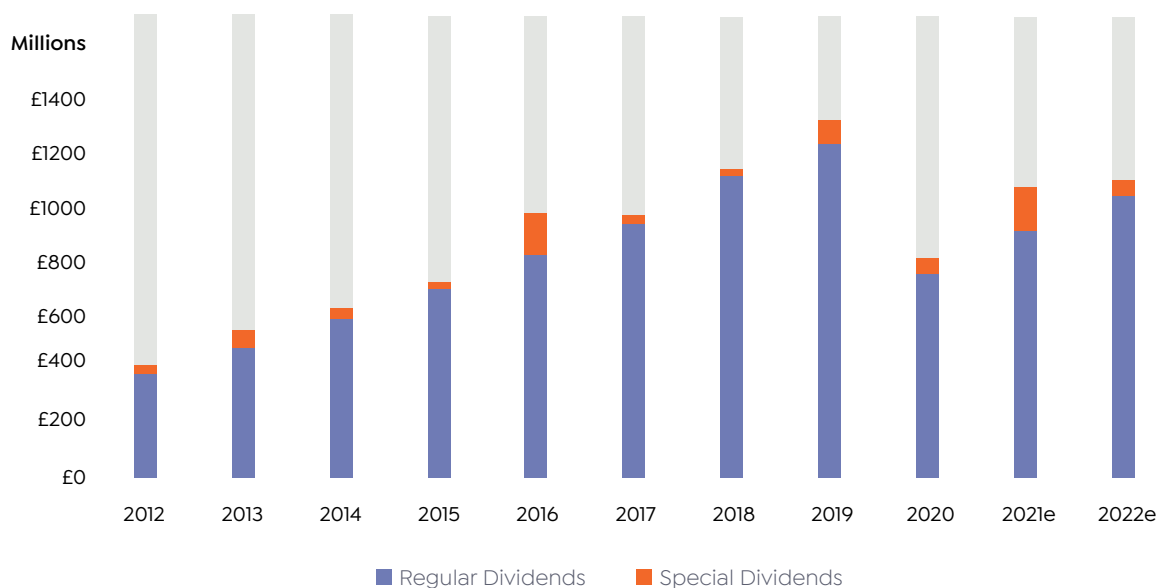
## The pandemic impact on AIM dividends

The pandemic has certainly been stormy. UK company profits were hit harder in 2020 than during the global financial crisis as the impact of lockdowns was unprecedented in its breadth and depth. Over the course of 2020, underlying Main Market dividends fell by 37.4% (ie after adjusting for special dividends), though if we look at the first four quarters of the pandemic, rather than the calendar year, the decline was even larger.<sup>2</sup>

### AIM dividends 2012 - 2022

	2014		2015		2016		2017		2018		2019		2020		2021e		2020 H1		2021 H1	
<b>Regular Dividends</b>	£582.9	21%	£700.0	20%	£825.0	18%	£944.5	14%	£1,121.6	19%	£1,243.0	11%	£753.5	-39%	£918.9	22%	£361.7	-39%	£432.4	20%
<b>Special Dividends</b>	£46.2	-25%	£21.6	-53%	£157.0	626%	£25.9	-83%	£17.7	-32%	£86.1	388%	£60.5	-30%	£157.6	160%	£34.8	399%	£125.5	322%
<b>Total Dividends</b>	<b>£633.3</b>	<b>16%</b>	<b>£728.6</b>	<b>15%</b>	<b>£990.1</b>	<b>36%</b>	<b>£970.5</b>	<b>-2%</b>	<b>£1,139.2</b>	<b>17%</b>	<b>£1,329.1</b>	<b>17%</b>	<b>£814.0</b>	<b>-39%</b>	<b>£1,076.5</b>	<b>32%</b>	<b>£396.5</b>	<b>-40%</b>	<b>£557.9</b>	<b>41%</b>

### AIM dividends 2012 - 2022



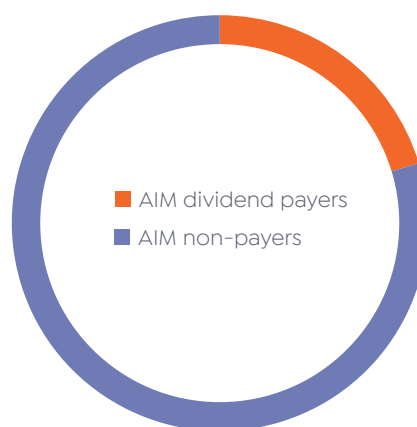
<sup>2</sup> -41.7%, April 2020 to March 2021; Source: Link Group UK Dividend Monitor

We might therefore expect AIM dividends to fall more than this, but the junior market actually showed remarkable resilience. During 2020, underlying payouts fell to £753m, a little below our £769m best-case forecast. This equated to a 39.4% decline, only slightly worse than the Main Market; between April 2020 and March 2021, their 40.4% drop was marginally better. The 2020 headline total was £814m, meaning that AIM's total dividends fell back to their lowest level since mid-2016, while the Main Market saw them drop to a level last seen in 2011. The size of the declines in the UK says more about the Main Market than it does about AIM. For context, global dividends fell 14%, significantly less than the UK<sup>3</sup>.

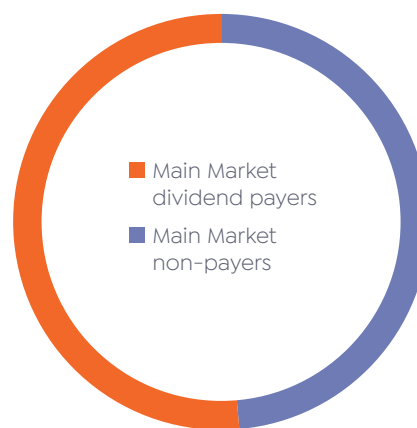
The five largest dividend payers on the Main Market over the last decade have contributed 35% of the total paid, but on AIM the top five are only responsible for 17%. This main-market concentration proved costly when four of 2019's top payers<sup>4</sup> cut or cancelled dividends. Between them these four alone accounted for more than two fifths (43%) of the fall in UK plc payouts between April 2020 and March 2021. On AIM, by contrast, the top five contributed less than one fifth of the fall (18.7%), roughly in line with their overall share total AIM dividends. Moreover, banks were barred by the PRA from dividend paying full stop – they normally make up £1 in every £7 of UK plc payouts on the Main Market, but there are almost no AIM banks.<sup>5</sup> This all helps explain why the dividend decline on the junior market was no worse than on the Main Market.

During those four pandemic quarters, two thirds of AIM companies that usually pay a dividend cut or cancelled their payouts. This too was in line with the wider market. Over that time just one AIM company in five distributed cash to shareholders, down from 35% in 2019. The majority of AIM companies are still in their growth phase, deploying their capital for expansion rather than returning it to shareholders, which explains why so few of them pay a dividend even in a normal year. On the Main Market, in a normal year, 75% of companies pay dividends, though this proportion was significantly smaller in 2020.

### AIM 2020



### Main Market 2020



<sup>3</sup> Source: Janus Henderson Global Dividend Index, USD.

<sup>4</sup> Shell, HSBC, BP, Rio Tinto

<sup>5</sup> There is lots more detail on all of this in issues 45 and 46 of the UK Dividend Monitor available on the Link Group website.





## The 2021 rebound

In the first quarter of 2021, AIM dividends fell a better-than-expected 13.1% to an underlying £167m, as Q1 this year had not yet passed the anniversary of the lockdown. The headline total jumped by 44%, however, boosted by record special dividends.

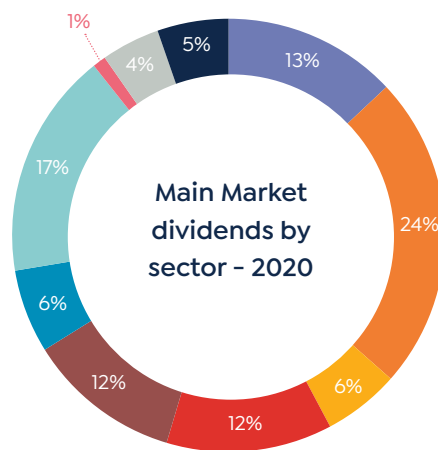
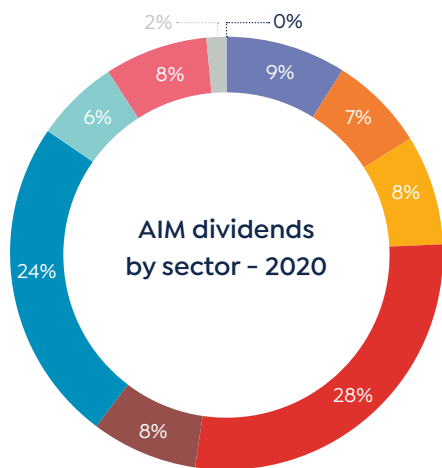
As we moved into the second quarter, the recovery began in earnest. Underlying dividends soared 56.6% to £265m, though even this dramatic recovery was only enough to restore Q2 payouts to the level last seen in 2016. The headline Q2 figure was held back by lower one-off specials and rose 37%.

Taken together, that put first-half payouts up 19.5% at £432m (excluding special dividends), a recovery almost seven percentage points higher than the best-case scenario we outlined this time last year. Headline dividends were £558m, up 40.7%. The strong performance reflects the miraculously early rollout of vaccines that has boosted corporate confidence, and the successful policy response in terms of economic support. But it is also a testament to the creative power of many AIM companies to adapt their operations through such unprecedented disruption. The headline total for the first half also beat our expectations because of the high level of Q1 specials.

The rebound in underlying AIM dividends was also more than twice as strong as the Main Market in the first half. This is mainly because the oil sector, which used to be the UK's largest payers, has seen the dividends of the two biggest payers, Shell and BP, reset at a lower level. Although we expect oil dividends to grow from this level, they will take some time to catch up.

*For the first half of 2021 overall, underlying dividends were seven percentage points better than Link Group's best-case forecast made a year ago, before vaccine approvals were on the horizon.*

# SECTORS



- Reources & Commodities
- Consumer Basics
- Consumer Discretionary
- Banks & Financials
- Healthcare & Pharmaceuticals
- Industrials
- Oil, Gas & Energy
- Information Technology
- Telecoms
- Domestic Utilities

The 68 dividend payers in the diverse industrial goods & support sector always delivers the most dividends by value on AIM and they also contributed most to the decline during the worst quarter of the pandemic, as companies slashed payouts by two fifths. In common with the Main Market, retail and travel & leisure saw the biggest declines in percentage terms, along with other consumer discretionary sectors. The only sector to see an increase in the worst period was the defensive basic consumer goods group. For example, IG Design, producer of greetings cards and creative play products, traded well through lockdown with sales only slightly lower but margins expanding, while Ireland-based Total Produce, a food producer, saw sales and profits rise.

In the second quarter of 2021, the first rebound quarter, every sector saw higher dividends once we adjust for companies promoted to the Main Market. Industrials, property, and building materials led the charge, all cyclically sensitive sectors enjoying a rebound, but IT companies also made a significant contribution to growth.



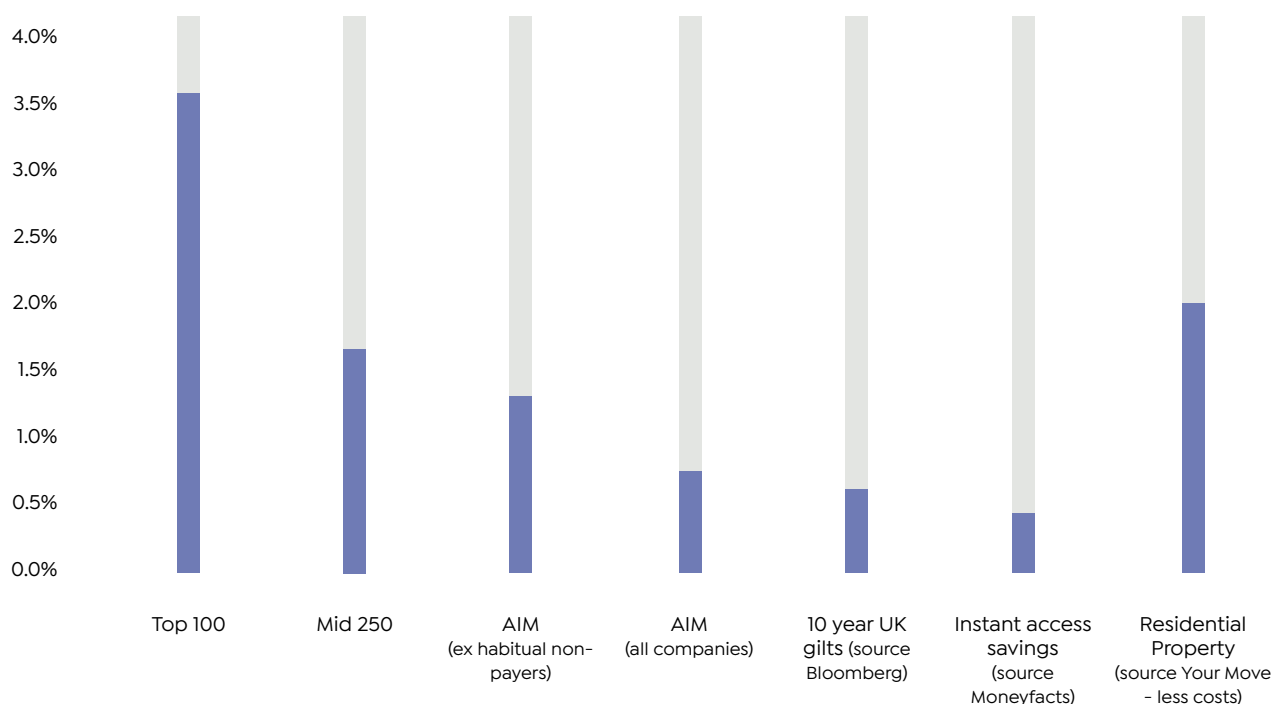
# SPECIAL DIVIDENDS

In the first half of 2021, one-off specials of £125m had already doubled the total for the whole of 2020 and may just beat the record set in 2016. The main contributor was iEnergizer, a provider of back-office outsourcing services, which paid AIM's largest ever special dividend of £94m. The company opted to gear up its balance sheet, using borrowing to funnel cash to shareholders. Financial engineering makes an important contribution to the efficient use of capital. iEnergizer points to its strong performance during the pandemic, its long-term customer relationships and its healthy cash flow as reasons for the move. Aside from this very large payout, there is no evidence that special dividends more generally are set to become a larger share of AIM's overall total, though on the Main Market specials are back with a vengeance.



# YIELD

## UK Yield - Next 12 months



The yield is a useful yardstick for comparing the income-paying potential of assets of different kinds. It is the relationship between income and asset value expressed as a percentage. It is only meaningful if you look at the prospective income, not what has been paid in the recent past, since asset prices always reflect market expectations, not old news. Since our last report a year ago, the prospects for dividends have improved substantially, but the value of AIM companies has risen markedly too. This means that the prospective 12-month dividend yield is lower today than it was this time last year. Based on our current projections, we expect AIM to yield 0.8%, down from 1.1% a year ago. If we just look at those companies that habitually pay a dividend the yield is 1.3%.

On the Main Market, we currently expect UK plc to yield 3.2%, driven by the powerful cash generation of the UK's largest companies.

# TOP PAYERS

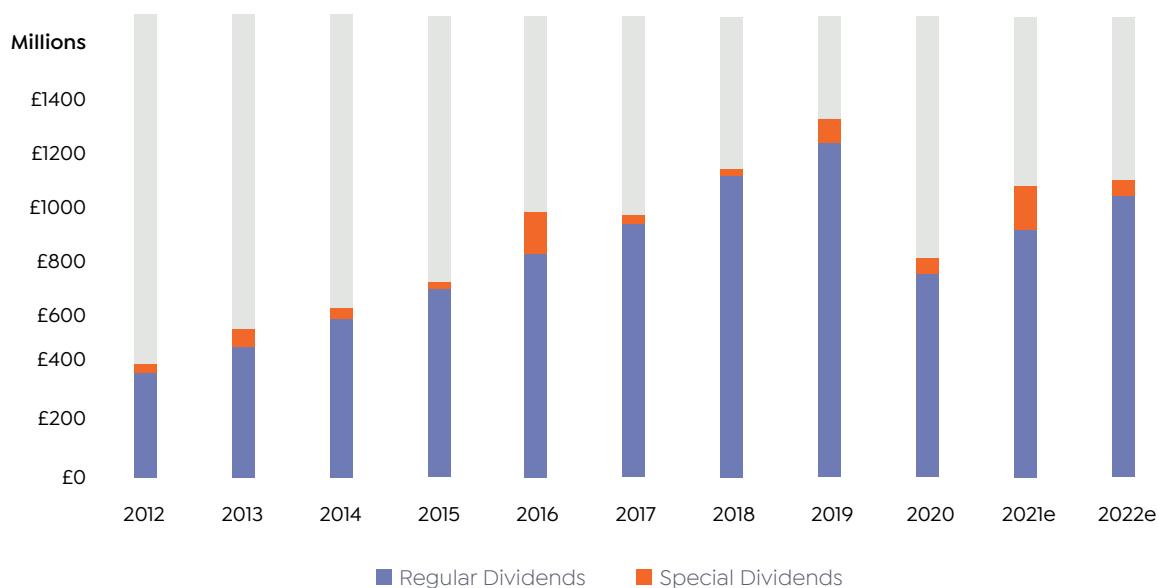
2012	£m	2013	£m	2014	£m	2015	£m	2016	£m
Highland Gold Mining	£31.2	James Halstead plc	£32.6	Polar Capital Hldgs Plc	£21.8	Juridica Investments	£27.7	Arbutnot Banking Group Plc.	£52.9
James Halstead plc	£16.5	Impellam Group Plc	£19.8	James Halstead plc	£20.7	Redde plc	£26.3	Juridica Investments	£44.1
iEnergizer Ltd	£12.2	Highland Gold Mining	£17.9	Victoria Plc.	£20.7	NewRiver REIT Plc	£23.7	James Halstead plc	£41.2
Abcam	£12.0	Archipelago Resources	£16.0	Highland Gold Mining	£16.3	James Halstead plc	£22.8	Redde plc	£28.3
Sherborne Investors (Guernsey) A Limited	£12.0	Pan African Resources Plc	£14.7	Abcam	£15.5	Polar Capital Hldgs Plc	£22.3	NewRiver REIT Plc	£26.2
Majestic Wine	£10.1	Abcam	£14.1	Northacre plc	£15.0	Abcam	£16.6	Highland Gold Mining	£24.4
Numis Corporation plc	£9.2	Juridica Investments	£13.6	Pan African Resources Plc	£14.9	Central Asia Metals Plc	£13.4	Polar Capital Hldgs Plc	£22.7
Prosperity Minerals Hldgs	£8.2	Central Asia Metals Plc	£12.5	Juridica Investments	£14.6	Highland Gold Mining	£13.0	Abcam	£18.1
Emis Group Plc	£7.8	Polar Capital Hldgs Plc	£10.8	NewRiver REIT Plc	£12.6	Emis Group Plc	£12.5	Empyrean Energy	£17.5
Polar Capital Hldgs Plc	£7.1	Northacre plc	£10.7	Daisy Group	£12.3	Numis Corporation plc	£12.4	Pan African Resources Plc	£17.1
<b>Top 10 Total</b>	<b>£126.3</b>	<b>Top 10 Total</b>	<b>£162.5</b>	<b>Top 10 Total</b>	<b>£164.4</b>	<b>Top 10 Total</b>	<b>£190.7</b>	<b>Top 10 Total</b>	<b>£292.5</b>
Total AIM Dividends	£414.8	Total AIM Dividends	£547.0	Total AIM Dividends	£633.3	Total AIM Dividends	£728.6	Total AIM Dividends	£990.1
Top 10 as % of all dividends paid	30%	Top 10 as % of all dividends paid	29%	Top 10 as % of all dividends paid	26%	Top 10 as % of all dividends paid	26%	Top 10 as % of all dividends paid	30%

2017	£m	2018	£m	2019	£m	2020	£m
Highland Gold Mining	£33.8	Highland Gold Mining	£37.1	Diversified Gas & Oil Plc	£58.6	Secure Income REIT Plc	£40.7
Redde plc	£32.2	Redde plc	£35.5	Bowleven	£49.1	Polar Capital Hldgs Plc	£32.3
James Halstead plc	£27.0	Secure Income REIT Plc	£33.1	Highland Gold Mining	£43.2	Highland Gold Mining	£30.9
Secure Income REIT Plc	£25.0	Central Asia Metals Plc	£29.0	Secure Income REIT Plc	£42.0	James Halstead plc	£29.7
Polar Capital Hldgs Plc	£22.9	James Halstead plc	£28.1	Polar Capital Hldgs Plc	W£31.7	San Leon Energy Plc	£27.0
Conviviality Plc	£21.8	Polar Capital Hldgs Plc	£26.2	iEnergizer Ltd	£29.7	iEnergizer Ltd	£26.8
Abcam	£20.8	Abcam	£24.6	James Halstead plc	£29.1	RWS Holdings plc	£24.1
Central Asia Metals Plc	£18.4	Eddie Stobart Logistics Plc	£21.6	Central Asia Metals Plc	£25.5	Emis Group Plc	£20.0
Emis Group Plc	£15.6	SafeCharge International Group Limited	£19.8	Abcam	£25.0	Andrews Sykes Group plc	£19.4
M.P. Evans Group Plc	£15.4	Burford Capital Limited	£18.6	Burford Capital Limited	£22.2	GlobalData Plc	£18.2
<b>Top 10 Total</b>	<b>£232.8</b>	<b>Top 10 Total</b>	<b>£273.8</b>	<b>Top 10 Total</b>	<b>£356.1</b>	<b>Top 10 Total</b>	<b>£269.1</b>
Total AIM Dividends	£970.5	Total AIM Dividends	£1,139.2	Total AIM Dividends	£1,329.1	Total AIM Dividends	£814.0
Top 10 as % of all dividends paid	24%	Top 10 as % of all dividends paid	25%	Top 10 as % of all dividends paid	27%	Top 10 as % of all dividends paid	33%

<b>H1 2020</b>	<b>£m</b>	<b>H12021</b>	<b>£m</b>
Highland Gold Mining	£30.9	iEnergizer Ltd	£93.9
San Leon Energy Plc	£27.0	RWS Holdings plc	£28.2
Secure Income REIT Plc	£21.7	Watkin Jones Plc	£25.5
RWS Holdings plc	£19.2	Burford Capital Limited	£19.3
Watkin Jones Plc	£14.3	Secure Income REIT Plc	£18.9
Numis Corporation plc	£12.8	Braveheart Investment Group	£15.9
Premier Miton Group Plc	£12.5	Smart Metering Systems Plc	£14.1
Diversified Gas & Oil Plc	£12.4	Central Asia Metals Plc	£14.1
GlobalData Plc	£11.8	GlobalData Plc	£13.7
Fevertree Drinks Plc	£11.5	Numis Corporation plc	£12.9
<b>Top 10 Total</b>	<b>£174.2</b>	<b>Top 10 Total</b>	<b>£256.5</b>
<b>Total AIM Dividends</b>	<b>£396.5</b>	<b>Total AIM Dividends</b>	<b>£557.9</b>
<b>Top 10 as % of all Dividends Paid</b>	<b>44%</b>	<b>Top 10 as % of all Dividends Paid</b>	<b>46%</b>

# OUTLOOK

## AIM dividends 2012 - 2022



Despite the worst recession in two centuries, AIM companies have, for the most part, come through in good shape. This is clearly evidenced by their eagerness to restart dividends at the earliest opportunity, and by the healthy pace of the recovery. It is going to continue and should be at a consistently faster pace than the Main Market, even with the extra boost the restoration of banking dividends is going to provide.

The second half is likely to see a slower growth rate than Q2 because a few companies delayed their payments in 2020 and these timetable effects are mostly going to unwind later this year. Dividend declines last year also become smaller with each passing quarter, so the comparisons become less favourable.

Growth will be good though. We expect the second half of 2021 to see AIM dividends rise 24.2% on an underlying basis, up by £95m to £486m. The headline total is set to rise by a similar percentage to £519m if our estimate for unpredictable special dividends is correct. We also expect there to be a small contribution from newcomers to the market.

Overall, this means 2021 should see headline growth of 32.2% to a total £1,076m. Excluding special dividends, we expect the underlying increase to be 21.9%, nine percentage points faster than our forecast for the Main Market. This would mean a total of £918m. The 2021 total would therefore restore AIM's payouts back to a level last reached in late 2018. AIM dividends habitually grow faster than the Main Market since companies tend to be young and in expansion mode. AIM is also not hampered by the heavy concentration of dividends into the hands of a few companies or the longer-lasting effect the rebasing of dividends by the oil companies among this super-league will have on Main Market payouts in total. This gives us confidence AIM's dividends can regain their previous highs by some time in 2023, almost two years sooner than our expectation for the Main Market.



# APPENDIX

£ MILLION

Industry	Sector	2015	2016	2017	2018	2019	2020	H1 2020	H1 2021
Resources & Commodities	Mining	£35.6	£61.7	£66.3	£72.6	£92.5	£73.2	£31.9	£16.5
Resources & Commodities	Industrial Chemicals	£5.0	£4.2	£3.6	£3.7	£0.0	£0.0	£0.0	£0.0
Consumer Basics	Basic Consumer Goods	£0.0	£1.0	£8.4	£3.8	£9.2	£14.7	£2.4	£12.2
Consumer Basics	Food Retail	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
Consumer Basics	Food, Drink & Tobacco Producers	£30.1	£39.8	£49.2	£49.4	£55.4	£43.4	£20.3	£26.5
Consumer Discretionary	Airlines, Leisure & Travel	£21.7	£31.9	£34.7	£36.8	£38.0	£10.0	£5.8	£3.8
Consumer Discretionary	General Retail	£37.1	£58.9	£67.9	£52.7	£36.8	£7.0	£7.0	£0.0
Consumer Discretionary	Housebuilding, Consumer Goods & Services	£21.7	£32.4	£45.8	£60.4	£65.1	£26.3	£20.6	£30.0
Consumer Discretionary	Media	£24.0	£33.3	£36.4	£59.6	£55.0	£23.8	£11.9	£15.2
Consumer Discretionary	Motor Manufacturing & Parts	£0.0	£0.0	£0.2	£0.3	£0.0	£0.0	£0.0	£0.0
Banks & Financials	Banks	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£3.1
Banks & Financials	General Financials	£160.3	£236.8	£180.9	£214.6	£228.5	£140.2	£72.5	£121.0
Banks & Financials	General & Life Insurance	£6.8	£7.2	£7.8	£9.1	£7.8	£4.2	£2.3	£1.6
Banks & Financials	Property	£49.4	£83.1	£63.7	£81.7	£88.3	£83.4	£40.6	£41.3
Healthcare & Pharmaceuticals	Healthcare & Pharmaceuticals	£42.1	£49.5	£61.8	£70.6	£83.8	£64.7	£31.7	£25.4
Industrials	Building Materials & Construction	£34.4	£57.1	£47.8	£52.2	£57.2	£42.0	£13.6	£20.4
Industrials	Industrial Goods & Support	£152.9	£170.0	£181.6	£231.2	£275.0	£155.6	£59.7	£180.5
Oil, Gas & Energy	Oil, Gas & Energy	£4.8	£17.5	£8.3	£27.9	£118.6	£50.9	£41.1	£3.6
Information Technology	Information Technology	£74.8	£76.9	£80.0	£88.1	£91.9	£62.7	£27.2	£45.5
Telecoms	Telecoms	£25.3	£28.0	£21.7	£23.5	£25.1	£11.8	£8.1	£10.5
Domestic Utilities	Domestic Utilities	£2.8	£0.5	£4.3	£1.0	£0.8	£0.3	£0.0	£0.8
<b>TOTAL</b>		<b>£728.6</b>	<b>£990.1</b>	<b>£970.5</b>	<b>£1,139.2</b>	<b>£1,329.1</b>	<b>£814.0</b>	<b>£396.5</b>	<b>£557.9</b>

## Statistical Methodology

Link Group analyses all the dividends paid out on the ordinary shares of companies listed on AIM. The research excludes investment companies such as listed investment trusts, whose dividends rely on income from equities and bonds. The AIM Dividend Monitor takes no account of taxation on dividends, which varies according to investor circumstances.

The raw dividend data was provided by Exchange Data International, and additional information is sourced directly from companies mentioned in the report.

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