# AIM faces steep decline as listings hit 20-year low amid investor caution and tax changes



As London's Alternative Investment Market (AIM) marks its 30th anniversary, the mood is a blend of reflection and concern. Founded in 1995 as a sub-division of the London Stock Exchange to support smaller, growth-oriented companies with more flexible listing rules, AIM was initially hailed as a vibrant gateway for entrepreneurs and investors alike. At its peak in 2007, the market boasted nearly 1,700 firms and has since facilitated the raising of approximately £135 billion for over 4,000 companies. Yet, today, the number of companies listed on AIM has dwindled to around 700, marking the lowest point in more than two decades and posing significant questions about its future role in the UK’s economic landscape.

A key issue highlighted by Marcus Stuttard, AIM’s chief executive, is a pervasive risk aversion among British investors over the last decade. Speaking to the Mail, Stuttard urged the UK to “embrace risk” if it aims to boost economic growth, emphasizing that backing entrepreneurs and founders requires accepting the potential for losses in exchange for higher returns. This message resonates amid a broader context where UK investors have increasingly favoured larger, more established global tech stocks, particularly those in the US, detracting from appetite for smaller and higher-risk domestic companies.

The challenges for AIM extend beyond sentiment. Over the past year alone, around 80 companies have left AIM through delistings or takeovers, including notable names such as Alliance Pharma and Team Internet, reducing total listings further. Factors contributing to this decline include the high costs associated with flotation (£600,000) and ongoing annual fees (around £500,000), as well as diminishing liquidity and analyst coverage. Moreover, changes to the UK tax regime have dealt a significant blow: inheritance tax relief on AIM-listed stocks is set to be cut from 100% to 50%, a move announced last October by Chancellor Rachel Reeves, which critics say discourages long-term holding in smaller firms.

The result is a market struggling to attract new issues, with only 18 new IPOs last year compared to 89 departures, creating an unsettling dynamic wherein the pool of AIM-listed companies shrinks without replenishment. This mirrors a broader trend affecting small UK-listed entities valued under £1 billion, which have seen their numbers fall by roughly one-third over the past two decades. The shift of UK pension funds towards global equities and the valuation gaps between UK and US markets exacerbate the problem, as companies seek listings abroad for higher valuations and better analyst coverage.

Despite these headwinds, AIM remains pivotal for UK economic innovation and growth. In 2023 alone, companies on AIM generated an estimated £68 billion for the domestic economy. Prominent supporters, including City Minister Emma Reynolds and the Lord Mayor of London, continue to advocate for the market’s diversification role, underscoring its historical impact on growth sectors and notable success stories such as Jet2.com. The market’s intrinsic volatility and risk, while challenging, are inherent to its design—rewarding investors who back the early stages of high-growth potential companies.

Proposals to reverse AIM's decline have included suggestions to mandate greater UK equity investment by pension funds and to restore tax-free savings vehicles for British stocks. Recent reforms by the Financial Conduct Authority and changes proposed by the London Stock Exchange aim to encourage companies back onto the market, though it remains uncertain whether these measures can adequately counterbalance the compounded issues of investor caution, tax changes, and competitive pressures from overseas markets.

Ultimately, AIM’s future hinges on balancing the celebration of entrepreneurial risk-taking with the pragmatic needs of investors and issuers operating in a shifting financial and regulatory landscape. As Marcus Stuttard aptly puts it, the UK must "celebrate and back the people who take risks" to catalyse economic growth, an ambition that will require concerted effort across policy, investment, and market design if AIM is to sustain its historic role in the years ahead.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/markets/article-14825983/Embrace-risk-boost-growth-pleads-boss-Londons-struggling-AIM-junior-market.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.ft.com/content/612517d4-8705-4db2-8041-e14742d0d051)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/markets/article-14825983/Embrace-risk-boost-growth-pleads-boss-Londons-struggling-AIM-junior-market.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[6]](https://aaltocapital.com/aims-continued-struggle/)
* Paragraph 3 – [[2]](https://www.ft.com/content/0c3cfab7-11a4-4f8e-8598-956a6de89c72), [[5]](https://www.reuters.com/world/uk/londons-withering-aim-market-set-lose-more-members-this-year-2025-01-16/), [[6]](https://aaltocapital.com/aims-continued-struggle/)
* Paragraph 4 – [[3]](https://www.ft.com/content/e3b1db07-f9eb-404d-9079-5801042b1bdb), [[5]](https://www.reuters.com/world/uk/londons-withering-aim-market-set-lose-more-members-this-year-2025-01-16/), [[6]](https://aaltocapital.com/aims-continued-struggle/)
* Paragraph 5 – [[4]](https://www.ft.com/content/612517d4-8705-4db2-8041-e14742d0d051), [[1]](https://www.dailymail.co.uk/money/markets/article-14825983/Embrace-risk-boost-growth-pleads-boss-Londons-struggling-AIM-junior-market.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[3]](https://www.ft.com/content/e3b1db07-f9eb-404d-9079-5801042b1bdb)
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* Paragraph 7 – [[1]](https://www.dailymail.co.uk/money/markets/article-14825983/Embrace-risk-boost-growth-pleads-boss-Londons-struggling-AIM-junior-market.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.ft.com/content/612517d4-8705-4db2-8041-e14742d0d051), [[3]](https://www.ft.com/content/e3b1db07-f9eb-404d-9079-5801042b1bdb)

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## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-14825983/Embrace-risk-boost-growth-pleads-boss-Londons-struggling-AIM-junior-market.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.ft.com/content/0c3cfab7-11a4-4f8e-8598-956a6de89c72> - The number of small companies listed on London's Alternative Investment Market (AIM) has decreased to its lowest level in 22 years, with about 80 companies leaving AIM over the past year, reducing the total to 722. This decline is attributed to a lack of new listings and numerous delistings, as companies opt for listings in the US or Europe to achieve higher valuations. The cost of listing and maintaining a position on AIM is also a contributing factor, with estimates at £600,000 for flotation and an additional £500,000 annually. Despite these challenges, AIM remains a significant growth market in Europe, having supported over 4,000 companies to raise nearly £135 billion in equity capital. However, companies like Scirocco Energy and Nightcap have opted out due to the burdens and costs associated with remaining listed on AIM.
3. <https://www.ft.com/content/e3b1db07-f9eb-404d-9079-5801042b1bdb> - The UK's Alternative Investment Market (AIM) is facing a significant decline, with the number of listed companies down to just over 700, the lowest in two decades. This decline is part of a broader trend affecting small UK-listed companies valued at under £1 billion, with their numbers decreasing by a third over the past 20 years. Factors contributing to the decline include UK pension funds shifting to global equities, weak liquidity, and valuation gaps compared to US markets. Smaller companies are particularly affected, often citing a lack of analyst coverage. Reforms by the Financial Conduct Authority may help gradually, while other proposals like expanding the Mansion House Compact and eliminating stamp duty on shares already include AIM stocks. Tax breaks to revive the market seem unlikely given the UK's budget constraints. Some suggest scrapping AIM altogether unless effective measures are implemented soon.
4. <https://www.ft.com/content/612517d4-8705-4db2-8041-e14742d0d051> - As AIM approaches its 30th anniversary on June 19, 2025, investors are reminded of its lasting significance and potential. Established by the London Stock Exchange in 1995 to provide small, growth-oriented companies with access to capital, AIM initially attracted just 10 companies. By 2007, it had nearly 1,700 listings globally, though today fewer than 700 mostly UK-based firms remain, amid a broader decline in public listings. Despite recent setbacks, including the reduction of tax exemptions and political scrutiny, AIM continues to play a crucial role in economic growth and innovation. Since its inception, it has helped raise approximately £135 billion for over 4,000 companies. Annual contributions to the UK economy remain substantial, with £68 billion generated in 2023 alone. Prominent supporters like City Minister Emma Reynolds and Lord Mayor Alistair King emphasize the value of market diversification and champion AIM’s continued vitality. Although risk and volatility are inherent, history supports the long-term outperformance of smaller companies, exemplified by success stories like Jet2.com. Ultimately, AIM remains a fertile ground for investors seeking growth beyond mainstream stocks.
5. <https://www.reuters.com/world/uk/londons-withering-aim-market-set-lose-more-members-this-year-2025-01-16/> - The Alternative Investment Market (AIM) in London is experiencing accelerated departures of companies as market valuations slump and recent changes in UK's tax rules make listings less attractive. In early 2025, Alliance Pharma and Team Internet are among the companies negotiating takeovers. AIM was initially created to support smaller companies in raising capital with fewer listing requirements, but many are now considering delisting or selling due to poor performance and continuous outflows from UK-focused equity funds. Among the challenges facing AIM are the halving of inheritance tax relief and a lack of IPOs. With 89 companies leaving AIM last year and only 18 new additions, concerns are rising about the future of AIM and its impact on the UK economy. Suggestions to reverse the decline include mandating pension schemes to invest in UK assets and reinstating tax-free savings plans for British stocks. The main exchange is also experiencing a similar decline, with some companies shifting listings to the U.S. for better valuations.
6. <https://aaltocapital.com/aims-continued-struggle/> - The Alternative Investment Market (AIM) of the London Stock Exchange (LSE) has had a difficult time in recent years. The market was established in 1995 for smaller, high-growth companies to access capital, and at its height in 2007, there were 1,694 AIM-listed companies. As of the 30 September 2024, however, this number has dropped to 695 companies. Several factors may be contributing to AIM’s decline. Broadly speaking, public markets have seen a shift towards less-risky, larger company stocks in response to economic and political uncertainty over the last two years. In the UK, speculation over possible tax changes on AIM shares has further hindered this market. Additionally, the recent AI boom in the US has also drawn attention away from London’s small-cap companies. In the 12 months to August 31, only £1.18 billion was raised on AIM, a far cry from the £6 billion peak of 2021. The reduced liquidity for small-cap, London-listed companies, as well as the cost of listing, has discouraged IPO candidates from choosing AIM. While 76 companies delisted from AIM last year – a 62% increase from the previous year – only 8 new companies have been admitted in 2024 (up to September 30). Companies leaving AIM, either via acquisition or delisting, are not being replaced by new listings. These issues have created a feedback loop, whereby high-growth companies seek IPOs on other markets and AIM therefore receives less interest from investors. Recent LSE reforms appear targeted at attracting companies back to AIM; however, whether these incentives generate enough momentum to overcome the AIM’s stagnation remains to be seen.