

AUGUST 2016

# THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

# AIM switch for ThinkSmart

Australian fintech company ThinkSmart Ltd intends to switch its quotation from ASX to AIM. This is the culmination of a strategic review started nearly a year ago. Henderson is subscribing for £5m-worth of shares at 25p (A\$0.44) each in a pre-flotation placing at a premium to the ASX market price, which will give the fund manager 17% of the enlarged share capital.

ThinkSmart requires regulatory approvals and a ruling from the Australian Taxation Office in order to go ahead with the transfer of quotation. Shareholders will also have to agree to the move. The introduction to AIM is expected to happen in early November, following a tender offer for up to 10 million shares. The cash raised from Henderson will be used to develop the business but it will also help to finance the tender offer, which will be at an indicative share price range of A\$0.38 to A\$0.55.

ThinkSmart provides digital, paperless and retail point of sale finance services via its SmartCheck technology. Dixons Carphone Group subsidiary Dixons Retail is a major customer and the relationship goes back 13 years. Together they have developed a leasefinance package called Upgrade Anytime, which enables customers to upgrade to the latest computer and consumer electronics equipment. A contract has recently been won with the Carphone Warehouse subsidiary. Although ThinkSmart is based in Western Australia it also has an office in Manchester.

## Blueface takes private route

One flotation that AIM has lost out on following the Brexit vote is that of Irish cloud communications company Blueface, which also decided not to go ahead with a UK acquisition. Instead, the company has chosen to take the private equity route.

The AIM flotation process was started in the fourth quarter of 2015 and Blueface was well received by potential investors. However, chief executive Alan Foy says that UK investors were not as knowledgeable about global technology trends as their US counterparts and he also thought that the investors were only interested in a business with a UK focus. In his blog, Foy said that he was already becoming concerned with the weakening of quoted valuations and stock market volatility before the uncertainty caused by the EU referendum result. Foy says that none of the company's advisers had mentioned the risk of Brexit.

Blueface decided to pull its investor roadshow and raise money in euros from private equity because of the currency volatility. Foy adds that the difference in public and private valuations was not as great as expected.

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## » general news

# Pinewood awaits premiere of private equity bid

Film and TV studios operator Pinewood Group has received a bid approach following the initiation of a strategic review. The board has reached an agreement with a subsidiary of PW Real Estate Fund III on the terms of a cash offer of 560p a share. Shareholders will also be able to retain the final dividend of 3.2p a share announced with the recent full-year results.

Asset manager Aermont Capital, previously known as Perella Weinberg Real Estate, is the investment adviser to PW Real Estate Fund III. The bidder has undertaken due diligence and finalised the funding of its cash bid, which, including the dividend, values Pinewood at £323.3m. The Pinewood board has recommended the bid because it believes it will provide access to finance to grow the business and invest in its studios. There are already irrevocable acceptances equal to 65.8% of the Pinewood share capital.

Clear thinking, straight talking

A lack of free float meant that Pinewood had to move from the Main Market to AIM in July 2012. At that time £5m was raised at 250p a share. In March 2015, a further £30m was raised at 375p a share as part of a strategy to move back to the Main Market but there is still a lack of free float. That is why the strategic review was started in February.

In the year to March 2016, revenues grew from £75m to £83.2m, while underlying pre-tax profit jumped from £6.7m to £10.1m. Net debt was £72.8m and more funds are required for the further development of Pinewood studios. The company has also been expanding the range of services it offers and investing in content production.

# QCA revises pay guide

Quoted Companies Alliance (www. theqca.com/guides) has published its revised Remuneration Committee Guide for Small and Mid-Size Quoted Companies. The guide is designed to help directors on remunerations committees to set pay levels for executives that are appropriate for the particular size of company, while understanding the differing perspectives of shareholders. The guide takes account of legal and regulatory changes in 2013 and includes additional information on communicating with shareholders. "This guide will help committees deal with the important decisions on remuneration arrangements," says QCA chief executive Tim Ward. The QCA is holding an event for quoted company directors about the guide on Tuesday 13 September 2016 at 4.30pm at the offices of Wedlake Bell in London.

# Franchise Brands returns in a regenerated form

Franchise Brands, which was formed from the ashes of previous AIM company MyHome International (or 04068016 plc as it became known), floated on AIM on 5 August. A placing raised £3.5m (£2.86m net) at 33p a share and the price ended the first day of trading at 41.5p, having reached 44p at one point. At the closing price, Franchise Brands is valued at £19.5m.

In September 2008, Ernst & Young was appointed as administrator of MyHome, which was traded on Ofex prior to its move to AIM at the end of 2006, and the main businesses were sold for £5m – the acquisition

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of ChipsAway one year earlier had cost the company £16m. Franchise Brands' 2015 revenues of £4.38m are well below the annualised level of MyHome's revenues prior to it going into administration but admin costs are also lower. Franchise Brands reported a pre-tax profit of £1.11m for 2015. There are currently shareholder loans of £1.26m.

The company's main franchise brands are home-cleaning service MyHome, oven-cleaning service Ovenclean and car-care service ChipsAway, which has developed a number of accounts with fleet managers.

Executive chairman Stephen

Hemsley, the former boss of Domino's Pizza UK, and nonexecutive director Nigel Wray, who were both shareholders in the original MyHome business, still own the majority of the shares in Franchise Brands after the placing.

Franchise Brands wants to acquire more franchise businesses that provide services to individuals and small companies. This is where the previous management got things so wrong when they overpaid for takeovers. Franchise Brands has the experience of Hemsley and other board members, so it is to be hoped it will not make the same mistakes.



## » advisers

# **Tough trading for AIM brokers**

AIM brokers Arden and WH Ireland are both currently losing money on their respective broking businesses, although they believe that the potential business on the books should ensure a better second half.

In the six months to May 2016, WH Ireland's corporate broking revenues fell by more than onethird from £4.87m to £3.12m, although retainer income held up, and the underlying loss of the division increased from £283,000 to £1.03m. This does mark a period when WH Ireland had problems with the FCA and was not allowed to take on new clients for part of the six months. The number of clients fell by three to 95. There are a number of potential transactions that could take place in the second half.

The private wealth management division of WH Ireland also slipped into loss due to lower commission levels because of reduced client trading. Overall group turnover fell from £15.9m to £12m and an operating profit of £300,000 was turned into a loss of £1.1m even before exceptional costs. WH Ireland has agreed to sell its Manchester property.

NORTHLAND Clear thinking, straight talking

Arden had a tough first quarter and regulatory changes have hit institutional commissions. However, a strong second half meant that equities revenues were in line with expectations although the contribution from the corporate finance division was lower than budget.

In the six months to April 2016, Arden reported flat revenues of £2.74m but lower overheads meant that the pre-tax loss fell from £1.21m to £745,000. Annualised cost savings in excess of £500,000 have been achieved. There was £4.62m in the bank at the end of April 2016. There is a strong pipeline of potential business in the second half according to management, which is hopeful of an upturn in corporate business from Indian clients. ■ Richard Redmayne has joined SP Angel as director of corporate finance and broking. He stepped down as chairman of Cantor Fitzgerald's European division in May this year. A number of the partners at SP Angel have worked with Redmayne at HSBC and Seymour Pierce. Redmayne, who has five decades of broking experience, will be responsible for generating new clients and securing transactions, particularly in his specialist area of oil and gas.

This appointment follows the recruitment of Lindsay Mair, previously at Sanlam Securities, and Richard Morrison, previously with ZAI, earlier this year.

Cenkos Securities has been fined £530,500 by an FCA investigation into Quindell, now known as Watchstone, and its planned move to the Main Market, which was scrapped in the summer of 2014. Cenkos was found guilty of three breaches of listing rules relating to sponsor services, including one relating to the broker's systems and controls.

ADVISER CHANGES - JULY 2	2016				
COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Hurricane Energy	Macquarie/Cenkos	Cenkos	Cenkos	Cenkos	01/07/16
Patagonia Gold	Strand Hanson	Cantor Fitzgerald	Strand Hanson	Strand Hanson	01/07/16
Stratex International	Hannam & Partners	Northland	Grant Thornton	GrantThornton	04/07/16
Harvest Minerals Ltd	Beaufort/Mirabaud	Mirabaud	Strand Hanson	Strand Hanson	12/07/16
Kolar Gold Ltd	Smaller Company	N+1 Singer/Smaller	WH Ireland	N+1 Singer	12/07/16
	Capital	Company Capital			
Porta Communications	N+1 Singer	Allenby	Grant Thornton	Allenby	18/07/16
MySale Group	N+1 Singer/Zeus	Zeus	Zeus	Zeus	21/07/16
President Energy	Peel Hunt/BMO	Peel Hunt/RBC	Peel Hunt	Peel Hunt	22/07/16
NetScientific	Stifel Nicolaus	Investec	Stifel Nicolaus	Investec	28/07/16
Vast Resources	Peterhouse/	Brandon Hill/	Strand Hanson	Strand Hanson	28/07/16
	Brandon Capital	Daniel Stewart			

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### » company news

# Stride Gaming doubles its share of the UK online bingo market

#### Online bingo

Online bingo consolidator **Stride Gaming** has made two further add-on acquisitions that are set to enhance its profitability and double its share of the UK online bingo market to 10%. Cost savings of £2.5m a year are envisaged after the earnout is completed and the acquisitions should be earnings enhancing in the first full year of ownership.

The total cost of the acquisitions could be up to £70.2m, with the initial £30.2m payable in cash and shares. Stride will pay up to £22m more for Tarco, where Stride chief executive Eitan Boyd and fellow director Darren Sims are shareholders, based on 7.5 times EBITDA for the 12 months to December 2017, minus the initial consideration. Tarco's most recent annualised EBITDA was £2.5m. Up to £18m is additionally payable for 8Ball

# Online bingo is still a very fragmented market

based on six times EBITDA for the next 12 months, minus the amount already paid, which is equivalent to six times last year's EBITDA of £2m. In order to pay out the full amount of deferred consideration the acquisitions will have to make a combined EBITDA of more than £10m.

Stride has raised £27m at 225p a share, which will finance the initial cash cost of the acquisitions of £21.9m and leave cash for working capital. An £8m loan facility lasting four years is being negotiated and this will replace the July 2015 £8m loan from Stride shareholder Poppy Investments that costs 7.5% a year in interest.



www.stridegaming.com

The number of bingo brands operated by Stride increases from nine to 105 – a quarter of the brands in the UK market – and more than 123,000 players will be added. The acquired brands include Moon Bingo, Robin Hood Bingo and WeWantBingo. Tarco also operates 888's Dragonfish platform. Online bingo is still a very fragmented market, worth £600m a year, which will provide plenty of further opportunities for Stride. Management wants to increase its online bingo market share to 20%.

Stride will pay a maiden dividend this year.

# Brighter picture at enlarged Amino

#### Interactive TV technology

IPTV technology developer **Amino Technologies** reported interims in line with expectations and strong cash flow. The order book should ensure a strong second half. Following the results announcement Miton and Downing increased their stakes to 16.1% and 4.1% respectively, while nonexecutive chairman Keith Todd and his wife have also been adding to their shareholding.

In the six months to May 2016, revenues grew from £17.9m to £33m with the help of acquisitions

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AMINO TECHNOLOGIES (AMO)		44.5p	
12 MONTH CHANGE %	- 10	MARKET CAP £M	102

made in the previous six-month period. Those acquisitions changed the product mix, which reduced gross margin. Underlying pre-tax profit improved from £3m to £4.2m. Net cash is £3.1m and this is set to continue to grow even though the interim dividend was increased to 1.39p a share.

R&D investment continues but the big investment has been made.

www.aminocom.com

Amino has launched its compact camera, Fusion Home Monitor, which will help its broadcast clients to introduce additional services and help them to retain customers.

The weakened pound will be good news to Amino because of its significant dollar and euro revenues. The full-year profit is expected to jump from  $\pm 5.1$  to  $\pm 8.7$ m. The dividend is set to continue to be increased by at least 10% a year and 6.1p a share is forecast for this year, which provides a yield of 4.2%.



www.marriottharrison.co.uk



### ≫ company news

# Angle makes progress towards regulatory approvals for Parsortix

NORTHLAND Clear thinking, straight talking

#### Cancer research

#### www.angleplc.com

Clinical studies that should provide further evidence of the effectiveness of the Parsortix liquid biopsy diagnostic system for ovarian and other solid tumour cancers are progressing well. Patients are being recruited in Europe and North America for studies on the use of Parsortix in the detection of ovarian cancer – a market that could be worth £300m a year. That is not the biggest potential market but it would still be highly significant for a company of **Angle's** size.

In the US, Angle hopes to get initial FDA clearance for metastatic breast cancer, a £1bn market, and validation work is ongoing. FDA approval would provide a base to expand the approval to other cancers. There is also third-party

# Cash is expected to last until at least April 2018

research about a number of cancers. Prostate cancer is another area that could have significant potential, with an estimated market size of £3bn.

The first revenues from research sales are beginning to come through. In the year to April 2016, revenues were £361,000 and they could treble this year. This provides a small contribution to group overheads, which will increase in order to finance further trials. Research client Cancer Research UK Manchester Institute is using Parsortix in ten clinical trials, with a

ANGLE (AGL)	68.75p
12 MONTH CHANGE % - 22.8	MARKET CAP £M 51.4

further four likely to start using the technology.

Angle raised £9.6m net at 64.5p a share during May this year and there was pro forma net cash of £13.4m at the end of April 2016. This cash is expected to last until at least April 2018, although this may depend on the pace of commercialisation and the opportunities that arise.

Angle has been trading in a relatively narrow range in the past few months but further good news could provide an upwards push to the share price.

# Motif delays its Nasdaq debut

#### Antibiotics developer

Antibiotics developer **Motif Bio** has put off the pricing of its fundraising for its proposed Nasdaq listing because of market conditions. Motif continues to talk with potential investors. The Nasdaq listing would provide access to additional investors, as well as raising the company's profile in the US prior to the launch of its antibiotic iclaprim, which could be on the market as early as 2019.

Developing new antibiotics is a lucrative business. Motif's main drug candidate iclaprim was originally discovered by Hoffman-La Roche and Motif has adapted the development



programme to address the reasons it failed to gain FDA approval in 2009. There will be two clinical trials to assess the efficacy and safety of intravenous iclaprim for treating acute bacterial skin and skin structure infection compared with the standard treatment vancomycin and both these trials are expected to be completed during the second half of 2017. If the trials are successful they would provide enough data to

#### www.motifbio.com

satisfy the requirements of the FDA in the US.

Motif raised £2.84m at 20p a share when it joined AIM early last year and in June 2015 raised a further £22m at 50p a share to finance the phase III trials. Additional cash will be raised from the Nasdaq flotation. Motif has gained shareholder approval to issue up to 100 million shares, so this could raise as much as £50m, although there is no certainty how many shares will eventually be issued. Motif's cash outflow is currently forecast to be \$24.3m in 2016 and \$27.9m in 2017.

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### ≫ company news

# Victoria powers ahead with its European carpet consolidation strategy

#### Carpets and floorcoverings

#### www.victoriaplc.com

Carpets and floorcoverings sector consolidator **Victoria** is pushing ahead with its strategy and the company's latest figures show that it can not only do deals; it can also make the businesses it acquires more efficient and profitable.

In the year to 2 April 2016, revenues more than doubled, from £127m to £255.2m, while underlying pre-tax profit has jumped from £7.9m to £18.2m. There was good organic growth from the Australian business. The second half was stronger but that was mainly attributable to full contributions from acquisitions earlier in the year, with some improvement in margins on top of that.

Victoria does not want to issue

#### Victoria has strong cash flow

large numbers of shares and dilute existing shareholders so debt is used for acquisitions. That is why net debt has risen from £35.7m to £61.1m in the past year. Victoria has strong cash flow so it can afford to use debt to finance deals because it can be paid off out of earnings. Cash generation could potentially halve net debt in two years. However, further deals will require additional debt. Victoria has walked away from some deals in recent times and it is careful that what it buys fits in with its strategy.

VICTORIA (VCP)	1340p
12 MONTH CHANGE % +24.1	MARKET CAP £M 243.8

Victoria's strategy is to become large enough for a much bigger global rival, probably North American, to snap up so that they gain a significant market positon in Europe.

The share price has appeared a bit toppy in the past but these latest results mean that they are trading on 16 times underlying earnings, with more growth to come following a strong start to the new financial year. Imports are less price competitive following the movement in sterling so this should be good news for Victoria.

# Gresham House takes on LMS mandate

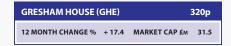
#### Financials

Gresham House has secured a management contract for a second quoted vehicle, which should take its assets under management to £350m. LMS Capital has awarded a three-year management contract for its portfolio and it is also investing in Gresham House. Last year, Gresham House was awarded the management contract for AIMquoted Gresham House Strategic, which was formerly Spark Ventures.

The latest mandate enables Gresham House to spread the costs of its fund managers over a larger asset base and there will be opportunities for co-investment.

LMS had been liquidating

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its portfolio but it is asking for shareholder approval to change the strategy to private equity investment. LMS has already returned £155m to shareholders and a tender offer for a further £6m is planned. Further tenders for up to £11m are also likely in the future.

LMS says the agreement with Gresham House should reduce costs and improve prospects for long-term growth, as well as allowing more time to realise some existing investments. www.greshamhouse.com

As part of the deal, LMS will invest £1m in Gresham House shares at 300.77p a share and it will be issued 1.38 million warrants to subscribe for ordinary shares.

On the second anniversary of the deal, Gresham House will issue up to £1.25m more shares to LMS if the agreement is extended for a further two years and there are no further cash returns to shareholders in that two-year period if it would mean that the net asset value will fall below the level on the second anniversary. The exact value of shares issued will depend on the net asset value on the anniversary.



www.marriottharrison.co.uk

## » dividends

# Global income generation from Somero Enterprises

Construction equipment

www.somero.com

Clear thinking, straight talking

#### Dividend

Concrete-levelling equipment supplier Somero Enterprises Inc paid a dividend equivalent to 0.17p a share (the dividends are announced in cents) for the 2006 financial year, followed by 2.99p a share the following year. There was an interim of 1.51p a share for 2008 but the collapse of the global economy meant that Somero fell into loss and dividends were put on hold. There was no dividend until the 0.49p a share final dividend for 2012.

Since then the dividend has been raised sharply each year and it totalled 4.59p a share for 2015, which is more than three times covered by earnings. Cash generation is strong. Even if capital expenditure is taken into account the cost of the dividends paid in 2015 were covered three times by cash generated – and more than four times prior to capital investment. Net cash was \$12.6m at the end of 2015.

#### **Business**

One of the attractions of Somero is that it has an international spread of business. This means that weakness in some regions can be offset by stronger trading in other regions. North America remains the main market and its revenues grew by nearly one-third last year. Europe, the Middle East and most of Asia also grew revenues but Australia, Latin America and China made lower contributions while Russian sales slumped.

In 2015, group revenues rose from \$59.3m to \$70.2m, while underlying pre-tax profit moved from \$12.7m to \$17.6m. New product launches have helped to supplement recovery in the main markets.

SOMERO ENTERPRISES INC (SOM)		
Price (p)	167.5	
Market cap £m	94.5	
Historical yield	2.7%	
Prospective yield	2.8%	

The plan is to double 2013 revenues of \$45.1m by 2018 and Somero appears to be on course. Trading has been strong in the first half and has been ahead of expectations. Growing consumables revenues suggests that activity levels are improving. The US, Europe and China – which had been weak in 2015 – were all strong markets. Somero is benefiting from its investment in training in China while increasing wage rates are encouraging investment in equipment.

Low market penetration in other parts of the world means that there are plenty of additional opportunities. India is second to China in terms of concrete consumption and there is likely to be a move towards higherquality floors in new buildings as the market develops.

House broker finnCap upgraded its 2016 forecasts after the recent trading statement. The pre-tax profit forecast was raised from \$18.9m to \$20.3m and earnings per share from 21.3 cents to 22.5 cents. The weakness of sterling means that this is worth more in pence. The shares are trading on around ten times prospective earnings, depending on the dollar/ sterling exchange rate.

The Somero share price has risen substantially in the past couple of years but the rating remains relatively modest considering the growth in profit that could be achieved.

# Dividend news

**NWF** increased its total dividend for last year by 5.6% to 5.7p a share, which was faster than earnings growth. Higher contributions from feeds and food offset a dip in fuels profit due to the warm winter. In the year to May 2016, pre-tax profit before pension finance cost and exceptionals rose from £8.1m to £8.3m. Restructuring costs were partly offset by a gain on the closure of the pension scheme. This year will get the full benefit of the feed and fuel acquisitions made last year. The weakness of sterling will affect the prices paid for commodities, such as oil and soya, which are important to the business.

Gas, electrical and maintenance services provider **Bilby** reported fullyear figures in line with expectations, with underlying pre-tax profit of £2.9m and the total dividend was 2.75p a share. Although demand for services under the framework agreement with council consortium SEC has been disappointing this will be more than offset by the contribution from acquisitions this year. Bilby has £240m of contracted or transactional work, which underpins forecasts. That does not include potential business from framework agreements so if additional SEC work is won it will add to that figure. House broker Panmure Gordon has increased its earnings forecasts from 11.3p a share to 12.1p a share.

Staffing and training provider **Staffline** increased its interim dividend by 40% to 10.5p a share after reporting a 50% increase in underlying pre-tax profit to £15.2m in the first half of 2016. Trading continues to be in line with expectations although there have been concerns about the effect of the UK leaving the EU on the supply of labour from outside the UK. A full-year profit of £35.9m is forecast. Staffline has recovered the majority of the share price decline immediately following the EU referendum.

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### >>> expert views

#### Expert view: The broker

# Halcyon days for PhotonStar LED

#### **By Mike Jeremy**

IM-listed PhotonStar LED Group\* [PSL.L] is a leading British designer and manufacturer of intelligent lighting solutions. The Group's proprietary technology, Halcyon, is a connected lighting platform that includes hardware and software for wireless, microprocessorcontrolled retrofit LED lighting and control systems, also optimised for energy saving, circadian and datacentric applications.

Coincident in February 2016 with a placing which raised £1m, PhotonStar announced renewed emphasis on its transformation into a comprehensive provider of retrofit lighting and building management systems. Subsequently, in March the company announced that it had received approval from the UK Intellectual Property Office for its proprietary Wireless Nodes with Security Key solution for remote wireless secure programming of networked devices. This reinforced its February 2016 demonstration of cloud-based Building Management System -Halcyon CloudBMS - working with IBM's Maximo and Tririga asset and facilities management products.

#### Halcyon

PhotonStar's core offering and basis for its retrofit connected lighting and building management business strategy is its Halcyon product, an "intelligent" circadian wireless lighting system with wireless lamps, fixtures and controllers that use behavioural, environmental and energy data from wireless sensors or Internet of Things (IoT) devices to deliver the "right light at the right time, whilst gathering valuable data".

Within the Group, PhotonStar Technology Ltd designs and manufactures high CRI (Colour

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Rendition Index)/ Colour-tuneable LED light modules for general lighting, and speciality LED lighting solutions for media, UV curing and medical applications.

The core of PhotonStar's approach is the ability to fine-tune the frequency of light output including remote or retrofit control. 2015-16 has seen a number of key developments. In early 2015 PhotonStar conducted a full retrofit of its Halcyon lighting system into the IBM Mobile and IoT Lab at Hursley, Hampshire, providing the proof of concept basis for further installations in other locations, such as hospitals, mental health care homes, hotels, offices and student accommodation.

The partnership with IBM subsequently involved demonstrating the Halcyon intelligent wireless lighting system within the IBM Watson IoT Platform and IBM Bluemix system to IBM clients and partners at the Global Watson IoT headquarters in Munich, and membership of IBM Partner World programme. In January 2016 the company was awarded a trial installation contract with Royal Bank of Scotland, a first step towards potential further contracts within the group. In February it previewed its IoT Building Management Solution Halcyon CloudBMS<sup>™</sup> at the 2016 IBM InterConnect Cloud & Mobile Conference in Las Vegas. This system is designed around the HalcyonPRO2<sup>™</sup> wireless monitoring and control system, which uses environmental and occupancy information to regulate and adjust window shade and lighting conditions, optimising energy use and efficiency.

Latterly, in March 2016, PhotonStar received approval from the U.K. Intellectual Property Office for its Wireless Nodes with Security Key application. This secure commissioning patent adds a critical element to its Halcyon and HalcyonPRO2 wireless network technology, and specifically targets commercial security for Internet of Things (IoT) lighting, sensors, actuators and similar devices.

#### Finance

For the year to December 2015 PhotonStar reported revenue of £6.9m, -4% year on year (2014: £7.19m), comprising LED Fixture Lighting divisional sales of £6.7m (2014: £6.92m) and LED Light Engine division revenue of £0.2m (2014: £0.26m). Gross margin was 36% compared with 37% in 2014. The company undertook impairment (£1.63m) related to goodwill from its reverse transaction with Enfis in 2010, and for assets which were no longer considered relevant to the group's strategy.

We expect the new-build LED lighting market to remain characterised by strong demand but associated stiff price-related competition. In this context PhotonStar's Halcyon retrofit systems approach, featuring both behavioural (circadian) lighting capability and intelligent cloudbased building management has the potential to position the Group in a value-added niche. PhotonStar LED Group CEO James McKenzie notes: "Our early investment in Halcyon and cloud services over the years positions us well for the impact the Internet of Things will have on lighting and building control".

\*Northland Capital Partners Ltd acts as nominated adviser and joint broker to PhotonStar LED Group plc.

MIKE JEREMY is a director of research at Northland Capital Partners.





# » feature

# Main success stories

ITV's bid approach for Entertainment One shows just how far the film and TV distributor and producer has gone since it joined AIM, subsequently moving to the Main Market.

An ITV bid of 236p a share values Entertainment One, which is known for Peppa Pig, at more than £1 billion. That compares with a market capitalisation of £84.4m at the original AIM placing price of 100p a share back in March 2007. The business was formed at that time by the acquisition of the Entertainment One business, which was a major North American wholesale distributor of DVDs, CDs and video games. Since then, a number of acquisitions have turned the company into a wide-ranging film, TV and music content owner as well as distributor. Entertainment One moved to the Main Market in July 2010.

Entertainment One has built up a library of more than 100,000 hours of film and television programming, plus more than 40,000 music tracks. The BFG is the first film to come out of the company's partnership with Steven Spielberg's Amblin Partners.

Entertainment One is not the only company to move from AIM to the Main Market and prosper. A number of former AIM companies have become a constituent of the FTSE 250 index, with food wholesaler Booker getting near to the point where it could move into the FTSE 100 index. Domino's Pizza is a wellknown success, having paid out much more than its original AIM flotation price in dividends. Other successful Main movers, all of which pay growing dividends, include:

### Unite Group (UTG)

£1.37bn@619p

Student accommodation provider Unite joined AIM at the end of June 1999 at a market value of £21m. AIM gave Unite a platform to start developing its business but less than one year later it moved to the Main Market at a valuation of £90m. The current share price is more than six times the level it was at in 1999.

Student numbers continue to grow despite the increase in fees and demand for accommodation is growing on the back of this. Unite says that it will be operating 49,000 beds for the 2016-17 academic year. The share price is close to the underlying NAV of 620p a share. Last year, the student accommodation yields softened slightly to 5.5%. Unite intends to become a REIT in 2017.

#### Big Yellow Group (BYG) £1.14bn @ 721p

Self-storage sites operator Big Yellow joined AIM in May 2000 at a valuation of £97m and moved to the Main Market just over two years later at a capitalisation of £118m. The share price has risen by more than five times since the flotation in 2000.

At the end of March 2000, annualised revenues were  $\pounds 2m$  and at the time of flotation there were 11 sites in operation or acquired. Sixteen years later, the reported revenues were  $\pounds 101.4m$  and there were 89 sites in operation, plus a further seven development sites – 96% of the sites are freehold in money terms. Big Yellow also owns a 20% stake in Armadillo Self Storage, which has 16 sites. Occupancy levels are 76.7% and the target is to get this up to 85%.

#### Genus (GNS)

£1.18bn @ 1932p

Animal genetics firm Genus started out on Ofex, now ISDX-quoted, before moving to AIM in July 2000 when it was valued at £58m. Genus acquired pig genetics business Sygen International in 2005 to go together with the core cattle breeding technology business. Following the Sygen acquisition, Genus moved to the Main Market in November 2007 at a valuation of £420m. The current share price is eleven times the level it was back in 2000.

Basingstoke-based Genus has grown internationally from its UK base. The key to its success has been the development of genetics technology. In collaboration with the University of Missouri, Genus has discovered the first pig resistant to Porcine Respiratory and Reproductive Syndrome virus and it has a global licence to commercialise the technology.

#### NCC (NCC)

£913.7m @ 331p

NCC joined AIM in July 2004, when it was valued at £55.4m. Three years later NCC moved to the Main Market and in the past year it has joined the FTSE 250 index. The share price, which has been adjusted for share splits, is nearly 12 times the level it was back in July 2004.

NCC provides IT assurance, security and consultancy services. The escrow business was the original platform for the business and it houses source code to business critical software applications on behalf of the user of the software. In recent times cyber security has become the main growth area, both organic and via acquisitions, although escrow still provides growth and a solid recurring revenue base. Recent acquisitions include former AIM-quoted IT security services provider Accumuli.

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## ≫ feature

# Brexit boost for AIM trades

## The EU referendum sparked an upturn in trading in AIM shares.

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New entrants may have been made more cautious about joining AIM but the vote to leave the EU sparked an upturn in trading levels on the junior market.

Trading on AIM has increased following the EU referendum, having reached the peak for the year on the day after the vote. June and July are normally quieter months in terms of trading but trading levels remain higher than they generally are at this time of year.

On 24 June, there were 37,688 trades, which is the highest figure in the past two years. There were 35,785 trades on the following Monday, which is nearly as high as the previous year's peak of

#### On 24 June, there were 37,688 AIM trades

36,205 on 9 April 2015. To put this in perspective, the number of trades on 23 June was 23,361.

The average number of daily trades during June was 22,904. The average number of trades for the last five days of June was 32,510 a day. The July average was 24,439 a day and this compares with 22,985 trades a day on average in March – the spring can tend to be the peak trading period in most years.

The table below compares average daily trades in June and July for past years with the averages for the whole year. Trading levels were strong in the summer of 2014 and that is the only one of the past six years where June average daily trades are higher than the average for the year. The peak for 2014, was 50,986 trades on 5 June. Otherwise, the annual averages are higher than those for June and July. This year is the first time when both June and July are higher than the average for the whole year – although it is only part of the year in 2016.

The number of companies on AIM has declined from 1,293 to 1,010 since the end of 2009. This means that the number of trades per company has

risen sharply, although trades are still dominated by a small number of the larger companies.

Online fashion retailer ASOS accounted for one-fifth of the trading volume and just under 15% of trades in July, which was slightly lower than levels in June. This reflects the strong liquidity in the shares, making them more readily tradeable than many much smaller AIM companies.

Trading values are nowhere near their previous peaks. On 24 June there was £169.5bn-worth of shares traded

AVERAGE DAILY TRADES ON AIM				
YEAR	JUNE	JULY	FULL YEAR	
2016	22,904	24,439	22,364*	
2015	21,772	20,041	22,809	
2014	29,636	24,470	26,585	
2013	16,571	14,201	18,841	
2012	21,132	19,587	21,611	
2011	20,547	19,254	22,811	
2010	12,880	13,214	16,055	

\* Year to July 2016

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and this was surpassed on 23 July with a traded daily value of £183.7bn. The average for the year so far is £114.3m.

There are normally between 2,000 and 3,000 monthly trades in recruitment and training company Staffline but this rose to 3,192 in June and 5,954 in July. This reflects concerns about the company's reliance on free movement in the EU. Although there was a sharp share price fall, there was a subsequent recovery following strong trading news.

The support services sub-sector accounted for 4% of AIM trades in July compared with just over 3% in May. The healthcare sector accounted for 12% of July trades, up from 11% in May. There was a move to healthcare and pharma companies in recent weeks because of their overseas earnings.

More surprisingly, the mining subsector increased its share of AIM trades from 9% in May to 10.5% in July. The average for the year as a whole is 8%.

#### Performance

The FTSE AIM All Share index has risen by 4% since the day before the EU referendum. After the two most active days of trading the index was 7% lower, so this represents a strong recovery since then, and it is still based on significant trading volumes and not on limited liquidity.

It may be difficult to maintain this level of liquidity during August but it will be interesting to observe how well it does hold up. There are signs of new entrants braving a flotation on AIM, including Italy-based PR firm SEC and Franchise Brands (see page 2).

The outlook for AIM shares remains uncertain. Many companies have not been hampered by the apparent lack of confidence in the UK economy, while others are more cautious although that caution may be overdone.



# » statistics

## **Market Performance, Indices and Statistics**

AIM SECTOR INFO	RMATION	
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	21.6	17.7
Consumer services	17.1	10.7
Industrials	13.4	16.9
Healthcare	14.9	8.9
Technology	9.9	11.5
Consumer goods	8.4	5.8
Basic materials	6.8	15.1
Oil & gas	5.6	10.7
Telecoms	1.6	1.5
Utilities	0.8	1.3

#### KEY AIM STATISTICS

Total number of AIM	1013
Number of nominated advisers	33
Number of market makers	48
Total market cap for all AIM	£71.7bn
Total of new money raised	£97.4bn
Total raised by new issues	£41.3bn
Total raised by secondary issues	£56.1bn
Share turnover value (2016)	£14bn
Number of bargains (2016)	2.75m
Shares traded (2016)	175.7bn
Transfers to the official list	180

FTSE INDICES	ONE-YEAR CHANGES	
INDEX	PRICE	% CHANGE
FTSE AIM All-Share	755.89	+0.9
FTSE AIM 50	4316.47	+6.4
FTSE AIM 100	3621.7	+6.3
FTSE Fledgling	7949.34	-0.4
FTSE Small Cap	4774.88	+1.5
FTSE All-Share	3653.83	+1
FTSE 100	6724.43	+1.4

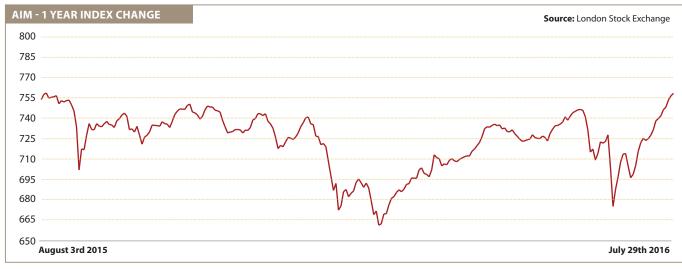
COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	246
£5m-£10m	118
£10m-£25m	197
£25m-£50m	157
£50m-£100m	122
£100m-£250m	108
£250m+	65

#### TOP 5 RISERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Sound Energy	Oil and gas	47.5	+190.1
Taptica International	Media	128	+100
Jersey Oil & Gas	Oil and gas	34	+83.8
Hydrodec	Cleantech	3.9	+79.3
Westminster Group	Security	22	+72.6

#### TOP 5 FALLERS OVER 30 DAYS

SECTOR	PRICE (p)	CHANGE (%)
Technology	25.25	-55.7
Agriculture	13.62	-50.5
Healthcare	1	-50
Oil and gas	1.52	-49.2
Healthcare	1	-46.7
	Technology Agriculture Healthcare Oil and gas	Technology25.25Agriculture13.62Healthcare1Oil and gas1.52



A R R I O T T A R R I S O N

Data: Hubinvest Please note - All share prices are the closing prices on the 31st July 2016, and we cannot accept responsibility for their accuracy.

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Based in London, Northland Capital Partners Limited is an independent institutional stockbroker and corporate adviser. Northland enables growth companies to access capital and offers a full nomad service to AIM-quoted small and midcap companies. It has excellent connections with investors, providing them with equity research, advice and trading services. Northland has assembled

a team of highly motivated and experienced professionals that aims to deliver unparalleled service to our clients.

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Northland has a strong track record in advising and raising funds for growth companies. We always aim to provide innovative ideas and solutions that will enable our clients to fulfil their long-term growth ambitions in a wide range of sectors, including healthcare, TMT, consumer, resources and support services.

As the most successful growth market in the world, AIM is an important platform for helping small companies raise capital. At Northland, we see the AIM Journal as an opportunity for investors to learn more about the many great companies quoted on AIM.

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We host a regular Nomad Forum which has been established to provide nomads with the opportunity to discuss AIM regulatory issues on a Chatham House basis, and to provide briefings on key legal developments. Submissions are often subsequently made to AIM Regulation as a result of discussions held.

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