Avenir REGISTRARS

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OCTOBER 2024

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Pre-Budget AIM decline

Pre-Budget uncertainty continues to hold back the performance of AIM, which declined 4.2% in September, although the FTSE AIM 100 index performed slightly better with a 3.4% fall. The FTSE 100 index was down 1.7% on the month, but it still outperformed AIM, as did the FTSE All Share index.

Each of the three main AIM measures are lower than at the start of the year, although the FTSE AIM UK 50 index is only down by 0.3%. In contrast, the Main Market measures are all higher.

There have been some gains on the back of good results during September, including telecoms services supplier Gamma Communications, LBG Media and oil palm plantations operator MP Evans. However, there are still a few significant disappointments. Shares in marketing services provider Next 15 Group nearly halved following the loss of a major client.

Takeover approaches continue with Learning Technologies Group the receipiant of a conditional bid approach from GASC APF and related funds at 100p/share in cash. There would also be an unlisted equity alternative. The board considers that the cash bid is at an appropriate level. AO World is bidding 9.07p/share in cash for pre-used technology supplier magicMagpie, valuing it at £10m.

GenIP spun off by Tekcapital

Technology investment company Tekcapital has floated its GenIP business on AIM. A fundraising generated £1.75m at 39p/share and Tekcapital's stake has been diluted to 63.1%, while its boss Dr Clifford Gross has 6.85% and fellow Tekcapital director Selwyn Lloyd holds 2.06%. The share price ended the first day at 30p, valuing the company at £5.25m.

GenIp was founded in 2024 and it acquired the business of InventionEvaluator, which was providing due diligence as a division of Tekcapital. By using AI it has been able to offer rapid assessments of the market potential for technology innovations. The full roll out of the service was at the beginning of September. The other business is Vortech, which uses machine learning and natural language processing to match executives and companies. The businesses can better focus on taking advantage of the potential of AI services as independently from Tekcapital.

Unaudited pro forma net assets are £1.74m, including £1.58m in cash after paying £550,000 in expenses for the fundraising. There has been £450,000 earmarked for the building up of ecommerce sales and marketing for the business. The rest of the cash will provide working capital.

The operating businesses generated revenues of $279,000 in 2023. Management believes that 90% of revenues are recurring. Additional products have been subsequently launched.

In this issue

Mpac's enhancing purchase

Production automation supplier Mpac is acquiring CSi Palletising for £47m, including £4.16m in shares, and the deal should be completed by the end of the year. This extends its range of equipment and means that Mpac is well on the way to its target of doubling revenues by 2028.

A placing raised £29m at 400p/share and a retail offer to existing shareholders could add up to £1m to the figure. The rest of the cash will come from a new revolving credit facility of £35m and a term loan of £12m. Cash generation will reduce the debt level.

CSi Palletising designs, manufactures and installs end-of-line packaging automation and robotics equipment and has factories in the Netherlands and Romania. It covers case transport to loading on to pallets and clients include Mars, PepsiCo, Unilever and Nestle. Mpac is keen on developing its service revenues and CSi Palletising has more than 2,500 service centres around the world.

In 2023, CSi Palletising generated revenues of €71.5m and EBITDA of €7.3m. The latest interims show revenues of €44.4m and EBITDA of €6.8m. There is an order book worth €64.3m.

Mpac can sell CSi Palletising's equipment via its existing operations in US and Canada, while Mpac can take advantage of its acquisition's Latin American expertise.

There could be a reduction in 2025 earnings following the share issue to fund the purchase, but the deal should be earnings enhancing from 2026 onwards. That is before any cost savings or cross-selling are taken into account. If the cost savings are made quickly then the deal could even be earnings enhancing in 2025.

Mulberry rejection

Mulberry turned down the potential 130p/share cash offer from Frasers Group, which has a 36.8% stake. Frasers complains that it was not made aware of the £10m subscription at 100p/share until just before the announcement. It also highlighted the audit opinion of the accounts that says that there is a "material uncertainty related to going concern". Mulberry slumped to a pre-exceptional charges loss of £22.6m on 4% lower revenues in the year to March 2024. Chalice owns 56.1% of Mulberry and was subscribing the £10m for additional shares, but Frasers used a clawback option to invest £3.96m. There is a retail offer of up to £750,000. Andrea Baldo became chief executive of Mulberry on 1 September.

AIM award nominations announced

There are six companies on the shortlist for the 20024 AIM company of the year award. Three of the companies – telecoms and operations support software supplier Cerillion, airline and tour operator Jet2 and engineering services business Renew Holdings – were on the shortlist last year. The other nominees are cosmetics supplier Warpaint London, Tatton Asset Management and software company Beeks Financial Cloud. Last year's winner Alpha Group International moved to the Main Market in May and the financial services provider became a constituent of the FTSE 250 index in June.

There are only four companies on the shortlist for best newcomer. Low-sodium salt developer MicroSalt was spun out of AIM-quoted Tekcapital. European Green Transition was set up to acquire mining and processing projects that will help with the transition away from fossil fuels, while Helix Exploration floated on the back of the investor interest in helium exploration. US-based AOTI has developed an at-home therapy device to deliver oxygen topically into chronic wounds.

AOTI inc is also on the AIM transaction of the year shortlist. There is strong competion for this award with The Property Franchise Group merging with fellow AIM company Belvoir, SigmaRoc acquiring the European lime assets of CRH and Young & Co's Brewery purchase of City Pub Group. The other potential winners are the £434m sale by GlobalData of a 40% stake in its healthcare division to Inflexion and Concurrent Technologies much smaller, but just as important acquisition of the aerospace and military divisions of Phillips Machine & Welding Company, which provides greater access to the US market for the embedded computer technology developer.

The 2024 AIM Awards dinner will be held in London on 10 October (www.aim-awards.co.uk).

Winterflood slumps into loss

Winterflood continues to suffer from the decline in trading levels in AIM and other smaller company shares and this meant that it fell into loss last year.

In the year to July 2024, the market maker moved from an operating profit of £3.5m to a loss of £1.7m. There were one-off dual property costs of around £3m. Average bargains per day fell from 60,000 to 55,000. There were three days when market making lost money compared with one in the previous year.

The Winterflood Business Services operation increased its income by 17% to £17.3m and assets under administration were one-fifth higher at £15.6bn – the target is £20bn by 2026.

Winterflood's owner Close Brothers is selling Close Brothers Asset Management to Oaktree Capital Management for up to £200m, including £28m of preference shares. The £172m in cash will be retained while Close Brothers awaits the FCA motor finance business review, which is delayed until May 2025.

This disposal makes Winterflood appear more of an outlier in the group and its contribution is minimal. Panmure Liberum suggests that Winterflood could also be sold, although Close Brothers says it is exploring how to diversify the revenues of the business. Winterflood's book value is £90.4m.

■ **Peel Hunt** improved interim revenues by one-quarter to £53.3m, helped by the completion of M&A mandates for clients and two significant flotations. The main growth in revenues in the six months to September 2024 is in these investment banking operations with a small improvement in research and distribution revenues. Execution services were strong in the first four months of the period, but volumes slowed because of uncertainty about the UK Budget and the US election. The interim results will be published on 29 November.

Market activity continues to slow, but the full year outcome should be similar to the consensus expectations of revenues of £93m, up from £85.8m in the previous year, and underlying pre-tax profit of £600,000, compared with a loss of £3.3m.

■ **Cavendish Financial** says it has a solid pipeline of public and private transactions and this includes possible flotations. Market conditions have not improved since the General Election, but the broker and M&A adviser is in a strong position to benefit from a recovery.

■ **Mello** is holding its tenth anniversary conference in the Derby Conference Centre on Tuesday 19th November and Wednesday 20th November. This is where the first conference was held. There will be 12 keynote speakers, plus eight educational workshops and panels. There are 40 companies exhibiting and more than sixty companies that will make presentations to investors. Tickets can be purchased for a single day or both days at www.melloevents.com/mello10tickets/.

Mello will also be at the London Investor Show on Friday 1 November.

ADVISER CHANGES - SEPTEMBER 2024

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Diaceutics	Canaccord Genuity	Stifel Nicolaus	Canaccord Genuity	Stifel Nicolaus	9/2/2024
Nostra Terra Oil and Gas	SP Angel	SP Angel	SP Angel	Beaumont Cornish	9/6/2024
Wishbone Gold	Tavira Financial	SP Angel	Beaumont Cornish	Beaumont Cornish	9/6/2024
Good Energy	Canaccord Genuity / Panmure Liberum	Investec / Canaccord Genuity	Canaccord Genuity	Investec	9/17/2024
BP Marsh	Singer / Panmure Liberum	Panmure Liberum	Panmure Liberum	Panmure Liberum	9/17/2024
Flowtech Fluidpower	Singer / Panmure Liberum	Panmure Liberum	Panmure Liberum	Panmure Liberum	9/18/2024
Fiinu	SP Angel	SP Angel Panmure Liberum	Spark	Spark	9/19/2024
Smarttech247	Cavendish	Shard / Fortified Securities	Spark	Spark	9/23/2024
Nexus Infrastructure	Zeus	Deutsche Numis	Zeus	Deutsche Numis	9/27/2024

4basebio awaits regulatory approval for placing to accelerate synthetic DNA business growth

Synthetic DNA producer *www.4basebio.com*

4BASEBIO (4BB)			1390p
12 MONTH CHANGE %	+149	MARKET CAP £M	178.1

4basebio is awaiting regulatory clearance for a £40m share investment from Elevage Medical Technologies, which is backed by Patient Square Capital, and M&G, which is at 1500p/share. This will provide the cash to grow the business and fund working capital and overheads for many years.

4basebio develops synthetic DNA products and it has won four supply contracts with three being gained in the first half of this year. These are for phase 1 trials and development projects. Development continues of the Hermes platform, which could produce products for nucleic acid vaccine applications. There are plans to gain certification for the company's facilities to provide a greater range of products.

Placing is at a premium

In the first half of 2024, revenues improved from £238,000 to £328,000, while the loss increased from £3.86m to £6.14m. There was a large increase in research spending, as well as other costs as 4basebio invests for the future.

Costs will continue to rise as marketing and production is scaled up, and so will the loss even though full year revenues could be £1.5m – the current order book is worth more than £600,000. The recognition of revenues depends on when clients commence studies.

Cavendish assumes the cash injection will be received before the end of the year and forecasts net cash of £29.1m at the end of 2024.

Along with the cash injection, existing shareholders are selling shares to the new shareholders and raising £29.4m. The shares will still be tightly held after these transactions, but the prospects for 4basebio are enhanced by the cash injection. The current share price does anticipate a lot for the future, but if 4basebio even gains a small market share it could be a highly valuable business.

GENinCode focusing on US expansion

Disease risk assessment *www.genincode.com*

GENINCODE (GENI)			5.25p
12 MONTH CHANGE %	-46.2	MARKET CAP £M	9.3

Genetic diagnostic tests developer **GENinCode** has generated initial US revenues from family hypercholesterolemia test LIPID inCode and coronary artery disease test CARDO inCode. There are also plans for the NHS to implement the tests.

CARDIO inCode has a reimbursement code approved by the American Medical Association and the pricing is in the range of $500-$760/test. A study of CARDIO inCode in the American Journal of Preventative Cardiology that covers 63,000 multiethnic subjects over 14 years shows that the test identifies individuals at higher risk that would benefit from statins or intensified treatment. It is consistent across sexes and ethnic groups.

In the US, the target market is 21 million people and physicians covering 8.5 million people are likely to order the test if it is covered by insurance. There should be a FDA De Novo regulatory update by the end of the year. If approval is received, then the launch can be expanded. There are also plans to extend the reach of LIPID inCode in the US market, which could be worth $1.8bn.

In the first half of 2024, revenues grew 46% to £1.39m and the growth has come from Europe and the US. The cash outflow from operating activities was £3.4m.

There was cash of £2.92m at the end of June 2024, following a £3.7m net fundraising during the period. Net cash is expected to be £700,000 by the end of 2024. Management is aware of the tough market conditions and it is trying to make its cash last as long as possible while it moves towards cash breakeven.

New management revitalises sales and marketing strategy at Corero Network Security

Cybersecurity *www.corero.com*

CORERO NETWORK SECURITY (CNS)			19.25p
12 MONTH CHANGE %	+174	MARKET CAP £M	98.6

Corero Network Security appointed Carl Herberger as chief executive at the beginning of 2024. He has restructured the sales and marketing team and is expanding geographically by adding new partners. The focus is expanding the customer base and selling more services to them. Corero already appears to be taking market share.

Corero develops distributed denial of service (DDoS) protection services. These can be on-premises, cloud or hybrid cloud. Clients include internet service and hosting providers. The services can be provided in near real-time.

In the first half of 2024, revenues were 16% ahead at $12.2m and the reported loss was reduced from $1.24m to $273,000. The business is highly cash generative, though, with $3.69m generated from operating activities and that more than covered capitalised development spending of $1.07m. Net cash rose to $7.85m at the end of June 2024.

98% rate of renewals

DDoS attacks are growing in double digit percentages as attackers utilise AI. The addressable market is more than $4bn, so Corero is tiny and has significant potential for growth.

The quality of the customer base is indicated by a 98% customer renewal rate. Order intake was $14.2m in the first half. New client wins and renewals have continued in the second half.

Annualised recurring revenues are $17.2m. Canaccord Genuity forecasts a $200,000 pre-tax profit this year. This would be the first profit since 2021. A further improvement to $1.3m is anticipated for 2025. Year-end cash tends to be lower than at the end of June due to issuing invoices that are paid early in the following year, but it should still grow year-on-year to $6.9m. The share price has risen sharply this year, particularly over the past six months as the new strategy becomes clear. There should be more to go for.

Airports assess Aurrigo autonomous vehicles

Autonomous transport *www.aurrigo.com*

AURRIGO INTERNATIONAL (AURR)			77.5p
12 MONTH CHANGE %	-36.7	MARKET CAP £M	35.5

Autonomous vehicles developer **Aurrigo International** got off to a strong start in its time on AIM. The share price remains well above the 48p placing price in September 2022, but it has fallen sharply since the £4.1m placing and retail offer at 100p in November 2023.

Interim revenues were 26% ahead at £3.9m with the loss reducing from £1.95m to £1.56m. The main growth in revenues was from the autonomous vehicles division. The rest of the revenues come from supplying automotive OEMs, which should remain a steady cash generator.

There are eight customers using the Auto-Sim route modelling software and this tends to be followed by the trial of one autonomous vehicle. Five airports have deployed Auto-Dolly-Tugs that can transport a single load and tow four dollies. Aurrigo believes that the additional cost of the vehicles still provides a return on investment in fewer than three years. There is also a reduction in emissions because they are electric vehicles.

There has been a delay in all-weather testing for the four Auto-Dolly-Tugs at Singapore Changi airport, which is the most advanced customer. Assuming this is a success, more vehicles will subsequently be ordered. There will be other airports starting to test the vehicles, providing a strong potential pipeline fo orders. Once additional vehicles are acquired the Auto-Connect vehicle management platform provides recurring revenues.

Canaccord Genuity has reduced its revenue expectations for the next two years slightly increasing the forecast 2024 loss to £3.4m. Losses are expected to continue in 2025.

Occupational health services provider Optima Health share price slips after demerger from Marlowe

Corporate health services *www.optimahealth.co.uk*

Optima Health was demerged from Marlowe on 26 September on the basis of one share for each Marlowe share held. Optima Health is focused on the UK and has grown organically and via acquisitions and there are more opportunities to do this. The company is the market leader in the occupational health sector with a share of around 10%.

The company's addressable market is worth £1.2bn/year and could grow to £1.4bn by 2028. The average contract size is £300,000/year. Four-fifths of companies do not provide an occupational health service to employees and there are growth opportunities in providing outsourced services for the NHS and health screening.

The market is worth £1.2bn

The main capital investment is in technology development. Technology investment means that clinical pathway management is automated, enabling higher utilisation of staff and faster response times. The company's DART software was launched in 2020 and could be used to generate income as a SaaS product.

In the year to March 2024, revenues dipped from £115.3m to £110.9m due to the loss of one contract and Optima Health slipped from a pre-tax profit of £714,000 to a £856,000 loss. There is expected be a small amount of net debt in March 2025 because £20.7m in cash was transferred to Marlowe prior to demerger. The business is highly cash generative, though. Panmure Liberum forecasts a 2024-25 pre-tax profit of £3.8m, rising to £8.9m next year. Net cash inflow from operating activities is expected to be £15.9m this year.

OPTIMA HEALTH (OPT)			150p
12 MONTH CHANGE %	N/A	MARKET CAP £M	133.2

The share price immediately declined from the introduction price of 210p, probably because of the lack of earnings to underpin that level. There may also be Marlowe shareholders not interested in this part of the business that want to liquidate their holdings. The shares are trading on nearly 21 times prospective earnings.

Airea on course with capacity increase

Floorcoverings *www.aireaplc.com*

Weak second quarter trading hit the performance of floorcoverings manufacturer **Airea** in the first half, but the third quarter appears to be much stronger. The £5m investment in new capacity is on course to be completed early next year.

In the six months to June 2024, revenues fell from £9.8m to £9.3m and Airea slipped into an interim loss. Net cash fell to £1.3m, but that was mainly due to investment in the new facility and increased inventories. There were always plans to increase inventories ahead of adding the new capacity, but the slow sales in the second quarter meant that they rose further than anticipated.

AIREA (AIEA)			26p
12 MONTH CHANGE %	-5.5	MARKET CAP £M	10

There is more capital expenditure to come to finish installation of the new capacity. Cash in the bank combined with cash generation should finance the investment. There is also an investment property valued at £4.1m that will be sold – although the timing is uncertain.

Despite the poor first half, Airea is still doing better than the market as a whole, helped by its sustainable products. July and August have been much better. Airea appears set to return to profit in the second half, although it will be difficult to match the £1.35m pre-tax profit made in 2023. The dividend could be maintained at 0.55p/share.

Finance director Conleth Campbell bought an initial 60,000 shares at 27p each following the interims. This indicates confidence that trading is improving. Airea was coming up against its capacity limits and next year's capacity increase will give it potential to grow.

Telematics provider Microlise pays maiden interim dividend

Telematics technology *www.microlise.com*

Dividend

Microlise Group was one of the companies that joined AIM in 2021, and it did not initially pay a dividend. The July 2021 placing price was 135p.

The maiden dividend of 1.73p/share was for 2023. This year an interim dividend of 0.57p/share has been announced. This is based roughly on a one-third/two-thirds split this year, and the total dividend is expected to be 1.81p/share. That would be covered 2.8 times by forecast earnings. A further rise to 1.9p/share is anticipated for 2025.

Business

Nottingham-based Microlise generates Software-as-a-Service revenues from a set of modules covering areas such as fleet performance, journey management, safety and compliance. More modules are being added. Microlise supplies vehicle manufacturers that install its equipment in newly built vehicles, as well as direct to the end clients.

The technology enhances connectivity and diagnostic capabilities to improve productivity. For example, it can reduce fuel usage, cut maintenance and insurance costs, improve customer service and eliminate paperwork. The main focus has been customers with 500 vehicles or more, but it has moved into smaller customers, partly through acquisition.

Th global market for vehicle tracking systems are growing at the rate of around 14%/year. Microlise has operations in the UK, France, Australia and India.

One-third of group revenues come from the supply of hardware and its installation, with additional revenues from professional services and support.

MICROLISE GROUP (SAAS)	
Price (p)	117.5
Market cap £m	136.2
Historical yield	1.5%
Prospective yield	1.5%

That leaves nearly three-fifths of revenues coming from managed services that are invoiced in advance. There are 827,000 subscriptions to managed services, which was boosted by the acquisition of Enterprise Software Systems. This business added to the transport management systems expertise for larger customers. Like-for-like growth in subscriptions was still 6.6% in the first half.

Since 2021, acquisitions have added to growth and provided cross-selling opportunities. It is still early days when it comes to exploiting these. Microlise secured a five-year contract renewal with major customer JC Bamford up until September 2029. The relationship has lasted 14 years.

Microlise owns 20% of fellow AIM-quoted telematics firm Trakm8, although the share price has declined since it was acquired in 2018.

In the six months to June 2024, revenues were 15% ahead at £39.1m – organic growth was 8% - and underlying pre-tax profit improved from £2.6m to £2.8m. Net cash is £8.9m.

Singer forecasts an improvement in full year pre-tax profit from £5.7m to £6.8m, rising to £8.1m in 2025. The shares are trading on 23 times prospective earnings, falling to 19 next year. Former director of the company Robert Harbey reduced his stake from 5.59% to 4.03% following the interims. The multiple is not high when compared with other SaaS-based companies.

Dividend news

Personal Group Holdings has sold Let's Connect and is focusing on its insurance and employee benefits. The new chief executive believes that there can be more penetration of existing corporate clients as well as adding new ones. Smaller business clients are moving to the Hapi 2.0 platform, which should increase income per user. The target is £100m of revenues and £30m of EBITDA by 2030. In 2024, revenues are expected to be £43.6m and EBITDA should be £9.3m. The dividend is being rebuilt. The interim is 6.5p/share and the total for 2024 is likely to be 13p/share with potential to rise to 15.2p/share in 2025.

Judges Scientific had a tough first half. Organic revenues were 3% lower with China the weakest market. The international nature of the scientific instruments business helps to offset downturns in specific markets. Pre-tax profit fell 16% to £10.8m. The order book covers 17 weeks of revenues. Panmure Liberum expects a better second half but 2024 pre-tax profit will dip from £31.7m to £30.7m. Even so, the total dividend will continue to grow by 10% to 104.5p/share. The recently announced Geotek contract will contribute to the 2025 profit recovery and enable another 10% dividend increase.

Energy supplier **Yu Group** is going from strength to strength, and this is enabling much higher dividends. Interim revenues rose by 60% in the first half and pre-tax profit was 122% higher at £19.8m, but that was partly due to lower impairment losses. The interim dividend has been raised from 3p/share to 19p/share. The total dividend is set to increase from 40p/share to 57p/share, compared with the previous forecast of 48.9p/share. The dividend cover should be 3.3 times and net cash be at least £85m at the end of 2024. Yu has a 2% market share and is targeting increasing this to 7%.

Expert view: Registrars

Avenir Registrars celebrates 10 years of innovation. What do advisers and issuers see happening next?

By Hardeep Tamana

In September, Avenir Registrars hosted clients, staff and many of our network of professional services providers at an event to mark the company's 10th anniversary. Thank you to all those who braved the autumnal weather and joined us at the Eight Club in London for the evening. And whilst the event was primarily a celebration of what Avenir and its partners have achieved through a decade of innovation and growth, it was inevitable that the conversation would turn to business on more than one occasion.

Touching on a number of topical themes including regulation, technology and politics, we felt that a snapshot of these comments would provide a suitable journal of where our industry is today – and where it might be headed in the future, too.

Politics

With the new Labour government getting their feet under the table, the "honeymoon" period being a distant memory and the thorny issue of the first Labour budget in almost 15 years looming, there was plenty to be said about legislative change.

Many expressed concern that removing the Stamp Duty exemption – let alone the favourable Inheritance Tax treatment – from AIM Shares would serve up a fatal blow to London's junior market, although this was countered with a sanguine response - at least from some - that what would be would be, and that the market mechanisms would evolve to accommodate the necessary change. The more liquid entities move to the main market and those with less volume switch to private venues – who knows?

Technology

Artificial Intelligence is certainly a prolific topic right now, and not just amongst hard-core technology fans. Is it something that can improve the securities registry process, or an innovation that needs to be feared? The conclusion here was that this remains very much an evolving subject – how many times have we seen the next big thing – be that blockchain, NFTs, even the Segway scooter – hyped to such an extent that that we're convinced wholesale revolution is imminent, only to find that the reality falls some way short?

There's little doubt that the implementation of AI can further streamline or automate processes that may have been labour intensive in the past especially for legacy registrars. Avenir's digital first approach gives the company a significant head start in terms of automation but the potential benefits when it comes to issuers looking to migrate share registers to a new home shouldn't be underestimated.

Dematerialisation

The mission to migrate securities certificates - and the accompanying registers - into a purely electronic format remains ongoing. Brexit, then a lack of urgency by the last government, both acted to stall progress here, but with legislation once again advancing through Westminster, further developments here seem inevitable.

Whether this offers the optimal solution for investors remains to be seen, but the message from guests at the event at least came with plaudits for us. They saw Avenir being ahead of the curve – again thanks to the digital first structure of the business – and the realisation was clear that securities registers are only going to get more complicated.

> Avenir's digital first approach gives it a significant head start in terms of automation

It was also acknowledged that the burden of unpicking this will ultimately lie with the issuers who collectively probably ought to be doing more – and quickly - to ensure they can control the expense here whilst ensuring that shareholders aren't disadvantaged.

If asked ten years ago what some of the key themes would be for any industry today, it's always going to be difficult to make any sort of accurate prediction. But these are at least some of the considerations that sit front of mind in the world of share registry in 2024.

How the landscape will look in 2034 as Avenir marks its 20th anniversary is anyone's guess, but it remains clear that efficiency gains can still be made – and will be absolutely vital if investor choice and shareholder value are to remain front of mind for issuers.

HARDEEP TAMANA, Managing Director, Avenir Registrars (www.avenir-registrars.co.uk).

Pre-Budget uncertainty holds back the junior market

This could be a pivotal month for AIM with the Budget on 30 October. The uncertainty concerning IHT relief, among other things, has held back the performance of AIM since the General Election.

London Stock Exchange chief executive Dame Julia Hoggett has sent a letter to the City minister Tulip Siddiq to outline her concerns that tax changes could hurt AIM. She argues that barring AIM shares from qualification for IHT relief "would remove a core source of capital undermining the market's capital base and bringing its viability into question over the short-to-medium term.

IHT relief

Business Property Relief or inheritance tax (IHT) relief has been around longer than AIM but shares in AIM-quoted companies are deemed to be unlisted, so they can qualify. If a company moves to the Main Market they do not qualify any more.

£6.5bn is etimated to be invested in AIM shares that enable investors to gain IHT relief

If qualifying AIM investments are retained for at least two years they can be passed on after death without incurring any inheritance tax, which can be up to 40%. Around 90% of the companies on AIM are eligible - and possibly account for a greater percentage of AIM market value.

MIcap estimates that nearly £6.5bn is deployed in AIM investments that enable investors to gain the IHT relief. On top of that there are founders and early investors in the AIM companies.

Specialist funds account for a significant amount of the investment, and they tend to invest in similar portfolios of AIM companies, which means that some shares are more highly priced than they would be without the tax perk.

The Quoted Companies Alliance (QCA) estimates that around £400m is put into speciliast IHT funds each year.

Benefits

In 2020, Grant Thornton estimated that AIM companies and related suppliers and employees made an economic contribution of £70bn to the economy. The value added to GDP by AIM companies would be held back by the loss of IHT relief.

The knock-on effect of ending IHT relief is that it will mean that the incentive to be a long-term investor will be reduced. Investors will have to reassess their inheritance tax planning.

AIM shares tend to be less liquid and any selling of AIM IHT relief-related investments will have a significant effect on the relevant share prices – particularly as the demand side would have been removed with the relief.

This comes at a time when smaller companies are having a tough time with forced selling by funds as investors take money out of the market. Venture Capital Trusts (VCTs) and the Enterprise Investment Scheme (EIS) provide investment for the smallest companies on AIM, but there is then a gap in funding as companies grow beyond the set limits for that funding.

The proportion of institutional funds invested in UK smaller companies has dwindled over the years. In the past two years there has been a £4bn outflow from UK smaller company funds. It has been tough for small companies for decades, with only limited periods where they were in fashion with investors, but it seems likely to be getting tougher.

Uncertainty

The biggest problem is the uncertainty. Hopefully, the Budget will provide some clarity, but there is the danger that it will not clear up everything. There are also other things that need to be clarified, including what will happen to capital gains tax. That will also affect the decision making of investors.

There also needs to be clarification about what will happen with North Sea oil and gas taxation, where investment has stalled because companies do not know what the overall fiscal regime will be.

AIM is not immune to the general cycles of global stockmarkets, but there needs to be more stimulus to improve the prospects of AIM not the ending of the current incentives. It is vital that companies obtain the finance they require to grow.

Sector trading on AIM

Liquidity on AIM has been highlighted in recent times with the number of trades slumping in the last three years.

Trading levels on AIM peaked in 2021 with nearly 14 million trades in the period to August 2021 and 20.3 million trades for the year as a whole. There were more companies back in 2021, as well as the highest number of new admissions since 2014. However, the decline in company numbers is only part of the story.

The comparative figure to August 2024 is 6.23 million trades. The downward trend is continuing and there are few signs of this changing. Takeovers of more regularly traded larger companies and some moves to the Main Market have exacerbated the undeniable decline in activity.

The table breaks down the trading in different sectors from 2018 onwards. So that the figures are like-for-like, the table is based on numbers up to August each year. This removes any potential seasonality. Some of the sectors have changed over the period so, for example, financials and real estate are combined. The latter sector has become small following the move of Warehouse REIT and other large property companies to the Main Market.

The downward trend in trades is continuing

Unsurprisingly, healthcare trading was more significant in 2020 and 2021, but once Covid declines as a factor it has fallen back. The loss of Abcam to a US listing also had an effect.

The increase in the share of trading in energy shares in 2021 and 2022 is due to fuel cell and other clean energy companies in those years. In 2022, more than 11% of trades were in alternative energy companies. That has fallen to 4% this year following a reduction in interest in companies without underlying earnings and the move of Ceres Power to the Main Market.

Consumer has become less important as a sector following the ASOS switch to the Main Market and the decline of rival boohoo. Budget airline and tour operator Jet2 remains one of the most traded shares on AIM.

There has been a relatively steady increase in the importance of the mining sector. It is getting back to the levels of more than a decade ago. Uranium investor Yellow Cake and more recently helium explorers have boosted trading levels.

PERCENTAGE OF TRADES BY AIM SECTOR (TO AUGUST)

SECTOR	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
Consumer	33.5	34	32.3	25.9	27.3	23.1	21.7
Technology	14	12.9	9.3	9	8.4	10.4	9.9
Mining	10.9	10	12.5	15	14	19.7	21.5
Financials	10.7	10.7	7.5	7.6	7.2	8.1	7.7
Energy	10.3	11.9	13.4	18.7	22.3	17	15.6
Healthcare	9.7	9.7	16.6	14.1	10	7.7	8.5
Industrials	9.6	9.3	6.8	8.1	9.5	11.9	12.3
Others	1.1	1.3	1.5	1.4	1.3	2.1	2.8

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	26.5	16.5
Industrials	20	17.5
Technology	12.2	13.1
Health Care	10.9	10.6
Financials	10.5	10
Basic materials	8.5	16.1
Energy	5.7	10.1
Telecoms	2.5	1.8
Utilities	1.6	0.6
Property	1.5	1.8

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	740.43	+2
FTSE AIM 50	4045.69	+6.6
FTSE AIM 100	3595.52	+4.1
FTSE Fledgling	11425.42	+9.7
FTSE Small Cap	6941.08	+13.8
FTSE All-Share	4511	+9.3
FTSE 100	8236.95	+8.3

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	139
£5m-£10m	80
£10m-£25m	137
£25m-£50m	88
£50m-£100m	78
£100m-£250m	102
£250m+	80

KEY AIM STATISTICS

Total number of AIM	704
Number of nominated advisers	24
Number of market makers	20
Total market cap for all AIM	£76.1bn
Total of new money raised	£135.2bn
Total raised by new issues	£48.2bn
Total raised by secondary issues	£86.8bn
Share turnover value (Aug 2024)	£32.1bn
Number of bargains (Aug 2024)	6.2m
Shares traded (Aug 2024)	946bn
Transfers to the official list	204

TOP 5 RISERS OVER 30 DAYS

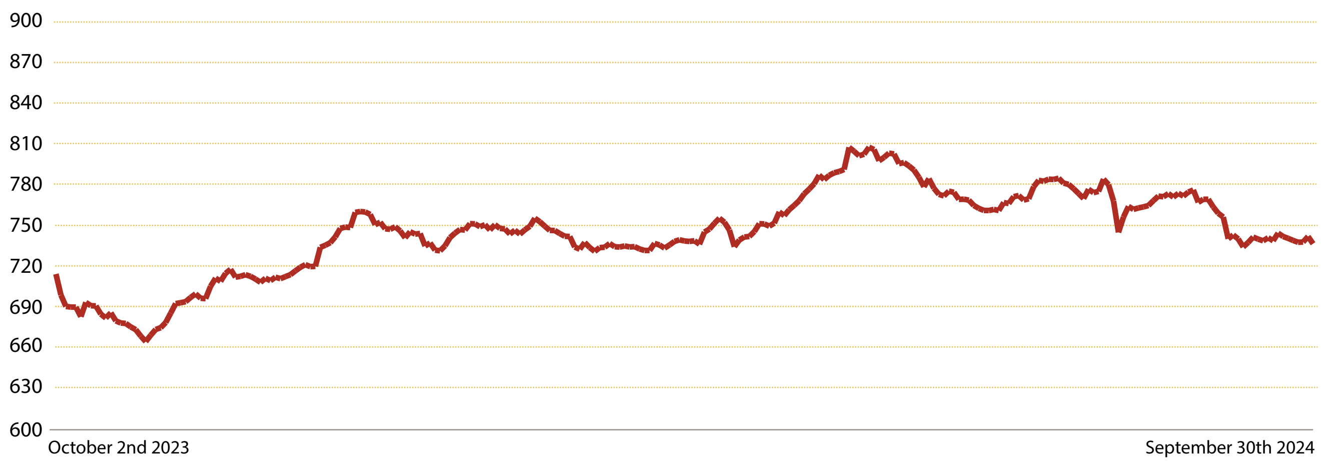
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Mobile Streams	Technology	0.27	+267
Tower Resources	Oil and gas	0.048	+200
Global Petroleum	Mining	0.205	+116
Cora Gold	Mining	2.8	+86.7
Serinus Energy	Oil and gas	4.4	+79.6

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Chariot Oil & Gas	Oil and gas	1.444	-77.7
Surface Transform	Automotive	0.36	-77.1
Jade Road Investments	Financials	0.275	-71.1
Coro Energy	Oil and gas	0.04	-70.9
Invinity Energy Systems	Cleantech	9.54	-54

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th September 2024, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published.

The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

The readership via the email is predominantly a professional one. One-quarter of readers are company directors, one-fifth solicitors and accountants, one-fifth brokers and 15% PRs. The rest of the readership is made up of investors, journalists and other individuals.

AIM

The Alternative Investment Market (AIM) was launched on 19 June 1995 with ten companies that had a total market value of £82.2m at the end of the first day's trading. The total amount of money raised by new and existing companies in the remainder of 1995 was £96.5m.

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £134bn either when they join AIM or while they are trading on the junior market.

In 1995, there were 29,099 trades with a total value of £270.2m. These days it is unusual if there are not that many trades in a single day, although their total value tends to be less than £270m.

Companies in the FTSE 100 that started on AIM include online gaming operator GVC, engineer Melrose Industries and student accommodation developer Unite Group. Healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, and online gaming technology developer Playtech are FTSE 250 index constituents.

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