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AIM JOURNAL

Impax enters AIM 50 index

Impax Asset Management Group has been promoted to the FTSE AIM UK 50 index in the second quarterly review of 2019. The cleantech-focused investment manager is replacing recruitment and training company Staffline, which has been beset by accounting and trading problems.

Impax reported a 15% increase in assets under management to £13.3bn in the quarter to March 2019. The reserve list includes fashion brand Joules, which was on the list last time, as well as Ceres Power, Brooks Macdonald, Horizon Discovery and Premier Asset Management.

Ceres Power has been promoted to the FTSE AIM 100 index, along with litigation funder Manolete Partners and Jadestone Energy Inc, which is also quoted on the TSX Venture Exchange. They are replacing Staffline, Quixant and Savannah Petroleum. Gaming machine platforms supplier Quixant has been hit by uncertain levels of demand for its products and the share price has fallen, even though directors have bought shares.

The reserve list still includes wealth manager Mattioli Woods, finance provider Morses Club, gold producer Pan African Resources, lawyer Knights Group and rail optimisation software supplier Tracsis. The new companies added are IMImobile, San Leon Energy, Bioventix, Judges Scientific and Telit Communications, where the share price has recovered in the past quarter following the sale of its automotive division.

Formerly AIM-quoted PPHEHotel Group has been promoted to the FTSE 250, while business parks investment company Sirius Real Estate remains on the reserve list.

Science Frontier

Smart audio and digital radio technology developer Frontier Smart Technologies has rebuffed a bid from fellow AIM company Science Group, but this has not stopped the latter building up a significant stake in Frontier.

Science offered to acquire the whole company via a cash bid of 30p a share, but the proposal met with a negative response from the target's board, which felt that a number of the conditions were not in the interests of shareholders. The Science offer has been withdrawn.

Science took an initial stake in Frontier at 12.5p a share and has bought more shares since the approach was rejected. These were acquired for 25p or 30p each and take the stake to 28.3%. Herald Investment Management has sold its 11.57% stake and AXA has also disposed of its entire shareholding. M&G owns 19.5% of Frontier.

Frontier says that it expects to generate revenues of $36.6m this year, down from $41.8m in 2018, and it will continue to lose money. Net debt was $3.9m at the end of April 2019.

In this issue

HubInvest publishes AIM Journal

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Flexible Essensys

Flexible workspace software supplier Essensys got off to a good start when it joined AIM on 29 May. A placing at 151p a share raised £12m after expenses and the share price ended the first week of trading at 182.5p. The global flexible workspace market is expected to achieve a compound annual growth rate of 21% up until 2022 and Essensys has a strong position in the market.

Commercial landlords are converting ordinary office space into flexible workspace and this provides new potential customers for Essensys. Recent focus has been on expanding in the US and part of the cash raised will go towards accelerating this growth. Essensys had 260 customers in the UK and US at the end of July 2018 and that is expected to rise to 357 customers by July.

Essensys has two products: Connect and Operate. These help clients to improve return on investment and operational efficiency. Connect was launched in 2010 and it includes software, essensysCloud, which is the only cloud-based service focused on the sector, and Marketplace, which gives clients direct access to services. Operate is enterprise resource planning software.

Essensys has been trading since 2006 and has grown organically and via acquisitions. Founder Mark Furness sold 6.59 million shares in the placing, but he still owns 43.4% of the company.

The business has consistently generated cash from operations. The latest interims show revenues growing from £7.78m to £9.59m and a £275,000 loss was turned into an underlying pre-tax profit of £503,000.

CentralNic expands

Domain names registration and services provider CentralNic has conditionally agreed to acquire Sydney-based TPP Wholesale, which is a similar business in Australasia, for A$24m. TPP has 840,000 domains under management. In 2018, TPP generated revenues of A$17m and EBITDA of A$3.9m. Total integration costs of A$1.8m are expected over the next couple of years. The TPP deal should be immediately earnings enhancing this year and in 2020, even before any cost savings. CentralNic intends to raise €50m through a four-year senior secured non-convertible bond issue. The cash will be used to finance the acquisition and repay existing borrowings. The TPP acquisition is expected to be completed by the end of June.

AIM acquisition activity

May has been a particularly active one for international bidders for AIM companies. The targets include FTSE AIM 100 index constituent SafeCharge International.

SafeCharge is recommending a $5.55 (436p) a share cash offer from fellow payment services provider Nuvei Corporation, valuing the company at £699m. The final dividend of 7.22p a share will also be paid. The international payments processor joined AIM five years ago at 162p a share. Nuvei has a strong market position in North America and SafeCharge provides scale in Europe.

EU Supply is recommending an 18.25p a share bid by Mercell, which values the software company at £13.1m. EU Supply joined AIM in 2013 when it raised £5m at 22.6p a share. Mercell believes that there will be cross-selling opportunities and the combined group will be one of the main e-tendering software companies in Europe. Mercell is focused on the Nordic and Baltic regions and EU Supply will help it to grow in the rest of Europe.

Sweden-based activist investor AB Traction has proved it is an investor to watch. Fully listed Waterman was taken over after AB Traction took a stake. The same has happened to construction and professional services provider WYG, where US-based, international consulting services provider Tetra Tech has made a 55p a share offer. This bid is recommended, which is no surprise give the poor performance of WYG.

TSX Venture Exchange company Hunt Mining Corp is offering 10.76 shares for each share in Patagonia Gold, valuing it at £17.2m. The bid is recommended, and Patagonia shareholders will own 80% of the enlarged company. Hunt is producing silver and gold in Argentina and Patagonia has assets in the same region. Patagonia was demerged from Brancote, which was one of the original ten companies on AIM, and it is the last link to the origins of the junior market.

AFH set to more than double profit

Wealth management firm AFH Financial Group reported strong figures for the six months to April 2019 and the full year should be even better.

AFH increased interim revenues by 61% to £36.6m and underlying earnings per share were 49% higher to 14.9p. Funds under management totalled £5.4bn and that is expected to nearly double within five years. The five-year target for revenues is £140m and underlying EBITDA margin of 25%.

AFH continues to acquire IFA firms, with four in the first half, and they are becoming larger and more significant to the group. Management is also seeking to acquire other advisory and wealth management businesses. The interims include a limited contribution from recent purchases. They will make a more substantial contribution in the second half.

A pre-tax profit of £17.7m, up from £7.9m, is estimated for the year to October 2019. That would equate to an underlying EBITDA margin of 22.6% and there should be a small margin improvement in 2019-20, when a pre-tax profit of £20.8m is forecast.

■ Share, the owner of the Share Centre broking business, says that it increased first-quarter revenues even though the number of trades on the London Stock Exchange in the first quarter of 2019 was 27% lower than in the same quarter last year.

Commission and fee revenues were 2% ahead of the first quarter last year and this compares with a 3% decline for the peer group of private client brokers. Share was profitable in the first quarter. Market share of 3.7% was higher than the 3.54% in the first quarter of 2018, but lower than the 3.9% for the fourth quarter of 2018.

This period is prior to the announcement that Share is taking on an active book of accounts covering nearly 20,000 customers and more than £750m of assets from JP Morgan Asset Management. The transfer of these accounts is not expected to start until September anyway. The interim results will be published on 8 August.

Last month, Interactive Investor approached Share about a possible bid and there were discussions between the two parties, but Interactive Investor decided not to go ahead with an offer. Discussions could resume if the Share board approves.

ADVISER CHANGES - MAY 2019

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Abcam	Numis/JP Morgan Cazenove	JP Morgan/Peel Hunt	JP Morgan Cazenove	JP Morgan Cazenove	01/05/19
Arbuthnot Banking	Shore/Numis	Stifel Nicolaus/Numis	Grant Thornton	Stifel Nicolaus	01/05/19
Shield Therapeutics	finnCap/Peel Hunt	Peel Hunt	Peel Hunt	Peel Hunt	08/05/19
Destiny Pharma	WG Partners/finnCap	finnCap /Cantor Fitzgerald	finnCap	Cantor Fitzgerald	09/05/19
Metal Tiger	Arden/SI Capital	SI Capital	Strand Hanson	Strand Hanson	09/05/19
Block Energy	Mirabaud	Mirabaud/Novum	Spark	Spark	16/05/19
Coro Energy	Mirabaud/Turner Pope	Mirabaud/Turner Pope	Cenkos	Grant Thornton	20/05/19
SigmaRoc	Liberum	Liberum/Berenberg	Strand Hanson	Strand Hanson	21/05/19
Futura Medical	Liberum	N+1 Singer	Liberum	N+1 Singer	23/05/19
Aura Energy	SP Angel/WH Ireland	WH Ireland	WH Ireland	WH Ireland	24/05/19
Harvest Minerals Ltd	Shard Capital	Arden/Shard Capital	Strand Hanson	Strand Hanson	29/05/19
W Resources	Alternative Resource Capital (Shard Capital) / Turner Pope	Turner Pope	Grant Thornton	Grant Thornton	29/05/19
Physiomics	Hybridan	Hybridan	Strand Hanson	WH Ireland	31/05/19

Telford Homes switches focus to institutional-funded build to rent

Residential property developer *www.telfordhomes-ir.london*

Telford Homes is transferring its focus from residential sales to build to rent. There will be a period of transformation as the mix of revenues changes and profitability is rebuilt. M&G and Invesco have been signed up as strategic partners for build to rent. M&G will have priority for schemes of up to 200 homes and Invesco will have priority on larger schemes.

Institutional demand for rental developments is strong as has been shown by the successful fundraisings by PRS REIT and Watkin Jones considering launching a fund for build to rent developments.

The houses and flats built by Telford are similar, whether for sale or rental. The same type of sites work for both, but there is potential for rental properties in areas of London where Telford has not previously had developments. Build to rent margins are lower. Peel Hunt expects operating margin to decline from 13.1% to 8% this year.

Cash flow benefits from build to rent

Telford has presold the Equipment Works development in Walthamstow to a joint venture between Greystar and Henderson Park for £105.5m. There is an initial payment for the land and then regular payments as 257 rental homes are constructed. The site was acquired for £33.9m at the end of 2017 and development should be completed in late 2021.

In the year to March 2019, revenues grew from £316.2m to £354m. The majority still came from residential sales, but that will change this year. Pre-tax profit dipped from £46m to £40.1m. Cash flow benefits from the build to rent model. Investors fund the development so there is no need for debt finance. Net debt was £93.6m at the end of March 2019 and this should fall steadily over the next few years.

This should enable Telford to maintain its dividend at 17p a share even though the dividend cover is likely to fall to around 1.5 times earnings. A pre-tax profit of £24m is forecast for 2019-20 and it could take a further two years to return to last year's profit level.

TELFORD HOMES (TEF)			297.5p
12 MONTH CHANGE %	-35.5	MARKET CAP £M	226.2

President's accelerating profit growth

Oil and gas producer *www.presidentenergyplc.com*

Argentina-focused oil and gas producer **President Energy** moved into profit in 2018 and profit will increase rapidly from now on. This year there will be a full contribution from the Argentine assets acquired prior to the end of 2018.

In 2018, revenues increased from $17.9m to $47.2m, while a loss of $11.9m was turned into a pre-tax profit of $3.5m. The real extent of the turnaround is shown by net cash flow from operations, which went from an outflow of $7.4m to an inflow of $14.7m. There was $24m spent on capital investment and acquisitions, so net debt increased from $17.1m to $28.1m.

PRESIDENT ENERGY (PPC)			8.5p
12 MONTH CHANGE %	-12.8	MARKET CAP £M	95.7

Production more than doubled to 2,279 barrels of oil equivalent a day and President is on track to achieve its production target of 4,900 barrels of oil equivalent a day at the end of 2019. First-quarter revenues increased by 13% to $12.5m. Ploughing some of the cash generated into workovers and other capital investment will enable turnover growth to accelerate.

Pre-tax profit is expected to jump to $17.3m in 2019 and net debt could be around $9m at the end of the year, even though there is a two-year capital investment programme of $50m. The major drilling will start in August and continue into 2020.

US strategic investor provides cash and animal tissue supply for Collagen Solutions

Biomaterials supplier *www.collagensolutions.com*

Biomaterials and regenerative medicines developer **Collagen Solutions** has secured a £4.18m strategic investment from US-based Rosen's Diversified Inc at 5p a share. A placing at the same price raised £1.25m and a one-for-28 open offer generated a further £530,000 – just below the potential maximum.

Collagen Solutions has been building up its revenues, but it has taken time and by the end of March 2019 the company had moved into net debt. The latest cash injection should last well into 2021 and possibly even longer.

Rosen's is a family-owned business with a history going back more than seven decades and has a 19% stake in Collagen Solutions. It is the fifth-largest beef processor in the US and other activities include supplying pet food and products for agribusinesses.

Cash should last into 2021

COLLAGEN SOLUTIONS (COS)			4.55p
12 MONTH CHANGE %	+51.7	MARKET CAP £M	20.2

Collagen Solutions has signed a supply agreement with a subsidiary of Rosen's, Scientific Life Solutions, which will provide access to US animal tissue. Collagen Solutions currently gets its supplies of animal tissue from Australia and New Zealand.

Around £3m of the cash raised will be put into product development. ChondroMimetic could generate near-term revenues. It is a collagen-based implant for cartilage and bone defects, and it requires further development spending, followed by investment in launch marketing. Feedback is expected for a CE mark application for the ChondroMimetic-based product used to repair cartilage in the knee. Other products also require development spending. A further £1m will be invested in increasing capacity at the contract manufacturing operations.

Collagen Solutions has a debt facility provided by Norgine and some of the cash raised will cover the regular repayments. The debt is around £2.5m.

Revenues currently come from supplying biomaterials and providing development services. The investment in product development will help to diversify revenue generation. The products may be distributed by the company or licensed to third parties. Collagen Solutions will continue to lose money for the next two years, but Cenkos forecasts net cash of £2.25m at the end of March 2021.

Venn moves into orphan drug consultancy

Contract research *www.vennlifesciences.com*

Contract research organisation **Venn Life Sciences** is moving into the orphan drugs market. It is acquiring the two-year old Open Orphan DAC for £5.7m in shares, which would give the latter's shareholders nearly three-fifths of the enlarged share capital.

Open Orphan is an orphan drug consultancy and it has developed a data access platform and a health data platform. The data access platform has built up a database of more than 500 pharma companies with orphan drugs and more than 4,000 relevant physicians. This will enable the company to provide virtual representative services. The health data platform focuses on orphan diseases with data coming from linking up with patient advocacy groups for orphan diseases, with which Open Orphan would share revenues from brokering data to pharma companies. Venn will provide expertise in drug development strategy and clinical trials.

VENN LIFE SCIENCES (VENN)			2.65p
12 MONTH CHANGE %	-62.3	MARKET CAP £M	1.9

Additional acquisitions are already being planned. These would add further services to the group. This is a fragmented sector and there is potential to put together a full range of services for the orphan drugs sector.

Trading in Venn shares has been suspended ahead of an acquisition document. A fundraising is also planned. Venn had net cash of €629,000 at the end of 2018. Prior to the deal loss-making Venn has impaired intangible assets by €2.2m.

Audioboom revenues set to soar but the cash outflow remains high

Podcast platform operator *www.audioboomplc.com*

Podcast platform provider **Audioboom** has started 2019 well but there is still some way to go until it makes a profit. The balance sheet is stronger, though, following the $4.3m (£2.8m) raised at 2.5p a share in recent weeks to add to the net cash of $1.6m at the end of 2018.

Audioboom has more than 13,500 content channels and more than 90 million listens each month. There are 180 brands that advertise in the podcasts and generate revenues for their producers and Audioboom, which is also co-developing and developing its own podcasts.

In the 13 months to December 2018, revenues were $11.7m, but growth had been held back by the proposed merger with Triton, which fell through after taking up many months of management time. This may have reduced revenues by up to $5m due to the lack of funds to secure new content or renew contracts with existing providers.

Overheads will be cut this year

Audioboom has the backing of its main shareholders, such as Candy Ventures and Herald. The Candy family interests own a quarter of Audioboom. Candy Ventures and chairman Michael Tobin have stated that they will make available an additional facility that will provide up to $4m to give guarantees to content producers. Audioboom will pay 8% of the net advertising revenues it receives from this specific content for the use of the facility. There will also be 2.5 million warrants issued to the facility providers for each $1m used.

AUDIOBOOM (BOOM)	1.95p		
12 MONTH CHANGE %	-45.8	MARKET CAP £M	27.3

Overheads will be cut this year and thereafter they should rise at a much lower rate than revenues. Even so a pre-tax loss of $3.85m on revenues of $21.5m is forecast for this year, falling to $1.8m on revenues of $30m in 2020.

Cash continues to flow out of Audioboom. Net cash of $275,000 is forecast for the end of 2020. This suggests that there should be no cash concerns this year, but next year management may have to consider raising more money.

Significant change in Altitude

Promotional products platform *www.altitudeplc.com*

Altitude is a different business this year compared with 2018, due to the acquisition of Advertising Industry Mastermind, the largest promotional products distribution member group in the US, for £4m. The business already used Altitude's promotional products software platform but taking the whole group in-house will provide access to other revenues.

Users of the platform pay fees relating to sales via the platform. Buying AI Mastermind, which has been rebranded as AIM Smarter, means that Altitude will generate revenues from any sales by members, even if the platform is not used. There are 2,108 members and this is expected to increase to more than 2,300 by the end of 2019. The group will also start to generate fees from contracted suppliers based on the level of transactions with AIM smarter members. This requires additional investment this year, but the benefits will show through relatively quickly.

ALTITUDE (ALT)	115p		
12 MONTH CHANGE %	+46.5	MARKET CAP £M	79.1

In 2019, revenues are expected to rise from £6.6m to £18.5m and a loss of £1.4m should be turned into a pre-tax profit of £5.9m. Next year, revenues from distributors should start to build up, taking the total to £35.2m, and pre-tax profit could reach £12.7m. That would put the shares on less than eight times prospective 2020 earnings. Investors may want more reassurance that the strategy is working before any further re-rating.

Anglo Asian sets 25% cash payout target

Gold and copper producer *www.angloasianmining.com*

Dividend

Azerbaijan-focused gold, copper and silver miner Anglo Asian Mining has been quoted on AIM for nearly 14 years. It initially raised £17.5m, after expenses, at 77p a share. Last year, it started paying dividends. The interim was 2.29p a share and the final 3.15p a share, making a total for the year of 5.44p a share.

Anglo Asian reported pre-tax profits in 2016 and 2017, but 2018 was the first significant profit. The figures are reported in dollars, so earnings per share were 14.3 cents, which provides two times cover for the dividend.

Cash flow is even better, with more than $27m generated after capital expenditure, but before the £3.5m cost of the initial interim dividend. The level of future dividends will depend on the cash generated by the operations. The target is 25% of free cash flow each year. Profit is expected to decline this year so the dividend is likely to be lower but should still be significant.

Business

The Anglo Asian share price has been through peaks and troughs, but it appears to be on a more consistent upward trend now that production is fully up and running and cash is flowing in.

Anglo Asian has been developing broadly the same assets since it floated on AIM. The main site is Gedabek in western Azerbaijan, where there is an open-pit mine that has been producing gold since 2009 and processing facilities. There is also an underground mine in the same area at Gadir. Gosha is further north and there is an underground mine there. There are exploration assets in Ordubad, plus other areas in an area of dispute between Armenia and Azerbaijan.

ANGLO ASIAN MINING (AAZ)	
Price (p)	96
Market cap £m	109.8
Historical yield	5.7%
Prospective yield	N/A

The company shares production with the Azerbaijan government with the amount depending on recovered costs. This is currently 12.75% of production and that is expected to continue until 2023. Once the capital cash costs are recovered the government will receive 51% of profit production. In 2018, Anglo Asian produced 83,736 gold equivalent ounces. More than four-fifths of that production was gold with most of the rest copper.

A big attraction of Anglo Asian's mining assets is the low cost of production. The all -n sustaining costs were $543/ounce in 2018, down from $604/ounce the previous year. This figure has been declining over the past five years as production increases. The open-pit production helps to keep the cost down but even the underground mining is relatively low cost compared with most peers, because some costs are fixed and costs in Azerbaijan are low compared with other parts of the world.

Last year's exploration programme managed to extend some deposits and identify new exploration targets. This year production of between 82,000 and 86,000 gold equivalent ounces is targeted. There will be an update on production and operations in early July.

Dividend news

An interim dividend of 0.5p a share indicates that **Driver Group** is confident about the second half even though the first half was disappointing. There was one dividend of 0.5p a share for 2017-18, suggesting a total dividend of 1p a share for this year. Weak trading in the Middle East and Asia hit revenues and underlying pre-tax profit fell from £2.1m to £800,000. The UK has performed strongly. Costs have been reduced and delayed contracts are starting to come through in the second half. The full-year profit forecast had already been reduced and it was further trimmed to £3.3m, down from £3.8m last year.

Enterprise software provider **Sanderson** increased its operating profit by one-third in the six months to March 2019. The interim dividend was increased by one-fifth to 1.5p a share. Net cash was £3.3m. Organic growth was around 8%, with a strong contribution from digital retail, and the rest of the growth came from last year's acquisition of supply logistics software provider Anisa. Full-year pre-tax profit is forecast to improve from £4.8m to £5.4m and the order book of £8.2m and recurring revenues go some way to underpinning this forecast. The full-year dividend is expected to be raised by 17% to 3.5p a share.

Recruitment firm **Hydrogen** increased its dividend from 0.8p a share to 1.5p a share in 2018, on the back of a more than trebled underlying pre-tax profit of £3m. Growth is coming from Asia Pacific and the US, although it is growing from a low base. Hydrogen acquired Argyll Scott in 2017 and it is seeking to purchase contract-led businesses in complementary sectors. Business transformation, technology, financials and legal are the most significant verticals. A forecast 2019 dividend of 1.6p a share would still be five times covered by earnings.

Bad times for Real Good Food

A £300,000 fine for Real Good Food should not come as a surprise for anyone who followed the problems of the company last year.

Real Good Food has been publicly censured and fined £450,000 by the London Stock Exchange for its breaches of AIM rules. There is a new board and the fine could have been higher without the current board's attempts to improve the business and corporate governance.

Early settlement means that Real Good Food will pay a discounted fine of £300,000, but this is still a significant amount for the cake decorations supplier considering how weak its balance sheet still is. Even after disposals, net debt was £29.9m at the end of September 2018.

Since then, jams and preserves maker R&W Scott has been sold for £3.95m, although £500,000 of the cash is deferred until September 2019. Frozen desserts maker Chantilly Patisserie has been sold for an initial £100,000, with a further £100,000 to come over two years.

In March, there was a settlement to a dispute with a sugar supplier, but the cost is not disclosed. There was a £355,000 provision in last year's accounts, although that partly relates to another dispute which had been settled.

Nobody is brave enough to publish a forecast for the company.

Censure

There are many breaches that led to the censure. They relate to the previous board and generally to two or more years ago. These include failures in the company's procedures and controls in terms of complying with the responsibility of being an AIM-quoted company and not providing information to, and seeking advice from, its nominated adviser, finnCap.

The announcement about plans for expansion and a capital raising on 29 June 2017 formed a major part of what went wrong at the company. This included a trading update that stated that EBITDA was expected to be between £5m and £5.4m in the year to March 2017.

What was not made clear was that this figure relied on settling ongoing legal claims, one of which the former chairman Pieter Totte told finnCap was already settled when it was not.

The board was aware that funding and operational delays meant that expansion was not going to plan but did not warn the market of the potential effect on the following year's figures. First-quarter trading was poor, but this was not disclosed immediately.

A trading statement on 1 August warned that 2016-17 EBITDA was going to be £2m and the following year's figure was going to be £2.3m lower than previously thought.

Consultancy payments were made to the former chairman on top of his normal pay and this was not disclosed to the market. There were payments relating to third-party transactions paid to him and a non-executive director. There was also an undisclosed director loan.

The former chairman also dealt in the company's shares in a close period and when the company finally published details of the transaction it had an incorrect date.

> The board was aware that delays meant that expansion was not going to plan

Reality

Real Good Food has been on AIM for nearly 14 years and a number of different food businesses have passed through its control over the years. They include sandwich, fish and bakery businesses. All these have gone.

Real Good Food is left with cake decoration company Renshaw, which is the core business, and snack bars supplier Brighter Foods.

Trading remains problematic and costs are being reduced. Figures for the year to March 2019 are yet to be published. There was an operating cash outflow of £6m in the first half of the financial year. Both cake decorations and the Brighter Foods businesses made an operating profit before one-off items. Their second-half performance should be stronger.

There have been heavy write-downs, but NAV is still £45.7m, excluding minority interests. However, that includes goodwill and other intangible assets of more than £65m. The fact that the company is capitalised at less than £6m shows the lack of faith that investors still have.

Woodford's AIM exposure

The problems of Woodford Investment Management could have a knock-on effect on the AIM shares that it is invested in.

Investors cannot get their money out of the Woodford Equity Income Fund currently because large withdrawals of funds have been requested and there is not enough cash to satisfy them. This suspension of trading is for an initial 28 days, but it could be renewed for a further period.

Place has decided to replace Neil Woodford as manager of its £3.5bn high-income fund. Columbia Threadneedle Asset Management and RWC Partners are taking over as managers of the fund. This fund is not related to the Woodford Equity Income Fund, but there could be some AIM investments included and the new managers may not fancy them and try to sell.

> At least initially, it will be the more liquid shares that are sold

The investments in the fund tend to be long-term, and many are not particularly liquid making it difficult to sell shares in order to generate the cash to repay investors. Kent County Council wanted to withdraw its total investment of £263m and it is no surprise that the fund would not have that level of cash.

Wealth manager St James's

Stake sales

Woodford Investment Management has a wide range of AIM investments. Some of these stakes are in quoted investment company Woodford Patient Capital, which has a disappointing track record, while there are also other open-ended funds.

Woodford has continued to acquire stakes up until recently. Induction Healthcare floated on AIM in May and Woodford acquired a 14.67% shareholding in the placing.

So far, Woodford's share sales have been predominantly focused on fully listed investments, but there have been some disposals of AIM-quoted shares. Some have been reported to the market, but others will not have been if the starting stake was less than 3%. The disposals are not confined to dividend payers.

For example, the stake in estate agency Purplebricks has been reduced from 21.51% to 19.25% in recent days – it had already been cut from more than 29% two months earlier.

It is not an ideal time to be selling shares in Purplebricks, given the

RECENT WOODFORD AIM STAKE CHANGES

COMPANY	CODE	PREVIOUS %	LATEST %	DATES	MONTHLY DEALS*	MONTHLY VOL (£M)*
Purplebricks	PURP	21.51	19.25	06/06/19	6,026	26.88
e-Therapeutics	ETX	17.89	14.11	05/06/19	40	0.07
Watkin Jones	WJG	9.19	<5	05/06/19	4614	21.44
Circassia Pharma	CIR	28.03	24.47	05/06/19	1186	2.18
Breedon	BREE	6.83	<5	05/06/19	887	14.83
Redde	REDD	27.37	28	15/05/19	5158	27.48
Mereo BioPharma	MPH	41.97	31.07**	24/04/19	52	4.73
Strix	KETL	9.21	<5%	27/03/19	2891	13.05
Eddie Stobart Logistics	ESL	24.05	25	20/03/19	649	8.16

* April. **Diluted due to merger

problems of the overseas activities and the high cash outflow from the business. That cash drain will need to be sharply reduced or Purplebricks will require more finance, which Woodford may find it difficult to contribute to.

At least initially, it will be the more liquid shares that are sold. Examples are student accommodation developer Watkin Jones and aggregates supplier Breedon.

What is sold may depend on what fund the investment is in, but there may have to be a reshaping of other funds as well as the Woodford Equity Income Fund.

In terms of liquidity, the most notable AIM-quoted stake is in litigation funder Burford Capital Ltd, which was the second-largest investment in the Woodford Equity Income Fund at the end of April 2019. This has been shorted by Gladstone Capital in anticipation of any possible disposal by Woodford. The total stake is worth more than £300m.

Burford accounts for 7.56% of the FTSE AIM 100 index, so if the share price is knocked by worries about the Woodford stake then it could have a significant effect on that index.

Credit hire firm Redde and finance provider Morses Club are major investments in the Woodford Income Focus Fund, which is currently still open.

SIGNIFICANT AIM STAKES IN WOODFORD PORTFOLIO

COMPANY	CODES	LATEST %	MONTHLY DEALS*	2018
4d Pharma	DDDD	26.74	150	2.61
Benchmark	BMK	12.45	141	1.17
Brave Bison	BBSN	18.7	1,020	2.65
Burford Capital	BUR	9.48	31,841	355.4
Crystal Amber	CRS	17.11	57	0.61
eve Sleep	EVE	46.79	162	1.1
GYG	GYG	26.01	113	0.83
Horizon Discovery	HZD	12.52	1,460	14.08
hVIVO	HVO	29.15	177	1.03
Induction Healthcare	INHC	14.67	na	na
Itaconix	ITX	33	144	0.27
Mercia Technologies	MERC	24.7	152	0.65
Midatech Pharma	MTPH	19	1,109	4.4
Morses Club	MCL	9.75	435	2.21
Netscientific	NSCI	46.83	197	0.5
Oakley Capital Inv	OCI	19.83	587	9.78
ReNeuron	RENE	35.39	4,417	26.84
RM2	RM2	63.7	59	0.34
Sensyne Health	SENS	20	76	10.37
Silence Therapeutics	SLN	4.8	375	1.01
Synairgen	SNG	22.2	47	0.09
Time Out	TMO	16.07	73	0.44
Tissue Regenix	TRX	26.23	132	0.3
Verseon Corporation	VERS	24.8	25	0.79
Warehouse REIT	WHR	5	1,076	6.96
Xeros Technology	XSG	39.7	1,769	5.4

* April.

Illiquidity

Most of Woodford's substantial AIM investments are loss-making, although some, including Burford, do pay dividends. Many of the loss-making ones can be illiquid and even when there is share trading it is in relatively small cash amounts. A larger stake coming on the market may not have obvious buyers.

Woodford is a long-term supporter of many AIM businesses where trading has not gone as well as they would have hoped. They required further cash and Woodford has put in its share – and sometimes even more. That is how Woodford has ended up with a 46.79% stake in mattress company eve Sleep and 63.7% of pallets maker RM2 International.

Not having Woodford to continue to back them could hamper the progress of some companies. RM2 had $7.5m at the end of March 2019, but cash continues to flow out of the company. It believes that it can secure debt funding of pallet production. If this does not go to plan it will be more difficult to find additional capital.

The stakes in the tables may already be lower because this is a fast-changing environment. Woodford will be seeking to sell all or part of any stakes where it can find buyers. Even if it would like to retain a stake the need for cash will override the investment sentiment.

It is worth keeping an eye on some of the better investments in the Woodford portfolios because the share prices may dip and provide buying opportunities.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	17.8	16.5
Industrials	17.1	17.4
Consumer services	14.9	10.5
Healthcare	13.1	9.7
Technology	12.1	12.8
Consumer goods	10.8	5.8
Oil & gas	7.4	10.8
Basic materials	5.1	12.9
Telecoms	1.4	0.8
Utilities	0.3	1.2

KEY AIM STATISTICS

Total number of AIM	904
Number of nominated advisers	28
Number of market makers	48
Total market cap for all AIM	£104.1bn
Total of new money raised	£113.7bn
Total raised by new issues	£45bn
Total raised by secondary issues	£68.7bn
Share turnover value (Apr 2019)	£20.2bn
Number of bargains (Apr 2019)	3.35m
Shares traded (Apr 2019)	176.3bn
Transfers to the official list	190

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	959.91	-11.3
FTSE AIM 50	5496.42	-11.3
FTSE AIM 100	5071.11	-10.3
FTSE Fledgling	9396.11	-16.1
FTSE Small Cap	5555.38	-6.2
FTSE All-Share	3923.87	-7.1
FTSE 100	7161.71	-6.7

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	144
£5m-£10m	106
£10m-£25m	177
£25m-£50m	130
£50m-£100m	137
£100m-£250m	119
£250m+	91

TOP 5 RISERS OVER 30 DAYS

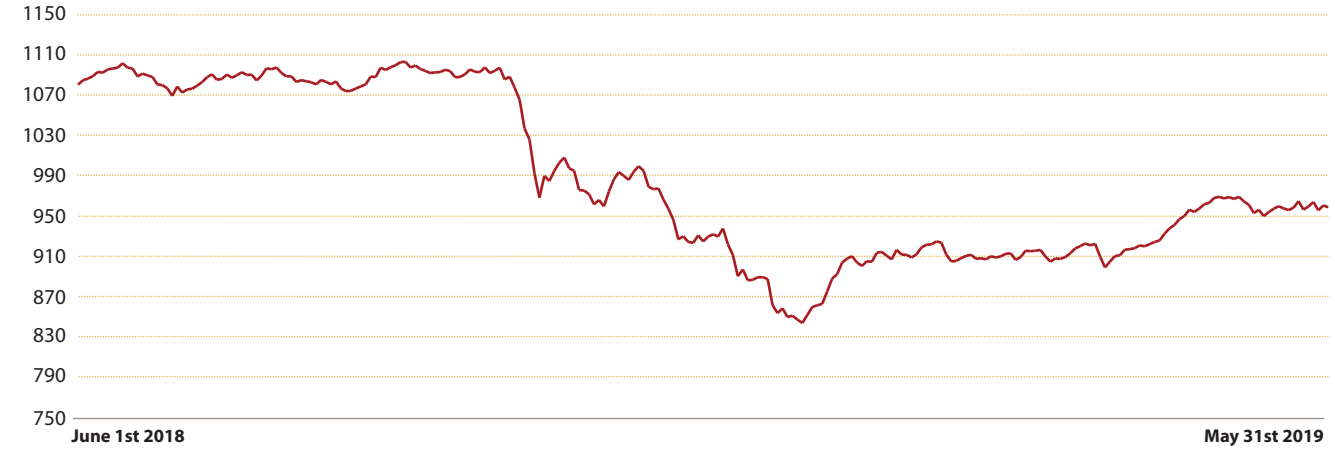
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Leaf Clean Energy	Cleantech	120	+275
WYG	Support services	54.25	+262
Caspian Sunrise	Oil and gas	12.75	+176
AFC Energy	Cleantech	6.76	+97.4
Faron Pharmaceuticals	Healthcare	119	+75.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Maistro	Software	0.35	-76
Nautilus Marine Services	Oil and gas	1.95	-71.8
Staffline	Support services	264	-70
Maestrano	Software	1.25	-63.8
BlueRock Diamonds	Mining	0.095	-56.5

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st May 2019, 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 accessed via http://www.hubinvest.com/AimJournalDownload.htm.

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 £112bn 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 that started out on AIM include online gaming operator GVC, healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, online gaming technology developer Playtech and student accommodation developer Unite Group – all of which are FTSE 250 index constituents.

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