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AIM JOURNAL

Video games market booming

Research by Arden Partners reveals that there were $60bn of deals in the video games industry in the first half of 2021, which is 55% more than for the whole of 2020. AIM remains an attractive market for games developers and Devolver Digital Inc plans to join the junior market during November.

Virtual reality is the fastest-growing segment of the market. UK virtual reality revenues grew by 32% this year and that rate of growth is likely to continue. The value of the video games industry is estimated to be $170bn, which is more than double the value of the film and music industries combined.

Delaware-based Devolver Digital was formed in 2008 by veterans of the video games sector. There is a back catalogue of more than 90 games. The games it has developed include Serious Sam, Shadow Warrior, Hotline Miami and Fall Guys: Ultimate Knockout, where 8.2 million copies were sold for PC by the end of its first month after launch. Newer titles include Shadow Warrior 3.

Devolver Digital owns five development studios and two of them are in the UK. Executive chairman Harry Miller is currently the largest shareholder 28.5%. In May, Zeus Capital was suggesting that Devolver Digital could be valued at £1bn. Zeus floated US-based video games developer tinyBuild Inc in March this year and the share price has risen from 169p to 207p.

Ashtead subsea flotation

Subsea equipment rental company Ashtead Technology Ltd is planning to join AIM in the second half of November. Aberdeen-based Ashtead Technology was formed in 1985 and its initial focus was offshore oil and gas installations before moving into the offshore windfarm market. The offshore wind market is expected to grow by 19% a year between 2020 and 2025.

Services provided by Ashtead Technology include project development, construction and installation. Most of the company's equipment can be used for oil and gas projects or windfarms. More clients are opting to rent equipment rather than buying it. The group has nine service centres in the Americas, Europe, West Africa, Middle East and Asia Pacific.

Ashtead Technology has made five acquisitions since 2017 and more are planned. The market is fragmented, and the company is in a strong position to build up its share. Management believes that organic growth can be in low double digits. The fastest growth should be in offshore wind with steady growth in oil and gas demand. The company says that 2021 revenues will be at least £52m, up from £47.8m.

In this issue

IronRidge focuses on lithium

IronRidge Resources is demerging its gold assets and changing its name to Atlantic Lithium. This reflects the focus on the Ewoyaa lithium project in Ghana and the potential markets in electric vehicles and energy storage for the lithium.

Nasdaq listed Piedmont Lithium Inc has agreed to fully fund the development of the Ewoyaa lithium project. This involves investment of $102m, including a £10.8m subscription by Piedmont in IronRidge shares at 20p each. Piedmont will earn a 27.75% interest in the project. The deal also involves an offtake agreement for 50% of production for the life of the mine.

The Ewoyaa lithium project is located on the south coast of Ghana and is near to transport infrastructure. Ewoyaa has a JORC compliant mineral resource estimate of 14.5mt at a grade of 1.31% lithium oxide and there should be an upgraded resource figure in the coming months. Additional lithium pegmatite intersections have been reported adjacent to the Ewoyaa project and there is potential to increase the size of the deposit. A pre-feasibility study should be published in the second half of 2022.

Ricca Resources Ltd will own the gold assets and will be unlisted after the demerger. IronRidge will distribute 71.7 million shares to its shareholders, assuming shareholders approve the transaction at a general meeting. They will receive one Ricca share for every eight IronRidge shares they hold. The ex-distribution date for the demerger is expected to be 22 November. IronRidge's cash reserves will be reduced by A$7m following the demerger. Shareholders will be given the opportunity to participate in a A$7.1m fundraising at A$0.10 per Ricca share. The Ricca board's annual remuneration will be A$370,000.

Silence departs

Silence Therapeutics intends to cancel its AIM quotation to concentrate on the Nasdaq listing that was obtained in September 2020. The novel short interfering ribonucleic acid (siRNA) therapeutics developer was known as Stanford Rook when it joined AIM from the rule 4.2 matched bargain trading facility in July 1995. As SR Pharma, Silence Therapeutics did spend time on the Main Market between December 1999 to September 2004, but it has been quoted on AIM for more than two decades even if this period is excluded.

Silence Therapeutics has gone from a valuation of £22m in 1995 to £453m currently, although the adjusted share price is lower than in 1995. The AIM quotation will be cancelled on 30 November.

President spinning off hydrogen company

South America-focused oil and gas firm President Energy is on course to spin off Leeds-based subsidiary Atome, which is focused on hydrogen and ammonia production and sales. There should be further news of the proposed flotation and fundraising during November.

Atome was set up earlier this year and funded with cash generated from President's existing operations. In the summer, the decision was made to spin it off as a separate quoted entity – originally on the standard list but President eventually decided on an AIM quotation. President is seeking court approval for a capital restructuring that will allow it to distribute its stake to its 600 shareholders.

President's boss Peter Levine's company Alpha Oil was issued a 15% stake in Atome and it will introduce clean fuel business opportunities. Atome is researching projects in Iceland and Paraguay. Atome owns 75% of Iceland company Green Fuel and 100% of Atome Paraguay. First phase production is anticipated before the end of 2023.

These first two projects would produce green hydrogen and ammonia for international and domestic markets by using renewable energy sources. They could reach a total capacity of 350MW by the middle of the decade. This is an early-stage business, and more projects could be added after the flotation.

President has interests in Argentina, the US and Paraguay. It generates revenues from Argentina and Louisiana. At the interim stage, revenues rose by one-quarter to $17.1m, even though production fell by 2% to 2,648 barrels/day. Cash was generated, while net debt was $16.7m at the end of June 2021. The majority of debt is owed to a company owned by President executive chairman Peter Levine.

A 50% stake in the Paraguay assets is being farmed-out and there will be exploration next year. This provides potential upside for the oil and gas business.

Arden Partners merging with broking client

AIM broker Arden Partners is being acquired by one of its clients in an all-share offer. The purchaser is not another broker it is legal services business The Ince Group.

Ince is offering seven shares for every 12 Arden shares in a bid recommended by the board of the broker. Assuming an Ince share price of 53p, this values each Arden share at 31p and the total share capital at £10m. Arden shareholders will own just over one-fifth of the enlarged share capital of the group. Irrevocable acceptances equate to 44.5% of the Arden share capital.

In 2017, Arden handled the reversal of Gordon Dadds into AIM shell Work Group. The company acquired the larger Ince & Co at the beginning of 2019 and the group changed its name to Ince. Arden has been forced to step down as nominated adviser to Ince because of the takeover and trading in Ince shares has been suspended. A new nominated adviser is being sought.

Ince is an international business with offices in nine countries and its latest full year revenues were £100.2m. Arden's interim revenues were £5m.

The idea behind the deal is that clients want to get more of their advice from one source and the merger will enable a full range of professional services to be offered by the group. Ince has already started a corporate finance business and has a wealth management operation. Ince has more than 1,000 corporate clients. There is little overlap with Arden's 40 plus clients.

Arden had £3.1m in cash at end-April 2021. Ince had been expected to have net debt of £7.2m at the end of March 2022. There could be cost savings of £1m a year within three years, through a reduction in office space and lower overheads.

Adrian Biles will remain chief executive of Ince, and Arden boss Donald Brown will join the board as an executive director. The merger is likely to be completed in the first quarter of 2022. The deal is expected to be earnings enhancing and there should be a continuation of Ince's policy to distribute one-fifth of post-tax profit in dividends.

■ finnCap interim revenues were 55% ahead at £31.8m with all the growth coming from the finncap Cavendish mergers adviser. The broking business revenues fell by 4% to £15.6m with higher stockbroking revenues offset by a decline in fees from transactions. The full year revenues guidance has been upgraded to £45m-£50m. Progressive Research forecasts a fall in full year pre-tax profit from £9.6m to £9m.

ADVISER CHANGES - OCTOBER 2021

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Renew Holdings	Peel Hunt / Numis	Numis	Numis	Numis	10/1/2021
IronRidge Resources	Canaccord Genuity / Liberum / SI Capital	Liberum / SI Capital	SP Angel	SP Angel	10/6/2021
Focusrite	Investec / Peel Hunt	Panmure Gordon	Investec	Panmure Gordon	10/13/2021
Diurnal	Stifel Nicolaus / Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	10/14/2021
Spectral MD Holdings	Stifel Nicolaus / SP Angel	SP Angel	SP Angel	SP Angel	10/20/2021
Ideagen	Numis / finnCap	finnCap / Canaccord Genuity	finnCap	finnCap	10/22/2021
Kingswood Holdings	finnCap	Peel Hunt	finnCap	Peel Hunt	10/25/2021
Europa Minerals Ltd	WH Ireland / Turner Pope	Turner Pope	Strand Hanson	Strand Hanson	10/26/2021
Sareum	Peel Hunt / Hybridan	Hybridan	Strand Hanson	Strand Hanson	10/29/2021

Norish sells cold stores and returns cash to shareholders

Dairy *www.norish.com*

Norish shareholders have agreed to the sale of the original cold store business, leaving the company, which will be renamed Roebuck Food Group, with product sourcing and dairy farming operations. There will be a 166p a share dividend to shareholders by early December. Even after the share price increase since the disposal was announced the market capitalisation of the company is not much more than the amount to be distributed.

Nichirei Holding Holland BV is paying £65.7m for the cold store division and after paying off debt and any net asset adjustment there should be £57.3m received in cash.

The product sourcing business trades in meat, fish and dairy products. The dairy farming business is developing an A2-protein milk supply

There will be a 166p dividend

with novel dairy processing IP. The farm is in County Kilkenny and was established in 2016. Grass to Milk is an 84.15%-owned subsidiary, based in County Kildare, that is developing value-added milk products, including two UHT products for the Chinese market. The milk comes from the company's farm and other suppliers and the strategy it to increase milk supply to 30 million litres by 2024.

The continuing operations generated revenues of £18.8m in 2020 and £11m in the six months to June 2021. They made a 2020 pre-tax profit of £71,000 before unallocated overheads, with the product sourcing

NORISH (NSH)			172.5p
12 MONTH CHANGE %	+76.9	MARKET CAP £M	51.9

business profit offsetting the dairy farming loss. Both businesses were profitable in the first half of 2021 making a total pre-tax profit of £107,000 before unallocated costs. Group overheads will have to be covered by the continuing operations, which means that the group is likely to be loss making. These group overheads are likely to be reduced by the disposal, but they will continue to be significant.

Pro forma net assets are £64m, including net cash of £55.5m. That is before the cash distribution to shareholders. The company has consistently paid dividends, but it does not expect any more before 2024.

Light Science Technologies bright prospects

Agricultural technology *www.lightsciencetechnologiesholdings.com*

Light Science Technologies is a profitable contract electronics manufacturer, but the growth will come from controlled environment agriculture technology. A range of LED lighting called nurturGrow Luminaire has been developed for the agricultural sector and sensor and software technology are on the brink of being launched commercially. When it joined AIM Light Science Technologies raised £4m after expenses at 10p a share and the share price doubled in the first fortnight of trading.

The technology will be used

LIGHT SCIENCE TECHNOLOGIES (LST)			21.6p
12 MONTH CHANGE %	N/A	MARKET CAP £M	37.6

in vertical farming, glasshouses and polytunnels, and will enable enhanced production. The plan is for one-off hardware sales and a full-service proposition that can be offered to farmers to generate recurring revenues. This involves collecting data, analysing it at the company's laboratory and advising on the optimum use of resources, such as light and water.

There is a pipeline of £40.6m of potential business in the agricultural division. There is also a contract with Zenith Nurseries, which consists of three development stages that will take 21 months and generate £1.28m. The contract manufacturing business has an order book worth £5m.

Pro forma net cash is £2.9m. Light Science Technologies will invest £750,000 in its scientific laboratory and £500,000 in product design and tooling, plus another £500,000 on automation and testing equipment. There will also be £600,000 invested in entering the Netherlands market.

Used vehicle price increases fuel profit growth at Vertu Motors

Motor dealer *www.vertumotors.com*

Motor dealer **Vertu Motors** has continued to prosper despite supply problems for new vehicles. Vertu reported record first half results as the booming used car market offset the problems in the new car market.

Used car prices have been rising because of the shortage of new vehicles. Vertu Motors was able to successfully obtain used car stock to take advantage of this. Used cars generated additional gross profit of £22.3m in the first half. That was based on a 0.5% increase in the number of used vehicles sold. New car sales did rise, but that was compared with a weak period, and they are well down on two years ago.

Used car prices have been rising

In the six months to August 2021, revenues increased from £1.2bn to £1.92bn, although the comparative period did include the most severe lockdown. Underlying pre-tax profit soared from £4.7m to £51.8m, which is more than treble the figure for the first half of 2019-20. There was a £5.6m contribution from government support – mainly business rates. Acquisitions added £232.2m to revenues and £3.28m to pre-tax profit, which mainly came from the BMW/Mini dealership. The interim dividend has been re-established at 0.65p a share.

VERTU MOTORS (VTU)			61.4p
12 MONTH CHANGE %	+108.8	MARKET CAP £M	224.4

Net cash was £57.3m at the end of August 2021. The strong balance sheet means that there is around £90m available to make further acquisitions.

September trading was better than expected. Full year pre-tax profit is forecast to jump from £24.6m to £65.2m. Management believes that the strong market for used vehicles could last another two or three years. However, Zeus expects the profit to fall to £30m in 2022-23, which would value the shares on around ten times earnings.

The net tangible asset value is 61.5p a share, which is just above the share price.

Marshall Motor deal enhances scale

Motor dealer *www.mmhplc.com*

Marshall Motor Holdings is acquiring Kent-based Motorline Holdings for £64.5m and this will add 48 franchises selling ten brands in southern England, Midlands and South Wales. Marshall will become a major Toyota, Lexus and Hyundai dealerships operator. The deal enhances the scale of the group and should be earnings enhancing in 2022.

The enlarged group has 150 car franchise sites and 14 commercial vehicle dealerships. There are 19 VW car franchises, 15 Skoda, 13 Toyota, 12 Audi and 10 Nissan. There are dealerships in 37 counties in England and Wales. Motorline will also add five used car centres and four trade parts operations.

MARSHALL MOTOR HOLDINGS (MMH)			292p
12 MONTH CHANGE %	+122.1	MARKET CAP £M	228.4

Motorline made an underlying 2020 profit of £2m on revenues of £695m. Investec added £2.1m to its 2022 pre-tax profit forecast for Marshall after the deal. Net cash is expected to be £10m at the end of 2021. There will be £10m spent on integrating the businesses over the next two years and that could add £8m to profit by 2025.

Marshall upgraded profit guidance with its third quarter trading statement. The new vehicles market has declined, but Marshall has significantly outperformed the market. Used vehicle prices remain high and over seven months they have increased by more than one-quarter. This enabled the strong third quarter performance.

Marshall Motor is expected to increase pre-tax profit from £20.9m to £50.5m this year. Just like its motor dealer peers this will be an unusually high level of profit. A pre-tax profit of £24.9m is forecast for 2022, up from £22.1m in 2019.

Online retailer ASOS seeks new boss to steer it towards goal of £7bn revenues

Online fashion retailer *www.asosplc.com*

Online fashion retailer **ASOS** disappointed the market with its full year results and Nick Beighton is stepping down as chief executive. The search for a replacement has begun.

In the year to August 2021, revenues increased by one-fifth to £3.91bn, while underlying pre-tax profit improved from £142.1m to £193.6m. Management estimates that there was a £67.3m Covid-19 related benefit in the figures. The fastest growth was in the UK, while rest of the world sales were flat. US sales gained momentum later in the year helped by the Topshop brands. There were 26.4 million active customers during the year and the average amount spent was steady at £39.75, while the average order frequency edged up to 3.61.

Net cash more than halved to £199.5m following the acquisition of the Topshop brands. The new Lichfield fulfilment centre has opened and this year there is a further £210m to be invested in Lichfield and the Atlanta site, as well as additional technology. Annual capital expenditure is expected to continue at around this level.

There were 26.4 million customers

A deal with Nordstrom will help to grow the sales of the Topshop and ASOS brands in North America. Nordstrom has acquired a minority interest in Topshop, Topman, Miss Selfridge and HIIT. ASOS branded products will be available in some Nordstrom stores and Nordstrom.com by the end of 2021.

Peel Hunt has slashed its 2021-22 pre-tax profit forecast from £224.3m to £124.3m - company guidance is between £110m and £140m. This reflects a sharp fall in margins this year. The operating margin had been boosted by fewer returns, while marketing costs will be higher to help generate international growth. There are also transport and wage cost increases. Management is hopeful that the second half will show some improvement.

ASOS (ASC)			2482p
12 MONTH CHANGE %	-43.7	MARKET CAP £M	2,478

ASOS believes that it can achieve revenues of £7bn and an operating margin of at least 4% within four years. This will predominantly come via international growth.

ASOS has been one of the worst performing AIM shares this year. Directors have been taking advantage of the share price decline to buy shares. Even Nick Beighton bought 2,020 shares at 2462.5p each.

Sanderson Design back on track

Furnishings *www.sandersondesigngroup.com*

Branded furnishings and wallcoverings supplier **Sanderson Design Group** recovered strongly in the first half following a rebranding of the group. North American and UK sales were strong, and the manufacturing business bounced back.

Sanderson Design improved interim pre-tax profit by 22% to £6m on a 48% increase in revenues to £57.5m. Brands revenues were 40% higher at £45.3m, with Morris & Co and Sanderson sales higher than the same period two years ago prior to Covid-19.

SANDERSON DESIGN GROUP (SDG)			176.5p
12 MONTH CHANGE %	+194.2	MARKET CAP £M	125.3

Demand for manufacturing both internally and from third parties has been stronger than expected and this is reflected in the order book. New capital equipment is being installed.

Net cash is £15.4m and should continue to increase even with a return to dividends. An interim dividend of 0.75p a share has been announced and the total dividend for the year could be 3.8p a share.

Management plans to generate more income from the archive of patterns and designs. The first homeware products from the Morris & Co licensing agreement with NEXT should be launched early next year. Sanderson is on course to achieve an increase in full year pre-tax profit from £7.1m to £10.9m.

Pittards paying first dividend for nearly two decades

Leather processor *www.pittards.com*

Dividend

Pittards has announced its maiden dividend as an AIM company, although prior to the switch from the Main Market in 2004 it was a dividend payer. However, financial problems mean that this is the first dividend for around 18 years. The interim dividend is 0.5p a share and a similar final dividend is forecast. Next year, the total dividend is expected to be 1.25p a share and that should be covered 4.8 times by forecast earnings.

Net debt will be around £10m at the end of 2021, with cash generated from operations reinvested in additional capacity. There should be a small decline in net debt next year, even after paying the dividend. Pittards has £13.5m of tax losses in the UK, although it does have to pay tax in Ethiopia.

Business

Pittards was established in 1826 and it has been quoted since 1962, initially on the Main Market until it switched to AIM. It is a leather processor and manufacturer of leather goods, including gloves and sports equipment. Pittards has leather processing facilities in the UK and Ethiopia. The Yeovil tannery focuses on cattle skins and the five facilities in Ethiopia focus on sheep and goat skins. The Ethiopian facilities are not in the unsettled Tigray region in the north of the country.

A hefty pension deficit was holding back the business, but the £33m deficit was taken on by the Pension Protection Fund in 2006. Even so, it has taken a long time to get Pittards onto a sounder footing with the Covid-19 lockdowns proving a further bump in the road.

PITTARDS (PTD)	
Price (p)	62
Market cap £m	8
Historical yield	nil
Prospective yield	1.6%

The skins sourced by Pittards for processing into leather are a by-product of meat production. Even if there is a decline in meat production there should still be a plentiful supply.

Tri Protex, an anti-bacterial performance leather, was recently launched and a fire-retardant leather is being developed for the rail sector. There are also newer markets in automotive and aerospace.

Interim revenues were 46% ahead at £9.7m and gross margin recovered from 17% to 28%. Both revenues and gross margin are still below the level in the first half of 2019. Even, so Pittards did return to profit in the first half and the latest interim pre-tax profit of £264,000 is higher than the 2019 interim profit figure.

Revenues remain well below the level they were a decade ago. The order book is the highest it has been for two years thanks to a recovery in core business and newer products, and it covers forecast revenues for 2021. A 2021 pre-tax profit of £500,000 is forecast, rising to £800,000 in 2022. That would put the shares on ten times prospective 2022 earnings. Net assets are 104.6p a share, so the shares are trading at a 40% discount to NAV.

The return to dividends reflects the strong position of the business and the potential for further improvement.

Dividend news

ThinkSmart Ltd is returning A$5.6m to shareholders in the form of a dividend of 5.25 Australian cents a share. ThinkSmart's main asset is a 6.5% net stake in Clearpay. The rest is owned by Australia-based buy now, pay later finance provider Afterpay, which has received a bid from Square Inc. There is an option for the remaining stake in Clearpay to be acquired by Afterpay - or ThinkSmart can require it to buy it - in 2023-24. ThinkSmart's net assets were 126.2p a share at the end of June 2021 and there is further potential upside in the Clearpay valuation.

Disinfection products supplier **Tristel** reported lower revenues and profit but that was down to stockpiling in the comparative period. Revenues were 2% lower at £31m, while pre-tax profit fell by one-quarter to £5.4m, which is similar to the 2018-19 level. The total dividend was raised from 6.18p a share to 6.55p a share. Profit growth should recommence this year, but it will take time to beat the 2019-20 figure. However, the total dividend is likely to be reduced to 5.3p a share, so that it is twice covered by forecast earnings. Progress continues with US product approvals.

Azerbaijan-focused gold miner **Anglo Asian Mining** is paying an interim dividend of 4.5 cents a share, which is equivalent to 3.2937p. In the nine months to September 2021, total production was 48,487 gold equivalent ounces and full year production is expected to be between 64,000 and 72,000 gold equivalent ounces. There is $30.9m in the bank. Anglo Asian Mining is acquiring three new concessions, including two bordering on its existing contract areas in Azerbaijan. The other is in the Karabakh economic region and it contains the Demirli copper-molybdenum deposit. In return, the company has given up its rights to the Soutely mine.

Expert view: Registrars

Good Energy and the importance of shareholder visibility

By Hardeep Tamana

The last few months have seen an intriguing act play out in the corporate world. Privately owned Ecotricity's hostile bid to take over AIM-quoted Good Energy may at first glance appear to be nothing out of the ordinary, but two key factors have been in play here which have in turn piqued the interest of many.

Firstly, the timing has been nothing short of extraordinary, happening just as the UK retail energy market faces unprecedented levels of uncertainty. A slew of bankruptcies has put the sector under the spotlight and given the challenges faced in migrating consumers to other providers, is tighter regulatory oversight now inevitable? And if so, what will this do for valuations?

Despite the lure of what the suitor clearly saw as an attractive offer price, the vast majority of shareholders remained resolute in their commitment to the vision laid out by Good Energy's management.

That leads into the second point which is the growing support for the idea that shareholders now want the companies they invest in to deliver more than just profits. Many people may treat such a comment with a degree of cynicism – after all, it's the antithesis of perceived wisdom of capitalism – but again, it seems many of the investors in Good Energy bought into this and have taken the short-term financial hit as a result.

Shares now trade around 10% below the mid-September highs, but the investor base is aligned with the company's longer-term goals – which we should all be, given the rapidly deteriorating situation with the global climate.

Offer

Ecotricity held a 25.1% stake in Good Energy before the offer, but beyond that for the most part they really struggled to get meaningful shareholder support. There was a last minute push, where they were able to secure commitment for a further 11.5% of the shareholders, but even this fell well below the necessary 50%.

So, was the bid always doomed to fail? The reported breakdown of share ownership beyond the stake Ecotricity had amassed is insightful here with employee share schemes and individual insiders accounting for almost 15% of ownership. Institutions accounted for a further 22%, but it was the general public, with 37.2% of the holding, who really held the keys.

This may be something of an outlier as often it's the institutional investors who have sufficient sway, although in this case there's a good chance the mandates those managers were working to would have made the sale difficult to justify. So, by ensuring there are good channels of communication open to individual shareholders, this can make a real difference in defending such hostile takeovers.

That is when the role of a registrar comes in, and why the developments we have discussed recently in terms of the final stages of CSDR could prove instrumental in helping issuers connect better with all their investors.

Investor relationships

At present, it can be difficult to maintain a relationship with those holding shares via a nominee structure. Good Energy by the nature of its very mission could be seen as having an investor base which is more engaged than would be the typical case, either through an interest in the green energy sector or by being customers, but CSDR offers the potential to reform the way securities registers are maintained, most notably by moving to a book entry model (giving issuers, holders and broker nominees a more flexible way of channelling communications).

Whilst this may be seen as something of an administrative burden for issuers, it actually plays a key role in the further democratisation of share ownership and e-communications facilitates that.

As we move into a world which seems set to be increasingly driven by retail investors able to have a greater say in the shares they own – and one where the underlying market is becoming that much more accessible through the proliferation of ultra low cost stockbroking platforms – it i's vital that there's a clearer link between issuers and owners.

Good Energy by all accounts managed to see off this hostile bid as a result of the engaged retail audience, along with the sizable holdings of insiders. This, however, is an outlier in a world which all too often does not – or is unable to – give smaller shareholders the voice they are entitled to.

Not only does this have the potential to be a future business school case study when it comes to the changing demands of investors who now want companies to deliver more than just profits, but it is also a salutary lesson in the power of having shareholders aligned with the mission of management.

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

AIM awards winners in 2021

It was back to normal for the AIM awards this year with the winners announced at the awards dinner on 14 October in London, rather than the online announcements last year.

AIM COMPANY OF THE YEAR

Focusrite

Audio equipment supplier Focusrite has prospered as a quoted company. It has grown organically and used the share quotation to help finance acquisitions. There have been challenges, such as US tariffs on equipment imported from China, but demand for the company's equipment has remained strong. Covid-19 lockdowns enhanced demand from people wanting to make their own music and create podcasts.

Since joining AIM at the end of 2014 at 126p, the share price has increased by more than ten times. Early growth was organic with product ranges introduced to broaden the addressable market. Studio monitors supplier Adam Audio and live sound systems Martin Audio were acquired in 2019. Earlier this year, US synthesiser brand Sequential was bought for an initial \$20m. In 2020, Sequential generated an operating profit of \$3.5m.

Focusrite has confirmed that revenues in the year to August 2021 would be £173m, up from £130m the previous year. That includes contributions from recent acquisitions. A pre-tax profit of £38.8m is forecast. This is not a sustainable level of profit and a fall to £28.7m is forecast for 2021-22. However, Focusrite has a record of forecast upgrades as the year progresses.

ENTREPRENEUR OF THE YEAR

Andrew Day, Keywords Studios

Andrew Day has stepped down as chief executive of video games services provider Keywords Studios due to ill health, but this award is well deserved. He joined Keywords as chief executive in April 2009 and subsequently became a significant shareholder prior to the AIM flotation in July 2013. Andrew Day was the driver of the consolidation strategy for the video games services sector.

Keywords was valued at £49.2m when it floated at 123p a share. The share price has risen to around 24 times that level and the company is currently valued at £2.2bn. Shares have been issued for acquisitions as Keywords makes progress with its consolidation strategy, but the acquisitions have enhanced earnings, which is not always true of acquisitive companies.

Betrand Bodson has been appointed as chief executive and he starts the job in December. He is a similar age to Andrew Day when he joined the company. He has previously worked as chief digital officer at Novartis and Argos.

BEST NEWCOMER

Calnex Solutions

Telecoms network testing equipment supplier Calnex Solutions joined AIM on 5 October 2020 via a placing at 48p a share and the share price increased to 97p by the end of July 2021. Since then, the share price has peaked at 142.5p.

Calnex designs and manufactures equipment used by telecoms network operators, network providers and systems suppliers to test their products. This is an international business with Asia and the Americas accounting for the majority of revenues.

Trading has been consistently strong since Calnex joined AIM and the latest trading statement led to another profit forecast upgrade. The 2021-22 pre-tax profit forecast was raised from £4.4m to £5.6m. Demand generated by the move to 5G telecoms technology provides further growth potential.

AIM TRANSACTION OF THE YEAR

Brickability

This award was won for the successful acquisition of Taylor Maxwell last summer. Brickability had been interested in acquiring the business even before it joined AIM in August 2019. The enterprise value for Taylor Maxwell was £63m and the EV/EBITDA multiple was just under six. Taylor Maxwell has 16 depots and three showrooms and timber merchanting is the largest revenue generator, although the profit contribution is similar to the brick merchanting part of the business.

Bridgend-based Brickability supplies bricks and other construction materials, and the core customer base is national and local housebuilders and general builders. There have been ten add-on acquisitions since the company joined AIM. That includes logistics business McCann, which has helped the company to cope with haulage problems. Demand for bricks and timber remains strong.

AIM GROWTH BUSINESS OF THE YEAR

Impax Asset Management

Sustainable investment focused Impax Asset Management increased assets under management to £37.2bn at the end of September 2021. That was 84% ahead of the figure 12 months earlier. The rising stockmarket has contributed to that increase, but it is the increasing interest in renewables and sustainable investments that has fuelled the growth in assets under management.

Impax increased its interim pre-tax profit from £8m to £14m on revenues up from £41.2m to £60.6m. A full year pre-tax profit of £49m is forecast, followed by a 2022 pre-tax profit of £70.9m on revenues of £190.9m. In the year to September 2018, revenues were lower than that 2022 pre-tax profit forecast.

Demand for ESG-focused types of investment is undoubtedly growing. In the UK, over a two-year period, assets under management in UK shares has risen by 13%, while assets under management specifically in responsible investments increased by 225%, with accelerated growth from the end of 2020 onwards.

BEST USE OF AIM

RWS

Patent translation services provider RWS is a regular winner of AIM awards, and it has previously been AIM company of the year. Originally a failed shell into which the patent translation business was reversed nearly two decades ago, RWS has managed to combine acquisitions with organic growth and become a business with a market capitalisation of £2.4bn. The most significant acquisition was fully listed translation software company SDL. Earlier this year, Ian El-Mokadem was appointed as chief executive and he has been buying shares.

Since winning this award, RWS said that it will beat consensus profit expectations of £111.6m for the year to September 2021. Revenues will be in line with expectations with margins improving, helped by the integration of SDL – the acquisition was completed at the beginning of November 2020.

BEST TECHNOLOGY

Renalytix

Kidney disease diagnostics developer Renalytix has made good progress since its spin-off from EKF Diagnostics led to the AIM transaction of the year award in 2019. Last year it obtained a Nasdaq listing. KidneyIntelX is a test that is used to manage chronic kidney disease and FDA marketing authorisation could be obtained early next year. The US government and related agencies, including the Veterans Administration, has agreed to pay $950 per reportable result.

Revenues are still modest, but they are expected to build up over the next three years as sales of the kidney diagnostic tests start to ramp up. Mount Sinai projects that it will use KidneyIntelX to test 6,000 patients by the second quarter of next year. Renalytix is building up its sales and marketing expertise and it is targeting an addressable market of up one million patients.

BEST COMMUNICATION

EMIS

This is becoming IT healthcare supplier EMIS's own award. Having lost out to automotive testing services provider AB Dynamics last year, EMIS has won the award for the third time in four years.

EMIS had a strong first half of 2021 with its systems used to manage the Covid-19 vaccine roll-out. This is past the peak, but booster jabs mean there will be continued demand. The rest of the business is making steady progress and there should be an improvement in full year profit to £41.5m.

AIM CORPORATE GOVERNANCE

YouGov

Market research firm YouGov was also shortlisted for the award when it was launched last year. YouGov has invested in its employees and has good relationships with its suppliers. There is also a strong relationship with investors backed up by the performance of the business. YouGov increased its 2020-21 revenues by 18% to £169m and it is expected to increase its pre-tax profit from £24.7m to £30.6m.

AIM DIVERSITY CHAMPION

Team17

This is the first year for this award. Video games developer Team17 has a board where women make up 50% of directors. It has tried to encourage women in what has been a male dominated business. There are also employee-led networks that create a voice for minority groups.

BEST PERFORMING SHARE

Zephyr Energy

The Zephyr Energy share price increased by more than eleven times in the 12-month period to the end of July 2021. The US-focused oil and gas company reported positive drilling news at the beginning of 2021, and this sparked the positive momentum in the share price. Cash has been raised on the back of the share price jump to finance the drilling of wells.

Further details of the awards and the winners are available on www.aim-awards.co.uk.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	27.3	16.6
Health Care	16.1	10.8
Industrials	16	16.5
Technology	12.5	12.5
Financials	9.2	11.7
Energy	7.4	11.1
Basic materials	5.6	14.6
Property	3.4	2.9
Telecoms	1.6	1.9
Utilities	1	1.3

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1223.18	+28.9
FTSE AIM 50	6627.21	+25.9
FTSE AIM 100	5988.38	+24
FTSE Fledgling	13434.48	+53.5
FTSE Small Cap	7417.66	+45.6
FTSE All-Share	4129.16	+31
FTSE 100	7237.57	+29.7

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	62
£5m-£10m	94
£10m-£25m	136
£25m-£50m	131
£50m-£100m	113
£100m-£250m	167
£250m+	132

KEY AIM STATISTICS

Total number of AIM	835
Number of nominated advisers	28
Number of market makers	21
Total market cap for all AIM	£148.7bn
Total of new money raised	£127.2bn
Total raised by new issues	£47.1bn
Total raised by secondary issues	£80.1bn
Share turnover value (Aug 2021)	£76.8bn
Number of bargains (Aug 2021)	15.6m
Shares traded (Aug 2021)	777.4bn
Transfers to the official list	193

TOP 5 RISERS OVER 30 DAYS

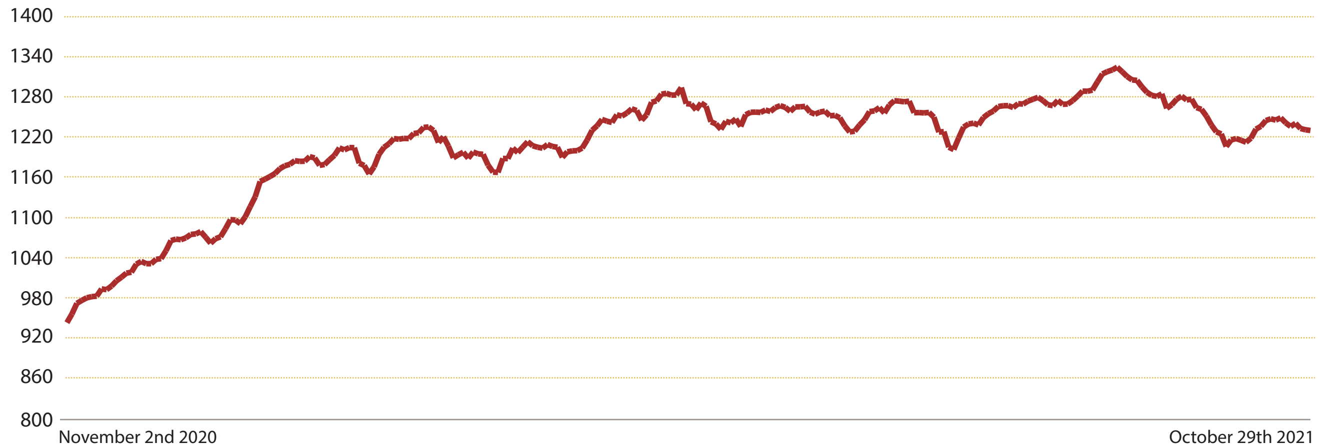
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Marechale Capital	Financials	4.3	+126
Quantum Blockchain Tech	Technology	3.55	+122
Mycelx Technologies	Cleantech	74	+92.2
Proton Motor Power	Cleantech	43	+62.3
Ironveld	Mining	1.025	+61.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Vast Resources	Mining	2.575	-58.8
IG Design	Consumer	252	-48
Block Energy	Oil and gas	1.525	-40.2
Polarean Imaging	Healthcare	64	-39
Simec Atlantis Energy	Cleantec	1.575	-38.2

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st October 2021, and we cannot accept responsibility for their accuracy.

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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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