


 The ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET
AIM JOURNAL
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Rebel requisition at PetroNeft

Russia-focused investor Natlata Partners has requisitioned a general meeting at oil and gas explorer and producer PetroNeft Resources in order to remove five directors and appoint five replacements.

Natlata owns 14.7% of PetroNeft and it wants to remove chief executive Dennis Francis, executive director David Sanders, finance director Paul Dowling, chairman David Golder and non-executive director Vakha Sobraliev from the board. Thomas Hickey and Gerard Fagan are the only two existing directors that Natlata is not trying to remove. The proposed board appointees are Fraser Innes, Richard Thornton, Pavel Tetyakov, Anthony Sacca and David Sturt. PetroNeft says that its nominated adviser, Davy, has been unable to consider the suitability of these proposed directors.

PetroNeft argues that Natlata is trying to gain control of the company without making a bid but Natalata says that it wants to unlock the value of the business.

Natlata criticises PetroNeft's failure to achieve expectations in terms of production and to complete a farmout with a large international oil and gas company. Natlata has proposed additional general meeting resolutions for the appointment of experts to undertake due diligence on the company's assets and a resource allocation, consider options for refinancing a loan from Macquarie and requiring shareholder approval for a farmout deal. PetroNeft argues that it is near to completing a farmout agreement for 50% of licence 61 in Tomsk Oblast, Russian Federation.

PassivSystems seeks AIM cash

PassivSystems Group plans to raise £12m to fund further development of its PassivLiving software platform for managing energy consumption and boost sales and marketing resource. The increasing use of smartphones and rising energy bills mean that there is consumer demand for systems that enable the easy management of energy usage. The proposed AIM flotation could value Newbury-based PassivSystems at between £40m and £45m.

So far, there are around 5,000 PassivLiving systems installed, which help customers to save money on their heating bills. There are initial revenues from hardware sales

and then regular subscription revenues. The company's other product is PassivPro, which is software used to monitor solar PV systems and maximise their yields. There are 15,500 homes covered by the software and the company has signed a ten-year agreement with Macquarie, which is funding the roll-out of more than 20,000 PV solar systems for private and social housing. Additional modules are being developed for PassivPro.

In 2013, PassivSystems generated revenues of £3.5m and made a loss of £4.3m. There is scope to grow the business outside of the UK.

general news

Fyffes merges with larger rival Chiquita Brands

Dublin-based Fyffes is merging with Chiquita Brands International in an all-share deal that values the Ireland-based fruit supplier at \$526m (€379m), or €1.22 a share. The combined group, ChiquitaFyffes, will be valued at more than \$1bn, and will become the largest supplier of bananas in the world. The company will be listed on the New York Stock Exchange and does not intend to have a London or Dublin quotation.

Fyffes shareholders will receive 0.1567 of a ChiquitaFyffes share for each Fyffes share they own and they will own 49.3% of the enlarged group. Fyffes boss David McCann will become chief executive.

In 2013, Fyffes reported an increase in revenues from €784m to €836m, while pre-tax profit

improved from €26.1m to €28.7m. A final dividend of €0.0149 a share will still be paid. Management believes that there is at least \$40m-worth of annual cost savings achievable by the end of 2016 from combining the businesses, which will have annual revenues of \$4.6bn. The savings will come from reducing overheads and improved efficiency in shipping, packaging and port operations. They will cost up to \$16m.

The combined group will be the leading firm in the banana market and number three in the melon and pineapple markets. It also supplies packaged salads and snacks. ChiquitaFyffes will be bigger than its main rivals, Del Monte and Dole. The merger is subject to competition authority clearance but it should be completed before the end of 2014.

New MDM suitor

Mineral process engineer and project manager MDM Engineering has agreed a 170p a share cash bid from global engineering and construction company Foster Wheeler, which values MDM at £65.3m. At the end of 2012, MDM agreed a 181p a share cash and shares bid from ASX-listed Sedgman Ltd, which put a value of £67.9m on the company. That proposed merger was terminated in May 2013 due to the deterioration of the mining market and delays in projects. Foster Wheeler supplies the balance sheet strength that MDM was seeking with the Sedgman merger as well as global engineering expertise. Foster Wheeler has a break fee equal to 1% of the merger value. MDM joined AIM in May 2008 via a placing at 145p a share at a time when the mining sector was favoured by investors.

Eagle Eye promotes April AIM transaction

Phill Blundell, who previously ran online banking software supplier Intelligent Environments, is returning to AIM as chief executive of Eagle Eye, which is acquiring the operations of AIM-quoted Zergo ahead of its flotation. Eagle Eye (www.eagleeye.com) has developed a digital transaction network called Eagle Eye AIR that enables retailers to provide customers with offers and rewards and it wants to raise £6m to fund the acquisition and finance the company's growth.

The Eagle Eye platform can create campaigns and analyse redemptions and there were an average of

one million transactions a month conducted through the network in 2013. Clients include Greggs, Marks & Spencer, Mitchells and Butlers, and Tesco. Former Tesco boss Sir Terry Leahy is a non-executive director of Eagle Eye, which is a different business to Eagle Eye Telematics which was previously quoted on AIM.

Guildford-based Eagle Eye generated revenues of £705,000 in the year to June 2013. There is a SaaS business model where revenues are generated from levels of voucher issuance and redemption as well as via monthly support fees. There are

plans to enter the US market.

The acquisition of Zergo brings contactless communications technology and access to additional customers. Eagle Eye is paying £4.5m for Zergo Ltd, which is payable as £2.5m in cash and £2m in Eagle Eye shares. Zergo has been trying to commercialise its podifi technology but it would have required additional finance. The two companies have been in discussions for some time. Zergo will be left with cash of £2.9m following the disposal, as well as its Eagle Eye stake, and it will become a technology-focused shell called Broca.


advisers

Increasing activity boosts AIM brokers

Annual results from some of the larger brokers involved in AIM show how trading is improving in the market, helped by increased corporate finance activity.

Shore Capital more than doubled its profit to £5.4m in 2013. The improvement came from the core broking business, wealth management and a reduction in the loss from German telecoms business DBD, where Shore has a majority stake. The total dividend was increased from 5p a share to 8p a share. The broking business made a £6m profit, up from £5.1m the previous year. Market-making volumes grew by one-fifth on the back of the inclusion of Aim shares in Individual Savings Accounts (ISAs). The corporate finance operations remain busy. Shore says that it has "a very strong pipeline" and it is

recruiting additional experienced individuals and teams.

Cenkos increased the number of companies that it advises from 119 to 125 over the past year. In 2013, profit from continuing operations improved by 53% to £10.7m. Cash in the bank was more than one-third higher at £30.3m. The final dividend has been more than doubled from 4p a share to 8.5p a share, following an unchanged interim dividend of 3.5p a share. The latest dividend takes the total dividends paid since October 2006 to 84.5p a share.

Panmure Gordon also had a strong 2013 and increased its clients from 96 to 130 companies. The number of AIM clients increased from 52 to 63. The broker raised nearly £1.5bn for clients in 2013, up from £373m in 2012. The profit from continuing operations was 95% higher at £1.17m.

There would have been a loss in 2012 without a £1.29m gain on the sale of investments. Last year, restructuring costs increased from £504,000 to £1.21m, although that is offset by a reduction in share-based payment charges from £969,000 to £349,000. A capital reorganisation is planned so that Panmure can pay a dividend.

The latest AIM Investor Focus will be held at finnCap's London office on 30 April. The six companies presenting are telecoms services provider Alternative Networks, wealth manager Brooks Macdonald, optical products supplier Gooch & Housego, CCTV technology developer IndigoVision, patient monitoring devices developer LiDco and stockbroker Share. For further details see: www.blackthornfocus.com/events/aif201404

ADVISER CHANGES - MARCH 2014

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Sirius Petroleum	Cantor Fitzgerald	Strand Hanson	Cairn	Cairn	03/03/2014
Deltex Medical	Zeus/Arden	Arden	Arden	Arden	04/03/2014
Summit Corporation	N+1 Singer	Hybridan	Cairn	Cairn	04/03/2014
Uranium Resources	Northland	Optiva/RFC Ambrian	Northland	RFC Ambrian	04/03/2014
Action Hotels	finnCap	Sanlam	finnCap	Sanlam	06/03/2014
Feedback	Peterhouse/Sanlam	Sanlam	Sanlam	Sanlam	06/03/2014
Vernalis	Shore/Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	06/03/2014
Andes Energia	GMP/Westhouse	Westhouse	Westhouse	Westhouse	10/03/2014
Helios Underwriting	Westhouse	Smith & Williamson	Smith & Williamson	Smith & Williamson	12/03/2014
Stratmin Global Resources	Hume	Peel Hunt	Strand Hanson	Peel Hunt	12/03/2014
Astar Minerals	Cornhill/Peterhouse	Peterhouse/Zeus	Cairn	Zeus	14/03/2014
Havelock Europa	Oriel	Investec	Oriel	Investec	17/03/2014
eg solutions	finnCap	Panmure Gordon	finnCap	Panmure Gordon	19/03/2014
Shanta Gold Ltd	Peel Hunt/GMP	Liberum	Peel Hunt	Liberum	20/03/2014
Sirius Minerals	WH Ireland/Liberum/Macquarie	Liberum/Macquarie	Macquarie	Macquarie	20/03/2014
Clean Air Power Ltd	Panmure Gordon/Peat	Peat/Cantor Fitzgerald	Panmure Gordon	Cantor Fitzgerald	27/03/2014
Inditherm	WH Ireland	Panmure Gordon	WH Ireland	Panmure Gordon	28/03/2014
Nostra Terra Oil & Gas	Hume	Hume	Northland	Shore	31/03/2014


 company news

Merlin framework deal opens up new opportunities for accesso Technology

Ticketing systems

www.accesso.com

Leisure park technology and ticketing software supplier **accesso Technology** is installing its ticketing system at Thorpe Park following a three-year agreement with its owner, Merlin Entertainments, the world's second-largest attractions owner. This deal shows that the accesso ticketing systems are attractive to customers outside its core North American market.

Merlin's attractions include Madame Tussauds and Chessington World of Adventures. The Thorpe Park installation of the accesso Passport ticketing and ecommerce system is a trial and it could lead to further installations as part of the Merlin framework agreement. The company has also gained a three-year ticketing agreement for the Las Vegas High Roller, the world's tallest observation wheel, which was recently opened.

Rival amusement park ticketing management systems supplier Galasys (www.galasysec.com) is

There will be a full contribution from recent acquisition Siriusware

planning to join AIM and it is focused on the Asian market, which is one of the areas where accesso wants to grow. accesso has won a contract to supply Qsmart to The Movie Animation Park Studios in Malaysia, which is opening in 2015.

accesso reported results for 14 months to December 2013 because of a change in year-end. The figures for the 12 months in 2013 show revenues of £37.7m and a profit of £3.49m. Net debt was £1.2m at the end of 2013 but accesso should have net cash of £1.5m by the end of 2014.

Following the results announcement, chief executive Tom Burnet exercised options over 110,000

ACCESSO TECHNOLOGY (ACSO)		721p
12 MONTH CHANGE %	+18.2	MARKET CAP £m
		145.6

shares at 102.5p a share. These shares were sold at 690p a share for a gain of £646,000. He retains a 4.2% interest. Chief operating officer Steven Brown, who was the former owner of accesso LLC before it was bought by the group, sold 590,000 shares at 690p a share after lock-up restrictions were removed and this raised £4.07m. Brown still owns 5.6%.

This year there will be a full contribution from the £4.1m acquisition Siriusware, which provides resort management software for ski resorts and other attractions. The business was loss-making but returned to profit last year and it is already winning new business. A 2014 profit of £5.5m is forecast for accesso, which puts the shares on 37 times prospective earnings.

Craneware continues contracted revenues growth

Software

www.craneware.com

Edinburgh-based **Craneware**, which supplies revenue integrity software to the US hospital market, is well placed to take advantage of the pressures on hospital costs in the US and it is adding new modules to its software.

In the six months to December 2013, revenues improved by 5% to \$21.1m, while pre-tax profit was 7% higher at \$4.8m. Deferred income in the balance sheet was \$18.4m and there was \$30.6m of cash in the

CRANEWARE (CRW)		527.5p
12 MONTH CHANGE %	+19.2	MARKET CAP £m
		142.5

bank at the end of 2013. The interim dividend was increased from 5.2p a share to 5.7p a share.

Craneware has won two large multi-year contracts, which will make a full contribution to the 2014-15 figures. The first contract is worth \$3.8m over five years and the second is worth

\$3.1m over seven years.

Peel Hunt forecasts a profit of \$12.2m in the year to June 2014. The shares are trading on 26 times prospective 2013-14 earnings. That is a relatively high rating but the long-term contracts provide revenue visibility. Prior to the latest contract wins the three-year visible revenues were \$114.4m, which is a combination of recurring and contracted revenues.


company news

More to come from Quixant as it diversifies its customer base

Gaming machines technology

www.quixant.com

Gaming technology platforms developer **Quixant** was a highly successful flotation last year and since it joined AIM last May the share price has risen by 246%. At the time of the flotation Quixant was dependent on one major customer. Although this is still the case, two significant new clients were won last year and the sales to these clients are still building up. The order book is double the level it was 12 months ago.

The total number of customers increased from 63 to 82 over the year, with the flotation increasing Quixant's profile, but most of those are still small. Ainsworth Gaming Technology, which became a major customer during 2007, still accounts for 72% of revenues, down from 79%, because it takes time for Quixant's technology to be designed-in to a

Since Quixant joined AIM last May the share price has risen 246%

new customer's machines and for the new machines to be launched. The two new major customers each accounted for around 5% of last year's revenues but this percentage will be much higher this year. They are classed as Tier 2 manufacturers, in that they produce between 5,000 and 25,000 machines each year. Once designed-in the technology will continue to be used until the next-generation product is designed.

Revenues grew from \$21.6m to \$24.2m in 2013, while pre-tax profit improved from \$4.99m to \$5.97m. There is a final dividend of 1p a share.

QUIXANT (QXT)			159p
12 MONTH CHANGE %	N/A	MARKET CAP £m	102.7

Last year, Quixant raised £3.1m, net of expenses, at 46p a share. Management still own a majority stake in the company. Net cash was \$4.88m at the end of 2013 following a small cash inflow from the business as well as the addition of the placing cash.

House broker finnCap forecasts a 2014 underlying profit of \$7.1m on revenues of \$31.5m. That puts the shares on 30 times prospective 2014 earnings but the rating could reduce significantly over the next few years if more large clients can be won. A design-in process has started with another major customer, while the Ainsworth contract lasts until 2019.

Hospitality sales push Churchill forward

Tableware manufacturer

www.churchill1795.com

Churchill China benefited from a strong hospitality market in 2013 and a refocusing of operations away from the retail market. There has also been a return to growth in the dividend.

In 2013, revenues rose 4% to £43.2m, while pre-tax profit, adjusted for new pensions standards, jumped by a quarter to £3.4m. There was cash of £8.2m at the end of 2013 and the pension deficit has been cut from £5m to £2.9m partly because of an early pension payment.

CHURCHILL CHINA (CHH)			445p
12 MONTH CHANGE %	+30.9	MARKET CAP £m	48.7

Hospitality sales increased 11% to £32.8m, with UK and European sales showing strong growth. Repeat business accounts for two-thirds of sales. Manufacturing efficiency and capacity will be improved further by the installation of a new glost kiln.

Although retail sales were lower, partly due to anti-dumping duties for Chinese products, gross margins

on this business improved as Churchill moved away from lower-margin business and sold more of its own brands, such as Caravan Trail and Little Rhymes. Cath Kidston licensed product sales declined because of a change of strategy by the licensor.

A profit of £3.8m based on a small rise in revenues is forecast for 2014, which puts the shares on 17 times prospective earnings. A further increase in the dividend to around 15p a share would provide a forecast yield of 3.4%.

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company news

Regeneris advances services offering with acquisition of data erasure firm Blancco

Electronic repairs and services

www.regeneris.com

Regeneris is expanding the range of services it provides through the €60m acquisition of a business that deletes electronic data. This is being funded by a £100m placing at 345p a share. The outlook for the acquisition is positive because of EU legislation coming into force in April 2015 that imposes fines on organisations for breaching the data security of customers.

Finland-based Blancco has 17 international offices with 400 corporate users, which include Regeneris. Blancco is a market leader in data erasure services and one of its competitors has decided to use its technology. Revenues were €12.3m in 2013 and they have grown by a compound annual rate of 25% between 2008 and 2013. Operating profit was €4.3m. Blancco should add £2.8m to revenues in the year to June

Blancco is a market leader in data erasure services

2014 and £11.3m in the first full year. The operating profit contribution should be around £1m this year and £4m in 2014-15.

The acquisition represents a major step in the company's strategy to move away from reliance on electronic goods repairs and into higher-margin services. The advanced solutions division is the fastest-growing part of the business in profit terms and Blancco will be part of this division, which includes the In Field Tester and mobile diagnostics.

In the six months to December

REGENERIS (RGS)		212.5p
12 MONTH CHANGE %	+70	MARKET CAP £m 34.8

2013, Regeneris reported an 11% increase in revenues to £99.7m, while underlying profit declined from £4.1m to £3.2m. Net debt was £13.8m at the end of 2013. The additional cash raised in the fundraising will leave Regeneris with net cash to finance more acquisitions, with £18.3m of net cash forecast for June 2014. However, the additional shares issued will dilute forecast earnings per share. This year's earnings per share forecast has been reduced from 18p to 16p, while the 2014-15 earnings per share have been cut from 21.2p to 20.1p. This dilution would be reversed if the additional cash were spent on profitable acquisitions.

Vislink moves into studio to widen market

Broadcast electronics

www.vislink.com

Broadcast and surveillance electronics supplier **Vislink** has acquired Pebble Beach Systems, which widens the potential market for the group and enhances its earnings.

Pebble Beach provides software for digital archiving and content management and other studio-based uses, which fits well with the existing outside-broadcast-based technology. Pebble Beach cost £9m, net of cash in the bank of £5.9m, and it made a pre-tax profit of £1.3m on revenues of £5.6m in the year to June 2013.

VISLINK (VLK)		49.25p
12 MONTH CHANGE %	+58.9	MARKET CAP £m 58.4

Vislink moved from the Main Market to AIM in January and this made the acquisition process more straightforward.

The majority of the business is in the broadcast sector but there are also growth opportunities in the defence and surveillance sectors. In 2013, revenues improved by 5% to £59.9m and underlying profit jumped from £3.1m to £4.4m. The dividend is unchanged at 1.25p a share.

Vislink's management wants to achieve target revenues of £80m with £8m of operating profit for 2014. N+1 Singer currently forecasts revenues of £71.1m, with operating profit of £6.8m and pre-tax profit of £6.6m.

Further acquisitions would help Vislink move nearer to its target on an annualised basis. There appears to be a decline in earnings per share from 4.1p to 3.9p in 2014 but this is attributable to the tax credit in 2013. There will be a normal tax charge in 2014 and underlying earnings will grow.

6 April 2014


dividends

Manx Telecom seeks off-island opportunities

Telecoms operator

www.manxtelecom.com

Dividend

Manx Telecom floated on AIM on 10 February and it came to the market offering a 7% prospective yield in order to attract investors. The share price has risen since the flotation but the dividend yield remains attractive at 6.2%.

A dividend of 9.9p a share is forecast for 2014, rising to 10.27p a share in 2015. The business is cash generative and the dividend is covered more than 1.2 times by forecast earnings. Capital spending of around £10m a year will be required but this should not prevent an increasing dividend in the coming years. As an Isle of Man company, cash flow benefits from the nil tax charge on most of the company's earnings.

Business

Manx was originally part of BT and then O2 following its demerger from BT. In 2010, HgCapital Partners backed a buyout. Manx was valued at £160.2m at its placing price of 142p. The private equity business owned nearly all of the shares and sold its entire shareholding. Existing shareholders, including management, raised a total of £67.2m, while Manx raised an additional £82.5m net of expenses in order to repay debt.

The core telecoms business on the Isle of Man is a steady operation but there are growth opportunities in data services. The off-island business and data centre operations both provide opportunities to grow the company at a faster rate. There are roaming agreements with more than 400 networks worldwide and

MANX TELECOM (MANX)	
Price	158.5p
Market cap £m	178.8
Historical yield	N/A
Prospective yield	6.2%

also mobile virtual network operator agreements. Machine-to-machine services revenues also have potential to grow. The off-island business generated £10.8m of total group revenues of £72.4m in 2012 and consultants Bain believe that these revenues could be doubled over a four-year period.

Manx has opened the first phase of its Greenhill Data Centre, which is the company's third data centre. The additional 100 racks take total capacity to 385 racks. The initial investment was £3.5m, while phase two will cost £1.5m and phase three will cost £5m. These phases will add 120 racks and 320 racks respectively. There is demand for additional capacity for managed hosting from e-gaming and other sectors. Churn rates are low and Manx intends to move into the cloud services market for small businesses.

Further capital expenditure will be required to fund the roll-out of a 4G mobile network on the Isle of Man over the next two years.

A profit of £11m is forecast for 2014, which will be the first year with the current capital structure. The shares are trading on 13 times prospective 2014 earnings. Manx has a strong base even if its growth opportunities do not bear fruit but it does appear that there should be enough growth in the business to cover a progressive dividend.

Dividend news

Replacement windows and doors supplier **Safestyle UK** reported better than expected figures for 2013 and this enabled it to announce a dividend of 5.5p a share, which was higher than the 5p a share expected when Safestyle floated at the end of 2013. The replacement windows market is strong and this has led to forecast upgrades. Safestyle is expected to grow its profit from £15m to £17.1m in 2014 and the forecast dividend is 8.7p a share, compared with the 8p a share published in the placing document. Net cash is expected to more than double from £4.7m to £10.9m at the end of 2014. The shares are trading on 11 times prospective 2014 earnings, while the yield is 4.9%.

Waste management services provider **Augean** increased its full-year dividend by 40% to 0.35p a share on the back of an improvement in underlying profit from £2.6m to £3.17m. That was before the sale of the loss-making waste network operations, which also led to a £4m impairment charge. The focus of the business will be hazardous-waste treatment, low-level radioactive waste disposal and oil and gas waste treatment. Augean has increased its stake in Augean North Sea Services to 81%. Augean believes that it will be able to continue a progressive dividend policy in the coming years.

WYG says that it intends to return to the dividend list when it announces its results for the year to March 2014. The project management consultancy says that its pre-tax profit in the year to March 2014 will be 10% higher than expected and the order book is increasing. A £15m trade finance facility with Santander will enable WYG to project lead EU-funded work. A profit of £4.2m is forecast for 2013-14, rising to £5m in the year just started.

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expert views

Expert view: The broker

Change of strategy for Chariot, change of fortunes?

By DOUGIE YOUNGSON

Oil and gas explorer Chariot Oil & Gas* is a very different company to what it was two years ago. New management, new assets and a new strategy all make the investment case a very different proposition today. Despite drilling being unlikely to occur until 2015, we expect news flow on farm-outs as the company strives to reach its goals of 'zero cost' exploration and upside maximisation.

Chariot will seek to be repaid the costs it has incurred (seismic, etc) as part of the preliminary exploration stages. It will also aim to get a free carry for its interest in any exploration drilling following the farm-out.

A recent example of this was the farm-out of a 35% interest of block C-19 in Mauritania to Cairn Energy. Cairn agreed to pay US\$26m relating to the 3D seismic and other related costs.

indeed failure) should help to derisk targets ahead of drilling.

The equity capital markets remain difficult, particularly in the resources sector. Money for exploration is the hardest to find in the market currently. Therefore, by aiming for zero cost exploration and by farming out assets, Chariot is less reliant on the market to fund its activities and shareholders have less chance of being diluted.

Future

The company is in farm-out discussions with a number of parties and these are at various stages of development. For Namibia, we have applied an additional one-in-three risking to prospects B and D ahead of any potential transaction.

Chariot has committed to spending US\$33m in 2014. The recovery of back costs is expected as part of any farm-down, reducing the likelihood of having to raise new money.

We expect to see the company acquire and analyse several seismic surveys covering Morocco, Mauritania and Namibia. We also hope to see Chariot gain new partners leading to cost recovery and eventually drilling as we move into 2015. More than 15 third-party wells will also be drilled, which should help to derisk the portfolio further.

Our RENAV approach yields a target price of c39p/share for the Namibian prospects B and D and the current cash position is c7p/share. We therefore initiate coverage with a risked target price of 46p/share.

*Chariot is a corporate client of finnCap

Chariot will drill only once it has secured a partner

Chariot has diversified its portfolio from being solely focused on Namibia. It has added Morocco, Brazil and Mauritania over the past two years. Chariot has worked hard to develop a balanced portfolio of prospects and leads at various stages of exploration progression. Again, the focus on risk management is crucial to its exploration decision-making process.

Strategy changes

The new management team has taken the opportunity to review its strategy and approach to funding. There are four key changes to the strategy:

1. Focus on risk management and 'zero cost' exploration;
2. Partnering a pre-condition to drilling;
3. Balanced maturation of assets in frontier, emerging and established basins; and
4. Capital discipline.

So what impact will these changes have, not just on the company, but also on its shareholders?

As part of its farm-out negotiations,

The key risk to this approach is ensuring that Chariot can identify leads and prospects that potential partners will find attractive enough to ensure a farm-in is possible. However, it does remove virtually all of the downside risk ensuring that should drilling be successful then there could be a high degree of upside potential for both Chariot and its shareholders.

Chariot's first well was Tapir South-1 which it drilled with a 100% interest and which unfortunately came up dry. Learning from that experience and the impact it had on the share price, Chariot will now drill only once it has secured a partner, reducing its capital and downside exposure. One could counter that this also limits the upside potential, but at this stage in the company's development, we believe this approach is very sensible and will limit both balance-sheet exposure and should reduce the potential for extreme share price volatility.

A balanced portfolio should yield a balanced opportunity set in terms of risk and reward. The company is now adopting a watch and see approach in terms of drilling conducted by other operators in nearby acreage and similar play types. Their success (or



DOUGIE YOUNGSON is a research director at finnCap

 feature

AIM flotations back in vogue

New admissions to AIM have raised more than £1bn in the first quarter of 2014 and more has already been raised so far this year than in any year since 2007.

New AIM companies and reversals into existing AIM companies have already raised the £1.2bn achieved in the whole of 2013. In fact, the new AIM admissions in the first quarter of 2014 raised more than double the amount raised by both new and existing AIM companies in the first quarter of 2014.

It is noticeable that Hurricane Energy and Mosman Oil and Gas are the only two resources companies floating in the latest quarter. On top of this there was the demerger and introduction of Leyshon Energy. The new admissions are dominated by technology, telecoms and the internet. There are also a number of health-related businesses joining AIM, suggesting an upsurge in interest in that sector. Some of the new entrants have wanted to come to AIM for a while but have been waiting for the right time.

There are five years in the history of AIM where more cash has been raised by new admissions than has been raised so far in 2014. The largest amount raised was £9.94bn in 2006. Even if the improvement in the new-issues market continues, the 2006 figure is not likely to be achieved. March has always tended to be a significant month for new issues and the rate of new entrants slows during the summer.

There were 462 admissions in 2006, raising an average of nearly £22m each. That includes reverse takeovers and companies switching from the Main Market, which were more prevalent then. This year's average fundraising is double the 2006 figure.

Summit Germany, which joined AIM during March, originally floated in May 2006 and subsequently left AIM in 2009 after Summit Real Estate Holdings bought out the other shareholders.

The table on page 10 includes all of the new companies joining AIM. The reversals into existing businesses and reintroductions after changes in the domicile of companies are not included. CA Sperati, which switched from the Main Market to AIM in May is also excluded because it has already been quoted for decades. All the companies in the table were placings and/or offers so there is a firm flotation price.

In the first quarter of 2013

The best performing new issue so far this year is 4d pharma

there were more reversals and introductions and very few companies raised significant amounts of money. The amount of money raised in the first quarter of 2013 was £126.4m. Online fashion retailer boohoo.com raised more than double that amount in March.

All of the new companies got off to a good start and traded above their issue prices at some point but many of them have slipped below those prices. Five of the 17 companies in the table have fallen below their issue price. These tend to be more early stage, loss-making businesses.

4d pharma

The best-performing new issue so far this year is 4d pharma, a pharma investment company chaired by David Norwood, who founded IP Group. Chief executive Duncan Peyton and chief scientific officer Alex Stevenson are both involved with Aquarius Equity, which provides finance for life science companies.

4d pharma is currently valued at £67.6m. The placing raised £16.55m, although after costs and the repayment of a loan that fell to around £15.5m. The only other significant asset is a 46% stake in loss-making GT Biologics, which has a potential biotherapeutics technology

that 4d pharma believes could become highly valuable but is still at an early stage of development.

Prior to the placing, the founders were allotted the equivalent of 20m shares following a subsequent share division. These were issued at the par value of 0.25p each and the total investment was £50,000. The shares were worth £20m at the placing price and they account for 54.7% of the enlarged share capital – they are currently valued at £37m.

The management track record combined with a thin market in the shares has led to the sharp rise in the share price. At the current share price, investors are paying £52.1m

feature

for the management team and the stake in GT Biologics, a company with net liabilities that has developed a platform for the discovery of live biotherapeutics, which use bacteria naturally occurring in the body, and has patented a potential treatment for irritable bowel disease called Thetanix.

BoxNation

Not all flotations have been successful. BoxNation pay TV channel owner Nation Media pulled its offer. Boxing promoter Frank Warren, whose family are major shareholders in the company, has replaced Richard Brooke as chairman. Jim McMunn has been appointed as managing director of the pay TV channel. Rainham Steel boss Bill Ives, who is another major backer, has joined the board. A strategic review is being carried out.

One of the problems with the Nation Media offer was the

relationship between Warren's boxing promotions business Queensberry Promotions and the company. The Warren family was going to be a major shareholder in Nation Media even if the offer had gone ahead and it would have been supplying a

market, with graphene-related companies likely to join AIM over the coming months on the back of the success of Applied Graphene Materials, which floated last November. South Wales-based Haydale Graphene Industries, which

There are currently more new admissions than cancellations

large percentage of the boxing bouts shown by BoxNation. This shows that investors need to be happy with the relationships that the business has with other investors and suppliers.

Future flotations

There are currently more new admissions than cancellations on AIM so the number of companies on the junior market is set to edge up over the coming months.

There are always fashions on the

has developed a new process that will help to commercialise graphene and other nanomaterials, plans to raise £6.6m in April. Big Data is still fashionable and Rosslyn Data Technologies plans a late April flotation.

Cleantech-related companies are also coming back into favour, with wind power consultancy Rame Energy joining AIM at the beginning of April and energy usage software supplier PassivSystems on the way (see page 1).

AIM NEW ISSUES JAN-MAR 2014

COMPANY	BUSINESS	DATE	% CHANGE SINCE FLOAT	NOMAD	BROKER
RM2 International	Pallets developer	06/01/2014	-17	Cenkos	Cenkos
CityFibre Infrastructure	Telecoms	17/01/2014	+23.7	finnCap	finnCap / Liberum
Hurricane Energy	Oil and gas	04/02/2014	-48.5	Cenkos	Cenkos
Manx Telecom	Telecoms	10/02/2014	+11.6	Liberum	Liberum
4d pharma	Health	18/02/2014	+85	Zeus	Zeus
Atlantis Resources	Tidal energy	20/02/2014	-10.6	N+1 Singer	N+1 Singer
Summit Germany	Property	26/02/2014	+7.9	Cenkos	Cenkos
DX (Group)	Parcel delivery	27/02/2014	+23.4	Zeus	Zeus
Koovs	Online retail	10/03/2014	+9	Peel Hunt	Peel Hunt
boohoo.com	Online retail	14/03/2014	+6	Zeus	Zeus
Dalata Hotel Group	Hotels	19/03/2014	+12.3	Davy	Davy
Mosman Oil and Gas	Oil and gas	20/03/2014	+1.5	ZAI	SI Capital
XLMedia	Digital marketing	21/03/2014	+34.2	Cenkos	Cenkos
Xeros Technology	Cleaning technology	25/03/2014	-26.8	Jefferies	Jefferies
Horizon Discovery	Health	27/03/2014	+12	Panmure Gordon	Panmure Gordon
Scholium Group	Book dealer	28/03/2014	0	WH Ireland	Whitman Howard
Venture Life Group	Healthcare	28/03/2014	-6	Charles Stanley	WG Partners

Based on share prices on 31 March 2014.

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	18.8	19.6
Oil & gas	15.7	12.1
Consumer services	15	9.6
Industrials	13	17.6
Technology	12.4	10.2
Health care	6.9	6
Basic materials	6.8	16.5
Consumer goods	6.4	5.6
Telecoms	3.3	1.4
Utilities	1.6	1.4

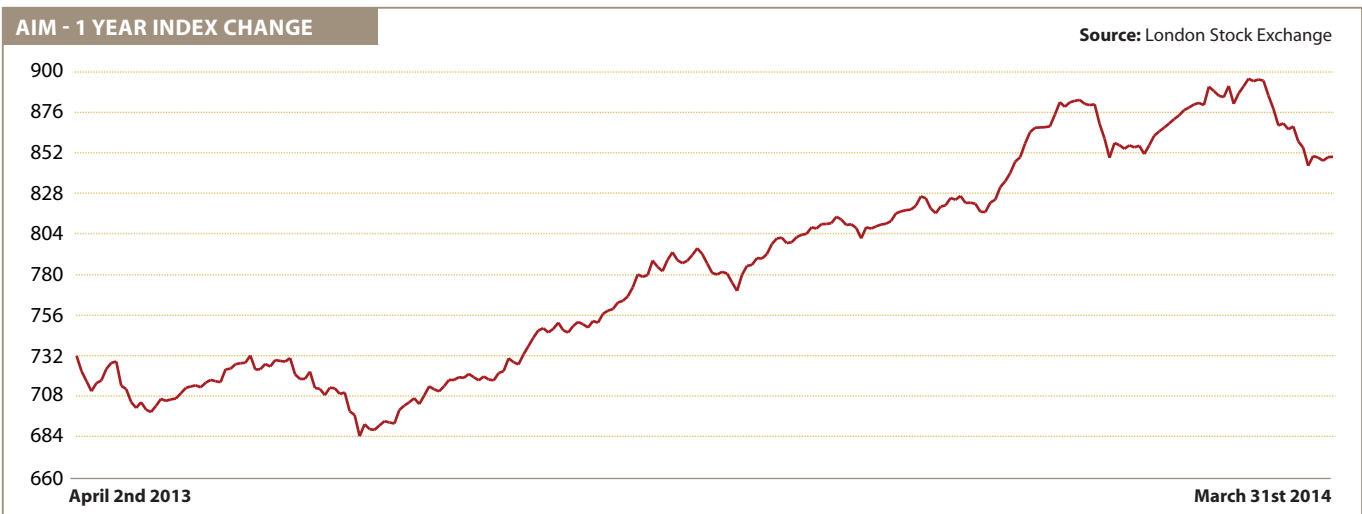
KEY AIM STATISTICS	
Total number of AIM	1088
Number of nominated advisers	46
Number of market makers	52
Total market cap for all AIM	£80.6bn
Total of new money raised	£84.9bn
Total raised by new issues	£37.3bn
Total raised by secondary issues	£47.6bn
Share turnover value (2014)	£8.9bn
Number of bargains (2014)	1.11m
Shares traded (2014)	58.4bn
Transfers to the official list	165

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	850.94	+16.4
FTSE AIM 50	4594.85	+31.8
FTSE AIM 100	3834.61	+16.2
FTSE Fledgling	6774.74	+28.8
FTSE Small Cap	4473.18	+17.5
FTSE All-Share	3555.59	+5.2
FTSE 100	6598.37	+2.9

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	217
£5m-£10m	154
£10m-£25m	207
£25m-£50m	175
£50m-£100m	141
£100m-£250m	126
£250m+	67

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Verdes Management	Shell	0.7	+833.3
Kea Petroleum	Oil and gas	2.88	+173.8
Kennedy Ventures	Shell	2.95	+76.1
CSF Group	Technology	6.25	+72.4
Alexander David Investments	Shell	0.095	+58.3

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Hightex Group	Construction	0.47	-61.2
Strategic Natural Resources	Mining	3.88	-58.7
Kromek Group	Technology	37.5	-50.3
2ergo Group	Technology	1.12	-47.1
Petro Matad Ltd	Oil and gas	4.62	-44.8



Data: Hubinvest Please note - All share prices are the closing prices on the 31st March 2014, and we cannot accept responsibility for their accuracy.


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finnCap's mission is to help ambitious companies grow and to be the leading independent broker to ambitious companies, focused on fuelling growth through long term partnerships. We will exceed client expectations through faultless execution, joined-up service and proactive thinking, all tailored to the needs of each individual client.

finnCap, whose chairman is Jon Moulton, is 95% employee-owned and is the top AIM broker by overall client numbers, according

to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three broker in the oil and gas sector and in the top five in the basic materials sector.

In 2013, finnCap commenced market making and launched fAN Club, a new offering aimed at providing specialist support to ambitious small private businesses seeking pre-IPO funding.

finnCap was presented with the

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In the six months to October 2013, finnCap reported a 22% jump in revenues to £6.9m and operating profit was 74% higher at £1.9m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were launched in 2014.



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