DECEMBER 2022

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM's tentative recovery

AIM rose by 5.3% during November, although this still lagged the FTSE 100 index, which was 6.74% ahead. It is still a positive sign, though, given that AIM has fallen by 26.2% so far this year. There does appear to be a broad spread of risers on AIM and the improvement is not dependent on larger companies with high index weightings.

Nearly two-thirds of the share prices of companies in the AIM 100 rose during the past month. Drugs developer Hutchmed (China) Ltd and electrolyser technology developer ITM Power have been some of the worst performers this year, but they have recovered during November.

There was also good news from companies. Investment manager Tatton Asset Management impressed the market with its better than expected interims and strong asset inflows taking the assets under management to £12.9bn. Analysts are still cautious about the outlook, so they have not upgraded forecasts. Asset management services provider Alpha Financial Markets Consulting also outperformed expectations, but its earnings estimates were increased by 10%.

At the other end of the performance scale, compliance services business consolidator Marlowe lost three-eighths of its value after a full year pre-tax profit forecast downgrade from £59.5m to £54m by Cenkos because of additional finance costs following acquisitions. Marlowe is still growing organically and via acquisition.

Celsius Resources dual quote

Celsius Resources Ltd plans to join AIM in late December - it has been ASX-listed for six years. There is no indication whether cash will be raised at that time. A third quarter fundraising means that there was cash of A$2.65m at the end of September 2022. Management says that it does intend to use the AIM quotation to help finance future development of its assets.

Perth-based Celsius Resources has interests in the Philippines, Namibia and Australia, some of which are at early stage. There are three main assets. The Maalinao-Caigutan-Biyog (MCB) project has a JORC mineral resource estimate comprising 313.8 million tonnes @ 0.48% copper and 0.15g/t gold. The Balatoc indigenous community has given consent to operate the project which is north of Manilla. This lasts for 25 years.

The Sagay project in the Philippines recently announced a maiden JORC resource of 302 million tonnes @ 0.41% copper and 0.11g/t gold. That is equivalent to 1.2 million tonnes of copper and one million ounces of gold.

Celsius owns 95% of the Opuwo cobalt copper project in Nambia, which has a mineral resource of 225.5 million tonnes @ 0.12% cobalt, 0.43% copper and 0.54% zinc.

In this issue

Smarttech247 heads for AIM

Smarttech247 Group is set to join AIM on 15 December, having raised £3.67m at 29.66p a share. This values the AI-based cybersecurity business at £36.8m.

Smarttech247 was originally going to reverse into former AIM shell Conduity Capital, previously New Trend Lifestyle, at a valuation of £33.5m. This was announced in August 2021, Conduity Capital lost its AIM quotation and by this September Smarttech247 decided it would be better to set up a new holding company and float directly. Conduity Capital is having its costs reimbursed in the form of new shares.

Cork-based Smarttech247 focuses on security threat incidents. Companies are increasingly aware of the need for cybersecurity and the market is growing. Management is focusing on the mid-market where there are more cloud-based opportunities.

In the year to July 2021, revenues improved from €4.82m to €7.23m with little contribution from recently launched products. In the past two years, automated managed phishing platform NoPhish, multi-tenancy platform VisionX and threat and vulnerability software ThreatHub have all been launched. VisionX has already won two significant contracts.

Amplified Technologies remains the largest shareholder with 60% of Smarttech247, while Plumtree Capital holds 9.77%. Founder and executive chairman Ronan Murphy has an interest in both these stakes. AIM-quoted investment company Pires Investments has a direct stake as well as an interest through venture capital fund Sure Valley Ventures 1 and fellow AIM company Riverfort Global Opportunities holds a 6.16% stake.

Equals expands

Foreign exchange company Equals has acquired open banking platform Roqqett for up to £2.25m, subject to regulatory approval by the FCA, with £1m upfront and the rest depending on R&D tax credits and development milestones. Roqqett has FCA authorisation to take payments and access data. This means clients can make and receive payments through mobile banking apps without the need for card details. This expands the activities of Equals and the Roqqett service can be integrated into the FairFX online checkout and enhance the Equals Money service. There will also be additional data to monitor transactions. Roqqett is loss making, but it is expected to be earnings enhancing in the medium-term.

Facilities by ADF adds services

Best AIM newcomer of 2022 Facilities by ADF is making its first acquisition since joining the junior market at the beginning of the year. It is acquiring Location One, which also provides services to the TV and film industry, for up to £8.9m. There are further acquisition opportunities. Management wants to build a group that can offer all relevant services to film and TV productions.

The initial cash payment is £4.5m with a further £1.7m of deferred consideration in shares. The other £2.7m is dependent on achieving earnings targets over a three-year period. Last year, Location One generated revenues of £9.2m and adjusted EBITDA of £2.1m.

Facilities by ADF provides vehicles and services to the film and TV industry and it has been investing in growing its vehicle fleet. The vehicles are used for actors, costumes, make-up and tech services. Location One provides other equipment and services, such as temporary roads, parking foundations, off-stage lighting and generators. The two companies already work together because all productions require these services. There should be cost savings from bringing these services under one banner.

Location One clients include Netflix, Warner Brothers and Amazon Studios, so it fits well with the Facilities by ADF customer base. Although these film companies and streaming firms are finding trading difficult in the current market conditions, they are still investing in content. This is particularly true of long running and higher value series. A lack of these productions hampered Facilities by ADF revenues in the first half, but the outlook for the full year is better.

Cenkos forecasts 2023 revenues of £47.6m and pre-tax profit of £6.6m. The deal is expected to enhance 2023 earnings by 7% to 6.3p a share.

Ince offloads broker Arden

Less than 13 months after legal services provider Ince announced its acquisition of Arden Partners it is selling the business to fellow AIM broker Zeus. Soon after the merger was completed in April, Ince had to raise cash and it has been restructured in the past six months.

Ince's acquisition of Arden would not have gone ahead if it had not waived the condition that the broker should retain its nominated adviser status. The London Stock Exchange revoked this status.

The bid was an all-share offer of seven Ince shares for 12 Arden shares. At that time, the Ince share price was 53p, so the acquisition was valued at £10m. There was net cash of £2.48m in the Arden balance sheet at the end of October 2021.

Revenues have declined since then because of weak stockmarket trading levels and Arden is losing money. The expected benefits of the deal did not have time to materialise.

Arden boss Donald Brown became chief executive of Ince in July when it raised £7m at 5p a share, plus an additional loan of £1.6m. Non-core activities have been sold and costs are being reduced.

The initial payment for Arden is £1m, which is effectively the cash that is likely to be in the Arden balance sheet, with up to £2m more payable depending on Arden revenues received by Zeus in the three months following completion of the disposal.

The FCA will have to approve the change of control, but that seems likely. It took about three months for the previous purchase of Arden. Ince's main lending bank also has to approve.

This deal comes at a time of potential consolidation in the AIM broking market with finnCap starting merger talks with Panmure Gordon. They were ended because it was not possible to find a mutually acceptable structure or terms for the merger.

Activity levels are low with a scarcity of flotations. Peel Hunt's recent interims show a slump in interim profit from £29.5m to £100,000 on revenues that fell 42% to £41.1m. The number of investment banking clients increased from 162 to 165, but the short-term outlook is described as challenging.

ADVISER CHANGES - NOVEMBER 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Savannah Resources	SP Angel / RBC	RBC / finnCap / WH Ireland	SP Angel	SP Angel	11/2/2022
Borders & Southern	SP Angel	Strand Hanson / Auctus	Strand Hanson	Strand Hanson	11/7/2022
Cake Box	Liberum / Shore	Shore	Shore	Shore	11/8/2022
Artemis Resources	Cenkos	WH Ireland	WH Ireland	WH Ireland	11/9/2022
Fiinu	Panmure Gordon / SP Angel	SP Angel	Spark	Spark	11/9/2022
Burford Capital	Berenberg / Numis / Jefferies	Numis / Jefferies	Numis	Numis	11/16/2022
Future Metals NL	Panmure Gordon	WH Ireland	Strand Hanson	Strand Hanson	11/16/2022
Fevertree Drinks	Morgan / Investec	Numis / Investec	Investec	Numis	11/21/2022
Iofina	Canaccord Genuity	finnCap	Canaccord Genuity	finnCap	11/21/2022
Bens Creek	WH Ireland / Allenby	Allenby	Allenby	Allenby	11/22/2022
Trident Royalties	Liberum / Stifel Nicolaus / Tamesis	Stifel Nicolaus / Tamesis	Grant Thornton	Grant Thornton	11/22/2022
Destiny Pharma	Shore / finnCap	finnCap	finnCap	finnCap	11/23/2022
Chariot	Stifel Nicolaus / Cenkos	Cenkos / Peel Hunt	Cenkos	Cenkos	11/25/2022
Empresaria	Cenkos / Singer	Singer	Singer	Singer	11/29/2022
Hargreaves Services	Singer	Investec / Singer	Singer	Singer	11/30/2022

Winning larger telecoms contracts is accelerating growth at Cerillion

Telecoms billing software *www.cerillion.com*

Cerillion continues to win large contracts for its telecoms billing and services software and the momentum does not appear likely to slow. The order book has reached a new high of £45.4m.

In the year to September 2022, revenues were 26% ahead at £32.7m and underlying pre-tax profit jumped from £8.5m to £11.9m. There was some currency benefit in the figures, but the underlying growth in revenues is around one-fifth. Higher utilisation rates improved margins.

The dividend was increased from 7.1p a share to 9.1p a share, which is nearly four times covered by earnings. Net cash is building up and reached £20.2m at the end of September 2022.

The largest ever contract is worth £15m

Investment in technology is widening the potential market for the company. The roll out of 5G technology is also likely to spark upgrades in software. The global coverage of 5G is set to double to more than 70% of the population by 2027 and the number of subscribers to the technology will grow even faster.

In July, Cerillion won its largest ever contract worth £15m over a ten-year period. This is with C&W Seychelles. There is still a significant pipeline of potential contracts.

CERILLION (CER)			1160p
12 MONTH CHANGE %	+40.6	MARKET CAP £M	342.4

Chief operating officer Mark Nicholls sold 6,200 shares at 1182.71p each. Singer forecasts a 2022-23 pre-tax profit of £14.1m on revenues of £36m. There have been upgrades earlier in the year and given the contract wins that could be made this forecast might be beaten. The shares are trading on nearly 30 times prospective earnings. Cerillion has maintained a premium rating when others have lost theirs in the past year. This is because it keeps on besting expectations and there have not been any nasty surprises.

ActiveOps heads for breakeven next year

Process automation software *www.activeops.com*

ActiveOps has performed well since joining AIM, but the share price has not. Unprofitable software companies are out of favour and ActiveOps is not immune. The flotation price was 168p and the share price went above 220p in the first few days of trading. Since then, there has been a downward trend. However, the progress made by the management process automation software provider means that it is near to profitability.

In the six months to September 2022, revenues improved from £11.5m to £12.3m thanks to higher software income. Implementation and training revenues fell but should recover in the second half. Annual recurring revenues reached £22.1m, due to additional spending by existing clients and new contracts. The pre-tax loss was halved to £500,000, helped by forex movements.

ACTIVEOPS (AOM)			72p
12 MONTH CHANGE %	-60.5	MARKET CAP £M	51.4

The launch of CaseworkiQ gives ActiveOps an additional product to sell to clients that already have the ControliQ workforce optimisation and WorkiQ desktop analytics products. These products help companies to improve productivity, and this is making them even more attractive in tough economic times. Typically, the productivity of back offices using the software can improve by 15%-20%. During the 2008-09 recession there was increasing demand for the company's software and the product range was not as broad.

The second half is important for contract renewals. ActiveOps will lose money this year, but could breakeven in 2023-24 before reporting a profit the following year. The cash pile of £11m accounts for around one-fifth of the market capitalisation and it should be higher at the year-end. This cash and the growing annualised recurring revenues provide a strong base.

Ten Lifestyle heads for profitability this year on back of contract wins

Lifestyle and travel *www.tenlifestylegroup.com*

TEN LIFESTYLE (TENG)			55.5p
12 MONTH CHANGE %	-46.6	MARKET CAP £M	46.5

Ten Lifestyle is on course to move into profit in the current financial year. Revenues have recovered following their dip during Covid lockdowns and contract wins mean that they should continue to grow strongly.

Ten Lifestyle was founded in 1998 and it provides private members with concierge services for travel, events and restaurants. Investing in technology has helped the company offer a more efficient service. There is a good record of retaining clients, which include banks and financial services companies offering the service to customers or employees.

In the year to August 2022, revenues improved from £34.7m to £46.8m. There was a 29% increase in corporate revenues to £41.1m.

There is a record of retaining clients

The rest comes from supplier commissions. The loss fell by nearly one-third to £3.8m.

Net cash declined from £6.7m to £3.1m by the end of August 2022. Ten Lifestyle has been generating cash from operations, although not enough to cover the capitalised investment in its technology. Net cash should start to build up from August 2023 onwards.

Non-executive director Gillian Davies has purchased 10,000 shares at 47p each, which takes her shareholding to 50,000 shares. Ten Lifestyle joined AIM in November 2017 when it raised £18m at 134p a share and it generated a further £7.6m from the exercising of options. Existing shareholders sold £14.2m worth of existing shares. Ten Lifestyle has reached this point in its development without any further significant share issues.

Operational gearing means that profit could grow rapidly after breakeven is passed. A pre-tax profit of £3.4m is forecast for this year. There is no dividend forecast, but if the cash builds up then this may be considered. The shares are trading on 16 times forecast 2022-23 earnings, falling to less than 14 the year after.

Zoo Digital heads towards $100m revenues target

Video localisation *www.zoodigital.com*

ZOO DIGITAL (ZOO)			172.5p
12 MONTH CHANGE %	+42.6	MARKET CAP £M	154

Zoo Digital made its maiden interim profit in the six months to September 2022 and the cloud-based localisation and digital media services provider could get near to reaching its medium-term revenues target of $100m this year. Major film and TV production and streaming businesses are investing in content they want to sell it in as many markets as possible. Management estimates that it has around 4% of its addressable market, which is growing at 7.5% a year. Adding additional services will help to grow the business.

In the six months to September 2022, revenues were 91% higher at $51.4m and the company swung from a loss of $1.5m to a pre-tax profit of $3.5m. Costs are increasing as more staff are employed, but the greater scale is improving margins.

The fastest growth was in localisation now that new productions of TV programmes and films are no longer hampered by lockdown restrictions. Operations in India and South Korea are fully integrated, and a site in south India will be added in the second half with potential for other international expansion.

Capital spending is being increased to build capacity for future growth. Even so, net cash could be $9.3m by the end of March 2023, rising to $21.2m one year later. The long-term strategy is to achieve revenues of $400m by 2030. Earnings of 6.1 cents a share are forecast for this year, rising to 10.8 cents a share next year. The shares are trading on 32 times prospective earnings, falling to 18 in 2023-24.

Accsys expects better second half as Accoya production increases

Sustainable wood products *www.accsysplc.com*

ACCSYS TECHNOLOGIES (AXS)			62.5p
12 MONTH CHANGE %	-63.5	MARKET CAP £M	136.7

Accsys Technologies has plenty of demand for its Accoya sustainable wood, but the Arnhem Accoya plant had production problems in April and May. They have been resolved and a fourth reactor has been installed this autumn. The order book stretches out for more than three months.

In the six months to September 2022, revenues edged up by 5% to €58.9m and there was a small underlying loss of €600,000. The sales volume of Accoya fell by nearly one-fifth to 23,957 cubic metres, although the profit contribution per cubic metre was higher. Net debt was €61.4m at the end of September 2022 and that should be lower by March 2023.

The restructuring of the Tricoya consortium means Accsys has taken 100% ownership of the Hull Tricoya plant, development of which is going to be put on hold for six months. That will reduce the cash outflow. However, there was an impairment charge of €58m relating to this restructuring.

It may cost €35m to finish Tricoya plant

The restructure involves the consortium partners receiving 11.9 million Accsys shares. Ineos and Medite still have their supply and wood chip offtake agreements. The debt facility will be restructured with the principal reduced from €15m to €6m. It may cost €35m to complete the plant. A decision on the investment will depend on the assessment of the longer-term outlook for costs.

The US Accoya plant development is progressing. Accsys should have the funds to provide the additional finance to the joint venture with Eastman Chemicals, which is supplying expertise and providing the site.

The second half will benefit from increased production at Arnhem and higher prices offsetting cost increases. Full year revenues are set to improve from €120.9m to €133.6m, while pre-tax profit is expected to more than double to €2.2m. A full year of additional capacity should increase pre-tax profit to more than €8m.

NHS waiting lists an opportunity for Totally

Healthcare services *www.totallyplc.com*

TOTALLY (TLY)			33.25p
12 MONTH CHANGE %	+0.8	MARKET CAP £M	62.3

Demand for insourcing from the NHS is increasing as it tries to reduce waiting lists. **Totally** has renamed its insourcing division Pioneer Healthcare following the acquisition of the Pioneer business. Pioneer has the Any Qualified Provider status, which is important because it enables it to offer services directly to NHS patients. This part of the business uses NHS facilities and operating theatres when they are not being used by the hospital, such as at weekends, and has the fastest growth potential in the group.

John McMullan has been appointed medical director of Totally. He is currently joint managing director of Pioneer Healthcare. In the latest six months, the original Pioneer business was included for the full period and 22,000 patients were treated. A one-year contract worth £5m was won during the period.

Urgent care is still the largest division, and it has gained 15 contract extensions. The recent fitness acquisition Energy Fitness Professionals traded strongly and won a five-year contract extension with the Royal Mail.

Interim revenues improved from £61.6m to £70.3m, while pre-tax profit moved up from £921,000 to £1.04m. Earnings were reduced by one-fifth to 1p a share because there was a tax charge rather than the tax credit received last time. The interim dividend is maintained at 0.5p a share.

Allenby forecasts a full year pre-tax profit improvement from £3.7m to £5.7m. That would put the shares on eleven times prospective earnings. The yield is 3%.

Ashtead Technology ready to build rental income

Subsea equipment rental *www.ashtead-technology.com*

Dividend

Ashtead Technology joined AIM in November 2021, and it is yet to pay a dividend. A 2p a share dividend is forecast for 2022, which would be covered 8.8 times by estimated earnings. Next year, the dividend is forecast to increase by 20% to 2.4p a share and it will still be more than eight times covered by earnings.

Cash generation is impressive and it more than covers the investment in new equipment. Net debt is set to be £19.6m by the end of 2022 and then fall to £12.8m by the end of 2023. There is scope to pay the dividend and finance acquisitions.

Business

Ashtead Technology started off supplying subsea equipment and services to the oil and gas sector nearly four decades ago and it has diversified into the offshore wind market. The company has the largest independent fleet in the sector. Most of the equipment can be used for either customer base. More than 90% of rental revenues are from equipment less than ten years old.

Oil and gas will continue to be an important revenue generator, but the fastest growth will come from offshore wind, which could reach more than one-third of revenues in the medium-term. There could also be other markets, such as offshore carbon capture and storage. UK offshore wind capacity is forecast to more than treble by the end of 2030. India and the US are set to commence installing offshore wind farms. Global capacity could grow by at least one-fifth a year. Once a wind farm is installed there should then be up to 25 years of maintenance services followed by decommissioning.

ASHTEAD TECHNOLOGY (AT.)	
Price (p)	306.5
Market cap £m	243.9
Historical yield	NIL
Prospective yield	0.7%

This is an international business, although Europe still generates the majority of revenues. North America and Asia are important markets. The addressable market is estimated to be worth $1.6bn, while the forecast 2022 revenues are £69.4m. There has been a move towards the rental of equipment in recent years, but customer-owned equipment still accounts for 60% of the market.

There was £15.5m raised at 162p a share in the flotation and the share price has nearly doubled in little more than one year – making it one of the better performers. Private equity investors have taken the chance to sell shares at 200p each and 260p each in the past five months.

In September, Ashtead Technology acquired subsea dredging technology company WeSubsea AS for £5.6m and this should be earnings enhancing in 2023. Management can reposition this business to also serve the renewables sector.

Oil and gas can be cyclical, but renewables business should help to offset any downturns. Peel Hunt forecasts a 2022 underlying pre-tax profit of £17.5m, up from £10.8m. Next year, the pre-tax profit could reach £20m. The shares are trading on 15 times estimated 2022 earnings, with plenty of opportunities for long-term growth.

Dividend news

Professional adviser network **DSW Capital** is paying an interim dividend of 1.76p a share and it is on course for a full year dividend of 6.1p a share. There were higher costs due to last year's flotation, but interim pre-tax profit increased to £902,000. The focus on small and medium sized companies has proved to be a good thing for DSW as this has been a resilient market. Demand for M&A and other services remain strong and insolvency business is improving. The licence income from the fee earners has increased from £1.16m to £1.63m on the back of a one-third rise in network revenues to £9.8m. A full year pre-tax profit of £2.3m is forecast.

Engineering services provider **Renew Holdings** increased its full year dividend by 6% to 17p a share. There was net cash of £20.2m at the end of September 2022 and £15.6m of that cash is being spent on Enisca, which provides services in the water sector. This should be immediately earnings enhancing and adds to the revenues generated from long-term contracts for maintenance and other non-discretionary spending for sectors such as water, nuclear, highways and rail. The deal will help pre-tax profit to improve from £58.2m to £61.5m this year.

Digital transformation services provider **TPXimpact** is maintaining its interim dividend at 0.3p a share even though underlying pre-tax profit slumped from £4.7m to 400,000. TPXimpact has grown via acquisition, and it has reached a point where those businesses need to be integrated. A new management team has taken over from the founders and this period should mark the bottom for profitability. Demand for digital services continues to grow. A full year pre-tax profit of £5.45m is forecast and the total dividend is expected to be 1p a share, compared with 0.9p a share last year.

Expert view: Registrars

Avenir 2022 year in review

By Falisha Wright

Another year draws to a close; One which has seen yet more political turmoil and mounting economic headwinds, though there was some optimism concerning capital market reform in the UK. Whether this will be sufficient to ensure London can reclaim its title as a listing venue of choice remains to be seen, but against a gloomy backdrop, it at least offers some cause for cheer. We thought a quick round-up of some of 2022's major events would make a good way to conclude the year.

January - SONIA replaced LIBOR as the risk-free rate reference for UK lenders. That move stemmed from the LIBOR rigging "scandal" in the 2008 global financial crisis - although after US courts took a rather different view, questions are being raised over whether the legal emphases pursued in the cases were flawed.

February - war returned to Europe after Russia invaded Ukraine. Russia was cut off from Western markets, gas prices surged, accelerating already mounting inflation problems in many countries.

March - the FCA's response to the consultation it had been running as part of the Wholesale Markets Review was published. Critically, HM Treasury is looking to bolster the UK's competitive position in financial services.

April - Earth Day, and the topic of ESG investing has been very much front of mind during 2022. Perhaps not always for the right reasons, whether that's senior bankers suggesting that their risk time horizons simply do not need to account for environmental risks more than a decade out, or regulators clamping down on greenwashing of ESG products, but the debate - and hopefully a quest for quality - seems set to continue for a while yet.

May - The FCA set out its vision to attract more high-quality, growth companies to the UK, with the regulator proposing various initiatives which reflect that UK listings rules have not changed since the 1980s.

The open conversation is to make sure the rule book is fit for the future and makes the domestic market both accessible and competitive.

June - Was this the tipping point for financial market confidence? Walgreens pulled the plug on a planned auction for its Boots chemists division, citing unexpected and dramatic changes in underlying markets. It would certainly explain the poor IPO run seen this year.

July - The Bank of England, the Prudential Regulation Authority and FCA set out potential measures to oversee and strengthen the resilience of services provided by critical third parties to the UK financial sector.

September - After a protracted contest leaving the country in political limbo as energy prices spiralled, a new Prime Minister was finally appointed. That was followed shortly after by the sad news that Her Majesty Queen Elizabeth II had passed, aged 96.

October - The new UK government spooked global markets with its spending plans, Liz Truss was not long in the job and took the title of having the shortest tenure as Prime Minister. Her replacement Rishi Sunak did however afford some global confidence in the UK and the Pound, as well as bringing more cordial relations with the Bank of England. The slowdown in UK IPO activity was underlined by a report from UHY Hacker Young that just one listing came to market over the quarter, valued at £3m.

> Regulatory reforms could have a significant impact on capital markets

November - IPO chatter resurfaced with the introduction of FCA regulatory reform and results from the US mid-term elections. The LSE has indicated that the FCA's proposed reform of capital markets will likely have a positive impact on IPO activity in the near future.

December - We don't have a crystal ball, but Ireland's adoption of the latest elements of CSDR and other regulatory reforms could have a significant impact on capital markets. Any new securities issuance undertaken from next year must be in an electronic format, with existing listed securities dematerialised by 1st Jan 2025. Avenir's technology is ready to support our Irish issuers who need this functionality and we'll be extending the functionality to UK issuers when the regulations eventually catch up.

FALISHA WRIGHT, Business Development Executive, Avenir Registrars (www.avenir-registrars.co.uk).

Smaller companies becoming more pessimistic

The latest Quoted Companies Alliance Small & Mid-cap Sentiment Index research undertaken by YouGov shows that companies are becoming increasingly pessimistic.

The October 2022 Quoted Companies Alliance Small & Mid-cap Sentiment Index shows that smaller companies are not confident in the UK economy. This is the 29th edition of the survey and both companies and advisers surveyed are becoming more pessimistic.

The mean score for economic sentiment from the companies is 33.1, which is a significant decline on the previous survey. The neutral figure is 50 and the only time confidence was lower was at the start of the Covid-19 pandemic when the figure hit 26.2.

In contrast, the companies are still relatively optimistic with their own business prospects with a survey figure of 60.2. That did fall from 68.5, but it is well above the figure early in 2020. However, advisers are pessimistic about corporate prospects with a figure of 40.8, having been slightly optimistic in the previous survey. The advisers have a similar view to companies when it comes to the UK economy.

Companies are still expecting to add to their workforce over the next 12 months, but the mean expected growth rate fell from 10.9% to 5.6%. Mean expected turnover growth over the coming 12 months is 11.8%, down from 19.7% last time.

The companies considering raising capital edged up from 57% to 58%. Those companies considering issuing shares has increased from 48% to 51% with bank finance less favoured due to the increase in interest rates.

However, recent experience shows that it is not easy for smaller companies to raise money in the stockmarket. Graphene technology developer Applied Graphene Materials could not secure a capital injection from shareholders and is having to review its strategy. More cash will be required at the beginning of 2023 to carry on trading. The likelihood is that the assets will be sold unless some other form of cash injection can be secured.

PCF Group has also been unable to raise money or secure a strategic transaction, so PCF Bank is withdrawing from the UK banking market. The PCF board wants shareholder approval for the cancellation of the AIM quotation.

> Recent experience shows that it is not easy for smaller companies to raise money in the stockmarket

These potential fundraisings fell through after the survey had been undertaken. Even so, the mean score for the ease of raising capital from a share issue fell from 6.3 to 5.5. That still means that the companies believe that it is slightly easier to raise cash from share issues than debt from banks. That could change in the next survey.

Survey details

The survey was conducted between 7 October and 1 November by YouGov. Liz Truss was UK Prime Minister for most of that period with Rishi Sunak taking over on 25 October. This period of uncertainty will undoubtedly have had a significant impact on the level of pessimism, particularly when it came to the UK economy.

That may also be a factor behind the relative optimism when it comes to the companies' own prospects. The difference between the companies and adviser figures for business prospects is the largest it has been since the second survey in the first quarter of 2012. Companies always tend to be more optimistic, though.

There were 145 participants in the survey – 104 were small and mid-cap UK quoted companies and 41 advisers – up from 128 in the previous survey. There were a similar number of companies surveyed last time, but fewer advisers. There is no indication of what proportion of respondents were also involved in the previous survey.

The number of companies in the survey worth more than £1bn has risen from five to seven. There were 38 companies worth between £100m and £999m. The majority of companies were capitalised at less than £100m. This reflects a general decline in share prices.

There was a higher proportion of corporate financiers in this survey than in the previous one. The number of institutional investors rose from three to seven.

The survey can be found at www.theqca.com.

The drawbacks of fashion

SourceBio International floated on the back of Covid, but it has lost patience with its AIM quotation after little more than two years.

SourceBio International's decision to leave AIM after little more than two years highlights how fashion can be a major factor when it comes to AIM new entrants. It also raises a question about what the commitment of a new entrant to the public markets should be?

There can be a rush to the quoted arena when a particular sub-sector sparks investor interest. In the past, there have been areas, such as IVAs, where there have been a glut of companies joining AIM and after initially strong share price performance have generally done poorly.

Covid was an opportunity that was grabbed by SourceBio International to raise cash and join AIM. Diagnostics firm Novacyt had become the best performing and one of the most traded companies on AIM during the early months of the pandemic. Lateral flow diagnostics company Abingdon Health joined AIM less than seven weeks after SourceBio International.

One of the attractions of SourceBio International was that it had other businesses involved in pathology, genomics and stability storage with solid growth prospects, and it was not dependent on Covid testing, which instead was going to be a cash generator for the rest of the group.

Things obviously did not go as well as hoped. Although cash was generated it fell short of the projections at the time of the flotation. Unsurprisingly, this led to a disappointing share price performance.

Tender offer

SourceBio International is offering shareholders the chance to tender shares and receive 115p a share. This covers 14.9% of the share capital and will cost £12.7m. The tender closes on 16 December. Shareholders owning 79.2% of the shares say they will not tender their shares.

When SourceBio International joined AIM, it placed 21.6 million shares at 162p each raising £35m - £3m of which went on the costs of the flotation.

This means that it is making a turn on the shares placed in 2020. Of course, that was not the intention when SourceBio International floated. It wanted to raise cash for Covid testing facilities and was keen to make acquisitions with the cash generated from this operation. The cash also paid off debt.

There was still £15.2m in the bank at the end of June 2022, after spending £15.6m on LDPath in March - the only acquisition made during the time on AIM. The business continues to generate cash and the core businesses are trading well. In contrast the Covid testing business is minimal and there is a dispute about £2.67m of invoices issued to a high street pharmacy chain.

Short-termism

The general economy and the stockmarket are going through tough times. There are plenty of examples of small AIM companies finding it difficult to raise the cash they require to sufficiently fund their businesses. That is particularly true when they are not making money.

SourceBio International has a strong balance sheet and does not need to raise cash. Management argues that the share price is too low to issue shares to fund acquisitions. It adds that it will save £600,000 a year in costs. The argument is that the flexibility of being private could help to grow the business faster.

Stockmarkets have their ups and downs and companies, and their managements, need to understand this. Coming to a stockmarket is not a short-term punt and it costs a lot of money and time. It should be seen as a long-term project that will not go smoothly all the time.

There is a commitment to shareholders that buy the shares when the company floats, as well as those that buy in the market afterwards. If they are not confident that the company will remain quoted, then they will be put off investing. Then there will be a lack of liquidity.

Of course, shareholders do have to agree to the cancelation of the AIM quotation. SourceBio International is holdings its general meeting on 20 December, but it already has the backing of owners of more than the required 75% of the shares in issue.

Coming to a stockmarket is not a short-term punt

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	23.4	16.2
Industrials	18.9	16.8
Technology	13.2	12.6
Health Care	13.1	10.6
Financials	10.1	11.2
Energy	8.8	11.4
Basic materials	7.9	15.1
Property	2.2	2.5
Telecoms	1.6	1.7
Utilities	1.6	1.1

KEY AIM STATISTICS

Total number of AIM	827
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£93.2bn
Total of new money raised	£132.3bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£84.4bn
Share turnover value (Oct 2022)	£58.3bn
Number of bargains (Oct 2022)	12.6m
Shares traded (Oct 2022)	532.9bn
Transfers to the official list	198

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	848.59	-28.5
FTSE AIM 50	4637.08	-27.3
FTSE AIM 100	4097.28	-30
FTSE Fledgling	11576.01	-12.1
FTSE Small Cap	6226.46	-13.2
FTSE All-Share	4139.65	+2.8
FTSE 100	7573.05	+7.3

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	110
£5m-£10m	100
£10m-£25m	159
£25m-£50m	129
£50m-£100m	111
£100m-£250m	124
£250m+	94

TOP 5 RISERS OVER 30 DAYS

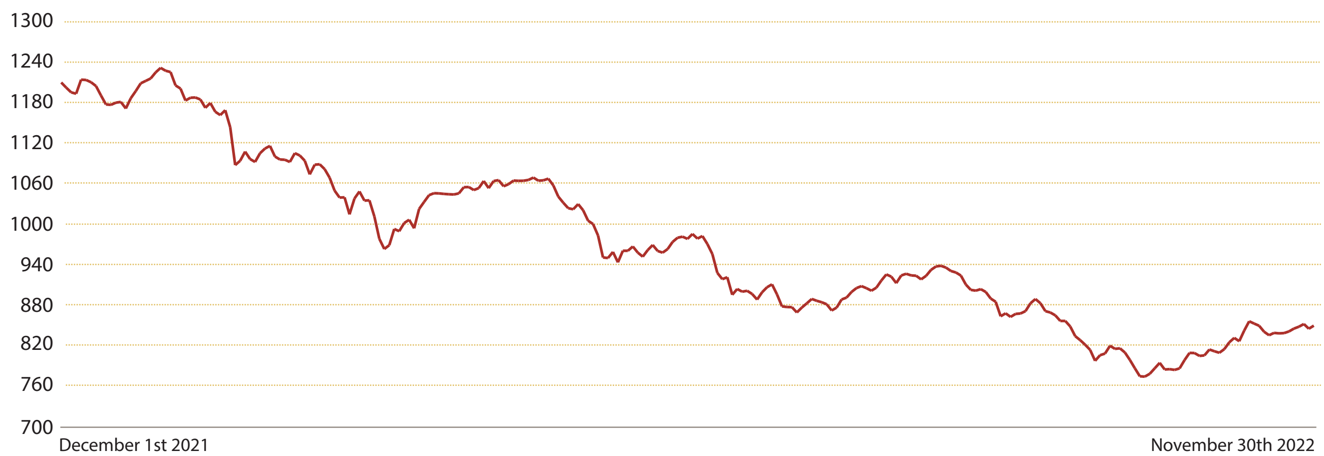
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Harland & Wolff	Shipbuilding	22.65	+274
Windar Photonics	Cleantech	21.5	+169
Mobile Tornado	Technology	1.8	+148
Zanaga Iron Ore	Mining	5.05	+146
Parsley Box	Food	5.2	+126

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Applied Graphene Materials	Graphene	3.75	-73.2
PCF Group	Financials	3.75	-64.6
DeepMatter	Technology	0.035	-64.1
Petroneft Resources	Oil and gas	0.3	-60
Myanmar Investments	Financials	9c	-51.4

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th November 2022, 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 downloaded from the website www.AimJournal.info/archive.

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

AIM

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

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £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.

PUBLISHED BY: Hubinvest Ltd,

ADDRESS: 1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH.

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