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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Onward for AIM

AIM fell by 1% in February and Fulcrum Metals was the only new company that joined the market (see page 2). AIM has recovered over the past few months, but that has not been enough to attract many new entrants. One company that is set to join AIM in mid-March is Onward Opportunities Ltd, which itself intends to invest in undervalued smaller companies.

The Guernsey-based company has an objective of generating positive returns from investing in smaller companies that are predominantly trading on markets operated by the London Stock Exchange. The alternative investment fund manager is Fundrock Management Company (Guernsey) Ltd, but it has delegated portfolio management to Dowgate Wealth.

The focus will be capital growth over a three-to-five-year period. Cash or share issues could be used to acquire stakes. It is unlikely that the portfolio will include biotechnology or extractive companies. Asset backing and attractive cash flow potential will be important for investee companies. There may also be opportunities for an active investor to help to unlock value.

Stakes of between 5% and 25% will be sought. The core base of companies will be valued at less than £100m, although there could be investments in companies worth up to £250m. No more than 15% of NAV will be invested in a new purchase and no more than 25% of the portfolio will be in unquoted securities.

Aukett smart buildings deal

Architectural services company Aukett Swanke has slimmed down in recent years as it shed loss making businesses overseas. The acquisition of Torpedo Factory Group (TFG) will take the company into the smart buildings arena and help to scale up the business, which is small for a quoted company.

Aukett Swanke is issuing 110.1 million shares to acquire TFG, which values the acquisition at £2.86m – based on an Aukett Swanke share price of 2.6p, which is the highest for more than three years. Option holders could be issued with up to 3.63 million more shares. At the end of 2022, TFG's NAV was £2.4m. It has a freehold property worth £3.05m, while net debt was £1.57m.

TFG designs and installs audio visual systems for properties and creates and maintains technology for performance spaces. There is also a part of the business that organises live events that can be streamed around the world. TFG has been running at around breakeven.

This is set to be the first step on the transformation of Aukett Swanke. The range of smart buildings and IoT services is likely to be broadened.

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MicroSalt secures US deals

Tekcapital investee company MicroSalt is securing further deals ahead of the planned AIM flotation later this year. The low sodium salt developer is forming a strategic distribution partnership with US Salt, which distributes 90% of private label, round can salt in the US.

US supermarket chain Giant Foods will carry MicroSalt saltshakers, which were launched in October 2022. Giant Foods has more than 160 stores. Pete's Markets in Illinois and Busch's Market in Michigan have also ordered saltshakers.

MicroSalt Ltd was previously known as Salarius and it has developed salt that halves sodium consumption. A patented process produces micron sized salt crystals. The company has its own low sodium chips brand, SaltMe.

There were three shareholders in MicroSalt Ltd at the time of the latest confirmation statement on 4 May 2022. Tekcapital owned 1,838 shares (97%), VHM Global Research 26 shares and Jace Supply Chain Services 28 shares. In the year to November 2021, MicroSalt Ltd did not generate any revenues. The latest accounting period was extended from November to December 2022. Tekcapital owns 78% of US subsidiary MicroSalt Inc, which does have revenues, after converting a $1.35m loan note into shares at $2.18 each. This values MicroSalt Inc at $20m.

Zeus Capital is nominated adviser and broker for MicroSalt. Last autumn, it was announced that former Sainsbury's product director Judith Batchelar was joining the MicroSalt board. Tekcapital boss Dr Clifford Gross was appointed as a director of MIcroSalt Ltd on 14 February.

Redx reversal

Cancer treatments developer Redx Pharma is reversing into Nasdaq-listed Jounce Therapeutics and the AIM company's shareholders will own 63% of the enlarged group. They will receive 0.2105 of a Jounce share for each Redx share. Jounce is developing treatments for cancer that enable the immune system to attack tumours. Jounce will be renamed Redx Inc and retain its Nasdaq listing. The combined business will be based in the UK and should have at least $130m of cash when the deal is completed. This will provide the finance to push ahead with development of treatments. The main focus will be RXC007, which is expected to report phase 2a data for treating idiopathic pulmonary fibrosis later this year.

Fulcrum Metals Canada focus

Dublin-based Fulcrum Metals joined AIM on 14 February and the placing price was 17.5p. The company has a portfolio of exploration assets in Ontario and Saskatchewan in Canada. This is a stable mining area with mining positive regulations, but the projects are all at an early stage. There are six gold and base metal and two uranium and gold projects.

Ontario is the largest gold producing area in Canada, while Saskatchewan supplies one-fifth of the world's uranium. Even though the areas already have many mines, there is still potential for significant discoveries. If a commercial project is discovered, then a joint venture partner will be sought to pay for further development, or the project could be sold to generate cash to reinvest in other exploration projects.

The main focus is the Schreiber-Hemlo project, which includes the Big Bear and Jackfish properties in Ontario. There are 38 known mineral occurrences in the project area. Rock samples have shown some high grades. The existing Hemlo mine, with 23 million ounces of gold, is 80 km east of the area.

Of the Saskatchewan projects, Charlot-Neely Lake has high grade gold intersections at South Neely, as well as potential for uranium. AIM-quoted Panther Metals sold the Saskatchewan assets to Fulcrum Metals in return for a 20% stake.

There was £2m raised after expenses, which means pro forma cash is £2.4m, and that should last 18 months. Around £1.4m will be spent on exploration. At the Schreiber-Hemlo project, surveying of Jackfish will generate drill targets for 2024 and potential targets will be investigated at Big Bear. Sampling and mapping will be carried out in other project areas.

Pro forma NAV is £4.58m, including capitalised exploration spending and mineral licences of £2.12m.

Peel Hunt rebrands REX as RetailBook

AIM-quoted broker Peel Hunt is rebranding its retail share offer platform from REX to RetailBook. The relaunch should be in the second half of 2023. The platform enables private investors to participate in fundraisings by new admissions and existing quoted companies via intermediaries and investment platforms.

The technology is being spun off into a new company called RetailBook, which requires regulatory approval to take on the operation of the platform. Peel Hunt believes that the independence of the platform is important to its growth and wider use. Strategic arrangements have been put in place with Hargreaves Lansdown, Jeffries, Numis and Rothschild. These four companies are likely to become shareholders in the new holding company.

The most recent fundraising using the REX platform was construction materials supplier SigmaRoc. The offer contributed to the £30m raised at 54p a share, which was higher than the market price when the fundraising was announced.

■ **Numis Corporation** says that the first four months of the financial year have been subdued. Group revenues were at a similar level to the run-rate in the second half of last year, although a recovery in smaller company share prices means that the equities business is slightly ahead of its run-rate in the same period. Numis continues to invest in personnel and has hired Mitesh Soni to head a Cleantech sector team. Growth is expected later in the year. Full year revenues are forecast to improve from £144.2m to £151.8m, while pre-tax profit is expected to rise from £20.9m to £24m.

■ **Canaccord Genuity** reported third quarter revenues slumping from $552.2m to $382.1m. This led to a move from a profit of $66.7m to a loss of $82.1m. The loss includes some costs relating to the recommended management bid for the company. There was cash of $893.1m at the end of December 2022. That is before the announcement of the proposed acquisition of Mercer Global Investments Canada on 1 February, which should go through within three months and add $1.5bn to the group's $94.4bn of assets under management.

Revenues from the UK, Europe and Dubai capital market operations fell by one-third year-on-year. There was a small third quarter loss, but the operations are still profitable over the nine months to December 2022.

■ **Marechale Capital** has made a gain on its stake in biogas plants developer and operator Future Biogas Group after it was acquired by 3i Infrastructure. The shares were acquired in 2010-11 for £11,600 after Marechale Capital provided corporate advice to Future Biogas. The total amount that will be received for the stake is £218,000, but this was below the value in the most recent balance sheet.

ADVISER CHANGES - FEBRUARY 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
SysGroup	Liberum	Zeus	Liberum	Zeus	2/1/2023
SIMEC Atlantis Energy	Zeus	Investec / Zeus	Strand Hanson	Investec	2/3/2023
Iomart	Investec	Peel Hunt / Investec	Investec	Peel Hunt	2/13/2023
Reabold Resources	finnCap / Stifel Nicolaus	Stifel Nicolaus	Strand Hanson	Strand Hanson	2/14/2023
Franchise Brands	Stifel Nicolaus / Allenby / Dowgate	Allenby / Dowgate	Allenby	Allenby	2/22/2023
Oncimmune	Zeus / Singer	Singer	Singer	Singer	2/23/2023
GetBusy	finnCap	Panmure Gordon	finnCap	Panmure Gordon	2/24/2023
Portmeirion	Shore / Singer	Panmure Gordon / Singer	Shore	Panmure Gordon	2/24/2023
musicMagpie	Shore	Peel Hunt / Shore	Shore	Peel Hunt	2/27/2023

Transense Technologies continues to build up cash as interest in SAW technology increases

Surface acoustic wave technology — *www.transense.com*

Transense Technologies is building up its cash balance thanks to iTrack royalties and reinvesting in SAW (surface acoustic wave) technology, which will provide the long-term growth. In the six months to December 2022, revenues improved from £1.2m to £1.64m and the pre-tax profit jumped from £80,000 to £260,000. Lower corporate overheads helped to offset higher investment in developing newer products and markets. Share buybacks and timing of payments meant that cash fell to £630,000, but the cash balance has doubled since then.

The iTrack royalty income increased from £660,000 to £980,000 and that is mainly profit. The technology is used in mining trucks. Growth was slower than previously due to implementation delays and it is taking longer than expected to build up Latin American and Australian business.

Dividends are a possibility

During 2022, the change to the new TLGX range of Translogik tyre pressure and tread depth probes was completed with the stocks of the older probes almost cleared. Management is building partnerships with tyre companies, as well as seeking new prospects with direct sales via software companies.

The SAW (surface acoustic wave) division continues to lose money as management invests in developing new products. There are two long-term contracts and a partnership deal with Parker Meggit is being negotiated. There are four funded research programmes, including one in the aerospace sector, and the number of active enquiries is increasing. Areas such as electric motors and process industrialisation provide further growth potential.

TRANSENSE TECHNOLOGIES (TRT)			87p
12 MONTH CHANGE %	+10.1	MARKET CAP £M	13.8

Following the results announcement, finance director Melvyn Segal bought 5,000 shares at 87.7p each and he owns a 0.35% stake. Full year pre-tax profit is expected to jump from £268,000 to £1.17m – the prospective multiple is eleven. A further rise to £1.69m is forecast for next year. These forecasts should be easily achievable. Share buybacks are continuing and dividends are a possibility.

GetBusy ploughs back cash into marketing

Document software — *www.Getbusyplc.com*

Document management and storage software provider **GetBusy** continues to grow its revenues with small contributions from its newer software products. Annualised recurring revenues were 22% ahead at £19.2m, helped by foreign exchange movements. The constant currency growth was 16% - still an impressive rate of increase.

In 2022, GetBusy revenues were one-quarter ahead at £19.3m with more than 90% recurring. The underlying loss fell from £1.22m to £746,000 as GetBusy continues invest in building up its sales and marketing expertise. GetBusy is likely

GETBUSY (GETB)			78.5p
12 MONTH CHANGE %	+33.1	MARKET CAP £M	39

to continue to make a small loss as it ploughs cash generated back into the business.

Cash generation is much better than profit because two-thirds of subscriptions are paid annually in advance. There was £2.17m generated from operations even before the R&D tax credit. This more than covered capitalised development and other capital investment, so cash improved from £2.67m to £2.97m.

SmartVault was the fastest growing part of the business. The related Certified Vault software aimed at the asset finance sector was launched in 2021, but security is being improved before there is more significant marketing of this software. Virtual Cabinet continues its steady growth and the newer Workiro product is being integrated under the same management and sales team.

There is enough cash for the medium-term requirements of the business given the strong cash generation from advanced payments. There is significant potential for the newer software products if their sales can gain momentum.

Destiny Pharma secures US commercial partner for treatment to reduce C.dif infection recurrence

Infection treatments developer *www.destinypharma.com*

DESTINY PHARMA (DEST)			33.5p
12 MONTH CHANGE %	-52.8	MARKET CAP £M	24.6

Destiny Pharma has signed up a US partner for NTCD-M3, which is the treatment focused on the prevention of C.dif recurrence. Privately owned Sebela Pharmaceuticals will finance the phase III trial. A heavily discounted fundraising has knocked the share price, but the company is in a strong position to make progress with M3 and XF-73, which prevents post-surgical infections.

Sebela Pharmaceuticals is development and commercial partner and in return for funding the clinical trial it will receive North American rights. The phase III trial will start next year and cover 700 patients with the primary endpoint being recurrence of infection at eight weeks. There could be a commercial launch in 2027 if everything goes to plan.

Commodity prices are still volatile

Destiny Pharma retains the other geographic rights. The upfront payment is $1m and there could be development and sales-based milestone payments of up to $570m. The royalty is on a sliding scale between 10% and 18% depending on net sales levels.

More cash is required to get to the phase III trial for M3 and to finance the further development of XF-73. Destiny Pharma is raising £7m in a placing at 35p a share and an open offer could raise up to £1m more. The fundraising market remains tough, and the placing price is a large discount to the previous market price. The cash should last until the end of 2024.

There will be further development of XF-73 before a partner is sought. There could be a larger market for XF-73, which has been shown to be effective in getting rid of infections from the nasal passage prior to surgery, thereby reducing the likelihood of infections. There is also a version of the treatment for skin infections.

Spectral MD on track with burns imaging system

Healthcare imaging *www.spectralmd.com*

SPECTRAL MD (SMD)			30.5p
12 MONTH CHANGE %	-6.2	MARKET CAP £M	41.5

Burns imaging systems developer **Spectral MD** is in a strong position to benefit from BARDA (Biomedical Advanced Research and Development Authority) seeking imaging technology that will enable efficient assessment of burns patients and can be used in emergency departments. Last August, BARDA awarded a $8.2m contract extension for Spectral MD to accelerate commercialisation of its Deepview imaging system so it is in a strong position to be favoured by the authority in this search. Deepview already meets the main specifications. Spectral MD estimates that Deepview could reduce the length of stay for a patient and save more than $14,000 per stay.

The version of Deepview for diabetic foot ulcers has an ongoing patient clinical validation study with full results due in the second half of 2023. The initial data shows 86% accuracy. Spectral MD could apply for FDA clearance later this year. An EU study has been initiated in partnership with the Royal College of Surgeons in Ireland and this could help to gain approvals in other countries.

The income that is coming in from BARDA means that Spectral MD can conserve its cash. There is plenty of cash for the current requirements with $14.2m in the bank at the end of 2022. A commercial launch will require additional working capital, though. That could be through debt. Stifel Nicolaus forecasts net debt of $2.5m by the end of 2024 due to a jump in working capital, before a return to net cash the following year when sales revenues are expected to be significant, taking over from development funding income.

Kitwave Group returns to pre-Covid volumes with potential for further growth

Grocery distribution *www.kitwave.co.uk*

KITWAVE GROUP (KITW)			234p
12 MONTH CHANGE %	+53.4	MARKET CAP £M	163.8

Another strong set of results from food service and grocery distributor **Kitwave Group** with trading getting back to pre-Covid levels. Kitwave has been one of the better performing recent AIM flotations, having raised £64m at 150p a share back in May 2021, and it has used the cash to make earnings enhancing acquisitions.

In the year to October 2022, revenues jumped from £380.7m to £503.1m. There was an initial £18.3m contribution from the acquisition of MJ Baker in February. Like-for-like growth was 27%, through a combination of higher prices and improved volumes. Gross margin improved from 18% to 20.4%, while the greater volumes helped operating margins jump from 1.7% to 4%.

Like-for-like growth was 27%

Underlying pre-tax profit increased from £4.5m to £18.9m.

The total dividend was raised from 6.75p a share to 9.25p a share. Management intends to pay between 40% and 50% of profit after tax in dividends. Net debt was £14.8m at the end of October 2022, which was before the acquisition of fresh produce supplier West Country Foods at the end of 2022. Even with cash generated from operations, net debt is expected to increase to £25.4m.

The new Wakefield distribution centre has opened. Investment in a new online trading platform has helped to grow volumes. Online order capture increased from 22% to 35%, while average order values are 8% higher online. There is further potential for increasing online volumes, which should help to reduce the cost of processing orders.

The current forecasts are being maintained with a few tweaks. Pre-tax profit is forecast to improve to £23.6m this year, rising to £25m in 2023-24. Steady dividend growth is anticipated. The shares are trading on nine times prospective 2022-23 earnings, while the forecast yield is 4.7%. Further acquisitions could increase these forecasts.

Past problems overshadow improved DX trading

Parcel delivery *www.dxdelivery.com*

DX (GROUP) (DX.)			29.5p
12 MONTH CHANGE %	-1.7	MARKET CAP £M	178.4

Freight and parcel delivery company **DX (Group)** continues to improve its performance, although the share price is still held back by past corporate governance issues. Even with a new management team that will not change overnight.

In the six months to December 2022, revenues were 15% ahead at £231.3m and margins continued to improve. That meant that underlying pre-tax profit almost doubled to £9.2m. There had been driver shortages and supply problems in the corresponding period.

Cash generation remains strong and even though capital spending is increasing cash improved from £27m to £36.4m over six months. An interim dividend of 0.5p a share was announced, and the full year total could be 1.5p a share.

The fastest growth came in the parcels business of the DX Express division with a 20% increase. This is offsetting continuing declines in the business mail operation, which are set to continue for the next couple of years at least. DX Express margins are continuing to improve, although they are still below freight margins.

Trading is always stronger in the second half. Liberum forecasts an improvement in full year pre-tax profit from £26.7m to £32.5m. Much of that improvement was already made in the first half. Revenues and margins are expected to continue to rise.

However, Tuffnell Parcels Express has made a claim relating to confidential competitor information it says was obtained by DX. This relates to the previous corporate governance enquiry and it will continue to hang over the company and the share price.

Mortgage Advice Bureau dividend dip should be a blip

Mortgage advice *www.mortgageadvicebureau.com*

Dividend

MORTGAGE ADVICE BUREAU (MAB1)	
Price (p)	590
Market cap £m	336.5
Historical yield	4.8%
Prospective yield	4.8%

Mortgage Advice Bureau has been one of the higher yielding companies on AIM, but a dip in earnings means that the dividend is likely to be reduced in 2023. However, there is potential for it to recover.

The maiden dividend for 2014 was 2p a share, while the following year the total was 14.4p a share before taking into account a special dividend of 4.25p. The dividend rose consistently up until the 2019 financial year. The Covid lockdowns led to a more conservative final dividend, so the total fell from 23.3p a share to 17.5p a share. The following year's dividend was back up to 25.6p a share with a skew towards the final.

The latest interim was unchanged at 13.4p a share and a small rise in the total dividend to 28.4p a share is forecast for the year. A reduction in earnings is forecast for 2023 and the dividend is expected to be 24.2p a share before recovering to above the 2022 level in 2024.

Business

Mortgage Advice Bureau has more than 150 mortgage intermediaries or appointed representatives as part of its network. They have more than 2,100 advisers. The company provides mortgage and insurance panels, as well as back office services. It also maintains the FCA regulatory clearance for the operations.

There is a revenue share model. Revenues come from fees from lenders when mortgages are arranged, insurance commissions and client fees.

Brokers are increasingly keen to join networks because of regulation. There has been a slowing in recruitment, though. The FCA is bringing its new Consumer Duty requirements into force at the end of July and that could provide further impetus for joining a network.

The acquisition of The Fluent Money Group for £73m was deemed to be the transaction of the year at the 2022 AIM awards. At the same time a placing raised £40m at 1050p a share, which is well above the current share price. Fluent is a telephone advice broker for second and first charge mortgages.

The company was hit by the financial uncertainty last autumn, but there are signs that trading is improving. Mortgage Advice Bureau also appears to be increasing market share, which was 7.4% in the third quarter of 2022.

Peel Hunt forecasts an improvement in pre-tax profit from £23.6m to £27m in 2022, That profit level is set to be maintained in 2023, but because of the shares issued when acquiring Fluent earnings are set to decline and that is why the dividend is likely to be cut. The share price has recovered over the past month and the prospective 2023 multiple is 18, falling to 15 the following year.

There is no certainty that there will be an improvement in trading as 2023 progresses, but Mortgage Advice Bureau is in a good position to benefit for the upturn when it comes.

Dividend news

Housebuilder **Springfield Properties** was hit by economic uncertainty and cost inflation with pre-tax profit edging up from £6.4m to £6.6m on revenues increasing from £87.3m to £161.9m due to acquisitions. The ending of private rental housing construction due to rent controls in Scotland and losses on affordable housing will further hamper the second half, as will weak consumer confidence. There are signs of improving purchasing numbers, but full year pre-tax profit will decline from £20.8m to £17m. Net debt is £73.7m, but land sales and operating cash generation will help to reduce this. There is no interim dividend, but a final is anticipated, and the total could halve to 3.1p a share.

Building products supplier **Alumasc** indicated its confidence in the future with the 1.5% increase in the interim dividend to 3.4p a share. Interim revenues were 5% ahead at £45 million, while pre-tax profit fell 11% to £5.6 million. The corresponding period included high margin Chap Lap Kok airport project work for the water management division and the phasing of projects hit the latest figures. The figures exclude the loss making Levolux business, which has been sold. The second half will be stronger than the first half, but full year pre-tax profit is expected to decline from £12.7m to £11.3m.

Engineering business **Avingtrans** increased revenues from £44.5m to £50m in the six months to November 2022 and profit improved. The engineering operations were hit by supply problems, but there is growth in nuclear and North Sea demand. There is 90% cover for the full year revenues forecast. The medical division is progressing towards the launch of a new imaging product by the end of 2023. The interim dividend is 1.7p a share and the full year total could be 4.4p a share, if Avingtrans achieves a full year profit of £8.6m.

Expert view: Registrars

The path to digital certification of holder records

By Hardeep Tamana

Digital is much broader than blockchain; with that in mind the recently published UK Jurisdiction Taskforce (UKJT) legal statement provided a helpful reference in addressing critical questions of whether equity, debt or other securities can be validly issued and transferred under the laws of England and Wales using blockchain systems.

Whilst the UKJT statement focused on blockchain, the essential thoughts are equally applicable to establishing digital securities using classical CSD or registry infrastructure. It has been a long held dream of UK and Irish Issuers of shares that a nirvana of paperless securities could be achieved. Instead an ongoing huge paper trail has built up, frustrating many holders, who whilst rightly entitled to, and desiring their name to appear on the shareholder register with legal title, are left aghast at the volumes of mail hitting their doorstep. Juxtapose this with a world that has increasingly digitised, the current experience is increasingly out of place.

Previous solutions put up as an alternate to holding shares in one's own name either create a chain of intermediation (via nominees) or have proven unsuccessful because of the costs imposed by administrators to operate possible pathways, such as CREST personal membership.

As a result, physical share certificates have stuck, complete with a significant administrative burden. Everything from communications to reports follow in volumes of paper that largely end up in waste - an affront to, laudable, net zero type goals.

UK issuers of shares have worked with the presumption that they are obliged to provide holders with paper share certificates, should they demand. As the UKJT paper makes clear, "The statutory requirement for the issue of share certificates can be dispensed with by the company's articles of association…". In other words, amend the articles accordingly and the path is open for a digital registry.

> The statutory requirement for the issue of share certificates can be dispensed with

Retaining paper

But what about a holder who wishes to retain their paper certificate? This worn historical argument for inclusion has been used to block progress, but in a time when travellers of all backgrounds are content with digital rail or airline tickets, inertia here is wearing thin. Nevertheless, accepting the diminishing numbers that may want a certificated holding should not be an absolute barrier to some holdings being in book entry on register form too.

Luckily a parallel experience helps; Ireland, a common law jurisdiction close to the UK, has made huge progress by implementing article 3 of CSDR, permitting book entry holdings of securities. This experience has compelled investment in technology by registrars and allow us, at Avenir, to showcase our answer.

We focussed on being demand led with a solution that can cater for a register maintaining concurrent holdings in certificate form, register book entry and CSD (CREST) - and there is much more that benefits both issuers and holders post digitisation of records, too. For example, the communication chain can be shortened providing online access and electronic proxy submissions can be readily supported, delivering a multitude of benefits as a result.

Solutions

Furthermore, at Avenir we use QR codes to support the handling of any residual paper certificates and their ongoing management, invalidating lost certificates remotely and allowing third parties to check the validity of these same certificates with nothing more than the camera of a smartphone. It is clear that these digital solutions may allow holders of share certificates to able to overcome the numerous challenges they face holding paper certificates, such as obtaining costly indemnities, when a share certificate is misplaced.

For issuers interested in grasping the future and bringing down shareholder administration costs, digitisation of registers ought to be compelling matter for consideration. In conjunction with your legal counsel, by addressing matters through revised articles of association, issuers can be confident that providers such as Avenir already have the technology to support the transition to digitisation - without loss of choice for all concerned.

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

Corporate governance improvements on AIM

The QCA Corporate Governance Code was first published one decade ago. This is specifically focused on smaller companies. The majority of AIM companies applied the code after 2018, when AIM updated its corporate governance requirements.

The Quoted Companies Alliance has published a new report concerning how its corporate governance regulations have been embraced by AIM and other smaller companies. 'The QCA Corporate Governance Code 10 years on' sets out how the take up of the governance guidelines has progressed over the past five years. More companies have taken up the governance code, but there are still areas where some companies do not provide all the relevant information.

The QCA Corporate Governance Code (QCA Code) was published in 2013 and then revised in 2018 when the London Stock Exchange changed AIM regulations so that all companies had to apply a code of corporate governance. There was previously a publication setting out corporate governance guidelines for AIM-quoted companies.

Before the changes in 2018, 45% of companies that were quoted on AIM at the time followed the QCA Code. After the changes the figure increased to 90%. AIM companies perceive the QCA Code to be more suitable for their needs than the general UK code of governance that is more suitable for larger companies.

> The QCA has analysed the annual reports and accounts of 50 AIM companies

Investors

The publication argues that investors, both institutional and private, have benefited in a number of ways from companies adopting the QCA Code. There are greater levels of information about the governance of the companies. It also makes it easier to hold management to account.

There is also an argument that there is a better understanding of the business of a company due to greater disclosure making it easier to measure the progress of the company.

Analysis

The QCA has analysed the annual reports and accounts of 50 companies. The assessment covers the main principles of the QCA Code.

The first principle is to establish a strategy and business model that promote long-term shareholder value. Back in 2018-19, 78% of the companies explained their strategy and business model and this has risen to 100%. The second principle relates to understanding shareholder requirements and there are 98% of companies explaining shareholder engagement, up from 56% five years earlier.

There are much larger increases in other areas. Explanations of succession planning and the process of appointing directors and senior management are included in 70% of the reports, up from 20% previously.

The clear and transparent disclosure of the outcomes of votes has fallen from 54% to 40%, though. There is also a reduction in the companies explaining how each director keeps their skills up to date, with only 14% doing this, down from 32%.

One negative of this additional information is that public company annual reports have grown by 46% over five years. Research suggests that the reports are adding eight pages average every year. Additional environmental, social and governance (ESG) has much to do with this.

When it comes to AIM companies with market capitalisations of less than £250m, the reports have grown by 51% in five years – equivalent to six pages each year. Many AIM companies are publishing reports that are 44,000 words long.

This shows the importance of clearer disclosure rather than a higher volume of disclosure. This involves getting rid of repetition in the reports.

The QCA Corporate Governance Code 10 years on can be downloaded from www.theqca.com.

AIM volumes still declining

AIM share price performance is showing signs of at least bottoming out and even improving in recent months. However, trading volumes are still declining.

Trading levels in AIM shares have been on a downward trend for more than one year. The financial announcements from brokers and Winterflood bear witness to this. This is not surprising in a falling market, although there are no signs of improving share price performance.

After a record 2021 with average daily trades of 80,270 and average value of £394.6m, in 2022, average daily trades slipped to 57,682 and their average daily value was £266.5m. So far this year, average daily trades are 46,115 compared with 75,427 in the same period last year, while the value slipped from £342.7m to £229m.

Further share price improvement could attract investors back to AIM. There tends to be a lag when larger companies share prices recover.

Sectors

The most notable volume decline is in healthcare. Online retailer of antibodies Abcam left AIM to concentrate on its US listing and pharma services provider Clinigen was taken over. That will account for some of the decline, although there is also less trading in other companies in the sector. There were no healthcare or pharma companies in the 25 most traded companies in February 2023.

The consumer (discretionary) sector remained the most active in terms of numbers of trades and their value, even though ASOS left AIM for a primary listing on 22 February last year. The move of Warehouse REIT to the Main Market and the takeover of Secure Income REIT means that trading volumes slumped in the property sector.

Energy is a larger sector where trading has fallen sharply. Fuel cell and electrolyser technology developers Ceres Power and ITM Power are still some of the most traded companies on AIM, but falling share prices mean that the value of those trades is much lower. There has also been less trading in oil and gas shares than the corresponding period, which includes the run up and start to the Ukraine conflict. Energy is the second worst performing AIM sector over one year. It has fallen by nearly two-fifths.

One of the only sectors where performance is positive over the past year is technology. This year, the number of trades fell by more than one-fifth, but the value declined by just over 10%.

AIM TRADING VOLUMES IN JANUARY AND FEBRUARY

COMPANY	TRADES 2023	VALUE (£M) 2023	TRADES H1 2022	VALUE (£M) 2022
Consumer (discretionary)	393,089	2,267.90	767,468	3,738.20
Energy	372,901	1,208.10	623,600	2,169.70
Basic materials	335,951	938.6	397,887	1,344.10
Industrials	196,335	1,179.40	264,586	1,598.50
Technology	190,040	1,567.3	249,878	1,751.40
Healthcare	163,075	767.6	347,083	2,279.70
Financials	120,676	717.4	163,272	781.6
Consumer (staples)	68,169	429.9	107,515	567.3
Utilities	22,975	111.1	5,158	32.3
Telecommunications	18,554	157.6	34,486	181.8
Property	8,930	45.1	56,047	236.4

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	24.1	15.9
Industrials	19.5	16.6
Technology	13.9	12.8
Health Care	10.1	10.2
Financials	10.6	11.1
Energy	8.4	11.2
Basic materials	8.3	15.2
Property	1.6	2.5
Telecoms	1.7	1.7
Utilities	1.6	1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	859.37	-17.4
FTSE AIM 50	4643.52	-18.1
FTSE AIM 100	4115.22	-18.3
FTSE Fledgling	11920.17	-4.7
FTSE Small Cap	6460.99	-6
FTSE All-Share	4304.48	+3.5
FTSE 100	7876.28	+5.6

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	111
£5m-£10m	98
£10m-£25m	150
£25m-£50m	117
£50m-£100m	116
£100m-£250m	122
£250m+	99

KEY AIM STATISTICS

Total number of AIM	813
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£96.9bn
Total of new money raised	£132.6bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£84.7bn
Share turnover value (Jan 2023)	£4.9bn
Number of bargains (Jan 2023)	1m
Shares traded (Dec Jan 2023)	63bn
Transfers to the official list	199

TOP 5 RISERS OVER 30 DAYS

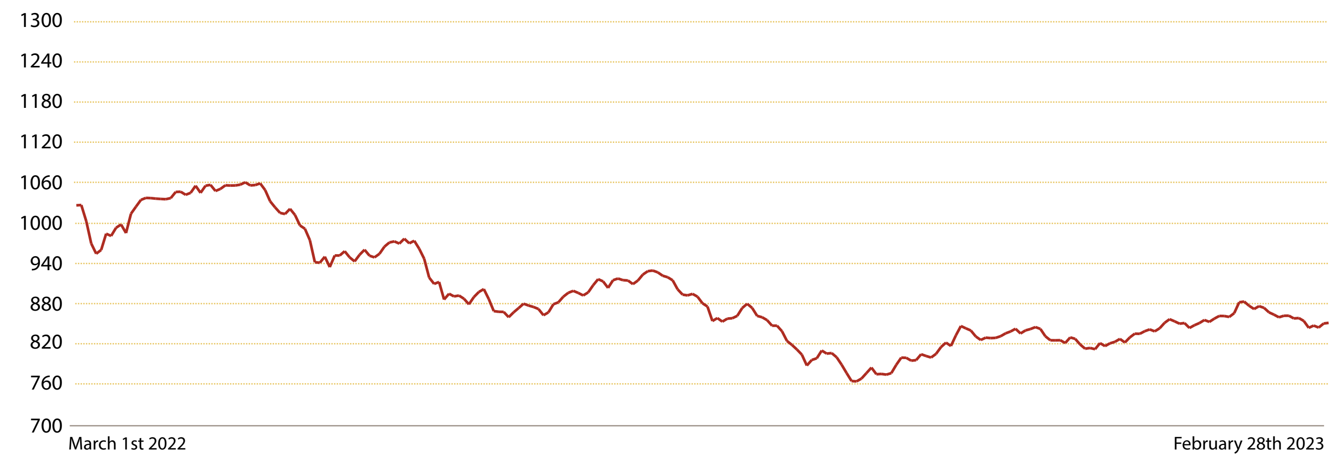
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Star Phoenix	Oil and gas	1.8	+350
B90	Leisure	6.2	+125
Clontarf Energy	Oil and gas	0.16	+113
7digital	Media	0.68	+109
Location Sciences	Media	0.215	+72

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Gfinity	Media	0.1475	-62.2
China Nonferrous Gold	Mining	1.755	-46.8
Jade Road Investments	Financials	1.25	-44.4
Oncimmune	Healthcare	35.2	-43.3
Scotgold Resources	Mining	40.25	-39

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 28th February 2023, and we cannot accept responsibility for their accuracy.

AIM Journal

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

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

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

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published. The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

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

AIM

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

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