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AIM JOURNAL

Fourth quarter recovery for AIM

AIM recovered some of its 2023 losses in December, but it still ended 8% over 2023. In contrast, the FTSE 100 index was 3.78% higher. However, the difference in performance is narrowing. AIM was 5.23% higher in the fourth quarter, which is similar to the FTSE SmallCap index, while the FTSE 100 was 1.65% ahead.

The UK-focused FTSE AIM UK 50 index is still performing relatively poorly with a 9.5% decline in 2023. The FTSE AIM 100 was 6.7% lower. However, both outperformed AIM as a whole in the fourth quarter.

Takeovers have helped to bolster the performance of the AIM 100. Chocolate retailer Hotel Chocolat and parcel delivery company DX are two of the better performing companies that are currently the subject of bids. Broker Numis Corporation, pharma services provider Ergomed and healthcare IT systems supplier EMIS have already been taken over and left the index, but they contributed to performance earlier in the year.

The declines in some larger AIM companies, such as RWS, Learning Technologies Group and CVS Group had more effect on the AIM 50 because their weighting is higher than in the AIM 100. For example, CVS Group has a weighting of 5.41% in the AIM 50 and 2.91% in the AIM 100. Two of the better performers in the AIM 100 – Burford Capital and Yellow Cake – are not in the AIM 50.

SMS bid opposition

Smart Metering Systems is adjourning the 9 January general meeting to gain shareholder approval for the scheme of arrangement relating to the takeover of the smart meters and battery storage company because some shareholders are opposed to the offer.

Funds advised by Kohlberg Kravis Roberts are bidding 955p/share in cash for Smart Metering Systems, which values it at £1.3bn. Smart Metering Systems founders Alan Foy and Steve Timoney and Primestone Capital believe that the bid does not represent a full valuation. These shareholders own 17.8% of SMS and intend to vote against the offer.

Smart Metering Systems is forecast to make a 2023 pre-tax profit of £26.2m and £29.6m in 2024. The bid is more than 57 times prospective 2024 earnings. The investment in battery energy storage systems will boost profit in the longer-term. KKR argues that its backing will provide the finance to take advantage of the growth opportunities.

The board has reconfirmed that it believes that the bid is fair and reasonable. There has been no other bid approach for the company. The adjourned general meeting is rescheduled for 22 January.

In this issue

Video games travails

AIM-quoted video games companies continue to disappoint the market. In December, Frontier Developments and tinyBuild both slumped after profit warnings. The UK personal computer and console subsector was the worst performer in the European video games sector in the fourth quarter of 2023. The overall decline was 26.2%. This quarter also includes a profit warning from Team 17.

Video games publisher Frontier Developments says Warhammer: Realms of Ruin has underperformed and that is a major contributor to the slashing of full year revenues guidance from £108m to £80m-£95m. There is likely to be a much larger loss than originally expected. There is still cash in the bank to help the company to cope with the disappointing performance. Video games development will be refocused on core areas.

US-based video games company tinyBuild says current trading is below expectations and full year revenues will be between $40m and $50m – a large spread for such a late point in the year. A claim from the vendors of a past acquisition has been settled for $3.5m plus costs. At the end of November, there was cash of $5.7m, but that figure will be lower at the end of 2023. tinyBuild is raising up to $14m via a placing and open offer at 5p/share. Interactive entertainment company Atari is investing $2m. The March 2021 placing price was 169p.

Broker Zeus believes that there are some green shoots showing for the sector, but the downside is that more games are being released. So, even if spending increases it may not benefit all the video games.

Camellia closure

Camellia says it plans to wind down the fruit farming business Bardsley England. Increased wages and other costs have made it difficult to stem losses. The customer base is supermarkets and Camellia has been unable to pass on all the cost rises. Attempts to reduce costs have not been enough to cover the difference. In August 2021, Camellia acquired 80% of Kent-based Bardsley England for £15.7m. It was the second largest UK apple grower, and it grew 18,000 tonnes of fruit each year. The operations are set to close in the second quarter. Regulatory approvals for the $100m disposal of a 37% holding in insurance business BF&M have been delayed. Disposals from the manuscript collection raised £2.6m.

Inspiration Healthcare's US expansion

Inspiration Healthcare is expanding in the US through the acquisition of Airon Corporation for up to $2.5m, with $1.5m paid upfront and the rest dependent on revenues in the 12 months to April 2025. The acquisition should be earnings enhancing in the second full year of ownership.

Florida-based Airon has a range of ventilators that fit well into the group's portfolio of products. It manufactures specialist pneumatic oxygen-powered life support ventilators. These products can be used for babies and adults. The product range also includes continuous positive airway pressure devices used in emergencies. In the year to April 2023, Airon generated revenues of $1.4m and the loss was $400,000. The founder will stay with the business until a replacement is appointed.

The deal will also bring US distribution relationships that can help with the launch of the SLE6000 neonatal ventilator in the US. Last August, a 510k application was lodged with the US FDA. Management believes that the SLE6000 could be launched in the US in the second half of 2025. Airon can also provide a service network for the new product.

Inspiration Healthcare can sell Airon products through its international distribution network. Airon already has some regulatory approvals outside of the US.

Liberum has raised its forecast revenues for the year to January 2025 by 4% to £49m and the underlying pre-tax profit forecast is unchanged at £4.7m. At 45p, the shares are trading on less than eight times prospective 2024-25 earnings and that is before the benefits of the Airon purchase kick in. The underlying pre-tax profit could rise to £6.6m in 2025-26. That may depend on product launches, but it indicates the potential for the business, which is not reflected in the share price.

Brokers gaining confidence in market recovery

AIM brokers appear to be becoming more optimistic about prospects and the share prices have been recovering during December.

■ **WH Ireland** has been the most troubled of the AIM-quoted brokers and it had to be refinanced with a £5m fundraising last August. It reported that the underlying interim loss doubled to £1.8m with revenues dropping from £14.3m to £10.7m. There were declines in both broking, which completed fewer fundraisings and client numbers fell, and wealth management operations. Total group assets under management are £1.8bn.

WH Ireland is identifying signs of improvement with underlying monthly profitability achieved in November 2023 thanks to cost cutting. Annualised cost savings of £3.8m have been made and they are starting to show through. There was cash of £6.8m at the end of November 2023.

■ **Peel Hunt** interim revenues edged up from £41.1m to £42.7m, while there was a swing from a pre-tax profit of £61,000 to a loss of £773,000 due to inflationary pressure on costs. There was a cash inflow from operations of £5m, partly due to lower working capital. There was cash of £22.6m at the end of September 2023, while long-term borrowings were £12m.

Investment banking fees were 72% higher at £12.9m, helped by M&A activity, while retainers were maintained at £4.4m. Research income fell 11% to £10.5m, while execution services revenues were 15% lower at £14.8m. A new Copenhagen office is being opened.

■ The merger of finnCap and Cenkos to form **Cavendish Financial** happened in September, so the interims to the end of September 2023 do not provide a good indication of the ongoing prospects. Pro forma revenues were lower. Cost savings of £7m have been identified and are being achieved faster than expected. Management says that it is winning new clients and there have been more than 20 transactions by the broking and M&A divisions since the merger. There was cash of £17m at the end of November 2023 and a dividend may be announced with the full year figures.

The directors are buying shares. Co-chief executive Jeremy Morse acquired 901,408 shares at 8.875p each, finance director Ben Procter bought 290,000 shares at 8.5p each and chair Lisa Gordon purchased 250,000 shares at 8.7p each. New non-exec Mark Astaire bought 100,000 shares at 9.86p each.

■ **Oberon Investments** increased interim revenues by 28% to £3.4m, even though capital market revenues fell by one-third. The loss was reduced from £1.67m to £1.59m. Management believes the company could move into profit during 2024. There are plans to add funds management teams. Oberon Investments has a 69.1% stake in Logic and is planning to float the back office services provider on AIM at a valuation of £11m in the first half of 2024.

■ Broker **VSA Capital** improved interim revenues from £846,000 to £1.05m, but the loss jumped from £841,000 to £1.82m with the loss on investments jumping from £355,000 to £1.33m. Deals have been delayed. VSA Capital has a stake in Silverwood Brands and problems with the purchase of a stake in Lush have led to a reduction in its value.

ADVISER CHANGES - DECEMBER 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Revolution Beauty	Liberum / Zeus	Liberum / Zeus	Liberum	Zeus	12/8/2023
Angle	Berenberg	Berenberg / Jefferies	Berenberg	Berenberg	12/11/2023
AFC Energy	RBC Europe / Peel Hunt / Zeus	Peel Hunt / Zeus	Peel Hunt	Peel Hunt	12/18/2023
Global Petroleum	SI Capital / Panmure Gordon / CMC	Panmure Gordon / CMC	Panmure Gordon	Panmure Gordon	12/20/2023
Celsius Resources	WH Ireland	SP Angel	Beaumont Cornish	Beaumont Cornish	12/22/2023
Beowulf Mining	Alternative Resource Capital / SP Angel	SP Angel	SP Angel	SP Angel	12/28/2023

Siemens sells 11.2% stake ahead of Sondrel warning of project development delays

Semiconductors developer *www.sondrel.com*

SONDREL HOLDINGS (SND)			4.85p
12 MONTH CHANGE %	-92	MARKET CAP £M	4.2

Siemens sold its entire 11.2% stake in application specific integrated circuits designer **Sondrel Holdings** at 6p/share at the beginning of December, raising £589,000. That was less than 50% of the market price prior to the placing. The share price fell further when Sondrel warned about project delays.

Siemens previously had a share purchase agreement with the company and the chief executive but that was terminated. Siemens was granted the status of preferred supplier of electronic design automation software for a 36-month period at the time of the flotation in October 2022.

Sondrel flagged delays in development and payments. The company expected a £1.7m payment

More cash will be required

from an automotive component manufacturer in 2023, but this was not received. Additional resources will be required to complete the project.

Previous project delays had already hit revenues. Earlier in 2023, three major customers delayed developments for 6-12 months because of economic uncertainty and concerns about consumer confidence. At that time, forecast 2023 revenues were cut from £28.4m to £13m.

Sondrel is negotiating with European and North American clients on projects that could start early this year and would provide a strong base for future earnings. There is a short-term shortage of cash, though.

There does appear to be positive indications for the semiconductor industry with the Semiconductor Industry Association reporting growth in the third quarter of 2023. Next year the sector could grow by 12% according to the World Semiconductor Trade Statistics organisation.

Directors and staff have agreed to defer salaries because Sondrel cannot afford to pay them. More capital will be required by the end of March or earlier if the delayed payments are not made as expected. Sondrel raised £17.5m at 55p/share when it joined AIM.

Surface Transforms secures funding for new capacity

Ceramic brake technology *www.surfacetransforms.com*

SURFACE TRANSFORMS (SCE)			11.125p
12 MONTH CHANGE %	-71.8	MARKET CAP £M	39.2

Surface Transforms has been on AIM more than 21 years, having switched from Ofex (now Aquis Stock Exchange) on 24 September 2002. The company has been developing ceramic brake technology all that time and it is finally on the brink of generating significant revenues from large contract wins. The latest fundraising, albeit at a low share price, and debt facility should provide enough funds to take advantage of the contracts that have been won. Annual capacity is being increased to £150m by 2027.

The share price was hit when revenue guidance for 2023 was reduced to £8.6m, down from £13m. There were problems ramping up production in the second half and the improvement will not be completed until early next year. There is an order book worth £390m, so there is demand for the company's brake technology it just needs to show that it can fulfil the orders.

A placing and open offer at 10p/share was launched after the trading statement. There was a 137% take-up of the open offer, and the board accepted all the applications raising £2.74m. A total of £11m was raised. The company has also secured a £13.2m loan facility. This will help to fund working capital and initial investment until Surface Transforms starts generating cash.

Surface Transforms joined AIM at 90p/share, and it was valued at £8.4m. The share price has rarely been near that level since then and there have been numerous fundraisings. There are reasons for optimism. Revenues could reach £25m in 2024, but the company would still be loss making.

EnergyPathways moves from standard list to AIM and seeks to develop Irish Sea gas asset

Gas project developer *www.energypathways.uk*

ENERGYPATHWAYS (EPP)			3.5p
12 MONTH CHANGE %	+40	MARKET CAP £M	5.4

Standard list shell Dial Square Investments switched to AIM when it completed the reverse takeover of **EnergyPathways**, which it changed its name to after the move. The original intention of the shell was to seek a sports management business, but instead it acquired a developer of UK gas assets. The acquisition took more than nine months to complete and cost £2.72m in shares at 4p each, while a placing at the same price raised £2m. The company was not large enough to gain readmission to the standard list because of a change in regulations.

EnergyPathways has a 100% interest in block 110/4a in Seaward licence P2490, which contains the Marram gas field in the UK Irish Sea Basin. The Marram field was discovered in 1993. The block is believed to include a ready to go development asset. This is near to existing infrastructure. The cash raised will fund initial field development before the drilling of wells.

First gas could be in 2025

Two subsea horizontal wells are planned, and first gas could be in 2025. Further licence applications have been made.

Pro forma net assets are £4.15m, including cash of £1.81m following the cash raised in the placing. The original standard list flotation raised £515,000 at 5p/share.

Former directors Lincoln Moore and Neil Cousins each received a transaction fee of £20,000 and they used it to acquire 500,000 shares each.

The shares had been suspended at 3.25p and they ended the first day of trading on AIM at 4.25p before falling below the placing price. More cash will be required to fund the drilling of the wells. Once gas production commences then the cash generated can be reinvested in other gas or renewable projects. There could also be potential for wind power and hydrogen storage reservoirs.

Gelion builds on its battery IP expertise

Battery technology *www.gelion.com*

GELION (GELN)			24.35p
12 MONTH CHANGE %	-52.3	MARKET CAP £M	33.1

Australia-based **Gelion** is a battery technology developer that is focusing on lithium-sulfur and zinc-based technologies. Gelion has put together an impressive range of IP for lithium-sulfur batteries. It purchased the University of Sydney and Johnson Matthey battery IPs and acquired lithium-sulfur battery company OXLiD Ltd for up to £4.2m. This deal provides lithium metal anode technology as well as existing silicon anode technology. There are uses in stationary, automotive and aerospace batteries.

Prototype validation should be in 2024-25 and a 30kWh capacity manufacturing facility is planned for 2025. Gelion intends to pursue development of the lithium-sulfur technology via licence partnerships and joint development agreements. It has signed a joint development agreement with US silicon oxide anode developer Ionblox to develop lithium-silicon sulfur cells.

Gelion plans to validate the zinc battery technology in the first quarter of 2024. This is a relatively smaller market, but it is still substantial. The initial focus is the Australian standalone power systems market.

In the year to June 2023, Gelion generated income of £2.05m, which was mainly Australian R&D tax incentives. Excluding listing costs, the loss increased from £4.5m to £7.4m. The cash outflow from operating activities was £6m. There was £7.27m in cash at the end of June 2023. Since then, Gelion raised £4 million through a placing at 24p/share and a retail offer at the same price raised £60,000. That helped pay for OXLiD. Cost savings are being made. There should be £2.2m of cash left by the end of June 2024.

Mind Gym slumps into loss, but it is likely to return to profit next year

Learning services *www.themindgym.com*

MIND GYM (MIND)			39p
12 MONTH CHANGE %	-54.1	MARKET CAP £M	39.1

Learning and development products and services provider **Mind Gym** had already warned that clients were delaying hires and related spending so the decline in interim revenues was expected. Longer-term, there is a total addressable human capital management market valued at more than £20bn. This is a highly fragmented market.

In the six months to September 2023, revenues fell from £26.8m to £20.9m and US revenues slipped by one-third. Mind Gym fell into loss, having only moved into profit the previous year. Annualised costs have been cut by £8m, with £3m of those savings coming through in the second half.

Full year revenues are forecast to slide from £55m to £48m, suggesting most of the decline has already happened, while a loss of £2.5m is expected. The company is likely to have net debt by March 2024, but it should return to a net cash position next year.

Costs have been cut by £8m

There has been more than £20m of investment in digital products and this will be an increasingly important source of income. The SaaS-based Performa coaching app is being broadened to cover more things, such as diagnostics.

Mind Gym has good prospects as an independent business, despite the recent setback, and alternatively, it would be an attractive target for a larger consultancy that wanted to increase exposure to the sector. However, directors own nearly two-thirds of Mind Gym so they would have to be persuaded by any potential bidder and they are confident in the long-term potential for the company.

The share price is not far from its all-time low. Cost savings should enable a return to profit with £2.8m forecast for 2024-25, providing a prospective multiple of 18. Christopher Ellehaus is joining the board as chief executive designate and that will enable founder Octavius Black to take a more strategic role as executive chair.

TPXimpact restructuring paying off

Digital services *www.tpximpact.com*

TPXIMPACT (TPX)			42.5p
12 MONTH CHANGE %	-26.5	MARKET CAP £M	39.2

Digital transformation services provider **TPXimpact** has gone through some turbulent times, but it appears to be on course for a significant recovery. Non-core activities have been sold and the remaining operations are being made more efficient so that margins improve. Larger, multi-year government contracts are being won and two particularly big ones have already started.

In the first half, like-for-like revenues were 22% higher at £41.6m and the underlying pre-tax profit was £600,000. That excludes a goodwill write-down of £5.56m.

In October, year-on-year revenues were 42% higher and the order book covers around 90% of the forecast full year revenues of £82.9m. The forecast pre-tax profit is £2m. Net debt should fall to £11.3m.

More permanent staff have been taken on and that has reduced contractor costs. TPXimpact grew through acquisitions, and these are being integrated and the number of offices reduced. There is an adjusted EBITDA margin target of 10-12% for 2025-26, compared with less than 5% in the six months to September 2023.

There is a danger that a General Election could hamper short-term progress next year. For the year to March 2025, forecast revenues are £93.3m and higher margins mean that pre-tax profit could jump to £5.5m. Even if there is disruption, the trend is clear. The UK government will want to continue to improve efficiency and reduce costs. The 2024-25 prospective multiple is nine. There should be further opportunities to improve margins and profit.

Steady dividend growth from family-led Dewhurst

Lift and rail components *www.dewhurst-group.com*

Dividend

Dewhurst has two classes of shares – ordinary and A – and in the past the dividends have differed between classes. Since the year to September 2014, the payments have been the same. Dewhurst paid an unchanged dividend of 13p/share in 2019-20 and it has grown since then. The latest final dividend is 11p/share – the ex-dividend date is 18 January – taking the total for the year to 15p/share.

Next year, the dividend is expected to rise to 16p/share and that would be covered 4.5 times by forecast earnings. Net cash is forecast to rise from £24.4m to £29m by the end of September 2024.

Business

Dewhurst was founded in 1919 and it supplies components for lifts, keypads and rail to some of the larger companies in these sectors. It is still a family-led business, and the three largest shareholders are all Dewhursts and they own more than 35% of the voting shares. The main facility is near London. Dewhurst is an international business with operations in Hungary, North America and Australasia.

Originally listed on the Main Market, Dewhurst switched to AIM on 22 February 2006. Since then, the A shares have risen by 201% and the ordinary by 207%, although the ordinary shares did reach 2710p during 2021, which is more than treble their current level. In contrast, the highest the A share price got was 875p.

The company has continued to grow steadily over the years and maintained a cash rich balance sheet that can fund any investment required by the business. Last June, Dewhurst acquired the exclusive rights to the E-Motive brand and range of displays and position indicators. E-Motive has been supplying lift displays for three decades. This extends the range of branded products that the company can supply. The displays are being manufactured in Singapore. The initial payment for the assets was £400,000 and the second payment of £400,000 is in January 2024.

DEWHURST GROUP (DWHT)	
Price (p)	750
Market cap £m	52
Historical yield	2%
Prospective yield	2.1%

In the year to September 2023, revenues edged up from £57.6m to £57.9m, while pre-tax profit dipped from £8.7m to £8.1m. Destocking by keypads clients offset growth in other sectors. Cost increases hit margins. The current year has started well.

Singer forecasts a small improvement in pre-tax profit to £8.4m this year. That equates to less than eleven times prospective earnings, or eight times the A share price of 575p. The yield on the A shares is 2.7%.

A drawback of both the ordinary and the A shares is that there is a lack of liquidity with no trading on many days and a small number of shares traded on some others. The bid/offer spread for the ordinary shares is 700p/800p, whereas it tends to be 50p for the A shares. Dewhurst has a strong track record, but the share price has had a good run and could be volatile if there is buying interest.

Dividend news

Trading has not gone to plan but **Hargreaves Services** is able to offer an enhanced dividend. The core services operations are doing better than expected. Reduced commodity prices and a slowdown in the German economy have hit the performance of German associate company HRMS, which is expected to make a first half loss. The flipside of the HRMS underperformance is that working capital is unwinding and cash generation has strengthened, and it will pay £7m/year to Hargreaves Services. That enables Hargreaves Services to pay an annual dividend of 36p/share, compared with previous expectations of 21.9p/share. This will be paid in two equal instalments.

Dispute resolution services provider **Driver Group** moved back into profit in the year to September 2023, mainly due to improved gross margins. The £1.1m pre-tax profit was still lower than the £2m reported for 2020-21. The cost base has been reduced and additional projects have been won. Net cash is £5.8m. The final dividend is 0.75p/share, taking the total for the year to 1.5p/share, and there is around £1m of surplus capital that can be used for share buy backs. The core businesses will be rebranded Diales and there are plans to move into other sectors, such as aerospace and IT.

Optical and laser equipment manufacturer **Gooch & Housego** slightly beat profit expectations for the year to September 2023. The total dividend was raised from 12.6p/share to 13p/share, which was covered 2.4 times by earnings. Net debt was £20.9m at the end of September 2023. Industrial demand remains strong, while destocking held back the life sciences profit contribution. The aerospace and defence division continues to lose money and turning this around will boost group profitability. Improving group margins should help pre-tax profit increase from £9.6m to £12.5m this year and the dividend could rise to 13.4p/share.

Expert view: Registrars

Will the proposed public market of the future serve the public any better?

By Hardeep Tamana

Just before the Christmas break, the FCA published its latest consultation paper following on from the listing reform process which was first proposed back in May 2023. Badged as being the most far-reaching set of reforms seen for the industry in more than 30 years, this serves as the latest reminder that the need to reinvigorate London as a global capital markets venue is being take seriously.

Not only does the City want to hang onto the mantle of being a listing venue of choice, but there's also clear concern as to the impact the current state of affairs is having on the extensive professional services industry that exists to support and maintain the wider capital market structure.

Initial reaction to the consultation seemingly focused on the headline points and how without doubt this contained elements that would have the potential to level the playing field, ensuring the London doesn't have adversely higher barriers to entry than competing markets. There were however two notable sub-texts contained in this latest update.

Indexation…

The first covered the topic of indexation, something that recently attracted the wrath of Elon Musk who bemoaned that the process had gone too far, with passive investment theories removing incentives for risk taking amongst asset owners. The FCA's proposals here are somewhat more nuanced although could still offer hope for companies on the AIM Index, depending on the relevant inclusion criteria.

Critically, if the market moves to compensate for protections which are no longer offered under the revised listing regime, index providers who previously demanded – for example - that an issuer maintained a premium market listing to qualify, may see junior market participants swept into scope.

> Is a potentially lower level of regulation something worth accepting to bolster the attractiveness of London as a listing venue?
> Index providers would need to reconsider appropriate criteria for determining constituents

Under the proposed listing regime, it has been noted that index providers would need to reconsider appropriate criteria for determining constituents of a particular cohort, although it is unclear at this time how indexation may actually work under the proposed reforms. Further clarity on the subject will be vital for both issuers and investors alike, but it's difficult to see the downside for established smaller companies here.

Where it leaves retail investors

The idea of driving greater retail ownership of direct UK equities has also been touted as a key way of bolstering lacklustre demand for London listed stocks, but do these listing reforms help? At a time when this group could benefit from the remaining sale of the taxpayer's stake in Nat West Group, direct ownership of shares could be popular theme in 2024 but with these reforms also seeing a relaxation in reporting and voting requirements, the question this exposes is whether retail investors are better served by any changes here? Or does this simply pave the way for a greater focus to be applied to collective investments.

There's certainly room to argue that for the vast majority of retail investors, their longer term savings needs can be better catered for by using a combination of existing investment vehicles, allowing a regulated third party to take charge of a degree of due diligence and also present a risk-appropriate set of opportunities in return.

The question would have to be, is a potentially lower level of regulation something worth accepting to bolster the attractiveness of London as a listing venue? If it is indeed the key driver as to why the UK market is losing out to overseas competitors then it's difficult to argue against, but this will need to be offset against the inevitable criticism that investing has become less democratic as a result.

Change for the listing regime in London seems overdue and inevitably there will be some objections, but levelling the playing field should be a key motivator for all. Some points of the suggested reforms will be quite blunt and others more nuanced, but at Avenir we are keeping abreast of the evolving process and believe we are well positioned to offer the flexibility necessary to assist issuers when it comes to adapting to the new normal.

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

Another tough year for AIM

AIM had another poor year in 2023, but there are initial signs of positive momentum. Liquidity continues to decline, though.

The number of AIM companies continues to decline, and it has dropped below 760. That is the lowest number since 2024. There has been a lack of new companies joining AIM and the number of cancellations accelerated in the second half of 2023.

There were no new admissions in October and November. During December, EnergyPathways switched from the standard list after reversing into Dial Square Investments and wine maker Chapel Down Group was introduced from the Aquis Stock Exchange. That takes the number of new admissions in 2023 to 14 and they raised around £57m. The previous year £135.5m was raised by 19 companies and in 2021 £1.85bn was raised by 87 companies.

That is the lowest amount raised by new AIM admissions in any year. In less than seven months in 1995 there was £71.2m raised.

Money raised by existing companies was also much lower last year. The final figure will be slightly more than £1.5bn, down from £2.36bn in 2022. That is the lowest amount raised by existing companies since 2002. There were 704 companies on AIM at the end of 2002 and they raised £975.8m.

Many of those companies raising money had to stomach a large discount to the market price, although some managed to issue shares at a premium.

The average number of daily bargains is set to fall below 40,000 in 2023 – the lowest since 2016

Money raised by existing companies was also well down last year

Performance

The total return of the FTSE AIM All Share index was -6.4%, while the figure for the FTSE AIM 100 index was -4.6%. The FTSE AIM UK 50 index of the largest UK based companies slipped 7.1%.

A raft of takeovers was not enough to offset the general decline in AIM. This followed a negative total return of more than 30% in 2022. In the past, there has generally been a bounce back the following year when there has been such a significant decline. There were indications that this was starting to happen at the end of the year.

Over the fourth quarter the total return for AIM was 5.7%, with the AIM 100 and AIM 50 gaining 7.9% and 7.3% respectively.

The longer-term record still does not look good. AIM average total return over a five-year period is -1% per annum.

Liquidity

By the end of November 2023, there were 9.28 million trades in the year, which were valued at £46.7bn. At the same time last year, the number of trades was 13.65 million and their value was £63.1bn. For 2022 as a whole the number of trades was 14.4 million and the total value was £66.6bn.

To put that in perspective, the record number of annual trades was 20.3 million in 2021 and 2022 was the third highest figure. The total value in 2022 was the fifth highest.

The average number of daily bargains is set to fall below 40,000 in 2023, which is around 50% of the 2021 figure. This will be the lowest daily average since 2016. The average daily value of £201.4m is also the lowest since 2016.

There were more companies quoted on AIM in 2016. During 2023, there was an average number of trades per AIM company of just over 12,000, compared with just over 8,000 trades per AIM company in 2016.

Sectors

There were some positive performances among the AIM subsectors. Five made gains during the year.

Travel and leisure was the best performer on the back of a recovery in the share price of airline and tour operator Jet2, which rose by 30% in 2023. This company dominates the subsector. An improved Burford Capital share price boosted the financial services sector.

Not even the strong share price increase for Yellow Cake, which has one of the highest weightings in the AIM All Share and AIM 100, could stop the basic resources sector from being one of the worst performers. Yellow Cake has been benefiting from the rising uranium price. There is limited supply and demand is increasing.

Oil and gas companies Kistos and Pantheon Resources, plus electrolyser developer ITM Power, have all slumped in the past year making the energy sector one of the worst performers last year.

In the fourth quarter there were eleven subsectors in positive territory. Four of the five subsectors that rose during 2023 were also higher in the fourth quarter. The food and drink sector slipped in the fourth quarter.

One of the biggest turnarounds is Media. This was 3.5% lower in the year, but 30.8% ahead in the fourth quarter. Marketing services provider Next 15 is recovering but the share price is still much lower than at the start of the year.

During December data analysis company GlobalData, which is one of the largest companies on AIM, agreed the sale of a 40% stake in its healthcare division to Inflexion and it expects to receive £434m from the deal. This moves GlobalData into net cash and indicated the undervaluation of the group. Singer has increased its target price from 178p/share to 231p/share. The share price rose 30% in December.

There was also a big turnaround in the property sector, which was slightly lower in 2023, but improved 21.5% in the fourth quarter. Interest rates have a major effect on the performance of property shares and by the end of the year there were signs that interest rates may have at least peaked and could reduce in 2024. The recovery in the share price of self-storage sites operator Lok'nStore has propelled the improvement in the fourth quarter.

Prospects

The recent QCA survey indicated that smaller companies had become more pessimistic about prospects, although that was before the improvement in AIM in recent weeks.

If the recovery continues then confidence should return, and AIM will become more attractive to new companies. There are companies that want to float on AIM, such as MicroSalt, Logic, Green House Capital and Venus Minerals.

The recent takeover activity has gone to show that there is value on AIM. As more investors start to recognise this it will spark more interest in seeking out further value in AIM shares.

AIM SECTOR PERFORMANCE IN 2023

SECTORS	% CHANGE 2023	% CHANGE Q4 2023	NUMBER OF COMPANIES
STravel and leisure	27.5	14.3	23
Financial services	17.1	7.4	57
Construction	5.3	4.7	19
Food and drink	1.7	-1.4	12
Retailers	1.4	7	14
Property	-0.2	21.5	8
Industrials	-2.7	9.7	100
Media	-3.5	30.8	24
Personal care	-4.5	8.6	5
Telecoms	-8	-0.5	12
Utilities	-8.4	6.2	5
Basic resources	-11.3	-1.9	101
Healthcare	-12.3	0.4	73
Technology	-16.1	6.9	86
Energy	-29	-6.1	79
Consumer products	-33.1	-1.5	25
Chemicals	-48	-25	9
Insurance	-48.9	-37.5	3
Automobiles and parts	-67	-53.1	4
Market measures			
AIM All Share	-8.1		
AIM UK 50	-9.5		
AIM 100	-6.7		

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	25.2	15.9
Industrials	20.2	17.2
Financials	11.9	10.6
Health Care	11.1	10.4
Technology	10.9	12.5
Basic materials	8.7	15.5
Energy	6.6	10.9
Telecoms	1.8	1.8
Property	1.7	2.2
Utilities	1.7	0.8

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	763.32	-8.2
FTSE AIM 50	4044.52	-9.5
FTSE AIM 100	3703.45	-6.7
FTSE Fledgling	10945.4	-5.5
FTSE Small Cap	6425.03	+3
FTSE All-Share	4232.01	+3.9
FTSE 100	7733.24	+3.8

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	77
£5m-£10m	97
£10m-£25m	102
£25m-£50m	96
£50m-£100m	156
£100m-£250m	92
£250m+	140

KEY AIM STATISTICS

Total number of AIM	760
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£74.5bn
Total of new money raised	£134bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£86.1bn
Share turnover value (Nov 2023)	£46.7bn
Number of bargains (Nov 2023)	9.24m
Shares traded (Nov 2023)	686bn
Transfers to the official list	202

TOP 5 RISERS OVER 30 DAYS

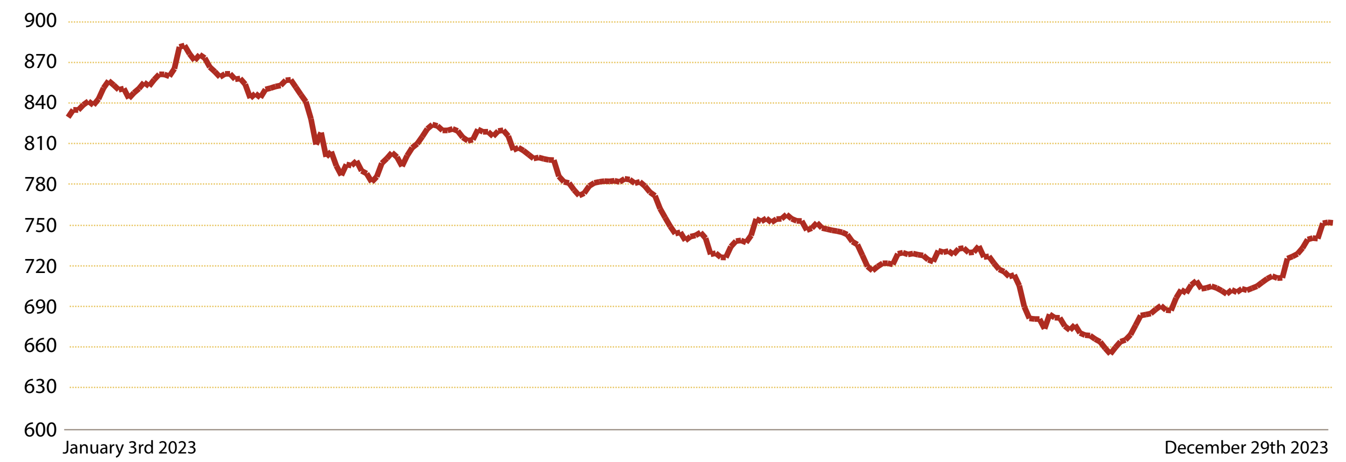
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Cornerstone FS	Financials	23	+95.7
Adams	Financials	5.5	+83.3
Condor Gold	Mining	25.5	+82.1
Smartspace Software	Software	70	+81.8
System1	Media	295	+68.6

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Helium One Global	Mining	0.2525	-91.4
Sondrel	Technology	4.85	-63.4
Future Metals	Mining	1.525	-54.5
RUA Life Sciences	Healthcare	9.85	-52.6
LungLife AI	Healthcare	46	-48.3

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st December 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 £134bn 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 in the FTSE 100 that started on AIM include online gaming operator GVC, engineer Melrose Industries and student accommodation developer Unite Group. Healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, and online gaming technology developer Playtech are FTSE 250 index constituents.

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