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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

New admissions secure funding

Two companies are joining AIM in early April. European Green Transition is seeking to build up a portfolio of mining and processing projects that can help to progress the move to cleaner energy in Europe. Helix Exploration is a helium exploration company. Both companies have successfully raised money despite the tough stockmarket conditions.

European Green Transition has already been identifying potential investments and the core asset is the Olserum rare earth element project in Sweden. There are other projects at various stages in the pipeline and management will focus on securing these and finding additional opportunities. The company will develop the assets it acquires but it will sell them well before they go into production. A placing raised £6.45m at 10p/share and values the company at £14.4m.

Helix Exploration was originally seeking to raise £3m-£5m but ended up raising £7.5m because of the significant demand. That will value the company at nearly £12m. The chairman David Minchin is the ex-chief executive of Helium One Global, which also proved popular when it reversed into an AIM shell – although it has had its ups and downs since. The attraction is that helium remains in short supply. Helix Exploration has a set of leases in a part of Montana that is known for helium.

AB Dynamics US expansion

Automotive testing and simulation products and services provider AB Dynamics has increased its exposure to automotive testing services in North America by acquiring Michigan-based Venshure Test Services for up to £23.6m, with an initial cash payment of £11.8m. The acquisition increases exposure to the electric vehicle market and could be earnings enhancing in the current financial year.

The two founders are staying with the business, which was started in 1990. The contingent consideration will be paid in two tranches depending on the achievement of performance criteria.

In 2023, VTS had revenues of $3.5m, up from $2.4m, and made a near-doubled operating profit of $1.5m. In the remaining five months of the year to September 2024, VTS is forecast to contribute an operating profit of $700,000.

VTS has a testing facility near to Detroit and services include the assessment of electric vehicle powertrain and battery performance over varying climatic conditions. AB Dynamics already has a track testing business in California, so the laboratory-based testing fits well with that business. There could be a replication of the services offered in each location.

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AIM companies seeking to exit

There has been a raft of companies announcing plans to leave AIM in the past month. It appears that some companies are losing patience with the junior market, but this is not necessarily a bad sign for the prospects of AIM.

Oil and gas company Molecular Energies, antimicrobial technology developer Byotrol, drug discovery company C4X Discovery, Redx Pharma and cloud telephony services provider LoopUp are seeking shareholder approval for their departures. They all say there is a lack of liquidity, and it is difficult for them to raise cash on AIM – although most previously raised large amounts. Molecular Energies is no longer spinning off green technology investment company Green House Capital as a separate AIM company. Infrastructure India is leaving as part of plans to wind-up the company.

There were 54 companies that chose to cancel their AIM quotation in 2008 and this rose to 111 in 2009, which was the peak. That was two-fifths of the companies that left AIM that year. The following year 47 companies chose to leave, which was still nearly 30% of the leavers and much more than any other reason.

The FTSE AIM All Share index reached its low during March 2009, while the long-term upward trend started in the summer of 2009. The exodus from AIM continued despite the upturn.

There were 17 companies that chose to leave AIM in 2023, but that was well below the 30 that were taken over. The recent low of the FTSE AIM All Share was last October. Although the trend for the index is still not positive it appears to be flattening out.

Vet market review

The Competition and Markets Authority (CMA) has concerns about the veterinary market following an initial review. It has made a provisional decision to launch a formal market investigation. The concerns brought up in the review include lack of information for consumers to make the best decisions, weak competition in some local areas and the actions of large groups like vet practices operator CVS Group. The CMA believes that the current regulatory framework is out of date. A package of possible remedies has been suggested by CVS Group and its peers and they believe these could be implemented more quickly than an 18-month investigation. The CVS Group share price fell by one-third to 975p in March.

Bidders still seeking out AIM takeover bargains

The takeovers of AIM companies continue as buyers pick out undervalued businesses. This includes wealth management company Mattioli Woods, which has an excellent growth record in nearly two decades as an AIM-quoted company.

The board of Mattioli Woods is recommending an 804p/share bid from a company owned by fully listed alternative investment management company Pollen Street Capital. That values Mattioli Woods at £432m and shareholders will still receive the interim dividend of 9p/share. Pollen Street Capital believes it can provide the capital to enable Mattioli Woods to grow more quickly.

The 2023-24 prospective multiple at the bid price is less than 17, falling below 15 the following year. When it joined AIM in November 2005 at 132p/share Mattioli Woods was valued at £22.5m. The share price reached a high of 892.5p near the end of 2021.

Portuguese pulp and paper company Navigator Paper has made a recommended bid of 38p/share for tissue paper products supplier Accrol. That values the company at £127.5m. Accrol floated on AIM on 10 June 2016 when it raised £43.3m at 100p/share.

Navigator Paper is listed on Euronext Lisbon and is one of the largest paper companies in the world. It moved into the tissue paper market in 2014 and it has made two previous acquisitions and built a new plant in Portugal. It has capacity of 165,000 tons of tissue paper and 180,000 tonnes of converting capacity. The enlarged group will have annual sales of approximately £500m.

A 90p/share bid for SmartSpace Software was finally confirmed last month. The bid approach for the smart building technology company from Sign In Solutions Inc was revealed earlier this year and a rival bidder pulled out. This recommended offer values SmartSpace Software at £28.4m.

Winterflood plans cost savings

Market maker Winterflood is making cost savings due to the reduced level of trading in AIM and other smaller companies shares. It plans to reduce fixed costs by 5% in 2025.

Winterflood moved from a £2.4m profit to a £2.6m loss in the latest interims. Operating income fell from £39m to £34.2m – trading income fell 19%. There were one-off relocation costs. The average number of bargains each day fell from 61,000 to 52,000. Even so, there were only three loss making trading days, against one in the same period last year. Assets and liabilities were higher at the end of the period because of higher trading levels.

Assets under administration at Winterflood Business Services were 11% higher at £13.8m. Income generated was 24% higher at £7.8m, helping to offset the lower market making income. The plan is to grow assets under administration to £20bn by 2026.

Winterflood is run separately from the rest of the Close Brothers businesses, so it should not be hampered by any potential payouts due to mis-selling of motor finance.

■ Strong second half trading at **Cavendish Financial**, former from the merger of finnCap and Cenkos, meant that full year pro forma revenues grew from £50.5m to £54m. Private and public M&A activity was buoyant. There was cash of £20.8m at the end of March 2024. Annualised savings of £7m have been made with more to come.

■ **Peel Hunt** says full year revenues will improve from £82.3m to £85.5m, thanks to higher M&A income, but it will make a loss. RetailBook has raised outside finance and will be operated independently of Peel Hunt. The full year results will be published on 13 June. Market trading volumes remain low. Management says that the sentiment towards new market admissions is improving.

■ **Scancell** officially announced on 28 March that it had appointed WG Partners as joint broker on 3 October 2023. The cancer treatments developer first included WG Partners as its joint broker on the contacts at the bottom of an announcement on 17 January.

ADVISER CHANGES - MARCH 2024

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Vertu Motors	Stifel Nicolaus	Zeus	Stifel Nicolaus	Zeus	3/1/2024
Arc Minerals	WH Ireland	WH Ireland / SP Angel	WH Ireland	SP Angel	3/4/2024
Cornerstone FS	Shore	Shore	Shore	Spark	3/4/2024
Cornish Metals	Cavendish / SP Angel	SP Angel / Hannam	SP Angel	SP Angel	3/5/2024
Cake Box	Shore	Shore / Liberum	Shore	Shore	3/7/2024
SigmaRoc	Deutsche Numis / Liberum / Peel Hunt	Liberum / Peel Hunt	Liberum	Liberum	3/7/2024
EnergyPathways	SP Angel / Optiva / Global Investment Strategy	Optiva / Global Investment Strategy	Cairn	Cairn	3/8/2024
Tracsis	Berenberg / Cavendish	Cavendish	Cavendish	Cavendish	3/11/2024
Alien Metals	WH Ireland	WH Ireland / Turner Pope	Strand Hanson	Beaumont Cornish	3/15/2024
Brickability	Peel Hunt	Cavendish	Peel Hunt	Cavendish	3/18/2024
Orcadian Energy	Zeus / Novum	WH Ireland	Zeus	WH Ireland	3/18/2024
Sovereign Metals	Stifel Nicolaus / SP Angel / Berenberg	SP Angel / Berenberg	SP Angel	SP Angel	3/19/2024
EnSilica	Singer / Allenby	Allenby	Allenby	Allenby	3/20/2024
Sound Energy	Zeus	SP Angel	Cavendish	Cavendish	3/25/2024
Echo Energy	WH Ireland	Zeus	WH Ireland	Cavendish	3/27/2024
Scancell	WG Partners / Stifel Nicolaus / Panmure Gordon	Stifel Nicolaus / Panmure Gordon	Stifel Nicolaus	Stifel Nicolaus	3/28/2024

Michelmersh Brick outperforms in a sharply declining housebuilding market

Bricks manufacturer *www.mbhplc.co.uk*

Michelmersh Brick has coped with the downturn in the construction sector better than most. This is because of the specialist nature of the bricks it manufactures. In 2023, revenues were 13% ahead at £77.3m with organic growth of 1%. Prices were increased, but volumes fell by 10%. That is not bad considering a 30% decline in the new build residential market. Underlying pre-tax profit improved from £12.5m to £13.8m. The full year dividend was raised by 6% to 4.5p/share.

Fabricated brick components company Fabspeed made a full contribution last year. The business has been integrated and management is focusing on opportunities to combine

Volumes fell by 10%

these products with the existing clay bricks businesses. There is a complementary customer base. The closed brick making facility at Charnwood is being used to expand the capacity of Fabspeed. Vacant space at the Carlton plant could also be used.

Joint chief executive Frank Hanna has left to become boss of fellow AIM company Brickability, a distributor of bricks. He owns 591,000 shares. Peter Sharp has become sole chief executive.

The UK still requires more homes to be built and construction levels were particularly low late last year.

MICHELMERSH BRICK (MBH)			99.5p
12 MONTH CHANGE %	+7.6	MARKET CAP £M	93.2

UK brick consumption fell from 2.5 billion to 1.7 billion in 2023 – 1.3 billion of these bricks were made in the UK. Brick stocks were at a five year high of 550 million.

More than three-quarters of energy requirements for 2024 have been hedged. Investec forecasts a decline in pre-tax profit to £11.3m this year. Net cash is expected to rise to £15m by the end of 2024. The dividend could be edged up to 4.6p/share, providing a yield of 4.6%. The shares are trading on ten times prospective 2024 earnings with scope for recovery next year.

Nexus Infrastructure ready for market upturn

Housebuilding infrastructure services *www.nexus-infrastructure.com*

Building infrastructure services provider **Nexus Infrastructure** is focusing on the Tamdown civil engineering business following the disposal of TriConnex and eSmart Networks for £77.7m. Trading was tough for the continuing operations last year because of the weak housebuilding sector. Nexus Infrastructure was also hit by the administration of ilke Homes last June. There was a bad debt and the loss of expected turnover.

In the year to September 2023, the revenues from continuing operations slipped from £98.4m to £88.7m. Housebuilders reduced their budgets and postponed new projects. Even

NEXUS INFRASTRUCTURE (NEXS)			80.5p
12 MONTH CHANGE %	-52.2	MARKET CAP £M	7.3

stripping out exceptional costs, there was an increased loss.

There was still a total dividend of 3p/share for the year and management intends to have a progressive dividend policy. There was net cash of £14.6m at the end of September 2023.

Although the share price has halved over the past year, it should be noted that there was a £60.5m tender offer at 163p/share during the period using part of the proceeds from the disposals.

There are still benefits to come from cost savings and efficiency improvements made by the new management team. This should help to improve margins. The order book improved by 24% to £57.2m by the end of January and the company is seeking to broaden its potential customer base by moving into new sectors.

It is uncertain whether the company will return to profit this year. The strong balance sheet means that Nexus Infrastructure can weather the current trading conditions until they improve and seek out potential expansion opportunities.

Cancellation rates and costs reduced as profit recovers at Virgin Wines

Wines retailer *www.virginwines.co.uk*

Margins are recovering and new customer acquisition cost has fallen for **Virgin Wines**. The wine retailer cut warehouse picking costs by one-quarter and that helped to reduce overheads, which continue to be driven down.

In the six months to December 2023, revenues were 2% higher at £34.3m even though October was a poor month. Sales to consumers dominate, particularly through subscription schemes, but there are also sales to commercial organisations, such as Avanti, Moonpig and the WH Smith travel business. Pre-tax profit recovered from £90,000 to £1.06m.

Net cash was £11m at the end of 2023 – excluding WineBank customer deposits - and that should be higher by the end of June 2024.

There is scope for further recovery

There has been a reduction in the cancellation rate on the core WineBank subscription scheme from 17.8% to 16.8%. New customer recruitment remains tough, but there was a 22% increase in the new customer conversion rate. There were 41,000 new customers in the period, compared with 60,000 in the first half of the previous year. Cost per acquisition decreased by 14% to £17.50.

Virgin Wines has launched a new value-based brand called Warehouse Wines that generated £100,000 in revenues in the first two months. This is not a subscription service. Marketing is being ramped up and the benefits should start to come through in 2024-25.

VIRGIN WINES UK (VINO)			41.5p
12 MONTH CHANGE %	+5.1	MARKET CAP £M	23.2

Sales tend to be higher in the first half than in the second half. Even after a small downgrade in sales expectations, Liberum forecasts an improvement is underlying pre-tax profit from £300,000 to £1.5m. That is still relatively low with plenty of scope for further recovery. The shares are trading on 21 times prospective earnings, although this could fall to 16 next year if the recovery continues. The cash underpins the valuation with upside from the recovery as the economy improves.

Underlying value in casks at Artisanal Spirits

Whisky supplier *www.artisanal-spirits.com*

Scotch whisky supplier Artisanal Spirits Company is growing its revenues but remains loss-making and that could continue for the next three years. The sale of whisky casks indicates the underlying valuing in the casks in inventory and they are being used to raise funds to grow the business.

In 2023, revenues were 8% ahead at £23.5m, even though sales to China decreased. The main growth was in Europe. Cask sales raised £3.7m, which is 4.5 times net book value. The pre-exceptional loss increased from £1.4m to £2.9m, mainly due to higher finance costs.

ARTISANAL SPIRITS COMPANY (ART)			44p
12 MONTH CHANGE %	-53.7	MARKET CAP £M	31

Net debt was £22.8m at the end of 2020 and a new £15m debt facility has been provided by Ferovinium. This is based on 4.8 times net book value of casks. The loan to value ratio is 70%. That provides £14m of headroom. Net debt is expected to rise to £25.1m this year.

The inventory of more than 17,000 casks has a book value of £25.3m. That could have an underlying value of nearer £120m. The retail value is more than £480m.

Global membership reached 41,000 in 2023 with retention rates of 74%. Trading improved in the fourth quarter of 2023 and the new year has started well helped by a recovery in China. US-based Single Cask Nation was acquired in January. A flat loss is forecast for 2024 and that should reduce over the next two years to £800,000 in 2026. That should enable cash to be generated in 2026.

Norman Broadbent sets impressive growth target as it returns to profit

Executive search *www.normanboradbent.com*

Norman Broadbent is a well-known executive search brand that has been around for more than four decades. This is an international brand, and the current valuation does not represent the value of the brand now that it has returned to profitability. There has been a lack of growth in the period since Norman Broadbent reversed into Garner at the end of 2008, though. In 2009, the combined group generated revenues of £6.03m, while a restructuring of the business led to a loss of £3.48m.

The following year, revenues improved to £6.11m and there was a pre-tax profit of £176,000, excluding a disposal gain. These were tough trading times because of the credit crunch. Net fee income was similar to revenues.

2025 net fee income could be £15m

Revenues and net fee income have been volatile since then, but that is not a surprise for a recruitment business. However, the business was rarely profitable. In 2021, revenues were £6.5m and net fee income was £5.9m.

Kevin Davidson became chief executive in 2021 and he has grown the business since then. In 2023, revenues rose from £8.7m to £12.3m and net fee income was 44% higher at £10.6m. These are record figures for the group. There was a swing from a loss to a pre-tax profit of £309,000 – the highest since 2011. Net cash was £345,000 at the end of 2023.

NORMAN BROADBENT (NBB)			10.5p
12 MONTH CHANGE %	+100	MARKET CAP £M	6.7

Market conditions are not easy. Growth will come from the additional fee earners taken on. These are still building up their income.

The shares are trading on 15 times 2023 earnings and this multiple should reduce this year. Management is targeting net fee income of more than £15m by 2025, which could double pre-tax profit. This is an ambitious target, but it could be achievable.

Margin recovery boosts Mpac figures

Capital equipment supplier *www.mpac-group.com*

Food and healthcare packaging capital equipment supplier **Mpac Group** accelerated its recovery in the second half. The momentum continues and the order book is worth £72.5m. Services revenues continue to become more important, and they accounted for 28% of the total.

In 2023, revenues increased from £97.7m to £114.2m and margins recovered, although they remain well below the levels in the previous three years. Pre-tax profit doubled from £3.5m to £7.1m. This is after recruiting additional commercial personnel. Net cash was £2.1m at the end of 2023.

MPAC GROUP (MPAC)			455p
12 MONTH CHANGE %	+95.7	MARKET CAP £M	93.2

Mpac has supplied FREYR with the casting and unit cell assembly equipment to produce battery cells. This is for a customer qualification plant. As long as there are no problems, Mpac is in a strong position to supply the proposed giga factory in the US. AIM-quoted Ilika has also become a customer for the scale-up of the pilot production of its Goliath battery for electric vehicles. There are prospects with other battery developers.

There is also investment in new technology. A top loading robotic cartoner has been launched, which will help to add to the core customer base. Further extensions of the range of equipment are being developed.

A further recovery in margins is expected this year with forecast revenues of £120m generating an expected pre-tax profit of £10.5m. Mpac should also improve its net cash position. The shares are trading on 12 times prospective earnings. Longer-term, the battery technology sector provides additional growth potential. The aim is 10% organic growth excluding battery clients.

Public Policy Holding Company yields more than 10%

Public affairs *www.pphcompany.com*

Dividend

Public Policy Holding Company Inc joined AIM on 16 December 2021, and it started paying dividends for the 2022 financial year. The 2022 total dividend was 14 cents/share - a dividend of 13.5 cents/share was originally forecast - and it increased to 14.3 cents/share last year.

A steady increase in the dividend is expected with 14.6 cents/share forecast for 2024 and 14.9 cents/share in 2025. Without any acquisitions, the cash pile will increase because of the limited requirement for capital investment.

Business

Washington DC-based Public Policy Holding provides public affairs, crisis management and lobbying services in the US. The company raised £11.1m at 135p a share when it joined AIM.

The main focus is the US federal government. The combined revenues of the three lobbying businesses make the group the largest provider of federal lobbying services in the US. Forbes Tate Partners is in the top ten on its own.

Acquisitions are based on earn outs that require growth in the acquired business. The first acquisition after flotation was California-based KP Public Affairs in October 2022, which was earnings-enhancing. This gave the group exposure to the California market. The initial consideration was $11.4m with a maximum payment of up to $35m.

State and local government relations business Multistate Associates was acquired for an initial $22m in March 2023. It has operations in all 50 states and Canada.

Concordant Advisory was started last year to become an operating entity that integrates policy expertise and communications expertise. The Chicago-based business is building up its operations.

PUBLIC POLICY HOLDING COMPANY (PPHC)	
Price (p)	113.5
Market cap £m	130.9
Historical yield	10%
Prospective yield	10.2%

In 2023, revenues grew from $108.8m to $135m, while underlying pre-tax profit improved from $31.1m to $34m. A lower level of project business and investment in future growth held back margins. Operating cash flow was $21.6m and net cash was $3.4m at the end of the year after $15.8m paid in dividends.

The medium-term target is organic growth in revenues of 5%-10%. This will be supplemented by acquisitions. The company wants to expand outside of the US. Changing legislation in Europe provides opportunities. There are potential acquisitions under consideration and if they are in new markets that need to have enough scale to be a hub for expansion.

A pre-tax profit of $36.9m is forecast for 2024, including a full contribution from Multistate Associates, rising to $39.7m next year. Net cash could be $7.6m by the end of 2024. The final outcome will depend on acquisitions activity. It seems likely that there will be purchases over the next couple of years.

The prospective multiple is not much more than six. There is limited trading in the shares with some days no shares changing hands, but there is an attractive rating and yield.

Dividend news

Concrete levelling equipment supplier **Somero Enterprises** was hit by weak trading in North America last year and this could continue. Growth in other markets is helping to offset the decline, but revenues are forecast to be flat at $120.7m this year. That means that pre-tax profit may dip from $34.5m to $31.7m due to higher operating expenses. The dividend could decline from 30.6 cents/share to 27.7 cents/share. Additional capital investment will reduce net cash to below $32m. If interest rates do come down, then that should help to boost trading.

Energy optimisation and assurance services provider **Inspired** grew 2023 revenues 11% to £98.8m and pre-tax profit improved from £14m to £15.3m. The ESG operations moved into profit and were responsible for most of the improved group profit. Since 2020, these revenues have more than doubled each year. The dividend was raised from 2.7p/share to 2.9p/share. Shore forecasts a 2024 pre-tax profit of £18m, while the dividend could rise to 3.1p/share. That would be covered nearly 4.5 times by forecast earnings. There will be £10.6m of contingent consideration payable in 2024 and net debt is expected to edge up to £53.4m, but it should start to fall after that.

Oil palm plantations operator **MP Evans** reported a dip in revenues from $326.9m to $307.4m in 2023. That was due to lower palm oil prices and a weaker crop, although the second half crop was better. Pre-tax profit fell more sharply from $105.1m to $73.5m. Even so, the dividend was raised from 42.5p/share to 45p/share. The company moved into net debt, but it should return to net cash by the end of 2024. Pre-tax profit could recover to $75.2m, even if the palm oil price does not stay at the current higher level, with further increases to come as newer planted areas mature.

Expert view: Registrars

PISCES – a threat or opportunity for AIM?

By Hardeep Tamana

In recent months, momentum has been building towards the creation of PISCES – the Private Intermittent Securities and Capital Exchange System – as London's latest attempt to reinvigorate capital markets. Participants are set to benefit from elements of public markets such as multilateral trading, combined with aspects more commonly associated with private markets, enabling greater discretion over what company disclosures need to be made public.

Avenir Registrars is well positioned to offer issuers a cost-effective securities registry solution

That blend may jar with market purists, but given some comments suggesting that the current lack of activity has put London's equity markets on a trajectory to quickly realise backwater status, is this instead a timely opportunity to show genuine leadership and innovate?

The consultation period is open, and it is imperative that as many voices as possible are heard to ensure this initiative provides genuine choice

Opportunity

The answer here is quite possibly 'yes'. As whilst London's market malaise has been building for the last couple of years, the launch of PISCES is a relatively quick response to the London Stock Exchange's proposals for an intermittent trading venue. And even if we now move beyond the peak of this monetary policy tightening cycle, hoping that this shift alone will reinvigorate equity markets could be seen as overly optimistic.

But is the proposal too restrictive? PISCES only looks at secondary market activity and it doesn't take much digging to find a slew of companies listed on traditional public markets that have run into issues when seeking to raise primary capital.

It is certainly a point that is worth closer inspection, but can the existing channels to tap into new equity harness the potential here? And will investors have the confidence that the PISCES structure will have sufficient liquidity to facilitate an exit when necessary?

The fact this mechanism will be CREST settled is worthy of further discussion, although at first pass it means that securities exchanged via PISCES will have a suitably fluid structure that ought to not only facilitate the widest possible ownership structures, but also remove friction in the event that issuers elect to move between the private and public markets at some point in the future.

The CREST structure also means that at Avenir Registrars we are well positioned to offer issuers a cost-effective securities registry solution. A key reason that many will cite in lodging assets onto a private market is lowering the cost of maintaining a listing, so whilst a mechanism for recycling capital in privately held entities is much needed, a laser focus on overheads will be critical if the PISCES is to ultimately help the UK grow great businesses of tomorrow.

Support

Given the strength of support behind PISCES – including government ministers, HM Treasury and a slew of heavyweight City grandees – it's difficult to not see this process as something of a fait accompli. However, the consultation period is now open, and it is imperative that as many voices as possible are heard here to ensure this initiative serves to provide genuine choice. It is worth bearing in mind that there is a slew of alternative venues in London which have been doing brisk business, both in terms of fostering growth companies and providing a home for listed entities who need another, more appropriate, format.

If PISCES has a charging and reporting structure that ends up being little different to AIM, then the resulting dilution will be setting the proposal on a course for failure. Whilst innovation will have been achieved, it risks being undertaken in vain.

However, if the consultation process can truly ensure the innovators and FinTech challengers are sat around the table, then that arguably has true potential when it comes to reinvigorating London's position as a listing venue of choice.

The consultation closes on April 17th 2024, and can be viewed here bit.ly/4aKJZFX

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

Patience required for AIM gold companies

Does the Aim market still serve the interests of the gold-minded investor? These days, it's a moot point.

Gold continues to punch through record highs and is now well established at above US$2,200 an ounce.

But AIM's broad and varied stable of gold miners has been struggling to keep up. Shares in most of AIM's gold miners are down over the past 12 months. The question is: are they down and out, or is a rebound on the way?

After all, it wasn't always like this.

In previous booms the gold price has shot up, and still been comfortably outstripped in percentage terms by rising junior explorers and producers.

Indeed, right at the beginning of AIM's existence one of its earliest and biggest successes was Brancote Holdings, an exploration company with assets in Argentina that joined AIM on its first day and was subsequently sold for several hundred million dollars.

Following that deal, though, came a cautionary tale.

Brancote's investors got their money well and good, albeit mostly in scrip, but permitting issues meant the Esquel mine that they had parted with never went into production.

So, the hard realities of gold mining at the junior level have been with AIM from the start. For a time, they were subsumed by the Chinese boom and the corresponding dollar depreciation. The gold price soared away in the wake of the global financial crisis, and AIM's gold miners enjoyed an unexpected, but welcome, second wind.

> In previous booms the gold price has shot up and been outstripped in percentage terms by rising junior explorers and producers

More recent markets have been exceptionally tough. Greatland Gold has been the only really notable success, as an ongoing buyers' strike has lengthened into a kind of permanent avoidance of the mining sector by investors unwilling to forgive the major losses that the sector has inflicted on them in the past.

Instead, they are turning to new products like ETFs and bitcoin and show no signs of wanting to re-enter junior mining, no matter what the gold price does.

The cycle is surely broken.

Except, that is what always get said, just before the market turns.

In the parlance of mining investment, it is called "capitulation" - that moment when everyone finally gives up and admits that there's no hope that any good will ever come of investing in the sector again.

It is at that moment of capitulation that the bargains are at their best, and the biggest gains are to be made.

Because, so the thinking goes, the market always turns in the end, and when it does, those that are already in will be the big winners.

Speculative capital is out, froth is out, most retail is out, generalist funds are out. All that is left are the big-name specialists who really know what they're doing, like Evy Hambro's Blackrock, and the die-hard junior mining specialists who are keeping the faith no matter what.

Yes, they have the whitest knuckles. But they also stand to make the most money.

And in this context, anyone who is tempted back in can afford to be very choosy, both in terms of assets and in terms of valuation.

Of course, no two companies are the same, and the market itself has changed significantly over the past few years. Russians - like Highland and Trans-Siberian - are gone. And so are some of the bigger operators of old, like European Goldfields.

AIM gold miners

In some respects, we are into the second and third generations of AIM gold miners.

Alongside the new up-and-comers, though, some stalwart names remain.

Caledonia Mining has been transformed from a speculative storm-tossed ship - as Zimbabwe went through its tumultuous upheavals in the 2000s - into the respectable old man of AIM.

It has a long-established track record of dividend payment, a proven ability to expand production and undertake big projects, a certain ability to pace itself when it comes to cutting deals and, perhaps most important, the ability to survive in an uncertain world.

Shares in Caledonia are worth around four times as much as they were ten years ago, and around three times as much as they were twenty years ago.

> Caledonia Mining has been transformed from a speculative storm-tossed ship in Zimbabwe into the respectable old man of AIM

Not an overall outperformance of gold, perhaps, and more of an uncertain ride.

But on the other hand, Caledonia has long been a good provider of yield, continues to offer the prospect of real upside, and is run by management with plenty of experience of both the good and the bad.

Companies with similar resilience are few and far between, but there a couple.

Ariana Resources, for example, is similar in some respects.

Going back twenty years, the idea that Ariana might emerge as one of AIM's success stories would have seemed fanciful. But the company managed to joint venture with some pretty serious partners, to get its gold mines in Turkey into production in a meaningful way and lay out a path for further growth.

True, Ariana's shares have had their ups and downs – they're around double where they were a decade ago, but around an eighth of where they were two decades ago.

But from trough to recent peak (September 2020) you could have made around six times your money. The comparable number for Caledonia is nine times.

Actually, of course, the share price graphs do reflect each other, as many of the companies in the sector do.

Then there's Anglo Asian Mining.

Like Caledonia and Ariana, Anglo Asian has been able to survive the wider vagaries of the markets by virtue of its long-standing production, this time in Azerbaijan.

Its shares are lower than they were twenty years ago, but four times higher than they were ten years ago. From trough to peak in the intermediate period the canny investor could have made more than forty times his or her money, as the shares went from just over 4p in late 2014 to just over 160p in 2019.

> More recent markets have been exceptionally tough

It's returns like that that keep the specialist investors in the gold sector when everybody else has run for the hills.

But like a good poker player, you also have to be able to suck up your losses.

In Anglo Asian, the subsequent drop back to the current 60p has taken away some of the previous shine, but arguably has made the valuation correspond more closely to reality.

For some companies, though, the picture is far worse.

Hummingbird Resources is trading only a fraction of a penny off its all-time lows, in spite of extensive and well-established gold assets in West Africa.

Orosur Mining, another long-standing AIM stalwart, is in a similar position – touching all-time lows - despite recently cutting a value-accretive deal on a key asset.

Then there's Serabi Gold. On a one-year view, Serabi looks good. On a two-year view, respectable. On a five-year view, average at best, on a ten-year view poor, and don't even look at the twenty-year view.

Condor Gold is better, but not much.

Scotgold and Goldstone have gone into administration. Goldplat's always been a struggle.

ECR Minerals is doing good work on the ground in Australia but cannot even afford to pay its own people.

So much for the bad news.

Do the gold bugs have anything at all to be thankful for?

Well, Amaroq's up by around 50% since it listed in 2020.

Greatland continues to bounce around, but even at its lows trades so far above initial expectations that it will be a forever win, until it gets taken out.

Power Metal Resources has ploughed a lonely furrow as the market's only real prospect generator and may yet be rewarded by one or more of its spin-outs. It has already spun-out Golden Metal Resources on AIM.

And pure-play explorers like Panther Metals may yet deliver the next big Greatland-like win.

But even if it is true that we are at the bottom of the market for gold juniors, with an upswing heralded by the powerful gold price, it will still be a year or two before the good times start to roll.

The producers will move first, the explorers only later, as their valuations are always more speculative anyway. And it may be that a few more people yet have to capitulate before the momentum really arrives.

The expert AIM investors on Twitter are already preparing for the uptick. We will know soon enough whether they are right to do so.

Alastair Ford (Alastair@sofabarconsulting.com)

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	25.9	16.3
Industrials	21.2	17
Financials	11.4	10.5
Technology	11.4	12.5
Health Care	10.2	10.5
Basic materials	8.2	15.8
Energy	6.4	11.3
Telecoms	2.1	1.8
Property	1.7	1.1
Utilities	1.6	0.7

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	742.4	-8.2
FTSE AIM 50	3947.53	-8.6
FTSE AIM 100	3596.37	-7.1
FTSE Fledgling	10964.5	-2.8
FTSE Small Cap	6363.96	+4.4
FTSE All-Share	4324.53	+4.3
FTSE 100	7935.09	+4.2

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	133
£5m-£10m	95
£10m-£25m	140
£25m-£50m	103
£50m-£100m	97
£100m-£250m	96
£250m+	78

KEY AIM STATISTICS

Total number of AIM	742
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£76.1bn
Total of new money raised	£136.1bn
Total raised by new issues	£48.2bn
Total raised by secondary issues	£87.9bn
Share turnover value (Feb 2024)	£8.1bn
Number of bargains (Feb 2024)	1.64m
Shares traded (Feb 2024)	264.9bn
Transfers to the official list	202

TOP 5 RISERS OVER 30 DAYS

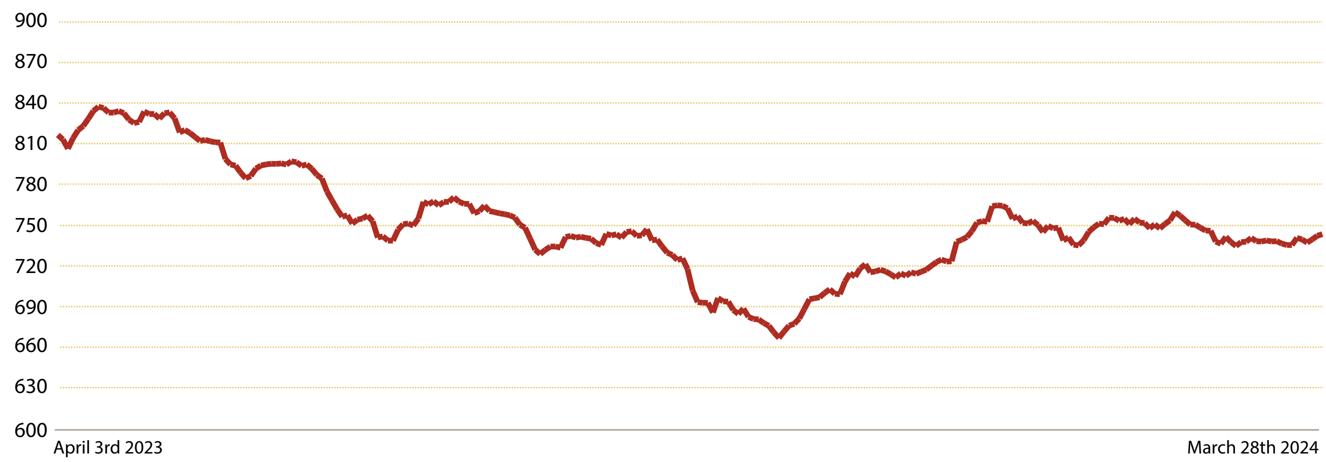
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
GCM Resources	Mining	7.75	+129
Roadside Real Estate	Property	8.2	+105
ImmuPharma	Healthcare	2.125	+96.8
Orosur Mining Inc	Mining	4.5	+91.5
Zephyr Energy	Oil and gas	4.2	+86.7

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Infrastructure India	Logistics	0.075	-85
Cap-XX	Technology	0.1	-76.9
Molecular Energies	Oil and gas	9.2	-74.5
Byotrol	Healthcare	0.1	-71.4
Sareum	Healthcare	10.3	-69.3

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 28th March 2024, 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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