NOVEMBER 2023

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Underperforming AIM 50

The FTSE AIM UK 50 index continues to underperform not just the Main Market, but also the other measures of AIM. So far this year, the AIM 50 has generated a negative return of 13.4%, compared with a 11.6% loss for the FTSE AIM 100 index and a 11.4% fall for the FTSE AIM All Share index. Over the past three months the AIM 50 has slipped by 5%, compared with a 3.2% decline for the AIM All Share.

In the past month, the share prices of the top five companies by market capitalisation in the AIM 50 all declined. At the end of the month, they still accounted for more than 28% of the weighting of the index. Mixer drinks supplier Fevertree Drinks fell 18% and it has the second highest weighting.

Data software provider FD Technologies was the worst performer in the index with a two-fifths slump in share price after it admitted that it expects a decrease in revenues in the year to February 2024 and not the increase previously expected. Underlying earnings are set to fall by around 10% to 31.6p/share. Investment in KX Systems software development and marketing is being accelerated to improve longer-term growth. Annual recurring revenues of £180m are targeted for KX software by 2025-26.

Sopheon agrees bid terms

Product management software supplier Sopheon has received a bid approach from IOps Buyer Inc, which is a subsidiary of Wellspring Worldwide Inc. The two companies have agreed in principle to a 1000p/share bid. That would value Sopheon at £106m. Due diligence has been completed and discussions are advanced.

Chicago-based Wellspring Worldwide provides software and data systems for managing technology transfer and intellectual property. It focuses on the academic, government and corporate markets. Sopheon's software reduces risk and accelerates the development of new products. Customers include Modelez International, 3M, DuPont, Electrolux and Christian Dior.

Last year, Sopheon won a five-year perpetual licence contract with the US navy worth $11.2m. Interim figures from Sopheon showed revenues increasing from $15.7m to $17m and Cavendish expects full year revenues of $38m, up from $36.8m. Most new business has been won on a SaaS basis. Full year pre-tax profit is forecast to decline from £2.7m to £1.3m before recovering to £3.3m in 2024. Net cash of $22.7m is forecast for the end of 2023.

Sopheon has been on AIM since 10 September 1996, when it was known as Polydoc. That makes it one of the longest serving companies left on the junior market.

In this issue

Gratomic powers up for AIM

Advanced materials projects developer Gratomic Inc (www.gratomic.ca) has graphite projects in Namibia, Brazil and Canada and it has appointed SP Angel as nominated adviser and broker ahead of joining AIM. The process is just beginning and a competent person's report on the projects is required. This means that the flotation will not be until early 2024. The shares are already quoted on the TSX-V market.

The flagship project is Aukam in Namibia, while Capim Grosso in Brazil requires further exploration to publish a feasibility study. The inferred mineral resource estimate for Capim Grosso is 466,670 tons of graphite. There are also potential projects near to Capim Grosso that are at an early stage of development. The Buckingham graphite project In Quebec is also at an earlier stage.

Aukam has produced graphite between 1940 and 1974 and there is local infrastructure. Commercial commissioning has begun, and the processing plant is being calibrated. High quality vein graphite has been shipped for testing as a potential anode material for batteries. There could be further news by the time of the flotation. A proposed joint venture with Graphex will help Gratomic to generate higher revenues from value added production of graphite for anodes.

Potential customers want to diversify the supply of graphite and demand will increase significantly. Gratomic is likely to be building up production at its projects as demand accelerates.

On TSX-V, Gratomic has a market capitalisation of C$40.1m at 20 cents/share. The share price has fallen by one-third since the beginning of 2023.

Equals choices

Foreign exchange and payments services provider Equals is conducting a strategic review of its business and has contacted businesses to assess whether it would be better to be acquired or remain independent. Business payments company Fleetcor Europe and private equity firm Madison Dearborn Partners are two potential acquirers. The board says it would prefer to remain independent and that current trading is in line with expectations. Canaccord Genuity upgraded its 2023 forecasts following the interims in September. The 2023 pre-tax profit forecast was raised from £17.4m to £19.5m. A maiden dividend of 0.5p/share will be paid following a capital reduction that created £25m of distributable reserves.

Belluscura builds cash pile to fund expansion

Belluscura has finalised the terms of the acquisition of the standard list cash shell TMT Acquisition, which will bring much needed cash to the portable oxygen concentrator devices developer. The revised offer is three Belluscura shares for every four TMT Acquisition shares. At a Belluscura share price of 28p, the offer values TMT Acquisition shares at 21p each and the company at £5.78m, compared with a recent cash balance of £4.7m.

Belluscura has already raised £2.72m from an issue of 10% unsecured convertible loan notes 2026, convertible at 40p/share, and £595,000 from a share placing at 32p/share. After the merger is completed Belluscura will have £8m of working capital available. This should be enough to get Belluscura to cash flow positive, which should happen next summer. The Belluscura share price has more than halved so far this year. In May 2023, a placing and retail offer raised £3.1m at 25p/share.

An exclusive licence agreement with InnoMax in China, which covers both the X-PLOR portable oxygen concentrator and the newer portable oxygen concentrator DISCOV-R, which should be launched next year. There will be minimum cumulative royalties totalling $27.5m for the first five years of the agreement. Belluscura has already received other orders for the DISCOV-R worth $15m. The portable oxygen concentrator market could grow from $1.63bn in 2022 to $2.76bn in 2026.

Following the interim figures in September, Dowgate increased its forecast loss for 2023, but the broker still expected Belluscura to generate cash from operating activities next year. The broker believes a pre-tax profit of £10.8m is possible in 2025. The additional funding from acquiring the cash shell will lead to adjustments to the forecasts when the deal is completed.

Brooks Macdonald cuts costs

Wealth management services provider **Brooks Macdonald** is reducing its staff numbers by 10% and has appointed investment bank Raymond James Financial Inc to advise on potential takeover interest in the company. Brooks Macdonald says funds under management were flat at £16.86bn in the first quarter of the latest financial year.

The restructuring will cost £3m, but will yield £4m of annualised cost savings. Technology investment has enabled the cuts in staff. Financial planning activities have been migrated to Intelliflo and Salesforce is used for client relationship management. This provides capacity for more business, even after the redundancies.

Equity Development has adjusted its forecasts. Underlying pre-tax profit – before restructuring charges - will still be £31.2m in the year to June 2024, up from £30.3m the previous year but still below the peak of £34.5m in 2021-22.

Next year's revenues have been trimmed by £3.8m to £130.4m, but the cost savings lead to a £200,000 increase in the pre-tax profit forecast to £33.5m. The dividend is expected to be maintained at 75p/share for the next two years.

At 1795p, the shares are trading on 13 times prospective 2024-25 earnings. By the end of June 2025, funds under management are forecast to be £20.3bn and net cash could reach £71.5m, even after paying the maintained dividend.

It is unclear if there have been any bid approaches for Brooks Macdonald. Financial adviser Raymond James Financial acquired Charles Stanley in 2022 and the Florida-based firm is already providing financial advice to Brooks Macdonald. Its remit has been widened to include defending any potential bid.

■ Fund manager **Premier Miton** has acquired Tellworth Investments for an initial £5.5m in cash and shares, but the final amount depends on assets under management on completion. The current figure is £559m. A further payment of up to £3m could become due if assets under management are up to £850m on the first anniversary. Profit before tax and members remuneration was £2.07m in 2022-23.

■ At the **WH Ireland** AGM, just over one-quarter of shares voted were against the third and fourth resolutions. The third resolution enables the directors to issue shares up to a nominal value of £786,620 and lasts until the end of September 2024. The fourth vote was on a special resolution allowing the issue up to 5% of the current share capital for cash, but that was not passed because it required at least 75% of the votes. The board will engage with shareholders about their concerns.

■ **Oberon Investments** chief executive Simon McGivern has sold 11.6 million shares and Joanna McGivern sold 650,000 shares at 3.6p each. Simon McGivern's family still holds 11.3% of the broker. Chairman Mike Cuthbert bought 140,000 shares at 3.6p each and finance director Galin Ganchev acquired an initial 138,888 shares at 3.6p/share.

Executive director Simon Mathiesen has left the board. He was appointed in November 2021, having joined Oberon Investments in March of the same year.

ADVISER CHANGES - OCTOBER 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Kooth	Stifel Nicolaus	Panmure Gordon / Stifel Nicolaus	Stifel Nicolaus	Panmure Gordon	10/2/2023
Coro Energy	Hybridan/WH Ireland	WH Ireland	Cavendish	Cavendish	10/5/2023
Europa Metals	Beaumont Cornish	WH Ireland	Beaumont Cornish	Strand Hanson	10/9/2023
Mpac	Liberum/Shore	Shore	Shore	Shore	10/12/2023
Conroy Gold and Natural Resources	Peterhouse	First Equity	Allenby	Allenby	10/20/2023
Supreme	Shore/Zeus	Berenberg	Shore	Grant Thornton	10/23/2023
Likewise	WH Ireland / Zeus / Ravenscroft	Zeus / Ravenscroft	Zeus	Zeus	10/26/2023

Award-winning Oxford Metrics spends part of its cash pile on Industrial Vision Systems

Sensing technology *www.oxfordmetrics.com*

Motion capture and smart sensing technology developer **Oxford Metrics**, which won the best technology award at the 2023 AIM awards, is using some of its cash pile to acquire Industrial Vision Systems, which has developed machine vision software used for high precision, automated quality control systems. This technology can inspect, identify, track and count products, thereby making the manufacturing more efficient and cost effective. This is the first deal since Imogen Moorhouse became chief executive.

Oxford Metrics is paying £8.1m for Industrial Vision Systems, which has built up its technology over more than two decades. Most of the payment is in cash, but it includes the issue of just over one million shares at 86.63p each. The founders will be staying on. There are clients in the medical device and pharmaceutical sectors, where Oxford Metrics can help to win more work. The business can also grow internationally.

The purchase is earnings enhancing

Industrial Vision Systems has been profitable for the past five years and revenues have been growing at a rate of 6%/year. In the year to February 2023, revenues were £3.4m and operating profit was £800,000. The interims show further growth.

The continuing operations of Oxford Metrics traded strongly last year following the disposal of infrastructure management business Yotta in May 2022. In the year to September 2023, pre-tax profit was £6.3m, which is greater than forecast and more than double the £2.6m pre-tax profit made in the previous year.

OXFORD METRICS (OMG)			86.5p
12 MONTH CHANGE %	+5.5	MARKET CAP £M	112.8

Net cash was £64.8m, so the acquisition will not make much of a dent. The additional profit contribution will more than make up for any loss of interest, so the deal is earnings enhancing with a 2023-24 pre-tax profit of £7.6m anticipated. That puts the shares on 18 times prospective earnings. Cash will still account for more than two-fifths of market capitalisation and there will be more earnings enhancing opportunities for this cash.

Netcall invests for the future

Automated process technology *www.netcall.com*

Netcall is successfully winning new customers, particularly in the public sector, thanks to the investment in its cloud-based automation platform. Annual contract value is £27.9m. According to McKinsey, one-quarter of processes will be automated within five years. Netcall is in a strong position to take advantage of this as it broadens the scope of its technology and continues to win new clients.

Netcall grew full year revenues by 18% to £36m, with cloud revenues 55% ahead at £16.6m. This enabled a jump in underlying pre-tax profit from £3.9m to £6.5m. The dividend policy is to pay one-quarter of earnings and the final dividend is 0.83p/share. Net cash was £24.8m at the end of June 2023.

NETCALL (NET)			72p
12 MONTH CHANGE %	-14.8	MARKET CAP £M	115.5

Next year's forecast has been upgraded from £6.3m to £6.8m, although the improvement is mainly down to an interest contribution rather than a charge. There are already repeat and contracted orders covering four-fifths of 2023-24 forecast revenues of £38.8m. The profit growth is being held back by investment in development and marketing to enhance future profitability. Net cash is set to be above £30m by next June.

Strong cash generation is set to continue, so management will have to decide what to do with this cash pile. Acquisitions are a strong possibility, but Netcall is not a company that will rush to spend the money. It will wait for the correct opportunity.

Northern Bear returning up to £3.1m to shareholders via tender offer

Building services *www.northernbearplc.com*

Building services provider **Northern Bear** plans to distribute cash of up to £3.1m through a tender offer for up to five million shares at 62p each. That is a premium to the market price even after a subsequent rise. Debt facilities will increase to £4.5m, but they are only required at certain points in the year.

Shareholders can tender a minimum of 35.6% of their shareholding if they want. The last date for receipt of tender forms is 22 November. Non-executive chairman Jeff Baryshnik and related parties will tender their full 25.3% stake and he will step down as chairman. Other directors and management have said they will not tender their shares.

The tender closes on 22 November

The main businesses are involved in roofing and specialist building services. The interim trading statement says that trading remains strong despite the uncertain economic environment. Net cash was £400,000 at the end of September 2023, but this is a seasonal low. Net cash should be around £800,000 at the end of March 2024.

The interim operating profit is expected to be between £1.7m to £1.8m, up from £1.5m in the corresponding period last year. The full interim figures will be published at the end of November. The order book should underpin second half expectations. Last year Northern Bear paid its first dividend for four years. A total of 5p/share is likely to be paid this year, providing a potential yield of 8.6%.

NORTHERN BEAR (NTBR)			58p
12 MONTH CHANGE %	+23.4	MARKET CAP £M	11

Hybridan forecasts an improvement in underlying 2023-24 pre-tax profit from £1.92m to £2.55m. The shares are trading on little more than five times earnings. Although next year pre-tax profit could be flat, earnings could rise by nearly one-third because of the lower number of shares. The exact figures will depend on the number of shares tendered.

Hercules Site Services ahead of estimates

Labour supply *www.hercules-construction.co.uk*

Hercules Site Services says that it will beat previous expectations for 2022-23. The labour supply activities grew strongly, and the expansion of the suction excavator fleet is generating good returns. The share price is less than 50% of the original placing price of 50.5p. Borrowings remain high, but past investment in the business is likely to pay off in accelerating profitability.

Cirencester-based Hercules Site Services provides civil engineer and construction clients with workers that have a wide range of skills including bricklayers, carpenters, ground workers, security and site engineers. It also hires out suction excavators and sometimes there are cross selling opportunities with the labour supply business.

HERCULES SITE SERVICES (HERC)			17.25p
12 MONTH CHANGE %	-50	MARKET CAP £M	15.6

The ramping up of HS2 phase 1 (London to Birmingham) is boosting activity with 430 of its people on various sites on the route. The 2022-23 revenues will be more than £80m, but pre-tax profit is likely to decline. Net debt will be around £22m.

Pre-tax profit is set to recover from £400,000 to £1.2m this year. The five-year deal with Balfour Beatty for the rail sector was too late to contribute in 2022-23. Water sector activity is also likely to build up. The training academy is being launched this year.

Cavendish raised its 2023-24 earnings forecast from 1.3p/share to 1.6p/share. The dividend is expected to be maintained at 1.7p/share. There is no forecast change for the following financial year. This will be reassessed when the full year figures are published. Cavendish currently forecasts an underlying pre-tax profit of £2.2m for 2024-25.

Sosandar sets its sights on a high street retail presence next year

Womenswear retailer *www.sosandar-ir.com*

SOSANDAR (SOS)			12p
12 MONTH CHANGE %	-36	MARKET CAP £M	29.8

Women's fashion retailer **Sosandar** is broadening its strategy to include its first high street shops, plus expansion in additional regions. Sosandar started as an online retailer and more recently it has signed deals with other retailers such as Next and Marks and Spencer, which have sold a limited range of its products. Sainsbury's sells Sosandar clothing online and in its stores since October.

Three-fifths of UK clothing sales are on the high street. In the spring, Sosandar plans to open four stores. The sales via other retailers have made management believe that it is the right time to move into the high street. There is no indication where the stores will be. Deals have been signed with The Bay in Canada and The Iconic in Australia, which will sell Sosandar clothing online before the end of March 2024.

Four stores are planned

In the six months to September 2023, revenues were 6% ahead at £22.3m but, even though the gross margins improved, the retailer fell back into loss following a small profit in the corresponding period. Average order values were 10% higher at £99, but the number of orders was one-fifth lower at 276,989. That was down to reduced promotional activity.

Higher wholesale sales held back the improvement in gross margins. Occasion wear sales are growing, and the range is being extended prior to Christmas. One-fifth of sales are coming from the mobile app launched in July.

In the short-term, profit will be held back as Sosandar invests in growing the business. This means that the 2023-24 pre-tax profit forecast has been slashed from £3.1m to £100,000. Next year, a profit of £1m is forecast on revenues of £54.7m. The strategy is to achieve £100m in revenues and £10m in pre-tax profit in the medium-term, helped by higher store margins. Net cash of £7m at the end of March 2024, will be enough to finance the expansion. Store openings should be self-financing by 2027.

Sanderson Design boosted by licence deals

Furnishing brands *www.sandersondesigngroup.com*

SANDERSON DESIGN (SDG)			107p
12 MONTH CHANGE %	-9	MARKET CAP £M	76.5

Strong licence momentum for **Sanderson Design Group** is helping to offset the weak UK market. North America was also strong in the first half thanks to the Zoffany and Morris & Co brands.

The latest licence deal is with Habitat, which is launching a range of tableware and kitchenware based on Sanderson's National Trust collection in the spring of 2025. There will be royalty income for Sanderson Design and the National Trust, but the cash will not start to flow in until the 2025-26 financial year. There will be some revenue recognition prior to that because of accounting regulations.

Interim results were better than expected. Group revenues dipped from £57.9m to £56.7m, but licencing improved from £3.8m to £6.9m. The underlying licencing revenue was slightly higher, but the main growth came from accelerated income from agreements signed in the period, such as the one with Next, and a previous deal with Tu/Habitat. Manufacturing revenues were lower, but they were tough comparatives. Net cash was £15.9m at the end of July 2023.

Trading continues to be tough, and some cost savings are being put in place. Singer forecasts a 3% decline in full year revenues to £109.9m, while pre-tax profit could dip to £12m with a recovery to £13m expected in 2024-25. The shares are trading on eight times prospective 2023-24 earnings.

Gattaca returns to paying dividends

Staffing www.gattacaplc.com

Dividend

Gattaca was known as Matchtech when it joined AIM on 27 October 2006. The total dividend for the year to July 2007 was 13.7p/share and it rose to 15.6p/share the following year – which was maintained for five years. The dividend then steadily improved to 23p/share. There was an interim of 3p/share paid in 2018 before a gap until a 1.5p/share dividend in 2021.

This year, Gattaca returned to paying dividends with a 2.5p/share final and a special dividend of 2.5p/share. This year's forecast dividend is 3.3p/share - effectively an increase of nearly one-third - rising to 5.4p/share next year. The dividend policy is to pay out 50% of forecast earnings.

Business

Fareham-based Gattaca provides both tem\porary and permanent staff to a variety of sectors. Infrastructure and defence are currently the most important sectors in terms of net fee income, while the ones with the greatest growth potential are mobility, such as automotive and aerospace, energy and technology media and telecoms.

Gattaca Projects provides broader services, such as engineering design and analysis, through a project team rather than individual staff appointments. This business grew net fee income by 59% to £2.1m last year and could be increasingly important.

The track record has been mixed and a new management team was appointed in April 2022. Having said that the management team is new, chief executive Matthew Wragg has been with Gattaca for 21 years and involved with senior management since 2016.

GATTACA (GATC)	
Price (p)	116
Market cap £m	36.8
Historical yield	2.1%
Prospective yield	2.8%

Business improvements are already showing through.

Costs have been reduced with the number of offices cut to three, while moving to online time sheets should reduce admin costs. There has also been a simplification of the corporate structure and branding. Retention of sales staff is improving. There is potential to further improve efficiency. Management is targeting an average net fee income of £92,000/person in 2023-24.

In the year to July 2023, net fee income fell by 2% to £43.4m, while underlying pre-tax profit recovered from £300,000 to £2.6m. Net cash was £23.4m at the end of July 2023.

Contract income was 74% of net fee income, but there was an 11% decline in permanent income. That decrease in permanent business has a much greater effect on profitability, but it was more than offset by cost savings.

There should be a further improvement in pre-tax profit to £2.8m this year, before a potential rise to £4.7m next year. Despite the dividend payments, net cash could still be more than £21m at the end of July 2025.

The original placing price was 310p. Following a period of poor performance, the share price is nearly three-quarters ahead this year, helped by a positive reaction to the annual results. The prospective 2023-24 multiple is 18, falling to eleven next year.

Dividend news

Monoclonal antibodies developer **Bioventix** did slightly better than forecast in the year to June 2023. Revenues improved from £11.7m to £12.8m, while pre-tax profit rose from £9.5m to £10.3m. Existing product sales are growing and new products are being developed in areas, such as Alzheimer's Disease diagnostics, which should continue the growth over the coming decade. The total dividend is unchanged at 152p/share, but it is expected to increase to 173p/share for 2023-24. This is assuming that Bioventix wants to maintain its cash at above £5m. Net cash of £5.9m is forecast for the end of June 2024.

Self-storage sites operator **Lok'nStore** edged up its NAV by 1% to 986p/share at the end of July 2023 despite the effect of higher interest rates. That reflects the new openings and higher prices. The total dividend was raised 10% to 19p/share and it should increase to 20p/share in this financial year. Net debt was £12.3m, leaving plenty of room in the existing bank facilities to fund additional openings. These will add 39% to owned space. NAV could rise to 1021p/share by July 2024, and it should consistently improve thanks to the additional space being added each year.

Catalyst Media Group has received a distribution of £6.16m from 20.5%-owned Sports Information Services, which has paid an ordinary and a special dividend totalling £30m. This means that Catalyst Media can pay a dividend of 27p/share to its own shareholders, which will cost £5.68m. The ex-dividend date is 9 November. That will leave £600,000 in the company's bank account. Betting content provider Sports Information Services completed a strategic review earlier this year and it will continue with its existing plans to grow the business. It has signed new contracts and renewed the worldwide fixed odds media rights for Irish horseracing for a further five years.

Expert view: Registrars

A storm in a teacup – would abolition of IHT really hit AIM?

By Hardeep Tamana

Ahead of the upcoming Autumn Statement (November 22nd) there has been much speculation that the government could use this as an opportunity to cancel inheritance tax (IHT), something which is often derided both in terms of the scale in which it is levied and who ends up footing the bill. A 2023 YouGov poll found that only 20% of respondents deemed it 'fair'. Whilst such taxes aren't uncommon globally, their application ends up resulting in widely differing outcomes and ultimately despite growing wealth inequality, there's perennial push back against taxation of wealth as opposed to income. The tax raises around £7bn annually, in the backdrop of tax receipts of £786bn in 2022-23.

The headlines have laid the problem out in no uncertain terms, suggesting that wholesale abolition of IHT would lead to a fire sale of AIM stocks, on the premise that these are being held largely as a way of circumventing the tax. But is that really an issue, or is it another play to depress growth stock valuations – which have already suffered badly over the last couple of years – even further?

A report by AJ Bell which was published earlier in the year concluded that given the lacklustre historical returns posted by the junior market as a whole compared to many other benchmarks, investors who have been holding positions for a decade or more would be better off investing in a global fund and taking the IHT hit, rather than buying AIM Shares.

And whilst it is important to remember there are plenty of AIM success stories out there – again AJ Bell highlight the 1,570% uptick in AB Dynamics over the last decade, the 1,330% gain for YouGov and a 322% rally for Jet2 – these are the exceptions rather than the rules. A further complication is that not all AIM stocks are eligible for the IHT exemption – those deemed to deal mainly in shares or property fall outside of the scope, but there is no definitive list.

In short, it is very easy to discredit the "AIM as an IHT hedge" line. It is arguably a nice bonus for founders and directors, but rationally in the majority of instances it does not in its own right present a meaningful investment rationale. And because the tax exemption doesn't apply to collective holdings such as funds, again the risk of an exodus needs to be put in perspective.

Changes to IHT come with a potential hidden burden

Would a better solution be to abolish IHT on any UK equity holdings?

Amidst a backdrop of calls for greater investment into the UK equity market by retail investors, such an approach seems worthy of closer inspection. Indeed, data from M&G compiled for The Mail on Sunday estimated that by extending the IHT exemption to cover all Main Market stocks would take just 1.4% off the annual tax receipts. It would also align far better with the current government narrative of channelling more funds into the UK equity markets and maintain the bulk of this taxation stream, whilst simultaneously mitigating the threat of a fire sale of AIM stocks should IHT be eradicated on a wholesale basis.

Changes to IHT regulations do however come with a potential hidden burden, namely the impact of capital gains tax (CGT). The current IHT protocols serve to re-value the shares on the date of probate, but without this measure, would beneficiaries be liable to CGT on the entire appreciation of the holding when they ultimately sell? With the CGT allowance falling to just £3,000 in April 2024, does this approach actually pass an even greater burden onto those with smaller estates? Assets which would have previously been free of any IHT burden are now attracting CGT.

There is plenty of evidence that already shows the imbalances in the application of IHT. Indeed, a report by the Office of Tax Simplification showed that the effective rate for very large estates – those worth over £7m – was just 10%, around half the rate paid by estates worth between £2m and £3m, due to financial engineering that can be done cost effectively when so much capital is at stake.

With that in mind, it is difficult to see how any wholesale change to the current situation could prove beneficial to society. How Chancellor Jeremy Hunt will treat this at the end of the month, however, will be keenly watched by observers from all sides.

References

1. https://www.investments.lloydsbank.com/get-inspired/news/article/13387552

2. https://www.thisismoney.co.uk/money/markets/article-12604925/Calls-tax-relief-turbocharge-UK-stock-markets.html

3. https://www.withersworldwide.com/en-gb/insight/read/uk-inheritance-tax-reform-rates-reliefs-and-responsibility

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

AIM Awards winners in 2023

The 2023 AIM Awards (www.aim-awards.co.uk) winners were announced at a dinner at Old Billingsgate in London. The successful companies were a mixture of previous and new winners with no single company winning more than one award. Three of the winners joined AIM in the previous three years.

COMPANY OF THE YEAR

Alpha Group International

This was quite a surprise. Alpha Group International has been on AIM for nearly six years, but not figured in the AIM awards before. It will not be on the junior market for much longer because there are plans to move to a premium listing next year.

The foreign exchange and financial services provider increased its pre-tax profit by more than ten times between 2016 and 2022. In 2023, pre-tax profit is forecast to increase from £38.6m to £44.3m. The expected dividend is 14.6p/share.

This year the company has made its first acquisition since joining AIM. Netherlands-based Cobase provides cloud-based bank connectivity technology that allows companies to use a single interface to manage different bank accounts. This will enable Alpha Group International to provide additional services and there is cross-selling potential for the Cobase customer base.

The market capitalisation has risen from £81.9m at the original placing price of 196p/share on 7 April 2017 to £676m at 1560p/share over the time on AIM. Just before the awards dinner, founder and chief executive Morgan Tillbrook raised £15m by selling shares at 1900p each. He still owns 14%.

BEST NEWCOMER

Aurrigo International

Coventry-based Aurrigo International was the obvious choice for this award given the progress made since joining AIM on 15 September 2022 at 48p/share. Aurrigo International develops autonomous vehicles for automotive, aviation and transport sectors. Ground handling and cargo markets are the focus. The share price has risen to 162.5p, valuing the company at £67.7m.

Earlier this month, Aurrigo International signed a deal with International Airlines Group to deploy its vehicles at a major UK airport. A small number of vehicles should be deployed in early 2025. This deal covers Auto-DollyTug, a baggage transport system, Auto-Cargo, used for air freight, and Auto-Sim, a cloud-based modelling tool.

Aurrigo International had cash of £2.8m at the end of June 2023. The cash outflow from operations was £1.9m in the first half. A profit is not forecast until 2025. More cash will probably be required with the company expected to move into net debt in 2024.

Grant money will help to finance development programmes. The EU provided a grant of €276,000 for the deployment of the Aurrigo Auto-Shuttle. Another grant was won with a logistics operator to test Auto-Cargo at East Midlands airport.

BEST USE OF AIM

SigmaRoc

Building materials supplier SigmaRoc has been trading in its current form since the beginning of 2017 when the first building materials acquisition was made by the then cash shell, Messaging International. That purchase was a business in the Channel Islands. The opening market capitalisation was £43.6m, and SigmaRoc is currently valued at £340m, even though the share price has declined in recent months.

Acquisitions were initially in the UK, but more recently European purchases have been made, particularly in Belgium and Scandinavia. Products include aggregates, ready-mix concrete and limestone powder. The management team has decades of experience in larger building materials companies, and they want to make the company the leading quarried materials group in northern Europe.

Like-for-like revenues were 7% higher in the nine months to September 2023, reflecting the ability of the company to raise its prices. There was a 4% volume decline over the period. Full year pre-tax profit is forecast to improve from £62.7m to £65.1m. Net debt is expected to be around £170m by the end of 2023 and then fall to nearer £120m by the end of next year due to strong cash flow.
At 48.6p, the prospective multiple is seven. Earlier this year, £30m was raised at 54p/share and the peak share price was more than double the current level. SigmaRoc has shown that it can prosper in the tougher market conditions, and it is in a good position to take advantage of any recovery.

ENTREPRENEUR OF THE YEAR

Mark Smithson, Marks Electrical

Leicester-based online electricals retailer Marks Electrical was founded in 1987 by chief executive Mark Smithson. He has built up the business and floated it on AIM during November 2021. He has developed good relationships with manufacturers and been instrumental in the group's strategy. The Smithson family still own 73.6% of the company.

Marks Electrical continues to win market share in the electricals retail market and overall sales grew by one-quarter in the first half. However, margins have come under pressure and management was cautious in its latest trading update on the day of the awards dinner. Wages are rising and there has been investment in installation capacity. Improving the service and offering next day installation will help to grow sales.

Canaccord Genuity has reduced its 2023-24 underlying pre-tax profit forecast from £7.1m to £5.9m, which is below the previous year, on an 18% increase in revenue expectations to £115.7m. Net cash should be £11m at the end of March 2024. A rebound in profit is expected in the year to March 2025.

The company is in a strong position to benefit from an economic upturn with warehouse capacity of £250m/year to grow into. The share price has fallen back since the trading statement and at 89p it is below the placing price of 110p. The shares are trading on 22 times 2023-24 prospective earnings, falling to 16 next year.

AIM TRANSACTION OF THE YEAR

Journeo

At the end of 2022, transport security and information systems supplier Journeo acquired IGL Ltd, also known as Infotec, which supplies displays for rail passenger information, for £8.7m. Journeo raised £7m at 105p a share to help finance the acquisition and provide working capital.

Infotec provides additional scale in the rail market. Infotec has won an $18m contract to supply displays for New York subway trains. The UK is its main market, but it also has customers in Canada and South America.

Journeo already has a significant market share in the bus and coach market. There are 12,000 connections on the SaaS-based Journeo Portal, which provides real-time information for buses. Combining the businesses should help to reduce purchasing costs.

In September, MultiQ Denmark was acquired for €2.5m and this broadened the geographic spread of the business to include Denmark and Iceland – Journeo already had a presence in Sweden. Aarhus-based MultiQ provides onboard passenger infotainment and real-time display systems for buses, as well as fleet management software. Revenues of €3.3m and operating profit of €260,000 are estimated for 2023.

Cavendish forecasts that Journeo's full year pre-tax profit will increase from £1m to £3.7m on near-doubled revenues. A further improvement to £4.2m is forecast for 2024. At 213p, the shares are trading on eleven times 2023 prospective earnings, falling to under ten the following year.

AIM GROWTH BUSINESS OF THE YEAR

Kitwave Group

Grocery wholesaler Kitwave has a strong record of growth since floating at a placing price of 150p on 24 May 2021. It has been on AIM for fewer than three years and forecasts have been upgraded many times. That is through a combination of acquisitions and organic growth. There was also a strong recovery from lockdowns.

North Shields-based Kitwave is a wholesale business focused on ambient groceries and chilled and frozen food. The ambient business is a member of the Unitas buying group. The customer base is mainly independent retailers, vending machine operators, leisure outlets and foodservice companies. Market share is probably around 3%.

In the year to October 2022, revenues jumped from £380.7m to £503.1m. 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%. Underlying pre-tax profit increased from £4.5m to £18.9m.

In the six months to April 2023, group revenues were 23% higher at £275m. Even stripping out the latest acquisition, organic growth is 17%. Underlying operating profit jumped from £7.3m to £11.7m – reflecting an improved operating margin of 4.3%. Full year pre-tax profit could be slightly higher than expectations of £27.5m. At 250p, the prospective multiple is less than nine. AIM has halved since Kitwave floated, so its outperformance has been significant.

BEST TECHNOLOGY

Oxford Metrics (See page 4)

BEST INVESTOR COMMUNICATION

Belvoir

DIVERSITY CHAMPION AWARD

LBG Media

AIM CORPORATE GOVERNANCE

Next 15 Group

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	23.8	16.1
Industrials	19.4	17
Technology	12.5	12.8
Financials	11.9	11
Health Care	11	10.7
Basic materials	8.6	15.6
Energy	7.7	10.9
Telecoms	1.8	1.8
Utilities	1.6	1
Property	1.5	2.3

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	679.85	-15.7
FTSE AIM 50	3512.8	-19.5
FTSE AIM 100	3231.87	-16.4
FTSE Fledgling	9874.36	-11.5
FTSE Small Cap	5723.94	-2.2
FTSE All-Share	3954.35	+2
FTSE 100	7321.72	+3.2

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	140
£5m-£10m	95
£10m-£25m	154
£25m-£50m	98
£50m-£100m	100
£100m-£250m	107
£250m+	84

KEY AIM STATISTICS

Total number of AIM	778
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£79.5bn
Total of new money raised	£133.7bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£85.8bn
Share turnover value (Sep 2023)	£39.1bn
Number of bargains (Sep 2023)	7.74m
Shares traded (Sep 2023)	572.3bn
Transfers to the official list	202

TOP 5 RISERS OVER 30 DAYS

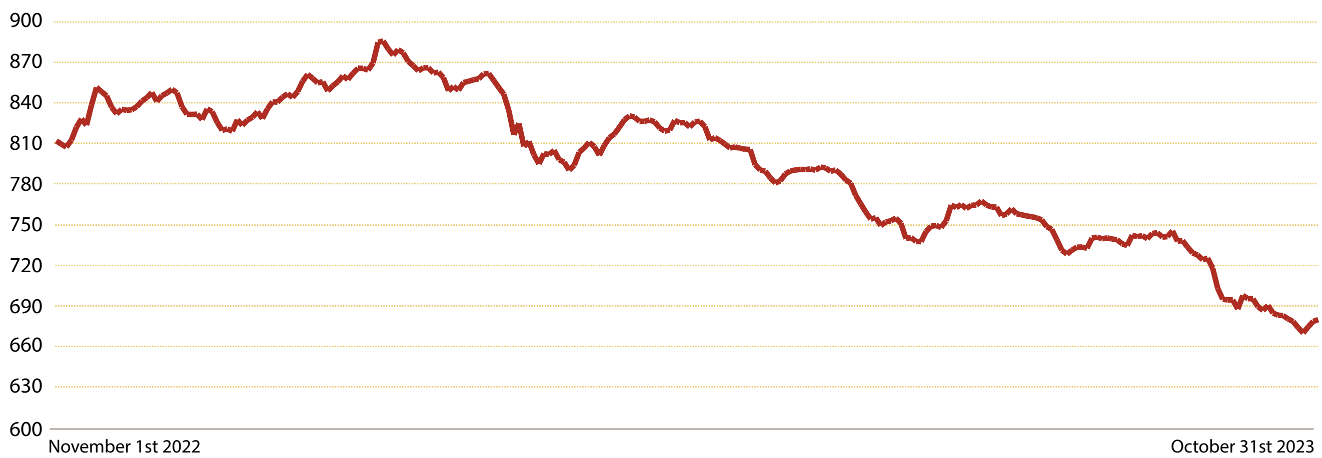
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
FireAngel Safety	Consumer	6.75	+221
China Nonferrous Gold	Mining	1.2	+150
Ethernity Networks	Technology	1.75	+112
Capital Metals	Mining	2.8	+107
On The Market	Property	107.5	+76.2

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Safestyle	Construction	0.32	-92.7
Horizonte Minerals	Mining	16.75	-86.6
R&Q Insurance	Insurance	11.625	-77.9
The Mission Group	Media	11	-72
Oracle Power	Mining	0.0255	-67.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st October 2023, and we cannot accept responsibility for their accuracy.

sponsors

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.

PUBLISHED BY: Hubinvest Ltd,

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

MOBILE / TEL: 07729 478 474

EDITOR: Andrew Hore

PRODUCTION & DESIGN: David Piddington

SPONSORSHIP & ADVERTISING hubinvest50@outlook.com. or telephone 07729 478 474