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AIM JOURNAL

Main Market catching up

After a particularly strong 2020, even allowing for the sharp fall during last March, AIM has risen by 8.6% in the first five months of 2021, which is similar to the rise of the FTSE 100 index. It is lagging behind the smaller Main Market companies though. The FTSE Fledgling index is more than 21% ahead this year. This reflects catching up, because AIM and the Fledgling index are both around 31% ahead since the end of 2019, although the FTSE AIM 100 index lags with a 25% increase.

The more recent poor performance of some of last year's big gainers has held back the AIM 100. The poor performers in the past month include fuel cell and electrolyser developers ITM Power and Ceres Power, as well as Covid-19 diagnostic tests supplier Novacyt.

There has been a steady flow of new entrants to AIM, including oxygen device developer Belluscura (see page 2), grocery wholesaler Kitwave (see page 4), accounting software supplier Glantus (see page 5) and Dianomi, which has developed technology that helps brands to target their digital advertisements.

Dianomi focuses on the financial sector and the advertisers can use the technology to track the performance of campaigns. Last year, revenues were £28.4m, while pre-tax profit was £1.92m. North America generates three-quarters of revenues. Digital advertising spending by financial services businesses in the US is expected to reach $23.6bn in 2021.

Mattioli Woods acquires Maven

Wealth manager Mattioli Woods is acquiring Edinburgh-based private equity investor Maven and Ludlow Wealth Management. Both these acquisitions should be earnings enhancing in their first full year of ownership and they take pro forma client assets to £13.6bn. Mattioli Woods raised £110m at 660p a share, including £700,000 via PrimaryBid. There are other potential smaller acquisitions in the pipeline.

Maven will cost up to £100m, with an initial £50m in cash and £30m in shares. The other £20m is dependent on EBITDA over the next four years. There should be annual cost savings of £1m. Maven manages four VCTs and other funds. This adds to the funds managed by 49%-owned associate company Amati and the Custodian REIT.

North west England-based Ludlow is a financial planning business with total assets under advice of £1.6bn. It has five offices and there could be a further £1m of cost savings from this acquisition. The total consideration is up to £43.5m, with an initia £36.1m in cash and shares. The rest is payable based on 8.25 times EBITDA in the 12 months to September 2023.

In this issue

Belluscura achieves target

Medical devices developer Belluscura initially planned to join AIM at the end of 2017 when product development was at an earlier stage. The FDA 510 (k) clearance for its X-PLO2R portable oxygen concentrator (POC) has prompted the flotation this May, including a placing raising £16.1m after expenses. The placing was at 45p a share, which was in the middle of the expected range of 42p-48p. The company was valued at £51m at the placing price.

Existing AIM-quoted technology investment company Tekcapital set up Belluscura and it holds 17.1 million shares that are subject to a twelve-month lock-in. The shares ended the first day of trading at 53p, so the stake is valued at nearly £9.1m. Tekcapital is capitalised at £20.6m.

Belluscura's portable oxygen concentrator can deliver up to 95% pure oxygen and weighs less than 3.25lbs. It can replace the need for large oxygen tanks or heavier portable devices. The device is aimed at people with chronic lung diseases, such as COPD, and should be launched commercially in the next few months with other products to follow. There are 328 million people around the world that suffer from COPD.

The supplemental oxygen therapy market is expected to grow from $3.2bn in 2021 to $5.7bn in 2026 because of additional demand due to Covid-19. Oxygen shortages have hit countries, such as India, in recent months. A small share of the market would be significant to Belluscura.

The cash raised in the placing will be used to recruit additional staff and fund the marketing of the X-PLO2R portable oxygen concentrator when it is launched. There is £8m earmarked for further development of the technology.

Telit bid raised

DBAY Advisors has launched a recommended cash offer of 220p a share for Telit Communications. That values the internet of things technology company at £306.9m. Last year, DBAY had indicated that it was willing to offer 175p a share for Telit and it subsequently bought shares at up to 206p each. The two companies could not agree a price and talks were terminated with DBAY and other potential bidders. In March, DBAY approached Telit, which agreed to resume offer talks. The bid is recommended even though the board believes it undervalues the long-term prospects of Telit. The past corporate governance problems have held back the share price and the bid has the support of holders of 58% of Telit.

Agronomics more than doubles in size

Less than one year ago, Agronomics was considering leaving AIM because it did not believe it would be able to raise the cash it required to make additional investments in companies developing alternatives to meat and fish. Shareholders were not happy with the board's plan and made that clear in the consultation process, so the quotation was retained. This May, Agronomics raised £65.5m at 22p a share. This follows last autumn's £10m fundraising at 6p a share.

The placing, which was at a 25% discount to the 20-day weighted average market price, more than doubled the number of shares in issue and was oversubscribed. Each share came with a warrant exercisable at 28.5p a share, so there could be up to £85m more coming into the company's coffers over the next two years.

The most recent reported NAV was 6.22p a share at the end of March 2021. Since then, Agronomics' investment in China-based cellular meat products developer CellX has increased in value from $50,000 to $300,000 in six months. Prior to the end of March, the investment in plant-based food company LIVEKINDLY Collective increased in value from $3m to $5.55m. There was also a gain of $2.95m in the value of the stake in Netherlands-based cultivated meat company Meatable and Agronomics has been adding to its shareholding.

Agronomics has a portfolio of 16 companies that develop food products that would previously have been derived from animals. The investments are made at an early stage of the business of the investee companies when they are not generating revenues or profit. Other investments include California-based BlueNalu, which develops cell-cultured seafood and is opening a 40,000 square foot pilot production facility.

Last June, the Agronomics board promised that it would not consider delisting the company for a period of three years.

Investment banking revenues soar at Numis

In the six months to March 2021, Numis Corporation generated more than three-fifths of its transaction fees from companies that are not included in its retained client base. Previously, the retained clients had generated around two-thirds of transaction fees.

Interim revenues were 83% ahead at £115.4m, with investment banking revenues contributing £82m of that figure. There was also a £2m gain on the investment portfolio. Pre-tax profit jumped from £7.3m to £39.3m. The dividend was maintained at 5.5p a share.

There was a reduction in the number of retained clients to 185 due to the withdrawal from the resources sector. The average size of clients is growing. There is a strong pipeline of potential flotations.

Numis has broadened the range of services it offers to its clients. There are plans to open an office in Dublin in the first half of the next financial year, so that trading and research services can be provided to EU-based institutional investors.

Numis is on course to increase full-year pre-tax profit from £37.1m to £55.1m. It is using some of its spare cash to buy back shares. Even so, cash could be £90.9m at the end of September 2021. The share price is still below the peak in 2018, but it is getting back to that level.

■ **WH Ireland** increased annual revenues by 29% to £27.9m and this will enable the broker to return to profit. This will be the first full-year profit for more than five years. There was cash of £8.21m at the end of March 2021.

The capital markets division increased its revenues by 80%. The number of retained clients rose from 74 to 82 and WH Ireland completed 66 transactions. The wealth management division increased its total assets under management by 18% to £2.18bn. That includes discretionary managed assets of £1.06bn. The full annual figures are due to be announced at the end of June.

■ Market maker **Winterflood** had a strong trading period in the quarter between February and April. There was a daily average of 120,000 trades during the quarter, up from 97,000 in the previous quarter. Winterflood did not make a loss on any trading day. So far in this financial year, operating profit is higher than the same period last year.

■ **Mello Events** is holding its next online MelloMonday on 7 June and companies presenting include accesso Technology and broadcast content management systems supplier Pebble Beach Systems. On Tuesday 15 June, there will be an online event covering investment trusts and funds. This is followed on 17 February by an event about the energy transition. More information can be found at www.melloevents.com.

ADVISER CHANGES - MAY 2021

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Greatland Gold	Canaccord Genuity/ Berenberg/Hannam / SI Capital	Berenberg/ Hannam/SI Capital	Spark	Spark	04/05/21
Augean	Panmure Gordon/ N+1 Singer	N+1 Singer	N+1 Singer	N+1 Singer	06/05/21
Avacta	Stifel Nicolaus	finnCap	Stifel Nicolaus	finnCap	06/05/21
Diaceutics	Stifel Nicolaus	Cenkos	Stifel Nicolaus	Cenkos	21/05/21
Impax Asset Management	Berenberg/Peel Hunt	Peel Hunt	Peel Hunt	Peel Hunt	24/05/21
N Brown	Shore	Shore/Jefferies	Shore	Shore	25/05/21
Location Sciences	Turner Pope/Peterhouse	Peterhouse	Allenby	Allenby	25/05/21

Consolidation strategy will enhance the growth prospects of grocery wholesaler Kitwave

Grocery wholesaler *www.kitwave.co.uk*

Kitwave is a grocery wholesaler that plans to be a consolidator in the sector. The AIM flotation raised £61.7m after expenses at 150p a share. This will pay off most of the debt from a past buyout and provide scope for further acquisitions of family-owned wholesalers.

North Shields-based Kitwave has been trading for more than three decades and is focused on ambient groceries and chilled and frozen food. There are 26 depots providing UK coverage. The customer base is mainly independent retailers, vending machine operators, leisure outlets and foodservice companies. There is an experienced management team that understands its markets and the importance of good service to its customers. Kitwave has demonstrated that it can be a profitable business, while providing small clients with next-day deliveries for orders as low as £100.

A 4.5% dividend yield is promised

Revenues increased from £341.3m in 2017-18 to £366.6m in 2018-19. Kitwave has changed its year end from April to October. In the 18 months to October 2020, revenues were £592m. In the year to April 2019, underlying operating profit was £11.8m and in the following 18 months the underlying operating profit was £16.6m. That includes £3.01m of furlough income but excludes £4.45m of non-recurring costs. This year's trading will continue to be affected by Covid-19 lockdowns.

KITWAVE (KITW)			159.25p
12 MONTH CHANGE %	N/A	MARKET CAP £M	111.5

Pro forma net debt is £4.3m. A 4.5% dividend yield is anticipated at the placing price. The ongoing dividend will be between 40% and 50% of annual post-tax profit.

Kitwave may seem a mature business that does not have the growth prospects of a high-tech business, but its market is growing steadily and there is potential to increase market share in terms of both products and geography. On top of that is the potential for acquisitions.

Nightcap makes its first acquisition as AIM company

Bars operator *www.nightcapplc.com*

Bars operator **Nightcap** is making its first acquisition since joining AIM and the deal was well received by investors. Nightcap was trying to raise a further £4m to help pay off borrowings of the Adventure Bars Group and finance its expansion. It ended up raising £10m at 23p a share, compared with the flotation price of 10p a share. Nightcap believes that there is scope for up to 40 sites for the brands it is acquiring.

Nightcap is paying £2.5m for Adventure Bars with £1m in shares being issued at 21p each and the rest in cash. Up to £1.5m of shares could be issued at the same share price dependent on performance in the two years from 1 July 2021. In the year to January 2020, Adventure Bars made an operating profit of £1m on sales of £11.9m, but it lost money last year.

NIGHTCAP (NGHT)			24.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M	40.3

The acquisition comes with around £4.3m of borrowings, of which between £1.28m and £1.78m will be repaid, and a £110,000 convertible (at 21p a share) issued to the lender. The remining debt will have a reduced interest rate of 3%.

Adventure Bars was founded in 2005 and includes seven London-located theme bars, an outdoor bar and entertainment venue in Birmingham, an unopened site in Birmingham and a 50% stake in Bar Elba, a London roof-top bar. There are seven different bar brands. The ones highlighted by Nightcap are Tonight Josephine, Bar Elba, Luna Springs and Blame Gloria. The two outdoor venues, Bar Elba and Luna Springs, generated sales of £334,000 in their first week after lockdown was eased.

Glantus targets North American growth for accounts payable automation software

Accounting software *www.glantus.com*

Cloud-based accounts payable software provider **Glantus** joined AIM during May. The company raised £8.7m, after expenses, at 102p a share and that cash will be invested in sales and marketing, as well as customer management. Pro forma net cash is €5m, although there is €2m of potential deferred consideration for JPD Financial, which was acquired at the beginning of 2020.

Ireland-based Glantus provides accounts payable automation and analytics services. The technology automates the processing of invoices and digitises the paper documents. The accounts payable automation market is estimated to be worth £2bn and it is growing at more than 10% a year.

Pro forma net cash is €5m

One of the main products, Active AP Discovery, identifies and corrects errors, as well as making sure that contractors comply with the terms of their contracts. The payment for this product range is based on a share of the increase in revenues recovered. The other products generate subscription fees.

Cost savings have been made following the integration of JPD and it has provided access to larger companies and the US market. This was the main reason for the growth in last year's revenues to €8.17m.

House broker Arden expects Glantus to move into profit this year and then double pre-tax profit from €1.5m to €3m, on revenues of €15.6m, in 2022. As revenues grow, more of the additional income will fall through to profit.

GLANTUS (GLAN)			99p
12 MONTH CHANGE %	N/A	MARKET CAP £M	35.9

Existing shareholders raised £3.8m in the placing. The board still owns 45% and other employees have significant stakes. The share price went to a discount after trading began and it values the company at 18 times prospective 2022 earnings with potential to significantly reduce that multiple. That is not a high rating given that the software has been shown to be effective and there is huge scope for growing revenues.

Strategy change set to pay off for Netscientific

Healthcare technology *www.netscientific.net*

Acquiring venture capital adviser EMV Capital last year has transformed **Netscientific** and it has a brighter future. The group invests in and advises healthcare companies, helping them to exploit their technology globally. The shares are trading at 53% of WH Ireland's estimated fair value of 135p a share. There could be further upside from investment exits over the next few years.

Last August, EMV was acquired for £3.4m in shares and £2.3m was raised at 65p a share - ten shares were consolidated into one new share at that time. EMV charges management fees to its clients and this generates cash to cover group overheads. EMV can also secure investors to invest alongside Netscientific.

NETECIENTIFIC (NSCI)			71.5p
12 MONTH CHANGE %	+2.1	MARKET CAP £M	10.7

Netscientific has eight direct stakes in companies and eight indirect investments in EMV advisory companies. There are three major investments: PDS Biotech, which is traded on Nasdaq, ProAxis and Glycotest.

There is a 5.7% stake in cancer therapeutics firm PDS. The current market price is $8.75 a share, compared with investments by the company at $1.30 a share and $2.75 a share. This values the stake at around $11m. PDS is in phase 2 trials for three cancer treatments.

Respiratory diagnostics company ProAxis is 95%-owned, and the focus has switched to commercialisation rather than development. ProAxis expects to commercialise five novel/improved products over the coming year. Liver cancer diagnostic company Glycotest, where the company owns 51%, is developing blood tests for liver cancers and fibrosis-cirrhosis.

Improving trends for Sanderson Design lead to significant broker upgrades

Interior furnishings *www.sandersondesigngroup.com*

Revenues declined at **Sanderson Design Group** last year, but there is an improving trend. There is more to come from cost savings and cash in the bank. There is even potential for a dividend for 2021-22.

In the year to January 2021, revenues fell from £11.5m to £93.8m, while underlying pre-tax profit edged down from £7.4m to £7.1m. The cash position was significantly improved, and net cash was £15.1m at the end of January 2021. This was helped by the lack of spending on new launches and lower inventory levels. There is a £12.5m debt facility that lasts until 2024.

The revenues generated by the company's furnishing brands fell by 15% to £76.3m. Sanderson and Morris & Co revenues held up, thanks to strong Scandinavian demand for the Morris brand. The Harlequin brand was hardest hit, and its revenues fell by more than a quarter.

The profit forecast was upgraded

Manufacturing revenues fell by one-fifth to £28.4m, but that decline was predominantly in the first half. The order books are full.

Social media is increasingly being used to promote the company's brands. Management believes that it can generate greater revenues from its archive of designs and there are also plans to revive the contract business. This year is the 160th anniversary of Sanderson, which is a marketing opportunity. Some of the cash pile could be used for acquisitions.

SANDERSON DESIGN GROUP (SDG)	173.5p		
12 MONTH CHANGE %	+ 350.6	MARKET CAP £M	123.2

First-quarter trading was slightly ahead of expectations. Investec thinks pre-tax profit could recover to £9.5m this year. That forecast was upgraded from £6.3m after the full year results. The shares are trading on 17 times prospective earnings and the multiple could fall to 14 the following year.

SkinBioTherapeutics set to launch psoriasis treatment by end of 2021

Skin treatments developer *www.skinbiotherapeutics.com*

Positive results from the AxisBiotix-Ps food supplement study mean that **SkinBioTherapeutics** is on course to launch the psoriasis treatment commercially before the end of 2021. The supplement uses bacteria to enhance the gut barrier.

Psoriasis causes red, flaky patches of skin and it is thought to be related to the immune system. AxisBiotix-Ps is taken daily dissolved in water. The study lasted 56 days and nearly three-quarters of participants reported improvements to their skin in areas such as irritability, itchiness, redness and flaky patches.

SkinBioTherapeutics will sell AxisBiotix-Ps directly via monthly subscription. The large number of people who wanted to be part of the study but were not able to be provide potential initial demand.

SKINBIOTHERAPEUTICS (SBTX)	68p		
12 MONTH CHANGE %	+ 381.4	MARKET CAP £M	106.6

Cenkos estimates that there are 1.3 million potential customers in the main markets that the company is targeting – although up to 125 million people suffer from psoriasis worldwide. Charging £30/month and gaining 1% of the target market could generate annual revenues of £4.7m. Each additional 1% of the market would add a further £4.7m to revenues.

In the year to June 2022, there will probably be six months or so revenues from AxisBiotix-Ps. Cenkos assumes £1.2m in revenues for 2021-22. That should leave cash of £1.5m at the end of June 2022. The income will help to cover the group overheads and at least reduce the cash outflow. That will reduce the need to raise more cash.

Optibiotix Health still retains a 23.1% stake. Given the rise in the share price, this could be trimmed further. However, Seneca has reduced its stake to 10.4% without any significant signs of hampering the share price.

Alpha Financial increases North American income

Asset management services *www.alphafmc.com*

Dividend

Alpha Financial Markets Consulting has been a consistent dividend payer since it floated in 2017. The dividend for the first year as an AIM company was 5.17p a share and that increased to 6p a share the following year. Covid-19 uncertainty meant that there was only an interim for 2019-20, which was 10% higher than the previous interim at 2.1p a share.

That interim was maintained in the current year and a total dividend of 6.7p a share is forecast for 2020-21. Next year's dividend is expected to be 8.1p a share. Both this and next year's expected dividends are covered twice by forecast earnings. That is in line with the prospectus when Alpha floated, which said that dividends would be around 50% of net profit.

Business

Alpha joined AIM in October 2017 when £32.8m was raised at 160p a share. There are offices in Europe, North America and Asia providing outsourcing consultancy services to asset managers. Regulatory and technology changes and trying to keep down costs are driving demand for Alpha's services. Competition comes from major accountants and global consultancies.

The figures for the six months to September 2020 showed the resilience of the business, with net fee income and profit improving. Growth will come from geographic expansion and moving into insurance and other sectors.

Alpha plans to double its business in four years and its latest acquisition means it is on track to do that. Alpha is paying up to $90m (£63.8m) for US-based Lionport, a provider of consultancy services to alternative investment firms. The maximum cash payable is $73.6m (£52.2m), although that is spread over four years with $34.5m (£24.5m) payable on completion. A placing and subscription raised £31m at 325p a share. Alpha had £32.5m in the bank at the end of September 2020, but that was boosted by deferred payments.

ALPHA FINANCIAL MARKETS (AFM)	
Price (p)	371
Market cap £m	430.7
Historical yld	0.6%
Prospective yield	1.8%

Lionpoint, which has offices in the US, Europe and Australia, increases Alpha's exposure in alternative investments and North America, which will become a similar size to the UK business in terms of fee income. It has expertise in private equity, real estate and credit funds. Services include operating model review, system implementation and data analytics. There are more than 125 clients.

The deal should be significantly earnings enhancing in the year to March 2023 particularly if Lionport hits the earn out targets. In 2020, Lionport generated revenues of $30.1m (£23.5m) and underlying EBITDA of $6.9m (£5.4m).

A group pre-tax profit of £19.3m is forecast for the year to March 2021. A contribution from Lionpoint will help pre-tax profit rise to £23.2m in 2021-22. The shares are trading on 23 times prospective 2021-22 earnings. The strong growth rate and full contribution from Lionpoint should substantially reduce that multiple in the next few years.

Dividend news

Telecoms billing software provider **Cerillion** raised its interim dividend by one-fifth to 2.1p a share and, given the strong cash flow, the final should be raised by at least as much. In the six months to March 2021, revenues improved from £10.2m to £12.8m and underlying pre-tax profit jumped from £1.7m to £3.8m. Borrowings have been paid off and there is £7.71m in the bank. Annualised recurring revenues are £9m. The order book was worth £42.1m at the end of March 2021 and full-year pre-tax profit could reach £6.6m in the year to September 2021.

Nexus Infrastructure has reinstated its interim dividend at 0.6p a share. Numis expects a full year total of 1.9p a share, which is still well below the 6.6p a share paid by the utility connections provider in 2018-19. The utility connections business has held up well, but civil engineer Tamdown continued to decline. The EV charging infrastructure division is growing rapidly and approaching breakeven. The group order book is worth £302m. Nexus is expected to swing from a loss to a pre-tax profit of £3.6m in the year to September 2021. Next year, pre-tax profit could be around £6m, the level it was in 2018-19.

Panther Securities is paying an interim dividend of 6p a share and the ex-dividend date is 10 June. A final dividend of 6p a share is planned for the autumn if shareholders agree at the AGM. The property investor made a 2020 pre-tax profit of £2.57m, even after a £1.1m increase in the bad debt provision, and reported a NAV of 488p a share for the year end. A refinancing is expected to be completed by the end of July and the £66m facility will last for three years. Net debt was £53.9m at the end of 2020.

Expert view: Registrars

The Hill Review – the infrastructure must be in place

By Hardeep Tamana

In March 2021, Lord Hill published his recommendations in terms of a review of the listing process in the UK. Never has it been more clear that we operate in a truly global market, so a disadvantageous regime when it comes to capital raising will do little to help support the UK as a financial hub.

Understandably, his proposals have been broadly well received, and whilst there may be some key points that require further analysis – specifically how reducing free float requirements to such an extent may see volatility spike to levels that are not productive for the issuer – the top line assessment is that an overhaul here would benefit the market, the capital raising process and indeed the professional services community, too.

> A step in the right direction, but the infrastructure must be there

Infrastructure

Perhaps the proverbial elephant in the room here however is the fact that whilst the review addresses what can be done to make London a more attractive listing venue, it does not identify the limitations the domestic market finds itself under as a result of the back-end infrastructure.

As registrars, we often find ourselves working furtively on the plumbing that sits at the heart of a market's infrastructure, yet never finds itself in the mind of the wider world.

It's always worth remembering that an IPO or placement requires a dovetailing of the issuer and investors with a number intermediaries involved, with each performing a key function but relying on different systems to communicate instructions. As CREST registrars, we are at the frontline ensuring this entire process welds together seamlessly and as intended.

Significant advances in terms of automation will be required if Lord Hill's recommendations are to be adopted. That is far from insurmountable but tackling the issue successfully will require a concerted effort from all parties involved. And the tech savvy participants – of which there are many and I count Avenir amongst them – can play a critical role in delivering the necessary infrastructure upgrades.

> Significant advances in automation will be required if Lord Hill's recommendations are to be adopted

Regulators are likely to need to encourage all contributing parties to step up as not updating technology significantly has the potential to present systemic risk, something which is not in anyone's interest. As we have seen first-hand in recent months, there can be a degree of inertia from legacy players when it comes to making things better, along with passing what could be considered unfair charges on to issuers to fund what many would take as ongoing business improvement costs.

For our part, we continue to invest in our technology to support the primary markets. Our aim is to make the issuer, intermediary and securities holders experience seamless by application of technology, yet retain the human interface where it matters most; providing our experience to handle complexities. Such complexities can arise when issuers seek cross border capital raising, which is just a reality of the primary capital markets.

Potential

The Hill review has potential in so many ways. Not only can it make London a more attractive proposition for those global players seeking an IPO venue, but it also has the potential to turbo-charge prospects for retail investors,. The narrative may all be about building back better as we start to emerge from the COVID pandemic, but proper execution of innovations like this has the scope to provide a genuine legacy.

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

Hardeep Tamana has over twenty five years of financial markets experience, working with a number of the largest banking and stockbroking firms. Holding a PhD in geochemistry from Manchester University, Hardeep has also developed a number of next-generation tools for financial services, including proprietary share screening software. Hardeep speaks four languages, served for eight years as CEO of a UK stockbroking firm and brings a wide range of leadership, technical and markets expertise to Avenir Registrars

Smaller company optimism at new highs

The latest QCA survey of smaller company sentiment shows that there has been an increase in optimism over the past quarter. The level of positivity is the highest it has been for a decade.

Small and medium-sized companies have becme increasing optimistic over the past six months, according to the Quoted Companies Alliance Small & Mid-cap Sentiment Index.

The latest survey, which is the 26th, was conducted between 9 April and 5 May by AIM-quoted market research firm YouGov. There were 103 responses by companies and 28 by advisers.

Of those companies that responded, 81 are quoted on AIM. Most 0fthe companies are capitalised at less than £100m, although there are two companies with a market capitalisation of more than £5bn.

The advisers include legal, corporate finance and accountancy firms. There are also two institutional investors and one stockbroker.

Increasing optimism

The mean score for companies' expectations for the UK economy over the coming 12 months is 68.6. This is the most optimistic figure since the start of the survey in 2011 and it compares with a figure of 26.2 one year earlier. The adviser figure is 70.7, up from 30.5 a year earlier, and again it is the highest ever level.

It is a similar story when it comes to the companies' views of their own prospects. In this case, the figure is 77.2, up from 64.8 in the previous survey and 50.9 one year earlier. The adviser figure for expectations about smaller-company prospects is not quite as high at 70.7, up from 32 one year earlier.

The companies anticipate mean expected turnover to increase by 20.9% over the next year. Both companies and advisers believe that there will be more jobs in the next 12 months.

Fundraisings

There are 42% of companies that are considering raising money in the next 12 months. The figure tends to be under 50%, so it is not particularly low. At the peak of the Covid-19 pandemic 49% of companies were considering raising capital and that fell to 45% six months ago.

Given the strength of many share prices it is surprising that this figure is not higher. There would appear to be investor appetite to provide cash for businesses that have a believable growth strategy.

Issuing shares is less in favour than in the past. Prior to the Covid-19 pandemic 60% of companies preferred to raise cash via share issues. The latest figure is 47%.

Bank finance is becoming an increasingly attractive source of funds for the companies surveyeded, with 39% preferring this way of obtaining funds, up from 31% six months before.

There has been a notable uptick in the percentage preferring to raise capital through private equity. It is still small, at 6%, but it has increased from 4%.

The companies believe that raising cash via shares or bank debt should be relatively easy.

> Bank finance is becoming an increasingly attractive source of funds for the companies

Flexible working

Most of the companies and advisers are likely to embrace flexible working hours. Nearly a-quarter of companies and nearly one-fifth of advisers are updating contracts due to changing working patterns, such as remote working and flexible working hours.

16% of companies expect all staff to return to the workplace, while 8% are going to have all staff work remotely. The majority of companies expect to have some staff return to the workplace and some to continue to work remotely.

Overall, the mean expectation of companies is that the average employee will spend 35% of their working time at home.

Since the beginning of the first lockdown most companies have held online meetings. Companies appear keener to continue to hold various meetings online than their advisers are. The question put to them was whether they would prefer to hold events/meetings online, so it may be that the companies are keen to have the choice of how to hold meetings rather than wanting to put an end to face to face meetings.

AIM micro company numbers decline

Companies valued at less than £25m account for one-third of AIM companies, compared with more than 50% less than six years ago.

At the end of 2008 there were more companies on AIM with a value of less than £25m than the total number of companies currently on AIM. In those days, companies worth less than £25m made up nearly three-quarters of all the AIM companies. Larger flotations and strong share price performances have meant that there are fewer very small companies on AIM.

Just over one-third of AIM companies are currently valued at less than £25m and they account for 2% of the market capitalisation of AIM. Back in 2008, 21.9% of AIM's market value was contributed by companies valued at less than £25m.

Of course, that was after the credit crunch had taken hold of the global economies and stockmarkets had headed sharply downwards. The market capitalisation of AIM had slumped, so these small companies were valued at a total of £8.27bn. ASOS and boohoo combined are currently worth more than that.

Even in years prior to 2008 these small companies dominated AIM in terms of numbers. In 2007 52.5% of AIM companies were worth less than £25m and it was not until 2016 that the percentage went significantly below that level.

There has been a particularly sharp fall in the number of companies valued at less than £5m. They accounted for 36.4% of AIM companies at the end of 2008, which was double the 2007 figure, and this has fallen to 7.8%.

At the other end of the scale there are 28 AIM companies valued at more than £1bn, which is a greater number than ever before and is also more than double the number of AIM companies valued at less than £2m. Prior to 2021, there were significantly more companies worth less than £2m than those valued at more than £1bn.

AIM COMPANIES BY MARKET CAPITALISATION

COMPANY	AIM COMPANIES	% < £25M	% < £10M	% < £5M	NUMBER > £1BN
2021 (April)	822	33.8	17.5	7.8	28
2020	819	38.9	22	11.6	24
2019	863	46.6	28.3	18.9	16
2018	923	48.6	28.6	16.5	9
2017	960	46	26.7	14.8	16
2016	982	48.9	28.6	18	7
2015	1044	53.8	35	23.3	4
2014	1104	52	32.7	20.7	3
2013	1087	52.9	31.8	19	7
2012	1096	55.2	35.9	23.2	6
2011	1143	57.9	36.4	22.7	6
2010	1194	54.4	33.8	20.3	9
2008	1549	73.3	52	36.4	0
2007	1693	52.5	32.1	18.2	2
2006	1632	55.2	31.1	17.9	6
2005	1397	63.2	38.2	26	2

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	29.3	16.4
Health care	15.1	10.1
Industrials	14.9	16.7
Technology	11.1	12
Financials	10	12.4
Energy	7.6	11.6
Basic materials	6	14.6
Property	3.3	2.9
Telecoms	1.8	2.1
Utilities	1	1.3

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1256.11	+43.5
FTSE AIM 50	6708.37	+35.7
FTSE AIM 100	6185.34	+37.3
FTSE Fledgling	12880.84	+63
FTSE Small Cap	7265.54	+48.3
FTSE All-Share	4016.13	+16.8
FTSE 100	7022.61	+12.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	64
£5m-£10m	80
£10m-£25m	134
£25m-£50m	137
£50m-£100m	125
£100m-£250m	154
£250m+	128

KEY AIM STATISTICS

Total number of AIM	822
Number of nominated advisers	27
Number of market makers	47
Total market cap for all AIM	£147.8bn
Total of new money raised	£123.5bn
Total raised by new issues	£46bn
Total raised by secondary issues	£77.5bn
Share turnover value (Apr 2021)	£40.1bn
Number of bargains (Apr 2021)	6.33m
Shares traded (Apr 2021)	360.9bn
Transfers to the official list	193

TOP 5 RISERS OVER 30 DAYS

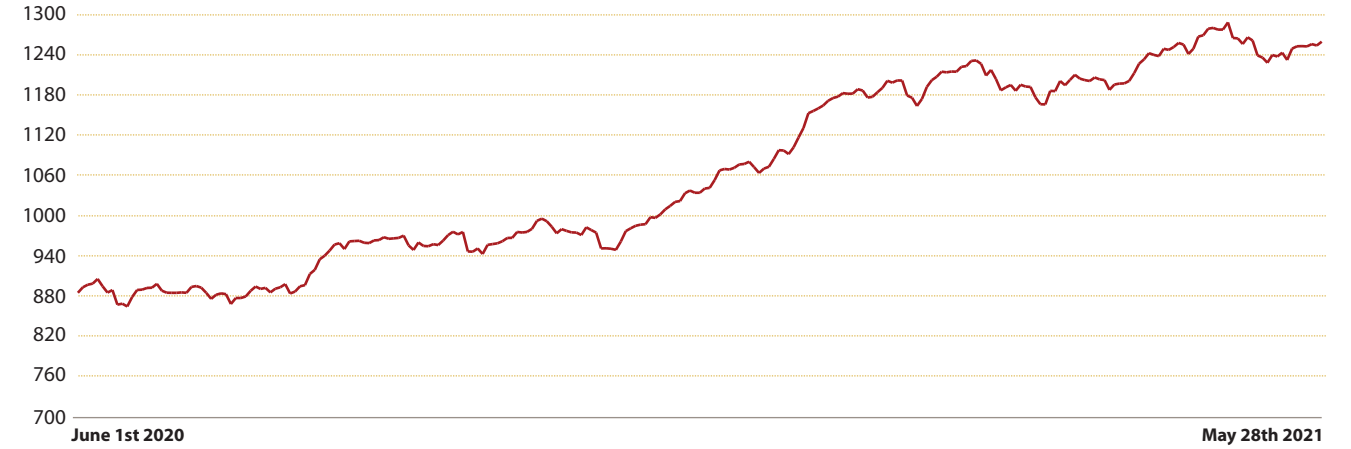
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Kodal Minerals	Mining	0.25	+108
AssetCo	Financials	2200	+76
Wishbone Gold	Mining	18.5	+72.1
Lexington Gold	Mining	5.375	+65.4
Metals Exploration	Mining	2.325	+60.3

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Braveheart Investment	Financials	44.5	-39.9
Chariot Oil & Gas	Oil and gas	5.18	-38.6
Rambler Metals and Mining	Mining	38	-36.7
Quantum Blockchain Technologies	Financials	1.425	-33.7
Igas Energy	Oil and gas	16.9	-32.1

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st May 2021, 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 accessed via http://www.hubinvest.com/AimJournalDownload.htm.

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

AIM

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

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £112bn either when they join AIM or while they are trading on the junior market.

In 1995, there were 29,099 trades with a total value of £270.2m. These days it is unusual if there are not that many trades in a single day, although their total value tends to be less than £270m.

Companies that started out on AIM include online gaming operator GVC, healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, online gaming technology developer Playtech and student accommodation developer Unite Group – all of which are FTSE 250 index constituents.

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MOBILE / TEL: 07729 478 474

EDITOR: Andrew Hore

PRODUCTION & DESIGN: David Piddington

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