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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

# AIM JOURNAL

## August outperformance

AIM performed strongly during August and it continues to outperform the Main Market. The FTSE AIM All share index was 8.9% ahead in August. That is a similar monthly gain to the Nasdaq Composite, which has been the best-performing major international index.

The FTSE AIM UK 50 index did even better, with a 10.1% gain. In contrast, the FTSE 100 index gained 1.1% over the month, helped by the share price recoveries of International Consolidated Airlines Group and Intercontinental Hotels Group. Former AIM companies GVC and Melrose Industries were in the top seven FTSE 100 performers.

Smaller fully listed companies did better, with the FTSE Fledgling index 3.7% higher, but this still lagged AIM. The difference in performance is even more marked over 12 months. AIM is around 11% higher, while the FTSE 100 is down by 17% and the Fledgling index is nearly 7% lower.

The ASOS share price increased by 46.2% last month and it is back to being the largest company on AIM. This means that the online fashion retailer will have been a major factor behind the junior market's gain. Robotic software provider Blue Prism rose by 36.4% and it is one of the top 20 AIM companies by market capitalisation.

## 4basebio spin-off

4basebio AG plans to spin-off its genomics and DNA manufacturing operations into a new company that is set to join AIM. The current plan is that 4basebio would retain a stake in the company and distribute it to its own shareholders.

The company has developed TruPrime, which enables cost-efficient synthetic in vitro DNA manufacturing. The strategy is to scale up the process and build up GMP-grade manufacturing of DNA products for clinical and pharma applications, such as gene therapies and diagnostic products. Investment of €15m is planned in the next two years.

The spin-off company would have the same management as 4basebio, which was previously called Expedeon. In the first quarter of 2020, the business generated revenues of €296,000 and 4basebio was loss-making before the gain on the sale of its proteomics and immunology businesses to AIM-quoted Abcam for €120m at the beginning of 2020. Full-year revenues could be up to €1m and the cash burn is expected to be between €2.5m and €3.5m.

Frankfurt-traded 4basebio would effectively become a cash shell after the spin-off. There was €86.9m in the bank at the end of the first quarter and some of that would be injected into the new AIM company.

### In this issue

# Kooth's personalised float

Kooth is one of the few new companies that have joined AIM this year. It provides personalised digital mental health services that can be accessed without the need for a referral. Kooth raised £14.5m after expenses via a placing at 200p a share, which valued the company at £66.1m. Existing shareholders pocketed £10m from share sales. The share price ended the first day of trading at 240p.

Kooth is the largest provider of children's and young people's mental health services to the NHS and it is expanding into adult services. There are a range of services from self-help tools to professional counselling and Kooth has developed its own digital technology. The NHS, local authorities or charities pay an annual Software-as-a-Service subscription for the services based on an estimated uptake. If demand starts to exceed that estimate, Kooth works with its customer to put a case for increasing spending. There were 133,000 users in 2019.

Annual recurring revenues are currently £13.1m. Kooth believes that the addressable market is worth more than £500m. This could be increased through international expansion. That could be via lisencing the SaaS technology platform to other countries. There is also potential to expand directly into the US through healthcare insurance providers.

In 2019, revenues were £8.66m, while underlying EBITDA was £352,000. The latest interims show revenues of £5.9m and adjusted EBITDA of £551,000.

Kooth will use £6.4m of the cash raised in the placing to repay loan facilities and the rest will be invested in the development of the Kooth technology platform and marketing.

# MelodyVR merger

Virtual reality content provider MelodyVR is acquiring US-based Rhapsody International Inc, which is better known as Napster, for $26.3m – $15m in cash and 200 million MelodyVR shares. The combination of Napster's music library with MelodyVR's VR content and music events should help to grow combined group revenues and there are also cost-cutting opportunities. Napster already generates subscription revenues and has an international presence. MelodyVR's revenues were £195,000 last year, whereas Napster generated revenues of $112.6m and a pre-interest profit of $1.8m. MelodyVR has raised £11.7m at 3.5p a share to finance the deal. This includes £765,000 subscribed by non-executive director Grant Dollens.

# Integumen acquires Modern Water

Integumen is making an all-share offer for Modern Water that values the latter at £21.25m. Integumen plans a ten-for-one share consolidation and it is offering one of these new shares for every ten Modern Water shares. The two companies have been working together for six months and Integumen believes that there are potential cost savings and efficiency improvements from combining the companies.

The focus of Integumen is Labskin, which is a laboratory-grown human skin equivalent that can be used to test and validate products. Digital artificial intelligence services have been developed to enhance the research of clients. Integumen produces water contamination test kits for Modern Water and this is an example of the broadening of the uses of Integumen's technology. Management expects revenues of £4m in 2020.

Modern Water has a monitoring division that develops toxicity and trace-metal monitoring products, which are sold in more than 50 countries. The test systems are the standard required by environmental protection legislation in six countries. There is also a membrane division with technology to tackle wastewater treatment problems at a lower cost than rival treatments. In 2019, group revenues were £2.9m.

Integumen chief executive Gerard Brandon is also non-executive chairman of Modern Water, so he knows both businesses well. Both companies are loss-making and have disposed of non-core activities in the past year. Modern Water has been short of cash and this has held back its development. It had net debt of £264,000 at the end of 2019. Integumen had net cash of £876,000 at the end of 2019, following a £1.37m fundraising at 1.5p a share just before the end of the year. Since then, more than £1m has been raised from the exercise of warrants.

# Pre-emption easing extended to November

The Pre-emption Group has extended to the end of November its recommendation that investors consider supporting placings by companies of up to 20% of their issued share capital over a 12-month period. This should be assessed on a case by case basis.

Quoted companies, investors, advisers and the Financial Reporting Council are involved with the Pre-emption Group. The original recommendation was made at the beginning of April to help businesses that were in financial difficulties to raise emergency funds. The Pre-emption Group says that there have been more than 125 of these emergency fundraisings since the recommendation came into force.

This flexibility should be used if there are extreme circumstances and cash is required immediately. The effect on large and small shareholders should be assessed, though. An important point is that existing share awards should not be changed to negate the dilutive effect of the placing.

It is expected that after November the group's statement of principles, which are designed to protect investors, will come into effect again and companies will have to start seeking shareholder approval for issues of more than 10% of share capital.

There are plans to encourage the government, the FCA and market participants to consider how share issues can be more effective and competitive.

■ Macquarie Capital (Europe) Ltd has decided to stop being a nominated adviser. Litigation funder Burford Capital replaced Macquarie with Numis. At the end of August, Macquarie was still nominated adviser and broker to Distribution Finance Capital, which is applying for a banking licence.

■ WH Ireland has completed the sale of its Isle of Man subsidiary to investment services provider Ravenscroft Holdings following regulatory approval. Head of wealth management Stephen Ford has received regulatory approval to take up a position on the WH Ireland board.

## ADVISER CHANGES - AUGUST 2020

| COMPANY | NEW BROKER | OLD BROKER | NEW NOMAD | OLD NOMAD | DATE |
|---|---|---|---|---|---|
| **Gemfields Group** | Liberum/finnCap | finnCap | finnCap | finnCap | 03/08/20 |
| **Northamber** | N+1 Singer | Cantor Fitzgerald | N+1 Singer | Cantor Fitzgerald | 03/08/20 |
| **React Group** | Allenby | Allenby | Allenby | Spark | 03/08/20 |
| **AB Dynamics** | Peel Hunt | Cantor Fitzgerald | Peel Hunt | Cairn | 04/08/20 |
| **Morses Club** | Peel Hunt | Peel Hunt/finnCap | Peel Hunt | finnCap | 04/08/20 |
| **Parkmead** | finnCap | Arden | finnCap | Arden | 05/08/20 |
| **Sunrise Resources** | Peterhouse | Peterhouse/Beaumont Cornish | Beaumont Cornish | Beaumont Cornish | 05/08/20 |
| **Mereo BioPharma** | N+1 Singer | Cantor Fitzgerald | N+1 Singer | Cantor Fitzgerald | 06/08/20 |
| **TruFin** | Liberum | Liberum/Macquarie | Liberum | Macquarie | 06/08/20 |
| **United Carpets** | N+1 Singer | Cantor Fitzgerald | N+1 Singer | Cantor Fitzgerald | 06/08/20 |
| **Burford Capital** | Numis/Jefferies | Numis/Jefferies/ Macquarie | Numis | Macquarie | 07/08/20 |
| **SDX Energy** | Stifel Nicolaus/Peel Hunt | Stifel Nicolaus/Peel Hunt/Cantor Fitzgerald | Stifel Nicolaus | Stifel Nicolaus | 07/08/20 |
| **Brave Bison** | Cenkos | Allenby | Cenkos | Allenby | 11/08/20 |
| **Oncimmune** | N+1 Singer/WG Partners/ Zeus | Zeus/finnCap | Zeus | Zeus | 12/08/20 |
| **Yu Group** | SP Angel | Shore | SP Angel | Shore | 13/08/20 |
| **Cora Gold** | finnCap/Turner Pope | SP Angel/Turner Pope | finnCap | SP Angel | 17/08/20 |
| **Equatorial Palm Oil** | Brandon Hill/Mirabaud | Mirabaud | Spark | Spark | 20/08/20 |
| **GlobalData** | HSBC/JPMorgan Cazenove/N+1 Singer | JPMorgan Cazenove / N+1 Singer | N+1 Singer | N+1 Singer | 21/08/20 |
| **Trident Royalties** | Shard/Tamesis | Tamesis | Grant Thornton | Grant Thornton | 24/08/20 |
| **Lekoil** | SP Angel/Mirabaud | Mirabaud | Strand Hanson | Strand Hanson | 25/08/20 |
| **Next Fifteen Communications** | Berenberg/Numis | Numis/ | Numis | Numis | 25/08/20 |
| **Yellow Cake** | Canaccord Genuity/ Berenberg | Numis/Berenberg | Canaccord Genuity | Numis | 25/08/20 |

# Trident Royalties hits the ground running after switch from standard list

*Mining* *www.tridentroyalties.com*

**Trident Royalties** has added to its portfolio of mining royalties since the move from the standard list to AIM in June when it raised £16m at 20p a share. It also has an acquisition debt facility of up to $10m.

Trident's initial acquisition was a 1.5% free on board revenue royalty over part of the Koolyanobbing iron-ore operation in Western Australia. The second-quarter royalty payment was A$903,000, which was a two-thirds increase on the first-quarter payment – helped by the strong iron ore price. Trident has received A$1.44m in royalties, having paid an initial A$4m for the royalty. A further A$3m is payable by Trident in July 2021.

Trident paid $5m for a staged gross revenue royalty of 1.25% from production at the Mimbula copper mine in Zambia, reducing to 0.3% after $5m of royalty payments have been received by Trident. That should happen within three years. Once 575,000 tonnes of copper products have been sold the royalty reduces to 0.2%. The first copper sale was in June.

## There is cash for more deals

That deal was followed by the purchase of the variable-price gold royalty over production from the Spring Hill gold project in Northern Territory, Australia. The royalty generates A$13.30/ounce of gold. This was bought from AIM-quoted Thor Mining for A$1m in cash and shares, with an initial payment of A$400,000.

The latest deal is the acquisition of a package of prospective gold royalties from four projects in the Pilbara region of Western Australia. There is a 1.5% net smelter royalty over tenements in three projects and 1% in the other project. This purchase is dependent on the approval of Australia's Foreign Investment Review Board and is conditional on the approval being received by the end of March 2021. The total cost is A$800,000 – A$250,000 in cash and A$550,000 in shares.

| TRIDENT ROYALTIES (TRR) | | | 30.5p |
|---|---|---|---|
| 12 MONTH CHANGE % | +100 | MARKET CAP £M | 31.6 |

There is still plenty of cash left and Trident has more than a dozen potential deals that it is currently reviewing. They are in the Americas, Europe, Africa and Australia, The Trident share price is more than 50% above the placing price.

# Canadian cash flow for i3 Energy

*Oil and gas* *www.i3.energy*

Oil and gas company **i3 Energy** has completed its reverse takeover of Gain Energy, which takes it into the Western Canadian sedimentary basin, and the shares have been readmitted to AIM. The acquisition cost C$80m and C$45m was raised from the subsequent sale of assets in Saskatchewan. A fundraising at 5p a share raised £26.6m after expenses.

The deal was done at a time when the oil price was near to its low. The assets acquired produced 9,500 barrels of oil equivalent per day during June. This will make the company cash generative and provide cash to invest in exploration and development of the original North Sea assets.

| I3 ENERGY (I3E) | | | 5.5p |
|---|---|---|---|
| 12 MONTH CHANGE % | -89.9 | MARKET CAP £M | 37.9 |

Management is currently trying to secure a farmout deal for the Serenity prospect in the North Sea.

The main North Sea asset is the Liberator field – i3 Energy owns 100% of Liberator West and 93% of Liberator East.

WH Ireland estimates that the Canadian assets are worth 17.7p a share – based on i3 Energy's reported estimate of proven and probable reserves. That is more than treble the share price and there is the prospect of a dividend of at least 20% of free cash flow in the first quarter of next year.

# Fulcrum Utility Services has a good base for its recovery this year

*Multi-utility infrastructure services* *www.fulcrum.co.uk*

**Fulcrum Utility Services Ltd** had a tough year to March 2020, but the multi-utility infrastructure services provider still managed to make a pre-tax profit of £1.3m and generate cash. This should prove to be the bottom for the company's performance and the improved cash position provides a good base for recovery.

Fulcrum expected to receive an initial £17m for the gas pipeline and meter assets it sold to ES Pipelines and the figure has risen to £17.9m due to the increased income from the assets. The total amount receivable is expected to be £48m – £2m higher than originally thought. The disposal of assets means that net cash was £6m at the end of March 2020.

## The order book is £68m

In the year to March 2020, revenues fell from £48.9m to £46.1m, while pre-tax profit slumped from £6m to £1.2m. There is no dividend. The order book was worth £68m at the end of June 2020.

Forecasting is difficult and COVID-19 meant that there was a poor start to the new financial year. Housebuilding is a major customer sector for Fulcrum so it is difficult to assess how strong the bounce back will be, but trading has been improving each month. The first-half comparisons are likely to be poor, though. The new chief executive is tackling operational inefficiencies so this will help the full-year outcome.

| FULCRUM UTILITY SERVICES (FCRM) | | | 31.5p |
|---|---|---|---|
| 12 MONTH CHANGE % | +17.8 | MARKET CAP £M | 67.4 |

Investment in the electric-vehicle charging network provides longer-term prospects for Fulcrum.

The share price has recovered since March, but there is still a long way to go to get back to the level it was in 2018. NAV is 20.5p a share, although net tangible assets are less than half that figure. Harwood Capital offered 26.25p a share via a tender offer earlier this year and it bought shares at this price or below, taking its stake to 11% prior to pulling the tender following the announcement of a relationship agreement with Fulcrum. Bayford Group has increased its stake to 13.8%.

# US supplier buys Collagen Solutions

*Medical biomaterials* *www.collagensolutions.com*

US-based Rosen's Diversified Inc has launched a bid for **Collagen Solutions**. The 6.5p a share offer values the medical-grade collagen and medical devices developer at £30.4m. It is nearly four years since the share price has reached the bid level.

In May 2019, Rosen's paid £4.18m at 5p a share for an initial 19% stake in Collagen Solutions. The share price had fallen to half that price before the bid was announced. The family-owned food and agricultural products supplier already has a supply agreement with Collagen Solutions to supply animal tissue.

| COLLAGEN SOLUTIONS (COS) | | | 6.375p |
|---|---|---|---|
| 12 MONTH CHANGE % | +70 | MARKET CAP £M | 28.5 |

Rosen's is the fifth largest beef processor in the US and a supplier of components to the bioresearch and biomedical sectors. Rosen's believes that combining the Collagen Solutions business with its own operations will provide greater scale and product diversification.

Collagen Solutions had an order book worth more than £4m in July. There was £1.6m of cash in the bank at the end of June 2020. Revenues are growing but the business remains loss-making. In the year to March 2020, the cash outflow from operations was £2.88m.

The remaining cash would not have lasted long, and Rosen's can provide the required development and working capital for the business. An application for a CE mark for Collagen Solutions' ChondroMimetic technology continues to make progress.

# Appreciate starts to benefit from its digital investment strategy

*Prepaid gift and savings products* *www.appreciategroup.co.uk*

Corporate and consumer multi-retailer promotional vouchers supplier **Appreciate** has been investing in IT and digital products and that has helped it cope with the challenges of COVID-19 and the related lockdown. The move from supplying paper gift vouchers to increasingly focusing on digital versions of the products improved margins but could not stop corporate customers holding back on promotional activity.

In the year to March 2020, underlying pre-tax profit dipped from £12.5m to £11.4m with a limited hit from COVID-19. This was a year of restructuring, with the head office moving to Liverpool. There are more changes to come with the Christmas hamper business closing, although the Christmas savings business will remain important to the group.

## Net cash was £29.6m

Net cash was £29.6m at the end of March 2020 and the disposal of a property in Birkenhead will boost that by £3.2m. There is also a new £15m funding facility that lasts for five years. Capital investment is likely to lead to a short-term reduction in cash.

There is no dividend for last year, but management intends to return to paying more than 50% of post-tax profit in dividends when it believes it is appropriate. That could happen in this financial year, although the profit, and therefore the dividend, are likely to be much lower than two years ago. First-quarter billings were 48% lower, but trading is improving from the low point. Even so, billings are still likely to be lower this year.

| APPRECIATE GROUP (APP) | | | 31.6p |
|---|---|---|---|
| 12 MONTH CHANGE % | -43.6 | MARKET CAP £M | 58.9 |

Appreciate always loses money in the first half, but the level of interim loss is likely to be higher than the comparative period and it will provide some indication of the potential full-year performance. Liberum forecasts a more than halved pre-tax profit of £4.8m and believes that a dividend of 1.2p a share could be paid.

# Sosandar doubles active customers

*Online fashion retailer* *www.sosandar-ir.com*

Online women's fashion retailer **Sosandar** has adapted to the changes in trading conditions due to COVID-19. It sharply reduced television advertising so that cash was preserved. It takes longer to turn the investment in television advertising into paying customers, so the company is still benefiting from the previous spending.

Sosandar raised £5m at 17p a share during February. That left its balance sheet in good shape. There was £5.33m in the bank at the end of March 2020 and £4.4m at the end of June 2020.

| SOSANDAR (SOS) | | | 15.875p |
|---|---|---|---|
| 12 MONTH CHANGE % | +16.5 | MARKET CAP £M | 30.5 |

In the year to March 2020, revenues jumped from £4.44m to £9.03m, while the loss more than doubled from £3.55m to £7.81m. Discounting affected the gross margin in the second half. The company's deal with Clipper Logistics means that it has the ability to be flexible with its warehousing requirements. Stock levels were also managed so levels did not get too high.

Firstquarter revenues were 54% higher than the year before and the lower marketing costs helped to reduce operating costs by 71%. Active customers have doubled when compared with the first quarter of the previous year. July revenues were 57% higher than the same time last year. Gross margins have improved.

Sosandar is about to start selling its products on the John Lewis and Next websites. Sosandar is going to continue to be loss-making in the medium term, but it is building up its customer list and further developing the Sosandar brand.

# Argentex growing dividend promise

*Foreign exchange services* *www.argentex.com*

## Dividend

Argentex declared a maiden dividend of 2p a share for the year to March 2020. The foreign exchange services provider joined AIM in June 2019. That raised £14m at 106p a share for the company and the costs were £1.5m.

In the prospectus, the dividend policy was to pay interim and final dividends. The pay-out ratio was set at around 30% of profit after tax, excluding exceptional items. There was an intention to announce a dividend at the time of the interim statement, but management decided to wait until the figures for the year to March 2020 were published.

The dividend was nearly 23% of the 2019-20 underlying earnings per share of 8.8p. The shares were quoted for three-quarters of the year, so that seems fair. The total dividend is expected to be 3p a share this year, rising to 4p a share next year.

## Business

Argentex, which was founded in 2011, provides foreign exchange services to institutions, corporates and high-net-worth individuals. This includes spot and forward contracts, as well as options. Last year, foreign exchange turnover was £12.1bn. There are more than 1,200 corporate clients.

Revenues are generated from handling client trades and taking an income based on the difference in exchange rates between the purchase and sale of a currency. There are also premiums on options. No speculative trades are handled.

The contribution from Argentex's top 20 clients accounts for 41% of group revenues, up from 35% the year before. They are not always the same 20 clients each year. The clients operate in a wide spread of sectors. The company has a tiny percentage of the UK foreign exchange market, which is dominated by the banks, which have an 85% share.

| ARGENTEX (AGFX) | |
|---|---|
| Price (p) | 164.25 |
| Market cap £m | 185.9 |
| Historical yield | 1.2% |
| Prospective yield | 1.8% |

Argentex needs to raise cash in the flotation so that it can cope with the growth in demand. The focus is clients that can generate between £5,000 and £100,000 in revenues each year.

A sales office was opened in Amsterdam at the end of the financial year and Argentex has moved into a new London headquarters during the summer. The company continues to take on people as it expands. The focus is building up the sales team so they can add to the customer base.

Australian expansion is being considered and management is assessing the process of obtaining a licence.

In the year to March 2020, revenues were one-third higher at £28.9m, while underlying pre-tax profit improved from £9.7m to £12.4m. Underlying earnings per share increased from 7.8p a share to 8.8p a share.

Pre-tax profit is forecast to improve to £12.7m in 2020-21, rising to £16.3m next year. This year's forecast dividend would be covered more than three times by earnings. The shares are trading on 18 times prospective earnings, falling to 14 next year.

# Dividend news

Strong recurring revenues enabled SIPP provider **Curtis Banks** to maintain group interim revenues at £24.5m and underlying pre-tax profit at £6.3m. The interim dividend was held at 2.5p a share and the total dividend for the year could rise by 8% to 9.7p a share, which would be 1.8 times covered by forecast earnings. Assets under administration was £28.6bn at the end of June 2020. There will be second-half contributions from recent acquisitions, including fintech company Dunstan Thomas, which provides technology for the pension sector and could help Curtis Banks broaden its customer base.

**NWF** benefited from strong demand for home heating oil earlier this year. There were bumper profits from the fuel-distribution business in the year to May 2020. Divisional profit nearly doubled to £11m and this will not be repeated this year. This helped NWF to continue to grow its dividend, with the final 5% higher at 5.9p a share. The shares go ex-dividend on 5 November. Opening costs of the new Crewe warehouse facility led to a dip in profit contribution from food distribution. The feeds business increased market share but profit fell. Group pre-tax profit improved from £9.7m to £11.5m. A pre-tax profit of £10.7m is forecast for this year.

Tanzania-based gas producer **Wentworth Resources** declared an interim dividend of 0.48p a share and it is on course to pay a total dividend of 1.43p a share for 2020, which is an increase on the 1.38p a share paid last year. In the first half of 2020, revenues improved from $8.02m to $8.31m, while operational and interest costs have fallen. A loss of $734,000 was turned into a pre-tax profit of $1.22m. There was $16.7m in the bank at the beginning of September 2020. Demand for gas is expected to increase in the second half.

## Expert view: Registrars

# Will listing costs still dominate in a post-COVID world?

**By Hardeep Tamana**

As financial markets and the wider economy emerge from the COVID-19 lock-down, will issuers be taking a different view when it comes to the price of maintaining their exchange listing?

After all, looking at the slew of capital raises we've seen across all markets in the past few months, the model certainly seems fit for purpose and whilst valuations were rocked by the initial spectre of the pandemic, many sectors have been relatively quick to find stability.

> There's no escaping the fact that obtaining and maintaining a listing are both expensive processes

### Assessing costs

However, there's no shortage of suggestions that many companies will either move to fully remote working or a hybrid home/office model, a turn of events that has the potential to free up significant quantities of cash, be that through lower overheads or even the ability to liquidate property assets to help bolster the bottom line. Unfortunately, that is of little relevance to the myriad of companies that find themselves with manufacturing operations to support or costly field exploration projects.

If anything, these very businesses will now need to be even more exacting when it comes to line item spend, to ensure shareholders are not lured towards those issuers who are now seeing their cost base fall.

There's no escaping the fact that obtaining and maintaining a listing are both expensive processes. They are adviser-heavy as indeed they need to be, to ensure that due process is always followed and high-quality markets can be maintained. But with such a wide range of issuers in the market, from multi-billion pound blue chips at one end of the spectrum to micro-caps at the other, a one size fits all solution will never be right.

This is at its most evident when talking about choice of listing venue, be that the main London market, AIM, Aquis or indeed a 'matched bargain' proposition such as JP Jenkins or Asset Match. But scratch a little deeper and are there other costs where the smaller issuers are paying disproportionately more than they need for a service?

### A different approach

Avenir prides itself in having taken a different approach when it comes to providing the critical securities registry service which is needed by every issuer. Our technology platform was developed from the ground up, designed to ensure maximum efficiency at every stage of the process. As a system that puts electronic certificates first, we have no need for expansive offices or archiving facilities.

> Records can always be accessed remotely by our clients

As a result, records can always be accessed remotely, either by ourselves or by our clients, which means not being tied to a single, central location has been a core part of the Avenir proposition since day one.

This lower-cost base also means that we can deliver right-sized solutions designed to meet the needs of each individual client, whilst these built-in efficiencies also mean that where others may charge on a per transaction basis, we can simply bundle that within our core pricing.

### Reviewing suppliers

And it's worth bearing in mind that efficiencies may be found elsewhere, too. From the Primary Information Provider (PIP) used to publish regulatory filings, your financial PR support, company secretarial services, corporate advisers, lawyers, investor relations specialists – the list goes on.

Using this juncture to review all these services, making sure they are fit for size, have the ability to provide a competent operation fallback and are in turn providing sound shareholder value could well prove to be a meaningful investment.

There's no escaping the fact that the COVID-19 pandemic has taken an horrific toll on both lives and livelihoods. The expectation is that a new normal awaits – those who don't seek out change risk being seen as the outliers.

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

# RWS's progress over two decades

RWS Holdings has gone from a failed healthcare shell to one of the largest companies on AIM. It is in the process of making one of the most significant acquisitions by an AIM company.

Internet Direct floated on AIM as a shell in April 2000 at the height of the internet boom. It was valued at £1.65m. Two decades later it has become RWS Holdings, an intellectual property and life sciences translation and support services provider valued at £1.7bn and it is about to acquire fully listed SDL in an all-share merger that valued the translation software supplier at £854m at the time of the original announcement.

RWS paid £21.2m in dividends in 2018-19

RWS is offering 1.2246 shares for each SDL share. A fall in the RWS share price means that the bid currently values SDL at around £700m.

RWS says that the combined group will be the world's leading language services and technology company. Annual cost savings of £15m are expected and there should be cross-selling opportunities.

SDL is focused on translation software and technology and it is in a good position to benefit from the growth of digital content. SDL has a wide spread of customers, including 90 of the world's top 100 brands by value. In 2019, revenues were £376.3m and pre-tax profit was £27m. Net cash was £26.3m at the end of 2019 and it had risen to £35.1m in June 2020.

## History

RWS has built up a strong track record through a combination of organic and acquisitive growth but things did not go as well in the early days as a quoted company.

The shell made its first acquisition in August 2001. It issued shares to acquire a health-related news and information business and changed its name to Health Media Group. One year later, the business was sold for £125,000, taking the company back to square one.

Initially, the board sought other health-related opportunities, but the company lacked cash. In November 2003, the shell acquired Bybrook Ltd, which owned intellectual property patent translation and services provider RWS.

In the year to March 2003, the acquired business generated revenues of £25.3m and underlying operating profit of £4.37m. In 2018-19, RWS generated revenues of £355.7m and underlying pre-tax profit of £74.2m – nearly three times revenues back in 2002-03.

RWS has built up a strong track record through a combination of organic and acquisitive growth

## Performance

The company had a market capitalisation of £42.5m after the reversal of Bybrook into the shell to form RWS. That is based on the placing price of 112.54p (22.5p after a subsequent five-for-one share split) a share. The share price was 607p at the end of August and it had reached 747p earlier in the month.

However, because there was a fifty-for-one share consolidation at the time of the reversal in 2003, followed by the five-for-one share split, the share price peak was 805p in October 2000 when the company was still a speculative shell. That means that any investor who bought around that time is still likely to be losing money. The adjusted flotation price for Internet Direct was 250p.

Andrew Brode was non-executive chairman of Health Media and he became executive chairman of the enlarged group. He owned 69.9% of Bybrook and ended up with 49.2% of RWS. He still owns nearly one-third of the company prior to the merger with SDL.

At the time of the reversal, Andrew Brode's salary was £200,000 a year. In the most recent financial year his salary was £266,000. He has been earning a similar salary for the past five years. His dividend income will have risen much faster over the past 17 years.

## Dividends

In the year to September 2004, the total dividend was 1p a share. The dividend has been increased every year since then. Last year's total dividend was 8.75p a share.

RWS paid £21.2m in dividends in 2018-19 and more than that has been paid in the current financial year.

The interim dividend was unchanged at 1.75p a share. The merger announcement stated that RWS intends to continue its progressive dividend policy. Even an unchanged dividend would provide a higher ongoing dividend for former SDL shareholders.

# AIM new entrants' performance

## New AIM companies have been thin on the ground in the past 15 months and the performance has been mixed, although the recent joiners have done well.

Digital mental health services provider Kooth is the latest company to join AIM (see page 2) although new entrants are still rare. Kooth and the other recent new entrants are trading at a premium, suggesting that there is demand for flotations.

The table includes the eleven new companies joining AIM since the end of June 2019. It does not include the reverse takeovers. It does contain Barkby, which moved from Aquis Stock Exchange, and Greenland gold explorer AEX Gold Inc, which already had a Toronto Venture Exchange listing.

Barkby operates pubs and coffee shops so it is not surprising that the share price has fallen, and the recovery has been more limited than many other AIM companies.

The best performer is Ireland-based pharma marketing and distribution company Uniphar. The share price has nearly doubled in just over a year. Trading remains strong with COVID-19 providing additional opportunities.

The two companies that joined AIM as the COVID-19 pandemic started to take hold have done particularly well. Spectacles designer and manufacturer Inspecs did originally expect a valuation of around £170m and it ended up as £138m, although that was partly due to less new money being raised. Following the share price rise the current valuation is around £170m.

Asset management services provider MJ Hudson has fallen by more than one-fifth even though it says that 2019-20 results will be in line with expectations. That is despite the lack of new fund launch work in the four months to June.

At one point, the Longboat Energy share price had fallen by two-fifths due to COVID-19 and the weak oil price. However, the fact that Longboat, which is a start-up, has cash in the bank means that it is in a good position to make opportunistic acquisitions.

AIM has risen significantly since it reached its low in March. It will take time for the newissues market to gain momentum. Even if work has been done previously, it takes time to organise a flotation.

If the market remains strong, October could provide an indication of whether the pipeline of potential flotations that brokers have talked about will turn into new admissions.

**AIM NEW ADMISSIONS SINCE JULY 2019**

| COMPANY | ACTIVITY | DATE | ISSUE PRICE (P) | CURRENT PRICE (P) | % CHANGE |
|---|---|---|---|---|---|
| Uniphar | Pharma distribution | 17/07/19 | € 1.15 | € 2.23 | +93.9 |
| Brickability | Building materials | 29/08/19 | 65 | 45.7 | -29.7 |
| Longboat Energy | Oil and gas | 28/11/19 | 100 | 109 | +9 |
| The Pebble Group | Promotional products | 05/12/19 | 105 | 105.5 | +0.5 |
| MJ Hudson | Fund services | 12/12/19 | 57 | 44 | -22.8 |
| Barkby | Consumer | 07/01/20 | 30 | 22.75 | -24.2 |
| Gemfields | Gemstones mining | 14/02/20 | 11.7 | 5.75 | -50.9 |
| Inspecs | Eyewear supplier | 27/02/20 | 195 | 235 | +20.5 |
| FRP Advisory | Accountancy | 06/03/20 | 80 | 116.5 | +45.6 |
| Elixirr International | Management consultant | 09/07/20 | 217 | 222.5 | +2.5 |
| AEX Gold Inc | Gold exploration | 31/07/20 | 45 | 45.5 | +1.1 |

# Market Performance, Indices and Statistics

## AIM SECTOR INFORMATION

| SECTOR NAME | % OF MARKET CAP | % OF COMPANIES |
|---|---|---|
| Consumer | 27.7 | 15.8 |
| Healthcare | 16.3 | 10.2 |
| Industrials | 14.9 | 16.6 |
| Technology | 12 | 11.9 |
| Financials | 8.8 | 11.9 |
| Basic materials | 6.9 | 14.3 |
| Energy | 6.4 | 11.6 |
| Property | 3.7 | 3 |
| Telecoms | 2.2 | 2 |
| Utilities | 1.2 | 1.2 |

## KEY AIM STATISTICS

| | |
|---|---|
| Total number of AIM: | 830 |
| Number of nominated advisers | 27 |
| Number of market makers | 47 |
| Total market cap for all AIM: | £99bn |
| Total of new money raised | £119.3bn |
| Total raised by new issues | £45.5bn |
| Total raised by secondary issues | £73.7bn |
| Share turnover value (July 2020) | £45.8bn |
| Number of bargains (July 2020) | 9.4m |
| Shares traded (July 2020) | 464.7bn |
| Transfers to the official list | 192 |

## FTSE INDICES

ONE-YEAR CHANGES

| INDEX | PRICE | % CHANGE |
|---|---|---|
| FTSE AIM All-Share | 964.04 | +10.6 |
| FTSE AIM 50 | 5372.25 | +11.1 |
| FTSE AIM 100 | 4894.79 | +10.9 |
| FTSE Fledgling | 8638.42 | -6.7 |
| FTSE Small Cap | 5112.27 | -4.9 |
| FTSE All-Share | 3342.44 | -15.4 |
| FTSE 100 | 5963.57 | -17.3 |

## COMPANIES BY MARKET CAP

| MARKET CAP | NO. |
|---|---|
| Under £5m | 133 |
| £5m-£10m | 103 |
| £10m-£25m | 149 |
| £25m-£50m | 126 |
| £50m-£100m | 124 |
| £100m-£250m | 91 |
| £250m+ | 104 |

## TOP 5 RISERS OVER 30 DAYS

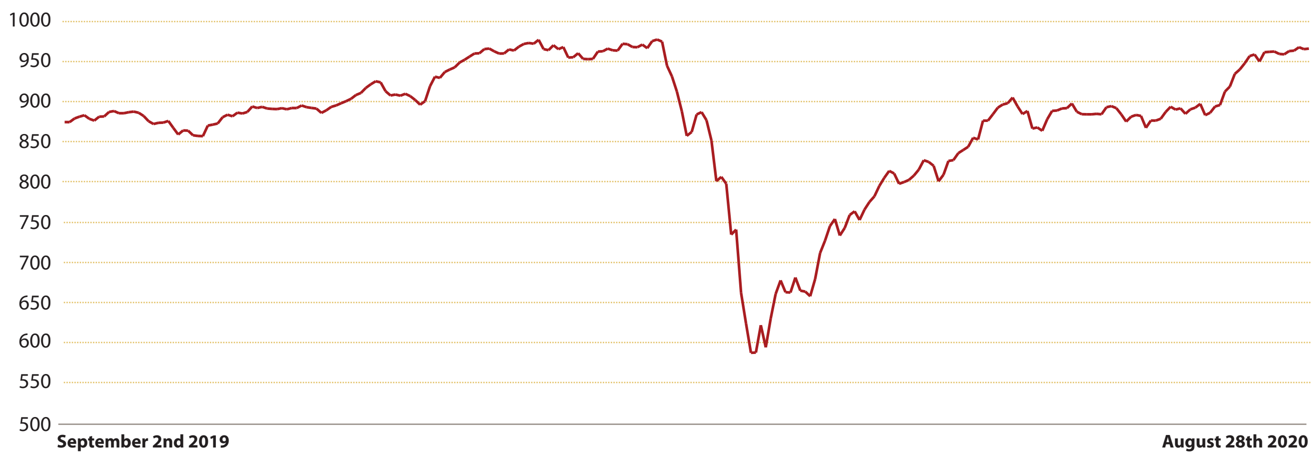
| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
|---|---|---|---|
| 7Digital | Media | 3.3 | +757 |
| Wishbone Gold | Mining | 3.4 | +178 |
| Rurelec | Utilities | 1.3 | +160 |
| Applied Graphene Materials | Technology | 50 | +150 |
| Collagen Solutions | Healthcare | 6.375 | +132 |

## TOP 5 FALLERS OVER 30 DAYS

| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
|---|---|---|---|
| Tiziana Life Sciences | Healthcare | 142.5 | -46.8 |
| Asimilar | Technology | 28 | -41.7 |
| Vela Technologies | Technology | 0.475 | -32.1 |
| Kore Potash | Mining | 0.675 | -28.9 |
| City of London Group | Financials | 64 | -28.9 |

## AIM - 1 YEAR INDEX CHANGE

**Source:** London Stock Exchange




**Data: Hubinvest** Please note - All share prices are the closing prices on the 31st August 2020, 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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