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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM slips 1% in January

The recent recovery of AIM stalled in January. The market declined by just over 1%, which was in line with the fall in the FTSE 100 index. The FTSE AIM 100 did slightly better by decreasing less than 1%. AIM's underperformance may be coming to an end, and it will start to catch up with larger listed company performance.

Drug developer Hutchison (China) has fallen by 30% in the past month, yet it is still the third largest company on AIM. The decline was despite haematological malignancies and immune diseases treatment Sovleplenib making progress towards approval in China. Also, colorectal cancer drug Elunate received marketing approval in Hong Kong.

There have been positive share movements when companies have released a positive full year trading statement. Video games developer Team17 has bucked the trend in the sector with a strong performance over Christmas. Building materials supplier SigmaRoc and digital payments company Boku both beat expectations for 2023.

Shares in uranium investor Yellow Cake continue to rise and it has become the fifth largest company on AIM. It is the fourth best performer in the AIM 100 over the past year.

MIcroSalt goes to a premium

Low-sodium salt developer MicroSalt has completed its flotation on AIM and raised £3.15m at 43p/share, which values the company at £18.5m. The shares went to an immediate premium and ended the first day of trading on 1 February at 50.5p. The cash raised will boost sales and marketing and enable stocks to be built up. There will also be cash for further product development.

MicroSalt halves sodium consumption with the same level of flavour. A patented spray drying process produces micron sized salt crystals and this can be scaled up. The company also has its own low sodium crisps brand, SaltMe. The global sodium reduction market is expected to be worth $9.6bn by 2032. MicroSalt is currently loss making and 2022 revenues were $638,000 following the launch of MicroSalt salt shakers in the US. The latest interim revenues were $257,000.

Tekcapital still owns 77.2% of MicroSalt. That stake is valued at just over £22m, which is more than the Tekcapital market capitalisation. VHM Global Research owns 4.85%.

Tekcapital sold shares in another investee company Belluscura so that it could buy 2.56 million more shares in the MicroSalt fundraising. Medical device developer Belluscura recently changed the terms of its merger with standard list shell, TMT Acquisitions to a one-for-one share swap. It was previously 15 Belluscura shares for every 22 TMT Acquisition shares.

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Revolution Beauty legal action

Investment company Chrysalis Investments argues that it has potential claims for actions of deceit, negligent misstatement and misrepresentation by cosmetics supplier Revolution Beauty Group. It has retained Travers Smith as lawyers for any potential litigation. Chrysalis Investments invested £45m in Revolution Beauty during July 2021 when it joined AIM and in 2022 it sold the investment for £5.7m.

Revolution Beauty confirms that it has received a pre-action letter from Chrysalis Investments. The company strongly contests these allegations and has been engaging with the investment company's advisers.

An investigation into the financial figures and the corporate governance of the cosmetics company delayed the auditing of the 2021-22 accounts and identified additional problems. When the accounts were finally published there was a £45.9m loss and Revolution Beauty lost more money the following year. The underlying loss was reduced in the latest interims. The management of the company has been changed.

When Revolution Beauty floated on AIM it was valued at £495m at 160p/share. The company raised £110.7m and existing shareholders generated £189.3m from sales. At that time, Jupiter Investment Management, which was the investment manager of Chrysalis Investments, acquired a 18.1% stake. The Chrysalis Investment stake was 9%. The bulk of this investment was sold in November 2022 when trading in the shares was suspended at 19p. This was at the time that online fashion retailer boohoo was building up its 27.9% stake.

TPFG bids for Belvoir

The Property Franchise Group is making an agreed bid for rival franchised lettings company Belvoir. The offer of 0.806377 TPFG shares for each Belvoir share values Belvoir at 277.4p/share based on a TPFG share price of 344p. TPFG shareholders will own 51.75% of the enlarged group. The deal is described as a merger, but the TPFG chief executive and finance director are both retaining their roles in the enlarged company. Belvoir chief executive Dorian Gonsalves and finance director Louise George are leaving. TPFG is paying a special dividend of 2p/share prior to the merger and a final dividend of 7.4p/share is promised. The combined group will manage around 152,000 tenanted properties in the UK.

Location Sciences future is Sorted

Trading has recommenced in Location Sciences shares after the publication of a readmission document for the proposed acquisition of Sorted Holdings for a nominal consideration of £66.73 and the assumption of £4.7m of debt. Sorted Holdings has developed delivery software for ecommerce businesses. The enlarged company's name will be changed to Sorted Group Holdings.

The deal was initially announced last June, and a secured convertible bridge loan was provided to Sorted Holdings. Location Sciences has been a shell since exiting the location verification operations.

The board believes that the acquisition provides a scalable model with an attractive customer base, including Marks & Spencer, Asda and ASOS. The Sorted Delivery Experience platform has three modules. Ship provides carrier management and ecommerce checkout optimisation, while track enables parcel-tracking and consumer interaction. The third module is return, which handles refunds and exchanges. This technology came with acquisition of Clicksit at the end of 2021.

There is a SaaS-based model, although smaller businesses can use the return service on a pay-as-you-go basis. The company has delivery services agreements at preferential rates and makes a margin on providing them to clients.

The business was started in 2010 and more than £70m has been invested in the software, although most of that investment has been amortised and impaired. In the year to September 2023, recurring revenues were £6.5m. The business is loss making.

There will be a one-for-625 share consolidation and £2m will be raised at 87.5p/share. Sorted Holdings shareholders were given the chance to subscribe for shares. The pre-consolidation share price rose 21.4% to 0.17p – the placing price is the equivalent of 0.14p.

Panmure Gordon and Liberum join forces

Panmure Gordon and Liberum are merging, and the enlarged group will be the UK's largest investment bank under the name Panmure Liberum. This follows the Cenkos and finnCap merger to form Cavendish Financial.

Panmure Gordon's history goes back to the nineteenth century, while Liberum was founded in 2007 and it is controlled by T&N Holdings (BVI) Ltd, which is wholly owned by a family trust of founder Shane Le Prevost. The combined group will have more than 250 corporate clients and advise 70 quoted investment funds. It will also make markets in more than 750 stocks. There will be offices in London, Leeds, Cambridge, New York and Guernsey.

The latest available accounts for both companies are for 2022 and they lost money. Liberum revenues nearly halved from £55.5m to £28.5m, while a pre-tax profit of £6.28m was turned into a £11m loss. Net assets were £20.5m.

Panmure Gordon (UK) revenues did not hold up much better, falling from £48.8m to £27.7m. A pre-tax profit of £3.56m turned into a loss of £15.6m. Net assets fell to £13.6m at the end of 2022 with £5m invested by holding company PGG Ltd after the year end. PGG had net assets of £76.7m at the end of 2022 based on a valuation of Panmure Gordon (UK) of £85.8m.

Shane Le Prevost will become non-executive chair of Panmure Liberum – he is 68 years old - and Panmure Gordon chief executive Rich Ricci will retain that role after the merger. Liberum chief executive Bidi Bhoma will be deputy chief executive.

It is nearly 19 years since Panmure Gordon reversed into fellow broker Durlacher to gain an AIM quotation. Panmure Gordon was subsequently taken over by Atlas Merchant Capital, which is headed by Bob Diamond. There have been merger talks with other AIM brokers in recent years, but nothing came of them.

■ Client assets of wealth management company Mattioli Woods were flat at £15.2bn at the end of November 2023. Mattioli Woods owns smaller company fund manager Amati Global Investors where funds under management have been hit by the poor performance of AIM.

Singer believes that the upturn in the markets should underpin its current full year pre-tax profit forecast of £33.9m, up from £30.7m last year. A total dividend of 28.5p/share is estimated.

Mattioli Woods subsidiary Custodian Capital is the investment manager to Custodian Property Income REIT which is in the process of merging with abrdn Property Income Trust, which has net assets of £439.2m, and it will retain the role at the enlarged real estate investment trust. The combined property portfolio is worth more than £1bn. Custodian Capital has agreed to waive its management fee in relation to the additional assets for nine months after the merger.

ADVISER CHANGES - JANUARY 2024

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
hVIVO	Cavendish / Peel Hunt	Liberum / Cavendish	Cavendish	Liberum	1/8/2024
Keywords Studios	Barclays / Deutsche Numis	Deutsche Numis	Deutsche Numis	Deutsche Numis	1/9/2024
MP Evans	Cavendish	Peel Hunt / Cavendish	Cavendish	Peel Hunt	1/12/2024
Brooks Macdonald	Singer / Investec	Peel Hunt	Singer	Peel Hunt	1/15/2024
Coro Energy	Hybridan	WH Ireland / Hybridan	Cavendish	Cavendish	1/15/2024
React Group	Singer / Dowgate	Singer	Singer	Singer	1/15/2024
Niox Group	Investec / Singer	Singer	Singer	Singer	1/18/2024
ValiRx	Shard	Cavendish / Turner Pope	Cairn	Cairn	1/19/2024
Destiny Pharma	Shore	Cavendish / Shore	Shore	Cavendish	1/22/2024
Mulberry	Peel Hunt	Barclays / Peel Hunt	Houlihan Lokey	Houlihan Lokey	1/22/2024
Jadestone Energy	Peel Hunt / Stifel Nicolaus	Jefferies / Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	1/25/2024
Boku	Investec / Peel Hunt	Peel Hunt	Investec	Peel Hunt	1/26/2024
Itaconix	Canaccord Genuity	Cavendish / Canaccord Genuity	Canaccord Genuity	Cavendish	1/26/2024
Huddled Group	Zeus	Cavendish	Zeus	Cavendish	1/29/2024
Bango	Singer	Singer / Stifel Nicolaus	Singer	Singer	1/30/2024
Powerhouse Energy	Turner Pope	Turner Pope / WH Ireland	Strand Hanson	WH Ireland	1/31/2024

eEnergy Group sells energy management division to help fund growth in core business

Energy efficiency services *www.eenergyplc.com*

eEnergy Group is selling its energy management division for an initial £29.1m in cash and intercompany debt repayments, which is more than the company's market capitalisation. There is further contingent consideration payable over the next two years.

Flogas, a subsidiary of fully listed DCC, is acquiring the energy management business. Contingent consideration is dependent on free cash flow generation from the core energy management business, plus the number of installations of the MyZeERO smart metering platform. This could add £8m-£10m to the overall payment. The maximum additional payment is £20m. This is payable in two instalments covering the periods to September 2024 and the 12 months to September 2025.

Energy services grew by 87%

There was £23.4m invested in the energy management business. The cash will be used to pay off debt and the rest reinvested in the core energy services business, which offers solar and LED lighting as a service. There should be £18m in cash available for expansion.

Energy services revenues grew by 87% in the 12 months to June 2023. The additional finance will enable growth to continue to be rapid, even if it does not maintain that level of increase.

Prior to the disposal, Canaccord Genuity was forecasting 2024

EENERGY (EAAS)			6.5p
12 MONTH CHANGE %	+80.6	MARKET CAP £M	25.2

EBITDA of £4.5m from the energy services business. There were corporate overheads of £2.1m and it is unclear how this figure will change after the disposal.

Chief executive Harvey Sinclair has been awarded £285,000 and finance director Crispin Goldsmith £200,000 as bonuses relating to the disposal. New share incentives have been announced for four directors and other employees, including those two directors, with a minimum vesting threshold share price of 9.32p. Other tranches of shares have vesting thresholds of 13p, 15.8p and 18.4p. Just over 184 million shares could be issued if all vesting levels are reached. This was set when the share price was 5p.

Smarttech247 builds base for further growth

Cybersecurity *www.smarttech247.com*

Cybersecurity services provider **Smarttech247 Group** has made good progress in a growing and fragmented market. New partnerships and collaborations have been signed and tenders won for contracts. The three-year contract renewal by US-based automotive retailer AutoNation shows that existing clients are happy with the service.

The core platform is VisionX and this is already the main generator of revenues. There is also the automated managed phishing platform NoPhish and vulnerability software ThreatHub. The more recent listing of VisionX on

SMARTTECH247 GROUP (S247)			20p
12 MONTH CHANGE %	-32.2	MARKET CAP £M	22.7

the Amazon Web Services provides further visibility for the platform, as well as providing access to smaller potential clients.

There has been investment in additional staff and technology to provide an enhanced base from which to grow over the longer-term. This means that overheads have increased. Even so, revenues have grown and there have been further deals since the year end.

In the year to July 2023, revenues rose from €10.2m to €12.2m. While the reported pre-tax profit declined from €1.53m to €204,000 although this does not reflect the underlying outcome. If flotation related costs, loan note conversion charges and share based payments are excluded then the underlying pre-tax profit is higher at €2.05m. There is net cash of €6m, although that figure was helped by a €1.3m increase in trade creditors.

In December 2022, Smarttech247 raised £3.67m, or £2.8m after expenses, at 29.66p. The share price has fallen, but this is not unusual for a technology company in the current markets.

Kromek well-placed to take advantage of growing CZT-based advanced imaging

Cadmium zinc telluride technology *www.kromek.com*

Durham-based **Kromek** is growing its revenues, but it is still some way away from achieving a pre-tax profit. Over the next few years, the fastest growth is expected in the advanced imaging division, although growth in the nuclear detection and biosecurity division could still be in double digit percentages.

There was a change in mix in the first half. Product sales were lower, and the research and development grants and income increased. Interim revenues improved by 5% to £7.1m, while the loss was cut from £5.7m to £3.5m. Management has been successful in cutting administration costs.

There is a low rate of penetration of CZT sensors in the advanced

R&D grant revenues increased

imaging market, but that is set to change over the rest of the decade. The seven-year $58.1m supply contract with Spectrum Dynamics is still building up so there is growth to come from this, as well as newer contracts. Following the acquisition of Redien Technologies by Canon, Kromek is left as the only major independent CZT supplier.

Full year revenues are set to be double the level in 2020-21. The forecast of £21m is 84% covered by contracted income. That will help to reduce the adjusted loss from £7m to £5.3m. Net debt could be £5.4m

KROMEK (KMK)			6.3p
12 MONTH CHANGE %	-34.7	MARKET CAP £M	37.8

by April 2024. A new £5.5m loan from a shareholder has replaced a bank facility and it lasts until March 2025. There is also convertible debt.

The loss should reduce in 2024-25 and there could be a cash inflow from operating activities. However, there is still significant capitalised development spending and other capital investment to cover, so net debt could rise again. Kromek has the production capacity to cope with more business, but there are likely to be requirements for additional working capital. That means that there could be another fundraising in the medium-term.

Velocity Composites commences US production

Aerospace components *www.velocity-composites.com*

Aerospace composite materials supplier **Velocity Composites** is starting the roll out of production at its new facility in Alabama. Demand from civil aerospace and the defence sector is improving as manufacturers seek to increase the carbon composite content of aircraft. Reducing the weight of aircraft helps to reduce fuel consumption.

There are currently two shifts over five days with three machine production cells. This leaves room for further increases in capacity when demand increases.

In the year to October 2023,

VELOCITY COMPOSITES (VEL)			35.5p
12 MONTH CHANGE %	-37.2	MARKET CAP £M	19

revenues grew 37% to £16.4m and that includes an initial $2m from the US. The loss increased from £1.3m to £2.8m. Net cash was £1.6m at the end of October 2023.

Kits relating to two-thirds of forecast US revenues for this year have completed first article inspection and most of the rest are in various stages of this inspection. Pricing has been agreed. Once production is fully up and running the US facility should be able to generate revenues of £16.7m. The 2023-24 forecast group revenues have been trimmed from £33.4m to £27.2m and this increases to £33m in 2024-25. This assumes that a second customer is not added in the US.

A pre-tax profit of £500,000 is forecast for 2023-24, rising to £1.6m the following year. The business will also be cash generative on this basis with the main capital expenditure already made. Cash could reach £4.1m by the end of October 2025. The shares are trading on 14 times prospective 2024-25 earnings.

Wynnstay Group hit by weak fourth quarter trading and fertiliser write-downs

Animal feed *www.wynnstayplc.co.uk*

Wynnstay had already warned that the fourth quarter trading was weak due to the wet weather and tough economic conditions for farmers. A decline in the milk price was a factor behind the farmers having less money to spend on feed and in the company's retail outlets.

In the year to October 2023, revenues improved from £713m to £735.9m, while pre-tax profit slumped from £22.6m to £9.2m. That is after a one-off stock loss at the Glasson fertiliser business as raw material prices fell back to more normal levels. The full year dividend was raised 1.5% to 17.25p/share, which is still covered 1.9 times by earnings. Net cash was £19m.

Net assets are 600p/share

The specialist merchanting division profit held up better than the agricultural division profit, although the latter was unusually high in the previous year. Higher margin merchanting sales have been hit by the lack of spending power of farmers and inflation.

This year's first half is likely to continue to be tough, but there is potential for recovery in the second half. Shore is maintaining its 2023-24 pre-tax profit forecast at £11.5m, which is back to the 2020-21 level, with further improvement to £11.9m the following year. Net cash

WYNNSTAY GROUP (WYN)			342.5p
12 MONTH CHANGE %	-35.9	MARKET CAP £M	78.6

is likely to be higher than previous expectations at £16.4m because of the decline in commodity prices.

Wynnstay has never been a business that has grown steadily. There are always ups and downs. Last year's figures should mark a low point and the forecasts do not appear to be overly optimistic. The shares are trading on nine times forecast 2023-24 earnings and the forecast yield is 5.3%. Net assets are 600p/share and even after stripping out intangibles the figure is more than 500p/share.

Fuels and animal feed hold back NWF

Fuels, feed and food distribution *www.nwf.co.uk*

Fuels and feed businesses were weaker in the first half, and this was only partly offset by improved food distribution contribution, so **NWF** reported a much lower interim profit.

Fuels volumes increased but prices were lower, and the margin returned to previous levels. There was also lower demand for heating oil. This meant that the profit contribution declined from £2.6m to £700,000. The second half includes the important winter period. Animal feed volumes fell in line with the market decline because of lower milk prices. Profit slumped from £2.1m to £400,000.

In contrast volumes increased

NWF (NWF)			220p
12 MONTH CHANGE %	-3.1	MARKET CAP £M	108.8

in food distribution due to high customer demand. The profit contribution improved from £2.1m to £2.9m. NWF has signed a 15-year lease on a third food distribution warehouse in Newcastle-under-Lyme. This will add 52,000 pallets to capacity. The site should be open in the autumn after capital expenditure of £8.5m and could add £1.2m to pre-tax profit by 2025-26.

In the six months to November 2023, group revenues fell 13% to £472.9m, while pre-tax profit declined from £6.2m to £3.4m. That excludes a £1.3m settlement receipt relating to damages following a decision by the European Commission and an ERP implementation cost of £400,000. Net cash is £13.3m. The interim dividend is unchanged at 1p/share. That does not provide any indication to the full year dividend. The interim dividend has been the same since 2008 and the final dividend was increased each year.

The second half of the financial year is always more significant, and expectations are unchanged with a full year pre-tax profit of £12.6m forecast.

LPA Group restarts dividend payments

Electrical and lighting products *www.lpa-group.com*

Dividend

LPA GROUP (LPA)	
Price (p)	80.5
Market cap £m	10.9
Historical yield	1.2%
Prospective yield	1.9%

LPA Group was a consistent dividend payer going back to when it was quoted on the Unlisted Securities Market. It moved to the Main Market in February 1996 and then to AIM on 7 May 2002. By then the dividend had fallen from a peak of 2.8p/share in 1999-2000 to 0.25p/share in 2001-2002. It then rose to 0.9p/share in 2008-09 before falling again to 0.4p/share. By 2017-18 the dividend was 2.9p/share, but the following year the interim was maintained at 1.1p/share and there was no final dividend.

There was no further dividend until the 2022-23 results. The payment of 1p/share is not covered by earnings, and the shares go ex-dividend on 14 March. This year the forecast dividend is 1.5p/share, which would be covered more than four times by forecast earnings.

Business

LPA Group is an engineering business that supplies electronic, electro-mechanical and lighting components and systems. Core sectors are rail and aerospace, although there are other industrial customers. Rail generates the most revenues, but aerospace is growing strongly.

The business is split into three divisions. Connection systems is growing revenues at the fastest rate. It supplies electro-mechanical and other connectors. Lighting systems sales fell slightly last year, although it is still the largest division in terms of revenues. It supplies LED and smart lighting systems. Channel electric supplies relays, circuit breakers and USB charging components. Last year, LPA acquired a range of electrical connectors for trains from Amphenol, and they have already generated revenues of £1.5m.

Currently, the UK and Europe dominate the revenues. There is potential to grow significantly in North America. Add-on acquisitions can take LPA into new markets and use in-house manufacturing expertise. Last month, Redbox Aviation was bought to add a complementary range of DC ground power equipment for the aviation market.

LPA moved to breakeven in the year to September 2023, excluding the negative goodwill credit of £940,000 relating to the Amphenol products purchase, although a tax credit meant that there were underlying earnings of 0.6p/share.

In 2022-23, there was a small cash inflow from operations. Net bank debt was £750,000 at the end of September 2023. There is pension surplus of £2.7m.

The order book was worth £31.6m at the end of the financial year and one-third should be delivered this year. Around one-quarter of additional revenues fall through to profit. The 2023-24 revenues are expected to improve from £21.7m to £26.2m with an underlying pre-tax profit of £800,000. That would cut the earnings multiple to 13.

The strategy is to reach annualised revenues of £50m by the end of 2027. Further acquisitions will help and could also enhance earnings.

Dividend news

Pawnbroker **Ramsdens** reported 2022-23 figures in line with previously upgraded expectations. Pre-tax profit improved from £8.3m to £10.1m. The pawnbroking book is at a record high, but trading is tougher for other parts of the group. Foreign exchange volumes were lower. Net cash of £5m was below expectations due to additional working capital for jewellery stock. Liberum expects minimal profit growth this year because of wage increases and the mix of business moving towards lower margin operations. The company will continue to benefit from the high gold price and investment in online platforms. The total dividend was 10.4p/share and it is expected to increase to 11p/share this year.

Piling contractor **Van Elle** reported a 16% decline in interim revenues to £68.2m, while operating profit slipped from £3.5m to £2.7m. There is potential for an improvement in the second half even though the housebuilding and rail markets are still challenging. The interim dividend has been maintained at 0.4p/share and the full year total should stay at 1.2p/share. Full year pre-tax profit could fall from £5.4m to £5m. There may be a significant recovery in pre-tax profit to £6.5m in 2024-25. More water and rail business and greater utilisation of plant will help improve margins.

Public sector and engineering software provider **IDOX** raised 2022-23 revenues by 11% to £73.3m, while pre-tax profit improved from £13.5m to £15.8m. The main growth came from the land, property and public protection division, while there was a decline in the communities division because of a lack of election activity. The dividend was raised from 0.5p/share to 0.6p/share. The shares go ex-dividend on 23 March. A further improvement to 0.7p/share is forecast for this year, which would be covered 3.7 times by estimated 2023-24 earnings. Management wants to make further acquisitions to build up the group.

Expert view: Registrars

Digital communications with shareholders – the "dividend effect" and how to manage it.

By Hardeep Tamana

Since our inception more than 10 years ago, Avenir Registrars has always advocated that significant efficiencies can be realised if securities issuers are willing to harness the power of digital registers and electronic communications.

Over the last decade, a growing proportion of consumers and institutions alike have become increasingly comfortable relying on digital services as their primary method of communication across so many channels, but is the lack of universal adoption here really a problem and what can issuers do to make their own lives easier?

Efficiency

At the start of February, Avenir Registrars co-presented at a London Stock Exchange Group webinar with ONE Advisory, looking at this very subject. One key point made was the scale of the economic efficiency for all parties that could be realised by moving to electronic dividend payments and e-share certificates for those currently holding paper documents.

Whilst the vast majority of investors are comfortable with this approach, issuer perception is that a small number of securities holders either want the reassurance of receiving paper cheques in the post or feel uncomfortable disclosing bank account details to the issuer or their registrar. This doesn't correlate with our real-world experience, given that the scope bad actors have to work with a bank account number, sort code and holder's name is incredibly limited.

And similarly, the process of distributing cheques via the postal service is rife with challenges that ultimately serve to increase costs for all shareholders. The basic costs associated with processing an electronic transaction can be a matter of pennies, whereas producing and mailing a cheque runs to several pounds, often exceeding the value of the cheque itself.

In addition, the burden of managing unpresented cheques, issuing replacements that have gone astray and trying to track down holders to find out if there's a problem is also incredibly resource-hungry. Our experience is that any issuer that adopts an electronic dividend payments first approach are pleasantly surprised by the positive reception such an initiative gets.

What's more, industry data suggests that on average, issuers will lose track of between 2% and 5% of their investors as a result of a failure to update contact details. Analysis of our own records shows that this is reflective of the situation with issuers we have either had for a long time or those instances where we have facilitated migrations from other registrars. The reality is people are far more likely to move house than move bank account provider, so our focus on delivering services on an electronic-first basis does serve to strengthen the investor-issuer relationship.

Shareholder communications

The challenges are obvious enough, but is there anything issuers and their advisers can do to improve this situation? Arguably it comes down to ensuring shareholder communications are functioning well.

The idea of sending any new direct shareholders a welcome pack as part of the registry process has been highlighted. Typically these will be significant investors anyway, but it provides a useful platform for encouraging securities owners to embrace the benefits of moving to a completely electronic relationship.

At Avenir we have worked successfully with a growing number of issuers, helping them understand the benefits of nudging their clients towards a fully digital relationship. The number of investors who are unwilling to change continues to fall and for this cohort we can provide print based operating side-by-side with digital services, improving security and the convenience of administration by including elements such as unique QR codes on share certificates making their validity easy to check.

In an ideal world we would all operate in a fully digital environment and the recommendation of the Government's Digitisation Taskforce will be keenly watched. Ultimately the alternatives do come with a price that is paid by all shareholders equally but until then, the team at Avenir stand ready to help issuers deploy a fully electronic or hybrid securities registry model.

Issuers that adopt an electronic dividend payments first approach are pleasantly surprised by the positive reception

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

AIM liquidity could be bottoming out

Liquidity continued to decline in 2023, but there are signs that it may begin to recover.

Although the AIM recovery has stalled in January, there has still been an improvement in performance over the past few months. This suggests that there is greater interest in shares quoted on the junior market as investors try to spot undervalued companies. However, while there are some positive trading statements, the profit warnings continue, and they garner a greater share price response.

In the early months of 2023, the average daily trade numbers were running at less than 50% of the same months in 2021 and well down on the 2022 figures. The same is true of average daily values of the trades.

Some of the decline can be put down to the loss of companies from AIM. Over a three-year period, the number of AIM companies slid from 819 to 753 so this was not a large number. However, there were some large AIM companies that were heavily traded that left. One of the most consistently traded was ASOS, which went to the Main Market. Other departing companies include Abcam and EMIS, which were also regularly among the top traded AIM companies.

Even so, this does not account for all of the downturn. Trading levels in 2023 were lower than in 2019 when there was caution because of uncertainty ahead of a General Election and the resolution of the exit from the EU.

The top three most traded AIM companies in December 2023 were different to 12 months before. Keywords Studios moved from eleventh to third, yet the number of trades was slightly lower, although there was one fewer trading day this December. Online fashion retailer boohoo was previously the top traded share, but the number of trades dropped from 30,853 to 16,599 year-on-year.

Potential recovery

December is normally a poor month for trading because of the bank holidays and limited trading in working days around the Christmas period. Yet, there was still a small increase in the average daily trades compared with November. The average daily value of those trades was not only higher than November, but also ahead of December 2022. This is the only month in 2023 when the figure was higher than in 2022.

Tax services provider Time Investments says 90% of financial advisers it questioned intend to increase client exposure to AIM and the other 10% will keep the exposure the same. This should help to improve liquidity.

Bids for AIM companies have shown that there are undervalued AIM companies and advisers and investors are becoming more aware of this. If there is positive news amongst the 2023 full year results it could further help liquidity.

AIM TRADING LEVELS SINCE THE BEGINNING OF 2021

	AVERAGE DAILY TRADES			AVERAGE DAILY VALUE (£M)		
MONTH	2023	2022	2021	2023	2022	2021
January	47,100	78,255	107,893	232.5	391.5	559.3
February	45,085	72,612	104,560	224.9	343.4	516.4
March	44,970	75,691	90,466	245.2	331.3	451.7
April	47,939	66,508	84,558	254.8	318.2	409.5
May	44,060	64,467	82,904	224.3	322.5	388.3
June	37,580	56,822	73,712	172.8	283.5	356.2
July	36,813	50,016	67,867	172.5	212.0	319.8
August	32,355	45,119	61,119	161.1	195.0	282.6
September	36,104	50,752	74,024	192.1	224.1	389.2
October	33,902	46,322	75,995	176.7	190.1	354.7
November	34,270	48,200	75,620	169.9	221.1	384.2
December	34,452	38,328	67,890	180.9	176.3	337.7

QCA proposals to improve smaller company liquidity

The QCA has released 'Generating growth in quoted companies', which has proposals for the upcoming Budget that could increase interest and liquidity in smaller companies.

The Quoted Companies Alliance has put forward proposals to the Chancellor of the Exchequer ahead of the Spring Budget on 6 March 2024. The proposals include suggestions for Individual Savings Accounts (ISAs), investment vehicles and equity research.

ISAs

The QCA believes that there should be a simplification of ISA products by combining Cash ISAs with Stocks & Shares ISAs. The organisation argues that this would make it easier for investors to switch between cash and shares. There is currently £285bn of cash in Cash ISAs and even a small proportion of that going into shares could provide a boost to liquidity.

There is also a suggestion that more of the ISA investment in shares should be going into British businesses so that the investment is benefiting the UK economy and businesses.

The idea is to impose a 50% minimum threshold for investment in UK stocks so that at least as much is invested in UK companies as in overseas companies. How British companies will be defined is not covered in the proposals.

There is a suggestion that the investment should be renamed BRISA to reflect the British focus. The QCA would also like the annual allowance to rise from £20,000 to £25,000. The allowance has not changed since the 2017-18 tax year.

Investment vehicles

The government has extended the sunset clauses for the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) and the QCA wants a streamlining of the processing and eligibility criteria. Delays have hampered companies.

AIM-quoted digital analytics as a service business Actual Experience went into administration late last year because it ran out of cash. A failure to receive assurance from the HMRC in a timely manner that shares issued in a fundraising would be eligible for EIS tax relief made it difficult to raise money.

Currently, a company that has been trading for more than seven years and has not issued any shares under EIS or VCT rules is excluded from EIS and VCT investment unless it raises at least 50% of its five-year average turnover and is entering a new market. The QCA believes that alternative methods of determining maturing should be used and companies should be able to raise cash for acquisitions.

A UK Growth Trust is proposed to provide capital to scale-up companies that have a market capitalisation of less than £200m. Companies seeking EIS and VCT investment cannot have gross assets of more than £15m. The UK Growth Trust would not offer as large a tax relief incentive as the other schemes. A rate of 15% is suggested.

A UK Growth Trust is proposed to provide capital to scale-up companies that have a market capitalisation of less than £200m

Equity research

A lack of research on smaller companies is hampering the level of knowledge of investors and does not help liquidity. The proposal is supportive of the research platform suggested in Rachel Kent's Investment Research Review published in July 2023.

According to the review, the platform would "provide a central facility for the promotion, sourcing and dissemination of research on publicly traded companies – potentially open to all, but in particular, for small cap companies". The review also recommends a code of conduct for issuer-sponsored research.

There have been similar platforms set up in other countries in Europe and Asia. The QCA does not go into details, but it believes that they have improved price performance and liquidity. It does admit that it is difficult to prove these benefits, though. Broadening the audience for research will certainly provide potential for greater investor interest.

It is estimated that the total cost of the research platform could be £100m. The QCA is keen that this should not add to the costs of the companies themselves. The potential method suggested is a levy on the trading of investors. That seems strange when the QCA wants smaller companies exempted from stamp duty, which appears similar to the levy it is suggesting.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	26.3	16.1
Industrials	20.8	17.3
Financials	11.5	10.4
Health Care	10.4	10.4
Technology	11	12.2
Basic materials	8.4	15.5
Energy	6.4	11.4
Telecoms	1.8	1.7
Property	1.7	2.4
Utilities	1.6	0.8

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	754.75	-13
FTSE AIM 50	4053.17	-13.6
FTSE AIM 100	3661.37	-12.1
FTSE Fledgling	10889.7	-8.9
FTSE Small Cap	6296.61	-3.1
FTSE All-Share	4173.06	-1.9
FTSE 100	7630.57	-1.8

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	133
£5m-£10m	99
£10m-£25m	145
£25m-£50m	93
£50m-£100m	105
£100m-£250m	98
£250m+	80

KEY AIM STATISTICS

Total number of AIM	753
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£79bn
Total of new money raised	£134.1bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£86.2bn
Share turnover value (Dec 2023)	£50.2bn
Number of bargains (Dec 2023)	9.89m
Shares traded (Dec 2023)	751.1bn
Transfers to the official list	202

TOP 5 RISERS OVER 30 DAYS

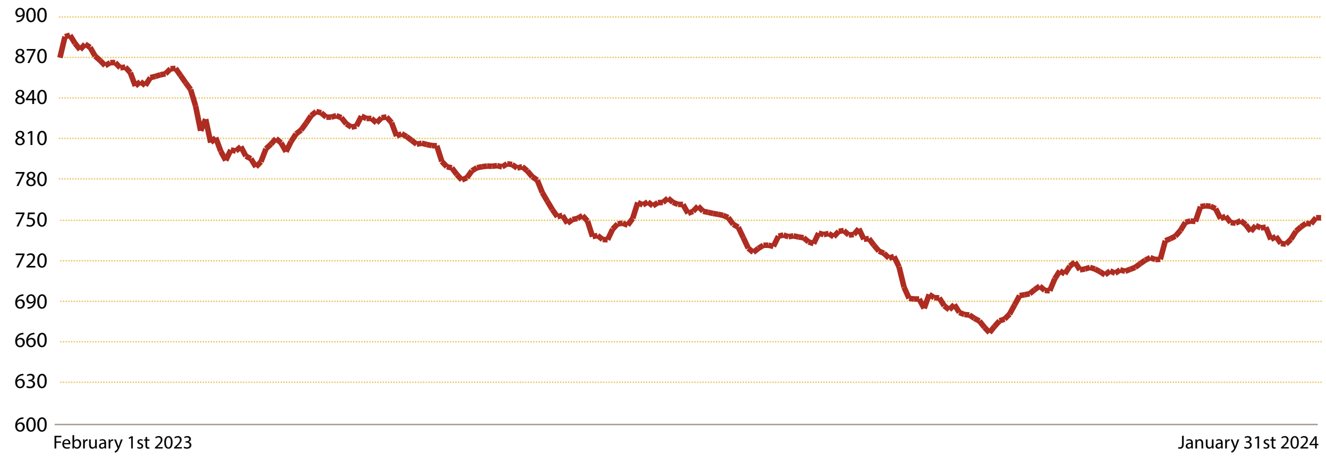
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Helium One Global	Mining	1.37	+443
Oriole Resources	Mining	0.38	+124
e-Therapeutics	Healthcare	18.125	+120
Mosman Oil and Gas	Oil and gas	0.0195	+85.7
Tekcapital	Technology	11.75	+80.8

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Activity Energy Group	Cleantech	0.45	-72.7
Microsaic Systems	Technology	1.4	-65.5
Versarien	Technology	0.1025	-53.3
Echo Energy	Oil and gas	0.005	-52.4
Revolution Bars	Leisure	2.8	-50.9

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st January 2024, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published.

The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

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

AIM

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

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £134bn either when they join AIM or while they are trading on the junior market.

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

Companies in the FTSE 100 that started on AIM include online gaming operator GVC, engineer Melrose Industries and student accommodation developer Unite Group. Healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, and online gaming technology developer Playtech are FTSE 250 index constituents.

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