

DECEMBER 2018

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET JOUR RALE L THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Bushveld AIM fine

Vanadium miner Bushveld Mining has been fined £700,000, reduced to £490,000 for being settled early, and publicly censured for breaching AIM rules 11 and 13. These rules cover failure to comply with disclosure obligations and not providing the nominated adviser with information. The fine relates to a \$500,000 exclusivity fee that was not declared to the company's nominated adviser, Strand Hanson.

The exclusivity fee was agreed with the vendors of a stake in vanadium producer Vametco, a purchase that helped to transform Bushveld, during March 2016 and at that time this was a significant amount of money for Bushveld. Strand Hanson advised that the exclusivity agreement meant that the deal had become a potential reverse

takeover and therefore trading in Bushveld shares would need to be suspended, which the company did not want to happen because it thought that this would disrupt a fundraising. Bushveld management sought legal advice, and this disagreed with the nominated adviser.

The exclusivity deal was finalised on 7 April and should have been revealed to the nominated adviser and the market. However, the undertaking was not disclosed until 22 April, the day after trading in the shares was suspended. On 6 April, the share price was 2.35p and it fell to 2.13p five days later before rallying to 2.45p at the time of the suspension. Trading recommenced on 3 June after £1.77m was raised via a placing at 1.8p a share.

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Panoply insourcing prospect

Panoply Holdings believes it is well positioned to take advantage of a move away from outsourcing IT towards taking IT responsibility back in-house by companies and governments. Panoply has joined AIM and the shares ended the first week of dealings at a 16% premium to the placing price of 74p.

The group has been formed from the merger of four separate, profitable IT businesses, which will continue to be run independently, although they will work together in terms of cross-selling. This has already been happening prior to the

completion of the acquisitions, which was at the time of the flotation. Consideration was taken in shares and the £3.9m net proceeds of the placing will be used to provide working capital for growth and fund due diligence on further acquisitions.

Panoply has two consultancies in London and one in Oslo, plus a software development business. Management wants to add to the skills it already has so that more services can be offered as well as widening the geographic reach of the business via regional clusters of companies.





>>> general news

AIM governance progress

UHY Hacker Young and the Quoted Companies Alliance (QCA) have published their sixth annual review of corporate governance. This argues that there has been an improvement in AIM corporate governance following the implementation of the updated AIM Rule 26. This requires all companies to adopt a recognised corporate governance code.

The Corporate Governance
Behaviour Review 2018 (https://
www.theqca.com/article_assets/
articledir_348/174461/Corporate%20
Governance%20Behaviour%20
Review%202018.pdf) analysed
annual reports and corporate
websites of 50 small and mid-sized
AIM-quoted companies. The review
was undertaken after the rule
changes on 28 September. It can
provide a reference for other AIM
companies to assess their corporate

governance disclosures in relation to the companies in the survey.

It is estimated that "a significant majority" of AIM companies have adopted the QCA code. This code was updated in April. "This year we have seen a marked improvement in the level of disclosure, brought about by the AIM rule", according to the publication, but there are areas where the disclosure is not as good as would be expected, such as formal board evaluations.

Retail investors are important to smaller companies and this means that information about an individual company needs to be easily accessible. This is particularly important at a time when investment research on smaller companies is in short supply.

The report argues that a company should provide a clear idea of its strategy and business model.

Faroe rebuffs

Faroe Petroleum has rejected a bid approach by Norway-based rival DNO. Faroe says that the 152p a share cash offer, which values the oil and gas company at £607.9m, undervalues the business and its prospects. Paul Mumford of Cavendish Asset Management says the bid "wildly undervalues Faroe" and he believes that a successful bid would have to be in excess of 200p a share. This view is backed up by a deal with Norway-based Equinor where Faroe is swapping development assets in return for four producing assets in the Norwegian Continental Shelf, which will boost short-term revenues and help Faroe to achieve its mediumterm production target of 50,000 boepd. DNO already owns a 28.2% stake in Faroe.

Gresham House acquires Livingbridge

Asset manager Gresham House has bought rival investment manager Livingbridge for an initial £30m in cash and shares. Up to £10m more could be payable depending on performance over a three-year period. This deal will help to broaden the customer base and provide opportunities to develop further products. A placing raised £11.7m at 448p a share to help finance the deal.

The two firms have a similar investment focus on smaller companies. The combined group will have assets under management of more than £2bn and a wider range of venture capital trusts. In 2017, the acquired

business generated a pre-tax profit of £5m on revenues of £9.1m.

Management believes acquiring Livingbridge will provide additional momentum towards the group's 40% operating margin target. The deal is immediately earnings enhancing even before potential cost savings.

Gresham House continues to launch new funds as well as growing by acquisition. Gresham House Energy Storage Fund has raised £100m and floated on the Main Market. The fund will invest £57.2m in a portfolio of energy storage assets in development.

AIM-quoted value investor Gresham House Strategic, which is managed by Gresham House, reported a NAV of 1236.5p a share at the end of November 2018. Considering the fall in the stockmarket, and particularly AIM, this is impressive, because the NAV was 1264p a share at the end of September 2018. There may be a lag in the decline of the value of the investments compared with the market as a whole because of their size, but the portfolio appears to have solid foundations and the shares have not gone to the dizzy heights of some AIM favourites in the boom times. Gresham House Strategic also has cash in the bank that can be used to pick up stakes at depressed share prices.





>>> advisers

Broking outlook remains uncertain

WH Ireland increased retainer income by 14% last year thanks to a combination of more clients and higher fees but the broking business still lost money. Management says that it has a good pipeline of potential deals for this year, although whether or not they go ahead will depend on market conditions. Philip Wale has taken over as chief executive. Finance director Daniel Cowland is leaving the firm.

Numis reported record revenues

of £136m in 2017-18, with growth coming from equity income, corporate retainers and deal fees. Investment in personnel meant that revenues per head fell, as did margins. So far this year the number of deals is lower and trading profit of the equities business has fallen.

finnCap has completed its flotation on AIM, having raised £3.75m at 28p a share. The acquisition of Cavendish Corporate Finance was completed at the time of the flotation and this is part of a strategy to make finnCap less dependent on the public markets. Cavendish provides exposure to the private acquisitions market, which can have a different cycle to the stockmarket. finnCap will also be able to offer a wider range of services, including debt advice.

■ RBC Europe Ltd has asked to be removed from the register of nominated advisers with effect from 3 December.

ADVISER CHANGES - N	OVEMBER 2018				
COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
TMT Investments	Hybridan	Hybridan	Strand Hanson	Smith & Williamson	02/11/18
Totally	Canaccord Genuity/ Allenby	Allenby/Cenkos	Allenby	Allenby	02/11/18
Polar Capital Holdings	Numis/Peel Hunt	Peel Hunt/ Canaccord Genuity	Numis	Canaccord Genuity	05/11/18
Bilby	Stanford Capital/ Canaccord Genuity	Northland	Canaccord Genuity	Northland	07/11/18
European Metals Holdings	WH Ireland/Beaumont Cornish/Shard	Beaumont Cornish/ Shard	Beaumont Cornish	Beaumont Cornish	07/11/18
Plant Health Care	Arden	Arden/Liberum	Arden	Liberum	08/11/18
Summit	Bryan Garnier/	Panmure Gordon /	Cairn	Cairn	12/11/18
Therapeutics	N+1 Singer	N+1 Singer			
Plutus PowerGen	Turner Pope/ Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	14/11/18
Eland Oil and Gas	Peel Hunt/Stifel Nicolaus	Panmure Gordon/ Canaccord Genuity	Peel Hunt	Canaccord Genuity	15/11/18
Filtronic	finnCap	Panmure Gordon	finnCap	Panmure Gordon	15/11/18
Lansdowne Oil & Gas	Brandon Hill	Cantor Fitzgerald/	SP Angel Brandon Hill	Cantor Fitzgerald	15/11/18
VR Education	Stockdale /Davy	Davy/Shard	Cairn	Cairn	15/11/18
TomCo Energy	Turner Pope	SVS	Strand Hanson	Strand Hanson	19/11/18
Adamas Finance Asia Ltd	VSA	Shard	WH Ireland	WH Ireland	20/11/18
Bigblu Broadband	Dowgate/Numis	Numis	Numis	Numis	22/11/18
Venture Life	Cenkos	Northland/Cenkos	Cenkos	Northland	23/11/18
Smartspace Software	N+1 Singer	Cantor Fitzgerald	N+1 Singer	Cantor Fitzgerald	27/11/18
Marechale Capital	Smith & Williamson	Marechale	Smith & Williamson	Smith & Williamson	28/11/18
Strix	Canaccord Genuity/Zeus	Zeus	Zeus	Zeus	29/11/18
TruFin	Liberum/Macquarie	Macquarie	Macquarie	Macquarie	29/11/18
Arricano Real Estate	WH Ireland	Smith & Williamson	WH Ireland	Smith & Williamson	30/11/18
Yew Grove REIT	Goodbody/Investec	Investec	Investec	Investec	30/11/18





>>> company news

Portfolio building provides long-term upside for Frontier IP

Technology businesses developer

www.frontierip.co.uk

Frontier IP has been building a portfolio of investments in companies that are exploiting technology developed in universities where it has strong relationships. In recent months, it has made the first two investments in companies spun out of a university in Portugal. This portfolio will become increasingly valuable as the investments mature.

Frontier obtains stakes in companies in return for providing expertise, advice and back-office services rather than by investing cash. There are 15 core shareholdings, which are generally stakes of between 15% and 40%. These stakes are diluted when further cash is raised to grow the businesses.

The main sector focus is pharma, technology and advanced materials. Recent investments include 25% of Des Solutio, a Portuguese developer of greener versions of chemicals

Frontier has raised £2.49m

for beauty, pharma and personal care products, and a 10% stake in University of Plymouth spin-out Amprologix, which has developed a cream that contains epidermicin, which can kill antibiotic-resistant bacteria, including MRSA.

Frontier has raised £2.49m at 65p a share in order to provide working capital for the business. There are revenues but not enough to cover costs. In March 2017, Frontier raised £3m at 40p a share, so this indicates the progress of the share price. In the past year, the net asset value has risen from 30.7p a share to 33.2p a share. The investments are included at conservative valuations.

Allenby believes the cash will last



until the end of June 2020, when it forecasts net debt of £172,000. This assumes no income from sales of investments. There could be takeovers of investee companies or other ways of realising cash from part of an investment in a company over the next two years, but this is not predictable.

Even if there are no realisations, there should be valuation uplifts on some of the investments as they make progress. Alusid, a 35.6%owned company that turns waste porcelain into tiles, is considering a flotation. Of course, there will be some failures or disappointments to offset gains, but the spread of investments provides plenty of upside potential.

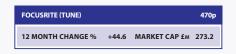
Focusrite has international prospects

Audio equipment supplier

www.focusriteplc.com

Music and audio equipment supplier **Focusrite** is growing internationally and is particularly targeting Asia. A strong brand and market position means that Focusrite can continue to increase its market share.

Full-year revenues grew by 14% to £75.1m, while pre-tax profit improved from £9.51m to £11.3m. The dividend is 22% higher at 3.3p a share. There is £22.8m of cash in the bank and this could be used for add-on acquisitions which would bring additional products that could



be sold alongside existing company products.

North America remains the largest market, accounting for 44% of revenues. There could be concerns about tariffs on the importing of Focusrite equipment from China, although there appears to be a possible solution between the two countries. However,

management is using these potential tariffs as a way of testing out price rises for the US market. If the price rises stick this could provide an additional boost.

Forecast profit growth for 2018-19 is limited – Edison estimates a pre-tax profit of £11.8m. The expectations appear conservative, and there is potential for a better performance. The shares are trading on 26 times prospective earnings, which reflects the strong market position of the business.





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company news

Foreign exchange dip masks progress at pawnbroker Ramsdens

Pawnbroking, financial services

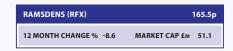
www.ramsdensplc.com

Hot summer weather held back the growth of foreign exchange revenues at pawnbroker **Ramsdens** and, along with the opening costs of new stores, led to a decline in interim profit from £5.2m to £5m. The pawnbroking business continues to grow.

In the six months to September 2018, revenues were 10% higher at £23.9m. The number of foreign exchange customers was relatively flat, but the foreign exchange revenues dipped by 2% as people holidayed in the UK rather than abroad. Pawnbroking is performing better than expected and online jewellery sales more than doubled, albeit from a low base, as customers have been attracted in areas where there is no branch.

Foreign exchange revenues dipped by 2%

Ramsdens is on course to open 12 stores in this financial year, compared with three in the previous year. Four stores were opened in the first half and the other eight should all open in the second half – taking the total to 137. The higher opening costs have held back margins, but the performance of the new stores has been better than expected. New stores generally cost £30,000 during the first year. There is only one store that has been open for at least two years that is not profitable. Store openings are likely to continue at the rate of 12 a year.



The dividend has been raised by 0.2p a share to 2.4p a share. The balance sheet remains strong, with net cash of £12.4m, although that could decline in the second half. Cash should build up again from next year. Chief executive Peter Kenyon has bought 48,484 shares at 165p each for his pension and that takes his stake to 3.7%.

Liberum forecasts flat underlying pre-tax profit of £6.5m for the year to March 2019 and then an improvement to £6.9m in 2019-20. The shares are trading on ten times prospective earnings for 2018-19 and the forecast yield is 4.3%.

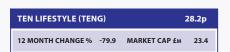
Ten Lifestyle still needs to prove itself

Concierge services provider

www.tengroup.com

Ten Lifestyle provides an example of why a company does itself no favours by floating at an optimistic valuation based on hopes that it could be highly profitable in many years' time. Within one year of joining AIM the concierge services provider has already disappointed twice. That is why there has been a decline of more than three-quarters from the November 2017 placing price of 134p. At that time, the company raised £18m and £14.2m was raised by existing shareholders.

Corporate clients, such as banks and brands, employ Ten Lifestyle to



provide services, such as booking restaurants and theatre tickets that are difficult to obtain, to their clients. Ten Lifestyle has expertise and can access better rates and benefits. The cash raised in the flotation was to finance plans to make the service global.

Two offices have been opened in the US to add to existing ones in Europe and Asia. Revenues are growing but not as fast as previously expected. The digital platform has been launched five months late.

Merian Global Investors has trimmed its stake from 11.8% to 9.35%, although directors and management have been buying shares at 30p or less in order to show their confidence. Ten Lifestyle will continue to lose money for the next two years, although a 2020-21 pre-tax profit of £10m is forecast. Given past disappointments there will be scepticism about this forecast until more contracts are won.





>>> company news

Advertising fraud provides opportunity to Verify the prospects of Location Sciences

Mobile location technology

www.locationsciences.ai

Location Sciences is in a strong position to take advantage of its mobile location technology following a placing that raised £2.76m at 2.25p a share – a 100-for-one share consolidation was completed before the placing. A one-for-ten open offer closes on 13 December and could raise up to £470,000 more. The fundraising may appear dilutive, but it provides the opportunity to exploit the technology that has been developed and without the cash there would be little hope of building a business.

Location Services provides intelligence and location data for brands so that they can accurately understand their customer base. The digital payments business was sold one year ago, and this enabled costs to be reduced. Even so, a lack of cash has held back progress.

New product Verify provides evidence of advertising effectiveness

Ad fraud could cost more than \$50bn in 2025

in terms of locations and it could become the most significant revenue generator. Advertising fraud can take the form of adverts that are not seen by real people or by the target audience in the right locations. Verify can analyse data and identify abnormal patterns of locations. If these false impressions can be identified, the brand can refuse to pay for them. It is estimated by the World Federation of Advertisers that advertising fraud could cost advertisers more than \$50bn in 2025. Verify charges fees based on the number of impressions for an advert. The launch of Verify in the US is highly important for the group.

Revenues are running at £100,000 a month and much of that is

LOCATION SCIENCES (LSAI)

2.325p

12 MONTH CHANGE % -8.8 MARKET CAP £M 7.8

recurring. Stockdale believes that revenues could reach £2.7m in 2019, although costs will rise significantly so a loss of £1.5m is expected. If Location Sciences can achieve the 2020 forecast revenues of £8m, it could make a pre-tax profit of £1.8m. This can be achieved within the current cash resources and the company could become highly cash generative by then.

The share price has fallen to just above the placing price. The prospective multiple for 2020 is three, but this reflects the fact that more reassurance is required about the achievability of forecasts. If Location Sciences can demonstrate progress, the share price will start to recover.

Victoria rebounding from share price setback

Floorcoverings manufacturer

www.victoriaplc.com

Floorcoverings manufacturer **Victoria** continues to grow its business via acquisition and organically. Like-for-like revenue growth was 3% in the first half, although short-term margins were held back in order to gain market share. Even so, underlying pre-tax profit improved from £15.5m to £28.2m.

An announcement about proposed debt refinancing via a bond issue hit the share price prior to the interims. Victoria

VICTORIA (VCP) 480p

12 MONTH CHANGE % -39.6 MARKET CAP £M 601.9

did not issue the bond because the pricing was unfavourable. However, the damage had been done. This deflected attention from the underlying business.

Chief executive Geoff Wilding bought one million shares for nearly £5m, taking his stake to 17.9%, and other directors also bought shares. Invesco increased

its stake to 25.1% and Spruce House Partnership has built up a 13.6% stake.

Net debt was £342.7m at the end of September 2018 and this will start to fall via cash generated from operations. The high debt level will put off some investors, but it has always been a consistent part of the company's strategy. Cantor Fitzgerald forecasts a rise in earnings per share from 30.6p to 41.1p in the year to March 2019.





>>> dividends

Curtis dividend set to grow faster than EPS

SIPPs administrator www.curtisbanks.co.uk

Dividend

Curtis Banks has been quoted for more than three years. At the time of the flotation it raised £7.5m at 180p a share and since then the SIPP (self-invested pension products) provider has consistently paid dividends.

A final dividend of 3.5p a share was paid for 2015 and the total dividend was raised to 4p a share the following year. Last year, the total dividend was 6.25p a share, which was covered nearly 2.4 times by underlying earnings. Having increased the interim dividend by one-third to 2p a share, the 2018 dividend is expected to be 7.7p a share, which would be covered 2.2 times by forecast earnings.

The board is expected to continue to grow dividends faster than earnings growth, with 9.2p a share forecast for 2019 and 10.2p a share for 2020, when the forecast cover would fall to two.

Business

Curtis Banks provides consultancy, reporting and admin services for more than 77,000 pensions, including 8,517 third-party SIPPs that have total assets under administration of more than £25bn. Acquisitions and organic growth have enabled Curtis Banks to nearly treble the number of SIPPs it administers.

The group website has been redesigned, which will make administration more efficient for both the client and the company itself. A new SIPP product will be launched in January and this will replace the existing products that are a result of past acquisitions activity and have slightly different conditions. Older products will continue, though.

CURTIS BANKS (CBP)	
Price (p)	275
Market cap £m	148
Historical yield	2.3%
Prospective yield	2.8%

The target market is 45-75 year olds with pension assets of more than £50,000. Pension freedoms have almost doubled the size of the market. Curtis Banks is not encumbered with legacy liabilities.

Curtis Banks has regulatory capital of £20.6m, compared with the capital requirement of £12m. Management wants to have regulatory capital of at least 130% of the requirement so there is plenty of headroom at current levels. This means that there is spare cash to make acquisitions, although there is more competition for SIPP assets than in the past.

Curtis Banks can afford to pay a growing dividend because 84% of its income is recurring – the rest is transaction fees. Interim revenues grew 8% to £23m and pre-tax profit improved from £5m to £5.84m. The current operating margin has risen to 26.2% following a decline at the time of the acquisition of Suffolk Life and the target is 30% in around two years. Cost management and revenue enhancements will help to boost the margin, as will providing legal and property services.

Will Self will take over from Rupert Curtis as chief executive at the end of this year. New joint broker N+1 Singer forecasts an improvement in full-year pre-tax profit from £10.7m to £12.1m. The shares are trading on 16 times prospective 2018 earnings, falling to 15 in 2019.

Dividend news

Cake Box announced a maiden interim dividend of 1.2p a share with its half-year figures. The egg-free cakes maker increased revenues by 44% to £8.3m and, stripping out flotation costs, pre-tax profit rose from £1.47m to £1.97m. There were 15 new franchise stores opened in the period, taking the total to 101. Net cash was £800,000 at the end of September 2018 and this should continue to grow, even with the cost of the new distribution centre in the north of England. A full-year profit of £4m is forecast with a total dividend of 3.6p a share, which would be more than twice covered by earnings.

A strong contribution from logistics software supplier Anisa helped Sanderson to improve 2017-18 profit even though there was a downturn in the wholesale division. Digital retail was a strong growth area, with the global roll-out for Hugo Boss continuing. The enterprise software provider improved its underlying pre-tax profit from £3.7m to £4.8m. The total dividend was increased by 13% to 3p a share. That is expected to increase to 3.2p a share this year on the back of a forecast pre-tax profit of £5.4m. The plan is for the dividend to be at least 4p a share by 2020-21.

A recovery in subsea fibre products during the second half helped photonics and optical equipment manufacturer Gooch and Housego to increase underlying 2017-18 pretax profit by 16% to £18.8m. The full-year dividend was raised by 11% to 11.3p a share. The order book increased by one-third to £96.1m. Even stripping out acquisitions and currency movements the order book was 17% higher. More-than two-thirds of the order book is for the current year. This year's dividend is forecast to increase to 12.5p a share, which is still more than five times covered by forecast earnings.





**** expert views**

Expert view: The broker

Collagen Solutions: well positioned for growth

By Liam Gascoigne-Cohen

ollagen Solutions (AIM:COS) is a healthcare company which develops, manufactures and supplies biomaterials for use in medical treatments and research. The company operates within regenerative medicine, a high-growth area, driven by an ageing population wanting treatments that allow individuals to maintain their normal lifestyle. The Company's products have a wide range of applications in orthopaedics, dental, wound care, cardiovascular, and other medical specialities. Led by an experienced management team with significant med-tech experience and a track record of growth and value creation, the company aims to be the first choice for regenerative biomaterials.

The company has two main divisions, each with a unique value proposition for the business:

- Core business: Offerings range from the supply of raw materials to development and manufacturing of finished medical products such as skin grafts for wound-healing and bone grafts for spine surgery. The company aims to move up the value-chain by increasing the revenue from customer agreements for developed products, which ultimately command higher margins.
- Proprietary business: The company has taken its knowhow in the biomaterials sector to develop a pipeline of proprietary products in-house with the longer-term potential to provide significant upside. These include ChondroMimetic®, a medical device for knee-cartilage repair, as well as products for wound and bone healing.

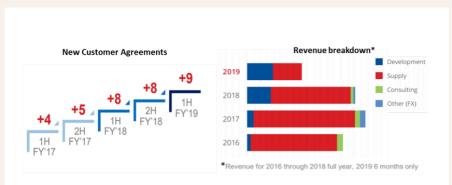


Figure 1: Collagen Solutions revenue breakdown for H1'18

Source: Compiled from Collagen Solutions Investor Presentation

ChondroMimetic®: Nearing commercialisation

ChondroMimetic aims to repair cartilage defects in the knee joint. It can be implanted through a single, minimally invasive operation and fits into conventional surgical practice. Earlier this year, the company posted strong clinical data for 15 patients who had the implant for eight years. Results indicated that ChondroMimetic demonstrated long-term durability and repair of small cartilage defects.

There are c.1m cartilage-repair procedures conducted annually and Management believes that ChondroMimetic® could target a third of these cases. A CE mark is required before ChondroMimetic® can be launched in the EU and the company aims to submit its data package to the regulator by the end of 2018 with potential CE mark approval by the end of FY2019. The company believes that ChondroMimetic® could sell for c.10% the cost of cell-therapy treatments, an attractive prospect for cash-strapped healthcare providers.

Recent results bode well for the future

The company recently posted positive interim results, with revenue and

other income growing 13% to £2.10m (H1'17: £1.86m) generating a pre-tax loss of £1.06m (H1'17: £1.64m). The revenue increase is driven by a growth in customer agreements; the company posted nine new agreements for the period whilst initiating supply for 16 new customers (H1'17: 8). The company has increased its US customer base and formed two new channel partners in Asia, which have both commenced sales. Furthermore, the company has established a new Tissue Business Unit, which has increased the range of products offered and resulted in four new customers.

With a growing customer base and a strong foundation of existing revenue the company is well positioned for further growth. The commercialisation of ChondroMimetic® could lead to significant revenue and with positive recent interim results the company is confident that it is on track to meet its financial, commercial and operation goals for the year.

LIAM GASCOIGNE-Cohen is a research associate at Northland Capital Partners





>>> feature

Trading in a downturn

At a time when AIM is declining it can tend to be the most liquid companies that get hit first.

AIM has declined by nearly one-sixth during October and November and it continues to fall. The volumes of the most tradeable companies jumped in October because they are easiest to trade, although this trend does not appear to have continued into November.

Blue Prism, there is no profit to put a base on the share price even though revenue growth is impressive. Blue Prism has more than halved since its peak during September.

It is interesting that US investor Abrams Bison Investments has built up a 12.15% stake in Blue

Just because a share was liquid in one period it does not mean that it will continue to be so

It was certainly the larger, more liquid AIM shares that tended to fall the fastest during October, in particular. Of course, some companies slumped because of disappointing announcements, but that would have happened anyway, even if the reaction might not have been so harsh.

The ten most heavily traded AIM companies during October accounted for 52.3% of the value of trades and 49.9% of the number of trades during the month. These levels are normally more than 40% but not this high. More larger companies on AIM means that the top-ten traded shares dominate liquidity more than during the credit crunch in 2008. There was significant trading in small resources companies in 2008 and their numbers have declined. AIM favourites, such as mixer drinks supplier Fevertree Drinks, were trading on heady multiples and were ripe for profit-taking when general stockmarket sentiment became negative.

Others, such as robotic process automation technology provider

Prism following the share price decline and the recent trading statement declaring that 2017-18 revenues would be comfortably ahead of expectations. Other major shareholders have also increased their shareholdings, even though Blue Prism said that continued investment would lead to an increased loss next year.

Underperformance

AIM has fallen by 11.4% in the first eleven months of 2018 and that decline is continuing. Having been

The AIM index had been trading in a narrow range for four months. In contrast, the FTSE 100 had exhibited a downward trend since May and, even at its peak, it was not much higher than at the start of the year.

The FTSE AIM 50 index has fallen by 14% since the beginning of 2018, while the FTSE AIM 100 index has declined by 10.2%. The AIM 100 is an international index, whereas the AIM 50 is made up of UK-based companies, although, many of the AIM 50 companies have international businesses.

Historical view

During March 2009, the FTSE AIM All Share reached a low of 373.76, compared with 1,049.14 at the end of 2007. The index was still 1026.32 at the end of May 2008. The figures for the end of March 2009 are a marked contrast to those for June 2008.

There has been a decline in the number of companies, but it is the slump in average size that is more marked. The figure has more than halved to £25.8m. The number of companies valued at more than

US investor Abrams Bison Investments has built up a 12.15% stake in Blue Prism

outperforming the Main Market in the early months of the year, AIM is significantly underperforming.

The FTSE 100 index peaked during May, whereas the FTSE AIM All Share index peaked at 1107.63 on 4 September, although it did reach a similar level during June.

£250m has slumped from 69 to 13.

One company was left that was worth more than £1bn – online gaming technology supplier Playtech – compared with five in June 2008. Four out of those five companies were still on AIM in March, including Playtech, although





>>> feature

oil services provider Lamprell had moved to the Main Market in November 2008.

Oil and gas company Sibir Energy had been valued at £3.1bn in June 2008 but it had lost nearly four-fifths of its value by March 2009.

At the other end of the scale, more than two-thirds of companies were worth less than £25m at the end of March 2009, when at one point during 2008 the number of companies worth more than £25m had almost reached the number that were worth less than £25m.

Liquidity also declined after a burst of activity. This is particularly noticeable in the average value of daily trades, which slumped by two-thirds. The average number of daily trades held up better but were still down by a quarter.

Share trading

Regal Petroleum and Tanfield are the two of the top ten most traded companies in June 2008 that are still on AIM. The others have moved to the Main Market or other listings or been taken over. There were 27,628 trades in Regal and Tanfield during June 2008, compared with 1.424 in October 2018.

Regal Petroleum, Polo Resources and GCM Resources are the companies with the highest value of trades in June 2008 that are still on AIM. In October 2018, the value of trades in these three companies was £9.33m, compared with £363.4m in June 2008. The others in the top ten have moved to the Main Market, been taken over, or in the case of Aero Inventory, gone bust

These figures show how much the most liquid companies have changed and that just because a share was liquid in one period it does not mean that it will continue to be so. Most of the more liquid companies that are currently on AIM were not on the market ten years ago. ASOS was and the value of its monthly trades has moved from £33.5m to £1.02bn in October 2018. Abcam has gone from £4.6m to £225m over the same period.

Overall volumes

The value of trades in August 2008 was less than 50% of the level in June 2008, whereas the number of trades fell by around 30%. There

PERCENTAGE OF AIM TRADING BY
TEN MOST LIQUID COMPANIES

MONTH	% OF TRADES	% OF VALUE
June 2008	37	26
July 2008	25	28.6
September 2018	42.9	45.8
October 2018	49.9	52.3
November 2018	43.4	45.1

was a recovery in trading in the seasonally more active months of September and October, but by December the value of trades fell by more than two-thirds and the number of trades halved. (There are fewer trading days in December.)

It does not appear likely that in the latest downturn the decline in trading will be so sharp. Trading in terms of both value and number of trades did fall in November, but it was not much lower than most of the previous months during the year. The number of trades fell by one-fifth.

HOW AIM HAS CHANGED SINCE JUNE 2	800				
COMPANY	JUN 2008	MAR 2009	SEP 2018	OCT 2018	NOV 2018
Number of companies	1,657	1478	937	928	926
Market value (£bn)	91.3	38.2	115.1	102.4	98.3
Average company size (£m)	55.1	25.8	122.8	110.3	106.2
Companies valued at > £250m	69	13	108	89	88
Companies valued at < £25m	911	1086	420	445	451
Number of resources companies	330	306	202	199	196
Resources companies (% of AIM)	37.3	28.3	21.6	21.4	21.2
Average daily value traded (£m)	251.3	82.7	307.6	280.3	246.2
Average daily bargains	16,868	12,274	44	45,054	42,434
FTSE AIM All Share index	961.08	412.71	1098.5	975.81	930.17





>>> statistics

Market Performance, Indices and Statistics

AIM SECTOR INFO	RMATION	
SECTOR NAME	% OF MARKET CAP	
Financials	16.9	15.9
Consumer services	16.3	10.8
Industrials	16	17.1
Healthcare	12.8	9.7
Technology	12	12.6
Consumer goods	9.9	5.9
Oil & gas	7.8	11.1
Basic materials	5	13.4
Telecoms	1.2	0.8
Utilities	0.4	1.2

KEY AIM STATISTICS	
Total number of AIM	928
Number of nominated advisers	30
Number of market makers	48
Total market cap for all AIM	£104.2bn
Total of new money raised	£111.4bn
Total raised by new issues	£44.8bn
Total raised by secondary issues	£66.6bn
Share turnover value (Oct 2018)	£59.4bn
Number of bargains (Oct 2018)	9.55m
Shares traded (Oct 2018)	429.8bn
Transfers to the official list	190

FTSE INDICES	CES ONE-YEAR CHANGES	
INDEX	PRICE	% CHANGE
FTSE AIM All-Share	930.17	-9.4
FTSE AIM 50	5214.25	-11.3
FTSE AIM 100	4857.7	-8
FTSE Fledgling	10490.2	-2.4
FTSE Small Cap	5383.54	-6.3
FTSE All-Share	3823.34	-5.2
FTSE 100	6980.24	-4.7

COMPANIES BY MARK	ET CAP
MARKET CAP	NO.
Under £5m	142
£5m-£10m	111
£10m-£25m	192
£25m-£50m	140
£50m-£100m	125
£100m-£250m	129
£250m+	89

TOP 5 RISERS OVER 30 DAYS					
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)		
Itaconix	Chemicals	4.35	+156		
Kore Potash	Mining	8.35	+135		
China Nonferrous Gold	Mining	7.475	+114		
PCG Entertainment	Media	0.16	+100		
MC Mining	Mining	36	+94.6		

TOP 5 FALLERS OVER 30 DAYS				
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)	
Trakm8	Technology	18.25	-69.6	
Amedeo Resources	Mining	212	-68.4	
Maistro	Technology	1.15	-66.2	
Utilitywise	Support services	5.445	-65.1	
TomCo Energy	Oil and gas	4.5	-63.3	



Data: Hubinvest Please note - All share prices are the closing prices on the 30th November 2018, and we cannot accept responsibility for their accuracy.





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David Piddington

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