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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM shows its resilience

AIM had a weak October, but it still did much better than the FTSE 100 index and other Main Market performance measures. AIM fell by 1.2% during the month, while the FTSE 100 was 4.9% lower, and the FTSE All-Share index was down by 4%. AIM is still 6.6% ahead over 12 months, whereas the FTSE 100 has fallen by more than a fifth over the past year.

Trading volumes on AIM continue to be strong. The number of bargains has exceeded 13 million so far this year. The previous high for a whole year was 11.5 million bargains, in 2017. The average size of bargains is smaller, but the total value of trades should still exceed the 2017 figure of £68.9bn by the end of 2020.

The amount of cash raised by existing AIM companies during 2020 has already passed the £3.94bn raised in 2018. Potential Covid-19 treatment developer Synairgen has raised £80m, with the potential to raise a further £7m via an open offer, while software company Kape Technologies raised £88.8m. There are still not many new admissions and it may be difficult for the total money raised by flotations in 2020 to reach last year's £489m.

PrimaryBid expansion

Online fun-raising platform operator PrimaryBid has secured a $50m cash injection following its success in raising cash for quoted companies during the Covid-19 lockdown. Prior to this year, PrimaryBid had predominantly offered small investors access to placings by AIM-quoted companies via PrimaryBid.com, but this year there have been offers by much larger companies, including online shopping technology developer Ocado and caterer Compass.

PrimaryBid launched in 2015 and in September 2019 it raised $8.6m from outside investors. The latest cash will provide the finance for PrimaryBid to expand outside the UK. It already has commercial agreements with the London Stock Exchange and Euronext, which covers nine markets in Europe. Other agreements are likely to follow.

The majority of cash raised in fundraisings where PrimaryBid is involved comes from institutions, but the online platform provides important top-up cash from private investors, who can subscribe as little as £100 in a placing. Most recently, PrimaryBid helped cyber security software provider Kape Technologies raise £88.8m at 150p a share, which was more than the £77m originally sought by the company.

Investors include the London Stock Exchange and AIM-quoted venture capital investor Draper Esprit, which co-led the latest fundraising. Draper Esprit previously invested in crowdfunding platform Crowdcube, which is planning to merge with rival Seedrs.

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SourceBio returns

SourceBio International has returned to the London market to raise cash to finance the increasing opportunities for Covid-19 testing services. However, SourceBio has other businesses that have good growth prospects, and the quotation will make it easier to fund bolt-on acquisitions, particularly in the US in order to attract more multinational clients.

SourceBio was formerly on the Main Market and was taken private in 2016. Poorly performing businesses were sold, and the focus has been health diagnostics, genomics and stability storage. The new infectious disease testing division started trading in May. There were 5,150 tests a day processed during September and that generated nearly £7m of revenues. Management plans to reach 10,500 tests a day by the end of 2020.

Cash raised in the flotation will fund increased capacity. A contract with the Department of Health and Social Care is coming up for renewal in the next few weeks. UK lab capacity remains constrained so the size of the agreement could be increased.

While Covid-19 has provided an additional opportunity for SourceBio and generated £2.19m in revenues during May and June, other divisions have been hit by the lack of elective surgeries and reductions in spending. Interim revenues of £10.7m were higher than the first half of 2019 but they would have been much lower without the new Covid-19 testing business.

A placing raised £35m gross at 162p a share and this valued the company at £120.2m when it joined AIM on 29 October. Some of the cash will be used to eliminate debt. The share price rose to 172.5p by the end of the month.

Burford joins NYSE

Shares in AIM-quoted litigation funder Burford Capital started trading on the New York Stock Exchange on 19 October. Burford is the first legal-services firm to be listed in the US. At the end of October, the share price was $8.85 in New York and 657.5p in London. In the first half of 2020, Burford's total income fell 12% to $252.9m. The net asset value was 609p ($7.86) a share. There was a net cash inflow from operating activities before funding of capital provision assets of $183.8m, down from $225.8m in the first half of 2019. New funding of capital provision assets fell from $219.1m to $89.5m. New funding commitments were delayed by Covid-19, but they are building up in the second half.

Verici Dx spin-off

Renalytix AI has spun off Verici Dx in order to secure additional funding to develop tests for kidney transplant rejection. This enables Renalytix AI to use the $85.1m raised at the time of July's dual quotation on the Nasdaq Global Market for its launch of KidneyIntelX, a tool for managing kidney disease. There was no contribution from Verici Dx in the forecasts for Renalytix AI and it had a book value of $2m.

A restricted offer to Renalytix AI shareholders at 20p a share was significantly oversubscribed and took the amount raised by Verici DX to £14.5m. Renalytix AI will convert $2.5m of loan notes into shares. Renalytix AI shareholders received one share in Verici Dx for each share they owned in the former parent on 9 July. They will not be able to sell the shares for 12 months from admission. Verici Dx is valued at £28.4m at the placing price.

Renalytix AI transferred the FractalDx technology into Verici Dx. The technology was in-licensed from Mount Sinai at the end of 2018. The Icahn School of Medicine at Mount Sinai is a major shareholder in both Renalytix AI and Verici Dx. AIM-quoted EKF Diagnostics, which originally demerged Renalytix AI, retains stakes in both companies.

The technology is based on sequencing biomarkers from patient blood. Verici Dx is developing two products. The first, which is called Clarava, is a prognostic test prior to transplant to predict if the patient is most at risk of acute rejection of the transplanted kidney. The other is called Tuteva and is a diagnostic test for evidence of rejection of a transplanted kidney.

Sara Barrington is chief executive of Verici Dx and she has previously run cancer diagnostics businesses. She was also finance director of kidney disease diagnostics company AusAm Biotechnologies.

Broking boost for WH Ireland

Broker WH Ireland performed strongly in the first half and the group made an interim profit for the first time in five years.

In the six months to September 2020, revenues from continuing activities improved from £10.7m to £12.4m and WH Ireland moved from loss to profit thanks to lower head office costs. The growth in revenues came from the corporate broking operations and a move from fixed to variable remuneration has better aligned costs with revenues.

The corporate broking division increased revenues from £3.85m to £6.22m. Excluding investment gains, the profit contribution improved from £287,000 to £1.36m.

The number of corporate clients increased from 76 to 80 and WH Ireland continues to add to its client list. The broker raised £103.9m from 32 transactions in the period. That is more than double the money raised for clients in the first half of last year.

Wealth management revenues and profit contribution were reduced. Excluding the Isle of Man office, which has been sold, assets under management were 14% ahead at £1.73bn in the latest six-month period. The plan is to increase assets under management to £3bn.

The balance sheet is strong, with net cash improving from £2.58m to £5.85m in the six months to September 2020.

■ WH Ireland is the lead adviser and joint bookrunner for the flotation of The Mailbox REIT on the International Property Securities Exchange (IPSX) – it will be the first company admitted to the new market.

The company's single asset is the Mailbox property in the centre of Birmingham. Heads of terms have been agreed with IWG for the workspace provider to secure a ten-year agreement to manage the 50,000 sq ft of office space on level 1 of the property. IWG will also subscribe for shares in the placing and offer at 100p a share, which is expected to be completed in December.

ADVISER CHANGES - OCTOBER 2020

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Digitalbox	Panmure Gordon/ WH Ireland/Alvarium	WH Ireland/Alvarium	WH Ireland	WH Ireland	01/10/20
GYG	N+1 Singer	Zeus	N+1 Singer	Zeus	01/10/20
Location Sciences	Peterhouse	Peterhouse/Shore	Allenby	Shore	01/10/20
MC Mining	Mirabaud	Mirabaud/Peel Hunt	Strand Hanson	Peel Hunt	01/10/20
PCF	Peel Hunt/Shore	Panmure Gordon/Shore	PeelHunt	Panmure Gordon	01/10/20
Empyrean Energy	First Equity/Cenkos	Cenkos	Cenkos	Cenkos	02/10/20
Gfinity	Canaccord Genuity	Allenby	Canaccord Genuity	Allenby	02/10/20
Marechale Capital	Novum	Cenkos	Cairn	Cenkos	02/10/20
Synairgen	Numis/finnCap	finnCap	finnCap	finnCap	02/10/20
YourGov	Berenberg/Numis	Numis	Numis	Numis	06/10/20
Blue Prism	BofA Securities/Investec	Investec	Investec	Investec	08/10/20
NAHL	Peel Hunt	finnCap	PeelHunt	finnCap	09/10/20
Nostra Terra Oil & Gas	Novum	Novum	Beaumont Cornish	Strand Hanson	13/10/20
Transense Technologies	Allenby	finnCap	Allenby	finnCap	19/10/20
Duke Royalty	Canaccord Genuity/ Cenkos	Cenkos	Cenkos	Cenkos	21/10/20
Hurricane Energy	Stifel Nicolaus	Morgan Stanley/ Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	21/10/20
Pantheon Resources	Canaccord Genuity	Arden	Canaccord Genuity	Arden	22/10/20
Corcel	ETX Capital	First Equity	Beaumont Cornish	Beaumont Cornish	26/10/20
Rotala	Shore	Cenkos	Shore	Cenkos	26/10/20
AFH Financial	Shore	Liberum/Shore	Shore	Liberum	29/10/20
Tremor International	Stifel Nicolaus/finnCap	finnCap	finnCap	finnCap	29/10/20
Invinity Energy Systems	Canaccord Genuity/VSA	Investec/VSA	Canaccord Genuity	Investec	30/10/20

US cash injection provides Victoria with firepower for further floorcovering deals

Floorcoverings *www.victoriaplc.com*

Floorcoverings and tiles manufacturer **Victoria** has secured a cash injection from an important US-based investor to help fund acquisitions and removed the stock overhang caused by Invesco's near-20% stake.

Koch Equity Development is investing up to £175m in convertible preference shares. There will be an initial investment of £75m with the potential for a further £100m over an 18-month period. From the sixth anniversary of the investment, the preferred shares can be converted into ordinary shares at the market price. The preferred shares will generate an annual yield of 9.35% – if paid in cash. Koch will also be issued up to 12.4 million warrants exercisable at 350p each.

Koch will also buy nearly 10% of Victoria from Invesco at 350p a share – the price at which the shares were trading when the deal was agreed. Spruce House Partnership will buy a 2.87% stake from Invesco and the rest of the stake will be bought back by Victoria at a cost of £29.9m.

Koch is investing up to £175m

Koch is a diversified industrial company, and it does have floorcoverings businesses in North America. They are Invista and Stainmaster. It has no floorcoverings business in Europe, which makes the two companies a good fit.

Victoria is benefiting from consumers diverting money that would have been spent on holidays and leisure into investment in their homes. Sales are running at higher levels than last year and higher than pre-Covid budgets. The interim figures will be published in a few weeks.

VICTORIA (VCP)			470p
12 MONTH CHANGE %	+6.1	MARKET CAP £M	589.4

Non-executive director Gavin Petken has bought 8,016 shares at 499p each. The share price has fallen back, but it is still around 50% higher than it was at the beginning of October. The new investment will initially dilute earnings, but when the money is spent on acquisitions it should more than make up for that. Victoria already knows the potential acquisition targets it is interested in.

Shareholders will be asked to agree to the share buyback and new investment by Koch at a general meeting on 16 November.

Walker Greenbank remains cautious

Furnishings *www.walkergreenbank.com*

Branded furnishings supplier **Walker Greenbank** has been trading ahead of expectations in recent months although management remains cautious about the second half. Annualised cost savings of £3m have been achieved and the full benefit will come through next year.

In the six months to July 2020, revenues declined from £55.9m to £38.8m due to the lockdown during the period, but there was an underlying pre-tax profit of £400,000. Excluding leases, net cash was £4.5m at the end of July 2020.

WALKER GREENBANK (WGB)			60p
12 MONTH CHANGE %	-25.9	MARKET CAP £M	42.6

Revenues generated by the brands fell in the UK and internationally. Clarke & Clarke, which has lower price points, performed relatively well and sales of Morris & Co were strong in Scandinavia. Manufacturing lost two months of production which was equivalent to around £7m. That is slightly more than the decline in revenues in the period.

Walker Greenbank is changing its name to Sanderson Design Group. That should happen in December. It is still difficult to assess future trading, but Investec expects a small profit in the year to January 2021. If the company can achieve an expcted pre-tax profit of more than £6m for next year, the shares would be trading on less than nine times prospective earnings. There could also be a return to payment of dividends.

Refocused Benchmark starts to benefit from past investment

Aquaculture *www.benchmarkplc.com*

BENCHMARK (BMK)			52p
12 MONTH CHANGE %	+7.2	MARKET CAP £M	347.2

Benchmark Holdings has sold or closed its non-core operations and this enables it to concentrate on the fast-growing aquaculture market. There have been £10m of annualised cost savings in the past year, which will help the business move towards profitability.

The genetics division has become the most profitable part of the business thanks to the additional salmon-egg capacity in Norway. The investment continues in specific pathogen resistant shrimp and this should start to generate revenues during 2021.

Advanced nutrition generates the majority of revenues, but it is lower margin than genetics. Demand has been hampered by the knock-on effect of Covid-19. Benchmark focuses on higher margin, niche products. The division currently supplies fish hatcheries, and it intends to move into the nursery market.

There are £10m of cost savings

Animal health is the smallest of the divisions and its loss wipes out the profit made elsewhere. Development spending will reduce as Benchmark focuses on fewer products and they reach the commercial phase. Sea lice treatment BMK08+CleanTreat should be launched in the first half of 2021.

Net debt has been reduced to £36m by late August thanks to the proceeds from disposals. Further capital investment and losses mean that net debt will increase.

Benchmark did not make a profit in the year to September 2020 and it is unlikely to make one this year. The base it has will enable it to become profitable in the longer-term as it gets the benefit from its investment in capacity and development of products. Norway-based Kverva Finans AS has increased its stake in Benchmark from 14.15% to 19.35%. In September, chief executive Trond Williksen bought 180,000 shares at 46p each. That was his first share purchase since becoming chief executive at the beginning of June.

Digitalbox buys student website

Digital publishing *www.digitalbox.com*

DIGITALBOX(DBOX)			5.875p
12 MONTH CHANGE %	+6.8	MARKET CAP £M	6.8

Digital media company **Digitalbox** has announced its first acquisition since it joined AIM and raised additional cash to fund more deals. Downing Strategic MicroCap Investment Trust has taken a 21.1% stake by buying new shares.

Digitalbox is acquiring student-focused digital brand The Tab for £750,000 in cash. This will be an earnings enhancing deal. Digitalbox has been tracking the business for more than oa year. If it had bought The Tab earlier it would probably have cost more.

The Tab covers youth and student culture for UK university students. In 2019, revenues were £1.2m and the business made a loss. The revenue generation model will change and be brought more in line with the existing digital media assets. The full benefits may not show through until 2022.

Entertainment Daily, which focuses on content related to TV programmes and celebrity news, is Digitalbox's core product and the demographic is 25-54 year old women. Satirical website the Daily Mash was bought at around the time of the float. Management says that there have been some positive signs for a recovery in advertising revenues in recent months.

The highly dilutive £1.2m placing at 4.9p a share with Downing will offset some of the initial benefits of the deal but 2021 earnings will still be enhanced by 4%. There should be £1.4m in the bank at the end of the year, which is more than one-fifth of market capitalisation. That cash could fund further earnings-enhancing deals. The 2021 prospective multiple is less than nine.

Amryt Pharma set to gain US approval for third drug later next year

Pharmaceuticals *www.amrytpharma.com*

Positive news concerning its Filsuvez cream treatment for epidermolysis bullosa has boosted the potential value of **Amryt Pharma**. A phase III trial for Filsuvez showed that it was more effective than a control treatment. If things go to plan Filsuvez could obtain FDA approval in around 12 months.

Epidermolysis bullosa is a chronic skin disorder causing blistering and scarring. There is no approved treatment for this condition. It is a disease that people are born with. There are estimated to be 500,000 people with the condition in the world and 30,000 of those are in the US, so it is a niche market. The focus has been on the patients with the most severe forms of the disease.

Filsuvez was shown to be effective

The trial covered 227 patients in 28 countries.

The Filsuvez phase III trial showed that the wound closed in 44% of patients within 45 days and there was a reduction in pain when dressings were changed. Filsuvez was safe and well tolerated.

Amryt will complete a new drug application submission for Filsuvez to the US FDA. Filsuvez already has fast track designation and rare paediatric disease designation from the FDA and this means that if the treatment is approved Amryt can apply for a rare paediatric disease priority review voucher. According to broker Shore Capital, the voucher could be worth up to $100m.

AMRYT PHARMA (AMYT)			205p
12 MONTH CHANGE %	+73.7	MARKET CAP £M	333.7

There are also plans to make a regulatory submission in the EU. It is likely to take until the end of next year or early in 2022 to gain EU approval.

Dublin-based Amryt is already generating revenues from two treatments and is cash generative. If Filsuvez gets approved in the US and other markets it will provide a significant increase to revenues.

Angle getting ready to exploit Parsortix approval

Cancer diagnostics *www.angleplc.com*

Cancer diagnostics developer **Angle** has received notice that the FDA has accepted for substantive review the submission for the use of its Parsortix liquid biopsy test in breast cancer treatment. On the back of the progress towards FDA approval, Angle has raised £18.5m net of expenses via a placing at 46p a share and this cash should last until April 2022. That assumes no significant revenues, so it could last longer.

There was already plenty of cash in the bank and pro forma cash is around £32m. Angle did not have to raise cash but the thinking behind the fundraising is that it will enable the company to be in a position to launch Parsortix when the approval is gained without significant delay.

ANGLE (AGL)			44.5p
12 MONTH CHANGE %	-36	MARKET CAP £M	76.9

Parsortix would be the first medical device to receive FDA Class II clearance for a device harvesting intact circulating tumour cells. Clearance would allow Parsortix to be used in drug trials and the continued monitoring of patients who have been treated.

Angle intends to invest £5m to establish its own clinical laboratories in the US and UK to process samples for the users of Parsortix and £6m for assay development and clinical studies. Some of the cash will go on obtaining reimbursement codes for clinical applications ahead of launch.

The FDA approval should come through in the second quarter of 2021, although it could be later if there are any queries. The breast cancer market could be worth up to $4bn a year, although the initial launch will be in a small segment of that market.

Arcontech develops impressive client base

Real-time data technology *www.arcontech.com*

Dividend

Arcontech paid a maiden dividend of 1p a share in the year to June 2017, rising to 1.3p a share the following year. The 2018-19 dividend of 2p a share was increased to 2.5p a share last year. That was covered 3.1 times by earnings.

A 10% increase to 2.75p a share is forecast for this year and this rate of increase is expected to continue. The dividend cover will still be around three times.

Net cash still improved from £4.1m to £5m in 20219-20 and it is expected to rise to £5.8m at the end of June 2021. That would be after paying out £300,000 on dividends. Forecast cash accounts for nearly a quarter of the market capitalisation of Arcontech.

ARCONTECH (ARC)	
Price (p)	185
Market cap £m	24.6
Historical yield	1.4%
Prospective yield	1.5%

Business

Arcontech provides real-time market data management software and services for financial services clients. The company does not own or collate the market data; instead it provides technology that enables data users to access the information efficiently. Arcontech charges for its services and the clients choose their own data sources.

Clients include the Bank of England, Barclays, Santander, Morgan Stanley and Nykredit. This shows that Arcontech has a good reputation with key financial institutions even though it is not a well-known name. Four clients account for 62% of group revenues of £3m, but additional contract wins should reduce the dependence.

Arcontech has been winning new contracts in the past month. There was a period when it was difficult to win contracts, but this suggests that it is getting easier to conclude deals. It also shows that the investment in the sales force is paying off. An existing banking client has signed a new deal to upgrade its Multi-Vendor Contribution System (MVCS) involving a move from Windows to Linux. The client was attracted by the graphical user interface developed by Arcontech.

A new banking client has been signed up for the MVCS. There was an existing data infrastructure provider which could not provide the same service. This is initially a small contract but there is scope for growth.

The two contracts generate an additional £100,000 of annual recurring revenues, which underpins the forecast revenues for the current year. More than 90% of group revenues are recurring and they are predominantly in pounds so there is little exposure to exchange rates.

Even though the second half was tougher, Arcontech improved profit from £800,000 to £1.1m in the year to June 2020. A flat profit is expected this year due to slightly higher costs. The tax charge may be lower so earnings per share could rise.

The forecast multiple of 23 appears high given the expected rate of growth, but the operational gearing means that further new contract wins could significantly increase profitability and reduce that multiple.

Dividend news

Full-year figures from **Tristel** were slightly better than expepated. The disinfection products supplier increased revenues by 21% to £31.7m and there was a 27% rise in underlying pre-tax profit to £7.1m. Overseas revenues were nearly one-third higher. The dividend was increased by 21% to 6.18p a share. Profit growth will be held back this year by additional investment in North America, where next year there could be positive news about FDA approval of products. The dividend is still expected to increase to 6.6p a share. That would be covered 1.9 times by forecast earnings and net cash is expected to rise from £6.2m to £9.1m by June 2021.

Netcall has acquired robotic process automation technology company Automagica for an initial €1.2m in order to broaden its contact-centre product range. Automagica has developed its own technology. Netcall's full-year revenues increased from £22.9m to £25.1m, while pre-tax profit improved from £1.3m to £1.8m. Margins are improving. New clients are being won in the core sectors of financial services, healthcare and local government. The dividend was increased by 25% to 0.25p a share. The shares go ex-dividend on 24 December. An increase to 0.27p a share is expected for this year.

Inspiration Healthcare has declared a maiden interim dividend with its figures for the six months to July 2020. The 0.2p a share payment is intended to be one-third of the total payment for the year. Revenues were 77% ahead at £14.2m and stripping out the effect of acquisitions they were still 25% higher. There was a one-off boost to sales due to NHS demand for adult ventilators and this continued into the second half. Underlying pre-tax profit improved from £558,000 to £2.11m. Net cash was £6.16m at the end of July 2020. Overall trading is stronger than expected.

Expert view: Registrars

AGMs & EGMs in a post-COVID world

By Danny Curran

The COVID pandemic has wrecked lives and livelihoods across the globe, but businesses have been obliged to function throughout the turmoil. Initial financial support from the government was quick to arrive and widely reported in the press, although arguably the easing of regulations related to company operations has been somewhat less generous – and off the radar for many.

Avenir has experience of facilitating remote meetings

From mid-March, UK regulators were issuing guidance on company meetings and, on 25th June, the government did change the law to permit businesses to suspend the ability of shareholders to attend meetings in person, which provided some welcome respite for many companies. Avenir Registrars already has experience of facilitating remote meetings for clients.

Often these issuers will only have a very small pool of securities holders on the register, but such arrangements are scalable and can be adopted into any company's articles, either at incorporation or pursuant to the relevant approvals being obtained at a later date. And such innovation seems set to become ever more popular when it comes to the future shape of both the AGM and EGM.

The process can ultimately be as simple as providing a conference call number for investors to join on and dispatching relevant documents and voting resolutions in a timely manner. So long as the basic structure is there with a quorum of company officers present – albeit virtually – and the meeting is properly minuted, the event has indeed taken place in the eyes of the law, all in an incredibly efficient manner.

COVID-19 has had a profound effect on the way each one of us undertakes so many of our day-to-day activities and there's no shortage of suggestions as to how this will impact the future. Whether it's a video consultation with your GP or online grocery shopping becoming the default option, a new world is emerging and there's every expectation that the fall-out from 2020 will have a lasting impact on company meetings, too. After all, expecting investors to move around the country to a potentially inconvenient location to participate fully in an AGM does – on reflection – seem to be a rather outdated method of thinking.

Admittedly there is some reluctance from both government and lobby groups for moving shareholder meetings completely online, noting that it could further limit engagement especially amongst smaller investors. However, given video conferencing over platforms such as Zoom is now seen as perfectly normal for business and personal engagement alike, it's increasingly difficult to argue that a majority of shareholders won't soon expect this. No travel, no hassle and no need to pick up the bill for a conference centre plus the obligatory tea and biscuits.

Options

So, if there's a meeting looming in your calendar, what are the options now? A delay could be proposed, although that may already have happened once, and the government has been eager to stress that these events of record will ultimately have to take place.

That presents two further options, the first of which is a **remote AGM** as referenced above. You should give participants the ability to elect a chairman ahead of the meeting, which is then held behind closed doors with a minimum number of attendees to achieve a quorum. It's certainly not an ideal situation and one that investors would likely lose confidence with if used repeatedly, but, in terms of a company meeting its legal obligations, it will tick the box.

The other option – which, having been popular in the US is now gaining favour in the UK – is the **hybrid meeting**. These use the latest technology to build a comprehensive virtual platform, allowing officers of the company to present to shareholders regardless of their location. Furthermore, such platforms are able to incorporate polling to facilitate real-time voting, whilst Q&A functionality is also available, further replicating the true meeting experience.

It's important to bear in mind that this will itself need to be permitted within the articles of incorporation, and although some may have accounted for this, it's far from universal. Those who have the ability could hold this type of meeting, arguing that it embraces the best of both worlds. Nonetheless, shareholder campaign groups will be keeping a close eye on how this develops as they are keen to ensure physical meetings are not a thing of the past.

However, 2020 could prove to be a watershed moment when it comes to investor relations, dragging the rather antiquated AGM process into the 21st century as a result.

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Aquis Stock Exchange publishes segment rules

Two market segments are set to be launched by Aquis Stock Exchange. The Access segment will cater to the smallest companies and debt securities, while the Apex segment is designed for companies with a market value of at least £10m.

Aquis Stock Exchange (AQSE) has published the proposed rule books for its Access and Apex segments. These are designed to offer a focused service for companies at different points in their development and growth.

AQSE is also implementing changes to trading rules that will ban short selling on its markets.

AQSE has been in existence for 25 years having started out as Ofex and traded under other names. The market segmentation is the latest attempt to make AQSE an attractive alternative to AIM and the standard list. New admissions on AQSE have started to pick up and the focused market segments could help to spark more interest from potential applicants.

An admission to either segment will have to gain approval by the Primary Markets Approval Committee. The committee can choose to reject an applicant if it believes they are not suitable for the market.

There is an option for fast-track admission to both segments by companies on qualifying markets. Those markets include the Main Market (a dual quotation is not allowed), AIM, ASX, the Canadian Securities Exchange, Nasdaq, Börse München, TSX and TSX Venture Exchange.

AQSE requires a company quoted on either segment to maintain a website, while annual reports, circulars and announcements should be publicly available for five years.

There will be two AQSE market segments: Access and Apex

Access

Access is for companies that are smaller or at an early stage of development. There will be an admission document that provides qualified investors with information to assess the investment opportunity.

There is a minimum market capitalisation of £750,000 for shares or £200,000 for debt or convertibles and 10% of the securities have to be in public hands. At least one market maker is required at the time of the flotation.

Investors in a start-up company are locked-in for 12 months after flotation.

One of the changes to the consultation paper relates to special purpose acquisition companies. This is defined as a company consisting solely or predominantly of cash or where the main objective is making an acquisition. They will be eligible for admission if they have a minimum market capitalisation of £750,000.

However, AQSE will meet with the management of these companies to discuss their business plan and strategy. The experience of the board will also be assessed. This is an area where Access will be in competition with the standard list rather than AIM.

Apex

Apex is for larger, more established companies. These companies will publish what is called a growth prospectus and small investors will be allowed to participate in a flotation. There is an appendix in the rule book that sets out what is required in the prospectus. AQSE will meet with the management of the applicant to find out about strategy and experience.

There is a minimum market capitalisation requirement of £10m. There has to be at least 25% of the shares distributed to the public. A minimum of two market makers are required from admission.

When there is a placing, the company has to inform AQSE about the allocation policy and process. This is to assess what effect the issue will have on liquidity.

If a company does not continue to fulfil the requirements of an Apex quotation following a disposal, the company will be transferred to Access.

A company can transfer from Access if it has been quoted for at least 12 months and it satisfies the rules of the Apex segment, including the minimum market capitalisation of £10m. The constituents of Apex will be reviewed in June each year.

Transition

There will be transitional arrangements for companies in the process of joining AQSE. There will be a derogation for those companies to join Access or Apex with an existing admission document and that derogation will last until the end of March 2021.

How smaller companies can attract investors

A survey of small investors indicates their resilience even in the face of the disruption caused by Covid-19 and that they invest for the long term.

The Quoted Companies Alliance (QCA) has published a report titled *Retail investment in small and mid-sized quoted companies* that highlights how important small investors are for the liquidity of the markets.

YouGov surveyed 505 small investors during May 2020. They were predominantly male and 46% had retired. There were 6% that had an income of more than £150,000 with 50% earning £50,000 or less.

The timing of the survey means that the stockmarket had already started to recover from its low point in March, but there was still an enormous amount of uncertainty. The Covid-19 pandemic apparently had no impact on the investment decisions of 37% of those surveyed and some viewed it as a buying opportunity. Only 16% said that they were going to invest in bigger companies because they felt that they were safer than smaller companies. One-fifth said that they would hold more cash.

YouGov surveyed 505 small investors during May 2020

Decisions

Nine out of ten of the investors make the decisions about where their money is invested and most invest in individual shares. The sample of investors is always likely to be more skewed towards people who make their own investment decisions rather than relying on advisers.

Two-thirds of the people surveyed had at least 40% of their investments in UK shares. Four-fifths of the people invest in small and mid-sized companies and 29% have more than 40% of their investments in UK small and mid-sized companies. Unsurprisingly, tax benefits attract investors to UK shares.

Information

National newspapers, magazines and websites remain the main source of information for nearly three-fifths of the respondents. The annual report and company website were as important as a source.

More than half used broker research, possibly some would not be able to gain access to this research or it might have been higher. Research classed as company-sponsored is used by 10%, which seems low given that this should be accessible to everyone. The perceived bias may put some investors off, but house broker research can also be viewed as biased.

Interestingly, one-third said that they used regulated news announcements as an information source. It may be that investors that get this information from a company website do not class it as a regulated announcement but as website news. Otherwise it seems strange that up to date announcements do not figure in two-thirds of investors' research.

Email alerts of company news are deemed useful by 53% of those surveyed. A quarter thought that company-sponsored research was useful, which appears to contradict the figure of 10% that used it to research companies.

Because they do not always hold shareholdings directly fewer than 45% of private investors are forwarded annual reports. This may also be because they are not sent out in hard copy form. They are available on the company website, so it is a question of knowing when they are put up.

There are still 22% of investors surveyed that do not invest in AIM shares, although 50% of those that do expect to hold them for at least three years.

Conclusions

There are three main conclusions from the study on how to attract and please private investors. They are increasing company profile, clear corporate governance and involvement in flotations and placings.

Investors like to put their money into companies that they have heard of and have information about. They also believe that good governance means that the company is better managed so it should perform better.

The survey found that the majority of those surveyed wanted the opportunity to be involved in flotations and placings. They believe that longer-term shareholders can be disadvantaged by not being offered the chance to be involved in placings.

Retail investment in small and mid-sized quoted companies can be downloaded from the QCA website at https://www.theqca.com/article_assets/articledir_418/209186/QCA%20Retail%20Investment%20in%20Small%20and%20Mid-Sized%20Companies%20Research%20Report%202020.pdf.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	30.1	16.1
Healthcareare	16.1	10.6
Industrials	14	16.9
Technology	11.7	11.9
Financials	8.6	11.7
Basic materials	6.9	14.4
Energy	5.9	11.7
Property	3.4	2.9
Telecoms	2.1	1.9
Utilities	1.1	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	948.6	+6.6
FTSE AIM 50	5241.68	+5.6
FTSE AIM 100	4827.61	+6.4
FTSE Fledgling	8706.44	-7.6
FTSE Small Cap	5092.45	-6.6
FTSE All-Share	3151.27	-21.1
FTSE 100	5577.27	-23.1

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	118
£5m-£10m	95
£10m-£25m	155
£25m-£50m	121
£50m-£100m	126
£100m-£250m	103
£250m+	104

KEY AIM STATISTICS

Total number of AIM	822
Number of nominated advisers	25
Number of market makers	47
Total market cap for all AIM	£107.4bn
Total of new money raised	£119.6bn
Total raised by new issues	£45.6bn
Total raised by secondary issues	£74bn
Share turnover value (Sep 2020)	£58bn
Number of bargains (Sep 2020)	12.1m
Shares traded (Sep 2020)	660bn
Transfers to the official list	193

TOP 5 RISERS OVER 30 DAYS

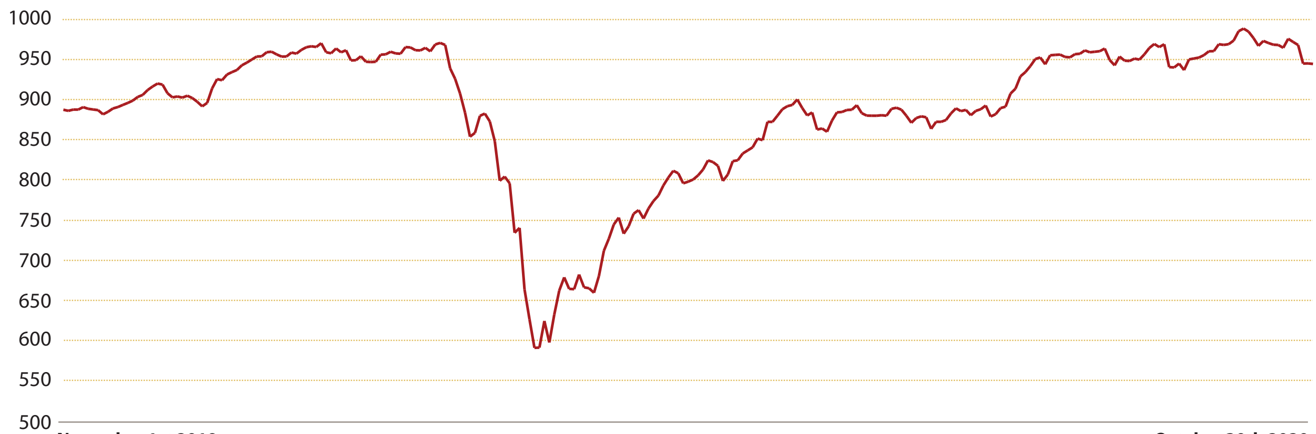
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Remote Monitored Systems	Support services	3.2	+389
Metals Exploration	Mining	2.45	+238
Orosur Mining Inc	Mining	29.5	;+189
Sareum	Healthcare	2.2	+173
Alien Metals	Mining	1.55	+148

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Conduity Capital	Shell	1.275	-68.1
Rambler Metals and Mining	Mining	0.365	-59.4
Tekmar	Support services	41.8	-41.1
Hurricane Energy	Oil and gas	2.288	-37.8
Blue Star Capital	Esport	0.14	-36.4

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st October 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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