MAY 2023

AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Bids boost AIM performance

AIM had a better month in April and gained 2.6%, but that was still slightly lower than the 3.1% gain for the FTSE 100 index. Takeovers continue to help boost the performance of AIM as bidders, particularly overseas ones, are attracted by the subdued valuations of many companies. Nominated adviser Numis Corporation (see page nine), Sureserve and Fulham Shore are the latest AIM companies to succumb to bids.

Compliance and energy saving services provider Sureserve is recommending a bid from Cap10 4NetZero Bidco, which is a vehicle for pan-European private equity company Cap10 Partners. The 125p a share bid values Sureserve at £214m and that is the highest share price since the company floated as Lakehouse in 2015. Even so, it is only 14 times prospective earnings. Cap10 believes that taking Sureserve private will make it easier to focus on long-term goals.

Restaurants operator Fulham Shore is recommending a 14.15p a share cash bid by Tokyo-based TORIDOLL Holdings. That was a premium of more than one-third on the previous share price. The bidder has revenues of around £1bn and already has European interests. The company works with specialist private equity firm Capdesia in Europe. The takeover will enable faster expansion of the Franco Manca and The Real Greek brands.

Power Metal spin-off

Power Metal Resources is spinning-off Golden Metal Resources, which plans to join AIM on 10 May. The company owns the Nevada mining interests of Power Metal Resources, which comprise four assets - three wholly owned plus an earn-in option over a fourth. Golden Metal Resources will raise £1.98m at 8.5p a share, which values the company at £7.16m. Power Metal Resources will retain a 62.1% stake.

The Pilot Mountain project, which was acquired from Thor Mining, is in an area with existing tungsten, copper, silver and zinc mineralisation. The Garfield and Stonewall projects are earlier stage and were bought from Sunrise Resources.

Golden Metal Resources is earning up to 100% of the Golconda Summit gold and silver project. The agreement involves a payment of a $275,000 liability to Eureka Resources with further annual payments of $50,000 each year between 2023 and 2027 inclusive. These payments count towards the option to purchase leased claims for $335,000. The company can also acquire Eureka Resources' 1% net smelter royalty for $1m.

In the period from incorporation in April 2021 to June 2022, there was a cash outflow of $688,000 – mainly pre-float costs - before a share issue raising $728,000. Net assets were $7.3m, including $40,000 in cash.

In this issue

Spectral MD moving to Nasdaq

Spectral MD is reversing into a Nasdaq shell to gain access to US investors. It is not the only AIM healthcare company seeking to do this. However, plans by cancer treatments developer Redx Pharma to reverse into a Nasdaq company have fallen through. Advanced Oncotherapy is running out of cash and it is seeking a US reversal.

Spectral MD is merging with Nasdaq-listed SPAC Rosecliff Acquisition Corp 1. The deal values Spectral MD at $170m, or 101p a share, which is more than double the current share price. The AIM quotation will be cancelled.

Spectral MD had $14m in cash at the end of 2022. There is $4.5m of cash in the shell and at least $15m will be raised in a placing alongside the deal. This will provide cash to finance the commercialisation of the DeepView woundcare analysis technology. The transaction should complete in the third quarter.

Redx Pharma was going to reverse into Nasdaq-listed Jounce Therapeutics, which develops treatments for cancer and has cash that would have given the combined group at least $130m of funds for drug development. However, Concentra Biosciences came up with a recommended cash bid for Jounce.

Proton therapy cancer treatment developer Advanced Oncotherapy has announced a strategic review and a Nasdaq listing is being considered. That could involve selling the business to an existing Nasdaq company. There are no current discussions and cash is running out. Management hopes to obtain additional working capital from a loan note issue. That could extend the company's cash until the end of May.

Franchise deal

Franchise Brands paid £200m in cash and shares for Pirtek Europe. A placing and subscription at 180p a share raised £96.6m to help finance the deal. Pirtek Europe provides on-site hydraulic hose replacement and other services through 213 service centres and 838 mobile service vans. There are 70 franchisees in eight countries and the company has the right to enter eight other European countries. Forecast combined 2023 revenues are £155m or £168m on a pro forma basis. Forecast 2023 pre-tax profit is £21.5m. That is before any significant cost savings from integrating the business. A full year contribution from Pirtek could push up 2024 pre-tax profit to £28.4m and the deal is earnings enhancing.

Acuity RM builds recurring revenues base

Acuity RM has been formed by the reversal of Acuity Risk Management into AIM shell Drumz, which was previously known as Billam and Energiser Investments. Drumz already owned 25% of the company, which cost £625,000. The cost of acquiring the rest of the shares was 45.7 million shares, plus £500,000 in cash – a total value of £3.6m. A placing at 4.5p a share raised £950,000 after expenses and the enlarged business was valued at £5.45m.

The Acuity RM business has been trading for 18 years and it provides governance, risk and compliance management software and services. STREAM is a software platform that collects data about organisations to improve decisions and management efficiency. This is a subscription product, and most group revenues are recurring. The rest comes from professional services.

Pro forma net assets are £2.8m, with net cash of £780,000. There will be £300,000 spent on improving sales and marketing and the rest of the cash will help fund working capital. In the year to March 2022, Acuity had revenues of £1.56m and made a loss of £545,000. The latest interims show revenues improving from £735,000 to £853,000, but the loss has increased from £301,000 to £401,000. These losses were partly financed by the original investment by Drumz.

The majority of revenues were generated in the UK, but around one-third were from the rest of the world in 2021-22. There are £1.13m in revenues from existing contracts due to be earned in the year to March 2023.

Founder and newly appointed executive director of the holding company Simon Marvell is the largest shareholder with 26.2%. In total the directors own just over 38% of Acuity RM. The company's only other asset is a 5.85% stake in AIM-quoted KCR Residential REIT.

Impressive inflows for Tatton Asset Management

Despite the weak stockmarket, Tatton Asset Management is still managing to grow its assets under management at a rapid rate. This is down to winning mandates from financial advisers. There are 869 firms, up from 746, that use Tatton Asset Management's discretionary fund management product.

In the year to March 2023, Tatton Asset Management increased assets under management by 22% to £13.9bn, even though market performance reduced the figure by £400m. Net inflows averaged £148m/month during the second half. That is slightly lower than the £151m/month in the first half. There is net cash of £26.5m, including £13m not required for regulatory purposes.

Singer estimates revenues of £32.5m and pre-tax profit of £15.9m in the year to March 2023. A total dividend of 14.42p a share is expected. The broker forecasts an improvement in pre-tax profit to £17.5m this year. At 470p, the shares are trading on 22 times prospective 2023-24 earnings. The yield is 3.1%.

■ **WH Ireland** did not do as well as hoped in the second half and the broker expects to report a loss of more than £2.2m in the year to March 2023. The lack of corporate transactions hit revenues and this trend has continued into the new financial year.

WH Ireland maintained the number of corporate clients at 88 and the wealth management division is still profitable. Assets under management slipped from £1.6bn to £1.5bn over the 12-month period.

■ Aquis-quoted **Oberon Capital** has raised £450,000 at 3.5p a share. Management says that there was institutional interest in acquiring shares following the recent placing. At the beginning of the year £1.75m was raised at the same share price. That cash will be used to help finance the purchase of a 63% stake in back office service provider Logic Investments, which will provide support to the corporate advisory and investment management divisions. The deal is still subject to FCA approval. The latest cash raised will be spent on building up the corporate advisory business.

ADVISER CHANGES - APRIL 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Ariana Resources	WH Ireland / Panmure Gordon	Panmure Gordon	Beaumont Cornish	Beaumont Cornish	4/3/2023
Indus Gas	Strand Hanson	Arden	Strand Hanson	Strand Hanson	4/3/2023
Judges Scientific	Investec / Shore	Liberum / Shore	Shore	Shore	4/3/2023
Marks Electrical	Canaccord Genuity	Panmure Gordon	Canaccord Genuity	Panmure Gordon	4/4/2023
Solid State	Cenkos / finnCap	WH Ireland / finnCap	Cenkos	WH Ireland	4/5/2023
Elixirr International	Investec / finnCap	finnCap	finnCap	finnCap	4/12/2023
Longboat Energy	Cenkos / Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	4/19/2023
i(x) Net Zero	Canaccord Genuity	Shore / H&P Advisory	Canaccord Genuity	Shore	4/20/2023
XLMedia	Cenkos	Berenberg / Cenkos	Cenkos	Cenkos	4/24/2023
Itaconix	Canaccord Genuity / finnCap	finnCap	finnCap	finnCap	4/25/2023
Property Franchise Group	Singer / Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	4/25/2023
Quadrise	VSA / Shore	Shore	Cenkos	Cenkos	4/25/2023
Bradda Head Lithium	Panmure Gordon / Shard	Shard / Peterhouse	Beaumont Cornish	Beaumont Cornish	4/26/2023
Global Petroleum	CMC / Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	4/26/2023
4GLOBAL	Canaccord Genuity	Oberon	Spark	Spark	4/27/2023
iEnergizer Ltd	Strand Hanson	Canaccord Genuity	Strand Hanson	Strand Hanson	4/28/2023

Pennant International increases recurring revenues and reduces dependency on training

Software and training *www.pennantplc.co.uk*

Pennant International returned to profit in 2022 despite a decline in revenues and the training and software services provider is already on the way to a strong improvement in profit this year. The business has been refocused on recurring revenues and is not as dependent on lumpy training contracts.

In 2022, revenues fell from £16m to £13.7m, but software and services accounted for three-fifths of the total and that improved gross margin. Combined with a reduction in overheads, the improved margin helped the group swing from an underlying pre-tax loss of £800,000 to a profit of £200,000. Net debt was £400,000 following the £2.1m sale of a surplus property.

Rockwood Strategic owns 5.16%

The software business is beginning to benefit from the new GenS software suite, but the full range will not be completed until next year.

Earlier in April, Pennant International bought UK rail services business Track Access Productions for £798,500, including £175,500 that is payable in 12 months. Bedfordshire-based Track Access Productions provides driver training and route mapping services to train operators, freight companies and rail infrastructure providers. This deal should be earnings enhancing and fits well with the existing rail business, which was previously part of the same group.

PENNANT INTERNATIONAL (PEN)			37.5p
12 MONTH CHANGE %	+5.6	MARKET CAP £M	13.8

Active investor Rockwood Strategic has been building up a stake in Pennant International and it currently owns 5.16%. There is already a £13m order book for this year and training is likely to be a bigger contributor. WH Ireland forecasts 2023 pre-tax profit of £1.3m on revenues of £16.6m, helped by an additional £100,000 of profit from the recent acquisition. Even after a strong share price performance so far this year, the shares are trading on a prospective multiple of eleven.

Intelligent Ultrasound AI revenues start to accelerate

Ultrasound simulation devices *www.intelligentultrasound.com*

Intelligent Ultrasound Group has a strong balance sheet following last year's £5.2m fundraising at 9.25p a share and sales of artificial intelligence technology are starting to build up.

In 2022, revenues were one-third higher at £10.1m and the underlying loss fell from £3.6m to £3m. There was £7.2m in the bank at the end of 2022. Ultrasound simulator revenues were 28% ahead at £9.4m with UK sales nearly doubling.

Artificial intelligence revenues trebled to £700,000. They mainly came from the ScanNav Assist obstetric AI software being sold by GE on its Voluson ultrasound machines.

INTELLIGENT ULTRASOUND (IUG)			15.8p
12 MONTH CHANGE %	+10.9	MARKET CAP £M	51.6

In October, Intelligent Ultrasound gained FDA de Novo clearance for ScanNav Anatomy Peripheral Nerve Block. Along with the relaunched NeedleTrainer standalone device, this means that there are three sources of higher margin revenues.

Ultrasound simulation revenues will continue to grow, but artificial intelligence revenues will grow more rapidly. There is potential to accelerate growth in simulation revenues outside of the UK. An endometriosis augmented reality training module will be launched in May. Management continues to invest in product development and capitalised development spending will be more than £1.1m a year.

If Intelligent Ultrasound can achieve the Cenkos pre-tax profit forecast of £1m in 2024, then the cash will be more than enough to fund the business until its starts to generate cash. Cash is expected to decline to £4.2m at the end of 2023, before rising to £5m by the end of 2024. It may fall further during 2024 before rising, but this leaves plenty of room to negotiate any delays or other challenges.

Northcoders order book and a broadening range of software training underpins forecasts

IT training *www.northcodersgroup.com*

IT training provider **Northcoders** is continuing its impressive rate of growth. There are an increasing number of applicants for courses and the company is maintaining its high standards for potential trainees. Organic growth is set to continue to be strong and it will be supplemented by the recent acquisition of Tech Returners.

There was an 86% increase in revenues to £5.6m in 2022 and underlying pre-tax profit jumped from £100,000 to £600,000. Providing services to corporate clients is a smaller part of the business than training, but it did nearly treble revenues to £732,000.

There was net cash of £1.7m at the end of 2022. Last year, Northcoders raised £2.1m at 300p a share to finance expansion into new areas. The data engineering course has been launched and there are still plans for a cybersecurity course once a suitable initial client is secured. That may happen later this year.

Profit should double to £1.2m

This year there will be an initial contribution from Tech Returners, which was acquired in February for £1.5m. Tech Returners focuses on older, more senior women returning to the workplace and has annual revenues of around £1m. This business is currently being integrated.

There are currently business hubs in Manchester, Leeds, Birmingham and Newcastle. There will be a review in around one year's time to assess whether there is a requirement for the current level of training space or whether virtual training negates the requirement for as much property.

NORTHCODERS GROUP (CODE)			305p
12 MONTH CHANGE %	+7	MARKET CAP £M	24.4

Revenues of £6.1m are already in the order book for 2023 and the full year forecast is £9.5m. The pre-tax profit should double to £1.2m. That is lower than the forecast late last year, because of increased investment in growing the business where the benefits will show through in the future. The shares are trading on 19 times prospective earnings, falling to 12 next year.

Lettings growth boosts Property Franchise Group

Property lettings franchiser *www.thepropertyfranchisegroup.co.uk*

The Property Franchise Group reported 2022 results ahead of expectations. Despite the tough residential property sales market, revenues and profit have improved, helped by a full contribution from the Hunters acquisition. The lettings business continues to grow, and first quarter trading was slightly ahead of expectations.

In 2022, revenues rose from £24m to £27.2m, while underlying pre-tax profit improved from £9.4m to £10.7m. Like-for-like growth in revenues was 8%. Lettings contributed 55% of management service fees. Financial services revenues are still a relatively small proportion of the group total. The dividend was increased from 11.6p a share to 13p a share.

THE PROPERTY FRANCHISE GROUP (TPFG)			336p
12 MONTH CHANGE %	-5.6	MARKET CAP £M	107.7

Rental inflation is boosting the revenues of the lettings division. Lack of new build residential properties means that rental demand is outstripping supply and because of the way that the lettings market is evolving there is likely to be more consolidation in the sector.

Finance director David Raggett bought 5,000 shares at 278.5p each, taking his stake to 395,101 shares. Earlier this year, BAVARIA Industries Group AG, which has interests in engineering, construction and business services companies, increased its stake to 9.11%.

Canaccord Genuity forecasts a small pre-tax profit increase to £11m for the current year. The increase in the rate of corporation tax will mean a dip in earnings, but the dividend is expected to rise to 14p a share, which would be covered 1.9 times by earnings. The 2023 forecast multiple is 13 and the forecast yield is 4.2%.

Zinc Media remains on track to reach profitability as it wins largest ever programme order

TV programmes producer *www.zincmedia.com*

TV programmes producer **Zinc Media** is approaching profitability as its operations increase in scale. Strong organic growth and higher than expected contribution from The Edge, which was acquired last year, have reduced the loss. The order book already covers the majority of 2023 forecast revenues.

In 2022, revenues jumped from £17.5m to £30.1m, with two-thirds generated in the second half, while the underlying loss was reduced from £1.7m to £1.3m. Organic growth was 39%. Newer TV production brands almost doubled revenues, although the initial cost of launching them has held back margins.

Organic growth was 39%

In the five months it contributed to the figures, The Edge, which is a brand and corporate film maker, made a pre-tax profit of £700,000 on revenues of £5.8m. This is generally a higher margin business than the other operations, particularly TV programme production.

Zinc Media is building up recurring revenues. It has gained its largest ever contract worth £7.3m from Channel 5 to continue producing the Bargain Loving Brits series. This repeatable business helps margins.

There are £26m of visible revenues for 2023, including around £5m from Bargain Loving Brits. A £100,000 loss is currently forecast on 2023

ZINC MEDIA (ZIN)			81p
12 MONTH CHANGE %	-31.1	MARKET CAP £M	17.7

revenues of £35.7m. Net cash should improve to £1.5m. Having covered overheads a 10% increase in revenue in 2024 could produce a profit of £1m.

There was £5m raised at 100p a share when The Edge was acquired. The share price has fallen below that level, but the acquisition has done better than expected. There could be scope for forecast upgrades later this year. The share price should start to reflect the progress made by the group when there is further evidence of the move to profit.

Slowdown in content creation demand hits Focusrite

Audio equipment *www.focusriteplc.com*

Audio content and performance equipment supplier **Focusrite** did well during Covid lockdowns with strong demand for music and podcast equipment for home use. This more than offset the lack of audio reproduction demand from the live events sector. The latter part of the business has bounced back to previous levels, but the content creation division revenues slumped in the first half.

The content creation revenues fell 16% to £67.4m, but the decline would have been 25% without acquisitions and on a constant currency basis. Market share does not appear to have been lost. The

FOCUSRITE (TUNE)			455p
12 MONTH CHANGE %	-54.7	MARKET CAP £M	269.4

audio reproduction revenues grew 51% to £18.8m – the growth was still 25% on a like-for-like basis. There had already been a strong recovery in the second half of last year.

In the six months to February 2023, group interim revenues fell from £92.9m to £86.2m, even after the inclusion of recent acquisitions. A fall in freight charges helped gross margin edge up to 47.1%. Even so, pre-tax profit fell from £16.3m to £10.9m. The dividend was raised from 1.85p a share to 2.1p a share and it is still well covered by earnings.

Net debt was £13.2m after the cost of acquisitions. The latest is Sonnox, a UK-based developer of software for audio professionals, which cost £7.2m. The deal will be earnings enhancing this year.

The live events market remains buoyant, but content creation demand remains weaker with inventory levels at resellers being reduced. Full year pre-tax profit is expected to be £29.6m and then recover to £31.5m next year. The shares are trading on 11 times prospective earnings.

Underrated brand value at Sanderson Design

Furnishings supplier *www.sandersondesign.group*

Dividend

Sanderson Design has been a consistent dividend payer since 2010, when it was still known as Walker Greenbank. The dividend peaked in the year to January 2018 when the total reached 4.37p a share. The following year it was reduced to 3.24p a share. In 2019-20, the interim dividend was reduced from 0.69p a share to 0.52p a share and there was no final dividend due to Covid.

In 2021-22, the total dividend was 3.5p a share and this level was maintained for 2022-23 – the final dividend is 2.75p a share. The shares go ex-dividend on 13 July. The dividend should be at least maintained this year, even though the cover would fall to 3.7 times.

Business

Sanderson Design has an impressive range of brands, including Morris & Co, Zoffany, Clarke & Clarke, Harlequin and the eponymous brand. There is further potential to exploit the brands through licensing in both existing countries and new ones. The group also has wallpaper and fabrics manufacturing businesses, which also supply other brands.

This is an international business, which has helped to offset the recent weakness of the UK market. Management believes that the potential in North America is enormous, and there has been a move to a higher profile showroom in New York. North American sales grew by 19% last year.

Reducing the product range from 20,000 to 11,600 different units has helped to improve returns. The number could be reduced to 10,000 this year before rising again as newer products get launched.

SANDERSON DESIGN (SDG)	
Price (p)	128
Market cap £m	91.5
Historical yield	2.7%
Prospective yield	2.7%

In the year to January 2023, even though sales in Russia and Ukraine were lost, revenues were flat at £112m, as was underlying pre-tax profit at £12.6m. Price increases in February and August offset cost rises. Licence income was one-quarter higher at £6.5m. Net cash was £15.4m at the end of January 2023. There was a net pension liability of £2.5m.

Sales of Morris & Co and Zoffany grew – the latter due to growth in North America. Harlequin and Clarke & Clarke were the worst performing brands. The launch of new wallpaper ranges should help Clarke & Clarke sales to recover this year and it has also signed a licensing agreement with retailer NEXT.

Manufacturing revenues from third parties held up well even though the comparisons were tough. A new software system should go live in May, and this will help to improve efficiency.

The UK is set to remain a tough market. Singer forecasts a decline in 2023-24 profit to £12m as cost increases offset the improvement in revenues to £116.2m. Net cash should still improve to £18m. The shares are trading on less than ten times prospective 2023-24 earnings. That is not high when the potential value of the brands is taken into account. Once markets improve there is plenty of upside for the business.

Dividend news

Contract research and infectious disease study services provider **hVIVO** reported better than expected figures for 2022. Revenues were 30% higher at £50.7m, while pre-exceptional profit jumped from £37,000 to £6.7m. That excludes the £6.96m write-down of the book value of non-core assets. Cash generation was helped by advance payments for projects and cash increased from £15.7m to £28.4m. There is more than enough cash to grow the business, so management is paying a one-off dividend of 0.45p a share, which will cost £3m. Although this is not a regular dividend, given the strong cash generation, there could potentially be further dividends in the future.

Self-storage sites operator **LoknStore** improved same store revenues by 11% in the six months to January 2023 though a combination of increased prices and higher occupancy rates. The new Bedford store opened after the period end and another store will open in Peterborough before the end of July. Three more will be added in 2023-24. The sale of four sites last year has reduced the profit, but cash generation is still strong and spare borrowing facilities to finance the capital investment. The interim dividend has been raised by 15% to 5.75p a share. The total dividend for the year is expected to be 19.25p a share.

Cosmetics supplier **Warpaint London** is gaining momentum in the UK and internationally. It is getting its products into additional retailers with Asda and New Look already added in 2023. First quarter revenues grew by two-fifths to £18.5m. There was £8.6m in the bank at the end of March 2023. Warpaint London is on the shortlist for the dividend hero of the year at the 2023 Small Cap awards in June. The 2022 dividend was raised from 6p a share to 7.1p a share and this year's total dividend could be 7.7p a share.

Expert view: Registrars

Does Blockchain pave the way for capital market reform?

By Hardeep Tamana

We previously looked at the role Depositary Interests (DIs) and Global Depositary Receipts (GDRs) may be able to play to reignite London's popularity as a capital raising venue of choice. However, in April, Germany adopted the legislation related to its "Future Finance Act" where key goals include capital markets digitisation through the issuance of electronic securities on a blockchain, as well as improved portability of crypto assets.

The action offers a radical solution to address the challenge of markets being accused of not moving with the times, but does it provide a genuine route ahead, or is it a case of promoting technology to provide an over-engineered outcome?

> Markets can find a way by fine-tuning existing technology supported by regulators who understand digitisation

The CHESS example

The Australian Stock Exchange believed that the blockchain could hold the key when it came to overhauling its 25 year old CHESS clearing and settlement system for shares. Embarking on a project in 2017, the exchange worked its way through A$250 million over the next five years before accepting that this didn't provide a meaningful way ahead.

An independent review highlighted issues of scalability and resilience requiring significant changes to both the design and implementation in order to ensure the market's high standards could be maintained. As apparent, migrating legacy exchange systems to the blockchain is clearly far from being a straightforward process, but can a smaller deployment with supportive regulations with a focus on tech savvy growth companies and their similarly minded investors find success?

Do current systems need fixing?

Part of the well documented UK listing reform proposals revolve around the digitisation of securities certificates. Maintaining operational resilience is important, but so is the idea that existing processes can be enhanced. Although there has been a degree of digitisation in the UK equities market, a small but significant minority of shareholders persist with paper certificates.

There is a framework already in place to move some issuers to full digitisation and the UK is well placed to adopt it should the last stages of the C.S.D. Regulations be brought into force, as is already the case in Ireland. This would mandate a universal move to digitisation for all listed companies.

Digitisation initiatives have been deployed elsewhere based on legacy technology, giving investors of all sizes unparalleled access to their portfolios. A good example of this is Singapore, where investors can view a single dashboard of shareholdings through the CSD, using a combination of digital ledgers and data sharing.

The principle here is closely aligned with open banking – there's no need for a revolutionary move to distributed ledgers to make this happen, thereby mitigating the scalability issues cited in Australia. Markets can find a way ahead by fine-tuning the existing technology supported by regulators who understand the benefits of digitisation, rather than having to rebuild from scratch.

What about the German initiative?

Arguably this provides a great test bed for using distributed ledgers to manage the life cycle of a security. Starting with a blank canvas and the cumulative knowledge of how these systems can work, where the operational efficiencies lie – and perhaps most significantly what caused others to fail – has the potential to make this a transformational piece of work. But it's vital to remember that existing systems already possess a lot of power and functionality, so modest changes to technology and regulation can transform their potential.

And what about the law?

The UK Jurisdictional Taskforce has been looking at the issuance and transfer of digital securities, largely with an eye on ensuring that the UK is seen as a more accommodative venue for crypto assets. This review highlighted that the statutory requirement for the issue of share certificates can be dispensed with by a simple amendment to the company's articles of association, confirming that book entry issuance is a viable pathway in the UK.

Avenir Registrars is already able to support share issuance in paper, book entry and CSD form concurrently, meaning that for those wishing to pursue a digital ledger solution, both the legislation and the supporting infrastructure can already be accessed.

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

Recommended bid for major AIM adviser

Probably the best performing AIM-quoted company and one of the earliest nominated advisers is being taken over.

Deutsche Bank is bidding 339p a share for Numis Corporation, one of the main nominated advisers to AIM companies. On top of the cash bid there will be an interim dividend payment of 6p a share for the six months to March 2023, plus an additional dividend of 5p a share. The bid values the AIM nominated adviser at £410m. Numis has been quoted on AIM for more than 27 years and the bid is around 50 times the initial share price when Numis floated.

Numis Corporation had a market capitalisation of £2.83m when it joined AIM

The bid is recommended by the Numis board. The first dividend will be paid in June and the second dividend will be paid after the effective date of the takeover.

Deutsche Bank is acquiring Numis as part of its Global Hausbank strategy to build up its corporate client list in the UK. Numis is expected to remain autonomous within Deutsche Bank. There are plans to co-brand with Numis for relevant UK activities and Deutsche Bank will move its corporate finance activities into the Numis premises. The combined group will have more than 170 UK corporate clients.

AIM brokers continue to be hit by weak equity trading levels and the lack of quoted corporate transactions. Trading volumes have also declined, although they remain well above their levels prior to Covid. It is difficult to assess when trading will improve for brokers, and it does not appear likely to happen in the coming six months. This sparked the recent merger between finnCap and Cenkos.

Peel Hunt says that its 2022-23 revenues will fall from £131m to £82m, while costs have increased since flotation, and there was a loss last year. The Peel Hunt share price has recovered since the beginning of 2023, but it has still more than halved since the September 2021 placing at 228p – even after a bounce on the Numis takeover announcement.

Peel Hunt was acquired by European bank KBC two decades ago, but management bought back the business. Banks acquiring brokers does not always work out and the fit is not necessarily as good as they initially believe.

History

Numis was known as Raphael Zorn Hemsley when it joined AIM, and it changed its name on 28 April 2000. Raphael Zorn Hemsley was one of the early nominated advisers on AIM and floated its first companies on the junior market in August 1995.

Raphael Zorn Hemsley shares were introduced to AIM on 27 March 1996. The market capitalisation was £2.83m and the share price closed the first day of trading at the equivalent of 6.8p a share after adjusting for a five-for-one share split on 14 February 2005.

In the period between 14 October 1994 and 30 September 1995, revenues were £4.71m and there was a pre-tax profit of £235,000. Net assets were £2.27m at the end of September 1995.

The following year the pre-tax profit quadrupled to £1.06m, before exceptional items including the £311,000 cost of the surrender of a lease when it moved from Throgmorton Avenue to Cheapside, on revenues of £5.86m.

Like any broker and corporate adviser Numis is dependent on the strength of the stockmarket, so it has been loss making in some years. The peak pre-tax profit was £74.2m on revenues of £215.6m in the year to March 2021. Fundraising activity during Covid boosted those figures. Prior to that the high was a £39.9m in 2004-05 when AIM was approaching its peak in terms of new admissions and number of companies.

In a recent trading statement, Numis Corporation said the outlook for mergers and acquisitions "remains encouraging" and there was a record first half for advisory. However, interim revenues are 14% lower at £64m. Capital market transactions are scarce and institutional trading remains weak. Edison forecasts a drop in full year revenues from £144.2m to £135.2m, while pre-tax profit is expected to slip from £20.9m to £15.3m.

AIM secondary fundraisings fall to new lows

Fundraisings by AIM companies are at an unusually low level and it does not appear to be getting any easier to raise cash.

Everyone is aware that there has been a shortage of new admissions this year, but the level of fundraisings by existing AIM companies has also declined. The amount raised in the first quarter of 2023 is lower than any first quarter going back more than a decade.

There was £379.3m raised by existing AIM companies in the first three months of 2023

This lack of fundraising activity is one of the factors that is leading to consolidation in the AIM broking sector. Broking revenues are falling and Cenkos and finnCap have revealed their merger plans. More recently Deutsche Bank announced a recommended offer for Numis (see page nine).

There was £379.3m raised by existing AIM companies in the first three months of 2023. The three new admissions raised £18.1m and nearly two-thirds of that cash went to investment company Onward Opportunities. The last time that the amount raised by existing AIM companies was at such a low level the market capitalisation of AIM was a fraction of its current level.

There has been a downward trend in the most recent quarters. Just over £580m was raised in the fourth quarter of 2022. The amount varied significantly from month to month. There was £45.2m raised in the whole of October, while there £370m, nearly as much as the first quarter of 2023, was raised in November.

When companies can raise cash, many can only raise it at a highly discounted share price. Automotive interior components supplier CT Automotive is raising £7.6m at 34p a share and the market price was 49p before the announcement. The December 2021 placing price was 147p. The cash is required for capital investment following heavy losses last year.

FIRST QUARTER AIM SECONDARY FUNDRAISINGS

YEAR	TOTAL RAISED (£)	MARKET VALUE (£B)
2014	657.4	78.1
2015	699.4	72.1
2016	518.3	70.8
2017	648.9	88.9
2018	1,365.4	103.3
2019	989.6	97.6
2020	829	74.3
2021	1,532.9	137.3
2022	598.5	125.7
2023	379.3	90.3

Comparisons

Even in the first quarter of 2009, a year when the FTSE AIM All Share index hit a new low of 373.76 during March, the amount raised by AIM companies was £563.5m. New admissions raised £3m of that and £560.6m was generated by existing companies.

In the aftermath of the internet boom in 2002, the total amount raised in secondary fundraisings in the whole year was £485.8m. AIM had a market capitalisation of £10.3bn at the end of 2002, compared with the current market value of just over £90bn.

There are currently no signs that it is getting easier to raise money. Companies that are doing well will be able to get investors to put up the cash they require, but struggling companies may find it difficult to obtain the cash they need to keep going.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	25.2	16.2
Industrials	19.6	16.8
Technology	14.3	12.8
Financials	10.8	10.8
Health Care	9.2	10.4
Basic materials	8.3	15
Energy	7.6	11.6
Utilities	1.8	1
Telecoms	1.6	1.7
Property	1.5	2.5

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	829.94	-18.2
FTSE AIM 50	4468.2	-19.9
FTSE AIM 100	3980.04	-17.7
FTSE Fledgling	11464.5	-11.9
FTSE Small Cap	6228.09	-8.7
FTSE All-Share	4283.83	+2.8
FTSE 100	7870.57	+4.8

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	122
£5m-£10m	98
£10m-£25m	154
£25m-£50m	116
£50m-£100m	111
£100m-£250m	120
£250m+	86

KEY AIM STATISTICS

Total number of AIM	807
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£90.3bn
Total of new money raised	£132.9bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£85bn
Share turnover value (Mar 2023)	£15bn
Number of bargains (Mar 2023)	2.93m
Shares traded (Mar 2023)	196.9bn
Transfers to the official list	199

TOP 5 RISERS OVER 30 DAYS

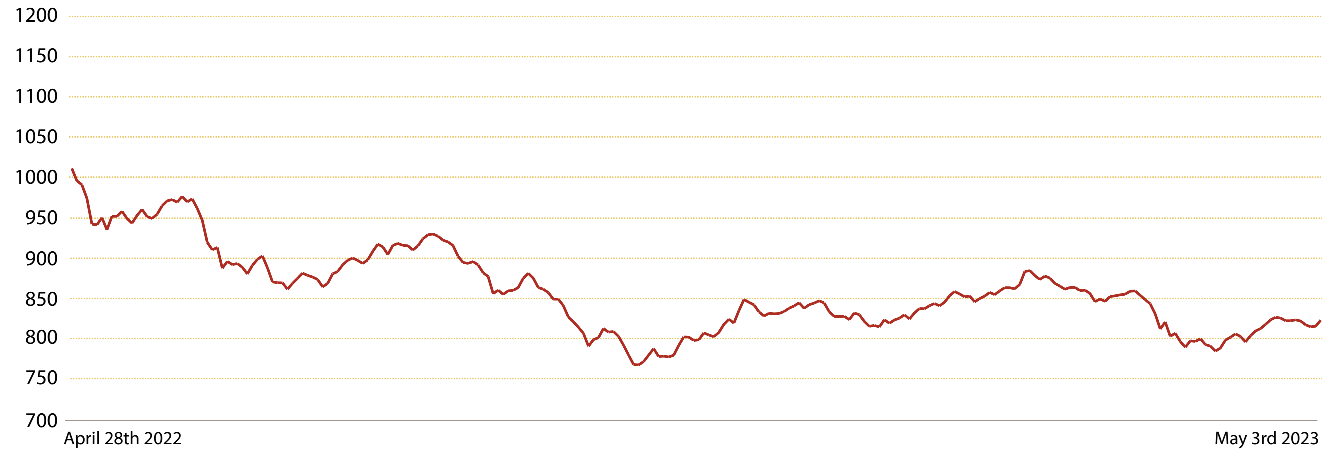
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Intelligent Ultrasound	Healthcare	15.8	+118
Kropz	Mining	4.5	+114
Advanced Oncotherapy	Healthcare	5.25	+98.1
Zanaga Iron Ore	Mining	9.75	+95.6
Kodal Minerals	Mining	0.75	+90.8

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
iEnergizer	Business services	70	-78.5
Circle Property	Property	12.5	-78.4
Light Science Technologies	Technology	1.35	-66.3
Woodbois	Agriculture	0.4	-63.6
Nanosynth	Healthcare	0.0705	-62.9

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 29th April 2023, 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 £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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