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AIM JOURNAL

In this issue

ASOS pushes AIM lower

AIM fell by around one-fifth last year, although the exact fall does depend on which index is assessed. The FTSE AIM All share index fell by 18.1%, while the FTSE AIM 100 index fell by 18.9%. The FTSE AIM 50 index suffered the largest setback, with a 23.5% decline (see page 10).

Some of that sharper decline in the AIM 50 in the past few weeks of the year can be put down to the unexpected profit warning and subsequent share price fall for ASOS. The online fashion retailer has a significant weighting in each index but the largest weighting is in the AIM 50. The ASOS share price more than halved during December and ASOS has fallen from the largest to the fifth-largest company on AIM.

On 17 December, ASOS warned that revenues would not grow as rapidly as expected, although they were 14% higher in the quarter to November 2018. Profit expectations were halved for the year to August 2019. On the day of the profit warning the ASOS share price fell by 37.4%, while the FTSE AIM All share fell by 3% and the AIM 100 by 4.2%. The AIM 50 had the biggest drop, of 4.8%.

Dadds secures Ince

Legal services consolidator Gordon Dadds has completed the acquisition of international law firm Ince UK. It will trade as Ince Gordon Dadds. The deal will cost an initial £12.3m in cash, while the total cost will be up to £27.3m over four years. Ince fee earners have been granted up to three million options at 140p a share – a 23% discount to the suspension price prior to the deal. Gordon Dadds had already made five acquisitions since reversing into Work Group in August 2017.

Gordon Dadds is buying the UK and Chinese operations of Ince. The other international offices of Ince have not been acquired but they will enter into new affiliate network arrangements enabling them to carry on trading as Ince & Co. Peter Rogan, a former senior partner of Ince, has joined the Gordon Dadds board as a non-executive director.

The deal should be earnings enhancing in the current financial year to March 2019, when there will be a three-months contribution from Ince. There is scope to eliminate duplicate costs and Gordon Dadds has already moved into Ince's London office. In the year to March 2020, N+1 Singer forecasts an underlying pre-tax profit of £11m and a dividend of 9p a share, which would be covered 2.7 times by earnings.

general news

Angle research boost

Important cancer research news confirms that diagnostic test developer Angle has a potentially lucrative technology in its Parsortix liquid biopsy cancer test, which can capture circulating tumour cells (CTC) via a standard blood test. Parsortix has been able to harvest metastatic CTC clusters, which its rivals cannot do reliably.

The latest peer-reviewed paper has been published by the University of Basel, which is an international leader in the field of CTC clusters, which are cells tethered together as a single mass that can be associated with a greater spread of the disease. Parsortix was used to isolate the CTC clusters in mice, enabling the researchers to show that existing drugs could be used to break down these CTC clusters and significantly reduce the spread of cancer. The University of Basel plans a clinical trial for breast cancer patients in 2019.

The University of Basel research suggests that Parsortix can be used as a companion diagnostic and this would open up an enormous potential market. There are 260,000 new metastatic breast cancer patients in Europe and the US each year and Parsortix could also be used for other forms of cancer.

Parsortix already has a CE mark for clinical use in Europe and Angle is making progress towards FDA clearance for breast cancer, with a clinical study due to complete in the first half of 2019.

Last June, Angle raised £12.7m at 50p a share. There will continue to be significant cash outflows, but Angle should have enough cash to take it into 2020.

DNO wins Faroe

An increase in the cash bid for North Sea oil and gas explorer and producer Faroe Petroleum from 152p a share to 160p a share plus buying in the market has taken the acceptances for the bid from Norway-based oil and gas company DNO to more than 75%. The Faroe board has recommended acceptance and the executive directors have resigned. The bid values Faroe at £641.7m but, given DNO's existing shareholding, the cash cost will be £454m. That includes £53m that will be paid to management and employees with shares and options. The Faroe share price was higher than the bid price as recently as October, but the share price fell after disappointing drilling news for an exploration well at Rugne.

Circassia Pharma and Game on their way to AIM

Circassia Pharma has gained shareholder approval for its proposed move to AIM, which will happen on 4 February. It is set to be followed by video games retailer and esports company Game Digital later next month.

Circassia is focused on asthma and chronic pulmonary disease (COPD) It floated on the Main Market in 2014. However, the company no longer has a free float of 25% of its share capital and it has been unable to change the situation. That prompted the move to AIM.

Circassia has exercised an option and completed the acquisition of full US commercial rights to COPD treatment Tudorza from AstraZeneca. The FDA is expected to approve the transfer of the licence by the end of March. This deal has triggered a payment of $5m and a further $20m is payable upon approval of Duaklir, another COPD treatment. Then there is further potential deferred consideration of $100m. Circassia had £41m in the bank at the end of 2018.

Trading has been tough in the video games market and the Game share price is less than 10% of the level it was at the end of 2014. In 2017-18, revenues were flat at £782.3m and there was a loss of £7.4m, down from £10m. However, there was a cash inflow from operations of £7.5m, similar to the year before, although that did not cover capital investment. There was net cash of £56.8m at the end of July 2018, following the sale of Multiplay Digital for £17m.

The focus of the business is shifting towards esports, where the loss is larger than the retail profit contribution. A collaboration with Sports Direct will help to grow the Belong live gaming service.

Game is holding a general meeting on 17 January in order to gain shareholder approval for the switch. If approved, the move to AIM should be on 15 February.

advisers

Cenkos completes Smith & Williamson purchase

Cenkos Securities completed the acquisition of the nominated adviser and corporate adviser business of accountant Smith & Williamson on 12 December. The AIM adviser has taken on twelve of the acquired business's former AIM clients and a team of six people.

Cenkos says that trading has improved since it reported its interims in September and the pre-tax profit for 2018 will be better than market expectations. This helped the share price bounce back from a 12-month low of 60.25p to 72p.

The largest of the new nominated adviser clients is logistics and budget airline operator Dart Group, which is one of the top ten AIM-quoted companies in terms of market capitalisation and is one of the most actively traded companies on the junior market.

The others are Sound Energy, Midlands-focused REIT Real Estate Investors, fitted kitchen manufacturer John Lewis of Hungerford, Echo Energy, regional office investor Circle Property, corporate adviser Marechale Capital, Infrastructure India, PME African Infrastructure Opportunities, Diversified Gas & Oil, synthetic fuel developer Quadrise Fuels International and foundries operator Chamberlin (see page 4).

Cenkos has also become broker to John Lewis of Hungerford, Circle Property, Marechale Capital, Infrastructure India and Chamberlin.

Philip Anderson will step down as Cenkos finance director at the end of March 2019.

■ Recently floated finnCap reported a dip in first-half revenues and profit. This period was prior to the acquisition of Cavendish Corporate Finance, which happened at the time of the flotation on 5 December. In the six months to October 2018, revenues fell from £13.1m to £11.7m, while pre-tax profit fell from £2.72m to £2.05m. Cash generated in the period went on dividends and the purchase of shares for the employee benefit trust. Lower trading commissions were behind most of the decline in revenues, but corporate finance income was nearly 5% lower. Subject to court approval for a capital reorganisation, finnCap intends to announce a small dividend in January.

ADVISER CHANGES - DECEMBER 2018

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Surgical Innovations	N+1 Singer	WH Ireland	N+1 Singer	WH Ireland	03/12/18
Cambria Africa	SVS/WH Ireland	WH Ireland	WH Ireland	WH Ireland	04/12/18
President Energy	Panmure Gordon/ BMO /finnCap	BMO/finnCap	finnCap	finnCap	06/12/18
Immedia Group	Northland	SI Capital	Spark	Spark	07/12/18
Sunrise Resources	SVS	SVS /Northland	Beaumont Cornish	Northland	07/12/18
Red Emperor Resources	Brandon Hill	Brandon Hill	Strand Hanson	Grant Thornton	10/12/18
Crusader Resources Ltd	Hannam & Partners/ Novum	Hannam & Partners/ Novum	Beaumont Cornish	Smith & Williamson	11/12/18
Landore Resources	Cenkos	Cenkos	Cenkos	Strand Hanson	11/12/18
Michelmersh Brick	Canaccord Genuity	Cenkos	Canaccord Genuity	Cenkos	11/12/18
Volex	Whitman Howard/ Liberum	Liberum	Liberum	Liberum	11/12/18
Bushveld Minerals Ltd	BMO/SP Angel/Alternative Resource Capital	SP Angel/Alternative Resource Capital	SP Angel	SP Angel	13/12/18
Immupharma	Stanford Capital / SI Capital	Stanford Capital / SI Capital	Spark	Northland	17/12/18
Comptoir Group	Canaccord Genuity	Cenkos	Canaccord Genuity	Cenkos	20/12/18
Proteome Sciences	Allenby	finnCap	Allenby	finnCap	20/12/18
Rockfire Resources	First Equity	First Equity/Cenkos	Allenby	Cenkos	24/12/18
Savannah Resources	finnCap	finnCap	SP Angel	Northland	24/12/18

company news

Exidor disposal unlocks the door to the underlying value of Chamberlin

Foundries operator *www.chamberlin.co.uk*

Foundries operator **Chamberlin** has sold its Exidor subsidiary to multinational lock and security systems supplier Assa Abloy at an enterprise value of £10m. The specialist door handles supplier was a major profit contributor but this disposal more than underpins the current valuation of the company. There was a modest uplift in the share price following the disposal, but if the performance of the foundries business can improve, it should go further.

The disposal has helped to eliminate most of the company's debt, which was £10.5m at the end of September 2018. This has been reduced to a pro forma £3.7m. Some cash has also been used to reduce the pension deficit, which was £4m in the last balance sheet, to £1.5m.

The downside of the disposal is that Exidor contributed £672,000 to operating profit last year, which was nearly as much as the rest of the group. In the latest six months, the operating profit improved from £255,000 to £293,000 – more than the rest of the group. The savings in interest charges should partly offset that lost contribution.

Exidor contributed £672,000 to profit last year

In the six months to September 2018, stripping out Exidor, group revenues rose from £14.3m to £17.4m. The company still lost money, though, even before exceptionals are included.

Management says that inefficiencies in the foundry business have been resolved. Revenues of the division increased by 24% to £15.4m as turbo-charger bearing housings work levels build up. These bearing housings are being fitted in petrol and hybrid car engines. The division moved back into profit, but the operations were still run inefficiently in the first half so there should be more profit improvement to come.

CHAMBERLIN (CMH)			78.5p
12 MONTH CHANGE %	-0.6	MARKET CAP £M	6.2

The improving oil and gas sector helped the Petrel hazardous lighting business, the only non-foundries business left, to grow revenues by 3% to £1.94m and improve operating profit from £73,000 to £119,000.

Past forecasts are not relevant following the disposal. Chamberlin should still make a full-year pre-tax profit and the much stronger balance sheet is an added attraction.

ReNeuron unveils exosome collaboration

Cell therapies *www.reneuron.com*

Cell therapy developer **ReNeuron** has announced the first collaboration for its exosome nanomedicine platform. There is an initial feasibility stage, where no revenues will be generated. If it moves on to the preclinical safety and efficacy stage, then there will be evaluation payments.

Exosomes are a potential drug delivery vehicle as well as having promise as a therapeutic agent. They are nano-sized vesicles that come from CTX cells. They can be modified to carry various treatments and can be consistently produced.

RENEURON (RENE)			49p
12 MONTH CHANGE %	-73.9	MARKET CAP £M	15.5

ReNeuron has important clinical trial results coming up in the next 18 months. A retinitis pigmentosa treatment is in phase I/II trials and there should be data in mid-2019. The plan is to partner in the US and Asia but keep European rights.

A phase IIb trial in the US for a CTX cell therapy-based treatment for chronic stroke is due to report by early 2020. A further study is expected in order to gain market approval. ReNeuron believes it could find a global partner after the current study is completed.

There was £30.7m in the bank at the end of September 2018. This could last into 2020 depending on the phasing of development spending.

company news

Park increasingly moving towards a more digital future

Vouchers and prepaid cards *www.parkgroup.co.uk*

Park reduced its first-half loss, but second-half profit may be flat or lower than last year. New management have undertaken a strategic review of the vouchers and prepaid cards business and it is likely to lead to a greater focus on digital offerings.

Chief executive Ian O'Doherty has been with Park for nearly a year and finance director Tim Clancy joined last August. Other important management appointments were also made last year.

The main aspects of the strategic business plan include focusing on the multi-retailer redemption products and hamper production will be separated from the core business. Efficiency is being improved and Park is moving to new offices in Liverpool. There are also plans to launch a new product, which will help Park access a broader market than in the past. That market is worth £2bn.

The forecast yield is 4.3%

In the six months to September 2018, revenues dipped from £30.6m to £27.4m – mainly due to the shedding of low-margin corporate business. The operating loss fell from £2.6m to £2.3m. Three-quarters of revenues are recognised in the second half. The order book is better than last year, with the growth coming from the corporate division.

Dividends continue to be steadily increased. The interim is 5% higher at 1.05p a share and the ex-dividend date is 28 February. The forecast yield, based on a total dividend of 3.2p a share, is 4.3%.

PARK GROUP (PARK)			74.25p
12 MONTH CHANGE %	-15.3	MARKET CAP £M	138.3

Net cash, excluding money held in trust, could be £35m by the end of March 2019. A small improvement in full-year profit to £12.8m would put the shares on just over 13 times prospective 2017-18 earnings. An improvement in pre-tax profit to £14.3m is forecast for next year, which would reduce the multiple to 12. Non-executive directors have been adding to their shareholdings.

Cash generation propels Driver

Construction consultancy *www.driver-group.com*

Construction dispute avoidance and resolution consultancy **Driver** is an international business. Europe and the Americas contribute 49% of revenues, the Middle East 35% and the rest comes from Asia Pacific. This international spread has helped with the growth of the business and the return to paying dividends.

Driver reported a 4% increase in revenues to £62.6m and a pre-tax profit of £3.8m in the year to September 2018, up from £2.5m in 2016-17. The dividend is 0.5p a share. That dividend is well covered by earnings and the shares do not go ex-dividend until 21 February.

DRIVER (DRV)			73.5p
12 MONTH CHANGE %	+8.9	MARKET CAP £M	39.6

The improvement in profit is coming from a combination of higher revenues and increased margins. The Diales expert witness business is becoming an increasingly important revenue generator, contributing 23% of 2017-18 revenues, and overall utilisation levels have improved. There has also been a focus on better margin work in the Middle East.

Cash generation continues to be strong. Net cash was £6.9m at the end of September 2018, helped by a property disposal. Net cash could reach more than £10m by September 2019 even after dividend payments. Some of this cash could be used for small acquisitions but organic growth will continue to be the focus.

A 2018-19 pre-tax profit of £4.4m is forecast, which puts the shares on 12 times prospective earnings. The dividend is set to be raised to 0.9p a share this year, which would still be covered more than seven times by earnings.

company news

Maestrano has solid base from which to secure more contracts with major banks

Financial software *www.maestrano.com*

Maestrano has won an important contract with a major US bank and Andrew Pearson has been appointed chief executive. This provides a strong base for the business to win more contracts, which will provide a recurring revenue steam in the future.

Maestrano was formed in Australia but moved its headquarters to the UK when the focus of the business became banks and financial services companies in Europe and North America. The company provides a platform to banks that helps them to better engage and retain their smaller-business clients, which could be poached by newer fintech-based competitors. This cloud-based platform takes data from the clients and provides information and graphs to them to help them run their businesses more effectively. It also means that banks can access data to better understand the client.

Maestrano has a cash buffer

There are initial revenues generated from installing and testing the platform and then Maestrano will be paid a monthly fee based on how many customers are using the platform each month.

There are a number of stages to the major US bank contract and the reworking of aspects of the second stage has delayed the recognition of these revenues. The first-phase rollout to targeted clients is under way and this will help fine tune the service.

MAESTRANO (MNO)			9.05p
12 MONTH CHANGE %	N/A	MARKET CAP £M	7.2

Maestrano will continue to make losses for the time being but it has a cash buffer in the bank thanks to last May's flotation and that can cover the cash outflows. Arden forecasts net cash of £2.9m at the end of 2019 – an estimated cash reduction of £1.6m over 12 months. This cash is important because it is likely to take time to build up revenues, but once breakeven is passed a significant amount of additional revenues should fall through to profit.

Synnovia set to reap benefits of investment

Plastic films and components *www.synnoviaplc.com*

Plastics Capital has changed its name to **Synnovia** (derived from synthesis of innovative solutions) and it appears to be on the verge of benefiting from the investment that has been put into operations over the past few years. Contracts have been won but it has taken time for them to show through in the figures.

The investment has been in gaining new contracts and expanding capacity. The cash requirements of this investment led to the decision by management to stop paying a dividend. The bearings business has won £5.8m-worth of projects which have not commenced production.

SYNNOVIA (SYN)			113p
12 MONTH CHANGE %	-3.4	MARKET CAP £M	44.1

In the industrials division, both bearings and the creasing matrix operations grew revenues in the first half, although destocking led to lower revenues for the hose mandrels business. The films division is also growing but this growth is having to be managed carefully, with new staff recruited and capacity added, while integrating three businesses.

In the six months to September 2018, revenues improved 11% to £40.6m and underlying pre-tax profit recovered from £1.2m to £2.1m. Net debt was £15.7m at the end of September 2018 and it is expected to fall to £14.5m by March 2019.

Cenkos forecasts a 2018-19 profit of £5m, rising to £5.4m next year. The shares are trading on less than ten times prospective earnings, which reflects past disappointments rather than the future. Directors and their families bought shares following the interims. Synnovia has already won business that underpins growth over the next year or so.

dividends

WatBio enhances dividend potential at Filta

Fryer management services *www.filtaplc.com*

Dividend

Filta Group Holdings joined AIM on 4 November 2016 and it paid a final dividend of 0.19p a share for that year. The 2017 dividend was 1.3p a share and the 2018 interim dividend was 0.72p a share.

A total dividend of 2.1p a share is forecast for 2018, rising to 3.6p a share in 2019. Even with that pace of dividend growth, the cover is forecast to be 3.7 times in 2018 and 3.3 times in 2019.

There is a limited requirement for capital investment, although the recent acquisition of WatBio is expected to move Filta into net debt of £700,000. That should be temporary, with net cash of £2.9m expected at the end of 2019.

Business

Filta provides cooking-oil filtration and fryer management services to restaurants, stadiums, hotels, education and healthcare customers in the UK, North America and continental Europe. The core fryer management operations are franchised, while Filta also has its own businesses offering refrigeration seals and grease management services. Filta has become the exclusive UK distributor for the Goslyn grease recovery unit, which separates waste water from fat and grease.

The fryer management business cleans cooking oil and makes it last longer. At the end of cooking life the oil is taken away and turned into biodiesel. The fastest growth has been coming from the North American franchised fryer management operation. Filta has bought the German master licence and this will provide a base from which to grow in Europe. The strategy is the same as in North America.

FILTA GROUP HOLDINGS (FLTA)	
Price (p)	211
Market cap £m	60.4
Historical yield	0.8%
Prospective yield	1%

Filta reported growth in continuing revenues from £8.5m to £11.5m in 2017, with the grease management business making an initial contribution. The figures exclude the refrigeration activities, which have been sold. Underlying pre-tax profit improved from £831,000 to £1.73m.

Filta has multiplied the size of its grease management operations in the UK through the acquisition of Watbio for £6.9m in cash and shares, plus working capital adjustment. Filta raised £3m at 200p a share, a premium to the then market price, and has obtained a £4m, five-year loan facility.

Filta started building a grease management division through acquisition just over a year ago. Watbio generates annual revenues of £10.3m and pre-tax profit of £800,000 so it is much larger than the existing operations. It also offers other drain management services.

Annualised cost savings of £900,000 are planned through better job scheduling, the closure of the WatBio headquarters and improved procurement of vehicles. There are also opportunities to cross-sell refrigeration seals to the WatBio customer base.

On the back of the acquisition, Cenkos has provisionally upgraded its 2019 earnings forecast by 26% to 11.8p a share, assuming completion of the deal in January. The shares are trading on 18 times prospective earnings.

Dividend news

Hosting services provider **Iomart** continues to grow organically and the interim dividend was increased from 2.3p a share to 2.5p a share. Revenues improved from £47m to £50.9m, while pre-tax profit moved ahead from £11.6m to £12.4m. There was a contribution of less than six weeks from the Bytemark cloud hosting acquisition. Net debt was £33.6m at the end of September 2018 and this is expected to fall to £25.6m by the end of March 2019. A full-year dividend of 7.9p a share is forecast and that would be covered 2.5 times by prospective earnings.

A strong performance from property services more than made up for a weak first- half performance of the business recovery division of **Begbies Traynor** and pre-tax profit was 9% higher at £3.2m on revenues 8% ahead at £28m. The number of insolvencies increased in the first half but there was no repeat of the large one-off fee in the first half of the previous year. The interim dividend was raised by 14% to 0.8p a share. The performances of the divisions will reverse in the second half and 2018-19 pre-tax profit should improve from £5.6m to £6.4m and the full-year dividend is expected to be 2.6p a share.

Nexus Infrastructure suffered delays to its utility connection contracts with housebuilders, although the 2017-18 figures ended up slightly better than the expectations with flat pre-tax profit of £9.2m. The new electric vehicle charging points division made a start-up loss. The full-year dividend was raised by 5% to 6.6p a share and this is covered 2.9 times by earnings. More investment in residential development is required and this will provide infrastructure work. Nexus has a strong order book and could increase its 2018-19 pre-tax profit to £10.4m with a total dividend of 7.3p a share forecast.

feature

AIM trading volumes fall short of 2017

Last year was a strong year for liquidity for AIM with a blip at the end.

AIM did not quite reach record trading levels last year, but it got near, particularly in terms of number of trades. The weak end to the year hit share prices and trading tailed off.

Although October was a record month, the sharp price falls and volatility during the month, combined with the continuing weak and uncertain stockmarket trading conditions, appear to have put off investors in recent weeks.

There were 11.2 million trades in 2018, slightly down on the 11.5 million in 2017. The bumper trading levels during October had helped to catch up with the levels at the corresponding point in 2017, but they dropped back again in the final two months of the year.

In 2017, each month generated average daily trades in excess of 40,000. Last year, there were two months, August and December, where the level dipped below 40,000 and two, January and October, when it was slightly higher than 50,000.

Trading volumes by value did exceed the 2017 level, though. The total value of £68.8bn was £1bn higher than in 2017. Even though there was a much weaker end to the year, which also meant that share price falls hit the value of trades, the trading values were so far ahead by then that the annual figure was still higher.

There was a strong first quarter in 2018. Unusually, the average daily value of trades in January was strong at £294.9m, up from £230.4m in the same month in 2017.

The 2018 figure was still lower than the £72.7m achieved in 2017. To put that in perspective, there were 1,694 companies on AIM at the end of 2007, compared with 923 at the end of 2018. The market value of AIM was £97.6bn, compared with £91.3bn at the end of last year.

One of the sectors with the most trades continues to be consumer services, which accounted for nearly one-third of all trades and around 30% of trades by value in December. That is a slightly higher proportion than for the whole of 2018. Nearly all of this is accounted for by general retailers.

ASOS was particularly busy following its profit warning in December. It was responsible for around 18% of trades by number and by value during the month. That was more than twice the level for the next most liquid company, which was online fashion retail rival boohoo.com. The two accounted for around a quarter of all trading in December.

CFD trading services provider Plus500 was still quoted on AIM at the end of 2017 and switched to the Main Market during last year. Plus500 accounted for 31,007 trades valued at a total of £152.2m. Plus500 was responsible for 3% of the value of trades on AIM during that month.

Semiconductor wafers producer IQE was riding high at the end of 2017, with £414.2m-worth of shares traded in 57,716 individual bargains. This declined to £21.1m from 7,550 trades in December 2018.

AIM TRADING VOLUMES

	AVERAGE DAILY VALUE (£M)		AVERAGE DAILY TRADE	
MONTH	2018	2017	2018	2017
January	-294.9	230.4	50,203	40,616
February	246.3	216.4	44,465	41,669
March	283.3	249.8	44,796	41,499
April	301.9	283.3	47,667	46,618
May	289.1	283.8	45,428	45,801
June	285.2	289.6	45,363	48,673
July	254.8	267.6	40,602	47,502
August	229.1	258.2	36,769	45,660
September	307.8	305.1	44,415	48,928
October	311.7	298.3	50,719	48,215
November	246.4	298.4	42,436	47,466
December	208.6	243.3	38,818	44,724

feature

Money raised on AIM during 2018

AIM companies raised less money in 2018 than they did in 2017 but there was still £5.5bn raised.

Cash raised by AIM companies in 2018 was lower than the year before, with the decline coming from secondary fundraisings of existing AIM companies. New entrants raised just over £1.5bn, as they did in the previous year.

Further issues by AIM companies generated £3.94bn, down from £4.79bn the previous year. That is still the fifth-largest amount raised by existing companies in the history of AIM.

Up until the end of the third quarter, the 2018 cash figure was ahead of the same period in 2017. Nearly three times as much was raised in the fourth quarter of 2017 as there was in the fourth quarter of 2018. In October 2017, the top four fundraisings raised more than the total figure for October 2018.

This is understandable given the general stockmarket slump during October. This has made it more difficult to raise money at a share price that companies are willing to countenance.

A quarter of the total funds were raised by financials businesses, with the majority being invested in financial services businesses. Existing real estate investment trusts raised nearly a quarter of the cash.

Although resources companies account for around one-eighth of the market capitalisation of AIM, they were responsible for raising more than a quarter of the funds, with oil and gas companies generating 16.3% of the total and more than a quarter of the cash raised by new admissions. The limited number of new issues means that large individual fundraisings have a greater effect on sectors.

TOTAL MONEY RAISED BY SECTOR IN 2018

SECTORS	% AIM	MONEY RAISED (£M)	% MONEY RAISED
Financials	17.3	1390.9	25.3
Industrials	16.6	847.6	15.4
Consumer services	16.4	689.3	12.5
Healthcare	13.3	482.9	8.8
Technology	11.6	368.9	6.7
Consumer goods	10.3	257.8	4.7
Oil & gas	7.6	895.1	16.3
Basic materials	5.4	503.3	9.1
Telecoms	1.2	0.02	---
Utilities	0.4	0.04	---

New issues

There were 65 new admissions in 2018, of which 14 were readmissions, seven introductions and two companies switched from the Main Market. In 2017, there were 80 new entrants and 23 of these were reversals, four introductions and three moved from the Main Market. Therefore, there were 42 truly new companies joining last year, compared with 50 in 2017.

Nearly two-thirds of the cash raised by new entrants was invested in May, June and July. Roughly a quarter of the new entrants to AIM were in those three months. This is cash raised from new share issues and does not include the existing shares that may have been sold at the time of flotation.

July was the peak for 2018, with more than one-fifth of the new funds invested in that month received by six companies. Although, that was mainly attributable to the reverse takeover transaction by US-focused Diversified Gas & Oil, where £189.5m was raised. That was the most by any reverse takeover or new entrant during the year.

Uranium investor Yellow Cake raised £151.2m in the same month. Urban Exposure, which provides and manages loans for residential development, had raised £150m in May. The two companies have had contrasting fortunes, with the Yellow Cake share price going to a premium and Urban Exposure trading at a discount to the placing price.

The only fundraising of a comparable size since July was the £153.4m reverse takeover deal by Ireland-based petrol forecourts operator Applegreen.

AIM new entrants tailed off in the last couple of months of 2018 in a way that they did not in 2017, when they accounted for one-fifth of the money raised during the year and a quarter of the new companies.

feature

Contrasting halves for AIM performance

AIM declined by nearly one-fifth last year, but it is still in positive territory over a five-year period.

AIM was 12% ahead at the half-way point in 2018 but there was a sharp reversal in the fourth quarter and the FTSE AIM All Share index ended the year 18.1% lower. The larger AIM companies fared worse than AIM as a whole. Having been outperforming the AIM All Share in the first half, the FTSE AIM 100 index ended the year down by 18.9% and the FTSE AIM UK 50 index 23.5% lower.

This reflects the heady ratings that some of the larger companies had been trading on. Any disappointments then compounded the decline. ASOS is the largest faller in the AIM 50 and the AIM 100, having declined by nearly two-thirds over the year, mostly due to the profit warning before Christmas.

Estate agency Purplebricks and semiconductor wafer manufacturer IQE are two other major fallers in both the AIM 50 and AIM 100, while Taptica, which slumped 65%, and XLM, which fell 62%, are the second- and fourth-worst performers in the AIM 100.

The AIM 100 is an international index, but it still has 83 UK companies. Seven out of the top ten companies are based in the UK, with the others registered in Guernsey, Jersey and the Cayman Islands.

Even though the overall performance was poor, there were still 34 companies in the index that ended the year with a higher share price. US-focused hospital finance software provider Craneware is the best performer, with a 67% increase.

Last year, was the worst performance by AIM since 2014, when the decline was slightly less for the AIM All Share but larger AIM companies fared worse. There was a greater decline in the AIM All Share in 2011. Last year was the worst performance in the past decade for the FTSE 100.

Although AIM has underperformed the FTSE All Share index over five years, that is mainly due to the poor performance in 2014. The relative return of AIM is better over three years.

The FTSE Fledgling index declined for the first time since 2011 and it has significantly outperformed each AIM index over three and five years.

In 2018, the total market value of AIM fell from £106.9bn to £91.3bn and the number of companies dipped from 960 to 923. There are still nine AIM companies that are valued at more than £1bn and they account for one-fifth of the junior market's value.

Cash raised by AIM new entrants in 2018 was similar to the previous year at £1.56bn. The money raised by existing AIM companies fell from £4.79bn to £3.94bn.

MARKET PERFORMANCE IN 2018

INDEX	% CHANGE 2018	% CHANGE H1 2018	% RETURN 3 YEARS	% RETURN 5 YEARS
FTSE AIM All Share	-18.1	12.1	21.2	7.9
FTSE AIM 50	-23.5	15.4	17.9	7.5
FTSE AIM 100	-18.9	17.4	30	20.8
FTSE Fledgling	-7.1	13.3	38.5	74
FTSE All Share	-13	5	19.5	22.1
FTSE 100	-10.6	4.4	21.7	20.9

Weightings

Online fashion retailer ASOS has been dominating each index for many years, although as more AIM companies pass the £1bn market capitalisation level the weighting has declined. The share price slump following the mid-December profit warning means that ASOS no longer has the highest weighting.

Mixer drinks supplier Fevertree Drinks currently has a 9.68% weighting in the AIM 50 and ASOS has the second-highest weighting of 5.53%. ASOS is even less important in the AIM 100, where its weighting is 3.39%. Litigation funder Burford Capital has an 8.78% weighting and Fevertree a weighting of 5.93%.

The top 10 companies in the AIM 50 account for a total index weighting of 43.2%, while the top ten of the AIM 100 have a weighting of 35.1% of that index.

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	17.3	15.4
Industrials	16.6	17.1
Consumer services	16.4	10.5
Healthcare	13.3	9.7
Technology	11.6	12.7
Consumer goods	10.3	5.9
Oil & gas	7.6	11
Basic materials	5.4	13.2
Telecoms	1.2	0.8
Utilities	0.4	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	858.61	-18.1
FTSE AIM 50	4639.19	-23.5
FTSE AIM 100	4387.98	-18.9
FTSE Fledgling	9881.79	-7.1
FTSE Small Cap	5177.21	-10.9
FTSE All-Share	3675.06	-13
FTSE 100	6728.13	-10.6

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	144
£5m-£10m	112
£10m-£25m	195
£25m-£50m	132
£50m-£100m	126
£100m-£250m	129
£250m+	88

KEY AIM STATISTICS

Total number of AIM	926
Number of nominated advisers	30
Number of market makers	48
Total market cap for all AIM	£98.3bn
Total of new money raised	£111.6bn
Total raised by new issues	£44.8bn
Total raised by secondary issues	£66.8bn
Share turnover value (Nov 2018)	£64.9bn
Number of bargains (Nov 2018)	10.5m
Shares traded (Nov 2018)	465.7bn
Transfers to the official list	190

TOP 5 RISERS OVER 30 DAYS

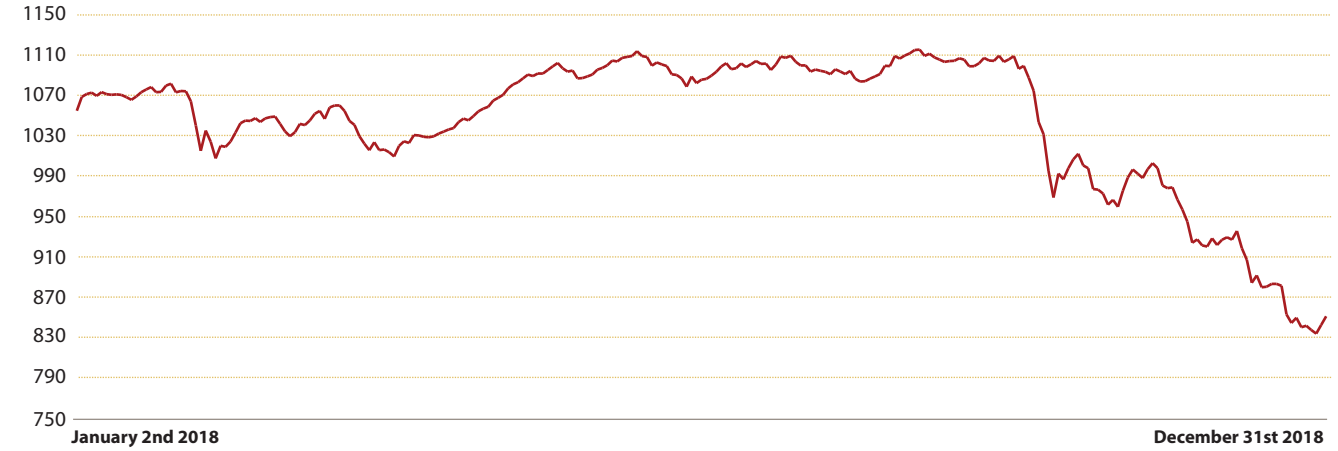
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Earthport	Software	28.2	+361
Wishbone Gold	Mining	0.16	+106
Ten Lifestyle	Travel	45.5	+57.8
Anglo African Oil & Gas	Oil and gas	12.3	+54.1
Utilitywise	Support services	8.5	;+52.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Netscientific	Healthcare	6.75	-76.3
Metals Exploration	Mining	0.4	-72.9
New Trend Lifestyle	Retailing	0.3	-70
Europa Metals Ltd	Mining	0.033	-66.5
Filtronic	Technology	5.9	-63.1

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st December 2018, and we cannot accept responsibility for their accuracy.

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We host a regular Nomad Forum which has been established to provide nomads with the opportunity to discuss AIM regulatory issues on a Chatham House basis, and to provide briefings on key legal developments. Submissions are often subsequently made to AIM Regulation as a result of discussions held.

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