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APRIL 2022

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Rollercoaster March for AIM

AIM fell by 14.3% in the first quarter of 2022, making it one of the worst performing international markets, although it ended slightly higher in the month of March. This reflects a sharp recovery later in the month after a slump in the first week. By 7 March, AIM was 9.2% lower than the beginning of the month and that meant that the junior market was then 21.3% below the level at the start of the year.

The best performer in the FTSE AIM 100 index since the 7 March is audio equipment supplier Focusrite, where the share price has risen by 50.3% following the acquisition of professional audio equipment manufacturer Linea Research. Another of the better performers is email marketing company Dotdigital, which had slumped following its interim figures but recovered by 42.6%. Even so, the Dotdigital share price has still more than halved this year. Online retailer Boohoo has also recovered in recent weeks, but it remains one-quarter down this year.

The worst performer since 7 March is legal services provider Knights Group Holdings, where the share price has halved due to a disappointing trading statement indicating that growth was slower than expected and signs of weaker business confidence among its clients.

Recycling Technologies returns

Recycling Technologies Group is planning to join AIM in April but at a lower valuation than before. Recycling Technologies intends to raise up to £30m at a pre-money valuation of £50m. The share price has been set at 110p. The free float should be at least 55%.

Last November Recycling Technologies wanted to raise up to £40m at a pre-money valuation of between £62m and £71m at an indicative share price range of 150p and 170p.

Recycling Technologies has developed a modular machine called the RT7000, which can process hard to recycle plastic, including plastic films and bags, into a synthetic oil called Plaxx that can be sold to make new plastic products. This is a scalable, modular plant.

Recycling Technologies has secured a technology collaboration with Sumitomo SHI FW for the development and manufacturing of the RT7000. If things go to plan, then this could eventually enable 200 machines to be manufactured each year. There are discussions with other partners and potential purchasers of the RT7000.

Revenues were £209,000 in 2020, while the loss was £6.15m. There were revenues of £195,000 in the six months to June 2021, while the interim loss increased to £3.37m. There was net cash of £6.27m at that time.

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Venus spin-off for Ariana

Minerals explorer Ariana Resources expects Cyprus-based copper and gold exploration joint venture Venus Minerals to join AIM in the second quarter of 2022. Ariana currently owns 50% of Venus. The flotation will enable the development of Apliki, which would be the first new copper mine in Cyprus since the early 1990s. Money raised would fund the construction of the mine and it could be generating cash within one year.

Copper has electrical and thermal conductivity that makes it important for renewable energy, such as solar and wind power. Venus owns 50% of Apliki and it could cost €5m to construct the mine, which is fully permitted. Ten years of production is expected to produce 19,000 tonnes of copper.

There are also 100%-owned copper gold deposits. The Magellan project includes more than one site. Recent drilling at the Kilrou deposit shows that there is a significant component of gold as well as copper.

Newmont Corporation is investing $2.5m in Ariana as part of an exploration alliance agreement that includes 75%-owned south eastern Europe-focused Western Tethyan Resources. The five-year deal will also provide access to Newmont's regional database. If a suitable project is identified, it will be transferred to a dedicated company 100% owned by Western Tethyan Resources and Newmont will be able to earn up to a maximum stake of 85% if the project progresses to become a commercial mine.

Ariana says that its joint venture Kiziltepe mine is expected to produce 25,000 ounces of gold this year, up from 20,737 ounces of gold in 2021. The expansion of the processing plant was completed last year.

Dealing decline

Market maker Winterflood, which is owned by Close Brothers, reported a halving of interim operating income to £49.5m, but operating expenses only fell by 36%. That meant that operating profit slumped from £34.2m to £8.8m in the six months to January 2022. This reflects the lower level of trading activity, particularly on AIM. There was only one trading day when Winterflood made a loss, though. The average bargains handled per day fell from 97,000 to 83,000, although this is still above trading levels in 2019. Last year's unusually high trading levels were due to volatility related to Covid-19 and AIM trading, which is higher margin, has fallen significantly. AIM trading levels continue to decline.

Chile prospects for CleanTech Lithium

CleanTech Lithium has potential lithium projects in existing mining areas of Chile, and it joined AIM on 17 March, raising £5.6m at 30p a share. Pro forma net assets are £9.34m, including net cash of £8.93m. There is £8.7m of total spending expected over the next 18 months.

Jersey-registered CleanTech Lithium has two lithium mining projects in Chile – the Laguna Verde project and the Francisco Basin project. Laguna Verde has a measured resource estimate of 77,834 tonnes of lithium carbonate equivalent at a grade of 246mg/litre lithium. The inferred resource estimate is 1.16 million tonnes of lithium carbonate equivalent at a grade of 246mg/litre lithium. An updated JORC resource should be reported later this year. There is significant potential additional resource at deeper levels.

A pre-feasibility study for the Laguna Verde project should start before the end of 2022. A direct lithium extraction pilot plant could be in operation by early 2023 and this could produce 10 tonnes of lithium each month. The commercial plant could be up and running by the second half of 2024.

CleanTech Lithium will use an extraction process that is more environmentally friendly. It is a direct lithium extraction process that has been used at other mines. There is also solar and geothermal energy available in the region.

Owning 100% of each of the projects provides additional flexibility in financing the mine developments. The cash raised in the placing and prior to the flotation should be enough to get the company to the point when a feasibility study has been completed.

Demand for lithium will be growing in the coming years due to its use in batteries for electric vehicles. Expected supply is running well below anticipated demand, so new commercial mines will be valuable.

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Strong start to 2022 for Cenkos Securities

Cenkos Securities performed strongly in 2021 and the New Year has started well. The broker has already handled three new admissions and two M&A transactions in the first ten weeks of 2022. The firm has expressed its commitment to AIM.

Revenues grew from £31.7m to £37.2m and underlying profit was two-fifths ahead at £5.9m. The total dividend is raised from 3.5p a share to 4.25p a share. Net cash edged up to £33.5m, even though £3.1m was spent on share buy backs and £1.9m on dividends.

Cenkos added 17 new companies covering a wide range of sectors to its client list. There were 18 new staff hires last year and more to come in 2022. This will help maintain a high ratio of staff to clients.

Following the release of the results non-executive director Andrew Boorman has purchased two tranches of 10,000 shares at 67.9p a share and 69.4p a share respectively. That takes his stake to 0.23%.

■ **finnCap** says revenues will exceed the top end of its guidance range for the year to March 2022. That range was £45m-£50m. Progressive Equity Research has increased its forecast revenues from £48.5m to £51m and the underlying pre-tax profit estimate has been raised from £9.1m to £9.8m, up from £9.6m the previous year. The dividend is still expected to increase from 1.5p a share to 1.75p a share. Net cash of £24.1m is forecast for the end of March 2022.

The mergers and acquisitions division had a strong second half with annual revenues expected to double to £24m. That offsets lower broking income, particularly from transactions.

■ **Oberon Investments**, which is quoted on the Access segment of the Aquis Stock Exchange, is raising £3.4m at 6p a share in a significantly oversubscribed placing. The broker and investment manager wants to spend the cash on expanding its corporate finance and wealth management operations. Management is talking with potential acquisition targets. Oberon is planning to launch an EIS Fund, where each investor will have at least five EIS qualifying companies in their portfolio, and an IHT fund this year.

In the year to March 2022, revenues will be at least £6.4m. Funds under management grew from £765m at the end of September 2021 to more than £1bn by the end of February 2022. AIM-quoted clients include Silver Bullet Data Services, Zinnwald Lithium, MyHealthChecked and fellow broker finnCap.

ADVISER CHANGES - MARCH 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Warehouse REIT	Peel Hunt / Jefferies	Peel Hunt	Peel Hunt	Peel Hunt	3/1/2022
MTI Wireless Edge	Shore / Allenby	Allenby / Peterhouse	Allenby	Allenby	3/2/2022
Tlou Energy	Arden	Shore	Grant Thornton	Grant Thornton	3/2/2022
Cornerstone FS	SP Angel	SP Angel / Peterhouse	Spark	Spark	3/7/2022
Engage XR	finnCap / Davy / Shard	Davy / Shard	finnCap	Cairn	3/8/2022
Midatech Pharma	Turner Pope	Panmure Gordon / Turner Pope	Strand Hanson	Panmure Gordon	3/8/2022
Michelmersh Brick	Berenberg / Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	3/14/2022
Marlowe	Stifel Nicolaus / Berenberg / Cenkos	Berenberg / Cenkos	Cenkos	Cenkos	3/15/2022
ReNeuron	Liberum / Allenby	Stifel Nicolaus / Allenby	Liberum	Stifel Nicolaus	3/22/2022
Cambridge Cognition	Panmure Gordon / Dowgate	finnCap / Dowgate	Panmure Gordon	finnCap	3/24/2022
K3 Capital Group	Numis	finnCap	Numis	finnCap	3/28/2022
tinyBuild Inc	Berenberg	Berenberg / Zeus	Berenberg	Zeus	3/29/2022

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Media analysis paying off for Ebiquity as it increases scale in the US

Media analytics *www.ebiquity.com*

Media investment analysis services provider **Ebiquity** returned to profit in 2021 and it is making two acquisitions that should be earnings enhancing. To finance the deals Ebiquity has raised £15m, before expenses of £1.6m, at 53p a share. Advertising activity levels have not been impacted by the current economic uncertainty. The share price has reacted favourably to the announcements.

The larger acquisition is Sweden-based MediaPath Network, which will cost £15.5m - £11.6m in cash and £3.9m in shares. MediaPath Network provides performance measurement and benchmarking services for multi-national advertisers, such as Heineken and H&M. In 2021, revenues were £6.3m and operating profit £1.8m and the acquisition should be earnings enhancing this year even before any efficiency savings.

Ebiquity returned to profit

The purchase of US media audit company Media Management, which made a profit of £700,000 in 2021, will double the pro forma US revenues to £10.7m. Clients include AT&T, Samsung and GM. The acquisition costs an initial £6.1m, including £1m that will be used by the sellers to subscribe for 1.74 million Ebiquity shares. There will be deferred consideration equal to underlying operating profit for the enlarged US business in 2024. That is expected to be at least £3m thanks to cost savings and cross selling opportunities.

In 2021, Ebiquity revenues improved from £55.9m to £63.1m and a loss of £1.3m in 2020 was turned into a pre-tax profit of £4.1m. The analytics and technology division returned to profit. Digital services revenues increased to 29% of the total.

EBIQUITY (EBQ)			66p
12 MONTH CHANGE %	+83.3	MARKET CAP £M	54.9

There was £8.69m of cash generated by operating activities and net debt was £4.9m prior to the placing and acquisitions.

There are likely to be updated forecasts after the placing and acquisitions are completed. The prospective multiple for 2022 could still be around 13, which is based on previous forecasts. Earnings are likely to grow rapidly over the next couple of years.

Engage XR getting ready for the metaverse

Virtual reality technology *www.engagevr.io*

Virtual reality platform developer **Engage XR** continues to build its management infrastructure, so although revenues are rapidly increasing the loss is also rising. More executives are being taken on but the rate of increase in operating expenses should start to slow in 2023.

In 2021, revenues improved from €1.4m to €2.4m, while the loss edged up from €2.7m to €3m. This year the loss is forecast to rise to €4.2m on revenues of €4.9m before declining to €1.2m on revenues of €9.7m in 2023. There was €7.8m in cash at the end of 2021. Net monthly cash burn is currently €250,000.

ENGAGE XR (EXR)			10.625p
12 MONTH CHANGE %	-3.4	MARKET CAP £M	33.3

The extended reality platform ENGAGE become the main generator of revenues last year. This platform enables a client to have their own virtual reality or metaworld and generates revenues from licences, event support and development. There is a metaverse service called OASIS which is expected to launch in the second half of 2022. This could enable transactions.

Average recurring contract value is €16,000. There is an international customer base, including a six-figure contract with Optima Domi for the first VR-based Florida charter school.

The shares do tend to be volatile. The lack of fundamental earnings means that the share price has fallen back towards the original placing price of 10p. The cash pile should be sufficient until the end of 2023 but that depends on any additional expansion plans.

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Brighton Pier Group beats expectations and prepares for summer trading

Entertainment attractions *www.brightonpiergroup.com*

Entertainment and leisure company **Brighton Pier Group** recovered strongly in the six months to December 2021. The group was profitable without direct government assistance in the period, but it did benefit from a lower VAT rate and business rates relief. The VAT rate returns to 20% at the end of the third quarter.

Interim revenues jumped from £8.2m to £22.8m, which is more than the £13.5m for the previous full year. There was a £3.85m contribution from North Yorkshire attraction Lightwater Valley, which was bought last June. The first half includes the main summer trading, so it tends to be stronger for Brighton Pier, while the summer holidays also benefit the Paradise Island Adventure Golf business. This operates from eight sites and there should be opportunities for more sites in shopping centres.

The first half includes summer trading

The biggest recovery in revenues came in the original bars division. This has been slimmed down to the profitable sites. There was an exceptional gain of £804,00 relating to derecognition of lease liabilities for sites most of which was due to the closure of the Reading bar. The gain was £2.42m in the corresponding period.

Without the government assistance and exceptional gain Brighton Pier Group would have lost money last year, while the latest underlying interim pre-tax profit was £5.84m.

BRIGHTON PIER GROUP (PIER)			107.5p
12 MONTH CHANGE %	+181.4	MARKET CAP £M	40.1

Cash generation is strong with capital investment running well below the depreciation charge. Net debt was down to £8.2m at the end of 2021. Management has renewed the borrowing facilities until 5 December 2023. There is headroom of £9m and this will increase as more cash is generated. Net debt is expected to be £6.4m at the end of June.

Cenkos forecasts a full year pre-tax profit of £6m, but that is not necessarily repeatable when the VAT and rate incentives are removed. A 2022-23 pre-tax profit of £4.6m is estimated but could prove conservative.

Tasty cash pile underpins valuation

Restaurants *www.dimt.co.uk*

Restaurants operator **Tasty** bounced back into profit last year and it has a large cash pile. Tasty has two brands. There are 49 Wildwood pizza, pasta, grill restaurants in high street and leisure sites, plus five Dim T pan-Asian restaurants.

In the 52 weeks to 26 December 2021, revenues improved from £24.2m to £34.9m. That is still well below the £44.6m of revenues generated in 2019. The restaurants reopened in May and the group has generated EBITDA since then. There were effectively 33 weeks of trading last year, although December was disappointing due to Omicron variant restrictions. Delivery and takeaway are an increasing proportion of revenues.

TASTY (TAST)			4.75p
12 MONTH CHANGE %	-20.8	MARKET CAP £M	6.7

Stripping out the impairment charges and other exceptionals from 2020, a loss of £4.8m was turned into a pre-tax profit of £1.1m in 2021. When assessing profitability, the coronavirus grants need to be taken into account. This income declined from £5.15m to £3.91m. It makes it more difficult to assess the potential ongoing profitability.

There was £11m in the bank at the end of 2021 offset by £1.25m of borrowings. Even adjusting for deferred payments net cash is still £6.8m, which is similar to the market capitalisation. Net assets are £1.9m.

There are plans to add up to six new sites this year and the strong cash position will help. A full year's trading from existing sites and increasing delivery business will also boost revenues.

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Earnings quadrupled at Aquis Exchange as its gains market share

Equities trading services *www.aquis.eu*

AQUIS EXCHANGE (AQX)			500p
12 MONTH CHANGE %	-18	MARKET CAP £M	137.5

European equities exchange operator Aquis Exchange announced better than expected 2021 results showing quadrupled earnings of 16p a share. On the same day it joined its own market, the Aquis Stock Exchange – it retains the AIM quotation as well.

In 2021, revenues were 42% ahead at £16.2m, while pre-tax profit jumped from £470,000 to £3.22m. Net cash is £14.1m, after spending £1.1m on buying back shares. Aquis Exchange continues to invest in its trading technology, but revenues for this division will be difficult to replicate this year.

Part of the equities exchange business has moved to Paris since the UK's exit from the EU. The market share of pan-European trading improved from 4.7% to 5.2%, although it had reached 6% earlier in 2021. There was a subsequent increase in dark pool trading and a change in trading of a major client.

Net cash is £14.1m

Aquis is not in the dark pool market, but it will be. Aquis is finalising the purchase of the business activities of the non-displayed matching pool of UBS. That could add a further 0.6% of market share.

Aquis Stock Exchange (AQSE) improved its liquidity in the fourth quarter of 2021, compared with the same quarter in 2020, although it still lost money in 2021. Revenues were £1.9m, including issuer fees of £693,000. Issuer fees could reach £1m this year and breakeven is possible.

Management wants AQSE to become a much more significant market. VSA plans to create an index that includes all the companies on the Aquis Apex segment called the VSA Capital AQSE Apex Index. There is a pipeline of 50-60 potential new entrants to AQSE. AIM-quoted technology investment company Asimilar plans to join the Access segment of Aquis on 4 April.

Liberum forecasts further growth in Aquis Exchange pre-tax profit to £4.2m this year. Earnings though will be flat, because there is not expected to be a tax credit in 2022.

Demand proves resilient for Mpac

Capital equipment supplier *www.mpac-group.com*

MPAC GROUP (MPAC)			520p
12 MONTH CHANGE %	+7.2	MARKET CAP £M	104.9

Packaging equipment and automation provider **Mpac Group** reported better than expected 2021 pre-tax profit and this sparked a recovery in the share price after a sharp fall at the beginning of March. The core healthcare and food markets are resilient, and demand has held up even with the complications from Covid lockdowns and travel bans.

In 2021, revenues improved from £83.7m to £94.3m – that is also ahead of the 2019 figure of £88.8m. Service revenues are 21.4% of group revenues and the target is 30%. Pre-tax profit jumped from £6.3m to £8.6m. The closing order book improved from £55.5m to £78.4m and that covers three-quarters of the forecast revenues for 2022.

The Americas was the strongest market with a 35% increase in revenues, helped by a full year contribution from Switchback. A new US headquarters has opened. Revenues in Europe and Asia Pacific declined.

Mpac is moving into the cleantech sector through its contract with FREYR Battery, which plans a battery cell production facility in Norway. Alongside its partner 24M, Mpac will develop and install a clean energy casting and unit cell assembly plant. The development line should be completed in the fourth quarter of 2022.

Shore Capital is forecasting a relatively flat 2022 pre-tax profit of £8.8m because of cost inflation and economic uncertainty. A higher tax charge means that earnings will be lower, and the prospective multiple is 15.

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Restore returns to the dividend list

Business support services *www.restoreplc.com*

Dividend

RESTORE (RST)	
Price (p)	460
Market cap £m	628.7
Historical yield	1.6%
Prospective yield	1.8%

Document management and business services provider Restore had consistently paid a dividend between a 1p a share dividend in 2011 and the interim of 2.4p a share in 2019. A final dividend of 4.8p a share was announced for 2019 but it was withdrawn at the time of the original Covid lockdowns.

There was no dividend for 2020, but there is a total dividend of 7.2p a share for 2021, which is the total that was going to be paid for 2019. The shares will go ex-dividend for the final of 4.7p a share on 1 June.

Canaccord Genuity forecasts a 2022 dividend of 8.1p a share, while Berenberg forecasts 8.66p a share. Management is investing in acquisitions so the lower figure is probably more prudent, but it may prove conservative.

Business

Restore provides a wide range of business services, including document management, IT decommissioning, shredding, digital services and office moving services. Restore is either number one or number two in each of its main business areas.

Even so, there is still plenty of room for growth. Document management is already partly consolidated and Restore has 22% of the market. In contrast, the market share in the fast-growing IT decommissioning market is 6%. Management says that there are more than 200 acquisition opportunities. The margins of the technology division have been improving as it increases its scale. The organic growth target for the division is 8%-15%, which is faster growth than any division other than digital.

The document management business remains the largest contributor to revenues, but the digital and technology businesses are growing rapidly, helped by acquisitions. There are opportunities to cross-sell services. Currently 14% of the top 250 customers use three or more of the company's divisions. There are four customers that use all five divisions.

There were more than 1,200 internal referrals in 2021, producing total contract values of £9m.

In 2021, revenues improved from £182.7m to £234.3m, which surpasses the 2019 figure, although it includes subsequent acquisitions. Organic revenue growth is 5%. Underlying pre-tax profit was 64% ahead at £38.1m.

Restore remains acquisitive and the strong cash generation will help to finance further purchases. It spent £86.3m last year, but net debt only increased from £66.1m to £100.8m – although there was a £38.1m share issue. A new £200m borrowing facility has been secured to help finance further acquisitions.

The annualised run rate of revenues was £260m at the end of 2021. The medium-term target is revenues of £450m-£500m and EBITDA of more than £150m, compared with £74.2m in 2021.

Cost inflation could hamper profit progress this year, although management believes that it can push through price increases and improve productivity. The 2022 pre-tax profit is expected to be around £47m. Acquisitions could add to that figure if they are made early enough in the year.

Dividend news

Gemfields is paying a special dividend of 1.7 cents a share, which will cost $20m. A return to profit in 2021 led to the rubies and emeralds miner moving from net debt to net cash of $63m. Even after, the dividend payment and estimated capital expenditure of $50m there should still be a significant cash pile at the end of 2022. finnCap forecasts a dip in pre-tax profit from $96.6m to $68.7m on a small decline in revenues from $257.7m to $251.3m. Higher fuel costs and marketing spending returning to previous levels are behind that fall in profit, however a positive working capital movement is expected to enable cash flow from operating activities to exceed $105m.

Central Asia Metals is another miner that is generating significant amounts of cash and it has announced a 12p a share final dividend, which is much higher than expected. The total dividend has been raised from 14p a share to 20p a share. In 2021, revenues increased from $160.1m to $223.4m thanks to higher zinc and copper prices, while net income jumped from $43.7m to $84.2m. Net cash was $22.7m, excluding restricted cash of $3.5m, at the end of 2021.

Construction and building software supplier **Eleco** increased its full year dividend from 0.4p a share to 0.6p a share. In 2021, revenues grew from £25.2m to £27.3m, while pre-tax profit improved from £4.9m to £5.3m. That means that the dividend is eight times covered by earnings. Eleco is transitioning to a SaaS-based model and that is going to hold back growth this year, due to revenue recognition policies and higher operating costs. Pre-tax profit is expected to decline to £3.1m in 2022, but a maintained dividend would still be five times covered. Net cash could be more than £11m by the end of 2022.

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Expert view: Registrars

Private and public opportunities provide choice

By Hardeep Tamana

As investors hunt out private equity opportunities, Avenir Registrars asks if this is a risk or an opportunity for AIM?

Last month we saw news that the London Stock Exchange had made an investment into Floww, a FinTech built around the idea of matching professional or institutional investors with privately held companies seeking to raise capital. Given the overblown valuations which now blight listed companies right across the board, the quest for value means that many see these higher risk investments as presenting significant potential for growth, but logistically, will this market ever be able to mature without some fundamental interventions at a regulatory level?

US experience

Many people will be quick to look to the US where for decades there has been a rampant market in the pink sheets and more recently some structure has been brought about from platforms like CartaX, offering privately held businesses better ways to connect with the buy side. But whilst market evolution in the UK still runs some way ahead of what we see in mainland Europe, there's still a significant gulf to cross when it comes to aligning the UK regulatory structures with what is seen across the Atlantic.

Not only is it easier for investors of all shapes to tap into the opportunities held by what we would consider unlisted companies, but the regulation relating to record keeping, transaction processing and the electronic payment of taxes is also far more accommodative to companies trading at lower valuations who in turn will typically only be tapping the market for a smaller tranche of investment.

Whilst reform stemming from the Hill review is definitely a step in the right direction, there's still a lot more heavy lifting to be done here. However, there's an opinion forming that as disruptors such as Floww and others like CrowdX make greater inroads here, then regulators will have to pay attention. And indeed, the involvement of the London Stock Exchange can also only serve to further the cause here.

But critically, does this risk cannibalising the AIM Market with smaller issuers recognising the benefits of a more informal listing structure? Our view at Avenir is that's unlikely to be the case. Given the struggle that so many businesses face as they try to grow, having more formalised – and accessible – situations here can only be a positive.

Range of options

Market feedback suggests that the vast majority of founders of small companies simply aren't aware of the range of options they have when it comes to seeking funding. This ultimately limits the growth potential for at least part of this cohort, leaving businesses either unable to achieve their goals because they are using inefficient financing structures, or because they find themselves bought out - at potentially deep discounts - by vultures.

With that in mind, better cultivation of the ground on which these growth companies operate would see winners all round. Smaller businesses can get used to some of the structures which they would need to adopt if they were to eventually seek a full listing, investors would be granted better transparency over a company and its prospects, whilst exchanges and professional advisers would also have improved visibility over the future needs for their services.

> There is a world of untapped opportunity

Formalising structures here in turn has the potential to ensure that even more growth businesses can graduate from privately held to allowing the public to take a share in their fortunes, either through a debt or an equity issuance.

The easy criticism may be to say that this will only see the junior market shrink, but the weight of companies out there seeking the correct routes to growth, combined with the volume of uninvested cash that continues to hunt for a meaningful opportunity suggests that there 'is a world of untapped opportunity waiting here.

Avenir Registrars supports companies of all sizes – including public and private - in managing their securities registers throughout the lifecycle of the issuance. With a platform built from the ground up by a team highly experienced in constructing securities exchange infrastructures, Avenir's systems already include a number of the efficiencies required to enable smaller issuers to easily and efficiently manage their ownership registers and meet their investor relations needs.

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

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Prospectus changes on the horizon

The government has published the outcome of the review of the UK prospectus regime and promises legislation when parliamentary time allows.

Back in November 2020, the Chancellor of the Exchequer launched an independent review of UK listings in order to make it more attractive to join stockmarkets in the UK and easier to raise money. Leaving the EU enabled a reassessment of the appropriate ongoing rules for the UK markets. Lord Hill published his review last summer and there was a period set aside for consultation and comments from interested parties. The government came out with the final outcome in March.

There were four main objectives for the review:

1. Encourage greater participation in share ownership of public companies
2. Improve the efficiency of raising money by simplifying regulation and removing any duplications
3. Improve the quality of information provided to investors; and
4. Make regulation more agile

The government believes that the review has come up with suitable ideas that reflect these objectives.

The Financial Conduct Authority (FCA) will be given a greater degree of responsibility in setting out the new regime. It will consult and then implement the new rules. This is a deliberate policy to give regulators more responsibility. Some of these responsibilities would have been previously covered by the EU prospectus regime.

Offers

The prospectus remains a key element for the public markets. There will still be some securities offerings that will be outside of these new regulations. The FCA will specify when a prospectus will be required and what the publication will be required to include. This includes whether a company that is already quoted will be required to publish a prospectus when it issues additional shares. The regulator can also decide whether it is required to review a specific prospectus.

There will be a general prohibition on public offerings except for specific exemptions. The qualified investors and maximum of 150 people exemptions continue.

The additional exemptions include offerings that will be admitted to UK regulated markets, offers to existing shareholders, including rights issues and open offers, and certain other offers.

> The Financial Conduct Authority (FCA) will be given a greater degree of responsibility

The monetary figures in the existing regulations will be restated from Euros into pounds on a one-for-one basis so they will effectively be increased.

There are also plans to enable public offers from overseas listed companies to be offered to investors in the UK.

There will no longer by any requirement for an FCA-approved prospectus on offers by private companies raising more than €8m. These private offers can be made through an authorised platform. The FCA will decide the requirements for a platform. The government wants to ensure that the crowdfunding sector continues to thrive, and that regulation is at the right level for that to happen while protecting investors.

These changes and exemptions should help junior markets, such as AIM and the Aquis Stock Exchange. The plan is to allow admission documents for junior markets to be treated as a type of prospectus.

Necessary information

Investors who can provide evidence that they have lost money due to false or misleading information or the failure to publish relevant information will be able to go to court to seek compensation.

The company will only be liable for compensation if the person involved in making the statement knew it was untrue or misleading, if they were reckless in making the statement and, if it is an omission, the person has to know that it was a dishonest concealment of an important fact.

The details of these proposals still have to be finalised. The Quoted Companies Alliance says that it will be working with the FCA to bring these new proposals to fruition and to make sure they are suitable for small and medium-sized companies.

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AIM companies well-placed for inflationary times

Companies will be required to negotiate significant levels of inflation for the first time in decades. Some will be better equipped than others.

Inflation tends to favour companies that offer value and asset backing rather than pure growth – although it does not mean that value stocks will not grow. According to Peel Hunt in its recent note on inflation heroes, the companies that investors need to identify are those that have the pricing power in their markets that will allow them to maintain margins.

It also helps if a company has index-linked business, or it trades in commodities with rising prices. Here are three companies that should continue to prosper.

MP Evans

Palm oil producer MP Evans is getting the benefit of rising production thanks to past investment in planting oil palms, combined with a sharply higher palm oil price. Fears about the supply of sunflower oil due to the invasion of Ukraine, have led to switching to palm oil. Ukraine previously produced two-fifths of the world's sunflower oil. Food retailer Iceland is temporarily returning to using palm oil in its own-label products because of the high price of sunflower oil. The palm oil price was already on an upward trajectory, partly due to greater use in biodiesel, and this has given it a further boost.

Production increased by 15% in 2021 and the average mill gate crude palm oil price was $810/tonne. Revenues grew from $174.5m to $276.6m and the high fixed cost base meant that pre-tax profit jumped from $28.8m to $97.6m. Investment in milling capacity is improving efficiency. The total dividend was 5p a share better than expected at 40p a share. That dividend should at least be maintained this year.

Production should continue to increase as plants mature. At one point the crude palm oil price reached $2,000/tonne, but it has fallen back to nearer $1,500/tonne. That is still higher than at any point during 2021. Although the mill gate price is lower, this indicates higher selling prices for MP Evans, although analysts are assuming a maintained selling price this year. They estimate maintained profit, but there is potential for upgrades.

Michelmersh Brick

Peel Hunt notes that building materials companies with dominant market positions or in consolidated markets can push through price increases and hold on to more of the price rise when costs fall back. Michelmersh Brick is not covered by Peel Hunt but is a good example.

The market for bricks has limited UK manufacturing capacity and increasing demand for new build and refurbishment. It is expensive to build additional capacity. Overall stock levels are the lowest they have been for years. That enables price increases. Bricks are a small part of the cost of a building. Michelmersh is in a strong position in the premium market, where prices can be 25% higher than for standard bricks. A price increase is due to be put in place during July. Michelmersh has already secured more than 90% of its energy requirements for 2022 and has its own raw materials supply.

Underlying pre-tax profit could dip from £10.9m to £10.5m this year, but cash generation remains strong. There could be potential for upgrades.

Smart Metering Systems

Smart meters manager and installer Smart Metering Systems (SMS) has index-linked annualised recurring revenues of £85.9m. This base of recurring revenues enables SMS to grow the dividend by 10% each year. In 2021, revenues grew 5% to £108.3m without any contribution from battery storage assets, which will generate initial revenues this year. This year revenues are set to improve to £118.1m, including £3.8m from battery storage assets.

Investment in battery storage assets will reduce the cash pile and move SMS into net debt during 2023, but the benefits of the investment will show through over the longer-term. Pre-tax profit of £20.2m is forecast for 2022. The total dividend should increase from 27.5p a share to 30.25p a share.

Ukraine previously produced two-fifths of the world's sunflower oil

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Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	25	16.8
Industrials	17.2	16.7
Health Care	13.1	10.6
Technology	12.7	12.4
Financials	9.4	11.3
Energy	9.4	11.3
Basic materials	6.9	14.8
Property	3.7	3
Telecoms	1.6	1.8
Utilities	1	0.9

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1042.36	-13
FTSE AIM 50	5754.38	-10.6
FTSE AIM 100	5053.92	-14.5
FTSE Fledgling	12935.07	+10.6
FTSE Small Cap	6953.31	+2.6
FTSE All-Share	4187.78	+9.3
FTSE 100	7515.68	+11.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	70
£5m-£10m	102
£10m-£25m	148
£25m-£50m	134
£50m-£100m	123
£100m-£250m	148
£250m+	121

KEY AIM STATISTICS

Total number of AIM	846
Number of nominated advisers	28
Number of market makers	21
Total market cap for all AIM	£125bn
Total of new money raised	£130.6bn
Total raised by new issues	£47.8bn
Total raised by secondary issues	£82.8bn
Share turnover value (Feb 2022)	£14.7bn
Number of bargains (Feb 2022)	3m
Shares traded (Feb 2022)	126.1bn
Transfers to the official list	195

TOP 5 RISERS OVER 30 DAYS

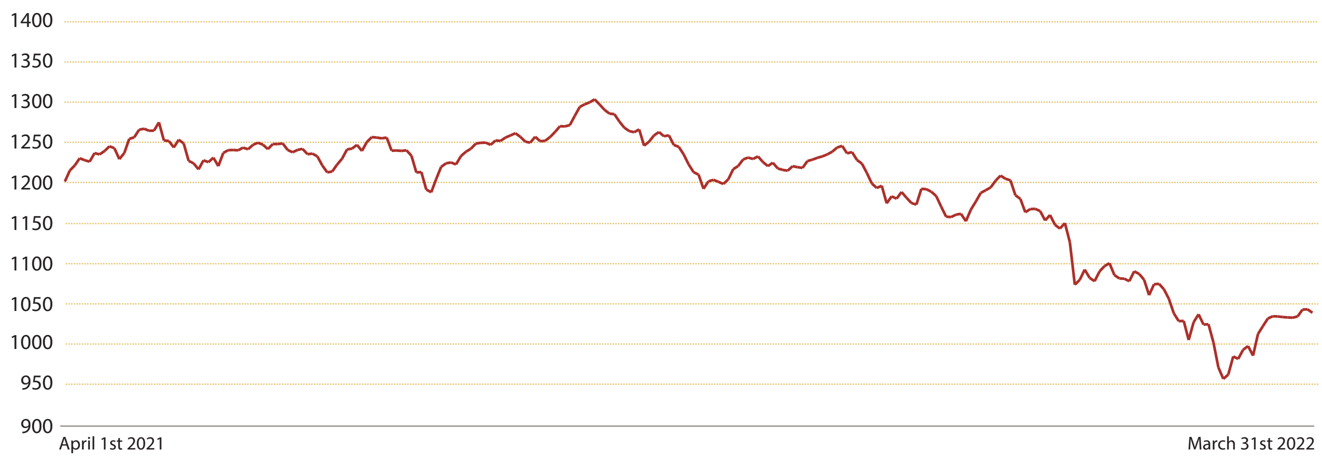
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Keras	Mining	0.11	+193
Chariot	Oil and gas	17	+94.5
Kropz	Mining	12.25	+88.5
Genedrive	Healthcare	28.3	+78
Kore Potash	Mining	1.5	+76.5

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Diurnal	Healthcare	15	-71.4
Essensys	Software	78.5	-68
MusicMagpie	Leisure	52.5	-67.7
88 Energy	Oil and gas	0.85	-62.1
Gfinity	Leisure	1.425	-55.5

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st March 2022, and we cannot accept responsibility for their accuracy.

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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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