

MARCH 2019

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET JOURNAL L THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET ALL THE ONLINE MONTHLY FOR

Shield trial success

A multinational clinical study has demonstrated that Feraccru, an iron deficiency anaemia treatment developed by Shield Therapeutics, is as good as the equivalent intravenous (IV) iron therapy. This has triggered a €2.5m milestone payment from Norgine, which has EU rights to the drug. Royalties could be generated on sales before the end of 2019.

The hospital-based IV treatment is used for patients who have an adverse reaction to the standard treatment and Ferracu is in a capsule, so it is cheaper to administer. The clinical study showed that Ferracu was non-inferior to the IV treatment and a well-tolerated and efficacious oral treatment. Additional data will be published with the

2018 results in April.

Ferracu was approved in the EU during 2016 and initial sales have been generated. Norgine will undertake reimbursement discussions with additional EU countries. The trial should provide additional positive data for the filing with the Food and Drug Administration in the US, where a review should be completed and announced in July.

The milestone payment and potential tiered royalty payments of between 25% and 40% of sales mean that Shield's cash pile will last longer, possibly until the end of 2020. Liberum believes that the commercial launch of Ferracu in the EU is worth at least 56p a share to Shield. US approval could be worth even more.

In this issue

GENERAL NEWS

Shore closes deal

ADVISERS

New year changes continue

NEWS
Clinigen enhances

NEWS
PCI-Pal's secure future

DIVIDENDS
Lighthouse shines

Purplebricks marketing spend

PEATURE

VCTs continue to attract investors

STATISTICS

Market indices and statistics

AIM 100 quarterly changes

WANdisco, Creo Medical and Earthport will be included in the FTSE AIM 100 index on 18 March, although Earthport may not stay long given the bid for the cross-border payments services provider. XLMedia, Taptica and Telit Communications, will drop out of the index. There are no planned changes to the FTSE AIM 50 index constituents.

Visa increased its bid for Earthport from 30p a share to 37p a share, which beats the Mastercard offer of 33p a share. The Visa bid values Earthport at £247m. Mastercard is considering its options. Earthport would not have been large

enough to qualify for the AIM 100 without the takeover bids.

Former AIM company GVC is dropping out of the FTSE 100 index – the online gaming company is not even included in the reserve list – and back into the FTSE 250 index. Another former AIM company, Sirius Real Estate, has moved onto the FTSE 250 index reserve list. Germany-based business parks operator Sirius moved to a premium listing in March 2017 and one of the benefits specified was the potential "inclusion in certain indices". Sirius is also listed on the Johannesburg Stock Exchange.



>>> general news

Shore buys Stockdale

Shore Capital Group has agreed to pay an initial £4.9m in cash for AIM broker and nominated adviser Stockdale Securities, with up to £4m more payable depending on the achievement of revenue targets over the 18 months after the acquisition goes through. The Financial Conduct Authority has to give its consent for the acquisition to go ahead.

Bermuda-based investment company Somers Ltd valued its 55% stake in Stockdale at £4.1m in its most recent accounts. Somers will receive £2.7m of the initial consideration, with the potential for up to £2.2m in additional consideration. Employees own the rest of Stockdale.

The combined group would have around 128 corporate clients. If the full consideration is paid, Shore will be buying Stockdale on less than eight times last year's earnings. The

uncertain economic conditions are hitting stockmarket activity, so there is no guarantee that Stockdale will maintain its revenues and earnings.

Edison Investment Research estimates that Shore had net cash of £21.2m at the end of 2018, so putting spare cash to good use by buying a profitable business should be earnings enhancing as long as the profitability of Stockdale does not collapse. Stockdale is a tightly run business, but there should also be integration benefits.

Capital markets already account for around three-fifths of Shore's revenues and, on an annualised basis, they are likely to become more than two-thirds of the total. Asset management is the next biggest contributor, with principal finance a smaller and more volatile revenue generator.

LightwaveRF cash call

Home automation products supplier LightwaveRF is raising £2.5m via a placing and subscription at 8.5p a share in order to increase marketing and provide additional working capital. Sales growth has accelerated since the appointment of Jason Elliott as chief executive last summer. In the first quarter of 2018-19, there was year-on-year growth in sales of 156% to £1.15m that is nearly as much as was generated in the first half of 2017-18. Stockdale forecasts a more than doubling of full-year revenues to £6.6m in the year to September 2019 and a move into profit in 2019-20. A one-for-12 open offer could raise up to £500,000 from existing shareholders at 8.5p a share. This closes on 18 March.

Mifid II continues to affect research

Research firm Hardman says that the average number of analysts for each AIM company has risen by 7.9% since MiFID II came into force, but that is still equivalent to fewer than 1.5 analysts per company. However, according to the QCA/Peel Hunt Mid and Small Cap Investor Survey, fund managers believe that the quality of research has declined in the past year.

The biggest improvement in terms of analyst coverage is in the market capitalisation range of between £200m and £600m, where there are 3.44 analysts per AIM company. The larger AIM companies have an average of 5.78 analysts each.

AIM companies worth less than

£200m have 1.06 analysts each. There are around 800 companies on AIM that would be covered by this category, although the Hardman research uses the constituents of the FTSE AIM All Share index, which is fewer than 800, so there are fewer than 700 in this category in the index. This does suggest that it is still unusual for most AIM companies to have more than one analyst covering it. Some do not have any analyst coverage.

According to the QCA survey, a quarter of fund managers say that the amount they pay for research has increased by more than 50%. One-third of the respondents believe the prices charged by brokers are too high. One of the

fund managers is quoted as saying that "MiFID II is riddled with obvious unintended consequences", but they feel it will be hard to reverse those consequences. A majority of the fund managers believe that there will be further broker consolidation.

Although 35% of the fund managers think that less research provides more opportunities to gain from their own research in companies with a lack of coverage, 46% think that there are risks.

The survey also found that the majority of small companies are improving their corporate websites and increasing PR activity in order to gain more media coverage, while 48% are increasing retail investor engagement.







More broker changes after consolidation

ADVISER CHANGES - J	ANUARY / FEBRUARY 201	9			
COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Petrel Resources	Novum	Novum	Beaumont Cornish	Northland	16/01/19
Advanced	Allenby/Stifel Nicolaus	Stockdale/Stifel	Allenby	Stockdale	01/02/19
Oncotherapy		Nicolaus			
Amphion	SP Angel/	Northland/	Panmure Gordon	Panmure Gordon	01/02/19
Innovations	Panmure Gordon	Panmure Gordon			
Coral Products	Cairn	Daniel Stewart	Cairn	Cairn	01/02/19
Parkmead	Arden	Panmure Gordon	Arden	Panmure Gordon	01/02/19
SkinBioTherapeutics		Northland/Turner Pope	Cairn	Cairn	01/02/19
Thor Mining	SP Angel/SI Capital	Northland/SI Capital	Grant Thornton	Grant Thornton	01/02/19
Versarien	Canaccord Genuity	Arden	Canaccord Genuity	Arden	01/02/19
Beximco	SP Angel	Northland	Spark	Spark	04/02/19
Pharmaceuticals					
DotDigital	Canaccord Genuity/ finnCap	N+1 Singer/finnCap	Canaccord Genuity	N+1 Singer	04/02/19
Immedia	SP Angel	Northland	Spark	Spark	04/02/19
Mercia Technologies	Canaccord Genuity	Cenkos/Canaccord Genuity	Canaccord Genuity	Cenkos	05/02/19
Verditek	WH Ireland	Stockdale	WH Ireland	Stockdale	05/02/19
SigmaRoc	Liberum/Berenberg	Berenberg	Strand Hanson	Strand Hanson	07/02/19
Wishbone Gold	Turner Pope	Turner Pope/Allenby	Beaumont Cornish	Allenby	07/02/19
Restore	Peel Hunt	Cenkos	Peel Hunt	Cenkos	11/02/19
Eight Peaks Group	Alexander David	SP Angel	Grant Thornton	Grant Thornton	12/02/19
Midwich	Berenberg/Investec	Investec	Investec	Investec	13/02/19
Renalytix Al	Stifel Nicolaus/	N+1 Singer	Stifel Nicolaus	N+1 Singer	14/02/19
•	N+1 Singer	J		3	
Borders & Southern	Mirabaud	Mirabaud/Panmure Gordon	Strand Hanson	Panmure Gordon	18/02/19
Kape Technologies	N+1 Singer/Shore	Shore	Shore	Shore	18/02/19
Orchard Funding	Liberum	finnCap	Liberum	finnCap	18/02/19
Tissue Regenix	Stifel Nicolaus	Jefferies	Stifel Nicolaus	Jefferies	18/02/19
Eco (Atlantic) Oil	Stifel Nicolaus/	Pareto/Brandon Hill	Strand Hanson	Strand Hanson	20/02/19
& Gas	Berenberg /Pareto				
PCG Entertainment	Allenby	Allenby /SVS	Allenby	Allenby	20/02/19
Trans-Siberian Gold	Arden	Cantor Fitzgerald	Arden	Cantor Fitzgerald	20/02/19
Urban Exposure	Jefferies/Liberum	Liberum	Liberum	Liberum	20/02/19
China New Energy	Cairn	Daniel Stewart	Cairn	Cairn	21/02/19
Ltd					
Alien Metals Ltd	First Equity	Northland	Beaumont Cornish	Northland	27/02/19
Catanae Innovation	Turner Pope / Alexander David	Alexander David	Cairn	Cairn	27/02/19
Premier African	SVS/Shore	Shore	Beaumont Cornish	Beaumont Cornish	27/02/19
Minerals					
Rockfire Resources	SI Capital/First Equity	First Equity	Allenby	Allenby	28/02/19

March 2019 3





🐎 company news

Earnings-enhancing US drug rights purchase a step change for Clinigen

Pharma services www.clinigengroup.com

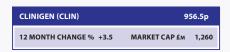
Pharma services provider Clinigen has grown rapidly by acquisition and the latest deal to acquire the US rights to Proleukin for up to \$210m will be modestly earnings enhancing this year and add 25% to earnings in the year to June 2020.

Clinigen already owns the rights to Proleukin for the rest of the world and will make an initial upfront payment of \$120m for the US rights, with \$60m payable over the 12 months following the clearance of the acquisition by US authorities plus deferred payments related to sales. Proleukin is a treatment for metastatic melanoma and metastatic renal cell carcinoma and it is being used in studies for other diseases as part of cancer combination therapies. It generated US revenues of \$60m in the year to June 2018.

US rights to Proleukin add 25% to eps

The latest interim figures show a mixed performance from the restructured three divisions. Competition reduced Foscavir sales and hit gross profit growth from commercial medicines, while clinical services was a tough market. Unlicensed medicines achieved organic gross profit growth of 10% thanks to strong demand for managed access drug services.

Contributions from acquisitions will help full-year pre-tax profit improve from £68.7m to £91.3m this year. In 2019-20, there should be a further jump to more than £130m, according to Peel Hunt. Net debt is expected



to be around £255m at the end of June 2019 and further acquisition consideration means that it will stay around that level for another year. Clinigen could generate around £100m of cash a year in subsequent years. The company's debt facility is £375m and lasts until October 2023.

Although the share price is barely changed from one year ago, it has improved by nearly 30% since the US Proleukin rights purchase was revealed. The shares are trading on 12 times prospective 2019-20 earnings, which is modest compared with the valuation levels for the company in

Tristel continues growth despite US delays

Disinfectant products www.tristel.com

Gaining US approvals is proving a time-consuming effort for disinfection products supplier Tristel and those approvals for medical device disinfectants are still some way off because the FDA has requested more data. There are unlikely to be any US revenues next year.

Tristel will have to undertake a usability study to determine the effectiveness of the chlorine dioxide disinfectant technology for ultrasound devices. Management is also putting off commercial sales of its Duo and Jet cleaning products in the US.

TRISTEL (TSTL) 12 MONTH CHANGE % +6.4 MARKET CAP £M 129.6

Most other regions are showing significant growth in sales and more of these sales are coming from subsidiaries following the acquisition of Belgium-based distributor Ecomed. Overall interim sales were 12% higher at £12m even though contamination control and animal healthcare sales were lower. Underlying interim pre-tax profit rose from £2.01m to £2.4m. The interim dividend was increased

by 28% to 2.04p a share. The balance sheet remains strong, with net cash of £4.5m, after the £2.96m paid for Ecomed

If there is no UK/EU deal, duty on Tristel products could adversely affect gross margins by up to 1%. Additional orders have been shipped early, but this will have no overall effect on the second half.

Full-year pre-tax profit is expected to improve from £4.7m to £5.5m, which puts the shares on 29 times prospective earnings. That rating appears to assume that US approvals will be forthcoming.





>>> company news

Avingtrans continues to make progress with Hayward Tyler turnaround

Engineer

Avingtrans is beginning to achieve some of the benefits expected from the restructuring of the Hayward Tyler acquisition and there is more to come in terms of revenues and margin improvement. Aftermarket business is growing, and new orders are coming through.

Avingtrans has split the energy business into two divisions. The core Hayward Tyler operations make up the engineered pumps and motors division. Hayward Tyler has opened a new factory in China, so production is nearer to the end customer. There has been a limited recovery in demand from oil and gas customers. Nuclear business is being won on the back of attempts to extend the life of power plants. The latest order is a £10m one for Vattenfall in Sweden.

Peter Brotherhood, which came

Nuclear business is being

with the Hayward Tyler acquisition but is in the process solutions and rotating equipment division, has secured a steam turbine contract worth more than £10m. This will boost next year's figures. The turbines will be used on an oil and gas support vessel and there is an option for a similar order for another vessel.

Air conditioning business Ormandy was acquired out of administration and the performance has been turned around. Progress continues to be slow in the medical division and the product range is being widened. The purchase of Tecmag has added a facility in the



US, plus systems expertise.

In the six months to November 2018, group revenues were 77% ahead at £47.7m, but the Hayward Tyler businesses were not included for all the corresponding period. Gross profit margin improved from 22.6% to 25.7% as the performance of acquisitions improved. Avingtrans swung from loss to profit. Net debt is flat at £7.1m. The dividend has been increased by 0.1p a share to 1.4p a

A full-year pre-tax profit of £4.3m is forecast, rising to £5.6m next year as margins continue to improve. The shares are trading on 15 times 2019-20 forecast earnings.

Kromek raises cash to expand capacity

Radiation detection technology

www.kromek.com

Kromek has raised a further £21m through a placing and open offer at 25p a share. The imaging and radiation detection technology developer has a strong order book for its Cadmium Zinc Telluride technology and continues to win orders.

Kromek had net cash of just under £1m at the end of October 2018, but there were also £4.6m of finance lease liabilities on the balance sheet. The additional cash will finance a £10m investment for further increases in capacity for medical imaging and increased marketing

KROMEK (KMK)	26.75p
12 MONTH CHANGE % +13	.3 MARKET CAP £M 92.2

spend on the nuclear radiation detection products.

The cash call followed the announcement of a \$58m medical imaging contract with an existing manufacturing client. The contract lasts seven years and could be worth more than the minimum level quoted. Revenues will start to be recognised in the next financial year. A nuclear security contract worth at least \$1.4m over three years has been awarded to Kromek.

There was a dip in first-half revenues because of the transfer of production to a new site in Pittsburgh. Even so, full-year revenues are forecast to increase from £11.8m to £15m and the loss should reduce from £2.5m to £1.5m. Kromek will continue to lose money for the next two years, but it certainly has the backing of its investors. The openoffer element of the fundraising was nearly four times subscribed.

March 2019 5





>>> company news

PCI-Pal focuses on international growth of secure payments technology

Payment services www.pcipal.com

PCI-Pal provides payments services technology to contact-centre operators. The technology helps to make payments more secure because the contact-centre operator does not know the payment card details. PCI-Pal delivers its technology via the Amazon Web Server cloud platform.

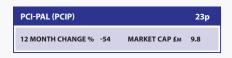
The group sold its profitable contact-centre operations in 2016 in order to focus on the potential for the payment technology, which the experience of running contact centres helped to develop. This meant that PCI-Pal became loss-making and it is still some way from moving back into profit, particularly with accounting changes to the recognition of revenues. However, that does mean that cash flow is

Annual recurring contract revenues are £1.3m

better than reported profit.

Three-quarters of recent deals have come via partners and more are being added. The focus for expansion is Europe and North America, although there are clients in Australia. The US is not an easy country in which to build up business and PCI-Pal has barely started to break into the market.

Annual recurring contract revenues are running at £1.3m and deferred revenues were £2.3m at the end of 2018. Revenues are expected to



increase from £2m to £3.4m in the year to June 2019 and reach £11.1m in 2020-21.

PCI-Pal had net cash of £5.9m at the end of June 2018, following a £5m placing at 45p a share and receipt of the final proceeds from the disposal. This figure fell to £3.5m at the end of 2018. Cash will continue to flow out of the company but there should be some left at the end of June 2021 if everything goes to plan. That rarely happens, but the recurring revenues generated by the company mean that any short-term cash requirements could be covered by a debt facility.

Michelmersh moves into Belgium

Bricks manufacturer www.mbhplc.co.uk

Bricks manufacturer Michelmersh Brick has made its first acquisition outside the UK. Michelmersh is paying an initial €9.4m (£8.2m) for Antwerp-based Floren and Co in a deal that should be immediately earnings enhancing, although they will be held back by a placing that raised £5m at 90p a share – a discount of less than 1% to the then market price.

Floren was founded in 1896 and it supplies bricks to

MICHELMERSH BRICK (MBH) 87p

12 MONTH CHANGE % +7.4 MARKET CAP £M 80.1

Belgium and the UK. It will also enable Michelmersh to target the German and other nearby markets. In 2018, Floren generated EBITDA of €1.75m on revenues of €5.7m. Michelmersh is planning to increase Floren production levels from 19.5 million bricks a year. Michelmersh already makes 100 million

bricks each year. The acquisition includes 120 acres of land, of which 60 acres is used in production.

Michelmersh is expected to report 2018 revenues of £44.5m and pre-tax profit of £8.5m. The total dividend is expected to increase from 2.1p a share to 3.2p a share. Without the purchase of Floren, Michelmersh was expected to report a decline in profit for this year. Floren will help to improve pre-tax profit to £8.8m.





>>> dividends

Shining prospects for financial adviser Lighthouse

Independent financial adviser

www.lighthousegroup.plc.uk

Dividend

Independent financial adviser Lighthouse started paying dividends more than a decade ago, although there were no dividends paid for the 2012 and 2013 financial years. The 2011 dividend was 0.4p a share, but the 2014 total was 0.18p a share. Since then the dividend has been consistently increased, with the rate of increase accelerating in the past couple of years. The 2017 dividend was raised from 0.27p a share to 0.42p a share.

The final dividend for 2018 was 0.5p a share, taking the total to 0.7p a share. The shares go ex-dividend on 4 April. Dividend cover is just over two times. The dividend is expected to be increased to 0.8p a share this year, which would be covered 2.2 times by forecast earnings.

Lighthouse had cash of £9.55m at the end of 2018, even after paying £1m for a 5.3% stake in fellow AIM-quoted IFA Tavistock Investments. That cash pile represents £5m more cash than required for regulatory requirements.

Business

Lighthouse has three main divisions: a national IFA business, a wealth advisory business and an IFA network. Pension auto-enrolment and an aging population are providing the backdrop to increasing demand for financial advice.

The national IFA has a strong affinity business, which has contracts with unions and other associations. Last year, ten affinity contracts were renewed, and two new ones were added, taking the total to 23. They provide access to more than six million people. This division contributes the majority of group profit.

LIGHTHOUSE (LGT)	
Price (p)	24.7
Market cap £m	31.6
Historical yield	2.8%
Prospective yield	3.2%

Wealth advisory business Carrwood is focused on high-net-worth individuals and gains clients via accountants. Self-employed advisers operate under their own brands as part of the network business, which generates revenues from providing back-office services. This is a profitable business but not the focus for growth.

Lighthouse has decided to exit the pension trust business and its members are being transferred to Smart Partners. There should be a small income stream from this area from 2020.

In 2018, revenues were flat at £53.4m, as growth in wealth advisory was offset by lower revenues from the network business. Recurring revenues were 53% of the total. Underlying pretax profit improved from £2.9m to £3m as costs were kept under control.

The Luceo asset management business continues to lose money as it increases its scale. There is £58m under management in five funds. If that figure doubled, Luceo would be profitable. The strategic relationship with Tavistock Investments enables Lighthouse clients to access products, such as a capital protection fund.

A further profit improvement to £3.2m is forecast for 2019. That puts the shares on less than 15 times prospective earnings. There is plenty of scope to grow the advisory operations and Luceo will become a profit contributor in the long term.

Dividend news

Johnson Service Group increased its full-year dividend by 11% to 3.1p a share, which is faster growth than underlying earnings, but it is still covered three times by earnings. The workwear and linen hire company achieved organic revenue growth of 8% in 2018 and underlying pre-tax profit was 7% higher at £42.5m. Cash generated by the business has been ploughed back into capital investment, with a further £10m set to be spent on a new Leeds facility over the next two years, on top of other investment in capacity. Net debt was £98.4m at the end of 2018.

IP legal services provider Murgitroyd **Group** increased its interim dividend by 8% to 7p a share. Interim pretax profit edged up from £1.67m to £1.7m on revenues that were 5% higher at £22.7m. US revenues accounted for more than 50% of total revenues. Net cash was £2.03m at the end of November 2018. Murgitroyd is acquiring Southampton-based Chapman IP for £6.6m and Helga Chapman has been appointed a nonexecutive director. Edward Murgitroyd is retaining his role as chief executive and handing over the role of finance director to Keith Young.

US-focused oil and gas producer **Diversified Gas & Oil** increased average daily production from 6,600 barrels of oil equivalent in 2017 to 41,000 barrels of oil equivalent in 2018, helped by the acquisitions that have been made over the past couple of years. Cash generated by operating activities jumped from \$6.9m to \$87.7m, even though there was a large increase in trade receivables. Net debt is just over \$479m. Full-year contributions from acquisitions will enable more cash to be generated to pay for drilling, dividends and reducing debt. Diversified Gas & Oil more than doubled its total dividend from 5.44 cents a share to 11.225 cents a share.

March 2019 : 7





>>> feature

Purplebricks UK marketing spend growth

Estate agency Purplebricks has an impressive growth record in the UK and it is interesting to reflect on what has gone well and what has not gone to plan in its home market.

Ambitious overseas growth plans have led to disappointment at online estate agency Purplebricks. Breaking into a completely different market such as the US was always going to be difficult and it was never going to be possible to transplant the model without changes. Management has gained experience of the UK market, but even here the progress has not been entirely as expected.

Independent research firm Hardman published forecasts for Purplebricks when it floated. Newly floated companies rarely achieve their forecasts stretching out over a number of years, particularly when they are at an early stage of their development.

When Purplebricks joined AIM at the end of 2015 it was less than two years old. It was also a pure UK business, so the forecasts were for the UK. The comparisons made in this article are with the UK divisional figures.

The hybrid model combines online technology and local property experts, which charge a fixed fee for selling a home. One of the successes is the recruitment of local property experts. Hardman estimated an average of 560 local property experts for the year to April 2019, but the total figure had already reached 851 by October 2018.

There was a shortfall in 2016-17 revenues but last year revenues were £3.2m ahead of forecast at £74.4m. The figure would have been higher without changes to accounting rules for revenue recognition. The forecasts did not include lettings, which account for more than the improvement in forecast, but

PURPLEBRICKS PERFORMANCE AGAI			
YEAR TO APRIL	2016	2017	2018
Forecast revenues	17.8	49.2	71.2
Revenues achieved	18.6	43.2	74.4
Forecast gross profit	9.8	29.5	42.7
Gross profit achieved	10.6	24.2	43.1
Forecast marketing spend	12.4	12	12.8
Marketing spend	12.9	14.4	21.4

Source: Hardman & Co, Purplebricks

nonetheless, the outcome is still impressive. Gross profit margins of 58% last year are near to the 60% forecast and the latest interims showed 65% gross margins.

This has been achieved in a tough UK property market so it should not be underestimated. UK revenues will grow by more than 15% in the year to April 2019, which suggests around £86m, which would be a shortfall on the £100m forecast.

There have been changes to accounting rules and to the business since the forecasts were set, so they cannot be 100% comparable, although they are a useful guide. Admin expenses for the UK business have been higher than forecast but it is difficult to compare these because it is unclear what is allocated to the UK now that there are overseas operations.

The significant difference in the UK figures compared with the forecasts is in the marketing spending. This spending was expected to increase over time from a 2015-16 figure of

£12.4m to £13.5m in 2018-19. That latter figure was beaten in 2016-17 when £14.4m was spent and there was an increase to £21.4m the following year. In the first half of 2018-19, the spending was £13.5m. It is unlikely that the second-half figure will not be at a similar level. That would mean that in 2018-19 Purplebricks would have spent as much on marketing in the UK as had been forecast for 2018-19 and 2019-20 combined.

This indicates that management was correct about the potential market, but it underestimated the cash that would be required. More competitors are starting up and, while many will fall by the wayside, significant marketing spending will continue to be required.

The UK is profitable, but it took longer than expected to achieve that. It will take even more marketing cost to reach profitability in other markets and forecast net cash of £54m is unlikely to be enough to achieve that.

8 : March 2019





>>> feature

Venture capital trusts prove their worth

Venture capital trusts have been around for 24 years and they are an important source of funding for AIM-quoted companies.

Venture capital trusts (VCTs) have helped hundreds of smaller companies to grow their businesses and many of those companies have been quoted on AIM. Recent tax years have generated bumper amounts of investment and, even though the rules concerning what qualifies for VCT investment have been tightened up, there have been and will be significant sums raised in the current tax year.

There are limitations to qualified VCT investments, and these have been tightened up over the years so that the cash is focused on investing in new shares in the early-stage, growth businesses that it is intended for.

VCTs currently have to invest at least 70% of their assets in qualifying investments and that is being increased to 80% from the 2019-20 tax year. There are also requirements to invest 70% in ordinary shares with no preferential rights to dividends or capital.

Wealth manager Tilney estimates that up until the middle of February 2019 the money invested in VCTs had declined by nearly a quarter to £396m. The next few weeks are always important to VCTs and it is hard to assess whether this decline will be maintained in the whole tax year. If it were, the money raised would still be a similar level to the £542m raised in the 2016-17 tax year.

Considering, the fears about rule changes reducing the eligible investments for a VCT this is still an impressive amount of money. The ngenious Vision VCT offer was pulled because of uncertainties about whether film and media investments would still qualify.

The only comparable tax years for raising funds were 2004-05 and 2005-06 when income tax relief was 40%, rather than 30%.

PURPLEBRICKS PERFORMA	NCE AGAINST FOREC	ASTS	
TAX YEAR	AMOUNT RAISED (£M)	TAX RELIEF %	VCT FUNDS
1995-96	160	20	12
1996-97	170	20	18
1997-98	190	20	26
1998-99	165	20	34
1999-00	270	20	43
2000-01	433	20	61
2001-02	125	20	70
2002-03	65	20	71
2003-04	50	20	71
2004-05	505	40	98
2005-06	779	40	108
2006-07	267	30	121
2007-08	220	30	131
2008-09	154	30	129
2009-10	338	30	122
2010-11	354	30	128
2011-12	267	30	124
2012-13	269	30	118
2013-14	420	30	97
2014-15	429	30	94
2015-16	457	30	80
2016-17	542	30	75
2017-18	728	30	70

March 2019 9





>>> feature

AIC figures

A VCT investment review called Transforming small business, published by the Association of Investment Companies in 2017, suggested companies that received VCT investment had created 27,000 jobs, which more than doubled their total number of employees.

Companies that received VCT investment more than ten years ago have increased turnover by £8m for each £1m invested. Of course, VCTs have portfolios because not every company is going to do well. The best-performing 5% of investee companies contributed 63% of total turnover growth.

Those top 5% have also generated £596m from exports – nearly one-fifth of their total sales.

There was £282m spent on research and development during 2016 by 193 investee companies. These were mainly in the healthcare, IT and digital sectors.

In the most recent tax year to the research, 249 investee companies had paid £245m in tax, which was similar to the overall initial tax relief on the investment in them.

VCT sector

There are VCTs that specialise in particular sectors, such as environmental, although there are fewer of these currently, while others are generalists. There are also AIM-

focused VCTs, although other VCTs also put some of their money into AIM companies and some of their investee companies eventually float on AIM.

There has been consolidation in

in May 2018, launched a £7m top-up offer on 1 February and it reached its maximum subscription on 4 March.

Unicorn AIM VCT wants to raise up to £15m, with a potential over-

The number of VCTs peaked at 131 in 2007-08

the VCT sector. The number of VCTs peaked at 131 in 2007-08. Many of these VCTs were similar and run by the same fund manager so it made sense to merge them so that they could be run more efficiently.

There have also been fewer new VCTs raising money so when combined with the mergers the number fell to 70 by April 2018.

AIM VCTs

There are six main AIM VCTS and five have been raising money in this tax year. Octopus AIM VCT raised £18m and Octopus AIM VCT 2 raised £12m by the end of September last year via a combined offer. The cash figure in the table for Octopus AIM VCT for the end of August 2018 includes just over £10m of the cash subscribed in the offer

Hargreave Hale AIM VCT raised £25m by January and closed the offer, although it does have the right to utilise a further £5m of its overallotment facility.

Amati AIM VCT, the result of the merger of Amati VCT and Amati VCT2

allotment facility of up to £10m, and has currently raised £10.7m from its latest offer.

VCT facts

Investment: An individual investor can invest up to £200,000 in total in one or more VCTs in each tax year. Individual VCTs set their own minimum investment levels.

Tax benefits: The rate of income tax relief has varied over the years between 20% and 40%. It is currently 30%. This can be claimed as a reduction on tax owed in the tax vear of the investment or it can be claimed back as a rebate from tax that has already been paid. The tax relief means the net cost of every £1,000 invested is £700. Dividends and capital gains are tax free. VCTs need to viewed as a long-term investment. In order to retain all these tax benefits the shares have to be held for at least five years. If all or some of the shares are sold during that five-year period, HMRC can claw back all or some of the tax relief.

AIM VCT FINANCIALS					
vст	CODE	PERIOD END	NAV (£M)	NAV (P)	CASH (£M)
Amati AIM VCT	AMAT	7/18	141.5	175.7	9.7
Artemis VCT	AAM	9/18	34.2	64.4	6.2
Hargreave Hale AIM VCT	HHV	9/18	154.8	87.6	24.9
Octopus AIM VCT	OOA	8/18	134.7	123.9	12
Octopus AIM VCT 2	OSEC	11/18	90.6	80.8	11.5
Unicorn AIM VCT	UAV	9/18	201.4	171.8	1.3







Market Performance, Indices and Statistics

AIM SECTOR INFO	RMATION	
SECTOR NAME	% OF MARKET CAP	
Financials	18.4	15.9
Industrials	16.8	17.3
Consumer services	14.1	10.6
Healthcare	12.6	9.8
Technology	11.7	12.8
Consumer goods	10.5	5.5
Oil & gas	8.4	11.1
Basic materials	5.8	12.8
Telecoms	1.2	0.8
Utilities	0.5	1.2

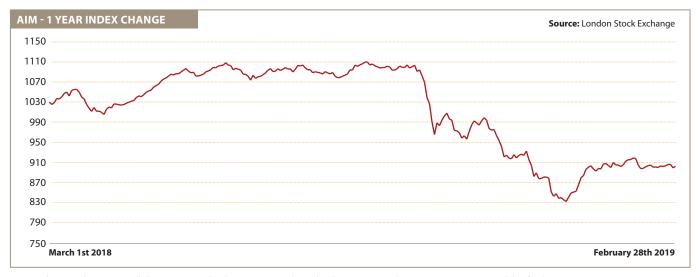
KEY AIM STATISTICS	
Total number of AIM	919
Number of nominated advisers	29
Number of market makers	48
Total market cap for all AIM	£96.9bn
Total of new money raised	£44.9bn
Total raised by new issues	£67bn
Total raised by secondary issues	£111.9bn
Share turnover value (Jan 2019)	£5.4bn
Number of bargains (Jan 2019)	0.9m
Shares traded (Jan 2019)	35.1bn
Transfers to the official list	190

FTSE INDICES	ONE-YEAR CHANGES		
INDEX	PRICE	% CHANGE	
FTSE AIM All-Share	e 909.34	-12.4	
FTSE AIM 50	5066.8	-17.2	
FTSE AIM 100	4700.59	-12.6	
FTSE Fledgling	10438.93	-4.5	
FTSE Small Cap	5422.78	-4.9	
FTSE All-Share	3888.81	-2.3	
FTSE 100	7074.73	-2.2	

COMPANIES BY MARKE	Т САР
MARKET CAP	NO.
Under £5m	151
£5m-£10m	101
£10m-£25m	186
£25m-£50m	142
£50m-£100m	129
£100m-£250m	123
£250m+	87

TOP 5 RISERS OVER 30 DAYS				
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)	
Bahamas Petroleum	Oil and gas	2.9	+164	
Panthera Resources	Mining	7.375	+146	
NetScientific	Technology	6	+118	
Integumen	Healthcare	1.73	+112	
Tungsten Corp	Financials	46.55	+82.5	

TOP 5 FALLERS OVER 30 DAYS					
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)		
Motif Bio	Healthcare	7.04	-81.2		
African Battery Metals	Mining	0.45	-66.7		
WYG	Support services	15.25	-64.1		
Haydale Graphene Industries	Graphene	2.45	-12.4		
Proactis	Software	49.5	-59.9		



Data: Hubinvest Please note - All share prices are the closing prices on the 28th February 2019, and we cannot accept responsibility for their accuracy.

March 2019 : 11





>>> sponsors

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.

Marriott Harrison LLP

Marriott Harrison LLP is pleased to sponsor the AIM Journal. We are firmly embedded in the AIM community as legal advisers to nomads and brokers, investors and public companies, with a well-respected team of partners and associates with good experience and strong track records in the market. The backgrounds of our 12 corporate partners with Magic Circle, other significant City and

international law firms stand us in good stead in advising on legal issues arising out of corporate finance transactions. Partner Simon Charles formerly worked as a nomad and Main Market sponsor. The team has international capability, with particular expertise in the healthcare and life sciences, technology, leisure and hotels, recruitment, renewables and cleantech, resources, retail and

telecoms sectors.

David Piddington

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.

PUBLISHED BY: Hubinvest Ltd, **MOBILE / TEL:** 07729 478 474 / 020 8549 4253

ADDRESS: 1C Beaufort Road, EDITOR: Andrew Hore

Kingston-upon-Thames,

,

SPONSORSHIP & aimjournal@hubinvest.com or telephone 020 8549 4253

Surrey. KT1 2TH.

Hubinvest Ltd uses due care and diligence in the preparation of the AIM Journal but is not responsible or liable for any mistakes, misprints or typographical errors. Information in the AIM Journal is for general information only and is not intended to be relied upon by individual readers in making or not making investment decisions. Appropriate independent advice should be sought. You acknowledge and agree that you bear responsibility for your own investment research and investment decisions, and that Hubinvest or its employees shall not be held liable by you or any others for any decision made or action taken by you or others based upon reliance on or use of information or materials obtained or accessed through use of the AIM Journal. Journalists and contributors to the AIM Journal, from time to time, may hold shares in the companies they write about. The views expressed by contributors, both professional and amateur, are not necessarily those of the publishers. All rights reserved, reproduction in whole or in part without written permission from the publisher is strictly prohibited.

PRODUCTION & DESIGN:

