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AIM JOURNAL

In this issue

EMIS shines in tough market

Healthcare IT provider EMIS is the latest AIM technology company to recommend a bid. This made EMIS the fifth best performer on AIM during June. This contrasts with AIM itself, which continued to perform poorly. The FTSE AIM ALL Share index fell by 10.2% in June, with the FTSE AIM 100 index declining by 10.8%. In the first six months of 2022, AIM has slumped by 28% with a 30.8% decline for the AIM 100.

That decline in the AIM 100 is despite the large takeovers this year, such as Ideagen and EMIS. They will have provided a boost to the performance of the index. This has been offset by sharp falls in share prices of even larger AIM companies, such as mixer drinks supplier Fevertree Drinks.

EMIS is recommending a 1925p a share cash bid from Optum UK, a subsidiary of UnitedHealth Group Ltd. This values EMIS at £1.24bn and the offer is around 32 times prospective 2022 earnings. The bid is more than one-quarter above the previous share price high last year.

Optum UK already provides healthcare software and services to the NHS. The two management teams believe that the enlarged group will be better positioned to support the NHS.

Fiinu set to complete reversal

New bank Fiinu is reversing into AIM-quoted shell Immediate Acquisition in an all-share deal that values the business at £37.5m. A placing raised £8.01m at 20p a share and the company, which will be renamed Fiinu Group, is valued at £53m at the placing price. However, the current share price is 15.125p. Readmission of the enlarged group to AIM should take place on 8 July and it will switch its code from IME to BANK.

A Fiinu subsidiary has been issued with an authorised subject to capital letter by the regulators in relation to its banking licence application. The licence will be confirmed once the capital adequacy requirement is met, which will be when the fundraising is completed.

The plan is to offer the Plugin Overdraft, which provides customers with an overdraft facility without the requirement to switch banks. This is an example of the potential for open banking. There could also be opportunities to licence the underlying technology developed by the company.

Chief executive Chris Sweeney was previously boss of 118 118 Money and Vanquis Bank. Founder Dr Marko Sjoblom is an executive director, and he runs the technology side of the business. Fiinu intends to invest £2.3m of the cash raised in further technology development.

Mixed games reception

It has been a mixed month for video games companies. Devolver Digital Inc disappointed the market a matter of months after joining AIM, whereas Frontier Developments has done better than expected.

US-based Devolver Digital lowered its guidance on 2022 revenues to between $130m and $140m and the figures will be second half weighted. Corporate costs were also higher than expected. House broker Zeus Capital reduced its forecast for 2022 revenues by 5.5% to $135m and its earnings forecast from 7.2 cents a share to 6 cents a share. This shows the operational gearing of the business. Net cash of $94.8m is expected at the end of 2022.

Sales of new releases, such as Shadow Warrior 3 and Weird West, have been lower than anticipated. New Devolver Digital games are getting lower Metacritic ratings and reviews than the ones it released in 2021. Devolver Digital believes that remote working has hampered the coordination of development and the quality of games. Quality assurance will be improved.

Frontier Developments says 2021-22 revenues are 26% higher at £114m. In contrast to Devolver Digital, new titles did particularly well. Jurassic World Evolution 2 sold more than 1.3 million units, while Warhammer 40,000: Chaos Gate – Daemonhunters did better than expected. Older games also sold well.

There will be a £7m write-down of capitalised development due to disappointing sales of Elite Dangerous: Odyssey. Excluding that write-down, operating profit should exceed £8m. There was £39m in the bank at the end of May 2022. New game launches should ensure further growth in revenues in 2022-23.

CVS buy blocked

Veterinary practices operator CVS Group has sold Quality Pet Care for £9m because the CMA objected to how the deal would affect competition in some regions. The CMA has clarified that 30% market share and 15 minutes driving time between vets are the core criteria for competition decisions. That still leaves plenty of scope for expansion. Management decided it was better to sell the whole business instead of disposing of individual practices. The original acquisition was agreed in August 2021 and CVS is making a loss of around £12m on the disposal. CVS has spent £3m of the cash raised on a two-site veterinary practice in North Lincolnshire. In May, Hampshire-based Anton Vets was acquired for £6m.

Altus Strategies royalties merger

AIM and TSX-V quoted Altus Strategies is recommending an all-share merger with fellow TSX-V company Elemental Royalties Corp and it will be renamed Elemental Altus Royalties Corp. The enlarged group will not be quoted on AIM, though. There will be a combined portfolio of 69 assets, of which 11 are in production. That will provide a better balance than the current portfolio of assets held by Altus Strategies.

Elemental Royalties Corp is offering 0.594 of one share for each Altus Strategies share. Altus shareholders will end up with 47.1% of the enlarged group, which could be valued at around $148m.

La Mancha and Condire own nearly 45% of Altus Strategies between them and they are in favour of the deal, which could be completed in the third quarter of 2022. La Mancha will own 21% of the enlarged group.

Acquiring a royalty interest in the producing Caserones copper-molybdenum mine in Chile last September was an important move in the development of Altus Strategies. Up until then it was a developer of a wide range of resources projects with no income. Further royalty investments have been made since then.

Combined adjusted revenues are expected to be $19.6m in 2022 and $24.6m in 2023. Three-quarters of the royalty income comes from gold and 22% from copper. Australia, Chile, Burkina Faso, Canada and Cote d'Ivoire account for 92% of the exposure of the group.

There will be potential cost savings, not least by getting rid of the Altus Strategies quotations. Borrowing costs could be reduced. The share trading should be more liquid for the larger company.

The development projects provide potential upside for the NAV. The plan is to sell projects before they require significant development investment. A royalty interest may be retained.

advisers

Sam Smith steps down at finnCap

Sam Smith, the first sponsor of AIM Journal in 2009, is resigning as chief executive of finnCap. She established the business as the corporate finance operations of JM Finn in 1998 and led the management buyout in 2007. Since then, finnCap has gone on to become one of the leading AIM brokers and nominated advisers, as well as expanding in other areas.

finnCap joined AIM in December 2018, having previously acquired M&A adviser Cavendish Corporate Finance. More recently a 50% stake was acquired in ESG consultancy Energise Ltd. In the year to March 2022, finnCap is estimated to have generated revenues of £51m and made a pre-tax profit of £9.8m. These figures will be published on 14 July.

Sam Smith will remain as an adviser to the management when she steps down as chief executive and a director of the company on 1 September. She still owns 17.8 million shares in finnCap, which is equivalent to 9.86%, so she is the largest shareholder. John Farrugia, who runs the Cavendish business, is chief executive designate.

■ Peel Hunt directors are buying shares in the broker at much lower prices than they sold them in last year's flotation. Last September, Peel Hunt raised £40m at 228p a share, while the selling shareholders raised £72m. Directors Simon Hayes, Darren Carter, Steven Fine and Sunil Dhall were some of the main sellers.

Chief executive Steven Fine bought 100,000 shares at 112p each. He sold 2.08 million shares in the placing last year. Sunil Dhall sold 812,999 last year and he also acquired 100,000 shares at 112p each. Two non-executive directors also bought shares.

The purchases were after the release of results for the year to March 2022, which showed a fall in revenues from £196.9m to £131m and pre-tax profit slumping from £120.1m to £41.2m. Investment banking revenues were higher, but there was a sharp fall in institutional trading income. A further decline in revenues and profit is forecast for 2022-23.

AJ Bell and Hargreaves Lansdown have chosen the REX (www.rexretail.com) platform owned by Peel Hunt to provide the technology that will enable them to offer their private clients the chance to participate in flotations and other share issues.

ADVISER CHANGES - JUNE 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Europa Oil & Gas	Tennyson	finnCap / Turner Pope	Strand Hanson	finnCap	1/6/2022
Pan African Resources	Berenberg / Peel Hunt / BMO	Peel Hunt / BMO	Peel Hunt	Peel Hunt	1/6/2022
Lendinvest	Panmure Gordon / finnCap	Panmure Gordon / Berenberg	Panmure Gordon	Berenberg	6/6/2022
Bushveld Minerals Ltd	RBC / SP Angel	SP Angel	SP Angel	SP Angel	14/6/2022
GB Group	Numis / Barclays	Peel Hunt	Numis	Peel Hunt	16/6/2022
GetBusy	Panmure Gordon	Liberum	Panmure Gordon	Liberum	17/6/2022
Fox Marble	Tavira	Tavira / Allenby	Cairn	Cairn	21/6/2022
iEnergizer Ltd	Canaccord Genuity / Arden	Arden	Strand Hanson	Strand Hanson	23/6/2022
Rockwood Strategic	Singer	finnCap	Singer	finnCap	23/6/2022
Pelatro	Dowgate / finnCap	finnCap	finnCap	finnCap	28/6/2022
Active Energy Group	Allenby	Panmure Gordon / Allenby	Allenby	Allenby	30/6/2022
Echo Energy	Arden	Shore	Cenkos	Cenkos	30/6/2022
Revolution Beauty	Liberum / Zeus	Zeus	Zeus	Zeus	30/6/2022
ValiRx	Turner Pope / Cenkos	Cenkos	Cairn	Cairn	30/6/2022

Appreciate acquisition improves technology offering for retail customer base

Corporate incentives and gift vouchers *www.appreciategroup.co.uk*

APPRECIATE (APP)			30p
12 MONTH CHANGE %	-4	MARKET CAP £M	55.9

Appreciate appears to be back on the growth track after a few tough years as the business was restructured. It has retained a strong balance sheet and has a base to grow profit and dividends. The acquisition of MBL Holdco will advance the technology of the group by 18 months.

The 2021-22 pre-tax profit was slightly ahead of April's upgraded forecast at £8.4m, up from £4.2m, on revenues of £123m. That excludes a £2.7m exceptional charge for previously capitalised cloud computing investment costs. The dividend was increased by 80% to 1.8p a share. Net cash, excluding customer deposits, was £20.2m.

Operational efficiencies helped the improvement in profitability. Corporate business is benefiting from the need for clients to retain staff. New redemption partners include Pizza Express and Primark. The Christmas savings business is stabilising.

> The 2022-23 multiple is seven

Gift card technology developer MBL is being bought for an initial £1.65m in cash and a further £1.8m in 12 months depending on the achievement of certain criteria. Some of the cash would have been spent on the company developing the same technology. Integration costs will offset this year's profit contribution.

MBL provides a gift card processing service for retailers, as well as a digital gift card mall that enables high street retailers to sell their own gift cards. A SaaS version of the technology can be used by retailers to set up their own gift card websites. The client base will offer opportunities for the sale of other group products.

Pre-tax profit should improve to more than £9m this year even though revenues could be flat. The prospective multiple is just over seven and the forecast yield is 7.2%.

Tatton continues funds growth despite market fall

Fund management *www.tattonassetmanagement.com*

TATTON ASSET MANAGEMENT (TAM)			380p
12 MONTH CHANGE %	-11.7	MARKET CAP £M	224.1

Tatton Asset Management is growing assets under management at more than £100m a month and they reached £11.3bn at the end of March 2022. In common with other asset managers the share price has slumped this year as markets have fallen, but that does not reflect the underlying prospects.

In the year to March 2022, group revenues improved from £23.4m to £29.4m, while pre-tax profit grew from £11.2m to £14.5m. The dividend is 13% higher at 12.5p a share.

There are two parts to the group. The investment management division, which is branded Tatton, and the Paradigm IFA support services business. Both divisions grew strongly. The investment management business is the larger profit contributor with the inflow of assets pointing to further growth. Higher mortgage activity meant that there was growth in the Paradigm division and, although new mortgage activity is lower, management believes that revenues can be maintained this year. Member firms increased from 407 to 421.

Weaker financial markets could affect this year's group performance, but the inflow of funds should offset that. Zeus has trimmed its underlying pre-tax profit forecast for 2022-23 from £16.8m to £16.5m and that would still enable an increase in dividends to 14.4p a share. The shares are trading on less than 19 times prospective earnings.

However, this does not include the 8AM Global acquisition, which should complete later in the year. Tatton is paying up to £7m in cash and shares for a 50% stake with an option to acquire the rest. The operating profit contribution of the 50% stake should be around £700,000 in a full year and this would make it earnings enhancing.

Springfield buys another Scottish housebuilding rival in deferred payments deal

Housebuilder *www.springfield.co.uk*

Springfield Properties has acquired the housebuilding business of Mactaggart and Mickel Group for a total cost of £46.3m. It is doing this without a share placing because of the way the deal is designed. The initial payment is £10.5m and the rest will be paid over the next five years as homes are built on the sites acquired and then sold.

This way the deal should be self-financing. Six existing sites are being acquired immediately as part of the deal and eleven will transfer as more payments are made. These sites have a gross development value of £230m.

It is not just the housebuilding operation that interested the company. Springfield is also acquiring a timber frame factory as part of the deal. It already owns a timber frame factory and 90% of the homes it builds have timber frames. Springfield's capacity will double to 2,000 timber frames a year, which is more than enough for existing building plans, so outside suppliers will not be required any more.

> The initial payment is £10.5m

SPRINGFIELD PROPERTIES (SPR)			131.5p
12 MONTH CHANGE %	-22.6	MARKET CAP £M	155.7

There is consolidation in the housebuilding sector in Scotland. Aberdeenshire-based Stewart Milne Homes is likely to be sold by the end of the year, following the retirement of its founder.

So far, the deals done by Springfield have proved to be good value and this latest one appears the same. It will be earnings enhancing this year – the deal is backdated to the beginning of June. Current trading is in line with expectations and Springfield is on course for a 2021-22 pre-tax profit of £21.8m. Net debt was more than £10m below forecast at £39m and that has freed up cash for the deal. A pre-tax profit of £30.2m is forecast for 2022-23.

First Property eyes opportunities in Poland

Property fund manager *www.fprop.com*

Property investor and fund manager **First Property** is planning to strengthen its balance sheet by selling its properties in Romania and its supermarkets in Poland. That will boost the company's cash position, which was £6.42m at the end of March 2022, while net debt was £17.2m.

Poland is a market favoured by management because the economy is still growing. There has been an influx of people from Ukraine, and some have restarted their businesses in Poland. This is increasing demand for property.

In the year to March 2022, revenues reduced from £12.1m to £8.65m. That was mainly down to the loss of rental income from the Gdynia property. Asset management fees edged up and performance related fees jumped from £40,000 to £578,000.

FIRST PROPERTY (FPO)			30.3p
12 MONTH CHANGE %	+1.9	MARKET CAP £M	33.6

There was a reduction of £7.81m in the amount owed to ING Bank, relating to the Gdynia property, and this was taken as a gain. Last year, there was a £7m write down on the property. That is why a loss of £5.09m was turned into a £7.98m profit. The final dividend is 0.25p a share, taking the total for the year to 0.5p a share.

The value of the properties owned by First Property is £42.2m. It also holds stakes in self-managed funds worth £30.6m. Underlying net assets, including assets at market value, are 47.28p a share, up from 42.8p a share the previous year. The fund management business has assets under management of £516.5m but there is nothing in the valuation for this business. First Property is trading at a 36% discount to underlying net assets.

Inflation boosts interim trading at Wynnstay and full year forecasts increased

Agricultural products supplier *www.wynnstayplc.co.uk*

WYNNSTAY GROUP (WYN)			611p
12 MONTH CHANGE %	+17.5	MARKET CAP £M	124.5

Agricultural products supplier and merchant **Wynnstay Group** had a significant boost from higher prices in some of its main markets. This meant that first half figures were better than expected and led to full year upgrades.

In the six months to April 2022, revenues were one-third higher at £335.7m, while underlying pre-tax profit was 85% ahead at £10.2m. Around £80m of the growth in revenues was down to commodity inflation and there was an initial contribution from the Humphrey Feeds acquisition.

This is a seasonal low point in Wynnstay's cash position and net debt was £7.62m. The switch from net cash was also due to higher inventories and the payment for Humphreys Feeds. The dividend was raised by 8% to 5.4p a share.

Grain trading was strong

There was a large one-off gain at the Glasson business because of the fertiliser price rises due to higher gas prices. This is unlikely to continue in the second half. Grain trading was also strong. These were the major factors in the increase in the agricultural division profit from £2.2m to £6.06m. Feed volumes rose at a faster rate than the market and Wynnstay is investing in increasing capacity at Carmarthen and intends to reopen Humphreys' mothballed plant.

High selling prices for milk and other commodities mean that farmers have more to spend in Wynnstay's agricultural stores. Bagged feed and animal health products sold well, while Wynnstay continues to build the digital operations. The division's operating profit increased from £3.4m to £4.28m.

Shore Capital expects full year pre-tax profit to improve from £11.5m to £15.4m, which suggests a small decline in the second half. It is sensible to be cautious. Next year, a pre-tax profit of £12m is forecast.

Customer delays stall Autins progress

Insulation materials *www.autins.com*

AUTINS GROUP (AUTG)			14.5p
12 MONTH CHANGE %	-35.6	MARKET CAP £M	7.9

Autins Group is still suffering from the effect of component shortages at its customers. This means that orders for acoustic insulation for vehicles have been delayed. It may take until the end of the year for the situation to start to normalise, but there are significant numbers of enquiries about business for future years.

In the six months to March 2022, revenues slumped by nearly one-third to £9.39m, and they were slightly lower than revenues in the second half of last year. German sales were hit later by the semiconductor shortages, and they fell sharply in the first half. Sales of the Neptune material did grow. The interim loss jumped from £20,000 to £1.39m. There was a £361,000 outflow from operating activities. Price increases and greater efficiency should help to offset cost increases.

The reality is that the second half will probably not be much better. The big concern is the financial position, given the cash outflows from the business. Capex has been kept to a minimum, but it is likely to rise to £500,000 over the next 12 months. However, cash headroom, including invoice finance is £5.14m. Even assuming a further cash outflow in the second half this should be enough for current requirements.

Electric vehicles provide significant potential for Autins. There have been £17m of enquiries for long-term automotive projects since the beginning of 2022 and the majority are for electric vehicles. Even if they are won these contracts may not make a significant contribution for a couple of years. There is capacity to service increased business levels.

Inspecs sees income growth

Eyewear supplier *www.inspecs.com*

Dividend

Eyewear designer and manufacturer Inspecs joined AIM on 27 February 2020. The original plan had been to pay a dividend in June 2020, but management decided it should be cautious because of Covid. The 2021 results were delayed by an accounting issue at US-based Tura, which was acquired at the end of 2020. A maiden dividend of 1.25p a share was announced with the figures.

A progressive dividend policy is promised, and the dividend could double to 2.5p a share this year. It would still be comfortably covered by forecast earnings.

Business

Inspecs was the penultimate new company to join AIM prior to the Covid-19 lockdown and it raised £23.5m at 195p a share. There was a fall in the share price just after flotation, but it has traded above the placing price since November 2020. The share price edged above 400p earlier this year, but a slump since then means that the shares have fallen by one-third during 2022.

There are four manufacturing sites and the company's eyewear is distributed in more than 80 countries. Lenses are made in Gloucester and the frame production sites are in China and Vietnam, where a second plant has been opened and a third is planned. Management plans another factory in Portugal. These two new plants could cost up to $14m.

Licensed brands include O'Neill, Nascar, Ted Baker, Mini and Superdry. In-house brands include Brendel, Humphrey's and Saville Row. A development collaboration has been signed with Bosch.

INSPECS (SPEC)	
Price (p)	257
Market cap £m	261
Historical yield	0.5%
Prospective yield	1%

In 2021, revenues were 420% ahead at $246.5m, mainly down to post-flotation acquisitions two of which contributed for a few weeks of the period. There was still 29% growth for the original business. Covid disruption continues in Vietnam and China, delaying some shipments.

There was a loss reported, but that masks the fact that £20m was generated from operating activities. The loss was down to impairment charges and adjusting the value of stock held by an acquisition. The errors in freight and other costs at Tura led to an additional charge of $1.3m. Underlying pre-tax profit was $17.9m. Net debt excluding leases is $32.7m.

First quarter sales are 12% ahead at $67.2m. Peel Hunt estimates that $3m came from acquisitions. Volume growth and higher prices are offsetting cost inflation.

Some people might delay getting new glasses, but this should be a resilient market. Sunglasses demand remains below previous levels.

On the day of the results, chief executive Robin Totterman acquired 34,482 shares at 290p each and the wife of finance director Christ Kay bought 8,000 shares at the same price. The following day senior independent director Christopher Hancock bought 2,500 shares at 259.9999p each.

A pre-tax profit of $24.7m is forecast for 2022, which puts the shares on 16 times prospective earnings. Increased capacity will help long-term growth.

Dividend news

Paper and specialist fibres maker **James Cropper** reported underlying pre-tax profit of £4m. In March, expectations were downgraded from £4.9m to £3.5m because of high gas prices. The paper making business is cyclical and made an increased loss. The TFP Hydrogen division, which makes products for fuel cells, accounts for around 30% of revenues and its operating profit before overheads increased from £6.48m to £8.68m. Group revenues are higher than pre-pandemic levels. James Cropper has reinstated the dividend with a 7.5p a share final dividend taking the total to 10p a share and it could be increased to 11p a share this year.

A positive trading update from footwear retailer **Shoe Zone** led to a 30% profit forecast upgrade by Zeus Capital. Revenues are in line with forecasts, while savings on rents and reducing freight costs have helped to improve margins. The pre-tax profit forecast has been raised from £6.5m to £8.5m, while the forecast dividend has also been increased by 30% to 6.8p a share. There has been no dividend for the past two years. Shoe Zone is expected to have cash of £15.3m at the end of 2022. Further growth will come from store rationalisation and greater online sales.

Insolvency litigation funder **Manolete Partners** expects that the rising level of insolvencies will provide additional potential cases. In the year to March 2022, revenues declined from £27.8m to £20.4m. The realised revenues fell more sharply from £24.4m to £15.2m, mainly due to a large case the previous year. Unrealised revenues increased from £3.41m to £5.2m. Pre-tax profit fell from £6.99m to £4.51m. Peel Hunt has reduced its pre-tax profit forecast for this year from £7m to £5m and downgraded its dividend expectations from 2.5p a share to 1.5p a share, which is still a two-thirds increase from 0.9p a share.

Expert view: Registrars

In a world of rising costs, keeping listings fees low has never been more important

By Falisha Wright

The entire economy is being buffeted right now by the cost of living crisis. Employees in a tight labour market are demanding higher wages, input costs are rising, and many shareholders continue to expect inflation-busting increases in dividends. We have've discussed the importance of keeping listing costs low to maximise shareholder value, but by all accounts, in 2022 this has never been more critical.

> Avenir doesn't charge CREST registrar traffic fees on a volume basis

The Avenir Registrars proposition differs from many legacy registrars because we built our systems from the ground up. We did this by working with a team of specialists who had years of experience in developing technology for Stock Exchanges and Central Counterparty Clearing Houses across the globe, along with former brokers who themselves understood first-hand the challenges faced when interacting with registrars on a day-to-day basis.

Automation

This insight means that the highest levels of automation have been included at every step of the journey, not only reducing staffing costs but also increasing transaction accuracy.

The high level of automation at Avenir has also enabled us to be innovative when it comes to our charging structures, using a fixed fee approach to ensure that issuers using our services have a clear understanding of what their costs will be over the course of a year, regardless of underlying market activity.

Perhaps most significantly is the fact Avenir doesn't charge CREST registrar traffic fees on a volume basis, something which a number of our clients, especially amongst those issuers with smaller market capitalisations, have told us is greatly appreciated. This approach removes the risk of unexpected – and unwanted – invoices being received simply because of an unexplained spike in trading activity, which all too often leads to little net improvement in the underlying value of the stock.

CSDR

And whilst some additional costs may be incurred in the event significant levels of certificated transactions are requested, our system was always built on an electronic-certificate first basis. That's something which is soon to be compulsory for our Irish issuers with the implementation of the final phase of the Central Securities Depositories Regulation (CSDR) and subject to the legislative agenda, could well be mandated for UK, Jersey and the Isle of Man companies in the future, too.

Interestingly companies incorporated in Guernsey already have scope of issuing electronic records in place of certificates. Maintenance of holder certificates remains a significant and unnecessary cost for companies in the 21st century.

Rising interest rates mean the ongoing competition for capital will only get more intense, as lower risk, fixed income options become that bit more attractive. Ensuring that costs are minimised wherever possible for listed companies can only therefore be seen as that much more relevant.

As we have noted before the financial headwinds facing companies who want to maintain a public market listing continue to grow, but at Avenir we're proud to be supporting issuers throughout the life cycle of a securities issuance and doing so in a way that helps them maximise shareholder value in return.

FALISHA WRIGHT, Business Development Executive, Avenir Registrars (www.avenir-registrars.co.uk).

In April 2022, Falisha Wright joined Avenir Registrars as a Business Development Executive. Having previously worked with Link Group, Falisha has brought with her an in-depth knowledge of registrar operations, customer needs and the importance of managing client expectations. Falisha is taking a key role in new client recruitment and the subsequent onboarding processes, and is also a mother to five beautiful young children.

Getting advertisers in position for the ending of third-party cookies

Google is set to end the use of third-party cookies next year, which means that digital advertising will be changing over the rest of the decade. This will provide opportunities for some AIM companies.

The phasing out of third-party cookies is changing the digital advertising industry. It has taken longer than anticipated and Google still has to come into line. A move towards more data and online privacy has led to a backlash to cookies. This phasing out of cookies means that there need to be other ways that customers can be targeted online.

Cookies are used to track online activity and tailor advertising to the individual – although this is based on the computer, which can be used by more than one person. In the past the data might be sold on to advertisers.

The definition of a cookie is a text file created by a website that is stored in the user's computer either temporarily for one session or permanently on the hard disc. They enable a website to recognise the user and keep track of preferences.

The use of third-party cookies goes back to the mid-1990s. Some people believe that cookies were not designed for the tasks they undertake. Research by Cookiebot CMP by Usercentrics, shows one-third of third-party cookies are set prior to the consent of the individual and around two-thirds transfer data to non-EU countries.

European GDPR legislation regulates the use of personal data and other legislation around the world is taking a similar route.

Apple Inc's iOS 15 operating system update last year added privacy features and altered what data third parties can collect. The Safari web browser does not allow third-party cookies conducting cross-site tracking.

Google has been slower than expected but it is set to phase out support for third-party cookies in 2023. It was originally expected to happen this year. It is estimated that Google accounted for 91% of US searches in January 2021, so it has a dominant market share meaning that the full force of the trend to ending cookies will be felt next year. Google has also abandoned its cookie replacement FloC (Federated Learning of Cohorts) and plans to replace it with something less extensive.

> The global advertising market is valued at $780bn and 64% of spending is digital

The global advertising market is valued at $780bn and 64% of it is already digital, according to eMarketer. This gives some indication of the potential opportunities because advertisers need to adapt to the new world. They will have to find out what works for them, but contextual analysis will be important.

Contextual targeting matches the content of a webpage with the content of an advert. In part, this is going back to a pre-cookie world when demographics were combined with context.

It has been estimated that the programmatic advertising market, outside of the large platforms, such as Facebook, could be worth $76bn a year and it is set to grow rapidly. That is the potential for contextual targeting. The current share of that market is up to 3%.

There are AIM companies providing ways of targeting customers and providing data to ensure that spending is not wasted.

Silver Bullet Data Services

4D is a product that has been developed by Silver Bullet Data as an alternative to cookies that remains in line with current and likely regulations. It can be used to target consumers by judging the context of content on a website to decide whether it is an appropriate place for an advert.

> The addressable advertising market for contextual services could be worth $76bn a year

A cloud-based service, 4D uses natural language processing and the company's own algorithms to produce a suitability score for a potential advertising platform. This measures three pillars – safety, suitability and relevance. Combined with real-time data this produces an overall score and if it is high enough then a bid is placed for advertising on the site. This ensures that brands are not advertised on inappropriate websites or webpages.

The big selling point for 4D is that the main competitors can only analyse text, whereas 4D can analyse text and video. That will become increasingly important. 4D clients already include AX, P&G and VW, as well as agencies such as Publicis.This should be a scalable model with repeat business from advertisers.

The problem for Silver Bullet Data has been the slow take up of 4D services, partly due to Google's delays. Advertisers will have to start making decisions on how they move ahead with their advertising strategies, though.

Silver Bullet Data joined AIM one year ago at 257p a share and the share price has subsequently fallen to 92.5p because of the disappointing progress. 4D contributed £207,000 of Silver Bullet Data group revenues of £3.81m in 2021. Total revenues are forecast to increase to £6.33m, a downgrade from £10.5m. Most of the shortfall is down to 4D, which is expected to contribute £1.32m – less than one-quarter of previous expectations. The company will remain loss-making.

If forecasts are accurate, then 4D revenues could quadruple in 2023, but it is difficult to forecast. What is certain is that they should grow rapidly.

Dianomi

Targeted digital advertising services provider Dianomi also joined AIM last year. Just like Silver Bullet Data, Dianomi targets advertising on behalf of financial services clients, such as Baillie Gifford and Invesco, via publishers that include the Wall Street Journal, Reuters and Bloomberg. There has also been a move into the lifestyle market and the first revenues were generated last year.

Dianomi has developed Ad Algorithm which places adverts on websites based on the analysis of the performance of previous adverts. This means that the company is not reliant on third party data. The advertisers are able to track the performance of campaigns and also manage them if they want to.

Dianomi has built up a strong market position in a fast-growing market. Mobile dominates the revenues generated, but video more than doubled its contribution last year. Dianomi has a good record of providing higher returns on ad spend than traditional non-contextual advertising, yet it has hardly scratched the surface of its potential market.

Silver Bullet Data's new contextual advertising service 4D can analyse text and video

D4T4 Solutions

D4T4 Solutions has developed software called Celebrus, which enables first-party, real-time, data capture and contextualisation.

Celebrus CDP is used in cloud data platform Teradata Vantage to enable enterprises to identify and collect customer interactions and understand customer behaviour and insights. The Teradata analytics engine processes the digital interaction and experience data to come up with behavioural insights while the user is still online.

Teradata Vantage was named as a market leader by IDC MarketScape: Worldwide Customer Data Platforms (CDPs) Focused on Data and Marketing Operations Vendor Assessment. This is an indication that it is a top choice in this area and should help to sell the software platform.

Just like other technology companies the D4T4 share price has declined in 2022. D4T4 is not going to depend on the ending of cookies, so the upside is less than for the more focused digital advertising services providers.

Ebquity

Ebiquity provides independent media analysis and is an international business. The company works for the majority of the top 100 advertisers in the world and helps them to spend their advertising funds more efficiently. This puts Ebiquity in a strong position to benefit from the ending of support for third-party cookies because its expertise will be required by the advertisers.

In 2021, Ebiquity revenues improved from £55.9m to £63.1m and it returned to profit. Digital services revenues increased to 29% of the total.

Since then, two acquisitions have been made. MediaPath Network provides performance measurement and benchmarking services for multi-national advertisers, such as Heineken and H&M. US media audit company Media Management doubled pro forma US revenues - a region where Ebiquity was underrepresented.

The digital media solutions division has developed productised services and is growing faster than expected. There were 28 clients that have bought more than one of these products. There were 639 billion impressions of digital advertising monitored in 2021. That advertising has a value of £3.03bn.

CentralNic

Forecasts for domain name and online marketing services provider CentralNic have been upgraded more than once this year. The motor behind the growth is the online marketing division, which does not use cookies. A change in the mix of its revenues means that gross margins declined, but the additional volumes more than make up for that.

The online marketing division has grown via acquisition over the past two years and is a major force in high-conversion traffic generation and it is taking market share. Organic growth was 83% in the first quarter of 2022. This is before Google stops supporting cookies, which should further boost demand.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	24.3	16.4
Industrials	17.5	16.7
Technology	12.4	12.3
Health Care	11.9	10.7
Energy	9.7	11.2
Financials	9.6	11.4
Basic materials	7.8	15.1
Property	4	2.7
Telecoms	1.5	1.8
Utilities	1.2	1.1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	876.22	-30.4
FTSE AIM 50	4748.78	-29.3
FTSE AIM 100	4161.75	-32.8
FTSE Fledgling	12096.29	-6.9
FTSE Small Cap	6234.37	-15.3
FTSE All-Share	3940.9	-3
FTSE 100	7169.28	+0.6

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	80
£5m-£10m	92
£10m-£25m	162
£25m-£50m	118
£50m-£100m	139
£100m-£250m	132
£250m+	117

KEY AIM STATISTICS

Total number of AIM	840
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£116.9bn
Total of new money raised	£131.3bn
Total raised by new issues	£47.8bn
Total raised by secondary issues	£83.5bn
Share turnover value (May 2022)	£35.1bn
Number of bargains (May 2022)	7.38m
Shares traded (May 2022)	297.4bn
Transfers to the official list	195

TOP 5 RISERS OVER 30 DAYS

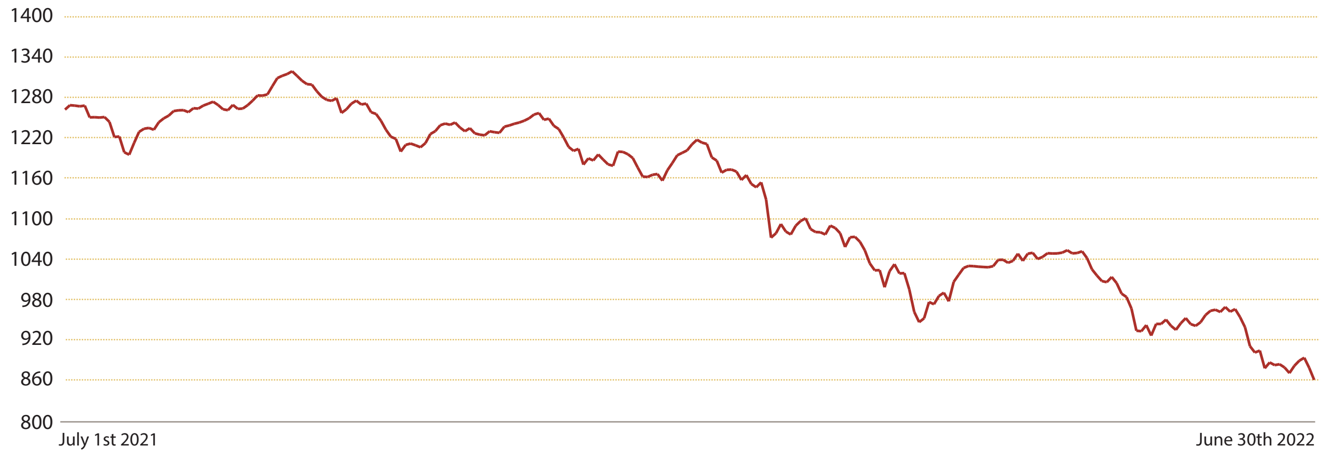
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
IG Design	Consumer	85	+82.4
Inspirit Energy Holdings	Cleantech	0.06	;+60
BowLeven	Oil and gas	3.8	;+52
Kinovo	Support services	15.25	+49.5
EMIS	Software	1864	+43.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Clontarf Energy	Oil and gas	0.065	-84
Tekmar Group	Support services	6.3	-83.2
Actual Experience	Digital services	2.75	-72.5
eve Sleep	Consumer	0.65	-60.6
Cornerstone FS	Financials	8.5	-58.5

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th June 2022, and we cannot accept responsibility for their accuracy.

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.

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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