SEPTEMBER 2024

AIM JOURNAL
THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Poor summer for AIM

AIM continues to lag behind the Main Market this year. The junior market has declined by 2% since the beginning of 2024, although the FTSE AIM UK 50 index has performed better and is less than 1% lower. In contrast, all the major measures of the Main Market are higher with the FTSE SmallCap index 6.5% higher – a similar increase to the FTSE 100.

That is partly due to a disappointing performance in the past month. There have been some poor trading statements. Ticketing company accesso Technology downgraded full year guidance for revenues from at least $160m to a range of $150m-$153m. New projects were delayed and milestone payments not recognised. Trading volumes were weak during July.

In early September, one of the largest AIM companies Next Fifteen Group reported that its subsidiary Mach49's largest customer has not renewed its three-year contract. This was expected to contribute more than £80m to 2025-26 revenues to the marketing services group. That is one-eighth of forecast revenues. It will also hit the second half of the year to January 2025 and full year profit will be well below expectations.

The September results season will provide an important indication of trading for AIM companies and their prospects. If there is enough positive news it will help the market and might even entice some cautious companies to float.

Reset Health considers AIM

Reset Health is reportedly considering floating on AIM and has appointed Shore Capital to advise it. The core business is Roczen, which cares for people with debilitating chronic diseases. The company is seeking to raise £15m and could be valued at £60m.

The Roczen platform enables progress tracking, messaging, online learning and video. There are operations in the UK, Caribbean and Asia. Professor Barbara McGowan is the chief medical officer.

Resort Health director Dr David Wong is the largest shareholder. He has been involved in other companies joining the London markets, including healthcare investment firm Medisys, which became MDY Healthcare, TripleArc, which was acquired by office2office in 2008, Galleon and Freshbake. Both MDY Healthcare and Galleon left AIM and were dissolved. He is currently chairman of investment holding company MCM Capital.

The latest accounts for Reset Health Ltd, which changed its name from Reset Health Clinics, are for the year to March 2023. There is no income statement and NAV was £1.99m, including cash of £427,000. Dr David Wong had lent Reset Health nearly £420,000 at the end of March 2023. There have been further fundraisings since then.

In this issue

Deal enhances Facilities by ADF

Facilities by ADF was hit by the recent Hollywood strikes that led to many TV and film productions stopping filming for their duration thereby reducing demand for the trailers and services provided by the company. Demand is getting back to former levels with clients including Netflix, the BBC and Disney. On top of this the acquisition of a complimentary TV and film equipment services business will be significantly earnings enhancing.

Cavendish has increased its earnings forecast for 2025 by 12% to 9.7p/share following the purchase. However, the share price is barely above the original placing price at the beginning of 2022.

Autotrak Portable Roadways hires portable roadways to film and TV sets. This also diversifies the client base into outdoor events, such as Wimbledon and Ascot.

The initial payment is £13.1m in cash and shares. Up to £8.2m of additional contingent and earn out consideration is payable depending on how much EBITDA is above £4.4m in each of the three years up until 2027.

Facilities by ADF raised £10m at 50p/share to fund the acquisition and raised the full £500,000 asked for in the retail offer. That indicates the demand for the shares.

In 2024, revenues are expected to recover from £34.8m to £48.6m and with more longer running film shoots in the mix pre-tax profit should jump from £900,000 to £5.5m. That is back to the level in 2021. A full contribution from the latest acquisition means that 2025 pre-tax profit could reach £12.1m.

At 52.5p, the prospective multiple for 2025 is well under six, while the forecast 2025 yield is nearly 5%.

ReNeuron exit

ReNeuron Group administrator Cork Gully believes that discussions with creditors to clarify the financial solvency of the stem cell exosome technology company could lead to an exit from the administration that commenced in March. Wales-based ReNeuron was seeking new investors to provide cash but has decided against a highly dilutive fundraising. Instead, Reneuron left AIM on 2 September, although trading in the shares had been suspended since 5 February. Assuming the discussions with creditors are successful, ReNeuron would exit administration after re-registering as a private company. The business would become a slimmed down intellectual property and technology licensing operation that could unlock the value in the assets. An exit could then be secured. There will be news on the website (www.reneuron.com).

Problems with proxy advisers

Research commissioned by the Quoted Companies Alliance (QCA) shows that companies are unhappy with proxy advisers and the accuracy of their reports. More than two-thirds believe that proxy advisers have too much influence. The QCA identifies five problems.

Proxy advisers provide research and advisory services for institutional shareholders. The coverage includes corporate governance and executive pay. The information provided is designed to help the shareholder make voting decisions when there is an annual general meeting (AGM). Institutional Shareholder Services and Glass Lewis are the two dominant firms. They may have around 90% combined market share. There are also smaller UK-focused firms.

The first problem is excess, which relates to proxy advisers assessing AIM companies by the same standard as smaller Main Market companies. They also sometimes set their own standards. The second problem is inconsistency. There are occasions when investors are advised to vote against a pay policy for a UK company, but not a US one.

The third problem is inflexibility. The advice does not always take into account the difference between companies. The fourth problem is conflicts. The proxy advisers will sometimes try to sell reports on diversity and sustainability to individual companies and that could conflict with the advice given to the institutions.

The fifth problem is unresponsiveness. There is no requirement for the proxy adviser to contact the company. More than three-quarters of companies that questioned proxy advisers about a voting recommendation for their AGM found them to be unresponsive. They also tend to be unresponsive at other times. This can lead to additional time being required to correct misunderstandings and it can hamper the share price.

VSA Capital links with Drakewood

VSA Capital announced a strategic partnership with Drakewood Capital Management. The deal covers commodities trading, fund management and investment banking. This should help the Aquis-quoted broker to provide a broader service for junior mining companies, which is already an area of expertise.

Drakewood is a specialist metals manager with operations in London, New York and Singapore. It was founded by David Lilley and manages the Drakewood Prospect Fund and Resource Investment Fund. In the year to December 2023, revenues were £12.8m, while pre-tax profit was £2.87m. The income comes from fees from the funds and managed accounts. Net assets were £7.71m, including cash of £5.93m – after paying dividends of £637,000.

Drakewood is subscribing £405,000 for VSA Capital shares at 9p each and that was a 50% premium over the market price when the announcement was published. Mark Thompson has been appointed to the VSA board as the new shareholder's representative. He is a former director of First Tin and Tungsten West.

Drakewood and six VSA Capital directors and senior managers have been granted warrants. Drakewood has been issued 1.75 million warrants exercisable at 2.33p each. They last until the end of February 2027.

VSA chief executive Andrew Monk intends to enter into a deal with Drakewood that would give it an option to acquire his shares, warrants and options in VSA. If he leaves the company, then Drakewood will be able to acquire his stake at NAV plus 20% for a six-month period.

■ **WH Ireland** reported a £5.53m loss on discontinued operations after tax for the year to March 2024. This is the capital markets division sold to Zeus for up to £5m on 15 July. The deal reduced working capital requirements.

Pro forma results of the ongoing wealth management division show an underlying loss of £600,000 on revenues of £11.9m. Net assets, including assets held for sale, were £14.3m at the end of March 2024, including cash of £4.9m. Total assets under management fell from £1.4bn to £1.2bn over the latest 12-month period.

There will be reductions in central costs, which will help WH Ireland return to profitability. Management is assessing opportunities to grow the wealth management operations.

Worsley Investors has taken a 4.05% shareholding in WH Ireland. This makes it the fifth largest shareholder.

■ **Oberon Investments** raised £2.5m via an oversubscribed placing at 3.5p/share and that will help to accelerate growth. It will also provide working capital. There was £2m in the bank at the end of March 2024.

First quarter revenues increased by 90% to £2.54m and there was growth in all the divisions. Like-for-like growth of more than 30% is being targeted for the full year. Management believes that there are signs of potential improvement in the market.

ADVISER CHANGES - AUGUST 2024

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Metals One	SI Capital / Capital Plus Partners	SI Capital / Capital Plus Partners / Shard Capital / Fortified Securities	Beaumont Cornish	Beaumont Cornish	8/1/2024
Windar Photonics	Dowgate	WH Ireland	Grant Thornton	Grant Thornton	8/1/2024
Pebble Group	Panmure Liberum	Berenberg	Panmure Liberum	Grant Thornton	8/8/2024
Engage XR	Cavendish	Cavendish / Shard Capital	Cavendish	Cavendish	8/9/2024
Gamma Communications	Peel Hunt /	Investec	Peel Hunt	Investec	8/15/2024
ECR Minerals	Axis Capital / SI Capital	Axis Capital / SI Capital	Allenby	WH Ireland	8/19/2024
Renalytix	Oberon / Investec / Stifel Nicolaus	Investec / Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	8/21/2024
Personal Group Holdings	Canaccord Genuity	Cavendish	Canaccord Genuity	Cavendish	8/27/2024
Renalytix	Oberon / Stifel Nicolaus	Investec / Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	8/31/2024

Somero hampered by concrete shortages and poor weather in North America

Concrete levelling equipment *www.somero.com*

North America still dominates revenues at **Somero Enterprises** even though the concrete levelling equipment supplier is an international business. Construction projects were hampered by problems with the supply of concrete and bad weather in the US and that hit the first half figures. It does not appear that there will be much improvement in the second half.

A shortage of drivers meant that it was difficult for builders to obtain concrete when required, and the uncertainty led to construction project starts being delayed. The current level of interest rates has also held back the construction sector in the US. In contrast,

The DCB problem is over

Europe was steady despite the tough markets in many countries. Elsewhere, there was a mixed performance with Australia also hit by bad weather and income was well below the bumper figure in the first half of 2023.

In the six months to June 2024, revenues fell from $58.9m to $51.8m and underlying pre-tax profit dipped from $16.4m to $11.3m. The interim dividend is 8p/share.

Cavendish had already trimmed its forecast prior to the interims, and it expects a fall in pre-tax profit from $34.9m to $28.2m. That has

SOMERO ENTERPRISES INC (SOM)			290p
12 MONTH CHANGE %	+2.8	MARKET CAP £M	159.5

a knock-on effect on the dividend. That is expected to be 23.6 cents/share this year with no special dividend anticipated. Even so, the cash position remains strong with net cash of $27.1m forecast for the end of 2024.

The prospective multiple is less than eleven and the yield is around 6%. It is still early days, but this could mark the bottom for Somero Enterprises and there should be a recovery over the next two years. Given that and the cash generative nature of the business, the valuation appears modest.

Tribal concentrates on growing software income

Education services *www.tribalgroup.com*

Tribal Group has sorted out its dispute with the Nanyang Technological University. Although it is paying £3.1m in final settlement this is positive. The latest figures were held back by the lapsed takeover bid of 74p/share last year. Now both these things are behind the company it can concentrate on growth.

In the six months to June 2024, revenues edged up from £43.4m to £44.9m. Annual recurring revenues were steady at £54.4m. Even excluding exceptional charges, pre-tax profit still fell from £6.1m to £4.4m. Net debt was £10m at the end of June 2024. There is an

TRIBAL GROUP (TRB)			54p
12 MONTH CHANGE %	+18.7	MARKET CAP £M	115.2

interim dividend of 0.65p/share.

The main growth was in the core education administration software operations, but both divisions reported a lower profit contribution. Although the bid lapsed at the end of 2023 there have been continuing delays in new business, which appears to be coming to an end. There have been existing customers switching to the cloud-based services and further opportunities to upsell these services. Software development spending is reducing as the investment level has peaked.

Education services has been rebranded Etio and the focus is on growing in the UK and in core international markets. Strategic options will be assessed in a couple of years.

Singer forecasts a small dip in full year pre-tax profit from £10.7m to £10.4m on flat revenues of £85.8m and is not expecting an immediate improvement in profit next year. Uncertainty about the spending of universities and colleges is leading to the cautious forecasting. The shares are trading on less than 14 times prospective earnings.

Empresaria restructures ahead of potential medium-term recruitment sector recovery

Recruitment *www.empresaria.com*

EMPRESARIA (EMR)			37.5p
12 MONTH CHANGE %	-7.4	MARKET CAP £M	18.4

Staffing company **Empresaria** is not immune to the recruitment sector downturn. There was further disappointment in the latest interims. The overall group is being simplified with non-core businesses closed or sold. Empresaria is focusing on the most attractive markets.

The international nature of the business and the spread of sectors help to diversify income. The core sectors are IT, healthcare, professional and aviation. There is also an offshore services business. Stronger sectors can offset downturns elsewhere. Temporary and contract business has held up but there has been a slump in permanent income.

There was a tough first half with like-for-like net fee income

It was a tough first half

15% lower, partly due to currency movements. Even the offshore business reported a decline because of a fall in UK healthcare business volumes. This had been growing strongly in recent years.

In the first half of 2024, underlying pre-tax profit slipped from £500,000 to £200,000. There were bad debts. First half costs were cut by £2.3m. Net debt was £13.5m at the end of June 2024.

There should be a return to profit in the Asia Pacific and Americas regions for the whole year. The UK and Europe profit should recover. However, the operating profit from offshore services is set to fall from £7.5m to £5.3m.

Pre-tax profit is forecast to rise from £3.5m to £4m this year, which is a reduction from the previous forecast of £4.3m. An unchanged dividend of 1p/share is forecast. Net debt could rise to £15.5m, which leaves headroom in the facilities of more than £8m.

Cavendish expects this profit to be maintained in 2025. That assumes that limited improvement in net fee income will be offset by an increase in operating costs. The shares are trading on 25 times prospective earnings.

Early pawn redemptions slow H&T profit growth

Pawnbroker *www.handt.co.uk*

H&T (HAT)			385p
12 MONTH CHANGE %	-5.6	MARKET CAP £M	167

H&T reported continued growth in pawnbroking, although higher than expected redemptions hit revenues. There were also improved performances in retail and foreign exchange. Gold purchasing and scrap is benefiting from the high gold price.

In the six months to June 2024, pre-tax profit was 13% higher at £9.9m. Net debt is expected to reach £47.2m by the end of 2024. A new £85m debt facility means that H&T has all the cash it requires to expand the business, even after the £11.3m paid for the acquisition of Maxcroft Securities. Essex-based Maxcroft provides working capital to the self-employed and small businesses. This broadens the potential market for the group.

From now on, pawnbroking scrap will be reported with the pawnbroking division. The year-end will be changed to September from 2025 onwards.

There was a trimming of 2024 pre-tax profit forecast from £33.5m to £29.5m due to a reduction in pawnbroking revenues after the earlier redemptions. That is still an improvement on the 2023 pre-tax profit of £26.4m. There is also a reduction in the forecast dividend to 18p/share. This is not the first downgrade of the year with wage rises hitting earlier forecasts. That is why the share price has declined.

However, the share price is below the NAV of 416p/share, which is expected to grow to 442p/share by the end of the year. The shares are trading on less than eight times forecast earnings and the yield is more than 4.5%. Despite downgrades, there is likely to be steady growth in profit over the coming years.

Former shell Earnz takes its first step on building UK energy services business

Energy services *www.earnzplc.com*

EARNZ (EARN)			7.35p
12 MONTH CHANGE %	-90.2	MARKET CAP £M	7.5

Earnz was previously Verditek and the original businesses were jettisoned turning the company into a shell. The new strategy is to buy energy efficiency businesses. Earnz chair Bob Holt had the same role at Sureserve, which was also involved in energy efficiency services, so he knows the market. Earnz has two other executive directors that have worked with Bob Holt at other AIM companies. The two initial acquisitions have been achieved in time to prevent a share suspension.

Earnz bought energy services companies Cosgrove & Drew, which provides public sector project work and compliance services for heating and plumbing, and heating installation and maintenance services provider South West Heating Services. Earnz chair Bob Holt had a stake in Cosgrove & Drew.

Bob Holt's latest vehicle

Cosgrove & Drew will cost up to £1.96m. The initial consideration is £410,000 in cash and £320,000 in shares. Deferred consideration will be satisfied in shares and is subject to EBITDA being above £500,000 each year until the maximum consideration is paid. Bob Holt will receive three million shares through capitalisation of £225,000 of a loan, with the other £225,000 not repayable until the beginning of 2027.

South West Heating Services will cost up to £1.15m. The initial cost is £500,000 in cash and £350,000 in shares. The other £300,000 is dependent on the achievement of minimum levels of EBITDA in each of the next two years.

Earnz raised £2.05m at 7.5p/share to fund deal expenses of £1.3m and provide working capital. Pro forma group net assets are £4.3m, including intangible assets of £2.9m, with pro forma cash of £2.74m. Additional acquisitions should provide further cross-selling opportunities and broaden geographic coverage. There will be much more corporate activity over the coming years as the business is built up.

Windward set to continue to outperform expectations

Maritime technology *www.windward.ai*

WINDWARD (WNWD)			137.5p
12 MONTH CHANGE %	+189	MARKET CAP £M	121.9

Maritime technology services provider **Windward** generated organic growth of more than 30% in the first half with a reduction in churn from levels that were already low. Annualised recurring revenues (ARR) reached $37.2m at the end of June 2024. Reported interim revenues were $17.6m and the ARR covers the rest of the expected revenues for this year.

Windward recently launched Generative AI chatbot Maritime AI, which makes it easier and more efficient for companies to gain information and data on individual ships. It uses the data that Windward has collated over many years.

The net cash position should be $16m at the end of the year, even though it was lower in June due to seasonality. Canaccord Genuity maintained its forecast for this year. Revenues should increase from $28.3m to $36.2m and the pre-tax loss will more than halve to $2.9m.

Revenues could rise to $43.5m next year and the loss should be minimal, and cash could be generated for the year. In the past year, the forecasts have been cautious and there has been room for upgrades as the year progresses.

Maritime Invest Scandinavia has sold its 5.73% stake and West Elk Capital bought 4.99%. The share price has strengthened since that share sale. The valuation is just over three times annualised recurring revenues, which continue to grow. Those recurring revenues, with a low churn, are highly valuable. When breakeven is passed a large proportion of additional revenues will fall through to profit and increase cash.

Toy supplier Character Group rebuilds dividend

Toys and hobbies *www.thecharacter.com*

Dividend

Character Group has been a consistent dividend payer both before and after its move to AIM from the Main Market on 30 December 2005. Dividend payments go back to 1995 when 1.63p/share was paid. Prior to switching to AIM the total dividend was 2p/share. The dividend peaked at 26p/share in 2018-19 before falling to 5p/share the following year. The dividend level has recovered since then.

This year's dividend is set to be maintained at 19p/share. That is still covered nearly 1.4 times by forecast earnings. In June, Character Group completed a £2m share buyback programme.

Business

New Malden-based Character Group is a manufacturer and distributor of toys, games and hobby products. This includes products based on film, TV and comic characters that are produced under licence.

The manufacturing is outsourced predominantly to China. This means that purchases tend to be in US dollars and the currency risk is hedged. The main distribution warehouse is in Oldham. There are also operations in Hong Kong, China and Scandinavia.

The customer base is major toys and hobbies retailers and independent stores. One of the top performing brands is Goo Jit Zu, which are squishy and stretchy figures, and Character Group has the licence for Teenage Mutant Ninja Turtles products. There are also Peppa Pig, Dr Who and Teletubbies toys.

One of the important factors in the toys sector is having a suitable level of stock. That is difficult to assess. A new film may not be as successful as hoped and the toy range may not sell. Revenues have tended to be volatile. An experienced management team helps to negotiate these pitfalls, but it will not get it right all the time. The market has been tough in recent years and the Character Group performance is starting to improve.

CHARACTER GROUP (CCT)	
Price (p)	284
Market cap £m	53
Historical yield	6.7%
Prospective yield	6.7%

In the six months to February 2024, Character Group reported flat revenues of £57.6m but selling and distribution costs were lower. A greater proportion of sales through influencers helped to reduce advertising costs. Pre-tax profit more than quadrupled from £500,000 to £2.1m.

Henry Spain Investments has been building up a stake and it has reached 23%. Finance director Kiran Shah is the second largest shareholder with 10.2%.

Following the latest interims, the full year pre-tax profit forecast was raised from £6m to £6.6m, which is higher than the 2022-23 figure of £5.2m. It is still well below the profit levels in previous years. Back in 2016-17, underlying pre-tax profit peaked at more than £13m.

Net cash is expected to be £9.6m at the end of August 2024. The shares are trading on eleven times forecast earnings. Because sales can depend on changing fashions and new products it is difficult to forecast long-term prospects and there is no 2024-25 estimate. The yield is attractive.

Dividend news

Hotel, catering and workwear rental services provider **Johnson Service Group** increased its interim dividend by 44% to 1.3p/share on the back of a rise in pre-tax profit from £13.5m to £18.7m as margins continue to improve. Workwear was flat, but the other division continues to recover. The Crawley facility will open before the end of the year and newly acquired Empire Linen Services will make a contribution. Empire cost £20.6m and year-end net debt is set to be £105m. A 2024 pre-tax profit of £54m, up from £37.6m, and a total dividend of 3.76p/share is forecast. The 2025 dividend could rise by one-fifth to 4.5p/share.

Building products manufacturer **Alumasc** beat expectations for the year to June 2024 with pre-tax profit rising from £11.2m to £13m on revenues 13% ahead at £100.7m. Some of the improvement came from a maiden contribution from the ARP acquisitions, but the water management division still generated organic growth of 7%. New products and exports also contributed to growth. The Timloc housebuilding products division did particularly well, considering the weak sector. The dividend was raised to 10.75p/share. A 2024-25 profit improvement to £14.2m is forecast, helped by cost savings from the closure of the Dover facility, with a total dividend of 11p/share.

Michelmersh Brick could not buck the weak construction market for ever and first half volumes and prices declined. The brick manufacturer reported a 16% slump in revenues to £35.4m, leading to a 22% dip in pre-tax profit to £5.3m. Net cash fell to £4.1m because of higher inventories. Even so, the dividend was raised 7% to 1.6p/share and is set to continue to steadily increase over the coming years. There is unlikely to be a recovery in profit in the second half and Investec cut its 2024 profit forecast from £12.6m to £9.9m, with a recovery to £12m in 2025.

Expert view: Registrars

Avenir's work in debt securities registry - a client's view

By Hardeep Tamana

Whilst Avenir may be best known as an equity registrar, we also undertake a significant volume of work in debt markets. Indeed, our Irish operating division is the largest domestic CSD debt securities registrar in the country, whilst we also have a major operation for UK-based issuers, too.

And whilst we may finally be seeing the early signs of a thaw for the IPO market - which has appeared somewhat frozen for the last three years – debt issuance can provide an alternative and highly flexible route to capital for many companies.

We spoke to John Ferguson, Chairman of Audacia Capital (Ireland) PLC, one of our debt securities clients, to get his view on why Avenir Registrars excels in this field.

Q: What stands out to you about the Avenir proposition?

A: We have had a close relationship with Avenir since 2018 and what impresses us most is the client centric approach that Avenir has. The Team are knowledgeable and professional but also have the can-do approach and are willing to offer help, think outside the box and genuinely "assist" - something that is rare to find these days.

Q: What one key point do equity issuers overlook when it comes to debt markets?

A: We found with previous Registrar service providers that they tried to operate the Debt Issuances in the same way as the Equity Issuance and could only operate one dimensionally. With Avenir, Hardeep and his team operate a very tailored approach and the service we receive is bespoke to our needs.

Q: You mentioned Avenir keeping abreast of current trends. Are there any notable innovations?

A: Following BREXIT, Avenir were ahead of the curve when it came to migrating to Euroclear and made what could have been difficult very smooth through their use of technology and innovation. More recently the changes to the laws surrounding CSDR were conveyed to us in very understandable language, and Avenir have shown real innovation in delivery of a Digitised platform where Noteholders have access to all their information, and dematerialised contracts. The ability to switch between a direct registration system record and Euroclear and settle outside of Euroclear is extremely attractive and commercially beneficial to us and our clients.

Q: Debt issuance has remained active in recent years as equity markets have stagnated. Will this pattern now reverse?

A: We believe there is always a place for Debt Securities. Economies operate and grow on Debt, almost every business & government use debt on a daily basis, and with interest rates going back down savers will turn again to good quality corporate debt instruments to get yield. The benefits to most businesses of using debt versus equity or bank loans are numerous - non dilution of shareholding, less restrictions on use of funds, in many cases the interest is tax deductible, and showing as an asset rather than a liability on a balance sheet are just a few. So, we expect Debt Issuance to remain buoyant.

The benefits to most businesses of using debt versus equity or bank loans are numerous

What impresses us most is the client centric approach that Avenir has

About Audacia Capital

Audacia Capital is an issuer of Corporate Bonds. A BBB rated Issuer listed on Euronext Dublin they list bonds for businesses of all sizes. Bonds can be an ideal solution for Businesses looking to acquire funding without giving away equity. The funding can be for general growth, or to fund specific projects. Audacia are the Issuer only and have no involvement in the investment management, promotion or distribution of the bonds. Audacia manages the whole bond mechanism including trades and coupons through a series of relationships with professional services providers, including Avenir. https://audaciaplc.com.

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

Are there reasons for optimism for the AIM mining sector?

The AIM mining sector has failed to follow the trajectory of the gold price and remains in the doldrums. Is there any likelihood that will change?

Will AIM get its mojo back in the fourth quarter of this year?

At the moment, there are mixed signals on that.

After all, AIM's performance so far this year has been muted. In the first six months of 2024 there were just ten new listings, and only one – European Green Transition – in the formerly ebullient mining space. On the closest comparable market, the Canadian Venture Exchange, there were 25 new mining listings.

On the other hand, the money raised in conjunction with these new issues on AIM amounted to £240m, which outdid the TSX-V's C$3 million by a country mile. The Venture Exchange raised much more money overall, when secondary listings are included, and in fairness, both markets are struggling - in large part because mining and commodities are in the doldrums.

Autumn prospects

Not surprisingly, then, summer has also been slow, and the number of companies listed on AIM has dropped to a twenty-year low.

But now, as we head into autumn, there are some grounds for optimism.

In mining and commodities there is a growing sense that sector re-ratings are on the way. Yes, commodities prices, excluding gold and silver, are subdued, for now.

But gold is, and always has been, the trailblazer for the broader mining sector.

And this summer, we've seen a startling new milestone passed in the gold sector. For the first time ever, a bar of gold is worth a cool US$1 million. Gold bars typically weigh about 400 ounces, and with gold now fully consolidated above the US$2,500 mark, that takes the value of a bar over US$1 million.

Investors looking for high-risk, high-reward opportunities now have many more options

Why haven't gold equities reacted to this unprecedented strength?

Well, there are two schools of thought.

First - quite simply - they will, in the end.

Research

Commodity research analysts Leigh Goehring and Adam Rozencwajg recently took a look back over previous bear markets and concluded that, unlike the lean periods that began in 1929 and 1999, when recovery was sharp, the current cycle resembles a period that began in the mid-1950s, in which the period from downturn to bottom took much longer.

And any punters looking to bargain hunt on this thesis should take comfort from a further conclusion that Goehring and Rozencwajg reach: in these circumstances, getting in too early doesn't really do any harm.

The recovery is coming, they argue, and there will be money to be made.

A second school of thought strikes a somewhat more pessimistic note. The argument against gold equities making any kind of move, in the fourth quarter, and by extension the broader mining sector goes like this: the junior market just isn't the same place any more. For one thing, AIM has become over-regulated and restrictive, the pessimists argue, which goes against the very reasons it was set up in the first place.

Any aspiration that AIM might become the new NASDAQ died decades ago, but there has been until recently an understanding that it still ought to be a market unburdened by regulation, and on which companies can be nimble and fleet-of-foot. Not many of AIM's participating companies would recognise this description now, though, given the costs of prospectuses, broker and NOMAD fees, and the absence of any reliable liquidity to show for it.

Still, that's not the worst of it.

More seriously for the start-ups and speculative ventures that have tended to predominate on AIM, investors looking for high-risk, high-reward opportunities now have many more options. There's ETFs everywhere these days, and for everything. You can balance your risk with an ETF or focus it. And you can trade in and out of an ETF in a way that you just can't with a speculative gold or copper explorer.

No need to wait for liquidity events with ETFs, and no need to worry about quality of management, quality of assets, or business plans. No wonder a lot of the hot money that's left in the UK favours ETFs over AIM's raggedy collection of high-risk companies with motley track records.

Which brings us on to crypto.

AIM was a cutting edge investment proposition when it was founded thirty or so years ago. Now it just looks dowdy and slightly listless, and the cutting edge is elsewhere, in the crypto space. Crypto is where the youngsters go, and they trade it on apps, form huge international discussion groups on the internet to talk about it, and even invest it with an evangelical bent: crypto will save the world from the evils of fiat currency.

Once-upon-a-time that role would have been taken by gold, but no more.

Reason for optimism?

Thus, the bear case for AIM in the last quarter of 2024 and on into 2025: times are hard, taxes are going up, the market appears to have outlived its usefulness, and the underlying fundamentals for the second biggest single sector on AIM – at least in terms of number of companies if not market value - mining, look shaky.

But wait. The darkest hour, as they say, is before the dawn.

Or, to put it in investment terms: doesn't all that negativity sound a lot like capitulation? And isn't capitulation exactly when the really smart people get in on valuations that retrospectively seem unbelievable?

It may well be that Goehring and Rozencwajg's analysis of a prolonged bottoming out period actually dovetails with the dynamics that are underpinning the views of the pessimists. After all, AIM's faults were all largely in place when its first great commodities bull market really got going, around ten years into its existence.

If a new bull market does materialise, the structural defects of AIM won't be holding it back.

What's more, some people think recovery is just around the corner.

"All signs point to the early stages of a prolonged commodity bull market, likely stretching into the 2030s," wrote legendary mining entrepreneur Robert Friedland on X at the end of August.

Meanwhile, another famous commodities investor, Rick Rule, has stated that he's happy to be on the other side of the trade of anyone selling gold, silver or uranium commodities. Rule is always a big figure in London's annual Mines and Money conference and likes to take positions in UK companies.

And while Friedland's and Rule's reputations are international, more African.

And if Friedland is correct, and the underlying forces at work are more general, then copper and other base metals could start to move too.

BHP and Antofagasta have both made bullish comments on copper recently, so the pieces do seem to be falling into place.

Timing

The question that remains is timing.

A weaker Chinese property market has dampened expectations for the immediate term, with iron ore prices struggling to stay at over US$100 per tonne.

Meanwhile, lithium continues to struggle in the face of ongoing uncertainty about how demand and supply will eventually balance out.

Thus, Atlantic Lithium is likely to make it into production with its extremely low-cost Ewoyaa project,

> A sudden uptick in sentiment towards gold equities could have a rapid and major impact on companies

locally familiar names, like Paul Johnson, lately of Metal Tiger and Power Metal Resources, are also optimistic.

"There is a magical time coming for private investors," Johnson opined on X on 27th August. as the junior resource sector comes alive."

Johnson's had his failures as well as his successes too, of course.

So, is his a realistic view?

Well, consider that it's unprecedent for gold equities not to be dragged up, in the end, by high gold prices. And consider too the myriad companies that have been learning to stretch shoestring budgets to maximum effect for several years now. A sudden uptick in sentiment towards gold equities could have a rapid and major impact on companies like Panther Metals, Kavango, Goldstone, and ECR, not to mention established producers like Caledonia and Pan but in an environment where majors like Zijin, Ganfeng and MinRes are cutting back, the more marginal juniors won't stand a chance.

On the other hand, broker SP Angel highlighted recently that lithium mining capital spend could reach US$1.6 trillion by 2040 - and that's only sixteen years away.

And who knows whether or when this type of forecast will grip investors once again?

Maybe the trigger will be a US rate cut in September.

Or maybe a small boy, thinking of an Emperor, will point out that this bear market has no clothes, and everyone will realise he's right. If that latter scenario is the way it does end up playing out, then it could happen any time.

Alastair Ford (Alastair@sofabarconsulting.com)

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	25.7	16.4
Industrials	20.1	17
Technology	12.2	12.9
Health Care	11.1	10.5
Financials	10.7	10.2
Basic materials	8.5	16.1
Energy	5.7	10.1
Telecoms	2.3	18.2
Property	1.9	2
Utilities	1.6	0.6

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	772.51	+4.1
FTSE AIM 50	4230.98	+6.7
FTSE AIM 100	3723.61	+5.3
FTSE Fledgling	11990	+15.5
FTSE Small Cap	6955.26	+14.3
FTSE All-Share	4576.73	+12.7
FTSE 100	8376.63	+12.6

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	140
£5m-£10m	85
£10m-£25m	126
£25m-£50m	96
£50m-£100m	80
£100m-£250m	104
£250m+	82

KEY AIM STATISTICS

Total number of AIM	713
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£78.6bn
Total of new money raised	£135bn
Total raised by new issues	£48.2bn
Total raised by secondary issues	£86.8bn
Share turnover value (Jul 2024)	£28.7bn
Number of bargains (Jul 2024)	5.5m
Shares traded (Jul 2024)	815.9bn
Transfers to the official list	204

TOP 5 RISERS OVER 30 DAYS

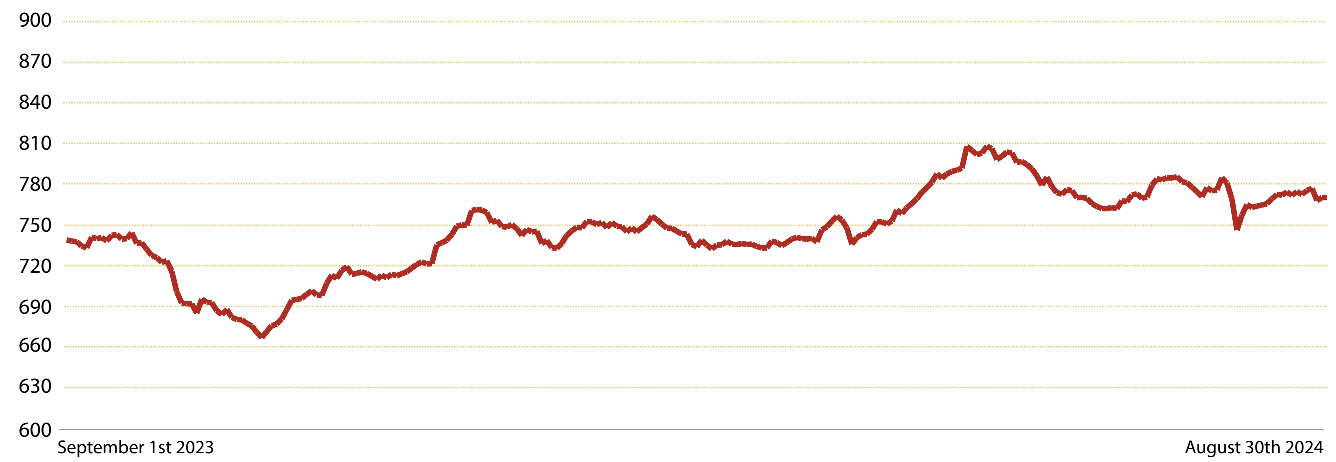
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
URU Metals	Mining	120	+140
Kazera Global	Mining	1.1	+132
Novacyt	Healthcare	97.4	+114
Tan Delta Systems	Mining	24.5	+96
Shield Therapeutics	Healthcare	5	+92.3

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Biome Technologies	Industrial	9	-64
LungLife AI	Healthcare	15	-50
Distil	Beverages	0.225	-44.4
Genedrive	Healthcare	2.325	-43.6
Bivictrix Therapeutics	Healthcare	7.5	-42.3

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st August 2024, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published.

The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

The readership via the email is predominantly a professional one. One-quarter of readers are company directors, one-fifth solicitors and accountants, one-fifth brokers and 15% PRs. The rest of the readership is made up of investors, journalists and other individuals.

AIM

The Alternative Investment Market (AIM) was launched on 19 June 1995 with ten companies that had a total market value of £82.2m at the end of the first day's trading. The total amount of money raised by new and existing companies in the remainder of 1995 was £96.5m.

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £134bn 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 in the FTSE 100 that started on AIM include online gaming operator GVC, engineer Melrose Industries and student accommodation developer Unite Group. Healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, and online gaming technology developer Playtech are FTSE 250 index constituents.

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