JULY 2023

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM dips nearly 10% in first half

The FTSE AIM ALL Share index fell 3.7% during June, compared with a 1% rise in the FTSE 100 index. The FTSE Fledgling index slipped 8.5% in the same period, though. AIM held up in the early part of June but fell back in the last few days of the month.

AIM has fallen by 9.4% this year, while the FTSE 100 is still 1% ahead. There were some sharp falls by larger AIM companies. Identity verification services provider GB Group reported poor full year figures and is nearly 23% lower. Excluding one-offs, the identity services provider was still profitable, but it was hit by weak demand from cryptocurrency and fintech customers.

Mixer drinks supplier Fevertree Drinks, which used to be the largest company on AIM, continues to decline and was down a further 10% last month. Share prices in video games services provider Keywords Studios and veterinary practices operator CVS Group also slipped back. These declines are more significant for the index because of their market capitalisations and index weightings. Keywords Studios has been hit by the knock-on effect of poor trading by video games publishers, such as tinyBuild. However, Jet2 is the largest AIM company and it rose 4.2% in June.

Molecular spin-off

South America-focused oil and gas producer Molecular Energies is planning to spin-off its Green House Capital alternative energy business on AIM. This follows the spin-off of Atome Energy at the end of 2021. Management believes that as an independent entity Green House Capital will gain a better valuation than as part of an oil and gas company.

Molecular Energies owns 75% of Green House Capital, which is planning to increase its stake in Dual Fuel Ltd from 50% to 100%. This business retrofits heavy trucks to use a mix of hydrogen and diesel. Trials are set to begin early next year. There is also a 75% stake in Aton 6, which is involved in development and marketing of carbon credits and has a framework agreement with a subsidiary of financial platform Marex. An app-based trading platform may be acquired, and revenues could be generated in 2024. Other interests include a potential lithium project in Argentina and a way of providing flexible hydrogen refuelling for heavy goods vehicles.

Atome Energy, which is developing ammonia and hydrogen production projects in Paraguay and Iceland, raised £6m at 80p/share when it joined AIM. The share price has risen to 101p and recently Baker Hughes took a 6.6% stake. Molecular Energies still holds 22.5%.

In this issue

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Revolution Beauty returns

Revolution Beauty shares recommenced trading following the AGM at the end of June. The share trading was suspended on 1 September 2022 because of the inability to publish accounts and concerns about the previous financial reporting. The accounts for the year to February 2023 have to be published by the end of August or trading will be suspended again. That could trigger a breach of bank facility covenants.

The AGM was eventful with an attempt to adjourn the meeting until the general meeting requisitioned by 27% shareholder boohoo failing. The three directors that boohoo wanted to remove, including chief executive Bob Holt, were not re-elected with most of the votes against re-election coming from boohoo. That left the company with one director, and he reappointed the three directors plus two new non-executive directors. The share suspension would not have ended if there were only one director.

The new management team has made progress in turning around the cosmetics business, and Bob Holt bought one million shares at 26p each. He and finance director Elizabeth Lake have been awarded options equivalent to 3.4% of the enlarged share capital. Online retailer boohoo still wants to replace them and is unhappy with share option award.

Revolution Beauty says boohoo has failed to engage in discussions and it wants to gain control without making a bid. It criticises boohoo's failure to set out a strategy and points out that it has a patchy corporate governance record. Current trading is strong. A general meeting date will soon be announced.

Renalytix clearance

The FDA has granted De Novo marketing authorisation for KidneyIntelX.dkd, the AI-enabled test for patients with Type 2 diabetes and kidney disease that has been developed by Renalytix. This will help to accelerate revenues. The test stratifies patients based on the risk of progressive kidney function decline over five years. There are more than 38 million people in the US affected by chronic kidney disease. Renalytix estimates that 14 million people could be eligible for testing. Broker Investec forecasts revenues of $14.2m in the year to June 2024, before doubling the following year. The company will still be heavily loss-making with a £33m cash outflow from operations forecast for 2023-24.

Small Cap awards 2023

Customer engagement and intelligent automation systems supplier Netcall, one of the companies that has been on AIM the longest, was named as company of the year at the Small Cap Awards 2023. This is a growing business with good cash generation. Cloud-based products have become increasingly important. Profit growth is set to accelerate with a 2022-23 pre-tax profit of £5.9m forecast, rising to £7.4m next year.

The executive of the year is Louis Hall of Cerillion. The telecoms billing software company has gone from strength to strength since joining AIM at 76p/share in March 2016. The share price is around 18 times that level and has been on an upward trend for most of the time. Cerillion has been winning increasingly large orders. The latest is a £15.1m, six-year contract with an existing customer. Last year's revenues were £20.5m and adjusted pre-tax profit was £9.2m.

EnSilica is IPO of the year and unlike many of the other new admissions the share price is still above the original placing price of 50p. The designer of mixed signal ASICs is set to move into profit next year as more of its semiconductors are designed into electronic products.

Transport security and information systems provider Journeo was judged to have made the transaction of the year when it acquired rail passenger information displays provider IGL for £8.7m. Journeo has a significant market share in the bus and coach market and IGL provides additional scale in the rail market. It trebles the number of trains using group displays to 2,400.

Bioventix is dividend hero of the year because of its record of paying growing dividends both on Aquis and since it moved to AIM in 2014. Strong cash flow has enabled special dividends to be paid throughout the years.

VSA Capital warns of tough trading

Broker **VSA Capital Group** reported a better profit for 2022-23 but warns of an interim loss this year – although this is the quieter half of the year.

In the year to March 2023, turnover improved from £3.61m to £4.36m and the pre-tax profit increased from £68,000 to £281,000 – adding back amortisation the underlying profit improved from £281,000 to £612,000. That profit is after an increased loss on investments from £443,000 to £860,000. The intangible assets will be fully amortised by March 2026. Wage costs fell slightly to below £2m last year.

There was a £540,000 cash outflow from operating activities, compared with a cash inflow of £229,000 in the previous year. The reason for the cash outflow is that £2.28m of revenues were settled in shares. This is due to the payment in shares for advice relating to the Aquis-quoted Silverwood Brands acquisition of a 19.8% stake in skincare products supplier Lush. This transaction has run into problems with the registration of the shares and that hit the Silverwood brands share price.

Net cash was £740,000 at the end of March 2023, while the value of investments rose from £692,000 to £2.14m. NAV was £4.37m at the year end.

The number of retained clients has been maintained at 24. There is a particular focus on the Aquis Stock Exchange. Last year it floated Guanajuato Silver and Cooks Coffee. There is an Aquis showcase planned for November. VSA Capital has tried to become a nominated adviser for AIM, but it has been unsuccessful. Management believes that there could be opportunities from the potential amalgamation of the premium and standard lists.

The core sectors remain natural resources and transitional energy, and the latter has potential business in the US and Asia. The sector coverage is broadening. Other sectors covered include leisure and consumer brands, technology and software, eMobility and eCommerce.

Corporate finance fees jumped from £2.8m to £3.46m, while broking fees moved up from £578,000 to £712,000. Bond trading revenues were flat, while research fees were lower. The average number of research and sales employees was reduced from nine to seven, although an additional consumer/brands analyst has been recruited.

VSA Capital chief executive Andrew Monk bought 514,200 shares at 5p each in an off-market transaction. That takes his stake to more than 22%. The current share price is 9.5p. VSA Capital floated on the Access segment of the Aquis Stock Exchange on 9 September 2021 when it raised £253,000 at 21p/share.

■ **Peel Hunt** fell into loss in the year to March 2023. Revenues fell 37% to £82.3m. There was a sharp decline in investment banking revenues. Regulatory approval has been received for a new office in Copenhagen. Management says there has been a gradual improvement in the M&A pipeline and a slow pick up in capital markets activity.

ADVISER CHANGES - JUNE 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Prospex Energy	Fox-Davies / VSA	VSA / Novum	Strand Hanson	Strand Hanson	6/5/2023
B90 Holdings	Panmure Gordon / Zeus	Zeus	Strand Hanson	Strand Hanson	6/6/2023
Baron Oil	Cenkos / Allenby	Allenby	Allenby	Allenby	6/9/2023
eEnergy Group	Canaccord Genuity / Turner Pope	Canaccord Genuity / Turner Pope / Singer	Strand Hanson	Singer	6/13/2023
Sovereign Mines	SP Angel / Berenberg / Optiva	Berenberg / Optiva	SP Angel	RFC Ambrian	6/21/2023
Landore Resources	Novum / Strand Hanson	Strand Hanson	Strand Hanson	Strand Hanson	6/29/2023
Synergia Energy	Panmure Gordon / Novum	Novum	Strand Hanson	Strand Hanson	6/29/2023

company news

Volex adds a fifth division through acquisition of Turkey-based Murat Ticaret

Electrical connections — *www.volex.com*

Electrical connections and accessories manufacturer **Volex** is making its largest ever acquisition and this will form a fifth division for the company. The €178m acquisition of Turkey-based Murat Ticaret diversifies the business geographically as well as taking it into the off-highway vehicle market. Peel Hunt estimates that the acquisition will add 14% to earnings in the year to March 2025.

Murat Ticaret manufactures complex wire harnesses and battery cables for international clients in the off-highway market. The largest market is agricultural vehicles. Annual revenues are €158m with EBITDA of €33.4m. Revenues have doubled in the past three years.

The related placing and REX retail offer generated £60m at 275p/share, with directors contributing one-quarter of that cash. Executive chairman Nat Rothschild is maintaining his stake at 24.7%.

Organic growth was 11%

In the year to March 2023, revenues improved from $615m to $723m, while underlying pre-tax profit increased from $51.4m to $59.3m. That was slightly better than expected with organic revenue growth of 11%. Underlying operating margin improved to 9.3% and it could move higher depending on the mix of revenues. The total dividend was raised from 3.6p/share to 3.9p/share.

VOLEX (VLX)			283.5p
12 MONTH CHANGE %	+17.9	MARKET CAP £M	512.9

There are four existing divisions. The only one that did not grow organically was consumer electricals, although there are longer-term growth prospects. The fastest organic growth was in electric vehicles and the high growth rate should continue as electric vehicle production is ramped up. There are also growth prospects in medical technology and complex industrial technology.

The valuation of Volex has been held back by its past problems and does not reflect the progress made in recent years or the potential growth rate. The prospective multiple is eleven and it could fall to nine in 2024-25.

Gooch & Housego finalises new strategy

Photonics — *www.gandh.com*

Photonics company **Gooch & Housego** has completed its strategic review with acquisitions one part of that strategy. It has already acquired US-based GS Optics for an initial £8.9m in cash. One of the focuses of the strategy is life sciences and this deal fits with the plans for the future.

GS Optics specialises in designing and manufacturing precision polymer optics for biomedical, machine vision and analytical instrument uses. There are also uses in military equipment. In 2022, GS Optics generated revenues of $10m and EBITDA of $1.5m. The company will contribute to the last few weeks of the year to September 2023

GOOCH & HOUSEGO (GHH)			622p
12 MONTH CHANGE %	-30.1	MARKET CAP £M	157.8

As part of the new strategy, there will be investment in technology and products. R&D will be more focused and there will be diversification into new markets. Outsourcing production of older components to Thailand has commenced, and further products will be transferred earlier in their life cycle.

In the six months to March 2023, revenues were nearly one-third higher at £71.3m, but margins fell. Underlying pre-tax profit was one-quarter ahead at £4.5m. The interim dividend was raised from 4.7p/share to 4.8p/share. Cash was generated from operations, but the amount was reduced by a £5m increase in inventories. Net debt was £12.9m at the end of March 2023. After the acquisition, net debt could reach £21.5m by the end of September.

Management believes that return on sales can be improved by up to eight percentage points over the next five years. A 2023-24 pre-tax profit of £12.1m is forecast and this could grow by one-quarter the following year.

Manolete Partners accelerates new case sign ups as insolvencies increase

Legal finance provider *www.manolete-partners.com*

MANOLETE PARTNERS (MANO)			226p
12 MONTH CHANGE %	-26.6	MARKET CAP £M	98.9

Litigation acquirer and finance provider **Manolete Partners** took on an increasing number of new cases in the second half of the financial year. However, this was too late to benefit the figures for the year to March 2023. The current figures are held back by the lack of cases coming through during Covid lockdowns, but the recovery should accelerate from now on.

Realised revenues increased from £15.2m to £26.8m, but unrealised gains of £5.2m last year swung to a £6m loss. There was a portfolio review, and a single large case was also written down. That means that total reported revenues were flat at £20.8m.

The reported loss was higher than expected at £3.95m. That includes a £1.2m bad debt charge and a £500,000 charge for a case that was lost. There was £7.7m generated before new case investment. Net debt was £9.7m at the end of March 2023.

Realised case revenues increased

Manolete Partners predominantly buys claims from liquidators and administrators of companies. It pays money upfront and funds the legal fees, then splits the recoveries 50/50 with creditors of the insolvent companies.

Pre-Covid there were 16,000 corporate insolvencies in the UK in one year and the numbers slumped during Covid. There were 2,181 insolvencies during this May alone. This means that there are more prospects for Manolete Partners.

There were 113 new cases signed in the fourth quarter. The growth in new cases is continuing. In less than three months since the year end 83 cases have been signed.

There were 329 open cases at the end of March 2023. The oldest open cases date back to 2019-20 with 219 cases dating back less than one year. The average case duration is 12.8 months.

This year's underlying pre-tax profit is expected to be £6.8m – upgraded from £6m. There should be a return to dividend payments with 1p/share forecast.

First Property remains at a large discount

Property fund manager *www.fprop.com*

FIRST PROPERTY (FPO)			23p
12 MONTH CHANGE %	-24.1	MARKET CAP £M	25.5

Property investor and fund manager **First Property** improved NAV in the year to March 2023 despite a tough property market due to rising interest rates. New tenants have been signed up for offices in Poland and that has helped the valuation. A new platform for loans for commercial property is being launched and this could enhance growth through additional fee income.

The plan is to lend up to 65% of loan to value and the loans will be interest only. The loans could be up to £20m and the funding will come from First Property's own resources and third-party investors, such as family offices. The borrowers can potentially get better terms, while the investors get a high rate of return without having the risk of buying the property.

The latest figures are complicated by the consolidation of one of the funds where First Property has a majority stake. This increased property revenues. The asset management revenues declined and there was a repayment charge for past performance fees. Underlying pre-tax profit, excluding one-offs, rose from £400,000 to £500,000. There was a £1.78m gain on the sale of an investment property. The final dividend was paid early because of tax changes.

NAV is 46.5p/share, although there could be a small dip to 45.7p/share this year. Swedish investor Peter Gyllenhammar has increased his shareholding to more than 20%. The discount to NAV is currently nearly 50%.

Getech Group seeks to reduce risk of its move into green energy projects

Resources and green energy services *www.getech.com*

Getech Group has been refocusing its operations this year. The green energy operations are being derisked because Getech could not afford to put significant funding into projects that can take years to reach fruition. The original resources data and information business is increasing business with critical minerals companies.

In 2022, revenues improved from £4.3m to £5.1m, while the loss increased from £2.6m to £3.1m. There was a recovery in petroleum demand as well as for metals. Costs are being tightly managed. The order book was worth £4.6m at the end of the year.

Former ITM Power boss Dr Graham Cooley has joined the board of the hydrogen subsidiary H2 Green. Getech has green hydrogen projects in Shoreham and Inverness, which is receiving a £500,000 government grant, that are making progress. Getech has teamed up with one of its customers, Eavor, to jointly locate and appraise geothermal projects in Latin America.

There are new sources of income

New sources of income are starting to contribute. This year, Getech has completed a geothermal screening of 130 manufacturing sites of a multinational consumer goods company. This will help with decarbonisation activities and could lead to additional work.

Getech has a significant fixed cost base, so increases in revenues should substantially fall through to profit. Cenkos forecasts a 2023 loss of £2.9m based on revenues of £5.5m. The broker believes that an additional £1m of revenues could reduce the loss to £1.9m.

There was net cash of £3.6m at the end of 2022 and that could fall to £1m on the base forecast. However, the sale of Kitson House, a property currently under offer, could raise a further £1.3m after expenses and loan repayments. That should mean that Getech will have enough cash for its requirements in the next couple of years.

GETECH GROUP (GTC)			9.65p
12 MONTH CHANGE %	-55.6	MARKET CAP £M	6.5

Driver Group back in profit

Construction consultancy services *www.driver-group.com*

Professional services provider **Driver Group** has rebalanced the cost bases of the Middle East and Asia Pacific divisions, while Europe and Americas revenues continue to grow. In March, Ruffer sold its stake, enabling AB Traction to raise its shareholding to 27.5%.

There was a sharp turnaround from a second half loss to a profit in the latest interims. Year-on-year, the underlying interim pre-tax profit improved from £400,000 to £700,000 on slightly lower revenues of £24.2m. A strong performance in Europe offset declines in the Middle East and Asia Pacific as Driver focuses on profitable business. The interim dividend is unchanged at 0.75p/share.

DRIVER GROUP (DRV)			32p
12 MONTH CHANGE %	-4.5	MARKET CAP £M	16.7

Utilisation levels are improving. The group utilisation increased from 69.6% to 75.6% and that helped improve gross margin. The utilisation rates in Europe are 76.1% and there is still potential to get them above 80%. In the Middle East the utilisation rate is 72.3%, while Asia Pacific was the one region where the rate declined – 71.3% to 66.1%. Driver can improve profitability just by efficient use of its fee earners.

The future remains uncertain and house broker Singer is not publishing forecasts. Net cash is £5.3m, which provides a strong base and there are more cost savings to come through. Profit could improve over the next couple of years – depending on the economic outlook. The AB Traction stake provides the possibility of a bidder, although it is unlikely to be AB Traction because it normally sells its professional service business stakes to the bidder providing a base for an offer.

Polar Capital maintaining dividend payment

Fund manager *www.polarcapital.co.uk*

Dividend

Since the beginning of 2007, fund manager Polar Capital has paid 346.5p/share in dividends. The maiden final dividend was 5.5p/share for the year to March 2007. The following year, the total dividend was 8.5p/share, before falling to 4.5p/share for the following two years because of the slump in the global economy.

Dividends have been raised or at least maintained every year since 2009-10, with the 2022-23 total dividend maintained at 46p/share. That was despite it was not covered by earnings. The dividend is forecast to stay at 46p/share for the next two years even though earnings will be lower. The policy is to pay an annual dividend of between 55% and 85% of adjusted earnings.

Even so, net cash, which was £107m at the end of March 2023, could enable the dividend to be maintained despite the uncovered dividends costing around £45m/year.

Business

Polar Capital is an active fund manager with a focus on technology, healthcare, insurance and international markets. It was founded in 2001 and floated on AIM in February 2007 with an initial share price of 190p. By next year more than double that amount will have been paid in dividends.

Funds covering around three-quarters of the assets under management are in the top two performance quartiles since conception compared to a Lipper peer group. An even higher percentage of the assets are in the top two quartiles based on performance over the past five years.

This strong performance record should help to attract clients when they want to return to investment in technology and other high growth sectors. Even though passive funds are growing, active funds are still attractive to investors.

Polar Capital is not immune to the underlying markets. In the year to March 2023, group revenues declined from £224.1m to £182.9m. Management fees slipped from £210m to £176.2m, while performance fees more than halved to £6.7m. Pre-tax profit slumped from £62.1m to £45.2m. Lower core costs helped to reduce the decline in profit.

Assets under management fell from £22.1bn to £19.2bn last year with outflows making up the majority of the decline. The rest was due to performance and the closure of funds. The figure should recover over the next two years. It should be remembered that 2021-22 was a particularly strong year for the stockmarket. The outflows from the technology fund are reducing and there are signs that the sector is recovering.

Polar Capital is on a similar multiple to Premier Miton of around 13 and that is slightly higher than Impax Asset Management, whose share price has been weak recently. Premier Miton had a higher yield, but it is cutting its dividend. That means Polar Capital has a much higher yield than either of its AIM-quoted peers. The dividend yield and strong balance sheet make the shares attractive.

POLAR CAPITAL (POLR)	
Price (p)	516
Market cap £m	522.2
Historical yield	8.9%
Prospective yield	8.9%

Dividend news

Pawnbroker **Ramsdens Holdings** continues to spark upgrades with its trading statements. In its latest interim figures, there was a one-third increase in revenues to £29.3m and pre-tax profit was two-thirds ahead at £3.68m. All the main divisions improved their performance with a strong recovery in foreign currency dealing. Net cash was £5.5m at the end of March 2023. Liberum has raised its full year pre-tax profit forecast from £9.6m to £10m, up from £8.3m last year. That is the fifth forecast increase in 12 months. The full year dividend is expected to increase from 9p/share to 10.4p/share.

Semiconductors designer **CML Microsystems** increased full year revenues from £17m to £20.6m as the investment made in new components starts to pay off in the form of commercial orders. Pre-tax profit improved from £4.3m to £5.9m, enabling a rise in the dividend from 9p/share to 11p/share. A further improvement to 13.2p/share is forecast for 2023-24. Regulatory approval is still pending for the acquisition of US-based Microwave Technology. Selling land added £2.5m to net cash, which was £22.3m at the end of March 2023. That will be enough to pay for Microwave Technology and keep investing in product development.

Sportech is paying a 35p/share special dividend to shareholders out of the proceeds of disposals. That is after a one-for-10,000 share consolidation followed by a 1,000 for one share split. This will reduce the number of shareholders by 97% - they will receive cash for fractional entitlements. The £3.5m cost of the dividend takes the distributions to shareholders to more than £120m. The shares go ex-dividend on 27 July. Sportech runs sports bars and other betting venues in Connecticut, US, and has an agreement with the Connecticut Lottery Corporation to provide retail sports betting. There is also an online betting subsidiary in the US.

feature

Pensions sector view on proposed UK stockmarket changes

The proposals for the UK stockmarket set out by the FCA have not been favourably received by the Pensions and Lifetime Savings Association and its members.

The Pensions and Lifetime Savings Association (PLSA) has published its views on the consultation paper issued by the Financial Conduct Authority (FCA) concerning changes to the UK listings regime. The association has gathered views from members and is unhappy with the proposed changes because it believes that they will remove checks and balances and thereby weaken shareholder rights.

The PLSA represents pension schemes that invest £1.3 trillion in the UK and abroad. The membership also includes law firms and fintech companies.

The PLSA does not believe that the governance standards of the premium listing are the reason for the lack of flotations. The decline in flotations has also happened in other countries. International investors have told PLSA members that they believe the UK market is attractive due to its level of corporate governance.

Consultation

The FCA wants to introduce a single listing category rather than premium and standard listings. It asked for comments on the overall plans set out in the consultation paper by 28 June.

There have been plenty of companies joining the standard list in recent years because of the low standards, which are below some of the standards of AIM. Many of the small shells and other companies that have joined the standard list would not be allowed on AIM. Rules have been tightened, but they are not as stringent as for the premium list.

The PLSA says that the changes would reduce the expected standards for existing companies and could put off investors. This comes at a time when the government is seeking stronger standards for the pensions industries by updating the regime for asset management.

PLSA represents pension schemes that invest £1.3 trillion in the UK and abroad

Dual class

The idea of allowing share structures with voting and non-voting shares over the long-term will hamper investment and shareholder interaction. Currently these structures are allowed for new admissions for a five-year period and the maximum voting ratio is 20:1. These structures enable management and founders to hang on to control with a minority of the shares. "The proposed change looks like a step in the wrong direction", according to the PLSA.

Rules on gaining shareholder approval could be less stringent enabling larger deals to be done more swiftly. This will also reduce the influence of investors on the company.

The organisation is particularly keen to retain the requirement for a compulsory shareholder vote on related party transactions. There is an argument that changing these requirements will mean that investors have to do more due diligence on a company and that will increase costs. It could mean that litigation is required to address problems with related party transactions.

A cost benefit analysis is expected to be published in the autumn. This should provide some indication of whether the possible benefit of the proposals outweighs the negative factors outlined.

The PLSA believes that the UK market is well set up for the requirements of stockmarket investment and thinks that it should continue to focus on best practice in corporate governance rather than lower standards.

The government is seeking to encourage pension funds to put more of their money into UK companies to finance growth. Attracting addition investment opportunities is one way of making this happen, but they have to be suitable for pension investment.

Automotive growth expected for semiconductors

Semiconductor executives remain optimistic about the sector according to a new report from accounting firm KPMG, although this optimism is not at the record levels of the previous year.

The latest KPMG Global Semiconductor Industry Outlook shows that the automotive sector is expected to be the best growth area. 'Navigating short-term volatility in the semiconductor industry' was published in combination with the Global Semiconductor Alliance (GSA).

This is the 18th annual survey covering financing, strategy and operations in the sector. The 2023 survey was conducted at the end of 2022 and 151 senior executives took part. There is an international spread of respondents, as well as a range of company valuations – although the majority were employed by companies worth more than £1bn.

The overall findings are that there is still a positive outlook, but the industry confidence index has fallen from its record level last year. The figure has dipped from 74 to 56. All the individual measures that make up the index have declined. The revenue growth index has slipped from 87 to 72, but the profitability index has collapsed from 66 to 39 – the only figure to slip below 50 above which the view is denoted as positive. That probably reflects the operational gearing and higher costs of these business.

Sectors

Increasing electrification of vehicles and autonomous cars is boosting automotive demand for semiconductors. This is the first year that automotive is considered the area with the best sales growth prospects. This trend should continue for many years as other vehicles are phased out.

KPMG estimates that the automotive semiconductor market could be worth $200bn by the middle of the 2030s and more than $250bn by 2040. Sensors will be an important slice of this market.

The next most important areas are wireless, cloud and Internet of Things. Wireless was previously the market with the best growth prospects. Cloud computing improved from fifth place to third place. The metaverse was included in the survey for the first time, and it is bottom of the list of sectors.

KPMG estimates that the automotive semiconductor market could be worth $200bn by the middle of the 2030s

Shortages

There were 52% of the executives that thought that the semiconductor supply shortage should ease from mid-2023, while 15% believe it is already over. There are 13% that argue that the shortage will continue until the end of 2023 and 20% believe it will take even longer to end. Lack of individual chips not being available will still hamper production of equipment even if dozens of other chips required are in stock.

Over the next three years the main operational focus is geographical diversity of the supply chain. That is most true of US companies. Increasing manufacturing capacity is another major focus, particularly over the longer-term. Investment in digitisation of the supply chain is also an important factor.

There are also concerns about a shortage of skilled staff. This covers the whole range of jobs from chip designers to workers in foundries. Retaining these staff is also difficult. Two-thirds of respondents believe that obtaining and retaining skilled staff is the top strategic priority over the next three years. That is down from 77% last year, but it is still significant.

The US is forecast to have a shortage of 23,000 chip designers by 2030. This is part of the move to reduce the dependence on manufacturing in China. In the survey, 71% expect to add staff in the next year. Recent US legislation provides government funding for development of skills.

The report can be found at www.kpmg.com/semiconductors.

AIM dividends reach new record

The AIM Dividend Monitor shows a significant level of dividend payments helped by special dividends.

Link Group's latest AIM Dividend Monitor shows record dividend Payments by AIM companies in 2022 with an estimate of £1.34bn, which is slightly higher than the total in 2019. This figure was helped by the special dividends paid in the period. Takeovers and other companies leaving AIM will make it difficult to reach a new record in 2023.

Link Group analyses all the dividends paid by AIM-quoted companies on ordinary shares, although investment companies that generate their funds from dividends from equities and bonds are excluded. The totals are sometimes adjusted in subsequent publications. For example, the 2019 total in the 2020 publication was £1.33bn, while in the latest it is £1.27bn.

Special dividends continue to make up a higher proportion of total dividends than most of the years prior to 2021, although they did fall to 10% of the total in 2022. This may be down to some companies being wound up, such as ThinkSmart and Cambium Global Timberland, and returning cash to shareholders.

Special dividends are set to continue to be a large contributor in 2023 with Circle Property making two payments out of the proceeds of disposal of the property portfolio prior to the cancellation of its AIM quotation on 1 June. It is unclear whether the final payment would be included in this year's figures, but it seems unlikely now the company is private.

High payers

Food and drink sector dividends more than doubled from £51.3m to £112m. Mixer drinks supplier Fevertree Drinks is the highest dividend payer on AIM with £68.8m distributed in 2022.

Mixer drinks supplier Fevertree Drinks is the highest dividend payer on AIM with £68.8m distributed

India-based business process outsourcing company iEnergizer was the second largest dividend payer in 2022, but it is cancelling its AIM quotation so there will not be any more dividends from this company. The eighth biggest dividend payer is aggregates supplier Breedon Group, which moved to the Main Market a few weeks ago – although it paid its final dividend before that.

The only one of the top ten payers in 2022 that is set to grow its dividend at a constant pace is Smart Metering Systems, which promises a 10% annual dividend increase. The index linked nature of most of its revenues enables this growth rate to continue.

The other remaining companies in the top ten payers in 2022 are either going to have modest increases or may even cut their dividend. Watkin Jones, which paid £21.8m in dividends last year - it was just outside the top ten - is likely to cut its dividend by one-quarter because of a decline in profit.

Leavers

Clinigen and Secure Income REIT are two significant dividend payers that were taken over last year, while Warehouse REIT moved to the Main Market. This year K3 Capital, Appreciate and AdEPT Technology have been taken over, which will further reduce this year's dividends. Numis Corporation, Curtis Banks and Best of the Best are in the process of being taken over and leaving AIM.

Healthcare IT provider EMIS is a major dividend payer, and its takeover has been stalled by the Competition Commission. The 2022 final dividend is being paid this year and it appears likely that EMIS may still be around to pay an interim dividend. Last year's total dividend payments cost £22.1m.

There have been few new admissions in the first half of 2023, and none appears set to be a major dividend payer. That means it could be difficult to maintain the total dividends in 2023 even with another large contribution from special dividends.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	25.9	16
Industrials	18.6	17
Technology	12.4	12.9
Financials	12.3	10.6
Health Care	9.4	10.3
Basic materials	8.4	15.4
Energy	7.5	11.6
Utilities	1.9	1
Telecoms	1.8	1.6
Property	1.6	2.9

KEY AIM STATISTICS

Total number of AIM	800
Number of nominated advisers	26
Number of market makers	21
Total market cap for all AIM	£84.8bn
Total of new money raised	£133.2bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£85.3bn
Share turnover value (May 2023)	£24.1bn
Number of bargains (May 2023)	4.67m
Shares traded (May 2023)	348.4bn
Transfers to the official list	201

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	753.31	-14
FTSE AIM 50	4010.62	-15.5
FTSE AIM 100	3573.3	-14.1
FTSE Fledgling	10601.78	-12.4
FTSE Small Cap	6094.23	-2.3
FTSE All-Share	753.51	-14
FTSE 100	7531.53	+5.1

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	137
£5m-£10m	87
£10m-£25m	156
£25m-£50m	103
£50m-£100m	111
£100m-£250m	122
£250m+	84

TOP 5 RISERS OVER 30 DAYS

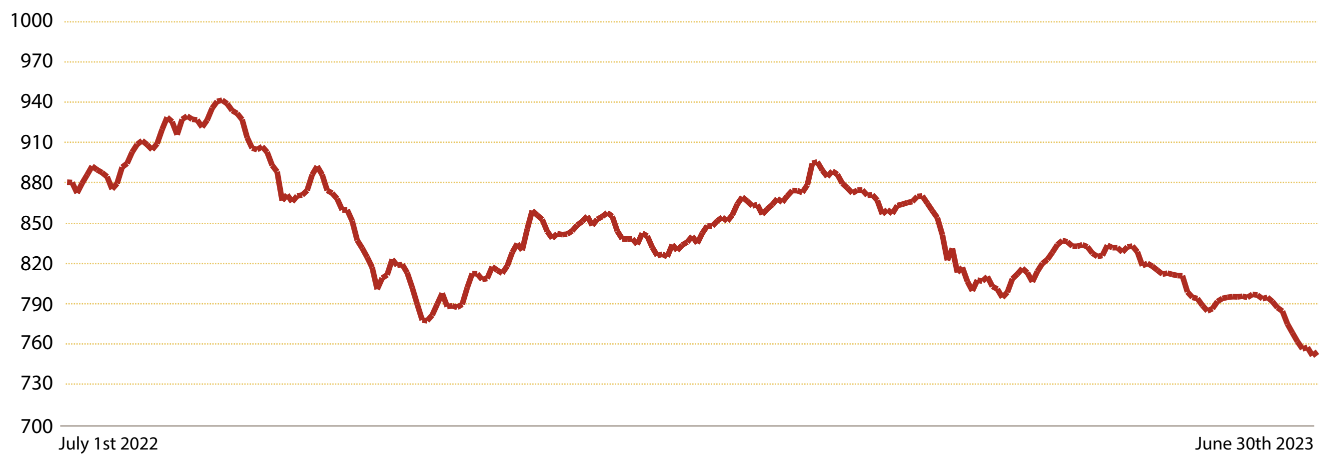
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Eden Research	Chemicals	9.4	+154
Panthera Resources	Mining	8.375	+88.2
Quadrise	Chemicals	2.105	+83.4
Itim Group	Software	40	+73.9
Strip Tinning	Automotive	65	+73.3

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
AMTE Power	Cleantech	6.25	-87.9
Amur Minerals Corp	Mining	0.225	-87.8
Allergy Therapeutics	Healthcare	1.05	-83.2
tinyBuild	Leisure	9.25	-80.1
Microsaic Systems	Technology	0.0065	-74

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th June 2023, 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 £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.

PUBLISHED BY: Hubinvest Ltd,

ADDRESS: 1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH.

MOBILE / TEL: 07729 478 474

EDITOR: Andrew Hore

PRODUCTION & DESIGN: David Piddington

SPONSORSHIP & ADVERTISING hubinvest50@outlook.com. or telephone 07729 478 474