MARCH 2020

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Virus hits AIM

Each main AIM index fell by 10% during February after a strong start to the month. There was a 12% decline in the last week of February due to heightened concerns about the effect of the coronavirus. The markets appear set for continued volatility in the weeks ahead.

The total number of trades in February was just short of 1.1 million, which was even higher than the January figure, which was a relatively active month. There were two fewer business days in February, so the average daily trades increased from 46,166 to 54,374. Trading peaked on 28 February with 87,934 trades. There were around 33o,000 trades in the last week of February.

Coronavirus test developer Novacyt was the fifth most traded AIM company during February, with 37,838 deals, up from 1,974 the previous month. The value of the February deals was £135.4m, which was more than its increased market capitalisation.

Airline and tour operator Dart Group was one of the worst performing AIM companies in the fourth week of February when it lost two-fifths of its value. The IHT investor favourite is a liquid share and the increase in trades was from 26,425 in January to 33,821 last month.

Share recommends ii bid

Share has recommended a bid from Interactive Investor (ii) less than ten months after previous talks ended. The bid of 4.1p in cash and 0.0008355599837 of an ii share values each share in The Share Centre owner at 41p – based on an ii share price of £441.62. Share is valued at £61.9m and had £12.7m in cash at the end of December 2019. The combined business will be valued at more than £700m.

Prior to the announcement of the previous talks the share price was 30.5p. Share joined AIM in May 2008 at 27p a share. Given the inopportune timing of the flotation when it comes to the global economy the bid represents a reasonable premium to the original placing price, especially as Share has consistently paid dividends.

Interactive Investor shares are not traded on any stock exchange and they are unlikely to be in the short term. That means that it will be difficult to trade in the shares.

Scale is important when it comes to offering services for private investors and ii has integrated other acquisitions in the past. Both businesses have flat fees and they have combined assets under administration of more than £36bn. Share may become the senior brand of the group following a proposed review.

In this issue

Inspecs sees growth

Eyewear designer and manufacturer Inspecs has joined AIM in order to obtain finance and a trading facility so that it can grow organically and via acquisitions. The strategy includes acquiring brands and developing more in-house brands. The global eyewear market is worth $131bn and the main competitors do not have operations that fully cover manufacturing, private label and brands.

Inspecs' first licence agreement was with French Connection and other brands have included Superdry, O'Neill, Farah and Caterpillar. The Superdry and O'Neill licences have been renewed to 2023 and 2024 respectively. Inspecs also has its own brands, including Ruby and Grayson in the US. Branded sales account for 46% of revenues, with the rest coming from glasses supplied to retail customers under their own brands.

The customer base is global optical and non-optical retailers and Inspecs has distributors in more than 80 countries. The top ten retail customers account for three-fifths of revenues. In 2018, Inspecs revenues were $57.3m and underlying EBITDA was $11.9m. The Italian manufacturing business was bought in 2019.

Acquisitions will need to be earnings enhancing and the target would have a brand that can be expanded globally or has sales in an area where Inspecs is under-represented. Inspecs would also like to add to its manufacturing skills.

Inspecs raised £23.5m gross at 195p a share. The figure net of expenses was £19.3m. Existing shareholders raised £70.5m by selling their shares. The share price has held steady at 195p since Inspecs joined the junior market on 27 February.

Aquis approval

Aquis Exchange has gained FCA approval for the acquisition of NEX Exchange from CME Group Inc. This is eight months after the proposed acquisition was announced. Loss-making NEX will be renamed Aquis Stock Exchange (AQSE) and a consultation with market participants is planned. Aquis believes that the technology it has developed will help to make the market a more attractive place for smaller companies. The original purchase price was £1 plus a £2.7m estimate for working capital requirements. Glenn Collinson is stepping down from the Aquis Exchange board and will move to the AQSE board. Aquis Exchange has a 4.7% share of European trades and the group is expected to generate a positive EBITDA in 2020.

Attracting small company IPOs

The European IPO report 2020 has been published by a European taskforce that includes QCA chief executive Tim Ward. The report provides recommendations for making European public equity markets more attractive for small companies. The taskforce believes that it is important that the European economy is less dependent on bank finance.

The number of IPOs on European markets has been declining for two decades. To be fair, 20 years ago there was a glut of technology and internet companies floating, so it is probably a tough comparator.

For example, in 2000 there were 277 new admissions to AIM, when there were 347 companies on the junior market at the end of 1999. Admittedly, in four of the next seven years there were a greater number of new entrants, but there have been less than one-half the 2000 number in every year since 2007.

There is a raft of recommendations in the report. An important aspect of the recommendations is making the requirements for smaller companies proportional.

The report also suggests raising the threshold for companies qualifying for SME growth market status to €1bn and simplifying access to these markets. The writers of the report would also like to end the discrimination of equity compared with debt funding and improved tax incentives for equity investment.

Promoting the participation of investors in IPOs is a major aspect of the report. It is keen for retail savings to be put into equity investments and a new definition of experienced and knowledgeable high-net-worth investors so that they can have tailor-made investor protection rules.

Improving access to and quantity of research for companies is also important. One suggestion is amending the unbundling rules so that brokers can send smaller-company research to fund managers.

AIM broker performance remains subdued

There are signs of improved trading for AIM brokers, but the recovery appears fragile, particularly because of global problems outside of their control. Cenkos Securities managed to make a small profit in 2019 and it is expected to bounce back in 2020.

AIM flotations were rare in 2019 and deal activity was subdued. Even so, Cenkos was involved in three flotations of companies new to AIM – Diaceutics, Brickability and MJ Hudson.

Cenkos reduced its annualised costs by more than £3m, and that restructuring cost £1.4m. This enabled Cenkos to be profitable in the second half and a full-year pre-tax profit of £250,000 is expected. The 2019 results will be published by the end of March and a final dividend is promised.

That cost cutting will also help improve the company's performance in 2020. There are also signs of more significant activity, with the year starting well. Cenkos is nominated adviser and broker to financial restructuring and corporate finance adviser FRP Advisory, which joined AIM with a market value of £190m. The fees from this flotation will help to provide a good start to the year for Cenkos.

Broker finnCap expects the performance of its equities business in the second half to be in line with that reported for the first half. However, the mergers and acquisitions business is not doing as well and the group is set to break even in the second half. finnCap reported a first half pre-tax profit of £1.4m on revenues of £14.2m.

Last July, Progressive Equity published research which included various scenarios for the 2019-20 outcome. The low-case scenario was a pre-tax profit of £3.9m. The interim dividend was 0.42p a share and the full-year total was expected to be 1.4p a share, but this would not be covered by earnings.

Mergers and acquisitions deals are taking longer to complete and some of the higher-value transactions are not likely to complete before the end of March 2020. finnCap is controlling its overheads so that they do not increase in 2020-21. If the expected deals are completed, then the first quarter of the next financial year could be much better, although there is uncertainty about the effect of the spread of the coronavirus on stockmarkets.

ADVISER CHANGES - FEBRUARY 2020

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Bigblu Broadband	finnCap	Numis	finnCap	Numis	03/02/20
Rockfire Resources	Allenby	SI Capital	Allenby	Allenby	04/02/20
Botswana Diamonds	Novum/Beaumont Cornish	Beaumont Cornish	Beaumont Cornish	Beaumont Cornish	05/03/20
Impellam	Canaccord Genuity	Cenkos	Canaccord Genuity	Cenkos	06/03/20
Strix	Stifel Nicolaus/Zeus	Zeus/ Canaccord Genuity	Zeus	Zeus	06/03/20
Phoenix Copper	WH Ireland/Brandon Hill	Brandon Hill	SP Angel	SP Angel	17/02/20
Versarien	SP Angel/Berenberg	Canaccord Genuity/ Berenberg	SP Angel	Canaccord Genuity	17/02/20
Alien Metals	Turner Pope/Novum/ First Equity	Novum/First Equity	Beaumont Cornish	Beaumont Cornish	25/02/20
SDX Energy	Sitfel Nicolaus/Cantor Fitzgerald/Peel Hunt	Sitfel Nicolaus/ Cantor Fitzgerald	Stifel Nicolaus	Stifel Nicolaus	25/02/20
Sound Energy	Turner Pope	RBC/Macquarie	Cenkos	Cenkos	26/02/20

Tristel grows rapidly before any potential coronavirus boost

Disinfection products *www.tristel.com*

One company that could gain a longer-term benefit from the fall-out of the Coronavirus outbreak is disinfection products supplier **Tristel**. Management says that there are already signs that authorities are tightening up their disinfection regulations. Tristel has moved into new premises in Shanghai and the Italian distributor was acquired last November.

Newmarket-based Tristel manufactures and supplies disinfection products for human healthcare. It also has animal health and contamination control products, but it is the human healthcare area which is generating the growth. Sales are building up of the Rinse Assure product that ensures that water is free of any microbes.

Interim figures were better than previously indicated and underlying pre-tax profit was a quarter higher at £3m on revenues 22% ahead at £14.6m. Tristel acquired European distribution operations and the organic growth was 13%. There was no significant benefit from the coronavirus. The interim dividend was increased by 15% to 2.34p a share. Net cash was £4.49m at the end of December 2019.

Net cash was £4.49m

The US remains an attractive opportunity, but the timing of any approvals is uncertain. Progress is being made in gaining approval for the Duo product as a disinfectant for intra-cavity ultrasound probes, nasendoscopes and ophthalmic devices. Data required by the FDA is being generated, but a filing date has not been set.

TRISTEL (TSTL)	452.2p		
12 MONTH CHANGE %	+54.7	MARKET CAP £M	203.3

Montanaro Asset Management increased its stake from 5.88% to 6.29% after the interims, even though the share price has been strong. Tristel is one of the few share prices that rose in the last week of February.

A full-year pre-tax profit of £6.5m is forecast. That values the shares at 39 times prospective earnings, which reflects the share price rise due to the coronavirus, which is not factored into the forecast, plus the potential of the US and India, where approval for Duo is expected this year.

Hutchison increases drug investment

Drug developer *www.chi-med.com*

Drug developer and manufacturer **Hutchison China MediTech** reported 2019 revenues ahead of expectations. They did fall from $214.1m to $204.9m, but that was down to a $13.5m fruquintinib milestone included in 2018. There were greater revenues from prescription drugs, including a full-year contribution from colorectal cancer treatment Elunate, which was the first drug launched by the company.

The group loss increased from $86.7m to $141.1m, although that does not include the contribution from joint ventures which, net of tax, increased their contribution from $19.3m to $40.7m. However, the cash dividend they paid the group fell from $35.2m to $28.1m last year. The loss increased because of the investment being ploughed in to eight clinical drug development programmes covering various cancers and immunological diseases. Five of these drugs are in global development.

HUTCHISON CHINA MEDITECH (HCM)	352p		
12 MONTH CHANGE %	-7.4	MARKET CAP £M	2.42

The company had net cash of more than $190m at the end of 2019 and after the year-end it raised a further $110.1m. The joint ventures also have cash in the bank. Investment in R&D will increase, with part of the cost covered by cash generated from other operations. The innovation platform is expected to lose between $180m and $210m in 2020, while the underlying cash outflow will be between $140m and $160m.

Hutchison says that coronavirus is making things difficult because of restrictions on movement in China, which is hampering patient visits for clinical trials. At the moment, the manufacturing operations have not been affected.

BlueRock Diamonds investment will help to boost diamond production

Diamonds miner *www.bluerockdiamonds.co.uk*

BlueRock Diamonds has disappointed in the past but the £1.9m raised in the latest placing will enable the diamond miner to invest in processing plant and significantly increase its production. Overheads will be spread over a much larger operation, potentially making the company cash generative and in a position to pay dividends if it chooses to.

The new team headed by Gus Simbanegavi took on the running of the Kareevlei diamond mine, which has a ten-year life based on increased production before any additional exploration, last May. They have already managed to move the mine into profit in the second half of 2019, but that is just the start.

BlueRock is acquiring a second, recently refurbished processing plant for £620,000, which will be paid out of cash flow over three years. The existing processing plant will be moved and the newly acquired one assembled next to it. That will cost £850,000 and should be completed by the end of 2020. In 2019, the existing plant processed 323,000 tonnes of material and that will more than double to 750,000 tonnes in 2021. Improved recovery rates should enable the number of carats sold to jump from 12,675 to 33,750 in 2021.

Carats sold could rise to 33,750 in 2021

Last year, the company generated $415/carat, but the estimate for 2021 is $360/carat, due to the mix of stones. Spreading the overheads over higher production and a £350,000 plan to connect to the national grid in South Africa are expected to reduce operating costs to below $250/carat.

BLUEROCK DIAMONDS (BRD)			75p
12 MONTH CHANGE %	-50.8	MARKET CAP £M	5

Taking a cautious view there could be a profit of $100/carat suggesting that more than $3m of cash could be generated from the operations in 2021. There is a £925,000 loan convertible at a price well above the market price. Even adding that on to the market capitalisation would indicate a valuation of less than three times potential cash generation in 2021. There is probably some investor scepticism due to the record but if BlueRock can show that it is making progress there should be plenty of upside for the share price.

Cash generative Gemfields joins AIM

Gemstone miner *www.gemfieldsgroup.com*

Gemfields is a highly cash generative emeralds and rubies miner and it did not need to raise any cash when it joined AIM in February. At a time when the diamond market has shown signs of weakness, emerald prices have remained strong. Gemfields has a strong position in both its core markets.

Guernsey-registered Gemfields operates the 75%-owned Montepuez ruby mine in Mozambique, which has a licence until 2036, and the 75%-owned Kagem emerald mine in Zambia, where the mining licence lasts until 2045. There have been problems with independent miners at Montepuez.

GEMFIELDS GROUP (GEM)			10.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M	118.5

Investment has already been made in the gemstone mining operations and gemstone production is steady. When the stones are sold, they are sorted into lots of similar sizes, making them more attractive to jewellery manufacturers that want consistency. Gemfields is trying to make the gemstones fully traceable by the use of nanotags.

Gemfields owns the Fabergé brand, which is losing money. Management believes it will move towards breakeven. In 2020, Gemfields is expected to generate flat revenues of $215m and improve pre-tax profit from £54.1m to £61.5m. The forecasts do not include dividends, but that could be a possibility given that finnCap forecasts net cash of $135m at the end of 2021.

Blancco Technology secures prospects as it invests in data erasure technology

Data erasure *www.blancco.com*

A better balance sheet after last year's fundraising places **Blancco Technology** in a strong position to capitalise on prospects for data erasure and remote diagnostics. There are regulatory and environmental drivers of the growth for these services. Blancco can erase data for resale or recycling of devices and reduce the number of computers and mobiles that go into landfill.

There is a significant second-hand market in mobile devices and past data has to be removed to make them safe to sell. Using Blancco's services to do this makes more sense than throwing them away. Blancco continues to invest in developing its products.

Largest customer is 8% of sales

In the six months to December 2020, revenues were 19% higher at £17.4m and operating margin improved. Underlying pre-tax profit rose from £1.3m to £2.4m. There was £5.39m in the bank at the end of 2019 and there are no borrowings. Blancco is growing in all its regions and market segments. The fastest growth was in Asia where revenues were nearly one-third higher. The largest customer was still 8% of revenues even though the model changed from mobile fault diagnosis in warehouses rather than stores.

BLANCCO TECHNOLOGY (BLTG)			225p
12 MONTH CHANGE %	+100.9	MARKET CAP £M	169.6

The minority stake in the profitable Japanese subsidiary has been acquired. The integration of last July's acquisition Inhance is going well.

A pre-tax profit of £4m is forecast for 2020, and £5.2m the following year. The share price has doubled over the past year and the prospective multiple is 54. Legislation coming into force around the world is continuing to focus on data protection and Blancco's erasure services can provide protection for the owners of devices.

Opportunity to benefit from turnarounds at Avingtrans

Engineer *www.avingtrans.plc.uk*

Losses from two recent acquisitions held back interim profit growth for engineer **Avingtrans**, but these businesses are progressing well with their turnarounds. Blast doors manufacturer Booths is set to break even for the year as a whole, while nuclear industry fabricator Energy Steel should move into profit in the second half. Booth lost £200,000 and Energy Steels £700,000 during the first half.

In the six months to November 2019, revenues were 15% ahead at £54.8m, although organic growth was flat. Underlying pre-tax profit was 6% higher at £1.7m. Net debt, excluding leases increased from £2m to £8.3m over the six months to November 2019. The interim dividend was increased by 7% to 1.5p a share.

AVINGTRANS (AVG)			270p
12 MONTH CHANGE %	+26.5	MARKET CAP £M	84.8

Aftermarket sales made up the majority of sales in the energy division. The engineered pumps and motors business generated around three-quarters of income from the aftermarket, but it was the process solutions and rotating equipment operations that generated the main growth in profit. The medical division is developing long-term relationships with medical equipment companies, but revenues declined.

finnCap forecasts an improvement in pre-tax profit from £5.3m to £6m in 2019-20, while higher contributions from Booth and Energy Steel could help pre-tax profit hit £7.2m in 2020-21. The shares are trading on less than 14 times prospective 2020-21 earnings. The forecast yield is 1.4%.

The strategy of Avingtrans is to buy underperforming businesses and turn them round prior to selling them. Management has a strong track record and a business, such as Booth, could have a high valuation once they are making money again. The performance of Hayward Tyler has improved significantly under the control of Avingtrans and parts of this business could provide opportunities to generate cash from disposals.

Mpac recommences dividend payments

Capital equipment *www.mpac-group.com*

Dividend

Capital equipment supplier Mpac has restarted paying dividends having suspended payments in 2016, when it paid an interim of 1.25p a share but no final dividend. Management wanted to conserve its cash as it changed the focus of the business, so it is an indication of the progress of the strategy that a dividend is being paid to shareholders on the register on 17 April.

The dividend for 2019 is 1.5p a share and this could be doubled in 2020. The 2020 figure would be covered more than ten times by earnings. Mpac is a cash generative business and it has absorbed the acquisition of Latham and ended the year with net cash of £18m, albeit down from £27m at the end of 2018.

Business

Mpac supplies high-speed packaging and automation equipment plus the services to set them up and keep them running efficiently. The focus is healthcare, food and drink, and pharma. Three-quarters of last year's sales came from healthcare.

This is an international business with the vast majority of revenues generated outside the UK, although there can be significant changes in the proportions generated from each region from year to year. For instance, last year 58% of revenues came from the US and that is where most of the growth came from. Most of the revenues come from equipment sales, but services are higher margin and becoming a greater proportion of gross profit.

Lambert Automation was acquired for an initial £15m at the beginning of May. There is an earn-out of up to £2.5m. Lambert specialises in a different stage of the packaging production process and Mpac can offer a broader service to customers. It can also sell more services to the Lambert customer base.

MPAC (MPAC)	
Price (p)	260
Market cap £m	52.4
Historical yield	0.6%
Prospective yield	1.2%

In 2019, revenues grew by 52% to £88m, with 24% organic growth. A loss was reported for 2018, mainly due to an exceptional pension charge, but the underlying pre-tax profit was £1.4m. This underlying profit increased to £7.5m, before £2.1m of predominantly acquisition and reorganisation costs.

There was a tax rebate that added to earnings per share, but a significant tax charge is expected in 2020. That will outweigh profit growth and lead to a drop in earnings per share. Pre-tax profit is expected to increase slightly to £7.53m, which would put the shares on eight times prospective earnings.

Equity Development estimates that the order book and repeat service business covers three-quarters of the forecast 2020 revenues. The cash should steadily increase, although management is seeking to use it to fund further acquisitions when suitable ones can be identified. As with other companies, the impact of the coronavirus is uncertain, but Mpac has good long-term prospects.

Dividend news

Soft drinks maker **Nichols** raised its dividend from 38.1p a share to 40.4p a share even though this year will be much tougher because of a 50% tax on sweetened juice drinks that was introduced on 1 December in Saudi Arabia and the UAE. The Middle East dominates international sales, with around four-fifths of sales in the region during Ramadan, which starts on 23 April this year. Nichols will have to absorb some of the extra cost, but the outcome is uncertain. Profit will inevitably decline this year, but N+1 Singer forecasts an increase in dividend to 41.6p a share.

Scotland-based housebuilder **Springfield Properties** increased its interim dividend by 17% to 1.4p a share as interim pre-tax profit rose 3% to £6.1m. House buying interest has increased since the end of December. The second half tends to be much stronger and full year pre-tax profit could improve from £16.5m to £18.4m and the full-year dividend is expected to increase from 4.4p a share to 5.4p a share. Springfield has a 16-year landbank and the agreement to supply private rental housing for Sigma Capital will not contribute this year.

Hotel linen and workwear laundry business **Johnson Service Group** continues to beat expectations and there was a small upgrade for 2020 profit. In 2019, underlying pre-tax profit was 13% ahead at £48.2m, while acquisitions and investment in capacity meant that net debt, including leases, increased to £127.7m. Net bank debt is £87.3m. The dividend was raised by 13% to 3.5p a share. This year's increase could be more modest. Johnson has coped with the aftermath of a fire at its Exeter site and the new Leeds facility will come on stream later this year. Coronavirus concerns could hit hotel occupancy and Johnson's own volumes, but it is gaining market share.

Expert view: Registrars

Challenges of mini-bond issuance

By Simon Griffin

Recent developments in the mini-bond issuance arena have caused significant concerns which many consider will be the start of a major rethink on security promotion going forward.

The Financial Conduct Authority (FCA) has imposed temporary product intervention powers to address perceived risks primarily from the promotion of such products to naive investors via social media and the internet. The implications of this move stand to be far more wide-reaching than simply the mini-bonds market and could yet impact a whole host of unlisted securities.

But addressing the challenge posed here needn't be an expensive or unnecessarily cumbersome process. Avenir Registrars has extensive experience of providing a commercial and scaled service and currently handles a significant number of CREST enabled bond registers.

Section 21

Section 21 of the Financial Services Market Act 2000 stipulates a sign-off before certain investments can be safely marketed to a wider audience. Such endorsement signals to investors that the representations made in the marketing materials have been vetted by an FCA authorised entity or individual.

All well and good you might say and so everyone thought up until the mini-bond London Capital & Finance debacle that unravelled last year. The problem was that illiquid mini-bonds had seemingly been indicated as appropriate for ISA & SIPP wrappers. This led to the company's collapse and resulted in losses for a potential 11,600 investors that are estimated to be of the order of £236m.

Section 21 sign-offs were not needed for investments sold to self-certified sophisticated investors or those considered high net worth. This remains the case, although the FCA has emphasised the need to highlight the attendant risks of loss and the costs and fees being incurred.

> Avenir has extensive experience of providing a scaled service for CREST enabled bond registers

However, the FCA's interim instruction now prevents the promotion of mini-bonds to the wider retail investor community.

Of course, there is a primary obligation placed on directors of any company to act in a responsible fashion and not to mislead. Within this context there could be a claim of malpractice if issuers' directors allow inappropriate or misdescribed issuances to occur.

To underscore this, the FCA isplacing increased requirements of prudence when authorised parties sign off, to fully assess the viability of new bond issues.

Latterly bond issuances have been seen as a cost advantageous route to raising capital as against issuing equity. So how can bond, debenture or preference share issuers counter this move?

Firstly, they need to engage with competent advisers who can give them clear guidance on correctly structuring their intended issues and specifically to whom they can be legally marketed.

Just as important is looking to provide liquidity. The inability of an investor to trade out of a position has been at the heart of much of this latest move.

Trading platforms

One way to do this is to seek a formal trading platform for holders.

This is often seen as a stumbling block to smaller issuers but with alternative venues such as Aquis Stock Exchange (formerly NEX) & JP Jenkins in London or perhaps the Vienna Exchange, there are commercially viable venues that can provide this enhancement.

Most importantly these venues clear through CREST, something that necessitates passing its own qualification terms. Using a registrar with significant CREST enabled bond experience – such as Avenir - is also critically important.

> Using a registrar with significant CREST enabled bond experience is critically important

Whilst the FCA has said the move is temporary for 2020, it intends to consult during the first half of the year, and it seems likely that permanent controls could well follow. Any such new conditions of issue could well be applied more broadly to other instruments that are also considered to pose a perceived risk to retail investors.

SIMON GRIFFIN is Business Development Manager, Avenir Registrars.

Bucking the trend on AIM

Thirty-three AIM-quoted companies made share price gains in the last week in February while the market was plunging. Not all of them have businesses related to coronavirus.

The last week in February was a bad one for all markets, not just AIM. The FTSE AIM All Share index fell by nearly 12% in those five days. The decline was across the board, although there were sectors that did worse than others.

Some companies managed to swim against a heavy tide. There were some companies where the share price was unchanged and 33 companies where the share price increased. That includes 14 companies where the rise was greater than 5% (see table).

Some of the risers have potential for generating revenues from coronavirus, while others are companies with no immediately obvious connection to the virus.

BNP Paribas senior investment strategist Daniel Morris has compared the effect on stockmarkets of coronavirus to SARS, which was concerning investors at around the same time of the year back in 2003. It appears that the number of cases of coronavirus has accelerated faster than the cases of SARS, which was predominantly affecting Hong Kong.

At the time of the SARS outbreak in 2003, mining shares did relatively well. Condor Gold and Power Metal Resources were two of the better performers on AIM at the end of February. The mining sector is one of the better performers so far this year.

Travel and leisure companies were hit then as now. Dart Group owns the Jet2 airline as well as travel businesses and it has been one of the worst performers, certainly among the largest companies on AIM.

It is not just companies that might be hit by the virus where share prices are falling, it is happening across the board. Initially, the fears related to companies that have links with China, but coronavirus has become global so the worries about China are not at the forefront of investor thinking any more.

Novacyt

Clinical diagnostics firm Novacyt has been the star performer of the year. The share price has been bouncing up and down in recent days, but the trend still appears to be upwards. Novacyt was still the second-best performer on the week. The development and launch of a CE-mark approved nCoV test for the coronavirus caught the attention of investors weeks ago.

Novacyt has sold nearly £1m of coronavirus tests so far. It has signed two agreements that could generate £2.1m in six months and there is other interest in the test. However, the market capitalisation of Novacyt is £95.3m and it will take a lot of test sales to justify that. Full-year revenues from the continuing operations of Novacyt declined by 5% to €13.1m and that puts the valuation in perspective.

There are also other coronavirus tests around - for example, fully listed BATM has one – so Novacyt will not have it all its own way. The good news is that investors have exercised all warrants – some at share prices Novacyt could not have imagined it would reach for many years. This raised around £2.8 million (net of £158,000 paid to a holder of warrants that had been cancelled as part of an agreement when a convertible bond facility was terminated).

Novacyt needs that working capital. There could be further short-term share price rises but reality will set in at some point given the enormous difference between market value and revenues, even if they increase significantly.

> There were 33 companies where the share price increased in the last week of February

Best performers

Many of the other large rises on the week were for companies where the share price had previously slumped, sometimes over a number of years. This could be the boost that some of them need as the potential for their products comes to the fore.

Degradable packaging ingredients supplier Symphony Environmental was the best performer in the last week in February, with a 63.6% increase, thanks to FDA approval for its antimicrobial food packaging technology. The d2p technology

that Symphony has developed can inhibit the growth of bacteria. The FDA approval allows d2p plastic to be used to wrap bread.

It is unlikely that this will lead to immediate revenues, certainly not substantial ones. It is good news, though, for a company which has been trying to build up sales over two decades.

Byotrol is another company with antimicrobial technology that can rip apart bacteria. It has taken ages for Byotrol to get relevant manufacturers to include its technology in their products, but this virus could be a useful boost for longer-term take-up of the technology.

Finland-based Faron Pharmaceuticals has made positive announcements in recent months. The focus is cancer treatments, but it has a treatment called Traumakine, which is for acute respiratory distress syndrome. This could be used for coronavirus patients because it can protect against serious lung complications caused by viruses. An updated study design has been submitted to the FDA in the US.

Symphony Environmental was the best performer in the last week in February

Tristel should also benefit from greater attention to disinfection regimes (see page 4).

React Group is a specialist cleaning firm that does some work deep cleaning hospitals. React focuses on higher-margin work that requires greater skill, hygiene and safety requirements. It has deep cleaned schools hit by the Norovirus and the cleaning required for coronavirus is likely to be similar. However, there are other attractions for investors.

There had been a stock overhang and it appears to have been cleared. While it is still loss-making, React could move back into profit this year with contracts being gained from rail and housing association customers. The company previously suffered from high bad debts, but it has tightened up on collection. This provides an opportunity to view React as a recovery share with potential for a boost from the coronavirus.

Eventually, the market will settle down. The recovery will start in the largest quoted companies on the Main Market due to their greater liquidity and smaller companies, such as those on AIM, are likely to lag behind that recovery.

AIM'S RISERS IN THE LAST WEEK OF FEBRUARY

COMPANY	BUSINESS	CODE	% GAIN
Symphony Environmental	Degradable packaging	SYM	63.6
Novacyt	Clinical tests	NCYT	40.5
Byotrol	Antimicrobial technology	BYOT	29.8
Faron Pharmaceuticals	Drug development	FARN	15.9
Tristel	Disinfection products	TSTL	14.6
ValiRx	Drug development	VAL	13
React Group	Specialist cleaning	REAT	12
Richland Resources	Mining shell	RLD	10.5
Online Blockchain	Blockchain	OBC	9.09
Synairgen	COPD treatment developer	SNG	9
Condor Gold	Gold miner	CNR	6.52
St James House	Payment cards	SJH	6.41
Power Metal Resources	Metals exploration	POW	6.25
Ukrproduct	Agriculture	UKR	5.95

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	27.3	15.7
Industrials	16.4	15.9
Healthcare	13	10.1
Technology	12.2	11.8
Financials	10.6	12.5
Energy	6.6	11.2
Property	5.5	3.1
Basic materials	5.1	14
Telecoms	2	2.5
Utilities	1.5	1.1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	856.64	-5.8
FTSE AIM 50	4796.48	-5.3
FTSE AIM 100	4376.76	-6.9
FTSE Fledgling	8719.23	-16.5
FTSE Small Cap	5384.7	-0.1
FTSE All-Share	3673.61	-5.5
FTSE 100	6580.61	-7

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	153
£5m-£10m	77
£10m-£25m	172
£25m-£50m	120
£50m-£100m	118
£100m-£250m	113
£250m+	98

KEY AIM STATISTICS

Total number of AIM	851
Number of nominated advisers	28
Number of market makers	48
Total market cap for all AIM	£103.9bn
Total of new money raised	£115.9bn
Total raised by new issues	£40.4bn
Total raised by secondary issues	£70.5bn
Share turnover value (Jan 2020)	£6.4bn
Number of bargains (Jan 2020)	1m
Shares traded (January 2020)	53.4bn
Transfers to the official list	191

TOP 5 RISERS OVER 30 DAYS

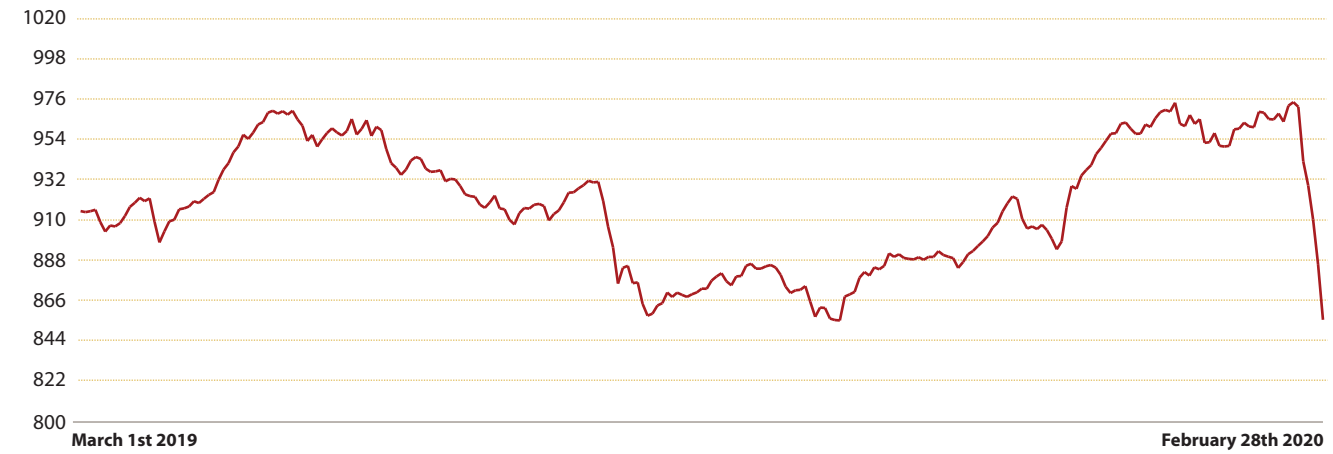
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Novacyt	Healthcare	147.5	+288
Baron Oil	Oil and gas	0.105	+90.9
Oncimmune	Healthcare	64	+80.3
Byotrol	Healthcare	3.7	+64.4
Symphony Environmental Technologies	Cleantech	13.5	+52.5

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Eddie Stobart Logistics	Transport	10.525	-85.2
Firestone Diamonds	Mining	0.275	-59.3
Genedrive	Healthcare	9	-57.1
All Active Asset Capital	Financials	0.175	-56.3
Victoria Oil & Gas	Oil and gas	3.46	-53.1

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 29th February 2020, 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 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.

PUBLISHED BY: Hubinvest Ltd,

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

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