JANUARY 2023

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM falls by nearly one-third

AIM declined by more than 31% during 2022 and the rebound in November proved short-lived. The FTSE AIM UK 50 index and the FTSE AIM 100 index did even worse. In contrast, the FTSE 100 index rose by 0.9%. The greater international exposure of the largest fully listed companies plus the high weightings for BP and Shell appear to be behind that outperformance.

Four-fifths of the constituents of the AIM 100 ended the year at a lower share price. There were seventeen companies where the share price at least halved. The worst performer was electrolyser technology developer ITM Power with a three-quarters decline.

In January, there will be Christmas trading statements from retailers and full year trading statements from many of the companies with a calendar year end will be released. This will influence the performance of AIM, particularly consumer companies, in the early part of the year. Inflation is likely to fall later in the year, but it is still likely be higher than in the past couple of decades.

The lower AIM share prices should generate more interest from potential bidders, particularly those international companies and private equity firms seeking to take advantage of the weakness of sterling. This is likely to be focused on larger AIM companies.

Bidstack reseller dispute

In-video game advertising technology company Bidstack is in dispute with pan-European digital media platform operator Azerion Technology over their two-year partnership announced in December 2021. All has not been well between the two firms since October and Azerion Technology wants to terminate the agreement This deal was underpinning forecasts because it guaranteed minimum revenues of $30m over the period of the agreement commencing in March 2022.

Bidstack says that it has invoiced Azerion Technology for the money it estimates it is owed, but payments are not being made and litigation has commenced. Management believes that it has done what it has promised under the agreement. Bidstack argues that Azerion Technology is not entitled to end the agreement and it is claiming damages.

When the deal was signed Azerion Technology was given access to all Bidstack's 40 million users, and 60 games titles and it became the sole external advertising reseller in the countries where it had operations. Bidstack has taken on a sales team for North America and the company is reviewing its current arrangements with resellers in markets not covered by this agreement.

Francesco Petruzzelli announced his resignation a Bidstack managing director at the end of December. Camila Franklin has become an executive director.

In this issue

GENinCode US certification

Heart health diagnostics firm GENinCode has received California state licensing approval and CLIA (Clinical Laboratory Improvement Amendments) certification for its laboratory in Irvine, California. GENinCode should have enough cash in the bank to last until the end of 2023. Although revenues are expected to be relatively modest in 2023, the US launch will help to show the effectiveness of the company's products, which are focused on risk assessment, prediction and prevention of heart disease.

The certification will allow processing of Lipid inCode and Cardio inCode tests. Lipid inCode diagnoses family hypercholesterolemia, which has a low rate of diagnosis with four-fifths of sufferers estimated to be undiagnosed. Cardio inCode focuses on genetic risk.

A US commercial launch in partnership with Eversana is planned for Lipid inCode for the first half of 2023. There are plans to obtain FDA approval for Cardio inCode and this is relevant for a larger number of patients. A 510(k) submission for Cardio inCode is expected in the coming months. Lipid inCode is likely to be launched in the UK later this year.

The genetic diagnostics market is expected to be worth more than $30bn by 2030, according to Straits Research. There are more than 85 million people with heart disease in the US alone, so there is a large addressable market.

GENinCode joined AIM in July 2021, when it raised £17m at 44p a share. The share price has been on a downward trend since flotation in 2021, but the latest news perked it up. Even so, it has still fallen by two-thirds.

One Media decision

One Media IP's anti-piracy subsidiary TCAT is winning new contracts and the group is no longer considering outside funding for the subsidiary. Following discussions with major shareholders, One Media IP has decided it has enough funds to continue to grow the business. The music and video IP rights owner has net cash of around £1.4m. When TCAT becomes larger management will consider its options. One Media IP expects revenues to be £5.1m and EBITDA of £1.8m in the year to October 2022. Revenues are better than forecast, but EBITDA is in line. One Media IP owns a valuable IP catalogue. The annual results will be published in March and the company says that it still intends to pay a dividend.

Takeover activity on AIM

Crestchic and K3 Capital were the subject of bids at the end of 2022 and there are more to come with transport logistics company Xpediator among the AIM companies in bid talks. Although the share prices of some potential bid targets have fallen sharply over the past year, Crestchic and K3 Capital have been two of the better performers.

Crestchic is recommending a 401p a share cash bid from Aggreko, which values the loadbank manufacturer and rental business at £122m. The share price has more than doubled this year and it has not been at the bid level since 2015. The operational gearing of the business has helped profit accelerate as demand from datacentres increases. Ditching the loss-making oil and gas activities also helped even if that was at a loss compared to their purchase price. The bid values Crestchic at 15 times prospective 2023 earnings.

K3 Capital is recommending a 350p a share cash bid from a vehicle controlled by affiliates of Sun European Partners valuing the business disposals and tax adviser at £272m. Business has been booming for K3 Capital, but the independent directors believe that trading could get tougher and that is why they recommended the bid. Some directors and management will take loan notes as well as cash. These notes would eventually be exchanged for shares in the holding company of the business.

K3 Capital joined AIM in 2017 at 95p a share. Revenues and profit have increased significantly since then through a combination of organic growth and acquisitions that diversified the business into other areas, such as tax advice and business restructuring. Forecast full year revenues of £79.5m, could generate underlying pre-tax profit of £23m, which is much more than expected earlier in the year.

Smaller company broker revenues decline

Last year was a tough one for smaller company brokers as revenues fall. Four brokers reporting results in recent weeks have all been hit by sharp share price declines during the year. There are no clear signs of any easing in stockmarket conditions.

Meanwhile, legal services provider Ince Group has gained FCA approval for the sale of Arden Partners to Zeus, which could be the start of consolidation in the sector. The approval is effective for three months while the disposal is finalised.

■ **finnCap** is not going to merge with Panmure Gordon, but the talks were another sign of the decline in AIM liquidity and new admissions. In the six months to September 2022, finnCap's revenues slumped from £31.7m to £16.4m. There was a swing from a pre-tax profit of £6.28m to a loss of £2.59m, including one-off costs of £1.44m. Revenues declined in both the broking and M&A advisory divisions. Broking retainers were the only part of the group where revenues improved. The finnCap share price fell by 63% in 2022.

■ At broker and wealth manager **WH Ireland** revenues declined from £17m to £14.3m and it moved from profit to an underlying loss of £900,000. Both divisions lost money. However, the full year loss should be lower. The WH Ireland share price fell by 52.6% during 2022. This is the lowest the share price has been since 2003. Just before Christmas, Melvin Lawson increased his stake from 4.57% to 8.97%.

■ **Numis Corporation** full year revenues fell by one-third to £144.2m, while pre-tax profit slumped by more than two-thirds to £20.9m. Revenues from corporate retainers were flat and M&A advisory fees rose. There was a large slump in capital markets fees due to a lack of flotations. The previous year there was a profit on investment activity, but last year there was a loss. A 2022-23 pre-tax profit of £24m is forecast, based on potential M&A activity. The Numis share price fell by 44.2% in 2022.

■ **Oberon Investments Group** reported a decline in interim revenues from £3.45m to £2.64m. Corporate broking revenues fell by one-third to £1.03m, while the number of clients increased from 15 to 22. Funds under management rose above £1bn, although investment management revenues also declined. The group moved from profit to a £1.7m loss as additional staff were taken on in corporate broking and investment management.

There was net cash of £2.3m at the end of September 2022. The launch of an EIS fund and other new products should boost longer-term revenues. Oberon Investments is quoted on the Aquis Stock Exchange and the share price fell by 43.5% last year.

ADVISER CHANGES - DECEMBER 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
SEEEN	Allenby / Dowgate	Panmure Gordon / Dowgate	Allenby	Panmure Gordon	12/7/2022
Gaming Realms	Investec / Peel Hunt	Peel Hunt	Peel Hunt	Peel Hunt	12/14/2022
Kodal Minerals	Canaccord Genuity / SP Angel	SP Angel	Allenby	Allenby	12/16/2022
Windar Photonics	WH Ireland	Cenkos	WH Ireland	Cenkos	12/19/2022
Mortgage Advice Bureau	Peel Hunt / Numis	Numis	Numis	Numis	12/21/2022
tinyBuild Inc	Numis / Berenberg	Berenberg	Berenberg	Berenberg	12/21/2022
Harland & Wolff	Liberum / Cenkos	Cenkos	Cenkos	Cenkos	12/22/2022
SDX Energy	Shore	Stifel Nicolaus	Shore	Stifel Nicolaus	12/23/2022
Ondine Biomedical	Singer / RBC	Singer / RBC	Singer	Strand Hanson	12/30/2022

Journeo raises cash to finance displays acquisition and contract wins

Transport CCTV and displays *www.journeo.com*

JOURNEO (JNEO)			138p
12 MONTH CHANGE %	+28.4	MARKET CAP £M	12.1

Transport security and information systems supplier **Journeo** is acquiring IGL Ltd, which provides displays for rail passenger information, for £8.7m. The initial cost of IGL, also known as Infotec, is £6.2m in cash and £500,000 in shares with £2m of consideration deferred. IGL is estimated to have net cash of £4.5m. Cenkos forecasts that IGL will contribute at least £11.4m to revenues and provide EBITDA of £1.7m in 2023.

Journeo raised £7.35m at 105p a share, including £350,000 via a retail offer, to help finance the acquisition and provide working capital. It will also pay off £550,000 of loan notes which have a 10% interest charge.

Journeo has a significant market share in the bus and coach information systems and CCTV markets. IGL provides additional scale for Journeo in the rail market. It trebles the number of trains using group displays to 2,400 and management believes that service revenues could be an area of additional growth. New products set to be launched by IGL will improve margins. Combining the two businesses should also reduce purchasing costs.

Pre-tax profit could reach £3.3m in 2023

The UK is IGL's main market, but it also has customers in Canada and South America. It recently won an $18m contract to supply displays for New York subway trains.

Journeo is expected to make a pre-tax profit of £900,000 in 2022, while adding IGL is forecast to improve pre-tax profit to £3.3m in 2023. Earnings are forecast to increase from 10.4p a share to 17.8p a share in 2023.

Net cash of £5.8m is forecast for the end of 2023, with net assets of £10.3m. The share price has risen following the acquisition announcement, but the 2023 prospective multiple is still less than eight.

Solid State order book provides reassurance

Electronics *www.solidstateplc.com*

SOLID STATE (SOLI)			1410p
12 MONTH CHANGE %	+2.6	MARKET CAP £M	159.3

The recent acquisition of US-based Custom Power by **Solid State** is proving an astute one, even though it only contributed two months of trading to the latest interims. Two NATO defence contracts won since the end of the interim period helped the order book increase to £117.8m and provide a good base for continued growth.

There was strong growth from the components and systems divisions. The components division benefited from its sourcing expertise at a time of shortages and remains the larger contributor to revenues.

There is high demand for the power products sold by the systems division. The sharing of expertise with Custom Power and the opening up of the US market to group products will have longer-term benefits. There is also demand from the defence sector for embedded computing products.

Interim pre-tax profit increased by three-fifths to £5.2m on revenues 51% higher at £59.4m. The full year pre-tax profit could be £10.5m, up from £7.2m. The interim dividend was raised by 4% to 6.5p a share and the total dividend is expected to be 20p a share. Net debt is £1.7m, although there is also £14.4m of deferred consideration.

The shares have risen significantly since the Custom Power acquisition and are trading on 18 times prospective 2022-23 earnings. Supply chain problems still exist and there are extended lead times for some components. That could hamper progress, but it is probably built into the forecasts, which tend to be cautious. There is a history of forecasts being upgraded nearer to the end of the financial period.

Nexus Infrastructure set to return £65m in cash to shareholders

Civil engineering *www.nexus-infrastructure.com*

Nexus Infrastructure is selling TriConnex and eSmart Networks the two divisions that have the best growth prospects, but it has obtained a reasonable amount for them, and will be able to return cash to shareholders. The utility connections and charging infrastructure businesses are being bought by investment firm FitzWalter Capital for £77.7m. That is more than the market capitalisation before the announcement.

Nexus Infrastructure is left with civil engineering business Tamdown, which provides infrastructure engineering services to housebuilders and social housing developers. It was the original business of the group and TriConnex was added in 2011 to take advantage of deregulation in the utility connections market. The newest business is eSmart Networks, which was added after Nexus Infrastructure joined AIM in July 2017.

Nexus is left with civil engineer Tamdown

Management has been seeking a partner for eSmart Networks, which designs and installs electric vehicle charging points, because it realised that Nexus Infrastructure did not have the financial strength to fully exploit the potential. The group chief executive and finance director are going with the disposals and Charles Sweeney will become chief executive.

Tamdown is in the middle of a two-year turnaround strategy that has returned it profit and is improving margins. Full year revenues were £98.4m and operating profit was £2.3m. Demand for housing means that the long-term outlook is positive. Tamdown is expected to be cash generative in 2023. The order book was worth £95.5m at the end of September 2022. Cash has come under pressure due to increased trading activity.

NEXUS INFRASTRUCTURE (NEXS)			175p
12 MONTH CHANGE %	-21.7	MARKET CAP £M	80.6

There will be £10m of disposal proceeds retained for working capital and the £65m left after costs is likely to be distributed to shareholders. This would be on top of normal dividend payments.

Coral Products acquisitions enhance earnings

Plastic products *www.coralproducts.com*

Specialist plastic products manufacturer **Coral Products** has used up its cash pile on acquisitions in the past year. The cash was not earning much interest and the acquisitions will generate significant additional profit for the current financial year. The acquisitions are expected to be earnings enhancing.

Ecodeck Grids supplies building and landscape products for driveways and shed bases and it was acquired for an initial £3.35m in cash and shares, with up to £1.25m more potentially payable. The products use 100% recycled plastic. There could be cost savings, particularly if production is moved to Coral Products' facilities, but these are not included in the forecasts.

CORAL PRODUCTS (CRU)			16.5p
12 MONTH CHANGE %	+10	MARKET CAP £M	14.8

Manplas manufactures vacuum-formed components and sheet plastic parts for vehicles, retail, leisure and packaging. Manplas cost £300,000 and it was loss making in 2020-21. The factory is near to plastic products subsidiary Tatra-Rotalac, which could use some of the capacity.

Coral Products reported a 148% increase in interim revenues to £17.6m and there was 44% growth in earnings to 1.17p a share. The interim dividend is unchanged at 0.5p a share. Most of the growth came from acquisitions. Net debt was just over £3.6m at the end of October 2022.

There is a strong balance sheet and scope to make further acquisitions using cash generation and debt facilities. Following the interims, chairman Joe Grimmond bought 50,000 shares at 18.4p each. A full year pre-tax profit of £1.7m is forecast, rising to £2.3m in 2023-24 when the acquisitions make full contributions. The shares are trading on eight times prospective 2022-23 earnings, while the forecast yield is 7.3%.

Focusrite expands its audio product range through Sonnox purchase

Audio equipment *www.focusriteplc.com*

Audio equipment supplier **Focusrite** has acquired Sonnox, a designer of audio processing software plug-ins, for £7m. Revenues were £2.4m in the year to March 2022. Eight of the top ten selling albums this century involved people using Sonnox software. A full contribution in the year to August 2024, is expected to add £2.8m to group revenues. That could add £1m to profit, partly offset by a higher interest charge.

Focusrite improved full year revenues from £173.8m to £183.7m, which was an impressive outcome given the Covid lockdown boost to demand in the previous year. A recovery in revenues at Martin Audio because of the return to live events after Covid lockdowns offset some of the declines in other brands.

Higher costs put pressure on margins

Asia Pacific was a particularly strong market last year. Underlying pre-tax profit fell from £40.7m to £33.8m. Higher costs put pressure on margins. The total dividend was higher than expected at 6.1p a share.

There was a positive start to the new financial year, although Focusrite is expected to report a slightly lower profit this year even with a contribution from Sonnox. There was a large cash outflow last year because inventories were increased. That was to ensure that there were two to three months of

FOCUSRITE (TUNE)			830p
12 MONTH CHANGE %	-43.3	MARKET CAP £M	479.6

products in stock prior to Christmas. This increase in working capital should not happen this year, so cash generation will be much stronger. Focusrite will move back to net cash at the end of September 2023, even after the purchase of Sonnox and continued investment in product development. The cash pile will continue to build up unless it is spent on further acquisitions.

The shares are trading on less than 19 times prospective 2022-23 earnings. Focusrite has a strong portfolio of brands, and a good track record of picking acquisitions and integrating them into the group.

Mercia Asset Management adds to lending activities

Investment manager *www.mercia.co.uk*

Fund manager **Mercia Asset Management** has acquired Birmingham-based business loans provider Frontier Development Capital for up to £9.5m and that could add up to 25% to earnings in a full year. This deal enhances the group's business lending activities and brings with it £415m of funds under management. Frontier makes larger loans that could be useful for the group's existing clients.

The deal takes funds under management to nearly £1.4bn and there will be a four-month contribution from Frontier Development Capital in the 2022-

MERCIA ASSET MANAGEMENT (MERC)			32p
12 MONTH CHANGE %	-15.2	MARKET CAP £M	140.8

23 financial year. In the year to November 2021, the business made a pre-tax profit of £1.3m on revenues of £5.1m.

Canaccord Genuity increased its underlying 2023-24 pre-tax profit forecast for Mercia Asset Management from £4.9m to £6.2m following the acquisition. That does not assume any significant gains on investments. The directly owned portfolio is maturing and there should be further exit opportunities in the next few years.

The cash for the acquisition comes from Mercia Asset Management's cash pile, which was £56.1m at the end of September 2022. Cash is generated from operations and covers the 0.33p a share interim dividend as well as providing additional funds for investment.

There is no danger of the company needing additional cash from a share issue. NAV was 46.8p a share at the end of September 2022, yet the shares are trading at a 32% discount even after a significant recovery in the past three months.

AdEPT Technology rebuilds dividend payments

Managed IT services *www.adept.co.uk*

Dividend

AdEPT Technology was a consistent dividend payer between 2011-12 when it paid 0.5p a share until 2018-19 when the dividend had grown to 9.8p a share. Dividends recommenced in the year to March 2022 with a 1p a share distribution. The interim for the current financial year was 2.5p a share and the forecast total dividend for the year is 5p a share. That would be covered nearly five times by forecast earnings.

A total dividend of 6p a share is forecast for next year and should be covered 4.5 times by forecast 2023-24 earnings. Net debt is expected to be £36.3m, including a £7.3m convertible loan with a fixed interest rate of 7%, at the end of March 2023. That is after paying deferred consideration of £4.3m during the year. The debt level is a concern for some investors, even though it is well within the £50m facility but it is expected to decline to £32.1m at the end of March 2024.

AdEPT TECHNOLOGY (ADT)	
Price (p)	105
Market cap £m	26.3
Historical yield	1%
Prospective yield	4.8%

Business

Over the past few years AdEPT Technology has been transformed with recurring revenues generating the majority of group revenues. Management spotted that focusing on telephony in a world where technology interacts would have led to a decline in the group's fortunes and managed technology services was the way forward.
Acquisitions have helped accelerate the move into managed services. The most recent was Datrix, which provides cloud-based networking and cyber security services, and the two firms were already working together. Software defined wide area networking (SD-WAN) is one of the new services that Datrix brought to the group.
In the six months to September 2022, revenues were £34.2m – 73% recurring. Underlying pre-tax profit fell from £3.4m to £2.8m. That is after an increase in restructuring costs from £322,000 to £494,000, although there were also £569,000 of acquisition cots in the corresponding period.
There is a continued decline in fixed line revenues, and this is being offset by growth in managed services. Fixed line is down to 11% of group revenues, so it is much less significant than in the past.
The current focus is organic growth and the development of the customer base. This will enable borrowings to be reduced. There is potential work from government plans to upgrade the digital operations in schools and also from a fund to help finance GP investment in cloud-based telephony.
The share price performance has been poor for nearly two years and the share price is one-third of the level at the end of April 2021. The convertible loan has a conversion price of 393p a share. Earnings are set to decline this year, but the shares are trading on less than five times prospective earnings, falling to four in 2023-24. The share price should be around the bottom, and enabling it to recover from here.

Dividend news

Catalyst Media trebled its net assets after unwinding a previous write-down. The NAV is £35.5m, or 168.9p a share. That is before the 3.3p a share dividend proposed by the board. A 20.5% shareholding in horseracing broadcaster Sports Information Services (SIS) is Catalyst Media's main asset. The stake is valued at £35.4m after the write-back of a previous impairment charge of £23.4m due to improved performance and the resolution of litigation with The Racing Partnership. After accounting for its share of SIS profit, Catalyst Media reported a 2021-22 pre-tax profit of £24.4m. SIS revenues are expected to increase this year.

In the six months to October 2022, **MS International** moved back into profit and net cash increased from £15.5m to £23.9m. The defence and signage divisions are still loss making, but forgings and petrol station superstructures profit increased significantly. The interim dividend was raised from 1.75p a share to 2p a share. Since the interims were released, MS International has won a £22.4m contract to supply new land-based mobile gun systems for air defence. They will be supplied to an overseas customer in 2023 and that will help the defence division to return to profit.

Defence equipment and services supplier **Cohort** increased interim revenues by 29% to £77.5m, while underlying earnings more than trebled from 3.04p a share to 10.1p a share. The interim dividend is 10% higher at 4.25p a share. Net debt was £600,000 at the end of September 2022, but Cohort had net cash of £7.6m on 9 December. The order book is worth £304.2m and this means that 95% of forecast full year revenues of £166m are already covered. Cohort is in a good position to benefit from higher global defence spending. The full year dividend is expected to be 10% higher at 13.4p a share.

Expert view: Registrars

Avenir Registrars IPO outlook for 2023

By Samiul Siddique

IPO markets struggled in 2022. It is not the first time this has happened, so how long do you think the slump will last?

There is no question that 2022 has been a torrid time for new issuances, not just in London but on a global basis. Taking a one-year time horizon here however misses out on several important contextual points, including a dearth of activity especially during the early stages of the COVID pandemic, followed by a dramatic uptick as investors clamoured to deploy the free capital they had accumulated.

We can take some solace from the fact that historically such downturns have been rather short-lived, lasting a couple of years at most, so we are hopefully not talking about lost decades here. What is more, as we move into 2023, hopes are running high that the worst of the inflationary pressures may start to abate and with this, central banks globally can start to take a more measured approach to monetary policy.

Both these factors are likely to provide confidence in terms of valuations, in turn helping restart momentum for IPOs and other new issuances. After all, funds lose absolute value if simply held on deposit so the drive to investments is compelling.

Much has been said about London's ambitions to deploy meaningful capital market reform. Will the evolving regulatory situation have an impact here, or is it cyclical economic factors that stand to drive a change in sentiment?

There are a number of policymakers and market participants who see the listing reforms as being the true catalyst here. That's a conviction which is underlined by the idea that many of these changes can be in place by the end of the first quarter, and indeed some initiatives have already been deployed. But reducing the free float requirements will, without doubt, widen market appeal whilst the secondary market capital raising review which paves the way for faster book builds also seems likely to meet with popular appeal.

Reducing the free float requirements will, without doubt, widen market appeal

With these fundamental innovations acting as a bedrock, the macroeconomic cycle – which it would seem fair to say is unlikely to deteriorate further in 2023 and many hope will indeed improve significantly – should prove to be the perfect complement to the proposed market reforms.

Volatility is often seen as justification for deferring an IPO - but is this accurate?

It is often cited, but there are several factors which need to be taken into account here. Badging it just as volatility may be convenient but it only explains a small part of the problem and indeed this is something that the proposed capital market reforms should go a significant way to resolving, too.

If you have a listing regime that is so proscriptive as to only function well in the very calmest of market conditions, then it is going to be a challenge. However, changes such as the reduction in free float make it easier for advisers to place new issuances, whilst also giving founders and legacy owners the confidence that they are not going to leave themselves significantly disadvantaged if markets unexpectedly lurch higher once an offer has been priced.

More flexibility in how capital markets function ought to reduce the potential impact of volatility.

Does the IPO adviser community need to take a fresh look here?

We believe IPO teams must have the confidence to engage with prospective investors at an earlier point in time, as this will help ensure that any new issuance activity can be structured in a way that meets with audience demand.

Public markets are not just a venue for investors to deploy capital, but also provide an invaluable route to allow existing shareholders to realise value. However, this has to be done on realistic terms.

In addition to the uptick in IPO activity, if 2021 illustrated anything else it was the excessive valuations which were achieved, based on the race to deploy capital. Prospective investors will be keen to see true change here if market confidence is to be regained.

SAMIUL SIDDIQUE, Head of Capital Markets, Avenir Registrars (www.avenir-registrars.co.uk).

Trading levels slump on AIM

After two record years, trading levels have fallen sharply throughout 2022.

Each month's trading in AIM shares in 2022 was lower than the same month in 2021. No month of trading was anywhere near the corresponding period in the previous year, and some were more than one-third lower. Liquidity has declined, but it is still better than most years.

December was the weakest month of the year

Last year was still the third best in AIM's history in terms of number of trades. However, in four out of the previous five years there was a greater value of trades, although the levels in 2017 and 2018 were similar to 2022.

There were 250 trading days in 2022, which is fewer than any other full year of trading since the launch of AIM. Generally, there are around 253 days of trading in a year. That does not make much of a difference, though. Average daily trades of 57,682 was still well below the 2021 figure of 80,270. The 2017 and 2018 average daily value of trades was still slightly ahead of the 2022 level.

AIM did lose four out of top six most traded companies in December 2021. Clinigen, Blue Prism and Sumo Group were all taken over and ASOS moved to the Main Market. ASOS and Clinigen were in the top four in terms of number of trades.

The average number of daily trades of the four companies was nearly 6,000 in December 2021, while the average daily value was more than £81m. Even stripping out those companies off the 2021 figures the decline in average daily bargains in December is from nearly 62,000 to 38,328 while average daily value fell from around £256m to £176.3m.

In December 2022, there were 25,335 trades with a value of £65.5m in the now fully listed ASOS. That compares with 60,634 trades valued at £223.66m in the previous December.

December was the weakest month of the year. There were 30,853 trades in online fashion retailer boohoo, making it the most traded AIM company during the month. That compares with 150,411 trades in boohoo in December 2021. The number of trades in ITM Power fell by two-thirds.

There does not appear to be any reason to expect an upturn in AIM liquidity in the short-term. The loss of Abcam, which is concentrating on its Nasdaq listing, and the forthcoming takeover of EMIS will remove two of the top 25 most traded AIM companies in 2022. Putting this in perspective, even if trading levels continue to decline liquidity should still be relatively good compared with historical levels.

AIM TRADING LEVELS IN 2021 AND 2022

	AVERAGE DAILY TRADES		AVERAGE DAILY VALUE (£M)	
MONTH	2022	2021	2022	2021
January	78,255	107,893	391.5	559.3
February	72,612	104,560	343.4	516.4
March	75,691	90,466	331.3	451.7
April	66,508	84,558	318.2	409.5
May	64,467	82,904	322.5	388.3
June	56,822	73,712	283.5	356.2
July	50,016	67,867	212.0	319.8
August	45,119	61,119	195.0	282.6
September	50,752	74,024	224.1	389.2
October	46,322	75,995	190.1	354.7
November	48,200	75,620	221.1	384.2
December	38,328	67,890	176.3	337.7

AIM company numbers declining again

The number of companies on AIM is falling again and that looks set to continue into 2023 as more companies are set to leave.

In 2021, it appeared that after 6 consecutive years the downward trend in the number of AIM companies had come to an end, although the longer-term trend started much earlier. The number of companies increased from 819 to 852 during 2021. At the end of 2007 there were 1,694 companies, so the number of companies has halved over 15 years.

The rise in 2021 was due to the 87 new AIM admissions, the highest number since 2014, more than outstripping cancellations. This reflected the lack of flotation activity in the previous two years due to uncertainty over the EU and Covid lockdowns respectively. The strong performance of AIM up until early 2021 also prompted managements to make the decision to join the junior market.

In contrast, 2022 was a very poor year for AIM with the total return for the FTSE AIM All-Share index of 30.7%, or a 31.7% decline purely measured by the index. That is slightly better than the FTSE AIM UK 50 index and the FTSE AIM 100 index performance.

That is the worst annual performance over the past decade and AIM significantly underperformed Main Market measures, particularly the FTSE 100 index which gained on the year. In contrast to AIM, the larger the constituents of the index the greater the outperformance, but the FTSE Fledgling also did much better.

Some of the largest AIM companies have done poorly. ITM Power, boohoo, Ceres Power and Fevertree Drinks were all valued at more than £1bn at the beginning of the year and the share prices fell by more than three-fifths. There were 30 AIM companies that were valued at more than £1bn at the beginning of 2022 and this fell to 15 by the end of the year.

Three companies (property investor Secure Income REIT, robotic software supplier Blue Prism and pharma services provider Clinigen) were taken over, online fashion retailer ASOS moved to the Main Market and antibodies supplier Abcam dropped its AIM quotation to concentrate on its Nasdaq listing at the end of 2022. The market capitalisations of another 12 companies have fallen below £1bn, although two companies – healthcare IT provider EMIS, which is about to be taken over and renewable energy generator Greencoat Renewables – have moved above £1bn during the year.

> There were 19 AIM admissions, raising £135.5m of new money

Market value

Last year, there were 19 AIM admissions, raising £135.5m of new money, while there were 56 cancellations. There were 12 companies leaving AIM in December. That includes Life Science REIT moving to the Main Market, but three of the companies decided to exit AIM because of the difficulty raising money and the need to reduce costs.

Although the number of companies has halved over 15 years, the market capitalisation of AIM has dipped from £97.6bn to £93.2bn over that period. That means that the average market capitalisation of the companies has nearly doubled. Even so, the market capitalisation has fallen from £150bn at the end of 2021. That is partly due to the companies leaving, but mainly down to poor share price performance.

The amount raised by existing AIM companies declined by more than two-thirds to £2.23bn last year. Cyber security software supplier Kape Technologies raised £190.2m in October out of a total of £370m for the month. That was the most raised in any single month, but there was less money raised in the second half than there was in the first half.

There do not appear to be many new companies planning to join AIM in the short-term and there are more leavers likely in the coming months. Companies being taken over include Appreciate, Crestchic, K3 Capital and EMIS, while other companies are in bid talks. DeepMatter is the latest company to choose to drop its AIM quotation. There could be others that find it difficult to raise the cash they require in the current tough markets.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	23.4	16.1
Industrials	18.3	17
Technology	13.3	12.7
Health Care	12.9	10.5
Financials	10.4	11.3
Energy	8.5	11.1
Basic materials	7.9	14.9
Property	2.1	2.7
Telecoms	1.6	1.6
Utilities	1.6	1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	831.33	-31.7
FTSE AIM 50	4457.38	-32.8
FTSE AIM 100	3966.72	-34
FTSE Fledgling	11579.42	-12.6
FTSE Small Cap	6240.03	-16.3
FTSE All-Share	4075.13	-3.2
FTSE 100	7451.74	+0.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	110
£5m-£10m	97
£10m-£25m	158
£25m-£50m	123
£50m-£100m	119
£100m-£250m	118
£250m+	100

KEY AIM STATISTICS

Total number of AIM	825
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£97.9bn
Total of new money raised	£132.4bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£84.5bn
Share turnover value (Nov 2022)	£63.1bn
Number of bargains (Nov 2022)	13.7m
Shares traded (Nov 2022)	609.1bn
Transfers to the official list	199

TOP 5 RISERS OVER 30 DAYS

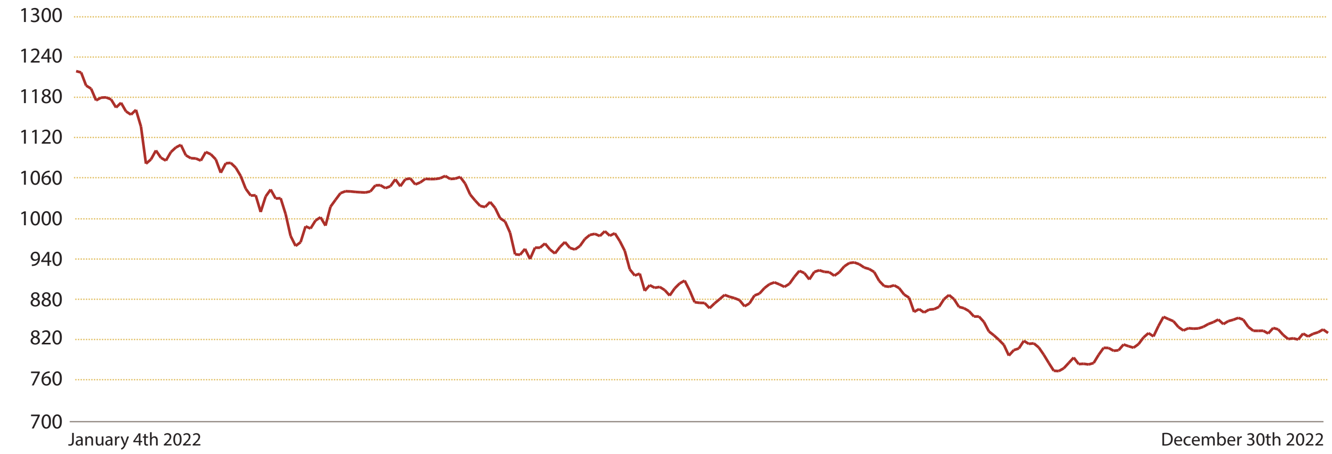
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Petro Matad	Oil and gas	4.525	+141
Applied Graphene Materials	Graphene	8	+113
LBG Media	Media	121.5	+101
MSI International	Engineering	665	+100
Invinity Energy Systems	Cleantech	43	+88.6

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Yourgene Health	Healthcare	0.35	-84.4
Star Phoenix	Oil and gas	0.4	-75.8
Asimilar	Financials	1.8	-73.3
Fulcrum Utility Services	Construction	1.025	-69.6
ReNeuron	Healthcare	8.75	-62.8

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th December 2022, 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