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AIM JOURNAL

In this issue

Audit regulation overhaul

The UK government has set out its plans for auditing companies. There will be a new regulator called the Audit Reporting and Governance Authority (ARGA) and it could also cover the larger AIM companies.

The government will give ARGA a range of statutory responsibilities and powers that the FRC does not have. It will be responsible for overseeing the accounting and actuarial professions, along with new powers that mean it will be able to tackle breaches of company directors' duties in corporate reporting and audit. Companies will be required to have a resilience statement and audit and assurance policy.

Larger quoted companies with more than 750 employees and revenues of more than £750m will be classed as public interest entities (PIEs). This includes any AIM companies that fit the criteria. There are currently eleven AIM companies with turnover of more than £750m, but they do not necessarily have more than 750 employees.

The government is keen to make sure that the law on dividends and capital maintenance is being respected. There will be guidance on what should be treated as distributable reserves and companies will be required to disclose the figure so that shareholder are aware.

FDA approval for Parsortix

Angle has gained FDA approval for its Parsortix liquid biopsy test for use with metastatic breast cancer patients. Parsortix is the first system that has been approved which harvests circulating cancer cells from a blood sample for analysis.

This approval provides a route map for gaining approvals for other cancers. MidLantic Urology will evaluate the Parsortix system for use in prostate cancer studies. There is also a master clinical study agreement with Solaris Health Holdings. MidLantic Urology is an affiliate of Solaris, and it is one of the largest providers of specialist urology services in the US.

Clinical studies will commence on the use of Parsortix for the detection and prediction of severity of prostate cancer in patients with an elevated prostate specific antigen level and/or abnormal digital rectal exam. The first study will be influenced by work already done by Barts Cancer Institute. Results are expected in 2023. This could lead to a lab test that could be offered by Angle, which has received laboratory accreditation in the US.

Angle thinks that the global liquid biopsy market could be worth more than $100bn a year. Angle had cash of £31.8m at the end of 2021. A US listing has been talked about in the past and could be used to raise additional cash.

Next Fifteen Saatchi bid

Marketing services firm Next Fifteen Communications is making a recommended £268m bid for advertising agency M&C Saatchi. Rival bidder AdvancedAdvT says that it will not increase its offer, although it does not believe that the Next Fifteen bid reflects the underlying value of M&C Saatchi, and it is considering its options.

Next Fifteen is offering 0.1637 of one of its shares and 40p in cash for each M&C Saatchi share. At a Next Fifteen share price of 1266p, the bid was valued at 247.2p a share. The Next Fifteen share price has subsequently fallen to 1094p, so the bid value has declined to 219p a share. That means that the Next Fifteen bid is worth slightly less than the AdvancedAdvT all share offer, which is valued at 221p a share.

The M&C Saatchi board had already rejected the rival bid. AdvancedAdvT and chief executive Vin Murria together own 22.3%, so they could still have a significant influence on the way the Next Fifteen bid progresses.

This deal would significantly increase the size of Next Fifteen, which is already an international business. Private sector focused Next Fifteen has historically focused on the technology market and M&C Saatchi has more public sector clients. There is little overlap in client bases.

This could be an attractive deal, but it is risky for Next Fifteen to make such a large acquisition. The deal is expected to be immediately earnings enhancing. Peel Hunt believes that the earnings upgrades for Next Fifteen could be in double-digits. The broker points out that the M&C Saatchi earnings are more cyclical than those of Next Fifteen.

Anexo VW potential

Credit hire and legal services company Anexo could receive a significant income boost if an out of court settlement agreed by VW is anything to go by. VW is paying £193m plus costs to more than 91,000 claimants in England and Wales because of its manipulation of air pollution tests. That is just over £2,000 each. Anexo has a separate case for its 13,000 claimants, although a similar settlement can be anticipated. House broker Arden Partners believes that the company will receive 50% of the compensation plus legal costs and suggests a profit contribution of £20m-£25m after additional costs. The timing is uncertain, though. Net debt was expected to be more than £70m by the end of this year.

Bid activity accelerates on AIM

AIM has been a hive of takeover activity in the past month and the Next Fifteen Communications bid for M&C Saatchi is not even the largest one. As well as bids being launched, CareTech and recruiter Impellam remain in bid talks, while Castle Trust Capital is seeking to acquire rival bank PCF in return for a small minority stake in the enlarged business.

Fully listed LXi REIT launched an agreed offer for Secure Income REIT, which values the property investor at £1.5bn. The bid is based on the comparative March net tangible asset valuations and is 3.32 LXi shares for each Secure Income REIT share. There is a partial cash alternative of 118.88p and 2.488 LXi shares for each share. Shareholders will receive the 3.95p a share dividend payable on 7 June. The LXi management company will also buy the investment adviser to the AIM company for £40m. There should be £8.6m of annual cost savings from combining the two businesses.

Risk management and compliance software provider Ideagen has agreed a 350p a share (£1.06bn) bid from Hg Pooled Management. Ideagen was introduced to AIM one decade ago when it moved from Plus (now Aquis Stock Exchange) at a valuation of £11.3m. Ideagen won the Best use of AIM award in 2019.

TSX-listed Tenaz is merging with fellow oil and gas company SDX Energy, in an all-share deal valuing the latter at 10p a share. A rival bidder joined the fray for trade finance services provider Tungsten Corporation, which meant that Kofax had to increase its bid from 42p a share to 55p a share - still well below the original placing price of 225p.

Technology investment companies Tern and Pires Investments are merging to create a larger, more attractive investment proposition. Tern is offering 0.51613 of one share for each Pires share.

Numis profit falls by two-thirds

Interim figures from **Numis Corporation** will be in line with the previous trading statement. First half revenues declined by 36% to £74.2m, while pre-tax profit fell by two-thirds to £13.4m.

Even so, the interim dividend was increased from 5.5p a share to 6p a share. However, the final dividend is expected to be maintained so the total for the year would be 14p a share. That is still covered nearly 1.7 times by forecast earnings.

The full year profit decline is expected to decline at a similar rate to the interims. There was £111.5m in the bank at the end of March 2022 and it could be at a similar level at the end of September.

■ In the first ten weeks of the financial year, **Cenkos Securities** has floated three new companies and raised money for four existing quoted companies, as well as completing two acquisition deals for clients. The broker is working on further transactions, but the stockmarket environment remains difficult because of uncertainty about Ukraine and rising inflation. Financial assets remain greater than regulatory requirements.

■ **Winterflood** improved its trading performance in the quarter to April 2022. This is a recovery from the depressed trading in the first two quarters of the financial year. There was only one day in the quarter where the market maker made a loss. The volatile stockmarket conditions and declining trading levels in smaller companies, particularly on AIM, mean that trading is likely to continue to be difficult.

ADVISER CHANGES - MAY 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Oracle Power	Strand Hanson / Shard	Shard	Strand Hanson	Strand Hanson	5/3/2022
Caledonia Mining Corp	Cenkos / Liberum	Liberum / WH Ireland	Cenkos	WH Ireland	5/5/2022
Prospex Energy	VSA / Novum	Novum / Peterhouse	Strand Hanson	Strand Hanson	5/6/2022
Marks Electrical	Berenberg / Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	5/9/2022
AMTE Power	Panmure Gordon / WH Ireland	WH Ireland / SI Capital	WH Ireland	WH Ireland	5/10/2022
Panthera Resources	Novum / Allenby	Allenby	Allenby	Allenby	5/10/2022
T42 IOT Tracking	Peterhouse	Peterhouse / Allenby	Strand Hanson	Allenby	5/10/2022
Parity	Allenby	finnCap	Allenby	finnCap	5/12/2022
Kromek	finnCap	Cenkos	finnCap	Cenkos	5/16/2022
RUA Life Sciences	Cenkos	Shore / Cenkos	Cenkos	Shore	5/19/2022
M&C Saatchi	Numis / Liberum	Numis / Liberum	Liberum	Numis	5/20/2022
Pelatro	finnCap	Cenkos	finnCap	Cenkos	5/23/2022
Smoove	Panmure Gordon	Numis	Panmure Gordon	Numis	5/23/2022
Purplebricks	Zeus	Citigroup / Peel Hunt	Zeus	Zeus	5/25/2022
Jubilee Metals	Berenberg / Shard / WH Ireland	Shard / WH Ireland	Spark	Spark	5/26/2022
Atome Energy	Liberum / SP Angel / finnCap	SP Angel / finnCap	Beaumont Cornish	Beaumont Cornish	5/30/2022
Sutton Harbour	Strand Hanson	Arden	Strand Hanson	Strand Hanson	5/31/2022

Oxford Metrics pockets £52m in cash for business started 16 years ago

Motion capture software *www.oxfordmetrics.com*

Oxford Metrics is selling infrastructure surveying services provider Yotta to Causeway Technologies for £52m. Causeway supplies software to the construction sector and it will be able to make further progress with the move towards digital services. Yotta provides services that enable local and central government to keep track of their road and infrastructure assets.

Yotta was launched in 2006 and has two main product areas. Horizons is focused on highways maintenance and has customers in the UK and Australia, while Alloy covers streetlights, bins, drainage, etc. The business returned to profit last year, making underlying pre-tax profit of £800,000 on revenues of £8.1m. Yotta was expected to generate revenues of £9m in 2021-22.

A large cash pile

Oxford Metrics is left with the Vicon motion capture technology business, which contributed 90% of profit in 2020-21. It has customers in the entertainment, life science and engineering markets. Location-based entertainment, such as virtual reality games, is a newer market which is still being built up and could be a substantial generator of revenues in the future. There are also plans to expand the sensing and analysis expertise of the group.

In the year to September 2021, Vicon revenues were £27.6m. Oxford Metrics unveiled a five-year plan in October 2021. The plan is to increase revenues by 2.5 times to an annualised figure of around £69m by September 2026. The net profit margin target is 15%. That suggests a profit of around £10m.

OXFORD METRICS (OMG)			99p
12 MONTH CHANGE %	+1.5	MARKET CAP £M	126.1

Causeway appears to be paying a full price for Yotta and there was nearly £23m in cash in the Oxford Metrics balance sheet at the end of September 2021. This cash pile covers a substantial part of the company's market capitalisation, and it provides funding for acquisitions to help management achieve their targets.

Booming utilisation rates for Facilities by ADF

TV and film equipment rental *www.facilitiesbyadf.com*

Netflix may be cutting some of its planned programming, but it continues to invest in the popular and more expensive high-end productions. The same is true of other TV and film producers. That is why demand for vehicles and equipment supplied by **Facilities by ADF** continues to boom and utilisation rates are unusually high. The company serviced 39 productions in 2021 and average revenues per production more than doubled to £680,000.

The hire fleet is predominantly made up of vehicles and trailers that have various uses, such as production offices, costume, make-up, tech trucks and artist accommodation. There are more than 500 vehicles in the hire fleet.

FACILITIES BY ADF (ADF)			67p
12 MONTH CHANGE %	N/A	MARKET CAP £M	50.9

Wales-based Facilities by ADF floated was the first AIM flotation in 2022 and soon after that forecasts were upgraded. UK film and TV production bounced back in 2021 after lockdowns had stopped productions in 2020. Revenues jumped from £8m to £27.8m in 2021.

There was £13m raised after expenses back in January and this is being put to work on increasing the size of the fleet. The company has already put in orders with suppliers, although there could be delays in their arrival. Utilisation rates are expected to be around 85% this year. TV series tend to book well ahead of the start of production, so orders equate to nearly 100% of forecast 2022 revenues.

The shares are trading at a premium to the 50p placing price. The prospective multiple for 2022 is less that 15, falling to just over eleven next year.

Team makes latest acquisition as part of wealth management services consolidation strategy

Wealth management — *www.teamassetmanagement.com*

Wealth manager and financial services consolidator **Team** is buying Jersey-based financial planning and investment consultancy Concentric for an initial £1.7m in cash, plus deferred consideration of up to £800,000 in shares. The deal still requires approval from the Jersey Financial Services Commission, and it should complete in August. A subscription is raising £2.65m at 60p a share to finance the deal and provide additional cash.

Concentric has £231m of assets under advice and the deal will build on an existing relationship. Concentric could develop in markets outside of Jersey. The acquisition should take the group's assets under management and advice to £550m and cash under advice of £1.4bn.

> Team joined AIM in March 2021

Team joined AIM in March 2021 when it raised £7.5m before expenses at 88p a share. The plan was to build a wealth and asset management business through acquisitions, and it has a strong niche in the market in Jersey. This is the third acquisition since the flotation.

Team is paying up to £2.95m for JCAP, which is a Jersey-based provider of cash management services that help to improve returns. These services can be offered to existing clients. An initial

TEAM (TEAM)			62.5p
12 MONTH CHANGE %	-16.7	MARKET CAP £M	13.7

£2m has been paid for Omega Financial, an independent financial adviser in Jersey, which has assets under advice of £77m.

The base price of the management incentive plan has been reset from 88p to the subscription price of 60p. One-third of the incentive shares will be issued when the share price is double the subscription price and the rest when the market capitalisation exceeds £40m. Executive chairman Mark Clubb is no longer a participant in the incentive scheme. That means that the maximum dilution has been cut from 12.5% to 8.5%.

Vertu Motors reinstates dividend after profit jump

Motor dealer — *www.vertumotors.com*

Motor dealer **Vertu Motors** had an exceptionally good year to February 2022, partly down to delayed demand for cars due to lockdowns in the previous year. Used car sales remain strong thanks to the shortage of new vehicles. The figures were ahead of expectations, but profit will not be maintained at this level.

Revenues were £3.62bn, which is 18% higher than in 2019-20. Pre-tax profit jumped from £24.6m to £80.7m. Acquisitions contributed £4.5m of operating profit. Net cash was £16.2m at the end of February 2022. Dividends were reinstated and

VERTU MOTORS (VTU)			58.6p
12 MONTH CHANGE %	+34.7	MARKET CAP £M	208.1

totalled 1.7p a share for the year.

Some car manufacturers are changing to an agency sales distribution model. This means that the dealer receives a commission on sales and does not have to hold the stock, thereby reducing working capital requirements. Mercedes-Benz cars will move to this model in 2023.

Supply shortages are continuing, although used car prices are set to come down over the rest of the year. Investment in technology will help to improve efficiency. There was a good start to this financial year, but profit should still more than halve this year to around £35m, but it will still be much higher than the profit in 2020-21 and 2019-20. The prospective multiple is eight.

Vertu Motors continues to buy back shares and around 2.4 million have been acquired since the results were announced. The shares are trading at a discount to net assets of £331.9m. Even if intangible assets are excluded, the net tangible assets are £226.6m, which is still higher than the market capitalisation.

Concurrent Technologies sets out plans to accelerate growth in the UK and internationally

Electronics *www.gocct.com*

CONCURRENT TECHNOLOGIES (CNC)			75p
12 MONTH CHANGE %	-18.9	MARKET CAP £M	55

Ruggedised plug-in cards developer **Concurrent Technologies** has a solid track record, but its new strategy should accelerate growth. This will take time to show through in the figures, though.

Chief executive Miles Adcock joined the company last June. His plan is to launch a greater number of new products and do it in a more timely fashion. This year there should be eight new products – double the previous level. By bringing out these plug-in cards earlier than previously there should be a longer sales life for them.

Concurrent Technologies also intends to move up the value chain by offering systems that combine many plug-in cards. The US is the main market for the company's products and securing a manufacturing partner in the US will help win more business.

The UK is 5% of revenues

The UK is currently 5% of revenues, but Concurrent Technologies is the only UK-based company that can offer these products. As local supply is prioritised there should be plenty of opportunities to increase UK business.

In 2021, component shortages held back revenues and they dipped from £21.1m to £20.5m. Even so, pre-tax profit improved from £3.7m to £4.1m thanks to lower operating expenses. There was net cash of £11.8m at the end of 2021.Although there was an increased interim dividend, the total dividend for the year was unchanged at 2.55p a share. The dividend policy is being reviewed. Cash may instead be used to make acquisitions.

An expected decline in 2022 pre-tax profit to £2.1m reflects delays in achieving the benefits from the investment in new products. An increase in capitalised research and development spending from £2.1m to £2.6m means that cash is likely to fall to nearer £10m by the end of 2022. Pre-tax profit could jump to £5m in 2023, although that will depend on the success of the products launched this year.

Retail software provider itim increases recurring income

Retail software *www.itim.com*

ITIM GROUP (ITIM)			118p
12 MONTH CHANGE %	N/A	MARKET CAP £M	36.8

SaaS-based retail software provider **itim Group** provides high street retailers with the opportunity to pursue an omnichannel retail strategy and compete against their online rivals. The lack of upfront payments for installations means that it takes time for the new business to make an impact in the revenues and profit.

In 2021, revenues grew by 14% to £13.5m. Excluding costs of the AIM flotation, pre-tax profit grew from £462,000 to £893,000. Annual recurring revenues increased from £9.6m to £11.1m in 2021 and further growth of 25% is expected this year.

The June 2021 flotation raised £6.9m after expenses at 154p a share. The cash raised helps to fund working capital while itim installs its systems and waits for the monthly revenues to flow through. More technical staff are being taken on. There was net cash of £5.9m at the end of 2021.

Pre-tax profit could halve this year before an expected jump to £3m in 2023. That reflects the full benefits of the new business coming through. The prospective 2023 multiple is 13.

The underlying value of the recurring revenues should not be underestimated and itim will be highly cash generative from 2023. The forecasts seem optimistic and itim probably needs to provide further indications that they can be achieved before there is a significant upturn in the share price. However, the shares do appear to be an attractive long-term investment.

Lords Group Trading builds income

Building and plumbing products supply *www.lordsgrouptradingplc.co.uk*

Dividend

Lords Group Trading is paying a final dividend of 1.26p a share, taking the total dividend in its first year on AIM to 1.89p a share. That is covered 2.9 times by underlying earnings.

The building and plumbing products distributor is set to pay a 2.1p a share dividend in 2022, which should be covered 3.7 times by forecast earnings. There is scope for a larger increase if trading remains strong.

Acquisition costs will mean that Lords Group Trading will move from net cash of £6.3m to a net debt figure of £21.6m at the end of 2022.

Business

West London-based Lords Group Trading sells building materials, housewares, DIY, heating and plumbing products from sites across the UK. The customer base is local tradesmen, hardware stores, plumbing merchants and building companies.

Lords Group Trading joined AIM last July. Prior to flotation it had acquired 13 businesses and it has continued to be acquisitive. The focus is acquiring independent builders' and plumbers' merchants that have a strong market position in their locality. There is little competition for these businesses.

The company tends to pay between four and six times EBITDA for businesses. Four acquisitions were made in the first quarter of 2022. The largest is AW Lumb, which specialises in drylining and insulation. It generates EBITDA of £3.9m and was bought for 4.2 times that figure. Advance Roofing Supplies is a smaller business, but that takes Lords Group Trading into the roofing market.

In 2021, revenues increased from £287.6m to £363m – the like-for-like growth was 18%. Digital revenues were 30% ahead. Underlying pre-tax profit improved from £11.7m to £12.4m.

LORDS GROUP TRADING (LORD)	
Price (p)	87.5
Market cap £m	138.7
Historical yield	2.2%
Prospective yield	2.4%

The merchanting business makes the largest profit contribution because it has higher margins than the plumbing and heating division. Investment in software should help to improve the plumbing and merchanting margins.

When the company floated, there were ambitious plans to nearly double revenues to £500m a year by 2024. Management has already made significant progress in achieving its target. It could even be achievable in 2023. Margins should also improve with the greater scale.

This year pre-tax profit is expected to reach £16m on revenues of £438m. A higher corporation tax rate will slow the rate of earnings per share growth. If all the acquisitions were included for a full year the revenues would be £460m.

The current share price is below the placing price of 95p. That is partly down to the timing of the flotation when the construction and maintenance market was still particularly strong – as was AIM itself.

Even if the market growth is slowing, management is confident that Lords Group Trading can continue to gain market share, which is currently less than 1%. The shares are trading on less than 12 times prospective earnings. That is not dear for a company with earnings growth well into double-digits.

Dividend news

Agricultural products supplier **Camellia** is paying a final dividend of 102p a share making a total dividend of 146p a share for 2021, even though profit was sharply lower. That compares with a 144p a share dividend for 2019 and 2020. Net cash is £46.5m and an investment portfolio was worth £35.8m at the end of April. The disposal of non-core businesses will raise additional cash. A further £3.8m has been generated from sales so far this year. Kent-based apples grower Bardsley England was acquired last summer, and it will make a full contribution in 2022. Revenues and profit are expected to recover this year. Camellia has a market capitalisation of £166.4m and net assets of £388.6m.

Floorcoverings distributor **Likewise** declared a maiden dividend of 0.2p a share with its full year results. This is classified as an interim because there were not enough distributable reserves until this year. Likewise moved into profit in 2021. Acquisitions and organic growth in double digits are expected to enable Likewise to grow revenues from £60.5m to £114.9m in 2022, while underlying pre-tax profit is forecast to jump from £1.6m to £4.2m. Investment in distribution facilities means that there is plenty of capacity to cope with the growth. The ongoing dividend should be around 25% of earnings, so it could be at least 0.3p a share this year.

Neonatal intensive care medical devices supplier **Inspiration Healthcare** increased full year revenues from £37m to £41.1m. Acquisition contributions offset the one-off Covid ventilator revenues in the previous year. Pre-tax profit improved from £3.13m to £3.96m, although earnings fell 12% to 6.1p a share because of additional shares issued for acquisitions. The total dividend was edged up from 0.6p a share to 0.62p a share. There should be a further small increase in dividend this year.

Expert view: Registrars

Can a flurry of legislative changes drive fresh listing activity?

By Hardeep Tamana

Last month we wrote on the state of the UK's IPO market which, despite making a promising start to 2022, has since seen activity flounder. Granted there are significant geopolitical and macroeconomic headwinds which companies are having to face up to and these show few signs of abating quickly, but recent weeks have seen two potentially fundamental developments.

FCA's listing reform

On May 26th, the FCA set out an ambitious vision for reform to the way companies list in the UK. The aim is to attract more high quality, growth companies to join the London market and in turn give investors globally greater opportunities. It is difficult not to find cause for cheer when agendas for change like this are being laid out and adds to the options as set out by Lord Hill just over a year ago.

Arguably the highest profile step being proposed is the elimination of the primary vs standard listing option when companies come to market, removing what some perceive as being a stigma if the superior categorisation can't be achieved. This may look like a very modest form of progress but given the venerable nature of the London market and the FCA's tendency to err on the side of caution, even this can be heralded as progress.

UK audit reform

Following a spate of high-profile corporate collapses, many of which have seen fingers of blame pointed at the audit industry - and resulted in significant damage to related company pensions – reform of how accounts are deemed as being accurate reflections of a business have been mooted for some time. This was most recently tabled in the Queen's Speech at the start of May, but the details, released on May 31st, have been sufficient to provoke a degree of active debate.

On one side, the UK won't be going down the Sarbanes-Oxley route in the US, so directors will not be held personally liable for future failures.

> Auditors will be subject to greater accountability and greater levels of transparency should emerge

Conversely, however, the service providers – i.e. the auditors – will be subject to greater accountability and there is an expectation that greater levels of transparency will emerge as a result.

Plenty will see this as having had the potential to deliver much more for the benefit of investors – and indeed other stakeholders – but the outcome tabled should at least not present any further barrier to entry when it comes to establishing a UK plc, potentially one which will then find itself listed on the public market.

Do these two points together favour issuers? Arguably that's very much the case. However, given the skittish state of public markets and those ongoing concerns over what valuations can be delivered, only time will tell if these two events can be sufficient to deliver a shot in the arm to the listings industry.

Bond Markets

Again, drawing on last month's column where we provided an overview of the equity IPO market, Avenir Registrars is also a significant provider of registry services when it comes to UK domestic corporate debt issuance.

Perhaps unsurprisingly given the fact we're now in a phase of rising underlying interest rates, the buy side demand for fixed interest propositions, especially on longer dated paper, is flagging. We are seeing the mention of UK floating rate notes after a very long time, having seen fleeting mentions of amortising structures at the start of the pandemic in 2020.

With seemingly more nimble world supply chains, the reality appears to be different from that of the 1970's and we observe debt fund raising continues to remain a strong accompaniment to equity fund raising.

However, the same core methodologies we apply at Avenir Registrars to equity issuance, ensuring that processes are optimised to keep timelines short and costs low, also sit at the heart of our debt issuance model. If you have clients who are looking for a cost-effective way of managing a debt issuance – either on a public or private basis – we'd be more than happy to talk. More details can also be found at www.avenir-registrars.co.uk/bonds/.

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

Disappointing AIM sector performance in 2022

AIM is having a poor year and all but one of the sectors has declined during 2022. Many larger companies have performed particularly badly.

AIM has fallen sharply so far this year and has significantly underperformed the Main Market. The FTSE AIM All Share index has declined by 20.1% and the FTSE AIM 100 index has fallen by 22.8%. The FTSE AIM UK 50 index has outperformed the others, but it has still fallen by 19.8%. The vast majority of AIM shares have fallen during 2022.

Mixer drinks supplier Fevertree Drinks has the highest weighting in each index, and it has fallen by 44% so far this year. It is also the main reason for the 29% slump in the food, beverage and tobacco sector index.

Some of the better performers among the larger companies have been the subject of bid approaches, including Secure Income REIT and social care services provider CareTech Holdings.

> The utilities sector is the only AIM sector that has risen this year

Utilities

The utilities sector is the only AIM sector that has risen so far this year. The share price of Ireland-based wind and solar power generator Greencoat Renewables has risen by around 3% and it seems to be the reason the utilities sector has bucked the trend.

Greencoat Renewables is valued at £1.1bn, which is more than twice as much as the other utilities companies combined whose share prices have fallen. The utilities sector accounts for 1.7% of the AIM All Share index weighting. Greencoat Renewables is the only company in the sector that is in the AIM 100 where it has a weighting of 2.16%.

Constituents

Some of the AIM sectors have a limited number of constituents and this means that their movement can be based on one large company – although that can still be true to some extent of many of the sectors with a larger number of constituents. AIM as a whole is dominated by a limited number of large companies, although not as much as in the past.

There are six AIM sectors with more than 75 constituents – the rest have fewer than 30. For example, there are three companies in the insurance sector and four in the chemicals sector.

The AIM banks sector is not included in the list of sectors on Sharepad.co.uk. The only constituent of the banks sector is Arbuthnot Banking Group, which has outperformed all the sectors.

Retail

There are 21 constituents of the AIM retail sector. ASOS was part of the sector for the first few weeks of 2022 before moving to the Main Market, but it is currently dominated by fellow online fashion retailer boohoo, which has had a sharp decline in share price fortunes.

At the beginning of 2021, boohoo was the second largest company on AIM behind ASOS. It has fallen to the 25th largest company valued at just over £1bn, which is a decline of three-quarters in terms of market capitalisation. The share price has fallen by one-third this year.

This is the main reason why retail was by far the worst performer last year with a 46.3% decline and that decline continues with a further 29.8% fall in 2022.

Retail is the third worst performing sector this year, with personal care, drug and grocery stores falling by 32.2%. The worst performer is healthcare.

Healthcare

Healthcare was one of the stronger performers during 2020, although there were many companies that were hit by the lack of elective surgeries, such as woundcare company Advanced Medical Solutions. Those companies helped the healthcare sector to gain 10.4% in 2021, even though the shine had come off the Covid-related outperformers of the previous year, such as Novacyt.

So far, this year the healthcare sector has dived by one-third. Two of the three worst performers in the AIM 100 during 2022 are kidney disease diagnostics developer Renalytix AI and cancer and immunological disease treatments developer Hutchmed (China) Ltd, which is still the third largest company on AIM after a 70% slump in the share price. It goes some way to explaining why the AIM 50, where Hutchmed is not eligible, has done better than the AIM 100.

This year has been a poor one for Hutchmed with many things going against it. The US FDA has rejected the attempt by Hutchmed to gain approval for surufatinib as a treatment for pancreatic neuroendocrine tumours. A multi-regional clinical trial will be required to gain US approval.

There have also been concerns about lockdowns in China because of Hutchmed's exposure to that market. A possibility that Hutchmed could lose its Nasdaq listing in 2024 because the auditor is not subject to inspection by the US regulatory body does not help.

Abcam is currently the largest AIM company, and it has fallen by nearly one-third this year. Even though, there are 84 constituents of the healthcare sector index these large companies will be a major factor in the sector decline.

However, it should be noted that Hutchmed does not have a full weighting in keeping with its market capitalisation in any index due to FTSE rules on ownership and free float. So, the sector decline could have been steeper.

Energy

Energy is an interesting sector because it includes renewable energy companies, such as ITM Power and Ceres Power, as well as oil and gas companies. The energy sector is the fourth best performer, but it is lower despite higher oil prices.

The fuel cell and electrolyser companies propelled the sector in 2020, but those share prices have been in decline since early 2021. In contrast, the oil and gas companies have been reaping the benefits of the oil price surge since the Russian invasion of Ukraine. Oil and gas producers, and some explorers, have made gains this year. The size of the fuel cell companies means that the AIM energy sector continues to decline despite the prosperity of the oil companies.

In 2022, the three best performers in the AIM 100 are oil and gas companies. The top 30 performers on AIM are dominated by oil and gas companies.

In the past there have been plenty of relatively large oil and gas companies on AIM, but these days there are not so many. This means that they do not have as great an influence on the overall performance of the junior market.

The new the energy profits levy on UK oil and gas producers will potentially hamper cash generation, but it will still be substantial. Peel Hunt has downgraded its expectations for North Sea oil producer Serica Energy. Net cash was previously expected to reach £523m by the end of 2022, but the new tax means that this has been downgraded to £437m. A continuation of the tax next year leads to a decline in net cash from £911m to £670m at the end of 2023. That still means that cash at the end of 2023 will be near to the current market capitalisation.

> At the beginning of 2021, boohoo was the 2nd largest company on AIM, and it has fallen to the 25th largest company

AIM SECTOR PERFORMANCE

COMPANY	YEAR TO DATE % CHANGE	2021 % CHANGE
Utilities	+0.59	-3.01
Real estate	-1.55	+27.2
Travel and leisure	-6.18	-5.11
Energy	-6.36	-8.63
Basic resources	-9.26	-17
Technology	-15.1	-4.05
Media	-16.4	+51.3
Industrial goods and services	-17.9	+21.1
Automobiles and parts	-19	+28.3
Financial services	-19.1	+35.9
Chemicals	-22.5	-38.3
Construction and materials	-22.5	+20
Telecoms	-23.7	-0.51
Consumer products	-27.6	+13.9
Insurance	-28.6	+5.56
Food, beverage and tobacco	-29	+11.7
Retail	-29.8	-46.3
Personal care, drug and grocery stores	-32.2	na
Healthcare	-33.2	+10.4

Resources

The basic resources sector has the second highest number of constituents and is the fifth best performer. Strong commodity prices have not been enough to stop the sector declining for the second year.

Eurasia Mining's exposure to Russia has led to a 71% plunge. In the AIM 100, the share prices in gold producer Pan African Resources and uranium investor Yellow Cake have risen.

The majority of the top 30 risers on AIM that are not oil companies are miners. There are range of different companies, including Atlantic Lithium, coal producer Bens Creek and copper explorer Arc Minerals.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	24.5	16.4
Industrials	17.3	16.7
Health Care	12.4	10.8
Technology	11.8	12.2
Energy	10	11.2
Financials	9.5	11.4
Basic materials	7.9	15.1
Property	3.8	2.7
Telecoms	1.4	1.8
Utilities	1.2	1.1

KEY AIM STATISTICS

Total number of AIM	842
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£122.5bn
Total of new money raised	£131.2bn
Total raised by new issues	£47.8bn
Total raised by secondary issues	£83.3bn
Share turnover value (Apr 2022)	£28.4bn
Number of bargains (Apr 2022)	6.02m
Shares traded (Apr 2022)	227.2bn
Transfers to the official list	195

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	975.74	-22.3
FTSE AIM 50	5376.76	-19.8
FTSE AIM 100	4666.76	-24.6
FTSE Fledgling	12821.36	-0.5
FTSE Small Cap	6685.29	-8
FTSE All-Share	4201.96	+4.6
FTSE 100	7607.66	+8.3

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	74
£5m-£10m	98
£10m-£25m	151
£25m-£50m	127
£50m-£100m	131
£100m-£250m	143
£250m+	118

TOP 5 RISERS OVER 30 DAYS

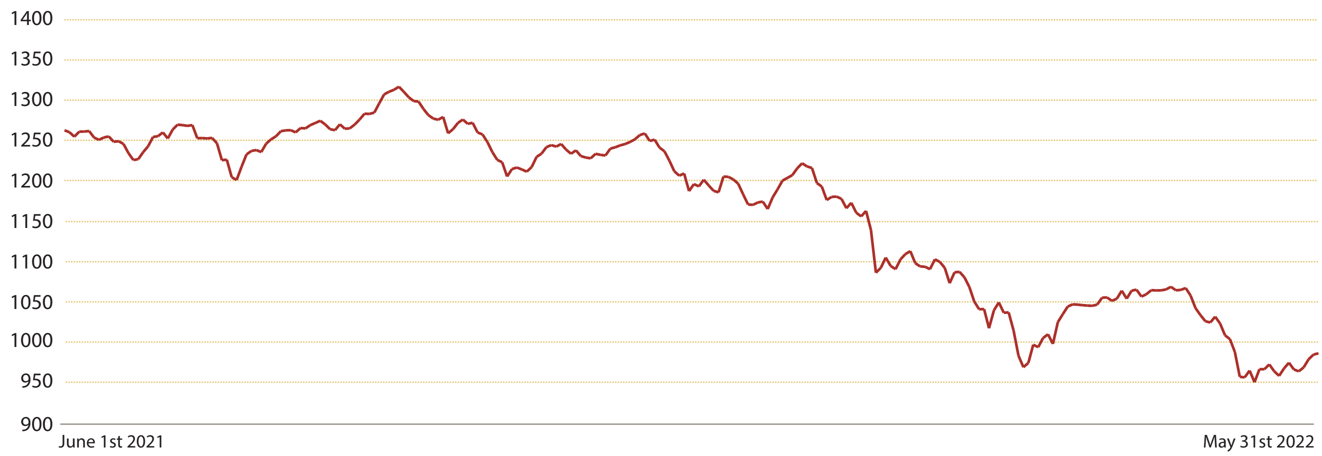
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Vast Resources	Mining	0.95	+179
Wishbone Gold	Mining	12.75	+61.4
Seed Innovations	Financials	7.05	+51.6
Trafalgar Property Group	Housebuilder	0.525	+50
Ideagen	Software	348	+48.1

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Kinovo	Support services	10.2	-70.9
Artemis Resources	Mining	2.1	-42.5
Ilika	Cleantech	61.8	-42.5
Empyrean Energy	Oil and gas	1.3875	-42.2
Amur Minerals	Mining	1.016	-40.2

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st May 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 accessed via http://www.hubinvest.com/AimJournalDownload.htm.

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

AIM

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

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £112bn either when they join AIM or while they are trading on the junior market.

In 1995, there were 29,099 trades with a total value of £270.2m. These days it is unusual if there are not that many trades in a single day, although their total value tends to be less than £270m.

Companies that started out on AIM include online gaming operator GVC, healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, online gaming technology developer Playtech and student accommodation developer Unite Group – all of which are FTSE 250 index constituents.

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