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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

In this issue

Recovery ahead of birthday

As it comes up to its twenty fifth anniversary on 19 June, AIM made a further strong recovery during May. It was 8% higher over the month, with all the improvement coming in the second half. The FTSE All Share index rose by 3% in May. All the main stock market measures remain well below their level 12 months ago.

The market value of AIM increased from £88.4bn to £98.6bn, even though US-based oil and gas producer Diversified Gas and Oil, which was valued at £608m at the end of April, moved to a premium listing.

Trading activity continues to accelerate, with record average daily trades of 70,264 during May. Every month so far this year, the average number of daily trades has increased. Boohoo was the most traded company in May, and it averaged 5,946 trades each day. The total number of trades in COVID-19 tests supplier Novacyt fell by two-thirds to 16,658, when compared with April.

For the second month in a row there has been one readmission to the junior market and no new companies. FRP Advisory was the most recent new company to join AIM and that was on 6 March. FRP was the only admission during that month. In early June, mining royalties company Trident Resources switched from the standard list to AIM.

AIM balance sheets boost

AIM companies raised more than £1.3bn during April and May as they sought to improve their balance sheets. There have been six fundraisings of £100m or more over the period. The £85m placing by Johnson Service Group came too late to be included in the figures.

PrimaryBid is coming into its own as a fundraising platform, not just for AIM companies but also for large, fully listed ones. During May, PrimaryBid was involved in placings for Tissue Regenix, where it raised £2m out of a total of £14.6m, and Open Orphan, where it raised £500,000 out of £12m after expenses. Since the beginning of June, PrimaryBid has helped in placings for Sareum, President Energy and Avacta.

Airline operator Dart Group raised £171m in May and it also sold its Fowler Welch distribution business for £98m to Culina Group. That is a good price for a business that is estimated to have made a 2019-20 pre-tax profit of around £5m on revenues of £170m. Dart can focus on the Jet2 airline and travel operations and the strengthened balance sheet will help it to cope with a lengthy disruption to travel.

Non-exec pay jumps

A new survey of non-executive directors shows that their average annual salary is £48,840, up from £39,460 at the time of the previous survey in 2017. The 2020 Non-Executive Directors Survey is the fourth carried out on behalf of the Quoted Companies Alliance. Based on the hours worked, the full-time equivalent salary for a non-exec is £609,000 a year.

There is a disparity between the salaries paid and what advisers believe that the non-execs are paid. The advisers estimated non-exec salaries were £36,136 and the gap between reality and the advisers' estimates has widened over the years.

Interestingly, the mean number of hours worked each month has fallen to 13.9, the lowest level in any of the surveys. However, there is a higher percentage of non-execs working for at least 20 hours each month. Advisers believed that non-execs should work for 27.9 hours every month.

There has been a small dip in the number of non-exec positions held by an individual from 2.2 to 2.1 and 30% of them have only one board position – up from 13% in 2017. Both companies and advisers believe that the optimum number of non-exec positions is around three.

Nearly two-thirds of companies and 51% of advisers believe that non-execs are good value for money, though.

The results of the survey were collated in the fourth quarter of 2019 and most of the companies that responded had a market capitalisation of less than £500m. There were 110 companies and 39 advisers surveyed by YouGov.

A review of 4,356 non-execs of 1,211 smaller companies shows that they have an average age of just over 60 years and 19% are female.

Novacyt income

Sales of Novacyt's COVID-19 test generated €45m (£40m) by the beginning of June, while it has received orders or contracts for delivery of a further €90m-worth (£80m)of tests. The revenues already received for the test this year are greater than the combined group revenues for the past three years. New products are being developed, including a mobile COVID-19 testing product, which is set to be launched in July.

Novacyt has net cash of €25m. Before the end of June, Novacyt intends to clear its debt owed to two lenders. Herbert European Growth Capital, which had a charge over the UK assets, will be paid €6.1m, including interest. Vertel is converting its €2.07m of debt into shares at 70p each.

Boohoo's PrettyLittleThing minority deal

Online fashion retailer boohoo is buying the minority stake it does not own in PrettyLittleThing for a maximum consideration of £323.8m. This deal increases 2020-21 earnings forecasts by one-fifth.

The purchase of the 34% stake follows the recent £197.7m placing of shares in boohoo at 340p each. The company already had net cash of £240.7m at the end of February 2020. The upfront payment is £161.9m. While trading has been impacted by the COVID-19 lockdown, cash continues to be generated and there will be net cash of £350m after the payment.

There are also 36.2 million shares, with a value of £107.9m, being issued as part of the initial consideration. A further 18.1 million shares, valued at £54m, will be issued if the boohoo share price averages 491p over a six-month period up until 14 March 2024.

When the controlling stake in PrettyLittleThing was purchased it had revenues of £55m and three years later it had revenues of £516m and an underlying post-tax profit of £86m. The PrettyLittleThing management is staying on.

The purchase of the minority stake came just after a short-selling report was published. This criticised some elements of the PrettyLittleThing relationship as well as the way the company sets out its free cash flow without including tax. The former is no longer a factor and the cash flow tends to be adjusted by analysts.

Unlike many previous short-selling reports on AIM companies, the boohoo share price was barely affected, although there was some volatility on the day it was published. This is because boohoo is in a stronger position than companies that have previously been criticised. Although the shares do trade on a high multiple, the growth prospects for boohoo mean that this should fall sharply over the next few years.

WH Ireland drops Cantor purchase

WH Ireland has decided not to acquire the assets of Cantor Fitzgerald's Mid Cap and AIM corporate finance business, but chief executive Philip Wale emphasised that the broker had developed positive relationships with Cantor Fitzgerald clients and staff.

That suggests that WH Ireland may try to pick up clients and staff from its rival. It will also continue to seek other consolidation opportunities.

During May, Cantor Fitzgerald lost two nominated adviser appointments, plus associated brokerships, for AdEPT Technology and Redx Pharma. It has also lost its positions as joint broker to Diurnal and Portmeirion. None of these clients has switched to WH Ireland, though. So far this year, Cantor Fitzgerald has not gained a new appointment as nominated adviser or broker.

■ The shortlist for the 2020 Small Cap Awards has been published. The awards are for quoted companies with a market capitalisation of less than £200m. This year the awards dinner has been cancelled. Instead, there will be a live virtual awards ceremony held via Zoom on 25 June. There are eleven awards for companies and individuals.

Yourgene Health, Volex, Judges Scientific, Renalytix AI, Ergomed and SDI Group are the nominees for the company of the year.

The IPO of the year nominees are Diaceutics, Brickability, Essensys, Argentex, Loungers and Pebble Group.

Nominees for technology company of the year are SRT Marine Systems, Oxford Metrics, Blackbird, Avacta, Blancco Technology and ReNeuron.

ADVISER CHANGES - MAY 2020

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Clinigen	JP Morgan Cazenove/ RBC	Numis/RBC	JP Morgan Cazenove	Numis	01/05/20
Active Energy Group	Allenby/SP Angel	SP Angel	SP Angel	SP Angel	04/05/20
Katoro Gold	SI Capital	SI Capital	RFC Ambrian	Strand Hanson	04/05/20
James Halstead	WH Ireland/Panmure Gordon	Panmure Gordon/ Arden	Panmure Gordon	Panmure Gordon	05/05/20
Touchstone Exploration Inc	Canaccord Genuity/ Shore	Shore	Shore	Shore	06/05/20
Open Orphan	finnCap/Arden/Davy	Arden/Davy	Arden	Arden	11/05/20
AdEPT Technology	N+1 Singer	Cantor Fitzgerald	N+1 Singer	Cantor Fitzgerald	12/05/20
Escape Hunt	Zeus/Shore	Shore/Peel Hunt	Shore	Shore	12/05/20
Portmeirion Group	N+1 Singer/Panmure Gordon	Panmure Gordon/ Cantor Fitzgerald	Panmure Gordon	Panmure Gordon	12/05/20
N4 Pharma	Turner Pope/Allenby	Allenby	Allenby	Allenby	13/05/20
CareTech Holdings	Numis/Panmure Gordon	WH Ireland/ Panmure Gordon	Panmure Gordon	Panmure Gordon	15/05/20
Redx Pharma	WG Partners	Cantor Fitzgerald/ WG Partners	Spark	Cantor Fitzgerald	20/05/20
Silence Therapeutics	Investec	Peel Hunt	Investec	Peel Hunt	20/05/20
DP Poland	N+1 Singer	Peel Hunt	N+1 Singer	Peel Hunt	22/05/20
GETECH	Cenkos	WH Ireland	Cenkos	WH Ireland	22/05/20
Eurasia Mining	SP Angel/Optiva	WH Ireland /First Equity/Optiva	SP Angel	WH Ireland	27/05/20
Diurnal	Panmure Gordon	Cantor Fitzgerald/ Panmure Gordon	Panmure Gordon	Panmure Gordon	29/05/20

Battery technology verification drives Judges Scientific forward

Scientific instruments *www.judges.uk.com*

It is business as usual for **Judges Scientific**, which is continuing its policy of consolidating scientific instrument businesses. The latest acquisition is Health Scientific, which is a leading manufacturer of calorimetry instruments. These instruments are used to measure the thermal properties of lithium batteries and other reactive materials. Growth of electric vehicle production will lead to greater demand for these instruments.

Judges is paying an initial £5.3m in cash and there is up to £2m more to be paid if operating profit is between £879,000 and £1.22m in the 2019-20 financial year or the 12 months to December 2020. In the year to April 2019, pre-tax profit of £700,000 was generated on revenues of £4.4m. There was £800,000 in cash at the end of April 2019, although any excess cash at the time of the acquisition will be paid to the former owners. Although one of the founders will retire after the acquisition, the core management team will remain in place.

The deal led to a 2% upgrade

Health Scientific has an international customer base, which is currently dominated by China. Investment in the development of battery technologies provides a positive backdrop for potential longer-term growth in demand for calorimetry instruments. The main product is the accelerating rate calorimeter, which can be used to improve and verify the safety of lithium batteries.

Judges has been acquiring scientific instruments manufacturers since 2005 and it has 18 businesses. Judges has a £35m acquisition facility and this will finance the acquisition. Lloyds has also repurposed £5m of that facility for working capital. Net debt was £2m at the end of 2019. Cash has been generated this year, although a 35p a share dividend will be paid on 3 July.

The latest deal has led to a 2% upgrade for 2020 earnings to 155.5p a share, down from 222.5p a share in 2019, and then a rise of 4% the following year to 189p a share.

By the end of April, the order book stood at nearly 12 weeks, down from more than 13 weeks at the start of 2020. Order intake declined in May.

JUDGES SCIENTIFIC (JDG)			5600p
12 MONTH CHANGE %	+80.9	MARKET CAP £M	352.4

Increased demand for LiDCO monitors

Medical devices *www.lidco.com*

Non-invasive hemodynamic monitoring technology developer **LiDCO** has received a short-term boost to UK demand for its monitors due to the COVID-19 outbreak. The demand in the first quarter has not continued at the same levels in the second quarter, but the increase in the installed base will improve long-term revenues and show the effectiveness of the technology.

Studies have shown that the technology improves outcomes in high-risk elective surgery, emergency surgery and intensive care. This means that there are fewer complications and the patient does not have to stay as long in hospital. This represents a significant cost saving for hospitals. Edwards Lifesciences dominates the monitoring market and LiDCO is probably number four.

LIDCO (LID)			8.25p
12 MONTH CHANGE %	+61.8	MARKET CAP £M	20

The long-term strategy is to build up recurring revenues through the high usage programme (HUP), which is a Software-as-a-Service model, but most of the first-quarter revenues have been outright sales of monitors. The total annual contract value of HUP deals is £2.3m and continues to grow.

This year's revenues are expected to increase from £7.5m to £9m. The loss forecast has halved to £300,000 and there is likely to be a small cash outflow. Net cash was £2.3m at the end of May 2020.

TP Group finding new applications for existing submarine technology

Engineering and consultancy *www.tpgroup.uk.com*

Engineering and consultancy services provider **TP Group** has managed to continue most of its work with limited disruption during the COVID-19 lockdown and additional opportunities have come about due to the virus.

TP Group is using its expertise in submarine life-support systems to develop oxygen on demand equipment for hospitals. This will make oxygen more readily available and reduce the need to transport it with the related benefits of lower emissions. The technology can also be adapted to clean up water.

This is a development programme that started before the COVID-19 lockdown, but it has been accelerated. There is still nearly two months to go before the first phase is completed. The plan is to produce a demonstration system in Portsmouth in order to test performance. If successful, modular units could be developed for specific uses.

Net cash is £6.6m

TP Group has made strong progress in reducing its dependence on its defence-related engineering activities and broadening the geographic reach of the business. Space is becoming a much more significant contributor following recent acquisitions and there are good growth prospects for the sector. Oil and gas-related demand is uncertain. The operations are run on a geographic basis with individual bosses for the countries where TP Group is active, including a new boss in France.

TP GROUP (TPG)			5.25p
12 MONTH CHANGE %	-23.9	MARKET CAP £M	40.9

In 2019, revenues rose by 49% to £58.2m, with organic growth of 16%. Underlying pre-tax profit improved from £2.8m to £4.3m. The order book was one-third higher at £63.8m. Additional contract wins in 2020 mean that more than £45m of 2020 revenues are in the order book.

Net cash was £6.6m at the end of 2019 and there are unused debt facilities. There are plans for further acquisitions to widen the expertise of the company and increase non-UK business.

Contract successes for Cambridge Cognition

Digital health *www.cambridgecognition.com*

Cambridge Cognition chief executive Matthew Stork took charge one year ago in order to bring more marketing expertise to the digital health company. Recent contract wins indicate that this is paying off. The neurosciences-focused digital healthcare company's technology is useful for virtual clinical trials, which means that they can continue unhindered under COVID-19 lockdowns. The latest contract wins include one that does not involve the core central nervous system (CNS) expertise.

The development of the electronic clinical outcomes assessment (eCOA) platform has helped Cambridge Cognition move into additional areas.

CAMBRIDGE COGNITION (COG)			39.5p
12 MONTH CHANGE %	-57.4	MARKET CAP £M	9.1

The non-CNS trial involves participants keeping electronic diaries on Apple Watch and iPhone, as well as wearing sensors measuring electrodermal activity and heart rate.

The company has also won a contract for a phase II study to assess the cognitive impact of a new drug for a neurodegenerative disorder. Most of the data will be collected virtually by using smartphones for daily assessments.

The other three clinical studies, which each involves 60 patients, are all for the same client and some of the services, such as training, will be provided by a subcontractor.

The five most recent wins should generate £2.4m in revenues and a significant proportion of that will be recognised during 2020. Full-year revenues of £6.2m are forecast. Cambridge Cognition is moving towards breakeven and should reach that point by the end of 2021.

Since the year end, £1.4m was raised at 20p a share. There was £900,000 in the bank at the end of 2019. That should provide plenty of cash to enable Cambridge Cognition to start generating cash.

Consumer parcel deliveries help DX activity levels to recover

Parcel delivery *www.dxdelivery.com*

Trading activity is recovering at parcel and freight delivery company **DX (Group)** and this has led to an upgrade that suggests that DX could report a lower than expected loss in the year to June 2020. DX should make a second-half profit.

In the early days of the COVID-19 lockdown, trading levels had fallen by one-third and trading was expected to continue at this level, but there has been an upturn. The current decline is still between 10% and 15%, while operational efficiency has improved because of emptier roads. There has been increased demand for delivery to consumers, while business-to-business activity is starting to improve.

DX should make a H2 profit

Net debt was £2m at 25 April, down from £8.4m at the end of December 2019, and there are additional borrowing facilities. There could be net cash by the end of June 2020, although higher capex and working capital requirements following a further recovery could mean a move back into net debt next year.

Directors have been buying shares in the past three months, taking advantage of the initial fall in the share price. Both executive and non-executive directors were buying at around 7p a share during March and April, while the latest purchase price by non-executive Ian Gray averages 10p a share. Company secretary Russell Deards has also bought an initial share stake at 10.13p a share.

DX (GROUP) (DX.)			11.5p
12 MONTH CHANGE %	-14.8	MARKET CAP £M	66

The share price has recovered from its low point and is not that different from the start of the year. If DX can achieve 2020-21 pre-tax profit expectations of £500,000, the shares would trade on a prospective multiple of 23, and it could fall to nine the following year. That shows the potential for further recovery. There will be another trading update in late July.

Low-cost producer Trinity remains cash generative

Oil and gas *www.trinityexploration.com*

Trinidad-focused oil and gas producer **Trinity Exploration and Production** is in a stronger position than many of its peers even though the oil price remains depressed. Low production costs mean that Trinity can still generate cash.

In 2019, revenues edged up from $62.6m to $63.9m, while cash generated from operations more than trebled to $16.8m. Production was 3,007 barrels of oil a day last year and it is expected to increase this year. Year to date production is 3,318 barrels of oil a day, although it will decline from that level.

Trinity currently expects operating breakeven to be at an oil price of $20.50 a barrel – helped by hedging contracts covering 20% of production. Automation has helped to reduce the breakeven level. Cash generated from operations is expected to decline to $3.6m.

TRINITY EXPLORATION (TRIN)			8.85p
12 MONTH CHANGE %	-23.9	MARKET CAP £M	34

The share price recovered by 55% and most of that improvement was after the 2019 results were published. Cenkos estimates a core NAV of 36p a share.

Trinity has received VAT bonds worth $2.8m in respect of VAT refunds for periods prior to this year. This is part of the Trinidad government's strategy to help businesses during the COVID-19 pandemic. The bonds have a three-year life and an annual interest rate of 3.3%.

Trinity is talking to potential buyers of the bonds. Once sold, these bonds are expected to boost proforma cash balances to $19m. This will be enough to provide working capital for the business even if oil prices fall back. There may even be enough cash to finance more drilling activity.

One Media IP dividend returns

IP rights owner *www.omip.co.uk*

Dividend

One Media IP has returned to paying dividends with a 0.055p a share payment. There had been no dividend since the 2015-16 financial year when an interim of 0.07p a share was paid. Previously, two dividends were paid each year and they totalled 0.14p a share in the preceding two financial years. That was lower than the 2012-13 total dividend of 0.16p a share.

The dividend was paused because the strategy was to conserve cash to finance acquisitions. A cash call raised additional money to spend on acquisitions and last year was a busy one for the purchase of catalogues. The dividend policy is to provide an income to investors balanced with the requirement to retain profit to finance long-term growth. There is still £861,000 left in the bank at the end of October 2019 and cash has been generated since then.

Business

Music has been one of the sectors that has generally held up well during the lockdown. According to One Media, people have been drawn to familiar music that has been around for years. This is good news for the company because it buys catalogues of artists and composers that have a historical fan base and generate regular income. It is not involved in new music, where there is no guarantee that there is a market.

The board has been overhauled in the past year, with more high-profile members Lord Grade and Ivan Dunleavy resigning. This was prior to the change in dividend policy.

In the year to October 2019, revenues were 30% ahead at £3.51m, while underlying pre-tax profit improved from £602,000 to £690,000. There was £5.88m spent on five IP catalogue acquisitions and technology investment last year.

ONE MEDIA IP (OMIP)	
Price (p)	7.2
Market cap £m	9.8
Historical yield	Nil
Prospective yield	0.8%

One Media continues to invest in the Technical Copyright Analysis Tool (TCAT) which automates the monitoring of digital music releases and identifies if there have been unauthorised releases of music on legitimate music platforms. Development is ongoing although there is already interest from the music industry. So far, £611,000 of spending on TCAT has been capitalised.

The company is also launching the Harmony IP platform. This will purchase a portion of future rights earnings from the owner. That will also help One Media to broaden the scope of its interests.

The rise of streaming is set to propel the growth of the music sector. Goldman Sachs reckons that streaming revenues will generate $27.5bn out of total music sector revenues of $45bn in 2030. The music sector generated $19.1bn in 2018. This shows the growth potential for One Media, although it remains a small player in the market.

One Media wants to continue to acquire more music rights and it will inevitably have to raise money via a share issue if it is to take full advantage of opportunities on offer.

Dividend news

Impax Asset Management has increased its interim dividend by one-fifth to 1.8p a share. In the six months to March 2020, underlying pre-tax profit rose from £7.2m to £10.1m. Impax has a policy of paying an annual dividend within a range of 55% and 80% of underlying pre-tax profit. The board is continuing with the policy, but the distribution is at the lower end of the range. Assets under management were £15.8bn at the end of April 2020.

Nigeria-focused oil and gas company **San Leon Energy** has paid a 6p a share special dividend out of the proceeds from a $40m loan-note repayment. These loan notes, which have a 17% coupon, were issued to Midwestern Leon Petroleum to help it finance the purchase of onshore Nigeria production licence OML 18, where San Leon has an indirect interest. The OML 18 licence lasts until 2039. Pro forma cash should be £32m after the payment. There are more loan-note repayments to come and this should lead to further cash distributions. The remaining balance is $82m and the next payment of $10m is due in October. During May, chief executive Oisin Fanning acquired 98 million shares from Toscafund Asset Management at 21p each. This happened on the day the shares went ex-dividend.

Sureserve continues to improve its performance with compliance services deemed essential services and continuing to operate, although energy services have been hit by the lockdown – particularly in Scotland. The first half was not significantly affected. Shore Capital has downgraded 2019-20 forecasts, but pre-tax profit is still expected to improve from £8.3m to £9.3m – down from the previous forecast of £10m. The full-year dividend is expected to increase by 50% to 0.75p a share. The shares are trading on nine times forecast earnings and a forecast yield of 1.7%.

Expert view: Registrars

Shareholder Rights Directive II is looming – what you need to know

By Simon Griffin

The first Shareholder Rights Directive (SRD) was implemented in 2007 with the aim of encouraging better engagement with shareholders. However, the financial crisis of 2008 evidently made it clear that the ambitions of the directive had failed, with the European Commission highlighting several points. These included that shareholders were still supporting excessive risk taking by boards, shareholders lacked the ability to effectively monitor companies, director remuneration in some instances was out of line with a company's performance and exercising shareholder rights remained unduly complex, especially in cases of cross-border holdings.

With this in mind, regulators have been revising the rules in a bid to tackle these shortcomings. After much debate, this is finally due to be implemented on 3 September and even though the UK is now in the transition period as it departs from the EU, the FCA has elected to push ahead with parallel rules, with the aim of improving shareholder engagement – and ultimately corporate governance.

So, what has changed? In an ideal world, each shareholder's name would be recorded on the register. However, as we all know, it's far more complex than that, with beneficial owners often tucked behind broker nominee accounts or wrapped up in pensions or other funds. Whilst the ambition of SRDII may have been to try to drill down to the most granular level, the reality is that regulators had to accept that this isn't possible given the varying national legislation defining shareholders, but we are still on course to see some fundamental changes in investor relations this autumn.

One point of focus is that institutional investors, such as pension fund administrators and asset managers, will be obliged to develop and communicate their strategies as to how they intend to engage with issuers – or otherwise state why they're not doing so. Separately, to improve the transparency of the voting process, new demands on shareholder identification will be deployed to ensure that issuers can easily identify and communicate with investors, leaving intermediaries responsible for generating a suitable audit trail. And it's this proxy voting element that could prove the most pivotal.

Proxy voting

When it comes to proxy voting, there will be some additional administrative overhead both to issuers, their agents and possibly their professional advisers. For thirty days following a meeting at which voting occurs, a recognised shareholder, directly on the register or otherwise, may well have the right to subsequently request evidence that their voting instructions were correctly included in the count. A response must be given within sixteen days. Such requests could be made direct-ly to the issuer (most likely the company secretary) or its registrar, for holdings being directly entered on the register. Issuers will need to keep documentary evidence of the breakdown of voting for at least that period. When the shareholder is typically not on the register directly but contained within a structure along with other investors, they will need to engage with that structure's administrators and they will then contact the issuer for a confirmation of their group voting.

SRDII mandates that from September, electronic voting at meetings must be immediately confirmed as having been received. CREST has chosen to provide received message notification to voting within the system. As registrars, Avenir are fully compliant with handling CREST messaging traffic. This will be the case with proxy voting announcements, receiving in voting and will also be the case for confirmations to voting entities within the context of meeting any SRDII mandated new working methods. However, given the short time left, it does currently remain to be seen whether any additional CSD functionality enhancements in connection to proxy voting confirmation will be fully tested and live by September.

If the full impact of SRDII matches expectations, this new legislation should see a genuine improvement in shareholders' enfranchisement and a consequential improvement in the respect afforded to them by issuer boards. That in turn has the potential to see improvements in corporate governance including a move away from likely short-termism. SRDII also cannot be taken in isolation as it forms part of a broader agenda that also includes a shift in pre-emption rights constraints and the long-running move to full dematerialisation of holdings, with all that means for investor recognition and engagement. The broad-based activism we saw in the shareholder springs of 2015 and 2017 could end up being rather more impactful as a result of initiatives like this.

SIMON GRIFFIN is Business Development Manager, Avenir Registrars (www.avenir-registrars.co.uk)

AIM reaches 25 years old

AIM is 25 years old this month and, despite numerous times when critics have predicted its demise or questioned whether it is still relevant, it still prospers. Despite the lack of new admissions, AIM-quoted companies are still raising cash to grow their businesses.

When the London Stock Exchange decided to close the Unlisted Securities Market (USM) it did not immediately plan a replacement. It was as a result of lobbying by individuals and organisations involved in the smaller companies end of the market that it decided to set up the Alternative Investment Market (AIM).

The new junior market was launched on 19 June 1995 ahead of the closure of the USM the following year.

There have been plenty of failures, but there have also been on the Main Market. There have also been successes.

Although a part of the original premise for AIM was to nurture companies so that they could grow to a size where they would move to the Main Market, many of the larger companies have stuck with AIM. There have been more companies that moved the other way, including some AIM companies that moved to the Main Market and then returned to the junior market.

Even so, there are 15 companies that were quoted on AIM and are now in the FTSE 250 index. They are Big Yellow, Centamin, Domino's Pizza, Genus, GVC, Hiscox, IP Group, Lancashire Holdings, Petropavlovsk, Playtech, Plus500, PPHE Hotel, Primary Health Properties, Sirius Real Estate and Unite. There are also four constituents that were on AIM and taken private before floating on the Main Market.

Engineer Melrose Industries started out as an AIM shell and it has graduated to the FTSE 100 index. The other former AIM company that was a FTSE 100 constituent was cyber security company Baltimore Technologies, which was known as Zergo when it was on AIM. The valuation soared during the internet boom at the turn of the century and Baltimore spent three months in the index before dropping out. The businesses were subsequently sold.

First companies

AIM started out with ten companies, most of which were introduced from rule 4.2, a matched bargain trading facility for companies that were not quoted. Companies moving from rule 4.2 and the USM dominated the new admissions in the early days. The rule 4.2 trading facility was closed in the autumn and its closure also sparked the launch of Ofex, now known as Aquis Stock Exchange. Companies such as Weetabix and Arsenal decided to move to Ofex instead of AIM.

None of those first ten companies are still quoted on AIM, although investment company Athelney Trust did move to the full list in 2008. Newspapers distributor Dawson Holdings also moved to the Main Market, but it got into financial difficulties and delisted. It is currently dormant. Four others were taken over and the rest left the quoted arena or were wound up.

Another early entrant to AIM is Lloyd's of London insurance underwriter Hiscox, which joined AIM on 3 July 1995 and then moved to the Main Market in 1997. Neill Clerk was one of the early nominated advisers and it joined AIM on 17 July 1995. It subsequently lost its nominated adviser status and has gone through a number of guises. The latest is standard listed property investment company Urban & Civic.

> There are 15 companies that were quoted on AIM and are now in the FTSE 250 index

The company that has been on AIM the longest is Voss Net. There is a difference between company and business, though. Starting out as a technology company and then becoming Tanzania Gold, it changed its name to Bezant Resources in 2007. Copper and gold explorer Bezant is valued at less than Voss Net when it was introduced to AIM.

It is the same for recruitment firm Graduate Appointments, which joined AIM on 4 September 1995.

Graduate Appointments became Megalomedia the following August with plans to build up a group of media companies. This did not prove a success and the companies were sold. In 2002, the company became Finsbury Food after a cake manufacturer reversed into it. The capitalisation of the company has increased from £4.3m to £82.8m, although there have been many significant fundraisings during the intervening period.

RNA therapeutics developer Silence Therapeutics, which recently unveiled plans to obtain a Nasdaq listing for American Depositary Shares (ADSs), is the oldest company that still has a similar business to when it joined AIM. It was known as Stanford Rook when it joined AIM one month after the market was launched.

However, Silence Therapeutics has not been on AIM for all the past 25 years. As SR Pharma, the company moved to the Main Market on 20 December 1999 and then returned to AIM on 30 September 2004. During that period the company's market capitalisation fell from £85.3m to £6.7m. Silence Therapeutics is currently valued at £375m.

The business that has continuously been on AIM for the longest time is property investor Wynnstay Properties, which joined on 21 September 1995. It was valued at £4.7m when it joined AIM and it has paid growing dividends since then. More has been paid out in dividends than the original market capitalisation.

Evolution

The evolution of AIM can be viewed in the table. This shows how the average size of AIM companies has increased significantly over the years. The average amount raised by new admissions has also risen over the period.

Even though the number of AIM companies has decreased in the past decade, the average number of daily trades has soared. The number can be dominated by some of the larger companies, but this is still impressive progress.

The tax benefits of AIM investment help, particularly when AIM shares became eligible for ISAs.

AIM is certainly not the same market it was in the nineties. There are companies that would find it difficult to join now when they would have been the target market more than two decades ago. In some cases that is a good thing. Although, it does mean that it is more difficult and costlier for some smaller companies to raise finance.

Rivals, both UK and international, have proved less successful. European markets have found it difficult to mirror AIM's achievements. When techMARK was launched by the London Stock Exchange two decades ago there were questions about whether AIM was still relevant. There is no argument about which has been more successful. The High Growth Segment (HGS) was launched by the London Stock Exchange and, while Just Eat was a success and transferred to a premium listing, the only company on the HGS is Matomy Media.

One of the more successful rivals has been Aquis Stock Exchange and that could become more of a rival under its new management.

There has always been a confused view of AIM. There is an obsession about number of companies and how many new companies are joining. Those are very simplistic ways of looking at a stockmarket.

Lack of liquidity has been a relevant criticism, but the improvement in overall liquidity is under-appreciated. Of course, there are still plenty of companies quoted on AIM that have limited liquidity, but Novacyt is an example of how liquidity can be transformed when investor interest is attracted.

AIM is likely to have many more birthdays because there is a need for the market so that companies can raise money.

The business that has continuously been on AIM for the longest time is property investor Wynnstay Properties

THE EVOLUTION OF AIM

AVERAGES	1995	2000	2005	2010	2015	2020 (MAY)
Company value (£m)	19.7	28.5	40.5	66.5	70	118.5
IPO cash raised (£m)	0.6	6.3	12.4	11.8	20.3	7
Daily trades	212	7,819	8,421	20,861	29,552	60,583

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	27.4	16.1
Industrials	16.3	16.9
Healthcare	15.5	10.1
Technology	12.8	11.8
Financials	9.1	12
Energy	5.9	11.4
Basic materials	5.7	14
Property	4	3.1
Telecoms	2.1	1.8
Utilities	1.1	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	875.33	-8.8
FTSE AIM 50	4915.28	-10.6
FTSE AIM 100	4498.98	-11.3
FTSE Fledgling	7933.38	-15.6
FTSE Small Cap	4864.7	-12.4
FTSE All-Share	3363.67	-14.3
FTSE 100	6076.6	-15.2

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	167
£5m-£10m	93
£10m-£25m	163
£25m-£50m	120
£50m-£100m	114
£100m-£250m	99
£250m+	84

KEY AIM STATISTICS

Total number of AIM:	840
Number of nominated advisers	28
Number of market makers	48
Total market cap for all AIM:	£88.4bn
Total of new money raised	£117.3bn
Total raised by new issues	£45.4bn
Total raised by secondary issues	£71.9bn
Share turnover value (Apr 2020)	£25.2bn
Number of bargains (Apr 2020)	4.9m
Shares traded (Apr 2020)	221.2bn
Transfers to the official list	192

TOP 5 RISERS OVER 30 DAYS

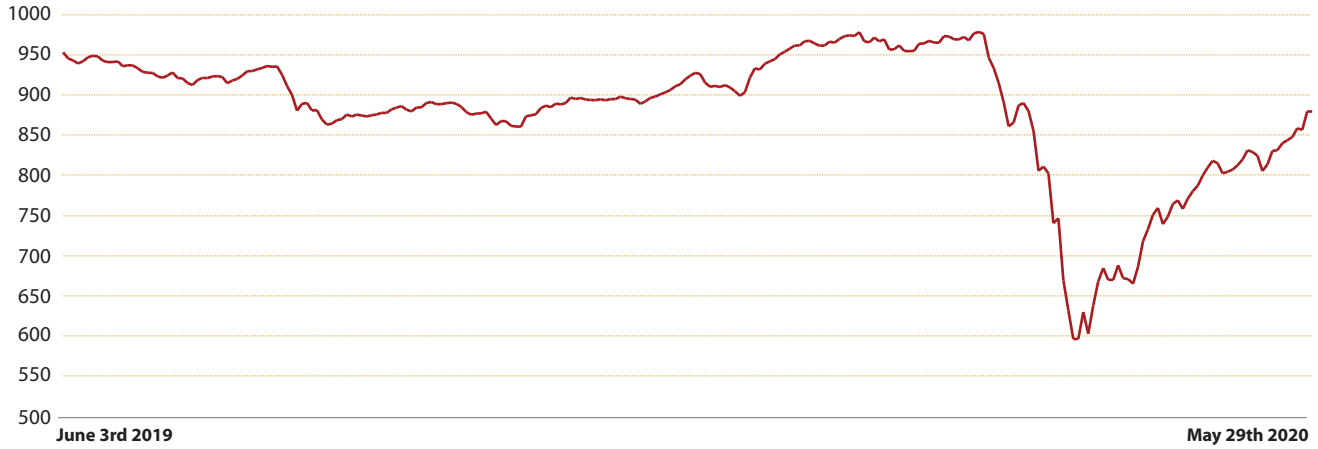
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Motif Bio	Healthcare	0.7945	+323
Powerhouse Energy	Cleantech	3.63	+216
Plutus Powergen	Cleantech	0.065	+160
Galileo Resources	Mining	0.915	+158
Invinity Energy Systems	Cleantech	91	+139

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Attis Oil and Gas	Oil and gas	0.0145	-79.3
Midatech Pharma	Healthcare	23.5	-48.9
ValiRx	Healthcare	6.75	-48.6
Catenae Innovation	Technology	2.8	-47.7
Tissue Regenix	Healthcare	0.375	-46.4

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



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

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MOBILE / TEL: 07729 478 474 / 020 8549 4253

EDITOR: Andrew Hore

PRODUCTION & DESIGN: David Piddington

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