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AIM JOURNAL

Melrose on brink of Footsie

Melrose Industries could be set to be the second former AIM company to make it into the FTSE 100 index after it was placed on the reserve list in the recently announced index changes. Baltimore Technologies had a short stint in the index at the turn of the century.

Following the £1.1bn reverse takeover of air conditioning, security and home automation products supplier Nortek Inc last August, Melrose moved from a premium listing to a standard listing, where it was not eligible for inclusion in any FTSE index. The move was because Nortek's financials were too old. However, once up-to-date figures were published, Melrose returned to a premium listing and that is why it is rejoining the FTSE 250 index on 19 June – the 22nd anniversary of AIM's launch.

Melrose raised £11.8m after expenses when it joined AIM as a shell company in October 2003. The management team had previously worked at fully listed industrial company Wassall. The strategy has remained that of acquiring manufacturing and industrial businesses where performance can be improved.

In 2004, a £625m cash and shares bid for the listed printing, aluminium products and building services provider Novar lapsed but Melrose subsequently secured the acquisition of engineering products and components suppliers Dynacast and McKechnie from Cinven for £429m in 2005. At the end of 2005, Melrose moved to the Main Market. Melrose has subsequently made a number of acquisitions and disposals, which financed cash returns to shareholders.

Sirius straight into FTSE 250

Sirius Minerals is joining Melrose in the FTSE 250 index following its transfer from AIM to a premium listing on 28 April. Sirius Exploration, as it was then known, joined AIM on 1 August 2005 when it raised £500,000 to finance copper exploration in Macedonia.

Sirius was involved in a number of different projects and it acquired York Potash, the owner of the company's polyhalite project in North Yorkshire, for 150 million shares at the beginning of 2011. That is when Chris Fraser became chief executive of Sirius. Funding for the project has been secured and it is on schedule.

Residential care homes operator Caretech and government, health and engineering software supplier IDOX are moving into the FTSE AIM 50 index. They are replacing 4D Pharma and China-focused interactive technology and content company BNN Technology. The share price of the latter has almost halved since early March.

Falcon Oil & Gas, Horizon Discovery and IG Design are joining the FTSE AIM 100 index, replacing OPG Power Ventures, SQS Software Quality Systems and Vernalis.

In this issue

general news

Angling for an AIM flotation

Angling Direct is thought to be considering an AIM flotation following in the footsteps of rival fishing-tackle retailer Fishing Republic, whose share price has more than quadrupled in four years.

According to the latest filed accounts of Norwich-based Angling Direct, which are for the year to January 2016, revenues grew by 47% to £16.4m, while pre-tax profit declined from £527,000 to £432,000 partly as a result of a decline in gross margin from 29.2% to 26.8% and higher staff costs. There was a large increase in stocks so cash generated from operations was £167,000, although there was an outflow in the previous year because of an even greater rise in stocks. Those figures were before the July 2016 acquisition of Climax Fishing Tackle Ltd.

Angling Direct has been investing in its financial systems, a new central distribution warehouse and its e-commerce site, as well as opening new stores. Loans totalling £1.4m were capitalised into preference shares at the end of June 2016. Three people owned 88% of the shares in issue at the end of January 2016 but further shares have been issued since.

Fishing Republic raised £1.5m at 10p a share when it joined AIM two years ago. That valued the company at £3.56m. One year ago, £3.75m was raised at 35p a share from investors, including former Tesco boss Terry Leahy. House broker Northland forecasts an underlying 2017 pre-tax profit of £503,000 on revenues of £9.1m. The gross margin forecast is 45%, which is a much higher figure than for Angling Direct. At 43.5p a share, Fishing Republic is currently valued at £16.5m.

Draper's £100m boost

Draper Esprit is raising £100m at 324p a share so that it can put more of its own money in its investments and finance potential acquisitions. Management expects to allocate 30% of the investment capital to early-stage investments and 70% to follow-on investments. The main focus is digital technology businesses that have the potential to expand internationally. The latest cash call comes nearly one year after Draper Esprit joined AIM and the Enterprise Securities Market (ESM) and raised £74m at 300p a share. Since then, £42m has been raised by sales of existing investments and £37m invested. Draper Esprit has investments in 29 companies. So far this year, the group has raised more than £60m from EIS, VCT and co-investment platforms.

Phoenix seeks cash for Empire

Phoenix Global Mining Ltd is planning to join AIM by the end of the second quarter of 2017 and raise £4.5m. This would nearly double the number of shares in issue. British Virgin Islands-based Phoenix (www.pgmining.com) has an option to acquire 80% of the ExGen Resources Inc subsidiary Konnex, which holds the leases to the Empire mine project in Idaho. Brandon Hill is the broker and SP Angel the nominated adviser.

As part of that deal TSX Venture Exchange-quoted ExGen was paid $150,000 in cash and issued with nearly 10% of the existing shares in Phoenix. Phoenix has to pay $1m into the bank account of Konnex by the earlier of the time of the flotation or the end of June. Phoenix is also paying $100,000 a year to ExGen until there is a bankable feasibility study plus spending at least $500,000 a year on Empire, which was an operating copper, gold and silver mine between 1901 and 1942.

Phoenix chief executive Dennis Thomas is also a non-executive director of ExGen and along with two fellow Phoenix directors is already on the board of Konnex. Finance director Richard Wilkins and chief technical officer Roger Turner were founders of Oxus Gold.

In 1997, SRK calculated that there was an oxide open pit reserve of 15.5 million tonnes of copper, zinc, gold and silver in what is known as the AP pit. SRK has been commissioned to update the resource estimate and make it JORC compliant using the results from the drilling of 67 additional holes.

It is estimated that less than 5% of the ore system has been tested. The plan is to mine 7,000 tonnes of copper a year from the AP pit with a downstream plant extracting gold and silver. Pre-feasibility study work is already under way.

advisers

Arden rejigs board and raises cash

AIM broker Arden Partners has appointed a new boss and plans to raise £5m from a share placing. The cash will be used to boost the capital base and enable it to hire additional staff.

Donald Brown is chief executive designate. He has more than 25 years' experience of smaller-company broking with Royal Bank of Canada, Collins Stewart and Evolution. Once the regulatory approval is received the current chief executive will step down but he will remain an executive director. Jonathan Keeling and Stephen Wassell will step down from the board but remain in management positions at the broker.

Arden non-executive chairman Luke Johnson believes a slimmed-down board will help the broker to react more swiftly to changing market conditions. At the end of October 2016, loss-making Arden had £5.17m in the bank.

Vin Murria has become a strategic adviser to broker finnCap and may eventually join the board. Murria has built up two AIM-quoted software companies, Computer Software Group and Advanced Computer Software, both of which were taken over, and she has been involved with venture capital group Elderstreet.

■ Gresham House plans to acquire renewable energy-focused asset manager Hazel Capital LLP. The deal has not been finalised but it is expected that it will be completed in the third quarter of 2017 and the initial consideration will be funded by shares issued at a premium to the market price. Gresham House is loaning up to £4.6m to Hazel and this is repayable by the time the exclusivity period ends on 31 December. VCT and EIS specialist Hazel has more than £100m of assets under management. Michael Hart has been appointed head of distribution at Gresham House.

ADVISER CHANGES - MAY 2017

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Nyota Minerals Ltd	Peterhouse	Smaller Company Capital	Beaumont Cornish	Beaumont Cornish	03/05/17
Kennedy Ventures	FinnCap/Shore	Shore	finnCap	Grant Thornton	04/05/17
Sula Iron & Gold	WH Ireland	VSA	WH Ireland	Strand Hanson	04/05/17
Union Jack Oil	Turner Pope/SP Angel	SP Angel	SP Angel	SP Angel	04/05/17
Venture Life Group	Northland/ Turner Pope	Panmure Gordon/ Turner Pope	Northland	Panmure Gordon	04/05/17
Altitude Group	finnCap	WH Ireland	finnCap	WH Ireland	08/05/17
Bowleven	Cenkos	Barclays/Cenkos	Cenkos	Cenkos	08/05/17
Rotala	Dowgate/Cenkos	Cenkos	Cenkos	Cenkos	11/05/17
Tavistock Investment	Allenby	Allenby	Arden	Northland	12/05/17
EQTEC	VSA/SVS	SVS	Strand Hanson	Strand Hanson	15/05/17
Breedon Group	Numis/Cenkos	Cenkos/Peel Hunt	Cenkos	Cenkos	16/05/17
Pacific Industrial & Logistics REIT	Canaccord Genuity	finnCap	Canaccord Genuity	finnCap	16/05/17
CyanConnode	finnCap	Cantor Fitzgerald	finnCap	Cantor Fitzgerald	19/05/17
Elegant Hotels Group	Liberum/Zeus	Zeus	Zeus	Zeus	19/05/17
Obtala Ltd	Beaufort/Brandon Hill	Brandon Hill	ZAI	ZAI	19/05/17
Oxford BioDynamics	Shore/Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	19/05/17
Watkin Jones	Peel Hunt	Peel Hunt/Zeus	Peel Hunt	Zeus	19/05/17
Ergomed	N+1 Singer/Numis	Numis	Numis	Numis	22/05/17
Seeing Machines	Canaccord Genuity/ finnCap	finnCap	finnCap	finnCap	25/05/17
Shield Therapeutics	Liberum/Peel Hunt	Liberum	Liberum	Liberum	26/05/17
GAN	Liberum/Davy	Davy	Davy	Davy	30/05/17
Taptica International Ltd	finnCap	Investec	finnCap	Investec	31/05/17

company news

Keywords Studios remains in the game with further earnings-enhancing acquisitions

Outsourced video games services *www.keywordsstudios.com*

Outsourced video games services provider **Keywords Studios** has made three more earnings-enhancing acquisitions in the past month, leading to further forecast upgrades. finnCap has raised its 2017 earnings per share forecast from 27.3 cents to 28.5 cents.

The $6m purchase of Strongbox Ltd, which trades as Red Hot, provides further exposure to the Chinese art services market, which is growing at 14% a year. Strongbox has worked on games such as Call of Duty and one of its customers is Activision, which was not previously a Keywords client. Keywords has 900 people working in the art services market and this deal will add a further 220 people.

Keywords also acquired outsourced Florida-based software engineering services provider GameSin for $4.8m and US-based videogames content management system developer XLOC Inc for $900,000. GameSin is the first software engineering business that Keywords has acquired and it provides more cross-selling opportunities. GameSin also has clients outside the games sector

The Chinese art services market is growing at 14% a year

The Keywords share price has nearly trebled over the past year. That means that the shares are trading on 33 times prospective 2017 earnings. A full contribution from all the acquisitions could cut the 2018 multiple to 26. The founders and chief executive Andrew Day sold nearly 4.5 million shares at 820p each but this has not hampered the share price. Andrew Day still has a 5.9% stake and the founders retain 7.2%.

KEYWORDS STUDIOS (KWS)			795p
12 MONTH CHANGE %	+183.9	MARKET CAP £M	443.5

This year's dividend is expected to be increased modestly from 1.1 cents a share to 1.2 cents a share. Management is keen to retain cash generated from operations for further growth. Keywords is expected to maintain a net cash position at the end of 2017 but this will depend on the level of acquisitions activity. There is a €35m bank facility that is not fully utilised and that could be used for further keenly priced acquisitions without resorting to any share issues.

Hardide contract wins create momentum

Advanced surface coatings *www.hardide.com*

A recovery in oil and gas demand and new contract wins are providing a brighter outlook for advanced surface coatings provider **Hardide**. Greater utilisation of the capacity of the facilities in the UK and US will help accelerate the progress to profitability.

In the six months to March 2017, revenues grew from £949,000 to £1.51m and the loss has declined from £879,000 to £684,000. Oil and gas revenues more than doubled.

Hardide provides tungsten carbide coatings that can lengthen the lives of critical metal parts used in abrasive and corrosive environments. It uses the chemical vapour deposition coating process. Hardide has approved supplier status from Airbus and other opportunities in the aerospace and industrial sectors. Oil and gas, though, is still important for the group.

HARDIDE (HDD)			1.75p
12 MONTH CHANGE %	+110.8	MARKET CAP £M	26.9

A seven-year supply agreement with fluid handling systems supplier Graco Inc, which takes over from an existing agreement, could be worth more than $4m. Hardide has also received a $770,000 order from GE. A previous agreement had expired in February. This should be delivered by the end of 2017, but be split between two financial years. This helps to build up production levels at the US facility in Virginia.

Hardide is still expected to lose money this year and next year, even though 2017-18 revenues of £4m are forecast, nearly double the 2015-16 level, but the additional contracts provide indications of potential with nothing as yet from Airbus.

company news

Social let-down for Stride Gaming but online bingo prospers

Online bingo operator *www.stridegaming.com*

STRIDE GAMING (STR)			224.5p
12 MONTH CHANGE %	-14.5	MARKET CAP £M	151.2

Stride Gaming has built up a strong market position in the online bingo sector. Market share has risen to 10% as the point-of-consumption tax has led to companies focusing on their core online gaming markets. The group's online bingo operations have performed well helped by last year's acquisitions but social gaming has not been such a success.

Online bingo is 89% of revenues, which totalled £44m – a like-for-like increase of 21% - at the interim stage. Underlying pre-tax profit improved from £5.24m to £8.64m. Net cash was £11.3m at the end of February and the interim dividend was increased from 1.1p a share to 1.2p a share.

Social-gaming revenues fell by nearly a quarter and this led to a £10.2m goodwill write-down. There are initial signs of a recovery and new content is being added.

Social-gaming revenues fell by nearly a quarter

Full-year underlying pre-tax profit is forecast to grow from £11.3m to £17.5m. The growth in earnings will be held back by the shares issued for last year's acquisitions. Earn-out periods are coming to an end this year and there should be cost savings from fully integrating the businesses. Stride believes that annual costs could be reduced by £2.5m.

Higher gaming tax is expected to hold back 2017-18 profit to £16.3m but this could depend on how quickly the cost reductions come through and the recovery of the social-gaming business.

The shares are trading on 12 times 2018 forecast earnings. There is little in the forecasts for the newly launched B2B software licensing business Stride Together. The first deal has been signed with casinos operator Aspers. There should also be further acquisition opportunities.

Sanderson invests in digital opportunity

Software *www.sanderson.com*

SANDERSON (SND)			77.75p
12 MONTH CHANGE %	-4.6	MARKET CAP £M	42.8

Enterprise software provider **Sanderson** is investing in its digital retail software and this is holding back profit growth in the short term. In the six months to March 2017, revenues improved from £9.86m to £10.9m, while underlying pre-tax profit edged up from £1.33m to £1.45m. That excludes £175,000 of costs for a potential acquisition that did not go ahead. The interim dividend was raised by 10% to 1.1p a share. There was £4.51m in the bank at the end of March 2017 after investing £150,000 in a minority stake in a technology company.

The main growth in profit came from the wholesale distribution and logistics business, where 83% of overheads are covered by recurring gross profit. Manufacturing contribution fell but there is growth in the food and drink sector. Digital retail remains the part of the business with the best growth prospects. Order intake increased by 50% and there are a number of pilot schemes in operation.

Full-year profit is expected to improve from £3.44m to £3.72m, rising to £4.03m in 2017-18. Earnings are set to dip this year, putting the shares on 14 times prospective 2016-17 earnings. This is all based on organic growth but it is likely to be supplemented by acquisitions if they can be secured at the right price.

Management has set a target of 2017-18 revenues of £30m and profit of £4m-£5m. The lower part of the profit range could be achieved by organic growth but acquisitions will be required to reach the upper level. Buying by IHT funds provides a base for the share price.

company news

Watkin Jones hopes to repeat student success in private rented sector

Student accommodation developer *www.watkinjones.com*

Strong demand for student accommodation continues to propel the growth of **Watkin Jones** and this is set to be supplemented by a move into the private residential rental market. The first private rental development has been completed and more are planned.

One of the things about building student accommodation is that it needs to be ready for the new educational year. The private rented sector is not seasonal so building can be done at times when student accommodation construction activity is quieter.

Investor interest in the private rented sector is indicated by the recent oversubscribed £250m offer by the PRS REIT, which is managed by AIM-quoted Sigma Capital. Watkin Jones has six potential schemes that could contribute to figures between 2018-19 and 2020-21.

Watkin Jones business has high earnings visibility

In the six months to March 2017, revenues dipped from £145.9m to £133.7m but that was because the corresponding period included sales of residential apartments that had been built in the previous year that did not generate a profit contribution. Revenues from student accommodation improved and there was a more significant contribution from the property management operations, which have a gross margin of 63.2%. That helped overall gross margin improve from 16.1% to 21.8%. Underlying pre-tax profit, excluding the costs of last year's flotation, improved from £16.7m to

WATKIN JONES (WJG)			187p
12 MONTH CHANGE %	+63.7	MARKET CAP £M	477.4

£21.1m. The interim dividend is 2.2p a share and Watkin Jones is on course to pay 6.6p a share for the full year. Net cash was £11.7m and second-half cash generation is stronger.

The student accommodation business has highly visible earnings. A full-year pre-tax profit of £42.7m is forecast, putting the shares on 14 times forecast 2016-17 earnings, falling to just over 12 in 2017-18 – although this has little contribution from private rental developments. Watkin Jones joined AIM in March 2016 at 100p a share. The dividend is set to grow at around 10% a year and even after the strong share price performance the prospective yield is 3.5%.

Bursting pipeline for Telford

Residential property developer *www.telfordhomes.london*

Residential property developer **Telford Homes** beat expectations for the year to March 2017 and the pace of growth should accelerate this year thanks to its strong balance sheet. The London-focused development pipeline is worth more than £1.5bn.

Revenues grew from £245.6m to £291.9m, while pre-tax profit improved from £32.2m to £34.1m. Net debt ended the period at £14.5m and there is £135m of headroom on the company's bank facilities. The dividend was increased from 14.2p a share to 15.7p a share. That is a yield of 3.7%.

TELFORD HOMES (TEF)			421.5p
12 MONTH CHANGE %	+13.5	MARKET CAP £M	317.4

This year borrowings will increase because of construction activity and acquiring additional development land. The majority of homes built sell for between £350,000 and £700,000. London remains short of homes, with demand far exceeding supply, and Equity Development believes that Telford could be building 1,500 homes a year by 2020.

Telford has bought some impressive sites, including the former London Electricity Board building in Bethnal Green for £30.2m. The gross development value of the residential and commercial units is expected to be £95m but Telford still requires planning permission. Construction work is expected to start next year.

Telford is increasingly selling to institutional investors that will rent out the homes. A pre-tax profit of £43.5m is forecast for this year, rising to £52.4m in 2018-19. The shares are trading on nine times prospective 2017-18 earnings.

Impax reaps strong environmental dividend

Asset manager *www.impaxam.com*

Dividend

Asset manager Impax restructured its balance sheet in 2007 so that it could start paying dividends. It paid a maiden dividend of 0.35p a share the following year. The dividend has been raised every year since and Impax started paying interims and finals in 2014. There was a special dividend of 0.5p a share in 2014-15.

Impax raised its interim dividend by 40% to 0.7p a share and the total for the year is forecast to increase from 2.1p a share to 2.8p a share. A 2017-18 dividend of 3.1p a share is forecast.

In the past 18 months, Impax has spent £2.5m buying back shares. That still left £13.3m of cash in the bank at the end of March 2017. That is set to grow steadily. Management reckons that £6m is needed for regulatory and other requirements, which leaves scope for higher dividends and/or more buy-backs as well as acquisitions and investment opportunities.

Business

There have been many cleantech and renewable energy companies on AIM but most have struggled and the number has fallen. Cleantech and renewables-focused asset manager Impax has prospered thanks to its broad portfolio and the share price has more than doubled since the beginning of 2016. The share price is four times the level it was ten years ago while most of the cleantech companies quoted at that time are no longer on AIM or their share price has fallen.

Impax is one of the leading managers of private equity and quoted funds that are focused on environmentally sustainable businesses and assets. Impax reversed into an AIM shell called Kern River in the middle of 2001 and the deal was funded by a share issue at 32p a share. The current chief executive, Ian Simm, was already running Impax when the reversal went ahead. The following year, the company launched the quoted investment company Impax Environmental Markets. Further funds were subsequently launched.

IMPAX ASSET MANAGEMENT (IPX)	
Price (p)	100
Market cap £m	127.7
Historical yield	2.1%
Prospective yield	2.8%

In the six months to March 2017, revenues grew from £9.4m to £13.9m, while pre-tax profit improved from £2.1m to £2.4m. The growth in profit was held back by a reduction in the value of investments held and costs relating to incentive schemes – due to the rise in the share price.

Assets under management have reached £6bn, with around one-fifth of that from North America. In the most recent six-month trading period, assets under management grew by 27% thanks to inflows of £870m. Impax's market value is equivalent to 2.2% of assets under management.

A full-year profit of £6.74m is forecast, rising to £9.09m in 2017-18 – assuming an absence of exceptional charges. These forecasts do not assume any new fund launches. International investment demand for the group's products remains strong thanks to good performance and continued support for environmental regulation in most countries – and even individual states in the US.

Dividend news

Billing and customer management software supplier **Cerillion** continues to grow its revenues as it starts to build its customer base outside the mobile sector. In the six months to January 2017, revenues were 10% ahead at £7.5m and underlying profit was nearly one-third higher at £900,000. Orders worth £9.4m were won during the period. The interim dividend was 8% higher at 1.4p a share. Following the results, directors sold 4.2 million shares at 120p each, which could help to improve the liquidity in the shares.

Cambria Automobiles increased its underlying interim pre-tax profit by 22% to £5.6m and earnings per share were one-fifth higher at 4.41p. This enabled the interim dividend to be raised by a quarter to 0.25p a share. Net cash was £3.3m at the end of February 2017. The motor retailer has not had the benefit of the new Barnet site and a fire at the Welwyn Garden City workshop also hampered progress. Strong trading in March was balanced out by a weak April but N+1 Singer still upgraded its full-year profit forecast by 6% to £11m. A full-year dividend of 1p a share is forecast, providing a yield of 1.5%.

Vertu Motors 2016-17 figures were at the top end of expectations with underlying pre-tax profit improving from £27.4m to £31.5m. Net cash was £21m. The used car and aftermarket operations were particularly strong but the new car market was hit by the weakening of the pound last year. Earnings per share were barely changed because of the £35m placing during the period but the dividend was increased by 8% to 1.4p a share. It could rise to 1.5p a share this year, providing a yield of 3.1%. A pre-tax profit of £34m is forecast for 2017-18 with the significant capital expenditure and acquisitions starting to pay off.

expert views

Expert view: The broker

Edenville ready to power up at Rukwa

By Ryan Long

At the end of May, Edenville Energy* received a formal request from the Ministry of Energy and Minerals of Tanzania for the company to proceed with the development of its Rukwa Coal to Power Project.

The Rukwa Coal to Power Project will be an integrated coal to power production business to supply the power-deficient Rukwa region of Tanzania. The region is currently off-grid, with the area dependant on diesel generators and, as a result, requires a cheap reliable energy supply to enable the industrial development of the region.

Edenville is planning to extract coal to supply two 60MW power plants that will be located at the mine and will operate over the mine's life of 30 years, though it is important to note that the resource base at Rukwa has the potential to support additional power plants that could increase power production to a total of 300MW.

A key part of the Rukwa Coal to Power Project's suitability is its location, with TANESCO's planned power transmission lines, which will link the north and south of the country, expected to be developed within 12km of the project ,providing it with a grid connection to sell the electricity generated.

Source: Northland Capital Partners

Sinohydro

Building a power plant requires significant experience and expertise that are beyond most junior mining companies and on that basis Edenville established a strategic partnership with Chinese company Sinohydro Corporation in January 2017. The memorandum of understanding is for Edenville and Sinohydro to co-develop the Rukwa Coal to Power Project. Sinohydro is an impressive partner for Edenville as it has 486 international projects that are under construction in over 72 countries, with a total contract value of nearly US$43bn.

As part of the Agreement, Sinohydro will have the role of engineering, procurement and construction contractor (EPC) for the project and will complete and fund the Bankable Feasibility Study for the Power Plant at an estimated cost of US$1m. Sinohydro will also use its extensive contacts to explore funding options for the construction of the project. Edenville will focus its efforts on advancing the coal mine alongside completing the permitting and legal aspects of the power plant.

Coal supply

While Edenville remains focused on the longer-term power plant project at Rukwa, an announcement made in August 2016 by the Tanzanian Ministry of Energy and Minerals that it was banning the import of coal led the company to evaluate the potential for near-term production at the Project to supply the local and regional market.

Edenville has commenced trial mining on an order basis, with coal transported to customers and commercial rates paid for the coal. As a result, Edenville is confident that its coal can be used to supply the local and potentially regional markets, and has signed letters of intent and received expressions of interest from several parties that intend to purchase coal from the operating mine on a long-term basis.

As well as continuing to advance these discussions, Edenville is moving the project to the next phase of development following the acquisition of a coal-processing and washing facility. The plant is currently being shipped from the UK to Tanzania and is expected to arrive this month.

Edenville expects to commence commercial production of processed coal in H217 but ahead of this the company has already built up a stockpile of several hundred tonnes of unprocessed coal using a temporary crushing facility. A significant amount of this coal has been sold to a customer, and the company has the intention of providing larger-scale, long-term sales to the customer once the processing plant is operational.

**Northland Capital Partners Ltd acts as nominated adviser to Edenville Energy*

RYAN LONG is a Director of Research, at Northland Capital Partners feature

AIM trading levels soar in 2017

Trading on AIM is reaching new highs and so far this year it has been relatively consistent.

Year-on-year trading levels have soared so far this year. The average number of daily trades for each month of 2017 has been around twice the level of the same months last year. The average daily trades reached 46,595 in April 2017.

The average daily value of the trades has increased from £122.7m to £281.8m. This has been achieved when there were 967 AIM companies at the month end, compared with 1,013 one year earlier.

The number of companies where there are more than 10,000 trades in the month has risen from seven to 16. Online retailer ASOS was the only company with more than 20,000 trades one year ago, while in April 2017 there were six others.

ASOS remains the most traded share on AIM but it is not as dominant as it once was. The online retailer accounted for 20.8% of all trades in April 2016 but one year later the share had dropped to 14.1%. This is a month when ASOS reports its interim figures but the company is consistently the most traded share.

Some of the interest may have switched to rival online retailer Boohoo.com but the increase in its share of trades from 1.8% to 4.9% does not account for all the difference. The two companies account for nearly 8% of AIM's market capitalisation and 19% of AIM trading.

The broadening of trading is a good thing because if ASOS moved to the Main Market or was taken over it would leave a big dent in the trading levels of the junior market. Excluding ASOS, the number of trades has nearly doubled, from 370,815 to 720,412. Because of Easter, there were 18 trading days this April, down from 21 a year ago, so the average daily trades have more than doubled.

Five out of the top ten in April 2017 were also in the top ten a year ago. Boohoo.com, CVS, Highland Gold Mining and Sirius Minerals were in the top 20.

GW Pharmaceuticals has moved from AIM to Nasdaq and it generated 14,474 trades in April 2016, making it the fourth-most traded share. Sirius Minerals left AIM during April so that will reduce average daily trades on AIM by around 1,500 assuming trading would have continued at that level. That is more than 3% of trading but the junior market has previously coped with the loss of other well-traded companies, including Paysafe and GVC.

The other four companies in the top ten in April 2016 were Plus500, EMIS, Telit Communications and Redde. The first three increased their number of trades in April 2017, but Redde dropped from 10,966 to 6,992.

Forty companies' shares were not traded in April 2016 – although there are some companies that have more than one share class – but the April 2017 figures do not appear to show companies where there were no trades. It appears the number has fallen, though. The number of companies where there was one trade has changed from 20 to 17. Nearly one-third of the companies in April 2016 had fewer than 25 trades and this has fallen to less than one-fifth.

This shows that trading levels may still be low for some companies but there is a general increase in interest in trading in AIM companies.

AIM TRADING LEVELS

COMPANY	ACTIVITY	NUMBER OF TRADES APRIL 2017	NUMBER OF TRADES APRIL 2016
ASOS	Online retailer	118,300	97,391
Boohoo.com	Online retailer	41,317	8,263
Highland Gold Mining	Mining	31,365	4,781
Fevertree Drinks	Spirit mixers	29,539	10.506
Abcam	Healthcare	27,028	18,130
Sirius Minerals	Mining	25,660	4,664
Dart Group	Transport	23,046	14,709
Sound Energy	Oil and gas	17,440	542
Clinigen	Healthcare	16,406	8,306
CVS	Vet practices owner	16,206	7,599

feature

AIM heading back to 1000

The last time the FTSE AIM All Share index hit 1000 was in the middle of June 2008. The index is heading back to that level as AIM approaches its 22nd birthday.

Back in June 2008 AIM appeared to be on the rise. The number of companies and market value were near to their peaks and the FTSE AIM All Share index was heading back towards 1000. That mark was achieved during 18 June – one day short of AIM's thirteenth birthday. Then the global economic crisis hit.

In less than one year the FTSE AIM All Share index had dropped by around five-eighths, reaching 373.76 on 9 March.

There are 88 AIM companies valued at more than £250m

Nearly a decade after it last achieved the mark, the AIM index is heading back towards 1000 but AIM is a very different beast.

The number of companies has fallen but the total capitalisation of AIM is slightly higher than in June 2008. The average market value of AIM companies slumped from £55.1m in June 2008 to £25.8m in March 2009. The average value is currently heading towards £100m.

There are 88 AIM companies valued at more than £250m, including ten valued at more than £1bn, up from 69 in June 2008.

There were five companies valued at more than £1bn in June 2008. None of these are still on AIM. Online gaming technology developer Playtech and oil services provider Lamprell moved to the Main Market, while silicon metals and alloys producer Globe Speciality Metals Inc switched to the Nasdaq Global Market at the end of July 2009. Resources companies Sibir Energy and Central African Mining & Exploration have been taken over. Playtech was the only AIM company worth more than £1bn in March 2009.

Online fashion retailer ASOS was capitalised at £222.9m at the end of March 2009 and it was the fifteenth-biggest company on AIM. ASOS is currently the largest AIM company and is valued at £4.86bn – more than twice the value of the second-largest company, boohoo.com

The number of AIM trades has soared since June 2008. There have been average daily trades of more than 40,000 in each of the first four months of 2017. The average for the year so far is 42,433. That is more than double the average in June 2008. The average value of daily trades is similar.

HOW AIM HAS CHANGED SINCE JUNE 2008

COMPANY	JUNE 2008	MARCH 2009	APRIL 2017
Number of companies	1,657	1478	967
Market value (£bn)	91.3	38.2	92.8
Average company size (£m)	55.1	25.8	95.9
Companies valued at > £250m	69	13	88
Companies valued at < £25m	911	1086	463
Number of resources companies	330	306	246
Resources companies (% of AIM)	37.3	28.3	14.6
Average daily value traded (£m)	251.3	82.7	243.7
Average daily bargains	16,868	12,274	42,433

Winners

There are 12 AIM companies that have risen by 1,000% or more since June 2008, although identity management services provider GB Group did not move from the Main Market until 2010. There are 115 companies out of 790 where the share price has at least doubled over the period. There are other companies that have been taken over or moved to other markets that will have also doubled in value.

It is noticeable that profitable, cash-generative and dividend-paying companies dominate the better performers. This was not a time to be investing in speculative resources companies as is indicated by the decline in importance of the resources companies on AIM from 37.3% to 14.6% of the market value, even after a recovery in the past year.

The best performer is ticketing and queuing technology provider accesso Technology, which was formerly known as Lo-Q. It had moved into profit, excluding exceptional charges, in 2006 but the share price was around a quarter of the AIM flotation price in 2002. The share price has risen by more than 7,000% over nine years.

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer services	18.5	10.2
Financials	16.5	17
Industrials	15.3	15.9
Healthcare	12.7	9.2
Technology	11.1	12
Consumer goods	9.4	5.9
Oil & gas	7.8	10.9
Basic materials	6.8	14.6
Telecoms	1.3	1.1
Utilities	0.5	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	992.55	+34.2
FTSE AIM 50	5730.45	+39.6
FTSE AIM 100	4965.15	+42.4
FTSE Fledgling	9936.71	+29.6
FTSE Small Cap	5653.93	+23
FTSE All-Share	4116.08	+20
FTSE 100	7519.95	+20.7

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	163
£5m-£10m	103
£10m-£25m	197
£25m-£50m	150
£50m-£100m	141
£100m-£250m	125
£250m+	88

KEY AIM STATISTICS

Total number of AIM	967
Number of nominated advisers	33
Number of market makers	48
Total market cap for all AIM	£92.8bn
Total of new money raised	£101.2bn
Total raised by new issues	£42.1bn
Total raised by secondary issues	£59.1bn
Share turnover value (2017)	£20bn
Number of bargains (2017)	3.48m
Shares traded (2017)	367.2bn
Transfers to the official list	183

TOP 5 RISERS OVER 30 DAYS

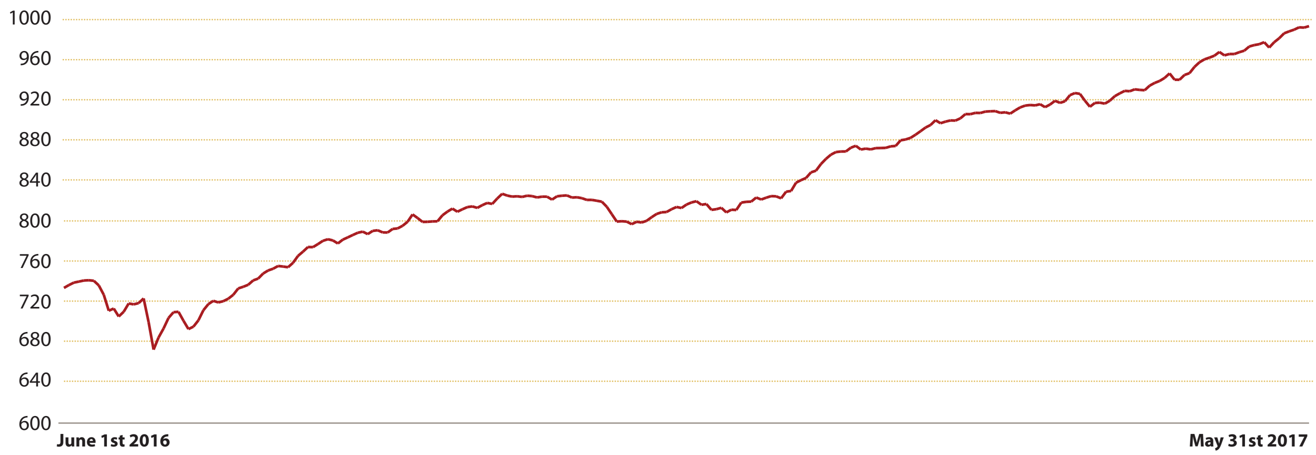
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
MySquar Ltd	Telecoms	4.52	+254.9
UniVision Engineering Ltd	Technology	2.5	+244.8
Nyota Minerals Ltd	Shell	0.09	+176.9
N4 Pharma	Healthcare	10.37	+107.5
Bilby	Support services	85	+93.2

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Flowgroup	Energy	1.03	-71.7
Fusionex International	Software	45.5	-66.2
Proxama	Technology	0.19	-51.3
Billing Services Group	Software	2.62	-46.2
Mirada	Software	1.37	-42.1

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st May 2017, and we cannot accept responsibility for their accuracy.

sponsors

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Based in London, Northland Capital Partners Limited is an independent institutional stockbroker and corporate adviser. Northland enables growth companies to access capital and offers a full nomad service to AIM-quoted small and midcap companies. It has excellent connections with investors, providing them with equity research, advice and trading services. Northland has assembled a team of highly motivated and experienced professionals that aims to deliver unparalleled service to our clients.

Northland has a strong track record in advising and raising funds for growth companies. We always aim to provide innovative ideas and solutions that will enable our clients to fulfil their long-term growth ambitions in a wide range of sectors, including healthcare, TMT, consumer, resources and support services.

As the most successful growth market in the world, AIM is an important platform for helping small companies raise capital. At Northland, we see the AIM Journal as an opportunity for investors to learn more about the many great companies quoted on AIM.

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We host a regular Nomad Forum which has been established to provide nomads with the opportunity to discuss AIM regulatory issues on a Chatham House basis, and to provide briefings on key legal developments. Submissions are often subsequently made to AIM Regulation as a result of discussions held.

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