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AIM JOURNAL

First quarter fall for AIM

It was another tough month for AIM with a near-6% decline. There was some recovery later in March, but this still reflects underperformance compared with the FTSE 100 index, which fell 3.1% during the month. AIM has fallen by 2.7% in the first quarter of 2023.

It is just over three years since AIM reached a low on 18 March 2020 as Covid started to dominate the news. The World Health Organisation declared Covid-19 a pandemic on 11 March. The UK national lockdown was announced on 23 March. The FTSE AIM All Share was one of the global stockmarket measures that bounced back earliest, but it has been falling since September 2021 and underperformed other markets.

In March 2020, the FTSE AIM All Share index reached its lowest level since 2009. There was then a period of around 18 months when AIM outperformed most other global markets with a 122% increase. Since then, AIM has declined by nearly two-fifths, but it is still 37.2% ahead of the low on 18 March 2020. The FTSE 100 index is 50.2% higher than three years ago because it has recovered strongly over the past 18 months. The only major global markets that have performed worse than AIM over a three-year period are Hong Kong and China.

EMIS bid referral

The UK Competitions & Markets Authority is launching a phase 2 investigation into the UnitedHealth Group Inc bid for healthcare IT provider EMIS Group. UnitedHealth had offered to sell a part of its existing business to offset the risk of investigation, but this was not deemed to solve the concerns. The two companies felt that the offer should have addressed the problems and they are considering their options.

EMIS shareholders have already voted in favour of the scheme of arrangement relating to the bid. Following the approval, a phase 1 investigation started on 23 January, and this led to concerns that the merger could affect competition in population health management and medicines optimisation software.

The share price has been drifting lower because of these competition concerns and it fell to 1500p after the investigation was announced. The bid is 1925p a share in cash, but that will not be paid for a while because of the investigation and there is a chance the bid might not go through. Some shareholders have been trimming their stakes. The share price is still above the level prior to the bid announcement and EMIS remains one of the largest companies quoted on AIM.

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Daisy bid for ECSC

Former AIM company Daisy Group is making an agreed bid for ECSC, which values the cyber security services provider at £5.4m. The bid is 54.02p for each share in cash. A few days prior to the bid, ECSC was trading at an all-time low. ECSC fits well with Daisy and there is cross-selling potential to Daisy's business technology and communications services customers.

ECSC joined AIM at the end of 2016, when it raised £5m at 167p a share. Six years ago, cyber security companies were sought out by investors following high profile cyber attacks and the ECSC share price peaked at above 500p. There has been a downward trend since then.

ECSC made a loss in 2022, but it was expected to move into profit in 2023. Net debt was £900,000. At the end of 2022, the order book was worth £2.3m. The order book is building up and recently ECSC made three significant contract wins. The managed detection and response division will provide services over three years with a total value of more than £690,000.

AIM-quoted cyber security companies have had a tough time. Osirium Technologies reported full year results showing a slightly higher loss of £3.59m and declining cash levels. Since then, £1m of annualised savings have been secured.

On the same day as the bid for ECSC was announced, Shearwater Group admitted that its full year results will be below expectations. Cenkos slashed its revenues forecast for the year to March 2023 from £37.7m to £27m and suspended 2023-24 forecasts. There is still £3.4m in cash after the expected full year loss.

Zinnwald finance

Zinnwald Lithium has raised a total of £18.75m at 10.41p a share, which was a premium to the then market price. German critical metals company Advanced Metallurgical Group took a 25.1% stake, while a Primary Bid offer enabled individual investors to participate at the same price. The cash will fund the definitive feasibility study of the Zinnwald lithium project in Saxony, which can supply battery markets. The project is currently estimated to have a NPV8 of $1.6bn and a payback period of 3.3 years. The output could reach 17,000t/year LiOH. AMG has Europe's first lithium hydroxide refinery at Bitterfield-Wolfen. Zinnwald has also secured a partner for its Abbeytown zinc licence in Ireland.

Ocean Harvest Technology float

Ocean Harvest Technology Group, which produces seaweed-based animal feed, is joining AIM on 4 April. A placing raised £6m at 16p a share and that values the whole company at £20.1m. The focus has been on animal feed and management thinks that human food and supplements can also be developed.

Although the business started in Ireland, the main trading business is in Vietnam. There is also a 40% stake in Ocean Harvest Technologies Philippines. The underlying business has been trading for more than one decade and it cultivates, collects and processes seaweed products. The brand name of the products is OceanFeed. The bioactives in seaweed act as a prebiotic and the company uses a range of seaweed species. This can help nutrient absorption and growth. There are separate products for cattle, poultry, pigs, horses, fish and pets.

Management believes it has spent €20m on developing and commercialising these products. The cash raised will finance additional marketing, increase manufacturing capacity and enable further product development.

In 2022, revenues grew from €2m to €3m and the loss increased from €1.46m to €2.9m. There were net assets of €352,000, including €1.19m of cash, at the end of 2022. There was also a working capital loan of €404,000 provided by a party related to a director of the company, and a €2.29m convertible loan that has been converted at a significant discount to the placing price.

Chief executive Mark Williams was previously finance director of a business developing protein from insects. Finance director Adrian Crockett previously held that role at AIM-quoted security technology company Thruvision, which he left in April after three years, having joined from AIM-quoted consumer healthcare group Venture Life.

Two largest AIM brokers merging

AIM brokers finnCap and Cenkos Securities have agreed merger terms, following the failure of finnCap's merger talks with Panmure Gordon. These are the top two AIM brokers in terms of number of clients. They are nominated advisers to more than 130 AIM companies – nearly one-sixth of the total - and nominated broker to even more companies. The client base, which includes companies on other markets, is more than 210 companies. Further consolidation is expected in the sector.

finnCap is offering 3.19420647 shares for each Cenkos share. At the time of the announcement the finnCap share price was 11.625p, which valued each Cenkos share at 37.13p. The share capital of Cenkos and of finnCap were each valued at £21.1m.

Cenkos shareholders will receive a dividend of 0.5p a share due to be paid on 22 June and before the effective date of the merger another 3p a share dividend has been promised. finnCap does not intend to pay a dividend for the year to March 2023. The combined group has more than £20m in cash, so there will be plenty to finance the business.

The merger documents will be posted in April. The FCA will have to approve the merger and that means that the deal is unlikely to be completed before the third quarter of 2023.

Both firms have been hit by lower trading volumes and a dearth of new AIM admissions. Group annual revenues should still be more than £50m. The combined business will have greater scale. finnCap has a private M&A business and its experience and abilities in acquisitions and debt finance can be drawn on by Cenkos.

There will undoubtedly be overlaps between the two businesses and a review will be undertaken when the merger becomes effective. Cenkos employees in London will move into the finnCap office and the Edinburgh office will be retained. There could be a significant reduction in employees. The broker will become Cenkos finnCap but may decide to rebrand in the future.

ADVISER CHANGES - MARCH 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Bango	Singer / Stifel Nicolaus	Liberum	Singer	Liberum	3/6/2023
CyanConnode	Zeus	Zeus / Cenkos	Strand Hanson	Cenkos	3/6/2023
Accrol	Shore / Zeus	Zeus / Liberum	Zeus	Zeus	3/7/2023
WANdisco	Liberum / Stifel Nicolaus	Stifel Nicolaus / Panmure Gordon	Stifel Nicolaus	Stifel Nicolaus	3/7/2023
Inspired	Liberum / Shore	Shore / Peel Hunt	Shore	Shore	3/8/2023
Netcall	Singer / Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	3/8/2023
Eckoh	Investec / Singer	Singer / Canaccord Genuity	Singer	Singer	3/9/2023
Landore Resources	Strand Hanson	Cenkos	Strand Hanson	Cenkos	3/9/2023
LugLife AI	Goodbody / Investec	Investec	Investec	Investec	3/14/2023
OptiBiotix	Peterhouse	Cenkos / Peterhouse	Cairn	Cairn	3/21/2023
ReNeuron	Allenby	Liberum / Allenby	Allenby	Liberum	3/23/2023
Global Petroleum	Panmure Gordon	OvalX / Panmure Gordon	Panmure Gordon	Panmure Gordon	3/24/2023
Eneraqua Technologies	Liberum / Singer	finnCap / Singer	Liberum	finnCap	3/28/2023
RTC Group	SI Capital	Panmure Gordon	Spark	Spark	3/28/2023
Artisanal Spirits	Liberum	Singer	Liberum	Singer	3/29/2023
Equals Group	Peel Hunt / Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	3/30/2023

Franchise Brands seeks to use cash for substantial business-to-business services acquisition

Franchised B2B operations *www.franchisebrands.co.uk*

FRANCHISE BRANDS (FRAN)			245p
12 MONTH CHANGE %	+54.1	MARKET CAP £M	319.3

Franchise Brands continues to grow its business-to-business franchise operations and former AIM-quoted fryer management services company Filta has fitted in well. There are plans to sell the business to consumer franchise operations, which have limited growth prospects. These could be sold separately or together. It has been suggested by Dowgate that this disposal might fetch up to £24m and add to the cash pile to help finance a major acquisition.

In 2022, revenues jumped from £57.7m to £99.2m, which included an initial contribution of £23.9m from Filta. Integration of Filta has helped to reduce costs and improve profitability. Revenues from business to consumer franchises were flat at £6.4m. Underlying pre-tax profit

Disposals could raise £24m

jumped from £6.5m to £12.8m. Net cash was £8m at the end of 2022. The dividend was raised by one-third to 2p a share.

Drain clearance and maintenance business Metro Rod is the core business. It was acquired in 2017 and water pump installer Willow Pumps was subsequently added – although it is not a franchised operation. Growth has accelerated since Franchise Brands acquired the operations. Investment in software is making them more efficient. There is overlap with the Filta customer base and this provides cross-selling opportunities in the UK.

Filta also provides a base in the US, where its market share is still small. Additional central sales staff have been taken on to win national contracts for the franchisee network.

This year's pre-tax profit forecast has been raised to £15.9m. The cash pile could double this year just from operating cash generation. Management is keen to make its largest ever acquisition – Filta cost £50m. The acquisition track record is good, but the next acquisition could be the most important. It needs to be a good one if it is not to mask the growth in the current operations.

NAHL Group continues its transformation

Legal services *www.nahlgroupplc.co.uk*

NAHL GROUP (NAH)			37p
12 MONTH CHANGE %	-12.5	MARKET CAP £M	17.1

Consumer legal services provider **NAHL Group** continues to transform itself from a personal injury lead generator to providing legal representation under the National Accident Law brand. It is in the early stages of rebuilding profitability, but in another couple of years the improvement should accelerate as more business goes through the company's own legal firm.

In 2022, revenues moved ahead from £38.9m to £41.4m, while pre-tax profit improved from £1.1m to £1.4m. Most of the legal cases completed in the period were still being handled through joint ventures rather than the wholly owned legal subsidiary. That means that profit is shared, and it holds back the improvement. The critical care division provides expert witnesses and case management services to the injury market. Recent investment in the business should start to pay off.

Net debt remains high at £13.3m, but cash generation should reduce this to £10.3m at the end of 2023 and then £6.3m one year later. The bank facilities last until the end of 2024.

A further improvement in pre-tax profit to £1.55m is expected this year, with high interest rates holding back growth, before a jump to £4.35m in 2024 thanks to less profit being shared with joint venture partners and lower interest charges as debt reduces. A prospective 2024 multiple of six appears modest. The share price remains in the doldrums and investors probably need more reassurance that the forecasts can be achieved.

Equals Group buys Belgian financial business to help market products in Europe

Payments services *www.equalsplc.cm*

EQUALS GROUP (EQLS)			90.5p
12 MONTH CHANGE %	+17.5	MARKET CAP £M	164.2

Foreign exchange and payments services provider **Equals Group** is acquiring Belgium-based Oonex and that will provide a base in the EU and the European Economic Area from which to sell its payments services and other financial products. Oonex is being bought for up to £4.1m in shares.

Oonex provides card acquiring services and it can issue Mastercard debit cards. ING and KBC will be added to the group banking partners via the transaction. The deal could more than double the market opportunity for Equals. Oonex is currently loss making, but it is expected to breakeven in 2024.

Regulated UK foreign exchange broker Hamer & Hamer is also being acquired for around £3m. This will add £1.5m to UK revenues. Both deals require regulatory approval so they will not be completed for a while.

Oonex provides an EU base

In 2022, revenues increased from £44.1m to £69.7m, while underlying pre-tax profit jumped from £6.2m to £11.8m. There were £9.2bn of transactions handled. The fastest growth was in the solutions division.

At the beginning of the year, open banking payments platform Roqqett was acquired for an initial £1m in cash. Putting this business together with Equals' own technology will enable a complete range of services to be offered to businesses, including the automatic processing of refunds.

So far in the first quarter of 2023, revenues have already reached £20.2m There was cash of £18m in March. The travel cash business has been sold for an initial £250,000.

A further jump in pre-tax profit to £17.4m is anticipated by Canaccord Genuity for 2023, up from £15m, but that does not include any contribution from Oonex. New products, combined with additional clients, are set to enable Equals to maintain an impressive rate of profit growth that will rapidly bring down the profit multiple – currently 17 times for 2023.

Digitisation propels growth at Fintel

Financial support services *www.wearefintel.com*

FINTEL (FNTL)			195.25p
12 MONTH CHANGE %	-7	MARKET CAP £M	202.4

Financial support services provider **Fintel** improved full year revenues from £63.9m to £66.5m with increasing recurring revenues. Underlying pre-tax profit rose from £14.1m to £15.9m. Net cash was £12.8m at the end of 2022. The total dividend was raised by 8% to 3.25p a share, which is covered 3.7 times by earnings.

The greatest growth was in the fintech and research business, which provides software and financial information. Fintel continues to invest in further development of its technology platform. Intermediary services to IFAs also made an increased contribution. A member portal is in development.

There was a decline in gross profit contribution from the distribution business, but that was down to the disposal of Verbatim in 2021. There was underlying growth. This division includes the non-core surveying business.

This year has started strongly. Zeus has increased its 2023 revenues forecast by 7% to £70m, which includes £10m of non-core revenues. Pre-tax profit is expected to improve to £17.4m.

Four directors have bought shares since the results, including joint chief executives Matt Timmins and Neil Stevens who bought 76,079 shares at 194p each and 25,000 shares at 190.7p each respectively. Non-exec director Phil Smith bought an initial 81,124 shares at 197p each and fellow non-exec Tim Clarke added 7,950 shares at 188.6p each to his shareholding.

There is an £80m revolving credit facility and cash continues to be generated. This puts Fintel in a strong position to make a significant acquisition.

Maritime technology supplier Windward conserves cash while moving towards breakeven

Maritime technology *www.windward.ai*

Windward Ltd has adapted its strategy to ensure that it has a sufficient cash cushion to reach cash flow positive. That will not stop further investment in developing additional products. Government business is the main generator of revenues, but commercial customers are becoming more important.

Israel-based Windward has developed AI-based software that enables real-time information about seafaring vessels to be transmitted to their owners. Additional services are being added to the platform. Nearly all revenues are recurring. The addressable market could be as high as $10bn according to the company. Supply chain pressures, the need for increasing efficiency and the requirement to comply with international trade restrictions all provide a positive backdrop to demand for Windward's products.

Annual recurring revenues are $25.5m

In 2022, sales improved from $17.4m to $21.6m, while net cash was reduced from $43.7m to $22.1m. Annual recurring revenues ended the year at $25.5m, up from $21.2m at the end of 2021. The growth has come from the US government and commercial clients. There is enormous potential for upselling to existing clients.

Canaccord Genuity trimmed its forecasts in January. The forecast 2023 revenues are $25.6m, so the annualised recurring revenues already nearly cover that figure. That leaves scope for upgrades. The share price has fallen by nearly three-quarters from the 155p a share placing price in December 2021. That was a time when unprofitable technology companies were still favoured by investors. That soon changed, and combined with downgrades, this has hit the Windward share price.

WINDWARD (WNWD)			40p
12 MONTH CHANGE %	-71.4	MARKET CAP £M	34.3

Allowing for an $8m reduction in cash this year, the net cash covers around one-third of the market capitalisation. The cash could fall further next year, but breakeven should be achieved well before it runs out. If Windward can show that it can beat estimates, then investors may well start to take more notice of the potential for the business.

CloudCoCo sets sights on £100m of revenues

Managed services *www.cloudcoco.co.uk*

Managed IT services provider **CloudCoCo** has increased its critical mass through four acquisitions over the past 18 months and it is on course to move into profit. There are more opportunities to grow in a fragmented market and management has shown its ability to integrate its purchases. The long-term target is to achieve annual revenues of more than £100m.

In the year to September 2022, revenues trebled to £24.2m, while the loss increased from £2.05m to £2.61m. The gross margin declined from 40% to 33% and admin expenses doubled. There was a £1m cash inflow from operations. CloudCoCo had £1.5m in the bank at the end of September 2022, although net debt was £3.3m.

CLOUDCOCO (CLCO)			1.15p
12 MONTH CHANGE %	-25.8	MARKET CAP £M	8.1

Total contract value from new clients was £15.7m. Cross-selling between the acquired businesses is just starting to pay off. Onerous redundant dark-fibre circuit contracts acquired with IDE are still being sorted out, although that was reflected in the purchase price. There should be savings of £150,000/month for the enlarged business. Other cost savings can be achieved through the increased scale of the business. There will be further investment in the first half as new systems are implemented and additional people are hired.

More new customers have been won so far this year than in the whole of 2021-22 thanks to the investment in the sales team. There are larger, multi-year deals being won.

Further acquisition opportunities are being assessed. There are unrecognised tax losses of £2.82m.

EKF Diagnostics fermenting cash generation

Life science services *www.ekfdiagnostics.com*

Dividend

Point of care products and life science services provider EKF Diagnostics has been generating enough cash to invest in the business and pay a dividend. The first payment was 1p a share for 2019. This was increased to 1.1p a share and then 1.2p a share. The 2022 dividend is unchanged at 1.2p a share, which costs £5.5m. The dividends are paid in the following December. This year the ex-dividend date is 2 November, and the payment date is 1 December.

The 2023 dividend should be at least maintained at 1.2p a share, or possibly edged up, and this will enable net cash to be rebuilt following significant capital spending this year.

Business

EKF got a short-term boost from Covid diagnostics, but demand fell sharply last year, and Covid related operations have been exited. Loss-making ADL Health was sold less than 18 months after it was acquired for $10m in shares. This restructuring was the major factor in the £17.5m of exceptional transition and restructuring costs, most of which were non-cash items.

This leaves EKF to concentrate on its core businesses: point of care products, central laboratory products and life sciences services. All these businesses have good growth prospects.

Life sciences is the smallest division, but it will become more important when the investment in bacterial fermentation capacity is completed later this year. Management spotted a gap in the market for mid-sized levels of production of enzymes and biomolecules for food and drug clients. A new facility is being built in Indiana.

EKF DIAGNOSTICS (EKF)	
Price (p)	31
Market cap £m	141
Historical yield	3.9%
Prospective yield	3.9%

Development has been slower than anticipated, but significant revenues should be generated in 2024 and capacity could be more than $20m, depending on the mix of products produced. This is a highly cash generative business once the investment is completed and a significant chunk of the income will fall through to profit.

In 2022, group revenues fell from £81.8m to £66.6m, although the ongoing operations all grew significantly. Continuing revenues were higher than in 2019. The underlying pre-tax profit slumped from £23.5m to £10.8m.

Cash includes £2.4m held in Russia. EKF still trades with Russia because there is no ban on medical products sales. Net cash was £11.4m at the end of 2022 and that could fall this year as the new fermentation facility is completed. A £3m loan facility has been secured just in case additional working capital is required later this year.

Cost savings and further growth will help EKF pre-tax profit to hold up this year before growing again in 2024 when the new fermentation capacity could generate revenues of $10m. The current focus is organic growth, but that could change in the medium-term with a cash pile available to make acquisitions. The shares are trading on 16 times prospective earnings.

Dividend news

Scientific instruments supplier **Judges Scientific** is continuing its record of dividend growth that stretches back nearly two decades. The 2022 figures were better than expected with revenues improving from £91.3m to £113.2m, with underlying pre-tax profit jumping from £18.1m to £28.3m. The acquisition of Geotek helped, but there was also significant organic growth. This enabled the dividend to be raised from 66p a share to 81p a share. The increase in the corporation tax rate means that although pre-tax profit could improve to £31m, earnings will be flat. A 10% increase in dividend to 89.1p a share is still expected in 2023.

Michelmersh Brick had a strong 2022, helped by the fixing of its energy costs. The bricks manufacturer increased revenues by 15% to £68.4m, while pre-tax profit also rose 15% to £12.5m. There was a small contribution from FabSpeed, which was acquired in November. FabSpeed manufactures off-site pre-built brick products, such as chimneys. That is a new market for Michelmersh. The 2022 dividend was raised by 16% to 4.25p a share, which was more than forecast. Next year's dividend forecast has been upgraded to 4.5p a share.

US-based **Somero Enterprises Inc**, which designs and supplies concrete levelling equipment, offset a weaker North American market with growth elsewhere in 2022. Revenues edged ahead to $133.6m, while pre-tax profit dipped from $46.5m to $42.3m. Increasing overheads ahead of expected growth reduced the profit. The standard dividend total is 27.78 cents a share, while the special dividend is 7.7 cents a share. Both types of dividends are lower than for 2021. The total has fallen from 50.72 cents a share to 35.48 cents a share. finnCap forecasts a further decline in pre-tax profit to $39.3m in 2023. That is likely to lead to a reduction in dividend to 31 cents a share.

Expert view: Registrars

DIs and GDRs – can they reignite the UK market?

By Kenny Lam

Much has been written of late about the state of capital markets in the UK, and how the nation appears to be lagging behind our peers when it comes both to new issuance and ongoing value generation. This comes at the same time as – at least anecdotally - many market participants appear increasingly jaded from the lack of progress when it comes to delivering on the promised reforms.

Changing markets

But it's worth bearing in mind that the financial market sphere is in a constant state of evolution and the way the market operated in the 1980's when we had the last major overhaul is far different from the globalised world we live in today.

That's why it's important to take a holistic view when it comes to the state of the market. That's not excusing the fact that there's always room for improvement, but the networks that span the globe today mean that investors and issuers alike are well aware of the benefits of tapping into different pools of capital to meet their respective financing needs.

To that extent we want to take a look at some of the flexible options that exist today when it comes to how international companies access the London market. Full blown IPOs or even secondary listings may have dominated the agenda but now the options are far more flexible.

DIs

Two key routes to facilitating this are Depositary Interests (DIs) and Global Depositary Receipts (GDRs). The simpler of these is a DI, which HMRC describes as being "a UK-registered security which represents rights to an underlying foreign security. Depositary interests are created to enable foreign securities to be bought and sold on the UK market and settled within the CREST system".

Issuance of DIs is more straightforward than GDRs and can be conducted by the administrator with comparatively simple legal requirements. GDRs in comparison traditionally focus on the institutional market, typically only enabling access to a smaller pool of investors whereas DIs can be bought even by those in the retail market.

> Avenir can offer DIs a registration solution with our partner custodian nominee issuing DIs to UK investors

As a result, DIs are often seen as suitable for a wider range of issuers.

But even with their complex structure, GDRs remain highly valuable – for example the instrument forms the backbone of the much-vaunted London-Shanghai Stock Connect and will also drive the equivalent link between London and Shenzhen which was recently agreed under an MoU between the respective exchanges.

By using GDRs, a foreign listed company would appoint a bank in the UK to act as an intermediary to issue GDRs on its behalf. Hence, the appointed bank would be the central custodian for all GDRs issued, and all settlement of GDRs will be done by the appointed bank.

The London-China link is invaluable, but required a significant degree of heavy lifting by exchanges and regulators on both ends. This marquee project could become the template for cross border issuance worldwide, but ultimately the sheer flexibility a DI allows presents a far more flexible, cost effective and lower risk approach in seeking international market exposure.

Solutions

Avenir can offer DIs a registration solution with our partner custodian nominee issuing DIs to UK investors. Thereafter, the company can seamlessly attract investors who have access to the UK market.

So if you're an issuer exploring the idea of tapping into overseas capital pools or an adviser who has clients wanting access to finance in London, Avenir is here to help as a supportive, experienced partner who can help engineer a solution that meets your needs.

> Depositary Interests (DIs) are often seen as suitable for a wider range of issuers

KENNY LAM, Business Development Manager, Avenir Registrars (www.avenir-registrars.co.uk).

No guarantees for Main Market move

Moving from AIM to the Main Market does not mean that share prices will prosper. Some companies, such as gambling business Entain grow significantly and end up in the FTSE 100 index, but that is rare. Many of the recent movers have performed poorly since the switch.

Aggregates and cement supplier Breedon is the latest AIM company planning to switch to the Main Market. It is large enough to be included in the FTSE 250 index when a slot becomes available. Fuel cell technology developer Ceres Power is also planning the switch.

There have been 19 companies that have switched from AIM to the Main Market of the London Stock Exchange since the beginning of 2018. There are 17 still listed, although one is in administration.

Breedon believes that the move will bring new investors to the company, particularly index tracker funds that will be required to take a shareholding. The improved liquidity and access to additional investors unable to invest in AIM-quoted companies are the reasons most of the companies give for making the move.

> There have been 19 companies that have switched from AIM to the Main Market since the beginning of 2018.

Breedon

Breedon started out as a shell on AIM in June 2008 when it was known as Marwyn Materials and through acquisitions it has been built up into a company with a market capitalisation of £1.3bn at 76.5p. The initial subscription price was 10p and the starting market capitalisation was £13.6m.

Volumes declined from their unusually high levels in 2021, but higher prices meant that 2022 revenues improved from £1.23bn to £1.4bn. Underlying pre-tax profit increased from £120.5m to £142.8m, while the dividend was raised from 1.6p a share to 2.1p a share. Net debt is £197.7m.

Capital investment is significant although it is well covered by cash generation. There were small add-on acquisitions last year and Breedon is still interested in purchases that fill in gaps in its business. Longer-term, acquisitions could be made in North America.

The new financial year has started well with continued strong demand from infrastructure products. Breedon is less exposed to the weak residential market. Even so, profit could decline this year.

A circular has been sent to shareholders to obtain their permission for the move to the premium list. As part of the move a new England-based holding company will be set up to replace the current Channel Islands one – or else it would not be eligible for the FTSE 250 index - and there will be a share consolidation.

Ceres Power

Ceres Power reported lower full year revenues of £22.1m and there was a £51.5m cash outflow from operating activities. There was still cash of £182.3m at the end of 2022. Agreements have been signed with Bosch and Linde to validate the company's technology.

A move to a premium listing was talked about last year. The signing of the China joint venture with Bosch and Weichai has been delayed and a move is likely after this transaction is finalised. Just like Breedon, Ceres Power will have a chance to get into the FTSE 250 index.

Previous

In the early days of AIM there were plenty of small companies that made the switch to the Main Market. Some of the companies switching are still small, but many are larger and may be eligible for inclusion in a FTSE index.

In 2020, Sirius Minerals was acquired by Anglo American for 5.5p a share, while Tizana Life Sciences left the Main Market on 20 October 2021 to concentrate on its Nasdaq listing. Hawkwing recently appointed administrators and realistically the shares may not be worth anything.

The share price performance of the other 16 companies has generally been poor with only five companies trading at share prices higher than when they moved. Eight share prices have more than halved.

There have been five property companies that have moved to the Main Market. Sirius Real Estate is the best performer of all the 19 companies, that is because it moved in 2018. The recent share price performance has been poor just like it has been for the other four property companies, which is partly down to the increasing interest rates.

Share prices in mining companies have also fallen with Berkeley Energia being the best performer despite a halving of its share price. There are disputes with the Spanish authorities concerning the construction of a uranium concentrate plant at the Salamanca project. The only income is interest on the cash pile, which was $78.9m at the end of 2022. The market capitalisation is £98.4m.

Thalassa' share price decline is not as bad as it appears because it distributed 1.5 Local Shopping REIT shares and two Anemoi International shares to its shareholders. The record date was 21 October 2020. The Thalassa share price fell by 8p after this transaction. Chairman Duncan Soukup has also said he intends to contribute £3m, 38p a share, to Thalassa to cover its loss on the investment in Tappit Technologies.

Online retailer ASOS is probably the highest profile mover, and the share price has slumped on the back of trading getting more difficult. There have also been management changes. Jose Antonio Ramos Calamonte became chief executive in June 2022 and finance director Mat Dunn left at the end of October. A permanent replacement has yet to be appointed.

Technology investment company Draper Esprit moved when technology investments were still favoured by investors. Developing technology companies with little or no revenues have subsequently fallen out of favour and that has hit the share price. Even so, the net asset value was 837p a share at the end of September 2022, down from 937p a share six months earlier. Even if NAV has fallen further the shares are trading at a substantial discount to NAV.

The investment companies have done the best. Despite having different remits all three have higher share prices. India Capital Growth Fund and Vietnam Holding are standard, regionally focused investment companies.

Rockwood Strategic is an investment company that focuses on undervalued small companies, and it is managed by Harwood Capital, which replaced Gresham House last year. The takeover of investee company Crestchic, which is a loadbanks manufacturer and renter, has helped boost the NAV this year.

MOVING ON FROM AIM

COMPANY	CODE	ACTIVITY	DATE	MOVE PRICE (P)	LATEST PRICE (P)	% CHANGE
Sirius Real Estate	SRE	Property	3/6/2017	58	76.7	+32.2
Sirius Minerals	SXX	Mining	4/28/2017	25.85	5.5*	-80.7
Pembridge Resources	PERE	Mining	8/21/2017	25	1.4	-94.4
Solgold	SOLG	Mining	10/6/2017	39.5	19.2	-51.4
India Capital Growth Fund	IGC	Investment company	1/29/2018	111.25	121	+8.8
Palace Capital	PCA	Property	3/28/2018	323	216	-33.1
Berkeley Energia	BKY	Mining	6/6/2018	45	22.5	-50
Plus500	PLUS	Financials	6/26/2018	1670	1692	+1.3
Thalassa Holdings	THAL	Investments	2/6/2019	70	31.5	-55
Vietnam Holding	VNH	Investment company	3/8/2019	239	264	+10.5
Diversified Gas & Oil	DEC	Oil and gas	5/18/2020	101.2	94.6	-6.5
Hawkwing	HNG	Shell	9/30/2020	8	6.5**	-18.8
Tiziana Life Sciences	TILS	Healthcare	1/21/2021	176	58.5***	-66.8
Draper Esprit	GROW	Technology investment	7/23/2021	960	273.6	-71.5
Urban Logistics REIT	SHED	Property	12/7/2021	175	128	-26.9
ASOS	ASC	Online retail	2/22/2022	1950	820.5	-57.9
Warehouse REIT	WHR	Property	7/12/2022	146.6	102.2	-30.3
Rockwood Strategic	RKW	Investment company	9/29/2022	1415	1820	+28.6
Life Science REIT	LABS	Property	12/1/2022	74	62	-16.2

Notes: * Bid. ** In administration. *** Price on 20 October 2021 when listing cancelled.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	24.6	16
Industrials	19.6	16.8
Technology	14.4	12.7
Financials	10.4	11
Health Care	9.9	10.2
Basic materials	8.2	15.3
Energy	8	11.4
Telecoms	1.7	1.7
Utilities	1.7	1
Property	1.5	2.5

KEY AIM STATISTICS

Total number of AIM	810
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£95.7bn
Total of new money raised	£132.8bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£84.9bn
Share turnover value (Feb 2023)	£9.4bn
Number of bargains (Feb 2023)	1.89m
Shares traded (Feb 2023)	142bn
Transfers to the official list	199

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	809.26	-22.4
FTSE AIM 50	4369.34	-24.1
FTSE AIM 100	3880.63	-23.2
FTSE Fledgling	11297.9	-12.7
FTSE Small Cap	6120.25	-12
FTSE All-Share	4157.88	-0.7
FTSE 100	7631.74	+1.5

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	112
£5m-£10m	98
£10m-£25m	149
£25m-£50m	120
£50m-£100m	116
£100m-£250m	118
£250m+	97

TOP 5 RISERS OVER 30 DAYS

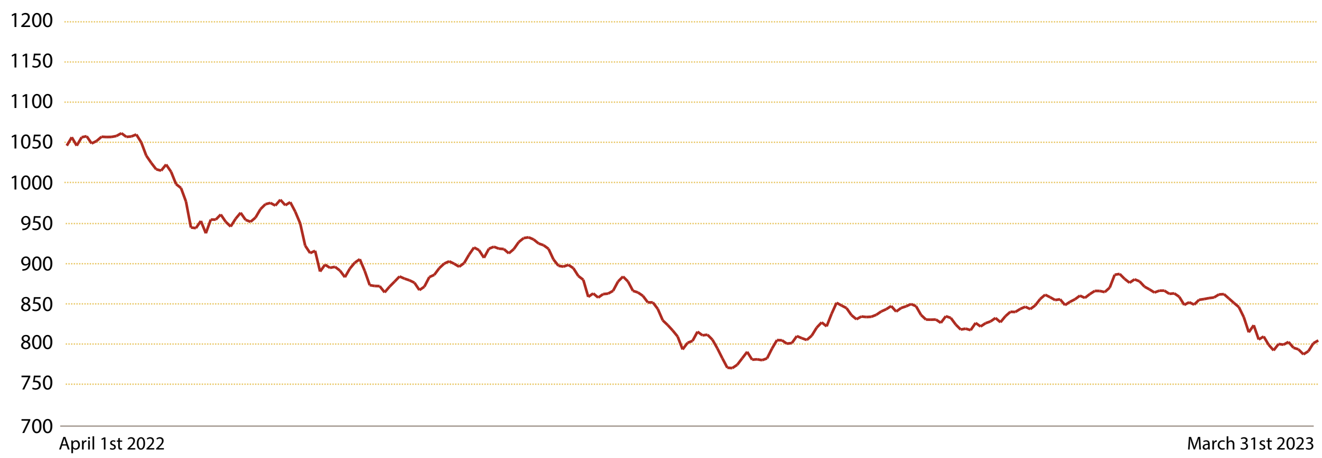
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Celadon Pharmaceuticals	Healthcare	155	+187
Amur Minerals	Mining	1.705	+107
ECSC	Technology	50	+100
Unbound Group	Retailer	8.5	+93.2
Verditek	Cleantech	1.15	+91.7

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Itsarm	Shell	0.51	-92.3
Biodexa Pharmaceuticals	Healthcare	7.5	-75.8
Aferian	Media	58	-72.8
Mirriad Advertising	Media	23.5	-62.9
Scotgold Resources	Mining	1.575	-62.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st March 2023, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published. The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

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

AIM

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

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

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

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

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