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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM perks up in July

AIM had a much better month in July, but it remains a significant underperformer. The FTSE AIM All Share index rose by 5.2% during July and the FTSE AIM 100 index did even better with a 7.52% gain. The FTSE 100 index rose 3.5% during the month. So far this year, the FTSE 100 has gained 0.5% compared with a 24% decline for AIM.

Fevertree Drinks was one of the worst performers in the AIM 100 with a 12.1% decline on the back of an interim trading statement. The mixer drinks supplier says first half sales were 14% higher at £160.9m and full year revenues are still expected to be £355m-£365m. However, margins are under pressure from higher freight and glass costs. This means EBITDA guidance has been slashed from £63m-£66m to £37.5m-£45m.

Fevertree no longer has the highest weighting in the index because of previous share price falls. The three companies with higher weightings are Abcam, Burford Capital and Keywords Studios and they all rose in July. Abcam is planning to drop its AIM quotation and concentrate on its Nasdaq listing.

The share prices of 21 of the largest 25 companies in the AIM 100 rose during the past month. Nearly all those companies still have much lower share prices than at the start of the year.

Tough start for LifeSafe

Fire safety products developer LifeSafe Holdings got off to a good start when it joined AIM on 6 July, but the share price has been on the slide since then. Director buying has done little to hold up the share price.

LifeSafe raised £3m, £2.04m after expenses, at 75p a share and that valued the company at £16.6m. The shares ended the first day at 77.5p and have been falling since then. The share price has reached 53.5p on limited trading. There were 130,910 shares traded on the most active day. Executive chairman Dominic Berger acquired 4,150 shares at 60p each. Finance chief Michael Stilwell has bought 16,500 shares at 60p each and 9,300 shares at 53p each

LifeSafe has developed the StaySafe 5-in-1 fire extinguisher product that can extinguish five types of fire: electrical, paper, textiles, cooking oil and petrol. This contains the FER1000 fire extinguishing fluid, which is non-toxic. The extinguisher is fully recyclable, lightweight and maintenance-free.

In the first five months of 2022, LifeSafe generated revenues of £560,000, but it remains loss making. This means that there is a lack of fundamentals to provide a base for the share price.

In this issue

general news

Oberon EIS fund launch

Oberon Investments has launched an Enterprise Investment Scheme (EIS) fund that offers investors tax benefits combined with the expertise of the Oberon private ventures team.

The fund enables the investor to claim income tax relief of 30% of the amount invested. Any profit is free from capital gains tax, as well as inheritance tax. The investment is required to be for a minimum of three years or two years for the IHT benefit.

There should be a minimum of five investments in a portfolio and it will take up to 18 months to invest the cash. The target is to exit the investments after three to five years. That could be via trade sale of flotation. Silver Bullet Data Services and 4Global are companies where Oberon Investments has been involved when they were unquoted, and they were both floated on AIM by the broking business.

In the year to March 2022, Aquis Stock Exchange-quoted Oberon Investments Group increased its revenues by 75% to £6.7m. That includes an initial contribution from financial planning business Smythe House. The big increase in revenues came from corporate finance. The pre-tax loss was £581,000, after a £212,500 gain on investments. Funds under management increased by 80% to more than £1bn.

There are 14 corporate broking clients. AIM-quoted clients include Zinnwald Lithium, MyHealthChecked and fellow broker finnCap.

In March, Oberon Investments raised £3.4m at 6p a share. That means it ended March with net cash of £3.1m. This gives Oberon the ability to make further acquisitions. Investment in technology means that the group can integrate acquisitions more smoothly.

Ince cash raising

Professional services provider Ince Group is raising £7m at 5p a share and taking on an additional £1.6m loan following the recent acquisition of broker Arden Partners. Ince has been operating at the limit of its debt facilities. There was a cyber attack which management estimates cost £4.9m in cash. An insurance claim has been lodged for this amount, but that could take 12 months to settle. The total bank facilities will be £17m and any insurance proceeds would be used to pay off loans. Annual cost savings of up to £5m are being targeted. Revenues are recovering, although Arden had a quieter than expected first half. The placing price is a 58% discount to the previous market price of 12p.

Serica Energy rejects Kistos approach

North Sea-focused oil and gas producer Serica Energy rejected an increased potential offer from fellow AIM-quoted oil and gas producer Kistos, whose management was previously in charge of North Sea assets consolidator RockRose. The board says that the offer does not reflect the value of the underlying assets or their potential. Serica Energy is highly cash generative and there is potential from exploration drilling at the North Eigg prospect.

The new offer is 0.4 of a Kistos share plus cash of 213p a share – 67p of cash coming from Serica Energy's own coffers and the rest from Kistos – for each Serica Energy share. That was 425p per Serica Energy share based on a Kistos share price of 530p, although it has risen to 540p. The Serica Energy share price is 378.5p.

The original offer was 0.2932 of one of its shares and 246p in cash – 67p from Serica Energy's cash and 179p paid by Kistos. The main differences between the offers are less cash and that Serica Energy shareholders would end up with 58% of the enlarged business rather than 50%. The value of the offer is around 11% more than the previous one, depending on the Kistos share price. Serica Energy previously made an alternative offer for Kistos of 90p a share in cash plus 1.29 Serica Energy shares. That was also rejected by Kistos.

So far this year, North Sea-focused Serica Energy's average net production has been 26,832 boe/day with gas more than 85% of production. Serica Energy hedged 25% of gas production in the first half and this falls to 20% in the second half. Full year production should be between 26,000 and 30,000 boe/day. Kistos had pro forma net production of 12,000 boe/day from its Netherlands and recently acquired North Sea assets in the first five months of the year.

finnCap experiences weaker deal volumes

Higher revenues from the Cavendish M&A consultancy more than offset an 18% decline in the revenues of the finnCap capital markets business to £28.3m in the year to March 2022. This year the capital markets business has started weakly with low deal volumes, whereas the M&A deal pipeline is still strong. A much worse financial performance is expected for the year to March 2023.

In the year to March 2022, group revenues were 13% ahead at £52.5m. Underlying pre-tax profit dipped from £9.6m to £9.3m. Total dividends increased from 1.5p a share to 1.75p a share. There was net cash of £23.2m at the end of March 2022. There will be total payments of up to £1m relating to the departures of executive director Stuart Andrews and chief executive Sam Smith.

The capital markets business generated its second highest ever level of revenues. finnCap was responsible for 11% of fundraisings valued at more than £5m. However, in the last quarter share issue activity fell to the lowest levels since 2019.

Trading revenues fell from £6.8m to £5.9m with an increased number of block trades for owners of corporate clients offsetting some of the reduction in activity. Trading levels have been broadly stable in the first quarter of this financial year.

■ **WH Ireland** increased full year revenues by 11% to £32m and reported a slightly lower underlying pre-tax profit of £1.5m. The wealth management division raised revenues by 19% to £15.8m with 85% coming from fee income. Assets under management increased by 14% to £2.4bn.

Capital markets revenues were 5% ahead at £16.2m, while the pre-tax profit contribution declined from £3.04m to £2.3m, before net changes in the value of current investments. WH Ireland won 21 new quoted corporate clients, taking the number of clients from 82 to 88 by the end of March 2022. The number has subsequently increased to 94.

WH Ireland has moved from fifth place to the number two AIM company broker. It is still one of the top three nominated advisers. A debt capital markets business has been launched and it helped raise cash for EnQuest.

■ Market maker **Winterflood** says trading in the year to July 2022 was below the levels in the previous year, which were unusually high. The decline has been particularly noticeable since the third quarter.

ADVISER CHANGES - JULY 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Unbound Group	Singer	Stifel Nicolaus / HSBC	Singer	Stifel Nicolaus	6/30/2022
B90 Group	Arden	Whitman Howard	Strand Hanson	Strand Hanson	7/1/2022
Scotgold Resources	Shore	SP Angel	Shore	SP Angel	7/4/2022
Galantas Gold	SP Angel / Panmure Gordon	Panmure Gordon	Grant Thornton	Grant Thornton	7/11/2022
Yu Group	Liberum	SP Angel	Liberum	SP Angel	7/12/2022
CVS Group	Peel Hunt / Berenberg	Singer	Peel Hunt	Singer	7/13/2022
Agronomics	Canaccord Genuity / Cenkos / Peterhouse	Cenkos / Peterhouse	Beaumont Cornish	Beaumont Cornish	7/14/2022
Agriterra	Peterhouse	Strand Hanson	Strand Hanson	Strand Hanson	7/20/2022
GlobalData	Numis / Panmure Gordon / JP Morgan Cazenove	Panmure Gordon / JP Morgan Cazenove	JP Morgan Cazenove	JP Morgan Cazenove	7/20/2022
eEnergy Group	Canaccord Genuity / Singer	Singer / Turner Pope	Singer	Singer	7/21/2022
Union Jack Oil	Shore / SP Angel	SP Angel	SP Angel	SP Angel	7/26/2022
Norman Broadbent	Shore	WH Ireland	Shore	WH Ireland	7/29/2022
Poolbeg Pharma	Singer / finnCap / Davy	Arden / finnCap / Davy	finnCap	finnCap	7/29/2022

DSW Capital reports maiden annual results ahead of market expectations

Professional services *www.dswcapital.com*

DSW CAPITAL (DSW)			107p
12 MONTH CHANGE %	N/A	MARKET CAP £M	23

DSW Capital reported its maiden full year figures following its AIM flotation last December. DSW Capital licences its brand to professionals involved in corporate finance and accounting services and provides them with back office support and it has a network of 20 licensee businesses. Warrington-based DSW Capital raised £5m at 100p a share and it is one of the few recent AIM admissions that is still trading at a premium to the placing price. Management points out that the higher profile has improved the credibility and awareness of the company.

In the year to March 2022, DSW Capital network revenues were one-fifth ahead at £18.3m, while the revenues generated by the company itself were 12.5% higher at £2.7m. There were 88 fee earners at the end of the period. Acquisitions activity has been strong, and the business restructuring operations are starting to benefit from the increase in the number of insolvencies.

DSW will pay 70% of eps in dividends

Underlying pre-tax profit, excluding flotation costs, was one-quarter higher at £2m, which was better than forecast. Even though, DSW was not quoted for the full year the maiden final dividend is 4.22p a share. The ongoing policy is to pay up to 70% of distributable earnings in dividends.

Many individuals become licensees after working with major accountancy firms. There are also existing firms that want to licence the brand and join the network. An asset-based lending business has joined the DSW network and that is already contributing. The cash pile could be used to add other niche businesses to the network. The fee earner that provides wealth advisory services has left, but a replacement is being lined up.

Shore Capital forecasts a 2022-23 pre-tax profit of £2.3m, which has been upgraded from £2.16m. A total dividend of 6.1p a share is forecast. The business does not require significant capital investment and it has the capacity to grow further. Net cash could reach £4.5m by the end of March 2023. The shares are trading on less than 13 times prospective earnings.

Restore plans further acquisitions to supplement growth

Support services *www.restoreplc.com*

RESTORE (RST)			450p
12 MONTH CHANGE %	-4.3	MARKET CAP £M	615

Document management and digital services provider **Restore** is combining acquisitions with strong organic growth. In the six months to June 2022, revenues increased by 32% to £140.3m, which includes organic growth of 19%. Underlying pre-tax profit was 36% ahead at £21.2m.

The main improvement came from the records management and digital operations, where exam scanning and HMRC activity improved. Datashred demand is recovering. The Harrow Green relocation business was the only one of the main five businesses where there was a small dip in revenues. Longer-term, there should be more demand for these services.

Price increases are offsetting the rise in costs. Many contracts include CPI increase mechanisms. Increased efficiency will also help to improve profitability.

There were three small acquisitions in the first half, but that was nothing like the acquisition activity in the previous year. There are opportunities that could be secured in the second half. Net debt is £103.5m and the current facility is £200m with potential to increase it by a further £50m.

The digital business will not have the same level of contract activity in the second half, but activity levels remain strong in the other businesses. Peel Hunt trimmed its 2022 pre-tax profit forecast from £47m to £45m, which is mainly due to higher interest rates.

Totally set to help the NHS to reduce its record patient waiting lists

Healthcare services *www.totallyplc.com*

Healthcare services provider **Totally** continues to win new contracts and gain extensions to existing contracts. It offers services that will be required to help the NHS reduce its record waiting lists of 6.5 million patients. This provides plenty of additional opportunities for Totally.

In the year to March 2022, revenues improved from £113.7m to £127.4m, while underlying pre-tax profit increased from £2.5m to £3.7m and the dividend was doubled to 1p a share. There is £15.3m in the bank with cash generated more than covering the cost of acquisitions and capital investment.

The urgent care business remains the largest contributor to revenues and gross profit. Planned care demand has recovered from Covid levels. There was an initial contribution from Energy Fit-Pro, a corporate fitness provider. This broadens the services offered and the range of clients by adding corporates, thereby reducing the dependence on the NHS.

Insourcing revenues more than trebled

The biggest improvement was in the insourcing division where revenues jumped from £3.1m to £10.3m and gross profit increased from £800,000 to £1.8m. This division undertakes operations at the weekend using hospital premises and it has been enhanced by the acquisition of Pioneer Health Care at the end of the financial period, which contributed around £700,000 to revenues. In the year to March 2021, Pioneer generated revenues of £5.1m.

TOTALLY (TLY)			43.5p
12 MONTH CHANGE %	+16	MARKET CAP £M	81.4

Pioneer has Any Qualified Provider status, which means that it can offer services directly to NHS patients in England. That staus is difficult and time consuming to achieve. The enlarged insourcing business will operate under the Pioneer brand.

Allenby forecasts a jump in pre-tax profit to £5.7m in the year to March 2023. That puts the shares on 15 times prospective earnings, while the forecast yield is 2.5%.

Yourgene Health adapts to lack of Covid income

Molecular diagnostics *www.yourgene-health.com*

Molecular diagnostics group **Yourgene Health** received a significant boost from Covid-19 testing last year, but that work has dried up. The core businesses are growing again – 20% revenue growth in the first quarter – and the cost base has been reduced.

In the year to March 2022, revenues more than doubled from £18.3m to £37.6m with Covid-related revenues jumping from £3.1m to £23.2m. That means that other revenues declined. That was partly due to Covid restrictions making it difficult to grow the other businesses.

Non-invasive prenatal testing (NIPT) revenues declined last year, but there was a recovery in the second half. Reproductive health tests grew revenues, while there was a jump in precision medicine revenues from £1m to £2.2m. This includes the DPYD chemotoxicity genotyping test, which determines whether cancer patients will have severe side effects to chemotherapy. This test is recommended in Wales, England, Germany, Spain and Belgium. There are more areas where the company's Ranger technology can be used.

YOURGENE HEALTH (YGEN)			7.25p
12 MONTH CHANGE %	-40.8	MARKET CAP £M	52.7

There was a cash inflow from operations of £1.31m, although that did not cover finance charges and capital investment. Net cash has fallen from £6.8m to £3.2m. Even after cost savings, a loss is anticipated for 2022-23.

A new facility has been opened in Vancouver, which will provide additional capacity to cope with growth in North America, particularly of tests based on the Ranger technology. The partnership with Ambry Genetics will add a range of oncology tests to the product range. Yourgene Health is well-placed to take advantage of the growth in the molecular diagnostics market.

Increasing orders and reducing borrowing levels at chain maker Renold

Chains manufacturer *www.renold.com*

Activity levels have increased at industrial chains supplier **Renold** as Covid restrictions have eased and net debt reduced. Management has coped well with cost increases, helped by the increases in volumes.

In the year to March 2022, revenues increased from £165.3m to £195.2m. Underlying pre-tax profit recovered from £6.8m to £11.5m. The order book is 53% higher at £84.1m and it is at record levels. The growth in revenues and profit was in the chains division. Management believes that its spread of manufacturing locations is helping to win business as customers seek suppliers that are nearer to them. A bolt-on acquisition made a profit contribution. The torque transmission division is always on a slightly different cycle to the chains business, and it should recover this year. There is an £11m follow-on military contract.

The order book is a record

Renold is highly cash generative, although it will not be able to generate as much as it has in the past couple of years when cash generation from operating activities has been much higher than profit. Net debt fell from £18.4m to £13.8m even after buying £4.9m of shares for the employee benefit trust. A working capital outflow is expected this year, pension cash costs will be higher and capital spending increased. Net debt could edge up to £14.6m by March 2023.

RENOLD (RNO)			24.5p
12 MONTH CHANGE %	+11.9	MARKET CAP £M	55.2

There may even be acquisitions that could use some of the headroom in the bank facilities. Management would like to buy chain businesses that would increase geographical coverage and broaden the product range.

The large pension deficit appears to worry some investors. The net deficit was reduced from £102.4m to £87.1m. It should steadily fall from now on and it might reduce faster if the discount rate rises. finnCap upgraded its 2022-23 pre-tax profit forecast by 13% to £11.8m. The shares are trading on just over six times prospective earnings.

Solid State expands in North America

Electronic components and batteries *www.solidstateplc.com*

Solid State has more than doubled the size of its battery power business by acquiring Custom Power in the US for up to £36m. The combined power division should generate revenues of up to £40m. Solid State raised £28.25m at 1025p to help finance the initial acquisition cost. Solid State has a good acquisitions track record, and the latest deal should be no exception.

The California-based battery pack and power technology business provides Solid State with a US base. It takes battery cells and assembles them into battery packs. These can be designed to meet a customer's specific requirements. Defence and medical devices are important markets. Customers include Lockheed Martin and Philips Medical.

SOLID STATE (SOLI)			1110p
12 MONTH CHANGE %	+22.2	MARKET CAP £M	95

In 2021, Custom Power revenues were $29.8m and profit after tax was $2.52m. Solid State has expertise in primary cells and subsea packaging, while Custom Power has skills in software and advanced communications.

In the year to March 2022, Solid State revenues were 28% higher at £85m, while underlying pre-tax profit rose from £5.4m to £7.2m. The full year dividend was raised from 16p a share to 19.5p a share.

The Custom Power deal should add 6% to earnings in the first full year. The 2022-23 pre-tax profit is expected to be £9.3m, rising to £10.6m next year. This does not assume any significant benefits from integration and greater buying power. The shares are trading on 15 times prospective 2022-23 earnings.

CML Microsystems cash funds R&D and dividend

Electronic components *www.cmlmicroplc.com*

Dividend

CML Microsystems has been a consistent dividend payer for many years, although it moved to AIM from the Main Market in September 2021. The shares had previously switched from the premium to the standard segment.

By 2018-19, the total dividend peaked at 7.8p a share. The following year the total dividend was 4p a share. In 2020-21, there was an interim dividend of 2p a share and a special dividend of 50p a share, which was funded by cash from the sale of the storage components business.

The latest full year dividend was 9p a share. A 20% increase to 10.8p a share is forecast for this year, which would be covered just over 1.1 times by forecast earnings. Net cash of £19m is forecast for the end of March 2023, after dividends and £3m of share buy backs, so CML Microsystems can afford such a low dividend cover.

Business

CML Microsystems develops mixed signal and microwave semiconductors. It has been developing semiconductors for five decades and has invested cash in making sure that it stays ahead of the competition in niche markets. Last year, £4.79m was spent on R&D, which is 28% of revenues. Net capitalised R&D, after amortisation, was £2m.

The current focus is products for the internet of things, 5G and other new industrial uses. New design-wins include for advanced metering, vehicle tracking, healthcare monitoring, farming, mobile radio and alarms. It takes a long time to design-in a component and for the client to launch its new product. Management is trying to reduce the time it takes to invest in new products and commence significant commercial sales.

CML MICROSYSTEMS (CML)	
Price (p)	400
Market cap £m	63.6
Historical yield	2.3%
Prospective yield	2.7%

Along with other technology companies CML Microsystems has been hit by supply chain problems, although the cash pile enables the company to build up inventories of components. Sales can still be delayed if clients are waiting on other components.

In the year to March 2022, revenues were 29% ahead at £17m, while the company doubled underlying pre-tax profit to £2.2m. The existing markets recovered, and new products are beginning to be designed-in to client products.

The sale of a property in Essex provided a £1.75m boost to the cash pile and there is another property in Fareham that is held for sale. There is also spare land on the main site in Maldon, Essex and contracts have been signed for the sale of 13 acres with a further six acres of surplus land that could be sold. Investment properties held for sale are valued at £1.98m.

The order book stretches out for more than 12 months and new sectors are being entered. A pre-tax profit of £2.5m is forecast for this year, as the investment in new products starts to show through in revenues. That is cautious because reflects uncertainties about the supply chain and costs. The benefits of the R&D investment will become more apparent over the next few years.

Dividend news

Franchise Brands increased its interim dividend by 50% to 0.9p a share. Interim revenues improved from £27.8m to £44.5m with a £8.82m contribution from grease management services provider Filta in the four months it was part of the group. Organic growth was 27% with strong performances from Metro Rod and Willow Pumps. Underlying pre-tax profit jumped from £3.19m to £5.92m. Even though there are more shares in issue after the Filta takeover, earnings rose by 51% to 4.07p a share. A 2022 pre-tax profit of £6.47m is forecast with a 1.5p a share total dividend expected to be covered 4.3 times by earnings.

Kitwave sparked another forecast upgrade following first half figures and an increase in interim dividend from 2.25p a share to 2.5p a share. The grocery distribution business benefited from a sharp rebound in the foodservice division as lockdowns came to an end. The ambient groceries and frozen foods businesses also grew, and all the divisions are back to pre-pandemic volumes. Cash generation is impressive and that will help to reduce net debt and fund add-on acquisitions. The 2021-22 pre-tax profit forecast has been increased from £13.5m to £18.7m. The full year dividend estimate was raised from 7p a share to 9.2p a share.

TPXimpact has completed its group rebranding and it made £85.1m of contract wins in the year to March 2022. Larger contracts are being won and expertise is being built up in the health sector. The technology-enabled services provider doubled its underlying 2021-22 pre-tax profit from £5.9m to £10.9m. Although earnings improved the growth was slower – from 8.67p a share to 9.44p a share. The dividend was raised from 0.6p a share to 0.9p a share and it is well covered by earnings. An increase to at least 1.2p a share is expected this year.

Expert view: Registrars

Regulatory changes set to reshape UK markets

By Hardeep Tamana

We have seen another slew of announcements in recent weeks that again have the potential to reshape how the UK's capital markets will function – and hopefully grow – in the years ahead. With that in mind we are going to take a look at what we believe to have been some of the most salient points, along with how this might impact issuers and corporate advisers alike.

Financial Services and Markets bill

The new Financial Services and Markets bill was tabled in Parliament just before the summer recess. This is a wide-reaching bill with multiple objectives, broadly sitting under the umbrella of reversing many pieces of European Union legislation. In the accompanying notes, the objective is summarised as ensuring the rulebook is fair and outcomes-based, whilst maintaining high regulatory standards.

Key to this is the removal of the share trading obligation, something which if executed correctly has the ability to help fuel the growth of other exchange venues in the UK such as Multilateral Trading Facilities (MTFs) like Aquis or those operated by banks or brokers, as well as potentially more innovative "challenger" platforms such as CrowdX. Critically this only applies to execution and has no bearing on settlement but has the potential to drive down trading costs.

The double volume cap which applies to trades placed on an MTF will also be removed, a potentially contentious issue given that this was implemented as a result of the 2007 financial crisis. Whilst it may make life easier for price makers, it also has the potential to test liquidity aggregation technology to ensure that arbitrage takes place in a highly efficient manner. Ensuring the market maker or liquidity provider does not end up with an unfair advantage may be the biggest challenge here.

The Austin Review

Published in mid-July, the Treasury's review into the secondary capital market has again been designed to make London a listing venue of choice. Chancellor of the Exchequer, the Rt Hon Nadhim Zahawi MP, welcomed the Austin review – led by Freshfields partner Mark Austin – and noted in his Mansion House speech that the government had accepted each of the recommendations. Significantly this includes the obligation for listed companies to ensure the retail client base can access primary and secondary fundraising rounds, something that has been facilitated well in recent months by Primary Bid, but the optionality here will be removed.

> Issuers who work on a fully dematerialised basis already benefit from significant savings when it comes to the cost of maintaining a listing

Proposals also included the demand that fundraising rounds be made cheaper and simpler, in turn ensuring that they can be delivered faster. Ultimately that means issuers will have to ensure they can act in an agile manner – and that their professional advisers can provide the necessary support in a timely fashion, too.

A drive to digitisation is also referenced, something that has been underway for some years with central Securities Depositories Regulation (CSDR) reform. The pathways are well mapped out here and indeed issuers who work on a fully dematerialised basis already benefit from significant savings when it comes to the cost of maintaining a listing and communicating with securities holders. Indeed, with our electronic-first approach to securities registry management, our clients already understand first-hand the advantages and efficiencies dematerialisation can bring.

Regulatory reform

One final point that was heavily debated in the run-up to the publication of the Financial Services and Markets Bill was the role of the Financial Conduct Authority. Strong regulation is without a doubt something that prospective issuers will look for when selecting a listing jurisdiction, but the organisation is to be tasked with a secondary objective of facilitating growth and competitiveness.

Whilst there has been no shortage of criticism around this addition to the mandate, given how other more progressive regulatory bodies have been embracing initiatives like this, to facilitate the necessary growth of the UK market, there was arguably little choice. We should not however expect regulators to change their fastidious approach off the back of this.

The fact that those controversial call-in powers which would allow ministers to directly shape financial regulation have not been included allows the FCA to maintain that critical degree of autonomy.

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QCA-backed research indicates the tax and employment benefits of quoted companies

The Quoted Companies Alliance and Hardman & Co have published a report on the benefits of smaller companies when it comes to increased employment and higher tax income.

The QCA has combined with research firm Hardman & Co to attempt to assess how much smaller companies benefit the UK economy. This is a follow-up to research published in 2019.

There is a list of 1,080 small and mid-sized quoted companies on the Main Market and AIM

The publication is called 'Punching above their weight? The contribution of small and mid-cap quoted companies to markets, employment and tax revenues'.

The analysis covers companies whose main quotation is on the London market and excludes, investment companies, REITs and companies suspended. There are a further 100 large companies that are excluded. That left 1,080 small and mid-sized quoted companies on the Main Market and AIM – 704 of those companies are quoted on AIM.

That is lower than the 1,249 companies in the February 2019 list, of which 823 are still in the latest list. This reflects the continuing decline in the number of publicly quoted companies in the UK. The 1,080 companies are valued at £376bn and account for 15% of total market capitalisation.

Hardman researched employee numbers for the quoted companies and used annual accounts for years that ended in a month in 2021.

The ONS employment data is not helpful because it is not directly comparable.

For the tax calculation, the figure used is the tax paid by the individual companies rather than the stated tax charge in the income statement. Tax tends to be paid in arrears. For income tax and National Insurance, the data collected on employees is used to calculate the figures. There is an assumption that 75% of employees are based in the UK.

Employment

The smaller companies account for 37.1% of employees in quoted companies, the rest are employed by the largest 100 companies. They employee 2.1 million people. There is no requirement for companies to state whether these employees are in the UK or overseas.

London accounts for 47.3% of these employees with a further 14.9% in south east England. Scotland, West Midlands and east of England each account for 6%-7% of the total employees. This is based on the headquarters of the company, so many of these jobs are probably not based in these regions, particularly London where many companies have their headquarters while most of the employees could be spread around the country.

The smaller number of companies means that there are a lower number of employees than in the 2019 research.

Tax

The research estimates that small and mid-sized companies contributed at least £25.1bn to the government in 2020-21, which is down from £26.5bn in the 2019 research. The changing economic conditions will have reduced the tax paid. Around 5% of income tax and National Insurance, plus 9% of corporation tax, are paid by these smaller quoted companies.

VAT is difficult to assess, and assumptions have to be made. The research suggests that £3.6bn of VAT is paid by the companies on the list. There were some VAT concessions during the period.

The 1,080 companies are valued at £376bn and account for 15% of total market capitalisation

There were also concessions for business rates and the income from this tax was much lower than normal. Hardman has not been able to assess the payments by smaller companies.

AIM's retail sector slump

The FTSE AIM retail subsector has nearly halved so far this year. Some of the ratings are low, but it might take time for the retailers' valuations to recover.

The AIM retail sector has slumped by 48.3% so far in 2022. The only sector that is anywhere near as bad a performer is food and beverages, which has been dragged down by the slump in the Fevertree Drinks share price. Retailers are having a tough time, but this performance is noticeably poor. In contrast, the FTSE 350 retail sector has fallen by 27.1%.

There are 20 companies in the AIM retail sector, and it is much smaller in market capitalisation terms than at the beginning of the year because of the switch of ASOS to the Main Market. The share prices of eight of those 20 companies have more than halved during 2022, even though many recovered during July.

Online fashion retailer Boohoo used to have one of the highest weightings in the FTSE AIM index, but it is no longer in the top ten. The share price has fallen 45.6% this year and that is after a 22.1% gain in July.

The news that Boohoo is one of the online fashion retailers that is being investigated by the Competition and Markets Authority (CMA) concerning green fashion claims did not knock the share price at the end of July. The CMA is concerned that customers are being misled about the sustainability of clothing.

The share prices of building products online retailer CMO Group and online clothing retailer In The Style both more than halved during July following disappointing trading statements. Both these companies floated last year. So did musicMagpie and Victorian Plumbing, which have also more than halved.

CMO Group and Victorian Plumbing both benefited from higher DIY spending during Covid restrictions and floated when this factor was peaking. Online wine retailer Naked Wine is another company that got a boost during Covid lockdowns, but the share price is 77.1% down in 2022.

In contrast, Mothercare has been in decline even before it moved from the Main Market to AIM and that decline continues. Concerns about the financial position at fashion retailer Joules has hit the company even though full year pre-tax profit will be slightly ahead of expectations. So far this year, revenues are growing by 8.5%, although that has been helped by mark downs. KPMG has been appointed as debt adviser. Uncertainty about management is not helping. Chief executive Nick Jones is leaving, and a successor is being sought.

> Shoe Zone is the only company in the AIM retail sector whose share price has risen

Shoe Zone

Footwear retailer Shoe Zone is the only company in the AIM retail sector whose share price has increased this year. It has risen by 72.7% during 2022 and trebled over 12 months. The share price is still nearly one-third below its high in 2015.

Earlier this year, a positive trading update from Shoe Zone led to a 30% upgrade by Zeus Capital. The pre-tax profit forecast was raised from £6.5m to £8.5m for the year to October 2022. At the end of July, another update led to a further upgrade to £9.5m. The forecast dividend has been maintained at 6.8p a share, after a previous increase of 30%. There has been no dividend for the past two years. Savings on rents and reducing freight costs has helped to improve margins. Shoe Zone is expected to have cash of £16.3m at the end of October 2022.

There has been higher than expected demand for summer footwear and Shoe Zone benefits from its focus on affordable footwear. Further profit improvement can come through store rationalisation and higher online sales.

The next best performer is luxury goods retailer Mulberry, which has fallen 14.1%, while car dealer Vertu Motors has declined by 15%.

Problems with the supply of new cars have affected retailers such as Vertu Motors, but it sells a wide range of car marques. Profit will fall from last year's high level, but Vertu Motors is trading on a relatively low prospective multiple of less than eight times.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	22.3	16.4
Industrials	17.9	16.9
Technology	13	12.3
Health Care	13	10.8
Financials	10	11.1
Energy	9.1	11.1
Basic materials	7.4	15.1
Property	4.3	2.8
Telecoms	1.5	1.7
Utilities	1.4	1.1

KEY AIM STATISTICS

Total number of AIM	835
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£105.3bn
Total of new money raised	£131.5bn
Total raised by new issues	£47.8bn
Total raised by secondary issues	£83.6bn
Share turnover value (Jun 2022)	£40.8bn
Number of bargains (Jun 2022)	8.51m
Shares traded (Jun 2022)	344bn
Transfers to the official list	197

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	921.8	-26.1
FTSE AIM 50	5088.34	-23.4
FTSE AIM 100	4474.81	-27.5
FTSE Fledgling	12138.88	-6.4
FTSE Small Cap	6486.63	-11.8
FTSE All-Share	4107.01	+1.3
FTSE 100	7423.43	+4.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	94
£5m-£10m	91
£10m-£25m	162
£25m-£50m	126
£50m-£100m	129
£100m-£250m	130
£250m+	103

TOP 5 RISERS OVER 30 DAYS

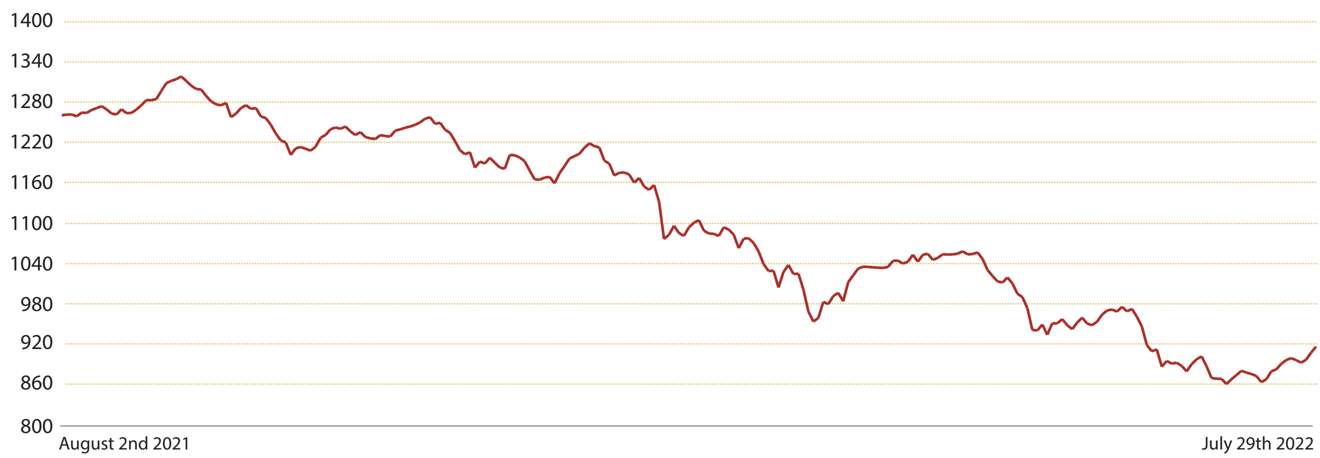
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Nanosynth	Industrials	0.505	+124
MC Mining Ltd	Mining	12.5	+92.3
Tintra	Financials	170	+88.9
Tekcapital	Technology	33.7	+75.1
Tekmar Group	Coatings	11	+74.6

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
CMO Group	Retail	30.5	-65.1
Ince	Support services	5.3	-64.4
Unbound Group	Retail	13.5	-54.2
In The Style	Retail	36.5	-52.6
Hotel Chocolat	Food	138	-51.6

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 29th July 2022, and we cannot accept responsibility for their accuracy.

AIM Journal

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

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

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

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published. The AIM Journal can also be accessed via http://www.hubinvest.com/AimJournalDownload.htm.

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

AIM

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

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

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

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

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