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AIM JOURNAL

AIM slips further in August

AIM slumped by 4.2% during August and it is 28.8% lower since the end of 2021. Smaller quoted companies continue to underperform their larger counterparts. However, that is not true of the FTSE AIM 100 index, which is underperforming AIM as a whole and has fallen by 31.3% this year. That contrasts with the FTSE 100 index which has fallen by 1.4%.

The share prices of some of the largest companies on AIM have more than halved this year. There are 82 constituents of the AIM 100 whose share prices have declined. The better performers are still dominated by oil and gas companies.

Online fashion retailer boohoo took another share price hit during August with a further 37.7% decline. It has fallen by nearly two-thirds since the beginning of the year. Having been the largest company on AIM the boohoo market capitalisation has fallen to £560m, which means that there are 35 AIM companies that have higher market valuations. The worst performer in the AIM 100 in August was cosmetics supplier Revolution Beauty, where boohoo took a 12.9% stake, following accounting problems and poor trading. Revolution Beauty shares fell 64.2% and it is likely to drop out of the index in the next quarterly changes. Naked Wines and Eurasia Mining are also likely to exit the index.

MySale bid rejection

Fully listed Frasers Group has bid 2p a share for AIM-quoted Australian online retailer MySale Group, which values the shares Frasers does not already own at £13.6m. Frasers currently owns 28.7%, which puts it in a strong position. The offer is not recommended by the MySale Group board, which says that it did not receive any approach before the bid was made, and it is reviewing the offer document. Shareholders are advised to take no action. MySale Group floated in 2014 at 226p a share.

Frasers would like to sell its end of line merchandise through the company's platform. Sports Direct, as Frasers was then known, bought a 4.8% stake just after MySale Group floated in 2014 but that was sold in May 2019. Last year, MySale Group was planning to cancel its AIM quotation and move to the ASX, but it dropped those plans in the autumn.

The bid was launched three weeks after MySale Group released a trading statement saying statutory revenues had fallen by one-fifth in the year to June 2022. The cost base has been reduced. There was A$3.8m in cash in the balance sheet offset by a A$1.2m factoring facility.

In this issue

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Aukett Swanke stake building

Braveheart Investment Group is building up a sizeable stake in architect Aukett Swanke Group. The latest purchase takes the stake to 10.9%. The total cost is nearly £300,000. This makes the investment company the biggest shareholder in Aukett Swanke, taking it above chief executive Nicholas Thompson who owns 10.2% and is nearing retirement.

The initial 7.89% stake was bought from Braveheart Investment chief executive Trevor Brown in return for 1.99 million Braveheart Investment shares. That equated to 1.68p a share. The recent share purchase was at 1.88p a share and was also paid for in shares. At 1.9p a share, Aukett Swanke is valued at £3.1m.

In the six months to March 2022, Aukett Swanke improved revenues from continuing operations from £3.7m to £4.53m and cut its loss from £737,000 to £152,000. The performance should improve further in the second half. The loss-making Middle East business has been sold for an initial £913,000 in cash, plus a deferred payment of £161,000. The cash came in after March 2022, when the net debt was £543,000. There could be further disposals.

Last year, Braveheart Investment acquired a near-12% stake in acoustic and thermal insulation material manufacturer Autins. Braveheart Investment owned 1.1 million shares that cost £224,140 and bought a further 3.65 million shares for £803,750 – an average price of 22.02p a share. At the end of last year, the stake was diluted to 8.7% after Autins raised £3m via a placing at 20p a share. Autins main customer base is automotive manufacturers, and it is having a tough time. The share price has fallen to 14p.

Diurnal offer

Neurocrine Biosciences Inc is making a recommended bid of 27.5p a share in cash for Diurnal, which values the drug developer at £48.3m. The April 2021 placing and open offer was at 70p a share and the share price has slumped since then. Diurnal has two approved treatments. The Alkindi hydrocortisone treatment for paediatric adrenal hyperplasia and Efmody which is a similar treatment for adolescents and adults. Revenues have been slow to develop for these treatments, and cash is running out. The Scottish medical authority's decision not to recommend Efmody for automatic reimbursement has not helped. US-based Neurocrine can use its stronger balance sheet to build up sales of Alkindi and Efmody.

Randall & Quilter GM requisition

Phoenix Asset Management wants to get rid of Randall & Quilter Insurance boss William Spiegel and suggests that founder Ken Randall should return in an executive role. The requisitioned general meeting is set to be held in London on 13 September. The share price has fallen by two-fifths to 100p so far this year.

Phoenix Asset Management holds 46 million shares in Randall & Quilter Insurance, which is around 15%. Former bidder Brickell PC Insurance Holdings and its affiliates, which has a similar stake, are believed to support the requisition. Brickell previously proposed a 175p a share bid. The next largest shareholder is Slater Investments, which owns 11.7% and seven other shareholders own around 27%, while William Spiegel holds 1.48%.

The board of Bermuda-registered Randall & Quilter Insurance recommends that shareholders vote against the resolutions, and it says shareholders owning 40% are intending to vote against them. The board continues to back the move from a capital-intensive model to a business based on recurring fees. That should make earnings less volatile. Phoenix Asset Management argues that William Spiegel is not the person to lead the strategy.

There have been problems with legacy insurance operations that led to a $90m write-down as part of a larger loss in 2021. That led to a need to raise £103m in a placing at 105p a share.

Robert Legget has been appointed as senior independent non-executive director since the requisition notice was announced on 12 August. There are plans to further improve corporate governance by recruiting a non-executive chairman and another independent director. The board argues that there could be a conflict of interest if Ken Randall returns because of his close relationship with Phoenix Asset Management.

Marechale Capital NAV increase

Corporate finance adviser **Marechale Capital** increased pre-tax profit from £246,000 to £2.56m on revenues that were 55% higher at £622,000 in the year to April 2022. That profit improvement was mainly down to an increase in the value of investments and warrants. This sharply increased the net asset value of the company.

The NAV increased from £686,000 to £3.63m, or 3.8p a share. The share price was trading at a large discount to NAV and initially rose before falling back to 2.65p. The £207,000 fundraising in March was at 3p a share, which was a 13.2% premium to the then market price. Last October Luke Johnson invested £160,000 at 2p a share.

During the year fundraisings by Future Biogas, which postponed an AIM flotation last year, Chestnut Group and the Burgh Island Hotel were all at a premium to Marechale's existing investment. There was a cash outflow from operating activities of £131,000. Net cash was £371,000 at the end of April 2022.

Since the year end, Marechale Capital has helped Weardale Lithium raise money at a significantly higher valuation than the previous fundraising last year and it has an 8.5% stake in the company. Weardale Lithium is a Durham-based lithium explorer.

■ **Tatton Asset Management** has completed the acquisition of a 50% stake in 8AM Global Ltd for £7m. That is equivalent to 0.88% of assets under influence, which were £800m at the time of the deal. These funds are not managed by the company.

8AM Global focuses on risk-profiled model portfolios and a range of multi-manager funds. The business complements the existing operations of Tatton Asset Management and provides access to additional financial advisers.

The 50% stake should generate an additional £700,000 of operating profit for Tatton Asset Management in the initial 12 months as part of the group.

In the year to March 2022, 8AM Global will make a contribution of just over seven months. Zeus has upgraded 2022-23 pre-tax profit by 1.2% to £16.7m, up from £14.5m last year. The total dividend is expected to be 14.4p a share, which is covered 1.5 times by forecast earnings. The interims will be published in December and will provide a further indication of progress.

Assets under management had declined from the March figure of £11.3bn because of the weak markets, but Zeus believes that they should be back to those levels. Net inflows continue at £100m each month. The figures do not include the 8AM Global assets under influence.

ADVISER CHANGES - AUGUST 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
CleanTech Lithium	Canaccord Genuity / Fox-Davies	Fox-Davies	Beaumont Cornish	Beaumont Cornish	8/1/2022
Comptoir Group	finnCap	Canaccord Genuity	finnCap	Canaccord Genuity	8/2/2022
Billington Holdings	finnCap	WH Ireland	finnCap	WH Ireland	8/11/2022
IQE	Numis / Peel Hunt	Peel Hunt / Citigroup	Peel Hunt	Peel Hunt	8/12/2022
Lexington Gold	WH Ireland / Peterhouse	Peterhouse	Strand Hanson	Strand Hanson	8/15/2022
Zephyr Energy	Panmure Gordon / Turner Pope	Turner Pope	Allenby	Allenby	8/15/2022
European Metals Holdings Ltd	Panmure Gordon / WH Ireland	WH Ireland / Shard	WH Ireland	WH Ireland	8/16/2022
Ondine Biomedical Inc	RBC / Singer	Arden	Strand Hanson	Strand Hanson	8/16/2022
City of London Group	Shore	Peel Hunt	Shore	Peel Hunt	8/19/2022
Made Tech Group	Singer	Singer/ Berenberg	Singer	Singer	8/19/2022
GRC International	Singer / Dowgate	Dowgate	Singer	Grant Thornton	8/31/2022

Marine technology company Windward continues to win clients and launch products

Maritime information technology *www.windward.ai*

WINDWARD (WNWD)			73.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M	61.4

Many AIM new admissions from last year are well below their admission prices, but the important thing is how they have traded since flotation. Some have done poorly while others have made good progress. An example of the latter is artificial intelligence-based maritime risk management technology provider **Windward**, where the share price has nearly halved.

Interim revenues improved from \$8.09m to \$10.9m and increasing spending on R&D, which is written off as incurred, and higher overheads meant that the loss increased to \$9.92m. The SaaS-based model means that revenues can lag the business won.

Annual contract value was 23% ahead at \$22.5m at the end of June 2022. Since then, a three-year, \$6m contract has been won with an EMEA government customer and there has been an upsell of \$530,000 in annual contract value with an existing US Federal client.

Spending on R&D increased

The number of clients has jumped from 62 to 104 over the past year. Government organisations currently dominate revenues. The more recent focus is on commercial clients, and they nearly doubled in the first half. However, these contracts are much smaller than those for governments.

Investment in new products, though, will provide opportunities to grow revenues from commercial clients. Ocean Freight Visibility, which provides the ability to track the supply chain, and API Insights Lab, which enables the integration with client systems, were launched this year. An ESG product is set to be unveiled before the end of the year.

There is plenty of cash in the bank for Windward's current requirements. Singer expects net cash to be \$27.7m by the end of 2022. If Windward can get the cash outflow down over the next couple of years, then there should be more than enough to get the business to cash generation, which could happen before a profit is reported because of the SaaS-based revenues. There is limited trading in the shares, and they should be viewed as a long-term investment.

Flowtech Fluidpower integration starts to pay off

Fluid power products supplier *www.flowtechfluidpower.com*

FLOWTECH FLUIDPOWER (FLO)			121.5p
12 MONTH CHANGE %	-5.8	MARKET CAP £M	74.7

Hydraulics and pneumatics products supplier **Flowtech Fluidpower** is starting to benefit from fully integrating its businesses and removing eight sites. There are two distribution centres left. A single e-commerce site has been launched for the operations. Search engine optimisation is improving. The full integration should be completed by the end of 2022. Visibility is limited and management is monitoring short-term demand variations, although trading is currently going reasonably well.

In the six months to June 2022, revenues improved from £55.3m to £57.5m. Gross margins edged up from 35.4% to 36.3%. Underlying operating profit increased from £3.4m to £4.3m, helped by cost savings and productivity improvements. The profit uplift in the period came from the services division, where the contribution increased from £2.05m to £2.95m and there is scope to further improve this contribution.

Management has managed inflationary pressures, although this is becoming increasingly difficult. There are still supply delays, so inventories remain high. Net debt rose to £19.7m due to higher working capital requirements. This figure should fall in the second half.

The shares are trading on 12 times prospective 2022 earnings, falling to less than 11 next year. The rebased dividend, while it is well below past levels with 2.05p a share expected this year, still provides a decent 1.6% yield in combination with the potential for share price recovery.

Purplebricks prospects remain uncertain despite significant share buying by directors

Estate agency *www.purplebricks.co.uk*

Purplebricks directors have been buying shares since the full year figures were reported, but the outlook for the estate agency business remains uncertain. Chairman Paul Pindar bought 2.5 million shares at 14.76p each, a further 1.537 million shares at an average price of 16.96p each and one million shares at 17.4549p each, taking his stake to 5.42%. Recently appointed chief executive Helena Marston acquired an initial 629,585 shares at 15.9p each.

In the year to April 2022, revenues were 23% lower at £70m, even though marketing costs increased from £18.9m to £25.2m, and the business fell back into loss. The ending of property market incentives hit the second half. Purplebricks is losing market share and it was down to 2.9% in June.

Purplebricks is losing market share

The cash outflow from operating activities was £30.8m and that cut the cash pile from £74m to £43.2m. There is also a £5.5m loan from a factor.

Guidance for this year suggests that revenues could be flat even though a 20% price increase was imposed in July. Reducing the marketing spending and other cost savings can help to cut the loss. Purplebricks cannot afford to reduce marketing spend too sharply if it wants to rebuild market share. The full benefits of the £13m of planned cost savings may not show through until next year, which is still likely to be loss making.

PURPLEBRICKS (PURP)			17.5p
12 MONTH CHANGE %	-69.3	MARKET CAP £M	53.7

The share price has recovered since the figures and Purplebricks is not valued at much more than its cash. However, that cash is likely to continue to decline and it could be down to £27.6m at the end of April 2023. There are plans to move into financial services by becoming an appointed representative for mortgages to boost revenues. Purplebricks still has to prove itself to investors.

Offshore services shine at Empresaria

International staffing *www.empresaria.com*

Staffing provider **Empresaria** benefited from a strong performance from its outsourcing division, which more than offset declines in profit in the geographical regions in the first half of 2022.

Empresaria has a wide spread of operations covering IT, healthcare, professional services, construction, commercial and offshore services. Not all geographies offer the full range of services and many focus on one or two areas. There is a bias towards temporary recruitment, which generally provides around two-thirds of net fee income with contract generating the rest.

In the first six months of 2022, group net fee income was 15% higher at £32.6m, with three-quarters generated outside of the UK, while operating profit was 94% ahead at £3.5m. The Americas division had tough comparatives because of Covid-related healthcare business that was not repeated this year. Net debt is £10.8m.

EMPRESARIA (EMR)			61p
12 MONTH CHANGE %	-31.8	MARKET CAP £M	30.4

The uncertainty concerning the global economy is not a good backdrop for the recruitment sector and that is why share prices have declined. Empresaria has tended to be less volatile because of its spread of activities and international footprint. A shortage of skilled workers in some sectors provides opportunities.

Cenkos forecasts growth in 2022 net fee income from £59.5m to £65.5m – generated by all areas other than the Americas. However, only offshore services is set to increase its profit contribution and group pre-tax profit is expected to edge up from £8.6m to £8.8m. The shares are trading on seven times prospective earnings.

That reflects caution about the short-term prospects, but there are good long-term prospects for the business.

Further US government funding moves Spectral MD closer to commercial revenues

Diagnostic imaging *www.spectralmd.com*

SPECTRAL MD (SMD)			37p
12 MONTH CHANGE %	-19.6	MARKET CAP £M	50

Spectral MD has been awarded an additional $8.2m in funding from the Biomedical Advanced Research and Development Authority (BARDA). The US government agency has funded more than $100m of the research and development spending of the company.

Dallas-based Spectral MD is a developer of imaging technology and AI algorithms for faster wound care treatment decisions. DeepView wound imaging technology can be used to distinguish damaged and healthy human tissue, which cannot be done with the human eye. The grant will support the further development of DeepView for burn wounds, including financing an ongoing clinical study.

The development of DeepView for diabetic foot ulcers is slightly more advanced. It can cost around $7,500 to treat a UK patient with diabetic foot ulcers and double that in the US. The cost could be reduced by using Spectral MD's technology.

Revenues could take off in 2025

Reported revenues are currently R&D grants and funding. WH Ireland believes that the initial revenues from DeepView could be generated in 2023, with the burns version starting to generate revenues in 2024.

Spectral MD raised £11.3m at 59p a share when it joined AIM in June 2021. Like many other pharma and technology companies that have no significant commercial revenues the Spectral MD share price has drifted lower. The company is set to continue to lose money for another three years.

WH Ireland believes that 2025 could be the year that revenues start to take off for the diabetic foot ulcer and burns versions of DeepView. Group revenues of $147m are forecast and that could generate a pre-tax profit of £46m, which is not far short of the market capitalisation. That is still some way off and there will probably be hurdles in the way that makes it difficult to achieve that level of revenues by then. It does show the potential, though.

Plant Health Care commences potatoes field trial

Crop improvement products *www.planthealthcare.com*

PLANT HEALTH CARE (PHC)			11.55p
12 MONTH CHANGE %	-9.8	MARKET CAP £M	35.2

Plant Health Care has secured an agreement with Agrii UK, which will conduct field trials of the company's PREtec product on potatoes in combination with an Agrii fertiliser blend. If these trials are successful, the product could be launched in 2023.

Plant Health Care has developed a range of products that enable farmers to increase their crop yields. The Plant Response Elicitor technology platform can be used to design and create peptides to target responses in specific crops. There has been more than $25m invested in the development of the technology platform, which has already been used to launch a product for treating soy with a partner in Brazil.

Agricultural products and services provider Agrii already has a distribution agreement for protein technology Harpin, another Plant Health Care product that makes plants healthier and helps to resist disease. Agrii is part of fellow AIM company Origin Enterprises. An agreement with Agrii for PREtec could cover other European countries.

Cenkos forecasts an increase in revenues from $8.4m in 2021 to $10.3m this year. That would generate a loss of $3m. Next year, a jump in revenues to $15.9m is anticipated and that would be enough to make Plant Health Care profitable. Admin expenses do not need to increase significantly as revenues improve. Management is targeting sales of $30m by 2025 and there should be enough funding in the business to achieve this. This requires at least one new product launch in a region each year.

Tribal investment set to pay dividends

Education software *www.tribalgroup.com*

Dividend

Education software and services provider Tribal was a consistent dividend payer up until 2015 and then there was a hiatus until the 1p a share paid for 2017. Although 2.3p a share was paid for 2020, this was partly a dividend for 2019. The dividend for 2021 was 1.3p a share and it is expected that this level will be maintained for 2022. That pay out would be nearly four times covered based on current earnings forecasts. Earnings are expected to be flat for the next couple of years.

There was net cash of £5.9m at the end of 2021, but capital investment means that net debt of £1.4m is forecast for the end of the year as cash generated from operations is ploughed into software development.

Business

The core business is student information systems (SIS), which provide higher and further education establishments with the ability to manage and engage with students. This software generates revenues from licence fees, implementation and support. Tribal offers a simpler standardised product compared with its rivals.

An increasing proportion of revenues are coming from cloud-based Software-as-a-Service products. That means that the full benefits of new contract wins will take time to show through in revenues. This division already has a large market share in the UK limiting growth opportunities in this country and Tribal is seeking to expand in Asia. There is also cross-selling potential for additional software products.

Education services is the smaller part of the business, and it provides quality assurance and benchmarking services to the education sector. Margins are improving this year due to higher margin contracts and remote delivery.

TRIBAL GROUP (TRB)	
Price (p)	85
Market cap £m	179.1
Historical yield	1.5%
Prospective yield	1.5%

In the six months to June 2022, revenues were 8% higher at £42.4m. Annualised recurring revenues are running at £53.7m and the plan is to increase them by 15% each year.

New product launches and the problems with the contract with Nanyang Technology University (NTU) in Singapore hampered group margins. The NTU implementation is much larger and broader than normal implementations and it will continue to hold back margins into next year. Underlying pre-tax profit fell from £7.9m to £5.7m. That figure excludes £1.27m of restructuring and transformation costs.

There was a cash outflow from operations due to the timing of software implementations, although cash generation is always better in the second half. Tribal is still spending significant amounts on software development. The amortisation charge was £1m, while capitalised development costs were £5.59m.

House broker Singer forecasts an improvement in revenues from £81.1m to £85m this year, but a decline in pre-tax profit from £14m to £13m with higher margins expected in the second half. The shares are trading on 17 times prospective 2022 earnings.

Dividend news

NWF is continuing its regular increase in the total dividend raising it by 4% to 7.5p a share in 2021-22. Bumper fuel profit meant that NWF produced record results in the year to May 2022, but they will be difficult to repeat. Group revenues were 30% ahead at £878.6m, while underlying pre-tax profit jumped from £11.9m to £20.9m. That was excluding a £8.3m impairment charge for feeds division assets. Feeds profit is not back to previous levels, while the food distribution division is already fully using the additional capacity at Crewe enabling a jump in profit. NWF could make a pre-tax profit of £12m this year and pay a dividend of around 7.8p a share.

Johnson Service Group volumes are getting back to their pre-Covid levels, and it is recommencing dividends. The interim dividend is 0.8p a share and the total for the year is expected to be 2.2p, which would be covered three times by forecast earnings. Workwear rental remains resilient, and hotel and catering linen demand is more than 90% of past levels. Most of the company's energy costs are fixed well into next year and cost increases are being passed on, although there could be pressure on margins. Cash generation is strong enough to announce a £27.5m share buyback.

Tanzania-focused gas producer **Wentworth Resources** increased net cash to $27.4m at the end of June 2022 and it is set to continue to rise even though Wentworth is expected to pay more than $4m in dividends this year. The interim dividend is 15% higher at 0.8 cents a share. That will leave plenty of cash to pay for development and work programmes. Average daily gas production in the first half was 15% ahead at 92.3MMscf and second half production is normally stronger. Gas demand in Tanzania remains strong.

AIM dividends continue to recover

The latest research from Link suggests that regular AIM dividends are set to return to the level in 2018, although not as high as in 2019. Including special dividends, the total is expected to be 2.5% ahead of last year.

The latest edition of the Link AIM Dividend Monitor shows a strong recovery in dividends in the first half of 2022. Total dividends were £674.7m, including special dividends, up from £535.6m last year.

AIM companies paying dividends are set to increase from 26% of the total number of companies on the junior market to 29% in 2022. They account for three-fifths of the market value of AIM. More than three-quarters of Main Market listed companies pay a dividend.

> AIM companies are expected to pay total dividends of £1.22bn in 2022 even though special dividends will be lower

Some companies have taken the chance to reset dividends at a lower level than before, while new companies such as food distributor Kitwave have started paying dividends with their maiden results as a quoted company.

Dividends from financial companies are back to pre-Covid levels, while industrials pay the most. The fastest growth was from building materials and food and drink companies. The reduced dividend from GB Group, which is currently the subject of a potential bid, meant that IT companies paid out less in the first half.

AIM dividends have recovered more quickly than those for Main Market companies. The overall yield of AIM companies that pay dividends is 2.1%, which is still well below the 4% available on the Main Market.

Regular dividends recovered by two-fifths to £962m in 2021 and the total including special dividends was £1.19bn. The comparatives are skewed by special dividends paid during 2021, which more than quadrupled, some of which were catch up payments relating to 2020.

The comparatives become tougher in the second half. Link estimates that regular dividends will increase by 13% in 2022 and the total including special dividends, which are expected to be lower in the second half, by 2.5%. That equates to a total of £1.22bn. That is just short of the £1.29bn paid by AIM companies in 2019, which is the peak.

Top ten

In recent years the top ten AIM payers are distributing more of the total amount paid. In 2019 they contributed 28% and that increased to 36% in 2020 as some companies decided to conserve cash. The figure was 35% in 2021. The top two payers in 2021 were Indian business outsourcing company iEnergizer Ltd, which was returning excess cash to shareholders, and Roebuck Food Group, formerly known as Norish, which sold its cold store operations and distributed most of the cash.

The higher dividend payers dominate in the first half, but the top ten's share of pay outs did drop from 48% to 43%.

Mixer drinks supplier Fevertree Drinks paid £62.2m in dividends in the first half of 2022, despite trading getting tougher. Translation services and software provider RWS Holdings was the second highest payer with £33.1m and student accommodation and private rental housing developer Watkin Jones distributed £22.5m. Nine out of the top ten payers in the first half of 2022 were in the same positions in 2021. The only difference was that iEnergizer Ltd was the top payer because of its special dividend.

2023

Link expects modest growth in regular dividends in 2023, but this will be more than offset by a much lower special dividend estimate, potentially leading to a small drop in the total. The uncertain economic outlook will make many companies more cautious about their cash position and ability to pay dividends.

Some large dividends payers have either been taken over, such as health IT provider EMIS and Secure Income REIT, or moved to the Main Market, such as Warehouse REIT.

EMIS was the tenth highest dividend payer in 2021 with a £21.3m cash outflow, having been the eighth highest payer in 2020. EMIS dividends grew consistently throughout Covid lockdowns. Secure Income REIT was the fifth highest dividend payer in the first half when it distributed £21.1m to shareholders, having been the top payer in 2020 with a £40.7m distribution.

Tough times for AIM new admissions in 2022

Only three out of fifteen new admissions to AIM in 2022 are still higher than their flotation or introduction prices.

AIM new admissions have become thin on the ground again after a bumper period of flotations last year. The weak stockmarket has put off new entrants and it has been difficult to obtain the valuations that that managements want to achieve. Most of the new companies that have made it to the junior market have performed poorly. This means that the number of AIM companies is drifting lower again – down 21 to 831.

Meanwhile, some of the larger, more established AIM companies have left. Online fashion retailer ASOS was valued at £1.9bn when it left AIM for the Main Market – although the market capitalisation has fallen sharply since then. The combined market capitalisations of all the new admissions, including reversals and transfers from the Main Market, is not anywhere near that figure.

None of the new admissions in 2022 are in the top 25 most traded AIM companies during August. ASOS was always near the top of the list of most traded AIM companies before its move. None of the new AIM companies has been particularly liquid. They barely averaged more than £1m of trades each during August.

There have been plenty of other large companies that have left AIM either through takeover, such as robotic software provider Blue Prism and pharma services company Clinigen, or also moved to the Main Market, such as Warehouse REIT. Even if the secondary fundraisings are included then the new companies and new funds raised are still valued at less than ASOS and Blue Prism combined.

Along the weak share price performance of AIM this exodus of larger companies is part of the reason that the market value of AIM has slumped from £150bn to £103bn during 2022.

The number of companies on AIM has been holding up reasonably well in recent months, but that is mainly due to the lack of companies leaving.

Performance

There were 15 AIM new admissions in the first eight months of 2022, with none during August. Seven of these companies joined in February. There are ten completely new admissions, including one introduction, plus three reverse takeovers and two switching from the Main Market.

> There were 15 AIM new admissions in the first eight months of 2022

Three of the companies have a higher share price than when they floated, with Facilities by ADF the best performer with a 17.6% increase. Facilities by ADF provides trailers, vehicles and other equipment to TV and film productions. Along with another riser construction staff provider Hercules Site Services, Facilities by ADF has a profitable and cash generative business.

Neometals is the only one of the three gainers that is not a revenue generator. Battery metals producer Neometals already had an ASX listing prior to joining AIM. The focus on metals for the electric vehicle and energy storage markets has attracted investors.

Fallers

The fallers among the new admissions generally do not have significant revenues and are guzzling cash. Some have also already disappointed investors by publishing disappointing trading statements.

Flexible electrical connectors manufacturer Strip Tinning Holdings does have revenues, but it is the second worst performer having warned that those revenues would be flat this year. That was before it lost a contract. Six months after it joined AIM, a Croatian customer terminated a contract effective from 1 October. This contract for cell management systems for electric vehicles was supposed to be worth €2m a year once peak volumes were reached.

The share price started to decline from the 185p placing price when Strip Tinning joined AIM in February. Finance director Adam Le Van bought 2,700 shares at 105p in July, having previously acquired 5,000 shares at 110p each, but this has done little to stop the fall in price.

> Both the companies that moved from the Main Market have fallen sharply

Main moves

Both the companies that moved from the Main Market have fallen sharply. That includes footwear supplier Unbound Group, which was previously known as investment trust Electra Private Equity, which is the worst performer of all 15 companies. Electra sold all its core investments and held onto Hotter Shoes, a retail business that is focused on the over 55 years old age group. Hotter has a database of 4.6 million customers, including 30% of women over-55 years old. The active email customer base is more than one million. This data will be used to offer other brands on its new platform, which was recently launched.

The change in strategy appears to have left a stock overhang in Unbound with past investors in Electra seeking opportunities to sell. That has been compounded by the recent heavily discounted placing and open offer that raised £3.4m at 15p a share.

The other company that transferred to AIM is Anglesey Mining, which subsequently raised £953,000 at 3.4p a share.

Reversals

The three reverse takeovers are all lower with Celadon Pharmaceuticals, which reversed into AIM shell Summerway Capital, which was originally seeking a software acquisition, the worst performer of the three. That meant that many of the initial shareholders may not have been interested in Celadon Pharmaceuticals, which is a cannabis-related services provider. Celadon Pharmaceuticals is in the process of gaining additional approvals to manufacture cannabis products – it already has a licence for the growing of cannabis. It is also researching the use of cannabinoids in treating pain, autism and other conditions.

The share price had already started falling below the 165p placing price when the shares came back from suspension prior to the completion of the reversal in March. The share price continued to decline until the middle of July, since when it has stabilised.

New bank Fiinu reversed into shell Immediate Acquisition and again the share price had already fallen below the placing price. Fiinu is launching its Plugin Overdraft, which can be accessed by anyone with a bank account without having to switch banks. Fiinu has gained a banking licence and is taking deposits to finance the overdraft product.

AssetCo was reintroduced after it acquired River & Mercantile and undertook a ten-for-one share split. The share price has held up reasonably well

Pipeline

There are still companies ready to brave the choppy waters of the stockmarket despite the continuing decline in the performance of smaller companies, not just those on AIM.

Coventry-based Aurrigo Group (www.aurrigo.com) provides autonomous and semi-autonomous technology for the aviation, ground handling and cargo industries. The automotive technology division is the original business, which has bee trading for three decades. This division provides design engineering services and manufactures wire harness products for premium vehicle manufactures. There are also operations in Singapore, the US, Canada and Australia.

Aurrigo plans to join AIM in the middle of September to raise cash to finalise the development of its aviation products. The company is currently owned by chief executive David Keene and corporate development director Graham Keene.

NEW AIM ADMISSIONS IN 2022

COMPANY	COMPANY	BUSINESS	TYPE	CODE	ISSUE PRICE (P)	PRICE NOW (P)	% CHANGE
1/5/2022	Facilities by ADF	Media services	P	ADF	50	58.8	+17.6
2/1/2022	Unbound Group	Retail	M	UBG	54.6	12.75	-76.6
2/4/2022	Hercules Site Services	Staffing	P	HERC	50.5	57	+12.9
2/7/2022	Artemis Resources	Mining	P	ARV	5	2.15	-57
2/9/2022	i(x) Net Zero	Cleantech	P	IX.	75	35.5	-52.7
2/16/2022	Clean Power Hydrogen	Cleantech	P	CPH2	45	44	-2.2
2/16/2022	Strip Tinning Holdings	Automotive	P	STG	185	72.5	-60.8
2/28/2022	Neometals Ltd	Mining	I	NMT	70	81.5	+16.4
3/17/2022	CleanTech Lithium	Mining	P	CTL	30	35.9	-19.9
3/28/2022	Celadon Pharmaceuticals	Pharma	R	CEL	165	80	-51.5
4/8/2022	Anglesey Mining	Mining	M	AYM	4.05	2.8	-30.9
5/24/2022	EnSilica	Technology	P	ENSI	50	49	-2
6/15/2022	AssetCo	Financials	R	ASTO	70	64	-8.6
7/6/2022	LifeSafe Holdings	Fire safety	P	LIFS	75	50	-33.3
7/8/2022	Fiinu	Financials	R	BANK	20	16.25	-18.8

P: Placing, R: Reverse takeover, M: Transfer from Main Market, I: Introduction

Prices at 31 August 2022.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	22.4	16
Industrials	18.9	16.7
Technology	12.4	12.4
Health Care	13.1	10.6
Financials	10.3	11.4
Energy	10.2	11.4
Basic materials	7.5	15.4
Property	2.2	2.6
Telecoms	1.5	1.7
Utilities	1.4	1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	882.73	-32.3
FTSE AIM 50	4828.91	-31.5
FTSE AIM 100	4221.08	-35.2
FTSE Fledgling	12168.07	-8.6
FTSE Small Cap	6354.9	-17
FTSE All-Share	4007.46	-2.9
FTSE 100	7284.15	+1.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	93
£5m-£10m	96
£10m-£25m	156
£25m-£50m	133
£50m-£100m	123
£100m-£250m	133
£250m+	99

KEY AIM STATISTICS

Total number of AIM	833
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£106.4bn
Total of new money raised	£131.7bn
Total raised by new issues	£47.8bn
Total raised by secondary issues	£83.8bn
Share turnover value (Jul 2022)	£45.2bn
Number of bargains (Jul 2022)	9.56m
Shares traded (Jul 2022)	376.6bn
Transfers to the official list	197

TOP 5 RISERS OVER 30 DAYS

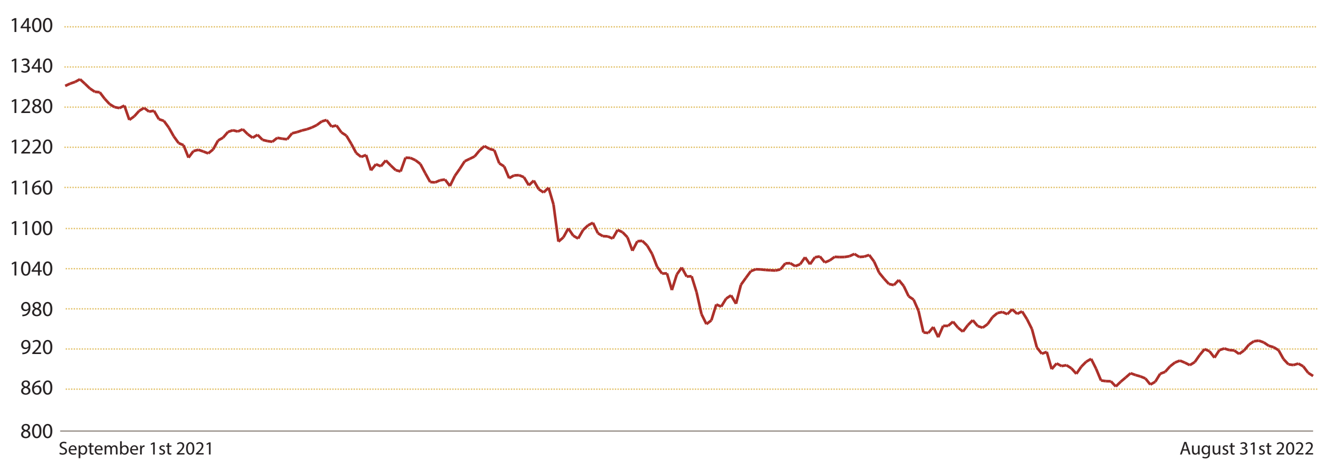
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Diurnal	Healthcare	26.75	+171
IGas Energy	Oil and gas	81.2	+112
Afentra	Oil and gas	30	+106
Egdon Resources	Oil and gas	7.35	+93.4
Cordel	Technology	9.75	+85.7

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Revolution Beauty	Cosmetics	19	-64.2
Haydale Graphene	Technology	2.3	-54
PetroNeft Resources	Oil and gas	0.6	-45.5
OptiBiotix Health	Healthcare	18.5	-45.2
Greatland Gold	Mining	7.91	-37.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st August 2022, and we cannot accept responsibility for their accuracy.

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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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