FEBRUARY 2015

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Good prospects for new entrants

Accountancy firm BDO expects a strong pipeline of new AIM entrants in 2015. This is based on the first Investor Sentiment Index from BDO, which is based on an online survey of 116 global institutional investors from organisations investing in UK equities. More than three-quarters of these investors thought that AIM new entrants would increase or stay the same as last year.

Difficulty in obtaining bank finance was the main reason given for the investors' expectation that companies'would tap the stockmarket for funds. Technology was the sector thought to be most attractive, followed by consumer goods, financials and healthcare.

In 2014, there were 118 new admissions to AIM, although that includes 23 readmissions and eight transfers from the Main Market. These new admissions raised £2.6bn, with around one-eighth of this cash raised in December. There were two new admissions in January 2015 – Gama Aviation, which reversed into Hangar8; and China-focused investment company Grand Group Investment. Then again, January is always a quiet month and it rarely provides an indication of the flow of flotations in the following months. A better indication will be the level of flotation activity in March and whether the current pipeline of potential new entrants do join the junior market.

Bumper demand for AIM VCTs

As the end of the tax year approaches, Venture Capital Trusts (VCTs) and Enterprise Investment Scheme (EIS) funds try to replenish their coffers. Demand has been strong for many of these fundraisings which should ensure additional money is available to invest in AIM companies. The decline in many AIM share prices last year means that the funds should be able to find attractive investments.

Amati, Hargreave Hale, Octopus and Unicorn are all raising additional funds for their AIM-focused VCTs, while other generalist VCTS, such as Downing One, which is raising £10m, may invest some of the money they are raising in AIM-quoted companies. The AIM VCTs are seeking up to £62m and by late January they had already raised more than £39m. The VCT fundraisings by Maven have already hit the target of £18m with one month to go before the end of the tax year.

Beaufort Securities has launched the Beaufort Smaller AIM Companies EIS Fund. Beaufort is seeking to invest in new equity of AIM companies that have valuations that do not reflect the success of their business strategy or their prospects. The Guinness AIM EIS 2015 had raised £500,000 by late January, although its target is £10m. Guinness launched its first AIM fund in 2013.

In this issue

general news

Domaine Chanzy appeals to crowd

French wine maker Domaine Chanzy has decided to raise cash through crowdfunding prior to its flotation on AIM. It is using the Seedrs crowdfunding platform (www.seedrs.com). This follows ISDX-quoted wine maker Chapel Down's successful crowdfunding last year, which was also via Seedrs, and it showed that there was an appetite for this type of investment.

However, Domaine Chanzy is not the first AIM company to raise money via crowdfunding before joining the junior market. Mill Residential REIT, which is focused on the UK buy-to-let market, raised £1.5m at 100p a share from crowdfunding, via the Syndicate Room platform, and a further £987,500 via a placing just before the end of 2014.

Burgundy-based Domaine Chanzy wants to raise at least £1.9m at 120p a share via Seedrs and from institutional shareholders. The loss-making company should be valued at just over £10m assuming £1.9m is raised. The funding will be eligible for Enterprise Investment Scheme (EIS) tax relief. OLMA Private Equity is currently the majority shareholder but its stake will fall below 50%.

Domaine Chanzy owns a number of vineyards in Burgundy covering more than 30 hectares in total and it would like to acquire additional vineyards. The cash will also be used to develop distribution networks so that exports, which are currently around a quarter of total revenues, can be increased and to create a new Burgundy wine brand targeted at those export markets. Joining AIM should also help to raise the profile of the company.

Those investors who purchase at least 1,000 shares (£1,200) will be entitled to discounts of up to 55% on wines ranging from Domaine Chanzy's cheaper range to its premier Grand Cru.

finnCap tops advisers

finnCap, a sponsor of AIM Journal, has retained its position as the top AIM broker, with 104 clients. It is also the number one nominated adviser, with 93 clients. According to research by Adviser Rankings Ltd, Cenkos is number two broker and nominated adviser on AIM, although the total market value of its clients is higher than those of finnCap. SPARK was the biggest beneficiary of Daniel Stewart's withdrawal as a nominated adviser, adding five new clients in December and one subsequently in January.

Pinsent Masons is top of the AIM legal advisers, with 61 clients, followed by Carey Olsen, with 45 clients. BDO was the top AIM auditor, with 158 clients. Newgate, owned by AIM-quoted marketing services firm Porta Communications, is the financial PR company with the highest number of clients.

Redx makes move into immunology

Cancer and infectious disease treatments developer Redx Pharma plans to raise £20m when it joins AIM in February. This could value Redx at between £60m and £80m. The cash will be used to progress the pipeline of potential treatments and finance a move into immunology. Redx has secured a grant of £4.2m, which will help it develop an immunology operation. Redx says that its technology helps to shorten the time, and reduce the cost, of developing new drugs. Four programmes have achieved pre-clinical proof of concept.

Redx has operations in Liverpool and Cheshire and it has used its Redox Switch technology to identify potential drug candidates. Last October, it demerged its agrochemical business in order to focus on its human health business. The model is to seek licensing deals or partners at an early stage of drug development. Last year, a collaboration was agreed with AstraZeneca. The aim of the deal is to develop new molecules that target the genetic drivers of tumour growth. Redx will identify potential leads and AstraZeneca will utilise its expertise in oncology to further develop them. AstraZeneca has the sole rights to commercialise any treatment that comes out of this collaboration. Redx received an upfront payment from AstraZeneca but the level of the payment was not disclosed. Any progress made by potential treatments could trigger development and commercial milestone payments as well as royalties for a commercial product.

A year ago Redx signed a skin cancer treatment development agreement with privately owned Pierre Fabre, which is the second-largest French pharma company. The NHS backed collaboration with the Royal Liverpool and Broadgreen University Hospitals Trust in November 2013, which targeted new drugs that combat the resistance to existing antibiotics, was the first by Redx.

advisers

Daniel Stewart secures Singapore backer

AIM adviser Daniel Stewart Securities has secured a refinancing package worth £1.52m. The broker believes this will be "more than be sufficient" to cover the regulatory shortfall of the business.

Daniel Stewart has even managed to raise the cash at a premium to the suspension price of 0.35p (0.3p/0.4p) a share. A share issue at 0.4p a share is raising £444,000, with Singapore-based Epsilon Investments PTE Ltd investing £282,000 for a 9.99% stake in the enlarged share capital of Daniel Stewart – including the conversion of a £300,000 loan note owned by chairman and chief executive Peter Shea. The conversion at 0.4p a share will give Shea 21.9% of the company.

Shea acquired a £225,000 loan note from a company controlled by Sportingbet founder Mark Blandford for £300,000 on 28 January 2015 and this is what has been converted into shares.

Epsilon has also subscribed £775,000 for a non-refundable callable bond, which qualifies as tier 1 regulatory capital. This gives Epsilon the right to subscribe for 194 million shares on payment of a further £1,000 – equating to 0.4p a share – but this right to convert lapses after 18 months. Conversion will give Epsilon a 29.4% stake in Daniel Stewart, although conversion requires Epsilon to receive Financial Conduct Authority (FCA) controller status. Shea's stake will be diluted to 17.15%.

Zainab Binte Mohamed Omar controls Epsilon and he is a director of more than 70 companies.

Daniel Stewart promises to publish its accounts for the year to March 2014 in early February and the shares can then return from suspension.

■ PricewaterhouseCoopers and Execution Noble have each lost one of their two nominated adviser clients. Ludgate Environmental has switched from PwC to Panmure Gordon, while NAHL Group has moved from Execution Noble to Investec although it remains joint broker to the personal injury claims sourcing business. PwC retains broker Numis as its one nomad client, while Execution Noble still has Forum Energy.

ADVISER CHANGES - JANUARY 2015

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
GHaloSource Inc	Allenby/Liberum	Liberum	Liberum	Liberum	05/01/2015
LGO Energy	FirstEnergy Capital/ Old Park Lane	Old Park Lane	Beaumont Cornish	Beaumont Cornish	05/01/2015
NAHL Group	Investec/ Execution Noble	Execution Noble	Execution Noble	Execution Noble	05/01/2015
Abcam	JP Morgan Cazenove/ Peel Hunt	Peel Hunt/Numis	JP Morgan Cazenove	Numis	07/01/2015
Crawshaw Group	Peel Hunt	WH Ireland	Peel Hunt	WH Ireland	08/01/2015
boohoo.com	Jeffries Hoare Govett/ Zeus	Zeus	Zeus	Zeus	12/01/2015
Emmit	Alexander David	Alexander David	SPARK	Daniel Stewart	13/01/2015
Summit Germany Ltd	Liberum/Cenkos	Cenkos	Cenkos	Cenkos	15/01/2015
Ferrum Crescent Ltd	Hume	Ocean Equities	RFC Ambrian	RFC Ambrian	19/01/2015
Tengri Resources	WH Ireland/Peterhouse	Peterhouse	finnCap	finnCap	21/01/2015
Good Energy Group	Arden	N+1 Singer	Arden	N+1 Singer	22/01/2015
Rare Earth Minerals	WH Ireland	Hume/WH Ireland	WH Ireland	WH Ireland	22/01/2015
UK Oil & Gas Investments	WH Ireland	Hume/WH Ireland	WH Ireland	WH Ireland	22/01/2015
Griffin Mining Ltd	Cantor Fitzgerald/ Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	23/01/2015
Wishbone Gold	Beaufort	Beaufort	Sanlam	Northland	26/01/2015
Networkers International	Numis	Numis	Liberum	Numis	28/01/2015
Northcote Energy Ltd	Hume/Cornhill	Cornhill	Beaumont Cornish	Beaumont Cornish	29/01/2015
NAHL Group	Investec/ Execution Noble	Investec/ Execution Noble	Investec	Execution Noble	30/01/2015
RapidCloud International	WH Ireland	Allenby	WH Ireland	Allenby	30/01/2015

company news

Summit sets its sights on Nasdaq listing and cash for clinical trials

Drug discovery *www.summitplc.com*

Drug developer **Summit Corporation** is planning a Nasdaq listing and a change of name to Summit Therapeutics in order to make it easier to market the business to new investors in the US, as well as to raise the profile of the business. Summit intends to maintain the AIM quotation.

Last year, Summit raised £22m at 6.5p a share – equivalent to 130p following the 20-for-one share consolidation last July. There was £15m in the bank at the end of October. An American depositary shares (ADS) offer will help to finance further development and clinical trials of the company's treatments. There is no indication of how much will be raised.

Summit is developing a treatment for Duchenne musculardystrophy (DMD) (SMT C1100) and an antibiotic for C. difficile infections

An ADS offer will help finance development and clinical trials

(SMT 19969). DMD is a fatal disease where muscle degeneration is caused by faults in the gene encoding dystrophin protein. The DMD treatment uses utrophin, a structurally related protein which can help to maintain muscle function. The results of a phase Ib trial are expected this summer. A phase II trial could then start in early 2016. Summit's potential C. diff antibiotic does not affect gut flora and focuses on the infection. A phase II trial is ongoing in the US and Canada and results should be published later this year.

Joining Nasdaq appears to have

SUMMIT CORPORATION (SMMT)			127.5p
12 MONTH CHANGE %	- 40.7	MARKET CAP £M	52.4T

done wonders for the share price of cannaboid-based drugs developer GW Pharmaceuticals. When GW joined Nasdaq in May 2013 it raised $32.7m at the equivalent of just over $0.74 (48p) a share and subsequently raised $87.9m at $3 (193p) a share at the beginning of 2014. By the end of January 2015, the share price was 405p.

Of course, this does not mean that Summit will do as well. There are differences. GW is a revenue-generating business and this includes product sales. Summit's income comes from grants from the government and the Wellcome Trust. Both are loss-making although Summit is forecast to move into profit in the year to January 2016.

ANGLE sets out commercialisation expectations

Cancer diagnostics *www.angleplc.com*

ANGLE has set out the expected path to commercialisation for its Parsortix cancer diagnostics technology. ANGLE has already applied for US FDA authorisation for the medical device and this process is ongoing. No competitors have applied for FDA authorisation.

ANGLE hopes to be selling Parsortix systems for use with clinical trials by the middle of this year. The equipment for the tests could be sold for £40,000 a time and the consumable cassette could be sold

ANGLE (AGH)			81.25p
12 MONTH CHANGE %	- 8.2	MARKET CAP £M	36.7

for £150 each. Securing 5% of phase II and phase III trials undertaken each year could yield Parsortix revenues of £8m a year. If any of these cancer trials are successful the Parsortix technology is likely to be used as a companion diagnostic to any commercial treatment.

There was £2.27m left in the balance sheet at the end of October 2014 and there should be a further inflow of more than £600,000 from the deferred consideration for the disposal of Geomerics. This money will not last long if the company cannot generate additional revenues. Management believes that corporate deals could yield upfront payments as early as this year. Once regulatory authorisation is obtained, revenues can be generated from clinical diagnostic applications and that could happen as soon as next year.

company news

Towry snaps up Ashcourt Rowan as it is on course to move back into profit

Wealth management — *www.ashcourtrowan.com*

ASHCOURT ROWAN (ARP)			263.5p
12 MONTH CHANGE %	+ 36.5	MARKET CAP £M	93.5

Wealth management firm **Ashcourt Rowan** has agreed to a £97m bid from larger rival Towry Finance. This merger will create one of the largest wealth management businesses in the UK.

Management has turned around the Ashcourt business in the past four years although it still lost £2m in the year to March 2014. That loss was reduced to £700,000 in the six months to September 2014. Towry, which is owned by funds managed by Palamon Capital, focuses on individuals with investable assets of more than £250,000. Towry manages or advises on more than £6bn of assets and Ashcourt will add a further £5.3bn of assets, which includes £2.3bn of discretionary or managed assets. Towry has 20 offices and Ashcourt 16 offices, which will eventually be changed to the Towry brand. The combination of the two firms should yield cost savings.

> The combination should yield cost savings

Towry is offering 270p a share in cash plus 5p a share in loan notes. The loan notes will last for seven years or be redeemed if Towry completes a refinancing or if Towry has not gained a quotation and Palamon ceases to hold at least 50% of the voting rights or if Towry has floated and Palamon owns less than 30% of the company. If the loan notes are not redeemed by the beginning of 2017 then 20% will be added to the redemption value and thereafter it will be increased by 20% each year until the loan is redeemed.

In November 2011, Ashcourt raised £8.5m at 100p a share so investors at that point will nearly treble their money. However, the share price was significantly higher six years ago and it peaked at the beginning of 2008 at the equivalent of around £98, according to morningstar.co.uk.

Adamas Finance raising $25m from disposal

China-focused investment — *www.adamasfinance.com*

ADAMAS FINANCE ASIA (ADAM)			$0.75
12 MONTH CHANGE %	- 1.3	MARKET CAP £M	144

Hong Kong-based investment company **Adamas Finance Asia Ltd** has started the process of disposing of legacy investments so it can reinvest the money in other investments that generate a more predictable return.

Adamas is raising $25m from the redemption of the convertible bond it held in Global Pharm Holdings. That represents a gain of $2.6m on the balance-sheet value – group NAV was $116.6m at the end of June 2014. An initial $2.4m has been paid, with a further $9m at the end of March and $13.6m at the end of April. Most importantly, this redemption provides further cash for other companies.

It is a year since Adamas Finance reversed into China Private Equity Holdings. There are other assets that were in the original business that can be sold. Online content distribution platform developer Fortel Technology may float on the Hong Kong Stock Exchange. This flotation has been mooted before but it could finally be on the horizon, although Adamas is likely to be locked in for six months.

Adamas has the benefit of being advised by fund managers who have experience in the region and it can invest directly or through one of the adviser's funds. Smaller Chinese companies find it difficult to secure finance and Adamas can be choosy. If Adamas can build up its portfolio of predictable income generators then it will be able to start paying dividends. The risks of investing in China are not completely removed by investing through Adamas but it does provide a way of gaining exposure to the Chinese economy.

company news

Matchtech and Networkers combination

Engineering personnel recruitment *www.matchtechgroupplc.com*

Staff provision and recruitment business **Matchtech** is expanding its exposure to the technology sector and entering the telecoms sector through the acquisition of Networkers International. The bid values Networkers at £57.9m.

Matchtech is offering 34p in cash and 0.063256 of one of its own shares for each Networkers share, which was equivalent to 67.4p a share at the time of the announcement. Networkers shareholders will own 17.9% of the enlarged group. They will also get a higher dividend yield on their Matchtech shares.

Networkers was valued at £22m when it reversed into shell company Streetnames in May 2006 and it subsequently acquired MSB International for £15m in cash. Since then, growth has been predominantly organic. In 2013, the energy and engineering division grew its net fee income by 82%, offsetting declines elsewhere, and it followed this up by growing by one-third in the first half of 2014. This division contributes 16% of net fee income, up from 6% two years ago. In the second half of last year, a bolt-on acquisition was made of a company focused on the oil and gas sector. The telecoms division is recovering from its low point.

Equity Development says that annualised net fee income for the enlarged group is £73.2m. Networkers has a contract margin of 13.2% compared with 7.5% for Matchtech, although Matchtech converts a greater percentage of its net fee income into EBITDA than Networkers does.

> Annualised net fee income is £73.2m

MATCHTECH (MTC)			507.5p
12 MONTH CHANGE %	- 9.2	MARKET CAP £M	126

One of the attractions of Networkers is that the vast majority of its income comes from outside the UK, compared with 2% of Matchtech's income, and its overseas operations could be used to market Matchtech's services. There is also the possibility of other cross-selling to clients. There should be potential cost savings, including the cutting of duplicate quotation costs. This means that the deal should be earnings enhancing in the first full year.

North America provides strong second half for Amino

IPTV technology *www.aminocom.com*

A much stronger second half for IPTV technology business **Amino** meant that revenues and profit grew in the full year to November 2014 and this enabled the dividend to be increased at a faster rate than expected.

Revenues edged ahead from £35.9m to £36.2m, while underlying profit improved from £3.5m to £4.3m. The dividend rose from 3.5p a share to 5p a share, which is covered 1.6 times by earnings. North America dominated revenues with sales of newer, higher-margin products. Demand has been weaker in western Europe but customers will have to make a decision on upgrading their services in the next year or so.

AMINO TECHNOLOGIES (AMO)			127p
12 MONTH CHANGE %	+ 37.3	MARKET CAP £M	68.2

Net cash was £20.8m at the end of November 2014 and the dividend is expected to grow by at least 10% a year. There is scope for share buy-backs, which would enhance earnings per share. There could also be opportunities for add-on acquisitions that would widen the scope of the business in terms of technology or customers but the focus is organic growth. The figures do not include a potential duties rebate of £700,000.

Capitalised R&D is expected to increase this year but the charge to the income statement will be lower. The range of products is being broadened to include areas such as home monitoring.

House broker finnCap forecasts a small improvement in profit to £4.4m in 2014-15, with higher selling costs offsetting improved revenues and a lower R&D charge. The shares are trading on 16 times 2014-15 earnings.

Colefax furnishes shareholders with growing dividends

Furnishings *www.colefaxgroupplc.com*

Dividend

Furnishings and wallcoverings supplier Colefax has consistently increased its dividend since 2008-09 when the dividend was cut to 2.88p a share. Last year the total dividend was 4.2p a share, which has returned to the level it was at in 2007-08. House broker Peel Hunt forecasts a total dividend of 4.8p a share for this year, following the announcement of an interim of 2.1p a share. That total dividend will still be covered more than eight times by earnings.

Colefax is cash generative and has spent £9m on buying back shares in the past couple of years, on top of the dividends. Following the recent interims, 90,000 shares were bought back at 375p each. Even after this spending, net cash is forecast to reach £5.58m by the end of April 2015 and this figure could more than double by April 2017 even with rising dividends. This will depend on whether the cash is used for further share buy-backs.

Business

Colefax focuses on the luxury end of the furnishing fabrics and wallpapers market and operates an international decorating business. The company's brand names include Colefax and Fowler, Cowtan and Tout, Jane Churchill, Larsen and Manuel Canovas, and it has offices in the UK, US, France, Italy and Germany. The US is the largest generator of revenues, with the UK and the rest of Europe generating most of the rest.

In the six months to October 2014, revenues fell 4% to £37.4m and pre-tax profit dipped from £3.07m to £2.88m. A profit decline in the decorating division offset a strong performance from the fabric division tempered by weaker dollar and euro currency rates. The previous year was a strong one for the decorating division. The share buy-backs meant that earnings per share were 6% higher at 18.1p.

COLEFAX (CFX)	
Price (p)	360
Market cap £m	39.5
Historical yield	1.2%
Prospective yield	1.3%

Despite the dip in the interim profit, the underlying full-year profit is expected to edge up from £4.9m to £5m thanks to control of costs. Revenues are forecast to fall from £78m to £76.1m, with the decorating division revenues expected to slump from £11.2m to £8m – still higher than in 2012-13.

To put the expectations into perspective, Colefax reported a profit of £5.94m on revenues of £78.2m in 2007-08. Colefax could surpass that profit figure in 2016-17. Back in 2006-07 earnings per share were 27.5p, compared with a forecast of 30.7p this year and 36.6p for 2016-17, reflecting the extent of the share buy-backs.

The US and UK markets continue to recover and Peel Hunt believes that lower oil prices will help consumer spending. However, there is a mixed picture in the rest of Europe, with Italy and France declining and Germany growing. The strengthening of the dollar will also help Colefax, which appears set to grow steadily in the coming years.

Dividend news

Staffing services provider **Staffline** has raised its total dividend for 2014 by 35% to 13.5p a share but it is still covered 4.4 times by underlying earnings of 60p a share. Growth has come from a combination of acquisitions and the existing business. Staffline generated revenues of £503.2m in 2014 and it is well on the way to its target revenues of £1bn by 2017. This year's trading has started strongly, with new contract wins and Avanta, which was acquired last June, will make a significant contribution. Earnings of 73.1p a share are forecast for 2015 and the dividend could rise to 16.3p a share.

Marketing performance analysis services provider **Ebiquity** says that it will announce a maiden dividend when it publishes figures for the year to April 2015. A dividend of 0.4p a share is expected, which would be covered more than 25 times by forecast 2014-15 earnings. The business is cash generative although net debt, including potential deferred consideration, was £36m at the end of October 2014. Data analytics is important in the marketing sector where companies want to make sure that their spending is effective. Management believes that the addressable market is worth $30bn, compared with forecast revenues of £73m.

China-based **GTS Chemical Holdings** is on course to pay a dividend of 1.8p a share for 2014 – equivalent to 5% of the 36p placing price. The dividend will be nearly five times covered by forecast earnings. In 2014, revenues were 46% higher at RMB704.6m (£73.4m), which is better than forecast. GTS supplies chemicals used to enable straw to be used to manufacture paper. In this process the waste product can be sold as fertiliser. GTS is also building up a lubricants business. If GTS can continue to grow its business and dividend then it could eventually get re-rated.

expert views

Expert view: The broker

The People's Operator: mobile with a cause

By ANDREW DARLEY

The People's Operator (TPO)* is a UK-based mobile virtual network operator which uses a social network-based strategy to market its products. This strategy has been designed by Wikipedia founder Jimmy Wales, who is executive director of strategy and digital community. The cause-driven viral nature of the marketing has the potential to create a very high growth, lower churn customer base at low subscriber acquisition costs.

Viral marketing by recommendation is enabled by the app and online presence that TPO will maintain, and we believe the catalyst is the IPO, exposing the contributory expertise of Wikipedia's founder. In December, the company raised £20m to finance its growth in the UK and US, with potential for expansion into additional territories. Due to low fixed costs, rolling out in other territories will be accretive to current forecasts.

By the end of 2014 there were 14,032 subscribers in the UK, representing a 140% increase since June 2014. TPO will commence operations in the US in the spring and we believe this high-profile launch will attract interest globally.

Model

TPO is a mobile virtual network operator (MVNO) so it does not have the network responsibility (opex or capex) but buys airtime on a wholesale basis from a mobile network operator (MNO). The MNO hosts for TPO are EE (UK) and Sprint (US). Transatel acts as a mobile virtual network aggregator (MVNA) between EE and TPO in the UK, whereas the Sprint relationship is direct.

TPO will replace marketing and advertising spend with viral marketing through a digital social network, driven by consumer enthusiasm in the awareness that 10% of each consumer's personal monthly mobile spend, and 25% of the company's post tax profit, will go to causes. Each customer will select where the 10% of revenue will be paid, while the TPO Foundation, a registered charity, will distribute the profit share to a group of causes.

> TPO will replace marketing and advertising spend with viral marketing

After the initial creation of the brand and promotion of awareness, the cause-based nature of the model is such that existing consumers will spread the word amongst like-minded individuals, as well as the causes themselves making the most of membership databases – National Trust members, for example, should hear about the opportunity through normal email contact, with little marginal cost to the cause, if any, and no marginal cost to TPO. TPO will commercially assess initial joint marketing where the opportunities are large; and will ensure that the long tail of smaller causes is not forgotten by making it straightforward to set up a small community of beneficiaries to a small cause through an easily built 'cause page'.

Markets

In the UK there are 83m mobile phones/SIM cards for a population of 64m - 93% of all adults in the UK own or use a mobile phone and 61% of them use a smartphone. UK annual mobile spend has tripled to £15.9bn (Ofcom) in the last 15 years.

Average ARPUs in the UK are £23 and £5 for post and pre-paid (PAYG) customers respectively (Ofcom). Monthly ARPU assumptions for TPO suggest an ARPU of £12, rising each subsequent year to £17 by FY18 for pay monthly contracts; and £5 rising to £7.50 for PAYG, highlighting an initial period of cheaper packages to gain customer momentum. Both assumptions are in line with current pricing plans and ARPU trends. The £14.99 pay monthly deal is currently TPO's best seller.

In the US there are 350m mobiles for a population of 316m. The proportion of pay monthly users is notably higher; with an average of 59% for the UK's big four operators against c.82% in the US, and churn is lower. In the US, we assume industry standard ARPUs, typically higher than Europe and the UK: for pay monthly contracts, £37 rising to £39.40, and for PAYG £13.50 (with significant potential for uplift).

Valuation

Revenues of £15.7m are forecast for 2015, rising to £98m in 2016, which is expected to generate an adjusted profit of £17.1m following a loss in the previous year.

On delivery of forecasts, we expect that the value of the company will accelerate rapidly towards £1bn by December 2016, we believe, based on a multiple of at least 10x EV/EBITDA (applied to 75% of group EBITDA), given the high growth and high profile of the model. Retained cash will be available to return to shareholders as a dividend.

**TPO is a corporate client of finnCap*

ANDREW DARLEY is a research director at finnCap.

finnCap
finnCap Partners for growth
www.finnCap.com

feature

Consumer and technology overtake resources on AIM

Volumes in consumer services and technology sectors increase in importance as trading in resources companies slumps.

AIM has always been a market that changes through time, with sectors rising and falling in importance both in terms of market value and volumes of shares traded. AIM has certainly changed significantly in the past five years, although there are similarities.

The financials sector did start and end the five-year period as the largest sector on AIM although it was surpassed during the period at times by mining and oil and gas. Even when the mining and oil and gas sectors are added together they are currently nowhere near as big as the financials sector. They were worth much more than the financials sector at the beginning of 2010.

The financials sector will soon be significantly smaller following the board of Songbird Estates recommending the 350p a share bid jointly made by Qatar Investment Authority (QIA) and New York Stock Exchange-listed Brookfield Property Partners via Bermuda-based Stork Holdco. Although the board originally said that it did not believe the £2.6bn bid reflected the true value of its business the main shareholders did not agree and, with the bidders' own shares, acceptances have already reached 93.4%.

Songbird accounted for one-eighth of the total market value of the financials sector at the end of 2014, equivalent to more than 3% of AIM as a whole. That would still leave financials as the largest sector by a long way, though. However, Songbird is not a heavily traded company relative to its market value. The property company accounted for just over 0.2% of all trading in December 2014.

> Trading volumes in 2014 were equivalent to 60.1% of AIM market value at the end of the year

Trading

Although the number of trades has been rising over the past five years the total value of those trades has not risen as quickly and there was a dip in 2013. Over the five-year period to 2014, the annual value of trades on AIM went from £32.7bn to £42.9bn, while the number of trades rose from 4.06m to 6.73m.

Over the same period, the total market value of AIM has increased from £56.6bn to £71.4bn at the end of 2014. Trading volumes in 2014 were equivalent to 60.1% of AIM market value at the end of the year.

For most of the past decade trading volumes were dominated by resources. The share of trading volumes has tended to be greater than the resources sector share of market value. In 2012, 70.2% of all trading was in the oil and gas and basic materials (predominantly mining) sectors, although at the beginning of 2012 they accounted for 42.1% of AIM. The consumer services sector was the next biggest in terms of trading, with a share of 8.1%.

The decline in the importance of resources to AIM is well known but the extent of that decline may still come as a surprise. At the beginning of 2010, the resources sector was not at its peak but it still accounted for more than one-third of AIM's market capitalisation. Mining and oil and gas had a similar market size at that time.

At the end of 2014, resources companies accounted for 14.1% of AIM and in 2014 they accounted for 17.4% of trading – still outstripping the share of market value but by a much lower amount. In 2010, oil and gas alone accounted for 37.9%.

These figures are based on monetary value and the declining share prices of mining and, in recent months, oil and gas companies, in particular, have reduced the value of trades. However, 29.1% of all AIM trades are still in resources shares, although this compares with more than 72% of all trades in 2012.

The changes to ISA rules that enabled AIM-quoted shares to be included may have helped to widen the spread of trading on AIM but many investors would still have bought resources shares for their ISAs so their trading could have been boosted as well. Ultimately, the decline in commodities prices and the poor performance of the companies has hit demand for the resources sector.

feature

Even though financials is the largest sector it only accounts for 11% of trading, although that is double the figure two years earlier.

Consumer

As ever when AIM sectors are assessed, online fashion retailer ASOS can tend to skew the figures. At the beginning of the period being assessed ASOS accounted for 8.4% of the consumer services sector, when it was the seventeenth largest AIM company, and by the end of 2014 it was 21.7% of the sector and 3% of AIM as a whole.

In December, ASOS accounted for more than one-fifth of the value of all AIM trading. That is not always the case but ASOS accounts for a significant percentage of trading volumes each month and it is the main reason why consumer services was the most actively traded sector in 2014.

Retail is a major part of the consumer services sector and it has been an active area for AIM,with new entrants such as online fashion retailers boohoo.com, Koovs and MySale Group. BDO's AIM Sectorwatch uses different sectors to the standard AIM ones but retail was the best performer in the fourth quarter of 2014, with a 16.2% rise. That was before boohoo.com's profit warning in January. There have been other disappointments in the retail sector so it is likely to have reversed much of the progress made in the fourth quarter.

If ASOS is stripped out, the technology sector would have been the most traded sector. In 2012, trading in technology shares was down to 5.7% of AIM volumes but it has soared to 18.1% in 2014, up from 14% in 2013.

> In December, ASOS accounted for more than one-fifth of the value of all AIM trading

The technology sector does include Quindell, which is more of a business services business and it tends to be one of the most active shares each month. Other technology companies that are among the most traded shares are Advanced Computer Software and Nanoco.

Technology appears set to continue to be one of the most traded sectors, along with consumer services, with or without ASOS, which on its own generates more trading then any single sector (including consumer services, excluding ASOS). Volumes in the industrials sector, which includes support services, also look likely to grow. There have also been a number of new entrants in the healthcare sector so it could become more high profile.

The spreading of trading through the sectors means that AIM is in a better position than when it was dominated by a narrow range of companies although the predominance of ASOS is a negative but at least it shows that AIM companies can attract liquidity.

AIM SECTOR BREAKDOWN

MONTH	END OF 2014 (%)	BEGINNING OF 2010 (%)
Financials	25.4	26
Consumer services	13.9	7.7
Industrials	13.9	12.1
Technology	10.9	6.9
Healthcare	10	4.1
Oil & gas	8.4	17
Consumer goods	7.2	4.3
Basic materials	5.7	17.6
Telecoms	3.1	1.4
Utilities	1.5	2.9

AIM TRADING VOLUMES BY SECTOR

SECTOR	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)
Consumer services	28.7	19.4	8.1	9.8	6.9
Technology	18.1	14	5.7	7.7	8.5
Oil & gas	12	23.4	52.6	38.9	37.9
Financials	11	10	5.6	6.5	11.9
Industrials	10.4	7.8	4.1	7.4	9
Telecoms	6.8	4.7	1.5	1.6	1.4
Basic materials	5.4	13.8	17.6	23.8	19.1
Healthcare	5	4	2.6	2.5	2.6
Consumer goods	2.1	2.4	1.9	1.3	2
Utilities	0.5	0.5	0.3	0.4	0.6

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	25.4	18.8
Consumer services	13.9	11
Industrials	13.9	16.7
Technology	10.9	10.9
Healthcare	10	7.1
Oil & gas	8.4	11.8
Consumer goods	7.2	5.7
Basic materials	5.7	15.4
Telecoms	3.1	1.4
Utilities	1.5	1.4

KEY AIM STATISTICS

Total number of AIM	1104
Number of nominated advisers	40
Number of market makers	52
Total market cap for all AIM	£71.4bn
Total of new money raised	£89.9bn
Total raised by new issues	£39.4bn
Total raised by secondary issues	£50.6bn
Share turnover value (2014)	£42.9bn
Number of bargains (2014)	6.73m
Shares traded (2014)	350.6bn
Transfers to the official list	171

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	690.34	-19.5
FTSE AIM 50	3381.3	-27.2
FTSE AIM 100	3027.38	-22
FTSE Fledgling	6997.51	+6.7
FTSE Small Cap	4420.09	-1.1
FTSE All-Share	3621.81	+3.2
FTSE 100	679.4	+3.2

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	265
£5m-£10m	133
£10m-£25m	213
£25m-£50m	175
£50m-£100m	125
£100m-£250m	134
£250m+	59

TOP 5 RISERS OVER 30 DAYS

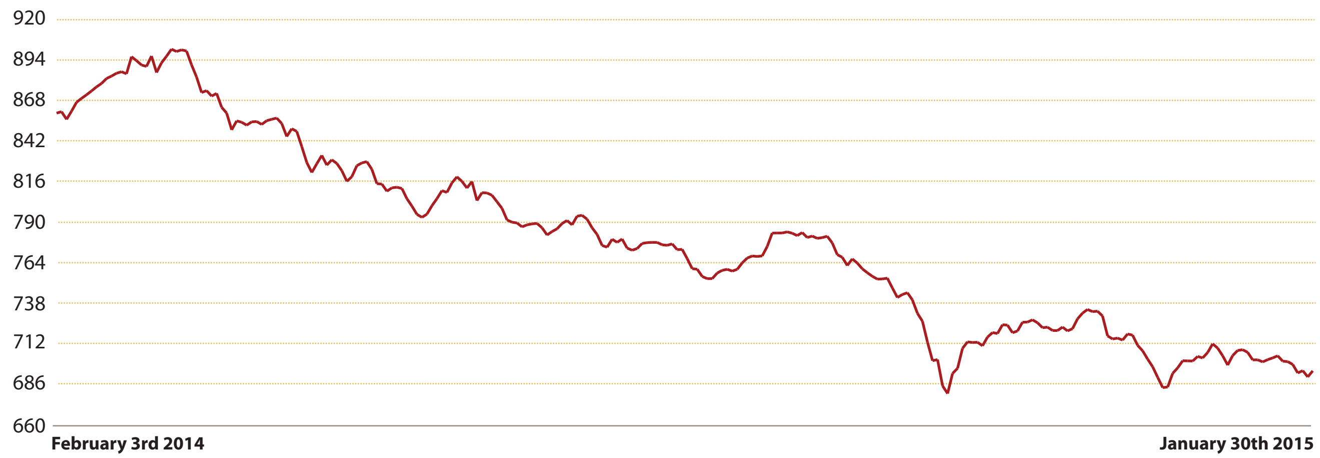
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Sable Mining Africa Ltd	Mining	1.95	+191
Sefton Resources Inc	Oil and gas	0.15	+181.8
Amphion Innovations	Technology	3.12	+177.8
HaiKe Chemical Group Ltd	Chemicals	26.5	+130.4
3Legs Resources	Shell	1.4	+114.6

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Eastbridge Investments	Shell	0.8	-85.5
Alecto Minerals	Mining	0.25	-61.5
Tavistock Investments	Financials	2.38	-60.6
TXO	Oil and gas	0.065	-55.2
Cambria Africa	Investment company	0.62	-53.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st January 2015, and we cannot accept responsibility for their accuracy.

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finnCap Partners for growth

finnCap's mission is to help ambitious companies grow and to be the leading independent broker to ambitious companies, focused on fuelling growth through long term partnerships. We will exceed client expectations through faultless execution, joined-up service and proactive thinking, all tailored to the needs of each individual client.

finnCap, whose chairman is Jon Moulton, is 95% employee-owned and is the top AIM broker by overall client numbers, according to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three broker in the oil and gas sector and in the top five in the basic materials sector.

In 2013, finnCap commenced market making and launched fAN Club, a new offering aimed at providing specialist support to ambitious small private businesses seeking pre-IPO funding.

finnCap was presented with the Best Research award at the 2012 AIM Awards, while finnCap's corporate broking and sales trading teams have achieved Extel Top 10 rankings for three years running. finnCap is a sponsor of the AIM Awards, the plc Awards and the UK tech Awards.

In the year to April 2014, finnCap reported a 36% jump in revenues to £15.5m and operating profit was 92% higher at £5m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were launched in 2014.

PUBLISHED BY: Hubinvest Ltd,

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