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# AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

## AIM Awards shortlist

This year's AIM Awards shortlist has been published and the winner of the company of the year will be a new one in 2016. Last year, vet practices consolidator CVS took home the award. The 2016 shortlist consists of spirit mixers supplier Fevertree Drinks, software and consultancy services provider First Derivatives, document storage services provider Restore, and replacement windows supplier Safestyle UK.

Safestyle and Fevertree have won the best newcomer award in the past two years and that can be an indication that they have a good chance of winning other awards that they are put up for. Fevertree is also on the shortlist of the new award for AIM growth business of the year and Charles Rolls and Tim Warrillow are in the running for

entrepreneur of the year. Restore is on the shortlist for the best use of AIM award.

The shortlist for the best investor communication award, which is sponsored by Northland Capital Partners, includes gemstone supplier Gemfields, university generated businesses funder and developer Imperial Innovations, animal feed, food distribution and fuel supply company NWF, and infrastructure services provider WYG. Imperial Innovations is the 2015 winner of this award and NWF was the winner in 2011.

India-focused power generator OPG Power Ventures and construction equipment manufacturer Somero Enterprises Inc have both returned to the shortlist for the international company of the year. They are joined by Fyffes and Burford Capital.

## GVC moves into FTSE250

Former AIM company GVC is joining the FTSE 250 index. Although it has been fully listed since early this year it was initially on the standard list so it did not qualify for inclusion in any FTSE index series. Having moved to a primary listing on 1 August, GVC can be included and these are the first quarterly changes since that move.

Online gaming firm GVC joined the standard list at the beginning of February following the acquisition of rival bwin.party and at that time was valued at £1.6bn. Gaming VC Holdings SA, as it was then

known, floated on AIM on 21 December 2004 when it was valued at £131m. GVC has made a number of acquisitions in the intervening years, including Sportingbet, and paid substantial dividends, although they have been suspended while the latest acquisition is integrated.

GVC is capitalised at just over £2bn. To put that into perspective it is much larger than many of the current FTSE 250 constituents and it is nearly half of the valuation of the largest company in the index.

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## general news

# Secure diversification of property assets

Long-term income focused commercial property investor Secure Income REIT has agreed to buy 55 hotels for £196.2m. The portfolio of properties has a weighted average unexpired lease term of 27 years and upwards-only RPI-linked rent reviews. The portfolio should generate a yield of 7%, based on £13.7m a year of rental income. This should enable the dividend to be increased by 6.5% a year for the next six years.

Secure Income REIT is managed by Prestbury, which had been associated with a joint venture that previously owned the properties for a decade.

The acquisition will be partly financed by a £140m share placing at 298.6p a share, which is equal to the underlying NAV of the company after the deal. A new £60m, seven-year debt facility has been secured

to provide the rest of the cash for the acquisition. Pro forma net debt will be £879.7m and loan to value will be 56%.

None of the leases lasts for fewer than 22 years and they are all let to budget hotels operator Travelodge Hotels Ltd, which operates 525 hotels in the UK and has annual revenues of £560m. This portfolio will generate 15% of total group rent.

The existing Secure Income REIT portfolio includes 26 healthcare and leisure properties. Even after the acquisition, Ramsay Health Care Ltd will pay 49% of group rental income and Merlin Entertainment will generate 34% from sites that include Alton Towers and Thorpe Park.

Secure Income REIT raised £15m at 174p a share when it joined AIM in June 2014. At the placing price the company was valued at £293m.

# Lifeline merger

Chicago-based LifePort kidney transporter developer Lifeline Scientific Inc is recommending a bid of \$4.083 (312p) a share, which values the medical technology company at \$87.8m (£67.1m), from Shanghai Genext Medical Technology Co. This follows a strategic review by the company which led to a number of discussions with interested parties, as well as the assessment of alternatives such as a Nasdaq flotation.

Lifeline joined AIM in January 2005 and it was valued at £23.6m at the original placing price of 150p a share. Shanghai Genext Medical is a medical technology company with a focus on transplant medicine in Asia and the merger should make the enlarged group one of the largest medical businesses focused on the clinical transplant sector. The takeover should be completed by the end of this year.

# SigmaRoc seeks to cement African consolidation

SigmaRoc plans to build up a group of construction materials interests in emerging markets, with Africa the initial focus of the strategy. The planned acquisitions will be cash generative and not development projects and management believes that there are attractive valuations at the moment, particularly in Africa. It is hoped that a deal can be secured by the end of this year or early in 2017. In the longer term there could be opportunities in the Middle East and eastern Europe.

Messaging International has been used as a shell for this proposed strategy. The original business was

sold for £459,000 – £38,000 in cash and the redesignation of 169.5 million ordinary shares owned by the buyers into deferred shares. SigmaRoc also raised £500,000 at 0.24p a share, which is 77% of the enlarged share capital after capital reorganisation to reduce the par value and each existing share has been split into two new shares. The shell will be left with £450,000 in the bank after the costs of the reorganisation. SigmaRoc has six months to secure a deal or else trading in the shares will be suspended for up to six months. If there is no deal after 12 months the

quotation will be cancelled.

A completely new board has been put in place. Including chief executive Max Vermorken, who has been an adviser to multinational cement supplier LafargeHolcim. He is being paid £130,000 for his initial one-year term. Corporate lawyer Dominic Traynor and concrete entrepreneur David Barrett joined as non-executive directors on £12,000 a year. There are plans to set up a share option plan for directors and key staff over 15% of the company's share capital at the time of issue at the placing price of 0.24p a share.



## advisers

# Share grows through partnerships

Share, the owner of stockbroker The Share Centre, has revealed that it is taking over the provision of certificated and corporate nominee dealing services for share registrars Computershare. This deal was announced in April but the new client was not named.

Computershare has more than 900 corporate clients in the UK, Republic of Ireland and the Channel Islands. Share will start generating income from revenue sharing from the services next year and the deal is expected to "have a materially positive impact" on 2017 revenues and profit.

Another partnership agreement with an unnamed wealth management business will also contribute to next year's figures. These deals follow previous agreements with Barclays and

Henderson. They are an alternative to acquisitions, which are far more risky. Consolidation is expected in the private-client broking sector because some competitors are losing significant amounts of money.

It is not easy for any private-client stockbrokers at the moment but The Share Centre is still increasing market share compared with its main rivals. Revenues fell from £7.37m to £7.22m in the first half of 2016 because interest income is still declining.

Dealing commissions and fee income were slightly higher even though competitors generally reported lower dealing and fee revenues. Underlying pre-tax profit fell sharply and a full-year loss is forecast. There was a £628,000 gain on the sale of London Stock Exchange shares, which offset one-off costs. Cash in the bank of £16.1m is more

than enough for FCA requirements.

The company is focusing on investing in its IT and digital infrastructure in order to make the back office more efficient and also to improve customer-facing aspects of technology, including an improved website and a new mobile app.

■ ISDX is hosting an event called Cyber Security Risks: Threats to Publicly-Traded Companies and the Capital Markets on Wednesday 21 September. The networking and panel session will be led by a team of experts and cover the current cyber-security landscape and how public companies can prepare themselves for potential cyber attacks. The event starts at 8.30am and will be held at 2 Broadgate in London. Further details can be found at <http://www.smallcapuk.com/events/>.

### ADVISER CHANGES - AUGUST 2016

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
<b>Somero Enterprises Inc</b>	finnCap/ Canaccord Genuity	finnCap/ Canaccord Genuity	finnCap	Canaccord Genuity	01/08/16
<b>Hargreaves Services</b>	Investec/N+1 Singer	N+1 Singer	N+1 Singer	N+1 Singer	05/08/16
<b>Secure Property Development &amp; Investment</b>	Strand Hanson	SP Angel	Strand Hanson	SP Angel	05/08/16
<b>Victoria</b>	finnCap/Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	05/08/16
<b>Victoria Oil &amp; Gas</b>	FirstEnergy/Shore	Numis	Strand Hanson	Strand Hanson	08/08/16
<b>Kefi Minerals</b>	RFC Ambrian/Brandon Hill/Beaufort	Brandon Hill/Beaufort	SP Angel	SP Angel	10/08/16
<b>Rare Earth Minerals</b>	Hannam & Partners/ WH Ireland	WH Ireland	WH Ireland	WH Ireland	11/08/16
<b>West African Minerals Corporation</b>	Beaufort	SP Angel	Beaumont Cornish	Beaumont Cornish	12/08/16
<b>Driver Group</b>	N+1 Singer	Panmure Gordon	N+1 Singer	Panmure Gordon	15/08/16
<b>Ergomed</b>	Numis/Stifel Nicolaus	Numis/Stifel Nicolaus	Numis	Stifel Nicolaus	15/08/16
<b>Ortac Resources Ltd</b>	Peterhouse/SP Angel/ Beaufort	SP Angel/Beaufort	SP Angel	SP Angel	16/08/16
<b>Physiomics</b>	Hybridan/WH Ireland	WH Ireland	WH Ireland	WH Ireland	16/08/16
<b>Bacanora Minerals Ltd</b>	Numis	Stifel Nicolaus	Cairn	Cairn	17/08/16
<b>SigmaRoc</b>	Peterhouse	Peterhouse/Cantor Fitzgerald	Strand Hanson	Cantor Fitzgerald	22/08/16
<b>RedstoneConnect</b>	Cantor Fitzgerald/ Whitman Howard	Whitman Howard/ Panmure Gordon	Cantor Fitzgerald	Panmure Gordon	25/08/16

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 company news

# Midwich seeks acquisitions to expand its global presence

Audio-visual equipment supplier

[www.midwich.com](http://www.midwich.com)

Audio-visual equipment distributor **Midwich Group** has grown strongly in recent years and the flotation on AIM during May has improved the balance sheet and will help the company to widen its international expansion. Midwich has been trading for nearly four decades and has been expanding by acquisitions in the past decade.

Midwich has operations focused on the UK, Ireland, Germany and France, as well as a business in Australasia. The UK still contributes more than two-thirds of revenues. The growth rate of the European audio-visual market is growing at an estimated annual rate of 7.6%. Education has been a major sector for Midwich but there are other sectors increasingly using audio-visual equipment. Retailers in particular have been

## Bad debts are low

putting screens and interactive equipment into their stores in order to provide a more attractive customer experience.

Midwich has distribution agreements with major equipment makers, including Samsung, Philips, Epson, Sony and Panasonic, and it sells these products to IT resellers and integrators and via online retailers, such as Amazon. Midwich has long relationships with both its main suppliers and customers – bad debts are low.

Midwich has impressive margins for what is predominantly a hardware distribution business. Gross margins were 14.9% in 2015. Bringing higher-margin, new-technology products

MIDWICH GROUP (MIDW)		241p
12 MONTH CHANGE %	N/A	MARKET CAP £m
		192.2

into the range as the margin on older products falls has helped keep overall margins high. Management has shown it has the expertise to do this. Economies of scale also help. However, it will never be easy to maintain such margins.

Acquisitions are an important part of the company's strategy. The latest two are in the UK and New Zealand. Midwich wants to grow its presence in existing geographic markets as well as moving into new ones. New product areas and additional services can help to boost margins. The shares are trading on 15 times prospective 2016 earnings.

# Exports push Churchill forward

Ceramics manufacturer

[www.churchill1795.com](http://www.churchill1795.com)

Stoke-on-Trent-based **Churchill China** continues to prosper and generate cash. The ceramic tableware manufacturer's focus on the hospitality sector is fuelling its growth, particularly in export markets.

In the six months to June 2016, revenues were 12% ahead at £24m, while pre-tax profit rose from £1.58m to £2.04m. Cash levels improved from £8.67m to £9.63m even though more was spent on capital investment on new buildings to increase capacity. Further investment in equipment is required but that will not put much

CHURCHILL CHINA (CHH)		820p
12 MONTH CHANGE %	+34.4	MARKET CAP £m
		89.8

of a dent in the cash pile. The pension deficit fell to £3.12m, although lower interest rates could lead to a short-term rise in the deficit.

All the growth came from the hospitality sector, with retail sales declining, although improved margins due to lower licensed product sales meant that the contribution was higher. Hospitality exports grew by more than 30%. New product ranges and UK sales edged

upwards but Churchill remains market leader in the hospitality sector.

The interim dividend has been increased by 12% to 6.3p a share. Although the rate of growth is lower than earnings, Churchill consistently increases its dividend whether earnings grow or not and the dividend cover can be built up this year. Last year's dividend was covered just over two times by earnings. The shares are trading on around 20 times prospective earnings for 2016, which means that they appear fully valued for the time being although the track record is impressive.



## company news

# Nasstar deal provides entry to new sectors

Cloud services provider

[www.nasstar.com](http://www.nasstar.com)

Managed cloud services provider **Nasstar** has paid £13m for competitor Modrus and the deal moves the group into additional sectors. Modrus has significant positions in the property services, media and private education sectors, plus Nasstar will be able to sell Modrus's VoIP-based technology.

Monthly recurring revenues will be £1.65m and the two companies both focus on smaller businesses and organisations. Modrus is more dependent on a limited number of customers but this will not be as noticeable in a larger group. As well as bringing expertise in new sectors the Modrus acquisition will boost the customer base in the recruitment

## A 2017 profit of £3.5m is forecast

sector. Modrus also offers clients the ability to save money on calls without having to change their telephony system.

A placing raised £13.3m at 7.5p a share. Most of this went towards paying the purchase price. Net debt is expected to be £2.7m at the end of 2016 and Nasstar should be in a net cash position by the end of 2017.

House broker finnCap forecasts a 2016 profit of £2m but it will be next year when the full benefits of

NASSTAR (NASA)	8.38p
12 MONTH CHANGE %	+6.3
MARKET CAP £m	48.

the acquisition will show through. A 2017 profit of £3.5m is pencilled in and that does not assume any growth in Modrus revenues or significant integration benefits. There is also a negative tweak in the forecast for the exchange-rate effects of purchasing Microsoft licences in dollars. The group has around £3m of tax losses. This puts the shares on 14 times prospective 2017 earnings, with the potential for upgrades if the benefits from the acquisition are greater.

# Taptica provides dividend surprise to investors

Mobile advertising services

[www.taptica.com](http://www.taptica.com)

**Taptica International Ltd** has got one step ahead of its competition by focusing on the growing mobile advertising market. This has enabled the mobile and online advertising platform services provider to generate enough cash to pay a special dividend equivalent to 4.4p (\$0.0579) a share.

In the six months to June 2016, revenues were 53% higher at \$51.8m, while gross margin improved from 26.4% to 34.4%. Mobile contributes 79% of sales, up from 51% in the first half of 2015, and existing mobile customers are spending more. Investment in technology is important in keeping

TAPTICA (TAP)	152.5p
12 MONTH CHANGE %	+152.1
MARKET CAP £m	95.4

Taptica ahead of its competition.

Asia is a focus of expansion with an office in China, which came with the September 2015 purchase of AreaOne. and a new office in Seoul. A partnership with South Korea-based Adways Korea offers access to a number of markets in Southeast Asia, particularly in the mobile gaming sector.

The special dividend costs \$3.5m. Taptica has a policy of paying 25% of post-tax profit in regular dividends.

That could mean a further dividend of around 3.7p a share in 2016, depending on the exchange rate.

House broker Investec expects the full-year profit to grow from \$6m to \$16.6m, which is also much higher than the profit of \$9.3m made in 2014. Net cash should be \$11.5m by the end of 2016 and it could rise to \$18.8m by the end of 2017, assuming normal dividend levels and continued investment in technology. This suggests that there could be more special dividends. The share price has more than doubled over the past year and it is back up to the May 2014 flotation price of 153p.

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**company news**

# Major shareholder Harwood Capital decides to take on Journey

*Airline catering*
[www.journeygroup.plc.uk](http://www.journeygroup.plc.uk)

Major shareholder Harwood Capital has launched an agreed bid for **Journey Group**. The 240p a share bid values the airline catering provider at £28.4m.

There is an alternative offer of one unit in bid vehicle Jaguar for each Journey share. A unit is one ordinary share and one preference share, neither of which is quoted. Braver investors could choose to take all or part of the consideration in these units.

Journey's Los Angeles-based Air Fayre subsidiary has a different model to its competitors because it does not operate its own food premises. Instead it uses the premises of restaurants at times

## Air Fayre has a different model

when they are less busy. There is scope to use this model at other airport hubs in the US and internationally. The concept appears to be accepted by a number of airlines and Journey could grow rapidly if it can secure contracts at additional airports.

During the summer, Air Fayre gained a new catering contract with American Airlines at Los Angeles airport, thereby consolidating its position at this hub. Air Fayre will provide catering services to four

JOURNEY GROUP (JNY)		236p
12 MONTH CHANGE %	+33.7	MARKET CAP £m
		28

daily international flights – two from mid-July and the other two later in 2016. These contracts will have a positive effect on this year's figures and there is scope to add further flights in the future. Air Fayre already does the catering for all of United Airlines flights out of Los Angeles and that contract lasts until the end of 2018. Air Fayre has also recently won contracts with WOW Air and Dynamic International Airlines. This incremental work will boost profitability.

# Import ban provides opportunity for Edenville

*Coal project developer*
[www.edenville-energy.com](http://www.edenville-energy.com)

Tanzania's potential ban on coal imports could provide **Edenville Energy** with additional opportunities to sell coal in the short term. Edenville is developing a coal-to-power project in western Tanzania but that will take time so any early income will provide a welcome boost to cash. Jeff Malaihollo has been appointed as non-executive chairman. His experience as a geologist as well as in running former AIM gold miner Bullabulling Gold will be invaluable to Edenville.

The Rukwa coal-to-power project is currently in pre-development and Edenville plans to move the project ahead to construction in

EDENVILLE ENERGY (EDL)		0.45p
12 MONTH CHANGE %	-65.4	MARKET CAP £m
		2.8

the near term. The mine mouth generation project will provide electricity to the Tanzanian grid system. The government is investing in a transmission line in the area. Around 600,000 tonnes of coal could produce 100MW of electricity.

There is a JORC resource of 173 million tonnes of coal in three main deposits, including 61.5 million tonnes in the measured category. Bulk sample testing is in progress. A mining licence has been granted for the Mkomolo

deposit, with other mining licences set to be applied for as the project progresses. There is potential for further exploration.

The coal project is 90%-owned by Edenville, which also owns 100% of the company established to develop the power plant. The pace of progress will depend on government decisions.

A share capital reorganisation has reduced the par value of the shares and consolidated them on the basis of one new share for every 20 old shares. Edenville could not issue shares at below par value so it will now be able to raise finance from share issues to help finance the development of the project.



## dividends

# Watkin Jones keen to provide developing income

Student accommodation developer

www.watkinjones.com

### Dividend

Student accommodation developer Watkin Jones has been quoted on AIM for a matter of months so it does not have a history of paying dividends but management has a stated intention to pay dividends and even paid its maiden dividend for a period when it was only traded on AIM for a matter of days. The target yield on flotation was 6%.

Watkin Jones floated on 23 March at 100p a share and it paid a 1.33p a share dividend for the six months to March 2016. A total dividend of 4p a share is forecast for this year, rising to 6.3p a share in 2016-17.

This year's dividend will be covered more than three times by earnings but the cover will fall to just over two times based on forecasts for 2016-17. Net cash was £15.4m at the end of March 2016 and this figure is expected to grow even after paying dividends.

### Business

Watkin Jones has been trading for more than two centuries but it moved into its core business of student accommodation development in 1999. The company finds UK sites, secures planning permission and then the land is forward sold to institutional investors. Watkin Jones will then construct the accommodation. More recently, Fresh Student Living was set up to provide management services, generally on three to seven year contracts. Management contracts can be for sites that the group has built or third-party sites.

This model provides profit and cash flow at an early stage of development as well as enabling the

WATKIN JONES (WJG)	
Price (p)	112.75
Market cap £m	287
Historical yield	N/A
Prospective yield	3.5%

group to generate a construction and development profit when the accommodation is built. Construction margins are relatively good compared with the standard margins in the sector. Fresh Student Living provides recurring revenues based on a charge per bed managed.

Student numbers continue to grow but supply of accommodation is not keeping up with this growth. Watkin Jones plans to develop more than 10,000 beds in the next three years and the majority of these have already been pre-sold. Fresh Student Living has a target of 8,310 beds under management by September and it has already contracted 96% of target income for 2016-17. The plan is to have 18,000 beds under management by 2020.

There are opportunities to use the same model in the private rented sector where there is institutional interest in larger developments.

In the six months to March 2016, revenues were 41% higher at £145.9m and underlying pre-tax profit jumped by 85% to £16.7m. House broker Zeus forecasts a full-year profit of £39.5m, rising to £43.6m next year. The shares are trading on just over eight times prospective 2016-17 earnings. These earnings are higher quality than standard construction companies and there is scope to build the recurring revenues.

## Dividend news

Healthcare revenues calculation software provider **Craneware** is paying a higher dividend to UK shareholders even though it is unchanged in dollar terms at 22 cents a share because of the movement in sterling against the dollar. The stated dividend in pence per share has increased from 14p to 16.5p a share. The dividend is covered nearly two times by earnings and there was \$48.8m in the bank at the end of June 2016. The total annual dividend costs around \$6m. Broadening the product range offered to US healthcare providers will help Craneware continue to grow profit. Visible revenues over the next three years are \$149.1m, against 2015-16 revenues of \$49.8m.

### Learning Technologies Group

reported better than expected interims, enabling the elearning services provider to increase its interim dividend by two-fifths to 0.07p a share. The interim figures include US business Rustici, which was acquired in January, helping US revenues to quintuple to £3.1m and group revenues to increase by 52% to £12.8m. Gross margins rose to 23% and they should be sustainable at around this level. A large UK government contract will start to contribute before the end of this year. Full-year profit is expected to improve from £3.8m to £6.2m and a total dividend of 0.2p a share would be covered 5.5 times by earnings.

**Mattioli Woods** has increased its total dividend by 19% to 12.5p a share, on the back of a 14% increase in underlying earnings to 31p a share. The pensions and wealth management adviser had net cash of £29.8m at the end of May 2016. Total client assets under management jumped by 22% to £6.61bn. Pension administrator and trustee services provider MC Trustees is being acquired for up to £2.2m and this should be earnings enhancing in its first full year as part of the group.

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## expert views

### Expert view: The broker

# Hot prospect for Mariana

By Ryan Long

**M**ariana Resources\* (MARLL) and joint-venture partner Lidya Madencilik Sanayi ve Ticaret A.S. ("Lidya"), have made one of the most exciting discoveries of recent years at its Hot Madan Gold-Copper-Zinc Project, located in northeastern Turkey.

Following a recent resource upgrade, the Hot Maden Project has a total JORC compliant mineral resource estimate of c. 4moz Au eq. at a grade of c. 10.2g/t Au eq. (based on NCP's metal price assumptions). Mariana's 30% interest in this high-grade project is equivalent to c. 1.2moz Au eq. at an impressive grade of c. 10.2g/t Au.

At the project, the joint venture partners have now established three zones of mineralisation: the Main Zone that contains 3.4moz Au eq. at a grade of 15g/t (Indicated); the Southern Zone that contains 0.4moz Au eq. at a grade of 8.1g/t Au eq. (Inferred); and a Hangingwall Zinc Zone that contains around 114kt of zinc at a grade of 4% Zn (Inferred).

Within the Main Zone there is an area of ultra-high-grade mineralisation. This ultra-high-grade zone makes the Hot Maden Project even more attractive as it contains 2.5moz Au eq. at an exceptional grade of 36.9g/t Au eq. (Indicated). Infill and exploration drilling is expected to continue in 2016, with 20,000m budgeted for the year, adding the potential for further resource expansions.

The Southern Zone, is the joint venture's latest discovery and is now just starting to come into its own with the first phase of drilling in the area defining 0.4moz Au eq. from just 17 holes drilled. This Zone remains open along strike and at depth and with additional work there is the potential for this Zone to continue to grow.

To date the Hangingwall Zinc Zone

Location of the Hot Maden Project



Source: Mariana Resources

has not been a priority for the joint venture given the high-grade nature of the gold-copper mineralisation but as the initial mineral resource estimate for this zone comes from drilling that did not actively target the area, it could also provide additional upside with targeted drilling.

Mariana also recently completed a dual listing on the TSX-V (MRA). The Company believes that access to the North American market will improve

Mariana is currently working to complete a preliminary economic assessment (PEA) of the project towards the end of September/start of October. This will give investors the first impressions of the project's metrics. Given the high-grade nature of the mineralisation, its large width and proximity to the surface, we would expect the metrics to be comparable to that of other high-grade deposits.

The PEA is expected to be followed

## Mariana recently completed a dual listing on TSX-V

the liquidity of its shares, opening the business to buyers from another market where most of its high-grade peers are also listed and largely valued on higher multiples.

While the political climate in Turkey has been fraught with an attempted coup d'état and terrorist attacks on major infrastructure, Mariana and its joint venture partner have continued to operate without operational delays. The project is located in a rural part of Turkey that has seen none of the tensions experienced by other areas.

by a preliminary feasibility study (PFS) due to be completed in H117. The fast pace of advancement means the joint-venture partners will have moved the project from discovery to PFS in just 28 months, a remarkable achievement.

\*Northland Capital Partners Ltd provides commissioned research services to Mariana Resources.



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



## feature

# How the 2015 AIM Awards winners fared

The 21st AIM Awards, sponsored by accountants PwC, will be held at Old Billingsgate on 13 October. This provides a chance to assess the progress of last year's winners.

**COMPANY OF THE YEAR****CVS**

Vet practices consolidator CVS generated like-for-like growth in revenues of 4.8% in the year to June 2016. In the past year, 67 vet surgeries and three pet crematoria were acquired, which is a record for one 12-month period. This includes the first acquisition in Northern Ireland. CVS operates from 360 vet surgeries and seven pet crematoria.

**ENTREPRENEUR OF THE YEAR****Peter George, Clinigen**

Chief executive Peter George continues to steer pharma services company Clinigen. In the year to June 2016, revenues were 87% higher at around £345m. Peel Hunt expects earnings per share growth to be around 20% a year for the next two years.

**BEST USE OF AIM****Ideagen**

Information management software provider Ideagen has made further acquisitions, enabling group revenues to increase by 52% to £21.9m. Pro forma organic growth was 10%, showing that management is not reliant on acquisitions for growth. Demand for governance, risk and compliance software continues to increase and Ideagen is well placed to take advantage.

**INTERNATIONAL COMPANY OF THE YEAR****Hutchison China Meditech**

Hutchison China Meditech (Chi-Med) plans to publish proof-of-concept or pivotal trial data for four drug candidates in the first quarter of 2017. The collaboration with AstraZeneca for the development of cancer treatment savolitinib has been amended so Chi-Med will invest \$50m over three years in return for a five percentage point increase in tiered royalty range. Chi-Med raised \$95.9m when it listed on Nasdaq but it maintained the AIM quotation.

**BEST TECHNOLOGY****Advanced Oncotherapy**

Advanced Oncotherapy, a developer of proton therapy systems for cancer treatment, has continued to make progress with the technology but its share price has fallen back in the past year. The commercial team has been strengthened and a number of modules of the technology have been assembled and are being tested.

**BEST NEWCOMER****Fevertree Drinks**

Spirits mixer drinks brand Fevertree Drinks continues to go from strength to strength both commercially and in terms of its share price. In the first half of 2016, earnings per share improved

by 83% to 8.12p. Fevertree floated at 134p a share and the current share price is around seven times that level. The shares are still highly rated but as long as Fevertree continues to meet, or even beat, expectations that could continue. Fevertree is up for three awards this year.

**AIM TRANSACTION OF THE YEAR****Optimal Payments**

Online and mobile payments processor Optimal Payments has changed its name to Paysafe and made the move to the Main Market, as expected when it won this award last year. It has also become a constituent of the FTSE250 index. The recent interim figures included upgraded forecast guidance. Revenues are expected to be in the range of \$970m to \$990m – compared with a 2016 forecast of \$856m at the time of the awards. EBITDA is forecast to be between \$287m and \$293m.

**BEST COMMUNICATION****Imperial Innovations**

Imperial Innovations is trying to repeat its win in this category. The investment company is a spin out from Imperial College in London and in February, Imperial raised £100m at 425p a share, which meant that pro forma net cash was around £160m. Woodford Investment Management has received FCA approval to take a stake of more than 20% in Imperial Innovations.


**feature**

# AIM averages up

The average size of AIM companies is increasing.

Much has been made of the fact that the value of AIM has passed £80bn in recent weeks but this is a classic example of how people can latch onto figures that have little or no relevance, while missing the real underlying significance.

There has always been an obsession with the number of AIM companies and value of AIM. In the good times, as the number of companies pass certain levels, such as 1,000 or 1,500, this is thought of as a positive but in tougher markets this turns into

moaning about how there are too many tiny companies.

It is not as if £80bn is a historically significant value for AIM because this is a level that has been passed in many other months. At the end of 2007, AIM was valued at £97.6m.

There is something more significant about the rise in the value of AIM, which is happening as the number of companies on the junior market continues to fall. The average AIM company value is £80m compared with £70m at the end of 2015.

To put this in perspective, Market Tech Holdings, GVC and Dalata Hotel Group moved to the Main Market earlier this year and they were valued at more than £2bn at the end of 2015. Those two companies would have added around £2m to the average company size. Other companies have also left the market. Less than £3bn of new money has been raised during the period.

## Rising trend

Average AIM company values tend to go up and down with the market but there has undoubtedly been an upwards trend. In the early years, the averages were understandably low but in the middle of the internet and technology boom they increased to £38.8m at the end of 1999. The average slumped to £14.6m at the end of 2002 but the recovery in the market helped the average to rise to £57.6m at the end of 2007. Following the slump in 2008, the average has been in the £50m-£70m range since then.

Of course, whether or not the average will stay around £80m in the short term is likely to depend on the movements in the markets but the long-term trend appears clear.

The proposed cancellation of the AIM quotation of New European Property Investments, currently the second-largest company on the junior market with a market capitalisation of just short of £3bn, could hold back the average at the end of this year.

It is expected that larger companies will eventually leave AIM and the newer companies are likely to be much smaller. The average size at the end of the year could depend on how strong the markets are during the autumn.

### SIZE OF AIM COMPANIES

YEAR END	AIM VALUE (£BN)	NUMBER OF COMPANIES	AVERAGE SIZE (£M)
1995	2.4	121	19.7
1996	5.3	252	21
1997	5.7	308	18.4
1998	4.4	312	14.2
1999	13.5	347	38.8
2000	14.9	524	28.5
2001	11.6	629	18.5
2002	10.3	704	14.6
2003	18.4	754	23.3
2004	31.8	1,021	31.1
2005	56.6	1,399	40.5
2006	90.7	1,634	55.5
2007	97.6	1,694	57.6
2008	37.7	1,550	24.3
2009	56.6	1,293	43.8
2010	79.4	1,195	66.5
2011	62.2	1,143	54.4
2012	61.7	1,096	56.3
2013	75.9	1,087	69.9
2014	71.4	1,104	64.7
2015	73.1	1,044	70
2016 (Aug)	80.6	1,007	80



## statistics

# Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	21.1	17.8
Consumer services	17.1	10.8
Healthcare	14.6	8.9
Industrials	13.4	16.6
Technology	10.2	11.4
Consumer goods	8.4	5.8
Basic materials	7.3	15.1
Oil & gas	5.8	10.7
Telecoms	1.4	1.5
Utilities	0.7	1.3

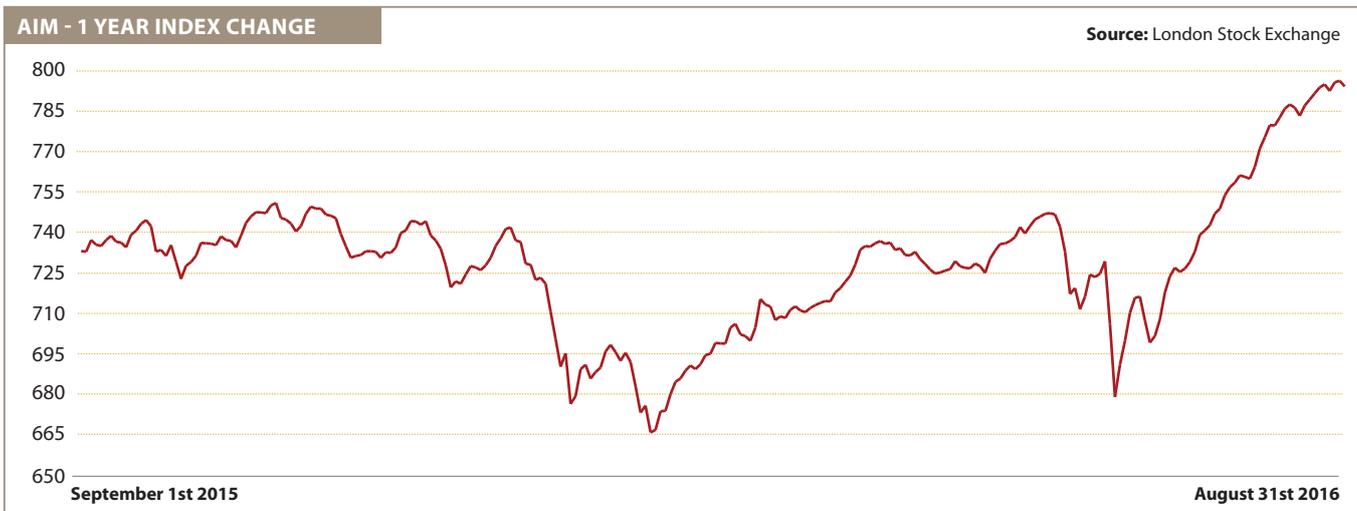
KEY AIM STATISTICS	
Total number of AIM	1010
Number of nominated advisers	33
Number of market makers	49
Total market cap for all AIM	£77.4bn
Total of new money raised	£98.2bn
Total raised by new issues	£41.4bn
Total raised by secondary issues	£56.8bn
Share turnover value (2016)	£16.7bn
Number of bargains (2016)	3.27m
Shares traded (2016)	215.9bn
Transfers to the official list	180

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	791.32	+7.7
FTSE AIM 50	4413.79	+11.8
FTSE AIM 100	3746.22	+11.4
FTSE Fledgling	8233.28	+7.2
FTSE Small Cap	4897.62	+6.6
FTSE All-Share	3697.19	+7.6
FTSE 100	6781.51	+8.5

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	236
£5m-£10m	114
£10m-£25m	197
£25m-£50m	148
£50m-£100m	130
£100m-£250m	115
£250m+	70

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Origo Partners	Financials	1.68	+510.9
Harvest Minerals	Mining	10.5	+331.6
Hague and London Oil	Oil and gas	11	+183.9
Taihua	Healthcare	2.25	+125
Alexander Mining	Mining	0.27	+116

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Sigmaroc	Shell	0.4	-42.9
Alpha Returns Group	Financials	0.38	-42.3
Aureus Mining Inc	Mining	2.88	-37.8
ECR Minerals	Mining	0.01	-35.9
Premier African Minerals	Mining	0.43	-34.6



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## Northland Capital Partners

Based in London, Northland Capital Partners Limited is an independent institutional stockbroker and corporate adviser. Northland enables growth companies to access capital and offers a full nomad service to AIM-quoted small and midcap companies. It has excellent connections with investors, providing them with equity research, advice and trading services. Northland has assembled

a team of highly motivated and experienced professionals that aims to deliver unparalleled service to our clients.

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

resources and support services.

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

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

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