DECEMBER 2021

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

# AIM JOURNAL

## Research rules eased

The Financial Conduct Authority (FCA) is scrapping MIFID rules on research for companies with a market capitalisation of less than £200m. This could help to obtain more research coverage. The changed rules come into effect on 1 March 2022. Proposed changes to the Main Market rules could provide additional opportunities for AIM and Aquis.

The existing research rules came into force in 2018 and they require research to be priced separately from other services. The new rules will mean brokers will be able to provide research to asset managers on a bundled basis or for free and it will no longer be deemed to be an inducement.

The FCA says that the market capitalisation will be calculated once a year on 31 October based on the average monthly market capitalisation for the preceding 24 months. If a company has just floated, then the market capitalisation at the end of the first day of trading will be used. There is no guarantee that the changes will spark an increase in the coverage of smaller AIM companies, though.

The FCA also announced plans to increase the minimum market capitalisation for the Main Market from £700,000 to £30m as part of its plans to make listings more attractive. There are companies that have floated on the standard list that would be too small under the new rules and would have to find another market.

## Blue Prism bid battle

A bid battle for Blue Prism continues. Financial services and healthcare technology supplier SS&C Technologies Holdings Inc announced a 1275p a share offer for the robotic software provider, which values the company at £1.24bn. The bid, which is recommended by the Blue Prism board, is still not much more than 50% of the share price high in 2018.

Vista Equity Partners originally made a bid of 1125p a share and then subsequently increased the bid to 1250p a share before the latest move by Connecticut-based SS&C Technologies. Vista could still decide to return with a higher bid.

Blue Prism has annual recurring revenues of £179m and will be able to sell to the larger customer base of SS&C Technologies.

Another technology company that has agreed to a bid is Universe Group. The petrol station and convenience store retail technology supplier fell into loss in last year and continues to lose money. The 12p a share bid by a subsidiary of Professional DataSolutions Inc values Universe at £33.1m. The share price has not been near 12p since 2017.

## In this issue



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

# Marshall Motor takeover

Marshall of Cambridge decided to sell its 64.4% stake in Marshall Motor Holdings and Constellation Automotive Holdings offered 400p a share in cash, sparking a full bid for the motor dealer. That values the company at £322.9m. This follows the £80m takeover of rival motor dealer Cambria Automobiles during the summer.

Marshall Motor is the fifth largest motor dealer in the UK, and it joined AIM in April 2015 at a placing price of 129p. The bid follows the agreement to acquire Motorline Holdings. The enlarged group has 150 car franchise sites and 14 commercial vehicle dealerships. The bid values Marshall Motor at around 14 times prospective 2023 earnings, when the benefits of the Motorline acquisition will be showing through.

The used car market has been particularly strong due to the lack of new car sales. This is set to continue for the foreseeable future even though used car transactions in the third quarter of 2021 were lower than the third quarter of 2020. There was a 16.4% increase in the nine months to September 2021.

Constellation Automotive is a used vehicle retailer in the UK and continental Europe. It is a digital auction-based business and has been diversifying from a B2B focus to enable consumers to buy or sell cars via its marketplace. The core business was previously quoted as BCA Marketplace and was acquired by private equity firm TDR Capital for £1.91bn in 2019. Marshall Motor will bring retail expertise outside of auctions.

This will leave Vertu Motors as the only significant motor dealer on AIM. At 64.4p a share, Vertu Motors is trading at a small premium to net tangible asset value of 61.5p a share. The shares are trading on around ten times prospective 2022-23 earnings.

# Victoria rugs buy

Floorcoverings manufacturer Victoria has diversified into rugs through its latest acquisition. It is buying Belgium-based Balta Group's rugs, polypropylene carpets and non-woven carpets businesses for €138m (£117m) and is taking on their debt of €57m (£48m). In the year to March 2021, the businesses generated revenues of €307m (£260.2m) and EBITDA of €35.5m (£30.1m). The purchase will be immediately earnings enhancing but it is not expected to be completed until April. Koch Equity Development is injecting a further €150m into Victoria convertible preferred shares, taking the total in issue to £225m. The dividend on all the preferred equity will be reduced to 8.35% in cash, or 8.85% in kind.

# Gelion zinc-bromide battery technology

Australia-based Gelion is a zinc-bromide battery storage technology developer that is a spin-out from the University of Sydney. It is the latest cleantech company to join AIM and there are more to follow. Gelion raised £16m at 145p a share, valuing the company at £154.4m, to fund further development and commercialisation of its technology. Gelion shares ended the first day of trading at 150.5p.

Gelion Endure zinc-bromide batteries are suited for harsh environments and the non-flow zinc-bromide technology means that they can be smaller than rival lithium-ion and lead-acid technologies. They are also recyclable and can cope with extreme temperatures. The batteries can be manufactured in the same plants as lead-acid batteries.

HBL Power Systems in India and Battery Energy Power Solutions in Australia will manufacture the batteries. There are likely to be other manufacturers signed up in North America and Europe. The stationary battery market is expected to grow by 24% a year.

Gelion has signed a memorandum of understanding with Mayur Renewables to supply scalable non-flow zinc-bromide battery technology for use in Papua New Guinea. An initial 100MWh of energy storage will be supplied between 2022 and 2027. There are memoranda of understanding with three companies for a total of 400MWh of energy storage.

Gelion is also developing battery additives used in lithium-ion and lithium-sulfur batteries. They could be used for automotive or aviation. A low-cost additive has been developed that can more than quadruple the lifetime of a lithium-sulfur battery and increase energy density. Electric vehicle battery sales are expected to reach $125bn by 2030, which is annual growth of 18%.

So far, revenues have been modest – and all generated from the University of Sydney - reaching £351,000 in the year to June 2021.

# Mergers boost for finnCap

Progressive Equity Research slightly upgraded its full year profit forecast for finnCap after the AIM broker reported its interims. The broking business nearly maintained its revenues despite lower transaction income, while the growth came from the finnCap Cavendish mergers and acquisitions advisory business which almost trebled its income.

In the six months to September 2021, group revenues were 55% ahead at £31.7m, while underlying pre-tax profit was two-thirds higher at £7.2m.

Net cash was £21.2m at the end of September 2021. The interim dividend was raised by one-fifth to 0.6p a share and the full year total is expected to increase from 1.5p a share to 1.75p a share.

finnCap has been busy with transactions in the second half. Recent flotations include Australian battery technology company Gelion and energy efficiency firm Eneraqua Technologies. The mergers and acquisitions market remains strong, but it will be difficult for finnCap Cavendish to repeat the first half performance.

Full year revenues are expected to be between £45m and £50m. The full year pre-tax profit forecast was increased by 2% to £9.1m, which is a reduction from £9.6m in the previous year when there was an exceptionally strong second half.

■ Market maker **Winterflood** says that trading levels have been lower since the end of the financial year to July 2021. First quarter trading is nearer to pre-Covid levels. Winterflood has not lost money for any day during the quarter, and it continues to trade profitably.

**ADVISER CHANGES - NOVEMBER 2021**

| COMPANY | NEW BROKER | OLD BROKER | NEW NOMAD | OLD NOMAD | DATE |
|---|---|---|---|---|---|
| **RBiVictriX Therapeutics** | Panmure Gordon / SP Angel | SP Angel | SP Angel | SP Angel | 11/1/2021 |
| **Zinnwald Lithium** | Oberon / Turner Pope | Turner Pope | Allenby | Allenby | 11/1/2021 |
| **Angle** | Berenberg / Jefferies | finnCap / WG Partners | Berenberg | finnCap | 11/2/2021 |
| **Oncimmune Holdings** | Singer / WG Partners | Singer / Zeus / WG Partners | Singer | Zeus | 11/2/2021 |
| **Advanced Medical Solutions** | Investec / HSBC | Investec | Investec | Investec | 11/4/2021 |
| **Alien Metals** | WH Ireland / Turner Pope | Turner Pope | Beaumont Cornish | Beaumont Cornish | 11/4/2021 |
| **Renold** | finnCap / Peel Hunt | Peel Hunt | Peel Hunt | Peel Hunt | 11/5/2021 |
| **Audioboom** | finnCap | Allenby | finnCap | Allenby | 11/10/2021 |
| **Seeing Machines** | Stifel Nicolaus | Cenkos / Stifel Nicolaus | Stifel Nicolaus | Cenkos | 11/10/2021 |
| **Creo Medical** | Numis / Cenkos | Cenkos | Cenkos | Cenkos | 11/11/2021 |
| **i3 Energy** | Stifel Nicolaus / Tennyson / WH Ireland | Canaccord Genuity / Tennyson / WH Ireland | WH Ireland | WH Ireland | 11/18/2021 |
| **AfriTin Mining** | Stifel Nicolaus / H&P | Turner Pope / H&P | WH Ireland | WH Ireland | 11/22/2021 |
| **Dolphin Capital Investors** | finnCap | Panmure Gordon | finnCap | Grant Thornton | 11/26/2021 |
| **Ince Group** | Arden | Arden | Allenby | Arden | 11/26/2021 |
| **Intuitive Investments** | Turner Pope | Turner Pope | SP Angel | Strand Hanson | 11/29/2021 |
| **LoopUp** | Cenkos / Panmure Gordon | Panmure Gordon | Panmure Gordon | Panmure Gordon | 11/29/2021 |

# European distribution problems hamper progress at musical instruments retailer Gear4Music

*Musical instruments retailer* *www.gear4musicplc.com*

Progress at musical instruments retailer **Gear4Music** is being held back by distribution problems. Although the interims were in line with expectations, the problems will hit the second half performance. An acquisition will broaden the range of products that the group sells and significantly increases the addressable market.

Interim revenues dipped from £70.2m to £65m, but that is no surprise because there was a boost in demand during the original Covid-19 lockdown. Product margins held up, but higher distribution and marketing costs hit operating margins. Net bank debt was £13.4m at the end of August 2021, even after increasing stock levels.

Gear4Music is not immune to supply problems due to higher shipping costs and longer time scales for deliveries. It has also become more difficult and costly to move the musical instruments out of the UK into Europe to fulfil orders. There are established distribution centres in Germany and Sweden, while sites in Spain and Ireland are taking time to get up to speed. Second half European sales are expected to fall by 15%. The distribution hubs will be able to handle annual sales of £120m and they should help to ease the European supply problems.

## Gear4Music has bought AV,com

Gear4Music has acquired the AV,com domain for £3m, as well as the assets of AV Distribution. This supplies home audio and visual equipment and Gear4Music will use its existing expertise to launch the new online platform early in 2022. This will not make much of a contribution until the next financial year. New products are being launched by the Premier drums business that was acquired earlier in the year.

| GEAR4MUSIC (G4M) | | | 680p |
|---|---|---|---|
| 12 MONTH CHANGE % | -4.3 | MARKET CAP £M | 142.5 |

Peel Hunt cut its 2021-22 pre-tax profit forecast from £8m to £6m. The share price declined by more than one-fifth during November and the prospective multiple is 30.

# Focusrite strategy continues to pay off

*Audio products* *www.focusriteplc.com*

Audio equipment supplier **Focusrite** generated organic growth of 28% in 2020-21, helped by music makers and podcasters buying equipment during lockdowns around the world. Focusrite will do well to repeat this year's profit, but the underlying growth and opportunities remain strong.

Total revenues were one-third ahead at £130.1m, with the fastest rate of growth in North America. The Focusrite branded products grew strongly and there was an initial contribution from synthesiser brand Sequential. Martin Audio did relatively well, even though it has previously been dependent on live music events. Underlying pre-tax profit improved from £22.1m to £33.9m. The total dividend was raised by 24% to 5.2p a share.

| FOCUSRITE (TUNE) | | | 1590p |
|---|---|---|---|
| 12 MONTH CHANGE % | +64.8 | MARKET CAP £M | 933.3 |

Freight costs have risen and there are some component supply problems. However, Focusrite has managed to cope with these challenges, which are set to continue.

There is net cash of £17.6m even after spending £13.9m on Sequential during April. There is also an unused credit facility of £40m that lasts until December 2024. Management has a good record of making add-on acquisitions that extend the product range. Further acquisitions using the cash will boost profitability.

Focusrite has become one of the top 40 AIM companies by market capitalisation. When it floated seven years ago the market capitalisation was £73.2m at 126p a share.

Currently modest growth in revenues, before full year contributions from acquisitions, is expected. The shares are trading on 32 times flat prospective earnings, but the company has a record of upgrades throughout the financial year.

# Getech secures initial hydrogen and energy generation project in West Sussex

*Resources information* *www.getech.com*

**Getech** has made a major stride in the strategy of refocusing from oil and gas to renewables through the deal to develop a clean energy hub at the port of Shoreham in West Sussex. Getech subsidiary H2 Green has a two-year exclusive agreement to produce hydrogen using onshore wind and solar power generation capacity. The final investment decision will be made in the second half of 2022.

Phase one will involve the generation of hydrogen and renewable electricity for 39 forklift trucks and 12 heavy goods vehicles. The facility that produces the hydrogen will be powered by renewable electricity. Phase two will involve the scale up of production so that more than 800 heavy goods vehicles, which enter the port each day, and marine vessels can be powered. The hydrogen facility could have a capacity of 10-15 tonnes a day.

## H2 Green will retain a 20% stake

Phase three relates to an ammonia importation facility. Ammonia is used as a more efficient way of transporting hydrogen due to its higher energy density.

It could take 18 months to get hydrogen production up and running after an investment decision is made and up to five years to build up production. The project is expected to last for 30 years. Oxygen produced in the process could be used by the port's water treatment facility.

Management believes this will be the first of many clean energy projects. Each hub could require £8m-£13m of cash, but H2 Green will bring in partners to help fund the capital investment.

| GETECH (GTC) | | | 30p |
|---|---|---|---|
| 12 MONTH CHANGE % | +63.5 | MARKET CAP £M | 20.3 |

Cenkos estimates that H2 Green will retain a 20% stake in a hydrogen facility that produces 10 tonnes a day. Based on a hydrogen price of £8/kg then this project could contribute £1.8m of annual EBITDA to Getech. At £10/kg, which is nearer the current price, the figure is £3m.

H2 Green already has a partnership with Eversholt Rail to build a hydrogen network to fuel hydrogen powered trains close to where it is required.

# Renold recovery on track

*Chains manufacturer* *www.renold.com*

Chain and transmission equipment manufacturer **Renold** increased interim revenues by 17% to £95.3m, while underlying pre-tax profit was 52% higher at £5m. That profit figure was boosted by the writing off of a US Covid-related loan.

The growth in revenues and profit came from the chain business with the transmission division reporting a lower profit as government support was ended. Transmission is a business that tends to lag the performance of chain and the order book has been boosted by a £11m long-term military contract.

| RENOLD (RNO) | | | 30.25p |
|---|---|---|---|
| 12 MONTH CHANGE % | +131.8 | MARKET CAP £M | 68.2 |

Net debt was £13.9m at the end of September 2021, although there is significant capital investment planned. The pension deficit remains a negative. The gross figure is £100.3m and net of deferred tax it is £77.8m. The deficit continues to fall but at a slow rate. Renold has net liabilities.

Brooks Conveyor Chain was acquired in April, and it contributed more profit than expected. Management would like to make more add-on acquisitions like this that broaden the customer base and bring additional volume to existing factories.

The order book has reached £72.1m. Full year pre-tax profit is forecast to improve from £6.6m to £9.4m, which is higher than in 2019-20. The share price has bounced back strongly, yet the shares are trading on nine times prospective earnings. That reflects the high pension deficit.

# Life Science REIT flotation raises £350m for pharma property investment

*Life science property investor* *www.lifesciencereit.co.uk*

There is a shortage of suitable office and laboratory space for pharma and life sciences companies in the UK and the newly floated **Life Science REIT** has spotted an opportunity to invest in an existing portfolio of assets as well as developing additional capacity. Life Science REIT will invest in properties in Oxford, Cambridge and London.

The types of properties will include laboratories, manufacturing facilities, offices and data centres. Most of the properties will be a combination of offices and laboratories. It is estimated that up to 20 million square feet of additional office and laboratory space will be required over the next two decades as there are more spin-offs from universities. Rents in Oxford have been catching up with rents in Cambridge and they continue to increase.

## A 4% yield is targeted

Life Science REIT raised £350m at 100p a share and most of this cash is already earmarked for properties where acquisition discussions have commenced. There was a potential pipeline of investments with a total value of £445m and Rolling Stock Yard in King's Cross has already been acquired for £77m - the net initial yield is 4.4%. The pipeline includes £85m of development opportunities. The cash raised should be invested within six months.

| LIFE SCIENCE REIT (LABS) | | | 99.8p |
|---|---|---|---|
| 12 MONTH CHANGE % | N/A | MARKET CAP £M | 349.3 |

Borrowing will be used to buy more properties. The appropriate loan to value will be between 30% and 40%. The annual advisory fee is 1.1% of NAV up to £500m.

The current share price is slightly above the NAV after flotation expenses of around 98p a share. A 4% yield is being targeted, based on the issue price, with annual growth of 5%. The initial dividend will cover the period from admission to June 2022. There will then be two dividends each year. The company wants to achieve a total return of 10% a year over the medium term.

# Totally's waiting list opportunity

*Healthcare provider* *www.totallyplc.com*

Demand is returning to the planned care and insourcing operations of **Totally** and profit is set to grow over the coming years as the NHS tires to reduce the waiting lists that have soared during the Covid-19 pandemic. Existing contracts have been extended and new work is being gained.

In the six months to September 2021, revenues were 14% ahead at £61.6m, while pre-tax profit before amortised acquired contracts improved from £1m to £2m. There was £18.3m of cash in the bank. The interim dividend doubled to 0.5p a share.

| TOTALLY (TLY) | | | 33p |
|---|---|---|---|
| 12 MONTH CHANGE % | +78.4 | MARKET CAP £M | 60.1 |

The urgent care division still produces most of the group's revenues and they have been steadier than for the other divisions. The insourcing division uses existing facilities and its own staff to carry out operations and other medical procedures, normally at the weekend. Revenues doubled in the first half, admittedly from a low level. The planned care division has rebuilt its revenues after they were hit by the original lockdown.

Totally has not made a major acquisition since 2019 and management believes that this is a good time to make more acquisitions. Discussions are underway with potential targets.

Allenby forecasts that full year pre-tax profit will improve from £2.5m to £3.1m. The shares are trading on 18 times prospective earnings, falling to 14 the following year. If Totally secures suitable add-on acquisitions and uses the cash pile to pay for them then earnings could be significantly enhanced.

# Outsourcing paying dividends for iEnergizer

*Business process outsourcing* *www.ienergizer.com*

## Dividend

The business outsourcing company joined AIM in 2010 and paid dividends in 2011 and 2012, but it did not become a regular dividend payer until 2018-2019 when a dividend of 10.4p a share was paid, followed by a 13.6p a share total dividend in the following year.

A 49.4p a share special dividend was paid earlier this year. That was on top of an interim dividend of 5.72p a share. The final dividend was 8.4p a share and that took the total to 14.12p a share, excluding the special dividend. The total cost of last year's dividends was $160m, compared with the £37m raised in the flotation at 116p a share.

The latest interim dividend is 8.12p a share. Arden forecasts a 25 cents a share total dividend for 2021-22, which equates to around 18p a share, depending on the exchange rate. That dividend is covered 1.3 times by forecast earnings. A 2022-23 dividend of 30.7 cents is forecast.

## Business

India-based iEnergizer provides business processing outsourcing services to clients and it operates from eleven sites on six continents. These services include accounts, back office, training, IT and sales. This is a business with high margins, and it has been growing rapidly.

The market is growing, but iEnergizer appears to be doing even better than its rivals. Its stronger sectors include media, financial services and telecoms. The largest customer is more than 10% of revenues and it generated $23.6m, up from $13m, in the six months to September 2021. That shows how more revenues can be gained from existing customers. The international nature of the business helps it to win new customers.

| IENERGIZER (IBPO) | |
|---|---|
| Price (p) | 310 |
| Market cap £m | 589.4 |
| Historical yield | 4.6% |
| Prospective yield | 5.8% |

In the six months to September 2021, revenues were 37% higher at $122.6m, while operating profit was 50% ahead at $42m. Higher interest charges meant that pre-tax profit was 41% higher at $37.9m. A lower tax rate meant that earnings increased by 50% to 18 cents a share.

The special dividend and other payments meant that iEnergizer took on significant debt with net debt of $114.2m at the end of March 2021. That is expected to fall to $98.9m this year and, even with another dividend increase, it could fall to $73m by March 2023.

Arden forecasts an increase in pre-tax profit from $55.9m to $71.2m in the year to March 2022, followed by a further rise to $87.4m the following year. The shares are trading on less than 13 times prospective earnings with the likelihood that the multiple will fall to ten the following year.

There were £440,000 worth of trades in October, but trading levels increased significantly during November, particularly on 11 November when the interims were announced and more than £800,000 of shares were traded. iEnergizer is one of the top 60 constituents of the FTSE AIM 100 index by market capitalisation, but it is one of the lower profile larger companies on the junior market.

# Dividend news

Wireless communications semiconductors supplier **CML Microsystems** is paying an interim dividend of 4p a share, which is more than forecast. The forecast total dividend for 2021-22 has been raised from 5p a share to 9p a share. In the six months to September 2021, revenues improved by 30% to £8m and CML returned to profit. This is without any contribution from the new SuRF product range, which operates at microwave and millimetre-wave frequencies that enable high data rates. This takes CML into markets such as Internet of Things and 5G telecoms. Shore Capital forecasts a full year pre-tax profit of £2m, while SuRF products will boost growth in the future.

**D4T4 Data** increased its interim dividend by 5% to 0.85p a share even though full year pre-tax profit is expected to decline from £4.4m to £2.6m. The data collection and analysis company has been building up its infrastructure and investing in new products, particularly the Celebrus Fraud Data Platform, which will broaden the market for D4T4. The benefits of the investment will take time to show through in the figures, although early sales of the fraud data product could still improve the full year outcome. Profit is expected to bounce back to £4.7m in 2022-23.

Digital transformation services provider **TPXimpact** expects to complete the integration of its acquisitions under the one brand by next spring. Interim revenues increased by 77% to £37.5m and organic growth was 21%. Underlying pre-tax profit more than doubled to £4.4m. Net debt was £4.7m at the end of September 2021. The interim dividend has been raised by 50% to 0.3p a share and the full year total is expected to be up to 1p a share. New contract wins mean that organic growth will continue to be significant, and acquisitions will accelerate the growth.

*Expert view: Registrars*

# 2021 in review

**By Hardeep Tamana**

It's difficult to think that another year is fast coming to a close, with the global health pandemic having constrained activity in the first few months of the year and COVID still very much a threat. However, there's been no shortage of activity, both internally at Avenir and across the wider market, underlining the collective determination to maintain a 'business as usual' approach wherever possible. To take stock of these achievements, we have put together a short month-by-month retrospective for 2021:

**January**
The team at Avenir kicked off the year with a new client, signing the main -board listed IMC Exploration Group Plc as our first equity issuer of 2021, showing that despite the constraints of lockdown, we had still been able to keep steadily growing the business.

**February**
Conroy Gold and Natural Resources plc, and Karelian Diamond Resources plc moved their registry service provision to Avenir Registrars. Both issuers stand to benefit from the fixed price structure offered by Avenir, helping contribute to keeping listing costs down, even in times of heightened market activity.

**March**
The €100 billion migration of Irish issuers from CREST to the new Euroclear CSD was completed successfully. Avenir, became one of only 3 Registrars in place to support Irish securities Issuers onto Euroclear Bank and supported a total of 17 instruments in their transition; a consequence of the UK's categorisation as a third country and as such CREST was left unable to act as CSD of securities of EU-domiciled businesses.

Also, the Hill Review into the terms of the UK listing process was published, as part of the government's plan to reform the London market and adjust regulations to support UK markets.

**April**
This month saw non-essential retail reopen after an unprecedented period in lockdown. For Avenir we supported a UK Equity Issuer listing on Euronext Paris; despite headlines to the contrary, the flow of capital continued to direct the choice of listing venues for issuers.

**May**
The ongoing relaxation of COVID restrictions and reopening of indoor dining acted as something of a turning point for doing business in the UK. As a company we have always operated on a hybrid model, only expecting staff to come into the office on a part time basis, the idea that we could all at least have the opportunity to see one another in person was hugely welcome.

**June**
The G7 agreed on a global minimum corporate tax rate of 15%, emphasising co-operation to enhance tax nets and prevent leakage to tax havens, sorely needed as the financial impact of the COVID pandemic continued to hit.

**July**
Space became the exciting topic with the launch of Virgin SS-Unity and later Blue Origin New Shepard. Thereafter followed a burst of novel press stories about mining in space to greening space, all whilst losing no irony in ignoring the one functioning planet we have.

**August**
Catenae Innovation Plc moved its registry operations to Avenir, benefiting from both the fixed cost of managing its active CREST register but also achieving savings on other registry management costs.

**September**
Lord Frost revisited the idea that given the UK was now out of the European Union, there was no longer an obligation to adhere to CSDR. Whilst we have already seen some modest divergence here which is generally considered to be pro-business, it i's vitally important that the roadmap for removing paper share certificates continues unhindered.

**October**
A heroic effort by our own Laura Dos Anjos saw her take on and successfully complete the London marathon, raising thousands of pounds for a dog rescue charity. In her own words "I crossed the finish line and sobbed profusely. I loved (almost) every minute but will absolutely never be doing that again."

**November**
Avenir Registrars supported Quantum Exponential Group plc through their IPO leading to a subsequent listing on the Aquis Exchange growth market.

**December**
As we close 2021, we cannot but help remark at how unusual the last two years have been and how much matters highlighted the fragility of systems so dependent on connectivity. COP26 in November stressed many of the themes that are expected to play out over the coming years. Here's wishing everyone the very best for 2022.

HARDEEP TAMANA, Managing Director, Avenir Registrars (www.avenir-registrars.co.uk).

# AIM fundraisings surpass 2020 figure

So far this year, existing AIM companies have already raised more cash than in any previous year in the history of AIM other than 2007.

Last year was a bumper time for fundraisings by existing AIM companies even if there were not many new companies joining the market. The £5.27bn raised in 2020 was just short of the £5.73bn raised in 2006. That 2020 figure has already been beaten in 2021 with weeks to go before the end of the year.

By the end of October, £5.62bn had been raised in 1,694 fundraisings, which is fewer than the 1,881 in 2020. There have already been some large placings since October. GB Group raised £305m to help finance the acquisition of US identity verification business Acuant for £547m, so that alone has enabled the 2006 figure to be passed.

The £9.6bn raised by existing companies in 2007 is still the record and it is unlikely that the 2021 figure will get near to that amount. There were 1,694 companies on AIM at the end of 2007, compared with 837 at the end of October 2021.

**MONEY RAISED BY EXISTING AIM COMPANIES**

| SECTOR | JANUARY TO OCTOBER 2021 | 2020 |
|---|---|---|
| Healthcare | 1,260.0 | 1,209.1 |
| Energy | 742.6 | 506.4 |
| Basic materials | 741.4 | 400.7 |
| Consumer discretionary | 738.8 | 1,129.7 |
| Industrials | 680.1 | 408.9 |
| Technology | 560.6 | 567.2 |
| Financials | 506.7 | 295.4 |
| Property | 169.7 | 392.5 |
| Utilities | 154.7 | 142.3 |
| Consumer staples | 49.4 | 190.5 |
| Telecommunications | 16.2 | 29.5 |
| Total | 5,620 | 5,272.2 |

## Sectors

Healthcare remains the sector that dominates the fundraisings. The sector accounts for 22.4% of the cash raised by existing companies during 2021, compared with 22.9% in 2020.

Both energy and basic materials sectors have raised more this year. Two-thirds of the cash raised by the energy sector is by alternative energy companies, such as ITM Power and Ceres Power. They have regularly raised money over the years to finance the development and commercialisation of their fuel cell and electrolyser technology. Oil and gas companies have raised £229.4m this year, which is more than last year.

Yellow Cake recently raised £109m to buy uranium and that is 15% of the total for the basic materials sector. Most of the cash raised in the basic materials sector is for industrial metals companies. The cash raised by the utilities sector is dominated by the £139.2m placing by Greencoat Renewables.

## New admissions

By the end of October there had been £1.25bn raised by new admissions during 2021, which is nearly triple the £486.6m raised in the whole of 2020. The £350m raised by Life Science REIT in November and the expected flood of other new AIM admissions should mean that the amount raised by new issues this year should be the most since 2014 when £2.6bn was raised. That is the fifth highest amount raised by new companies in the history of AIM.

The total amount raised by new and existing companies so far this year is £6.88bn and that is already the fourth highest annual figure. The third highest is £8.94bn, which was generated in 2005.

# Smaller company sentiment falls from previous high levels

The latest Quoted Companies Alliance Small & Mid-cap Sentiment Index research undertaken by YouGov shows a decline in smaller company optimism and less inclination to issue shares.

The fourth quarter smaller company sentiment survey from the Quoted Companies Alliance (QCA) was conducted by AIM-quoted market researcher YouGov during October. This provides an insight into the thinking of companies and their advisers in what continue to be uncertain times.

The research shows that 50% of smaller companies are seeking to raise cash, but share issues are no longer the most favoured way of gaining access to capital. The public markets are favoured by 39% of companies, down from 47% in the second quarter.

Bank finance is the route that 52% would prefer to access finance. That is a significant increase on the previous figure of 39%. The companies appear to think it is becoming much easier to obtain loans from banks.

This is the first time that bank debt has been more popular than share issues. Given that interest rates have been low for many years it is surprising that this has not happened previously, especially as interest rates are likely to rise.

There is a suggestion that the lower interest in share issues is because companies raised cash through share issues last year when they were worried about what would happen during the Covid-19 lockdown. This means that many have strong balance sheets, and it makes sense to increase borrowings as managements become more confident about the future.

The survey was conducted between 1 October and 29 October, which was well before the more recent Omicron Covid variant concerns, which could make companies more wary of gearing up their balance sheets. Higher interest rates could make share issues more attractive.

There were 118 small and mid-cap UK quoted companies surveyed, along with 24 advisers.

## Prospects

Economic optimism has slumped in the latest period with both companies and advisers at 53.9 on the scale. A figure of more than 50 is optimistic, but advisers were previously at 70.7 and companies at 68.6, having both recovered from well below 50 in the fourth quarter of 2020.

> Smaller companies expect their turnover to increase by 19% over the next 12 months

However, confidence about business prospects for the companies themselves is holding up well. The figure for companies has declined from 77.2 to 73.1. Advisers are always less optimistic about smaller companies than the individual companies and their figure has fallen from 70.7 to 60.

The smaller companies expect their turnover to increase by 19% over the next 12 months, compared with 20.9% in April.

## Corporate Governance

The QCA along with UHY Hacker Young Chartered Accountants has published the AIM Good Governance Review 2021-22. This is the ninth annual review and was based on the annual reports of 50 AIM-quoted companies.

The annual reports were assessed in relation to their compliance with the QCA Corporate Governance Code published in 2018.

The research shows that 86% of the companies surveyed provide a high-level explanation of how board performance effectiveness is assessed, up from 72% in 2020. The level of information varies, though. Three-fifths of the companies provide a more detailed description of the process.

According to the Chartered Governance Institute "boards that can demonstrate that they have carried out a robust evaluation of their effectiveness and that they are intent on delivering continuous improvement of their performance will have greater credibility with investors and other stakeholders."

Some investors believes that performance reviews should be done at appropriate times of the year rather than annually.

The percentage of companies that explain how succession planning is approached has fallen from 86% to 70%. There are also fewer companies outlining how directors have kept their skills up to date.

There was a big drop in the percentage of companies that disclosed the outcomes of votes in a clear manner. This fell from 62% to 40%.

**The QCA publications can be downloaded from www.theqca.com.**

# Market Performance, Indices and Statistics

## AIM SECTOR INFORMATION

| SECTOR NAME | % OF MARKET CAP | % OF COMPANIES |
|---|---|---|
| Consumer | 26.5 | 16.6 |
| Health Care | 15.6 | 10.8 |
| Industrials | 16.1 | 16.5 |
| Technology | 12.4 | 12.5 |
| Financials | 9.3 | 11.4 |
| Energy | 8.1 | 11.2 |
| Basic materials | 6.1 | 14.6 |
| Property | 3.4 | 2.9 |
| Telecoms | 1.6 | 1.8 |
| Utilities | 0.7 | 1.1 |

## FTSE INDICES

ONE-YEAR CHANGES

| INDEX | PRICE | % CHANGE |
|---|---|---|
| FTSE AIM All-Share | 1187.56 | +13 |
| FTSE AIM 50 | 6381.11 | +10 |
| FTSE AIM 100 | 5852.18 | +9.5 |
| FTSE Fledgling | 13173.4 | +33.6 |
| FTSE Small Cap | 7174.49 | +22.6 |
| FTSE All-Share | 4025.87 | +13.6 |
| FTSE 100 | 7059.45 | +12.7 |

## COMPANIES BY MARKET CAP

| MARKET CAP | NO. |
|---|---|
| Under £5m | 57 |
| £5m-£10m | 96 |
| £10m-£25m | 140 |
| £25m-£50m | 130 |
| £50m-£100m | 118 |
| £100m-£250m | 167 |
| £250m+ | 129 |

## KEY AIM STATISTICS

| | |
|---|---|
| Total number of AIM | 837 |
| Number of nominated advisers | 28 |
| Number of market makers | 21 |
| Total market cap for all AIM | £146.7bn |
| Total of new money raised | £128.3bn |
| Total raised by new issues | £47.1bn |
| Total raised by secondary issues | £81.2bn |
| Share turnover value (Aug 2021) | £84.3bn |
| Number of bargains (Aug 2021) | 17.2m |
| Shares traded (Aug 2021) | 820.8bn |
| Transfers to the official list | 193 |

## TOP 5 RISERS OVER 30 DAYS

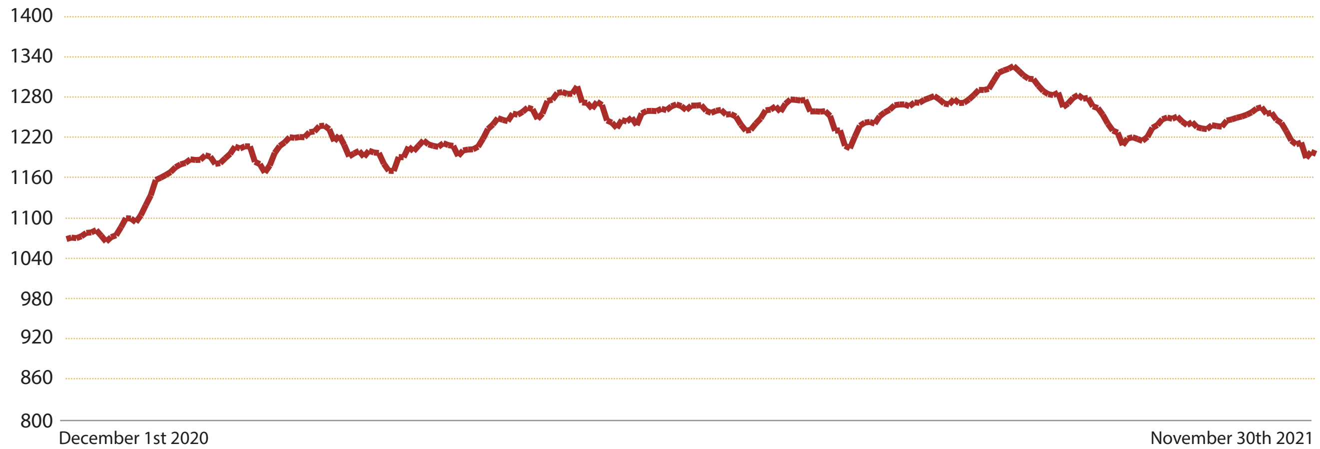
| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
|---|---|---|---|
| Universe | Software | 11.5 | +188 |
| Myanmar Investments | Financials | 27.5c | +120 |
| Bens Creek | Mining | 39 | +91.2 |
| MyHealthChecked | Healthcare | 3.05 | +79.4 |
| Cyanconnode | Technology | 25.75 | +74.6 |

## TOP 5 FALLERS OVER 30 DAYS

| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
|---|---|---|---|
| Omega Diagnostics | Healthcare | 22.75 | -54 |
| Westmount Energy | Oil and gas | 5.875 | -51 |
| Challenger Energy | Oil and gas | 0.575 | -50 |
| Argos Resources | Oil and gas | 0.675 | -48.1 |
| Purplebricks | Property | 28.525 | -46 |

## AIM - 1 YEAR INDEX CHANGE

**Source:** London Stock Exchange




**Data: Hubinvest** Please note - All share prices are the closing prices on the 30th November 2021, and we cannot accept responsibility for their accuracy.

## sponsors

# 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.

| | | | |
|---|---|---|---|
| **PUBLISHED BY:** | Hubinvest Ltd, | **MOBILE / TEL:** | 07729 478 474 |
| **ADDRESS:** | 1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH. | **EDITOR:** | Andrew Hore |
| | | **PRODUCTION & DESIGN:** | David Piddington |

**SPONSORSHIP & ADVERTISING** aimjournal@hubinvest.com
or telephone 07729 478 474