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# AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

## Diversified enhancement

Diversified Gas & Oil is paying \$575m for further oil and gas assets in the Appalachia basin. This will enhance earnings as well as enable a significant increase in dividend. The deal is partly financed by a placing raising £189.5m at 97p a share. This is the third time in little more than 12 months that Diversified has raised cash at a share price above the flotation price.

Diversified has focused its activities on the Appalachia region. This is the third major deal that Diversified has done since moving to AIM in February 2017, raising £39.7m at 65p a share. Last June, £27.5m was raised at 70p a share and earlier this year £133.1m was raised at 80p a share – each to fund the purchases of additional assets in the Appalachia basin.

The latest assets acquired are in Kentucky, Virginia and West Virginia and produce 700 barrels of oil equivalent a day. The acquisition also includes 6,400 miles of pipeline generating third-party revenues. The acquisition will spread overheads and improve the margin achieved. Pro forma reserves will be 393 mboe, of which 84% is gas.

The next quarterly dividend of 1.723 cents a share will be paid to existing shareholders. The reverse takeover should be completed by 17 July. The dividend policy is to pay 40% of excess cash flow as dividend and that cash flow should double after the acquisition, whereas the number of shares will rise by two-fifths.

## EKF AI spin-off decision

EKF Diagnostics is seeking the views of institutional investors concerning the possible spin-off of Renalytix AI, which is developing artificial-intelligence-based technology for the early identification and management of chronic kidney disease. There would be a cash raising to fund development and a stockmarket flotation. EKF would retain a stake in Renalytix AI plc and its shareholders would be given the opportunity to invest in the fundraising, which is targeted to raise £20m.

At the end of May, EKF secured a licence

and collaboration agreement with Icahn School of Medicine at Mount Sinai in New York, which will help to develop the Renalytix AI technology. Mount Sinai will supply anonymised clinical data and assist in the validation of the product, which should commence in 2019. EKF hopes that the AI diagnostic test could receive FDA clearance in 2020.

Chronic kidney disease costs \$100bn a year to treat in the US alone and it is under-diagnosed. Clearance by the US authorities would enable Medicare and private pay reimbursement for the test.

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## general news

# Ovoca Russian deal

Ovoca Gold is switching its operations from mining to drug development via a reverse takeover of a Russian company. Ovoca, which suspended its mining operations in 2014, is acquiring a majority stake in IVIX, a company developing a treatment for female sexual dysfunction. A stake of up to 59.9% will be acquired in the charter capital of IVIX for \$6.2m (€5.3m) in cash.

An initial 50.02% stake in IVIX will be acquired for \$4.12m (€3.54m), made up of a combination of new and existing shares, and there is also the right to take this stake to 59.9% by acquiring additional shares for \$2.04m (€1.75m).

IVIX was founded in 2012 and it has completed phase II clinical trials in Russia for its Libicore

treatment, which is administered via a nasal spray. These trials have indicated the safety of the treatment and the potential to treat female sexual dysfunctions, such as decreased desire and arousal disorders. A phase III trial is planned and discussions have begun with the FDA for potential approval of the Libicore development dossier for the US. There are a limited number of alternative treatments available in this area. Ovoca intends to license commercial rights or find partners for Libicore.

The company will be renamed Ovoca Bio when it is readmitted to AIM and the Enterprise Securities Market in Dublin on 30 July. Ovoca still owns 1.4 million shares in Polymetal and plans to sell the remaining mining assets.

# Koovs secures cash

Future Lifestyle Fashions Ltd is taking a 29.9% stake in India-focused online fashion retailer Koovs. Fashion retailer Future will inject £5.8m at 10p a share into Koovs, which is also raising £12m at 15p a share. As well as being a retailer, Future also manufactures its own brands and has an extensive data analysis operation that could be exploited by Koovs. There is the potential for a click-and-collect service. Hindustan Times has signed a two-year, £24m media deal with Koovs, which was dependent on a fundraising of at least £6m. Koovs will acquire £6m of media every six months, paying 70% in shares and the rest in cash. Koovs is expected to continue to lose money until 2021.

# Alliance gains Diclectin approval

Alliance Pharma has gained UK marketing authorisation for Diclectin from the Medicines and Healthcare products Regulatory Agency (MHRA). It hopes to launch the morning sickness treatment, under the brand name of Xonvea, this autumn. Additional approvals will be sought in other European countries. This could be one of the group's most significant products in five years' time.

Diclectin is a prescription treatment for nausea and vomiting in women who are pregnant, but there had been questions about its effectiveness and this held up the MHRA approval. It has been used in

Canada for four decades and gained US approval in 2013.

Alliance acquired UK rights to Diclectin from Duchesnay Inc of Canada in January 2015 and the rights for a further nine EU countries in 2016. The total upfront payment was £1.5m. Initially, Alliance thought it could launch the drug in the second half of 2017, but in July 2017 the regulator announced it had not approved the drug.

Duchesnay will manufacture the drug and receive royalties. There is no other approved treatment of this kind available. Diclectin could generate revenues of £40m a year in the UK and the other main

European markets. This is based on similar usage rates to those in the US. Alliance had revenues of £103.3m in 2017. There will be upfront costs of launching the drug and it will not be a significant contributor until the second half of 2019.

Alliance continues its buy and build strategy and it is acquiring the marketing rights to Nizoral, an anti-dandruff shampoo brand in Asia Pacific, for £60m. Alliance raised £34m at 91p a share. The rights being acquired, which cover 15 countries, generated net sales of £18.5m in 2017. They would have generated pro forma EBITDA of £7.1m.



**advisers**

# Nucleus uses AIM as platform

Nucleus Financial, which provides platform services to financial advisers, intends to join AIM by the end of July but all the money raised will go to existing shareholders. A valuation of around

£150m has been suggested. Nucleus's wrap platform enables advisers to gain information and access a wider range of investments. Assets under administration were £14.3bn at the end of May 2018.

Pre-tax profit has gone from £4.77m in 2015, to £4.33m in 2016, and then back up to £5.12m last year. Nucleus intends to pay between 60% and 70% of profit after tax – £4.11m in 2017 – in dividends.

**ADVISER CHANGES - JUNE 2018**

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
<b>Imaginatik</b>	Peterhouse/finnCap	finnCap	finnCap	finnCap	05/06/18
<b>Tiger Resource</b>	Novum/First Equity	First Equity	Beaumont Cornish	Beaumont Cornish	05/06/18
<b>Amino Technologies</b>	Liberum/finnCap	finnCap/Canaccord Genuity	finnCap	finnCap	06/06/18
<b>Eckoh</b>	Canaccord Genuity/ N+1 Singer/Berenberg	N+1 Singer/Berenberg	N+1 Singer	N+1 Singer	06/06/18
<b>Tiziana Life Sciences</b>	Stockdale	Cairn	Cairn	Cairn	07/06/18
<b>Horizonte Minerals</b>	Numis/Shard	finnCap/Numis/Shard	Numis	finnCap	08/06/18
<b>PCG Entertainment</b>	SVS/Allenby	Allenby	Allenby	Allenby	11/06/18
<b>HaloSource Corp</b>	WH Ireland/Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	13/06/18
<b>MP Evans</b>	finnCap/Peel Hunt	Peel Hunt	Peel Hunt	Peel Hunt	13/06/18
<b>Stratex International</b>	Turner Pope/Hannam	Hannam	Grant Thornton	Grant Thornton	13/06/18
<b>Amerisur Resources</b>	Arden/Stifel Nicolaus/ Investec	Investec/Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	14/06/18
<b>Sareum</b>	Hybridan	WH Ireland/Hybridan	WH Ireland	WH Ireland	15/06/18
<b>Hummingbird Eesources</b>	Canaccord Genuity	Strand Hanson	Strand Hanson	Strand Hanson	18/06/18
<b>Metminco Ltd</b>	Stockdale/RFC Ambrian	RFC Ambrian	RFC Ambrian	RFC Ambrian	18/06/18
<b>Cora Gold Ltd</b>	SP Angel/Mirabaud	Mirabaud	Allenby	Allenby	19/06/18
<b>Frenkel Topping</b>	Whitman Howard/finnCap	finnCap	finnCap	finnCap	19/06/18
<b>Rose Petroleum</b>	Cantor Fitzgerald/ Turner Pope	Turner Pope	Allenby	Allenby	19/06/18
<b>Amedeo Resources</b>	Arden	WH Ireland	Arden	WH Ireland	20/06/18
<b>Braveheart Investment Group</b>	Peterhouse/Allenby	Allenby	Allenby	Allenby	20/06/18
<b>Adamas Finance Asia Ltd</b>	Shard	finnCap	WH Ireland	WH Ireland	21/06/18
<b>Audioboom</b>	Novum/Allenby	Allenby	Allenby	Allenby	21/06/18
<b>Trinity Exploration &amp; Production</b>	Cenkos	Cantor Fitzgerald	Spark	Spark	25/06/18
<b>Vitesse Media</b>	Canaccord Genuity	Stockdale	Stockdale	Stockdale	25/06/18
<b>Big Sofa Technologies</b>	Arden	Hobart	Arden	Spark	26/06/18
<b>Echo Energy</b>	Shore/Hannam	Hannam	Smith & Williamson	Smith & Williamson	28/06/18
<b>Mineral &amp; Financial Investments</b>	Novum/WH Ireland	WH Ireland	WH Ireland	WH Ireland	28/06/18
<b>Tekcapital</b>	finnCap/Dowgate	Allenby	finnCap	Allenby	29/06/18

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**company news**

## First Property increases NAV as it grows exposure to UK office properties

Property fund manager

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

Property fund manager and investor **First Property Group** is increasing its exposure to the UK, which accounts for 62.3% of assets under management at the end of March 2018. Most of the rest of the assets are in Poland, with Romania accounting for 1.9% – although an office building was subsequently acquired in Transylvania.

Management has shown itself to be adept at timing its property investments in different countries.

First Property reported flat pre-tax profit of £9.23m in the year to March 2018. The final dividend is 3% higher at 1.18p a share, which takes the total to 1.6p a share. The underlying NAV rose from 47.6p a share to 53.1p a share. There is

### The underlying NAV is 53.1p a share

gross debt of £118m and the loan to value is 68.7%.

Total assets under management were 31% ahead at £626m. Of these, third-party assets under management were 45% higher at £454m, which is mainly attributable to the new office fund, Fprop Offices. First Property continues to sell down its stake in Fprop Opportunities, which has fallen to 51.5%, and the plan is to sell more and deconsolidate the fund.

Progress this year will be held back by the departure of the tenant

FIRST PROPERTY (FPO)		62p
12 MONTH CHANGE %	+12.7	MARKET CAP £m
		65.6

in an office building in Poland, leading to the loss of annual income of €3m. Some of the space has already been re-let and the rest should be let during the year after there has been some refitting of the space, which indicates the strength of the market in Warsaw.

Arden downgraded its 2018-19 pre-tax profit expectations from £9.3m to £7.5m and the broker expects a modest improvement in NAV to 53.8p a share. Profit and NAV growth should accelerate after that, with a NAV of 57p a share forecast for 2019-20.

## Higher utilisation rates propel Driver

Construction disputes services

[www.driver-group.com](http://www.driver-group.com)

Construction disputes services provider **Driver Group** continues to improve its margins and profit helped by the growth of the Diales expert witness business. The turnaround of the business has been completed, but there are still good growth prospects.

In the six months to March 2018, revenues edged up by 3% to £31.7m. The Diales business is higher margin and, along with higher utilisation rates for consultancy staff, this helped to improve margins. Underlying pre-tax interim profit doubled to £2.1m and Driver

DRIVER GROUP (DRV)		83.5p
12 MONTH CHANGE %	+63.7	MARKET CAP £m
		45.1

ended the period with net cash of £800,000. The sale and leaseback of the company's head office was completed in April and net cash of £5.5m is forecast at the end of September 2018 and that could rise to £8.9m one year later.

Middle East revenues were lower but profit was 19% higher at £1.3m, thanks to utilisation rates of 83.5%. Asia Pacific utilisation rates of 91.6%, up from 73.6%, are even higher and

there was a sharp swing back to profit in the region.

Europe and Americas remains the largest profit contributor although the Middle East has nearly caught up. European trading was strong and Canada returned to profit.

A full-year profit of £3.5m, up from £2.5m, is forecast. A return to dividend payments is a possibility in the next year or so. The share price is double the 40p a share placing and open offer price in March 2017. The shares are trading on 16 times prospective 2017-18 earnings, falling to 14 the following year.



## company news

# Digital investment is setting the base for future growth at Park

*Incentives and Christmas savings*

[www.parkgroup.co.uk](http://www.parkgroup.co.uk)

A delayed start to a significant contract held back progress at corporate incentives and Christmas savings company **Park** last year and this was exacerbated by the low level of interest income generated by cash deposits. Margins should improve as more business is done digitally. The new chief executive and finance director are in place and they will have the opportunity to bring new ideas to the group.

Both the consumer and corporate divisions grew their contribution but the former grew fastest. The consumer business generated 48% of operating profit and has 436,000 customers. Growth is coming from online and mobile and this is helping customer acquisition costs to reduce. Becoming a licenced issuer of Mastercard has

## Corporate business is growing

provided an additional attraction for consumers.

The rate of growth of the corporate business should accelerate as the benefits from investment in technology come through. The previously mentioned large contract should start in the second half.

In the year to March 2018, group revenues dipped from £310.9m to £296.8m due to differences in recognising revenues from prepaid cards and vouchers, but gross profit was higher. Pre-tax profit improved from £12.4m to £12.9m. The steady rise in the total dividend continues and it was

PARK GROUP (PKG)	75.25p
12 MONTH CHANGE %	-8.4
MARKET CAP £m	139.7

raised 0.15p a share to 3.05p a share. The company's own cash was 9% higher, at £34.2m, at the end of March 2018.

Arden expects further progress this year, with a forecast pre-tax profit of £13.6m. That puts the shares on less than 13 times prospective earnings. If the dividend grows at the same rate as in the past, the yield would be 4.2%. Artemis has increased its stake from 6.2% to 11.1%.

The main short-term uncertainty relates to how the implementation of IFRS 15 will affect the accounting treatment of prepaid cards and vouchers. It should not have a significant effect on profit or cash flow.

# Wynnstay milks agricultural recovery

*Agriculture and feed*

[www.wynnstay.co.uk](http://www.wynnstay.co.uk)

Improved milk and other agricultural output prices fuelled first-half growth at agricultural and feed products supplier and retailer **Wynnstay**. Those price rises appear to be sticking, with milk producers agreeing long-term supply agreements with milk processors.

In the six months to April 2018, revenues rose from £198.1m to £218.5m due to a combination of price inflation and growth. Pre-tax profit improved from £4.25m to £4.92m and the interim dividend was raised by 5% to 4.41p a share. There was the normal dip into net debt in the first half but the trend

WYNNSTAY (WYN)	500.5p
12 MONTH CHANGE %	-13.3
MARKET CAP £m	99.5

points to higher net cash levels by the end of October.

Cattle feeding patterns returned to normal as output prices recovered and the extended winter also improved demand. Arable product demand was delayed but it started to pick up in April. There were higher grain volumes.

The retail division is purely country stores now that the Just for Pets business has closed. A further

ten stores were acquired in the first half, with eight cherry-picked from Countrywide Farmers' portfolio of stores after it went into administration. Many of these stores are in southwest England.

Gareth Davies, who ran the agricultural supplies business, has succeeded Ken Greetham as chief executive. The outlook for the business remains positive, with longer-term uncertainty provided by the UK's exit from the EU. Farmers will continue to get financial support from the government, although the emphasis may change.

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## company news

# Ariana Resources starts to generate cash from gold mining joint venture

Mining

www.arianaresources.com

Turkey-focused producer and explorer **Ariana Resources** is joining that relatively rare group of mining companies on AIM that are generating cash. Ariana is producing gold and silver at Kiziltepe in the Red Rabbit gold project and is set to invest cash generated in adding resources to the project area and exploring the Salinbas project. The share price is barely changed from one year ago even though cash flow is set to build up.

The project is 50%-owned by Ariana and because of this it is not consolidated in the company's figures. That is why there were no revenues in Ariana's 2017 accounts. The joint venture made a profit of £3.7m on revenues of £8.9m and in

## The joint venture made a profit of £3.7m

effect that came from six months of production. That indicates how profitable the operation is. The cash cost of production was less than \$600/ounce. The £1.83m contribution from the joint venture meant that Ariana reported a profit of £424,000.

This year 20,000 ounces of gold is expected to be produced, up from 10,191 ounces last year. There were 4,866 ounces produced in the first quarter and production should move to higher-grade areas later in the year. Already, \$10m of the

ARIANA RESOURCES (AAU)		1.4p
12 MONTH CHANGE %	+5.3	MARKET CAP £m
		14.8

construction loan has been repaid and since February Ariana has been receiving repayments of its loan to the joint venture.

Management believes that the Salinbas project has resources well in excess of the 1 million ounces that have already been identified.

Chairman Michael de Villiers has bought 1 million shares at 1.385p each, taking his stake to 48 million shares, while Chris Sangster, another director, has bought a further 555,555 shares at 1.44p each, taking his stake to more than 3.2 million shares.

# Technical progress at James Cropper

Paper and fibre products

www.cropper.com

Technical fibre products remains the growth generator for James Cropper with progress by the 3D products business slower than hoped.

In the year to March 2018, group revenues moved ahead from £92.4m to £96.3m, while pre-tax profit dipped from £6.57m to £5.83m. The total dividend was increased by 14% to 13.5p a share. That dividend is still four times covered by earnings. Net debt was £4.81m and there is a pension deficit of £19.5m.

The 3D products business develops sustainable moulded paper packaging and the product has been branded Colourform.

JAMES CROPPER (CRPR)		1420p
12 MONTH CHANGE %	-18.9	MARKET CAP £m
		134.6

Revenues improved from £7,000 to £166,000 last year, while the loss was £1.64m. It remains uncertain how quickly the revenues will grow. Stockdale believes that they could reach £1.5m this year but they need to be double that level to make a profit.

Paper making has always been cyclical and it will remain that way. Last year, revenues were flat but profit halved because of a rise in pulp prices. Technical fibre products

increased its operating profit from £5.94m to £7.5m but progress is likely to be more modest this year.

Prior to joining the board in August, Dr Andrew Hosty has bought an initial 500 shares at 1450p each. He brings additional expertise in advanced materials.

Stockdale has downgraded its 2018-19 forecast pre-tax profit to £6m with most of that improvement due to a lower loss on 3D products. The shares are trading on a prospective multiple of 22. That reflects the growth prospects for technical fibre and 3D products rather than the shorter-term outlook.


**dividends**

# Cloud services pay dividends at Iomart

Cloud-based managed services

www.iomart.com

## Dividend

Iomart paid its maiden dividend of 1.25p a share when it moved into profit in the year to March 2005. A reorganisation of reserves created distributable reserves to enable this to happen following years of losses. The dividend was raised to 3p a share the following year but the requirement to invest in datacentres meant that there was no dividend for two years.

The payouts were restarted in 2008-09 with a 0.3p a share dividend. The dividend has been rapidly increased since then and in 2017-18 the total dividend was raised from 6p a share to 7.18p a share and that was 2.5 times covered by underlying earnings. The dividend is expected to increase to 8.1p a share this year, rising to 8.7p a share in 2019-2020.

## Business

Iomart provides cloud-based managed services and operates eight datacentres. Iomart was founded two decades ago and sold its consumer-based business in 2001 in order to focus on the business market. The company has a strong track record of growth and cash generation over the past decade when the focus started to shift to cloud-based services. There has been a combination of acquisitive and organic growth. No customer generates more than 1% of revenues so the business is already well-spread. Around 90% of revenues are recurring and the majority of new business comes from existing customers.

Fund management software provider ISV indicates how revenues can build up. ISV generated £29,000 in 2012, when it hardly had any customers, and this rose to £705,000 in

IOMART (IOM)	
Price (p)	375
Market cap £m	406.4
Historical yield	1.9%
Prospective yield	2.2%

2016 as the company's software sales grew in the US and other markets.

Many UK businesses are still to outsource services, so there is a large untapped market. Iomart has widened the range of services it offers, including security services, which are particularly important these days. Data centre data content is set to grow at a cumulative annual rate of 36% between 2016 and 2021. Growth is likely to come from a combination of private and public cloud.

Last year's £6.7m acquisition of Dediserve provides an EU base as well as extending the group's international business. The other two acquisitions increased Iomart's exposure to Magento e-commerce software.

The business is cash generative but net debt went up to £26.6m by the end of March 2018 because of money spent on acquisitions and higher capital expenditure. Net debt could fall to £20m by next March but that assumes no acquisitions. There is a new £80m debt facility, lasting until June 2022, available to finance more acquisitions.

The focus is growing revenues while maintaining good margins. N+1 Singer forecasts a rise in pre-tax profit to £26.6m in the year to March 2019, which is held back by slightly higher depreciation charges because of recent investment. That puts the shares on 19 times prospective earnings.

## Dividend news

Financial adviser consolidator **Harwood Wealth Management** has doubled its assets under management to £1.6bn and increased assets under influence by 30% to £4.1bn in the past 12 months. Organic growth, fuelled by pension changes, was supplemented by acquisitions of small to medium-sized advisers in the six months to April 2018. Underlying pre-tax profit jumped from £350,000 to £1.06m. The interim dividend is 1.08p a share and the ex-dividend date is 25 October. A total dividend of 3.5p a share is forecast for the year, which would be twice covered by earnings by the current business. However, more acquisitions are planned to add to the nine in the first half, with 15 potential deals in the pipeline.

Pawnbroker **Ramsdens** increased its underlying pre-tax profit by 60% to £6.5m in its first full year as an AIM-quoted company. The foreign exchange business has become the biggest contributor to revenues, with the contribution from the click-and-collect currency service more than doubling. The total dividend is 6.6p a share and the ex-dividend date for the 4.4p a share final dividend is 23 August. This year's total dividend is expected to be 7.1p a share, which would be covered 2.5 times by forecast earnings.

Optical equipment and components manufacturer **Gooch and Housego** increased its interim dividend by 13.5% to 4.2p a share on the back of a 13% increase in underlying pre-tax profit to £7m. A higher profit contribution from aerospace and defence was partly offset by a reduction in industrial division profit because of delays to subsea cable projects. This work should come through in the second half. A record order book provides confidence that Gooch and Housego can hit the full-year profit forecast of £18.5m. Total dividend is expected to be increased from 10.2p a share to 11p a share.

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## expert views

### Expert view: The broker

## Export growth at Beximco Pharma

By Liam Gascoigne-Cohen

With the continually escalating prices of branded drugs, there is an increased demand for cheaper generic drugs, which offer a low-cost method of providing affordable medicines to cash-strapped healthcare providers. Beximco Pharma\* is an established, profitable, generic drug manufacturer based in Dhaka, Bangladesh. The company currently has a portfolio of over 500 generic treatments spread across most therapeutic areas that it manufactures and sells to both domestic and foreign markets. The company is part of the Beximco Group, one of the largest private-sector conglomerates in Bangladesh. In 2017, Beximco Pharma generated £133m in revenue and profits of c. £20m.

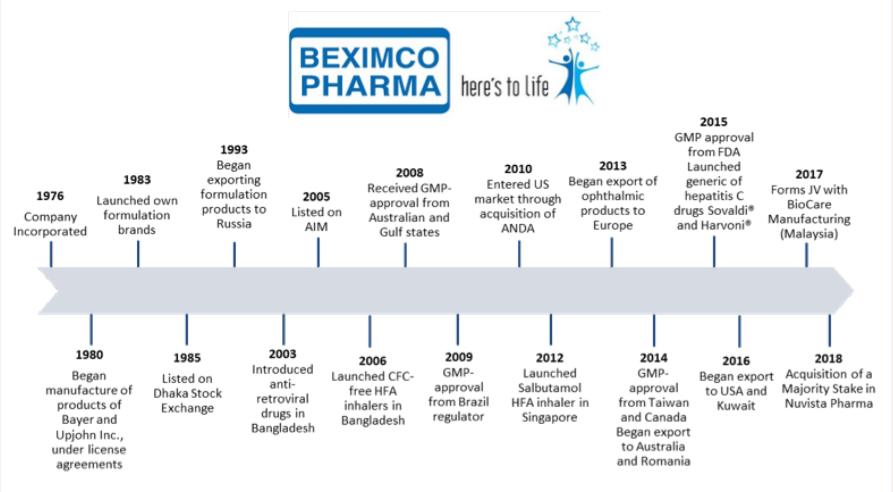
### Export growth

Having received regulatory approval from most of the major drug regulators, including the US Food and Drug Administration (FDA), the company is embarking on an aggressive global export strategy. Beximco is already the largest exporter of generic drugs in Bangladesh, generating c. £10m in export revenues in 2017. Also, Beximco received Good Manufacturing Practice (GMP) approval from the FDA in 2015, and commenced the export of its first product to the US in 2016. The company now exports three drugs to the US and is focusing on further expanding its presence in the world's largest market for generics.

### Domestic market leader

Although Beximco is expanding internationally, over 90% of its revenues come from domestic sales. The group is the third-largest pharmaceutical company in Bangladesh, holding 8.4% of the domestic market. Although Bangladesh is a less-economically developed country, increasing healthcare infrastructure, expenditure and life-expectancy is expanding the local demand for the company's products.

FIGURE 1: TIMELINE OF BEXIMCO PHARMA



In April 2018, Beximco Pharma acquired a majority stake (c.85%) in NuVista Pharma, a Bangladeshi drug manufacturing company, specialising in hormones and steroid drugs. NuVista was founded in 1964 as a subsidiary of Organon International, the healthcare unit of Akzo Nobel, the Dutch specialty chemicals multinational. In 2017, NuVista generated revenues of c. £15m with pre-tax profit of c. £1m. The acquisition is poised to accelerate the Group's revenues and earnings growth over the coming years and should provide immediate manufacturing synergies.

### Low production costs

Bangladesh has a lower cost of skilled labour than other major generic drug manufacturing regions (such as India and China) whilst maintaining the manufacturing quality standards required for distribution in developed markets. This provides Beximco with a competitive price advantage for its export business. The Bangladeshi government has developed policies which protected local companies, such as Beximco, from foreign competition, and stimulated domestic company growth. Furthermore,

the government is funding the construction of an industrial park where local companies can develop active pharmaceutical ingredients (APIs), the active ingredient that produces a drug's effects. Currently Bangladeshi companies import c. 90% of APIs, or other raw materials mainly from China and India. This park should reduce supply-chain risk, enhance consistency/quality of product, and is expected to bring down the cost of raw materials, especially for APIs.

With growing sales revenues in the domestic market and a rapidly expanding export business, including access to the US market, Beximco is in a strong position to grow its revenues and capture market share from the larger regional generic manufacturers in India and China.

\*Northland Capital Partners acts as broker to Beximco

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**feature**

# New admissions accelerate during June

There were 29 new entrants to AIM in the first half of 2018 and the vast majority of them are trading at above their issue price.

It took a while for new admissions to build up on AIM this year but there was a strong flow of new companies in June. Stripping out reverse takeovers and readmissions, as well as the move by electrical accessories supplier Volex from the Main Market to AIM, there were 29 new companies joining AIM in the first half of 2018. That includes 12 in June.

This compares with 16 new companies joining AIM in the first half of 2017. July was one of the more active months last year, though, with seven new entrants raising £374m – although nearly two-thirds of that cash was raised by renewable energy generation assets investor Greencoat Renewables.

## 2018

There were three new admissions in January and February. New admissions activity did pick up after that. In fact, June was the first month for some time where there were more new entrants than cancellations on AIM.

It is noticeable that existing shareholders sold significant stakes in the placings of some of the recent entrants. For example, video games developer Codemaster raised £15m of new money in its flotation at the beginning of June, while existing shareholders sold shares valued at £170m, which was equivalent to three-fifths of the enlarged share capital at the placing price. This did not put off investors, though, and the share price has risen by 13%.

There appears to have been an appetite in the market for these

new companies because most of them have gone to premiums. So far, the best performer has been GRC International, which floated in the lead up to the GDPR legislation becoming effective and this boosted demand for the company's consultancy activities. The share price has risen by 357.1% in less than four months.

GRC has done better than any of the new admissions from 2017.

## GRC has already done better than any of the new admissions from 2017

Business sales and corporate finance company K3 Capital Group, which won the IPO of the year at the 2018 Small Cap Awards, was 329% higher at its peak, although it has fallen back since. K3 Capital has been quoted since April 2017, so the share price has risen over a much longer time period than for GRC.

Overall, 23 out of the 29 companies that have joined AIM this year are trading above their issue price. Some of the companies have been trading on the market for a matter of days but 17 of them have risen by more than 10%. Nothing else has reached the heights of GRC but virtual reality content developer Education VR, which floated one week after GRC, is 75% higher and at one point the shares were more than 140% higher.

Aquis Exchange went to a 68.2% premium in little more than two weeks. Aquis has developed an equities trading platform where the price of a trade is transparent

to the whole market before it is made rather than after a delay. The Warsaw Stock Exchange sold its stake as part of the flotation.

There are a wide range of businesses in the top ten performers, although many have a technology angle.

There are two solicitors in the top ten, Rosenblatt and Knights Group Holdings, which floated on the last trading day of June and the share

price went to a 20.7% premium. Last year's top ten performers include Keystone Law Group, another legal consolidator. The success of these legal consolidators is likely to attract others to the stockmarket.

Of course, it is still early days for the companies that floated in the first half and they may not all hold onto the initial gains. Shoes retailer Footasylum is an example of one of last year's new companies that went to a premium, but poor results mean that the share price has slumped below the issue price.

## Fallers

There are six companies whose share prices have fallen and the four worst performers are all resources companies. Kore Potash, which floated in March, has fallen by 47.9% and Africa-focused base and precious metals explorer Cradle Arc, the first flotation of the year, by 37.5%. Cradle Arc was previously Alecto Minerals and it lost its AIM quotation in July 2017 because

## feature

it had not completed a reverse takeover. Following the acquisition of a 60% stake in the Mowana copper mine in Botswana, the renamed Cradle Arc returned to AIM in January. Shareholders that had been stuck in the shares when there was no market may have taken the chance to sell and there were certainly higher trading volumes in the first few weeks.

Oil and gas companies Serinus Energy and TransGlobe Energy Corporation are the two resources flotations with higher share prices and they are only slightly higher than their issue price.

### Second half

June was undoubtedly a peak in terms of new entrants, at least for the short term. Yellow Cake joined AIM early in July. Its strategy is to provide investors with exposure to the uranium price by investing the majority of the £151m raised at 200p a share in long-term holdings of uranium that will be stored in Canada. Less than 10% of the cash

will be used for other activities, such as trading.

Yet another virtual reality technology company is also set to float. Manchester-based Immotion provides virtual reality platforms and services. Immotion currently sells these platforms but it is moving into owning and operating

fourth quarter, which was nearly as many as in the first half.

November and December were particularly strong last year, with December equal top with July with 12 new admissions.

Before June 2018, December 2017 was the previous month when there were more new admissions than

## June was the first month in 2018 with more new entrants than cancellations

VR motion platforms in shopping centres. There are two sites already up and running.

Nucleus Financial, which provides services to financial advisers, is also set to float this month (see page 3).

July is not likely to be as busy as last year. The autumn will be the key to how strong the AIM new issues market will be this year. In 2017, including reverse takeovers, there were 52 AIM new admissions in the second half, which was nearly double the level in the first half. There were 27 in the

cancellations. There were three months last year when there were more new admissions than cancellations.

There was £361m raised in the fourth quarter but this was nowhere near the £782m raised in the third quarter, which was nearly 50% of the £1.59bn raised in the whole of 2017. There was more raised in July than in the fourth quarter.

The software sector was not as active last year as it has been this year. More money has already been raised in the sector than in 2017 and there is still Immotion to come.

### BEST PERFORMING AIM NEW ENTRANTS IN 2018

FLOAT DATE	COMPANY		FLOTATION PRICE (P)	CURRENT PRICE (P)	% CHANGE
05/03/18	GRC International	Cyber security consultancy	70	320	357.1
12/03/18	VR Education	Virtual reality content	10	17.5	75
14/06/18	Aquis Exchange	Securities trading platform	269	452.5	68.2
30/04/18	KRM22	Technology shell	100	147.5	47.5
23/05/18	Team 17	Video games developer	165	239.5	45.2
27/06/18	Cake Box Holdings	Egg-free cakes maker	108	137.5	27.3
08/05/18	Rosenblatt	Solicitors	95	120	26.3
28/06/18	Mind Gym	Behavioural science services	146	177.5	21.6
29/06/18	Knights Group	Solicitors	145	175	20.7
29/03/18	Polarean Imaging	Medical imaging technology	15	17.5	16.7



## statistics

# Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	17.4	15.9
Consumer services	17	10.8
Industrials	16.2	16.9
Healthcare	12.7	9.2
Technology	11.2	12.6
Consumer goods	10.3	6.1
Oil & gas	7.1	8.4
Basic materials	5.8	14.1
Telecoms	1.7	1
Utilities	0.5	1.1

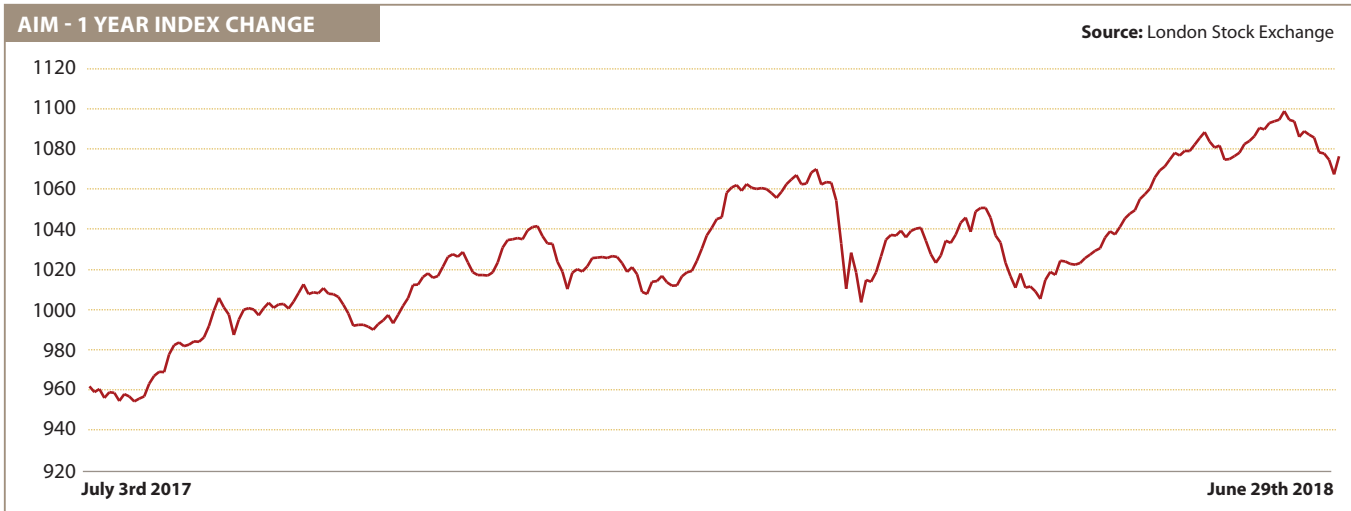
KEY AIM STATISTICS	
Total number of AIM	941
Number of nominated advisers	32
Number of market makers	48
Total market cap for all AIM	£111bn
Total of new money raised	£108.8bn
Total raised by new issues	£43.9bn
Total raised by secondary issues	£64.9bn
Share turnover value (May 2018)	£29.5bn
Number of bargains (May 2018)	4.8m
Shares traded (April 2018)	165.8bn
Transfers to the official list	188

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	1082.5	+12.1
FTSE AIM 50	6296.53	+15.4
FTSE AIM 100	5685.41	+17.4
FTSE Fledgling	11327.24	+13.3
FTSE Small Cap	5876.82	+5.2
FTSE All-Share	4202.25	+5
FTSE 100	7636.93	+4.4

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	138
£5m-£10m	107
£10m-£25m	189
£25m-£50m	153
£50m-£100m	119
£100m-£250m	141
£250m+	94

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Greatland Gold	Mining	1.53	+195
Hvivo	Health	90	+178
Rockfire Resources	Mining	1.95	+109
Yolo Leisure and Technology	Leisure	9.625	+73.8
AorTech International	Health	76.5	+72.9

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Origo Partners	Investment	0.2	-82.2
Summit Therapeutics	Health	34.5	-81.8
The People's Operator	Telecoms	0.005	-75
Footasylum	Retailer	64.5	-62.1
Imaginatik	Software	4.75	-58.6



Data: Hubinvest Please note - All share prices are the closing prices on the 29th June 2018, and we cannot accept responsibility for their accuracy.


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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.

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telecoms sectors.

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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