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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Further declines in September

AIM is not immune to the economic volatility in the UK markets. There was a further 8.7% decline in the past month. The FTSE 100 index fell 5.36% during the month and it is 6.7% lower since the beginning of the year.

That is still significant outperformance against AIM, which has fallen by one-third so far this year. The FTSE AIM 100 index has done even worse with a 36% decline. Since the bottom of the market in the middle of March 2020, AIM has risen by 28%, which is slightly behind the FTSE 100, which is one-third higher.

The two worst performers in the AIM 100 are ITM Power and Ceres Power. These fuel cell and electrolyser technology developers are back to the share price levels they were during March 2020, having been some of the better performers on AIM up until early 2021.

There are some potential new admissions coming up. Kibo Energy plans to spin-off its renewable energy generation subsidiary Ultimate Sustainable Energy on AIM in the next few months. Kibo expects to retain around 75% of the company after it has raised between £7m and £10m to finance project development. There are waste-to-energy projects in South Africa and the UK, plus biofuel projects in Africa. Kibo previously spun-off UK reserve power business Mast Energy Developments on the Main Market.

VCT and EIS futures confirmed

The future of the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) appears assured following September's mini-Budget. One of the parts of the mini-Budget that got less publicity was the announcement that EIS and VCTs, which are important sources of cash for AIM companies, will be extended beyond 2025.

There are also plans to increase the limits on the Seed Enterprise Investment Scheme (SEIS) and company share option plans. From April 2023, companies will be able to raise up to £250,000 via SEIS, up from £150,000 previously. The gross asset limit will increase to £350,000 and the age that a company remains eligible will be raised from two to three years. The annual investor limit will be doubled to £200,000.

Companies will be able to issue up to £60,000 of company share option plan options to employees. There will also be draft regulations to enable defined contribution pension schemes the flexibility to invest in innovative UK businesses. There will be a Long-Term Investment for Technology & Science competition providing up to £500m, which is designed to help to unlock further investment from pension schemes.

In this issue

H&T's growing pledge book

August was a record month for pawnbroker H&T Group, and it has raised £16.9m at 425p a share to finance the opening of up to 20 stores in 2023. Management says the cash raising will enhance earnings in the next financial year.

On top of the growing pledge book for the pawnbroking operations, retail sales have also been strong during the summer. The stores also support the retail activities. There were 261 stores open at the end of June. Stores opened or acquired after 2019 are generally the ones growing fastest. There are regions where H&T has limited exposure. They include Wales, western England, the North West and eastern England. It costs up to £300,000 to fit out and stock up a new site.

The cash raised will help to finance the growth of the pledge book, which currently stands at £89.6m. H&T is benefitting from the tough economic climate for individuals because of rising inflation and the reduction in small-sum lenders aimed at the short-term credit market. Even if an individual does not claim a pledged item and forfeits it, H&T is unlikely to lose money because typical loan to value is 65%. Management believes that structural changes mean that the increased potential market is not temporary.

In the six months to June 2022, pre-tax profit improved from £4.7m to £6.7m Daily average lending volumes were two-fifths ahead of pre-pandemic levels. Net debt was £8.6m at the end of June 2022. The 2022 pre-tax profit was expected to be £18.7m with a 50% plus increase forecast for 2023.

The share price has risen from 425p before the interims were published to 441p after the fundraising.

Audit questions

Revolution Beauty's problems continue and Macfarlanes has been appointed to conduct an independent investigation into the audit of the figures for the year to February 2022. This could take several months. Auditor BDO has raised concerns about the cosmetics company's inability to provide sufficient and accurate audit evidence and of the validity of commercial arrangements. BDO refuses to sign the audit report. On top of this, Revolution Beauty warns that 2022-23 figures will be well below expectations. There could also be additional accounting adjustments. Trading in the shares remains suspended. It may be difficult to complete the investigation before the six months suspension period is up.

Autonomous vehicle route for Aurrigo

Aurrigo International is developing a range of autonomous vehicles that can be used for baggage and cargo handling at airports and in other areas. Aurrigo joined AIM in September and raised £8m via a placing at 48p a share, which valued the company at £20m. The share price has risen to 55.5p since trading commenced. Grant funding has helped with development of the autonomous vehicles and the £6.5m left after flotation expenses will fund further products.

Coventry-based Aurrigo is no start-up. It has been operating for three decades. There is a solid revenue stream from components and services provided to automotive manufacturers including Aston Martin Lagonda, Jaguar Land Rover and Rolls-Royce. The long-term growth will come from the autonomous vehicles, though.

Revenues were £5.27m in 2021 and Aurrigo moved back into profit after a loss in 2020. In the six months to June 2022, revenues fell from £2.86m to £2.27m due to automotive customer shutdowns, while the loss increased from £146,000 to £382,000. Autonomous vehicles revenues improved from £311,000 to £324,000.

A range of products has been developed, but the Auto-Dolly baggage transport system is the current focus. Sales of prototype and development vehicles will generate the main revenues from aviation customers for another two years. The Auto-Sim modelling tool should be completed by the end of the year. That will help airports to assess their requirements for autonomous vehicles.

There is a limited free float outside of the directors and the three largest other shareholders. There have been low trading volumes after the first few days of trading, but the share price remains at a premium to the placing. The IP portfolio is valued at £16m, which helps to underpin the market capitalisation.

Trading and deal levels continue to decline

Revenues almost halved at market maker Winterflood in the year to July 2022. The previous year coincided with much of the peak trading on AIM. Poor investor confidence and economic uncertainty have led to lower trading levels.

Operating income slumped by 48% to £95.2m, while operating expenses were one-third lower. The bulk of the decline was in market making. Fees generated from corporate activity fell 12% to £10.2m. Operating profit fell from £60.9m to £14.1m.

Trading levels were much lower, particularly on AIM, where trades tend to generate a higher margin. The average number of bargains each day fell from 101,000 to 81,000. The comparatives were particularly strong. Three years ago, the average number of daily bargains was 56,000. Winterflood made a loss on eight trading days.

Bradley Dyer recently took over as chief executive of Winterflood. He replaces Philip Yarrow, who is retiring.

The weak trading on AIM is reaffirmed in recent statements from brokers Cenkos Securities, finnCap and Numis. Cenkos interim revenues fell by 30% to £12.7m, which included a two-thirds decline in net trading gains and a one-third fall in corporate finance income as fewer deals were completed. The broking revenues improved.

Costs are related to activity levels with relatively low fixed costs, so the decline in operating profit from £1.9m to £2.7m was more in line with the decline in revenues. However, after changes in the fair value of options and warrants taken as fees the broker fell into loss. There was £15.9m in the bank at the end of June 2022.

Trading remains tough, but Cenkos appears to be adding to its market share. The number of corporate clients is increasing, and Cenkos accounted for 23% of money raised on AIM in the first half of 2022.

finnCap had already warned that trading was getting tougher and at its AGM confirmed that it remains in line with expectations. Group revenues to August 2022 are 30% lower. M&A revenues have been maintained. There is optimism about the potential for improvement in the second half, mainly due to M&A business. At the end of August 2022, there was cash of £13.1m.

Numis Corporation says that its revenues fell by one-third in the year to September 2022. It says challenging market conditions have led to a significant reduction in its deal volumes. However, the corporate finance advisory business performance did offset some of the capital markets decline and M&A business is flourishing.

ADVISER CHANGES - SEPTEMBER 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Coral Products	Cenkos	WH Ireland	Cenkos	WH Ireland	9/2/2022
Gusbourne	Panmure Gordon	Panmure Gordon / Canaccord Genuity	Panmure Gordon	Canaccord Genuity	9/6/2022
Sanderson Design	Singer / Investec	Investec	Investec	Investec	9/12/2022
Eqtec	Panmure Gordon / Canaccord Genuity	Canaccord Genuity / Arden	Strand Hanson	Strand Hanson	9/13/2022
Immotion Group	Cenkos	WH Ireland / Alvarium	Cenkos	WH Ireland	9/13/2022
Team	Shore	Canaccord Genuity	Shore	Canaccord Genuity	9/14/2022
ADVFN	Peterhouse / Throgmorton Street	Throgmorton Street	Beaumont Cornish	Beaumont Cornish	9/15/2022
Neometals	RBC / Cenkos	Cenkos	Cenkos	Cenkos	9/16/2022
Warpaint London	Shore	Shore / Singer	Shore	Singer	9/16/2022
Red Rock Resources	OvalX / First Equity	First Equity	Beaumont Cornish	Beaumont Cornish	9/21/2022
Eneraqua Technologies	Singer / finnCap	finnCap	Singer	Singer	9/29/2022

Boku deal with Amazon should accelerate global digital payments volumes

Digital payments *www.boku.com*

Digital payments company **Boku** has signed a deal with Amazon to provide it with local payment methods in Asia and Africa in a multi-year deal. It will initially launch with Prime Video in around three or four months and then expand into other parts of the Amazon business. This will accelerate growth. Amazon has been issued warrants equivalent to up to 3.75% of Boku, exercisable at 81.2p each depending on revenue targets over seven years.

Local payment methods are growing much faster than the use of debit and credit cards online. Boku already has local payment deals with Sony, Meta, Netflix and Spotify.

Active users rose to 46.3 million

BOKU (BOKU)			115p
12 MONTH CHANGE %	-43	MARKET CAP £M	332.4

The latest interims were hit by currency movements. Boku reports in US dollars, and this held back revenues by $2.5m. They dipped from $30.7m to $30.3m and it also meant that underlying pre-tax profit declined from $8.8m to $6.8m – excluding the $1.26m write-down of the Fortumo brand name. There was a $24.6m gain on the disposal of the identity division, although that was after previous write-downs.

Monthly active users increased by 22% to 46.3 million, while local payment users rose to 3.1 million. Total payment value reached $4.3bn in the period. Boku has regulatory capability in 50 markets around the world. The latest local payment deal is with a merchant in China and will initially use the Alipay wallet before the likely expansion to other wallets. The initial performance of this link-up has been promising.

There was $67.8m in the bank at the end of June 2022 and more cash is being generated. Full year profit could be flat, but the Amazon deal will help to grow profit in 2023. Forecasts have yet to be changed to reflect this.

Zinc Media scales up and reduces loss

TV programmes producer *www.zincmedia.com*

TV programmes producer **Zinc Media** continues to scale up through organic and acquisitive growth. However, there is still some way to go to reach sufficient scale to achieve profitability. The recently completed acquisition of The Edge Picture Company broadens the range of programming made by Zinc Media and brings it nearer to a realistic scale.

In the six months to June 2022, revenues rose 54% to £10.8m. The underlying loss fell from £1.6m to £1.2m. There was no contribution from the acquisition, which will be included for four months in the second half.

ZINC MEDIA (ZIN)			93.5p
12 MONTH CHANGE %	+49.6	MARKET CAP £M	20.4

The Edge Picture Company is based in London and Qatar and is a brand and corporate film maker. Clients include Barclays, Amazon and FIFA. In 2021, revenues were £8.2m and EBITDA was £800,000. Initial consideration was £2.1m in cash and shares with up to £3.875m payable if a total of £5m of operating profit is made over the three years to June 2025.There was £5m raised at 100p a share at the same time as the acquisition. That has improved the balance sheet and leaves potential for further acquisitions.

Zinc Media has won the tender to produce Sunday Morning Live for the BBC, which provides a steady, albeit lower margin, income. It has launched the Rex production brand to make factual entertainment. A post-production business has been set up to sell spare capacity to other companies. There will be a full year loss and recently published forecasts indicate that there is likely to be a small pre-tax loss in 2023 prior to a move into profit in 2024.

Component shortages and delays mask progress made by Concurrent Technologies

Embedded computer products *www.gocct.com*

CONCURRENT TECHNOLOGIES (CNC)			66.5p
12 MONTH CHANGE %	-25.3	MARKET CAP £M	48.8

Difficulties obtaining a niche component will hit this year's trading and mean that ruggedised embedded computer products manufacturer **Concurrent Technologies** will not do much better than breakeven. That means that there is not likely to be a dividend this year. There is still significant demand for the products, though.

In the six months to June 2022, revenues declined from £9.3m to £7.4m and a pre-tax profit of £1.6m was turned into breakeven in the latest period. Inventories rose to £9.46m as stocks of components were built up. This means that the company has more than 95% of the components needed to complete orders. Cash reduced from £11.8m to £9.27m to fund this. There is currently an order back log of £24.2m.

Double shift work is starting

In the first half, four-fifths of orders came from new and current products, whereas last year end of life and products near to the end of their life accounted for a similar proportion. Eight new products will be launched in 2022. Concurrent Technologies is moving into systems rather than just supplying the individual boards.

US outsourced manufacturer Nextek Inc has been qualified as the local manufacturing partner of Concurrent Technologies. This will enable the company to bid for US defence work that it would not have been able to win because of local procurement rules.

The factory in Essex will go to double shift working in October and this will provide the capacity required when component shortages ease.

Full year revenues are expected to fall from £20.5m to £16m and the pre-tax profit is likely to decline from £4.1m to around £100,000. Next year, pre-tax profit could recover to £2.7m depending on the easing of component supply problems.

Pennant International diversifies its customer base

Training and software services *www.pennantplc.co.uk*

PENNANT INTERNATIONAL (PEN)			30p
12 MONTH CHANGE %	-3.2	MARKET CAP £M	11

Cheltenham-based **Pennant International** has reduced its dependence on large training contracts and the defence sector. The transition continues this year as the last large problem contract comes to an end. Software and services are increasingly important, and this provides higher margin, recurring revenues rather than the lumpy contract revenues. Software was more than 50% of revenues in the first half. New business is being won in commercial aerospace and rail markets.

In the six months to June 2022, revenues declined from £7.43m to £6.95m, but the pre-amortisation loss reduced from £1m to £69,000, including a further small loss from the problem contract. Net debt was £4.1m at the end of June 2022 and some of the additional working capital should unwind later in the year. A property disposal has improved the cash position. This will also reduce the cost base to a more appropriate level for the business.

The three-year order book is worth £27m, including £6.3m due in the second half. That nearly covers the 2022 revenues forecast of £14m. Next year there are contracted revenues of £12.2m, with £5m set to come from a helicopter maintenance trainer. There is a pipeline of more than £50m of potential contracts. Two large long-term technical services and courseware contracts are near to being signed.

There is likely to be a small profit this year, but clear of the loss-making contract the 2023 underlying pre-tax profit could recover to £1.2m. That is well below previous levels, although Pennant is a different business. The shares are trading on less than ten times prospective 2023 earnings.

Likewise continues to outgrow the floorcoverings market with capacity to do even better

Floorcoverings distributor *www.likewiseplc.com*

LIKEWISE GROUP (LIKE)			20p
12 MONTH CHANGE %	-55.6	MARKET CAP £M	48.8

Floorcoverings distributor **Likewise** more than doubled its revenues in the first half of 2022 and even if acquisitions are taken out the organic growth was 37%. July and August revenues also grew strongly. Investment in distribution capacity means that Likewise can become much bigger.

In the six months to June 2022, revenues rose by 108% to £58.4m. That includes initial contributions from Valley Wholesale Carpets and Delta Carpets that were acquired in January and April respectively. Underlying pre-tax profit was 77% ahead at £1.9m. Prices were raised in May but that has not held back progress.

Net cash excluding leases was £1.9m at the end of June 2022, even though inventories have increased. Likewise's distribution capacity has grown from eight million cubic feet to 15 million cubic feet with further growth in floor space planned in Glasgow, Newport and Manchester. Additional sales personnel have also been recruited and these will take time to come up to speed.

The chief exec bought shares

In July, two directors and two members of management bought a total of 179,800 shares at prices ranging from 27.7p a share to 28.5p a share. Chief executive Tony Brewer acquired 109,550 of these shares. The share price has fallen further since then.

Zeus expects the strong trading momentum to continue in the rest of the year, despite the general concerns about consumer spending. Full year pre-tax profit is forecast to jump from £1.6m to £3.7m. A maiden dividend of 0.3p a share is forecast. However, there is not a lot of visibility in terms of orders from retailers and the outcome is dependent on the last quarter. The prospective 2022 multiple of nearly 15 is much higher than that of rival Headlam, but there is more growth potential for Likewise.

EKF Diagnostics learns to prosper after Covid

Diagnostics *www.ekfdiagnostics.com*

EKF DIAGNOSTICS (EKF)			40p
12 MONTH CHANGE %	-52	MARKET CAP £M	182

EKF Diagnostics is adapting to the end of the Covid-19 testing revenues, which have effectively dried up. That means that revenues and profit are falling this year, but there is a strong base from which to grow.

In the six months to June 2022, revenues slipped from £38.6m to £37.5m and pre-tax profit dived from £11.4m to £4.1m. Stripping out the Covid revenues, which did make a contribution early in the latest period, revenues were 11.5% ahead. That includes a first half contribution from the Texas-based testing laboratory operator Advanced Diagnostics Laboratory (ADL) business acquired last year.

Net cash was £16.9m at the end of June 2022. The cash includes £2.6m that is difficult to retrieve from Russia. EKF still owns shares in Renalytix and Verici Dx. These investments were valued at £1.57m at the end of June 2022, but the share prices have fallen since then.

The point of care business grew thanks to increasing demand for diabetes and haematology analysers. The central lab business was hit by supply chain problems, but they have eased in the second half.The smaller life sciences division nearly doubled its revenues from enzyme manufacturing services and there is capital investment to increase capacity. This is where the fastest growth is likely to come.

A full year pre-tax profit of £12.2m is forecast, rising to £16.7m in 2023. The shares are trading on around 15 times prospective 2023 earnings and the cash pile means that EKF has the funds to invest in its growing businesses.

Safestyle UK recommences dividends despite interim loss

Replacement windows supplier *www.safestyleukplc.co.uk*

Dividend

Safestyle UK was a regular dividend payer following its flotation on AIM in December 2013. It paid 5.5p a share for the 2013 financial year, even though it was only quoted for a matter of days, and then 9.3p a share in its first full year. By 2016, the total reached 11.25p a share, but in 2017 there was only an interim of 3.75p a share.

An unchanged final dividend of 7.5p a share was proposed for 2017 and the withdrawn one month later as trading got more difficult, partly due to allegations of a competitor using the company's information and contacts.

Management has returned to dividend payments with an interim of 0.4p a share for 2022, even though there was a first half loss, and a total of 0.8p a share is forecast for the full year.

Business

Safestyle UK is a PVC windows manufacturer, and it claims to be the leading national value brand. Safestyle UK was losing money from 2018 until 2021 when it returned to profit.

In the first half of 2022, revenues were 7% ahead at £78.3m because of a strong start to the year. A cyber attack restricted installations activity in February and March and a price increase had to be delayed until April. That meant that cost increases were not initially covered by income. The number of frames installed declined from 96,241 to 94,525, so the average price increased. An interim pre-tax profit was turned into an interim loss of £1.4m.

Although there was a first half loss, management says that the company will be profitable in the full year even though the hot summer weather and production problems held back progress. Management believes that the strong cash position - net cash is expected to be £10.7m at the end of 2022 – means Safestyle UK can afford to recommence paying dividends. A minimum cash buffer will be maintained.

A £5m strategic investment programme is planned, including the launch of the Safestyle Academy to train window fitters. Management will present detailed future plans at a capital markets day on 16 November.

Following the interims, Alan Lovell bought 100,000 shares at 23.9p each and chief executive Mike Gallacher acquired 60,000 shares at 23p each and 66,875 shares at 24p each. Non-exec Julia Porter bought 50,000 shares at 26.5753p each.

A TV campaign is helping to increase orders. Second half revenues are expected to grow in double-digits and gross margins should recover to above 30%. Zeus forecasts a fall in underlying pre-tax profit from £7.6m to £1m in 2022, before recovering to £8m in 2023. That means that Safestyle UK is trading on six times prospective 2023 earnings. A progressive dividend policy is planned and there could also be share buy backs. Consumer confidence is at low levels and that could hamper Safestyle UK, but it does have a strong balance sheet.

SAFESTYLE UK (SFE)	
Price (p)	26.75
Market cap £m	36.5
Historical yield	NIL
Prospective yield	3%

Dividend news

Loadbanks hirer and manufacturer **Crestchic** is going from strength to strength as demand surges. Profit is soaring on the back of high operational gearing and the interim figures did not get any benefit from the enlarged manufacturing facility that was recently completed. First half revenues were 35% higher at £21.3m and underlying pre-tax profit jumped from £1.5m to £4m. That excludes the discontinued oil and gas tools business. The interim dividend is 1.33p a share – there was no interim last year only a final dividend of 1 a share. The full year dividend forecast has been doubled to 4p a share.

In the year to May 2022, M&A and tax adviser **K3 Capital** generated 24% organic growth in revenues and underlying earnings increased by 11% to 20.6p a share. The M&A and tax businesses continue to grow despite the tough economic conditions and increasing numbers of insolvencies will boost demand for K3 Capital's restructuring business. The total dividends were 12.1p a share in 2021-22. Investors should get a further significant dividend increase this year on the back of rising profit. A total of 15.5p a share in dividends is forecast for the year to May 2023.

Scientific instruments supplier **Judges Scientific** reported an 8% increase in first half revenues and pre-tax profit improved from £8.5m to £9.6m. The international spread of activities has helped the company to grow. UK sales declined, but the UK had held up much better than other markets in the corresponding period. The order book stretches out for 21 weeks. WH Ireland has upgraded its full year pre-tax profit forecast from £22.4m to £26m. The interim dividend was raised from 19p a share to 22p a share and the total 2022 dividend should be at least 75p a share, up from 66p a share in 2021.

Expert view: Registrars

Opportunities for debt funding for smaller companies

By Hardeep Tamana

Much has been written about the slowdown of new equity issuance, which is arguably of little surprise given the bumper performance seen in 2021 and the fact that rising interest rates and broader economic uncertainty paint a bleak picture, especially for the more speculative issuances. However, debt markets have come into focus of late too, with concerns being raised as to how a slowdown is being felt in this asset class too.

At Avenir Registrars, we support a range of securities issuances, including both debt and equity, so felt our take on the current situation could offer some critical insight when it comes to just how this market is faring with the current headwinds – and how at an anecdotal level we are seeing appetites start to change.

1) Quality issuance is still getting away

Much like the waning appetite for speculative equity issuance, it's the same story in debt markets. However, investment grade debt and those issuers who are supported by a loyal base of lenders are finding that there is still a reasonably healthy market for appropriately priced paper. So, despite underlying conditions, investors are willing and able to assess the relative risk and decide on an appropriate premium, it is just the opportunity cost has risen significantly from the free or even negative interest rate situation of previous years.

To offer some perspective here, PwC's quarterly debt watch report showed Investment Grade corporate debt issuance down by 25% between Q2 2021 and Q2 2022, whereas high yield debt issuance slumped by almost 80%. https://www.pwc.co.uk/services/risk/insights/debt-watch-europe.html

2) Duration to maturity is important

Perhaps this is no great surprise at all, but the duration of any debt issued is playing a pivotal role in the success of any offer, whilst also ensuring issuers don't end up overpaying for the privilege. With expectations remaining that further monetary policy tightening is still to come, investors rightly expect any paper to reflect this trajectory. But given the underlying uncertainty when it comes to the macroeconomic outlook, issuers and their advisers are equally posed with a dilemma.

As Bloomberg reported in early September, Asian companies in particular were favouring short term loans sometimes with maturities of just a few months, as the use of such facilities rose by as much as 30%-40%. https://www.bloomberg.com/news/articles/2022-09-06/worst-bond-market-ever-pushes-asian-firms-into-short-term-loans.

At Avenir we have noticed a clear trend for average maturities on new issuances to be falling. It is also worth bearing in mind that debt issuance can readily be structured in such a way to facilitate redemptions in the event that underlying market conditions end up presenting a more favourable backdrop before maturity.

Because we use the same methodology for our debt issuance as we do with equities, this enables issuers to keep costs low when they write new paper and critically this gives issuers some valuable flexibility when it comes to addressing their medium term financing needs.

3) Innovative structures

We're also seeing a return of the floating rate note, or FRN, as a way of addressing the needs of both the issuer and the investor. There have been some complications here given the withdrawal of the old LIBOR benchmark, as its replacement - the SONIA rate - appears to have had a less than smooth start when it comes to gaining traction in debt markets.

The adage that necessity is the mother of invention seems applicable here and as demand for FRN's grows, it seems inevitable that the market will continue to adapt to the use either of SONIA, or another proxy rate that delivers the flexibility both issuers and investors are keen to embrace.

Structures such as convertible loan notes can also offer issuers some extra appeal in rising interest rate environments, which will typically erode the value of debt whilst bolstering equity prices. With such levels of uncertainty prevailing when it comes to the macroeconomic outlook – few are willing to predict how high inflation will go or indeed how aggressively central banks will respond – CLNs again offer a realistic alternative that may allow issuers to consider longer durations to maturity should that fit better with the overall business structure.

At Avenir we have the flexibility to work with issuers and their professional advisers to accommodate securities issuances on terms that meet your needs, delivered in a streamlines manner and in a cost-conscious way that will support you throughout the entire life cycle of the security.

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

The changing make-up of AIM

The consumer sector has taken a disproportionate hit when it comes to the decline in the market capitalisation of AIM, although that is not just due to performance. The energy sector is the biggest gainer in terms of the percentage of the junior market.

AIM has evolved throughout its history and in the past technology and resources companies have dominated at various times. The make-up of the junior market has changed since the end of 2020. This is partly due to the relative performance of companies in different sectors and partly down to the companies leaving and entering the market.

AIM performed strongly during 2020 with some sectors doing particularly well. Healthcare is the obvious one. Novacyt soared on the back of its Covid-19 diagnostics tests and became one of the most traded companies for a few months. Other companies with tests or potential drugs relevant to Covid also did well before falling back - many to around their previous level.

The market value of AIM was £131.1bn at the end of 2020 and that slumped to £102.9bn by the end of August 2022. Some sectors have been hit harder than others.

One of the consequences of the significant outperformance of AIM going into 2021 was the high multiples some of the top AIM shares were trading on. There were also plenty of technology companies that had no earnings to underpin their valuations, and some were trading on heady multiples of their turnover. The more mature larger companies were always going to appear to be more attractive when there was uncertainty about the economy.

At the end of 2020, there were ten AIM companies valued at more than £2bn and currently there is one, Abcam. Six of those companies are still in the top ten AIM companies.

In the 20 months since the end of 2020, the sectors that have raised the most money have been healthcare, technology and energy. In total £10.4bn of cash has been raised by new and existing AIM companies since the beginning of 2021. That is not enough to cover the market capitalisations of the companies that have been taken over or moved markets.

Robotic software provider Blue Prism and pharma services supplier Clinigen are two of the larger companies to be taken over and they are going to be followed by healthcare IT provider EMIS, which will remove a company worth £1.2bn. ASOS and Molten Ventures have switched to the Main Market. Antibodies supplier Abcam is set to drop its AIM quotation and focus on the Nasdaq listing.

> boohoo is no longer in the top ten AIM companies and recent weakness means it is dropping out of the top 50

> Abcam currently accounts for one-fifth of the value of the healthcare sector and nearly 3% of AIM

Consumer

Consumer remains the largest sector, but it does not dominate in the way it did in the recent past. There has been a decline in market value of most of the consumer sub-sectors, but retailers have been hit by the largest fall. The retailer sub-sector was capitalised at £8bn at the end of 2019 before rising to £11.3bn by the end of 2020. The market value of retailers has subsequently slumped to £1.5bn.

The retail sub-sector of AIM is the worst performer having lost more than four-fifths of its value since the end of 2020.

Online retailer ASOS, which has consistently been in the top ten AIM companies by market value over the past decade, switched to the Main Market earlier this year. Prior to that poor trading meant that the share price had been declining. In fact, that move has spared AIM more of its underperformance.

At the end of 2020, ASOS was the largest company on AIM with a market capitalisation of £4.8bn, having been the second largest at the end of 2019 when it was valued at £2.8bn. By the time it left AIM, ASOS was valued at £1.9bn and the market capitalisation has fallen to around £600m.

The decline of rival boohoo has been even more pronounced. It was the largest company on AIM at the end of 2019 and by the end of 2020 it was valued at £4.3bn. Since then, the share price has slumped by 89%. boohoo is no longer in the AIM top ten and recent weakness means it is dropping out of the top 50.

Naked Wines has fallen almost as far as boohoo as the initial boost from online sales of wine during lockdown has ended and the cost base is too high. Management says that it is reviewing operational and financial plans in order to move towards sustainable profitability. Management reassures investors that the existing credit facility is not going to breach its covenants, but there is an indication that more funding may be required. Pratham Ravi, who is employed by a major shareholder, has resigned from the board having been appointed in August.

Five recent new admissions musicMagpie, CMO, In The Style, Victorian Plumbing and Marks Electrical are among the worst sector performers this year – musicMagpie has slumped by more than 90%. Disappointing trading at these companies has been punished severely by the market, which is distrustful of companies that rely on consumer spending.

Food and beverages is another sub-sector where the decline has been particularly noticeable. Again, it is mainly down to one company. Fevertree Drinks has fallen sharply this year and the mixer drinks supplier dominates the sub-sector. The sky-high rating always made Fevertree Drinks vulnerable and despite the share price falling by two-thirds since the end of 2020 the prospective multiple is still nearly 40.

> Fifteen out of the top 20 AIM performers this year are oil and gas companies

Energy

The increasing percentage of the percentage of the market accounted for by the energy sector is down to a mixture of oil and gas companies being boosted by the high oil price partly offset by a decline in the valuations of renewable energy companies.

Fifteen out of the top 20 AIM performer this year are oil and gas companies. Not all of these are producers, but some of the oil companies that do have been generating enormous amounts of cash.

Many of these companies are small with only four valued at more than £100m. This means that have had less of an effect on the performance of AIM than boohoo and Fevertree Drinks.

Tidal wave generation company Simec Atlantis Energy Ltd is the only renewable energy company with a higher share price than at the start of this year. However, it has fallen by 92% since the end of 2020.

Fuel cell and electrolyser companies ITM Power, Ceres Power and AFC Energy have fallen by between 70% and 80%. Share prices of all but one company in the renewable energy sector have halved over the period. Inspired Energy, which helps businesses find the best value energy deals, has fallen by 18%.

Healthcare

Healthcare has underperformed AIM this year, but it is still a greater percentage of AIM than at the end of 2019. It is not surprising that there was a correction. The two-thirds decline in the share price Hutchmed (China) Ltd, which had been vying for largest company on AIM at one point is a major factor in the poor performance of the sector.

The departure of Abcam, which is currently the largest company on AIM with a market capitalisation of £3bn, will further reduce the importance of the healthcare sector. Abcam currently accounts for one-fifth of the value of the healthcare sector and nearly 3% of AIM.

Property

There has been a sharp decline in the value of the property sector, but that is due to companies leaving AIM. Urban Logistics REIT and Warehouse REIT have switched to the Main Market and Secure Income REIT was taken over by fully listed LXi REIT in an all-share bid. Those companies were valued at a total of £1.8bn at the end of 2020.

In fact, the AIM real estate sub-sector is the only one that has risen with a gain of nearly 3% since the end of 2020. There has been a one-fifth decline so far in 2022, but that is outperforming the market.

AIM'S CHANGING SECTOR MAKE-UP

	% AIM MARKET CAP		
SECTOR	AUGUST 2022	END 2020	END 2019
Consumer	21.8	29.1	27.9
Industrials	18.4	14.3	16.3
Health Care	13.5	14.9	12.6
Technology	12.2	11.8	11.6
Energy	11.1	8.2	6.9
Financials	10.2	8.6	10.8
Basic materials	7.5	6.8	5.1
Property	2.2	3.4	5.3
Telecoms	1.6	1.9	1.9
Utilities	1.5	1.1	1.2

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	21.8	15.9
Industrials	18.4	16.8
Health Care	13.5	10.6
Technology	12.2	12.3
Energy	11.1	11.4
Financials	10.2	11.2
Basic materials	7.5	15.2
Property	2.2	2.4
Telecoms	1.6	1.7
Utilities	1.5	1

KEY AIM STATISTICS

Total number of AIM	831
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£102.9bn
Total of new money raised	£131.8bn
Total raised by new issues	£47.8bn
Total raised by secondary issues	£84bn
Share turnover value (Aug 2022)	£49.5bn
Number of bargains (Aug 2022)	10.6m
Shares traded (Aug 2022)	413.9bn
Transfers to the official list	198

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	806.38	-35.2
FTSE AIM 50	3856.73	-36.8
FTSE AIM 100	4394.53	-33.7
FTSE Fledgling	11227.43	-16.2
FTSE Small Cap	5877.58	-21.2
FTSE All-Share	3763.48	-7.28
FTSE 100	6893.81	-2.72

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	89
£5m-£10m	102
£10m-£25m	153
£25m-£50m	127
£50m-£100m	133
£100m-£250m	128
£250m+	99

TOP 5 RISERS OVER 30 DAYS

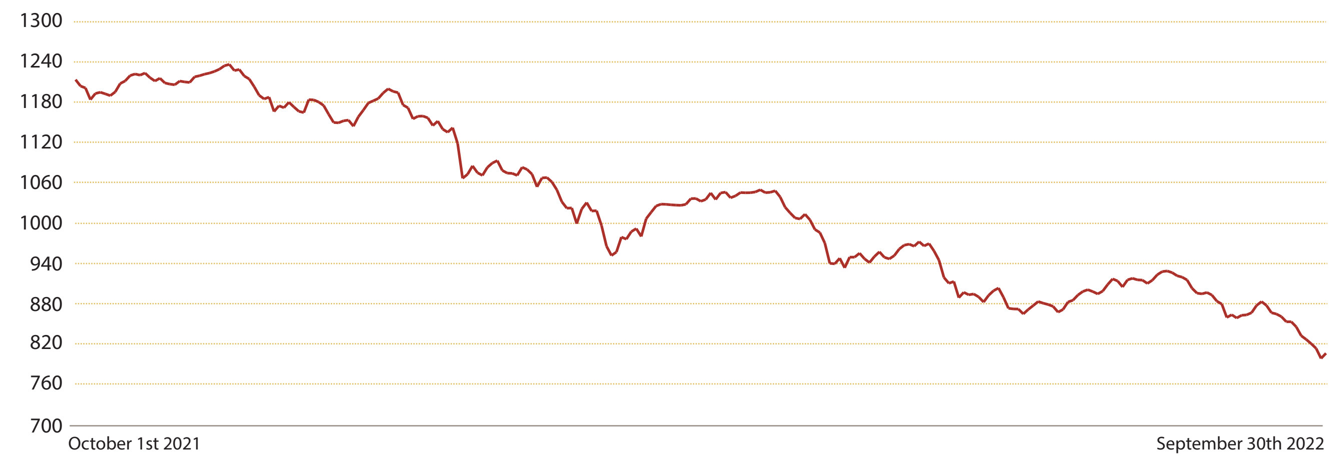
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Tertiary Minerals	Mining	0.21	+95.3
Prospex Energy	Oil and gas	9.2	+73.6
Attraqt	Software	29.4	+54.7
MC Mining	Mining	25.2	+52.7
Bivictrix Therapeutics	Pharma	21.5	+48.3

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Trackwise Designs	Technology	6	-82.4
Xeros Technology	Industrial	5.7	-81
Rambler Metals and Mining	Mining	5.95	-73
Biome Technologies	Chemicals	50	-72.2
Joules	Retail	6.3	-72.1

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th September 2022, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published. The AIM Journal can also be accessed via http://www.hubinvest.com/AimJournalDownload.htm.

The readership via the email is predominantly a professional one. One-quarter of readers are company directors, one-fifth solicitors and accountants, one-fifth brokers and 15% PRs. The rest of the readership is made up of investors, journalists and other individuals.

AIM

The Alternative Investment Market (AIM) was launched on 19 June 1995 with ten companies that had a total market value of £82.2m at the end of the first day's trading. The total amount of money raised by new and existing companies in the remainder of 1995 was £96.5m.

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £112bn either when they join AIM or while they are trading on the junior market.

In 1995, there were 29,099 trades with a total value of £270.2m. These days it is unusual if there are not that many trades in a single day, although their total value tends to be less than £270m.

Companies that started out on AIM include online gaming operator GVC, healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, online gaming technology developer Playtech and student accommodation developer Unite Group – all of which are FTSE 250 index constituents.

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