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Partners for growth

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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Safeland set for latest demerger

Hostel operator Safestay is the latest proposed demerger by property investor Safeland. In order to do this Safeland is buying out its joint venture partner Moorfield Real Estate Fund II, which has backed the business since its launch less than three years ago.

Safeland's 20% stake in Safestay cost £7,500 and it was valued at £1.5m at the end of September 2013. Safeland is paying Moorfield £6.2m for its 80% stake. Safestay plans to start a chain of tourism-driven hostels and it bought its first property from Safeland for £3.8m. The first hostel in Elephant & Castle has 413 beds and opened in July 2012. Beds are sold for between £12 and £72 per night. A general meeting will be held on 20 February so shareholders can vote on the proposals that will enable the demerger to happen.

Safeland has previously demerged three operating businesses: Hercules Property Services, Bizspace and Safestore. All three were subsequently taken over but Safestore was later refloated. Hercules was acquired in a £67.4m cash and shares bid by Erinaceous in 2004 and Bizspace was bought by Highcross (Bugatti) for £77m in 2006.

Safeland also spun off three shells at the end of March 2005, just before the change in AIM rules for shells. Libra Retail has become Palace Capital. Taurus Storage and Sagittarius Property Services left AIM in 2006 and were both dissolved in 2010.

Boohoo.com on course for float

Joint chief executive Carol Kane says that online fashion retailer Boohoo.com is on course to join AIM in the next two months. Speaking in Marketing Week she says that the time is right for Boohoo.com to go public. The original plan was to float at the end of 2013 but it was delayed. The flotation could value Boohoo.com at £500m.

Boohoo.com is the second-biggest online-focused fashion retailer in terms of unique visitors after ASOS and the eighth biggest including all the internet sites of the high street retailers. Kane believes that the flotation will raise the profile of the brand and help the company to gain finance in order to grow the business in the UK and internationally. Boohoo.com already sells to 100 countries, even though it has only been seriously marketing itself in seven countries. More than one-third of sales are already outside the UK.

Boohoo.com was formed in 2006 and its original focus was on womenswear but last year the retailer moved into menswear. The first TV advertising campaign for menswear has just been launched.

In this issue

general news

Manx dividend attraction

Manx Telecom has attracted investors to its AIM flotation with the promise of a 7% dividend yield at the placing price. Manx Telecom raised £89.2m at 142p a share. That values the fixed-line, mobile, broadband and data-centre services business at £160m.

Several institutional investors have come on board following the placing. They include Artemis, BlackRock, AXA, Standard Life and Miton Asset Management.

Manx Telecom was originally part of BT but it was demerged with the O2 business subsequently bought by Telefónica in 2006. Since 2010, the company has been owned by HgCapital, which is selling its shares for £67.2m. Manx Telecom has a dominant market position in its home market and this is being supplemented by business outside of the Isle of Man thanks to mobile virtual network operator

relationships and expansion into the machine-to-machine sector. In 2012, Manx Telecom generated an operating profit of £15.1m on revenues of £72.4m, while in the first half of 2013 revenues were 5% higher at £37.9m and operating profit was up 8% at £8.5m.

Coms deal

Communications and managed services provider Coms has identified £3m of annualised cost savings from its acquisition of Actimax, although the full benefit will not show through until the year to January 2016. Coms is in the process of moving into new offices in Buckinghamshire that have plenty of spare capacity for further growth. Coms is raising £8.3m at 6p a share and spending £2.4m on the initial consideration for Actimax, with up to £1m more payable depending on revenues. A further £2m will go on paying Actimax creditors and the costs of integration. Actimax, which trades as Cloudx1, offers managed network, communications and data services to 800 clients, most of which are in London and the South East. The acquisition will take the annualised revenues of Coms to approaching £60m. Coms won the best performing share category at the 2013 AIM Awards.

New mining index launched by finnCap

finnCap, which received the broker of the year award at the recent Quoted Company Awards, has launched a new mining index. The finnCap 40 Mining index is designed to enable investors to assess the performance of the leading pure mining companies quoted on London markets. The constituents are predominantly small and mid-sized mining companies that are either listed on the Main Market or quoted on AIM.

Leading AIM mining sector adviser finnCap, sponsor of AIM Journal, has taken liquidity into account and the minimum market capitalisation of a constituent of the index is £30m. There are no diversified miners or royalty businesses.

Unlike the FTSE 100 index or the FTSE AIM All Share index, where the constituents have a weighting that relates to their market capitalisation, each of the companies in the finnCap 40 Mining index has an equal weighting. This means that the largest constituents, such as Antofagasta, Polyus Gold and Fresnillo, will not dominate the index. Antofagasta on its own is worth more than the whole mining sector on AIM.

"We believe this is a more representative view of the sector and will enable investors to identify the enhanced returns they are seeking", says finnCap chief executive Sam Smith.

The index will be rebalanced and redefined every three months by the investment committee, which includes the finnCap mining team and GB Indices/Commodity Universe. On 3 February 2014, there were 18 Main Market and 22 AIM miners.

finnCap has also recruited Paul Harrington from Westhouse and James Simpson from Jefferies in order to start a new investment trust offering. The broker believes that there are great opportunities in the funds sector.

advisers

Clients switch as Libertas exits Nomad activities

ADVISER CHANGES - JANUARY 2014

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Berkeley Resources Ltd	Numis	RBC	Numis	RBC	03/01/2014
Active Energy	WH Ireland	Sanlam	WH Ireland	Sanlam	06/01/2014
Aureus Mining Inc	Numis/GMP	RBC/GMP	Numis	RBC	06/01/2014
Goldplat	VSA/SP Angel	SP Angel	SP Angel	SP Angel	07/01/2014
Alternative Networks	finnCap/Investec	Investec	Investec	Investec	08/01/2014
Vela Technologies	XCAP/Peterhouse	Peterhouse	ZAI	ZAI	08/01/2014
Africa Oilfield Logistics Ltd	GMP/MC Peat/ Cantor Fitzgerald	MC Peat/ Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	09/01/2014
MBL Group	SI Capital	N+1 Singer	Spark Advisory	N+1 Singer	13/01/2014
Iofina	Numis/GMP	Investec	Numis	Investec	13/01/2014
TyraTech Inc	Allenby	N+1 Singer /Allenby	Spark Advisory	N+1 Singer	14/01/2014
Greenko Group	Arden/ Investec	Arden	Arden	Arden	14/01/2014
Adams	Peterhouse	Peterhouse	Cairn	Libertas	15/01/2014
Armstrong Ventures	Peterhouse	Peterhouse	Cairn	Libertas	15/01/2014
Global Brands SA	Alexander David	Alexander David	Cairn	Libertas	15/01/2014
Leed Resources	Peterhouse	Peterhouse	Cairn	Libertas	15/01/2014
Noida Toll Bridge Co	Cairn	Libertas	Cairn	Libertas	15/01/2014
Port Erin Biopharma	Peterhouse	Peterhouse	Beaumont Cornish	Libertas	15/01/2014
Advanced Oncotherapy Group	Westhouse/Peterhouse	Peterhouse/Libertas	Westhouse	Libertas	16/01/2014
Beximco Pharmaceuticals Ltd	Daniel Stewart	Daniel Stewart	Daniel Stewart	Libertas	16/01/2014
Frontier Mining Ltd	RFC Ambrian	RFC Ambrian	Cairn	Libertas	16/01/2014
Mercom Oil Sands	Northland	Beaufort/Libertas	Northland	Libertas	16/01/2014
Mineral & Financial Investments Ltd	WH Ireland	Libertas	WH Ireland	Libertas	16/01/2014
PeerTV	Daniel Stewart	Libertas	Daniel Stewart	Libertas	16/01/2014
Edenville Energy	Cantor Fitzgerald	finnCap	Cantor Fitzgerald	finnCap	17/01/2014
Kimberley Enterprises NV	Cairn	Libertas	Cairn	Libertas	17/01/2014
NewRiver Retail Ltd	Liberum	Liberum/Cenkos	Liberum	Cenkos	17/01/2014
Japan Residential Investment Co Ltd	Jefferies Hoare Govett/ Liberum	Liberum	Smith & Williamson	Smith & Williamson	20/01/2014
Phorm Corporation	Mirabaud	Mirabaud/Liberum	Strand Hanson	Liberum	20/01/2014
Nature Group	Cenkos	WH Ireland	Cenkos	WH Ireland	21/01/2014
Auhua Clean Energy	Peat/Cornhill/ Beaufort	Beaufort	Grant Thornton	Grant Thornton	22/01/2014
Rureloec	WH Ireland/XCAP	XCAP	Daniel Stewart	Daniel Stewart	22/01/2014
Hardide	finnCap	N+1 Singer	finnCap	N+1 Singer	23/01/2014
Rockhopper Explorations	Liberum/ Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	27/01/2014
Imperial Innovations	Cenkos/ JPMorgan Cazenove	JPMorgan Cazenove	JPMorgan Cazenove	JPMorgan Cazenove	28/01/2014
IQE	Canaccord Genuity/ Peel Hunt	Espírito Santo/ Canaccord Genuity	Canaccord Genuity	Espírito Santo	29/01/2014
Alecto Minerals	XCAP	XCAP/Fox Davies	Strand Hanson	Fox Davies	30/01/2014
Botswana Diamonds	Dowgate/Westhouse	Westhouse	Westhouse	Westhouse	30/01/2014
Origo Partners	Investec	Investec/Liberum	Smith & Williamson	Liberum	30/01/2014
Westside Investments	Dowgate/ Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	31/01/2014

company news

SintecMedia returns with more generous second bid for Pilat Media

Broadcast management software *www.pilatmedia.com*

SintecMedia has come back with a second bid for **Pilat Media** nearly five years after it first attempted to buy the broadcast management software provider. The 95p a share cash bid is not far from four times the level of the previous bid and values Pilat Media at £63.3m.

SintecMedia already owns 22.7% of Pilat Media and the two companies both focus on selling management software to broadcast and media customers. SintecMedia made a 26.5p a share bid back in 2009. The bid lapsed even though acceptances reached 56.42%. SintecMedia did not receive the 75% acceptances necessary to make the bid unconditional and walked away, although it did continue to buy shares in the market. Some of those purchases were for more than the original bid. The Pilat Media share fell to 17p just after the first bid lapsed.

> Shore Capital upgraded its forecast following Q3 figures

The paragraph covering the background to and reasons for the offer is almost exactly the same in each of the documents. The difference is that in the latest version the challenges are described as difficult. Irrevocable acceptances totalled 39.8% of Pilat Media's share capital when the new bid was announced so with its own stake SintecMedia already has nearly 63% acceptances.

The bid comes at a time when Pilat Media has been trading strongly and house broker Shore Capital upgraded its forecast following the third-quarter figures. The 2013 profit forecast was increased by £250,000 to £2.5m. The bid values Pilat Media at more than 27 times forecast 2014 earnings.

PILAT MEDIA (PGB)			90.63p
12 MONTH CHANGE %	+223.7	MARKET CAP £M	56.5

Pilat Media is making additional payments to directors in recognition of their role in effecting the acquisition. Chief executive Avi Engel will receive £300,000, finance director Martin Blair £60,000 and chairman Michael Rosenberg £40,000. None of them will join the enlarged group's board.

Daily Internet's consolidation strategy

Internet hosting services *www.daily.co.uk*

Internet hosting and cloud services provider **Daily Internet** plans to be a consolidator in its sector. New non-executive director Chris Evans will provide some of the expertise having been in the sector for 14 years and sold his previous business to AIM-quoted Iomart, where until recently he was responsible for acquisitions and their integration.

Soon after Evans's appointment, Daily Internet acquired NameHog for £150,000 and raised £625,000 at 1.65p a share – Evans acquired 344,000 of these shares. The acquisition should add £80,000 to EBITDA in its first full year, and it is the type of business that the group believes it can bolt on to existing operations and make cost savings. NameHog has 5,000 customers and its operations will be moved into the group's Nottingham office.

DAILY INTERNET (DAIP)			1.85p
12 MONTH CHANGE %	- 66.4	MARKET CAP £M	7.54

Last October, Daily Internet raised £3m at 1.5p a share to finance the £2.5m acquisition of Netplan Internet Solutions, which broadened the group's range of hosting services and products. Netplan is an internet infrastructure as a service (IaaS) provider and it has more than 800 customers with 10% of business outside of the UK.

Daily Internet founder and managing director Abby Hardoon was the founder of the Magic Moments internet hosting business. The recent acquisitions have given Daily Internet more scale but it needs to be much bigger to generate more significant economies of scale and there are plenty of opportunities to acquire small cloud-based services providers.

Daily Internet is forecast to make a pre-tax profit of £480,000 in the year to March 2015.

company news

McNally Bharat sells stake as Hayward Tyler continues to power ahead

Pumps and motors supplier *www.haywardtyler.com*

Indian engineer McNally Bharat Engineering (MBE) has sold its 41.7% stake in **Hayward Tyler** and the shares have gone to a wide spread of shareholders. The manufacturer of pumps and motors for the energy sector says that it will continue to maintain strong relationships with MBE. Trading remains strong and the capacity at the Luton factory has been increased.

Littledown Nominees acquired 6.2%, AIM-quoted investment company Crystal Amber Fund Ltd bought 3.84%, Standard Life bought 3.84% and BlackRock Inc took a 7.86% stake. Hayward Tyler's Employee Benefit Trust also bought more shares in the company.

New non-executive director Maurice Critchley increased his stake in Hayward Tyler to 6%. He is chief executive of Severn Glocon, a manufacturer of valves for the international oil & gas, LNG and power industries. MBE's board appointees – Deepak Khaitan, Subir Dasgupta and Prabir Ghosh – have all stepped down.

> Hayward Tyler has announced a maiden interim dividend

Hayward Tyler focuses on three main sectors: power generation, offshore oil and gas and nuclear. The core product is boiler circuit pumps used in power generation, where reliability is most important. Customers include RWE, Rolls-Royce, Alstom and EDF Energy. The large installed base and the recurring service revenues it generates mean that Hayward Tyler starts every year with a solid revenue base even before any new equipment is sold.

HAYWARD TYLER (HAYT)			72p
12 MONTH CHANGE %	+ 200	MARKET CAP £M	36.8

Hayward Tyler has announced a maiden interim dividend of 0.5p a share for those investors on the register on 14 February and promises a final dividend before the end of August. New banking facilities are being finalised with RBS and this will increase the total facility from £12.9m to £14.2m. Interest rates will be lower. There is an additional US facility of $2m.

House broker finnCap forecasts a rise in profit from £2.4m to £3.7m in the year to March 2014. The shares are trading on 14 times prospective 2014 earnings.

President finances initial Paraguay exploration

Oil and gas *www.presidentenergyplc.com*

Oil and gas producer and explorer **President Energy** is raising £35m via a placing and open offer at 35p a share. There was strong demand for the placing, which raised $50m (£30.7m), the maximum that President wanted to raise from the placing. The open offer, which closes on 20 February, could raise up to $7m (£4.3m) more.

President needs the cash to take advantage of the potential for its exploration assets in the Chaco region of Paraguay. There are plans to drill three exploration wells on the Pirity and the Demattei concessions in 2014. President has an option to earn up to 80% of the Hernandarias block, which is also in the Chaco region of Paraguay, and once this option is exercised President will finance the first $17m of an exploration programme, including one well to be drilled within three years.

PRESIDENT ENERGY (PPC)			46.5p
12 MONTH CHANGE %	+ 95.8	MARKET CAP £M	142.5

Resources consultancy RPS has estimated that the main drill targets might have 130m barrels of oil equivalent on a net risked basis. There are still 20 more prospects that are not included in this estimate.

President is estimated to have had net cash of $15.4m at the end of 2013 but Edison forecasts that this would have swung to a net debt of $42.4m without the fundraising, even though a positive cash flow from the Argentina and US operations is forecast. The estimated capex for 2014 is $67.3m, which is more than the cash being raised in this fundraising.

company news

Fusion IP agrees all-share bid from Main Market partner

University technology spin-outs *www.fusionip.co.uk*

Main Market-listed IP Group is acquiring rival university technology spin-outs developer **Fusion IP** in an all-share offer equivalent to 80.2p a share. That is a 45% increase on the 55p a share placing price last April, when Fusion IP raised £20m, although the value of the offer is dependent on the IP Group share price holding up.

IP Group is offering 0.446 of one of its shares for every Fusion IP share, which valued the target at £87.8m based on an IP Group share price of 179.9p. IP Group, which started out on AIM, is also raising £72.9m net at 165p a share. IP Group already had £24m in the bank and Fusion IP will bring with it a further £20m.

The enlarged group will have a significant cash pile to invest

The enlarged group will have a significant cash pile to invest in existing and new university spin-outs.

The two companies have already been working together for more than four years. IP Group first got involved with Fusion IP at the end of 2009 when it took a 19.8% stake as part of a £3m net placing at 27p a share. IP Group has maintained its stake at around 20% in subsequent financings. The original deal also

FUSION IP (FIP)			78p
12 MONTH CHANGE %	32.2	MARKET CAP £M	85.4

enabled IP Group to take 20% of any new stake Fusion IP took in a university spin-out.

Fusion IP has agreements with Sheffield, Cardiff, Nottingham and Swansea universities. The addition of these will mean that IP Group will have 15 direct relationships universities, including Oxford, Leeds, Southampton, Bristol, Manchester and King's College, London.

Fusion IP chief executive David Baynes will become an executive director of IP Group.

ANGLE continues progress with Parsortix

Medical technology *www.angleplc.com*

Medical technology developer **ANGLE** has strengthened its balance sheet through the sale of its stake in Geomerics and is on course to apply for US FDA authorisation for the sale of its Parsortix cancer diagnostics system in the first quarter of 2014.

The key development phase for the Parsortix system, which captures circulating tumour cells, has been completed and the CE Mark has been gained for clinical use in Europe. The next step is to get universities and research organisations to publish a body of research validating the system. So far, 21 Parsortix PR1 systems have been deployed, including 12 with key

ANGLE (AGL)			88.5p
12 MONTH CHANGE %	+ 56.7	MARKET CAP £M	40

cancer groups. A Parsortix laboratory has been established in Cambridge in partnership with the Medical Research Council's cancer unit.

Captured cells can be analysed because they are intact and undamaged. This means that doctors do not have to operate in order to analyse tumours. There are other potential uses for the technology, such as pre-natal tests.

The financial model is to generate the main revenues from the cassette used in the instrument. The likely price of these cassettes would be around £200 each. Machines will initially be deployed to support sales to research organisations and revenues will be modest in the short term.

There was a £1.47m cash outflow in the six months to October 2013, which includes more than £1m in development spending for Parsortix. There was £358,000 in the bank at the end of October 2013 and subsequently £5.5m was added to this from the sale of the Geomerics software business to ARM. There is a further £700,000 that should become payable on 12 December 2015.

Matchtech resumes dividend growth

Engineering recruitment *www.matchtechgroupplc.com*

Dividend

Engineering and professional services recruiter Matchtech has been a consistent dividend payer since joining AIM in October 2006. The total dividend in the first year was 13.7p a share, rising to 15.6p a share the following year. Tough trading conditions in the recruitment sector meant that the dividend remained unchanged for five years, with the dividend cover declining before being rebuilt. Last year, the dividend was raised to 18p a share, which was covered 1.9 times by earnings.

Further dividend growth is expected. Shore Capital forecasts 19p a share for 2013-14 and 21p a share in 2014-15. The business is cash generative even after the payment of the dividend. Net debt was £8.7m at the end of January 2014.

Business

Although Matchtech was hit by the world economic downturn its niche markets meant that it continued to be profitable even though it was at lower levels than before. Margins continue to recover.

Engineering still accounts for 68% of net fee income and Matchtech is the largest specialist engineering recruitment business. The main growth is coming from the general engineering sector, aerospace and automotive. However, delayed government spending on the Royal Navy aircraft carrier programme and the NHS held back these areas of the business. The German subsidiary is still making a small loss but it could move back into profit in this financial year.

The rest of the business is in technology recruitment, professional staffing and skills and employability consultancy. Technology is by far the biggest part of the division even before any significant contribution from the £3.6m purchase of Provanis, which specialises in Oracle experts, last September.

MATCHTECH GROUP (MTEC)	
Price	559p
Market cap £m	136.7
Historical yield	3.2%
Prospective yield	3.4%

The skills shortage in engineering continues to drive up wages, which is good news for Matchtech. It should help margins to continue to improve. The contract gross margin was 6.8% in 2012-13 and management wants this margin to reach 10% in the future.

The pre-close trading statement for the six months to January 2014 shows a 19% increase in net fee income to £22m. There is growth in contract and permanent fee income, with the professional services division growing fastest. Even stripping out the £800,000 contribution from Provanis, professional services, net fee income grew 16%, with the fastest rate of growth coming in permanent fees. The interim figures will be published on 8 April.

The share price has doubled over the past year. Shore Capital forecasts an improvement in pre-tax profit from £10.3m to £12m in the year to July 2014. This is significant because it surpasses the pre-tax profit reported for 2008-09. The shares are trading on 16 times forecast 2013-14 earnings, falling to 13 in 2014-15. The rating will come down further as the economy recovers.

Dividend news

Furnishing fabrics and wallpapers designer **Colefax** is increasing its interim dividend by 5% to 2p a share as well as using £4.4m of surplus cash to buy back shares. Shareholders are entitled to have 9% of their shareholding bought by the company but they can tender more. Net cash is still expected to be £3.9m at the end of April 2014. In the six months to October 2013, revenues rose 15% to £39.2m and pre-tax profit jumped 72% to £3.07m. This performance was helped by the timing of contracts in the decorating division. House broker Peel Hunt has upgraded its 2013-14 forecast by 11% to £5m, up from £3.5m in 2012-13.

Contact centre services provider **IBEX Global Solutions** intends to pay a maiden interim dividend of 1.9p a share, which will cost £750,000. The shares went ex-dividend on 29 January although the details of when the dividend will be paid will be announced with the interim figures in March. At the end of June 2013, IBEX raised £10.7m via a placing at 147p a share. This was used to reduce borrowings and finance the opening of new facilities in Texas and the Philippines, taking the total number of facilities to four. Revenues are growing faster than expected.

Agricultural supplies and specialist retailer **Wynnstay Group** continues its progressive dividend policy with a 9% increase in its total dividend to 9.3p a share. An £8.7m share placing helped to fund the £5.8m acquisition of Carmarthen & Pumsaint Farmers and contributed to the reduction in net debt from £13.8m to £2.49m. All parts of the business grew organically and the full benefits of the recent acquisition have yet to show through in the figures. The strong milk price is increasing demand for cattle feed. Wynnstay is investing in growing feed and seed processing capacity.

expert views

Expert view: The broker

Strong turnaround for Servoca

By DAVID BUXTON

Full-year results saw a strong turnaround in profitability for recruitment and outsourcing services provider Servoca* and they were accompanied by an upbeat outlook statement.

We introduce 2014 forecasts, which show accelerating organic growth. The shares have started to reflect improvements in underlying market conditions, and we believe there is significant upside to the valuation from here.

Results

In the year to September 2013, revenue increased by 1.3% to £43.06m. Gross profit at £12.26m, up 2.3%, gave gross margins of 28.5% (vs 28.2%). A 2.8% reduction in administrative expenses to £11.37m resulted in EBIT of £0.882m. Adjusted pre-tax profits of £0.81m (versus £0.21m) were up nearly four-fold, while adjusted EPS of 0.56p, compared with 0.09p.

Overall, Servoca achieved a much better level of profitability on fairly flat turnover. The second half, which typically sees a significant level of recruitment activity relating to the new school year in September, lived up to expectations and the group returned to a decent level of cash flow generation.

Net debt reduced year on year by around £0.2m, to £3.07m. EBITDA-based interest cover is a comfortable 14 times. Cash generated from operations of £0.679m was a considerable improvement on the £0.068m of last year. This was despite a net £0.35m working capital outflow, from an £0.43m increase in trade debtors, reflecting slower payment terms from Servoca's security customers. Capex at £0.4m was higher compared than last year, reflecting some additional expenditure on equipment for the security operation.

Divisions

The Recruitment businesses performed well, with a small increase in revenue but a significant improvement in margins and profit. Within this grouping, the educational recruitment operations performed strongly, with growing revenue and a 50% increase in profits. The second half saw a strong improvement in performance versus the first half (with the September academic new year living up to expectations). There was some benefit from new offices being opened. As some of these offices are still building up their operations we see scope for further profit uplift in the coming year. The education business has rebranded most of its operations under the Academics brand, giving greater clarity to its market.

NHS-related spend reflected the greater level of government austerity measures. This was most pronounced in the Doctors recruitment business, which continued to see a substantial reduction in demand for locum doctors. Elsewhere in healthcare the action taken in the prior year to reduce the overhead cost base helped to improve profitability.

The group's outsourcing division overall saw a slight decline in revenue, but the domiciliary care operation benefited from the overhead reductions noted above to deliver improved profitability. The security and guarding operations were fairly flat although the outlook appears more promising as we move into cyclical growth and with the anticipation of new customer wins. Performance was resilient given that the prior year revenues were affected by one-off demand from the 2012 London Olympics.

We are increasing our price target to 13.5p

Forecasts

We introduce 2014 forecasts based on a more encouraging level of revenue growth, which we estimate at 10%, to £47.5m. We forecast EBITDA of £1.4m, reflecting good operational drop-through but with some additional overhead expenses. Adjusted pre-tax profit should therefore increase to £1.1m, an increase of 38%. Due to the depletion of historical tax losses we expect a higher rate of tax in 2014 at 17%. Net debt is expected to reduce by £0.4m, reflecting the higher EBITDA, partly offset by increased working capital.

The shares have stepped up over recent months, reflecting a more bullish trend among the recruitment sector, which places the shares on an historical P/E of 12 – the introduction of 2014 forecasts, which show EPS growth of 30% to 0.73p from a still low base, indicating the shares have a forward valuation of 10. This compares with the small cap recruitment sector on a P/E of 18, which highlights ongoing value in the shares. We are increasing our share price target to 13.5p, reflecting a fair value P/E of 18.3, in line with the sector, and thus we believe the shares continue to offer good upside as profits recover.

**Servoca is a corporate client of finnCap*

DAVID BUXTON is a research director at finnCap feature

Technology overtakes resources in attracting investment

AIM is attracting a wider spread of investor interest across the sectors, with technology becoming increasingly popular. In contrast, mining is a less popular sector as miners find it more difficult to raise cash.

The domination of the resources sectors, and in particular mining, in the raising of cash on AIM was broken in 2013, with technology becoming an increasingly important sector. This is on the back of investor interest in Cloud-based services and bigdata-related companies.

Three years ago nearly three-fifths of the cash raised by AIM companies, whether by new entrants or existing companies, went to oil and gas and basic materials (mining) companies. Last year, less than a quarter of the cash raised went to those sectors. They raised less cash than the financials sector.

Financials has been the biggest sector in terms of money raised in three out of the past six years. This generally reflects an increased amount of cash raised by investment companies but in certain years a large proportion of the cash has gone into property businesses.

In December, there were significant fundraisings by residential property developer Mar City, New Europe Property Investments and Sirius Real Estate. Those three companies accounted for nearly one-fifth of the cash raised in December.

It is interesting to note that the industrials sector is also attracting more cash than in the recent past.

Oil and gas fundraisings have held up reasonably well, with 15% of the total raised in 2013. That is nearly half of the 2010 and 2011 levels but it is still a significant amount. Oil and gas is still 18.8% of AIM's value.

In contrast, mining has gone from one of the main attracters of investor cash to a sector where it is more difficult to raise money. In 2010, mining companies accounted for 29.4% of the cash raised on AIM whereas last year it was 8.6%.

The mining sector accounts for 7.3% of the capitalisation of AIM whereas one-in-seven AIM companies are mining companies. This gives an indication of how many small mining companies there are which used to be able to raise cash when they needed it but now find it difficult to finance their exploration activities.

Last year, 17.9% of cash raised went to the technology sector

Technology

In 2013, technology companies raised nearly as much as they had done in the previous three years added together. Last year, 17.9% of the AIM cash raised went to the technology sector, against 6.6% in 2012. This was despite the fact that many of the larger technology flotations, such as Arria NLG, raised little or no cash when they joined AIM.

The technology sector has gone from 8.6% of AIM in 2012 to 11.9% at the end of 2013.

The success of the WANdisco flotation in June 2012 has undoubtedly helped to boost interest in technology companies. The share price is nearly seven times the original placing price of 180p a share.

Big-data and Cloud-computing businesses, such as Outsourcery and Fusionex International, have followed on the back of the WANdisco share performance. Not all of the companies have performed as strongly as WANdisco, though. Cloud-computing services provider Outsourcery is a few pence higher than its original placing price.

2014

Sometimes one large fundraising can have a significant effect on some of the smaller sectors. For example, the telecommunications sector accounted for £17.2m of the cash raised in 2013. Already this year, Manx Telecom has raised a total of £156.4m – £89.2m of new money and £67.2m that went to existing owner HgCapital.

feature

This follows CityFibre Infrastructure Holdings, which floated earlier in the year. The fibre-optic infrastructure provider raised £16.6m at 60p a share.

These telecoms flotations are also benefiting from the increased interest in the technology sector, with telecoms-related businesses receiving a boost from the huge amount of data that is transmitted.

There are still oil and gas companies seeking to raise cash and there is interest from investors in attractive assets. President Energy is in the process of raising £35m to fund exploration in its Paraguay oil and gas assets (see page 5).

There are also oil and gas new issues coming along, with Hurricane Energy raising £18m when it floated at the beginning of February.

Investors still appear to be attracted to technology companies, with many of the recent new issues in particular trading on heady valuations.

Actual Experience is joining AIM in the middle of February. Bath-based Actual Experience has used research undertaken by Queen Mary, University of London, to develop technology that analyses the performance of online applications in terms of the user experience of websites, etc. This can help companies to make the most of their digital services.

For the first time in five years the top three sectors generated less than three-quarters of funds raised

There are more technology companies waiting to come to AIM and this will continue while the market remains strong.

A few years ago it appeared that it was going to be difficult for a company to raise cash if it was not involved in the resources sector. Last year has demonstrated that AIM is not a market dominated by one or two sectors. Admittedly, there are fashions and that is why resources were dominant in recent years.

The change in the spread of fundraisings is shown by the fact that the top-three sectors accounted for 55.5% of cash raised in 2013 and this is the first time in five years that the top-three sectors did not account for at least three-quarters of the funds raised.

Hopefully, the spreading of the cash raisings through the sectors will continue on the back of further increases in the amount of cash raised.

AIM FUNDRAISINGS BY SECTOR (£M)

SECTOR	2013	2012	2011	2010	2009	2008
Oil and gas	587.28	649.14	1257.64	2063.79	1167.19	852.99
Basic materials	336.89	765.9	1234.32	2047.88	1047.3	986.94
Industrials	476.67	188.31	278.45	638.12	224.21	728.4
Consumer goods	98.24	57.82	114.8	223.11	57.82	98.81
Healthcare	285.13	146.54	200.2	173.07	183.07	127.5
Consumer services	375.48	297.36	102.7	190.19	205.74	193.76
Telecommunications	17.18	179.04	3	190.55	123.17	17.9
Utilities	35.35	12.3	137.4	75.64	56.15	93.77
Financials	994.12	642.84	720.11	1098.2	2226.47	1017.63
Technology	701.06	204.95	253.14	257.03	144.4	194.3

AIM FUNDRAISINGS BY SECTOR (% OF TOTAL)

SECTOR	2013	2012	2011	2010	2009	2008
Financials	25.4	20.6	16.9	15.8	39.7	23.5
Technology	17.9	6.6	5.9	3.7	2.6	4.5
Oil and gas	15	20.8	29.5	29.7	20.8	19.7
Industrials	12.2	6	6.5	9.2	4	16.9
Consumer services	9.6	9.5	2.4	2.7	3.7	4.5
Basic materials	8.6	24.6	28.9	29.4	18.7	22.8

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Oil & gas	18.8	12
Financials	18.1	19.5
Consumer services	14.5	9.7
Industrials	12	17.8
Technology	11.9	10.3
Basic materials	7.3	16.6
Consumer goods	6.8	5.6
Health care	6.3	6.2
Telecoms	2.9	1.2
Utilities	1.4	1.3

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	857.72	+15.8
FTSE AIM 50	4644.02	+41.5
FTSE AIM 100	3889.91	+17.3
FTSE Fledgling	6571.05	+28.9
FTSE Small Cap	4469.01	+22.2
FTSE All-Share	3496.51	+5.1
FTSE 100	6510.44	+2.6

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	236
£5m-£10m	140
£10m-£25m	229
£25m-£50m	164
£50m-£100m	136
£100m-£250m	121
£250m+	61

KEY AIM STATISTICS

Total number of AIM	1087
Number of nominated advisers	48
Number of market makers	52
Total market cap for all AIM	£75.9bn
Total of new money raised	£84.1bn
Total raised by new issues	£36.8bn
Total raised by secondary issues	£47.3bn
Share turnover value (2013)	£29.6bn
Number of bargains (2013)	4.77m
Shares traded (2013)	291.7bn
Transfers to the official list	164

TOP 5 RISERS OVER 30 DAYS

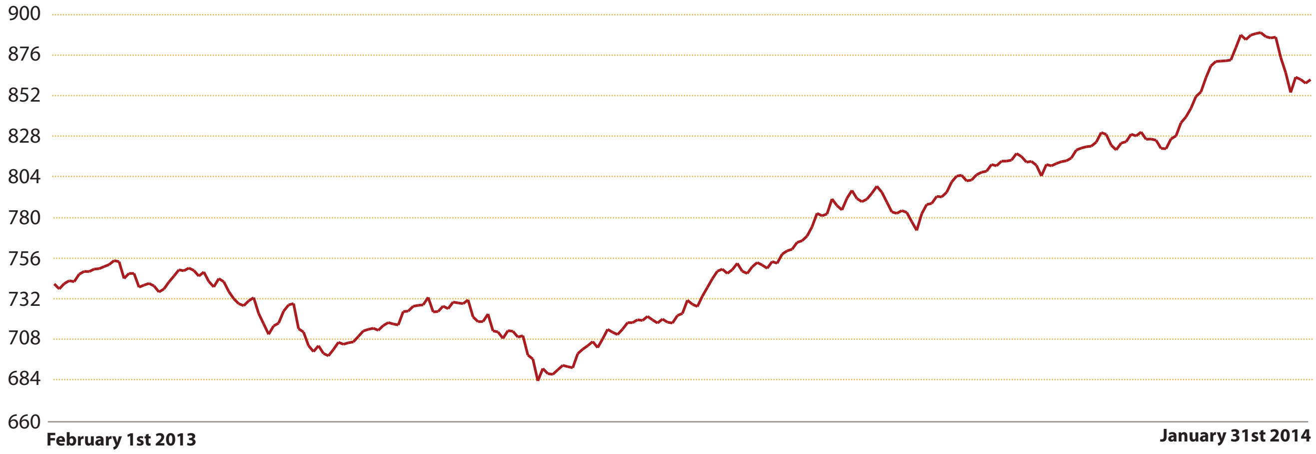
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Nova Resources Ltd	Cleantech	1.85	+252.4
Ilika	Cleantech	73	+231.8
Egdon Resources	Oil and gas	27.5	+197.3
Coms	Technology	11	+151.4
Petro Matad Ltd	Oil and gas	8.62	+146.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Mobile Streams	Telecoms	30.5	-54.8
Vela Technologies	Technology	1.27	-51.4
Albemarle & Bond	Financials	9.5	-50
Kea Petroleum	Oil and gas	1.1	-48.2
Edenville Energy	Mining	0.08	-46.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st January 2014, and we cannot accept responsibility for their accuracy.

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

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

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

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

In the six months to October 2013, finnCap reported a 22% jump in revenues to £6.9m and operating profit was 74% higher at £1.9m. finnCap has a strong track record of raising money and it raised more than £70m for clients during the period.

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