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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM not immune to global decline

AIM is not immune to the knock-on effects of the invasion of Ukraine on the global stockmarkets and it continued to decline in February. The FTSE AIM 100 index fell 4.6% last month - slightly below the 5% drop for AIM as a whole. There were 30 companies in the index where share prices rose during the month.

The best performer in the AIM 100 was oil and gas company Pantheon Resources, which has exploration activities in Alaska. It is ready to test the Theta West well site. Gold producer Pan African Resources and uranium investor Yellow Cake are some of the other resources companies where share prices have risen. However, Russia-focused minerals explorer Eurasia Mining has slumped.

The fuel cell and electrolyser developing companies have been slipping back since early 2021, but the Ukraine invasion and the subsequent oil and gas price rises have also sparked a recovery in these shares, but they have a long way to go before they get anywhere near their previous level. ITM Power was the third best performer in the index with a 22.9% rise. Ceres Power, Proton Motor Power Systems and AFC Energy, even though Roman Abramovich has a 3.3% stake, all rose.

CI Games ponders London quote

Video games developer CI Games has appointed Berenberg as financial adviser ahead of a possible flotation in London. Poland-based CI Games already has a listing on the Warsaw Stock Exchange. There is no indication whether CI Games would join the Main Market or AIM, but it has appointed former Keywords Studios finance director David Broderick to the same role. AIM has a successful track record of attracting video games companies.

CI Games was founded in 2002 and its games include Sniper: Ghost Warrior and Lords of the Fallen with new versions due to be launched next year. A survival game is under development with Czech games developer BatFields. There are also three other games being developed with the first two due for release in 2023.

Revenues are expected to decline in 2022 before the new releases boost the 2023 figures. Edison forecasts 2023 revenues of PLN 277.9m and pre-tax profit of PLN 121.6m. There are just under six Polish Zloty (PLN) to the pound. The forecast will depend on the timing of new games launches, but if this forecast can be achieved then the prospective 2023 multiple would be less than three. CI Games is cash generative even after capitalised development spending and it is currently valued at around £45m.

In this issue

Summerway cannabis reversal

AIM cash shell Summerway Capital is acquiring Vertigrow Technology and changing its name to Celadon Pharmaceuticals. The potential deal was originally revealed last October and Summerway loaned Vertigrow £4.25m. The all share deal values Vertigrow at £80m. A placing will raise £8.5m at 165p a share and at that price the market value of the enlarged company will be £101.8m. However, after trading in the shares recommenced the share price fell to 107.5p.

Vertigrow was established in 2018 and it grows indoor hydroponic, high THC cannabis, which will be used for medicines to treat chronic pain. A Home Office licence to legally grow medicinal cannabis was received in July 2021 and it has been renewed until January 2023. There are plans to apply to the Medicines and Healthcare products Regulatory Agency (MHRA) to register as a manufacturer of medicinal product APIs. The company also has its own operation researching the use of cannabinoids in treating pain, autism and other conditions.

It is believed that the 100,000 square foot laboratory and growing facility could have the capacity to generate £90m a year at a gross margin of 65%. That will depend on there being sufficient demand. No revenues have been generated yet, though, and the business is loss making.

There are significant barriers to entry in such a highly regulated market and Celadon will have a strong base that it can use to expand further in the cannabis sector. Pro forma cash will be £11.9m and £5m will be spent on developing the facility. If the shareholders agree to the deal, then the enlarged group will be readmitted to AIM on 28 March.

Accsys decision

Accsys Technologies and its joint venture partner Eastman Chemical have decided to go ahead with the construction of an Accoya sustainable wood plant in the US. The joint venture, where Accsys has a 60% stake, has secured $80m of bank financing, while Accsys will have to invest around $40m. Construction could take two years. The initial capacity at the Tennessee site will be 43,000 cubic metres a year and that capacity could be reached in three years. Production downtime at the Arnhem plant means that sales of Accoya are lower this year, but price rises mean that revenues increased. The 2021-22 figures will be at the lower end of estimates. The newly installed line will start operating in April.

Europa takes stake in North Sea block

Europa Oil & Gas was one of the best AIM performers during February, but there has subsequently been some bad news for the oil and gas company. An area that Europa has been focusing on is offshore of Ireland. It was set to acquire licence FEL 3/19, but DNO has decided to terminate the sale. Instead, Europa has launched a £7m fundraising to acquire an interest in a North Sea block.

FEL 3/19 is a licence in the Slyne basin, near to the Corrib field, which is already producing gas. The purchase was agreed in June 2020 and finnCap had estimated that it would be worth 1p a share to Europa. The company still has an interest in the 1.5tcf Inishkea gas prospect. That is estimated to be worth 2.5p a share and a drilling partner is being sought. The high gas price makes this a particularly attractive prospect.

The share price fell to 2.7p on the disappointing news, prior to the announcement of the fundraising at 1.8p - a 22% discount to the market price. To be fair, the share price was below that level at the beginning of the year.

The placing price equates to the risked NPV per share estimated by finnCap for Europa's current resources, although adding the development and exploration prospects takes the estimate to 6.7p a share. That is before the proposed acquisition.

Europa intends to farm in to Block 13/23c on the UK Continental Shelf, which is known as Serenity. It will take a 25% non-operating interest, while fellow AIM-quoted oil and gas company i3 Energy will retain a 75% stake. The payment for the 25% interest is providing 46.25% of the cost of drilling an appraisal well. The gross cost is estimated to be £14m, so all the cash raised after expenses will be required. The existing operations are generating cash and Europa has moved into profit.

Peel Hunt hit by deal delays

Broker Peel Hunt blames delayed deals and reduced trading activity for full year revenues undershooting expectations. Management says that revenues for the year to March 2022 will be marginally below expectations and earnings will also disappoint.

The share price slumped from 177.5p to 125.5p following the trading statement. That means that the share price has nearly halved since the September 2021 placing at 228p a share. Existing shareholders raised £72m in the placing.

Peel Hunt always admitted that trading would not be as strong this year. The previous financial year was boosted by increased trading levels and additional fundraising activity as companies raised cash to strengthen their balance sheets during the original Covid-19 lockdown.

The number of clients has increased to 163 and the investment banking division is expected to generate record revenues.

In the year to March 2021, Peel Hunt Ltd revenues more than doubled from £95.5m to £196.9m, while pre-tax profit jumped from £34.2m to £120.1m. Because of the reorganisation of the group, the illustrative, adjusted pre-tax profit is £73.6m, up from £19.4m. The latest forecast for 2021-22 predicts revenues of £128.3m, which is a fall of around one-third, and pre-tax profit of £30.7m. A dividend of 4p a share is expected. Peel Hunt intends to pay 40% of post-tax profit in dividends in its first full year as a quoted company.

Numis Corporation also warned that after a strong first quarter to December 2021, there was a slower start to the second quarter. At its AGM, Numis said capital market activity was being hampered by interest rate and inflation fears. This was before the invasion of Ukraine. There is an encouraging pipeline, but that could also be hit by delays.

■ The Financial Conduct Authority has approved the change of control for broker **Arden Partners** - the approval lasts three months from 20 January. The merger with legal services provider Ince Group is expected to complete after a Court hearing sanctions the scheme of arrangement in the first quarter of 2022. The offer of seven Ince shares for every 12 Arden shares, values the broker at £4.2m.

■ **PrimaryBid** has raised $190m through a Series C funding round. The investors include former AIM-quoted venture capital company Molten Ventures and lead investor SoftBank Vision Fund 2. Demand for the PrimaryBid fundraising platform soared at the time of the original Covid-19 lockdown and it continues to be used by a range of UK quoted companies and potential new admissions. The additional cash will help PrimaryBid to expand internationally.

ADVISER CHANGES - FEBRUARY 2022

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Harvest Minerals	Tavira	Shard	Strand Hanson	Strand Hanson	2/1/2022
Journeo	Cenkos	WH Ireland	Cenkos	WH Ireland	2/1/2022
Ideagen	finnCap / Canaccord Genuity	finnCap / Canaccord Genuity	Canaccord Genuity	finnCap	2/9/2022
Chariot Ltd	Cenkos / Peel Hunt	finnCap / Peel Hunt	Cenkos	finnCap	2/10/2022
NAHL	Allenby	Peel Hunt	Allenby	Peel Hunt	2/11/2022
Emmerson	Liberum / Shore / Shard	Shore / Shard	Shore	Shore	2/16/2022
AEX Gold Inc	SI Capital / Stifel Nicolaus / Panmure Gordon	Stifel Nicolaus / Panmure Gordon	Stifel Nicolaus	Stifel Nicolaus	2/21/2022
Helium One Global	Liberum / Peterhouse	Canaccord Genuity / Peterhouse	Liberum	Beaumont Cornish	2/21/2022
LPA Group	finnCap	finnCap	finnCap	Cairn	2/23/2022
Sovereign Metals	Berenberg / Optiva	Optiva	RFC Ambrian	RFC Ambrian	2/24/2022

Franchise Brands launches recommended merger with cooking oil filtration services provider Filta

Franchised services — *www.franchisebrands.co.uk*

Franchise Brands has launched a recommended all share bid for kitchen services provider Filta Holdings, which is predominantly a franchised business. The offer is 1.157 shares for each Filta share. When the bid was announced Franchise Brands shares were trading at 147.5p each, so Filta was valued at 170.7p a share, capitalising the company at £49.8m.

Filta provides cooking oil filtration and drain management services to restaurants and other venues. There is growing demand for the Cyclone grease recovery unit launched in 2020 – Filta is exclusive global supplier until the end of 2031. Lockdowns hit demand but a profit

The group has net cash

bounce back is forecast for 2022, so this appears to be good timing for Franchise Brands to launch a bid.

Metro Rod, Metro Plumb and Willow Pumps are already owned by Franchise Brands and these services can be offered to Filta's customer base in the UK. Filta can also benefit from the enlarged group's IT and management expertise. The deal will provide Franchise Brands with exposure to the North American and European markets.

Franchise Brands was forecast to make a 2022 pre-tax profit of £7.7m, up from £6.4m. Filta is

FRANCHISE BRANDS (FRAN)			146p
12 MONTH CHANGE %	+43.8	MARKET CAP £M	140

expected to return to profit in 2021 thanks to a recovery in North America and then increase the pre-tax profit to £3.1m in 2022. There will be opportunities to reduce costs, particularly those related to Filta's AIM quotation. Franchise Brands had net cash of £6.5m at the end of 2021 and Filta is also estimated to have net cash.

Filta will be a separate division and Jason Sayers will continue to run it, while Filta's finance director will take on that role at Franchise Brands.

Third forecast upgrade for Kitwave

Food wholesaler — *www.kitwave.co.uk*

UK food wholesaler **Kitwave** did better than expected in the year to October 2021 with the foodservice business recovering faster than anticipated when Covid restrictions started to be eased in the second half. Kitwave has made its first acquisition since the flotation in May and there should be more to come.

Full year revenues declined due to the lockdown that held back most of the first half, but the second half revenues were much higher than those in the first half. That was particularly true of foodservice, where revenues jumped 361%. Kitwave has its own delivery fleet, and this has helped to maintain

KITWAVE (KITW)			152.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M	106.7

service levels.

Kitwave has acquired Devon-based foodservice supplier MJ Baker for £18.5m - net of cash acquired. Last year, revenues fell from £28.2m to £16.9m, while pre-tax profit slumped from £2.7m to £1.5m. The profit should recover this year enabling the deal to be earnings enhancing. As well as adding to the foodservice division, MJ Baker will help the ambient and frozen foods businesses expand in south west England.

The solid earnings generation has helped the Kitwave share price to hold up when others have slumped, although it has not been immune to the market decline. It is still above the 150p a share placing price, though.

The 2021-22 pre-tax profit forecast has been upgraded from £12.7m to £13.5m - the third upgrade since flotation. The dividend expectation has been edged back to 7p a share, which is 2.2 times covered by forecast earnings. Even so, steady dividend growth is anticipated. The shares are trading on less than ten times prospective earnings and the forecast yield is 4.6%.

Intuitive Investments acquires disinfection services provider and expands outside the UK

Healthcare investments *www.iigplc.com*

Intuitive Investments Group started out by taking small stakes in pharma and healthcare companies. Its latest move marks a change in strategy and is the acquisition of hygiene and disinfection services provider Touchless Innovation for £7.35m, which is made up of 28.9 million shares and £1m in cash. A subscription at 22p a share, which is one-third above the market price, raised £607,000.

Touchless is a franchise business - it has the UK master franchise for Sanoserv - that provides a decontamination service based on a hydrogen peroxide formula stabilised with silver ions, which is administered as a dry vapour treatment for surfaces. Because it is dry it can be used on electronics.

NAV was 20.1p a share

The core markets are education facilities, vets, gyms, health facilities and restaurants.

Touchless is acquiring Malta-based Sanoserv for £2m in cash and 5% of Touchless. There is £900,000 of deferred consideration payable in six months and an earn out of 30% of US profit for three years. This makes Touchless an international business.

In the year to May 2021, Touchless made a pre-tax profit of £1.12m on revenues of £3.5m. In the following seven months, the profit was £628,000 on revenues of £2m. There was £1.37m in the bank at the end of 2021.

INTUITIVE INVESTMENTS GROUP (IIG)			16.75p
12 MONTH CHANGE %	-30.5	MARKET CAP £M	6.8

Smaller investments continue to be made by Intuitive Investments. Earlier in February a £250,000 investment was made for a 6.04% stake in Glasgow-based Ocutec Ltd. Ocutec, which was spun out of the University of Strathclyde, has developed technology for contact lens products. There is a portfolio of 18 minority investments.

At the end of September 2021, net assets were 20.1p a share. That was before the flotation of Light Science Technologies, which provided a further uplift, although other quoted investments may have fallen with the market in general.

Alumasc set for second half recovery

Building products *www.alumasc.co.uk*

It was a tough first half for building products manufacturer **Alumasc**, but management remains optimistic about the full year outcome with pre-tax profit expected to be at least maintained at £10.5m. The move towards sustainable building products and investment in product development is enabling Alumasc to gain market share and reducing costs will help to improve the second half profitability.

In the six months to December 2021, revenues were 2% higher at £46.3m, helped by a 41% increase in exports, but underlying pre-tax profit fell from £6m to £5.3m. The Levolux shading business fell back into loss during the period. Net debt rose to £4.1m as inventories were built up.

ALUMASC (ALU)			207.5p
12 MONTH CHANGE %	+20.3	MARKET CAP £M	75

The water management division increased revenues and made a record profit contribution, helped by new product launches and overseas demand. The housebuilding products division was still suffering some customer site disruption and there were cost increases that hit margins. The £1m Levolux loss masked the profitability of the roofing business which is in the same division.

Despite the lower interim profit, the interim dividend was raised from 3.25p a share to 3.35p a share. The full year dividend is expected to rise from 9.5p a share to 10p a share, which would be covered 2.4 times by forecast earnings. The shares are trading on less than nine times prospective earnings and the forecast yield is 4.8%. There is potential for add-on acquisitions to broaden the portfolio of building products offered and to move into new markets.

CentralNic buys German comparison site business as growth of existing operations accelerates

Domain name services *www.centralnic.com*

CENTRALNIC (CNIC)			132p
12 MONTH CHANGE %	+43.5	MARKET CAP £M	331.5

Domain name and online marketing services provider **CentralNic** is already beating expectations for 2022 and it is acquiring a large German comparison site business that will enhance the online marketing division, as well as being earnings enhancing. CentralNic is set to be highly cash generative.

CentralNic is paying $75m for Berlin-based VGL and raising £42m at 120p a share. The rest of the cash will come from a further bond issue. VGL has more than 100 product review sites and an overall comparison site. These sites generate 270 million visitors each year. The search engine expertise of the business will be useful for the rest of the online marketing operations. The business is focused on German speaking markets and there are plans to move into France and Poland.

CentralNic is highly cash generative

Earlier this year, CentralNic acquired German search engine Fireball Search and the .ruhr top level domain, which has around 10,000 domain registrations, for €600,000 in cash. The management of the existing .ruhr domains will be transferred to CentralNic. Historical revenues were €200,000.

Zeus believes that net debt could fall to $46.2m at the end of 2022 and then to $9m at the end of 2023. The debt is predominantly the bonds that are traded in Frankfurt and mature in July 2023. That strong cash flow could enable a refinancing of the bonds. There could be a $2.5m interest saving from that refinancing.

Trading in the first few weeks of 2022 is well ahead of previous expectations and the contribution from acquisitions means that earnings could increase from 11.8 cents a share to 14.5 cents a share in 2022. The shares are trading on less than 13 times prospective earnings. That is not high given the strong cash flow.

Made Tech winning larger digital contracts

Digital services *www.madetech.com*

MADE TECH GROUP (MTEC)			50.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M	74.8

Made Tech is a rapidly growing provider of digital transformation services to the UK public sector, including healthcare and defence. Joining AIM last September has helped Made Tech to win much larger contracts. A £7m contract with the DVLA was won last year and a £37.5m contract with the NHS was announced with the interim figures.

The two-year contract is with NHS Digital and was won jointly with Answer Digital. Made Tech should receive around 50% of the contract value. There will be a four-month contribution in the second half, but the revenues will not fully build up until next year.

The public sector is spending more with smaller digital businesses. The market share of the top ten IT suppliers has declined from 70% to 44% over five years, while that of the smaller suppliers has risen from 7% to 15%. Made Tech's quoted company status means that it is well positioned to take advantage.

In the six months to November 2021, revenues jumped 131% to £11.7m, although the comparatives are for a weak period. Underlying pre-tax profit recovered from £12,000 to £1m. At the end of November 2021, the order backlog was £31.3m – that is before the NHS contract. Hiring staff with the right skills is important to the continued growth of the business.

The placing price was 122p and the share price has halved since then. Short-term pressures could hold back profitability, but the longer-term prospects are enormous. The original valuation appeared high, but the share price decline is making the shares more attractive.

Springfield Properties rebuilds its dividend

Housebuilder *www.springfield.co.uk*

Dividend

Springfield Properties had consistently paid dividends since it floated in 2017. In 2017-18, total dividends were 3.7p a share, rising to 4.4p a share the following year. In the year to May 2020, Springfield initially declared an interim dividend of 1.4p a share, but in March 2020 decided to not pay that dividend and save £1.4m. There was a final dividend of 2p a share.

Springfield then went back to paying two dividends a year and the 2020-21 total was 5.75p a share. The latest interim dividend was increased from 1.3p a share to 1.5p a share. The shares go ex-dividend on 10 March. The forecast total dividend for the full year is 6.25p a share.

Business

Housebuilder Springfield Properties has a strong market position in Scotland, which is a market where there is a lack of supply to meet the demand and the company has a record order book for private housing. This position was recently enhanced with the acquisition of Tulloch Homes, which is based in Inverness. In the year to June 2021, Tulloch Homes made a pre-tax profit of £6.3m on revenues of £46.4m and the deal is earnings enhancing.

Springfield pad £56.4m, net of cash, for Tulloch Homes, including £13m deferred for two years. A placing raised £22m at 140p a share. The two companies build family homes at a similar price level.

This deal added additional land to the group. At the end of November, Springfield had 15,308 plots with around two-thirds of it for building private housing and most of the rest earmarked for affordable housing.

SPRINGFIELD PROPERTIES (SPR)	
Price (p)	140.5
Market cap £m	166.2
Historical yield	4.1%
Prospective yield	4.4%

Tulloch Homes adds 1,791 plots in Inverness and the Highlands to the total and 87% of these already have planning permission. There could be nearly 1,300 completions in this financial year.

In the six months to November 2021, Springfield's revenues dipped from £94.4m to £87.3m, but that was due to the corresponding period being boosted by delayed completions. The decline was in private housing revenues. Affordable housing revenues jumped from £18.3m to £31.7m, while contract housing nearly doubled revenues to £7.5m as work for Sigma on private rental homes started to ramp up.

That change in mix had a knock-on effect on gross margins, which fell from 19.6% to 18.5%, and pre-tax profit fell from £8.6m to £6.2m. There was no contribution from Tulloch Homes, which was acquired after November. The enlarged group's gross margin is expected to remain around 18%. Net debt is forecast to be around £50m at the end of May 2022.

Singer maintained its full year pre-tax profit forecast at £28.7m, up from £21.8m. That includes an initial contribution from Tulloch Homes. The prospective multiple is around nine and if the group hits the forecast for 2022-23, then this will fall to seven. The share price is trading at a small premium to the forecast NAV of 133.5p a share. Dividend growth is expected to be in double digits.

Dividend news

Soft drinks maker **Nichols** increased full year revenues from £118.6m to £144.3m, while profitability recovered from £11.6m to £21.8m. That is still below the level of profit in 2019. Vimto retail sales are growing faster than the market in the UK, and it is also growing internationally. However, the out of home division is still not trading at its previous level and a strategic review has begun. The 2021 dividend is 23.1p a share and this is forecast to rise to 26.3p a share in 2022, which would be twice covered by estimated earnings. Net cash is expected to reach £63.2m at the end of 2022.

Engineer **Avingtrans** is paying its first interim dividend since 2019. The 1.6p a share distribution will be paid in June and the shares go ex-dividend on 12 May. There was a 7% decline in interim revenues to £45.1m following the ending of lower margin work in the medical imaging business. Improved margins meant that there was little change in the pre-tax profit, which was £3.6m. Full year pre-tax profit is expected to improve from £7.6m to £7.9m. A total dividend of 4.2p a share is forecast, which would be 5.4 times covered by prospective earnings. The investment in the medical imaging business should pay off in the years to come.

Tristel is exiting non-core activities to focus on its medical device decontamination and surface cleaning products and that led to a £2.4m impairment charge in the first half. In the six months to December 2021, revenues from continuing activities fell 7% to £13.6m. That was due to a large one-off order in the corresponding period. Pre-tax profit fell 28% to £1.9m. The interim dividend is maintained 2.62p a share, but the total 2021-22 dividend could be lower than the 6.55p a share paid last year.

Expert view: Registrars

Why CSDR progress in Ireland is a wake-up call for all

By Hardeep Tamana

CSDR – or Centralised Securities Depositories Regulation – was originally introduced back in 2014 in conjunction with MiFD II and EMIR, with the intention of improving securities settlement and securities infrastructure across the European Union. It has been a complicated process implemented in multiple phases, but this is now coming towards a conclusion.

The final phase, formally known as Article 3 which abolishes paper certificates and ensures that any tradable security only exists in an electronic format, was always intended to be split into two stages. By the start of 2023, any new issuance would only be legally recognised if produced in a dematerialised form, whilst by January 2025, all existing paper certificates would need to be transferred to electronic holdings.

Despite the UK's recent departure from the EU, plans to enact Article 3 of CSDR into law remain very much on Westminster's statue books, so this is a challenge to issuers of all securities - and their advisers - need to be mindful of.

However, a recent turn of events in Dublin has served to focus minds in Ireland – note this included Irish registered, London-listed entities too - as Ireland has now elected to take a big bang approach. Instead of phasing the dematerialisation across two deadlines two years apart, all tradable Irish securities must now be dematerialised from 1 January 2023.

From this point in time, paper certificates will no longer be considered a legal representation of ownership. Holder records will only be permissible in book entry form with the respective registrars or via agents in the relevant Centralised Security Depository.

Our take on Article 3

But whilst this is an immediate burden, not only does it help bring share ownership into the 21st century, removing the need for safe custody of physical certificates - and potentially insurance costs – it also makes the accurate tracking of ownership significantly easier, too.

That is not only important when it comes to the buying and selling of holdings, but also in the event of corporate actions. Ensuring that issuers can quickly contact beneficial owners allows them to exercise their rights as securities holders - something which has at times been challenging to implement.

> It would be sensible for advisers and issuers to be mindful of these imminent changes

This can be about more than just the efficient collection of dividends, too, with directors better placed to galvanise the support of many smaller investors should it be needed, for example during hostile takeover attempts.

Why it matters for UK issuers

Whilst there's still some debate as to whether politicians in Westminster will attempt to use "Brexit freedoms" to avoid Article 3 of CSDR, this would jar with efforts to make the London market more accessible and innovative. As such, whilst we can't absolutely rule out any change of sentiment here, it would be sensible for advisers and issuers to be mindful of these imminent changes.

There is nothing to suggest the UK will aim to mirror Ireland's "Big Bang", but independent industry representation has already been made to The Department for Business, Energy & Industrial Strategy (BEIS) as well as HM Treasury to support digitalisation of shareholding and subsequent shareholder communications in the UK.

> The first phase of dematerialisation is now just over nine months away

There is more heavy lifting needed but with this on the agenda of key market participants, and with that first phase of dematerialisation now just over nine months away, momentum is gathering pace. Issuers could therefore benefit from starting to prepare for these changes now, consulting with advisers to ensure they're across the necessary uplift here – and once again at Avenir we're ready to support existing and new clients alike manage this transition.

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

Big hole to fill due to AIM leavers

Three large and highly traded companies are leaving AIM in the early months of 2022 and there could be a big shortfall in AIM trading volumes as a result.

Online retailer ASOS switched from AIM to the Main Market during February, but it is not the only large AIM company set to be leaving in the coming weeks.

Pharma services provider Clinigen is the subject of a 925p a share bid from Triton Investment Management, which values the company at £1.2bn. A general meeting has already approved the scheme of arrangement and it is expected to become effective on 4 April, so there is another full month of AIM share trading left.

Robotic software company Blue Prism is set to leave AIM on 16 March. Its was the subject of a bid battle won by financial services and healthcare technology supplier SS&C Technologies Holdings Inc with a 1275p a share offer, valuing Blue Prism at £1.24bn.

These are significant departures for AIM. In January, Clinigen, Blue Prism and ASOS were the three most traded AIM companies in terms of value of trades. That might have been true in February as well if ASOS had not left AIM on 22 February – it was on AIM for 15 out of the 20 trading days in the month. ASOS was still the eighth most traded company by value.

The total value of the three companies' trades in February is nearly £1bn. That is 14.5% of the total value of trades in AIM companies during the month. There were £1.17bn worth of trades in the three shares in January and that is 14.9% of the value of AIM shares traded that month.

The three companies do not dominate the number of trades in the same way. In February, they accounted for 4.3% of trades, down from 6.8% in January.

Most of the other companies in the top 25 most traded AIM companies last month have been on AIM for at least a decade, or in the case of electrical accessories supplier Volex have been on the Main Market and AIM for much longer than a decade.

AIM needs other companies to step up if the junior market's trading levels are going to remain at the high levels they have achieved over the past couple of years. Trading levels have already been slipping back from the peaks last year.

In January, Clinigen, Blue Prism and ASOS were the three most traded AIM companies in terms of value of trades

Newcomers

There have been 72 new AIM admissions since the beginning of 2021, not including reversals and moves from the Main Market, and the number of AIM companies has increased over that period. However, the level of trading in most of these new companies has been relatively modest.

There is generally significant trading on the first few days of a company's quoted life and then trading may settle down to a steady pattern. It can take time for companies to build up investor interest and it is not possible to

TRADING ACTIVITY OF AIM LEAVERS

		VALUE OF TRADES (£M)		NUMBER OF TRADES	
COMPANY	ACTIVITY	FEBRUARY	JANUARY	FEBRUARY	JANUARY
Clinigen	Pharma services	536.66	410.98	7,566	12,625
Blue Prism	Robotic software	274.14	409.4	3,736	7,240
ASOS	Online retailer	180.8	348.99	50,937	86,576
Total amount		**991.6**	**1169.37**	**62,239**	**106,441**

accurately predict which ones will end up in the tables of the top 25 most traded AIM companies.

ASOS was not immediately a market favourite, and it took many years to get to the point where it was one of the most actively traded companies on AIM. Diagnostic tests supplier Novacyt was not highly traded until its test for Covid-19 brought it to investor attention in early 2020 and to the top of the most traded tables for a limited period.

There are 15 AIM new admissions since the beginning of 2021 that had more than £3m worth of shares traded in February. Only two had more than £10m worth of shares traded.

These are two individual months, and they may not be representative of every month of the year. Many companies will be traded more often when their results are released or there is other significant corporate activity.

Victorian Plumbing is an example. In December, the plumbing products retailer revealed a successful year's trading. However, it also warned that this year margins may fall back as trading conditions are not as strong as previously and marketing is being stepped up. Revenues are currently flat.

The share price has been on a downward trajectory since flotation, and it fell sharply following the trading warning. Victorian Plumbing was the 24th most traded share in December with 13,753 trades valued at £56.5m.

This figure was boosted by directors buying shares after the announcement. Chief executive Mark Radcliffe bought three million shares at 96.65p each and three other directors made significant purchases.

Trading in Victorian Plumbing shares in January and February was still significant but at much lower levels than in December, which was also much more active than in any month since flotation in June.

Even well-known companies that have moved from the Main Market, such as Mothercare, are not particularly actively traded.

There are some companies that are building up their liquidity. Video games company Team17 floated in 2018 and it is becoming one of the more highly traded companies on AIM, and kettle components supplier Strix, which joined AIM in 2017 is another. Both companies are in the top 50 most traded AIM companies in February, but the value of trades is well below the three companies that are leaving. It will be interesting to see which companies become more actively traded.

MOST TRADED AIM NEW ADMISSIONS

		VALUE OF TRADES (£M)		NUMBER OF TRADES	
COMPANY	ACTIVITY	FEBRUARY	JANUARY	FEBRUARY	JANUARY
Bens Creek	Coal mining	14.94	16.39	6,824	3,630
Victorian Plumbing	Plumbing retailer	10.23	11.43	5,413	5,797
Life Science REIT	Property	8.46	11.64	444	652
Revolution Beauty	Cosmetics	8.26	12.52	992	1,821
Facilities by ADF	Film facililites	7.32	6.65	1,769	1,389
Made Tech	Digital services	6.74	6.55	651	1,093
Microlise	Transport tech	4.98	6.83	184	277
Bradda Head	Mining	4.25	9.64	1,148	2,834
Peel Hunt	Broker	4.23	1.53	246	177
Kitwave	Food wholesaler	3.9	3.83	420	200
Clean Power Hydrogen	Hydrogen	3.8	na	474	na
Big Technologies	Technology	3.26	2.92	218	494
Firering Strategic Minerals	Mining	3.1	1.03	963	644
Saietta	Cleantech	3.02	2.73	367	691

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	26.7	16.9
Industrials	17	16.7
Health Care	14.3	10.8
Technology	12.6	12.7
Financials	9.2	11
Energy	7.6	11.2
Basic materials	6.5	14.8
Property	3.6	2.7
Telecoms	1.5	1.8
Utilities	0.9	1

KEY AIM STATISTICS

Total number of AIM:	845
Number of nominated advisers	28
Number of market makers	21
Total market cap for all AIM	£134.5bn
Total of new money raised	£130.5bn
Total raised by new issues	£47.7bn
Total raised by secondary issues	£82.7bn
Share turnover value (Jan 2022)	£7.8bn
Number of bargains (Jan 2022)	1.6m
Shares traded (Jan 2022)	54.7bn
Transfers to the official list	195

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1040.36	-12.1
FTSE AIM 50	5669.03	-12.6
FTSE AIM 100	5034.87	-14.4
FTSE Fledgling	12508.54	+12.1
FTSE Small Cap	6874.99	+6.1
FTSE All-Share	4157.77	+12.3
FTSE 100	7458.25	+15

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	65
£5m-£10m	93
£10m-£25m	151
£25m-£50m	129
£50m-£100m	122
£100m-£250m	158
£250m+	127

TOP 5 RISERS OVER 30 DAYS

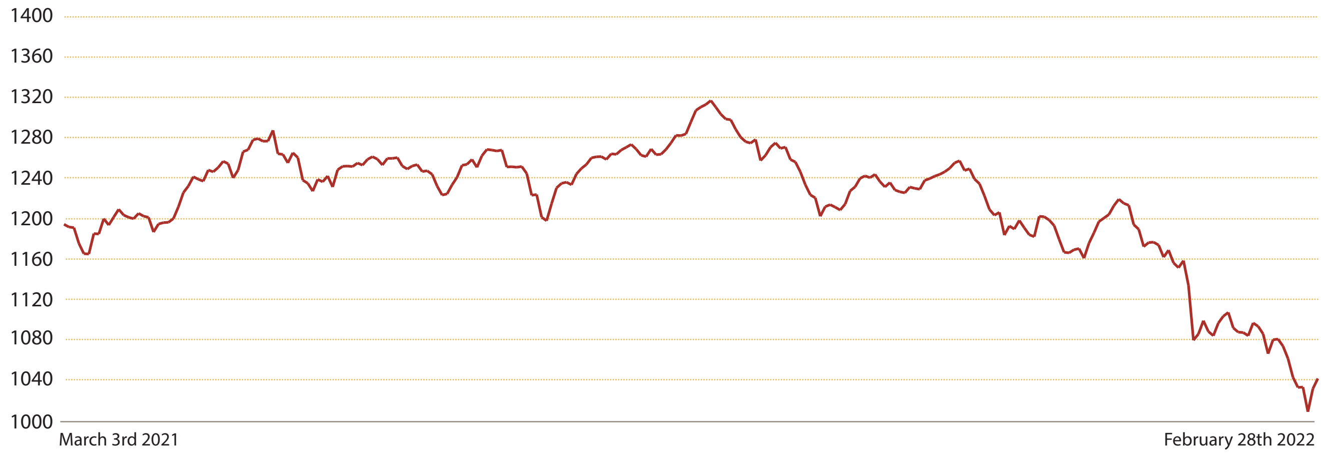
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Harvest Minerals	Mining	9.74	+82.1
Pantheon Resources	Oil and gas	142	+78.4
Europa Oil & Gas	Oil and gas	3.55	+77.5
Bens Creek	Mining	68	+76.6
Premier African Minerals	Mining	0.326	+73.9

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Synairgen	Healthcare	26.26	-86.4
Morses Club	Financials	13.55	-69.9
MySale Group	Retailers	1.955	-60.9
Osirium Technologies	Software	4.75	-56.8
Amur Minerals Corp	Mining	1.575	-55

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 28th February 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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