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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Improved sentiment, but AIM falls

Smaller company sentiment appears to be improving, but that is not showing through in the performance of AIM, which fell by 5.7% during May, although that is similar to the FTSE 100 index decline of 5.4%. The latest Quoted Companies Alliance and YouGov Small and Mid-cap Sentiment Index was published in May, and this shows a sharp improvement in the sentiment of companies and advisers. There are 57% of the companies and 65% of the advisers that believe that smaller companies are undervalued.

The survey was undertaken during April with 77 small and mid-cap company directors answering the questions, plus 17 advisers. The latest sentiment figure for companies is 50.3, which is the first time it has been above 50 and in optimistic territory since October 2021. The previous survey's figure was 33.1, which is the second most pessimistic level in the history of the survey. Companies tend to be more optimistic about their own prospects with a rise in the figure from 60.2 to 67.2. Advisers tend to be more pessimistic about the future and their figure improved from 35.4 to 45.9.

These figures do not necessarily immediately convert into an improved performance by AIM, but they provide hope that things can improve. One-third of the companies are more concerned about being bid for than they were 12 months ago.

Revolution Beauty releases accounts

Beauty products supplier Revolution Beauty has finally published its accounts for the year to February 2022 and it subsequently released the latest interims. The 2021-22 audit was delayed due to the investigation into the financials and how the business was run. However, trading in the shares remains suspended until there is a review of working capital. Trading in the shares was suspended on 1 September 2022 and AIM has been generous in allowing it to last more than six months.

There was a reported £44.9m loss in 2021-22, and while the interim loss was more than halved it was still £13.3m. The interims still reflect a period when the company's problems had not been tackled. Management says that the performance of the business continued to improve in the second half. Full year revenues are estimated to have grown in low single digits and trading since February 2023 has been improving.

Net debt reached £15.9m at the end of August 2022, up from £7.9m six months earlier. The cash outflow needs to be stemmed and given the low growth rates this could take some time, although reducing stock levels should help.

In this issue

FCA consults on combined listing

The Financial Conduct Authority (FCA) has published a consultation paper following the feedback for its plans for equity listing rule reforms. This includes replacing the premium and standard listings with one combined listing, which would be designed to be flexible so that it can cater for a range of different companies.

It may be that the potentially lower standards of the Main Market could make the difference to AIM less significant and mean that companies go to the Main Market instead. Changes in Main Market regulations three decades ago led to the demise of the Unlisted Securities Market because of the lessening in the difference between the two markets.

The premium listing regulations are thought by some participants to be too much of a burden. That tighter regulation is not thought to be significant to investment decisions. However, the standard listing is seen to be an inferior market and it is not well understood by some investors.

Rules on gaining shareholder approval could be less stringent enabling larger deals to be done more swiftly. In contrast, more strenuous ESG regulation is likely. The FCA admits that there will be greater onus on investors to take care when making investment decisions. The focus appears to be on making the market more attractive to institutional investors, with less focus on how it will affect small investors.

The hope is that the changes will encourage more earlier stage and innovative companies to the London market. Anyone wanting to comment on the overall approach set out in the consultation paper has until 28 June.

Ceres moves to premium

Fuel cell technology developer Ceres Power is the latest AIM company moving to a premium listing, following the recent switch by aggregates supplier Breedon. The move is planned for the end of June and the company could be eligible for the FTSE 250 index. Ceres Power joined AIM on 25 November 2004 and the issue price was 120p (1200p after a ten-for-one share consolidation in August 2018) and the initial market capitalisation was £66.1m. At 302.6p, Ceres Power is currently valued at £583m. Ceres Power was one of the largest companies on AIM early in 2021. In common with other loss-making technology companies the share price has fallen sharply since then and it is no longer in the top twenty.

Eco Buildings completes Fox Marble reversal

Eco Buildings has reversed into Fox Marble Holdings in an all share deal that valued the acquired business at £30m and the combined company will soon change its name to Eco Buildings Group. As part of the deal £2.7m was raised at 55p a share. This is after an effective consolidation of 50.69 old shares into one new share. Sanjay Bowry has been appointed chief executive.

The Eco Buildings business supplies prefabricated modular housing, which can be 50% of the cost of conventional buildings and is faster to build. The main geographic focus is the Balkans, a region where Fox Marble operates. The group could supply dimensional marble to the modular housing projects. The Eco Buildings business is pre-revenues.

Two contracts in Albania and Kosovo have been secured that could generate up to €114m in revenues for the next three years. Production will start in the third quarter of 2023. There will be 65% paid in advance of shipment and the rest on installation of the units. There may also be additional revenues from a profit share on unit sales, but that is not included in the estimate.

There is a manufacturing facility in Durres, the main port in Albania, where the plant and equipment will be assembled. The cash raised will fund this. The modules are built using the glass fibre reinforced gypsum walling and slab system that was acquired from a Dubai-based business.

North Eco, a third party, is licensing the IP for the UK market. Eco Buildings will receive 30% of gross receipts from each unit sold by North Eco. There are also plans for locally deployed mobile manufacturing plants in other international markets. The global modular housing market is forecast to be worth $161.9bn by 2027. Eco Buildings could also supply modules for commercial buildings.

Team broadens international coverage

Wealth and asset management services provider Team floated on AIM in 2021 to be a consolidator in the sector, but it has been relatively quiet in the past year. It has announced two acquisitions, which should both be earnings enhancing and help Team move towards profitability. Assets under administration and management will reach £850m following the acquisitions.

Dubai-based Globaleye Wealth Management is being acquired for up to £5.6m in shares and convertible loan notes. Globaleye provides access to new international markets through five offices in Asia and South Africa. The Dubai, Abu Dhabi and Singapore markets are particularly attractive. This deal brings £242m of client assets under advice.

Isle of Man-based financial planning business Thornton Associates is being acquired for up to £2.5m in cash, dependent on regulatory approval. This business fits with the Jersey-based operations and has assets under administration of £121m.

In the six months to March 2023, Team reported an interim loss of £506,000, down from £710,000, although there was a £452,000 investment gain included in the period. Cash fell to £864,000 at the end of March 2023

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■ Shareholders of **Cenkos Securities** have voted in favour of the bid from **finnCap**, as have the bidder's shareholders. A court sanctioning hearing of the scheme of arrangement for the bid is expected to be held in the third quarter of 2023. Three days later the combined firm should be reintroduced to AIM. Cenkos shareholders will receive 3.19 finnCap shares for each share they own.

ADVISER CHANGES - MAY 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Alba Mineral Resources	CMC Markets	OvalX	Spark	Spark	5/2/2023
Totally	Singer / Canaccord Genuity	Canaccord Genuity / Allenby	Canaccord Genuity	Allenby	5/2/2023
Light Science Technologies	Oberon	Oberon / Turner Pope	Strand Hanson	Strand Hanson	5/5/2023
XP Factory	Singer	Shore	Singer	Shore	5/5/2023
Serinus Energy	Shore	Arden / Shore	Shore	Shore	5/9/2023
Base Resources	Berenberg / Canaccord Genuity	Berenberg / Canaccord Genuity	Canaccord Genuity	RFC Ambrian	5/10/2023
Artemis Resources	WH Ireland	Cenkos	WH Ireland	WH Ireland	5/12/2023
Bluejay Mining	SP Angel	Hannam	SP Angel	SP Angel	5/12/2023
DX (Group)	Liberum / finnCap	Liberum / finnCap	Liberum	finnCap	5/12/2023
Helios Underwriting	Numis	Shore	Numis	Shore	5/12/2023
Tower Resources	Axis Capital Markets / Panmure Gordon / Novum / SP Angel	Panmure Gordon / Novum / SP Angel	SP Angel	SP Angel	5/16/2023
Volex	Peel Hunt / HSBC	Singer / HSBC	Peel Hunt	Singer	5/18/2023
Hercules Site Services	Cenkos / SP Angel	SP Angel	SP Angel	SP Angel	5/22/2023
Anpario	Shore	Peel Hunt	Shore	Peel Hunt	5/23/2023
Northern Bear	Hybridan	Strand Hanson	Strand Hanson	Strand Hanson	5/23/2023
Wishbone Gold	SP Angel	Peterhouse	Beaumont Cornish	Beaumont Cornish	5/23/2023
Inspiration Healthcare	Liberum	Cenkos	Liberum	Cenkos	5/24/2023
Frontier Developments	Peel Hunt / Liberum	Liberum / Jefferies	Peel Hunt	Liberum	5/26/2023
Mosman Oil & Gas	CMC Markets / SP Angel	SP Angel	SP Angel	SP Angel	5/31/2023

company news

Synthetic DNA producer 4basebio secures cancer vaccine programme supply agreement

Synthetic DNA supplier *www.4basebio.com*

4basebio has secured a clinical material supply agreement with Italy-based Neomatrix, who will develop personalised cancer therapy utilising its hpDNA technology. 4basebio supplies synthetic DNA products and these will be provided for a neoantigen cancer vaccine programme.

The synthetic DNA can be produced in weeks compared with more than one year for conventional DNA production. The process is scalable, although small amounts of DNA are required for clinical trials. The hpDNA is a double stranded linear DNA that is suited for viral and non-viral vector applications. Other forms of DNA can also be produced synthetically.

Cash declined to £4.35m

The company has also developed Hermes, which is a targeted non-viral delivery platform. Nanoparticles are designed to target specific cells or tissues. There is low immunogenicity, and this means that dosing can be repeated. Licensing is one way of developing revenues for this platform.

In 2022, revenues fell from £338,000 to £268,000, but there were the first commercial revenues from DNA and Hermes. The loss increased from £3.64m to £5.93m after an increase in research and development spending from £1.62m to £2.08m. The capitalised research and development rose from £628,000 to £786,000. The cash outflow from operating activities jumped from £2.74m to £4.7m. Cash declined from £9.59m to £4.35m.

4BASEBIO (4BB)			565p
12 MONTH CHANGE %	+20.2	MARKET CAP £M	69.6

The share price performance since joining AIM via a demerger from 2Invest AG has been impressive. The February 2021 introduction price was 118p and it immediately went to a significant premium. However, this year the share price has fallen by one-fifth. Trading volumes tend to be modest. 2Invest AG remains the largest shareholder with 29.8%. There will be another loss this year and 2Invest AG is providing a loan facility and an initial €2m has been drawn down.

Oncimmune sells business to finance core business

Antibody profiling *www.oncimmune.com*

Antibody profiling company **Oncimmune Holdings** is selling its IVD EarlyCDT Lung blood test antibody technology to US biotech Freenome for £13m. Part of the proceeds will pay down around 50% of the company's debt and the rest will be refinanced with a new three-year debt facility. This enables Oncimmune to focus on the ImmunoINSIGHTS autoantibody profiling service, which was acquired in 2019, where revenues are expected to double this year. Freenome is also buying at least €1.14m of ImmunoINSIGHTS services over a period of between two and five years. The deal was initially received positively, but the subsequent interim results announcement sent the share price to a new low.

ONCIMMUNE HOLDINGS (ONC)			19p
12 MONTH CHANGE %	-80.5	MARKET CAP £M	14.1

Interim revenues of the group prior to the disposal were £1.12m with delays meaning that some revenues have fallen into the second half. The ImmunoINSIGHTS order book is worth €3.5m. There was research and development spending of £690,000, which included £150,000 spent on the business that has been sold.

Oncimmune reported a cash outflow from operations of £2.32m in the six months to February 2023. Net debt was £9.64m at the end of February 2023. There is pro forma cash following the disposal. The disposal will lower ongoing overheads, but the cash outflow needs to be reduced to make the cash last as long as possible.

Refocusing on ImmunoINSIGHTS and selling the non-core business is a sensible strategy because of the requirement for more cash. A cash call cannot be ruled out, though, because there is no certainty that the company can be cash generative before the cash runs out.

Strong second half for film vehicles provider Facilities by ADF but uncertainty due to strikes

Film facilities provider *www.facilitiesbyadf.com*

FACILITIES BY ADF (ADF)			54p
12 MONTH CHANGE %	-19.4	MARKET CAP £M	42.9

Film and TV vehicles and facilities hire company **Facilities by ADF** generated record figures in 2022 after a weaker first half. There were more TV series with longer production runs based around London in the second half, which improved profitability. Streaming companies, such as Netflix, Disney and Amazon, continue to spend large amounts of money on TV productions to attract and retain subscribers.

In 2022, revenues improved from £27.8m to £31.4m, while pre-tax profit jumped from £2.8m to £4.6m. The acquisition of Location One, which provides equipment and services, such as temporary roads, parking foundations, off-stage

A better second half

lighting and generators, contributed for one month. There were total dividends of 1.4p a share for 2022.

The vehicle fleet has been increased, the operational base moved to a larger site and a new base opened in Scotland. This investment helped to reduce the tax charge and it will help again this year.

There is concern about the screenwriters strike in Hollywood. Facilities by ADF management believes that this should not hamper the business in the short-term because scripts for the programmes in production have been written – although they may require rewrites. If the strike goes on for an extended period, then it could start to affect future productions. Possible strikes by US directors and actors could also hit demand for facilities.

The share price is slightly higher than the 50p placing price in January 2022. The current booking lead time is around seven months. A 2023 pre-tax profit of £6.5m is forecast and there is likely to be a second half weighting again this year. The shares trade on seven times prospective 2023 earnings. That reflects the short-term uncertainty.

XP Factory revenues gaining momentum

Leisure facilities operator *www.xpfactory.com*

XP FACTORY (XPF)			19.5p
12 MONTH CHANGE %	-25	MARKET CAP £M	29.4

XP Factory has bounced back from Covid lockdowns, and it is maintaining its momentum. Both the escape rooms business Escape Hunt and the more recently acquired Boom Battle Bar, which offers leisure pursuits as well as drinks, are growing organically and through the opening of additional sites. There are also sites that combine the two formats. XP Factory is on course to move into profit this year.

The operations were open for a limited time in 2021 so comparatives are not useful. In 2022, revenues were £22.8m and the loss was £5.7m. Boom Battle Bar was acquired at the end of 2021, so it made a full contribution last year, and it has 27 sites. There is a mixture of owned and franchised sites. Escape Hunt opened four sites and relocated one, taking the total to 23.

Net cash was £800,000 at the end of 2022, although net debt is £21.1m if leases are included. The operations are cash generative, and this is being ploughed back into investment in new sites. The current focus is on the UK, but international expansion is planned.

Overall trading is ahead of expectations this year, due to a strong performance by Escape Hunt. Singer forecasts a 2023 pre-tax profit of £1.1m on revenues of £42.6m. The shares are trading on 32 times prospective earnings and there is potential for the multiple to fall sharply over the next couple of years. The acquisition of Boom Battle Bar was funded through a placing at 30p a share. Good progress has been made since then, but the share price has declined.

Empire Metals discovers significant titanium oxide resource at the Pitfield project

Minerals exploration — *www.empiremetals.co.uk*

EMPIRE METALS (EEE)			2.475p
12 MONTH CHANGE %	+90.4	MARKET CAP £M	12.1

Empire Metals appears to have discovered a giant-scale hydrothermal titanium and copper mineral system at its Pitfield project in Western Australia. The maiden drilling programme indicated a metal-rich 40km by 8km system. Titanium mineralisation is between 4% and 10% titanium oxide. The initial focus was copper and there are also anomalous copper values in 60% of the drill results. So far, 2% of the mineral system has been drilled. There is also potential for deeper drilling in the existing area.

Previous and updated soil sampling, along with other surveying, was used to identify targets. That sampling suggested potentially high grades of copper. There were 21 holes drilled to an average depth of 150 metres. All of them found titanium oxide, although one was below the cut-off grade set by management. There will be further analysis of the drilling results, followed by additional sampling and gravity analysis. This will identify areas to drill early next year.

> There were 21 holes drilled

Management still believes that there is a significant copper resource at Pitfield and it is trying to analyse where the copper is situated. This will be a focus of the work done on the licence area over the coming months.

Prior to the latest exploration news, the share price was barely higher than at the beginning of the year. In March, Empire Metals raised £1.25m at 2.25p a share and that provides the cash for the company's requirements through to the next phase of exploration.

There is also potential to generate cash from a kaolin deposit at the Eclipse-Gindalbie project in Western Australia. That will require additional capital expenditure, but the payback could be less than one year, and it would then help to fund further exploration at Pitfield.

Vertu Motors remains at a discount

Motor dealer — *www.vertumotors.com*

VERTU MOTORS (VTU)			61.3p
12 MONTH CHANGE %	+4.6	MARKET CAP £M	212.3

Motor dealer **Vertu Motors** did better than expected in the year to February 2023 and it continues to be a strong cash generator. That enabled a 27% increase in the dividend to 2.15p a share and £3m has been put aside for share buy backs – some of which has already been spent. Trading continues to be strong, and this year's forecast has been upgraded. The share price remains at a discount to NAV, although it is lower than previously.

Revenues improved from £3.62bn to £4.01bn but underlying pre-tax profit more than halved to £39.3m. Higher wage costs and an ending of government support held back profit. Gross margin was also slightly lower at 11.2%, compared with 12%. Like-for-like new car sales volumes were 3.6% lower, which is worse than that for the market as a whole, but average selling prices were 10% higher.

Vertu Motors did move to net debt of £75.3m at the end of February 2023. That was due to acquisitions and capital investment. There was also £5.9m spent on repurchasing shares. Free cash flow generated rose from £44.4m to £54.3m.

Net tangible assets were 65.3p a share at the end of February 2023 and this could rise to 73.6p a share by February 2024. There is a significant property portfolio built up over the years, which is likely to be worth more than the book value. A pre-tax profit of £48m is forecast for this year, which puts the shares on just over six times prospective earnings. The forecast yield is 4%.

Likewise has capacity to grow dividends

Floorcoverings distributor *www.likewiseplc.com*

Dividend

Floorcoverings distributor Likewise paid a maiden dividend of 0.2p a share for 2021, although payment was delayed because distributable reserves had to be created. This dividend was maintained in 2022. An increase to 0.3p a share is forecast for 2023, which should be covered three times by forecast earnings.

Net debt was £100,000 at the end of 2022 and acquisitions activity has been put on hold, although capital investment is set to be at least £4m this year. There are also deferred payments for past acquisitions where the cash cost will be the difference between the share price and 100p on the anniversary of the deals.

LIKEWISE (LIKE)	
Price (p)	24.5
Market cap £m	59.7
Historical yield	0.8%
Prospective yield	1.2%

Business

Solihull-based Likewise joined The International Stock Exchange in Guernsey in 2019 after it made its initial acquisitions. The consolidation strategy continued up until the AIM quotation in August 2021 and more acquisitions have been made since then. Likewise raised £10m at 25p a share when it joined AIM.

Likewise chief executive Tony Brewer joined fully listed floorcoverings distributor Headlam in 1991 and became chief executive in 2000. He left Headlam in 2016. He has built up an experienced management team at Likewise and the acquisitions made so far have done well.

Likewise has an estimated market share of 7% and it is already number two in the market. Investment in distribution capacity means that Likewise can cope with further growth. The market backdrop is tough with the important refurbishment and new build homes markets declining.

When Likewise joined AIM, the plan was to be a national distributor with revenues of more than £200m and an operating margin of more than 5%. In 2022, revenues doubled to £123.6m and underlying pre-tax profit improved from £1.4m to £2.6m. However, the underlying operating margin dipped to 2.7%. A further decline in operating margin to 2.4% is expected this year.

Pre-tax profit is expected to recover to £2.5m with a further improvement to £3.5m in 2024 – even then operating margin would be well below target at 2.9%. Revenues are expected to reach £160m by 2025 – assuming no more acquisitions. Economies of scale will help Likewise to move towards the operating margin target.

So far this year, revenues have increased by 17.7%, slightly lower than the figure for the first quarter, with Likewise branded sales 24.5% ahead. This shows that investment in sales and marketing is beginning to pay off. Acquisitions have helped, of course. The new Glasgow distribution centre has opened. The next trading update will be at the AGM on 29 June. If the current rate of growth continues, then the 2023 forecast may need to be upgraded.

The share price got off to a significant premium following the flotation, but it has dropped back below the placing price. The prospective 2023 multiple is 27, falling to 22 the following year.

Dividend news

Premier Miton reported interim profit in line with expectations, but it cut the interim dividend by 29% to 3p a share. The dividend had been supporting the share price of the fund manager. A maintained final dividend of 6.3p a share is not ruled out, but it appears likely that it will be reduced. Full year pre-tax profit is set to fall from £24.3m to £14.4m on a decline in revenues from £90.2m to £78.7m. An unchanged final dividend would mean that the total dividend would not be covered by earnings. Assets under management increased 4% to £11bn at the end of March 2023.

Building products distributor **Lords Group Trading** edged up its 2022 dividend from 1.89p a share to 2p a share on the back of a rise in underlying pre-tax profit from £12.3m to £17.4m. Growth was boosted by acquisitions, but the merchanting division did grow organically. Boiler component shortages reduced plumbing and heating revenues by 9%, but there were increased sales of higher margin products. Growth is likely to be more modest this year with a 2023 pre-tax profit of £17.8m forecast on revenues of £476.3m. A further dividend increase to 2.1p a share is forecast.

Telecoms network testing equipment supplier **Calnex Solutions** increased pre-tax profit by one-fifth to £7.2m in the year to March 2023, but this year will be much tougher. Management has already warned that orders have been delayed, but they have not been cancelled. There is a £19.1m cash pile even after capitalised development spending and the acquisition of iTrinegy. This enabled the 2022-23 dividend to be raised to 0.93p a share and it could be increased to 1p a share this year. Pre-tax profit could fall to £4m in 2023-24, but cash generation remains strong. The longer-term outlook for telecoms sector investment is positive.

Expert view: Registrars

Market reform gaining traction – a boost or a liability for AIM?

By Hardeep Tamana

In recent weeks we have seen more tangible evidence that the long promised reform of capital markets is gaining traction, impacting multiple asset classes and seemingly having the potential to make a real difference to both securities issuers and investors alike. But will innovation come at a cost to established markets, or will the benefits be delivered in a more uniform way across the industry as a whole?

Debt issuance

There can be little doubt that the move away from that lengthy spell of low interest rates is positive for the bond market. With yields having been stuck at or below zero for well over a decade, the asset class found itself increasingly marginalised, with even the firmly -established portfolio theory of a 60/40 split between debt and equity eventually being called into question.

That chapter is now in the past and the more attractive yields are making bonds an attractive play once again – especially against what many increasingly consider to be overblown equity valuations. One recurring issue for the UK market has however been that it is easier for issuers to sell bonds with a £100,000 face value than using a smaller denomination of say £1,000. That may pose no issue to the institutional audience, but the vast majority of retail investors are immediately squeezed out of holding the underlying asset.

Moves are now afoot to address this, something that has the potential to widen the ownership of UK debt securities significantly. However, there still seems to insufficient recognition of the need to re-develop a UK domestic bond market given the vast majority of rated bonds are still issued as Eurobonds via a process of issuance via Brussels before re-issuances as CDIs in the UK; a level playing field for the domestic issuance route would be welcome.

Stamp duty

Moves are also afoot to reform the way in which stamp duty is collected on securities transactions, with consultation on the matter running until late June 2023. Currently stamp duty is something of an outlier when it comes to UK tax collection, where, in the majority of instances, the default position is that a self-declaration of the liability needs to be made.

> Moves are also afoot to reform the way in which stamp duty is collected on securities transactions

When it comes to dematerialised equity transactions it is the broker who will collect the necessary taxes and remit these to HM Treasury. That clearly works as a process in the well-established post-trade systems of today's equity markets, but for off market, paper, transfers only once proof of payment has been evidenced can the securities registrar record the transfer of ownership.

With much media coverage about new platforms and technologies emerging to facilitate new ways of exchanging securities between investors, whilst focusing on the use of electronic rather than paper records, evolution here is overdue. Not only will change remove a significant cost and time hurdle that currently needs to be addressed, but it will also fit with HMRC's modernisation agenda – at present they aim to deal with 80% of stock transfer forms within 15 working days of receipt, advise customers to allow at least 20 working days, and acknowledge that large value transactions can take even longer.

That is noted by HMRC themselves as being detrimental to the market participants and having a negative effect on the UK's attractiveness as a place to invest. Critically, improvements here will benefit the fintech disruptors as well as the most established exchanges.

The outlook

The fact we're now seeing these reforms is genuinely something to be applauded as they reduce costs, improve access and in turn ought to bolster London's position as a capital raising venue of choice. Whilst the resulting benefits should play out right across the City, new participants will bring meaningful challenge to the incumbents. They too will likely need to keep delivering fresh product innovations if they want to maintain market share.

At Avenir we have developed and have in place electronic-first solutions that provide plug-and-play answers for all market participants, regardless of size. We look forward to many of the changes proposed as tools that make UK post-trade settlement fit for the 21st Century.

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

Investors increasingly focusing on ESG

Investors are taking more notice of ESG compliance by smaller companies and some claim that their investment performance is improved by their focus on ESG.

The Quoted Companies Alliance has published a new report into the attitude of smaller companies to Environmental, Social and Governance (ESG) standards. This provides a way of measuring how a business impacts the world. The research report 'Asking the Earth?: Investor Attitudes to ESG' has been sponsored by ESG-focused legal services provider CMS and AIM-quoted Inspired, which is developing its ESG disclosure services business.

The survey covered 54 smaller company investors in the UK, and was conducted in March and April. Most of them manage funds that are valued at less than £1bn with 45% managing funds worth less than £250m. The majority of the funds invest in the UK and international markets.

Nearly two-thirds of investors believe they have seen a positive effect on their returns from a greater focus on ESG credentials in their investment strategy. That means that smaller companies with good disclosure could find it easier to attract investors.

There is a study by investment manager Abrdn that seems to suggest that there are potential financial benefits both for the business and the share price returns. It is difficult to assess whether it is really the ESG compliance or other factors that are generating the improved return. It may just be that companies with good businesses and prospects are conforming to the requirements.

Longer-term investors are more likely to worry about the sustainability and ESG policies than the shorter-term ones, which are focused on the current valuation of a business.

Expectations

Nine out of ten investors believe that there has been an increase in expectations when it comes to ESG, and four-fifths say that there has been an improvement in the disclosure by smaller companies. They cannot rest on their laurels, though. Investors are set to want even more ESG disclosure over the coming years.

> One-third of investors are more likely to invest in Main Market rather than AIM companies because of higher ESG requirements

One-third of investors are more likely to invest in Main Market rather than AIM companies because of the increased level of ESG reporting requirements. There are complaints from some investors that the level of disclosure by smaller companies is not the same as for larger companies. One respondent said: "Smaller quoted companies have failed to change their behaviours and are missing out on (a) sea of investments".

There are good reasons not to burden smaller companies with the same levels of disclosure as a BP or Shell. They do not have the resources to produce the level of detail a large company can, and it would be disproportionately costly.

Consistency of information is a problem. It can be difficult to compare ESG data and information between different companies and 41% of the responders to the survey say that inability to compare data between companies is the biggest challenge when assessing smaller companies.

Quantitative data can be easier to compare, but investors need to understand how individual companies are defining their data. There are also complaints about the transparency of data.

There are 94% of respondents who think that smaller companies should describe their approach to ESG and how it links the overall vision and strategy. There are 44% that believe companies should provide detail of their historic ESG-related performance for five years or more, while 30% would be happy with three years of detail.

It would certainly be helpful for investors and companies to have a better mutual understanding of the best, standardised way of presenting information.

The survey publication can be downloaded from www.theqca.com.

Skills required for smaller company non-executives

Non-executives can have a significant effect on the performance of smaller companies and their interaction with investors. They are not going to come cheap, though.

A new survey sponsored by finnCap and the Quoted Companies Alliance has collated the views of more than 100 non-executive directors of smaller quoted companies. The survey was started in March and the results published in Better Boards for Growth Companies in May.

Experienced non-executives can be a great help to smaller companies with managements that are not necessarily used to being on the stockmarket. It is very different from being a private company when there are no regulations about the issuing of information and other requirements when there are outside shareholders.

One thing highlighted by non-executives is the strategic insight they can provide. One of the reasons that smaller companies are thought of as riskier is because they have less experienced management and there is the increased possibility that they could go bust. The strategic input can steer the company in the correct direction.

Survey

Two-thirds of the respondents to the survey believe that the skills required for smaller companies are different to those of a non-executive of a larger company. There is more of a corporate governance focus for larger companies in terms of making sure that the board and the company are run effectively. Although non-executives of larger companies do also provide experience and strategy relating to the sector, this is not generally as significant as it is for smaller companies.

There is also a requirement for more flexibility because the requirements of smaller companies can differ significantly. Management and founders could own a much larger percentage of a smaller company.

There are 47% of respondents that believe the workload for a smaller company is equal but different, while 41% think it is more significant.

Remuneration

It could become harder to recruit skilled non-executive directors because of the perceived risk/reward status. More than four-fifths of those surveyed believe that the average remuneration does not reflect the work and risk profile. Three-quarters say that the work and risk have significantly increased. None argue that it has decreased.

Remuneration is important in recruiting suitable non-executives. There are 61% of the non-executives that have turned down a board position with a smaller company because the fee does not reflect the work required. There are 71% that do not consider UK fees are in line with those of US quoted companies or private equity businesses.

According to the survey there is evidence that suggests the non-executive remuneration has declined over the past two years. That means that there is an increasing disconnect between remuneration and risk.

A negative investor perception is a barrier to receiving pay in shares according to 61% of those surveyed. There are companies, such as Futura Medical, that do pay non-executive directors in shares, but only 4% have been given the option to receive part of their fee in shares. There are 21% that have been awarded shares above their fee.

Many smaller companies are growing and reinvesting any cash that they generate – if they are profitable. Paying fees in shares would help to conserve cash.

The majority of the non-executives believe that it is possible to award share options and preserve the independence of non-executive directors. There are 61% that think options without performance conditions but with a long-term holding period condition are the best way to achieve this. There are 32% who think that the options should have performance conditions that measure the contribution of the non-executive.

The survey publication can be downloaded from www.theqca.com.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	24.8	16
Industrials	18.9	16.8
Technology	14.2	12.9
Financials	11.6	10.8
Health Care	9.6	10.3
Basic materials	8.4	15.3
Energy	7.4	11.5
Utilities	1.8	1
Telecoms	1.7	1.6
Property	1.6	2.4

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	782.77	-19.8
FTSE AIM 50	4175.52	-22.3
FTSE AIM 100	3728.91	-20.1
FTSE Fledgling	11585.59	-9.6
FTSE Small Cap	6119.53	-8.5
FTSE All-Share	4066.8	-3.2
FTSE 100	7446.14	-2.1

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	127
£5m-£10m	93
£10m-£25m	152
£25m-£50m	105
£50m-£100m	115
£100m-£250m	126
£250m+	87

KEY AIM STATISTICS

Total number of AIM	805
Number of nominated advisers	27
Number of market makers	21
Total market cap for all AIM	£91.9bn
Total of new money raised	£133.1bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£85.2bn
Share turnover value (Apr 2023)	£19.6bn
Number of bargains (Apr 2023)	3.79m
Shares traded (Apr 2023)	283.2bn
Transfers to the official list	200

TOP 5 RISERS OVER 30 DAYS

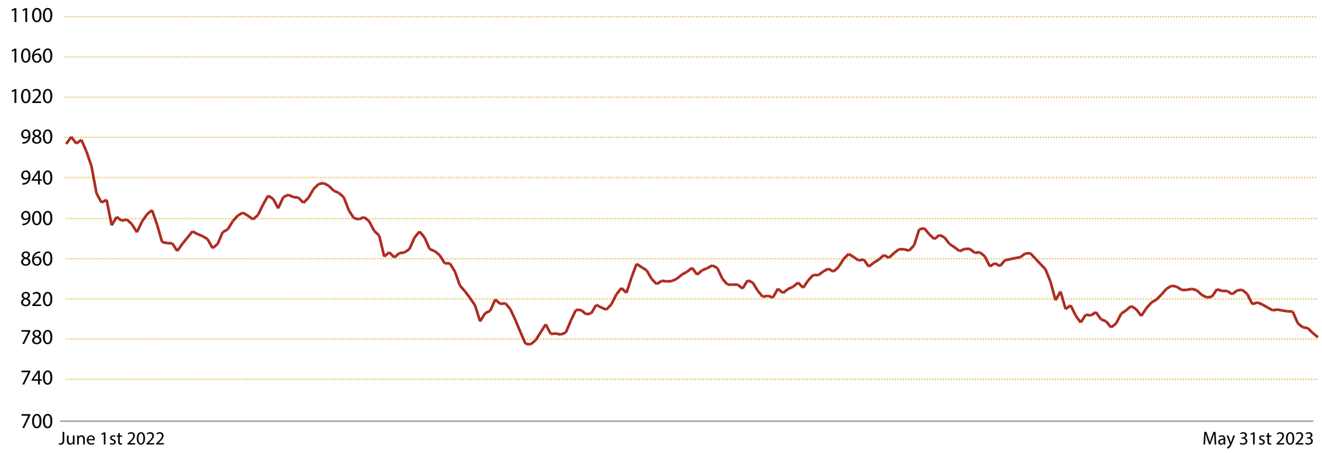
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Mirriad Advertising	Media	2.95	+168
Longboat Energy	Oil and gas	18	+89.5
Egdon Resources	Oil and gas	4.35	+85.1
Braveheart Investment	Financials	12.25	+75
Enwell Energy	Oil and gas	31	+70.8

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Purplebricks	Support services	0.46	-93
Mirada	Media	3	-84.2
Fusion Antibodies	Healthcare	6.375	-79.8
Circle Property	Property	3.5	-72
Aptamer Group	Healthcare	9	-64.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st May 2023, and we cannot accept responsibility for their accuracy.

sponsors

AIM Journal

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

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

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

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published. The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

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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