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MARCH 2021

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM outperformance continues

AIM rose by less than 2% during February, but annual comparisons show AIM improving by 38%, compared with a small decline for the FTSE 100 index. AIM is still one-fifth higher than before the market slump in the second half of February 2020.

There was a mixed performance from the pharma sector during February, with cncer therapies and diagnostics company Avacta and cell engineering business MaxCyte the two best performers in the AIM 100 and Novacyt being one of the worst, falling by more than one-fifth. There were signs of recovery among some of the more hard-hit companies during the Covid-19 lockdowns. The share price of Johnson Service Group, which supplies linen to hotel and catering businesses, jumped by nearly a quarter and Young & Co's Brewery also bounced back.

Airline and tour operator Jet2 rose by 10%, even though it came back to the market for cash for the second time in less than a year. Jet2 raised £422m at 1180p a share, with £7m coming from a retail offer via PrimaryBid. Last May, when it was known as Dart Group, Jet2 raised £171m at 576.5p a share and it also sold its Fowler Welch distribution business for £98m to Culina Group. The cash should finance the business during this time of uncertainty and put Jet2 in a strong position when trading improves.

Iroko views quotation

Nigeria-based online media company Iroko has set its sights on joining AIM next year. Iroko wants to raise $20m-$30m and it could be valued at up to $100m if the flotation goes ahead.

Iroko is believed to hold the rights to one of the largest online catalogues of Nigerian or Nollywood films. Nollywood is the second most prolific film industry in the world. A subscription service was launched in December 2011. There are more than 5,000 titles available for subscribers to view. The focus is on subscribers in markets outside west Africa, where Iroko already generates four-fifths of revenues.

Iroko sold Nigerian film production business ROK Studios to Canal+ in July 2019 and the cash received has helped to finance the business during tougher economic conditions and devaluations of the Nigerian currency. Covid-19 had a positive effect on international demand, but after an initial spike in demand in Africa there was a slump in subscriptions. Iroko made around 150 people redundant in 2020. Last August, founder and chief executive Jason Njoku was quoted as saying that the monthly cash burn was being reduced from $300,000 to $50,000.

In this issue

Director pay dissent

Shareholders are becoming increasingly active when it comes to the remuneration policies of some AIM companies. How well pay and performance are aligned tends to be the main concern, although other concerns can also play a part. In the past month, patent translation and localisation services provider RWS and photonics equipment supplier Gooch & Housego have both had substantial numbers of votes cast against their remuneration reports.

Both these companies have good track records and RWS recently completed the merger with fully listed translation software developer SDL. At the RWS AGM, 37.2% of the votes were cast against accepting the remuneration report.

At the Gooch & Housego AGM, there were 38.3% of votes against approving the remuneration committee report. There was also a significant vote against the re-election of non-executive director Brian Phillipson, who is chairman of the remuneration committee. The unhappiness of investors was due to the LTIP award last year. Gooch & Housego says that it was a one-off to reflect the circumstances at the time.

The resolution for the remuneration report is advisory for AIM companies, so arguably not as important as other resolutions that involve re-electing directors or allowing shares to be issued. Even so, it is important for companies to take note of the dissent. The FRC Code of Corporate Governance suggests that the board of a company should consult major shareholders if there is a vote of more than 20% against a resolution. This helps the company to understand the problem that the shareholders have with their policies.

Victoria offer

Floorcoverings supplier Victoria is raising up to €500m from an offering of 3.625% fixed-rate senior notes due 2026. The offer was increased due to strong demand. Management will use €250m to refinance existing loan notes with a higher interest cost due for repayment in 2024. The rest of the cash will help to finance further acquisitions. This follows last year's cash injection by Koch Equity Development. Victoria generated revenues of £184m in the three months to December 2020–16% ahead of the same time the previous year on a constant currency basis. There was organic growth and a contribution from a ceramic tiles business acquired in March 2020. Margins are improving and EBITDA was £120m in 2020.

Virgin Wines celebrates floatation

Online wine retailer Naked Wine has prospered during lockdown and Virgin Wines UK is taking advantage of the investor interest sparked by its competitor by floating on AIM. Virgin Wines is valued at £110m after raising £13m at £197m. Existing shareholders raised £34.9m.

Like Naked Wine, Virgin Wines generates most of its income from subscription schemes. The two main schemes are WineBank and Wine Plan. There are 147,000 subscribers, plus 22,000 other active customers. There is also a corporate customer base. More recently beers and spirits have been added to the range and there are plans for a monthly gin subscription scheme. Beers and spirits generated £786,000 in revenues in the year to June 2020 and £872,000 in the six months to December 2020.

Last year's group revenues were £56.6m - 73% were generated by wine subscription schemes – and EBITDA was £4.8m. Interim revenues were £40.6m and EBITDA was £4.5m. In the year to March 2021, Naked Wine is forecast to generate revenues of £330m, although it is currently loss-making. Naked Wine appears to have a broader geographic spread of revenues than Virgin Wines. The US accounts for 50% of Naked Wine revenues.

There is a steady flow of potential admissions to AIM. They include lithium-ion battery cells developer AMTE Power, which wants to raise £7m in March to finance further investment in the battery technology. The most advanced of the company's batteries in development are aimed at the automotive, oil and gas equipment and energy storage markets. AMTE has a purpose-built battery cell manufacturing facility in Thurso, Scotland.

Jersey-based fund manager Team and Delaware-incorporated video games publisher and developer tinyBuild Inc are both hoping to join AIM by the middle of March.

Arden moving back to profitability

AIM broker **Arden Partners** moved back into profit in the second half but still lost £1.4m last year. The improvement is continuing into the new financial year, with three M&A transactions comp leted in the first quarter. Chief executive Donald Brown says the current prospects provide "confidence of returning to profitability in 2021".

In the year to September 2020, Arden reported a decline in full-year revenues from £6.6m to £5.9m, but corporate finance revenues increased by 9%. The second half was dominated by fundraisings for clients. An equity trading loss of £1.3m compared with a £113,000 loss in the previous year although that was partly offset by increases in the book value of warrants held by the broker.

NAV was 13.9p a share at the end of September 2020, including £2.4m of cash in the bank. The share price is 11p.

■ **Broker Numis** says that trading has been strong in the first four months of the financial year. Fundraising activity has declined following its peak during the middle of 2020, but new admissions are gaining momentum and Numis is an adviser on the Scapa takeover. The deal pipeline should ensure a good first half and growth in capital markets income will more than offset an expected decline in net trading gains income.

Edison has upgraded its full-year pre-tax profit forecast by 30% to £37.3m, which is similar to the previous year. That reflects the operational gearing of the company because the revenues were upgraded by 9%. The 2020-21 dividend is expected to be maintained at 12p a share. Net cash could be more than £130m by the end of September 2021. Numis plans to open an office in the EU.

■ **Nucleus Financial** is recommending a 188p a share cash bid by pensions firm James Hay Holdings, which values the financial planning and investment platform operator at £144.6m. Nucleus joined AIM in July 2018 at 183p a share. The combined business will have £45bn of assets under administration.

ADVISER CHANGES - FEBRUARY 2021

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Animalcare	Stifel Nicolaus/ Panmure Gordon	Panmure Gordon	Stifel Nicolaus	Panmure Gordon	01/02/21
MaxCyte Inc	Stifel Nicolaus/ Panmure Gordon/Numis	Panmure Gordon/ Numis	Panmure Gordon	Panmure Gordon	03/02/21
Trans-Siberian Gold	Canaccord Genuity/ Panmure Gordon	Arden	Canaccord Genuity	Arden	03/02/21
M&C Saatchi	Liberum/Numis	Numis	Numis	Numis	04/02/21
Tekmar	N+1 Singer/Berenberg	N+1 Singer/ Berenberg	N+1 Singer	Grant Thornton	04/02/21
Aquis Exchange	Canaccord Genuity/ Liberum	Liberum	Liberum	Liberum	05/02/21
essensys	Berenberg/N+1 Singer	N+1 Singer	N+1 Singer	N+1 Singer	09/02/21
Europa Oil & Gas	Turner Pope/finnCap	finnCap	finnCap	finnCap	11/02/21
Quixant	Canaccord Genuity/ finnCap	finnCap	finnCap	finnCap	12/02/21
WH Ireland	Canaccord Genuity/ WH Ireland	WH Ireland	Canaccord Genuity	Spark	15/02/21
TMT Investments	Cenkos/Hybridan	Hybridan	Strand Hanson	Strand Hanson	17/02/21
Digitalbox	Panmure Gordon/ Alvarium	Panmure Gordon/ Alvarium/WH Ireland	Panmure Gordon	WH Ireland	22/02/21
finnCap	Oberon Capital/finnCap	finnCap	Grant Thornton	Grant Thornton	23/02/21
ReNeuron	Allenby/Stifel Nicolaus	Stifel Nicolaus/ N+1 Singer	Stifel Nicolaus	Stifel Nicolaus	25/02/21
Brighton Pier Group	Cenkos	Panmure Gordon	Cenkos	Panmure Gordon	26/02/21

Transense on verge of generating cash to finance further technology development

Tyre management products *www.transense.com*

Transense has been quoted for more than two decades and for the first time it is on the verge of becoming a highly cash generative business. The deal to sell the iTrack tyre monitoring technology to Bridgestone means that the royalty stream from this activity will grow as Bridgestone converts its existing base to the technology. Those royalties will cover the corporate overheads in 2021-22 and help to fund the development of the rest of the company's technologies.

The six months to December 2020 was the first financial period following the iTrack disposal. Revenues increased from £271,000 to £895,000 and the pre-tax loss was slashed from £570,000 to £53,000. The tax credit was greater than the loss. The iTrack royalty stream of £374,000 was nearly pure profit and the Translogik tyre probes business

Royalties will cover overheads

generated a profit contribution of £150,000 on revenues of £408,000. That was offset by overheads and the loss on the surface acoustic wave (SAW) sensors division.

The longer-term growth is likely to come from SAW sensors. Transense is involved with GE on the improved turbine engine programme in the US and there are also motorsport uses for the sensors. The potential market is much larger, though. Uses include aviation, rail, condition monitoring of lease assets and predictive maintenance of infrastructure.

The full-year income from iTrack could be £860,000, rising to £1.38m next year. Group admin expenses are estimated at £1.4m for 2021-22 and

TRANSENSE TECHNOLOGIES (TRT)			67p
12 MONTH CHANGE %	0	MARKET CAP £M	10.9

the royalties are growing much faster than those expenses. The iTrack royalties will continue for ten years. This gives plenty of time to develop other products to generate other revenues.

The share price has risen sharply in the past month, but it is unchanged from one year ago. Transense is trading on 26 times prospective 2021-22 earnings, falling to nine the following year. More importantly, the cash pile will start to build up; net cash of £2m is forecast for June 2022. Previously there have always been fears that Transense will require more cash from investors. There will be no need for cash calls to fund the current operations and there could eventually be a dividend.

Avingtrans promises dividend return

Engineer *www.avingtrans.plc.uk*

Engineer **Avingtrans** maintained its interim revenues at £54.1m in the six months to November 2020 even though there was weaker demand from the oil and gas sector. The stemming of losses at recent acquisitions has helped pre-tax profit to nearly double to £3.5m.

Specialist doors manufacturer Booth Industries has shed lower-margin work and is back in profit. It is winning contracts, including

AVINGTRANS (AVG)			300p
12 MONTH CHANGE %	+11.1	MARKET CAP £M	95.8

one for HS2 cross tunnel doors. The Bolton facility is being extended so that all work can be carried out on the one site.

The recent merging of the MRI operations with Magnetica, will enable niche MRI products to be developed, but it will take time for the revenues to come through. Meanwhile, Avingtrans is stopping supplying third parties.

Net debt is expected to fall to £5m by the end of May 2021. The valuable Hayward-Tyler Luton site could be sold in the next year or so if market conditions allow. Full-year pre-tax profit is forecast to improve from £5.9m to £7.3m. The prospective earnings multiple is 15. There was no interim dividend but a final dividend of 4p a share is expected.

Coro Energy taking a major step in its reinvention as renewables developer

Renewable energy *www.coroenergyplc.com*

Coro Energy is acquiring Global Energy Partnership for £600,000 in shares as part of a strategic refocus on renewable and other low-carbon energy sources in south-east Asia. At the end of last year, Coro took a 20.3% stake in ion Ventures, which is developing renewable energy and battery storage projects in south-east Asia and the UK. Coro retains a 15% interest in the Duyung PSC, which includes the Mako gas field, offshore Indonesia. Italian oil and gas assets are being sold.

South-east Asia is an attractive market because the growing population is increasing demand for electricity. Coal still dominates the electricity generation market and there will be substantial investment in renewable energy over the next decade.

The strategic focus is renewables

Global Energy has a pipeline of projects, predominantly in the Philpppines, and its co-founder, Mark Hood, will become chief executive of Coro. The focus is originating and developing early-stage renewable energy projects and then finding outside investment when the projects are ready to be built. Global Energy retains a carried interest and the management contract for the project.

Legislation is supportive of renewables projects in the Philipppines and there are attractive terms for power purchase agreements, plus tax holidays. The first two projects are a 100MW ground mounted solar opportunity and a 100MW onshore wind development. Funding is required to make progress with these projects.

CORO ENERGY (CORO)			0.405p
12 MONTH CHANGE %	-60.5	MARKET CAP £M	3.3

A placing has raised £4.5m at 0.4p a share and a one-for-six open offer could raise up to £500,000. The open offer closes on 15 March. Management is setting aside £1m for the project funding and a further £1m to finance Coro's share of investment in the Duyung PSC. If the Italian assets are sold, there should be enough cash to last until the second quarter of 2022, when the company's €22.5m Eurobond matures.

Increased resource for BlueRock Diamonds

Diamond mining *www.bluerockdiamonds.co.uk*

BlueRock Diamonds has published a significantly increased resource for the Kareevlei diamond mine in South Africa. There was a 49% increase in resource to 10.4 million net tonnes and a 53% increase in net carats to 516,200. The indicated resource from the KV1 and KV2 pipes is 108,600 and it was nil previously. The overall grade has edged up to 5 carats per tonne. This means that the diamond mine has at least ten years life even before additional exploration. There should be a further increase in resource from exploration of the KV3 pipe.

BLUEROCK DIAMONDS (BRD)			53p
12 MONTH CHANGE %	-29.3	MARKET CAP £M	4.8

BlueRock is targeting annual production of one million tonnes per annum. Last year's production was 402,000 tonnes. That was achieved even though the mine was closed for 50 days due to the Covid-19 lockdown in South Africa. The carats produced increased from 14,033 to 15,371, which represents a reduction in grade. The value per carat fell from $415 to $295.

The capital investment to increase production capacity is underway, but poor weather has delayed the progress in installing equipment and bringing it on stream. Both processing plants will be running during the first quarter, but the new plant may not be fully commissioned until early in the second quarter.

This year management is aiming for production of at least 850,000 tonnes and diamond production of between 34,000 and 46,000 carats. That should be enough to make the operation significantly cash generative by the end of the year.

Total Produce set to complete merger with US-based fresh produce supplier Dole

Fresh produce supplier *www.totalproduce.com*

Total Produce is combining with US-based Dole Food Company to create Dole plc, which will be the number one business in the international fresh produce sector and be listed in the US. In 2018, Total Produce paid $300m for a 45% stake in the Dole business, which means that there should not be any shocks in this merger. Combining the two businesses will improve efficiency and enable cost savings. The holding company will be incorporated in Ireland, but the headquarters will be in Charlotte, North Carolina.

In 2020, Total Produce revenues edged up by 2% to €6.26bn, with pre-tax profit 18% higher at €116m. That includes Total Produces' share of Dole's revenues, which was €1.84bn, and an operating profit contribution from Dole of €70.1m. Net debt was reduced from €221.2m to €144.3m. The final dividend was increased by 7.5% to 2.77 eurocents a share.

Dole revenues will be $10bn

The combined business will have revenues of nearly $10bn and generate an underlying EBITDA of $379m. Total Produce shareholders will swap their shares for new shares in Dole and will initially own 85% of the enlarged group. The US listing is a condition of the deal and the plan is to raise between $500m and $700m in order to reduce the group debt. Dole's borrowings are expected to be $1.4bn prior to the fundraising.

TOTAL PRODUCE (TOT)			170p
12 MONTH CHANGE %	+54.5	MARKET CAP £M	699

There is a valuation floor equivalent to $1.2bn for the pre-new money valuation of Dole or the deal will not go ahead.

The combined business expects to generate additional EBITDA of between $30m and $40m over the medium term through a combination of cost cutting and growth in revenues. There will be sourcing and logistics benefits. The expectation is that longer-term organic growth of 2%-3% a year is achievable.

The current Total Produce share price is lower than at the time of purchase of the initial stake in Dole.

NWF fuelled for further consolidation

Fuels, feed and food distribution *www.nwf.co.uk*

A higher interim profit contribution from fuels partly offset lower contributions from the rest of the **NWF** businesses. There will be £500,000 of additional costs due to the unauthorised access to the company's IT systems last October. No action is planned by the ICO concerning the data breach.

In the six months to November 2020, group revenues fell from £348.9m to £309.4m, while underlying pre-tax profit declined from £3m to £2.5m. The main decline was in food distribution where volatile demand hampered profitability. Net debt, excluding leases, was £16.5m and the interim dividend was maintained at 1p a share, although an increase in the final dividend is expected.

NWF (NWF)			205p
12 MONTH CHANGE %	+28.1	MARKET CAP £M	100.5

The new food distribution warehouse in Crewe is fully utilised. Increased e-fulfilment activity will help to grow profitability. The feeds division had to cope with higher raw material costs. The outlook for the milk sector is positive, with milk prices holding up.

Fuels volumes increased although the product mix changed, with more gas oil and less road diesel and heating oil. The cold weather will boost demand for heating oil in the second half. Management is also recommencing acquisition activity that will expand the business geographically and provide opportunities to consolidate sites.

Full-year pre-tax profit is expected to fall from £13.2m to £10.8m. The shares are trading on less than 12 times prospective earnings and the forecast yield is 3.5%.

Sylvania Platinum pays windfall dividend

PGM tailings processor *www.sylvaniaplatinum.com*

Dividend

Sylvania Platinum paid a maiden dividend of 0.35p a share for the year to June 2018. This was increased to 0.78p a share the following year and then to 1.6p a share for 2019-20.

A special dividend of 3.75p a share has been announced for this year, because of the additional revenues generated by the high rhodium price. There could be a final dividend of 2.5p a share or more.

Liberum estimates that this year's dividend will be covered more than four times by earnings. Net cash is expected to be greater than $83m at the end of June 2021 and could more than double the following year. That provides further scope for special dividends.

Business

Sylvania operates six chrome beneficiation and platinum group metal (PGM) processing plants located in the Bushveld complex in South Africa. These sites treat historical and current tailings from adjacent mines.

The chromite concentrate that is produced from the tailings is returned to the host mine and Sylvania makes its money from selling the platinum, palladium and rhodium extracted. Sylvania has exclusive rights to reprocess tailings at the host mines. Additional sources of tailings are being assessed.

There are also exploration projects in the same region. The increasing cash pile means that more attention is being focused on some of these. A study report on the Volspruit project is expected in the next few weeks, while a 12-18 month in-fill drilling programme has been initiated in the Northern Limb area.

SYLVANIA PLATINUM (SLP)	
Price (p)	120.5
Market cap £m	328.5
Historic al yield	1.3%
Prospective yield	5.2%

In the six months to December 2020, revenues increased by 44% to $85.2m with a large increase in metal prices slightly offset by lower volumes. Lower grade production and a decline in recovery rates meant that PGM production was 9% lower at 36,335 ounces. Net profit was 70% ahead at $40.5m.

Rhodium accounted for nearly three-fifths of revenues, which is up from 38% in the first half of the previous year. The PGM basket price was $3,184 per ounce, compared with a group cash cost of $739 per ounce.

Sylvania is investing in capital projects that should help to improve extraction efficiency. The MF2 expansion project at the Lesedi site should be commissioned before the end of 2021. Sylvania is also working on technology that will enable low grade PGM tailings to be retreated and extend the operational life of the sites.

Metal prices remain high, but management is making conservative assumptions about future prices. Even so, the underlying costs are low enough for the business to be highly cash generative even at much lower prices.

Management still believes that 2020-21 production will reach 70,000 ounces, suggesting higher production in the second half than in the first half. Liberum forecasts an improvement in full-year pre-tax profit from $55.9m to $143.6m, with a further improvement to $162m expected next year.

Dividend news

Disinfection products supplier **Tristel** grew interim revenues by 15% to £16.8m and pre-tax profit was 12% ahead at £3.4m. Sales in overseas markets are growing even faster and they account for three-fifths of revenues. There is caution about second-half trading, which has started relatively weakly. In the longer term, there is still the potential from regulatory approvals in North America. Net cash was £7.3m at the end of December 2020. The interim dividend is raised by 12% to 2.62p a share. A full-year dividend of 6.5p a share is forecast.

Compliance and energy saving services provider **Sureserve** outperformed expectations, enabling it to announce a doubled dividend of 1p a share and it is expected to rise to 1.25p a share this year. In the year to September 2020, underlying pre-tax profit improved to £9.4m despite an 8% decline in revenues to £195.7m. Less traffic on the road during the original lockdown helped to improve efficiency but not all of the recent margin gains will be retained. Even so, Shore has increased its 2020-21 pre-tax profit forecast by 16% to £11.9m. Demand for energy-saving services is set to continue to be strong.

Building products supplier **Alumasc** is continuing its recovery and the interim dividend is 3.25p a share. Better than expected trading in the six months to December 2020 led to anupgrade for the full year. Interim revenues were 11% ahead at £45.6m and underlying pre-tax profit rose from £2.3m to £6m. There has been a bounce-back in building and construction activity and annualised cost savings of £2.4m achieved. Full-year pre-tax profit is expected to be £8.9m, compared with an earlier estimate of £6.4m. Total dividend is expected to be 7.5p a share; compared with 7.4pp for 2018-19.

Expert view: Registrars

Why quick access to shareholder records matters

By Danny Curran

The second half of 2020 was acknowledged as having seen an uptick in merger and acquisition activity and this is a trend thathas been forecast to continue over the coming months. The economic backdrop, which has left some companies flush with cash whilst others are gripped with fear over the financial impact of government support structures being wound down, creates an ideal climate for hostile bids to be made.

However, with the potential for prime assets to be left badly mis-priced, the ability to communicate quickly with shareholders, as well as keep a weather eye on any potential stake-building activity, has perhaps never been more important than it is today.

Registers

Shareholder registers are by their very design constrained by the T+2 settlement window, but issuers using the Avenir platform can do so with the confidence of knowing that not only are registers updated immediately after settlement, but that real time access to this information can be obtained by any authorised officer of an issuer on a self-serve basis. Unlike legacy systems used by others, these reports can be accessed on demand, rather than requiring a series of manual requests before overnight 'batch runs' return the necessary information.

That functionality, combined with the self-serve investor portal which allows securities holders to keep their contact details up to date, provides a powerful resource not only for day to day investor relations, but also when a more proactive communications strategy may be necessary.

> The self-serve investor portal allows securities holders to keep their contact details up to date

Lobbying asset owners to argue against a hostile takeover or predatory moves by large shareholders or creditors could help sustain an ownership status quo for the business in the short to medium term, allowing the full benefits of any economic recovery to be realised in the longer term.

Flexibility

Having the flexibility to access registers of securities holders quickly, easily and on the terms that suit the client is just one of the reasons why a growing number of issuers of both debt and equities are turning to Avenir Registrars –almost 350 unique issuances have now been conducted for clients.a

> Avenir Registrars is also highly experienced in the transfer of share registers

Avenir works with companies at every stage of their business lifecycle, ranging from those who are pre-IPO, to fully established firms. As a result, as well as being able to assist new issuers with every aspect of the listing journey from establishing LEI and ISIN numbers to company formation and appointing corporate advisers, we are also highly experienced in the transfer of share registers.

Although that process may seem like a daunting task – and incumbent providers may well push that message too – the team at Avenir is fully versed in how to help issuers through this. We are recognised as having a proven track record of seamlessly and swiftly migrating clients onto our system, with feedback highlighting how our solution can frequently see ongoing CREST maintenance charges fall by as much as 50%.

On February 22nd, Avenir Registrars welcomed **Conroy Gold and Natural Resources plc** and **Karelian Diamond Resources plc** as its latest clients. Both issuers are listed on AIM and the team at Avenir was delighted to facilitate this move, providing the companies with right-sized, next-generation registry solutions. We look forward to a long and successful relationship with both issuers.

To learn more about how Avenir Registrars can help provide you or your clients with a right sized registry management solution, contact us on info@avenir-registrars.co.uk or visit our website at www.avenir-registrars.co.uk

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How AIM helped build a company worth more than £5bn

Former AIM company GW Pharmaceuticals is being acquired two decades after AIM debut and subsequent switch to Nasdaq.

Cannabinoid-based drugs developer GW Pharmaceuticals was quoted on AIM for more than 15 years and went from a pure drug developer to a company with product sales. Nasdaq-listed Jazz Pharmaceuticals has bid $220 a share for the company, valuing it at $7.2bn. The acquisition should be completed by the end of the first quarter of 2021.

GW Pharmaceuticals left AIM more than four years ago, but the previous 15 years were an important part of the funding and development of the company. GW Pharmaceuticals was formed in 1998 and floated three years later.

The company's first product, Sativex, a spray treatment for MS-related muscle stiffness and spasms, gained UK and Canadian approval in 2010. More significant was the recent US and EU approval for Epidiolex, an oral treatment for seizures associated with Lennox-Gastaut syndrome, Dravet syndrome and tuberous sclerosis complex.

In 2020, group revenues were $527.2m with most of them generated by Epidiolex, where sales increased by 70% during the year. There was still a $29.1m loss.

A phase 3 trial has commenced for the use of nabiximols as a treatment for multiple sclerosis spasticity. There is a pipeline of other treatments, including ones for schizophrenia and autism.

History

GW Pharmaceuticals joined AIM on 28 June 2001. At that time, it raised £25m at 182p a share. According to the London Stock Exchange data, the market capitalisation at the opening share price was £174.8m.

The share price performance was mixed in the early years. Even so, GW Pharmaceuticals regularly came back to the market for additional cash to progress its development activities and clinical trials. The following August, GW Pharmaceuticals raised a further £4.47m at 109p a share. In June 2003, a placing at 200p a share raised £20m.

At the beginning of 2006, $15m (£8.6m) was generated from a US placing at 139.61p a share. Development fees and milestone payments helped to finance the business prior to the Nasdaq flotation in 2013 when $32.7m was raised at $8.80 per American Depositary Share (ADS). There were 12 ordinary shares to each ADS. GW Pharmaceuticals retained its AIM quotation.

At the beginning of 2014, $87.9m (£53.4m) was raised at $36 per ADS. At the end of the year, GW Pharmaceuticals was added to the Nasdaq Biotechnology Index. In May 2015, $204.5m was raised at $112 per ADS. The following July, $289.8m was raised at $90 per ADS.

Leaving AIM

GW Pharmaceuticals left AIM at the end of 2016. By then more than three-quarters of the shares were held in the US and Nasdaq accounted for 94% of trading in the six months to October 2016. The level of shareholding in the US meant that AIM allowed GW Pharmaceuticals to cancel the quotation without the requirement for a general meeting to obtain 75% of the votes cast in favour of the cancellation.

Interestingly, management did consider a move to the Main Market in London but did not feel that it was worthwhile.

Some critics of AIM view the move to Nasdaq as a negative for the junior market. AIM had done its job, though. GW Pharmaceuticals had raised the cash it required to get to a position where it was generating revenues from development fees, milestones and product sales. The company would have found it difficult to float on Nasdaq at an earlier point in its development.

GW Pharmaceuticals is a good example of what AIM was originally designed for. AIM was supposed to nurture companies and help them grow to the point where they would move to the Main Market. The real problem for London is that Nasdaq is more attractive than the Main Market when it comes to pharma valuations and investor activity.

Epidiolex sales increased by 70% during the year

Slow progress with diversity on AIM

The latest study on boardroom diversity shows that AIM 50 companies still have a long way to go to better represent the UK population.

Board diversity is a topic that has increasingly come to the fore in recent years as the focus on environmental, social and governance (ESG) frameworks becomes greater. AIM companies still lag behind larger listed companies when it comes to diverse representation at board level.

Link Group offshoot Company Matters has published its second annual report on boardroom diversity: "Boardroom inertia? – A spotlight on the diversity of FTSE Small Cap and AIM listed company boards". There has been minimal change since the previous edition.

How

The review covers the constituents of the FTSE AIM UK 50 index and the 100 largest companies in the FTSE Small Cap index (SMC 100) on 30 September 2020. There was one AIM 50 and four FTSE Small Cap constituents that did not publish an annual report between 1 November 2019 and 5 November 2020, so they are excluded. Any appointments and resignations made subsequent to the most recent annual report that happened between those dates are taken into account.

There are 326 AIM 50 directors covered by the survey. The index constituents have changed over the previous 12 months. When measuring the changes to the previous survey, like-for-like samples are used.

Progress

The study criticises the quality of disclosures of the AIM companies. Two out of the 50 index constituents have set out measurable objectives for board diversification.

One company that is highlighted as improving over the past year is mixer drinks supplier FeverTree Drinks. The FeverTree annual report includes disclosure of the level of female representation at senior management level. There has also been a decision to monitor the implementation of the previous policy of board diversity.

Online fashion retailer ASOS has made developing "diversity at the leader level" part of the basis of the calculation of the chief executive's annual bonus. There is a target of at least 30% of the board members being female over the shorto to medium term. It is made clear in the annual report that the board is responsible for making sure that progress is made with the diversity policy.

There are 63% of AIM 50 companies that have a policy on boardroom diversity, which is five percentage points higher than the previous year. However, the number with detailed diversity policies remains the same. Gold miner Pan African Resources has to state its policy on ethnic diversity because of South African legislation.

On average, AIM 50 directors have served on the boards for just under six years, which is longer than the average for the FTSE Small Cap companies. Changes in the make-up of boards depend on the decisions made when replacing existing directors.

Gender

One-fifth of the directors on AIM 50 boards are women, although most of those are non-executive directors. The percentage of female non-executives is increasing. One-third of the directors of SMC 100 companies are female. That is a similar percentage to larger fully listed companies.

> One-sixth of AIM 50 boards have no women on them

However, 11% of the women on the AIM 50 boards are executives, compared with 4% on the SMC 100 boards. There are two female chief executives and three female finance directors of AIM 50 companies.

Even so, there is still a small number of women executive directors on the boards of AIM 50 companies' with 6% of executives female. One-sixth of AIM 50 boards have no women members.

Race

There appear to have been few changes in the racial diversity of the boards. There was a like-for-like increase of one on the AIM 50 and SMC 100 boards.

There were 4% of AIM 50 board members who are black or Asian, including two directors of Pan African Resources, while it is 6% for SMC 100 companies.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	28.6	16.1
Healthcare	15.5	10.2
Industrials	14.3	16.9
Technology	11.8	12
Financials	8.8	12.1
Energy	8.4	11.3
Basic materials	6.4	14.3
Property	3.3	2.8
Telecoms	1.8	2.2
Utilities	1.1	1.3

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1183.25	+38.1
FTSE AIM 50	6486.05	+35.2
FTSE AIM 100	5881.87	+34.3
FTSE Fledgling	11155.71	+27.9
FTSE Small Cap	6477.29	+20.3
FTSE All-Share	3702.4	+0.8
FTSE 100	6483.43	-1.5

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	82
£5m-£10m	89
£10m-£25m	141
£25m-£50m	127
£50m-£100m	137
£100m-£250m	120
£250m+	120

KEY AIM STATISTICS

Total number of AIM	816
Number of nominated advisers	25
Number of market makers	47
Total market cap for all AIM	£131.9bn
Total of new money raised	£121.5bn
Total raised by new issues	£45.9bn
Total raised by secondary issues	£75.6bn
Share turnover value (Jan 2021)	£11.2bn
Number of bargains (Jan 2021)	2.2m
Shares traded (January 2021)	93bn
Transfers to the official list	193

TOP 5 RISERS OVER 30 DAYS

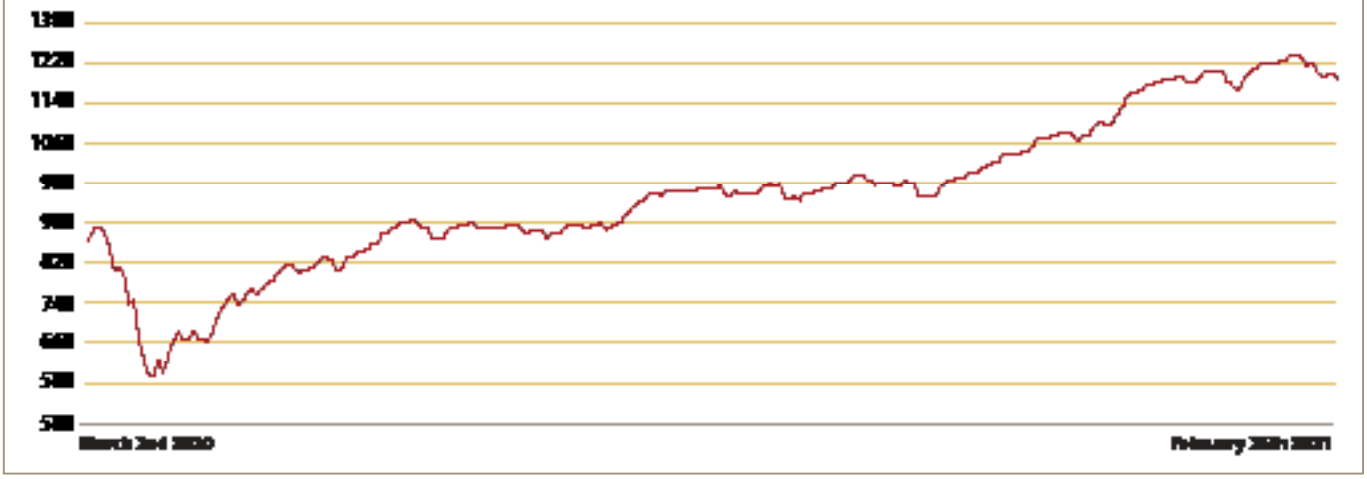
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Clear Leisure	Investments	2.15	+552
Braveheart Investment	Financials	99.5	+169
MediaZest	Media	0.1025	+156
Oilex	Oil and gas	0.195	+152
Mercantile Ports & Logistics	Transport	0.715	+132

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Bahamas Petroleum Company	Oil and gas	0.55	-73.3
AEX Gold Inc	Mining	27.5	-46.1
Bidstack	Media	6.5	-39.5
Hummingbird Resources	Mining	20.3	-34.5
Location Sciences	Media	0.525	-33.5

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 28th February 2021, 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.

PUBLISHED BY: Hubinvest Ltd,

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