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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET
AIM JOURNAL

AIM 50 performance dips

AIM is still underperforming the FTSE 100 index. Although the latter is one of the better global performers with a 2.3% gain last month, AIM continues to decline with the larger UK based AIM companies the worst performers. The FTSE AIM All Share index slipped 2.6% in September, but the FTSE AIM UK 50 index weakened 4.3%.

A competition review of the veterinary practice market has hit the CVS Group share price, and it is the worst performer in the AIM 50. CVS has the fourth highest weighting of 5.43% in the AIM 50 and that is after the decline of 23% during the month. A profit warning knocked more than one-fifth off the Advanced Medical Solutions share price.

AIM companies are still attracting bids. Finsbury Food is recommending a 110p/share bid by a company backed by DBAY Advisors valuing the cake maker at £143.4m. It originally joined AIM on 4 September 1995 when it was known as Graduate Appointments – it was the thirty fourth company to join AIM and Tracker Network was thirty fifth by alphabetical order having joined on the same day. The company subsequently became media company Meglamedia before selling those assets and transforming into Finsbury Food on 30 August 2002.

Other September bid targets include educational software and services provider Tribal Group and pharmaceutical services provider Ergomed.

Chapel Down considers switch

Aquis-quoted wine maker Chapel Down is considering a move to AIM as it anticipates an exceptional harvest this year. A further 118 acres has been planted, taking the total to 906 acres. By the end of 2024 the figure should be more than 1,000 acres.

Kent-based Chapel Down increased interim revenues by 21% to £8.4m and the momentum has continued into the second half. Pre-tax profit improved from £489,000 to £618,000. Net cash was £1.1m at the end of June 2023 and there are £12m of unused facilities.

Wine volumes were 6% higher at 721,000 bottles. Sparkling wines revenues were 45% higher at £5.7m, which is more than two-thirds of revenues. Off trade sales grew slightly faster than on trade sales. There is planning approval for a new winery outside Canterbury.

A good grape harvest is expected. Full year revenues are forecast to rise from £15.6m to £18m but underlying pre-tax profit would be flat at £1.7m because of reduced margins. Net cash should be around £600,000 by the end of 2023 and the NAV is around 60p/share. That is a significant premium to the current share price of 43p.

In this issue

Northern Leaf plan

Medical cannabis supplier Northern Leaf is planning to join AIM before the end of the year. Marketing of the flotation is about to begin. The Jersey-based company was the second company to be awarded a commercial high THC licence – the other was AIM forerunner GW Pharmaceuticals. Jersey is supportive of the cannabis sector and there is also cheaper electricity.

Prior to this year, the company had raised £16m over three years. Northern Leaf raised £3m in pre-IPO cash via a preference share issue in April 2023, followed more recently by at least £1m raised via a loan note with the right to convert into shares at a discount to the AIM flotation price. This provides the cash required before the flotation.

In May, Northern Leaf received Good Manufacturing Practice accreditation from the UK's Medicines and Healthcare Products Regulatory Agency for its flower product as an active pharmaceutical ingredient. The following month the company gained accreditation for its 100,000 square feet cultivation facility in Jersey. The facility has the capacity to deliver nine tonnes of cannabis flower each year. Quality and consistency have been proved for multiple THC genetics strains. There are initial sales to Germany and Australia and there are other supply agreements being discussed.

AIM-quoted investment company Seed Innovations owns 2.2% of Northern Leaf. It invested £600,000 in a convertible loan note in 2021 and converted this into shares in April, when the stake was valued at £960,000. That suggests a valuation for Northern Leaf of £44m.

PCI-Pal win

Secure payments technology developer PCI-Pal has defeated the UK patent infringement suit brought by Sycurio. The UK High Court ruled that Sycurio's patent was invalid and PCI-Pal's Agent Assist product would not infringe the patent if it were valid. PCI-Pal is seeking maximum recovery of costs. The US case is continuing and could come to court late next year. In the first quarter of this financial year, 57 new contracts have been signed. However, house broker Cavendish has reduced from 34% to 28% its expectations for the growth rate of 2023-24 revenues following the latest guidance from the company. PCI-Pal is still expected to move into profit this year, but it will be a more modest £100,000.

MicroSalt seeks cash to accelerate sales

Tekcapital investee company MicroSalt is on course to join AIM on 18 October. A placing and a retail offer via PrimaryBid will raise cash to accelerate sales and marketing and expand inventory. There will also be further investment in product development, while £4.5m will be set aside to fund the first company-owned manufacturing facility.

Tekcapital currently owns 87.3% of MicroSalt, which has developed salt that halves sodium consumption with the same level of flavour. A patented spray drying process produces micron sized salt crystals and this can be scaled up. The company also has its own low sodium crisps brand, SaltMe. The sodium reduction ingredients market is estimated to be worth $5.5bn and it could reach $9.6bn by 2032.

Revenues reached $638,000 in 2022, while the loss was $2.5m. The latest interim revenues have dipped from $335,000 to $257,000 and the loss increased from $1.09m to $1.69m. Product launches should boost second half revenues.

Fellow Tekcapital investee company Belluscura has reached an agreement on a proposed offer for standard listed TMT Acquisition, which is a shell with £4.7m in cash. The offer is 15 Belluscura shares for every 22 TMT Acquisition shares, which valued each share at 21.8p and the company at £6m. TMT Acquisition floated in October 2021, when it raised £5m at 20p/share.

This deal is an alternative way of raising additional cash and there could be other opportunities for AIM companies to acquire small cash shells on the standard list that have found it difficult to secure a sizeable acquisition. Prior to the acquisition Belluscura is raising £2.72m from a placing of loan notes and £595,000 from a share placing at 32p/share. The cash will enable Belluscura to grow sales of its oxygen enrichment technology.

AIM brokers still finding trading conditions difficult

AIM brokers have had mixed trading performances this year, although some are weathering stockmarket conditions better than others.

Peel Hunt expects interim revenues to be 3% higher at £42.4m. Investment banking revenues increased, helped by being joint bookrunner on CAB Payments, the largest flotation this year. Institutional electronic trading levels have doubled. Costs have increased in line with inflation and debt has been reduced. The Copenhagen office will open shortly.

WH Ireland moved from an underlying pre-tax profit of £1.4m to a loss of £2m in the year to March 2023. Revenues from the wealth management and capital markets divisions both declined. Group assets under management reduced from £2.4bn to £2.1bn. These figures are for a period well before the recent £5m rescue fundraising. Annualised costs have been slashed by £3.8m.

Cavendish Financial says the summer has been quiet, but it has a number of transactions due to complete over the next few months. It has 220, mostly AIM, clients following the merger between finnCap and Cenkos. The integration of the operations team is nearly complete and there will be more news of cost savings with the interims in December.

■ **VSA Capital** says that the share price slump of Silverwood Brands will hit the interim results to September 2023. It will make the loss larger than expected. VSA owns 0.88% of Silverwood Brands and it recently resigned as corporate adviser with Peterhouse taking over. VSA says it is still supportive of Silverwood Brands, which is involved in litigation with Lush. The time to deliver its defence to the legal action by Lush has been extended to 2 October. Lush is refusing to recognise the transfer of a 20% stake in Lush to Silverwood Brands.

VSA received shares as fees for advising on the transaction. The Silverwood Brands share price was 85p on 31 March 2023 and it is suspended at 30p, valuing the stake at £688,000, down from £1.95m.

■ Each of the four divisions of **Aquis Exchange** increased revenues and Aquis Stock Exchange remains profitable despite the tough stockmarket conditions. There is a pipeline of potential new admissions. Aquis Exchange has changed its proprietary trading rule to allow the option for participants to interact with aggressive non-client trading and this will help to improve market share.

■ **Winterflood** reported a full year pre-tax profit of £3.5m, down from £14.1m, which was slightly higher than forecast. The market maker was hit by lower smaller company and AIM share trading volumes, although it was only loss making for one day of the period. The average bargains per day fell from 81,000 to 60,000. That is still higher than in 2018-19.

■ Broker and wealth management company **Oberon Investments** raised £2.575m via a placing and retail offer at 3.6p/share. The cash will fund expansion, including the recruitment of revenue generating teams.

ADVISER CHANGES - SEPTEMBER 2023

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Asiamet Resources	Optiva	Optiva	Strand Hanson	RFC Ambrian	9/1/2023
Itsarm	Zeus	Liberum	Zeus	Liberum	9/1/2023
RA International	Strand Hanson	Canaccord Genuity	Strand Hanson	Canaccord Genuity	9/1/2023
Aquis Exchange	Investec / Canaccord Genuity	Liberum / Canaccord Genuity	Investec	Liberum	9/6/2023
LBG Media	Zeus / Peel Hunt	Zeus	Zeus	Zeus	9/6/2023
Avacta Group	Peel Hunt / Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	9/20/2023
Botswana Diamonds	First Equity	Beaumont Cornish / First Equity	Strand Hanson	Beaumont Cornish	9/27/2023
Petrel Resources	Novum	Beaumont Cornish / Novum	Strand Hanson	Beaumont Cornish	9/28/2023

Bango set for much better second half as new clients are signed up

Payments services *www.bango.com*

Payment services provider **Bango** is well-placed to take advantage of the move to bundling of subscriptions and services by telecom companies. The telecom companies use this to retain customers and attract new ones. It also helps to increase average revenues per user.

Bango has developed the Digital Vending Machine (DVM) to enable these extended bundling services. The bundles can be launched more quickly using the DVM, which has a SaaS-based model. Merchants can sign up with Bango and then those telecoms companies using DVM can be easily connected to Bango's telecoms clients.

There is an upfront integration fee for DVM, and the recurring SaaS revenues are based on the number of subscription entitlements rather than individual customers. The first tier is for one million entitlements, the second tier is for three million entitlements and the fees continue to scale up as the numbers increase. The bottom tier should generate more than $1m/year and Bango has already signed up three new clients this year, including a top 5 US telecoms company.

There are $8m of savings

Interim revenues jumped from $10.8m to $20.3m, but Bango moved into loss. Overheads rose faster in the period. This is due to the additional costs from the DOCOMO acquisition. These costs will reduce next year once the business is fully integrated. The cost reductions, there were $8m of annualised savings in the first half, and growing revenues should return Bango to profit next year.

BANGO (BGO)			195p
12 MONTH CHANGE %	-2.5	MARKET CAP £M	149.7

Net debt is set to be $2.3m at the end of 2023. Next year Bango should move back into net cash with £9.9m forecast for the end of 2024. That indicates the cash generative potential of the operations. -Singer expects a $3.4m pre-tax profit this year, indicating a much-improved second half, moving to $17m in 2024. That equates to a valuation of just over nine times prospective earnings.

Forward Partners expects valuations to stabilise

Venture capital *www.forwardpartners.com*

Technology investor **Forward Partners** says valuations of its investee companies are starting to stabilise, but realisations still appear to be some way off. The value of the portfolio declined by £4.2m in the six months to June 2023, including one write-down of £2.3m. Generally, the investee companies are making progress. The weighted average revenue growth of the investee companies was 133% in the first half.

There was cash of £14m at the end of June 2023 after £1.2m of investments. Liberum estimates that this will fall to £10m by the end of the year. It is important for Forward Partners to have cash to fund overheads, which have been reduced, and additional investments in existing or new businesses. Disposals could bring in extra funds, but the company needs to get to point where realisations are possible. The cash could be near to running out by the end of 2024.

FORWARD PARTNERS (FWD)			29p
12 MONTH CHANGE %	-30.1	MARKET CAP £M	39

Liberum has downgraded its forecast for the gross value of the portfolio at the end of the year from £92.5m to £78.2m. That means that the 2023 NAV will decline from 74.6p/share to 65.2p/share and it is set to edge up to 67.7p/share by the end of 2024 – although that is also a downgrade. Predicting the valuations of unquoted companies is difficult, so this is only an indication. However, it does show that the share price is trading at a discount of more than three-fifths to forecast 2023 NAV.

Safestay recovers from Covid lockdowns and there is more to come

Hostels operator *www.safestay.com*

Hostels operator **Safestay** exceeded pre-Covid comparatives in the first half of 2023 and the summer occupancy levels have been high. Borrowings are being reduced and management can consider acquisitions. The shares are trading at a discount to NAV.

Safestay has 16 sites in 11 European and 3 UK cities. Occupancy rates improved from 51% to 68.5% at the interim stage, but this rose to 85% in July and August. A new website has been launched and a Warsaw-based office set up to attract school and college groups, which are still contributing less than in 2019. Costs have stabilised.

In the first half of 2023, revenues improved from £7.29m to £10.5m, but the loss increased from £339,000 to £1m. UK and European profit contributions increased, except in Spain, where although revenues were higher, the profit contribution slumped. The cash generated from operating activities increased from £2.94m to £5m. Net debt was £9.3m.

Share price is discount to NAV

Liberum has trimmed its forecasts and expects a small pre-tax profit in 2023, then £540,000 in 2024. This is down to higher interest charges. Management has experience of acquiring hostels and other properties and this is a good time to be seeking purchases. The debt facilities are due to be renewed by January 2025 and this could happen much earlier than that.

SAFESTAY (SSTY)			25p
12 MONTH CHANGE %	+56.3	MARKET CAP £M	16.2

The NAV is 41.6p/share, with freehold valuations being maintained. That does include goodwill of £11.7m out of £27m of net assets. Even net tangible assets are more than 23.5p/share. Given the strength of trading, the goodwill appears valid, but the net tangible assets certainly provide a base for the share price, which has already risen by two-fifths this year. The discount to NAV is 40%.

XP Factory growth accelerates in first half

Leisure attractions *www.xpfactory.com*

Both the leisure brands operated by **XP Factory** grew strongly in the first half of 2023. The original escape rooms business Escape Hunt generated a 41% increase in owner operated revenues. Activity-based bars operator Boom Battle Bar revenues jumped 416% to £11.3m, reflecting a large increase in the number of sites. That was achieved after quieter months in May and June.

Group interim revenues were 130% higher at £18.7m and site level EBITDA was 131% ahead at £5.04m. The overall loss was reduced from £3.3m to £2.44m. This was after a reduction in branch pre-opening costs from £881,000 to £188,000 and branch closure costs from £288,000 to £49,000. Net cash generated from operating activities increased from £754,000 to £3.42m. There was £3.7m in cash at the end of June 2023, offset by a similar level of borrowings.

XP FACTORY (XPF)			17.25p
12 MONTH CHANGE %	+40.8	MARKET CAP £M	30.1

Following the results, chief operating officer Andrew Jacobs acquired 177,303 shares at an average price of 16.908p/share, taking his stake to 1.07 million shares.

The year end is being changed from December to March. The next results will be for 12 months to December 2023 followed by accounts for 15 months to March 2024. Trading was stronger during the first couple of months of the second half. Escape Hunt sites generated like-for-like growth of 23% and Boom like-for-like growth was 25%. Singer forecasts revenues of £53.9m in the 15 months to March 2024 and an underlying loss of £1.6m – partly because it includes two seasonally weaker periods. Escape Hunt should be profitable in 2024-25 and the level may depend on the rate of site openings.

Blackbird elevated by new cloud-based Creator SaaS product launch

Cloud video editing *www.blackbird.video*

Cloud video editing technology developer **Blackbird** has launched its Creator SaaS product, which is called elevate.io. There have been some setbacks this year, but elevate.io provides potential positive momentum over the next few years by increasing the addressable market. This is a more user friendly version of the technology that will enable content creation by businesses and individuals.

A&E Television Network cancelled its contract with Blackbird as part of a cost cutting. Last year, this contract contributed less than 10% of revenues of £2.85m.

In the six months to June 2023, Blackbird reported a 36% dip in interim revenues to £985,000

Blackbird is well funded

because there was a major event in the corresponding period as well as additional development fees. The loss of the contract with A+E will have more of an effect on the second half. The cash outflow was £1.92m, but there is still £8.18m in the bank. This means that the business is well funded. There have been annualised cost reductions of £500,000.

There are no forecasts for this year, but there are already revenues contracted for the second half. Blackbird has won a contract with a partner for a global summer games in 2024, plus two other events. The technology will be used to edit

BLACKBIRD (BIRD)			9p
12 MONTH CHANGE %	-41	MARKET CAP £M	33.1

and publish video content from 70 concurrent live streams.

Chief executive Ian McDonough and Syarifah Aidid bought more than 464,277 shares at prices between 7.7p/share to 8.7p/share. Founder Stephen Streater acquired 125,000 shares at 8.5p/share. There is no requirement for a fundraising, so that will not hold back the share price. Positive news is required for a consistent improvement in the share price. The new product should start generating revenues next year, while the licencing agreement with EVS could also provide additional revenues.

Artisanal Spirits targets growth in Asia

Whisky supplier *www.artisanal-spirits.com*

The Artisanal Spirits Company interims show improving momentum this year. Revenues were 3% ahead at £10.2m, but that masked a strong second quarter. The main revenue growth was in members rooms and events. There were initial sales of American whiskey and the JGT brand. The interim loss increased from £1.1m to £3.5m. Distribution and interest costs were higher.

Membership numbers increased by 9% to 38,700 with the main growth coming in the US, Europe and Japan. Asia as a whole has significant potential with the distributor in Taiwan

THE ARTISANAL SPIRITS COMPANY (ART)			71p
12 MONTH CHANGE %	-5.3	MARKET CAP £M	50.1

replaced with a joint venture in August and there is a new franchisee in South Korea. There are also new franchisees in Malaysia and Singapore.

Net debt was £19.1m at the end of June 2023. The balance sheet includes 16,700 casks of whisky, which underpins the net assets of £18.7m. The casks are valued at £23.9m, but the external valuation is more than 50% higher than that figure. This indicates the underlying NAV of the company. Management wants to keep the debt at around the current level, so capital and inventory investment will be funded through cash generation.

The new e-fulfilment facility is up and running and is bottling and despatching orders. The Vaults members room is being refurbished and is set to reopen.

Chief executive Andrew Dane bought 12,732 shares at 70.68p each. Artisanal Spirits could make an operating profit in 2024, although it is unlikely to cover interest costs until 2025. The business should be cash generative in 2024, though.

Keystone Law model is paying dividends

Lawyers *www.keystonelaw.co.uk*

KEYSTONE LAW GROUP (KEYS)	
Price (p)	500
Market cap £m	157.4
Historical yield	3.2%
Prospective yield	3.3%

Dividend

Keystone Law Group joined AIM on 27 November 2017 at a placing price of 160p. The maiden dividend was a final of 0.84p/share for the year to January 2018. The first full year of dividends was 9p/share, rising to 9.8p/share the following year with the added bonus of an 8p/share special dividend because of the excess cash held in the balance sheet. Because of the Covid pandemic there was only a final dividend of 10.6p/share in 2020-21. The following year there was a special dividend of 10p/share to go with the total normal dividend of 15.7p/share.

The most recent full year dividend was 16.1p/share, while the latest interim was raised from 5.2p/share to 5.8p/share and there is an additional special dividend of 12.5p/share. Even an unchanged final would provide a 2023-24 total dividend of 16.7p/share before the special dividend.

Business

Keystone Law is a regulated law firm that takes on lawyers working from their own offices. It was founded in 2002 and there were 248 lawyers when the company floated in 2017. Keystone Law recruits lawyers that have a client base, and they may also take on lawyers to assist them.

This is a different model to standard legal firms, and it is attractive to many lawyers because of the work life balance. Lawyers receive 75% of their billings with the rest retained by Keystone Law to cover overheads and back office functions that it provides from a central office in London. The group also provides relevant software and technology.

The number of principals, or senior lawyers, has risen to 415 and there are 523 fee earners in total. There is an annual churn of 5%, mainly due to retirement. The average age of principals is 52 years.

There is no dependence on any one sector and a wide spread of clients across the group. Property, commercial, corporate, litigation and employment are the main areas of expertise.

There was a reduction in applicants last year, but they have started to increase again. There were 144 applicants in the first half and 42 offers made, of which 25 were accepted.

Interim revenues grew 15% to £42.3m, while underlying pre-tax rose by one-quarter to £5.7m. Revenues per principal were 12% higher. Net cash was £11.3m at the end of July 2023 and it is forecast to be more than £8m at the end of January 2024, even after the forthcoming dividend payments.

Keystone Law is still a relatively small player even in the mid-market. Yet it is growing rapidly and there are an increasing number of lawyers interested in becoming part of the group. Management estimates an addressable market of more than £10bn.

A full year pre-tax profit of £10.7m is forecast. The share price has fallen by more than two-fifths since early 2022. It is still trading on a multiple of just over 19.

Dividend news

Churchill China continues to gain business in the hospitality sector and improve its operating margins. That is despite the tough market conditions. The European market is generating the fastest growth helping interim revenues to rise by 6% to £44m and underlying pre-tax profit jumped 47% to £5m. The interim dividend was raised by 5% to 11p/share. An increase in inventories was part of the reason for the reduction in cash from £15.7m to £9.9m and this should partially unwind in the second half. Full year pre-tax profit is forecast to rise from £9.1m to £10.8m with a total dividend of 36p/share.

Engineering products supplier **Avingtrans** increased its total dividend from 4.2p/share to 4.5p/share and it is set to raise it to 4.7p/share this year even though profit is expected to decline because of loss making acquisition Adaptix. This becomes part of the medical division, which is already losing money as it develops its medical imaging technology. Adaptix has gained 501k clearance from the FDA for its orthopaedic imaging and its technology could be combined with that of the existing Magnetica imaging business. Development spending will push Avingtrans into net debt. Cash could be raised from the sale of more mature businesses.

Freight and parcel delivery company **DX** is in talks with potential bidder HIG European Capital Partners, which has indicated a possible cash offer of 48.5p/share. Gatemore Capital Management, which owns 16.8% plus CFDs representing 2.2%, and former chief executive Lloyd Dunn, who holds 12.6%, are supportive of a bid of at least 45p/share. The performance of the business continues to improve with underlying pre-tax profit rising by one-third to £26.8m in 2022-23. Net cash is £37.6m. A final dividend of 1p/share has been announced and will be paid on 7 December. Dividend payments could affect the potential bid level.

Expert view: Registrars

Technology, trust and price. Why securities markets don't need distributed ledgers

By Hardeep Tamana

The idea of building stock exchanges, registries and CSDs on the blockchain is far from new. Indeed the Australian exchange operators invested US$170m in its attempt to migrate the CHESS trading and settlement system to a blockchain based approach, only to throw the towel in after many years of valiant – but ultimately fruitless – effort. It's a question that we at Avenir Registrars have debated with clients and pondered internally on many occasions, but after due consideration we believe that some core aspects of traditional securities markets cannot benefit from distributed ledgers owing to three key factors – namely Technology, Trust, and Price. At least for now.

> Distributed ledgers are after all still built on verification and trust, but it is faceless

Co-dependence

Breaking this down further, the primary technology challenge faced by those who see a blockchain based future is that such approaches cannot live in a vacuum. If every financial system was based on an indelible distributed ledger, then we would be facing a different dilemma, but a register built on the blockchain would still have to coexist with other conventional systems such as a broker or settlement interface.

That co-dependence on other systems creates issues for blockchain "transaction finality" where legacy systems may be reversible yet the blockchain isn't. Transactions being reversed due to a patent error is a challenge that a distributed ledger, by definition, can't accommodate.

What's more, efficient sub-processes such as aggregated clearing and settlement at the broker level would also need to be migrated onto the block chain – these processes are largely hidden but a fundamental part of running an efficient market in today's world.

Trust

Next up is the concept of trust. 100 years ago, the London Stock Exchange truly enshrined it with the enigmatic motto "my word is my bond" and this social construct still sits at the heart of markets today. A blockchain doesn't remove the need for trust or to trust human institutions.

Distributed ledgers are after all still built on verification and trust, but it is faceless and without the reputational risk of an individual being ostracised for bad behaviour. This is the fallibility of blockchain, as it's far harder to discredit lines of code. They don't tend to take offence, whereas trust and respect are hard-wired into the human psyche. The idea that blockchains can somehow eliminate the need for trust persists, but it's a weak argument.

And finally we have the real challenge presented by the cost or price of running the blockchain. The sheer volume of securities in circulation globally multiplied by the number of transactions conducted on a daily basis - with a disproportionate skew coming from ultra high frequency traders – creates a challenge of unimaginable scale.

The consensus algorithm required to support a distributed ledger is extremely expensive, both in data storage and in the energy required to maintain it. This environmental cost of running blockchains is making its way up the agenda, accelerated by the next generation of market participants who are ever more aware of the fragility of our planet.

And the accompanying costs here – not just in terms of the power required to run these systems but also the implications of mitigating any harmful outputs – means it's important to remember that the blockchain isn't free. Indeed, the costs are far more opaque, bucking the trend of moving towards transparent pricing, something that has underpinned so much market evolution in recent years.

Adoption

Can we say that the securities market will never adopt distributed ledger technology? Absolutely not. But the idea that now is the time seems somewhat removed from reality. Processing costs – and the accompanying environmental impacts – need to plummet and genuine system accountability needs to become an ingrained concept.

But perhaps the biggest single challenge of them all is a collective willing to hand off irrevocable trust to a machine, when the current market infrastructure works and is being increasing digitised in any case. At least for the current generation dominating market participation, seemingly going against the adage, 'if it ain't broke, don't fix it' and taking a leap of faith into an entirely new system, will be the biggest hurdle of them all.

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

feature

Why companies have left AIM in 2023

The number of AIM companies continues to decline with 47 companies leaving this year compared with nine new admissions. Takeovers were the main reason for leaving with companies choosing to drop the quotation the next biggest group.

There have been few new admissions to AIM this year, even if three reverse takeovers are included, but there have been 47 companies that have left the junior market by the end of September. Some ran out of money and could not raise any more, while others have proved attractive takeover targets at their reduced valuations.

There are more takeovers on the way, plus other companies that have fallen into financial difficulties. There are also other companies questioning the value of a quotation in such poor stockmarket conditions, although in many cases this is short-sighted.

Five of the companies leaving this year can be said to have gone bust having appointed administrators. Applied Graphene Materials could not raise cash and decided a voluntary winding up was best for the shareholders, so it is not included in this category.

Star Phoenix lost its AIM quotation because its nominated adviser resigned. This has happened to the oil company before, so there is a good chance it will return. Bion sold its business and failed to find a suitable reverse takeover candidate in the subsequent 12 month period.

Takeovers

Undoubtedly, the poor performance of AIM has meant that more securely placed businesses have fallen in valuation along with the riskier earlier stage companies. This has left rich pickings for private equity and other bidders. Eighteen of the companies leaving AIM were taken over and there are more where the process has not been completed yet.

The poor performance of AIM has left rich pickings for private equity and other bidders

For example, the 1925p/share bid for EMIS has been going on since last year. The UK Competitions & Markets Authority investigated the UnitedHealth Group Inc bid earlier this year, but it has been cleared. Healthcare IT company EMIS is paying an interim dividend of 21.3p/share ahead of the completion of the bid, which should be before the end of the year.

The merger of Cenkos Securities and finnCap to form Cavendish is itself an example of the tough stockmarket conditions. Some of the bid targets were struggling, such as TP Group, but there were more that were prospering and trading on low multiples.

Compliance and energy saving services provider Sureserve recommended a bid from Cap10 4NetZero Bidco, which is a vehicle for pan-European private equity company Cap10 Partners. The 125p a share offer valued Sureserve at £214m. That is only 14 times prospective earnings. Cap10 believes that taking Sureserve private will make it easier to focus on long-term goals.

Crestchic, which manufactures, sells and rents loadbanks, recommended a 401p a share cash bid from Aggreko, which valued the company at £122m. The bid was 15 times prospective 2023 earnings. That is not generous given the operational gearing of the business and the investment in capacity.

Yourgene Health was short of cash and Novacyt has a cash pile, so it made sense for the two diagnostics companies to get together. AI-based woundcare diagnostics company Spectral MD has been included in this category, although it reversed into a Nasdaq cash shell to gain a US listing. AIM had enabled Spectral MD to further develop its technology, but it is a US-based business.

Choice

There were 13 companies that decided to leave AIM because they wanted to reduce their cost base – many found it difficult to raise cash. Many of these companies were too small for a quotation to be cost-effective and they lacked liquidity. Mirada shares were tightly held, and the main shareholder was also a major lender to the digital and interactive TV technology company. EICR (Cyprus) owns 82.7% of the India-focused business process outsourcing firm iEnergizer, which had paid significant dividends in its 13 years on AIM, and liquidity was limited.

Two of the companies leaving AIM switched to the Aquis Stock Exchange. They are Asimilar, which had already gained an Aquis quotation, and Ormonde Mining, which had been on AIM for more than 18 years. Metal Tiger decided to concentrate on its ASX listing, while Biodexa Pharmaceuticals retained its Nasdaq listing.

Some of the other companies obtained matched bargain facilities with JP Jenkins and other operators. This includes MJ Hudson, which ran into financial difficulties and has been selling its businesses. It does not appear that there will be anything left for shareholders following the disposals.

Winding up

There were six boards that decided to wind-up their companies. Many, like Applied Graphene Materials, did not think it worth continuing in their current form. Bonhill sold its financial publishing businesses and made a tender offer prior to leaving AIM.

Estate agency Purplebricks' plans to take over the world were unsuccessful, and it had already exited its international operations by the time a strategic review decided selling its UK operating subsidiary was the best option. Founders and other shareholders raised more than £30m from share sales when the company joined AIM on 17 December 2015, which is more than the value of Purplebricks when it left AIM.

Circle Property decided to liquidate its property portfolio and paid a sequence of dividends to shareholders, while Argos Resources sold its only oil and gas asset in return for shares to be distributed to its shareholders.

City of London Group made a pro rata distribution of shares in Recognise Bank to its shareholders. The financial services activities were exited to concentrate on Recognise Bank, which obtained a banking licence and launched personal and business savings products in September 2021. Asset Match provides a matched bargain facility for Recognise Bank shares.

London move

Two companies moved to the Main Market and another went to the Specialist Fund Market.
In May, aggregates and cement supplier Breedon moved from AIM to a premium listing. As part of the move a new England-based holding company was set up to replace the Channel Islands one. Breedon started out as a shell on AIM in June 2008 when it was known as Marwyn Materials and through acquisitions it has been built up into a company with a market capitalisation of more than one billion pounds. There was a five-for-one share consolidation prior to the move to the premium list. The initial subscription price in 2008 was 10p (50p post consolidation) and the starting market capitalisation was £13.6m.

Fuel cell technology developer Ceres Power moved to a premium listing in June. Ceres Power was one of the largest companies on AIM early in 2021, but the share price has fallen back in the past two years. 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). The closing share price on AIM was 304.6p.

Healthcare investment company Intuitive Investments Group moved to the Specialist Funds Segment of the London Stock Exchange on 8 August. A placing raised £672,000 at 5.25p/share and there could be further share issues. Intuitive Investments Group joined AIM on 14 December 2020. The placing price was 20p, valuing the company at £8.1m. NAV slipped to 13.1p/share at the end of March 2023, prior to the dilution of the placing. The investment strategy is being adapted by widening the remit to technology businesses.

WHY COMPANIES LEFT AIM IN 2023

REASON	NUMBER
Takeover	18
Choice	13
Winding-up	6
Financial problems	5
Move to Main Market	3
Suspended for 6 months	1
No Nomad	1

Two companies moved to the Main Market and another went to the Specialist Fund Market

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	24.3	15.9
Industrials	18.8	16.7
Technology	12.6	12.7
Financials	12.4	10.7
Health Care	10.4	10.4
Basic materials	8.3	15.4
Energy	7.8	10.5
Utilities	1.9	1
Telecoms	1.8	1.8
Property	1.5	2.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	726.18	-10
FTSE AIM 50	3795.38	-13.6
FTSE AIM 100	3452.64	-10.5
FTSE Fledgling	10420	-7.2
FTSE Small Cap	6097.84	-3.8
FTSE All-Share	4127.24	9.7
FTSE 100	7608.08	10.4

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	133
£5m-£10m	92
£10m-£25m	161
£25m-£50m	100
£50m-£100m	105
£100m-£250m	115
£250m+	80

KEY AIM STATISTICS

Total number of AIM	786
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£81.3bn
Total of new money raised	£133.6bn
Total raised by new issues	£47.9bn
Total raised by secondary issues	£85.7bn
Share turnover value (Aug 2023)	£35.1bn
Number of bargains (Aug 2023)	6.98m
Shares traded (Aug 2023)	516.4bn
Transfers to the official list	202

TOP 5 RISERS OVER 30 DAYS

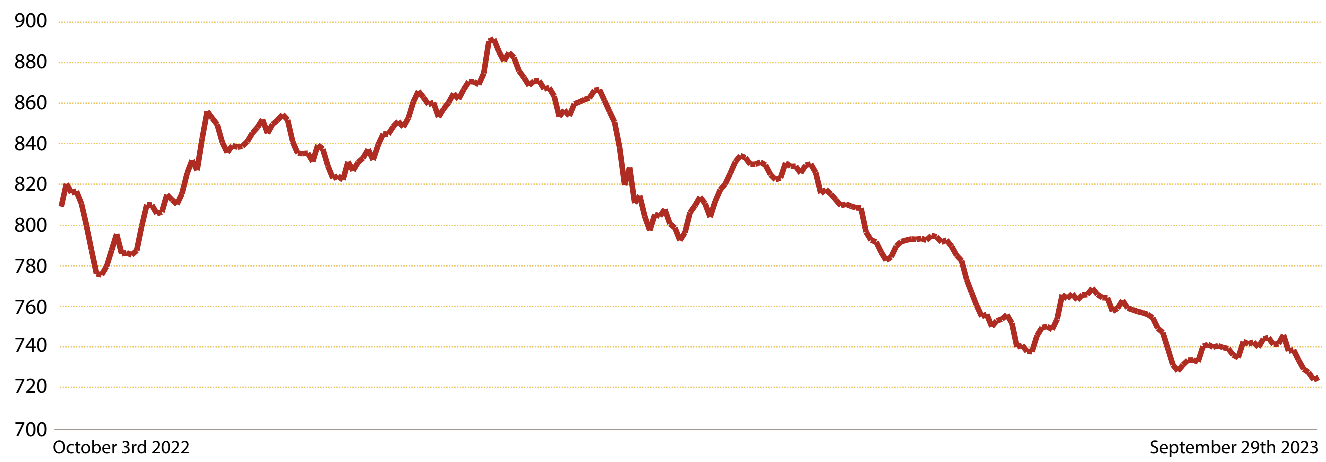
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Oxford BioDynamics	Healtcare	37	+234
Plexus	Oil and gas	25	+199
Orcadian Energy	Oil and gas	14	+180
Barkby	Consumer	6.25	+140
Silver Bullet Data Services	Media	87.5	+133

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
AMTE Power	Cleantech	1.625	-82.9
China Nonferrous Gold	Mining	0.48	-67
Eqtec	Cleantech	0.055	-66.7
Bidstack	Media	0.29	-63.8
Bowleven	Oil and gas	0.765	-61.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th September 2023, 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 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 £134bn 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 in the FTSE 100 that started on AIM include online gaming operator GVC, engineer Melrose Industries and student accommodation developer Unite Group. Healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, and online gaming technology developer Playtech are FTSE 250 index constituents.

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