Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

MAY 2024

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET
AIM JOURNAL

In this issue

02 GENERAL NEWS
Electric Guitar switch

03 ADVISERS
Profit warning analysis

04 NEWS
Ariana merger

06 NEWS
Fadel progresses

07 DIVIDENDS
Airea capacity increase

08 EXPERT VIEW
Moving to a digital share register

09 FEATURE
AIM's potential future

11 STATISTICS
Market indices and statistics

No sustained recovery, yet

AIM rose by 2% during April, but it is slightly lower over the year so far. The 2024 low point was 19 March and there has been a 3.4% rise since then. It has been difficult for AIM to maintain a consistent recovery and it is hard to say whether this is the start of an upward trend.

There were two new admissions during April: helium explorer Helix Exploration and mining and processing projects developer European Green Transition. That is not enough to replenish the market.

There were nine cancellations last month. Only one – Smart Metering Systems – was taken over. Five chose to leave AIM, two appointed administrators and Itsarm was a shell that had been suspended for six months and had not found a suitable target, so it is being wound up. This means that ten out of 27 companies leaving AIM in the first four months of 2024 were taken over.

Takeover activity continues with Shurgard Self Storage bidding for Lok'nStore and Alpha Financial Markets Consulting having two suitors assessing possible bids. Touchstone Exploration is merging with fellow Trinidad-focused oil and gas producer Trintiy Exploration & Production to create a business with greater scale. Navigator has increased its bid for tissue producer Accrol by 1p/share to 39p/share.

NAHL's critical decision

Personal injury legal services provider NAHL is considering the sale of its Bush critical care and expert witness business. The legal services operations have been through a tough period in recent years as the company switches from a personal injury leads generator to a legal services provider. Bush has been a consistently growing business during the period.

However, the current valuation of NAHL does not take into account the quality of the earnings of Bush. The critical care division increased 2023 revenues by £14.6m, but the consumer legal services division revenues dipped 2% to £27.6m, leading to a one-third fall in operating profit contribution. That is because the newer legal businesses are still maturing. Overall pre-tax profit edged up from £1.4m to £1.48m because of the profitability of critical care.

NAHL is reducing its debt as the earlier legal cases taken on come to fruition and payments are received. Net debt was £9.7m at the end of 2023 and that could fall to £6.28m at the end of 2024. Even so, the sale of Bush would provide additional funding for growing the legal business. NAHL will not necessarily sell the Bush business, but the process may shine a light on its value.

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

WINNER
2021 Journalist of the Year

THE SMALL CAP AWARDS IN ASSOCIATION WITH MASTER INVESTOR

Electric Guitar reverses to AIM

Electric Guitar moved from the standard list to AIM following the reverse takeover of 3radical on 3 May. This is a relatively modest deal, and it was too small for the company to gain readmission to the standard list. However, it is the first in a planned series of acquisitions in the digital marketing sector, where regulatory and market changes, such as the blocking of third-party cookies, provide significant growth opportunities.

3radical was acquired for 61.2 million shares valued at £1.28m. A fundraising generated £1.32m at 2.1p/share and that valued the company at £4.7m. The shares had been suspended at 2.1p and they fell to 1.8p when trading recommenced on AIM – 4.43 million shares were traded on the first day.

3radical was set up by the founders of campaign management software provider Alterian at the end of 2011 and it has developed a SaaS platform called 3radical Voco. This enables clients to gather data from people via interactive games and experiences and gain their permission to use it. This is important in the times of GDPR and other legislation. There have been 500 million interactions, and these could be a valuable data asset.

There has been nearly £8m invested in the technology, so this is an attractive deal for Electric Guitar. The cash raised will fund further development and put in place a direct sales and marketing resource.

Another attraction of 3radical is the international exposure of the business, which will be a good platform to use to sell the services of any additional acquisitions that are added to the group.

TheWorks switches

Multi-channel retailer TheWorks.co.uk moved from a premium listing to AIM. The board felt the company was too small for the cost and regulatory burden of the Main Market. One of the attractions of AIM is that the company will no longer be classified as a Public Interest Entity and it will be able to choose an auditor from a wider range of firms. Singer forecasts a slump in pre-tax profit from £10.1m to £1m in the year to April 2024. Net cash could halve to £5m. There was a weak Christmas trading performance, but some subsequent recovery. Cost savings are offsetting poor trading. A recovery in pre-tax profit to £2.9m is expected in 2024-25. The closing price on the premium list was 24.5p.

Nightcap assess potential for Revolution

Bars consolidator Nightcap has made an approach to the troubled vodka bars operator Revolution Bars, but there is no certainty that it will lead to a bid. Nightcap is considering many options that also include buying some individual bars or brands from Revolution Bars. A formal sale process has been launched to seek alternatives to the proposed restructuring of the business. Nightcap says that it is not involved in this process.

Revolution Bars has forecast 2023-24 revenues of £174.6m and pre-tax loss of £2m before exceptionals. It is a much larger business than Nightcap, which has forecast revenues of £59.8m and is also losing money. It would be a big challenge to take on the whole of Revolution Bars and its debt. Nightcap would probably like to cherry pick some of the better sites if it can.

Revolution Bars recently raised £12.5m via a placing and seven-for-eight open offer at 1p/share. The additional cash is required for a restructuring. There are plans to rationalise the portfolio of 80 sites. These include Peach Pubs, Founders & Co and Revolution de Cuba brands. Longer-term, the plan is to recommence investment in sites, while also reducing debt.

Trading in the shares was suspended until Revolution Bars published interims to December 2023. Excluding a disposal gain and other exceptionals, the bars operator went from profit to a loss of £820,000 due to higher finance costs. An impairment review will be undertaken at the end of the financial year. Net debt was £20m at the end of December 2023 and it has risen to £21.8m.

Revolution Bars has postponed a general meeting planned for 2 May to 20 May, so that it can assess its alternatives. This meeting is to gain shareholder approval to issue the shares for the recent fundraising.

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

WINNER

2021 Journalist of the Year

THE SMALL CAP AWARDS IN ASSOCIATION WITH MASTER INVESTOR

Ernst & Young profit warning analysis

The EY-Parthenon quarterly analysis of UK profit warnings shows that 18.7% of UK quoted companies have published a profit warning in the past 12 months, which is higher than at the peak of the global financial crisis 15 years ago. This analysis tracks both Main Market and AIM companies.

There were 70 profit warnings in the first quarter of 2024. There were 39 companies that had issued three or more warnings in the past 12 months. One-fifth of those are no longer quoted, either because they have gone bust, or they have been taken over at sharply lower share prices.

A major reason for the warnings is contract delays and cancellations with 29% of all the warnings mentioning this in their release. Industrial companies have been hard hit by this. While there are signs of economic recovery, uncertainties about the General Election and government policy changes mean that these conditions could continue.

There were 61% of companies issuing a profit warning in the first quarter of 2024 that had not warned in the latest 12-month period. That is the highest level since the first quarter of 2022.

Financial services sectors warnings hit their highest level since the Covid lockdowns with 11 companies publishing warnings in the first quarter of 2024.

■ The 2024 Small Cap Awards are being held on 13 June at One Moorgate Place in London. The company of the year shortlist is dominated by AIM companies including pharma data company Diaceutics, geospatial software developer IQGeo, grocery distributor Kitwave, infection control products supplier Tristel and cosmetics supplier Warpaint London. The share prices of IQGeo and Warpaint London are both around their all-time highs.

It is the same case with the IPO of the year with all five slots on the shortlist filled by AIM companies. They are Chapel Down Group, the wine maker that switched from Aquis to AIM, content and brand management software developer Fadel Partners Inc, Golden Metal Resources, seaweed-based feed producer Ocean Harvest Technology and smaller company-focused investment firm Onward Opportunities.

Four out of the five companies up for the dividend hero award are quoted on AIM. They are defence equipment and services provider Cohort, professional services firm FRP Advisory, antenna and electronics company MTI Wireless Edge and agricultural products supplier Wynnstay Group. XPS Pensions Group is the only full listed company up for this award.

The recipient of the lifetime achievement award will be announced on the night.

ADVISER CHANGES - APRIL 2024

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Cavendish Financial	Cavendish	Cavendish	Spark	Grant Thornton	4/8/2024
Distribution Finance Capital	Liberum	Investec / Liberum	Liberum	Investec	4/9/2024
LifeSafe Holdings	Zeus	WH Ireland	Zeus	WH Ireland	4/12/2024
Cyan Connode	Panmure Gordon / Zeus	Zeus	Strand Hanson	Strand Hanson	4/18/2024
Origin Enterprises	Berenberg / Goodbody	Numis/ Goodbody	Davy	Davy	4/18/2024
Zenova Group	Peterhouse	Peterhouse / SI Capital	Spark	Spark	4/18/2024
Jubilee Metals	RBC Capital / WH Ireland	Berenberg / WH Ireland	Spark	Spark	4/23/2024
Oncimmune	Cavendish / Zeus	Singer / Zeus	Cavendish	Singer	4/26/2024
Angus Energy	SP Angel	WH Ireland	Beaum ont Cornish	Beaumont Cornish	4/30/2024
Poolbeg Pharma	Shore / Davy / Cavendish	Cavendish/ Davy / Singer	Cavendish	Cavendish	4/30/2024

Avenir REGISTRARS

Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Ariana Resources seeks to use expertise to bring Dokwe gold mine into production

Gold explorer and miner *www.arianaresources.com*

Ariana Resources is broadening its geographic spread by merging with Rockover Holdings, which owns 100% of the Dokwe gold project in Zimbabwe. Ariana Resources shareholders will end up with 67.5% of the enlarged group. This takes account of the fact that Ariana Resources already owns 2.1% of Rockover. First production at Dokwe is expected within three years.

The attraction of Dokwe, which has 1.3 million ounces of gold in measured, indicated and inferred resources, is that Ariana Resources has cash and expertise from its Turkey operations that could help to get the project into production and reduce the operating costs. It intends to use partners involved with the Turkey assets. The 23.5%-owned Zenit mining operations are expected to produce 20,000 ounces of gold this year.

Dokwe's post-tax NPV10 is $72m

There is an estimated 13-year mine life at Dokwe and the post-tax NPV10 is $72m based on a gold price of $1,650/ounce, indicating an IRR of 25%. The anticipated gold price will be raised to $2,000/ounce for an updated valuation. Ariana Resources believes that it can reduce the operating costs and thereby improve the return. Due diligence drilling confirms the previous data.

There will be significant capital investment required. Initial spending will be at least $50m and there will be further investment after that. Production could start at the rate of 60,000 ounces of gold/year, rising to 100,000 ounces/year.

ARIANA RESOURCES (AAU)			2.6p
12 MONTH CHANGE %	-9.6	MARKET CAP £M	29.8

Rockover is a BVI-registered company, and the process has to get underway there before a document can be issued to Ariana Resources shareholders. The merger is expected to be completed by the end of June if there are no complications.

Ariana Resources plans to seek an ASX listing after the deal goes through. The timing is because there is Australian investor interest in Zimbabwe, whereas the existing assets would not have attracted the same level of attention.

Strip Tinning plans to exploit its technology advantage

Automotive electrical connectors *www.striptinning.com*

Electrical connectors manufacturer **Strip Tinning** has been winning new work from vehicle manufacturers, but it will not show through in revenues until later in 2025 and in 2026. There are plenty of opportunities to win more to underpin medium-term growth, particularly in the battery technologies area – formerly the EV division.

The connectors business has gained contracts with a total lifetime sales value of £39.1m. Strip Tinning has an advantage in the smart glass market that it intends to take advantage of. Its connectors are already used on the BMW iX and Maserati M240. There are 13 active battery technology programmes at various stages, and a major commercial contract could be won soon.

STRIP TINNING (STG)			46p
12 MONTH CHANGE %	-12.4	MARKET CAP £M	8.4

In 2023, revenues edged up from £10.4m to £10.8m, but that masks a shedding of low margin work that will also have an effect on 2024 revenues. The loss was cut from £3.3m to £1.5m. Net debt was £2.6m at the end of 2023 and that is set to rise as Strip Tinning invests in product development.

There will be further losses in 2024, which is a year where the transformation of the business will continue, and in 2025 as the new contracts build up. There should be a move into profit in 2026 – Singer forecasts a pre-tax profit of £700,000. That is still a little way away, but the contracts provide some confidence. The longer-term potential is enormous as additional products are developed and there is further international expansion.

Avenir REGISTRARS

Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Zinc Media seeks to further build scale through further acquisition activity

TV programmes producer *www.zincmedia.com*

ZINC MEDIA (ZIN)			77.5p
12 MONTH CHANGE %	-4.3	MARKET CAP £M	17.6

TV programmes producer **Zinc Media** is improving margins thanks to the full year contribution from training and communications content maker The Edge and further TV programming wins. Longer running series also help to improve margins. The 2023 figures show cash generation despite a reported loss and the company is set to make a pre-tax profit in 2024.

Zinc is set to make a profit in 2024

Revenues improved from £30.1m to £40.2m. Three-fifths come from TV programming and the rest from producing content for brands and businesses. There are a spread of UK and international channels that commission Zinc Media's programmes.

The underlying loss was reduced to £900,000. There were losses from some newer businesses that held back overall profitability. Net cash improved to £1.5m because of the cash generation and it is set to continue to build up unless it is used to fund acquisitions.

Zinc Media has predominantly focused on factual programming, but it is on a shortlist of two for a new quiz show for the BBC. This would take it into a new area, and it could move into drama or entertainment – possibly via acquisition. There could also be a move into other countries, such as the US. Programmes have been made for US broadcasters, including Top Gun: The Next Generation for National Geographic Channel. Zinc Media has supportive long-term shareholders that would back further acquisitions to gain scale if the right deals can be found.

Management plans to reduce overheads by £500,000/year by the end of 2025. There is £24m of revenues already contracted for this year. Singer forecasts a 2024 pre-tax profit of £800,000, which is slightly lower than the forecast back in September, rising to £1m next year. The shares are trading on 21 times 2024 prospective earnings.

Facilities by ADF expects to bounce back from strikes

Production facilities hire *www.facilitiesbyadf.com*

FACILITIES BY ADF (ADF)			52p
12 MONTH CHANGE %	-11.1	MARKET CAP £M	42.1

Facilities by ADF was hit by last year's writers' strike in Hollywood as projects with US involvement were shut down productions or prevented from getting up and running as planned. There were smaller UK projects that the film and TV vehicle hire business managed to win, but these were shorter and lower margin.

Even so, revenues did improve from £31.4m to £34.8m, although pre-tax profit slumped from £4.8m to £900,000. This was the first full year contribution from 2022 acquisition Location One. Some capital investment was put off later in the year, but the vehicle fleet was increased as the company takes advantage of capex tax credits. Facilities for ADF provides specialist vehicles and trailers, as well as logistical support for the productions it is involved with.

Net debt rose to £12.9m, but it should start to decline this year as capital spending is reduced. The dividend was maintained at 1.4p/share.

There is a threat of further strikes in Hollywood. This time it is the craft unions and teamsters. However, unlike the writers' strike, which directly affected some people involved in productions, the latest potential strike would have no direct effect on UK productions. This provides some comfort that the expected second half recovery will happen as utilisation rates recover. Pre-tax profit is forecast to rebound to £5m on revenues of £47m in 2024. The shares are trading on nine times prospective 2024 earnings. Incentives for film and TV production in the UK were boosted in the most recent Budget, so the outlook for the sector is positive.

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Brand management software provider Fadel Partners continues to build multinational customer base

Brand and rights management software *www.fadel.com*

Software companies that have not reached profitability remain out of favour with investors, partly due to cash concerns, but there are some examples that have the money to grow and move into profitability. **Fadel Partners** has developed cloud-based software that helps corporate clients to manage their content. The greater focus on a SaaS-based model means that progress is not initially reflected in revenues. They still improved from $13.2m to $14.5m in 2023, although the loss increased.

Fadel Partners has two main products. IPM Suite covers rights and royalty management for publishers, while Brand Vision is a brand compliance and monitoring platform acquired in 2021. The client list includes a range of multinational companies, including Marvel, L'Oreal and Whirlpool.

Net cash was $3m at the year end

Additional sales personnel have been recruited since the April 2023 flotation. They are still getting up to speed and the main benefits will show through in the second half.

Net cash was $3m at the end of 2023 and even with continued losses there is enough cash for the requirements of the business. Management would like to acquire related software to broaden the range it can offer to clients.

This year, the loss could rise to $2m on revenues of $16.3m, but next year it should be much lower, and cash is likely to be generated from operations.

FADEL PARTNERS (FADL)			142.5p
12 MONTH CHANGE %	-3.1	MARKET CAP £M	28.8

The lack of trading volumes has not helped the share price. Four shareholders own more than three-fifths of the shares. There were no trades on the day of the results and the last trade in April was a sale of 2,544 shares at 140p each on 24th.

The shares are trading on an enterprise value/ revenues of around two according to Cavendish. That is lower than for similar software companies. That is partly a reflection of liquidity, but it does not reflect the underlying value of the business.

Equipment sales for events the bright spot for Focusrite

Audio products supplier *www.focusriteplc.com*

Audio products supplier **Focusrite** had a poor first half. That had already been flagged. There was a decline in content creation equipment sales, whereas there was growth in revenues from audio reproduction equipment used for live events, which is a market that continues to recover.

There were sales declines for the content creation brands all around the world. Direct to customer ecommerce sales are building up but remain relatively small. ADAM Audio was the only content creation brand that grew sales. The biggest decline was in high-end synthesiser sales.

FOCUSRITE (TUNE)			352.5p
12 MONTH CHANGE %	-22.5	MARKET CAP £M	206.5

The audio reproduction division is gaining business as venues upgrade their equipment as their income has recovered. Capital spending had been put off because of the uncertainty relating to Covid lockdowns and their aftermath. North America was the one region where sales declined.

In the six months to February 2024, revenues fell from £86.2m to £76.9m and pre-tax profit slipped from £10.9m to £3.4m. Working capital movements led to a large cash outflow so net debt increased to £27.3m, but that should partly unwind in the second half. There is still plenty of scope for funding more acquisitions if suitable ones can be found.

New product launches should help to improve sales for the content creation business. Full year pre-tax profit is forecast to decline to £16.1m on revenues of £155.5m. That should prove to be a new base from which to grow profitability and revenues. The prospective multiple is 17.

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Airea capacity increase will boost income

Flooring supplier *www.aireaplc.com*

Dividend

Airea has been a dividend payer for decades, but the level of dividend was reduced to 0.4p/share for 2012. It then built up again to 3.75p/share until a 0.8p/share interim payment, and no final dividend, for 2019. There was no dividend in 2020 before a resumption the following year when 0.4p/share was paid.

This was raised to 0.5p/share in 2022 and 0.55p/share for last year. This should at least be maintained in 2024 and could be raised.

Business

Floorcoverings manufacturer Airea was originally known as Sirdar, and it has been around for seven decades. The core Burmatex brand was acquired in 1984. As Sirdar, the company moved from the Main Market to AIM on 21 December 2005, when it was valued at £14.3m. Net debt was £9.2m at the end of June 2005.

The company was going through a rationalisation when it made the move. There was a specialist yarns division, sold in 2007, and tufted carpets manufacturer Ryalux, which was closed in 2018. Rival James Halstead considered an offer for Airea in the same year, but this came to nothing.

Airea has focused on its Burmatex-branded commercial carpet tiles. The customer base is architects, specifiers and contractors and the major areas are education, leisure and the public sector. There have been tough times for the business, but there has been a recovery in revenues since Mederic Payne was appointed chief executive in August 2022.

There has been a focus on design and marketing. New products have been launched including carbon neutral floor tiles and these are helping to grow sales. Newer products are also higher margin.

AIREA (AIEA)	
Price (p)	30.5
Market cap £m	12.2
Historical yield	1.8%
Prospective yield	1.8%

In 2023, revenues rose 14% to £21.1m, which is a record for Burmatex. The UK accounts for the majority of sales, but international business is becoming more important. Pre-tax profit was flat at £1.4m, although it included a small valuation gain in the latest year. There were higher finance costs for the pension scheme and operating profit increased. The net asset value is £14.9m, including net cash of £3.4m.

Strong cash generation can cover the £5m investment in new capacity at the factory in Ossett, West Yorkshire, which should be ready in early 2025. Automation will improve efficiency and enable Airea to take advantage of own brand opportunities for clients.

Shares are not traded every day, but there are individual days where more than 100,000 shares have been traded. There is not a lot of visible institutional investment. Lowland Investment Trust holds 9.97% of the company and the other major shareholders are individuals and the employee benefit trust. The shares are trading on 15 times historic earnings.

There is likely to be limited growth in profit until the additional capacity comes on stream. Once the new capacity is being utilised the earnings multiple should reduce.

Dividend news

Ruggedised computer boards designer **Concurrent Technologies** has made strong progress over the past three years since the new chief executive was appointed. New products are being commercialised more quickly and systems contracts are being won, taking the company into higher margin areas. On top of this it is paying dividends again. The slump in profit in 2022 meant that the dividend was passed, but a 1p/share dividend is being paid for 2023. Revenues jumped 73% to £31.7m, helped by the ending of component shortages and an initial contribution from US acquisition Philips Aerospace. Pre-tax profit recovered £700,000 to £3.7m. A further improvement to £4.4m is expected this year.

Rail optimisation software and services provider **Tracsis** had a tough first half, but management remains confident that the second half will be much better. The consultancy and events division had a record first half, and the second half is always stronger for this business, which already has significant bookings for the summer. The software operations have potential contracts that could come through this year. Cavendish forecasts a full year pre-tax profit improvement from £13.7m to £15.3m. The interim dividend was raised by 10% to 1.1p/share and the full year forecast is 2.4p/share.

Legal services provider **Keystone Law Group** took on 34 net additional lawyers last year taking the total to 432. The number of applicants increased by 16% to 270. In the year to January 2024, revenues were 15% higher at £87.9m and underlying pre-tax profit improved from £9.2m to £11.3m. Earlier in the year there was an interim dividend of 5.8p/share and a special dividend of 12.5p/share. The final dividend has been raised 12% to 12.5p/share. Even after dividend payments, net cash was still £8.4m and it should rise above £10m by next January. Liberum forecasts a 2024-25 pre-tax profit of £11.5m.

Avenir REGISTRARS

Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Expert view: Registrars

Catenai deploys first fully digital share register on AIM with Avenir

By Hardeep Tamana

An innovative partnership between Catenai Plc and Avenir Registrars has deployed the first fully digital share register on London's AIM Market. This means that certificated shareholders have QR-coded, downloadable e-certificates, sitting comfortably alongside nominees or CREST holders.

In the field of securities registry, Avenir is a leading technology innovator and has been actively promoting updates to streamline the process of managing ownership registers for the past decade.

Equally, as innovative technology solutions providers themselves, Catenai was quick to embrace the benefits of this new approach. From an issuer's perspective, Catenai understood that a fully automated system would not only accelerate response times and eliminate the risk of human error but would also deliver significant cost savings, in turn providing better shareholder value.

John Farthing, CFO of Catenai, explains more about the benefits of an electronic-first register for the business.

What did the set-up process involve in migrating from a traditional style register?

The process was remarkably straightforward. Legally, we were first required to pass a special resolution at the AGM to allow us to migrate to a fully digital process for securities registry. We then closed the old, "paper" register on the Friday night and completed the migration over the weekend, with Avenir doing the necessary administration. By market open on the Monday we were fully online and there were no interruptions for securities holders.

What benefits are you seeing so far?

As CFO I now have real-time portal access to registry records and can download email addresses to issue General Meeting notices. That generates significant savings when it comes to postage and printing costs, and also means that notices can be served immediately, rather than having to allow the standard two days for delivery. For our latest General Meeting, I started receiving proxy votes back within the hour.

> We already realised some significant cost savings when we moved from our previous registrar to Avenir

Is there a material cost saving?

We already realised some significant cost savings when we moved from our previous registrar to Avenir back in 2021, primarily as their model doesn't levy individual CREST trade transaction charges. However, that still left us having to pick up the significant printing and postage charges that were applied every time we needed to communicate with investors. Switching to electronic communications not only makes processes faster but again this has served to cut our registry costs even further.

Have you noticed any downsides in the wake of the migration?

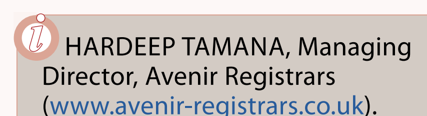
No, I am delighted with the move and the early feedback from shareholders has been positive too. The beauty of the Avenir system is that should a securities holder want a physical share certificate or a hard copy of any communications, this can be accounted for but it's no longer the default option, providing far more flexibility for the majority.

> I am delighted with the move and the early feedback from shareholders has been positive

Do you think other listed companies should adopt this digital register approach?

I think others will certainly consider it. There's a big focus on bringing down the costs of maintaining a listing right now and this provides a very useful tool for achieving that. What's more, besides the cost savings, initiatives like this also help address the ESG objectives of many listed companies by cutting down on the creation of unnecessary paper documents, which investors increasingly prefer to view online anyway.

Whether you're a listed or unlisted issuer of debt or equity, to learn more about the process of migrating to a digital securities register and the benefits this can bring, please e-mail contactus@avenir-registrars.co.uk.



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

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

WINNER
2021 Journalist of the Year

THE SMALL CAP AWARDS IN ASSOCIATION WITH MASTER INVESTOR

Will AIM return to its glory days?

AIM needs to decide what it wants to be and who it wants to attract if it is going to move forward.

"What about gentlemanly capitalism?" "No, that had to go."

It was some years ago that this conversation took place, part of a wider-ranging exchange with an experienced non-executive director.

That director has since gone on to become a leading light in London's mining and mining finance world and heads up a company that – significantly – is not quoted on AIM.

The broad topic was regulation and its proliferation.

Why is regulation such a heavy burden on everything that moves nowadays?

The answer is that regulation's predecessor - gentlemanly capitalism – stopped being fit for purpose.

It wasn't really that it got corrupted - although it did - but in the end gentlemanly capitalism just wasn't fleet enough of foot to cope with a globalised world.

As the twentieth century advanced, information - even more than honesty and capital - became the crucial commodity, to the point where the biggest businesses in the world are now those that are most directly concerned with information and its movement.

A bonded warehouse may still be important, but its significance pales in a world where a billion dollars can move thousands of miles in a fraction of a second.

In such a world, where fat-fingers break banks and fractional portions of sub-prime mortgages can break entire economies, gentlemanly capitalism just gets overwhelmed.

A gentleman's word may still be his bond, but what good is that?

Or to put it another way, where the governing and commercial classes used to share a common culture, now it's simply a question of trying to work out who's sitting behind what computer terminal.

Gentlemanly capitalism was for a commercial world that took place inside measurable time and measurable space. Today's commerce can occur at almost infinite speeds.

Not that any of this is necessarily to the good.

The non-executive director who was unequivocal all those years ago that gentlemanly capitalism had passed its sell-by date was less convincing about what structures should have replaced it.

Problems

AIM is a case in point. It's no secret that AIM has problems.

It has problems with liquidity, in particular.

But there are also problems with the sheer expense. Is it worth gaining an AIM quotation, given that you won't get much change for £500,000 when you do, and you might have to end up shelling out a lot more?

The answer of course depends on what you want.

When the London capital markets had a lot more strength in depth than they do now - before the 2008 global financial crisis - there was a reasonable amount of spare cash sloshing around the edges of the capitalist system.

AIM made sense as a risk capital market back then because you could raise money.

Why is regulation such a heavy burden on everything that moves nowadays?

And, if there was a certain amount of red tape, it didn't matter too much, because you could raise a few million pounds, pay all the advisors and still have a significant chunk of capital available to get on with running your business.

Now, it's hard.

It can still be done, as European Green Transition has just demonstrated, arriving in April and raising £6.5m.

But how rare is an AIM quotation nowadays?

So rare that if a company does list, every single advisor for a hundred

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

miles scents opportunity and comes swarming in like a shoal of piranhas.

It's no fun.

Sure, the markets are bad, Brexit has undermined confidence, the US is sucking Western capital out of its satellite states at an unprecedented rate, and everyone's at everyone else's throat on the internet, about one thing or another.

Regulation

But AIM could still be a nimble and dynamic market if it wanted to be.

And it wouldn't take a return to gentlemanly capitalism to get it there, either. Just a more rational approach to regulation or, to put it another way, a clearer understanding of its purpose.

After all, in part, the problems were built in from the outset.

Here was a market designed to be fast and loose, a place where entrepreneurs wouldn't be shackled by burdensome bureaucratic hoops, and where businesses could be nimble.

Could AIM ever have become the NASDAQ of London? – it seems ludicrous now, but it wasn't beyond the realms of possibility back when AIM was just starting out.

In those days, the mid-1990s, Mrs Thatcher's Big Bang was fresh in the mind, capital markets had been liberated, and yes, the last vestiges of gentlemanly capitalism had finally been thrown off.

All the venerable old broking firms and banks sold out to their bigger US cousins, and the last of the really well-dressed City gentleman passed out of view and into history.

Was what came next better?

Thatcherism was brash, bold and dangerous. Capitalism was no longer able to hide behind the skirts of a gentlemanly reference back to the age of chivalry. Lots of people made lots of money. But, of course, something was also needed to keep it all in check.

And not just the City.

Those were the days when regulators with the prefix 'Of' began to proliferate. So we had Ofgem, Ofwat and Ofcom. Some of these quangos are still with us. For its part, the City got tangled up in acronyms for years. The FCA is only the latest in a long line, and it won't be the last.

Down from the FCA come the directives, and dutifully, like good bureaucratic poodles, the companies all implement them.

Or do they?

By some measures, the London Stock Exchange had dropped to just ninth in the world at the end of 2023, and even if there are different ways of measuring it, we can all see the shrinkage happening. The big gold miners have all left. Other miners may follow. No major tech companies have been created in the UK or listed in London. Big oil remains, as do local banks and big pharma. But it's not what it was.

Statistics cited by Peel Hunt and ultimately derived from Bloomberg show that the number of UK-listed companies with a market capitalisation of between £250m and £500m has dropped by nearly 50% over the past five years.

And on AIM, a market that once had around 1,700 freewheeling, entrepreneurial drivers of economic growth, constituent numbers have now dropped to less than 7500.

The total amount raised from IPOs across the AIM is now at an annualised all-time low - if you don't count starting out from nothing - and secondary financings are beginning to fall back to behind 2005 levels, which was when the Chinese growth story first really kick-started the AIM mining scene.

Of course it isn't all about regulation, or the demise of gentlemanly capitalism, or any other single cause you care to isolate.

And even if it is tempting, Yes Minister-style, to call for cuts in red tape as a cure-all, there's no doubt the issues go deeper.

Be that as it may, if AIM is to survive, it will first have to work out what it is for, and who it serves.

Is it meant to be a safe environment where small-time investors are protected from risk at every turn, even to the point where they can't access research analysis on constituent companies?

Do we want safety first, as sure as Blairism followed Thatcherism?

Do company directors really need to be notifying the authorities of the names of their under-aged dependent children whenever they undertake a major transaction?

> AIM made sense as a risk capital market back then because you could raise money

Is AIM to be the embodiment of a junior market nanny state, as the AIM Rules mingle with MAR and the QCA regulations to generate more and more footnotes in company reports?

Or is it more suited to a role as an entrepreneurial space that allows companies much more latitude in which to grow, to take risks and to build value?

One thing's for sure.

When you sit in the bars and the pubs of the City after work, you don't hear the directors of AIM companies talking about the benefits and joys of their market quotation.

True, they're not lamenting the demise of gentlemanly capitalism. But they are beginning to wonder if London's junior market will ever see a return to its glory days.

Alastair Ford (Alastair@sofabarconsulting.com)

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	24.9	16.7
Industrials	20.8	17.2
Financials	11.9	10.6
Technology	11.5	12.5
Health Care	10.4	10.4
Basic materials	8.3	15.8
Energy	6.6	11.4
Telecoms	2.2	1.8
Property	1.7	2.2
Utilities	1.6	0.7

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	760.74	-8.3
FTSE AIM 50	3989.2	-10.7
FTSE AIM 100	3662.14	-8
FTSE Fledgling	11443.4	-0.2
FTSE Small Cap	6517.86	+4.7
FTSE All-Share	4430.25	+3.4
FTSE 100	8144.13	+3.5

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	144
£5m-£10m	87
£10m-£25m	140
£25m-£50m	104
£50m-£100m	92
£100m-£250m	90
£250m+	81

KEY AIM STATISTICS

Total number of AIM	738
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£76.6bn
Total of new money raised	£134.6bn
Total raised by new issues	£48.1bn
Total raised by secondary issues	£86.4bn
Share turnover value (Mar 2024)	£12bn
Number of bargains (Mar 2024)	2.42m
Shares traded (Mar 2024)	351.7bn
Transfers to the official list	202

TOP 5 RISERS OVER 30 DAYS

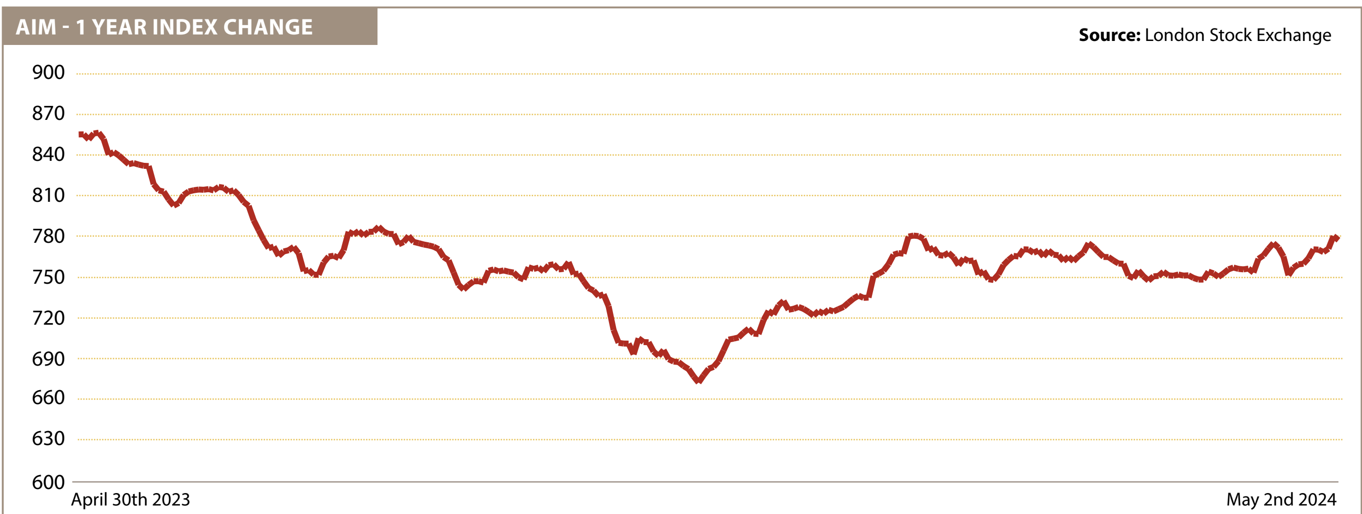
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Tungsten West	Mining	6.2	+359
Global Petroleum	Oil and gas	0.15	+233
Sareum	Healthcare	24.25	+126
Base Resources	Mining	12.5	+122
Orchard Funding	Financials	29.5	+90.3

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Bens Creek	Mining	0.175	-88.3
Indus Gas	Oil and gas	8.075	-84.4
Cloudified Holdings	Shell	5	-76
Horizonte Minerals	Mining	0.41	-72.7
Surface Transforms	Automotive	2.9	-68.5

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th April 2024, and we cannot accept responsibility for their accuracy.

Avenir REGISTRARS
Equity listings | Bond issuance | Register keeping | Receiving Agent duties

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.

PUBLISHED BY: Hubinvest Ltd,

ADDRESS: 1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH.

MOBILE / TEL: 07729 478 474

EDITOR: Andrew Hore

PRODUCTION & DESIGN: David Piddington

SPONSORSHIP & ADVERTISING hubinvest50@outlook.com. or telephone 07729 478 474

Hubinvest Ltd uses due care and diligence in the preparation of the AIM Journal but is not responsible or liable for any mistakes, misprints or typographical errors. Information in the AIM Journal is for general information only and is not intended to be relied upon by individual readers in making or not making investment decisions. Appropriate independent advice should be sought. You acknowledge and agree that you bear responsibility for your own investment research and investment decisions, and that Hubinvest or its employees shall not be held liable by you or any others for any decision made or action taken by you or others based upon reliance on or use of information or materials obtained or accessed through use of the AIM Journal. Journalists and contributors to the AIM Journal, from time to time, may hold shares in the companies they write about. The views expressed by contributors, both professional and amateur, are not necessarily those of the publishers. All rights reserved, reproduction in whole or in part without written permission from the publisher is strictly prohibited.

Avenir REGISTRARS

Equity listings | Bond issuance | Register keeping | Receiving Agent duties