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OCTOBER 2015

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM awaits EIS changes

Changes to the rules for the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) could be finalised in November following negotiations between the HMRC and the EU. They will make it more difficult for AIM-quoted companies to raise additional investment. There are even plans to stop the cash being used to acquire an existing business. Fundraisings have already been affected because anybody who has raised money via EIS since 6 April could fall foul of the new rules and HMRC may claw back the tax relief.

New qualifying criteria are proposed. They include the provision that a company raising cash should be within seven years of its first commercial sale. A cap on the total that can be raised via the schemes of £12m has also been suggested.

The government is making a distinction for what it describes as a knowledge intensive company. These are companies that spent at least 15% of their operating costs on R&D in one of the previous three years, or 10% a year for each of three years, and are creating intellectual property. For these companies the time limit is ten years from the first sale and they can have up to 500 employees. The investment cap is £20m.

Figures published by HMRC at the end of July show that £12.2bn has been raised via the EIS. In 2013-14, £1.46bn was raised, up from £1.03bn the previous year, which is the highest amount in any single year.

Evgen tries again

Liverpool-based drug developer Evgen Pharma is planning another attempt to float on AIM. Evgen originally wanted to raise up to £20m at the end of 2014. The expected admission date is 21 October and Evgen is seeking £5m. The company has switched nominated adviser and broker from Westhouse to Northland.

Evgen (www.evgen.com) focuses on cancer and neurological conditions and its core technology is Sulforadex, which is a method of stabilising synthetic sulforaphane - an anti-cancer agent that is found in broccoli and other brassica vegetables. Sulforaphane also has anti-inflammatory properties. Compounds based on Sulforadex are being used in clinical trials. The cash will help to fund a Phase IIa study in breast cancer, a Phase II study in subarachnoid haemorrhage (a type of stroke) and preclinical studies in multiple sclerosis.

AIM boss Marcus Stuttard has been in Liverpool talking to local businesses in order to encourage more to come to AIM. RedX Pharma floated earlier this year and there are other Liverpool-based technology and life sciences companies that are reaching a point where they will be suitable candidates for going public.

In this issue

HubInvest publishes AIM Journal

www.hubinvest.com

general news

Ithaca's premium fundraising questioned

Israel-based conglomerate Delek Group plans to invest $66m in UK North Sea-focused oil and gas producer Ithaca Energy at a 19% premium to the market price. The placing price of C$1.05 (53p) a share is also a 39% premium to the five-day volume-weighted average price. The cash will help Ithaca, which is quoted on AIM and TSX, to develop additional production and reduce debt but Paul Mumford of Cavendish Asset Management believes that the deal undervalues the prospects of Ithaca and is too dilutive. Mumford wants Ithaca shareholders to vote against the deal.

Delek will own 19.9% of Ithaca and have two board members after the share issue. Net debt guidance prior to the fundraising was that it would fall to $750m at the end of 2015. Ithaca recently announced plans to cut its 2015 capital expenditure by $30m to $120m and it is cash generative. Ithaca generated $160m in cash from its operations in the first half of 2015. By the end of September, production was running at 12,300 barrels of oil equivalent per day (boepd), although the average for the year is likely to be lower at around 12,000 boepd. Ithaca has 6,400 boepd of its production hedged at $70/barrel until June 2017.

The big attraction of Ithaca is the Greater Stella area development in the North Sea. The main subsea infrastructure installation works have been completed and first production from the Stella field should be at the end of the second quarter of 2016. Once this happens there will be a significant boost to cash generation because Stella is a low-operating-cost field. The long-term strategy of Ithaca is to reach production of 25,000 boepd.

Teathers IPO app

Investment company Teathers Financial has launched a crowdfunding app which will enable qualified investors to take part in placings and IPOs in AIM companies at the same price and on the same terms as institutions. Investors will only be able to access share issues sourced by Shard Capital, although deals with other brokers are likely. Shard pays Teathers a management fee for the use of the technology and will also share commission. The problem with this type of service is that the most attractive fundraisings will be easy to complete and the ones that find their way to the app could be the less attractive investments. The Teathers app can be downloaded for free from iTunes Connect (Apple), Google Play and Android and it also offers dealing facilities, portfolio monitoring and financial news.

Belvoir buys third lettings brand

Property lettings franchiser Belvoir Lettings is acquiring West Midlands-based Goodchilds Estate Agents for £3.26m. The purchase should be earnings enhancing in 2016. This means that the enlarged group will have 211 branches. Founder Michael Warke will become the franchise owner of Goodchilds' two owned outlets. A share issue is raising £3.6m at 116p a share.

Goodchilds is a third brand for the group. In July, East Midlands-based Newton Fallowell was acquired for £6.38m, making it Belvoir's second brand. At that time, £4.28m was raised at 125p a share. The share price has drifted downwards since this placing.

In the six months to June 2015, Belvoir's revenues fell from £3.26m to £2.68m but higher interest income offset some of the profit decline and pre-tax profited dipped from £773,000 to £747,000. There was a sharp fall in initial fees because of uncertainty surrounding the General Election and that hit the profit figure. The rest of the decline in revenues was due to owned operations being transferred to franchisees. There is a better pipeline of potential franchisees in the second half and revenues should be stronger. Net debt was £126,000 at the end of June 2015. The interim dividend was maintained at 3.4p a share.

Estate agency revenues account for 5% of total revenues for Belvoir and the acquisitions of Newton Fallowell and Goodchilds will help to increase this figure so it makes progress towards the target of 35% of total revenues. Goodchilds already earns 30% of its revenues from estate agency.

Chairman Mike Goddard has acquired 40,000 shares in the market at 121.25p. He is also taking up 10,000 shares in the placing and he will own 26% of Belvoir.

advisers

Zeus moves into market making

Zeus Capital has announced plans to acquire Novum Securities and it has also taken on five people from Canaccord Genuity, including a financial sector team.

Park Lane-based Novum will bring market-making expertise to the group. Zeus is one of the few larger AIM brokers that did not have a market-making function. Novum boss Hugh McAlister will become head of market-making at Zeus. James Murdoch is joining from Arden to become head of institutional sales trading.

Darren Ellis is leaving Canaccord Genuity to become chief operating officer of Zeus. His responsibilities will cover securities, investment banking and wealth management. Fellow former Canaccord Genuity executives Mike Cuthbert and Martin Green will become co-heads of the financial institutions group and they have brought with them analyst Robin Savage and corporate broker Pippa Underwood. Financials is a new focus for Zeus.

HSBC is the latest firm to ask to be removed from the nominated adviser list. HSBC has not had any AIM nominated adviser clients for some time so it is no surprise that it does not believe it is worth maintaining its status.

There have been mixed results from brokers involved in AIM. Although Shore Capital reported nearly doubled profit in the first half of 2015 that was attributable to the sale of German radio spectrum licences. The capital markets division's profit was almost halved to £3.08m due to reduced activity in the period.

Panmure Gordon slipped into loss in the first half of 2015 due to redundancies and restructuring costs. The acquisition of Charles Stanley Securities was completed on 15 July so it will contribute to the second half.

In contrast, Numis traded strongly in the second half of the year to September 2015 and this more than made up for the decline in revenues in the first half.

ADVISER CHANGES - SEPTEMBER 2015

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Nektan	Zeus	Panmure Gordon	Zeus	Panmure Gordon	01/09/15
Sierra Rutile	Investec/RBC	Investec/RBC/Numis	Investec	RBC	01/09/15
Steppe Cement Ltd	RFC Ambrian	Westhouse	RFC Ambrian	RFC Ambrian	01/09/15
Fairpoint Group	Panmure Gordon/ Shore	Shore	Shore	Shore	03/09/15
Sound Energy	Cantor Fitzgerald	Peel Hunt	Smith & Williamson	Smith & Williamson	03/09/15
Frontier Developments	Numis	finnCap	Numis	finnCap	04/09/15
Proteome Sciences	finnCap	Numis/finnCap	finnCap	Cenkos	04/09/15
Redcentric	finnCap/Numis	finnCap	Numis	finnCap	07/09/15
fastjet	Sanlam/Liberum/ WH Ireland	WH Ireland/Liberum	Liberum	WH Ireland	08/09/15
Gresham House	Liberum	Westhouse	Liberum	Westhouse	10/09/15
Messaging International	Peterhouse/ Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	10/09/15
Doriemus	Optiva	Cairn	Cairn	Cairn	16/09/15
TechFinancials Inc	Peterhouse/ Northland	Northland	Grant Thornton	Grant Thornton	16/09/15
e-Therapeutics	Numis	N+1 Singer	Numis	N+1 Singer	17/09/15
President Energy	Peel Hunt/RBC	RBC	RBC	RBC	18/09/15
Enegi Oil	Beaufort/Cenkos	Cenkos	Cenkos	Cenkos	21/09/15
SerVision	Beaufort/Allenby	Allenby	Allenby	Allenby	22/09/15
Savannah Resources	Beaufort	RFC Ambrian	Northland	RFC Ambrian	24/09/15
Taptica International Ltd	Investec	N+1 Singer	Investec	N+1 Singer	25/09/15
Hummingbird Resources	Beaufort/ RFC Ambrian	Beaufort/ Cantor Fitzgerald	RFC Ambrian	Cantor Fitzgerald	29/09/15

Totally health coaching expansion plans attract new institutional investors

Healthcare services *www.totallyplc.com*

TOTALLY (TLY)			33p
12 MONTH CHANGE %	-17.5	MARKET CAP £M	3.3

Bob Holt has wasted no time in changing the **Totally** board since he took over as chairman from Dr Michael Sinclair in September. His arrival coincided with a subscription that raised £1.05m at 17.5p a share following a ten-for-one share consolidation – and brought in new institutional shareholders, including Miton, Livingbridge, Unicorn and Seneca Partners, to back plans for expansion of Totally's health coaching business.

Holt is chairman of fully listed housing maintenance and home care provider Mears, which is one of the only companies that started on AIM and has grown its annual dividend so that is more than the original flotation price. Totally has been quoted nearly as long as Mears and it has a much less successful track record but the roll-out of the clinical health coaching services business could change its fortunes and make it a sustainably profitable business. The service provides one-to-one coaching from a nurse which helps a patient self-manage their condition. Hospitals benefit by saving money on unscheduled admissions. A number of hospitals have already signed up for this service.

Hospitals benefit by saving money

Andrew Margolis has stepped down as chief operating officer of Totally and Jack Clipsham, who joined the board in November 2014, has resigned as a non-executive director. Tony Bourne, a former chief executive of the British Medical Association and director of a number of healthcare companies has joined the board. This experience will help Totally extend its customer base from the NHS and develop business-to-business and direct-to-consumer operations. The consumer offering will initially target people with diabetes and COPD.

Holt, who subscribed for 600,000 shares, has agreed not to draw any director's fees until Totally is generating annualised EBITDA of £1m. From then on he will receive £3,000 each month. Totally reported EBITDA losses of £69,000 in the first half of 2015 and £430,000 in 2014.

Acquisitions are likely in order to build up the scale of the business and that would help Totally reach an EBITDA profit of £1m much faster than it would organically.

Avingtrans set to bounce back

Engineering *www.avingtrans.plc.uk*

AVINGTRANS (AVG)			113.5p
12 MONTH CHANGE %	-21.2	MARKET CAP £M	31.5

There were no great surprises in the full-year figures of **Avingtrans** because it had already reported the destocking by an aerospace customer that hit its profit. On top of that the weak oil and gas market led to a slump in revenues from that source. This year should be different, even though the oil price is still weak, with a strong profit rebound expected.

In the year to June 2015, revenues decreased by 4% to£57.8m and underlying profit decreased by 16% to £2.9m. Net debt was £5.9m at the end of June 2015, although a factory site was sold for £1.1m after the year end. Even so, the full-year dividend was increased by 11% to 3p a share in order to indicate the confidence of management.

Management has rationalised its manufacturing facilities in both the aerospace and Metalcraft (energy and medical) divisions. A ten-year contract worth £47m has been won from Sellafield for nuclear-waste containers but this will not make a significant contribution this year. The aerospace order book is strong and the destocking by the customer appears to have ended. FinnCap expects Avingtrans to make a profit of £4m in 2015-16 as revenues and margins recover. That puts the shares on less than ten times prospective 2015-16 earnings.

company news

Tuzistra launch holds the key to progress towards profitability for Vernalis

Pharmaceuticals *www.vernalis.com*

VERNALIS (VER)			78p
12 MONTH CHANGE %	+61.7	MARKET CAP £M	345

Pharma company **Vernalis** is well financed and it has launched a potentially lucrative new treatment in the US. Risky development spending has come to an end with the focus on the development agreement with US pharma company Tris.

Tuzistra, a 12-hour, extended-release, codeine-based cough cold treatment, has been launched in the US via a specialist sales force built up and trained by Vernalis. The potential market for Tuzistra could be worth $1.8bn a year. The real benefits of the investment in the sales force and establishing a supply chain will probably not show through until the next financial year. There are four other potential drugs being developed with Tris that have the potential to become commercial products.

Vernalis has £465m of tax losses

Vernalis has acquired the US rights to Moxatag, which is an antibacterial treatment for tonsillitis and pharyngitis in adults, for an undisclosed fee and there will be a further payment when the relaunched product is manufactured. This will not make much of a dent in the cash pile and it can be sold through the same channels as Tuzistra.

The cash pile was still £61.3m at the end of June 2015 and there are research and development tax credits receivable. Migraine treatment frovatriptan also generates cash but the patent will run out by the end of the year. This means that, along with the additional cost of the US sales force, there will be an increased cash outflow this year. A profit is not expected for two years at least. The balance sheet is strong so management does not have to worry about running out of cash for a few years.

Vernalis has £465m of tax losses, with more likely to be added in the next couple of years, that it can use if it starts to generate profits. These tax losses will be a valuable asset if they can be used. Chief executive Ian Garland has exercised options over 45,918 shares at 19.6p each and he has retained those shares, which is a good indication of his confidence in the prospects for Vernalis.

Lifeline assesses its strategic options

Medical technology *www.lifeline-scientific.com*

LIFELINE SCIENTIFIC (LSIC)			212.5p
12 MONTH CHANGE %	+54.5	MARKET CAP £M	41.5

LifePort Kidney Transporter developer **Lifeline Scientific** Inc has launched a strategic review. Piper Jaffray has been appointed to carry out the process which has been sparked by regulatory approval from the Chinese regulatory authorities plus the prospects for the LifePort Liver Transporter. Management does not believe that the share price reflects the true value of the business.

The options include merging with another company, increasing scale through acquisitions, a disposal of the company or a listing on Nasdaq. There is no certainty that any of these things will happen.

Putting this into context, when Lifeline floated on AIM at 150p a share in January 2008 it was valued at £23.6m and had generated revenues of $6m in 2007 from the LifePort Kidney Transporter pilot launch. In the six months to June 2015, revenues were $15m and they were $34.6m in the 12 months to December 2014 when cash was generated from operations. Lifeline initially raised £5.4m and additional cash was raised from warrant exercises.

Lifeline was too small to join Nasdaq in 2008. Joining AIM enabled the company to finance the US commercial launch of its technology and to start to sell in additional markets.

Quixant displays skill in broadening its product range through Densitron

Gaming machine technology *www.quixant.com*

Quixant has agreed to pay 11p a share for rival AIM-quoted gaming machines technology supplier Densitron International. The deal will enable Quixant to sell displays to its customer base as well as broadening its global reach. On top of this it should be earnings enhancing from the start.

Quixant had net cash of $6.76m at the end of June 2015 and has secured £5m of bank facilities, so it can afford the £7.66m cost of Densitron – which had net debt of £1.76m at the end of June 2015. Densitron has 1.25 acres of land in Blackheath that is in its books for £500,000. Densitron tried to have the land re-designated for development but has so far failed. That might happen in the future, which will significantly increase the valuation.

Up until now growth has been organic

Just cancelling Densitron's quotation is expected to reduce annual costs by £250,000. Back in May, house broker Westhouse was forecasting a £900,000 underlying profit, excluding the costs of sorting out the Newcastle property lease, in 2015, which suggests a deal multiple of eleven without any cost savings.

This is before the full benefits from investment in new products, which are likely to show through in 2016 and beyond. This includes Densipaper, which is battery powered and WiFi enabled, and it is not immediately clear how this would fit in with the Quixant business.

QUIXANT (QXT)			147.5p
12 MONTH CHANGE %	-4.2	MARKET CAP £M	95.3

Prior to the acquisition, Quixant was expected to make a 2015 profit of $8.5m, so the shares are trading on around 22 times prospective earnings. Up until now, growth has been organic as new products are developed and additional customers won as they seek to outsource the development and supply of gaming equipment. This has also reduced the reliance on gaming machines manufacturer Ainsworth but it still accounts for 45% of revenues. The Densitron business will help to reduce that further. A 2016 profit of $12m is possible.

Nostra Terra moves focus to North Africa

Oil and gas *www.ntog.co.uk*

Nostra Terra Oil & Gas has found it difficult to find suitable investment opportunities in the US so it has decided to seek opportunities farther afield. In partnership with fellow AIM-quoted oil and gas company Independent Resources, Nostra Terra is acquiring a 50% interest in an Egyptian producing concession.

The two companies' 50/50 joint venture has acquired the stake in East Ghazalat from Transglobe Energy for $3.5m. So far, a deposit of $200,000 has been paid and a further $800,000 is due by the end of October. The other $2.5m is covered by a two-year loan note with an annual interest charge of 10%. A Chinese state oil company owns the other 50% of East Ghazalat, which produces 880 barrels of oil per day and has reserves of more than two million barrels of oil. The purchase cost is equivalent to $3.47 per barrel of reserves. There are opportunities to expand oil production and potential gas reserves on the concession.

NOSTRA TERRA OIL & GAS (NTOG)			0.11p
12 MONTH CHANGE %	-64.5	MARKET CAP £M	4.03

The joint venture is assessing other opportunities in Egypt and Tunisia. Nostra Terra has acquired a 100% interest in a Wyoming prospect called Paw Paw, but it has been difficult to secure these deals in the US. In the first half of 2015, Nostra Terra reported revenues of £393,000 and generated cash from operations of £79,000. There is still £526,000 in the bank. Most of the revolving line of credit of $25m is unused.

Flowtech Fluidpower provides growth and income

Distributor of technical fluid power products *www.flowtechfluidpower.com*

Dividend

Flowtech Fluidpower has a short track record of paying dividends because it joined AIM last year. The interim dividend has however been increased from 1.67p a share to 1.75p a share. The total dividend last year was 5p a share and a rise to 5.3p a share is expected for 2015. Dividend growth is set to be steady and the dividend cover may edge up from the 2.3 times for 2014.

Flowtech is cash generative but it is also spending money on acquisitions as part of its buy and build strategy. Net debt was £7.46m at the end of June 2015, although the acquisition of Nelson Hydraulics will have added £2.9m to the figure.

Business

Lancashire-based Flowtech is the UK's leading supplier of technical fluid power products. This is a fragmented market so the company is not huge and it has a buy and build strategy in order to become an even more significant participant in the sector. So far, three acquisitions have been made since flotation in May 2014 and among other things they have provided a distribution base in Ireland and helped Flowtech to extend its product range in the hydraulics market.

There does not appear to be a lot of competition for the type and size of acquisition that Flowtech is interested in and there are still plenty of opportunities. Flowtech keeps the names of the acquired businesses so that it continues to get the benefits of the reputations they have built up over the years. The niche nature of the company's operations means that margins do not come under so much pressure as more commodity type products.

FLOWTECH FLUIDPOWER (FLO)	
Price (p)	140
Market cap £m	60
Historical yield	3.6%
Prospective yield	3.8%

A deal with Eaton Corporation means that Flowtech's hydraulics business is the sole distributor of Eaton Winner hoses, fittings and adaptors. This will open up additional business supplying equipment manufacturers with hose assemblies.

Trading conditions have been tough, particularly in the offshore oil and gas sector, but the business has made progress. In the six months to June 2015, revenues rose by a quarter to £21.4m and underlying operating profit improved from £3.28m to £3.4m. Profit growth was held back by a lower contribution from the Benelux business, partly due to the weak euro, and the additional costs of being quoted. Nelson Hydraulics will contribute to the second half.

The share price has risen from its placing price of 100p so the shares have performed well even though they have slipped back from their high of 157p. The full-year profit is expected to rise from £6m in 2014 to £7m in 2015, which puts the shares on 11 times prospective 2015 earnings. That rating could fall to nine if 2016 expectations are achieved but further acquisitions are likely so the outcome will probably be different from current forecasts. The rating is modest for a business that can provide steady growth and a good income.

Dividend news

Home improvement products supplier **Epwin** increased its interim dividend by one-third to 2.12p a share and Edison forecasts a full-year dividend of 6.4p a share, which would provide a yield of 4.5%. Epwin's markets remain tough but greater efficiency enabled pre-tax profit to improve from £4.4m to £7.6m on flat revenues of £124.1m in the first half of 2015. Epwin extrudes PVC-U windows and other building products and this is where the improvement in profit came from. The profit from the sale of branded windows and products to the consumer was lower but the second-half order book is stronger.

A strong initial contribution from the Fitzalan Partners conveyancing leads business helped **NAHL** report a better than expected interim profit of £7m even though the core claims leads business was held back by lower medical reports revenues. The interim dividend was increased by 25% to 6.25p a share and a full-year dividend of 19.1p a share is forecast. The share price has nearly doubled from its 200p placing price less than 18 months ago but the prospective yield is still 5%.

Online performance marketing services provider **XLMedia** increased its interim dividend from 1.58 cents a share to 2.595 cents a share. This is on the back of a 187% increase in pre-tax profit to $13.2m on revenues 85% higher at $36.8m. The business is highly cash generative. There was net cash of $43.2m at the end of June 2015, although there is also contingent consideration of $6.8m. XLMedia has a buy and build strategy. Cenkos left its full-year profit forecast unchanged at $22m but there is scope for upgrades later in the year. A total dividend of 4.2 cents a share is expected but that assumes no increase in the final dividend. That is more than twice covered by forecast earnings.

expert views

Expert view: The broker

Sunnier horizons ahead for SCISYS

By LORNE DANIEL

IT projects and services provider SCISYS* rode out a 'perfect storm' in the first half of 2015 and foresees calmer waters and a sunnier outlook for the second half.

The first half suffered from a a problematic fixed-price contract in the ESD division; the ongoing relative strength of sterling against the euro; and deferrals of expected projects in all divisions. Even the newly acquired Xibis mobile business experienced challenges, delivering a small loss from revenue below plan, with the Xibis founders leaving and forgoing their earn-out rights.

A relatively small project was – unusually – undertaken at a fixed price. However, as revealed in a June trading update, it was seriously mispriced and has led to significant cost in rectification and the loss of other opportunities due to the reallocation of SCISYS resources to it. Against that backdrop, the interim results are a testament to the underlying strength and durability of the IT projects business.

Interim sales fell 22% year on year to £16.5m despite an £0.4m initial contribution from Xibis. All three divisions' revenues were down on last year, predominantly ESD where fees fell 36%, while Space and Media fees fell 17%. Group overheads were cut 11% but that could not prevent an adjusted pre-tax loss of £1.2m – £1.4m profit last year. Cash conversion was relatively good, the £0.7m LBITA leading to just a £0.2m outflow from operations, although a £0.4m tax bill, £0.3m capex and £0.8m for Xibis, led to a £2.2m outflow, leaving net debt at £1.9m.

When banking covenants were tested in August, SCISYS relied on the strength of its contracted revenue base, good banking relationships and asset-rich balance sheet. Relaxed covenant limits provide sufficient headroom to deliver the expected trading performance. Prudently, the dividend has been suspended, pending greater visibility on full-year cash flow.

Despite its preoccupation with its problem contract, investors should be impressed with ESD's contract wins, including a leading-edge contract in the Imagery Exploitation Programme (IEP), working with Lockheed Martin for the MoD to deliver a new military intelligence gathering capability. A significant multiyear contract has been won from the Defence Science & Technology Laboratory to develop an optimised operations room for the Maritime Air Defence Command Team. The Coal Authority has requested functional enhancements for its INFERIS system, delivered by SCISYS years ago. A new multi-year support contract was secured with Vodafone for the NHS 113 service. Such contracts illustrate the range of SCISYS's capability.

On the recovered 2016 earnings, SCISYS looks cheap

Space has been a solid market for SCISYS for several years, buoyed up by a strong relationship with the ESA and major tier-1 suppliers like Airbus. Although we saw the unusual 17% year-on-year decline in H1, this was largely anticipated; a 10% year-on-year fall was due to currency as its euro earnings weakened. Management is highlighting a second-half weighting to the revenue this year, when the division should be seeing the benefit of some major contract wins, as well as the ongoing work on the Galileo satellite programme, the HRAF (Harwell robotics) and ExoMars VISLOC (2018 Mars Rover software) contracts should see growing revenues in the period.

At a headline level, Media revenues fell 30% year on year, but this was exaggerated by a reduction in nil-margin third-party hardware and software sales which were particularly high in the first half of 2014. More pertinently, there was a 17% year-on-year decline in fees; forex issues accounted for the majority of it while delayed contracts also had an effect. The award of a second major BBC framework contract should help to underpin the division. We hope for continued international growth.

Xibis can take advantage of an exciting area of mobile app development and does seem to be making progress, winning new contracts from good brands such as Pets at Home and Spirit Healthcare (to deliver an improved solution for mobile tele-health services).

On the back of the interims we eased back our 2015 sales forecast to £35.9m (from £38m) but maintained EBITDA expectations of £1.3m. On the recovered 2016 earnings, SCISYS looks cheap. A peer comparison table for the sector suggests a P/E of over 16 for 2016. Even discounted by 25% for the group's smaller size and the recent difficulties, this would be a multiple of 12x, suggesting a target price of 76p, which we feel would be a reasonable valuation for such a quality business.

**SCISYS is a corporate client of finnCap*

LORNE DANIEL is a research director at finnCap feature

AIM Awards 2015

The twentieth anniversary AIM Awards, sponsored by accountants PwC, were held at Old Billingsgate on 8 October. Here are the winners.

COMPANY OF THE YEAR

CVS

Vet practices consolidator CVS has just celebrated eight years on the junior market. Since 2007, the company's performance has been strong, with revenues quadrupling to £167.3m and both profit and underlying earnings per share growing over the past eight years. Since flotation, the number of vet practices owned by CVS has more than doubled to 307 but the company still accounts for only 12% of the UK small-animal market and a tiny percentage of the market for larger animals. That means that there is scope for further consolidation. CVS has also developed its own MiPet brand and built up the membership of the Healthy Pet Club, which has 213,000 members providing a regular monthly subscription income to the company, which totalled £18.8m last year. Peel Hunt forecasts a 2015-16 profit of £22.7m, rising to £24.5m in 2016-17.

INTERNATIONAL COMPANY OF THE YEAR

Hutchison China Meditech

Hutchison China Meditech has won the international company of the year award at the second attempt, having been on the shortlist for the award in 2010. Hutchison is the third-largest company among the winners, behind ASOS and Optimal Payments, with a market capitalisation of more than £1.1bn, compared with £141m when it joined AIM in May 2006. The share price has risen from 275p to 2050p over that period. Hutchison generates revenues and cash from its healthcare and consumer treatments business and the cash generated has been invested in the drug development operation – it hopes to have 24 clinical trials up and running by the end of 2015. Hutchison is about to treble its manufacturing capacity for its own-brand products.

ENTREPRENEUR OF THE YEAR

Peter George, Clinigen

Peter George has used the AIM quotation to make acquisitions to turn pharma services company Clinigen into the global market leader in the supply of unlicensed medicines and medicines for clinical trials. The latest acquisition, Link Healthcare, widened the global scope of this business and boosted its exposure to Asia. At the same time, Clinigen is also building up the higher-margin speciality pharmaceuticals business, which supplies hospital-only medicines, and the strategy is to reduce the dependence of this division on anti-viral product Foscavir. There are currently five drugs and Clinigen would like to double this number. Clinigen has become one of the top ten AIM companies by market capitalisation on the back of the acquisition activity. In the year to June 2015, revenues increased by 45% to £184.4m and underlying earnings per share were 14% higher at 28p a share. As the benefits of the acquisitions come through earnings per share are forecast to rise to 33.2p a share in 2015-16 and 38.6p a share in 2016-17, which shows that they are still growing impressively despite the large number of shares issued to finance acquisitions.

BEST NEWCOMER

Fevertree Drinks

Spirit mixer drinks brand Fevertree Drinks floated at 134p a share and the share price has trebled since then. Some of the original backers have taken advantage of the share price rise to reduce their stakes, while Lloyds Development Capital sold its stake. Even so, Old Mutual and Majedie Asset Management were both adding to their stakes during the summer. Fevertree has more than two-thirds of its sales outside the UK. The shares appear fully valued at more than 40 times earnings expectations for this year. Of course, if Fevertree can build on the international reach of its brand then it would warrant a high rating.

BEST USE OF AIM

Ideagen

Information management software provider Ideagen moved from Plus/ISDX to AIM in 2012 and it has built up its business through acquisition and organic growth. The digitisation of records in the healthcare sector and additional requirements for compliance and risk assessment in other sectors are driving demand for Ideagen's software. There is a strong recurring revenue base which covered 84% of last year's fixed-cost base. The acquisition of EIBS added mobile functionality to the group and the most recent acquisition was compliance and risk software provider Gael, which doubled annualised revenues. The award reflects the steady and consistent progress made by Ideagen over the past three years.

feature

AIM TRANSACTION OF THE YEAR

Optimal Payments

Online and mobile payments processor Optimal Payments secured the €1.1bn acquisition of rival Skrill and the deal should be earnings enhancing in its first year. The acquisition reduces Optimal's dependence on its largest customer and provides a better spread of revenues in geographic terms. It took some time to gain regulatory clearance but the Skrill acquisition was completed in August. The enlarged group should be able to reduce its annual cost base by $40m in 2016 and is expected to generate revenues of $856m and make an underlying profit of $196m next year. Net debt is expected to be $522m at the end of 2015 and then strong cash generation should help it to reduce to $357m at the end of 2016. Optimal is changing its name to Paysafe and it plans to move to a premium listing, although there is no firm date yet, which could lead to inclusion in the FTSE 250 index.

BEST TECHNOLOGY

Advanced Oncotherapy

Advanced Oncotherapy is a developer of proton therapy systems for cancer treatment, and the high public profile of this technology will have helped the company to win this award. The proton therapy technology enables the precise treatment of a cancer tumour whereas radiotherapy treats the area where the tumour is. The core technology was originally developed by the European nuclear research organisation CERN. Advanced Oncotherapy is still attempting to reduce the costs of the technology and it is partnering with much larger medical technology businesses. The plan is to have the first commercial system ready to treat patients in Harley Street in 2017. In May, £20m was raised at 8p a share so the company is well financed.

BEST COMMUNICATION

Imperial Innovations

Imperial Inovations has raised a sum of money to put into its pharma and technology investee companies. The investment company is a spin-out from Imperial College in London, which provides a flow of early-stage business opportunities. Imperial Innovations also has links with Oxford and Cambridge universities so it has access to a wide spread of opportunities. The portfolio is maturing and four of the companies have floated on various stockmarkets, including life sciences company Abzena and brain health company IXICO, who have both joined AIM. There have also been trade sales. In July, Imperial Innovations had £167.8m available for investment before a further £50m loan facility was secured from the European Investment Bank.

BEST PERFORMING SHARE

Victoria

Prior to its move to AIM from the Main Market at the beginning of 2013, floorcoverings manufacturer Victoria would have been few investors' choice as a top share price performer. This award covers share price performance between 1 August 2014 and 31 July 2015 and at the start of the period the share price was less than half of its 25-year high back in 2004.The period started after a 292p a share special dividend had been paid. Two acquisitions were made during the period and two more since the end of July. The latest acquisition is carpet underlay manufacturer Interfloor for an enterprise value of £65m. Cantor Fitzgerald forecasts a 2015-16 profit of £15.1m, rising to £22.1m the following year when all of the acquisitions make a full contribution.

BEST PERFORMING SHARE OVER 20 YEARS

ASOS

This one-off award marks the first two decades of AIM. Online fashion retailer ASOS has gone from a company worth a few million pounds when it joined AIM to being valued at more than £2bn – and that is well below its all-time high. Then known as asSeenonScreen Holdings, ASOS joined AIM on 3 October 2001 less than one month after September 11th. Unsurprisingly, this wasn't a good time to come to any stock market but ASOS did raise £225,000 at 20p a share. The website had been launched in June 2000. Recent share price weakness should not be allowed to overshadow the fact that a significant UK business has been built up with the assistance of its AIM quotation. Joint founder Nick Robertson has stepped down as chief executive but remains as a non-executive director.

BEST RESEARCH

finnCap

FinnCap, the AIM Journal sponsor, has won this award for the second time in four years, having been on the shortlist for three of those years. finnCap is the firm with the largest number of AIM clients and it has been building up its client base among the FTSE AIM 100 index constituents. finnCap is also the leading adviser and broker in the technology and healthcare sectors and has a strong position in other sectors. Raymond Greaves was appointed as head of research earlier this year and finnCap recently appointed Roger Tejwani as senior consumer analyst, which takes the number of people in the research team to 13. finnCap has raised more than £1bn for its clients.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	22.8	18.7
Industrials	15.7	16.8
Consumer services	14.8	11.1
Healthcare	13.9	7.7
Technology	10.2	10.7
Consumer goods	7.9	5.9
Oil & gas	6	11.4
Basic materials	5.7	15.1
Telecoms	1.9	1.4
Utilities	1.1	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	725.26	-3.3
FTSE AIM 50	3860.57	+8.2
FTSE AIM 100	3318.73	+2.5
FTSE Fledgling	7682.41	+11.6
FTSE Small Cap	4782.84	+9.2
FTSE All-Share	3335.92	-5.6
FTSE 100	6061.61	-8.5

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	249
£5m-£10m	120
£10m-£25m	212
£25m-£50m	166
£50m-£100m	132
£100m-£250m	117
£250m+	70

KEY AIM STATISTICS

Total number of AIM	1066
Number of nominated advisers	35
Number of market makers	51
Total market cap for all AIM	£74.7bn
Total of new money raised	£93.8bn
Total raised by new issues	£40.1bn
Total raised by secondary issues	£53.7bn
Share turnover value (2015)	£21bn
Number of bargains (2015)	3.89m
Shares traded (2015)	273.4bn
Transfers to the official list	174

TOP 5 RISERS OVER 30 DAYS

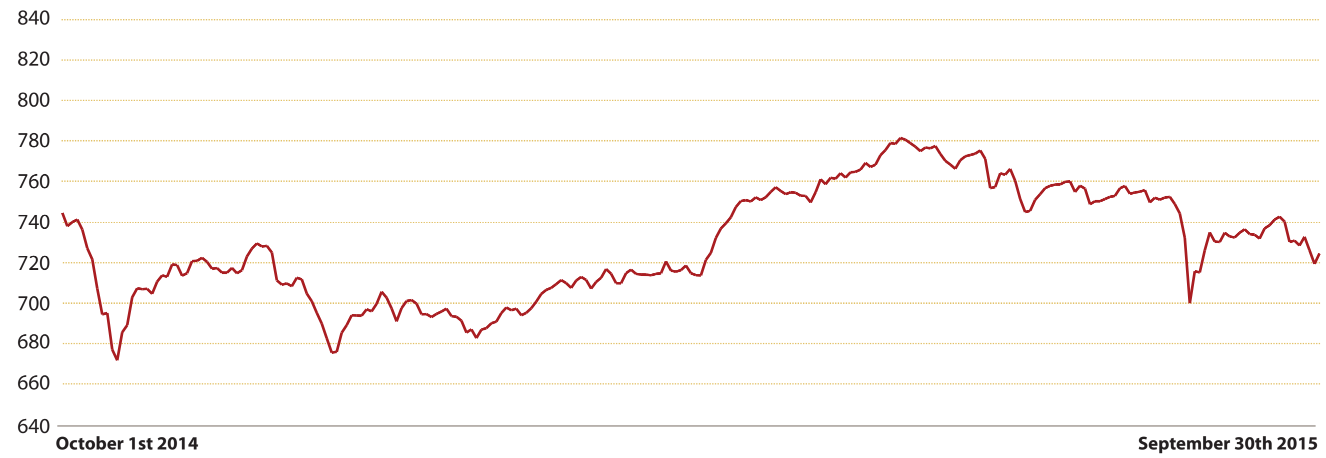
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Hague and London Oil	Oil and gas	14	+111.3
Serica Energy	Oil and gas	9.3	+86.9
Mosmal Oil and Gas	Oil and gas	5	+73.9
Teathers Financial	Financials	4.13	+73.7
Pantheon Resources	Oil and gas	30.25	+62.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
PeerTV	Technology	0.02	-65
Geong International	Software	1.25	-63
Caza Oil & Gas	Oil and gas	0.72	-61.3
Monitise	Technology	2.68	-55
Ultima Networks	Shell	0.13	-54.6

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th September 2015, and we cannot accept responsibility for their accuracy.

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finnCap
Partners for growth

finnCap's mission is to help ambitious companies grow and to be the leading independent broker to ambitious companies, focused on fuelling growth through long term partnerships. We will exceed client expectations through faultless execution, joined-up service and proactive thinking, all tailored to the needs of each individual client.

finnCap, whose chairman is Jon Moulton, is 95% employee-owned and is the top AIM broker by overall client numbers, according to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three broker in the oil and gas sector and in the top five in the basic materials sector.

In 2013, finnCap commenced market making and launched fAN Club, a new offering aimed at providing specialist support to ambitious small private businesses seeking pre-IPO funding.

finnCap was presented with the Best Research award at the 2015 AIM Awards, while finnCap's corporate broking and sales trading teams have achieved Extel Top 10 rankings for three years running. finnCap is a sponsor of the AIM Awards, the plc Awards and the UK tech Awards.

In the year to April 2015, finnCap's reported revenues were 4% higher at £16.1m, while pre-tax profit was £2.2m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were all launched during 2014.

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