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MAY 2015

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

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Companies aim for good relationship

According to the latest QCA/BDO small and mid-cap sentiment index, two-thirds of companies believe that "people I can work with and trust" is the most important attribute when seeking a broker or nominated adviser. A good relationship will provide access to expertise they will not have themselves and help a company to prosper.

Knowledge of the company's sector is second in importance on the list, with 44% of companies believing this is a key attribute. The advisers rate knowledge of the sector as the most important thing that companies should look for in an adviser, with 63% stating this. The next two things highlighted by advisers were people (57%) and track record and reputation (55%).

YouGov conducts the research for the triannual survey and the latest survey was conducted in January via online interviews with 133 companies and 69 advisers.

BDO is hosting the NEDucation non-executive directors conference on 22 May. This will cover topics including managing reputations and expectations for non-execs (http://blackthornfocus.com/events/neducation/neducation201505).

Crowdfunding for AIM placings

Kea Petroleum is using the PrimaryBid.com crowdfunding platform to go direct to retail investors to raise at least £3m to invest in its New Zealand oil and gas assets. Kea is the second company to use PrimaryBid.com to raise cash. Fellow oil and gas company Ascent Resources joined the crowdfunding platform in March and at the beginning of May raised £550,000 at 0.2p a share.

PrimaryBid is an offshoot of finance provider Darwin Strategic and it charged Ascent 4.5% of the money it raised, although it does not charge investors. Darwin's owner, Henderson Global Investors, is also a major shareholder in Ascent and Darwin has previously provided funding for Kea.

In the Kea fundraising, which has been extended to 22 May, the minimum price is 1p a share – the nominal value of the share – and no bids will be accepted unless £3m is raised. This reduces the risk because investors' cash is not transferred until the minimum is achieved. Darwin provides an aggregated book of bids and if they are at more than 1p a share fewer shares will need to be issued.

Those investors bidding above the final placing price will get all the shares they want, while those bidding at the placing price may be scaled back. So far, £1m-worth of bids have been received. The share price has fallen back since the fundraising was announced and it is trading at around 1p.

HubInvest publishes AIM Journal

www.hubinvest.com

general news

MySQUAR first-mover advantage

Myanmar-based social media platform developer MySQUAR hopes to raise £2m in order to make the most of its first-mover advantage and build up its user base. Four network operators are to invest $18bn in their networks over the next few years and there is a lack of local language-based content. Chief executive Eric Schaer says an AIM quotation will give commercial partners more confidence and put the company in a better negotiating position.

Cheap Chinese phones are expanding the content market in Myanmar, where mobile penetration was 10% of a population of 55 million in 2013. Nearly half of the population is under 24 years old. New management was put in place last year and user numbers are growing. MySQUAR says that it costs 10-20 cents to add a new user to the MyChat mobile chat app, which also offers games and other digital goods. There were 574,200 users by 17 April 2015 and MySQUAR hopes to increase this to 1.15 million by the end of the year.

MySQUAR intends to generate revenues from sales of digital products to users and through brand advertising by such companies asCoca-Cola – MySQUAR can provide valuable consumer data. There are plans to add a news feed and job portal. In the longer term, MySQUAR could generate commission on transactions by linking up with a payment services company.

Recently, existing shares changed hands at a valuation of around $23m (£14m) although it is difficult to say whether this is a proper valuation for the business. The company is not expected to generate cash for a few years because it will take time to monetise the user base, so investors need to be patient.

Small Cap Awards

Four AIM companies are in the running for company of the year at the third annual Small Cap Awards, which are being held in London on 11 June. Offender-tagging equipment supplier Solid State, rail-optimisation software supplier Tracsis, fitness products supplier Fitbug and disinfection products supplier Tristel are up against ISDX-quoted wine and beer maker Chapel Down for the company of the year award, which is focused on companies that are valued at less than £150m.
Home-improvement products supplier Entu, fluid-power products distributor Flowtech Fluidpower, legal marketing leads provider NAHL and upmarket hostels operator Safestay are in the running with ISDX-quoted provider of finance for employee-owned businesses Capital for Colleagues and fully listed Clipper Logistics for the IPO of the year. More information is available on www.smallcapawards.com.

Clinigen acquires major rival

Clinigen has acquired its main rival in the supply of unlicensed medicines. This will help to diversify the revenue of the enlarged group as well as enhancing earnings. The pharma services and drugs supplier is paying £225m for Idis, which has a similar, but much larger, business to the Clinigen GAP (Global Access Programs) division, which helps to provide early access to drugs not yet available in some markets.

A placing at 500p a share provided £135m of cash and the rest of the purchase price will come from additional debt. Net debt of £79.6m is expected at the end of June 2014 but this should fall rapidly as cash is generated from operations.

Clinigen will use the Idis brand for its GAP division, which will become the number one in the sector. Idis has a clinical-trial supply business, which can be integrated with Clinigen's business in this area, and it also has a business which provides local on-demand unlicensed supply, which is a market that Clinigen was not involved in. It will become a new division. The new division will benefit from Clinigen's wider international presence.

In the year to February 2015, Idis generated EBITDA of £15.6m on revenues of £196.8m. There should be at least £2.5m of annualised cost savings and Clinigen could improve the margins of the business. The combined group is forecast to make a profit of £48.9m in the year to June 2016.

The deal will reduce Clinigen's dependence on anti-viral Foscavir, which is the main earner in the speciality pharma division. This division will contribute around one-third of gross profit after the acquisition. Clinigen still wants to add further pharma products to its portfolio in order to double the number to ten.

HubInvest publishes AIM Journal
www.hubinvest.com

advisers

Charles Stanley selling AIM adviser subsidiary

Charles Stanley Group is selling its corporate finance and broking business, Charles Stanley Securities (CSS), in order to concentrate on its wealth management activities. It has entered into exclusive talks with Panmure Gordon. The buyer believes that a deal could be done by the end of May.

Stifel, formerly known as Oriel Securities, was also thought to be interested in buying CSS, which is nominated adviser to 26 AIM companies.

In the year to March 2015, CSS fees more than halved from £10.5m to £4.55m. The previous year's revenues included £2.33m from a relationship with WG Partners, which ended on 31 March 2014. Commissions fell from £4.02m to £3.44m over the period. CSS lost money in the six months to September 2014.

Charles Stanley is writing down its intangible assets. It is unclear how much will be written off CSS but it had goodwill of £1.52m at the end of September 2014. It does seem likely that Charles Stanley may not be able to get book value for CSS whoever ends up buying the business.

Charles Stanley is also selling employee benefit services provider Charles Stanley Financial Solutions and it is in exclusive talks with that subsidiary's management team. Charles Stanley has already raised £15.8m from a placing at 355p a share, which will strengthen balance sheet and solvency levels to 125% of the FCA's regulatory capital requirement. Charles Stanley has £21.3bn under management and administration.

Trading in the shares of AIM adviser Daniel Stewart Securities was suspended yet again at the beginning of May. This time it was not due to late results – the annual accounts are not due until the end of September – but the resignation of nominated adviser Cairn. Beaumont Cornish was subsequently appointed as Cairn's replacement and trading in the shares recommenced on 11 May. Former Quindell boss Rob Terry has built up a 9.06% stake in Daniel Stewart and wanted to take his stake above 10% with FCA approval. Beaumont Cornish has said that it will resign if anyone goes above 10% even if they are approved by the FCA.

Daniel Stewart needs to raise a further £1m to strengthen its balance sheet and help finance three new corporate broking hires. It also wants to find new non-executive directors.

Share, the owner of the Share Centre, says that although its first-quarter 2015 revenues are down 11% year on year, its market share has edged up to 7.48%. The comparative period was a strong one. The second half is expected to be stronger than the first half this year and overall revenue growth is still expected. Assets held for its customers rose 8% to £2.7bn in the first quarter of the year.

ADVISER CHANGES - APRIL 2015

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
NetScientific	Investec	Liberum	Investec	Liberum	4/1/15
Leed Resources	SP Angel	Whitman Howard	SP Angel	Cairn	4/2/15
Bahamas Petroleum Company	Canaccord Genuity	Canaccord Genuity/ First Energy	Strand Hanson	Strand Hanson	4/7/15
Adamas Finance Asia Ltd	Edmond de Rothschild/ North Square Blue Oak	North Square Blue Oak	WH Ireland	WH Ireland	4/9/15
CAP-XX Ltd	Allenby	Allenby/Cenkos	Allenby	Cenkos	4/10/15
Clear Leisure	Peterhouse	Cairn	ZAI	Cairn	4/10/15
Tekcapital	Allenby/Optiva	Northland/Optiva	Allenby	Northland	4/10/15
Thor Mining	Northland	VSA	Grant Thornton	Grant Thornton	4/13/15
LPA Group	WH Ireland	Hume	Cairn	Cairn	4/15/15
Utilitywise	Liberum/finnCap	finnCap	finnCap	finnCap	4/21/15
Iofina	finnCap/GMP	Numis/GMP	finnCap	Numis	4/22/15
Blackstar Group SE	ZAI	Liberum	ZAI	Liberum	4/23/15
Kromek Group	Cenkos	Panmure Gordon	Cenkos	Panmure Gordon	4/28/15
MoneySwap	Allenby	Old Park Lane	Allenby	Allenby	4/30/15

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www.hubinvest.com

company news

Personal sacrifices short-term profit for mobile airtime

Employee benefits *www.personal-group.com*

Personal Group's acquisition of a mobile virtual network operator (MNVO) will hold back profit this year but it will be earnings enhancing in 2016. New management has turned Personal from a steady but unspectacular investment into a much faster growing business.

Personal acquired the business of Daventry-based shebang Technologies Group from its administrator for £1.3m. There will be a further £1m spent on integrating the business. The renamed Personal Group Mobile (PGM) has more than 10,000 connections and a relationship with Three, which enables the business to gain access to the network at wholesale cost.

The strategy behind the acquisition is to supply airtime along with smart phones – through previous acquisition Lets Connect – to employee benefits clients through salary sacrifice schemes. Airtime is not currently provided by Lets Connect. Management believes that airtime can be provided at around one-third of high street cost and the acquisition brings billing systems and sales personnel with it. Contracts will be for 24 months. There is scope to grow the existing consumer business as well as cross-selling to employee benefit and employee-related insurance clients.

The original business is still gaining contracts. Four residential care-related businesses have appointed Personal to provide employee benefits services to their total of 11.700 staff. Personal

PERSONAL GROUP (PGH)			550p
12 MONTH CHANGE %	+ 13.4	MARKET CAP £M	166.9

has contracts with companies covering more than two million employees, which provides plenty of potential mobile airtime customers.

This year's profit is expected to be flat at £10.6m, down from the original forecast of £12m but the 2016 forecast has been upgraded from £13.6m to £15.3m. The shares are trading on 14 times prospective 2016 earnings. Personal is on course to pay a 2015 total dividend of 20.9p a share, which equates to a yield of 3.8%. There is still cash in the bank to finance further acquisitions.

Utilitywise takes control of its future

Energy consultancy *www.utilitywise.com*

Energy procurement consultancy **Utilitywise** has added to its range of services through the acquisition of T-mac Technologies, which supplies business energy management systems (BEMS).

T-mac's controls enable the monitoring and reduction of a client's energy usage. This product can be sold to existing customers and Utilitywise intends to offer the monitoring service in order to generate recurring revenues. Currently the customers monitor their own usage.

Utilitywise is paying an initial £10m in cash and shares for T-mac while performance-related deferred

UTILITYWISE (UTW)			218.5p
12 MONTH CHANGE %	- 33.3	MARKET CAP £M	167.3

consideration could be worth up to £12m over the next two years. T-mac is barely profitable at the moment but it has spent around £7m on developing its technology. Revenues could potentially double over two years, and that would enable T-mac to generate a significant profit, thereby making the purchase price appear less expensive.

In the six months to January 2015, Utilitywise revenues were 42% higher at £29.9m and underlying profit was 49% ahead at £7.3m. At the end of the period, the enterprise division took on additional energy consultants and they will take time to generate significant revenues. The business also moved to larger premises in North Tyneside. Deregulation of the water market will provide additional opportunities for the corporate division. There are also plans for international expansion.

House broker finnCap has trimmed its 2014-15 profit forecast by 5% to £17m but has increased the following year's forecast to £25.5m. The share price has fallen back over the past year, making the shares appear attractive on a 2015-16 multiple of eight.

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OPPORTUNITY 4
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company news

Andes Energia seeks to take advantage of its acreage in Vaca Muerta shale

Oil and gas *www.andesenergiaplc.com.ar*

Political changes in Argentina are set to make oil and gas producer and explorer **Andes Energia** a more attractive investment. There will be a change in Argentine president in the autumn which should lead to more business-friendly policies.

The core assets are in the Vaca Muerta shale, which is the third-largest shale resource in the world and the only one producing outside the US – current production is 45,000 barrels of oil equivalent a day. Andes Energia estimates that there could be more than $10bn invested in the area by 2017.

According to Macquarie, the state-owned oil company owns a large proportion of the acreage in Vaca Muerta but Andes Energia is the sixth largest in terms of acreage and 90% is in the proved oil window. Over the past two years, large oil companies, such as ExxonMobil, Chevron and Shell, have been buying into Vaca Muerta in deals that value some assets at $10,000/acre or more.

ExxonMobil, Chevron and Shell have been buying into Vaca Muerta

Exploration is not cheap. Vertical exploration wells cost around $7m and horizontal wells up to $14m. Costs of drilling are falling as there is more investment in the area and the drilling is taking less time. Andes Energia has cash in the bank but it will need a farm-out to a major to finance a significant project.

ANDES ENERGIA (AEN)			29.25p
12 MONTH CHANGE %	- 41.5	MARKET CAP £M	177.6

Argentina sets a domestic selling price for oil, which is currently $77/barrel and there are no short-term plans to change this. There is strong local demand and exports require regulatory approval. Royalties are between 12% and 15%, while the corporation tax rate is 35%.

Andes Energia currently produces 1,850 barrels of oil a day elsewhere in Argentina and also has a 51% stake in Interoil, which owns production assets in Colombia. This will help to generate cash to plough back into exploration.

Production increases push MP Evans forward

Plantations *www.mpevans.co.uk*

Palm-oil plantations operator **MP Evans** reported a sharp improvement in 2014 profit despite a fall in the palm-oil price. Greater efficiency in the mill operations, currency movements and a much better contribution from the Australian beef cattle operations have more than offset the palm-oil price fall.

Revenues grew from $82.8m to $90.9m in 2014, while the pre-tax profit from controlled operations jumped from $6.53m to $22.5m – excluding book gains on biological assets. The post-tax share of associated companies' profit improved from $9.87m to $13.4m – partly a reflection of a swing from loss to profit of the Australian cattle assets. The total dividend was increased from 8.25p a share to 8.75p a share.

MP EVANS (MPE)			410.5p
12 MONTH CHANGE %	- 6.9	MARKET CAP £M	227.1

The average palm-oil price fell from $856/tonne to $821/tonne but it is currently around $650/tonne. Crops improved by 12% to 385,400 tonnes in 2014 as less well established estates improved their yields. The weak Indonesian rupiah reduced operating costs, while oil extraction rates improved and this meant that plantation profit jumped 44% to $35.8m.

This year's revenues will be hit harder by the lower palm oil price and are expected to decline to $82.7m, with pre-tax profit falling to $21.7m. Investment in planting oil palms and milling capacity will show through more strongly in the production and revenues in 2016 and 2017. According to finnCap, revenues could double to $165m between 2015 and 2020 and EBITDA could grow from $29m to $81m.

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Next Fifteen Communications secures digital media Encore

Marketing and PR *www.next15.com*

Technology and consumer marketing and PR company **Next Fifteen Communications** continues to grow in the US and it has improved the performance of its businesses in other parts of the world. Investment in digital marketing augurs well for global growth.

Next Fifteen has changed its year end from July to January. In the 12 months to January 2015, revenues grew from £98.7m to £109.2m, a mixture of organic and acquired growth, while underlying pre-tax profit moved ahead from £8.3m to £12.5m as margins improved. Net debt was £8.6m at the end of January 2015. The total dividend was increased from 2.63p a share to 3.5p a share.

Next Fifteen is a strong cash generator

Next Fifteen is increasingly focused on digital marketing services and the latest purchase is a 75% stake in Encore Digital Media, which provides programmatic advertising services, for an initial £687,000. The business targets specific audiences and provides data analysis of the performance of the advertising. Encore made a profit of £153,000 in the year to May 2014. The rest of the shares will be acquired by 2020.

Next Fifteen is a strong cash generator and it can cover expected acquisition payments of £9.4m for 2015-16 from this cash and reduce debt if there are no more acquisitions. Further acquisitions are likely, though. The company already has operations in 18 countries.

NEXT FIFTEEN COMMUNICATIONS (NFC)			176.5p
12 MONTH CHANGE %	+ 61.9	MARKET CAP £M	115.4

Edison forecasts a 2015-16 pre-tax profit of £11.4m. The shares are trading on 12 times prospective 2015-16 earnings. The wide geographical spread and focus on fast-growing digital marketing, expected to grow at 15% a year in the US, mean that this rating should come down significantly over the coming years.

Staffline acquires rival work programme provider

Recruitment and training *www.staffline.co.uk*

Recruitment and training services provider **Staffline** is acquiring rival A4E for £34.5m, which will make it the largest welfare-to-work programme provider, with a 23% market share. This has led to earnings per share upgrades of 25% and 33% for 2015 and 2016 respectively. There was uncertainty about what might happen if a Labour government came to power but the outright Conservative majority means that the contracts are likely to continue in their current form.

The combined business will have nine contract areas and no geographical overlap. A4E has a poor track record but its performance has been turned around. There should still be plenty of scope for Staffline to further improve its profitability. Pre-tax profit was £10.2m in the year to March 2015 and there are four years left on the current contracts. The combined business will be rebranded under the PeoplePlus name.

STAFFLINE (STAF)			970p
12 MONTH CHANGE %	+ 24	MARKET CAP £M	269.2

Staffline continues to add new contracts in its OnSite employee provision business and it currently has more than 260 OnSite contracts. finnCap forecasts underlying earnings per share of 91.7p for 2015, up from 59.7p a share in 2014, rising to 108.5p a share in 2016.

This growth in earnings does not assume any addition cost savings from integrating the A4E business. The dividend is expected to be increased from 13.5p a share to 20.7p a share this year and that is still well covered by cash flow. Net debt is expected to be £42m at the end of 2015.

Staffline has an excellent acquisition record and despite A4E's past problems this deal should not prove to be any different. The rest of the business is trading strongly and the shares are modestly rated.

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OPPORTUNITY 4
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dividends

Legal move returns Fairpoint to growth

Debt and legal services *www.fairpoint.co.uk*

Dividend

In the year to April 2006, the company, then known as Debt Free Direct, paid its initial annual dividend of 3p a share, doubling to 6p a share the following year. When the year end was changed to December in 2008 the dividend was 4p a share for the eight-month period. In 2009, the dividend was cut to 2p a share and this provided the base from which the dividend has grown. The dividend doubled to 4p a share in 2010 and has grown steadily since then. The 2014 dividend was 6.4p a share, which is more than 2.5 times covered by earnings.

Shore Capital forecasts a 2015 dividend of 6.8p a share but the earnings cover will fall slightly to just under 2.5 times because of slower growth in earnings. The dividend should continue to grow in line with, or faster than, growth in earnings.

Fairpoint has moved from net cash to net debt of £7.6m following the acquisition of lawyer Simpson Millar but cash generation is strong enough to fund the dividends and make further acquisitions. There are also £10m of available bank facilities.

Business

The original IVA and debt management business is cash generative but organic growth prospects are at best limited, with acquisitions likely to provide the main growth. Claims management has provided growth in recent years but this is slowing and the main motor for future growth will be the legal services operations. Simpson Millar was acquired last June for up to £12.7m, depending on performance, and Fosters added on later. Simpson Millar was carefully chosen because it provided an excellent base on which to build a much larger legal services division.

FAIRPOINT (FRP)	
Price (p)	125.5
Market cap £m	55
Historical yield	5.1%
Prospective yield	5.4%

One of the problems with many legal services businesses is the poor cash generation. That is because they are focused on litigation, which can take months or even years to come to a conclusion. If the litigation is successful, the lawyers are paid. Fairpoint does carry out some of this longer lead time legal business but the key to the legal services division is fixed-price services in areas such as family law where payments are made by the client at the start of the process. It is important that investors understand this because cash flow is reasonably good. Additional legal firms are likely to be acquired.

Schroders has been selling down its holding and in recent weeks it has been reduced from more than 13% to less than 10% but this has not hampered the share price.

Shore Capital forecasts a 2015 profit of £10.1m and earnings per share of 17.8p, with Simpson Millar enhancing earnings. Shore has a target for earnings per share of 26p in 2018. Fairpoint is unlikely to command a high rating but the growth in earnings warrants a higher multiple than seven for 2015.

Dividend news

Isle of Man-based telecoms provider **Manx Telecom** managed to grow 2014 revenues by 4% to £79.3m even though mobile termination rates declined. Underlying operating profit was flat at £17.6m but cash flow from operating activities edged ahead to £29.1m. Last year's flotation enabled Manx to reduce its net debt to £53.7m and negotiate cheaper facilities. The final dividend was 6.6p a share as expected, taking the total to 9.9p a share. Global solutions, including machine-to-machine communications services, is the fastest-growing division and this indicates the scope to grow outside of the Isle of Man. Manx is seeking a successor to current boss Mike Dee who leaves before the end of the year.

Self-storage operator **Lok'nStore** continues to generate enough cash to grow its dividend as well as investing in its business. The interim dividend is 16.5% higher at 2.33p a share, with a total dividend of 8.2p a share forecast. Net debt is £24.3m, with undrawn facilities of £12.3m, and the underlying NAV is 269p a share. A managed store will open in Aldershot this month and new company-owned stores will be opened in Bristol and Southampton next year. This additional capacity will underpin growth expectations.

Transport software and consultancy services provider **Tracsis** continues to beat market expectations on a regular basis. In the six months to January 2015, revenues grew from £9.84m to £12m, while pre-tax profit rose from £2.26m to £2.54m. Tracsis has increased its interim dividend by 14% to 0.4p a share and a total of 0.9p a share is forecast for 2014-15. This is well covered by earnings and cash generated and there is already net cash of £9.7m at the end of January 2015. This means that consistent dividend growth is possible even if the rate of profit growth slows.

ELECO cements its position in software

By LORNE DANIEL

In 2014, ELECO* shed the last vestiges of the old building materials conglomerate to become a focused architectural and construction software group. During the period it restructured and refinanced, brought in dynamic yet experienced new management and started the process of integrating a disparate portfolio of companies and products into a focused cohesive operation; all while meeting market expectations and showing good growth and profits.

The group entered 2015 with a strengthened balance sheet, a huge installed base, strong IP, a broad portfolio of established businesses which already have large user bases and a strong pipeline of opportunities from a buoyant construction industry. We believe it has the opportunity to cement a key position at the heart of this huge global industry as the latter adopts new technology to bring greater efficiency to its complex structure of interested parties.

The group was originally a part of a broader construction conglomerate which developed a software arm, ELECO Technology, from 1994 onwards, notably through acquisition of well-established German and Swedish software suppliers. Thanks to this, ELECO's portfolio of products today has a large customer base and enjoys significant recurring maintenance income (45% of FY 2014 revenues of £16.5m) from 14,200 customers. It supports 50,000 professional users and is a market leader across several regions.

The group divested the last (loss-making) construction business in 2013 and has just reported on its first 'clean' year as a profitable software company. Adjusted operating margins improved to 7%, delivering £0.9m adjusted PBT, and 1p adjusted FD EPS – in line with market forecasts and demonstrating nearly 40% improvement on FY 2013. ELECO also de-recognised a £7.7m pension liability (on legal advice) and restructured the balance sheet with a £2.9m placing helping to halve net debt.

A new management team has been assembled under the original chairman, John Ketteley. Notably, Nick Caw, who formerly worked for ELECO, returned to the group as CEO last July, having spent seven years as a senior manager at Microsoft UK. He has been joined by a new CFO, the experienced Andrew Greenwood, who comes to ELECO from Anite.

A new management team has been assembled

Customers

ELECO's software is marketed directly to leading construction companies, primarily in the UK, Sweden, Germany and Benelux region but also through channel partner networks in other international markets: in Eastern Europe, the US, Australia and New Zealand.

Given that several of these companies have been operating for many years, they have built up large user bases. The products have been used on an impressive portfolio of high-profile construction projects such as Schiphol Airport, the British Museum and the London Eye.

The software is predominantly sold on a licence and maintenance basis, but with an increasing amount of SaaS business. The services revenue is received from associated training and support. The group does have an architectural and design business in Sweden, able to assist customers with complex projects, utilising the software suite.

Sales are both direct and through channel partners, particularly in new regions. The products fit together in a complete collaborative solution for the construction industry. Bolt-on acquisitions are available to broaden the range or regional spread.

We expect some investment and restructuring during FY 2015 as the businesses are integrated into a focused group operation, although we still expect it to show topline growth and strong profit. Thereafter, the company has multiple opportunities for growth through geographic, product and platform expansion.

Valuation

The new management and group transformation has only really occurred towards the end of FY 2014, and FY 2015 will be a year of consolidation and investment for the group as the business is focused on growth in the software market. We therefore expect the underlying profitability will only be visible in FY 2016 – two years ahead. ELECO is trading on a P/E multiple of just 18x conservative 2016 forecasts compared with rivals averaging 28x and a sector median of 24x.

Applying that sector median rating to ELECO's expected 1.43p FD EPS for FY 2016 suggests a price target of 35p for the shares, should they be given the same rating as peers.

**ELECO is a corporate client of finnCap*

LORNE DANIEL is a research director at finnCap

AIM spreads the cash around

Fundraisings by AIM companies rose to their highest level for many years in 2014 but the figure has declined in the first quarter of 2015. However, secondary fundraisings have increased and new admissions have raised little. Even so, the cash is being spread around the sectors more than it has in the past.

Last year, more money was raised by AIM companies than in any year since 2010 and it was the fourth highest amount in the 20 years of AIM. The cash raised was spread out between the sectors in a way it has not been in the previous decade. Less money was raised in the first quarter of 2015 than in the same period last year, but that was a very strong period for new companies. Existing AIM companies are still managing to tap shareholders for cash because the decline is due to the lack of new entrants.

Healthcare is the sector that is attracting significantly increasing amounts of money

In the past, most of the cash raised has gone into three sectors – oil and gas, basic materials and financials. In 2014, there were five sectors that each raised more than 10% of the total, whereas in the previous year there were four and three in the four years before that. Unlike previous years, no sector raised more than one-fifth of the cash.

For the first time, consumer services raised the most money. That was mainly attributable to the flotation of online fashion retailer boohoo.com in the first quarter. In fact, consumer services accounted for one-third of the cash raised in the first quarter of 2014 when most of the sector's cash was raised. New entrants, particularly boohoo.com, raised more than 90% of the consumer services cash in 2014. The sector is unlikely to repeat this.

It is notable that the technology sector has not repeated the fundraising levels in 2013. The sector was a strong performer on the back of big data and cloud computing companies but the heady ratings achieved by many of these companies could not be maintained and the share prices fell back sharply. This meant that it was more difficult to raise cash and the technology sector was down to 5% of the total money raised – the lowest percentage since 2010.

Healthcare is the sector that is attracting significantly increasing amounts of money. Having been in the doldrums for many years, investor interest picked up in 2013 and this continues as new pharma companies join AIM and existing ones fund the development of their treatments and services. Healthcare accounted for 11.2% of the funds raised in 2014 and this percentage is set to increase this year if the current trends continue.

The time when resources companies dominated the money raised by AIM companies seems a long way off. Even back in 2012, resources companies accounted for nearly 45% of cash raised, having generated nearly three-fifths of the cash raised in the previous two years. In 2014, resources companies accounted for 21.8% of cash raised. In the first quarter of 2015, resources companies accounted for less than one-fifth of cash raised, with the oil and gas sector down to just over 6%.

Resources companies still dominated the number of fundraisings, with more than one-third of all of the share issues last year. Of course, most of these were small and the average value was £1.68m.

In the first quarter of 2015, AIM companies raised £896m, down from £1.86bn in the same period of 2014. There were a number of large flotations in the first quarter of 2014, including Manx Telecom, parcel deliverer DX (Group) and boohoo.com, which have not been repeated in recent months. Secondary fundraisings have increased from £657m to £733m, year on year, and the latest quarter is also higher than the previous two quarters.

Second quarter

Healthcare continues to attract funds from investors in the second quarter. Clinigen has raised £135m, Horizon Discovery £40m, Silence Therapeutics £38.9m and Sphere Medical £13.2m. Those four fundraisings alone account for two-thirds more than was raised by the sector in the first quarter.

Africa-focused airline fastJet has raised £50m, cinemas operator

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feature

Everyman Group £20m and energy-efficient boiler developer and energy supplier Flowgroup is raising up to £23m from a placing and open offer.

Optimal Payments has raised £451m from a rights issue and these shares may be admitted to AIM before the online payments company's move to the Main Market. On top of this Haversham (BCA Marketplace) has raised £1bn and Nanoco £20m but the shares were not issued until they moved to the Main Market so they will not be included in the AIM figures.

There has been a lull in new admissions in recent weeks. There had not been a new entrant since 2 April but three companies joined AIM on the day of the General Election – pension adviser Curtis Banks, clean air technology supplier MayAir Group and US-based drug developer Verseon Corporation – and more are to come.

Stride Gaming is planning to raise at least £10m and join AIM on 19 May. Stride wants to take advantage of the uncertainty brought about by the new point of consumption gambling tax to become a consolidator in the online bingo market. Myanmar mobile social media company MySQUAR (see page 2) and satellite broadband provider Satellite Solutions Worldwide are also on course for AIM.

Cash raised by VCTs and other investment companies means that there should be plenty of cash available if companies can make a persuasive argument for how they want to invest it in their businesses. The fact that money is going into a wider range of sectors is good news for the market, although financials still account for a large percentage.

AIM FUNDRAISINGS BY SECTOR (£M)

SECTOR	2014	2013	2012	2011	2010	2009	2008
Oil and gas	773.86	587.28	649.14	1257.64	2063.79	1167.19	852.99
Basic materials	503.95	336.89	765.9	1234.32	2047.88	1047.3	986.94
Industrials	860.48	476.67	188.31	278.45	638.12	224.21	728.4
Consumer goods	251.57	98.24	57.82	114.8	223.11	57.82	98.81
Healthcare	657.11	285.13	146.54	200.2	173.07	183.07	127.5
Consumer services	1059.36	375.48	297.36	102.7	190.19	205.74	193.76
Telecommunications	410.59	17.18	179.04	3	190.55	123.17	17.9
Utilities	11.53	35.35	12.3	137.4	75.64	56.15	93.77
Financials	1047	994.12	642.84	720.11	1098.2	2226.47	1017.63
Technology	292.95	701.06	204.95	253.14	257.03	144.4	194.3

AIM FUNDRAISINGS BY SECTOR (% OF TOTAL)

SECTOR	2014	2013	2012	2011	2010	2009	2008
Consumer services	18.1	9.6	9.5	2.4	2.7	3.7	4.5
Financials	17.8	25.4	20.4	16.7	15.8	41	23.5
Industrials	14.7	12.2	6	6.5	9.2	4.1	16.9
Oil and gas	13.2	15	20.6	29.2	29.7	21.5	19.7
Healthcare	11.2	7.3	4.7	4.6	2.5	3.3	3
Basic materials	8.6	8.6	24.4	28.7	29.4	19.3	22.8
Telecommunications	7	0.4	5.7	0.1	2.7	2.3	0.4
Technology	5	17.9	6.6	5.9	3.7	2.7	4.5
Consumer goods	4.3	2.5	1.8	2.7	3.2	1	2.3
Utilities	0.2	0.9	0.4	3.2	1.1	1	2.2

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statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	26.5	18.3
Consumer services	14.3	10.8
Industrials	14	17
Healthcare	10.9	7.4
Technology	10.3	10.8
Consumer goods	7.6	5.8
Oil & gas	7.2	11.8
Basic materials	5.8	15.5
Telecoms	2.1	1.4
Utilities	1.2	1.3

KEY AIM STATISTICS

Total number of AIM	1,088
Number of nominated advisers	48
Number of market makers	55
Total market cap for all AIM	£72.1bn
Total of new money raised	£90.8bn
Total raised by new issues	£39.6bn
Total raised by secondary issues	£51.3bn
Share turnover value (2013)	£8bn
Number of bargains (2013)	1.49m
Shares traded (2013)	81.5bn
Transfers to the official list	172

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	753.27	-8.4
FTSE AIM 50	3887.79	-10.1
FTSE AIM 100	3408	-6.9
FTSE Fledgling	7631.71	+10.3
FTSE Small Cap	4655.04	+4.1
FTSE All-Share	3760.06	+3.9
FTSE 100	6960.63	+2.7

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	268
£5m-£10m	136
£10m-£25m	207
£25m-£50m	159
£50m-£100m	144
£100m-£250m	115
£250m+	59

TOP 5 RISERS OVER 30 DAYS

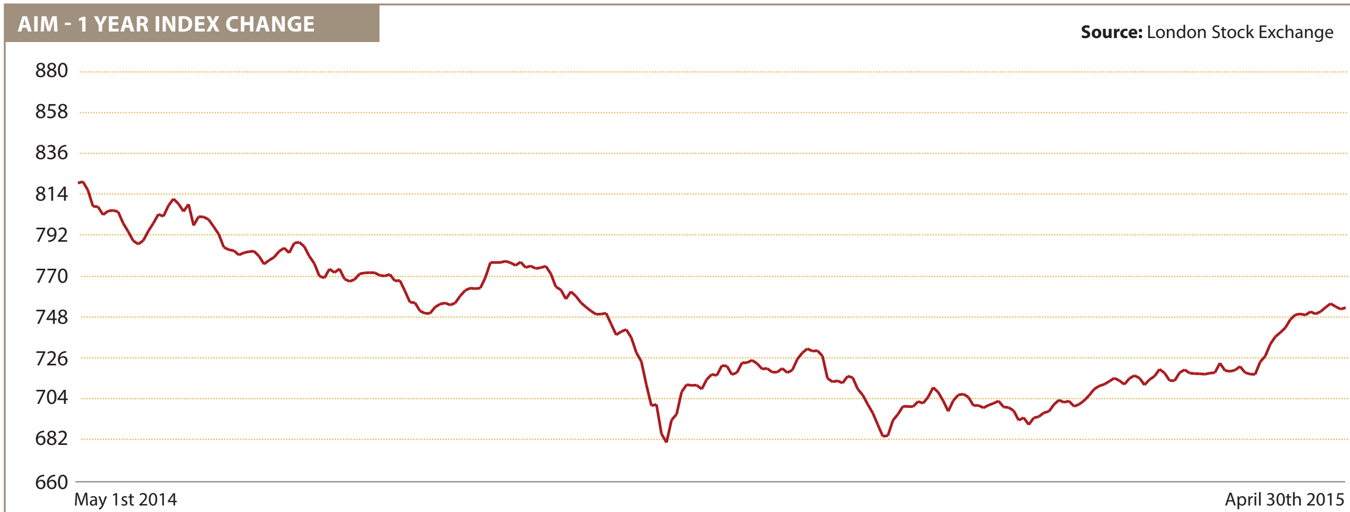
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
UK Oil & Gas Investments	Oil and gas	2.62	+205.2
Northcote Energy	Oil and gas	0.29	+180
Ascent Resources	Oil and gas	0.33	+160
Alba Mineral Resources	Mining	0.63	+140.4
Sefton Resources Inc	Oil and gas	0.29	+137.5

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Prospex Oil & Gas	Oil and gas	3.8	-69.6
Optare	Vehicles	0.06	-65.7
Trap Oil Group	Oil and gas	0.28	-65.6
Rose Petroleum	Oil and gas	0.77	-46.6
Motive Television	Media	0.01	-45.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



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

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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 2012 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 2014, finnCap reported a 36% jump in revenues to £15.5m and operating profit was 92% higher at £5m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were launched in 2014.

PUBLISHED BY:	Hubinvest Ltd,	**Mobile:**	07849 669 572
ADDRESS:	1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH.	**EDITOR:**	Andrew Hore
		DATA:	Andrew Hore
TELEPHONE:	020 8549 4253	**PRODUCTION & DESIGN:**	David Piddington

SPONSORSHIP & ADVERTISING aimjournal@hubinvest.com
or telephone 020 8549 4253

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