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AIM JOURNAL

Election could be good for AIM

AIM improved 5.3% during May with the FTSE AIM UK 50 index outperforming with a 9.15% gain. That compares with a 1.9% improvement in the FTSE 100 index, although AIM is still underperforming the Main Market over 12 months.

Takeover activity continues. Video games services provider Keywords Studios, one of the largest companies on AIM, received an approach from Sweden-based EQT Group. The suggested bid level is 2550p/share in cash. There have been four other unsolicited proposals from EQT, which has a range of investment portfolios, including a private equity fund. This time management has been more receptive, and discussions are advanced.

However, there has been a small dip in AIM since the announcement of the General Election – although it is not much more than 0.1% down. Recent elections have led to a positive performance by the junior market. AIM has outperformed the FTSE 100 index after each of the last four elections.

Following the most recent five elections, AIM has ended that year higher than at the beginning of the year. Gains by AIM in the past five election years range from 4% in 2005 to 42.9% in 2010. AIM ended the year higher than the day prior to the announcement of the election in four out of these five years. In 2010, there was a 36.4% gain from the election day to the end of the year.

Cambridge Cognition fundraising

Cambridge Cognition has raised £2.5m from a placing and subscription at 40p/share and it could raise up to £125,000 more via a one-for 113 open offer. The neuroscience health technology developer requires additional working capital to cover potential delays in payments. The share price fell to 42p, which is just above the low since 2020.

It can take up to six months from the signing of a clinical trial contract for revenues to commence. Lead times have been lengthening and income depends on when clients start the trials.

In 2023, Cambridge Cognition reported a loss of £1.3m on revenues of £13.5m. This follows the integration of Winterlight. Net cash was £700,000 at the end of 2023, which was better than expected. There was a contracted order book of £17.2m at the end of last year and there have been delays but £9m of that is expected to be recognised this year. A small 2024 pre-tax profit was anticipated by Dowgate. Without the new money raised Cambridge Cognition was expected to have net debt of around £1m at the end of 2024.

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CRISM reverses into Amur

Cancer treatments developer Extruded Pharmaceuticals reversed into Amur Minerals Corporation to form CRISM Therapeutics Corporation on 31 May. According to the admission document, the estimated value of the company after the acquisition would be £7.5m at 23p/share following a one-for-160 share consolidation. That valued the all-share acquisition of Extruded Pharmaceuticals at £5.5m. The opening price was 24p, but it ended the day at 11.5p after more than 145,000 shares were traded – mainly sells.

The company was founded in 2016 and its main product is ChemoSeed, which is a treatment for glioblastoma and high grade glioma, where there is no current cure. This treatment could rapidly progress to clinical trials. Because ChemoSeed has orphan drug status in its main markets, it could receive marketing authorisation for high grade glioma following positive phase II clinical trials.

An application for a clinical trial will be submitted through hVIVO subsidiary Venn Life Sciences before the end of the year. If existing safety and efficacy data is sufficient a clinical trial could commence in the fourth quarter of 2025. ChemoSeed may also be effective with other cancers, such as bladder and breast cancer.

So far, revenues generated have been from service contracts. Research and development costs were reduced in the year to March 2024 because of a lack of cash. There will be £1.95m in cash in the bank after the reversal, which is not enough to complete the clinical trial so further cash will be required. Two directors have waived £298,000 in loans.

IQGeo bid premium

Kohlberg Kravis Roberts has made a recommended bid of 480p/share for geospatial software provider IQGeo, valuing it at £333m. In a period where technology companies are out of favour, IQGeo has managed to significantly outperform the market and the prospective multiple at the bid price is more than 50. IQGeo has a core customer base of utilities and telecoms. Its software enables these businesses to integrate information and geospatial data so that it can be used to build up a visualisation of all their assets and where they are sited. KKR believes that it can provide the backing to accelerate growth. Management thinks that it requires more financial strength even though there is net cash of around £17m.

NetScientific grows fund management

NetScientific has bought the operating business of early-stage investor Martlet Capital, and its subsidiary EMV Capital is taking over the management of Martlet Capital's £23.3m portfolio of investments. This deal will provide further income to cover group overheads. Annual management fees from the portfolios taken on should be in mid-high six figures. The cost of the deal will depend on the net carried interest in the portfolio over the next two years.

NetScientific and EMV Capital invested in Cambridge-based Martlet Capital when it raised its initial investment in 2021 and have a 1.38% stake, while advisory clients hold a further 8.2%. This means that NetScientific already has knowledge of Martlet Capital and its operations. The funds under management will provide a significant uplift on the EMV Capital figure of £26.1m at the end of June 2023.

There are plans to launch the Martlet Capital Fund II, which is based on the existing early-stage investment policy, and the Martlet Growth Fund for follow-on and later stage investments. This will further boost funds under management.

NetScientific investee company DeepTech Recycling, which owns the plastic waste recycling technology previously developed by Recycling Technologies Group that pulled its proposed AIM flotation in 2022, has raised a further £800,000. EMV Capital led the fundraising, and this takes the total raised in the past six months to £2.1m. This will fund the pilot plant development and recruitment of a team to commercialise the technology.

NetScientific owned 30% of DeepTech Recycling at the end of 2022 and this is being diluted to 21.2%. The value of the investment has been increased by £1.8m, though. EMV Capital clients own 29.3% of DeepTech Recycling.

Zeus Capital eyes WH Ireland capital markets

WH Ireland is in talks with Zeus Capital, which could lead to the sale of the former's capital markets division. This is the latest move in the consolidation of AIM brokers with the merger of Panmure Gordon and Liberum completed during May to form Panmure Liberum.

The enlarged Zeus would be nominated adviser to 70 AIM companies, according to the London Stock Exchange spreadsheet, and broker to a higher number, as well as having fully listed clients. To put this into perspective, Cavendish Capital Markets, formed from the merger of finnCap and Cenkos, has 114 nominated adviser clients. Panmure Liberum has 62.

The capital markets division of WH Ireland generated revenues of £12.2m in the year to March 2023. There was a £1.35m loss before a management charge of £358,000 and a loss on current asset investments of £1.12m. The latest interim revenues declined from £7m to £4.4m and there was an increased underlying loss. At the end of 2023, there were 88 clients in total.

There were subsequent cost savings and WH Ireland was indicating that there are signs of recovery in the market.

Zeus has been trading for two decades. In the year to March 2023, it was hit by a slump in revenues from £43.5m to £7.81m, while a pre-tax profit of £12.8m turned into a loss of £9.13m. The loss on investments, unrealised and realised, jumped from £2.93m to £6.69m. Net assets were £18.4m at the end of March 2023, including £5.22m in cash.

Zeus acquired rival broker Arden Partners in early 2023, and this has been integrated. Arden brought a market making operation. The group has also launched its first fund SVS Zeus Dynamic Opportunities. This is a UK focused portfolio of long-term growth and value investments. There are plans to further develop the asset management business.

■ Deutsche Bank is closing the US and Irish operations of Numis following its acquisition. The Dublin office was opened to provide an EU presence for Numis, which is no longer required. The UK operations are moving into existing Deutsche Bank offices. Numis was acquired for £410m last year and Deutsche Bank subsequently wrote down the value of its investment by around £200m.

Deutsche Numis is nominated adviser to 25 AIM companies. In total, there are 170 corporate broking clients.

ADVISER CHANGES - MAY 2024

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
United Oil & Gas	Shard / Optiva / Tennyson	Optiva / Tennyson	Beaumont Cornish	Beaumont Cornish	5/1/2024
GlobalData	Investec / JP Morgan Cazenove / Panmure Gordon	JP Morgan Cazenove / Panmure Gordon	JP Morgan Cazenove	JP Morgan Cazenove	5/2/2024
Velocity Composites	Canaccord Genuity / Dowgate	Cavendish / Dowgate	Canaccord Genuity	Cavendish	5/2/2024
Water Intelligence	RBC Capital Markets / Dowgate	WH Ireland / RBC Capital Markets / Dowgate	Grant Thornton	WH Ireland	5/7/2024
Abingdon Health	WH Ireland	Singer	WH Ireland	Singer	5/8/2024
Corero Network Services	Zeus / Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	5/9/2024
Pathfinder Minerals	Oak Securities / Allenby	Allenby	Allenby	Allenby	5/9/2024
Reabold Resources	Cavendish	Cavendish / Stifel Nicolaus	Strand Hanson	Strand Hanson	5/9/2024
Marlowe	Investec / Cavendish	Cavendish / Berenberg / Stifel Nicolaus	Cavendish	Cavendish	5/14/2024
H&T	Canaccord Genuity / Shore	Shore	Shore	Shore	5/16/2024
Electric Guitar	Global Investment Strategy / Allenby / Axis	Allenby / Axis	Allenby	Allenby	5/20/2024
Public Policy Holding	Zeus/ Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	5/30/2024
Sareum	Hybridan	Peel Hunt / Hybridan	Strand Hanson	Strand Hanson	5/30/2024

Renamed Finseta moves into profit and sparks another upgrade for 2024 figures

Currency services *www.finseta.com*

Cornerstone FS has finalised its change of name to **Finseta**. This followed the announcement of the 2023 figures which sparked another forecast upgrade for the currency and payment services provider, which moved into profit for the first time.

Lower than forecast operating costs meant that the 2023 pre-tax profit was higher than anticipated at £1.4m. That included a £200,000 one-off gain. Active customers increased by 13% to 906, while average transaction values rose by one-third. Finseta moved into a positive cash position with net cash of £200,000 at the end of 2023.

High net worth individuals accounted for 64% of revenues and that percentage is set to continue to increase. Corporate clients are becoming less important, but Finseta has signed a deal to issue Mastercards to corporate clients.

Trading momentum continues

Trading momentum continues into 2024. Revenues are set to improve by one-fifth to £11.5m. Shore forecasts a 2024 pre-tax profit of £1.3m as Finseta builds up its capacity ready for future growth. There could be a gain from the disposal of Capital Currencies. Profit is expected to accelerate from 2025 onwards.

FINSETA (FIN)			39p
12 MONTH CHANGE %	+388	MARKET CAP £M	22.4

The shares are trading on 22 times forecast 2024 earnings, but that could fall to 13 in the following year. The cash position will continue to improve with net cash of £1.4m forecast by the end of 2024. Shore believes that net cash could be £7.7m by the end of 2026.

In reality, Finseta is likely to put that cash to work in growing the business via acquisition or by taking on teams of people and setting them up as part of the group. A new operation has been set up in Canada. The share price has already recovered significantly, and it is the third largest riser on AIM in the past year, but there should be much further to go.

4D growth for Silver Bullet Data Services

Digital marketing services *www.wearesilverbullet.com*

Although the share price has doubled over the past year, it is still well below the 257p/share placing price when **Silver Bullet Data Services** joined AIM in June 2021. The weakening of advertising and marketing spending has slowed progress, but corporate clients are switching more of their spending to online.

Silver Bullet Data Services generates income from consultancy services and its 4D AI technology. This is an international business. Clients include Mars Petcare and Heineken.

SILVER BULLET DATA SERVICES (SBDS)			87.5p
12 MONTH CHANGE %	+103	MARKET CAP £M	15.3

Consultancy services include data intelligence, technology implementation, how to use data to optimise results and analysing campaign results. The 4D software is an alternative to cookies, which are being phased out. It is a contextual ad targeting software that helps to personalise content for customers, while protecting the privacy of these individuals.

In 2023, revenues grew 44% to £8.36m and the contribution from 4D was 85% higher at £2.81m. The cash outflow from operations was £2.16m. There is already committed revenues of £6.2m for 2024, which is more than two-thirds of the target revenues for the year. Overheads should be flat this year. The 4D software should continue to grow at a faster rate than services.

Management is hopeful that the company can become EBITDA positive during the second half. The cash outflow needs to be stemmed. Net debt was £2.4m at the end of 2024. This does include convertible loan notes of £2.55m, which are in two tranches convertible at 110p/share and 50p/share.

Calnex Solutions revenues slump and any rebound depends on telecoms capital investment

Telecoms test equipment *www.calnexsol.com*

Lack of capital investment in the telecoms sector knocked telecoms testing equipment supplier **Calnex Solutions** into loss in the year to March 2024. Up until last year, the company had been one of the better performing new entrants in the past four years and the share price quadrupled at its peak 18 months ago The October 2020 placing price was 48p, which is just below the current share price. Existing shareholders raised £16.5m in the placing

Revenues slumped from £27.5m to £16.3m and there was a swing from a pre-tax profit of £7.2m to a loss of £400,000. A tax credit meant that there was a small post-tax profit.

Overheads have been cut

The final dividend was maintained at 0.62p/share, taking the total to 0.93p/share. There is no concern about the financial state of the business with net cash of £11.9m at the end of March 2024.

Cloud computing and defence sector demand is helping to offset the weakness of the telecoms market. The international spread of business has also helped. The Americas and China were most affected by the downturn in spending. There are signs that the telecoms market is picking up, but it is too early to be sure.

CALNEX SOLUTIONS (CLX)			51.5p
12 MONTH CHANGE %	-52.3	MARKET CAP £M	45.1

Overheads have been reduced and engineering activities refocused. New products are still being developed, though, and there has been a positive response to them.

Canaccord Genuity expects a return to profit in 2024-25, but it is likely to be modest. Profit expectations show some improvement. This is based on steady growth in revenues, but the 2026-27 revenues estimate is still well below the 2022-23 level. That leaves plenty of room for upgrades if there is a faster upturn in demand, particularly from 5G investment.

Contract wins underpin Cerillion expectations

Telecoms billing and CRM software *www.cerillion.com*

Telecoms business and operations support software supplier **Cerillion** continues to win substantial orders. Order value has grown by one-third to £20.2m, including a November contract win that should generate €12.4m over five years. Since then, a $11.1m, five-year contract has been announced with a Southern African company. This shows a broadening of the international spread of business.

The contract wins are despite the general caution of telecoms companies when it comes to capital investment. The Cerillion software helps clients to improve efficiency and spending on this is forecast to grow at a compound annual rate of 3.5% between 2021 and 2027.

CERILLION (CER)			1540p
12 MONTH CHANGE %	+18.5	MARKET CAP £M	454.5

In the six months to March 2024, revenues improved from £20.5m to £22.5m, while underlying pre-tax profit increased from £9.2m to £10.5m. The interim dividend was raised from 3.3p/share to 4p/share.

Four-fifths of clients have been with Cerillion for more than five years and 89% of revenues come from existing clients. There is a weighted sales pipeline of £19m for existing customers, while the weighted pipeline for prospective customers is £55m.

Singer forecasts an improvement in full year pre-tax profit from £16.8m to £17.3m, while the latest contract wins will help this rise to £19m in 2024-25. The dividend will continue to be covered around four times by underlying earnings, suggesting a total dividend of 11.6p/share this year. The share price reached an all-time high just before the interim results announcement.

The prospective multiple is around 33, but Cerillion tends to outperform expectations so there could be potential for a forecast upgrade later in the year.

Engineering services provider Renew Holdings continues its impressive record of profit improvement

Engineering services *www.renewholdings.com*

Engineering support services provider **Renew Holdings** has been one of the most consistent performers on AIM and the share price reaches new highs nearly every year. It is just off the high currently. Management has set its sights on increasing the range of sectors it is involved in, although there are plenty of growth opportunities in the existing businesses.

Interim revenues were 17% ahead at £552.8m with nearly all the growth organic. Underlying pre-tax profit rose from £27.7m to £32.9m. That was before an additional provision for former subsidiary Allenbuild. There was an improved profit contribution from the building division, but the growth

Net cash was £42.5m

was predominantly in engineering services.

The latest water sector investment cycle is beginning next year, and spending is going to increase. Renew has also won additional framework contracts in the rail sector. Nuclear demand is strong and Renew has enhanced its position at Sellafield.

Since March, Renew has acquired Route One for an enterprise value of £5m. The West Yorkshire based company provides bridge deck maintenance services for roads. This deal adds new services to the group.

Renew is also assessing operations in new sectors – energy

RENEW (RNWH)			1068p
12 MONTH CHANGE %	+49.4	MARKET CAP £M	845.2

transmission and distribution and renewables. Net cash was £42.5m at the end of March 2024 and that could rise to £47m by September 2024. This can be used for further acquisitions.

Whoever wins the General Election they will remain committed to infrastructure spending. The order book was worth £894m at the end of March 2024. Peel Hunt edged up its full year pre-tax profit forecast to £69m, rising to £71m next year. The prospective multiple is 16, with potential for more earnings enhancing acquisitions to help longer-term earnings growth.

Nexus Infrastructure seeks to broaden client base

Civil engineering services *www.nexus-infrastructure.com*

Peter Gyllenhammar has spotted the underlying value of Nexus Infrastructure and taken a 5.26% stake. There is a strong balance sheet with potential for reinvestment to broaden the services provided by the group.

Keith Breen has sold his 9.03% shareholding since the interims. He was a director of the company for a decade until March 2016. That was just over one year before the company joined AIM in July 2017 via a placing at 185p/share. He sold 6.25 million shares in that flotation, raising £11.6m. He joined the group in 1985 and was managing director of Tamdown before becoming key

NEXUS INFRASTRUCTURE (NEXS)			117.5p
12 MONTH CHANGE %	-30.9	MARKET CAP £M	10.6

account director in 2017.

Nexus Infrastructure reported a decline in revenues in the six months to March 2024, but the order book is improving. Revenues generated by the infrastructure services provider fell from £51m to £25.8m and the company slipped into loss. The cost base has been reduced in line with the current operations and improving efficiency should enhance margins. The interim dividend is maintained at 1p/share.

There is still £9.3m of cash, which is not much less than the market capitalisation. The order book is worth £72m, but a recovery in revenues may not happen until next year. An upturn in the housebuilding sector is anticipated in the next 18 months.

Nexus Infrastructure has focused on its Tamdown operations following the disposal of the group's other businesses. This leaves the company dependent on the housebuilding sector, where the long-term prospects should be good, but a more diversified client base would be better. Management has been assessing opportunities in the water, transport and energy sectors.

Ingenta cash flow covers dividend improvement

Publishing software *www.ingenta.com*

Dividend

Publishing software provider Ingenta has been paying dividends regularly since the 2016 financial year when 1p/share was paid. The following year 1.5p/share was paid, and that dividend was maintained for another three years until Ingenta started to pay two dividends each year. The total rose to 3p/share and then 3.45p/share. The latest final dividend is 2.6p/share – the ex-dividend date is 13 June – taking the total to 4.1p/share. That dividend is covered just over three times by earnings.

Cavendish expects the dividend to be maintained this year on flat earnings. Even so, net cash is forecast to improve from £2.7m to £3.7m by the end of 2024.

Business

Oxford-based Ingenta supplies content management systems and publishing software. Growth has been organic with the most recent acquisition made in 2016. It has been funded by cash generated from operations.

There are two divisions. Ingenta Commercial supplies modular publishing management systems for print and digital markets with a focus on IP management. This business has branched out into the music industry with an offering called conChord.

Ingenta Content provides technology that enables publishers to convert, store and monetise digital content. Investment in the product has made it easier for customers to upgrade. The client base is broadening and includes non-governmental organisations.

In 2023, revenues grew 3% to £10.8m with growth in content revenues more than making up for a dip in turnover of the larger commercial division. US revenues grew by one-fifth. Lower depreciation meant that underlying pre-tax profit improved from £1.8m to £1.9m. An increase in working capital led to cash generated from operations falling from £2.5m to £1.1m, but capital investment is minimal, and the cash twice covered the dividend outflow.

INGENTA (ING)	
Price (p)	142
Market cap £m	20.6
Historical yield	2.9%
Prospective yield	2.9%

Annual recurring revenues are £8.7m and that should increase by £500,000 as new customers are hooked up this year. Cavendish forecasts flat 2024 pre-tax profit of £1.9m, but the operating cash inflow is expected to improve to £1.9m. The shares are trading on eleven times prospective earnings.

Kestrel Partners is a 23.1% shareholder, and it has been successful in spotting and taking substantial stakes in technology companies, such as geospatial software supplier IQGeo. More than 79% of the shares appear to be owned by eight investors. This can limit liquidity, though there is trading on most days.

Management mentions that it will consider acquisitions if they are earnings enhancing. This could take Ingenta into new markets if the right deal can be found.

The share price has halved over the past ten years, but it has been recovering and has more than doubled over five years. Yet, Ingenta still trades on a relatively modest rating considering the cash generative nature of the business.

Dividend news

Motor dealer **Vertu Motors** grew full year revenues by 18% to £4.72bn, while underlying pre-tax profit improved from £36.5m to £37.1m. The used car market was weak, but other parts of the group made up for this. Net tangible assets were 70.5p/share at the end of February 2024. Trading in the first two months of the new financial year has been ahead of expectations. The fleet market continues to be strong and pre-tax profit is set to rise from £37.8m to £42.1m. Last year's dividend was raised 9% to 2.35p/share and could be increased to 2.5p/share for 2024-25. That would still be covered 3.5 times by forecast earnings.

Builders merchant **Lords Group Trading** maintained its dividend at 2p/share in 2023. That was despite a sharp decline in pre-tax profit from £17.4m to £10.4m even though there was a 3% rise in revenues to £462.6m. Trading is in line with expectations, but there is likely to be a further significant fall in profit. There could be an upturn in demand in the second half if the improvement in UK construction data continues. A 2024 pre-tax profit of £6.4m is forecast. That would still generate earnings that more than cover an unchanged dividend.

Arbuthnot Banking Group has decided to pay a special dividend of 20p/share on top of its interim dividend of 20p/share, up from 19p/share in 2023. The two dividends will be paid at the same time on 20 June. At the AGM, the company stated that trading was in line with expectations in the first four months of 2024. The loan balances were 2% higher at £2.37bn and funds under management were 10% ahead at £1.87bn. Arbuthnot Banking has benefitted from high interest rates as the repricing of deposits lags interest charges on loans. NAV was 1547p/share at the end of 2023.

Expert view: Registrars

London's listing challenges - are multiple headwinds to blame?

By Hardeep Tamana

The last few months may have seen a little bit more love returning for London equities, M&A activity is on the increase and valuations are starting to tick higher. However, following the IPO boom seen during the pandemic, the temptation has been to try and pin the subsequent slowdown on a single factor, be that high interest rates, political uncertainty, inflationary woes and so on. A point arguably deserving greater scrutiny is whether, in an increasingly globalised world, London has left itself at a competitive disadvantage given the seemingly relentless burdens listed companies have to navigate?

Stamp Duty

This remains a bugbear of the markets. Whilst London isn't the only venue where governments collect a transaction tax on each trade - thankfully AIM shares are exempt - the tax levied is noticeably higher than that charged by peers. In France the tax is just 0.3%, it's 0.1% in Italy and in Germany there's no levy at all. Indeed, at Avenir we recently assisted a company list on the Paris market, with the 40% lower tax being seen as offering a significant boost to secondary market liquidity.

Broker fees

Whether it's a blue chip paying brokers or an AIM company being obligated to engage the services of a NOMAD, the fees here have been steadily increasing over time. Feedback from a growing number of issuers is that they see this as being a market-specific issue that's both dragging on the cost of maintaining a listing and deterring some from coming to market in the first place.

Communication costs

The price tag when it comes maintaining necessary communications with investors is proving to be another market challenge when the cost of physical document production and distribution has risen by more than 50% over the last five years. As noted in last month's AIM Journal, we're working with issuers to move them to a digital first register that - subject to the relevant resolutions being passed at a general meeting - speeds investor communication and dramatically reduces costs. However, changes to the Companies Act could make this an automatic process and bring about wide-reaching benefits.

MiFID II

With brokers now unable to provide free or "bundled" research to clients, the burden especially for smaller companies typically falls to the issuer to commission this work. Whilst this legislation is being reversed as part of post-Brexit reform, it will take time to filter through the market. Until comprehensive analyst coverage is available, funding this will again add to issuers' listing fees.

Cost of Capital

It's a mainstay but can't go without a mention. With interest rates high, the temptation to invest in equities is muted, yet it's easy to feel that the one track initiative to bring down inflation is failing to work. A blend of fiscal and monetary policies here would at least lower the cost of capital and maybe show a more forward-thinking approach by those involved.

Nominee or Carry Costs

Companies face costs when facilitating investors' holdings of shares. With an increased push to digitise these holdings via nominees, new issuers are often left having to help their holders find appropriate venues to hold shares; this makes the process more difficult as well as disenfranchising some securities holders.

Wider adoption of using e-shares as the default option then augmenting with paper certificates would deliver a secure, viable and lower cost option.

Equity markets have faced an unprecedented series of challenges over the last few years, but it's vital that policymakers understand the growing number of hurdles that need to be overcome in order to maintain a listing whilst also delivering shareholder value. And whilst some barriers to entry may act as a way of preserving the quality of companies who can obtain a listing, there becomes a point when this relationship collapses. It's difficult to ignore that London's woes right now may be the result of many small challenges converging, not an easy to resolve single issue.

> Wider adoption of e-shares as the default would deliver a secure, viable and lower cost option

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

Copper price has scope for further recovery

Things are looking up for copper miners and explorers with the copper price recovering. Phoenix Copper has secured an innovative financing deal for its US mine.

Copper is up, big time. As valued by the continuous contract on COMEX, copper started 2024 priced at US$3.88/lb. The current price is US$4.66/lb.

And back in May, as a short squeeze exacerbated an already strong upward momentum, the price hit US$5.11 per pound, or US$11,400 per tonne. That's higher than it's been for more than ten years.

A year ago, by contrast, copper was trading at a mere US$3.66/lb. It may not feel like it on many levels, but a copper bull market is well underway. And there could be more to come.

Former Trafigura trader and hedge fund manager Mark Thompson pointed out on a podcast late in May that typically from trough to peak in a bull market, commodities can move by as much as eight times. If he's right, that puts copper on track for further significant gains, possibly as much as fourfold on the current price.

The market is beginning to wake up to this new dynamic, but curiously slowly.

True, the majors are on the move. London's only pure-play copper company, Antofagasta, is trading at twenty-year highs.

And BHP's recent lunge at Anglo American has widely been interpreted as an attempt to secure additional copper output. "We believe BHP want to buy Anglo as a relatively cheap way into more large-scale copper production in a world where building new large-scale copper mines is both expensive and risky," broker SP Angel told clients on 29 May.

Anglo American famously has a significant exposure to several major South American copper mines, although you wouldn't know it from the company's website, which is clearly running so scared of the ESG brigade that the actual mines themselves scarcely get a mention until you dig very, very deep.

But the market knows it's the world's fourth largest producer, and it knows that of all the majors Anglo has long been the most vulnerable, partly because of its African millstones. If there is going to be a new round of corporate activity as part of a bull market, Anglo makes sense as an early target. The African assets could be spun out in a fashion similar to the way in which BHP jettisoned the unwanted Billiton assets into South32.

Who else might get involved?

The top copper producers by tonnage are Freeport McMoRan, BHP, Codelco, Anglo American, Antofagasta, and Glencore in that order. Also in the running, but trailing the pack are First Quantum, Norilsk, and Southern Copper.

Of these, only BHP, Glencore and Freeport really have it in them to make it happen, and one wonders if Freeport would really enjoy the African entanglements.

> The recent issue of a "copper bond" by Phoenix Copper is a now-rare instance of financial innovation in London

So, all eyes on Glencore, at least for the time being, and to some extent BlackRock, which seems to be making a certain amount of the running between the various parties.

Future supply

All this points to a deeper issue in the market though, and that's a lack of visibility on future supply.

Yes, the biggest miners can buy existing production and existing reserves, and in certain cases, where discounts are applied for other reasons like political risk, they may get a good deal. But what we're really talking about is simple enough: the biggest and richest deposits in the world have been found, and either been mined out or are well on the way to being mined out.

The next generation of copper mines are going to be lower grade, more expensive to find per pound or tonne of metal, and more expensive to extract too.

That is a problem that most market participants have been avoiding so far. The majors buy production. Governments engage in shouting matches and wars with other governments and compile impressive looking lists of "critical minerals" without actually doing much.

And the market remains leery of mining in general, and exploration in particular, to the point where the capital necessary to undertake this new round of more difficult exploration is almost impossible to obtain.

At some point, though, the dam will break.

AIM copper miners

As Mark Thompson says: "the market will find a way." And AIM should, at least in theory, be able to play a leading role in this.
After all, there are many exploration companies already listed on AIM that are working up copper assets. One of AIM's best managed mining companies, Central Asia Metals, even has a long-standing track record of profitable copper production.

So, AIM is where copper companies should be able to find a welcome. How is it in practice though?

The answer is that you need to be innovative. Investors still haven't forgotten the immense amount of value that was wiped out at the end of the last mining boom, and this time round they have a lot more products to choose from, besides.

The good times in mining last rolled back between about 2005 and 2008, with occasional subsequent blips. Back then, ETFs were still evolving. The first gold ETF launched in Australia in 2003, the first silver ETF in 2006. There was nothing in base metals until much later.

In the old days, if you wanted exposure to copper it had to be through equities. Now, that's not the case. What's more, speculative money that used to go towards mining exploration because that was the place to speculate par excellence now has Bitcoin and a multitude of other crypto assets to head towards.

It isn't easy attracting money for a speculative venture like, say, looking for copper several hundred metres beneath the Kalahari sands, as Kavango Resources has been attempting to do in Botswana.

It sounds hard, and it is. But success isn't without precedent. To the south of Kavango's Kalahari Copper portfolio is Khoemacau, a recently completed multi-billion-dollar copper mine, one of the few major new projects anywhere in the world.

trying to do any or all of them in a market that is sceptical of your sector and apparently unwilling to wake up to the potential of a bull market that is already in full swing, hell, yes, you'd better be innovative.

Phoenix has raised US$80m through the issuance of bonds to a European private equity investment company. The idea is to provide enough funds to undertake and complete construction of the company's Empire mine in Idaho. So far so good.

But bonds at the smaller end of the mining sector are usually convertible. Phoenix's bonds aren't, so shareholders don't need to fear a massive flood of dilution at some unanticipated future date. Bonds in the junior mining sector also often carry a hefty coupon. There's a case that these bonds do too, but the key here is that the coupon is linked to

The next generation of copper mines are going to be lower grade

Even so, you have to wait until page 18 of Kavango's latest presentation for any mention of its copper assets. The emphasis in the preceding pages is all on the new gold projects in Zimbabwe – and, with gold also on a tear, and often easier to find and mine than copper these days, it's not hard to see why.

Copper bond

And so, in the context of all this it was interesting to see the recent issuing of a "copper bond" from Phoenix Copper. This is a now-rare instance of a financial innovation generated in London, specifically by Richard Wilkins, the company's chief financial officer.

Wilkins has long experience in the mining sector, and knows well enough the challenges posed by exploration, by construction, by mining, and by fundraising. If you're

the higher of either the LME copper price or the US Federal discount rate.

The coupon goes higher if the copper price goes higher. But of course, if the copper price goes higher, Phoenix as a business does better overall. So, this is intelligent thinking, or the type of deal we all need: one where both sides benefit.

Not every company has an American mine ready to build, or a board sophisticated enough to put together US$80m in non-dilutive innovative finance. So, it remains to be seen whether the copper bull market will really take hold on AIM.

There is potential. The likes of Arc Minerals, Atalaya, and Great Southern could rise with all boats. But so far, the share price performances have not been spectacular.

Alastair Ford (Alastair@sofabarconsulting.com)

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	25	16
Industrials	19.5	17.1
Financials	12.2	10.4
Technology	11.8	12.7
Health Care	10.6	10.7
Basic materials	8.5	16.3
Energy	6.7	11.2
Telecoms	2.1	1.8
Property	1.8	2.1
Utilities	1.6	0.7

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	805.79	+2.24
FTSE AIM 50	4361.33	+3.4
FTSE AIM 100	3907.7	+3.9
FTSE Fledgling	11897.05	+2.5
FTSE Small Cap	6783.95	+10.6
FTSE All-Share	4517.08	+9.8
FTSE 100	8275.38	+9.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	136
£5m-£10m	81
£10m-£25m	150
£25m-£50m	96
£50m-£100m	91
£100m-£250m	94
£250m+	82

KEY AIM STATISTICS

Total number of AIM	730
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£76.6bn
Total of new money raised	£134.7bn
Total raised by new issues	£48.1bn
Total raised by secondary issues	£86.5bn
Share turnover value (Apr 2024)	£16.1bn
Number of bargains (Apr 2024)	3.24m
Shares traded (Apr 2024)	428.6bn
Transfers to the official list	203

TOP 5 RISERS OVER 30 DAYS

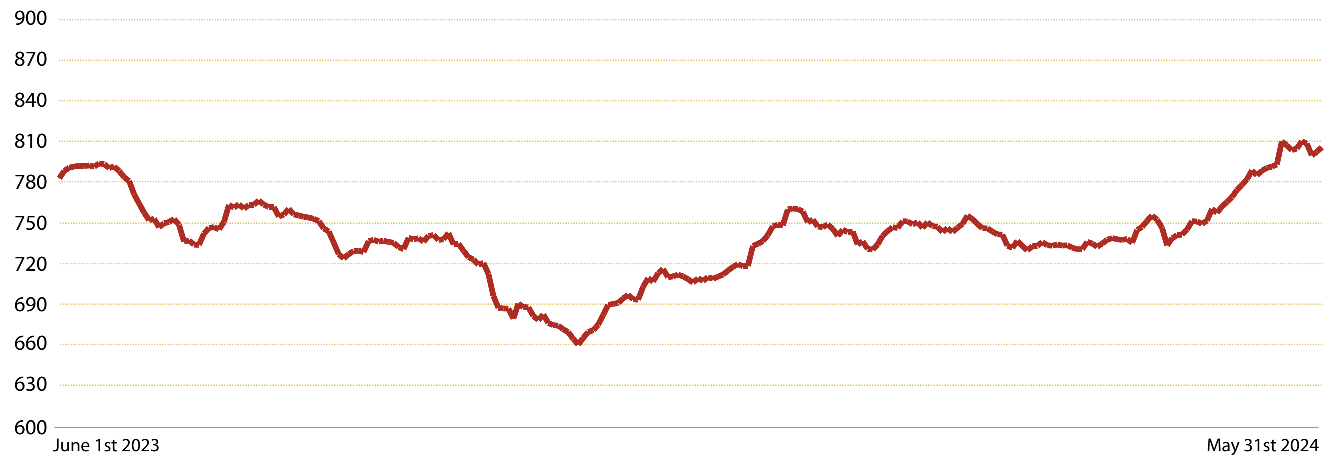
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Kore Potash	Mining	1.7	+327
Powerhouse Energy	Cleantech	1.9	+116
Belluscura	Healthcare	13.25	+103
Keyword Studios	Meda	2234	+93.9
Helix Exploration	Mining	19.25	+88.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Polarean Imaging	Healthcare	1.25	-68.7
Genedrive	Healthcare	1.475	-65.9
Longboat Energy	Oil and gas	7.25	-59.4
GoldStone Resources	Mining	1.025	-55.8
Surface Transofrms	Automotive	1.75	-55.5

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 29th May 2024, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published.

The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

The readership via the email is predominantly a professional one. One-quarter of readers are company directors, one-fifth solicitors and accountants, one-fifth brokers and 15% PRs. The rest of the readership is made up of investors, journalists and other individuals.

AIM

The Alternative Investment Market (AIM) was launched on 19 June 1995 with ten companies that had a total market value of £82.2m at the end of the first day's trading. The total amount of money raised by new and existing companies in the remainder of 1995 was £96.5m.

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £134bn either when they join AIM or while they are trading on the junior market.

In 1995, there were 29,099 trades with a total value of £270.2m. These days it is unusual if there are not that many trades in a single day, although their total value tends to be less than £270m.

Companies in the FTSE 100 that started on AIM include online gaming operator GVC, engineer Melrose Industries and student accommodation developer Unite Group. Healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, and online gaming technology developer Playtech are FTSE 250 index constituents.

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