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AIM JOURNAL

## In this issue



# Flat month for AIM

AIM fell by 0.4% during September but it is still outperforming the main measures of the larger companies on the Main Market, with the FTSE All Share index down by 1.8%. The FTSE AIM 100 index was barely changed on the month, partly thanks to a sharp recovery in the share price of online fashion retailer boohoo. The FTSE Fledgling index has risen by 0.9% over the month, but it is still underperforming AIM over longer time periods.

Fundraisings are continuing. Urban Logistics REIT is in the middle of raising up to £120m, with £89.2m already generated from a placing and the rest coming from an open offer and offer for subscription. Draper Esprit has raised £110m. These latest fundraisings are to take advantage of investment opportunities rather than to shore up balance sheets as many were earlier this year. New money raised so far this year is already well above the £3.84bn raised in 2019.

There are signs of greater new admissions activity and there are examples of these companies on page 2.

There has also been merger activity, with Hanover Bidco acquiring employee checks company ClearStar Inc for £14.7m and specialist IFA firm Frenkel Topping in talks with personal injury claim leads generator NAHL.

# Awards shortlist unveiled

Identity verification services provider GB Group, floorcoverings supplier James Halstead and market research services provider YouGov – last year's AIM growth business of the year– are all back on the shortlist for AIM company of the year at the 2020 AIM Awards. Video games developer Frontier Developments is the new company on the list. This year's AIM awards were scheduled to take place on Thursday 15 October, but the dinner will not go ahead. News of a digital campaign will be announced later this month.

Translation and localisation services provider RWS and telecoms services supplier Gamma Communications were the 2019 and 2018 AIM companies of the year, respectively. They are not on any of the shortlists this year.

Healthcare IT provider EMIS is on the shortlist for best investor communication for the fourth year running, having won this award in 2018 and 2019. It is up against life science tools supplier Abcam, automotive testing systems supplier AB Dynamics and cancer diagnostics company Oncimmune, which has developed the EarlyCDT Lung cancer screening and detection product.

There is a new award this year, for AIM corporate governance. EMIS, flexible workspace software supplier essensys, chocolate manufacturer and retailer Hotel Chocolat and market research firm YouGov are in line for this inaugural award.

# Fonix Mobile flotation

Mobile payments and messaging services technology provider Fonix Mobile plans to join AIM in October. Fonix says that it has processed more than £200m of payments in the past 12 months.

Existing shareholders in Fonix want to sell shares, but an amount has not been specified. Founder and non-executive director William Neale owns 52.9%, while chief executive Robert Weisz owns 17%. Richard Thompson has a 20.4% shareholding.

Fonix was founded in 2006 and has clients across sectors including media, gaming, charity and ticketing. Fonix enables these clients to connect to UK mobile networks. A recent deal with the National Trust enables supporters to make donations through mobile phone bills instead of having to enter debit card details. Fonix argues that conversion rates for this direct carrier billing are increased by 300% when compared with card payments.

There are two main ways of generating revenues. Transactions generate income and there are fees for contracted services. According to the accounts for the year to June 2020, Fonix Media Ltd (prior to becoming a plc) increased its revenues from £85.9m to £113.3m.

Lower administrative expenses helped pre-tax profit improve from £4.75m to £7.25m. There was a reduction in directors' remuneration from £499,000 to £174,000. More than £11m has been paid in dividends in the past two years and a further dividend of £1.64m has been announced.

Cash in the bank increased from £10.6m to £28.6m, but that was due to a large increase in trade creditors. There was unpaid share capital of £274,000. Net assets were £2.4m at the end of June 2020.

# Calnex placing

Scotland-based Calnex Solutions provides test and measurement services to telecoms networks and an AIM placing is raising £6m at 40p a share. Existing shareholders will sell £16.5m worth of shares. The market capitalisation at the placing price is £42m. Calnex has an international network of partners and clients include BT, Intel and IBM. In the year to March 2020, revenues grew from £10.3m to £13.7m. Pre-tax profit fell from £2.38m to £1.71m, including a loss on discontinued activities of £501,000 and intangible asset write down of £547,000 relating to the Belfast subsidiary. Calnex takes the R&D tax credit as operating income so £329,000 is included in pre-tax profit, up from £310,000 the previous year.

# Various opportunities

Various Eateries is the latest restaurants company being floated by Hugh Osmond, who was behind the reversal of Pizza Express into a fully listed shell nearly three decades ago. The flotation is timed to provide cash to fund acquisition opportunities. Management says that they have already been approached by small chains of restaurants in London that are keen to do deals.

Various Eateries raised £23.2m, after flotation costs of £1.8m, and it was valued at £65m at the 73p placing price. The directors still own the majority of the shares – Osmond holds 48.1%. eecutive chairman Andrew Bassadone is not taking a salary. He has 25 years' experience in the restaurants sector and founded the Strada chain when he was running Signature Restaurants. He was also involved in launching and expanding Cote Brasserie and Bill's restaurants.

The company owns bar and workspaces operator Coppa Club, mid-priced Italian restaurant operator Tavolino and Rare Bird Hotels, which houses two Coppa Club sites. The first Coppa Club was opened at The Great House hotel in Berkshire and five more have been opened since. A seventh will open in Cobham before the end of 2020. The plan is to open three more next year and four the following year. In the longer term, there could be more than 50 sites.

Tavolino was launched on a former Strada site in July and two more former Strada sites will be converted at St Katherine's Docks and Southbank. Management believes that there could be 100 sites around the UK. Each site costs an average of £1m to set up, although smaller versions would cost £750,000.

Tough times for restaurants and retail property owners may provide opportunities to lease sites at more sensible rents. Obtaining the right sites will be the key to the prosperity of Various Eateries.

# Cash calls fuel brokers' recovery

AIM brokers are performing more strongly on the back of the Covid-19-related fundraisings in the past seven months. Cenkos Securities swung from loss to profit in the first half of 2020. This was on the back of a 48% increase in corporate finance revenues during the period.

Total revenues were 21% ahead at £12.9m and a loss of £196,000 was turned into a pre-tax profit of £753,000 – and that was after £1.16m of restructuring costs. There was a small decline in broking clients, which led to lower revenues for that part of the group.

Cash in the bank improved from £18.3m at the end of 2019 to £22.4m at the end of June 2020. Other current financial assets declined from £8.97m to £4.16m. There is an interim dividend of 1p a share, down from 2p a share in 2019.

■ Numis has had a strong finish to the year to September 2020 thanks to its capital markets division. The broker is on course to increase its pre-tax profit from £12.4m to £34.8m, which is more than the 2017-18 figure. Edison had previously forecast a pre-tax profit of £24.6m. The total dividend for the year is expected to be 12p a share. Net cash could reach more than £108m. Edison estimates that the fit-out costs for the new office in Gresham Street will be between £7m and £9m. The move will take place next year.

■ finnCap expects interim revenues to improve from £14.2m to at least £19.5m and this will have a significant effect on profitability. The third-quarter pipeline is good, and the broker appears cautiously confident about the full-year outcome. finnCap moved into its new offices during September. Net cash was £12.4m on 18 September after the capital investment involved in the office move. This cash pile will enable finnCap to announce an interim dividend with its first-half figures in November.

**ADVISER CHANGES - SEPTEMBER 2020**

| COMPANY | NEW BROKER | OLD BROKER | NEW NOMAD | OLD NOMAD | DATE |
|---|---|---|---|---|---|
| **Iomart** | Investec / Peel Hunt | Peel Hunt | Peel Hunt | Peel Hunt | 02/09/20 |
| **Dods Group** | Canaccord Genuity | Liberum | Canaccord Genuity | Liberum | 03/09/20 |
| **Chaarat Gold** | Canaccord Genuity / SP Angel / finnCap | SP Angel / finnCap | Canaccord Genuity | Numis | 04/09/20 |
| **MyCelx Technologies Corp** | Canaccord Genuity | Numis | Canaccord Genuity | Numis | 04/09/20 |
| **Advanced Oncotherapy** | SI Capital / Allenby | Allenby | Allenby | Allenby | 07/09/20 |
| **Coro Energy** | Mirabaud | Mirabaud / Canaccord Genuity | Cenkos | Cenkos | 07/09/20 |
| **Shanta Gold** | Liberum / Tamesis | Numis | Liberum | Numis | 07/09/20 |
| **Tavistock Investment** | Allenby | Allenby | Allenby | Arden | 09/09/20 |
| **Griffin Mining** | Panmure Gordon / Berenberg | Numis | Panmure Gordon | Numis | 11/09/20 |
| **Jet2** | Canaccord Genuity / Jefferies | Canaccord Genuity / Arden | Cenkos | Cenkos | 14/09/20 |
| **Panoply Holdings** | Dowgate / Stifel Nicolaus | Stifel Nicolaus | Stifel Nicolaus | Stifel Nicolaus | 14/09/20 |
| **Distribution Finance** | Investec | Macquarie | Investec | Macquarie | 16/09/20 |
| **Novacyt** | Numis / SP Angel | SP Angel | SP Angel | SP Angel | 16/09/20 |
| **1Spatial** | Liberum | N+1 Singer | Liberum | N+1 Singer | 22/09/20 |
| **John Lewis of Hungerford** | Allenby | Cenkos | Allenby | Cenkos | 22/09/20 |
| **Netcall** | Canaccord Genuity | finnCap | Canaccord Genuity | finnCap | 23/09/20 |
| **Alba Mineral Resources** | ETX Capital | First Energy / ETX Capital | Cairn | Cairn | 25/09/20 |
| **Botswana Diamonds** | First Equity / Beaumont Cornish | Beaumont Cornish / Novum | Beaumont Cornish | Beaumont Cornish | 25/09/20 |
| **Agronomics** | Cenkos / Peterhouse | Zeus / Peterhouse | Beaumont Cornish | Beaumont Cornish | 29/09/20 |
| **Avacta** | Stifel Nicolaus / finnCap | finnCap | finnCap | finnCap | 29/09/20 |
| **MJ Hudson** | Investec / Cenkos | Cenkos | Cenkos | Cenkos | 29/09/20 |

# Sigma teams up with EQT to move into London private rental market

*Rental housing developer* *www.sigmacapital.co.uk*

Private rental homes developer and manager **Sigma Capital** has secured a partner to enter the private rental market in London. This will provide additional momentum for the company. It should become as important as the deal with fully listed PRS REIT. Sigma's recurring revenues continue to grow, and they already cover ongoing operational expenses.

Sweden-based asset manager EQT is putting £300m of cash into the EQT London Fund and Sigma will co-invest £16m. Homes England is providing a £50m debt facility for initial site purchases. Further debt will be taken on as the initial cash is spent.

The plan is to construct 3,000

## Sigma will co-invest £16m

build-to-rent apartments within five years. The sites will be in Transport for London zones three to six. Sigma is developing sites in Barking and Havering and when completed next year they will be acquired by the new fund. There will be 157 homes with a gross development value of £48m. There are five other sites being acquired from Countryside Properties.

The latest deal is like the one with the PRS REIT, although the ongoing management fee is 0.5% of investment value rather than between 0.7% and 1% of adjusted NAV. Sigma also has a carried interest of 20% of the returns

| SIGMA CAPITAL (SGM) | | | 127.5p |
|---|---|---|---|
| 12 MONTH CHANGE % | +22.6 | MARKET CAP £M | 114.2 |

above a 12% IRR hurdle.

Sigma was profitable in the first six months of 2020, but there were delays in sales to the PRS REIT. At the end of June, the NAV was 65.9p a share. Sigma is changing to a September year end so the next figures will be for nine months. A pre-tax profit of £3.4m is forecast and Sigma is expected to pay a 1.7p a share dividend. In the following year, pre-tax profit is expected to jump back to £11.9m. The shares have risen by around one-third in the past month and are trading on 12 times prospective 2020-21 earnings.

# Sumo expands into the US

*Video games developer* *www.sumogroupplc.com*

Video games developer **Sumo** is expanding in the US through the purchase of Oregon-based Pipeworks. The two companies previously had the same owner and the managements know each other. Pipeworks will bring new client relationships and its own technology.

The initial consideration is $35m in cash and $24.5m in shares. There will also be a cash outflow of $23m to pay off debt and fees. There could be an additional payment depending on performance in 2020 and 2021. Up to $8m could become

| SUMO (SUMO) | | | 229p |
|---|---|---|---|
| 12 MONTH CHANGE % | +42.2 | MARKET CAP £M | 365 |

payable based on 2020 EBITDA and up to $32m depending on EBITDA and revenues visibility in 2021. This will be payable in cash and shares in one instalment. Underlying EBITDA was $2.4m in 2019.

In the first half of 2020, Sumo reported a 27% increase in revenues to £26.3m and pre-tax profit more than doubled to £2.8m. Remote working continues, and employees will not go back to the studios until next year. Net cash was £15.2m at the end of June 2020 and £13.1m was raised after June. There is also a £30m revolving credit facility. This will provide the cash to pay for the acquisition.

Pipeworks should contribute EBITDA of more than £500,000 this year. The 2020 pre-tax profit forecast is £11.7m. A full contribution from Pipeworks could help Sumo achieve a pre-tax profit of £16.2m in 2021. That puts the shares on 28 times prospective 2021 earnings.

# Loss-making Portmeirion on course to return to profit in the second half

*Ceramics and gift ware* *www.portmeiriongroup.com*

Branded ceramics and gift products supplier **Portmeirion** will not do much better than breakeven this year, but it should bounce back over the next two years. Management is building up the company's online operations and a strong Christmas trading period could lead to a return to dividend payments.

Like-for-like interim sales fell by one-fifth, although the contribution from last year's acquisition of US-based branded homewares supplier Nambe meant the decline was 8% to £32m. The home fragrance division offset lower retail sales by producing hand sanitiser. This has led to plans for a new hand and body range. Online sales doubled.

Portmeirion lost money in the first half, although the second half is more important because it includes Christmas. There should be enough profit made in the second half to cover the first-half loss.

## Brands include Spode and Royal Worcester

South Korea has been an important market for Portmeirion and there were problems last year. New products have been developed to help the recovery. There is scope to grow sales in other international markets.

Portmeirion is not the only brand that the company owns. Other brands include Spode, which is 250 years old, and Royal Worcester. Management plans new product launches for its brands and these are expected to propel sales over the next few years.

| PORTMEIRION GROUP (PMP) | | | 425p |
|---|---|---|---|
| 12 MONTH CHANGE % | -52.8 | MARKET CAP £M | 59.5 |

There was net cash of £1.1m at the end of June 2020, following the £11.8m fundraising in June. This cash pile should grow and provide finance for potential acquisitions.

Trading may not return to previous levels next year. N+1 Singer forecasts a 2021 pre-tax profit of £6.4m, rising to £9.9m the following year – that is more than in 2019 but earnings per share will be similar due to the latest share issue. The shares are trading on less than eight times prospective 2022 earnings. That is not dear considering the value of some of Portmeirion's brands.

# DX delivering the anticipated recovery

*Freight delivery* *www.dxdelivery.com*

Parcel and freight delivery company **DX** has overcome the initial problems caused by COVID-19 and is taking advantage of the increased demand for home deliveries

In the year to June 2020, group revenues rose by 2% to £329m and there was a move from loss to a pre-tax profit of £1.8m. The loss by the freight business was sharply reduced, although DX Express made a lower profit contribution after it lpst the passport delivery contract.

Net cash was £12.3m at the end of June 2020, although it was boosted by delayed tax payments and the figure will not remain that high in the short term. Management continues to invest in new depots and the capital investment programme to improve efficiency continues.

| DX GROUP (DX.) | | | 17.25p |
|---|---|---|---|
| 12 MONTH CHANGE % | +31.2 | MARKET CAP £M | 99 |

There is still more to come from efficiency improvements, while freight volumes are above the levels expected at the beginning of this year. There is spare capacity in the DX Express business. Management has plans to broaden the base of this business but new product launches have been delayed.

There has been continued share buying by directors over the past eight months even though the share price has nearly trebled since its low in March. That suggests that they believe there is still more to go for. A profit of £5.3m is expectrded for this year, rising to £9.1m next year – which would reduce the prospective 2021-22 multiple to 12.

# Buy and build strategy will light the way for eEnergy

*Light as a service* *www.eenergyplc.com*

Having reversed into Alexander Mining at the beginning of the year, **eEnergy Group** is in a strong position to build up its position in the energy efficiency as a service market. This will be done through a combination of organic growth and a buy and build strategy.

The eLight subsidiary installs LED lighting and provides the energy required in return for a monthly service fee. Lighting can account for more than a quarter of the energy used in buildings and installing LED lighting significantly reduces energy usage. The monthly fees should not be much different to the previous energy bills.

Outside finance is obtained to cover the costs of the lighting. SUSI Partners AG has agreed to provide a dedicated funding facility of up to €15m. This will finance the purchase of future receivables from new projects in the Republic of Ireland. There are plans to extend this funding relationship into the UK. The implementation and management of contracts will still be controlled by eEnergy and it will retain an economic interest.

## eEnergy generates recurring revenues

At the beginning of July, eEnergy made its first acquisition. Renewable Solutions Lighting, which provides the group with a strong position in the UK education sector, was acquired for £2.2m, with an initial £1m in shares at 7.5p each – a premium to the market price. There is also contingent consideration of up to £1.2m payable in shares at the same price. The business made a small loss on revenues of £1.61m in the year to March 2020.

| EENERGY GROUP (EAAS) | | | 6.25p |
|---|---|---|---|
| 12 MONTH CHANGE % | -30.6 | MARKET CAP £M | 9 |

In the year to June 2020, eEnergy generated revenues of £4.5m and made an underlying loss of £3.2m. Net debt was £528,000.

In the onger term, there are plans to develop a broader range of energy efficiency services and further consolidate the sector. Once the business has scaled up it will move into profit and should be highly cash generative given the recurring revenue base.

# Electric vehicle boost for Trackwise

*PCB manufacturer* *www.trackwise.co.uk*

**Trackwise Designs** has won the first major contract for its lightweight IHT (improved harness technology) flexible printed circuit boards. An electric vehicle manufacturer has signed a deal worth £38m over three years. The IHT printed circuit boards will be used in vehicle battery modules and battery packs. The share price has reached new highs.

Manufacturing of other printed circuit board products is being transferred to the Stevenage Circuits factory, which will leave the current premises for IHT production. This contract shows the potential for IHT and there are more opportunities that could come to fruition over the next 12 months. The other target markets are medical and aerospace.

| TRACKWISE DESIGNS (TWD) | | | 167.5p |
|---|---|---|---|
| 12 MONTH CHANGE % | +119 | MARKET CAP £M | 37 |

Stevenage was acquired earlier this year and contributed to the interim figures. It has widened the customer base of the group. Group revenues increased by 54% to £2.4m, but there was a 25% drop in pre-Stevenage revenues. There was a first-half loss and there could be a small second-half profit.

Orders were held back by Covid-19 and short-term forecasts have been downgraded. IHT is expected to contribute £800,000 of forecast 2020 revenues of £7.2m. Next year it could be £5m out of £14.2m with the electric vehicle deal making an even bigger contribution in 2022. The current valuation of the company goes some way to reflecting the prospects for IHT, but it has enormous potential if the deals can be secured.

# Recurring revenues fuel STM dividend

*Pension services* *www.stmgroupplc.com*

## Dividend

Gibraltar-based pension services provider STM Group has had its up and downs over the years since it floated in 2007. There were dividends from 2008 until 2010 when they were stopped. Trading became tougher and the business retained cash.

Payments resumed with a 0.9p a share distribution for the 2015 financial year. The new policy was to pay a dividend that was between two and three times covered by earnings. The following year 1.5p a share was paid, and this grew steadily to 2p share in 2018. Because of the uncertainty over Covid-19 the 2019 final dividend was reduced to 0.75p a share taking the total for the year to 1.5p a share.

The latest interim was 0.55p a share and this represents a return to paying one-third of the total as an interim. The forecast total dividend is 1.7p a share, which would still be covered twice by forecast earnings.

## Business

When STM floated, corporate trustee services was a major contributor, but it has become non-core. The focus has moved to the pension operations, which contribute the majority of revenues. The rest predominantly come from life assurance activities. STM operates in Gibraltar, the UK, Spain, Malta and Jersey.

Qualifying Recognised Overseas Pension Schemes (QROPS) were the initial pension products offered by STM. They are exported UK pensions administered in Malta and Gibraltar. Legislation changes mean that QROPS provide recurring revenues, but growth prospects are limited. The focus has switched to Self-Invested Personal Pension Schemes (SIPPS) in the UK and internationally and UK workplace auto-enrolment pensions. The corporate pensions business has been rebranded as Options.

| STM GROUP (STM) | |
|---|---|
| Price (p) | 37.5 |
| Market cap £m | 22.3 |
| Historical yield | 4% |
| Prospective yield | 4.5% |

STM acquired Berkeley Burke for an initial £1.4m in August. This business provides pensions administration for directors and employees of small UK companies and global businesses. This should add £2m to revenues in a full year and make a profit contribution of £300,000.

There are plans for more acquisitions. Trusts administrating workplace pensions have to be authorised in the next 12 months or exit the market and this is an opportunity for STM.

The Adams v Carey court case continues following permission being granted for an appeal that is set for early 2021. Carey, which has been rebranded as Options was acquired in February 2019.

Interim revenues were flat at £11.8m, although the contribution from recurring revenues increased from 73% to 85%. Higher insurance costs and staff hires meant that pre-tax profit fell from £1.6m to £1.1m.

The 2019 profit of £4.2m was boosted by one-off gains. A pre-tax profit of £2.5m is forecast for 2020, rising to £4.5m in 2021. The shares are trading on less than eleven times prospective 2020 earnings, falling to six in 2021.

# Dividend news

Floorcoverings supplier **James Halstead** increased its dividend from 14p a share to 14.25p a share, even though pre-tax profit dropped from £48.3m to £43.9m due to poor trading in the fourth quarter. The international spread of the business has helped James Halstead during the Covid-19 outbreak. Net cash was £67.4m at the end of June 2020, so James Halstead can afford the dividend. First-quarter trading is in line with last year. There will be a profit recovery this year, but it may not reach the 2018-19 level. Even so, the dividend is expected to increase to 14.9p a share.

**Trans-Siberian Gold** is paying an interim dividend of 8 cents a share even though its first-half pre-tax profit fell due to lower gold production. This led to higher costs per ounce and the lower gold sales were only partly offset by the higher gold price. The grades at the main area of the Asacha gold mine are declining and the commencement of production at the east zone will help to improve second-half production. Arden forecasts that full-year pre-tax profit will improve from $12.6m to $17.3m. The broker expects a 2020 total dividend of 11.5 cents a share.

Concrete levelling equipment supplier **Somero Enterprises** is resuming dividends and paying a deferred final dividend of 20.7 cents a share as well as an interim of 4 cents a share. That will cost $14m. North American sales held up best in the first half, with European sales falling by aß-quarter. Pre-tax profit is still expected to fall from $28m to $17.6m this year, but net cash should be $20m at the end of 2020. The expected total 2020 dividend, excluding the deferred final, is expected to be 17.2 cents a share. That is covered 1.4 times by forecast earnings.

## Expert view: Registrars

# Big changes for Irish issued and settled securities ahead

**By Hardeep Tamana**

For almost 30 years, shares and many other securities that are traded on the Euronext Dublin – formerly the Irish Stock Exchange – have been cleared and settled on London's CREST system, operated by Euroclear UK & Ireland. That means, the Central Securities Depository (CSD) – the institution that holds Irish issued and settled securities – is currently based in the UK.

Whilst historically this hasn't been a problem, the UK's decision to leave the European Union has presented a number of unintended consequences for the trading bloc.

One of these revolves around CREST and the fact that Euroclear UK & Ireland is now operating what is known as a third-country CSD. European law states that any securities listed on a relevant market – be that a formal exchange, another structured trading facility, has to be held and traded through a European CSD.

### Deadline

To assist with the impact of the Brexit transition, the European Commission has offered an exemption on these terms until March 30th 2021, but after this date, a replacement CSD within the European Union will need to be used. It's also worth noting that Irish grey market securities, so those held via CREST but not listed on a formal market, will not be able to utilise CREST for settlement from next March, either Belgium based Euroclear Bank, which already operates an international CSD, has been selected to provide a replacement holding and settlement system for Irish issued and settled securities.

There are, however, still a series of steps that securities issuers need to undertake now to ensure they are in a position to make the migration next March.

The Migration of Participating Securities Act 2019 became law in December of last year and details what is required of those issuers who will no longer be able to see their securities settled on CREST.

The legislation has streamlined the process, but to change CSD still requires each issuer to pass a resolution to make the relevant changes to articles of incorporation at either an AGM or GM. Let's be clear, this is no simple box ticking exercise - and the clock is ticking.

> This is no simple box ticking exercise - and the clock is ticking

Failure to advise Euroclear Bank that the necessary changes have been achieved by 5pm on February 24th 2021 will result in the delisting process being initiated. That will mean shares cannot be held and settled electronically and instead will have to revert to a physical format. This is a matter that needs to be addressed as a priority by any issuer who wants to maintain investor confidence and a functioning secondary market in their securities.

### Avenir approval

Critically for this column, the issuer's registrar also needs to have been approved as a Euroclear Bank partner to integrate with the new settlement system. Ahead of acceptance testing, this cohort has now been selected and includes Avenir Registrars.

It should also be noted that a number of legacy registrars who are currently managing CREST settlement for Irish issuers have elected not to offer the new settlement process with Euroclear Bank.

However, at Avenir we stand ready to help companies who are set to be impacted by this mandatory transfer. Furthermore, our technology centric approach and ability to streamline migrations means that we have already onboarded Irish issuers who want to ensure they are prepared for a seamless switch over in early 2021.

Ultimately, Avenir's focus on using the latest technology means that moving to another registrar needn't be a cumbersome or expensive process. So, whether you're an Irish issuer or a professional adviser with clients who maintain Dublin listings, Avenir can help future proof business structures ahead of this imminent legislative change and also ensure an effective, right sized registry solution is being used. And with five years' experience in building and maintaining highly efficient securities registries for hundreds of different issuers, Avenir can ensure that the recurring costs for this essential part of maintaining a listing can be kept in check, too.

> Avenir Registrars has been approved as a Euroclear Bank partner to integrate with the new settlement system

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

# AIM dividend growth set to stall in 2020

Last year, more AIM companies paid more cash in dividends than ever before, although this year's distributions are likely to be lower as companies have conserved cash due to Covid-19 uncertainty.

Last year, AIM companies continued to pay increasing amounts of cash to shareholders in dividends, although this year will be a blip because of the cancelled dividends due to Covid-19. Two-fifths of AIM dividend payers cancelled payments in the second quarter, while others paid a reduced amount.

It is difficult to assess the outcome for 2020, because there is a combination of companies paying some, or all, of the dividend that was previously passed, while others are still not paying dividends.

Growth in dividends had already slowed. In the fourth quarter of 2019 and first quarter of 2010 like-for-like dividends have been flat.

**DIVIDENDS BY SECTOR IN 2019 (%)**

| | AIM | MAIN MARKET |
|---|---|---|
| Resources | 7 | 15 |
| Consumer discretionary | 15 | 10 |
| Consumer basics | 5 | 12 |
| Financials | 24 | 24 |
| Healthcare | 6 | 7 |
| Industrials | 25 | 6 |
| Oil and gas | 9 | 17 |
| Information technology | 7 | 2 |
| Telecoms | 2 | 3 |
| Utilities | 0 | 4 |

## 2019

Link Asset Services has published the latest AIM Dividend Monitor and the data goes back to 2012. There have been small adjustments to past totals.

## More than one-third of AIM companies paid a dividend in 2019

More than one-third of AIM companies paid a dividend in 2019, up from 26% in the previous year. This is an indication of the evolution of the type of company on AIM. New admissions are more likely than in the past to pay dividends straight away.

Total dividends paid in 2019 increased by 16.7% to £1.33bn. Excluding special dividends, underlying growth was 11%. Most of that growth was in the first nine months of 2019 and growth slowed before Covid-19 became a factor. There have also been takeovers of some of the main dividend payers, such as software company Sanderson and residential property developer Telford Homes, and others have moved to the Main Market.

## Top payers

The top ten dividend payers in 2019 accounted for 27% of the total AIM dividends, up from 25% the previous year. On the Main Market, the top ten companies contributed around 50% of pay outs.

Looking back at the top ten in 2012, eight of these companies are still quoted on AIM and five were in the top ten in 2019.

The other two were activist investment vehicle Sherborne Investors (Guernsey) A Ltd and Prosperity Minerals. Sherborne was wound up the following year and distributed its stake in investment manager F&C and cash to shareholders. Prosperity Minerals was taken over by its majority shareholder for 130p a share (£186.4m total) in 2013. Prosperity had paid a total of 48p a share in dividends since 2006.

Most of the large dividend payers in other years that are not still on AIM have been taken over, moved to the Main Market or they have been wound up by choice. Convenience

stores company Conviviality, which was in the 2017 top ten, is the only one that has gone bust.

AIM is losing two of last year's largest dividend payers. Diversified Gas & Oil moved to the Main Market and Highland Gold Mining is being taken over. They contributed £101.8m to the total in 2019.

## Sectors

Companies in the industrials sector account for a quarter of the dividends paid by AIM companies. This compares with 6% of Main Market dividends coming from the sector. AIM information technology companies account for 7% of total AIM dividends, but 2% of Main Market dividends.

In contrast, resources companies account for a much larger proportion of dividends on the Main Market than on AIM even though the three highest dividend payers on AIM were oil or mining companies. The junior market has plenty of mining and oil companies, but most do not pay dividends.

## Special dividends

In 2019, special dividends reached their second-highest level since 2012. At £86.1m, the amount was still well below the £157m paid in 2016. Most of the £52.9m paid by Arbuthnot Banking Group in 2016 was a 300p a share special dividend, while the £17.5m paid by Empyrean Energy was a special dividend.

There were £37.5m in special dividends in the first half of 2020. There will also be significant special dividend payments in the second half, partly due to companies paying all or part of a dividend that was passed earlier in the year.

In August, Andrews Sykes paid a £10m special dividend and Urban Logistics REIT has declared a special dividend of 3.25p a share.

In recent weeks, four companies have said that they are paying special dividends that are equivalent to what the previous year's final dividend would have been. Concrete levelling equipment supplier Somero Enterprises is paying a deferred final dividend of 20.7 cents a share as well as an interim (see page 7), Camellia said that it would pay 102p a share in lieu of the 2019 final dividend and egg-free cakes company Cake Box announced that it would pay a 3.2p a share special dividend as a replacement for the previous year's final dividend. Secure payments services provider Eckoh is paying a 0.61p a share special dividend instead of a final dividend.

This suggests that special dividends are likely to be a higher percentage of total dividends this year, but they will probably decline in importance in 2021.

## Two-fifths of AIM dividend payers cancelled payments in the second quarter

## 2020

AIM dividend payments fell by one-third in the second quarter, although Main Market dividends halved. Link believes that in the best-case scenario AIM dividends may fall by around one-third to £873m this year. The worst-case assessment is a 48% decline.

These estimates may be unduly pessimistic. There are companies that will not pay dividends this year because they have accepted government furlough money, while others, such as Jet2 (previously Dart Group), will not be able to. However, other companies have reinstated dividends.

In the first half of 2020, the total dividend distribution was £464.2m. That is 35% of last year's total. Given the reinstated payments announced in the third quarter, the total should already be well on its way to beating the worst-case scenario. The timing of the payments may be a factor in this, though.

Even if there were a decline of more than one-third, the 2020 total would be more than the total for 2015. Dividends are likely to bounce back next year even if they do not immediately reach 2019 levels.

AIM Dividend Monitor can be downloaded at https://www.linkassetservices.com/documents/aim-dividend-monitor_webready.pdf.

**AIM DIVIDEND PAYMENTS (£M)**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| Regular | 387.3 | 482.3 | 582.9 | 700 | 825 | 944.5 | 1121.6 | 1243 |
| Special | 27.5 | 61.5 | 46.2 | 21.6 | 157 | 25.9 | 17.7 | 86.1 |
| Total | 414.8 | 547 | 633.3 | 728.6 | 990.1 | 970.5 | 1139.2 | 1329.1 |

# Market Performance, Indices and Statistics

## AIM SECTOR INFORMATION

| SECTOR NAME | % OF MARKET CAP | % OF COMPANIES |
|---|---|---|
| Consumer | 28.8 | 16 |
| Healthcare | 16.1 | 10.3 |
| Industrials | 14.4 | 16.6 |
| Technology | 12.3 | 11.9 |
| Financials | 8.5 | 11.5 |
| Basic materials | 7 | 14.7 |
| Energy | 6.3 | 11.8 |
| Property | 3.5 | 3.2 |
| Telecoms | 2.1 | 2.1 |
| Utilities | 1.1 | 1.2 |

## FTSE INDICES

ONE-YEAR CHANGES

| INDEX | PRICE | % CHANGE |
|---|---|---|
| FTSE AIM All-Share | 959.73 | +9.9 |
| FTSE AIM 50 | 5322.18 | +9.8 |
| FTSE AIM 100 | 4894.23 | +9.9 |
| FTSE Fledgling | 8718.6 | -6.8 |
| FTSE Small Cap | 5039.65 | -7.8 |
| FTSE All-Share | 3282.25 | -19.2 |
| FTSE 100 | 5866.1 | -20.8 |

## COMPANIES BY MARKET CAP

| MARKET CAP | NO. |
|---|---|
| Under £5m | 121 |
| £5m-£10m | 106 |
| £10m-£25m | 140 |
| £25m-£50m | 130 |
| £50m-£100m | 117 |
| £100m-£250m | 104 |
| £250m+ | 107 |

## KEY AIM STATISTICS

| | |
|---|---|
| Total number of AIM | 825 |
| Number of nominated advisers | 26 |
| Number of market makers | 47 |
| Total market cap for all AIM | £107.4bn |
| Total of new money raised | £119.5bn |
| Total raised by new issues | £45.6bn |
| Total raised by secondary issues | £73.9bn |
| Share turnover value (Aug 2020) | £51.2bn |
| Number of bargains (Aug 2020) | 10.6m |
| Shares traded (August 2020) | 537.2bn |
| Transfers to the official list | 192 |

## TOP 5 RISERS OVER 30 DAYS

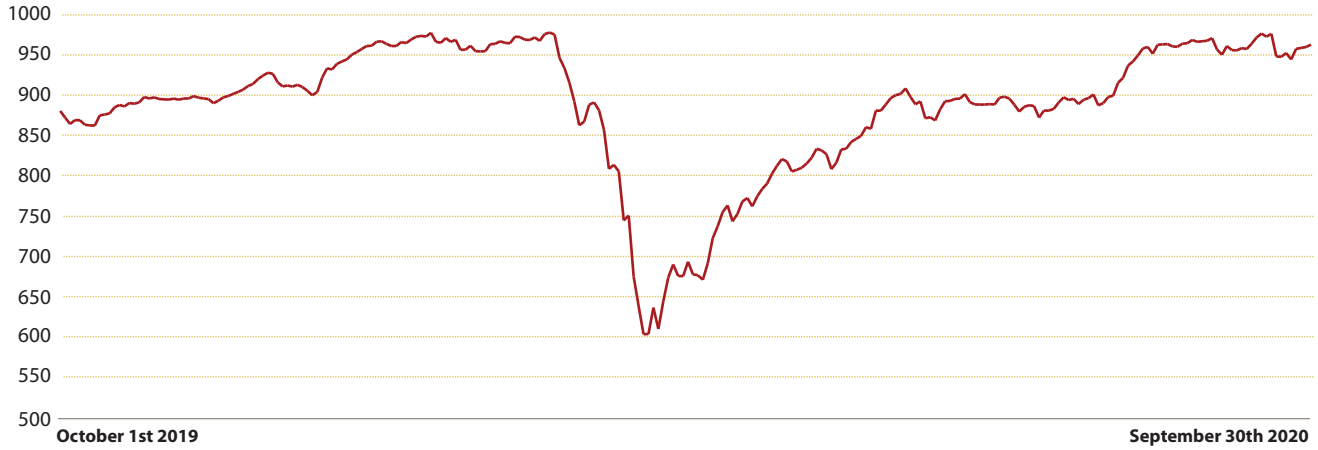
| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
|---|---|---|---|
| Alba Mineral Resources | Mining | 0.47 | +262 |
| Orosur Mining Inc | Mining | 10.2 | +132 |
| Chariot Oil & Gas | Oil and gas | 3.625 | +124 |
| ProPhotonix | Technology | 3.1 | +121 |
| ValiRx | Healthcare | 32 | +121 |

## TOP 5 FALLERS OVER 30 DAYS

| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
|---|---|---|---|
| Myanmar Investments | Financials | 12.5c | -54.5 |
| N4 Pharma | Healthcare | 5.85 | -49.7 |
| 7Digital | Media | 1.875 | -43.2 |
| Global Petroleum | Oil and gas | 0.825 | -41.1 |
| Rockfire Resources | Mining | 0.875 | -40.7 |

## AIM - 1 YEAR INDEX CHANGE

**Source:** London Stock Exchange




**Data: Hubinvest** Please note - All share prices are the closing prices on the 30th September 2020, 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 accessed via http://www.hubinvest.com/AimJournalDownload.htm.

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 £112bn 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 that started out on AIM include online gaming operator GVC, healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, online gaming technology developer Playtech and student accommodation developer Unite Group – all of which are FTSE 250 index constituents.

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