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AIM JOURNAL

In this issue

QCA sets out tax wishes

The Quoted Companies Alliance has set out its proposals for taxation ahead of next month's Budget. The smaller company pressure group believes that the UK needs to build a post-EU tax regime that supports and incentivises smaller companies.

One of the key aspects of the proposals is a levelling of the playing field between debt and equity. At the moment, a company can claim tax relief for costs incurred in raising debt but not the costs of a share issue. The QCA believes that the government should encourage long-term equity finance.

Raising cash through a share issue can be extremely costly for small companies and this can put them off joining the stockmarket. Some European countries do offer a form of corporation tax relief. The QCA believes that the relief should be capped at £1.5m for each share issue so that it is targeted on smaller companies. It estimates it would cost the UK around £60m in a year – based on 2016 fundraising levels. The tax relief would be for money raised by a company at flotation and for any subsequent fundraisings but not cover the costs of the sale of existing shares. The QCA also wants the costs of an abortive fundraising to be tax deductible.

New biopsy Angle

Angle is acquiring Axela, which will take the cancer diagnostic technology developer into analysis. Angle's Parsortix device harvests circulating tumour cells and Axela's Ziplex technology can analyse genetic and protein biomarkers and provide specific information about a tumour in one day.

The majority owner of Axela, which was originally spun out of the University of Toronto, is a venture capital fund that is being wound down so it has to sell its investments. Angle is paying £3.7m for technology that has cost £20m to develop and it has already been working with the company for two years.

The sample handling and preparation will need to be automated but this should be straightforward. According to broker finnCap, by providing the additional services in the liquid biopsy Angle could increase its revenues per test from $130 to $350.

A placing at 35p a share has raised £12.2m, with 50% of this money likely to be spent on the existing Angle business to finance clinical studies and the FDA application for Parsortix. The cash should last into the 2018-19 financial year but Angle is not expected to start generating cash until 2020-21. It is estimated that a further £10m could be required, with potential for some of this cash to come from partnering deals.

general news

Tekcapital token funding

Technology information provider and IP investor Tekcapital is set to have a double boost over the next few months as Lucyd, which is developing augmented reality glasses, wants to raise up to $10m via a token sale and another investee company plans to float in London.

The token investors are acquiring 50% of the tokens that will be in issue. Lucyd is retaining 30% of the tokens and management and others will hold 20%. The tokens will enable investors to buy the products that are developed and they will be tradable. The trading record of Nex-quoted Kryptonite1 indicates just how quickly the price of tokens can rise, so the 30% retained could become highly valuable.

Medical device technology company Belluscura has acquired rights to IP that is non-core to larger medical devices companies. A $1.7m fundraising in May put a valuation of $7.6m on the business and Tekcapital has a 48% stake. Any money raised in a flotation, which could be before the end of 2017, will go to Belluscura and Tekcapital will be diluted but retain a significant stake.

Tekcapital has other investee companies, including Salarius, which is developing low-sodium salt, and Smart Food Tek, which is developing the Crackle Bake process, which has the texture of fried food but 60% less fat.

Tekcapital had $3.1m in the bank at the end of May 2017. The individual investee companies raise money to finance the development of their IP and Tekcapital will need this cash to cover cash outflows from operations and acquisition of additional IP.

Impax buy

Impax Asset Management is acquiring rival sustainable investment manager Pax World Management, which takes the assets under management of the combined group to more than £10bn. The two firms have already collaborated on the Pax Global Environmental Markets Fund. Impax is paying an initial $44.2m, predominantly in cash, for an 83.3% stake in Pax and could pay further consideration of up to $31.3m in 2021. The remaining 16.7% stake is held by Pax management and this will be acquired for up to $14.6m in cash and/or shares in 2021. The total potential consideration is equivalent to £70m, with the contingent consideration dependent on Pax's assets under management reaching more than $8bn in 2020. Pro-forma revenues are £59.6m.

MyClubBetting.com gambles on pre-IPO funding

MyClubBetting.com is set to join AIM in the next few months, having ended its plan to reverse into standard list shell Papillon. MyClubBetting.com provides a white-label betting service for more than 3,000 sports clubs. There are currently 15,350 individual accounts. The company is effectively a marketing business which has plans to offer additional services to the football, rugby and cricket clubs.

MyClubBetting.com is currently raising £1.5m from a convertible loan note, which has an annual interest coupon of 7.5%. The loan note is automatically convertible at a 25% discount to the flotation share price.

There are already more than 800 shareholders and directors own more than one-fifth of the company. The largest shareholder is Neil Riches, who owns 13.2%. Chief executive Stephen Wundke has worked for Sportingbet, Betdaq and Sporting Index.

MyClubBetting.com targets grass-roots clubs because they need additional ways of raising cash. The club receives 20% of the bookmaker net revenue and MyClubBetting.com bears the set up and marketing costs. Everything has the individual club's logos and colours on it. The fans and members are attracted by the association with the club along with welcome bonuses and special offers. They are retained with loyalty bonus.

The community that is built up can then be offered other services, such as financial products, utilities, travel and retail, where net revenue share will be similar to the betting service.

Spending £1m on betting offers is estimated to generate £24m of turnover. The cash raised from the convertible will finance working capital and marketing spend. MyClubBetting.com is expected to achieve a net margin of 8% and is trying to achieve profitability by June 2018.

advisers

Winterflood profit surge

AIM market maker Winterflood increased its full-year operating profit by 48% to £28.1m thanks to high levels of retail trading activity. The good performance is continuing.

In the year to July 2017, the average number of trades handled each day rose from 51,864 to 65,286 and the operating margin improved because costs did not rise as quickly as operating income. Every trading day was profitable bar one, compared with 17 loss days in the previous year. The profit growth was even better than it looks. The 2015-16 revenues were boosted by £3.9m, and there was an additional operating profit of £1.9m, due to the disposal of Euroclear shares.

Broking businesses had a better first half in 2017. Cenkos nearly doubled its interim revenues and pre-tax profit jumped from £1.7m to £4.2m, helped by a sharp increase in market-making profit and the flotation of Eddie Stobart Logistics. However, commission revenues were lower.

Shore Capital's capital markets division increased its first half revenues from £13.1m to £14.8m, while pre-tax profit improved from £3m to £3.39m. The market-making business grew its interim profit contribution by 15%.

Numis had the best second half it has ever had, with revenues 47% higher than the first half and 38% ahead of the second half of last year. In contrast to rivals, corporate broking revenues were 15% higher and equities commission and trading revenues were ahead by a similar percentage. Numis will report its full-year results on 6 December.

ADVISER CHANGES - SEPTEMBER 2017

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Verona Pharma	Stifel Nicolaus	N+1 Singer	Stifel Nicolaus	N+1 Singer	01/09/17
Mission Marketing	Shore	finnCap	Shore	finnCap	04/09/17
Angle	finnCap/WG Partners	Cenkos/WG Partners	finnCap	Cenkos	05/09/17
Alliance Pharma	Investec/Numis	Numis	Numis	Numis	06/09/17
Ferrum Crescent Ltd	Peterhouse/Beaufort	Beaufort	Strand Hanson	Strand Hanson	08/09/17
CloudCall	Arden/Cenkos	Cenkos	Cenkos	Cenkos	11/09/17
Haydale Graphene Industries	Arden	Cantor Fitzgerald	Cairn	Cairn	11/09/17
Falanx Group Ltd	Beaufort/Turner Pope	Turner Pope	Spark	Spark	13/09/17
Falcon Oil & Gas Ltd	RBC/Davy	Davy	Davy	Davy	14/09/17
TMT Investments	Hybridan	Hybridan	Smith & Williamson	ZAI	15/09/17
Arricano Real Estate	Smith & Williamson	Smith & Williamson/ Whitman Howard	Smith & Williamson	Smith & Williamson	20/09/17
Hurricane Energy	Stifel Nicolaus	Cenkos/Stifel Nicolaus	Stifel Nicolaus	Cenkos	21/09/17
Blenheim Natural Resources	Peterhouse/Cornhill	Peterhouse/Cornhill	Spark	Grant Thornton	22/09/17
Shearwater Group	Cenkos	WH Ireland	Cenkos	WH Ireland	22/09/17
Frontier Smart	N+1 Singer	Peel Hunt	N+1 Singer	Peel Hunt	25/09/17
Origin Enterprises	Numis/Goodbody	Goodbody	Davy	Davy	27/09/17
Ascent Resources	WH Ireland	Northland/Stockdale	WH Ireland	Stockdale	28/09/17
Central Rand Gold Ltd	Peterhouse	Brandon Hill	ZAI	ZAI	28/09/17
Green & Smart	Beaufort/ Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	29/09/17

company news

Itaconix reformulates business as a sustainable polymer ingredients supplier

Household and personal care ingredients *www.itaconix.com*

Itaconix was formerly Revolymer but changed its focus to designing polymer ingredients for household and personal care products after it sold its nicotine gum business last year – Itaconix retains a minority stake in the buyer.

The ingredients are a small percentage of the final product but they are important components. The initial focus is laundry and haircare products. Drivers for using the Itaconix ingredient can be environmental, sustainability and saving costs but getting a company to change its formulations can be difficult. For example, chelates prevent calcium from reacting with soap in dish washing but phosphate-based chelates are being banned so companies need to reformulate their products. This is a great opportunity for Itaconix, which has developed a replacement that it claims has superior binding capacity and is more cost-effective.

Itaconix requires revenues of £15m to break even

Partners include Croda, AkzoNobel and Solvay. These companies would be selling their products to household and personal goods firms. If a multinational does decide to use the product, it could generate large revenues for Icatonix.

This is one of those businesses where there are potential milestones that could generate revenues but, frustratingly, they tend to take longer than hoped. N+1 Singer expects Itaconix to have net cash of £3.5m at the end of 2017 but this is likely to be gone by the end of 2018. There is certainly long-term growth potential but Itaconix will have to find cash to finance itself until deals yield more significant income.

ITACONIX (ITX)			19.5p
12 MONTH CHANGE %	-32.8	MARKET CAP £M	15.4

Itaconix says that it requires revenues of £15m to break even and that assumes a 40% gross margin. Revenues of £1.8m are forecast for 2018. There is potential but the company is dependent on its clients and their customers, the end-product manufacturers, making timely decisions. Sales cycles can be up to two years.

Quantum leap for Clinigen operations

Unlicensed and licensed medicines supplier *www.clinigengroup.com*

Clinigen reported full-year results in line with expectations just after it announced its recommended bid for Quantum Pharma. Clinigen has been waiting in the wings for Quantum to get itself back on a firmer footing. The final non-core assets have been sold, so this is a perfect time to launch a bid. Clinigen is offering 37p in cash and 0.0405 of a Clinigen share for each Quantum share. This deal should be immediately earnings enhancing.

Quantum fits with the unlicensed medicines supply business and will also enhance the niche pharmaceuticals division. Clinigen will also have an expanded presence in Europe and other international markets. The group will be even better placed to assess areas where there are unmet needs and find products to meet these needs.

CLINIGEN (CLIN)			1066p
12 MONTH CHANGE %	+48.7	MARKET CAP £M	1228

In the year to June 2017, Clinigen reported an improvement in underlying pre-tax profit from £48.9m to £62.1m. More important for an acquisitive business, earnings were a quarter higher at 41.8p a share. The dividend was also raised by a quarter, to 5p a share. Net debt fell from £68.1m to £35m.

Following the completion of the earn-out period for the Link acquisition, the group has been reorganised into three divisions: clinical trial services, unlicensed medicines and commercial medicines.

A part-year contribution from the Quantum acquisition, which is still to be completed, will help 2017-18 pre-tax profit to rise to £67m; the following year it is expected to increase to £82.7m. The shares are trading on less than 18 times prospective 2018-19 earnings.

company news

Small business finance provider 1PM set to reap benefits of acquisitions

Small company finance *www.1pm.co.uk*

Small company finance provider **1PM** has made astute acquisitions and broadened its range of financial products but this has not been reflected in the share price. Admittedly, the share price has recovered since slipping below the placing and open offer of 45p a share earlier this year but there is still more to go for. The full benefits of last year's acquisitions will show through in profit this year.

1PM offers asset finance, business loans and invoice finance to companies in a wide variety of sectors. Restaurants, pubs, take-away food shops, hairdressers and car repairers are some of the main sectors covered by the asset finance business but they account for less than one-third of business. Some of this business is taken on by the group and the rest is brokered-on for a short-term income. There are total funding facilities of £74.5m.

There is opportunity to gain greater market share

In the year to May 2017, pre-tax profit improved from £3.35m to £4.08m, with earnings per share flat because of the additional shares in issue. The dividend was unchanged at 0.5p a share. All parts of the business achieved organic growth and the bad debt provision was 1%.

Management is investing in developing 1PM's financial technology to increase efficiency and further acquisitions to bulk up the existing business areas are possible, although the range of products on offer is unlikely to be broadened. Capital markets research company Hardman forecasts a near doubled underlying pre-tax profit of £7.88m. More important, earnings per share are expected to be one-fifth higher, putting the shares on a multiple of less than seven times prospective earnings. There is also potential for pushing up the dividend.

1PM (OPM)			51p
12 MONTH CHANGE %	-25.5	MARKET CAP £M	41.6

Market share is below 0.1% so there is plenty of opportunity to take a greater share of a growing market as small companies avoid the banks.

Stellar seeks cash for Sierra Leone diamond mine development

Diamonds *www.stellar-diamonds.com*

Stellar Diamonds believes that it could have the second-largest kimberlite diamond mine in West Africa following its deal with Octea Mining in April. Stellar retains ownership of the Tongo licence and will contract mine the adjacent Tonguma licence in Sierra Leone. These licences have already had £33.5m spent on them, £28m by Octea.

The two licences have a combined JORC resource of 4.5 million carats, with 4 million carats classified as recoverable. There is potential to treble this resource. The aim is to reach production of 200,000 carats in the third year of production and that could generate annual revenues of $45m. The existing resource can last 21 years, with potential to extend the mine life.

STELLAR DIAMONDS (STEL)			3.18p
12 MONTH CHANGE %	-55.4	MARKET CAP £M	1.94

The initial development costs will be repaid to Stellar out of the first revenues and Octea will then receive a payment of $5m. Once these have been paid, Octea will have a 10% revenue share. After five years of production Octea will receive a one-off payment of $5.5m.

It will take $30m to start commercial production and initial production could begin from 12 months of commencing the project. The cash for development has to be secured before that can happen. Potential partners may invest in the BVI-registered subsidiary that holds the licences.

The placing and open offer raised £530,000 at 3.25p a share. The open offer was oversubscribed. This cash is required for the business while it seeks the finance to develop the mine, which management hopes could be secured by the end of the year.

company news

Strong order book boosts long-term outlook for Pennant International

Training systems *www.pennantplc.co.uk*

Pennant International will take a short-term hit from delays in a contract with a Ministry of Defence contractor that is changing the specifications of the deal but a link-up with Resource Group, an approved training services supplier to airlines, is a important long-term deal.

Pennant and Resource have signed a teaming agreement, having already worked together. They have customers in common but it is also a way of Pennant gaining more exposure in the commercial airlines sector. This will help to reduce Pennant's dependence on the defence sector and large one-off orders, such as the delayed armoured vehicle contract. The scope of that contract is being changed and this could mean it will eventually be worth more but it won't come through this year.

Pennant has an order book worth £42m

The training equipment and services provider still has an order book worth £42m, with £35m expected to be delivered in the next three years, and it is on course to report revenues of £16m this year and £18m in 2018 – more than 80% covered by orders. In the first half, revenues improved from £6.65m to £9.64m and Pennant has moved from around breakeven to a profit of nearly £1m. Net cash was £1.1m at the end of June 2017 and this could double by the end of the year.

PENNANT INTERNATIONAL GROUP (PEN)	83p		
12 MONTH CHANGE %	+22.1	MARKET CAP £M	28.6

This year's pre-tax profit is likely to be slightly lower than the 2016 figure of £2.2m and the larger number of shares means that the prospective multiple will increase to 14. Pennant still has £2.5m of tax losses but the tax charge is set to become significant over the next couple of years. Profit is expected to improve to £2.5m in 2018 for a multiple of 12. Pennant is assessing potential acquisitions and is particularly keen to generate a greater level of more predictable recurring revenues.

Crossrider's cyber security transformation

Security software provider *www.crossrider.com*

New management has turned around **Crossrider** and set it back on a growth path. The original media division is becoming less important and the focus is business to consumer sales of cyber security products. Crossrider has developed its international distribution capacity and it can add other software products to fully exploit the opportunity. This could be newly developed or acquired software.

In the six months to June 2017, revenues improved from $28.7m to $30.1m with all the growth coming from the cyber security app distribution business. The web app and licence operations are being wound down and this, which is 100% margin, is behind the dip in pre-tax profit from $3m to $1.9m. The underlying business has improved its profit contribution.

CROSSRIDER (CROS)	85p		
12 MONTH CHANGE %	+125.9	MARKET CAP £M	119.9

The integration of cyber security SaaS provider CyberGhost has gone well and management is keen to make further acquisitions. Paying for them should not be a problem with $68.7m in the bank at the end of June 2017 and this could rise to $71.9m at the end of the year. There is little in the way of income from this cash pile so any profitable acquisitions should be significantly earnings enhancing.

Crossrider is expected to improve its underlying pre-tax profit from $4.8m to $6.3m. The shares are trading on 28 times prospective earnings. A 2018 profit of $8.3m is possible as cross-selling benefits accelerate. Crossrider does not pay dividends but this could change over the next couple of years.

dividends

Diversified produces growing income stream

Oil and gas *www.diversifiedgasandoil.com*

Dividend

US-based Diversified Gas & Oil, which was founded in 2001, is developing a portfolio of producing assets in the oil and gas sector. These generate cash and enable the company to pay dividends. In its first year on AIM, Diversified Gas & Oil is likely to pay 3.1p a share, rising to 5.3p a share in 2018, which provides a prospective yield of 7.1%. Steady dividend growth is expected from then on but it could be accelerated by more acquisitions of assets.

On the face of it, these dividends are not covered by earnings but they are well covered by cash generated. Net operating cash flow is forecast to rise from $11.8m in 2017 to $25.4m in 2018. Net debt is expected to be $44m at the end of 2017 and $31m at the end of 2018, following dividend outflows of $5.8m and $10m respectively. This assumes that available cash and debt resources are not used to buy additional producing assets.

Business

Diversified Gas & Oil joined AIM earlier this year and, although the shares had not previously been quoted there had been convertible loan notes traded on rival junior market Nex. These loan notes were converted at the time of gaining the AIM quotation. More recently, the oil and gas producer acquired assets from Titan Energy for $84m. The original flotation raised $50m at 65p a share and a further $35m was raised at 70p a share at the time of the acquisition.

The Titan assets increased the company's net production by 161% to 11,000 barrels of oil equivalent. Net 1P reserves are 59.4 mmboe. The focus is the Appalachian Basin in the northeastern US, particularly Ohio, Pennsylvania and West Virginia, because of the low-cost, low-risk nature of these onshore assets, which have a long life. This is a mature area and the largest gas region in the US.

The additional production acquired from Titan will reduce operating expenses by around one-third to less than $1/mcfe. This compares with a net realised gas price assumption of $2.60/mcf.

Diversified Gas & Oil is expected to make a pre-tax profit of $13.6m this year, although that does include $8.1m of hedging gains and other exceptional gains. The profit is forecast to rise to $16.2m, after a $2.8m exceptional charge, in 2018. Cash generation is much stronger than this suggests. There is also a partly used $110m debt facility. This will enable further development drilling and acquisitions to accelerate growth.

Mirabaud estimates a risked valuation of 100p a share, including development upside. It should be noted that the valuation is based on $50/barrel oil price for 2017, rising to $60/barrel in 2018 and $70/barrel thereafter and gas prices of $3.08/mcf in 2017 and $3.29/mcf in 2018 and then rising by 2% a year.

DIVERSIFIED GAS & OIL (DGOC)	
Price (p)	74.5
Market cap £m	108.1
Historical yield	N/A
Prospective yield	4.1%

Dividend news

Oil palm plantations operator **MP Evans** is paying an interim dividend of 5p a share, up from 2.25p a share, but this is effectively a rebasing of the interim dividend because the total for the year is expected to be 15p a share – although there is scope for it to be higher. There has already been a 10p a share special dividend paid out of the disposal proceeds from Agro Muko, following on from last year's 5p a share special dividend. Analysts upgraded forecasts for crops and profit following the interims. finnCap expects a rise in pre-tax profit from $19.2m to $27.2m in 2017 and estimates a sum of the parts valuation of 845p a share.

Electricity and gas supplier **Yu Group** has increased its interim dividend by one-third to 1p a share as it moved from loss to profit in the first half. The focus is on the corporate market and revenues increased from £5.1m to £20.8m, with the main growth coming from electricity. Shore Capital upgraded its forecasts and expects a rise in full-year revenues from £16.3m to £40.5m and a jump in profit from £200,000 to £2.5m, rising to £4.9m next year. The full-year dividend is expected to rise from 2.3p a share to 3p a share.

Premier Technical Services increased its interim, underlying operating profit by one-fifth to £4.4m. The earnings enhancing acquisition of lightning protection and steeplejack services provider Brooke Edgeley (Industrial Chimneys) Ltd came too late to contribute. Premier has set up a new fire division. The recent UK Sprinklers acquisition led to 8% increases in forecast earnings for 2018 and 2019. A full-year dividend of 1.6p a share would be covered more than five times by earnings and a rise to 1.8p a share in 2018 would be similarly covered.

expert views

Expert view: The broker

Botswana Diamond's South African Expansion

By Ryan Long

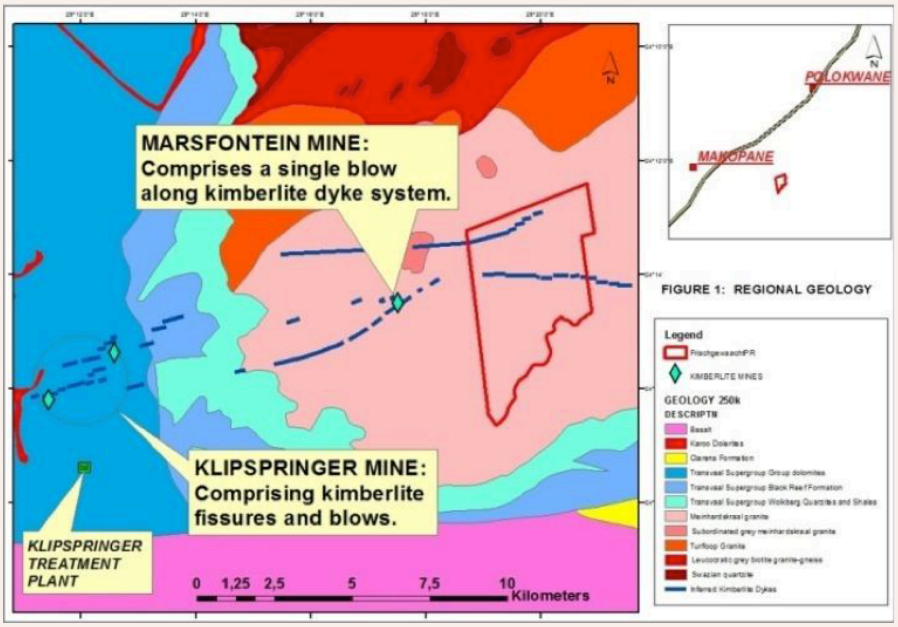
We have just returned from a site visit to Botswana Diamonds'* Thorny River (previously Zebediela) Project, located in South Africa, where the company has made rapid progress since it signed an earn-in agreement with Vutomi in February this year. Since February, Vutomi has completed two drill programmes and two initial diamond-grade estimates while also extending the size of the kimberlite fissures it is targeting. A follow-up bulk sampling programme is expected to commence shortly with a maiden mineral resource estimate planned before the end of the year.

The Thorny River Project is located in the Limpopo Province of South Africa and is part of an east-west trending Kimberlite Fissure System (KFS) (Figure 1). The KFS extends through the Transvaal Supergroup Dolomites, Black Reef Formation, Wolkberg Quartzites and Shales and into the Meinhard Skrall Granite, covering a non-continuous strike of c. 20km. The kimberlites within the KFS are diamondiferous Group II kimberites intruded during the Jurassic. Within the KFS there have been two areas of historic diamond mining: Klipspringer and Marsfontein.

The Klipspringer Diamond mine consisted of two small open pits located on kimberlite blows (proto pipes) and an underground mine that focused on the Leopard Fissure (Dyke). A 74% stake in the Klipspringer project was recently sold by Asa Mining (24/07/17) to SLA Capital for c. £1.37m and a 3% royalty.

Further to the east is the Marsfontein mine (Figure 2) that was operated in a joint venture between De Beers and SouthernEra between 1998 and 2000. The mine was focused on the M1 kimberlite blow, located on the eastern end of the M8 kimberlite fissure. M1 produced 1.9mcts over 24 months before it was mined out, returning US$250m over the same period. Marsfontein proved that small blows can be very lucrative diamond mines.

FIGURE 1: ZEBEDIELA KIMBERLITE FISSURE SYSTEM (ZKFS)



Source: Botswana Diamonds

The Thorny River Project, in which Botswana Diamonds has an interest, contains the Hartbeesfontein Fissure, Frishgewaagt Fissure and the Doonrivier Fissure. The Hartbeesfontein Fissure is located to the north of the M1 kimberlite blow (Figure 1) and has not been previously explored.

East of the M1 blow is the Frishgewaagt Fissure, the eastern portion of which is known as the Doonrivier Fissure (Figure 1). Along these fissure the company has defined three potential blows based on geophysics, which could add valuable tonnes to the amount of kimberlite at the project.

Vutomi has now completed the second phase of drilling (Figure 3) and will shortly commence a bulk sampling programme with the target of producing an Inferred Mineral Resource estimate by the end of the year.

FIGURE 2: MARSFONTEIN MINE

Source: Northland Capital Partners

**Northland Capital Partners Ltd acts as nominated adviser and broker to Botswana Diamonds*

RYAN LONG is a Director of Research, at Northland Capital Partners

feature

AIM rival NEX celebrates 22nd birthday

AIM's rival junior market NEX Exchange is 22 years old this October and, despite being in competition, it has also provided some significant companies for AIM including one that is currently in the top 50 by market capitalisation.

Ofex started in October 1995, four months after AIM, as a response to the London Stock Exchange wanting to close its rule 4.2 trading facility, where bargains could be matched in the shares of unquoted companies. Ofex, which was founded by market maker John Jenkins, has also been called Plus and ISDX over the years but it is currently called NEX Exchange.

Hundreds of companies have passed through NEX in all its forms. There are currently around 80 active companies on NEX and that is fewer than the number of companies that have gone from NEX/Ofex to AIM. Many of these are no longer on AIM, having been taken over, gone bust or decided to leave.

One of the high-profile early movers was online betting pioneer Sportingbet, which was subsequently acquired by GVC and William Hill for £485m after a move to the Main Market. At one stage Sportingbet was valued at more than £1bn. When Sportingbet floated on Ofex it had little more than an Alderney gambling licence and it became an international online betting business.

It is not always immediately obvious if a company has moved from NEX-quoted because it may have a different name or a completely different business.

Some of the managements of the companies that have switched probably do not even realise they were on a market before AIM. For example, TP Group, which is a profitable engineering and services business, moved from Ofex in 1998 when its focus was developing its compressed air technology.

Former Ofex shells were subsequently used by Coffee Republic and Premier Asset Management to gain AIM quotations.

Larger graduates

The largest former Ofex/NEX company on AIM is accesso Technology. Originally known as Lo-Q, the company funded the early development of its Qbot queueing technology through early share issues on Ofex and AIM. New management took over from the founders and has built up a much larger ticketing services group via acquisition. However, it would not have got to this point without the initial backing on Ofex and AIM. The group's market capitalisation is £495m.

Animal genetics company Genus moved to AIM in 2000 just before a foot-and-mouth outbreak in the UK. It coped with this and diversified from cattle breeding to pig breeding and moved to the Main Market. Genus is in the FTSE250 index and valued at £1.3bn, so it is the largest former Ofex company that is still quoted.

Other large AIM companies that were originally on the rival junior market are PR group Next Fifteen Communications (originally Text 100), vet drugs supplier Animalcare (formerly Ritchey), email marketing services provider dotdigital, cross-border payments technology services provider Earthport, self-storage sites operator Lok'nStore, animal feed additives supplier Anpario (formerly Kiotech International) and recruitment firm Empresaria. The rate of movement between NEX and AIM has slowed in recent years. In 2000 there were 20 transfers and the same number in 2001. That was the peak.

Companies have also gone the other way. In recent years they have included Cadence Minerals, Churchill Mining and Gowin New Energy.

Renewable energy supplier Good Energy had moved to AIM and then joined the Social Stock Exchange market handled by NEX.

Potential movers

There are existing NEX companies that are planning a move to AIM.

NQ Minerals has appointed Beaumont Cornish as adviser for its AIM flotation and if that happens it will become nominated adviser. NQ has two exploration projects in Queensland, Australia, and acquired the Hellyer mill and tailings project gold mine in Tasmania. Hellyer is the project that could generate short-term cash flow. Work continues on the AIM flotation process.

Block Energy has acquired oil and gas assets in Georgia and the latest purchase is deemed to be a reverse takeover. Block will become 100% owner and operator of the Norio field. The plan is to combine the return to trading on NEX with a quotation on AIM.

Karoo Energy is in the process of seeking an AIM quotation. Andrew Smith, who has been involved in the finance function of a number of AIM companies, including Tower Resources and Sterling Energy, has been appointed as finance director. A detailed competent persons report has been carried out on the oil and gas assets in Botswana by RPS Energy. There is also a plan for a listing on the Botswana Stock Exchange.

feature

AIM Company of the Year performance

There is a view that winning an award can curse a business but this does not appear to be true for most of the AIM companies of the year in the past nine years.

Winners of the AIM best performing share award nearly always perform badly in share price terms in subsequent years. In contrast, the winners of the AIM company of the year award in the past nine years have tended to continue their share price ascent.

Online fashion retailer ASOS is one of only three winners of the best performing share award in the past 15 years that is trading above the level when it won the award. The others are carpets manufacturer Victoria and SRT Marine. ASOS won in 2004 and Victoria in 2015 and both are trading significantly above the winning share price.

Of the winners between 1999 and 2007, wine retailer Majestic Wines is the only one still on AIM, and its share price has trebled since then despite recent problems. Marine equipment manufacturer Hamworthy, TV shopping channel operator Ideal Shopping Direct and print services provider Access Plus have been taken over and so was hospital cleaning services provider Synergy Healthcare after it moved to the Main Market. Building maintenance services provider Mears is still on the Main Market but rival Connaught went bust after it moved to the Main Market. The other two companies, energy supplier Independent Energy and cakes maker Interlink Foods, also went bust.

A patchy record to say the least but the greater maturity of candidates has helped the choices in the past nine years.

In the past nine years, ASOS has won company of the year twice and so has Abcam. Both share prices are significantly higher than either time they won the award. Even the more recent winners, CVS and Restore, have kicked on in share price terms.

EMIS has underperformed AIM over the period since its award win but the share price is still higher.

May Gurney is the one winner no longer on AIM because it was taken over by Kier via a cash and shares offer in 2013. The gain in the table appears modest but the FTSE All Share index had fallen by nearly one-fifth over that same period.

The one large disappointment is utility services consultancy Utilitywise, which has failed to live up to expectations. It has to be expected that not all of the choices will do well.

The more recent choices have much higher market capitalisations than the winners did in the early years. While that is no guarantee that the companies will do well, if it is combined with a long-term track record there is more chance that the company will be able to cope with the ups and downs in the future.

This year mixer drinks supplier Fevertree Drinks, semiconductor wafers supplier IQE, online fashion retailer boohoo.com and patent translation services provider RWS are on the AIM company of the year shortlist. The first three are up for other awards as well. Both IQE and RWS have been quoted for well over a decade.

PERFORMANCE OF AIM COMPANY OF THE YEAR

YEAR	COMPANY	ACTIVITY	PRICE BEFORE AWARD (P)	CURRENT PRICE (P)	% CHANGE
2008	ASOS	Online fashion retailer	319.25	5942	+1761.2
2009	Abcam	Online antibodies supplier	150	1020	+580
2010	ASOS	Online fashion retailer	909.5	5942	+553.3
2011	May Gurney Integrated Services	Building services	295	315*	+6.8
2012	EMIS Group	Healthcare IT	687.5	922.5	+34.2
2013	Abcam	Online antibodies supplier	473	1020	+115.6
2014	Utilitywise	Utility services	290.25	64.25	-77.9
2015	CVS	Vet practices operator	647.5	1443	+122.9
2016	Restore	Document storage	331	523.5	+58.2

Note: Pre-award price based on 31 July which is the cut-off point for the award.

* Based on initial value of Kier bid in 2013.

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer services	17.8	10.6
Financials	17	16.9
Industrials	15.5	16.9
Healthcare	13	8.7
Technology	11.5	12.3
Consumer goods	10.2	5.7
Oil & gas	6.9	10.5
Basic materials	6.1	13.9
Telecoms	1.4	1.1
Utilities	0.4	1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1004.26	+22.6
FTSE AIM 50	5782.09	+24.6
FTSE AIM 100	5112.64	+30.1
FTSE Fledgling	10470.68	+24.4
FTSE Small Cap	5712.41	+14.5
FTSE All-Share	4049.89	+7.8
FTSE 100	7372.76	+6.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	170
£5m-£10m	99
£10m-£25m	182
£25m-£50m	166
£50m-£100m	127
£100m-£250m	126
£250m+	93

KEY AIM STATISTICS

Total number of AIM	963
Number of nominated advisers	33
Number of market makers	48
Total market cap for all AIM	£100.4bn
Total of new money raised	£103.6bn
Total raised by new issues	£42.8bn
Total raised by secondary issues	£60.8bn
Share turnover value (2017)	£43.6bn
Number of bargains (2017)	7.51m
Shares traded (2017)	609.3bn
Transfers to the official list	184

TOP 5 RISERS OVER 30 DAYS

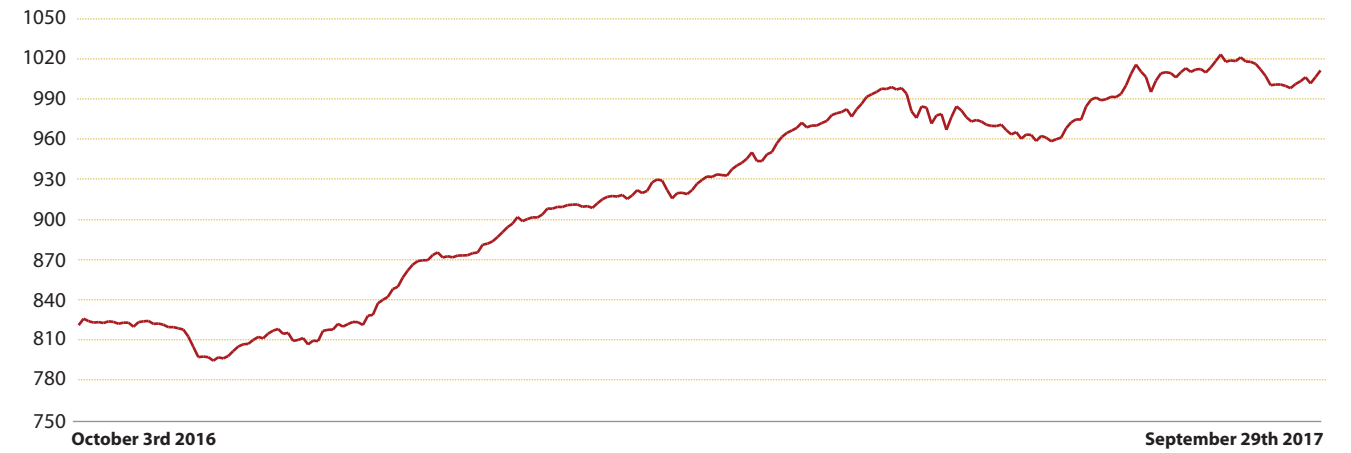
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Frontera Resources	Mining	0.6	+480.5
Empyrean Energy	Oil and gas	21.38	+113.8
Starvest	Mining	4.62	+85
TyraTech Inc	Chemicals	1.62	+75.7
Columbus Energy Resources	Oil and gas	4.3	+75.5

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Jersey Oil & Gas	Oil and gas	65.5	-71.9
Ferrum Crescent Ltd	Mining	0.05	-60.4
Rose Petroleum	Oil and gas	4	-59
Juridica Investments Ltd	Financials	7.25	-57.4
88 Energy Ltd	Oil and gas	1.1	-56.4

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th September 2017, and we cannot accept responsibility for their accuracy.

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Based in London, Northland Capital Partners Limited is an independent institutional stockbroker and corporate adviser. Northland enables growth companies to access capital and offers a full nomad service to AIM-quoted small and midcap companies. It has excellent connections with investors, providing them with equity research, advice and trading services. Northland has assembled a team of highly motivated and experienced professionals that aims to deliver unparalleled service to our clients.

Northland has a strong track record in advising and raising funds for growth companies. We always aim to provide innovative ideas and solutions that will enable our clients to fulfil their long-term growth ambitions in a wide range of sectors, including healthcare, TMT, consumer, resources and support services.

As the most successful growth market in the world, AIM is an important platform for helping small companies raise capital. At Northland, we see the AIM Journal as an opportunity for investors to learn more about the many great companies quoted on AIM.

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We host a regular Nomad Forum which has been established to provide nomads with the opportunity to discuss AIM regulatory issues on a Chatham House basis, and to provide briefings on key legal developments. Submissions are often subsequently made to AIM Regulation as a result of discussions held.

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