



# AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

## AIM surges ahead in 2020

AIM generated a total return of 21.7% in 2020, which compares with an 11.5% decline for the FTSE 100 index. The gap is wider on the basis of index performance over 12 months because the dividend return for AIM companies is lower. The smaller fully listed companies did better than the larger ones, but AIM's performance was still much better.

The FTSE AIM 100 index did not do as well as the junior market as a whole but there was still a total return of 20.6%. The FTSE AIM UK 50 index was more of a laggard, with a total return of 18.7% for 2020, although

that is still impressive. However, this index has been the best performer over three months and six months.

Renewables and clean energy businesses have propelled the AIM 50 index in the second half. Ceres Power, ITM Power and cleantech-focused fund manager Impax Asset Management are three of the four best performers in the index in the second half. This is a sector that has gained increased exposure in recent months. Airline operator Jet2 bounced back strongly in the second half. There were four constituents whose share price declined in the second half.

## Grant Thornton faces £200m claim

Accountant Grant Thornton is being sued for £200m due to its handling of the auditing of former AIM company Patisserie Valerie, by the company's liquidator AIM-quoted FRP Advisory. The Financial Reporting Council is also investigating the Grant Thornton audit. This investigation is described as at an advanced stage.

FRP says Grant Thornton was negligent in its preparation of financial statements for the three financial years up until September 2017. These were the three sets of accounts published when Patisserie Valerie was quoted on AIM. Grant Thornton was the Patisserie Valerie auditor for 12 years prior to the appointment of administrators in January 2019 when a significant fraud was

discovered. An investigation by KPMG found that the company's financial position was overstated by £94m.

FRP says that Grant Thornton's failures meant that the Patisserie Valerie directors were not aware of the poor financial state of the company. Grant Thornton argues that there was a sustained and collusive fraud at Patisserie Valerie, and this included widespread deception of the auditors.

The latest claim comes three months after Grant Thornton paid £28m in damages to AssetCo for the negligent audit of the fire safety company's accounts in 2008-09 and 2009-10. Last summer, the FRC fined Grant Thornton for its handling of the audit of Conviviality Retail.

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## Sentiment improves

The latest Quoted Companies Alliance small and mid-cap sentiment index indicates a bounce back in corporate optimism about the UK economy and brighter prospects for jobs and revenues.

The research was carried out by YouGov between 27 October and 9 November at around the time the second Covid-19 lockdown was announced and coming into force. There were 141 responses from companies, 86 of which are quoted on AIM, and 52 from advisers.

The companies are expecting turnover growth of 13.9%, compared with a decline of 5.5% in the previous survey undertaken during the second quarter of 2020. One year ago, the expected rate of increase was 14.4%.

In terms of job growth, there is a difference in expectations between companies and advisers. Both expected job numbers to decline in

the previous survey, but companies currently anticipate an 8% increase in jobs. In contrast, advisers still expect a 4.6% decline.

Companies continue to believe that raising money from the public markets is easiest and it is still the most favoured way of raising cash with 45% preferring it. That is down from 54% in the previous survey, but there was a 13% figure for don't knows, which is a selection that was not previously included. That probably highlights the uncertainty.

The average audit fee of the companies involved in the survey was £138,000, with 64% reporting an increase on the previous year. One-fifth of the companies say that their audit cost rose by 20% or more. The average increase in audit fees was 26%. There are concerns that auditors could end up pricing AIM companies out of the public market.

## January Nightcap

Drinks-led hospitality group Nightcap is set to join AIM in January. London Cocktail Club is being reversed into the company in a deal worth £5.7m in cash and shares and there are plans for other acquisitions. London Cocktail Club was founded in 2010 by a group of investors including Nightcap founder and chief executive Sarah Willingham. There are ten London Cocktail Club sites - nine in Greater London and one in Bristol. In the year to June 2020, London Cocktail Club revenues were £5.2m and there was a loss of £616,000. In the first quarter of this financial year, revenues fell from £1.57m to £1.25m, but the loss was halved to £64,000 thanks to a government Covid-19 credit of £121,000.

## HSS Hire moving to AIM

HSS Hire is switching from the Main Market to AIM in the middle of January. It follows online clothing and footwear retailer N Brown, which made the move in December. Both companies have valuations that are a fraction of their previous levels.

HSS is a tool and equipment hire business and it generates 70% of its revenues from rental and the rest from services, including training. Management believes that there is likely to be further consolidation in what is a fragmented market.

HSS floated on the London market in February 2015, after it had passed through the hands

of three private equity owners in just over a decade, and it was valued at £310m at the issue price of 210p. There was £103m of new money raised at the time, which is more than the current market capitalisation. That cash helped to reduce debt. In December, HSS raised £52.6m at 10p a share through a placing and open offer and that quadrupled the number of shares in issue. There was a warning that bank covenants might be breached without the additional cash.

Three shareholders (Exponet, Toscafund Asset Management and Ravensworth International) own 81.6% of HSS. The lack of free float

after the recent fundraising was a reason HSS had to move from the premium list.

The main shareholder in N Brown is Lord Alliance and he made the move from the Main Market to AIM a condition of his investment in a £100m placing and open offer at 57p a share. That cash will be used to pay off unsecured debt and invest in the financial services platform and retail websites. The current share price is around one-fifth of the level three years ago.

The ease of completing corporate transactions and tax advantages were attractions of AIM. Lord Alliance and related parties own 52% of N Brown.

# Numis optimistic about business pipeline

Numis says that the business pipeline for its investment banking business is encouraging and the IPO pipeline is the strongest it has been for some time. Numis has 44 AIM clients out of a total of 188 corporate clients.

Numis has also benefited from the strong trading levels in the past year. The equities business had a record year. An electronic trading service was launched last year. Fundraisings were a good fee generator for Numis, particularly in the second

half as companies boosted their balance sheets because of Covid-19 uncertainty.

In the year to September 2020, revenues improved from £111.6m to £154.9m, while pre-tax profit trebled from £12.4m to £37m. A reduction in travel and entertainment costs helped to boost profit. The revenues figure includes net trading gains of £16m, up from £4m. The total dividend is maintained at 12p a share.

The total remuneration of the three executive directors increased from £3.52m to £6.26m due to large increase in short-term cash incentives. Co-chief executive Alex Ham was the highest paid, with total remuneration of £3.53m, including variable remuneration of £3.1m.

Edison forecasts a decline in pre-tax profit to £28.8m this year, partly due to additional costs of the delayed head office move.

## ADVISER CHANGES - DECEMBER 2020

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
<b>Tekmar</b>	N+1 Singer/Berenberg	Berenberg	Grant Thornton	Grant Thornton	01/12/20
<b>Savannah Energy</b>	finnCap/Panmure Gordon	Mirabaud	Strand Hanson	Strand Hanson	03/12/20
<b>Westminster Group</b>	Arden	SP Angel	Strand Hanson	SP Angel	03/12/20
<b>Gusbourne</b>	Panmure Gordon/Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	04/12/20
<b>Polarean Imaging</b>	Stifel Nicolaus/SP Angel	SP Angel	SP Angel	SP Angel	04/12/20
<b>Primorus Investments</b>	Cairn	Turner Pope	Cairn	Cairn	07/12/20
<b>Uniphar</b>	Stifel Nicolaus/Davy/RBC	Davy/RBC	Davy	Davy	09/12/20
<b>Adamas Finance Asia</b>	Hybridan	Pello	WH Ireland	WH Ireland	10/12/20
<b>RUA Life Sciences</b>	Cenkos/Shore	Shore	Shore	Shore	11/12/20
<b>Serinus Energy</b>	Shore/Arden	Arden	Arden	Arden	14/12/20
<b>K3 Capital</b>	Canaccord Genuity/finnCap	finnCap	finnCap	finnCap	15/12/20
<b>RA International</b>	Canaccord Genuity	Cenkos	Canaccord Genuity	Cenkos	15/12/20
<b>Velocys</b>	Panmure Gordon/Shore	Numis/Canaccord Genuity	Panmure Gordon	Numis	16/12/20
<b>Clinigen</b>	Numis/RBC	JP Morgan Cazenove/RBC	Numis	JP Morgan Cazenove	18/12/20
<b>Online Blockchain</b>	Monecor (London)/Throgmorton Street	Throgmorton Street	Beaumont Cornish	Beaumont Cornish	18/12/20
<b>Lekoil</b>	SP Angel	SP Angel/Mirabaud	SP Angel	Strand Hanson	22/12/20
<b>Metals Exploration</b>	Hannam & Partners	Strand Hanson	Strand Hanson	Strand Hanson	22/12/20
<b>Borders &amp; Southern</b>	Auctus/Strand Hanson	Mirabaud	Strand Hanson	Strand Hanson	30/12/20

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# Alliance Pharma boosts US presence with \$110m Biogix acquisition

Healthcare

[www.alliancepharma.co.uk](http://www.alliancepharma.co.uk)

Consumer and prescription treatments supplier **Alliance Pharma** is acquiring Biogix Inc in an immediately earnings-enhancing deal. The \$110m purchase will boost Alliance's presence in the US. Consumer products will be more than two-thirds of revenues.

Los-Angeles-based Biogix owns **Amberen**, which is an over-the-counter brand providing treatments for menopause symptoms. **Amberen** provides one of the main menopause supplements in what is a new market for Alliance. It should become Alliance's second largest brand – scar treatment **Kelo-Cote** generated revenues of £31m in 2019. **Amberen** was launched in 2007 and retail distribution has been enhanced since 2015. Manufacturing is done

## Amberen treats menopause symptoms

by a third party in California and the products are sold through retail outlets, such as Walmart, Walgreens and Target, as well as online. The expanded presence in the US should help to market other drugs.

In 2019, Biogix generated revenues of \$22m and they are expected to increase to \$27m in 2020. Underlying EBITDA is estimated to be \$7m.

There are likely to be some integration costs during 2021 and then the deal will be significantly earnings enhancing after that. That is before any benefits from selling existing treatments in the US. Head-

ALLIANCE PHARMA (APH)		87.6p
12 MONTH CHANGE %	+4.2	MARKET CAP £m
		466.8

lice treatment **Vamousse** is likely to benefit from broader distribution relationships. The US was 4% of Alliance's annual sales, but the pro forma figure is 17%.

The cash to pay for Biogix will come from the company's £165m revolving credit facility. There will be £24m left to drawdown after the payment is made. Gearing will still be well within bank covenants. Cash generation will reduce the debt level. Before the acquisition, Alliance was expected to reduce debt by £24m in 2021. The shares are trading on around 16 times prospective 2021 earnings and that will fall in 2022.

# Byotrol swings from loss to profit

Anti-microbial technology

[www.byotrolplc.com](http://www.byotrolplc.com)

Antimicrobial technology developer **Byotrol** trebled its interim revenues to £6.8m and this was enough to generate a profit. The growth mainly came from product sales due to Covid-19 related demand, but royalty and licence income also increased. There are significant revenues to come as the income from existing licence deals builds up.

The acquisition of **Medimark** in 2018 was well timed and put Byotrol in a better position to take advantage of the opportunities provided by additional demand due to Covid-19. There was a swing from an interim

BYOTROL (BYOT)		7.125p
12 MONTH CHANGE %	-325.4	MARKET CAP £m
		31.5

loss of £600,000 to a pre-tax profit of £1.09m and net cash stood at £1.7m at the end of September 2020.

Byotrol is on course for a forecast full-year profit of £1.5m and that could be a conservative figure. It is based on much lower monthly product sales in the second half. The shares are trading on 24 times prospective 2020-21 earnings. The forecast does not take account of any additional licence deals that could be

secured this year.

Next year there will be royalties from the sales of **Actizone** surface sanitiser, following its planned launch by **Solvay**. House broker **finnCap** believes that they could build up to £5m a year within five years – based on a 3% share of the anti-bacterial surface disinfectants market.

Byotrol has completed a capital restructuring so that it has distributable reserves. A dividend is not likely in the short term, but it will be possible to pay one following the capital restructuring.



# DP Poland gains economies of scale from acquisition of rival Dominium

Pizza restaurants

[www.dppoland.com](http://www.dppoland.com)

**DP Poland** is acquiring rival Poland-based pizza restaurant group Dominium for £22.7m in shares and €7.5m in loan notes. This reverse takeover will nearly double the number of stores operated by the enlarged group to 126 and provide economies of scale. This will help move DP Poland towards profitability.

The combined group will be one of the top three pizza chains in Poland. Competition has been fierce, and the group will be better placed to combat this. On its own DP Poland has struggled to grow revenues to the point where it can be consistently profitable. The DP Poland chief executive resigned and Dominium's boss Piotr Dziezek becomes chief executive. Malaccan Holdings and related parties will own

## Annualised savings are £2.73m

45% of DP Poland

DP Poland raised £3.5m at 8p a share, while 21.8 million of the consideration shares were sold at the same price. There will be £2.4m left for the company after the costs of the transaction. This will finance the integration and provide working capital.

DP Poland is focused on takeaway, while Dominium is primarily an eat-in restaurant and the sites are mainly located in tourist destinations. There may be some rationalisation of overlapping sites. There will be a temporary new brand of Dominium by Domino's for the acquired sites.

DP POLAND (DPP)		9.25p
12 MONTH CHANGE %	+94.7	MARKET CAP £m
		23.5

Five new sites could be opened by the group in 2021 with the potential to accelerate openings in 2022.

There could be annualised savings of £2.73m. The group should gain volume discounts, while DP Poland will make dough for Dominium. The existing commissaries can cope with 150 sites. The delivery operations will be integrated.

In 2019, Dominium generated EBITDA of £3.2m. Like-for-like sales grew by 14% in the first two months of 2020. DP Poland generated revenues of £7m in the first six months of 2020 and made an EBITDA loss. Both businesses made a pre-tax loss in the first half.

# CyanConnode increases order book

Communications technology

[www.cyanconnode.com](http://www.cyanconnode.com)

Radio frequency communications networks developer **CyanConnode** has managed its cash effectively at the same time as growing its revenues from smart meters. Advanced payments from clients have helped to reduce the cash outflow despite continuing losses.

In the six months to September 2020, revenues were £1.5m and the loss was £1.37m. This was achieved even though there was disruption due to Covid-19 in the period. Operating costs were reduced so that they are more in line with levels of turnover. At the end of

CYANCONNODE (CYAN)		6.7p
12 MONTH CHANGE %	+108	MARKET CAP £m
		12.5

September 2020, there was cash in the bank of £952,000 and short-term borrowings of £785,000. Since then, £750,000 has been received from clients. Tax credits of £1.1m will help cash flow in the second half.

The order book for communications technology for electricity meters in India is worth £19m, which is equivalent to one million units, and these orders could

be deployed over the next two years. That is still a small percentage of the 250 million smart meter roll out planned in India. There are also orders from utilities in Thailand and Sweden, plus opportunities in UAE and Nigeria.

In the two months since the period end, revenues have been around £1m, taking the eight months figure to more than the revenues generated in the 15 months to March 2020. Once CyanConnode covers its overheads any additional revenues will help profit to increase rapidly.

# Coral injection mouldings disposal provides cash pile for expansion

Plastic products

[www.coralproducts.com](http://www.coralproducts.com)

**Coral Products** is selling its original injection-moulding business, which will make it a profitable company with a cash pile to invest in growing the remaining operations.

The disposal might have happened earlier if complications due to Covid-19 and the acquisition of the buyer had not got in the way. The injection mouldings business at Haydock and plastic food packaging supplier Interpack are being sold to larger rival One51 ES Plastics, which is part of Canada-based IPL Plastics, for £7.9m. That is similar to the current Coral market capitalisation. Pro forma net cash is expected to be £6.6m and pro forma NAV is £13.6m. Even if goodwill and other intangibles are excluded the pro forma NAV figure is £11m.

Haydock has been losing money – in the seven months to November 2020 the gross loss was £450,000.

## Remaining businesses could make £1m profit

Interpack, which is making a gross profit, was acquired in 2011 for £4.1m.

The remaining subsidiaries are Tatra-Rotalac, which manufactures plastic extrusions and mouldings, and Global One Pak, which supplies lotion pumps and trigger sprays. They generated seven months revenues of £5.4m and are profitable prior to central costs. The pre-tax profit of the two businesses prior to management charges was £790,000. If that level of profitability can be maintained, then their full-year pre-tax profit contribution could be around £1m.

Coral will still own the Haydock freehold, which was acquired for £1.75m in 2012, and the annual

CORAL PRODUCTS (CRU)		9.25p
12 MONTH CHANGE %	-6.6	MARKET CAP £m
		7.64

rental income will be £300,000. That should be enough to cover the central overheads, so the profit generated by the remaining businesses should fall through to group pre-tax profit.

There are restrictive covenants that mean that Coral cannot compete directly with the businesses it is selling, but this does not apply to the remaining businesses. Once the disposal goes ahead Coral can consider how to invest the cash it will have. Global One-Pak is a niche business that has a strong reputation for innovation and design. Coral could become a more significant player in the lotion pumps and sprays sector if it can identify suitable acquisitions.

# PCF remains profitable in Covid times

Finance provider

[www.pcfg.co.uk](http://www.pcfg.co.uk)

Business and commercial lender **PCF** benefits from operating its own bank because the deposits provide a cheaper source of funds. Deposits increased from £267m to £342m, while the loan portfolio grew 28% to £434m. Management focused on increasing the quality of loans, with 85% of new loans in the prime segment.

Given the Covid-19 disruption to the car market and to businesses in general, PCF did well to achieve underlying pre-tax profit of £3.9m,

PCF GROUP (PCF)		30p
12 MONTH CHANGE %	-14.3	MARKET CAP £m
		75.1

down from £8m. The annual impairment charge increased from £2.2m to £7.8m. There is no dividend.

There was weaker demand for small business finance because of alternative funding from the government. Azure funds equipment for live events and this was the most difficult market. This led to a £1.75m

goodwill write-off. Car loans and property bridging finance held up well.

Profit has been held back by Covid-19, but it is still set to rise sharply over the next couple of years. Impairment charges will still be significant but lower than last year. Pre-tax profit of £6.8m is forecast for 2020-21, rising to £9.4m the following year. The shares are trading on less than ten times prospective 2021-22 earnings. Long-term growth potential is impressive.

# Randall & Quilter's acquisitive plans

Insurance

www.rqih.com

## Dividend

Bermuda-based Randall & Quilter was formed in 1991 and it joined AIM in 2007, when it raised £17.1m and was capitalised at £69.9m. The total dividend was 7p a share in 2008 and that was maintained the following year. Cash distributions increased year on year up until the redomicile to Bermuda in 2013 when the total cash distribution was maintained at 8.4p a share. Pay outs started to grow again in 2016. These figures are prior to the one-for-22 bonus share issue that happened in 2020.

The total dividend for 2020 is expected to be 9.5p a share, up from 9.4p a share (adjusted for bonus share issue), and there should be a steady increase in dividends over the next few years.

## Business

Since joining AIM, Randall & Quilter has been highly acquisitive in the UK and US. Randall & Quilter acquires legacy non-life insurance operations and generates profit and cash from managing the run-off of these portfolios. The company also generates more predictable, recurring commission income from writing niche books of business.

In the first half of 2020, Randall & Quilter completed nine transactions and there have been more in the second half. That includes a deal to reinsure the \$400m of casualty reserves of Bermudan RenRe's Lloyd's syndicate. Prior to Christmas, Cayman Islands-based Marillac Insurance Company was acquired for \$2.3m in cash.

At the beginning of 2021, Randall & Quilter received UK regulatory approval for the acquisitions of

### RANDALL & QUILTER (RQIH)

Price (p)	176
Market cap £m	394.8
Historical yield	5.3%
Prospective yield	5.4%

Inceptum Insurance Company and The World Marine & General Insurance Company, which was acquired from mining company BHP.

There is plenty of cash available for acquisitions. Last May, \$100m (£80.3m) was raised at 135p a share. Brickell Insurance Holdings invested \$80m and Hudson Structured Capital Management invested \$20m. In December, \$107.75m was raised from the issue of 13-year unsecured subordinated tier 2 notes. The interest charge will be three-month US\$ LIBOR plus 6.75 percentage points for the first ten years (increased to 8.25% for the final three years). There are already two other note issues that mature in 2023 and 2028.

Barclays has been appointed as joint broker, alongside nominated adviser Numis. Joint founder and executive chairman Alan Quilter sold 400,000 shares at 176p a share. He still owns 2.08 million shares and is retiring as a director at the end of March. William Spiegel will become executive chairman.

Pre-tax profit is estimated to have declined from £38.1m to £32.8m in 2020, but that is still well above the 2018 figure of £14.3m. Tangible NAV is expected to be 133p a share at the end of 2020. Pre-tax profit could bounce back to £44m in 2021. However, that figure includes the cost of the new loan notes, but none of the potential income when the cash is invested.

## Dividend news

India-based **iEnergizer** is paying a special dividend of 49.2p a share. This follows the interim dividend of 5.72p a share proposed by the business process outsourcing services provider at the time of the interim results in November. Net cash was \$5.6m at the end of September 2020. A new debt facility of \$165m was secured at the end of 2020 and this will finance the special dividend, which will cost nearly £95m. A pre-tax profit of \$55m is forecast for the year to March 2021. Management intends to maintain the existing dividend policy, which should provide an ongoing yield of more than 4%.

**Solid State** maintained its interim dividend at 5.25p a share on the back of a resilient performance in the six months to September 2020 and the shares go ex-dividend on 28 January. The total dividend is likely to be held at 12.5p a share. Net cash is expected to increase to £5.9m at the end of March 2021, even though there may be a small dip in full-year pre-tax profit from £4.7m to £4.4m. Solid State is in a strong position to make add-on acquisitions to its distribution and manufacturing operations, as well as investing in areas such as modular battery packs.

Construction disputes and property services provider **Driver Group** reported a decline in full-year pre-tax profit from £3m to £2.5m, but it is returning to paying dividends. The final dividend is 0.75p a share. Profit was maintained in the second half with Europe and Americas the best performing division. The higher margin Diales expert witness business continues to grow. The outlook remains uncertain and there are no forecasts for this year. In November, Sweden-based AB Traction increased its stake in Driver to 17.32%. Chairman Steven Norris bought 46,000 shares at 53.5p a share.

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## Expert view: Registrars

# AIM 2020 IPO Review - Avenir's perspective

By Danny Curran

**W**hat a year that was – and for all the wrong reasons. Starting with optimism and hope for the capital markets, and with AIM being 25 years old, celebrations for this landmark achievement were in full swing. However, that soon took a very difficult downward turn and 2020 morphed into something that we have never experienced before.

Working from home became the new normal, 'furlough' probably the most used word in the English language, the daily 5pm Downing Street briefing essential viewing and communicating through digital video the default.

## 2020 has shown us that the capital markets are resilient

Arguably, the shift to remote working highlighted just how flexible we could all be, although at Avenir this was very much business as usual. We have always worked on a distributed basis, leveraging our technology to benefit customers and staff alike, meaning that concepts such as virtual team meetings were nothing new. Like many others, we stepped up and supported clients who needed to embrace these new ways of working, facilitating events such as online investor meetings as well as navigating social distancing rules to ensure statutory events could take place.

Perhaps the key takeaway, however, is that engagement rates for virtual and online events surged, suggesting that few may want to shift away from the new normal. So even with all the disruption that took place, the economy kept going and looking back on how that extraordinary 12 months affected AIM new listings, the figures show it certainly wasn't all doom and gloom. Notably, the secondary market was extremely busy with follow-on raisings.

## AIM IPOs

Prior to lockdown, the year started positively with three AIM admissions – the listing of hospitality group Barkby and then IPOs for eyewear provider Inspects and professional services firm FRP Advisory that raised more than £45m between them – but as March came and the pandemic hit, everything stopped.

With all the uncertainty and volatility around, markets were clearly going to be affected and the first few months of the lockdown were very quiet indeed. However, as summer approached, we

saw movement with consultancy firm Elixirr listing in July, raising £20m and providing a welcome shot in the arm to the market.

12 further companies completed listings, which included restaurant group Various Eateries, mental health & wellbeing provider Kooth, telecoms test company Calnex (the first Scottish Company to list on AIM in two years) and mobile payment & messaging specialist Fonix Mobile. Between them, they raised a total of £270m.

In total, 2020 saw 16 new AIM IPOs raising £270m in new money, a far stronger end to the year than may have been expected.

## The year ahead

Leaving 2020 firmly behind us, this year looks very promising with many listings that were put on hold now waiting in the wings. With the innovation that drove so much in 2020, the push for tech momentum is continuing to gain traction. Companies of that ilk have the potential to find favour and market

sentiment suggests that 2021 could be a bumper year as many are ready – and raring – to go.

Yes, there will be trepidation in listing, but if 2020 has shown us anything is that the capital markets are resilient and AIM will always continue to help and support companies in the next stage of growth.

## How Avenir can help

Undertaking an IPO is a complex process, and you will need the right advisory group – more so than ever now – to help guide you through the myriad of processes and tasks that are required.

Avenir has extensive experience in bringing companies to market and can support issuers with both the practical and logistical elements of an IPO from early IPO preparation, through to launch day and beyond, so get in touch today to find out how we can help.

2020 has been a year with unprecedented challenges, but the perennial resilience of capital markets has certainly shone through.

On January 11th, Avenir Registrars welcomed IMC Exploration as its latest client. As an Irish registered, London listed issuer, IMC had to take action to ensure its listing could be maintained following CSD changes in the wake of Brexit. The team at Avenir was happy to facilitate this move and provide the company with a next-generation registry solution designed to meet its current and future needs.



DANNY CURRAN is Business Development Manager at Avenir Registrars ([www.avenir-registrars.co.uk](http://www.avenir-registrars.co.uk)).



# Record breaking year for AIM

AIM has significantly outperformed the Main Market in 2020 and it has proved to be an essential source of cash for companies.

Back in March it would have appeared idiotic to believe that 2020 would be a record year for AIM. Share prices were slumping and the short-term future appeared bleak. The outcome for 2020 was better than would have been expected even before Covid-19 had become well known to investors. The resilience of the junior market has been impressive.

AIM ended 2020 with its highest ever market capitalisation. The market value of AIM increased from £104bn to £131.1bn even though the number of companies fell from 863 to 819. The top ten companies account for more than £20bn of the total. There are 24 AIM companies worth more than £1bn.

The average market capitalisation of the AIM companies is more than £160m. One decade before, the average

and one transfer from the Main Market. There were 13 completely new companies in the second half of the year and four joined in December. There were seven readmissions and two more companies came from the Main Market.

## Trading

There was a record value of trades in 2020. The total value of £83bn, was significantly higher than the previous record of £72.7bn back in 2007, which was the period when the number of AIM companies peaked at more than twice the current level.

The usual suspects, such as boohoo and Fevertree Drinks, remain among the most traded AIM companies but there have been newcomers to the list of

history of AIM.

Healthcare companies accounted for 17% of the number of trades on AIM. In 2019, it was around 5%. The consumer sector continues to dominate trades due to ASOS, boohoo and Fevertree. There were 33,354 trades in alternative energy companies during 2019, while last year there were 1.25 million trades, compared with one million trades for oil and gas companies.

There have been some changes to the sector classifications in the AIM statistics which may have a slight effect on the figures, but the trends are undoubtedly true.

The last three months of the year generated the highest average number of daily trades with a peak of 80,868 trades per day during November. There were more trades during the month than there were in the whole of 2004, although the total value was higher 16 years ago.

## Performance

Last year was a period of excellent performance, but it built on good performance over the longer term. AIM has averaged an annual total return of 10.8% over the past five years. Larger AIM companies have done even better.

The AIM 100 index averages an annual total return of 12.3% a year over five years. The FTSE 100 index has averaged a total return of 4.8% a year over the same period. The underperformance is not as great if an index of smaller Main Market is chosen, FTSE SmallCap for example, but AIM has still done much better than them.

Last year, there was an even

## The trades in 2020 account for more than one-eighth of the total trades in the history of AIM

value was £66.5m.

There was £5.27bn raised by existing AIM companies during 2020, which is the most since 2010. When it was needed AIM was there to enable companies to raise money.

There was £487m raised by new AIM admissions, which is slightly lower than the previous year. This is the lowest amount for two decades. There is an improving trend, though

In the first half of 2020, there were four completely new admissions, five readmissions

most traded companies. Novacyt is the most obvious thanks to its Covid-19 tests, although the level of trading has fallen back in recent months. Synairgen is another company that has attracted interest due to its potential Covid-19 treatment. However, things have not gone smoothly and the sharp rise in share price has been followed by a sharp fall.

In 2020, the total number of trades was 17.1 million, up from 10.2 million in 2019. The trades in 2020 account for more than one-eighth of the total trades in the

sharper contrast, with a total return of 20.6% for the AIM 100 and a decline of 11.5% for the FTSE 100. The FTSE SmallCap generated a total return of 7.1% but that is still modest in comparison.

Based purely on index performance, the AIM 100 rose 19.6% last year, compared with a fall of 14.3% for the FTSE 100. The AIM All Share was 20.7% higher.

## There was £5.27bn raised by existing AIM companies during 2020

This was achieved despite poor performances by leisure and property companies.

The AIM 100 was held back by the poor second-half performance of the boohoo share price, because of negative publicity for the online fashion retailer. It used to have the highest weighting in the index but that has changed, and the weighting has declined to 5.13%, which is slightly lower than the weighting for online retail rival

ASOS, which has regained its crown as the AIM company with the highest market capitalisation.

### Sectors

The healthcare sector has been increasing in importance for AIM over the past few years and this was highlighted in the past year. The FTSE AIM Healthcare

index increased by 19.2% during the year. Some of the better performers, such as Novacyt, were relatively small constituents at the beginning of the year so they did not have as big an effect on the index as might be thought.

The basic materials sector index has doubled in value thanks to the rise in commodity prices, such as gold.

On the face of it, the sharp outperformance of the FTSE AIM

oil and gas subsector appears strange considering the weak oil price. The index was 61.5% ahead during 2020 and rose by 63.6% in the second half. In December, the index jumped by 31.6%.

However, this subsector includes alternative energy and that is behind the good performance. Alternative energy companies have twice the market capitalisation of the oil and gas companies.

Fuel cell technology developer Ceres Power is worth more than £2.5bn following a 400% share price rise during 2020. Ceres and ITM Power are both in the top ten companies by market capitalisation. That has been achieved through a combination of share issues and rising share prices. Two years ago, Ceres was in the top 100 companies, while ITM was not in the top 250.

In December 2018, the value of trades in ITM was £1.13m, while Ceres trades were worth £3.25m. Last month, the respective figures were £237.9m and £221.8m.

Liquidity is always an important topic for AIM. These examples show that relatively illiquid shares can become highly liquid if investor interest is sparked.

### Future

At some points last year, it seemed that 2020 was going to be a unique year and as long as companies got through it unscathed then 2021 would be much better. This does not seem as likely. The ability to raise cash from investors means that most AIM companies are in a reasonable financial state, though. This year will be another tough one for many companies.

The level of outperformance is unlikely to continue, although AIM's performance has been strong in the first few days of January. There could also be a bounce back in performance from larger fully listed companies.

### AVERAGE DAILY TRADING VOLUMES

MONTH	NUMBER OF TRADES		VALUE OF TRADES (£M)	
	2020	2019	2020	2019
January	46,164	46,164	292.9	245.3
February	54,383	54,383	314.7	211.5
March	65,071	65,071	285.7	257.7
April	68,501	68,501	308.3	255.9
May	70,271	70,271	316.8	233.6
June	67,016	67,016	294.6	264.4
July	74,016	74,016	349.6	259.5
August	60,459	60,459	274.3	209
September	67,556	67,556	310.1	207
October	76,769	76,769	374.2	214.1
November	80,868	80,868	413.7	254.8
December	76,505	76,505	381.4	210

## Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	29.4	15.4
Healthcare	15.6	10.6
Industrials	14.6	16.7
Technology	11.5	11.7
Financials	9	11.6
Basic materials	6.5	14.5
Energy	6.9	11.6
Property	3.5	2.9
Telecoms	2.1	2.1
Utilities	1	1.2

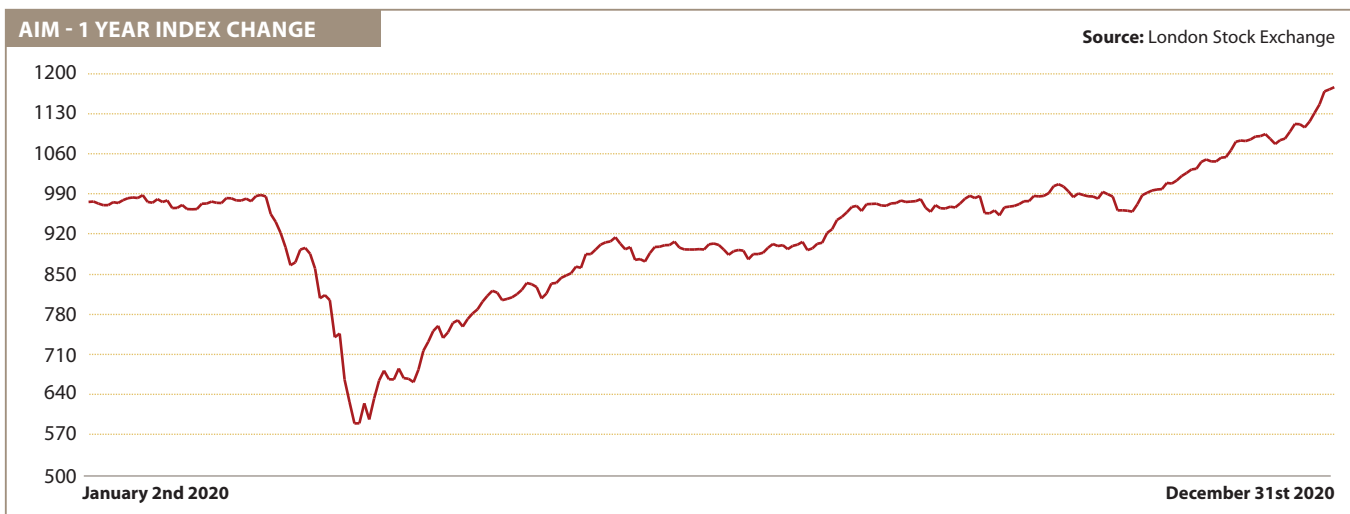
KEY AIM STATISTICS	
Total number of AIM	820
Number of nominated advisers	25
Number of market makers	47
Total market cap for all AIM	£118.5bn
Total of new money raised	£120.7bn
Total raised by new issues	£45.7bn
Total raised by secondary issues	£75bn
Share turnover value (Nov 2020)	£74.9bn
Number of bargains (Nov 2020)	15.5m
Shares traded (Nov 2020)	866bn
Transfers to the official list	193

FTSE INDICES		
ONE-YEAR CHANGES		
INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1152.08	+20.7
FTSE AIM 50	6444.89	+17.5
FTSE AIM 100	5893.56	+19.6
FTSE Fledgling	10635.61	+8.1
FTSE Small Cap	6215.49	+4.5
FTSE All-Share	3673.63	-12.5
FTSE 100	6460.52	-14.3

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	114
£5m-£10m	88
£10m-£25m	135
£25m-£50m	130
£50m-£100m	121
£100m-£250m	124
£250m+	106

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Summerway Capital	Shell	295	+247
Powerhouse Energy	Cleantech	9.8	+216
Eqtec	Cleantech	2.59	+208
Active Energy	Cleantech	1.4	+155
Ridgecrest	Shell	1.15	+130

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Microsaic Systems	Technology	0.2	-55.6
Remote Monitored Systems	Technology	1.39	-45.5
Live Company Group	Media	4.45	-44
Shield Therapeutics	Healthcare	63.5	-41.5
Zoltav Resources Inc	Oil and gas	36	-36.8



**Data: Hubinvest** Please note - All share prices are the closing prices on the 31st December 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.hubininvest.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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