JULY 2019

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

CBRE snaps up Telford

CBRE Inc has launched a recommended bid for residential housing developer Telford Homes that values the AIM company at £267.4m. The 350p a share bid is more than 100p below the recent peak of the share price in 2018 and even further below the all-time high in 2015. Telford raised £50m at 360p a share later in 2015. CBRE has picked a time when Telford is transitioning from a sales-focused to a build-to-rent focused business, which has lower margins but requires less capital.

New York Stock Exchange-listed CBRE is an international real estate services and investment firm with clients in more than 100 countries. Trammell Crow Company is a subsidiary that develops property in the US. Telford will become a standalone business within the Trammell operation. CBRE argues that the UK is moving to a more institution-owned rental housing model, which has been happening in the US for two decades.

Telford Homes floated on 14 December 2001 at 50p a share, having been incorporated one year earlier, so the bid is seven times that level and there have been dividends totalling 136p a share, including the latest dividend of 8.5p. Telford was set up by the former management of Furlong Homes following its takeover.

Purplebricks exits US

Estate agency Purplebricks is closing its US operations on top of the previously announced exit from Australia. The US operations have been trading for two years and have lost £50m in that period and generated less than one-third of that amount in revenues.

The US real estate market has a different model to the UK. Purplebricks was aware of that, but it severely underestimated the amount of money it would need to reach breakeven. Even with £62.8m in the bank at the end of April 2019, management did not consider that enough cash could be put into the US to make it successful. Closing the operation, a sale is a remote possibility, could cost up to £6m. The Australian closure could cost £6m-£8m on top of that.

The UK business is making an operating profit, despite continued increases in marketing spending, and Canada, which was acquired rather than started from scratch, is losing money but trading in line with expectations. The cash outflow should fall this year, but there could be a significant chunk taken out of the remaining cash pile due to restructuring costs and further investment. The shares are trading at around the 100p flotation price in December 2015 and there is uncertainty over Woodford's 19.25% stake.

In this issue

Uniphar dual quote

Uniphar is the latest pharma services company planning to join AIM. The Dublin-based business provides commercial and clinical, product access and supply chain services to more than 200 multinational pharmaceutical and medical technology firms.

Uniphar intends to raise up to €150m to reduce debt and finance acquisitions. The flotation is expected in mid-July and it will coincide with a Euronext Growth market quotation in Ireland.

The commercial and clinical division provides outsourced sales and distribution services to manufacturers. Product access sources and supplies unlicensed medicines and manages the release of speciality medicines to specific patient populations. These operations have been built up on the base of the more mature wholesaling operations, supplying services to retail pharmacies. Uniphar has also developed consumer brands that are sold through its pharmacy clients.

In 2018, Uniphar generated revenues of €1.55bn and EBITDA of €46.3m – on a pro forma basis. This assumes that Sisk Healthcare, acquired last August, and UK-based specialist medical supplier Durbin, which will not be bought until the flotation is completed, were included for the full 12-month period.

The origins of Uniphar go back to the merger of the United Pharmaceuticals Co-Op and Allied Pharmaceutical Distributors. These were set up by community pharmacists and some of these pharmacists remain shareholders. Existing shareholders will have the opportunity to sell up to €10m of shares in the placing.

Aquis NEX buy

Aquis Exchange is acquiring NEX Exchange, which is a recognised investment exchange just like AIM. NEX started out as Ofex nearly 24 years ago and is being sold by CME Group Inc, which bought it as part of its £3.9bn takeover of NEX Group. Aquis will pay £1, plus £2.7m for working capital requirements. Considering the cost and time it would take to obtain recognised investment exchange status this appears a good deal for Aquis. The deal requires FCA approval so it is unlikely to complete before the autumn. Aquis offers trading in larger companies listed on stockmarkets around Europe and NEX will provide a platform for trading in smaller companies. Aquis traded €34bn-worth of shares during May.

PwC's Redcentric audit criticised

The Financial Reporting Council has criticised PwC and two auditors for the audit of the accounts of IT managed services provider Redcentric. PwC was fined £6.5m, reduced to £4.55m due to admissions and early disposal. Jaskamal Sarai and Arif Ahmad were each fined £200,0000, reduced to £140,000, and they are both required to undertake additional training.

The FRC argues that the breaches were basic and/or fundamental and were evidence of a "serious lack of competence in conducting the audit work", although they were not deliberate. The planning of the audits was criticised.

The adverse findings and sanctions relate to the audit of the accounts for the year to March 2015 by PwC and Sarai and the audit of the accounts for the year to March 2016 by PwC and Ahmad. The 2015-16 accounts were extensively restated due to the problems with the previous audits.

The original figures for the year to March 2016, showed a pre-tax profit of £5.26m, but this was restated as a £4.2m loss. This is partly due to a £7.2m reduction in revenues to £102.4m and higher operating costs.

One of the highlighted areas is that of cash. The cash balance published in the accounts for 31 March 2015 was higher than the amount in the bank, which was £446,000, because of £6.5m in transit. That was much more than the amount at the time of the September reconciliation. The FRC says that not enough consideration was taken of the possibility that management might have tried to window-dress cash. There were also problems with the 31 March 2016 cash balance.

There were also concerns about revenue recognition and bad debt provisions. In 2014-15, there were some discrepancies with prepaid expenses and unrecorded liabilities which were not followed up during the audit. There was also a problem with the accruals for lease incentives relating to a rent-free period.

Small Cap Awards 2019 winners

Beeks Financial Cloud was the company of the year at the Small Cap Awards 2019. Beeks was formed in 2010 and joined AIM in November 2017. Beeks provides cloud-based connectivity and infrastructure services for automated trading of financial assets. Progressive Research forecasts a 2018-19 pre-tax profit of £1.4m.

Egg-free cakes supplier **Cake Box** became the IPO of the year on the day before its first anniversary on AIM. Cake Box raised £16.5m at 108p a share and the shares are trading at a premium of more than 60% to the flotation price. In the year to March 2019, revenues increased from £12.8m to £16.9m and underlying pre-tax profit improved from £3.3m to £4m. There are currently 113 stores.

Impact company of the year **Kromek** has developed a range of radiation detection and imaging products based on cadmium zinc telluride (CZT) technology. The company focuses on three sectors – medical imaging, nuclear detection and security. Kromek has a strong balance sheet following a recent fundraising. Revenues increased by 23% to £14.5m in the year to April 2019. Kromek is on course to reach breakeven in a couple of years. The orders that have been won underpin the forecasts.

Mike Creedon of digital imaging and sensor technology company **Scientific Digital Imaging** was executive director of the year. He has been on the SDI board since 2010, having previously been a finance director of two former AIM companies, Ideal Shopping Direct and Ninth Floor.

OTHER WINNERS

NEX Exchange company of the year
National Milk Records (NMRP)

Analyst of the year
George O'Connor,
Stifel Nicolaus

Journalist of the year
Simon Thompson,
Investors Chronicle

Fund manager of the year
Marlborough Nano Cap Growth

Lifetime achievement
Andrew Buchanan

ADVISER CHANGES - JUNE 2019

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
LPA Group	finnCap	WH Ireland	Cairn	Cairn	03/06/19
Volex	N+1 Singer/ Whitman Howard	Liberum/ Whitman Howard	N+1 Singer	Whitman Howard	03/06/19
Alba Mineral Resources	SVS/First Equity	First Equity	Cairn	Cairn	04/06/19
Gusbourne	Canaccord Genuity	Cenkos	Canaccord Genuity	Cenkos	06/06/19
Oriole Resources	WH Ireland/Hannam	Hannam/Turner Pope	Grant Thornton	Grant Thornton	06/06/19
Purplebricks	Citigroup/Peel Hunt	Peel Hunt/Investec	Zeus	Zeus	07/06/19
Park Group	Liberum	Arden	Liberum	Arden	10/06/19
Plutus PowerGen	Allenby/Turner Pope	Turner Pope/ Cantor Fitzgerald	Allenby	Cantor Fitzgerald	10/06/19
Real Estate Investors	Allenby/Liberum	Liberum	Cenkos	Cenkos	10/06/19
Fox Marble	Optiva/Brandon Hill	Brandon Hill	Cairn	Cairn	11/06/19
MaxCyte	Numis/Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	12/06/19
Shearwater Group	Berenberg/Cenkos	Cenkos	Cenkos	Cenkos	12/06/19
Cabot Energy	SP Angel	SP Angel /GMP First Energy	SP Angel	SP Angel	13/06/19
Savannah Resources	Whitman Howard/ finnCap	finnCap	finnCap	finnCap	20/06/19
Smart Metering Systems	Investec/Cenkos	Cenkos	Cenkos	Cenkos	26/06/19

Hutchison China puts Hong Kong listing on hold as majority shareholder reduces stake

Drug discovery *www. chi-med.com*

Drug developer **Hutchison China MediTech** is delaying its proposed listing on the Hong Kong Stock Exchange. There were plans to raise around £400m, but general uncertainty and the unrest in Hong Kong appears to have led to the postponement.

Hutchison Healthcare has reduced its stake to 51.2% via the sale of American Depository Shares (one ADS equates to five existing ordinary shares) on Nasdaq at $24 each. Setting the price at this level led to a slump in the share price. As part of this sale there is a 90-day lock-up on the sale or transfer of shares. That means that the Hong Kong Stock Exchange listing will not happen until the autumn.

Existing cash will last until the end of 2020

Hutchison is likely to need to raise cash in order to finance trials and commercialisation of its drugs in development. Edison believes that the existing cash will last until the end of 2020, so more cash will be required within 18 months.

There was news about the Surufatinib phase III study prior to the secondary ADS sale. The study of the treatment of patients with low or intermediate grade advanced extra-pancreatic neuroendocrine tumours met the predefined primary endpoint of progression-free survival. The next step is a pre-new drug application meeting with the Chinese authorities. This could lead to a launch of the treatment in 2021.

HUTCHISON CHINA MEDITECH LTD (HCM)			360p
12 MONTH CHANGE %	-21.6	MARKET CAP £M	2,399

Elunate capsules for the treatment of metastatic colorectal cancer have been launched in China by HCM's partner Lilly. Nearly $1m was generated in royalties by the end of March 2019. The Chinese market for cancer drugs is relatively untapped and Hutchison has a portfolio of potential treatments.

Staffline set for recovery

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

Staffline was already going to be ejected from the FTSE AIM UK 50 index prior to the latest share price crash and it is a long way away from getting back in the index. The recruitment and training company increased its provisions for underpayments relating to the National Minimum Wage regulations and exceptional restructuring costs to £45.6m and the share price more than halved.

At one point, the share price fell to 90.2p. That represents a decline of more than 90% from the share price high back in 2015. To put this in perspective, Staffline floated in December 2004 at 80p a share.

STAFFLINE (STAF)			118.8p
12 MONTH CHANGE %	-87.3	MARKET CAP £M	35.1

Then, the whole company was valued at £16.7m.

The recruitment firm is breaching banking covenants and originally said that it needed to raise at least £30m. A placing is raising £34m at 100p a share and a one-for-four open offer up to £7m at the same price. This more than doubles the number of shares in issue. The cash will reduce borrowings – net debt was £63m at the end of 2018. An amendment fee is payable for the existing facility and the relaxation of covenants. There is also a restriction on acquisitions until January 2021 and the banks have an opportunity to appoint a director. The facility lasts until 2022.

Hopefully, Staffne has put its problems behind it. An underlying pre-tax profit of £20m is forecast for 2019 and a recovery to £33.7m in 2020. Of course, the share issue will heavily dilute earnings, but Staffline could be trading on around three times prospective 2020 earnings. It may even be able to return to paying dividends in 2020.

Gresham House Strategic outperforms AIM as long-term strategy pays off

Investment company *www.strategicequity.greshamhouse.com*

Gresham House Strategic increased its NAV from 1175.1p a share to 1253.9p a share over the 12 months to March 2019. This growth was helped by profitable disposals of stakes in IMImobile and Miton, although Gresham did buy back some IMImobile shares at a much lower price after a share price decline in the fourth quarter of 2018. Total dividends are 19.85p a share for the year to March 2019.

Augean is another a major contributor to NAV growth as the waste management services provider continues to improve its performance and concerns about the money owed to the HMRC have lessened. Augean was 15.5% of the portfolio at the end of March 2019. The stake was increased during the period and further investments were made in Universe, Centaur Media, Be Heard and Escape Hunt.

The NAV was 1335.7p a share at end-June

Gresham is a closed-end fund, so it does not have any concerns about investors asking for their money back as is the case with open-ended funds, such as Woodford Equity Income. Of course, shareholders can sell and that could hit the share price, but Gresham does not have to sell any investments.

By the end of June, the NAV was 1335.7p a share. The proceeds of the Tax Systems takeover have been received and £2.5m has been invested in AIM-quoted engineer Pressure Technologies.

The latest investment is in unquoted The Lakes Distillery, which tried to float last year and still intends to float when market conditions make it viable. The £2.1m investment is in convertible loan stock, which will convert to a share stake if the company floats or provide a set return to Gresham if it does not. The Lakes Distillery (www.lakesdistillery.com) was founded in 2011 and has operations in the Lake District. A single malt whisky is being launched this year. The cash will be used to increase capacity.

This is the second pre-IPO investment. MJ Hudson, which provides services to asset managers, has still not floated although Gresham does receive a set return on this investment. The two unquoted companies will be around 10% of the portfolio.

GRESHAM HOUSE STRATEGIC (GHS)			1165p
12 MONTH CHANGE %	+17.7	MARKET CAP £M	41.4

Castleton cross-selling growth

Social housing IT *www.castletonplc.com*

Castleton Technology, the provider of software and managed services to the social housing sector, is growing through adding new clients and selling existing clients more products. There are still 50% of clients that take only one product; that is down from 60% one year earlier. There are 36 clients that take eight or more products.

In the year to March 2019, revenues improved from £23.3m to £26.4m, with organic growth of 7%, while underlying pre-tax profit increased from £4.5m to £5.6m. Recurring revenues grew by 10% to £15.4m. Net debt was reduced by nearly one-fifth to £5.1m. Castleton is paying a maiden dividend of 1p a share.

Multi-year contract order backlog was £30.3m at the end of March 2019, with more than £16m recognisable in the current financial year.

The software and managed services divisions are being integrated. Castleton is expected to grow revenues by 7% this year and this could be supplemented by acquisitions. Strong cash generation means that there are spare debt facilities that can be used to pay for acquisitions. This year pre-tax profit is forecast to improve to £6.4m. That puts the shares on 15 times prospective 2019-20 earnings.

CASTLETON TECHNOLOGY (CTP)			101.5p
12 MONTH CHANGE %	+17.3	MARKET CAP £M	82.9

Potential exploration upside for Touchstone onshore in Trinidad

Oil and gas *www.touchstoneexploration.com*

Touchstone Exploration is growing its production and generating cash. Some of this money will be invested in three exploration wells at the Ortoire prospect in Trinidad, which could provide significant upside. Drilling of the first well is due to commence with the drilling rig moved to the second site after the drilling is completed. The results of the first well could be available in September.

The wells are near to previous wells drilled by Shell in the 1950s which showed signs of hydrocarbons. Touchstone has an 80% working interest in Ortoire and it will fund the full cost on behalf of Heritage Petroleum, which owns the other 20%. The first well will probably cost $3.3m and the second around $3m.

In February, Touchstone raised $5m (£3.8m) at 12p a share and at the end of March 2019 it had cash of $7.59m, although net debt was $10m. No debt principal payments are required until the beginning of 2021.

Q1 oil production was 2,121 barrels per day

First-quarter results show average oil production of 2,121 barrels per day, which is 15% higher than the previous quarter. Sales were one-third higher than at the same time in the previous year at $11m and this generated $2.43m of cash. No wells were drilled during the period.

Production is likely to fall back in the second quarter due to reduced production levels from two wells, but it should recover in the third quarter.

TOUCHSTONE EXPLORATION INC (TXP)			16.5p
12 MONTH CHANGE %	+6.5	MARKET CAP £M	27.3

Touchstone is also bidding on a solar project with a partner. This would involve using spare land to site 30MW of solar capacity. There are options to fund this without hampering investment in the core oil and gas operations.

There are plans to change the current tax regime in Trinidad so that oil and gas exploration and investment is encouraged. This would make it easier to fund exploration.

Joint broker GMP FirstEnergy places an unrisked valuation of 55p a share on the exploration wells, while the current share price is underpinned by existing reserves.

Trans-Siberian income attraction

Gold miner *www.trans-siberiangold.com*

Investor interest in **Trans-Siberian Gold** has been hampered by the controlling shareholding and lack of liquidity in the shares, but it is cash generative and pays dividends. UFG Asset Management has cut its stake from 86.4% to 77%. This shareholding is in different funds.

In 2018, there was a standard dividend payment of 0.68p a share and a special dividend of 3.98p a share. The level of dividend depends on the cash generated during the year. This means that it could change significantly year to year. The shares go ex-dividend on 11 July for the latest payment of 0.71p a share.

TRANS-SIBERIAN GOLD (TSG)			76p
12 MONTH CHANGE %	+120.3	MARKET CAP £M	91.3

The Asacha gold mine is in the far east of Russia. It produced 46,053 ounces of gold in 2018, generating revenues of $59.8m. The cash cost per ounce was 12% lower at $516 per ounce last year. This helped the cash inflow from operations to increase from $10.2m in 2017 to $26.4m in 2018. Most of this was spent on capital investment and dividends, with the rest going to reduce borrowings. Net debt was $7.4m at the end of 2018.

There is potential upside from developing the Rodnikova prospect, which is similar to the nearby Asacha deposit. Trans-Siberian will require more cash to develop Rodnikova, although some could come from borrowings.

Eco Animal Health's progressive dividend

Veterinary drugs *www.ecoanimalhealthgroupplc.com*

Dividend

Eco Animal Health is one of the companies that has been traded on AIM for the longest time. It switched from rule 4.2 trading to AIM in September 1995, three months after AIM was launched. The company has been a consistent dividend payer over the years.

In 1995-96 the dividend was 2.35p a share and it increased every year until 2006-07 when it was 7.15p a share. That dividend was maintained for a further two years and then it was cut to 2.3p a share. This year's total dividend is 11.04p a share, up from 9.2p a share the previous year, which is 1.6 times covered by earnings. That excludes a special dividend of 3.5p a share paid in January 2019. The dividend could be increased by 20% again this year.

Business

Eco Animal is an international veterinary drugs supplier and that spread of operations helped it to weather a downturn in the Chinese market and still grow overall revenues and profit. African swine fever, which could have caused the loss of 200 million pigs, hit demand in China and the market will take time to recover. Pork prices are starting to rise. Latin America grew fastest last year.

In the year to March 2019, revenues increased by 11% to £74.6m and pre-tax profit was 10% ahead at £15.2m. R&D investment was increased from £7.2m to £9.1m. This research is outsourced to third parties. Even after the special dividend payment, net cash was still £18.1m. There has also been a temporary relaxation of payment terms for Chinese customers, which increased trade receivables.

ECO ANIMAL HEALTH (EAH)	
Price (p)	380
Market cap £m	256
Historical yield	2.9%
Prospective yield	3.5%

The company's main drug is antibiotic Aivlosin and this accounts for three-quarters of revenues. Aivlosin treats respiratory and enteric diseases in pigs and poultry and management says it is gaining market share, which is estimated to be 10%. Sales grew by 14% last year.

There are four main competitors in the anitmicrobials market for pigs and poultry. ELANCO-owned Tylan has a 38% share. The three products owned by ELANCO account for more than four-fifths of the market. New versions of Aivlosin, such as a water-soluble formulation, and new licences mean that there should be continued growth in revenues.

Eco Animal also sells generic drugs, such as Ecomectin, which is an anti-parasite treatment, and treatments for bacterial infections in pigs, poultry and cattle.

The benefits of the investment in vaccines with worldwide rights is yet to show through in the figures and this is still more than three years away. Even so, the vaccines will help to diversify revenues so that Eco Animal is not as dependent on Aivlosin.

N+1 Singer expects 2019-20 figures to be second-half weighted, but they should show continued progress. Further growth will come as new products are launched over the coming years.

Dividend news

Agricultural products supplier **Wynnstay** raised its interim dividend by 4% to 4.6p a share even though there was a 15% decline in underlying pre-tax profit to £4.3m. Management had already warned that second-quarter trading had been tough. The warmer winter weather hit demand for animal feed, although fertiliser demand has been strong. The agricultural merchanting depots acquired in the past year are moving towards profitability. Shore expects a total dividend of 14p a share for the full year and that would be covered more than 2.2 times by forecast earnings – assuming no improvement in trading conditions.

Park Group increased its dividend by 5% to 3.2p a share, even though higher investment in the business meant that underlying pre-tax profit was flat at £12.5m, before asset write-downs. The dividend cover is more than 1.4 times. There was a smaller contribution from Christmas savings, offset by growth from corporate promotions and incentives. There was £36.9m of the company's own cash at the end of March 2019. There will be a dip in profit this year due to higher overheads and the dividend will probably be maintained rather than increased. There should be a return to profit and dividend growth the following year.

Data analysis services provider **D4T4 Solutions** beat profit and dividend expectations for the year to March 2019. Pre-tax profit improved from £4.1m to £6m and the dividend was raised by one-fifth to 3p a share. The dividend cover is 4.6 times, helped by a low tax charge. Net cash was £11m at the end of March 2019. North America is the largest market for data analytics and there is additional investment in sales in the US. The dividend could be increased by 10% to 3.3p a share this year, even though earnings growth is expected to be slower than that.

Telit censured, but fine is waived

Telit Communications has been censured by the London Stock Exchange because of the failure of its former chief executive to reveal that he had been indicted in the US.

The London Stock Exchange has publicly censured and fined Telit Communications, although it has decided to waive the £350,000 fine.

The internet of things technology company has been censured for events that happened when there was a differently constituted board. They predominantly relate to the former chief executive Oozi Cats, who was chief executive for the first 12 years of Telit's time on AIM. He resigned in August 2017. That is why the fine has been waived.

Indictment

At the time of his resignation Telit had held an independent review and stated that "The independent review has found that the evidence shows that an indictment was issued against Oozi Cats in the US and that this fact was knowingly withheld from advisers." It added that "…the historical indictment against Oozi Cats was never disclosed to them [the board] or previous members of the Board and that they have only been made aware of its existence through third parties."

The company and advisers appear to have found it more difficult to discover the problem because the indictment was under the name Uzi Katz. He did not disclose this variation of his name in the admission document at the time of the Telit flotation in April 2005.

The advisers should have done due diligence to find this out and asked all the directors to inform them of relevant information. Oozi Cats should have realised that he was required to disclose everything about his past that was relevant to his role as the director of a company quoted on AIM.

Breaches

Telit has breached AIM rule 3, due to the failure to disclose all information in the admission document, and AIM rule 31, because the company continued to fail to disclose the information to its various nominated advisers over the subsequent years.

Telit breached AIM rule 3 and AIM rule 31

This is deemed to be a corporate responsibility, even though Oozi Cats himself did not reveal the information to the board.

The swift action of the board when it discovered the indictment in August 2017 and their cooperation in the investigation led to the decision that the fine should be waived.

Future

Telit lost money in 2017 and 2018. Telit Automotive was sold for $105m in February and some outstanding issues have been settled. The tax dispute with the Italian authorities has been ended with a payment of €400,000. A criminal investigation related to an Italian company that went into liquidation has been settled through a payment of €861,000, including legal costs. A potential Israeli tax charge of $3m has not been provided for and Telit argues that the tax losses were available to offset against taxable income.

House broker finnCap forecasts a swing from net debt of $34m at the end of 2018 to net cash of $47.8m. Telit may decide to return some of this cash to shareholders.

A 2019 underlying pre-tax profit of $7m is forecast, helped by cost savings, rising to $13.6m in 2020. Capitalised R&D spending was reduced from $31m to $25m last year, although $71m was spent in total. The R&D investment remains significant. That means that cash flow from operations appears good but most of it is spent on capitalised R&D.

Telit is integrating its hardware and services businesses and the focus will be on higher margin services. The internet of things is a rapidly growing market so the outlook for Telit should be positive. The Americas is the main market, and this is set to continue to grow fastest.

Oozi Cats has not gone away, though. During May, he edged up his shareholding in Telit from 12.9% to 13.2%.

Smaller company sentiment remains strong

Research carried out by AIM-quoted market research firm YouGov on behalf of the Quoted Companies Alliance shows that smaller and mid-cap companies are negative about the general economic conditions, but they are still positive about their own prospects.

The latest research for the Quoted Companies Alliance (QCA) shows that the economic sentiment of UK smaller and medium sized companies has been in decline since it peaked in 2014 and the mean rating remains below 50, which would be a neutral level. That contrasts with more positive sentiment when it comes to their own companies' prospects.

The QCA/YouGov Small & Mid-Cap Sentiment Survey was launched in 2011 and this is the 22nd time it has been published. The survey is based on 117 interviews – 78 with companies and 39 with advisers, including brokers, nominated advisers, lawyers, accountants, auditors and investors. This sample is lower than six months before when 105 companies and 47 advisers were surveyed.

It is not surprising that there is uncertainty about the UK economy given that there is no way to know what the relationship between the UK and the European Union will be. To put this in context, the companies are not as pessimistic as they were back in 2012.

There is still optimism about individual company prospects but there is a downward trend. The figure is 63.9, down from 67.5 six months earlier. Interestingly, advisers have gone from being pessimistic with a figure of 48.7 to optimistic at 51.5.

Advisers are consistently less optimistic than the companies themselves, even though the gap has narrowed in the past six months.

Revenue growth

Companies' expect average sales growth to be 17% over the next year, compared with 19.2% one year earlier, although it is slightly better than the 16.5% figure six months ago.

The lowest growth figure in the history of the sentiment index is 9.7% back in the third quarter of 2012. The 17% figure is the second highest growth rate in the history of the research. This is impressive given the general pessimism about the UK economy.

This indicates that management teams are concentrating on their own businesses and trying to put their frustrations with the government and Parliament to one side.

> Advisers are consistently less optimistic than the companies

Jobs growth

Three-quarters of small and mid-cap companies expect to employ more people over the coming year. However, the ones expecting to cut jobs has risen from 10% to 19%. The 6% who expect no change is the lowest ever figure. Overall job growth of 7.4% is expected, down from 9.4% six months ago.

Cash

There are still plenty of companies seeking to raise money in the next 12 months. It has fallen from 47% to 37%, but that is still a significant percentage. They seem to believe that it is slightly easier to raise money from issuing shares than via other sources. However, advisers think it is getting more difficult to raise the cash via share issues.

The advisers believe that it is easiest to raise private equity finance, although it is also getting more difficult. The trouble is that the companies are not keen on private equity as a provider of finance.

The majority of companies responding to the survey felt that it was easy to raise money from stockmarket investors, compared with 13% of advisers. The companies also thought it was much easier to raise bank finance than the advisers believed.

Three-fifths of companies would prefer to issue shares to raise the cash that they want. That figure has hardly changed in the past two years. Nearly one-third said borrowing from banks would be preferable.

AIM performance recovers but volumes fall

AIM trading levels in the first half of 2019 are lower than in the same six months of the previous year, even though there has been a recovery in the market, but volumes in the oil and gas sector have risen this year.

It has been a difficult start to the year for AIM because of the general economic uncertainty, particularly due to the unresolved relationship between the UK and the EU. The performance of the market has improved in the first half of 2019, but trading levels have declined.

The total return of the FTSE AIM All Share index has recovered in the past six months. The total return is 7.9% in the first half of 2019. That compares with 9.4% for the FTSE AIM 100 index and 11.7% for the FTSE AIM UK 50 index. Larger companies tend to recover earlier than their smaller counterparts.

The figures for the past 12 months show the total return on each index declining in double figures, with the AIM 50 the worst performer, with a 17.2% fall, and the AIM All Share 13.9% lower.

Trading

The value of AIM shares traded in the first half of 2019 fell from £35.5bn to £30.3bn, while the number of trades declined from 5.79 million to just over 5 million.

Trading volumes and the number of trades were lower in each of the first six months. The average daily number of trades has been around 40,000 all this year, although June was the highest average of 42,358. That is still nowhere near the 50,204 average in January 2018.

Much of the decline in volumes is down to the consumer services sector and online fashion retailers ASOS and boohoo, in particular. These are still two of the most traded shares on AIM, but they are not traded as often as they were in the past.

One sector where there has been more activity this year is oil and gas. The sector accounts for 12% of trades so far this year, compared with 10% last year. In value terms, there is an increase from 8% to around 9%.

There were 25,593 trades in Hurricane Energy during June 2019, up from 10,634 the previous June. There has been much greater trading activity in Hurricane in recent months. This was initially due to optimism about the Warwick Deep well in the North Sea, but the well was plugged and abandoned because it was not commercial.

Trading in US-focused Diversified Gas & Oil has also been higher in recent months. This increased activity in the sector is partly offset by the takeover of Faroe Petroleum which was actively traded prior to its takeover last year.

AIM SECTOR TRADING VOLUMES

COMPANY	VOLUME (£M) H1 2019	VOLUME (£M) H1 2018	NUMBER OF TRADES H1 2019	NUMBER OF TRADES H1 2018
Oil and gas	3,232.5	2,553.8	603,730	577,962
Basic materials	1,829.1	2,209.5	512,564	637,457
Industrials	3,648.2	3,638.2	516,431	532,783
Consumer goods	3,347.6	3,617.0	482,766	461,483
Healthcare	2,448.4	2,939.6	498,380	569,504
Consumer services	6,381.9	9,321.8	1,213,259	1,470,674
Telecoms	478.3	581.2	25,093	45,613
Utilities	151.5	104.8	38,607	20,542
Financials	4,530.5	5,500.6	456,561	667,034
Technology	4,288.7	5,001.6	656,757	811,206

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	17.9	16.6
Industrials	17.5	17.2
Consumer services	14.5	10.8
Healthcare	13.2	9.9
Technology	12.3	13
Consumer goods	10.1	5.8
Oil & gas	7.8	10.9
Basic materials	5	13
Telecoms	1.3	0.8
Utilities	0.3	1.2

KEY AIM STATISTICS

Total number of AIM	901
Number of nominated advisers	28
Number of market makers	48
Total market cap for all AIM	£104.1bn
Total of new money raised	£113.8bn
Total raised by new issues	£45bn
Total raised by secondary issues	£68.8bn
Share turnover value (May 2019)	£25.1bn
Number of bargains (May 2019)	4.16m
Shares traded (May 2019)	226.6bn
Transfers to the official list	190

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	919.33	-15.1
FTSE AIM 50	5141.5	-18.3
FTSE AIM 100	4767.34	-16.1
FTSE Fledgling	9430.68	-16.7
FTSE Small Cap	5570.1	-5.2
FTSE All-Share	4056.88	-3.5
FTSE 100	7425.63	-2.8

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	144
£5m-£10m	108
£10m-£25m	163
£25m-£50m	139
£50m-£100m	138
£100m-£250m	119
£250m+	90

TOP 5 RISERS OVER 30 DAYS

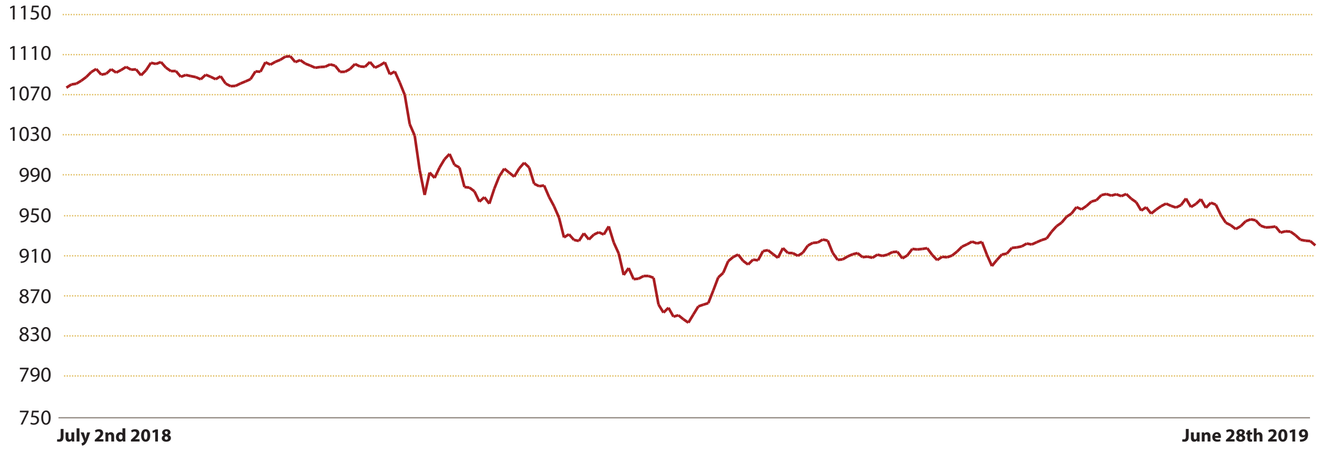
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Mirriad Advertising	Media	23.5	+309
Adam	Financials	4	+220
Premier Technical Services	Support services	208	+197
Open Orphan	Healthcare	6.8	+157
EVR Holdings	Media	7.55	+136

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Motif Bio	Healthcare	2.33	-73.5
Mporium	Media	0.945	-65
Angus Energy	Oil and gas	1.425	-60.1
MySale Group	Retail	3	-59.2
Staffline	Support services	118.8	-55.2

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th June 2019, 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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