AUGUST 2021

AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM new admissions soar

AIM had a flat July in terms of performance with a 0.2% increase on the month, but it was a busy month for new admissions. There were 15 new companies, plus Sportech moving from the Main Market.

The largest price rise was for Big Technologies, which floated at 200p on 28 July and in three days of trading the share price soared to 355p. Trading levels were not high with 1.08 million shares traded on the first day and 165,600 shares traded on the next two days. Big Technologies has developed remote monitoring technology which is mainly used in the criminal justice sector and is sold on a subscription basis. The company is valued at £1bn and had 2020 revenues of £29.6m generating pre-tax profit of £12.7m.

Online building materials retailer CMO raised £27.3m at 132p a share and ended the month at 210p. CMO is three times the size of its nearest online competitor, but its market share is small. Pro forma operating profit is £3m and the company is valued at £151m.

Companies set to join AIM during August include floorcoverings distributor Likewise, which is switching from the International Stock Exchange, and cancer drug developer BiVictriX.

Davy recommends offer

Bank of Ireland is acquiring Ireland-based broker and wealth manager J &E Davy for an enterprise value of €440m. The deal should be earnings enhancing in the first full year after acquisition.

One-quarter of the purchase price will be paid two years after completion and will depend on the achievement of agreed criteria. There could be up to €40m more payable from 2025 dependent on future performance. Davy is selling Davy Global Fund Management and its 63% shareholding in Rize ETF Ltd, which is being acquired by AIM-quoted AssetCo for £16.5m. The total proceeds are expected to be around €125m and Bank of Ireland will pay for excess cash.

In 2020, Davy made an underlying pre-tax profit of €32.8m – excluding the businesses sold and additional finance costs. Bank of Ireland already has more than 250,000 wealth management clients. It also has more corporate clients than other Irish banks.

Davy is nominated adviser to eleven AIM companies according to the London Stock Exchange website. It is also Euronext Growth Adviser to some of these companies and other companies that have a different nominated adviser, such as Open Orphan. Davy is also joint broker to these companies and others not on Euronext, such as Poolbeg Pharma. Regulatory approval is required for the acquisition to go ahead.

In this issue

Avenir REGISTRARS

Equity listings | Bond issuance | Register keeping | Receiving Agent duties

MaxCyte dual quotation

MaxCyte Inc has raised $175.5m at $13 a share as part of its listing on Nasdaq and could raise more cash if the underwriters exercise their option over more shares. The shares commenced trading on Nasdaq on 30 July. The cell-engineering technology developer has come a long way in the past five years. It has raised more than four times its valuation when it joined AIM.

MaxCyte was founded in 1998 and valued at £30.4m at the AIM placing price of 70p a share back in March 2016. The share price has risen to £11, although the offer price is equivalent to 935p a share (£1:$1.39 exchange rate). In February, £40m was raised at 700p a share.

This is an example of a company that has joined AIM when it was small and would not have been as attractive to Nasdaq investors and gone on to raise cash and grow to a point where a Nasdaq listing is viable. Renalytix pursued the same route and gained a Nasdaq listing one year ago and the share price has subsequently doubled – although this good performance is not always the case with AIM companies gaining a Nasdaq listing.

In 2020, revenues were 21% ahead at $26.2m – they were $9.3m in 2015. There are also potential milestone payments of more than $950m. The top ten largest biopharmaceutical companies are clients. There are more than 1,000 companies involved in the cell-therapy market. MaxCyte will use the cash to expand its manufacturing, invest in sales and marketing and put more money into research and development.

Major shareholder Casden Partners Master Fund has bought enough new shares to keep its stake at around 14%. MaxCyte is retaining the AIM quotation for the time being.

Augean purchase

Morgan Stanley Infrastructure Partners is making a recommended 280p a share cash bid for waste management firm Augean as part of its strategy to gain exposure to the UK hazardous waste sector. There is also a contingent entitlement of up to 20p a share in loan notes, which is worth £24m in total, connected to the outcome of outstanding tax claims. Including the contingent amount, Augean is valued at £314.9m. If net proceeds are less than £100,000 there will be no loan notes issued. Gresham House Strategic has a 5.6% stake in Augean, which was more than one-quarter of its portfolio at the end of June 2021. That means the AIM-quoted active investor will receive £16.4m before any contingent payment.

Microlise seeks acquisitive growth

Transport management technology developer Microlise Group raised £14.3m, after expenses, at 135p a share. This can finance acquisitions to enhance the organic growth in the UK and internationally. Microlise sells the technology to vehicle manufacturers that install it on the production line, as well as directly to end customers.

Nottingham-based Microlise was bought out by existing management in 2008 as the company's focus was moving to transport management technology and software. More than 400 customers with over 50,000 vehicles are using its software. The churn rate is impressive at around 1%. Signing customers up on multiyear deals helps.

The core Software-as-a-Service revenues come from a set of modules covering areas such as fleet performance, journey management, safety, compliance and driver connected mobility. One of the more recent modules is for planning and optimisation of routes. At the end of 2018, Microlise took a 20% stake in AIM-quoted Trakm8 and Microlise chief executive Nadim Raza joined the board

In the year to June 2020, revenues were £50m and pre-tax profit was £710,000 - £783,000 excluding the share of Trakm8's loss. In the same period there was £8.91m in cash generated from operations, due to upfront payments, plus a further £1.82m from R&D tax credits. In the six months to December 2020, revenues improved from £26.2m to £27.8m and pre-tax profit from £204,000 to £773,000 - or £901,000 if the share of Trakm8's loss is excluded. There was £3.49m of cash generated from operations.

Cash generation outstrips revenues because many of the customers sign up for up to five years and pay in advance. Trading has recovered in the six months to June 2021, and it is above pre-pandemic levels. The share price ended the month at 142.5p.

WH Ireland generates first profit for five years

WH Ireland has achieved its first profit in five years, and it is the capital markets division that has led the turnaround in fortunes. The momentum is continuing and WH Ireland has been involved in three AIM admissions in the past five weeks – retail software provider itim, North Sea oil project developer Orcadian Energy and software coding training company Northcoders.

In the year to March 2021, revenues increased 37% to £29.6m, while there was a swing from a loss of £3.3m to a pre-tax profit of £1.2m. There was £8.2m in the bank at the end of the period, although there is £2m of potential deferred consideration to set against this.

The revenues of the capital market division more than doubled from £7.9m to £16.3m. There was a 75% increase in the number of transactions handled to 42. The profit contribution from the division jumped from £186,000 to £4.78m. There are 82 retained corporate clients and the average market capitalisation is £81m.

Three-quarters of wealth management income comes from fees. Total assets under management jumped by 40% to £2.1bn, helped by the acquisition of Harpsden, although the profit contribution from the division was lower last year. The disposal of the non-core Isle of Man business was during the period. Discretionary managed assets nearly doubled to £959m – like-for-like growth was 34%. WH Ireland is targeting discretionary managed funds of £3bn.

■ **Numis** expects to achieve a record full year performance even though deal volumes are expected to decline in the fourth quarter due to the summer holidays. The broker's third quarter revenues were more than £50m, which was better than the same quarter last year which was boosted by companies raising cash to shore up their balance sheet during the Covid-19 lockdown.

At the end of June, Numis was involved in the AIM flotation of online plumbing products retailer Victorian Plumbing, while in July it brought maternity wear retailer Seraphine to the premium list. Numis is gaining market share in equities trading. Michael Spencer has taken his stake in Numis to more than 6%.

■ The latest NED City Debate, chaired by Barry Gamble, is being held at the offices of lawyer Gowling WLG at 4 More London, London, SE1 2AU on 30 September. The event starts at 5pm. The motion is: This House believes London's junior market has been a measurable success.

The original plan was to hold the debate to coincide with the 25th anniversary of AIM in 2020, but Covid-19 got in the way. There will be a formal debate format with debaters arguing for and against the motion without presentations or props. The four debaters should be announced in the next few weeks.

The event is free of charge. Anyone interested can pre-register for the event at RSVP (gowlingwlg.com).

ADVISER CHANGES - JULY 2021

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Fintel	Investec / Zeus	Zeus / Liberum	Zeus	Zeus	01/07/2021
Ergomed	Peel Hunt / Numis	Numis	Numis	Numis	19/07/2021
Mincon	Shore / Davy	Davy	Davy	Davy	19/07/2021
Napster	finnCap	Arden	finnCap	Arden	19/07/2021
Fulcrum Utility Services	Cenkos	Cenkos / N+1 Singer	Cenkos	Cenkos	29/07/2021
Northcoders	Peterhouse / WH Ireland	WH Ireland	WH Ireland	WH Ireland	29/07/2021

German joint venture fuels profit jump at Hargreaves Services

Industrial services *www.hsgplc.co.uk*

Hargreaves Services had a strong end to its financial year with a bumper contribution from its German joint venture and a highly profitable property sale going through earlier than expected. This, and the sale of residual coal stocks to the German joint venture, helped to build up a cash pile. Hargreaves will not be able to repeat the level of profit this year, but the core businesses should make progress.

In the year to May 2021, revenues fell from £222.2m to £204.8m. A lower contribution from services was offset by a significant profit on property assets. Overall, underlying pre-tax profit jumped from £4.9m to £21.2m and even stripping out the German joint venture the improvement was from £3.3m to £7.6m.

Net cash is £16.5m

There was a £4.1m (nil in the previous year) contribution from the Unity joint venture thanks to a land sale. Selling the remaining coal stocks moved Hargreaves Services from net debt of £20.5m to net cash of £16.5m.

The final dividend is 4.5p a share, taking the total normal dividend to 7.2p a share, with a further 12p a share relating to a distribution from the German joint venture. This joint venture has distributable reserves of £27.1m and it plans to pay Hargreaves a dividend of £3.9m a year. That is what finances the 12p a share additional dividend.

HARGREAVES SERVICES (HSP)			525p
12 MONTH CHANGE %	+150	MARKET CAP £M	169.6

Management says that the 12p a share additional dividend should last for at least four years, but with additional profit boosting distributable reserves it could last much longer.

Next year's total dividend is expected to increase to 20p a share, even though pre-tax profit is expected to decline to £14.1m this year. The share price rise means that they are trading at a premium to the NAV of 433.9p a share.

Smart Metering Systems assessing other projects

Smart meters and energy efficiency *www.sms-plc.com*

Smart Metering Systems has a solid growing annual recurring revenue base from installed meters, and it has new projects that could boost these revenues in the medium-term. The most advanced of these is grid-scale battery storage, which is used by grid operators as a balancing service for peaks in demand and store excess renewable energy where production can be intermittent.

The first projects with a total capacity of 90MW should produce initial revenues before the end of the year. The total pipeline of projects is 470MW. It is estimated that the addressable market is around 25GW.

SMART METERING SYSTEMS (SMS)			903p
12 MONTH CHANGE %	+45.6	MARKET CAP £M	1,019.9

The company's existing technology platform can manage these assets.

EV charging infrastructure is another area with significant potential for SMS, which is seeking opportunities in the domestic and destination charging markets. Capacity will have to increase enormously over the coming decade as electric car ownership rises. Energy efficiency services are being trialled and could become a significant contributor.

First half trading was in line with expectations. Annualised recurring revenues are £84.2m, up from £77m at the end of 2020. There were more than 30,000 smart meters installed during June, which is higher than the pre-Covid run rate.

Liberum expects 2021 revenues to edge up from £103m to £106m, while pre-tax should increase from £15.2m to £17m. Net cash is expected to be £55m at the end of the year. Dividends are forecast to increase from 25p a share to 27.5p a share and should continue to increase by 10% each year. The forecast yield is 3%.

Defence technology supplier Cohort builds up its long-term order book

Defence equipment and services *www.cohortplc.com*

Defence technology and services provider **Cohort** has built up its order book, but delays to certain orders are holding back short-term progress. Even so, the dividend has been increased by 10% to 11.1p a share and that rate of growth is set to continue.

In the year to April 2021, revenues were 9% ahead at £143.3m, which includes an initial £8.3m contribution from Germany-based sonar systems supplier ELAC, which was acquired at the end of 2020. Underlying pre-tax profit was flat at £16.6m.

One of the better performers was Portugal-based communications equipment supplier EID, but delayed orders mean that there is likely to be a one-third fall in revenues and a profit decline this year. In contrast, profit dropped at surveillance technology company CHESS, but a trebling of its order book should enable a recovery in margins and profit this year. Data technology company MASS remains the largest profit contributor.

The order book is £242.4m

Net cash was £2.5m at the end of April 2021, but an acquisition earnout, capital spending, dividends and tax will use up that cash and the additional cash generated this year.

The order book was worth £242.4m at the end of April 2021 and £99.7m of that is due to be delivered this year. Additional contract wins have added more than £50m since then, which means that more than two-thirds of expected 2021-22 revenues are already covered in the order book. Profit is expected to be slightly higher this year with more growth to come next year.

The share price declined following the news of delayed orders, but it recovered some of the loss after the results were announced. There is longer-term potential from the UK defence review and the German business should grow. The shares are trading on 17 times prospective 2021-22 earnings.

COHORT (CHRT)			583p
12 MONTH CHANGE %	-6.1	MARKET CAP £M	239.3

Mercia Asset Management achieves sustainable profitability

Asset manager *www.mercia.co.uk*

Mercia Asset Management covered all its costs with its fee income, and this is set to continue. A final dividend of 0.3p a share was announced – the shares go ex-dividend on 23 September - and this took the total for the year to 0.4p a share.

Mercia made an underlying operating profit of £7.12m in the year to March 2021. That included performance fees, but there would still be a profit without any performance fees. There were also £20.3m of realised gains from four exits, the main gain being on Oxford Genetics, which was the second largest direct investment. There were also £10m of unrealised gains, including £3.5m on the investment in AIM-quoted MyHealthChecked, which is the only quoted company among the larger investments in the directly owned portfolio.

These gains reflect the fact that some of the older investments are maturing and ready for a sale or flotation. There is £54.7m in the bank, while the direct investment portfolio is worth £96.2m. Total assets under management are £940m.

The NAV is 40p a share, up from 32.1p a share. There is more to come from the existing portfolio and plenty of cash to make new investments. The aim is to grow assets under management by 20% a year over the next three years and achieve average pre-tax profit of £20m over the same period. Five directors bought shares after the results. The four executives were reinvesting around 50% of their bonus for last year.

MERCIA ASSET MANAGEMENT (MERC)			34p
12 MONTH CHANGE %	+83.8	MARKET CAP £M	149.6

Ariana Resources returning cash to shareholders after success with Zenit joint venture

Mining *www.arianaresources.com*

Ariana Resources plans to pay a special dividend with some of the cash that it generated from selling the Salinbas project to the Zenit joint venture and the subsequent sale of part of its shareholding in Zenit to Ozaltin Holdings for $35.75m – before costs and tax. Other projects are being sold to Zenit for $2m. which is payable in instalments. Ariana still owns 23.5% of Zenit, whose main assets are the Kiziltepe and Tavsan gold projects.

A share capital reorganisation has been completed and that means that Ariana has distributable reserves. The first tranche of the special dividend is 0.35p a share, which will be paid in the third quarter. That will be followed by a 0.175p a share distribution six months later and a further 0.175p a share following next year's annual general meeting. That makes a total of 0.7p a share. The ex-dividend and payment dates will be announced in the future.

The total dividend is 0.7p

In 2020, Ariana reported a pre-tax profit of £5.09m, down from £6.98m the previous year. That is because the share of the Zenit profit fell from £7.89m to £6.48m – based on a 50% share. The share will be 23.5% from February 2021, so there will be a lower contribution this year. Zenit can finance its own exploration and will not require any cash from Ariana.

ARIANA RESOURCES (AAU)			4.8p
12 MONTH CHANGE %	-8.4	MARKET CAP £M	52.1

Zenit's Kiziltepe mine is expected to produce 19,000 ounces of gold this year, having produced 7,941 ounces in the first half. The resource estimate for the Kepz North project has doubled to 36,400 ounces of gold and 329,400 ounces of silver.

Ariana has been quoted on AIM for 16 years. In that time management has shown it can identify valuable projects and it is assessing projects in eastern Europe. An Australian subsidiary has earmarked A$2m to invest in quoted exploration companies that have projects with early development potential, with initial investments of up to A$500,000.

Higher palm oil prices boost Dekel Agri-Vision

Palm oil and cashew processor *www.dekelagrivision.com*

Cote d'Ivoire-based **Dekel Agri-Vision** is benefiting from higher palm oil production and a recovery in its price. There will be an additional contribution from the cashew processing business later in the year.

The crude palm oil price has continued to increase this year and reached €915/tonne. The average realised price so far this year is €817/tonne, compared with €602/tonne in the first half of last year. After a weak start to 2020 the price was €800/tonne by the end of 2020.

DEKEL AGRI-VISION (DKL)			4.75p
12 MONTH CHANGE %	+111.1	MARKET CAP £M	25.5

There were 34,000 tonnes of palm oil produced in 2020. In the first half, there was a 11% increase to 26,515 tonnes.

In 2020, revenues improved from €20.9m to €22.5m, while the loss decreased from €3.3m to €2.1m. Net debt was €25.5m at the end of 2020 and this should fall sharply over the next few years.

Interim figures will show further improvement in revenues and profit. Arden has amended its 2021 forecasts by edging up revenues to €35.9m and reducing forecast pre-tax profit to €200,000. A pre-tax profit of €2.1m is forecast for 2022 when there will be a full contribution from the cashew processing plant.

The share price has more than doubled in the past year and there is potential to invest in another commodity project in Cote d'Ivoire. There are also joint venture plans for a solar PV plant and a biomass plant.

Totally ready for improving healthcare demand

Healthcare services *www.totallyplc.com*

Dividend

A maiden interim dividend of 0.25p a share was paid in 2020 and the final dividend for 2019-20 was the same amount taking the total for the year to 0.5p a share. The same dividends were announced for the year to March 2021. The latest final dividend of 0.25p a share will be paid on 3 October and the shares go ex-dividend on 9 September.

The latest total dividend is covered three times by earnings and based on an unchanged dividend, this year's cover would be more than three times.

Business

Totally started out as a digital and publishing company, but the business moved into the health sector a decade ago. The other businesses were sold at the end of 2013 and since then a series of acquisitions and contract wins have built the company into a healthcare services provider with three parts to the business. They are urgent care, planned care and insourcing.

Urgent care provides NHS 111 services, GP out of hours services, clinical assessment, treatment centres and walk-in clinics. Local Clinical Commissioning Groups contract Totally to provide these services. Demand for NHS 111 has risen significantly, and previous problems have been addressed. There have also been new Covid-related services required in the past year. Demand for treatment centres and GP out of hours services declined but there has been a recovery in recent months.

Planned care has been hampered by Covid-19 and the cuts in elective operations and care. Revenues fell by two-fifths, but as elective surgeries recover revenues will also build up towards past levels. A new contract in Manchester was delayed but this will generate revenues this year.

TOTALLY (TLY)	
Price (p)	37.75
Market cap £m	68.8
Historical yield	1.3%
Prospective yield	1.3%

Insourcing was established in October 2019, and it was badly hit by the lack of elective surgeries. New orders were won but they went on hold. The business is contracted to carry out surgeries in hospitals at weekends when the facilities are not being used for normal services. Totally provides the staff. Waiting lists are increasing so these services will become even more attractive.

In the year to March 2021, revenues increased by 7% to £114m and underlying pre-tax profit jumped from £1.4m to £2.5m. This year revenues could improve to £124m. Underlying pre-tax profit is expected to increase from £2.5m to nearer £3m. In subsequent years, profit should continue to rise at a much faster rate than revenues.

Totally is building up a significant cash pile. Net cash was £14.8m at the end of March 2021 and it could increase to £16m next March.

All three divisions should grow profits over the next few years and there will be opportunities for new services. The shares are trading on 24 times prospective 2021-21 earnings, which could fall to less than 15 the following year. This could fall faster if the cash is used for earnings enhancing acquisitions.

Dividend news

Solid State managed to beat previously upgraded expectations for its figures for the year to March 2021. Revenues dipped slightly to £66.3m, but underlying pre-tax profit was 15% ahead at £5.4m, following a reduction in overheads. This enabled the final dividend to be increased from 7.25p a share to 10.75p a share. The total dividend was 16p a share, up from 12.5p a share. Computing and communications products did well last year, but there was a decline in power products revenues. Acquisitions made a small contribution and investment in new facilities will enable further growth. An increased pre-tax profit of £5.9m and total dividends of 17p a share are forecast for 2021-22.

International growth, particularly in Africa, and recovery in the UK Out of Home market helped soft drinks manufacturer **Nichols** improve interim revenues by 14% to £67.4m, with pre-tax profit nearly one-third higher at £8.9m. Net cash is £47.4m and the interim dividend is 9.8p a share. A total dividend of 20.78p a share is forecast for 2021. This dividend would be twice covered by earnings. The outlook is improving as lockdown is eased. Nichols has become the sole UK/EU distributor of Slush Puppie products.

Lawyer **Gateley** managed to increase its pre-tax profit from £18.1m to £19.3m despite the tough trading conditions in the year to April 2021. A final dividend of 5p a share was announced, which took the total for the year to 7.5p a share. There was no dividend the previous year and the year before that the total was 8p a share. In 2021-22 the dividend could increase to up to 8.5p a share. The property and corporate finance divisions did particularly well last year. This kept utilisation levels high. Gateley is paying £815,000 for Tozer Gallagher, which is a quantity surveyor and construction consultant.

Expert view: Registrars

Public companies are a public good

By Hugh Simpson

As Chairman of Avenir Registrars, I was invited to offer my thoughts on why we need to ensure that public companies continue to be perceived as a public good. When public scrutiny of corporations has seemingly never been greater and private equity firms are awash with cash, is there an increased risk that businesses will back away from public markets? And what will we all lose if this happens?

The recent burst of IPO activity in the UK and across other developed markets has diverted the conversation away from the longer-term decline in the popularity of listing, a decline accelerated by the surge of private equity acquisitions. The situation is even more pronounced in many frontier and emerging markets, which have had no IPOs at all for several years at the same time as private equity investment has been booming.

Many factors seem to be behind the fall in IPOs. Owners of successful family-owned businesses may be reluctant to seek a listing because of the costs of adapting financial reporting and corporate governance to meet exchange requirements.

They may not welcome the scrutiny that follows a listing and could be wary of the risk of losing control of the business they have built up. By contrast, the confidentiality and lower initial cost of obtaining finance from private equity seems very attractive, driving this shift from IPO to PE.

The obvious question this raises is: if businesses have access to the finance they need, does it matter whether it comes from private equity or a public listing?

From one perspective the answer is no. Finance from private equity is just as capable of supporting a growing business as finance from public markets. In some cases, a committed, hands-on investment style may produce better performance than ownership by a large, variegated group of uncommitted shareholders. It is not obvious that a switch to private equity investment is bad for the companies.

Role of markets

However, public capital markets have other important roles to play, besides raising finance for businesses. These include price discovery and providing vehicles for savers.

> The continuous market for a company's shares reveals the changing valuation put on the company by investors

By "price discovery" I mean that the existence of a continuous market for a company's shares reveals the changing valuation put on the company by investors. This gives continuous feedback to management about how their performance is perceived, but in addition, public share prices are a form of public good, as they provide a benchmark for the valuation and performance of comparable companies. In aggregate, share prices provide information about economic performance that is considered by policy makers and the public.

Think how often the phrase "the stock market rose (or fell)" is used in the news as an indicator of the mood of financial markets. If the base of public companies for which continuous prices are available shrinks, the value of this information is diminished.

The second role of public capital markets is to provide vehicles for savers. The public availability of a range of investments enables different investors to meet their different time horizons and risk/reward trade-offs and, if they wish, participate in the governance of those companies. The switch from publicly listed companies to privately held reduces the opportunities on offer.

Although direct investment in individual companies is not right for every investor – and indirect investments in unlisted companies may be available through investment or unit trusts – the opportunity to participate directly as shareholders of public companies is part of the foundation of a market economy. A sense that the best opportunities are not available to all undermines support for the system.

The ability to raise finance from investors as a public company is indeed a privilege and the requirements for being allowed to do so need to be set high. However, as I have argued, public companies are also a public good. We must be careful that, in the interest of setting ever higher standards, we do not let the best become the enemy of the good.

HUGH SIMPSON is chairman of Avenir Registrars (www.avenir-registrars.co.uk). With extensive knowledge of capital markets, Hugh is also a senior partner at Bourse Consult where he advises capital market institutions across the globe. Previous roles have included advising the ECB on its T2S project, a 16-year tenure at the Bank of England and Chief Executive of CREST.

FTSE Russell consults on constituent eligibility

FTSE Russell wants to know what index users believe should happen to eligibility criteria for the FTSE UK index series when amendments are made to the UK listing regime.

The FCA consultation on potential changes to listing rules continues and index provider FTSE Russell has decided to launch its own consultation concerning the eligibility of shares for its UK indexes. There are two key areas where feedback is being sought by FTSE Russell: dual class structures, including minimum voting rights requirement, and minimum free float requirements.

Dual class structures

Dual class share structures were more prevalent many decades ago and were generally about families maintaining control of their companies. Family brewers tended to have voting and non-voting shares or two different classes of share where one had many times the number of votes of the other. AIM-quoted Young & Co Brewery still has two sets of shares, as do Aquis-quoted breweries Shepherd Neame and Adnams.

There has been controversy concerning dual class share structures. Deliveroo had a bumpy start to its time as a listed company because some investors were not happy about the share structure which left co-founder and chief executive Will Shu with 57% of the voting rights while owning a minority of the shares. This is designed to prevent a change of control without his acceptance.

Deliveroo had to float on the standard list because of this share structure. Premium-listed companies are not currently allowed to have dual classes of shares. This could change although there are likely to be restrictions on votes per share and transfers.

There was a fear that the poor reception for Deliveroo would put off other high growth companies coming to the London market. However, the Deliveroo share price has picked up since its post-flotation decline.

There is support for dual share class structures as a way of attracting more growth companies to London. Some UK and European companies do choose US listings because they can have dual share structures, but London is still attractive to others.

Minimum voting rights

Companies are required to have greater than 5% of voting rights, including any voting shares not quoted, in the hands of unrestricted shareholders. If they do not have the required unrestricted shareholdings, then they are ineligible for inclusion in an index run by FTSE Russell.

Free float

A company requires 25% of its shares to be available to be traded by the public to be on the premium list. A 25% free float is also required for a UK company to be eligible to join an FTSE Russell UK index. The calculation of this figure is different for index inclusion because shares in new admissions where the holder is locked-in for up to 12 months are included in free float.

The 25% figure relates to UK companies and the free float is required to be greater than 50% for non-UK companies. This is due to fears concerning minority shareholders and not because of any worries about liquidity.

> A 25% free float is required for a UK company to be eligible to join an FTSE Russell UK index

Questions

The first question concerns if dual share classes are allowed on the premium list, then how should voting rights be defined. This could be defined in relation to the voting rights of each type of share or by assigning one vote to a share whatever class it is.

The second question involves whether or not FTSE Russell should lower the minimum free float requirement for UK companies to be eligible for the FTSE UK series.

The third question is whether the free float requirement for non-UK companies should be reduced to below 50%.

The consultation closes on 20 August. Any changes will be announced after the FCA decides on new regulations and will probably take effect from the March 2022 review of the FTSE UK index series. There could be a further consultation depending on the outcome of the FCA consultation.

Responses to questions can be submitted online at [FTSE UK Index Series: User Consultation Survey (surveymonkey.co.uk)]

AIM trading levels reach new peak

Trading so far in 2021 has been even better than in 2020, which was the peak for AIM in terms of number of trades and their value. However, month on month trading levels have been declining.

AIM trading volumes increased in the first half of 2021, although the monthly figures have declined in each month during the period. There was an average of 90,464 daily trades in the first half of 2021, compared with 67,346 for the whole of 2020. The average daily value so far this year is £445.8m

In January the average daily trades were 107,893 and the average has fallen to 73,702 in June. That is still higher than the average daily trades of 67,016 during June 2020. The average daily value of trades during June was £354.9m, compared with £294.6m for the same time last year. The 2020 average of £326.6m was the annual peak.

Sectors

The consumer (discretionary) sector remained the most active in terms of numbers of trades in the first half, but the energy sector is catching up even though trading levels in that sector appear to have declined since their peak at the turn of the year.

Online fashion retailers ASOS and boohoo are no longer the only companies competing for the most traded accolade each month. ITM Power was traded most often in June. There were 88,224 trades, compared to 75,578 for ASOS and 69,864 for boohoo. Ceres Power was the sixth most traded share in the month. Airline Jet2 was the number one share in value terms with £368m worth of shares traded.

During June, alternative energy had the second most trades of any sub-sector, after retailers, and accounted for more than 10% of AIM trades. In June 2020, there were slightly more trades in alternative energy shares than for retailers.

Trading levels have also soared in the basic materials sector. However, the trading appears to be more spread across the companies in the sector. Trading in Greatland Gold shares is no longer as active as last year, and Yellow Cake is the only other mining company in the top 25 AIM shares traded in June. Trading is increasing in both industrial and precious metals companies.

AIM TRADING VOLUMES

SECTOR	TRADES H1 2021	VALUE (£M) H1 2021	TRADES H1 2020	VALUE (£M) H1 2020
Consumer (discretionary)	2,535,245	14,933.00	1,977,318	10,214.0
Energy	2,114,916	7,712.60	1,095,968	4,020.1
Basic materials	1,755,654	5,817.40	892,495	2,474.2
Healthcare	1,617,293	8,095.30	1,256,544	5,881.9
Technology	996,598	5,221.70	781,867	3,833.3
Industrials	899,560	5,789.70	573,219	3,938.3
Financials	676,719	3,811.20	508,075	2,674.0
Consumer (staples)	288,497	1,710	401,982	2,576.7
Property	169,089	922.8	115,247	1,429.8
Telecommunications	130,696	911.3	89,682	478.4
Utilities	30,278	188.4	21,917	203.3

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	29.4	16.5
Healthcare	15.3	10.6
Industrials	15.2	16.7
Technology	10.7	12.1
Financials	10.1	12.1
Energy	7.2	11.4
Basic materials	5.8	14.5
Property	3.3	3
Telecoms	2	2.1
Utilities	1	1.3

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1251.11	+41.4
FTSE AIM 50	6649	+36.3
FTSE AIM 100	6189.41	+38.7
FTSE Fledgling	12941.44	+55.3
FTSE Small Cap	7359.32	+48.9
FTSE All-Share	4030.24	+22.8
FTSE 100	7032.3	+19.2

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	66
£5m-£10m	86
£10m-£25m	128
£25m-£50m	128
£50m-£100m	124
£100m-£250m	164
£250m+	130

KEY AIM STATISTICS

Total number of AIM	826
Number of nominated advisers	27
Number of market makers	47
Total market cap for all AIM	£147.1bn
Total of new money raised	£125.4bn
Total raised by new issues	£46.3bn
Total raised by secondary issues	£79.1bn
Share turnover value (Jun 2021)	£55.3bn
Number of bargains (Jun 2021)	11.2m
Shares traded (June 2021)	626.4bn
Transfers to the official list	193

TOP 5 RISERS OVER 30 DAYS

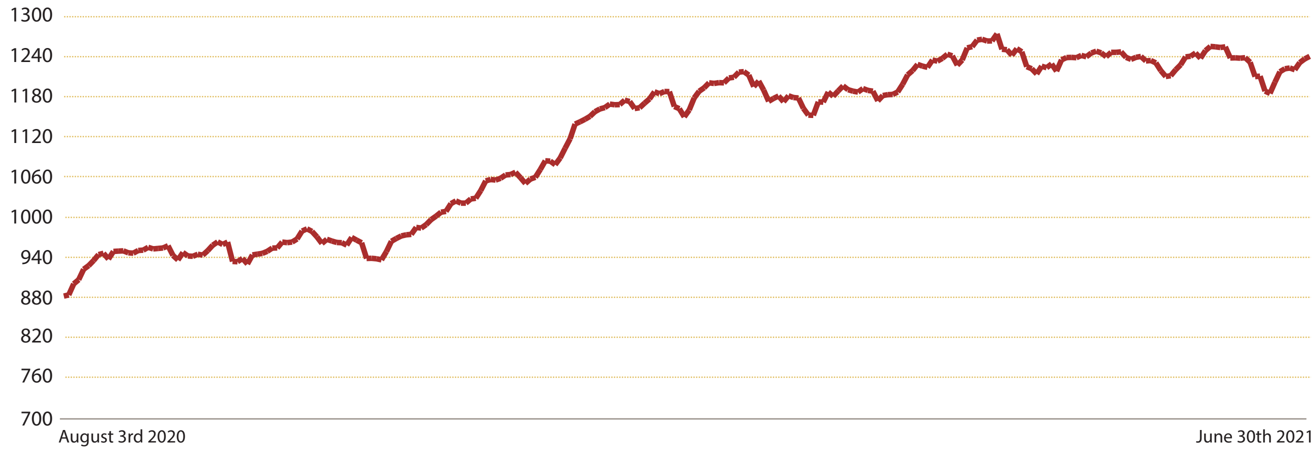
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Tower Resources	Oil and Gas	0.47	+119
URU Metals	Mining	435	+55.4
Sareum	Healthcare	8.7	+51.3
Zoltav Resources Inc	Oil and Gas	47.5	+46.2
System1	Media	330	+45.4

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Salt Lake Potash	Mining	7.1	-62.1
Petro Matad	Oil and gas	2.82	-55.9
Immedia Broadcasting	Media	16.375	-53.9
LoopUp	Software	39.5	-41.5
Itaconix	Chemicals	6.55	-39.6

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st July 2021, 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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