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AIM JOURNAL

In this issue

Unicorn and Rensburg VCT merger

Rensburg AIM VCT has shelved plans to wind itself up and return cash to shareholders. Instead it has agreed a merger with Unicorn AIM VCT. Assuming the deal is agreed to by shareholders, this is likely to spark a review of the investments of Rensburg AIM, which is a much smaller VCT, and could lead to shareholdings in some AIM companies being sold.

Both VCTs have Animalcare and Tracsis in their top ten investments, and other companies such as Sanderson and Belvoir Lettings are in each of their portfolios, but it is more likely to be the smaller holdings that may end up being disposed of. That could have a negative effect on the individual company share prices.

Shareholders in Rensburg AIM are still going to receive £5m in cash via a tender offer but the rest of their holding will be swapped for Unicorn AIM shares. Rensburg AIM has been holding too great a percentage of its assets in cash and it had warned that it could breach VCT regulations. Rensburg AIM has assets of around £15m so shareholders will be receiving around one-third of their underlying investment in cash. The new shares will also be eligible for Unicorn AIM's final dividend, which is likely to be paid in February. Unicorn is already the largest AIM VCT and the combined VCT should have assets of around £120m.

GVC still has bwin in its sights

Online gaming firm GVC Holdings has not given up on its potential takeover of rival online gaming company bwin.party even though its target has agreed a bid from rival 888 Holdings. GVC says that it has the financial backing for a bid of 0.231 of its own shares and 25p in cash for each bwin.party share. This would value each bwin.party share at 125.5p based on a GVC share price of 435p. GVC is in talks with bwin.party and its advisers.

bwin.party has recommended the rival cash and shares bid from 888 Holdings that valued the company at £898m and there were expected cost savings of at least $70m . This bid is 0.404 of an 888 share and 39.45p in cash for each bwin.party share. The 888 share price has subsequently increased, so the value of the bid has increased from 104.1p a share to 108.1p a share. The recommendation still holds even though the bid is lower. The break fee if the recommendation is withdrawn is £5.71m.

GVC says that a full evaluation of its proposals should be completed by the middle of August.

HubInvest publishes AIM Journal

www.hubinvest.com

general news

Zegona's Spanish telecoms purchase

Marwyn-backed cash shell Zegona Communications has taken a significant step in its strategy to become a consolidator in the European telecoms market by acquiring Spanish telecoms services provider Telecable Group for €640m. Zegona still plans to build a business with an enterprise value of up to €3bn.

Telecable offers television, broadband, mobile and fixed-line telecoms and it has a strong market position in the Asturias region of Spain. More than two-fifths of residential customers take all four services, although less than a quarter of small office/home office customers take all four services. Larger businesses account for 15% of total group revenues. In 2014, the business generated an EBITDA of €62.9m on revenues of €130.9m. Depreciation and amortisation charges are higher than the capital investment in the business. Customer churn was just over 11% in 2014, which is similar to previous years. The Spanish market has been in decline but Zegona believes it is stabilising and increasingly customers are buying bundles of services.

A placing at 150p a share will raise £251m (€355m) to help finance the acquisition. Zegona hopes to pay a dividend of 4.5p a share in 2016 and it should grow from then on thanks to the cash generative nature of the business.

Another Marwyn-backed shell, Gloo Networks joined AIM on 11 August, raising £30m at 120p a share. Gloo is seeking to acquire consumer media brands and use data and technology to change their business models. The chief executive is Rebecca Miskin, formerly of Centaur Media. Gloo is seeking to acquire businesses with an enterprise value of between £250m and £1bn.

Safestay in Italy

Hostel operator Safestay is acquiring a hotel in Milan, which it plans to refurbish as a hostel with 279 beds, and another hostel site in the UK. Safestay is paying €9m (£6.3m) for the Milan property and a condition of the deal is completion by the end of January. The UK purchase will cost £14.9m and is deemed to be a reverse takeover, so it requires a readmission document to be issued. A share issue will raise £15m and the rest of the required cash will come from a new debt facility. Trading at the Elephant & Castle hostel has been good, with 78% occupancy but it has been more difficult to build the revenues of the York hostel and a new manager has been appointed. The Holland Park hostel has just opened. Investment in central overhead will hold back short-term profit.

Quindell turns profit into loss

HMRC was one of the few beneficiaries of the Quindell debacle thanks to its original figures reporting inflated profits in past years. Quindell paid £25.7m in corporation tax in 2014 yet the stated tax charge on the final 2014 figures is £3.24m and there was a tax credit of £1.84m for the 2013 results. Quindell also paid £10.4m in corporation tax during 2013. The SFO is investigating Quindell and its management over its accounts and its inaccurate announcements. The Financial Reporting Council has also been investigating the Quindell accounts.

Quindell originally reported profits for 2013 and the first half of 2014 but these results have been recalculated on a more conservative accounting basis. The 2013 loss is £8.57m and the 2014 loss is £238m, although that does include impairment charges of £157m and £37.4m of other exceptional costs. It does not include the legal services businesses sold to Slater & Gordon.

These discontinued legal businesses had a 2014 tax charge of £3.99m, on a loss of £137.2m, having had a tax credit of £5.53m in 2013 on a £55.4m loss. They previously reported a significant profit because revenues were recognised at the start of the litigation process but these figures have been restated to a more realistic level. The sale of the legal operations included a tax asset of £14.8m relating to the overpayment of tax.

Quindell says that it still wants to return £1 a share to its shareholders from the disposal proceeds but it needs to assess the balance sheet at the end of June 2015 and undertake a capital reorganisation so that there are distributable reserves. This also assumes that Quindell can stem the cash outflow from its remaining telematics assets.

advisers

Arden hopes for better second half

Lower corporate finance revenues led to Arden Partners reporting a higher interim loss but the AIM adviser is hopeful of making a profit in the second half.

The equities division reported flat revenues of £1.31m so the decline in Arden's overall revenues from £3.49m to £2.73m was all due to the corporate finance division. Although overheads were flat due to a reduction in variable costs, the loss increased from £474,000 to £1.21m. The corporate finance division has stronger prospects in the second half.

WH Ireland increased its corporate broking retainer fee income by 7% to £1.68m in the six months to May 2015. The number of corporate clients has increased to 98, the majority of which are on AIM, and total corporate broking revenues increased from £4.54m to £4.87m. The whole group increased its revenues from £14.7m to £15.9m and pre-tax profit nearly trebled from £203,000 to £593,000. Cost reductions will help to improve the second-half figures.

Execution Noble is the latest firm to give up its nominated adviser status following the takeover of its last client Forum Energy. Haitong Securities of China is acquiring Execution Noble's parent company Espírito Santo de Investimento. There has been speculation that Execution Noble could reapply for nominated adviser status once the takeover is completed but normally an existing nominated adviser would stay on the register and then reapply so there is no gap.

At the beginning of 2015, Execution Noble was fined £231,000 by the FCA for its failings as a sponsor on the Main Market. The broker did not tell the FCA that two-thirds of its sponsor team had left between June and November 2013.

PwC is no longer nominated adviser to Numis – its last nominated adviser client. There are 36 nominated advisers with clients although that includes Charles Stanley Securities, whose clients are being transferred to new owner Panmure Gordon.

Numis Corporation has taken a 8.49% stake in Crowdcube for an undisclosed sum. Numis intends to work with the crowd funding platform to help companies' that are floating to obtain access to additional investors.

ADVISER CHANGES - JULY 2015

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
James Halstead	Panmure Gordon/Arden	Arden	Panmure Gordon	Altium	01/07/15
MyCelx Technologies Corporation	RFC Ambrian/Numis	Numis	RFC Ambrian	Numis	01/07/15
Numis Corporation	Numis	Numis	Grant Thornton	PwC	01/07/15
Trinity Exploration & Production	RBC	RBC/Jefferies	RBC	RBC	01/07/15
CSF Group	Allenby	Cenkos	Allenby	Cenkos	02/07/15
Bezant Resources	Sanlam	N+1 Singer	Strand Hanson	Strand Hanson	06/07/15
Gable Holdings Inc	Zeus	Numis	Zeus	Numis	06/07/15
Zoltav Resources Inc	Panmure Gordon/Shore	Shore	Shore	Shore	10/07/15
eServGlobal	Canaccord Genuity	Charles Stanley/ Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	13/07/15
Rame Energy	Cantor Fitzgerald	Northland	Cantor Fitzgerald	Northland	13/07/15
Arian Silver Corporation	Cantor Fitzgerald/ Northland	Northland	Cantor Fitzgerald	Grant Thornton	15/07/15
APC Technology Group	Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	Strand Hanson	17/07/15
Iafyds	finnCap	Panmure Gordon	finnCap	Panmure Gordon	21/07/15
Pinewood Group	N+1 Singer/Peel Hunt	N+1 Singer	N+1 Singer	N+1 Singer	21/07/15
Mwana Africa	Cantor Fitzgerald	Peel Hunt	Grant Thornton	Peel Hunt	24/07/15
PhotonStar LED	finnCap	finnCap/Mirabaud	finnCap	finnCap	27/07/15
ECR Minerals	Vicarage Capital	Daniel Stewart	Cairn	Cairn	29/07/15

company news

Gresham House ignites SPARK for new value investing policy

Investment company *www.sparkventures.com*

SPARK VENTURES (SPK)			840p
12 MONTH CHANGE %	- 13.8	MARKET CAP £M	18.9

Investment company **SPARK Ventures** has changed its investment strategy and partnering with Gresham House, which will become investment manager. SPARK has raised £10.6m in cash via a placing and open offer and swapped shares for £3.8m of assets. Gresham House has a strategy to seek long-term returns from investment in undervalued quoted shares in the FTSE Small Cap index and AIM, as well as unquoted opportunities. There is likely to be a portfolio of ten to 15 investments.

SPARK started out as NewMedia SPARK at the height of the internet boom and it has been selling its portfolio of investments in recent years. Tom Teichman was a founder of the company and he will join the investment committee of Gresham House's strategic public equity operations. The existing investment manager will be paid £2.3m to terminate the contract and Gresham House has agreed to acquire the manager.

> SPARK has estimated tax losses of £150m

There has been a 200-for one share consolidation. The placing and open offer was at 900p a share – post consolidation. That was a 10% discount to the market price at the time of the announcement. The asset swap involved stakes in AIM companies SpaceandPeople, Miton and Castle Street Investments.

Gresham House invested the equivalent of £6.4m in the fundraising, which gives the company a 18.4% stake in SPARK, and it will receive a management fee of 1.5% of NAV a year. There is also a performance fee of 15% of the growth in SPARK NAV per share over a 7% hurdle rate. Gresham House, itself, raised £10.6m at the end of last year, leaving it with an NAV of 298p a share.

SPARK has a portfolio value of £32.3m, with AIM-quoted IMImobile the largest investment. More interestingly, SPARK has estimated tax losses of £150m.

Mortice makes first move into UK

Facilities management *www.tenonservices.com/mortice*

MORTICE (MORT)			63.5p
12 MONTH CHANGE %	+ 28.3	MARKET CAP £M	30.3

India-based facilities management services provider **Mortice** is making its first UK acquisition. This is part of its strategy to be able to offer its services to customers in a wider range of countries. Mortice is paying up to £6.5m for Office & General (O&G), which provides cleaning and building maintenance services.

An initial £3m, subject to adjustments, is payable in cash plus three million shares. O&G still has to publish its accounts for the year to March 2015 and this is required for the deal to go through. O&G is estimated to have made a profit on continuing operations of £400,000 on revenues of £33.5m in the year to March 2015. On the second anniversary of the acquisition up to 500,000 shares will be issued. The vendors can, with the house broker's permission, sell up to 50% of their shares. On the second and third anniversaries of the deal the vendors will be required to sell shares they still own to Mortice-nominated buyers at 100p each – a 57% premium to the current share price – leaving them with no shares.

London-based O&G's clients include CBRE, Fedex and a number of universities in London. It also has offices in Manchester and Wolverhampton. The acquisition should be immediately earnings enhancing but there is an uncertainty about how earnings will be affected by Altius Property Services, an O&G subsidiary that is in administration.

In the year to March 2015, Mortice says that it made a pre-tax profit of $2.2m. The business is currently focused on India, Sri Lanka and Saudi Arabia.

company news

Rebased expectations provide scope for upside at Kromek

Radiation technology | *www.kromek.com*

Radiation technology developer **Kromek** is raising up to £11m via a placing and two-for-27 open offer at 25p a share. This will help the business to develop new products and market existing ones, although there have been delays in securing contracts.

Kromek raised £15m at 51p a share when it joined AIM in November 2013. At the end of April 2015, Kromek had £1.18m left in the bank and a similar level of borrowings. The company has a £3m bank facility. There was a cash outflow of £7.1m in the previous 12-month period. When the previous year's results were published it was forecast that £3m could be left in the bank at the end of April 2015.

In the year to April 2015, revenues increased from £5.97m to £8.1m and the loss was reduced from £4.3m to £3.14m. One year ago it was hoped that revenues could double and the loss would be cut to £1.5m. That is the main reason behind the faster than expected cash outflow.

The majority of revenues come from the US

There was a large increase in R&D revenues last year but product revenues declined. The majority of revenues still come from the US. The target markets are medical imaging, nuclear detection and security screening. The medical imaging and nuclear markets could generate much higher revenues over the next 18 months.

Cenkos is setting out worst case forecasts that show revenues edging up to £8.4m and then £8.9m in the next two years. Kromek could do better than this but the timing of contracts remains uncertain. Cenkos believes that cash breakeven revenues are around £15m, so Kromek needs to raise its revenues more quickly or it will have to raise additional cash within two years. Kromek has invested in the production capacity it requires when it wins business. On the plus side, Kromek, which has consistently failed to meet expectations, is in a good position to beat these more modest forecasts.

KROMEK (KMK)			32p
12 MONTH CHANGE %	-42.3	MARKET CAP £M	34.6

ANGLE sets sights on Parsortix revenues

Medical diagnostics | *www.angleplc.com*

It is taking time for medical diagnostics technology developer **ANGLE** to secure FDA approval for its Parsortix technology but when it is eventually gained it should help to build up revenues from cancer drug trials. There should be further news on FDA approval later this year.

Parsortix has developed technology that can capture and harvest circulating tumour cells from the blood of a patient, enabling a liquid biopsy for cancer patients. Positive reports from research organisations provide backing for the potential uses and a study in Vienna has led to ovarian cancer becoming the focus of the first clinical application. There have also been encouraging results in a prostate cancer study by Barts Cancer Institute.

ANGLE reckons that if Parsortix is used in 5% of the Phase II and Phase III drug trials then it could be worth £8m a year in equipment and cassettes. It will take time to build up those revenues.

ANGLE has plenty of cash for the time being, having raised £8.8m at 65p a share earlier this year. At the end of April 2015, there was £8.44m in the bank and a retention payment of £656,000 from the sale of Geomerics is due at the end of the year. Further losses are expected over the next two years but there should still be cash left by the end of April 2017 even if revenues are modest.

ANGLE (AGL)			88.5p
12 MONTH CHANGE %	+17.2	MARKET CAP £M	52.2

company news

Amino combines with US-based rival to enhance market share

IPTV technology *www.aminocom.com*

IPTV technology developer **Amino Technologies** is acquiring a complementary set top box technology company Entone for $73m (£46.7m). California-based Entone supplies hybrid TV and connected home technology and it has a strong position in the US market. There should be annualised cost savings of £1m but the growth opportunity is more important.

Entone's products include home monitoring technology FusionHome and hosted field software Engage. R&D is undertaken in Hong Kong. Entone has a direct sales force in the US, which could be used by Amino, and a stronger base in Latin America. Entone should be earnings enhancing, although this will be helped by the likely capitalisation of some of its R&D spending, which has not been done by Entone previously.

Amino is promising an annual dividend increase of 10%

The initial cost of Entone is $65m and this is being paid for by existing cash resources, a £21m placing at 130p a share and a £15m five-year revolving credit facility. Entone brings $12m in cash with it. House broker finnCap expects Amino to have a small net cash position by the end of November 2015. The deferred consideration is payable to qualifying management - $5m on the first anniversary of the acquisition and $3m on the second anniversary.

In the six months to May 2015, revenues improved from £16.4m to £17.9m. Stripping out the duties refund of £744,000, pre-tax profit rose from £1.79m to £2.86m. Cloud TV

AMINO TECHNOLOGIES (AMO)			169.5p
12 MONTH CHANGE %	+77.5	MARKET CAP £M	91.7

technology developer Booxmedia was acquired at the end of the period so it did not make a significant contribution. finnCap forecasts a full year profit of £5.7m on revenues of £49.5m. Next year will be the first when all of the businesses will be included for 12 months and revenues are expected to be £79m and pre-tax profit £9.9m. The tax charge will increase to a more normal level and with the extra shares it means that earnings per share growth will be slower than profit growth at around 30%.

Amino is still promising an annual dividend increase of 10%. The interim was increased to 1.265p a share. The shares are trading on 15 times prospective 2015-16 earnings.

Progressive Digital Informa deal

Information publisher *www.progressivedigitalmedia.com*

Consumer and technology information provider **Progressive Digital Media** is acquiring a set of specialist consumer research businesses from Informa, which is currently selling non-core operations, for £25m. The businesses will help Progressive to expand its range of subscription-based services.

The assets being acquired are Datamonitor Financial, Datamonitor Consumer, MarketLine and Verdict. In 2014, the acquired businesses made earnings adjusted for central overheads of £3m on revenues of £17.8m.

PROGRESSIVE DIGITAL MEDIA (PRO)			232.5p
12 MONTH CHANGE %	- 11.4	MARKET CAP £M	177.3

Progressive says that the assets require investment in order for them to be integrated and the acquisition will be moderately earnings dilutive this year.

In the six months to June 2015, Progressive's underlying profit improved from £4.64m to £4.82m. Net debt was £5.5m at the end of June 2015. Deferred revenues increased from £16.2m to £20m and the acquisition will add to this figure.

The growth in interim revenues came from the information publishing division, while the events division was flat. Revenues are geographically spread, with the UK, Europe and North America all making significant contributions. There is no geographical split for the businesses being acquired.

House broker N+1 Singer has shaved its 2015 pre-tax profit to £13.8m and edged up its 2016 forecast to £19m. The shares are trading on 14 times prospective 2016 earnings.

Stadium powers ahead with its transformation

Electronics and outsourced manufacturing *www.stadiumgroupplc.com*

Dividend

Stadium Group has consistently paid a dividend as a quoted company but it has been cut more than once over the past decade. The most recent reduction was from 2.8p a share to 1.2p a share for the 2013 financial year. Last year, the dividend recovered to 2.1p a share and 2.7p a share is forecast for this year, rising to 3p a share for 2016. That is still not back to the 3.75p a share paid for 2007.

The forecast dividend for 2015 should be covered 3.3 times by earnings, with the potential 2016 dividend covered more than four times if earnings estimates are achieved.

Acquisitions, even though they have been partly financed by share issues, have put Stadium in a net debt position despite the business being cash generative. Net debt is forecast to be £4.5m by the end of 2015.

Business

Stadium is an outsourced electronics manufacturer with sites in the UK and China but it is moving towards a greater focus on selling its own products. The latest move is the acquisition of Stontronics for up to £6.5m – £5.5m in cash initially and up to £1m over two years depending on performance. A placing and open offer at 110p a share will raise up to £6m to cover the cost of the acquisition.

Stontronics supplies industrial power supply products from its production facility in Reading. The business made an operating profit of £610,000 on revenues of £4.94m in its most recent financial year. Stontronics fits well with Stadium's existing power supplies business – the two businesses have collaborated in the past. Stontronics provides a brand and a distribution network via the likes of Electrocomponents and Premier Farnell, which Stadium had lacked. This distribution network could be used to sell other Stadium products, such as displays and wireless connectivity components.

STADIUM (SDM)	
Price (p)	133.5
Market cap £m	41.4
Historical yeld	1.6%
Prospective yield	2%

This latest acquisition will mean that the enlarged group will generate the majority of its revenues from its own technology products for the first time, having been one-third in 2014.

The outsourced manufacturing business is relocating its factory in China and this has meant that there was an additional investment of £1m plus additional working capital is required in the short-term. This move will also be of benefit to the manufacturing of the company's own products.

The Stontronics purchase will hold back earnings per share this year and it should be earnings neutral in 2016. N+1 Singer forecasts a 2015 profit of £4m, rising to £6m in 2016 – helped by the previous acquisition of United Wireless. The shares are trading on 14 times prospective 2015 earnings, falling to 11 in 2016.

Stadium's strategy is taking shape and this is reflected in the fact that the share price has more than trebled over the past two years but the rating remains modest considering the rate of growth.

Dividend news

Fabrics and furnishings supplier **Colefax** has increased its total dividend by 5% to 4.4p a share on the back of a 3% rise in pre-tax profit to £5.03m in the year to April 2015. The decorating division fell into loss but this was made up for by a much higher profit by the fabric division. The business remains highly cash generative and net cash improved from £4.3m to £6.86m and there could be more share buy-backs. Peel Hunt forecasts a 2015-16 profit of £5.6m, helped by an improved performance by the decorating division, and the total dividend is expected to be 4.6p a share.

Improved profit from food distribution and fuels offset the decline in feeds due to falling commodity and milk prices, so **NWF** increased its underlying pre-tax profit from £7.7m to £8.1m in the year to May 2015. The dividend was raised by 6% to 5.4p a share and NWF should continue to grow the dividend. A profit of around £8.2m is forecast for 2015-16. The feeds division remains the focus of expansion but trading conditions in the agricultural sector are still tough. Net debt of £5.9m leaves spare bank facilities to make bolt-on acquisitions.

Marketing performance measurement services provider **Ebiquity** is paying a maiden dividend of 0.4p a share for the year to April 2015 following its announcement of a 38% increase in pre-tax profit from £3.4m to £4.7m. The dividend is affordable because it is covered 29 times by the underlying diluted earnings. Ebiquity had net debt of £35.4m, including potential deferred consideration, at the end of April 2015 but this has been built up due to acquisition spending. The business generates enough cash for its ongoing requirements. The year end is being changed to December so the next accounts will be for eight months.

expert views

Expert view: The broker

Sound as a pound

By DOUGIE YOUNGSON

Sound Oil has built up an attractive portfolio of near-term production growth opportunities in Italy and Morocco, as well as significant upside potential on exploration assets.

We visited the Nervesa gas project onshore Italy to assess the progress of this new project due onstream later this year. We feel that the company's growing cash flow profile and balance sheet strength make it attractive for existing and new investors.

The Italian and Moroccan markets have significant gas supply and demand gaps, with strong domestic gas prices and very favourable fiscal terms. Therefore, any new domestic gas production coming onstream benefits from favourable economics and the opportunity for strong cash flow.

Sound, which is changing its name to Sound Energy to reflect its focus on gas, is currently producing gas at a rate of c0.4mmcfd from Rapagnano and Casa Tiberi in Italy, and this is expected to increase to 2.2mmcfd once Nervesa comes onstream. Current production covers the cost base in Italy.

Triggers

There are a number of share price triggers in the second half of 2015 that could have a significant impact on valuation:

- Nervesa coming onstream at 1.8mmcfd
- Nervesa sidetrack could unlock additional production from the south of the field
- Farm-out and subsequent drilling of Laura and Badile
- Tendrara – first well drilling in Q4
- Potential for other asset acquisitions and farm-ins

In April 2015, Sound received EIA approval for the 100%-owned Nervesa field which was discovered in 1985 by ENI and produced between 1989 and 1991. Sound drilled an appraisal well in 2013 and gross P50 contingent resources are estimated at c21bcf.

The company drilled a second well on the field in 2015, but the permeability of the reservoir was found to be too low to allow commercial production of gas.

Production is expected to increase to 2.2mmcfd once Nervesa comes onstream

Sound is considering drilling a sidetrack, but this has yet to be confirmed. This field will be brought onstream via a new build production plant with a 100 metre pipeline. First gas is expected in late 2015 at a rate of 1.8mmcfd.

Sound is of the view that there is additional exploration upside within this licence, which if successful could also be brought onstream.

Due to the Macondo disaster in 2010, Italy – concerned about a similar accident polluting its coastline – banned offshore drilling. Consequently, Sound will need to drill the Laura prospect from an onshore location via a long reach deviated well at an estimated cost of €16.2m. This well is not currently fully funded and will need to be financed or farmed-out. There is, however, sufficient cash to cover Sound's cash exposure to the well post farm-out, the details and completion of which have yet to be clarified and announced.

Sound has identified several low risk appraisal targets in its portfolio which could yield additional reserves and resources. The company has recently been awarded EIA approval for its Badile exploration prospect, which could add 178bcfe of new resources if successful. The company estimates the well to have a 22% chance of success.

Sound has signed agreements on a farm-in to Tendrara licence in Morocco and is funded to drill one well at a cost of £6m with potentially two more wells to be drilled if the initial well is successful.

Opportunities

Due to the fall in the oil price we have seen cut-backs in capex and an increase in asset divestments. Indeed, some of these asset sales are due to distressed situations driven by weak balance sheets and the need to generate cash. The longer we have suppressed prices, the more downward pressure on valuations. Consequently, it is possible to create value opportunities by having an asset scavenger strategy or for full M&A.

Sound has successfully restructured its portfolio through a number of acquisitions and disposals in recent years. It has also made an offer for Antrim Energy, which was subsequently dropped due to low oil prices. The company has stated that it will continue to add value to the business through A&D and potentially M&A.

Sound has £21.2m of cash and c£13m of debt facilities and is therefore fully funded for its current work programme.

We have valued Sound on a DCF basis for its current and forecast production, which yields a core valuation of 23p per share including net cash. Our risked exploration NAV potentially adds a further 120p. We therefore initiate coverage with a buy recommendation and set a target price of 23p.

DOUGIE YOUNGSON is a research director at finnCap feature

AIM gets a healthier focus

An increasing proportion of cash raised by AIM companies is going to the healthcare sector, whereas resources and technology are no longer attracting their previous level of attention.

AIM companies continue to raise cash even though AIM itself has not been a strong performer this year. A total of £2.7bn has been raised by new and existing AIM companies in the first six months of 2015, with the industrials, financials and healthcare sectors being the most active so far. The resources sectors continue to raise less money because of low commodity prices and they accounted for one-seventh of the total, having dominated fundraisings just a few years ago.

In the first half of 2014, there was £3.7bn raised thanks to the strength of the new-issues market and a number of large flotations, and the total for the year was £5.9bn. To put this in context, £3.9bn was raised in the whole of 2013 and £3.1bn in 2012, so 2015 is still set to be a good year relative to those years. The amount raised so far in 2015 is more than was raised in the second half of 2014.

This year there have been a limited number of new entrants and they have raised around one-fifth of the cash that was put into new issues by investors in the same period last year.

In contrast, secondary fundraisings by existing AIM companies are higher so far this year – ahead from just under £2bn in the first half of 2014 to £2.4bn. There was £3.3bn raised in the whole of 2014.

The figures used in the tables for the first half of 2015 are based on the AIM statistics for the five months to May 2015 plus the June 2015 statistics. This is because the figures for the first half of 2015 in the June AIM statistics appear to have an erroneous figure for the healthcare sector which would account for nearly 50% of the money raised if it were a true total. The figure has increased by more than £1bn between the two months with no explanation.

Sectors

Industrials is a sector that has become increasingly active in recent years and 23% of the total cash raised went to this widely defined sector. The vast majority of the cash has gone into support services businesses and this was nearly all raised by online payments business Optimal Payments to finance the acquisition of its rival Skrill. This shows how one large fundraising can skew the figures.

Healthcare accounted for one-fifth of the cash raised by AIM companies in the first half of 2015. This is in contrast to 2010, when 2.5% of the cash raised went to the healthcare sector.

Only £17.8m was raised by new entrants with just over £521m coming from secondary fundraisings, with May a particularly busy month as pharma and medical technology businesses raised cash to further develop their drugs and equipment.

GW Pharmaceuticals raised £118.5m, Silence Therapeutics £40m, Horizon Discovery £25m and Advanced Oncotherapy £21m. After the end of June Motif Bio completed a £22m fundraising.

Cannabinoid-based drugs developer GW Pharmaceuticals has a dual quotation on Nasdaq and the money was raised through a US public offer of American Depositary Shares (ADSs). GW is starting its first phase III study for Epidolex, which is a treatment for a highly debilitating form of childhood epilepsy. There are also plans for phase III trials of a treatment for another form of childhood epilepsy called Lennox-Gastaut syndrome.

Secondary fundraisings rose from £2bn in the first half of 2014 to £2.4bn in 2015

GW has come a long way since it joined AIM in 2001, when it was valued at £175m. It is currently valued at £1.6bn, partly down to subsequent cash calls, of course. Floating on AIM enabled GW to raise the cash that has put it in its current position. It already has one drug, Sativex, which is used to treat spasticity due to multiple sclerosis and could be used for the treatment of pain associated with advanced cancer.

Antibiotics developer Motif Bio

feature

raised £2.8m at 20p a share when it joined AIM in April and it was valued at £12.8m. So, the £22m it has just raised at 50p a share was nearly twice its initial valuation. The cash is predominantly required for phase III trials for iclaprim, a potential antibiotic.

Back in 2010, the oil and gas sector accounted for nearly 30% of the cash raised and, with the mining sector, raised just over 59% of the total. The oil and gas sector has raised 4.1% of the total money so far this year. The mining sector has raised 9.4%, although more than one-quarter of that cash was raised by EMED in order to reopen the Rio Tinto copper project in Spain.

The cash raisings are more spread around the sectors than in the past and there is not the dominance that the resources businesses once had. This is good news for AIM as a trading platform but it is still prone to fashions when it comes to sectors.

Technology appeared to be becoming a much more important sector in 2013 but its rise proved short-lived – falling from 17.9% of the total in 2013 to 5% last year. Healthcare was unloved for many years but it has become a major driver of money raised.

At least AIM is showing that it is not a market focused on any one sector and that is what has helped it to keep going over the past two decades.

Secondary fundraisings rose from £2bn in the first half of 2014 to £2.4bn in 2015

AIM FUNDRAISINGS BY SECTOR (£M)

SECTOR	2015 H1	2014	2013	2012	2011	2010
Oil and gas	109.9	773.82	587.28	649.14	1257.64	2063.79
Basic materials	253.02	503.95	336.89	765.9	1234.32	2047.88
Industrials	616.17	860.48	476.67	188.31	278.45	638.12
Consumer goods	36.42	251.57	98.24	57.82	114.8	223.11
Healthcare	539.26	657.11	285.13	146.54	200.2	173.07
Consumer services	320.09	1059.36	375.48	297.36	102.7	190.19
Telecommunications	62.05	410.59	17.18	179.04	3	190.55
Utilities	0.5	11.53	35.35	12.3	137.4	75.64
Financials	608.93	1047	994.12	642.84	720.11	1098.2
Technology	142.46	292.95	701.06	204.95	253.14	257.03

AIM FUNDRAISINGS BY SECTOR (% OF TOTAL)

SECTOR	2015H1	2014	2013	2012	2011	2010
Industrials	22.9	14.7	12.2	6	6.5	9.2
Financials	22.6	17.8	25.4	20.4	16.7	15.8
Healthcare	20	11.2	7.3	4.7	4.6	2.5
Consumer services	11.9	18	9.6	9.5	2.4	2.7
Basic materials	9.4	8.6	8.6	24.4	28.7	29.4
Technology	5.3	5	17.9	6.5	5.9	3.7
Oil and gas	4.1	13.2	15	20.6	29.2	29.7
Telecommunications	2.3	7	0.5	5.7	0.1	2.7
Consumer goods	1.4	4.3	2.5	1.8	2.7	3.2
Utilities	0.1	0.2	0.9	0.4	3.2	1.1

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	21.9	18.3
Consumer services	15.7	11.2
Industrials	14.2	16.8
Healthcare	13.7	7.7
Technology	9.5	10.8
Consumer goods	7.6	5.9
Oil & gas	7.5	11.5
Basic materials	6.7	15.1
Telecoms	2	1.4
Utilities	1.2	1.2

KEY AIM STATISTICS

TTotal number of AIM	1069
Number of nominated advisers	36
Number of market makers	51
Total market cap for all AIM	£74bn
Total of new money raised	$92.7bn
Total raised by new issues	£39.7bn
Total raised by secondary issues	£53bn
Share turnover value (2015)	£16.6bn
Number of bargains (2015)	2.99m
Shares traded (2015)	212.6bn
Transfers to the official list	173

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	751.16	-2.3
FTSE AIM 50	4066.13	+10
FTSE AIM 100	3415.28	+3.5
FTSE Fledgling	8000.1	+16.6
FTSE Small Cap	4707.72	+6.8
FTSE All-Share	3652.79	+1.9
FTSE 100	6696.28	-0.5

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	231
£5m-£10m	133
£10m-£25m	216
£25m-£50m	160
£50m-£100m	128
£100m-£250m	138
£250m+	63

TOP 5 RISERS OVER 30 DAYS

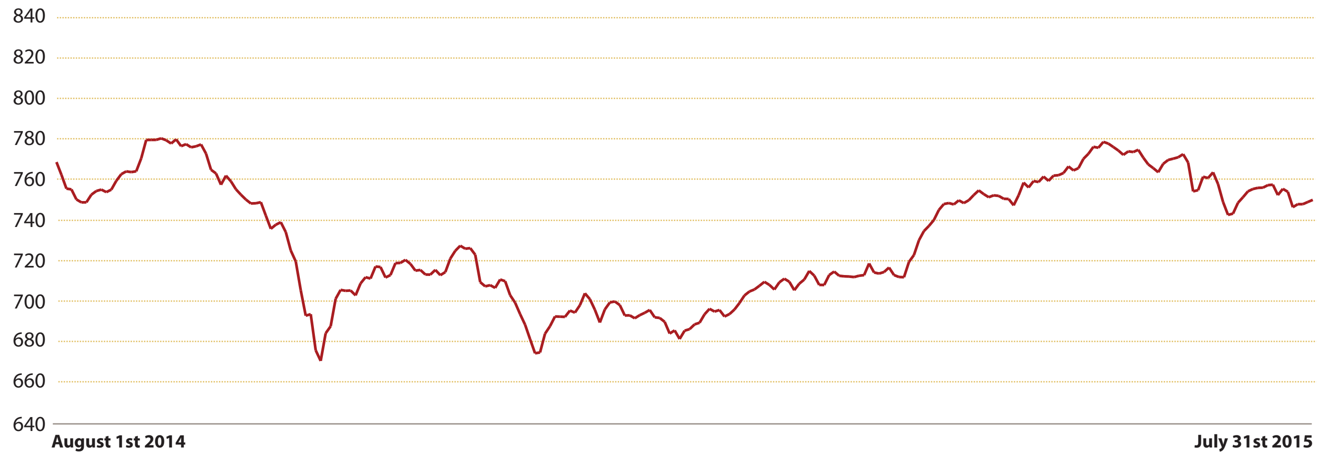
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Tomco Energy	Oil and gas	0.31	+87.5
Jubilee Platinum	Mining	3.85	+71.1
Phorm Corporation	Media	4.37	+66.7
Tavistock Investments	Financials	5.58	+65.2
Aurasian Minerals	Mining	0.6	+50

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Clean Air Power Ltd	Cleantech	0.24	-83.5
New World Oil & Gas	Oil and gas	0.07	-75
Trinity Exploration & Production	Oil and gas	5.3	-57.8
Frontier Resources International	Oil and gas	0.33	-56.7
Red Rock Resources	Mining	0.03	-54.2

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st July 2015, and we cannot accept responsibility for their accuracy.

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finnCap's mission is to help ambitious companies grow and to be the leading independent broker to ambitious companies, focused on fuelling growth through long term partnerships. We will exceed client expectations through faultless execution, joined-up service and proactive thinking, all tailored to the needs of each individual client.

finnCap, whose chairman is Jon Moulton, is 95% employee-owned and is the top AIM broker by overall client numbers, according to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three broker in the oil and gas sector and in the top five in the basic materials sector.

In 2013, finnCap commenced market making and launched fAN Club, a new offering aimed at providing specialist support to ambitious small private businesses seeking pre-IPO funding.

finnCap was presented with the Best Research award at the 2012 AIM Awards, while finnCap's corporate broking and sales trading teams have achieved Extel Top 10 rankings for three years running. finnCap is a sponsor of the AIM Awards, the plc Awards and the UK tech Awards.

In the year to April 2015, finnCap's reported revenues were 4% higher at £16.1m, while pre-tax profit was £2.2m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were all launched during 2014.

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