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AIM JOURNAL

In this issue

AIM's Brexit reaction

There was a predictably volatile stock market reaction to the leave vote in the EU referendum on 23 June and AIM was hit along with the rest of the market. It is not a great surprise that AIM has underperformed the larger shares on the market. The FTSE 100 index of multinational companies is higher than on 23 June but AIM has fallen further in the second week since the vote.

The FTSE AIM All Share index has fallen by 3.8% in the two weeks after the vote, while the larger AIM companies did slightly better, with the FTSE AIM 50 2.2% lower and the FTSE AIM 100 down by 3.4%. These declines were steeper at the end of the second week than they were after the first week even though there was a short-lived bounce-back early in the second week. That is in contrast to the FTSE 100 index where the general direction has been upwards after the initial slump on the day after the referendum. The FTSE 100 was 3.1% higher after two weeks (see table on page 10).

Satellite secures BGF backing

Satellite broadband consolidator Satellite Solutions Worldwide is acquiring rival satellite broadband business Avonline with the backing of the Business Growth Fund (BGF), which is providing £10m of funding on top of the £2m it had already advanced to help finance previous acquisitions. The acquisition means that Satellite Solutions will account for three-fifths of the UK satellite broadband reseller market.

Satellite Solutions is paying an initial £10m for the Avonline business, which is generating average revenue per customer of £44/month, compared with £40/month for Satellite Solutions, and its gross margins are one-third higher at around 40%. That helps to explain the price of £1,050/customer, which is double the previous highest level paid by the group. The acquisition is expected to contribute £2.5m to profit in a full year.

The combined group will have 35,000 customers in Europe and the strategy is to reach 100,000 customers by the end of 2017. European governments are encouraging people in areas not fully covered by existing infrastructure to take up satellite broadband. Satellite Solutions is developing the scale in Europe to fully benefit from these policies.

BGF's funding includes £2.4m of notes convertible at 9p a share and an option to take an 18% stake in Satellite Solutions at 7.5p a share. The funding has an annual interest charge of 10%. BGF has to be consulted on any disposals and acquisitions plus any additional borrowing.

general news

Fitbug seeks cash boost from SyndicateRoom

Digital health technology developer Fitbug is the latest AIM company to use crowdfunding to help it to raise additional funds. Fitbug has firmly placed enough shares to raise £852,000 at 0.25p each but it wants to raise £1.76m more via an open offer at the same price. As well as existing shareholders being able to apply for five shares for every two shares they hold, signed-up members of the Syndicate Room crowdfunding platform can also apply for these shares. The new shares qualify for Enterprise Investment Scheme tax relief.

SyndicateRoom, which is a member of the London Stock Exchange, previously helped cancer immunotherapy developer Scancell to raise cash earlier this year but it is unclear how much was raised through the crowdfunding platform.

The Fitbug share price has been highly volatile in recent years and it has fallen back sharply over the past 18 months. It has even dropped below the offer price. The open offer is underwritten by NW1, which, along with Kifin Ltd, is swapping £8.4m of debt into 336 million shares at 2.5p each. This refinancing will provide loss-making Fitbug with a stronger balance sheet and additional working capital.

Another crowdfunder, PrimaryBid, raised £500,000 for Ascent Resources, three months after it raised £500,000, and this takes the total raised via PrimaryBid by the oil company to £2.25m. Other recent fundraisings via PrimaryBid have been smaller, with ECR Minerals raising £60,000 out of a total placing of £350,000 and DiamondCorp £50,000, as part of a £1.5m fundraising.

Ceres partners with Nissan

Solid oxide fuel cells (SOFC) technology developer Ceres Power is partnering with Nissan on the development of electric-vehicle range extenders. Nissan wants to develop electric vehicles that run on bio-ethanol but have the same range as petrol-fuelled vehicles, so the Ceres technology could be key to this although it is not the only developer being considered. Ceres will receive £573,000 in funding from the Office for Low Emission Vehicles and Innovate UK, which comes from a £38m fund designed to develop ideas to cut vehicle emissions. Ceres expects to announce more partnerships. Zeus estimates Ceres had net cash of £6.4m at the end of June 2016 but this could turn into net debt of £4.8m by June 2017.

Mariana continues to achieve high grades

There is further positive drilling news from Mariana Resources about its 30%-owned Hot Maden gold-copper project in northeast Turkey and this will be used in the updated mineral resource. Grades appear to be consistently high and this is a positive background for a potential introduction to the TSX Venture Exchange (TSX-V) this summer.

Mariana already has shareholders in North America and a Toronto quotation will open up access to additional capital to finance the development of Hot Maden and the company's other assets.

The current resource estimate for Hot Maden is 3 million ounces of gold equivalent at a grade of 11.2g/t. The latest grades have generally been higher and this infill drilling should lead to a significant increase in the resource. There is potential for further increases in the resource as drilling moves further south of the main drilling site. A preliminary economic assessment should also be completed before the end of this year.

A share consolidation has been undertaken prior to the proposed TSX-V quotation. The timing of the consolidation has been excellent. One new share was issued for every ten shares held by investors. If consolidations are done at the wrong time the share price can fall back. By combining the share consolidation with a strong share price and further good news the rise in the share price has continued.

Earlier this year, Mariana raised £6m at 1.82p a share, or 18.2p post consolidation, and the current share price is treble that level. Last October, Mariana raised £1.77m at 2p a share (20p post-consolidation) so those investors are also well in the money.

advisers

Craven House's Specialist Fund move

Investment company Craven House Capital will become much bigger following its plans to move from AIM to the Specialist Fund Segment of the Main Market. Management says that it has secured new investors that could inject $150m into the company, which would mean it would be around seven times its current size.

In the past couple of months Craven House has already raised £6.81m at 1.25p a share and the company is valued at £17m at that placing price compared with a pro forma NAV of more than £12m. The proposed fundraising will be at the equivalent of 1.5p a share but there will be a share consolidation prior to the cash raising and the shares will then be traded in dollars.

Craven House started out on AIM 12 years ago as Spanish property adviser Medsea Estates and when that business failed it became AIM Investments. The company became known as Craven House five years ago when the investing policy was changed to focus on specific sectors in emerging markets. Hong Kong-based Desmond Holdings became investment manager of the company at that time.

There are currently four former AIM companies on the Specialist Fund Segment, which has around 30 companies on it. Africa Opportunity Fund, Alpha Real Trust Ltd (which was formerly known as Alpha Tiger Property Trust Ltd), Marwyn Value Investors Ltd and Sherborne Investors (Guernsey) B Ltd have all made the move from AIM in the past eight years.

ADVISER CHANGES - JUNE 2016

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Fast Forward Innovations Ltd	Peel Hunt	Peterhouse	Peel Hunt	Beaumont Cornish	01/06/16
MayAir Group	Cantor Fitzgerald	Mirabaud	Allenby	Allenby	01/06/16
New Trend Lifestyle	SI	Zeus	Spark	Zeus	01/06/16
Scapa Group	Berenberg/Numis	Numis	Numis	Numis	01/06/16
Gfinity	Allenby	Arden	Allenby	Arden	02/06/16
ASA Resource Group	SP Angel/ Cantor Fitzgerald	Cantor Fitzgerald	SP Angel	Grant Thornton	03/06/16
Benchmark Holdings	Cenkos	Numis	Cenkos	Numis	03/06/16
Richland Resources	Shore	Shore	Strand Hanson	RFC Ambrian	03/06/16
Greatland Gold	SI	SI	Spark	Grant Thornton	06/06/16
ValiRx	Northland/Beaufort	Northland	Cairn	Cairn	07/06/16
Golden Saint Resources	SVS/ Beaumont Cornish	Beaumont Cornish	Beaumont Cornish	Beaumont Cornish	13/06/16
Microsaic Systems	N+1 Singer	Numis	N+1 Singer	Numis	13/06/16
PhotonStar LED Group	Northland	finnCap/Northland	Northland	finnCap	14/06/16
Purplebricks Group	Peel Hunt/Zeus	Zeus	Zeus	Zeus	16/06/16
Gama Aviation	Jefferies	Cantor Fitzgerald	Jefferies	Cantor Fitzgerald	17/06/16
Trinity Exploration	Cantor Fitzgerald	RBC	Spark	Spark	17/06/16
Immupharma	Norhtland/ Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	20/06/16
Morses Club	Panmure Gordon/ Numis	Numis	Numis	Numis	22/06/16
Pan African Resources	BMO/Numis/ Peel Hunt	Numis/Peel Hunt	Numis	Numis	22/06/16
AFH Financial Group	Liberum	Allenby	Liberum	Allenby	23/06/16
Atalaya Mining	BMO/Canaccord Genuity	Canaccord Genuity/ Brandon Hill	Canaccord Genuity	Canaccord Genuity	24/06/16
Draganfly Investments Ltd	Beaufort	Beaufort	Northland	finnCap	24/06/16
Active Energy Group	Northland	WH Ireland	Northland	WH Ireland	29/06/16
Frontier Resources	Beaufort	Beaufort	Spark	Beaumont Cornish	29/06/16

company news

Totally broadens range of services into dermatology

Healthcare services *www.totallyplc.com*

TOTALLY (TLY)			60p
12 MONTH CHANGE %	+140	MARKET CAP £M	12

Healthcare services provider **Totally** is paying up to £7.7m for About Health, which provides community-based dermatology services to seven NHS clinical commissioning groups. This provides another service to add to the existing range of out-of-hospital services and follows the £6.75m acquisition of Premier Physical Healthcare in April when Totally also raised £6.2m at 62p a share.

In the year to March 2016, Blackburn-based About Health made a pre-tax profit of £260,000 on revenues of £2.27m. This business has been growing rapidly, more than doubling profit and revenues last year, and the deal will be earnings enhancing.

About Health more than doubled its profit last year

The initial payment is £1.83m in cash with deferred consideration based on financial performance. There are three more instalments, all based on seven times the amount that About Health beats the previous year's pre-tax profit up until the year to March 2019. If the pre-tax profit is less than 80% of the previous year's level then Totally can claw back money owed for subsequent years.

Totally's original operations provide services for chronic obstructive pulmonary disease (COPD), heart disease and diabetes treatments. Totally is becoming a group that can offer a wide range of services, not only for hospitals but also prisons and corporations. Premier, which provides physiotherapy services, has won a number of contracts since it was acquired.

Totally has expanded its direct-to-consumer health-coaching service My Clinical Coach. This telephone-based service uses NHS-trained nurses to provide advice on long-term conditions. The full commercial launch should be later this year.

In 2015, Totally was still loss making but the acquisitions provide a much stronger base. Totally proposes to cancel its share premium account so that it will be able to pay dividends in the future.

Weak dairy demand hampers Wynnstay

Agriculture, retail *www.wynnstay.co.uk*

WYNNSTAY (WYN)			392.5p
12 MONTH CHANGE %	- 32.6	MARKET CAP £M	76.4

Wynnstay is used to coping with the cycles in the agricultural sector, so the uncertainty caused by the EU referendum is purely another challenge. The range of agricultural activities can balance things out but trading has got tougher and no improvement is expected for the rest of the year. Even though profit fell back, the dividend continues to be increased.

In the six months to April 2016, revenues dipped by 4% to £193.2m due to lower commodity prices. Gross profit rose from £28.1m to £28.5m but £1.3m was contributed by an acquisition not included in the previous period. Pre-tax profit fell from £4.82m to £4.08m. Both the agricultural and retail divisions made a lower contribution. The interim dividend is 8% higher at 4p a share.

Dairy feed prices continue to fall as milk prices also remain depressed. Volumes have also been hit. Fertiliser sales were higher but margins were under pressure. The acquisition of Agricentre helped Wynnstay stores to increase revenues by 11% but like-for-like revenues were lower due to weaker demand from dairy farmers. Agricentre has given the group more exposure to the south of England. Just for Pets sales were slightly lower. A new concept store called Bessie and Boo, aimed at the pampered pet, has been opened on a rural retail park and this could be rolled out if the results remain encouraging.

Shore Capital forecasts a decline in full-year profit from £9m to £7.3m. A total dividend of 12p a share is forecast. The main concern about the exit from the EU is the effect on currencies and therefore commodity prices.

company news

Accoya production capacity set to double as Accsys nears breakeven

Wood treatment technology *www.accsysplc.com*

ACCSYS TECHNOLOGIES (AXS)			66p
12 MONTH CHANGE %	- 6.7	MARKET CAP £M	59.8

Accsys Technologies has been quoted for more than a decade and it has finally reached a point where it can start to fully benefit from the technology it has developed. Accsys has technology based on the acetylation of wood, which gives the wood a longer life. The main product is Accoya and there are plans to double capacity at the company's existing Arnhem plant. Accsys has been managing its capacity and successfully raised prices last year.

Solvay still plans to open its own Accoya factory but for the next five years it has committed to buying 76,000 cubic metres of Accoya from Accsys to be sold in central Europe and Scandinavia.

Initial expansion will increase production by 50%

There are also plans for a dedicated 30,000 tonnes a year Tricoya wood elements acetylation plant in Hull in partnership with Medite and BP. The Tricoya will be sold for the production of high-performance MDF and particle board panels. Additional funding is required for this plant but Accsys should not need to contribute more than €1m more in cash.

In the year to March 2016, group revenues improved from €46.1m to €52.8m, while the underlying loss was slashed from €5m to €500,000. Accoya volumes rose by 1%. The increase in licence income from €400,000 to €2.8m, because of a new agreement with Solvay, helped to boost margins but this was offset by higher Tricoya costs. There was still €8.2m in the bank at the end of March 2016, after investing €4.1m for work on the new Tricoya plant and other capex.

The initial expansion phase will increase production at Arnhem by 50% and this should be up and running in 2017. Growth in Accoya sales will be constrained until this capacity comes on stream.

James Latham beats market expectations

Timber supplier *www.lathamtimber.co.uk*

JAMES LATHAM (LTHM)			620p
12 MONTH CHANGE %	- 10.5	MARKET CAP £M	121.8

Timber importer **James Latham** reported a better than expected profit for the year to March 2016, helped by higher gross margins. The final dividend was also higher than expected, at 10.3p a share, taking the total for the year to 14.3p a share, up from 12.5p a share the previous year.

In the year to March 2016, revenues were 6% ahead at £185.9m, while underlying pre-tax profit improved from £10.2m to £12.9m. A lower tax charge helped earnings per share to jump from 39.7p to 53.5p. Net cash was £15.8m at the end of March 2016. The total dividend is covered 3.7 times by earnings and the final dividend goes ex-dividend on 4 August.

Sales volumes of panels and timber increased, as did the sales of higher-margin specialist products, such as Accoya, which is produced by Accsys Technologies. A widely spread customer base helps Latham to grow.

The gross margin was unusually high in the second half because of exchange rates and lower prices. House broker Northland assumes a 17.5% gross margin this year and a 5% increase in revenues. This still means that pre-tax profit would dip to £11.6m but it would still enable a further increase in the dividend while maintaining a cover of three times. Investment in the redevelopment of the Wigston and Yate sites will reduce the cash pile. Latham beat forecasts last year and it could do so again this year - although it may depend on how sterling performs.

company news

GB Group adds facial biometrics to its identity and security services

Identification products *www.gbgplc.com*

GB GROUP (GBG)			275p
12 MONTH CHANGE %	+30.9	MARKET CAP £M	365

Identity information and assurance products provider **GB Group** has widened its range of services through the acquisition of biometric face-scanning business IDscan Biometrics. There was an initial payment of £37m, with up to £8m more payable depending on the achievement of revenue and EBITDA targets over an 18-month period. The deal was partly financed via a £25m (£24m after expenses) placing at 275p a share – the level at which the share price ended the month.

IDscan is an international business with clients in the financial services and mobile sectors and GB Group has paid a high price to gain exposure to this technology. However, the expected pace of growth means that it appears

GB Group no longer has to use third party technology

a price worth paying. The technology helps to authenticate passports, visas and ID cards by capturing facial biometrics and GB Group will no longer have to use third-party technology.

IDscan has been changing its model from perpetual licences to recurring revenues so past figures are not strictly comparable with ongoing prospects. Last year's revenues were £7.6m but the ongoing level is likely to be nearer to £5m. House broker finnCap still believes that IDscan could contribute £10m of revenues in the year to March 2018, with an operating margin of 30%.

GB Group's pre-tax profit is expected to grow from £13.2m to £16.1m this year. That includes £1.5m of operating profit from IDscan for a nine-month period. The acquisition and share issue is likely to hold back short-term earnings and finnCap has reduced its 2016-17 earnings estimate from 10.6p a share to 9.5p a share – putting the shares on 29 times prospective earnings. A nominal tax charge of 20% is used in this forecast. At a constant tax rate, underlying earnings are expected to grow by 14%.

SysGroup gains scale through acquisition

Managed services *www.sysgroup.com*

SYSGROUP (SYS)			66p
12 MONTH CHANGE %	+ 1.5	MARKET CAP £M	8.42

Daily Internet has increased its exposure to managed services through the acquisition of System Professional for £3.9m in cash and shares and because of the increased focus on this faster-growing area the group has changed its name to SysGroup. There was also a 40-for-one share consolidation ahead of a placing at a post-consolidation share price of 60p that raised £5m.

Previous acquisitions took the company into managed services and this is where most of the organic growth has been coming from. The enlarged managed services business will be able to reduce its infrastructure costs because of its increased scale. The existing business has expertise in the financial services and distribution sectors and the acquisition takes it into new sectors, including healthcare, education and charities..

System Professional moved into managed services in 2008 and it has used its consultancy expertise to win business. This also helps the company win larger projects. Product sales have declined and higher-margin managed services revenues have grown to replace them.

In the year to March 2016, the original Daily Internet business increased its revenues from £3.89m to £4.76m, while EBITDA improved from £411,000 to £666,000. Pro forma combined 2015-16 revenues would be £10m, the majority from managed services, and pro forma EBITDA would be £1.45m. The group will be cash generative. The top ten customers account for 28% of the enlarged business compared with 43% previously.

The group's former chief executive and another former employee sold 1.17 million existing shares at the time of the placing.

No risk to Red24 dividend growth

Risk management services *www.red24.com*

Dividend

Security and risk services provider Red24 has been paying dividends since the beginning of 2010, following a capital restructuring that ensured that the company had distributable reserves. The maiden dividend was 0.15p a share and Red24 paid one dividend a year until the 2012-13 financial year when it switched to two payments each year.

In the year to March 2016, the dividend was increased by 10% to 0.55p a share. This year the dividend is forecast to grow to 0.6p a share.

The business is cash generative and the dividend is well covered by earnings. The forecast dividend cover is nearly four times. House broker finnCap forecasts that net cash could reach £4.1m by March 2018.

Business

Red24 is a small company with an international spread of activities and the majority of its revenues are earned in US dollars. That is good news at a time when sterling is falling against the US dollar. Last year, Red24 managed to cope with the loss of its contract to provide travel assistance products to HSBC clients, which at one time was a major part of the business. There was a dip in revenues prior to the contribution from an acquisition but underlying organic growth was 11% if HSBC is excluded.

The customer base of the travel assistance division has become much wider and demand for its services is not dependent on financial businesses. For example, retailers subscribe to the service for their buyers, who travel around the world to order goods for the stores.

RED24 (REDT)	
Price (p)	16.25
Market cap £m	8
Historical yield	3.4%
Prospective yield	3.7%

The acquisition of Singapore-based investigations business RISQ Worldwide, included for nine months last year, gives Red24 an Asian base and the company will be rebranded as part of the group. This takes Red24 into new markets, such as corporate investigations and employee screening, and provides cross-selling opportunities both in product and geographic terms.

The latest figures show the problem with trying to second-guess currencies. Red24 has a crisis response management centre in South Africa and it hedged its rand exposure during last year's UK general election. The fears for the rand exchange rate were not founded and the hedging led to a £167,000 loss. This and acquisition-related adjustments led to a dip in pre-tax profit from £1.07m to £624,000. Stripping out the exceptionals there was a small decline in profit to £1m. A 2016-17 profit of £1.4m is forecast, which puts the shares on seven times prospective earnings.

The share price has recovered since the full-year results were reported but it remains well below the level prior to the loss of the HSBC business. Red24 has a better spread of business and stronger prospects than previously so a further recovery in the share price is likely as the company's attractions are more appreciated.

Dividend news

Park Group continues to improve its profit despite the continued downturn in corporate voucher income from consumer credit clients. Although profit forecasts have been trimmed for the next two years, the dividend forecasts have been upgraded on the back of the 19% increase in last year's dividend to 2.75p a share – almost as much as the figure originally expected for this year. The 2016-17 dividend has been upgraded to 2.9p a share and the following year 3.05p a share is expected – covered 1.9 times by forecast earnings. Net cash was £28.8m at the end of March 2016. The consumer side has started the year well and expects a good Christmas.

Trakm8 is paying a maiden dividend of 2p a share, which is covered more than six times by earnings. The telematics services provider grew strongly last year. In the year to March 2016, revenues increased from £17.9m to £25.6m, organic growth was 28%, while pre-tax profit more than doubled from £1.8m to £3.8m, due to less third-party hardware manufacturing and additional higher-margin services revenues. Demand from insurance customers is growing rapidly and Allianz has been signed up. Recent acquisitions will make a full contribution this year and pre-tax profit could hit £6.4m.

Multi-utility services provider **Fulcrum Utility Services Ltd** reported barely changed revenues for the year to March 2016 but the greater efficiencies put in place meant that pre-tax profit jumped from £1.2m to £4.6m. The dividend was more than doubled from 0.4p a share to 0.9p a share. Installing gas pipelines remains the core operation but business is being won from other utilities. The pipelines owned and operated by Fulcrum generated revenues of £1.1m last year. Since the results, Fulcrum has secured a £1.4m gas pipeline installation contract, alongside British Gas, which starts this summer.

expert views

Expert view: The broker

ImmuPharma: Phase 3 trial progressing to plan

By Vadim Alexandre

Few AIM-listed drug development companies have late-stage clinical assets which are nearing regulatory approval. ImmuPharma* (LSE: IMM.L) is an exception. The company's lead compound, Lupuzor, a potential treatment for Lupus, is undergoing a Phase 3 clinical trial, which is currently dosing patients across the US and Europe. We expect top-line figures to be reported from the trial before the end of 2017.

Major unmet medical need

Lupus is a major unmet medical need, with only one novel treatment approved for the condition over the past 50 years. An estimated 5 million individuals globally are thought to suffer from the disease. The condition is an autoimmune disorder, whereby the immune system overreacts to self-antigens and begins to attack a patient's normal tissues. The most common and severe form of Lupus is systemic lupus erythematosus (SLE), which is the indication that Lupuzor is being trialled against.

Strong regulatory position

ImmuPharma has received Fast-Track designation from the US Food and Drug Administration (FDA) for Lupuzor for the treatment of SLE. Fast Track designation expedites the FDA approval process by allowing companies to benefit from more frequent interactions with the FDA during clinical development and shortening FDA review periods. Lupuzor also received US FDA approval to commence its pivotal Phase 3 trial under Special Protocol Assessment (SPA). An SPA is a binding commitment from the FDA that a pre-agreed trial protocol (including trial design, clinical endpoints, and statistical analyses) is sufficient for a subsequent FDA approval. The importance of this is that it effectively guarantees that the FDA will accept the trial's results if they are positive. Having received both Fast Track and Special Protocol Assessment designations, Lupuzor is clearly viewed by the FDA as a priority treatment.

Clear path to market

There is a lack of treatments for SLE, as most drugs have serious side-effects and limited effectiveness. Until recently, treatment mainly consisted of immunosuppressive drugs such as hydroxychloroquine and corticosteroids, both of which carry significant side-effects.

In 2011, the FDA approved the first new drug for SLE in more than 50 years, namely GlaxoSmithKline's Benlysta (belimumab). In 2015, the drug had sales of over $400m, while forecasts predict annual sales to hit $1bn by 2020. Given Benlysta's success to date, we estimate that Lupuzor has a clear path into an established market with attractive economics. Moreover, on the basis of Lupuzor's Phase 2b trial data, the drug demonstrated a higher response rate and fewer side-effects than Benlysta. As such, Lupuzor appears to be safer and more efficacious.

Currently, Benlysta is priced at about $35,000 per patient per year. However, because the drug is an antibody, it is relatively expensive to produce. We estimate that Lupuzor, being a small peptide, will cost far less to manufacture and consequently could be priced at a significant discount to Benlysta. Should Lupuzor deliver better efficacy with fewer side-effects, at a lower cost per patient, we believe the drug could see much stronger uptake than Benlysta.

Finally, Lupuzor's recently demonstrated effects (pre-clinically) against other chronic inflammatory indications could result in the drug achieving multi-billion dollar annual sales across several indications. The rheumatoid arthritis (RA) market provides a good example of what could be achieved should Lupuzor be effective in this indication. Several RA drugs have achieved block-buster status, including (2014 figures): Humira ($13bn in annual sales); Remicade ($10bn in annual sales); and Enbrel ($9bn in annual sales).

Fast Track designation expedites the FDA approval process

More in the pipeline

ImmuPharma also has several other earlier-stage programmes in the pipeline, including a clinical-stage oncology treatment as well as three preclinical programmes in the areas of pain relief, anti-infectives and inflammatory diseases.

Also, ImmuPharma's wholly owned subsidiary, Ureka, is working on several other preclinical programmes which offer promise in the treatment of various major conditions, including diabetes.

In conclusion, given ImmuPharma's strong position overall and due to the advanced stage of its lead development product, we estimate that the group's shares offer good value.

**Northland Capital Partners Ltd. acts as Broker to ImmuPharma*

VADIM ALEXANDRE is head of research at Northland Capital Partners.

feature

AIM weathers the Brexit storm

AIM has fallen since the EU referendum and the vote to leave the EU will lead to continued uncertainty but this will provide opportunities for investors and companies.

AIM has underperformed since the EU referendum on Thursday 23 June but it is not surprising that investors have moved towards larger companies in such a time of uncertainty. The fact that those larger companies are more exposed to international markets and the US dollar is part of the reason for their outperformance.

The decline in AIM has been exacerbated by a recovery prior to the vote when there was the feeling that the final decision would be to remain in the EU.

In the end, the leave vote was 51.9% of the total, while the remain side got 48.1%. That is a majority of more than one-and-a-quarter million votes. The turnout of 72% was relatively impressive, comparing well with the 42.2% turnout on the previous national referendum on the proposal to change the electoral system to the alternative-vote method.

There have been demands for another referendum but it does not appear that this will halt the move towards Brexit. There had been talk in the weeks before the vote that if the vote to leave was a very narrow one, Parliament might not ratify the decision but this does not seem likely.

The uncertainty persists and while the markets have already taken a lot into account they are likely to remain bumpy. On top of the negotiations to leave the EU, there is the prospect of a new prime minister. That means that Article 50 is unlikely to be triggered for some time. The complicated negotiations will not get going until then – although preparations can still be made for that time.

Performance

The FTSE AIM All Share index fell 2.6% in the first week after the vote and after two weeks it had fallen by 3.8%. The larger companies on AIM have done better than the smaller ones but their share prices are still lower. Over the fortnight, the FTSE AIM 50 index fell 2.2% and the FTSE AIM 100 by 3.4%.

AIM has fallen by more than 5% so far this year but the low for the year was on 11 February and AIM is 5% higher than that figure.

> Two weeks after the EU vote the FTSE AIM All Share index had fallen by 3.8%

The FTSE AIM All Share index has by no means been the worst-performing index on the London market, the FTSE 250 index has fallen further (by more than 8%), but it has done worse than measures of larger companies on the Main Market.

Contrast the performance of AIM to that of the FTSE 100 index, which has risen by 3.1% over the past fortnight, with most of that rise coming in the first week after the referendum. Over one month, the FTSE 100 is 4.6% higher. AIM had already been underperforming the FTSE 100 this year.

The other index that has done well is techMARK, where the strong performance of large pharma companies led to a 4.5% increase over the fortnight. The better-performing techMARK companies include Shire, AstraZeneca and GlaxoSmithkline. Chip designer ARM Holdings is one of the better non-pharma techMARK performers.

Financials and housebuilders were some of the worst AIM performers. Secure Trust and Arbuthnot Banking are both well down because of concerns about the City and the financial markets, as is the much smaller, Gibraltar-based pension and financial services firm STM, which has fallen by one-quarter. Residential property developers Telford Homes and Inland Homes have also fallen sharply.

The biggest faller among the larger AIM companies in the first week was recruitment firm Staffline, which recruits a large number of staff outside the UK. There are worries that it would find it more difficult to recruit staff if there are border controls. Staffline lost more than one-third of its value in one week but it stabilised after that. The business has a strong track record and a range of activities, including training, so there is no reason to think that it will not be able to adapt to the situation.

On the plus side, pharma companies GW Pharmaceuticals and Vernalis have performed strongly, as has hospital financial and charging software supplier Craneware, which is based in Scotland but the market for feature

its software is hospitals in the US so income is in US dollars.

Continuing trend

Broker Peel Hunt has set up measures of domestic and international mid-cap and small-cap companies on the London market and this shows that the UK-focused companies have underperformed the international-focused companies by 19% since the referendum vote. This follows a period of 18 months when the UK companies had outperformed the international ones but all that outperformance has been clawed back by the international companies in just a few weeks.

The prospective rating of the FTSE Small Cap index is at a 30% discount to the prospective FTSE 100 index profit multiple. AIM is also likely to be trading at a significant discount to the FTSE 100 multiple.

Life goes on

The London Stock Exchange's proposed merger with Deutsche Börse continues to progress despite the vote. Trading on the stock market continues and as in any period of weakness there will be buying opportunities.

Even though AIM share prices have been under pressure this does not mean that deals and fundraisings cannot be done. Fishing Republic is the best-performing AIM admission, excluding reversals, since the beginning of 2015 and the share price has nearly trebled. UK-focused fishing-tackle retailer Fishing Republic raised an additional £3.75m at 35p a share, which is more than double the June 2015 flotation price of 15p a share. The cash will help to expand the retail chain and fund further development of the online operation. The subscribers to the share issue include former Tesco boss Sir Terry Leahy and associates, who will have a combined stake of 15.9% in the company.

Existing companies with a sound business case should be able to continue to raise cash, although if the share price has gone backwards it may be difficult to raise the cash at a suitable price for the deal to make sense.

However, new entrants to AIM may find it more difficult to get their flotations away. Brokers have previously said that there was a pipeline of potential flotations that were holding off until after the EU vote. It is the summer, so flotations are less likely at the moment and the full effect – good or bad – on AIM admissions will not be clear until the autumn. It does seem likely, though, that there could be a shortage of new companies coming onto the junior market, at least in the short term.

The Monday after the EU vote, Italy-based public relations group SEC SpA announced its plan to join AIM. SEC is headquartered in Milan and it is the largest independent public relations agency in Italy. SEC has majority stakes in businesses in Belgium, Germany and Spain. The local managements own minority stakes in these businesses. There are no details of the share price and other financials but the plan is to join AIM in mid-July. It will be interesting to see whether this target is achieved.

AIM had already been underperforming the FTSE 100 this year

Pensions

According to finnCap, one of the potential downsides of any further cut in interest rates is that it could lead to higher pension deficits. That is because lower gilt yields will lead to the discount rate used in pension calculations falling as well. This means that liabilities and therefore deficits will get bigger.

Some of the more mature businesses on AIM, such as floorcoverings supplier James Halstead, do have large pension deficits.

Future

Uncertainty will continue for a long time. There will be an economic slowdown in the medium term and the outlook for the London commercial property market is likely to be weak until the prospects for jobs in the City are better understood.

AIM companies with strong balance sheets will be able to ride this out and recent fundraisings show that money can be raised to finance deals. Those AIM companies with large US dollar-based earnings, such as Craneware, will do well following the fall in sterling against the US dollar.

POST-REFERENDUM MARKET PERFORMANCE

INDEX	AFTER 1 WEEK (%)	AFTER 2 WEEKS (%)
AIM All Share	-2.6	-3.8
AIM 50	-0.8	-2.2
AIM 100	-1.9	-3.4
FTSE 100	+2.6	+3.1
FTSE 250	-6.1	-8.3
techMARK	+3.9	+4.5

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	21.2	17.8
Consumer services	17.5	10.6
Industrials	14.4	16.9
Healthcare	14	8.6
Technology	10	11.6
Consumer goods	8.3	5.8
Basic materials	6.3	15.3
Oil & gas	5.6	10.7
Telecoms	1.6	1.4
Utilities	0.9	1.3

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	707.88	-6.3
FTSE AIM 50	4008.51	-0.2
FTSE AIM 100	3377.61	-0.1
FTSE Fledgling	7462.38	-5.8
FTSE Small Cap	4471.55	-4.4
FTSE All-Share	3515.45	-1.5
FTSE 100	6504.33	-0.3

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	238
£5m-£10m	129
£10m-£25m	188
£25m-£50m	154
£50m-£100m	127
£100m-£250m	109
£250m+	71

KEY AIM STATISTICS

Total number of AIM	1016
Number of nominated advisers	33
Number of market makers	48
Total market cap for all AIM	£74.7bn
Total of new money raised	£96.9bn
Total raised by new issues	£41bn
Total raised by secondary issues	£55.9bn
Share turnover value (2016)	£11.7bn
Number of bargains (2016)	2.25m
Shares traded (2016)	150.5bn
Transfers to the official list	180

TOP 5 RISERS OVER 30 DAYS

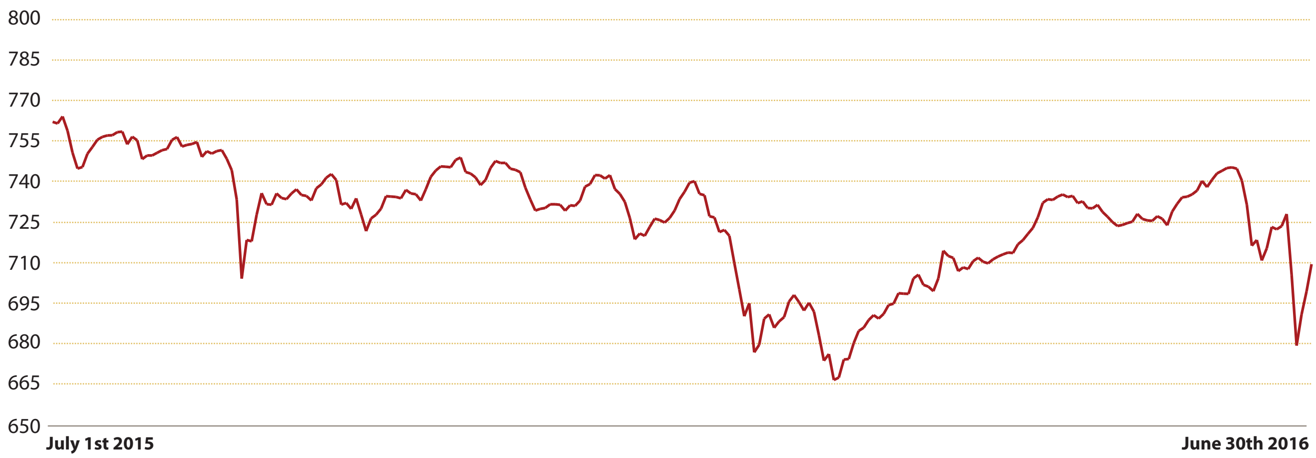
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Kimberly Enterprises NV	Property	1.8	+260
Clontarf Energy	Oil and gas	0.62	+257.1
Onzima Ventures	Financials	1.68	+63.4
Alexander Mining	Mining	0.2	+62
Anglo Asian Mining	Mining	15.75	+59.5

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Fitbug Holdings	Leisure	0.28	-63.3
Proxama	Technology	0.43	-61.4
Petro Matad Ltd	Oil and gas	1.62	-51.1
Frontera Resources	Oil and gas	0.15	-50
Nyota Minerals Ltd	Mining	0.06	-48.8

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th June 2016, and we cannot accept responsibility for their accuracy.

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

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

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

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