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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Betting on US opportunity

Legalisation of online sports betting in the US will provide opportunities for AIM online gaming companies. The Supreme Court of the United States has decided to overturn the Federal prohibition of sports betting. The state of New Jersey argued that congress had exceeded its authority and the judges agreed. The US sports betting market, both onsite and online, could be worth $6bn by 2023, but individual states will have to enact legislation to enable online sports betting to commence in their territory.

GAN has been preparing for this eventuality and is already in a position to launch a sports betting service in New Jersey and Pennsylvania in the second half of this year prior to the start of the NFL season. It also has a deal with Betfair and relationships with casino operators. GAN generates income from a revenue share with its customers.

Nektan has secured a partnership with Metric Gaming to provide Metric's betting content in the US market. Nektan's online gaming business in the US, Respin, will be offering horse racing and sports betting via its mobile platform.

Licensed pari-mutuel pool wagering business Webis has a US subsidiary called WatchandWager, which is based in California, a strong potential market for sports betting, and has licences in other states. Webis is seeking partnerships with gaming software companies.

AIM 100 index changes

Savannah Petroleum, cleantech-focused investment manager Impax Asset Management, Eland Oil & Gas and Somero Enterprise will join the FTSE AIM 100 index when the quarterly changes take place on 18 June. There are no changes to the FTSE AIM 50 index.

Of the companies dropping out of the index, biopharmaceutical company Faron Pharma OY was the least surprising following a sharp fall in the share price after disappointing phase III trial results for the use of Traumakine in the treatment of ARDS (acute respiratory distress syndrome). Polymer-based cleaning technology developer Xeros Technology, footwear retailer Footasylum and oil and gas company San Leon Energy are the others. Footasylum, which joined the AIM 100 in March, has fallen back over the past few months but it is still above the 164p a share flotation price seven months ago.

In the latest changes to the FTSE 100 index constituents, online gaming firm GVC is set to join fellow former AIM company Melrose Industries in the UK stockmarket's major index. That makes it the third former AIM company to join the FTSE 100. The first was Baltimore Technologies, nearly two decades ago.

In this issue

general news

Tekmar subsea flotation

Subsea cables protection technology supplier Tekmar plans to join AIM in June via a flotation that could value the company at between £70m and £80m.

Durham-based Tekmar is a cash generative business that has been trading for more than three decades, although it was originally based in Norway. In September 2011, Elysian Capital financed a management buyout of the group and brought expertise in the wind power sector to help the business to grow. Since then, manufacturing capacity has been trebled.

There are two main divisions. The first supplies subsea protective coatings for power transmission cables from offshore wind turbines. The other division provides subsea protective coatings for pipes to the oil and gas sector. AgileTek provides analysis and simulation services to both divisions.

Tekmar moved into the offshore wind turbines market in 2009 and its TekLink CPS product has a 74% market share in the offshore wind farm market in Europe. This is a fast-growing market and there will be even more opportunities in North America, the Middle East and Asia Pacific.

In the year to March 2018, group revenues were £21.9m and underlying EBITDA was £4.9m. Tekmar has been loss-making because of the interest charges on borrowings due to the debt financing of the business. The flotation will enable the balance sheet to be restructured.

Audioboom deal off

Audioboom is not going ahead with the acquisition of Triton Digital Canada after failing to raise the cash it needed to complete the deal. That still leaves the podcast company short of cash for its existing operations. A £700,000 break fee – £90,000 in cash and the rest in 16.6 million shares is payable on 13 June. Candy Ventures has subscribed for a further £500,000 of convertible loan note, taking the total issued to £1.5m. Candy already owns a 13% stake in Audioboom, which is raising £4.5m at 3p a share while shareholder approval is being sought to convert the convertibles into shares. Rob Proctor remains as chief executive and Brad Clarke has become finance director.

AIM continues to attract legal consolidators

Commercial law firm Gateley has acquired GCL Solicitors, which specialises in land and property business, for £4.15m in cash and shares. Gateley was one of the trailblazers when it comes to lawyers coming to the stockmarket and there have been a stream of rival firms floating in the past year. The latest legal firm to float on AIM is Rosenblatt. It will soon be joined by Knights Professional Services.

GCL is the third acquisition by Gateley since it joined AIM in June 2015, but it is the first lawyer. The other two acquisitions were a tax incentives adviser and a surveyor. The Gateley share price has almost doubled since it raised £30m at 95p a share three years ago.

Rosenblatt was valued at £76.1m when it joined AIM at 95p a share. Rosenblatt is focused on dispute regulation and corporate law, with around one-third of its billings generated by the financial services sector. The firm will grow by acquisitions or taking on specialist litigation teams.

Knights is the next legal services firm set to join AIM and it intends to use the quotation to continue to expand via acquisition. The specialist in corporate and commercial law plans to float by the end of June, at a valuation in excess of £100m, and this will be combined with the acquisition of Manchester-based Turner Parkinson. Knights is a consolidator in the legal sector and this will take the number of offices in England to seven. The strategy is to have more than nine offices by 2020, helped by further acquisitions.

In the year to April 2018, revenues were £34.9m and operating profit was £6.8m, while Turner Parkinson will add £8.5m in revenues and operating profit of £1.8m.

advisers

Mixed fortunes for brokers

Trading was tough for some smaller company brokers earlier this year but there are signs of improvement if prospective transactions happen. WH Ireland says that deferred transactions by clients have hit its corporate and institutional broking division revenues. There is potential new business but, whether or not it materialises, will depend on market conditions. Higher costs in the private wealth management division mean that there will be a further loss in the final four months of the 16-month trading period to March. In the 12 months to November 2017, WH Ireland reported a loss of £1.14m.

At the AGM, Cenkos Securities said that fee income had improved after a disappointing first quarter. Asset sales have improved the cash position.

Numis appears to have fared better than its rivals. It increased its revenues by 42% in the first half and they were also higher than the strong second half of last year. The growth came from the capital markets operations. Investment in additional staff and operations means that profit will be held back. Edison Investment Research forecasts flat pre-tax profit of £37.8m, on revenues up from £130m to £144.5m, for the year to September 2018.

■ Ten AIM-quoted companies are in the running for company of the year at the 2018 Small Cap Awards. They are utility and building maintenance services provider Bilby, monoclonal antibodies developer and supplier Bioventix, Faron Pharmaceuticals, video games developer Frontier Developments, remote meetings technology provider LoopUp, oil and gas producer Nostra Terra Oil and Gas, technology company investor TMT Investments, leak detection services provider Water Intelligence, Wey Education, and film and TV translation services provider Zoo Digital. Last year's company of the year was musical instruments retailer Gear4Music.

The awards will be held at The Montcalm Hotel, Marble Arch, on Thursday 14 June.

ADVISER CHANGES - MAY 2018

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Gear4Music	Peel Hunt/Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	01/05/18
Escape Hunt	Stockdale/Peel Hunt	Stockdale/Peel Hunt	Stockdale	Peel Hunt	02/05/18
TyraTech	WH Ireland	Allenby	Spark	Spark	03/05/18
African Battery Metals	SP Angel	SP Angel/WH Ireland	SP Angel	WH Ireland	04/05/18
Versarien	Arden	WH Ireland	Arden	WH Ireland	04/05/18
SEC	EnVent/WH Ireland	WH Ireland	WH Ireland	WH Ireland	08/05/18
Eurasia Mining	First Equity/WH Ireland	WH Ireland/Beaufort	WH Ireland	WH Ireland	10/05/18
Reach4Entertainment	Dowgate/Allenby	Allenby	Allenby	Allenby	10/05/18
Myanmar Investments	Investec	finnCap	Grant Thornton	Grant Thornton	11/05/18
Secure Property Development	Novum/Strand Hanson	Strand Hanson	Strand Hanson	Strand Hanson	15/05/18
Diurnal Group	Cantor Fitzgerald/ Panmure Gordon	Panmure Gordon/ Numis	Panmure Gordon	Numis	18/05/18
Ten Lifestyle	Peel Hunt/Jefferies	Jefferies	Jefferies	Jefferies	18/05/18
Keras Resources	Northland/SVS	SVS/Shard	SP Angel	Northland	24/05/18
Shoe Zone	finnCap	Numis	finnCap	Numis	24/05/18
HydroDec	Arden	Canaccord Genuity	Arden	Canaccord Genuity	25/05/18
Phoenix Global Mining	SP Angel/Brandon Hill	Brandon Hill	SP Angel	SP Angel	29/05/18
Aggregated Micro Power	Whitman Howard/finnCap	finnCap	finnCap	finnCap	31/05/18
Amerisur Resources	Investec/Stifel Nicolaus	RBC/Investec/ Stifel Nicolaus	Stifel Nicolaus	Stifel Nicolaus	31/05/18
CentralNic	Stifel Nicolaus/Zeus	Zeus/N+1 Singer	Zeus	Zeus	31/05/18

AorTech International intends to use past investment to develop medical products

Medical devices *www.aortech.net*

Medical devices developer **AorTech International** has been quoted on AIM for two decades and, after showing initial potential, the company has been in stasis for the past few years. An over-optimistic management meant that AorTech never achieved the targets expected and the operations were effectively wound down. Licence income has continued to flow in to cover overheads but now that legal action has been settled the board can focus on how to exploit existing intellectual property for its Elast-Eon medical-grade polymers and the medical devices that can be made from them.

Rather than set up an expensive operation, AorTech is partnering with other organisations in order to benefit from the £30m already invested in development and approvals for Elast-Eon.

AorTech can focus on exploiting IP

The focus will be on three products. Cardiovascular and soft-tissue patches can be developed that eliminate the problems with adhesion and calcification. Large-bore grafts can be developed where a collagen sealant can be replaced with Elast-Eon, while maintaining natural self-healing properties. A manufacturing and development contract with RUA Medical will help to reduce the costs of bringing these two products to market in the next two years by supplying at cost in return for future royalty income.

AORTECH INTERNATIONAL (AOR)			35p
12 MONTH CHANGE %	+159.3	MARKET CAP £M	1.9

A new synthetic heart valve is a longer-term project. It will take two years for animal trials to take place and analyse data. There could be a further six months before human testing begins. Medical device developer Vascular Flow Technologies is providing project management, admin, engineering and design for a fixed quarterly fee.

AorTech is raising £2m via a placing at 30p a share, with £500,000 more to come from an oversubscribed open offer. Along with a £500,000 grant, this should be enough to develop the first two products and complete stage one of the heart valve development.

TyraTech refocuses on animal health

Parasite control products *www.tyratech.com*

Selling the Vamousse human lice treatment to Alliance Pharma is enabling **TyraTech** to focus on animal-based insect and parasite control products. The funds are being used to push ahead with commercialisation of treatments. The group has plenty of intellectual property and patents built up over more than a decade and using these to develop commercial products will be the key to making TyraTech a profitable business. The technology is non-toxic and is based on natural methods that block the chemical receptors of insects and parasites.

TYRATECH INC (TYR/TYRU)			2.35p
12 MONTH CHANGE %	+25	MARKET CAP £M	17.6

There is no danger to animals. PureScience is an existing treatment for poultry parasites that is being sold in the US and gaining EU approvals. OutSmart is an equine fly spray which is still to build up significant sales. The Guardian insect repellent is in the process of gaining EPA registration. There are a further ten products in development. The most significant are treatments for coccidiosis in poultry and intestinal and stomach worms in cattle and sheep.

TyraTech raised $13m from the Vamousse sale and $8.4m was returned to shareholders at 3p a share. That leaves TyraTech with cash to spend on development. The monthly cash outflow is estimated at nearly $350,000. There should be cash left at the end of 2018, but more finance will be required to push ahead with the new products because revenues will remain modest for the next few years. TyraTech is not expected to make a profit until 2021.

Cash-generative Strategic Mining set to push ahead with development projects

Mining *www.strategicminerals.net*

Cash generated from the Cobre magnetite stockpile processing operations in New Mexico is being reinvested in a range of exploration projects. Unlike many of its contemporaries, **Strategic Minerals** will not have to return to shareholders to make progress with these projects.

In 2017, revenues jumped from $1.55m to $5.64m and there was a cash inflow from operating activities of $2.88m, and even after investment activities, there was $1.1m of cash generated. Along with last year's fundraising, this left the company with $3.71m in the bank.

Strategic Minerals has agreed a 12-month extension to the rights to process the Cobre magnetite until March 2019 and a client contract

> There is $3.71m in the bank

has been renegotiated to secure a minimum payment of $1.125m over nine months. This will ensure a further cash inflow this year.

The Leigh Creek copper mine in South Australia, which was acquired in March for $2.4m, could be up and running by the middle of 2019, making it the second source of cash generation for the group. There has been production in the past and there is a JORC resource of more than 24,000 tonnes and there will be further exploration this year. There is already an offtake agreement for up to 300 tonnes of copper per month

STRATEGIC MINERALS (SML)			1.4p
12 MONTH CHANGE %	-42.9	MARKET CAP £M	19.3

at 85% of the LME price.

The Redmoor tin/tungsten/ copper joint venture is starting further exploration drilling this month. The current JORC inferred mineral resource estimate is 4.5 million tonnes at 1% tin equivalent. Strategic Minerals has committed to providing its £323,000 share of the drilling spending. The drilling and analysis of the results should be completed by the end of the year.

Central Australian Rare Earths (CARE) has cobalt, nickel and rare earth projects in Western Australia at an earlier stage of development and further drilling is planned.

Stride ditches social to grow in Europe

Online gaming *www.stridegaming.com*

Stride Gaming has bitten the bullet and decided to sell its social gaming business, but the core online gaming business is also finding trading conditions tough. Licences are being applied for in European countries and Italy should be up and running later this year.

In the six months to February 2018, revenues improved from £39.3m to £43.9m, excluding the social gaming operations. Additionally, the Aspers JV made an initial contribution of £1m. There are a large number of one-off costs in the figures but underlying pre-tax profit rose from £7.8m to £8.5m,

STRIDE GAMING (STR)			150.5p
12 MONTH CHANGE %	-33	MARKET CAP £M	114.1

mainly due to lower interest costs, but earnings per share were lower. The point of consumption tax added £1.7m to costs. The reported loss from discontinued activities was £2.26m, down from £9.32m. The social gaming assets are valued at £4.27m and management is hopeful that they can be sold for book valuation.

Stride is diversifying its product range. Passion Gaming was acquired during the first half and sports betting will be launched in time for the FIFA World Cup. Italian operations will be launched in the fourth quarter and Stride has applied for gaming licences in Spain, Denmark and Sweden.

Net cash was £22.4m at the end of February 2018 and since then £9.6m of contingent consideration has been paid in cash and a 24.2% stake in QSB Gaming has been sold. Increased regulation and gaming taxes continue to hold back profit. Revenues should grow this year, but underlying pre-tax profit is expected to decline from £18.9m to £14.2m and be flat next year.

company news

MTI Wireless Edge simplifying ownership structure to attract more investors

Antennas and irrigation monitoring *www.mtiwe.com*

Antennas developer **MTI Wireless Edge** is simplifying its ownership structure by acquiring its Israel-quoted majority shareholder MTI Computers. This will make MTI Wireless a more attractive investment, increase revenues by 30% and give it four divisions. Management has to make sure that investors are aware of the opportunity, though.

The all-share bid of 1.75 MTI Wireless shares for each MTI Computers share is based on a discounted cash-flow analysis by SCA Economic Advisory. Completion of the merger could still be more than two months away.

MTI Computers owns 53.2% of MTI Wireless, with directors owning a further 5.7%. The MTI Wireless shares owned by MTI Computers will be distributed to its own shareholders. Admittedly, two families, including the family of chairman Zvi Borovitz and finance director Moshe Borovitz, will own 46% and other directors, mainly chief executive Dov Feiner, another 7%, but it is better than having one, quoted majority shareholder and there will no longer be any worries about which of the companies is more important to the major shareholders.

Antennas opportunities include 5G

MTI Computers has two divisions: an electronic components supplier and a surveillance balloons business. The antennas division is the core business of MTI Wireless and it is likely to continue to be the main growth area. Opportunities include 5G mobile and RFID.

MTI WIRELESS EDGE (MWE)			25.8p
12 MONTH CHANGE %	+1.2	MARKET CAP £M	14.3

Water irrigation control and monitoring subsidiary Mottech provides Motorola-based technology to help cut water usage and reduce power consumption. The more effective water use also helps to improve crop yields. Mottech recently secured a $1m contract with a new Israel-based customer, which is an early sign of the investment in sales and marketing. That investment should also build sales outside of Israel.

First-quarter figures from the existing MTI business show a fall in profit but strong cash flow because of a reduction in working capital. NAV was 27.5p a share and net cash was $4.4m at the end of March 2018.

Renew increases exposure to Network Rail

Engineering services *www.renewholdings.com*

Renew Holdings is increasing its exposure to Network Rail by acquiring QTS, which provides engineering services, including supplying road rail vehicles, earthworks and civil maintenance, as well as de-vegetation and fencing services. The deal has been secured ahead of plans by Network Rail to increase operational spending in the period 2019-2024. Renew will become the second-biggest supplier of engineering services after Costain. Renew is paying £80m for QTS and raised £45m from a placing at 355p a share, while the rest will come from debt.

RENEW HOLDINGS (RNWH)			400p
12 MONTH CHANGE %	-10.1	MARKET CAP £M	301.1

Control Period 6, which is a five-year investment cycle for rail, is about to start and there is scope to win business that used to be handled by Carillion. Total spending in the period will increase from £41bn to £47.9m. The focus is renewals and maintenance, Renew's speciality, rather than large-scale projects. The spending peaks at the beginning of the period. Rail is expected to end up contributing around 50% of group profit.

Renew reported a slightly lower interim pre-tax profit of £12.6m on a reduction in revenues from £281.8m to £262.2m, excluding discontinued activities. The interim dividend was increased from 3p a share to 3.33p a share. A forecast full-year pre-tax profit of £29m, up from £25.2m, would put the shares on less than 12 times earnings.

Xpediator consolidates its income attractions

Transport and logistics *www.xpediator.com*

Dividend

Xpediator has been quoted for less than one year but is committed to paying dividends. Management plans to pay 50% of net earnings to shareholders and reinvest the rest of the cash generated to grow the business organically or via acquisition.

Xpediator announced a maiden interim dividend of 0.347p a share a few weeks after it had joined AIM. This was followed by a final dividend of 0.64p a share. Those two dividends will cost a total of £1.1m. A total dividend of 1.9p a share is forecast for this year, when Xpediator will be quoted for a full 12 months, rising to 2.2p a share the following year.

Business

Xpediator's strategy is to be a consolidator in the transport sector. Management has proved adept at making acquisitions that enhance earnings as well as achieving organic growth.

Xpediator has three divisions. They are freight forwarding, transport services, and logistics and warehousing. Freight forwarding is the largest division and focusing on selling full loads has improved income, while demand was strong in the Baltic markets. Longer-term growth should come from e-commerce business EshopWedrop, which operates in four European countries and has made country franchise awards in Cyprus and Albania.

The latest acquisition is UK-based international freight forwarder Anglia Forwarding, which cost an initial £1.5m plus a payment for surplus working capital of around £700,000. Deferred consideration of up to £2m could become payable depending on performance in the two years to May 2020. Last year, Felixstowe-based Anglia made a normalised operating profit of more than £400,000 on revenues of £13.5m. Anglia will expand European route coverage and extend air and sea freight operations.

XPEDIATOR (XPD)	
Price (p)	62
Market cap £m	72.8
Historical yield	1.6%
Prospective yield	3.1%

Transport services is the smallest revenue generator, but it contributed nearly two-fifths of operating profit last year. This business provides fuel and toll cards to 1,700 eastern European hauliers and plans to widen the services it offers.

Logistics and warehousing moved into profit in 2017. The operations are in the UK and Romania and there was growth in the Romanian Pallex franchise. A new site was opened in Romania and another is planned.

In 2017, group revenues were 60% higher at £116.3m, while underlying pre-tax profit nearly doubled from £1.7m to £3.3m. Net cash was £1.4m at the end of 2017 and there was around £3.5m of deferred consideration on the balance sheet.

Xpediator raised £5m at 24p a share when it joined AIM in August 2017. This was followed by a placing last November, which raised £2.8m at 40p a share. The current share price is well above both these issue prices. The prospective 2018 multiple is 16, falling to 14 in 2019. Of course, that is based on the current operations and further acquisitions could boost earnings.

Dividend news

Enterprise software provider **Sanderson** had a strong first half, helped by an initial contribution from recent software acquisition Anisa. The interim dividend was increased by 14% to 1.25p a share, while an improvement from 2.65p a share to 2.9p a share is forecast for the full year. Recurring revenues were 56% of the total revenues of £14.6m in the first half. The retail business was the main driver of profit growth and the improved order book, which increased from £2.78m to £8.61m. The like-for-like order book was 16% higher.

Billing and customer relationship management software provider **Cerillion** increased its interim dividend from 1.4p a share to 1.5p a share even though there was a decline in underlying pre-tax profit from £725,000 to £684,000. That is before the one-off costs of a head office move. Interim revenues grew 11% to £8.4m but higher-margin software revenues were a lower percentage of the total. Shore Capital forecasts a rise in full-year profit from £3m to £3.2m and net cash is forecast to be £3.4m at the year end. The total dividend is expected to rise from 4.2p a share to 4.5p a share.

Watkin Jones increased its revenues by 18% to £158.3m in the first half, while pre-tax profit was 12% ahead at £23.6m. The interim dividend was increased by a similar percentage to 2.47p a share. Student accommodation development remains the core for the group, with investor demand still strong, but build to let developments will become more important over the coming years. There is even potential for a separate operation focused on build to let. Full-year pre-tax profit is expected to be £48m and total dividend is expected to increase from 6.6p a share to 7.3p a share. That would be more than twice covered by earnings.

expert views

Expert view: The broker

N4 Pharma: Reformulating to achieve rapid commercial revenue

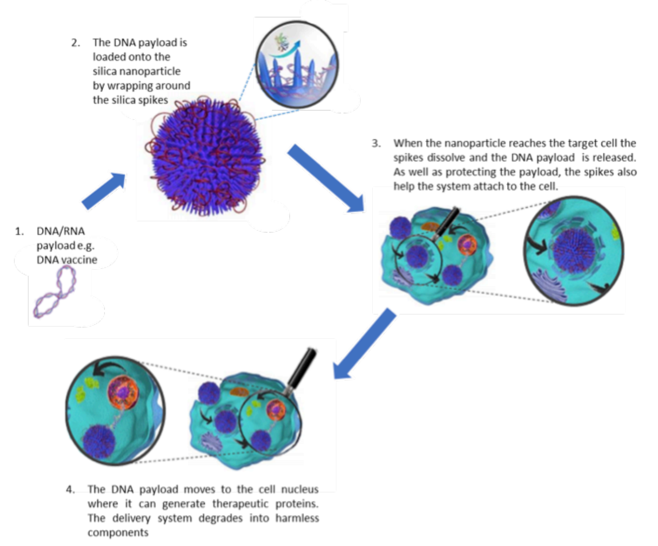
By Liam Gascoigne-Cohen

Established in 2014, and listing on AIM in 2017, N4 Pharma specialises in drug reformulation. N4 aims to develop products to a commercially-ready stage and seek licensing deals with larger pharmaceutical companies which can take the products to market. This business model has a well-established pathway to commercialisation of necessary products in high demand, representing a much faster, lower-risk and lower-cost route to revenue than taking the drug to commercialisation itself.

N4 has two divisions:

1. Generics: Reformulation of existing drugs
2. Vaccines: Development of a novel vaccine delivery system.

Nuvec® Vaccine delivery system mechanism of action



Generics Division

With four generic drug reformulations in development, N4's lead drug candidate is Sildenafil MR, a reformulation of sildenafil, the erectile dysfunction (ED) drug popularly known as Viagra. ED represents a large market, valued at c.US$4.39bn in 2014. Viagra™ was a 'blockbuster' drug for Pfizer. However, the patents recently expired and cheaper generic versions, such as Sildenafil MR, are able to enter the market, as an equivalent treatment but at a much lower cost to the end-user. Sildenafil MR has been designed to be a faster-acting and longer-lasting formulation than its competitors.

In April 2018, N4 initiated a Proof of Concept (PoC) study for Sildenafil MR. Twelve healthy volunteers are taking Sildenafil MR and Viagra™ to test if the profile of Sildenafil MR in the blood plasma matches that of Viagra™. Top-line results are expected in July and if successful, N4 aims to initiate consultations with the FDA to determine a path to commercialisation.

The trial data should assist N4 in deciding whether to seek licensing agreements at this stage, or to continue to proceed towards market authorisation. This would involve conducting a further pivotal trial, but may result in higher royalties directly to N4, if successful.

Vaccine Delivery - Nuvec®

N4 is developing Nuvec®, a nanotechnology-based delivery system for DNA/RNA vaccines and therapies (see figure). Nanotechnology drug-delivery is a growing market, valued at c.US$79bn in 2012 and expected to reach c.US$178bn in 2019. In vitro studies have shown Nuvec® demonstrates a strong safety and activity profile. The novel design allows larger volumes to be loaded, whilst protecting the payload as it travels to the target.

Similarly to its generics business, N4 aims to seek partnerships with vaccine-development companies where Nuvec® can be combined with the partner's active therapeutic and then tested in the clinic for safety and efficacy. As a delivery system, not a single drug, there are multiple licensing opportunities, as partners can use their own payloads with Nuvec®. N4 recently formed a collaboration with MedImmune UK, a leading vaccine-development company (and subsidiary of AstraZeneca). MedImmune is evaluating Nuvec® and may go on to license the system for a specific target indication. This collaboration demonstrates the potential commercial value of Nuvec® and N4's ability to seek partners.

Since listing on AIM, N4 has met key milestones, including the initiation of the PoC trial for Sildenafil MR and the MedImmune collaboration. N4's reformulation and vaccine development divisions present multiple value-inflection opportunities whilst its business model of creating commercially-ready drugs to license to partners presents a faster and lower-risk method of generating revenues than traditional drug development.

LIAM GASCOIGNE-COHEN is a research associate at Northland Capital Partners.

feature

AIM 50 reaches its teens

The FTSE AIM UK 50 index has reached its teenage years and it continues to prosper.

The FTSE AIM UK 50 index was launched on 16 May 2005, so it has been around for more than 13 years. The compound annual rate of return over the past five years, up until 31 May 2018, has been 12.3%, which is better than the FTSE All Share index, where the compound annual rate of return was 9.6%. The yield on the AIM 50 is 1.1%.

Online fashion retailer ASOS has the largest weighting in the AIM 50, accounting for 11.97%, and the top ten constituents account for 46.5% of the index weighting. So, the index is heavily weighted towards a limited number of companies and their share price performance.

The yield on the AIM 50 is 1.1%

Yet ASOS was not an original member of the AIM 50 because it was too small to be included in the early years. Since the AIM 50 was launched, though, the ASOS share price has risen by 13,000%. Since the beginning of 2018, ASOS has fallen by 1.4%, so it has not propelled the rise in the index during the period.

This year's best performer is e-learning services provider Learning Technologies Group, with a 60% increase, helped by the recently announced acquisition of cloud-based talent management services supplier PeopleFluent. CityFibre Infrastructure is 37% higher on the back of the bid for the fibre infrastructure developer.

So far this year, 29 companies have higher share prices and 21 lower share prices. Measuring over a 12-month period the split is 33/17.

Over a five-year period, one out of the 38 companies that were trading for the full period has a lower share price. That is luxury goods brand Mulberry. Seven out of the top ten performers over five years were previously listed on the Main Market.

Back to 2006

The current AIM 50 constituents bear little resemblance to the constituents after the index changes in June 2006 but there are more good than bad reasons for that. Broker Numis Corporation and pubs operator Young & Co are the two survivors, although oil palm plantations operator MP Evans and airline operator Dart Group were on the reserve list at the time. There are another ten companies that are still on AIM but not in the AIM 50. Some are capitalised at more than they were in 2006 but they are no longer eligible for the index.

Sixteen companies moved to the Main Market and eight are still there, including Domino's Pizza, animal breeding technology developer Genus, property maintenance services provider Mears, and Hardy Oil & Gas. Six others have been taken over and the other two, property maintenance services provider Connaught and utility services supplier Spice, subsequently went bust.

When it comes to the rest of the AIM 50 at that time, ten have been taken over and six have gone bust – two after they dropped the AIM quotation. Trading Emissions recently completed the disposal of its assets and is being wound up. That leaves three companies, accident services provider Accident Exchange, Gulfsands Petroleum, and investment manager RAB Capital, that left AIM and are still operating as private companies.

Twenty-two of the current constituents of the AIM 50 were not even quoted when the index was launched. That includes seven out of the top ten weighted constituents, accounting for 19% of the index weighting.

AIM 50 PERFORMANCE DURING 2018

COMPANY	SECTOR	% INCREASE
Learning Technologies	E-learning	60
Hurricane Energy	Oil and gas	46
Faroe Petroleum	Oil and gas	44
CityFibre Infrastructure	Telecoms	37
Fevertree Drinks	Beverages	32
Frontier Developments	Video games	31
Blue Prism	Software robotics	30
Patisserie Holdings	Restaurants	29
Alliance Pharma	Healthcare	25
Young & Co	Pubs operator	24

feature

AIM continues to evolve

AIM is 23 years old later this month and the FTSE AIM All Share index has reached a peak for the past decade, but it is below the level it was at the end of 1999.

As AIM heads towards its 23rd birthday on 19 June it continues to adapt to the world as it changes. The market has been through a number of fashions, but it has become a more wide-ranging market less dominated by one or two sectors.

The number of companies continues to fall but the total capitalisation of AIM is still rising. The average market capitalisation of £114.3m is double the level prior to the crash in 2008.

Looking back at the figures for the end of 1999 provides a perspective for the journey that has been made. It should be noted that that the internet and year 2000 technology hype was reaching its peak at the end of 1999. Nearly all the nine companies valued at more than £250m were technology-related. The technology sector accounted for 31.2% of AIM by market capitalisation.

Technology currently accounts for just over 11% of AIM and it has been around that level in recent years. In recent years, resources companies had made up a major percentage of AIM but the spread of market capitalisation between sectors has improved and the resources companies have declined in importance so, even if they are combined, they are the fourth-largest sector on AIM.

There are currently 15 AIM companies valued at more than £1bn, up from ten one year ago, and they come from nine different sectors.

There are 15 AIM companies valued at more than £1bn

Eight of last year's number are still included in the 15 companies this year. Floorcoverings supplier James Halstead has slipped below the £1bn level and Asian Growth Properties, which was valued at £1.14bn, has returned cash to shareholders and been wound up.

The current 15 companies include Plus500, which is planning to move to the Main Market.

There were no companies worth near to £1bn back in 1999, even though many of the technology and internet companies were trading on inflated valuations.

Trading

Trading levels continue to be strong. There was an average of 50,204 trades a day in January and the average for the first four months of this year was 46,839, which is ahead of the average for 2017 and nearly treble the level in 2008 before the crash. The total number of trades in 1999 was 829,480. That figure has been beaten every single month this year.

Two of the top ten most traded AIM companies in June 2008 are still on the junior market. The rest have moved to another market, predominantly the Main Market, or have been taken over.

There were 14,483 trades in Regal Petroleum in June 2008, making it the most traded share during the month and there were 13,145 trades in Tanfield. In April 2018, there were 620 deals in Regal and 82 trades in Tanfield. This shows how liquidity can change for individual shares.

HOW AIM HAS CHANGED

	DEC 1999	JUN 2008	MAR 2009	APR 2017	APR 2018
Number of companies	347	1,657	1478	967	941
Market value (£bn)	13.5	91.3	38.2	92.8	108
Average company size (£m)	38.9	55.1	25.8	95.9	114.8
Companies valued at > £250m	9	69	13	88	94
Average daily value traded (£m)	20.5	251.3	82.7	243.7	281.9
Average daily bargains	3,292	16,868	12,274	42,433	46,839

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	17.4	15.9
Consumer services	17	10.8
Industrials	16.2	16.9
Healthcare	12.7	9.2
Technology	11.2	12.6
Consumer goods	10.3	6.1
Oil & gas	7.1	8.4
Basic materials	5.8	14.1
Telecoms	1.7	1
Utilities	0.5	1.1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1082.62	+9.1
FTSE AIM 50	6199	+8.2
FTSE AIM 100	5655.8	+13.9
FTSE Fledgling	11196.34	+12.7
FTSE Small Cap	5924.9	+4.8
FTSE All-Share	4222.2	+2.6
FTSE 100	7678.2	+2.1

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	138
£5m-£10m	107
£10m-£25m	189
£25m-£50m	153
£50m-£100m	119
£100m-£250m	141
£250m+	94

KEY AIM STATISTICS

Total number of AIM	941
Number of nominated advisers	32
Number of market makers	48
Total market cap for all AIM	£108bn
Total of new money raised	£108.4bn
Total raised by new issues	£43.6bn
Total raised by secondary issues	£64.8bn
Share turnover value (2018)	£23.4bn
Number of bargains (2018)	3.9m
Shares traded (2018)	165.8bn
Transfers to the official list	186

TOP 5 RISERS OVER 30 DAYS

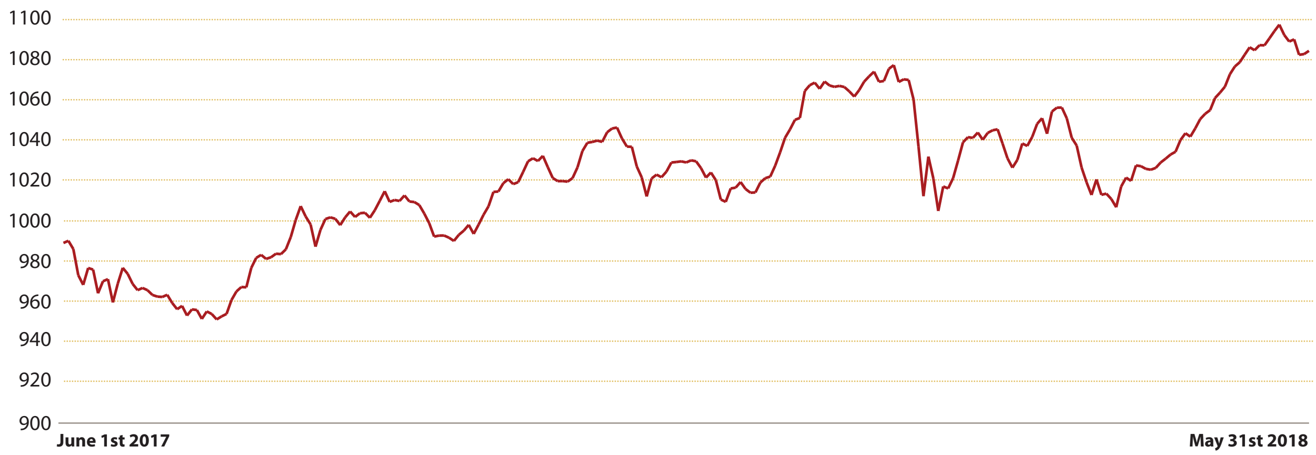
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Webis	Online gaming	4.55	+367
Bahamas Petroleum	Oil and gas	3.15	+200
Flowgroup	Shell	0.029	+164
Brave Bison	Media	1.9	+145
VR Education	Education	24	+122

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Faron Pharmaceuticals	Healthcare	129.5	-83.6
Magnolia Petroleum	Oil and gas	0.6	-73.9
The People's Operator	Telecoms	0.02	-61.9
Uvenco UK	Consumer	1.25	-50
Frontier Smart Technologies	Electronics	83	-45.8

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st May 2018, 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.

Northland has a strong track record in advising and raising funds for growth companies. We always aim to provide innovative ideas and solutions that will enable our clients to fulfil their long-term growth ambitions in a wide range of sectors, including healthcare, TMT, consumer, resources and support services.

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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The team has international capability, with particular expertise in the healthcare and life sciences, technology, leisure and hotels, recruitment, renewables and cleantech, resources, retail and telecoms sectors.

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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