



MARCH 2018

AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

In this issue

02 GENERAL NEWS
Main Market bids

03 ADVISERS
Beaufort closed down

04 NEWS
Avingtrans powers ahead

07 DIVIDENDS
Greencoat builds income

08 EXPERT VIEWS
Bilby upgrade

09 EXPERT VIEWS
Warranty claims

10 FEATURE
Record January

11 STATISTICS
Market indices and statistics

AIM outperforms Main Market

AIM has held up better than the Main Market in terms of performance in the first two months of this year but that may be due to the greater liquidity of the Main Market. The FTSE AIM All Share index has fallen by 1.1% so far this year, compared with a 5.9% decline in the FTSE 100 index. The FTSE All Share index has fallen even faster.

AIM tends to lag behind the Main Market when there are upturns and downturns. This is because the focus is on the larger companies and traders tend to assess the ratings of smaller companies

further down the line. This means that the outperformance of AIM may not last, especially if there is a continued downturn.

In terms of AIM, though, larger companies are outperforming the smaller ones. The FTSE AIM 50 index is 0.9% higher this year, while the FTSE AIM 100 is down 0.6%. Online retailer ASOS and mixer-drinks supplier Fevertree Drinks both rose by around 10% over the first two months of the year, while online antibodies retailer Abcam was 15% higher. These account for a significant weighting in the AIM 50 index.

Acquisition vehicles join AIM

Two new shells are floating on AIM in the next few weeks. Higher requirements have meant that smaller shells have switched their attention to the standard list of the Main Market, where there are minimal requirements. Safe Harbour Holdings and Stirling Industries are both raising more significant amounts of money, mainly to finance due diligence on the potential targets.

Jersey-registered Safe Harbour is the latest shell from Marwyn and it is raising £22.7m at 120p a share. That takes the total raised to £32.7m. Funds managed by Marwyn have put up £10m. Safe Harbour is seeking an acquisition involved in B2B distribution or business services with a large and mature addressable market with

steady growth. The ideal target would have an enterprise value of between £250m and £1.5bn with potential for add-on acquisitions. Rodrigo Mascarenhas, formerly an executive at Bunzl, is the chief executive.

Stirling Industries has raised £8.9m at 100p a share. Investors include City Financial Investment Company, Ruffer, Investec, AXA and Octopus. House broker Numis also has a 9.9% stake. Blair Illingworth is chief executive. Stirling is keeping its options open. The focus is the industrials sector and the business would primarily be based in the UK, Europe or North America. The first acquisition is expected to have an enterprise value of between £100m and £500m.



general news

AIM companies attracting Main Market bidders

Main Market companies are snapping up AIM companies. Chemicals firm Croda is bidding for crop-enhancement technology developer Plant Impact and TT Electronics is buying power electronics and connectivity company Stadium Group. The greater scale of the bidders should help the companies to grow faster.

Plant Impact had effectively put itself up for sale because of a shortfall in volumes and the need for more cash to exploit the technology that has been developed. Management had talks with other interested parties before the bid was agreed. Croda is bidding 10.57p a share in cash, which values Plant Impact at £10m.

Croda is keen to widen its interests in the crop-care sector. It acquired seed-care business Incotec in 2015 and has other crop-enhancement

and protection products. The international scope of the Croda business could help to exploit the range of products that Plant Impact has already developed.

TT Electronics bid 120p a share in cash for Stadium and it is recommended by the board. That values the bid target at £45.8m. Stadium shareholders will also receive a 2.1p a share special dividend. Stadium has an up-and-down record and last year was no different. Customer delays hit trading in 2017 and forecasts were downgraded.

TT has money to invest following the disposal of its transportation-sensing and control division last year. TT is keen on Stadium's R&D activities and the opportunities for cross-selling and says the deal is immediately earnings enhancing.

Sinclair switches

Sinclair Pharma says that it has terminated its US sales and distribution agreement with ThermiGen. The agreement, which covers the Silhouette range of products, ends at the end of March. There is an undisclosed termination fee payable to ThermiGen. Sinclair appears confident that it can find a new partner when the deal comes to a conclusion but it may take time for a new partner to get up to speed. There was a separate announcement of a \$5m investment by EW Healthcare Partners, which will be used to buy back stock and pay the termination fee. This loan has an annual interest rate of 8% and is convertible at 28p a share. Toscafund has increased its stake from 26.1% to 28.9%.

Ipsos Mori takes stake in Big Sofa

International market research firm Ipsos Mori is investing £3m in return for a 20% stake in video analytics services provider Big Sofa Technologies. This should enable Big Sofa to accelerate its growth.

Big Sofa collates, analyses and organises video content so that detailed consumer insight analysis can be undertaken. Video is becoming increasingly important in the \$33bn consumer research market. Ipsos is already a client of Big Sofa and the two companies have worked together for more than two years. A master service agreement was announced in April last year. Laurence Stoclet is joining the Big Sofa board as

a representative of Ipsos, which has the right to a board member while it owns at least 10% of the company.

Last Year, Big Sofa directly worked for more than 40 clients, including multinationals, such as Procter & Gamble, Unilever and Nestlé, as well as McDonald's and Pepsi Cola through its deal with Ipsos.

Ipsos is investing at 18.5p a share. That was a 45% premium to the then market price. Big Sofa joined AIM in December 2016 and it raised £6.1m at 17p a share. Last August, £1.5m was raised at 18.5p a share.

Big Sofa has been using the cash it has raised to invest in growing

the business, particularly in the US. The company is also investing in making its software platform more scalable and adding new functions, such as linking consumer context and behaviour. Big Sofa will repay the outstanding £700,000 convertible loan from the former New World Oil and Gas, now known as Eridge Capital, which it was originally going to reverse into during 2016.

The business is still a long way from operational breakeven. In 2017, revenues were 72% higher at £1.3m but the loss was even greater. The growth in revenues was predominantly in the second half.



advisers

Beaufort Securities in administration

The Financial Conduct Authority (FCA) sparked the appointment of PricewaterhouseCoopers as administrator to AIM broker Beaufort Securities. The regulator says that the broker is financially insolvent and it is investigating its affairs. Beaufort is also implicated in a fraud and money-laundering case in the US, which involved the proposed purchase of a Picasso painting.

The administration hit the fundraisings by Kibo Mining and Nu-Oil & Gas, where Beaufort was handling share placings. Corporate clients need to find a new broker. Beaufort Asset Clearing Services has also gone into special administration. This means that Beaufort has ceased any regulated activity, as of 1 March 2018, and is not allowed to take on new business.

Back in 2016, Beaufort had told the FCA that it had put in place remedial measures due to

problems with financial crime controls and anti-money-laundering processes. Last month, the Financial Ombudsman Service upheld a claim against Beaufort that it had made investments that did not match an investor's risk profile and other complaints are being assessed.

The FCA has assisted the Department of Justice in the US with its investigation into Beaufort's involvement in securities fraud relating to US public companies. The administration of Beaufort comes the day after the unsealing of an indictment (<https://www.justice.gov/usao-edny/press-release/file/1040471/download>), where Beaufort and other parties were charged with securities fraud and money laundering. The individuals involved include Peter Kyriacou, who has been an investment manager at Beaufort, since July 2015.

The US authorities say the

defendants were involved in a multi-year scheme for defrauding investors through the manipulation of stock trading and then laundering the money through offshore bank accounts and the proposed purchase of a Picasso painting called Personnages, painted 11 April 1965, because the art market was perceived as an unregulated market.

In autumn 2016, an undercover agent contacted Kyriacou, stating he wanted to open accounts for US individuals and use them in stock-manipulation deals. These accounts were opened in the names of Belize-based offshore shell companies. It is alleged that these accounts were used in at least ten pump-and-dump schemes involving US companies traded on the over-the-counter market. These generated more than \$50m for clients.

It appears that these types of activities may have been going on since 2011.

ADVISER CHANGES - FEBRUARY 2018

| COMPANY | NEW BROKER | OLD BROKER | NEW NOMAD | OLD NOMAD | DATE |
|------------------------------------|---|---------------------------------|--------------------|--------------------|----------|
| Diversified Gas & Oil | Stifel Nicolaus/Mirabaud/ Smith & Williamson | Mirabaud/ Smith & Williamson | Smith & Williamson | Smith & Williamson | 01/02/18 |
| Eddie Stobart Logistics | Berenberg/Cenkos | Cenkos | Cenkos | Cenkos | 02/02/18 |
| Cadence Minerals | Beaufort/Hannam/ WH Ireland | Hannam/WH Ireland | WH Ireland | WH Ireland | 05/02/18 |
| Port Erin Biopharma | Optiva | Northland/ Peterhouse | Beaumont Cornish | Northland | 08/02/18 |
| Audioboom | Cenkos/Zeus/Allenby | Allenby | Allenby | Allenby | 13/02/18 |
| Petro Matad | Stifel Nicolaus/Stockdale | Stockdale | Stockdale | Stockdale | 14/02/18 |
| Bowleven | Stockdale | Cenkos | Stockdale | Cenkos | 15/02/18 |
| Goldplat | WH Ireland | VSA | Grant Thornton | Grant Thornton | 16/02/18 |
| Learning Technologies Group | Goldman Sachs/Numis | Numis | Numis | Numis | 16/02/18 |
| Chaarat Gold Holdings | BMO/Numis | Numis | Numis | Numis | 19/02/19 |
| OPG Power Ventures | Cenkos | Macquarie/ Cenkos | Cenkos | Cenkos | 19/02/18 |
| 4d Pharma | Bryan Garnier/Zeus | Investec/Zeus | Zeus | Zeus | 20/02/18 |
| NAHL Group | finnCap | Investec | finnCap | Investec | 20/02/18 |

March 2018 : 3



company news

Avingtrans constructs base to prosper from Hayward Tyler acquisition

Energy and medical engineering

www.avingtrans.plc.uk

Integration of the Hayward Tyler business appears to be going well but it has made the interim figures of **Avingtrans** more difficult to assess. The engineer remains on course for the expected profit for this year and there has been an upgrade for next year. There is still plenty of potential to improve the performance of Hayward Tyler and the medical division.

In the six months to November 2017, revenues jumped from £9.59m to £26.9m because Hayward Tyler was not included in the previous period. There was organic growth of 15%. The reported loss jumped from £589,000 to £4.75m. There was a small underlying loss.

The company is being reorganised into three divisions. The medical

Nuclear is a growth area

division remains the same but the energy division has been split into two parts. The engineered pumps and motors division comprises the majority of the Hayward Tyler business, while the process solutions and rotating equipment division includes the original Avingtrans operations plus Peter Brotherhood and the Glasgow-based business of Hayward Tyler.

Hayward Tyler has won a \$6.7m nuclear spares contract from Korea Hydro & Nuclear Power. Nuclear is a growth area. Oil and gas is yet to show signs of significant recovery in demand.

| | |
|-------------------|--------|
| AVINGTRANS (AVG) | 227.5p |
| 12 MONTH CHANGE % | +2.2 |
| MARKET CAP £M | 70.5 |

Avingtrans used its cash pile to acquire Hayward Tyler. Net debt was £8.2m at the end of November 2017 but this is expected to fall to £5.8m at the end of May this year. The interim dividend was improved from 1.2p a share to 1.3p a share.

House broker N+1 Singer forecasts a full-year, underlying pre-tax profit of £2.1m, while the 2018-19 forecast was raised from £3.4m to £3.8m. The tax changes in the US mean that earnings per share will rise even more. Even so, the prospective 2018-19 multiple is 25.

Patience required for Haydale Graphene

Graphene

www.haydale.com

It is rarely easy to persuade businesses to use new technologies even if they appear to be an improvement on the existing products and processes. **Haydale Graphene** is finding this out.

Revenues did increase by 67% to £2.49m in the six months to December 2017 and most of the improvement came from greater commercial sales. Gross margins have declined due to product mix. The research and development spending has declined slightly as the focus moves towards generating more revenues from the technology that has already been developed.

| | |
|------------------------------------|--------|
| HAYDALE GRAPHENE INDUSTRIES (HAYD) | 117.5p |
| 12 MONTH CHANGE % | -32.7 |
| MARKET CAP £M | 32.1 |

The loss edged up from £2.62m to £2.74m.

Projects are under way but it can take a long time for them to come to fruition. The initial agreement to develop GRP pipe products with Flowtite was announced in May 2016. A second trial for the graphene-enhanced resin system for GRP pipes was undertaken at the end of February. The test results will be received two years after the original agreement was announced.

Inks have the potential to become a major revenues generator. A temporary ink facility has been set up in Taiwan and there are collaborations with firms developing inks for anti-counterfeiting packaging and printed electronics.

Arden has increased its full-year loss forecast by 12% to £4.8m and doubled the 2018-19 loss forecast to £2.1m, based on revenues of £6m. Haydale still has £8m in the bank, following the raising of £9.3m at 120p a share last autumn. Based on the current forecasts there should be £3.9m left by June 2019.



company news

Ebiquity focuses on higher-margin marketing measurement and analytics

Marketing analytics

www.ebiquity.com

The disposal of the company's advertising intelligence business will enable media and marketing consultancy **Ebiquity** to concentrate on its faster-growing operations in media value measurement and marketing performance optimisation, which are higher margin and technology focused. Ebiquity is well placed to prosper from the growing international demand for data analytics.

Nielsen Media Research is paying £26m for the advertising intelligence business, which equates to nearly six times operating profit. The book value was £27.5m. The deal is subject to approval from the UK competition authorities. Approval could happen in the second quarter, but if a wider investigation is

Annual cost savings of £700,000 are expected

requested then the decision will not be until the fourth quarter of 2018. Nielsen is one of the main competitors, along with Kantar and Competitrack.

The business being sold made up 90% of the market intelligence division, which was expected to generate around one-fifth of operating profit before central costs in 2017. Group pre-tax profit was expected to be flat at £11.7m in 2017 and dip in 2018, even before the disposal.

Trading has been tough in the US and that has hit group margins.

| | | |
|-------------------|-------|---------------|
| EBIQUITY (EBQ) | | 86.5p |
| 12 MONTH CHANGE % | -14.4 | MARKET CAP £M |
| | | 62.3 |

McDonalds and Citibank were won as clients in the second half. Ebiquity's growth came from outside of the US in 2017.

Net debt was £26.3m at the end of June 2017 and it was expected to increase slightly by the end of 2017. The remaining business requires additional spending on technology and analytics. Acquisitions could enhance the organic growth.

The benefits of the investment in the continuing operations will take another year to show through. There should be central cost savings of at least £700,000 after the disposal is completed.

Audioboom's leap into North America

Audio platform

www.audioboopl.com

Audioboom is in the process of finalising the details of the reverse takeover of Triton Digital Canada Inc for \$185m (£134m). This deal will require a £155m fundraising. Trading in Audioboom shares was suspended ahead of the publication of the AIM readmission document.

Triton is an online audio technology provider and has six offices in the US. It offers Software-as-a-Service in more than 40 countries but the US is the core market. The main products are audience measurement, streaming services and audience engagement. Audioboom, which offers podcasts, such as The Two Mikes - On The

| | | |
|-------------------|-------|---------------|
| AUDIOBOOM (BOOM) | | 3.6p |
| 12 MONTH CHANGE % | +36.9 | MARKET CAP £M |
| | | 33.5 |

Record, will add publishing to the product range.

In 2016, Triton generated revenues of \$40.9m and EBITDA of \$9m, while in the nine months to September 2017 revenues were \$29.8m and EBITDA was \$10.5m. These figures are based on US GAAP so they could be different under Audioboom's accounting regime.

Audioboom generated revenues of £1.3m in 2016 and they are estimated to have jumped to £4.8m in 2017.

Even before this deal, revenues were expected to treble this year, although there is a warning that revenues could be affected by the strengthening of the pound against the US dollar. The loss was set to reduce. Total available ad impressions for the first two months of 2018 were 422 million, up from 304 million in the same period of 2017.

Triton's chief executive and finance director will take on the same roles in the group, while Audioboom's chief executive, Robert Proctor, will remain as an executive director. Experienced media non-executive directors are being sought. The enlarged group will be called Triton Digital Group.

March 2018 : 5



company news

Collagen Solutions regenerates its share price with positive ChronoMimetic trial results

Collagen-based biomaterials

www.collagensolutions.com

Positive trial results for ChronoMimetic have boosted the share price of **Collagen Solutions**, helping it to recover the decline over the previous five months. ChronoMimetic is a cartilage repair treatment. The idea is to switch from metal and plastic knee replacements to ChronoMimetic's regenerative product, which would be the first commercial medical device for Collagen Solutions.

The eight-year study of 15 patients showed that cartilage regeneration was almost as good as that of natural cartilage. Improvements in pain and activity level were sustained over the period. The results were at least as good as more expensive two-stage

CE Mark approval should happen in 2018

cartilage repair technologies.

There are more than one million surgical procedures to treat cartilage defects in the knee in the US and Europe each year. ChronoMimetic could target at least one-third of that market. Collagen Solutions hopes to gain CE Mark approval in Europe in the second half of 2018.

A licence and distribution agreement has been secured with a South Korean company and further partners are being lined up for Europe. There could be deals that cover multiple countries.

| COLLAGEN SOLUTIONS (COS) | | 4.75p |
|--------------------------|-------|---------------|
| 12 MONTH CHANGE % | -17.4 | MARKET CAP £M |
| | | 15.4 |

Collagen Solutions continues to lose money but revenues are expected to grow from £3.95m to £4.21m in the year to March 2018, with all the growth in the second half. Research & development spending is set to continue to rise as additional products are brought along. Net cash of £3.2m is forecast for the end of March 2018. Management will probably need to raise more cash in 12 months, although this could depend on what deals can be done with potential partners.

Vernalis reassesses cough strategy

Drug developer

www.vernalis.com

Sales of Tuzistra XR have been well below expectations in the current cough season in the US. There is still one-third of the cough season to go but there is unlikely to be a significant improvement. **Vernalis** is also facing delays for the approval of other cough/cold treatments.

The drug company had set out guidance for the year to June 2018, which assumed that 105,000-115,000 Tuzistra XR prescriptions would be issued. The number of prescriptions has grown by 74% in the first 33 weeks of the financial year, but this is still short of the levels required to hit the guidance.

| VERNALIS (VER) | | 4.16p |
|-------------------|-------|---------------|
| 12 MONTH CHANGE % | -83.6 | MARKET CAP £M |
| | | 21.9 |

There have been no updates from development partner Tris for two further cough treatments or about proof of concept for another. The idea was to sell these additional treatments through the existing distribution arrangements, thereby increasing efficiency. Management is assessing the options it has for the US business.

Tuzistra XR has been the key treatment for Vernalis and it was hoped that the cash outflow would

reduce as sales grew. There was still £44m in the bank by the end of January 2018. There had been £61.3m in cash at the end of June 2017. That indicates just how fast cash is going out of the company. Based on previous forecasts, the cash balance was expected to be £29.4m at the end of June 2018, and this figure is set to be lower. There are plans to significantly reduce the cash burn but this probably won't have a large effect on this year. The cash is still likely to run out in the next financial year. Management should clarify its strategy in the next few weeks.



dividends

Greencoat builds income-generating wind assets

Renewables investor

www.Greencoat-renewables.com

Dividend

Dublin-based renewable energy investment company Greencoat Renewables joined AIM and the Enterprise Securities Market last July and set out an annualised dividend target of €0.06 a share. The plan is to grow the dividend from this base. Dividends will be paid in equal quarterly instalments, with the first payment for 2018 in May. The first dividend, though, was for the period from flotation to the end of 2017. This €0.0261 a share dividend will be paid on 29 March. The cost of the dividend is just over €7m and last year's net operating cash flow was €11.8m.

Business

Greencoat, which is managed by London-based investment manager Greencoat Capital LLP, raised €270m, €264.6m after expenses, at €1 a share. There is also a €250m revolving credit facility. The initial focus is wind farms in Ireland and in the longer term there could be investment in other countries – Belgium, Finland, France, Germany or the Netherlands. The operating wind farm market in Ireland is forecast to reach €8bn by 2020.

An initial €318.1m investment by the fund paid for two operating wind farms at Killhills in Tipperary and Knockacummer in Cork with a total capacity of 136.7MW. Lower than average wind speeds meant that the 182.3GWh of electricity generated last year was 4% below budget.

Ireland has two renewable energy feed-in tariff subsidy schemes for large scale wind: REFIT 1, launched in 2006, and REFIT 2, launched in 2012. They provide support for 15 years from the commissioning of the project. In 2017,

| GREENCOAT RENEWABLES (GRP) | |
|----------------------------|-------|
| Price (p) | €1.06 |
| Market cap £m | 287.4 |
| Historical yield | 2.5% |
| Prospective yield | 5.7% |

the REFIT 1 floor price was €80/MWh (index linked) and the REFIT 2 floor price was €79/MWh (€70 index linked). The UK equivalent is the ROC scheme, which has a variable element to the price for its 20-year period.

Greencoat has agreed to acquire the 36.3MW Dromadda More wind farm in Kerry from Impax Asset Management for €88.4m. This is likely to be completed when the wind farm is commissioned in April. Last month, Greencoat acquired the Lisdowney wind farm in Kilkenny for €22.5m. The 9.2MW wind farm was commissioned in November 2016 and revenues are contracted under REFIT2 until 2031. Enercon supplied four turbines to the wind farm and it will continue to manage the operation. There could be an adjustment to the acquisition price depending on energy production over 18 months.

There are plenty of other wind farm projects that are being built that qualify for REFIT 2. Greencoat estimates they have a capacity of more than 1.5GW. Greencoat is in a strong position to back the most attractive opportunities.

The shares are trading on a more than 10% premium to the NAV of €0.966 a share. The post year-end acquisitions will take gearing to 41% of gross asset value (NAV plus aggregate debt) and management has set a limit of 60% of gross asset value.

Dividend news

Johnson Service Group increased its full-year revenues by 13% to £290.9m, thanks to a combination of organic and acquisitive growth. Underlying pre-tax profit improved from £33.8m to £39.7m. The workwear and linen hire services provider increased the total dividend for the year to 2.8p a share, up from 2.5p a share. That is covered three times by earnings. There will be further benefits from integrating acquisitions made last year. Investec forecasts a 2018 pre-tax profit of £40.3m. The shares are trading on 15 times prospective 2018 earnings. The dividend could rise to 3p a share. Peter Egan will take over from Chris Sander as chief executive later this year.

Printed circuit board materials and LED components supplier **Holders Technology** returned to profit last year. Management has maintained the final dividend at 0.25p a share, having continued to pay the dividend while Holders was losing money. In the year to November 2017, revenues from continuing activities were 14% higher at £12.2m. The PCB materials business returned to profit and the LED loss was cut. In fact, the LED business made a profit in the second half. An overall loss of £265,000 in 2015-16 was turned into a £54,000 profit in 2016-17. That excludes the two loss-making businesses that were closed last year.

Lighthouse is performing strongly and that is reflected by the increase in the full-year dividend from 0.27p a share to 0.42p a share. The IFA significantly increased its business from affinity groups and average revenues per adviser rose by nearly one-quarter to £122,000. Assets under management are starting to build up and the fees from these will become more important over the next couple of years. In 2017, pre-tax profit improved from £1.9m to £2.5m and net cash was £8.7m. Lighthouse appears set to continue to grow.

March 2018 : 7


expert views

Expert view: The broker

Bilby triggers forecast upgrades

By Mike Jeremy

Bilby* was established as a platform for the acquisition and integration of specialists in the provision of qualified gas heating, electrical and building maintenance services. Admitted to AIM in March 2015, its current market capitalisation is £44m.

The Group has four operations – P&R, Purdy, DCB and Spokemead, which provide general building, gas maintenance and electrical services to over 300,000 domestic and commercial social housing dwellings across London and the South-East, for local authorities and housing associations in multiple, standalone or long-term contracts.

The founding company, P&R, based in Sidcup and Colchester, specialises in gas heating installation and building maintenance. Purdy, based in Waltham

As of FY17, Bilby's London-based services addressed 14 out of a total of 33 London Boroughs comprising a social housing stock of 205,420 dwellings, 51% of total. Bilby's service provision to local authorities and housing associations is backed by legislation which places the onus on housing providers to maintain the expected standard and quality of dwelling conditions, and also empowers residents to obtain repairs on a timely basis: initiatives such as the Decent Homes Standard and Right to Repair.

The Decent Homes Standard is a Government, Department for Communities and Local Government (DCLG), programme aimed at improving council and housing association homes to meet minimum safety standards with reasonably modern facilities and services including efficient heating and

and also the trend towards outsourcing of public sector works to accredited operators – known as the “arm's length management organisation” (ALMO) process.

P&R Installation added East Kent Housing, Saxon Weald, Wandsworth and Bexley Councils, Groveland Care Homes and two Ministry of Defence regions. DCB services Golding Homes, RSPCA, Islington and Shoreditch Housing Association. Purdy Contracts includes Notting Hill Housing Group, MHS, Barnet Homes and Harrow Council and appointment to the Eastern Procurement Framework comprising 17 Local Authorities and Housing Associations.

Bilby has started 2018 well. Its trading update reports the addition of new clients since the start of 2018, including Wandsworth Council and the University of Essex, and a recent significant tender won to provide gas heating upgrade services for a leading housing association. A number of long-standing customers, including Hyde Housing, also invited Bilby to broaden scope of works, reflecting the range of services offered across the four group companies and the efficiency of service provision arising from its target area concentration.

Reflecting the strong momentum of Bilby's operations, Northland recently raised its FY18 revenue by 1.7% to £77.6m, and for FY19, by 5.6% to £84.6m, and FY18 and FY19 respective EBITDA forecasts by 5.1% to £6.2m and by 13.7% to £7.1m. On this basis Bilby trades on a prospective March 2019 EV/EBITDA of 7.3x. To recap, reflecting the rationale for its expansion from its P&R origins, Bilby may be expected to continue to seek to augment organic growth with suitable acquisitions.

**Northland Capital Partners acts as nominated adviser and broker to Bilby*

Bilby trades on a forecast March 2019 EV/EBITDA of 7.3x

Abbey, acquired by Bilby in 2015 for £8.1m, conducts electrical, mechanical and property maintenance services for over 150,000 properties in housing estates and tower blocks, street properties, offices, schools and colleges in Essex, Hertfordshire and Suffolk. Spokemead, based in Hemel Hempstead, acquired by Bilby in 2016 for a maximum consideration of £8.7m, specialises in electrical installation, repair and maintenance for local authority-owned housing. DCB, based in Sittingbourne, acquired in 2016 for a maximum consideration of £4.0m, specialises in building refits for local authorities in Kent, Sussex, Essex and London.

Geographic focus


A key Group attribute is its geographic focus on London and the South East, where demand for social housing is high. This focus also enables efficient scheduling of works across a compact operating area, underpinning a reputation for high quality of service.

effective insulation. Right to Repair (1994) stipulates that residents in local authority or housing association dwellings have the right to request minor repairs, addressing prosaic but important areas such as unsafe power, lighting sockets or electrical fittings, blocked flues to fires or boilers or unsanitary fittings.

Update

Bilby recently (21st February) issued a trading update for the year to 31st March 2018 noting that it expects that revenue and profitability “will be ahead of current market expectations”. The update follows the “considerable progress” of the first half, with major contracts including East Kent Housing, Saxon Weald and Bexley Councils, Groveland Care Homes.

In the update Bilby reported that “work for these and other new clients has started positively and in some instances, progress is ahead of schedule”. Group companies reported first-half contracts from major housing associations and local authorities, reflecting a reputation for high quality of work

 **MIKE JEREMY** is a director of research at Northland Capital Partners


expert views

Expert view: The lawyer

Court of Appeal determines “reasonable information” for warranty claim

By **Simon Charles**

In the decision of *Teoco UK Limited v Aircom Jersey 4 Limited & Aircom Global Operations Limited* [2018] EWCA Civ 23, the Court of Appeal was called upon to decide whether the buyer of a business had given the sellers of two companies reasonable information as it was required to do under the sale and purchase agreement, in a claim for a breach of warranty and for indemnification. The Court found that it had not done so and accordingly the buyer's claims failed.

Acquisition

Teoco, the buyer, paid £41m to Aircom for two subsidiary companies. Warranties were provided by the sellers in respect of, inter alia, the tax position of the two acquired companies. Less than two years after the completion of the acquisitions,

Assume that at some point the notice may be challenged

the buyer sued the sellers for breach of warranty or damages under an indemnity because of tax which was said to be due to be owed by the acquired subsidiaries. The sellers applied for the claim to be struck out on the ground that the buyer had failed to comply with the notice provision's requirements in the sale and purchase agreement.

The agreement provided that the buyer had to give the sellers, when notifying them of a claim, “reasonable details of the claim (including the grounds on which it is based and the purchaser's good faith estimate of the amount of the Claim (including the Purchaser's calculation of the loss,

liability or damage alleged to have been suffered or incurred)”. It was also obliged to, as soon as reasonably practicable after it became aware of any claim and in any event before 31 July 2015, tell the sellers, with legal proceedings needing to be started within six months of the sellers being notified of a claim.

In February 2015, the buyer, through its solicitors, wrote to the sellers and said that communication comprised notification under the sale and purchase agreement of the existence of the claims. It said the claims were warranty claims or claims under the tax indemnity. It set out some additional but limited information. It expressly sought to reserve the buyer's rights.

In June 2015, the buyer's solicitors wrote to the sellers again. This time they said their communication constituted further notice under the sale and purchase

agreement. It provided further details of the buyer's claim. It also provided a breakdown of the alleged tax liabilities the subject of the claim. It went on to assert that the communication comprised, “... both proper notification and reasonable details of Teoco's dispute.”

Inadequate notice

Well, despite the buyer's assertions and proclamations, the High Court disagreed. Millett QC held that inadequate notice had been provided. The buyer had failed to provide reasonable details in time and had failed to bring proceedings in time. Amongst other things, the Judge at

first instance found that in his view, the “grounds of a claim” must particularise the warranty allegedly breached or the basis for the claim under the tax indemnity. He struck out the buyer's claim.

Up it went to the Court of Appeal. It approved Millett's decision. It found that there was doubt as to the basis of the claims purportedly brought under the sale and purchase agreement and that the legal basis of the claims had to be identified. They had not been. It had failed to identify the grounds of the buyer's claims. Mere references to “warranty claims or tax claims” was insufficient.

The practical points arising from this are to ensure that any notice under an agreement of any importance should comply strictly with the requirements for the contents of that notice. Assume that at some point the notice may be challenged. Assume it will be put before a Court to assess its validity. Subject to not prejudicing a position, provide as much detail as is possible where it is practical to do so. Contractual provisions exist for a reason – to provide parties with certainty as to terms, outcomes and process, and one departs from them at risk of prejudicing a position.



SIMON CHARLES is a partner and Head of Equity Capital Markets at Marriott Harrison LLP.

March 2018 | 9


feature

New trading levels reached in January

AIM got off to a strong start to the year in trading terms, and the trading appears to be more widely spread over a number of companies and sectors.

January is historically a relatively quiet month for trading on AIM but this year it has been a bumper month. There were 1.1 million trades in January 2018, compared with 646,000 in January 2017, and there was an average of 50,199 trades each day, up from 30,762.

That is more than the 2017 daily average of 45,625 trades, which was itself a record by a large margin. There

semiconductors manufacturer IQE. The negative publicity about IQE's figures was starting to spread at the end of this month. Strong trading continued into early February, although it fell to lower levels at the end of the month.

Smaller companies that have attracted significant levels of trading include graphene technology Versarien, Myanmar-focused mobile platform MySQUAR and technology

whereas it was £290.5m in the latest month.

That figure is higher than the average for any previous year. Admittedly, it does not mean that the average for 2018 will maintain this level but it is the first time for a long time that the number of trades and value have both been so strong.

Future

The average daily trades for the year are normally higher than the figure for January. The only time this has not happened was in 2008, when the year started well but the trading fell off later in the year with average December daily trades falling below 10,000. There was a similar trend when it came to the value of trades.

If the overall market continues to weaken then the averages may not be maintained for the year but there certainly appears to be a continued trend of improving liquidity on AIM.

The average daily trades for the year are normally higher than the figure for January

was no month in 2017 where the average daily trades reached 50,000.

This means that the average daily number of trades this January is more than the number of trades in the whole of 1995 when AIM was founded. Admittedly it was launched in June 1995, so this was not a whole year, but it does indicate how little trading there was in the early days.

The total trading in January is more than for every year between 1995 and 2003, excluding 2000, when the technology and internet boom peaked.

Companies

Online fashion retailer ASOS did not dominate trading in January 2018 in the way it has done in the past. ASOS accounted for less than 8% of the trades and, in fact, there were fewer trades in ASOS than there were in January 2017, when it accounted for around 14% of trades.

The number of trades in rival online retailer boohoo.com nearly trebled to 94,461, thereby overtaking ASOS in importance during the month.

The third most traded share was

investment company FastForward Innovations. Investor interest in blockchain opportunities has sparked high levels of trading in Lionsgold and Online Blockchain.

Sectors

The consumer services and resources sectors are still highly important in terms of trading levels but other sectors are taking more of a share. The number of trades in the healthcare sector nearly doubled year on year, while technology trades more than trebled over the same period.

The active trading in IQE was undoubtedly a major factor in the increase in technology sector trading, but even if IQE were stripped out, the number of trades would have doubled.

Value

In recent years, the number of trades has been reaching record levels but the value was still lagging behind previous years. In January 2017, the average daily value of trades was £165.8m,

AVERAGE DAILY AIM TRADES

| YEAR | JAN AVG. | YEAR AVG. |
|------|----------|-----------|
| 2018 | 50,199 | na |
| 2017 | 30,762 | 45,625 |
| 2016 | 22,023 | 31,967 |
| 2015 | 25,547 | 29,552 |
| 2014 | 26,533 | 34,445 |
| 2013 | 19,036 | 25,396 |
| 2012 | 24,660 | 28,390 |
| 2011 | 26,277 | 29,132 |
| 2010 | 16,700 | 20,861 |
| 2009 | 11,058 | 14,870 |
| 2008 | 16,894 | 15,176 |
| 2007 | 15,513 | 16,443 |



statistics

Market Performance, Indices and Statistics

| AIM SECTOR INFORMATION | | |
|------------------------|-----------------|----------------|
| SECTOR NAME | % OF MARKET CAP | % OF COMPANIES |
| Consumer services | 18.5 | 10.8 |
| Financials | 16.5 | 15.8 |
| Industrials | 15.8 | 16.9 |
| Healthcare | 13.7 | 9.1 |
| Technology | 11.1 | 12.7 |
| Consumer goods | 10.1 | 6.1 |
| Oil & gas | 6.8 | 10.5 |
| Basic materials | 5.8 | 14.1 |
| Telecoms | 1.3 | 1 |
| Utilities | 0.4 | 1.1 |

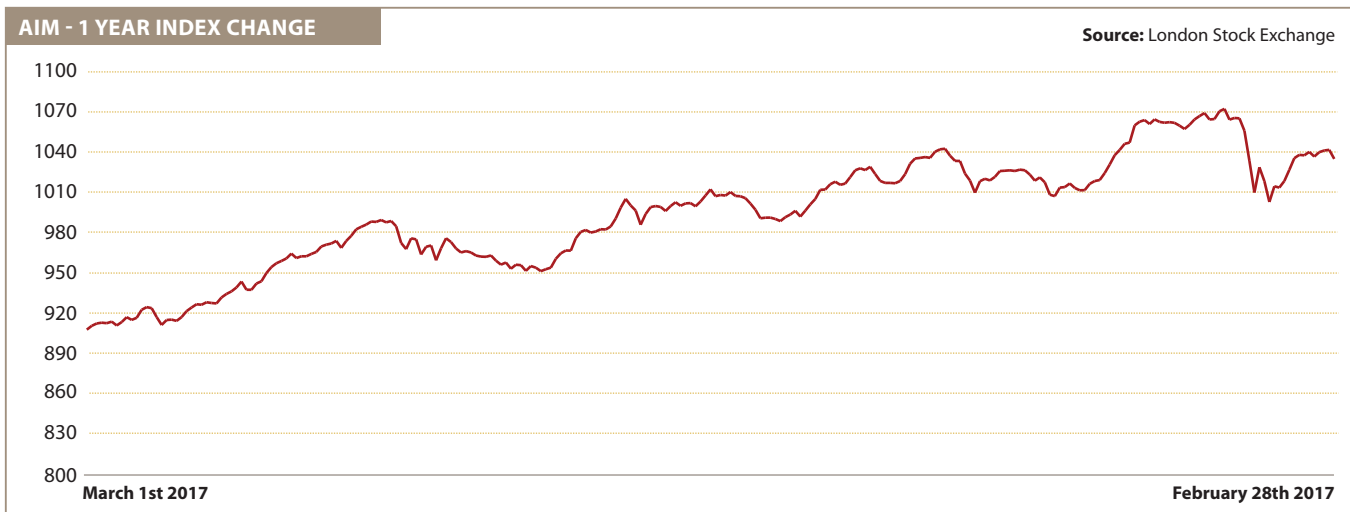
| KEY AIM STATISTICS | |
|----------------------------------|----------|
| Total number of AIM | 956 |
| Number of nominated advisers | 32 |
| Number of market makers | 48 |
| Total market cap for all AIM | £108.4bn |
| Total of new money raised | £106.6bn |
| Total raised by new issues | £43.3bn |
| Total raised by secondary issues | £63.3bn |
| Share turnover value (2018) | £6.5bn |
| Number of bargains (2018) | 1.1m |
| Shares traded (2018) | 52.6bn |
| Transfers to the official list | 185 |

| FTSE INDICES | | |
|--------------------|----------|---------------------------|
| INDEX | PRICE | ONE-YEAR CHANGES % CHANGE |
| FTSE AIM All-Share | 1038.32 | +14.4 |
| FTSE AIM 50 | 6119.96 | +21.7 |
| FTSE AIM 100 | 5377.96 | +23.3 |
| FTSE Fledgling | 10926.97 | +14.4 |
| FTSE Small Cap | 5704.23 | +7.9 |
| FTSE All-Share | 3981.61 | +0.7 |
| FTSE 100 | 7231.91 | -0.4 |

| COMPANIES BY MARKET CAP | |
|-------------------------|-----|
| MARKET CAP | NO. |
| Under £5m | 143 |
| £5m-£10m | 107 |
| £10m-£25m | 182 |
| £25m-£50m | 168 |
| £50m-£100m | 122 |
| £100m-£250m | 137 |
| £250m+ | 97 |

| TOP 5 RISERS OVER 30 DAYS | | | |
|---------------------------|------------|-----------|------------|
| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
| Akers Biosciences | Healthcare | 55 | +139.1 |
| Stellar Diamonds | Mining | 5.12 | +118.1 |
| Collagen Solutions | Healthcare | 4.75 | +91.5 |
| Eurasia Mining | Mining | 0.46 | +86 |
| Trading Emissions | Cleantech | 3.28 | +74.9 |

| TOP 5 FALLERS OVER 30 DAYS | | | |
|----------------------------|-----------------|-----------|------------|
| COMPANY NAME | SECTOR | PRICE (p) | CHANGE (%) |
| Photonstar LED | Lighting | 0.18 | -77.4 |
| Flowgroup | Energy supplier | 0.11 | 66.9 |
| Milestone Group | Technology | 0.14 | -55.6 |
| Pan African Resources | Mining | 7 | -47 |
| 4d Pharma | Healthcare | 177.5 | -46.2 |



Data: Hubinvest Please note - All share prices are the closing prices on the 28th February 2018, and we cannot accept responsibility for their accuracy.

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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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