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AIM JOURNAL

In this issue

AIM Award winners announced

Document storage services provider Restore was revealed as AIM company of the year at the 2016 AIM Awards. Restore has been quoted on AIM for more than 12 years and in recent years it has gone from strength to strength as it consolidates the document storage market in the UK.

Somero Enterprises won the international company of the year award. The concrete-levelling equipment manufacturer is expected to increase its full-year profit from $17.6m to $20.3m, which is worth more to UK investors following the decline of the pound. For more on Somero, see August's edition of AIM Journal (www.hubinvest.com/AIMPDFAugust2016_83.pdf).

The best technology award winner was cell engineering business MaxCyte Inc, which has been on AIM since the end of March 2016. US-based MaxCyte sells cell engineering products and services to biopharmaceutical companies involved in developing drugs, cell therapies and gene editing services. MaxCyte is expected to be able to grow at 20% a year.

Pantheon Resources was the best-performing share of the year. The share price of the US-focused oil and gas explorer rose by more than 700% over the period between 1 August 2015 and 31 July 2016. Much of that rise came in the last few months of 2015 after positive drilling news. Broker Liberum won the award for best research and it had something else to celebrate because it is broker to best newcomer Hotel Chocolat. (See pages 4-6 for further comment on award winners).

Malaysian bid for MP Evans

Oil-palm plantations operator MP Evans has turned down a bid approach from Malaysia-based plantations group Kuala Lumpur Kepong (KLK) even though the 640p a share offer was at a 50% premium to the previous market price. The approach comes after MP Evans completed the divestment of its cattle investments, so it has a strong balance sheet with net cash of $63m forecast for the end of 2016.

The bid values MP Evans, which owns or has interests in 31,500 hectares of planted land, at £356m. Indonesia-focused MP Evans says that the KLK offer "very substantially undervalues" the company and it says shareholders owning 54.7% of the company support this stance. These include Aberdeen Asset Management, Fidelity, JP Morgan and Montanaro, as well as the Hadsley-Chaplin family.

Broker finnCap believes that MP Evans could be worth around £10 a share based on sector comparisons. The company is a relatively low cost producer of palm oil and it has yet to fully benefit from the planting programme in recent years.

general news

Walker Greenbank brand buy

Luxury furnishings brands owner Walker Greenbank is paying an initial £25m for Clarke & Clarke, which is its first major acquisition for more than a decade. Walker Greenbank raised £17m in a placing at £19m but this deal should still be materially earnings enhancing in the year to January 2018.

Up to £17.5m more could become payable based on performance over the next four years. The deferred consideration is payable in shares. In 2015, Clarke & Clarke, which also has another brand called Studio G, generated revenues of £22.4m and underlying EBITDA of £3.8m. C&C is aimed at the quality contemporary market, while Studio G is aimed at a younger market. They fit well with the existing brands, including Sanderson, Harlequin and Zoffany.

The Walker Greenbank interim figures were held back by flooding at fabric printer Standfast earlier this year. Sales declined 9% to £41.8m, while pre-tax profit after insurance proceeds edged up by 3% to £3.78m. Net cash was £2.53m. Since the end of June, a further insurance payment of £2.025m has been received, which takes total insurance receipts to more than £14m. A further £225,000 is expected and the policy covers Standfirst for losses up until the end of 2017, although the factory is back to full production.

Fiona Holmes has taken on the position of brands director. She was previously managing director of figleaves.com, a subsidiary of N Brown.

Pools sale off

Fully listed gaming company Sportech has called off talks about the disposal of its football pools business to Burlywood Capital, which was going to spin the business off into an AIM-quoted company. Sportech says that Burlywood "was unable to conclude the transaction set out within their proposal", which valued The Football Pools at £97.25m. Burlywood failed to raise the cash it required for the deal and a revised offer that would have left Sportech with a minority stake in the buy-out vehicle was turned down. Sportech has been trying to sell the football pools business for around a year before the exclusive talks were revealed but it says that it will continue to run the business.

The Resource Group bargain buy-back

The Resource Group International (TRG) launched simultaneous, recommended bids for AIM-quoted contact centre operators IBEX Global Solutions and Digital Globe Services (DGS) both of which it already had substantial stakes in before and after their flotations. TRG is increasing its stake in DGS for less than it raised from selling a smaller stake in the original flotation.

TRG is an investment holding company with a focus on business process outsourcing and the contact centre sector is one it knows well. The 60p a share bid for DGS values the company at £18m. This is well below the February 2013 flotation price of 159p a share, which valued DGS at £47.2m.

At that time, TRG reduced its stake from 68.1% to 43.8%, having raised £8m, and one year later it raised £2.35m at 200p a share, reducing the stake below 40%. The stake was subsequently increased to 46.3% when TRG paid $3.5m for options exercised by DGS boss Jeff Cox, who is not accepting the bid for his 12.9% stake. It will cost TRG £5m to acquire the other shares – much less than it originally raised.

DGS has not performed consistently since it joined AIM but there has been a recovery in its fortunes. In the year to June 2012, EBITDA was $3m on revenues of $20m. By 2015-16, revenues more than doubled to $47.8m but underlying EBITDA was down to $2.5m, although bad debt and goodwill write-downs meant that DGS reported an overall loss.

In June 2013, IBEX floated at 147p a share, which valued the business at £58.1m. That reduced TRG's stake from 100% to 75%. TRG has bid 112p a share for IBEX, which values it at £44.3m. In the year to June 2013, underlying EBITDA was $4.58m on revenues of $141.5m. In 2015-16, underlying EBITDA had risen to $17.9m on revenues of $255.5m.

TRG currently owns 71% of IBEX, so buying the rest will cost just under £13m. Although IBEX has grown since it has been on AIM, it has failed to achieve market expectations along the way. TRG admits that the stock market has lost confidence in IBEX because it has not met broker forecasts and it will be easier to provide the capital investment needed to grow the business without worries about the short-term effect of that investment on the share price.

advisers

Premier Asset Management returns to AIM

Funds manager Premier Asset Management has returned to AIM nine years after it left the junior market following a management buyout for £51.9m. Since 2007, Premier has acquired additional investment funds but the core management team of chief executive Mike O'Shea, finance director Neil Macpherson and head of multi-asset funds David Hambidge have stayed in their roles. This stability has helped the business.

Premier was valued at £139.7m at the latest placing price of 132p a share. Premier raised £44.3m, which will be used to redeem preference shares and accrued dividends. This will enable the balance sheet to move from a net liabilities position to a pro forma NAV of £38.9m. The business is cash generative so it does not need additional working capital. Existing shareholders raised £16.3m from share sales.

Premier has £4.9bn of assets under management, compared with £1.8bn at the end of June 2007. UK equities account for two-fifths of assets under management. Premier gets its business through intermediaries and it offers 23 retail funds, two investment trusts and two segregated mandates.

In the year to September 2015, operating profit was £2.11m, after an amortisation charge of £5.13m, on revenues of £35.8m. Premier has a tax asset of £1.8m relating to past losses and this can be used to reduce its rate of tax.

Premier is offering quarterly dividends to shareholders. The first dividend, for the three months to December 2016, will be paid early next year.

ADVISER CHANGES - OCTOBER 2016

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Collagen Solutions	Cenkos	Panmure Gordon	Cenkos	Panmure Gordon	03/10/16
IXICO	Shore	Peel Hunt	Shore	Peel Hunt	03/10/16
RedT Energy	Cenkos	finnCap	Cenkos	finnCap	03/10/16
Solo Oil	Beaufort/Beaumont Cornish/Shore	Beaumont Cornish/Shore	Beaumont Cornish	Beaumont Cornish	03/10/16
MyCelx Tech Corp	Cantor Fitzgerald	RFC Ambrian	Cantor Fitzgerald	RFC Ambrian	04/10/16
Bilby	Cenkos	Panmure Gordon	Cenkos	Panmure Gordon	05/10/16
Metal Tiger	VSA/SI Capital	SI Capital	Spark	Spark	05/10/16
Agriterra Ltd	Cantor Fitzgerald	MC Peat/Cantor Fitzgerald	Cantor Fitzgerald	Cantor Fitzgerald	06/10/16
XLMedia	Berenberg/Cenkos	Cenkos	Cenkos	Cenkos	11/10/16
Falanx Group Ltd	Whitman Howard/ Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	17/10/16
European Wealth Group	finnCap	Panmure Gordon	finnCap	Panmure Gordon	18/10/16
Summit Germany Ltd	Liberum/Cenkos	Liberum/Cenkos	Liberum	Cenkos	18/10/16
Independent Resources Group	Brandon Hill	Brandon Hill/ Panmure Gordon	ZAI	Panmure Gordon	19/10/16
Veltyco	Northland	Stockland	Northland	Stockdale	19/10/16
RM2 International SA	Zeus/RBC	RBC	Strand Hanson	RBC	20/10/16
Burford Capital	Liberum/Numis/ Macquarie	Macquarie/ Haitong Securities	Macquarie	Macquarie	21/10/16
India Capital Growth Fund	Stockdale	Numis	Grant Thornton	Grant Thornton	24/10/16
TomCo Energy	Strand Hanson	SP Angel	Strand Hanson	SP Angel	24/10/16
Xtract Resources	Beaufort	Beaufort	Beaumont Cornish	Cenkos	24/10/16
Hummingbird Resources	Beaufort	RFC Ambrian/Beaufort	Strand Hanson	RFC Ambrian	25/10/16
Strategic Minerals	SP Angel/Allenby	Allenby/Cornhill	Allenby	Allenby	27/10/16

company news

Document storage business Restore receives top accolade at the 2016 AIM Awards

Document storage *www.restoreplc.com*

AIM company of the year **Restore** was transformed from an underperforming, wider-ranging services business when Charles Skinner was appointed to run the company and the document storage services provider became a consolidator in its sector.

Restore joined AIM in November 2004 as a shell, then known as Mavinwood, and the first acquisition was Restore in April 2005 followed by acquisitions of other services businesses. There was a mixed performance from the businesses and a management change was made.

Charles Skinner was brought in as chief executive in June 2009. He had built up tool-hire business Brandon Hire, which was acquired by Wolseley for £71m in 2006. He subsequently spent nine months in 2007 as chief executive of Johnson Service Group but he was replaced by a turnaround specialist. Skinner sold non-core operations and set about focusing on growing Restore's document storage business.

Charles Skinner became chief executive in 2009

RESTORE (RST)			350p
12 MONTH CHANGE %	+27.3	MARKET CAP £M	392.1

Lord Ashcroft backed the original shell and in 2013 he placed his 43.6% shareholding at 131p a share. The share price was five times the level it was three years before the share disposal and it has trebled since the sale.

Recent interims show a 35% increase in pre-tax profit to £9.6m and the interim dividend was increased by one-third to 1.33p a share. The disposal of the Ireland-based offshoot of a recent acquisition has helped to reduce debt by £27.8m and provide scope for further acquisitions.

Since the end of June, PHS Data Solutions has been acquired, which has made Restore the second biggest document-shredding business in the UK, as well as boosting the records management and scanning operations. The second half of the year has started well and a 2016 profit of around £21m is expected.

Fevertree wins inaugural Growth Business award

Mixer drinks supplier *www.fever-tree.com*

Premium spirits mixers supplier **Fevertree Drinks** has won the inaugural AIM Growth Business award sponsored by the Business Growth Fund. Fevertree is eleven years old and has been on AIM for fewer than two years but it has soared in value to well over £1bn.

Fevertree, which won the AIM newcomer of the year award in 2015, floated at 134p a share and the current share price is more than seven times that level even though early backers have sold some or all of their stakes.

Fevertree is an international business. with three-fifths of revenues outside the UK - even though UK sales doubled in the most recent six-month period. Fevertree believes that the addressable market is worth £1.6bn, although that is at retail sale value. Existing product sales are still growing and this is being supplemented by new product launches. In the six months to June 2016, revenues were 69% higher at £40.6m, with a small boost from currency movements. Gross margins have reached 54.8% and pre-tax profit improved from £6.6m to £11.8m.

FEVERTREE DRINKS (FEVR)			963.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M	1,110.3

Fevertree has four bottling partners in the UK and continental Europe and the main bottling partner is in the process of investing in facilities to double production. Fevertree itself has low capital spending requirements and the business generated £7m of cash after tax and dividends in the first half of 2016. Net cash was £18.6m at the end of June 2016.

The balance sheet is strong but the share price does not allow for any setbacks for Fevertree.

company news

WYG manages to project strategy to investors following its successful turnaround

Project management consultancy *www.wyg.com*

Project management and engineering consultancy **WYG** won the best investor communication award, which is sponsored by Northland Capital Partners. The award reflects not just the past year but a number of years since WYG moved from the Main Market to AIM in 2010 after it refinanced the business, which previously appeared unlikely to survive. The initial refinancing was just the start of a much longer process.

WYG is being recognised for its turnaround in recent years and how it has communicated its improved prospects to investors. Prior to the move to AIM, £22.9m of debt was swapped for shares that accounted for more than four-fifths of the enlarged share capital. WYG moved back into profit in the year to March 2013 and it made an underlying pre-tax profit of £7m last year. Management has also transferred the pension fund risk to a specialist insurer.

WYG moved back into profit in 2012-13

WYG has international operations but in recent times it has been the UK businesses that have fuelled growth. The international operations have scope for a much improved performance. EU-backed projects are starting to come on stream so there is a level of uncertainty but WYG has clearly set out how exposed it is to EU-funded projects. EU-funded projects in Poland and Turkey have been won this year. It also has local offices that can be used to ensure that work is still won with the possibility of further local bases being set up.

WYG (WYG)			108.25p
12 MONTH CHANGE %	-18.2	MARKET CAP £M	74.7

The recent share price decline means that WYG is trading on 11 times 2015-16 earnings; if it achieves a pre-tax profit of £9.7m in 2016-17, the rating will fall to nine. Interim results will be published on 1 December.

Breedon becomes construction materials leader

Building materials *www.breedongroup.com*

Breedon started out as shell company Marwyn Materials and in eight years it has become the largest supplier of construction materials in the UK. The £336m acquisition of Hope Construction Materials was judged as the AIM transaction of the year.

The Hope deal took some time to complete because of the competition authorities and Breedon eventually had to sell 14 ready-mixed concrete plants to please them. However, Breedon had already started to progress its integration plans. There will be three divisions: Breedon Northern, Breedon Southern and Hope Cement.

BREEDON (BREE)			69.5p
12 MONTH CHANGE %	+25.5	MARKET CAP £M	980.5

The acquisition provides a better product mix for Breedon which will not be as dependent on aggregates. Asphalt, cement and ready-mixed concrete are the other main areas of the enlarged business. The group is benefiting from infrastructure spending but increasing hydrocarbon costs may put profit margins under pressure.

It is not just about acquisitions, although further add-on purchases are being assessed. Breedon is also investing in expanding its existing capacity and to improve its operating efficiency. Management is seeking a site for a new asphalt plant to supply the North Wales market. Two new asphalt plants are operational in Scotland.

The overall market has recovered but it is not back to the 2008 peak – cement volumes are around one-quarter below the peak. It was flat in the first half, with a move towards new projects from repair and maintenance. The asphalt market fell by 9%, although it grew in Scotland, while aggregates and concrete markets increased. The EU referendum has caused additional uncertainty but major contracts underpin the business.

company news

Chocolatier Hotel Chocolat wins AIM newcomer of the year award

Chocolate retailer *www.hotelchocolat.com*

HOTEL CHOCOLAT (HOTC)			265p
12 MONTH CHANGE %	N/A	MARKET CAP £M	299.1

Premium chocolates manufacturer and retailer **Hotel Chocolat** got off to a good start on AIM due to its high profile among retail investors. Although £56m was raised at 148p a share in the flotation back in May, only £12m (£9.5m after expenses) of this was new money for the company. Even so, this will finance the roll-out of additional stores and increases in manufacturing capacity.

Hotel Chocolat started selling chocolates in 1993 and the first shop opened in north London in 2004. There were 84 stores open by May 2016 and there is a significant online market as well – digital sales were 20% higher last year. Founders Angus Thirlwell and Peter Harris are both still running the business.

The first shop opened in 2004

As well as manufacturing its own chocolates, the company owns a cocoa plantation in Saint Lucia, where there is also a luxury hotel and spa. There is plenty of scope to expand in the UK and there are also plans to open outlets overseas. However, international expansion has been patchy. Denmark is being used as a test market for moving into new territories.

Hotel Chocolat is profitable and cash generative. In the year to June 2016, revenues were 12% higher at £91.1m, while underlying pre-tax profit was 181% ahead at £8.2m. A maiden dividend will be paid for this financial year.

Double for Conviviality

Drinks distributor *www.conviviality.co.uk*

CONVIVIALITY (CVR)			205p
12 MONTH CHANGE %	+9.6	MARKET CAP £M	353.6

Conviviality won the best use of AIM award and its chief executive, Diana Hunter, who guided Conviviality Retail, as it was then know, onto AIM in July 2013, when its main focus was the Bargain Booze franchise off-licence store chain, has been chosen as the AIM entrepreneur of the year.

Conviviality confirmed that it continues to grow in its post-awards trading statement. In the 26 weeks to October 2016, trading has been in line with expectations. Revenues more than trebled in the period.

Of course, this is partly because of the acquisitions of on-trade drinks distributor Matthew Clarke and wine merchant Bibendum, and these deals were a major reason why Conviviality won two awards. Digging deeper, there was a small like-for-like dip in the revenues of the retail side but the stores opened in the past four years showed like-for-like revenue increases of 1.1%.

There are still more cost savings to come through from the integration of the acquisitions. There are three divisions. Conviviality Direct is the wholesaler to pubs and restaurants, Conviviality Retail is the largest franchised off-licence and convenience store chain in the UK (names include Bargain Booze and Wine Rack), while Conviviality Trading is a wine agency. Conviviality Direct contributed £515m of group revenues of £783m.

Figures for the year to 1 May 2016 showed a 137% increase in revenues to £864.5m, while underlying pre-tax profit was 124% ahead at £21.7m. More important, earnings per share were 27% higher at 14.2p a share. WH Ireland forecasts a full-year profit of £45.5m, rising to £52.8m in 2017-18. The shares are trading at around ten times this year's prospective earnings, falling to nine the following year. The prospective yield is more than 6%.

Conviviality is not going to get a high rating because of the mature nature of the off-licence and on-trade businesses but there are still integration cost benefits to come through to help push profit higher.

Four decades of dividend growth for Halstead

Floor coverings manufacturer *www.jameshalstead.*

Dividend

Floor coverings manufacturer James Halstead has increased its dividend for 41 years in a row and there is no sign of this trend ending. The latest dividend increased from 11p a share to 12p a share. The dividend equates to nearly £25m in cash terms, compared with last year's operating cash inflow of £40m. This shows that the dividend is well covered by cash generation and there is scope to grow this year's total dividend to around 13p a share even if earnings growth is slower.

On top of the normal dividend, there have been a number of special dividends and share buy-backs in the past 12 years. The most recent special dividend of 7.858p a share was paid in February. Net cash was £44.1m at the end of June 2016 so there is more scope for special dividends and share buy-backs over the next few years. There is a £21m pension deficit but the strong cash balance means this is not a worry, particularly as interest rate rises would reduce this deficit.

Business

James Halstead manufactures vinyl flooring in Manchester and Teeside and this is sold to the contract market in the UK and internationally. Resilient sheet as it is known is a growing area of the contract market and it has overtaken carpet tiles in terms of millions of square metres used in the UK each a year. The company has more than five decades of expertise in manufacturing the vinyl flooring and there is a focus on customer service.

The refurbishment market is more than twice the size of the new build market and the total UK market in 2015 is estimated by the Palmer Report to be 18.67 million square feet. James Halstead has a market share of more than 50%. The UK market demand has weakened in recent months but this is offset by lower raw materials prices and strong export markets. The group has spare capacity, particularly at Teesside, and pushing more volume through the facilities would enhance margins. There is even potential to augment the product range to supplement growth.

JAMES HALSTEAD (JHD)	
Price (p)	462.5
Market cap £m	962
Historical yield	2.6%
Prospective yield	2.8%

James Halstead uses recycled flooring in its products and it could become even more important if more used floor coverings could be obtained before they are mixed with other rubbish and taken to landfill.

In the year to June 2016, revenues were flat at £226.1m but pre-tax profit edged ahead from £44.2m to £45.5m. Despite the tough trading conditions in the UK, the group should continue to make progress this year. Demand in India and Canada is growing.

James Halstead has achieved a total shareholder return of nearly 3,000% since early 2003. This is reflected in its high rating, which is boosted by demand from investors seeking solid investments for inheritance tax relief.

Dividend news

Email marketing services provider **DotDigital** is paying a special dividend of 0.43p a share this year, on top of the ordinary dividend of 0.41p a share but that will not make much of a dent in its cash pile. Cash continues to increase and it was £17.3m at the end of June 2016. In the year to June 2016, underlying pre-tax profit rose from £5.3m to £6.3m. Three-quarters of revenue is recurring. Joint broker finnCap forecasts a rise in profit to £7.7m this year, with growth coming from the UK and international markets.

Vertu Motors continues to grow its automotive retail business even though the overall market has fallen back. The aftermarket and used-car operations continue to progress and this was supplemented by acquisitions that offset downturns in existing new-car business. In the six months to August 2016, revenues were 18% ahead at £1.45bn, while pre-tax profit was 14% higher at £18.7m. Earnings per share edged up to 3.87p a share after a share issue earlier this year. The interim dividend was increased by 11% to 0.5p a share. Full-year profit is forecast to increase from £27.4m to £30.5m and total dividend is expected to be 8% higher at 1.4p a share.

Spend control software provider **Proactis** increased its dividend from 1.2p a share to 1.3p a share. In the year to July 2016, revenues grew from £19.4m to £23.1m – a combination of acquisitions and organic growth – and underlying pre-tax profit improved from £2.9m to £3.1m. There is a strong order book and supplier commerce projects have not made a significant contribution. These projects will bring in regular recurring income from suppliers signed up by the Proactis customer – Flintshire council has implemented the system, with two more customers to come. A profit of £4.5m is forecast for this year.

expert views

Expert view: The broker

Retail Revolution

By Mike Jeremy

UK online retail sales grew 16.2% year on year to £52.3bn in 2015 – 17% of UK total sales and the highest in Europe (www.retailresearch.org). The availability of online mobile retail access, combined with rising confidence and familiarity among consumers, is prompting demand from retailers for real-time systems and tools to improve customer interaction, match inventory to demand and enhance the quality of the e-commerce experience. As consultants Ovum comment: "Retailers will increasingly align not only their brands but also the shopping experience itself to this consumer desire for encounters worth sharing. This can already be seen with the emerging trend for integrating social media with in-store retail." (Ovum: The Future of e-Commerce: The Road to 2026).

Three AIM-quoted specialists, **Sanderson Group**, **ATTRAQT**, and **OneView Commerce**, address aspects of this accelerating trend.

Sanderson Group [SND.L], market capitalisation £37m, focuses on two areas of e-commerce, serving over 550 SME customers. Its digital retail division provides IT solutions to businesses operating in ecommerce, mobile commerce and retail sectors in the UK, and its enterprise division serves manufacturers and the wholesale distribution and logistics sector. Sanderson assists retailers seeking to initiate digital techniques – such as iPad-based sales, mobile web and apps, Apple Pay or interactive digital signage – or refine existing operations. The group addresses issues such as visibility of accurate stock levels across multiple locations, ability to capture and record key customer information as data migrates from transaction details to customer details, generating a consolidated overview of customer behaviour across a range of sales channels, or accelerating delivery timescales. Recent high-profile customers include Hotel Chocolat, Scotts of Stow and Superdry. Interim revenue grew 8% year on year to £9.9m. CEO Ian Newcombe comments: "The Group's solutions are developed to provide customers with 'value for money' IT systems which offer tangible business benefits and timely return on investment. Sanderson solutions typically enable customers to increase sales and revenue whilst also achieving additional efficiencies by making and maintaining cost savings, often within twelve months of implementation."

ATTRAQT [ATQT.L] market capitalisation £12.6m, provides a SaaS-based visual merchandising platform to online retailers called Freestyle Merchandising. The platform acts as a plugin for a retailer's ecommerce site and provides tools to enable retailers to merchandise effectively through their sites, with site search, product recommendations, category pages, product detail pages, check-out basket, email, order tracking and in-store devices. One of the most important features of the offering is that it is designed for use by the retailer's visual merchandising team, rather than emphasising a back-office IT architecture or a systems basis. This approach can transform the pace with which fashion retailers, for example, are able to react to market conditions with promotions, sales, and online displays designed to manage inventory and stimulate demand. Merchandising can be implemented using business rules, dynamically using behavioural data or manually; or any combination of these. ATTRAQT counts among its 120 clients Boohoo.com, Emma Bridgewater, The North Face, Tesco, SuperGroup, The British Museum, L.K. Bennett and Timberland. ATTRAQT recorded interim revenue of £1.7m, +25% year on year, and a leading "exit rate" billing indicator of growth of +31% year on year. Co-founder and CEO André Brown, comments: "ATTRAQT was created to enable retailers to replicate traditional merchandising techniques online. Our unique technology now powers the online visual merchandising functions of 120 of the world's leading retailers. We continue to gain traction in the UK and North America and completed a successful £3.3m fundraising in November 2015 to support our ongoing development".

Founded in 2010, **OneView Commerce** [ONEV.L] market capitalisation £17.1m, develops and deploys cloud-based software for retailers which draws together retail information into a "unified commerce" process. The pace of innovation is fast. Until recently retailers aspired to an "omni channel" approach which meant using a variety of means to address customer needs – in-store, online, mobile etc. – but in separate silos or channels. OneView offers the retailer a single overview of customers' online or mobile interaction which can be matched to the in-store experience and improve inventory control. This preparation and personalisation enables the retailer to effectively promote additional sales. OneView services medium-scale retailers, including Wickes, fashion retailer G-Star Raw, and the US auto tyre supplier Discount Tire. Full-year revenue rose 37% year on year to US$8.1m.

MIKE JEREMY is a director of research at Northland Capital Partners

feature

US companies outperform in 2016

US companies with holding companies in the UK or other overseas jurisdictions have outperformed US-domiciled companies this year.

US-based cell engineering business MaxCyte Inc won the best technology award at this year's AIM awards, having been quoted on AIM since the end of March 2016. The share price has performed well but research by US smaller company advisory firm AIM Advisers Inc (www.aimadvisers.com) indicates that US companies that have non-US-based holding companies perform better in share price terms and are traded more frequently than those based in the US.

The research is based on 49 US-based companies that are quoted on AIM. Of these, 13 were domiciled in the US and 36 were foreign domiciled. The figures cover the first six months of 2016 and average market capitalisations were used.

The overall return of all the US companies, wherever they are domiciled, is 1%, although this rises to 20% when weighted for market capitalisation. When the weighted performance is factored in, there is a 29% increase for the foreign-domiciled US-based companies. That compares with the FTSE All Share index decline of 4% during the period.

Foreign-domiciled US companies were more liquid than US-domiciled companies and AIM as a whole, whether the unweighted or weighted figure is used. Larger companies tend to be more liquid and this is why the weighted percentage is higher for all three groupings. It does also mean that the shares of larger companies are easier to sell so their share price can fall before there is any reaction in the share prices of smaller companies.

MaxCyte

MaxCyte is based in Gaithersburg in Maryland, although it does also have a base in Cheshire. MaxCyte sells cell engineering products and services that it has developed to biopharmaceutical companies involved in developing drugs, cell therapies and gene editing services and it is growing at a rate of 20% a year.

Raising money does not appear to have been a problem. MaxCyte raised £10m at 70p a share when it joined AIM, valuing the company at £30.4m. It would be difficult to float on a US stock market with such a low market value and AIM is a more attractive market for a US company of this size.

The MaxCyte share price had risen by around 16% at the end of June. It has done even better since and it is currently trading at 128.5p a share. It is apparent that trading volumes have been limited on most days. The higher profile has sparked some trading in October but there is always a worry that it could fall back on a lack of news.

Future

US-domiciled companies' historically issued Regulation S shares when they floated and these are not tradable in CREST. This hampered liquidity but they have to be eligible for electronic trading following regulation changes. "The forced dematerialisation of Regulation S shares should improve trading for the US-domiciled companies by eliminating administrative burdens placed upon sellers and purchasers", says Mark McGowan of AIM Advisers, but he warns that some institutional investors allocate a small proportion of their funds to non-UK shares. MaxCyte shows that if a US-domiciled company has positive news flow and keeps investors' well informed then trading in the shares is encouraged. If a US company fails to make the effort to inform the market and attract new investors then the share price can stagnate or decline.

US company performance and liquidity in 2016

AVERAGE MONTHLY LIQUIDITY

	WEIGHTED (%)	UNWEIGHTED (%)
US domiciled	2.21	1.39
US (foreign domiciled)	4.43	3.79
AIM	3.33	3.29

AVERAGE PERFORMANCE

	WEIGHTED (%)	UNWEIGHTED (%)
US domiciled	-2%	+25
US (foreign domiciled)	+29%	-7
AIM	-4%	N/A

Source: AIM Advisers Inc

feature

AIM liquidity reaches high for year

There has been an improvement in the overall liquidity of AIM companies in recent months following the EU referendum, helped by a recovery in resources.

September was the best month for some time in terms of the liquidity of trading in AIM shares. There were more than 627,000 trades worth a total of greater than £3.3bn. On both counts, this is more than one-fifth higher than the previous highs for a single month in 2016, or even in 2015.

The level of trading is well above that in May, the last full month before the EU referendum, and one year ago.

When writing about AIM liquidity, online fashion retailer ASOS always dominates. This is less true this September. It is not unusual for ASOS to account for around a quarter of the value of trades and the number of trades. In September, ASOS accounted for 11.7% of trades by value and 10.7% by number. That is around half the levels one year before or in May 2016.

This suggests that trading is becoming more spread out across a wider range of AIM companies, which is a good thing. Whether this will last or is just a blip is still to be seen.

Trading in derivatives trader Plus500 has soared but that is no surprise because its business feeds on uncertainty and volatility. It should be remembered, though, that existing shareholders placed just over £100m of shares at the end of September, which will have boosted the figure for the month. Trading volumes still show a strong increase even excluding the placing.

In recent months, the two sectors that are worth significantly more in value terms as a percentage of AIM are mining and oil and gas. They account for 13.8% of AIM, up from 11.9% in May. There is also increased trading in resources companies. They accounted for 13% of the value of AIM trades in May, rising to 22.5% in September. There has been a recovery in the price of oil and other commodities this year and that has made some investors give the resources sector a look.

This improved trading has been helped by the strong performance of the likes of Sound Energy. In September 2015, there were 423 trades in Sound shares and fewer in May 2016. In September 2016, there were 14,453 trades worth a total of £111.2m. The good news continues to flow, with the latest drilling showing that gas flows from the Tendrara discovery in Morocco are better than expected. Both small investors and institutions have been buying shares in Sound. The inclusion of Sound in the FTSE AIM 50 index will have raised its profile further.

UK-focused oil and gas explorer Hurricane Energy, although it is outside of the top ten in terms of trading volumes, is similar to Sound. Trading volumes of £35.7m are more than seven times the level they were in May. This also indicates increased interest on the back of positive news. Hurricane has been able to raise £70m to finance the development of its Lancaster field and to drill two exploration wells while rig rates continue to be low.

Much has been made of the falling number of companies on AIM but these improvements in trading volumes are more siginifcant.

MOST LIQUID AIM COMPANIES

	September 2016		May 2016		September 2015	
COMPANY	VALUE (£M)	BARGAINS	VALUE (£M)	BARGAINS	VALUE (£M)	BARGAINS
ASOS	390.8	67,333	543.6	83,985	581.1	94,695
Plus500	269.9	21,366	33.8	10,510	18.8	4,481
Boohoo.com	132.5	24,385	29.1	7,525	41.2	7,039
Sirius Minerals	129.1	21,176	18.3	4,937	13.8	3,726
Abcam	112.4	24,904	36.5	14,077	63.4	19,526
Sound Energy	111.2	14,453	2.1	372	2.3	423
Dart Group	92.1	33,360	53.5	15,961	24.6	10,122
GW Pharmaceuticals	65.9	22,016	35.9	14,098	41.6	17,029
Fevertree Drinks	64.8	19,106	37	14,077	12	3,843
Pantheon Resources	56.1	15,822	36.6	14,098	6.5	850

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	19.4	17.9
Consumer services	17.1	10.9
Healthcare	15.2	9.1
Industrials	13.5	16.2
Technology	10.4	11.6
Consumer goods	8.4	6
Basic materials	7.5	15.2
Oil & gas	6.3	10.4
Telecoms	1.4	1.5
Utilities	0.7	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	822.2	+11.4
FTSE AIM 50	4621	+17.7
FTSE AIM 100	3940.17	+15.9
FTSE Fledgling	8566.81	+9.8
FTSE Small Cap	4971.8	+8.1
FTSE All-Share	3768.14	+8.1
FTSE 100	6954.22	+9.3

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	217
£5m-£10m	112
£10m-£25m	187
£25m-£50m	148
£50m-£100m	149
£100m-£250m	111
£250m+	76

KEY AIM STATISTICS

Total number of AIM	1000
Number of nominated advisers	33
Number of market makers	49
Total market cap for all AIM	£83bn
Total of new money raised	£98.7bn
Total raised by new issues	£41.5bn
Total raised by secondary issues	£57.2bn
Share turnover value (2016)	£22.3bn
Number of bargains (2016)	4.4m
Shares traded (2016)	295.5bn
Transfers to the official list	181

TOP 5 RISERS OVER 30 DAYS

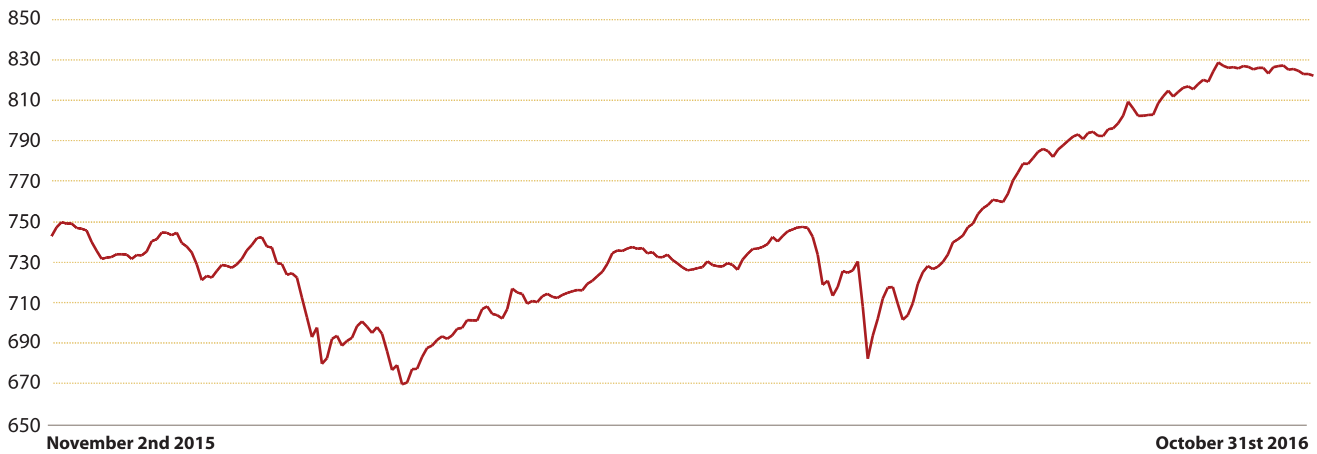
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Nu-Oil and Gas	Oil and gas	0.64	+477.3
Mercom Capital	Financials	16.63	+375
Jersey Oil and Gas	Oil and gas	99	+162.3
URU Metals Ltd	Mining	0.82	+135.7
Aurum Mining	Mining	4.1	+121.6

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
DiamondCorp	Mining	2.18	-53
Proteome Sciences	Healthcare	5.47	-50.8
Synairgen	Healthcare	18	-44.6
Concha	Media	0.68	-38.6
Entu (UK)	Construction	19.75	-37.3

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st October 2016, and we cannot accept responsibility for their accuracy.

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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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