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AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Fevertree toasts AIM award

Spirit mixer drinks brand owner Fevertree Drinks won the company of the year award at this year's AIM awards, having last year won the AIM growth business award and been on the company of the year shortlist.

In the three years it has been quoted Fevertree has become a star of AIM. The latest interim figures show revenues 77% ahead at £71.9m, pre-tax profit doubling to £24.1m and a near-doubled dividend of 3.01p a share. The share price has fallen on the back of a downgrade by RBC Capital but it is still around 15 times the flotation price of 134p.

Nu-Oil and Gas was the best performing share of the year. Nu-Oil changed its name from Enegi Oil in 2015 and in the 12 months to July 2017 the share price had risen by more than 1,300%. Nu-Oil focuses on developing marginal fields.

Majestic Wine was awarded the best investor communications award, while Animalcare snapped up transaction of the year for the reverse takeover of Ecuphar (see AIM Journal October 2017). Stockdale Securities won the best research award. For more about the AIM awards see pages 2,8 and 10.

ZAI loses Nomad status

The London Stock Exchange removed the nominated adviser status of ZAI Corporate Finance on 19 October leaving its clients searching for a replacement.

The status has been removed because of a "failure to meet, on a continuing basis, nominated adviser eligibility criteria as set out in Nomad Rule 2". One of the criteria is having at least four qualified executives. A qualified executive is a full-time employee of the firm who can demonstrate a sound understanding of UK corporate finance and AIM in particular. They need to have been active in corporate finance for three years and been involved in a lead role in three relevant transactions in that period. Once an individual becomes a qualified executive

they are required to act on at least three relevant transactions (one involving a prospectus or takeover document) over five years, if they have been appointed within the past five years, or at least one relevant transaction over five years if they were approved more than five years ago and have been active in AIM.

Any clients of ZAI that have not found a new nominated adviser have been suspended and will have to find a replacement by 20 November or they will lose their AIM quotation. TMT Investments and Echo Energy had already moved before the announcement and seven others have subsequently found new advisers.

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general news

Keywords enhances its award-winning reputation

Keywords Studios, a localisation, testing and art services provider to the video games industry, has already made two acquisitions since it won the AIM growth business of the year award in October. The first was the £3m add-on acquisition of d3t Ltd, which provides outsourced software development for video games producers, but the purchase of VMC Consulting is more significant. This enhances the group's product range and presence in North America.

Keywords is paying \$66.4m for VMC Consulting, which provides testing and support services in North America. VMC has embedded testing services and a crowd-based beta test network where developers can test games in real situations. Looking at the recent track record of VMC does not suggest a growth business but it has been a

non-core part of a larger group and it will benefit from increased focus on growth and cross-selling of services.

A placing raised £75m at 1400p a share. Even after this share issue, the VMC purchase is earnings enhancing – a 24% earnings uplift for 2018. That is based on a pre-tax profit of €40m in 2018.

Keywords has an excellent acquisitions track record and, even though it has grown substantially, there is still plenty of scope for further international deals that enhance market share and broaden the range of services offered. China is a market that is still relatively small in terms of Keywords' revenues and it will become increasingly important.

The current share price is not far off thirteen times the July 2013 flotation price of 123p.

Burford innovates

Litigation funding provider Burford Capital won the inaugural innovative fundraising of the year at the 2017 AIM Awards. Burford raised £175m via an oversubscribed issue of bonds that will be traded on the Main Market and through the electronic order book for retail bonds. The bonds yield 5% and are repayable in December 2026. Burford is expanding in Asia with the opening of an office in Singapore. The current ordinary share price is eleven times the flotation price back in 2009. Burford's 2017 litigation finance survey shows that 81% of UK lawyers are aware of litigation finance, with 54% of those that have not used it as yet expecting to do so in the next two years. There are similar percentages for US lawyers.

boohoo.com bosses scoop award

Mahmud Kamani and Carol Kane, the joint chief executives of online fashion retailer boohoo.com, won the entrepreneur of the year award at the 2017 AIM awards. This reflects the success in turning around the investor view of the business and consistently putting out positive trading statements that sparked forecast upgrades. The retailer has also added additional brands, such as Pretty Little Thing and Nasty Gal, to accelerate the rate of growth. Capital expenditure could exceed £250m in the next three years as boohoo.com invests in distribution capacity and technology.

Following the AIM awards, Peel Hunt has upgraded its forecasts for boohoo.com, albeit modestly because some of the additional profit is offset by higher depreciation charges resulting from increased capital investment. Peel Hunt was already at the higher end of forecasts and it is expecting a 2017-18 pre-tax profit of £48m. This is on the back of upgraded expectations for the Pretty Little Thing retail brand, which could generate revenues of £150m, out of forecast group revenues of £554m, in this financial year. Pretty Little Thing will become increasingly important to boohoo.com.

The success of boohoo.com and ASOS is attracting more online fashion retailers. Quiz floated earlier this year and this month Sosandar has reversed into Orogen for £6.29m in cash and shares. Sosandar also raised £5.3m at 15.1p a share. Sosandar launched its website on 19 September 2016. It is aimed at women who have matured from the fashion websites focused on younger women and want affordable clothing. The products are all designed by Sosandar and the warehousing is outsourced so additional capacity can be added without the need for significant capital investment.



advisers

ZAI clients seek new advisers

ADVISER CHANGES - OCTOBER 2017

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Beximco	Northland	Daniel Stewart	Spark	Spark	02/10/17
Pharmaceuticals					
Bushveld Minerals Ltd	SP Angel/Beaufort	SP Angel/Beaufort	SP Angel	Strand Hanson	02/10/17
Cronin Group	Stockdale	WH Ireland	Stockdale	WH Ireland	04/10/17
Cogenpower	Peterhouse	Allenby/Peterhouse	Beaumont Cornish	Allenby	06/10/17
Veltyco Group	Northland	Northland	Strand Hanson	Northland	06/10/17
Wentworth Resources Ltd	Peel Hunt/Stifel Nicolaus /GMP FirstEnergy	Stifel Nicolaus/ GMP FirstEnergy	Stifel Nicolaus	Stifel Nicolaus	06/10/17
Firestone Diamonds	Macquarie	Macquarie/Mirabaud	Macquarie	Strand Hanson	09/10/17
Highland Gold Mining	BMO /Numis	Numis/Peat	Numis	Numis	09/10/17
InterQuest Group	Peterhouse	Panmure Gordon	Allenby	Panmure Gordon	10/10/17
Savannah Resources	Beaufort /finnCap	finnCap	Northland	Northland	10/10/17
GCM Resources	Northland	ZAI	Northland	ZAI	16/10/17
Obtala	Northland/Beaufort / Brandon Hill	Beaufort/Brandon Hill	Northland	ZAI	16/10/17
Premier Asset Management	Numis/Liberum	Numis/Stifel Nicolaus	Numis	Stifel Nicolaus	17/10/17
Alpha Returns Group	Peterhouse	Peterhouse	Beaumont Cornish	ZAI	18/10/17
Bluejay Mining	Hannam/SP Angel	SP Angel	SP Angel	SP Angel	18/10/17
EQTEC	Northland/VSA	VSA/SVS	Northland	ZAI	18/10/17
Paternoster Resources	Peterhouse	Stockdale/Peterhouse	Beaumont Cornish	Stockdale	18/10/17
UniVision	ZAI	ZAI	Spark	ZAI	18/10/17
Engineering Ltd					
Zibao Metals Recycling	ZAI	ZAI	Spark	ZAI	18/10/17
Central Rand Gold Ltd	Peterhouse	Peterhouse	Beaumont Cornish	ZAI	19/10/17
Atlantis Resources Ltd	Cantor Fitzgerald/ Macquarie	Peel Hunt/Macquarie	Cantor Fitzgerald	Peel Hunt	20/10/17
Asian Growth Properties	Strand Hanson	Panmure Gordon	Strand Hanson	Panmure Gordon	23/10/17
ProPhotonix Ltd	Cantor Fitzgerald	Stockdale	Cantor Fitzgerald	Stockdale	23/10/17
Cabot Energy	SP Angel/FirstEnergy	Stockdale/FirstEnergy	SP Angel	Stockdale	24/10/17
Mercia Technologies	Canaccord Genuity/ Cenkos	Cenkos	Cenkos	Cenkos	25/10/17
SDX Energy Inc	Stifel Nicolaus/ Cantor Fitzgerald/ GMP FirstEnergy	Cantor Fitzgerald / GMP FirstEnergy	Stifel Nicolaus	Cantor Fitzgerald	25/10/17
ADVFN	Throgmorton Street	Throgmorton Street	Beaumont Cornish	Grant Thornton	26/10/17
On-Line	Throgmorton Street	Throgmorton Street	Beaumont Cornish	Grant Thornton	26/10/17
HaloSource Inc	Cantor Fitzgerald/ Liberum	Liberum	Liberum	Liberum	31/10/17

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**company news**

RWS adds localisation services to its core patent translation operations

Patent translation and localisationwww.rws.com

Patent translation services provider **RWS** was recognised for its strong, long-term performance by its inclusion on the shortlist for AIM company of the year but lost out to Fevertree. RWS has become one of the ten largest companies on the junior market and it has acquired a third leg to its business in a deal that takes the group to a market value of more than £1bn.

RWS is paying \$320m plus costs for Czech Republic-based Moravia, which is a global localisation services business using translation software, machine translation and workflow management software. The customer base is large software and hardware companies. Moravia will be an autonomous division that will contribute just under one-third of group revenues, making it larger than the life sciences division.

Debt will rapidly be reduced from cash flow

The deal was part-funded by a £185m placing at 425p a share. That was a one-fifth discount to the market price prior to the placing but it is higher than the share price at the beginning of October. A new \$160m term loan refinances the previous facility and provides added headroom.

Cash flow is so strong that the debt will come down rapidly. Net debt is expected to be £74m by the end of September 2018 and £43.8m one year later. Dividends are expected to rise by 1p a share per year over the next two years, reaching 8.5p a share for 2018-19.

Numis estimates RWS will make a

RWS (RWS)	449.25p
12 MONTH CHANGE %	+57.6
MARKET CAP £m	1,220

pre-tax profit of £43.3m in the year to September 2017. The Moravia acquisition was completed at the beginning of November so it will be included for eleven months this year. There is currently nothing in forecasts for the potential cross-selling opportunities. A 2017-18 pre-tax profit of £65.3m is forecast but more importantly the acquisition has sparked a 15% uplift in earnings per share forecast to 17.7p. Next year's earnings per share forecast was raised by 17% to 18.9p. That still values the company on more than 23 times prospective 2018-19 earnings. The premium rating is understandable given the record of RWS.

Gear4Music accelerates European expansion

Musical instruments retailerwww.gear4music.com

Interim figures from musical instruments retailer **Gear4Music** appear disappointing but they bear the initial costs of two European distribution centres and other investment in expansion. Revenues continue to grow strongly and the second half is always busier. Part of the first-half profit shortfall should be made up for by the end of the year.

Gear4Music has grown rapidly yet it has little more than 5% of the UK market and less in other European

GEAR4MUSIC (G4M)	810p
12 MONTH CHANGE %	+114
MARKET CAP £m	152.7

markets. A separate US\$ website has been launched. Own-brand sales are increasingly important.

In the six months to August 2017, revenues were 44% ahead at £31.2m but there was a swing from a profit of £966,000 to a loss of £69,000. There were £701,000 of additional costs for the two

European distribution centres. These centres started to make a positive contribution at the end of the period.

Net debt was £3.7m at the end of August 2017, following the purchase of a new HQ, and increasing working capital requirements mean that it could be at a similar level at the end of February 2018. The full-year pre-tax profit is expected to slip from £2.35m to £2.08m – representing a significant increase in second-half profit.



company news

SigmaRoc continues buy-and-build strategy with Topcrete acquisition

Building materials supplier

www.sigmaroc.com

Aggregates and building materials supplier **SigmaRoc** has made its second acquisition this year. The £9m purchase of precast concrete business Topcrete led to a 50% upgrade in forecast 2018 earnings per share. There is potential deferred consideration of £3.5m in 12 months' time, which is dependent on the two main selling shareholders staying with the business.

SigmaRoc's strategy is to acquire non-core assets and businesses and secure other deals from large aggregates and building materials companies, as well as purchasing smaller independent businesses like Topcrete. Management has gained experience in the sector with multinationals. The first acquisition was Channel Islands-based Ronez, which was a non-core asset of

Topcrete deal led to 50% earnings upgrade

LafargeHolcim, and cost £45m at the beginning of 2017. There are also other growth opportunities, along the lines of the bulk-carrier business SigmaGsy that SigmaRoc has set up, that could boost revenues and profit.

Topcrete, which trades as Allen Concrete, is a precast concrete supplier which predominantly trades in London and the Midlands. The products include posts, barriers, paving and balustrades. The main production site is in Northamptonshire and there is another facility in south London. In the year to February 2017, Topcrete reported revenues of £5.2m and

SIGMAROC (SRC)	47.5p
12 MONTH CHANGE % +18.6	MARKET CAP £m 48.9

EBITDA of £2m. The business appears well-invested.

SigmaRoc is also developing its existing assets and has started exploratory drilling in Guernsey for a new quarry site. This could be up and running by 2021 and have a life of at least 40 years.

There will be a full contribution from both acquisitions next year. Berenberg forecasts a 2018 profit of £6m on revenues of £32m. The shares are trading on just over eleven times prospective 2018 earnings and SigmaRoc is still small enough to make significantly earnings enhancing acquisitions in the next couple of years.

Plant Impact expects future to yield growth

Crop enhancement products

www.plantimpact.com

Crop enhancement products developer **Plant Impact** was hit by weaker than expected revenues from Brazil in the financial year to July 2017. Even so, revenues did increase, from £7.21m to £8.45m.

Four-fifths of sales come from the sale of Veritas in Brazil but the growth was not as great as expected. Low crop prices, drought conditions and a weak local currency hampered the sales of Veritas last year even though it has been shown to improve soya crop yields by 5%. Bayer has built up stocks of Veritas in Brazil but deliveries should be one-

PLANT IMPACT (PIM)	24p
12 MONTH CHANGE % -52.2	MARKET CAP £m 22.4

fifth higher at 1.5 million litres this year and this is expected to generate annual revenues of £7m.

Veritas is starting to generate revenues in Paraguay and Bolivia, while sister product Fortalis is being sold in Argentina and the US. Cocoa yield enhancer Bonzai is growing sales in Ghana and the group is increasingly focusing on cocoa processors. In the longer term,

there are other products that could generate revenues next year.

The cost base was increased last year so the loss increased from £1.22m to £4.06m. Stripping out share-based payments and restructuring costs still leaves a loss of £3m. A jump in revenues to £13m this year is expected to reduce the underlying loss to £1.1m and leave Plant Impact on course to move into profit in the following financial year. There is £7.2m in the bank and, even after two years of cash outflows, net cash is expected to be £1.7m at the end of July 2019.

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**company news**

US online-gaming legalisation provides GAN with opportunity for a big win

Online gaming softwarewww.gan.com

GAN is in a strong position to benefit from the decision by the state of Pennsylvania to make real money online gaming legal. GAN provides internet gaming software-as-a-service technology to US land-based casino operators. There is currently limited competition in the US and it already has relationships with casinos via its simulated gaming service, which is used as a promotional tool. Both real money and simulated gaming generate a revenue share for GAN.

Pennsylvania is the fourth state to legalise online gaming and regulated gaming should commence in the first quarter of 2018. GAN already has a full US gaming licence from New Jersey, while the other states where online gaming is legal are Nevada and Delaware. There are two clients of real money gaming in New Jersey

GAN is likely to seek a US listing

and a further ten in Europe. On top of that there are 13 US casino operators that use the simulated gaming service. GAN says that the GameSTACK real money gaming system is deployed with Parx Casino in readiness for launch in Pennsylvania. Michigan and New York are thought to be considering legalising online gaming.

GAN has high fixed costs so, as revenues grow, a large proportion should drop through to profit. In fact, in 2016, the underlying cost base was reduced from £9m to £8.7m and there was a further fall in the first half of 2017. A small operating profit is expected for 2017 but there would still be a

GAN (GAN)		31.5p
12 MONTH CHANGE %	-24.1	MARKET CAP £m
		22.1

pre-tax loss of £3.9m. There was £3.3m in the bank at the end of June 2017. Even prior to the news about Pennsylvania, the loss was expected to fall to £2.8m but if online gaming takes off in Pennsylvania, the 2018 figure could be better.

The focus on the US means that GAN is likely to seek a US listing in the next year or so. The company will be increasingly attractive to US investors if the size of its potential market grows through further state legalisation – fewer than 10% of the US population lives in states where real money online gaming is legal – and increased usage by existing casino customers.

Artilium heads towards profitability

Mobile telecoms softwarewww.artilium.com

Artilium could move into profit in 2017-18 on the back of strong recurring revenues and a deal with Pareteum that could boost the business in the longer term. Artilium supplies cloud-based mobile telecoms software and services to mobile virtual network operators to help them run efficiently.

Belgium-based Artilium provides services to mobile operators in more than 30 countries and it operates its own telecoms brands

ARTILIUM (ARTA)		10.5p
12 MONTH CHANGE %	+61.5	MARKET CAP £m
		35.8

focused on businesses in the Netherlands and Belgium. It also has a business providing contact centre services. A new marketing office has been opened in Germany and it is recruiting resellers. Artilium plans to continue to invest in its software to widen the scope and cover opportunities relating to

the Internet of Things.

NYSE-listed Pareteum has agreed to share distribution, products and technology with Artilium and this will help the latter to grow in Latin America and Asia. A share exchange means that Pareteum will own 8.8% of Artilium, which in turn will hold 19.9% of Pareteum.

A €5.3m pre-payment by the largest customer, Telenet, means that the cash position is positive. A pre-tax profit of €100,000 is forecast for 2017-18, rising to €500,000 next year.



dividends

Lok'nStore consistent dividend growth

Self-storage sites operator

www.loknstore.co.uk

Dividend

Lok'nStore has been increasing its dividend for seven years and in the past five years it has consistently increased it by 1p a share each year. The maiden dividend was 0.67p a share and this was for the financial year to July 2007, so the company is in its eleventh year of paying dividends. The initial dividend was followed by three years when the dividend was held at 1p a share. This was followed by rises to 3p a share in 2010-11 and 5p a share in 2011-12. Since then, the 1p a share increase has been maintained each year and the latest total is 10p a share, with 11p a share forecast for the current financial year.

The dividends are covered by earnings and the cash generated from operations. Lok'nStore has plenty of available funds to invest in growing the number of self-storage outlets. Net debt was £17.4m at the end of July 2017. Loan to value was 14%. There is a £40m bank facility that has been extended until January 2023.

Business

Lok'nStore has built up its self-storage business over two decades and it has 19 owned sites and seven managed sites. Management was cautious about expanding after the financial crisis – there were no openings in 2010, 2011 and 2014 – but it has become more confident about prospects in recent years and put together a slate of developments that will add more than 25% to capacity.

The self-storage market is undersupplied and demand is growing. However, the pricing and demand for any individual site is

LOK'NSTORE (LOK)	
Price (p)	375
Market cap £m	110.1
Historical yield	2.7%
Prospective yield	2.9%

dependent on local conditions. There was a 6.5% increase in occupancy of Lok'nStore sites last year. Overall occupancy was 60.8% of capacity. It can take four years or more for a site to mature so the planned facilities will fuel growth for years to come.

The company has a document storage business. This is making a small profit contribution. The business has been reorganised and should improve its contribution. Lok'nStore has also decided to redevelop its former site in Southampton into parking for cruise-ship travellers.

Three stores are opening in this financial year (Gillingham, Hemel Hempstead and Wellingborough) and a further five sites have been secured, including the latest in Bournemouth. The new openings will be a mixture of owned and managed sites. Capital expenditure will be more than £8m this year.

Lok'nStore has an adjusted NAV of 416p a share. The share price recovered after the full-year results were published but there is still a near-10% discount to NAV unlike larger competitors such as Big Yellow and Safestore, both of which have converted into REITs and are trading at premiums. House broker finnCap believes that NAV could reach 485p a share in three years' time. It is not just about NAV; there is strong cash generation from the business.

Dividend news

Email marketing technology and services provider **dotDigital** increased underlying pre-tax profit from £6.3m to £8.2m, as revenues improved from £26.9m to £32m in the year to June 2017. The dividend was raised from 0.43p a share to 0.55p a share, if the previous year's special dividend is excluded. Net cash was £20.4m. There is scope for further increases in dividend, or another special dividend, but this may depend on the level of acquisitions activity. So far, growth has been organic, but management is assessing deals that would expand the business geographically or add to the client list. A profit of £9.4m is forecast for this year.

Disinfection and contamination control products supplier **Tristel** will continue to grow even though US EPA approval has taken longer than hoped for, delaying the launch of products in the US. The underlying pre-tax profit improved from £3.3m to £4m, with the majority of sales generated outside of the UK. There was a 3p a share special dividend in the previous year and stripping that out the underlying dividend is 21% higher at 4.03p a share, with potential for a 10%-plus increase this year. A forecast 2017-18 profit of £4.4m does not assume any contribution from the US.

Motor dealer **Vertu Motors** had net cash of £20.8m at the end of August and management plans to buy back up to £3m worth of shares. So far, 2.7 million shares have been bought at share prices up to 45p. The interim dividend was raised by 10% to 0.55p a share. Interim revenues were flat at £1.45bn, while pre-tax profit was 7% ahead at £20.9m. There have been downgrades to forecasts but full-year profit is still expected to be maintained at £31.5m. Vertu is in a strong position to make further acquisitions while the automotive market remains tough.

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expert views

Expert view: The broker

AIM newcomer Alpha FX impresses

By Vadim Alexandre

Northland Capital Partners proudly sponsored the "Best Newcomer Award" at the 2017 AIM Awards. We congratulate Alpha FX Group plc on winning the award.

Alpha FX Group (Alpha) is a foreign exchange specialist focused on managing exchange-rate risk for businesses and institutions impacted by currency volatility. Incorporated in May 2010, the group has enjoyed profitable growth since its inception. From its offices in Reading and London, the company offers currency risk management advice and strategies, alongside a selection of FX products.

Underpinning Alpha's service is the knowledge that reliably predicting future currency movements is impossible. As such, the management believes that companies should remain focused on outperforming their competition rather than trying to beat the currency markets.

Clients

Alpha's clients consist mainly of medium-sized companies, with annual revenues of between £10m and £100m. These corporates typically have a need to convert currency for commercial purposes, such as repatriating profits or buying/selling goods and services overseas.

Using Alpha's services, companies can buy currencies for immediate delivery or fix the current exchange rate for a date in the future. In particular, Alpha is focused on servicing corporates which lack support from their existing providers, which are mainly large banks. These competitors typically deliver transaction-based models of service, differentiating their offering on price alone.

Alpha on the other hand proactively supports its clients with a more catered approach. The group's high level of service has allowed it to retain a high-

quality client base that includes brands such as ASOS, Holland & Barrett and Global Data.

In 2014, 2015 and 2016 the group has maintained high levels of client retention, equal to 92%, 94%, and 97% respectively. Moreover, Alpha's high client retention rates were achieved without contractually binding corporates into minimum trade volumes or exclusivity arrangements, further demonstrating the value of the group's offering.

Over and above retaining its clients, Alpha also has a good track record of winning a larger share of their annual currency purchasing volume – revenue from existing clients has grown over 10% annually.

A high-quality client base includes brands such as ASOS and Holland & Barrett

The UK corporate FX market is led by large global banks, which control over 85% of the market. The balance is divided between independent FX specialists such as Alpha. Although Alpha still makes up less than 1% of the UK corporate FX market, the company's unique offering has led to it experiencing considerable revenue growth.

Outperformance

In 2014, 2015 and 2016 Alpha had revenues of £2.96m, £5.14m and £8.48m, respectively, representing a compound annual growth rate of 69%. Alpha's revenue for the first half of this financial year was £6.3m (H1 2016: £3.3m), representing growth of 90% year on year with underlying operating profit of £3.2m (H1 2016: £1.7m) representing 84% growth YoY. Underlying operating profit margin was 50% despite the group's

continued investment in headcount. Of note, revenue growth against H2-2016 was 22% half-on-half, demonstrating the sustained upward trajectory of the business's sales figures.

In line with this performance, the group's share price has doubled since its IPO in April 2017. Also, the company has already declared a 1.5p maiden interim dividend, and management has indicated that it intends to target a dividend of approximately 30% of underlying profits after tax in each financial year.

Although Alpha transacted circa £1.8 billion-worth of trades in 2016 alone, given the size of the company's market share, the potential for further sustained growth remains substantial. Moreover,

Alpha has a highly scalable business model, providing the opportunity to increase revenues significantly, at little additional cost. The company's cloud based automated operational infrastructure permits new business growth without the need for major incremental investment.

Finally, Alpha has organically grown revenues and profits despite a difficult economic backdrop, which included the aftermath of the global financial crisis and the UK's decision to exit the European Union.

We highlight Alpha's exceptional performance and believe that the group fully deserves the "Best Newcomer Award". Congratulations Alpha.



VADIM ALEXANDRE is head of research at Northland Capital Partners


feature

AIM increasingly a retail market

Despite the mixed UK retail market there are still retailers keen to join AIM in order to finance their expansion.

Retail sales figures for October were disappointing although this was not a complete surprise considering the recent trading statement by Next. Footasylum and Sosandar both joined AIM during October and with less developed businesses and international potential they have more scope for growth, even in tough times, than a major retailer such as Next.

Underlying consumer confidence does not appear to be that poor but the general economic uncertainty surrounding the exit from the EU and the general economy are making consumers cautious. The market for higher-priced goods appears to be toughest.

Sector

At the end of 2010, less than 7% of AIM's market capitalisation was accounted for by the consumer services sector. The sector is dominated by retailers and it currently accounts for 18% of AIM, which is valued at just over £100bn. That is one-third more than the mining and oil and gas sectors combined.

Online retailers ASOS and boohoo.com make up two-fifths of the sector and they have been a significant influence on its growth. They remain popular with investors and Mahmud Kamani and Carol Kane, the joint chief executives of boohoo.com, won the entrepreneur of the year award at the 2017 AIM awards (see page 2). The UK online fashion market is expected to grow from £16.2bn in 2017 to £29bn in 2022.

Vets practices consolidator CVS is also included in the general retail sub-sector of the consumer services section and it has grown strongly.

At the smaller end of the sector, the angling equipment retailers Fishing

Republic and Angling Direct have both performed well since joining AIM. Franchise Brands has also done well in fewer than 18 months on the junior market and its share price has nearly doubled – although it had more than trebled by May 2017. That is not unusual; many of the AIM retailers have come down from their highs earlier in the year.

Not all the AIM retailers are doing well, though. Motor dealers are having to adapt to a more difficult new-car market.

Shoe Zone had a disappointing first half. Earnings per share are forecast to dip at the shoe retailer this year and appear likely to be flat over a three-year period. However, it is noticeable that Shoe Zone, which is focused on the value market, increased its online sales by 30% in the first half when overall revenues dipped.

New entrants

Fashion retailer Quiz and Angling Direct both joined AIM earlier this year and they have been followed onto the market during October by online fashion retailer Sosandar and fashion footwear retailer Footasylum. All these companies are above their flotation prices, with the latter two going to significant premiums in the days after they floated.

Footasylum focuses on selling footwear and clothing to fashion-conscious 16-to-24 year olds, via 61 stores and online. The latter accounts for 28% of revenues. The company also distributes ranges to other retailers. So it is a different business to Shoe Zone despite the focus on footwear.

Footasylum has been trading for one decade and 58% of sales are footwear but clothing is becoming increasingly important. JD Sports founder David Makin founded the business and he

was joined by co-founder John Wardle in 2008. JD Sports is one of the main competitors.

The Makin family and other directors are still interested in 63% of the company post-flotation, when £37.5m was raised after expenses for the company and existing shareholders pocketed £20.5m. Footasylum will spend £22.6m repaying preference shares and loans. There are plans to roll out more stores and invest in online and IT operations.

Revenues and underlying pre-tax profit have grown rapidly from £78m and £500,000 respectively in 2014-15 to £147m and £8.5m in 2016-17. Gross margins were 45.9% last year. International sales are being built up.

Sosandar is not just new to AIM. It launched the eponymous women's fashion retail website (www.sosandar.com) on 19 September 2016. In the 17 months to March 2017, effectively including less than seven months of trading, revenues were £278,000. Unsurprisingly, there was a significant loss. Net sales in the first eleven months of operation were £478,000.

The flotation has provided Sosandar with the funds to grow the business and build the market for the supply of clothing to fashion-conscious women that are not catered for by the mainstream online retailers that focus on a younger age range.

So far, the brand has been developed through social media and press coverage – founders Julie Lavington and Ali Hall have worked at fashion magazines previously, which gives them an understanding of their market. The additional cash will enable the company to increase its marketing.

Demand is already coming from outside the UK and there is scope for international growth in the longer term.


feature

AIM's global winners

This year's AIM awards has recognised a number of companies with strong international businesses that have been built up over many years.

GLOBAL ACHIEVEMENT AWARD

Gooch & Housego (GHH)

Gooch & Housego has been on AIM for two decades and it is an example of a company with a strong position in its markets around the world, with a particularly good base in North America. The group has moved from being predominantly a components supplier to providing higher value added systems to equipment manufacturers.

Gooch & Housego is a world leader in the photonics sector and it has been expanding its operations in areas such as defence and life sciences. Growth has been a combination of organic and acquisitive. One-third of the business is generated from aerospace and defence. Research and development spending is being focused on higher-return projects.

Full-year figures are due in December and a recent statement confirms that trading has been in line with expectations. finnCap forecasts a rise in pre-tax profit from £14.2m to £15.8m. In the year to September 2018, pre-tax profit is expected to reach £19m.

BEST TECHNOLOGY

IQE (IQE)

Epitaxial semiconductor wafers supplier IQE has been on AIM for 14 years and prior to that it was fully listed. This has historically been a cyclical business and the share price has been even higher in the past. Operational gearing is high and IQE had been dependent on the wireless market. It grew on the back of

the increasing number of chips used in mobile phones.

Things are changing. Newer markets are being built up, with photonics the most far advanced. Nearly a quarter of interim revenues came from photonics and other markets, such as solar and infra-red, are also growing.

There has been some bad news since the award was announced. IQE has been hit by a US tax bill relating to the acquisition of the Kopin business in January 2013. It is estimated that \$4.6m plus interest is owed for the past four years. A new tax adviser is reviewing the requirements of the group and IQE will try to get compensation from the previous adviser.

Edison forecasts a rise in full-year profit from £20.6m to £23.5m in 2017, improving to £25.9m next year.

INTERNATIONAL COMPANY OF THE YEAR

Taptica International (TAP)

Israel-based Taptica has managed the shift in business from online to mobile marketing in an impressive manner. It was not a smooth transition but the dip in performance was short-lived and the company is back on the growth path. A focus on data analysis has transformed the group and this has been the key to the success of the company.

Taptica did not do well in its first year on AIM, with profit slipping but swift action meant that it soared to a new high in 2016. In the first half of 2017, revenues were 27% ahead at \$65.6m and pre-tax profit jumped 47% to \$12.7m. Cash generation is strong and this has funded the payment of dividends as well as acquisitions,

including the purchase of Tremor Video's demand-side platform business for \$50m.

The latest deal has taken Taptica into net debt but it is expected to return to a cash positive state next year, depending on acquisition activity. Increasing focus on mobile advertising and browser changes means that Taptica will be able to grow organically even without acquisitions. A full-year pre-tax profit of \$27.8m is forecast, rising to \$35.2m in 2018.

GLOBAL ACHIEVEMENT AWARD

GB Group (GBG)

GB Group has been quoted for more than two decades but it moved to AIM in 2010. The move was used to enable acquisitions to progress more easily and this has helped the company to become one of the leading identity capture, verification and analysis businesses in the world. More than two-fifths of revenues come from fraud and risk management services.

Richard Law had headed the expansion of the group, having originally been finance director, but he was replaced in April by Chris Clark. The plan is to continue to increase the international revenues by rolling out further products around the world and adding to the product range. There are also cross-selling opportunities.

A trading statement has confirmed that trading is in line with expectations, with interim revenues of £52.6m and operating profit of more than £10m with organic growth supplemented by acquisitions. Full-year pre-tax profit is forecast to improve from £16.5m to £22.6m.



statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer services	18.1	10.2
Financials	16.7	17.2
Industrials	15.6	16.8
Healthcare	13	8.9
Technology	11.7	12.6
Consumer goods	9.9	5.6
Oil & gas	7.5	10.3
Basic materials	5.8	13.8
Telecoms	1.2	1
Utilities	0.4	1

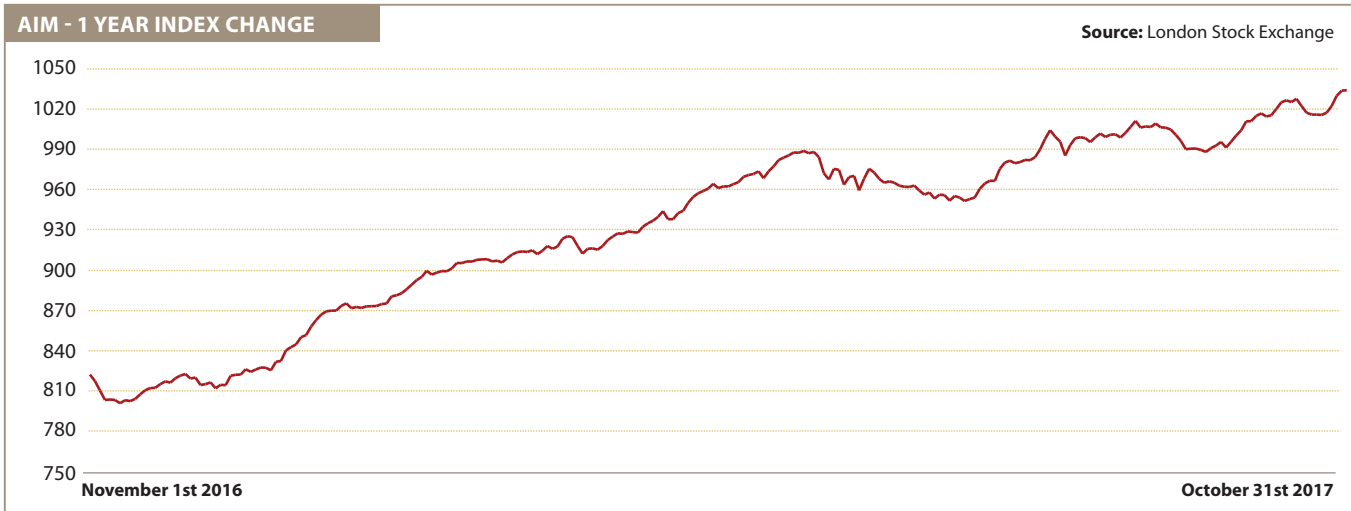
KEY AIM STATISTICS	
Total number of AIM	959
Number of nominated advisers	32
Number of market makers	48
Total market cap for all AIM	£100.2bn
Total of new money raised	£104bn
Total raised by new issues	£43bn
Total raised by secondary issues	£61bn
Share turnover value (2017)	£50bn
Number of bargains (2017)	8.54m
Shares traded (2017)	660.9bn
Transfers to the official list	184

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	1039.06	+26.4
FTSE AIM 50	6004.11	+29.9
FTSE AIM 100	5343.86	+35.6
FTSE Fledgling	10694.66	+24.8
FTSE Small Cap	5833.79	+17.3
FTSE All-Share	4117.69	+9.3
FTSE 100	7493.08	+7.7

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	172
£5m-£10m	99
£10m-£25m	175
£25m-£50m	168
£50m-£100m	120
£100m-£250m	131
£250m+	94

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Jersey Oil & Gas	Oil and gas	202.5	+213
Greatland Gold	Mining	1.76	+195
Altona Energy	Mining	0.58	+155.6
Connemara Mining	Mining	4.6	+106.7
Touchstone Exploration	Oil and gas	16.25	+88.4

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Zoltav Resources Inc	Mining	5.75	-58.9
Conroy Gold & Natural Resources	Mining	12.25	-58.1
Defenx	Software	50	-57.6
Applied Graphene Materials	Graphene	38.5	-55.3
Draganfly Investments Ltd	Financials	0.52	-40



Data: Hubinvest Please note - All share prices are the closing prices on the 31st October 2017, and we cannot accept responsibility for their accuracy.

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a team of highly motivated and experienced professionals that aims to deliver unparalleled service to our clients.

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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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