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AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Clinigen on track for flotation

Pharmaceutical services and products supplier Clinigen has announced its intention to float at the end of September and it could be valued at up to £170m. Existing and new shares will be sold, with the company planning to raise more than £10m of new money. Founder Andrew Leaver wants to sell three-quarters of his 64% stake.

Clinigen will be the first pharma company to float on AIM since cancer treatments developer Scancell switched from Plus-quoted in 2010. Clinigen was formed through a merger in 2010 and it has a services division and a business which plans to build a portfolio of hospital-only drugs. The cash raised in the flotation will be used to buy and in-license these

drugs from large pharma companies and Clinigen already has 27 potential opportunities.

In the year to June 2012, Clinigen more than doubled its revenues from £35m to £82.1m and it is a highly profitable business with underlying EBITDA jumping from £8.3m to £17.3m.

Clinigen is not the only pharma sector company with plans to join AIM. Earlier this year, Amati VCT and Amati VCT 2 both invested in EcoData Group, a company that collects and disposes of old pharmaceuticals. EcoData (www.ecodatagroup.com) is considering an AIM flotation. The Italy-focused business wants to expand into the UK and Germany.

JJB Sports put up for sale

Sports goods retailer JJB Sports, whose share price has fallen by 99% since it switched to AIM from the Main Market in April 2010, has put itself up for sale. KPMG will handle the formal sale process for the company and/or its assets. This is an example of how the transfer of companies from the Main Market to AIM can have a negative effect on the latter's performance.

Trading has been poor and JJB has been unable to raise the cash the management requires to turn the business around. There is no certainty that any sale will produce enough cash to pay lenders and creditors the full amount owed, let alone provide

any return for investors in JJB shares.

At the end of August 2012, there was net bank debt of £16.5m, a trade loan of £1.1m and £18.75m of convertible loan notes. JJB has 180 branches. A number of parties are thought to be interested including founder David Whelan, although he is considering buying a minority of the stores operated by JJB. Jon Moulton's Better Capital and Mike Ashley's Sports Direct are also thought to be considering the opportunity. However, Ashley would find it difficult to combine the two groups because of their large market share.

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Petroceltic in merger with fully listed rival

AIM-quoted Petroceltic International is merging with fully listed oil and gas explorer and producer Melrose Resources in a deal that values Melrose at £165m. The company will nearly double in size and cash generated by Melrose will help to finance the development of Petroceltic's assets, particularly those in Algeria.

Petroceltic is acquiring Melrose by offering 17.6 of its own shares for each Melrose share. Melrose shareholders will also receive a 4.7p a share special dividend at a total cost of £5.4m. Petroceltic shareholders will end up with 54% of the enlarged group and Melrose shareholders the rest. Petroceltic chief executive Brian O'Cathain will take the same role in the merged entity.

Petroceltic is focused on the Middle East, North Africa and the Mediterranean. Its main interests are

in Algeria, Italy and the Kurdistan region of Iraq. Melrose is focused on the same regions and generates revenues from Egypt, Bulgaria and Romania. The Bulgarian Commission on Protection of Competition has to approve the deal.

Petroceltic had \$54.5m in cash at the end of June 2012. In contrast, Melrose had net debt of \$263m at the end of June. However, Melrose is a strong cash generator whereas Petroceltic consumes cash. HSBC will provide a \$300m facility to the enlarged group. Six exploration wells are planned over the next 18 months.

Melrose will also provide management expertise in the development of projects and moving them into production. The combined group will have 2P reserves of 84 mmbob, 2C resources of 357 mmbob and unrisks prospective resources of 1,365 mmbob.

Timeweave cash bid

Mayfair Capital, which is owned by Bahamas-based billionaire and Tottenham Hotspur owner Joe Lewis, is bidding 22p a share in cash for Timeweave, which has a 49.9% stake in AIM-quoted TV programme producer DCD Media. Timeweave also owns 50% of Amalgamated Racing, which has the rights to broadcast races from 34 UK racecourses to betting shops via its TurfTV service.

Timeweave had £33.6m in the bank at the end of June 2012. Mayfair already owns 29.9% of Timeweave, which the bid values at £49.6m, and it has enough acceptances to take its stake to 45.8%. Timeweave had a net asset value of £32m at the end of June 2012, which includes 50% of Amalgamated Racing's net assets but this may not reflect the true value of this stake.

Kestrel continues to build up ANT stake despite profit warning

Kestrel Opportunities Fund bought more shares in IPTV technology firm ANT following last month's profit warning and it is also a major shareholder in AIM-quoted rival Amino Technologies. Kestrel, a cell of Guernsey Portfolios PCC Ltd, increased its stake in ANT from 11.6% to 12.9%, while it holds 8.07% of Amino.

Kestrel originally built up its stake in ANT in the first quarter of 2012, having not owned any shares prior to 31 January. Kestrel has been a longer-term shareholder in Amino, taking its stake above 3% in March 2011.

ANT says that interim revenues for 2012 will be higher than the £2.14m reported in the first half of 2011 thanks to a significant royalty payment in the first half. However, licence revenues are significantly lower and there have been higher costs relating to a major contract. George Ralph is taking over as finance director of ANT. The previous incumbent, Pauline Ingram, is leaving but for the time being has the role of interim chief executive following the departure of Simon Woodward.

Amino is in a much stronger position than ANT. Revenues fell in

the six months to May 2012 but this was due to a low margin Telecom Italia order in the first half of the previous year. Underlying revenue grew 12% to £20.1m and underlying gross margin moved ahead from 33.4% to 35.4%. Supply chain improvements and cost management helped in this margin improvement. There was £13.9m in the bank at the end of May. Amino moved from loss to profit at the interim stage and house broker finnCap forecasts an improvement in full-year profit from £1.8m to £2.8m and a dividend of 2.3p a share.



Westhouse secures £10m of savings from Arbutnot merger

Westhouse Holdings says that it has completed the integration of broker Arbutnot Securities and delivered the £10m of annualised cost savings that it predicted after the deal was announced.

AIM adviser Westhouse acquired Arbutnot Securities from AIM-quoted financial services business Arbutnot Banking Group in January and paid £1m in cash and 1.25m Westhouse shares, and issued a convertible loan of £350,000. Westhouse will have to pay more if it uses the tax losses it took on with the business. It will pay Arbutnot Banking Group 75% of the corporation tax saved, depending on when the tax saving is received. This could be up to a maximum of £1.43m.

Westhouse will not be using any of those tax losses yet because it made a loss of £1.4m in the six months to June 2012 even before the costs of redundancy and restructuring.

Overheads were higher because of the enlarged size of the business following the merger but revenues slipped from £5.18m to £5.1m. The cost savings will continue to come through over the coming months. There will be a further restructuring charge of £700,000 in the second half.

The make-up of those revenues has changed. Corporate retainers and secondary commissions have doubled and account for 50% of revenues. Westhouse Securities has 79 corporate clients.

Westhouse is running low on cash, with £503,000 in the bank at the end of June 2012 but £1.25m was raised after June. Even so, Westhouse needs to stem the cash outflow from the business. There are also borrowings of £1m, excluding the convertible loans, £3.3m of which were converted into shares during the summer. The conversion of this loan increased Bermuda Commercial Bank's stake in

AIM-quoted Westhouse Holdings to 46.1%

Lazard & Co is no longer a nominated adviser, having asked the London Stock Exchange to remove its nominated adviser status. This happened on 29 August. The corporate finance adviser's only nominated adviser client, Hutchison China MedTech, has switched to Panmure Gordon, which was formerly owned by Lazard. Panmure Gordon was already joint broker with UBS. Lazard is focused on much larger companies and AIM was never a major part of its business.

Alexis de Rosnay, who was formerly co-head of UK investment banking at Lazard, has been appointed as the new chief executive of **Canaccord Genuity**. Earlier this year, Canaccord Genuity merged with Collins Stewart and the latter's boss, Mark Brown, took over as chief executive but he is stepping down.

ADVISER CHANGES - AUGUST 2012

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
SNcondezi Coal Co Ltd	finnCap/Liberum/ Canaccord Genuity	Liberum/ Canaccord Genuity	Liberum	Liberum	01/08/2012
Palace Capital	Allenby	Fairfax IS	Allenby	Fairfax IS	01/08/2012
InfraStrata	Arden	Seymour Pierce	Arden	Seymour Pierce	02/08/2012
Avrae Global Coins	Westhouse	Canaccord Genuity	Westhouse	Canaccord Genuity	13/08/2012
CareTech Holdings	Panmure Gordon/WH Ireland	N+1 Brewin	Panmure Gordon	N+1 Brewin	15/08/2012
Conroy Gold & Natural Resources	Hybridan/Shore	Shore	Merchant Securities	Merchant Securities	15/08/2012
Minoan Group	WH Ireland	Rivington Street/ Seymour Pierce	WH Ireland	Seymour Pierce	16/08/2012
San Leon Energy	FirstEnergy Capital/ Fox Davies/Macquarie	Fox Davies/Macquarie	Westhouse	Westhouse	16/08/2012
Software Radio Technology	WH Ireland	Westhouse	WH Ireland	Westhouse	20/08/2012
Infrastructure India	Investec/Smith & Williamson	Macquarie/Westhouse/ Smith & Williamson	Smith & Williamson	Smith & Williamson	21/08/2012
Hutchison China MediTech Ltd	Panmure Gordon/UBS	Panmure Gordon/UBS	Panmure Gordon	Lazard	28/08/2012
Lagan Capital	Peterhouse/Northland	Northland	Northland	Northland	29/08/2012
Globo	RBC	Daniel Stewart	RBC	Daniel Stewart	30/08/2012

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company news

Further Inspired acquisitions are set to follow DEP purchase

Energy consultancy

www.inspiredenergy.co.uk

Energy consultancy **Inspired Energy** is growing rapidly as its customers seek to save money on their energy usage. Income is based on the usage of clients but Inspired is broadening its range of services. This includes bill verification where significant mistakes and overcharges can be made by suppliers. Companies are keen to keep their energy prices low and that means there is strong demand for Inspired's services.

Inspired has been trading for 12 years and following its flotation it acquired Direct Energy Purchasing (DEP) in April. Inspired is strong in the North and DEP is strong in the South. The group manages more than 1,000 contracts for 600 customers. The majority pay monthly in arrears, while others are quarterly payers. The customer retention rate is greater than 70%. The overall group order book was worth £7.9m

The DEP acquisition has already been integrated

at the end of June 2012.

In the six months to June 2012, revenues grew from £1.48m to £2.13m. DEP made a two-month contribution. There was a small rise in underlying profit from £898,000 to £925,000. This excludes amortisation and acquisition costs. The profit was held back by commissions paid on new contracts which will begin to contribute to revenues later this year. Inspired is also adding to its overhead costs so its future organic growth can be faster.

House broker Shore Capital forecasts underlying full-year profit of £2.5m. The shares are trading

INSPIRED ENERGY (INSE)		3.75p
12 MONTH CHANGE %	N/A	MARKET CAP £M 15.2

on less than nine times 2012 prospective earnings.

The business is cash generative but in the latest period exceptional costs relating to the acquisition meant that there was a cash outflow from operations.

Net debt was £2.17m at the end of June 2012. A share placing covered the cash cost of DEP. There is also a further £1.5m of potential contingent consideration for that acquisition.

The DEP acquisition has already been integrated and Inspired would like to find another acquisition that would help to expand the business. Management is looking at a number of potential targets but there is no certainty any of these will be bought.

Delcam engineers further progress

Engineering design software

www.delcam.com

Engineering design software supplier **Delcam** continues to grow its revenues and market share. Delcam's international spread of activities is helping in this growth.

In the six months to June 2012, revenues were 15% higher at £22.9m and this enabled pre-tax profit to be two-thirds higher at £2.09m. R&D spending was £5.6m in the first half and the related R&D tax credits help to reduce the tax charge, which was barely more than 2% in the first half. Europe

DELCAM (DLC)		822.5p
12 MONTH CHANGE %	+84.8	MARKET CAP £M 65.3

accounted for 41% of revenues and east Asia a further 36%. Maintenance income is 30% of total revenues.

Delcam remains the number three in the global computer aided manufacturing (CAM) software market. The R&D investment enables it to maintain its market position.

House broker WH Ireland forecasts

a rise in full-year profit from £3.67m in 2011 to £4.32m in 2012.

Net cash was £12.2m at the end of June 2012, up £2.8m over the six-month period although the figure is boosted by the payment of annual service and maintenance income that has not yet been recognised.

The interim dividend was increased from 1.75p to 2.5p a share, although this is mainly due to the management trying to rebase the dividend so around one-third is paid at the interim stage.

company news

NWF hit by lost business and warm winter weather

Food, fuel and animal feed distribution

www.nwf.co.uk

Things have not been going **NWF's** way in the past year, with warm winter weather holding back the fuels business and food distribution hit by the loss of business from Associated British Foods.

Fuels profit was four-fifths lower at £600,000 in the year to May 2012. Heating oil volumes fell by one-fifth. Revenues increased but this was predominantly due to an initial contribution from the Swan Petroleum acquisition and a full-year contribution from a previous purchase. Three branches have been shut as part of the integration of Swan and the operations have been restructured. There were costs related to the restructuring but these were partly offset by gains on the disposal of tankers.

The food-distribution business

Food distribution will have to make further efficiency improvements

improved its efficiency and this helped its profit contribution improve by 50% to £3m but it will have to make further efficiency improvements and find additional business in order to replace the ABF business lost near the end of the past financial year. Employee numbers have been reduced and some vehicles sold. Feed profit declined from £4.1m to £2.7m but this was mainly due to one-off gains related to the price volatility of raw materials in the previous financial year.

Overall profit fell by one-third to

NWF (NWF)	93p
12 MONTH CHANGE %	-24.4
MARKET CAP £M	44

£5.1m in 2011-12. Net debt increased by £4.2m to £15.5m due to the Swan acquisition. This is a low point for debt but there is still probably around £20m of headroom in the £55m bank facilities at peak debt levels. Low interest rates have led to an increase in the pension deficit. The dividend was maintained at 4.5p a share.

Brendon Banner has been appointed as the new finance director. House broker Peel Hunt believes that the 2012-13 profit could recover to £6m. That assumes a more normal winter – not the cold winter of two years ago – and improved prospects for the feed division.

SerVision secures new international business

CCTV technology

www.servision.net

CCTV technology developer **SerVision** has been successful in winning new business in the transport and security sectors. The company has a number of pilot programmes that could convert into significant sales later in the year.

Israel-based SerVision is an international business with a reasonable spread of customers although there were two customers that accounted for more than 10% of 2011 revenues.

Those 2011 revenues rose 17% to \$6.21m, but that masks a much greater increase in sales of SerVision's products. The previous year included franchise income of \$1.4m related

SERVISION (SEV)	5.5p
12 MONTH CHANGE %	-2.1
MARKET CAP £M	2.82

to Chinese manufacturing rights but there was nothing recognised from this source in 2011. This also boosted the gross margin in 2010 and it is why gross profit fell. Excluding this franchise income the gross margin edged down from 49% to 46%. SerVision is keeping tight control of its overheads.

Pre-tax profit jumped from \$641,000 to \$1.16m but that includes an accounting write-back of \$766,000

related to Israeli government funding of the development of some company products. SerVision has been paying royalties on these products to cover the amount lent to it by the government. As these products are being phased out the estimated liability has been reduced, with \$175,000 remaining on the balance sheet.

Cash has always been a constraint on the expansion of the business and SerVision could probably grow much faster if it had more cash. Net debt was \$598,000 at the end of 2011. SerVision continues to invest in developing new products.

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www.cleantechinvestor.com

company news

Online B2B business Global Market profits from Chinese manufacturing

Online B2B market place

www.globalmarket.com

China-focused **Global Market Group (GMG)** helps bring together quality Chinese manufacturers with international companies seeking a manufacturer for their products through its website. Selling of shares by existing holders has knocked the share price and made the valuation look more attractive.

Manufacturers have to show that they satisfy a number of criteria including being established at their own premises, quality control, export experience, R&D capability and manufacturing capacity that meets minimum required levels. All this is audited by inspection services provider TUV Rheinland.

Revenues are generated from

Profit is turned into cash

the manufacturers and they pay in advance so there are no cash-flow worries as there can be with other Chinese companies. GMG charges around RMB40,000-RMB50,000 (£4,900) a year to include a company on its website – half the cost of attending a trade fair. The number of sales staff is being increased so more customers can be added.

Selling by a pre-IPO investor has knocked the share price since the flotation. However, management says that it believes that this investor is no longer selling.

House broker Westhouse forecasts

GLOBAL MARKET GROUP (GMC)		84p
12 MONTH CHANGE %	NA	MARKET CAP £M 82.1

a 2012 profit of \$14.4m, rising to \$22.1m. The shares are trading on less than 10 times 2012 prospective earnings, falling to seven in 2013. This profit is turned into cash, with net cash set to end this year at more than \$28m. That is expected to increase by a further \$10m next year. GMG has to keep its IT and software technology up to date but this still leaves plenty of cash. In the longer term, GMG wants to replicate its success in China in other Asian markets.

NetDimensions gears up for future growth

Training software

www.netdimensions.com

Performance and learning management software supplier **NetDimensions** has grown strongly in the first half but this is not fully reflected in its interim figures because the company has been investing in new products and additional staff ahead of future growth. The results of NetDimensions have always been second-half weighted and this year will be no exception.

NetDimensions has added 42 clients this year and new resellers were taken on in China and the UK. Last month, the latest version of the Talent Suite software was launched and an iPad/Android version is due in the next few weeks. The main

NETDIMENSIONS (NETD)		31p
12 MONTH CHANGE %	+36.3	MARKET CAP £M 7.84

growth areas remain China, Asia Pacific and other emerging markets, such as Brazil, where a new office is being opened.

In the six months to June 2012, revenues improved from \$4.41m to \$5.9m, while the underlying loss declined from \$447,000 to \$107,000. That excludes a \$155,000 write-off of the investment in AIM-quoted Digital Learning Marketplace. Deferred revenue increased 57% to \$4.4m and around \$3.3m of that will be recognised in the second half.

Revenue growth came from

software licences and hosting but support and maintenance will be the main contributor to second-half growth. House broker Panmure Gordon does expect a dip in full-year underlying profit from \$1.4m to \$900,000. That is after a 17% increase in overheads due to additional staff. There was a 21% increase in headcount to 120 during the first half.

NetDimensions has a strong balance sheet with net cash of \$7.75m at the end of June 2012, and that covers nearly two-thirds of the current market value. The company hopes to attract American investors via its quotation on the OTCQX market in the US.

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Lighting - The Third Revolution

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dividends

Strong market share pays dividends for EMIS

GP patient records and pharmacy software

www.emis-online.com

Dividend

GP patient records and pharmacy software supplier EMIS reported further growth in its interim figures and the interim dividend is being increased from 6.2p a share to 7.1p a share. EMIS is on course to increase its full-year dividend to 13.6p a share. That dividend would be covered 2.2 times by forecast earnings for the year to March 2013.

EMIS has been quoted for nearly two and a half years and in the first year as a quoted company it paid 11.2p a share, followed by 12.4p a share for the year to March 2012.

Dividend growth is expected to continue to be at least 10% a year. A 2012-13 dividend of 15p a share is forecast, and that dividend would be more than twice covered by forecast earnings.

Business

EMIS has spent much of its first half rolling out online software EMIS Web to its GP customers and in the six months the number of practices using the service more than doubled to 747. There were a further 1,385 unfulfilled orders at the end of June. Capacity has been expanded to 200 EMIS Web deployments each month and data centre capacity is also being expanded. The key to EMIS's plans is linking up GP systems so that patient data can be shared across the NHS.

Interim revenues grew from £35.5m to £42.3m in the six months to June 2012 and £34.4m of the latest figure comes from recurring revenues. Training revenues for EMIS Web grew strongly in the period. Underlying operating profit improved from £10m to £11.5m.

EMIS (EMIS)	
Price	715p
Market cap £m	418.6
Historical yield	1.7%
Prospective yield	1.9%

That includes a net £1m (£600,000) of development costs that were capitalised.

The business is strongly cash generative and will continue to be so with the move to the web-based version of the GP software. Net cash was £17.7m at the end of June 2012 and this figure is set to continue to rise even though more will be paid out in dividends. EMIS may seek to spend some of this cash on add-on acquisitions to add to its range of software.

EMIS already has a strong market position, with 52.2% of the GP market and 36% of the pharmacy system market. EMIS has been awarded one of the two framework agreements for supplying managed services to GPs in Wales. By 2016, local decisions will be made on IT spending in the health sector and management believes that this could be beneficial to EMIS.

Revenue visibility is good for the second half. Full-year revenues are forecast to rise from £73.2m to £88m, while underlying profit should grow from £20.7m to £24m.

EMIS floated at 300p a share, so the share price has jumped 138% since then. That share price rise means that the prospective 2012 multiple is relatively high at 24. This multiple reflects the strong recurring revenues and the potential for growth in the company's markets.

Dividend news

Self-storage company **Lok'nStore** intends to increase its total dividend by 66% to 5p a share. That means that the final dividend will be 4p a share. Improving cash flow means that Lok'nStore can afford a more generous dividend policy. The company has fixed the interest rate on 70% of its debt and this provides greater certainty of interest costs. Future dividends will reflect growth in underlying cash generation. The development of the new Maidenhead store is being accelerated and two additional management contracts have been gained in Aldershot and Crawley.

Building products supplier **Lupus Capital** has restarted interim dividends with a 1p a share payment and it expects to pay a total dividend for 2012 of at least 4p a share. In 2011, 3p a share was paid. In the future the interim is likely to account for one-third of the total payout. Lupus has strengthened its balance sheet through the sale of oil services business Gall Thomson and underlying net debt is £34.2m, little more than one-third of the level one year ago. Canaccord Genuity forecasts an underlying 2012 profit of £19m, which would cover the expected dividend by 2.5 times.

Pawnbroker **H&T** has speeded up its store opening programme and this has held back profitability. A decline in interim profit from £10.3m to £7.5m also reflects a dip in gold-buying profit from its record short-term level. The interim dividend has grown on average by 19% a year but this year there was a more modest rise from 3.75p a share to 3.8p a share. Westhouse forecasts a fall in full-year profit from £22.9m to £16.6m in 2012 because lower gold-buying profit will only be partly offset by improved contributions from the other parts of the business. The full-year dividend is forecast to edge up to 11p a share.

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expert views

Expert view: The broker

Stable financial foundation for 600 Group recovery

By DAVID BUXTON

The past year has been one of considerable change for 600 Group.* The disposal of the South African operations coupled with the closure of the Polish factory, have resulted in substantial special items costs, while continuing business has also been impacted by tight constraints on finances.

The group has raised £1.47m via a placing at 7.5p (equivalent to a

a profit of £1.5m, a 13% increase year on year. The Laser Marking operation experienced an 8% decline in revenues to £7m with a profit of £0.3m, almost flat on the prior year.

Net bank interest charges were £0.6m, which increased 21% reflecting the higher average debt profile. The group incurred a tax charge of £0.9m (versus £0.5m). Special, or one-off, charges totalled £12.8m, which were

now £5.4m, with further proposed property disposals in the current year estimated at £1.6m.

Strategic review

The group has recently announced the closure of FMT, the loss-making Polish factory, and the restructuring of UK operations. Poland is now accounted for as a discontinued activity with a loss of £1.4m last year and £0.5m in the current year. The group is moving its EU activities to a proven distributor model, sourcing from an existing vendor in the Far East that supplies its US/Australian operations.

We introduce new profit forecasts of £0.3m for 2012-13 and £1.9m for 2013-14, which illustrate a considerable turnaround in underlying profitability as a result of the closure of FMT. Further asset disposals should occur in the current year, estimated to total around £1.6m. The group should be cash positive at the operating level in H2 2013, and should see net debt reducing by £1.1m in 2013-14.

New management, improving finances and recovering profitability provides a good investment story

31% rise in the equity base). Recent disposals have reduced debt by £2.7m, but a reduction in bank facilities means the cash injection improves working capital. The greater level of sourcing from the Far East implies a need for higher levels of working capital.

Full-year results show poor profitability partly due to cash constraints as well as losses in Poland. The recent closure of the loss-making factory in Poland significantly improves underlying profitability and provides a more financially stable foundation for growth. New management, improving finances and recovering profitability provides a good investment story, which is attractively valued.

Results

In the year to March 2012, turnover increased by 8% to £39.4m. Adjusted continuing pre-tax loss of £0.4m, before a £1.4m loss in Poland and a pension interest benefit of £1.6m, versus a £0.3m loss last year.

The Machine Tools & Precision Engineered Components division achieved revenue growth of 7% (stripping out Poland) and generated

mainly non-cash items including impairments to inventory, plant and development expenditure.

Redundancy costs totalled £1.4m, with a further £3.6m of restructuring and reorganisation costs. A post-tax loss on discontinued activities of £2.2m was comprised of £0.8m from 600 South Africa and £1.4m from Poland.

The combined effect of the recent disposals, equity placing plus the

Stable financial foundation for 600 Group recovery

agreement of the banks to a revised credit facility, means that the group has sufficient financial resources.

During the year, net debt increased by £3.2m to £8m. There was headroom on facilities of £1.3m.

The increase in debt was made up of an outflow on operating activities of £3.9m, capex of £1.1m, plus proceeds of the previous placing of £1.8m. Since the year-end, the cash position has improved through the disposal of the 600 South African business in July and the Shephed property disposal together totalling around £3m. Including the proceeds of the current placing proforma net debt is

The valuation is compelling on a P/E of 5x, with an EV/EBITDA of 4.7x. With the tough decisions taken, a recovery in earnings can occur and an improving investment scenario becomes clear at this attractive price. As such, a severe discount to its peers becomes less justifiable and a progressive re-rating should be in prospect. We set a new target price of 17.25p, which is based on a target P/E of 8.5x in 2013-14.

*600 Group is a corporate client of finnCap



DAVID BUXTON is a research director at finnCap

feature

Mixed performance from 2008 AIM entrants

There is no doubt that 2008 was a tough year for all stock markets, with junior markets being hit harder than most. That made it tougher to float but some companies managed it and a few have prospered.

No one can fail to be aware of the financial upheavals during 2008 and in those kinds of market conditions the junior markets, such as AIM, are hit hardest as investors seek what they perceive – rightly or wrongly – to be safer havens for their cash.

This was a year that new issues slumped in number terms and they were running at around one-fifth

FTSE Fledgling index which they have left. They are fairly small once they arrive on AIM but it gives investors an unfair perception of AIM.

Some of the Main Market transfers have done better. E-commerce services provider IS Solutions and packaging firm API have both done well since moving to AIM and their share prices have more than doubled.

class of shares floated in 2008.

In 2009, Caledonia Investments made a £37.50 a share tender offer for the shares the investment company and its partners did not own in TGE Marine. That is much lower than the £130 a share flotation price of the engineering services provider for gas carriers and offshore units.

PAQ International and TurfTrax (later Arteon) both lost their quotations because they did not comply with corporate governance and investing company rules respectively. TurfTrax sold its original horse racing data provision operations and changed its investing strategy to become a property investment and services business. The renamed Arteon subsequently lost its AIM quotation and there is currently a proposal to strike the company off the Companies House register. It has failed to publish its accounts for the year to 31 March 2010.

Chinese sweets manufacturer Sweet China has had a number of guises since it sold its confectionery operations. As Charles Street Capital it lost its AIM quotation by failing to complete a suitable acquisition in the required time period. Now

There are 37 companies that joined AIM in 2008 via a placing or offer for subscription

of the level in 2005. The pace of cancellations of company quotations was accelerating later in 2008.

The FTSE AIM All Share index fell 62.4% over 2008. The 2008 high was reached on 3 January and the low for the year was hit on 22 December.

The companies in the table with this article are the ones that joined AIM through a placing or other fundraising and are still quoted on AIM or have moved to the Main Market. It excludes reversals and other reintroductions, as well as introductions because they did not raise money at the time they joined AIM so they do not necessarily have a firm starting price.

It also excludes transfers from the Main Market or Plus-quoted. There were 11 transfers from the Main Market and four from Plus-quoted. The Main Market transfers included two that had gone bust within one year – engineer Wagon and Real Hotel Group, which barely lasted a few weeks. Just like JJB Sports more recently, these companies are examples of Main Market companies that hamper the performance of AIM and flatter the performance of the

Class of 2008

There are 37 companies that joined AIM in 2008 via a placing or offer for subscription. Ten of the companies are no longer quoted.

Most recently Family Shari'ah Fund Ltd gained shareholder approval to leave AIM. Phibro Animal Health Corporation (www.pahc.com) and 1700 Group, which floated as Steppingstone Associates, both chose to leave AIM much earlier than Family Shari'ah Fund. The recruitment

The Indus Gas share price has risen by 512.8% since it joined AIM in June 2008

activities of 1700 Group were subsequently bought by management via new holding company 1801 Group (www.1801group.com). 1700 Group was dissolved in January 2011.

Japan Leisure Hotels and KSK Emerging Fund have been wound up, with cash returned to shareholders, while Brookwell Ltd has redeemed the

known as Centurion Resources (www.centurionresources.com), the company is in the process of buying 80% of the Mitterberg copper project near Salzburg in Austria. Centurion will issue 55m shares, equivalent to £550,000, to acquire the stake. The other 20% can be bought for £400,000 in cash or shares.

feature

Mixed performance

Twenty-seven of the 2008 new entrants are still quoted on the London Market but just five of them are trading at a higher share price than when they floated. Engineering and construction services provider Kentz Corporation is one of the best performing of the AIM new issues from 2008 with a 247.8% gain. However, Kentz switched from AIM to the Main Market in July 2011. The rest are still on AIM.

The best performer of all is Indus Gas, which is currently the largest company on AIM. The share price of the gas producer has risen by 512.8% since it joined AIM in June 2008. Indus generated its first revenue in the six months to September 2010 when gas production started. Revenues are still modest for a company capitalised

at £1.8bn. Proven and probable gas reserves are estimated to be 307bcf and this goes some way to explaining the valuation. An updated resource estimate is expected this year.

The other strong performer is shell company Marwyn Materials, which subsequently acquired an aggregates business and became Breedon Aggregates.

A number of investment companies and shells joined AIM during 2008 and Marwyn Materials was the only one to prosper. The others were generally among the worst performers although they were not the worst of all.

Last month, shell company Longships returned the equivalent of 10p a share to shareholders via a B share issue on the basis of one B share of 50p for every five ordinary shares. Even when this is added to the current share price of 4.25p the underlying

share price has fallen.

When it is more difficult to raise cash it is generally the better-quality companies that succeed in floating. While there have been some stand-out performers, the general performance of the new issues in 2008 has been poor even though the AIM All Share index has recovered since then.

A rough calculation indicates that the average decline in the share prices was less than 2% thanks to the strong performance of the three best companies. That does not take account of what point in 2008 each company floated, though.

Although the overall performance of the 2008 new issues is disappointing it does underline how strong performances from a handful of companies can offset the poor performance of many more companies.

AIM FLOTATIONS RAISING MONEY IN 2008

COMPANY	SECTOR	ADMISSION DATE	NOMINATED BROKER	CURRENT PRICE	ADMISSION PRICE	% CHANGE
Indus Gas	Oil and gas	06/06/2008	Arden	1005	164	512.8
Kentz Corporation	Construction services	05/02/2008	Evolution	400	115	247.8
Marwyn Materials (now Breedon Aggregates)	Building materials	12/06/2008	Collins Stewart	21.88	10	118.8
Iofina	Mining	09/05/2008	Mirabaud	59.5	55	8.2
Thalassa Energy	Oil services	29/07/2008	Ocean Equities	52.5	51	2.9
MDM Engineering Group	Support services	12/05/2008	Numis	144	145	-0.7
Lifeline Scientific Inc	Medical equipment	07/01/2008	Seymour Pierce	139.5	150	-7
Mortice	Facilities management	15/05/2008	Jermyn Capital	59	65	-9.2
Share	Broking	15/05/2008	KBC Peel Hunt	24	27	-11.1
ReThink Group	Recruitment	17/06/2008	Smith & Williamson	8.5	10	-15
Obtala Resources	Mining	24/04/2008	Zimmerman Adams	16.25	20	-18.8
Crystal Amber Fund	Investment company	17/06/2008	John East	78.5	100	-21.5
OPG Power Ventures	Electricity	30/05/2008	Cenkos	45.5	60	-24.2
Chariot Oil & Gas	Oil and gas	19/05/2008	BMO Capital Markets	98.25	130	-24.4
Yangtze China Investment	Investment company	14/05/2008	Collins Stewart	75c	100c	-25
BioEnergy Africa (now Sable Mining Africa)	Shell	01/09/2008	Haywood Securities	8.92	12.5	-28.6
Longships	Shell	21/04/2008	Simple Investments	14.25*	20	-28.8
Valiant Petroleum	Oil and gas	13/03/2008	Oriel/Tristone	480	750	-36
Vietnam Property Fund	Investment company	25/04/2008	Seymour Pierce	52c	100c	-48
Terra Catalyst Fund	Investment company	25/02/2008	Fairfax IS	39	100	-61
Norcon	Telecoms services	28/07/2008	finnCap	26.5	69	-61.6
Resaca Exploitation Inc	Oil and gas	17/07/2008	Seymour Pierce/RBC	36.5	130	-71.9
designcapital	Shell	21/01/2008	HB	1.88	10	-81.2
MediLink-Global UK	IT services	18/11/2008	SVS	3	18	-83.3
African Medical Investments	Healthcare	27/06/2008	Seymour Pierce	0.88	10	-91.2
Enegi Oil	Oil and gas	20/03/2008	Cenkos/Fox-Davies	8.5	181	-95.3
Sunkar Resources	Mining	30/06/2008	Canaccord	4.2	120	-96.5

Prices at 5 September 2012. * Includes 10p a share distribution to shareholders

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Oil & gas	26.4	11.6
Financials	16.7	21.5
Basic materials	13.5	15.9
Industrials	11.4	18.7
Consumer services	8.4	9.5
Technology	7.9	9.4
Consumer goods	6.4	5.1
Health care	6.2	5.8
Telecoms	1.8	1.2
Utilities	1	1.2

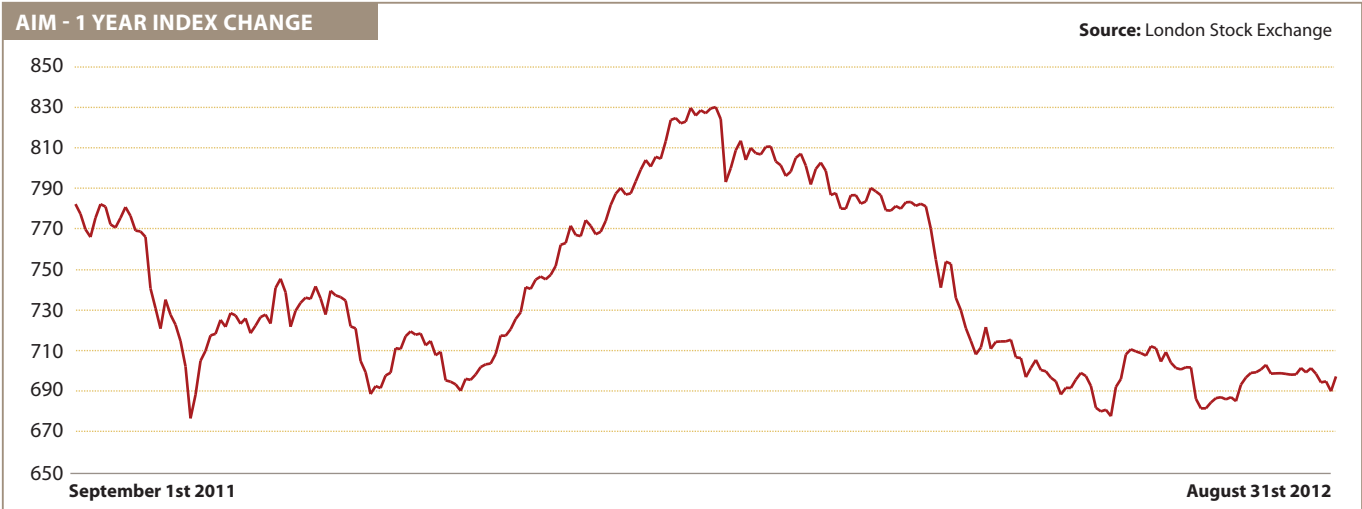
KEY AIM STATISTICS	
Total number of AIM	1,115
Number of nominated advisers	54
Number of market makers	57
Total market cap for all AIM	£59.8bn
Total of new money raised	£78.9bn
Total raised by new issues	£35.2bn
Total raised by secondary issues	£43.8bn
Share turnover value (2012)	£27.2bn
Number of bargains (2012)	3.67bn
Shares traded (2012)	128.1bn
Transfers to the official list	162

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	680.85	-11.8
FTSE AIM 50	2890.51	-9.6
FTSE AIM 100	3068.43	-12.7
FTSE Fledgling	4376.88	-3.5
FTSE Small Cap	3125.64	+3.4
FTSE All-Share	2972.63	+6.2
FTSE 100	5711.48	+5.9

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	286
£5m-£10m	147
£10m-£25m	220
£25m-£50m	200
£50m-£100m	126
£100m-£250m	90
£250m+	45

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Noventa Ltd	Mining	2.98	+205.1
Conexion Media	Media	0.45	+200
Sareum Holdings	Healthcare	1.57	+133.3
Scancell Holdings	Healthcare	30.75	+113.9
Sunrise Resources	Mining	1.35	+80

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
JJB Sports	Retail	0.41	-92.9
Manganese Bronze	Industrials	10.25	-63.4
Red Emperor Resources	Mining	4.1	-57.4
3D Diagnostic Imaging	Healthcare	0.14	-56.9
Xtract Energy	Oil and gas	0.2	-49.4



Data: Hubinvest Please note - All share prices are the closing prices on the 31st August 2012, and we cannot accept responsibility for their accuracy.

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finnCap

finnCap is an independent, client-focused institutional broker and corporate adviser, whose chairman is Jon Moulton. The firm is 95% employee owned and it has a dedicated small cap focus. finnCap's goal is to be the leading adviser and broker in the small cap space. The broker has a full service offering, plus strong aftermarket care and client service. A proactive team approach means that there is support from all departments for all of the firm's corporate clients. This helped finnCap become the

fastest growing broker in both 2009 and 2010. finnCap is ranked as the number two broker/nominated adviser on AIM by overall client numbers. It is number one ranked in healthcare, technology and industrials sectors.

finnCap was shortlisted for AIM Broker of the year, AIM Adviser of the year and Analyst of the year at the 2011 Growth Company Awards. It has also been shortlisted for best research at the AIM Awards. finnCap's corporate broking and sales trading teams have achieved

Extel Top 10 rankings for two years running.

finnCap has a strong track record of raising money for clients and it has advised on £280m of fundraisings and more than £300m of M&A transactions since June 2009. More than £140m was raised for clients in the year to June 2011.

Clients have a combined market value of around £3bn, with an average market capitalisation of approximately £40m. The top 20 clients have an average market capitalisation of more than £100m.



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