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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM admissions increase

More companies joined AIM last year than in 2016, although the share price performance of the new entrants was nowhere near as impressive. Given that the market has risen significantly over the past two years it is not surprising that flotations have pushed up their price expectations, providing less room for outperformance.

Allenby says that the average share price increase for the 2017 admissions was 13.2%, compared with 46.6% in 2016. In 2016, the reverse takeover of EVR led to a 638.1% increase and Blue Prism increased by 406.9%. Last year's best performer, Alpha FX, ended the year 157.7% above the placing price, with Ramsdens 140.7% higher. The median gain in 2017 was 2.3%, compared with 18.9% for 2016.

The majority of new admissions ended the year with a higher share price. If the reverse takeovers and introductions from the Main Market, the majority of which are lower, are excluded then the vast majority of new admissions made gains.

It is tempting to believe that those new admissions where existing shareholders sell shares at the time of the flotation might perform less well. That was not the case last year when these companies generated an average gain of 39.1% with the share prices of 17 of the 22 companies increasing.

Minergy chooses AIM

Botswana-based coal-mine developer Minergy plans to join AIM later this year and it is in the process of appointing a broker and other advisers. Botswana Stock Exchange-listed Minergy also considered the JSE and ASX but decided that AIM was the right market.

Minergy owns 100% of the Masama coal project in southwestern Botswana, which could supply the local and South African markets. The coal could also be exported to Asia. The first coal sales could be before the end of 2018.

Minergy hopes to obtain a mining licence by April. The plan is to develop the 390 million tonne Masama project into an opencast mine producing 2.4 Mt a year within 12 months of opening. The mine life could be 100 years. The resource is near to rail and road infrastructure.

Minergy has raised £7.5m, so far, to develop the project. NEX-quoted Hot Rocks Investments invested $260,000 in March 2011. There was talk of a flotation at that time but Minergy did not float on the Botswana Stock Exchange until April 2017, where it is the only coal miner on the market. The only other coal mine in Botswana is the government operated mine at Moropule.

In this issue

general news

Total Produce acquires stake in global rival

Fresh produce supplier Total Produce is acquiring a 45% stake in Dole Food Company from David H Murdock for $300m in cash. Dole is one of the largest freshproduce suppliers in the world and the deal "is expected to generate low double-digit-adjusted earnings per share accretion" in the first full year after completion (2019).

Total Produce has raised €145m at €2.30 a share. Balkan Investment and related parties associated with Total Produce executive chairman Carl McCann has invested €27m of the new money. This means that Total Produce is on the cusp of the top 20 AIM companies by market capitalisation.

The Dole brand dates back to 1851 and Murdock acquired a controlling shareholding in 1985. In the 12 months to 7 October 2017, Dole generated revenues of $4.46bn and EBITDA of $237m. The deal indicates an enterprise value for Dole of $2bn. That suggests that net debt is more than $1.3bn. Total Produce will have equal board representation. The annual revenues of the two companies are similar. There are plans for annual cost savings of $15m to $20m and this could increase to $35m over the mediumterm.

Total Produce has been predominantly focused on Europe but the acquisition of the Dole stake and the previous purchase of 50% of California-based The Fresh Connection, which had annual sales of $165m, will spread the geographic and product focus. There is an option to acquire up to 6% of Dole for $12m. The remaining 49% can be acquired after two years for between $250m and $450m.

FastBase plan

Analytics software developer FastBase Inc plans to join AIM in the second quarter of this year. Denmark-based FastBase provides Software-as-a-Service, which works as an add-on to Google Analytics and generates lead reports that include company profiles, visitor interaction, employees and contact details. FastBase was founded in December 2014 and has built up an extensive database of more than 200 million companies and 350 million websites. NEX and AIM-quoted Gunsynd is assisting FastBase with its junior market flotation and in return it will receive a consultancy fee of 0.75% of the market capitalisation of FastBase after admission to AIM. This fee will be paid in FastBase ordinary shares. Gunsynd has also invested in US-based spirits supplier Human Brands, which plans a flotation this year.

Frontier IP strategy pays off

A deal secured by MolEndoTech provides an excellent example of how the strategy of IP exploitation adviser and investor Frontier IP can enable a business to commercialise technology in a reduced timeframe. MolEndoTech has secured a subsidiary of fully listed Halma as its partner for a test for faecal matter in marine bathing water.

Frontier IP helps companies and research institutions to commercialise intellectual property. Instead of investing a cash sum, Frontier IP provides finance and administration advice and services, as well as introducing suitable commercial partners.

MolEndoTech was incorporated in June 2017, although the assay test was developed prior to this at the University of Plymouth. Frontier IP helped to prepare the business plan and negotiate the agreement with Halma. It also provided a loan facility for working capital. This means that Frontier IP has a 19.6% stake in MolEndoTech with a book value of £10,000.

The test developed by MolEndoTech takes less than 15 minutes, compared with more than two days for the current procedure. MolEndoTech supplies the assay for the test and the partner provides the equipment and market knowledge. The global water-testing market is valued at $3.5bn and it is growing at 5.5% a year. Additional tests will be developed.

This MolEndoTech deal was announced on the same day as a capital markets presentation at the official British residence of the UK ambassador to Portugal. MolEndoTech was one of the companies that presented. Frontier IP has two partnerships in Portugal and a pipeline of commercialisation opportunities in a country where IP commercialisation is not as developed as the UK. The opportunities include Paper-e, which is developing paper-based electronics and is piloting a potential paper-based glucose sensor.

advisers

Arden doubles cash raised

Arden Partners more than doubled the funds raised for clients in the year to October 2017. The AIM broker raised £150m, up from £61m the previous year. This is before the full benefit from recent staff hires.

Last July, Arden floated Angling Direct and raised £9m for the fishing equipment retailer. The number of clients fell from 39 to 38 at the end of October 2017.

Revenues jumped from £5.86m to £10.5m. This enabled a loss of £429,000 to be turned into a pre-tax profit of £747,000 – after charging £517,000 for restructuring costs. The main growth in revenues came from the corporate finance division, where they increased from £3.43m to £6.67m, although the equities division did increase its revenues from £2.43m to £3.77m.

There was £9m in the bank at the end of October 2017, although £200,000 has been spent since then on buying back shares. Arden is returning to the dividend list by paying a final dividend of 1p a share, which will be paid on 22 March. The shares go ex-dividend on 1 March.

Chairman Luke Johnson says that the broking industry requires further consolidation and Arden will consider opportunities that will provide cost savings and add to revenues.

Following the publishing of the annual figures, chief executive Donald Brown bought 50,000 shares at 45p each and 50,000 shares at 44.75p each.

■ AIM-quoted Crystal Amber Fund has more than doubled its stake in broker Cenkos Securities, from 2.99% to 6.4%. Cenkos itself bought back 1.38 million shares at 107p each. (Cenkos has spent nearly £27m on buying back shares since it floated on AIM in October 2006.) The shares acquired at the end of January appear to have come from Invesco, which slashed its stake from 14.3% to 2.86%.

■ WH Ireland increased its corporate and institutional broking revenues by 32% to £10m in the year to November 2017. Group revenues rose from £25.4m to £28.5m, while underlying pre-tax profit was £423,000. After exceptional gains and losses the overall loss was £1.14m. The broker is raising £2.4m at 120p a share in order to strengthen the balance sheet.

ADVISER CHANGES - JANUARY 2018

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Concepta	Novum	Beaufort/Novum	Spark	Spark	02/01/18
Elektron Technology	N+1 Singer	finnCap	N+1 Singer	finnCap	02/01/18
Veltyco	Whitman Howard	Northland	Strand Hanson	Strand Hanson	04/01/18
Skin BioTherapeutics	Northland/Turner Pope	Turner Pope	Cairn	Cairn	05/01/18
Provedence Resources	Mirabaud/Cenkos/Davy	Cenkos/Davy	Cenkos	Cenkos	08/01/18
Online Blockchain	Smaller Company Capital/ Throgmorton Street	Throgmorton Street	Beaumont Cornish	Beaumont Cornish	10/01/18
Zibao Metals Recycling	SI Capital	ZAI	Spark	Spark	10/01/18
Harvest Minerals Ltd	Shard/Beaufort	Mirabaud/Beaufort	Strand Hanson	Strand Hanson	11/01/18
Kromek Group	Cantor Fitzgerald/Cenkos	Cenkos	Cenkos	Cenkos	11/01/18
UniVision Engineering Ltd	SI Capital	ZAI	Spark	Spark	12/01/18
Shanta Gold Ltd	Numis	Peel Hunt	Numis	Peel Hunt	17/01/18
Haydale Graphene Industries	Arden	Cantor Fitzgerald	Arden	Cairn	18/01/18
Venn Life Sciences	Cenkos	Hybridan/Davy	Cenkos	Davy	25/01/18
Clear Leisure	SP Angel	Peterhouse/SP Angel	SP Angel	SP Angel	26/01/18
DX (Group)	finnCap	Zeus/Numis	finnCap	Zeus	29/01/18
Jangada Mines	Brandon Hill/Beaufort	Beaufort	Strand Hanson	Strand Hanson	30/01/18
Oxford BioDynamics	Shore	Stifel Nicolaus/Shore	Shore	Stifel Nicolaus	30/01/18
Sound Energy	Macquarie/RBC	RBC	Smith & Williamson	Smith & Williamson	31/01/18

company news

Ashley House on course for second-half turnaround and return to profitability

Health and care properties *www.ashleyhouseplc.com*

Interim figures from **Ashley House** do not reflect the much better outlook for the health and community care property developer. Revenues declined from £10.7m to £7m and the company fell into loss. A second-half recovery should mean that full-year revenues will be flat at £18.7m but there could be a full-year profit of £1.8m.

The government has made its stance on the local housing allowance cap clearer and that has kick-started development activity in the sector. There is undoubtedly significant demand for the properties developed by the group, which is in a much stronger position to take advantage of those opportunities.

There is undoubtedly significant demand

The Morgan Ashley joint venture with Morgan Sindall for the development of extra care and supported living housing has already sparked a recovery in the share price. Morgan Sindall has paid £2.5m of the £4m acquisition price and the other £1.5m could be paid in a few weeks, depending on completion factors. This will boost the balance sheet which had net debt of £3.5m at the end of October 2017. Additional working capital will be required but year-end net debt is expected to fall to £1.7m.

ASHLEY HOUSE (ASH)			11.25p
12 MONTH CHANGE %	+55.2	MARKET CAP £M	6.9

The joint venture has a pipeline valued at £203m but the revenues of the joint venture will no longer be consolidated in the Ashley House revenues. The order book for the modular building business F1 Modular is growing and covers health and other sectors.

Following the interim results announcement, the wife of non-executive director John Moy sold 500,000 shares at 11.5p each. The share price has fallen back from the high of 14.75p. The shares are trading on less than four times prospective 2017-18 earnings.

Problems mount up for Van Elle

Specialist piling contractor *www.van-elle.co.uk*

Piling contractor **Van Elle** appears to be the AIM company hardest hit by the demise of Carillion and it has already suffered setbacks since joining AIM. House broker finnCap cut its underlying earnings per share forecast from 12p to 9.1p on the back of the liquidation of Carillion.

That downgrade assumes that the £1.6m owed by Carillion will not be paid and the loss of expected work in the second half could reduce profit by £1.3m.

The continuing business is also finding the going tough. There is pressure on margins, particularly on two rail contracts, while there have also been weather delays on Scottish contracts. Cash generation remains strong.

VAN ELLE (VANL)			92.5p
12 MONTH CHANGE %	-14	MARKET CAP £M	72.5

Having fought off an attempt by previous management to change the board, Van Elle is seeking a new chief executive.

The construction and other sectors will be affected indirectly, as well as directly, by Carillion going bust and this will show through over time. There are other AIM companies directly affected, though.

Engineering and IT recruitment company Gattaca points out that most of Carillion's debt to the company is insured, with around £100,000 uninsured. Premier Technical Services says that it has £800,000 of annual revenues with Carillion with £300,000 still owed. Franchise Brands says that it will write off £316,000 owed by the facilities management operations of Carillion to the Metro Rod drain services provider, which has nonetheless traded more strongly than forecast in 2017. Staffing provider RTC Group's Network Rail-related business is owed less than £100,000. Bilby says that it does not think that its contract with CarillionAmey will be affected.

company news

Higher milk price feeds interim profit improvement at NWF

Feed, fuels, food distribution *www.nwf.co.uk*

A sharp recovery in the milk price was reflected in a return to profit for the animal feed division of **NWF**. Milk prices rose by a quarter to 31.9p/litre over the period and feed volumes increased by 11%. This was combined with production efficiencies at NWF's feed mills and pricing moves in line with commodity prices. An operating loss of £300,000 was turned into a £400,000 operating profit.

In the six months to November 2017, group revenues improved 16% to £295.8m and the pre-tax profit was 10% higher at £2.2m. Net debt was £16.3m and this will be significantly lower by the end of the year. Bank facilities of £65m last until October 2019. The net pension liability is £15.8m.

Milk prices rose by one-quarter to 31.9p/litre

The fuels division continues to grow, with operating profit improving from £900,000 to £1.1m. First-half volumes were a record at 269 million litres and NWF is the third-largest oil distributor in the UK. Management has been increasing sales to the commercial sector and continues to seek opportunities for geographic expansion.

NWF (NWF)			167p
12 MONTH CHANGE %	-5.9	MARKET CAP £M	78

The food distribution division was the disappointment in the first half but this appears to be a short-term blip. It is the nature of the business that clients will change their arrangements and contracts were lost. These have been replaced but there was a delay. The interim operating profit fell from £1.6m to £900,000.

The interim dividend is unchanged at 1p a share but an increase in the total dividend for the year is still expected.

Wynnstay benefits from closure of pet project

Feed, country stores *www.wynnstay.co.uk*

Wynnstay, like its rival NWF, was a beneficiary of the milk-price recovery last year. It had other challenges, though, with the Just For Pets retail business posing problems and ending up being put into administration just before the end of the financial year. That has hit the full-year figures but the prospects for the remaining business are positive.

Just For Pets made a modest operating profit contribution in 2015-16 and slumped into loss last year. There was a total loss and write-down of £6.59m, including an operating loss of £919,000.

In the year to October 2017, revenues from continuing activities were 9% ahead at £390.7m, while underlying pre-tax profit was 9% higher at £7.97m. At the interim stage, operating profit was flat but that included the pet retail loss. Net cash was £4.51m at the end of October 2017. NAV, including goodwill, is 437p a share.

WYNNSTAY GROUP (WYN)			477.5p
12 MONTH CHANGE %	-12	MARKET CAP £M	93

The improvement in the feed business and maintained seed volumes were partly offset by the arable operations being held back by lower grain volumes. The most recent wheat harvest has been estimated at 15.2 million tonnes, up from 14.3 million tonnes. Since the year-end, a fertiliser blending facility has been acquired in Montrose.

Wynnstay has 50 country stores and the retail division is the highest profit contributor. Like-for-like revenues were 5% ahead. Improved revenues from milk mean that farmers are spending more.

There was a 5% increase in the total dividend to 12.6p a share, which is consistent with the long-term dividend policy and this rate of increase is likely to continue. Shore Capital forecasts a 2017-18 profit of £8.2m, reflecting small profit improvements in each division. The shares are trading at 14 times prospective earnings, while the yield is 2.8%.

company news

Angle's Parsortix cancer diagnostics instrument awaits study results later this year

Cancer diagnostics *www.angleplc.com*

ANGLE (AGL)			50p
12 MONTH CHANGE %	0	MARKET CAP £M	58.6

Parsortix is attracting plenty of interest from research institutes but the circulating tumour cells capture technology developed by **Angle** is moving towards potential commercialisation. A US-based metastatic breast cancer study, covering 400 patients, should be completed in the second half of 2018. This is a potential £1bn a year market and the study will be important in terms of gaining US FDA approval and showing that Parsortix can be a commercial technology.

Once the use of the Parsortix platform is recognised in one form of cancer it should be less time consuming to gain approvals in other cancers. The number of global cancer cases is expected to increase to 22 million a year within two decades. There have already been positive study results for use with ovarian cancer, with further studies being carried out. New ways of utilising the Parsortix platform are being developed in research institutes.

> There are more than 145 Parsortix instruments in use

Interim revenues from instrument sales and consumables remain modest and they dipped from £219,000 to £188,000. More important, there are more than 145 Parsortix instruments in use. The total cash outflow before share issues in the period was £4.3m.

Angle bought Axela to add analysis to the Parsortix platform but it did not contribute in the first half. Axela's Ziplex technology can analyse genetic and protein biomarkers and provide specific information about a tumour. This technology is being integrated.

Last year's placings raised £15m to fund the acquisition of Axela and finance clinical studies and the FDA application for Parsortix. It should be noted that the first-half balance sheet to October 2017 did not include the cash from the fundraisings. Year-end cash of £7.2m is forecast. The cash should last well into the 2018-19 financial year but more will be required, possibly from partnering deals, before Parsortix becomes cash generative.

The Angle share price remains at a relatively low level compared with two years ago but significant progress has been made.

1PM set to take advantage of acquisition activity

Small business finance provider *www.1pm.co.uk*

1PM (OPM)			49p
12 MONTH CHANGE %	-10.9	MARKET CAP £M	41.1

Small business finance provider **1PM** has compiled, via acquisition, the range of finance products it believes it requires to provide a full service to its market sector. There is potential to cross-sell the products to existing clients and plenty of available finance to grow further.

In the six months to November 2017, revenues were 74% higher at £13.9m and pre-tax profit grew slightly faster to £3.6m. Some business is kept on the books while the rest is passed on to other finance providers in return for cash commissions. Bad debts remain enviably low. Interim earnings per share growth was modest. The finance book was £130m at the end of the period, while the overall cost of borrowing has fallen to 3.8%. There is £39.8m of headroom in existing facilities.

The completion of the investment in financial technology will make the business even more competitive and enhance growth prospects.

Share issues to finance acquisitions have held back earnings per share but this year there should be an improvement from 6.5p to 7.9p. That puts the shares on just over six times prospective 2017-18 earnings, which, even for a finance business, appears modest considering that 1PM has a base from which it can expand further.

The company's market share is negligible and there is plenty of scope to win business from the major banks.

dividends

K3 Capital's generous dividend pay-out

Business sales and brokerage *www.k3capitalgroupplc.com*

Dividend

Business sales and corporate finance business K3 Capital Group joined AIM at 95p a share in April 2017 and the share price has more than doubled since then. A final dividend of 4.4p a share was declared for the year to May 2017. House broker finnCap includes in its research a notional total dividend of 7p a share for the year.

The latest interim dividend is 2.85p a share. The full-year dividend is expected to be 8.2p a share and the strong growth forecast for the business means that next year's total dividend is expected to be 9.7p a share.

These dividends are equivalent to paying out 82% of earnings per share. Despite that, net cash is expected to increase from £3.7m to £6.8m this year and continue to rise.

Business

Bolton-based K3 helps owners to sell their businesses and it gains clients through a direct marketing strategy. There are three divisions: KBS Corporate Sales, KBS Corporate Finance and Knightsbridge. KBS Corporate Sales provides a business brokerage service for the sale of small companies to trade or institutional buyers. KBS Corporate Finance uses an execution-only model for clients that require a corporate finance director-led service. Knightsbridge is a business transfer service that helps to match buyers and sellers of companies typically valued at up to £1m.

K3 also offers its clients fully contingent legal fees through its partnership with AIM-quoted legal firm Gateley.

The AIM quotation and the related higher profile appear to have helped to accelerate growth. A move up the Thomson Reuters deal rankings is also helping. K3 has reached number one in the small cap M&A rankings and is progressing up in the table for the UK mid-cap sector.

K3 CAPITAL (K3C)	
Price (p)	230
Market cap £m	97.1
Historical yield	3%
Prospective yield	3.6%

Last year, revenues rose by 26% to £10.8m, while pre-tax profit improved 18% to £3.6m. In the six months to November 2017, revenues were 34% ahead at £7.5m and pre-tax profit moved from £2.48m to £3.21m.

KBS Corporate Sales generated the majority of interim revenues and it grew the fastest. Overall, group transaction volumes were a quarter higher in the first half. December was also a strong month so the full-year outlook for the group is positive. The long-term focus is on winning bigger mandates as well as growing the number of completed transactions.

Although finnCap upgraded its full-year revenues forecast from £12.5m to £13.5m it also increased its cost figures by the same amount because of additional staff hires. There is potential for a profit upgrade if business continues to be strong for the rest of the financial year.

The more than doubling of the share price appears overdone in the short term – and the attractive dividend must have helped. The shares are trading on 23 times prospective earnings for this year, falling to 20 next year.

Dividend news

Nexus Infrastructure reported slightly better than expected maiden full-year profit on AIM. Revenues were flat in the year to September 2017 but, as expected, pre-tax profit dipped from £10.8m to £9.1m, partly due to tough trading conditions earlier in the year and partly to increasing admin costs ahead of growth. Nexus provides infrastructure services to the housebuilding sector. The TriConnex utilities connections business is growing fastest and there is cash in the bank to expand this via acquisition. The full-year dividend was 6.3p a share.

Fashion brand **Joules** increased its interim dividend by 17% to 0.7p a share on the back of a 24% increase in underlying pre-tax profit. Net cash more than doubled to £3m. Retail stores and e-commerce revenues grew strongly. Gross margin was maintained at 55.5% due to growth in higher-margin international sales. finnCap has raised its full-year earnings forecast from 12.7p a share to 13.1p a share. The full-year dividend is expected to increase from 1.8p a share to 2.6p a share, which would be covered five times by earnings.

Compliance and energy services provider **Lakehouse** is paying a final dividend of 0.5p a share, having passed its interim, down from a total dividend of 1.5p a share last year. There was a decline in pre-tax profit from £7.5m to £5.5m. Net debt was £1.3m but there might be additional working capital requirements this year. Profit is on course to recover to £8.2m this year, but dividend expectations have been downgraded to 1p a share. Property services is expected to continue to lose money and the progress of energy services could be hampered by the slow roll-out of smart meters. The stake of former boss Stuart Black has been reduced below 3%. Non-executive director Derek Zissman bought 100,000 shares at 39.5p each.

expert views

Expert view: The broker

MySQUAR is capitalising on Myanmar's smartphone boom

By Barry Gibb

Five or six years ago, Myanmar had earned the unenviable title of being the 'World's Last Telecom Frontier'. Despite having a population similar in size to the UK's, it had fewer mobile phones than North Korea and genuinely was the land of the 'internet virgin'.

Today that picture is strikingly different. In 2013 the government, then led by president Thein Sein, ended the state monopoly ofr phone services. A transparent tender offer of new 3G/4G-ready licences obliged prospective investors to commit to covering the country's farthest reaches, not just its cities, where population density makes for easier money.

Just one year later, Norway's Telenor ASA and Qatar's Ooredoo Q.S.C. committed to infrastructure investment totalling $16bn to connect a country roughly the size of Texas, ranging over steep mountains and lowlands that flood in monsoon season. Japanese carrier KDDI Corp. and trading company Sumitomo Corp. also struck partnership deals with the government's Myanmar Posts and Telecommunications to invest another $2 billion. A fourth operator, Vietnam's telecom firm Viettel, is heading a consortium that will also enter the market in early 2018 as MyTel.

The results have been astonishing. In 2015, Myanmar signed up more people for mobile phone service than any other countries except China and India, according to the Asian Development Bank. By January 2017, the country had over 50 million mobile subscribers with 93% penetration, according to the Myanmar Computer Federation.

> By January 2017, the country had over 50 million mobile subscribers

In April, government sources reported that as much as 60% of the population now rely on social media for their source of local and international news, while routinely embedding commercial, information and media apps onto Android-based smartphones that can be bought on the streets of Yangon for from just $20 each. They can now even hail a car using ride-sharing apps like Uber or Grab.

Focus Economics predicts Myanmar will see GDP expanding 7.4% in 2018 and 7.5% in 2019, powered undoubtedly by an exceptionally young population (almost half is under 24 years old) who have wholeheartedly embraced this technological and communications revolution. The country is expected to be south-east Asia's fastest expanding territory over the coming decade.

Social media opportunities

Such scenarios, of course, opened a quite exceptional opportunity for providers of social media, like MySQUAR (MYSQ) which, under visionary chief executive Eric Schaer, grabbed first-mover advantage back in 2012 to establish Myanmar's first mobile social media platform.

With only 4% or so of the population able to converse in an international language, he recognised the importance of communication in local Burmese. Rapid user uptake has since seen MySQUAR expand its offer beyond social networking/chat to embrace entertainment, VoIP, online news and soon mobile commerce and social payment facilities.

In so doing, MySQUAR has become Myanmar's largest operator of mobile lifestyle and entertainment applications in Myanmar, while its base of registered users has expanded from less than one million at its June 2015 year end to over 20 million by end-October 2017. Exceptional brand recognition means the group has also erected high barriers to entry.

Monetisation

Having secured its position as Myanmar's 'go-to' local language platform, MySQUAR's focus has now turned to monetisation of its opportunity. Multiple channels, including sales of digital products, games, advertising, voice calls and social media intelligence now in place, can be expected to generate significant revenue opportunities in coming years.

BARRY GIBB is Director, Equity Research at Northland Capital Partners feature

AIM new issues raise £1.5bn

Last year, new entrants raised the most since 2014 and there is no other year the figure has been topped since 2007.

AIM new entrants raised £1.5bn in 2017, up from £1.1bn in the previous year. That is still a long way away from the £6.6bn raised ten years ago when there were 284 new admissions but it is a relatively large amount in the context of recent years.

Last year, the number of new companies increased from 64 to 80, although that does include readmissions and reverse takeovers.

These figures are for new money raised and do not include existing shares sold in a flotation. There were 22 companies where this happened. According to Allenby, in 2017, vendor placings accounted for 37.9% of the total funds raised by new entrants to AIM. That was £913m and includes £270.9m raised by shareholders in Eddie Stobart Logistics.

Sectors

The sector totals can be skewed by large individual fundraisings. Nearly half of the cash raised in the financials sector went to Greencoat Renewables (£237.6m) and Warehouse REIT (£150m). Back in 2007, there were large sums raised for property-related companies and investment companies. They accounted for just over £3.1bn of the £6.6bn raised that year. There was a trend towards investment in property in Europe and Asia at that time. Many of these companies did not do well.

Industrials was one of the most significant sectors this year, although there were some large individual fundraisings there as well.

Mining has been out of favour in recent years and the limited activity from new entrants indicates this. Existing AIM mining companies continue to raise money and they accounted for around 12% of the further fundraisings last year, although that was a lower percentage than in 2016.

There are signs that there could be more mining companies coming to AIM this year, but they may start off by raising a limited amount of cash in their flotation and come back to the market at a later date. Some of the companies are already quoted on another market but they believe coming to London is a way of accessing additional investors.

The cash raised by new oil and gas companies declined last year. A large fundraising by Hurricane Energy made a significant contribution for the £613m raised by the existing companies in the sector during the year.

Technology new issues have raised relatively small amounts in the past two years but the sector accounted for one-eighth of the funds raised by existing AIM companies.

Forthcoming

There is limited activity at the start of the year so there are few confirmed flotations on AIM. In the case of the most high profile, the company had to accept a lower valuation than it was trying for last August.

OnTheMarket, the owner of the OnTheMarket.com property portal, is floating on 9 February. It was seeking to raise £50m and ended up with £30m at 165p a share. The original estimated valuation was double the £100m valuation achieved.

OnTheMarket is still floating, though. It does not do a company any favours if it floats at too high a starting valuation. It tends to lead to underperformance of the shares even if progress is made by the business.

Medical-imaging technology developer Polarean Imaging, which had planned to float last year, is set to join AIM later in February.

MONEY RAISED BY AIM NEW ADMISSIONS (BY SECTOR)

SECTOR	2017 £M	2016 £M	2007 £M
Oil & gas	88.3	194.2	237
Basic materials	34	17.7	396.8
Industrials	409.8	68.3	424.5
Consumer goods	62.2	157.3	236.4
Healthcare	64	107.4	91.8
Consumer services	200.3	254.7	830.1
Telecoms	40	80	22.9
Utilities	1.6	11.5	119.9
Financials	530.4	151.4	4066.8
Technology	61.6	61.3	155

feature

AIM bosses pay revealed

Accountant BDO has published a report on the remuneration of the directors of AIM companies. The size of the company can be a major factor in pay levels.

The AIM Directors' Remuneration Report by BDO sets out the median pay for directors on AIM. BDO partner Scott Knight says that he expects greater remuneration transparency and that investors believe it is important that "companies set and formalise director pay with a clear strategy incorporating both fixed and variable elements".

The BDO study is based on companies quoted on AIM on 28 October 2016. There were 999 companies at that time and 460 of them are analysed in the report.

There are big differences between companies but the median chief executive pay is around £241,000 and finance directors tend to earn around 70% of the chief executive figure. Non-executive directors earn £33,000.

The retail sector has the highest median pay for chief executives, which is not a surprise given the large companies, such as ASOS and boohoo.com. However, most of the other sectors have higher-paid individuals, with annual pay of more than £1m. The highest-paid finance director in the retail sector earns less than 50% of the highest-paid counterparts in technology and industrial sectors.

The basic salary of a chief executive tends to account for 68% of total pay, with 18% coming from bonuses. Pension contributions are 4%, with the rest coming from other sources – share-based payments, etc. Non-executive directors received 94% of their remuneration as basic salary.

The median total board remuneration across all sectors is £643,000. There tend to be two executives and three non-executives on a board but this can vary significantly between companies, particularly when it comes to the larger ones.

The average remuneration does not change much when based on the revenues of the companies. There is a much greater difference when market capitalisation is taken into account. The boards of companies with a market value of more than £100m cost £1.33m, while between £50m and £100m the cost is £796,000. Companies that are valued at less than £50m pay their boards £458,000.

Splitting this into sectors shows that real estate companies with a market value of more than £100m pay their boards the most, with a median of £1.78m. Yet real estate companies valued at less than £100m have the lowest-paid boards on the same basis.

Financial services businesses have the second-highest-paid boards, except in the category where market capitalisation is less than £50m. There they are the third-lowest median payers. This may have something to do with the number of small shells and investment companies in the sector, where pay can be minimal while an acquisition or investment is sought.

Retailers have the highest-paid boards for companies valued at between £50m and £100m. The total median remuneration of £1.35m is higher than the median of £1.29m for retailers with a market value of more than £100m.

When total board pay is assessed in terms of profitability, the figures show that the more profitable companies in a sector have higher-paid boards. Retail is one sector that sticks out, with the companies with profit of between £5m and £10m paying £1.66m and those with profit of more than £10m paying £1.18m.

MEDIAN BOARD COST BY MARKET CAPITALISATION (£000)

SECTOR	>£100M	£50M-£100M	<£50M
Financial services	1680	1192	393
Healthcare	1277	659	615
Leisure	320	681	446
Manufacturing	1377	710	490
Natural resources	1240	1136	473
Utilities	329	633	731
Professional services	1206	700	604
Real estate	1784	542	336
Retailers	1291	1353	408
Support services	1366	742	569
Technology	1428	811	391
Average	1330	796	458

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer services	18.2	10.7
Industrials	16.1	17
Financials	16	16
Healthcare	13.7	9.2
Technology	11.1	12.8
Consumer goods	10.2	5.9
Oil & gas	6.9	10.6
Basic materials	5.8	14.2
Telecoms	1.3	1
Utilities	0.4	1.1

KEY AIM STATISTICS

Total number of AIM	960
Number of nominated advisers	32
Number of market makers	48
Total market cap for all AIM	£106.9bn
Total of new money raised	£106.3bn
Total raised by new issues	£43.3bn
Total raised by secondary issues	£63bn
Share turnover value (2017)	£67.8bn
Number of bargains (2017)	11.5m
Shares traded (2017)	835.7bn
Transfers to the official list	185

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1069	+21
FTSE AIM 50	6228.45	+29.6
FTSE AIM 100	5537.92	+31.2
FTSE Fledgling	11134.5	+21.1
FTSE Small Cap	5897.77	+13.3
FTSE All-Share	4137.66	+7.2
FTSE 100	7533.55	+6.1

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	142
£5m-£10m	114
£10m-£25m	186
£25m-£50m	164
£50m-£100m	120
£100m-£250m	140
£250m+	94

TOP 5 RISERS OVER 30 DAYS

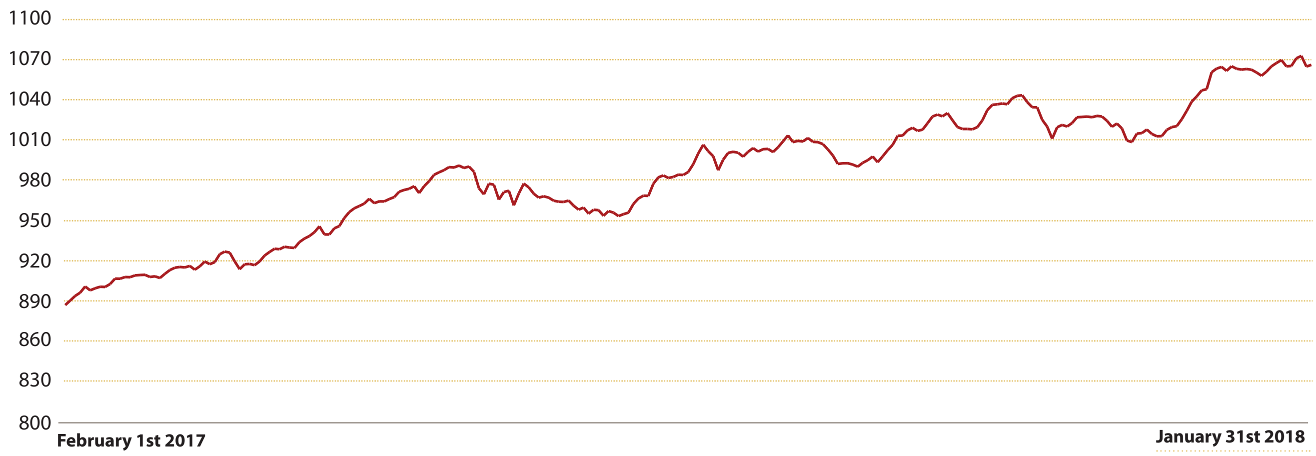
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Stellar Diamonds	Mining	5.75	135.9
Borders & Southern	Oil and gas	4.5	129.7
i3 Energy	Oil and gas	52	121.3
Lombard Risk Management	Software	12.55	104.9
N4 Pharma	Healthcare	20	99.5

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Kimberly Enterprises	Property	0.08	-80
Velocys	Cleantech	9.8	-68
Greatland Gold	Mining	0.66	-66.7
Defenx	Software	20.5	-53.4
RM2 International	Logistics	1	-47.4

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st January 2018, and we cannot accept responsibility for their accuracy.

sponsors

Northland Capital Partners

Based in London, Northland Capital Partners Limited is an independent institutional stockbroker and corporate adviser. Northland enables growth companies to access capital and offers a full nomad service to AIM-quoted small and midcap companies. It has excellent connections with investors, providing them with equity research, advice and trading services. Northland has assembled a team of highly motivated and experienced professionals that aims to deliver unparalleled service to our clients.

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

As the most successful growth market in the world, AIM is an important platform for helping small companies raise capital. At Northland, we see the AIM Journal as an opportunity for investors to learn more about the many great companies quoted on AIM.

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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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