finnCap

finnCap
Partners for growth

www.finnCap.com

OCTOBER 2014

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM's micro attractions

Fund manager Downing Corporate Finance believes that there are still plenty of opportunities at the lower end of the AIM market. In Micro-cap: Why small is beautiful (www.downing.co.uk/Uploads/docs/1361.pdf) Downing says that if you do your homework you can select individual companies that are capable of producing consistent and long-term returns.

Downing defines companies with a market value of less than £100m as micro cap and it believes that the real value is below £50m. This is because larger funds generally do not like investing in these companies because of a lack of liquidity.

Downing says that companies with a value of less than £50m are trading at a 29% discount to companies with a market value of between £150m and £1bn.

It is not just Downing that is a fan of micro companies. Miton chief executive Gervais Williams has written a follow up to his book Slow Finance, which was published in 2011. The Future is Small will be published on 10 November and its subheading is "Why AIM will be the world's best market beyond the credit boom". Williams believes that AIM has the potential to be the best-performing world market for many years to come.

New AIM entrants hiatus

New AIM admissions are still to recover following the expected lull in the summer. Two new companies joined AIM in September – Camellia, which moved from the Main Market, and digital advertising services provider Crossrider, which raised £45.9m. More companies are planning to join AIM in October.

The most recent QCA/BDO small and mid-cap sentiment report showed that raising money in the public markets is still the most favoured option for small companies but bank finance is being increasingly considered. This is because raising capital on the market is deemed to be easier than raising it from anywhere else, although the gap between the perceived ease of raising public equity and bank debt is narrowing.

Telecoms services provider Gamma Communications is set to join AIM on 10 October. Newbury-based Gamma reported a one-fifth increase in 2013 pre-tax profit to £9.3m and the growth is coming from increased software content and rising client numbers for cloud services. US-based Enecsys, which develops micro inverters and monitoring systems for the solar market, is set to join AIM in early October and raise £12m. Other potential new companies are drug discovery technology developer C4X Discovery, Gigaclear, which provides fibre-optic cable connections to rural communities, and mobile gaming platforms supplier Nektan.

In this issue

HubInvest publishes AIM Journal

www.hubinvest.com

general news

Stanley Gibbons in bid for Mallett

Stanley Gibbons is further diversifying its collectibles interests via an agreed bid for fully listed antique dealer Mallett. The acquisition will provide cross-selling opportunities and enable Stanley Gibbons to enhance the offering of its online platform. It will also be earnings enhancing in its first full year, according to the buyer, even though it is currently loss-making.

Stanley Gibbons is offering 60p a share for Mallett, which values the company at £8.6m. In June, Mallett paid a special dividend of 12.7p a share. The performance of the business can be highly volatile and Mallett fell into loss in the first half of 2014.

The deal follows the £45.3m cash and shares acquisition of AIM-quoted coins dealer and auctioneer Noble Investments one year ago. In between these deals, Stanley Gibbons bolstered its original business via the acquisition of Murray Payne, the world's leading dealer in British Commonwealth King George VI stamps, for £1m in cash and shares.

One of the things that Noble and Mallett have in common is that they own long-established and well-known brand names. The Stanley Gibbons subsidiary that owns auctioneer Dreweatts, which came with the Noble business, is being used to acquire Mallett. Mallett was founded in Bath by John Mallett in 1865 – nine years after Stanley Gibbons was founded. Initially, Mallett focused on jewellery but it subsequently moved into art and furniture. After 100 years in Bond Street, Mallett moved to a new showroom at Ely House in Dover Street in 2012. The firm also has a showroom in New York and owns 60% of a restoration business.

AIM Focus event

The latest AIM Investor Focus event will be held at finnCap's offices in London on 23 October. The event starts at 11.30am and is open to private investors and fund managers. There are four AIM companies booked up to present. They are defence business Cohort; IT services provider to space, media and government sectors SCISYS; automotive telematics supplier trakm8; and fire and smoke alarms supplier Sprue Aegis, which moved from ISDX to AIM earlier this year. Managements will also be available for one-to-one meetings. All four of these businesses have good growth prospects and the Sprue Aegis share price has performed particularly strongly since the company joined AIM at the end of April. Further information and sign-up details are available at http://www.blackthornfocus.com/content/aim-investor-focus-october-2014.

Page returns to Real Greek

David Page has made restaurant chain The Real Greek the first acquisition for his shell Fulham Shore eleven years after it was the first acquisition of one of his previous shells, Clapham House. Real Greek is owned by Kefi, where Page owns a stake, and it will be acquired for £13.9m in shares and cash – a profit multiple of around 17 times. Fulham Shore, which operates one franchised Franco Manca pizza restaurant, is raising £1.6m at 6p a share and will move from ISDX to AIM on 20 October.

Real Greek was acquired by Clapham House in December 2003. The initial consideration was £363,000 with a potential earn-out of up to £8.775m. There was an initial earn-out payment of £280,000 in cash and 204,000 shares for 2003-04 but it does not appear that there were any further payments. Nando's made a 74p a share bid for Clapham House at the end of 2010, valuing the company at £30.4m. Real Greek was sold to Kefi for £2.42m in June 2011.

Back in 2010, Real Greek had six restaurants in London. There are now seven restaurants, including one in Windsor opened in May. Five out of the six original restaurants are still operating. Another restaurant is due to open in Berwick Street in Soho early next year. The target is to operate 40 Real Greek restaurants in the UK.

In the year to March 2010, Real Greek generated an operating profit of £308,000 on revenues of £6.44m, having reported a loss after exceptional provisions and write-downs the previous year. In the year to June 2014, the business made a pre-tax profit of £1.05m on revenues of £8.6m. Although not totally like for like with the 2009-10 figures, this does suggest that there has been good growth in the business, probably helped by the lack of opening costs for new sites. Kefi had net cash of £391,000 at the end of June 2014.

advisers

Northland boosts broking team

Patrick Claridge has been appointed chief executive of AIM adviser Northland Capital Partners and he has wasted no time in boosting the team at the broker.

Claridge was previously chief executive of AIM-quoted broker and wealth manager Merchant Securities from July 2008 and he agreed a £12.2m takeover by South African financial services group Sanlam at the end of 2011. He left the renamed Sanlam Securities the following June. He initially became a consultant to Northland, which is owned by Canada-based Sandfire Capital Inc.

Since Claridge's appointment at Northland, Gerry Beaney has been recruited as head of corporate finance. Beaney was previously head of capital markets at accountant Grant Thornton, which at one point had the most clients of any AIM nominated adviser, and he left in 2013. The research team has been boosted by the recruitment of online gaming analyst Michael Campbell from Daniel Stewart. This widens the research focus away from resources and technology.

Trading in the shares of Daniel Stewart Securities was suspended on 1 October because it had not published its accounts for the year to March 2014. Daniel Stewart has been getting later reporting its full-year figures. In 2011 they were reported on 30 August, in 2012 on 27 September and in 2013 on 30 September.

Fund manager Miton Group reported an 84% increase in underlying interim profit to £3.42m during a period when the Liverpool business was sold and there was a change of manager for the PSigma multi-asset funds. There was £2.64bn under management at the end of June 2014. However, Miton subsequently announced that it had lost a mandate over £325.6m of assets, which will reduce 2015 revenues by £1.1m. Peel Hunt had forecast 2015 revenues of £18.2m and it has cut its 2015 profit forecast from £6.2m to £5.3m. This does mean that it is unlikely that there will be any additional deferred consideration for the acquisition of PSigma Asset Management.

ADVISER CHANGES - SEPTEMBER 2014

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Red Rock Resources	Dowgate	Dowgate	Beaumont Cornish	Grant Thornton	01/09/2014
Regency Mines	Dowgate	Dowgate	Beaumont Cornish	Grant Thornton	01/09/2014
Telford Homes	Peel Hunt/Shore	Shore	Shore	Shore	01/09/2014
Weatherly International	finnCap/RFC Ambrian	RFC Ambrian	RFC Ambrian	RFC Ambrian	02/09/2014
Independent Oil & Gas	finnCap	Charles Stanley	finnCap	Charles Stanley	04/09/2014
Akers Biosciences inc	finnCap	Daniel Stewart/ Peterhouse	finnCap	Daniel Stewart	08/09/2014
Falanx	Charles Stanley	WH Ireland/ Peterhouse	Charles Stanley	WH Ireland	08/09/2014
EMED Mining	Fox-Davies	Fox-Davies	Canaccord Genuity	RFC Ambrian	09/09/2014
Faroe Petroleum	RBC/Oriel/ Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	15/09/2014
Kefi Minerals	finnCap/Fox-Davies	finnCap/Fox-Davies	SP Angel	Fox-Davies	15/09/2014
Paragon Diamonds Ltd	Northland	Sanlam	Sanlam	Sanlam	15/09/2014
Xtract Resources	Hume/Cenkos	Cenkos	Cenkos	Cenkos	15/09/2014
Green Dragon Gas Ltd	Cantor Fitzgerald/ Peel Hunt/Smith & Williamson	Peel Hunt/Smith & Williamson/Macquarie	Smith & Williamson	Smith & Williamson	16/09/2014
Powerhouse Energy Group	Allenby/Sanlam	Sanlam	Sanlam	Sanlam	16/09/2014
Northern Petroleum	First Energy/ Westhouse	Westhouse	Westhouse	Westhouse	17/09/2014
Ultima Networks	Peterhouse	Zeus	Cairn	Zeus	22/09/2014
TomCo Energy	Shore	Fox-Davies	Shore	Fox-Davies	26/09/2014
Tavistock Investments	WH Ireland	Northland/ Peterhouse	Northland	Northland	29/09/2014
Vertu Motors	Liberum/Zeus	Liberum/ Panmure Gordon	Liberum	Panmure Gordon	29/09/2014

company news

TLA Worldwide investment in new businesses leads to 2015 profit upgrade

Athlete representation and marketing *www.tlaww-plc.com*

Baseball players' representative and sports marketing business **TLA Worldwide** reported better than expected interim figures and investment in the business means that there should be significant profit growth in 2015.

In the six months to June 2014, underlying pre-tax profit improved from \$3.5m to \$3.9m. The majority of that profit contribution came from the baseball representation business, which has a large number of rookies on the books. This should ensure continued growth in the next few years.

The main growth in profit, though, came from sports marketing, whose clients include US Ryder Cup players Patrick Reed and Jim Furyk. TLA has gained the rights to stage the International Champions Cup football tournament in Asia Pacific from 2015 and has also been appointed as exclusive commercial agent to USA Rugby.

The 2015 profit forecast has been upgraded to \$12.3m

The recruitment of sports marketing executive Dave Bialek will help TLA to move into the sponsorship and in-stadia marketing sectors and this is where the extra investment will go. Bialek will bring with him a perimeter signage contract with nine clubs in the top Mexican football league.

TLA WORLDWIDE (TLA)			38.25p
12 MONTH CHANGE %	+15	MARKET CAP £M	46.9

Net debt was \$8.5m at the end of June 2014 and this could be reduced to \$1.1m by the end of 2015, according to house broker Numis. Additional investment in the sponsorship and in-stadia advertising operations has led to a \$300,000 cut in the 2014 profit forecast to \$9m but the 2015 figure has been upgraded from \$11.7m to \$12.3m. The shares are trading on nine times prospective 2015 earnings and yield 2.1% on a forecast dividend of 1.3 cents a share.

Essenden better placed for bowling expansion

Bowling centres operator *www.essenden.com*

Bowling centres operator **Essenden** has sorted out its balance sheet by converting its loan notes and the business is growing strongly. The sharp reduction in net debt means that Essenden is in a stronger position to expand its portfolio of 29 tenpin bowling centres.

Net debt was just short of £20m at the end of 2013 and this has been reduced by £1.16m. Most of the remaining debt is in the form of finance leases. Essenden has a working capital facility of £5m which lasts until September 2017. Capital and refurbishment spending will increase in order to improve the return on the sites.

ESSENDEN (ESS)			64p
12 MONTH CHANGE %	+151	MARKET CAP £M	32.1

Reported interim revenues were flat at £24.2m but lower costs meant that profit improved from £1.3m to £1.78m before the £9.25m adjustment for the book loss and costs of the loan-note conversion. Like-for-like revenues grew 6.1%, when the closed site in Grantham is stripped out, despite the negative impact of the World Cup. The like-for-like growth in the 37 weeks to 14 September is 9.2%.

Trefick has sold around 5.8m shares in recent weeks, thereby reducing its stake from above 19% to 7.68%. Harwood Capital still owns 34.3%.

The loan-note conversion more than doubled the number of shares in issue. The additional shares have diluted earnings per share so the profit multiple will increase this year despite a rise in profit. Pro forma interim earnings per share were 3.1p, up from 3p in the first half of 2013 – the reported comparative was 6.9p. A forecast 2014 profit of £2.7m puts the shares on 15 times earnings, while a further profit improvement to £3.9m would reduce the prospective multiple to just over 10 times.

company news

Hargreaves Services plans move into UK electricity generation

Coal producer and supplier *www.hargreavesservices.co.uk*

Coal supplier **Hargreaves Services** is keen to become involved in coal-fired generation and it believes that it could successfully run a power station because of its coal mining and supply expertise. Operating its own power station would provide demand for the coal that the company mines and imports. This is part of the strategy to focus on coal and sell non-core operations.

Hargreaves believes that coal will continue to be an important part of the energy mix for some years despite environmental opposition. However, contracts have shortened in length, which hits revenue visibility and coal prices have fallen. Hargreaves has started production at its Scottish surface mines but overall coal production revenues were flat at £16.7m last year. Hargreaves has

Hargreaves should have net cash by May 2016

talked with a number of coal station operators and it will seek a low-risk opportunity. A decision should be made before the end of the year.

In the year to May 2014, continuing revenues improved by 3% to £869.2m in an uncertain time for the sector and continuing pre-tax profit was one-fifth higher at £52.1m. The total dividend was increased from 20.5p a share to 25.5p a share. Net debt was reduced from £77.9m to £68.8m and that was before the £26.9m disposal of Imperial Tankers. Hargreaves should have net cash by May 2016.

Hargreaves still has some problems to sort out. A decision will

HARGREAVES SERVICES (HSP)			570p
12 MONTH CHANGE %	-32.1	MARKET CAP £M	188.6

have to be made on the future of the Monckton coke works due to volatile coke prices and this could release £17.5m of working capital if closed. A decision will be made by the beginning of 2015.

WH Ireland forecasts a fall in 2014-15 pre-tax profit to £45m following the disposals and relatively flat profit for 2015-16. Even so, there is still scope for dividend growth to 27.5p a share this year – target dividend cover is four times. The share price has fallen by nearly one-fifth and Hargreaves is trading on less than six times 2014-15 prospective earnings and has a prospective yield of 4.8%.

Mi-Pay ready to reap Asian benefits

Mobile payment services *www.mi-pay.com*

Outsourced mobile payment services provider **Mi-Pay** has invested in its infrastructure and sales resource and it should reap the benefits in 2015, with Asia Pacific likely to be a significant market for the company.

Mi-Pay could be cash-flow positive by the end of 2015 and there should be enough cash in the bank to reach that point. One of the good things about the business is that it receives the cash and passes it on to the mobile

MI-PAY (MPAY)			39.5p
12 MONTH CHANGE %	+14.5	MARKET CAP £M	13.4

operators so it does not have to wait to have its own fees paid. Mi-Pay takes a small percentage of what is paid and takes care of potential bad debts, credit card fees and other charges. Contracts tend to be for a minimum of three years.

Mi-Pay reversed into AimShell Acquisitions, which came with cash.

Net cash was £2m at the end of June 2014, although there is also £500,000 in deferred consideration receivable on the sale of Autoclenz, the shell's previous business.

Mi-Pay lost a contract, which led to a dip in revenues from £1.63m to £1.36m, but underlying growth was 11%. Mi-Pay is processing £50m of payments a year and it has capacity to take on much more without overhead increases. A major Philippines-based mobile operator will be connected shortly.

company news

Summit seeks finance to grab German investment opportunities

German property investor *www.summitgermany.com*

SUMMIT GERMANY (SMTG)			€0.56
12 MONTH CHANGE %	N/A	MARKET CAP €M	164.6

Summit Germany is confident that it has plenty of opportunities but it will need to raise additional cash in order to take advantage of them. There is a pipeline of potential acquisitions of multi-tenant office properties that could cost a total of €120m but they will need to be financed. These potential deals are still at an early stage, with most only at the preliminary discussions stage.

Germany-focused Summit originally floated on AIM in 2006, a time when many country-focused property investors were joining the junior market. Following the global financial crisis, Summit left AIM in 2009. The business was sorted out and put on a sound footing and this enabled it to return to AIM in February 2014 when it raised €35m. A major city location, stable income and development potential are three of the main things that Summit focuses on when it is assessing property acquisitions. The most recent acquisition yielded 13.7%.

> The shares are trading at a one-third discount to forecast NAV

The portfolio consists of 97 properties that yield 8% on a valuation of €576m, while the loan to value of the debt is 54%. The disposal of a property in Berlin was done on a 5% yield. The German property market is strengthening and management believes that there is an opportunity to make acquisitions at high yields but this may only last up to 18 months.

The underlying NAV is 79 eurocents a share and Cenkos forecasts an increase to 84 eurocents by the end of 2014. The shares are trading at a one-third discount to that forecast NAV. On top of that a 3 eurocents a share dividend is forecast for this year, rising to 5 eurocents next year. These dividends will be paid out of cash generated from rentals and will not be based on revaluation gains. The prospective 2015 yield is nearly 9%.

1PM seeks to satisfy small-business demand

Finance provider *www.1pm.co.uk*

1PM (OPM)			64p
12 MONTH CHANGE %	+51.8	MARKET CAP £M	23.4

Small-business-focused finance provider **1PM** is raising up to £4m via a placing and open offer at 61p a share and this will help it to accelerate the growth of the business. There continues to be strong demand for finance from small businesses so management is confident that it can use this extra cash.

In order to raise this level of cash, 1PM had to issue shares at a 15% discount to the then market price but the benefits will outweigh that negative. Existing shareholders are also being given the chance to participate in a one-for-eighteen open offer, which closes on 15 October. Henderson, which has been taking profits on its stake, has taken up shares in the placing.

1PM will use £800,000 to relocate offices and employ additional staff, as well as expanding the company's network of brokers that introduce clients. The rest of the cash will go directly to financing additional lending.

1PM has kept up its record of beating its upgraded forecasts. In the year to May 2014, revenues were 36% higher at £4.21m and pre-tax profit improved from £775,000 to £1.35m – slightly higher than the forecast. There are no forecasts at the moment but 1PM could continue to grow even before the additional cash. The share issue may hit earnings per share in the short term because it will take time to make use of the cash and start to generate a return. The shares are trading on 18 times 2013-14 earnings.

Quarterly Personal income benefits

Employee benefits *www.personal-group.com*

Dividend

Personal Group has consistently grown its dividend for well over a decade and more recently it has made quarterly payments. Back in 1999 the total dividend was 3.3p a share and by 2004 it was 10.1p a share. Since then the dividend growth has been steady and in 2013 the total dividend reached 18.6p a share. The current quarterly dividend is 4.9p a share and the total for 2014 will be 19.6p a share. A total dividend of 20.4p a share is forecast for 2015 and the dividend cover is expected to rise to 1.5 times based on forecast earnings.

There was nearly £15.3m of cash and investments at the end of June 2014, with up to £6m of deferred consideration payable for Lets Connect IT Solutions, which was acquired for an initial £6m, but the cash should be generated out of the profit made by that business. Further acquisitions may reduce the cash pile.

Business

Personal has historically been a steady business but the purchase of Lets Connect, which provides salary sacrifice schemes enabling employees to acquire computers and other technology products, should be the first step on accelerating the growth rate. Personal is 30 years old and the core business has historically been selling hospital plans and providing other employee benefits. Historically, Personal has not generated much income from the employee benefits it offers because most have been provided by third parties but Lets Connect is a major move towards generating more revenues from its client base.

Personal provides employee benefits advice to more than 2m employees of around 550 organisations in the UK. Lets Connect brought additional clients, including National Grid, GE Capital and Grant Thornton – only one of its 100 clients was a client of Personal. There is scope to cross-sell existing services to these new clients as well as offering Personal clients the Lets Connect employee benefits service.

PERSONAL GROUP (PGH)	
Price (p)	532.5
Market cap £m	160.5
Historical yield	3.5%
Prospective yield	3.7%

Mark Scanlon became chief executive at the end of 2011 and he has built up the base of the company, strengthened management and invested in technology. Investment in business development is paying off, with Translink and Four Seasons Healthcare gained as customers.

In the six months to June 2014, revenues increased from £13.9m to £17.4m and the pre-tax profit improved from £3.31m to £3.46m. There is a small contribution from Lets Connect in the interim figures. Most of its business is currently done prior to Christmas, so there will be a more significant contribution in the second half.

House broker Cenkos forecasts a rise in underlying pre-tax profit from £8.3m to £10.4m on revenues that are expected to jump from £28.4m to £50.1m – mainly Lets Connect's contribution. A profit of £12m is forecast for 2015. The shares are trading on 17 times prospective 2015 earnings but there is scope to reduce the multiple through making earnings-enhancing acquisitions.

Dividend news

Online gaming firm **GVC** continues to trade strongly following the integration of the Sportingbet businesses and it is paying another special dividend of 2.5 eurocents a share on top of the 12.5 eurocents a share quarterly dividend. GVC is on course to increase its underlying earnings per share from 58.8 eurocents to 70 eurocents in 2014. GVC can still afford to invest in mobile technology and its sportsbook. The UK online gaming tax changes will have a small effect on GVC although its focus on other markets means that it will not be anywhere near as large a cost as for most of its peers.

Residential property developer **Inland** more than doubled its dividend from 0.27p a share to 0.6p a share in the year to June 2014 and it is forecast to rise to 0.9p a share this year. Inland improved its profit from £5.1m to £8.6m. Plans to double the number of housing units built to around 500 should, along with land sales, help profit to grow to £12m in 2014-15. Inland owns more than 1,000 plots with planning permission out of a total of 3,700 potential plots. Although NAV is 32p a share, house broker finnCap believes that the underlying value is nearer 80p a share.

Wealth manager **Brooks Macdonald** increased its full-year dividend by 16% to 26p a share even though underlying earnings dipped from 87.9p a share to 86.2p a share in the year to June 2014. Investment held back short-term profit. Total funds under management grew 28% to £6.55bn – a combination of organic and acquired growth. Earnings are expected to rise again this year and the company should be able to continue to increase its dividend at around the current rate. In the longer term, Brooks Macdonald will be a beneficiary of changes in pension legislation over the coming years.

expert views

Expert view: The broker

Powering ahead with Aggregated Micro Power

By DAVID BUXTON

Aggregated Micro Power* (AMP) is an attractive investment because of the opportunity for income and capital growth backed by physical assets and stable cash flows.

AMP is a low-risk renewable energy investment based on the use of standard technology in the growing biomass combined heat and power (CHP) sector of the distributed energy market. AMP will develop these energy assets and refinance soon after commissioning each project in order to release cash for the next development.

Crystallising value from developed projects will eventually occur through the financial disposal of the portfolio, while in the meantime the group will gain from operating cash flows in order to pay a progressive dividend, which is expected to commence in 2H 2015E.

AMPIL

The purpose of Aggregated Micro Power Infrastructure Ltd (AMPIL) is to assist in enabling AMP to recycle its capital into new biomass boiler projects cash for AMP to recycle into the development of new biomass projects, (the current business model assumes just biomass boilers, but it could include gasification plants too). Transactions between the two will be on an arm's-length basis.

Valuation

We believe the correct approach to valuing AMP is based on the value built up within the portfolio of cash generative operating assets. We consider a 12% discount rate to be a conservative benchmark to discount profits given the group's risk-averse profile, albeit AMP is yet to demonstrate project delivery or the roll-out of its portfolio.

We have calculated an NPV of future revenue streams, based on a total portfolio of 14 gasification projects over a 20-year time frame, with no terminal growth value. The group is expected to generate a post-tax IRR of 13.4%.

The applicable discount rate fairly reduces over time as risks are eradicated (e.g. John Laing Infrastructure Fund uses a discount rate of 8.18% versus our 12% for AMP) but it currently points to a five-year valuation uplift in the order of 2.8x the current price, with a theoretical price target of 279p.

AMP has the ability to rapidly recycle capital in order to develop new projects and accelerate operational cash-flow growth. It has dependable long-term utility-style investment parameters and a growing dividend; in total, AMP offers a very attractive investment proposition.

**Aggregated Micro Power is a corporate client of finnCap*

AMP offers a very attractive investment proposition

AMP is trading on an 8.5% premium to its 100p a share AIM flotation price and it is trading on a basic prospective 2016 P/E of 5.8. This provides substantial potential to deliver strong investment returns, particularly as the group progressively achieves milestones in its build-out programme.

AMP is a developer and operator of biomass energy projects with a near-time pipeline of two biomass gasification projects and a 1MW wood gasification power plant in Cumbria, which has just been refurbished and is in the process of being commissioned. It also sells processed wood chip and pellets to the commercial heating market.

The group has a strong management team with in-depth knowledge of the renewables sector as well as a proven track record in developing and delivering successful projects. The group has an ambitious strategy and a clear plan to profitably scale up operations. AMP's micro power units are significantly lower risk than larger biomass projects from both an operational as well as a regulatory perspective.

that are not EIS eligible and therefore cannot be held on the balance sheet, to deliver a high and secure income stream to AMPIL investors, and to deliver a deferred payment to AMP shareholders.

AMPIL is a completely separate company to AMP. It is a UK limited company owned by Law Debenture as Trustees for charitable purposes and funded via the issuance of loan notes listed on the Channel Islands Stock Exchange. The loan notes yield 8% pa and are redeemable on or before 31 December 2028.

AMP and AMPIL have a contractual relationship that is at the heart of the business model, whereby AMPIL can purchase projects from AMP in exchange for the development fee paid to AMP and then retain AMP to source the fuel and operations and maintenance under separate supply agreement. Once AMPIL's loan notes have received their interest payments and have been redeemed at par either on sale of assets or on the final redemption of the loan notes, there is a deferred payment back to AMP of the remaining proceeds.

The disposal of project assets releases

DAVID BUXTON is a research director at finnCap

feature

AIM maintains ISA liquidity improvement

AIM appears to still be benefiting from the change in ISA rules, with trading volumes much stronger so far in 2014 than they were in the corresponding months of last year.

It has been just over one year since AIM shares were allowed to be included in Individual Savings Accounts (ISAs) so it provides an opportune time to assess the effect of the move. The positive effect appears to be continuing even though the performance of AIM has been poor in recent months.

Every month since August 2013 showed an improvement in the number of trades and their value compared with the same month the previous year. In all but two of the months in 2014 these figures were also higher than in the corresponding months in 2012.

In the first seven months of 2013 the trading volumes were lower than in 2012 in terms of both average value traded each day and average daily number of trades. The total number of bargains up until the end of July 2013 had slumped from 3.7m to 2.7m, while the total value of those trades declined from £27.2bn to £16.4bn.

In contrast, there were 4.1m trades in the first seven months of 2014, while the value of the bargains was £28.8bn. In fact, the total value of trades for the whole of 2013 of £29.6bn was surpassed during August, although the number of trades was 4.5m, so they will not pass the 4.8m mark for 2013 until this month.

Direct comparisons between the figures for August 2013 and August 2014 are made more difficult because the ISA inclusion was from 5 August so there was not a whole directly comparative month. This can be counterbalanced by the fact that there will have been a one-off element in the trading in the month because some investors will have waited to buy shares or will have been required to sell stakes and buy them back in an ISA.

MOST TRADED AIM SHARES DURING AUGUST 2014

COMPANY	MARKET CAP £M	% TRADED
Kea Petroleum	6.57	122.7
MX Oil	4.95	66
Renewable Energy Holdings	1.22	46.1
Kalibrate Technologies	42.20	41.3
African Minerals	102.02	35.2
Eredene Capital	12.60	31
Beacon Hill Resources	6.21	26.2
Evocutis	0.78	26.1
Mosman Oil & Gas	19.00	24.8
ASOS	2,363.40	24.4

The value of trades on 5 August 2013 was £123.3m, nearly £50m above the previous day's trading. On 5 August 2014 the value of trades was £116.8m. Given the one-off nature of the change that commenced on 5 August 2013, the fact that trading value was not much lower one year later, combined with the trading over the month as a whole, shows that the improvement in trading has held up well.

The number of bargains jumped from 19,939 on 5 August 2013 to 23,189 one year later. There were 20,344 trades on 6 August 2013, suggesting that the initial ISA buying continued but there were 27,326 trades on 6 August 2014. This year's figures show that there continues to be good trading volumes from small investors, whether they are buying shares in ISAs or not.

One of the signs of the improvement in trading volumes is the 57% increase in the underlying operating profit of Winterflood Securities to £26.6m in the year to July 2014. The market maker trades in non-AIM companies as well but AIM makes up a significant part of its business.

Winterflood states in the Close Brothers results that the improvement was helped by greater trading in AIM and other less-liquid small quoted companies. Income per trade increased from £6.33 to £6.81 while the average number of trades during the year rose from 46,610 to 55,749.

Winterflood added that the improvement in income per trade is feature

"principally due to a change in mix towards more profitable AIM trading". It also says that the increased trading activity was "due to stronger trading in AIM and international sectors".

The AIM performance was strong during the first few weeks after the ISA rules changed and by the end of 2013 the FTSE AIM All Share index had risen by 14%. Despite the greater liquidity the market has not held up, partly because of the high weighting of ASOS, which has fallen sharply. In the 12 months to 5 August 2014 the AIM index was just over 4% higher.

Company volumes

All of the top ten most traded AIM companies by percentage of market value in August 2013 are different to the ones in the top ten a year later. In both periods the lists are dominated by small companies.

This measure provides a better indication of how liquid an individual company can be because the companies at the top of the trading lists tend to be the largest and a relatively small percentage of their valuation may have been traded in an individual month.

Individual events can affect the level of trading. For example, JP Jenkins-traded investment company Eurovestech raised £3.2m by selling an 8.5% stake in software company Kalibrate Technologies in early August and there were other large sellers in the month. Of course, there are buyers on the other side of the deal so the value of the shares traded was double the value sold. This limited the number of trades and, in total, there were 64 trades in Kalibrate in August.

> The number of bargains jumped from 19,939 on 5 August 2013 to 23,189 one year later

Of course, the market values of the companies differ day by day as well as year to year, with some companies worth more and others worth a lot less than 12 months before.

An example of this is online fashion retailer ASOS, where disappointing trading sparked share trading and 24.4% of its market valuation was traded in August 2014, compared with 8.18% of the company's market value one year before. The share price has fallen by two-fifths over that period and the market capitalisation has fallen by a similar amount. The value of the shares traded has increased from £321m to £576m. The number of trades in August 2013 was 43,381 and this more than doubled to 90,729 this August.

Insurance services provider Quindell, because it is a regular issuer of shares, has increased its market value from £545.6m to £730.5m over the 12-month period even though the share price is similar. The percentage of market capital traded has risen from 11.8% to 24%. The value of the shares traded has risen from £64.3m to £175.4m . The number of trades has jumped from 5,813 to 34,853.

The figures show that AIM companies can be liquid. Some of the larger companies tend to be consistently traded in every month but there needs to be something to spark interest in many of the smaller ones in order to increase trading levels.

AIM liquidity varies between different companies, which is no different from other markets, but there are still a large number of AIM companies that are rarely traded. There has undoubtedly been an overall improvement in liquidity but this improving trend needs to continue.

AIM trading volumes

AVERAGE DAILY VALUE OF TRADES £M

	2012	2013	2014
January	179.6	117.5	210.4
February	262.4	114.2	213.0
March	219.5	132.9	220.4
April	193.7	106.1	238.4
May	155.6	118.8	166.7
June	124.1	103.2	191.4
July	164.5	90.9	135.5
August	79.6	98.8	114.9
September	115.4	134.6	
October	124.2	148.4	
November	103.6	127.6	
December	88.1	112.0	

AVERAGE DAILY NUMBER OF TRADES

	2012	2013	2014
January	24,660	19,036	26,533
February	29,736	18,630	26,096
March	28,794	21,133	29,245
April	27,350	18,237	31,891
May	24,837	19,829	26,283
June	21,132	16,571	29,636
July	19,587	14,201	24,470
August	16,078	18,536	21,470
September	20,392	22,056	
October	16,945	20,134	
November	16,109	21,008	
December	13,996	16,934	

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	20.5	18.4
Oil & gas	15.1	12
Industrials	13.6	17
Consumer services	13	10.6
Technology	10.6	10.8
Health care	8.6	5.9
Basic materials	6.9	16
Consumer goods	6.9	5.9
Telecoms	3	1.4
Utilities	1.6	1.4

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	750.08	-5.4
FTSE AIM 50	3568.8	-14.3
FTSE AIM 100	3236.51	-11
FTSE Fledgling	6886.47	+13.8
FTSE Small Cap	4377.99	+4.1
FTSE All-Share	3533.93	+2.6
FTSE 100	6622.72	+2.5

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	222
£5m-£10m	143
£10m-£25m	223
£25m-£50m	174
£50m-£100m	140
£100m-£250m	137
£250m+	64

KEY AIM STATISTICS

Total number of AIM	1103
Number of nominated advisers	46
Number of market makers	52
Total market cap for all AIM	£76.8bn
Total of new money raised	£88.4bn
Total raised by new issues	£38.7bn
Total raised by secondary issues	£49.7bn
Share turnover value (2014)	£31.1bn
Number of bargains (2014)	4.5m
Shares traded (2014)	223.8bn
Transfers to the official list	169

TOP 5 RISERS OVER 30 DAYS

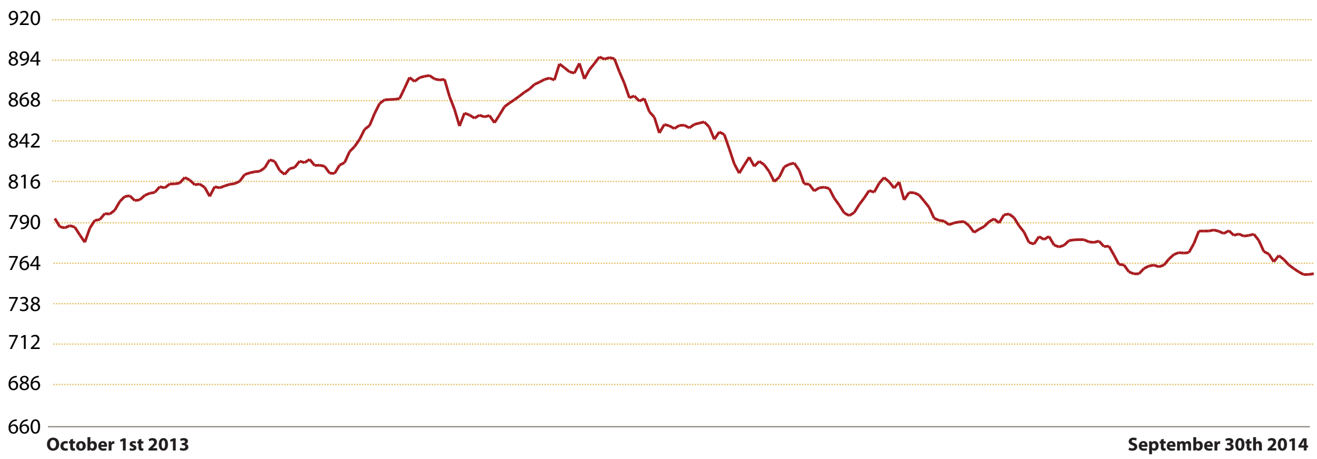
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Kalimantan Gold Corp Ltd	Mining	3.73	+351.5
Solo Oil	Oil and gas	0.89	+147.2
Sovereign Mines of Africa	Mining	1.57	+142.3
Surface Transforms	Technology	16.75	+123.3
Touchstone Gold Ltd	Mining	0.95	+111.1

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Tangiers Petroleum Ltd	Oil and gas	0.5	-79
London Mining	Mining	7.75	-74.2
MoPowered Group	Telecoms	7.12	-72.7
Sable Africa Mining Ltd	Mining	1.59	-66.4
Gowin New Energy Group Ltd	Cleantech	1.2	-58.3

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th September 2014, and we cannot accept responsibility for their accuracy.

sponsors

finnCap's mission is to help ambitious companies grow and to be the leading independent broker to ambitious companies, focused on fuelling growth through long term partnerships. We will exceed client expectations through faultless execution, joined-up service and proactive thinking, all tailored to the needs of each individual client.

finnCap, whose chairman is Jon Moulton, is 95% employee-owned and is the top AIM broker by overall client numbers, according to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three broker in the oil and gas sector and in the top five in the basic materials sector.

In 2013, finnCap commenced market making and launched fAN Club, a new offering aimed at providing specialist support to ambitious small private businesses seeking pre-IPO funding.

finnCap was presented with the Best Research award at the 2012 AIM Awards, while finnCap's corporate broking and sales trading teams have achieved Extel Top 10 rankings for three years running. finnCap is a sponsor of the AIM Awards, the plc Awards and the UK tech Awards.

In the year to April 2014, finnCap reported a 36% jump in revenues to £15.5m and operating profit was 92% higher at £5m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were launched in 2014.

PUBLISHED BY:	Hubinvest Ltd,	**Mobile:**	07849 669 572
ADDRESS:	1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH.	**EDITOR:**	Andrew Hore
		DATA:	Andrew Hore
TELEPHONE:	020 8549 4253	**PRODUCTION & DESIGN:**	David Piddington

SPONSORSHIP & ADVERTISING editor@aimmicro.com
or telephone 020 8549 4253