

GROWTH COMPANY

I N V E S T O R

THE INDEPENDENT VOICE ON FAST GROWING COMPANIES

SPOTLIGHT ON AIM 2007



Growth Company Investor's fourth annual survey of AIM uncovers continued strong growth across the board, with the number of companies having increased by 16.6 per cent over the past year to 1,631 and the market value improving by 69 per cent to £95.8 billion.

Although the IPO pipeline has slowed recently, the overall rate of new AIM entrants has remained strong, with 370 ventures joining up (including transfers from other markets, but excluding re-admissions). These companies managed to attract more than £9.8 billion in new funds.

This report, however, goes beyond these headline statistics and seeks to assess the overall quality of the companies on AIM. Our analysis uncovers those businesses that have performed the best – and the worst – over the past year, by examining their share prices, as well as changes in sales and earnings. We have also ranked companies by common valuation measures such as price-to-earnings and price-to-sales ratios as well as dividend yields. An analysis of the sector breakdown has yielded interesting results too.

The report could not have been completed without the professional help and assistance of leading law firm Hunton & Williams.

Best-performing shares

Table 1 charts the best-performing shares in our study. Sitting at the top of the list is Kent Ertugrul's 121 Media. This company has developed an exciting internet advertising business at a time when online advertising has truly come into its own. Its combination of leading industry executives, high-profile partnerships and serious institutional backers (Morgan Stanley recently invested £2.6 million at 1500p) has caught the imagination of the market.

Others of note in Table 1 are sports representation and wealth management

business Formation, which has enjoyed a 412 per cent increase in its share price following strong profits growth, and film and TV rights group ContentFilm, an enterprise seemingly flourishing under the guidance of chief executive John Schmidt.

In terms of profitability, it's worth noting the company 13th in Table 1, namely RC Group. It is one of AIM's growing legion of Asian stocks and one of its most impressive in terms of business performance – the biometric security firm recently posted profits of almost £20 million on sales of £62 million.

The worst performers

Considering the fall-out in the online gaming sector, the constituents of **Table 2**, which charts the worst-performing stocks on AIM in share price terms, should not surprise many. Sportingbet and Leisure & Gaming both nurse savage losses, and online money transfer business Neteller (just outside the worst 15), a venture intimately linked to the sector, has proved another casualty, shedding nearly 80 per cent of its value.

The biggest loser was Chariot, the UK company behind new charities lottery 'Monday'. Launched last April, the lottery suffered disappointing sales. It is now a cash shell in search of opportunities in the leisure sector.

Businesses that disappointed with losses or profit warnings feature heavily in this table, among them software minnow Global Gaming and Screen FX, the digital advertising and communications specialist. Accumia (once again, just off our table) is more than 75 per cent lower at 70p and down from a 52-week high of 315.5p. It was one of the highest-profile casualties of the recent turbulence in the consumer debt sector.

AIM's largest companies

Our research demonstrates the emphatic growth in the size of AIM companies, even

GROWTH COMPANY		HUNTON & WILLIAMS	1
BEST-PERFORMING SHARES			
Company	Share price (p)	% gain	
121Media	1370.00	758.97	
Formation	27.50	411.63	
Contentfilm	18.75	350.00	
Advanced Power Components	29.25	359.26	
Tanfield	89.75	349.37	
Plant Health	231.50	296.55	
Aukett Fitzroy Robinson	14.12	292.59	
Microcap	1.43	256.25	
Sr Pharma	72.25	237.50	
Theo Fennell	138.50	220.22	
Central AG	12.00	212.50	
Oilex	60.50	201.20	
RC Group	115.00	200.00	
Lo-Q	27.50	197.44	
Brady	57.00	190.24	

GROWTH COMPANY		HUNTON & WILLIAMS	2
WORST-PERFORMING SHARES			
Company	Share price (p)	% loss	
Chariot	0.45	-99.63	
Smart Tel	0.40	-98.42	
Leisure & Gaming	10.75	-92.56	
Sportingbet	47.00	-89.72	
Evolutec	18.75	-88.61	
Monsternob	44.25	-87.50	
Global Gaming	0.55	-87.43	
Canisp	0.45	-87.14	
Cartucho	4.50	-86.09	
Screen FX	0.29	-85.56	
Equator Exp.	52.00	-85.14	
Optimistic Ent.	4.50	-85.00	
Biofuels	27.50	-84.78	
Cornwell Management	16.50	-84.06	
CDS Oil & Gas	1.25	-83.87	

after the recent market correction. Five concerns in **Table 3** are now worth more than £1 billion (there were only two such giants a year ago), and 24 companies are valued at more than £500 million, double the number commanding such price tags a year ago.

Resource giants continue to dominate, with

AIM'S LARGEST COMPANIES

Company	Sector	Value (£m)
Yamana Gold	Mining	2220.42
First Quantum Minerals	Industrial Metals	1769.09
UrAsia Energy	Mining	1535.11
New Star Asset Mgmt	General Financial	1395.80
Sibir Energy	Oil & Gas	1374.34
Peter Hambro Mining	Mining	884.38
xG Technology	Electronic & Electrical	799.21
Just Retirement	Life Insurance	775.24
Nikanor	Industrial Metals	741.21
Monsoon	General Retailers	704.76
Playtech	Travel & Leisure	684.80
Clipper Windpower	Electricity	671.72
Dawnay, Day Treveria	Real Estate	669.34
Lancashire	Nonlife Insurance	651.83

BEST IPO'S BY FUNDRAISING

Date of joining	Company	Issue price (p)	Amount raised (£m)
13-Dec-06	Hirco	500	370.00
20-Dec-06	Unitech Corporate Parks	100	360.00
23-May-06	Infinity Bio-Energy	317	272.94
3-Oct-06	Partners Group Global Opportunities	678	268.89
28-Mar-06	Playtech	257	265.08
21-Apr-06	Trinity Capital	100	250.00
15-Nov-06	Northern European Properties	71	235.78
17-Jul-06	Nikanor	600	216.00
24-Nov-06	Ishaan Real Estate	100	207.00
16-Mar-06	Puma Brandenburg	100	185.00
21-Feb-07	Prosperity Russia Domestic Fund	51	179.50
18-Oct-06	Spazio Investment	844	172.88
31-May-06	Develica Deutschland	68	170.94
17-Mar-06	Speymill Deutsche Immobilien	100	170.00
11-Apr-06	Ingenious Media Active Capital	100	150.00

AIM'S LARGEST SECTORS BY VALUE

Sector	Value (£m)	No. of companies
Mining	14065.65	177
Real Estate	11066.74	91
General Financial	9657.88	191
Oil & Gas Producers	9354.21	92
Support Services	5360.14	132
Media	4537.05	119
Software & Computer Services	4304.50	147
Equity Investment Instruments	4274.29	55
Travel & Leisure	3938.56	82
Industrial Metals	3142.41	8

BEST IPO'S BY SHARE PRICE GAIN

Date of joining	Company	Amount raised (£m)	Issue price (p)	Recent price (p)	% gain
8-Aug-06	Renesola	26.47	79.00	530.00	570.89
21-Dec-06	Oxeco	3.00	1.00	6.00	500.00
10-Oct-06	Kanyon	3.50	1.00	5.00	400.00
21-Apr-06	Uramin	34.25	69.00	218.50	216.67
12-Jun-06	Worthington Nicholls	8.70	50.00	155.00	210.00
7-Apr-06	IX Europe	10.00	22.00	65.50	197.73
16-Feb-06	Oilex	0.00	20.50	59.00	187.80
13-Dec-06	RGI International	88.88	305.00	875.00	186.89
21-Apr-06	Silverdell	5.70	50.00	141.50	183.00
25-Apr-06	Aukett Fitzroy Robinson	0.00	4.87	13.25	172.07
11-Jul-06	ARC Fund Management	0.00	7.00	19.00	171.43
29-Dec-06	ResponzeTV	0.00	15.00	39.00	160.00
25-Aug-06	Urasia Energy	0.00	130.00	313.50	141.15
17-Nov-06	Speymill Macau Property	42.13	53.00	125.00	135.85

AIM'S LARGEST SECTORS BY NUMBER OF COMPANIES

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Travel & Leisure	3938.56	82
Pharmaceuticals & Biotechnology	2949.21	63
Electronic & Electrical Equipment	2865.32	60

Yamana Gold having leapt to the fore following a market value surge to £2.2 billion (£550 million). Mining and metals giant First Quantum retains second spot following a value increase from £1.1 billion to £1.77 billion. Newcomer UrAsia Energy, the uranium mining concern brought to market by Canaccord in August, is capitalised at more than £1.5 billion and Sibir Energy retains fifth

spot by virtue of an increase in market value from £795 million to £1.37 billion.

Fourth place is occupied by fund management giant New Star, chaired by John Duffield and worth almost £1.4 billion in the wake of a 52 per cent rise in its market value this year. Improving investor interest in the renewables space accounts for the conspicuous positioning of Clipper Windpower, the wind energy giant chaired by Colin Moynihan.

AIM's largest sectors

Table 4 shows the largest AIM sectors by value. Investor enthusiasm for mining stocks and the continuing torrent of new issues contributed to a 73 per cent surge in the value of this sector to £14.1 billion.

The value of the oil and gas sector has increased to more than £9.3 billion (from £8.5 billion), although it has been pushed down to number four (having previously

occupied the top slot) due to the gains of the real estate and general financial sectors. Real estate in particular has vaulted from £2.8 billion to £11.1 billion following a deluge of new and large investment funds targeting India, Germany and Eastern Europe. In all, AIM boast 91 property-related concerns, against 53 this time last year.

The biggest IPOs

Table 6 displays the largest AIM floats by the amount they raised at IPO.

In 2005/06, a dozen ventures attracted more than £100 million, half of them overseas property funds. During the period of this study, 31 ventures managed to raise £100 million or above.

The two biggest fundraising exercises were executed by Hirco, which attracted £370 million and Unitech Corporate Parks, which pulled in £360 million. Both are focused on India.

FASTEST-GROWING COMPANIES BY SALES

Company	2006 turnover (£m)	2005 turnover (£m)	% gain
Mwana Africa	25.10	0.01	250900.00
Black Rock Oil & Gas	145.62	0.86	16832.56
London Town	11.60	0.09	12788.89
Medusa Mining	\$4.98	\$0.06	8200.00
Veris	29.57	0.54	5375.93
Zetar	57.86	1.26	4492.06
Spectrum Interactive	16.97	0.52	3163.46
Ubet2win	0.93	0.03	3000.00
TEG	0.55	0.02	2650.00
Betbrokers	1.06	0.04	2550.00
Vietnam Opportunity Fund	\$111.9	\$4.39	2448.97
Lennox	9.77	0.39	2405.13
Cambrian Mining	0.72	0.03	2300.00
Proventec	3.41	0.15	2173.33
Pursuit Dynamics	1.49	0.09	1555.56

570 per cent north to 530p, having debuted on AIM at the equivalent of 79p in August.

Hot on its heels was Kanyon, set up to invest in the hydrocarbon and mining sectors, jumping from its 1p debut price to 5p, and recent entrant Oxeco, an investor in the technology sector.

One traditional business worthy of note is Worthington Nicholls, the Corporate Synergy-advised air conditioning business that has seen its price surge more than 200 per cent to 155p on the strength of acquisitions, contracts and financials.

Fastest-growing companies by sales

Many of the companies featured in **Table 8**, which ranks the fastest-growing ventures by turnover, are either early-stage companies, where sales have grown from a relatively low base, or ventures that completed business-transforming acquisitions.

Mwana Africa, the pan-African resources play, reported a sales surge from £7,000 in 2005 to £25 million in 2006. These results, however, were the first consolidated figures following the 2005 acquisition of privately owned Mwana Africa by African Gold, a deal transforming the company into a cash-generative commodities producer and explorer.

Astute acquisitions explain the phenomenal revenue rise at Zetar, a firm floated as a shell in 2005 with the aim of buying and building a confectionery and snack foods group. Sales for the 72-week period to April were £57.9 million (£1.26 million), reflecting the acquisition of Kinnerton, a maker of novelty and niche chocolate confectionery.

Fastest-growing companies by earnings

Table 9 ranks those businesses growing earnings at impressive rates. Once again, many of the leaders have transformed their earnings

profile through corporate activity, among them the deal-hungry diagnostic testing kits business BBI, which raised its earnings from 0.1p to 3.7p.

Architectural business Aukett Fitzroy Robinson is the result of a 2005 reverse takeover by profitable Fitzroy Robinson of loss-making Aukett. It delighted investors with a near fourfold rise in profits for the year to September 2006.

Top of **Table 9** is Optimisa by dint of its April 2005 transformational acquisition of the profitable marketing intelligence business KAE. Second is XXI Century Investments, the Ukrainian property investor, whose earnings soared following a profits leap and a substantial re-evaluation of its property portfolio.

Lowest p/e ratios

Table 10 shows the cheapest stocks on AIM as measured by the prospective P/E ratio. This table is often dominated by those that have witnessed management upheavals, encountered trading difficulties, are still very small or produced losses in their last financial year.

Orbis, top of **Table 10**, fits into this latter category. The last set of results from this 'repositioned' property/security services venture showed a loss of more than £7 million.

Brightview, an internet services provider, is loss making and was recently 'refinanced', while the troubles at the likes of Leisure & Gaming and Accuma have already been mentioned.

One of the most substantial ventures here is Fujin Technology. Its latest missive to the market relayed details not only of its £50 million divestment programme, but a profits leap to £11.7 million (due to disposals) and a cash pile of £20 million.

Highest-yielding companies

A considerable number of AIM stocks offer yields to investors. A selection of the leading constituents in **Table 11** offer progressive and sustainable dividends – electronic manufacturing services concern Stadium (5.8 per cent) and coal producer ATH Resources are two. But numerous businesses at the higher end of this table have suffered poor trading and subsequent share price corrections that obscure the true reason for the yield.

Lowest price-to-sales ratios

A company's price to sales ratio provides a crude measure of value, yet the exercise demonstrates just how harshly efficient the

Sizeable IPOs were also completed for Infinity Bio-Energy, the Brazilian ethanol venture for which Collins Stewart priced £273 million from investors, as well as another emanating from the Collins Stewart stable, Playtech, the gambling industry software designer and developer. It secured £265 million at 257p.

No less than nine companies raised more than £200 million, among them Northern European Properties (£235.8 million), the real estate investor focused on the Nordic and Baltic regions, and two more Indian property funds: Trinity Capital (£250 million) and Ishaan Real Estate (£207 million).

Share price gains

In terms of share price performance of IPOs, as shown in **Table 7**, penny shares feature heavily. The clear winner is ReneSola, the recycler of solar wafers for integration into photovoltaic cells, which rocketed more than

market can be, punishing ventures that consistently disappoint with losses or profit warnings. **Table 12** charts those companies with the lowest price-to-sales ratios, and it is littered with businesses that have failed to set the market alight.

Formerly 4Less Group, foreign exchange provider Baydonhill is looking beleaguered following losses and management upheavals. A newly appointed chief executive is looking to revitalise the investment tale.

Consistent disappointers such as Meriden and struggling furniture and fabrics business Collins & Hayes feature in the bottom three performers, while all the underperforming counters listed – ranging from Smart Telecom to NWD – trade on price-to-sales ratios of sub-0.1 times. Further down, at number 40 in this table is food group Inter Link Foods after a series of profit warnings.

GROWTH COMPANY		HUNTON & WILLIAMS	10
LOWEST P/E RATIOS			
Company	Forward p/e		
Orbis	0.3		
Brightview	0.9		
Leisure & Gaming	1.6		
Clipper Ventures	2.1		
Fujin Technology	2.8		
Gaming VC Holdings	3.2		
European Islamic Investment Bank	3.5		
Public Recruitment Group	3.8		
Monstermob	4.2		
Minorplanet Systems	4.3		
AT Communications	5.0		
Accuma	5.1		
Advent Capital	5.3		
Jarway Holdings	5.4		
Medal Entertainment & Media	5.4		

GROWTH COMPANY		HUNTON & WILLIAMS	12
LOWEST PRICE-TO-SALES RATIO			
Company	Value (£m)	Turnover (£m)	Ratio
Baydonhill	0.7	278.8	0.003
Meriden	0.1	8.9	0.016
Collins & Hayes	0.5	14.0	0.034
Honeycombe Leisure	1.6	41.6	0.038
Greenfield Construction	0.4	9.5	0.042
Lennox	0.4	9.8	0.044
Smart Telecom	1.5	31.0	0.049
Black Rock Oil & Gas	7.4	145.6	0.051
Onesource Services	23.9	406.4	0.059
ChoicesUK	8.1	134.2	0.060
Lorien	9.5	150.3	0.063
Strategic Retail	1.5	21.9	0.066
Tandem	2.9	42.8	0.067
Carlisle	24.2	349.3	0.069
NWD	0.7	10.1	0.072

Highest price-to-sales ratios

At the other end of the scale are businesses trading on the the highest price-to-sales ratios, as listed in **Table 13**. These are typically higher-risk pre-revenue ventures. A total of 19 AIM businesses are trading on more than 1,000 times revenues, with three – Futura Medical, Steppe Cement and onshore energy counter Egdon Resources – valued at over 10,000 times sales.

GROWTH COMPANY		HUNTON & WILLIAMS	11
HIGHEST-YIELDING COMPANIES			
Company	Yield (%)		
Gaming VC Holdings	37.0		
Cornwell Management Consultants	17.6		
EXC	14.4		
Empire Online	12.1		
Songbird Estates	11.0		
Landround	10.5		
ChoicesUK	10.0		
Wogen	8.1		
Sirdar	7.0		
Slimma	6.4		
Arbuthnot Banking Group	5.9		
ATH Resources	5.9		
Stadium Group	5.8		
ATA Group	5.6		
Wensum	5.5		

GROWTH COMPANY		HUNTON & WILLIAMS	13
HIGHEST PRICE-TO-SALES RATIO			
Company	Value (£m)	Turnover (£k)	Ratio
Futura Medical	35.43	0.002	17713.15
Steppe Cement	330.60	0.025	13373.78
Egdon Resources	125.04	0.010	12503.96
Westmount Energy	7.80	0.001	7796.25
Acta	39.97	0.007	5878.37
Felix	15.75	0.003	5251.42
ReNeuron	43.72	0.010	4371.70
Accsys Technologies	231.07	0.054	4247.63
Avacta	39.32	0.010	3932.30
Henderson Morley	11.68	0.003	3894.44
ViaLogy	31.24	0.010	3124.22
Proteome Sciences	59.69	0.020	2984.66
Interntl Ferro Metals	273.86	0.094	2925.90
Serica Energy	172.82	0.062	2769.62

Notes to the report

1. Share prices correct as of 28 February 2007
2. Share prices measured from 28 February 2006 to February 2007
3. Additional statistics taken from the London Stock Exchange's AIM statistics, February 2007
4. Financial results extracted from latest report and accounts of AIM companies as at 28 February 2007
5. Forecast p/e ratios in Table 10 extracted from stock-screening tool on growthcompany.co.uk

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