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Feature article

Are the public markets closing to smaller companies?

Why has it happened, does it matter, and what can be done?

There has been much comment on the fact that equity markets in the US and Europe have been shrinking for some years now, certainly in terms of the number of quoted companies, if not in total market capitalisation (MCap). This paper has been written with the assistance of the Quoted Companies Alliance (QCA) and focuses on the evidence for such in the London market and, in particular, that for smaller and mid-cap companies. It assesses that evidence and considers explanations. Finally, we ask why it matters, and assuming that it does, what practical steps can be taken to reverse the trend. Successful public markets have been a key part of the United Kingdom's economic success for generations, even centuries, and we should not allow them to wither on the vine.

We find that:

- The total number of companies quoted on the London Stock Exchange (LSE) actually rose between 1999 (2,257) and 2007 (2,933), before falling back to 1,791 by 2019.
- However, looking at the total number of companies masks an underlying picture of almost continual decline in the Main Market, offset by the extraordinary success of AIM until 2007.
- Since 2007, both markets have seen a decline in the number of companies, the Main Market by 25% and AIM by 49%.
- Excluding the financials, the number of companies quoted on the Main Market has fallen by 60% since 1999. This compares with a 52% decline when financials are included.
- Looking below the largest 350 companies, we find that the number of non-financial companies on the Main Market has fallen by 72% since 1999. By December 2019 the number had fallen to just 252.
- The average MCap of a quoted company outside the largest 350 has risen sharply. Adjusted to 2019 prices, the average MCap of a small cap company has grown from £38.9m in 2008 to £152.7m in 2019 (adjusted for inflation).
- Although there have been ups and downs, the long-term path for the average MCap at Initial Public Offering (IPO) has had a strong upslope. In 2019 pounds, the average MCap has risen from £21m in 1995 to £515m last year (excluding Investment Companies and Glencore's float in 2011).
- The average AIM IPO MCap has grown from £21m in 1995 to £127m in 2019 (again ex-Investment Companies and expressed in 2019 pounds).
- On average, companies leave it much later to "come to market".
- There is plentiful evidence about the reasons behind these trends. A growing regulatory burden, low interest rates making debt attractive and increasing competition from private equity for opportunities are cited as the main factors by companies.

Shrinking markets are bad for companies, the economy and society

We believe that shrinking public markets matter. They are bad for companies, the economy and society. Efficient public markets bring many benefits to companies, such as access to larger and more varied pools of capital, from which we all gain. The success of public companies in raising fresh equity in recent weeks to plug holes caused by the coronavirus lockdown is powerful testament to the utility of public markets.

There are positive steps that can be taken to reverse the trend of de-equitisation

Choking off access to public markets has not been a conscious choice of anyone, but rather an unintended consequence of other actions and trends. All stakeholders, including the UK Government, should consider the steps needed to meet this challenge. We believe that regulation on companies should be rolled back (particularly easing the prospectus rules), pension funds encouraged to re-weight towards growth companies and steps taken to improve liquidity. Companies themselves could help by engaging more with investors through a number of routes. The Government should consider becoming a long-term investor itself. Steps should be taken to ensure that investment decisions in the fund management community are not over-concentrated. Finally, the open offer process should be digitised and sped up.

A greater fragmentation of investment decisions which creates more active decision makers in the SmallCaps, involving retail investors, rather than ignoring them, would improve liquidity. This would go some way towards resolving many problems and help end an environment which increasingly ignores quoted SmallCaps.

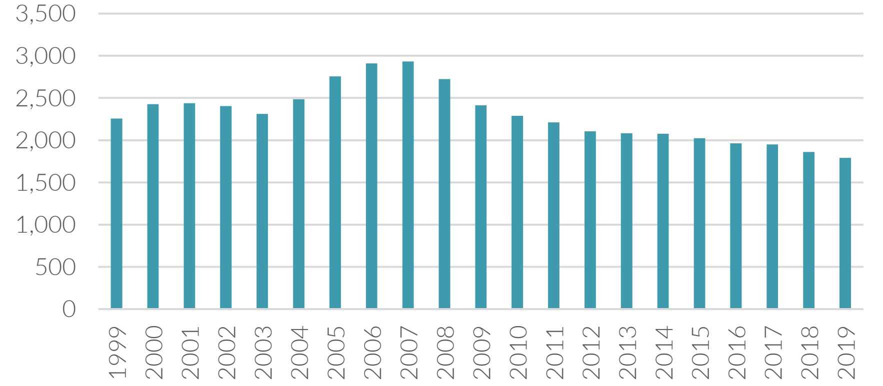
The evidence

The number of companies

The idea that the public markets are shrinking and not working for companies does not, at first sight, seem to be borne out by the raw data from the LSE for the number of companies quoted, at least until recent years. In absolute terms, there were 2,257 listed companies and funds back in 1999[1] and this figure had risen to 2,933 by 2007, before falling back to 1,791 in 2019[2]. In fact, over this 20-year timespan, the aggregate number of companies rose in nine years, but fell in 11.

Looking at the total number of LSE companies doesn't seem to bear out the common view…

No. of companies listed on the LSE

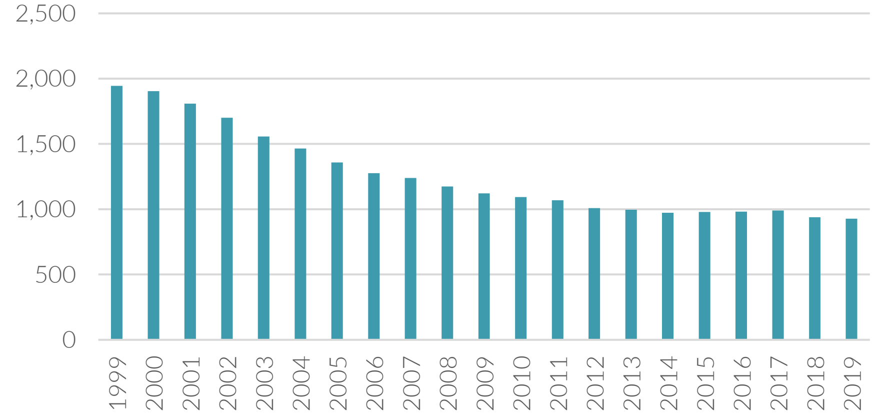


Source: LSE, QCA, Hardman & Co Research

However, looking at the market as a whole masks a far bigger story. The path for the Main Market has been very different to that for AIM over this 20-year period. The Main Market has seen a steady attrition in the number of companies, with a decline in 17 years of the 20-year period, and with only fairly marginal upticks in the three years of growth.

…because the long-term decline in the number of Main Market companies…

No. of companies listed on the Main Market



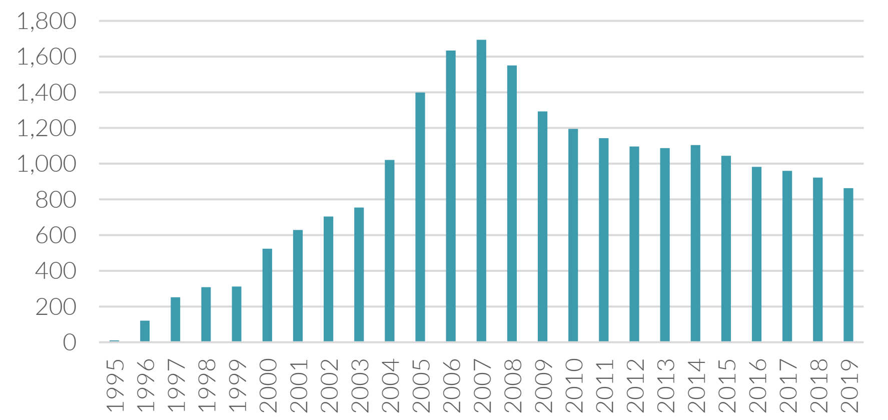
Source: LSE, QCA, Hardman & Co Research

[1] All these datapoints are struck on the last trading day of the calendar year.
[2] The numbers in this paragraph are the totals for the Main Market and AIM added together, but exclude what are described as "International" or "Overseas-Listed" companies.

In contrast, AIM has been a great success story. It has raised large sums for growth companies over many years. In the years leading up to the Global Financial Crisis (GFC), a veritable flood of companies joined AIM; back in 1999 there were 312 quoted, but this had exploded to 1,694 by 2007. Since then, it has seen a faster decline in listings by percentage than the Main Market (AIM listings -49%, Main -25%). The total number of AIM stocks had fallen to only 863 by 2019.

...was offset by the extraordinary success of AIM until the GFC

No. of companies listed on AIM



Source: LSE, QCA, Hardman & Co Research

Some readers might argue that the data provided above is all very well, but might be misleading because it includes financials and, in some way, these are not the same as trading companies; financial services form a large part of the UK economy and stock market. The chart below shows the results without any financials. See the methodology for the full list of sectors excluded.

Stripping out all financials produces a steeper decline in the number of Main Market companies

The overall pattern might seem very similar to the previous charts, with the success of AIM more than offsetting the decline on the Main Market in the mid-2000s, but the story is far starker for the Main Market. The total number of companies quoted on that market fell from 1,945 to 928 between 1999 and 2019, a decline of 52%. However, when we strip out the financials, we are left with a decline from 1,126 to 456, a fall of 60%.

No. of companies listed, ex-financials

Source: LSE, QCA, Hardman & Co Research

The number of SmallCap "trading companies" on the Main Market has fallen 72% in the last 20 years

The next table examines the data for SmallCaps. To construct it we have taken the entire universe of LSE quoted companies, excluded the 350 largest companies by MCap on the whole market and then excluded the financials (see Methodologies, definitions and clarifications for the sectors excluded) to leave us with "trading companies" outside the 350 largest of all companies[3].

Numbers of non-financial companies outside the top 350

	All	Main	AIM
1999	1167	886	281
2019	959	252	707
% change	-18%	-72%	152%

Source: LSE, QCA, Hardman & Co Research

What we find is that the number of these "trading companies" on the Main Market has fallen by 72% over our survey period. As explained before, this was offset, somewhat, by the success of AIM.

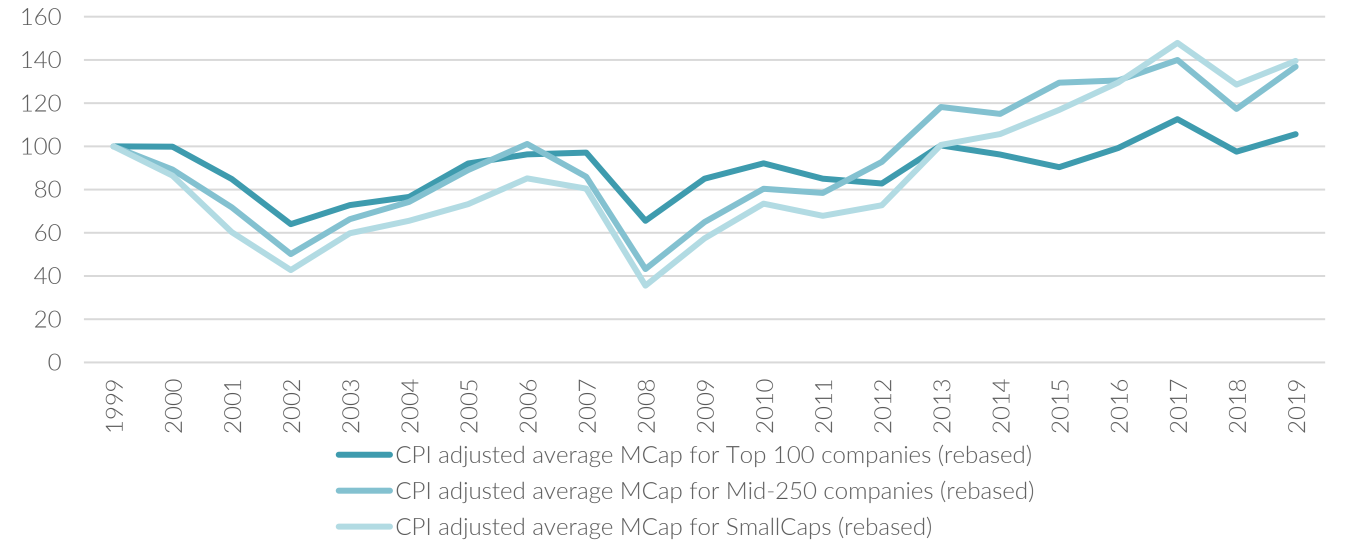
The average MCap of a quoted company

Looking at the number of quoted companies, and IPOs, is one method of judging the shrinkage of public markets. Another is to consider the average MCap of quoted companies and new companies joining the market.

We adjust MCap for inflation

In the chart below, we have split the quoted universe into three baskets: the 100 largest companies by MCap (the 'Top 100 companies'); the next 250 largest ('Mid-250 companies'); and, finally, the 'rest' (described as SmallCaps in the chart below). The rest combines everything, including AIM, outside the top 350. Considering absolute MCap over a 20-year period, without taking account of inflation, is clearly misleading; the data below is adjusted for Consumer Price Inflation (CPI), with each line starting from a base of 100 in 1999.

CPI-adjusted average MCap by size universe



Source: LSE, Office for National Statistics, QCA, Hardman & Co Research

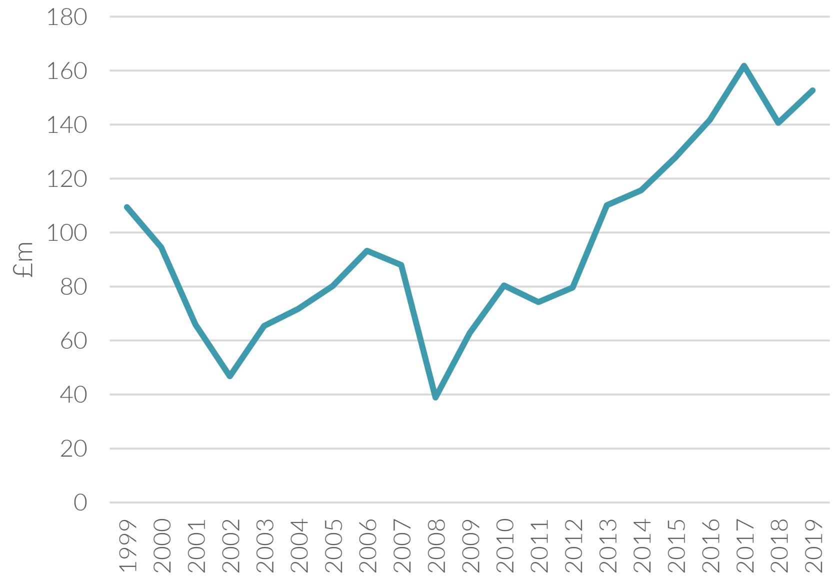
[3] We excluded the 350 largest companies in each year for the Main Market and AIM combined, even though we then look at "trading companies" on the Main Market only. For the purist, there were four AIM-listed companies which formed part of our top 350 cohort in 1999, one of which was a financial. In 2019 there were 19 AIM stocks in our 350, two of which were financials.

The path of MCap is broadly similar, whichever size basket you consider. Of course, there will always be a top 100 and 350 (so long as there are at least 350 quoted companies in London!), so the fact that the average MCap for both baskets has risen substantially over time really tells us nothing about the public markets' effectiveness. It is the line for SmallCaps that is telling. Even when adjusted for inflation, there has been a substantial increase in the average MCap of a small quoted company. In fact, of the three baskets, the SmallCaps has seen the largest rise. Small listed companies have got bigger!

In the chart below, we look specifically at SmallCaps. The average non-350 company's MCap stood at £152.7m at the end of 2019. Back in 2008, it was only £38.9m, even when inflated by CPI. Since this chart combines Main Market and AIM stocks, it's more than coincidental that the low point in 2008 occurs at nearly the same time that listings peaked on AIM.

Even when we adjust for inflation, the average SmallCap has got substantially larger in MCap

CPI-adjusted average MCap of SmallCaps (2019 pounds)



Source: LSE, Office for National Statistics, QCA, Hardman & Co Research

Initial Public Offerings by number

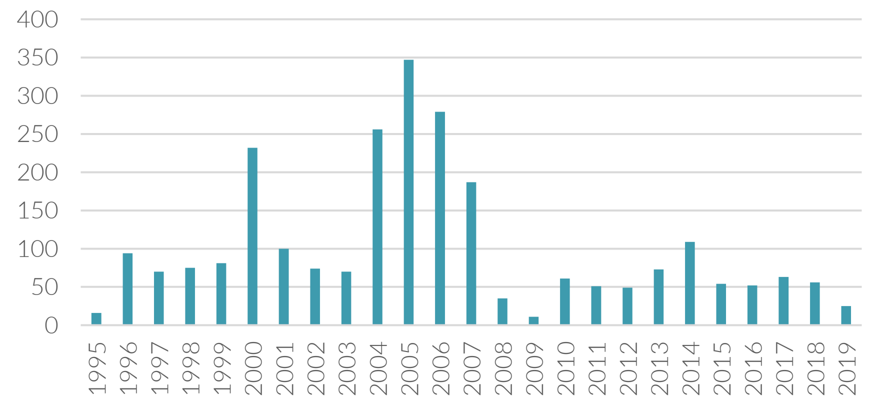
The number of IPOs since the GFC has been subdued

The number of companies on the LSE has been squeezed from both directions – more companies have delisted, whilst London has seen fewer IPOs in recent years.

We calculate that there were 3,137 IPOs between 1995 and 2019. For the purposes of this paper, we want to focus on "trading companies". Thus, we have excluded "Investment Companies"[4] from the charts in this section; there were 614 IPOs of investment companies in the period, leaving 2,523 trading companies in the basket.

Apart from the boom years around the GFC, we have seen a subdued level of new listings for some while.

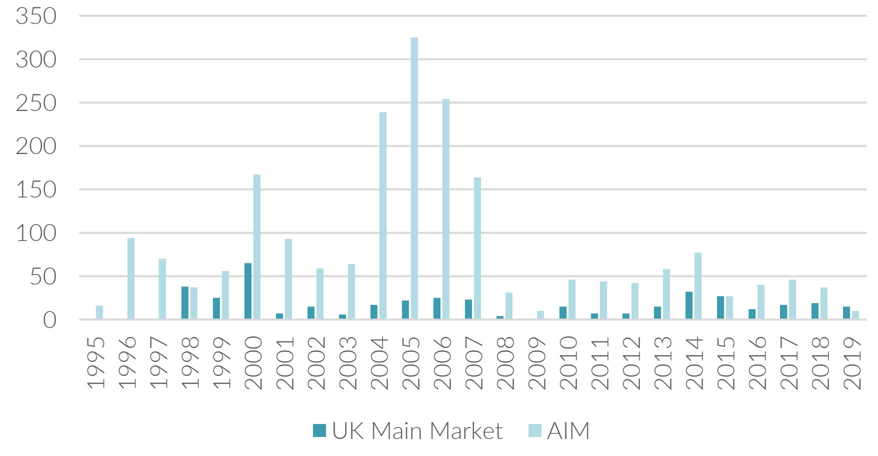
No. of new IPOs on LSE (ex-Investment Companies)



Source: LSE, QCA, Hardman & Co Research

The significance of the boom years on AIM is very clear if we separate Main Market from AIM, as set out below.

No. of IPOs (ex-Investment Companies) on LSE Main Market & AIM



Source: LSE, QCA, Hardman & Co Research

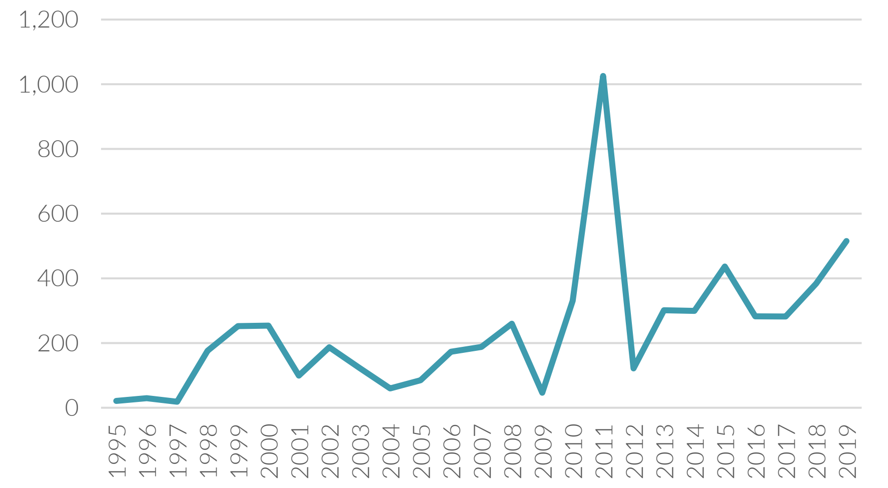
[4] See Methodology/Clarifications for detail of companies excluded

Initial Public Offerings by MCap

The same message about increasing MCap emerges when we consider IPOs. The chart below uses the MCap at the end of the first trading day for each IPO, excluding Investment Companies.

The average MCap at IPO has been rising for some time now, even when adjusted for inflation. Glencore's IPO in 2011 distorts the chart

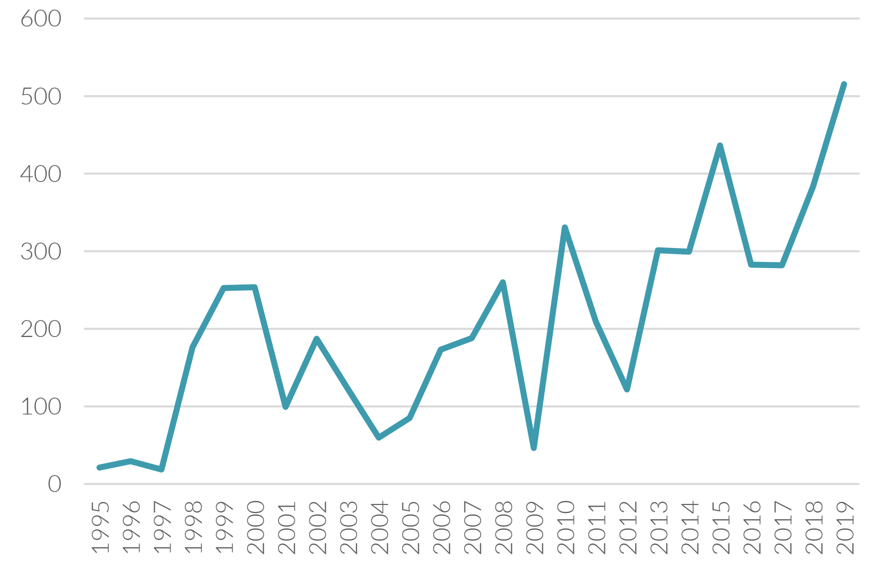
CPI-adjusted average MCap at IPO (ex-Investment Companies) in £m; base year = 2019



Source: LSE, QCA, Hardman & Co Research

The reader will notice a pronounced high in 2011. That year, Glencore listed with an initial MCap of US$60bn! Below, is the chart without Glencore. Last year, the average MCap at float was £515.4m, up from £21m in 1995 (inflated to 2019 pounds).

CPI-adjusted average MCap at IPO (ex-Investment Companies) in £m, excluding Glencore in 2011 base year = 2019

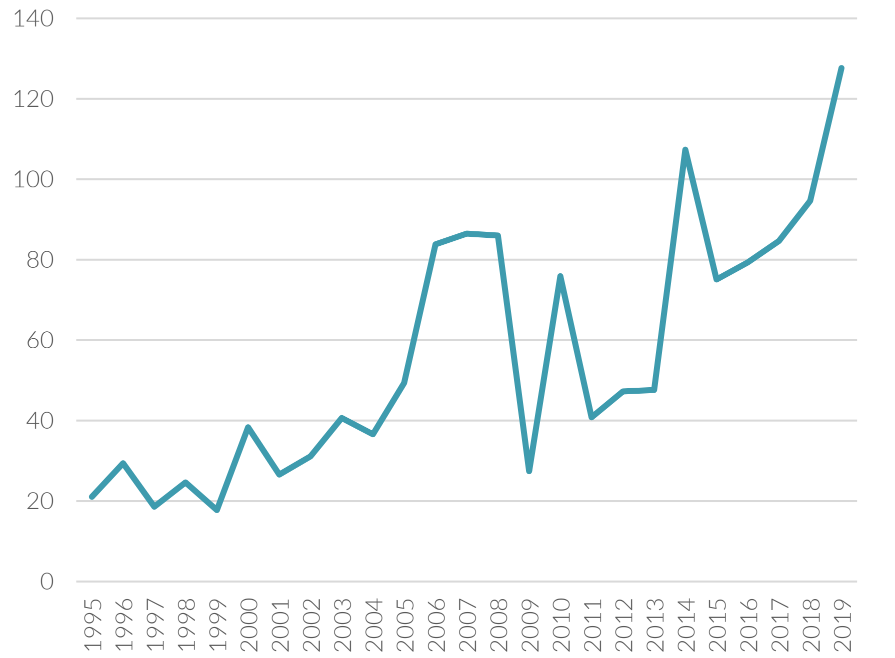


Source: LSE, QCA, Hardman & Co Research

To get more of a feel for the smaller end of the market, we have extracted the data for AIM. Last year, the average first day MCap on AIM was £127.7m compared with £21m back in 1995, both expressed in 2019 pounds.

There has been a dramatic increase in the average MCap at IPO on AIM. Investors seem to be setting size thresholds, below which it is increasingly difficult to get issues away

CPI-adjusted average MCap at IPO of AIM companies (ex-Investment Companies) in £m; base year = 2019



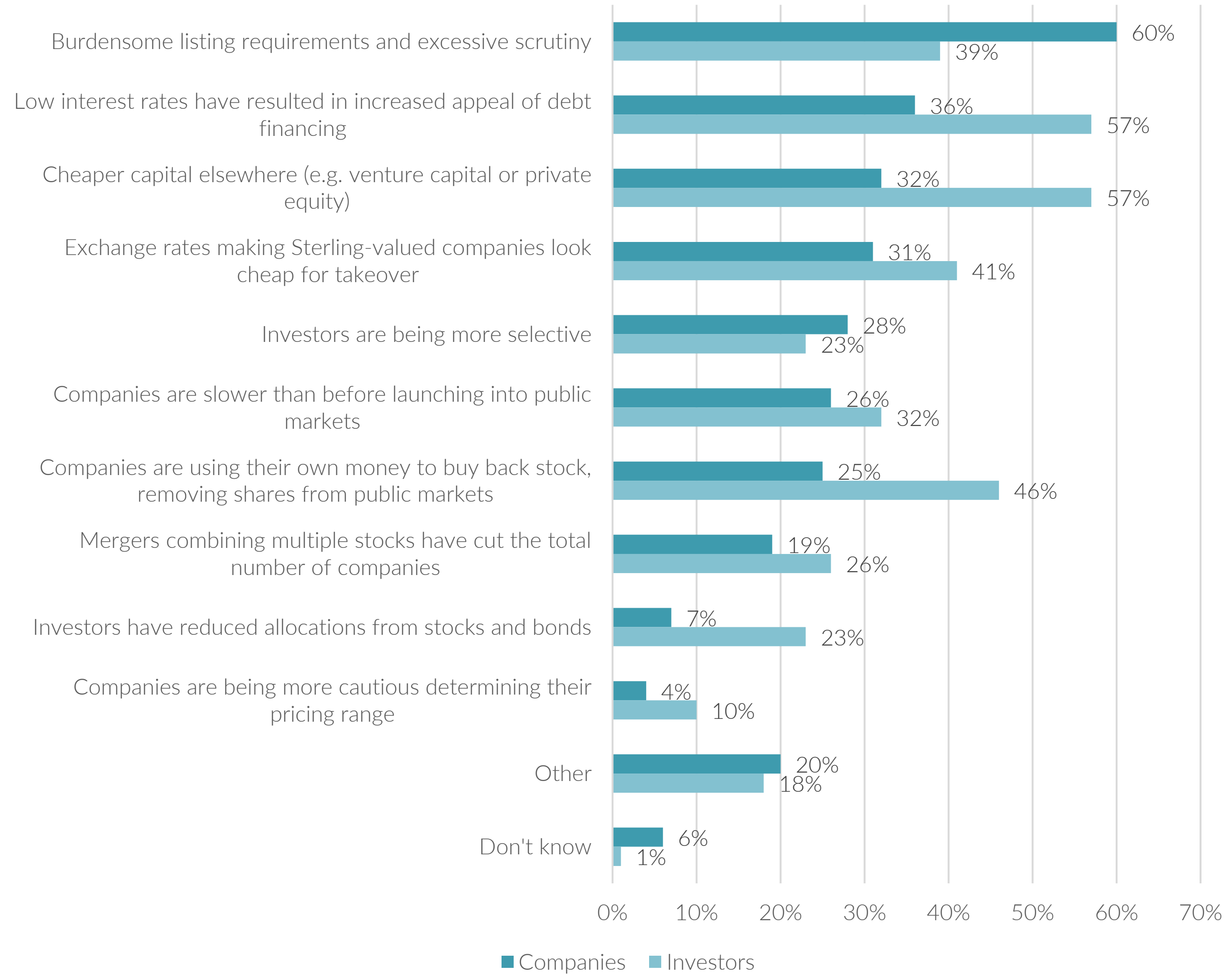
Source: LSE, QCA, Hardman & Co Research

Explaining the shrinking equity market

Some very helpful data from recent QCA surveys with Peel Hunt and YouGov

The data and charts we have laid out above seem to demonstrate there has indeed been a de-equitisation of public markets, represented by shrinkage in the number of companies on the LSE, fewer IPOs and higher MCaps, albeit masked by the success of AIM until 2007. We now turn to the explanation of this trend. As we pointed out when considering the size of IPOs, the challenge is getting small and mid-cap companies to join the market. The QCA is an industry body representing participants in the middle and lower reaches of the public market in London. Usefully, in the past 12 months, it has published two reports surveying the opinions of both companies and investors in the small and mid-cap universe.

What are the main drivers of the shrinking UK public markets?



Source: QCA, Peel Hunt, YouGov[5]

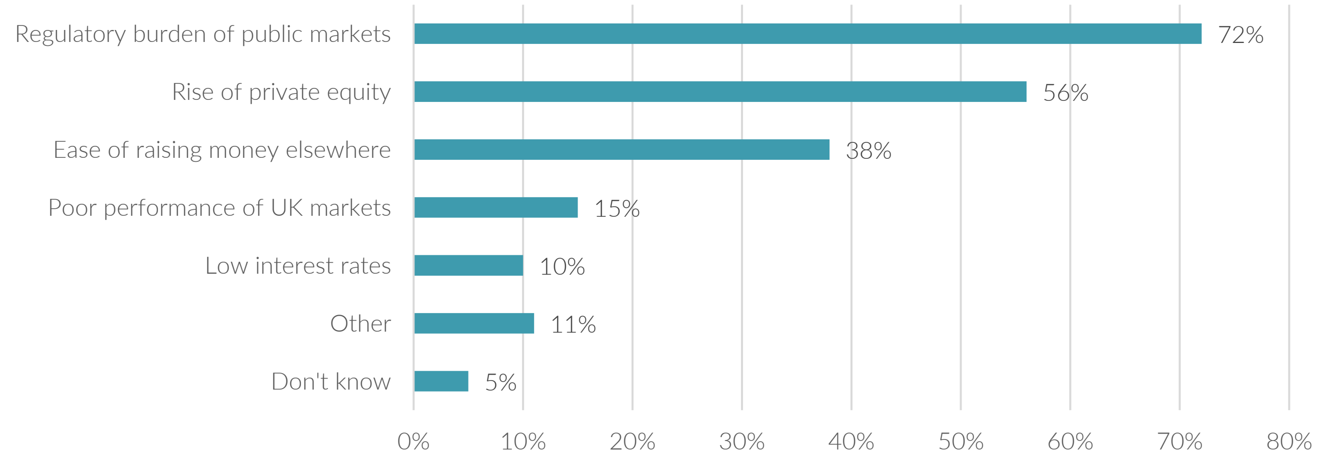
[5] QCA/Peel Hunt Mid and Small Cap Survey, February 2020, conducted by YouGov: *To be or not to be… a public company - The growing de-equitisation crisis*, Page 7

Both QCA surveys suggest the regulatory burden is the biggest hurdle in companies' thinking about de-equitisation

This year's QCA/Peel Hunt Mid and Small Cap Survey focused on the issue of de-equitisation. Fund managers, and mid and small-cap UK quoted companies, were asked what they thought the main drivers were. Companies worried about listing requirements and excessive scrutiny (60% response), whilst the highest scoring questions among fund managers were low interest rates (57%) and cheaper capital elsewhere (57%).

A different poll carried out in June 2019 for the QCA by YouGov (the QCA Small & Mid-cap Sentiment Index)[6], reached very similar conclusions about the fall in the number of quoted companies in London – 72% of managements referred to the regulatory burden.

The number of companies on public equity markets in the UK has fallen in the recent decades. Why do you think this is?



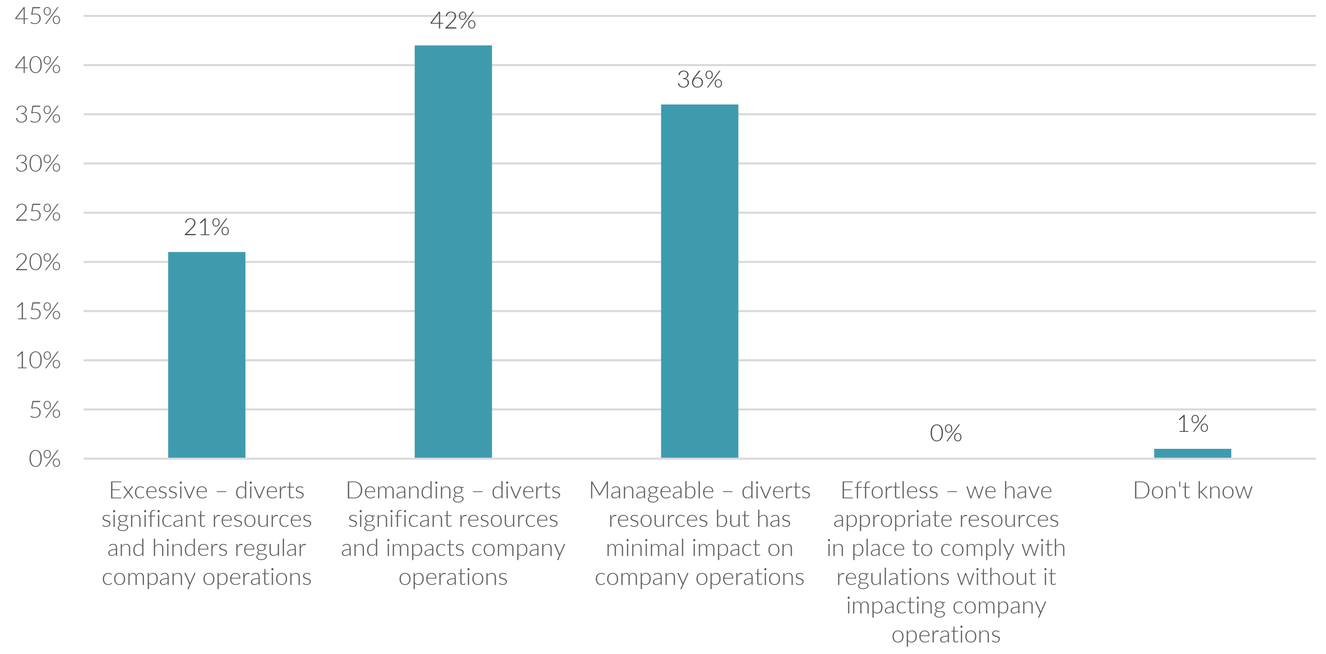
Source: QCA, YouGov[7]

A further question in the QCA Small & Mid-cap Sentiment Index delved deeper into the issue of compliance. It asked the managements of small and mid-cap UK quoted companies: *"Thinking about the resources (e.g. time, money, manpower etc) that your company has to commit to complying with regulation as a whole, which of the following best describes the impact this has?"* Nearly two-thirds (63%) found regulatory compliance either excessive or demanding, only one-third find it manageable.

[6] QCA Small & Mid-cap Sentiment Index: *Regulatory burden & small & mid-sized quoted companies in the UK* by YouGov, June 2019, Page 3

[7] QCA Small & Mid-cap Sentiment Index: *Regulatory burden & small & mid-sized quoted companies in the UK* by YouGov, June 2019, Page 6

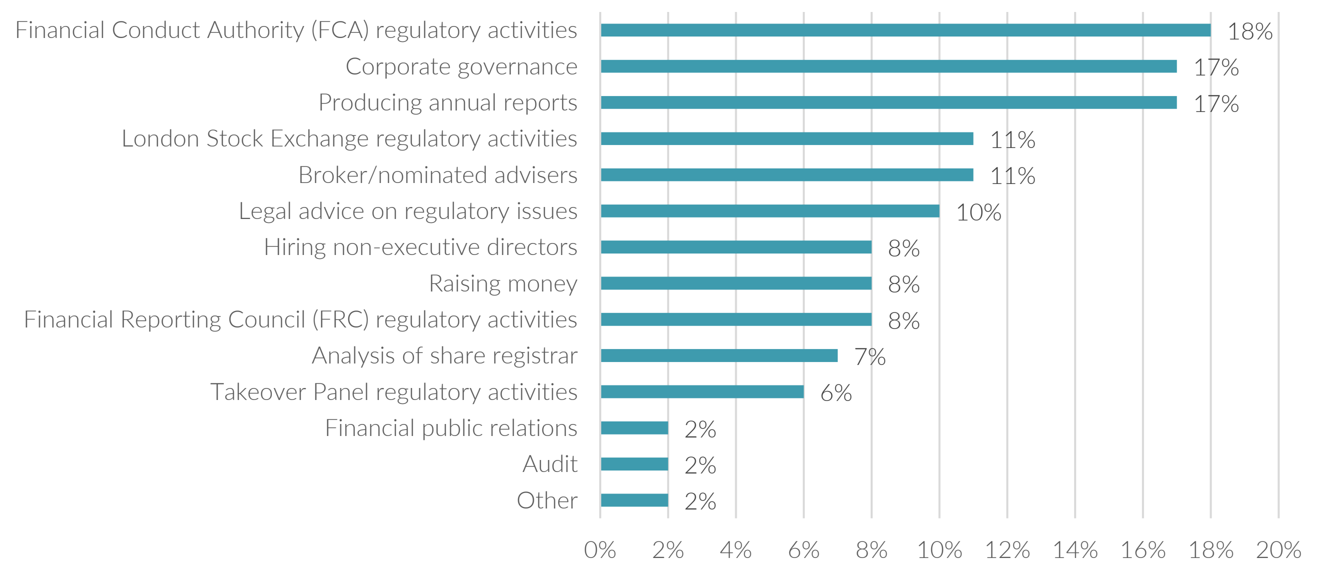
Quoted companies' views on the impact regulation has on them



Source: QCA, YouGov[8]

Which regulatory requirements most deter companies from the public markets? The QCA Small & Mid-cap Sentiment Index finds that the three most burdensome listing requirements are FCA rules, corporate governance, and providing annual reports.

Companies: which of the following listing requirements, if any, does your business find most difficult to adhere to?



Source: QCA, YouGov[9]

[8] QCA Small & Mid-cap Sentiment Index: *Regulatory burden & small & mid-sized quoted companies in the UK* by YouGov, June 2019, Page 3

[9] QCA Small & Mid-cap Sentiment Index: *Regulatory burden & small & mid-sized quoted companies in the UK* by YouGov, June 2019, Page 4

Professional investors seem increasingly less interested in small and mid-cap companies for many reasons

We believe there are additional reasons explaining the decline in the number of quoted companies beyond those identified in the two QCA surveys:

- Most professional investors have increased the minimum MCap they require before considering a company and the consolidation of many fund managers into global groups has certainly meant they have tilted towards global companies.
- Professional investors are paying more attention to liquidity. Thus, the poor liquidity which many smaller companies suffer means they fail a benchmark test set by a fund manager. For some, the liquidity test is simply an MCap filter, for others, a hurdle of minimum percentage traded is employed.
- Another restriction applied by many compliance departments to professional investors is a limit on the maximum percentage of a company's equity which may be owned. This has become increasingly common since the events at the Woodford Equity Income Fund, where some holdings were so large as a percentage of the equity that they were, in all practical senses, unsaleable. Such limits will have a dramatic impact on SmallCaps, because, historically, a cadre of fund managers specialising in SmallCaps took stakes which might now be considered too risky.
- Increased regulation for, and consolidation of, wealth managers discourages fund managers in these organisations from moving beyond a centrally generated list of stocks focused on collectives and the FTSE100.
- Risk aversion has become more important than hunting returns. For example, wealth managers are required to categorise every individual by attitude to risk, choosing just one category. They cannot say the individual wants 90% of their money invested for medium risk, with 10% in very high risk. It's all or nothing.
- Allocations of funds by large professional investors to private equity (PE) investors have grown, enabling PE houses to compete more aggressively for opportunities against the public market. Some have questioned whether PE houses are willing to help companies in temporary distress by putting in more equity; those commentators argue that these houses are all too willing to add further debt.
- As the first three points outlined above have come to bear, small cap company managements have found it increasingly difficult to raise money, not just at IPO, but in subsequent fundraisings. Many question why they should bother continuing to be a public company.

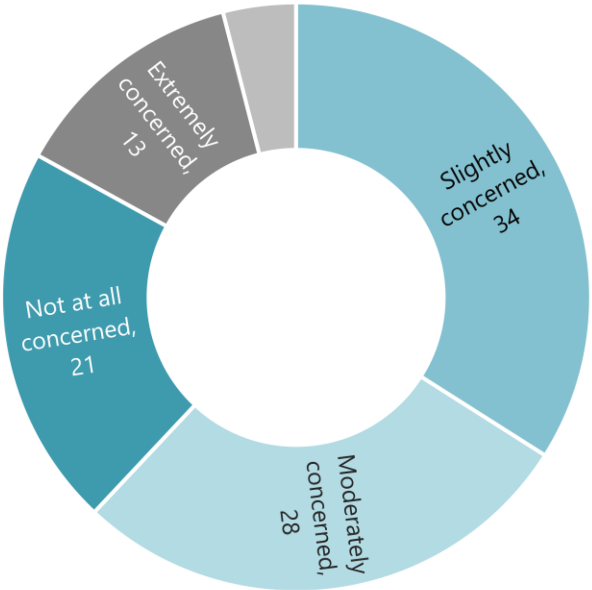
Increasing regulation has created "homogenisation"; SmallCaps are ignored

- Increasing regulation on professional investors has led to a "homogenisation" of investment, i.e. everybody tending to own the same stocks. Inevitably, this has reduced interest in SmallCaps.

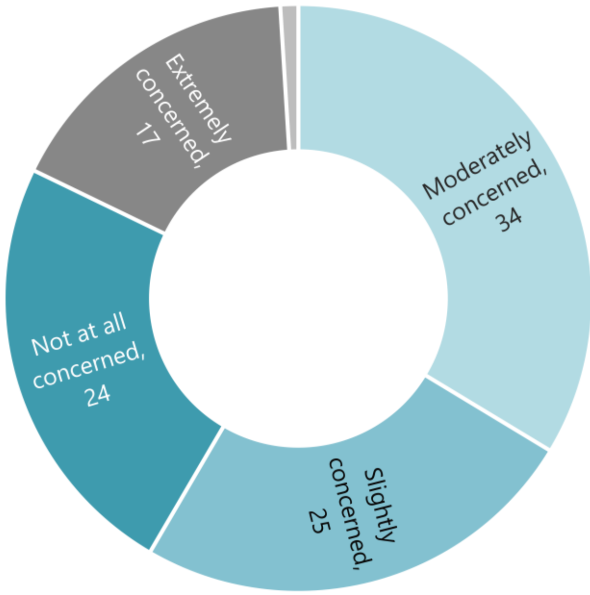
Does it matter?

The evidence from the QCA work is that there is a great degree of concern. When asked "*How concerned or unconcerned are you about the de-equitisation of the UK's stock markets due to factors such as share buybacks, acquisitions and reduced numbers of IPOs?*", 75% of mid and small-cap quoted companies expressed concern about the de-equitisation trend, as did 75% of investors.

Quoted company management concern about de-equitisation, %



Investor concern about de-equitisation, %



Source: QCA, Peel Hunt, YouGov[10]

One fund manager commented:

> *"I am extremely concerned that being listed is no longer seen as something to aspire to. This rather obviously reduces the available investment opportunities but has wider negative implications:*
>
> *(i) reduces the ability of companies to efficiently raise capital (ii) reduces the ability of investors to access companies to invest in (iii) reduces price discovery (iv) reduces the ability to regulate companies (v) reduces efficient capital allocation and therefore value creation.*
>
> *I could go on – stock markets are good things and de-equitisation is very worrying."*[11]

[10] QCA/Peel Hunt Mid and Small Cap Survey, February 2020, conducted by YouGov: *To be or not to be... a public company - The growing de-equitisation crisis*, Page 5

[11] QCA/Peel Hunt Mid and Small Cap Survey, February 2020, conducted by YouGov: *To be or not to be... a public company - The growing de-equitisation crisis*, Page 5

The current coronavirus crisis provides a perfect illustration of the benefits of being public. Despite the volatility of markets, quoted companies have raised substantial sums in new equity in recent weeks

The current coronavirus crisis provides a perfect example of the benefits of being a quoted company. Although the capital markets go through periods of fashion, whatever the mood of the moment, companies that can easily raise fresh equity capital tend to be the more robust. This may matter less in booming economic conditions, when companies with little debt might be described as having inefficient balance sheets! However, managements often find that relying on high debt and ignoring the public markets eventually comes back to bite them.

A public listing provides quoted companies with more financing options

Exaggerating to make a point, having access to the public markets might be likened to being able to draw money from an ATM. If the public markets work well, they provide very fast access to new funds. Of course, being public, and having such access to new equity, also tends to reduce borrowing costs. Above all, being listed gives a company options it would not otherwise have.

More borrowing usually means management must focus on the short term, whereas permanent equity capital allows a long-term view to be taken

Despite the recent dislocation to markets, many companies have still been able to raise new equity relatively quickly to get them through this extraordinary period. This has meant they will not be saddled with (what might be) an onerous burden of interest payments on borrowing. Greater borrowing tends to shift management attention to managing for the short term, ensuring there is enough cashflow to meet the covenants that the lender imposes. Meeting financing needs through the permanent capital of equity allows the long-term view to be taken.

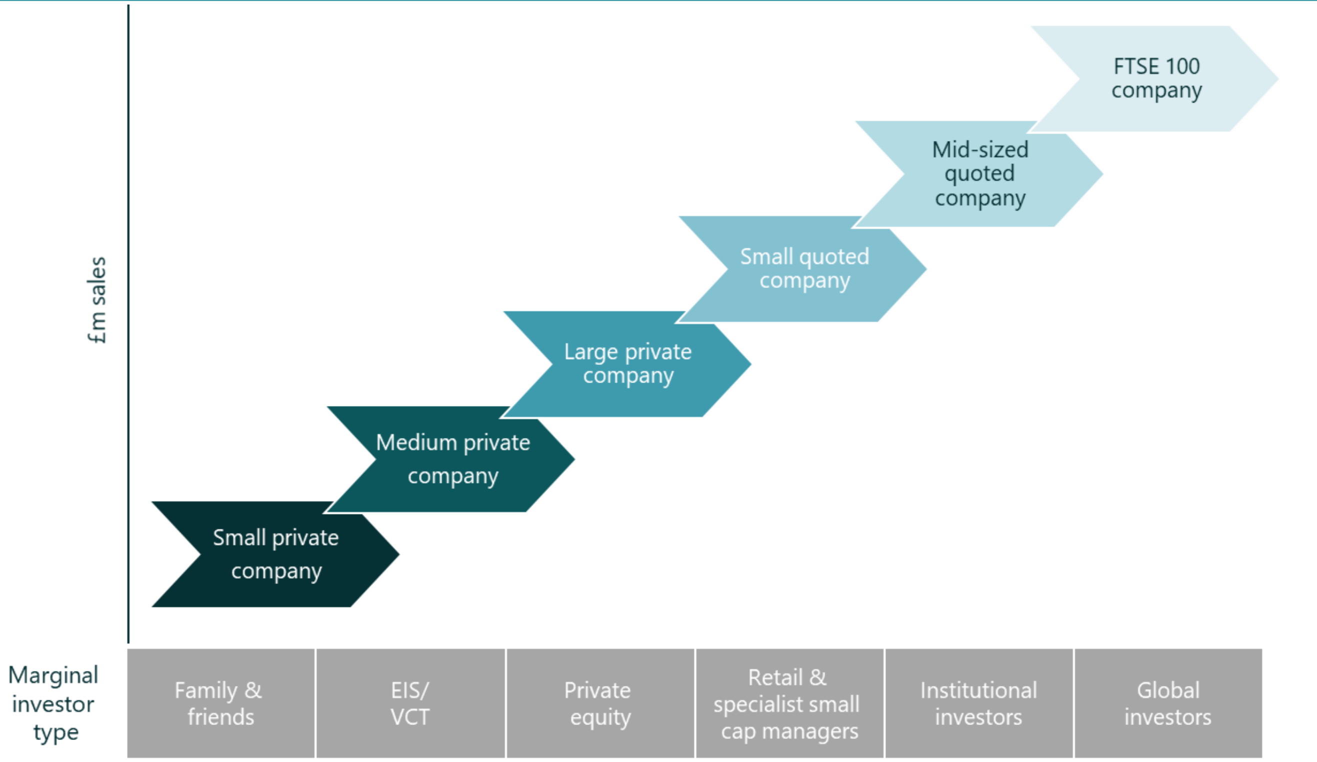
Even in the volatile month of March quoted companies were able to raise more than £600m in fresh equity capital

In the month of March alone, £640m in new equity was raised on the LSE by trading companies (i.e. excluding issues by Investment Companies), including £216m for SSP and £171m for Aston Martin. Indeed, the total will, in reality, be much larger than this since many fundraisings were announced in the month, which are in the process of completing or have completed in April. Of course, we are not suggesting that all these issues were distress-driven, but the fact that the market can still fulfil its purpose of raising new capital, even in these extreme circumstances, amply demonstrates its utility. It also makes a good case for listing in London!

A healthy public market should attract new, smaller companies, expanding the choice for investors, whilst broadening the range of finance sources available to managements.

The schematic below shows, in a very simplified form, how new investors come in at different stages in the lifecycle of a company. For example, many large, global investors are unlikely to be attracted to a company until it joins the FTSE100 index. At the other extreme, small private companies often can only raise money from friends and family. Of course, this is simplified because, in reality, there is an overlap between investment interest at several stages.

How new investors come in at different stages in the lifecycle of a company



Source: Hardman & Co Research

Becoming a quoted company has other benefits:

- Acquisitions: quoted companies have a currency – shares with a readily available share price, to use for acquisitions.
- Reputation: in general, quoted companies have the higher public presence and this is normally accompanied by greater trust, both of which can generate sales, make it easier to find employees, etc.

Graduating from being a private to a public company has many benefits. Delaying crossing that watershed is harmful to both companies and the economy.

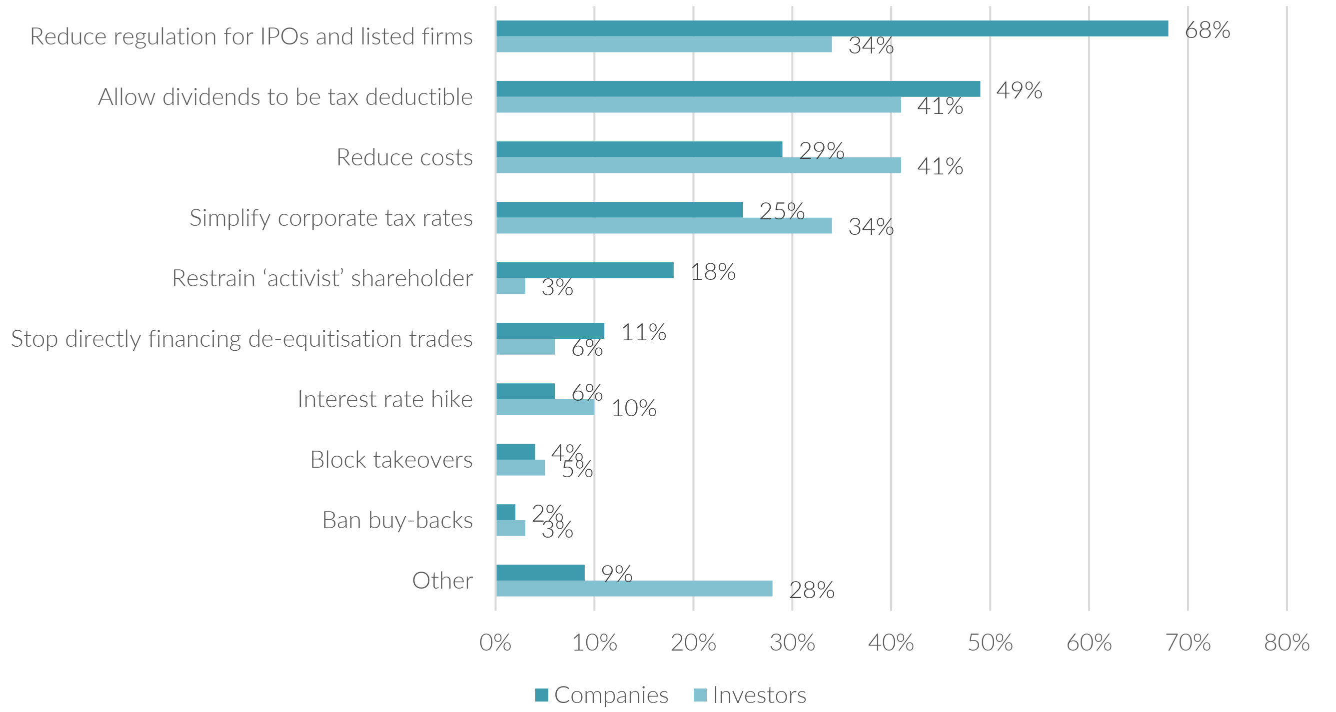
Tim Ward, CEO of the QCA, eloquently summarised why de-equitisation matters in the recent QCA/Peel Hunt Mid and Small Cap Survey[12]:

"The decline in smaller companies coming to the public markets has wide implications for the country, including reducing the options of financing for companies, in driving too large a proportion of companies to be reliant on bank financing, and reducing opportunities for people's pensions to be invested for growth in the future."

[12] QCA/Peel Hunt Mid and Small Cap Survey, February 2020 *To be or not to be… a public company: The growing de-equitisation crisis*, Page 2

What can be done to encourage companies to IPO or stay public?

How can the UK Government increase the flow of private companies to list on to the UK stock market?



Source: QCA, YouGov[13]

Regulation of companies

The latest QCA/Peel Hunt Mid and Small Cap Survey makes it abundantly clear what company management think needs to be done – 68% call for reduced regulation, with 49% calling for dividends to be tax-deductible.

Should small companies be subject to the same regulatory rules as the goliaths of the FTSE 100?

Tim Ward, CEO of the QCA, has suggested "*the need for proportionality in policy and regulation for smaller quoted companies. There is a huge disparity in size on the UK's public equity markets with the largest company in the FTSE 100 having a market capitalisation of over £188 billion, and the smallest company in the FTSE All-Share having a market cap of £42 million - that is just 0.02% of the size. Both companies are required to follow the same rules - this does not make sense at all.*"[14]

One commentator implored in the QCA Small & Mid-cap Sentiment Index report "*Make it simpler -more regulation does not equal less corporate failure, just makes companies less efficient. Reduce the rubbish in annual reports and make them more readable -most are novel length now but sadly are slightly more interesting than reading the small print on a finance document*."[15]

[13] QCA/Peel Hunt Mid and Small Cap Survey, February 2020, conducted by YouGov: *To be or not to be… a public company - The growing de-equitisation crisis*, Page 20

[14] QCA/Peel Hunt Mid and Small Cap Survey, February 2020 *To be or not to be… a public company: The growing de-equitisation crisis*, Page 2

[15] QCA Small & Mid-cap Sentiment Index: *Regulatory burden & small & mid-sized quoted companies in the UK* by YouGov, June 2019, Page 8

The AIM market is part of the solution on regulation, but the authorities should ease the prospectus rule…

The AIM market was established to create a lighter touch listing venue than the Main Market. The Government should actively engage with such markets to unlock the road jams. In particular, consideration should be given to easing the rules around prospectuses, making it easier, cheaper and faster to raise money for smaller companies. These rules require a full prospectus, with massive legal cost, to be produced for the issue of new, listed equity, with certain exemptions[16]. The effect is to discourage companies from going down that route and encourage them to ignore retail investors. Is it any wonder that since 1995 only 30 prospectuses have been issued by AIM companies?

…and reconsider MAR

The new regulations on insider dealing (Market Abuse Regulations) are another case in point. They genuinely frighten some managements, who fear being convicted for poor record-keeping, not insider dealing!

Re-weighting pension fund assets

Should pension funds be encouraged into growth companies?

Many market participants think the Government should encourage a pension "re-weighting" back to equities away from bonds, as the US has done. In the QCA/Peel Hunt Mid and Small Cap Survey, 55% of companies and 62% of investors agreed with this proposition.[17] Practical suggestions include:

- the requirement to hold a certain percentage of the portfolio (say 3%) in SME growth stocks;
- tax benefits on dividends, with penalties on bond interest;
- ending the disincentive for existing personal pensions, that are over the lifetime allowances, to take risk; and
- allowing trustees to take a longer-term perspective.

Solving the problem of large investment managers

The concentration of fund management decisions has not helped SmallCaps

- We have seen an acceleration of "conglomerisation" in the fund management industry. The market is in the hands of fewer and fewer managers. Often this means they have little interest outside the FTSE100. Perhaps the Government should require the Competition and Markets Authority to consider whether a merger is in the interests of the stock market next time a merger is proposed.
- Large investment managers treat their holdings across funds as one for many purposes. If they could ringfence the holding in each fund that would effectively increase the fragmentation of the stock market, which would help SmallCaps find more investors. Several rules would need to be changed.

The Government becomes an investor in SmallCaps

The Government should become an investor for the long term, so long as civil servants don't try to become fund managers

- The Government has already announced a Future Fund to support the UK's innovative businesses currently affected by COVID-19, in cooperation with the British Business Bank.
- The Government should consider further long-term investment strategies to support quoted SmallCaps. However, we are not suggesting civil servants try to become fund managers. Rather, a series of SmallCap specialist fund managers should be awarded mandates to manage money on behalf of the Government. Perhaps, there should be mandates by regions and/or sectors.

[16] A prospectus is not required if the offer is restricted to "qualified investors", the total value is less than €8m, or not directed to more than 150 non-qualified persons; there are other exemptions. https://www.handbook.fca.org.uk/handbook/PR.pdf Page 9

[17] QCA/Peel Hunt Mid and Small Cap Survey, February 2020, conducted by YouGov: *To be or not to be… a public company - The growing de-equitisation crisis*, Pages 23 and 24

An improvement in liquidity would encourage investors to look at smaller companies

Improve liquidity

- Make it easier for individual fund managers (particularly wealth managers) to deviate from a centralised list without being "punished".
- Encourage investors in SmallCaps by extending tax breaks such as widening EIS and IHT reliefs.
- Make the facility for retail investors to take part in IPOs, etc. mandatory. A good example has been the LSE support of PrimaryBid's involvement in secondary issues (although not mandatory).

Steps should be taken to speed up the open offer process, making it more attractive to companies

- Encourage companies to involve retail investors by speeding up the fund-raising process. At the moment, companies undertaking an open offer have to send documents by post and get replies by post, a process taking two weeks. Yet the same investors can request dividends to be paid electronically and receive the Annual Report digitally. Surely, the time has come to speed up the open offer process, reducing the period of risk for companies and advisors. This would make open offers more popular among companies and advisors. Any measure that widens the investor audience helps liquidity.

Companies can help themselves by improving their engagement with all investors

Self-help by companies

We have written many times before about steps companies can take to improve interest in their shares. These include:

- increase research coverage – MiFID II has made it uneconomic for brokers to cover most small and mid-cap stocks, so consider a sponsored research house (an unapologetic plug for Hardman & Co);
- hold capital markets days;
- broadcast results meetings more widely; and
- improve the corporate website.

Conclusion

We find that public markets in London have shrunk in recent years, from whichever angle you view them.

Shrinking markets are bad for companies, the economy and society

We believe that shrinking public markets matter. They are bad for companies, the economy and society. Efficient public markets bring many benefits to companies, such as access to larger and more varied pools of capital, from which we all gain. The success of public companies in raising fresh equity in recent weeks to plug holes caused by the coronavirus lockdown is powerful testament to the utility of public markets.

There are positive steps that can be taken to reverse the trend of de-equitisation

Choking off access to public markets has not been a conscious choice of anyone, but rather an unintended consequence of other actions and trends. All stakeholders, including the UK Government, should consider the steps needed to meet this challenge. We believe that regulation on companies should be rolled back (particularly easing the prospectus rules), pension funds encouraged to re-weight towards growth companies and steps taken to improve liquidity. Companies themselves could help by engaging more with investors through a number of routes. Other steps, highlighted in this paper, could also make a difference.

A greater fragmentation of investment decisions which creates more active decision makers in the SmallCaps, involving retail investors, rather than ignoring them, would improve liquidity. This would go some way towards resolving many problems and help end an environment which increasingly ignores quoted SmallCaps.

Methodologies, definitions and clarifications

Methodology for Hardman & Co-generated charts

- **Data sources:** We have used publicly available data from the LSE and Office for National Statistics (CPI data only).
- **Dates/years:** When data for a particular year is used, the datapoint is the number (e.g. market capitalisation or number of companies) at the close of the last business day of that year.
- **Inflation:** We have used the Consumer Prices Index (CPI) as the measure of inflation, rather than the Retail Prices Index. The difference is simply housing costs, which are excluded from the CPI, but included in RPI. We think CPI is more relevant to investors.
- **Investment Companies:** Where data is stated to exclude "Investment Companies", it excludes all companies which have been classified by the LSE as belonging to one of the following sector categories:
  - Closed End Investments
  - Equity Investment Instruments
  - Investment Companies
  - Investment Companies Other
  - Investment Entities
  - Investment Trusts
  - Nonequity Investment Instruments
  - Open Ended and Miscellaneous Investment Vehicles
  - Real Estate Investment Trusts
  - Split Capital Investment Trusts
  - Venture Capital Investment Trusts

  We have used data back to 1995 in some results, and 1999 in others. Sector definitions and names have, inevitably, changed over that time period. Thus, the same quoted entity may have been formed part of one or more of these sector descriptions over time. Often these titles just represent the renaming of the same sector. For example, closed-ended funds used to be described as "Investment Trusts", but are now called "Investment Companies".

- **IPOs:** We have used the raw data published by the LSE. The data used is the MCap at the close of the first day's dealings. We have adjusted this data by excluding:
  - Investment Companies (see above for nomenclature);
  - IPOs which are reported as having either a MCap of £0m or where no MCap was recorded; and
  - international companies, where the London listing is a secondary one.

- **Number of companies listed, ex-financials:** Our chart is based on data from the LSE, excluding:
  - companies where the dataset returns a zero MCap; and
  - financial stocks, defined as being belonging to one of the sectors specified below in the table *No. of companies listed, ex-financials.*
- **'Mid-250 companies':** When this term is used, it refers to the next largest 250 companies by MCap, after the "Top 100 companies" for each year. Its constituents are not necessarily the same as those of the FTSE 250.
- **'SmallCaps':** This refers to any qualifying listed company which is not included in either the Top 100 companies or the Mid-250 companies.
- **'Top 100 companies':** When this term is used, it refers to the largest 100 companies by MCap for each year. Its constituents are not necessarily the same as those of the FTSE 100.
- **Weightings:** Where an average figure is shown it is a simple average, unweighted for market capitalisation.

QCA/Peel Hunt Mid and Small Cap Survey methodology[18]

- **Investor survey:**
  - YouGov carried out an online survey of 155 UK-based fund managers between September and November 2019.
  - The list of fund managers was created from names supplied by Peel Hunt, the QCA and YouGov.
- **Corporate survey:**
  - There were 110 interviews with mid and small-cap UK quoted companies, which took place between October and November 2019.
  - An online interview of members and associates of the QCA was used to create the survey.

QCA Small & Mid-cap Sentiment Index methodology[19]

- YouGov interviewed 117 parties between April 2019 and June 2019.
- There were 78 interviews with small and mid-cap UK quoted companies, and 39 with advisory companies.
- YouGov used an online system to interview members and associates of the QCA.

[18] QCA/Peel Hunt Mid and Small Cap Survey, February 2020 *To be or not to be... a public company: The growing de-equitisation crisis*, Page 42

[19] QCA Small & Mid-cap Sentiment Index: *Regulatory burden & small & mid-sized quoted companies in the UK* by YouGov, June 2019, Page 11

No. of companies listed, ex-financials –excluded sectors

Year	Sector 1	Sector 2	Sector 3	Sector 4	Sector 5	Sector 6	Sector 7	Sector 8	Sector 9	Sector 10
1999	Banks	Insurance	Investment Companies	Investment Companies Other	Life Insurance	Speciality & Other Finance	Real Estate			
2000	Banks	Insurance	Investment Companies	Investment Companies Other	Life Insurance	Speciality & Other Finance	Real Estate			
2001	Banks	Insurance	Investment Companies	Investment Companies Other	Life Insurance	Speciality & Other Finance	Real Estate			
2002	Banks	Insurance	Investment Companies	Investment Companies Other	Life Insurance	Speciality & Other Finance	Real Estate			
2003	Banks	Insurance	Investment Companies	Investment Entities	Life Insurance	Speciality & Other Finance	Real Estate			
2004	Banks	Insurance	Investment Companies	Investment Entities	Life Insurance	Speciality & Other Finance	Real Estate			
2005	Banks	Insurance	Investment Companies	Investment Entities	Life Insurance	Speciality & Other Finance	Real Estate			
2006	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate			
2007	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate			
2008	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate			
2009	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate			
2010	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate	Real Estate Investment & Services	Real Estate Investment Trusts	
2011	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate	Real Estate Investment & Services	Real Estate Investment Trusts	
2012	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate	Real Estate Investment & Services	Real Estate Investment Trusts	
2013	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate	Real Estate Investment & Services	Real Estate Investment Trusts	
2014	Banks	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate	Real Estate Investment & Services	Real Estate Investment Trusts	
2015	Banks	British Funds	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate	Real Estate Investment & Services	Real Estate Investment Trusts
2016	Banks	British Funds	Equity Investment Instruments	General Financial	Life Insurance	Nonequity Investment Instruments	Non-Life Insurance	Real Estate	Real Estate Investment & Services	Real Estate Investment Trusts
2017	Banks	Financial Services	Insurance				Real Estate			
2018	Banks	Financial Services	Insurance				Real Estate			
2019	Banks	Financial Services	Insurance				Real Estate			

Source: LSE, Hardman & Co Research

About the authors

Keith Hiscock is the Chief Executive of Hardman & Co.

He is personally responsible for the firm's relationships with its corporate clients and also for corporate finance. In addition, he is the author of several articles tackling the issues facing companies in today's climate.

Keith has more than 35 years' stockbroking experience and has developed long-standing relationships with many major institutional investors, including Private Client Brokers and Wealth Managers. He started his career at James Capel, at the time the top-ranked research house in London. He was a founding member of Schroder Securities and of Agency Partners, a leading research boutique house, and was a member of the five-man securities board at Evolution. Keith has also advised companies, large and small, on their relationships with the capital markets.

Yingheng Chen is a senior financial analyst at Hardman & Co.

Yingheng has particular experience in the markets for palm oil, cocoa, citrus, coconut, Jatropha and sugar. She worked as a corporate finance analyst at the Agricultural Bank of China, and is fluent in Cantonese and Mandarin. She has a thorough understanding of the Chinese financial and business markets, as well as of those in the UK.

Yingheng joined Hardman & Co in 2008. She holds the Chartered Financial Analyst Level 2 qualification, together with a BSc in Economics from the London School of Economics.

Tim Ward, CEO of Quoted Companies Alliance

Tim is CEO of the Quoted Companies Alliance, the independent membership organisation championing the interests of small to mid-size quoted companies. His past roles have included Head of Issuer Services at the London Stock Exchange, Finance Director at FTSE International, the index company, and various management roles at a smaller quoted company. Tim is a Chartered Accountant, has an MBA from Henley Business School and is a qualified executive coach and mentor

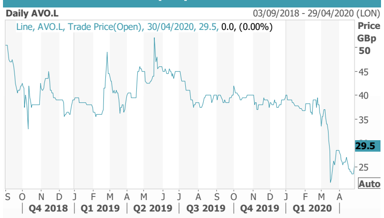
Anthony Robinson, Head of Policy & Communications at Quoted Companies Alliance

Anthony is responsible for overseeing policy development, campaigns and stakeholder engagement. He joined the organisation in February 2018. Previously, Anthony worked for the Confederation of British Industry (CBI), covering financial services policy, and was team leader for communications on the organisation's EU referendum campaign. Before that, he was based for six years in Shanghai, China, where he worked with European multinational firms on their Chinese government relations. Anthony has a Bachelor's degree in Politics and a Master's degree in Global Political Economy, both from the University of Sussex.

Company research

Priced at 29 April 2020 (unless otherwise stated).

Healthcare Equipment & Services



Source: Refinitiv

Market data

EPIC/TKR	**AVO**
Price (p)	**25.0**
12m High (p)	52.0
12m Low (p)	21.8
Shares (m)	243.8
Mkt Cap (£m)	61.0
EV (£m)	74.9
Free Float*	72%
Market	AIM

**As defined by AIM Rule 26*

Description

Advanced Oncotherapy (AVO) is developing next-generation proton therapy systems for use in cancer radiotherapy. The first system should undergo CE marking within a year. Standard radiation procedures have evolved over many years. PBT delivers radiation via a beam of proton particles, rather than a beam of photons used in conventional radiotherapy (X-rays).

Company information

Exec. Chairman	Michael Sinclair
CEO	Nicolas Serandour

+44 20 3617 8728
www.avoplc.com

Key shareholders

Liquid Harmony (Board)	18.5%
Other Board members	9.6%
P. Glatz	6.4%
DNCA Investments	4.9%
Lombard Odier	4.1%
Brahma AG	3.2%
Barrymore Inv.	3.2%

Diary

11 May	General Meeting

Analyst

Martin Hall 020 7194 7622
mh@hardmanandco.com

ADVANCED ONCOTHERAPY

Subscription strengthens balance sheet

AVO's goal is to deliver an affordable and novel proton beam therapy (PBT) system, based on state-of-the-art technology developed originally at the world-renowned CERN. 2019 was characterised by the achievement of a number of technical milestones and validation of the technical advantages of the accelerator over conventional machines. A number of key milestones are expected during 2020; however, COVID-19 has caused the temporary closure of the company's assembly facility, which will delay first patient treatments. Once the lockdown has been lifted, AVO is planning to update the market.

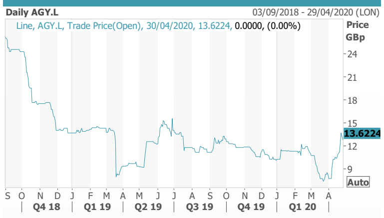
- **Strategy:** AVO is developing a compact and modular PBT system at an affordable price for the payor, financially attractive to the operator, and generating superior patient outcomes. IT benefits from technology know-how developed by ADAM, a spin-off from CERN, and relies on a base of world-class suppliers. Four collaborations were announced in the last six months, encompassing R&D, sale of a system and operating partnerships.
- **Subscription:** AVO has strengthened its balance sheet through a Subscription for new Ordinary shares at 25p per share with existing and new shareholders to raise gross new funds of £14.9m. Also, some directors' and advisors' fees will be paid in shares. This is subject to approval at the upcoming General Meeting on 11 May.
- **COVID-19 update:** On the administrative side, the team is focused on finalising the documentation required for the LIGHT system to achieve CE marking. However, all staff at Harley Street and the assembly site in Daresbury have been furloughed. A consequence of closing the assembly facility is that first patient treatments are now more likely to be in 2021.
- **Investment summary:** Despite restrictions cause by the global lockdown, management is continuing to seek orders for LIGHT, some of which will be funded by AVO's approach to have third-party funders. One positive outcome from COVID-19 is likely to be long-term global investment in healthcare, from which AVO would be a beneficiary.

Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019E	2020E	2021E	2022E
Sales	0.0	0.0	0.0			
Gross profit	0.0	-1.9	0.0			
Administration costs	-12.9	-15.7	-15.0			
EBITDA	-14.1	-21.4	-18.9			
Underlying EBIT	-14.5	-21.8	-20.6			
Statutory EBIT	-14.5	-21.8	-20.6	Following recent significant commercial announcements, forecasts are under review		
Underlying PTP	-16.5	-21.9	-21.7			
Statutory PTP	-16.5	-21.9	-21.7			
Underlying EPS (p)	-17.6	-14.0	-8.9			
Statutory EPS (p)	-18.9	-13.4	-8.9			
Net (debt)/cash	-9.2	-2.0	-13.9			
EV/EBITDA (x)	-	-	-			

Source: Hardman & Co Life Sciences Research

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data	
EPIC/TKR	**AGY**
Price (p)	**12.8**
12m High (p)	15.8
12m Low (p)	7.3
Shares (m)	636.2
Mkt Cap (£m)	81.1
EV (£m)	52.4
Free Float*	41%
Market	AIM

**As defined by AIM Rule 26*

Description

Allergy Therapeutics (AGY) provides information to professionals related to prevention, diagnosis and treatment of allergic conditions, with a special focus on allergy vaccination. The emphasis is on treating the underlying cause and not just the symptoms.

Company information	
CEO	Manuel Llobet
CFO	Nick Wykeman
Chairman	Peter Jensen

+44 1903 845 820
www.allergytherapeutics.com

Key shareholders	
Directors	0.7%
Abbott Labs	37.8%
Southern Fox	20.3%
SkyGem	19.5%
River & Mercantile	4.8%

Diary	
Mar'20	Interim results
1H'21	Ph. I peanut vaccine trial

Analyst

Martin Hall 020 7194 7622
mh@hardmanandco.com

ALLERGY THERAPEUTICS

Adjuvants to the fore

AGY is a long-established specialist in the prevention, diagnosis and treatment of allergies. Pollinex Quattro (PQ) is an ultra-short-course subcutaneous allergy immunotherapy (SCIT) platform, which continues to make strong market share gains in a competitive environment. Several products using the PQ platform are in late-stage development in order to move them to full registration under new EU and US regulations. Although the global lockdown related to COVID-19 is affecting some parts of the company's operations, manufacturing is still running at full capacity and cross-border pharmaceutical distribution remains unaffected.

- **Strategy:** AGY is a fully integrated pharmaceutical company focused on the treatment of allergies. There are three parts to its strategy: i) continued development of its European business via investment or opportunistic acquisitions; ii) the US PQ opportunity; and iii) further development of its pipeline.

- **COVID-19:** Last month, we highlighted that manufacturing is performed in the UK and Spain and, in line with guidance on pharmaceutical products, production is still running at full capacity. Employees in marketing, mostly in Germany, are working remotely, as are the HQ and administrative staff in the UK.

- **Role of adjuvants:** In the search for a COVID-19 vaccine, using the most appropriate adjuvant is important. AGY has made clear to the large vaccine players that it has proven biodegradable adjuvants available. This strength was reinforced by a recent scientific review article published in *Allergy*.

- **Business update:** AGY's business is biased to the first half of each fiscal year, with ca.70% of sales generated in this period, as reported recently. The company is also in the fortunate position of having few clinical trials running, so is not being affected by the global lockdown in the same way as reported by many others.

- **Investment summary:** While adhering to government advice, AGY is well positioned with respect to COVID-19. Manufacturing and distribution of pharmaceutical products can, and is, continuing. No significant clinical trials are being run, and the company has a strong balance sheet, with ca.£40m gross cash in the bank.

Financial summary and valuation

Year-end Jun (£m)	2017	2018	2019	2020E	2021E	2022E
Sales	64.1	68.3	73.7	80.0	86.0	92.0
R&D investment	-9.3	-16.0	-13.0	-13.0	-18.0	-26.0
Underlying EBIT	-3.6	-7.4	-2.2	-1.2	-5.6	-13.3
Reported EBIT	-2.6	-7.4	3.8	2.0	-5.6	-13.3
Underlying PBT	-3.7	-7.5	-2.3	-1.4	-6.1	-13.8
Statutory PBT	-2.7	-7.5	3.7	1.8	-6.1	-13.8
Underlying EPS (p)	-0.6	-1.3	-0.4	-0.3	-1.1	-2.3
Statutory EPS (p)	-0.4	-1.3	0.5	0.3	-1.0	-2.1
Net (debt)/cash	18.8	12.5	25.0	15.9	9.9	-4.4
Equity issues	0.0	0.0	10.2	0.3	0.3	0.3
P/E (x)	-14.0	-6.5	-20.3	-24.0	-7.6	-3.6
EV/sales (x)	0.82	0.77	0.71	0.65	0.61	0.57

Source: Hardman & Co Life Sciences Research

ARBUTHNOT BANKING GROUP

Three key features giving resilience

We reviewed ABG's results in our note, *2019 results: resilience into the storm*, published on 6 April. We identified that, to be resilient in the forthcoming economic storm, a bank needs three things: low-risk assets, strong capital and surplus deposits. ABG has all three. 55% of the loan book at end-2019 was in the private bank (significantly secured on sub-60% LTV residential properties). The equity-to-assets ratio was 8% and the total capital ratio 17.3%. We estimate ABG has ca.£60m of surplus capital. End-2019 deposits were £2.1bn, against loans of £1.6bn. ABG's confidence was shown with an initial intent to increase the dividend.

- **Proof of the pudding:** In 2008 and 2009, Arbuthnot Latham reported profits of £2.1m and £0.2m, respectively, i.e. it was still profitable through that crisis, reflecting management conservatism in lending. In 2008, ABG Group reported losses, which were driven by the now-sold Arbuthnot Securities division.

- **Impairments:** Our 6 April note highlighted that, in 2020, the biggest impact on ABG's profitability is likely to be from base rate cuts. Impairments are uncertain, and regulatory guidance appears to indicate banks should not be overly conservative on COVID-19-related provisioning. We introduced scenario-testing in our note.

- **Valuation:** Our forecast scenarios, and multiple valuation approaches, see a broad range of implied valuations. Our base case range is 871p to 1,912p, our upside scenario 1,183p to 2,377p, and our downside 782p to 1,424p. The share price is 71% of the 2019 NAV (1,364p), implying significant value destruction to perpetuity.

- **Risks:** As with any bank, the key risk from here is credit. ABG's existing business should see below-market volatility, and so the main risk lies in new lending. We believe management is cognizant of the risk and, historically, has been very conservative. Other risks include reputation, regulation and compliance.

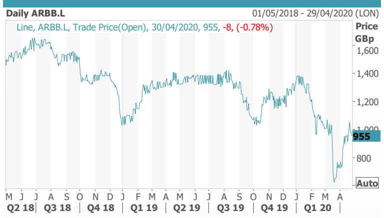
- **Investment summary:** ABG offers strong-franchise and continuing-business (normalised) profit growth. Its balance sheet strength gives it wide-ranging options to develop organic and inorganic opportunities. The latter are likely to increase in uncertain times. Management has been innovative, but also very conservative, in managing risk. Having a profitable, well-funded, well-capitalised and strongly growing bank priced well below book value appears anomalous.

Financial summary and valuation (see our note, *2019 results: resilience into the storm*, for range of scenarios)

Year-end Dec (£000)	2015	2016	2017	2018*	2019*
Operating income	34,604	41,450	54,616	67,905	72,465
Total costs	-35,926	-46,111	-54,721	-64,982	-70,186
Cost:income ratio	104%	111%	100%	96%	97%
Total impairments	-1,284	-474	-394	-2,731	-867
Reported PBT	-2,606	-1,966	2,534	6,780	7,011
Adjusted PBT	2,982	1,864	3,186	4,388	5,800
Statutory EPS (p)	86.3	1,127.3	43.9	-134.5	41.1
Adjusted EPS (p)	13.5	17.1	47.5	22.7	32.8
Loans/deposits	82%	76%	75%	71%	77%
Equity/assets	5.5%	18.5%	12.8%	9.0%	8.0%
P/adjusted earnings (x)	71.3	56.3	20.3	42.4	29.3
P/BV (x)	1.20	0.63	0.63	0.75	0.71

IFRS9 basis Source: Hardman & Co Research

Financials



Source: Refinitiv

Market data

EPIC/TKR	ARBB/ARBN
Price (p)	962.5/920
12m High (p)	1,428
12m Low (p)	625
Shares (m)	15.4
Mkt Cap (£m)	147
Loans to deposits, 2019	77%
Free Float*	42%
Market	AIM/Aquis

*As defined by AIM Rule 26

Description

Arbuthnot Banking Group (ABG) has a well-funded and capitalised private bank, and has been growing commercial banking very strongly. It holds a 9.85% stake in Secure Trust Bank (STB).

Company information

Chair/CEO	Sir Henry Angest
COO/CEO Arb. Latham	Andrew Salmon
Group FD, Deputy CEO Arb. Latham	James Cobb

+44 20 7012 2400
www.arbuthnotgroup.com

Key shareholders

Sir Henry Angest	56.1%
Liontrust	7.0%
Slater Investments	3.9%
Miton Asset Mgt.	3.6%
R Paston	3.6%
M&G IM	3.5%

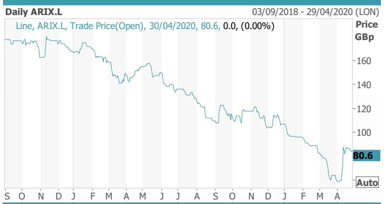
Diary

To be confirmed when current restrictions allow	AGM

Analyst

Mark Thomas 020 7194 7622
mt@hardmanandco.com

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data	
EPIC/TKR	ARIX
Price (p)	83
12m High (p)	158
12m Low (p)	58
Shares (m)	135.6
Mkt Cap (£m)	112.5
NAV/share (p)	141
Premium/discount to NAV	-41%
Free Float	70%
Market	Main

Description

Arix Bioscience (ARIX) is a publicly listed biotechnology venture capital (VC) company. It provides an opportunity for all investors to participate in a balanced portfolio of diverse biotech innovation via a single stock. With a global portfolio of 16 companies and five IPOs achieved since launch in 2016, Arix is a dynamic and modern approach to life sciences VC investing.

Company information	
Executive Chairman	Naseem Amin
MD	Jonathan Tobin
COO	Robert Lyne
Finance Director	Marcus Karia

+44 20 7290 1050

www.arixbioscience.com

Key shareholders	
Directors	0.1%
Link Fund Solutions	19.8%
Fosun	8.2%
Ruffer	6.1%
Takeda Ventures	5.5%

Diary	
3 Jun	AGM
Aug'20	Interim results

Analyst	
Martin Hall	020 7194 7622

mh@hardmanandco.com

ARIX BIOSCIENCE

Refocused at the top

ARIX is a listed global VC company that presents an opportunity for institutional and retail investors to participate in the high risk-return profile of early-stage biotech investing. ARIX minimises risk through its expert investment team and portfolio diversification. At 31 December 2019, its published NAV was £202m, compared with £138m investment into its portfolio – currently 16 companies. With a cash position of £55m (31 December 2019), ARIX is well positioned to support its portfolio of investments. During the global lockdown, all ARIX personnel are working remotely and supporting portfolio companies.

- **Strategy:** ARIX sources benefits from an established network and a strong scientific reputation. The portfolio is diversified by therapeutic area, treatment modality, stage of discovery/development and geography to balance the risk-reward profile. Value is realised when ARIX successfully exits its investments.

- **Leaner Board/structure:** Recent changes at the top of the group have resulted in a leaner Board of just four people, and a refocused and smaller investment team, with Jonathan Tobin promoted to Managing Director. Taken together, these changes are expected to accelerate the reduction in annual administrative costs to ca.£7.0m (-28%) in fiscal 2020 and a normalised and sustainable £5.5m (-21%) in fiscal 2021.

- **Harpoon:** Portfolio company, Harpoon (HARP.OQ), has announced that the first patient has been dosed with HPN217, in a Phase I/II trial focused on relapsed, refractory multiple myeloma. This has triggered a $50m milestone from licensing partner, AbbVie (ABBV.N). HPN217 is Harpoon's third product in clinical trials.

- **Other news:** Autolus (AUTL.OQ) had its investigational new drug application for pivotal Phase II trial with AUTO1, its lead CAR-T product, accepted by the US FDA. Also, Imara Inc (IMRA.OQ) IPO'd on NASDAQ, raising $75.2m. This resulted in a £4.3m increase in the value of ARIX's existing holding, which was valued at £10.7m on 31 December 2019. ARIX invested a further $3.0m in the IPO. The stock has continued to trade around the IPO price ($16.0).

- **Investment summary:** ARIX has been affected by the global macroeconomic environment and some negative sentiment towards biotech. This has resulted in some volatility in the share prices of some of its listed portfolio companies, which is likely to remain the case until there is greater clarity regarding the easing of the global lockdown. Meanwhile, the shares responded very positively to ARIX's sustainable reduction in operating costs.

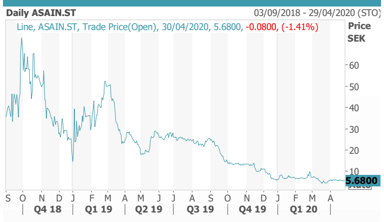
Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019	2020E	2021E	2022E
Change in FV of investments	5.5	51.2	-58.6	*-4.0	*-	*-
Operating income	1.9	1.3	0.5	0.2	0.2	0.0
Administrative expenses	-11.0	-11.7	-9.7	-7.0	-5.5	-5.6
Operating profit/(loss)	-7.2	37.5	-70.6	-12.7	-7.2	-7.6
Profit/(loss) before tax	-7.2	37.5	-70.6	-12.2	-6.9	-7.3
Underlying EPS (p)	-9.5	27.2	-49.9	-8.3	-4.7	-5.0
Net cash/(debt)	74.9	91.2	53.7	37.4	25.8	14.0
Capital increase	105.1	83.5	0.0	0.0	0.0	0.0
NAV/share (p)	152.3	200.4	149.1	140.9	-	-

** Based on share prices and forex at close of business on 28 April 2020*

Source: Hardman & Co Life Sciences Research

Technology



Source: Refinitiv

Market data

EPIC/TKR	**ASAI.SE**
Price (SEK)	**5.7**
12m High (SEK)	31.3
12m Low (SEK)	4.2
Shares (m)	43.2
Mkt Cap (SEKm)	246.5
EV (SEKm)	378.5
Free Float*	30%
Market	Nasdaq First North

**As defined by AIM Rule 26*

Description

Artificial Solutions (AS) is a leading global vendor of conversational artificial intelligence (AI) software to multinational enterprises. Headquartered in Sweden, the company comprises around 113 people.

Company information

CEO	Lawrence Flynn
CFO	Chris Bushnell
Chairman	Åsa Hedin

+46 8 663 5450
www.artificial-solutions.com

Diary

18 May	1Q'20 results
17 Jun	AGM
30 Jul	2Q'20 results
29 Oct	3Q'20 results
4 Feb'21	FY'20 results

Analyst

Milan Radia 020 7194 7622
mr@hardmanandco.com

ARTIFICIAL SOLUTIONS

Conversational artificial intelligence made real

Strong operational and financial progress over the past 12 months includes a series of contract wins with major organisations, particularly via a growing base of Tier 1 systems integrator partners. COVID-19 brings uncertainty, but AS continues to make progress due to healthy contracted backlog and ongoing sales cycles. Compared with the current market capitalisation of ca.SEK250m (€23m), the recent valuation of the patent portfolio alone came in at a midpoint of €128m, while our discounted cashflow analysis suggests an implied fair equity value of €116m. For more detail, see our report, *Conversational artificial intelligence made real*.

- **Continued strong customer momentum:** 12 major new-name customers were added in 2019, taking the total to 31. Skoda (part of VW), Circle K (a Nordic retailer) and Swisscom extended their rollouts, while a large US telco (AT&T, we believe) is expanding from supporting 150,000 users to over 11m.

- **Visibility for the next two quarters is relatively high:** Much of the revenue reported in these periods will be drawn from contracted backlog. New product launches continue; the recent launch of the Tiva virtual assistant provides HR and IT support for remote working – a good example of innovation agility.

- **Embedded in the revenue model is a high level of scalability:** A new guidance metric anticipates that usage revenue, driven by increasing transaction volumes from the large customer wins, will represent ca.80% of total revenue by end-2022. These trends are highly positive for the margin profile.

- **Financing:** In February, the company completed a rights issue to raise SEK 120.5m (€10.8m), which is expected to take the business through to positive operating cashflow by end-2020. This raise precedes finalisation of the debt refinancing – we anticipate further announcements in coming months.

- **Investment summary:** The drivers of conversational artificial intelligence (AI) adoption are resilient and secular in nature, reflecting the growing adoption of automation technologies by enterprises globally. The growing number of case studies of major customers expanding their deployments of Teneo are consistent with the expected step changes in high-margin usage revenue.

Financial summary and valuation

Year-end Dec (€m)	2017	2018	2019E	2020E	2021E
Total income	6.1	6.4	10.4	15.5	21.5
Reported EBITDA	-9.3	-12.7	-5.3	0.3	4.5
EBITDA margin	-152%	-197%	-51%	2%	21%
EBIT	-11.5	-13.8	-6.5	-1.0	3.1
Pre-tax profit	-12.9	-17.1	-9.5	-3.7	0.6
Net income	-12.9	-17.1	-9.5	-3.7	0.6
EV/Revenue (x)	5.6	5.3	3.3	2.2	1.6
EV/EBITDA (x)	-3.7	-2.7	-6.5	119.5	7.6
EV/EBIT (x)	-3.0	-2.5	-5.3	-33.2	11.2

Source: Hardman & Co Research

HARDMAN&CO.

Market data

EPIC/TKR	Private
Price (p)	n/a

Description

B-North is being developed to serve the sizeable UK SME lending market. It has state-of-the-art technology, a regional hub model and experienced managers to deliver a best-in-class service to SMEs and commercial brokers. It will be funded through best-buy retail deposit comparison websites. The model should have a material cost advantage over competitors, and credit risk is being tightly managed.

Company information

Chairman	Ron Emerson CBE
CEO	Jonathan Thompson
CFO	David Broadbent

investor@b-north.co.uk
b-north.co.uk

Key shareholders

Directors/management	£1m+
Greater Manchester Combined Authority	Six-figure sum
HNWI	Balance

Diary

2Q'20	Banking licence (tbc)
2Q'20	£20m capital raise (tbc)
2Q'20	Start lending (tbc)
4Q'20	Start retail deposit-taking

The target seed round top-up capital raise of £2m was over-subscribed (£2.7m raised). Investors with £50k+ to invest can do so directly through contact with David Broadbent, Founder & CFO, Suite 20A, Manchester One, 53 Portland Street. The group targets raising £20m from institutional investors, conditional on getting its banking licence.

Analyst

Mark Thomas 020 7194 7622
mt@hardmanandco.com

B-NORTH

1Q'20 update

B-North published its *1Q overview* on 17 April. With no back-book to worry about, increased SME funding needs, and mainstream banks diverted by operational constraints, the fundamental reason for B-North's existence is, if anything, stronger. The timing of the equity issue has, not unsurprisingly, been impacted by current equity markets, and the final material condition to getting the banking licence is raising these committed funds. B-North continues to engage closely with potential investors, so as to raise funds quickly when markets improve. In the meantime, it has managed cashflow – so existing funds will see it through to 4Q'20.

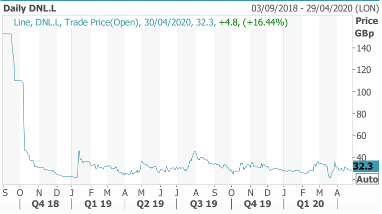
- **COVID-19 impact on SME market:** COVID-19 has meant that existing lenders have to manage back-books with material risk issues. In addition to impacting risk appetite and uncertainty over third-party valuations, there have been operational capacity constraints, all of which have seen new lending severely constrained.
- **COVID-19 impact on B-North:** The procedural elements of getting the banking licence have not been impacted and are well advanced, but the required £20m equity raise is more challenging. Cash outgoings have been reduced (salaries cut, supplier arrangements reviewed), so that the existing cash will last into 4Q'20.
- **Valuation:** Given the growth profile of the company and associated uncertainties, any valuation must be treated with extreme caution. In our *initiation*, we gave a range of approaches, indicating that, on average, B-North's value in 2027 could be treble the amount of equity raised, and we provided a range of sensitivities.
- **Risks:** Credit risk is key for any bank. B-North will establish independent credit functions, and its technology brings it close to customers interfacing with their internal information. It has multiple options to address any loan growth shortfall. The economic cycle is important. The model is yet to be tested and capital raised.
- **Investment summary:** B-North is still at the pre-revenue stage. Its model should be low-cost, and deliver a superior service to customers and intermediaries. It has a conservative credit culture and uses state-of-the-art technology, written from scratch, to originate, service and manage its business. Funding will be via the deep best-buy retail deposit comparison sites. The potential market is huge, profitable and under-served, and major incumbents have selectively become uncompetitive.

Financial summary and valuation – eight-pod scenario

Year-end Sep (£m)	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net interest income	0.0	0.5	3.9	14.5	37.4	72.7	116.2	160.7	203.6
Costs	-2.9	-7.0	-18.0	-28.3	-36.0	-41.3	-45.5	-47.8	-52.0
Impairments	0.0	0.0	-0.2	-1.0	-3.1	-7.4	-8.9	-10.1	-10.7
Pre-tax profit	-2.9	-6.5	-14.2	-14.3	-0.6	25.9	64.7	106.5	145.4
Net interest margin	n/m	1.4%	4.0%	4.3%	4.1%	4.2%	4.2%	4.3%	4.3%
Cost:income ratio	n/m	n/m	n/m	n/m	-93%	-55%	-38%	-29%	-25%
RoE	n/m	-14%	-15%	-12%	0%	11%	20%	23%	24%
Loans	0	15	100	470	1,100	1,925	2,850	3,700	4,550
Deposits	0	0	12	329	770	1,424	2,098	2,745	3,393
Equity	1	72	86	102	154	217	298	393	502
Value at 12x P/E*	n/m	n/m	n/m	n/m	n/m	252	629	962	1,303
Value vs. cum. equity issued	n/m	n/m	n/m	n/m	n/m	1.1	2.3	2.9	3.4

**IFRS9 basis; Source: Hardman & Co Research*

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data	
EPIC/TKR	**DNL**
Price (p)	**28.5**
12m High (p)	47.0
12m Low (p)	21.0
Shares (m)	121.6
Mkt Cap (£m)	34.7
EV (£m)	17.6
Free Float*	49%
Market	AIM

*As defined by AIM Rule 26

Description

Diurnal (DNL) is a European, UK-headquartered, specialty pharma company targeting patient needs in chronic, potentially life-threatening, endocrine (hormonal) diseases. Alkindi is approved in Europe and has been filed in the US. Chronocort completed the largest and only Phase III trial in CAH and is awaiting EMA approval.

Company information	
CEO	Martin Whitaker
CFO	Richard Bungay
Chairman	Peter Allen

+44 29 2068 2069
www.diurnal.co.uk

Key shareholders	
Directors	2.9%
IP Group	36.2%
Finance Wales	9.5%
Polar Capital	8.1%
Amati VCT	7.8%
Richard Griffiths	5.1%

Diary	
Sep'20	Final results
29 Sep	Alkindi PDUFA date
4Q'20	Alkindi FDA approval

Analyst

Martin Hall 020 7194 7622
mh@hardmanandco.com

DIURNAL GROUP

Financed to profitability

DNL is a commercial-stage specialty pharmaceutical company focused on diseases of the endocrine system. Its two lead products target rare conditions where medical needs are currently unmet, with the aim of building a long-term "Adrenal Franchise". 2020 is expected to be a busy year, with market authorisations and a US commercial partnership for Alkindi. DNL is well positioned with respect to the manufacture and distribution of Alkindi, although COVID-19 has introduced some uncertainty regarding launch in some countries, such as Italy. The US licensing deal with Eton Pharmaceuticals has strengthened the group's financial position.

- **Strategy:** DNL aims to create a valuable "Adrenal Franchise" that can treat patients with chronic cortisol deficiency diseases from birth through to old age. Once Alkindi and Chronocort are established in Europe and the US, the long-term vision is to expand DNL's product offering to other related conditions.

- **Operations:** In readiness for potential launches, DNL had already built up stock levels of Alkindi. This has left the company well positioned in the unlikely event that any movement across borders becomes difficult during the lockdown, and it has enough stock available to meet foreseeable demand across Europe.

- **Regulatory issues:** To date, the ongoing approval processes for Chronocort in Europe and Alkindi Sprinkle in the US have not been affected materially by the lockdown. DNL is continuing to work with the relevant agencies to maintain the regulatory pathway timelines previously communicated to the market.

- **US licensing deal:** At the end of March 2020, DNL announced an exclusive US licensing agreement with Eton Pharmaceuticals (Eton) for the commercialisation of Alkindi Sprinkle. Eton has paid DNL $5m upfront, in cash and shares, and has pre-set milestones worth up to $47.5m in total, plus royalties on net sales.

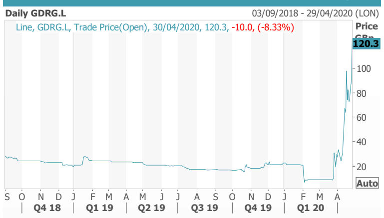
- **Investment summary:** The company is well positioned to withstand a long period of lockdown with sufficient supplies of its commercially available drugs. New funding via the March Placing of shares to raise £10.7m (net), together with the upfront receipt from Eton, leaves the company with sufficient cash to take it through to profitability, based on current forecasts.

Financial summary and valuation

Year-end Jun (£m)	2017	2018	2019	2020E	2021E	2022E
Sales	0.00	0.07	1.04	2.41	5.76	16.16
SG&A	-3.23	-6.21	-5.83	-5.50	-6.15	-7.53
R&D	-8.34	-10.02	-8.69	-4.78	-4.54	-5.90
EBITDA	-12.07	-16.97	-14.50	-5.16	-6.56	0.19
Underlying EBIT	-12.08	-16.98	-14.53	-5.18	-6.58	0.17
Statutory EBIT	-12.08	-16.98	-14.53	-5.18	-6.58	0.17
Underlying PBT	-12.16	-17.11	-14.40	-5.13	-6.50	0.21
Statutory PBT	-12.16	-16.91	-14.40	-5.13	-6.50	0.21
Underlying EPS (p)	-18.04	-27.16	-14.54	-4.24	-4.44	1.35
Statutory EPS (p)	-18.04	-26.78	-19.70	-4.24	-4.44	1.35
Net (debt)/cash	16.37	17.28	9.15	15.82	8.48	7.76
Equity issues	0.05	13.40	5.53	10.70	0.00	0.00

Source: Hardman & Co Life Sciences Research

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

EPIC/TKR	**GDR**
Price (p)	**118.0**
12m High (p)	120.3
12m Low (p)	7.0
Shares (m)	34.9
Mkt Cap (£m)	41.1
EV (£m)	46.9
Free Float*	54%
Market	AIM

**As defined by AIM Rule 26*

Description

Genedrive plc (GDR) is a disruptive platform designed to bring the power of central laboratory molecular diagnostics to point-of-care/near-patient settings with a low-cost device offering fast and accurate results. It focuses on diagnostics for acute hospital settings and for serious infectious diseases, such as hepatitis C and tuberculosis.

Company information

CEO	David Budd
CFO	Matthew Fowler
Chairman	Ian Gilham

+44 1619 890 245
www.genedriveplc.com

Key shareholders

Directors	1.8%
Calculus	18.9%
BGF	12.8%
Spreadex	5.8%
River & Merc.	5.4%
Odey	4.1%

Diary (calendar year)

2H'20	WHO decision on HCV-ID pre-qualification

Analyst

Martin Hall 020 7194 7622
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GENEDRIVE PLC

Rapidly moving towards COVID-19 test

GDR is a commercial-stage biotech focused on point-of-care (POC) molecular diagnostics. Its Genedrive® molecular diagnostic platform offers low-cost, simple-to-use devices for highly sensitive and specific testing. Rapid analysis of samples aids real-time decision-making, whether in clinical, public health or biothreat applications. GDR is developing a portfolio of assays for its Genedrive device. GDR looks set to benefit from the development and supply of two SARS-COV-2 tests, a rapid machine agnostic test, due to be rolled out in May, and a POC test that will run on its Genedrive platform, due around the last quarter of 2020.

- **Strategy:** Now that the Genedrive technology platform has received CE marking, management has completely re-focused the company onto a commercialisation pathway for gene-based diagnostics in biothreat pathogen detection, Antibiotic-Induced Hearing Loss (AIHL), hepatitis C and tuberculosis (TB).

- **Rapid test:** GDR has entered into a partnership with Cytiva (formerly known as GE Healthcare) for the development of a SARS-CoV-2 diagnostic test that combines GDR's chemistry with Cytiva's LyoStable stabilisation technology. The aim is to have a high throughput, one-step, freeze-dried, rapid test (<1hr) that can be transported globally without the need for refrigeration. Based on current expectations, this test could be available for commercialisation in May.

- **POC test:** Adding to its stable of POC tests, GDR is also developing a SARS-CoV-2 test that will be run on the mobile Genedrive platform. Additional time will be required for trials and validation of this test, suggesting that it will be available towards the end of the year.

- **Trading update:** With the global lockdown associated with COVID-19, there is considerable uncertainty about 2H'20 performance. Consequently, we have suspended forecasts until there is greater clarity about when the COVID-19 lockdown will be eased and there is a proper opportunity to assess the situation.

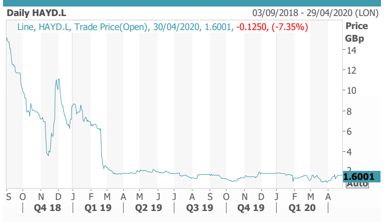
- **Investment summary:** Costs are being closely monitored, and GDR intends to use various UK government support packages, giving it a cash runway of six to nine months. Although GDR is well positioned to benefit in the longer term from greater expenditure of global healthcare and its contract with the US Dept. of Defense, it must first address its short-term capital requirements.

Financial summary and valuation

Year-end Jun (£000)	2017	2018	2019	2020E	2021E	2022E
Group sales	5,785	1,938	2,362			
Underlying EBIT	-4,913	-5,264	-4,449			
Reported EBIT	-7,292	-7,375	-4,010			
Underlying PBT	-5,417	-5,782	-5,002			
Statutory PBT	-7,487	-7,788	-4,518			
Underlying EPS (p)	-23.6	-26.9	-15.8		Forecasts	
Statutory EPS (p)	-34.9	-31.9	-14.0		under review	
DPS (p)	0.0	0.0	0.0			
Net (debt)/cash	-70	-2,096	-3,334			
Equity issues	6,023	0	3,243			
P/E (x)	-1.2	-1.1	-1.9			
EV/sales (x)	2.8	8.3	6.8			

Source: Hardman & Co Life Sciences Research

Specialty Chemicals



Source: Refinitiv

Market data

EPIC/TKR	**HAYD**
Price (p)	**1.7**
12m High (p)	2.7
12m Low (p)	0.9
Shares (m)	340.2
Mkt Cap (£m)	5.8
EV (£m)	2.4
Free Float*	100%
Market	AIM

**As defined by AIM Rule 26*

Description

Haydale is involved in the production and functionalisation of nanomaterials, with key growth areas being silicon carbide (75% of revenues), functionalised inks and graphene composites.

Company information

CEO	Keith Broadbent
CFO	Mark Chapman
Chairman	David Banks

+44 1269 842 946
www.haydale.com

Key shareholders

Quilter Plc	13.3%
Anthony Best	11.4%
Nicholas Audley Money-Kyrle	8.3%
Davis & Monique Newlands	3.8%
Others	63.2%

Diary

Sep'20	Final results

Analyst

Paul Singer 020 7194 7622
ps@hardmanandco.com

HAYDALE

Trading challenging, but new commercial agreement

Near-term trading is soft, but commercial traction continues to develop and medium-term financial issues are continually being addressed. The long-term risk/reward balance remains favourable, we believe. The markets, though, await clear evidence that revenue visibility becomes more apparent.

- **Trading update:** Haydale is seeing a slowdown in many of its markets, in particular the US aviation industry. This has significantly affected its silicon carbide business. Haydale says it will now fall markedly short of its trading expectations. With market visibility low, 2019/20 and 2020/21 forecasts have been suspended.

- **Strategic developments:** The four-year exclusive DLYB distribution agreement to market Haydale's electrically conductive graphene-enhanced masterbatches in the Chinese and Taiwan markets is most positive. Haydale will receive an initial licence fee and, in 2021, revenues will start at $0.3m, rising annually thereafter.

- **Financial position:** Haydale's cash position was £2.7m at December 2019. A range of financial measures have now been implemented to mitigate the impact of COVID-19. The group has sufficient reserves to manage the impact, and is taking steps to preserve its cash position.

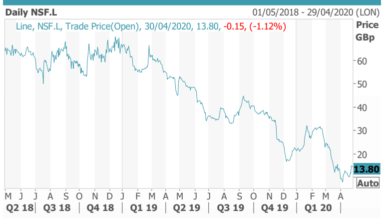
- **Investment summary:** Haydale remains well positioned competitively, with a proprietary nanomaterial functionalisation plasma process. Commercial traction continues its recovery, and the group has been financially de-risked. While the risk/reward balance remains favourable on a long-term basis, in our view, the market awaits clear evidence that future revenues are becoming more apparent.

Financial summary and valuation

Year-end Jun (£m)	2018	2019	2020E	2021E
Sales	3.4	3.5	Forecasts currently suspended	
Gross profit	2.0	1.9		
Grant income	0.8	0.8		
EBITDA	-4.9	-4.4		
Underlying EBIT	-5.7	-5.5		
Reported EBIT	-6.0	-7.5		
Underlying PBT	-5.8	-5.6		
Underlying EPS (p)	-22.4	-2.9		
Statutory EPS (p)	-23.7	-4.1		
Net (debt)/cash	4.2	3.4		
EV/sales (x)	0.1	0.1		

Source: Hardman & Co Research

Financials



Source: Refinitiv

Market data

EPIC/TKR	**NSF**
Price (p)	**13.35**
12m High (p)	52.7
12m Low (p)	8.35
Shares (m)	312.0
Mkt Cap (£m)	42
EV (£m)	294
Free Float	99%
Market	Main

Description

In the UK non-standard lending market, Non-Standard Finance (NSF) has the market-leading network in unsecured branch-based lending, is number two in guarantor loans and number three in home credit.

Company information

CEO	John van Kuffeler
CFO	Nick Teunon
Non-Exec. Chair	Charles Gregson

+44 20 3869 9026
www.nonstandardfinance.com

Key shareholders

Alchemy	29.95%
Aberforth Partners	17.64%
Marathon Asset Mgt.	11.24%

Diary

Mid-May	FY'19 results

Analyst

Mark Thomas 020 7194 7622
mt@hardmanandco.com

NON-STANDARD FINANCE

Collections running at 75%-90%

On 23 April, NSF issued an update: *Timing of 2019 full year results & trading update*. The key point for shareholders is that collections are running at high levels – branch-based business (90%), guarantor loans (90%, albeit most collections are month-end, so may be early) and home collect (75%, with widespread adoption of remote payment options, rather than agent visits). With lending restricted to key workers, NSF is now cashflow-positive (£3m in first three weeks in April), significantly de-risking the book. The securitisation facility gives NSF £185m of facilities on top of cash (£39m on 21 April). 2019 normalised results are in line with expectations.

- **COVID-19 actions:** In Home Collect, collections are being made remotely from customers. Forbearance has always been a feature of this business. Other divisions may see greater benefits from relief measures. While a relatively high number of customers are in casual employment, most receive a large percentage of their income from benefits or state income, and so should be less affected.
- **Outlook:** We will introduce scenarios with our results note (expected mid-May). Impairments will rise, as a number of customers face unemployment and shorter hours (even post unlocking). However, we expect spread-widening and a whole raft of new borrowers who have become non-standard as a result of the crisis.
- **Valuation:** Near-term earnings, and dividend progression, are unlikely to be reflective of the long-term business outlook and are likely to be highly variable. The long-term Gordon Growth Model has, on our assumptions, a value of 79p. The 2019E P/E is 3.2x. The price to tangible 2019E book is 0.9x.
- **Risks:** Credit risk remains the biggest threat to profitability (this is mitigated through high risk-adjusted margins and good customer relationships), and NSF's model accepts higher credit risk where a higher yield justifies it. Regulation is a market issue; management is taking appropriate action to mitigate this risk.
- **Investment summary:** Notwithstanding short-term uncertainty, substantial medium- and long-term value should be created, as i) demand for, and pricing of, non-standard finance is likely to be strong for at least the next couple of years following the fall-out from the crisis, ii) NSF has substantial committed medium-term funding, iii) competitors have withdrawn (and potentially more may do so), and iv) NSF has a highly experienced management team. Investors are paying 3.2x 2019E earnings and 0.9x 2019E book value for this long-term value creation.

Financial summary and valuation (we will be introducing a range of forecast scenarios for 2020/2021 with the mid-May results)

Year-end Dec (£000)	2017	2018	2019E*
Reported revenue	121,682	168,128	184,249
Total impairments	-28,795	-42,688	-45,658
Total costs	-69,203	-89,564	-95,000
EBITDA	23,684	35,876	43,590
Adjusted PBT	13,203	14,769	15,878
Statutory PBT	-13,021	-1,590	-19,779
Pro-forma EPS (p)	3.44	3.70	4.12
DPS (p)	2.20	2.60	0.7
P/E (adjusted, x)	3.9	3.6	3.2
P/BV (x)	0.2	0.2	0.2
P/tangible book (x)	0.6	0.7	0.9
Dividend yield	16.5%	19.5%	5.2%

** IFRS9 basis; Source: Hardman & Co Research*

PALACE CAPITAL

Trading update and COVID-19-related dividend cut

For here and onwards, PCA is well financed. Gross cash equates to around nine months' rent. Naturally, the focus is on current trading and economy-wide difficulties. The 2 April update stated a passing of the about-to-be-paid 3Q dividend. Covenant strain appears entirely manageable. On average, rents would need to fall 40% before problems are triggered. For 2021, the major leg-up in income from the Hudson Quarter development is still of major strategic benefit: cash, profits and redeployment. Medium term, there is an obvious roadmap to dividends, resuming growth above 19p. In the eye of the storm, strengths outweigh industry-wide challenges.

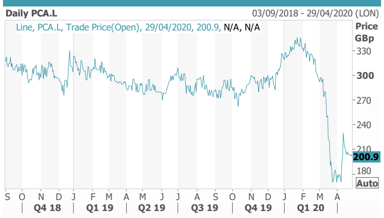
- **Rent collection now 80% and rising:** The end-March update confirmed quarter rents were 70% up to date. As of 23 April, this is 80%. Rents due end-June will also be affected but the outcome so far is encouraging, allied to end-1H20's position of undrawn debt of £26.5m for development and £20m revolving credit facility.
- **Strategy on track:** Part of the portfolio is the development in York. Profits come later: early FY22. By design, ca.16% of the portfolio is vacant. Refurbishments drive most of this. For example, the 75,000 sq. ft. central Manchester office achieved rents of £13 sq. ft. when bought, rising 12% p.a. to £19 sq. ft. now.
- **Earnings profile:** Were, illustratively, the refurbishments to work through the system and voids halve and then the cash generated by the mid-2021 completion of the Hudson Quarter reinvested, we estimate the rental base would rise ca.15%, even before rent rises to be expected from the refurbishments themselves.
- **Strategy:** PCA aims to achieve positive returns from both capital and income. Development opportunities are selected one by one: as they come. Several smaller ones are on the blocks now. York – originally acquired for £3.8m and with a £69m development value – is still expected to achieve a £20m cash-on-cash return.
- **Risks:** 80% of assets are in robust asset classes. Retail exposure is very low, but there are two large leisure sites. 48% are in offices, but these are town/city centre and we do not consider that type of asset liable to home-working substitution. 60% of assets are in the north of England and Midlands. Despite this, the 4Q20 dividend looks under threat, 3Q20 having been passed as announced last month.

Financial summary and valuation

Year-end Mar (£m)	FY17	FY18	FY19	FY20E	FY21E
Net income	12.2	14.9	16.4	19.0	
Finance cost	-3.0	-3.4	-4.6	-4.0	
Declared profit	12.6	13.3	6.4	3.6	
EPRA PBT	6.4	7.5	8.6	11.0	
EPS reported (diluted, p)	36.5	35.8	11.3	25.4	Awaiting
EPRA EPS (p)	21.2	18.7	16.5	7.1	FY20
DPS (p)	18.5	19.0	19.0	14.3	results
Net cash/debt	-68.6	-82.4	-96.5	-108.6	announcement
Dividend yield	9.0%	9.5%	9.5%	7.2%	
Price/EPRA NAV	45.0%	48.0%	49.3%	50.4%	
EPRA NAV (p)	443.0	414.8	406.6	396.8	
LTV	37.3%	29.9%	33.8%	37.2%	

Source: Hardman & Co Research

Real Estate



Source: Refinitiv

Market data

EPIC/TKR	**PCA**
Price (p)	**200**
12m High (p)	350
12m Low (p)	170
Shares (m)	45.9
Mkt Cap (£m)	92
EV (£m)	200
Market	Main, LSE

Description

Palace Capital (PCA) is a real estate investor, diversified by location, but with no London exposure and with minimal exposure to retail. There is an emphasis on city-centre locations. The York development site comprises 6% of assets.

Company information

Chairman	Stanley Davis
CEO	Neil Sinclair
CFO	Stephen Silvester
Executive director	Richard Starr

+44 20 3301 8330
www.palacecapitalplc.com

Key shareholders

AXA	7.7%
Miton	7.4%
J.O. Hambro	7.3%
Stanley Davis (Chairman)	3.6%

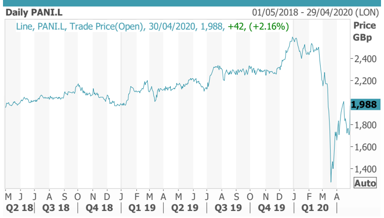
Diary

Jul'20	Final results
Aug'20	AGM
Nov'20	Interim results

Analyst

Mike Foster 020 7194 7622
mf@hardmanandco.com

Closed-Ended Investments Funds



Source: Refinitiv

Market data

EPIC/TKR	**PIN**
Price (p)	**1,944**
12m High (p)	2,620
12m Low (p)	1,274
Shares (m)	54,089
Mkt Cap (£m)	1,051
NAV p/sh (p)*	2,794.9
Discount to NAV*	30%
Market	Premium equity closed-ended investment funds

Manager valuations: 94% Dec'19; cut by 226.3p for "Manager's Provision"

Description

The investment objective of Pantheon International Plc (PIP) is to maximise capital growth by investing in a diversified portfolio of private equity (PE) assets and directly in private companies.

Company information

Chairman	Sir Laurie Magnus
Aud. Cte. Chr.	David Melvin
Sen. Ind. Dir.	Susannah Nicklin
Inv. Mgr.	Pantheon
Managers	Helen Steers
Contact	Vicki Bradley
	+44 20 3356 1800
	www.piplc.com

Key shareholders (31 May'19)

USS	8.2%
Merian	7.0%
Esperides SA SICAV- SIF	5.7%
East Riding of Yorkshire	4.7%
APG Asset Mgt.	4.4%
Investec Wealth	4.4%
Private Syndicate pty.	3.8%
Brewin Dolphin	3.4%

Diary

Mid-May	Apr performance report

Analyst

Mark Thomas 020 7194 7622
mt@hardmanandco.com

PANTHEON INTERNATIONAL

PIP is an investment trust that invests in a diversified portfolio of PE assets managed by third-party managers across the world. PIP is the longest-established PE fund-of-funds on the London Stock Exchange, and has outperformed the FTSE All-Share and MSCI World indices since its inception in 1987.

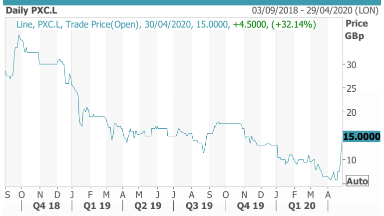
PIP is managed by Pantheon, one of the world's foremost PE specialists. Founded in 1982, with assets under management (AUM) of $47.1bn (as at 30 September 2019), and a team of 99 investment professionals globally (total staff 330 as at March 2020), Pantheon is a recognised investment leader, with a strong track record of investing in PE funds over various market cycles in both the primary and secondary markets, as well as a track record of co-investments.

PIP actively manages risk by the careful selection and purchase of high-quality PE assets in a diversified and balanced portfolio, across different investment stages and vintages, by investing in carefully selected funds operating in different regions of the world.

PIP, like all private equity investors, is reliant on calculating its NAV on underlying manager valuations. This can see a delay in market rating changes feeding through to PIP's NAV. It has tried to eliminate this distortion and, in its *30 April monthly performance report,* PIP noted NAV of 2,794.9p, based off 94% of December valuations, which were then adjusted down by £122m (226.3p per share), to reflect underlying manager feedback and market movements since.

Given the regulatory restrictions on distributing research on this company, the monthly book entry for Pantheon can be accessed through our website, *Hardman and Co Research*. Our *initiation report*, published on 6 September 2019, and our reports, *History of value added to portfolio by holding Pantheon*, published on 26 November 2019, and *2020 interim results consistency in delivery,* published on 2 March 2020, can be found on the same site.

Mining



Source: Refinitiv

Market data

EPIC/TKR	**PXC**
Price (p)	**15.00**
12m High (p)	19.0
12m Low (p)	5.0
Shares (m)	52.68
Mkt Cap (£m)	7.90
EV (£m)	8.49
Free Float*	84.30%
Market	AIM

**As defined by AIM Rule 26*

Description

Phoenix Copper (PXC) is developing the former Empire deposit and the surrounding area in central Idaho into a potentially world-class copper and polymetallic mine. First production is expected in late 2021.

Company information

Chairman	M. Edwards-Jones
CEO	Dennis Thomas
COO	Ryan McDermott
CFO	Richard Wilkins

+44 7590 216 657
www.phoenixcopperlimited.com

Key shareholders

Cheviot Capital	27.74%
JIM Nominees	11.67%
Directors & mgt.	10.20%
Lynchwood Nominees Ltd	6.37%

Diary

Sep'20	Interim results

Analyst

Paul Mylchreest 020 7194 7622
pm@hardmanandco.com

PHOENIX COPPER LTD

A potential world-class copper-silver-gold mine

PXC continues to advance its strategy for the staged development of the potentially world-class polymetallic mine in mining-friendly Idaho, US. In a change to planned mine scheduling, the initial Red Star silver-lead-zinc mine will provide cashflow to develop the Empire near surface copper (oxide ore) mine and explore the much larger sulphide ore body at depth. Only ca.1% of the deposit has been explored so far. Our current estimated DCF valuation of 32p per share is based on the initial copper mine only, as we evaluate Red Star.

- **Strategy:** PXC focuses on near-term cashflow, and will maximise returns/minimise risk to shareholders by developing a potentially world-class copper-silver-zinc deposit in stages. Empire was formerly a (very) high-grade underground copper mine, shut down due to World War II.

- **Recent announcements:** The 2019 interim results were noteworthy for the success in maintaining cost control as the Empire project advances. The $0.67m net loss for the period was marginally lower than the $0.68m reported in 1H'18. The completion of the environmental study was positive for mine permitting.

- **Red Star update:** The Red Star mine development is being fast-tracked, with production possible by end-2021. This year's drilling programme will see a further 20 drill holes to upgrade/enlarge the existing resource. The initial three holes led to an inferred resource of 103,500 tonnes of ore and 0.58m oz of silver.

- **Risks:** PXC is subject to normal risks for a junior mining company. These include volatility in copper and zinc prices, operational risks in executing the mining plan, running downstream processing facilities and funding risks. We believe that jurisdictional risk is significantly reduced in PXC's case due to the Idaho location.

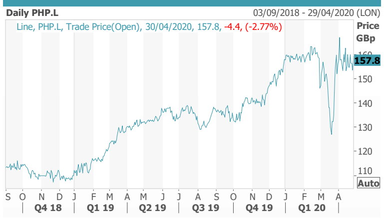
- **Investment summary:** While we evaluate Red Star, which will be the subject of an upcoming report, our DCF valuation of 32p per share is based on the initial copper mine. This incorporates long-term copper and zinc prices of $3.10/lb and $1.25/lb, respectively. At this stage of development, PXC's share price is highly geared to the "supply crunch" upside thesis for copper ($0.25/lb = ca.19p/share).

Financial summary and valuation

Year-end Dec ($m)	2017	2018	2019	2020E	2021E	2022E
Sales	0	0	0	0	0	48,800
Underlying EBIT	-1.058	-1.654	-1.105	-1.282	-1.313	-1.344
Reported EBIT	-1.058	-1.654	-1.105	-1.762	-1.313	-1.344
Underlying PTP	-1.056	-1.652	-1.128	-1.359	-1.388	-2.738
Statutory PTP	-1.056	-1.652	-1.128	-1.359	-1.388	-2.738
Underlying EPS (c)	-8.20	-5.82	-2.76	-2.54	-1.89	-3.01
Statutory EPS (c)	-8.20	-5.82	-2.76	-2.54	-1.89	-3.01
Net (debt)/cash	1.904	0.113	-0.589	-0.399	-0.257	-28.135
Average shares (m)	16.498	28.273	40.862	54.456	73.631	91.114
P/E (x)	n/a	n/a	n/a	n/a	n/a	n/a
Dividend yield (%)	n/a	n/a	n/a	n/a	n/a	n/a
FCF yield (%)	n/a	n/a	n/a	n/a	n/a	n/a

Source: Hardman & Co Research

Real Estate



Source: Refinitiv

Market data

EPIC/TKR	**PHP**
Price (p)	**160**
12m High (p)	161
12m Low (p)	115
Shares (m)	1,220
Mkt Cap (£m)	1,950
EV (£m)	3,040
Market	Premium, LSE

Description

Primary Health Properties (PHP) is a REIT acquiring and owning modern primary medical properties in the UK, and is expanding into the Republic of Ireland (RoI), which now accounts for 8% of assets.

Company information

CEO	Harry Hyman
CFO	Richard Howell
Chairman	Steven Owen

+44 20 7451 7050
www.phpgroup.co.uk

Key shareholders

Directors	1.0%
Blackrock	6.7%
CCLA	5.3%
Investec Wealth	5.0%
Vanguard Group	2.7%
Troy Asset	2.3%

Diary

Jul'20	Interim results
Feb'21	Final results

Analyst

Mike Foster 020 7194 7622
mf@hardmanandco.com

PRIMARY HEALTH PROPERTIES

Gilt-edged stock on a 3.7% dividend yield

PHP's assets are modern, efficient, safe hubs for delivery of primary health services to the community. Average lease length is 12.6 years. They are core to communities as long as the communities last. Unlike other property sectors, rental collections remain totally robust. This is the sort of stock to benefit as market volatility reduces. In the last Monthly, we wrote: "Were market volatility to reduce, this stock should rise significantly". The lease length, plus, effectively, all rent being government-guaranteed, makes PHP like an indexed gilt: rents are guaranteed upwards-only. This indicates robust underpinning to share ratings. April's AGM and trading update were positive. 1Q saw 2.4% annualised rent increases.

- **A very solid performer**: Not only is there the 100% solid rental collection, but several factors drive growth. It is essential to remember these provide evidence of PHP's strong absolute growth prospects, not just its relative strength. It benefits from falling debt cost and by expansion, particularly in RoI.

- **Expansion**: Last September, PHP raised £100m growth equity at 128p. Most has been deployed. A £124m pipeline is in place. We note a sector REIT raised £185m equity on 7 April 2020, slightly denting the issuer's share price. Maybe it seemed a little opportunistic. We do see growth in new development in this market.

- **Valuation:** There was a positive reaction last year to strategy execution, including the MedicX merger, and debt and equity funding for growth. COVID-19 has illustrated PHP's index-linked, gilt-style character. The dividend yield is at a large premium to gilts. The 1.475p 2Q dividend represents an annualised yield of 3.7%.

- **Risks:** There are over £340m of undrawn loan facilities added to cash on deposit. Assets are rented to top-quality covenant tenants on long leases. Interest cover is 2.7x. We estimate a 46.8% end-2020 loan to value (LTV). No development risk is taken; some larger development sites have recently delivered faultlessly.

- **Investment summary:** Fundamentals would logically propel PHP upwards as a result of its track record and of macro conditions that have reduced medium-term interest rates even further. The merger and ongoing debt refinancing have significantly enhanced EPS. There is, therefore, a clear road ahead for EPS growth. Note, two large Irish assets have just completed build, de-risking the asset pipeline.

Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019	2020E	2021E
Income	71.3	76.4	115.7	134.0	143.0
Finance costs	-31.6	-29.7	-43.7	-46.5	-48.8
Declared profit	91.9	74.3	-70.2	112.4	133.7
EPRA PBT	31.0	36.8	59.7	72.4	78.7
EPS reported (p)	15.3	10.5	-6.4	9.2	10.9
EPRA EPS (diluted, p)	5.1	5.2	5.4	5.9	6.4
DPS (p)	5.25	5.40	5.60	5.90	6.12
Net debt	-726.6	-670.2	-1,120.8	-1,249.3	-1,382.9
Dividend yield	3.3%	3.5%	3.6%	3.7%	3.8%
Price/EPRA NAV (x)	1.60	1.52	1.49	1.45	1.39
IFRS NAV per share (p)	94.7	102.6	101.0	103.7	108.7
EPRA NAV per share (p)	100.7	105.1	107.9	110.3	115.3

EPRA EPS and EPRA NAV adjusted as per PHP definition; Source: Hardman & Co Research

R.E.A. Holdings

Weak commodity prices

The deeply depressed price of palm oil commodities, caught between a COVID-19-inspired demand slump, and a GO price crash due to Russo-Saudi politics, is likely to be exacerbating pressure on the already stretched REA balance sheet. Without any prospect of relief in the form of rising demand and rising prices for palm oil commodities, pressure on the company to satisfy its various providers of capital (including the owners of the preference shares) will mount. In February, REA announced plans to progressively catch up on the deferred preference share dividends; but, given the current economic environment, this is unlikely to happen.

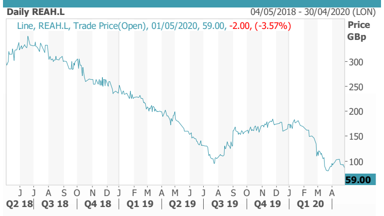
- **Share price and FY results:** On 30 April, REA's share price fell 37%. A party appeared to have sold 2.1m shares (4.8%) at 25p. The management team will be announcing FY'19 results imminently and addressing the outlook for the company in COVID-19-affected 2020.
- **Commodity prices:** The CPO price ($525/mt on 29 April) has plunged 41.2% since the beginning of January ($880/mt), due to a reduction in imports from countries affected by COVID-19. The weak crude oil price has also put pressure on demand for biodiesel and the incentive to produce voluntary biodiesel volume.
- **Global palm oil consumption:** According to *Oil World*, world consumption of palm oil is expected to shrink in the 2019/20 season for the first time in more than 30 years. A consumption decline forecast of ca.1.1m mt from the prior year, however, with a global consumption of 76.5m mt, would still exceed expected production.
- **Sector valuations:** Weak palm oil prices have dampened valuations of most operators in Asia. The Asian Palm Index has fallen 19.6% since Jan'20. The Indonesian rupiah has also significantly weakened since January; this should help to reduce REA's $-equivalent local costs and interest on its rupiah loans in FY'20.
- **Summary:** COVID-19 has brought the world economy to a halt – first the slowdown in imports from India and China, and now Europe and the US. We now expect a gradual increase in demand from China as the country emerges from the lockdown and there should hopefully be a surge in imports from India, the biggest consumer country of palm oil, as the country is expected to end its lockdown on 3 May.

Financial summary and valuation

Year-end Dec ($m)	2016	2017	2018	2019E	2020E
Sales	79.3	100.2	105.5	Forecasts under review	
EBITDA	16.8	20.7	12.8		
Reported EBIT	-5.0	-2.2	-10.7		
Adjusted PBT	-18.4	-18.3	-20.3		
EPS (c)	-48.2	-67.7	-54.4		
DPS (p)	0.0	0.0	0.0		
Net (debt)/cash	-205.1	-211.7	-189.6		
P/E (x)	-	-	-		
Total planted hectare (ha)	42,846	44,094	36,500	36,700	
Adj. EV/planted ha ($/ha)*	6,117	5,929	6,940		
CPO production (mt)	127,697	143,916	217,721	224,856	

*EV/planted ha includes mkt. cap. of 9% pref. shares; Source: Hardman & Co Research

Food Producers



Source: Refinitiv

Market data

EPIC/TKR	**RE.**
Price (p)	**56**
12m High (p)	199.0
12m Low (p)	48.0
Shares Ord (m)	43.8
Shares Prefs (m)	72.0
Mkt Cap Ord (£m)	24.5
Mkt Cap Prefs (£m)	45.4
EV (£m)	306.2
Free Float	27.6%
Market	MAIN

Note: share price as of 30 April

Description

R.E.A. Holdings (REA) is engaged in the operation and further development of palm oil plantations in East Kalimantan, Indonesia. The group also owns stone quarrying rights and concessions, and coal mining concessions that are being contracted out to third-party operators.

Company information

Managing Director	Carol Gysin
Chairman	David Blackett

+44 20 7436 7877
www.rea.co.uk

Key shareholders

Directors	30.9%
M&G Investment	20.0%
Nokia Bell Pensioenfonds	9.3%
Aberforth Partners	6.7%
Capital Research Global Investors	4.9%
Artemis	4.6%

Diary

May'20	Full-year results

Analyst

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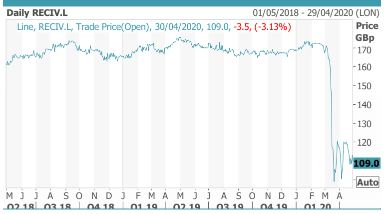
yc@hardmanandco.com

Diversified Financial Services



Source: Refinitiv

Market data

EPIC/TKR	**RECI**
Price (p)	**112**
12m High (p)	175.5
12m Low (p)	97.0
Shares (m)	229.3
Mkt Cap (£m)	257
NAV p/sh (p)	147
Disc. to NAV	24%
Market	Premium Equity Closed-Ended Inv. Funds

Description

Real Estate Credit Investments (RECI) is a closed-ended investment company that aims to deliver a stable quarterly dividend via a levered exposure to real estate credit investments, primarily in the UK, France and Germany.

Company information

Chairman	Bob Cowdell
NED	Susie Farnon
NED	John Hallam
NED	Graham Harrison
Inv. Mgr.	Cheyne Capital
Head of Team	Ravi Stickney
Main contact	Richard Lang
	+44 20 7968 7328
	www.recreditinvest.com

Key shareholders (pre-placement)

Bank Leumi	8.6%
AXA SA	8.4%
Close Bros	8.2%
Premier AM	8.2%
Fidelity	8.0%
Canaccord Genuity Group	7.7%
Smith and Williamson	6.7%

Diary

12 May	Apr factsheet
12 May	Quarterly update

Analysts

Mark Thomas	020 7194 7622
	mt@hardmanandco.com
Mike Foster	020 7194 7622
	mf@hardmanandco.com

REAL ESTATE CREDIT INVESTMENTS

RECI is a closed-ended investment company. To achieve the investment objective, the company invests, and will continue to invest, in real estate credit secured by commercial or residential properties in Western Europe, focusing primarily on the UK, France and Germany.

Investments may take different forms, but are likely to be:

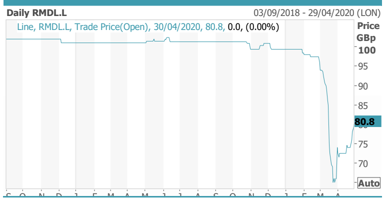
- Secured real estate loans, debentures or any other forms of debt instruments (together "Secured Debt"). Secured real estate loans are typically secured by mortgages over the property or charges over the shares of the property-owning vehicle. Individual secured debt investments will have a weighted average life profile ranging from six months to 15 years. Investments in secured debt will also be directly or indirectly secured by one or more commercial or residential properties, and will not exceed an LTV of 85% at the time of investment.
- Listed debt securities and securitised tranches of real estate-related debt securities – for example, residential mortgage-backed securities and commercial mortgage-backed securities (together "MBS"). For the avoidance of doubt, this does not include equity residual positions in MBS.
- Other direct or indirect opportunities, including equity participations in real estate, save that no more than 20% of the total assets will be invested in positions with an LTV in excess of 85% or in equity positions that are uncollateralised. On specific transactions, the company may be granted equity positions as part of its loan terms. These positions will come as part of the company's overall return on its investments, and may or may not provide extra profit to the company, depending on market conditions and the performance of the loan. These positions are deemed collateralised equity positions. All other equity positions in which the company may invest are deemed uncollateralised equity positions.

RECI is externally managed by Cheyne Capital Management (UK) LLP, a UK investment manager authorised and regulated by the FCA. As at 29 February 2020, Cheyne had 161 employees, of which 32 were in the Real Estate Team, and AUM of $7.2bn, of which $3.4bn was managed by the Real Estate Team. It has offices in London, New York, Bermuda, Berlin, Dubai, Dublin and Zurich. Cheyne invests across the capital structure – from the senior debt to the equity positions. It has expertise in the structuring, execution and management of securitisation transactions, involving a broad range of assets, including portfolios comprised of traditional asset classes, such as commercial and residential mortgages, as well as mortgage-backed securities and the management of commercial real estate portfolios, focused on Europe and the UK.

RECI gave a market update on 20 March and issued its end-March Factsheet on 9 April.

Given the regulatory restrictions on distributing research on this company, the monthly book entry for RECI can be accessed through our website, Hardman and Co Research. Our initiation report, published on 28 August 2019, and our note, *Delivering on its promises*, published on 17 December 2019, can be found on the same site.

Premium Equity Closed-Ended Investment Funds



Source: Refinitiv

Market data

EPIC/TKR	**RMDL/RMDZ**
Price (p)	**80.0/102.5**
12m RMDL (ord.) High (p)	103.0
12m RMDL (ord.) Low (p)	65.0
Shares (ord.) (m)	121.75
Mkt Cap ord (£m)	98
NAV per share (p)	86.64
Free Float	100%
Market	LSE Equity Inv. Instr.

Description

RM Secured Direct Lending (RMDL) aims to generate attractive and regular dividends through investment in debt instruments that are backed by real assets, led by exceptional management teams, and that usually demonstrate high cashflow visibility.

Company information

Chairman	Norman Crighton
NED	Guy Heald
NED	Marlene Wood
Inv. Mgr.	RM Funds
CIO	James Robson
Co. Manager	Pietro Nicholls
AIFM	IFM

+44 1316 037 060
rmdl.co.uk

Key shareholders

CCLA	17%
Quilter	16%
MerianGlobal	13%
Brooks MacDonald & Hawksmoor	5%
CG AM & Jupiter	4%
Sarasin, Charles Taylor, PAM, Seneca & Blankstone Sington	3%
RM (Inv. Mgr.)	1%

Diary

Mid-May	Apr factsheet

Analyst

Mark Thomas 020 7194 7622
mt@hardmanandco.com

RM SECURED DIRECT LENDING

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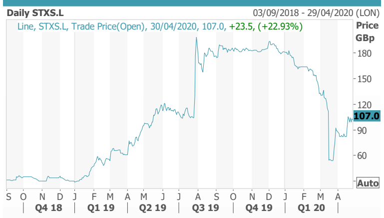
RMDL will seek to meet its investment objective by making investments in a diversified portfolio of loans to UK SMEs and mid-market corporates, and/or to individuals. These loans will generally be, but are not limited to, senior, subordinated, unitranche and mezzanine debt instruments, documented as loans, notes, leases, bonds or convertible bonds. Such loans will typically have a life of two to 10 years. In certain limited cases, loans in which the company invests may have equity instruments attached; ordinarily, any such equity interests would come in the form of warrants or options attached to a loan. Typically, the loans will have coupons that may be fixed, index-linked or LIBOR-linked. For the purposes of this investment policy, UK SMEs include entities incorporated outside of the UK, provided their assets and/or principal operations are within the UK. RMDL is permitted to make investments outside of the UK to mid-market corporates.

The investment manager for RMDL's assets is RM Funds. RM Funds is a specialist in fixed income, being part of RM Capital, a diversified fixed-income firm. Headquartered in Edinburgh, with offices in London, RM Funds has a team of analysts focused on bottom-up, bespoke credit and lending work, with a focus on secured lending over physical assets or contracted cashflows. RM Funds provides both public and private strategies to allow investors to participate in secure debt investments, aiming to provide above-average returns on a risk-adjusted basis.

RMDL provided market guidance for a COVID-19-related portfolio valuation on *25 March 2020*, with some more details in its 16 April *end March NAV* update.

Given the regulatory restrictions on distributing research on this company, the monthly book entry for RMDL can be accessed through our website, *Hardman and Co Research*. Our *initiation report: Predictable revenue streams generating high yield* (5 June 2019), and our reports, *Defensive qualities in uncertain times* (26 September 2019), *Social Infrastructure: RMDL an alternative alternative* (6 January 2020), and *Manager presentation at the Hardman & Co Investor Forum* (17 March 2020) can be found on the same site.

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

EPIC/TKR	**STX**
Price (p)	**105.0**
12m High (p)	196.0
12m Low (p)	54.0
Shares (m)	117.2
Mkt Cap (£m)	123.0
EV (£m)	122.1
Free Float*	33%
Market	AIM

**As defined by AIM Rule 26*

Description

Shield Therapeutics (STX) is a commercial-stage pharmaceutical company delivering innovative specialty pharmaceuticals that address patients' unmet medical needs, with an initial focus on anaemia associated with renal and gastrointestinal disorders.

Company information

CEO	Tim Watts
CFO	tba
Chairman	James Karis

+44 20 7186 8500
www.shieldtherapeutics.com

Key shareholders

Directors	8.9%
W. Health	47.8%
MaRu AG	10.7%
C. Schweiger	4.8%
USS	4.4%

Diary

1H'20	US Accrufer deal
2Q'20	Paediatric study to start
Apr'20*	2019 final results
Mid-2020	Accrufer launch

**Subject to FCA recommendations*

Analyst

Martin Hall 020 7194 7622
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SHIELD THERAPEUTICS

Surprise at the top

STX is a commercial-stage company delivering specialty products that address patients' unmet medical needs, with an initial focus on treating iron deficiency (ID) with ferric maltol. Its lead product, Feraccru/Accrufer, is approved with a broad label in the US and Europe. Sentiment was damaged recently by the discovery that the company had inadvertently misinformed the market about results in its head-to-head marketing study. This has been followed by the unrelated, but surprise, announcement that the founder and CEO is stepping down. Meanwhile, STX has reassured the market that it is currently facing minimal disruption to trading.

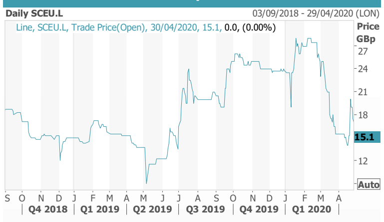
- **Strategy:** STX's strategy is to out-license the commercial rights to its products to partners with marketing and distribution expertise in target markets. These deals allow STX to retain its intellectual property (IP) and to keep investing in its R&D pipeline, while benefiting from immediate and long-term value.
- **CEO:** Having recovered well from the disappointing news about the AEGIS-H2H study, the market was further surprised by the unexpected announcement that the CEO and founder is stepping down. Fortunately, the company has an experienced executive, Tim Watts, who has stepped up from his CFO role.
- **US commercialisation:** Despite stepping down from the group, the former CEO will continue to assist with the ongoing discussions with potential US commercial partners for Accrufer, ensuring both continuity and that none of the current positive momentum in the negotiations is lost.
- **AEGIS-H2H results review:** STX is working closely with Norgine, its European distribution partner, to review all of the data, particularly the 12-month analysis, from the head-to-head study. As Feraccru offers a distinct treatment alternative to intravenous iron, we do not expect this to affect the commercial prospects.
- **Investment summary:** Apart from the global COVID-19 lockdown, the board has had to negotiate a number of significant hurdles recently. Despite all the current challenges, STX reassured the market that it is continuing to operate effectively and has faced little disruption to its commercialisation plans. Meanwhile, STX remains well funded with sufficient cash for a further year.

Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019E	2020E	2021E
Gross revenues	0.64	11.88	2.93	11.07	3.14
Sales	0.64	0.86	0.63	2.15	3.14
R&D	-4.71	-4.30	-3.31	-4.64	-3.89
Other income	0.00	11.03	2.30	8.92	0.00
EBITDA	-18.48	-2.47	-5.45	-0.28	-8.68
Underlying EBIT	-18.90	-3.26	-6.25	-1.07	-9.47
Reported EBIT	-20.95	-5.17	-8.15	-2.97	-11.38
Underlying PBT	-18.91	-3.26	-6.24	-1.10	-9.52
Statutory PBT	-20.99	-5.16	-8.14	-3.00	-11.42
Underlying EPS (p)	-15.58	0.09	-4.49	-0.34	-7.62
Statutory EPS (p)	-17.43	-1.55	-6.12	-1.97	-9.25
Net (debt)/cash	13.30	9.63	3.94	3.04	-4.23

Source: Hardman & Co Life Sciences Research

Automotive components



Source: Refinitiv

Market data

EPIC/TKR	SCE
Price (p)	16
12m High (p)	28
12m Low (p)	11
Shares (m) *	147
Mkt Cap (£m)	23.5
EV (£m)	21.9
Free Float	86%
Market	AIM

**As defined by AIM Rule 26*

Description

Surface Transforms (ST) is 100% focused on manufacture and sales of carbon ceramic brake discs. It has capacity in place for ca.£16.5m annual revenues, readily expanded to multiples of this.

Company information

Non-Exec. Chair.	David Bundred
CEO	Dr Kevin Johnson
Finance Director	Michael Cunningham

+ 44 1513 562 141
www.surfacetransforms.com

Key shareholders

Directors	14.4%
Canaccord	13.4%
Unicorn	11.1%
Richard Gledhill esq. (director)	9.1%
Richard Sneller esq.	9.1%
Hargreaves Lansdown	4.1%

*** Estimated post placing*

Diary

May'20	Final results for 2019

Analyst

Mike Foster 020 7194 7622
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SURFACE TRANSFORMS

High visibility for 2021 onwards; equity raise

ST's position as one of only two global manufacturers of a new automotive component – carbon ceramic brake discs – brings major opportunities for investors and the automotive industry. The OEM (original equipment manufacturer) order book is ca.£28m, generating gross profits equal to the market capitalisation. Timing is firm: 2021 will bring material revenues from the OEMs. This only scratches the surface of the market opportunity. COVID-19 has affected 2020 and – with an increase in equity limited to 10% – investors have put their shoulder to the wheel, so that ST has successfully countered the cashflow impact. As we go to press, ST announces the Open Offer was 473% subscribed.

- **ST's potential is clear:** With a superior product and with OEMs keen to promote dual-sourcing from a credible new supplier, it is set to win a large share in the £150m, fast-growing carbon ceramic brake disc market. Sales to smaller customers are longstanding; ST has now expanded to a new league.

- **Our forward estimates only reflect existing contracts**: Pre-tests for additional prospective clients are progressing well. Start of production dates for OEMS are contractual and the models benefit from long forward pre-sales. COVID-19 hits 2020 sales, but there is no reason to change estimates for 2021 and beyond.

- **ST has arrived:** 2019's success in winning its first OEM orders transformed ST's industry-wide visibility. The lead times are over a year on the tests the OEMs undertake, giving good indications of pipeline opportunities. Only one competitor exists, and no others are envisaged for many years.

- **Risks:** COVID-19 has affected 2020 revenues, as this year is dependent on the shorter-order book of retrofit and race-track cars. The risks of longer-term sales shortfalls to existing OEM contracts are minimal. Even if the 2021 racing season were to be half that of 2019, which we do not expect, cashflow would be neutral.

- **Investment case:** This is a large, growing market, 99%-supplied by one, highly profitable player. A single supply is a most anomalous position, so now that ST also supplies, its opportunity is wide. Since the 2019 OEM contracts, the path is clear to ST discs being designed-in for many more models. Existing contracts make ST cashflow-positive from 2021.

Financial summary and valuation

Year-end May*/ Dec**(£m)	FY18*	FY19*	*7-month 19E***	FY20E**	FY21E**	FY22E**
Sales	1.36	1.00	1.45	1.60	4.00	5.70
EBITDA	-2.00	-2.60	-1.41	-1.55	-0.10	1.00
EBITA	-2.30	-2.94	-1.70	-1.25	-0.80	0.30
PBT	-2.30	-3.04	-1.76	-2.25	-0.80	0.30
PAT	-1.83	-2.12	-1.32	-1.75	-0.25	0.85
EPS (adjusted, p)	-1.66	-1.68	-0.97	-1.21	-0.17	0.57
Shareholders' funds	5.55	6.90	5.57	5.32	5.07	5.92
Net (debt)/cash	0.62	1.60	1.60	1.45	1.95	2.90
P/E (x)	loss	loss	n.a.	loss	loss	25.5
EV/sales (x)	16.1	21.9	n.a.	13.7	5.5	3.8
EV/EBITDA (x)	loss	loss	n.a.	loss	loss	21.9
DPS (p)	nil	nil	nil	nil	nil	nil

**May year-end, **Change of year-end to December*
Source: Surface Transforms accounts, Hardman & Co Research estimates

TISSUE REGENIX

Continuing to perform in the US

TRX has a broad portfolio of regenerative medicine products for the biosurgery, orthopaedics, dental and cardiac markets. It has two proprietary decellularisation technology platforms for repair of soft tissue (dCELL) and bone (BioRinse). The company's commercial strategy has led to strong demand for its products, which it is looking to service through capacity expansion and optimisation of supply chain and operations. COVID-19 has resulted in UK operational staff being furloughed. A recent US Government-backed loan has extended TRX's cash runway, giving more time to arrange a capital injection for working capital.

- **Strategy:** TRX is building an international regenerative medicine business with a product portfolio using proprietary dCELL and BioRinse technology platforms, underpinned by compelling clinical outcomes. It aims to expand its global distribution network, via strategic partnerships, to drive sales momentum.

- **US operations:** Working within COVID-19 restrictions, TRX is still processing material for its commercialised DermaPure and BioRinse products. Although elective procedures in some hospitals have halted temporarily, this has enabled the company to build up levels of finished products, ready to meet future demand.

- **UK operations:** Office staff are all working from home, while operational and technical staff have been furloughed. OrthoPure XT, which is processed at the UK facility, continues to progress through CE marking, although it has been held up temporarily by COVID-19 impacting the medical device regulation deadline.

- **Financing:** Despite being hit by a cyber attack in January that temporarily shut down US operations, TRX still generated 18% sales growth in 1Q'20. This strong performance, coupled with two US government-backed loans, totalling $1.05m, which will probably convert into grants, has extended the cash runway to August.

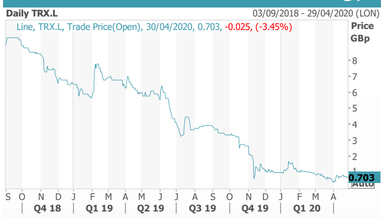
- **Investment summary:** Despite some operational challenges, there has been no change to the strong demand for TRX's commercialised products. However, this has resulted in the need for an expansion of capital. The shares are trading at a discount of 87% to the £95.8m (8.2p per share) that has been invested in the company to date. The US government-backed loans have provided further breathing space for the company to resolve its longer-term funding needs.

Financial summary and valuation

Year-end Dec (£m)	*2016	2017	2018	2019E	2020E	2021E
Sales	1.44	5.23	11.62	12.50		
EBITDA	-11.14	-9.01	-7.09	-7.82		
Underlying EBIT	-11.44	-9.72	-8.27	-9.00		
Reported EBIT	-11.44	-10.82	-8.69	-9.00		
Underlying PBT	-11.33	-9.67	-8.46	-9.29		
Statutory PBT	-11.33	-10.77	-8.88	-9.29	Forecasts under review	
Underlying EPS (p)	-1.35	-0.90	-0.67	-0.76		
Statutory EPS (p)	-1.35	-1.02	-0.70	-0.76		
Net (debt)/cash	8.17	16.42	7.82	-0.72		
Equity issues	0.00	37.99	0.00	0.00		
P/E (x)	-	-	-	-		
EV/sales (x)	-	2.3	1.1	1.0		

**11 months to December; Source: Hardman & Co Life Sciences Research*

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

EPIC/TKR	**TRX**
Price (p)	**0.72**
12m High (p)	6.37
12m Low (p)	0.38
Shares (m)	1,172.0
Mkt Cap (£m)	8.5
EV (£m)	10.5
Free Float*	62%
Market	AIM

**As defined by AIM Rule 26*

Description

Tissue Regenix (TRX) is a medical device company focused on regenerative medicine. Patented decellularisation technologies remove DNA, cells and other material from animal/human tissue and bone, leaving scaffolds that can be used to repair diseased or worn-out body parts. Its products have multiple applications.

Company information

CEO (interim)	Gareth Jones
Finance Director	Kirsten Lund
Chairman (interim)	Jonathan Glenn

+44 330 430 3052
www.tissueregenix.com

Key shareholders

Directors	4.3%
Link Fund Solutions	20.0%
IP Group	13.7%
Jupiter AM	8.5%

Diary

1H'20	Potential EU approval of OrthoPure XT
Jun'20	Final results

Analyst

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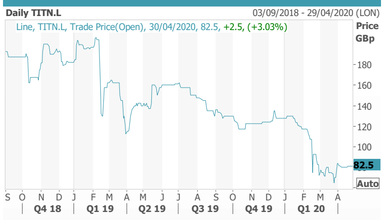
Construction & Materials



Source: Refinitiv

Market data

EPIC/TKR	**TON**
Price (p)	**82.5**
12m High (p)	163.0
12m Low (p)	65.0
Shares (m)	11.1
Mkt Cap (£m)	9.1
EV (£m)	6.0
Free Float*	97%
Market	AIM

*As defined by AIM Rule 26

Description

Titon designs, manufactures and supplies a comprehensive range of passive and powered ventilation products; plus, handles, hinges and locking for doors and windows. "The home of domestic ventilation systems and door and window hardware".

Company information

Executive Chairman	Keith Ritchie
Chief Executive	David Ruffell

+44 1206 713 800
www.titonholdings.com

Key shareholders

Rights & Issues IT	11.4%
MI Discretionary UF	7.2%
Chairman	8.9%
Other Directors	7.9%
Founder/NED	15.7%
Family	6.8%

Diary

14 May	Interim results

Analyst

Tony Williams 020 7194 7622
tw@hardmanandco.com

TITON HOLDINGS PLC

Condititoning 2

Initiation of coverage by Hardman & Co was on 16 March 2016 at 101.5p. In February 2018, the price was 215p, and it stayed north of £2 for another year. In fiscal 2019, though, Titon weathered a perfect storm of micro and macro issues; most notably in South Korea. PBT dropped by a fifth and, now, COVID-19. Titon is a building materials veteran with branded products and core financial strength. It has also been copy-book in its virus response. Hardman & Co has been proud to work with the Group for four years or so. Titon will prevail.

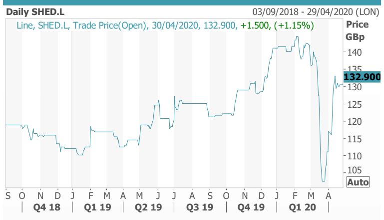
- **COVID-19:** On 24 March, Titon said that trading since the AGM had been in line with its expectations and that it had not been significantly impacted as a result of COVID-19, aside from a short period in South Korea, during which a factory was closed to allow a deep clean to take place.
- **COVID-19 (2):** In Week 13, the Group began an orderly wind-down of its factory in Haverhill, Suffolk and to pause production in the UK, Europe and the Rest of the World, excluding South Korea. Titon also said it had net cash of some £3.4m after paying its final dividend for fiscal 2019 and VAT (in sum, more than £0.6m).
- **21 April:** Titon announced that limited scale production was to re-start at Haverhill. Initially, this will largely satisfy existing orders from customers, internationally, who have maintained operations during lockdown. However, this will only represent a small proportion of normal levels.
- **Outlook:** The Group looked forward, on 21 April, to restoring levels of production to normalised levels. Wisely, though, Titon has said it "does not consider it appropriate to provide guidance on current and future year performance at this stage". Interim results are on 14 May.
- **Condititoning 2:** In the past 12 months, Titon's Total Shareholder Return (TSR) has been minus 40%; but in calendar years 2016 to 2018, it averaged 31% p.a. It was founded in 1972, and is equipped to deal with slings, arrows and viruses. Hardman & Co's association with Titon has ended, and we will not update our forecasts (unless recommissioned), but we will be cheering from the bleachers.

Financial summary and valuation

Year-end Sep (£m)	2018	2019
Net revenue	29.8	27.2
EBITDA	2.67	2.58
Underlying EBIT	2.02	1.81
Underlying PBT	2.77	2.15
Underlying EPS (p)	18.2	14.5
Statutory EPS (p)	18.2	12.8
Net (debt)/cash	3.4	4.6
Shares issued (m)	11.1	11.1
P/E (x)	4.5	5.7
EV/EBITDA (x)	2.8	2.3
DPS (p)	4.75	4.75
Dividend yield	5.8%	5.8%

Source: Company data, Hardman & Co Research

Real Estate



Source: Refinitiv

Market data

EPIC/TKR	SHED
Price (p)	130
12m High (p)	145
12m Low (p)	104
Shares (m)	188
Mkt Cap (£m)	244
EV (£m)	275
Market	AIM

Description

This is a strategically located REIT (e.g. urban "last mile"), with smaller (typically ca.70,000 sq ft), single-let industrial and logistics properties, servicing high-quality tenants. The market is in strategic under-supply.

Company information

CEO	Richard Moffitt
Chairman	Nigel Rich

+44 20 7591 1600
www.urbanlogisticsreit.com

Key shareholders

Directors	1.1%
Allianz	11.6%
Janus Henderson	10.7%
Rathbone I M	10.5%
Sir John Beckwith	8.0%
Premier	7.9%

Diary

May'20	Final results
Jul'20	AGM

Analyst

Mike Foster 020 7194 7622
mf@hardmanandco.com

URBAN LOGISTICS

By far among the most robust performers

Urban Logistics invests in "last-mile" distribution warehouses. The £130m equity fund raise, completed in March, is being put to work in a measured way. On 8 April, the company provided the market with a particularly positive update on trading, and quantified the acquisitions. £31.9m has been deployed into a portfolio of seven single-let assets. On a net initial yield (NIY) of 6.8%, the cost was £66 per sq ft. £18.5m has been spent on two further assets (NIY 5.2% and 6.0%). Both are on long leases. One site has extra development potential. There is also a smaller development site. A strong further pipeline remains.

- **Acquisition pipeline:** The pipeline is set to stand the REIT in good stead to achieve strong returns, on running yields and also on uplifts in value. Since float, the REIT has disposed of some assets – recycling capital. Typical value uplifts of 50% are achieved – over a number of years. We back management to buy well, now.

- **COVID-19:** Urban Logistics' strong market positioning includes a single-tenant per asset policy. Thus, the overwhelming majority of occupiers are large, with strong covenants, whose businesses require the logistics assets all the more. There is a clear route forward. Right now, rent collection is slightly ahead of a year ago.

- **Valuation:** The UK is now in recession. This asset class is not. We suspend estimates purely because of the timing issue on cash investment, with an initial EPS dilution from the expansion in shares in issue. We are confident deployment will only enhance the potential for DPS growth, and we note good rises to date.

- **Risks:** Sectoral exposure within the tenant base is biased towards food, pharmaceuticals, staple goods and large logistics firms, which are household names. Post the fund raise, the company holds net cash, with £94m available resources. Prior to the raise, financial leverage was conservative, at 34% loan to value (LTV).

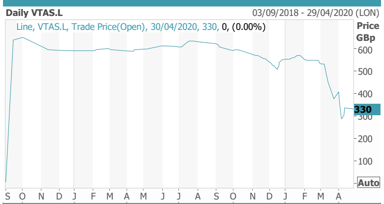
- **Investment track record**: Since listing on the AIM in April 2016, Urban Logistics has generated annual NAV and dividend returns of 16.0%. The experienced management team has bought well. Market rents are ca.9% above the REIT's current levels, as evidenced by two recent reviews. Market vacancies are only ca.5%, and Urban Logistics' vacancy is nil – so rental reviews are set to continue to enhance EPS.

Financial summary and valuation

Year-end Mar (£m)	2017	2018	2019	2020E	2021E	2022E
Rental income	2.28	5.56	10.80	12.20		
Finance costs	-0.60	-0.93	-2.20	-2.60		
EPRA operating profit	1.76	3.40	8.18	9.90		
Declared profit	4.89	9.86	18.88	18.40	Forecasts under review post growth equity raise	
EPS reported (p)	46.80	19.54	22.12	20.97		
EPRA EPS (dil., post LTIP, p)	7.82	4.91	7.01	8.32		
DPS (p)	6.23	6.32	7.00	7.60		
Net debt	16.52	44.39	61.64	66.12		
Dividend yield	6.0%	6.1%	6.8%	7.3%		
Price/EPRA NAV (x)	1.10	1.05	0.94	0.88		
NAV per share (p)	118.26	123.62	137.39	148.47		
EPRA NAV per share (p)	116.11	122.49	137.96	148.47		

Source: Hardman & Co Research

Financials



Source: Refinitiv

Market data

EPIC/TKR	VTA .NA, VTA.LN, VTAS LN
Price (€)	**3.85/3.80/330p**
12m High (€)	6.74/7.04/642p
12m Low (€)	3.20/3.38/285p
Shares (m)	36.6
Mkt Cap (€m)	141
Trail. 12-mth. yield	12.7%
Free Float	70%
Market	AEX, LSE

Description

Volta Finance (Volta) is a closed-ended, limited liability investment company with a diversified investment strategy across structured finance assets (primarily CLOs). It aims to provide a stable stream of income through quarterly dividends.

Company information

Independent Chairman	Paul Meader
Independent Non-Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers AXA IM Paris	Serge Demay A Martin-Min François Touati
Co. sec. /Administrator	BNP Paribas Securities Services SCA, Guernsey Branch

BNP: +44 1481 750 853

www.voltafinance.com

Key shareholders

Axa Group	30.4%

Diary

Mid-May'20	April estimated NAV

Analyst

Mark Thomas 020 7194 7622

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VOLTA FINANCE

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Volta is a closed-ended, limited liability company registered in Guernsey. Its investment objectives are to seek to preserve capital across the credit cycle and to provide a stable stream of income to its shareholders through dividends that it expects to distribute on a quarterly basis. The rolling 12-month dividend is €0.62 per share (with €0.15/€0.16 per share paid quarterly). The assets in which Volta may invest, either directly or indirectly, include, but are not limited to, corporate credits, sovereign and quasi-sovereign debt, residential mortgage loans, commercial mortgage loans, automobile loans, student loans, credit card receivables, leases, and debt and equity interests in infrastructure projects. The current underlying portfolio risk is virtually all to corporate credits. The investment manager for Volta's assets is AXA Investment Managers Paris, which has a team of experts concentrating on the structured finance markets.

On 11 December 2018, Volta announced that, after due enquiry, it was the opinion of the board that the company's shares qualified as an "excluded security" under the rules; the company, therefore, is excluded from the FCA's restrictions that apply to non-mainstream pooled investments (NMPIs).

The 11 March 2020 company *monthly report* included a detailed review of the February performance and the consequences of the current COVID-19 crisis on the fund. A further *intra-month trading update* was issued on 24 March 2020. The *dividend was cancelled* on 2 April and *NAV announced* on 14 April, reporting a 32.4% monthly decline.

Given the regulatory restrictions on distributing research on this company, the monthly book entry for Volta Finance can be accessed through our website, *Hardman & Co Research*. Our *initiation report*, published on 5 September 2018, can be found on the same site, as can our note, *Investment opportunities at this point of the cycle* (14 January 2019), the manager's *March 2019* and *June 2019* presentations, our 7 October 2019 report, *9%+ yield in uncertain times*, and our note, *Follow the money*, published on 3 February 2020, as well as links to our Directors Talk interviews on the company.

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The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

The full detail is on page 26 of the full directive, which can be accessed here: http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf

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