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# **5 AI Small Caps to Buy**

## **August 2025**

Report written by Clear Capital research

## 5 AI Small Caps to Buy – August 2025

The UK is emerging as a leading hub for artificial intelligence (AI) investment in 2025, driven by strategic government initiatives, robust private sector growth, and a supportive regulatory environment. The AI sector's market valuation reached \$230 billion in Q1 2025, making the UK Europe's largest AI market [1]. Government-backed AI Growth Zones are being established to enhance infrastructure and attract investment [2]. In January 2025, the UK government unveiled an AI Opportunities Action Plan, aiming to boost the economy by £47 billion annually through AI advancements [3].

Private sector momentum is equally strong, with UK AI startups raising \$1.03 billion in venture capital in Q1 2025—the largest first-quarter funding in three years [1]. Companies like Exscientia, Quantexa, and Mind Foundry are at the forefront, developing AI solutions across sectors such as healthcare, finance, and defense [4]. This growth is supported by significant investments from global tech giants.

The UK's commitment to AI is further demonstrated by its partnership with OpenAI, aiming to integrate AI technologies into public services and infrastructure [2]. This collaboration underscores the nation's strategic focus on AI as a driver of economic growth and innovation.

In summary, the UK presents a compelling opportunity for AI investment in 2025, offering a combination of strong market growth, supportive policies, and active private sector engagement. Investors seeking exposure to the AI sector may find the UK to be an attractive destination.

The FTSE AIM All-Share Index is showing strong technical momentum following a decisive breakout above a long-term downtrend line. After a powerful rally, the index has formed a tight consolidation in the shape of a bullish flag pattern—typically a continuation signal. With price now pushing out of this flag to the upside, it suggests renewed buying interest and the potential for another leg higher, confirming a shift in sentiment and strength returning to the broader small-cap space.



**Source:** [1] [technation.io](#) - The Tech Nation UK AI Sector Spotlight 2025 – 8 April 2025, [2] [techradar.com](#) - OpenAI signs wide-ranging deal with the UK government – 22 July 2025, [3] [business.gov.uk](#) - Grow Your Tech Business in the UK – 2025, [4] [Wikipedia](#) – Quantexa – 18 July 2025

**Chart:** Tradingview.com, Data as of July 25th, 2025

**RENALYTIX PLC (RENX)**

Renalytix is a clinical-stage biotechnology company focused on developing AI-enabled in-vitro diagnostic solutions for kidney disease. The company's lead product, KidneyIntelX, leverages machine learning to assess the risk of disease progression in patients with chronic kidney disease. Renalytix collaborates with healthcare providers and payers to improve patient outcomes through early intervention and personalized treatment plans.

### Fundamentals

Renalytix's innovative approach to kidney disease diagnostics could position it at the in high demand within AI applications for healthcare [4]. The growing prevalence of chronic kidney disease and the increasing demand for personalized medicine create a significant market opportunity. With strategic partnerships and a strong pipeline of AI-driven diagnostic tools, Renalytix is well-positioned for long-term growth.

**Market Capitalisation:** £24.01Million

**Sector:** Technology Services

**12 Month Price Range:** 6.5 – 18p

**5 Year Price Range:** 6.5 – 1220p

### Technical Analysis

Renalytix shares have been in a downtrend for several months, but recent price action suggests that the pace of selling may be slowing, with support being found around 6.5p. This consolidation has formed a wedge pattern, which is often a precursor to a breakout. If the stock breaks higher from this wedge formation, it could signal a corrective move upwards, potentially marking a turning point in the long-term downtrend. Such a breakout might trigger renewed growth in the share price over the coming weeks and months, especially if accompanied by higher trading volumes. This could be a key moment for investors to watch, as it may indicate the beginning of a shift in sentiment and the start of a new upward trend.

**Verdict:** BUY

**Buy between** 6.75 – 8p

**Stop:** 6.2p

**Target:** 14p



Sources: [4] The Armchair trader – The top AIM stocks to watch in 2025 – 30 December 2024

Chart: Tradingview.com, Data as of July 25th, 2025

### PRIOR1TY INTELLIGENCE GROUP (PR1)

PriOr1ty offers AI-powered SaaS solutions that focus on data automation and analytics. The company works across various industries, providing actionable insights and business automation. It entered the AIM market via a SPAC deal.

#### Fundamentals

PriOr1ty Intelligence Group provides AI-powered SaaS solutions to enhance business automation and data analytics across various industries. The company leverages cutting-edge AI to optimise operational processes, helping businesses reduce costs and improve efficiency. PriOr1ty made a significant move by entering the AIM market through a SPAC deal, showing investor confidence in its growth potential [5]. The company's innovative solutions, along with increasing market adoption of AI, indicate that PriOr1ty is positioned for substantial growth, especially as businesses continue adopting AI-driven processes [5].

**Market Capitalisation:** £5.94Million

**Sector:** Technology Service

**12 Month Price Range:** 2.10 – 50p

**5 Year Price Range:** 2.10 – 50p

#### Technical Analysis

PR1 shares experienced a dramatic surge in mid-June 2025, with the price soaring by over 400% in just 9 days. This rapid increase likely prompted profit-taking, leading to a subsequent correction. However, the price action now shows a potential turning point as the stock has broken to the upside from a wedge formation. This breakout could signal a continuation of the uptrend, as the wedge typically acts as a consolidation pattern before the next major move. Given this development, targeting a move toward 14p over the coming months seems plausible, provided the breakout holds and momentum continues.

**Verdict:** BUY

**Buy between** 3.60 – 4.2p

**Stop:** 2.65p

**Target:** 30p



**Source:** [5] UK Tech News - AI firm PriOr1ty to join the London Stock Exchange— Markets Data – 28 December 2024

**Chart:** Tradingview.com, Data as of July 25th, 2025

## KAINOS GROUP PLC (KNOS)

Kainos specializes in digital solutions, including AI for public and private sectors. They focus on healthcare and public services, building AI-driven cloud infrastructure for major clients like the UK Ministry of Defence. Their expertise lies in AI, automation, and digital transformation.

### Fundamentals

Kainos Group provides digital transformation solutions, including AI-driven services for public sector and healthcare clients. The company specialises in cloud solutions, AI technologies, and automation for large-scale systems like those in government and defence. Kainos's long-standing partnership with clients such as the UK Ministry of Defence underpins its solid financial growth. The growing need for AI in public services and healthcare, coupled with its proven success in digital transformation, makes Kainos a strong player in the AI space with robust growth prospects [6].

**Market Capitalisation:** £877.21Million

**Sector:** Technology Service

**12 Month Price Range:** 580 – 1104p

**5 Year Price Range:** 580 – 1947p

### Technical Analysis

Kainos shares have been moving lower or sideways since mid-May 2025, with the chart showing a triangle formation. Support has been consistently found at 647.5p, which aligns with an unfilled gap created back in April 2025, adding credibility to this level as a key area of support. While the overall long-term trend remains bearish, there are signs that selling pressure might be easing, potentially signaling a shift in momentum. Any short-term pullbacks towards the 647.5p level could present a buying opportunity, particularly if there are further indications of a reversal in the trend. If the stock holds at this support level, it could be a precursor to an upward move, marking a potential turning point for the price in the coming weeks.

**Verdict:** BUY

**Buy between** 650 – 700p

**Stop:** 575p

**Target:** 1050p



Source: [6] Kanios.com – "Kainos Group plc: Digital Transformation & AI in public services" – 2024

Chart: Tradingview.com, Data as of July 25th, 2025

## TRACSIS PLC (TRCS)

Tracsis provides AI-based software for transportation industries, including rail and traffic. Their AI tools optimize scheduling, resource management, and real-time data analytics, enhancing operational efficiency. The company has diversified by acquiring smart ticketing and delay compensation solutions.

### Fundamentals

Tracsis develops AI-powered software for the transportation industry, focusing on optimising operations in rail, traffic management, and logistics. Their technology helps improve resource scheduling, data analytics, and operational efficiency across transport sectors. Recent acquisitions have expanded their offerings in smart ticketing and delay compensation, positioning the company for strong market growth. As governments and organisations continue to invest in transport infrastructure and smart city technologies, Tracsis is well-positioned to benefit from the increasing reliance on AI solutions [7].

**Market Capitalisation:** £124.87Million

**Sector:** Technology Services

**12 Month Price Range:** 260 – 716p

**5 Year Price Range:** 260 – 1100p

### Technical Analysis

Tracsis shares have been consolidating in recent weeks after a strong rally that began in late April, which saw the stock rise before topping out at 520p. The pullback in price has found solid support at 379p, and more recently, the stock has broken higher from the corrective channel. This breakout could signal a continuation of gains in the short to medium term, suggesting that the stock may have formed a bottom at 379p. If this upward movement holds, it could mark the beginning of a new upward trend, potentially setting the stage for further gains in the coming weeks or months.

**Verdict:** BUY

**Buy between** 380 – 420p

**Stop:** 310p

**Target:** 660p



Source: [7] Wikipedia – "Tracsis: AI-powered transport technology solutions" – 2024

Chart: Tradingview.com, Data as of July 25th, 2025



## PINEWOOD TECHNOLOGIES GROUP PLC (PINE)

Pinewood Technologies focuses on SaaS for automotive dealerships, leveraging AI to improve inventory management, CRM, and sales analytics. Their solutions support dealership operations with data-driven tools that enhance performance and customer engagement, growing consistently in the automotive software space.

### Fundamentals

Pinewood Technologies delivers SaaS solutions tailored for the automotive sector, focusing on improving dealership efficiency through AI-driven tools for inventory management, customer relationship management (CRM), and sales analytics. As the automotive industry increasingly digitises, Pinewood is poised to capitalise on the growing demand for intelligent software solutions. The company's solid financial performance and consistent growth in the automotive software space demonstrate its ability to scale and capture more market share [8]. With dealerships increasingly adopting AI-driven platforms, Pinewood is positioned for sustainable growth in the coming years [8].

**Market Capitalisation:** £482Million

**Sector:** Technology Services

**12 Month Price Range:** 290 – 509p

**5 Year Price Range:** 280.5 – 509p

### Technical Analysis

Pinewood Technologies shares have been trading in a channel formation since June 2024, but in May 2025, the stock broke higher, driven by increased demand that gave a significant boost to the share price. After a brief consolidation period throughout May, the stock once again moved higher and decisively broke through key resistance at 399p. This breakout has been followed by a continued upward movement, with the price showing no clear signs of slowing. Given the strength of the uptrend, any pullbacks in the short term could present a buying opportunity, allowing investors to take advantage of the ongoing upward momentum.

**Verdict:** BUY

**Buy between** 445 – 466p

**Stop:** 380p

**Target:** 700p



**Source:** [8] Wikipedia - "Pinewood Technologies Group PLC: Automotive AI solutions," 2024.

**Chart:** Tradingview.com, Data as of July 25th, 2025

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