

DELOITTE

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### LOW LEVELS OF ACTIVITY ON AIM MARKET



Quarterly analysis of the AIM market by business advisory firm Deloitte has shown continuing low levels of activity coupled with a dearth of new companies coming to the market.

“The balance is still towards the total number of companies on the market reducing over time and this is unlikely to change over the course of the traditionally quiet summer months and probably not until signs of economic recovery are more tangible,” according to Roger Esler, corporate finance partner in the Leeds office of Deloitte.

He added: “The real activity on AIM is in the secondary issue market. The principal rationale supporting secondary issues is reduction of leverage. The City, averse to financial risk deriving from borrowings being close to facility limits and any threat of covenant breaches, is impacting valuations dramatically. We expect the reorientation of capital structures towards equity to continue and the discounting on secondary issues to be higher for de-leverage stories than for growth strategies. In due course there will be a shift towards the latter as recovery takes hold.”

There had, he said, been one piece of positive news in quarter two when, after six months of almost a total lack of activity, the market saw the debut of Max Property Group. The

company raised £220million on AIM in May which represents the single largest fund-raising by a new admission since November 2007 when London and Stamford Property raised £247m and Pacific Alliance China Land raised £244m.

“Beyond the Max Property transaction, however, only a further £3m of new money was raised by the other seven companies debuting on the market,” he said. “Without this single Initial Placement Offering (IPO) the quarter would have equalled the lows of quarter one, which itself was the least amount of money raised for over a decade. There were eight new issues in the quarter, comparing favourably with the five in the first quarter of the year but is still well down on the 37 new admissions in the same quarter in 2008.”

Mr Esler concluded: "There is unlikely to be any meaningful IPO activity until mid to late 2010. Transparency and predictability of trading performance is fundamental to raising capital and interim measures may be more practicable. Existing plcs are reshaping their balance sheets for survival and longer term growth. Some will exit the stock market willingly or otherwise. This is a transitional environment." Ends

**Photography: Roger Esler**

**Appeal PR**