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AIM market impacted by General Election and falling oil prices

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Publications that covered this story include: The Independent, 6 April, City AM, 7 April, The Telegraph, 6 April and Reuters online, 6 April.

- **AIM new listings fall by 63% in Q1 2015**
- **Oil and gas and mining sectors hardest hit**

The number of new companies listing on the Alternative Investment Market (AIM) in Q1 2015 has fallen by 63% from the previous quarter, according to our research.

The first three months of this year saw just 10 new listings and IPOs compared with 27 the previous quarter. We add that only £84.9 million was raised from IPOs in the first quarter of the year, compared with £657.4 million raised the previous quarter.

We explain that the sharp decline has been driven by businesses putting off a decision to list on AIM until after the General Election and by weak investor interest in the resources sector – a major source of AIM IPOs.

Laurence Sacker, corporate finance partner, comments: “The upcoming General Election has generated increased caution among companies and their investors, perhaps more than usual because of the possibility of a hung parliament and mounting concerns over who might form a coalition.”

“Many companies are choosing to put IPO plans on hold until after the General Election when the political and economic outlook should be clearer.”

“The possibility of an EU referendum has also raised concerns among investors and we have seen this impact the figures this quarter.”

The number of companies delisting during Q1 has risen substantially to 27 from 19 in the previous quarter, resulting in the highest net loss of companies and largest shrinkage in the market since Q1 2012, with 17 fewer companies on the market by the end of the quarter.

Many of the companies who have delisted in the last quarter are in the oil and gas and mining sectors.



Laurence adds: “The fall in oil and other commodity prices has heavily impacted the financial positions of many companies, forcing some small exploration companies with high risk portfolios to delist.”

“Similarly, companies that had been looking to list on AIM have chosen to postpone their plans because investors are wary of the financial pressures falling prices are putting on the sector.”

The AIM market is likely see a resurgence following the Election, however.

A number of companies have expressed intentions to float on AIM this year including MySQUAR, Myanmar’s only social media platform, and US news group Moguldum.

Laurence states: “We are likely to see increased activity after May as companies push forward with IPO plans that have been put on hold over the last couple of months.”

“The outlook for companies in the oil and gas and mining sectors is less clear however. If oil and other commodity prices remain low, we may see many more delistings in these sectors including some M&A activity as more financially robust companies look to snap up smaller rivals.”



Laurence
Sacker