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## The death knell sounds for public quotations – or does it?

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Simon W. Holden

The continuing trend of publicly quoted companies, most notably those listed on AIM, in seeking a delisting of their shares is a worrying sign of the times. Given the correction in global markets brought about by the collapse of well established blue chip names, it was only a matter of time before the effect filtered down to smaller companies.

Delisting is neither a new nor recent phenomenon, nor is it one restricted to our shores, but the state of the economy means it is now an option being seriously considered by the boards of many public companies whose low market capitalisation, illiquidity of shares and the need to conserve cash all create a strong case for going private.

In early October, Independent International Investment Research PLC delisted from AIM, citing the increased costs of maintaining a public quotation. The company estimated that it could make cash savings of approximately £125,000 per year, a not insignificant sum given this represents over 6.6 per cent. of the company's 2008 turnover. On 4 December, Sheffield United plc announced it would seek shareholder approval of a delisting from AIM at its EGM on 27 December, citing low liquidity in its shares and a fall in their value caused by the economic turmoil. It also cited the costs associated with maintaining a listing on AIM.

On 28 November, AIM-listed stockbroker IAF Group PLC announced its intention to delist which, with the approval of shareholders, should become effective on 30 December. By the time this article is published, Waterline Group plc will have delisted from AIM having already obtained shareholder approval to do so.

But is delisting the only option available to companies who are finding these times a struggle?

**PLUS-quoted**

For AIM companies who cite the costs of maintaining a public quotation as a reason for delisting, the PLUS-quoted market has come to be seen as offering a viable alternative. Widely recognised as being significantly cheaper than AIM, the PLUS team has been actively marketing itself as capable of filling the gap, particularly as its PLUS-traded dealing platform is also used by increasing numbers of AIM companies to trade their shares.

More and more AIM companies are considering moving across to the smaller PLUS market to allow them to remain public. Unfortunately, despite the talk, this route has not been deployed to any large degree as yet which means it is still perceived as an option that will only be considered by the brave.

**Dual quotation**

For those companies citing a lack of liquidity in their shares, there is the option of seeking a dual quotation. AIM companies have sought dual quotations on the New York Stock Exchange (ReneSola Ltd), Alternext (Proventec plc) and the NYSE Euronext (Accsys Technologies PLC). In reverse, numerous overseas companies have taken advantage of the Designated Markets route and obtained secondary quotes on AIM.

It is clear that if a company sought a dual quotation on another market, it would be expected to have enough cash to maintain such a quote. This would only be an option open to a select few cash rich companies.

Another alternative is for AIM companies to have their shares traded on more than one platform. Most AIM companies' shares are traded on the London Stock Exchange's SETS MM platform. PLUS-traded is an alternative quote driven system which provides some advantages for smaller companies. However, sceptics remain to be convinced whether this is a valid alternative as Claimar Care Group plc, an AIM listed company that was also traded on PLUS, delisted from PLUS earlier in the year on the basis that there was no quantifiable increase in the volume of trades. So whilst the ability to be traded on multiple platforms should go some way to increasing liquidity, it seems that it may not be a complete panacea.

**Cash**

"Cash is king" as the old saying goes. But where can companies find it? Certainly not from the banks nor, would it seem, the institutional client base of stockbrokers. However, as I recently found out when exploring the availability of publicly quoted cash shells (both on AIM and PLUS) as potential reverse takeover vehicles, there are plenty of options out there, ranging from those capitalised with a couple of hundred thousand pounds to those with several millions.

Whilst a reverse takeover would be an option for companies which don't already have a public quotation, there are numerous options available for publicly quoted companies which could utilise the cash in the shells. Here is a chance of hitting two birds with one stone. For example, the shell could be actively searching for an investment whilst the quoted company is seeking capital. In these times it is very likely that companies would be able to negotiate attractive deal terms to either reverse into a clean shell or seek fresh capital.

**Adviser changes**

Notwithstanding the lack of dealflow and therefore significant newsworthy items, one could be forgiven for thinking that corporate finance publications would be a little light on content. Not so! The change of adviser sections in such publications are full to the brim with details of companies which have changed their Nomad or broker – last week saw 10 changes alone. In an industry where costs have come to dominate the headlines, public companies have the upper hand in negotiating more competitive fees with their advisers.

In conclusion, whilst the current state of the market is grim, there are options available to public companies if they wish to invest the time exploring them. The above list is by no means exhaustive. In these times, as we see a return to common sense principles coupled with realistic valuations there are real opportunities for those brave enough to take them.

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