Slump in AIM floats spells strife for the City of London

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HE alarming slump in activity on London's moribund capital markets is laid bare today with figures showing AIM raised a paltry £3 million for fresh flotations in the last quarter.

That is a 13-year low, figures compiled for the Evening Standard show, and a sign of a wider slowdown in the City which clearly puts banker bonuses – and jobs – at risk.

In a good year, AIM helps growth companies raise hundreds of millions. Since foundation in 1995 it has become home to 1000 companies with a combined value of £90 billion – a clear City of London success story.

AIM listed companies include Fevertree, BooHoo and YouGov.

But today's figures from UHY Hacker Young show that only one company – Lifesafe Holdings – floated on the junior stock market in the last three months, raising just £3 million in new equity.

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City people say now is the time for new PM Liz Truss to bolster her “growth, growth, growth” message by cutting tax on investment in start-up firms.

Some would like to see capital gains tax slashed or abolished for investors in growth firms.

Colin Wright, Chairman of the UHY Hacker Young Group, says that many companies have had to shelve plans to list on AIM until volatility in the stock and bond markets reduces.

Wright adds: “A period of market turmoil is a very difficult time to deliver a successful IPO. Companies that were gearing up for floats on AIM have been forced to hold off until the current volatility subsides.”

“At least two AIM IPOs that were confirmed as flotations for September have been paused. The same will have happened to plenty more floats that were further back in the pipeline.”

AIM’s woes are reflected in the FTSE 100 and FTSE 250.

On the main market, new businesses have raised just £574 million so far this year, according to Dealogic. That is a relative pittance and comes as foreign firms have taken over £41 billion worth of UK listed businesses, now lost to the stock market.

That combination of low floats and foreign takeovers raises fears about the long-term health of the market and reminds City watchers of 2009, a post financial crisis slump when just £1 billion was raised.

Alasdair Haynes of AIM rival Aquis Exchange said: “These are difficult conditions. But we have seen this three or four times in our lives. It is more important to get capital to growth companies in a recession than ever. We need to get capital to them. This is the chance to see innovation.”

He told the Standard: “I think it is a phenomenal opportunity to change primary markets. The government needs to incentivise with tax changes to get the public back to public markets.”

His call for greater involvement in the stock market from small investors comes as figures show them pulling money out in favour of cash.

Figures from Calastone show retail punters withdrew a record £2.4 billion from UK funds in September alone.

Edward Glyn, Calastone’s markets head, said: “The surge in global bond yields is driving a dramatic repricing of assets of all kinds. UK investors are voting with their feet.”