# AIM feels the pinch as small firms stay away from market

**Small Talk**

BY NIKHIL KUMAR AND NIC FILDES

As City types took some time off to celebrate Christmas and usher in the new year, there was little small talk around. The peace and quiet gave us time to reflect on the year gone by, and we looked to AIM (the alternative investment market) for inspiration. Unfortunately, there was little forthcoming.

According to Grant Thornton Corporate Finance, the value of new companies opting to list on the London Stock Exchange's junior market fell for the first time in five years. AIM hosted £6.5bn in new issues this year, or 35 per cent less than last year. The slump blighted the growth in secondary issues, which increased by at least 50 per cent to £8.6bn, and the total amount raised on the market was almost flat compared with last year.

The volume of new companies fell to 275 this year compared with 462 in 2006 – there are 1,689 companies on AIM at the end of last week, showing a net year-on-year gain of only 55 companies.

"This is the first time in five years that the value of IPOs on AIM has not grown by at least 50 per cent year-on-year, and so despite seeing several records broken in 2007, including the most funds raised in a month this June, overall it has proved to be a disappointing year in terms of growth," said Philip Secrett, Grant Thornton's international director of capital markets.

The growth in secondary issues means fewer companies are raising more money than before on a market which was meant to cater for growing companies.

The largest contribution to the IPO pool came from property and private equity funds.

"Property and private equity funds, under the sub sectors of real estate and equity investment instruments, continue to represent [around] half of all new issue cash raised, allowing real estate to retain its place as one of the largest constituents on AIM," said Mr Secrett.

Grant Thornton reckons that the first half of the new year is likely to mirror the final quarter of 2007, showing limited growth in fundraising levels as companies shy from making an initial public offering until the market improves.

Competition from emerging markets may also be a problem in 2008.

Mr Secrett said: "Domestic markets within the countries that have been particularly active on AIM, such as India and China, will be making a stronger case for their own fast-growing businesses to raise finance at home."

## Fountains of wealth in a public park near you

Two years ago Fountains was leaking cash. The company has now been turned around and is in good shape

**We've also been thinking about Fountains. The company has come a long way since its inception in the 1950s as a forestry management business. Although the "provider" moniker it adopted in the 1990s makes it sound like a glorified lawnmower man, the business has since expanded into the managed services field, specialising in environmental support services.**

**It now offers its clients – which include railway companies, utilities and local authorities – many services on top of pruning and grass cutting, including waste collection, street cleaning, booking sports sessions in parks and removing graffiti. It all adds up to an addressable market of around £12bn according to Fountains, which sounds like one hell of a mess.**

**Yet two years ago, Fountains was itself in a bit of a mess as it struggled to get to grips with some contracts to remove vegetation around railway lines. The company issued a series of profit warnings, was leaking cash and needed tidying up. Richard Haddon came in as chief executive and has quickly turned around the company, reversing losses and restoring its dividend.**

**Two key local authority-managed services contracts in London have since been won and the firm's bidding pipeline nearly doubled in the space of six months to £900m at the end of September. With new products planned and more cost cuts to come, Fountains looks to be in the best shape it has been for some time. It has just turned down an approach, probably from a rival service provider, but bid speculation will undoubtedly continue to support the stock price, which trades at only around 10 times 2008 forecasts, despite growth expectations of around 125 per cent for next year. With no sign that the forecasts need pruning, look to Fountains to progress toward 200p.**

# BAA hopes to reach a deal as strikes and travel chaos loom

**By Sean O'Grady**

Last-ditch talks will be held today between BAA and unions in an effort to avert strike action planned for next week that would cripple Britain's largest airports.

BAA, which owns Heathrow, Gatwick and Stansted, is hoping to reach an agreement by Wednesday over plans by its owners, the Spanish construction group Ferrovial, to close its final salary pension scheme to new members. Unite, the union leading the protest, is anxious that it could be the first step along the way to scrapping the scheme.

Strike action, planned for next week, could cripple Britain's largest airports

If a resolution is not reached, BAA will be forced to draw up contingency plans for the first strike. The first 24-hour walkout is due on 7 January followed by another strike on 14 January and a 48-hour stoppage from 17 January. The action will affect Heathrow, Gatwick and Stansted, as well as Southampton, Glasgow, Edinburgh and Aberdeen airports.

A union spokesman said the company had refused to back down over a controversial decision to close its final salary pension scheme to new entrants.

"As things stand, the industrial action set to begin on 7 January will go ahead," said the spokesman.

The union has warned that all seven airports will close if the strikes go ahead because they involve crucial staff such as firefighters, security and maintenance workers.

Union members voted by more than two to one in favour of industrial action last week in protest at the pensions decision which the union said had been made without negotiation by Ferrovial. The union stressed it had held off from taking industrial action for the Christmas period but has made it clear that the strikes will go ahead unless the company changes its mind.

The travel plans of hundreds of thousands of passengers will be ruined if the strikes go ahead.

A spokesman for BAA said the company's position was that "as we have said throughout, we believe the threat of industrial action is unnecessary because we have guaranteed that existing workers will not be affected by the change to the pension scheme. We will continue to do all we can to resolve this dispute since a strike would not be in the interests of our passengers or our staff."

In a separate development, BAA is reported to have begun a sale of its World Duty duty-free shops, appointing Merrill Lynch to find a buyer for the business, which has an annual turnover of £440m with profit before tax of £30m.

# Shell prepares to cut 3,200 jobs

**By Sean O'Grady**

The oil major Shell is thought to be preparing to shed around 3,200 jobs, mostly in its information technology division. As with many other public and private sector concerns, the plan is to hive the jobs off to external specialist contractors.

The company has informed staff it is planning to outsource "a substantial part" of its IT infrastructure services division, believed to comprise a total of 3,600 people. Detailed consultations with workers affected will begin soon, with a start date for the new arrangements planned for 1 July.

The move by the Anglo-Dutch producer follows hundreds of UK jobs cuts and the off-loading of thousands of other worldwide posts at rival BP, which was in the distant past, like Shell, a famously paternal company.

Details about Shell's move were outlined in a leaked email from the company's vice-president of IT infrastructure, Goh Swee-Chen.

In the message, dated 19 December, she stated three partners had been selected for the outsourcing deal – EDS, AT&T and T-systems – with contracts expected to be signed in March next year.

Ms Swee Chen said: "I acknowledge that there will still be uncertainty as we are working through the finalisation of contracts, open resourcing and transition preparations. I encourage you to keep an open mind and take the time to learn more about the suppliers as employers and as business partners."

A series of "Facing Change" meetings for staff has been set up from next week to outline the proposals, she added.

The message was sent to the campaigning website royaldutchshell.com, which is occasionally used by Shell staff to air their grievances. A spokeswoman for Shell has confirmed the outsourcing plans.

Shell, which employs about 108,000 worldwide including 3,000 at its main UK office in London, has pledged to reduce costs by about £250m per year.