



London Stock Exchange

Current Thinking

Mark Fahy

AIM -Activity Update - UK & International

- Comparative Figures - 2007 vs 2008

	2007	2008
No. of New Issues	284	115
IPOs	182	38
Value of New Money raised	£6.3bn	£1.1bn
Value of Further Money raised	£9.6bn	£3.2bn
Total No of companies	1,684	1,550

- Market Performance - 2009

	Jan - Aug 08	Jan - Aug 09
No. of New Issues	85	15
IPOs	36	2
Value of New Money raised	£1,080.8m	£308.9m
Value of Further Money raised	£2,826.3m	£2,441.6m
Total No of companies	1,626	1,365



Main Market - Activity Update - UK & International

- Comparative Figures - 2007 vs 2008

	2007	2008
No. of New Issues	120	66
IPOs	82	32
Value of New Money raised (equity)	£19.1bn	£6.1bn
Value of Further Money raised (equity)	£9.5bn	£60.4bn
Total No of companies	1,580	1,501

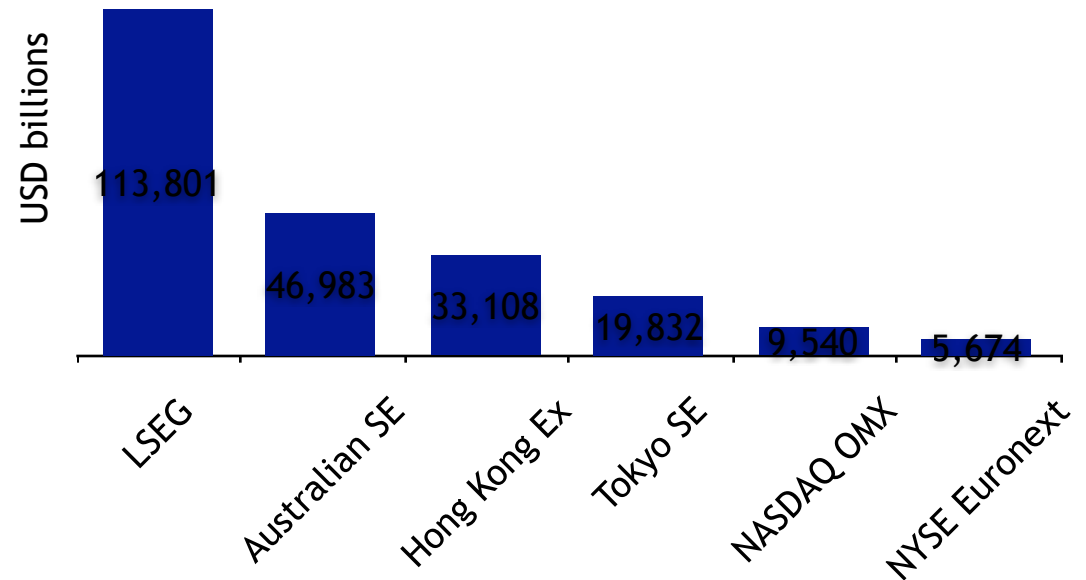
- Market Performance - 2009

	Jan - Aug 08	Jan - Aug 09
No. of New Issues	53	20
IPOs	29	3
Value of New Money raised (equity)	£5,387.1m	£367.22m
Value of Further Money raised (equity)	£31,238.7m	£56,107.79m
Total No of companies	1,546	1,468

Capital - leading global equity market

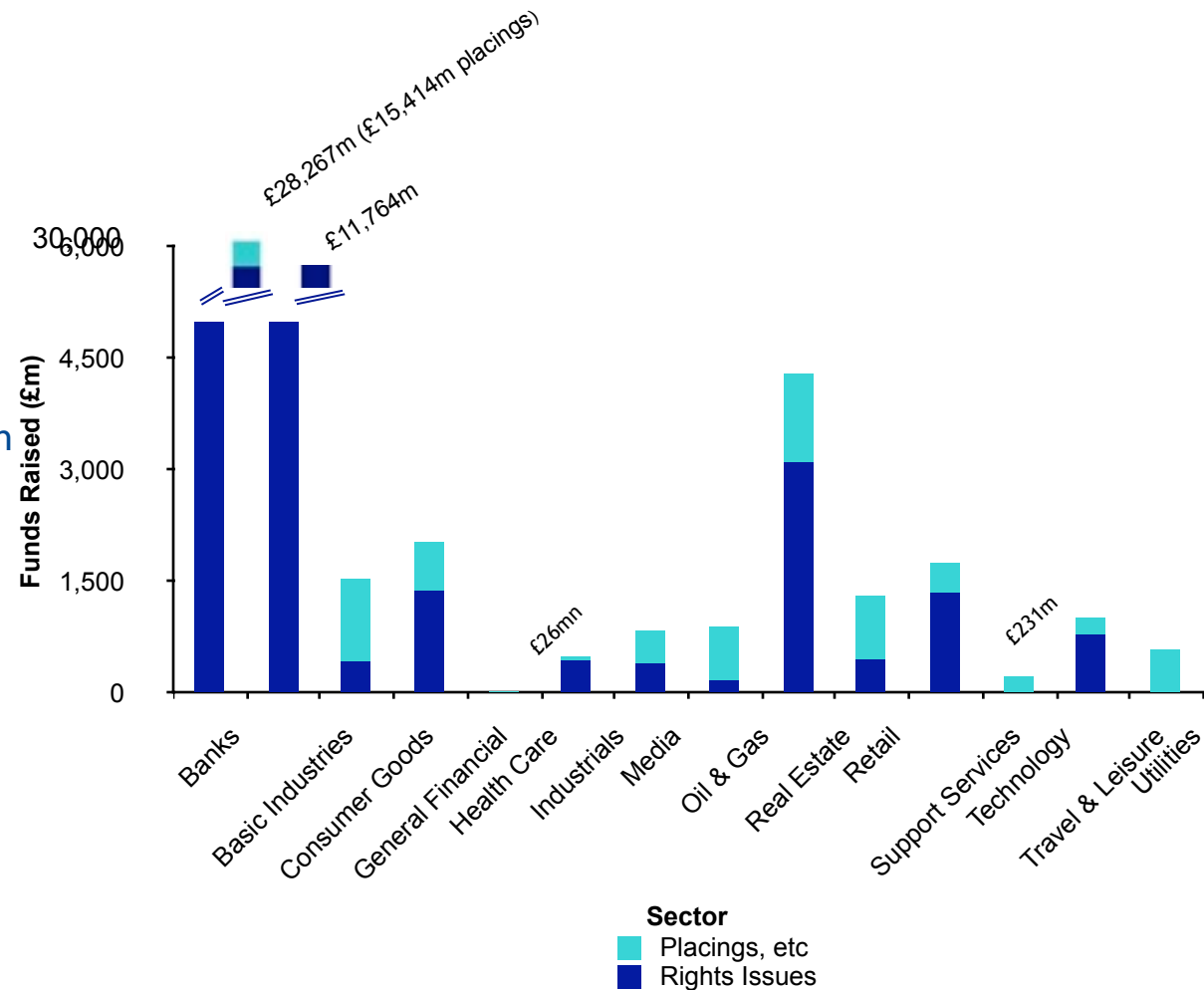
- More equity capital has been raised on our markets this year than on any other major market globally
- With c. 3,200 listed companies, our markets are one of the largest and most diverse globally

Total Money Raised (IPOs & further Issues), Jan-July 2009



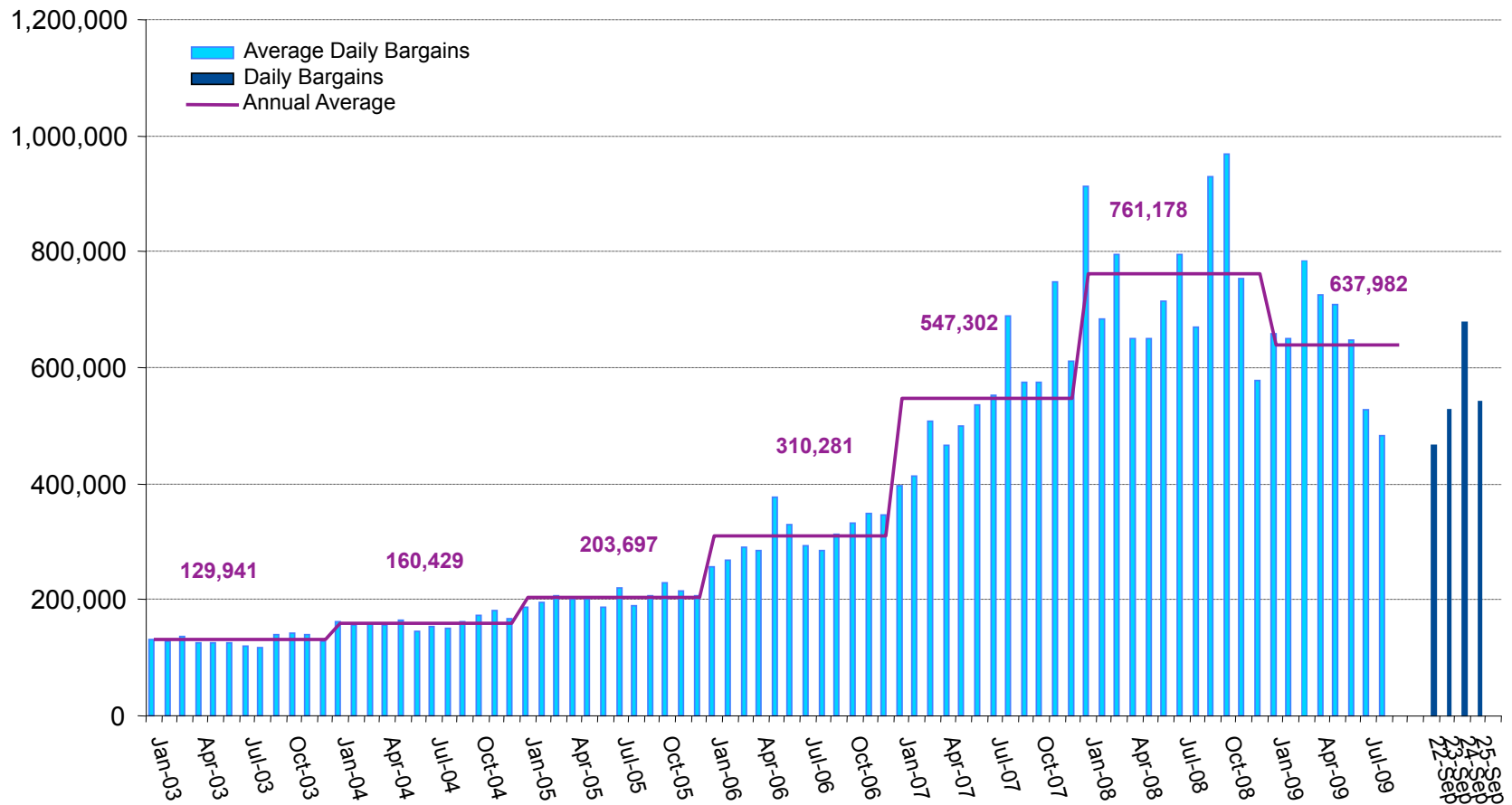
Capital - Further issues

- Opportunity to raise further equity
- 2009 - unprecedented levels of further equity issuance with >£56bn raised
- Dominated by banking (£28.3bn), mining (£11.8bn) & real estate (£4.3bn) sectors



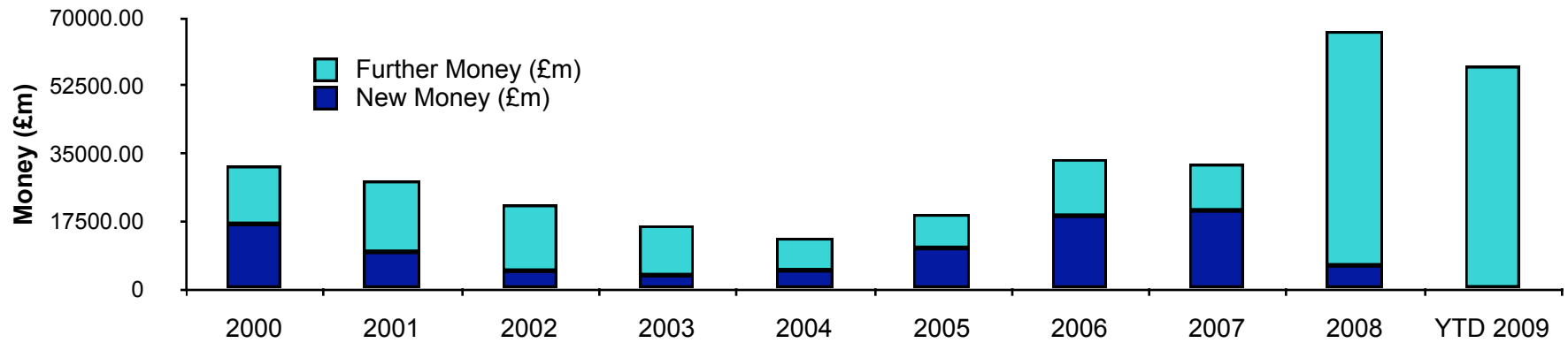
Liquidity

LSE Order Book - Number of Trades

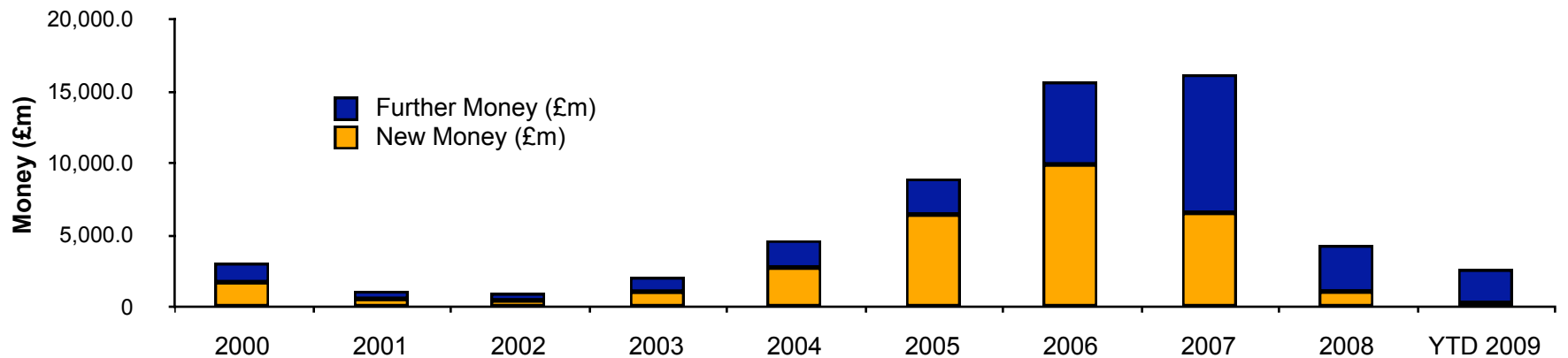


Ability to raise capital

Money raised on the Main Market



Money raised on AIM



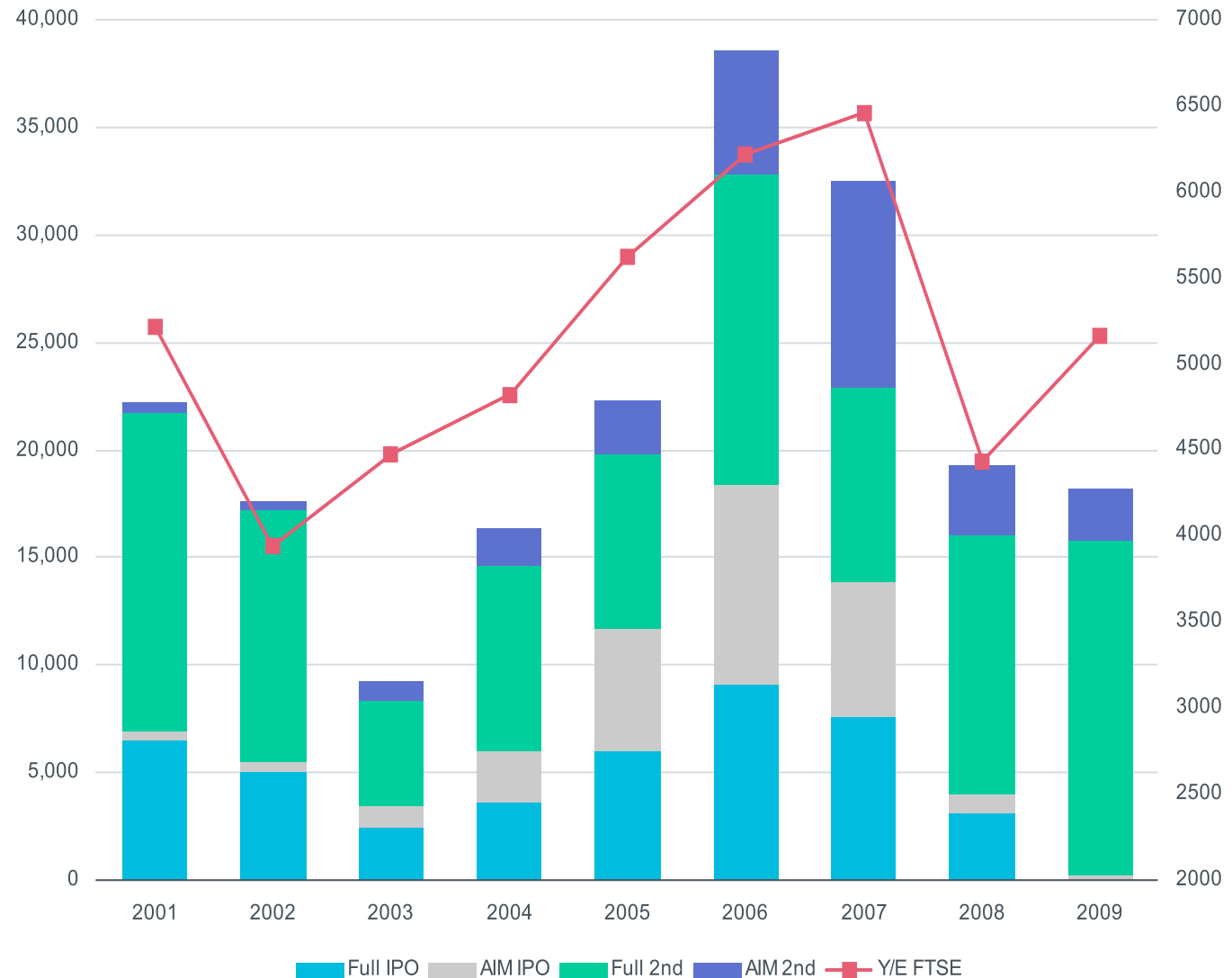
Current Thinking

- Secondary issues now / IPOs starting Q1 2010 ?
- Pent up demand for strong stories / lack of supply
- Institutional investors long on cash / low interest rates / appetite for risk to deliver returns
- Lack of debt / trade sales slow / PE secondary sales almost dried up
- Write up valuations / part realisation on IPO / then sell down into rising equity value

UK IPO cycle poised to revive ?

Issuance story

- IPO Market shut from H2 2008
- 2003 – 2007 Bull market
 - Significant M+A boom funded predominantly by debt
 - Equity issuance to also fund growth
- 2008 – 2009 New world order
 - Massive balance sheet repair
- Excluding mining and banks, 2008 -2009 issues at 2004 - 2005 levels



Valuation criteria

- Private equity - 6/6.5x EV to EBITDA ?
- Current FTSE All Share forward PE 14 to 15x / EV to EBITDA 12x
- Broadly stockmarket values growth rather than cashflow / assets
- Max comfortable gearing 3x net debt to EBITDA / some debt reduction on IPO
- Sector comparatives / premium to average ?
- Market fashion / momentum
- Early in cycle cachet for Official List

Contacts

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