

# AIMing high

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## Agenda

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- Seymour Pierce credentials
- Alternative Investment Market (AIM) background
- The benefits/perils of listing on AIM
- The oil & gas exploration and production sector on AIM
- Summary

## Seymour Pierce credentials

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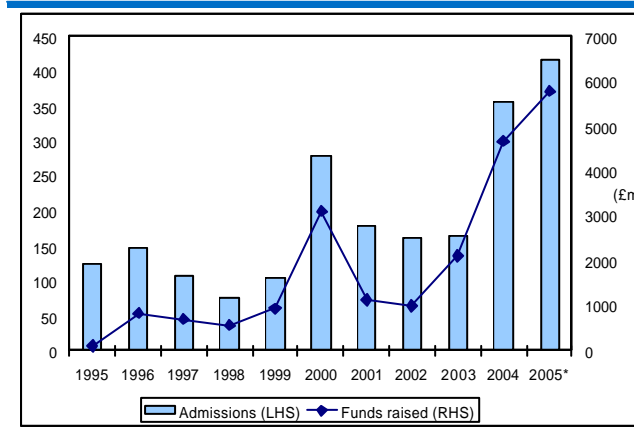
- 155 corporate clients
  - Small capitalisation / AIM focus
  - Active corporate finance deal flow, including private equity advisory
  - Extensive research coverage
- ❑ A recent Thomson survey places Seymour Pierce amongst the top corporate finance houses on AIM
  - ❑ In 2004 Seymour Pierce completed 21 IPOs and raised over £280m for its clients
  - ❑ Seymour Pierce has 155 corporate clients, which is the second largest number in the UK
  - ❑ In the first 10 months of 2005 Seymour Pierce completed 16 IPOs and raised almost £250m for clients

## AIM background

- Launched in June 1995 with 10 listed companies
- 1,332 listed companies with a total value of £47.4 billion at the end of October 2005
- 2,099 admissions between June 1995 and October 2005
- Total funds raised by AIM-listed companies £20.8 billion by the end of October 2005

Source: London Stock Exchange

Admissions and funds raised June 1995 - October 2005



Source: London Stock Exchange

## Why list on AIM?

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- To gain access to a wide pool of capital
- To enhance the company's profile, status and credibility
- Shares can be used as acquisition currency and for motivating staff
- AIM has a flexible regulatory regime
- Tax benefits (though this may change!).

### Regulatory differences between the main market and AIM

Main Market	AIM
Minimum 25% of shares in public hands	No minimum shares in public hands
Normally 3 year trading record required	No trading record required
Prior shareholder approval required for substantial acquisitions and disposals	No prior shareholder approval for transactions*
Competent person's report required if track record less than 3 years	Competent person's report not required

\*Except reverse takeovers  
Source: London Stock Exchange

## Why not list on AIM?

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- The company becomes subject to close public scrutiny
- Management accountability increases and the business must be run for the shareholders
- Greater openness and an investor relations programme are needed
- General market sentiment or conditions can affect the value of the business

### What do investors want from an E&P company?

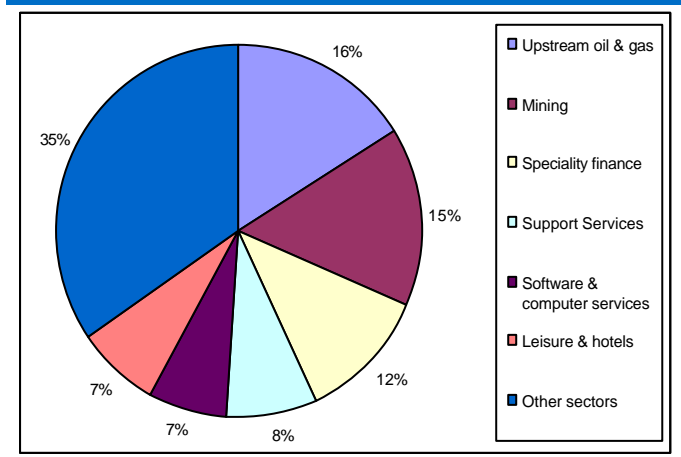
- The backing of assets that are in- or near-production and can generate cash to help sustain the business
- A portfolio of exploration prospects that offers the chance of significant capital gains
- Comfort that exploration schedules and/or development timetables can be (more or less) met
- News flow – ignoring the impact of oil and gas prices, share prices rarely rise in the absence of new information



## Oil & gas is a big, rapidly growing sector on AIM

- Upstream oil & gas was AIM's biggest sector at the end of October 2005 with 69 companies capitalised at £7.7 billion
- The 10 fully listed companies in the Datastream oil & gas exploration & production index are worth £10.5 billion
- During 2004 and the first 9 months of 2005, 44 companies joined AIM's oil & gas exploration and production sector

Composition of AIM



Source: London Stock Exchange

## But AIM's oil & gas companies are performing badly

- Only 55% of the joiners in 2004/05 have generated positive returns
- Only 25% are outperforming Datastream's oil & gas exploration & production index
- Ernst & Young's *Oil & Gas EYe* index gained 83% from 1 January 2004 to 22 November 2005
- Datastream's oil & gas exploration & production index has risen by 256% over the same period

AIM oil & gas sector new entrant statistics 2004/05

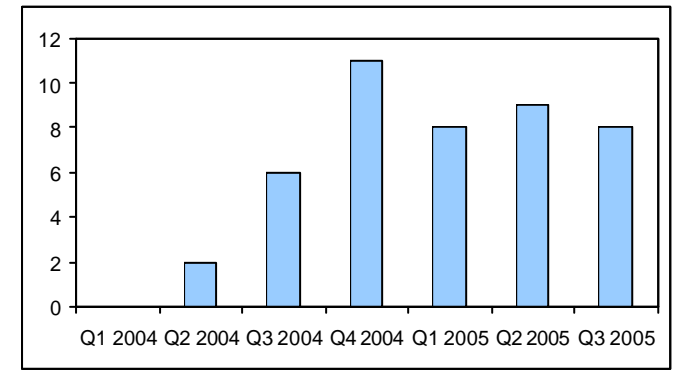
	2004	2005 (9m)	Total
Number	19	25	44
Funds raised at listing (£m)	370	259	629
Funds raised value (£m)	683	270	954
Change	85%	4%	52%
Issues above listing price	79%	36%	55%
Issues ahead of sector	37%	16%	25%

Source: London Stock Exchange, Datastream, company announcements

## So raising money will probably get harder

- We think poor returns will lead to less money being available for investment in the sector
- Investors' perception of the value of exploration acreage may well moderate
- Expected Monetary Value (EMV) could become discredited as a measure of absolute value
- We expect the pace of new issues to slow in 2006

Number of new entrants to AIM E&P sector



Source: London Stock Exchange

## Summary

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- AIM is the market of choice for growth companies
- AIM provides access to equity capital but at a price
- There has been plenty of appetite for upstream oil and gas issues
- But many newcomers shares have performed poorly
- Raising money could get harder in 2006 as investors become more selective



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