Three characters in search of adventures with Aim

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The lunacy of the scramble to join Aim reached a peak in mid-October 2007, when the candidates vying for investors' attention included Japan Leisure Hotels, Boomerang Plus and China Pub Company.

The first provided a refuge for Japanese lovers, looking for passion and privacy away from family homes with paper walls. The second was the producer of a Welsh-speaking television soap opera called *Con Passionate.* The third rejoiced in the ownership of a junk called the Duk Ling, a party venue plying the waters of Hong Kong harbour.

Their adventures since those heady days have been as varied as their businesses. China Pub Company, which was already quoted on the Channel Islands Stock Exchange, failed to make it on to Aim. But in retrospect, says John May, chairman, the failure to raise £3m was a blessing in disguise as "people have gone off Aim," and small company shares have suffered from a lack of liquidity.

The company has announced plans to reverse into a cash shell on the Toronto Stock Exchange in a deal that values it at £7.5m. Mr May says there is a significant investor following in Canada for Chinese hospitality companies, and he expects to be able to use the shares to spread the embryonic pub business into mainland China.

Boomerang Plus did join Aim, raising £3m at 158p a share. It is expected to report unchanged pre-tax profits of £2.2m in the year to May 31 on turnover of about £21m. But its shares have dropped to 71p.

Mark Fenwick, finance director, says the company is disappointed at the share price performance in spite of meeting its forecasts and a steady flow of good news. Hopes of using the shares as a currency for making acquisitions have evaporated.

Even in Wales sex sells, as is evident from the award of a Welsh Bafta this week to Boomerang's *Con Passionate* . Perhaps it could be translated into Japanese and shown in the love hotels.

So convinced were the management of Japan Leisure that the industry was ripe for consolidation that they were planning to raise £100m in 2007. In the event they had to settle for £3m at 50p a share, which left its original investors with a stake of more than 80 per cent.

This week, the company, which reported operating profits of Y9.6m (£65,000) on turnover of Y1.2bn last year, went back on the road in search of willing participants for a placing to raise another £50m. Steve Mansfield, chief executive, argues that many operators in the industry, which is worth £26bn a year, are financially distressed or run the business as a sideline, so the opportunities to make acquisitions have increased.

The demand for rooms is enough to make more conventional hotel operators jealous. Most rooms are used twice a day during the week, while at the weekends three couples enjoy the facilities every day. The shares have held up well, closing yesterday at 55p. That might have something to do with the weakness of sterling. The net asset value per share rose from Y115 to Y119 last year, which equates to an increase from 50p to 91p. Nevertheless, the placing exercise should be an interesting test on the constancy of Aim's love for overseas businesses.

Opportunity knocks

The declining availability of debt and equity has knocked the appetite for global mega-merger and acquisition deals on the head. But Aim bosses are a contrarian lot, as the first M&A survey of Aim from Daniel Stewart suggests. Almost 62 per cent expect to engage in M&A activity over the next 12 months. One of the drivers should be the fall in company valuations, which should provide plenty of "cheap" targets. But such opportunities are not so easy to complete as many might think. Take Pilat Media Global, which supplies business management software to the media industry. In March the company, which is quoted on Aim and in Tel Aviv, received an offer of 26½p in cash from Sintec Media, a smaller, privately owned Israeli competitor.

The offer, more than twice the previous closing price, was recommended by the board. After reporting in April lower operating profits of £1.1m for 2008 on sales of £17.8m, the board said: "If the necessary majority of shareholders' acceptance is achieved the intention of the management of Pilat Media and Sintec Media is to merge the companies, realise economies of scale, leverage the relative strengths of each company and establish the enlarged group as the clear market leader in the industry."

But only 56 per cent of the shareholders - roughly split between the UK and Israel - were willing to accept the offer, which lapsed on Tuesday, sending the shares down to 17½p. Prospective bidders for undervalued Aim companies take note - a 100 per cent premium and cash might not be enough to win the day.

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