



Financial services leading London's IPO market

IPO Eye

An overview of the London Stock Exchange
listings in Q4 2018



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Market overview

Financial services lead the way in a busy Q4 2018

In Q4 2018 there were 25 IPOs that took place with 19 on the Main Market raising £4.3bn and 6 admissions to the AIM market raising £97mn. Historically Q4 has been one of the more active quarters in the year for the Main Market and again it followed this trend and was the most active quarter for Main Market listings since Q2 2014.

Despite this increase in Main Market activity, the total number of IPOs in the year – 44 on the Main Market and 35 on AIM raising £9.5bn – was down on 2017 where 51 Main market and 44 AIM admissions raised £12.4bn.

This uptick in final quarter activity may be a sign that companies have sought to accelerate listings to exploit a market window and get their deals away prior to Q1 2019 which is expected to be quiet given the uncertainty of Brexit.

The largest deal in the quarter and year by funds raised was the Aston Martin IPO which raised just under £1.1bn and was also the only private equity backed IPO in the quarter.

Main Market

19 floats Raised:

£4.3bn

Largest IPO:

Aston Martin

Raised:

£1.1bn

AIM

6 floats Raised:

£97mn

Largest IPO:

Manolete Partners plc

Raised:

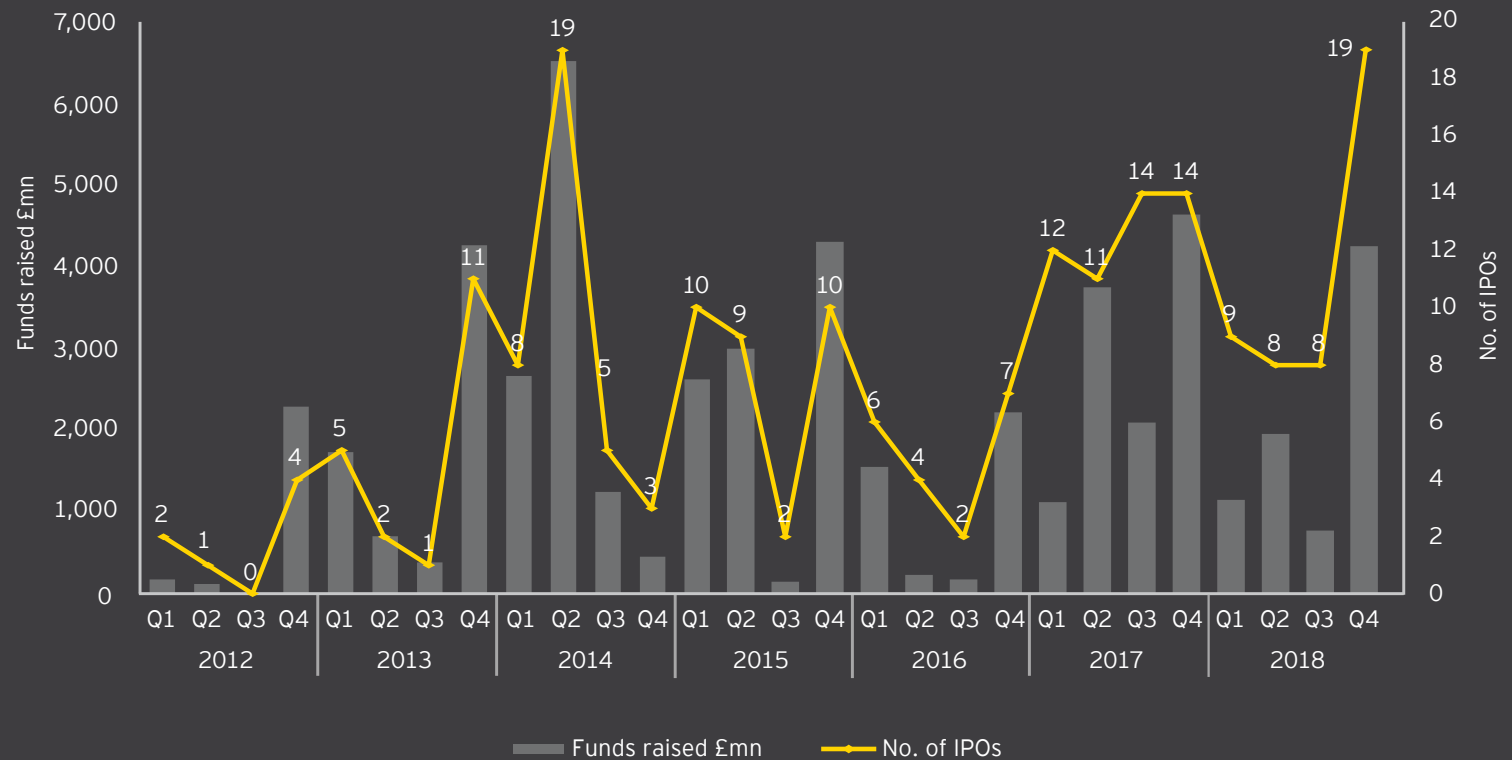
£29mn

Financial services was the most active sector both in the quarter and in the year with 18 and 42 IPOs respectively raising £2.5bn and £5bn.

IPO markets – historical performance

IPO main market

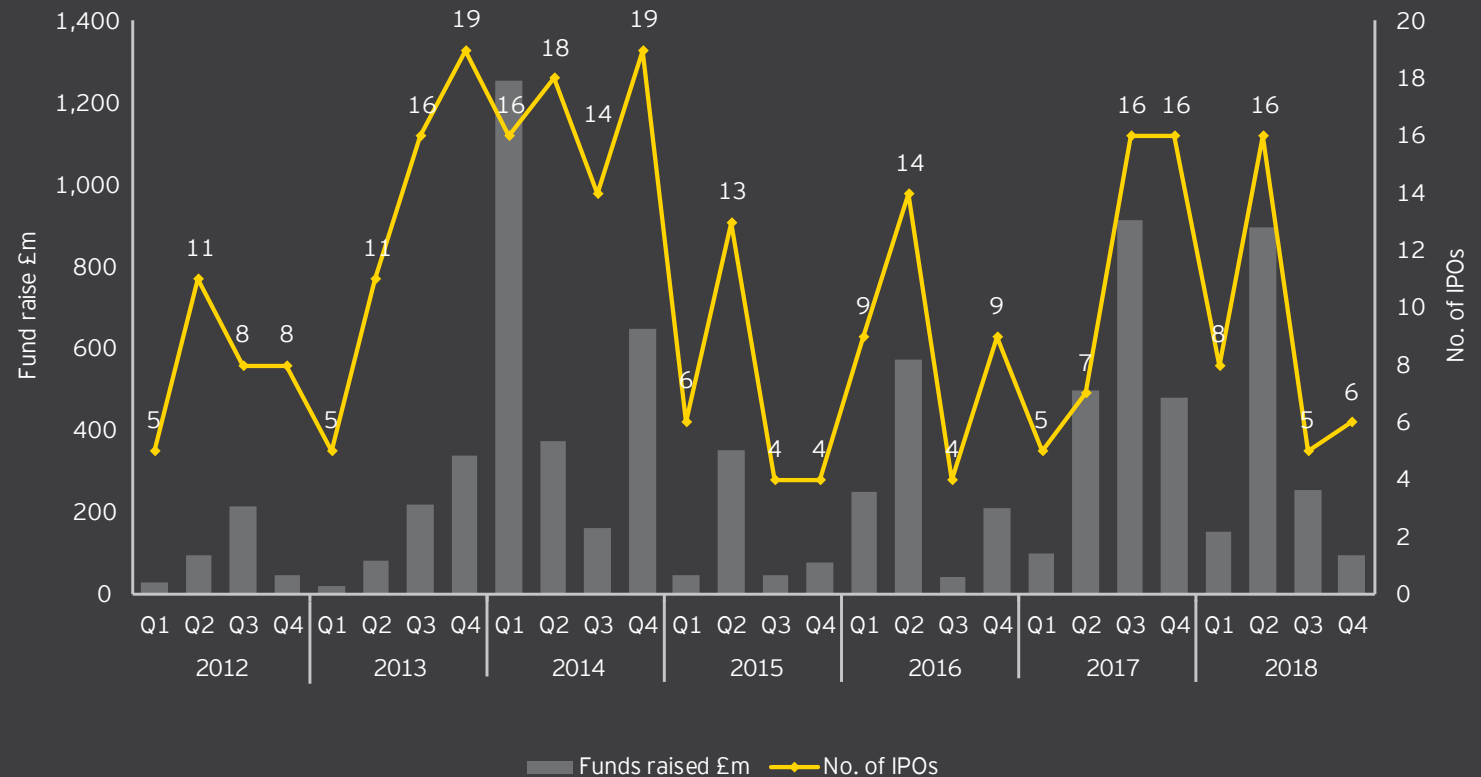
Main market – 19 floats raised £4.3bn in Q4. The largest by funds raised was Aston Martin – which raised £1.1bn.



IPO markets – historical performance

IPO AIM market

AIM – 6 AIM admissions raised £97mn in Q4. The largest by funds raised was Manolete Partners plc – which raised £29mn.



Market overview

This quarter also witnessed 14 fund IPOs including the largest fund IPO that has taken place to date with Smithson Investment Trust raising £823mn.

Other sectors that were active in terms of deal volume in the quarter included tech stocks and mining with 5 IPOS in total in the quarter.

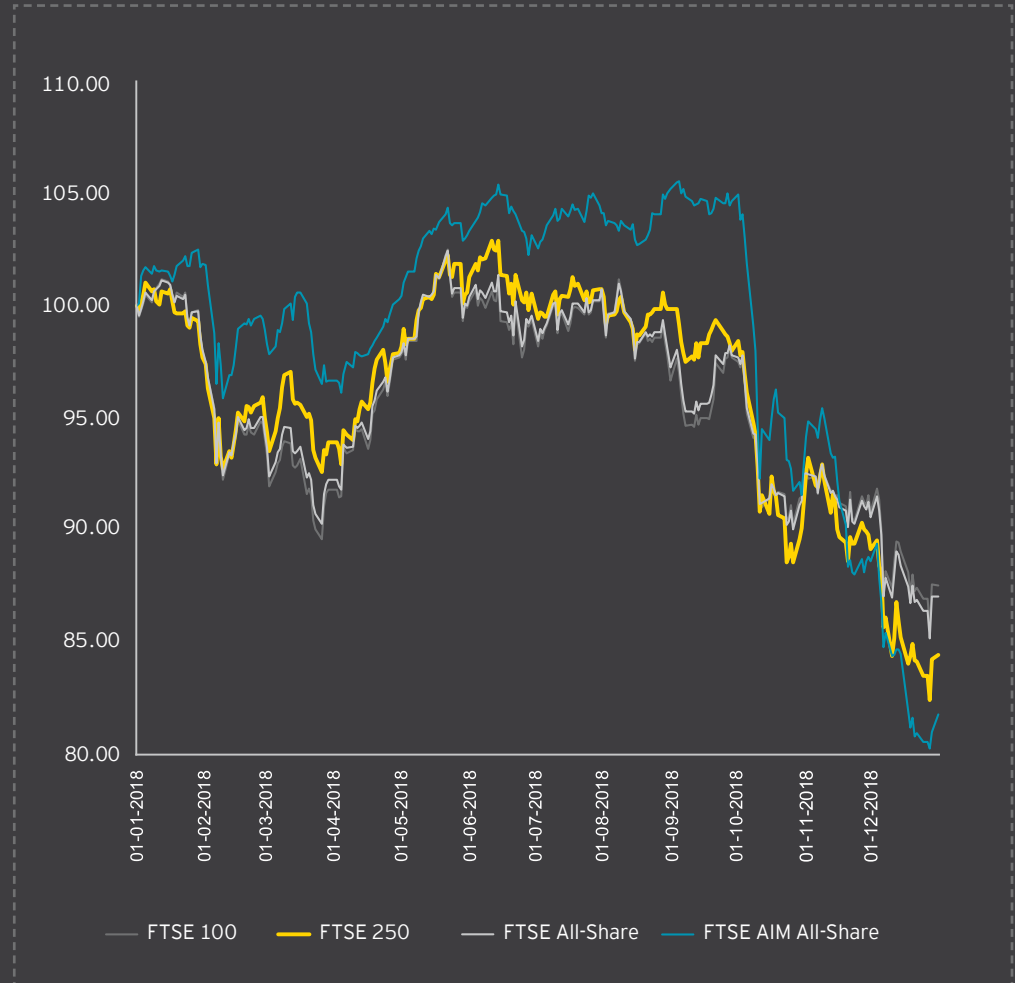
In this quarter we also witnessed GDRs making a return to the Main Market with a total of £841mn raised by Kazatomprom and Nova Ljubljanska Banka.

Whilst there were only 5 Private Equity backed IPOs in the year, perhaps highlighting their preference for private sales with less execution risk, 3 of these were in the top 4 largest IPOs in the year by funds raised, and altogether the 5 accounted for £2.6bn of proceeds.

Volatility

A combination of the continued uncertainty surrounding Brexit together with an increase in global geopolitical and trade tension has meant that the London Markets in line with other Global markets have seen significant volatility in the past year.

This looks likely to continue in the short-term and may be amplified by signs that global economic growth is starting to slow. AIM was particularly hard hit in the final quarter with some sell offs in key stocks in October driving down the index.



Market overview

Cross-border

As in previous quarters London remained a key location for cross-border IPO activity with 4 Main Market listings coming from overseas and 1 on AIM raising a total of £1.1bn.

Despite the uncertainty caused by Brexit, there have been 21 overseas companies listing in London this year accounting for some 33% of total funds raised. In fact, London remains in the top 10 exchanges globally – by funds raised – confirming London's position as one of the key global listing venues.

Aftermarket performance

Newly listed stock in the Main Market delivered returns of 3% on average above list price as at the quarter end, with 4 of the 19 stocks listed below their flotation price.

Newly listed stock on AIM delivered returns of 5% on average above list price as at the quarter end, with only 2 of 6 stocks listed below their flotation price.

Global IPO activity

Despite the ongoing uncertainties, IPO markets around the world found a clear path forward and investment opportunities ultimately delivered returns in 2018, as investor confidence, mega IPOs and the rise of IPOs by unicorn companies helped provide assurance for IPO investors. 2018 has registered 1,371 IPOs with proceeds of US\$205.8bn – a 6% increase on proceeds despite a 21% decline in volume compared to 2017. In Q4 there were 338 IPOs raising US\$54.2bn, compared to 497 IPOs in Q4 2017 raising US\$60bn.

In terms of full year deal volume, Asia-Pacific declined but still dominated. However, America and EMEA accounted for a higher share of deal volume. The technology, industrials and health care sectors were the most prolific sectors by deal numbers in 2018, together accounting for 652 IPOs (48% of global IPO by deal numbers) and raising US\$84.2bn in total (41% of global proceeds).

The proportion of cross-border IPOs increased in 2018 by deal number, compared with 2017. The US, Hong Kong and London continue to be the favoured destinations of cross-border IPOs.

Non-financial sponsored companies are an increasingly dominant source of IPOs in all markets. Moreover, ongoing uncertainties and volatility in global equity markets has pushed an increasing number of financial sponsors to consider M&A as the preferred exit route.

To find out more about the global IPO activity in this quarter visit our Global IPO Trends following the link [here](#).

Market listings

New Issues – Main market

Date of admission	Company	PE backed	Country of primary business	Sector	Market cap. on admission (£mn)	Funds raised (£mn)	Placing price (p)	Closing price (after first day of trading)	Closing price at QTR end (p)	Quarter end % change in price from IPO
27-Sep-18	Triam Investors 1 Ltd		United Kingdom	Equity Investment Instruments	271	271.0	100	101.00	101.50	1.5%
28-Sep-18	Funding Circle Holdings plc		United Kingdom	Software & Computer Services	1504	441.0	440	439.88	345.00	-21.6%
01-Oct-18	Mobius Investment Trust plc		United Kingdom	Equity Investment Instruments	100	100.0	100	100.00	93.50	-6.5%
01-Oct-18	Trident Resources plc		United Kingdom	Nonequity Investment Instruments	4	4.0	20	21.45	20.50	2.5%
03-Oct-18	Aston Martin Lagonda Global Holdings plc	Y	United Kingdom	Automobiles & Parts	4330	1,083.0	1900	1810.00	1223.60	-35.6%
19-Oct-18	Smithson Investment Trust plc		United Kingdom	Equity Investment Instruments	823	823.0	1000	1020.00	1003.00	0.3%
22-Oct-18	CEIBA Investments Ltd		Cuba	Nonequity Investment Instruments	137	30.0	100	101.50	101.50	1.5%
23-Oct-18	AVI Japan Opportunity Trust plc		United Kingdom	Equity Investment Instruments	80	80.0	100	102.00	99.90	-0.1%
06-Nov-18	Merian Chrysalis Investment Co Ltd		United Kingdom	Equity Investment Instruments	100	100.0	100	103.50	103.15	3.2%
09-Nov-18	Gresham House Energy Storage Fund plc		United Kingdom	Nonequity Investment Instruments	100	100.0	100	103.00	102.20	2.2%
13-Nov-18	Kazatomprom		Kazakhstan	Mining	2362	311.0	891	922.00	1068.66	19.9%
14-Nov-18	M&G Credit Income Investment Trust plc		United Kingdom	Financial Services	100	100.0	100	101.23	102.07	2.1%
14-Nov-18	Nova Ljubljanska Banka		Slovenia	Banks	881	530.0	897	1001.92	1174.28	30.9%
15-Nov-18	Cobra Resources plc		United Kingdom	Nonequity Investment Instruments	1	1.0	1.5	1.75	0.85	-43.3%
22-Nov-18	Golden Saint Technologies Ltd		Australia	Software & Computer Services	8	1.0	0.75	0.78	0.67	-10.7%
26-Nov-18	Hertsford Capital plc		United Kingdom	Equity Investment Instruments	3	3.0	10	11.75	11.75	17.5%
07-Dec-18	AJ Bell plc		United Kingdom	Financial Services	651	173.0	160	219.70	240.09	50.1%
07-Dec-18	Honye Financial Services Ltd		United Kingdom	Financial Services	2	2.0	10	14.50	14.50	45.0%
11-Dec-18	SDCL Energy Efficiency Income Trust plc		United Kingdom	Equity Investment Instruments	100	100.0	100	100.59	99.51	-0.5%

New Issues – AIM

Date of admission	Company	PE backed	Country of primary business	Sector	Market cap. on admission (£mn)	Funds raised (£mn)	Placing price (p)	Closing price (after first day of trading)	Closing price at QTR end (p)	Quarter end % change in price from IPO
19-Oct-18	Summerway Capital plc		United Kingdom	Nonequity Investment Instruments	6.1	6.0	100.00	102.50	99.00	-1.0%
06-Nov-18	Renalytix AI plc		United Kingdom	Health Care Equipment & Services	65.1	25.0	121.00	120.00	120.50	-0.4%
30-Nov-18	Kropz plc		South Africa	Mining	96.1	27.0	40.00	40.00	43.75	9.4%
04-Dec-18	Panoply Holdings plc		United Kingdom	Software & Computer Services	30.0	5.0	74.00	81.50	85.00	14.9%
05-Dec-18	finnCap Group plc		United Kingdom	Financial Services	47.1	5.0	28.00	28.00	28.00	0.0%
14-Dec-18	Manolete Partners plc		United Kingdom	Financial Services	76.3	29.0	175.00	194.00	194.10	10.9%

Looking forward – 2019

With the continued uncertainty surrounding Brexit, combined with a deceleration in Global Growth, the outlook for Q1 2019 remains uncertain and hard to predict. However, once we have clarity around the future relationship between the UK and the EU, we anticipate an increase in activity in the IPO market as IPO candidates that have been sitting on the sidelines take advantage of pent-up investors' demand once the IPO window reopens.

While we expect IPO activity in Q1 2019 to remain slow, we may see an uptick in cross-border IPO activity as foreign IPO candidates with no trading link to the UK may want to take advantage of the UK market earlier in the year. It's likely that Domestic IPO candidates may choose to delay their listings until the dust settles to gauge the full impact of Brexit on the UK capital markets and the economy.

In a post-Brexit world, we think that investors may initially look to sectors and established companies with strong track records, which would mean that we may see more mature businesses and those in traditional sectors come to the public markets during 2019.

Globally

Given market volatilities and geopolitical uncertainties, the decline in quarter-over-quarter IPO activity in all regions in Q4 2018 sends signals for a cautious start in 2019. However, companies that do come to the public markets will be of higher quality as investors become more selective.

Although 2019 IPO deal numbers could be below that of 2018, it is likely that global proceeds could meet or exceed the high 2018 levels. In terms of sectors, we expect technology, industrials, health care and consumer products sectors will remain particularly active as investors look to balance high returns potential, with more traditional, less risky investments.

Given the current conditions we believe the best option for IPO candidates is to ride the wave, take the additional time to further improve their IPO readiness and consider a multitrack approach.

“We expect Q1 2019 to be more subdued than normal as companies await the outcome of Brexit negotiations meaning activity is likely to be weighted towards the second half of the year. Activity may be further tempered by the slowdown in Global growth that is beginning to impact markets and the wider economic outlook for 2019. We also expect pricing pressure to increase as cautious investors look to drive a hard bargain so issuers will need to have robust equity stories and be well prepared to enable them to transact.”

Scott McCubbin
EY UKI IPO Leader

Relevant programmes

EY Global IPO Centre of Excellence

Our Global IPO Centre of Excellence is a virtual hub which provides access to tools and knowledge for every step of the journey from finding out more about what going public means to considering capital raising options and addressing post-IPO risks. It provides access to all our IPO knowledge, tools, thought leadership and contacts from around the world in one easy-to-use source.

ey.com/ipocenter

IPO Retreat

May 2019

Looking to float in the next 12-36 months?

Our IPO Retreat helps CEOs and CFOs contemplating an IPO on one of the London markets. It gives unparalleled advice from key advisors and guest speakers who have been through the process, and provides invaluable networking opportunities. The IPO Retreat offers an invaluable opportunity to find out whether an IPO is the right growth option for your business.

To find out more, contact:

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Please visit ey.com/uk/IPO for more information on how we can help you on your IPO journey.

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