A young child with curly hair, wearing a bright blue jacket, stands in a grassy field at sunset. The child is holding a large, colorful kite with a rainbow pattern. The kite's long, flowing tail is visible in the air. In the background, other people can be seen walking in the park under a warm, golden sky.

Subdued Q3 for IPO activity as London stock market records two listings

IPO Eye

An overview of the London Stock Exchange listings in Q3 2024



**Shape the future
with confidence**

Market overview

The London stock market saw two listings in the third quarter of 2024, raising £64.8m, across the London Main Market and Alternative Investment Market.

The London Stock Exchange saw just two new companies list on the Main Market and AIM, raising £64.8m, between July and September 2024. Investment fund, Aberforth Geared Value & Income Trust plc, listed on the Main Market and raised £14.8m, whilst Rosebank Industries Plc raised £50m listing on the Alternative Investment Market (AIM).

Year-on-year (YOY) proceeds raised in Q3 2024 are down 82% on the £359.8m raised across five listings in Q3 2023. Year-to-date (YTD) there have been 10 listings on the London stock market which have raised £584.6m, down 47% by proceeds compared to the same period in 2023.

The third quarter in the UK market is typically a slower time for listings. Even though the UK election offered some clarity on regulatory and policy matters, many businesses considering IPOs are still holding off, waiting for an improvement in the UK economy. Furthermore, during the quarter there was a simplification to the UK listing regime which is aimed at making London more attractive for businesses seeking to go public. These reforms have been largely welcomed but it remains to be seen whether they will have a material impact on listing activity this year. In addition, there remains uncertainty around escalating geopolitical tensions, and a number of elections occurring globally, particularly the US election in November and potential policy changes following this. As was the case in the second quarter of 2024, some companies may choose to delay their offering as a result and instead choose to wait for more stable conditions.

Main Market

One float in
Q3 raised:

£15m

AIM

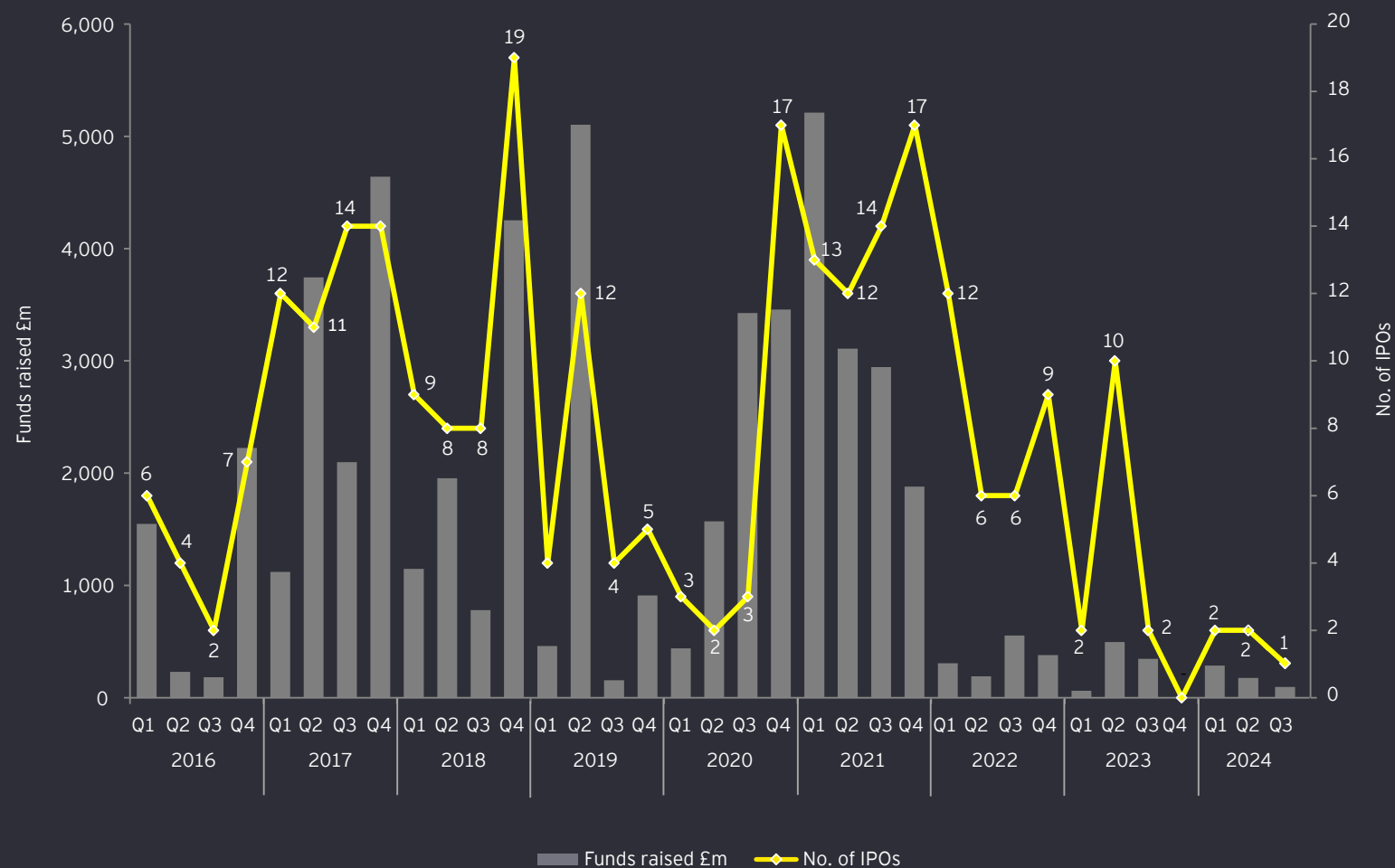
One admission
in Q3 raised:

£50m

IPO markets – historical performance

Main Market

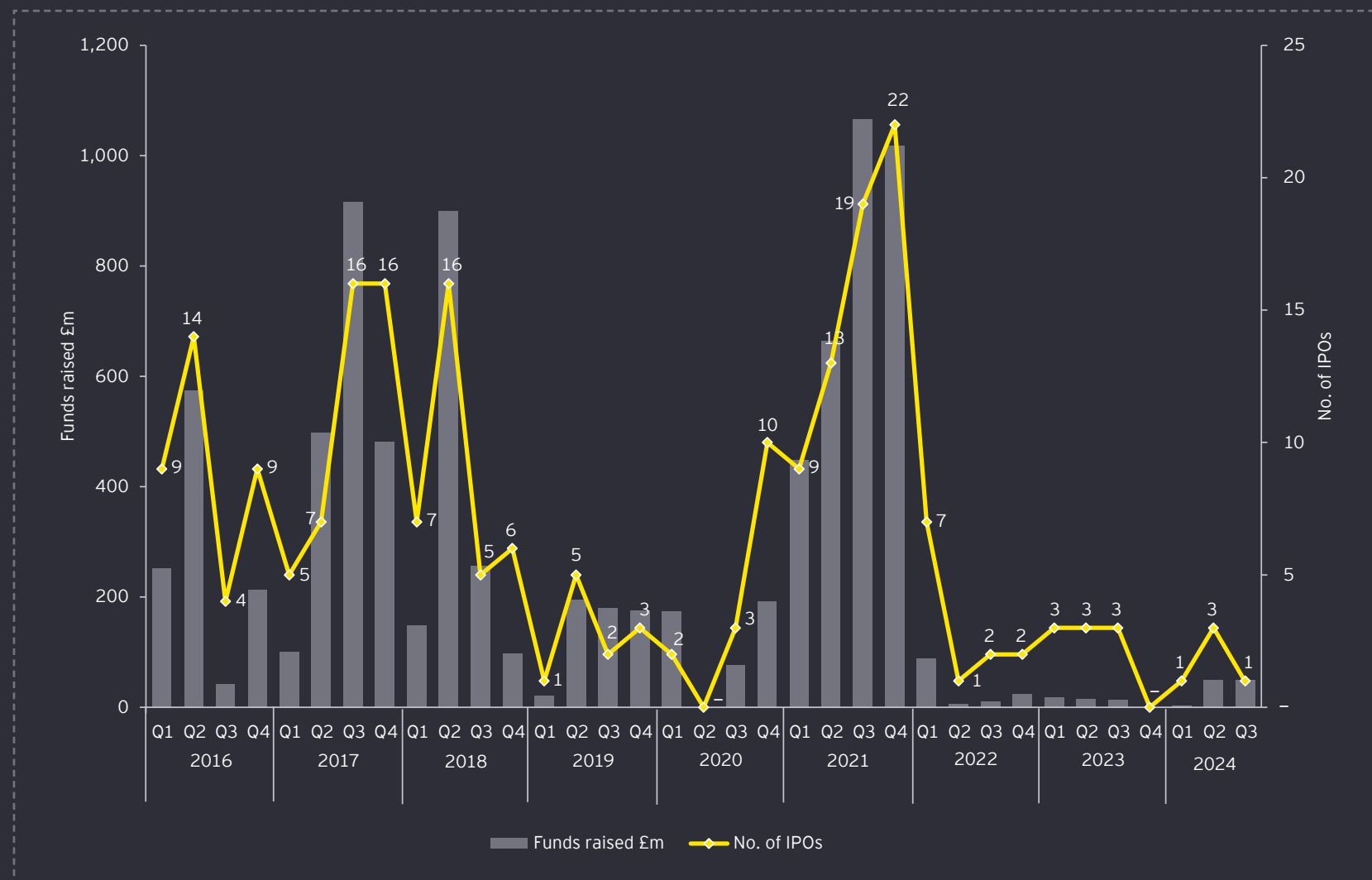
Aberforth
Geared Value
& Income Trust
plc was the only
Main Market
listing in Q3 and
raised £14.8m.



IPO markets – historical performance

AIM

Rosebank Industries was the only AIM listing in Q3 and raised £50m.



Market overview

Market performance

The FTSE 100 stayed broadly stable, increasing by 0.9% in Q3 2024, but continuing some of the positive momentum seen from the 2.7% increase experienced in Q2 2024. The AIM market experienced a decline in Q3 2024 of 3.1%, reversing the gains from the 2.8% increase which was experienced in Q2 2024.

Despite UK economic challenges over the quarter, such as a stagnation of the UK gross domestic product and manufacturing output dropping sharply, global operations of FTSE 100 firms have supported growth from markets outside the UK, particularly in stronger regions like the US and Asia. Additionally, as the FTSE 100 has a significant weighting in energy and mining companies, commodity price increases or stabilisation over the quarter have supported earnings in this sector. Lastly, interest rates being maintained and signalled to potentially decrease later this year have provided relief to investors.

AIM on the other hand has a higher sensitivity to economic uncertainty, particularly domestic economic risks in the UK market, facing continued challenges such as high inflation, cost-of-living pressures and subdued consumer confidence. In addition, due to the geopolitical risks and political uncertainties in the UK and abroad, investors have become more risk averse, favouring larger FTSE 100 companies over smaller companies listed on AIM. Lastly, even though interest rates hikes have slowed down, interest rates remain high which has increased the borrowing costs for AIM-listed companies. This has reduced the ability of AIM companies to grow as they can be more reliant on a higher amount of external financing.

Global IPO activity

Global IPO volumes fell 14% in Q3 2024 compared to Q3 2023 with proceeds also falling by 35% compared to Q3 2023. In total, 310 IPOs raised US\$24.9b in the third quarter of the year, outpacing IPO performance in the first two quarters of 2024.

The global IPO market experienced a mild slowdown as market participants are adopting a cautious approach ahead of escalating uncertainty, driven by weaker economic data, increased market volatility, the impending US presidential election and escalating geopolitical tensions. However, the mild slowdown in Q3 2024 has been partially offset by inflationary pressures diminishing with a need for economic growth becoming a priority as global interest rate easing cycles commence. The continued lowering of interest rates and the easing of inflationary pressures provide relief to companies looking to go public by reducing the cost of capital and encouraging investment in new ventures. Sellers and buyers must adapt to shifting market conditions whilst staying vigilant, balancing the strategies of current caution due to the above-mentioned uncertainties with the pursuit of growth opportunities owing to favourable economic policies.

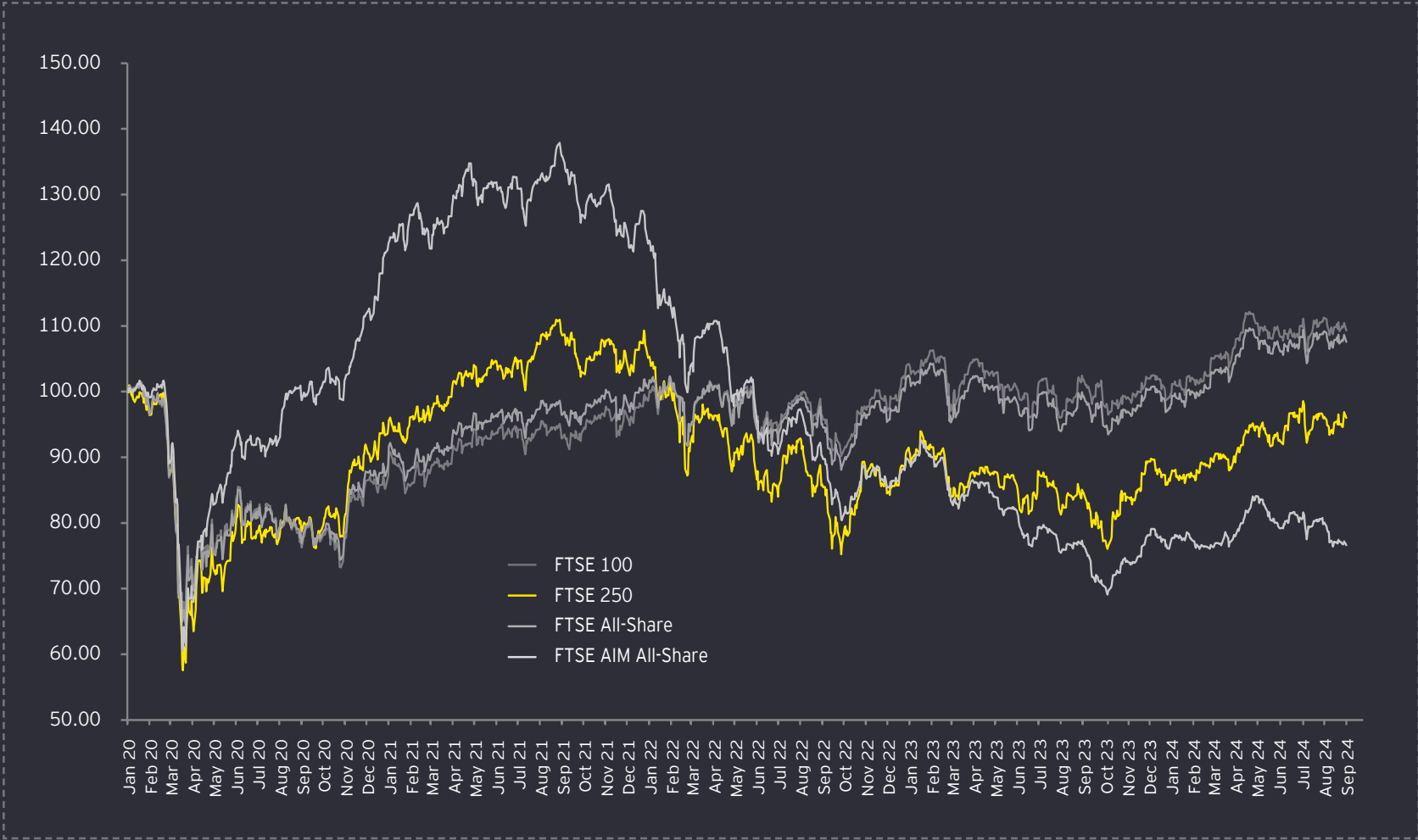
YTD in 2024, the Americas and EMEA regions have exhibited double-digit growth compared with the same period last year, despite a slowdown in global public offerings. This is partially due to an earlier pause in Asia-Pacific IPO activity in addition to favourable monetary policy, which has investors diverting capital from cash and low-yield bonds to promising and more stable markets such as the US and Europe.

The Asia-Pacific region has showed signs of stabilisation in Q3 2024, after having experienced an IPO slump in the first half of the year, with renewed activity in mainland China and Hong Kong.

Globally, YTD IPO returns measured as the change in common share pricing of newly listed companies compared to their offer prices at the time of listings have consistently met or exceeded benchmark index returns, reflecting robust investor confidence amid heightened market uncertainty.

Lastly, PE and VC's influence on the IPO market has continued to grow, with PE- or VC-backed IPOs comprising six of the top 10 global IPOs, representing about one-third of all global IPO proceeds. In the Americas, these IPOs accounted for 52% of the total proceeds, signifying the greater willingness among PE or VC firms to exit in the current IPO landscape. The growth of PE- or VC-backed IPOs is expected to continue as interest rates are expected to decrease.

Market overview (cont'd)



Market listings

New Issues – Main Market

Date of admission	Company	Private Equity (PE) backed?	Country of primary business	Sector	Market cap. on admission (£mn)	Funds raised (£m)	Placing price (p)	Closing price (after first day of trading)	Closing price at QTR end (p)	Quarter end % change in price from IPO
01-Jul-24	Aberforth Geared Value & Income Trust plc		United Kingdom	Closed End Investments	147.5	14.8	100.0	98.46	84.80	-13.9%

New Issues – AIM

Date of admission	Company	Private Equity (PE) backed?	Country of primary business	Sector	Market cap. on admission (£m)	Funds raised (£m)	Placing price (p)	Closing price (after first day of trading)	Closing price at QTR end (p)	Quarter end % change in price from IPO
11-Jul-24	Rosebank Industries plc		Jersey	Open End and Miscellaneous Investment Vehicles	50.0	50.0	250.00	480.00	612.50	27.6%

Looking forward – Q4 2024

The last quarter of 2024 is one of uncertainty, with a mix of green shoots from an economic standpoint coming up against the difficult geopolitical backdrop. The start of monetary easing in response to subsiding inflation suggests a new phase in the financial climate. However, at the same time markets continue to grapple with uncertainties around the forthcoming US presidential election, increasing geopolitical uncertainties and potential regularly shifts.

The remainder of the year is expected to therefore be shaped by the development in these factors. Lower interest rates and easing inflation may boost new listings, especially in sectors sensitive to borrowing costs where high growth can be realised such as AI-related sectors. Strong performance in the US, Europe and India should continue to drive global listing activity into IPOs and major IPOs, particularly those backed by private equity or from spin-offs, are also likely as companies seek more favourable market conditions.

Markets and businesses are preparing for what's to come, anticipating the next chapter in the ever evolving economic, political and geopolitical landscape, and positioning themselves accordingly.

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Investors are preparing for increased volatility in the second half of 2024. With inflation and interest rates declining, new factors are becoming more important in shaping IPO decisions. In this uncertain climate, businesses seeking to take advantage of IPO opportunities will need to focus on strategic market timing and strong equity stories.

Debbie O'Hanlon

EY UKI Private Leader

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