



# Tech listings fuelling the London IPO market

**IPO Eye**

An overview of the London Stock Exchange listings in Q2 2018



# Market overview

Overall, the second quarter saw 23 IPOs, 7 more than in Q1 2018 and 12 more than Q2 2017. There were 8 IPOs in the Main Market raising a combined £2bn and 15 flotations on the AIM raising £835mn. The average market capitalisation during Q2 2018 was nearly £400mn across both markets demonstrating the overall growth in the size of deals taking place in London.

The technology sector led UK IPO activity, accounting for five of the 23 listings and raising £911mn. Support services and equity investments were the two next most active sectors with three listings each raising £133mn and £128mn respectively.

Brexit continues to create uncertainty in the UK IPO market as issuers and investors alike try to determine which direction the UK economy will move towards, once the country's exit from the EU is complete.

In fact, the lower IPO deal volume is less about Brexit and more about the feeling of uncertainty it evokes. Some IPO candidates with mainly UK operations are rushing to complete their IPOs before the end of the year. Others will likely wait until Q1 2020 before making a move to let the dust settle. That said, we do expect some movement on London's AIM as listings with values under £100mn look to go public.

The good news is that more technology issuers are looking to list on the London Stock Exchange, seeking to take advantage of favourable media coverage and a strong pool of investors.

Similarly, oil and gas and other resources issuers continue to look to the London Main Market and AIM to launch their IPOs. London has always been a strong market for the oil and gas sector.

## Main market

8 floats Raised:

**£2bn**

Largest IPO:

**Quilter**

Raised:

**£239mn**

## AIM

15 floats Raised:

**£835mn**

Largest IPO:

**Codemasters**

Raised:

**£185mn**

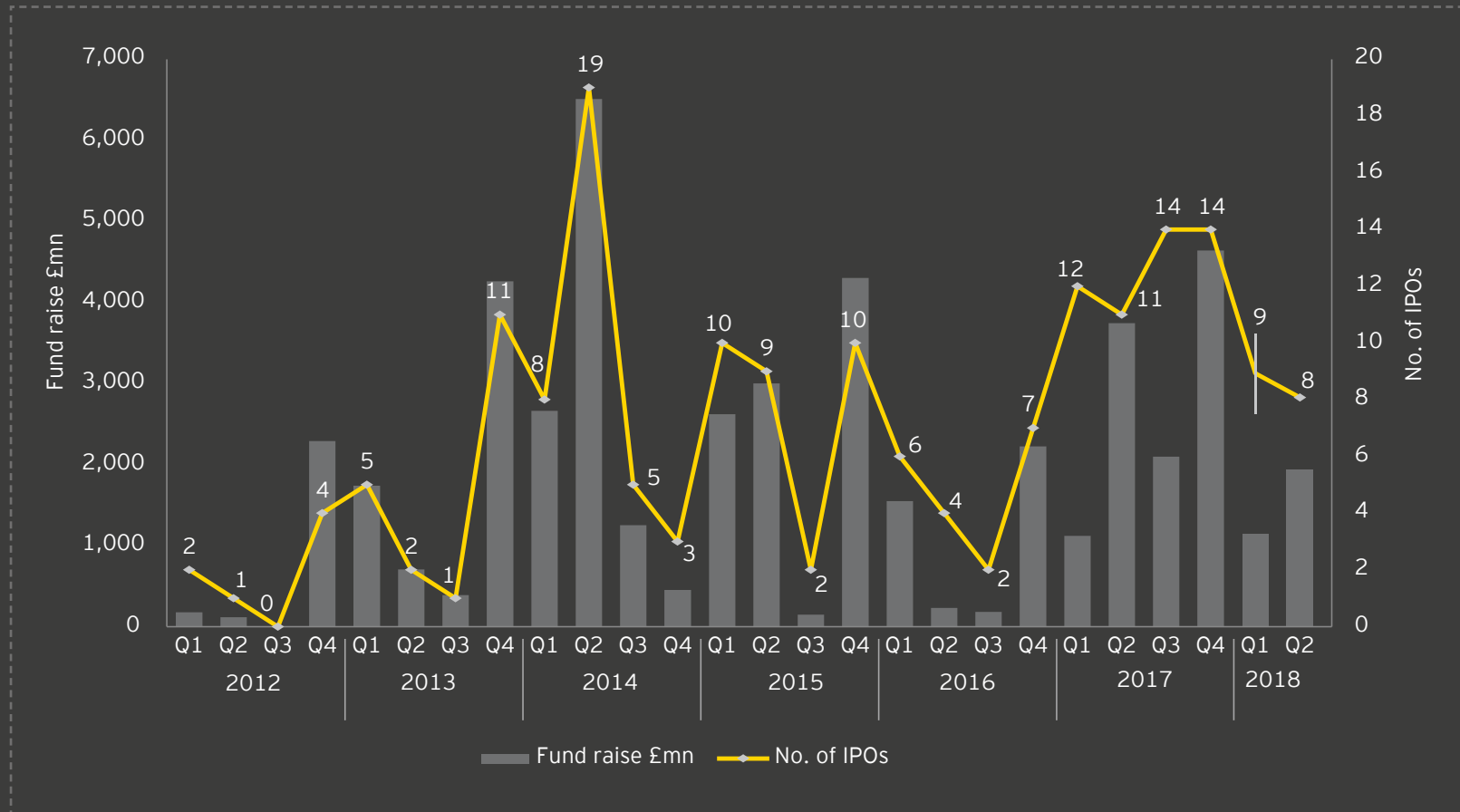
Financial services have been relatively quiet in Q2 2018. However the listing at the end of the quarter of Quilter gave the sector a real boost. Although there were the same number of deals compared with Q2 2017, average deal size was notably smaller. Given that financial services companies see the London Stock Exchange as a preferred destination for IPOs, we expect this sector to be one of the most active in the 2018 calendar year.

In terms of pricing, IPOs are still emerging at the lower end of the pricing range as valuation pressure remains steady on issuers to provide investors with a deal they can feel good about, particularly in these uncertain times.

Cross-border IPOs accounted for 26% of listings in the UK in 2017 and 58% of proceeds. The influx of cross-border IPOs is likely to continue in 2018, with businesses looking to take advantage of the period of expected calm ahead of Brexit in 2019.

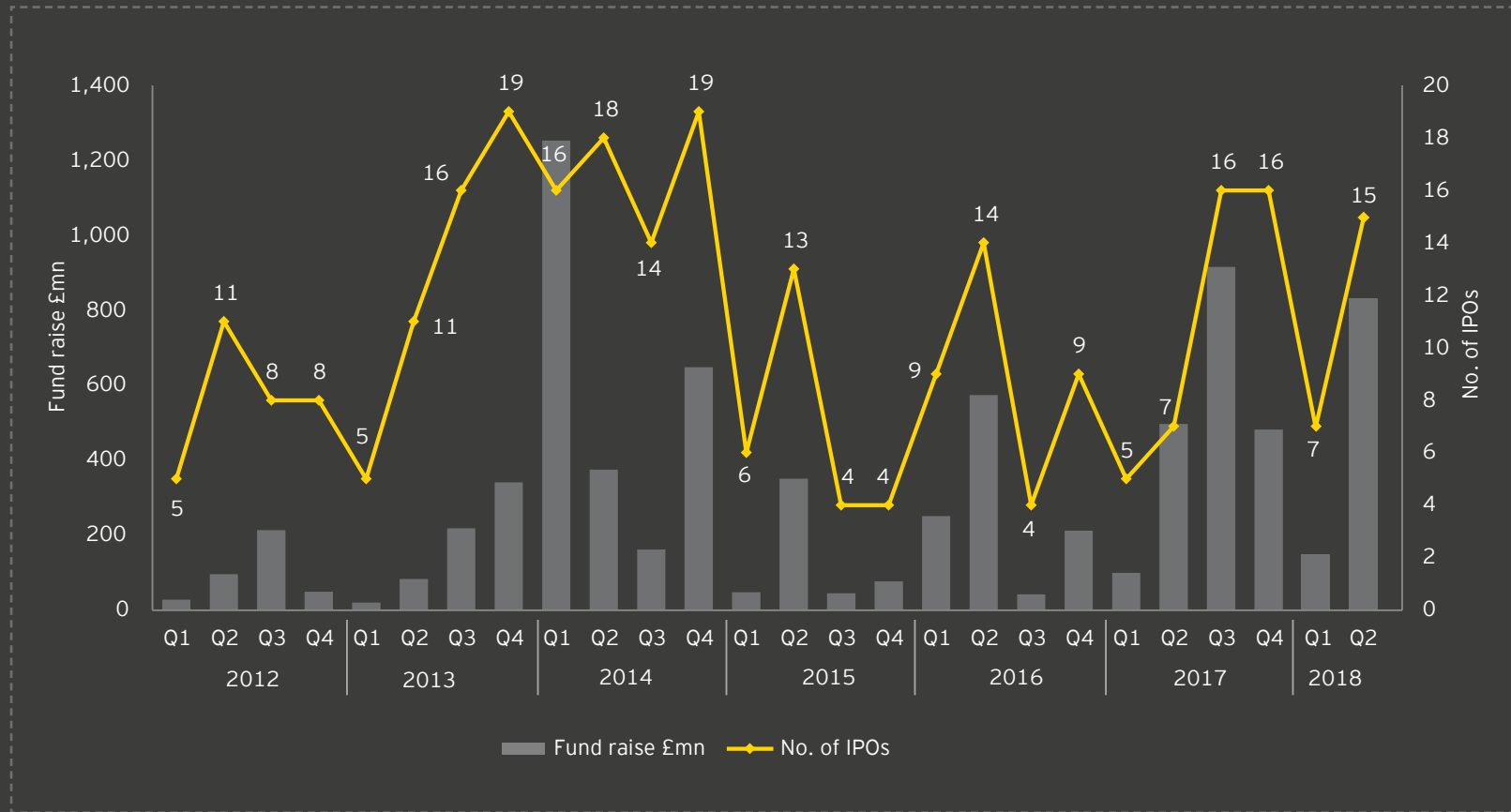
# IPO markets – historical performance

## IPO main market



# IPO markets – historical performance

## IPO AIM market



# Market overview

## Aftermarket performance

Newly listed stock in the Main Market delivered returns of -4% on average below list price as at the quarter end, with 4 of the 8 stocks listed below their flotation price.

Newly listed stock on AIM delivered returns of 22% on average, above list price as at the quarter end, with only one of the 15 stocks listed below their expected price.

## Volatility

The FTSE reached record levels during June 2018, largely because the low value of the pound made UK investments of particular interest to international investors.

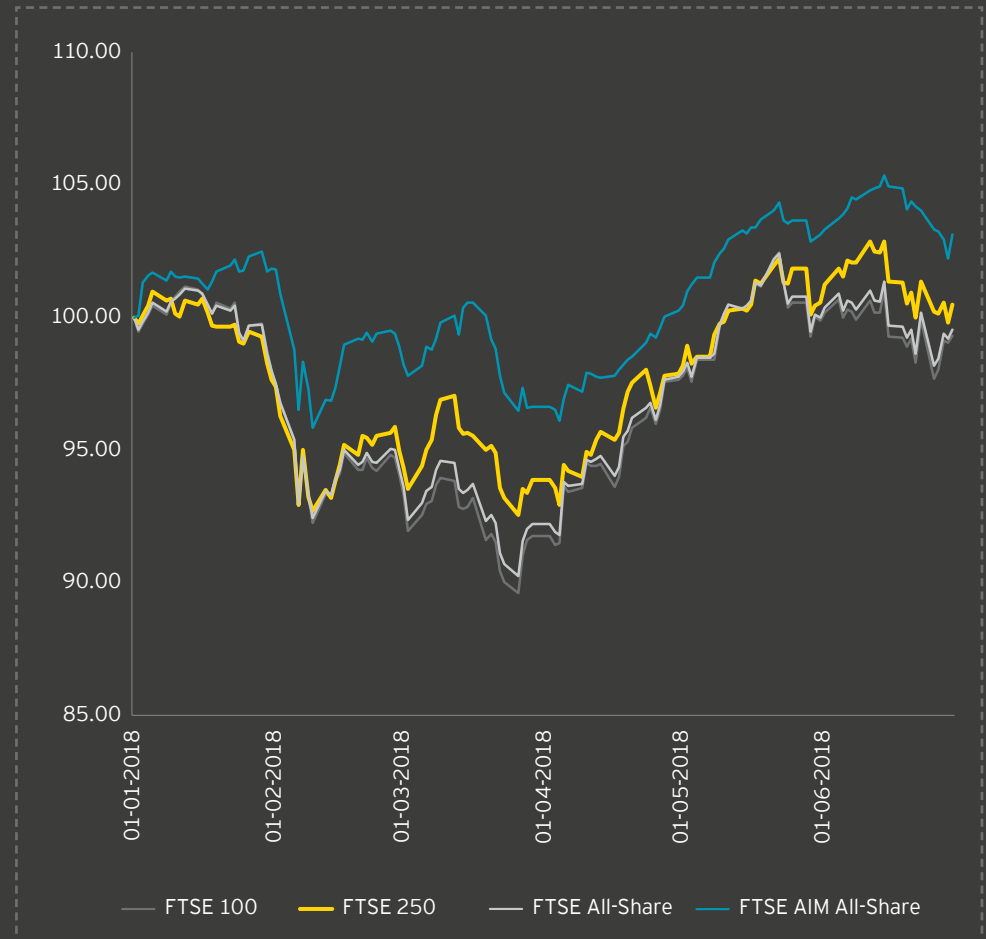
## Global IPO activity

Risks and uncertainties returned to the IPO market in Q2 2018 as geopolitical frictions and shifting trade policies softened IPO confidence in many parts of the world, resulting in declines in IPO activity for the first half of 2018. However, there were several highlights of note.

With 660 IPOs raising US\$94.3bn, H1 2018 saw the highest proceeds for the first half of the year since H1 2015 (704 IPOs raising US\$110.1bn).

Given the current uncertainties in the IPO market, issuers are always wise to consider a multitrack approach, where organisations prepare for their IPO so that they are ready to go when the window opens, but remain open to alternate funding options and be flexible in terms of timing and pricing. The M&A market is one such alternative. The 2018 M&A activity level until now shows that 2018 has the potential to be one of the most active years for M&A.

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 incorporation	Region/s of domicile	Sector	Market cap. on admission (£mn)	Funds raised (£mn)	Placing price (p)	Closing price (after first day of trading)	Closing price (at QTR end)	% change in price
04-Apr-18	SimplyBiz Group Ltd		United Kingdom	United Kingdom	Support Services	133.8	65.0	170	157	180.8	106%
01-May-18	Odyssean Investment Trust plc		United Kingdom	United Kingdom	Equity Investment Instruments	94.0	87.0	100	102	104.5	105%
04-May-18	Vivo Energy plc	x	Africa	Africa	General Retailers	1,702.2	603.0	170	172	148	87%
10-May-18	Avast plc	x	Czech Republic	Czech Republic	Software & Computer Services	2,067.2	602.0	250	239	211	84%
24-May-18	Predator Oil & Gas Holdings plc		United Kingdom	United Kingdom	Oil & Gas Producers	2.4	1.0	2.8	2.87	2.34	84%
25-May-18	Gore Street Energy Storage Fund plc		United Kingdom	United Kingdom	Equity Investment Instruments	30.8	31.0	100	101	100.1	100%
25-Jun-18	Quilter plc		United Kingdom	United Kingdom	Financial Services	2,756.7	239.0	150	152	144.9	97%
29-Jun-18	Amigo Holdings Ltd		United Kingdom	United Kingdom	Financial Services	497.3	327.0	275	286	295	107%

## New Issues – AIM

Date of admission	Company	PE backed	Country of incorporation	Region/s of domicile	Sector	Market cap. on admission (£mn)	Funds raised (£mn)	Placing price (p)	Closing price (after first day of trading)	Closing price (at QTR end)	% change in price
30-Apr-18	KRM22 plc		United Kingdom	United Kingdom	Equity Investment Instruments	18.2	10.0	100.00	132.00	146.00	146%
08-May-18	Rosenblatt Group plc		United Kingdom	United Kingdom	Support Services	96.1	43.0	95.00	105.00	122.60	129%
09-May-18	Urban Exposure plc		United Kingdom	United Kingdom	Financial Services	174.9	150.0	100.00	104.00	104.50	105%
23-May-18	Team17 Group plc		United Kingdom	United Kingdom	Leisure Goods	328.9	108.0	165.00	224.00	241.00	146%
30-May-18	Maestrano Group plc		Australia	Australia	Software & Computer Services	11.1	6.0	15.00	15.00	13.84	92%
01-Jun-18	Codemasters Group Holdings Ltd		United Kingdom	United Kingdom	Leisure Goods	326.9	185.0	200.00	260.00	227.00	114%
08-Jun-18	Yew Grove REIT plc		Ireland	Ireland	Real Estate Investment Trusts	68.9	66.0	1.00	1.07	1.03	103%
14-Jun-18	Aquis Exchange plc		United Kingdom	United Kingdom	Financial Services	124.2	32.0	269.00	353.00	459.00	171%
20-Jun-18	Tekmar Group plc		United Kingdom	United Kingdom	Oil Equipment, Services & Distribution	75.0	62.0	130.00	147.50	147.50	113%
20-Jun-18	Anexo Group plc		United Kingdom	United Kingdom	Support Services	118.8	25.0	100.00	107.50	112.00	112%
21-Jun-18	i-nexus Global plc		United Kingdom	United Kingdom	Software & Computer Services	27.5	10.0	79.00	93.00	92.00	116%
27-Jun-18	Cake Box Holdings plc		United Kingdom	United Kingdom	Travel & Leisure	55.0	17.0	108.00	126.00	139.00	129%
28-Jun-18	Mind Gym plc		United Kingdom	United Kingdom	Support Services	176.4	51.0	146.00	175.00	180.00	123%
29-Jun-18	Knights Group Holdings plc		United Kingdom	United Kingdom	Support Services	124.9	50.0	145.00	176.00	172.90	119%
29-Jun-18	RA International Group plc		Kenya	Kenya	General Industrials	113.7	19.0	56.00	62.00	65.70	117%

# Looking forward – 2018

The UK has one of the strongest IPO markets globally, but between the uncertainty around Brexit and a confluence of geopolitical events, investors seem more inclined to hold their cash for the time being.

The UK IPO pipeline remains positive for smaller Main Market and AIM listings. We expect to see IPO activity peak in Q3 2018 for this group of companies, particularly as some of the delayed listings from Q1 2018 hit the public market. There are some signs of more listings coming from larger companies with more significant deal sizes, but given the wait-and-see attitude, it will take one or two candidates to move first before we see an increase in activity around these companies.

The low valuation of the pound, along with the continued uncertainty around the UK's exit from the EU is likely to suppress the appetite for listings towards the end of the year. As a result, we expect to see a quiet conclusion to 2018 as Brexit approaches.

Private equity (PE) – historically a strong player in the UK IPO market – has been relatively quiet recently. But in Q2 2018, PE-backed IPOs regained traction as a wide variety of companies came to market. In the past, PE firms were mainly looking to get its money from its investments through an IPO. Today, they are looking to maintain their investments, retaining existing management teams to keep managing the business.

From a regulatory perspective, Financial Conduct Authority's (FCA) changes to the rules around UK IPOs will come into effect in July 2018, clarifying and enhancing the listing process, particularly for foreign companies seeking to list in the UK. The most significant FCA change relates to the timing of the IPO documentation, which would become effective from 1 July 2018. As a result of these FCA rule changes, we expect some uplift in UK IPO activity level in the second half of 2018 and beyond, despite economic and geopolitical uncertainties.

“The uncertainty concerning Brexit continues to cast a long shadow over the UK IPO market, with higher activity taking place before Brexit, while the market situation is well known. Technology and oil and gas companies have had a significant impact in 2018, overtaking financial services as the most active sectors, and proving the London Market has a wide range of sectors that attract investors.”

**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](http://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](http://ey.com/uk/IPO) for more information on how we can help you on your IPO journey.

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



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