

A hand is shown from the bottom right, pointing upwards through the slats of dark window blinds. The hand is illuminated by light coming through the blinds, creating a striped pattern. In the background, a city skyline is visible through the window.

# London IPO market on wait-and-see mode amid Brexit deal outcome

**IPO Eye**

An overview of the London Stock Exchange listings in Q3 2018



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# Market overview

## UK IPO market slows down as it awaits Brexit deal outcome

In Q3 2018 there were 13 IPOs that took place, of which 8 deals on the London Main Market raised £780mn and £257mn was raised from 5 IPOs on the London AIM market. While the third quarter is historically the slowest in deal volume, these numbers represent a decline of 44% by deal volume and 65% decline by capital raised when compared with Q3 2017.

The low deal volume and proceeds largely reflects the lack of investor appetite for IPOs in a volatile and uncertain market combined with the continued low value of the British pound.

Although we are seeing a slowdown of transactions as expected in the context of Brexit, the deals that have moved forward had a healthy deal size and continued to perform well post-listing.

Financial services was the most active sector by deal number, claiming 6 of the 13 IPOs on UK exchanges in Q3 2018.

Financial services companies posted the top two deals on UK exchanges in Q3 2018, with Tirtax EuroBox plc and ASA International Group plc raising £300mn and £138mn respectively.

### Main market

8 floats Raised:

**£780mn**

Largest IPO:

**ASA International Group plc**

Raised:

**£138mn**

### AIM

5 floats Raised:

**£257mn**

Largest IPO:

**Sensyne Health plc**

Raised:

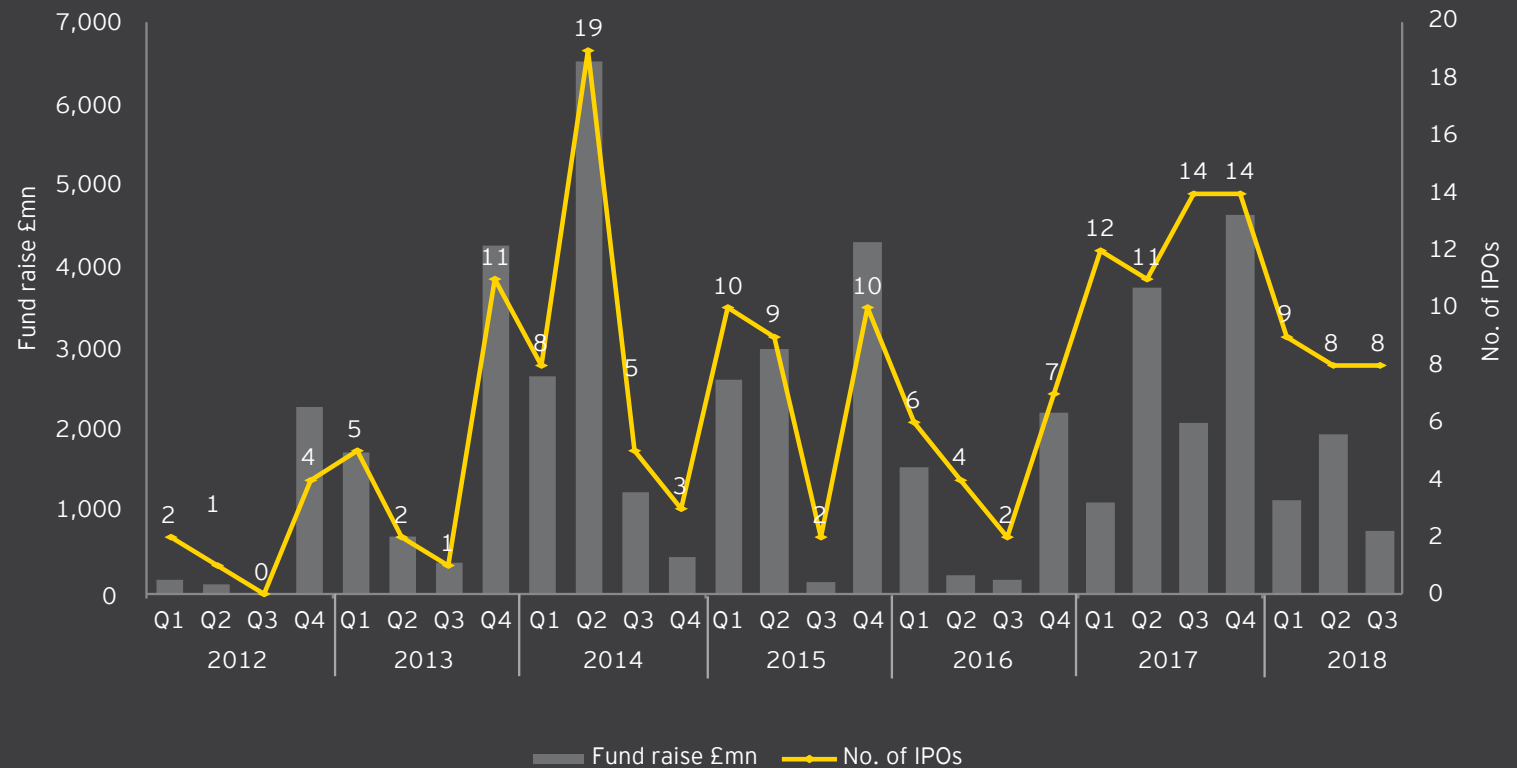
**£60mn**

Retail also made a comeback, with the only PE-backed IPO of the quarter, TheWorks.co.uk plc raising £65mn.

# IPO markets – historical performance

## IPO main market

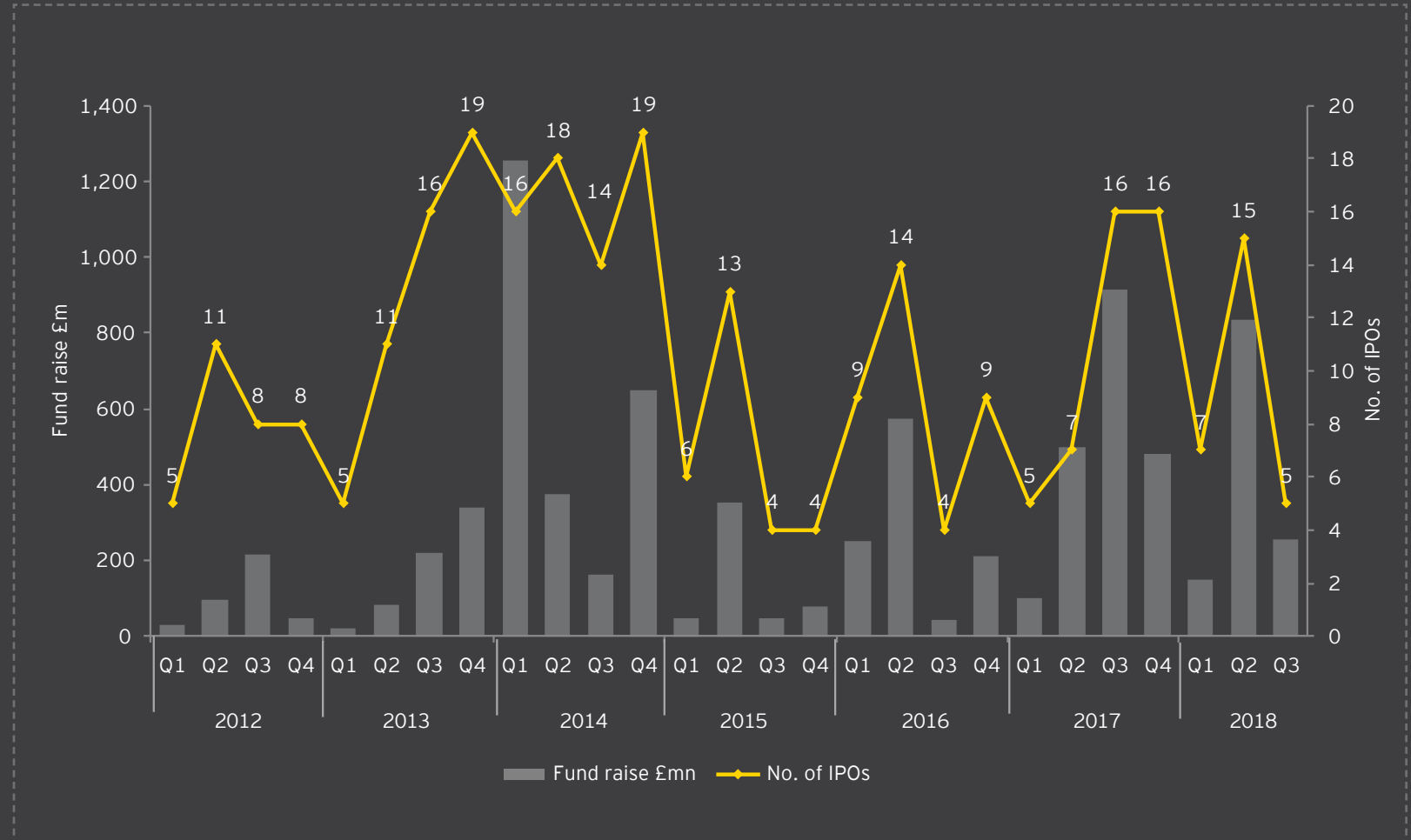
Main market – 8 floats raised £780mn in Q3. The largest by market capitalisation was by ASA International Group plc – which raised £138mn.



# IPO markets – historical performance

## IPO AIM market

AIM – 5 AIM admissions raised £257mn in Q3. The largest by market capitalisation was by Sensyne Health plc – which raised £60mn.



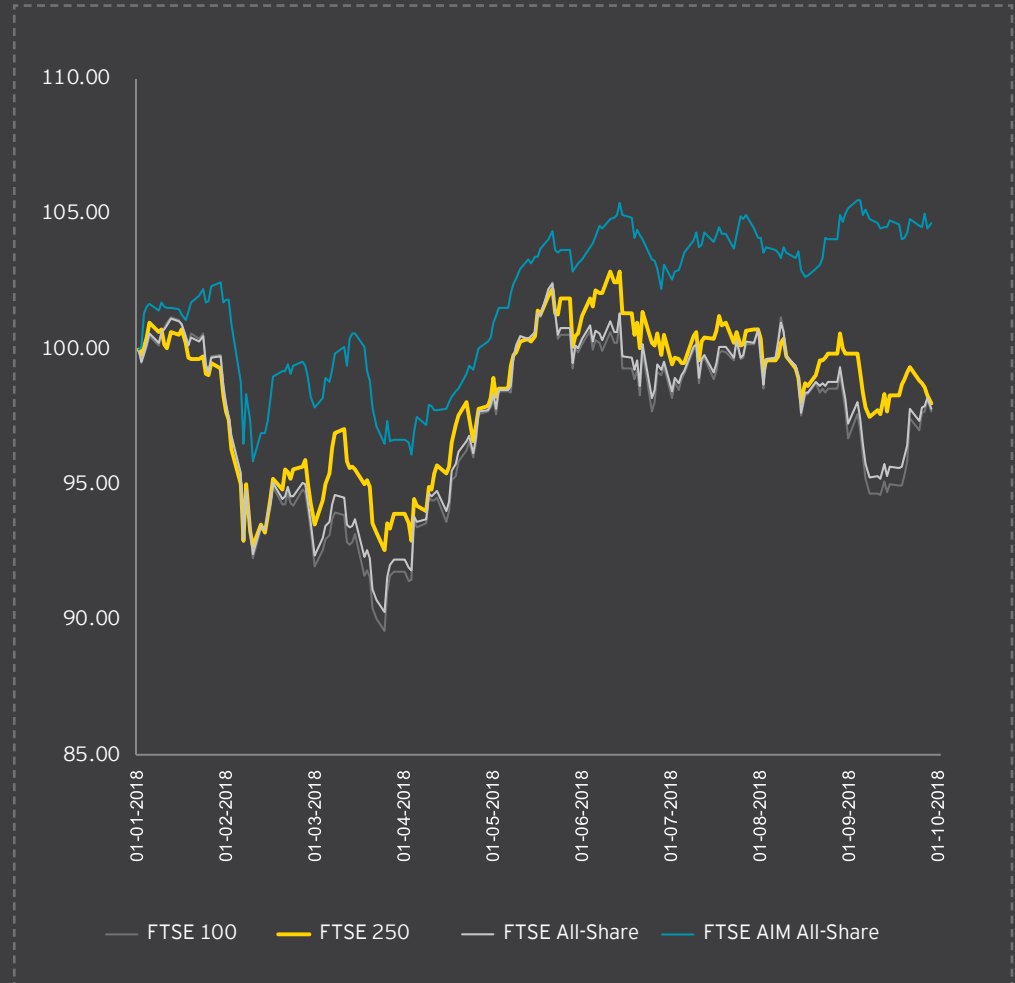
# Market overview

Given the uncertainty, all IPO candidates seem to be keeping an open mind when it comes to exit strategies, entertaining a wide range of options. We have seen several companies considering an IPO to accept an acquisition offer instead, either from large corporations looking to add to their portfolio, or from cash-rich PE firms. This multitrack approach may be a contributing factor to lower UK IPO volumes in 2018.

## Cross-border

Cross-border activity in the UK market boosted IPO volumes and proceeds in Q3 2018, with companies coming inbound from the Philippines and the Netherlands to list on UK exchanges.

Despite the Brexit uncertainty, London's Main Market and AIM exchanges secured the 10th spot among the top 10 stock exchanges globally by volume and by proceeds in this quarter. Moreover, London was ranked fourth by number of cross-border IPOs in YTD 2018. This serves to reinforce that London remains a premiere destination for IPO candidates, locally and globally.



# Market overview

## Aftermarket performance

Newly listed stock in the Main Market delivered returns of -1% on average below list price as at the quarter end, with 3 of the 8 stocks listed below their flotation price.

Newly listed stock on AIM delivered returns of 10% on average above list price as at the quarter end, with only one of the 5 stocks listed below their flotation price.

## Volatility

We have seen increased volatility over the last quarter as ongoing negotiations with Europe over the potential Brexit deal have led to increased uncertainty for UK companies' ability to trade in Europe after March 2019. There has also been the effects of the USA implementing a more aggressive stance on tariffs across a wide range of imports.

## Global IPO activity

Despite ongoing geopolitical uncertainties and trade issues, IPO activity levels in the first nine months of 2018 (YTD 2018) are significantly above the 10-year median in volume and proceeds. In a historically quiet quarter, Q3 2018 global IPO activity was notably lower than Q2 2018 and significantly down from Q3 2017 volumes. However, an increase in unicorn IPOs in Q3 2018 pushed YTD 2018 global IPO proceeds 9% above YTD 2017.

Technology, industrials and health care sectors have been the most prolific producers of IPOs globally in YTD 2018, suggesting that investors are striking a balance between new innovation and sticking with the basics.

Cross-border listings accounted for 11% of global IPO activity in Q3 2018, the highest quarterly proportion since Q3 2014. US exchanges were the most active cross-border destination globally. But Hong Kong's favourability among IPO candidates is on the rise.

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
06-Jul-18	Ashoka India Equity Investment Trust plc		United Kingdom	United Kingdom	Equity Investment Instruments	46.0	46.0	100	103.5	97.25	97%
09-Jul-18	Tritax EuroBox plc		United Kingdom	United Kingdom	Equity Investment Instruments	310.0	300.0	100	103.5	104.95	105%
11-Jul-18	Hipgnosis Songs Fund Ltd		United Kingdom	Guernsey	Equity Investment Instruments	210.0	202.0	100	105	107.5	108%
13-Jul-18	ASA International Group plc		United Kingdom	Netherlands	Financial Services	313.0	138.0	313	345	485	155%
19-Jul-18	TheWorks.co.uk plc	x	United Kingdom	United Kingdom	General Retailers	100.0	65.0	160	178	168.9	106%
31-Jul-18	Kavango Resources plc		United Kingdom	United Kingdom	Industrial Metals & Mining	3.4	2.0	2.5	3.25	2.6	104%
02-Aug-18	BigDish plc		United Kingdom	Philippines	Software & Computer Services	12.9	2.0	4.5	4.15	3.37	75%
03-Aug-18	Argo Blockchain plc		United Kingdom	United Kingdom	Financial Services	47.0	25.0	16	12.99	7.45	47%

## 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
05-Jul-18	Yellow Cake plc		United Kingdom	United Kingdom	Industrial Metals & Mining	150.0	152.0	200.00	204.00	230.00	115%
12-Jul-18	Immotion Group Ltd		United Kingdom	United Kingdom	Electronic & Electrical Equipment	20.0	6.0	10.00	12.34	12.25	123%
26-Jul-18	Nucleus Financial Group Ltd		United Kingdom	United Kingdom	Financial Services	139.9	32.0	183.00	239.50	175.00	96%
31-Jul-18	Trackwise Designs plc		United Kingdom	United Kingdom	Electronic & Electrical Equipment	15.5	7.0	105.00	116.50	112.50	107%
17-Aug-18	Sensyne Health plc		United Kingdom	United Kingdom	Health Care Equipment & Services	225.0	60.0	175.00	185.00	196.00	112%



# Looking forward

The uncertainty that Brexit creates makes it hard to predict how the UK market will unfold in the months ahead.

Looking ahead, the recent relatively poor listing performance of London IPOs could be a sign of difficult times ahead for London stocks. It wouldn't come as a surprise if any further IPOs this year are priced at the bottom of their range.

At the very start of the final quarter it is likely that we have already seen the last of the large deals of 2018.

From a regulatory perspective, Financial Conduct Authority (FCA) changes to the rules around UK IPOs came into effect in July 2018, clarifying and enhancing the listing process. However, it's too early to tell what, if any, impact it may have on the UK IPO market. Our expectation is that these changes will provide some uplift in UK IPO activity levels as we round out 2018.

“Brexit uncertainty continues to cast a shadow over the London market making it hard to predict how IPO activity will unfold over the next few months. IPO candidates are keeping an open mind when it comes to exit strategies, which can lead to lower IPO volumes in 2018. However, the market has responded well to those that chose to list. Overall, Q3 IPOs had positive first-day returns and some very strong performances post-listing continue to demonstrate the quality that London Main market and AIM present to investors. However, Q4 was off to a weaker start with muted initial post listing performances.”

**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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## Contacts

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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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