

Very slow start to 2023 for global and London markets

IPO Eye

**An overview of the London Stock
Exchange listings in Q1 2023**

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned to the right of the 'Y', pointing towards the top right corner of the page.

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Market overview

Very slow start to 2023 for global and London markets due to continued uncertainty caused by geopolitical and inflationary headwinds

The London Stock Exchange has witnessed a very slow start to 2023, with five issuers raising £81mn in the first quarter of 2023.

The Main Market saw two IPOs which raised a combined £63mn while the Alternative Investment Market (AIM) saw three admissions in the quarter raising £18mn. The largest Main Market IPO in the period was Dar Global Plc which raised £60mn and the largest AIM admission was Onward Opportunities Ltd which raised £13mn.

Listing activity during the first three months of 2022 is in stark contrast to the same period in 2021 when there were 12 IPOs on the Main Market and two on AIM, which raised a combined total of £5.6bn - a value 14 times higher than this year's opening quarter.

The performance during the first three months of 2023 is a significant reduction to the same period in 2022 when there were 12 IPOs on the Main Market and seven on AIM, which raised a combined total of £0.4bn. It should be noted this is a relatively weak comparator, with the equivalent period in the 2021 boom seeing £5.7bn raised in the UK markets.

The UK market has suffered from the continuation of the geopolitical tension including the concerns from the war in Ukraine, the increases experienced in commodity and energy prices, and the headwinds from inflation and associated interest rate rises.

Main Market

Two floats raised in Q1

£63mn

Largest funds:
Dar Global Plc
raised:

£60mn

AIM

Three admissions raised in Q1:

£18mn

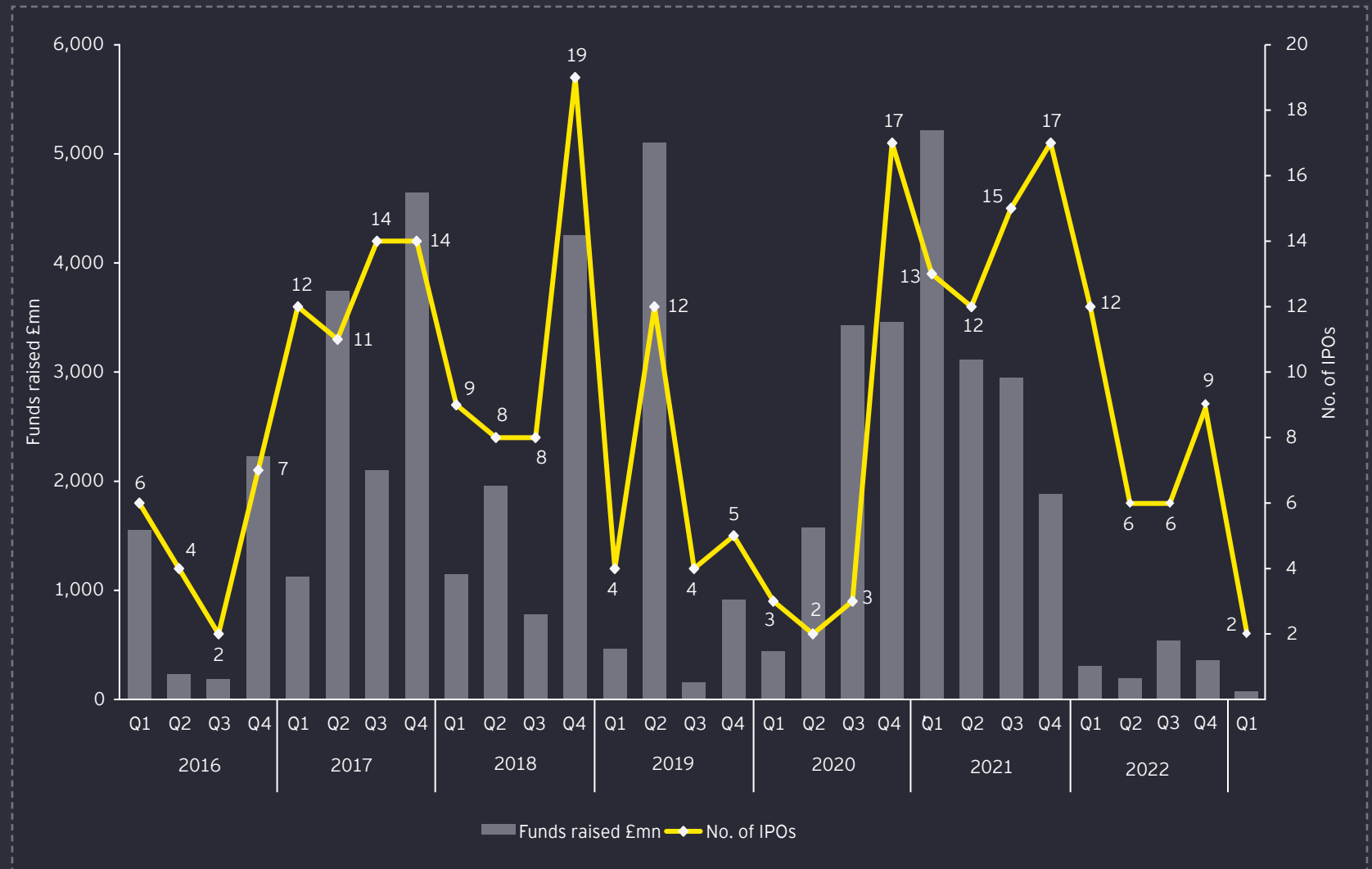
Largest funds:
Onward Opportunities Ltd
raised:

£13mn

IPO markets – historical performance

Main Market

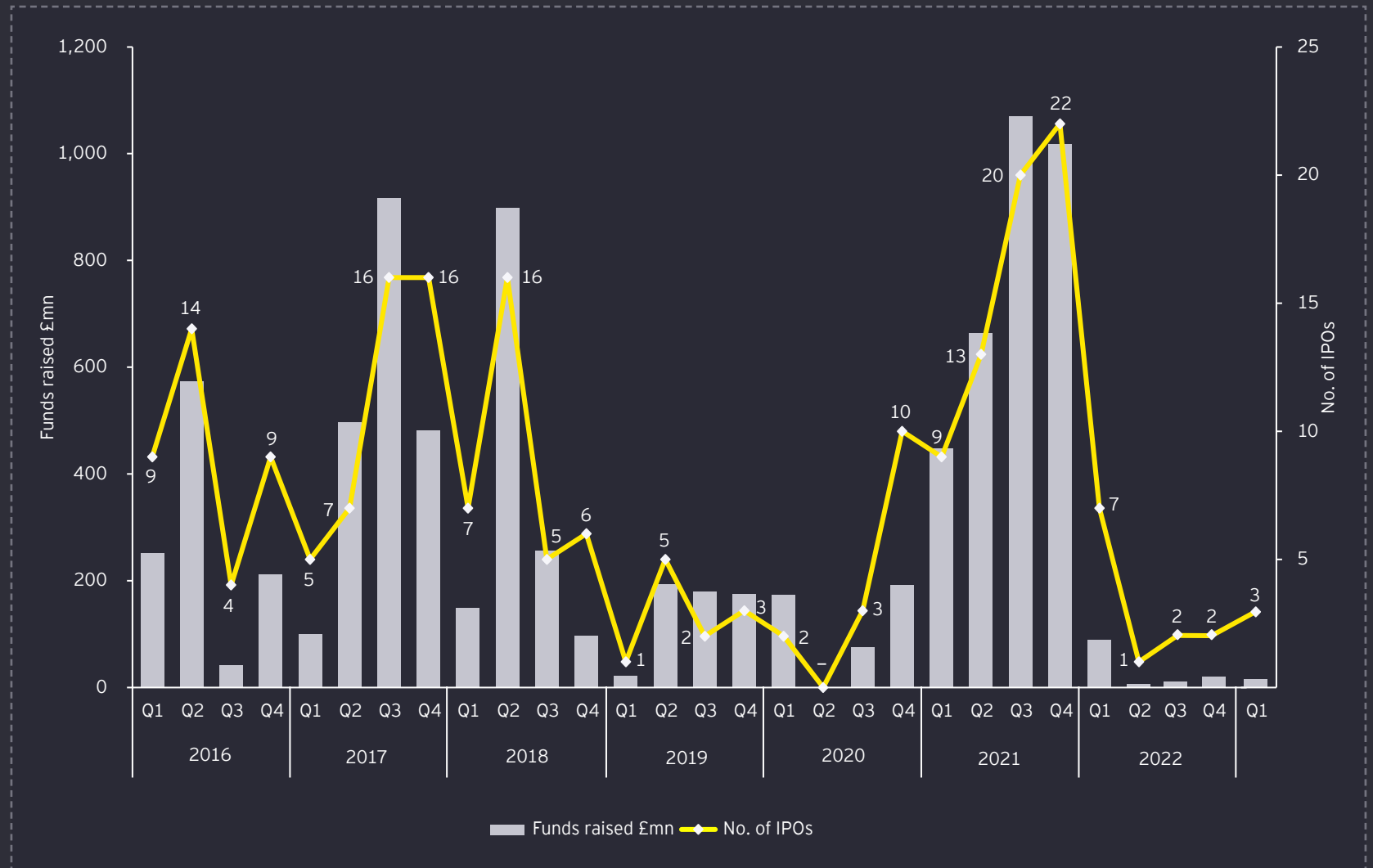
Main Market -
Two floats raised
£63mn in Q1.
The largest by
funds raised was
Dar Global Plc
- which raised
£60mn.



IPO markets – historical performance

AIM

Three AIM admissions raised £18mn in Q1. The largest by funds raised was Onward Opportunities Ltd - which raised £13mn.



Market overview

Market performance

The FTSE 100 experienced a 2.4% increase in the quarter, with this growth mirrored in the FTSE All-Share index which rose by 2.0%. However, this growth was limited to the Main Market, with the AIM market declining by 2.7% across the quarter.

The companies within the FTSE 100 have a higher exposure to commodity prices and financial shares that benefit from higher interest rates. The AIM market has witnessed greater volatility, with the adverse macroeconomic conditions being felt more heavily by the smaller companies on this index.

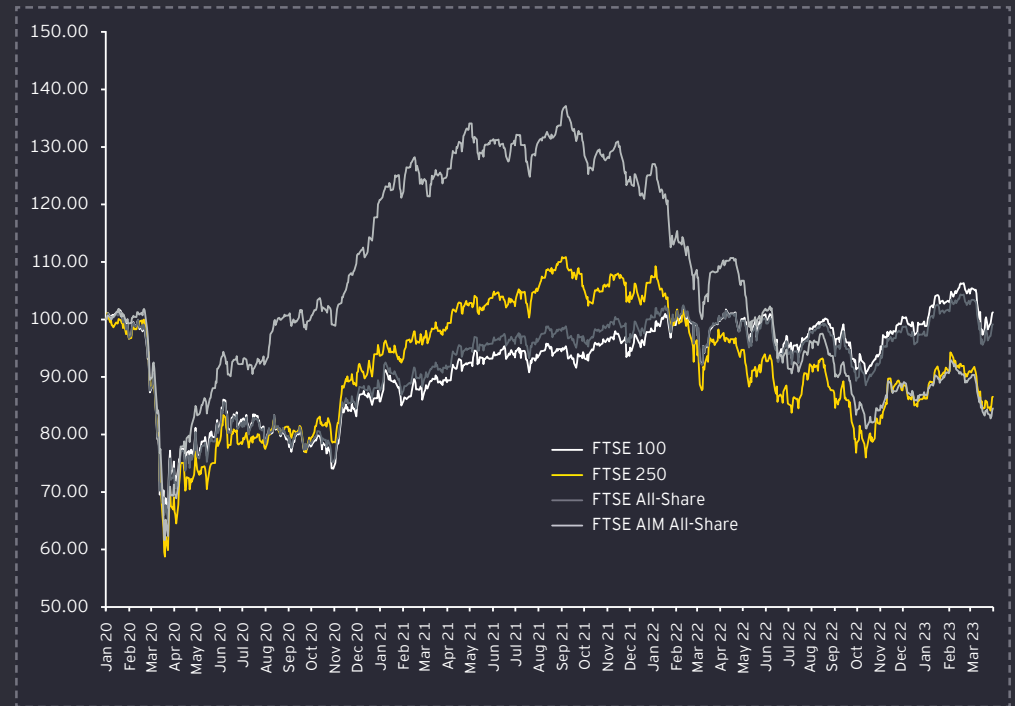
Global IPO activity

Global IPO markets saw 299 IPOs in Q1 2023, raising \$21.5bn. This is 8% lower in terms of the number of IPOs and 61% lower in terms of proceeds compared to Q1 2022. As with the UK market, the geopolitical tensions, commodity and energy prices rises and the impact of the turbulence in the global banking markets has led to the reduction in the number of IPOs.

Technology companies, which have been a mainstay of IPO activity in recent years, experienced some notable declines in valuations following market turbulence in the global banking and crypto sectors. While the technology sector continued to lead in terms of IPO volume, four of the top 10 listings in Q1 2023 were in the energy sector.

SPAC IPO activity was at a six-year low in Q1 2023. With many promoters of SPACs listed in early 2021 needing to complete or unwind their transactions, SPAC IPO activity is likely to be muted in the near term.

Meanwhile, the Asia-Pacific IPO market accounted for 59% of global IPO deals, but still saw activity decline 6% by number of deals and 70% by proceeds compared to Q1 2022. Despite the lifting of almost all pandemic control measures earlier this year, the Mainland China market was more subdued than usual, but still accounted for more than 40% of all global IPO proceeds.



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 (£mn)	Placing price (p)	Closing price (after first day of trading)	Closing price at QTR end (p)	Quarter end % change in price from IPO
05-Jan-23	Streaks Gaming PLC		United States	Leisure Goods	11.4	3.0	3.0	3.50	2.90	-17.1%
28-Feb-23	Dar Global plc		United Arab Emirates	Real Estate Investment and Services	496.0	59.6	3.3	3.70	3.80	2.7%

New Issues – AIM

Date of admission	Company	Private Equity (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
30-Jan-23	Celsius Resources Ltd		Australia, Namibia, Philippines	Industrial Metals and Mining	20.9	2.4	0.8	1.00	0.85	-15.0%
14-Feb-23	Fulcrum Metals plc		Canada	Industrial Metals and Mining	6.3	3.0	17.5	17.50	17.75	1.4%
30-Mar-23	Onward Opportunities Ltd		Guernsey	Closed End Investments	12.8	12.8	100.0	104.00	104.00	0.0%

Looking forward – Q1 2023

Further to a difficult 2022 on the London markets, Q1 2023 has witnessed a very slow start to the year.

The outlook for the remainder of 2023 is uncertain, with prevailing headwinds at both a global and UK level. The geopolitical environment continues to be difficult, with the ongoing war in Ukraine and wider geopolitical factors leading to uncertainty over the wider global impact and hence significant uncertainty across global markets.

There are continuing inflationary pressures in the UK (and globally) which may lead to further interest rate rises in the short term. Rising energy and raw materials prices will also contribute to weaker consumer spending, which is likely to continue to suppress equity markets in the short term. There is some light at the end of the tunnel, with The British Chambers of Commerce expecting the UK economy to avoid a technical recession, albeit forecast it to shrink by 0.3% in 2023 before returning to growth in 2024. Furthermore, inflation is expected to slow to 5% by Q4 2023, but this still remains above the levels that we have experienced in recent years.

We expect the market to remain challenging for the next few months, albeit with some green shoots in the form of the aforementioned expected reduction in inflation by the year-end. This should help see a return to a stronger equity market later in the year. However, this remains at risk given the continued uncertain geopolitical landscape. We are seeing a lot of IPO readiness activity, with companies readying themselves to be able to act when the market turns, but it remains to be seen whether this transpires in late 2023 or with a delay until 2024.

Globally

The Global and UK outlook is intrinsically interlinked, with the global geopolitical and macroeconomic situation the overarching driver. The continuing impact on energy prices and food prices, continued inflationary pressure and supply chain disruption mean that there the volatility in markets will continue. This has been exacerbated by the stress in the global banking system, meaning IPO windows are fleeting and funding conditions getting tougher, with investors prioritising value over growth.

Despite the unforgiving economic and geopolitical backdrop, there is light on the horizon, with peaking inflation, softening of energy prices and the rebound of Mainland China's economy all helping to make the outlook more positive. However, the backlog for IPOs is continuing to build as companies are holding out for the stock markets to stabilise and rebound before listing.

In a highly unpredictable and persistent inflationary environment, investors who were previously oriented towards funding growth and potential are now more focused on the path to profitability and cash flows. Collaboration between governments, including cooperation and stock-connect programs, along with investor appetite for diversity, could also lead to a wave of dual listings and cross-border deals this year.

Businesses will need to navigate the high-cost and reduced liquidity environment for a little longer. However, as with the UK, once there is evidence of a more stable market with higher certainty, investor confidence should return, and prominent companies that had postponed IPO plans may restart, albeit at more modest valuations.

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Scott McCubbin
EY UK&I IPO Leader

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Are you assessing if an IPO is right for your company? If so, then we are running our next IPO Retreat on 13-14 November 2023.

The event is aimed at CEOs and CFOs contemplating an IPO on one of the London markets in the next 12-36 months. It gives unparalleled access to key advisors and guest speakers who have been through the process, and provides excellent networking opportunities. The IPO Retreat offers a great 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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