

IPO activity continues to face challenges

IPO Eye

**An overview of the London Stock
Exchange listings in Q2 2023**

Market overview

Subdued H1 2023 for the London stock market as IPO activity continues to face challenges

The London stock market witnessed a subdued first half to 2023, with 18 issuers raising £593m as IPO performance continued to be adversely impacted by high inflation, rising interest rates and geopolitical pressures.

Whilst proceeds were in line with H1 2022 when £594m was raised from 26 issuers, the figure is well below the record levels of activity experienced in H1 2021 when 47 IPOs in London raised £9.4b.

On a quarterly basis, Q2 2023 witnessed 13 issuers raising £513m.

The Main Market saw 10 IPOs which raised £497m whilst the Alternative Investment Market (AIM) saw three admissions in the second quarter of 2023, raising £16m. The largest main market IPO in the period was Admiral Acquisition Ltd which raised £440m and the largest AIM admission was Fadel Partners Inc, which raised £8m. The listing of Admiral Acquisitions Ltd helped boost the Q2 numbers, which otherwise saw floats of a very modest size helping to boost the overall numbers.

The UK market continues to suffer from geopolitical tension, including the continued market uncertainty emanating from the war in Ukraine, the increases experienced in commodity and, in particular, energy prices, and the headwinds from inflation and associated interest rate rises.

Main Market

Ten floats
raised in Q2

£497m

Largest funds:

Admiral Acquisition Ltd

raised:

£440m

AIM

Three admissions
raised in Q2:

£16m

Largest funds:

Fadel Partners Inc

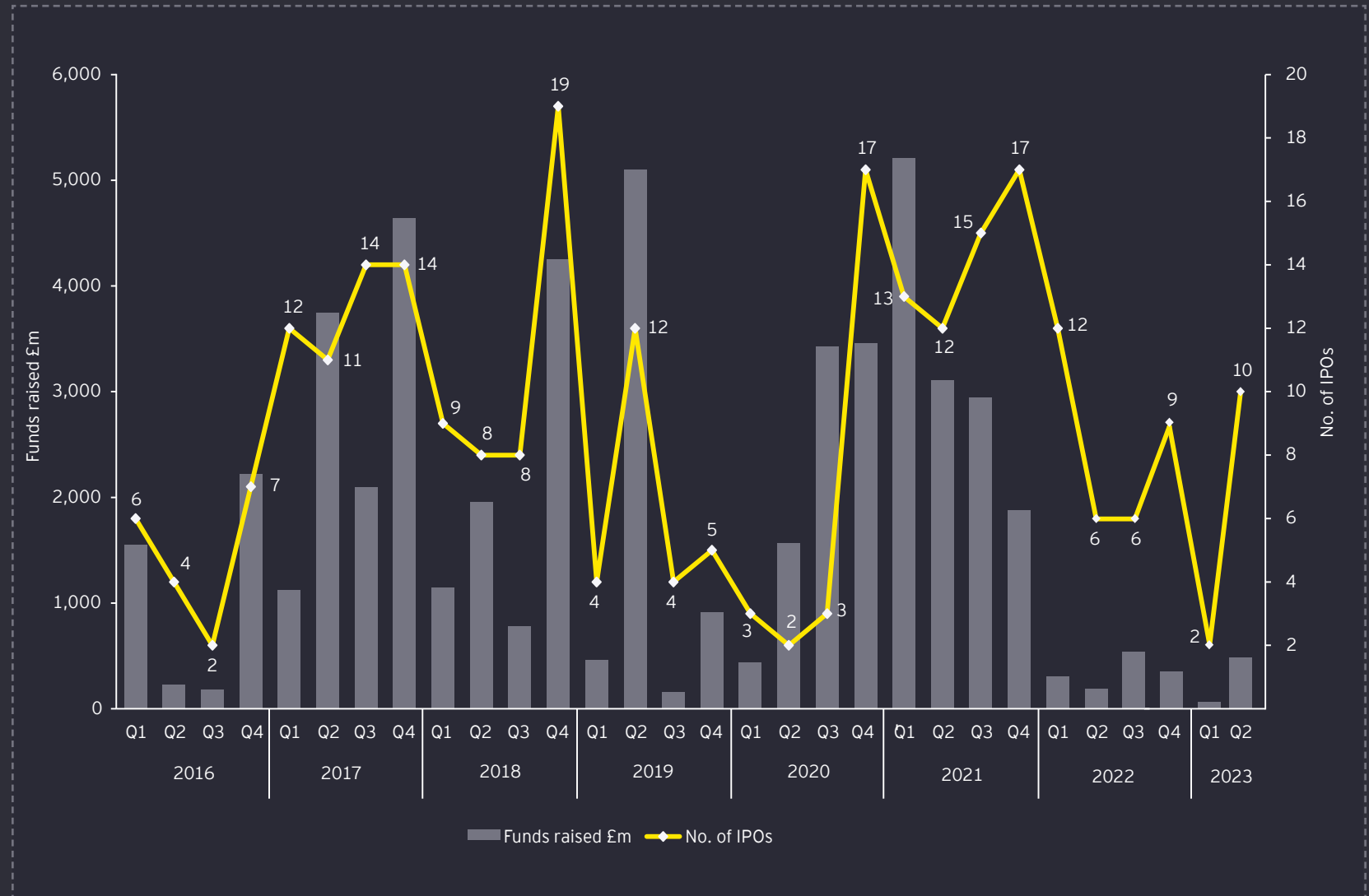
raised:

£8m

IPO markets – historical performance

Main Market

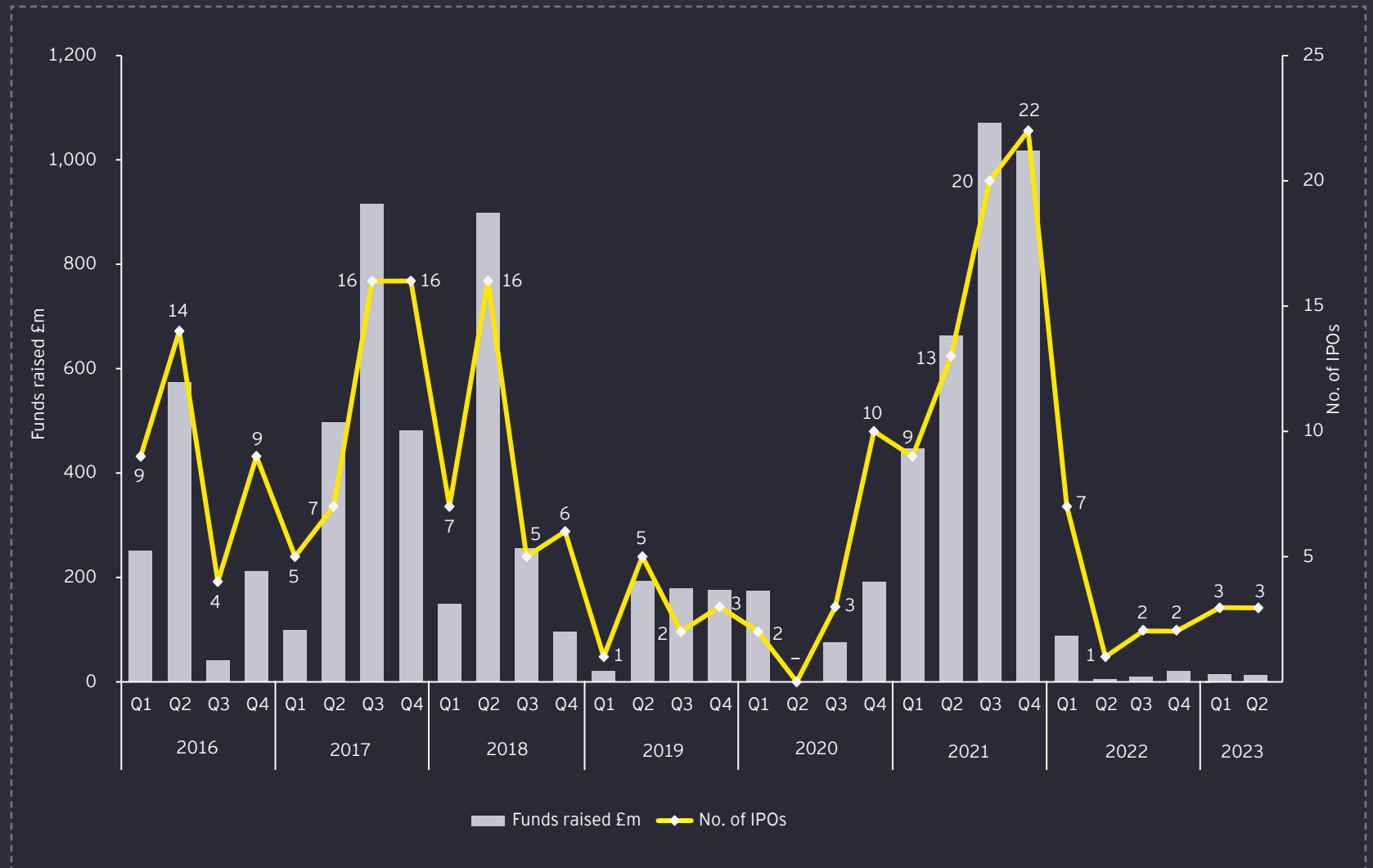
Main Market – Ten floats raised £497m in Q2. The largest by funds raised was Admiral Acquisition Ltd – which raised £440m.



IPO markets – historical performance

AIM

Three AIM admissions raised £16m in Q2. The largest by funds raised was Fadel Partners Inc – which raised £8m.



Market overview

Market performance

The aforementioned geopolitical and inflationary pressures have led to a 1.3% decrease in the FTSE 100 in the quarter. This decline was felt even more strongly outside of the leading index, with the FTSE 250 falling by 2.7% and the AIM market declining by 6.9% 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. Furthermore, there is less exposure to technology shares, which have been adversely impacted in the quarter, with this impact being witnessed in the decline in the other indices.

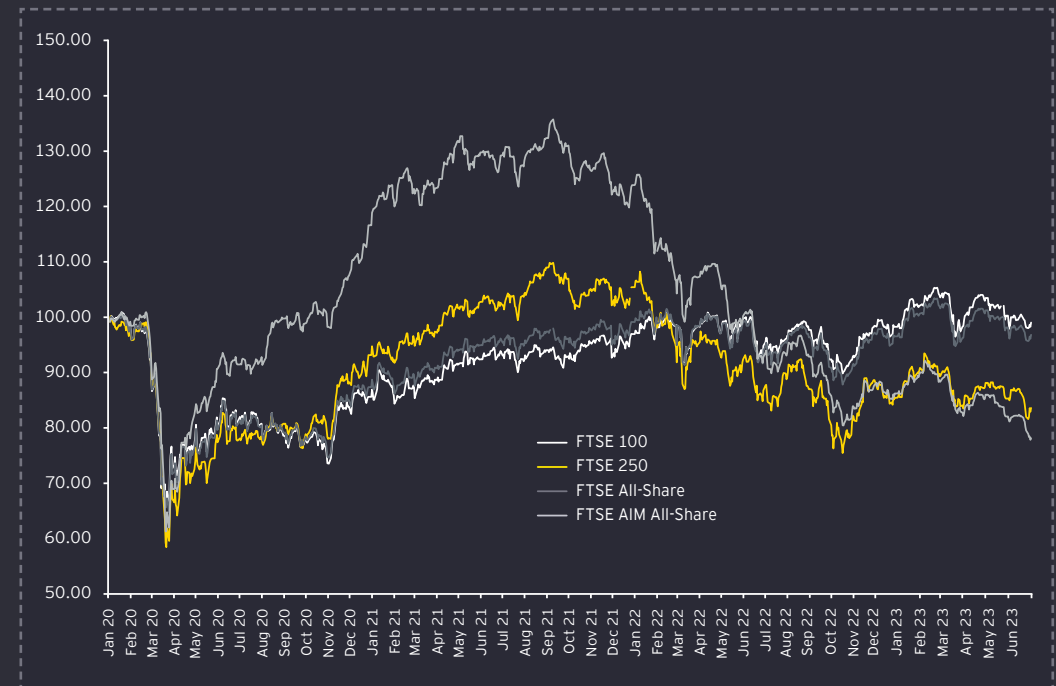
Global IPO activity

The Global IPO markets recorded 615 IPOs in H1, raising \$60.9b, a 5% and 36% decrease compared with the same period in 2022. Whilst several larger deals came to the market in Q2, the recovery has been hindered by slower economic growth, tight monetary policies and heightened geopolitical tensions.

Despite a global decline in technology IPOs in H1 2023, the sector still had the largest number of IPOs, whilst proceeds raised by companies within the energy sector fell due to softer global energy prices. Meanwhile, IPOs from the industrial sector are swiftly rising in Mainland China, India and the US, securing the second spot by both deal number and proceeds. Technology, and health and life sciences, the two typical growth sectors, have seen the highest number of IPO withdrawals in recent years, reflecting the challenge of arriving at mutually acceptable valuations between companies and investors.

Asia-Pacific maintained its position as the global leader in IPO volume and value, accounting for 60% of all IPOs. The Americas region saw an 86% increase in proceeds however, this was primarily due to one single mega spin-off IPO, which was the largest US IPO since November 2021. EMEIA continued a year-on-year contraction, amid dwindling market liquidity and cautious investor sentiment.

Some emerging markets such as India and Indonesia are thriving with IPO activity, as they benefited from the global demand for mineral resources, the large population size and growing unicorns.



Market listings

New Issues – Main Market

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
06-Apr-23	World Chess Plc		United Kingdom	Leisure Goods	41.7	4.0	6.25	6.50	100.00	53.8%
11-Apr-23	Guinness VCT Plc		United Kingdom	Closed End Investments	3.8	3.8	100.00	100.00	100.00	0.0%
11-Apr-23	Seed Capital Solutions Plc		United Kingdom	Open End and Miscellaneous Investment Vehicles	1.4	1.0	0.75	0.88	0.88	0.0%
03-May-23	Ashoka WhiteOak Emerging Markets Trust Plc		United Kingdom	Closed End Investments	30.5	30.5	100.00	100.03	101.00	1.0%
17-May-23	Admiral Acquisition Ltd		Virgin Islands (British)	Open End and Miscellaneous Investment Vehicles	439.8	439.8	801.65	789.6	753.6	-4.6%
25-May-23	Oneiro Energy Plc		United Kingdom	Open End and Miscellaneous Investment Vehicles	2.7	1.2	5.00	6.00	11.00	83.3%
05-Jun-23	Becket Invest Plc		United Kingdom	Open End and Miscellaneous Investment Vehicles	2.5	0.8	1.0	2.00	1.13	-43.8%
06-Jun-23	Ashington Innovation Plc		United Kingdom	Open End and Miscellaneous Investment Vehicles	1.8	0.8	3.00	4.00	4.35	8.7%
08-Jun-23	Amicorp Fund Services UK		United Kingdom	Investment Banking and Brokerage Services	97.2	13.1	81.0	120.2	120.2	0.0%
09-Jun-23	Altona Rare Earths Plc		United Kingdom	Oil, Gas and Coal	4.7	2.0	5.0	6.00	5.00	-16.7%

New Issues – AIM

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04-Apr-23	Ocean Harvest Technology Group Plc		United Kingdom	Food Producers	20.1	6.0	16.0	17.13	15.00	-12.4%
06-Apr-23	Fadel Partners Inc		United States	Software and Computer Services	28.8	7.6	144.0	147.00	147.00	0.0%
10-May-23	Golden Metal Resources Plc		United Kingdom	Industrial Metals and Mining	7.1	2.0	8.5	8.13	8.90	9.5%

Looking forward – H1 2023

The London IPO market continues to experience challenges with macroeconomic and geopolitical pressures having an adverse impact on businesses looking to list in the UK. These headwinds will need to abate to enable real growth, however with some larger IPOs expected in 2024 and a strong pipeline, the long-term outlook looks more positive.

The upcoming reviews by the FCA and Treasury may also provide some impetus to the UK markets and help boost the UK's appeal as a global listing destination, however it's vital that a robust package of measures is implemented to tackle the fundamental issues affecting London's capital markets.

The FCA's proposals to simplify the UK listings regime should have a positive impact if coordinated with wider reforms, however the proposals will also remove some key, post-listing, investor protections for which the London stock market is well-known for. This increase in investor risk could reduce the appeal of the UK market to investors so it's imperative that a balanced approach is considered to make London a more attractive destination to list.

Globally

The Global and UK outlook are intrinsically interlinked, with markets continuing to be challenged by economic headwinds. However we have seen some green shoots of recovery in IPO activities in Q2, particularly in the Asia-Pacific and Americas markets.

Whilst there are signs of a rebound, companies will need to continue to consider the impact of geopolitical risk, macroeconomic factors and the changing regulatory environment when considering an IPO, as well as being flexible about valuations, given recent post-IPO share price performance and rising interest rates.

However, with interest rate hikes expected to end this year, and the Chinese Government expected to introduce further economic stimuli, we predict better IPO market conditions in the next 6-12 months on the back of a strong and high-quality IPO pipeline.

Recent improvements in market sentiment could be a sign for more US IPO activity from late 2023 or 2024. The strong momentum in Indonesia is likely to continue, bolstered by the country's rich mineral resources. There are similar optimistic outlooks for Japan, which has reached a 33-year stock market high, and China as its economy continues to recover. The European IPO market could begin to see a rebound if inflation risks, and hence the interest rate hikes, can be contained, thus releasing additional market liquidity.

Investors will continue to be more selective, orienting towards companies with solid fundamentals and proven track records. After the one mega IPO debut in the US, which has outshone other traditional listings this year, we expect more large corporate spin-offs and carve-out listings will take place in other major markets, as companies seek to increase shareholder value.

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We expect the market to remain challenging for the next few months, albeit with some green shoots in the form of an 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.

Scott McCubbin
EY UK&I IPO Leader

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/en_gl/ipo

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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