



Has the main market climbed its way back?

IPO Eye

An overview of the London Stock Exchange listings in Q2 2017



Building a better working world

UK IPO highlights

2Q17 YTD

(January-June 2017)¹

Volume and value



London Main Market
16 deals
(45% increase on 2Q16 YTD)



London AIM
17 deals
(23% decrease on 2Q16 YTD)



London Main Market
GBP£4.6bn
(141% increase on 2Q16 YTD)



London AIM
GBP£0.7bn
(4% decrease on 2Q16 YTD)

Key trends



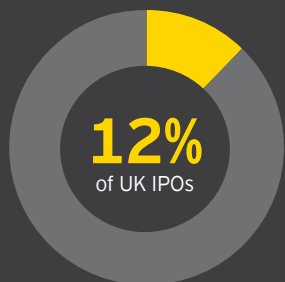
- ▶ A number of **companies have put listing plans back on hold in Q2 2017 due to political instability**, which will impact IPO activity levels in the coming quarters. Concern about potential US policy shifts may also affect IPO activity in the near term.
- ▶ Whilst IPO pipeline continues to build, UK IPO activity is likely to remain depressed until **Q4 2017 or even Q1 2018** by which time political instability may have abated. The pipeline is looking strong **for AIM and smaller main market listings**.
- ▶ There could be **more cross-border IPOs on the London Main Market and AIM** in the coming months.
- ▶ We expect a **small increase in the number of PE-backed IPOs** albeit not yet returning to the higher level of activity seen in previous years.

Commentary

"In the second quarter, we started to see increased investor confidence and a rise in the volume of IPOs, largely driven by expectations that the UK general election in June would enhance political stability and confirm the country's Brexit strategy. The surprise result instead delivered a hung parliament, causing the pound to drop and diminishing investor confidence. Unless a majority government can be formed that can deliver clarity over the proposed EU exit strategy, continued political uncertainty is likely to dampen the appetite for larger deals, with the focus remaining on small to mid-cap listings."

Scott McCubbin
EY UK and Ireland IPO Leader

Financial sponsor activity fell in 2Q17 compared with 1Q17 by deal number



PE and VC accounted for
12% of UK IPOs (4 deals)

15% of proceeds
(GBP£0.8bn)



Three sectors trending



IPO pricing and performance

London Main Market²

+12.9% first-day average return

+8.6% increase in offer price vs. 28 June 2017

GBP£155.1mn median post-IPO market cap

GBP£149mn median deal size

London AIM²

+3.5% first-day average return

+7.5% increase in offer price vs. 28 June 2017

GBP£43.4mn median post-IPO market cap

GBP£23.1mn median deal size

Equity indices³

FTSE 100	+4.1% ▲
FTSE 350	+4.7% ▲
FTSE AIM ALL SHARE	+14.5% ▲

Cross-border activity in 2Q17 YTD⁴

Turkey and US each had **two deals**.
The UAE, Israel, China, Italy and Ireland each saw **one deal**.



Top three IPOs in 2Q17 by capital raised

Allied Irish Banks plc raised GBP£2.62bn (Ireland, Financials)	Eddie Stobart Logistics plc raised GBP£393mn (UK, Industrials)	Alfa Financial Software Holdings plc raised GBP£253.5mn (UK, Technology)
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¹2Q17 YTD (January-June 2017) activity is based on priced IPOs as of 28 June 2017 and expected IPOs by end of June 2017.

²Pricing and performance is based on 15 IPOs on London Main Market and 14 IPOs on AIM that have started trading by 27 June 2017. Data as per priced IPOs as of 28 June 2017.

³Year-to-date returns of equity indices as of 27 June 2017.

⁴There were five cross-border IPOs on London Main Market which raised GBP£3,176mn and four IPOs on AIM which raised GBP£89mn in 2Q17 YTD.



Market overview

Allied Irish Banks – does this signal the return of the London Main Market?

With expectations that the general election would bring political stability, more IPOs took place in 2Q17 compared with the first quarter. There were 18 new listings in the second quarter with 11 IPOs on the Main Market and 7 IPOs on AIM raising £4.2bn altogether, this is a 24% rise in deal numbers and 200% increase in proceeds.

With the FTSE at record levels, largely driven by the weakness of the pound, which made UK investments attractive to international investors, newly listed shares on the combined markets are currently trading on average 12% above offer price.

There were two PE backed IPO's in 2Q17.

Main market – 11 floats raised £3.8bn in Q2. The largest was by, Irish Bank, Allied Irish Banks plc – which raised £2.62bn.

AIM – seven AIM admissions raised £496mn in Q2. The largest was by Eddie Stobart Logistics plc which operates 2,200 vehicles, 3,800 trailers and 24 distribution centres throughout the UK and Europe.

2017 global IPO activity is set to outpace 2016. 2017 has seen a strong start for IPOs globally with equity indices trending upward and low volatility enabling transaction windows to remain open. Liquidity is ample and economic fundamentals are improving in most developed markets.

The first half of 2017 (H1 2017) saw a rise of 90% by proceeds and 70% by number of deals, compared with the first half of 2016 (H1 2016). H1 2017 was the most active first half of year by global number of IPOs since H1 2007 (which saw 941 IPOs raising \$146.0bn).

China's Shenzhen and Shanghai exchanges led by number of IPOs, accounting for 17% and 16% of all IPOs worldwide respectively. The increase in IPO activity level was partly a result of the effort by the regulator, China Securities Regulatory Commission (CSRC) to speed up the approval process.

Globally, financial sponsor-backed IPOs fell as a proportion of all deals (11% in H1 2017 versus 15% in H1 2016). PE funds still have large cash reserves, and in some cases M&A offers them higher returns during the dual-tracking process.

Technology, industrials and consumer products are the sectors that dominated global IPO activity in 2Q17. Other sectors dominated in local areas: health care in EMEA, energy and financials in Greater China.



Market listings

New Issues – Main market

Date of admission	Company	PE backed	Country of incorporation	Region/s of domicile	Sector
19-Apr-17	Ten Entertainment Group plc		United Kingdom	United Kingdom	Travel & Leisure
09-May-17	ADES International Holding Ltd		United Arab Emirates	United Arab Emirates	Oil Equipment, Services & Distribution
09-May-17	Downing Strategic Micro-Cap Trust plc		United Kingdom	United Kingdom	Equity Investment Instruments
15-May-17	Jupiter Emerging & Frontier Income Trust plc		United Kingdom	United Kingdom	Equity Investment Instruments
17-May-17	Global Ports Holding plc		Turkey	Turkey	Industrial Transportation
17-May-17	Spinnaker Opportunities plc		United Kingdom	United Kingdom	Nonequity Investment Instruments
22-May-17	Grand Fortune High Grade Ltd		China	China	Nonequity Investment Instruments
31-May-17	PRS REIT plc		United Kingdom	United Kingdom	Equity Investment Instruments
01-Jun-17	Alfa Financial Software Holdings plc		United Kingdom	United Kingdom	Software & Computer Services
06-Jun-17	AEW UK Long Lease REIT plc		United Kingdom	United Kingdom	Real Estate Investment Trusts
26-Jun-17	Allied Irish Banks plc		Ireland	Ireland	Banking & Financial Services

New Issues – AIM

Date of admission	Company	PE backed	Country of incorporation	Region/s of domicile	Sector
05-Apr-17	SkinBioTherapeutics plc		United Kingdom	United Kingdom	Pharmaceuticals & Biotechnology
05-Apr-17	Integumen plc		United Kingdom	United Kingdom	Personal Goods
07-Apr-17	Alpha FX Group plc		United Kingdom	United Kingdom	Financial Services
11-Apr-17	K3 Capital Group plc		United Kingdom	United Kingdom	Support Services
25-Apr-17	Eddie Stobart Logistics plc		United Kingdom	United Kingdom	Industrial Transportation
18-May-17	Eve Sleep Ltd		United Kingdom	United Kingdom	Household Goods & Home Construction
18-May-17	Velocity Composites plc		United Kingdom	United Kingdom	Aerospace & Defense



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
106.6	26.8	165	165	165.75	100%
432.4	188.0	1,321	1,274	1,024	78%
56.7	55.6	100	102.5	102.25	102%
95.5	90.0	100	101.3	106.12	106%
460.5	154.5	740	741	713	96%
1.2	1.2	7.5	4.75	4.75	63%
16.8	4.3	10	10	10	100%
262.8	250.0	100	105.62	105	105%
975	253.5	325	430	419.5	129%
80.4	80.5	100	99.87	99.62	100%
10,600.0	2,620.0	389	474	474	122%

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
11.7	4.5	9.00	15	10	110%
4.8	2.3	5.00	4	3	57%
149.1	30.0	196.00	253	430	219%
46.9	17.8	100.00	110	109	109%
567.3	392.9	160.00	160	159	99%
128.7	34.9	101.00	102	95	94%
28.3	14.4	85.00	90	81	95%

In this quarter

The energy sector and banking/financial services sectors led UK IPO activity in Q2 2017, accounting for nine of the 18 IPOs.

The largest IPO on the Main Market was Allied Irish Banks plc which raised £2.62bn giving it a market cap of over £12bn – the single largest in Europe so far this year – marking the return of significant sized IPOs to the London Market.

The software company Alfa Financial Software Holdings plc, which raised £254mn reflecting both London's position as a global financial centre and ongoing investor interest in the technology sector.

Overall financial sponsor-backed IPOs accounted for 31% by proceeds and 12% by number of deals in H1 2017 – a significant decline on H1 2016 (24% by deal number and 56% by proceeds).

Despite continued currency volatility, there were four cross-border IPOs in Q2 2017 with listings by companies based in Turkey, UAE, China and Ireland.

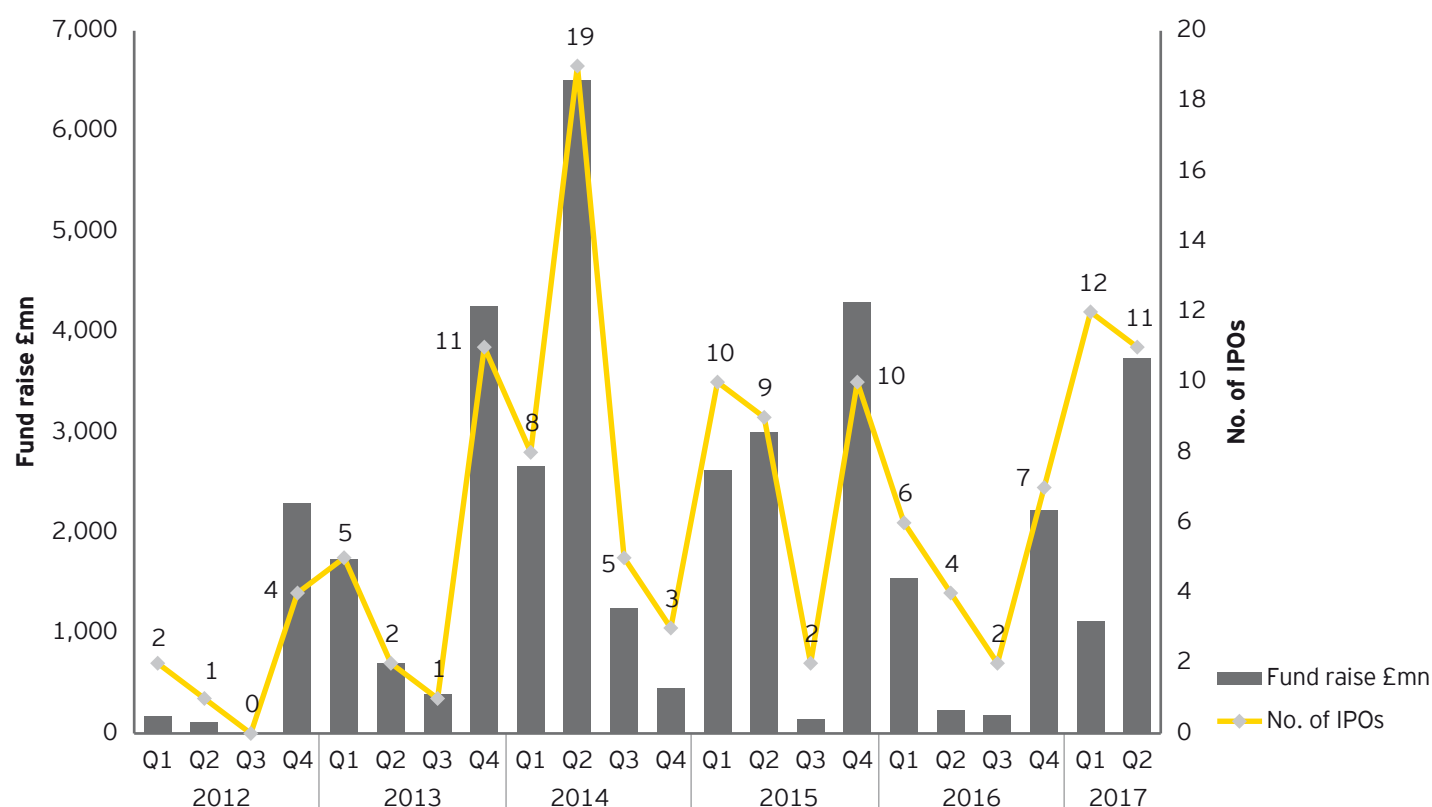
Main market

We saw 11 Main Market floatations raising £3.8bn in Q2.

Allied Irish Banks plc started trading on London's main market Tuesday after the state-owned lender's €3bn initial public offering. The Irish government sold a 25% stake in the bank, or 678.6mn shares, at €4.40 each in the initial public offering. This valued the IPO at €2.99bn and the entirety of the bank at close to €12bn. The IPO is the single largest in Europe so far this year. The Irish government had decided to sell the 25% stake in May. It owned close to 100% of the bank after bailing out the lender back in 2009 and then nationalising the company in 2010.

AEW UK Long Lease REIT raised £80.5mn in its initial public offering, subscription and intermediaries offer with shares offered at 100 pence each.

IPO Main market: historical performance





Alfa Financial Software Holdings plc priced its initial public offering on the London Main Market at 325 pence, giving it a market capitalisation on admission of £975mn. The company, which makes software for the asset finance industry, raised £254mn for existing shareholders from its IPO of 78mn shares.

This offer will represent 26% of the company's share capital on admission, or 28.5% including an over-allotment option. The IPO comprises only of existing ordinary shares by CHP Software & Consulting Ltd, which holds 94% of the company's share capital. As there are no new shares being issued, Alfa Financial will not receive any of the IPO proceeds.

UK government backed private rented sector investor PRS REIT plc listed on the London Main Market. PRS REIT is a real estate investment trust focused purely on the private rented sector,

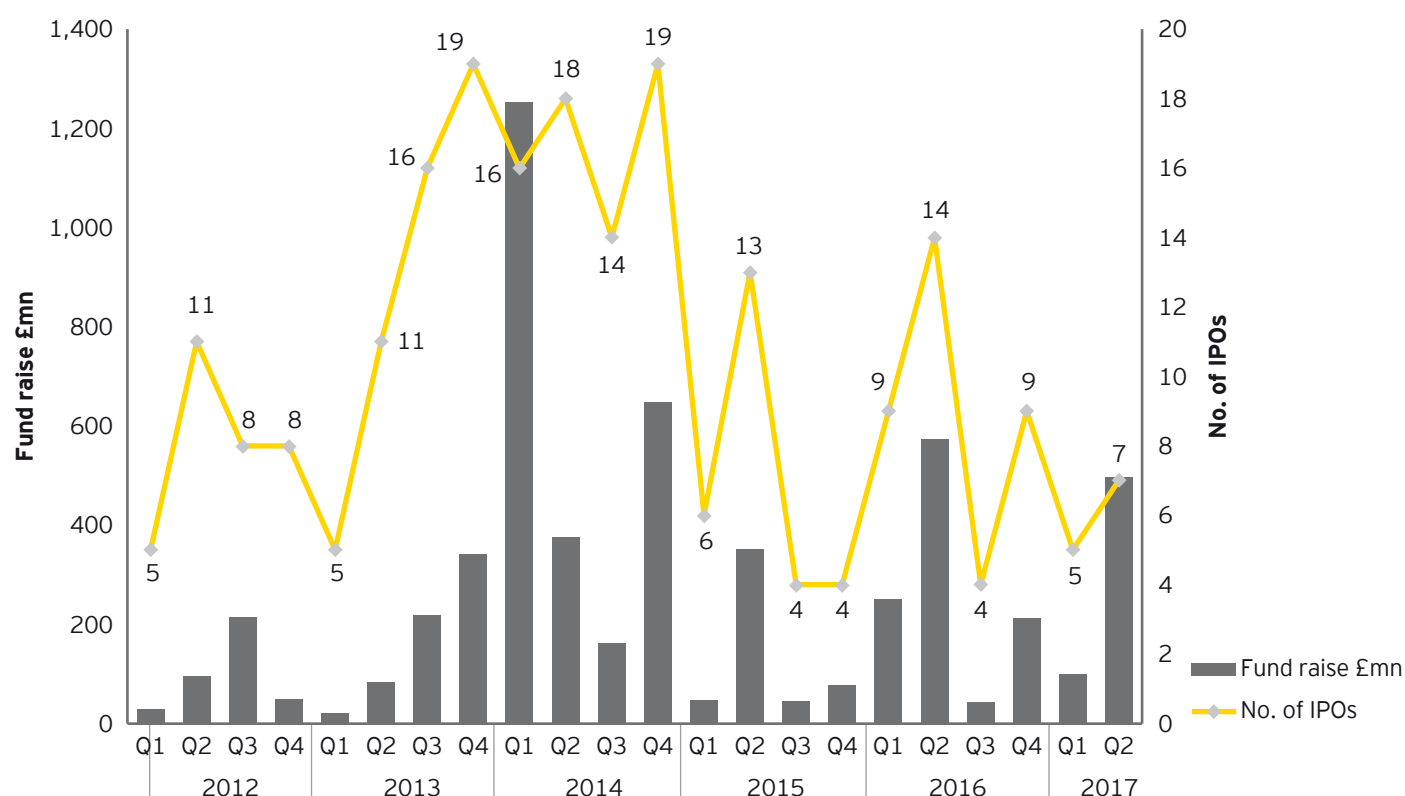
advised by Sigmar PRS Management Ltd, a subsidiary of London-listed private-rented sector developer Sigma Capital Group plc. It raised the £250mn in its initial public offering of 250mn shares of 100 pence each, with the UK government's Homes & Communities Agency taking a 10% stake for £25mn.

Grand Fortune High Grade Limited listed on the Main Market with a placing of 43,000,000 ordinary shares in the Company at 10 pence per ordinary share.

Cruise port operator Global Ports Holding plc was admitted on the London Stock Exchange's main market, after raising £154.5mn in its initial public offering. The IPO was priced at 740 pence per share, the lower end of its expected range of 735p and 875p given at the beginning of the month. This means it had a market capitalisation of £460.5mn at the time of admission.

Spinnaker Opportunities plc raised £1.2mn in an Initial Public Offering on the Main Market of the London Stock Exchange. The IPO, which comprised a Subscription and a Placing, was oversubscribed and comprises 24,000,000 New Ordinary Shares issued by the Company at 5p per Ordinary Share together with one

IPO AIM market: historical performance



In this quarter

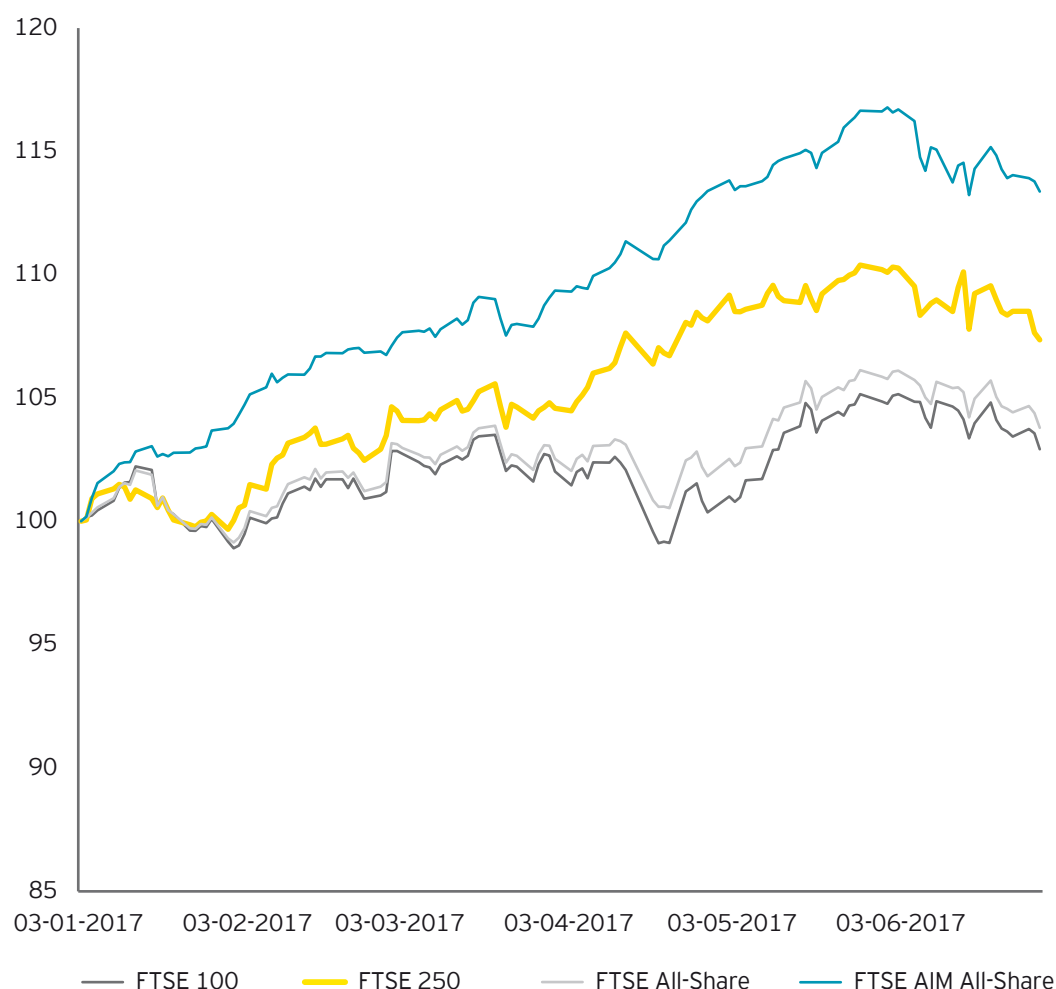
Warrant to subscribe for one new Ordinary Share at 7.5p per new Ordinary Share. Gross proceeds were £1.2mn and net proceeds £1.07mn. The board has invested an aggregate of £310,000.

Jupiter Emerging & Frontier Income Trust raised £90mn in a share placing prior to its flotation on the London Stock Exchange, significantly below its original target of £200mn. The trust, which will be managed by Jupiter Fund Management plc, said applications were received for 90mn shares at 100p pence each. Of those, 55.1mn were issued in an institutional placing, 20.2mn in an offer for subscription and 14.7mn in an offer to intermediaries.

ADES, a Dubai-based oilfield services firm, priced its initial public offering at £1.32mn, netting proceeds of £188mn. This means it has a market capitalisation of £432.4mn. ADES is based in the Dubai International Financial Centre and is a provider of offshore and onshore oil and gas drilling and production services in the Middle East and Africa.

Downing Strategic Micro-Cap Investment Trust plc listed on the London Stock Exchange. The Trust had originally anticipated a minimum fundraise of £35mn, with the ability to raise up to £100mn, offering the flexibility to issue further shares when capacity allows.

FTSE indices – 2017 YTD



Source: S&P Capital IQ



Ten Entertainment Group, which operates 40 Tenpin centres across the UK, listed on the main market with a price of 165p, giving it a market capitalisation of £107.25mn.

Ten Entertainment's initial public offering follows the flotation of the UK's largest operator, Hollywood Bowl, last year.

AIM

There were seven AIM floatation's raising £496mn in Q2.

Mattress maker eve Sleep plc raised £35mn in its IPO of 34.6mn new shares at 101p each, giving it a market capitalisation of £14mn on admission.

Composite products for aerospace manufacturer Velocity Composites plc raised £14.4mn in its initial public offering of 12.3mn new and 4.7mn existing shares at 85 pence each, giving it a market capitalisation of £30.4mn.

Supply chain firm Eddie Stobart Logistics plc was admitted to trading on having raised £392.9mn in its initial public offering. The supply chain and logistics firm raised the £392.9mn through a placing of 81.3mn shares at a price of 160 pence, giving it a market capitalisation on admission of £572.7mn.

The Warrington-headquartered Eddie Stobart provides transport, warehousing, rail and freight logistics services to a range of UK and international customers. It operates 2,200 vehicles, 3,800 trailers and 24 distribution centres throughout the UK and Europe.

K3 Capital Group plc, a leading business and company sales specialist in the UK joins AIM having successfully raised £17.8mn, comprising £2.1mn new money for the company and £15.6mn

from vendor sell down. The book was significantly oversubscribed and the company joins the market with a high quality register of blue chip institutions. The company's market capitalisation was £46.9mn on admission.

Corporate foreign exchange provider Alpha FX Group plc raised £30mn in a placing before its admission to AIM, and based on the placing price of 196.00 pence per share, it has a market capitalisation of £64.2mn at admission. Alpha FX noted that in its latest financial year it generated a pretax profit of £4.3mn, revenue of £8.5mn and processed total transaction volumes of £1.81bn

SkinBioTherapeutics raised £4.5mn in its initial public offering, pricing shares at 9 pence each. It will use the IPO proceeds to fund the development of its SkinBiotix technology for skin protection, skin management and skin restoration applications.

Integumen, which makes technology and products for the human integumentary system – or skin and its appendages such as hair and nails – raised £2.3mn in an initial public offering priced at 5p, giving it a total market capitalisation of £11.7mn on admission

Aftermarket performance

During 2Q17 we have seen the markets affected by global political situations since the UK General Election in June having the greatest impact. However as the quarter comes to an end the markets have continued their record highs despite the issues with the non majority UK government.

Newly listed stocks in 2Q17 have outperformed veteran assets, which are currently trading an average of 12% above list price.

Volatility

Volatility in currency continues to hold back activity within the large cap IPO market, however with the listing of Allied Irish Banks plc we may now see this trend reversing. M&A continues to remain a strong option whilst the pound remains low.



Looking forward

Whilst the number of companies in the pipeline continues to build, UK IPO activity is likely to remain depressed until 4Q17 or even 1Q18 by which time prospective IPO candidates anticipate that political instability may have abated. The pipeline is looking strong for AIM and smaller main market listings. However the recent listing of Allied Irish Banks plc may reinvigorate the markets confidence and speed projected timescales up.

In the coming months, there could be more cross-border IPOs on the London Main Market and AIM. This includes the proposed listing of En+ Group, the Russian energy and aluminium group, which plans to raise between US\$1.8bn to US\$2bn on the London Stock Exchange.

The listing would be the largest Russian IPO since the 2012 and signal the return of Russian companies to the London market.

There are also Middle East companies in the pipeline.

Looking ahead, we expect to see a small increase in the number of PE-backed IPOs albeit not yet returning to the higher level of activity seen in previous years. With PE funds holding high levels of dry powder, they are unlikely to exit investments via IPO whilst valuations remain low.

In a low-interest-rate environment, investor interest in equities remain strong. However, in real terms, appetite for newly listed stocks is likely to remain low whilst other opportunities for investment stand out, such as equities with an established dividend history.

When the UK Government provides clearer guidance on the proposed EU exit strategy, this should likely boost business and investor confidence and help re-ignite the UK IPO market.

Plans by the Financial Conduct Authority (FCA) to bring the UK IPO process more in line with US practices would support IPO activity in 2018.

“In the second quarter, we started to see increased investor confidence and a rise in the volume of IPOs, largely driven by expectations that the UK general election in June would enhance political stability and confirm the country’s Brexit strategy. The surprise result instead delivered a hung parliament, causing the pound to drop and diminishing investor confidence. However the successful IPO of Allied Irish Banks plc clearly indicates investors are ready to look at the UK market large cap IPOs again. Therefore we can now expect a number of these to come to market in late 2017.”

Scott McCubbin
EY IPO Leader UK&I

Globally

The outlook for the second half of 2017 is robust as equities continue to trade at all-time highs and markets stabilize.

On the upside, with ample liquidity in emerging and developed markets, we are seeing a growing pipeline of candidates planning to list on major exchanges around the world, from a broad range of sectors.

As elections across the UK and Europe are decided, political uncertainty is diminishing, strengthening investor sentiment. This should lead to a pick-up in IPO activity across EMEA, led by India and the Nordic markets.

Momentum will also continue to build in the Americas, driven by expectations of lower market volatility, rising indices and a healthy pipeline. However, uncertainty regarding the impact of President Trump's international trade policy may make investors cautious.

Cementing the trend since May 2016, Asia-Pacific will continue to dominate global IPO activity, led by Greater China, South Korea and Australia with several big IPOs expected to hit the market later this year.

Across markets, technology and energy are expected to be two of the most active sectors through the remainder of 2017, especially in the US and China. In particular, we anticipate that the successful IPO earlier this year of Snap Inc. will encourage more unicorns to come to the public markets, keen to capitalize on strong investor appetite.





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April 2018

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