



RAISED IN LONDON

FTSE leaders predict a resurgence of UK IPOs

Despite a dearth of recent IPOs and a challenging macroeconomic backdrop, there are a number of government initiatives focused on improving the attractiveness of the UK.



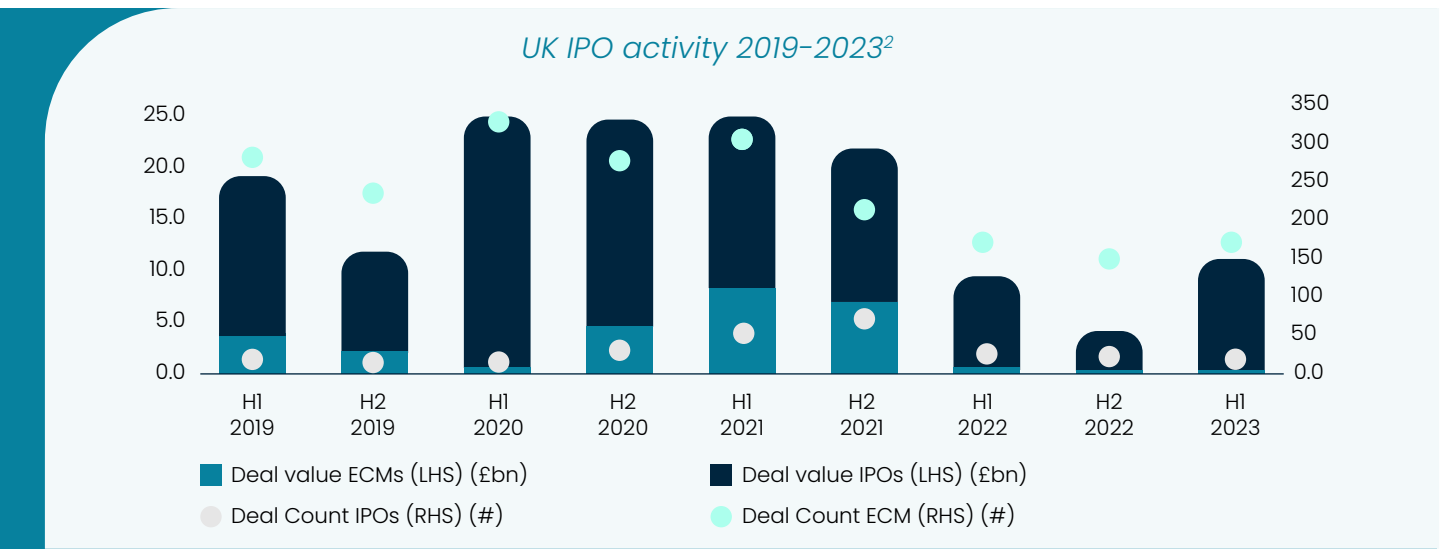
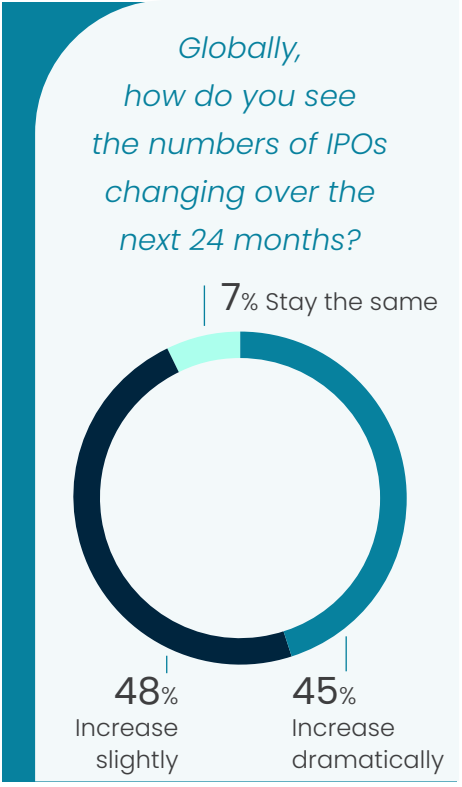
Jamie Loughborough,
Head of ECM, Numis

While new listing activity in the UK has slowed considerably, FTSE leaders of UK-listed companies believe London remains an attractive location for IPOs¹.

The UK is one of the top global destinations for listings with 1,929 issuers and a market capitalisation of

£5tn, according to the London Stock Exchange. However, the challenging global markets of the past few years have resulted in the longest lull in IPO volumes in recent history, which has not spared the UK market. It remains muted, with just 19 IPOs in the UK year-to-date and only three of those raising gross proceeds of more than £50m².

Nevertheless, a recent Numis survey of 150 FTSE leaders of UK-listed companies found confidence in London's future as a listing venue was exceptionally high, with 92% of respondents stating the UK remains an attractive market for IPOs and other forms of raising capital. In addition, 93% of respondents believe that the number of IPOs will increase over the next two years.



¹ The FTSE Leaders on UK Capital Markets survey (May 2023) – Numis commissioned a FTSE Leaders' survey on capital markets. The responses are based on 150 board/senior directors of UK-listed companies, of which 27% work for FTSE 100 companies; 27% for FTSE 250 companies; 33% for AIM companies and 13% for other FTSE listed companies. Respondents are CEOs, CFOs, heads of investor relations, senior independent directors and chairpersons.
² *Mood of the Market* (July 2023), Numis report – Dealogic and London Stock Exchange (includes IPOs that are categorised as a "New Company placing" by the LSE), July 2023.
³ *Mood of the Market* (July 2023), Numis report including an informal survey of a number of its key buy-side clients.



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From an investor perspective, there is a general openness to meeting with companies that are considering an IPO.³ But, at the same time, there is a high degree of caution due to the performance of recent new issues. Investors cite the biggest hurdle to investing in an IPO at the moment is competition for capital – companies are likely to need to display distinct and defining characteristics.

Whilst it is highly unlikely that we will see any material pick-up in IPO volumes this calendar year, we could see a material pick-up in activity next year, with investors increasingly willing to meet with potential issuers and many companies considering an IPO in 2024.

Regulatory reforms

London’s reputation has been bolstered by the Financial Conduct Authority (FCA) and the UK government’s efforts to make listing easier and more efficient, while ensuring all the usual investor safeguards remain in place.

One aspect of this is the Investment Research Review, led by regulatory

lawyer Rachel Kent. It argued for a review of rules relating to IPO research, which significantly impact the attractiveness of the UK as a domicile.

In this review, investment banks noted that reforms by the FCA in 2018 had been unhelpful for the IPO process because they extended the timetable – and therefore potential market risk – beyond those of other jurisdictions.

Additionally, the series of UK market consultations that have taken place in recent years or that are still ongoing, including the Lord Hill Review, Secondary Capital Raising Review, Prospectus Review and Primary Markets Effectiveness Review, have raised recommendations that should create more flexible and competitive UK capital markets and enhance London’s position as a leading destination for IPOs.

London calling?

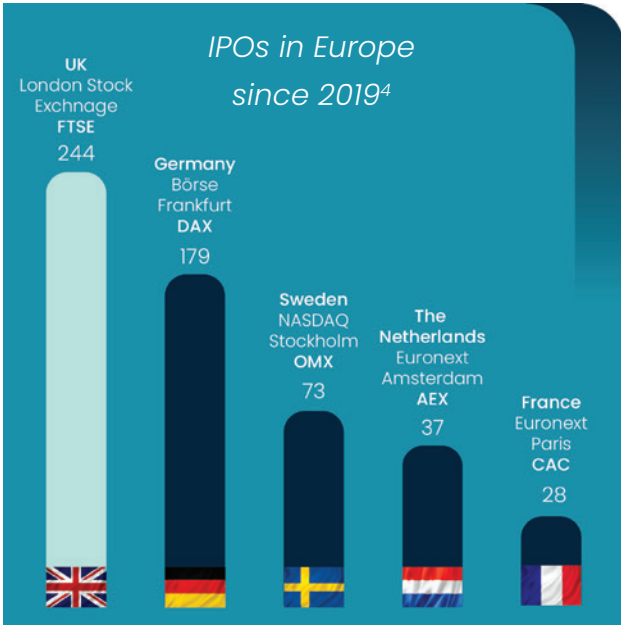
The combination of all these changes could be just what London needs to secure more IPOs and fortify its position as an attractive domicile.

Our survey found that FTSE leaders believe high-quality regulation, strong financial networks, good governance and transparency are the top three attractive attributes of the UK for international investors. Meanwhile, the vast majority (94%) of respondents believe that the poor performance of UK and European companies listed in the US mean more companies could choose to list in London or Europe instead.

As the investment outlook improves and more companies seek an IPO, the reforms underway in the UK could help reinforce the appeal of London as an international centre for capital-raising.

“Green shoots are there, compared to a year ago. We expect increased IPO activity next year, with signs of activity and preparation work starting already.”

Jamie Loughborough
Head of ECM,
Numis



⁴ Raised in London (August 2023), Numis report.

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