Equity Capital Markets H1 2019 review

July 2019

kpmg.com/uk/equitycapitalmarkets

£19.2 bn funds raised

5% ▼ on H1-18
22% ▲ on H2-18

£14.8 bn raised via further issues

7% ▼ on H1-18
42% ▲ on H2-18

£4.4 bn raised via IPOs

4% ▲ on H1-18
16% ▼ on H2-18

21 IPOs

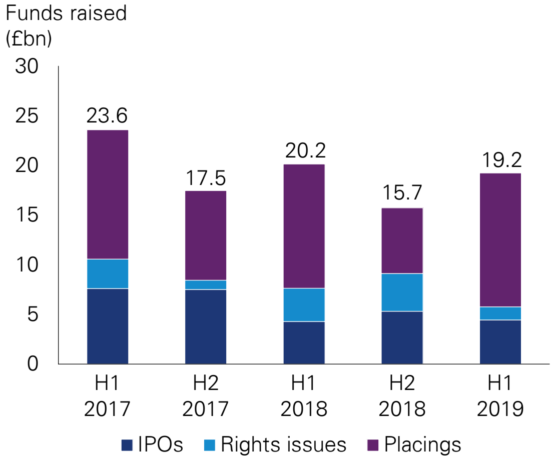
49% ▼ on H1-18
43% ▼ on H2-18

UK equity capital markets exhibited resilience in spite of the continued presence of challenging macroeconomic and political conditions during H1 2019

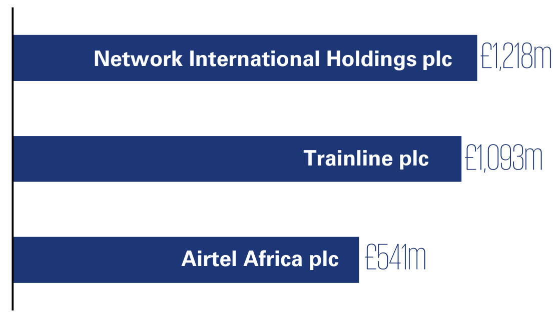
H1 2019 snapshot

Total UK equity fundraising levels remained broadly consistent with recent periods, with placings rebounding from a relative downturn in H2 2018

UK equity issuances H1 2017 to H1 2019

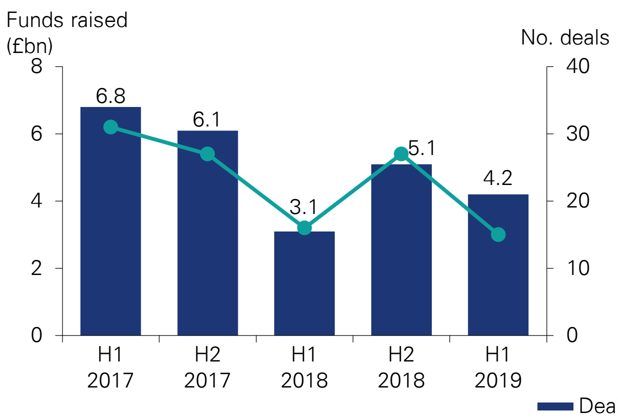


Largest UK IPOs in H1 2019



IPO numbers, particularly on AIM, remain low, however a number of significant Main Market IPOs in Q2 increased overall funds raised compared to H1 2018

Main Market



AIM

2019 IPO companies have outperformed the broader market

Main Market IPOs

33.6%

Average return post IPO
(from price on admission to 30 June 2019)

FTSE All Share

10.4%

Average return in H1-19
(1 January 2019 to 30 June 2019)

AIM IPOs

20.9%

Average return post IPO
(from price on admission to 30 June 2019)

FTSE AIM

7.1%

Average return in 2018
(1 January 2019 to 30 June 2019)

H1 review

Whilst, as expected, external factors continued to weigh on UK equity capital market fundraising, H1 2019 still saw the completion of several large placings and IPOs, and strong YTD gains by UK equity market indices

Macroeconomic and political conditions continue to present challenges to global equity capital markets

UK equity fundraising declined by 5% in H1 2019 compared to H1 2018 (although was up by 22% compared to H2 2018).

From a deal-number perspective, London's IPO market in particular suffered from a relatively sluggish 6 months: overall, only 21 IPOs completed across the Main Market and AIM, compared to 41 in H1 2018. However, funds raised via IPO were up by 4%, reflecting a lower volume of larger deals.

The key drivers of the subdued performance appear to be the compounding presence of a number of macro factors, including: relatively low debt financing costs; availability of private equity capital; forecasts of a slowdown in global trade; US-China trade tensions; the threat of late-cycle market corrections; and, closer to home, Brexit-related uncertainties.

Conversely, more dovish commentary recently around monetary policy in both the US and Europe bolstered equity market confidence, providing a more stable platform for equity issuance towards the end of the half year, and contributing to the relatively strong YTD gains in UK (and indeed global) equity market indices.

Investors remain committed to UK equity capital markets, with placings and the investment fund sector in particular demonstrating robustness

We see some encouraging signs that UK equity markets retain their appeal to investors:

— Fundraises via further issues were down by only 7% compared to H1 2018, and up by 42% compared to H2 2018. Investors have funds to deploy but appear to be demonstrating a preference to follow their money.

— An increasing proportion of IPO fundraising has been committed to investment funds and the like, with £2.6 billion raised over the past 18 months (representing 19% of total IPO funds raised in the period). This demonstrates the continued appeal to investors of equities which offer sustainable yields with lower risk, particularly in a low interest rate environment.

— Investor appetite also remains for growth companies, as exemplified by the successful completion of several high profile and large IPOs, including Network International, Trainline and Watches of Switzerland.

H2 outlook

The UK remains the centre of European equity capital market issuance and positive indicators point towards increased market activity

The UK remains an attractive market for domestic and international companies seeking to raise capital

London retained its position as the leading European market in the first half of the year, accounting for 39% of total equity fundraising in the region. Whilst there was a relatively slow start to 2019, UK equity issuance accelerated throughout the period, with June in particular a strong month. We expect London's leading position to be maintained in H2, buoyed by a number of significantly sized IPOs completing, including ReAssure Group.

The listing of Airtel Africa at the very end of June is particularly encouraging, demonstrating London's continued appeal to international and emerging markets. This sentiment was reinforced earlier in the first half of the year by the listing of two UAE based companies (Network International and Finablr), and by the completion of the first transaction under the LSE-Shanghai connect programme (by Huatai Securities raising £1.2 billion via GDRs). We expect to see further fundraises via this scheme in the second half of the year, and are optimistic about the UK's ability to continue to attract IPO candidates based globally.

First mover advantage may be key in obtaining a successful IPO valuation in a market exhibiting signs of caution

Wider political and economic factors are unlikely to abate in the foreseeable future, and in particular, the ongoing Brexit related political uncertainty could act as a hindrance to equity market issuance.

However, as demonstrated in H1 2019, the wider environment has not prevented strong companies with compelling equity stories from proceeding with their fundraising plans. The successful market debut and post-IPO share performance of the majority of new market entrants in H1 2019 illustrates the continued appeal of an IPO as a viable and profitable exit route for founders or private capital owners.

We would therefore encourage those companies considering an IPO to prepare as early as possible to create as much first-mover advantage as possible.

Linda Main

Partner, Head of UK Capital Markets Group

Marco Schwartz

Managing Director, Head of Equity Capital Markets Advisory UK

UK Equity Capital Markets in H1 2019

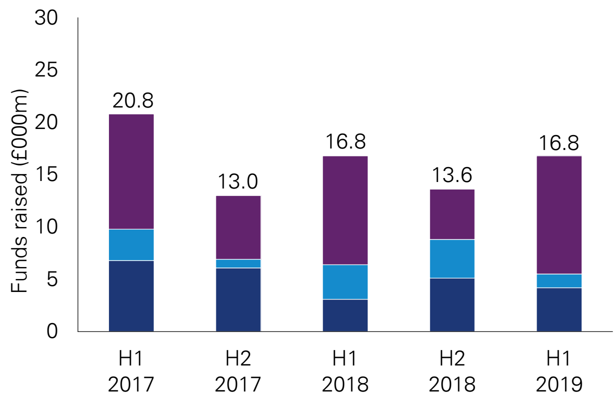
The UK ECM landscape

Placings dominated equity fundraising in H1 2019, accounting for 70% of total funds raised (compared to only 62% in H1 2018, and 42% in H2 2018). Leading the pack was AstraZeneca, whose successful £2.7 billion placing represented the largest individual fundraise on UK equity markets in over a year.

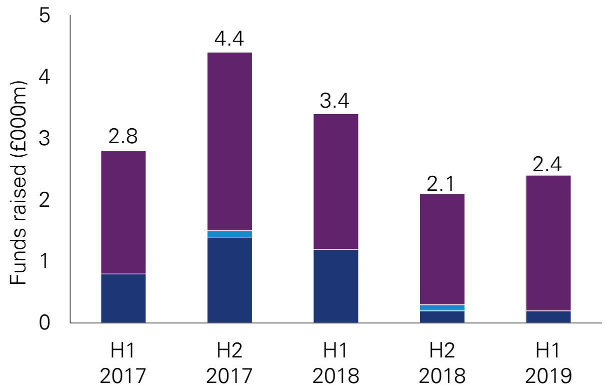
Overall fundraising was slightly up across both the Main Market and AIM compared to H2 2018, although AIM in particular suffered from a significant reduction in IPOs over the past year. More positively, AIM funds raised via placings were broadly consistent with the levels achieved in prior periods, demonstrating a commitment by the investment community to support high quality listed companies and follow their money across both AIM and the Main Market.

Graham Hertrich, Director, Equity Capital Markets Advisory, UK

Main Market – All ECM Activity

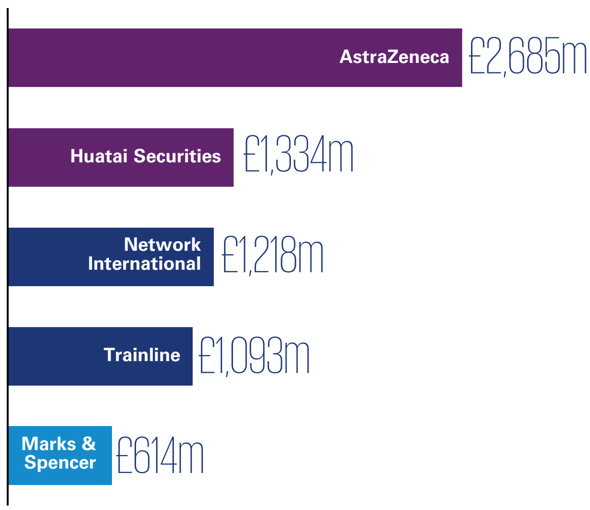


AIM – All ECM Activity



■IPOs ■Rights Issues ■Placings

Largest completed ECM deals in H1 2019



■IPOs ■Rights Issues ■Placings

Most active sectors in H1 2019 by funds raised

Financial Services

£4,034m raised (49 deals)

Notable deals: Huatai Securities Co Ltd, Metro Bank plc, Standard Life Aberdeen plc, AJ Bell plc, Hargreaves Lansdown plc, Hipgnosis Songs Fund Ltd, Syncona Ltd, TCS Group Holding plc, Draper Esprit plc and Merian Chrysalis Investment Co Ltd and Nova Ljubljanska Banka.

Technology

£3,439m raised (38 deals)

Notable deals: Network International Holdings plc, Trainline plc, Avast plc, Finablr plc, GB Group plc and Blue Prism Group plc.

Healthcare

£2,776m raised (20 deals)

Notable deals: AstraZeneca plc, Midatech Pharma plc, Yourgene Health plc and MaxCyte Inc.

H1 2019 UK IPO highlights

> Across the Main Market and AIM, a total of 21 companies successfully completed IPOs during H1 2019, raising an aggregate of £4.4 billion. This was down on H1 2018 in terms of volume (41 IPOs) but up in terms of aggregate funds raised (£4.3 billion), and included the largest individual IPO fundraise in over a year and a half, by the UAE based Network International (£1.2 billon), closely followed by another significant fundraise by Trainline (£1.0 billion).
>
> From a sector perspective, technology companies led the way, accounting for 72% of total IPO fundraising. Other prominent sectors included closed end funds and trust based investment vehicles, demonstrating a preference by some investors for equities that offer consistent and stable yields. Interestingly, DWF Group also successfully obtained a premium listing on the Main Market, becoming the first law firm to do so.
>
> **Svetlana Marriott, Partner, UK Capital Markets Group**

H1 2019 – Headlines for UK IPOs

£4.4 billion — IPO funds raised, 4% up from H1 2018

21 IPOs — 49% down from H1 2018

Key metrics – H1 2019

	Main Market	AIM
Number of deals	15 IPOs	6 IPOs
IPO funds raised	£4,231 million	£215 million
Average IPO funds raised	£282 million	£36 million
Average market capitalisation on IPO	£801 million	£89 million

Key H1 2019 sectors by funds raised

Technology

£3,204m raised (7 deals)

Notable deals: Network International Holdings plc, Trainline plc, Airtel Africa plc, Finablr plc, Essensys plc and Induction Healthcare Group plc.

Investment funds

£652m raised (3 deals)

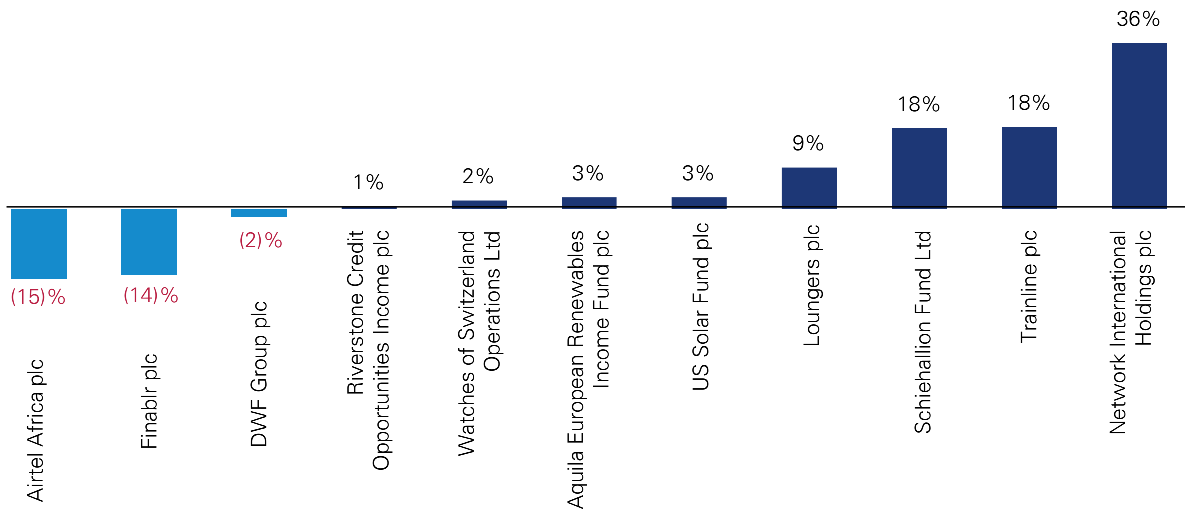
Notable deals: Schiehallion Fund Ltd, Aquila European Renewables Income Fund plc and US Solar Fund plc.

Retail

£242m raised (1 deal)

Notable deal: Watches of Switzerland Operations Ltd

After-market performance of H1 2019 IPOs (deal size > £50 million)



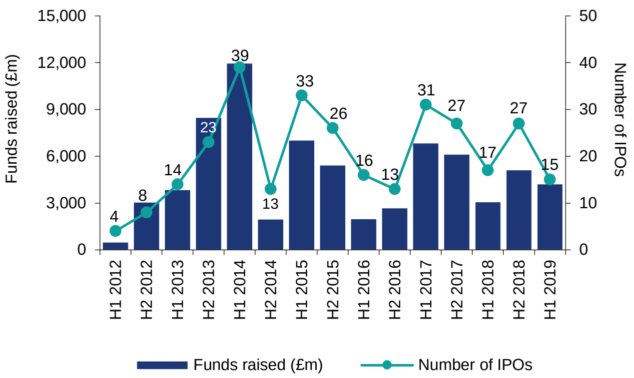
IPO review: UK Main Market and AIM

Momentum within the Main Market built throughout the first half of the year, culminating in several significantly sized IPOs in Q2. This is indicative of a preference from some investors for larger, more liquid stocks.

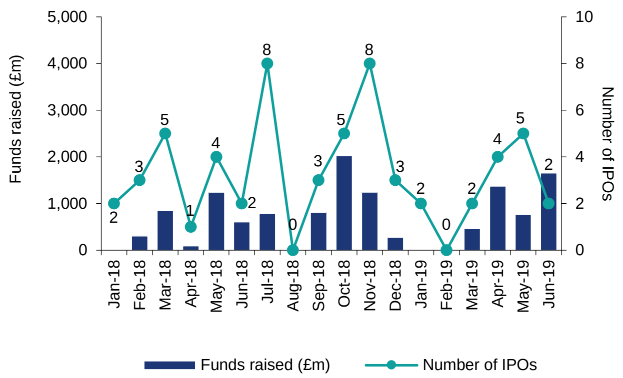
Positively, the post IPO performance of Main Market debutants continued to outperform the broader market, with Main Market IPOs achieving average share price growth of 33.6% compared to average growth of 10.4% across the index as a whole.

Rob Crowley, Director, UK Capital Markets Group

Main Market IPO activity (2012 to H1 2019)



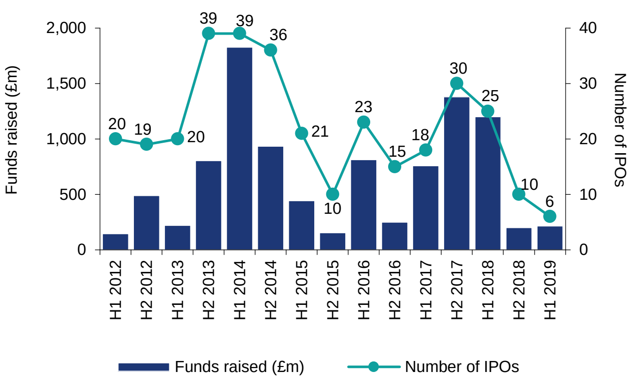
Monthly Main Market IPO activity (Last 18 months)



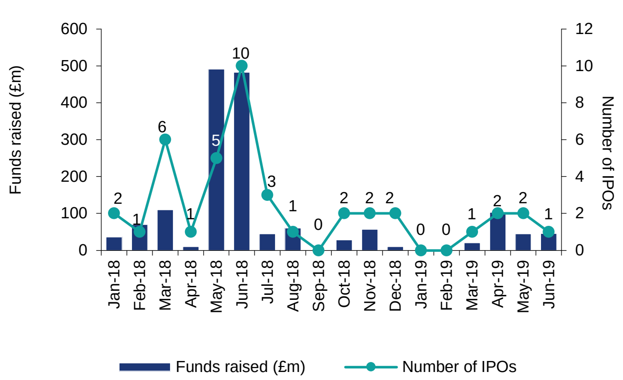
H1 2019 saw the volume of AIM IPOs drop to its lowest level since H2 2011 with external political and economic factors appearing to drive the collapse in IPO volumes. However, it is important to stress that the AIM IPO market is not closed and the successful IPOs of companies such as Induction Healthcare in the first half of the year illustrate a continued appetite from the investment community to back innovative and entrepreneurial growth businesses with compelling equity stories, regardless of external pressures.

Adam Evans, Associate Director, UK Capital Markets Group

AIM IPO activity (2012 to H1 2019)



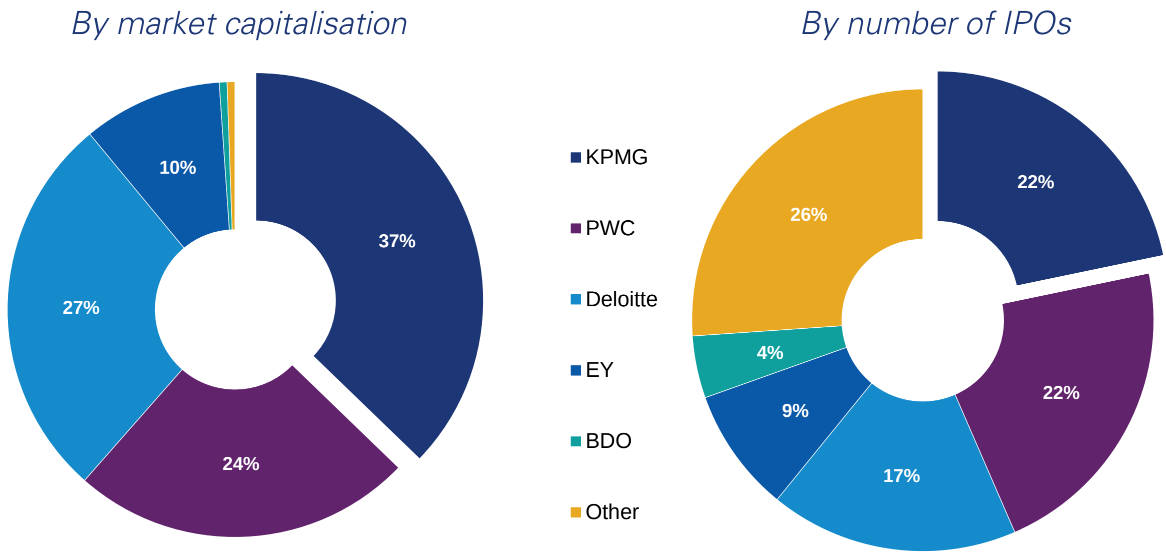
Monthly AIM IPO activity (Last 18 months)



KPMG's Capital Advisory Group

Our highlights of H1 2019

H1 2019 IPO reporting accountant market share



Source: Dealogic, London Stock Exchange statistics, Company announcements, KPMG analysis

KPMG has market leading credentials in IPO reporting accountant work and more widely assists and advises on a range of equity capital market transactions

— During the first half of 2019 KPMG achieved a market leading position in the UK IPO reporting accountant marketplace, acting on several of the highest profile listings including Network International, Trainline and Watches of Switzerland.

— More widely, our UK Capital Markets Group are currently engaged on some of the largest and most complex active equity capital market transactions (including class 1 acquisitions and disposals, reverse takeovers, and demergers) which are due to complete later in the year or early in 2020.

— KPMG's Equity Capital Markets Advisory team has also had an active first half of the year. The team have been heavily involved in delivering independent financial advice across a range of public company fundraisings and IPO dual-tracks, as well as providing hands-on IPO support for a number of KPMG clients. Alongside execution, our ECM Advisory team has organised a well-attended IPO forum and has given a number of IPO workshops for companies wanting to understand how to prepare for the IPO journey.

Our equity capital market services

Pre-IPO

- Pre-IPO readiness assessment
- Reward structuring
- Independent IPO advisor
- Tax structuring

IPO execution

- IPO reporting accountant
- Independent IPO advisor
- Company support and accounting advisory

Post-IPO

- PLC reporting accountant
- ECM advisory
- Investor relations support

KPMG can advise you throughout the IPO lifecycle

Some or all of the services described above may not be permissible for certain KPMG audited entities (and their affiliates or related entities) and not all services can be performed for any single organisation. Please contact a member of our Capital Advisory Group for further details.

Our selected recent transactions

Main Market and AIM IPOs

Key:
Main Market
AIM

Financial Services

KPMG
AJ Bell
Transaction Services
- Reporting Accountant
- Main Market IPO
£650 million
December 2018

KPMG
Amigo Holdings
Transaction Services
- Reporting Accountant
- Main Market IPO
£1.5 billion
July 2018

KPMG
Quilter
Transaction Services
- Reporting Accountant
- Main Market IPO
£2.9 billion
June 2018

KPMG
EJF Investments
Transaction Services
- Reporting Accountant
- Main Market IPO
£101 million
April 2017

Funds

KPMG
Odyssean Investment Trust
Transaction Services
- Reporting Accountant
- Main Market IPO
£90 million
April 2018

KPMG
Baillie Gifford US Growth Trust
Transaction Services
- Reporting Accountant
- Main Market IPO
£173 million
March 2018

KPMG
Aberdeen Standard European Logistics Income
Transaction Services
- Reporting Accountant
- Main Market IPO
£188 million
December 2017

KPMG
AEW UK Long Lease REIT
Transaction Services
- Reporting Accountant
- Main Market IPO
£80 million
June 2017

Technology

KPMG
Trainline
Transaction Services
- Reporting Accountant
- Main Market IPO
£1.7 billion
June 2019

KPMG
Network International Holdings
Transaction Services
- Reporting Accountant
- Main Market IPO
£2.2 billion
April 2019

KPMG
The Simply Biz Group
Transaction Services
- Reporting Accountant
- AIM IPO
£121 million
April 2018

KPMG
Shearwater Group
Transaction Services
- Reporting Accountant
- AIM IPO
£41 million
April 2017

Other

KPMG
DWF Group Limited
Transaction Services
- IPO Assist
- Main Market IPO
£366 million
March 2019

KPMG
Watches of Switzerland Group
Transaction Services
- Reporting Accountant
- Main Market IPO
£647 million
May 2019

KPMG
THEWORKS.CO.UK
Transaction Services
- Reporting Accountant
- Main Market IPO
£109 million
July 2018

KPMG
Escape Hunt
Transaction Services
- Reporting Accountant
- AIM IPO
£29 million
May 2017

Our selected recent transactions

Main Market and AIM IPOs

Key:
Main Market
AIM

Healthcare

Induction Healthcare Group	Transaction Services	- Reporting Accountant - AIM IPO	£34 million	May 2019
Okyo Pharma	Transaction Services	- Reporting Accountant - Main Market IPO	£7.9 million	July 2018
Creo Medical Group	Transaction Services	- Reporting Accountant - AIM IPO	£154 million	July 2018
Diurnal Group	Transaction Services	- Reporting Accountant - AIM IPO	£124 million	March 2018

Manufacturing/Logistics

Xeros Technology Group	Transaction Services	- Reporting Accountant - AIM IPO	£63 million	December 2018
Aston Martin Lagonda Global Holdings	Transaction Services	- Reporting Accountant - Main Market IPO	£4.3 billion	October 2018
Eddie Stobart Logistics	Transaction Services	- Reporting Accountant - AIM IPO	£533 million	June 2018
Strix Group	Transaction Services	- Reporting Accountant - AIM IPO	£247 million	April 2017

Natural Resources

Valeura Energy	Transaction Services	- Reporting Accountant - Main Market IPO	£149 million	April 2019
Bellzone Mining	Transaction Services	- Reporting Accountant - AIM IPO	£16 million	July 2018
Serinus Energy	Transaction Services	- Reporting Accountant - AIM IPO	£36 million	May 2018
Yu Group	Transaction Services	- Reporting Accountant - AIM IPO	£172 million	March 2018

Our selected recent transactions

Other equity capital market transactions

Key:
Main Market
AIM

KPMG
The Renewables Infrastructure Group
Transaction Services
- Reporting Accountant
- Share issuance programme

£302 million
March 2019

KPMG
Low & Bonar
Transaction Services
- Reporting Accountant
- Rights issue

£54 million
February 2019

KPMG
Grainger
Transaction Services
- Reporting Accountant
- Acquisition of GRIP REIT plc

£396 million
November 2018

KPMG
Old Mutual
Transaction Services
- Reporting Accountant
- Managed separation of the Anglo-South African financial services group

£7.9 billion
June 2018

KPMG
Atlantis Resources
Transaction Services
- Reporting Accountant
- Reverse acquisition of SIMEC Uskmouth Power

£136 million
June 2018

KPMG
Ascential
Transaction Services
- Reporting Accountant
- Sale of its Ascential Exhibitions business to ITE

£300 million
June 2018

KPMG
Capita
Transaction Services
- Reporting Accountant
- Rights issue

£681 million
May 2018

KPMG
French Connection
Transaction Services
- Reporting Accountant
- Sale of Toast (Mail Order) Ltd

£23.3 million
April 2018

KPMG
Cineworld Group
Transaction Services
- Reporting Accountant
- Acquisition of US cinema chain, Regal Entertainment Group

$3.6 billion
February 2018

KPMG
Proactis
Transaction Services
- Reporting Accountant
- Re-admission to AIM following the reverse takeover of Perfect Commerce LLC

£167 million
August 2017

KPMG
Savannah Petroleum
Transaction Services
- Reporting Accountant
- Reversed acquisition of certain assets of Seven Energy

$270 million
December 2017

KPMG
British American Tobacco
Transaction Services
- Reporting Accountant
- Class 1 acquisition of Reynolds

$49 billion
July 2017

KPMG
Wizz Air
Transaction Services
- Reporting Accountant
- Class 1 acquisition of 10 aircraft

$1.2 billion
July 2017

KPMG
TT Electronics
Transaction Services
- Reporting Accountant
- Class 1 disposal of its Transportation Sensing & Control Division

£119 million
July 2017

KPMG
RM
Transaction Services
- Reporting Accountant
- Class 1 acquisition of the Education and Care Business division of Connect Group plc

£57 million
February 2017

KPMG
Phoenix Group
Transaction Services
- Reporting Accountant
- Class 1 acquisition

£935 million
December 2016

Report Methodology Notes:
Data in this report has been sourced from Dealogic. Data relating to "Average returns in 2019" for FTSE100 and FTSE All-Share under the heading "2019 IPO Companies have outperformed the broader number" on page 2 has been sourced from Thomson Reuters Datastream. Data contained in this report has been generated at 30 June 2019 and includes priced transactions only. In this document, UK includes LSE Main Market and Alternative Investment Market (AIM). Where report refers to "Placings", this consists of accelerated transactions (including rights issue rump placings), bought deals, fully marketed follow-ons, cash placings, PIPE transactions, at-the-market transactions, top-up placement transactions, and registered direct offerings as per Dealogic classifications. Where the report refers to "Rights Issues" this consists of rights issues, open offers and other guaranteed preferential allocation transactions as per Dealogic classifications. Note that Dealogic data only captures Rights Issue deal volumes when the results of the rights issue are announced, post-trading of the rights. For individual rights issue transactions shown on pages 4 and 6, total deal value includes the value of the rump placing at the placing price. After-market performance across Main Market and AIM IPOs has been calculated by taking an average of the percentage change between the offer price and prevailing closing share price as at 30 June 2019 over all IPOs that have been successfully admitted to trading in the period.

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