



UK Equity Capital Markets Update: Winter 2021



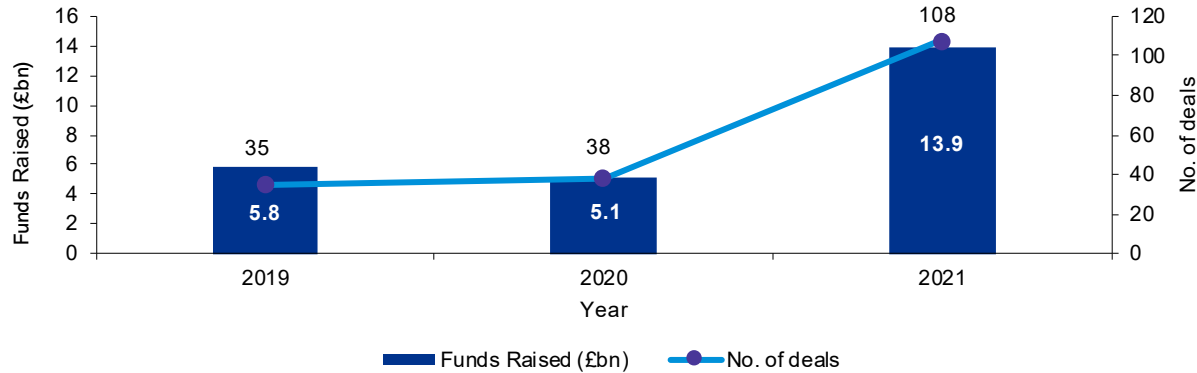
KPMG Capital Markets Advisory Group

December 2021

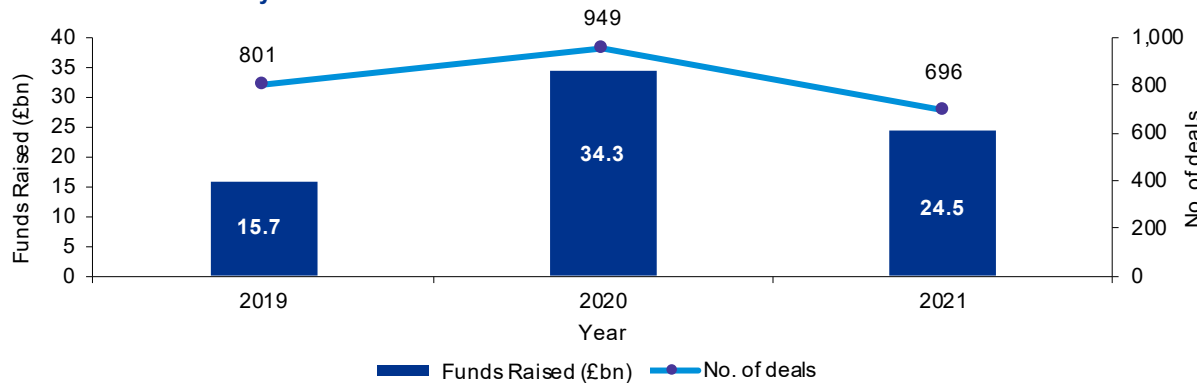


UK equity capital markets: 2019 - 2021

IPO activity: 2019 – 2021



Further Issues activity: 2019 – 2021



£38.4 bn

Total Funds Raised

(3)% on 2020

79% on 2019

£13.9 bn

Funds Raised via IPO

173% on 2020

140% on 2019

108

IPOs

184% on 2020

209% on 2019

£24.5 bn

Funds Raised via further issues

(29)% on 2020

56% on 2019

Note: Given the timing of publication (December 2021), all 2021 data presented in this report is based on the period Jan-21 to Nov-21. For further details on data methodology and sources, please refer to our "Methodology" on page 15.



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KPMG's Capital
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Reflections on 2021

2021

An extremely strong year for UK equity capital markets, which continue to demonstrate their enduring appeal and value to investors and businesses internationally.

A bumper year for IPOs:

- 2021 proved to be a resurgent year for UK IPOs. In spite of ongoing Covid-19 related uncertainty and wider market volatility, a total of 108 companies have so far come to market in London in 2021, more than 2020 (38) and 2019 (35) combined. Particularly pleasing to see was the significant increase in AIM IPOs during 2021, which jumped from 16 in 2020 to 55 in 2021, reversing the trend of recent years in which IPO volumes on this market were relatively suppressed.
- Key drivers behind the increase in the volume of IPOs this season include many LSE new comers benefitting from pent up investor demand built over the Covid-19 period for attractive IPO candidates, and more generally relatively strong equity market conditions.

Further Issues were down year on year but remain strong:

- Funds Raised via Further Issues reached record levels (£34.3 billion) during 2020, as listed companies tapped into their investor base to access liquidity during uncertain, and for many, challenging trading conditions. 2021 saw a reduction year on year in Further Issue fund raises of 29%, down to £24.5 billion. However, Further Issues were still up on 2019 levels (£15.7 billion) with many companies increasingly raising cash to realise investment opportunities rather than to simply ensure survival or recovery.

Financial Services and TMT were the dominant IPO sectors:

- Financial Services was the key sector from an IPO perspective, accounting for approximately 35% of total Funds Raised. This was largely driven by the market debut of 19 funds or investment vehicles, compared to only 9 and 6 in 2020 and 2019 respectively. Additionally, it was particularly interesting to see the IPO of PE giant Bridgepoint, with rumours of other PE firms set to follow suit in 2022.
- Encouragingly, TMT was the other key IPO sector (accounting for approximately 32% of total Funds Raised), demonstrating London's ability to attract high profile, fast growing tech companies, including the likes of Darktrace and Deliveroo.

London remains the leading European IPO venue:

- Positively, the UK once again demonstrated its position as the leading European IPO venue: total IPO Funds Raised in London were £13.9 billion, ahead of Stockholm (with Funds Raised of approximately £9.4 billion, including £1.7 billion raised by the IPO of Volvo) and Amsterdam (approximately £7.2 billion).

Many UK public companies also actively pursued other strategic transactions, in particular demergers:

- 2021 saw the continuation of a recent trend for public company demergers, or significant strategic acquisitions or disposals, and we expect a number of similar deals to complete in 2022. A key motivation behind many deals in the pipeline is to spin off assets into their primary geographical region of operations, driven by shareholder value considerations and increasingly, the ESG agenda.



Linda Main

Head of UK Capital Markets Advisory Group, Partner & Board Member

A warm welcome to KPMG's review of UK equity capital markets activity.

Outlook for 2022

2022

The IPO pipeline remains exceptionally strong as we enter 2022. Whilst Covid-19, inflation worries and other macro headwinds exist, we expect the positive momentum of 2021 to continue, with IPOs anticipated to be delivered both by private issuers and through public company demergers.

Reasons for cautious optimism:

- As the UK once again enters increased Covid-19 related restrictions (in Dec-21), the course of the pandemic continues to exhibit an enduring characteristic of uncertainty. However, 2021 proved that investor demand for new equity issues remains incredibly resilient in the face of this uncertainty, and our pipeline suggests this will carry forward into 2022.

Key 2022 considerations:

Looking ahead to 2022 there are several key themes and learning points from 2021 that anyone considering coming to market should carefully consider:

— Increased scrutiny of aftermarket performance:

- The aftermarket performance of new entrants in 2021 (measured over the period from the date of IPO to 30 November 2021) was varied, with 39% of large listings (market capitalisation > £200 million) recording share price drops, compared to only 13% of equivalent companies in 2019. However, the reasons for underperformance in some debutants in 2021 were very specific to individual companies and, whilst IPO candidates should take on board any lessons from this season, well prepared companies with clear and compelling equity stories should not be deterred from their IPO plans.

— Stakeholder focus on ESG:

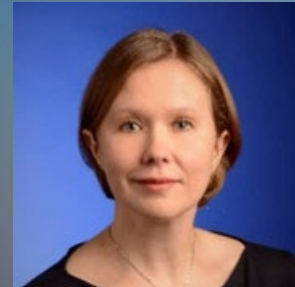
- The momentum around ESG continued to build in 2021, particularly following COP26, and we expect the trend for deals directly motivated by ESG considerations to accelerate during 2022. However, more widely, all IPO candidates are now increasingly expected to be able to clearly communicate their ESG impact to potential investors as part of their equity story and IPO diligence and this should form a key focus of pre-IPO readiness.

— Listing rules review:

- In March 2021, Lord Hill published a series of recommendations for reforms to the UK listing rules designed to make the UK market as competitive as possible, including reducing free float requirements and enabling dual class share structures. The FCA has responded with a series of new rules which became effective from Dec-21. IPO candidates will need to carefully balance their decisions to benefit from these changes with corporate governance considerations.

— Special Purpose Acquisition Companies (SPACs):

- One of the Hill recommendations also related to SPACs, and during 2021 the FCA implemented reforms to the regime which are designed to liberalise trading in SPAC shares at certain points in the SPAC lifecycle. The changes are designed to bring UK regulations more in line with the US, and whilst the UK has not yet seen a SPAC explosion as experienced across the Atlantic, these reforms may serve to encourage SPAC listings as an attractive alternative to the traditional IPO.



Svetlana Marriott

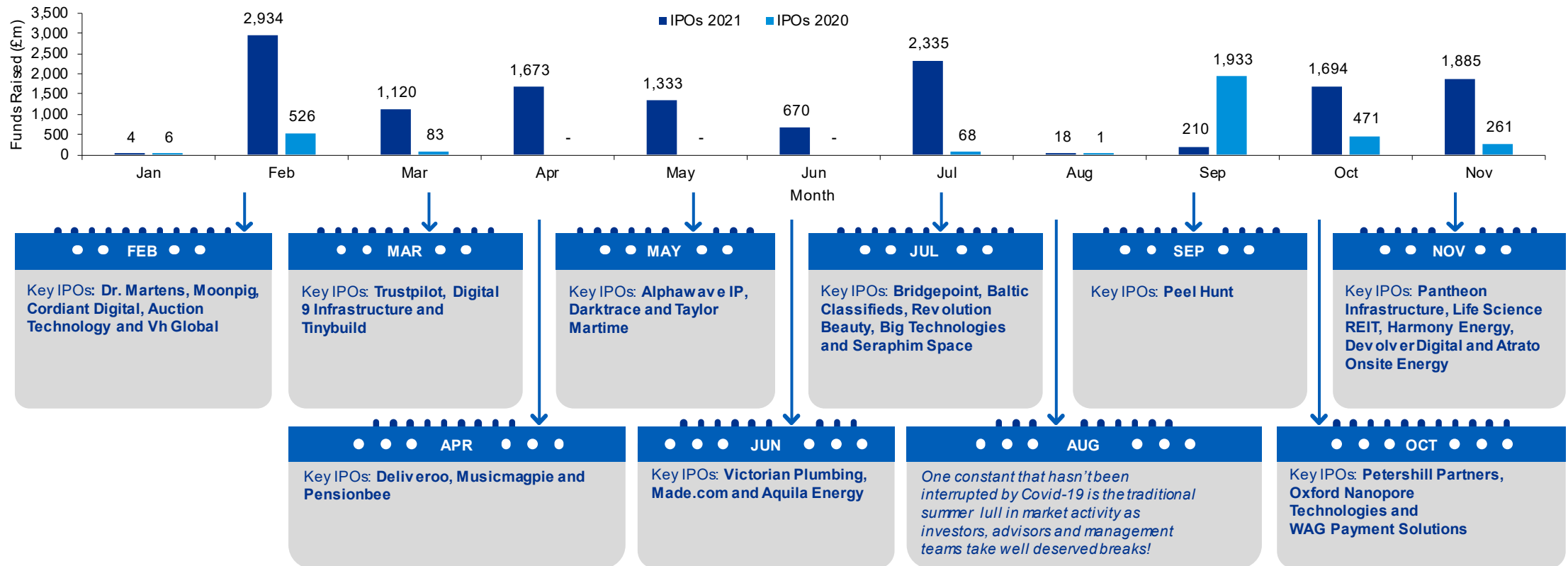
Partner, UK Capital Markets Advisory Group

We hope you find our Winter 2021 update useful. From the entire KPMG Capital Markets Advisory Group, we wish you all a safe and happy Christmas and prosperous 2022!

Monthly IPO highlights

“ Issuance activity was relatively consistent throughout 2021, excluding the traditionally quieter months of January and August. This is in stark contrast to 2020 where the IPO market was effectively suspended from Mar-20 to Aug-20, before rebounding strongly in September. Issuance activity in 2021 has peaked in November, driven by the listing of several substantial funds. However, it is notable that towards the end of 2021, a number of relatively high profile businesses such as Nord Gold and Marley cancelled IPOs late in the process, whilst others, such as W.A.G Payment Solutions, proceeded but with a cut to the size and price of the offer. Market volatility arising due to unending Covid-19 related uncertainty, inflationary pressures and the prospect of interest rate rises was the most common cause cited, however, it is also likely that following a bumper first ten months of the year, investors powder was running dry, before new allocations are made for 2022.”

IPOs in 2021 and 2020 (January - November 2021) - Funds Raised (£m)



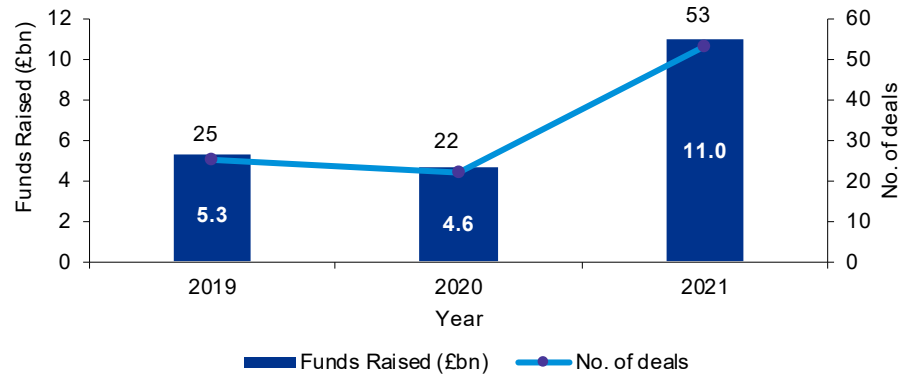
Note: IPOs listed are the top 5 in the month with Funds Raised greater than £100 million.



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Main Market analysis

Main Market IPOs (2019 – 2021)



- 53 companies have so far listed on the Main Market in 2021, the most in any year since 2017.
- Total Funds Raised were £11.0 billion, led by Deliveroo (£1.5 billion).
- Average Funds Raised on IPO decreased very slightly year on year to £208 million in 2021, from £209 million in 2020.

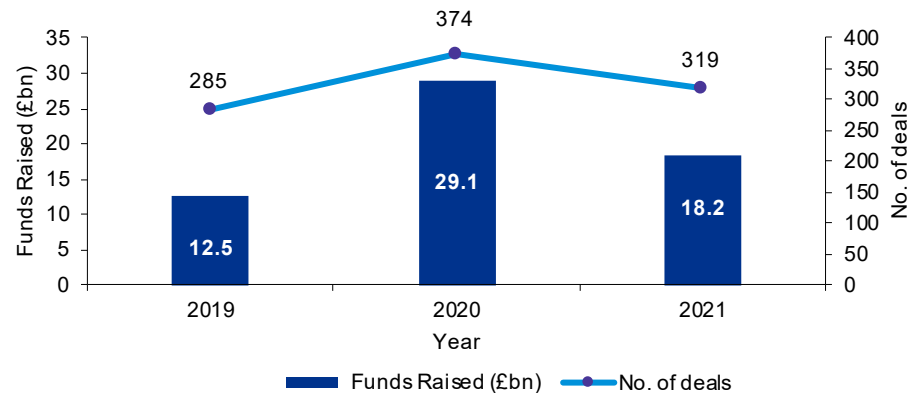


London's Main Market continues to operate as the premium listing destination in Europe, securing significant domestic issuances from the likes of Deliveroo and Oxford Nanopore Technologies.”



Adam Evans
Director, UK Capital Markets Advisory Group

Main Market Further Issues (2019 – 2021)



- £18.2 billion was raised by Main Market companies during 2021.
- Prudential led the pack in 2021, raising £1.8 billion to help fund Asian expansion, followed by TUI who raised £1.7 billion to reduce debt largely amassed during the Covid-19 period.
- Average Funds Raised per issuance were down from £78 million in 2020 to £57 million in 2021.

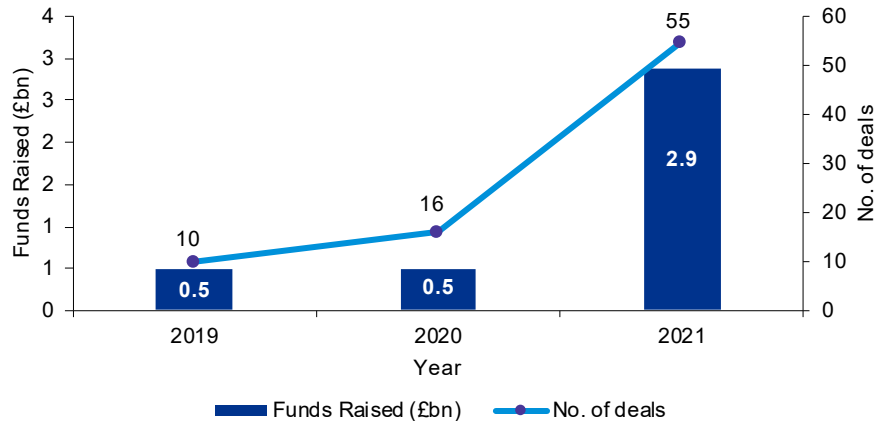


During 2020 many Main Market companies turned to investors to access cash during times of extreme uncertainty and trading pressure.

2021 saw a partial return to normality with further issues considerably lower year on year, and whilst a number of businesses continued to raise funds to support survival and recovery, others saw opportunities to invest in organic and inorganic growth.”

AIM analysis

AIM IPOs (2019 – 2021)



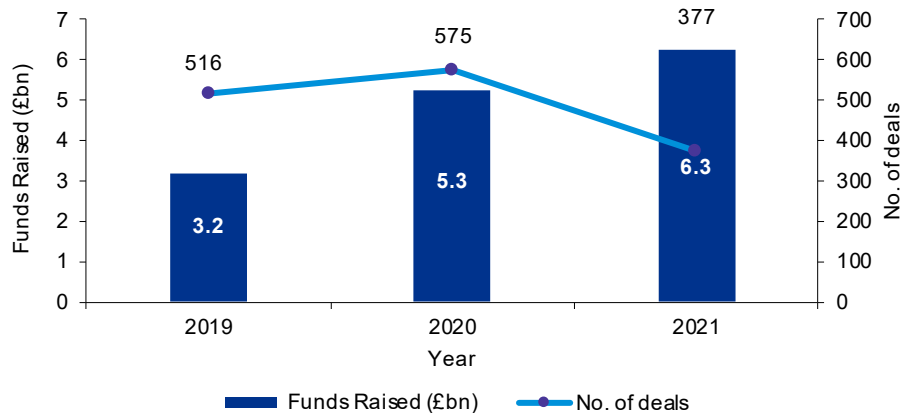
- 55 companies have so far been admitted to AIM this year.
- Total Funds Raised were £2.9 billion led by Life Science REIT (£350 million).
- Victorian Plumbing Group was the largest entity to IPO by value, with a market capitalisation on admission of £1 billion (and Funds Raised of £298 million).
- Average Funds Raised on IPO were £53 million, an increase from £31 million in 2020.



AIM enjoyed a blockbuster 2021, with the highest number of market debutants since 2014.

The newly admitted companies comprised a diverse bunch, from the sizeable £1 billion IPO of Victorian Plumbing Group through to smaller offerings from international businesses such as TinyBuild (a US Video Games publisher) and Cornish Metals (a Canadian mining company) highlighting the attractiveness of AIM to an international audience.”

AIM Further Issues (2019 – 2021)



- £6.3 billion was raised by AIM companies during 2021.
- Average Funds Raised per issuance were £17 million, an increase from the average of £9 million raised in 2020.
- The average was considerably boosted by a £422 million placing by Jet2 in 2021 (compared to the largest in 2020 being a £250 million placing by Asos).



2020 saw a large volume of AIM constituents seek shareholder support to navigate trading through Covid-19.

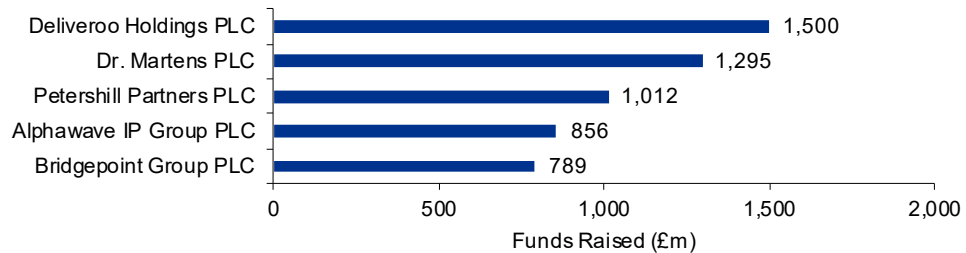
Unlike the Main Market, Funds Raised via further issues actually increased in 2021, driven by a smaller number of larger issuances.”



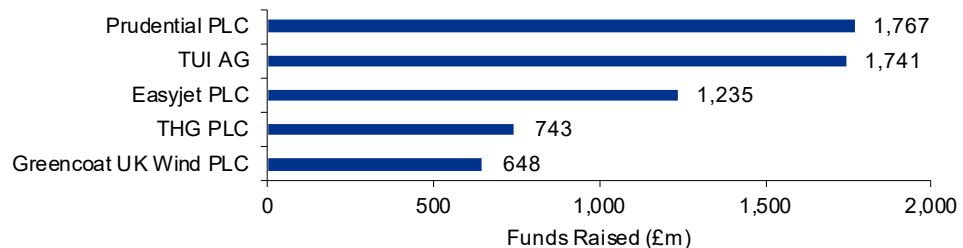
Rob Crowley
Director, UK Capital Markets Advisory Group

Key transactions and hot sectors

Top 5 IPOs of 2021 by Funds Raised (£m)



Top 5 Further Issues of 2021 by Funds Raised (£m)



IPO Sector Split



Financial Services

£4.9bn

Petershill Partners, Bridgepoint, Pantheon Infrastructure, Cordiant Digital, Life Science REIT



TMT

£4.5bn

Deliveroo, Alphawave IP, Trustpilot, Baltic Classifieds, Auction Technology



Retail and Consumer

£3.1bn

Dr. Martens, Moonpig, Revolution Beauty, Victorian Plumbing, Made.com Group



Healthcare

£0.5bn

Oxford Nanopore, Trellus, Poolbeg, Arecor, Belluscura



Indrials and Business Services

£0.5bn

W.A.G Payment Solutions, Taylor Maritime, Lords Group, Saitta Group, Stelrad



ENR

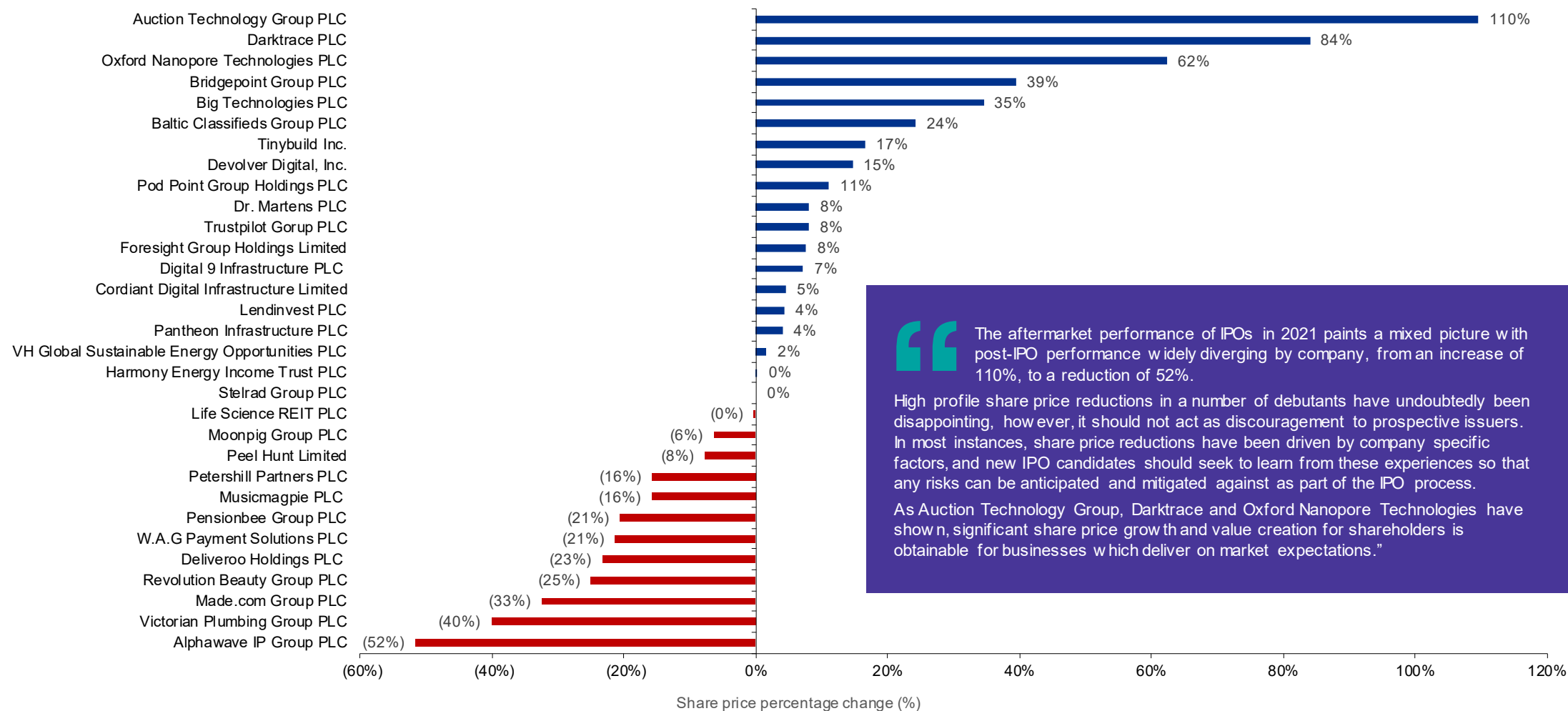
£0.4bn

Pod Point, Hydrogenone Capital, Ashtead Technology, Tungsten West, Gelion

- London continues to attract a diverse range of market debutants across all key sectors.
- Financial Services was overall the strongest performing sector in 2021, driven by the listing of several funds towards the end of the year, and the IPO of PE firm Bridgepoint.
- Encouragingly, Technology orientated businesses led the way in 2021, with some businesses eschewing US IPOs in favour of London, giving a boost to the UK and this high profile, fast growing sector.

After-market performance 2021

After-market performance of 2021 IPOs as at 30 November 2021 (marketcap > £200 million)



“The aftermarket performance of IPOs in 2021 paints a mixed picture with post-IPO performance widely diverging by company, from an increase of 110%, to a reduction of 52%.

High profile share price reductions in a number of debutants have undoubtedly been disappointing, however, it should not act as discouragement to prospective issuers. In most instances, share price reductions have been driven by company specific factors, and new IPO candidates should seek to learn from these experiences so that any risks can be anticipated and mitigated against as part of the IPO process.

As Auction Technology Group, Darktrace and Oxford Nanopore Technologies have shown, significant share price growth and value creation for shareholders is obtainable for businesses which deliver on market expectations.”



KPMG'S UK Capital Markets Advisory Group



KPMG's UK Capital Markets Advisory Group

An IPO is often the most complex and strategically important transaction a company and management team can undertake.

KPMG's UK Capital Markets Advisory Group will support you every step of the way. We have worked on some of the most complex UK IPOs and public company transactions in recent years, across all sectors, and we bring this experience and our expertise to every management team we work with. Our approach is designed to be personal, working closely and collaboratively alongside you to deliver the most efficient and effective transaction processes.

-24 to -12
Months

-18 to -6
Months

-9 to 0
Months

As
required

Strategic options analysis



IPO workshop:

- A half day complimentary workshop designed as a collaborative session with senior management to both provide information and initiate the process of highlighting key considerations relevant to you.
- The workshop can be tailored to cover the aspects of the IPO process most relevant to your circumstances, and can be expanded to cover wider strategic options such as dual track considerations.

Pre-IPO



IPO readiness assessment:

- Early preparation significantly increases the probability of delivering a successful IPO.
- Our IPO readiness assessment is designed to be a tailored but comprehensive readiness and gap analysis which provides you with an outside-in view of key focus areas.
- Typical areas covered include: Governance; Financial Reporting; Financial Planning; Systems & Controls; Human Resources; Tax; Technology and ESG.

IPO Execution



IPO reporting accountant

- KPMG is one of the market leaders in IPO reporting accountant work. Our team is hugely experienced and works across all sectors.
- As reporting accountant we provide a comprehensive suite of deliverables required for the IPO process, including accountant's reports over historical and pro forma financial information, long form, working capital and financial position and prospects due diligence reports, and a suite of private comfort letters.

IPO support

- Throughout an IPO process you will be at the epicentre of conflicting requests, priorities and demands. KPMG can help significantly ease the burden on management teams across any and all workstreams.
- Our areas of support include (but are not limited to): preparation of financial information; financial model build and/or development; preparation of IPO related board memoranda; tax and remuneration planning and structuring; systems and controls review and development; technology related reviews and enhancements; preparation of listing documentation; and, project management.

Post-IPO



Reporting Accountant

- Whether embarking on a significant acquisition or disposal, a fund raise or a demerger, KPMG can provide reporting accountant services designed to facilitate the most efficient post-IPO transactions possible.

Transaction Support

- Post-IPO transactions, such as cross-border demergers, can be extremely complex. KPMG has worked on some of the largest and most complex deals in recent years and brings expertise and insight to these processes (including a comprehensive suite of integration / separation services as required).



Selected recent IPO and demerger credentials



Moonpig Group PLC

Acted as tax, legal and accounting advisor on the demerger and Main Market IPO of Moonpig

£1.2 billion
February 2021



Virgin Wines UK Plc

Acted as Reporting Accountant on Virgin Wines AIM IPO

£110 million
February 2021



Foresight Group Holdings Limited

Acted as Reporting Accountant on Foresight Group Holdings Limited's Main Market IPO

£455 million
February 2021



Deliveroo Holdings plc

Acted as support advisor on Deliveroo Holdings plc's Main Market IPO

£7.6 billion
April 2021



Alphawave IP Group plc

Acted as Reporting Accountant on Alphawave IP's Main Market IPO

£3.2 billion
May 2021



Kitwave Group PLC

Acted as Reporting Accountant on Kitwave Group PLC's AIM IPO

£105 million
May 2021



Thungela Resources Limited

Acted as Transaction Advisor on the demerger and Main Market IPO of Thungela Resources

\$1.3 billion
June 2021



Baltic Classifieds Group PLC

Acted as Reporting Accountant to Baltic Classifieds Group PLC on their Main Market IPO

£856 million
July 2021



Hydrogenone Capital Growth PLC

Acted as Reporting Accountant on Hydrogenone's Main Market IPO

£109 million
July 2021



Microlise Group PLC

Acted as advisor on Microlise Group PLCs AIM IPO

£157 million
August 2021



Petershill Partners PLC

Acted as Reporting Accountant on Petershill Partners PLC's Main Market IPO

£4 billion
October 2021



Tortilla Mexican Grill PLC

Acted as Reporting Accountant on Tortilla Mexican Grill PLC's AIM IPO

£70 million
October 2021

Note: Deal Size equates to market capitalisation on IPO



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Methodology

Sources used:

UK IPO data and further issues: [Primary markets New issues and IPOs Reports | London Stock Exchange](#)

- The data was extracted from the above LSE website for both “New issues and IPOs” and “Further Issues”, which were both filtered for the date range 01/01/19-30/11/2021
- IPOs have been classified as per LSE criteria, reflecting “New Company Placings” only
- IPO funds raised are based on Total Funds Raised (including new and already issued shares)
- IPO sectors were categorised by KPMG based on FTSE Sector and Subsector characteristics
- Further Issue volume numbers exclude any equity issues where no funds were raised
- Aftermarket performance was calculated as the variance between the Issue Price per the LSE data set above, and the closing share price as at 30/11/2021 as per Yahoo Finance.

European IPO data: <https://www.fese.eu/statistics/#ipo>

- Funds Raised values were based on Investment Flow values for newly and already issued shares
- Amounts were translated from EUR to GBP using [December 2021: monthly exchange rates - GOV.UK \(publishing.service.gov.uk\)](#), the exchange rate being £1 = €1.1907.
- Euronext IPOs were allocated to individual exchanges (e.g. Amsterdam, Brussels, etc.) based on the country of incorporation of the company



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