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# Market Tracker Trend Report
## Trends in UK Equity Capital Markets

June 2019

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# Scope

## Background and approach

This report aims to provide an insight into the current dynamics of equity capital market **(ECM)** activity within the United Kingdom.

LexisNexis Market Tracker has conducted research to examine current market trends in respect of ECM transactions during 2018, using 2017 and 2016 ECM transactions for comparative purposes. We reviewed a total of 159 IPOs (69 on the Main Market and 90 on AIM) and a total of 536 secondary offer transactions (292 on the Main Market and 244 secondary offerings on AIM).

The percentages included in the report have been rounded up or down as appropriate. Accordingly, the percentages may not in aggregate add up to 100%.

Where gross proceeds have been calculated, the figures refer to the gross proceeds received by the company and not the total gross proceeds raised, except where indicated otherwise.

## Trend report thresholds

Our thresholds are defined by the scope of the transactions covered by Lexis®PSL Market Tracker:

- Main Market IPOs with a market capitalisation of £100 million or more on admission
- AIM IPOs with a market capitalisation of £25 million or more on admission
- Secondary offerings (placings, open offers, offers for subscription and rights issues) raising £10 million or more in gross proceeds for the company

Transfers from AIM to the Main Market and introductions are not included.

Market capitalisation has been calculated based on closing price on the day of admission.

# IPO summary

**Brexit uncertainty dampens IPO activity but, despite caution, 2018 activity remains higher than in 2016.**

## Main Market

2018 marked a slight decrease in IPO activity on the Main Market, following a relative peak in transaction volume the previous year. This reduced deal volume combined with a lower average in gross proceeds raised by issuers and an overall decline in aggregate market capitalisation. Although this indicates a decline in investor appetite, activity levels and deal values in 2018 were still up on 2016, when IPO activity slowed down to its lowest level in the past seven years.

Our research found more companies announcing an intention to float, or even releasing a prospectus, but then subsequently abandoning or postponing their IPOs during 2018 than in 2017, suggesting that investor appetite was suppressed by market volatility and mounting uncertainty surrounding Brexit. For the companies that did list, Brexit concerns were a key factor, with over 80% of all prospectuses containing risk factors relating to Brexit considerations.

The reforms to the IPO process in relation to availability of information prior to listing had a tangible effect on the average IPO timeline. Although only a small number of companies have listed under the new rules, our research found a number of market practices emerging such as the rise of the registration document, the expectation of intention to float announcement, and a growing tendency to use a price range prospectus. This report also looks at the way companies have responded to these reforms since they came into force in July 2018.

## AIM

Although overall transaction volume dipped slightly from its 2017 recent peak, AIM showed some resilience in 2018, with the trend towards larger companies opting to list on the junior market continuing and average fundraising values remaining high. Our findings also indicate that AIM remains the more diverse of the two markets, boasting a wider range of industry sectors and range of companies in terms of country of operation and incorporation than the Main Market.

# IPOs on the Main Market[1]

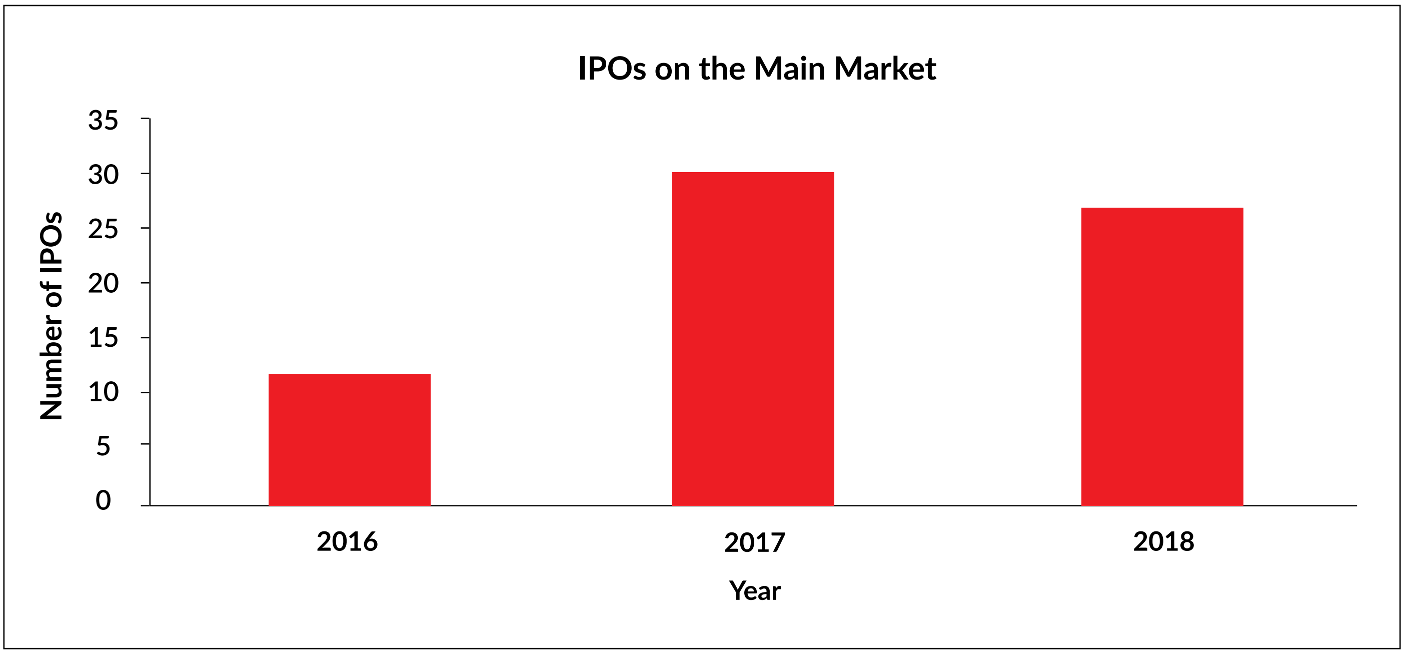
## Transaction Volume

### IPO deal volume struggles to match 2017

27 companies within our scope listed on the Main Market in 2018, representing a 10% decrease from 2017, which saw 30 IPOs on the Main Market. Unsurprisingly, uncertainty surrounding Brexit and volatility in the markets continued to subdue activity on the London Stock Exchange, suppressing investor appetite for new issues.

IPO activity has seen some recovery in 2017 and 2018 after the recent low in 2016, the year of the EU referendum, but has not matched the highs seen in 2014 and 2015.

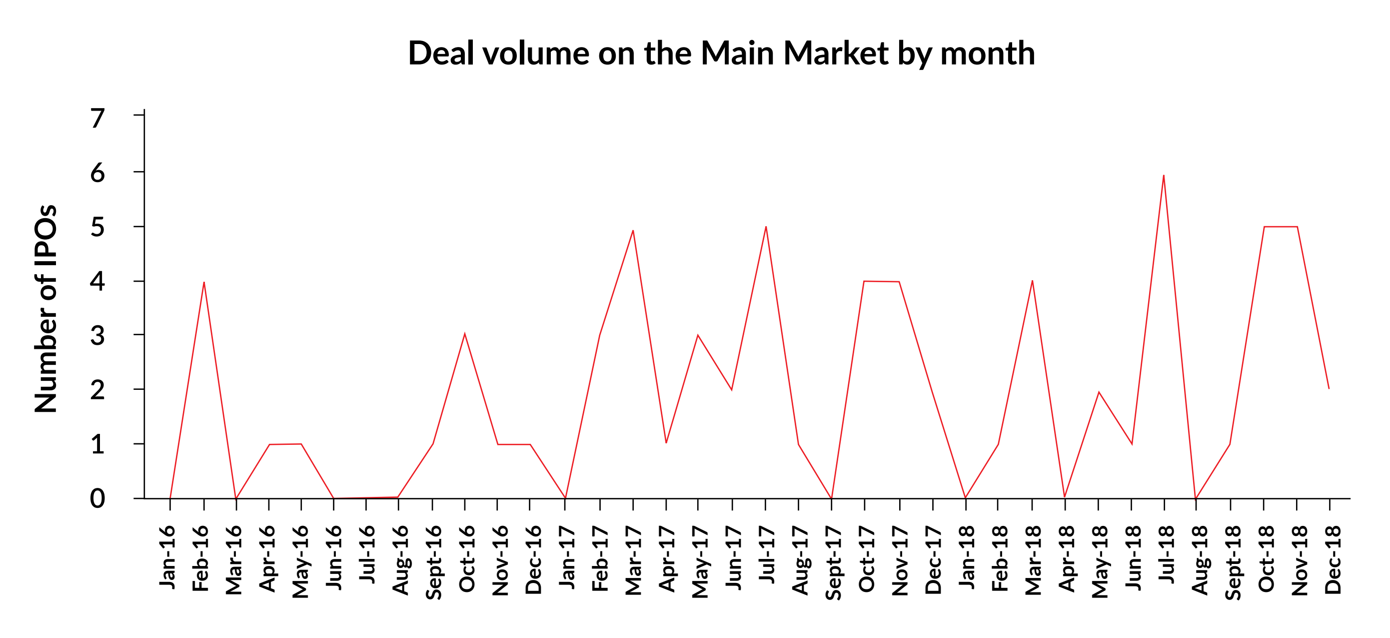
2018 also saw a record level of IPOs postponed or cancelled as companies struggled to get the valuations they wanted or investors shied away. These are looked at in more detail in the section headed 'Postponed or cancelled IPOs' below.




Brexit continued to feature in risk factors in prospectuses with 22 companies (81.5%) including Brexit as a risk factor in their IPO prospectuses, an increase from 2017 where 62% of Main Market IPO prospectuses included a Brexit risk factor. The commercial trading companies listing in 2018 tended to include more specific Brexit related risks in their IPO prospectuses compared to the investment entities.

Please see the section 'Brexit risk factors in Main Market prospectuses' below for more detailed analysis.

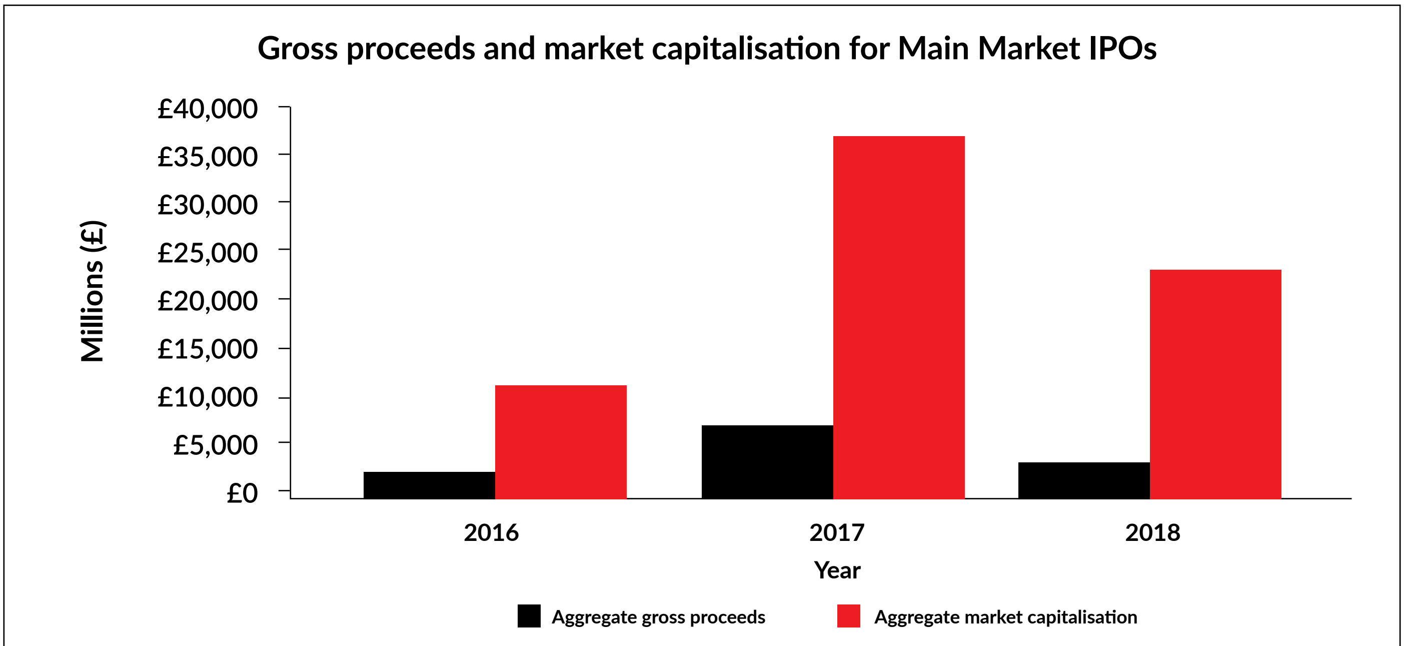
[1]This report looks at Main Market IPOs with a market capitalisation of £100 million or more on admission.




Our findings show that there were no new listings in January, April or August in 2018. July saw the most activity, with six companies listing that month. November and December combined saw seven companies listing, which may be down to a rush by companies to get their IPOs completed before the end of the year and the anticipated downturn in 2019 as Brexit preparations come to a head.

## Gross proceeds and market capitalisation[2]

### Gross proceeds and market capitalisation dipped again in 2018 following an active 2017




[2]Gross proceeds only includes proceeds received by the company and not proceeds received by selling shareholders (save where indicated otherwise). Market capitalisation is calculated based on the closing price on the day of admission.

The aggregate gross proceeds raised by the companies within our scope in connection with an IPO decreased by 52.7% in 2018, from £7,550.3 million in 2017, to £3,569.5 million in 2018. Our findings indicate that there were 10% fewer IPOs in 2018 than in 2017, which suggests that the drop in aggregate gross proceeds is consistent with a corresponding decline in transaction volume. However, we also found that average gross proceeds raised by issuers within our scope in 2018 decreased by 34.6% in comparison to 2017, from £237.2 million (2017) to £132.2 million (2018), (2016: £216.5 million).

## Market capitalisation[3]

The three largest IPOs on the Main Market in terms of market capitalisation in 2018 were:

- **Aston Martin Lagonda Global Holdings plc** (market capitalisation of £3.9 billion), the highly anticipated IPO by the luxury British carmaker completed in October 2018. The company announced a price range of between £17.50 and £22.50 and achieved a final offer price of £19, towards the lower end of the range. The company did not raise any new money, but selling shareholders sold a 25% stake in the company. The IPO consisted of both an institutional offer and a retail offer restricted to the company's employees, owners of an Aston Martin car and members of the Aston Martin Owners Club.

- **Quilter plc** (market capitalisation of £2.8 billion), the wealth management division of the financial services group Old Mutual listed in June 2018. The company did not raise any new money but Old Mutual, Quilter's parent company, was the selling shareholder. The company also listed in South Africa.

- **JSC National Atomic Company Kazatomprom** (market capitalisation of £2.4 billion), the world's biggest uranium producer listed on the Main Market on the standard listing segment of the Official List and the Kazakh Astana International Exchange in November 2018. The Kazakh sovereign wealth fund Samruk-Kazyna, which is wholly-owned by the government of Kazakhstan, sold 15% as part of the flotation, retaining 85% of the company's share capital. The shares were sold in the form of global depositary receipts (GDRs).

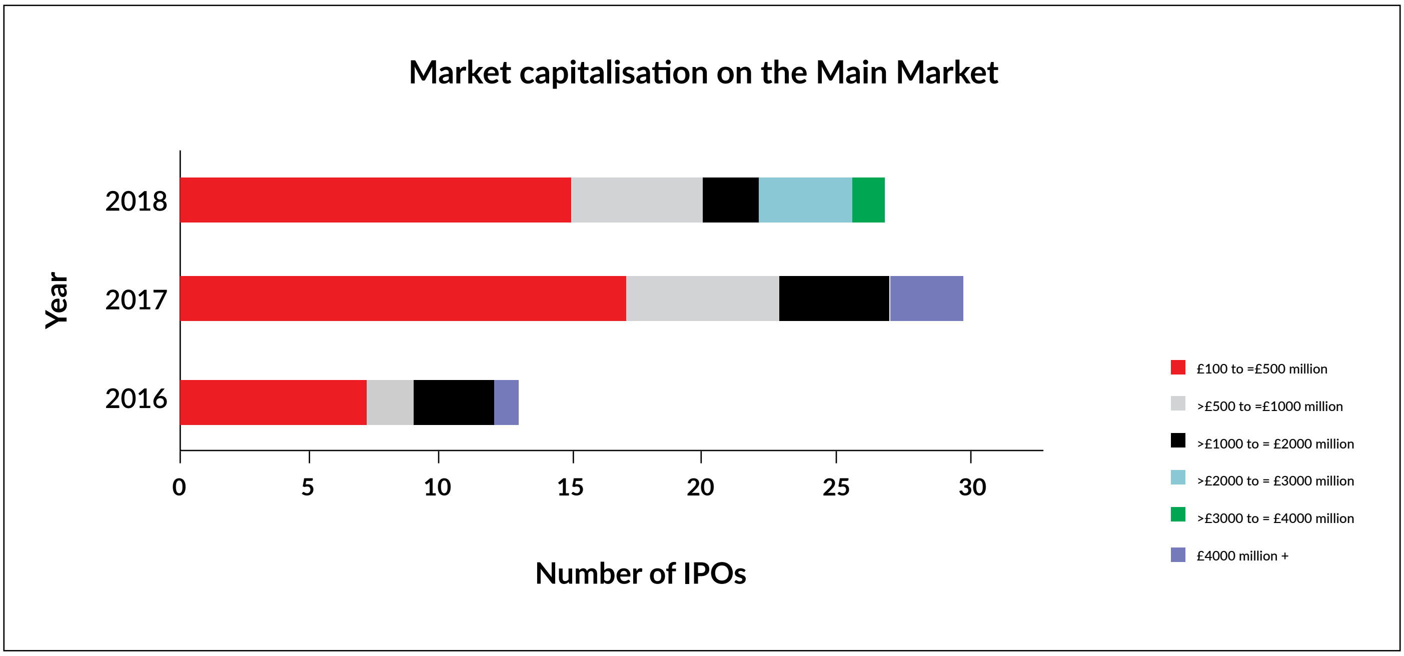
The aggregate market capitalisation of Main Market companies (within our scope) on admission decreased by 26% from 2017 to 2018.

Aggregate market capitalisation totalled £23,343.5 million in 2018, down from £36,474.3 million in 2017. In 2017, aggregate market capitalisation on admission increased 223% on the 2016 figure of £11,299.7 million.

The average market capitalisation of a company listing on the Main Market in 2018 was £864.6 million, a 29% decrease from 2017 (£1,215.8 million) (2016: £941.6 million).

[3]Market capitalisation is calculated based on the closing price on the day of admission.

## Range of market capitalisation




In 2018, the £100 to £500 million market capitalisation range remained the highest proportionately representative range for Main Market IPOs (within our scope), continuing the trend that we saw in 2016 and 2017. Four IPOs fell into the £2,000 to £3,000 million range, whereas in 2016 and 2017 there were no IPOs in this category. The Aston Martin IPO resulted in one IPO falling into the £3,000 to £4,000 million range. There were no IPOs with a market capitalisation higher than £4,000 million in 2018, whereas there were three in 2017 and one in 2016.

# Gross proceeds[4]

### Top grossing deals for issuers in 2018

- **Smithson Investment Trust plc** (raised £822.5 million in gross proceeds). The newly established investment trust achieved the largest London flotation by an investment fund to date and exceeded its initial fundraise target of £250 million by a large margin. The trust received significant investor demand and beat Patient Capital Trust's record of £800 million raised by a fund in 2015.

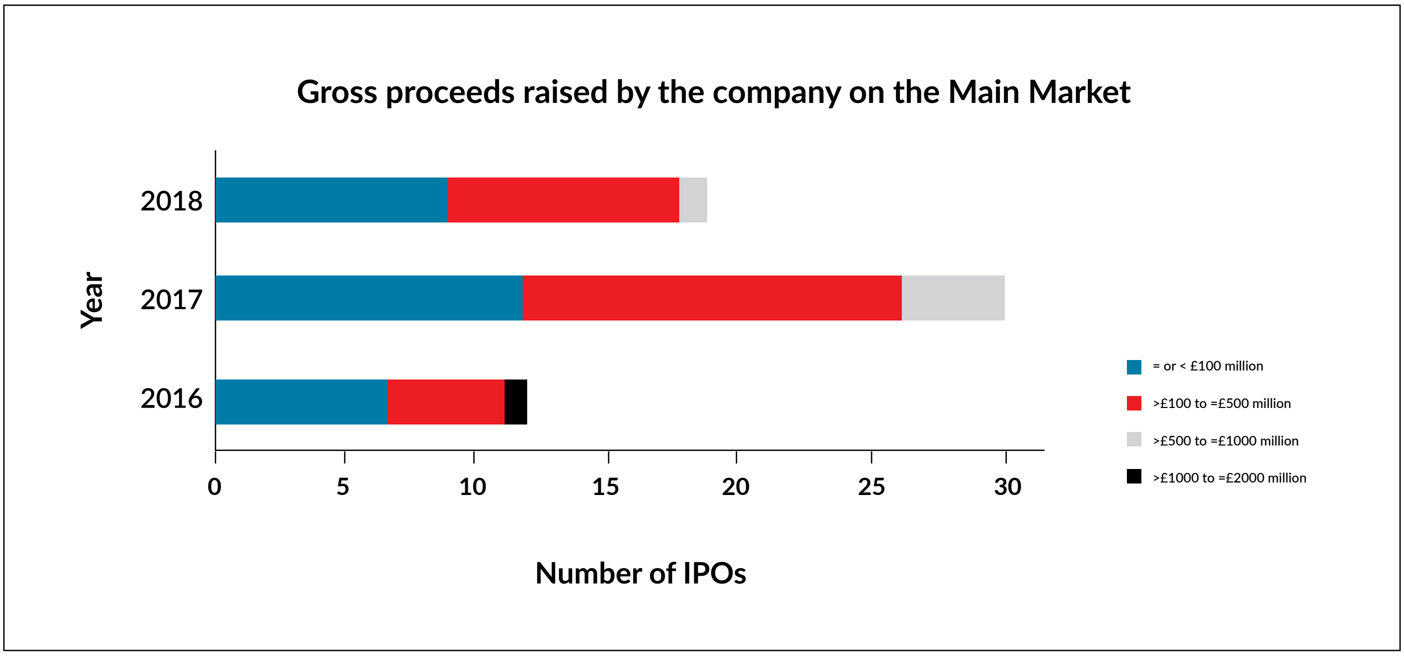
- **Energean Oil & Gas plc** (raised £330.3 million in gross proceeds). The Greek energy company listed on the Main Market to develop two Israeli offshore gas fields, bringing competitive gas to the Israeli market.

- **Funding Circle Holdings plc** (raised £300 million in gross proceeds). Funding Circle, the global small business loans platform, listed in September 2018 with a valuation of £1.5 billion.

Looking at gross proceeds including funds raised by selling shareholders, Aston Martin was the top grossing IPO of the year with £1.08 billion raised.

[4]Only gross proceeds received by the company are included, and not proceeds raised by the selling shareholders (save where otherwise indicated).

## Range of gross proceeds

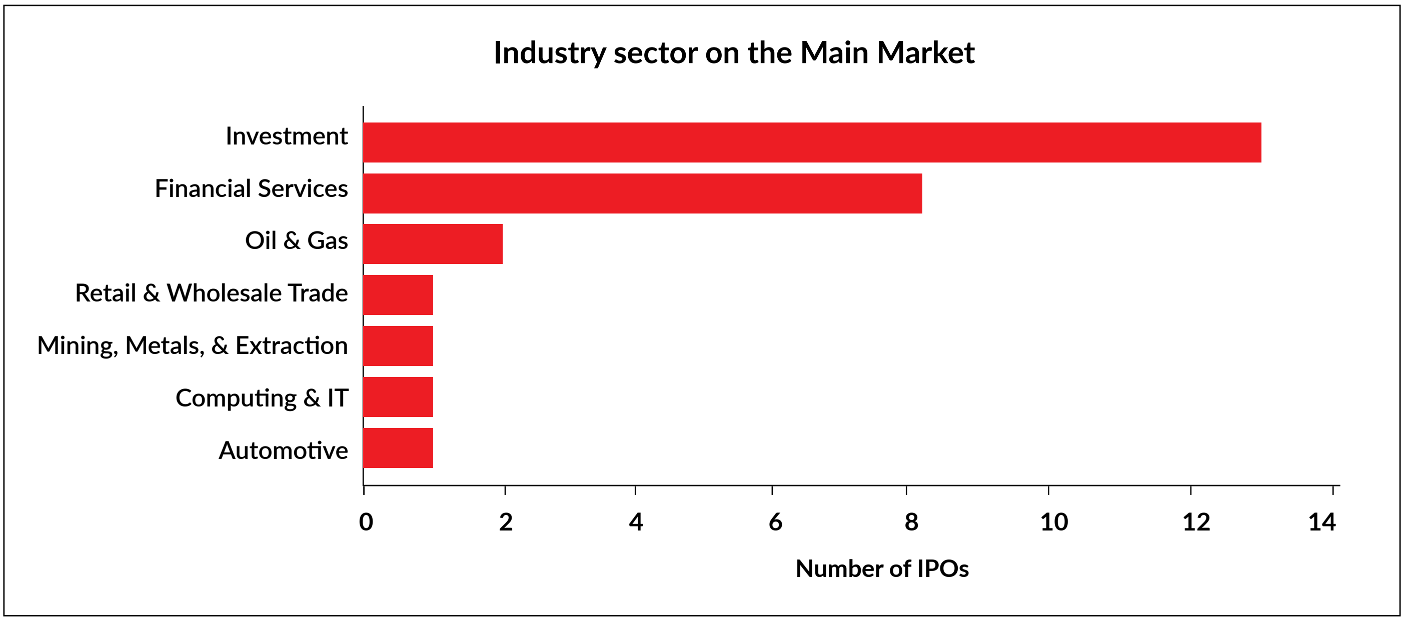



In 2018, we saw that an equal number of companies within our scope raised gross proceeds of £100 million to £500 million (50%), or up to £100 million (50%). In 2017, 46.6% of companies raised gross proceeds between £100 million and £500 million.

Our research indicates a slight decrease in the number of companies raising higher levels of gross proceeds in 2018 from 2017. In addition, we can see that four companies raised more than £500 million in 2017, compared to just one company in 2018. The highest grossing transaction of 2018 (Smithson Investment Trust plc, £822.5 million) raised £20.5 million less than the highest grossing transaction of 2017 (J2 Acquisition Limited).

## Industry focus

### Investment and financial services sectors continue to dominate Main Market activity




Our research indicates that the investment sector witnessed the most IPO activity in 2018 by volume, with 48.2% of IPOs on the Main Market (within our scope) in this sector. In addition to contributing to a high number of transactions, the investment sector also saw the biggest IPO to date in terms of gross proceeds raised by the company, Smithson Investment Trust plc, which raised £822.5 million in gross proceeds.

Financial services accounted for 29.6% of Main Market IPOs within our scope. The oil & gas sector (7.4%) saw two companies listing in 2018.

## Top ten IPOs by gross proceeds raised by the company on the Main Market

The investment sector dominated Main Market IPOs within our scope by issuers' gross proceeds, with this sector contributing to 60% of all new funds raised by the company in Main Market IPOs in 2018. This was reflected in gross proceeds raised by the largest transactions in 2018, with 60% of the top ten transactions by gross proceeds also by companies from the investment sector.

| Company name | Industry sector | Gross proceeds raised by the company £m |
|---|---|---|
| Smithson Investment Trust plc | Investment | 822.5 |
| Energean Oil & Gas plc | Oil & Gas | 330.1 |
| JSC NAC Kazatomprom | Mining, Metals & Extraction | 311.3 |
| Funding Circle Holdings plc | Financial Services | 300.0 |
| Tritax Eurobox plc | Investment | 300.0 |
| Trian Investors 1 Limited | Investment | 271.0 |
| Hipgnosis Songs Fund Limited | Investment | 202.0 |
| Baillie Gifford US Growth Trust plc | Investment | 173.0 |
| Avast plc | Computing & IT | 147.4 |
| Grit Real Estate Income Group | Investment | 101.0 |

Looking at IPOs which raised funds for selling shareholders, Aston Martin was the top grossing Main Market IPO of 2018, raising £1.08 billion.

## Top ten Main Market IPOs by market capitalisation[5]

Of the top ten IPOs by market capitalisation, just over a quarter of the companies listing on the Main Market in 2018 were valued in excess of £1 billion on admission.

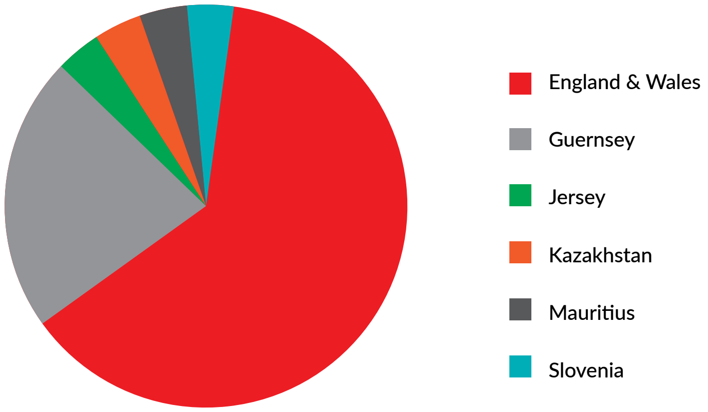
Our findings indicate a diverse range of industry sectors across Main Market IPOs in terms of market capitalisation. Despite contributing to a large proportion of new funds raised in 2018, investment was less dominant as an industry sector in terms of market capitalisation, with financial services and automotive companies contributing towards a greater percentage of aggregate market capitalisation in 2018.

Of the 10 largest companies to come to market in 2018, we saw five companies (50%) from the financial services sector, and one company (10%) from each of the oil & gas, computing & IT, automotive and mining, metals & extraction sectors. However, in terms of total value, the Aston Martin IPO pushed the automotive sector to the top of our list.

| Company name | Industry sector | Market capitalisation £m |
|---|---|---|
| Aston Martin Lagonda Global Holdings plc | Automotive | 3,896.6 |
| Quilter plc | Financial Services | 2,872.4 |
| JSC NAC Kazatomprom | Mining, Metals & Extraction | 2,410.5 |
| Vivo Energy plc | Oil & Gas | 2,270.9 |
| Avast plc | Computing & IT | 2,174.9 |
| Amigo Holdings plc | Financial Services | 1,496.1 |
| Funding Circle Holdings plc | Financial Services | 1,264.7 |
| AJ Bell plc | Financial Services | 911.8 |
| Integrafin Holdings plc | Financial Services | 878.0 |
| Smithson Investment Trust plc | Investment | 843.0 |

[5]Market capitalisation is calculated based on the closing price on the day of admission.

## Country of incorporation on the Main Market

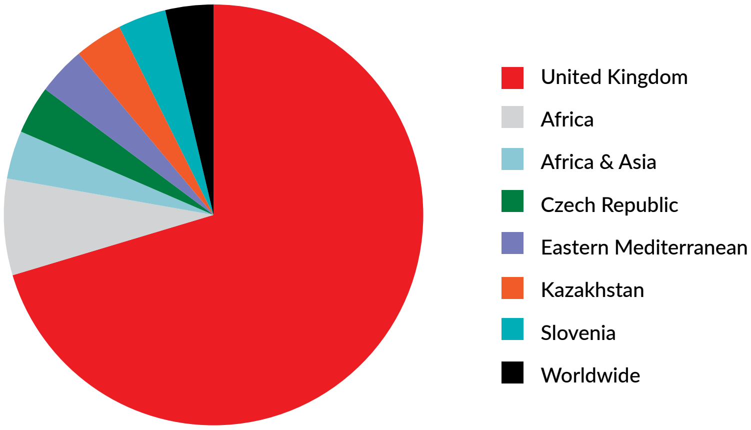



As with 2017, the majority of companies within our scope admitted to the Main Market in 2018 were incorporated in England & Wales (66.7%). In 2017, 71% of all companies within our scope were incorporated in England & Wales and in 2016 all companies we tracked were incorporated in England & Wales.

2018 saw some interesting geographical diversity as it was the first year that companies (within our scope) from Kazakhstan, Mauritius and Slovenia listed on the Main Market.

> *"It is promising to see that despite the Brexit uncertainty, a broad international spread of issuers continue to seek a Main Market or AIM listing, which serves to reiterate global confidence in the UK."*
>
> ***Rosalie Chadwick***
> ***Head of Corporate Finance, Pinsent Masons LLP***

## Country of operation Main Market




Typically, country of operation does not always correlate with country of incorporation. Our research showed that the countries of operation for companies listing on the Main Market in 2018 was much broader than the countries of incorporation represented. Companies with a varied international presence listed on the Main Market. These included Vivo Energy plc (pan-African fuel and lubricants retailer operating under the Shell brand), ASA International plc (with operations throughout Asia and sub-Saharan Africa), Avast plc (the Czech-based technology company), Nova Ljubljanska Banka (from Slovenia), and JSC NAC Kazatomprom (part of the privatisation programme in Kazakhstan). Our findings suggest that international companies continue to be drawn to a listing on the Main Market, despite the ongoing Brexit uncertainty.

> *"A positive trend apparent from the Main Market listings in 2018 is that London remains an attractive listing venue for international companies with little or no operations in the UK. In particular, the listings of Avast, Kazatomprom, Nova Ljubljanska and Vivo Energy indicate that even with political and economic uncertainty in the UK, London still offers issuers access to a broad and deep investor base."*
>
> ***Jamie Corner***
> ***European Counsel, Davis Polk & Wardwell London LLP***

# Reform of the Main Market IPO process: changes in market practice

2018 saw significant reform of the Main Market IPO process targeted at improving the timing, sequencing and quality of information provided to investors.

The changes, effective from 1 July 2018, require the publication of an FCA approved prospectus or registration document by the issuer before the publication of any research produced by 'connected' analysts (research analysts working at firms involved in the underwriting or placing services in connection with the IPO). This means the registration document or prospectus is available to investors earlier in the IPO process. In addition, new requirements were introduced to encourage an increased level of independent research to be produced by 'unconnected' analysts (research analysts from firms not involved in the underwriting or placing services).

### *Rise of the registration document*

In its policy statement[6] setting out the final rules, the FCA envisaged that the reforms would lead to the use of a standalone registration document being published at an early stage in the IPO timetable (before research is published) containing information about the issuer, including a description of the issuer's business and its financial results as well as the risks associated with its business. This would be followed by either a securities note and a summary document (which together with the registration document would form the constituent parts of a tripartite prospectus) or a single prospectus.

At the time of going to print, nine companies have listed under the new rules (Aston Martin, Funding Circle, JSC NAC Kazatomprom, Nova Ljubljanska, AJ Bell, Network International, DWF Group, Finablr and Watches of Switzerland). All of these have used an initial registration document followed by a prospectus. A further five companies published a registration document, but have not completed their listings either because they have been postponed or cancelled or because the registration document has only recently been published (ECI Telecom Group, Eurotorg Holdings, Rustranscom, Airtel Africa and Trainline).

> *"The registration document of course speaks as of its date of publication and is, in essence, an inert company disclosure document akin to an annual report. However, it is now accepted that, in order to avoid the document being potentially misleading, certain forward-looking information can be included in it. For example noting that the current board and governance structure would change to be compliant with the UK Corporate Governance Code if an IPO was to proceed."*
>
> ***Mark Austin***
> ***Partner, Freshfields Bruckhaus Deringer LLP***

[6]FCA Policy statement PS17/23: Reforming the availability of the information in the UK equity IPO process, October 2017

### *Briefing analysts*

An issuer has one of two options when briefing analysts under the new rules:

- unconnected analysts can be briefed at the same time as connected analysts, in which case connected analysts can publish research one day after the publication of the registration document or prospectus (joint access), or
- unconnected analysts can be briefed separately (although identical information must be given) in which case connected analysts must wait at least seven days after the publication of the registration document or prospectus before they can publish research (separate access).

These requirements have an impact on the IPO timetable as, depending on which route is taken, an additional period of seven days may have to be factored into the timetable.

Aston Martin published its intention to float (ITF) announcement (which is typically published at the same time as analysts release their research reports) 12 days after the publication of the registration document. AJ Bell Holdings published its ITF announcement 11 days after the registration document. Funding Circle, Kazatomprom, Nova Ljubljanska, DWF Group, Network International, Finablr and Watches of Switzerland published their ITF announcements on the seventh day after publication of their registration documents. The minimum seven-day gap between the date of the registration document and the ITF announcement indicates that the preferred option so far is for connected and unconnected analysts to be briefed separately which was widely expected to be the preferred option.

In its consultation paper[7] relating to the new measures, the FCA noted that the investment banking and legal communities had expressed concerns with unconnected analysts being involved earlier in the process (by having joint access to the issuer's management) due to the risk of a leak of information about the IPO.

> *"The issuers in all of the announced Main Market IPOs have met with connected and unconnected analysts separately, leading to an at least seven day delay between the publication of the registration document and connected research. A key reason for this may be a concern that involving unconnected analysts earlier in the process would risk a leak and therefore the ability of the issuer to control the timing of the announcement of its IPO."*
>
> ***Dan Hirschovits***
> ***Partner, Davis Polk & Wardwell London LLP***

[7]FCA Consultation paper CP17/5: Reforming the availability of information in the UK equity IPO process, March 2017.

> *"The practical difficulties of the new regime arise from having only seven days between involving unconnected analysts in the process and the publication date of connected research. As any additional information provided to unconnected analysts needs to be conveyed back to the connected analysts in time for them to potentially amend their reports, a prospective issuer needs to ensure that unconnected analyst questions are provided and answered within a very short period following publication of the registration document."*
>
> ***Simon Witty***
> ***Partner, Davis Polk & Wardwell London LLP***

### *Expectation of intention to float announcement*

The new rules have seen the birth of a new announcement in the IPO process – the expectation of intention to float (EITF). In the handful of IPOs seen under the new rules, this is the first announcement in the listing process published on the morning of the day that the registration document is published.

The EITF announcements seen to date have been similar to the ITF announcements issued prior to July 2018 containing information on the group, business highlights, key financial information, potential offer structure, group strategy, group objectives, investment highlights and details of directors and advisers. This announcement gives the issuer an opportunity to provide prospective information about the listed entity that is not included in the registration document (which instead discloses the company's existing capital structure, board and corporate governance policies prior to any changes made for listing).

> *"Before the new rules came in, it was thought that the EITF may well be as short as a two line announcement. On reflection, given that no analyst, whether connected or unconnected, is in the market and able to talk to investors in the seven day period between EITF and publication of the connected research, it was thought on the Funding Circle and Aston Martin IPOs that it was preferable to put more information rather than less in the public domain via the EITF. And that has now become the market approach."*
>
> ***Mark Austin***
> ***Partner, Freshfields Bruckhaus Deringer LLP***

The EITF announcement has been followed by a shorter confirmation ITF announcement published at the time connected analysts publish their research. This confirms the intention to proceed with the IPO and the offer details and detailing any group re-organisation or board changes that have occurred since the publication of the registration document.

> *"There was no specific regulatory requirement under the old regime to publish an ITF announcement. Whilst the new rules similarly do not make specific provision for the timing or content of an ITF announcement, the FCA intimated in CP 17/5 that the issuer would make its ITF announcement on the date of publication of connected research and not on the date of the registration document. Notwithstanding this, all of the issuers that have publicly announced an IPO under the new rules have published an announcement on the date of publication of their registration document, which includes most of the information that was historically contained in the ITF announcement, although the details of the IPO itself (i.e. timing and size of the offer) have been more limited."*
>
> ***Simon Witty***
> ***Partner, Davis Polk & Wardwell London LLP***

### *Price range prospectus*

All nine companies that have listed under the new rules went on to publish a prospectus after the registration document (rather than a separate securities note and summary document) which was anticipated by the FCA in their consultation document and policy statement[8].

> *"Broadly speaking, issuers in the UK have historically eschewed the use of a price-range prospectus for an institutional only offer, believing that using a pathfinder allows more flexibility to set the offer size and price, as it affords the prospective issuer more time to receive feedback from potential investors before doing so. Despite the FCA's stated preference for price range prospectuses under the new regime, for an institutional only offer, issuers are still able to publish a pathfinder prospectus at the time of the management roadshow with a final stamped prospectus being published immediately following pricing of the IPO."*
>
> ***Dan Hirschovits***
> ***Partner, Davis Polk & Wardwell London LLP***

In seven out of nine cases the prospectus contained a price range. A single prospectus published at the beginning of the management roadshow and book-building with all information in one place was said to be preferred for the marketing process.

The price range prospectuses seen to date typically contain a separate section detailing the principal changes made to the contents of the registration document and state that the prospectus updates and replaces the registration document in full. There is an obligation under the FCA Prospectus Rules to update an approved registration document when a securities note and summary are being published and by extension this also applies when a single prospectus is being published after the registration document (PR 2.2.5R).

> *"The other area of market practice development that we've seen is increasing discussion around the use of cornerstone investors. There was a cornerstone investor on the Funding Circle IPO and we've since used one on the Network International IPO. A discussion around whether it should be explored as a possibility is becoming an increasingly normal occurrence on IPOs. The use of margin loans by shareholders to maximise cash proceeds is also becoming more common, particularly on financial sponsor-backed IPOs."*
>
> ***Mark Austin***
> ***Partner, Freshfields Bruckhaus Deringer LLP***

[8] FCA Consultation paper CP17/5 and Policy statement PS17/23 on reforming the availability of information in the UK equity IPO process

## Deals in Focus: Market insight

### AJ Bell IPO

In March 2018, AJ Bell took the unusual approach to announce their desire to complete an IPO either at the end of 2018 or at the beginning of 2019. This was in line with their desire to drive a more transparent approach to investment, both generally, and for IPOs in particular. AJ Bell held to this timetable with admission taking place on 12 December 2018. Despite this early announcement AJ Bell opted to brief unconnected analysts separately. In this way they followed the practice set by Aston Martin and Funding Circle whose IPOs preceded AJ Bell under the new regime.

While Brexit uncertainty destabilised other flotations it did not impact the AJ Bell timetable; with the admission date timetabled for the day after the first meaningful vote on the withdrawal agreement (though this vote was cancelled at the last minute). While Brexit was included as a risk factor in the registration document it was not a key risk and related to uncertainty in relation to regulations and in relation to the impact on investment decisions. The same uncertainty in the market, and the disappointing performance of Aston Martin and Funding Circle shares immediately after their respective IPOs led to a conservative valuation at the middle of the price range set in the prospectus. Perhaps as a result of this pricing strategy, the share value increased markedly, both during conditional trading and following admission.

The AJ Bell offer comprised both an institutional offer and a qualifying offer, through which AJ Bell customers in the UK were able to participate in the offer, with no new money raised. One of the key reasons identified by management for the IPO was to allow customers to invest in the business, and to increase employee engagement.

The pre-IPO shareholder base included Invesco, Seneca, management and former and current employees with nine different share classes in place prior to Admission. While the Prospectus Rules only require details of the share capital as at the date of the balance sheet included in the historical financial information, the Registration Document for AJ Bell included a look forward, setting out the details of the planned share capital reorganisation and details of the articles to be in place on Admission to give a greater clarity of information for investors.

*Commentary on the AJ Bell IPO provided by Pinsent Masons LLP*

# ASTON MARTIN IPO TIMELINE

**Wednesday, 29 August 2018**

7am: Aston Martin announces EITF and expected publication of registration document. The announcement includes business highlights, potential offer structure, group strategy, group objectives, capital structure, investment highlights, details of advisers, further information such as history of the group and financial highlights.

11.43 am: Aston Martin announces publication of registration document.

Registration document published by Aston Martin Holdings (UK) Limited.

**Monday, 10 September 2018**

12 days later Aston Martin Lagonda Global Holdings plc announces confirmation of its intention to float. This includes confirmation that Aston Martin Lagonda Global Holdings plc has become the parent of the group, details of the proposed board of directors on IPO, the intended offer structure. The business objectives outlined in the registration document are reconfirmed.

**Thursday, 20 September 2018**

10 days later at 7am Aston Martin announces the price range for the offer (between £17.50 and £22.50 per share) and its intention to publish a price range prospectus later in the day. The announcement also includes details of the offer.

2.49pm: Aston Martin announces publication of price range prospectus.

Price range prospectus published by Aston Martin Lagonda Global Holdings plc. The prospectus includes a section (Part III) headed 'Principal changes to the registration document' and states that that the prospectus 'updates and replaces the Registration Document in full'.

**Wednesday, 3 October 2018**

13 days later Aston Martin announces the offer price of £19 per share.

Conditional dealings in the Company's shares commence.

Share price closes at £18.10.

**Monday, 8 October 2018**

Aston Martin admitted to trading.

Share price closes at £15.94.

## FUNDING CIRCLE IPO TIMELINE

**Monday, 3 September 2018**

7am: Funding Circle announces EITF and intention to publish a registration document. The announcement includes business highlights, potential offer highlights, investment highlights, current trading and prospects, key performance indicators and financial information, directors' details.

1.40 pm: Funding Circle announces publication of registration document.

Registration document published.

**Monday, 10 September 2018**

7 days later Funding Circle announces confirmation of its intention to float. This contains confirmation of the offer details.

**Wednesday, 19 September 2018**

9 days later at 7am Funding Circle announces the price range for the offer (between £4.20 and £5.30 per share) and its intention to publish a price range prospectus later in the day. The announcement also includes details of the offer.

1.01pm: Funding Circle announces publication of price range prospectus.

Price range prospectus published. The prospectus includes a 'Schedule of Changes' at the end setting out material updates to the registration document and states that the prospectus 'updates and replaces in whole the Registration Document'.

**Friday, 28 September 2018**

9 days later Funding Circle announces the offer price of £4.40 per share.

Conditional dealings in the Company's shares commence.

Share price closes at £4.40.

**Wednesday, 3 October**

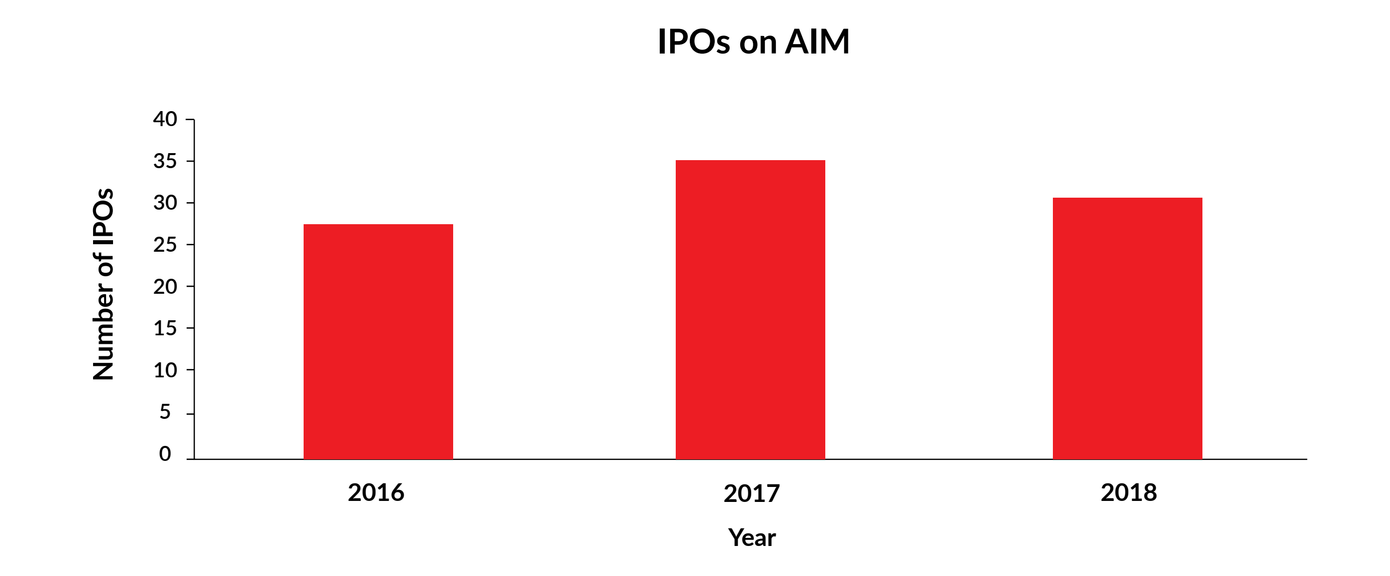
Funding Circle admitted to trading.

Share price closes at £3.55.

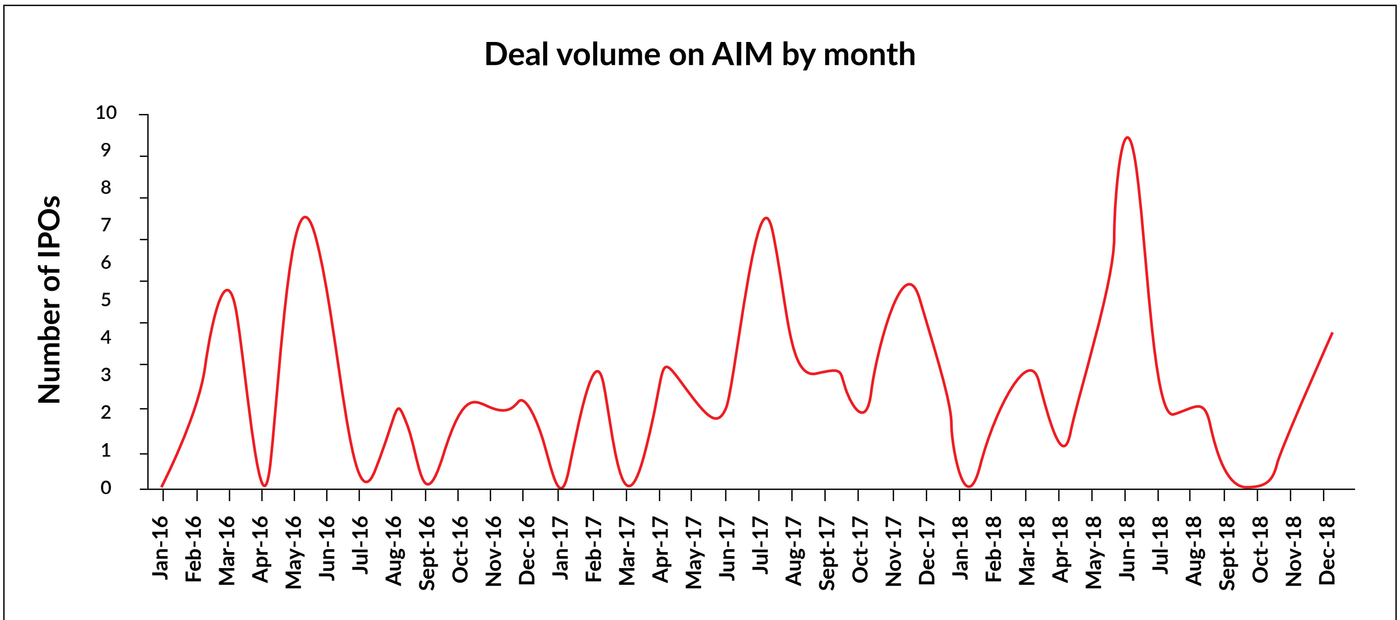
# IPOs on AIM[9]

## Transaction volume

### AIM shows resilience in 2018




There were 29 IPOs within our scope on AIM in 2018. This indicates a 14.7% decrease from 2017, where 34 companies were admitted to trading on AIM. However, IPO activity on AIM in 2018 was greater than that witnessed in 2016 which indicates some resilience of the AIM market to the continued uncertainty over the Brexit negotiations.

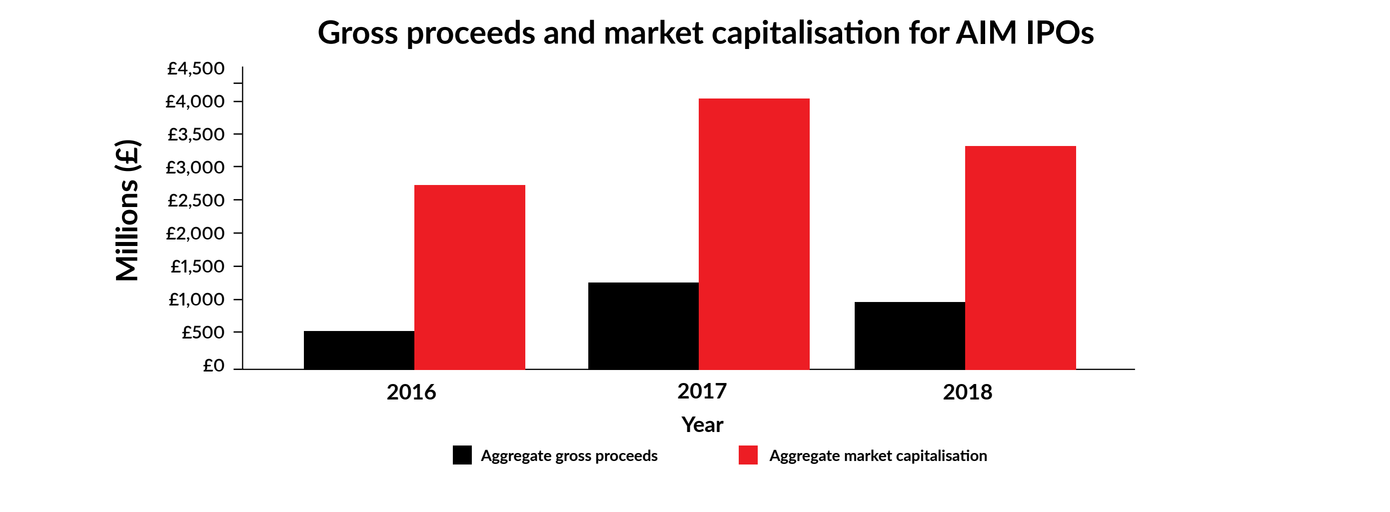



The graph above shows that deal volume for AIM IPOs fluctuated throughout the year with some months (January, September and October) not seeing any AIM IPOs within our scope. June was the busiest month of 2018 with nine AIM IPOs within our scope including the largest AIM IPO for the year, Codemasters Group Holdings plc.

[9]This report looks at AIM IPOs with a market capitalisation of £25 million or more on admission.

## Gross proceeds[10] and market capitalisation

### Despite a slight dip in aggregate market capitalisation, AIM continued to attract larger companies in 2018




The aggregate market capitalisation for IPOs on AIM (within our scope) in 2018 was £3,365.3 million. This marks a 16.3% decrease from 2017, where the aggregate market capitalisation for IPOs on AIM was £4,018.4 million. However, aggregate market capitalisation in 2018 remained higher than the aggregate total in 2016 of £2,774.6 million.

The average market capitalisation for a company listing on AIM (within our scope) has remained steady over the last two years: £116.1 million in 2018 compared to £118.2 million in 2017. This can be compared against the lower figure of £102.8 million in 2016.

> *"The findings here recognise that institutional investor appetite for sub £100 million market capitalisation companies is limited".*
>
> ***James Spinney***
> ***Head of Capital Markets, Strand Hanson***

> *"As the findings of this report confirm, we've seen that the size of companies on AIM and the amount they raise at IPO has increased over recent years reflecting the increasing maturity of the market. The average market cap of an AIM company at IPO in 2008 was £25 million, whereas last year it was £100 million. At the same time, AIM companies are generally raising more money at IPO – in 2008 the average money raised was about £10 million and now it's closer to £25 million. And as this report shows, AIM is sectorally diverse, representing both traditional and newer business sectors thereby creating an environment for the effective provision of equity throughout business cycles."*
>
> ***Marcus Stuttard***
> ***Head of AIM & UK Primary Markets, London Stock Exchange Group***

[10]Gross proceeds only includes proceeds received by the company and not proceeds received by the selling shareholders (save where indicated otherwise)

Companies on the Main Market tend to have a higher market capitalisation than those on AIM, as AIM was originally set up for smaller, growing companies, with fewer regulatory requirements than the Main Market. This is supported by our figures which show the average market capitalisation for companies coming to the Main Market (within our scope) in 2018 was £864.6 million.

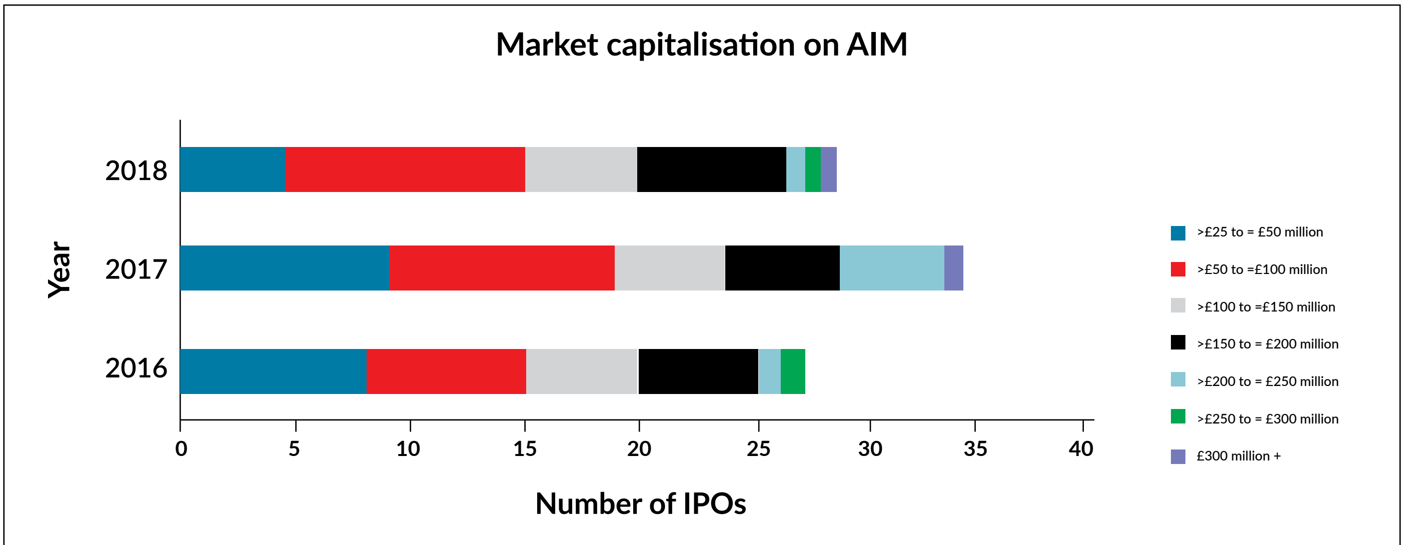
> *"The Main Market, standard segment is also attracting a number of established companies listed on overseas exchanges and for these companies a standard listing, as opposed to a premium listing, is seen as an alternative to AIM"*
>
> ***Alexander Keepin***
> ***Partner, Bryan Cave Leighton Paisner LLP***

## Market capitalisation[11]

The three largest IPOs on AIM by market capitalisation in 2018 were:

- **Codemasters Group Holdings plc** (market capitalisation of £346.5 million), the UK-based video games developer undertook a successful IPO on AIM in 2018. The group had aborted plans for a listing in 2009, due to reported concerns in relation to company debt. The company's share price closed at 260 pence on the first day of trading, compared to the placing price of 200 pence.
- **Team17 Group plc** (market capitalisation of £252.7 million), another developer of video games, recorded an oversubscribed fundraising in May 2018. The company's share price closed at 224 pence on the first day of trading, compared to the IPO placing price of 165 pence per share.
- **Sensyne Health plc** (market capitalisation of £232.1 million), an Oxford-based healthcare technology company working in collaboration with NHS trusts analyses patient data in order to discover insights that improve patient care. The company's share price also closed above the placing price on the first day of trading.

## Range of market capitalisation




[11]Market capitalisation is calculated based on the closing price on the day of admission

The most popular market capitalisation range in 2018 was the £50 million to £100 million category, following on from 2017, where this was also the most popular range. Most companies coming to AIM over the past three years have had a market capitalisation of less than £100 million (2018: 51.7%, 2017: 55.9%, 2016: 55.6%).

2017 saw the admission to AIM of Eddie Stobart Logistics plc (valued at £574.5 million on admission) which was the largest IPO on AIM in the last 4 years. Although no other listing has come close in terms of gross proceeds, our findings illustrate the continuing maturity of the AIM market, which no longer only attracts growing companies with smaller market capitalisations. The average market capitalisation for companies listing on AIM in 2018 was £116.1 million, and 9 (31%) companies in our scope had a market capitalisation higher than this. In 2018, there was one IPO in each of the £200-£250 million category, the £250-£300 million category and the £300 million + range.

## Gross proceeds raised[12]

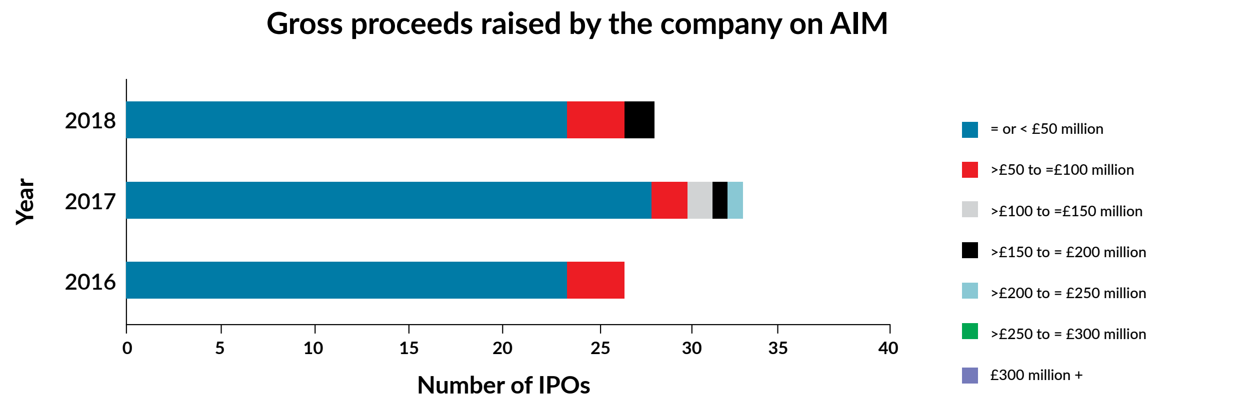
The highest grossing new issues on AIM for 2018 were:

- **Yellow Cake plc**, the uranium trader, raised £151.2 million in its IPO on AIM. The company intends to use the majority of the proceeds to purchase physical uranium including from JSC National Atomic Company Kazatomprom, the state-owned uranium company of Kazakhstan which listed GDRs on the Main Market in 2018.
- **Urban Exposure plc**, the housing development finance company, raised £150 million following the pulling of flotation plans in 2014. The company will use the proceeds of the IPO for balance sheet lending to its existing pipeline of housing developers, as well as expanding its asset management division.
- **Jadestone Energy Inc**, the Asia Pacific focused oil & gas company, raised £83.9 million. The company is also listed on the TSX Venture Exchange (Toronto). The company intends to use the majority of the proceeds to fund the equity component of the acquisition of the Montara oil project from Thailand's state-owned oil company.

[12]Gross proceeds only includes proceeds raised by the company and not proceeds received by selling shareholders (save where otherwise indicated).

## Range of gross proceeds

### Increasing number of companies raising higher amounts on AIM




Most companies within our scope (73.9%) raised less than £50 million in gross proceeds which was also the case in 2016 and 2017.

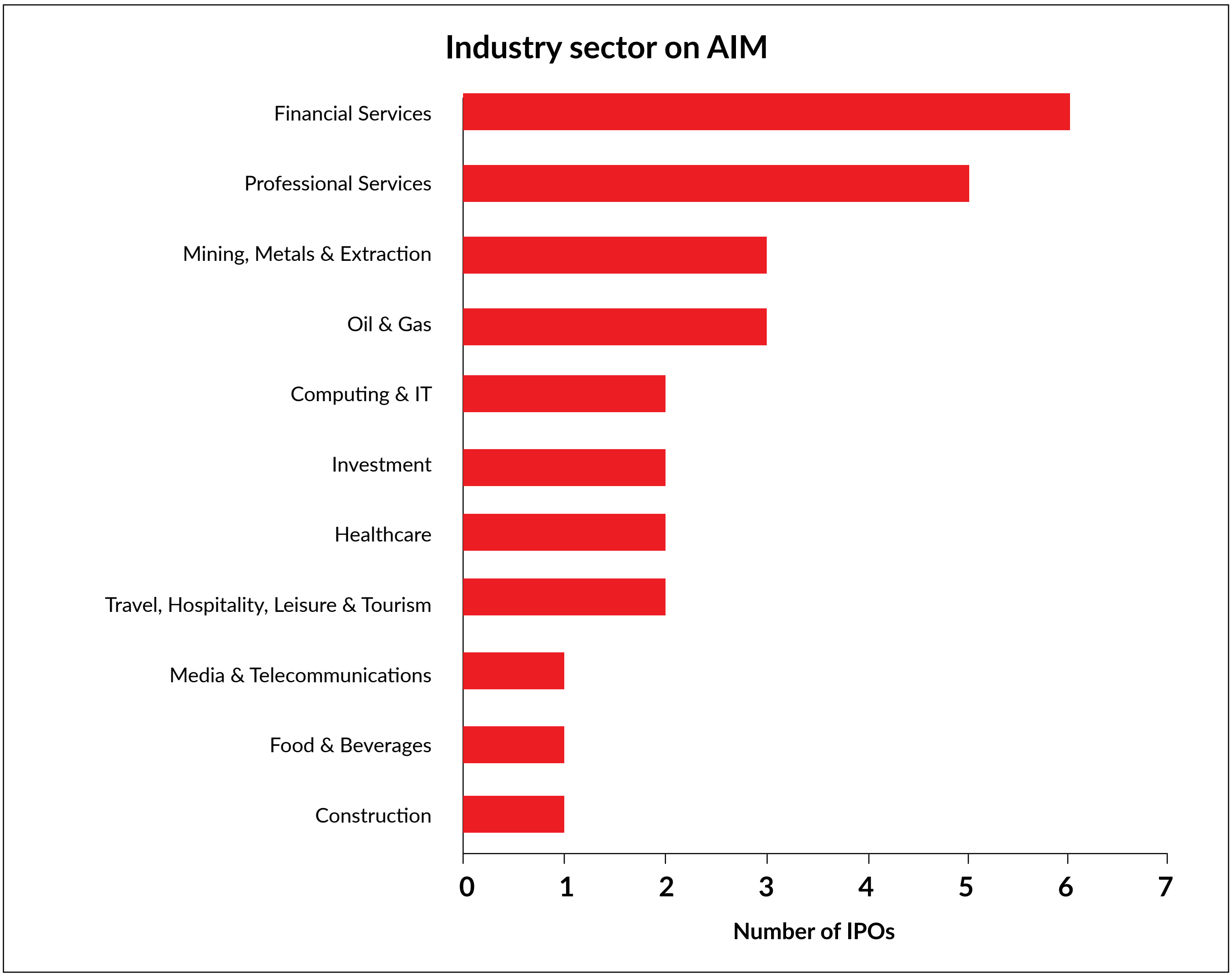
> *"Institutional investors continue to represent the most significant pool of capital available to AIM companies which is likely a consequence of two significant factors (i) a number of years of nervousness about companies listing too early in their growth cycle has led to more mature businesses being admitted to AIM; and (ii) increasing governance standards being required by both Nomads and AIM Regulation (driven up further by the admission of more developed companies) has improved investor confidence in the market generally. Whilst corporate failures on AIM amongst its larger issues are high profile, they are relatively infrequent. At the other end of the market however investments continue to carry significant risk, with many businesses being pre-positive cash flow or pre-revenue. Businesses which miss key milestones set at either IPO or the time of a secondary fundraise see declining interest from institutional/quasi-institutional investors with shareholder bases consequently becoming skewed towards shorter-term retail investors which, in turn, can drive volatility."*
>
> ***James Spinney***
> ***Head of Capital Markets, Strand Hanson***

However, an increasing percentage of AIM companies are raising higher amounts. In 2018, 20.7% of all companies admitted to AIM within our scope raised more than £50 million in gross proceeds. This is an increase from 2017, where 17.6% of companies admitted to AIM raised more than £50 million gross. 2018 and 2017 can be contrasted with 2016, where only 14.8% of companies raised more than £50 million gross. No companies raised more than £100 million in gross proceeds on AIM in 2016. In 2017 however, four companies raised more than £100 million, and 2018 saw two companies raise above £100 million by contrast.

> *"The trend towards companies raising higher amounts of equity finance is driven by an overall increase in the maturity of businesses on the AIM market, businesses which are able to deploy more capital on earnings accretive opportunities and provide investors with the comfort they require to make larger investments."*
>
> ***James Spinney***
> ***Head of Capital Markets, Strand Hanson***

# Industry focus

## Diversity in industry sectors continues on AIM




*"Amidst the market turbulence caused by Brexit, it is cheering to see that AIM has shown a degree of resilience. The market cap for companies seeking a listing on AIM has been steady over the past two years, and an increasing number of AIM companies are raising higher amounts. AIM continues to show diversity in the industry sectors of its issuers, with no one sector dominating. It is interesting to note the increase in the number of professional services firms listing on AIM and perhaps an indicator of more to come."*

***Rosalie Chadwick***
***Head of Corporate Finance, Pinsent Masons LLP***

There was real diversity in industry sector in the companies (within our scope) that listed on AIM in 2018. 20.7% of companies were in the financial services sector, the majority industry sector for the year by volume. The professional services sector made up 17.2% of IPOs on AIM in 2018. Companies in the mining, metals & extraction sector (10.3%) and the oil & gas sector (10.3%) were the next most popular sectors for IPOs on AIM in 2018.

> *"London is still seen as the natural home for the extractive industries"*
>
> ***Alexander Keepin***
> ***Partner, Bryan Cave Leighton Paisner LLP***

Diversity in deal volume was reflected in the diversity of industry sectors by total gross proceeds raised, with financial services, mining, metals & extraction, professional services and oil & gas companies raising the highest amounts in aggregate. Companies in these sectors also made up seven of the top ten grossing AIM IPOs by industry sector. Only one investment company made it to the list in 2018, the only REIT (within our scope) to be admitted to trading on AIM, Yew Grove REIT plc.

## Top ten grossing AIM IPOs by industry sector

| Company name | Industry sector | Gross proceeds raised by the company (£m) |
|---|---|---|
| Yellow Cake plc | Mining, Metals & Extraction | 151.1 |
| Urban Exposure plc | Financial Services | 150.0 |
| Jadestone Energy Inc | Oil & Gas | 83.9 |
| TruFin plc | Financial Services | 70.0 |
| Tekmar Group plc | Oil & Gas | 61.8 |
| Sensyne Health plc | Healthcare | 60.0 |
| Yew Grove REIT plc | Investment | 47.0 |
| Team17 Group plc | Travel, Hospitality, Leisure & Tourism | 45.1 |
| Rosenblatt Group plc | Professional Services | 35.0 |
| Knights Group Holdings plc | Professional Services | 31.0 |

### *Emergence of the legal services sector on AIM*

The growing trend of legal services providers listing on AIM indicates that these companies have turned to new methods of fundraising, which have proved successful considering the growing number of these types of IPO on AIM.

An increasing number of law firms have been admitted to trading on AIM in recent years. The first firm to do this was Gateley in 2015, raising £30 million in total gross proceeds (of which £5 million was receivable by the company), followed by Gordon Dadds and Keystone Law in 2017. In 2018, two legal services providers, Rosenblatt Solicitors and Knights Group Holdings, listed on AIM. Rosenblatt Solicitors joined AIM in May 2018 and raised £48 million in total gross proceeds (£35 million for the company). Knights Group Holdings was admitted in June 2018, raising a total of £50 million (£31 million for the company), the largest legal law firm float by total gross proceeds to date.

Litigation finance companies have also sought to raise capital on AIM in 2018. Manolete Partners listed in December, making it the second litigation finance business to list on AIM since Burford Capital Limited in 2009. Manolete's listing was followed by Australian litigation financing company Litigation Capital Management plc. Both companies have performed successfully since their market debut. Burford raised a further £192.6 million in gross proceeds by way of a cash placing in October 2018.

### *Uranium providers raise funds on AIM*

The uranium market supplied two of 2018's key IPOs on the Main Market and AIM. The highest grossing IPO on AIM in 2018 was by Yellow Cake plc, a uranium investment company in the mining, metals & extraction sector.

Yellow Cake plc entered into a long-term supply contract with JSC National Atomic Company Kazatomprom, the world's largest producer of uranium and one of the top grossing IPOs of the year on the Main Market.

### *Video gaming companies experience growth on AIM*

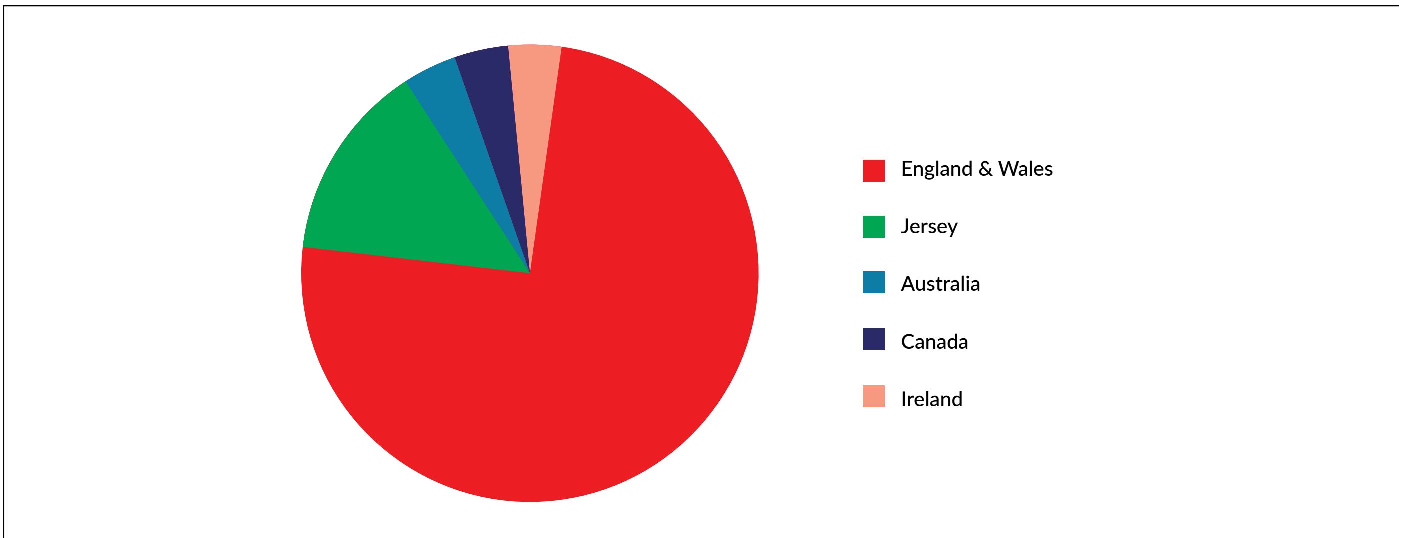
Two of the year's most lucrative IPOs on AIM were categorised in the fast-growing video games sector. Codemasters Group plc and Team17 Group plc were the largest companies by market capitalisation on admission to AIM in 2018. Both companies have performed steadily since admission to trading.

## Top ten AIM IPOs by market capitalisation[13]

| Company name | Industry sector | Market capitalisation £m |
|---|---|---|
| Codemasters Group Holdings plc | Travel, Hospitality, Leisure & Tourism | 346.5 |
| Team17 Group plc | Travel, Hospitality, Leisure & Tourism | 252.7 |
| Sensyne Health plc | Healthcare | 232.1 |
| Trufin plc | Financial Services | 192.8 |
| Jadestone Energy plc | Oil & Gas | 186.7 |
| Urban Exposure plc | Financial Services | 174.1 |
| Mind Gym plc | Professional Services | 166.4 |
| Nucleus Financial Group plc | Banking & Finance | 166.3 |
| Yellow Cake Plc | Mining, Metals & Extraction | 152.4 |
| SimplyBiz Group plc | Professional Services | 120.8 |

Similarly to gross proceeds, the top ten AIM IPOs by market capitalisation in 2018 indicate a diverse range of industry sectors on the junior market. The professional services (20%) and financial services sectors (20%) saw two companies each list ranking among the top ten IPOs on AIM in 2018 by market capitalisation, with IPOs by companies in the computing & IT, travel, hospitality, leisure & tourism, healthcare, financial services, oil & gas, property and banking & finance sectors also featuring on the top ten list.

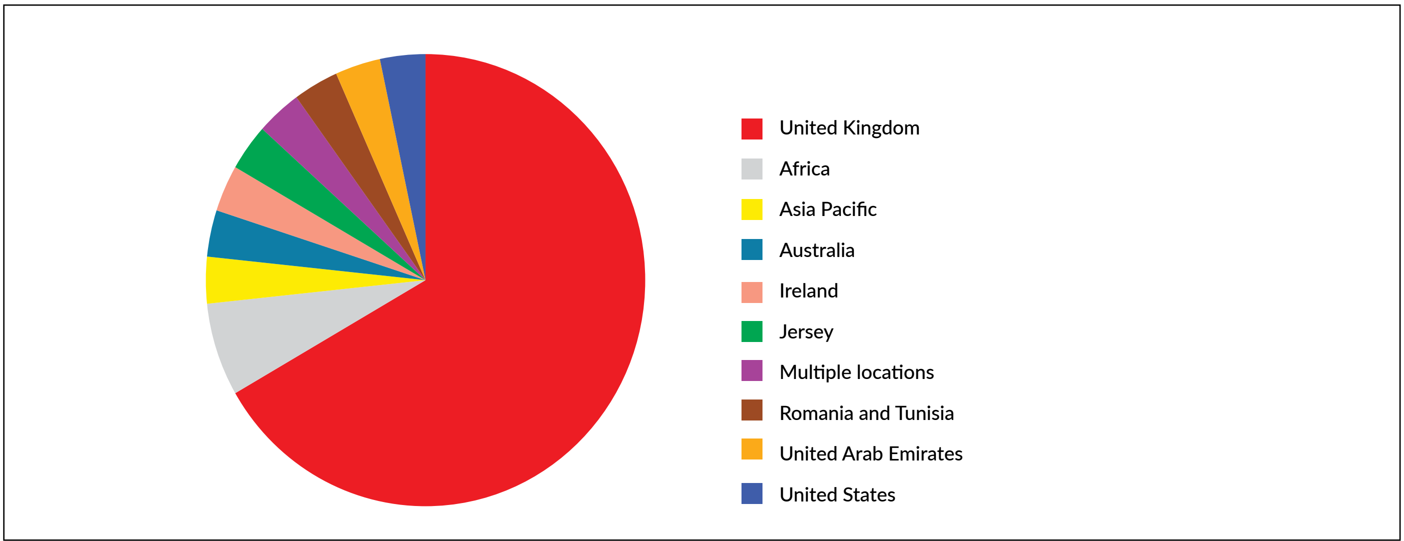
## Country of incorporation on AIM




The majority of companies within our scope which were admitted to AIM in 2018 were incorporated in England & Wales (76%). Only three companies were incorporated outside of the UK and the Channel Islands, a decrease from 2017 where four companies that were admitted to AIM were from outside of the UK and Channel Islands.

[13]Market capitalisation is calculated based on the closing price on the day of admission

## Country of operation on AIM




Our findings indicate greater diversity in terms of the country of operation of companies coming to AIM in 2018 compared with country of incorporation. 69% of companies that listed on AIM in 2018 showed the UK as their country of operation. 31% of companies that were admitted to AIM in 2018 listed a country outside the UK and the Channel Islands as their main country of operation, suggesting that AIM is still able to attract international companies despite Brexit uncertainties.

> *"The geographical diversification of AIM companies' operations demonstrates investors' increasing requirements to identify the potential for significant growth at attractive valuations – something that is more possible in emerging markets than in more traditional markets such as the UK. Whilst this trend used to be confined largely to natural resources and infrastructure, it is increasingly spreading into a broader range of sectors, including technology, real estate and financial services."*
>
> ***James Spinney***
> ***Head of Capital Markets, Strand Hanson***

# Postponed or cancelled IPOs

We carried out research in 2017 which suggested that a significant number of companies had postponed or cancelled IPOs in the latter half of that year. We have continued to track this trend and found that in 2018 an increased number of companies have shelved their plans to list after putting out an intention to float announcement.

In 2018, 78 companies (within our scope[14]) announced an intention to list on either the Main Market or AIM. Of these 78, 27 companies (35%) listed on the Main Market and 29 (37%) were admitted to trading on AIM. 22 companies within our scope (28%) announced an intention to list in 2018 but postponed or cancelled their planned IPOs.

Of these 22 companies, 13 made an announcement to the market about the decision to postpone or cancel.  The remaining 9 companies made no formal announcement regarding the progress of their floats, but all exceeded their proposed timetable for listing and have not gone on to list.

Undoubtedly uncertainty surrounding Brexit damaging investor confidence would have been a major factor behind most companies pulling their IPO plans in 2018. 11 of the 13 companies that announced a decision to postpone or cancel stated that '*uncertain market conditions*' were to blame.

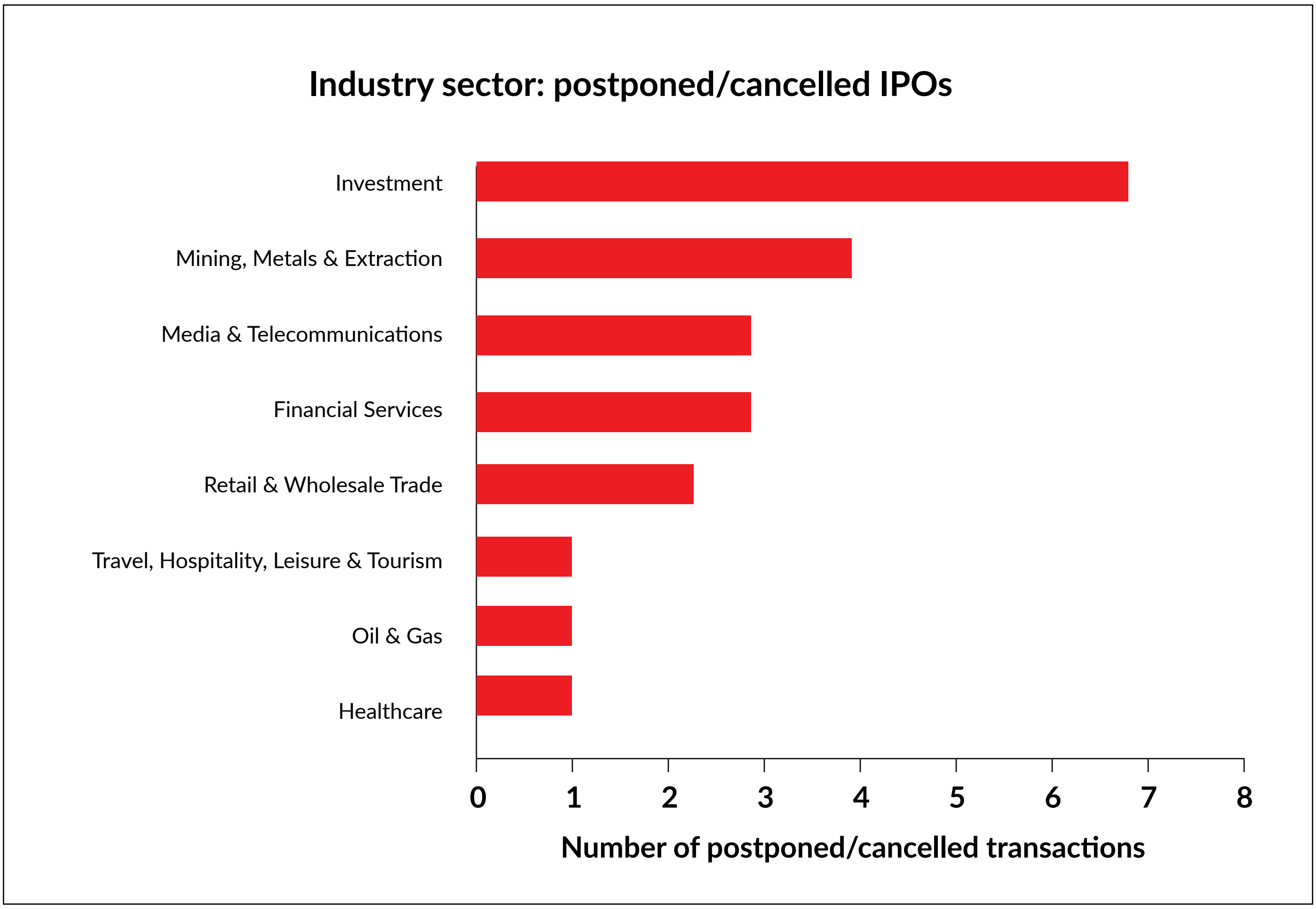
One company, The Multifamily Housing REIT plc, announced three revisions to its listing timetable before announcing the postponement of its IPO pending the culmination of discussions with 'a number of potential cornerstone investors'. Two companies that announced a postponement of their IPOs have their operations outside the UK. African mobile phone mast firm Helios Towers withdrew its plans to list in London, despite stating it had met with 'considerable institutional investor interest, endorsing its business model, strategy and growth prospects'.  The Belarusian retailer, Eurotorg Holdings plc, announced the postponement if its IPO in November 2018 stating it 'has decided to pursue its IPO when capital markets conditions become more favourable for emerging markets' and 'more conducive to achieving a valuation that reflects the Company's true potential'.

Of the 22 companies that cancelled or postponed their IPO, nine companies got to an advanced stage in the listing process having published either a prospectus or registration document.

[14]Our research looks at companies with a market capitalisation on admission of above £100 million (for Main Market) and above £25 million (for AIM). For companies which postponed/cancelled their IPOs, market capitalisation has been based on the proposed number of shares in issue on admission and the offer price as set out in their intention to float announcements.

> *"During the last quarter, the London IPO market was hit not only by Brexit but a confluence of geopolitical events including the potential trade war between the US and China, the US midterm elections and fall in oil prices which caused a number of companies to pull their IPO plans."*
>
> ***Clive Hopewell***
> ***Partner, Bird & Bird LLP***

Five companies (Sirius Aircraft Leasing Fund Limited, Eurotorg Holdings plc, Blue Ocean Maritime Income plc, Horizon Housing REIT plc and Fundamentum Supported Housing REIT plc) that postponed their IPO plans stated their intention to review the likelihood of listing in the near future. These companies have not announced any further information on the likelihood of coming to the market as uncertain political conditions continue to have an adverse impact on the UK IPO market.



Companies in all industry sectors found 2018 a challenging year. Those in the investment sector (31.8%) were the highest represented in the list of industry sectors of companies that postponed their IPOs in 2018.  The mining, metals & extraction (18.1%), media & telecommunications (13.6%), and financial services (13.6%) sectors also had a number of companies that postponed or cancelled their listings.

Real Estate Investment Trusts (REITs) in particular had a difficult year in 2018. Four REITs postponed their planned IPOs. Yew Grove REIT plc was the only REIT (within our scope) that listed in 2018. Two companies, Fundamentum Supported Housing REIT plc and Horizon Housing REIT plc planned to invest in social housing assets. There has been a trend in REITs focusing on investments in specialist sub-sectors and, in particular, social housing. Civitas Social Housing was the first UK social housing REIT to list in November 2016. It was followed by Residential Secure Income REIT in July 2017 and Triple Point Social Housing in August 2017.

> *"Uncertainty around the Brexit negotiations throughout 2018 and early 2019 led to some planned IPOs being postponed or cancelled. However, London remains the premier IPO venue in Europe. Growth companies with strong financial track records and experienced management teams, in sectors not heavily threatened by Brexit-related risk, should be confident that investors will back their IPOs. AJ Bell is a great example of this."*
>
> ***Alasdair Weir***
> ***Senior Associate, Pinsent Masons LLP***

# Brexit risk factors in Main Market prospectuses

Of the 27 companies within our scope listing on the Main Market in 2018, 22 mentioned Brexit as a risk factor in their prospectuses. The five companies that did not refer to Brexit in their risk factors all operate or invest overseas (Grit Real Estate Income Group Limited, JSC NAC Kazatomprom, Vivo Energy plc, ASA International Group plc and CEIBA Investments Limited).

How much prominence companies gave to Brexit in their risk factors varied. Five companies included reference to Brexit in their top three risk factors (Amigo Holdings plc and AJ Bell Holdings plc (but the latter only in the context of general market conditions) included Brexit in their first risk factor; Nova Ljubljanska included Brexit in its second risk factor; Quilter plc and TheWorks.co.uk plc mentioned Brexit in their third risk factor). The investment entities listing in 2018 within our review tended to give less prominence to Brexit and included it towards the bottom of their risk factor section.

**FCA guidance on risk factors**

Extracts from FCA Technical note on risk factors UKLA/TN/621.3 (March 2015):

*'Risk factors should be grouped together in a coherent manner and risk factors considered to be of the greatest or most immediate significance should be prominent at the beginning of each section or group within the risk factors section.'*

*'Proper consideration should be given to the real risks that face an issuer and that generic or boilerplate disclosure is avoided. If risks are not relevant to a particular issuer then no disclosure on that issue should be included in the issuer's document.'*

**Risk Factor disclosure requirements:**

Appendix 3.1 of the Prospectus Rules requires:

*'Prominent disclosure of risk factors that are specific to the issuer or its industry in a section headed "Risk Factors".'*

*'Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed "Risk Factors".'*

*“With the final provisions of the new Prospectus Regulation coming into force in July, companies will be required to assess the probability of their occurrence and the expected magnitude of their negative impact and using a low, medium or high qualitative scale.*

*From July, risk factors should be presented in a limited number of categories depending on their nature with the most material risk factors being presented first.”*

***Alexander Keepin,***
***Partner, Bryan Cave Leighton Paisner LLP***

The level of detail in the Brexit risk factors also varied.  Some companies included lengthy, detailed disclosures whilst others included more brief and general Brexit risks. Broadly speaking, the investment entities included briefer and more general Brexit disclosures focusing on the effect on the company’s business and performance of some or all of the following:

- volatility and disruption in UK and global stock markets
- volatility and disruption in currency markets
- general worsening economic conditions in UK, Europe and globally
- effect on interest rates in UK and Europe
- potential increase in regulatory compliance and taxation charge

The commercial companies tended to give more specific, and in some cases very lengthy disclosures on the risks associated with Brexit. Aston Martin included one of the most detailed Brexit risk factors seen in our review including details of the percentage of its cars sold in EU member states outside the UK, the problems associated with increasing costs of non-sterling denominated raw materials, the threats relating to its supply chain and the impact on its ability to recruit and retain skilled workers from other European countries.

**Extract from the Brexit risk factor in the Aston Martin prospectus:**

*'Aston Martin Lagonda is based in the UK and in 2017 sold 18 per cent. of its cars in EU member states outside the UK, so any negative effect on its ability to continue selling cars in EU member states and the terms on which it makes such sales, including the imposition of import duties, could have a significant adverse effect on its sales and profitability. Additionally, the rate of exchange of the pound sterling vis-a-vis other currencies has dropped significantly since the referendum, which results in increasing costs of non-sterling denominated auto-parts (including the engines purchased in euro by Aston Martin Lagonda from Daimler and Ford) and other raw materials, as well as other obligations. Similarly, a majority of Aston Martin Lagonda's suppliers are located in EU member states and so fiscal or other restrictions on the free movement of goods (including as a result of customs duties, import tariffs or other restrictions on trade) could also have a material adverse effect on Aston Martin Lagonda's supply chain and, consequently, on the Group's production schedule and costs (and Aston Martin Lagonda may not be able to sell its cars to customers at prices which reflect such increased costs). Further, the Group may need to increase the level of inventory it holds of certain components imported from the EU to ensure continuity of supply, in light of these risks, which may impact its cash flow levels.*

*Regardless of the form of any withdrawal agreement, there are likely to be changes in the legal rights and obligations of commercial parties across all industries following an exit of the UK from the EU. Given the high correlation in luxury markets between demand and the wealth, economic growth and stability in the markets generating that demand, there is a risk that Brexit, other political developments or developments otherwise affecting market confidence could negatively affect consumer behavior and, consequently, the volume of sales and demand for Aston Martin Lagonda's cars.*

*In addition, a significant portion of Aston Martin Lagonda's engineers and factory workers are from other European countries and there is a risk that Brexit will affect Aston Martin Lagonda's ability to retain and recruit skilled workers from this wider European labour market.*

*Furthermore, the UK regulatory requirements once outside the EU could be subject to significant change and could place an additional burden on manufacturers selling their products in the UK, which could affect the financial performance of the Group, as the UK market is significant to Aston Martin Lagonda.'*

TheWorks.co.uk plc, which has operations in the Republic of Ireland (RoI) included disclosure of the specific risk that tariffs and import duties may become payable in connection with the movement of goods across the border between the UK and the RoI.

**Extract from the Brexit risk factor in TheWorks.co.uk plc prospectus:**

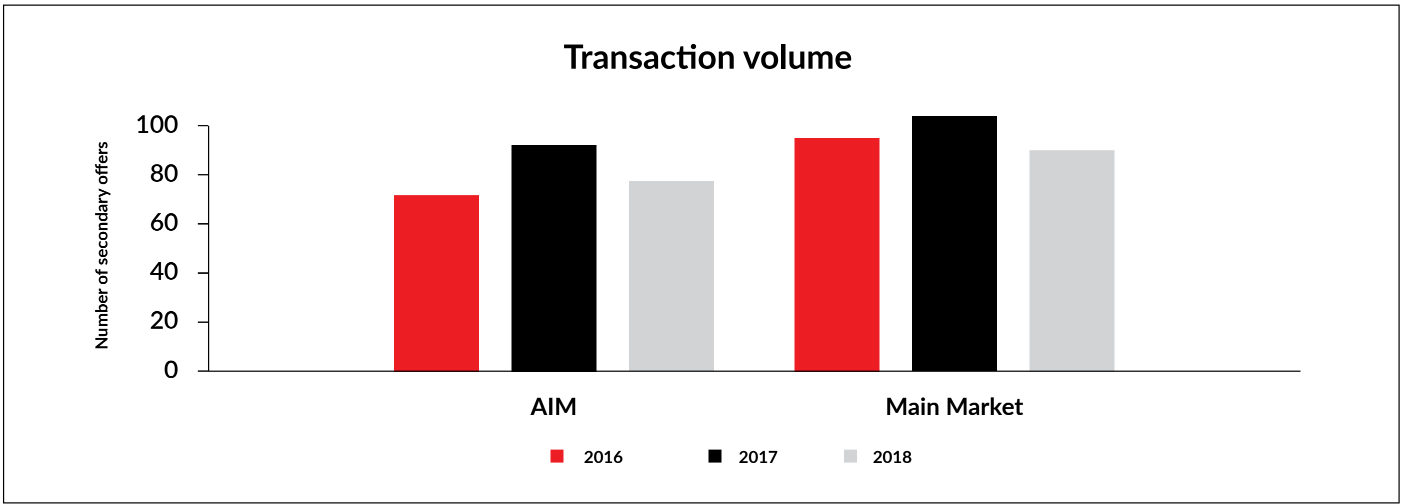
*'Goods, capital and people are at present able to move freely between the RoI and the United Kingdom on the basis of both countries enjoying full EU membership status. The Group currently operates nine stores in the RoI and believes there is an opportunity to grow this to a portfolio of approximately 30 stores over the coming years. As the Group's centre of operations is located at Boldmere House, there is an unavoidable cross-border element to stocking, supplying and ensuring the RoI stores are sufficiently equipped to sell merchandise in the RoI. In the absence of a suitable trade agreement being reached between the UK and the EU following the UK's departure from the bloc, there is a risk that tariffs and/or import duties might become payable in connection with the supply of goods from the UK into the RoI and/or vice versa. The imposition of any such tariffs and import duties will likely increase the operational costs of the Group's business in the RoI and may reduce the profitability of these stores to the extent that they cease to be viable business ventures for the Group. Any such reduction in profitability and/or viability of these stores would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.'*

# Secondary offerings in 2018[15]

## Transaction volume

**Transaction volume - AIM and Main Market 2016 – 2018**

Transaction volume decreased in 2018 on both AIM and the Main Market, following a relative peak in activity in 2017. In respect of combined market activity, we reviewed a total of 169 transactions in 2018, representing a decrease of 14.2% on the 197 secondary offers during 2017 and a return to the transaction volume seen in 2016, where we identified a combined total of 170 secondary offers.




> *"It is interesting to see that the findings show sustained transaction volume in the secondary market on AIM. Deal activity levels on the Main Market have fallen consistent with what we are seeing in the primary market."*
>
> ***Julian Stanier***
> ***Corporate Finance Partner, Pinsent Masons LLP***

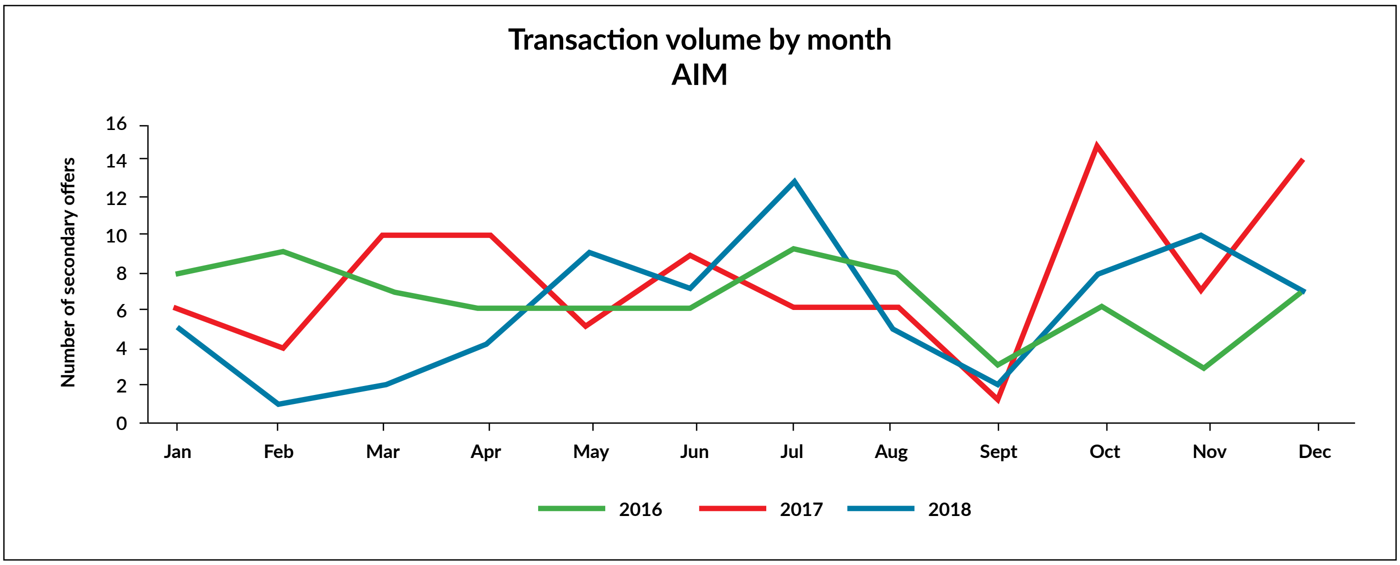
Deal activity on AIM played a large part in sustained transaction volume during 2018. There were 78 secondary offers on AIM within the scope of our research. Although this represented a decline of 16.1% from the 93 secondary offers in 2017, this was a 6.8% increase on activity in 2016. In contrast, 2018 saw the lowest activity levels over a three-year period on the Main Market, with 91 secondary offers (within our scope) representing a 12.5% decrease in volume when compared to 2017, and a slighter yet measurable decline of 6.1% in comparison to 2016.

> *"It's encouraging to see the number of secondary fundraisings on AIM in 2018 which demonstrates the depth and maturity of the AIM market. Despite the unprecedented geopolitical uncertainties, existing issuers are still able to tap into the market to raise important further funding."*
>
> ***Clive Hopewell***
> ***Partner, Bird & Bird LLP***

[15]The scope of this report includes secondary offers raising gross proceeds of £10 million or more for the company, and does not include proceeds raised by selling shareholders.

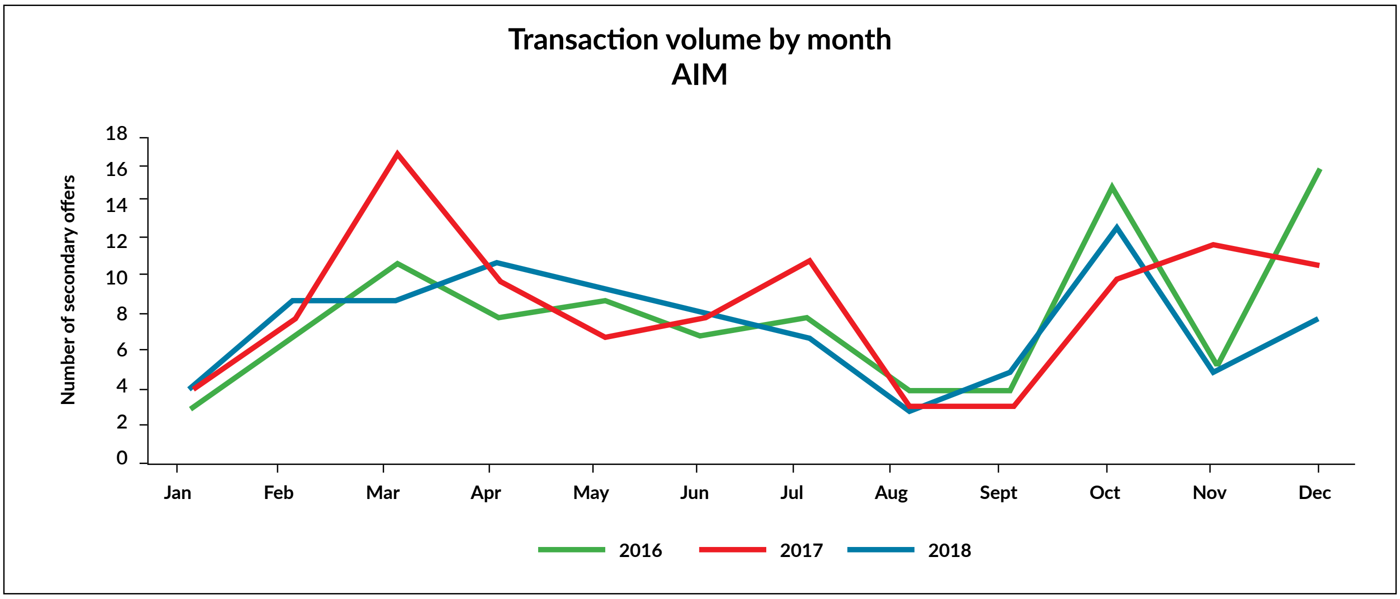
## Transaction volume breakdown by month - AIM 2016 – 2018

Our graph below shows that during 2018, AIM experienced a fairly steady flow of secondary offers in comparison to previous years.




## Transaction volume breakdown by month - Main Market 2016 – 2018

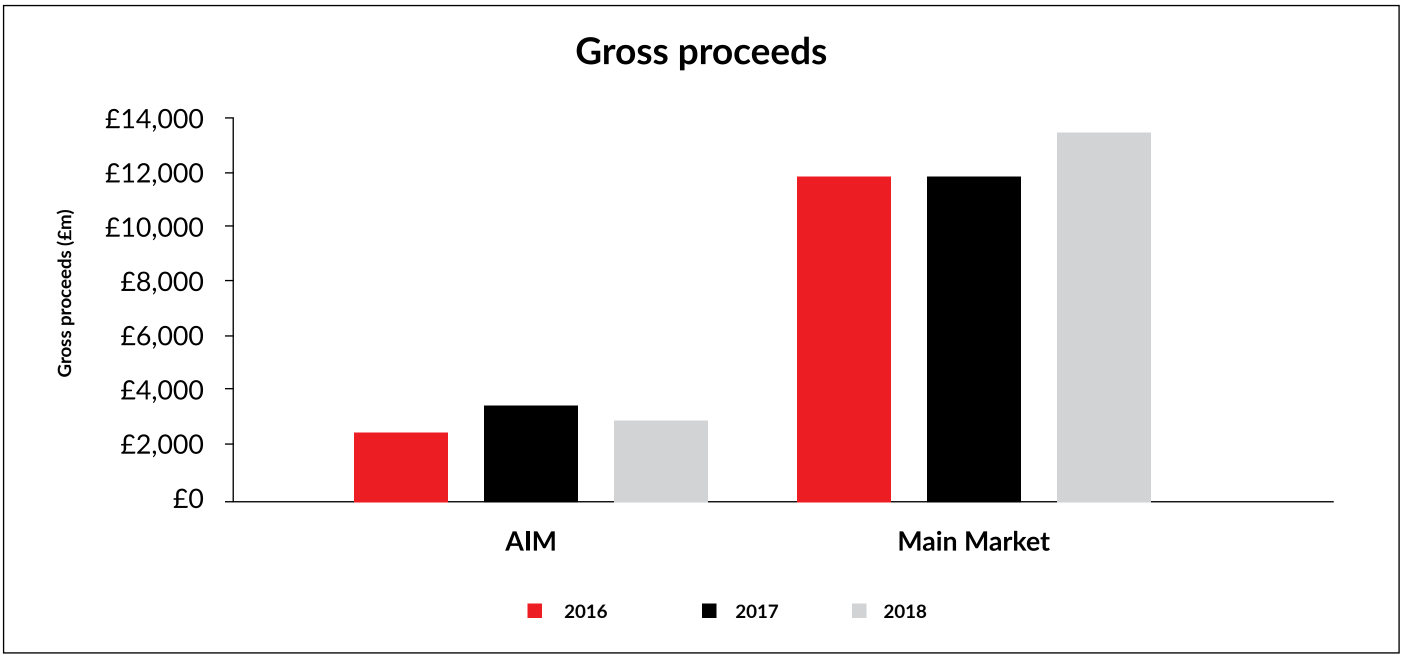
On the Main Market, our graph below indicates that not only did 2018 deal volume return to a similar level as seen in 2016, it also appeared to reflect a similar flow on a month-by-month comparative basis. However, it is worth noting a slow down at the end of the year, with a quieter December than had been seen in previous years.



## Gross proceeds[16]

**Gross proceeds raised - AIM and Main Market 2016 – 2018**

Although transaction volume declined in 2018, we found that across both markets combined aggregate gross proceeds showed a steady increase over a three-year period. A combined total of £16,658 million was raised via secondary offerings (within our scope) during 2018, an increase of 4.9% on the £15,943.5 million raised by both markets in 2017 and a 12.4% increase on the £14,817.8 million raised in 2016.




While transaction volume across AIM and the Main Market for secondary offers was broadly comparable, unsurprisingly aggregate Main Market gross proceeds were far higher than AIM. During 2018, 81.7% of the combined total fundraising was contributed to by companies on the Main Market.

Our research indicates that Main Market fundraisings played a large part in the increase in gross proceeds in 2018. While the aggregate funds of £3,053 million raised by companies listed on AIM represented a decline of 20.2% in comparison to the £3,824 million raised in 2017, Main Market secondary offers raised £13,605 million in 2018, approximately 12.3% more than the total value of £12,119.6 million raised by secondary offers in 2017.

## Key transactions

**Largest transactions by value - AIM 2018**

Our findings indicate that within the scope of our research, secondary offers on AIM raised an average of £39.1 million per transaction during 2018, a figure that was bolstered by a few 'big-ticket' transactions. The top 10 transactions by value raised approximately £1,435 million in aggregate, contributing to 47% of the total gross proceeds of £3,053 million raised by all secondary offers within the scope of our research on AIM during 2018.

[16] The scope of this report includes secondary offers raising gross proceeds of £10 million or more for the company, and does not include proceeds raised by selling shareholders.

| Date | Company | Transaction type | Gross proceeds (£m) |
|---|---|---|---|
| 29/03/2018 | Secure Income REIT plc | Placing | £315.50 |
| 04/10/2018 | Burford Capital Limited | Placing | £192.62 |
| 19/04/2018 | Breedon Group plc | Placing and Open Offer | £170.00 |
| 20/02/2018 | Diversified Oil & Gas plc | Placing | £133.12 |
| 05/02/2018 | Total Produce plc | Placing | £126.55 |
| 14/06/2018 | Draper Esprit plc | Placing | £115.00 |
| 19/04/2018 | Purplebricks Group plc | Placing | £100.00 |
| 02/08/2018 | Greencoat Renewables plc | Placing | £98.69 |
| 09/02/2018 | Savannah Petroleum plc | Placing | £98.57 |
| 27/04/2018 | Learning Technologies Group plc | Placing | £85.00 |

> *"In 2019 to date, AIM companies have raised over £1 billion in further issuances highlighting AIM's role as a vital source of long term finance. Looking at the first quarter of 2019, 72% of the total capital raised through European growth markets was on AIM. That's three-and-a-half times more than on the next growth market."*
>
> ***Marcus Stuttard***
> ***Head of AIM & UK Primary Markets, London Stock Exchange Group***

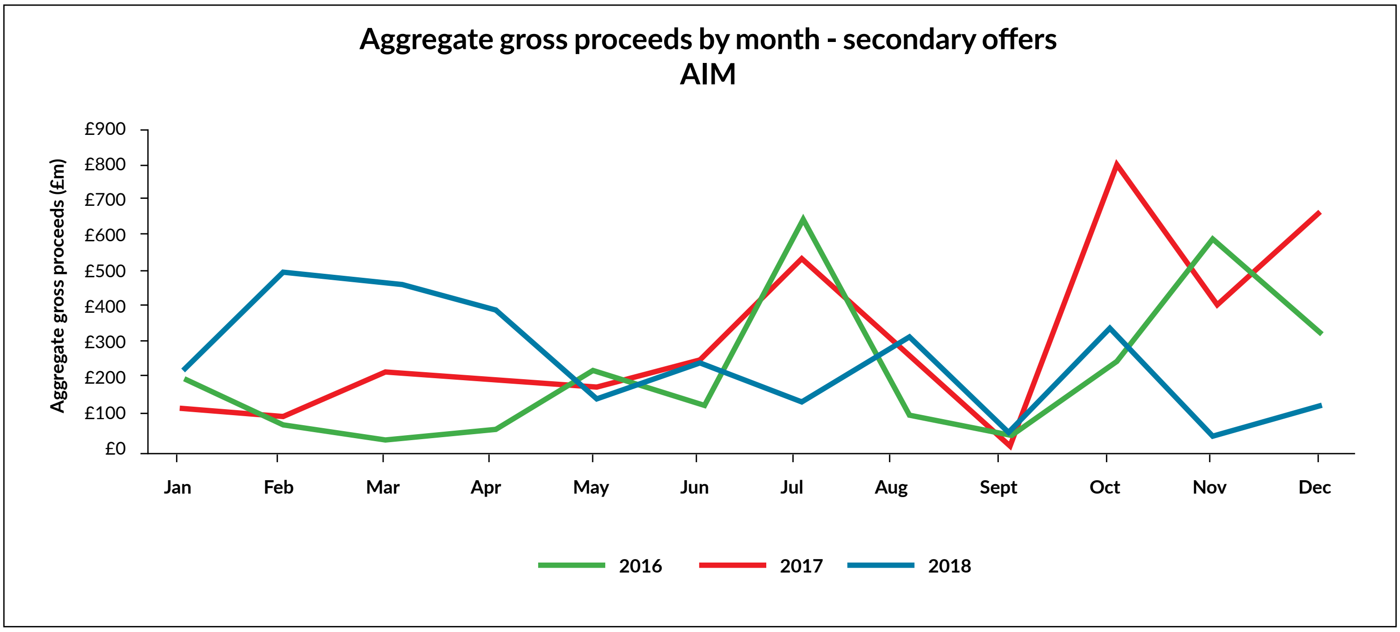
### Largest transactions by value - Main Market 2018

A total of £13,605 million was raised by secondary offers (within our scope) on the Main Market during 2018, with an average transaction value of £149.5 million per transaction. Similarly to AIM, this figure was boosted by a handful of high grossing transactions. A total of £6,661.8 million was raised by the top 10 transactions by value, approximately 49% of the total value of all secondary offers on the Main Market during 2018 within the scope of our research. We also found a disproportionate number of rights issues in the list of top grossing deals. While the 15 rights issues taking place in 2018 made up 16.5% of all Main Market transactions overall, seven of these appear in our list, indicating that this is an overwhelmingly popular transaction type for large further issues on the Main Market.

| Date | Company | Transaction type | Gross proceeds (£m) |
|---|---|---|---|
| 05/02/2018 | Cineworld Group plc | Rights Issue | £1,720.26 |
| 10/07/2018 | DS Smith plc | Rights Issue | £1,025.74 |
| 26/06/2018 | Phoenix Group Holdings | Rights Issue | £950.95 |
| 10/05/2018 | Capita plc | Rights Issue | £700.72 |
| 01/10/2018 | DCC plc | Placing | £605.51 |
| 23/04/2018 | Weir Group | Placing | £363.22 |
| 03/12/2018 | Grainger plc | Rights Issue | £346.67 |
| 22/03/2018 | Provident Financial plc | Rights Issue | £330.75 |
| 29/11/2018 | Restaurant Group plc | Rights Issue | £315.12 |
| 27/07/2018 | Metro Bank plc | Placing | £302.89 |

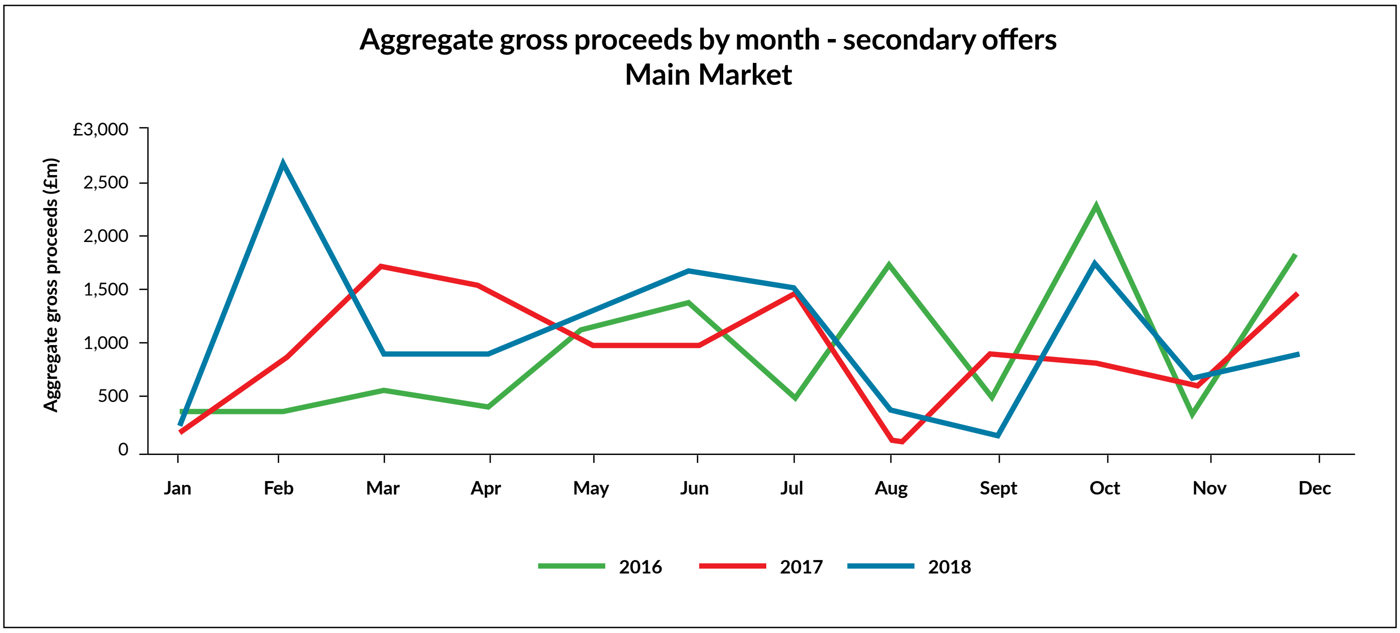
### Gross proceeds by month - AIM 2016 – 2018

Gross proceeds by month remained relatively steady across the year on AIM. Gross proceeds appeared to peak in February-March, when Secure Income REIT plc raised a total of £315.5 million, AIM's top grossing transaction for the year.




### Gross proceeds by month - Main Market 2016 – 2018

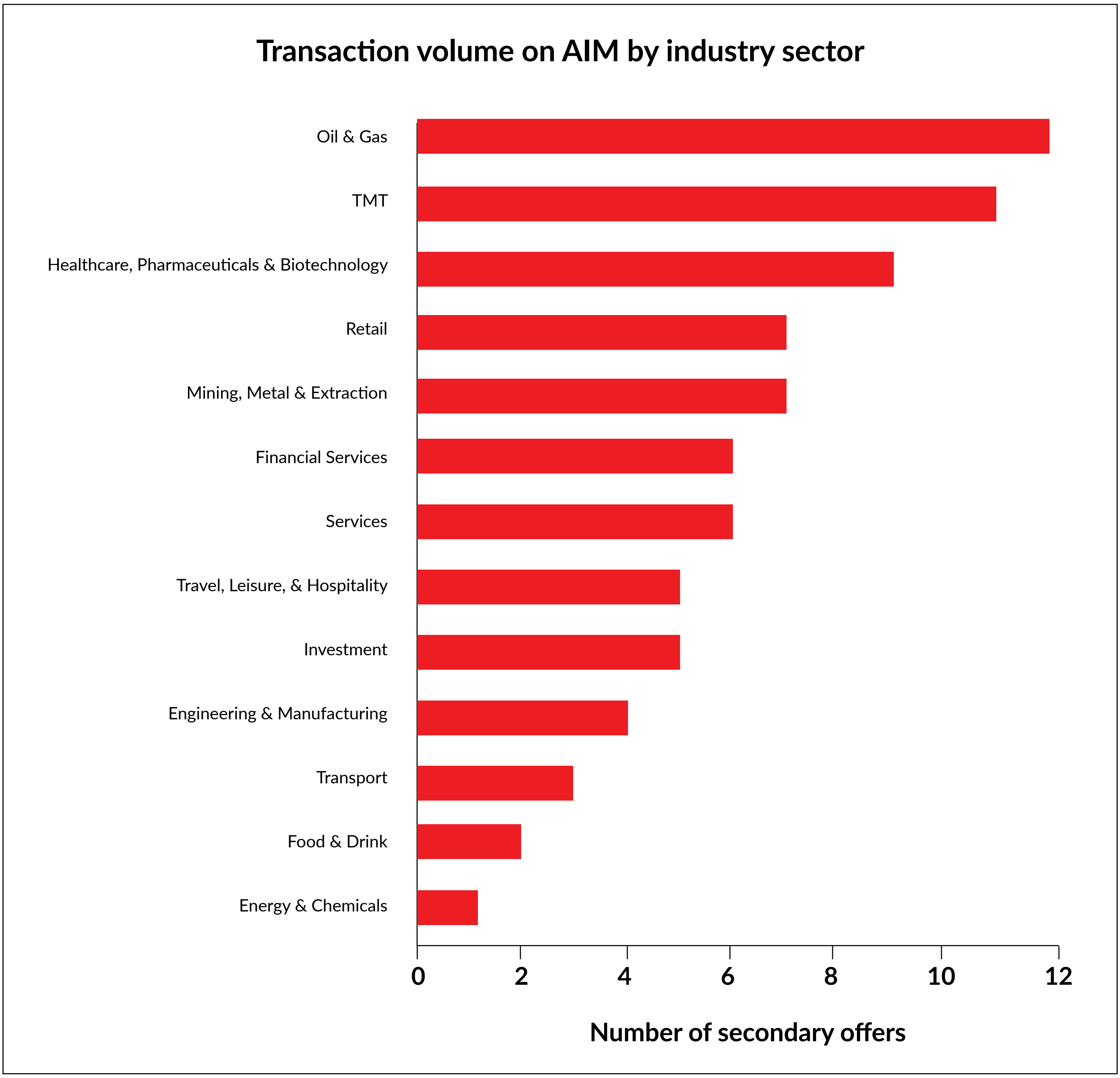
Our findings suggest that gross proceeds on the Main Market peaked in February 2018, when Cineworld Group plc completed its rights issue, raising £1720.3 million. There were a number of larger transactions towards the end of the year, with DCC plc raising £605.5 million in October 2018. Both Grainger plc (£346.7 million) and the Restaurant Group plc (£315.1 million) announced rights issues in November and December respectively.



## Breakdown by industry sector

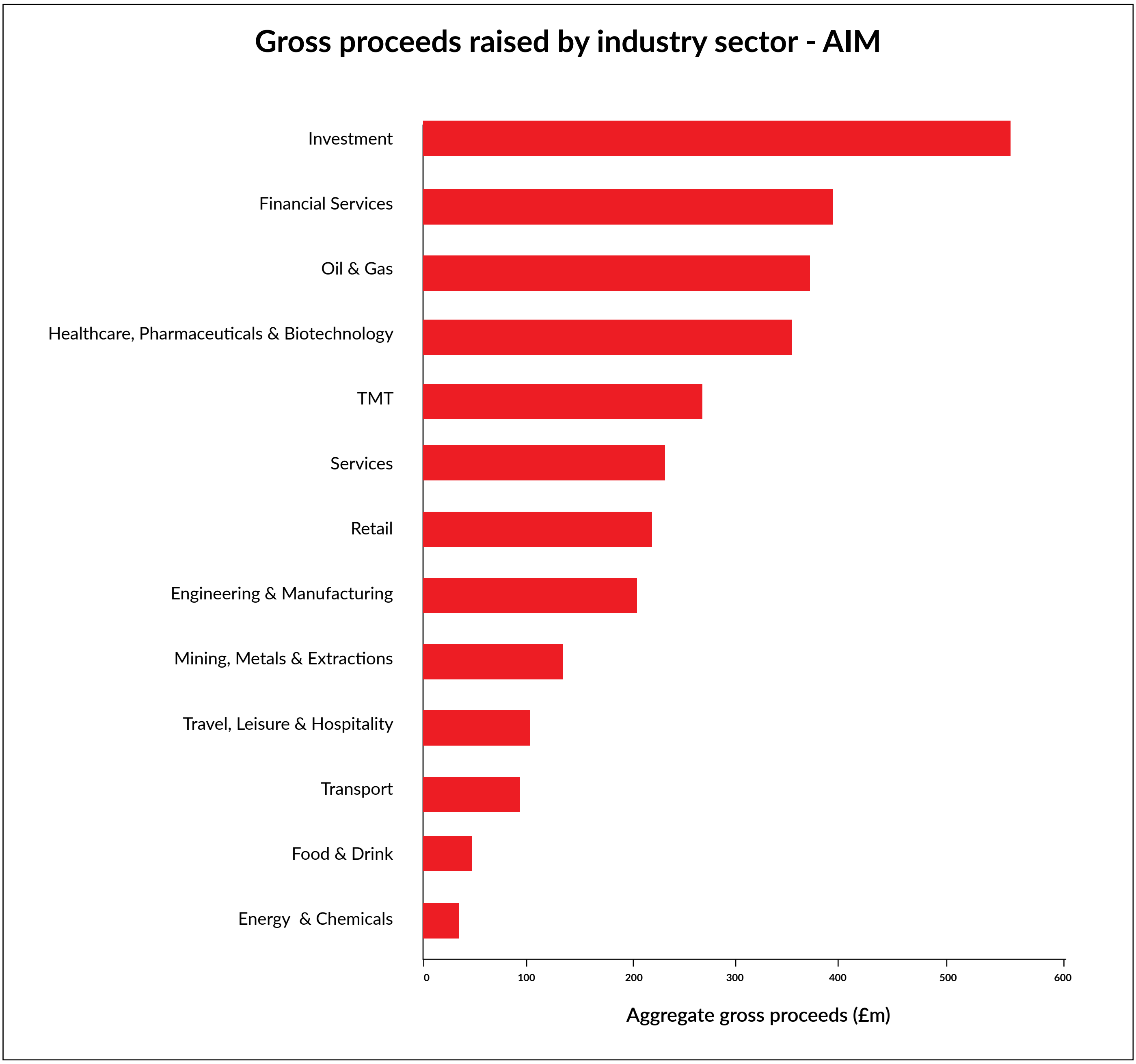
### 2018 secondary offering transaction volume by industry sector – AIM

Our research indicates that companies in the oil & gas (15.38%), TMT (14.1%), and healthcare, pharmaceuticals & biotechnology (11.54%) sectors carried out the most secondary offerings on AIM in 2018. These industry sectors contributed to an approximate total of 41% of all secondary offerings. The difference between the top three industry sectors was minimal, suggesting that no one industry sector dominated secondary offerings on AIM. This indicates a diversity of industry sectors participating in secondary fundraisings on the junior market.



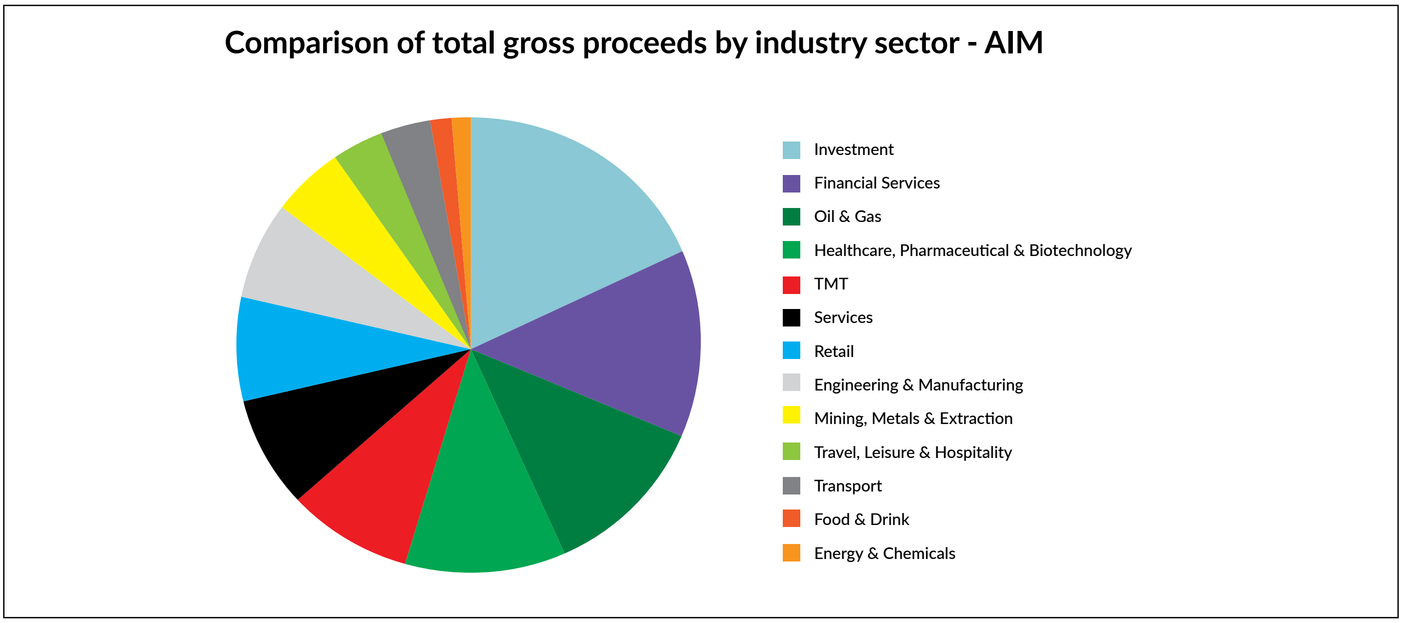
### Comparison of gross proceeds raised by industry sector - AIM

Our research indicates that the investment and financial services sectors were the top performing industry sectors in relation to gross proceeds on AIM (within our scope), although it is interesting to note that these sectors did not dominate AIM secondary offerings in terms of transaction volume.



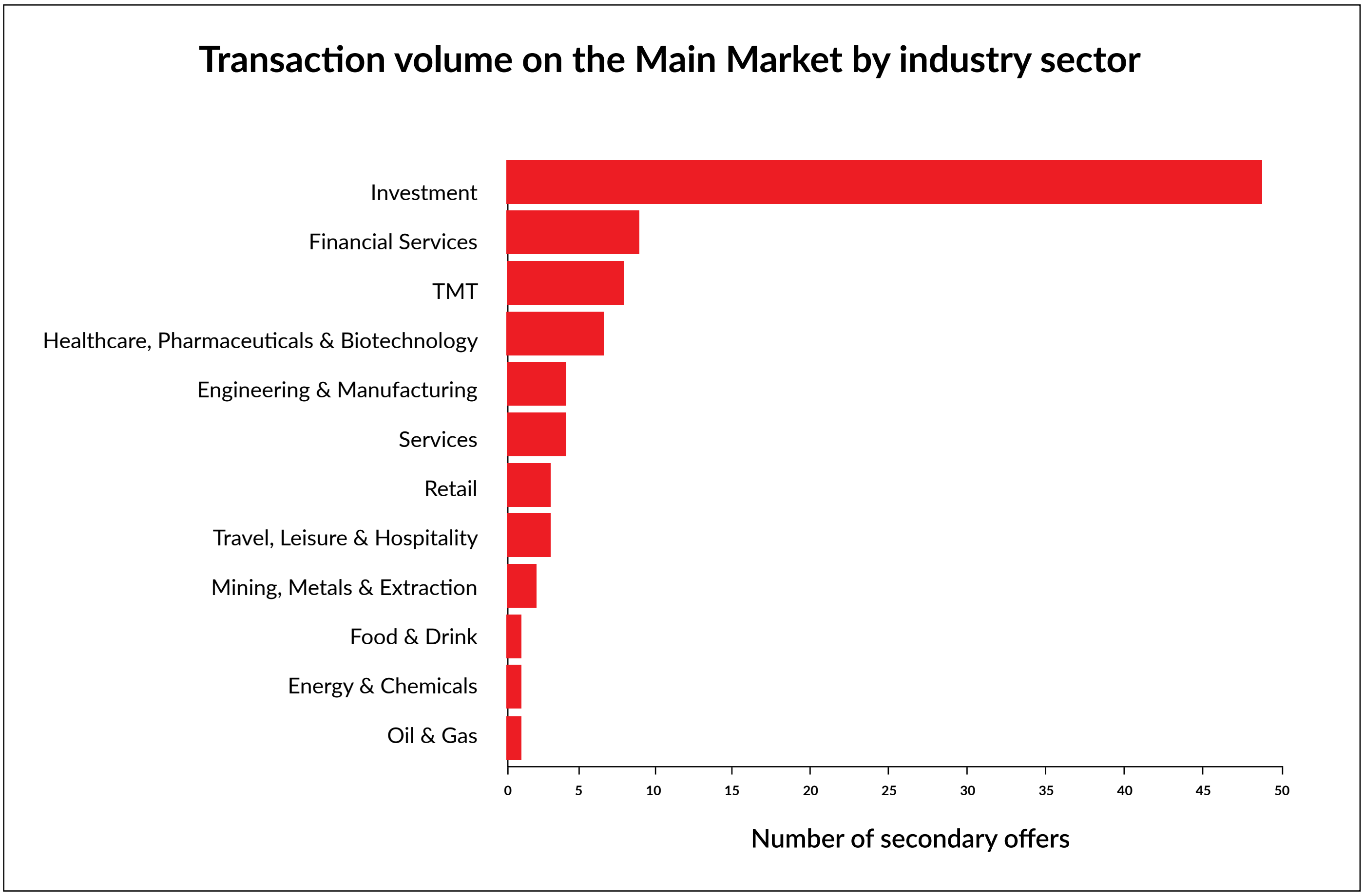

Investment transactions totalled £549.6 million (18%) of total gross proceeds raised on AIM in 2018. Financial services companies raised a total of £403.6 million (13.2%). Together, investment and financial services companies contributed to 14.1% of all activity on AIM during 2018 yet made up 31.2% of total gross proceeds raised.

Oil & gas was the most popular industry sector for AIM secondary offers by volume. These transactions totalled £360.9 million (11.8%) of all gross proceeds raised.




## 2018 secondary offering transaction volume by industry sector – Main Market

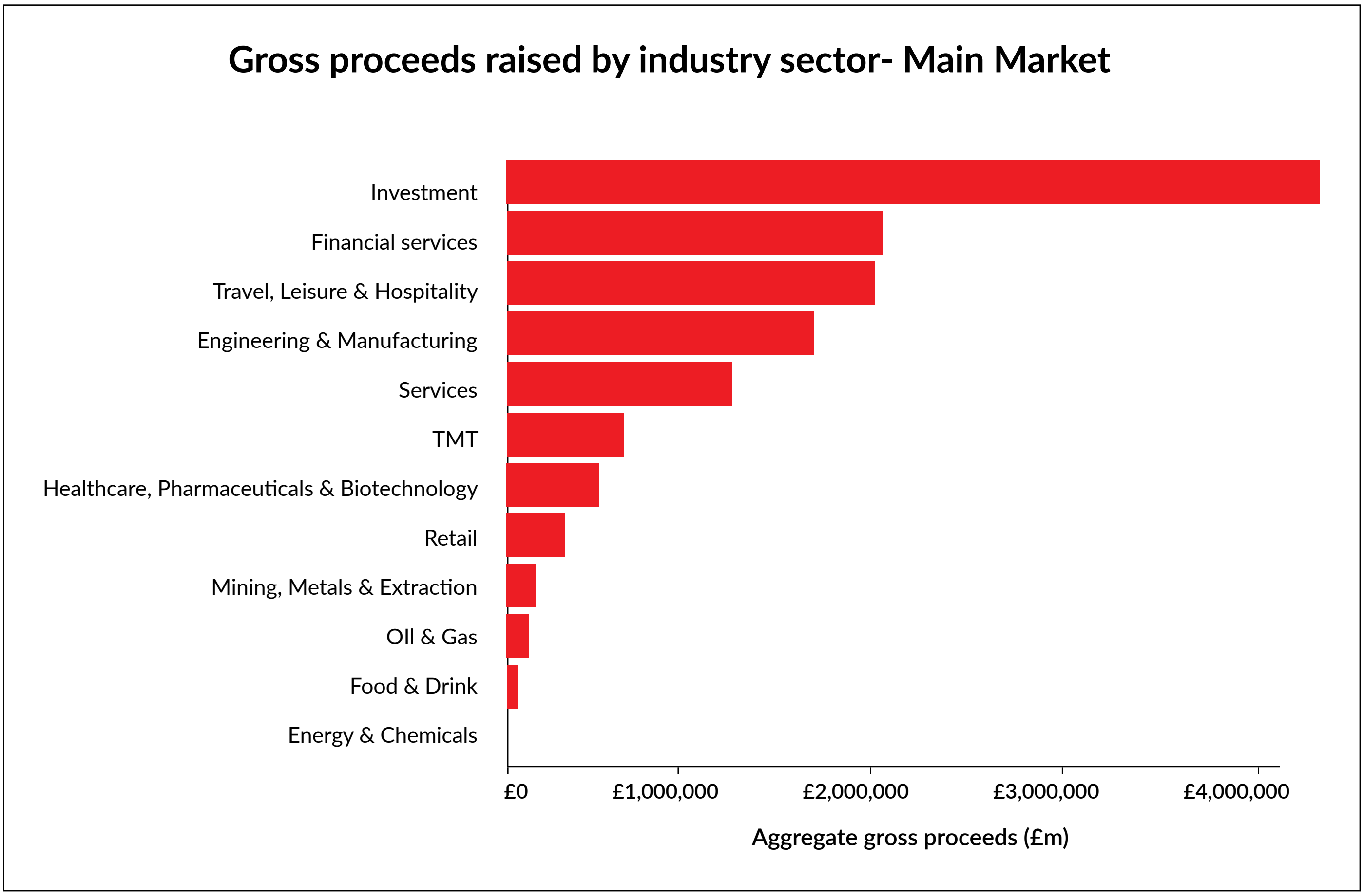
While we saw a greater diversity of industry sectors participating in secondary offerings on AIM, it seems that investment and financial services companies are the most likely to participate in fundraises on London's flagship market. Our findings indicate that the investment and financial services sectors dominated transaction volume on the Main Market in 2018. Companies in the investment sector contributed to 53.9% of the overall transaction volume, while companies in the financial services sector made up 9.9%, and the TMT sector represented 8.8%. The investment and financial services sectors combined represented 63.7% of all secondary offerings on the Main Market.



**Comparison of gross proceeds raised by industry sector - Main Market**

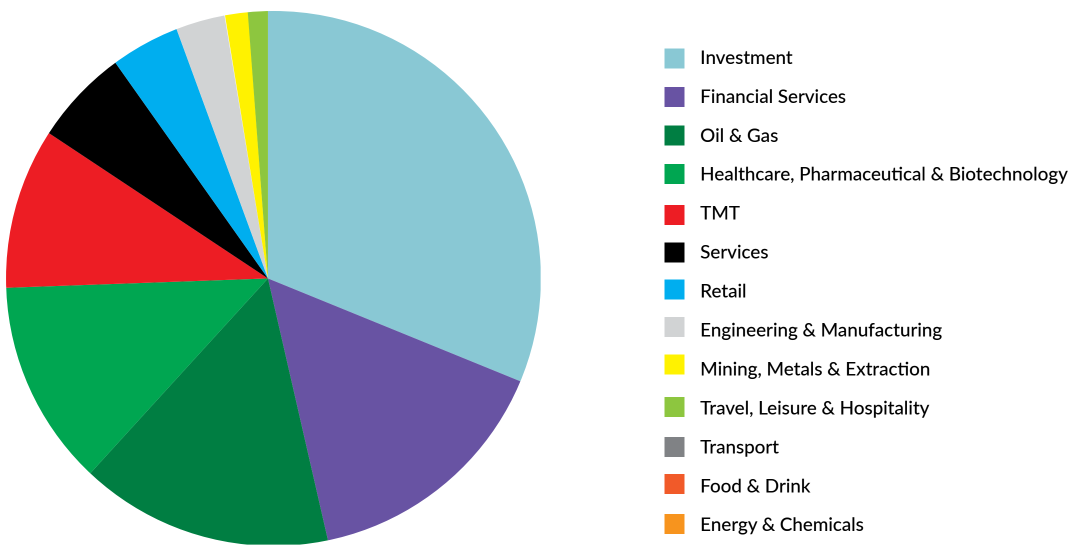
The investment sector made the largest contribution to overall gross proceeds by secondary offer on the Main Market, as well as on AIM. Secondary offerings (within our scope) conducted by investment companies on the Main Market in 2018 raised a total of £4,254.4 million, corresponding to 31.3% of aggregate gross proceeds. This suggests that while investment companies were an active contributor to overall transaction volume (53.9%), these companies were raising less on average per transaction.

Our findings indicate a greater spread of industry sectors in relation to gross proceeds across secondary offers on the Main Market in comparison to transaction volume. Companies in the financial services sector raised a total of £2,092 million (15.4%) and those in the travel, leisure & hospitality sector raised £2,059.4 million aggregate gross proceeds on the Main Market. It should be noted that the Cineworld rights issue, which was the largest transaction in 2018, contributed significantly to gross proceeds raised by the travel, leisure and hospitality sector, which only recorded a total of three secondary offers during 2018.



Secondary offers in the travel, leisure & hospitality sector raised an average of £686.5 million per transaction.  Those in the engineering & manufacturing sector raised £426 million on average and services secondary offers raised an average of £333.5 million per transaction. This compares with £86.8 million raised by an average secondary offer in the investment sector in 2018.

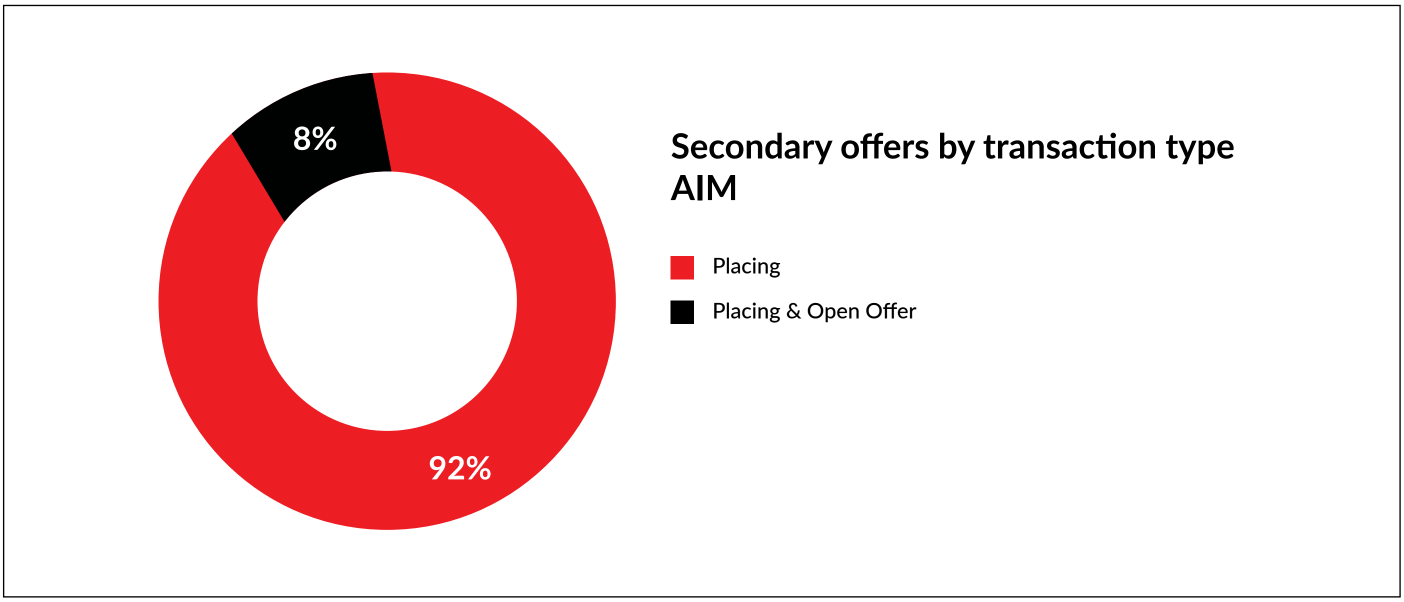
**Comparison of total gross proceeds by industry sector - Main Market**



## Secondary offers by transaction type

### 2018 secondary offering volume by transaction type - AIM

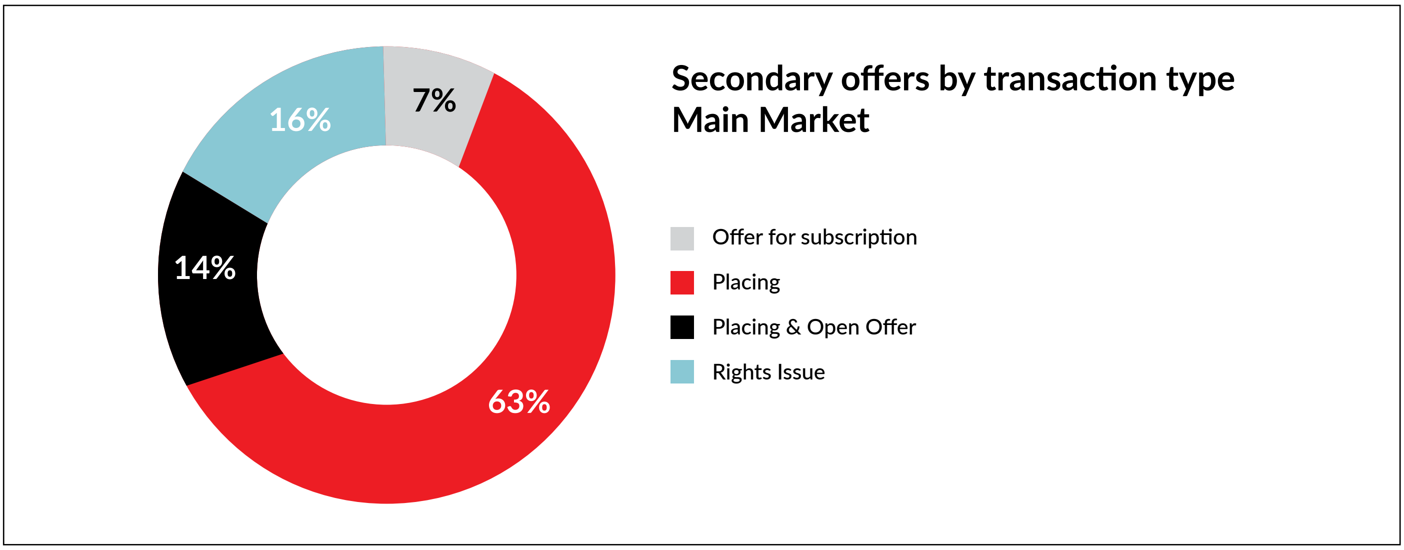
Our findings indicate little diversity among transaction type on AIM with placings emerging as the most popular method of fundraising by a wide margin. In 2018, 92% of all secondary offers (within our scope) on AIM were conducted as a placing. There were no rights issues or offers for subscription during 2018, which confirms a three-year trend that has seen placings dominate transactions on AIM.




> *"Given one of the attractions of AIM is that a Prospectus is not required on further issues, it is not surprising that there were no Rights Issues on AIM. The Open Offer element of Placings and Open Offers usually relies on the €8m exemption to the Prospectus requirement"*
>
> ***Alexander Keepin***
> ***Partner, Bryan Cave Leighton Paisner LLP***

### 2018 secondary offering volume by transaction type - Main Market

Our findings indicate a greater diversity in type of transaction on the Main Market than on AIM. Although placings remain the transaction type of choice for secondary fundraisings on the Main Market, rights issues have increased in popularity during 2018, claiming 16.48% of all secondary offers, up 186.6% from 2017, where there were only 6 rights issues out of a total of 104 secondary offers. Offers for subscription have decreased from 15.4% of all secondary offers in 2017 to representing 6.6% of all secondary offers in 2018. Combined placing and open offers showed a slight decline from 16.4% of all secondary offers in 2017 to 14.3% of all secondary offers on the Main Market during 2018.




*"A combination of the Prospectus Requirements and the deal size means that Main Market companies have greater flexibility in choice of fundraising structure and as a matter of good governance need to consider right issues for certain size of transaction"*

***Alexander Keepin***
***Partner, Bryan Cave Leighton Paisner LLP***

**Rights issues 2018**

There were 15 rights issues on the Main Market in 2018. There were no rights issues on AIM.

| Company | Date | Industry sector | Reasons for the right issue | Gross proceeds (£m) |
|---|---|---|---|---|
| Cineworld Group plc | 05/02/2018 | Travel, Leisure & Hospitality | Acquisition | £1,720.3 |
| DS Smith plc | 10/07/2018 | Engineering & Manufacturing | Acquisition | £1,025.7 |
| Phoenix Group Holdings | 26/06/2018 | Financial Services | Acquisition | £951 |
| Capita plc | 10/05/2018 | Services | Dept repayment, support future growth | £700.7 |
| Grainger plc | 03/12/2018 | Investment | Acquisition | £346.7 |
| Provident Financial plc | 22/03/2018 | Financial Services | Strengthen balance sheet | £330.8 |
| Restaurant Group plc | 29/11/2018 | Travel, Leisure & Hospitality | Acquisition | £315.1 |
| ITE Group plc | 26/06/2018 | TMT | Acquisition | £265.2 |
| Kier Group plc | 05/12/2018 | Engineering & Manufacturing | Debt repayment | £263.6 |
| John Laing Group plc | 09/03/2018 | Financial Services | Support future growth | £216.5 |
| Elementis plc | 04/10/2018 | Investment | Acquisition | £176.4 |
| Galliford Try plc | 28/03/2018 | Retail | Strengthen balance sheet, support future growth | £157.6 |
| Petra Diamonds ltd | 14/06/2018 | Mining, Metals & Extraction | Strengthen balance sheet | £133.1 |
| Enquest plc | 02/10/2018 | Oil & Gas | Acquisition | £106.8 |
| Future plc | 06/08/2018 | TMT | Acquisition, debt repayment | £105.7 |

The 15 rights issues in 2018 made up 16.5% of total transaction volume. Despite contributing to a relatively small proportion of overall transaction volume, these transactions totalled £6,815.1 million in gross proceeds, representing 50% of total gross proceeds raised by all secondary offers in 2018 (within our scope). This indicates that companies continue to opt for rights issues for large dilutive fundraisings. Rights issues raised more in gross proceeds than the other secondary offer types combined.

There was no dominant industry sector that participated in rights issues in 2018. Three of the 15 companies (20%) that participated in rights issues in 2018 are categorised as the financial services sector, with broad sector variation across the remaining transactions.

The top grossing rights issue of 2018 was Cineworld Group plc, which raised total proceeds of £1,720.3 million. The company conducted their rights issue in connection with their acquisition of Regal Entertainment Group. Nine of the 15 companies (60%) listed acquisition as the reason for the rights issue. Three companies listed debt repayment as the rationale behind the rights issue, and a further three listed strengthen balance sheet as the reason for the issue. Two companies stated support future growth as the reason for their transaction.

# Legal and regulatory developments

## Main Market

### Changes to the Main Market IPO process

As discussed above (see section headed ‘Reform of the Main Market IPO process: changes in market practice’), the Main Market UK IPO process saw fundamental change in July 2018. The reforms were in answer to longstanding concerns surrounding the lack of independent pre-deal analyst research in connection with IPOs and the late publication of the FCA approved prospectus in the IPO process.

In essence, the new rules (inserted in the Conduct of Business Sourcebook) require that:

- before any pre-deal research produced by analysts at any firm involved in the placing or underwriting (referred to as ‘connected analysts’) is released, an approved prospectus or registration document must be published, and
- independent ‘unconnected’ analysts’ are given the same information as connected analysts in order to produce research on the company prior to listing.

There are two options for how the issuer’s management may brief analysts during the IPO process. The issuer can either make a combined presentation to connected and unconnected research analysts, in which case connected analysts can publish their research reports one day after the publication of the approved prospectus/registration document.

Alternatively, unconnected analysts can be provided access to the company’s management separately but must be given identical information to that given to connected analysts. In this scenario connected analysts must wait seven days following publication of the approved prospectus/registration document before publishing their deal research reports. The seven day delay is intended to create a level playing field between connected and unconnected analysts.

Since the introduction of the new rules, market practice (as shown by the few companies that have listed under the new requirements) indicates that the favoured option is for unconnected analysts to be provided with separate access to the company’s management with connected research being published a minimum seven days after a registration document is published. The rationale being that there is a greater perceived risk of a leak of information about the IPO if unconnected analysts are briefed earlier which outweighs the risks associated with extending the timetable.

> *"Our experience of advising so far in relation to the reformed Main Market IPO process has been that the banks are encouraging issuers to provide unconnected analysts with access to management separately from the connected analysts. This approach triggers the requirement for a gap of at least a week from the publication of the registration document before releasing the connected research. This reform has added a layer of complexity but seemingly it is not yet achieving its objective. To date very few unconnected analysts have published research on the IPO candidates."*
>
> ***Julian Stanier***
> ***Corporate Finance Partner, Pinsent Masons LLP***

## Prospectus Regulation

Certain provisions of the Prospectus Regulation came into force in July 2018. One of the changes was to give member states the option to exempt an issuer undertaking an offer of securities to the public from the obligation to publish a prospectus where the total consideration in the EU is an amount up to €8 million. The UK has implemented the maximum €8 million threshold although not every member state has so issuers undertaking cross border offers and relying on this exemption need to be mindful of the differing thresholds set throughout the EU.

The Prospectus Regulation will apply in full and replace the Prospectus Directive in the UK from 21 July 2019. The FCA has published a policy statement[17] on its approach to update the Prospectus Rules sourcebook to make it consistent with the Prospectus Regulation in the scenario that the Prospectus Regulation is fully applicable in the UK from 21 July 2019.

[17] FCA Policy statement PS19/12: Changes to align the FCA Handbook with the EU Prospectus Regulation, May 2019

## Sovereign controlled companies

In July 2018, the FCA introduced rules that created a new premium listing category for shares and global depositary receipts of commercial companies controlled by a sovereign shareholder (owning 30% or more of the issuer's voting rights). Sovereign controlled issuers are required to comply with all the existing eligibility requirements and continuing obligations for premium listed companies in the Listing Rules save that they are not required to enter into a relationship agreement with the controlling sovereign state or obtain shareholder approval for related party transactions with the sovereign state. The introduction of these rules caused some controversy with the government asking the FCA about the extent, if any, to which it was influenced by the then planned listing of the Saudi Arabian controlled oil company, Saudi Aramco.

> *"Whilst two new issuers in 2018 (Kazatomprom and Nova Ljubljanska) to the Main Market could have potentially applied for admission to the new segment, both opted instead for a standard listing. This may be because listing global depositary receipts on the new segment does not make an issuer's securities eligible for FTSE-index inclusion and as such, takes away one of the key motivations for seeking a premium listing.  Without index inclusion, an issuer may take the view that the reduced regulatory burden of a standard listing is the more attractive option."*
>
> ***Jamie Corner***
> ***European Counsel, Davis Polk & Wardwell London LLP***

## Corporate governance

Also in July 2018 the Financial Reporting Council published a revised version of the UK Corporate Governance Code which applies to accounting periods beginning on or after 1 January 2019.
The key changes from the 2016 version of the Code include increased emphasis on engagement with the workforce, customers, suppliers and other stakeholders, removing the exemption for smaller companies relating to annual director re-election and the composition of the board and increased focus on assessing and monitoring a company's culture.

> *"In applying the UK Corporate Governance Code, premium listed companies now have to grapple with the concept of purpose as well as culture, and work these into one convincing narrative that encompasses values and strategy as well. Poor examples of culture from recent corporate failures are leading these changes, with the recognition that culture, and indeed, governance, are issues that permeate down from the board and throughout the whole group. Subsidiary company governance has become a topical issue for a number of groups."*
>
> ***Martin Webster***
> ***Corporate Finance Partner, Pinsent Masons LLP***

## Brexit

As part of its preparations for the UK's exit from the EU, the government has published several pieces of secondary legislation, intended to ensure the effective functioning of the UK listing, transparency and prospectus regime on a standalone basis outside the EU which come into effect on exit day.

***The Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019***

The government published The Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019 in March 2019. The regulations do not propose any policy changes but make changes to reflect the UK's position outside the EU. The main changes are:

- requiring all prospectuses for securities to be offered to the public in the UK or admitted to trading on a UK regulated market to be approved by the FCA rather than allowing prospectuses approved by an EEA regulator to be passported for use in the UK
- introducing 'grandfathering' provisions under which a prospectus approved by an EEA regulator prior to exit day can be used in the UK until its validity expires (up to 12 months after approval of the prospectus)
- extending certain exemptions from the requirement to produce a prospectus and under the Transparency Directive that currently apply to EEA bodies, to third country public bodies
- transferring certain responsibilities and obligations that currently sit with EU bodies to the appropriate UK body, and
- removing obligations for UK authorities to cooperate and share information with EU authorities.

***Proposed amendments to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules***

Further to the government's publication of its intentions under The Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019, the FCA published consultation paper CP18/36 on proposed changes to the FCA Handbook in the case of a no deal Brexit. The key changes are:

- removing the reference to the EEA in the free float provision so that shareholders in any jurisdiction can be counted towards the free float
- requiring all issuers with securities admitted to trading on a UK regulated market to comply with the transparency rules irrespective of their country of incorporation (currently all issuers admitted to trading on an EU regulated market and for whom the FCA is the home competent authority must comply)
- requiring issuers preparing consolidated accounts to use International Financial Reporting Standards (IFRS) as adopted by the UK for all financial years commencing on or after exit day instead of IFRS as adopted by the EU (although the government intends to issue an equivalence decision in time for exit day determining that EU adopted IFRS is equivalent to UK adopted IFRS for the purposes of the Prospectus Directive and the Transparency Directive so that non-UK incorporated issuers will be able to continue to prepare their consolidated accounts using EU adopted IFRS), and
- general amendments in accordance with the FCA's baseline approach to treat the EEA and its member states in the same way as it treats non-EEA countries after exit (save where necessary to ensure a functioning regime on exit day or to avoid significant disruption to firms and investors).

> *"Removing the EEA free float requirement on a Brexit is likely to increase the attraction of the London Markets"*
>
> ***Alexander Keepin***
> ***Partner, Bryan Cave Leighton Paisner LLP***

## Corporate governance

From 28 September 2018, AIM companies have been required to adopt a recognised corporate governance code chosen by the company's board of directors. The AIM Rules require AIM companies to 'comply or explain' against their chosen code and disclose where and why they depart from its requirements. Under Rule 26 of the AIM Rules for Companies an AIM company must disclose this information on its website and review it annually.

AIM Regulation published guidance on the preparations that AIM companies should take in order to comply with this new requirement in their July 2018 edition of Inside AIM. In this, the LSE confirmed it did not want to prescribe a list of recognised corporate governance codes as it was preferable for AIM companies to have a range of options to suit their specific stage of development, sector and size. The clear favourite has proven to be the QCA Corporate Governance Code.

In research we undertook in October 2018[18] , we found that approximately 90% of all AIM companies had chosen to follow the QCA Code. However, looking at the largest companies on AIM, our research found that out of the top 50 AIM companies (which had a market capitalisation of £495m or more) 40% reported against the UK Corporate Governance Code (UKCG Code) and for the top 50 – 100 AIM companies (market capitalisation of approximately £260m - £495m) 20% reported against the UKCG Code.

> *"The QCA Corporate Governance Code has been written by the small and mid-cap community with the intention of enabling companies to improve their performance, rather than policing their structures and behaviours. The fact that the majority of AIM companies opted to follow the QCA Code over other options is an endorsement that the market favours this approach. Recent QCA surveys show that the vast majority of companies and investors on AIM think that the changes to Rule 26 will improve the integrity of the market; we also found that virtually all companies took proactive steps in 2018 to improve their visibility with investors."*
>
> ***Tim Ward***
> ***Chief Executive, Quoted Companies Alliance (QCA)***

[18] QCA Code emerges as AIM companies' first choice under new reporting requirements – Lexis®PSL News, 17 October 2018

## Early notification

Another important change in the AIM Rules was the formalisation of the requirement to start discussions with the LSE about a new applicant earlier in the admission process (before the Schedule One information is submitted). From 30 March 2018, a Nomad has been required to submit an 'early notification form' as early as possible in the AIM admission process containing key prescribed information about the new applicant company. This includes details of the applicant's corporate structure, details of advisers to the transaction, qualifications to last audited accounts, target fund raise, anticipated free-float, details of all directors, applicable employees and significant shareholders, and a catch-all disclosure requirement of whether there are *'any other matters concerning the appropriateness of the applicant which may have the potential to be detrimental to the orderly operation, the reputation and/or integrity of AIM'.*

The timing for submission of the information has been left deliberately loose as the LSE did not want to set out a formulaic process but leave it up to the Nomad's discretion to decide when to first approach the LSE. It is open for the Nomad to state in the early notification form that information is not yet available and update the LSE at a later stage.

> *"We participated in the LSE consultation on the early notification proposal which was broadly welcomed by Nomads and has proved particularly helpful for overseas companies and/or companies in the resources sector where early guidance on disclosure issues is especially useful."*
>
> ***Clive Hopewell***
> ***Partner, Bird & Bird LLP***

> *"The Nomad community has been broadly welcoming of the formalised early notification process which allows AIM Regulation to review a potential admission and ask questions of the Nomad at a point in the transaction timetable which doesn't jeopardise the fundraise timetable. Early regulatory engagement also increases the chances that any concerns raised by AIM Regulation can be addressed in a considered manner, before the investor community has been engaged by the issuer."*
>
> ***James Spinney***
> ***Head of Capital Markets, Strand Hanson***

## Nomad Rules and Disciplinary Handbook

2018 also saw two sets of changes to the AIM Rules for Nominated Advisers. In March 2018 additional guidance was given on matters the LSE will consider relevant to the appropriateness of a new applicant (this was introduced in conjunction with the early notification rules) (AIM Notice 50). In July 2018, changes were made to provide more clarity and detail on the eligibility criteria for Nomads and the LSE's supervisory powers (AIM Notice 52).

The AIM Disciplinary Procedures and Appeals Handbook saw some major redrafting in October 2018 aimed at improving the efficiency and transparency of the disciplinary process and establishing a framework for discounted financial penalties for early settlement of cases (AIM Notice 54).

## Brexit

In March 2019, the LSE proposed amendments to its rulebooks[19], including the AIM Rules for Companies and the AIM Rules for Nominated Advisers, to come into effect in the event of a no deal Brexit. The amendments are consequential to reflect the UK's position outside the EU and, for example, amend references to EU regulations to those regulations as onshored post-Brexit.

[19]London Stock Exchange Market Notice N04/19 Brexit: Amendments to the London Stock Exchange Primary Market Rulebooks, 7 March 2019

# List of deals included in this report

## 2018 IPOs (Main Market)[20]

| COMPANY NAME | COUNTRY OF INCORPORATION | COUNTRY OF OPERATION | MARKET CAPITALISATION (£m)[21] | GROSS PROCEEDS RAISED BY COMPANY (£m) | INDUSTRY SECTOR |
|---|---|---|---|---|---|
| **February** | | | | | |
| Marble Point Loan Financing Ltd | Guernsey | United Kingdom | 151.15 | 30.0 | Investment |
| **March** | | | | | |
| Baillie Gifford US Growth Trust plc | England and Wales | United Kingdom | 173.87 | 173.00 | Investment |
| Energean Oil & Gas plc | England and Wales | Eastern Mediterranean | 667.84 | 330.29 | Oil & Gas |
| Integrafin Holdings plc | England and Wales | United Kingdom | 878.00 | 0.00 | Financial Services |
| JTC plc | Jersey | Worldwide | 338.86 | 21.72 | Financial Services |
| **May** | | | | | |
| Avast plc | England and Wales | Czech Republic | 2174.88 | 147.44 | Computing & IT |
| Vivo Energy plc | England and Wales | Africa | 2270.88 | 0.00 | Oil & Gas |
| **June** | | | | | |
| Quilter plc | England and Wales | United Kingdom | 2872.40 | 0.00 | Financial Services |
| **July** | | | | | |
| Amigo Holdings plc | England and Wales | United Kingdom | 1496.11 | 0.00 | Financial Services |
| ASA International Group plc | England and Wales | Africa and Asia | 370.00 | 0.00 | Financial Services |
| Grit Real Estate Income Group Limited | Mauritius | Africa | 339.85 | 101.24 | Investment |
| Hipgnosis Songs Fund Limited | Guernsey | United Kingdom | 208.24 | 202.18 | Investment |
| Theworks.co.uk plc | England and Wales | United Kingdom | 109.38 | 28.50 | Retail & Wholesale Trade |
| Tritax Eurobox plc | England and Wales | United Kingdom | 310.50 | 300.00 | Investment |
| **September** | | | | | |
| Trian Investors 1 Limited | Guernsey | United Kingdom | 273.29 | 270.59 | Investment |

[20]Market capitalisation of £100m or more
[21]Market capitalisation is calculated based on the closing price on the day of admission.

| COMPANY NAME | COUNTRY OF INCORPORATION | COUNTRY OF OPERATION | MARKET CAPITALISATION (£m)[22] | GROSS PROCEEDS RAISED BY COMPANY (£m) | INDUSTRY SECTOR |
|---|---|---|---|---|---|
| **October** | | | | | |
| Aston Martin Lagonda Holdings plc | England and Wales | United Kingdom | 3896.57 | 0.00 | Automotive |
| CEIBA Investments Limited | Guernsey | United Kingdom | 139.74 | 30.00 | Investment |
| Funding Circle Holdings plc | England and Wales | United Kingdom | 1264.68 | 300.00 | Financial Services |
| Mobius Investment Trust plc | England and Wales | United Kingdom | 100.02 | 100.00 | Investment |
| Smithson Investment Trust plc | England and Wales | United Kingdom | 843.07 | 822.51 | Investment |
| **November** | | | | | |
| Gresham House Energy Storage Fund plc | England and Wales | United Kingdom | 103.00 | 100.00 | Investment |
| JSC National Atomic Company Kazatomprom | Kazakhstan | Kazakhstan | 2410.54 | 311.26 | Mining, Metals & Extraction |
| M&G Credit Income Investment Trust plc | England and Wales | United Kingdom | 102.00 | 100.00 | Investment |
| Merian Chrysalis Investment Company Limited | Guernsey | United Kingdom | 103.50 | 100.00 | Investment |
| Nova Ljubljanska Banka D.D., Ljubljana | Slovenia | Slovenia | 730.34 | 0.00 | Financial Services |
| **December** | | | | | |
| AJ Bell plc | England and Wales | United Kingdom | 911.81 | 0.00 | Financial Services |
| SDCL Energy Efficiency Income Trust plc | England and Wales | United Kingdom | 103.00 | 100.00 | Investment |

[22]Market capitalisation is calculated based on the closing price on the day of admission.

## 2018 IPO (AIM) [23]

| COMPANY NAME | COUNTRY OF INCORPORATION | COUNTRY OF OPERATION | MARKET CAPITALISATION (£m)[24] | GROSS PROCEEDS RAISED BY COMPANY (£m) | INDUSTRY SECTOR |
|---|---|---|---|---|---|
| **February** | | | | | |
| OnTheMarket plc | England and Wales | United Kingdom | 89.6 | 30.0 | Media & Telecommunications |
| TruFin plc | Jersey | United Kingdom | 192.79 | 70.00 | Financial Services |
| **March** | | | | | |
| GRC International Group plc | England and Wales | United Kingdom | 50.28 | 5.04 | Computing & IT |
| Kore Potash plc | England and Wales | Republic of Congo | 90.22 | 9.13 | Mining, Metals & Extraction |
| Safe Harbour Holdings plc | Jersey | United Kingdom | 33.52 | 22.70 | Investment |
| **April** | | | | | |
| SimplyBiz Group plc | England and Wales | United Kingdom | 120.82 | 30.00 | Professional Services |
| **May** | | | | | |
| Rosenblatt Group plc | England and Wales | United Kingdom | 82.09 | 35.00 | Professional Services |
| Serinus Energy plc | Jersey | Romania; Tunisia | 35.86 | 10.00 | Oil & Gas |
| Team 17 Group plc | England and Wales | United Kingdom | 252.73 | 45.09 | Travel, Hospitality, Leisure & Tourism |
| Urban Exposure plc | England and Wales | United Kingdom | 174.08 | 150.00 | Financial Services |
| **June** | | | | | |
| Anexo Group plc | England and Wales | United Kingdom | 113.85 | 10.00 | Professional Services |
| Aquis Exchange plc | England and Wales | United Kingdom | 80.09 | 12.00 | Financial Services |
| Cake Box Holdings plc | England and Wales | United Kingdom | 48.20 | 0.00 | Food & Beverages |
| Codemasters Group Holdings plc | England and Wales | United Kingdom | 346.50 | 15.00 | Travel, Hospitality, Leisure & Tourism |
| Knights Group Holdings plc | England and Wales | United Kingdom | 118.49 | 31.00 | Professional Services |
| Mind Gym plc | England and Wales | United Kingdom | 166.43 | 0.00 | Professional Services |
| RA International Group plc | England and Wales | Dubai | 100.67 | 18.8 | Construction |

[23]Market capitalisation of £25m or more
[24]Market capitalisation is calculated based on the closing price on the day of admission.

| COMPANY NAME | COUNTRY OF INCORPORATION | COUNTRY OF OPERATION | MARKET CAPITALISATION (£m) | GROSS PROCEEDS RAISED BY COMPANY (£m) | INDUSTRY SECTOR |
|---|---|---|---|---|---|
| Tekmar Group plc | England and Wales | United Kingdom | 70.00 | 61.80 | Oil & Gas |
| Yew Grove REIT plc | Ireland | Ireland | 67.74 | 46.99 | Investment |
| **July** | | | | | |
| Nucleus Financial Group | England and Wales | United Kingdom | 166.33 | 0.00 | Financial Services |
| Yellow Cake plc | Jersey | Jersey | 152.35 | 151.24 | Mining, Metals & Extraction |
| **August** | | | | | |
| Jadestone Energy Inc | Canada | Asia Pacific | 186.71 | 83.90 | Oil & Gas |
| Sensyne Health plc | England and Wales | United Kingdom | 232.07 | 60.00 | Healthcare |
| **November** | | | | | |
| Kropz plc | England and Wales | Africa | 102.10 | 27.34 | Mining, Metals & Extraction |
| Renalytix AI plc | England and Wales | USA | 65.92 | 22.25 | Healthcare |
| **December** | | | | | |
| finnCap Group plc | England and Wales | United Kingdom | 49.63 | 3.75 | Banking & Finance |
| Litigation Capital Management Ltd | Australia | Australia | 61.95 | 20.00 | Financial Services |
| Manolete Partners plc | England and Wales | United Kingdom | 83.87 | 16.25 | Financial Services |
| The Panoply Holdings plc | England and Wales | United Kingdom | 30.45 | 5.00 | Computing & IT |

[25]Market capitalisation is calculated based on the closing price on the day of admission.

## Industry sectors: IPOs

For IPOs, we have used the Market Tracker industry sector categories which are set out below.

- Agriculture & Forestry
- Automotive
- Banking & Finance
- Chemicals
- Computing & IT
- Construction
- Consumer Products
- Electronics
- Energy & Utilities
- Engineering & Manufacturing
- Environmental Services & Waste Management
- Financial Services
- Food & Beverages
- Healthcare
- Investment
- Marketing & Advertising
- Media & Telecommunications
- Mining, Metals & Extraction
- Oil & Gas
- Pharmaceuticals & Biotechnology
- Professional Services
- Property
- Retail & Wholesale Trade
- Transport
- Travel, Hospitality, Leisure & Tourism

## Industry sectors: secondary offers

For secondary offers, we have used the London Stock Exchange industry sector categories to categorise companies, but we have consolidated these into broader categories to make our data clearer and to identify trends across the sector groups. An exhaustive list is provided below:

| Consolidated Industry Sector Category | London Stock Exchange Category |
|---|---|
| Energy & Chemicals | Alternative energy<br>Chemicals<br>Electricity |
| Engineering & Manufacturing | Aerospace & defence<br>Automobiles & parts<br>General industrials<br>Construction & materials<br>Industrial engineering |
| Financial Services | Banks<br>General financial<br>Life insurance<br>Nonlife insurance |
| Food & Drink | Food producers<br>Beverages |

| | |
|---|---|
| Healthcare, Pharmaceuticals & Biotechnology | Food & drug retailers |
| | Health care equipment & services |
| | Pharmaceuticals & biotechnology |
| Investment | Equity investment instruments |
| | Nonequity investment instruments |
| | Company bonds |
| | Real estate investment & services |
| | REITs |
| Mining, Metals & Extraction | Mining |
| | Industrial metals |
| Oil & Gas | Gas, water & multiutilities |
| | Oil & gas producers |
| | Oil equipment, services & distribution |
| Retail | General retailers |
| | Household goods |
| | Personal goods |
| Services | Support services |
| TMT | Electronic & electrical equipment |
| | Fixed line telecommunications |
| | Media |
| | Mobile telecommunications |
| | Software & computer services |
| | Technology hardware & equipment |
| Transport | Industrial transportation |
| Travel, Leisure & Hospitality | Travel & leisure |
| | Leisure goods |

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He is a member of the Listing Authority Advisory Panel (LAAP), which advises the UKLA on policy and regulation issues, and of the Primary Markets Group, which advises the London Stock Exchange on capital markets matters.

In January 2015, he was included in The Lawyer's Hot 100 and, in October 2009, he was recognised as one of the top 40 next-generation dealmakers by merger market.

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Alexander has also recently acted on a number of fundraisings, IPOs and reverse takeovers for oil and gas and mining companies. He is frequently involved in international transactions, particularly in Canada, Australia, Africa.

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James joined Strand Hanson in 2008 and has advised on both M&A and equity capital market transactions and was appointed Head of Capital Markets in 2019.

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# Lexis®PSL Corporate Market Tracker

Market Tracker is a unique service for corporate lawyers housed within Lexis®PSL Corporate.

Key features include:

- a transaction data analysis tool for accessing, analysing and comparing the specific features of various listed company transactions including takeovers, initial public offerings and secondary offers
- detailed, searchable summaries of listed company deals and AGMs
- a comprehensive and searchable library of deal documentation such as announcements, circulars, offer documents and prospectuses
- news and analysis of key corporate deals and activity, and
- in-depth analysis of recent trends and developments in corporate practice.

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**Market Tracker | Forthcoming Trend Reports**

## AGM season 2019

A look at the trends and market practice emerging from the FTSE 350 annual general meeting (AGM) season 2019. The report will look at the key topics in corporate governance this year and feature market insight from a range of leading practitioners.

## Trends in UK public M&A deals in 2018

This Market tracker trend report provides in-depth analysis of the 42 firm and 49 possible offers announcements made for companies subject to the Takeover Code in 2018. It includes insight into public M&A trends and what we might expect to see in 2019 and beyond.

**The report contains expert commentary from:**

Simon Wood, Addleshaw Goddard
Benjamin Lee, Bryan Cave Leighton Paisner
Alison Smith, Freshfields Bruckhaus Deringer
Selina Sagayam, Gibson Dunn
Rob Hutchings and Adam Cain, Pinsent Masons
Gillian Fairfield, Slaughter and May
Jeremy Kutner, Sullivan & Cromwell
Patrick Sarch, Tom Matthews, Allan Taylor, Philip Broke, Guy Potel and Dominic Ross, White & Case

## Dividends

A report on the trends and market practice relating to payment of final, interim and special dividends across the FTSE 350.

This report, which includes expert contributions and commentary from Martin Webster, Partner at Pinsent Masons LLP, Jonathan Beastall, Senior Adviser at Pinsent Masons LLP and The Investment Association, follows the Government's response to its consultation on Insolvency and Corporate Governance which highlighted its concerns about how some companies are going about paying dividends.