THE IPO REVIEW 2019

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Each quarter Equiniti reviews both the UK and international IPO activity. The aim is to provide our readers with in-depth information on the latest listings as well as wider economic factors impacting the IPO market both in the UK and across the globe.

To receive these updates, register **here**.

2019 has proved to be a decidedly mixed year for the IPO market. It will be remembered for high-profile US tech floats and for Aramco's record-breaking raise.

However, the shadow cast by a downbeat second half to 2018 was a long one and the political obstacles in the shape of escalating US-China trade tension, Hong Kong protests and Brexit led to many IPOs being shelved.

Mid-year, a spectacular herd of mostly US unicorns did jump these fences in quick succession but began to find the landing rather stony. The absence of profitability among most of them – as discussed in our Q2 round-up article – eventually tested shareholders' patience, and by the 3rd quarter we saw IPO activity again stalling as companies postponed listings or turned towards private equity.

Nonetheless, economic fundamentals remain encouraging. With greater political purpose and clarity, there is every expectation that pent-up IPO activity will help brighten the markets in 2020. Certainly the exchanges have used the relative downtime to forge collaborations and make themselves more receptive to a wider range of companies by trimming restrictions and bureaucratic burdens.

Equiniti is likewise well-poised to respond to the revival of the IPO market. We already provide services to around 70% of the FTSE 100 and have handled some of the UK's most complex corporate events. Whatever your size, if you are considering a flotation, we would very much welcome a discussion.

Paul Matthews

CEO, EQ Boardroom

Market Roundup

LONDON

IPO activity across Europe was slow in 2019 and this was reflected on London markets.

Added to this, political paralysis in the UK put many companies off going public and so 2019 was unsurprisingly the weakest for IPOs since 2009, seeing raises of £4.5bn across 36 floats compared to £6.1bn raised from 89 listings last year.

Potential sterling volatility from Brexit was seen as one additional risk too many for some overseas listers, but London's reputation for solidity and liquidity nonetheless drew many high-profile overseas deals to the London Stock Exchange. Among these was UAE-based payments firm **Network International's** £1.2bn raise against a £2.2bn value; breaking the record for an AME region IPO on a global exchange. This was followed on almost the next flight over from Dubai by Travelex spin-off **Finablr**, which achieved a valuation of £1.2bn and a £153m raise.

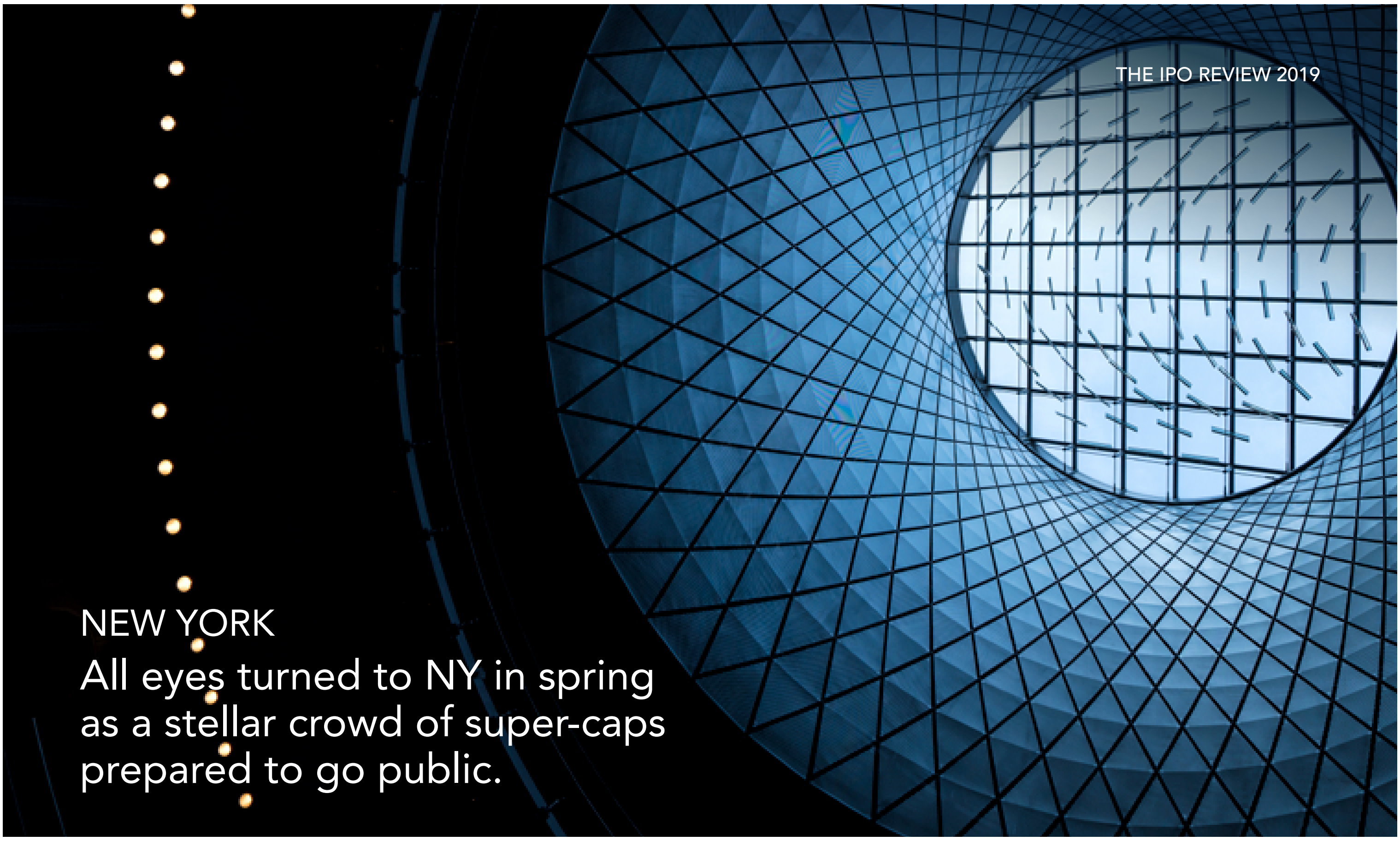
Valued at £2.7bn, **Airtel Africa** attracted investors from every continent in a simultaneous London Premium and Nigerian Stock Exchange float. The £609m raise recognised the enthusiasm for emerging markets telecoms and the company's 100 million customer base. Towards the end of the year, one of Airtel's mast suppliers, **Helios Towers** raised £99m off a £1.2bn valuation. The Soros-backed company will use the funds to add a further three African countries to its sub-Saharan expansion.

Drilling and mining interests of everything from gold to graphite maintained their strong relationship with the London exchanges during the year. **Longboat Energy** joined **Mustang Energy**, **MetalNRG**, **Blencowe Resources** and **Ferro-Alloy Resources** in tapping rich seams on AIM. New energy was also represented by **Aquila European Renewables Fund's** £136m raise and **US Solar Fund's** premium listing on the main market raised £153m.

Stronger links were forged between the London Stock Exchange and China over the course of the year. **Starcrest Education** launched its Silk Road Initiative-related platform on AIM with a £1.1m raise, while **BSF Enterprises** attracted investors for specific UK-China opportunities. More importantly, however, was the launch of Stock Connect, the collaboration between the London Stock Exchange and Shanghai. **Huatai Securities** raised £1.3bn through GDRs in June and is to be followed by potentially even larger issues by **China Pacific Insurance** and £6.3bn mcap generator **SDIC Power Holdings** in early 2020.

Healthcare was well represented in London IPOs. Northern Ireland's **Diaceutics** raised £17m on AIM in March to expand its offering in diagnostic data analytics. **Uniphar** raised €150m jointly in Dublin and on AIM to further its transatlantic ambitions.

Other notable listings were legal firm **DWF's** £95m raise to strengthen its managed service solutions. Watches of Switzerland had an enthusiastic main market reception for its IPO, the £155m raise was to wind down debt. **Trainline** proved to be a big-ticket item with a well-received main market IPO, valuing it at just under £2bn and a deal size of £1.1bn.



NEW YORK

All eyes turned to NY in spring as a stellar crowd of super-caps prepared to go public.

Uber was the most keenly anticipated listing, but while it wrangled with regulations, its rival **Lyft** sneaked in ahead to grab the limelight with a $2.3bn and $24bn valuation. When Uber did list, its valuation of $75bn was well below the original aspiration of over $100bn. Both companies saw their share price come under pressure in what was to be an indication of problems for the loss-making unicorns following behind.

Pre-profit software company **Slack** saw initially gushing enthusiasm wane, seeing its value fall from $24bn to around $15bn by year end. Similarly, loss-making cloud platform PagerDuty saw a rise then sharp fall as the year progressed. Analytics firm Datadog was well received on a $10bn+ valuation but Pinterest slowed the tech bull with post-IPO announcement of heavier than expected losses.

Direct-to-consumer orthodontists **SmileDirectClub** lost around a third of its £8.8bn September launch value within a month. Online pet food retailer **Chewy** followed the same trajectory for growth-over-profit unicorns. It raised its initial target share price of $17 to $22, then opened at $36 before ending three months later at around $23. Chemicals supplier **Avantor's** $3.3bn raise was New York's second largest IPO, following top-spot Uber by a week and trimming its offer price by 30% in the wake of that company's poor reception.

By the time of **WeWork's** planned IPO in the third quarter, a colder shareholder reception was prevalent. The extent of the office space company's losses stretched investors' ability to identify a path to profit and the company's valuation fell from $47bn to $20bn and below, until the IPO was shelved altogether.

More encouragingly for fast growths, the herbivore unicorn **BeyondMeat** had a record first day surge on NASDAQ of 163% in its $340m raise, while towards the end of the year, **Peloton** pedalled on against headwinds of scepticism about its recent doubling of declared value to $8bn and saw the year out with settled trading.

Profitable unicorns tapped more easily into the markets. Video conferencer **Zoom** achieved a market cap of $16bn after its first day of trading: up from a debut price of $9bn and a private valuation of $1bn two years earlier. **Levi Strauss** returned to the NYSE after 35 years, with a $623m raise off a valuation of $8.9bn.

Chinese unicorns continued to favour New York, with video gamer **DouYu** attracting $775m against a $3.7bn valuation and Starbucks equivalent **Luckin Coffee** raising $570m against a $4bn value just two years after pouring its first cup.

HONG KONG

The first three quarters were challenging for HKSE, seeing a drop of over 40% on IPO proceeds compared to 2018.

Political unrest and technical failures dampened investor sentiment and several companies postponed their listings. However, the exchange managed to maintain its top IPO spot with $37bn of IPO proceeds – comfortably beating NYSE and NASDAQ into second and third place respectively – with the help of three super-cap listings towards the end of the year.

The first was **AB InBev**, which had pulled back from a larger listing of its whole Asian operations in favour of a c. $5bn raise on the Budweiser division alone. The second was logistics company ESR Cayman, which had pulled a $1.2bn raise in June because of the political turmoil, only to come back with a larger $1.6bn raise in November.

Alibaba's secondary listing after going public on NYSE in 2014 was the real game changer. The online retailer, which recently broke records by selling $38bn of merchandise in one day had long signalled its desire for a Hong Kong IPO. Alibaba was welcomed "home" by the CEO of HKSE with a $12.9bn raise against a value of $513bn and listed under the auspicious share code 9988, representing eternal prosperity in Chinese culture. If not quite eternal, the company's now swollen cash pile of $44bn should give it a reasonable shelf life.

CHINA

70 companies raised nearly £9bn on the new STAR market, Shanghai's equivalent of NASDAQ.

The exchange is a step towards lighter regulation to entice domestic techs to list at home rather than beat a path to New York. The innovation helped propel Shanghai to fifth place on global exchanges, with proceeds of over $25bn.

Shenzhen is looking to keep pace by making its ten-year-old ChiNext more user friendly. The high growth-focused exchange is to scrap the present requirement for two years of trading in the black, with accumulated profit of c. $1.5m.

Banks dominated the Chinese exchanges after the government sought to improve lenders' capital bases. The largest of the fourteen to list in the year was **Postal Savings Bank of China**, with a customer base of 600 million. In the fifth-largest IPO of the year globally, the bank raised $4.7bn.

HONG KONG

40% drop

on IPO proceeds compared to 2018

CHINA

£9bn on new star market

Shanghai's equivalent of NASDAQ

EUROPE

Activity was approximately 50% down on 2018 in a very subdued market.

Spain managed no IPOs at all for the year on the Bolsa de Madrid. However, some notable listings were achieved, including two of the global top ten raises.

The first of these, and Europe's largest IPO in terms of proceeds, was screen sharing technology provider **TeamViewer** with €2.2bn raised, giving it a market capitalisation of €5.2bn. The company had been bought by British PE Permira for €870m in 2014. The choice to list in Frankfurt surprised many as the exchange is better known for autos and manufacturers.

Second was **Nexi SpA's** €2bn raise on the Borsa Italiana. The company has a 60% market share of card issuances in Italy and followed other payments services firms **Network International** as above and last year's **Adyen** in the Netherlands.

State lottery company **Française des Jeux** pushed ahead with its IPO against political opposition to Emmanuel Macron's privatisation programme. France's largest IPO since 2006 attracted 500,000 retail investors and raised €1.7bn for the government.

EQT went public on Nasdaq Stockholm, achieving a value of over £5bn on Nasdaq Stockholm. Shares in the world's seventh-largest PE firm were ten times over-subscribed and surged in its debut. The £490m raise was intended to put the company in a position to compete with its larger competitors.

Jar and bottle maker **Verallia** was France's largest IPO for two years. The company, which counts Dom Perignon among its clients, achieved a value of €3.2bn and proceeds of €888m to fund its expansion plans.

SAUDI ARABIA

In the largest IPO of all time, **Saudi Aramco** went public.

Eclipsing Alibaba's 2014 record, the state oil company raised $25.6bn, valuing the company at $1.7trn and thereby overtaking Apple as the world's most valuable publicly traded company. The deal almost single-handedly accounted for the Tadawul being the fourth most successful exchange of the year by proceeds.

The sale of 1.5% of Aramco's stock followed a successful bond issue in April and is part of a wider agenda to liberalise and diversify the economy while presenting Saudi Arabia as open for international business.

EUROPE

50% drop

on IPO compared to 2018

SAUDI ARABIA

Largest IPO of all time

Saudi Aramco went public

Outlook for 2020

There is general consensus around the IMF's forecast for modest global growth of 3.4% for the year ahead.

Critical variables for the world economy and the IPO market are Sino-American tariff tensions, UK-EU trade talks, political unrest in Hong Kong and the impact of the latest developments in the Middle East on oil prices.

Major and emerging economies alike have started to slow slightly. China, a key component of the growth in world trade, is having to focus on the structural integrity of its economy, rather than just its expansion. As Nomura's Head of Global Macro Research, Rob Subbaraman points out, "Maintaining financial stability will be a key task for Beijing in 2020, as years of stimulus have finally started to weigh on China's banking sector." Nonetheless, stock markets performed strongly in China last year as well as the US and much of continental Europe, providing encouraging conditions for IPOs in 2020.

There are also many delayed listings from 2019 that may now go live in 2020. In the US alone, forty-four US companies pulled their IPO papers in 2019, including food delivery service **Postmates**, online bedding retailer **Casper** and security software firm **McAfee**.

Learning from **Uber**, **Lyft** and **WeWork, this year's headliner unicorns** are braced for greater scrutiny and are displaying more caution. Tellingly, the supposed star turn of 2020 listings, booking platform **Airbnb** – valued at 14.6x revenue – is reported to be considering a direct listing to avoid some of the highs and lows an IPO may present. JP Morgan's Michael Cembalest, Chairman of Markets and Investment Strategy notes that, "Valuations have been on the high side for a while… but there are signs that investors are being more discerning about risk and cash flow fundamentals."

With the election and the Brexit decision in the UK's rear-view mirror, there are potentially landmark IPOs to light up the London Stock Exchange including **O2**, **Asda** and **Deliveroo**. Nigeria's **Dangote Cement** and China's **SDIC Holdings** at values of over £5bn each, will consolidate London's global standing, while investors look to **McLaren** and J**aguar Land Rover** to deliver to cut a dash for 2020.

Starting your own IPO journey

Equiniti has many years' experience bringing companies to market, from preparation to launch and on to life post-IPO. Our unbeatable service has supported the technical and logistical elements of the highest-profile listings in the UK, and we can do the same for you.

To find out more, contact our team at equinitiboardroom@equiniti.com

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