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MAIN MARKET INSIGHTS

REVIEW OF THE MAIN MARKET FOR THE SIX MONTHS TO 31 DECEMBER 2019



OVERVIEW OF FUNDRAISES AND TRANSACTIONS

Fundraises and transaction numbers declined in H2-19 to their lowest since the Eurozone crisis

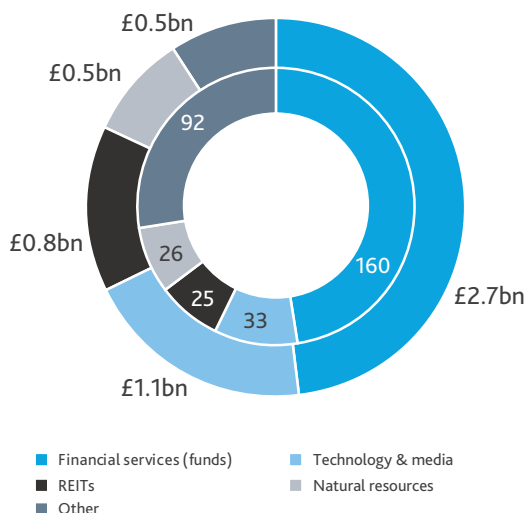
A surge in the indices in late December 2019 and the potential for some certainty in UK politics (at least in the short-term) supports the hope for a stronger 2020

OVERVIEW TABLE

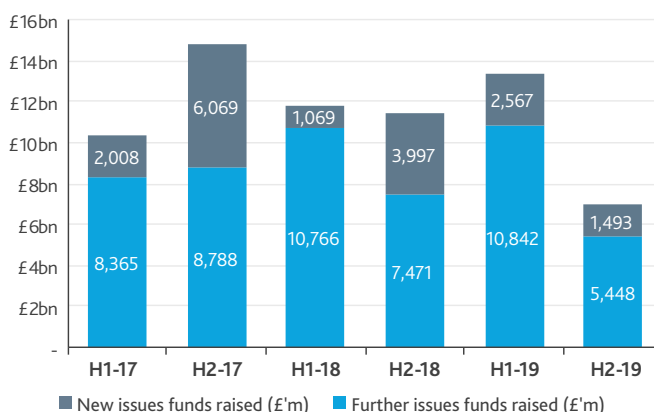
	2018	2019	H118	H218	H119	H219
Number of companies	1,166	1,158	1,166	1,165	1,158	1,143
Total transactions	736	715	342	384	379	336
Total funds raised (£bn)	19.4	17.0	9.4	10.0	11.4	5.6
New admissions	78	51	37	41	29	22
– of which, raised capital	45	26	16	29	14	12
New issue proceeds (£bn)	5.1	4.1	1.1	4.0	2.6	1.5
Avg. new issue proceeds (£m)	112.6	156.1	66.8	137.8	183.3	124.4
Further issues	658	664	305	343	350	314
– of which, raised capital	330	289	189	141	169	120
Further issue proceeds (£bn)	14.3	12.9	8.3	6.0	8.9	4.1
Avg. new issue proceeds (£m)	21.7	19.5	27.3	17.4	25.3	13.0

- H2-19 was a tumultuous period in UK and global politics. The uncertainty was reflected in the low level of fundraising activity across the Main Market.
- The number of Main Market new admissions declined by 40% in 2019. This decline was significantly greater than the global average (19%) suggesting it was, at least in part, local political conditions which hurt the UK markets.
- The FTSE 100 fell by 4% from the end of June to mid-December caused by political uncertainty in the UK. Whilst the return of a majority government indicated the deadlock was broken, and drove a late surge in activity in December, this was too late to impact fundraising activity in 2019. H2-19 had the lowest total fundraise since H1-13.

TRANSACTION NUMBERS (INSIDE) AND FUNDS RAISED BY SECTOR FOR H2-19



VALUE OF NEW AND FURTHER ISSUES AND FUNDS RAISED



- The impact was particularly stark on further issues. Following the Brexit referendum, further issue fundraising performed relatively better than new issues. While the number of further issues remained relatively comparable, H2-19 fundraises were the lowest since the financial crisis.
- There were no further issue transactions raising more than £300m in the second half of the year. The largest was £260m raised by Unite Group PLC in July.
- While the number of new issues was similarly low with only 22 transactions (the lowest since H1-16), the average fundraise was broadly in line with 2018. The IPOs which were able to get away appeared to generate positive traction with investors.
- Financial services (funds) remained the most active sector, raising £2.7bn in H2-19. As investors appeared to remain risk averse, their ability to spread risk through fund investing remained an attractive option.
- Technology & media was the second largest sector, raising £700m primarily through new issues. Of this, £600m was raised by Airtel Africa.

MARKET OUTLOOK

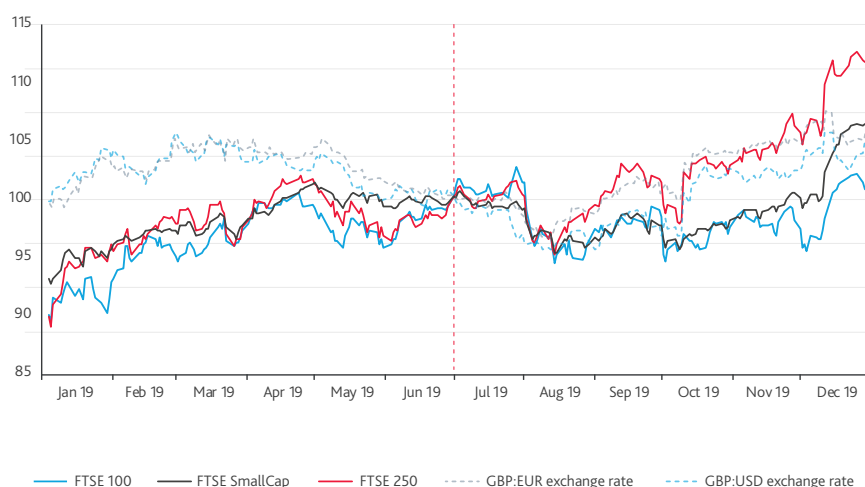
- After the surge in late December, the FTSE ended the year 12% higher than the equivalent time last year. This, combined with the potential for some short-term certainty following the UK's departure from the EU in January and the pent-up demand for IPOs and fundraises, suggests that there may be a window for increased Main Market activity in 2020.
- However, market performance in January has been volatile. While UK indicators remain positive, the impact of Eurozone negotiations, as well as the spread of Coronavirus, means there could be headwinds ahead.

INDICES

While fundraises remained depressed throughout the period, over the course of H2-19 all indices gained in excess of 10%

- Activity across all indices was suppressed in August and September following the announcement by Boris Johnson that parliament was to be prorogued, and the subsequent legal action. The heightened risk that parliament would be unable to reach a deal prior to the Brexit deadline on 31st October impacted confidence across all markets.
- In Autumn, following the granting of an extension to the Brexit deadline and the announcement of the general election, the performance of the FTSE 250 diverged from the FTSE 100.
- In the run up to the general election, both parties promised increased Government spending, improving GDP expectations and market sentiment. In the same period, the UK avoided entering a recession. All of these factors benefited the more domestic-focused FTSE 250.
- The FTSE SmallCap did not follow the trend of the FTSE 250, as investors still preferred to remain in perceived quality assets.
- The subsequent fluctuations in October, following tense negotiations with the EU, showed how fragile the growth in the FTSE 250 really was.
- All indices increased sharply from mid-December as the return of a majority government brought some certainty to the markets.

LAST TWELVE MONTH MARKET PERFORMANCE AND EXCHANGE RATES (REBASED AT 1 JULY 2019)



BDO CAPITAL MARKETS UK

80 MAIN MARKET
TRANSACTIONS
IN LAST 5 YEARS¹

30 PREMIUM AND
STANDARD
LISTINGS²

£6.0bn MARKET
CAPITALISATION³

97% OF OUR
CLIENTS
WOULD RECOMMEND US⁴

1. Total transactions up to December 2019 on which BDO was reporting accountant
2. Total listings in the 5 years up to December 2019 on which BDO was reporting accountant
3. Combined market capitalisation of listings in the 5 years up to December 2019 on which BDO was reporting accountant
4. Client listing programme (December 2018/2019 BDO LLP)

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