Equity Capital Markets
Half Year Review

H1 2018
The first half of 2018 ended strongly generating positive momentum in equity issuance especially in the UK where volumes were up. Overall, however, global ECM volumes were slightly lower versus H2 2017, continuing a trend seen since H1 2017.

Overall, global equity issuance was slightly lower in H1 2018 versus H2 2017

<table>
<thead>
<tr>
<th>Global</th>
<th>Europe</th>
<th>UK</th>
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</thead>
<tbody>
<tr>
<td>Funds raised (£000m)</td>
<td>Funds raised (£000m)</td>
<td>Funds raised (£000m)</td>
</tr>
<tr>
<td>250</td>
<td>400</td>
<td>125</td>
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Germany and the UK lead European ECM in H1

Largest 3 European and UK IPOs

- Siemens Healthineers AG £20.1bn
- DWS Group GmbH & Co. KGaA £19.2bn
- Adyen BV £4.4bn

A very active half year for AIM IPOs beating H1 2017 and offsetting lower Main Market volumes

- **41** IPOs (16% decrease on H1 2017)
- **£4.3bn** Funds Raised (44% decrease on H1 2017)

Key sectors

- **Financial Services** £1,409m raised (13 deals)
- **Technology** £1,129m raised (9 deals)
- **Oil & Gas** £935m raised (3 deals)

Strong aftermarket performance of UK IPOs in H1 2018

- **Main Market**
  - Average return post IPO (at 24 June 2018): 27%
  - Average return of IPOs above offer price: 80%
- **AIM**
  - Average return post IPO (at 24 June 2018): 38%
  - Average return of IPOs above offer price: 89%

Source: Dealogic
A solid half for IPO activity, albeit with lighter follow-on equity raising by listed companies

— The first half of 2018 saw a 20% reduction in global ECM issuance by value year-on-year, as political uncertainty prompted a return of volatility across financial markets.

— Funds raised by IPOs were largely in-line with H1 2017 volumes; declining by only 1% globally year-on-year.

— This was supported by strong levels of IPO activity across US exchanges; with half yearly volumes being their highest since H2 2014.

— The Hong Kong Stock Exchange was also very active in H1 2018 with 97 listings taking place, a year-on-year increase of 50%, with a 118% increase in funds raised.

— Two of the five largest H1 2018 IPOs took place in the US (AXA Equitable Holdings, PagSeguro Digital), but the largest IPO in the period was the £3.7bn Frankfurt listing of Siemens Healthineers AG.

— Robust global IPO volumes were offset by reduced issuance in the form of placings, accelerated transactions and rights issues.

Europe

— Following a strong first half in 2017, European ECM issuance declined 39% in H1 2018.

— Most notably, equity raised via rights issues declined 66% compared to H1 2017, a period which saw £22.7bn raised in rights issues for several large European banks. Funds raised via IPO transactions fell by 8% year-on-year.

— Frankfurt was the dominant exchange for European IPOs in H1 2018 with £6.3bn raised, including the largest regional IPOs in the period, Siemens Healthineers and DWS Group.

— The London Stock Exchange continues to lead in terms of overall ECM volumes, thanks to a number of significant placings, most noticeably the UK Government’s £2.5bn disposal of a stake in RBS Group.

UK

— Overall UK ECM issuance in the first half of 2018 declined by 20% year-on-year, despite an active start to the year.

— Interestingly, H1 2018 UK ECM volumes were 12% higher than the second half of 2017, supported by increased fund raisings by rights issue and follow-on transactions.

— Proceeds raised by IPOs fell by over 55% from H1 2017, which included the £3bn Allied Irish Banks IPO.

— While equity raised via placings and accelerated transactions declined by 8%, UK rights issue activity was strong, driven by a handful of sizeable issues to fund M&A or strengthen company balance sheets.

— Financial Services continues to be the most active industry sector for UK ECM issuance, with Technology companies also active in IPOs and primary issuance.
European equity market backdrop

Equity market indices recovered ground in Q2 following heightened volatility in Q1

**Equity markets and volatility**

- Positive economic data out of Eurozone, Asia and US
- Yields on US bonds rise
- Strained US-China relationships
- Trump announces tariffs on EU, Canada and Mexico
- ECB keeps Eurozone Interest Rate on hold
- UK triggers article 50
- UK General Election
- BoE Interest Rate rise
- Siemens
- Healthineers AG
- DWS Group GmbH & Co. KGaA
- Adyen BV

% change since 1 Jan 2017

- CBOE volatility index
- FTSE 100
- DAX30
- CAC40

**Total monthly European ECM deals**

- Deal value (£000m)
- No. deals

**H1 2018 largest completed European ECM transactions**

**Top 3 IPOs**
- Siemens Healthineers AG £3,722m
- DWS Group GmbH & Co. KGaA £1,165m
- Adyen BV £834m

**Top 3 Rights Issues**
- Bayer AG £5,304m
- Cineworld Group plc £1,753m
- Capita plc £719m

**Top 3 Placings**
- Royal Bank of Scotland Group £2,507m
- Covestro AG £1,919m
- Covestro AG £1,602m

Source: Dealogic, Thomson Reuters Datastream
The UK ECM landscape

Half-on-half, lower Main Market IPO volumes, but continued momentum in AIM equity issuance

Main Market – All ECM Activity

AIM – All ECM Activity

The first half of 2018 saw robust fundraising activity overall on UK equity markets. London’s AIM market in particular supported strong levels of IPO and follow-on equity issuance for growth companies. Whilst on the Main Market IPO volumes declined year-on-year, there was increased equity raising via follow-ons, with high levels of M&A activity being one of the key drivers.

Linda Main, Partner, Head of UK Capital Markets Group

Largest completed UK ECM deals in H1 2018

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount (GBP)</th>
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<tbody>
<tr>
<td>Royal Bank of Scotland plc</td>
<td>£2,507m (Placing)</td>
</tr>
<tr>
<td>Cineworld Group plc</td>
<td>£1,753m (Rights issue)</td>
</tr>
<tr>
<td>Capita plc</td>
<td>£719m (Rights issue)</td>
</tr>
<tr>
<td>Vivo Energy plc</td>
<td>£603m (IPO)</td>
</tr>
<tr>
<td>Avast plc</td>
<td>£602m (IPO)</td>
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Source: Dealogic

Most Active UK Sectors in H1 2018

**Financial Services**

£6,004m raised (70 deals)

**Notable deals:** Royal Bank of Scotland Group plc, Provident Financial, Standard Life Aberdeen plc, JTC plc, Urban Exposures plc, Burford Capital Ltd, BioPharma Credit plc, Draper Esprit plc

**Leisure**

£2,072m raised (10 deals)

**Notable deals:** Cineworld Group plc, GVC Holdings plc, Entertainment One Ltd, Gym Group, Ten Entertainment Group plc

**Technology**

£1,644m raised (41 deals)

**Notable deals:** Avast plc, Codemasters Group Holdings Ltd, IntegraFin Holdings Ltd, Ocado Group plc, Team17 Group plc, Learning Technologies Group plc, Blue Prism Group plc

Equity Capital Markets review – H1 2018
H1 2018: UK

UK IPO highlights

£4.3 billion – IPO funds raised, implied market capitalisation of £12.6 billion

Key metrics

<table>
<thead>
<tr>
<th></th>
<th>Main Market</th>
<th>AIM</th>
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<tr>
<td>Number of deals</td>
<td>16 IPOs</td>
<td>25 IPOs</td>
</tr>
<tr>
<td>IPO funds raised</td>
<td>£3,070 million</td>
<td>£1,201 million</td>
</tr>
<tr>
<td>Average IPO funds raised</td>
<td>£192 million</td>
<td>£48 million</td>
</tr>
<tr>
<td>Average market capitalisation on IPO</td>
<td>£678 million</td>
<td>£72 million</td>
</tr>
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41 IPOs – 16% decrease from H1 2017

Key sectors trending

Financial Services

£1,409m raised (13 deals)
Notable deals: JTC plc, Urban Exposures plc, Augmentum Fintech plc

Technology

£1,129m raised (9 deals)
Notable deals: Avast plc, Codemasters Group Holdings Ltd, IntegraFin Holdings Ltd, Team17 Group plc, OnTheMarket plc

Oil & Gas

£935m raised (3 deals)
Notable deals: Energean Oil & Gas plc, Vivo Energy plc

Across the Main Market and AIM, a total of 41 companies successfully priced IPOs during the period raising £4.3bn. AIM enjoyed an active first half of the year, welcoming 25 new issuers compared to 18 in H1 2017. Conversely, the Main Market exhibited a slowing of momentum hosting 16 IPOs, down from 31 in H1 2017.

Technology and Financial Services were very active sectors for UK IPOs during the period, in part reflecting strong investor demand for growth companies. Interestingly, Oil & Gas was an active sector for the first time in a number of years, supported by a firmer oil price environment.

Linda Main, Partner, Head of UK Capital Markets Group

Aftermarket performance of H1 2018 UK IPOs

Main Market

Average return post IPO (at 24 June 2018) 27%
80% of IPOs above offer price

AIM

Average return post IPO (at 24 June 2018) 38%
89% of IPOs above offer price

Aftermarket performance of H1 2018 UK IPOs (>£50m)

15 companies above IPO price

3 companies below IPO price

Source: Dealogic
Overall, Main Market IPO activity in the first half fell short of expectations going into 2018, with the number of transactions and equity raised declining year-on-year. Companies that successfully priced IPOs in the period have in general performed well in the aftermarket, recording average share price growth of 27%, comfortably ahead of index benchmarks.

With UK equity market conditions remaining supportive for issuance, we continue to believe that companies and shareholders considering a listing are likely to put plans into action sooner rather than later in the forthcoming months.

Rob Crowley, Director, UK Capital Markets Group

London’s AIM enjoyed a strong first half of 2018, hosting a total of 25 IPOs. The average market value was £72m and seven issuers raised more than £50m at IPO, demonstrating the attraction of AIM as a listing venue for ambitious growth companies.

Interestingly, those companies that floated on AIM during the half have delivered an average aftermarket performance of 38%. Moreover, with the AIM All Share index as a whole recording a 4% gain in the period, it is clear to see why London’s AIM remains an attractive market for investors seeking exposure to growth companies.

Svetlana Marriott, Partner, UK Capital Markets Group
Report Methodology Notes:
Data contained in this report has been generated at 24 June 2018 and includes priced transactions only. In this document, UK includes LSE Main Market and Alternative Investment Market (AIM). Where report refers to “Placings”, this consists of accelerated transactions (including rights issue rump placings), bought deals, fully marketed follow-ons, cash placings, PIPE transactions, ATM offering transactions, and registered direct offerings as per Dealogic classifications. Where the report refers to “Rights issues” this consists of rights issues, open offers and other guaranteed preferential allocation transactions as per Dealogic classifications. Note that Dealogic data only captures Rights Issue deal volumes when the results of the rights issue are announced, post trading of the rights. For individual rights issue transactions shown on pages 4 and 6, total deal value includes the value of the rump placing at the placing price. Where the report refers to “Global IPOs that have priced in H1 2018, the Xiaomi transaction (priced 29 June 2018) has been included. For this transaction, the report includes the non-GBP expected deal value, which has been translated to GBP at the prevailing exchange rate at 24 June 2018. Where report refers to IPOs that have priced in H1 2017, the Allied Irish Bank transaction (23 June) and Polyus Gold OAO transaction (30 June) have been included. On p. 1, for the chart headed “Germany and the UK lead European ECM in H1”, where IPOs are conducted on multiple exchanges, the entire value of the IPO has been credited to all relevant exchanges. Aggregate aftermarket performance across Main Market and AIM IPOs has been calculated by taking a simple average of the percentage change between the offer price and prevailing closing share price as at 24 June 2018 over all IPOs that have been successfully admitted to trading in the period.
KPMG Capital Advisory Group

Our services

Equity capital markets advisory

IPOs
- Transaction feasibility review
- Process design
- Equity story preparation
- Documentation streaming and management
- Investor intelligence
- Bank selection
- Listing venue

Dual Tracks
- IPO
- For launch
  - Launch timing
  - Investor targeting
  - Valuation triangulation
  - Price range advice
- Post-launch
  - Liaising and managing Bank syndicate
  - Equity story nuancing
  - Price range advice
  - Pricing advice
  - Allocation advice
- Post-Listing
  - Market and share price analysis
  - Aftermarket investor management

Accelerated follow-ons
- Rights issues
- Special situations

KPMG Makinson Cowell has specialist insight into the investor universe and adds a completely new dimension to the breadth of our advice.

IPO readiness and reporting accountant

Pre-IPO
- Pre-IPO readiness assessments
  - Identifies areas critical to the success of a future IPO enabling you to address issues in advance, minimising costs and delays

IPO
- Reporting accountant services comprising:
  - Standard due diligence reports
  - Full suite of public Accountant’s Reports and private comfort letters
- IPO assist
  - People secondments
  - Specialist accounting and project management support and advice

Post-IPO (ongoing)
- Reporting accountant services for:
  - Class 1 transactions such as significant acquisitions and disposals (Main Market)
  - Reverse takeovers (Main Market and AIM)
  - Further equity and rights issues
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