



AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

IPO activity for the year so far – down, but not out?

As part of our horizon scanning, at Avenir we produce a monthly “intention to float” monitor, looking at those companies who are expressing an intention to list on any of the London exchanges. We make no assumption that this is a wholly comprehensive analysis, but it allows us to show how trends are changing year on year – and given that 2021 is being heralded as a bumper year for IPO activity, it provides a helpful analysis of just how much slower 2022 is proving to be.

There’s no doubting that the macroeconomic backdrop for companies globally – be they listed or privately held - is a tough one right now. Geopolitical issues, supply chain challenges, rising interest rates and rampant inflation are all creating something of a perfect storm, with many asking the question whether this all means a recession is looming. Volatility is also up, although it’s worth noting this is very much a two-way street. Facebook parent saw its shares jump higher last month off the back of better than expected user numbers, whilst fellow FAANG Netflix was on the receiving end of investor ire as quarterly earnings showed subscribers switching off. Whilst the free-money bandwagon may be coming to an end, it does seem at least that this is giving the market the scope to start applying more of those traditional fundamental factors when looking to put a valuation on equities.

Year to date progress

So what’s happened to date in 2022? Our monitoring shows intention to float activity is down almost 50% when compared against the first four months of 2021 which, given the underlying narrative, may be considered by many to be giving a rather positive outlook. Ultimately however, throughout last year there was no shortage of comment suggesting that some companies were being listed with overblown valuations, whilst in some instances hints were made that the entities shouldn’t have even been placed onto public markets. Those entities with a robust business proposition and realistic valuation arguably still have every prospect of seeing a successful listing.

Indeed, private equity firm Bridgepoint Group has once again flagged the idea that it is readying Burger King for a £600m IPO after the fast food giant close on tripled pre-tax earnings between 2020 and 2021. And at the very end of April, news broke from across the Atlantic that the famous piano maker Steinway was readying for a return to public ownership after a nine year stint in private hands. Suggestions here are that the company – which sits squarely in the luxury goods sector and because of this is highly exposed to macroeconomic sentiment – will have no trouble in achieving a valuation in excess of \$1 billion.



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So whilst some momentum may have ebbed from the market over the last twelve months, the evidence appears to be that there's still a healthy enough stream of new equity issuances being seen. The proverbial elephant in the room is perhaps the question of volatility, something which neither the wider market nor anyone involved in underwriting new issuances will welcome. But with the era of free money consigned to history, it would be no surprise to find that investors become rather more selective in their approach, either. Can we expect those companies positioned as disruptors but clocking up significant losses year on year to still receive a warm welcome? Possibly not, but quality companies should still be able to receive quality valuations.

Avenir Registrars provides corporate registry services for both private and publicly traded companies in debt, equity and other securities issuances. Assisting issuers through a security's entire life cycle, Avenir now works on behalf of companies domiciled in the UK, the Eurozone and as far afield as Canada and Singapore.

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