



London
Stock Exchange

London Tech & Consumer Internet IPOs

An LSEG Business

The momentum behind London tech¹ IPOs is gathering speed. 40% of IPO proceeds in 2020 were raised by tech and consumer internet companies, including Europe’s largest-ever eCommerce IPO and one of the world’s biggest cross-border IPOs of 2020. Tech also gave us the market’s biggest follow-on fundraising of the year.

As a sector in London, tech is maturing fast. Public market investors are demonstrating their appetite for growth, reflected in their support of capital raising by tech companies and in the outperformance of the FTSE All Share Technology index relative to the FTSE All-Share. London’s wider ecosystem has the capacity and is engaged in supporting the growing pipeline of tech IPOs.

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1 Tech & Consumer Internet

Why IPO?



For fast-growing tech businesses, an IPO represents a significant moment. It is also the natural next step for ambitious management teams to accelerate the growth of their business while retaining control and leadership of their enterprise.

They also gain:

- Access to deep pools of permanent growth capital at IPO and beyond, with the ability to raise further growth capital in weeks rather than months
- A valuable acquisition currency: since 2016 London Stock Exchange-listed companies have used their stock to buy businesses in 51 countries, more than any other exchange in the world
- Greater public awareness, credibility and trust
- Opportunity to diversify their shareholder base and let existing shareholders achieve liquidity
- Opportunity to embed meaningful long-term incentives and wider employee ownership.

“As an investor I have proudly participated in ten IPOs but the pride I felt in seeing my own business come to the market was 20 times greater.”

Stuart Chapman
COO, Draper Esprit

Why IPO in London?

London is open to tech companies of all sizes and across the world

The UK ranks third in the world for its number of unicorns but billion-dollar valuations are not necessary to execute a successful IPO in London.

- 188 tech companies currently listed in London with aggregate market capitalisation of £156bn
- Tech companies raised 20% of the £51bn+ of equity finance raised in London in 2020
- In 2020, London held one of the world's largest cross-border tech IPOs (Kaspi)
- In 2020, London held Europe's largest-ever eCommerce IPO of THG which raised £1.9bn at a market capitalisation of £5.4bn, and has subsequently demonstrated strong aftermarket performance
- Strong support for a broader set of tech IPOs (e.g. Calnex, Fonix, Kooth)
- Tech companies raised £7bn in follow-on capital in 2020, including the market's biggest further offer of the year (Aveva)

London's depth and scale of capacity means that companies can finance ambitious growth strategies with long-term, repeat capital raisings. Genuine liquidity – the level of demand among institutional and retail investors to invest in stocks for long-term growth rather than just the volume of reported trades – is as strong in London as any global exchange. Pre-IPO investors can sell down their stakes both at IPO and in the aftermarket.

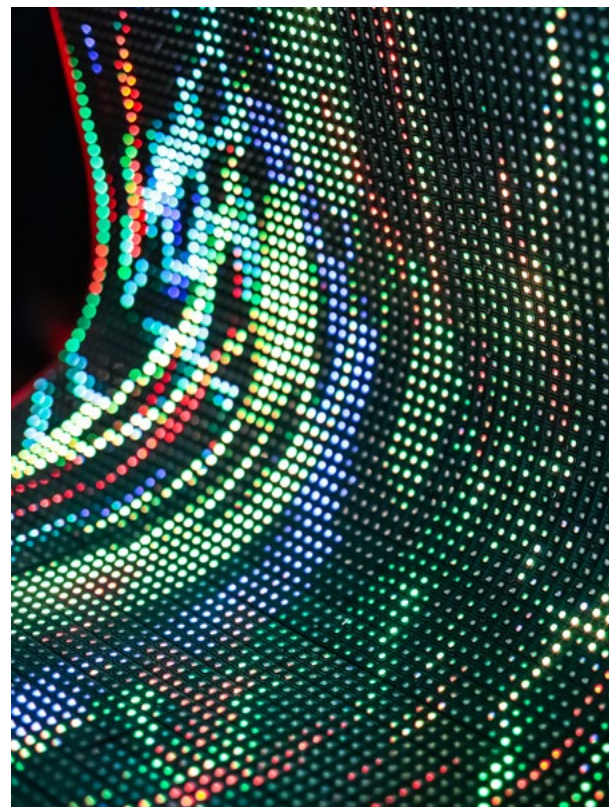
40%

Tech and consumer internet accounted for 40% of IPO proceeds raised in London during 2020.

“In the past, some successful European tech companies chose to move to the US to raise future rounds from growth investors in the Bay Area, New York or Boston before listing on Nasdaq or NYSE. However, the notion that tech companies need to move their headquarters and list outside of Europe to be successful now no longer holds true.

THG is a great example of this – the team was born and bred in Manchester, raised capital primarily from European sources and then, as the company scaled, directly tapped into a global investor base through a London listing.”

Bernard Liautaud
Balderton Capital





A global financial centre that is hungry to support tech companies

London is one of the world's premier global financial centres. It is Europe's largest and most active equity market by a considerable margin. More international companies choose London for a listing than any other exchange. The investor base is global, knowledgeable and has a phenomenal level of demand for high-growth technology companies in London. And, as a centre for tech investing, London is rapidly gaining mass and velocity.

- 44 tech IPOs in London have raised £7.6bn over the past five years (41% of this amount in 2020)
- Two of the top five transactions in London in 2020 were tech companies, including the largest IPO (THG) and the largest further offer (Aveva)
- 30% of UK tech companies are owned by North American shareholders
- 11% of UK tech companies by European shareholders
- In 2020, £51.2bn across 635 deals was raised in London through IPOs and further offers (FOs)
- Nearly 3x bigger than Frankfurt for amounts raised
- Nearly 3x bigger than Stockholm for number of transactions
- 38% of the companies on London Stock Exchange are foreign issuers.

A market in which tech companies can achieve strong valuations

Tech companies that list in London achieve multi-billion valuations as well as a high degree of visibility against their global peers. Many of London's tech companies such as Avast, Auto Trader and Rightmove trade at a premium when compared with their US peers.

London Stock Exchange-listed companies have been energetic in exploiting their stock as an acquisition currency: since 2016, they have used their stock to buy businesses in 51 countries – more than any other exchange in the world. Tech companies including Aveva, Just Eat Takeaway, GBG, LTG, Kape and Ocado have all been able to execute significant acquisitions of US businesses.

£7.6bn

raised by 44 tech IPOs in London over the past five years

635

deals in London through IPOs and further offers in 2020

30%

of tech companies are owned by North American shareholders

Tech company founders can stay in control as they continue their scaling strategies as public companies.

When founders float their companies, they do not lose day-to-day control of the running of their business. In the public markets, founders can retain greater day-to-day control over running their business than by selling or by being dependent on a small number of strategic investors who will often require a seat on the board.

- London Stock Exchange has supported dual class shares and introductions (known elsewhere as ‘direct listings’) for more than 25 years
- Tech companies have four routes to go public on London Stock Exchange
- The current review of the Listing Regime offers the possibility of additional flexibility.

An efficient market without excessive first day ‘pops’

The London IPO process is more efficient than the US due to the ability of companies to engage with potential investors earlier in the process and its superior price discovery mechanisms. Because of this better early engagement with investors, very few tech IPOs experience excessive first day “pops” which causes founder investors to pass significant value to incoming investors. Research shows that high frequency trading (HFT) accounts for approximately 70% of trading in US compared to 30% in UK.

“We welcome the findings of the Listings Review, aimed at ensuring the UK’s public markets remain attractive for both high-growth innovative businesses as well as investors. Continuing to evolve the UK listings regime is key to providing flexibility for companies who want to list in London whilst maintaining high standards of corporate governance.

We look forward to working with the UK Government, FCA and the market on the topics highlighted in the report.”

David Schwimmer
Chief Executive Officer, LSEG



Life as a listed company in London: stand out, and be supported

- An innovative and supportive nationwide ecosystem
- Proximity and ease of access to key investors, government departments, market operators and regulators – all in one city and time zone
- High degree of visibility and ratings alongside your peer group
- Maintain continuity and stability of management team without relocation/hiring costs
- A less litigious environment: in the UK, just three class actions have been filed since 2010; in the US, 182 new securities class action lawsuits were filed in H1 2020.
- Lower transaction costs (e.g underwriting fees) and ongoing costs (e.g D&O insurance) than the US
- More flexible reporting requirements (half-yearly in UK compared to quarterly reporting in US)
- Be part of an exchange that is committed to helping all listed companies achieve best practice in ESG disclosure and is enabling the transition to a sustainable, low carbon economy.

1 city

and time zone – proximity and ease of access to key investors, government departments, market operators and regulators

“We wanted to list in the UK but we wanted to protect the group from takeover. That was super-important to me and to the company. The IPO is the beginning of the next stage of our journey. We are not building something to sell, so the challenge was to have a structure which could support that. London Stock Exchange has been amazing, genuinely great, in being able to support this.”

Matt Moulding
CEO, THG

“In the US, litigation can be a significant consideration for management teams and investors.”

James McCullough
CEO, RenalytixAI



Appendix

Data sources: LSEG, Dealogic, TechNation

London a global financial centre

£51.2bn raised in London through IPOs and FOs in 2020
 Most active equity market in Europe in 2020

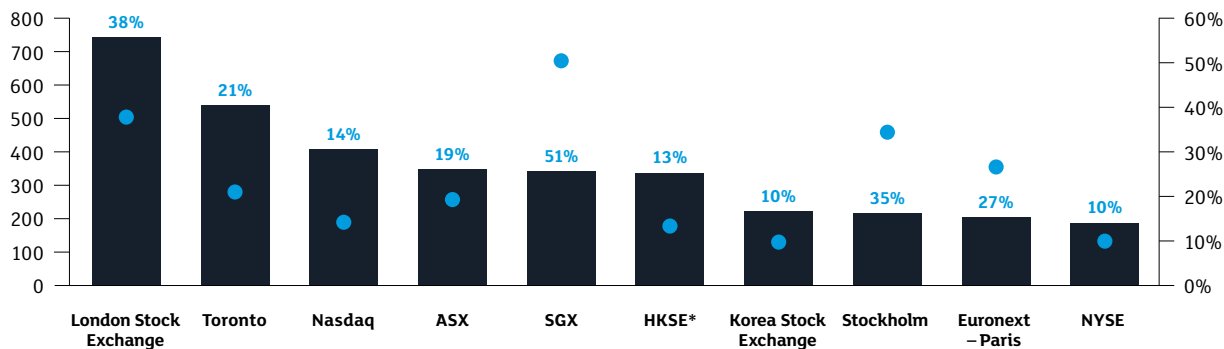
2020 European ECM League Table		
Venue	2020 Capital raised (£m)	2020 No. of deals
London Stock Exchange	51,210	635
Frankfurt Stock Exchange	18,034	97
SIX Swiss	12,060	35
Nasdaq OMX – Stockholm	10,409	231
Euronext – Paris	9,296	78
Madrid Stock Exchange	8,247	9
Euronext – Amsterdam	6,340	17
Oslo Børs	6,038	153
Borsa Italiana	5,296	46
Nasdaq OMX – Helsinki	2,871	28

London’s global investor base

Technology companies investors by region	
Region	%
UK	56
North America	30
Europe ex UK	11
RoW	2

London most international exchange

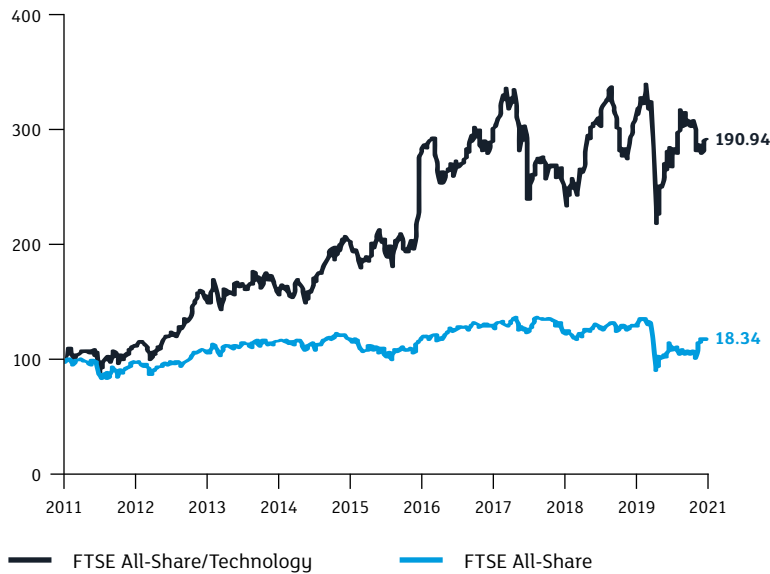
■ Total no. of International Companies (LHS) ■ As % of Total Companies (RHS)



International	756	549	409	358	347	341	227	224	217	200
Domestic	1,233	2,029	2,427	1,506	337	2,210	2,045	416	586	1,739

Outperformance of FTSE All Share Technology index relative to the FTSE All-Share

FTSE All-Share/Technology Share Price Performance



The largest follow-on offer and the largest IPO on London’s markets in 2020 were both tech companies – Aveva and THG

Largest Deals on London Stock Exchange 2020		
Company	Deal type	Capital raised (£m)
Aveva	Follow-on	2,847
IAG	Follow-on	2,497
Rolls-Royce	Follow-on	2,277
Compass Group	Follow-on	1,999
THG	IPO	1,881

Largest European eCommerce IPOs: last 10 years

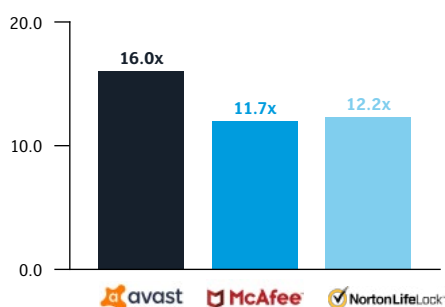
Largest European eCommerce IPOs		
Company	Exchange	Capital raised (£m)
THG	London Stock Exchange	1,881
AO World	London Stock Exchange	487
Zalando	Frankfurt Stock Exchange	411
Ocado	London Stock Exchange	369
boohoo.com	London Stock Exchange	300
Zur Rose	SIX Swiss	202
Boozt	Nasdaq OMX – Stockholm	165
SRP	Euronext – Paris	163
Global Fashion Group	Frankfurt Stock Exchange	161
home24	Frankfurt Stock Exchange	152

London tech firms that have acquired US businesses

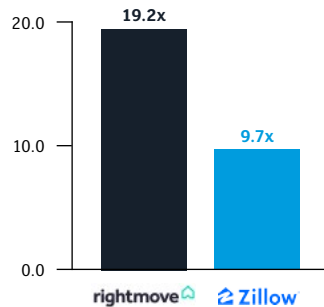
- Aveva
- GBG
- Just Eat Takeaway.com
- Kape
- LTG
- Micro Focus
- Ocado
- Proactis
- Sage
- Sumo Digital

London tech firms trading at a premium to their US peers

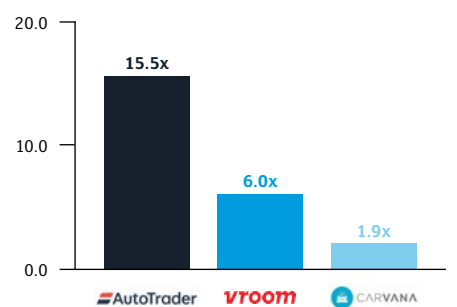
EV/EBITDA '21E



EV/Rev '21E



EV/Rev '21E





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