Succeeding in uncertain markets

UK ECM update | Summer 2022

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Welcome to the 12th Deloitte UK ECM update

Macroeconomic and geopolitical uncertainty has set the 2022 IPO market off to one of the slowest starts in over a decade, with 38 new issues across the Main Market and AIM raising just £629m.

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Welcome to this twelfth edition of the Deloitte UK ECM update. Since 2016, our update has been providing commentary and analysis of the performance and trends in London's equity capital markets, together with consideration of current hot topics in ECM.

Following the exceptional year that was 2021, IPO markets globally have largely ground to a halt in the first half of 2022, in the context of significant macroeconomic and geopolitical uncertainty. There have also been declines in all major global stock market indices since the start of the year, with tech stock valuations particularly impacted. Major macroeconomic factors include the impacts of surging inflation rates, interest rate increases and supply chain challenges, together with concerns of recession. This was exacerbated by the on-set of the geopolitical situation in the Ukraine in H122, and the second half of 2022 could see further disruption from Prime Minister change in the UK and the mid-term elections in the US.

2021 was a successful year for IPOs on the London Stock Exchange, with 126 companies raising over £16.9bn. 2022 thus far has seen 38 new issues across the Main Market and AIM raising just £629m. Unlike 2021, the listings did not include many household names, with the majority of London listings being funds or SPACs.

In light of this market volatility and uncertainty, investors have focused their attention on existing holdings, with a general reticence to take on new positions. As such, the pipeline of IPOs seen at the start of the year has largely chosen to defer their listings, with the majority now looking to 2023.

In this report we interview **Charlie Walker**, Head of Equity and Fixed Income Primary Markets at the *London Stock Exchange*, to explore some of the thematic trends and reforms currently underway, designed to improve the competitiveness of London's markets for both investors and businesses seeking capital. We also highlight some of the key tax implications of last year's reforms to the London listing regime, specifically relating to the changes in free float requirements.

We also discuss the growing trend of listing funds with a focused ESG strategy, and speak with **Vivienne Maclachlan** about her recent listing of the *ThomasLloyd Energy Impact Trust*, one of the ESG funds to have listed in London.

SPACs feature once again in our report. Despite a substantial slow down in new SPAC IPOs globally in 2022 as compared to the record year that was 2021, there are still over 700 SPACs globally which have yet to complete a transaction – over 600 of which are yet to announce their business combination. Many of these came to market during the hiatus of the SPAC IPO between Q420 and Q221, and are therefore now running up against their two year time horizon to consummate a deal.

The US capital markets continue to dominate the global SPAC market, although UK and European companies are increasingly being targeted by US SPACs. SPAC markets in the UK and wider Europe continue to grow, although remain nascent.

We have also addressed some of these themes in our recent series entitled Future of the tech sector in the UK. For the series we interviewed leaders of four UK tech companies who have listed in either London or the US in the past few years to explore the following questions:

- If you were a UK tech business looking to IPO, where would you go?
- How to make the UK a more attractive listing location for tech businesses?

Participating in these interviews were: **Romi Savova**, CEO *PensionBee*; **Mark Thurston**, CFO *Endava*; **Georgy Egorov**, CFO *Vaccitech*; and **Andy MacKinnon**, CFO *Moonpig*.

We hope you enjoy this edition of the Deloitte ECM update.

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Uncertain global markets | UK ECM market update

Having closed out last year on a high, global markets have seen significant declines during 2022, with most returning to levels last seen in 2020. The FTSE 100 has been the notable outlier which, having lagged in the post-pandemic rebound, to date has now seen its more conservative industry composition hold up better than global counterparts – falling 3% in the first half of 2022.

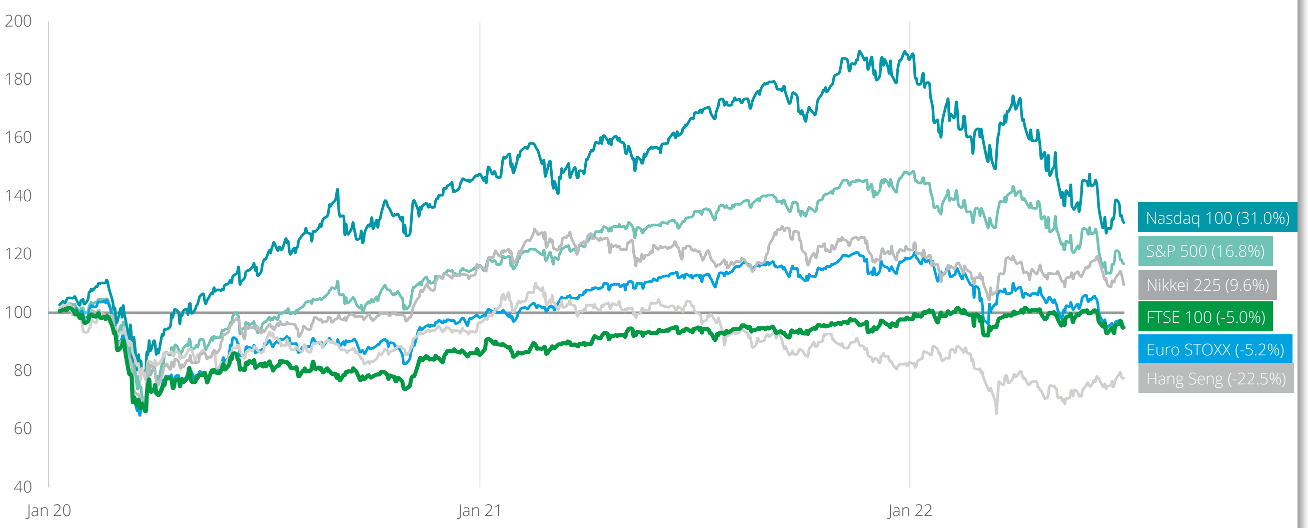
The series of macroeconomic and geopolitical events throughout the first half of 2022 have seen the gains achieved in last year's bull market run wiped off across global markets. With every major market seeing significant selling-off, the falls have been steepest in the markets and sectors which had rebounded most following the pandemic.

Technology has been particularly hard hit, with companies in sub-sectors such as deliveries and streaming services that had thrived during lockdowns returning to pre-pandemic levels. Conversely, Energy, Utilities, and Basic Resources have been among the better performing sectors, along with Healthcare.

Having spent most of 2021 below 20, the Cboe volatility index (VIX) has spent most of the year so far at elevated levels, reflecting the general macroeconomic uncertainty, inflationary pressures, and repercussions of the geopolitical events in Ukraine.

Performance of selected global indices since 2020

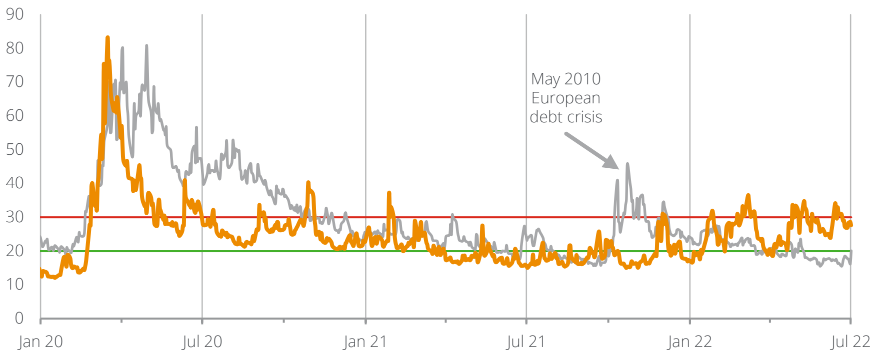
1 Jan 2020 = 100



Source: Refinitiv Eikon (updated 1 July 2022)

Cboe Volatility Index (VIX)

2020-2022 vs. Global Financial Crisis (Aug 2008)



Source: Refinitiv Eikon (updated 1 July 2022)

Price performance of FTSE 350 and selected sectors	Half year 2022	Full year 2021	Full year 2020	Total since 2020
FTSE 350	-7.0%	9.3%	-8.9%	-7.4%
Basic Resources	-8.4%	4.2%	29.2%	23.4%
Healthcare	17.5%	10.0%	-10.3%	15.9%
Utilities	0.8%	16.9%	-4.7%	12.3%
Food, Beverage, & Tobacco	-21.2%	17.3%	4.7%	-3.1%
Energy	15.7%	19.2%	-37.9%	-14.4%
Telecommunications	8.3%	-0.4%	-16.7%	-10.1%
Financial Services	-18.5%	1.4%	7.3%	-11.3%
Real Estate	-21.6%	23.0%	-18.1%	-21.0%
Technology	-25.3%	7.0%	-10.1%	-28.1%

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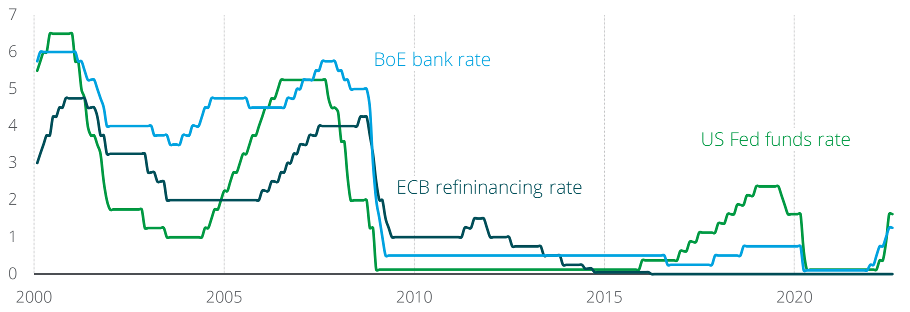
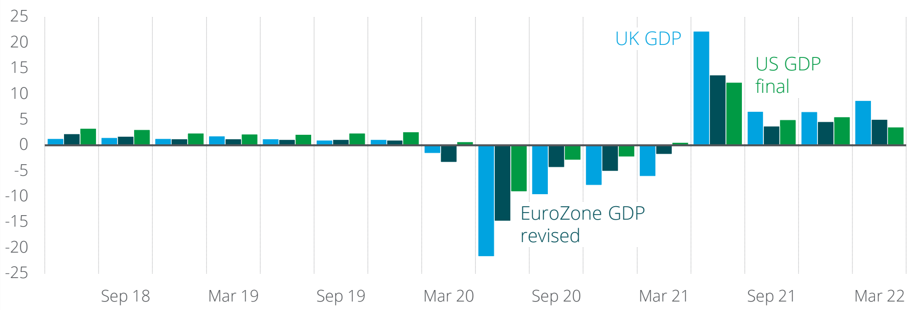
Macroeconomic and financial context | Selected global indicators

Interest rates – selected markets



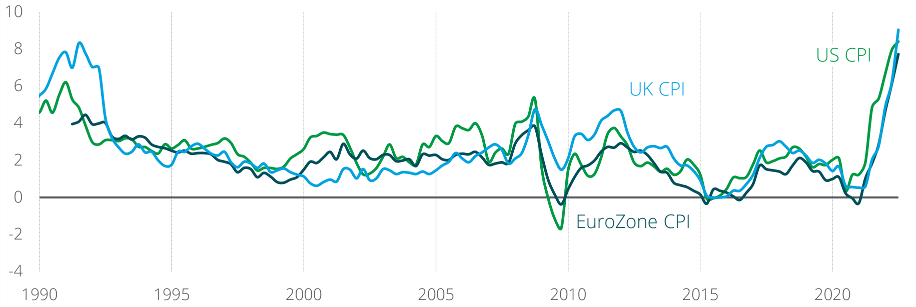
Source: Refinitiv Eikon (updated 1 July 2022)

GDP growth (y/y) – selected markets



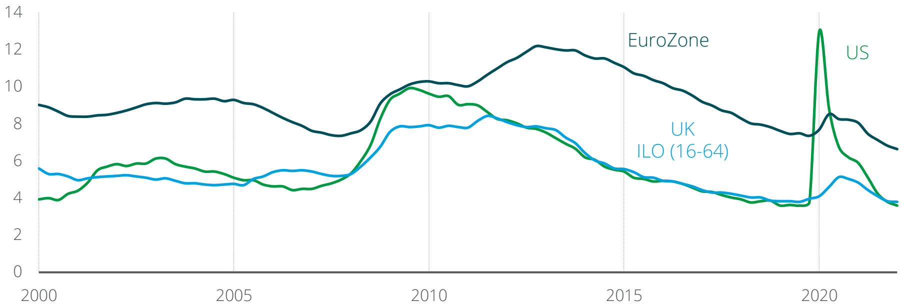
Source: Refinitiv Eikon (updated 1 July 2022)

Inflation (y/y) – selected markets



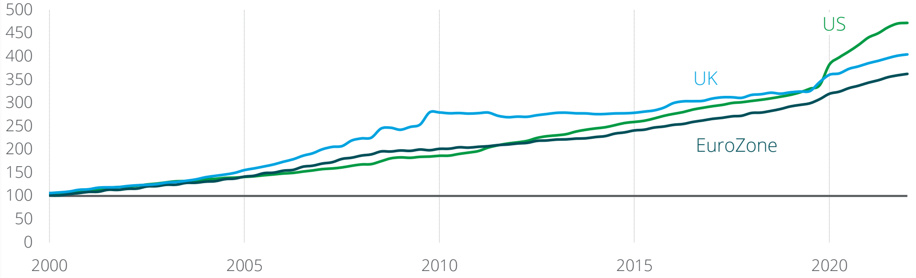
Source: Refinitiv Eikon (updated 1 July 2022)

Unemployment rate – selected markets



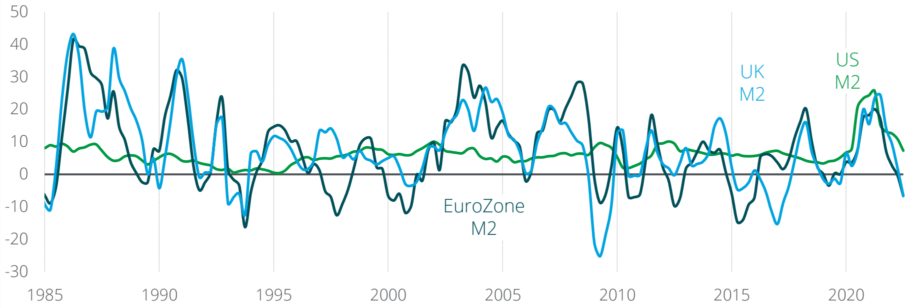
Source: Refinitiv Eikon (updated 1 July 2022)

M2 Money Supply (since 2000) – selected markets



Source: Refinitiv Eikon (updated 1 July 2022)

M2 Money Supply (change y/y) – selected markets



Source: Refinitiv Eikon (updated 1 July 2022)

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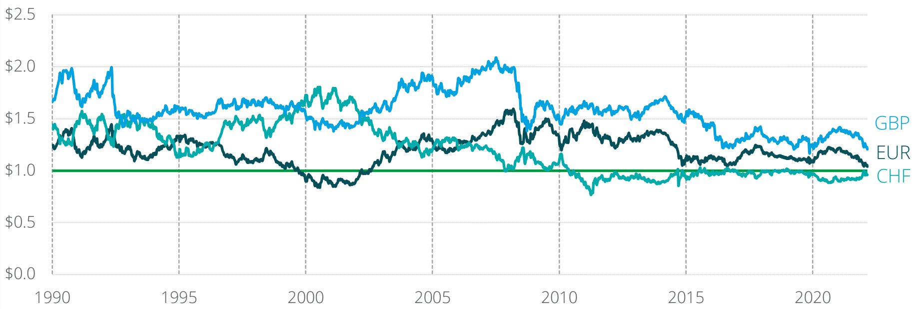
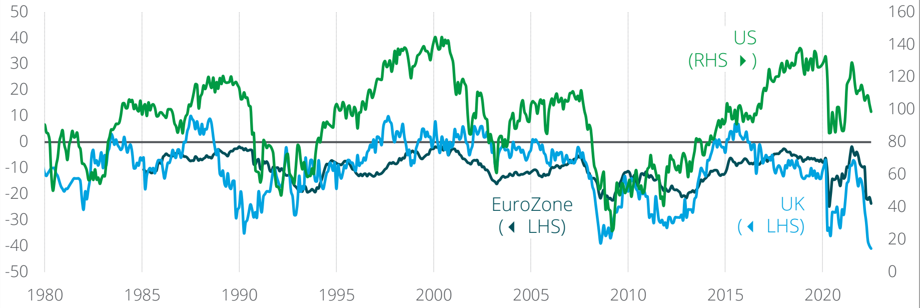
FX Spot rate – selected currencies (vs. US$)



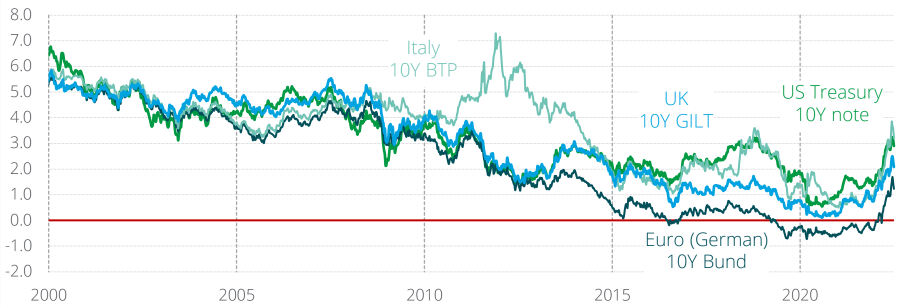
Source: Refinitiv Eikon (updated 1 July 2022)

Consumer confidence – selected markets



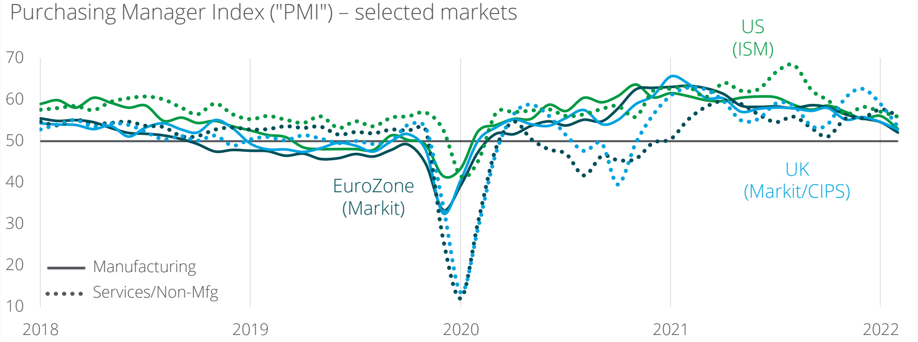
Source: Refinitiv Eikon (updated 1 July 2022)

10-year bond benchmark – selected markets



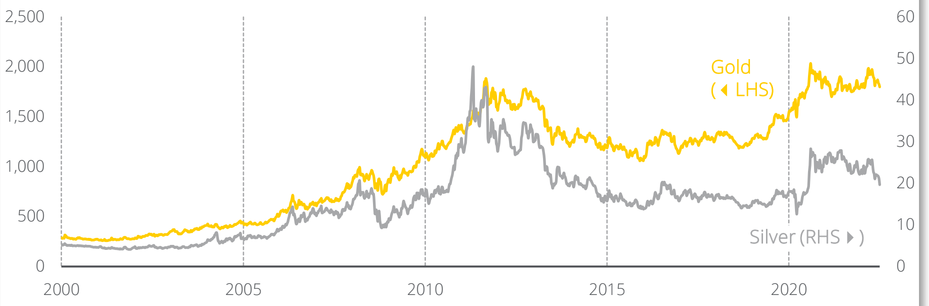
Source: Refinitiv Eikon (updated 1 July 2022)

Purchasing Manager Index ("PMI") – selected markets



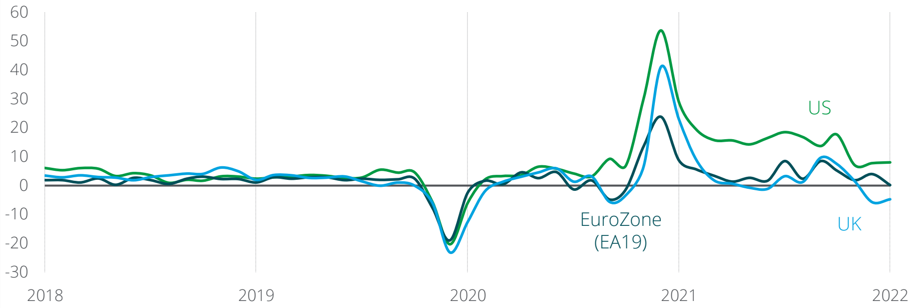
Source: Refinitiv Eikon (updated 1 July 2022)

Precious metals (US$ per ounce)



Source: Refinitiv Eikon (updated 1 July 2022)

Retail sales (change y/y) – selected markets



Source: Refinitiv Eikon (updated 1 July 2022)

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Braced for recession | Deloitte UK CFO survey Q2 2022

In our Q2 2022 survey, UK CFOs expect interest rates to almost double to 2.5% by June 2023, with the majority (86%) anticipating inflation to exceed 2.5% in two-years' time. They are taking a more defensive balance sheet stance with cost reduction their top priority. Despite headwinds, investment intentions are still at above average levels, and CFOs are positive on prospects for raising productivity plus increasing investment in skills, digital technology and assets over the next three years.

See the full survey:
[The Deloitte CFO Survey | Deloitte UK]

Amid rising inflation and intensifying economic headwinds, CFOs assign a **63% probability to experiencing a recession** within the next year. Over two-thirds **(68%) believe high inflation will continue** - anticipating it to remain higher for longer - and to exceed economists' expectations.

The majority of CFOs **(86%) now expect inflation to exceed 2.5% in two-years' time** (up from 78% in Q1) – the highest reading since this question was first asked in 2013. More than a third (39%) think inflation will settle between 2.6% and 3.5% in two-years' time and almost half (47%) expect it to remain above 3.5%.

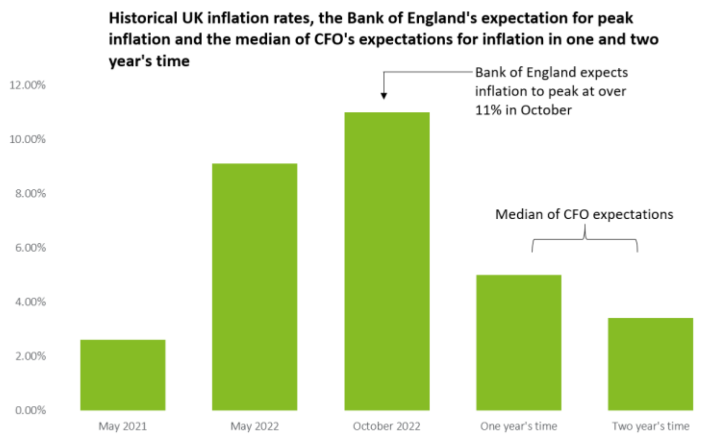
CFOs' expectations for interest rate rises have also sharply increased. They now anticipate rates to almost double over the next 12 months with the **Bank of England's base rate reaching 2.5% in a year's time** (up from 1.5% in Q1).

The outlook for operating margins also continues to deteriorate. The overwhelming majority of CFOs **(87%) believe operating margins will be squeezed over the next 12 months**. This compares to 71% expecting a fall in operating margins in Q1. Nonetheless, **54% of CFOs expect revenues to rise over the next year**.

The majority of CFOs **(61%) say that the level of uncertainty facing their business is high or very high**. Geopolitics, further interest rate rises, rising inflation and persistent labour shortages, respectively, rank at the top of the list of CFO concerns.

However, **increasing capital spending remains a strong priority for 19% of CFOs, remaining above the five-year average of 14%**. CFOs are optimistic about medium-term prospects for investment and most expect business productivity, spending on skills and investment in digital technology and assets to speed up in the next three years.

Inflation expectations



Outlook for margins

London Stock Exchange

An interview with…
Charlie Walker, Head of Equity and Fixed Income Primary Markets, London Stock Exchange

The latest reviews of the UK capital markets bring an opportunity to refresh and evolve our markets, ensuring that we have competitive, fair, and prosperous markets for all stakeholders.

Charlie Walker is Head of Equity and Fixed Income Primary Markets for the London Stock Exchange having joined in 2018.

He is a capital markets specialist having previously worked in J.P. Morgan Cazenove's Equity Capital Markets team responsible for originating and executing equity transactions. He has assisted in raising over £45bn of equity capital across five continents on behalf of clients.

londonstockexchange.com

Markets play a vital role in our society. They are a meeting point, allowing those that have capital to meet those that need it, to achieve a shared goal. In fact, they are much more than this. Efficient public markets are vital in providing businesses with access to the long-term capital they need to fund growth and innovation, in turn creating jobs and driving economic prosperity. This may mean financing the next life-saving technology at a start-up, facilitating the public financing to build new schools or hospitals, or creating a market that brings confidence so that investors and consumers can build financial security for the years to come.

2021 was a landmark year for IPOs on the London Stock Exchange, with 126 companies raising over £16.9bn. This was more IPO capital than in any year since 2007. While there has been heightened volatility in 2022, companies have still joined London's markets, with 38 new issues across the Main Market and AIM raising over £629m. £4.6bn has also been raised in further issues, highlighting the continued access to capital for listed companies.

While the traditional route to the public markets remains via an IPO, in recent years, UK companies have also opted for alternative routes to suit their business needs and expansion strategies. Choosing the direct listing route in 2021, Wise became the largest technology company to list on the London Stock Exchange based on market capitalisation.

Ensuring the UK remains a competitive and attractive market

The latest reviews of the UK capital markets bring an opportunity to refresh and evolve our markets, ensuring that we have competitive, fair, and prosperous markets for all stakeholders. It also brings an opportunity to reflect on the progress made to date in ensuring that London, and the UK, remains a competitive and attractive market globally, where companies can start, scale and stay.

The regulatory environment is crucial in supporting businesses access to capital and strides have been made in recent years. Recent reforms to the UK listing regime aim to bring more choice for companies looking to use the public markets to continue to grow their global businesses, enabling founders to retain control over the innovative businesses they have built up.

Recommendations from reviews such as the UK Listing Review and the Kalifa Review of the UK FinTech sector have brought more choice for innovative companies looking to list and scale up in the UK. They also highlight the need to expand the capital market toolbox available to high-growth companies to improve the route from private to public capital markets in the UK.

An interview with...

Charlie Walker, Head of Equity and Fixed Income Primary Markets, London Stock Exchange

This is why we continue to innovate and evolve at the London Stock Exchange, and recognise our role in leading the world's sustainable finance ecosystem as we transition to a lower carbon economy.

Connecting growing private companies and investors

London is firmly on track to be the leading and dynamic financial market for the future. We need to continue in our pursuit that spans public and private markets where the UK supports companies across the entire funding continuum, at all stages of maturity. This is why we continue to innovate and evolve at the London Stock Exchange. Our role is to convene capital, which is why we aspire to be the first global exchange group in the world that is genuinely indifferent as to whether a company is public or private.

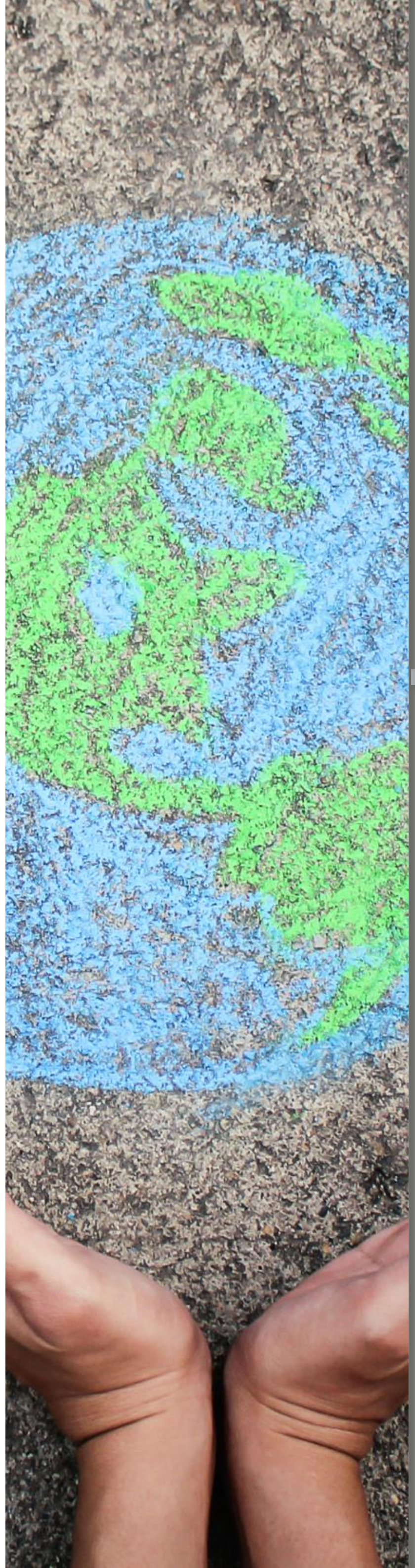
This is why we have recently announced a long-term strategic partnership with Floww, a data-centric network for growing private companies and investors. Combining our partnership with Floww with our experience of creating and operating efficient markets, the London Stock Exchange is in a unique position to explore new ways of linking the private and public markets through regulation, technology and innovative product offerings, so that companies can transition between private and public markets seamlessly.

Building a sustainable finance ecosystem

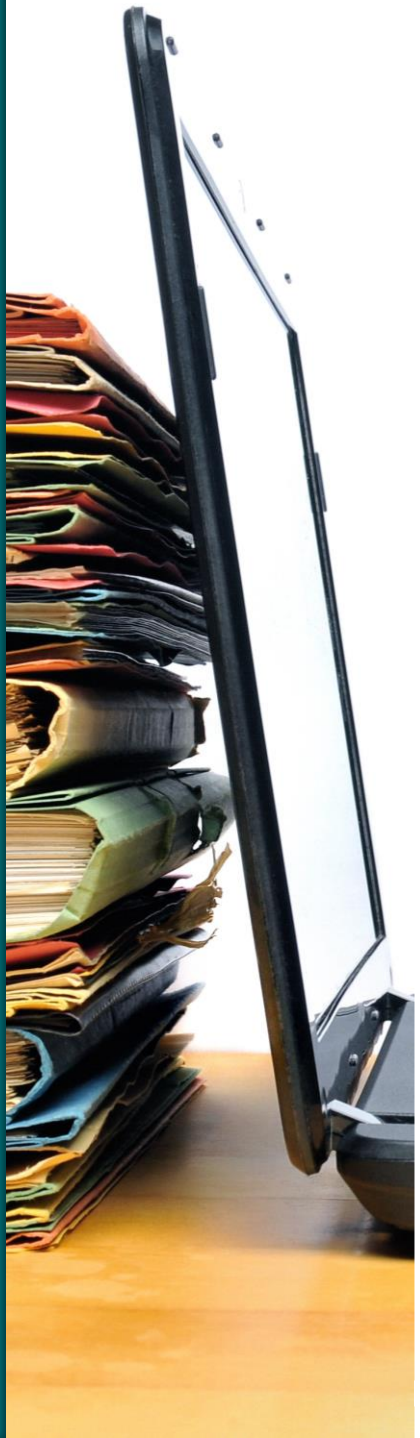
We also recognise our role in leading the world's sustainable finance ecosystem as we transition to a lower carbon economy. Climate change is becoming integral to how financial institutions make decisions every day, including how investors allocate capital and how companies operate. Climate finance is a critical step in the decarbonisation of our economy, that requires engagement from a broader spectrum of stakeholders as financial institutions transition their portfolio and finance the real-economy transition.

The London Stock Exchange's Green Economy Mark recognises London-listed companies and funds that derive more than 50% of their revenues from products and services that are contributing to environmental objectives such as climate change mitigation and adaptation, waste and pollution reduction, and the circular economy. It also enables investors to identify an investible universe of 'green economy' equities, and convene capital towards environmental solutions that are less obvious.

Access to efficient, long-term, and repeat rounds of capital raisings is vital for innovative companies to finance their growth strategies and to support the progress towards a prosperous future for people and planet. We need to ensure that our capital markets continue to serve the purpose of enabling institutional and retail investors to access these companies and that the public markets continue to be an effective venue for exciting growing companies to raise capital.



The change in free float requirements could have unexpected consequences for groups listing on the London Stock Exchange, both positive and negative.



Changes to the free float requirement

The minimum free float requirement for a Premium or Standard Listing on the Main Market of the London Stock Exchange has reduced from 25% to 10%, with an equivalent reduction in the free float required for UK companies to be eligible for FTSE Index inclusion. In addition, the free float requirements of a non-UK company to benefit from FTSE Index inclusion has reduced from greater than 50% to a minimum of 25%.

Greater choice of listing entity for non-UK groups

In most cases, a group will look to insert a new holding company into its structure to act as the listed entity on IPO. Until the reduction in thresholds, many groups were being forced to use a UK incorporated entity in order to qualify for index inclusion. The reduction in thresholds therefore allows a wider choice of listed entities which may provide useful flexibility for groups that do not have any other reason for be headed from the UK. This is clearly a positive effect from the changes.

Possible tax consequence arising from the free float change

Let's suppose that a group does decide to use a UK entity to be listed, perhaps because its free float will be somewhere between 10% and 25%. In this scenario, and assuming the UK company stays UK tax resident, the change in the free float requirements for UK companies could make it more likely for such a group to suffer US withholding tax leakage on dividends from any US subsidiaries.

The reason for this is because typically the US tax regime applies withholding tax at 30% to payments of dividends, interest and royalties.

Commonly this withholding tax rate can be reduced to 0% under the UK-US double tax treaty, on the basis the relevant conditions are met.

In broad terms, one key condition that is anticipated to be impacted by these changes is that the listed company's principal class of shares must be 'regularly traded' on the LSE.

The regularly traded condition

Broadly speaking, a class of shares is considered "regularly traded" in a taxable period (e.g. a financial year) on the LSE if during the 12 month period ending on the day before that taxable period, the aggregate number of shares traded is at least 6% of the average number of shares in that class during that 12 month period.

This is an important condition as we've seen some businesses struggle to meet this threshold under the previous free float of 25%, and if a company's free float is 10%, to meet the above condition, effectively the company's trading volume for its shares over a twelve month period must be 60%+ of the free float whereas previously it was a much lower hurdle at 24%+.

Practical steps to manage this risk

We recommend that senior finance personnel and tax professionals should be considering in detail whether they meet the 'regularly traded' condition and if not, factor the leakage in effective tax rate and cash flow forecasts.

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THOMASLLOYD ENERGY IMPACT TRUST PLC

An interview with... Vivienne Maclachlan, CFO, ThomasLloyd Group

Sustainable investing is ingrained in our purpose and has underpinned our investment methodology for the past ten years. Going through this process has made us talk about our approach, and has underlined the authenticity of our proposition.

Vivienne Maclachlan is Group CFO and member of the Executive Board at ThomasLloyd Group, a global asset management and solutions provider dedicated to investing in sustainable infrastructure in high-growth and emerging countries in Asia. ThomasLloyd is headquartered in Zurich.

She is a member of the ThomasLloyd ESG Monitoring and Stewardship Committee (ESGC) supporting the ThomasLloyd Energy Impact Trust (LSE:TLEP) which listed on the Main Market of the London Stock Exchange in December 2021. A Green Economy Mark fund, it has raised US$150m, and attracted high profile investors including the UK Government through its MOBILIST initiative.

tlenergyimpact.com

Why did you choose to list this fund in London?

London is, in my view, one of the best places to list. In addition to the capital and liquidity, it has the highest standards of corporate governance, and a substantial amount of capital. We chose a Premium Segment listing because of the high standards of governance, and the respect that commands.

A key consideration was our participation in the UK Government's MOBILIST competition which aims to encourage UK investment in emerging markets, specifically sustainable infrastructure to support the growing populations, and address the challenges of climate change in Asia, which has a significant impact for the rest of the world.

How did receiving the Green Economy Mark help your listing?

We are proud to have been awarded the Green Economy Mark. Sustainable investing is ingrained in our purpose and has underpinned our investment methodology for the past ten years. As such, we don't always talk about it, or can feel it's a given. Going through this process has made us talk about our approach, and underlined the authenticity of our proposition as compared with some other investment opportunities where you're investing in secondary assets.

How did this differ from your previous listing experience?

At ThomasLloyd we have both listed and unlisted funds in Luxembourg and, in a previous role, I had listed a corporate in London. Investment trusts seem to be a very different beast. While it's an empty shell with no historical track record, you're asking investors to invest in your investment strategy, your approach and your values as an investment manager. To give ourselves the highest chance of success, we introduced two seed assets into the fund: solar plants we owned in other vehicles, to demonstrate we had a track record, were already delivering on our strategy, and the seed assets would also provide dividend flow in the early months following listing.

What did you learn from the experience?

Picking the right advisors is so important to the success of the project. That's not necessarily the people with all the technical knowledge: no two deals are the same. The advisors needed to be able to analogise and create solutions to problems which are bespoke, and not just "the way we always do it". By working in partnership with myself and my chair, the Deloitte team were able to develop an innovative and pragmatic approach to our reporting framework, which not only saved time and money during the IPO but will also improve our ongoing reporting.

We started thinking about this project in August 2020, although we did not list until December 2021. Don't underestimate the amount of time it takes to educate the market and prepare. The MOBILIST competition meant we couldn't announce until COP26, and we were also bringing a new product to market which meant an investment of time explaining the opportunity, the purpose and the returns. Today we believe we are the only listed investment trust in the London market that facilitates direct investment in emerging markets Asia.

Advice to other asset managers?

Never underestimate the complexity of doing a cross border transaction. It always takes longer than you expect. Also bringing together a number of different advisors, different languages, different legal frameworks is challenging. Maintaining a tight rein on scope and avoiding scope creep is really important.

One of the dangers of any transaction is the market. Being ready and preparing as much and as soon as possible is vital. You have to be flexible. Our timing coincided with the early stages of Omicron – as soon as we announced, we started to see infection rates spike again. We were fortuitous to get it away, maybe as a result of deep marketing and education efforts undertaken in the run up to launch, otherwise we were looking at going out in January 2022... and there hasn't been a significant IPO since then. It was the last sliver of the window, we got it there: be ready and off you go.

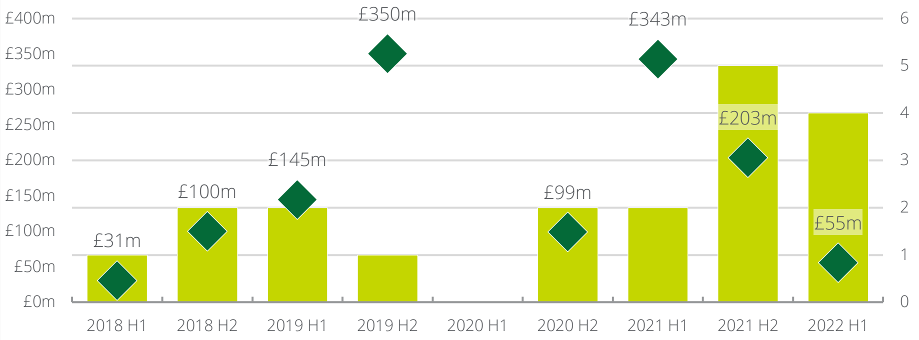
Investors are increasingly focused on Environmental, Social, and Governance ("ESG") as part of their investment strategy, and an effective ESG strategy has swiftly become a critical factor to the success of an IPO, with an impact on valuations, share performance, and the overall cost of credit.

Investors are allocating significant volumes of capital to ESG sectors with strong growth and impact potential, such as renewable energy, waste recycling, social impact business, and electric vehicle infrastructure. ESG Exchange Traded Funds ("ETF") also saw significant inflows, with an estimated over a quarter of ESG fund investments in 2021 going into ETFs.

London has been leading on supporting 'green' issuers, with the London Stock Exchange's Green Economy Mark recognising companies and funds which derive more that 50% of their revenue from products and services that contribute to environmental objectives such as climate change mitigation, waste and pollution reduction, and the circular economy. The UK is also continuing to reform its regulatory agenda in response to the soaring stakeholder demand for ESG assets.

There has been a steady increase in ESG funds listing in London since the pandemic. They have primarily focused on the 'Environmental' part of ESG, with all-but-one of 2022's ESG fund IPOs being renewable energy-related, and the remaining one a social impact fund. Two thirds of the funds feature the Green Economy Mark.

New ESG Fund listings & average capital raised at IPO



Source: LSEG data

The pandemic appeared to act as an effective catalyst to spur the investment community to embrace ESG. Particularly in 2020, central banks and governments were generous with their stimulus, and stakeholders and the general public were actively re-examining the concept of a social license to operate. This supported an expansion of capital raising by ESG-related funds in 2021, just as wider capital markets exhibited strong-levels of activity.

While we expect the step-change in the way investors approach ESG to be enduring, it is unlikely listing and capital raising activity in the ESG space will be immune to pervasive global challenges, including the geopolitical situation in Ukraine, inflation, and tightening monetary conditions.

At the same time, regulator scrutiny of asset manager ESG credentials has been heightened by the weight of interest in ESG products and high-profile cases of greenwashing. Going forward, and combined with challenging macro conditions, this may cool investment houses' enthusiasm to release additional sustainability-themed products.

Commentators and the investing community have often approached ESG with a one-size-fits-all approach, using it as a binary label for all things sustainability, rather than being precise with its component definitions. Investment houses that are cognisant of this will resist the temptation to position their new launches as 'all things ESG', instead focusing on a more deliberate, thematic investment approach that avoids playing into the more nebulous perceptions of ESG.

Encouragingly, and unlike the larger, open-ended mutual fund space, all of the strategies reviewed in our data were focused strategies; the majority being energy- and environment- related.

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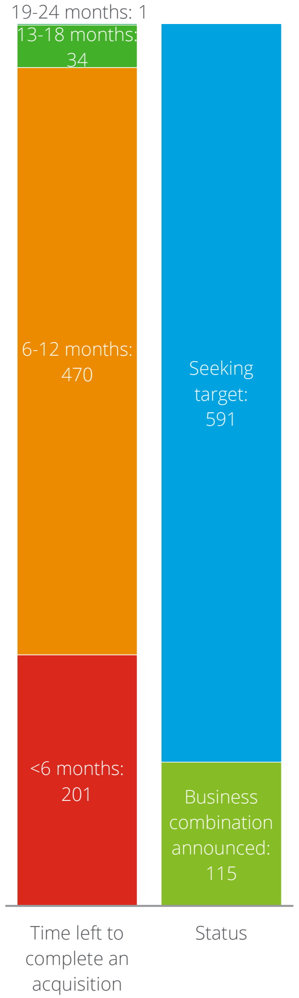
Special Purpose Acquisition Company ("SPAC") activity has slowed in the first half of 2022, consistent with the wider slow down in traditional IPO markets. Despite this, there are still a large number of SPACs looking to complete an acquisition, with UK and European companies being targeted by existing SPACs as potential acquisitions.

Active U.S. SPACs by status



Source: SPAC Research Centre (5 Jul 2022)

The US market

Consistent with the slowing of the wider IPO market, SPAC activity has continued to slow from the record highs of 2020 and 2021. There have been 70 SPAC IPOs, with gross proceeds of US$12.1bn in the first half of 2022, compared with 613 in 2021. Despite this decrease in the number of SPAC IPOs, sophisticated sponsors continue to enter the market, and a SPAC merger remains a viable route to the US capital markets for the right companies.

There is also a significant number of SPACs reaching the end of their life cycle – 201 SPACs have less than six months remaining to complete a transaction, 131 of which are yet to announce a business combination. This presents an opportunity for target companies who are seeking a route to market, although does increase the risk that unfavourable deals may be rushed into or agreed upon without appropriate diligence. It is expected that a number of these SPACs will liquidate and return funds to investors.

Also contributing to the cooling of the SPAC market are the proposed rules announced by the Securities and Exchange Commission ("SEC") in March 2022 which are aimed at levelling the playing field between SPAC mergers and traditional IPOs, and more closely aligning the financial reporting requirements of the two. Under these proposed rules – which have yet to be approved – underwriters in a SPAC IPO would also be deemed underwriters in a subsequent de-SPAC transaction when certain conditions are met. This has resulted in some investment banks exiting the SPAC market due to liability concerns.

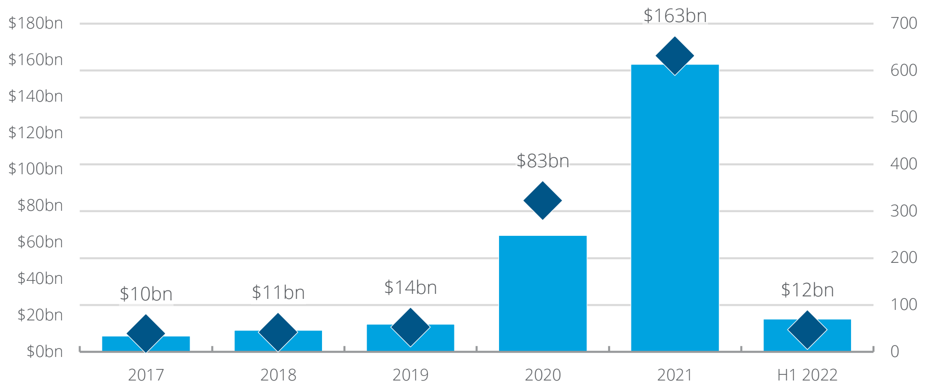
Companies contemplating a SPAC merger should consider this context, and perform an early assessment of the quality of the SPAC. Key considerations include: who the sponsors and investors are and what benefits they offer in terms of industry experience and knowledge; what the redemption outlook looks like; how much Private Investment in Public Equity ("PIPE") financing is required; and what guarantees the SPAC can make around the certainty of such PIPE financing. Companies should also consider the background of the SPAC sponsors, including their track record with SPACs and any conflicts of interest.

Given the evolving SPAC market, many new SPACs are being backed by sophisticated financial companies that have deep expertise in capital market transactions and M&A deal execution. Sponsors evaluate targets based on a range of factors, including financial outlook and how ready a potential target is to go public. Companies with more established businesses that are closer to public company readiness are increasingly becoming more attractive targets for sponsors, as compared to companies with limited track records that are mainly focused on "growth" stories.

UK and European markets

Momentum in the European SPAC market has slowed in the first half of 2022, consistent with global markets. There has been an increase in the number of SPAC IPOs in London, from a total of two in 2021 to seven through the end of June 2022. This has been driven by the regulatory changes, designed to make London more attractive to investors, which came into effect last year. The increase in activity in London SPAC markets has been offset by decreases in the number of SPAC IPOs in other European markets, including Amsterdam and Paris. In practice, the SPAC markets in the UK and rest of Europe remain relatively nascent, although it is expected that the volume of SPAC activity will continue to increase, and SPACs will be a permanent feature of both UK and European markets going forward.

U.S SPAC IPO activity and gross proceeds ($bn)



Source: SPAC Research Centre (updated 5 Jul 2022)

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Our services | Deloitte Equity Capital Markets

Our dedicated team of over 120 ECM professionals provide specialist expertise across the lifecycle of an IPO, SPAC transaction, M&A transaction, or equity fundraising. We have had a role in a majority of the largest Main Market transactions in recent years, helping UK and international businesses to maximise shareholder and stakeholder value, and navigate each stage of the process of raising equity capital in London and the global capital markets.

Readiness assessment

- Help companies prepare for an IPO, SPAC or other ECM transaction.
- Covers both financial and commercial aspects of a transaction.
- Readiness assessment with a key findings report – identifying where further work will be required.
- Development of a remediation plan to address shortcomings prior to transaction kick-off.
- Assessment of resource requirements, and preparation of a detailed project workplan.

Reporting accountant

- Formal role reporting to both the company and the sponsor / key adviser / nomad.
- Required on most IPOs, Class 1 transactions and further equity issues requiring a prospectus.
- Principal workstreams typically include: historical financial information (HFI), long form due diligence, financial position & prospects procedures (FPPP), and working capital reporting.

SPACs

- Dedicated and experienced SPAC services team.
- Extensive experience of US and SEC requirements.
- Support provided throughout the lifecycle of a SPAC – from initial IPO through to de-SPAC.
- Experience of supporting target management teams through a SPAC merger.

ECM assist

- Working company-side to support management and finance teams throughout a transaction.
- Provides both resource capacity and technical expertise, tailored to the support required for the transaction, including:
  - transaction management;
  - preparation of financial information or track records;
  - governance and internal control enhancements;
  - complex modelling; and
  - integration/separation considerations.

Transaction management office

- Provide expertise project management office support for a transaction.
- Experienced personnel to ensure the transaction happens to timetable and issues are identified and dealt with.
- Tried and tested project management methodologies and tools.
- Fully scalable model that can be deployed rapidly across an entire programme or discreet workstreams.

Structuring

- Determining the most appropriate ListCo jurisdiction, and whether to use a new or existing entity.
- Tax considerations including capital gains taxes, transfer duty, stamp taxes or pre-transaction restructuring implications.
- Consideration of tax position of existing shareholders, including minimising shareholder tax leakage on the transaction.
- Considerations for dividends and distributable reserves.

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