

Equity capital markets in 2023: A year to be flexible, ready and creative

In 2022, Allen & Overy's Equity Capital Markets practice was again involved in many high profile and significant ECM transactions around the world. Our standing in the market, and our role in the successes of our clients, makes us the preeminent partner of choice for businesses looking to launch an IPO or other equity capital markets transaction. Here, we look back at the year passed, and ahead to the trends and topics we are likely to see play out in the global markets in 2023.

2022 was a challenging year for equity capital markets transactions globally. Adverse macroeconomic conditions – including high inflation, the looming risk of recession, interest rate uncertainty – and geopolitical matters including the war in Ukraine caused a significant fall in ECM deal volumes. The IPO market effectively closed in the UK, Europe and the U.S. after having a record year in 2021.

These trends have continued in Q1 2023. Deal volumes continue to be depressed because of the macroeconomic climate. Any revival has been hindered by the state of the banking and financial services sectors in the U.S. and Europe, as well as the collapse of Silicon Valley Bank and its attendant fallout.

There have been a few bright spots, including the continuation of a very busy IPO market in the Middle East comprising a mix of privatisations of government owned assets and private (including family owned) enterprises coming to market. We expect this trend to continue into 2023.

We have also seen a recent trend of companies that are preparing for capital raisings in a number of markets in Europe and the UK, including IPOs and secondaries, in H2 2023 and H1 2024 should market conditions improve. Regulators in EMEA are considering various changes to facilitate IPOs and capital markets transactions, and we expect the implementation of some of these changes this year.

Middle East

ECM activity in the GCC region (particularly the UAE and Saudi Arabia) has been at an all-time high. Increasing energy prices, strong economic growth and an increased government focus on diversifying their economies and attracting foreign investment have spurred investor

confidence, which has resulted in a strong regional IPO market.

Allen & Overy's ECM practice in the Middle East advised on a number of high profile and significant ECM transactions throughout 2022; our team advised on more UAE IPOs than any other international law firm.

“Magic circle heavyweight Allen & Overy maintains a long-standing capital markets practice in the Middle East which has cemented its position as a market leader.”

Chambers Global 2023 Middle East (Capital Markets)

These included the IPOs of Americana (ADX and Tadawul listing), Empower (DFM listing), Borouge (ADX listing), ADC Acquisition Corporation PJSC (ADX listing), TECOM Group (DFM listing) and Burjeel Holdings (ADX listing).

There were also some market firsts. The A&O team advised ADC Acquisition Corporation PJSC on the first ever SPAC to be listed in the GCC. We also advised on the IPO and listing of Americana Restaurants International PLC, which was the first-ever concurrent dual listing on the UAE and Saudi Stock Exchanges. This deal won A&O the recent Capital Markets Legal Adviser of the Year award at the Capital Markets & ESG Finance Saudi Arabia Awards 2023.

We expect 2023 will be another strong year of IPOs in the Middle East. In Q1 2023, we have already seen the IPOs and listings of ADNOC Gas (ADX) – the largest IPO in the world to date in 2023 – and Abraj Energy Services (listing on the Muscat Stock Exchange, the largest IPO ever in the Sultanate of Oman) – both deals A&O advised on. We expect a strong pipeline of deals from a diverse sector group coming to the GCC public markets, comprising a continuation of government spin-offs, government assets and family owned businesses.

This significant interest in GCC IPOs (many of which were heavily oversubscribed) reflects the deep confidence of the regional and international investor community in the region’s long-term growth prospects and critical infrastructure. It also underlines, in particular, the UAE’s position as a thriving and dynamic international financial centre with real depth.

EMEA

Across EMEA, the extent and speed of planned capital markets reforms is likely to influence future activity. Those include legislative changes including the UK’s Primary Markets Effectiveness, Secondary Capital Raising and Prospectus Regime reviews and the EU’s Listing Act. Other key developments to be mindful of include ESG and gender diversity reporting, setting sustainable financing standards, and tax policy.

Even though the European market has been sluggish, there is a healthy pipeline of companies interested in IPOs. Higher interest rates will make equity a more attractive funding option for many of them. Businesses with robust fundamentals, the scope to scale and strong leadership teams, and who have managed to be profitable despite the turbulence in recent years, will be attractive to investors when market conditions improve.

Time to prepare

With the next upward trend in IPOs, investors will be concentrating on the quality of companies on the market. To be able to take advantage of windows of opportunity and market improvements, early preparation is key.

Given it can take six months to prepare for an IPO, companies considering a listing should ensure that they are as well prepared as they can be. Not only with their business plans, but also collaborating with their internal teams and external advisors to define creative execution strategies that will attract investors and facilitate transactions.

We expect to see further secondary equity issuance activity by businesses operating in a variety of industries across EMEA. This will serve a variety of capital needs, including funding M&A and repairing balance sheets.

We remain cautiously optimistic for deals in the second half of 2023 and beyond. We are excited to be working with a pipeline of exciting and expanding companies.

“An outstanding track record in high-profile and complex IPOs and other equity fundraisings seen in the UK and EMEA.”

Legal 500 2022 (Equity Capital Markets)

A selection of our recent EMEA ECM deal highlights

ADNOC Gas plc

Advising the underwriters on the IPO and listing of ADNOC Gas plc on the Abu Dhabi Securities Exchange (ADX). Abu Dhabi's largest-ever market debut and the largest IPO globally to date as of March 2023.

Ithaca Energy

Advising Delek Group as selling shareholder on the GBP2.5bn IPO and premium listing on the LSE's main market of its portfolio company, Ithaca Energy.

TECOM Group

Advising TECOM Group on its USD455m IPO and listing on the DFM.

Burjeel Holdings

Advising a lead manager on the IPO and listing on the ADX of Burjeel Holdings.

CNG Fuels

Advising on its listing on Euronext Growth Oslo.

Virgin Active

Advising on Virgin Active's GBP88.4m capital raise and the subsequent GBP28.6m acquisition of the nutrition assets of The Real Foods Group, a multi-brand food group committed to natural food, innovation and social responsibility.

Americana

Advising the underwriters on the IPO and listing of Americana Restaurants International Plc on the ADX and Saudi Stock Exchange. A historic transaction for the Middle East region, being the first ever concurrent dual-listing on a UAE stock exchange and the Saudi Stock Exchange.

Borouge

Advising the underwriters on the USD2bn IPO of Borouge and listing on the ADX.

ADC Acquisition Corporation PJSC

Advising ADC Acquisition Corporation PJSC on its listing on the ADX. This was the first ever SPAC to be listed in the GCC.

BNP Paribas

Advising SFPI-FPIM, Belgium's Federal Holding and Investment Company, on the sale of EUR2.17bn worth of shares in BNP Paribas.

Allied Irish Banks

Advising the Minister for Finance of Ireland as selling shareholder on its sale of shares in Allied Irish Banks via two accelerated bookbuilds of EUR305m and EUR397m respectively.

TUI AG

Advising on numerous equity transactions over recent years, including most recently its EUR1.8bn capital increase. This is TUI's third rights issue and the largest in the London market since 2020.

Emirates Central Cooling Systems Corporation PJSC (Empower)

Advising the underwriters on the IPO and listing of Emirates Central Cooling Systems Corporation PJSC (Empower) on the Dubai Financial Market (DFM). Upon listing, Empower became the world's largest district cooling services provider listed on a stock exchange.

Abraj Energy Services

Advising the underwriters on the IPO of Abraj Energy and listing on the Muscat Stock Exchange, the largest IPO ever in the Sultanate of Oman.

Porsche

Advising Norges Bank Investment Management on a EUR750m cornerstone investor agreement regarding the IPO of Porsche AG.

Azelis

Advising the underwriters on the sell down of EUR75m Azelis shares by EQT and PSP.

“All advice given by A&O is commercially astute and risk-weighted. They engage closely with clients to ensure a good understanding of their business, allowing their advice to be closely tailored to the situation at hand.”

Awards



International IPO/Equity Capital Markets Deal of the Year – Americana Restaurants International PLC: SAR 6.77bn Abu Dhabi/Saudi Arabia Dual-Listed Initial Public Offering

Capital Markets & ESG Finance Saudi Arabia Awards 2023



Capital Markets Legal Adviser of the Year

Capital Markets & ESG Finance Saudi Arabia Awards 2023



Shortlisted for Equity Team and Deal of the Year – Haleon

IFLR Europe Awards 2023



Band 1 for Capital Markets

Chambers Middle East, Europe, Netherlands, the UK



Band 1 for Capital Markets

Chambers Global UAE



Band 1 for Capital Markets Equity

IFLR1000 UAE



1st Global Debt, Equity & Equity-related Ex FCA:

Issuer by volume, Refinitiv, Q4 2022

“Exceptional firm with superb capabilities in capital markets transactions.”

Chambers 2022 (Equity Capital Markets)



“One of Allen & Overy’s most relevant strengths is the extraordinary coordination between the partners and lawyers across multiple jurisdictions, always bringing its top experts, wherever they are located, contributing as one for the benefit of the client and the project. The firm’s service levels always exceed its mandate, delivering the most efficient and effective solutions in a timely manner.”

Chambers Europe 2023 (Equity Capital Markets)

Contact us

Please feel free to reach out to your usual A&O ECM contact if you have any questions. We look forward to working with you in the coming year.

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