



CORPORATE FINANCE

A Two-Tier IPO Environment

What the next 12 months holds for UK IPO markets

The UK IPO window is beginning to reopen. However, it is not reopening into a balanced or neutral environment. Instead, global markets are evolving into a distinctly two-tiered structure, shaped by capital concentration, supply-side pressure, and increasingly selective investor behaviour.

At the top end of the market sits a relatively small group of exceptional assets. These are typically scaled, differentiated, or category-defining businesses, often aligned with dominant global themes such as artificial intelligence or frontier technology. Such companies are capable of driving portfolio-level returns and commanding global investor attention. In practice, they operate in a different capital market altogether: they are less sensitive to timing and pricing dynamics, and they absorb a disproportionate share of available capital. Their success is not dependent on the strength of the wider IPO market. Capital will find them.

For the remainder of the market and particularly relevant to our clients in the UK mid-cap segment, the environment is materially more complex. The reopening of the UK IPO window is coinciding with a significant backlog of supply, creating a competitive dynamic that did not exist in the early stage of prior cycles. This pipeline is emerging from multiple sources. Founder- and management-owned businesses are returning in search of capital to fund expansion and achieve partial liquidity, and private equity portfolios contain a growing number of assets that have been held beyond their original investment horizons, increasing pressure to realise value. A glut of UK IPOs was slated for H1 2026, however, geopolitical events and the associated macroeconomic disruption have delayed a large number of these into H2 or even into 2027. Alongside these traditional sources of UK IPO activity, we are seeing interest from international mid-cap companies that struggle to achieve visibility or relevance in US markets dominated by mega-cap IPOs and era-defining companies, and therefore they are seeking alternative listing venues. A further layer of supply may still come from assets owned by banks and credit funds, often as a residual effect of COVID-era disruption or more recent interest rate-driven refinancing challenges.

Against this backdrop, the pool of available capital has not yet expanded. Institutional investors are keen to see and invest in IPOs, and yet outflows from UK focussed equity funds have been a feature of the market for a number of years. Recent fund flow data reinforces this dynamic. UK investors added £1.08 billion to equity funds in April¹, ending a prolonged period of outflows. However, this capital was deployed exclusively to US and US-heavy global passive investment funds, with actively managed, UK-focussed and ESG strategies continuing to see net withdrawals.

Capital flow trends are likely to be reinforced by the scale of the upcoming US IPO pipeline. SpaceX alone is reportedly seeking to raise up to \$75 billion², more than the entire primary issuance in the US in 2025³, before considering other potential listings such as OpenAI and Anthropic. This raises, for the first time, a fundamental question of how global capital markets will absorb such issuance and what the implications will be for capital availability across other markets. A continuing trend of UK listed companies being taken private has provided UK market focussed investors with some liquidity, but in the early stages of the cycle, we expect demand from candidates to exceed the supply of capital and therefore increase investor selectivity – not all IPO candidates are likely to achieve their targeted valuation and structure in such a competitive market.

1. Equity fund inflows finally returned in April, but oil shock meant only US-heavy funds benefitted - Calastone

2. Musk, SpaceX and the world's most far-out IPO

3. 2025 US Review



Taken together, these factors point to an IPO market that is active but not broadly accessible. While a small number of exceptional global assets will continue to attract capital with relative ease, the UK mid-cap segment will be characterised by competition, selectivity and supply pressure.

In this context, success will depend on more than business quality. Companies must differentiate clearly within a crowded pipeline, present a valuation and transaction structure that supports long-term performance and articulate a compelling case for why they should be selected ahead of competing opportunities.

In a two-tier market, quality is necessary to enter the process but strong positioning and discipline on valuation and deal structure will be critical to a successful IPO outcome. We see competition for capital driving an influx of high-quality companies and creating the opportunity for retail and institutional investors to invest in great businesses that can generate top-tier returns as UK listed companies.

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