How to boost prosperity in the UK markets

This opening panel discussed a number of national and global issues, and sought to bring optimism to the audience who had concerns over the UK's future.

In this well-attended session with good discussion and participation, Evan Davis started off by polling the audience with two questions, the first on the prospects for UK plc and the second on the importance of IR.

The audience were on balance negative on the prospects for UK plc: 48% were 'negative', 31% 'neutral' and only 20% 'positive'. For IR, 68% thought the importance of the profession would 'increase' with only 2% voting for a 'decrease'.

The panel members were notably more positive on the outlook for UK plc, remarking that the British do tend to be pessimistic, and that we should be more optimistic about our prospects and strengths.

In an assessment of the economy, Mohit Kumar was more bearish than the other panelists about the UK – given high taxes and deficits, and an ageing population (the UK is not unique here). He said that a focus on technology is needed to increase productivity.

Mark Austin was positive on the UK listing environment as was Alice Walker, who commented that the UK market has unique strengths and is addressing friction points in the system, including obtaining immediate index inclusion, which will help with passive fund demand on IPOs. Walker also remarked that "there is little difference between UK and US valuations once adjusted for growth".

A wise move?

The news that Wise was seeking a primary listing in the US that morning was obviously bad news for the UK market on the day – albeit there are unique features about that company, such as its dual share class and current lack of index inclusion in the UK, which help explain its announcement.

> "What is needed is a very simple equity story and a bespoke approach to targeting"

PLENARY 1: THE FUTURE OF UK CAPITAL MARKETS: IMPLICATIONS FOR IR

Moderator: Evan Davis

- Mark Austin CBE, partner, Latham & Watkins
- Richard Joyce, interim head of IR, Kingfisher
- Mohit Kumar, chief economist and strategist for Europe, Jefferies
- Alice Walker, director, Lazard

The panelists all agreed that the UK market needed to improve its capacity to help businesses scale up and grow.

Active vs passive

Richard Joyce highlighted that 40% of Kingfisher's investors are US domiciled and that the company is seen as the European equivalent of Home Depot. He discussed the growth of passive funds and the outflows from active funds ($2.5tn of passive inflows and $2.8tn of active outflows globally last year). Kingfisher engage with the passive funds on governance issues. For other investors what is needed is a very simple equity story and a bespoke approach to targeting, using an 'ideal top twenty shareholder' framework alongside providing access to divisional management in the businesses, geographies and research and development units.

Kumar also highlighted the role of 'algos' (quantitative funds) which account for 64% of trading activity and increase share price volatility, given that 80% of their flows are in the same direction.

More recently , since 'Liberation Day' in early April, there has been a noticeable move (inflows) into European (including UK) equities from both passive and active funds, and many commentators expect this to continue given geopolitical uncertainty elsewhere in the world, most noticeably the US.

ESG remains on the agenda

Other subjects discussed during this wide-ranging session included:

- The role of AI, including it helping to do regulatory compliance, which is already happening.
- How to ensure the success of your listing, post IPO, including making your numbers consistent at the first set of results and thereafter.
- Comparing listing venues: the UK vs US vs Canada, with the UK now having the least 'friction points'.
- How to attract US investors, noting that more focus on earnings per share (EPS), and that EPS growth is a key metric for them.
- How to embed sustainability and to emphasise its economic benefits as well as reporting progress on ESG metrics. Concentrate on what is fundamentally important to your business. Sustainability is still important for

European investors who dominate this space (accounting for around 90% of sustainably labelled funds globally).

Key takeaways

Concluding the session, Austin said we needed to be "positive and on the front foot on the UK market … educate companies and investors about its benefits."

Joyce repeated his mantra about a simple and compelling equity story being important to attract investors – with ideally no more than three summary bullet points used. Kumar agreed and emphasised "the importance of knowing and attracting your target investors."

Walker concluded by telling the audience that we "all need to be prepared for the debates on whether to list in the US or not, and to plan and prepare thoroughly, ahead of time, for activist investors targeting your company." ■

Report by Richard O'Connor, Embera Partners.

Clockwise: Mark Austin CBE, Alice Walker, Mohit Kumar and Richard Joyce