# London Stock Exchange faces threat of disappearing smaller firms by 2028 amid takeover surge



The London Stock Exchange is facing a growing crisis as a wave of companies exit the market, posing a significant challenge to the UK's economy and its status as a leading global financial centre. Investment bank Peel Hunt, led by CEO Steven Fine, has sounded the alarm over what it describes as a "relentless" exodus of firms, driven largely by a surge in takeover bids from private equity firms and overseas buyers. This dynamic is exacerbated by weak initial public offering (IPO) activity, leaving the market increasingly depleted of vibrant, publicly listed businesses.

So far this year, London has witnessed 30 takeover bids for listed companies, with few substantial IPOs to offset these departures. Notable recent exits include fintech firm Wise, which chose to list in New York rather than London, and a string of bids for companies like Alphawave and Spectris, both caught in high-profile takeover battles. Peel Hunt’s loss widening to £3.5 million in its recent financial report underscores how much the decline in market activity is affecting market makers and brokers dependent on vibrant public markets.

The trend is particularly evident in the shrinking FTSE Small Cap Index, where approximately 10% of listed companies and 20% of market capitalisation have been lost this year alone. Experts warn that if current trends continue, London's smaller listed companies could disappear entirely by 2028, a scenario that would further undermine the city's financial ecosystem and attractiveness to investors. This downturn in listings is compounded by changed UK tax rules, such as the halving of inheritance tax relief, and a marked reduction in pension funds’ investment in UK equities.

This crisis is rooted in broader structural challenges. The London market has endured the largest net outflow of companies since the financial crisis, with 88 delistings last year and only 18 new public listings. Primary listings have declined by over 40% since 2007, a reflection in part of the UK’s economic structure which leans heavily on energy and mining sectors, and is less focused on high-growth technology companies that tend to favour US exchanges for their superior liquidity and valuations.

London’s Alternative Investment Market (AIM), historically a platform that supports smaller enterprises with fewer listing requirements, is similarly suffering. With 89 companies exiting AIM in the past year against only 18 new entries, the market is losing its role as a capital-raising hub for smaller, growth-focused businesses. Industry voices have urged policy changes, including measures to encourage pension schemes to reinvest in UK assets and reinstating tax incentives such as a tax-free savings plan for British stocks.

The takeover wave includes deals by private equity giants like KKR, which is locked in multiple bidding wars for London-listed firms, highlighting a landscape where companies are perceived to be undervalued. Some bids come with premiums exceeding 30%, indicating the market's consensus that UK-listed assets are significantly underpriced. Recent high-profile deals, like the £2.9 billion buyout of Deliveroo by US giant DoorDash and ongoing speculation around Metro Bank, underscore the active corporate appetite for UK assets, yet also signal the shrinking pool of independent listed companies.

Peel Hunt’s Steven Fine questioned why British assets, including infrastructure like small airports, are increasingly being snapped up by foreign funds, pointing to what he described as the “cheap" valuations driving this sell-off. He urged recognition from the government of the problem’s scale, arguing for renewed commitment to supporting public markets which bring transparency, investability, and employment benefits.

The situation presents a delicate paradox: a strong corporate appetite for acquisitions reflects confidence in the economy and available capital, but the resulting shrinkage of public markets could diminish London's global financial clout over time. While some optimism exists that economic stability and interest rate cuts could stimulate dealmaking and potentially new IPOs, the recovery hinges on structural reforms to make public listings more attractive and competitive globally.

Overall, London's stock market exodus deepens a multi-year decline in market vitality, with fewer companies listing publicly and more being absorbed by private equity or foreign buyers. Without concerted action to revitalise the IPO pipeline and boost investor confidence, London's position as a leading financial centre risks further erosion, with consequential impacts on economic growth, tax revenues, and job creation.

### 📌 Reference Map:

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2. <https://www.ft.com/content/d4d6b2f4-400f-4dc2-8210-acd1802f9852> - A quarter of the major companies that went public on the London Stock Exchange in the IPO surge of 2021 have since exited the market, while the remainder have collectively lost £10 billion in value. Of the 33 companies that raised over £100 million, eight have been sold, delisted, or gone bankrupt. Notable recent takeovers include Pod Point, sold to EDF for £10 million from a £352 million IPO valuation, and Alphawave, acquired by Qualcomm for $2.4 billion—less than half its original value. The exodus reflects a broader challenge for London in retaining top-tier firms, particularly in high-growth tech, amid competition from US markets offering greater liquidity. The 2021 boom, driven largely by pandemic-era shifts in consumer behavior and investor enthusiasm, has not sustained. Companies like Dr Martens, Revolution Beauty, and Oxford Nanopore have seen massive valuation drops. The IPO pipeline has dried up, with few new large-scale listings since. Broader global trends of companies staying private longer and weak post-IPO performance are compounding the issue. London's IPO hopes for 2025 hinge on a single large potential listing — canned food group New Princes — reflecting the overall weakness of the market.
3. <https://www.reuters.com/world/uk/londons-withering-aim-market-set-lose-more-members-this-year-2025-01-16/> - The Alternative Investment Market (AIM) in London is experiencing accelerated departures of companies as market valuations slump and recent changes in UK's tax rules make listings less attractive. In early 2025, Alliance Pharma and Team Internet are among the companies negotiating takeovers. AIM was initially created to support smaller companies in raising capital with fewer listing requirements, but many are now considering delisting or selling due to poor performance and continuous outflows from UK-focused equity funds. Among the challenges facing AIM are the halving of inheritance tax relief and a lack of IPOs. With 89 companies leaving AIM last year and only 18 new additions, concerns are rising about the future of AIM and its impact on the UK economy. Suggestions to reverse the decline include mandating pension schemes to invest in UK assets and reinstating tax-free savings plans for British stocks. The main exchange is also experiencing a similar decline, with some companies shifting listings to the U.S. for better valuations.
4. <https://www.ft.com/content/ac733942-6abd-4951-b478-8f921f66f13e> - The London Stock Exchange has experienced a difficult year with 88 companies delisting or moving their primary listings and only 18 new listings, marking the largest net outflow since the financial crisis. This trend highlights a long-term decline in the London stock market, with primary listings down over 40% since 2007 and the FTSE 100 struggling post-Brexit. The UK's industrial mix, focused on energy and mining, and decreasing liquidity are major factors behind the underperformance. Additionally, prominent companies have been shifting their listings to the US or other emerging markets. UK authorities are aiming to revive the LSE through reform measures, including simplifying the listings regime and consolidating pension capital. However, immediate actions like cutting the stamp duty reserve tax could boost stocks. Ultimately, addressing deeper issues in the UK's business environment and restoring investor confidence is crucial for a sustained revival of the London stock market.
5. <https://www.bloomberg.com/news/articles/2023-10-31/shrinking-uk-stock-market-is-in-a-doom-loop-peel-hunt-says> - Britain’s market for small and medium sized stocks is shrinking rapidly, challenging London’s status as an international financial center, according to UK investment bank Peel Hunt. A lack of initial public offerings, along with a flurry of takeovers by overseas and private equity firms, mean there are more companies leaving the UK market than joining it. The trend is particularly pronounced for the FTSE Small Cap Index, which Peel Hunt says has lost 10% of its members and 20% of its market capitalization this year.
6. <https://www.cityam.com/london-stock-exchange-could-be-stripped-of-smaller-firms-by-2028-warns-peel-hunt/> - The London Stock Exchange could be stripped of smaller companies by 2028 if the pace of a current “feeding frenzy” continues, according to a top investment bank. In a note to investors today, broker and City bank Peel Hunt said that the “relentless” speed of “de-equitisation” in London showed no sign of abating and was now threatening to decimate the smaller end of the market. “If we extrapolate the current trend line, then the last company will leave the FTSE Smallcap [Index] in 2028,” said Charles Hall, Peel Hunt’s head of research. “This all sounds very negative – but the reverse scenario can happen and can happen quickly. It really needs a trigger to break the cycle.” Hall added that there had been a “feeding frenzy” on the market in recent months as cashed-up corporate buyers pounce on lowly valuations in the City. A total of 12 new companies came under offer in the first three months of this year and some 28 firms were subject to takeover bids last year. Over 150 companies left both the main market and AIM last year, according to the Quoted Companies Alliance. 12 new offers have been made for companies in the first quarter of the year (value £bn) Among the active bids for companies, seven FTSE 350 have fallen into the sights of buyers compared to just two throughout 2023. The largest bids so far have been targeted at DS Smith, the paper maker, which is heading toward a potential £5.7bn tie-up with rival Mondi, and Virgin Money, which was subject to a £2.9bn bid from Nationwide. The bigger deals “reflects greater corporate appetite and confidence in the economic outlook”, Peel Hunt said. Buyers have also offered an average of 38 per cent higher than the current valuation implied on the London Stock Exchange, rising to 55 per cent for solely cash offers, underscoring the perceived valuation squeeze on listed companies. Dealmakers across the City say they are now expecting a rise in deals throughout the year as appetite returns. John Farrugia, co-chief executive of investment bank Cavendish, added that deal activity was “picking up quarter on quarter now” as the economic picture settles. “Inflationary pressures have subsided, and there is an expectation of interest rates falling over the summer, providing the right landscape for deal activity,” he told City A.M.. Private equity firms are leading the charge, having predominantly sat on their hands last year and now having the increased requirement to deploy capital.” The fresh warnings will likely fuel fears around the health of the London Stock Exchange after a torrid 12 months in which new IPOs have dried up. Just 23 firms floated on the London Stock Exchange’s two markets in 2023, a 49 per cent slide from the 45 registered in an already quiet 2022. The downturn has rocked smaller banks like Peel Hunt. In a trading update this morning, the firm said it expected to report a second straight annual loss for its last financial year last year. Peel Hunt previously swung to a pretax loss of £1.5m for its 2023 financial year from a £41.2m profit the year before. Can the London Stock Exchange survive another ‘relentless’ exodus in 2024?

7. <https://www.ft.com/content/b5181224-9f4f-42ee-892e-e2238adf8641> - UK fund managers are expressing concerns over the diminishing number of quality stocks available on the London Stock Exchange due to an increase in foreign takeovers and a shortage of initial public offerings (IPOs). In the first half of this year, 30 London-listed companies received firm takeover offers averaging £1 billion, compared to 27 offers averaging £443 million in the same period last year. This trend, coupled with a lack of new IPOs, is reducing the pool of listed companies, making it challenging for fund managers to find attractive UK stocks to invest in. The decline in listings is attributed to factors such as low valuations and the appeal of US markets, leading to a shift of companies to the US for better valuations and liquidity. The reduction in the number of listed companies is also impacting the professional services industry and the overall economic growth, as fewer companies are contributing to tax revenues and employment.