



London
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Eight key considerations for the IPO journey

1. Know what makes your business special
2. Have a strong equity story
3. Be prepared
4. Evaluate your internal resources
5. Don't under-estimate the intensity of the process
6. Perfect the art of timing
7. Get the right board in place
8. Don't forget the day job

The decision to list on a public market is a momentous one. The path to an IPO is challenging but with the right team of advisers it should not be daunting. Four of our IPO Forum partners discuss some key considerations for a management team as they think about embarking on the journey to IPO.

1. Know what makes your business special

An IPO provides an opportunity for a company to examine itself and to really think about what makes it different – and it must then articulate this to stakeholders in a concise narrative.

“Allow time for this process; it can take longer than you think. You will be very close to your business but don’t assume that investors or journalists will immediately understand it. And you must then be prepared to tell your story hundreds of times in a fresh, enthusiastic and relevant way every time.”

Azadeh Varzi Partner, Brunswick

“The senior management team needs to be comfortable with the IPO narrative, which captures the positive attributes of the business and its likely future growth and value. But it also has to be deliverable.”

Nick Koemtzopoulos Managing Director, Equity Capital Markets, Credit Suisse

2. Have a strong equity story

An IPO is an opportunity to define the company’s business proposition and its position in the market. The equity “story” should provide a clear and compelling reasoning about why investors should buy the shares.

“Investors generally look for a company that is a leader in its particular market. Right now, they also want to know whether the company is a disruptor or if it is dealing with disruption in its marketplace – and how it is responding.”

Nick Koemtzopoulos Managing Director, Equity Capital Markets, Credit Suisse

“Your equity story must focus on where the growth will come from, and the robustness of the business in weathering economic storms and cycles. The credibility of the management team is critical at all times – the media and investors want to relate to, and have confidence in, them.”

Azadeh Varzi Partner, Brunswick

3. Be prepared

Planning is at the heart of a successful IPO. This requires a detailed evaluation of the company’s state of readiness and resources required to meet the demands of the process and being a listed company, such as the systems and resources that will be needed in the finance and communications areas.

“Preparation is not just about producing a prospectus or admission document. There are so many facets of the company that an IPO will touch on – from reporting and governance to incentivisation schemes and the group structure.”

Lucy Tarleton Director, IPO Origination, PwC

“The company needs to have clear communications channels and good media habits in place well before the IPO process begins.”

Charles Pretzlik Partner, Brunswick

4. Evaluate your internal resources

An IPO candidate company will be scrutinised on their financials during the IPO process, so it should prepare to bolster its financial team and controls. The finance team, as well as the wider management team, will have to manage the IPO process, while also supporting the ongoing needs of the business.

“The necessity of building up the strength and quality of the finance team goes beyond the IPO. The IPO is a point in time and is a transformational event for a business. The business needs to be ready not just for the IPO process but for life as a public company beyond.”

Lucy Tarleton Director, IPO Origination, PwC

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5. Don't under-estimate the intensity of the process

The actual IPO process may take approximately six months but the prior preparatory time will depend on measures your company already has in place. An IPO means doing a lot in a short space of time. Towards the completion of an IPO process, the demands for briefings and presentations can become intense.

“Plan carefully and take advantage of your advisers. They can help shoulder the burden at key pinch points in the process.”

John Lane Partner, Linklaters

6. Perfect the art of timing

Management teams must also consider external market conditions, such as investor sentiment about particular sectors and their appetite for new issues. They also have to consider internal factors and understand whether the business has reached the stage in its lifecycle when it is ready to go through an IPO process and become a public company.

“A company needs to conduct an honest assessment of its readiness. Depending on its maturity and its resources, this could be undertaken 18 months before it begins trading on the public markets.”

Lucy Tarleton Director, IPO Origination, PwC

“The earlier a company is ready to launch an IPO, the more it maximises its flexibility. At the start of the process, you cannot know what the market will be like at the final marketing stage. But the faster and earlier you can prepare your financial statements and other materials, the wider the market window you will have.”

Nick Koemtzopoulos Managing Director, Equity Capital Markets, Credit Suisse

7. Get the right board in place

While the board structure of a private company may be small, or populated by shareholder representatives, a public company will need to satisfy corporate governance requirements. The principles are set out in the UK Corporate Governance Code and a company is required to comply with the Code, or explain why it has not, in its prospectus. It is typically necessary to appoint new members to the board who are independent and to form new committees (such as audit and remuneration). Identifying suitable candidates can take a significant amount of time and potential directors may want to be involved in the IPO process at an early stage. The new directors will want to get to know the business; while the company will be looking for directors who can bring fresh and relevant experience.

“An IPO is only the start of life as a listed company. Take care with board appointments. The board needs to work effectively during the IPO process and beyond – so don't leave their appointment to the last minute.”

John Lane Partner, Linklaters

8. Don't forget the day job

The business needs to continue to run effectively day to day, even if the time and attention of the CEO and CFO is temporarily diverted. It emphasises the importance of having the right team in place so that business can continue as usual.

“There is a premium on ensuring the IPO process does not unduly interrupt your focus on the business. That is what investors are buying into!”

John Lane Partner, Linklaters