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The IPO Adventure: Unlocking Growth and Success in the Public Markets

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The Strategic Benefits of an IPO: A Comprehensive Look

An **Initial Public Offering (IPO)** marks a significant milestone in a company's growth, providing numerous benefits in terms of capital access, market presence, and long-term strategic development.

For companies seeking to go public in the UK, there are several options available, including the **London Stock Exchange (LSE)**, **AIM** (Alternative Investment Market), and the **Aquis Stock Exchange (AQSE).**

Each of these exchanges offers different advantages based on the company's size, stage of development, and strategic goals. Below, we explore the benefits of going public and why each exchange may be the right fit for different businesses.

Enhancing the Company's Reputation

A public listing brings immediate **visibility**, and for any company, this heightened exposure can enhance its **credibility** and attract a broader base of stakeholders. The **London Stock Exchange (LSE)** offers the highest level of prestige, and companies listed here are often seen as more stable, transparent, and trustworthy. This visibility can be a powerful tool in strengthening the company's brand, attracting new customers, and forming valuable partnerships.

On the other hand, **AIM** offers a less stringent regulatory environment and more flexibility than the LSE, making it an ideal choice for smaller, growing businesses. Although AIM-listed companies enjoy increased recognition, they do not benefit from the same level of prestige as those listed on the LSE. That said, AIM is still a reputable platform, attracting attention from institutional and retail investors.

The **Aquis Stock Exchange (AQSE)**, while catering to smaller and more emerging businesses, also offers opportunities for companies to raise their profile within the market. Being listed on AQSE signals to investors that the company is committed to governance and transparency, which helps improve credibility. AQSE offers a cost-effective entry point for smaller companies that may not yet meet the requirements for AIM or the LSE.

Access to a Broader Pool of Capital

A key reason for going public is to raise capital. Listing on the **London Stock Exchange (LSE)** provides access to significant capital from a diverse and global investor base. LSE-listed companies can raise substantial amounts of equity and debt, benefiting from the exchange's established reputation and large pool of institutional investors.

AIM, as part of the LSE Group, also provides access to equity capital but focuses more on **growth companies.** AIM offers a less complex regulatory environment, making it easier for companies to navigate the listing process. Companies listed on AIM can still tap into institutional and retail investment, although they often have fewer requirements than those on the main market of the LSE. AIM is particularly attractive to businesses in their growth stages, looking to raise capital to scale operations, expand into new markets, or reduce debt.

Aquis Stock Exchange (AQSE) provides a **cost-effective** platform for companies looking to raise capital without the high fees associated with the larger exchanges. AQSE is ideal for early-stage businesses or companies seeking to raise smaller sums of capital. While it may not attract the same volume of institutional investors as the LSE or AIM, AQSE provides an accessible platform for **smaller growth companies** to engage with public markets and gain access to a broader base of retail investors.

Liquidity for Shareholders

An IPO opens up significant liquidity for shareholders. Listing on the **LSE** provides companies with a highly liquid market for their shares. With high trading volumes and a wide pool of investors, the LSE offers a stable environment for shareholders to buy and sell stocks, ensuring market efficiency.

AIM, although generally more volatile than the LSE, offers a reasonable level of liquidity for investors. The platform is designed for companies with growth potential, and while the market may see higher fluctuations in share prices, **AIM-listed companies** still benefit from the transparency and regulation that attracts institutional investors.

Aquis Stock Exchange (AQSE) is also conducive to **liquidity**, especially for smaller companies. The AQSE is more flexible and offers liquidity in a relatively less volatile environment. While it may not have the same level of investor participation as AIM or the LSE, it offers **smaller investors** an opportunity to buy into early-stage growth businesses, with the liquidity to sell shares in the secondary market.

Ownership Structure and Control

An IPO can result in **dilution of ownership**, but it can also provide **greater flexibility** in terms of financing and growth. Listing on the LSE often involves significant institutional involvement, meaning that companies may face higher pressure from large investors to meet short-term performance expectations. However, **LSE-listed companies** typically maintain strategic control, as founders and management still hold a large proportion of shares, especially in the case of large companies.

AIM, while also allowing for institutional investment, is generally more accommodating of smaller company structures. **AIM-listed businesses** often have more flexibility in maintaining a dominant ownership stake within the management team, as institutional investors may hold a lower percentage of shares. This gives **management more control** over the company's direction compared to LSE listings.

Aquis Stock Exchange (AQSE), with its focus on smaller and emerging companies, offers a similar balance of ownership flexibility. Companies on AQSE often retain more **control** within the founding team, making it easier for management to focus on long-term strategic goals without as much pressure from institutional shareholders.

Attracting and Retaining Talent

A listing on any of the UK's public markets offers an opportunity to **attract and retain top talent** through **equity-based incentives.** Offering stock options or shares to employees aligns their interests with the company's growth, motivating them to contribute to its success.

For companies listed on the **LSE**, the **stock options** and **equity incentives** can be a powerful recruitment tool, particularly for senior executives. LSE-listed companies often use these benefits as part of their compensation packages to attract world-class talent.

On **AIM**, companies can also offer equity incentives, which is particularly attractive for fast-growing companies. Stock options can be a key way to **retain employees** and **align their interests** with the company's success, while incentivising them to work towards the company's long-term goals.

For **Aquis Stock Exchange (AQSE)** companies, equity-based incentives are an attractive way to retain employees in the competitive growth sector. Given the typically smaller size of AQSE-listed companies, stock options can serve as a critical tool to keep employees engaged and motivated as the company develops.

Governance, Transparency, and Regulatory Compliance

Public companies listed on the **LSE, AIM,** or **Aquis Stock Exchange (AQSE)** must adhere to high standards of **corporate governance** and **transparency.** The regulatory framework is different for each exchange but serves the purpose of ensuring that companies maintain trust with investors and the public.

For **LSE-listed companies**, the regulatory requirements are rigorous, involving frequent financial disclosures and adherence to strict corporate governance standards. This ensures that companies meet the expectations of institutional investors, fostering long-term trust and credibility.

AIM-listed companies are subject to less stringent rules than those on the LSE, but they are still required to comply with important governance practices and transparency requirements. **AIM's regulatory framework** ensures that companies operate with integrity while allowing for more flexibility than the LSE.

Aquis Stock Exchange (AQSE) provides an alternative for smaller businesses, with a regulatory structure that is more accessible but still ensures a degree of transparency. AQSE is designed to balance the need for **governance and oversight** with the flexibility that early-stage companies require.

Introduction to IPOs: Navigating the Path to Going Public

The decision to pursue an Initial Public Offering (IPO) is a significant and strategic choice for any company. It offers the potential to accelerate growth, increase access to liquidity, and strengthen the company's long-term prospects. However, embarking on this journey requires thorough planning and preparation, ideally starting at least a year before the anticipated flotation. This ensures that the company is fully equipped for the rigorous process and the increased scrutiny that comes with being a publicly listed entity.

The road to a successful IPO is widely recognized as requiring a substantial transformation within the organization. This includes changes to senior management, corporate strategy, governance frameworks, operational processes, internal controls, and company culture. The importance of preparation in these areas cannot be overstated.

A successful IPO often necessitates considerable investment in strengthening business operations, enhancing infrastructure, expanding executive and advisory teams, and refining financial and reporting frameworks. This preparatory work ensures that the company is fully committed to the public transition, laying a solid foundation for a smooth and effective shift to public ownership.

The IPO process is not just about the moment of listing—it's a transformational journey that reshapes the very foundation of the organization. Despite inevitable market fluctuations, companies that invest in robust preparation are best positioned to leverage IPO opportunities, maximizing their value and market presence.

The Russel Parker capital markets team is ideally positioned to support you through every stage of your IPO journey, offering expertise and guidance to ensure the process is as seamless and successful as possible.

Readiness

- **Review Business Plan and Growth Prospects**
- **Determine the Market:** Identify the most suitable market for your company's listing, considering factors like industry focus, market size, and investor profile.
- **Develop an Equity Story:** Craft a compelling narrative about your company's growth potential, value proposition, and the strategic reasons for going public, which will resonate with investors.
- **Strengthen Board and Management Team:** Ensure that the leadership team has the right mix of skills and experience to lead the company through the IPO process and beyond. This includes addressing any gaps in expertise or governance.
- **Establish Corporate Governance and Reporting Structure:** Set up a robust governance framework and reporting system to meet the regulatory requirements of public companies. This includes internal controls, audit practices, and transparency measures.
- **Optimize Corporate and Capital Structure:** Review the company's capital structure and make necessary adjustments to align it with the requirements of public markets, such as equity distribution and debt management.
- **Appoint Advisors:** Engage with key advisors, including legal, financial, and tax experts, who will guide your company through the IPO process, from due diligence to market listing.
- **Assess Market Appetite:** Conduct market research to evaluate investor sentiment and demand for your IPO, ensuring that there is sufficient interest and support for your company's listing.

Execution

- **Financial Track Record:** Ensure that the company's financial performance and history are clearly documented, transparent, and robust. Investors will scrutinize past financial results, so it's critical to present a strong and consistent track record of revenue growth, profitability, and sound financial management.
- **Due Diligence:** Conduct comprehensive due diligence to identify any potential risks, liabilities, or discrepancies within the business. This involves a thorough review of financials, operations, contracts, and legal matters to ensure the company is fully prepared for public scrutiny.
- **Valuation and Capital Structure:** Determine an appropriate valuation for the company based on market conditions, comparable companies, and financial performance. This will influence the price at which shares are offered and the overall structure of equity and debt in the company post-IPO.
- **Documentation:** Prepare the necessary legal and regulatory documentation, including the prospectus or registration statement, which outlines the company's financials, business model, risks, and governance practices. This document must comply with all securities laws and be approved by regulators.
- **Marketing and Roadshows:** Plan and execute marketing campaigns and roadshows to generate interest in the IPO. These activities allow potential investors to meet the management team, ask questions, and learn more about the company's strategy, vision, and growth prospects.
- **Pricing and Allocation:** Finalize the pricing of the IPO, which determines the offering price for shares. This process involves assessing investor demand, market conditions, and company valuation. The allocation process determines how shares will be distributed among institutional and retail investors, ensuring fair and strategic distribution.tion.

Post IPO

- **Share Price:** Monitor and manage the share price post-IPO, ensuring that it reflects the company's performance and market conditions. It's essential to maintain investor confidence by providing transparency and clear communication about the company's progress and outlook.
- **Newsflow:** Establish a consistent and strategic approach to managing corporate communications and news releases. Regular, well-managed newsflow helps to maintain investor interest, keep the market informed, and ensure that the company's key developments are communicated effectively.
- **Investor Relations:** Develop a robust investor relations strategy to maintain strong relationships with shareholders and potential investors. This includes regular updates, transparent reporting, and responding to investor inquiries to build trust and enhance market perception.
- **Continuing Obligations:** After going public, the company must comply with ongoing regulatory and reporting obligations, including quarterly andannual financial filings, disclosures of material events, and adherence to corporate governance standards. Meeting these requirements is crucial for maintaining a positive public image and investor confidence.

Effective planning and resource management are essential throughout the IPO process, as a company's strategy, financial performance, equity story, and corporate governance practices have a direct impact on its share value. A well-executed plan ensures that the business is positioned to attract investors, meet regulatory requirements, and build long-term shareholder confidence, ultimately maximizing the value of the IPO.

Advantages of an IPO

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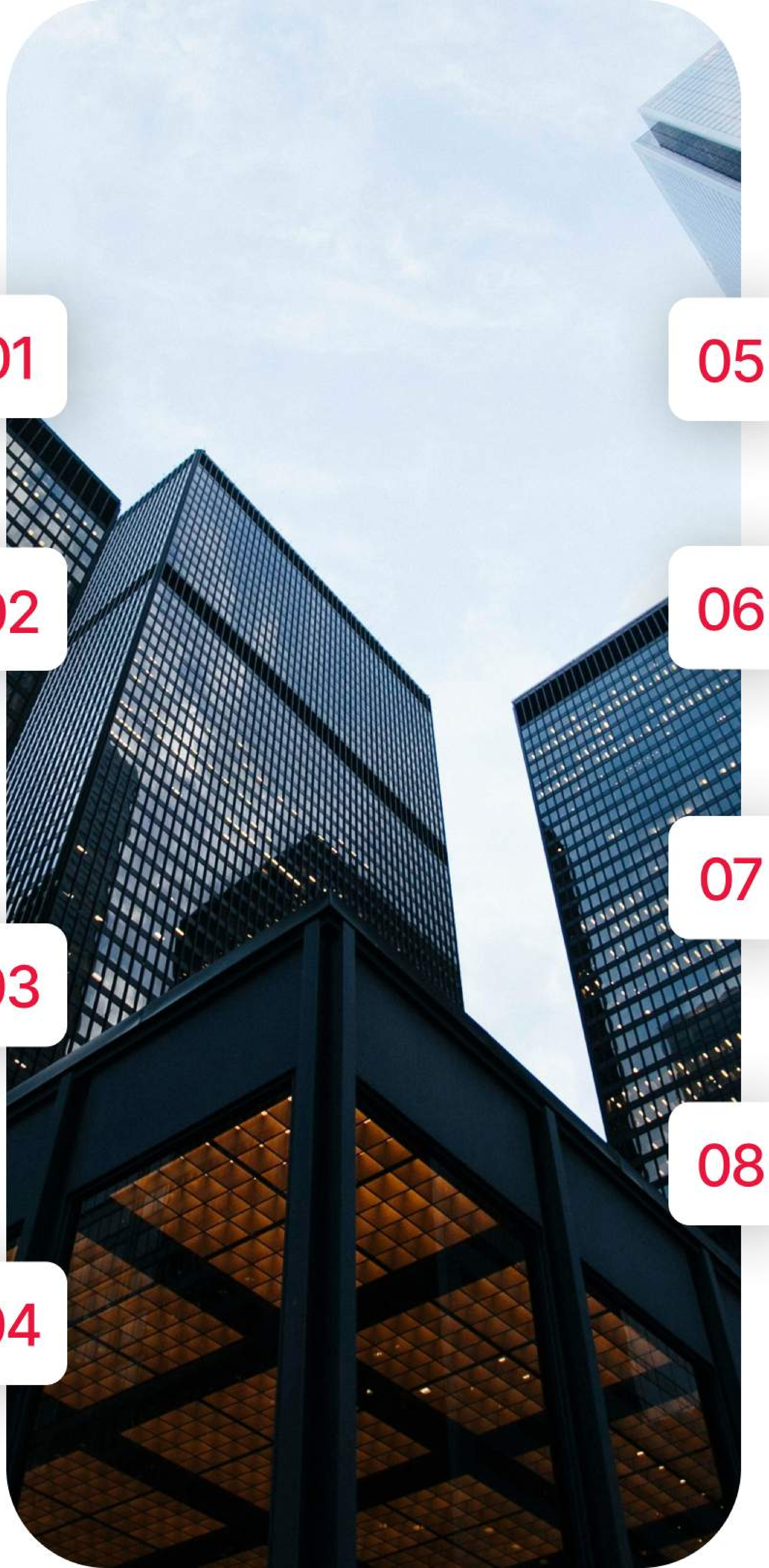

01 Assessing the Benefits of Going Public

When a management team or founder is considering going public, it is essential to carefully weigh the benefits and drawbacks of listing in the UK and compare them to other available alternatives.

02 Raising Profile and Credibility

Going public can significantly raise a company's profile, offering advantages like increased visibility among stakeholders, enhanced brand recognition, and the ability to attract and retain talent. However, the drawbacks include the increased disclosure requirements and the potential negative impact on the share price if the company makes unfavorable trading announcements.

03 Raising Equity and Debt Capital

Private companies often struggle to raise capital through equity offerings. An IPO can open up access to equity capital from a broader range of investors, including both retail and institutional investors. Additionally, the transparency, credibility, and often stronger credit ratings of public companies provide them with more debt options, often at a lower cost of capital. Public companies can also issue bonds as another funding option. This capital influx can be strategically used to expand operations, strengthen business activities, or reduce existing liabilities. Moreover, once listed, companies can continue to issue equity to raise additional funds or to facilitate acquisitions.

04 Improving Liquidity

An IPO enhances liquidity, allowing shareholders to adjust their investment stakes both during and after the flotation. The secondary market plays a crucial role in enabling the company to raise future capital under more favorable conditions.

05 Shareholding Structure

After an IPO, it is unlikely that the company will have a dominant venture capital or private equity shareholder (though it's possible). Typically, management will retain control over the company's strategic direction. An IPO is not generally seen as a short-term exit for all shareholders

06 Management and Employee Incentives

Being publicly listed enhances the company's ability to attract, retain, and reward employees through long-term incentive plans, aligning their goals with the company's growth and success.

07 Governance Standards and Regulation in the UK

Going public increases scrutiny on corporate governance and adherence to best practices and regulations. The UK's regulatory framework, supported by the Financial Conduct Authority (FCA) and the London Stock Exchange, raises the corporate profile of UK-listed companies and enhances their credibility.

08 Qualifications for FTSE Inclusion

To be included in the FTSE UK indices, a company must meet specific eligibility criteria. Inclusion in these indices boosts the company's visibility and can attract investments from funds that track the performance of the FTSE indices.

> A UK IPO provides several benefits, including access to a broad range of investors, improved company visibility, and the potential to raise significant capital.

Key Success Factors for an IPO

Success Factors

The success of an IPO is influenced by several key factors, including the company's financial health, growth potential, the expertise of its management team, and strong corporate governance practices.

Quality and Skills of the Management Team

The board and management team must have a deep understanding of the requirements of a publicly traded company. Post-IPO, they will face intense scrutiny to ensure they meet the promises made in the equity story and financial forecasts. Investor expectations regarding executive compensation will also be closely examined and should be aligned with industry standards.

Project Plan with Comprehensive Preparation and Due Diligence

An IPO should be viewed as a transformational process, not just a means of raising capital. Companies should begin preparing with a comprehensive IPO readiness assessment, ideally 12 to 24 months prior to the IPO. Starting early allows the management team to operate with the mindset of a public company, identifying and addressing potential challenges before the offering. Given the significant time commitment required from the management team, early preparation reduces pressure and ensures the company is ready to capitalize on favorable market conditions when the time comes for the flotation.

The strength of a company's financial processes and controls is a crucial element of the IPO process, though it is often overlooked. Effective internal controls and governance are essential for any public company, and these must be properly documented as part of the IPO process. The Financial Position and Prospects Procedures (FPPP) are a set of established procedures and controls that ensure management has a clear understanding of the company's financial position and can make informed decisions consistently.

The quality, skills, and experience of the management team will be thoroughly examined by potential investors. Early IPO planning enables the management team to strengthen key positions and fill any gaps before the IPO, while also alleviating the pressure of managing the IPO process alongside their regular responsibilities.

IPO Success Factors

- Quality and Skills of the Management Team
- Project Plan and Comprehensive Preparation and Due Diligence
- Compelling Equity Story
- Strong Advisory Teams
- Accurate Valuation and Market Timing
- Post-IPO Planning

IPO Key Success Factors (continued)

Success Factors (continued)

Compelling Equity Story

A clear and compelling equity story that communicates the company's value proposition, along with strategic timing, valuation, and post-IPO growth plans, is crucial for attracting investors. Environmental, Social, and Governance (ESG) factors must also be considered, as they are increasingly important in the equity story and come with additional reporting requirements for public companies. Post-IPO planning and a robust investor relations strategy are key to maintaining investor confidence and ensuring long-term success in the public market.

Strong Advisory Teams

A strong advisory team is vital for a successful IPO. The process can be intense and resource-demanding, so appointing experienced IPO advisors — such as the Sponsor/Nomad/Lead Advisor — is crucial for navigating the complexities. The advisor selection process should not be rushed; it is essential that the company is confident in each advisor's expertise and that the advisory team collaborates effectively.

Valuation and Market Timing

The valuation of an IPO is determined by the company's investment bank or broker, taking into account several key factors, including:

- Past financial performance
- Projected financial growth and future prospects
- Volume of shares being offered
- Investor demand for the shares
- Industry trends, peer performance, and broader market conditions

Given the inherent volatility of stock markets, a company may complete its IPO preparation but decide to delay the offering until optimal market conditions arise to maximize the chances of a successful flotation.

IPO Success Factors

- Quality and Skills of the Management Team
- Strong Advisory Teams
- Project Plan and Comprehensive Preparation and Due Diligence
- Accurate Valuation and Market Timing
- Compelling Equity Story
- Post-IPO Planning

The key elements for a successful UK Initial Public Offering (IPO) encompass solid financial performance, a compelling investment story, strong corporate governance, and meticulous planning along with efficient resource management.

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Readiness and preparation are essential for a successful outcome

Preparing for an IPO

When contemplating an IPO, it is crucial to assess the requirements, processes, and the potential advantages and challenges associated with going public. This evaluation helps determine the most effective strategy for pursuing a flotation.

Preparation should begin 12 to 24 months before the intended listing date to ensure the company is fully equipped for the IPO process and the ongoing scrutiny of being a publicly traded entity. Market conditions can fluctuate quickly, and timing the listing perfectly can be difficult. However, starting preparations early ensures readiness to capitalize on the ideal market window.

The essential factors for a successful IPO are outlined in the following pages. They include:

Equity Story:

Develop a compelling investment case for prospective investors, detailing how the raised funds will be utilized. Highlight a solid financial track record, provide reliable financial projections, and incorporate key non-financial metrics, including your strategy for Environmental, Social, and Governance (ESG) considerations.

Select the most suitable market for the IPO, taking into account factors such as the company's industry, target investor base, and desired level of visibility and regulation. This decision will play a crucial role in determining the success of the flotation.

Board and Management Team:

Ensure the board possesses the necessary skills and experience, including the inclusion of Non-Executive Directors. Additionally, the finance and senior management team must be well-equipped to guide the company through the IPO process, with recruitment considered where necessary to fill any gaps in expertise.

Develop a robust corporate governance and reporting framework that aligns with applicable regulatory standards and best practices. This ensures transparency, accountability, and compliance throughout the IPO process and beyond.

Create a suitable corporate and capital structure, taking into account tax considerations and incentive schemes. This should be designed to optimize financial performance, align stakeholder interests, and ensure long-term sustainability post-IPO.

Form a skilled and experienced team of advisors to oversee and guide the IPO process. This team should include legal, financial, and strategic experts who can provide valuable insights and ensure a smooth, successful listing.

Evaluate market demand and determine the optimal timing for the IPO. Develop a detailed timetable and action plan to guide the process, ensuring key milestones are met and the company is positioned to take advantage of market conditions.

Equity Story:

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Equity Story as Part of the Company's Business Plan

The business plan forms the foundation of the equity story. A robust investment case must be developed to attract future investors and maximize value during the IPO and beyond.

The equity story should effectively convey the business's financial health, growth potential, sector position, target markets, and expected returns. It must emphasize how the IPO will drive the company's success and outline the future opportunities available post-IPO.

Effectively communicating this equity story to potential investors, while considering their profile, is critical for securing a successful IPO and ensuring long-term investor retention.

Sources and Uses of Proceeds

The amount of capital raised in the IPO will depend on market sentiment toward the business and its strategy, as well as the intended use of the funds.
Common uses of proceeds include:

- Repaying existing shareholders and option holders.
- Settling outstanding debt.
- Funding business growth through additional investments.

Typical Components of a Business Plan

- **Business Overview:** A brief description of the business, highlighting key milestones achieved.
- **Financial History:** A detailed overview of financial performance and track record.
- **Industry and Sector:** Insights into the industry and sector, including relevant ESG (Environmental, Social, and Governance) factors.
- **Unique Capabilities:** A description of the company's distinctive strengths and competitive advantages.
- **Future Strategy and Growth:** A clear roadmap for future expansion and long-term growth.
- **Strategic Timing:** Rationale behind the timing of the IPO and strategic decisions.
- **Competitive Environment:** An analysis of the competitive landscape and market positioning.
- **Board and Management:** Overview of the leadership team, including their experience and roles.
- **Capital Requirements:** An outline of the capital needed to achieve business goals and fund future initiatives.

Developing a solid and compelling equity story is vital to differentiate the company from other publicly listed entities or those planning an IPO. A well-crafted equity story showcases the company's unique value proposition, growth prospects, financial strength, and strategic direction, helping to attract investors and secure a successful market debut.

Choosing a Market for IPO

Selecting the most suitable capital market for the business is crucial for a successful IPO. The London Stock Exchange (LSE) Main Market, which was previously divided into Premium and Standard segments, now operates under the Equity Shares in Commercial Companies (ESCC) category. This category is designed to attract more companies to list on the Main Market and encourage those already listed to remain.

The primary factors influencing the choice of market for a new listing typically include the size of the IPO and the targeted investor base. Additional considerations involve the fundraising requirements, where similar companies in the same sector are listed, and whether certain tax benefits associated with AIM are needed.

Since the listing process on both the ESCC category and AIM is comparable, the specific market can remain flexible and be finalized later in the process. Engaging in detailed discussions with advisors will be essential to making the right decision.

A Russel Parker IPO readiness assessment will involve evaluating the advantages and disadvantages of each market, including potential overseas options if necessary, to ensure the selection of the most suitable market for the company. This comprehensive analysis will help determine the best fit based on the company's objectives, target investors, and growth plans.

Listing Requirements	Main Market ESCC (Commercial Companies)	AIM (Alternative Investment Market)	AQSE (Aquis Stock Exchange)
Minimum Trading Record	No minimum	No minimum	No minimum (Apex segment typically expects 2 years of trading history; Access segment may have no requirement)
Minimum market capitalisation required	£30 million	None	£1–2 million (Apex); lower thresholds for Access segment
Listing Requirements	Main Market ESCC (Commercial Companies)	AIM (Alternative Investment Market)	AQSE (Aquis Stock Exchange)
Age of last audited annual accounts	Typically 3 years of audited financial information (if available); if more than 9 months old, unaudited interims required; last 2 years restated under IFRS	Same as Main Market: 3 years (if available), ≤9 months old; last 2 years restated under IFRS	Minimum 1 year audited financials for Apex or shorter history for Access; accounts ≤9 months old; under UK GAAP or IFRS
Minimum free float	10%	None – but >10% in practice	10% (for both segments)
Document required	FCA-vetted Prospectus	Admission Document (not vetted by FCA, approved by Nomad)	Admission Document (not vetted by FCA, approved by Corporate Adviser)
Listing Requirements	Main Market ESCC (Commercial Companies)	AIM (Alternative Investment Market)	AQSE (Aquis Stock Exchange)
Advisor	Sponsor	Nomad	Corporate Adviser
Broker required	n/a	Yes, at all times	Yes, at all times
Indicative timeline for IPO execution phase	Four–five months	Three–four months	Three–four months (sometimes shorter for Access)
Ongoing obligations post flotation			
Period for issuing financial statements after year end	Four months	Six months	Six months
Interim results issued after period end	Three months	Three months	Three months
Listing Requirements	Main Market ESCC (Commercial Companies)	AIM (Alternative Investment Market)	AQSE (Aquis Stock Exchange)
Shareholder approval for significant transactions	Only for reverse takeovers where the target is larger than the listed company or other transactions under class tests	Reverse takeovers; large disposals resulting in a fundamental change of business	Reverse takeovers; significant business changes as defined by AQSE Rules
Cancellation	75% shareholder approval	75% shareholder approval	75% shareholder approval

The board and management team

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The **skills and experience** of the **board, management**, and finance team are crucial for the success of an IPO. Corporate governance codes, such as the **UK Corporate Governance Code** (for Main Market listings) and the **QCA Code** (for AIM-listed companies), outline best practices in areas like board composition, accountability, succession planning, and executive remuneration.

Finding the right individuals for a well-rounded, diverse, and experienced board is a time-intensive process. However, investing in this effort early on ensures the company is equipped with the expertise needed to navigate the IPO process and drive long-term growth. A strong and capable team is not only vital for the company's immediate post-IPO success but also for its sustained development.

The addition of key personnel to the board and management team can help alleviate some of the pressure on the existing management by bringing in specialized expertise for both the IPO process and ongoing operations. Additionally, engaging external experts to assist with project management and specific workstreams (e.g., financial reporting, governance, or legal requirements) can be invaluable in streamlining the IPO preparation and ensuring compliance with all regulatory requirements.

It is crucial to consider the following points when preparing the management team for an IPO:

- Complete Management Team: While requirements may evolve over time, it is essential to ensure the management team is fully functional and well-rounded by the time the company goes public.
- Succession Plans: Ensure that succession plans and lock-in agreements are in place in case key Directors or members of the management team depart, protecting continuity and stability post-IPO.
- Depth and Breadth of Management: The management team must have the necessary depth and breadth to effectively run a public company, holding responsibility to shareholders. Roles within the team are likely to shift significantly once the company becomes quoted, requiring additional support and skillsets.
- Non-Executive Directors (NEDs): NEDs should provide the strategic expertise necessary for the company's success. At least half of the board, excluding the Chairperson, should be independent, with many NEDs being appointed as part of the IPO process with advisor support.
- Employee Incentives: To ensure the company's success in achieving a smooth IPO, it is imperative that employees are properly incentivized. Implementing short-term bonus structures or equity-based incentives can encourage high performance and commitment throughout the IPO process.

The Board is responsible for Leading the Group: Providing overall direction and leadership to the company.

The Audit Committee is responsible for:

- **Reviewing and Monitoring Risk Management:** Overseeing the Group's risk management processes to ensure that risks are identified and effectively managed.
- **Monitoring Financial Integrity:** Ensuring the accuracy and integrity of the half-year and annual financial statements before they are submitted to the board.
- **Monitoring Audit Effectiveness:** Evaluating the effectiveness of the audit process to ensure high-quality financial reporting and compliance with regulatory standards.

The Remuneration Committee is responsible for:

- **Implementing the Remuneration Policy:** Ensuring that the compensation strategy aligns with the Group's goals and objectives.
- **Attracting, Retaining, and Motivating Key Personnel:** Designing a rewards system that attracts, retains, and motivates Directors and senior management.
- **Aligning Interests:** Ensuring that the interests of shareholders and management are aligned through appropriate compensation and incentives.

The Nomination Committee is responsible for:

- **Reviewing Succession Planning:** Overseeing the Group's succession planning needs to ensure continuity and leadership development.
- **Managing Director Appointments:** Operating a formal, rigorous, and transparent process for appointing new Directors to the Board, ensuring that the right individuals are selected for leadership roles.

Need support navigating your IPO journey? Ask us...

Our team of experts at **Russel Parker** is here to guide you through every step of the IPO process. From preparing your company for listing to managing regulatory requirements, we provide tailored advice to ensure a smooth transition to the public market.

Corporate Governance and Reporting Structure

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The Need for an Enhanced and Compliant Corporate Governance and Reporting Structure:

Going public introduces increased scrutiny on your company's governance practices and its adherence to relevant best practice guidance and regulations, including ESG (Environmental, Social, and Governance) considerations, which are discussed further on the following page.

For a Main Market ESCC category-listed company, there is a requirement to disclose whether the company complies with the UK Corporate Governance Code. If there is any non-compliance, the company must provide an explanation. The UK Corporate Governance Code offers a set of principles aimed at improving the quality of decision-making and governance processes, and it is highly regarded by the investment community for its emphasis on transparency, accountability, and strong governance.

For companies listed on AIM, or investment companies, different governance codes may apply, such as the Quoted Companies Alliance (QCA) Code for AIM-quoted companies, and the Association of Investment Companies (AIC) Code for investment companies. These codes provide tailored governance frameworks to ensure that companies operate with transparency and in a way that aligns with best practices, helping to build investor trust.

Adequate governance structures, risk management processes, and control mechanisms (GRC) are essential prerequisites for any company. Without a solid GRC framework, a business is viewed as volatile and high-risk, reducing its appeal to both institutional and individual investors.

Lack of a robust GRC system exposes companies to operational risks that can lead to financial losses, reputational damage, and legal issues. These risks may be highlighted during due diligence, acting as red flags for potential investors.

Effective governance ensures that a company's strategic direction aligns with its vision, mission, and stakeholder expectations, fostering long-term success and investor confidence.

Strong controls are crucial for ensuring accurate financial reporting. Without them, the risk of financial misstatements increases, which can derail the IPO process or even trigger post-IPO regulatory actions. In today's digital world, reputational damage can occur quickly and have significant consequences.

For businesses aiming for a smooth IPO and long-term success post-IPO, GRC (Governance, Risk, and Compliance) should not be seen as just a checklist but as fundamental building blocks for sustainable growth and investor confidence.

Plan your board composition carefully and seek guidance from your advisors before the IPO to ensure you are fully prepared to meet the enhanced corporate governance requirements of being a public company. This proactive approach will help establish a strong foundation for compliance and long-term success post-IPO.

Environmental factors focus on a company's impact on the planet, including:

- Climate change: Assessing and mitigating the company's contribution to climate change.
- Greenhouse gas/carbon emissions: Implementing strategies to reduce emissions and improve carbon footprint.
- Environmental policies: Developing policies to ensure sustainability and environmental protection.
- Energy/renewable usage: Promoting the use of renewable energy sources and reducing dependency on non-renewable resources.
- Water usage: Managing water resources responsibly to minimize waste and impact.
- Land protection and biodiversity: Ensuring the protection of natural habitats and promoting biodiversity through sustainable practices.
- Waste management: Developing systems to reduce, recycle, and properly dispose of waste. These environmental practices are crucial for meeting sustainability goals and enhancing the company's reputation among environmentally conscious investors.

Governance encompasses several critical areas, including:

- Board composition: Ensuring the board has the right mix of skills, experience, and independence to provide effective oversight.
- Executive compensation: Setting appropriate remuneration policies that align with company performance and shareholder interests.
- Ethics: Establishing clear ethical guidelines to promote integrity and transparency within the company.
- Bribery and corruption: Implementing strict policies and controls to prevent unethical practices and comply with anti-bribery laws.
- Lobbying and political contributions: Defining clear policies on lobbying activities and any political contributions to avoid conflicts of interest and maintain compliance with regulations.These governance elements ensure the company operates transparently, ethically, and responsibly, fostering investor trust and long-term sustainability.

Social factors focus on the company's impact on people, including:

- Diversity, equity, and inclusion (DEI): Implementing policies that promote a diverse and inclusive workplace where all employees are treated equitably.
- Wage gaps: Addressing and closing any disparities in compensation between different groups within the organization.
- Health and safety: Ensuring the workplace is safe, healthy, and compliant with relevant regulations to protect employees.
- Human rights and child labor protections: Upholding human rights and ensuring there is no involvement in child labor or exploitation.
- Data privacy: Protecting sensitive personal data and ensuring compliance with privacy regulations.
- Community relations: Building positive relationships with local communities and contributing to their development.
- Employee engagement: Fostering a culture where employees feel valued, motivated, and involved in the company's success. These
- social practices are essential for building trust with employees, customers, and the broader community while promoting a positive reputation.

ESG requirements for a company looking to IPO

Context:

ESG factors have long been integral to business best practices, with a focus on good governance being essential for listed companies. In recent years, the scope of governance has expanded to include consideration of broader stakeholder interests beyond just the boardroom.

The term ESG has become widely recognized to represent a company's non-financial impact, and in recent years, several global frameworks have emerged to help companies report relevant, decision-useful information for investors.

The table below outlines key considerations for companies, whether they are aiming for simple compliance or striving to demonstrate best-in-class ESG credentials.

Other Considerations:

- Non-UK registered companies may need to comply with additional UK regulations, such as climate-related reporting (e.g., SECR, ESOS, CRFD) or gender pay gap reporting, depending on the size of the business.

- UK parents of subsidiaries or operations within the EU may be required to adhere to the CSRD (Corporate Sustainability Reporting Directive) and other country-specific EU requirements.

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FCA Listing Requirements

If a company is beginning its ESG journey, there are several key requirements to be aware of to be quoted on the Main Market (which may also apply to larger companies listing on AIM). These requirements are typically on a 'comply or explain' basis. Therefore, it is advisable to have an early discussion with the Sponsor/Nomad to determine what can be implemented before the IPO and what can be explained as being in progress at the time of listing.

Since April 2022, the London Stock Exchange has introduced several ESG disclosure requirements for Main Market listings. The core principle of these requirements is transparency, and companies should consider this approach when preparing for listing.

Companies seeking to list on the Main Market should be aware of the following ESG disclosure requirements:

TCFD Compliance: Companies must include a Task Force on Climate-related Financial Disclosures (TCFD) statement, demonstrating compliance with climate-related reporting.

Board Diversity Targets: Companies must adhere to board diversity targets on a 'comply or explain' basis. Specifically:

- At least 40% of the board should be women.
- At least one senior board position (Chair, CEO, CFO, or SID) should be held by a woman.
- At least one board member should come from an ethnic minority background

Diversity Data Reporting: Companies are required to publish ethnic and gender diversity data in a standard table format, covering:

- The board
- Senior board positions
- Executive management

Local Reporting Requirements: Depending on the jurisdiction in which the company operates, there may be additional local reporting obligations related to ESG factors.

Companies that demonstrate leadership in assessing and addressing ESG risks and opportunities often see this reflected in their valuation. This can be achieved through third-party accreditations or by highlighting ESG efforts in public documents, such as annual or strategic reports.

By showing investors how the business monitors and responds to ESG-related risks, companies can enhance their resilience and improve their long - term prospects. The most successful companies are those that can demonstrate their ESG commitment at all levels of the organization, from operational to board level, supported by robust data capture.

Whether a business has sustainability at its core or simply wants to provide valuable information for potential investors, there is a growing emphasis on ESG factors for every quoted company. We take a flexible approach, adapting to where a company stands on its ESG journey and how much focus the company and its Sponsor/Nomad wish to place on ESG considerations. This could range from meeting the minimum requirements set by the Listing Rules to fully articulating the company's ESG value proposition.

The IPO Structure and Tax Profile (1/2)

Establishing an effective **corporate and capital structure** for the IPO is essential for ensuring the company is well-positioned for a successful listing. This involves determining the optimal mix of debt and equity, choosing the appropriate jurisdiction, and implementing the right governance structures. A well-planned structure enhances the attractiveness of the company to investors and ensures compliance with regulatory requirements.

Additionally, developing a clear **tax profile** is crucial, as it impacts the overall cost of the IPO process and the company's post-IPO financial position. A tax-efficient structure can minimize liabilities and maximize value for shareholders. It is important to consult with tax advisors early in the process to evaluate options and avoid complications later.

The IPO structure and any **pre-IPO restructuring** require careful consideration across multiple workstreams. These decisions can significantly impact value for key stakeholders and influence the IPO timetable. Early attention to these matters is crucial to ensure that all relevant tax and structural issues are managed appropriately.

The key structuring considerations include:

- **Existing Structure**

When preparing for an IPO, the tax profile of existing shareholders must be carefully considered, including their tax residence, the structure of current shareholdings, and the impact of the type of admission. This will help determine the effects of disposals, any share option exercises, and changes to future incentivization strategies.

- **Distributable Reserves**

Ensuring sufficient distributable reserves in the quoted entity is crucial to avoid restrictions on dividend payments post-IPO. Tax considerations will also play a role, particularly regarding withholding tax, transfer pricing, and foreign exchange or hedging arrangements in place. Detailed accounting advice is necessary to understand the implications after the IPO.

- **Share Capital Model**

A working version of the share capital model may need to be prepared to show how pre-IPO shareholdings and shareholder debt balances convert into a single class of ordinary shares. This model may need to be updated and recalculated throughout the IPO process to finalize the shareholding structure, reorganization steps, and ensure that all figures align with the Prospectus or Admission Document.

- **Holding Company Choice**

The decision on whether to use an existing company or insert a new holding company should be made early in the IPO process, considering tax, legal, commercial, and accounting factors. There are often stamp duty implications when inserting a new holding company, and it's important to seek the necessary HMRC clearances and plan for timing considerations.

Plan your board composition carefully and seek guidance from your advisors before the IPO to ensure you are fully prepared to meet the enhanced corporate governance requirements of being a public company. This proactive approach will help establish a strong foundation for compliance and long-term success post-IPO.

The IPO structure and tax profile must be carefully considered to ensure an efficient and smooth transition to being a publicly listed company. Establishing the right corporate and capital structure is critical, as it will influence the valuation, investor attraction, and long-term success post-IPO

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Incentivisation Pre, On, and Post IPO:

Equity arrangements before and during the IPO need to be reviewed to ensure key employees and management are properly incentivized throughout the process. This includes integrating appropriate incentive structures into the IPO capital framework to align with the equity story. A well-developed post-IPO remuneration policy is also essential to support the ongoing success of the business and meet the expectations of a public company.

Tax Governance:

As a company approaches an IPO, it is expected to have a robust financial operating model and appropriate governance structures in place to manage risks. This includes performing risk assessments, implementing relevant policies, and setting a clear tax strategy. Proper tax governance ensures that the business is prepared for the regulatory and compliance demands of being a listed company.

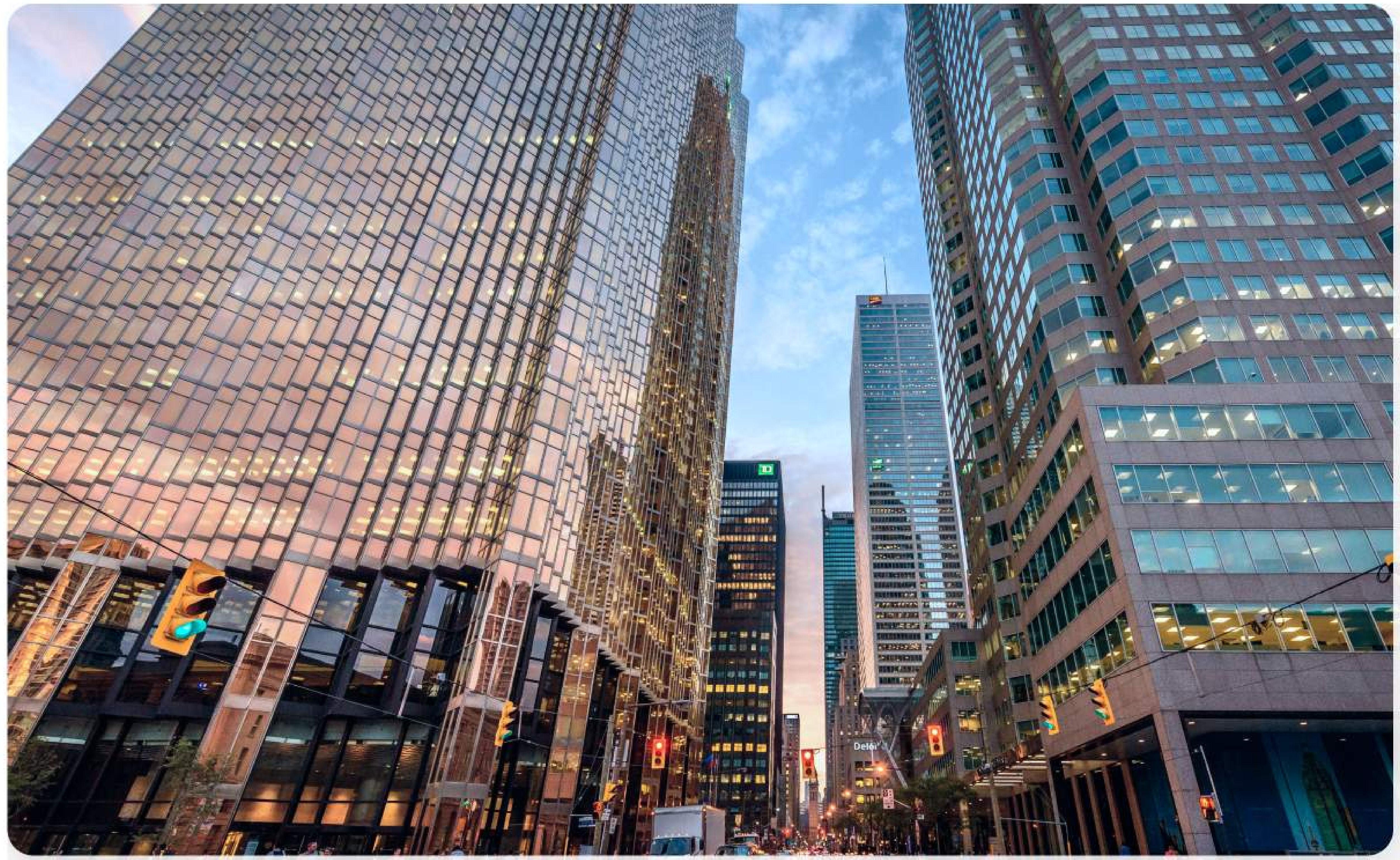
Tax Profile Considerations:

- **Impact of IPO on Ownership:** If a new holding company is created or if the IPO causes a change in the company's capital structure, the tax implications should be thoroughly evaluated. This includes assessing any changes in ownership and how it affects incentive structures and tax regimes.
- **Effective Tax Rate:** If the company transitions from a leveraged structure, it's important to assess the impact on its expected effective tax rate and overall tax profile.
- **IPO Transaction Costs:** IPO-related costs, such as corporate tax and VAT, should be reviewed to understand their tax treatment and potential financial impact.

Assessing the Pre-IPO Tax Profile:

It is recommended that the business undertakes a thorough assessment of its tax environment before starting the formal IPO process. Addressing tax risks and ensuring proper tax planning will prevent issues during the due diligence process and avoid potential adjustments to the company's tax value later on. This proactive approach ensures smooth navigation through the tax complexities of the IPO journey.

An early assessment of the business's historical tax profile helps identify and address potential tax risks proactively. This approach ensures that any issues are resolved before the IPO process begins, preventing delays or complications during due diligence and the listing process. By addressing tax risks early, companies can avoid adjustments to their tax value later and streamline their transition to becoming a public entity.



Choosing the right advisors is a crucial step in the IPO process

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Key IPO Documents:

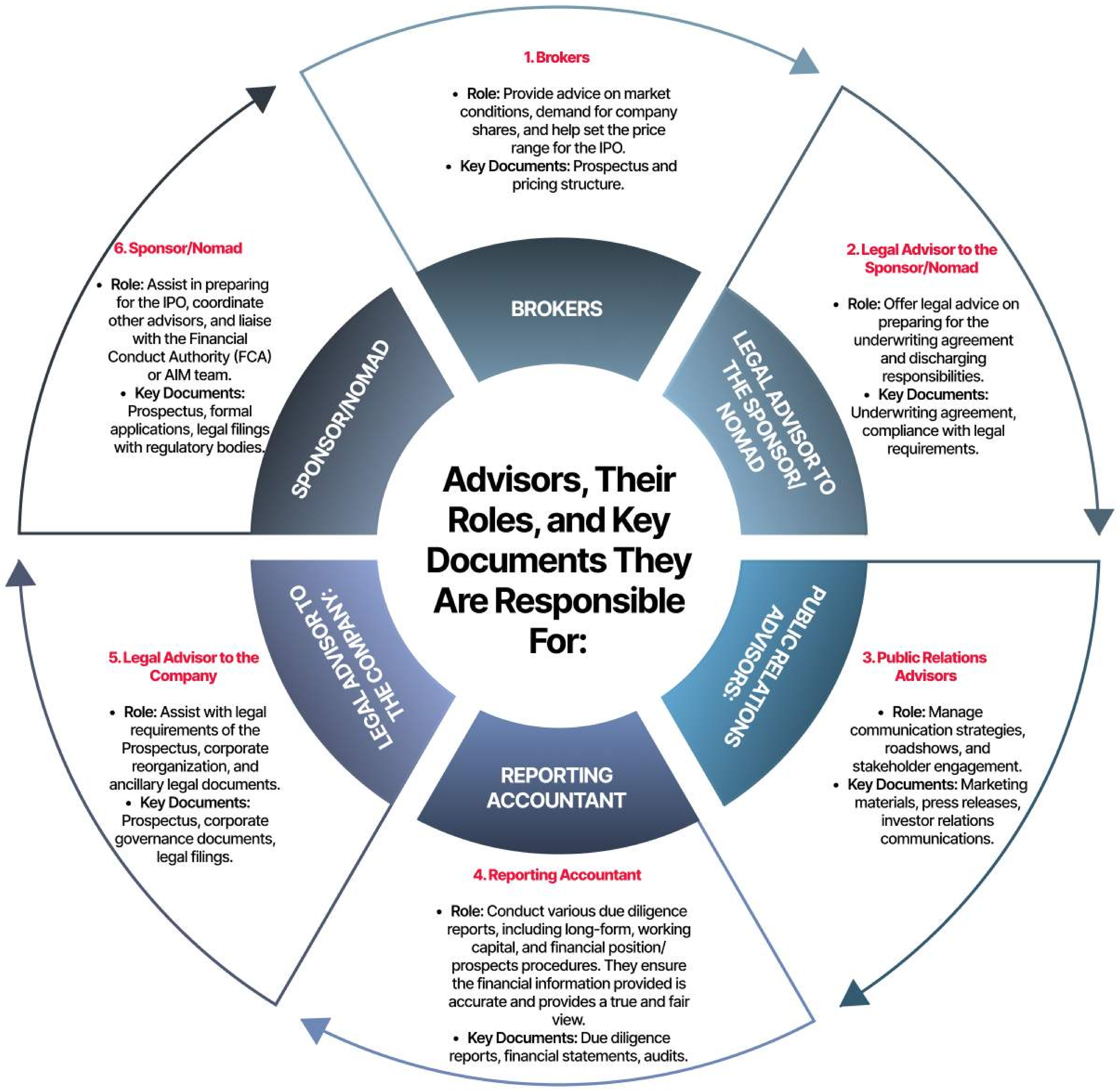
- **Prospectus:**
Essential for regulatory compliance and informing investors about the company's business, financials, risks, and future plans.

- **Underwriting Agreement:**
Specifies the terms of the relationship between the company and the underwriters.

- **Due Diligence Reports:**
Critical for verifying the company's financial and operational health.

- **Corporate Governance Documents:**
Outlines board structure, compliance policies, and the company's commitment to governance standards.

- **Marketing and Communication Materials:** Includes public relations documents and roadshow materials to attract potential investors.



Key Considerations in Selecting Advisors:

- **Relevant Experience:** Advisors should have a deep understanding of the sector and experience with similar IPOs.
- **Good Working Relationships:** Choose advisors with whom communication is easy and efficient, as this will enhance collaboration during the IPO process.

By selecting the right advisors and preparing the necessary documents, companies can better navigate the complexities of the IPO process and set themselves up for success in the public market.

Market Appetite, Timing, and Pre-Marketing

Assessing Market Appetite and Deciding the Right Time to Launch the IPO

At this stage of the IPO journey, the company has appointed advisors and is considering which market to join. The decision to list on the **LSE Main Market** or **AIM** involves various regulatory and strategic considerations. Here are the key factors and steps in assessing market appetite and timing:

1. Regulatory Review and Documents

- **LSE Main Market (ESCC Category):** For a listing on the LSE Main Market, the company must prepare a Prospectus, which will be reviewed by the FCA. This review process typically takes two to three months, so the company needs to factor this into the IPO timeline.
- **AIM:** For listing on AIM, an Admission Document is required instead of a Prospectus. This document will be prepared and reviewed by the advisors.

2. Pre-Marketing Phase

- **Market Appetite:** The investment bank or broker will start gauging market appetite once the Prospectus or Admission Document is in nearly final form. This includes meeting with institutional investors, understanding their interest, and refining the offering based on their feedback.
- **Pre-Marketing:** This involves informal discussions and presentations with institutional investors to test demand. The management team meets with potential investors, and research documents may be created by analysts to aid the process.

3. Determining Funds to Be Raised

Amount and Purpose: One of the most critical decisions is determining how much money the company aims to raise. The use of proceeds is crucial:

- **New capital for growth** (e.g., funding an acquisition or expansion) may be more attractive to investors than raising money to repay existing shareholders or debt.
- **Insufficient funds** raised could negatively impact the business plan and the market's perception of the IPO.

4. Timing of the IPO

The exact timing for launching the IPO is influenced by several factors:

- **Market Volatility and Investor Appetite:** IPOs are highly sensitive to market volatility. Investors' appetite for new issues may fluctuate based on broader market conditions, so careful timing is crucial.
- **Avoiding Competing IPOs:** The company should avoid launching at the same time as other major IPOs that might absorb investor interest.
- **Investor Fund Availability:** Some investors may have pre-allocated funds for secondary offerings, which could affect their willingness to invest in new IPOs.
- **Macroeconomic and Political Conditions:** Broader economic and political factors, such as inflation, interest rates, or political instability, can impact investor sentiment and market conditions.

5. Alternative Scenarios

Dual Track Process: Given the unpredictable nature of stock markets, it's essential to consider alternative scenarios throughout the IPO process. For example, the company might maintain a dual track process, where it can shift to a different strategy (like a private equity sale) if the IPO market conditions deteriorate.

- Certain workstreams, like financial and tax due diligence, could be transitioned into a vendor due diligence report if the IPO is canceled.
- However, some workstreams—like FPPP-related work—may not be transferable to a different process and should be completed before any significant decisions are made.

Assessing Market Appetite and Deciding the Right Time to Launch the IPO

Assessing market appetite and deciding the right time to launch the IPO requires careful evaluation of market conditions, investor sentiment, and the company's readiness. Early pre-marketing and constant adjustments based on feedback and external factors are critical to the success of the IPO.

Indeed, the capital markets are highly cyclical and volatile, with market conditions changing rapidly due to various factors such as economic trends, investor sentiment, and political events. This means that timing an IPO becomes crucial to achieving the best possible valuation and investor interest.

Readiness and preparation checklist

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12 – 24 months Initial Planning and Strategy	9 – 12 months Preparation and Structuring	3 – 9 months Pre-Marketing	0 – 3 months Roadshow and Marketing	At IPO Execution and Launch	Post IPO Management and Growth
• Assess IPO readiness, including financial health and market position • Establish an IPO team consisting of legal advisors, investment bankers, and accountants • Conduct initial legal evaluations • Perform financial audits to identify potential issues • Analyze market trends and positioning • Understand the regulatory environment for IPOs • Hold regular meetings with advisors to refine strategy • Develop a plan to engage key stakeholders	• Develop a comprehensive business plan • Prepare accurate financial statements • Ensure full regulatory compliance • Assess and secure intellectual property rights • Formulate a detailed risk management plan • Evaluate and optimize the company's capital structure • Implement necessary adjustments to corporate structure • Draft internal policies for post-IPO operations	• Initiate due diligence procedures • Develop a comprehensive marketing strategy • Evaluate corporate governance frameworks • Enhance financial reporting systems • Begin drafting the IPO Prospectus/Admission Document • Prepare for investor roadshows	• Organize and conduct briefings with analysts • Prepare the stock exchange listing application • Establish frameworks for public reporting • Finalize all legal documentation • Complete and submit the Prospectus • Conduct investor presentations (Investor Roadshows) • Engage with the media to promote the IPO • Gather feedback from potential investors • Ensure all regulatory filings are completed • Set IPO pricing	• Allocate shares to investors • Obtain final regulatory approvals • List the company on the stock exchange • Launch an investor relations program • Communicate IPO results to employees • Organize an event to celebrate the IPO	• Regularly assess Board performance and incentivization, including employee incentive schemes (e.g., share options) • Maintain ongoing reporting and compliance: ensure timely filings and regulatory adherence • Implement procedures for accelerated financial reporting (IFRS interim and annual statutory accounts), as well as investor results presentations and trading updates • Establish procedures for continuous monitoring of actual performance against forecasts, with market updates as needed • Foster continuous engagement with investors and advisors • Ensure compliance with Market Abuse Regulation (MAR)

IPO Execution

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- **Financial Readiness**

  Audited IFRS-compliant financial statements, up-to-date interim results, and an integrated financial model with scenario analysis. Figures must withstand investor scrutiny.

- **Legal & Governance Alignment**

  An optimised corporate structure, a prepared and compliant Board, and full legal due diligence covering contracts, IP, licences, and litigation to remove risks before listing.

- **Capital & Tax Structuring**

  Maximising shareholder value and tax efficiency through pre-IPO tax reviews, HMRC clearances, and well-designed management incentive schemes.

- **Prospectus & Disclosures**

  A compelling document featuring the equity story, risk factors, financials, ESG commitments, and a clear use of proceeds — accurate, transparent, and ready for regulatory approval.

- **Market Engagement**

  Pre-marketing, broker research, and a carefully planned roadshow to refine messaging and build investor interest ahead of bookbuilding.

- **Regulatory Milestones**

  Precise execution of filings, approvals, and compliance measures, including MAR obligations, insider list management, and disclosure protocols.

- **Listing Day Impact**

  A strategically planned market debut with coordinated PR and investor communications to shape positive market perception from Day 1.

Executing the IPO Workstreams

Overview of Key Workstreams

The execution phase of an IPO process is crucial. By conducting thorough readiness and preparation in advance, potential pitfalls and delays in key workstreams can be minimized.

To be listed, a company must produce a Prospectus for the Main Market or an Admission Document for AIM. These investment documents provide a detailed description of the issuer's business, activities, history, financial performance, strategy, management team, key risks, and legal matters, among other aspects.

In order to prepare the Prospectus/Admission Document, determine the company's eligibility for the Main Market/AIM (as applicable), and meet regulatory requirements, the company's advisors are engaged to prepare various reports and comfort letters.

The primary reports produced by advisors include:

- A legal due diligence report prepared by the company's legal advisors
- Several financial due diligence reports prepared by the Reporting Accountant, including:
- A financial and taxation due diligence report (the 'long form' report), which may also cover aspects like ESG diligence
- An accountant's report (providing a 'true and fair' opinion on the company's historical financial information)
- A financial position and prospects procedures (FPPP) report
- A working capital report, which evaluates the company's financial projections.

If a fundraising is occurring alongside the IPO, the Prospectus/Admission Document is typically used as a marketing tool for potential investors. The advisors then arrange meetings for the management team with potential investors, during which they deliver presentations outlining the company, its growth potential, and the investment opportunity.

The following pages outline some of the key execution workstreams, along with a sample timetable for the execution phase of an IPO.

IPO Execution (1 – 6 months prior to IPO)

The execution phase is likely the most demanding for a company's management team, as they will need to balance multiple requests for time and information while continuing to manage the daily operations of the business. Therefore, it is crucial to have a well-structured timeline to ensure that workstreams are organized and phased effectively, minimizing conflicts with other critical business deadlines and responsibilities. Additional support may also be necessary to ensure the successful execution of the IPO process.

Illustrative Timeline for Key Workstreams

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Managing the Execution Process

The indicative timetable below outlines the key IPO activities and workstreams. This timetable applies to a Main Market IPO. For AIM transactions, there are some differences (e.g., the timing and preparation of the Admission Document differs slightly from that of a Main Market transaction).

Each IPO process will have its unique characteristics, but the core structure and key workstreams remain largely consistent across all transactions.
Typically, the Sponsor (or Nomad for AIM transactions) will be responsible for overall project management, coordinating various workstreams, and managing the transaction timeline.

Several activities can proceed concurrently, but some workstreams must follow sequentially. Therefore, it is essential to plan the process carefully, usually through a detailed timetable that all parties commit to and update on a weekly basis.

An achievable timetable must be set, considering management's capacity to oversee the IPO process while continuing to focus on daily business operations.

Characteristics of a Well-Executed IPO Process:

- Effective communication with clear channels and transparent responsibilities
- Well-defined deliverables and firm deadlines
- Flexible, pragmatic advisors capable of managing resources and acting swiftly when required

Completion Steps

- **Board Meeting and Publication of the Pathfinder Prospectus**
- **Completion Meeting and Publication of the Final Prospectus**
- **Admission and Commencement of Trading**

Taxation and Incentive Schemes

- Finalize tax structuring
- Finalize post-IPO remuneration and incentive schemes

Legal

- Conduct legal due diligence
- Draft articles, board minutes, and other documents
- Support the drafting of the Prospectus
- Verify content of the Prospectus

Indicative Timetable for a Main Market IPO

Sponsor Responsibilities

- Determine company, management, and shareholder objectives
- Finalize transaction, equity, and debt structure
- Draft the Prospectus
- Submit the Prospectus for FCA review
- Conduct preliminary marketing to investors
- Coordinate investor roadshow (typically 2 to 3 weeks)
- Ongoing coordination and review

Accounting

- Finalize preparation of IFRS financial statements
- Complete the audit of IFRS financial statements
- Prepare information for due diligence
- Conduct due diligence and prepare long-form report
- Review working capital and financial position
- Conduct financial position and prospects procedures review
- Provide other reporting accountant comfort letters

Indicative Timeline

Month 1

- Determine company, management, and shareholder objectives
- Draft the Prospectus
- Conduct legal due diligence

Month 2

- Finalize equity and debt structure
- Review Prospectus with FCA
- Finalize financial position and prospects procedures Prepare long-form

Month 3

- Finalize tax structuring
- Preliminary marketing to investors
- Prepare long-form due diligence report

Month 4

- Complete IFRS financial statements
- Finalize post-IPO incentive schemes
- Finalize legal due diligence

Month 5

- Investor roadshow
- Finalize audit of IFRS financial statements
- Finalize working capital report

Month 6

- Admission and commencement of trading
- Publish final Prospectus
- Publish the Prospectus

This timeline provides a structured approach, ensuring all parties stay on track and key milestones are met within the set deadlines.

The Requirements of a Reporting Accountant (1 of 2)

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Key Workstreams and Requirements

A Reporting Accountant plays a critical role in the IPO process by providing certain "public" opinions required for inclusion in the IPO Prospectus or Admission Document, as per capital market transaction rules. These opinions provide assurance over the business's financial track record and are essential for financial due diligence conducted for the Directors and the Sponsor/Nomad.

1. Accountant's Report on the Historical Financial Information

The Accountant's Report provides an opinion on the company's historical financial information for the last three years and is similar to an audit opinion.

- For most capital markets transactions, fully audited accounts are required for at least the last three years, typically under UK-IAS or another applicable GAAP for non-UK incorporated companies.
- If there have been significant acquisitions within the last two years, audited accounts for those acquisitions may be necessary.
- If the last audited year-end is not recent, interim financial information may need to be prepared.

2. Long Form Report

The Long Form report is a private due diligence report addressed to the company and its Sponsor or Nomad. This report aims to identify potential issues and typically covers the following areas:

- **History of the business**
- **Commercial activities of the business**
- **Organisation structure and employees**
- **Financial reporting environment**
- **Trading results**
- **Assets and liabilities**
- **Cash flows**
- **Taxation**
- **Environmental, Social, and Governance (ESG) matters**

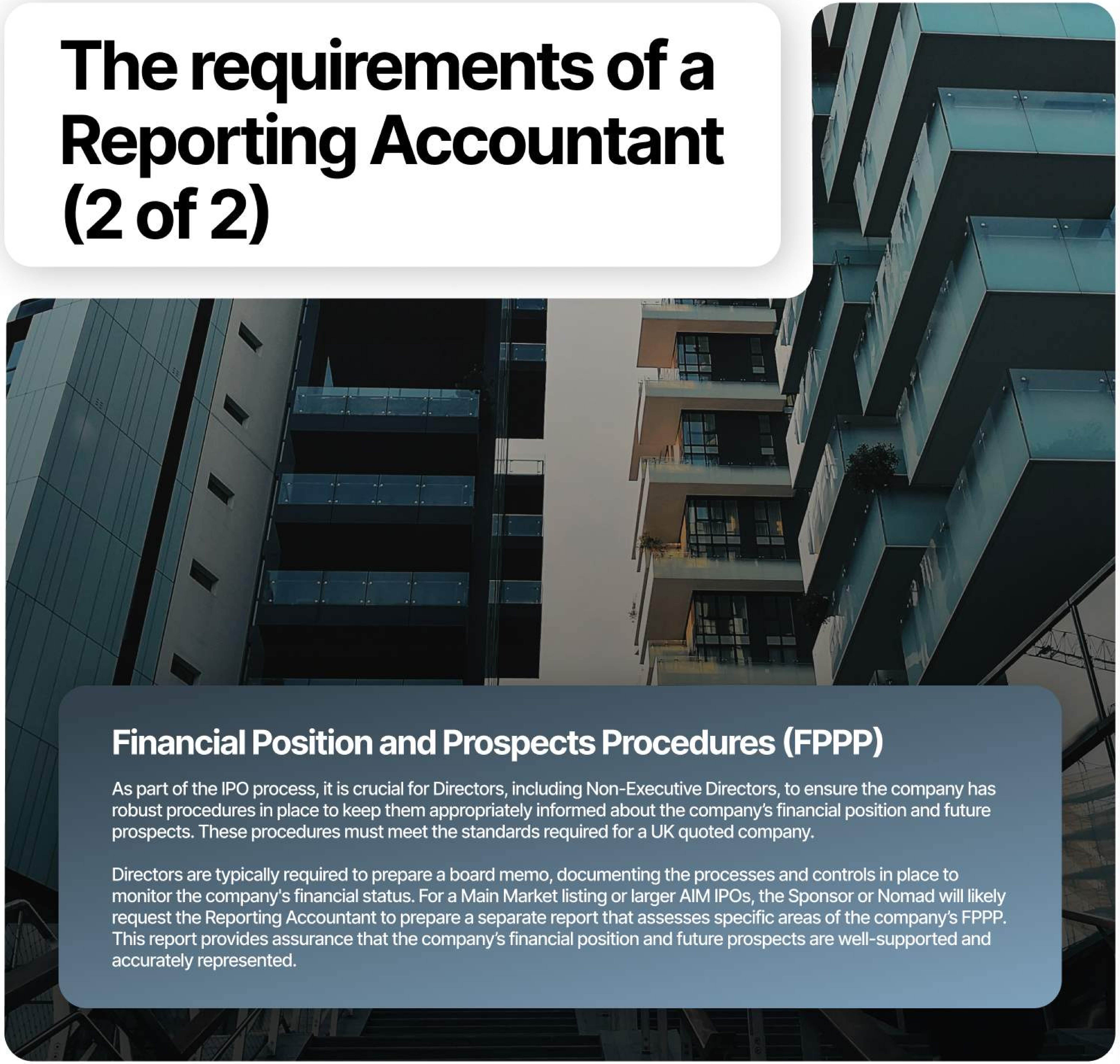
3. Working Capital Report

he Working Capital report is a private report addressed to the company and its Sponsor or Nomad, and it supports a statement that the Directors of the company need to make in the IPO document concerning working capital.

- The Reporting Accountant reviews the company's projections for at least 18 months after the proposed IPO date to assess working capital.
- The management team will need to prepare an integrated monthly projections model capable of conducting sensitivity analysis.

These reports are integral to providing investors with the necessary assurance regarding the company's financial health and future prospects, helping to ensure a successful IPO.

The requirements of a Reporting Accountant (2 of 2)



Financial Position and Prospects Procedures (FPPP)

As part of the IPO process, it is crucial for Directors, including Non-Executive Directors, to ensure the company has robust procedures in place to keep them appropriately informed about the company's financial position and future prospects. These procedures must meet the standards required for a UK quoted company.

Directors are typically required to prepare a board memo, documenting the processes and controls in place to monitor the company's financial status. For a Main Market listing or larger AIM IPOs, the Sponsor or Nomad will likely request the Reporting Accountant to prepare a separate report that assesses specific areas of the company's FPPP. This report provides assurance that the company's financial position and future prospects are well-supported and accurately represented.

1. Financial Position

- **Liquidity and Solvency:** An evaluation of the company's ability to meet its short-term financial obligations and long-term financial stability.
- **Working Capital:** A review of the company's working capital and its sufficiency for operations. This involves assessing cash flows and identifying any funding gaps that may need to be addressed.

2. Financial Projections and Forecasts

- **Review of Projections:** The accuracy and reasonableness of the company's financial projections over the forecasted period (usually 18 months or more after the IPO).
- **Assumptions Supporting Projections:** Evaluation of the underlying assumptions behind the financial projections, such as revenue growth, operating expenses, capital expenditure, and financing requirements.
- **Sensitivity Analysis:** Testing of the financial projections against different scenarios to understand the potential risks and impacts on the company's financial future.

3. Historical Financial Information

- **Audit of Past Financials:** Ensuring that the company's historical financial statements (typically covering the past three years) accurately represent its financial position and comply with relevant accounting standards.
- **Audit of Acquisitions:** Reviewing any significant acquisitions and ensuring that the historical financial data includes relevant information about these transactions.

4. Working Capital Sufficiency

- **Adequacy of Working Capital:** A review of whether the company's working capital is sufficient to support its operations and future growth. This is typically a key area of focus in the FPPP and is included in the Prospectus/Admission Document. The Directors must provide a statement on the sufficiency of working capital.

5. Capital Structure

- **Assessment of Capital Structure:** A review of the company's capital structure, including its debt and equity arrangements, and whether it is appropriate for the company's current and future needs.
- **Debt Covenants:** A review of any debt covenants or restrictions that could impact the company's ability to raise future capital or execute its strategy.

6. Risk Factors and Contingencies

- **Identification of Financial Risks:** A review of key financial risks that could affect the company's financial position and future prospects, including market fluctuations, regulatory changes, and any other potential liabilities.
- **Contingent Liabilities:** Ensuring that any potential liabilities, including those contingent on future events, are disclosed and properly accounted for in the financial statements.

The FPPP process ensures that the company is thoroughly assessing its financial position and future prospects, providing the necessary transparency for investors and meeting the rigorous standards required for a successful IPO. The Reporting Accountant's report on these procedures adds credibility and assurance for potential investors.

Opinion on Pro Forma Financial Information

In certain IPO transactions, especially where an acquisition has been made, pro forma financial information is often prepared for inclusion in the IPO document. The Reporting Accountant plays a critical role in providing an opinion on whether these pro forma statements have been properly compiled. This ensures that the financial adjustments made in the pro forma statements are accurate and compliant with relevant accounting standards.

Depending on the stock exchange and the nature of the IPO, this opinion can either be presented as a private report addressed to the company and its Sponsor/Nomad or be made public through the IPO document, providing transparency to potential investors regarding the financial adjustments and the impact of acquisitions.

Other Responsibilities and Comfort Letters

As part of the UK IPO process, the **Reporting Accountant** is also expected to issue several private **comfort letters** to the company and its Sponsor/ Nomad. These comfort letters provide assurances on various aspects of the IPO process and ensure compliance with regulatory requirements. The key comfort letters typically include:

1. Director's Statement on Financial Position:

- The Reporting Accountant will confirm that there has been **no significant change** in the company's financial position or performance between the date of the most recent audited financial information and the date of admission to the stock exchange. This ensures that there are no material events that could impact the company's financial standing.

2. Financial Information Extraction:

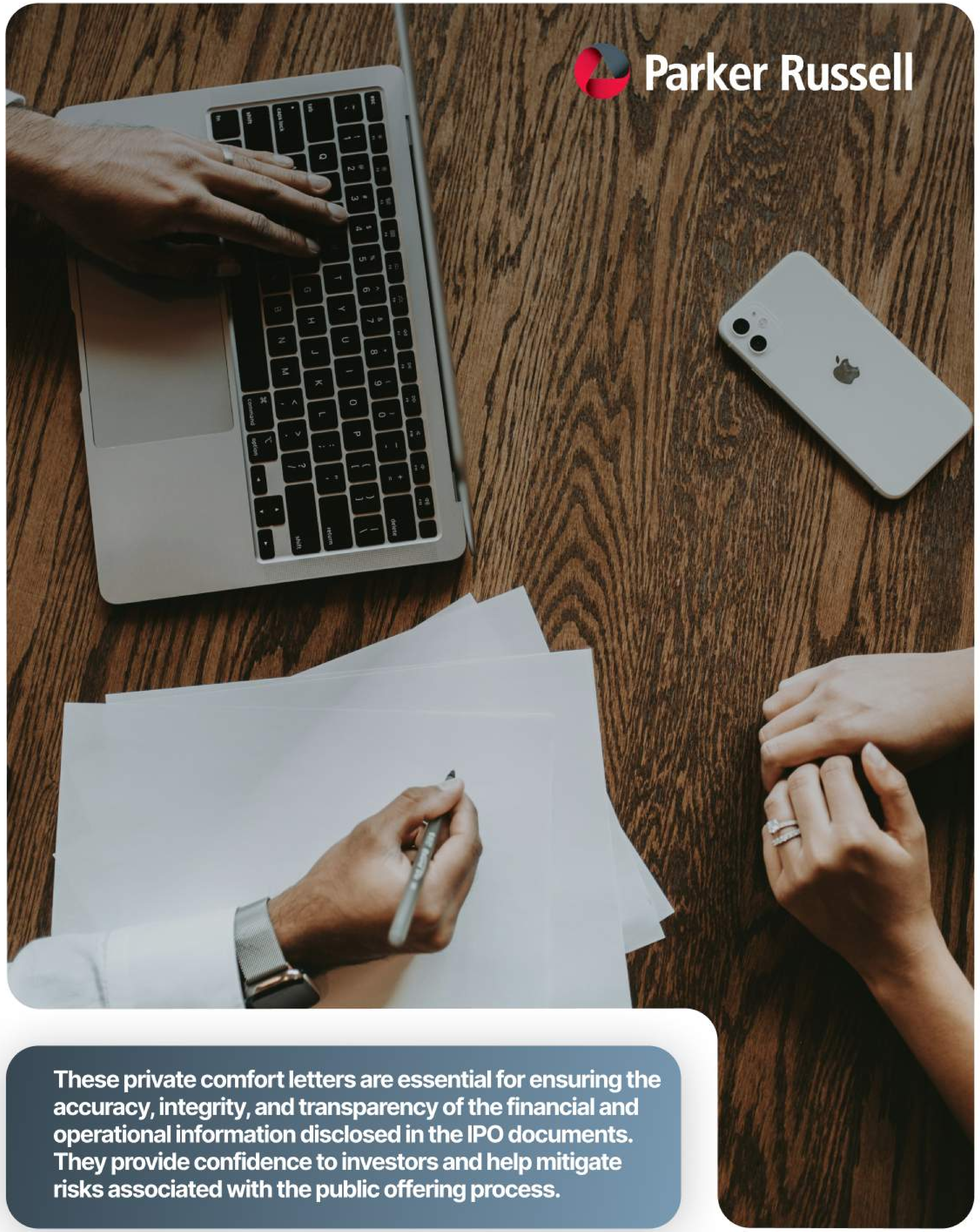
- Confirmation that the financial information included in the Prospectus/Admission Document has been properly extracted from the company's financial statements and accurately reflects the company's financial condition and operations.

3. Tax Disclosures:

- The Reporting Accountant will confirm whether the tax disclosures in the IPO document comply with their understanding of current tax legislation. This ensures that the company is in compliance with relevant tax laws and that investors are provided with accurate information regarding the company's tax situation.

4. Profit Forecasts and Estimates:

- The Reporting Accountant will provide an opinion on any profit forecasts or estimates presented in the IPO document. This is a particularly complex area, as it requires extensive due diligence to verify that the forecasts or estimates are reasonable, well-supported, and based on reliable assumptions.



These private comfort letters are essential for ensuring the accuracy, integrity, and transparency of the financial and operational information disclosed in the IPO documents. They provide confidence to investors and help mitigate risks associated with the public offering process.

Post-IPO

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Life after listing — building long-term market trust

1. Maintaining Market Confidence

The IPO is only the beginning. Once listed, the priority shifts to sustaining investor interest and trust. This means regular, transparent reporting, managing market expectations, and consistently delivering on the commitments made during the IPO process.

2. Engaging with the Market

Ongoing communication with analysts, media, and shareholders shapes the company's reputation as a reliable issuer. Public updates on strategy, financial performance, and key developments help reduce volatility and ensure a stable perception in the market.

3. Strategic Use of Capital

Raised funds must fuel growth. Investors expect tangible evidence of capital being deployed effectively—from investing in new projects to optimising the debt profile. Public company status also provides the leverage to execute strategic M&A transactions that can drive long-term value.

4. Strengthening Leadership & Culture

Becoming a listed company transforms internal dynamics. Executive and key employee incentives should be directly tied to market capitalisation and business performance. Share options, long-term bonus structures, and a culture of accountability are essential for sustained success.

5. Governance & Risk Management

The board, committees, and control systems must continuously evolve. Regular performance evaluations, adaptation to new regulatory requirements, and robust crisis readiness protect and enhance shareholder value.

6. From IPO to Sustainable Growth

Companies that maintain discipline, transparency, and strategic agility after listing turn the IPO from a one-off event into the launchpad for a long-term success story.

Obligations Post-IPO (1 of 2)

When companies choose to publicly offer their shares and list on the stock market, they must comply with a comprehensive set of regulations and principles aimed at ensuring transparency, maintaining market integrity, and protecting investors. These include the Market Abuse Regulation (MAR), the Financial Services and Markets Act (FSMA), the FCA's UK Listing Rules, the Disclosure Guidance and Transparency Rules (DTRs), and the AIM Rules.

By adhering to these regulatory frameworks, publicly listed companies are held to rigorous standards of conduct that not only safeguard the interests of stakeholders but also bolster the company's reputation in the market.

In this context, we examine these regulatory structures in detail, along with additional considerations such as the Prospectus Rules, specific DTR requirements, the procedure for delisting, and the implications of Section 172 of the Companies Act 2006.

Adherence to Market Abuse Regulation (MAR)

The Market Abuse Regulation (MAR) is designed to uphold a fair and transparent market environment by prohibiting insider trading, improper disclosure of inside information, and market manipulation. Publicly listed companies are required to establish and maintain robust controls to prevent market abuse. This includes maintaining detailed records of all sensitive information and strictly controlling access to it. Moreover, timely and accurate public disclosures are essential to avoid the dissemination of asymmetric information.

Under MAR, listed companies must compile and regularly update a comprehensive list of all individuals who have access to inside information. This list enables regulators to trace potential sources of market abuse and ensures individuals are fully aware of their confidentiality responsibilities and the legal consequences of insider trading.

Compliance with the Financial Services and Markets Act (FSMA)

The Financial Services and Markets Act (FSMA) is a cornerstone of the UK's financial regulatory framework. It establishes the system for regulating financial services and markets, granting the Financial Conduct Authority (FCA) authority to oversee the activities of financial firms, including those listed on the stock exchange. The FCA's role is to ensure that firms are managed by competent and qualified individuals, possess adequate financial resources, and adhere to established standards of market conduct. Through this regulatory oversight, the FCA ensures that companies operate with integrity and in the best interests of investors.

UK Listing Rules

The UK Listing Rules apply to companies listed on the Main Market of the London Stock Exchange, setting out the standards for admission and ongoing conduct after an IPO. These rules are designed to ensure that listed companies adhere to high standards of governance, transparency, and fairness. The rules encompass several critical areas of corporate operations, including financial reporting, shareholder communications, and transaction disclosures. By complying with these standards, companies can enhance investor confidence and maintain the integrity of the market. Similarly, the AIM Rules apply to companies listed on the Alternative Investment Market (AIM) and provide a comparable framework to ensure transparency, governance, and investor protection.

IPO Execution Checklist

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(From Strategy to Successful Market Debut)

Financial Readiness & Reporting	Legal & Corporate Governance	Tax & Capital Structuring	Prospectus / Admission Document	Marketing & Investor Engagement	Regulatory & Compliance Milestones	Admission & Listing Day	Post-IPO Transition & Stabilisation
• Audited Financials — Finalise IFRS-compliant audited statements for the last three years (or available period) and prepare up-to-date interims. • Integrated Financial Model — Build a robust 18–24 month projection model with sensitivity/scenario analysis. (Investors will test the resilience of forecasts under multiple market conditions) • Reporting Accountant Deliverables — Complete Long Form Report, Working Capital Report, and Financial Position & Prospects Procedures (FPPP).	• Corporate Structure — Finalise pre-IPO reorganisation, optimise distributable reserves, address shareholder agreements. • Governance Framework — Ensure Board composition, committees, and policies meet Main Market, AIM, or AQSE standards. (Include ESG and diversity compliance from day one) • Legal Due Diligence — Complete verification of contracts, IP rights, licences, litigation status.	• Tax Strategy — Conduct pre-IPO tax health check; resolve risks; implement efficient holding structure. • Incentive Schemes — Design pre- and post-IPO LTIPs (Long-Term Incentive Plans) to align management and shareholder interests. • Regulatory Clearances — Obtain HMRC and other relevant tax authority approvals where applicable.	• Drafting & Verification — Include investment case, risk factors, historical financials, ESG disclosures, and use of proceeds. (Clarity and transparency here directly affect investor confidence) • Approval Process — Submit to FCA (Main Market) or Nomad/ Corporate Adviser (AIM/AQSE) for review and sign-off.	• Equity Story Finalisation — Ensure alignment across management, brokers, and PR advisors. • Pre-Marketing & Roadshow — Publish broker research; conduct 2–3 week investor meetings; address market concerns proactively. • Bookbuilding & Pricing — Engage in disciplined allocation strategy to achieve optimal investor mix and aftermarket performance.	• Filing & Approvals — Complete all exchange/regulator documentation. • MAR Compliance — Maintain insider lists, manage inside information disclosures. • Ongoing Readiness — Establish systems for continuous obligations from Day 1 as a listed entity.	• Final Approvals — FCA / exchange confirmation. • Market Debut — Publish final Prospectus or Admission Document; coordinate press and investor communications. • First-Day Strategy — Host market opening bell ceremony, media appearances, and investor briefings. (This is more than PR — it sets the tone for market perception)	• Investor Relations Programme — Regular updates, transparent reporting, roadshows for ongoing capital access. • Performance Monitoring — Track share price drivers, market sentiment, analyst coverage. • Governance Evolution — Review Board performance, refresh strategy, and adapt governance to shareholder base.

Obligations Post-IPO (2 of 2)

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- **Disclosure Guidance and Transparency Rules (DTRs)**

The Disclosure Guidance and Transparency Rules (DTRs) require companies listed on the Main Market of the London Stock Exchange to consistently and regularly disclose information that is pertinent to investors and the broader market. This information includes crucial updates that may influence stock prices, major shareholdings, and financial reports. These regulations aim to foster a fair and efficient market by ensuring that investors have access to the necessary data to make well-informed investment decisions.Plan your board composition carefully and seek guidance from your advisors before the IPO to ensure you are fully prepared to meet the enhanced corporate governance requirements of being a public company. This proactive approach will help establish a strong foundation for compliance and long-term success post-IPO.

- **AIM Rules**

The AIM Rules for Companies align closely with the UK Listing Rules and DTRs, with provisions specifically tailored for companies listed on the AIM (Alternative Investment Market). These rules govern financial reporting, transparency, corporate governance, and investor relations, ensuring that AIM-quoted companies maintain transparency and good governance practices similar to those required on the Main Market.

- **Financial Reporting and Transparency**

Publicly quoted companies are legally obligated to prepare their financial statements in accordance with recognised accounting standards such as UK- IAS or IFRS. This ensures consistency, reliability, and comparability of financial information across jurisdictions. The regular publication of comprehensive financial reports—including profit and loss statements, balance sheets, and cash flow statements—ensures transparency and provides stakeholders with a clear view of the company's financial health and operational performance.

- **Corporate Governance Compliance**

Compliance with an appropriate corporate governance code is fundamental to ensuring that a company operates with effective leadership, good relations with shareholders, and corporate integrity. Companies listed on the Main Market must either comply with the UK Corporate Governance Code or provide an explanation for any non-compliance. This principle-based code encompasses essential governance practices, including board composition, risk management, and executive remuneration, all designed to mitigate risks, promote business growth, and protect shareholder interests.

- **Shareholder Relations and Protection**

Engaging effectively with shareholders is key to maintaining their trust and confidence in the company. This includes fulfilling the legal requirements for shareholder meetings and votes, as well as ensuring open and transparent communication regarding the company's performance, strategies, and long-term objectives. It is critical to uphold fairness and equity in decisions impacting shareholder rights, which is vital to maintaining corporate integrity and a positive reputation

- **Ongoing Regulatory Obligations**

The regulatory environment is dynamic, with continuous updates and new regulations emerging to address evolving market trends and risks. For quoted companies, it is crucial to remain vigilant and ensure ongoing compliance with current regulations while adapting to new ones. This requires staying informed about regulatory changes, participating in industry discussions, and engaging with regulatory bodies to stay ahead of compliance requirements and mitigate potential risks.

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Corporate Finance

Credentials and Thought Leadership

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This publication has been prepared to provide a general overview of the subject matter. The information contained herein is of an informative nature only and does not constitute tailored professional advice.

Every business situation is unique, and we recommend seeking specific guidance before making any decisions. Our team at Parker Russell is available to discuss your individual circumstances and provide advice designed around your needs. Combining local expertise with international experience, we strive to deliver solutions that create value for our clients.

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