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Capital Markets

The road to IPO

Pre-IPO preparation, execution, and beyond

BDO

Foreword

Achieving a successful IPO on the London Stock Exchange

An Initial Public Offering ('IPO') on the London Stock Exchange is often the most strategically important transaction that a company will undertake. As a founder, CEO or CFO considering taking your company public, you may not know:

1. Whether going public is the right route
2. Which public market is most appropriate for your company
3. Which advisors to appoint
4. How to ensure your company is ready for the public markets and, importantly,
5. What life is like as a quoted company post IPO.

The prospect of raising capital to fuel growth, and the enhanced profile that an IPO brings, can be very appealing to many companies and - whilst remaining privately owned can have its positives - there are significant benefits in becoming a public quoted company, not least the opportunity for a company to raise equity from a diversified shareholder base and enabling it to incentivise employees through attractive share schemes.

Planning and preparation are key

Understanding how to execute a successful IPO and navigating the process to becoming a public company can be challenging to even the most seasoned management teams. To ultimately achieve a successful flotation on the London Stock Exchange, companies should prepare well in advance. Market sentiment can change rapidly, and it is important that companies are ready to take advantage of an optimal IPO window when it arises.

Typically, the most successful IPOs are of companies that have prepared effectively and are already acting as though they were a public company ahead of flotation. These are the companies that have successfully addressed issues or challenges in advance, so that when they ultimately IPO, they are ready for life in the public eye.

UK reforms should ensure the UK markets remain a prime listing location for global businesses

During 2024, the UK capital markets were reformed to ensure that the London markets remain a competitive, global and vibrant financial centre. The reforms lessen the regulatory and administrative burden for companies both seeking to IPO and for those already quoted, with focus on boosting the demand for public investment and reinforcing London as a prime listing location for global businesses.

Navigating this document

In this document we discuss the key matters you should consider when contemplating an IPO on the London Stock Exchange, taking you through how to ensure your company is ready to execute an IPO and the period beyond and how we at BDO can assist you.

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Introduction

Introduction to IPOs

Navigating the path to going public

The journey towards an IPO is a strategic choice that many companies make. An IPO can accelerate growth and open access to liquidity, which is essential for the company's long-term viability.

Preparation work should ideally be undertaken at least a year in advance of the planned flotation to ensure the company is ready for the process and the added scrutiny of being a public company.

The road to a successful IPO is widely recognised as demanding a significant transformation across the organisation's senior management, strategy, governance, operational processes, controls, and culture. The importance of preparation in this regard cannot be overstated.

Successful IPOs require investment, and it can often take time to strengthen business processes, enhance infrastructure, expand executive and advisory teams, and address the intricacies of financial and reporting frameworks. Such preparation ensures that the commitment to the public transition is solidified, setting the foundation for a smooth and effective move to public ownership.

Embarking on this path involves much more than the achievement of the IPO itself; it is a transformational process that reshapes the organisation's foundations.

Despite the market's inevitable ups and downs, it is the prepared businesses that stand out, leveraging IPO opportunities to maximise value and market positioning.

The BDO capital markets team is well placed to support you throughout your IPO journey.

Readiness and preparation

- Review business plan and growth prospects
- Decide upon the market
- Establish equity story
- Board and management team
- Corporate governance and reporting structure
- Corporate and capital structure
- Appoint advisors
- Assess market appetite.

Execution

- Financial track record
- Due diligence
- Valuation and capital structure
- Documentation
- Marketing and roadshows
- Pricing and allocation.

Post IPO

- Share price
- News flow
- Investor relations
- Continuing obligations.

Effective planning and resource management are crucial during an IPO, as a business's strategy, financial performance, equity narrative, and corporate governance practices significantly influence share value.

Advantages of an IPO

Evaluating the benefits of going public through an IPO

When a management team or founder is thinking about going public, it is crucial to carefully evaluate the advantages and disadvantages of becoming quoted in the UK and compare them with other available options.

Raising profile and credibility

Raising a company's profile has several advantages including greater visibility for stakeholders, enhanced brand awareness and the ability to attract and retain staff. Disadvantages include greater levels of disclosure, and where for example the company makes negative trading announcements, the share price is likely to be impacted.

Raising equity and debt capital

Private companies face significant challenges in obtaining capital through equity offerings. An IPO can provide a pathway for these companies to raise equity capital from a wider range of sources, diversifying the shareholder base to include retail and institutional investors.

The greater transparency, credibility and (typically) creditworthiness of quoted companies generally grants them more options for accessing debt, often at a lower cost of capital. Bond issuances are also an attractive option many quoted companies can consider.

This influx of capital can be used strategically to expand the business, strengthen operational activities or reduce existing liabilities. Importantly, companies can continue to issue further equity once quoted to raise more funds or as consideration for an acquisition.

Improving liquidity

An IPO increases investment liquidity, allowing shareholders to adjust their investment stakes both during and after the flotation.

The secondary market is critical in enabling the company to secure future capital under more favourable terms.

Shareholding structure

It is unlikely that, following the IPO, the company will have a dominant venture capital or private equity shareholder (albeit that can be the case), therefore management will typically retain control of the strategic direction of the company. An IPO is not typically viewed as a short-term exit route for all shareholders.

Management and employee incentives

A quotation improves a company's ability to attract, retain, and reward employees through long-term incentive plans, aligning their interests with the company's growth and success.

Governance standards and regulation in the UK

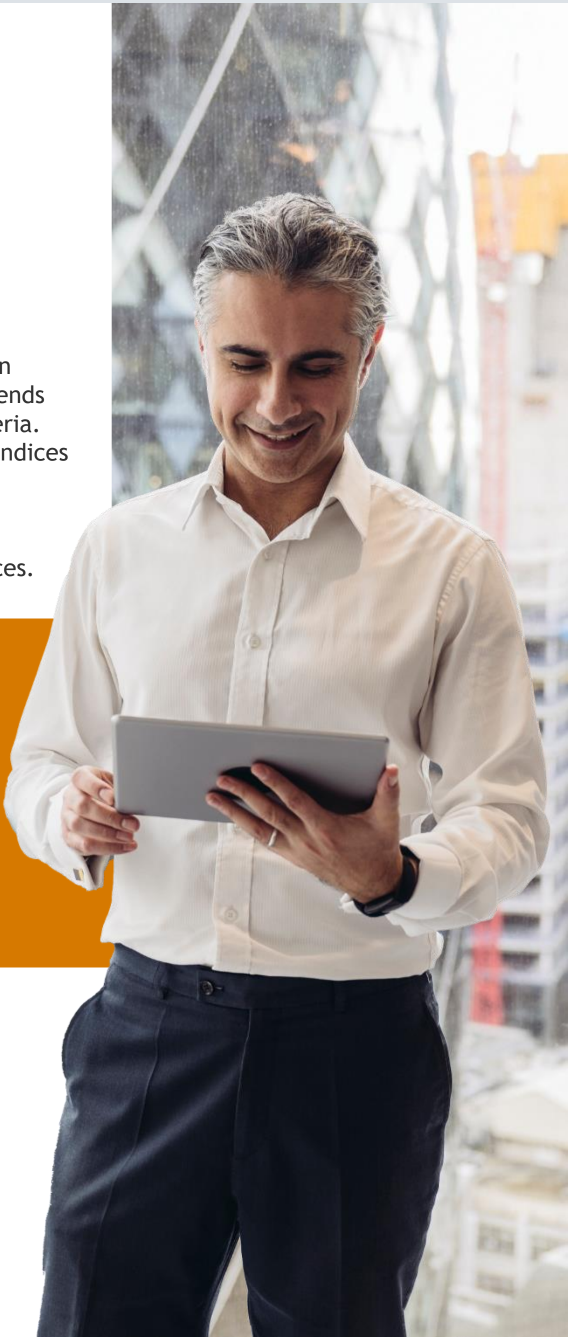
Going public brings more scrutiny on the governance within your business and your adherence to relevant best practise guidance and regulation.

The regulatory framework in the UK, supported by reporting requirements and regulatory oversight by the Financial Conduct Authority (FCA) and the London Stock Exchange, raises the corporate status of UK-quoted companies and demonstrates credibility.

Qualifications for FTSE inclusion

Qualifying for inclusion in the FTSE UK indices depends on meeting specific criteria. Being featured in these indices increases the company's visibility, attracting investments from funds that track the FTSE indices.

A UK IPO offers advantages such as access to a large pool of investors, enhanced company profile, and potential for increased capital.



IPO

Key success factors

Success factors

The success of an IPO depends on various factors, such as the company's financial health, growth prospects, the experience of its management team, and robust corporate governance practices.

Quality and skills of the management team

The board and management team of a quoted company should have sufficient expertise and understanding of a quoted company. Following the IPO, they will be closely scrutinised to ensure that they deliver on the equity story and financial forecasts.

Executive reward will also be reviewed by investors and should be benchmarked to the industry.

Project plan with comprehensive preparation and due diligence

An IPO should be viewed as a transformational process rather than just a financing event. To prepare, companies should begin with a holistic IPO readiness assessment, ideally 12 to 24 months before the IPO.

Starting the process early allows the management team to act and operate like a public company for at least a year before the IPO, identifying and resolving potential issues ahead of the transaction. An IPO takes up a huge amount of the management team’s time, taking them away from normal business duties; starting early will reduce this pressure. Being prepared also ensures the company is ready to trigger a flotation when market conditions are optimal.

The strength of a company's financial processes and controls is an essential part of the IPO process but is also an area that can be overlooked. Internal controls and governance are fundamental for a public company, and these are required to be documented as part of the IPO process. The Financial Position and Prospects Procedures (FPPP) are a set of established procedures and controls that enable management to be aware of and make proper judgements on an ongoing basis.

The quality, skills and experience of the management team will be closely scrutinised by potential investors. Planning for an IPO early allows the management team to bolster positions and fill vacancies ahead of an IPO, whilst also reducing the pressure on the team going through the IPO process alongside day-to-day duties.

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

IPO

Key success factors cont.

Success factors (continued)

Compelling equity story

An equity story that clearly communicates the company's value proposition - along with strategic timing, valuation and post IPO growth plans - plays a critical role in attracting investors.

Environment Social & Governance (ESG) must be carefully considered, as it is now an increasingly important part of the equity story (and also an area with increased reporting requirements for quoted companies; see page 15.

Post-IPO planning and an investor relations strategy are crucial for maintaining investor confidence and supporting the company's long-term success in the public market.

Strong advisory teams

An essential part of a successful IPO is the advisors to the company. An IPO can be an intense process demanding a substantial amount of time and resource. It is advisable to appoint IPO advisors (in particular the Sponsor/Nomad/Lead Advisor) with experience of navigating the various challenges and nuances of an IPO process.

It is important that the process for selecting advisors is not rushed, and the company is happy with each advisor, ensuring that the whole advisory team work well together.

Valuation and market timing

The company's investment bank or broker will consider the IPO valuation. Factors that can determine the valuation include:

- Historical financial performance
- Financial forecasts and growth potential
- Number of shares being sold
- Demand for the shares
- Sector and peer performance, and
- Market conditions.

Stock market conditions can be volatile. A company may have prepared for an IPO but will wait for appropriate market conditions before proceeding with an IPO.

IPO success factors

- Quality and skills of the management team
- Project plan and comprehensive preparation and due diligence
- Compelling equity story
- Strong advisory teams as early as possible
- Valuation and market timing

Key factors for a successful UK IPO include strong financial performance, a compelling equity narrative, robust corporate governance, and effective planning and resource management.

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Readiness and preparation

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Preparing for an IPO

Preparing for an IPO

When considering whether to undertake an IPO, it is important to evaluate and consider the requirements, process, and advantages and disadvantages involved in pursuing a flotation to determine the best strategy.

Preparation work needs to be undertaken 12 to 24 months in advance of the planned flotation to ensure the company is ready for the process and the scrutiny of being a quoted company. Market sentiment can change rapidly, and finding the perfect time to list can be challenging, but if you start preparing early you will be ready to take advantage of the optimal window.

The key factors in preparing for a successful IPO are summarised on the following pages. They are:

- **Equity story:** construct a robust investment case for future investors, including use of proceeds. Present a strong financial history, credible financial forecasts, and consider the most relevant non-financial metrics, including your ESG strategy.
- Decide upon the most appropriate market.
- **Board and management team:** ensuring that there is appropriate skill and experience on the board (including Non-Executive Directors), finance and senior management team (with recruitment considered where required).
- Establish an effective corporate governance and reporting structure in line with relevant regulatory requirements.
- Develop an appropriate corporate and capital structure, including taxation and incentives.
- Assemble a strong, experienced team of advisors to manage and advise on the process.
- Assess market appetite and the anticipated timing of the IPO. Establish a timetable and plan.

To ultimately achieve a successful flotation on the London Stock Exchange, companies should prepare well in advance.

Find out how ready your business is for an IPO with our IPO Readiness Tool *[LINK]*

Equity story

Equity story as part of the company's business plan

The business plan is the core of the equity story.

A robust investment case should be constructed for future investors and to maximise value at IPO and beyond.

The equity story must be able to sell the business, giving investors an understanding of the financials, growth, sector, markets and possible returns, with a key focus on how the business will benefit from the IPO and its future prospects thereafter.

Communication of this equity story to potential investors (considering the type of investor) is vital for a successful IPO and for the retention of investors.

Sources and uses of proceeds

The level of funds that can be raised will depend on market sentiment towards the business and its strategy, together with the uses to which the funds are to be put.

Typically, use of proceeds is:

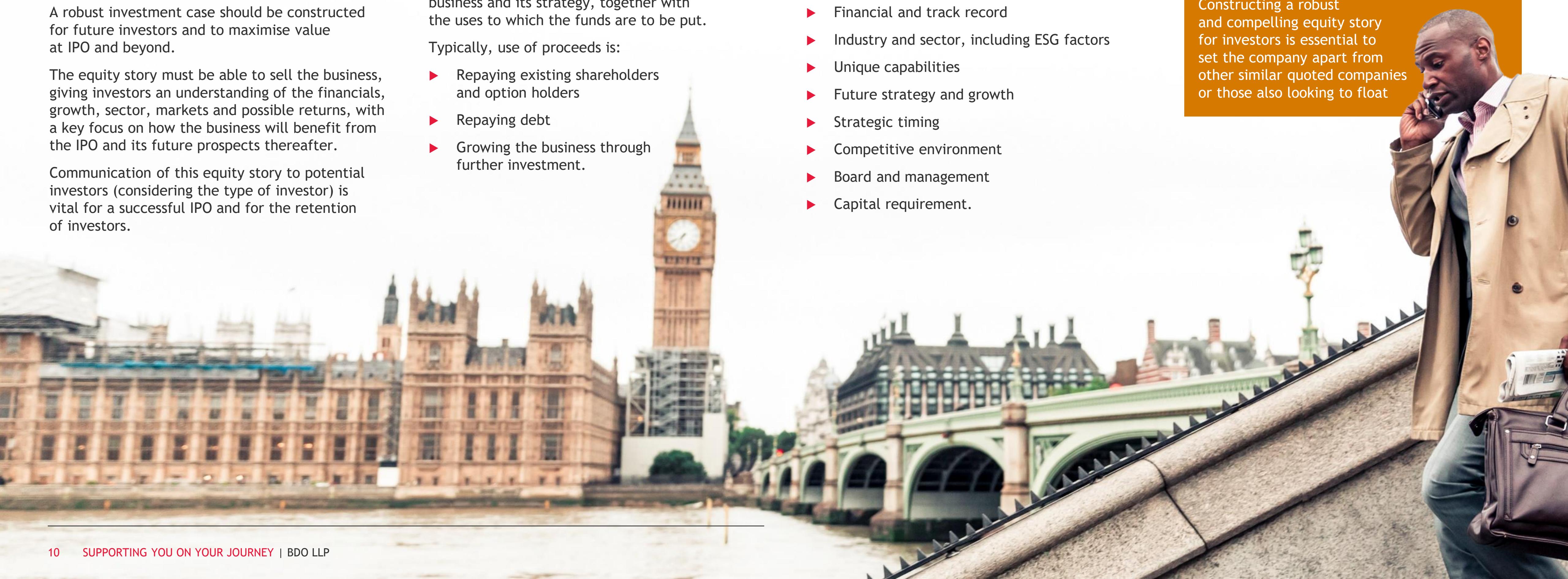
- Repaying existing shareholders and option holders
- Repaying debt
- Growing the business through further investment.

Typical components of a business plan

Short description of the business including any key milestones

- Financial and track record
- Industry and sector, including ESG factors
- Unique capabilities
- Future strategy and growth
- Strategic timing
- Competitive environment
- Board and management
- Capital requirement.

Constructing a robust and compelling equity story for investors is essential to set the company apart from other similar quoted companies or those also looking to float



Choose a market for IPO

Decide on the most appropriate capital market for the business

The LSE Main Market was previously split into Premium and Standard segments. For commercial companies, it now consists of the Equity Shares in Commercial Companies ('ESCC') category. The ESCC category has been designed to attract more companies to list on the Main Market and encourage those with a listing to remain listed.

Following the implementation of the new listing regime, the main criteria that will often determine the chosen market for a new listing will be the size of the proposed IPO and the investor pool being targeted. Other considerations include the amount of fundraising required, where similar companies in the same sector are quoted, and whether some of the tax advantages of AIM are required.

As the process for floating on the ESCC category or on AIM is similar, the particular market does not necessarily need to be confirmed and can remain flexible until later in the process. Discussions with your advisors will be imperative.

A BDO IPO readiness assessment will include discussing the pros and cons of each market, including overseas options as required, to ensure the most appropriate market is selected for the company.

Listing requirements	Main Market ESCC (Commercial Companies)	AIM
Minimum trading record	No minimum	No minimum
Minimum market capitalisation required	£30 million	None
Age of last audited annual accounts	Three years of audited financial information (if available). If the financial information is more than nine months old, unaudited interim financial information with comparatives is required. At a minimum, the last two years of the financial information must be restated on the basis to be applied in the issuers next annual accounts, being IFRS.	Three years of audited financial information (if available). If the financial information is more than nine months old, unaudited interim financial information with comparatives is required. At a minimum, the last two years of the financial information must be restated on the basis to be applied in the issuers next annual accounts, being IFRS.
Minimum free float	10%	None - but >10% in practice
Document required	Prospectus and eligibility vetted by FCA	Admission Document, not vetted, and nominated advisor declaration of suitability
Advisor	Sponsor required for IPO and certain transactions	Nominated advisor required at all times
Broker required	n/a	Yes, at all times
Indicative timeline for IPO execution phase	Four - five months	Three to four months
Ongoing obligations post flotation		
Period for issuing financial statements after year end	Four months	Six months
Interim results issued after period end	Three months	Three months
Shareholder approval for significant transactions	Only for reverse takeovers where target is 'larger' than ESCC company (according to 'class tests')	Only for (i) reverse takeovers where target is 'larger' than AIM company (according to 'class tests') or (ii) a 'large disposal' resulting in a fundamental change of business.
Cancellation	75% shareholder approval	75% shareholder approval

Board and management team

Skills and experience of the board, management and finance team

Corporate governance codes, such as the UK Corporate Governance Code published by the Financial Reporting Council (FRC), or the QCA code (for AIM companies), set out standards of good practice for quoted companies around areas such as board composition, responsibility and accountability, succession planning and remuneration.

It can take time to find the right people to join a balanced, diverse and suitably experienced Board. Investing in this process early will ensure that you find the right people to drive the company forward through an IPO and beyond, with expertise that can be leveraged to promote the long-term success of the company.

The individuals brought in can also support with the IPO process itself, which will reduce the burden on the rest of the management team. Often, it will also be advisable for companies to bring in external, specialist support to assist with project management of the IPO and/or specific workstreams (eg FPPP).

It is important to note the following:

- Although requirements are likely to change on an ongoing basis, it is essential to try and ensure that the management team is functionally complete at the point of IPO
- Succession plans (and lock-ins) need to be in place in case key Directors or members of the management team leave
- It is important to ensure that the management team has sufficient depth and breadth to run a public company and be accountable to shareholders. Management roles will often change significantly once the company is quoted, and more support is invariably required
- The Non-Executive Directors ('NEDs') on your board should provide the expertise you will need. At least half of the board, excluding the Chairperson, will need to be independent. Often NEDs are selected as part of the IPO process with support from the advisors
- It will be imperative to the success of the IPO process that your employees are suitably incentivised to work hard to achieve a successful IPO. Short term bonus structures are often introduced to achieve this.

Board

Responsible for leading the Group, establishing the Company purpose and values and setting the strategy and monitoring its progress. It sets policies and monitors performance.

Audit committee

- Reviews and monitors the Group's risk management processes
- Monitors the integrity of the half-year and annual financial statements before submission to the board
- Monitors the effectiveness of the audit process.

Renumeration committee

Implements the renumeration policy of the Group which is to ensure that Directors and senior management are rewarded in a way that attracts, retains and motivates them and aligns the interests of both shareholders and management.

Nomination committee

Reviews the succession planning requirements of the Group and operates a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

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

Corporate governance and reporting structure

The need for an enhanced and compliant corporate governance and reporting structure

Going public will bring more scrutiny on the governance within your business and your adherence to relevant best practice guidance and regulation. This includes ESG, which is discussed further on the following page.

A Main Market ESCC category-listed company is required to state whether or not it has complied with the UK Corporate Governance Code and explain any non-compliance. The Code is a set of good governance guidelines, which enhance decision-making quality and processes, and is highly valued by the investment community.

Different corporate governance codes can apply to AIM-quoted companies and investment companies (often The Quoted Companies Alliance code and The Association of Investment Companies Code, respectively).

Adequate governance structures, risk management processes, and control mechanisms (GRC) are non-negotiable prerequisites. A business without a GRC structure is seen as volatile and high-risk, making it less attractive to institutional and individual investors.

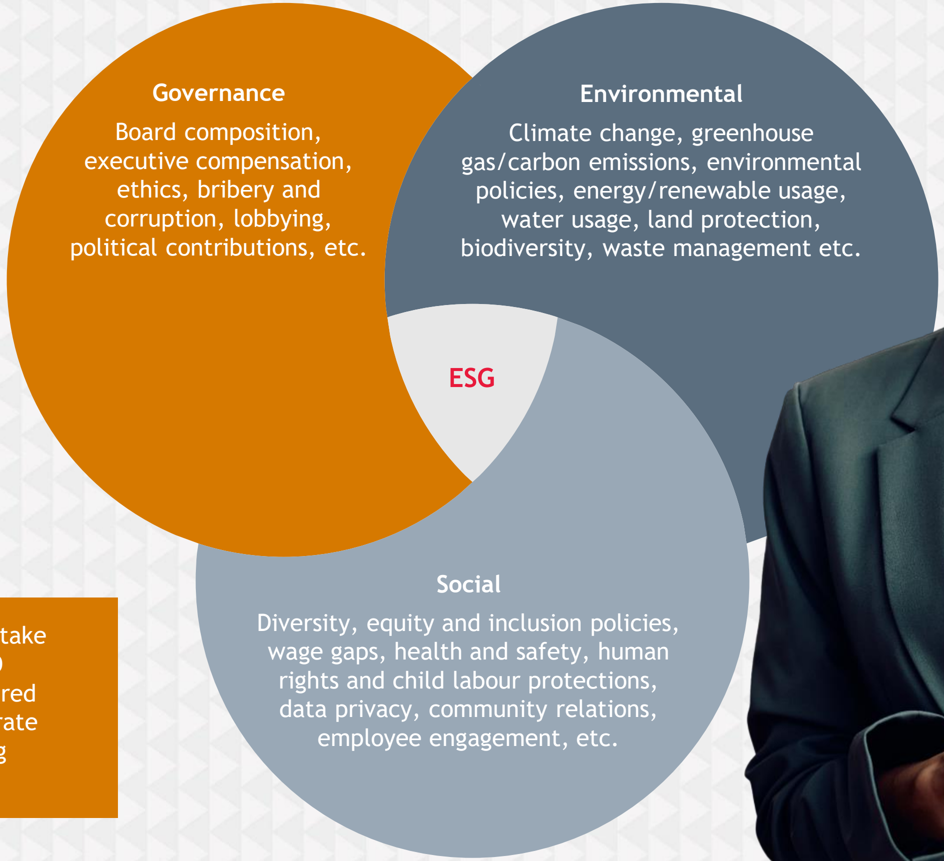
Without a robust GRC, companies expose themselves to operational risks that can lead to financial losses, reputational damage, and legal complications. Such risks can become highlighted during the due diligence, becoming red flags for potential investors.

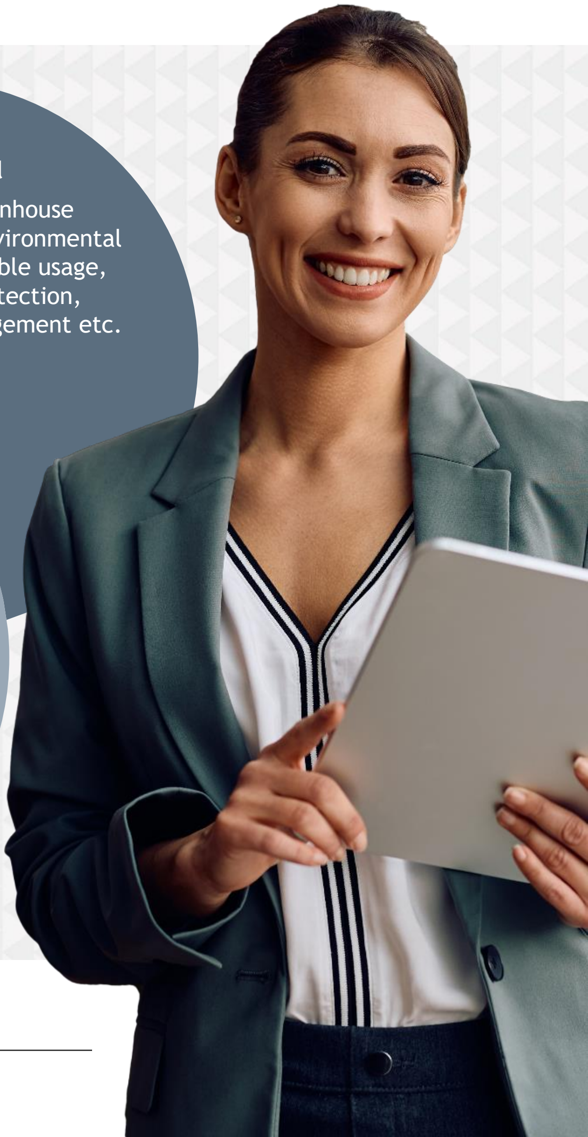
Governance ensures that a company’s strategic direction aligns with its vision, mission, and stakeholder expectations.

Strong controls are imperative for accurate financial reporting. In their absence, there is a heightened risk of financial misstatements, which can derail the IPO process or even lead to post-IPO regulatory actions. In today's digital age, reputational damage can be swift and severe.

Businesses aspiring for a seamless IPO process and a sustainable post-IPO journey must view GRC not as mere checkboxes, but as fundamental building blocks.

Plan your board composition and take advice from your advisors pre-IPO to ensure that you are well prepared to adhere to the enhanced corporate governance requirements of being a public company.





ESG requirements for a company looking to IPO

Context

ESG factors have long been part of business best practice. Demonstrating good governance, in particular, has always been a prerequisite for quoted businesses and, more recently, this has evolved to consider other stakeholders beyond the boardroom.

ESG as an acronym has been widely adopted to capture business's non-financial impact. In the last few years, several global frameworks have emerged to assist companies in reporting decision-useful information for investors.

The table opposite shows some key considerations, whether a company is purely seeking compliance or aiming to demonstrate best-in-class ESG credentials.

Other considerations

The jurisdiction of where a company operates may result in additional local reporting requirements. For example:

- Non-UK registered companies may fall under additional UK regulation such as climate related reporting (SECR, ESOS, CRFD), or gender pay gap reporting depending on the size of business
- UK parents of subsidiaries or operations in the EU may be required to report under CSRD and other EU country specific requirements.

FCA Listing Requirements	Best in class
If a company is at the start of its ESG journey, there are several requirements they should be aware of to be quoted on the Main Market (which may also be expected for larger Companies listing on AIM). These are all currently on a 'comply or explain basis'. We would therefore suggest an early conversation with the Sponsor/Nomad to consider what can be put in place pre-IPO and what can be explained as work in progress at the point of IPO. Since April 2022, the London Stock Exchange has started introducing the following requirements for Main Market listings. The principle for these disclosure requirements is one of transparency, which companies should consider: ▶ Companies to incorporate a TCFD (Task Force on Climate-related Financial Disclosures) statement of compliance ▶ Board diversity targets on a 'comply or explain' basis: - At least 40% of the board should be women - At least one of the senior board positions (Chair, CEO, CFO or SID) should be a woman - At least one member of the board should be from an ethnic minority background. ▶ Companies are required to publish ethnic and sex/gender diversity data in a standard table format, for: the board; senior board positions; and executive management.	Companies that can show they are market leaders in assessing and acting on ESG risk and opportunities, have this reflected in their valuation. This can be either through third party accreditations, or through discussion in public documents (e.g. annual or strategic reports). Demonstrating to investors how the business monitors and reacts to ESG-related risks adds to the business's resilience and long-term prospects. The best companies are able to demonstrate these attributes from an operational level up to the board level evidenced by good data capture.

Whether the business has sustainability at its core, or it wants to provide useful information for potential investors, there is an increasing focus on what ESG means for every quoted company. We would take a flexible approach depending on where a company is on its ESG journey and how much emphasis the company and Sponsor/Nomad wants to place on ESG considerations; from the bare minimum per-the-Listing Rules to fully articulating a company's ESG value proposition.

The IPO structure and tax profile (1/2)

Establishing an effective corporate and capital structure for the IPO

The IPO structure and any pre-IPO restructuring will require consideration by many workstreams across the IPO, and can impact value for key stakeholders and the IPO timetable. Early consideration is key to help ensure all relevant tax matters are managed appropriately.

The key structuring considerations include:

Existing structure

The tax profile of the existing shareholders (tax residence, structure of current shareholdings) and the impact of the type of admission will need to be considered to confirm the impact of disposals, any share option exercises and changes to future incentivisation.

Listing vehicle

- The choice of holding company and structure (eg whether to utilise an existing company or insertion of a new holding company) should be addressed early in the IPO process. There will be various key features and pros and cons for either option. This should be considered early on in the process as considerations will extend to not only tax but also commercial, legal and accounting
- There are typically stamp duty implications where a new holding company is inserted (including relevant HMRC clearances and timing considerations).

Listing vehicle (continued)

- Management of the distributable reserves (see below) will likely differ depending upon whether a new holding company is utilised or an existing company is used and re-registered as a Plc.

Distributable reserves

- It will be necessary to ensure sufficient distributable reserves in the quoted vehicle in order to ensure that there is no dividend block following the IPO, as dividends cannot be paid out on the basis of aggregate reserves
- Any refinancing that may take place requires consideration towards where the funding will be provided as this may impact levels of distributable reserves. Tax will also require consideration and will extend to withholding tax, transfer pricing and any forex and hedging arrangements in place
- Linked to the above will be the need to obtain detailed accounting advice to ensure that the implications post-IPO are understood.

Share capital model

- Pre-IPO it may be necessary to prepare a working version of a share capital model, showing how the pre-transaction shareholdings and shareholder debt balances (if any) translate into a single class of ordinary share ownership immediately prior to and immediately after admission
- It may be necessary to 'run' the share capital model, making all the necessary changes up until the pricing meeting. It may also be necessary to run the model after the pricing meeting to determine the final version of the numbers and reorganisation steps to enable the reorganisation documentation to be completed and executed
- Calculation of the figures to be included in the Prospectus/Admission Document will require consideration.

The IPO structure requires early and careful consideration across the IPO workstreams to protect value for stakeholders and prevent unforeseen issues and timetable delays later in the process.

The IPO structure and tax profile (2/2)

Establishing an effective corporate and capital structure for the IPO

Incentivisation pre, on and post IPO

The equity arrangements in place pre-IPO and at the point of the IPO should be reviewed to understand the impact of the IPO and to ensure key team members are incentivised throughout the IPO journey.

Consideration should be given within the IPO capital structure as to the incentivisation of management and key employees to support the equity story.

A remuneration policy post IPO will be required and should be developed to meet the needs of a quoted business.

Tax governance

Where companies are moving towards an IPO there is a wider expectation upon them that they will have in place a robust financial operating model and underlying governance and controls to manage inherent risks across their business.

Consideration should be given to undertaking risk assessments, putting in place relevant policies and procedures and setting a tax strategy for the business.

Tax profile

- The insertion of a new holding company and/or the subsequent IPO may result in change in ownership. The implications of the change in capital structure, including the impact of a change in ownership, and the impact on incentive/innovation regimes will require consideration
- The expected effective tax rate and impact on the tax profile should be assessed, notably where there is a transition away from a leveraged structure
- Any IPO transaction/deal costs will likely be significant in value and should be reviewed to determine both the corporation tax and VAT treatment.

Early assessment of the historical tax profile of the business will allow any tax risks to be identified and addressed proactively.

Assessing the tax pre-IPO tax profile

We recommend, in advance of the formal IPO process, the tax environment of the business is assessed such that tax risks within the business can be proactively addressed in advance of the long form tax due diligence exercise (that follows pre-IPO). This will prevent tax value adjusting issues later in the process.

Choosing advisors

Advisors, their roles and key documents they are responsible for

Brokers
- Advice on market conditions
- Demand for company shares
- Set price range.

Legal advisor to the Sponsor/Nomad
- Legal advice on preparing for underwriter agreement
- To advise on discharge of responsibilities.

Public relations
- Supporting with institutional investors
- Roadshow support.

Reporting Accountant
- Deliver various due diligence reports (long form, working capital and financial position and prospects procedures reports)
- Financial information is audited to provide a true and fair view.

Legal advisor to the company
- Supporting with applicable legal requirements of the Prospectus
- Supporting with corporate reorganisation
- Supporting with ancillary legal documents.

Sponsor/Nomad
- Assist the company in preparing for an IPO
- Co-ordination of other advisors
- Liaise with the FCA/AIM team.

For an IPO in the UK, companies are required to prepare and complete several key documents to comply with regulatory standards and to attract investors.

Preparing these documents involves a detailed and comprehensive process, requiring close collaboration between the company, legal advisors, accountants, and underwriters to ensure regulatory compliance and the successful launch of the IPO.

Underpinning every successful flotation is a network of experienced advisors who will guide you through the process and provide ongoing advice once your company is quoted.

In choosing your advisors, it is helpful to look for firms that have relevant and recent experience of working with other businesses in your sector, as well as deep experiences of the nuances and challenges of capital markets transactions. You should also look for people that you can build a rapport with, where you will have short, direct lines of communication to facilitate effective working relationships throughout the IPO process.

Market appetite, timing and pre-marketing

Assessing market appetite and deciding the right time to launch the IPO

At this stage, advisors will have been appointed and the decision on which market to join will be considered. The ESCC category of the LSE Main Market requires that the Prospectus is reviewed by the FCA, which could take two to three months, and this should be factored into the timetable. To join AIM, an Admission Document is required which is prepared and reviewed by the advisors.

To determine the timetable, the investment bank and/or broker will start to gauge market appetite once the Prospectus or Admission Document are in near final form. Pre-marketing will be undertaken with the management of the IPO company meeting with a large number of institutional shareholders. A research document prepared by analysts may also be produced at this time.

The amount of money to be raised at admission will need to be considered, along with the use of these proceeds. New money for the company needed for a particular event or acquisition may be more favourable than raising funds to repay existing shareholders or repay debt. If sufficient money cannot be raised this could have implications on the business plan and market perception.

The precise timing of the IPO would depend on a number of factors, including:

- Market volatility and investor appetite for new issues
- Avoiding major competing new issues
- Availability of surplus funds for investment into IPOs - investors may have pre-allocated funds for secondary issues only
- Macroeconomic and political matters.

As stock markets are volatile and market sentiment can change at any time, it is important to consider alternative scenarios throughout the process. It is possible to maintain a Dual Track process, for example certain workstreams such as financial and taxation due diligence could potentially be converted to a vendor due diligence report at a later stage if the decision was taken to no longer proceed with an IPO. However certain other workstreams, such as FPPP related work, may be less transferable to another process (such as a private equity sale).

The capital markets are cyclical and often volatile. It is therefore paramount that workstreams are planned well in advance, with suitable flexibility in timelines to allow companies to take advantage of the optimal window to IPO when it arises.

Readiness and preparation checklist

12 - 24 months
Initial planning and strategy

- Assess IPO readiness, including financial health and market position
- Form an IPO team with legal advisors, investment bankers, and accountants
- Conduct initial legal assessments
- Undertake financial audits to identify issues
- Analyse market trends and positioning
- Understand the regulatory landscape for IPOs
- Meet regularly with advisors to refine strategy
- Develop a plan to engage key stakeholders.

9 -12 months
Preparation and structuring

- Create a detailed business plan
- Prepare financial statements
- Ensure regulatory compliance
- Assess and secure IP rights
- Develop a comprehensive risk management plan
- Evaluate and plan the company's capital structure
- Make any necessary corporate structure adjustments
- Draft internal policies for post-IPO operation.

3 - 9 months
Pre-marketing

- Commission due diligence
- Create a marketing strategy
- Consider corporate governance frameworks
- Upgrade financial reporting systems
- Start drafting the IPO Prospectus/Admission Document
- Prepare for investor roadshows.

0 - 3 months
Roadshow and marketing

- Plan and conduct briefings with analysts
- Prepare the application for the stock exchange
- Establish public reporting frameworks
- Finalise all legal documentation
- Complete and file the Prospectus
- Conduct investor presentations (Investor Roadshows)
- Engage with media to promote the IPO
- Collect feedback from potential investors
- Ensure all regulatory filings are complete
- Determine IPO pricing.

At IPO
Execution and launch

- Allocate shares to investors
- Secure final regulatory approvals
- Company quoted on the stock exchange
- Initiate an investor relations program
- Communicate IPO outcomes to employees
- Organise an event to celebrate the IPO.

Post IPO
Management and growth

- Regular evaluation of Board performance and incentivisation, including employee incentivisation schemes (eg share options)
- Continuous reporting and compliance: maintain regular filings and compliance
- Procedures to allow for accelerated financial reporting (IFRS interims and annual statutory accounts), as well as investor results presentations and trading updates
- Procedures to allow continuous monitoring of actual results against forecasts, with market updates as required
- Continuously engage with investors and advisors
- Adherence to Market Abuse Regulation (MAR).

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Execution

BDO

Executing the IPO workstreams

Overview of the key workstreams

The execution phase of an IPO process is critical; by conducting comprehensive readiness and preparation steps in advance it will help to mitigate potential pitfalls and delays to key workstreams.

To be quoted, a company is required to produce a Prospectus for the Main Market or an Admission Document for AIM. These investment documents describe in detail the issuer's business, its activities, history, financial track record, strategy, management team, key risks affecting the business and its legal affairs (among other things).

In order to produce the Prospectus/Admission Document, determine whether the company is eligible for the Main Market/AIM (as appropriate) and meet regulatory requirements, the company's team of advisors is engaged to prepare various reports and comfort letters on the company.

The main reports that are 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 (known as the 'long form' report). This may also include other aspects such as ESG diligence
  - An accountant's report (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 comments on the company's financial projections.

Where a fund raising is being undertaken at the time of the IPO, the Prospectus/Admission Document will also usually be used as a marketing document to potential investors. The advisors will then arrange for the management team to meet with potential investors and deliver a presentation to them setting out details of the company, its growth prospects and the investment opportunity.

The following pages summarise some of the key execution workstreams along with an illustrative timetable of the execution phase of an IPO.

IPO Execution (1 - 6 months prior to IPO)

Financial information and due diligence to support the contents of the Prospectus/ Admission Document	Valuation and capital structure	Documentation	Marketing and roadshows	Pricing, allocation and admission to the London Stock Exchange
Reporting Accountant workstreams (see page [22]) Legal and other relevant due diligence ESG reporting (see page 23)	Tax and legal structuring finalised	Prospectus/ Admission Document drafting, filing and relevant regulator and stock exchange approvals	Broker research note Launch the investor road show to attract investors	Book building/pricing

The execution phase is probably the most time consuming for a company's management team, as they will have to deal with simultaneous requests for time and information alongside running the day-to-day operations of the business. It is therefore important to have a detailed timeline to ensure workstreams are phased to avoid the management team's other pinch points and deadlines. Additional support may also be required.

Illustrative timeline for key workstreams

Managing the execution process

The indicative timetable opposite summarises the key IPO activities and workstreams. The timetable is for a Main Market IPO. For AIM there are some differences to this (e.g. the timing and preparation of the Admission Document differs slightly to a Main Market transaction).

Every IPO process will also have its own idiosyncrasies, but the fundamental structure and key workstreams will remain largely consistent for all transactions.

Typically, the Sponsor (or Nomad for AIM transactions) will be responsible for overall project management, coordinating the various workstreams and managing the transaction timetable.

Several activities can be conducted concurrently, but certain workstreams will need to follow one another. It is therefore important to carefully plan the process, typically through a detailed timetable which all parties commit to and maintain on a weekly basis.

An achievable timetable needs to be set against the backdrop of management's capacity to manage the IPO process whilst also staying focused on the day-job of running the business.

Best-executed processes have the following characteristics:

- Great communication with clear channels of dialogue with transparent responsibilities
- Precise deliverables and committed delivery deadlines
- Flexible and pragmatic advisors who can manage resources and act swiftly as required.

Indicative timetable for a Main Market IPO

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Completion steps						
Board meeting and publication of the pathfinder Prospectus						
Completion meeting and publication of the final Prospectus						
Admission and commencement of trading						
Sponsor						
Determine company, management and shareholder objectives						
Finalisation of transaction, equity and debt structure						
Prospectus drafting						
FCA review of the Prospectus						
Preliminary marketing to investors						
Investor roadshow (typically 2 to 3 weeks)						
Ongoing co-ordination and review						
Taxation and incentive schemes						
Finalisation of tax structuring						
Finalisation of post-IPO remuneration and incentive schemes						
Accounting						
Finalisation of preparation of IFRS financial statements						
Finalisation of audit of IFRS financial statements						
Preparation of information requested for due diligence exercise						
Due diligence and preparation of long form report						
Working capital review and reporting						
Financial position and prospects procedures review						
Other reporting accountant comfort letters						
Legal						
Legal due diligence						
Drafting articles, board minutes and other documents						
Supporting the drafting of the Prospectus						
Verification exercise on content of the Prospectus						

The requirements of a Reporting Accountant (1 of 2)

Key workstreams and requirements

A Reporting Accountant provides certain 'public' opinions required to appear in the IPO Prospectus or Admission Document by the rules governing capital markets transactions, including assurance over the business's financial track record, and will also perform financial due diligence for the Directors and the Sponsor/Nomad.

Accountants Report on the Historical Financial Information

The Accountant's Report is an opinion given on the company's three-year historical financial information and is similar to an audit opinion.

Most capital markets transactions require at least the last three years' fully audited accounts (if available) under UK-IAS or certain other GAAPs for non-UK incorporated companies.

Depending on the transaction and stock market, fully audited accounts may be needed on any significant acquisitions proposed or that have occurred in the last two years.

If the last audited year-end is not recent, then interim financial information may need to be prepared.

Long Form Report

The Long Form report is a private due diligence report addressed to the company and its Sponsor or Nomad.

The report seeks 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
- ESG matters.

Working Capital Report

The working capital report is a private report addressed to the company and its Sponsor or Nomad.

It supports a statement that Directors of the company need to make in the IPO document concerning working capital.

To create the report, the Reporting Accountant will review the company's projections for a period of 18 months or more subsequent to the date of the proposed IPO.

The management team will need to prepare an integrated monthly projections model that is capable of sensitivity analysis.

The requirements of a Reporting Accountant (2 of 2)

Financial Position and Prospects Procedures

As part of the IPO process, Directors, including Non-Executive Directors, must ensure that the company has procedures in place which ensure that they are appropriately informed of the company's financial position and prospects, to the standard appropriate for a UK quoted company.

Directors are typically required to prepare a board memo, documenting the procedures in place.

For a Main Market listing and larger AIM IPOs, the Sponsor or Nomad is likely to request the Reporting Accountant to prepare a separate report commenting on certain areas of the company's FPPP.

Typical areas in respect of this include:

- High-level reporting environment
- Strategic projects and initiatives
- Budgeting and forecasting
- Financial accounting and reporting
- Management reporting
- IT environment
- Significant transaction complexity, potential financial exposure or risk

Opinion on pro forma financial information

For some transactions, typically those where an acquisition has been made, pro forma financial information will be prepared for inclusion in the IPO document.

The Reporting Accountant can provide an opinion on whether these pro forma statements have been properly compiled.

Depending on the choice of stock exchange, this opinion can be either a private report addressed to the company and its Sponsor/Nomad or made public through the IPO document.

Other

As part of the UK IPO process, the Reporting Accountant will be expected to provide the company and its Sponsor/Nomad with a series of private comfort letters. These include:

- Work in connection with the director's statement in the Prospectus/Admission Document 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
- Confirmation as to the proper extraction of financial information in the Prospectus/Admission Document
- Confirmation as to whether tax disclosures in the IPO document comply with the Reporting Accountant's understanding of current tax legislation
- An opinion on any profit forecasts or estimates in the IPO document. We note that this is a complex area, requiring extensive diligence work.

The IPO execution checklist

12 - 24 months
Initial planning and strategy

- Assess IPO readiness, including financial health and market position
- Form an IPO team with legal advisors, investment bankers, and accountants
- Conduct initial legal assessments
- Undertake financial audits to identify issues
- Analyse market trends and positioning
- Understand the regulatory landscape for IPOs
- Meet regularly with advisors to refine strategy
- Develop a plan to engage key stakeholders.

9 -12 months
Preparation and structuring

- Create a detailed business plan
- Prepare financial statements
- Ensure regulatory compliance
- Assess and secure IP rights
- Develop a comprehensive risk management plan
- Evaluate and plan the company's capital structure
- Make any necessary corporate structure adjustments
- Draft internal policies for post-IPO operation
- Consider structure of board and management team.

3 - 9 months
Pre-marketing

- Commission due diligence
- Create a marketing strategy
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- Upgrade financial reporting systems
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0 - 3 months
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Post IPO

Obligations post IPO (1 of 2)

When companies decide to make their shares available to the public and float on the stock market, they must follow a set of regulations and principles to ensure transparency, market integrity, and investor protection.

These regulations include the Market Abuse Regulation (MAR), the Financial Services and Markets Act (FSMA), the FCA's UK Listing Rules and Disclosure Guidance and Transparency Rules (DTRs), and the AIM Rules.

By adhering to these regulations, quoted entities are held to a high standard of conduct that not only safeguards the interests of stakeholders but also enhances the company's reputation in the public domain.

Here, we explore these regulatory frameworks and discuss additional considerations, such as Prospectus Rules and specific DTRs, the process of cancelling a listing, and the implications of Section 172 of the Companies Act 2006.

Adherence to Market Abuse Regulation (MAR)

The Market Abuse Regulation (MAR) aims to maintain a fair and trustworthy market environment by forbidding insider trading, illegal disclosure of inside information, and market manipulation.

Companies quoted on the market are obligated to create and maintain effective controls to prevent market abuse. This requires them to keep detailed documentation of all sensitive information and have strict control over who can access it. Additionally, timely public disclosure is necessary to prevent the distribution of asymmetric information.

Under MAR, quoted companies must keep a detailed list of all individuals who have access to inside information. This list helps regulators identify potential sources of market abuse and ensures that individuals are aware of their confidentiality obligations and the legal consequences of insider trading. Companies must update these lists promptly whenever there is a change in the individuals who have access to inside information.

Compliance with Financial Services and Markets Act (FSMA)

The Financial Services and Markets Act (FSMA) is a fundamental piece of legislation that forms the basis of the UK's financial regulatory framework. It sets up a system to regulate financial services and markets and gives the Financial Conduct Authority (FCA) the power to oversee the conduct of financial services firms, including those quoted on the stock exchange.

The FCA is responsible for ensuring that firms are managed by fit and proper individuals, have sufficient financial resources, and comply with proper standards of market conduct.

UK Listing Rules

The UK Listing Rules are a set of regulations that apply to companies listed on the Main Market of the London Stock Exchange. These rules establish the admission and post-IPO conduct standards that companies must comply with. They are designed to ensure that firms maintain high levels of governance, transparency, and fairness.

The rules cover various aspects of a company's operations, including financial reporting, shareholder communications, and transaction disclosures. By complying with these rules, companies can help maintain investor confidence and market integrity.

AIM has a similar rule book for companies to follow.

Obligations post IPO (2 of 2)

Disclosure Guidance and Transparency Rules (DTRs)

DTRs require companies listed on the Main Market of the London Stock Exchange to regularly and consistently share information with investors and the market.

The information disclosed includes important updates that can affect the stock price, major shareholdings and financial reports. These regulations aim to create a fair and efficient market by providing investors with the necessary information to make informed decisions about their investments.

AIM Rules

The AIM Rules for Companies cover similar matters to the UK Listing Rules and DTRs, for AIM quoted companies.

Financial reporting and transparency

Quoted companies have a legal obligation to prepare their financial statements following recognised accounting standards such as UK-IAS or IFRS. This ensures that financial information is consistent, reliable, and comparable across different jurisdictions.

The regular publication of financial reports, which include profit and loss statements, balance sheets, and cash flow statements, provides a transparent view of the company's financial health and operations.

Corporate governance compliance

Adhering to an appropriate corporate governance code is crucial for companies to ensure effective leadership, maintain good relations with shareholders, and uphold corporate integrity.

The UK Corporate Governance Code, which Main Markets listed companies need to either comply with or explain any non-compliance, is principle-based, encompassing a broad range of governance practices, including board composition, risk management, and executive remuneration. These practices are designed to mitigate risks, enhance business prosperity, and safeguard shareholder interests.

Shareholder relations and protection

Effective engagement with shareholders is of utmost importance in maintaining their trust and confidence. This includes not only meeting the legal requirements for shareholder meetings and votes but also ensuring transparent communication about the company's performance and strategy.

It is essential to uphold fairness and equity in all decisions that affect shareholder rights, as this is fundamental to corporate integrity and reputation.

Ongoing regulatory obligations

The regulatory landscape is constantly evolving, with new regulations being introduced to tackle emerging market trends and risks.

For quoted companies, it is vital to remain vigilant and ensure continuous compliance with existing regulations, while also adapting to new ones. This involves closely monitoring changes in the regulatory environment, participating in industry discussions, and engaging with regulatory bodies to stay ahead of compliance requirements.

Post IPO checklist

12 - 24 months	9 -12 months	3 - 9 months	0 - 3 months	At IPO	Post IPO
Initial planning and strategy	**Preparation and structuring**	**Pre-marketing**	**Roadshow and marketing**	**Execution and launch**	**Management and growth**
▶ Assess IPO readiness, including financial health and market position ▶ Form an IPO team with legal advisors, investment bankers, and accountants ▶ Conduct initial legal assessments ▶ Undertake financial audits to identify issues ▶ Analyse market trends and positioning ▶ Understand the regulatory landscape for IPOs ▶ Meet regularly with advisors to refine strategy ▶ Develop a plan to engage key stakeholders.	▶ Create a detailed business plan ▶ Prepare financial statements ▶ Ensure regulatory compliance ▶ Assess and secure IP rights ▶ Develop a comprehensive risk management plan ▶ Evaluate and plan the company's capital structure ▶ Make any necessary corporate structure adjustments ▶ Draft internal policies for post-IPO operation.	▶ Commission due diligence ▶ Create a marketing strategy ▶ Consider corporate governance frameworks ▶ Upgrade financial reporting systems ▶ Start drafting the IPO Prospectus/Admission Document ▶ Prepare for investor roadshows.	▶ Plan and conduct briefings with analysts ▶ Prepare the application for the stock exchange ▶ Establish public reporting frameworks ▶ Finalise all legal documentation ▶ Complete and file the Prospectus ▶ Conduct investor presentations (Investor Roadshows) ▶ Engage with media to promote the IPO ▶ Collect feedback from potential investors ▶ Ensure all regulatory filings are complete ▶ Determine IPO pricing.	▶ Allocate shares to investors ▶ Secure final regulatory approvals ▶ List the company on the stock exchange ▶ Establish public reporting frameworks ▶ Initiate an investor relations program ▶ Communicate IPO outcomes to employees ▶ Organise an event to celebrate the IPO.	▶ Regular evaluation of Board performance and incentivisation, including employee incentivisation schemes (eg share options) ▶ Continuous reporting and compliance: maintain regular filings and compliance ▶ Procedures to allow for accelerated financial reporting (IFRS interims and annual statutory accounts), as well as investor results presentations and trading updates ▶ Procedures to allow continuous monitoring of actual results against forecasts, with market updates as required ▶ Continuously engage with investors and advisors ▶ Adherence to Market Abuse Regulation (MAR).

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Credentials and thought leadership

Recent deals and thought leadership

Selected BDO case studies

APPLIED NUTRITION

BDO supported Applied Nutrition with IPO readiness advice and subsequently acted as Reporting Accountant on its £350 million Main Market IPO.

Applied Nutrition is a leading sports nutrition, health and wellness brand which formulates and creates health and wellness products.

ALPHAWAVE SEMI

Evaluated Alphawave's finance function and prepared financial position and prospectus procedures as part of its IPO process.

J.P.Morgan

£149m of JPMorgan Global Core Real Assets ('JARA') on the premium segment of the Main Market.

BDO acted as sponsor on the IPO of a new investment fund JARA, managed by JPMorgan Asset Management ('JPMAM').

JARA was designed to provide access to underlying private global real asset strategies investing in Infrastructure, Real Estate and Transport as well as some liquid quoted assets in these sectors managed by JPMAM on its alternative investments platform.

The IPO was on the premium segment of the Official List and raised £149m by way of an initial placing, open offer and a further £55m through a 12 month placing program.

NEW RIVER

End to end support with NewRiver's Class 1 disposal of Hawthorn Leisure to Admiral Taverns, starting with Exit/IPO readiness and process planning and including dual track financial process covering sale and IPO options.

Wickes

Supported Wickes with its de-merger from Travis Perkins Group, including preparation of the financial position and prospectus procedures. Post-IPO improvement actions procedures were also performed after the de-merger.

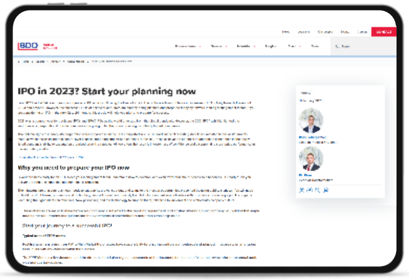
We are the market leader - #1 for:

- Reporting accountant on AIM and Main Market across the last ten years[1]
- Financial adviser globally[2]
- Auditor to UK Listed companies[3]
- Financial due diligence provider in the UK and Ireland[4]

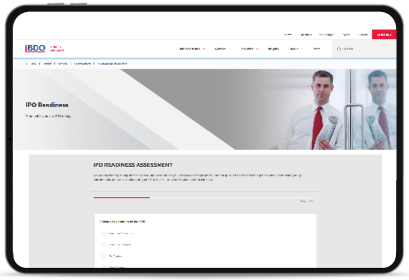
[1] Number of IPOs BDO acted on up to December 2023 [2] Factset League Tables 2024 [3] Advisor Rankings Ltd - May 2024 [4] Mergermarket UK League Tables by volume 2024

Recent thought leadership and links

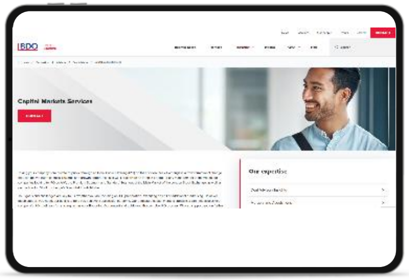
IPO Planning



IPO Readiness Assessment Tool

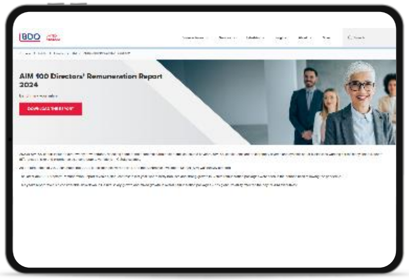


Capital Market Services

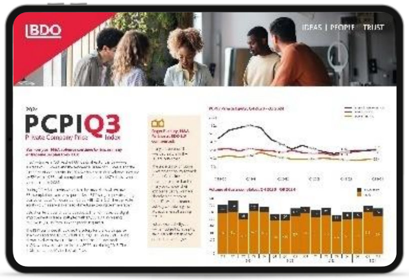


PE vs IPO: Dual Track Business Exit Strategy

AIM 100 Directors' Remuneration Report



Private Company Price Index (PCPI)



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