UK Equity Capital Markets Update: HY 2022

July 2022

Welcome to KPMG's HY22 review of UK Equity Capital Markets

Alongside our review of UK Equity Capital Markets ('ECM') activity in HY22, this edition also includes information and guidance on preparing for UK IPO success which is aimed at the management teams of companies considering an IPO in the near future. This contains thoughts on key IPO considerations from KPMG subject matter experts, and insights from Darktrace CFO Cathy Graham, who recently steered that business through the IPO process.

We also welcome Aadam Brown to the KPMG team. Aadam leads our independent ECM Advisory offering, providing transparent ECM advice to companies and stakeholders throughout the IPO process.

We hope you find our HY22 review useful – many thanks for reading.

From the entire KPMG team, we wish you all a great Summer!

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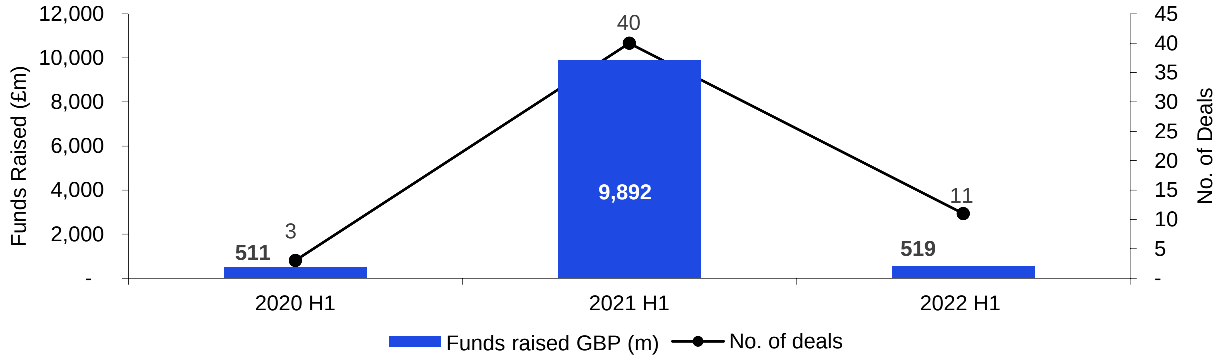
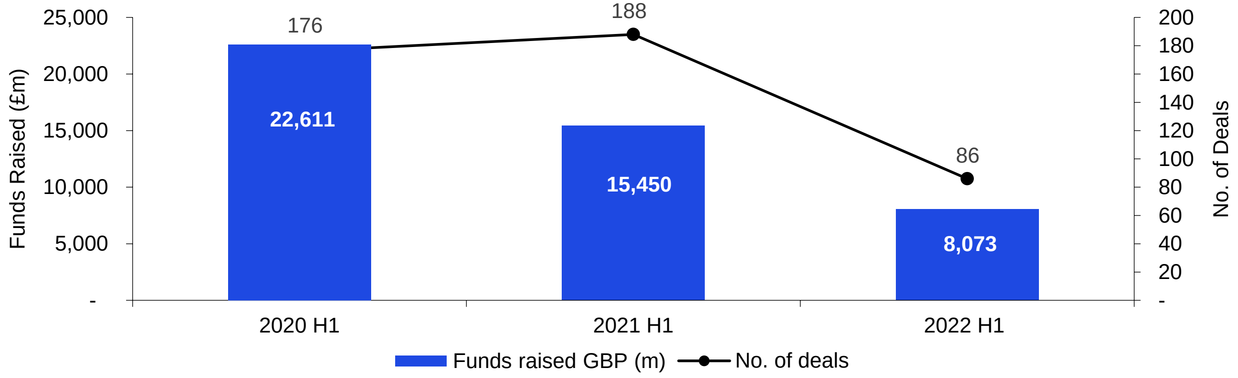


Further Issue activity: H1 2020-2022



Note: H1 data presented in this report reflects activity in the Jan – Jun period inclusive. We have also excluded IPOs and Further Issues in which funds raised were < £5 million.

£8.6bn Total Funds raised

(66)% on 2021
(63)% on 2020

£0.5bn Funds raised via IPO

(95)% on 2021
2% on 2020

11 IPOs

(73)% on 2021
267% on 2020

£8.1bn Funds raised via Further Issues

(48)% on 2021
(64)% on 2020

Reflections on HY22

HY22

The flood of IPOs in 2021 became a trickle in H1 22, as various factors adversely affected global confidence in equity markets.

However, we are now assisting a significant number of companies working towards an IPO in 2023 or 2024, in anticipation of a market recovery.

That is why the theme of this review is Preparing for UK IPO success. Please read on for:

- **an overview of the key steps in the IPO process;**
- **the key questions IPO candidates should be considering; and,**
- **an insightful interview with Cathy Graham, CFO of the recently listed Darktrace plc.**

Linda Main

Head of UK Capital Markets Advisory Group, Partner & Board Member

ECM activity in the UK (and globally) largely ground to a halt in HY22. This was due to a confluence of adverse macro conditions, combined with an element of investor fatigue following a bumper 2021

After a resurgent 2021, UK IPO levels fell significantly in H1-22 with 11 new listings raising a total of £0.5 billion - down 95% compared to H1-21 when there were 40 listings raising £9.9 billion. Further Issues also dropped significantly, with total funds raised declining 48% from £15.5 billion in H1-21 to £8.1 billion in H1-22.

Generational record levels of inflation, ongoing Covid restrictions in China and the Russian invasion of Ukraine have all combined to produce significant global economic threats. This has led to rising interest rates, market volatility and a partial withdrawal of investors from equity markets. The impact of the adverse economic background has been compounded by investors' existing underlying concerns about equity valuations following the poor aftermarket performance of some IPOs in 2021.

While bright spots were few and far between, the IPO market did not close completely, and one silver lining during H1-22 was the listing of three SPACs on the Main Market, following regulatory changes in 2021 designed to attract this form of IPO to the UK. Further Issue fundraisings were also buoyed by the continued ability of closed-end funds and REITs to successfully raise equity. This generally reflects a clear pivot by investors away from riskier bets, and towards companies which are considered safer haven assets because of their trusted management teams who have delivered previously on their investment strategy and continue to acquire de-risked assets (e.g. plug and play renewables).

Aadam Brown

Head of Independent ECM Advisory, Managing Director

We expect IPO markets to remain largely closed for the remainder of the year, although we are actively engaged with a number of companies preparing to IPO in 2023

Most IPO markets across the world are largely closed at present, with the prevailing macro headwinds dampening market sentiment. For example, US IPO levels are down 91% year on year, while European (excluding UK) IPO activity is down 88%.

However, activity is paused rather than cancelled. Investors are still meeting with early-stage IPO candidates, though they are being more selective about the companies they see, with a preference for counter-cyclical businesses with higher visibility of forward earnings. In general, investors remain sceptical of company forecasting, due to nervousness that forward projections are too optimistic and neglect the full extent of bearish market sentiment.

We have seen historically that when the IPO window re-opens (as market volatility drops), it tends to do so quickly. Companies who have spent the past few months assiduously preparing to list all come to market at once, vying for investor attention and backing (see page 7 for our analysis of the re-opening of IPO markets). Indeed, we are working with a number of companies preparing to IPO in the next 1-3 years, and our medium to long-term pipeline of IPO candidates is strong.

For that reason, this edition of our ECM Review features a section on Preparing for IPO success. This provides insight on the key considerations all IPO candidates should be aware of as they embark on their IPO journey. We hope you find it helpful.

Main Market & AIM analysis

Main Market

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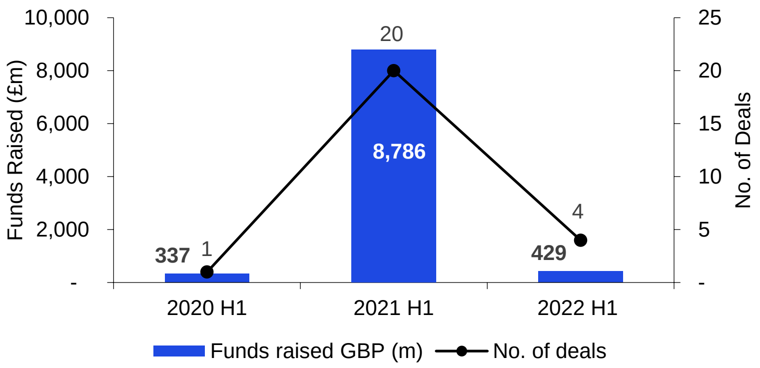
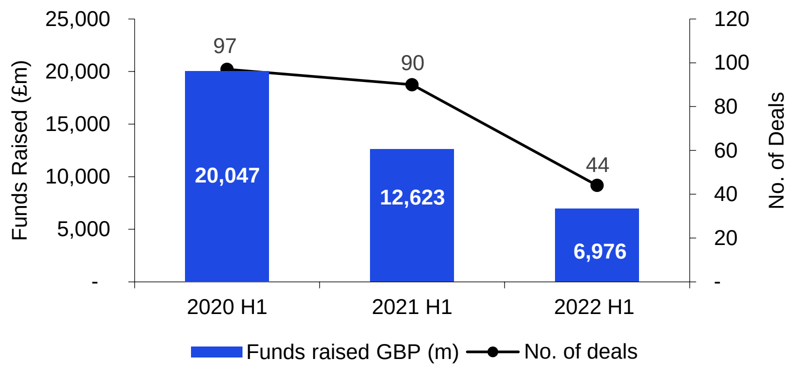
Main Market IPOs in H1 22 were led by SPACs, including New Energy One Acquisition Corporation (funds raised: £175 million); Financial Acquisitions Corporation (£155 million); and Hiro Metaverse Acquisitions (£118 million). The uptick in SPAC activity follows a relaxation in SPAC rules from August 2021, designed to make the UK more attractive to this form of listing.

Main Market IPO activity: H1 2020-2022

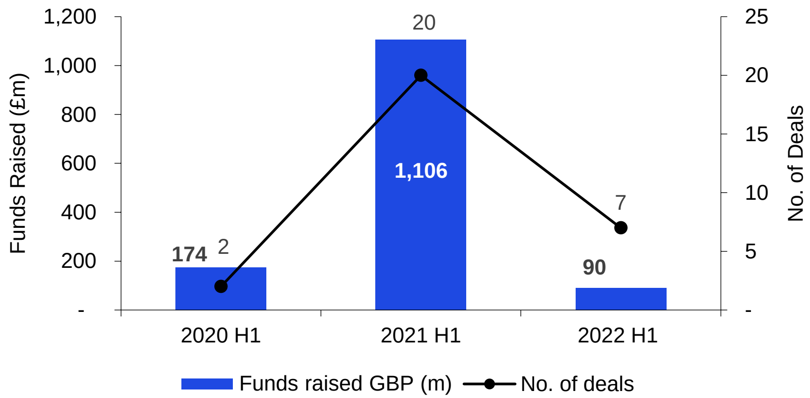


Main Market Further Issue activity: H1 2020-2022

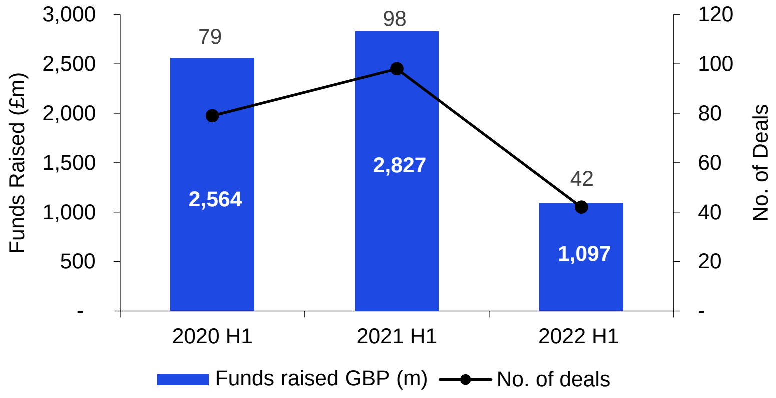


AIM

AIM IPO activity: H1 2020-2022



AIM Further Issue activity: H1 2020-2022



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As with the Main Market, general levels of activity on AIM have dwindled in H1 22.

Of the seven IPOs that went ahead, Clean Power Hydrogen was the leader, raising £30.5 million.

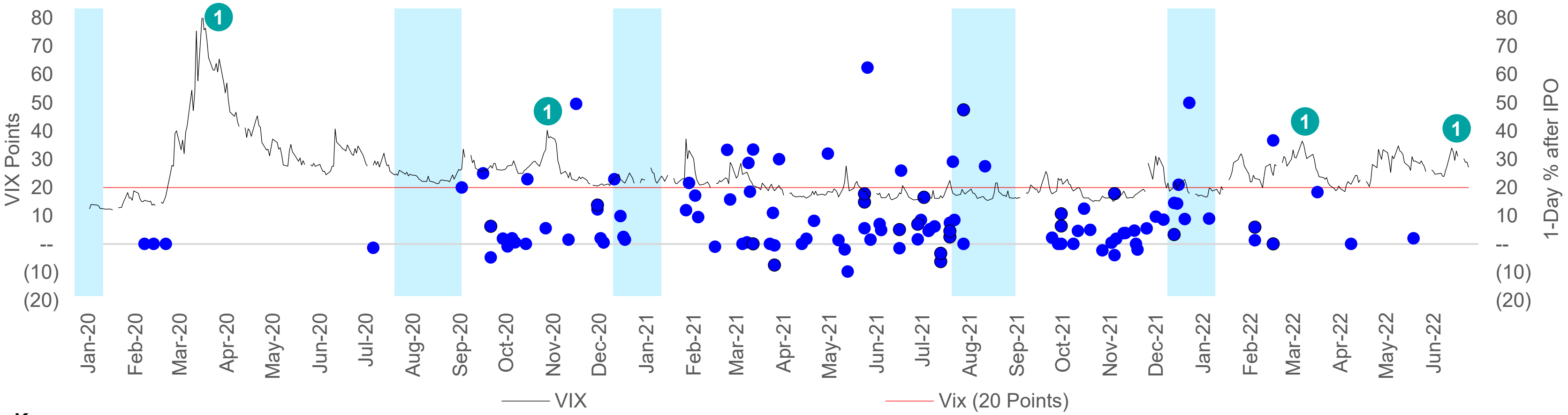
Further Issues were also led by the clean energy sector, with Greencoat Renewables raising £235 million.

IPOs and market volatility

IPO activity is closely correlated to the level of volatility in equity markets. Heightened levels of volatility, driven by macro-related concerns, deter investors from participating in new equity issuances. IPO windows can therefore shut abruptly, but as markets stabilise, they are often quick to return.

In our analysis below we have compared the frequency of UK IPOs over time to the levels of equity market volatility (expressed via the Volatility Index (VIX) – a commonly used index which represents market expectations of near-term price changes and therefore expectations of price volatility). The analysis demonstrates a return of IPOs once volatility approaches more normal levels (generally considered by the market to be approximately 20 VIX points).

Number of UK IPOs vs VIX Index



Key:

Windows where IPOs are not typically priced due to investors being away for the holiday season i.e. Christmas and Summer.

1 *Spikes in volatility correlating with a reduction in the volume of IPOs.*

UK IPO – price change (%) the day after listing

With geopolitical and inflationary concerns driving negative sentiment, the UK IPO market shut in the first half of 2022 after a short burst of activity. However, the pipeline of companies waiting to IPO remains strong and so it is important that companies retain flexibility and financial preparedness during slow periods, retaining the option to launch at the start of what could be a busy window.

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Preparing for IPO success

Preparing for IPO success: introduction

Svetlana Marriott

Partner, UK Capital Markets Advisory Group

An IPO is often the most complex, and strategically important, transaction a company and its management team ever undertake.

It is therefore absolutely critical for the management teams of prospective IPO candidates to carefully consider and plan for the road ahead to ensure that IPO plans can be delivered as successfully as possible.

Over the following pages we have compiled a brief overview of some of the key points which management teams should be considering as they embark on their IPO journey. A common theme you will find throughout is the critical importance of starting your IPO preparation early, therefore please do reach out to a member of the team for further information or if you would liked to discuss your potential IPO plans in more detail.

We hope you find our guide useful.

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Key steps on the journey to IPO

A high-level summary of the key actions required for a UK IPO – by workstream, and with recommended timings.

Pages 11 – 14

Key questions to consider

KPMG subject-matter experts give their opinion on the key questions to ask yourself when planning an IPO, covering:

- the equity story;
- ESG considerations;
- listing and financial-information requirements;
- controls and corporate governance;
- tax and people incentives; and,
- legal and company secretary.

Pages 15 – 17

CFO interview: Darktrace plc

Insights and advice from Cathy Graham, CFO of Darktrace and a veteran of many listings. Cathy steered Darktrace through a £1.7 billion Main Market IPO last year.

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KPMG's IPO Advisory services

KPMG has a holistic suite of services designed to get companies IPO-ready.

Our offering is led by the Capital Markets Advisory Group, and supported by subject-matter and sector experts from across the firm.

Key steps on the journey to IPO

The table below is a high level summary of the key workstreams and actions that form part of the UK IPO process. Ideally, your planning should start around two years before your proposed execution date. That will allow enough time to deal with long lead items, and to prepare adequately. Throughout the journey, you'll need the support of a wide range of expert advisors, including accountants, lawyers and investment banks.

Key workstreams	-24 to -12 months	-18 to -6 months	-9 to 0 months
PMO, planning and resources	Establishment of PMO and IPO governance Identification of resource needs (BAU vs IPO)	Appointment of key advisors Creation of detailed IPO timetable	Co ordination of execution and doc. preparation
Equity story and investor engagement	Equity story considerations KPI and peer benchmarking	Equity story development and finalisation	Investor and analyst marketing
Financial information	Early consideration of key financial disclosures	Preparation of financial track record KPI and segment finalisation	Financial due diligence
Business planning and forecasting		Preparation of projected financial information	
Corporate governance and internal controls/risk	Initial controls and systems assessment	Development of appropriate internal controls and risk management procedures Development of corporate governance structures Recruitment of Chairman and INEDs (independent Non Executive Directors)	
Taxation and people	Early consideration of tax structuring roadblocks	Tax structuring: strawman and execution Incentive planning and implementation	

IPO

Increasing intensity of effort and regulator interaction (e.g. eligibility discussions and regulatory document submissions)

Key questions to consider as part of an IPO

1. How compelling is your equity story?

Aadam Brown
Managing Director, Head of Independent ECM Advisory

"Remember to keep it simple. Investors need to be easily guided to the "reason to buy". The more investors' attention you can capture, the better chance you have of achieving a successful outcome.

The equity story is the foundation of a successful IPO. Put simply, it's the reason why an investor should buy shares in your company.

A good equity story should include a description of the company's business model, the market opportunity, and why your company is better positioned than the competition to capture market share. Performance should be sustainable; investors will look at the credibility and track record of the management team to gain comfort for predicting future performance.

Key tips on crafting the perfect story include:

- **Establish your equity story early:** Ideally even before speaking with investment banks. This ensures consistency, as the story will flow through the various IPO workstreams. A well-crafted equity story should change very little through early marketing, the analyst presentation, investor marketing presentations, and the drafting of key documents like the Prospectus.
- **Align it with your KPIs:** Confirm early on in the process:
  - the KPIs you'll use to support your equity story;
  - how they fit with your publicly listed sector comps; and,
  - how they'll resonate with your target investor universe (i.e. growth vs income vs retail, etc.)
- **ESG:** Remember to incorporate your ESG messaging and framework as it is becoming an increasingly important component of the equity story, particularly as your listed peer group will already have mature ESG practices in place. Some potential investors will also have certain ESG requirements which must be met before investing in new companies.

2. Have you built ESG into your IPO plans?

Nathan Beaver
Partner, Head of ESG Consulting

"Organisations that are able to deliver and demonstrate ESG value increase their market reputation, attract an even greater pool of investors and ultimately achieve and maintain a high valuation.

When embarking on an IPO journey, it's vital to tell an equity story with sustainable value at its core.

Valuations are changing. Every market and organisation is transitioning to a more sustainable, responsible and resilient future, and this means that enterprise values now reflect not only financial capital created but also the environmental, human, social and intellectual capital created and affected. Articulating the ESG value that has been created and protected, the targets set and plans for how the organisation is continuing to transition a sustainable future, are therefore, now paramount.

You will also need to meet ever-increasing, mandatory ESG-related reporting and disclosure requirements, whether this is reporting against material opportunities and risks or disclosing the extent of physical and transition risk investors and regulators now demand.

The key ESG questions to consider are:

- What material ESG opportunities and risks are we facing?
- How is the organisation responding to these, and what progress have we made?
- How does our progress to a sustainable future compare to that of our competitors?
- What are our mandatory ESG reporting and disclosure requirements?

Key questions to consider as part of an IPO (cont.)

3. Do you understand the key listing and financial-information requirements?

Olga Bersadschi
Director, UK Capital Markets Advisory Group

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Being a public company means implementing and following a higher standard of financial transparency and accountability. Companies that start their preparation early have a higher chance of a successful IPO.

The IPO process requires the preparation of a significant amount of financial, operational and commercial information.

Listing rules will depend on the market the company chooses to list on. A Standard listing allows companies to broadly follow EU minimum listing requirements, while companies going for a Premium listing must meet the more onerous UK Listing Rules. AIM has a simplified regulatory regime designed for small and emerging companies.

Regardless of the chosen market, IPO candidates will need to consider the following key requirements:

- **Offer structure:** The type of securities the company wishes to list and size of the company will determine the appropriate listing market.
- **Historical financials:** The company will be required to demonstrate a three-year (at least), audited, historical financial track record and adequate financial-reporting procedures in place.
- **Due diligence process:** Sponsors or NOMADs (and underwriters, in the case of most Standard listings) will require due diligence to be performed on historical and forecast financial information and on financial systems and procedures.
- **Post-IPO financial reporting requirements:** Once listed, a company is required to produce quality financial information on a timely basis and comply with ongoing disclosure and transparency rules, following shorter external reporting timelines.

Early consideration of these requirements will allow companies to understand the key pressure points pre and post-IPO, and plan adequate support in advance. Please refer to the appendices for more details on the key requirements.

4. Do you have sound internal controls and risk management systems and appropriate corporate governance?

Louise Thompson
Partner, Governance and Controls

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When preparing for an IPO, it is vital to understand the strengths and weaker areas in your company's control environment and to take the necessary steps to remediate weaknesses ahead of listing.

Listed organisations have greater reporting requirements around key corporate issues such as governance, risk management and control frameworks.

Reporting and additional disclose requirements will vary by jurisdiction. Companies planning for an IPO should start thinking about and preparing for them at an early stage in the journey.

In the UK, listed companies are generally governed by the UK Corporate Governance Code. This is currently being enhanced, and will require Directors to make more specific disclosures, and to be more directly accountable for them.

Being confident about the additional disclosures you will need to make beyond the control environment is also something to think about at an early stage – the Resilience Statement, Director Fraud Statement and the Audit and Assurance policy all being good examples.

Preparing for an IPO and being ready to make these disclosures – and them being robust and standing up to scrutiny by new shareholders – is a key consideration. Thinking more broadly about the overarching governance structure for the listed business and being confident that the mix of skills and experience across your Board is going to add maximum value in a rapidly changing world will also require careful consideration.

Key questions to consider as part of an IPO (cont.)

5. Are you tax ready?

Amanda Davenport
Partner, Tax

"Tax matters can cut across many IPO workstreams and become a key gating item if not considered up front.

In particular, the tax implications of pre IPO restructuring should be considered early, to prevent time consuming issues later in the process.

Tax related items can have a significant impact on many aspects of the IPO.

The key items to be aware of include:

- **Historical tax matters:** An IPO will result in scrutiny of the group's historical tax risk profile. Proactive steps are, therefore, recommended to address any known tax risks as far as possible.
- **Structure for IPO:** The tax implications of any pre-IPO restructuring steps (e.g. insertion of a new ListCo, or legal entity rationalisation) will need to be considered for current shareholders, the business and for future investors. Careful consideration of the form and timing of such steps is recommended to prevent the tax consequences adversely impacting the timing and/or attractiveness of the IPO for key stakeholders.
- **Tax impact on forecasts:** The expected effective tax rate of the business will need to be understood and disclosed. Thought should therefore be given to the impact growth plans might have on the business's tax profile: e.g. application of BEPS2.0, eligibility for R&D credits, announced tax-rate increases, etc.
- **Future tax governance:** An IPO may not immediately impact the day-to-day tax affairs of the business in the UK or elsewhere but public and regulatory scrutiny is likely to increase, and enhanced reporting requirements may make the group's tax strategy more visible to interested parties. Pre-IPO steps may, therefore, be required to enhance tax controls and processes; set a clear, board-approved tax strategy; and right-size the tax function for a listed future.

6. How are you addressing the 'People Agenda'?

Chris Barnes
Partner, Head of Reward

"It is important to ensure that key players are locked in for the IPO journey.

An IPO offers you a new way of looking at engaging a wider population in equity participation, creating strong alignment with the management team and investors alike.

An IPO can be a hugely exciting time for a business and its employees. But any change event can also bring uncertainty to the workforce.

Highly motivated and incentivised employees, aligned to shareholder interests, can add significant value to a business, not just in terms of recruitment and retention, but also in terms of having a compelling equity story for the market.

The primary objective of early people planning in the IPO process is to make sure your key players are 'locked in' for the journey. That will often involve tax-efficient equity awards, which can generate significant wealth if employees remain with the group post-IPO.

At the same time, it's important to ensure that those who joined your business more recently – and may be critical to the next stage of growth – are incentivised proportionally to longer servers, as the mix of skills and bench strength needed increases post-IPO.

Reward governance and structure within your organisation is also likely to require significant changes with the move to the listed markets. This goes beyond the obvious issues surrounding executive remuneration and reporting. A strategic (rather than operational) HR function and pay structure – which recognises and rewards the best talent – will maximise your chances of retaining and attracting vital talent.

Key questions to consider as part of an IPO (cont.)

7. Are you ready from a legal perspective?

Rich Woods
Director, Deals and Structuring
KPMG Law

"An IPO process will place your legal structure under the spotlight like never before. If there are material legal risks in your business, these could become a focus of the IPO process, and may need to be disclosed, so early planning is essential.

It is crucial to allow time to optimise your group structure, and to prepare for detailed due diligence

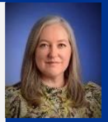
When you start to think about your IPO, you should also prioritise the optimisation of your group structure, and any potential legal risks in your business – regulatory, contractual, personnel, or otherwise.

Most fundamentally, your legal structure will be relevant if you're planning to list only part of your business, as a "demerger". If so, you'll likely need to move the business that's listing into its own holding company. That may well involve the movement of companies, employees, contracts, IP and other assets – so you should plan for this at an early stage, and co-ordinate your legal advice with your tax and operational planning.

Whether or not you are planning a demerger, you will need to convert your top holding company into a Public Limited Company before listing – so consider whether it is worthwhile doing this by inserting a new "clean" PLC. This then ringfences key assets, such as IP or valuable customer contracts. Again, this can be a complicated process, which you should plan for well in advance.

You should also think about the legal risks to your business. Your sponsor and underwriter will appoint lawyers to conduct detailed due diligence, which you'll need to prepare for: get your documents organised as early as possible. If there are material risks, you may well need to disclose these in the Prospectus – so it is worth conducting your own "reverse due diligence" on the business to identify any issues; with regulators, employees, litigation or contested ownership of assets.

8. Is your company secretary function PLC ready?



Tracey Brady
Partner, Company Secretarial & Global Entity Management

"For a company secretary, the move from a private company environment to a listed one is a big step change; reporting requirements increase 100 fold and the deadlines shorten.

Don't get lost in the IPO process: keep the end-goal in mind. Your destination is a fully fledged PLC. Are you ready?

For a company secretary, the move from a private company environment to a listed one is a big step change. The reporting requirements increase 100-fold, and the deadlines shorten significantly.

We would recommend starting the transition process with your constitutional documents, to ensure the appropriate mechanisms are in place, from shareholder voting and new powers of authority for the board, through to appointing independent non-executive directors.

The regulatory environment also changes, from complying with the UK Listing Rules, the Disclosure Guidance and Transparency Rules and the comply-or-explain regime of the UK Corporate Governance Code.

Key questions to consider include:

- Do you have a company secretary with experience of operating in a listed environment who understands the obligations of the exchange the company is listing on, and its market-abuse regime?
- Does the secretariat function require a new operating model?
- How will the company approach its first 18 months as a plc? What is the plan for writing the first public annual report, organising and running the first AGM and paying dividends?
- How will the new board settle in? Have meetings been structured and arranged to adequately deal with the matters required of a listed company?

CFO interview: Darktrace plc

Cathy Graham

Chief Financial Officer, Darktrace plc

Darktrace is a UK-based, global leader in cyber security artificial intelligence. The business listed on the UK Main Market in April 2021 at an initial valuation of £1.7 billion. It was recognised as one of twelve "Outstanding Equity Capital Markets Deals of 2021" at GlobalCapital's Equity Capital Markets Awards.

Cathy Graham, CFO at Darktrace, and a veteran of many previous listing processes, sat down for a Q&A with Linda Main, KPMG's UK Head of Capital Markets Advisory. They discussed her experience of the IPO journey, and how life changes as a CFO of a public company.

What was the most challenging aspect of the IPO process from your perspective?

I'm assuming you mean something different than doing it from a standing start, entirely virtually in a pandemic! Which was an interesting experience but, actually, strangely not that challenging. There was actually something about that environment that created an awful lot of focus and efficiency that has not been in some of the IPOs I've done previously.

That said, to me, the most challenging thing is always prioritising the right thing, and the right thing is not actually the IPO; it's being able to operate and report and communicate and comply effectively as a public company.

I always like to tell people that an IPO is like a wedding. You get to spend huge amounts of time and money and effort, and scream at people to get to that one day – and then it's over. Then you actually have to be married, and that's when the work really starts. And so – particularly in the CFO role, where you're the one who is going to have to live with a lot of these things afterwards – it's incredibly important that you understand that you're not just getting to one day, and you're not prioritising that one day. You're prioritising everything afterwards. But many of the other stakeholders won't have that view. The bankers, the lawyers, and actually, depending on your situation, a number of the board of directors, will be pushing you to be ready based on their view of capital markets, expediency, and factors like that. You really have to be very clear that you're the one that has to live with this afterwards, and you're going to have to be able to get the company in a position to do that. I mean, that said, you're going to have to accept the fact that nothing is ever going to be perfect – it is not even all going to be done by the time you list! The best thing you can do is create a very realistic risk assessment and figure out what has to be done and what has to be mitigated until post-IPO.

> "To me, the most challenging thing is always prioritising the right thing, and the right thing is not the IPO; it's being able to operate and report and communicate and comply effectively as a public company.

One of the best examples I can give people is something we saw in our IPO. Like many companies, when we were private, we were running on an undersized accounting system, which didn't have the scaleability or functionality we needed. But it was not going to be possible to do a good implementation pre-IPO, as there was too much data architecture and validation work, and all those things that needed to be done. So we decided to focus on making sure our data was in the right shape to be a public company and that we had all the controls around it – around our databases and our existing systems – so we could be confident in the data we were reporting. As a result, we started puling together our RFP, and going through that process of upgrading our ERP systems after the IPO. It would've been lovely to have them in advance, but it was really much too risky. Implementation wouldn't have mitigated risk; it would have created risk.

> "You're going to have to accept the fact that nothing is ever going to be perfect – it is not even all going to be done by the time you list!
>
> The best thing you can do is create a very realistic risk assessment and figure out what has to be done and what has to be mitigated until post IPO.

CFO interview: Darktrace plc (cont.)

How did the time you had to devote to the IPO interfere with your day-to-day running of the business in the lead-up to the IPO?

I think there's no way around that impact. The truth is that at least for a few months you are going to have two full-time jobs and 18 hours a day, 7 days a week is going to be the norm.

There are things you can do for your own sanity, and the sanity of your team, which in many ways is almost more important. Start early and build out the team with people who have experience – within a public company, or in the operating area in which they are, whether it be accounting, tax or whatever. Hire people who can run independently, because you're not going to have the time to backstop them.

Another thing is to engage consulting resources early, so they can get to know your business and add value. If you're trying to do it right in the heat of the IPO battle, you'll lose the value from the people you're bringing in to help you because you're taking all that time to educate them while you're in the middle of the process. Bring them in early, it will be much more valuable for you.

The third thing, to help manage your own time, is to stick to your timeline. You're going to get pushed to go faster and deliver things before you're ready. Sometimes you can accommodate that, and if you can, that's great. But in reality, you're going to have to be consistently pushing back, and reminding boards and bankers and lawyers that the magical production of something that doesn't yet exist is probably not going to happen.

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>
> Engage consulting resources early, so they can get to know your business and add value.

CFO interview: Darktrace plc (cont.)

What, if anything, would you do differently if you went through the IPO again?

I suspect everyone's answer is the same and no matter how many times you do it, it's always the same: start earlier. If you can, start many years earlier, and build it into your thought process before it's even a twinkle in anyone's eye.

The reality of the situation is that high growth companies are always short on resources. They're just getting done what they can to support a rapidly growing business. But in any way that you can, think early, and try and think about the decisions that you'll make. It is not something that I would do differently, because you walk into what you have. But it's the recommendation I would make to people who are already in seat, and think they've got some time.

> "IPO readiness absolutely was valuable, particularly around doing things like ensuring all the stakeholders were on the same page.
>
> It is not necessarily that you find out things that you didn't know. It is the ability to have them all in one place.

So the planning that you did, and the IPO readiness work that you did, was valuable in getting through the process?

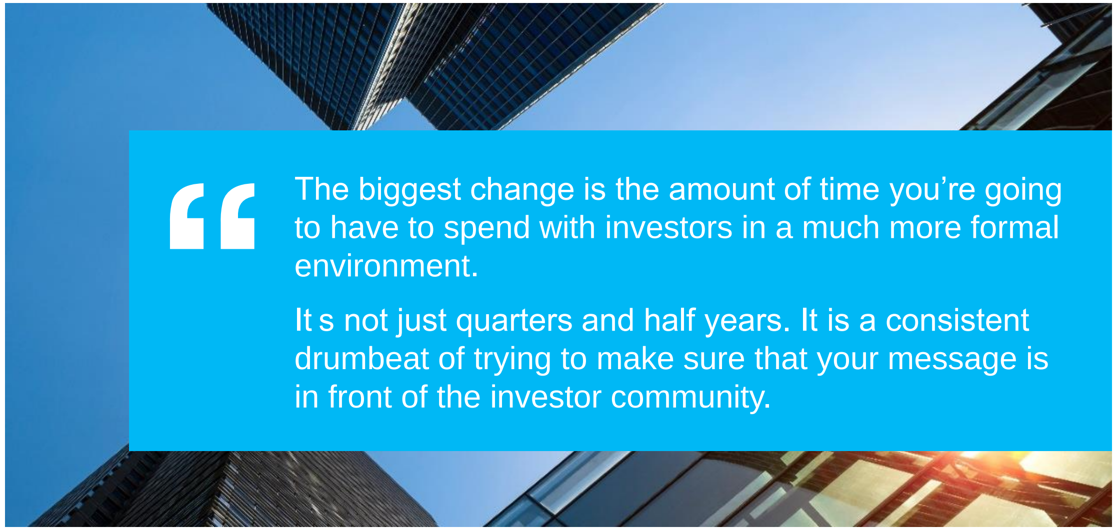
It absolutely was valuable, particularly around doing things like ensuring that all the stakeholders were on the same page. What we discovered, and I think this is true for a lot of people, is not necessarily that you find out things that you didn't know. It's the ability to have them all in one place, and to get buy-in from the stakeholders, and have people understand with third-party validation that all of these things need to be accomplished or mitigated. It allows you to have those conversations, and keep things on track in a much more structured way, and I think that's really helpful.

How has your role changed as CFO of a listed company, compared to the demands of a private company?

The biggest change is the amount of time you're going to have to spend with investors in a much more formal environment.

Pre-IPO, it's not that you don't spend time with your investors, but there is a lot more open dialogue. Once you're outside of that sort of "everybody is an insider" kind of environment, and you're public, you spend a lot of time agreeing with the people that talk "outside" about what it is we are willing to say, what metrics we are willing to give, how we describe things so that we don't confuse the market.

It's much more demanding early on and late in the IPO process and immediately after the IPO. But it certainly is something you have to build into your schedule, because it's not just quarters and half years. It is a consistent drumbeat of trying to make sure that your message is in front of the investor community, that analysts are understanding your story, and that they're hearing it consistently no matter whom they are talking to.



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03
KPMG's IPO Advisory services

KPMG's UK IPO Advisory services

An IPO is often the most complex and strategically important transaction a company and management team can undertake.

KPMG provides a complete service offering to support you every step of the way. We have worked on some of the most complex UK IPOs and public company transactions in recent years, across all sectors. We bring this experience and expertise to every management team we work with. Our approach is designed to be personal, working closely and collaboratively with you to deliver the most efficient and effective transaction processes.

-24 to -12 Months

Strategic options analysis

IPO workshop:

- A half day complimentary workshop designed as a collaborative session with senior management to provide information and initiate the process of highlighting key considerations relevant to you.
- The workshop can be tailored to cover the aspects of the IPO process most relevant to your circumstances, and can be expanded to cover wider strategic options such as dual track considerations.

-18 to -6 Months

Pre-IPO

IPO readiness assessment:

- Early preparation significantly increases the probability of delivering a successful IPO.
- Our IPO readiness assessment is designed to be a tailored but comprehensive readiness and gap analysis which provides you with an outside-in view of key focus areas.
- Typical areas covered include: Governance; Financial Reporting; Financial Planning; Systems & Controls; Human Resources; Tax; Technology; and, ESG.

-9 to 0 Months

IPO Execution

IPO reporting accountant

- KPMG is one of the market leaders in IPO reporting accountant work. Our team is hugely experienced and works across all sectors
- As reporting accountant we provide a comprehensive suite of deliverables required for the IPO process, including accountant's reports over historical and pro forma financial information, long form, working capital and financial position and prospects due diligence reports, and a suite of private comfort letters.

IPO support

- Throughout an IPO process you will be at the epicentre of conflicting requests, priorities and demands. KPMG can help significantly ease the burden on management teams across any and all workstreams.
- Our areas of support include (but are not limited to): preparation of financial information; financial model build and/or development; preparation of IPO related board memoranda; tax and remuneration planning and structuring; systems and controls review and development; technology related reviews and enhancements; preparation of listing documentation; and, project management.

As required

Post-IPO

Reporting Accountant

- Whether embarking on a significant acquisition or disposal, a fund raise or a demerger, KPMG can provide reporting accountant services designed to facilitate the most efficient post-IPO transactions possible.

Transaction Support

- Post-IPO transactions, such as cross-border demergers, can be extremely complex. KPMG has worked on some of the largest and most complex deals in recent years and brings expertise and insight to these processes (including a comprehensive suite of integration / separation services as required).

Independent ECM advisory

- KPMG's Independent ECM advisory team provides independent advice to companies and stakeholders going through an IPO process with advice backed by detailed analytics, creating transparency in the process and enabling stakeholders to make better informed decisions to increase the chances of a successful outcome. The role covers the IPO process end-to-end: from pre-IPO preparation, equity story development, bank and other key advisor selection, through to overall project management and detailed oversight of IPO execution.

Our IPO readiness focus areas at a glance...

Our pre-IPO readiness reviews are holistic and comprehensive, and at the same time flexible – enabling deeper dives in specific areas which are considered either more business critical, or less mature than others. Led by our Capital Markets Advisory Group, we work with specialists across KPMG to add expertise and insight in all key functional areas, with key areas of focus highlighted below:

Equity story and investor engagement

- Underlying performance
- Financial and non-financial KPIs
- Key value drivers
- Banking syndicate selection
- Universe of potential investor targets
- Research analysts and their coverage
- Early look marketing

Financial information

- Presentation of historical track record
- Audit coverage
- Accounting policies & documentation
- GAAP conversions and analysis
- Segmental reporting
- Forward guidance and targets
- Annual and interim reporting
- Supplementary disclosures
- ESG reporting expectations
- Management accounts process
- Underlying performance
- Financial and non financial KPIs
- Due diligence readiness / long form report

Business planning and forecasting

- Budget and business plan
- Adequacy of forecasting
- Track record
- Sensitivities
- Working capital model
- Funding structure

Corporate governance, internal controls, risk management and systems

- Board structure
- Independent non-executive directors
- Board committees
- Board remuneration
- Related parties
- Regulatory requirements
- Risk evaluation
- Company secretary
- Information quality
- Information timeliness
- SOX readiness and planning
- Controls and governance over FPPP (financial controls)
- Organisational structure
- Risk management
- Internal audit
- Insider policy
- Procedures framework
- Key finance systems
- Hosting of finance systems
- Financial data flow and level of automation
- Cyber security
- Technology governance and internal controls

Taxation, and Legal incentives and HR

- Incentives
- HR function
- People and culture
- Payroll function
- Succession planning for key finance roles
- Knowledge transfer
- Tax function & control environment
- Tax strategy
- Tax compliance
- Tax attributes and provisioning policy
- Listing structure

Contact Us

Capital Markets Advisory Group

Linda Main

Partner, Head of UK
Capital Markets Advisory Group
linda.main@kpmg.co.uk

Svetlana Marriott

Partner, UK Capital
Markets Advisory Group
svetlana.marriott@kpmg.co.uk

Sergey Baskakov

Director, UK Capital
Markets Advisory Group
sergey.baskakov@kpmg.co.uk

Olga Bersadschi

Director, UK Capital
Markets Advisory Group
olga.bersadschi@kpmg.co.uk

Edward Corbett

Director, UK Capital
Markets Advisory Group
edward.corbett@kpmg.co.uk

Rob Crowley

Director, UK Capital
Markets Advisory Group
robert.crowley@kpmg.co.uk

Adam Evans

Director, UK Capital
Markets Advisory Group
adam.evans2@kpmg.co.uk

Helen McCourt

Director, UK Capital
Markets Advisory Group
helen.mccourt@kpmg.co.uk

James Mott

Director, UK Capital
Markets Advisory Group
james.mott@kpmg.co.uk

Johan Collin

Associate Director, UK Capital
Markets Advisory Group
johan.collin@kpmg.co.uk

Independent ECM Advisory

Aadam Brown

Managing Director, Head of
Independent ECM Advisory
aadam.brown@kpmg.co.uk

Kane Lacey-Blackburn

Associate Director, Independent
ECM Advisory
kane.lacey-blackburn@kpmg.co.uk

Tax

Amanda Davenport

Partner, Tax
amanda.davenport@KPMG.co.uk

Reward

Chris Barnes

Partner, Head of Reward
chris.barnes@KPMG.co.uk

Governance

Louise Thompson

Partner, Governance
and Controls
louise.thompson@kpmg.co.uk

ESG

Nathan Beaver

Partner, Head
of ESG Consulting
nathan.beaver@kpmg.co.uk

Company Secretarial

Tracey Brady

Partner, Company Secretarial &
Global Entity Management
tracey.brady@kpmg.co.uk

Legal

Rich Woods

Director, Deals and Structuring
Richard.Woods@kpmg.co.uk

Methodology

Sources used:

UK, US and European IPO and Follow On data is from Dealogic (dealogic.com)

- The data was extracted from Dealogic for both “IPOs” and “Follow Ons” and based on the field "Exchange Nationality"
- The time periods are on a calendarised basis i.e. the period 1 Jan to 30 June is denoted “H1” or “Half year”
- IPO funds raised are based on total funds raised i.e. including the selling of new shares ("Primary Shares") and existing shares sold as part of the transaction ("Secondary Shares"
- Transactions where the funds raised were less than £5million have been exclude

kpmg.com/uk

Appendices

Detailed key listing and information requirements

IPO requirements

<table>
<tr><th></th><th>Main Market Premium</th><th>Main Market Standard</th><th></th><th>AIM</th></tr>
<tr><td></td><td>Equity</td><td>Equity</td><td>GDRs</td><td>Equity</td></tr>
<tr><td rowspan="2">Financial track record</td><td>For a 3 year period, the business must be supported by a minimum of a 75% revenue-earning track record

Specific sectors (i.e. mineral and science research) will be exempt from particular requirements

Audited accounts with unqualified audit opinions for 3 years

Audited information (including interim, if relevant) must be 6 months old or less before listing</td><td colspan="2">Audited accounts (or shorter period since incorporation) for 3 years

Audited accounts that are no more than 9 months old or else interim financial information is required</td><td>Audited accounts for 3 years or the shorter period since incorporation

Audited accounts that are no more than 9 months old or else interim financial information is required</td></tr>
<tr><td colspan="3">Financial information must be in IFRS form or other approved GAAPs for non-EEA issuers

Financial information for the past 2 years, at a minimum, must be restated on the basis that will be applied to the next set of annual accounts post-IPO</td><td>Financial information must be in EU IFRS form or other approved GAAPs for non-EEA issuers and Channel Island issuers or national GAAP with reconciliation to one of the approved standards</td></tr>
<tr><td>Public accounts</td><td colspan="2">The directors of the issuer are responsible for preparing Pro forma financial information (including significant change) in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation. An accountant will form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and the accountant will report to the issuer.

The issuer will require an accountant’s report on historical financial information. The report is pursuant to paragraph LR 13.3.1(3) of the Listing Rules and is given for the purpose of complying with that paragraph and for no other purpose.</td><td colspan="2">Pro forma information is not mandatory but is general practice for significant change to be present. If presented, then it will be required to be reported by an accountant</td></tr>
</table>

Detailed key listing and information requirements (cont.)

IPO requirements

<table>
<tr><th></th><th>Main Market Premium</th><th>Main Market Standard</th><th></th><th>AIM</th></tr>
<tr><th></th><th>Equity</th><th>Equity</th><th>GDRs</th><th>Equity</th></tr>
<tr><td rowspan="2">Working Capital statement</td><td colspan="2">The Prospectus is required to include a statement by the Company regarding the sufficiency of the working capital of the issuer in accordance with Item 3.1 of Annex 11 of the PR Regulation and paragraph 6.7.1R of the Listing Rules. The statement is required to cover the Group’s present requirements, that is, for at least the next 12 months from the date of publication of the Prospectus (the ‘Working Capital Period’).</td><td rowspan="2">No requirements</td><td rowspan="2">The Admission Document is required to include a statement by the issuer regarding the sufficiency of the working capital of the Group in accordance with paragraph (c) of Schedule Two of the AIM Rules for Companies.

The directors of the issuer will prepare working capital projections for at least a 12 month period following the date of the admission document, in the form of a working capital board memorandum for which they will be solely responsible.</td></tr>
<tr><td>The Sponsor will make a declaration to the FCA in respect of the statement in accordance with paragraph 8.4.8R(3) of the Listing Rules.</td><td>No requirements</td></tr>
<tr><td>Private reports (required)</td><td>Financial position and prospects procedures report – summarises the issuer’s current internal controls, risk management and corporate governance. Comments are made on the issuer’s FPP procedures.

Working capital report – the report includes detailed working capital projections for the issuer across the next 18 – 24 months, covering the following: the assumptions underlying the projections, the sensitivities likely to affect the projections, details of the available headroom and compliance with covenants. The report is to support the issuer’s working capital statement.</td><td colspan="2">Varies on the underwriters’ requirements</td><td>Financial reporting procedures report

Working capital report</td></tr>
</table>

Detailed key listing and information requirements (cont.)

IPO requirements

	Main Market Premium	Main Market Standard		AIM
	Equity	**Equity**	**GDRs**	**Equity**
Long form report	The long form report is a private due diligence report prepared for the benefit of the directors and the Sponsor. The report's scope is set by the issuer and Sponsor and typically presents financial diligence over the group's historical operations for the same period covered by the Historical Financial Information. The report is not regulatory required. However, the Sponsor or NOMAD will typically request a long form report to provide insight into the recent financial history and to inform the equity story.			
Internal controls & risk management	Paragraph 8.4.2R(4) of the Listing Rules requires the directors of the issuer to have established procedures which provide a reasonable basis for them to make proper judgements as to the financial position and prospects (“FPP”) of the Group. The Sponsor(s) are required to make a declaration to the FCA in accordance with paragraph 8.4.2R and paragraph 8.4.3R(1) of the Listing Rules.	No requirements		Pursuant to Schedule Two of the AIM Rules for NOMAD, it is the responsibility of the NOMAD to confirm that the issuer has a declaration that procedures have been established, which provides a reasonable basis for the directors to make proper judgements as to the financial position and prospects of the issuer and its Group (‘FPP procedures’) that are appropriate to be admitted to AIM. The directors of the issuer will draw up a board memorandum to provide evidence of the steps undertaken by the directors of the issuer, having regard to the objectives for FPP procedures set out in ICAEW Technical Release TECH 14/14 CFF. To enable them to confirm that they have established procedures which provide a reasonable basis for them to make proper judgments as to the financial position and prospects of the issuer and the Group and to document the basis of their confirmation.

Detailed key listing and information requirements (cont.)

Obligations post-IPO

	Main Market Premium	Main Market Standard		AIM
	Equity	**Equity**	**GDRs**	**Equity**
Corporate governance	The issuer is required to comply with the UK Corporate Governance Code or explain non-compliance in the Prospectus and annual report going forward.	The issuer is required to publish a corporate governance statement in their annual report in line with the Disclosure and Transparency Rules Statement, stating the level of compliance with the UK Corporate Governance Code		The issuer must comply with a recognised corporate governance code. The issuer must state how they adhere to the code and where they deviate from the chosen corporate governance code and explain the reasons why. The information should be reviewed annually.
Significant transactions	Significant transactions (acquisitions or disposals) that exceed 5% of any class tests will require the issuer to make an announcement Significant transactions that exceed 25% of any class tests will require shareholder approval, a circular and the appointment of a Sponsor Related party transactions that exceed 5% of any class tests will require shareholder approval, a circular and the appointment of a Sponsor Reverse takeovers that exceed 100% of any class tests will require re-admission, including publication of a Prospectus and shareholder approval	No specific requirements for significant transactions Reverse takeovers require re-admission including publication of a Prospectus and shareholder approval	No specific requirements for significant transactions	Significant transactions exceeding 10% of any class tests will require an announcement Related party transactions exceeding 5% of any class tests will require an announcement Disposals exceeding 75% in any class tests within a 12-month period will require publication of a circular and shareholder approval Reverse takeovers that exceed 100% of any class tests will require re-admission to AIM, including publication of an admission document and shareholder approval
Further equity issues	The Issuer is required to publish a Prospectus for further issues where the offering exceeds 10% of existing shares over a 12-month period		Further issues up to the total limit of the block listing will typically require a Prospectus to be published	Where a new class of securities is to be admitted, or the transaction qualifies as a reverse takeover, an admission document will be required to be published under the Prospectus Rules

Detailed key listing and information requirements (cont.)

Obligations post-IPO

	Main Market Premium	Main Market Standard		AIM
	Equity	Equity	GDRs	Equity
On going reporting requirements	The issuer is required to publish their annual financial reports within 4 months of their year-end			
	The issuer is required to publish half-year financial reports within 2 months of the reporting period end The issuer is not required to publish interim management statements but is best practice to publish the statement twice a year		The issuer is not required to publish half-year financial reports but is general practice Interim management statements are not required	The issuer is required to publish half-year financial reports within 3 months of the reporting period end Interim management statements are not required
	The issuer must immediately disclose publicly any inside information			