Preparing for your IPO Success

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Preparing for UK IPO success: Introduction

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Head of 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 like to discuss your potential IPO plans in more detail.

We hope you find our guide useful.

01

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.

02

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 requirements;
- financial and non-financial reporting;
- controls and corporate governance;
- tax and people incentives; and,
- legal and company secretary.

03

CFO insights: 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 in 2021.

CFO insights: Moonpig plc

Insights and advice from Andy Mackinnon, CFO of Moonpig. Andy steered Moonpig through a £1.2 billion Main Market IPO

04

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.

01

Key steps on the journey to IPO

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	IPO
Equity story and investor engagement	Equity-story considerations KPI and peer benchmarking	Equity-story development and finalisation	Investor and analyst marketing	
Financial and non-financial information	IFRS GAAP conversion (if required) Identify ESG reporting requirements	**Preparation of financial track record and ESG reporting** 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		

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

02

Key questions to consider as part of an IPO

Key questions to consider as part of an IPO

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.

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.

1. How compelling is your equity story?

The equity story is the foundation of a successful IPO. Simply put, 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?

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.)

Rob Crowley

Partner,

UK Capital Markets Advisory Group

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.

Louise Kirby

Partner,

Governance and Controls

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.

3. Do you understand the key listing and diligence requirements?

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 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?

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.)

Kelly Martin

Partner,
Accounting Advisory Services

"Having robust and reliable financial and ESG reporting is key to building investor confidence and providing an understanding of business value. Trust can be lost instantly if you get it wrong.

5. Is your reporting setting you up for success?

It is imperative to focus on "going public" as well as "being public". There is a huge uplift in the volume of financial and ESG reporting as a listed business. Crucially, investors need information they can trust.

Key reporting considerations in preparing for an IPO include:

- **Historical track record:** the listing prospectus requires an audited three year track record in compliance with IFRS. If an IFRS conversion is required, this should be started early to ensure adequate systems and processes are in place. The historical track record provides key information to investors and needs to clearly support the equity story.
- **Pro forma information:** significant acquisitions and disposals require pro forma reporting under IFRS. Acquired businesses applying local GAAP may need an IFRS conversion that pre-dates the acquisition.
- **ESG reporting:** the prospectus and related marketing material will require cohesive reporting on non-financial information. High quality ESG reporting allows investors to understand value drivers and long-term sustainability.
- **Post-IPO:** listed businesses are required to produce more reporting within a shorter timeframe. Having adequate systems, processes and controls will minimise the burden and increase investor confidence. And it's constantly changing! Staying on top of future developments will support a highly effective reporting function.

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

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.

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.

6. Are you tax ready?

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 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.

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

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.)

Richard Woods

Partner,
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.

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.

8. Are you ready from a legal perspective?

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 forget 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.

9. Is your company secretary function PLC ready?

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?

03

CFO insights: Darktrace plc

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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 ex-UK Capital Markets Advisory Chair. 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 8markets, 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.

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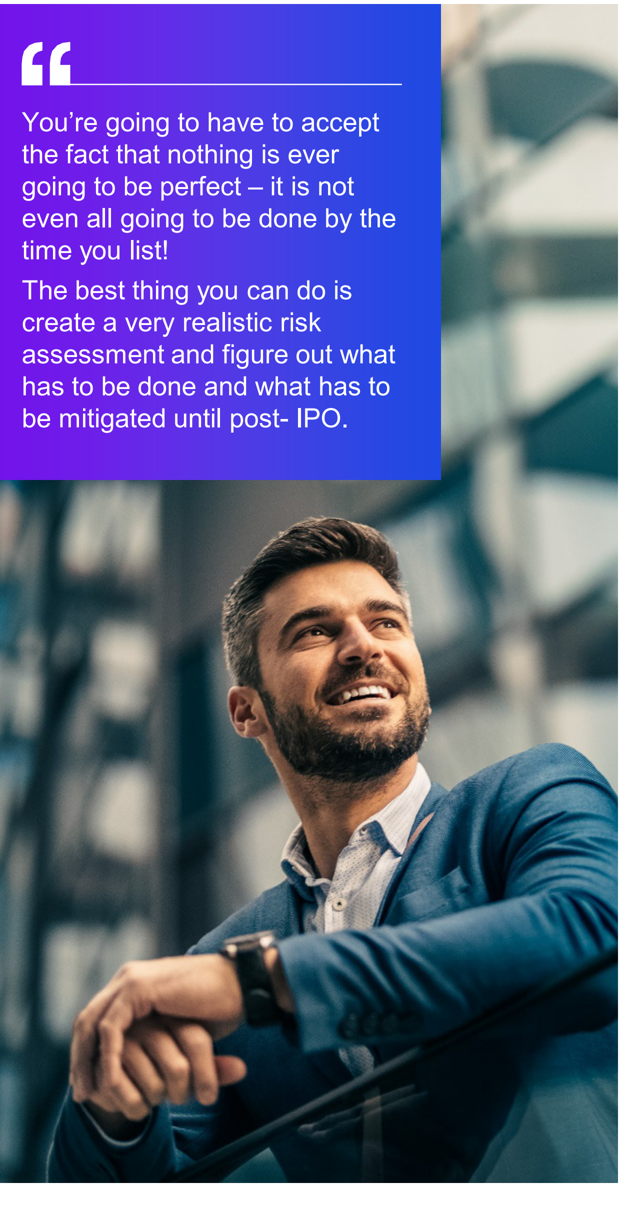

CFO insights: Darktrace plc (cont.)

> 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 scalability 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 8those 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.

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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CFO insights: 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 w hat 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.

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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> 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.

> IPO readiness absolutely was valuable, particularly around doing things like ensuring all the stakeholders were on the same page.
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04

CFO insights: Moonpig plc

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Andy Mackinnon

Chief Financial Officer,
Moonpig plc

Moonpig is a UK-based, online market leader for greeting cards and gifting. The business listed on the UK Main Market in February 2021 at an initial valuation of £1.2 billion. It became a constituent of the FTSE 250 in June 2021.

Andy Mackinnon, CFO at Moonpig, sat down for a Q&A with Svetlana Marriott, KPMG's Head of UK Capital Markets Advisory Group. They discussed his experience of the IPO journey, and how life changes as a CFO of a public company.

How early did you start building IPO considerations into your strategy and how did it impact your key decisions as a result?

Well I suppose in the private equity business, and we were private equity owned, you are always for sale and so whilst we didn't plan specifically for an IPO, we did focus on exit readiness, and in particular in our case, we were a division of the wider group and so we had been working for two years prior to the IPO on operational separation.

We also invested across about a three-year period in a new technology platform, which is really key for the Moonpig Group because it really turned us from being an ecommerce retailer, into what we are today, which is more of a technology and a data business.

And I think finally for us, the IPO followed a period of lockdown, and obviously that was an important time for us as an ecommerce business, and we really focused on delivering an enduring step change in the scale of our business. So, rather than prioritizing short term revenue we looked at things like, can we encourage our customers to download the app because we know that locks them in. Can we send them occasional reminders on our technology platform because again that locks them in. And that's important, because that additional scale gives you liquidity and that's very important as a listed company.

> We focused on delivering an enduring step change in the scale of our business, as additional scale gives you liquidity and that's very important as a listed company.

> I think, speaking personally as CFO, the key challenge is actually the sheer amount of workload that falls on your shoulders.
>
> It's a very significant amount of work that you need to juggle in what can be a quite intense period of time.

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

Well I think for us the key challenge was our ambitious timetable – we knew there was a window when equity markets were open and we wanted to make sure that we hit that. I think we were really lucky because we have got an amazing team, so in our case we did a legal entity demerger, we did a £195 million debt refinancing and then we did a FTSE 250 IPO in a four-month window ! So, it really was quite an intense process and that was obviously a challenging time.

I think, speaking personally as CFO, the key challenge is actually the sheer amount of workload that falls on your shoulders, and in that seat, the thing is that you are fully involved in investor meetings right the way through the process, and that can be 8 or 10 calls or meetings with investors in the day. But at the same time, you've got to be involved in all the other aspects of the process, so in the background you are writing the prospectus, you are involved in preparing forecasts, you are having meetings about the implementation of additional financial controls and it's a very significant amount of work that you need to juggle in what can be a quite intense period of time.

CFO insights: Moonpig plc (cont.)

How did you manage the running of the IPO and running the business at the same time. What sort of techniques or processes did you use that you could share?

Well as I said, the IPO process is really very demanding, for both the CEO and the CFO in the business. I think w hat w as really important for us at Moonpig group was that w e have got a very strong leadership team and they continued to drive the business, throughout the period where Nicky, our CEO and myself were tied up in the investor meetings and the other aspects of the IPO. So, in that case w e did a really good job of protecting the day to day running of the business from the IPO process, to the extent that actually in the months shortly after admission we were actually in a position to upgrade our financial guidance.

So as a business we really benefited from the strength of our leadership team, and that's a very important part of the preparation for any business that's coming to an IPO - it's making sure you have got that bench strength.

> If I were to do it again, I'd either want more time or I'd do more investment upfront in IPO readiness preparation.
>
> I'd also probably also focus on some of the things that you need in place very shortly after the IPO, such as preparing your first glossy annual report, which is quite a big endeavour in and of itself.

Looking back, if you were delivering an IPO again, what would you change? What would you do differently?

Well I think overall at Moonpig Group, I think we got the IPO right, so we were 10 times oversubscribed and we have beaten every commitment that we ever made as part of the IPO. But to that point around the intensity of the process, if I were to do it again, I'd either want more time or I'd do more investment upfront in IPO readiness preparation.

So there are things that you can do – like making sure you've got all the additional financial controls in place – that you can start to prepare for ahead of the formal process and I'd really recommend anybody to focus on making sure that they do that.

I'd probably also focus on some of the things that you need in place very shortly after the IPO, such as preparing your first glossy annual report, which is quite a big endeavour in and of itself, and in our case that came quite fast after admission.
So, anything that you can do to prepare for that is valuable as well.

> As a business we really benefited from the strength of our leadership team, and that's a very important part of the preparation for any business that's coming to an IPO - it's making sure you have got that bench strength.

CFO insights: Moonpig plc (cont.)

Have you done any forward planning for your IPO? Have you done any readiness assessment or any plans that you put in place ahead?

Well, in our case we moved fast and did the entire process in four months! So, I can't talk from my experience about the preparatory steps that we did, but given how tough the process was, I can definitely recommend anybody to do so!

I'd take steps to strengthen your financial control environment, and I would make sure that you've got a really strong finance team in place because there will be a lot of demands placed upon them during the IPO process. Also think about the external support that you need during the IPO process: so for example, in our case, KPMG performed an important role assisting us with the financial modelling that we needed for the forecasts to support the working capital exercise. And then, finally, make sure you've got a really clear and concise articulation of your business model and strategy because you'll find when you go into the IPO process, that in contrast to a lot of meetings that you have under private ownership, you only get 45 mins in some cases to speak to investors. So being able to articulate what your business does and what your strategy is in a really concise way to cut through is very important.

> As a business we really benefited from the strength of our leadership team, and that's a very important part of the preparation for any business that's coming to an IPO - it's making sure you have got that bench strength.

You've mentioned the strength of the finance team and also the strength of the leadership team as two critical success factors. Is there anything else that you can think of that worked really w ell during the IPO and contributed to its success?

Well as I said, that point around having a really clear narrative on business model and strategy is key, and I think allied to that, it's important, we found, to make some really clear decisions upfront about how you want analysts to actually model your business, and what the KPI disclosure set is that you're prepared to share. Once you get into the process, there'll be lots of people encouraging you to share more, and as CFO one of the things you have to do is be able to balance that with other considerations like commercial confidentiality. So I think actually thinking about that upfront in a structured way is very important.

I think in our case we also benefitted hugely from the guidance of a supportive and experienced chair on the board. We were very lucky to have Kate Swann as our chair, and the depth and duration of her experience in public markets was really valuable for us as we went through that process. And then finally, our process was fully remote, and so that actually quite helped the road show – it's very efficient doing eight or ten investor meetings back-to-back by Zoom. Although, it's still surprisingly exhausting at the end of every day!

> If I were to do it again, I'd either want more time or I'd do more investment upfront in IPO readiness preparation.
>
> I'd also probably also focus on some of the things that you need in place very shortly after the IPO, such as preparing your first glossy annual report, which is quite a big endeavour in and of itself.

CFO insights: Moonpig plc (cont.)

How did your life change as the CFO of a public company compared to the priorities of running a private business?

Well, there are differences. A big change from being a private company is that you have equity research analysts predicting your future performance as a business, and you have to either hit those predications or profit warn. So actually, a big part of my role now is around managing the sell side consensus.

Then I think more generally there's a much greater focus on investor communication – so a big thick glossy annual report, results presentations, preparing for Q&A sessions with analysts and investors, the road show , investor calls. That all takes time and there's a difference in focus from if you are a private company. I have to manage a more formal governance framework compared to what I had when I was a CFO of a private company: you've got a plc board, there's a much more formal audit committee, and the external audit process is much more extensive when you are a public company. And then, because we are a FTSE 350 business, we also have to maintain an internal audit capability, which in our case we actually do on an outsource basis working with KPMG.

I think the important thing though is that we have been able to adapt to all of that in our business without impacting the things that are special about Moonpig – so a very entrepreneurial culture, and a very fast moving business environment. And precisely one of the key things about my role is making sure that the business is able to span all of the compliance, governance and control aspects of the organization, whilst making sure that the business still has those elements of its culture and DNA in place.

> One of the key things about my role is making sure that the business is able to span the compliance, governance and control aspects of being a listed company, whilst making sure that the business still has its entrepreneurial culture and DNA in place.

Is there anything else that you would w ant prospective IPO candidates to learn from your journey to IPO?

Well I think

1) make sure, as we said, that you've developed that really clear narrative around your business model and strategy;

2) do some preparation: if there's anything you can frontload, I think that's really important;

3) pay attention to bench strength in your leadership team, the leadership of the organization and in finance;

4) the final thing would be think about getting a dedicated and experienced IPO program manager into the business on an interim basis whilst you are going through the process. We benefitted hugely from bringing in somebody who w as an expert in managing IPO processes and had the battle scars, and I would recommend that as a pragmatic step to help you through the process.

> Think about getting a dedicated and experienced IPO program manager into the business on an interim basis. We benefitted hugely from bringing in somebody who was an expert in managing IPO processes and had the battle scars, and I would recommend that as a pragmatic step to help you through the process.

05

KPMG's IPO Advisory services

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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

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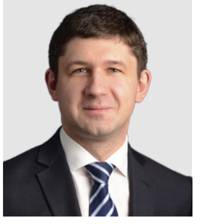

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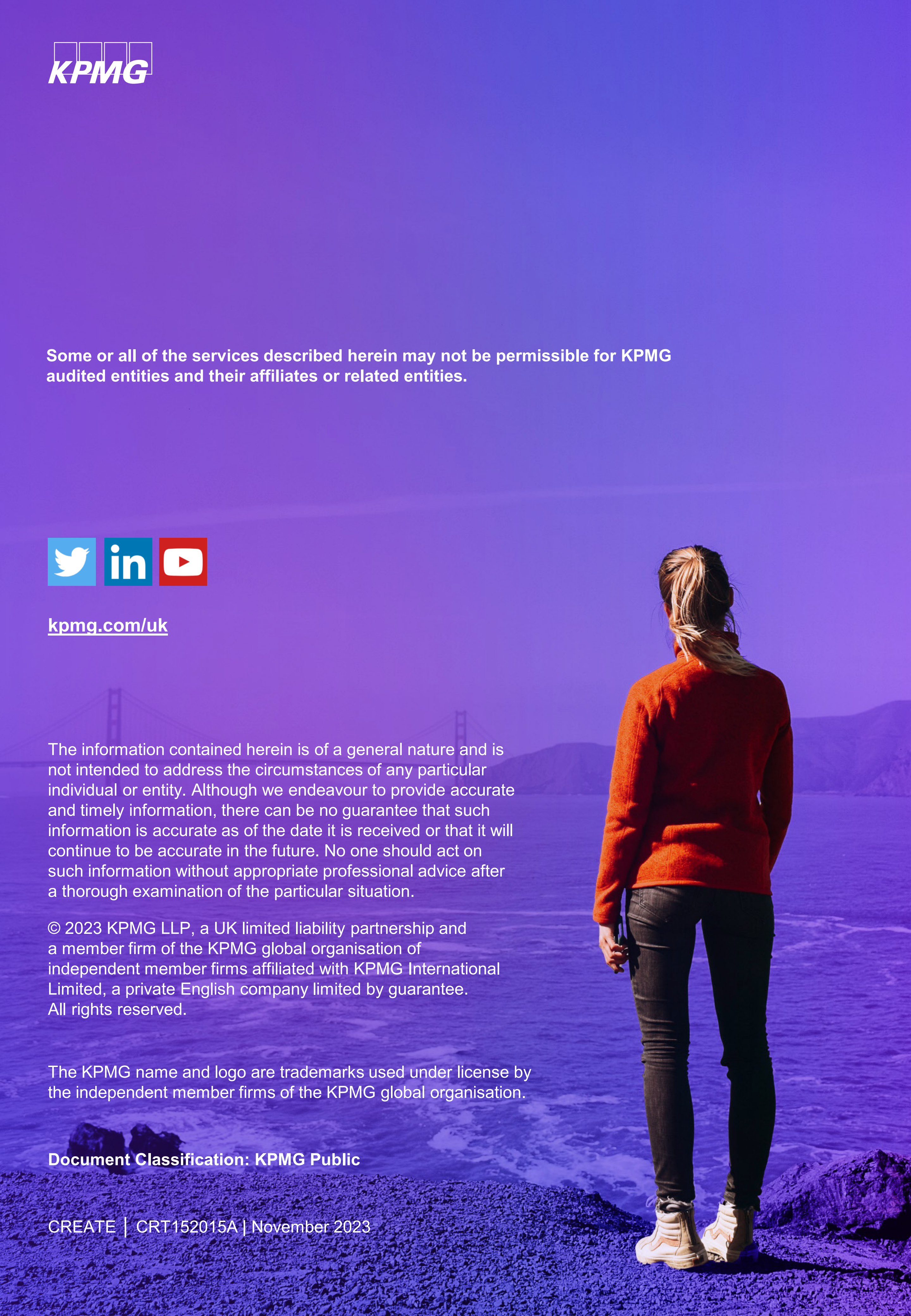

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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