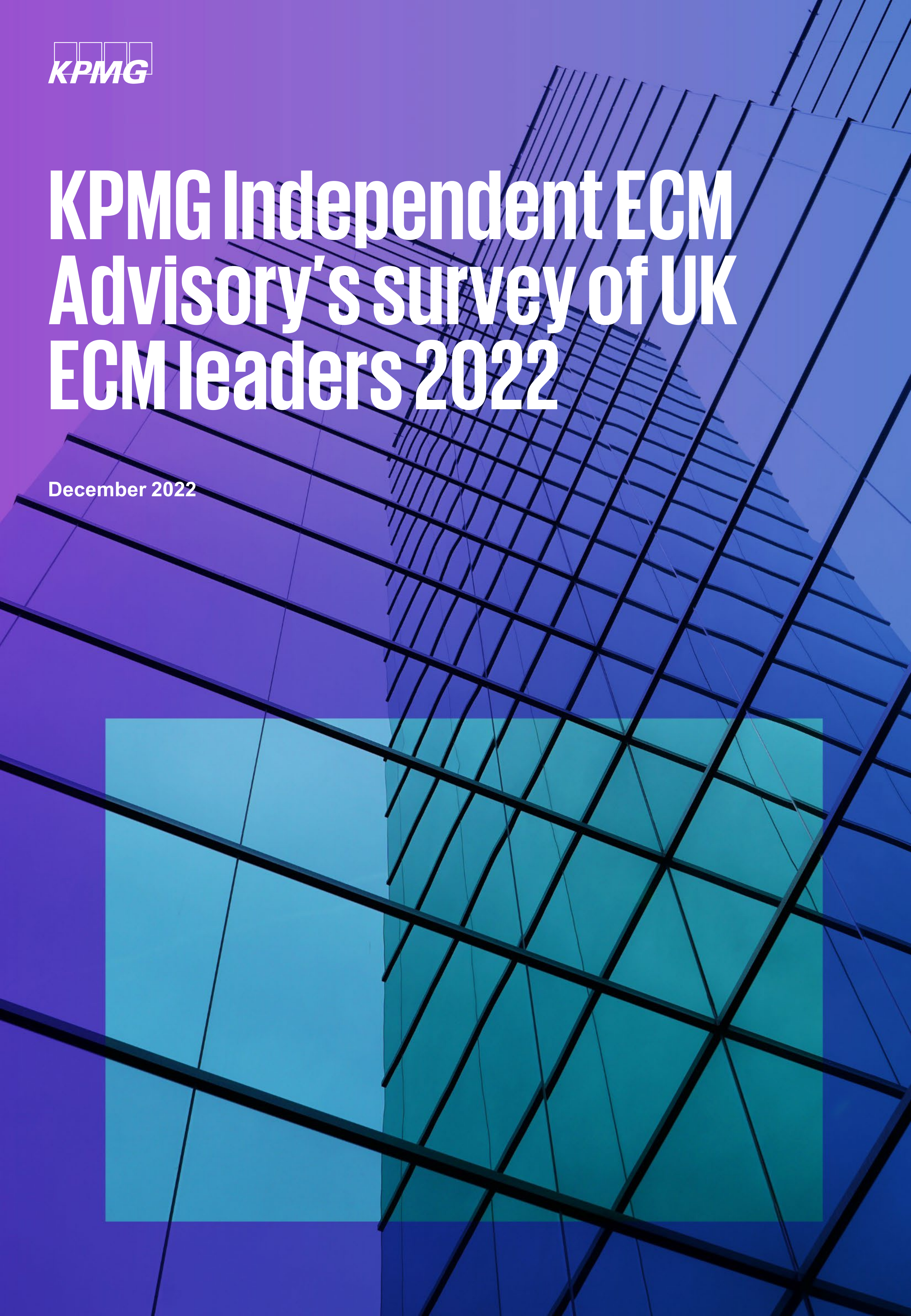
KPMG Independent ECM Advisory's survey of UK ECM leaders 2022

December 2022



Introduction

Aadam Brown

Head of Independent ECM Advisory

Welcome to our first survey of UK ECM leaders. Following a year of subdued IPO activity due to various market influences, we spoke to 25 UK ECM leaders across the large US and European Investment Banks through to the UK Small & Midcap Brokers during November to compile their views on:

- **A** UK IPO market recovery
- **B** Key future themes expected
- **C** Reflections on the IPO process

In addition to highlighting the results of the survey, we have captured direct quotes from the participants for context and to remain objective in our findings.

We hope you find the survey useful, and the team would be very happy to discuss the findings in more detail.

The report is structured into two sections:

- Section one summarises the key findings in chart form and highlights any themes arising from the survey responses
- Section two delves into more detail and captures more context provided by each of the participants in the form of quotes

Thank you to the UK ECM leaders from the following 25 banks that participated in our survey:

Bank of America | Barclays | Berenberg | BNP Paribas | Citi | Credit Suisse | Davy | Deutsche Bank | Finncap | Goldman Sachs | Goodbody | HSBC | Investec | Jefferies | Liberum | Morgan Stanley | Numis | Panmure Gordon | Peel Hunt | RBC | Shore Capital | Singer Capital Markets | Stifel | UBS | Zeus

The KPMG Independent ECM Advisory Team

We provide independent advice to companies and their stakeholders going through an IPO process and other Equity Capital Market transactions. We aim to provide informed guidance on key strategic decisions and coordinate the activities of other advisory parties to ensure the best possible chance of a successful outcome.

Our role covers the IPO process end-to-end: from pre-IPO preparation, equity story development, bank selection and other key adviser selection through to overall project management and detailed oversight of the execution aspects of the IPO such as early-look marketing coordination, comprehensive pre-deal investor education (PDIE) reporting, bookbuilding tactics, pricing and allocations.

We work very closely with our transaction services colleagues from the Capital Markets Advisory Group who help clients with IPO readiness assessment, internal preparation for IPO diligence and for becoming a public company.

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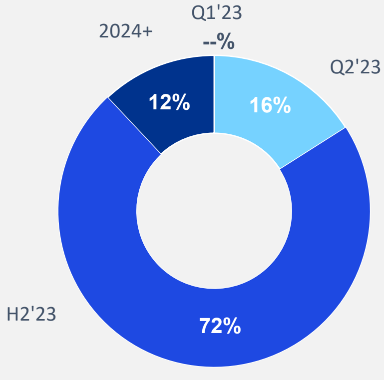
Summary of our findings

A UK IPO MARKET RECOVERY

When do you expect the UK IPO market window to re-open?



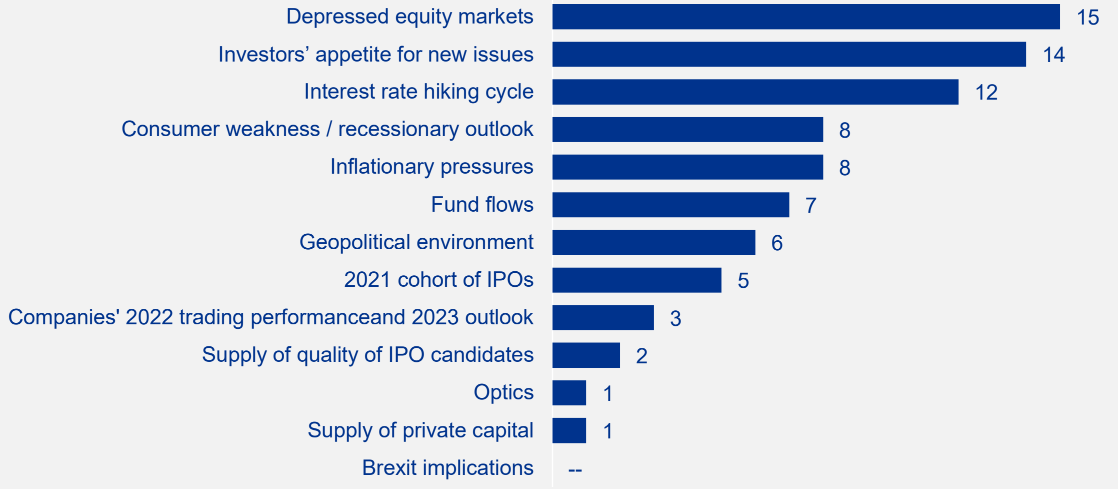
Note: Answers provided for a broader UK IPO return rather than early signs of activity

- A broad return for the UK IPO market is expected in the second half of 2023
- Many ECM leaders expect some bursts of early IPO activity in Q1/Q2 of 2023
- Although a lot is still uncertain and rides on the recovery in sentiment over the next few months, optimism remains

Which sector(s) do you think will lead the opening of the UK IPO market?

- “Companies coming to the market will be defined by quality rather than by sector“
- Energy transition continues to be in focus
- Other key sectors include profitable Tech or Tech-enabled companies, disruptive Financial Services, Healthcare and Business Services
- Tougher areas of the market are expected to be Real Estate, Industrials and B2C Consumer

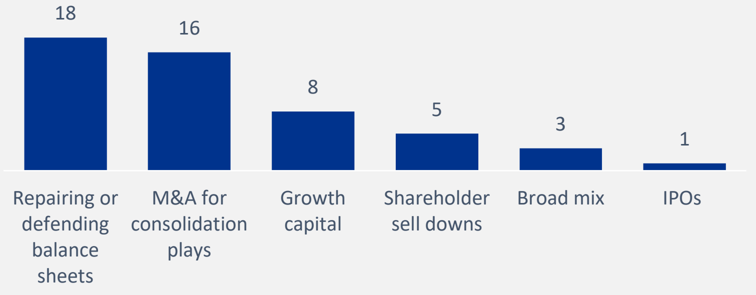
What do you believe is the biggest impediment to the recovery of the UK IPO market?



- Depressed equity markets are seen as the biggest impediment for the recovery of the UK IPO market which is interrelated with a host of factors from high inflation, the interest rate hiking cycle and consumer weakness to geopolitical concerns
- A return to fund flows into UK equities is one of the key areas that will help improve investor appetite for new issues
- The performance of the last IPO cycle has not helped investor confidence and there will need to be solid operational performance in prospective listing candidates over the next 12 months to lift sentiment

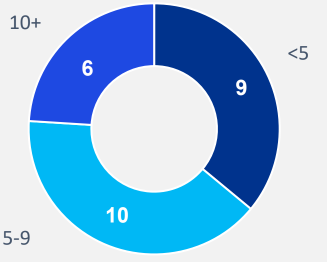
Summary of our findings (continued)

Where do you see the bulk of equity capital transactions in the next 12 months?



- UK PLC balance sheets are relatively strong now, but a wave of recapitalisations is expected at some stage
- M&A expected to play a part and some shareholders are still expected to sell-down and/or provide growth capital

How many UK IPOs do you have in the pipeline?



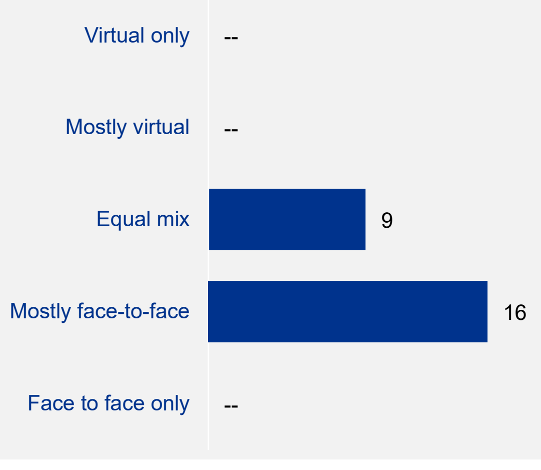
- Most banks have a healthy pipeline of UK IPOs waiting to return subject to market conditions
- Note that there is likely some overlap between banks

B

KEY FUTURE THEMES EXPECTED

What are your expectations for the format of IPO marketing over the coming years?

Management meetings (Early Looks and Roadshow)

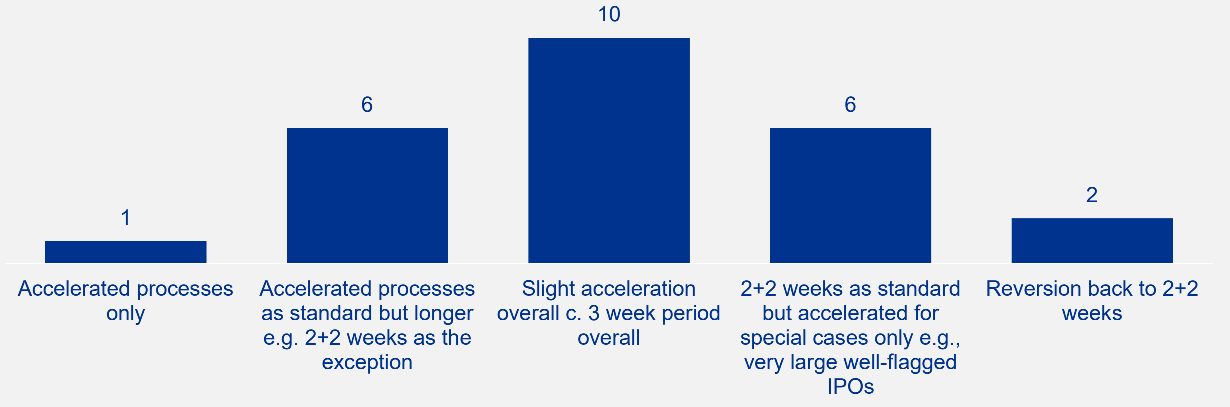


PDIE / Analyst marketing

- Face-to-face meetings remain important for management meetings, especially Early Looks
- Many see the benefit of keeping analyst marketing mostly virtual

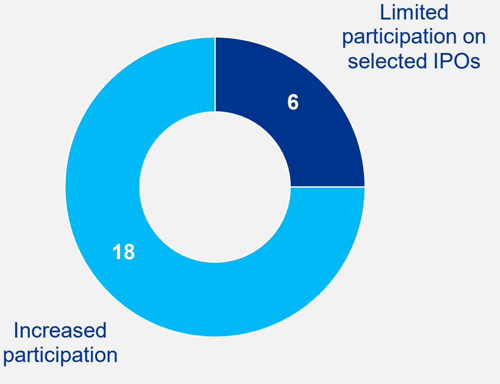
Summary of our findings (continued)

Do you think we will see more accelerated PDIE and bookbuilding periods or will these be for special cases only?



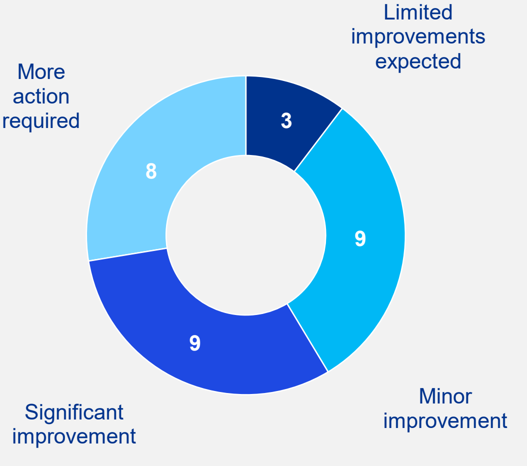
- Acceleration likely to remain the norm and the consensus seems to be for a three week process although the structure of this remains up for debate
- However, there was recognition that more volatile markets do require more time for investors to do the work for an IPO

How do you see Retail participation in IPOs developing going forwards?



- The majority of participants (and nearly all Small & Midcap Brokers) expect increased participation going forwards
- However, not everyone expects an explosive increase and some are a little more critical

How optimistic are you about the recent and ongoing UK listing reforms?

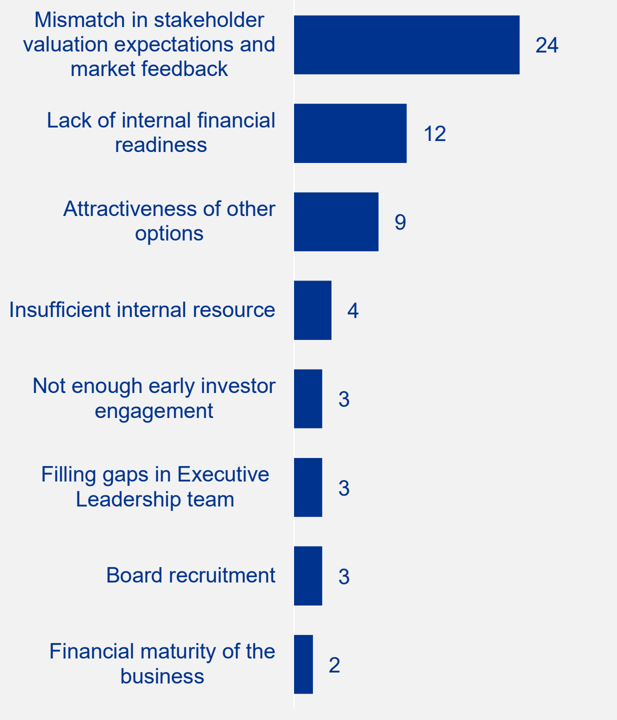


- The majority are pleased with the “step in the right direction” but highlight there remains “more fundamental issues”
- “The biggest positive is that there is now a willingness and opportunity to change" but “we need to be bolder and receive more government involvement and adoption.”

Summary of our findings (continued)

C | REFLECTIONS ON THE IPO PROCESS

In your experience what is the most common reason (outside of market conditions) that causes an IPO to be delayed or withdrawn?



- A mismatch in stakeholder valuation expectations and market feedback is by far the most common cause of delayed or cancelled IPO processes, outside of market conditions
- Another key cause is lack of internal financial readiness
- An alternative option i.e. M&A also remains a key cause for IPO processes to withdraw
- Other areas mentioned included Board recruitment, filling gaps in the Executive leadership, doing enough early investor engagement and the financial maturity of the business

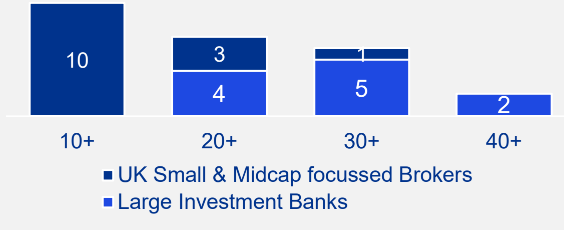
In your view what are the top three considerations that contribute to a successful IPO?

- A strong and differentiated Equity story was highlighted as the number one consideration for a successful IPO
- Tying into a theme we saw in the common causes of delay, valuation has also been highlighted for success
- Robust financial information and early investor engagement is also crucial and a strong management team goes a long way

What is an ideal syndicate structure?

- There was a clear divergence on syndicate structure views between the Small & Midcap Brokers and the larger Investment Banks
- Most Small & Midcap Brokers would prefer sole mandates, however, some leaders highlighted the benefits of always having more than one…
- At the larger end (above c.£200-300m+), there seemed to be consensus on circa four to five banks
- Too many banks is perceived to be counterproductive and more than two lead banks reduces accountability

What quantity of Early Look meetings would you generally recommend to a listing candidate?

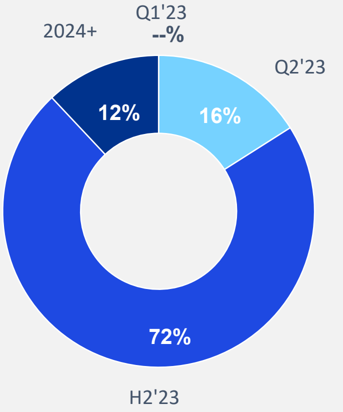


- Early Look meetings are incredibly important
- The consensus for Small & Midcap IPOs, is 10-20 investors
- However, this moves towards 30+ investors for larger IPOs with the majority preferring not to do too many more than this
- For larger deals, including Hedge funds has its merits

Section 2: Detailed responses

As part of the interview process, we recorded the context provided by all participants and have included some of these as quotes in the following section

When do you expect the UK IPO market window to re-open?



Note: answers provided for a broader UK IPO return rather than early signs of activity

A broad return for the UK IPO market is expected in the second half of 2023

The overwhelming majority of ECM leaders see a broad return for the UK IPO market in the second half of 2023. As we head into Christmas, some highlight that the sentiment seems to have picked up: **"Today is better than four weeks ago which was better than four weeks before that. A few months ago, there was no investor interest in anything new, but this has improved recently."**

While sentiment is important, there is also a look-through on the preparation activity they are seeing in the market: **"We don't have many companies preparing now, so the pre-summer window is looking unlikely (companies need six months to prepare at least). A lot of investors are going to want to see if / how consumer sentiment improves over Winter."**

Some bursts of early IPO activity expected in Q2/Q1 of 2023

While the majority of participants expect a broad return in H2 2023, eight mention that we could start seeing some early activity in Q2 and another three suggest this may occur as early as Q1. It is worth noting that most of these views come from the larger international banks that generally place IPOs with an offer size above c.£250m.

"Q1 is expected to be open selectively for a number of must-own issuers, e.g. large carve outs, ESG focused stories, or those with a very compelling valuation or investment attractions such as high dividend yields. Q2 should be more open because of greater visibility on consumer spending, rates, central bank sentiment and visibility on FY22 earnings. We hope investors will be more open for new opportunities post Easter."

Other early activity is expected to come from IPOs that have been in the pipeline for some time and ready to move at short notice: **"A few IPOs ready to go in Q1 to test the waters but most will need more signs of stability and confidence before launching."**

However, it is not just the larger IPOs expected in the early windows. A few of the Small & Midcap Brokers mentioned that the IPO market may be open for **"select smaller companies drawing on the benefits of VCT and EIS money."**

A lot is still uncertain and rides on the recovery in sentiment over the next few months

"Many companies, especially PE-backed companies may be reluctant to commit time and money to a process unless markets and valuations return to stability. We constantly look for signals in the market such as bigger trades clearing, larger PE or founder blocks getting done and more secondaries."

We note that while most of the Small & Midcap Brokers also see H2 2023 as a broad return, three were more pessimistic, suggesting the return may be as late as 2024: **"At the back end of 2023 we might see some good companies come to market but until people believe 2023 earnings, it will be tricky to IPO."**

"It somewhat depends on how the rest of this year plays out, i.e. if macro doesn't worsen, but then the question becomes are companies actively preparing for that earlier window."

…but optimism remains

"I don't think the recession will be too bad, for IPOs, it depends on the stories coming back."

"Quality comes first, and companies can list if they are high quality and at an attractive valuation in any market."

"I am very bullish on the IPO market in the medium term. With debt markets as they are, it is extremely challenging for sponsors to realise value elsewhere given the more limited leverage. I think it will happen sooner than most people realise but it depends on how bad the economy is in Q1."

What do you believe is the biggest impediment to the recovery of the UK IPO market?

Participants were able to select more than one option

Several interrelated factors are causing an impediment to the return of the UK IPO market

Depressed equity markets are seen as the biggest impediment for the recovery of the UK IPO market which is interrelated with a whole host of factors from high inflation, the interest rate hiking cycle and consumer weakness to geopolitical concerns. **"The interest rate hiking cycle is impacting sentiment"** …and until… **"we know where rates will land and, therefore, where debt will price, this becomes an important headwind."**

"Inflationary pressures are driving a lot of the issues here, including the ability for companies to forecast effectively. Interest rates are definitely a key driver of secondary market activity and depressed equity markets mean depressed valuations which are of course not helpful."

A return of fund flows into UK Equities will be key to improving investor appetite for new issues

Another clear barrier, some of which can be attributed to the above, is the lack of fund flows into UK equities: **"UK equities, and especially small & midcap equities, have seen the biggest outflows globally: we need to see redeployment of capital into UK equities in order to support a recovery in the UK IPO market."**

"We have seen the biggest outflows over the last 18 months since the Global Financial Crisis. Equity weightings in pension funds is the lowest since 1956."

However, several participants note that this can **"change sentiment very quickly"** and **"when they return, IPOs are a great way to put new inflows to work."**

All of this then reduces Investors' appetite for new issues as they are more concerned with managing their existing portfolios and so **"more likely going to invest into their current portfolio which is currently cheap where they know they can capture a healthy return as we bounce back."**

The performance of the last IPO cycle has not helped

Many participants are fully aware of the negative implications of the recent IPO market performance and recognise that **"time needs to elapse between the 2020/2021 cohort of IPOs for people to forget the severe underperformance."**

Having said that, while **"we expect depressed investor appetite for very fast growth stories, investors will look again to IPO markets to capture alpha."**

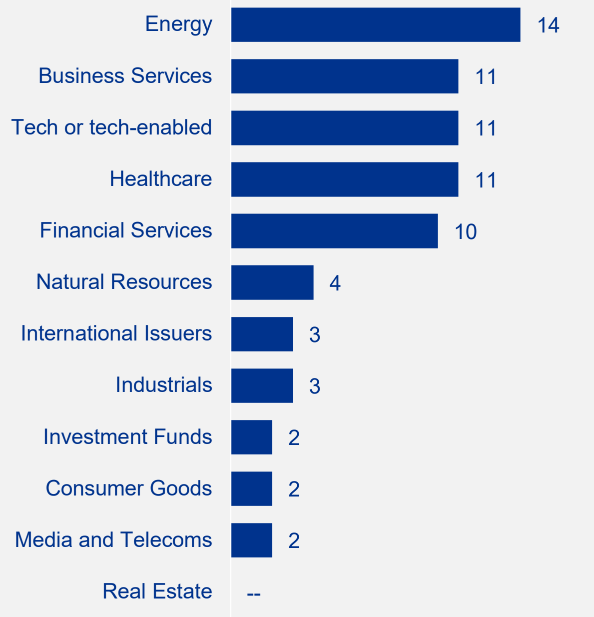
Solid operational performance over the next 12 months is required to regain confidence

The IPOs that are expected to return will need to be high-quality businesses with a **"higher certainty of forecasts coming from a more benign macro environment."**

"Companies need to have traded well enough in 2022 to give investors' confidence for 2023."

Which sector(s) do you think will lead the opening of the UK IPO market?

Participants were able to select more than one option



"Companies coming to the market will be defined by quality rather than by sector"

While nearly all participants named certain sectors that were likely to lead the UK IPO market return, many highlighted quality as a broader overarching theme for early cycle IPOs: **"Well capitalised, established EBITDA, steady winners are what will be required."**

"Any company in most sectors would be able to list but it has to be for the right reasons and the right valuation."

Investors are going to be looking for **"sectors that are going to bounce back in or after a recession including mature assets with good cash flows."**

However, Energy transition continues to be in focus

Energy (of which the majority of participants defined as Energy transition or Renewables), was the most highlighted sector. **"The infrastructure end of Energy is a focus and there is potentially space for growth within the green space."**

Despite headlining many of the underperforming IPOs in 2020 and 2021, Tech is expected to play a part in the next IPO cycle

Some might be surprised to see Tech or Tech-enabled sectors highlighted as leading the reopening of the UK IPO market. However, while there is a recognition that Tech **"is likely going to be later cycle, some cases are capable of being floated sooner."** This is because although **"a lot of tech valuations have halved, there are some good subsectors where revenues shouldn't be affected as much in the current environment, and so when investors look at fundamentals, these companies will be attractive."**

But the participants are clear that **"profitability will be a focus"** and that for **"Tech-enabled businesses, more B2B rather than consumer-focussed and not Retail"** will likely prevail.

Other key sectors include Financial Services, Healthcare and Business Services

While Healthcare has been mentioned by most participants, there is an expectation that most of these companies will be US-bound as the **"challenge will be to convince these companies to list in the UK."**

Financial Services is expected to produce a number of IPOs **"as there is a lot of change with some disruptive businesses and structural growth plays"** and there are a **"fair amount of Financial Services companies in the UK and many are doing well in the higher interest rate environment."**

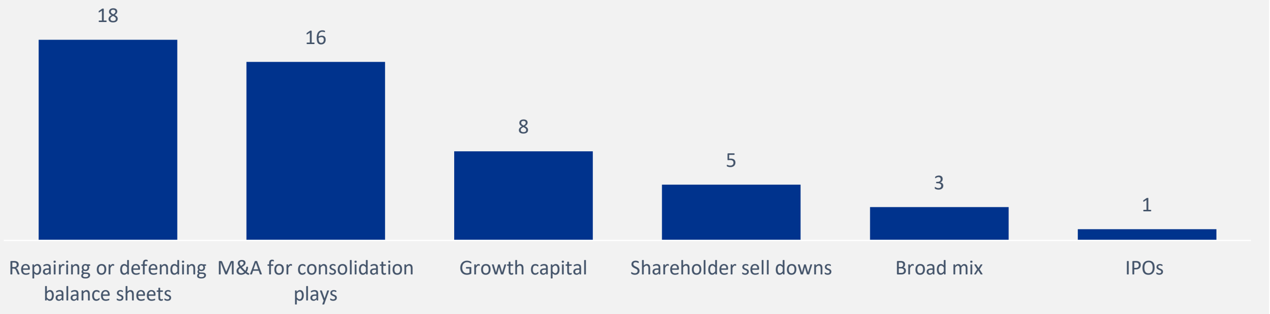
Tougher areas of the market are expected to be Real Estate, Industrials and Consumer

Companies within Real Estate or Consumer sectors will be **"very hard"** and need to be on **"very sensible valuations with a focus on resilient forecasts and cost control."** Consumer Staples as opposed to Discretionary is more likely to be successful.

However, not all participants were negative on consumer companies as **"there will be some companies that have held up okay"** and it is **"worth noting that the pipeline at the start of the year had a heavy weighting to consumer."**

Where do you see the bulk of equity capital transactions in the next 12 months?

Participants were able to select more than one option



UK PLC balance sheets are relatively strong now, but a wave of recapitalisations is expected at some stage

Most participants recognise that while **"balance sheets are better coming out of Covid then going into"**, there is still an expectation that companies will need to recapitalise at some stage next year and that these may **"happen in quick succession."**

One commented that **"although balance sheets were repaired during Covid, covenants were not set at the right level for a significant downturn."** Another noted that **"there are many CFOs who are likely to have never seen a higher rate environment where lending is not easy."**

March after the year end results as **"we see the reality of the harder environment"** is maybe where we start to see these occurring, but generally the expectation is that these will be **"towards the back end of next year."**

M&A expected to play a part and some shareholders are still expected to sell-down and / or provide growth capital

"There is a lot more scope at the moment for M&A deals" and there are a **"number of PLCs that see value in their sectors as well as some inbound M&A expected."**

The quality theme continues as one mentioned that **"good companies with good shareholders and sensible M&A opportunities should be able to raise capital."**

"Growth capital will be available for a proper story."

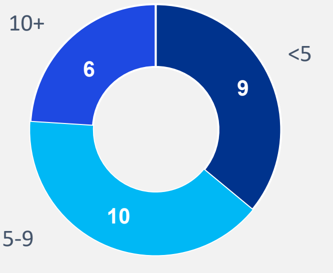
There are some **"pretty big lock-up expiries rolling off"** and there is recognition that **"not all share prices are depressed."**

How many UK IPOs do you have in the pipeline?

Most banks have a healthy pipeline of UK IPOs waiting to return subject to market conditions

We asked each of the participants how many UK IPOs they had in their pipeline – IPOs that were mandated although most were currently on hold and some were potentially subject to an alternative route.

This demonstrates that there are a fair number of companies that have already a completed a considerable amount of preparation work which could enable them to take advantage of any quick return to normal markets.

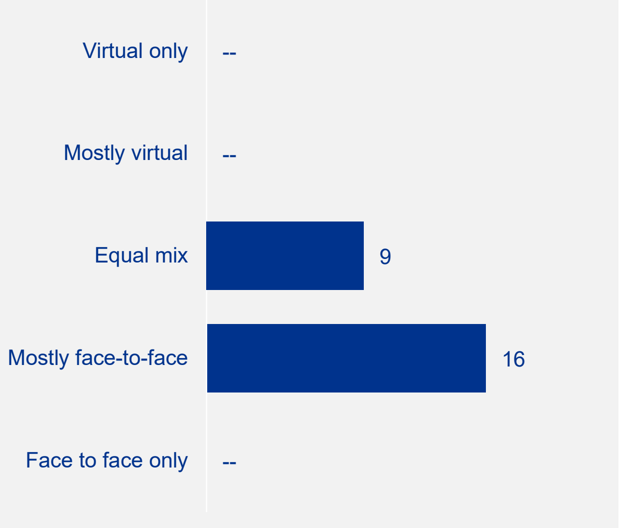


Note: there is likely some overlap between banks

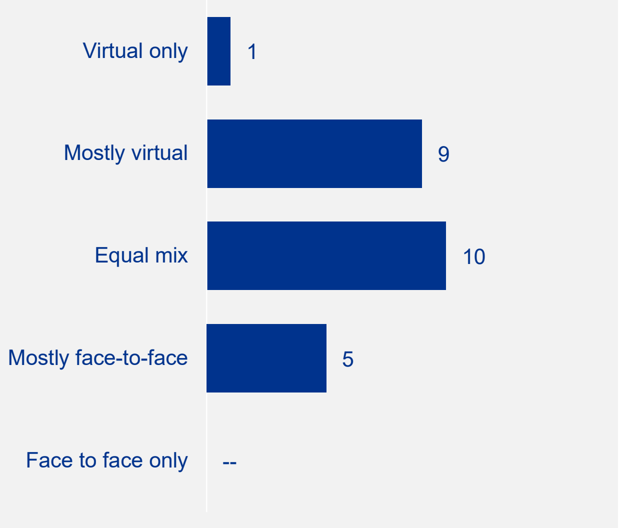
What are your expectations for the format of IPO marketing (e.g., PDIE, Management Roadshows) over the coming years?

Participants were able to select an option for each of analyst and management marketing

Management meetings (Early Looks and Roadshow)



PDIE / Analyst marketing



One of the key themes through Covid was the adoption of virtual meetings for IPO marketing. Some IPOs were done entirely virtual. With the return of many people back to the office, we posed the question to our participants as to what their expectation was for IPO marketing making the distinction between analyst marketing and management marketing clear.

Face-to-face meetings remain important for management meetings, especially Early Looks

For management meetings, there was a clear skew to mostly face-to-face meetings. However, while there was a recognition that **"Investors want to see the whites of management's eyes"**, others noted that actually **"getting fund managers to physical meetings is still hard."**

Another highlighted that for overseas **"apart from critical jurisdictions such as the US east coast, inevitably it will be a mix."**

"A lot of investors are not in London and trips to Scotland or Europe are becoming rare."

There was definitely a desire by all participants that management meetings, especially Early Look meetings revert to face-to-face as you inevitably get **"a much better level of engagement."**

"Management teams should feel like they are getting to know their investors" and clearly this is best done by in-person meetings.

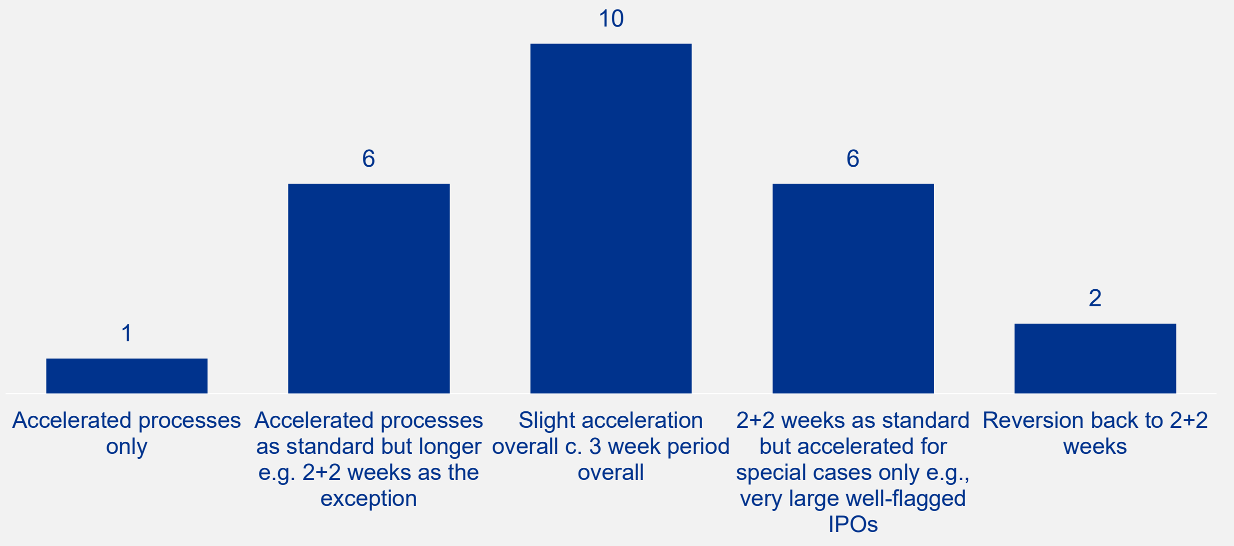
Many see the benefit of keeping analyst marketing mostly virtual

Some of the Midcap Brokers highlighted that some of the analyst marketing would still likely to be done face-to-face but otherwise, most assumed that **"analyst marketing will remain mostly virtual so they can get in as much as they can."**

One noted that **"a lot of fund managers may prefer teams for analyst meetings"** and **"given the analysts know most of the investors, PDIE can be mostly virtual, although, physical meetings still worth doing for London-based investors."**

One participant just didn't **"see the point in taking analysts around the city, with the odd exception."**

Do you think we will see more accelerated PDIE and bookbuilding periods or will these be for special cases only?



Historically, the length of time the analysts spent on the road marketing to investors (PDIE) and the management roadshow/bookbuilding periods used to be two weeks each i.e. two plus two (ten business days each). However, during Covid, we saw a number of these processes accelerated.

Acceleration likely to remain the norm…

While each individual IPO is going to have its own nuances, going forwards most participants expect PDIE and Bookbuilding processes to be accelerated as **"a shorter process is a benefit to everyone."**

"I think we will see faster processes. There is a move to efficiency from the regulator too. Everyone is incentivised. Much less risk."

This is partly tied into the fact that a lot of meetings may stay virtual: **"If majority of meetings continue to be virtual it's unlikely that it will revert to the traditional two plus two."**

The consensus seems to be for a three week process, although, the structure of this remains up for debate with "1+2", "2+1" and "1.5 + 1.5" constructs all being suggested.

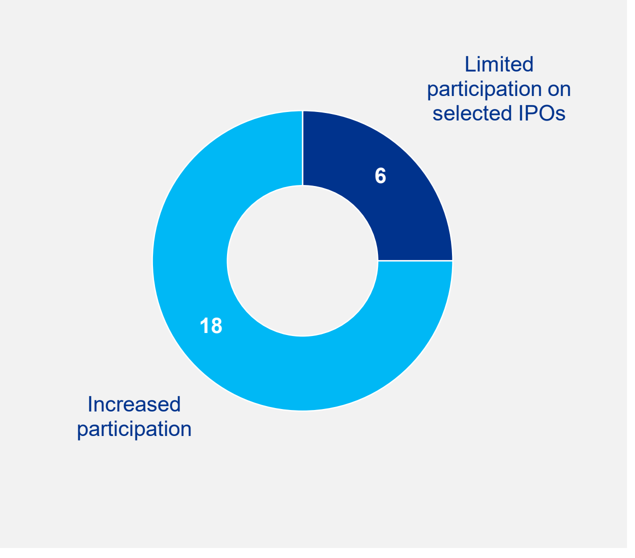
… but volatile markets may see longer processes

However, there was recognition that more volatile markets do require more time for investors to do the work**: "When market conditions are good and there has been good early investor engagement with alignment on valuation, the process should be accelerated to reduce market risk. However, in markets that are less straight forward, you cannot force investors to do the work quickly. If you are using PDIE for price discovery, then you need to be more patient."**

"Investors have little fear of missing out at the moment and so we expect investors to go back to taking their time."

"During Covid, the accelerated timetables were a reflection of too much capital chasing too few deals. Investors won't want to be rushed for the next wave of IPOs."

How do you see Retail participation in IPOs developing going forwards?



Another theme during Covid was the increased focus and participation of Retail. We asked our participants whether they thought this increase would continue, or whether we might revert back to pre-Covid times, where Retail involvement was more limited and selective.

The majority expect increased participation going forwards

This view has been more prevalent amongst the Small & Midcap Brokers, with nearly all expecting an increase going forwards.

Some are very bullish expecting to **"see retail participation in almost everything going forwards becoming the 'norm' "** and that **"going forwards there needs to be a reason not to include."**

"I think it is inevitable and in the country's best interests. I would be interested to see Retail participation in all deals. The last few years has made it absolutely clear to me that we need to embrace that part of the market."

Others recognise that the change has come about because **"new technology and platforms are making it easier to do."**

"It is becoming ever more normal with new sophisticated platforms to facilitate inclusion and a rules and regulatory tailwind as well."

"Retail offers used to be difficult, expensive and didn't work well but this has all changed with the introduction of the new platforms."

However not everyone expects an explosive increase

"I think Retail will categorically increase but will still be selective and won't be a massive part of a book."

"Think there will be an increase in Retail but not as big as people expect."

"I don't think there is a high pot of Retail capital looking to get into IPOs. Think single digit percentage on an IPO with a Retail element."

… and some are a little more critical

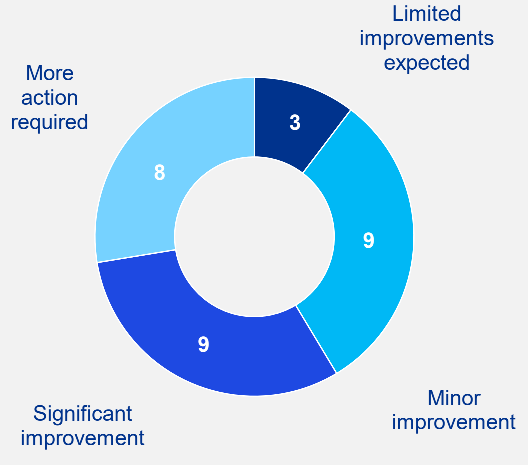
"I think Retail through Covid was a symptom of the cycle rather than structural. New developments are here to stay but this is not going to mean a step change in retail demand for UK deals."

"I don't think it should be enforced as Retail is not right for some issuers."

"Think we may be forced into doing more Retail than need to, as it is one of the focusses of the reforms but it has its downsides such as inflexibility to accelerate bookbuilding to an extent."

"We expect it to be similar to pre-Covid where it is very deal specific e.g. a company that is a strong consumer brand or has strong consumer engagement will attract more retail participation."

How optimistic are you about the recent and ongoing UK listing reforms?



The majority are pleased with the "step in the right direction"…

"UK listing reforms is a gamechanger compared to the direction of travel that we have had for 20 years which has been building complexity and process for minimal return."

"It is all going to help. It will not completely revolutionise our IPO markets because there are so many ingredients outside of the scope of reforms. There is hopefully a drive for more common sense to make it more user friendly for everyone. They are doing the right things."

"We have a real sense the Treasury, LSE and other key stakeholders understand the needs for reform, and we are optimistic about the sense of direction."

However, not all participants share the same view, with a some expecting limited improvements: **"No change expected"** and are **"quite bearish on the outcome."**

…but highlight there remains "more fundamental issues"

A problem we have all known for a while is that the **"de-equitisation of the UK market is ongoing as we see more public to private transactions and not enough good quality companies coming through."**

"To effect change fundamentally we need more money flowing into equities. For example, give pension funds breaks, like they had 20 years ago so we get a reallocation to equities. We need to generate a better equity culture."

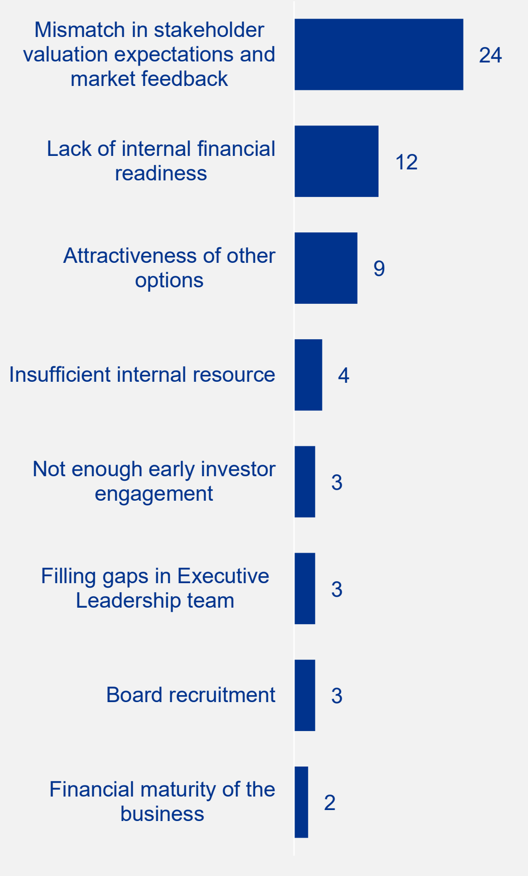
It is also apparent that many **"don't think the recent implemented reforms have made any change to the issuers' views on the UK market"** which is partly because we have **"more conservative UK institutional views on certain topics, stricter governance and remuneration."**

"The changes are missing the point: the market functions fine, it is the asset flows and liquidity in the aftermarket. One idea could be to reform trading such as reducing trading hours and an intra-day auction, which I think would lead to an improvement in liquidity."

> **The biggest positive is that there is now a willingness and opportunity to change"** but **"we need to be bolder and receive more government involvement and adoption."**

In your experience what is the most common reason (outside of market conditions) that causes an IPO to be delayed or withdrawn?

Participants were able to select more than one option



A mismatch in stakeholder valuation expectations and market feedback is by far the most common cause of delayed or cancelled IPO processes, outside of market conditions

"The main reason is the mismatch in valuation expectations which is around the confidence in valuation clearing"… and this… **"is a real challenge at the moment."**

"Multiples tend to move throughout the IPO process and expectations are often not reset throughout."

However, to an extent this **"can be mitigated through early, regular and extensive investor engagement."**

Another key cause is lack of internal financial readiness

"Lack of internal financial readiness can be a key factor in missing a proposed IPO window"… notably… **"systems and controls as it leads into proper forecasting"** and **"IFRS for historical acquisitions."**

An alternative option i.e., M&A, also remains a key cause for IPO processes to withdraw

"Many IPO processes are incorporating the competitive tension of an M&A option, particularly when confidence is reduced in the stability of the quoted equity market."

Also mentioned was **"private capital as a key reason in recent years."**

Other areas mentioned included Board recruitment, filling gaps in the Executive Leadership, not doing enough early investor engagement and the financial maturity of the business

Board recruitment is **"an area that trips people up. It is amazing how much this is overlooked which can be solved by early planning"** and by recruiting Non Executive Directors early it is **"also helpful to have them involved early as a sounding board…"**

"Finding a decent CFO can often be a significant challenge" and **"can cause a delay as it is important for the need to bed down for a period of time."**

"Getting the executive team ready for running a public company versus a private company can sometimes take some time."

"Financial maturity is important. Some companies try to discover their business model during the IPO process which is not a great idea."

For more information on how KPMG can support on internal financial readiness please contact:

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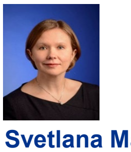

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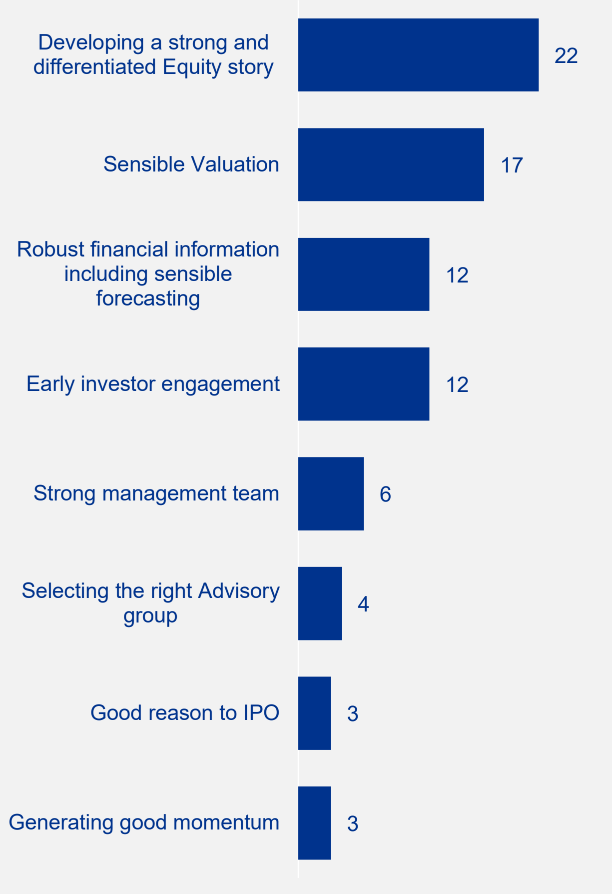
In your view what are the top three considerations that contribute to a successful IPO?

Participants were able to select more than one option



A strong and differentiated Equity story was highlighted as the number one consideration for a successful IPO

"A strong equity story is crucial. It is essential to hone the pitch and get the growth story out so it can be well understood."

"A differentiated equity story is important. If the company is just a "me too" then investors can't easily sell A to buy B in these markets – they will just buy listed companies that already have a track record."

Tying into a theme we saw in the common causes of delay, valuation has also been highlighted for success

"The IPOs that have continued to perform well in the months post listing tend to have had a sensible valuation communicated early on, rather than one danced back to near or after launch."

"A sensible valuation…is even more important given the aftermarkets of IPOs in recent years."

Robust financial information and early investor engagement is also crucial

"Companies with the right partners, the right forecasts and with sensible expectations are likely going to prevail in the next cycle."

"I think we are going back to old school – business plans that are real and robust with a sensible business trajectory with some proof of already achieving the start of it."

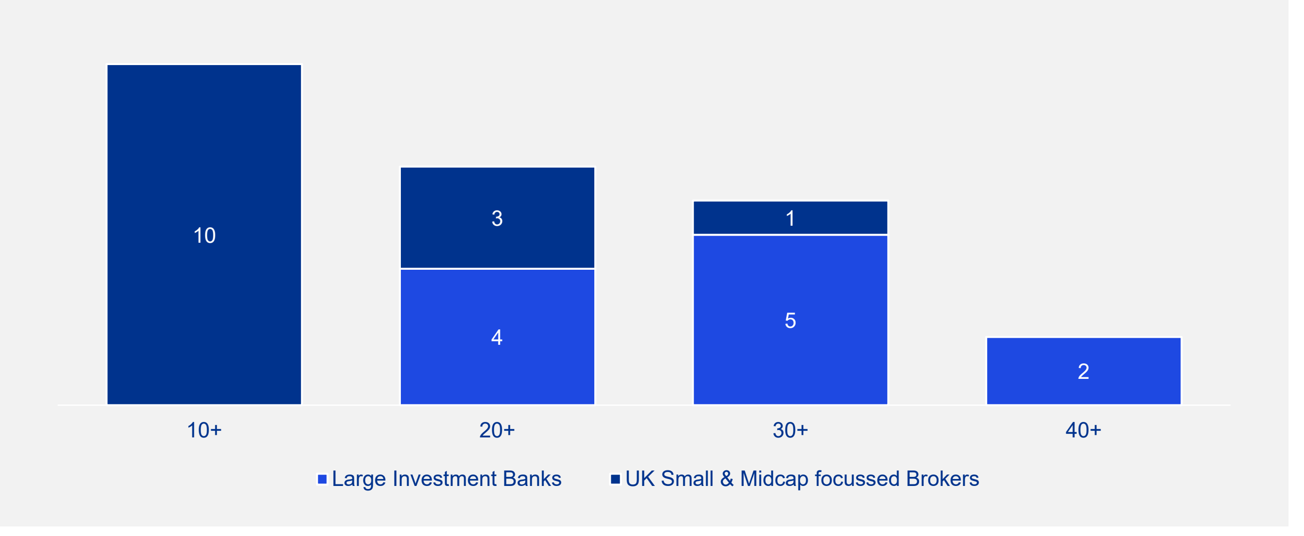
"Early investor engagement needs to be done in the right way. Generating momentum into the process is important – getting investors excited about the business."

… and a strong management team goes a long way

"A good, credible management team. Not referring to corporate governance set-up, but a set of executives that are seasoned and convincing. Persuasive performance in roadshows is very noticeable."

"If management are sensible about all these things [equity story, forecasting and valuation] then a passage to the equity market is not too difficult. Management teams who feel they own their story and are not persuaded by advisers to follow faddish ideas, are more authentic."

What quantity of Early Look meetings would you generally recommend to a listing candidate?



Early Look meetings are incredibly important

There is often debate around how many early look meetings (unique investors) is appropriate for an IPO candidate ahead of launch

"It is also important that companies get a chance to see which investors they like too – it has two-way value."

"What is key in Early Look meetings is knowing who you need to spend time with and what you are trying to get out of them."

Usually these are done **"over a few rounds."**

The consensus for Small & Midcap IPOs, is 10-20 investors

"In midcaps, you should know exactly who the top 12 investors should be for a particular IPO."

"Normal course is 10-15 meetings with quality investors assuming not doing Early Look meetings to cover the books."

However this moves towards 30+ investors for larger IPOs with the majority preferring not to do too many more than this

"About 30 investors to be met as there are diminishing returns beyond that. If you are a good company you should be able to create a good fan club out of 30."

"Too many more than 30 produces diminishing returns and if you go too widely it gives the wrong impression."

For larger deals, including Hedge funds has its merits

"Hedge funds will start to engage in deal sizes above £300m / market cap above £1bn."

"Some fundamental Hedge Funds are worth marketing to as they work harder and often provide very good feedback versus some Long Onlys that know they will get allocated."

However, there is an emphasis on the type of hedge fund because **"unless they are fundamental will not return useful and detailed feedback."**

What is an ideal syndicate structure?

There was a clear divergence on syndicate structure views between the Small & Midcap Brokers and the larger Investment Banks

For the Small & Midcap Brokers, it became at what size (IPO proceeds) did it make sense to have more than one Broker

"Over a £30m raise or £100m market cap, it is typical to see more than one broker."

"For Midcap IPOs, if raising more than £50-75m, there should be two brokers."

"We see £100m raise as being the threshold above which you might want two brokers on an IPO, although, there is often a case below that."

"If raising more than £50m or £60m, we would expect to have someone else alongside."

"Every case is specific but for a c.£50m raise, I would say a single broker, but above that, two on an equal footing."

However, a few felt the need to always have two…

"We would typically recommend having two banks other than when it becomes too expensive for micro-cap IPOs."

"There are always benefits to having two Banks. Should always be a robust and healthy debate and challenge between advisers."

"More than one if there is a need for sectoral expertise or geographical access."

"If I was in the issuer's shoes, I would never have just one bank and I don't think investors like it either. Joint advice is better – two perspectives is always better than one."

At the larger end, there seemed to be consensus on circa four to five banks

"For deals above £200m, more than one but less than four."

"Our view would be one to three Joint Global Coordinators (JGCs) and no more than four in the syndicate on the smaller end."

"For most IPOs c.£400-500m+ we would recommend three plus two or two plus three. But you need accountability on the top line."

"Two global coordinators, up to two joint bookrunners (JBRs) and couple of co-leads."

"For deals above £400m, would suggest two JGCs and two JBRs."

"Two plus two or two plus three is standard. It helps to have more than two on an IPO to help get research out there."

"The larger IPOs we would recommend no more than two to three JGCs, with an equal number of JBRs. However, more than five banks is excessive."

However, too many banks is perceived to be counterproductive and more than two lead banks reduces accountability

"It massively depends on the deal, but the most important point is that everyone knows their role."

"Ideally the syndicate should be as small as possible that gets the deal done as syndicate size is not a precursor to success."

"More than three banks on the top line can get difficult to manage with limited benefits."

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