KPMG Independent ECM Advisory's survey of EU and UK ECM leaders 2023

December 2023 / January 2024

Introduction

Aadam Brown

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Welcome to our second survey of ECM leaders. This year we included European heads of ECM as well as UK heads and spoke to a total of 32 individuals (“ECM Leaders”) across the large US and European Investment Banks through to the UK Small & Midcap Brokers to compile their views across four main areas:

- **A** Market activity
- **B** UK IPO market focus
- **C** IPO preparations
- **D** IPO performance

As we did last year, in addition to highlighting the results of the survey, we have captured direct quotes from the ECM Leaders for context and to remain objective in our findings.

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

Thank you to the EU and UK ECM leaders from the following 23 banks that participated in our survey:

Bank of America | Barclays | Berenberg | BNP Paribas | Canaccord | Cavendish | Citi | Deutsche Bank Numis | Goldman Sachs | Goodbody | HSBC | Investec | Jefferies | Liberum | Morgan Stanley | 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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Executive summary – top answers (#/32)[1]

MARKET ACTIVITY

22[2] predicted that the **Middle East** will lead 2024 IPO issuance in EMEA

16[2] predicted **Germany**

14[2] predicted **Nordics**

29 expect UK IPO markets to return to normal activity levels in **FY'25**

23 see **Follow-ons** (primary raises) as being very active in 2024

UK IPO MARKET FOCUS

23 highlighted **Fund flows** as the key issue stopping the UK equity market from operating efficiently

18 highlighted the **UK economic outlook**

15 highlighted the **Reduction of active investors vs passive**

25 said **UK pension reform** will help improve the attractiveness of UK IPOs

21 said **ISA reform**

17 said **Better remuneration of management**

IPO PREPARATIONS

22 selected the **Location of the company's HQ** as a key factor when choosing a listing venue

18 selected **Largest sales region**

16 selected **Valuation of the peer set**

15 selected **Local / regional investor knowledge of the company / sector**

30 picked **New York** as the key exchange that most large international companies consider for listing

26 picked **London**

16 picked **Amsterdam**

20 suggested prospective IPO candidates should start thinking about IPO preparation **2-3 years out**

10 suggested **1-2 years**

29 said prevailing market conditions at the time should **not** have a bearing on this decision (to start IPO preparation)

23 recommend hiring advisers (e.g. Investment Banks) should start **1-2 years** ahead of an IPO date

7 recommend **Less than 1 year**

IPO PERFORMANCE

29 chose **Sensible forecasting** as critical to ensure a positive aftermarket performance

20 chose **Sensible pricing**

10 chose **Achieving a quality register at IPO**

17 believe a strong ESG angle is **important** to the success of an IPO

10 believe it is a **Nice/need to have**

16 said **Ensuring anchor or cornerstone orders** may help achieve better success and certainty during bookbuilding

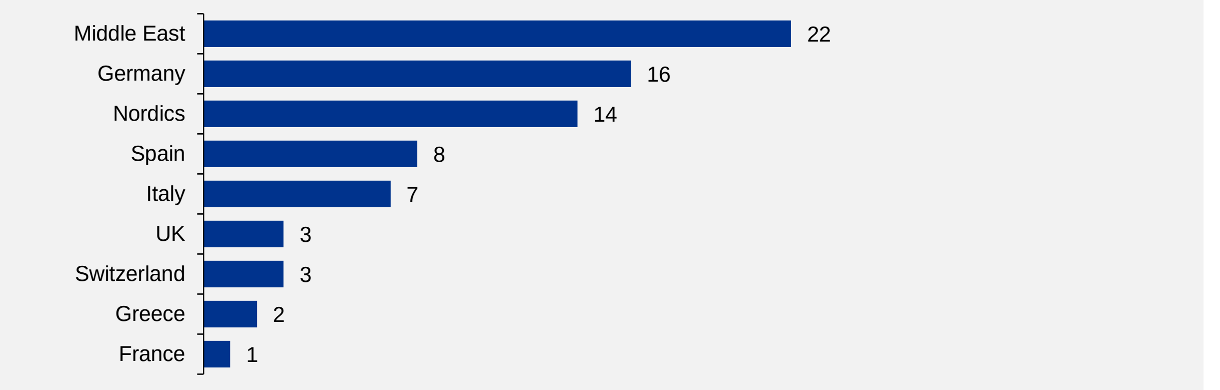
12 said **Honest communication on valuation/feasibility with stakeholders during pre-marketing**

11 said **Push more investors to commit to participate in the deal prior to price range discussions**

1. More than one answer could be provided
2. 25 ECM leaders responded to Q.1

01 Which countries / regional stock exchanges do you think will lead IPO issuance next year [2024] in EMEA?

Given we opened up our survey to European ECM leaders this year who have visibility on the broader pipeline, we thought this question would give us some more context into the wider IPO market for 2024.



Note: 25 out of the 32 ECM Leaders answered this question (given their broader European focus) with more than one answer being given by most ECM Leaders.

The Middle East is expected to dominate activity and several large listings are expected across select continental European countries with some activity also in the Nordics.

Within Europe, "**Germany**" was most cited (16 mentions) followed by the "**Nordics**" (14). "**Spain**" and "**Italy**" were also mentioned by several ECM Leaders.

Some ECM leaders **"think Europe will open in the first half of next year"** but that **"markets will be sporadic next year"** noting **"pockets of activity with one or two large listings."**

In particular, one ECM leader noted that **"we should not underestimate the impact of the US election at the end of next year."**

The UK is expected to lag behind the rest of Europe in 2024.

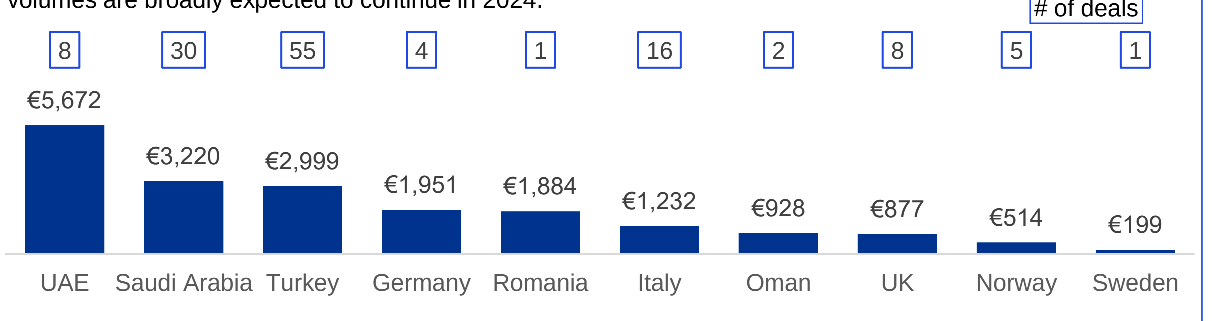
While the majority of ECM leaders were less bullish on the UK, 3 did select the "**UK**" - **"while the UK is unlikely to lead the charge, we will probably see some activity."**

"I'd expect there to be the start of some recovery to IPOs in the UK, but that this will remain muted during 2024 and that Continental European markets will be more active."

The UK is expected to see more of a recovery towards the end of 2024 / 2025.

IPO volume by €m raised in 2023:

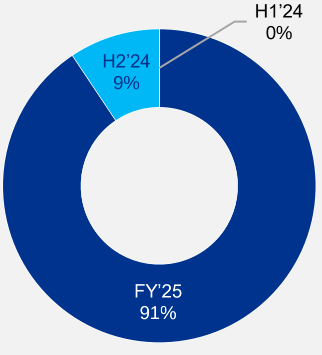
2023 saw subdued activity across most of EMEA with the exception of the Middle East, where increased volumes are broadly expected to continue in 2024.



Note: sourced from Dealogic including IPOs only where €5m or more has been raised.

02 Excluding exceptions, when is the earliest we think the UK IPO market will return to normal activity levels?

The prediction from our 2022 survey of a broad return to UK IPO markets in H2 2023 (72% of ECM Leaders) did not materialise, and this time around many ECM leaders are more cautious.



Note: “Normalised” IPO markets were described as being markets where the majority of IPO candidates would find success on attempting an IPO.

Most ECM leaders expect normalised UK IPO markets to occur in FY’25 at the earliest…

The majority of ECM leaders were practical on timing - **“given the lead time into an IPO process, current valuations and fund flow dynamics, we first need to see a change in direction of travel to allow for issuance to return to a normal level.”**

“Fund managers are more likely to back what they know and own first, and we need to see this activity before the IPO market reopens. Share price and valuations need to improve to give PMs more confidence following the performance of recent IPOs.”

… but some ECM leaders were more hopeful.

A few ECM Leaders (3) were more bullish and have hope **“for an accelerated recovery in second half of 2024”** while others note that **”without the elections, there would have been a good chance of a post-summer return.”**

Some of this optimism has stemmed from recent increased levels of takeover activity - **“[IPO] activity will be depressed for the near future but because of increased takeover activity, I think there will be a small window where investors will be open to new ideas.”**

> **The UK has one of the longest pipelines in any jurisdiction and preparations are likely going to start next year [2024] and then wait for windows.**

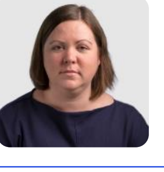
“Fund managers are a bit more open to opportunities; they don’t have loads of cash but recognise they need to be active with recent P2Ps etc.”

“There has been a lot of M&A in the second half of 2023, especially US investors looking at UK Tech stocks. This is recycling cash into the market which is good and overseas investors are recognising a lot of value in the UK as companies have been oversold. Therefore, feeling bullish.”

While many highlighted that **“there will be a handful of UK IPOs in H2 2024”** this was caveated that while we **“should see some activity next year [2024], it won’t be normalised markets.”**

“In the meantime [as we wait for normalised markets], we will see some transactions for very high quality businesses, well run and with clear reasons for coming to market.”

For more information on how KPMG can support on Public M&A please contact:



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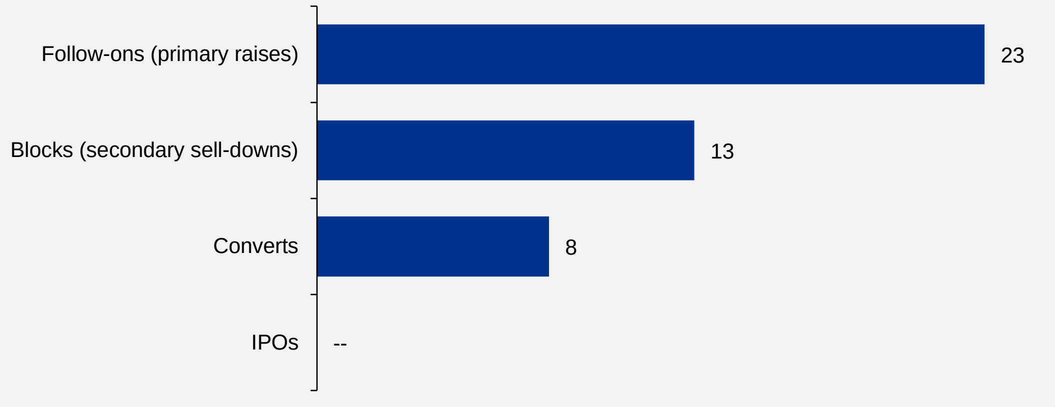
03 What products do you see being most active next year [2024]?

In 2023 we saw a larger number of primary raises in the UK along with large sell-downs in Haleon and the LSE. Next year [2024], the majority of ECM Leaders see primary raises for M&A or recapitalisation as the most likely active product as IPOs yet again take a back seat.



Follow-ons (primary raises) and then Blocks (secondary sell-downs) are likely to be the main products active in 2024.

In the absence of considerable IPO activity, our ECM Leaders see primary raises being most active next year - **"Primary follow-ons will be the first part of the market to come back while valuations need to be more compelling in the main to support sell-downs alongside a reversal of fund flow dynamics."**

This corresponds to our survey results at the end of 2022, where the majority of UK ECM leaders predicted that primary raises (for balance sheet repair, M&A and growth capital) would be make up the majority of UK ECM transactions in 2023. Looking back, this has held true if assessed by number of transactions. The volume of secondary sell-downs was larger but skewed by only a few very large sell-downs in LSE and Haleon (if you strip these out, then primary raise volume was higher).

In 2024, primary raises for both M&A and recapitalisations are expected - **"follow-ons for key strategic opportunities where there is value."**

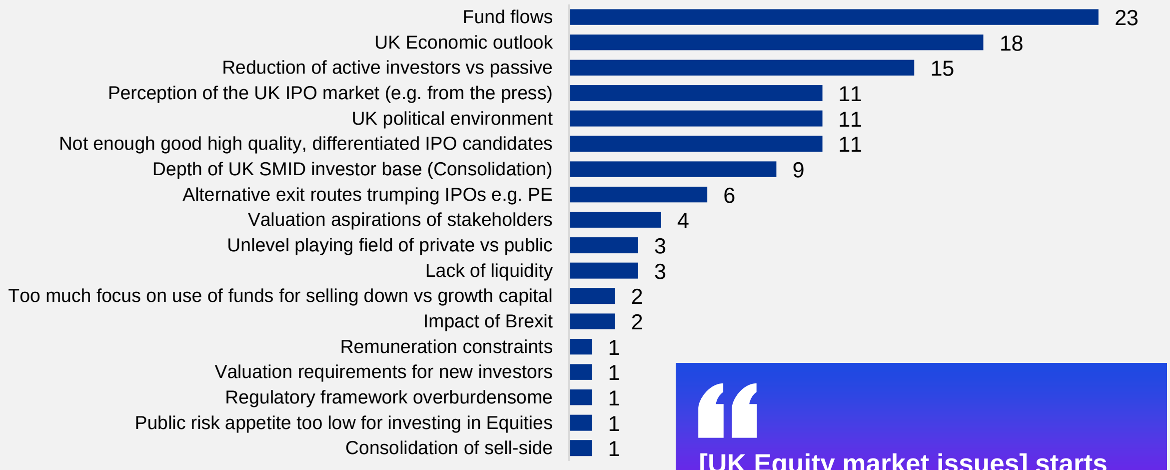
"Follow-ons either to fund acquisitions or in selective cases recapitalisation."

"There is still a slightly naïve sense of security about corporate balance sheets. Anything consumer related is bound to be impacted over the next six months."

Convertibles are likely to be more active in Europe – **"convertibles [will be most active], until there is more recovery in equity value, and then follow-ons as corporates recover confidence."**

04 What are the key issues that are stopping the UK equity market from operating efficiently?

There has been continued discussion in the press this year casting a negative light on the UK market. Therefore, we thought we would ask ECM leaders what they thought were the key issues.



Note: ECM Leaders were able to give more than one answer

> **[UK Equity market issues] starts and stops with fund flows.**

Fund flows out of UK equities has been cited by the majority of ECM leaders as the fundamental reason that is hindering the UK equity market at the moment, which has not been helped by a poor UK economic and political environment backdrop.

The majority of ECM Leaders (23 mentions) cited **"fund flows are the biggest factor"** and that **"the money is not coming into the UK market that needs to be."**

While this was a trend we identified in our 2022 survey (it had 7 mentions), this year it has become the dominant theme.

"It starts and stops with fund flows. Even if this just levelled out, it would cause share prices to drift up."

"There is a 'Doom Loop' where outflows cause investors the need to sell more causing more underperformance."

"Currently investors need to sell to buy so the barrier to investment is incredibly high."

"Portfolio managers are firefighting existing portfolios and don't have money to invest in new opportunities."

"Recently negative fundflows have had a negative impact on the UK market including UK SMID IPO activity."

The **"UK Economic outlook"** (18 mentions) and the **"UK political environment"** (11 mentions) have been disruptive and a contributing factor to this trend.

…but arguably this is a trend that can be reversed.

Some ECM leaders already go on to say that **"funds have started to flow into the market again. Inflows can gather pace quite quickly and that, added to the amount of recycled cash from the high number of take privates, could pump more cash back into the market."**

This question naturally brings out the negative points currently faced by the UK Equity market. However, this market is still one of the leading listing venues in the world with a broad and functioning ecosystem of participants!

The community recognises that there are various positive initiatives already underway which should reinforce the competitive position of the UK market.

04 What are the key issues that are stopping the UK equity market from operating efficiently? (cont.)

Changes in the investor landscape and the current attitude towards equities haven't helped…

There were some ECM leaders that also highlighted the current risk averse nature of the UK investor - **"even when investors have in-flows they are still cautious in deploying."**

Another ECM leader believes that **"the mindset needs to change for both the investing public and the regulator."** This is with respect to improving **"the culture and risk appetite on both sides."**

This has been exacerbated by the consolidation of the fund manager community in the UK (9 mentions) - **"the depth of the UK landscape is different from 5-10 years ago. There is more of a risk-off attitude and less funds to target because of consolidation of the UK fund management community."**

Another contributing factor is the reduction of active investors and a move towards passive investors (15 mentions) which has been an ongoing theme for many years now, not just in the UK but globally.

"Especially for the UK, there is a thinner bench of investors to talk to for IPOs" which is also a function of a **"reduction of active investors"** and the **"internationalisation of funds."**

This year has also seen a particularly negative public view towards UK markets which has been reenforced by press commentary (11 mentions).

…and the fallout from recent IPO markets hasn't helped, which has also taken its toll on investor confidence…

"It has been a perfect storm of lower quality companies listing at the wrong price with a higher proportion opting for sell-downs vs primary."

It was identified in our 2022 survey that investors' appetite for new issues (14 mentions) was at a low and a key impediment for a recovery of the UK IPO market. At the time, we had seen some underperformance from the 2021 cohort of IPOs (5 mentions). This year, the UK IPO market has remained relatively inactive with only 23 listings occurring, although, the majority of these were either very small or funds. The largest IPO of 2023 was CAB Payments which had fallen 75% from its IPO price by the end of the year. Given the performance of these IPOs as well as the cohort of 2021/22 not being positive, this has further knocked investor confidence.

The fallout from the 2021 IPO boom is still being felt in other ways too - **"valuation aspirations of stakeholders were inflated during the 2021 bubble"** and continued high valuation expectations are also considered a barrier to a successful listing (4 mentions).

..as well as the preference for companies to opt to stay private due to currently low valuations or other factors…

In last year's survey only 2 mentioned the lack of supply of quality IPO candidates as an impediment to the recovery of the UK IPO market. However, while there are some conflicting views this year, with some ECM Leaders seeing a large UK pipeline, others believe the supply of quality IPO candidates is more of a key issue (11 mentions) - **"Some of this is a supply driven issue – the pipeline of issuers has been thinner during 2023 but we expect that to build in 2024."**

However, this may be because of more push rather than pull factors such as **"peer group valuations being below their aspirations, or because of the constraints for remuneration as a listed company."**

"Some companies are staying private as they see it as more attractive from a cost and governance perspective."

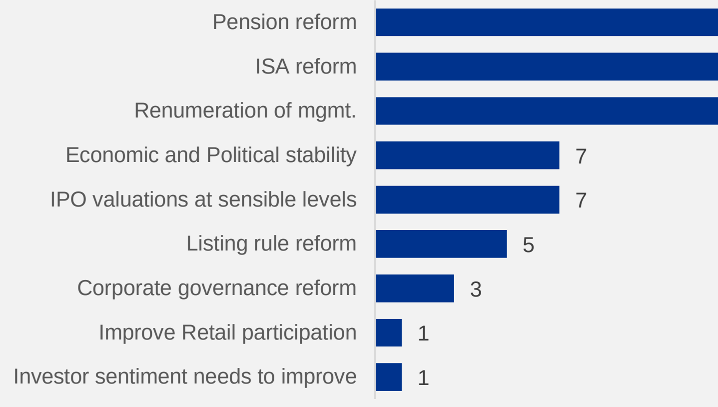
"A lot of UK businesses would love to be on the market but see the process too overburdensome and a hassle."

But as mentioned at the start, there are plenty of reasons to be positive…

"Despite these trends, we still have good UK domestic demand" and **"there is a realisation that the UK is fundamentally undervalued which is why we are seeing a number of P2Ps coming through."**

05 What do you think needs to be done in the UK to improve the attractiveness of IPOs?

Since last year's survey we have seen a lot of developments to try and solve the issues highlighted in the UK. We asked our ECM Leaders what they thought was crucial to improve UK markets.



Note: ECM Leaders were able to give more than one answer

> **The government needs to be really bold to fix this capital allocation issue we have.**

Attracting "money into the UK" is key to fixing the current issues faced by UK equity markets.

There is a **"need to ensure a better proportion of capital goes into UK companies"** but for this to work there **"needs to be a catalyst for investors to re-invest into UK equities, especially in a high interest rate environment."**

The majority of ECM Leaders (25) highlighted that **"Pension reform",** followed by **"ISA reform"** (21) were the most important actions that need to be taken - **"Pension reform will have the biggest impact and ISA reform could also have a material impact."**

"Any reforms that increase the demand for UK equities are important."

But some highlight that **"even if we have reform, it doesn't guarantee the money will flow back into UK equities."**

According to some ECM Leaders, while they see it as being helpful, "Listing rule reform is not going to drive the attractiveness of the UK for IPOs."

Note – the interviews for this survey were concluded prior to the FCA's update on listing rule reform (20th December 2023).

In our survey last year, 30% of ECM Leaders said the ongoing UK listing reforms would be a significant improvement. However, the rest were split between "minor improvements", "limited improvements expected" and "more action required".

This year, the sentiment hasn't changed with only 5 ECM Leaders highlighting this as a solution and others commenting that the **"Listing rule reform is helpful but not decisive"** and that **"Listing rule reform is rather a nice to have than anything else."**

Some are concerned on the implications - **"while we want to make the red tape a little easier, we need to be careful that we don't jeopardise quality."**

"We don't need to lower the quality threshold because businesses will still list if valuations are worth it and they can access capital."

05 What do you think needs to be done in the UK to improve the attractiveness of IPOs? (cont.)

Relatively conservative remuneration structures in the UK is considered another reason why some companies may prefer alternative listing venues

After Pension and ISA reforms, **“Remuneration of management”** (17 mentions) is a key issue that needs to be addressed according to the majority of ECM leaders interviewed

“Valuations are the same but some companies are moving away from London as management pay is higher.”

“Remuneration of management is one of the reasons a lot of companies are looking to list in the US.”

Following on from the 2021 boom, sensible valuations combined with better economic and political stability will also contribute to attracting investors back to IPOs

7 ECM Leaders each chose **“IPO valuations at sensible levels”** and **“Economic and political stability”** as reasons to improve the attractiveness of IPOs - **“better companies need to IPO at a sensible price.”**

“The market needs to be more highly valued to be more attractive for IPOs but they still need to come at a sensible valuation.”

“Need high quality companies at a price that works for everyone and that trades well in the aftermarket.”

> **The momentum and narrative will change very quickly once we get some successful deals.**

06 What are the main factors when choosing which listing venue to list on?

This year we have found that companies have wanted to discuss the choice of listing venue more than normal.

Note: ECM Leaders were able to select up to 5 criteria

For the ECM Leaders, the choice of listing venue is overwhelmingly down to identifying "the natural footprint" or "home" of the company.

With this in mind, it comes down to **"Location of the HQ"** (22 mentions), the **"Largest sales region"** the company does business in (20), the country in which the company is focusing its **"Strategy and business growth"** (12) and **"Location of management"** (7).

If a company decides to look for an alternative listing - **"there needs to be a strong rationale not to opt for the natural home of the company for listing. For example, if there is a complete lack of appetite in the home market or if the company has evolved such that the domestic market is no longer relevant."**

Valuation of the peer set and local/regional investor base understanding of the company or sector are also crucial.

These answers received 16 and 15 mentions, respectively, and are crucial to the selection of the right listing location. However, valuation was a divided opinion with some highlighting that **"Peer sets are global and the investors know how to value businesses globally."**

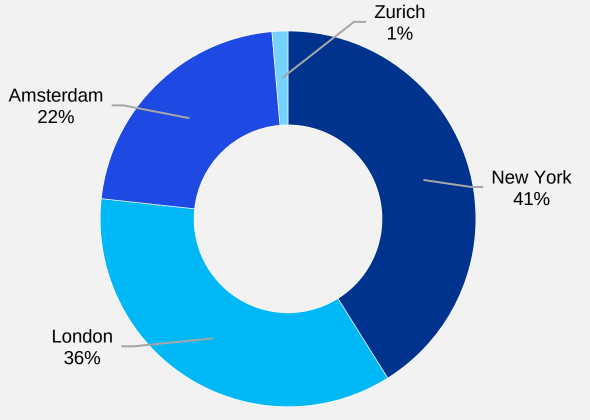
Other answers included the **"Benefits of index inclusion"** (5 mentions) with some ECM Leaders recognising that this was "**meaningful in London."**

"In the UK, FTSE Index inclusion is a big pull."

But as you can see from the list of answers, there were a multitude of other factors that our ECM Leaders believe companies should consider such as **"Size of the company"** (10), **"Reliability of market access"** (i.e. once embarking on the listing process; the probability of success) (6), **"Research analyst local specialism"** (6), **"Costs"** (5), **"Liquidity"** (5) and many more.

07 For larger international companies which exchanges are companies most often considering?

Continuing on the increased focus of choosing the right listing venue, and although this question is very subjective/company specific, we have tried to identify the key listing venues up for consideration.



Note: New York assumes both the NYSE and/or Nasdaq

"New York" (30 mentions) followed by **"London"** (26) and **"Amsterdam"** (16) are the key listing venues most cited by large international companies.

While it might not surprise many to see "New York at the top of the pile", many ECM Leaders were also quick to highlight the relevance for companies listing in the US.

"The US market will not adopt a company that doesn't naturally fit in the US."

"The US makes little sense for most companies, but it is obvious what the attraction is – high valuations and the deepest pool of capital. If a company has significant US business and has part of management based in the US, then it is possible. Without this set up, whilst attention at IPO is generated, companies may run the risk of dropping off investor radars…"

By one measure - **"a market cap of less than $2bn is difficult to list in the US."**

"For the US, a market cap of at least $1-1.5bn is required but if the US is a small part of the business, it will be forgotten quite quickly."

The first debate tends to be 'US vs Europe' and then 'London vs Amsterdam'

"The first decision is always US vs Europe and when it comes to international issuers the debate is often Amsterdam vs London. However, with the rule changes, the reasons to choose Amsterdam are likely to decline."

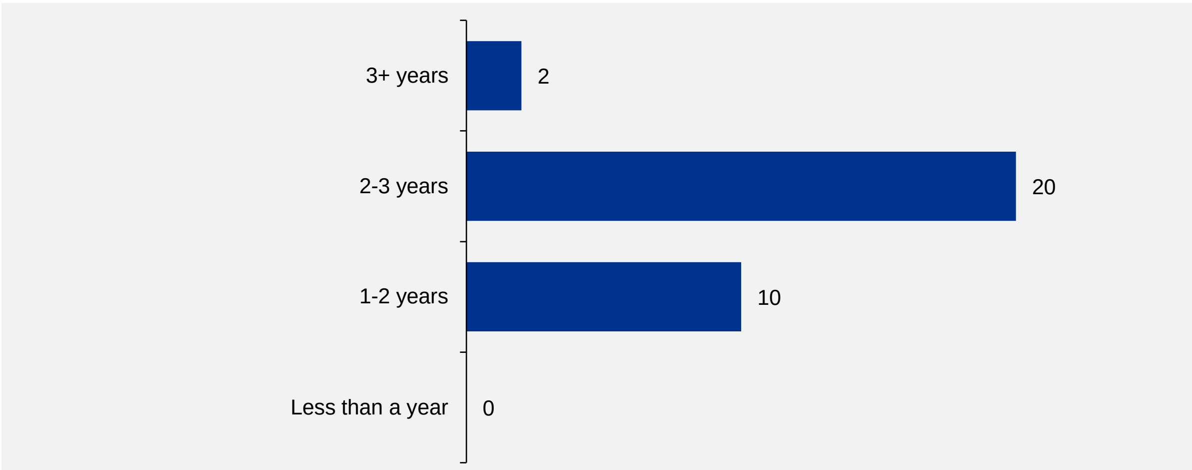
"With the changes to the listing rules, the debate for Amsterdam instead of London has somewhat gone away."

But sector and geographical spread seem to be the final determinants and Amsterdam remains an important additional consideration alongside London.

"Generally speaking, Tech and Biotech companies are suited to New York, for International companies from places such as Africa, London is more suitable and within Europe but outside of the home market, Amsterdam is more favourable."

08 How early should prospective IPO candidates start thinking about IPO preparation?

IPO preparation defined as being the first steps on a company's IPO journey, usually focused around feasibility, financial readiness, equity story and rationale.



"Start early so you can pick your time".

The majority of ECM leaders highlighted **"2-3 years"** (20 mentions) as the optimal time to begin these early preparation steps.

Businesses **"need to start reporting on [their] KPIs and have a track record of delivering against them."**

Early preparation is important because you **"can't jump start an IPO process, the ones that do are destined to fail."**

While some ECM Leaders highlighted **"1-2 years"** as being efficient, only a few believe **"more than 3 years"** is required **- "more than 3 years and you become less efficient."**

"Wouldn't go above 2 years to avoid the fatigue – if start too soon, it doesn't become the priority."

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

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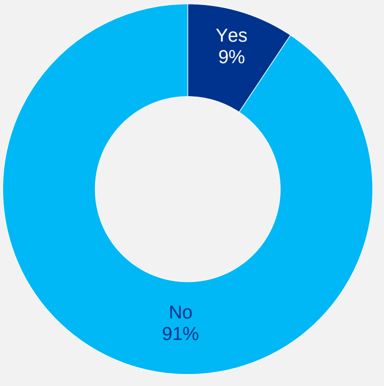
09 Should prevailing market conditions at the time have any bearing on the above decision?

A Market activity
B UK IPO market focus
C IPO preparations
D IPO performance

With current market conditions difficult, it is often quite easy for companies to assume they need to wait for conditions to get better before embarking on preparations.



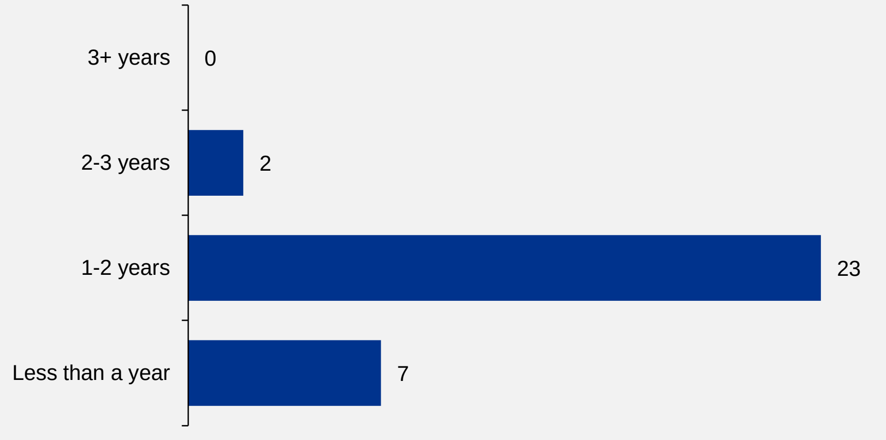
Even though market conditions might be difficult at the time, they can change relatively quickly and so shouldn't be a blocker to initiating preparations.

"If you wait until market conditions are optimal, there will be lots of better prepared companies ahead of you. It is never too early to start preparations and if you want to IPO, you should be preparing regardless."

"Don't worry about market conditions until at the sharp end of preparations."

10 When should companies start hiring advisers?

For the purpose of this question, we are mainly referring to Investment Bank appointments.



1-2 years is the optimal time to hire advisers according to ECM leaders.

While a few ECM Leaders chose **"2-3 years"** and a few more chose **"Less than a year",** the majority believe somewhere between 12-18 months ahead of an IPO date is sufficient to make appointments.

However, there was a recognition that while you may wish to start speaking to advisers ahead of this timeframe, it is also important to recognise that **"teams can change and [a shorter time frame] keeps people sharp."**

11 What is the most important piece of advice for prospective IPO management to ensure a positive aftermarket performance?

Recent IPOs have suffered from poor aftermarket performance and so the question asks how management and other stakeholders can avoid this.

> **The IPO price should be the lowest price you sell stock.**

The "golden rule [of IPOs] is don't miss your numbers [once listed]!" which is essentially down to sensible forecasting.

Nearly all ECM leaders (29) highlighted **"Sensible forecasting"** as the key piece of advice for prospective IPO management teams to ensure a positive aftermarket performance - **"Sensible forecasting is the most important by a mile and recently has become a function of a rapidly changing world (causing issues with forecasting)"** whereby **"even companies on market for some time that are missing numbers are getting punished at the moment."**

"In these markets, the types of companies that will be successful will be those that have earnings forecasts really pinned down."

Others go on to expand on this theme by highlighting that **"a lot of people underestimate the toll an IPO can have on distracting key people from the business, especially for small companies and, therefore, the impact on being able to hit post IPO forecasts."**

It is also important that these forecasts are built for long term performance and achievability - **"Need to present a business case that management can outperform over the longer term, not just the short term post IPO."**

"The IPO should be seen as a first step in the journey."

"Sensible pricing" was also key (20 mentions) - **"Price the IPO for the long term not just Day 1"**

"We need to get back to the idea of something left on the table for the next investor. Residual holdings will also then become worth more."

"Some management teams have a financial incentive on maximising the IPO price which can create misaligned incentives."

Marketing and acquiring quality investors is also critical to ensure strong aftermarket performance.

"Achieving a quality shareholder register at IPO" (10 mentions), **"Conviction of investor appetite prior to launching"** (8) and **"Broad marketing at IPO"** (5) all focus on acquiring high quality investors which should support the company once trading.

"A quality register at IPO is the output of proper preparation. Need to speak to investors well in advance to know who the buyers are going to be well before the bookbuild."

"Strong institutional investor interest is very important because it becomes the bedrock of your register and helps companies raise capital in the future."

"Conviction of investor appetite prior to launching is important to get sufficient oversubscription. Ideally want to be able to cut long funds to 50% so you can have a positive aftermarket."

Other answers worth mentioning include – **"Working through the equity story at an early stage"** (4 mentions), **"Ensuring all necessary parties are locked up for an appropriate amount of time"** (4) and ensuring a good **"Rationale for IPO"** (3).

"Many companies are not clear enough on why they want to be public."

12 What might help achieve better success and certainty during bookbuilding?

Recent IPOs have underperformed and some have even been pulled despite early "books covered" messages and so this question tries to address how we might be able to achieve better certainty at this later stage.

Achieving visibility of demand before launching is critical to success, which is done by pushing investors to commit on early participation, ideally through anchor or cornerstone orders.

16 ECM Leaders highlighted **"Ensuring anchor or cornerstone orders"** as the answer - **"Key question is whether you have a group of long funds that can do 2/3rds of the deal? Otherwise you shouldn't launch."**

On a similar point 11 ECM Leaders would **"Push more investors to participate in the deal prior to price range discussions"** which is critical to achieve confidence the IPO will price - **"There shouldn't be a situation when you have entered the bookbuilding part of the process and you are surprised with a lack of demand."**

"Judgement on recent IPOs on whether to launch has been questionable. If you don't receive the conviction in Early Marketing then you won't get it once launched."

Stakeholders need to receive honest communication on valuation and/or feasibility during pre-marketing.

While 12 ECM leaders highlighted this point as a reason to achieve success and certainty in the latter stages of an IPO, a similar point was highlighted in our 2022 survey. Here 24 out of the 25 ECM Leaders said the most common reason that caused an IPO to be delayed or withdrawn was a **"Mismatch in stakeholder valuation expectations and market feedback."**

Increased focus on long-only pre-marketing.

While hedge funds are crucial to many IPOs, the majority will expect to be allocated down quite heavily, compared to long funds which tend to put in orders closer to their desired allocation.

Thus, a number of ECM Leaders highlighted the importance of focussing more on pre-marketing to long funds (7 mentions) - **"Need to work a lot harder in getting long funds involved earlier"** which also helps to **"provide more clarity on allocable demand."**

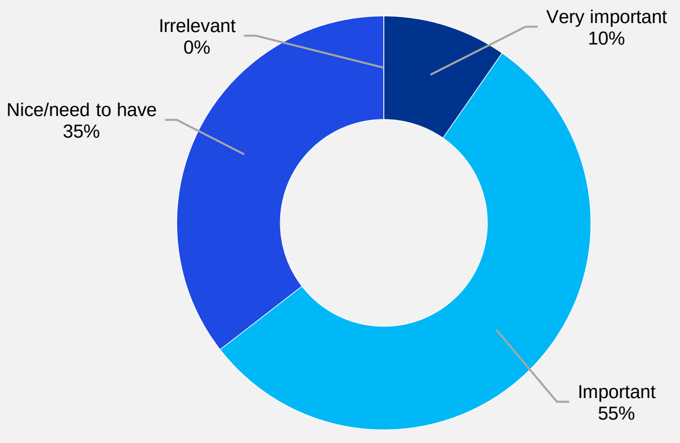
While hedge fund interest may be more forthcoming, one ECM leader suggested that **"using hedge funds to price an IPO is just wrong"** while another made the point that **"If a deal is going well, there will always be hedge fund interest."**

Other notable answers included **"Potentially moving to more fixed price deals"** (5 mentions), and the **"Flexibility and willingness to change price range lower"** (6 mentions). However, for this latter point and in general, it is important to note that **"Stakeholders need to be willing to transact at the bottom of the price range."**

> **IPOs are binary, either they fly off the shelves or they shouldn't IPO.**

13 How important is having a strong ESG angle to the success of an IPO?

ESG has been a key focus these past few years so we thought it would be worth checking how high on the priority list ESG still is – we asked the question of success with reference to completion but also its link to valuation.



ESG remains a key component to prospective IPO candidates but while a strong ESG angle is not essential, a negative ESG story will be an impediment.

The majority of ECM Leaders (17 mentions) still believe ESG is **"important"** with 3 believing it is still **"very important"**.

"In a more challenging IPO market, the marginal investor prices the deal and so yes it does have an impact on success."

Most ECM Leaders highlighted its importance (a strong ESG angle) but referred to it as a **"Nice to have/Need to have"** (11), rather than essential.

Instead, many ECM leaders note that a negative ESG story causes more of an impact on the outcome of success.

This is particularly with respect to the ability to generate interest in the IPO - **"If you don't have an ESG story, you can't get the IPO done, but it has come down the focus list."**

"It is possible to IPO without a strong ESG angle but a negative ESG story would be impossible."

"If a company has a strong ESG angle, this is a great story to tell and will unlock demand. Similarly, if there are any ESG issues, this will mean the addressable market of investors will be narrower."

"ESG will never get you a buy order but will give someone a reason not to invest."

"It is very sector dependent, but any ESG red flags will be penalised."

ESG has become more embedded into market practice as "everyone now has to have an ESG compliant business."

"It is still important but has become just another thing that a business needs to consider."

"Companies are generally more aware and behaving better so ESG is less of a novelty and needs less promotion."

Some ECM Leaders go on to say that other aspects of the IPO are more important.

"A strong ESG angle is not mandatory because if the company is attractive enough, it is not going to stop it getting away."

"ESG doesn't get in the way of a successful IPO."

"A strong ESG angle might help with demand but is not critical for an IPO with a strong equity story."

"ESG has gone down the agenda because companies are focusing on cost cuts."

"Still need to have to get it through investment committees but it is not going to be driving premium valuations."

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