

Initial Public Offering Are You Ready?

PwC IPO Centre – Your Partner for a Successful IPO



Challenges of an IPO

Going public is a major challenge for any company and there are many decisions that will need to be taken prior to an IPO. Management will need to steer the company through a complicated and often time-consuming process in order to be ready for an IPO.

Planning and good preparation are crucial for a successful flotation. It is not simply a question of appointing advisors but about ensuring that the company is ready to be listed on the public markets and that it is able to meet the challenges that such a listing brings.

In our experience, there are a number of key issues to address prior to an IPO:

- choosing the right market
- preparation of a well-constructed, attractive investor ‘story’ and future strategy
- ensuring that the board of directors and management team have the right blend of experience and skills
- establishing the right corporate governance structure underpinned by robust management information and management reporting systems
- ensuring appropriate board committees are operating effectively
- assessing suitability of existing capital and organisation structure
- financial track record
- effective and efficient operations including reporting processes
- readiness to change and embrace a “listed company mindset”
- management and employee incentive arrangements



All of these issues require a significant amount of time and resources and need to be undertaken in addition to the day-to-day requirements of running the business itself.

How can PwC Help?

At the start

IPO readiness assessment

By undertaking a structured exercise to analyse a company’s state of preparedness for the listing requirements of the chosen market, PwC can provide management with a full understanding of the key IPO issues as they apply to the company. From the output of this assessment, a project plan can be developed to address these issues and identify resources to perform the necessary remediation work.

A typical IPO readiness assessment would cover the following areas:

- the historical track record and equity story
 - what information is needed for the prospectus?
 - are the accounting policies suitable for a listed company?
 - how do they compare to the peer group?
 - are there any transitional issues?
 - what additional disclosures will be required as a listed entity?
- transaction structuring (e.g. tax efficiency)
- identification of key value drivers and risk factors impacting on business valuation
- assessment of existing systems, financial reporting procedures and management information to identify potential weaknesses or opportunities for enhancement
- assessment of corporate governance arrangements
- help in selection of the right market and advisory team
- general planning and preparation for being a public company

Throughout the assessment process, issues can be identified and dealt with at an early stage saving time and money. Early planning allows you to react quickly, minimise potentially unpleasant surprises and be ready to take advantage of any positive market movements.

In our experience, businesses that have undertaken a full pre-flotation preparation exercise to identify the key issues are those that gain the most from a flotation project.

During the IPO process

There are many ways in which PwC can assist during the IPO process itself:

As reporting accountants, providing assurance on the historical financial statements and providing due diligence for the underwriters by means of comfort letter procedures on the historical financial information included in the prospectus.

As advisors, we will provide lead advisory as an integrated team advising you from the beginning to the end of the IPO process in order to maximise value, including:

- Advising on business plan and financial modelling, investment case and business valuation
- Providing due diligence support, including review of the listing prospectus and offering circular
- Providing advice on the company's financial reporting procedures including assisting in drafting any required financial reporting procedures
- Helping design and implement organisational structure, process or corporate governance changes
- Advising on culture and employee management including incentive schemes as well as the structure of new ones appropriate for listed entities

After the IPO

The IPO is not the end of the story – it is only the beginning. Once listed, a company will be under far greater scrutiny and will have a range of continuing obligations to comply with. Any weakness in systems or failure to comply could cause management public embarrassment, reputational damage as well as the potential for company and personal fines. It is the first 12 months post-IPO where the benefits of careful preparation and planning are realised.

We have extensive experience of working with companies in this critical post-IPO period and projects include:

- systems and process reviews to improve the speed of management and regulatory reporting
- embedding the accounting policies and new / revised accounting standards into business reporting systems
- management training and development (briefings/ technical trainings)
- establishment or enhancement of internal audit and other governance systems

Questions?

If you are planning on listing, there will be many questions you will want to ask. These are just some of the questions we will be able to help you find answers to:

- What is an appropriate valuation for my company?
- What does being a public company really mean?
- How long will it take to complete an IPO?
- Do we have the right resources?
- Are my people ready?
- Do we have an attractive story for potential investors?
- What is the best way to articulate our strategy?
- What are the corporate governance issues we need to address?
- Is our management team and board composition appropriate?
- How many independent directors should we have on the board?
- What are the implications of a concurrent offering of shares to sophisticated investors in the US (via 144A) or elsewhere (via Reg S)?
- How do our accounting policies compare with other companies in the sector?
- Is my finance function ready?
- Are my operations run and managed effectively?
- What additional disclosures will we need to provide as a public company?
- Will it be a problem if one of our subsidiaries has a modified audit opinion?
- Do we need to restate our track record for recent acquisitions and disposals?
- How will an IPO affect our existing incentive arrangements?
- Any other possible listing venues?

This brochure highlights some of the issues that will need to be resolved before, during and after a successful Initial Public Offering (“IPO”) process. At PwC, we have unmatched experience in public offerings across a wide range of markets both domestic and international and can assist you in resolving many of the issues.

PwC IPO Centres

PwC's IPO Centres comprise specialists who provide a broad range of services to companies in connection with capital markets transactions, including:

- Advising on and assessing your company's readiness for becoming a public company
- Considering listing eligibility issues
- Lead advisory services - providing advice in the evaluation, preparation and execution of the IPO
- Advising on the restructuring and re-organisation to effectuate the IPO
- Advising on establishment or enhancement of internal controls and other governance systems suitable for a listed company
- Acting as reporting accountants (auditors) on capital markets transactions
- Assisting and advising on accounting conversion projects
- Advising on regulatory issues
- General planning and preparation

PwC Global IPO Centres

Kennedy Liu
Partner, Head of China/
Hong Kong Capital Markets
+852 2289 1881
kennedy.liu@hk.pwc.com

Clifford Tompsett
Partner, UK
+44 (0)20 7804 4703
clifford.tompsett@uk.pwc.com

Neil Dhar
Partner, US
+1 (646) 471 3700
neil.dhar@us.pwc.com

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