

# European Growth Audit Network

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EGAN

VIEWPOINTS

## IPO readiness and transition to a post-IPO company

Many high-growth companies view an initial public offering (IPO) as an important step in funding growth, innovation, and expansion. The journey from a private company to a well-functioning public company is lengthy and challenging; long-term success requires significant preparation, planning, and patience. The process is far from over on listing day.

On 5 December 2022, members of the European Growth Audit Network (EGAN) met in London to discuss how companies and boards can prepare for an IPO and what good practices they can employ after going public. Claire Keast-Butler, partner at law firm Cooley; James Beasley, Nasdaq head of board advisory for EMEA; Adam Kostyál, Nasdaq senior vice president and head of European listings; and Isabella Schidrich, Nasdaq senior managing director of EMEA listings, joined the discussion.

This *ViewPoints* summarizes the main points raised in the meeting and premeeting conversations:<sup>1</sup>

- **Preparing for an IPO** (page 1)
- **Transitioning to a successful post-IPO company** (page 5)

*For guest biographies, see Appendix 1 (page 8); for a list of meeting participants, see Appendix 2 (page 10); and for a list of reflection questions, see Appendix 3 (page 11).*

### Preparing for an IPO

Despite record-high levels of activity in the global IPO market in 2021,<sup>2</sup> high inflation, increased interest rates, and reduced access to capital all slowed down the rate of public offerings in the last year. Because the journey to a strong post-IPO company can be complex, lengthy, and challenging, members agreed that preparation should continue while waiting for the return of friendlier markets. A recent Nasdaq article emphasized, “When it comes to both pre-IPO prep and life as a listed company, it is all about preparation and coming out strong—particularly in today’s challenging environment.”<sup>3</sup>

Members and guests shared several considerations and good practices to contemplate when planning an IPO:

- **Start early and consider a readiness assessment.** Preparing for an IPO takes time and requires a detailed plan. Once a private company decides to list, it can be daunting to know when and where to start the process and how to prepare for associated costs. *"If you're a couple of years out from an IPO," one member asked, "what should be on the 24-month timeline? Money can be scarce, so when do you invest in all these things?"*

Members agreed that a readiness assessment is a good first step to identify gaps and prevent surprises.

*"You can phase in certain practices and processes by having a clear vision and road map of when and how to develop them,"* said Mr. Kostyál, adding, *"You don't have to have everything in place on day one."* Ms. Keast-Butler noted, *"From a legal perspective, you ideally want to start talking to the company 12–24 months out from the IPO so they can start thinking about steps to take without being in a big rush."* She added, *"An IPO is an expensive process, so it's a balance of being as ready as you can be before you start the legal spend. From a board perspective, you should be giving clear guidance and expectations. I've seen companies where the board says get ready, so they run to get ready, but then they decide they want to wait."*

- **Determine where to IPO.** Where to list can be a complex question, especially if there are strategic reasons for a listing outside of a domestic stock exchange. Considerations for listing location may include the regulatory requirements, industry and sector relevance, and regional investor

### Preparing to IPO in an unfavorable capital-raising environment

While a bearish economy does not lend itself to a favorable IPO market, companies can still plan and prepare for listing. During another session at the December EGAN meeting, Alan Hudson, EY-Parthenon leader for the UK and Ireland, joined members to discuss considerations for high-growth companies during a volatile economic environment—including considering alternate options to an IPO.

Mr. Hudson advised, *"Think about the consequences of not being able to IPO. Is it IPO or nothing? What are alternative options to raise capital? What does it mean for the growth story? The story you create ahead of an IPO shows the strength of the team—how they evolved, prioritized, and then accelerated when the market returned."* A member added, *"The prep work and practice of being a public company is good for a private company. Encourage the management team to use time as an opportunity to get ready and act like a public company."*

appetite. For instance, Mr. Kostyál explained, *"If you look at biotech and healthcare, it's typically driven by the fact that you have niche investors based in the US. In Europe, we don't have as many industry-focused investors, so companies in certain spaces may struggle to tell their story or feel they won't get the value they are looking for."*

- **Assess if management and the board are suited for their positions at a public company.** Before an IPO, potential investors will look closely at a company's management team and board. Founders and their start-up teams often have different skill sets than those needed to lead a company through its first public offering and as a listed company. Changes may be required, and the board should consider the following:
  - **Is the current management fit to lead the post-IPO company?** An IPO-experienced management team can be helpful but is not always necessary. Mr. Kostyál recommended complementing existing teams with experienced executives, rather than rushing to replace leaders. Once a company is public, investors and regulators expect management to fulfill duties that may previously have been shared or blurred. As a member highlighted, it is important to ensure alignment between board and management on executive responsibilities: *"I would judge what the CEO thinks they own versus what they believe are tasks for the CFO. If they believe that their job is to shine on road shows, and everything else that is burdensome or admin is for the CFO, I, as a board member, would heavily challenge such an allocation of tasks."*
  - **Does the board need to evolve?** As a company progresses from private to public, the board should also assess whether it remains fit for purpose. *"As the company evolves, the board needs to evolve with it. Boards can frame their evolution through the lens of the director life cycle: defining and monitoring board composition; reevaluating through board evaluations; appraisals of individual directors and developing training plans; planning for succession and delivering appointments; and onboarding for success,"* said Mr. Beasley.

Members said that IPO experience on the board is valuable. One explained, *"You need the experience of having done it before. You need people with good networks—high touch with investors, regulators, etc. Not every single board member needs to have that, but it needs to be a component and balanced out with other skills."* This is especially important when the executive team has little experience leading a public company. One member recalled how the supervisory board provided crucial support to the CEO when going public: *"The CEO was also the founder and had no IPO experience, so the real driving force in professionalizing the company was through the supervisory board."*

- **Prioritize stakeholder relationships.** When transitioning from a private to public company, it's important to devote time to managing shareholder and stakeholder relationships. This becomes even more critical in challenging capital-raising environments. As one member put it, *"A lot of IPOs have been postponed, and it is a question of how you manage the expectations you have set with key stakeholders."* She added, *"It is a very difficult situation where you tend to lose the best investors because the plan doesn't materialize, so they ask you to come back when your plan is ready."*
- **Lock in IR talent early to facilitate proactive investor engagement.** Recent Nasdaq guidance<sup>4</sup> focuses on the importance of investor relations (IR) talent during the IPO process: *"Part of being ready to list increasingly involves having an IR person on board before the firm goes public."* Companies should be thinking about investors as early as possible when preparing to become listed. Ms. Schidrich explained, *"It's really beneficial for investors to get to know not just the CEO but the CFO, IR, or a chief science officer at a healthcare company, so they have a good overview of where the company is and what milestones they are looking to deliver. If a company does that 12–24 months ahead of IPO, then they really build buy-in from investors."* A member agreed: *"With unique complexities in certain industries, you can't assume investors get it; you have to really overeducate. And the board can really coach management on that and emphasize the value."*
- **Tackle emerging issues, especially ESG.** Boards should think about how environmental, social, and governance (ESG) goals and reporting requirements may change as the company evolves. Failing to do so could be costly: *"If you are not telling your ESG story to investors, you're missing an opportunity because more investors are focusing on ESG,"* said Mr. Kostyál. He noted that ESG materiality assessments are helpful for pre-IPO companies: *"You will be drilled on that, so doing some sort of materiality assessment is a worthwhile exercise."* A member agreed: *"When I think about the role of the board and audit committee related to ESG, I see our most important job as pushing the company for proper materiality analysis before disclosing any information. I've seen companies who stop thinking after the E—but the S and G are important. So go through and think about the right focus. That's where boards come into play"*.

### Questions directors can ask as their company prepares for an IPO

Ms. Keast-Butler advised members to ask the following questions when their company prepares for an IPO:

- ? **Is the executive team ready to lead a listed company?**

Consider whether the top team has the necessary experience and expertise, including the ability to manage increased scrutiny and new stakeholders, such as public investors and analysts.

? ***Is the board comfortable with the finance team's ability to project and meet its numbers?***

This is a significant IPO concern, and boards should consider whether the company has the necessary personnel, systems, and organizations in advance of an IPO. Boards can review and stress-test forecasts to check on finance capabilities.

? ***Do other support functions have the necessary skills and experience?***

Boards should consider the full range of capabilities (e.g., compliance, legal, human resources, IR, communications) necessary to operate as a public company. If there are gaps in resources or capabilities, the board should understand how management plans to close them.

? ***How is the equity story being told—and is the board comfortable with it?***

The board should help management describe the business model, competitive advantages, and growth plans. The board can help management stay true to the story and guard against the temptation to revise it based on short-term feedback.

? ***What key performance indicators and nonfinancial measures will the business need to disclose?***

Boards not only need insight into how metrics are determined and tracked, but they also can help ensure appropriate metrics are disclosed and encourage benchmarking against peers.

? ***What are the biggest risks to the company?***

Boards should identify the most important five risks and, well ahead of an IPO, understand what is being done to manage them.

? ***Will communications need to change post-IPO?***

High-growth companies may prioritize transparency and openness, but public companies often need more tightly controlled information flows. Boards should ask management how communications will evolve leading up to and following the IPO.

## Transitioning to a successful post-IPO company

After spending years to get ready, the IPO journey doesn't end on listing day—but it can be easy to run out of time to plan for what comes after the IPO. Suwin Lee, EY private leader for EMEIA, cautioned against a common pitfall: "*Very few companies think about how they*

*will operate post-IPO.*" A member agreed: *"It can be difficult to get a newly listed company into the mindset of a publicly listed company."*

Guests and members agreed that strong post-public processes are a key part of the overall IPO journey. Good practices include the following:

- **Focus on financial reporting because you never get a second chance to make a first impression.** *"From our perspective, you're never stronger than your first quarterly report. If you don't deliver on that, it will be a very bumpy ride for the company, and it can take a long time to get investor confidence back. So, executing your first quarterly report is key,"* Mr. Kostyál advised.
- **Stay laser focused on compliance and procedures post-IPO.** *"The whole compliance area is much more visible in public companies, and even more focus is required in tough environments,"* observed a member. Ms. Keast-Butler concurred, observing that while legal teams emphasize policies and procedures leading up to an IPO, they must ensure that focus continues after the offering. *"It's really important that policies and procedures are complied with, so making sure there is proper training in the run-up to an IPO and then on a continuous basis post-IPO will ensure they are permeated through the organization,"* she said.
- **Don't overlook tax.** Tax, more than ever, is also an important area of focus throughout the IPO journey. *"It is important to ensure potential tax exposures are managed in the run-up to an IPO to reduce the risk of value leakage,"* said Ms. Lee. And tax will continue to be an important consideration post-IPO, she noted: *"There is more scrutiny post-IPO—for example, ensuring compliance in an increasingly complex tax environment with new taxes such as digital, carbon, and minimum tax."* Finally, Ms. Lee noted, tax is now more strategic: *"Stakeholders want to see more detail on a business's tax policy as compared to the past, where accounts often only included a brief comment."*

## About this document

The European Growth Audit Network is a group of directors drawn from Europe's leading high-growth companies committed to a program of learning and problem-solving aimed at enhancing governance of Europe's fastest-growing companies. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

*ViewPoints* is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

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## Appendix 1: Guest biographies

**Claire Keast-Butler** is a partner at Cooley. Her practice focuses on capital markets transactions. She represents issuers, investment banks, and investors on initial public offerings and secondary offerings. She also regularly advises listed companies on corporate and securities law matters and corporate governance and has considerable experience in public and private mergers and acquisitions and general corporate matters. Claire represents clients across a wide range of industries, including life sciences and technology. Claire has been recognized by UK Legal 500 (2023) as a Leading Individual for equity capital markets and is also ranked by UK Chambers & Partners (2023) for equity capital markets work.

**James Beasley** is head of board advisory for Europe, Middle East, and Africa at Nasdaq. He is a governance and board effectiveness specialist with over 13 years of experience working with some of the world's largest organizations. James joined Nasdaq from Deloitte, where he spent eight years in governance advisory, latterly as a director leading the organization's board effectiveness and broader governance transformation activities. During that time, James supported boards not only through reviewing effectiveness and performance but also through the design and implementation of appropriate actions to take boards forward on their effectiveness journeys. Based in London, James has experience supporting clients internationally throughout Europe, North America, Africa, and the Asia-Pacific region. James holds a master's degree in global governance and ethics from the University College London.

**Adam Kostyál** is senior vice president of listing services, Europe. In addition to Nasdaq Nordic Exchanges, where there are more than 800 companies listed, Adam is also responsible for the more than 120 European companies that are either primarily listed or dual listed on the Nasdaq Stock Market in the U.S. He started his career at OMX as a sales director, and then became head of the strategic initiative groups in 2006. Most recently, as vice president of market technology sales, he was responsible for sales, account management, and business development for Eastern and Western Europe. Adam has held various positions with Enron, Cell Network, and Bloomberg. He holds a Bachelor of Science in economics and marketing from Vrije Universiteit de Bruxelles and speaks four languages: English, Swedish, Italian, and French.

**Isabella Schidrich** is senior managing director of EMEA listings and has been responsible for business development of Nasdaq in Europe since 2001. Isabella has worked with hundreds of European companies, supporting a Nasdaq listing and managing the relationship with the Capital Markets community (investment banks, PE/VC firms, IR/PR firms, legal/accounting firms) and Nasdaq-listed companies in Europe. Prior to that, Isabella gained extensive business development experience within the telecommunications industry, heading



business units at BT Group and at Deutsche Telekom AG, and within the services industry. Isabella holds a master's in business administration from Munich University (Germany).

## Appendix 2: Participants

The following EGAN members participated in all or part of the meeting:

- Nadja Borisova, BlaBlaCar and Pomegranate Investment AB
- Brenda Eprile, Atlantica Sustainable Infrastructure, Westport Fuel Systems
- Christoph Hütten, Brockhaus Technologies AG
- Sandip Kapadia, VectivBio Holding AG, Molecular Partners AG, and Passage Bio Inc.
- Linda McGoldrick, Compass Pathways, Alvotech, and Cranial Technologies
- Carolyn Schuetz, OakNorth Bank
- Sandra Stegmann, Bechtle AG

The following European Audit Committee Leadership Network (EACLN) member participated virtually in all or part of the meeting:

- David Meline, ABB

EY was represented in all or part of the meeting by the following:

- Ombretta Cabrio, Private Accounts and BD Leader, EY
- Purvi Domadia, Partner, Market leader for FAAS/Capital Markets, EY
- Suwin Lee, Private Leader, EY

### Appendix 3: Reflection questions for directors

- ? Should a company always aim to go public at some point, or is it situational? When should companies be wary of going public?
- ? Are you going through or have you been through the process of taking a company public?

**If so:**

- ? How did you determine if going public is/was the right strategy for your company? What alternatives did you consider?
- ? How long did the IPO process take? Did you conduct an IPO readiness assessment during initial planning stages?
- ? How did you assess whether the executive team had the skills and experience to lead a public company? What issues did you encounter?
- ? What are the most important ways directors can contribute to a company's successful IPO? What is most important for an audit committee to focus on?
- ? What were some of the greatest challenges or barriers the company encountered during the IPO process? What were the most significant corporate governance issues that arose?
- ? Which stock exchange did you choose to list on, and how was that decision made?
- ? What changes did you have to make to the board and/or audit committee once you became a public company? Did you have to replace any directors?

**If not:**

- ? What factors might lead your company to pursue to an IPO?
- ? Has recent market uncertainty and volatility changed your plans? What other risks are you most concerned about?
- ? How confident are you that you have the fundamental processes, internal controls, and capabilities in place? Where have you identified gaps or areas of concern?

## Endnotes

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<sup>1</sup> *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.

<sup>2</sup> EY, [\*How Can You Prepare to Seize the Right Moment? EY Global IPO Trends 2022\*](#) (London: EYGM Limited, 2022).

<sup>3</sup> ["IPO Prep: Scenario Planning and Explaining Your Resilience—Nasdaq's Advice on Appealing to Investors in Challenging Times,"](#) Nasdaq, September 27, 2022.

<sup>4</sup> ["IPO Prep: Scenario Planning and Explaining Your Resilience—Nasdaq's Advice on Appealing to Investors in Challenging Times,"](#) Nasdaq.