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EGAN SUMMARY OF THEMES

The road to a liquidity event

May 2025

High-growth companies inevitably reach a stage where founders, investors, or leaders seek to unlock and realize the value they have built. The right approach to a liquidity event depends on timing, market conditions, company readiness, and strategic ambition.

Nonexecutive directors play a critical role in challenging assumptions, offering strategic guidance, and ensuring that the company is well-prepared for the next phase. Success hinges on the strategic insight of the board and on thoughtful preparation for the event and for the next phase of the company's existence.

On April 10, 2025, members of the European Growth Audit Network (EGAN) met online to discuss preparing for a liquidity event. Members were joined by Dr. Axel Wittmann, Partner, Clifford Chance, and Dr. Max Alles, Counsel, Clifford Chance.

For a list of meeting participants, see Appendix 1 (page 5) and for an overview of liquidity options for high-growth companies, see Appendix 2 (page 6).

This *Summary of Themes*[1] highlights key themes that emerged in the discussion:

IPO activity in Europe remains slow, but a rebound is likely

Listing in Europe versus the US depends on size and sector

Appetite for dual-class share structures varies by jurisdiction

Consider the company's future before pursuing a dividend recap

Successful company sales and IPOs require comprehensive preparation

Be ready for ongoing work after an IPO

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The road to a liquidity event

For high-growth European companies, a liquidity event—whether through an IPO, partial or full disposal through a share or asset deal, or a secondary sale—often represents a turning point: from rapid expansion to a new phase of maturity and accountability. It marks not just a financial milestone, but a fundamental shift in how the business is structured, governed, and valued. For nonexecutive directors, guiding a company through that point raises distinct governance, strategic, and timing considerations. Members were joined by Clifford Chance's Max Alles and Axel Wittmann to explore how boards can prepare for liquidity, balance growth with discipline, and support management through these pivotal transitions.

Current liquidity event trends

Dr. Alles set the stage by outlining the liquidity options available for high-growth companies (see Appendix 2, page 6) and sketching the following trends:

- **Increased secondary market activity.** *"In 2024, investors sold around $160 billion in private equity stakes through secondary markets, a 45% increase compared to 2023."*
- **Rising investor confidence.** *"With lower interest rates and cheaper money, especially in Europe, we saw increased investor confidence in acquiring new assets and expanding portfolios, even amid various uncertainties in the market."*
- **Valuation gaps are closing.** *"Valuation gaps are narrowing in certain industries. Earnouts resurfaced during the pandemic to bridge valuation gaps and they are still common."*
- **Regulatory challenges are resource intensive.** *"New regulatory regimes, like the Foreign Subsidies Regulation, the Corporate Sustainability Reporting Directive (CSRD), and other unique European regulations, are imposing significant compliance obligations on companies. These changes are impacting both the target company and the potential acquirer, requiring them to collect and analyze vast amounts of information. Companies are now building entire departments to comply with all these new regulatory regimes."*

Dr. Alles and Dr. Wittmann shared their perspectives on the current landscape:

- **IPO activity in Europe remains slow, but a rebound is likely.** *"I'm hearing that IPOs are being delayed. Is that your observation as well?"* asked a member. *"After the 2021 boom, when over 1,000 IPOs occurred across the US and Europe, the IPO market slowed in 2022-2024,"* said Dr. Wittmann. *"Despite many companies preparing for IPOs, they haven't picked up as expected, especially in Europe."* But, he added, *"It is generally expected that IPO activity picks up again across Europe in the second half of the year and in 2026—but that depends on macroeconomic conditions and market developments, such as the current tariff situation."*
- **Listing in Europe versus the US depends on size and sector.** *"The question of whether to pursue an IPO in the US or Europe has come up in most early IPO preparation discussions*

with our clients in recent years," said Dr. Wittmann. IPOs in the UK or Europe remain the standard route for most European companies, in part because US IPO processes require more time and effort to prepare and are most costly. But a New York listing is the preferred choice for certain sectors: *"Investors in an IPO will ask why a biotech company wants to IPO in Europe instead of the US, given the specific concentration of biotech companies on NASDAQ,"* said Dr. Wittmann. *"Other tech and non-tech companies, however, face a decision: is there a clear reason—such as strong US investor ties or customer concentration—to go through the US Securities and Exchange Commission registration process and list on NASDAQ or the NYSE, rather than taking the easier route to IPO in Europe?"*

- **Appetite for dual-class share structures in Europe varies by jurisdiction.** *"Dual-class share structures, where the founder retains controlling interest in the business, are well established in the US. But what's the appetite for them across Europe?"* asked a member. Dr. Wittmann noted that dual-class shares are common in Italy, the Netherlands, the UK, and especially in the Nordics—for example, in Sweden, 40% of public companies use these systems. In Germany, however, dual-class structures with preferred shares having multi-vote powers were only introduced in early 2024 and have not yet been adopted for IPOs. Even where these structures are common in Europe, he said, they come at a cost: the strong market presence of companies like Meta or Google typically overcomes price discounting from dual-class listings. Smaller companies, however, do not escape such discounts—investors tend to apply them when an entrenched shareholder uses multi-vote shares or other legal structures to retain long-term control, regardless of location. *"If you complete a German IPO with a dual-class structure, you would likely see a price discount because the founders would maintain control with fewer shares, and investors would factor that into the pricing,"* he said.
- **Consider the company's future before pursuing a dividend recapitalization.** *"Dividend recaps are common for companies held by private equity sponsors, where additional debt is taken on and then cash is paid out to provide a liquidity event to the shareholders,"* said Dr. Wittmann. But Dr. Alles cautioned that while this can be beneficial in the short term, it increases debt on the balance sheet and may affect future exit strategies, like an IPO or M&A. *"The key is to carefully consider the company's financial position, industry expectations, and future plans before using this approach,"* he advised. One member agreed, noting that a company they had been involved with had considered a dividend recap as an "*alternative liquidity solution to an IPO,"* and had taken these factors into account in their discussions.
- **Successful company sales and IPOs require comprehensive preparation.** Dr. Wittman and Dr. Alles noted several key considerations:
  - **Strong business foundation**. To be attractive for sale or listing, companies need transparent financial health, market traction, and clear growth plans. *"Without a solid business foundation, successful exits won't be feasible,"* said Dr. Alles.
  - **Legal compliance**. To avoid reputational damage and increase exit success, *"companies must have processes in place to ensure compliance with various regulatory regimes such as data protection, CSRD, and the EU AI Act, which impose significant burdens,"* said Dr.

Alles. He added, *"For companies operating across multiple jurisdictions, aligning accounting practices often proves beneficial in presenting a clear, transparent, and consistent financial picture of the target company to investors. Streamlining accounting and financial reporting processes for legal and compliance matters is becoming increasingly important."*

- **A strong leadership team**. *"Management should have the right industry expertise and must be aligned on the strategic goals and future of the company. Management incentivization is also crucial,"* said Dr. Alles. He added, *"You need the right C-suite for the right liquidity event—it takes a different kind of CFO for an IPO than for an M&A trade sale."*
- **Leadership depth.** Ensuring sufficient staff to handle both the IPO process and ongoing operations is crucial for a smooth transition to a public company. *"Smaller companies often have just the CEO and CFO managing everything without an A-Team. It's too small for an IPO,"* said Dr. Wittmann. *"At least someone below the CEO and CFO is needed to help with preparation, internal management, and post-IPO tasks like investor relations, strategy, and communications."*
- **Time.** An IPO or M&A requires substantial preparation. *"Time spent preparing is never wasted,"* said Dr. Alles. Even during market turmoil, preparing for an exit, whether sooner or when conditions improve, can increase a company's value and reduce complexity. He said, *"Companies can use this time efficiently to ensure that their financials, legal compliance, and operational processes are in order."*

- **Be ready for ongoing work after an IPO.** *"Once you've done the IPO, you're now a public company, and the scrutiny and visibility increase dramatically,"* observed a member. She highlighted how investors' focus evolves and the company's responsibilities expand: *"You're no longer just focused on growth; you must now consider all stakeholders—employees, the community, regulators, and shareholders."* Even with strong initial controls, public companies face a significant increase in accountability, requiring ongoing work beyond the IPO. She noted, *"There's a tremendous amount of work that continues well beyond the IPO."*

Appendix 1: Participants

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

Nadja Borisova, BlaBlaCar and Pomegranate Investment
Carolyn Dittmeier, illyCaffè
Terri Duhon, Wise
Tracy Dunley-Owen, Allica Bank
Brenda Eprile, Atlantica Sustainable Infrastructure, Westport Fuel Systems
Christoph Hütten, Brockhaus Technologies
Carl Mellander, Tobii
Sandra Stegmann, Bechtle

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

Ombretta Cabrio, EMEIA Assurance, Director

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

Beverley Bahlmann, Executive Director
Jonathan Day, Chief Executive
Laura Koski, Project and Event Manager
Todd Schwartz, Executive Director
Hannah Skilton, Associate

Appendix 2: Liquidity pathways for high-growth companies

Liquidity pathways for high-growth companies

During the conversation, Dr. Wittmann and Dr. Alles provided a snapshot of liquidity options for high-growth companies. Tapestry summarized these in the following table:

Liquidity type	Description and goal	Common use cases
Initial Public Offering (IPO)	Listing shares on a public stock exchange, providing access to capital markets and liquidity for shareholders.	Typically pursued by larger, more mature companies with a certain degree of market traction; considered by founders and shareholders a liquidity solution to retain long-term control or sell-down over several years.
Private or trade sale; M&A exit	Sale of a full or partial stake to a strategic or financial buyer. Offers flexible deal structuring.	Used when investors want to exit entirely or bring in new capital or expertise through a partial sale.
Dual track process	Running IPO and M&A processes in parallel to optimize valuation.	Used to create competitive tension and evaluate both paths; more often ends in M&A, with IPO used as a benchmark. Typically used for larger companies, particularly if they are private equity held.
Dividend recapitalization	Taking on new debt to issue dividends to shareholders—provides partial liquidity without a sale.	Popular in private equity contexts when full exit is not desired, but investors want to return capital.
Special Purpose Acquisition Company (SPAC) merger	Merging with a SPAC (a so-called de-SPAC) for a public listing without going through a typical IPO investor process.	SPACs boomed in 2020 and 2021, especially in the US. Activity has since declined significantly, but SPAC IPOs and de-SPACs are still taking place as of 2025.
Management Buyout (MBO)	Existing management team acquires the business, often with private equity backing.	Useful in founder transitions or when continuity is a priority. Enables existing leadership to take control with investor support.
Sale to continuation fund	Rolling a business into a new private equity vehicle managed by the initial sponsor.	Typically used when a private equity firm wants to hold a company longer while offering liquidity to earlier investors.

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Endnotes

[1] *Summary of Themes* 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. Quotations in italics are drawn directly from members and guests in connection with the meeting but may be edited for clarity.