PwC's top IPO tips

Consider all the options – An IPO is just one of a number of possible exit or funding paths and may not necessarily be the best option. Consider all options early as part of the initial IPO strategy. An IPO Readiness Assessment can evaluate each option and where necessary dual or multiple track processes can be run, as well as considering which stock exchange is most suitable for your company.

Set the IPO structure early – Invest time up front to consider existing stakeholder concerns and determine the offering structure and marketing options. Changes to the offering and legal entity structure late in the process can be expensive and risk derailing the IPO.

Use a multidisciplinary approach – Its a common mistake to delegate all aspects of the IPO to one group. An IPO will involve all areas of the business - the Board, shareholders, strategy teams, accounting and financial reporting, legal, treasury and risk management, tax, human resources and IT. All departments heads will need to play a part in the information gathering process and implementing any required changes.

Strike the right balance between internal and external resources – The time and effort involved in trying to execute an IPO can quickly overwhelm existing resources. Hiring from outside the Company can bring immediate experience and technical depth which can be increased or decreased to meet the demands of the process. This needs to be balanced with the need to ensure adequate retention of knowledge internally after the IPO is complete.

Don't try too much at once – You need to take a staged approach to building a public company. Too often companies make the mistake of trying to complete an acquisition, or debt refinancing, or introducing a significant new system, new board and governance policies, new legal or organisational structures in conjunction with their IPO. Trying to achieve multiple initiatives at the same time can strain an organisation such that the project beaks down under its own weight and the IPO is delayed or never completed. An effective IPO Readiness Assessment at an early stage can help alleviate issues by prioritising tasks and allowing them to be completed within scheduled phases.

The PwC Middle East Capital Markets & Accounting Advisory Services Group

The PwC Middle East Capital Markets and Accounting Advisory Services Group ('CMAAS") is based in the UAE, Saudi Arabia and Qatar, and forms a part of the assurance practice of PwC. CMAAS includes specialists who provide a broad range of services to companies and investment banks in connection with capital markets transactions.

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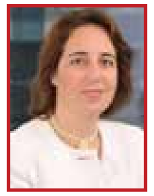

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PwC Capital Markets & Accounting Advisory Services, Middle East, comprises specialists who support clients in their local, regional or international IPO aspirations.

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Initial Public Offering

Are you ready?

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Introduction

This booklet highlights some of the matters that will need to be considered to ensure that any Initial Public Offering ('IPO') process is a success. At PwC we have considerable experience of public offerings across a wide range of markets both domestic and international and can assist you in resolving many of the issues identified in this booklet.

Key challenges of an IPO

Going public is not simple, it is time consuming and can be expensive. For a company, being involved in an IPO is a once in a life time event. Miscalculating the time and complexity involved to transform a private business to a publicly traded company is a common pitfall.

Key challenges for companies considering an IPO include:

Planning and good preparation. For most companies there is a significant amount of work needed up front to get into shape for the IPO. While market timing is outside a company's control, preparation is not. If an IPO is in your company's aspirations, expect discussions and planning sessions to begin early in the process.

Management resource. The IPO process is very time consuming for key executives leaving less time for them to perform their executive management responsibilities. This can increase the risk of business issues not being addressed or not enough time being dedicated to the flotation.

Change management. The acceptance and implementation of the changes that will be required throughout the organisation will be challenging, particularly in respect of the governance and transparency changes that go hand in hand with a new set of external stakeholders and investor accountability.

Building the right team. Building the right team takes time and finding the right executives and non executives with relevant experience that will add value to the business is difficult. Similarly, appointing the right advisors to guide you through the process is equally important in executing a successful IPO.

What do you need for a successful listing?

Without doing the initial preparation and ground work, an IPO can be doomed before it has even started. At PwC we understand this and in our experience the most successful IPOs are the best prepared. This is particularly so in today's changing economic climate – potential investors not only want a good investment story, they are looking for transparency in financial reporting, strong governance and robust systems. At PwC we have experience of a wide range of international, regional and domestic IPOs – we can help you evaluate the pros and cons upfront. We simplify the process, take you through it and prepare you for life as a public company. PwC makes a difference, we aim to support you and help you get it right.

Many companies start preparing for becoming a publicly listed company well before the actual IPO process starts. In fact, advance preparation is typically the critical success factor to achieving a smooth execution process – steps can be taken early to correct any potential organisational gaps or transactional issues that are identified, allowing you to take advantage of the optimum IPO window for your company.

PwC's ***IPO Readiness Assessment*** helps you review the critical areas needed for a successful float ahead of the IPO itself.

Our early stage diagnostic review will highlight those areas where current processes, procedures, structures and practices fall short of the requirements for a company whose shares are to be publically traded.

Our diagnostic review recommendations will enable you to:

- Prioritise the key gaps to remedy;
- Help decide which matters to remedy yourself and those which may require external support to remedy;
- Focus resource requirements to remedy the identified gaps;
- Implement a roadmap for remediation and expedite compliance for the potential future IPO; and
- Set a realistic IPO timeline.

We report our findings against the key attributes expected of a public company and the relevant regulatory framework. Our findings are priortised according to the potential impact on a planned IPO. We use a traffic light system as a useful way of presenting our findings as follows:

H	Issues that will need to be addressed urgently as they are determined to be critical to the IPO path
M	Issues that will need to be addressed prior to the IPO – some processes are in place but improvements are required.
L	Appropriate procedures are in place, or an issue that needs to be addressed prior to IPO but is relatively straightforward or an issue that can be addressed post IPO

The table below provides an overview of the key attribute areas we would typically expect to assess as part of an IPO readiness assessment.

Key attribute	*Consideration*
Clear Strategy and stable financial position	Vision and mission; Equity story; Integrated business plan, budgets, forecasts and performance management; Financial track record.
Transparent structure	Legal and tax structure; Defined reporting lines; Ability to function on an arms length basis; Remuneration and incentive arrangements.
Corporate governance	Corporate governance arrangements including board structure, function and composition and board committees; Delegation of authority; Internal audit; Risk identification and mitigation.
Timely and accurate reporting	Internal financial processes and controls; IT environment; IT security and disaster recover plans; KPI reporting and monitoring; Ability to comply with continuing obligations.
Transparency and disclosure	Financial and corporate reporting; Investor/media relations.
Reputational predictability and corporate citizenship	Code of conduct; Fraud and risk management policies; Money laundering controls; Conflicts of interest.