

# The background work which goes into a successful IPO

BC [businesscloud.co.uk/opinion/the-background-work-which-goes-into-a-successful-ipo/](https://businesscloud.co.uk/opinion/the-background-work-which-goes-into-a-successful-ipo/)



***By Chris Biggs, partner, Theta Global Advisors***

2021 is proving to be a record year for M&As with both start-ups and major corporations seeing a great deal of interest from foreign investors and private equity takeovers surging.

From ASDA and Morrisons, to innovative new tech firms, this trend is set to shake up the rather staid landscape of the UK economy, and both the private and public markets are reflecting this, with both having seen a huge increase in activity since the pandemic began.

Given the interest from foreign investors, many companies in the UK have begun to take advantage of IPOs as a route to access working capital, raising their company's profile and generating interest. IPOs are also an excellent method to accumulate a war chest to fund an investment or acquisition, a trend particularly popular with the current undervaluation of UK companies.

With a large amount of uncertainty melting away that has lingered from Covid-19 and Brexit, this perfect storm of optimism, loosening restrictions, and undervalued companies has seen a number of professional service firms – such as us at Theta Global Advisors – instruct on a variety of deals as companies look to expand via IPOs.

While many household names are undergoing processes for private equity takeovers, the UK has maintained its position as the leading listing location in Europe for fund raising and, on a global basis, remains third behind the US and China for funds raised via IPO. The UK market had a positive reaction to the UK listings review as London looks to attract IPOs of technology companies and founder-led businesses with such measures as potential inclusion of dual-class share structures on the Premium Segment and smaller free-float requirements, explaining the increase in listings and rapidly changing economic landscape as a result.

However, while these surges are at first glance a positive step for businesses and the UK economy, many companies are failing to prepare appropriately for their IPOs, sacrificing the general management standards of their businesses that originally allowed them to excel to their current points of expansion.

IPOs involve vast quantities of work which many business leaders underestimate when entering into these extensive, time-consuming processes. This is where professional service firms come in and prove themselves essential. By utilising smaller firms, companies are able to access flexible, tailored solutions that fit their goals and business types, helping to see their companies expand and their IPO process occur seamlessly as part of their general business goals as opposed to sacrificing one for the other.

While preparing to get ready to list, it is of paramount importance that companies do not lose sight of their growth targets in the process. A successful IPO relies not only on preparation for the IPO itself, but also in the meeting of general growth targets for the business. For many businesses, underestimating the impact of these competing responsibilities often proves itself to be the cause of disappointing results in the first public reporting period.

As such, instead of beginning these preparations when the market seems to best allow for a company to go public and when they have hit certain internal targets, CEOs and CFOs should really aim to be operating as a public company almost from day one of trading. By adopting management practices and developing general business goals in accordance with practices compliant with those of a public company, business leaders are able to far more easily meet these official compliance requirements when they come to the stage of their actual IPO.

In both formal IPO preparations and the beginning of these public company friendly practices, agile professional service firms are invaluable. These smaller firms are able to adapt their practices, and utilise a wide range of financial and non-financial professional service expertise to tailor a service that meets the needs and resources of their clients.

The landscape of the British economy is transforming rapidly in response to the spike in activity in both private and public markets as foreign investors take over UK businesses, and those businesses that have seen success going public to continue their expansions. However, this shift naturally results in a host of new challenges, and businesses must be able to adapt.

Agile professional service firms can support CFOs in their management practices, advising on new practices and taking on the lion's share of the work for any formal IPO processes to ensure their new practices are in accordance with the necessary standards while also remaining attractive to investors, providing for a far more seamless IPO process.