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Preparation for IPOs &
Eurobond offerings

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Presentation outline

- Preparation for IPOs
 - Preliminary decisions
 - Corporate culture
 - Due diligence
 - Restructuring/resolution of issues
 - Financial and accounting
 - Corporate governance
 - Business planning
 - Preparing documentation
 - Timing
- Preparation for Eurobond offerings: additional considerations

Preparation for IPOs - Introduction

- 3 basic stages to an IPO
 - Preparatory stage
 - Marketing
 - Admission process

Preliminary decisions – deciding to IPO

- Underlying rationale
- Alternative sources of funds
- Review of business
- Choice of market / structure
- Eligibility criteria
- IPO and ongoing obligations

Preliminary decisions – Advisers

- Investment bank (e.g. underwriter, sponsor, Nomad, broker, research analyst)
- Lawyers (to company and to investment bank)
- Reporting accountants / auditors
- Sector experts (if required)
- PR consultant
- Registrars
- Depositary (for a GDR offering)

Due diligence

- Several processes
 - Business due diligence (investment bank)
 - Legal (lawyers)
 - Long form report (reporting accountants/auditors)
 - Other (e.g. competent person or technical report)
- Purpose
 - Identify issues to be addressed pre-IPO
 - Source material for prospectus
 - Underwriter due diligence defence
 - Satisfy sponsor / Nomad requirements

Corporate culture

- An international IPO will require:
 - Commitment by the company and management to full disclosure to investors
 - Complete candour with professional advisers
- Preparing for being a “public” company – importance of establishing the correct mindset prior to commencing an IPO

Restructuring/resolution of issues

- Consider any changes needed to corporate structure (N.B. tax and marketing issues)
- Shareholder agreements/entrenched rights, etc.
- Existing relationships, particularly with related parties
- Inappropriate assets/arrangements (“Where’s the yacht?”)
- Assets outside the IPO group (e.g. IP, property)
- Remuneration structure

Financial and accounting

- Financial and reporting procedures
- Historical financial statements
 - Previous 3 years audited accounts plus interims
 - May need to restate to IFRS (also going forward)
- Working capital report
- Others (e.g. profit forecast or pro forma information)

Corporate governance

- Review of board/management
 - Relevant expertise (including quoted company)
 - Independent non-executives (and committees)
- Shareholders
 - Structural issues
 - Controlling shareholders
 - Lock-in period
- Shareholder protection rights (e.g. takeovers, etc.)
- UK Corporate Governance Code
- IPO and ongoing obligations

Business planning

- Post-IPO strategy
- Rationale for fundraising and use of proceeds
- Analysis of market and risk factors

Preparing documentation

- Prospectus / admission document
 - Marketing document (N.B. also presentation)
 - Disclosure document
 - Listing document
- Structuring/governance documentation
- Directors' pack
- Comfort letters
- Underwriting agreement
- Nominated adviser and broker agreement (AIM)

Timing

- Rough guide: 4-6 months
 - Preparedness at start
 - Complexity of business
 - Management focus
 - Issues arising
 - Restatement of financial information
 - New personnel (e.g. NEDs)
 - Market conditions

Preparation for Eurobond offerings: additional considerations

- Appointment of advisers and agents
- Determination and implementation of offering structure
- Determination of appropriate bond terms
 - Covenants
 - Events of default
 - Redemption provisions
- Rating agencies
- Typical timing: 8-10 weeks

Preparation for Eurobond offerings: additional considerations

- Recent developments regarding withholding tax on Russian Eurobonds
 - Background
 - Recent developments
 - Current position and future outlook

Conclusion

- A couple of quotations relevant to preparation for IPOs and Eurobond offerings:
 - “Failure to prepare is preparing to fail”
 - “It is better to be prepared for an opportunity and not have one than to have an opportunity and not be prepared”
- Effective pre-IPO or pre-Eurobond preparations can make the process quicker, more efficient and more cost-effective for all parties involved



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