

STRAND
HANSON

IPO Guide

— Advice through partnership

Listing on the London Stock Exchange can offer businesses access to a broader investor base, an enhanced profile and provide a more attractive acquisition currency. Its success is rooted in careful planning and an understanding of the likely issues.

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Introduction

Strand Hanson advises businesses across a wide range of sectors and jurisdictions on flotations in London, on AIM, the Main Market of the London Stock Exchange and Aquis. Our independent advice includes structuring and valuation work, alongside IPO execution and management.

“Partnering with our clients to achieve their aims and objectives is at the heart of our business.”



James Spinney
Managing Director

Strand Hanson prides itself in providing uncompromised, independent advice to our clients throughout the flotation process and beyond, working with a broad range of brokers to ensure the highest standards of service and the best chance of success.

Since 2009, we have advised on a significant number of IPOs and dual-listings across multiple jurisdictions.

Why consider an IPO?

EXPOSURE TO INVESTMENT CAPITAL	Going public enables exposure to a deep pool of diverse investors who can finance growth on a long-term basis
ACQUISITION PURCHASING POWER	Can complete acquisitions using your own company's shares as a liquid currency
INCREASED BRAND EQUITY	A listing enhances your Company's profile and brand awareness and can enhance your negotiating power with key stakeholders
MOTIVATE YOUR EMPLOYEES	Share options can be used to retain and incentivise key staff and drive the team ethos as well as possible shareholder sell-down
RETAIN AUTONOMY	Retain control whilst attracting supportive equity capital

Essential Considerations before an IPO

Preparing for an IPO demands attention to detail and commitment to market best practices.

REMUNERATION STRUCTURES

- Post-IPO structure needs to be consistent with market mood
- Management incentive schemes commensurate with size and peer group

IFRS AND FINANCIAL DISCLOSURE

- Three-year audited historical financials required (unless company in existence for a shorter period)
- Conversion to IFRS
- Building achievable financial forecasts
- Financial reporting procedures - requirement to evidence adequate financial reporting and control systems ahead of IPO

MANAGEMENT PARTICIPATION AND LOCK-UP PROVISIONS

- Management and existing shareholder support will be welcomed
- A measured disposal combined with a lock-up period will be accepted by the market
- Establish and coordinate liquidity/ exit road map for major shareholders
 - Lock-up period for major shareholders and management: Phased sale over two years

ENHANCE PROFILE

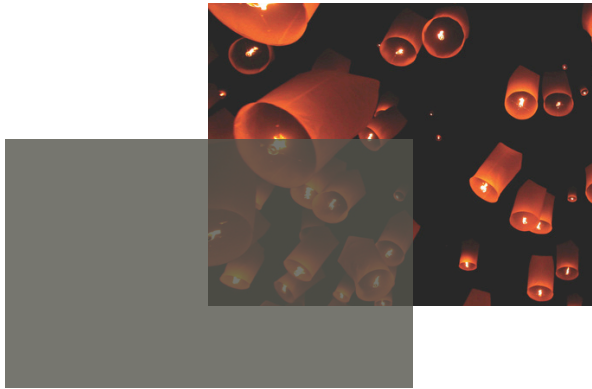
- Carefully handled initiatives to increase the visibility of the company in both trade and financial circles will aid marketing of the business during the IPO process
- Areas to focus on include:
 - Appointment of financial PR
 - Build media coverage via selected meetings with key journalists

BOARD STRUCTURE

- Balance of Executive and Non-Executive Directors (NEDs), and in particular independent Non Executive Directors (INEDs), such that no individual or small group can dominate Board decision making
- At least half the Board should comprise NEDs, including at least two INEDs
- The non executive directors should bring a combination of the following:
 - Plc background - known and respected by investors
 - Finance background - “recent and relevant financial experience” necessary for audit committee chair
 - Sector experience - not essential for the market, but likely to add value in the business
- Investors will want to see a strong, well respected and senior independent director
- Typically look for chair and CEO roles to be split, with the CFO also on the board



Benefits of an IPO



PROVISION OF CAPITAL TO FACILITATE GROWTH

- Future investment possible through greater sources of capital
- Offers appealing acquisition currency through publicly traded shares

BROADED SHAREHOLDER BASE

- Potential opportunity for existing investors to realize part of their investment
- Extend shareholder base to institutional funds through IPO offering
- Establishes a platform for the company's shares to be freely traded among investors/ market participants
- Enhance recruitment, employee retention, and incentiveisation by implementing equity participation schemes

INCREASE PROFILE

- An IPO will increase the Company's profile, enhance its brand and overall visibility
- Increase international investor awareness and understanding
- Benefit the company in its dealings with stakeholders

MAXIMISE VALUATION

- The research analyst will generate a report providing the market with their valuation perspective
- Subsequently, investors value the company in discussion with its brokers
- Market prices capture the company's evolving valuation, guided by investor sentiment and company achievements
- Significant value increase post-IPO if projections are met or exceeded

What Influences Value In Equity Markets



GROWTH

- Investors prioritise receiving returns on their capital.
- In equity markets, the majority of investors seek opportunities for growth:
 - Growth in profit/earnings
 - Expansion through higher sales volume
 - Improvements in profit margins
- Short-Term Focus:
 - Concentration on the current year's profit/earnings per share (EPS)
 - Evaluations often revolve around an 18–24 month horizon
- Medium to Long-Term Outlook:
 - Focus shifts to sustainable growth over a five-year period

MULTIPLES

- Important valuation multiples include the Price-to-Earnings (P/E) ratio and the Enterprise Value to EBITDA (EV/EBITDA) ratio
- Key factors influencing these multiples are:
 - Earnings Growth Rate: The pace at which earnings are increasing
 - Earnings Quality: The consistency and reliability of growth over time
 - Profit Margin: Represents the added value of a product or service as a percentage of revenue
- Meeting or exceeding market expectations is vital; adopting a strategy of "underpromise and overdeliver" is often effective

CASH GENERATION

- Cash flow remains a crucial financial indicator.
- Strong cash generation enables the following:
 - Reinvestment in the Business: Supporting R&D, manufacturing, and sales efforts
 - Funding Acquisitions: Driving additional growth through strategic purchases
 - Enhancing Future Growth: Strengthening the company's long-term trajectory
 - Returning Capital to Shareholders: Providing dividends or repurchasing shares, thereby boosting total shareholder returns (TSRs)
- Fundamental valuation is often tied to discounted cash flow (DCF) analysis

RETURN ON CAPITAL

- A critical metric for evaluation, focusing on:
 - Existing Operations: Assessing current return levels.
 - Future Investments: Evaluating potential projects or initiatives
- Key considerations:
 - Are returns, either current or forecasted, higher than the company's cost of capital?
 - By what margin?
- Ultimately, this measures the creation of shareholder value and drives long-term success

Contributing to the IPO Process



BUSINESS STRATEGY/ INVESTMENT CASE

- Equity story will present the company to prospective investors, drawing out the competitive advantages, strategy and growth prospects for the group and each division
- The company will aid the advisers in preparing the equity story
- Company's assessment of future industry trends affecting each division and associated macro-economic factors is required



ACCOUNTING PREPARATORY WORK

- 3 years audited IFRS accounts required for IPO admission document (unless company is younger than 3 years)
- Reporting accountant required to report on working capital funds
- Comprehensive “Long Form Report” serves as the primary financial due diligence report for the IPO, produced by the company's accountants
- Accountants required to review internal financial and operational controls
- Finance teams will need to allocate substantial resources to this preparatory work

FORECASTING

- Market valuation based on 1-5 year advanced forecast
- Budgeting will contribute to the necessary working capital requirements at IPO
- Granular, well prepared forecasts are crucial for the IPO process
- Achieving the key milestones included in these forecasts are essential for the company's post-IPO success and validating its growth outlook

DUE DILIGENCE

- Confidential reports focusing on commercial, legal, and accounting aspects of the business
 - Includes considerations such as insurance, environmental issues, and corporate governance
- Advisers will predominantly guide the process, though it will demand considerable input and resources from divisional teams
- Facilitates the disclosure in the various IPO public documents

IPO Process Timeline



* This timetable is indicative only and project timetables will according to the complexity of the IPO candidate, associated transactions related to the IPO and the proposed financing arrangements being considered by the IPO candidate

Key Advisers

Adviser	Key Responsibilities
FINANCIAL ADVISER/ NOMAD/SPONSOR	<ul style="list-style-type: none"> • Overall co-ordination of advisers and management of process • As Nomad/Sponsor, responsible for ensuring the company meets listing requirements/suitability for listing
LEGAL ADVISERS	<ul style="list-style-type: none"> • Preparation of legal due diligence • Drafting of documentation • Tax advice • Overseas requirements if applicable
BROKER	<ul style="list-style-type: none"> • Liaison and introduction to investors • Draft research notes with forecasts to the market
PR	<ul style="list-style-type: none"> • Marketing amongst sell side analyst community and liaison with trade & financial press
ACCOUNTANTS	<ul style="list-style-type: none"> • Preparation of long, short, FPPP and working capital reports • Responsibility for financial statements in documentation • Tax advice/structuring
OTHER: PRINTERS/ REGISTRARS/ COMPETENT PERSON	<ul style="list-style-type: none"> • Production and distribution of documents

Our People

Strand Hanson's team has extensive corporate finance experience across a broad range of sectors – including the wider natural resources space, energy, technology and pharmaceutical sectors – and geographies, including both emerging and frontier markets.

The Executive Team will meet with you from the outset to discuss your specific needs and to ensure that you receive the services best suited to your strategy and corporate finance needs.

Strand Hanson also retains a diverse group of non-executive directors and special advisers who have deep expertise and experience in political and economic spheres across the globe. This advisory group provides us, and our clients, with bespoke advice and access to decision makers at the highest levels.

A close-up photograph of a person's hands and arms. The person is wearing a dark blue or black suit jacket over a white dress shirt. Their right hand is holding a white pen, poised over a white notepad with horizontal lines. The notepad is resting on a polished wooden surface, which reflects the scene. In the background, another person's hand is visible, holding a white object, possibly a pen or a small folder. The overall lighting is soft and professional, creating a business-like atmosphere.

*Our senior executive team
comprises a collective of
specialists with significant
experience advising on a
wide variety of corporate
finance transactions.*

Board Members

Simon Raggett *Chief Executive Officer*

Simon joined Strand Hanson from Greig Middleton & Co in 1999. He became Chief Executive in 2006 and led the management buy-out of the business in 2009.

Simon has been responsible for the Company's international expansion through the development of global strategic relationships. He acts as lead adviser to a broad range of domestic and international clients, sovereign wealth funds and global private equity investment organisations.

Simon is active, as a senior adviser, in ECM, M&A and proprietary transactions.



James Spinney *Managing Director*

James read Politics and Philosophy at Durham University before qualifying as a Chartered Accountant with PricewaterhouseCoopers, he later joined the Corporate Finance practice of Ernst & Young.

James has gained extensive experience of cross border transactions, working in New York, Moscow and Johannesburg, as well as being involved in a number of high profile transactions within Europe and in his previous roles. He maintains a strong international focus in many of the clients he continues to advise.

James joined Strand Hanson in 2008 and has advised on both M&A and equity capital market transactions and was appointed Head of Capital Markets in 2015 and Managing Director in 2022.



Rory Murphy *Director, Head of Natural Resources*

Rory qualified as a chartered accountant with KPMG prior to joining Greig Middleton & Co's corporate finance division.

He joined Strand Hanson in November 2001, having worked latterly for Charterhouse Securities Limited and then ING Barings. He is experienced across a broad spectrum of sectors and has advised on flotations, secondary fundraisings and merger and acquisition transactions. He is particularly focused on the oil and gas sector and has advised international oil companies with assets throughout the world.



James Harris *Director, Head of Corporate*

James has over 25 years investment banking experience, having worked at Robert Fleming, Société Générale and Arbuthnot Securities, before joining the corporate finance team at Strand Hanson in 2004. James acts as lead adviser to a broad range of domestic and international clients, covering IPOs and secondary fund raisings, restructurings and Mergers & Acquisitions.



Senior Executives



Warren Pearce
Managing Director, Africa

Warren completed an honours degree in Business Science at the University of Cape Town before joining Strand Hanson in February 2000.

Warren provided M&A, Takeover Code and equity financing advice to listed and private companies in the UK before establishing the regional office in South Africa in 2008. Since 2008, Warren's role has been focused on developing Strand Hanson's African presence, including the cultivation of an extensive network of client companies, investors, advisers, governmental and quasi-governmental agencies and industry bodies.



James Dance
Head of Mergers & Acquisitions

James graduated from Bristol University, in June 2006, with a BSc Honours in Biochemistry. After graduation, James joined Smith & Williamson where he qualified as a chartered accountant in 2009. He then moved into Transaction Services, gaining experience in financial modelling and valuation, followed by two years in the Corporate Finance department.

James is a CFA charterholder and a member of the CFA Society United Kingdom. James joined Strand Hanson in December 2012.



Ritchie Balmer
Head of AIM Advisory

Ritchie read Economics & Management at Keble College, Oxford University. Following university, Ritchie joined the Natural Resources investment banking team of RBC Capital Markets in London, before moving to Gleacher Shacklock, the M&A advisory house, in 2010.

He joined Strand Hanson in October 2012, focusing on advising on equity capital markets and M&A transactions predominantly within the Natural Resources, Agriculture and Technology sectors. Ritchie is a CFA charterholder and a member of the CFA Society United Kingdom.

Senior Executives

Matthew Chandler *Director, Corporate Finance*

Matthew graduated from Bath University with B.Sc. (Honours) in Business Administration and subsequently qualified as a chartered accountant with Ernst & Young.

He then joined Capita Corporate Finance Limited, advising a diverse range of unquoted clients on acquisitions, disposals and venture capital backed transactions. Matthew has been a member of the executive team at Strand Hanson since March 2001 and advises on all types of M&A and ECM corporate transactions.

James Bellman *Director, Corporate Finance*

James graduated from Bristol University with a B.Sc in Economics & Finance and joined Strand Hanson in July 2011.

He is an AIM Qualified Executive and has over a decade of experience advising domestic and international clients on both equity capital markets and M&A transactions, predominantly in the technology, natural resources and healthcare sectors.

Richard Johnson *Director, Corporate Finance*

Richard joined Strand Hanson in May 2022 from Arden Partners, following over 20 years in the Corporate Finance departments at Grieg Middleton & Co and its successor companies, Arbuthnot Securities, Westhouse Securities and Stockdale Securities.

He has broad sectoral experience advising on IPOs, equity capital fundraisings and M&A transactions, including clients in the TMT, Oil & Gas and Leisure sectors, with operations both in the UK and overseas. Richard is an AIM Qualified Executive.

Christopher Raggett *Director, Corporate Finance*

Christopher has over 15 years of experience in energy and corporate finance. Prior to joining Strand Hanson, Christopher was CEO of UK based incubator fund, Green House Capital Group. Until September 2023, he sat on the executive committee of finnCap Group plc – an AIM quoted financial services firm incorporating capital markets, M&A, private capital and debt advisory services – where he was also Head of Energy and Natural Resources and Co-Head of Corporate Finance.

Prior to joining finnCap, Christopher was a solicitor at a multi-national US-based law firm. In September 2022, Christopher was appointed to the board of net-zero energy consultancy, Energise Ltd.



