

Making the list

Sights set on an IPO?



Where are we in the IPO cycle?

The successful roll out of the UK's Covid-19 vaccination programme coupled with a more stable political backdrop has helped enable a strong rebound in UK IPO activity.

2020 was a robust year for market activity



Total amount raised
via IPOs in 2020
vs. £5.1bn in 2019



Number of IPOs
in 2020
vs. 27 IPOs in 2019

2021 has seen a surge in UK IPOs...



raised via IPO



completed IPO
transactions

UK IPO after-market performance over 2020



12%

FTSE All
Share



6%

Main Market
IPOs



21%

FTSE AIM



55%

AIM IPOs

With notable IPOs from 2021



£7,055m



£3,700m

moonpig

£1,197m

★ Trustpilot

1,084m

atg AUCTION TECHNOLOGY GROUP

£600m

Foresight group

£456m

Cordiant

£370m

Pension

£352m



£341m



£300m

musicMagpie

£208m



£156m



£134m

ACTIVEOPS

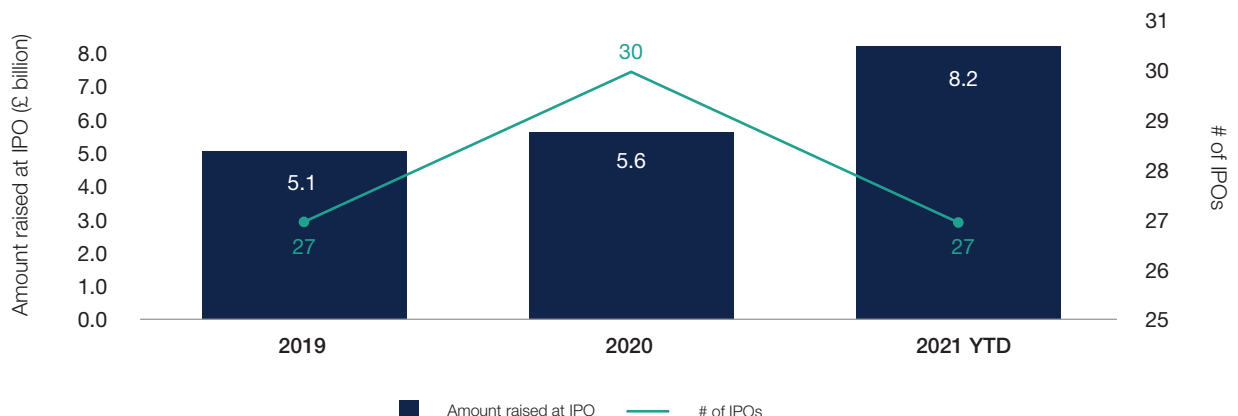
£120m



£110m

IN THE STYLE

£105m



ActiveOps



Outperforming our pitched valuation: Investec advises ActiveOps on its £120m AIM IPO

- Investec acted as Financial Adviser, NOMAD, Sole Broker and Bookrunner on ActiveOps' £120m AIM IPO
- ActiveOps is a leader in Management Process automation, providing SaaS solutions to automate critical back-office operations
- The IPO raised £76m for selling shareholders at 5.1x forward revenue
- ActiveOps delivered a strong aftermarket performance, +11% on day one and +24% in the first month after listing

“ActiveOps is a hugely exciting software business at the heart of a rapidly evolving industry. The IPO received extremely strong support from a wide range of high quality institutional investors, and we are delighted to have helped ActiveOps achieve its ambition of becoming a public company as it pursues the next stage of growth. Investec has a strong track record of successful Technology IPOs and we are extremely proud to add ActiveOps to that list.”

Sebastian Lawrence,
Head of TMT, Investment Banking

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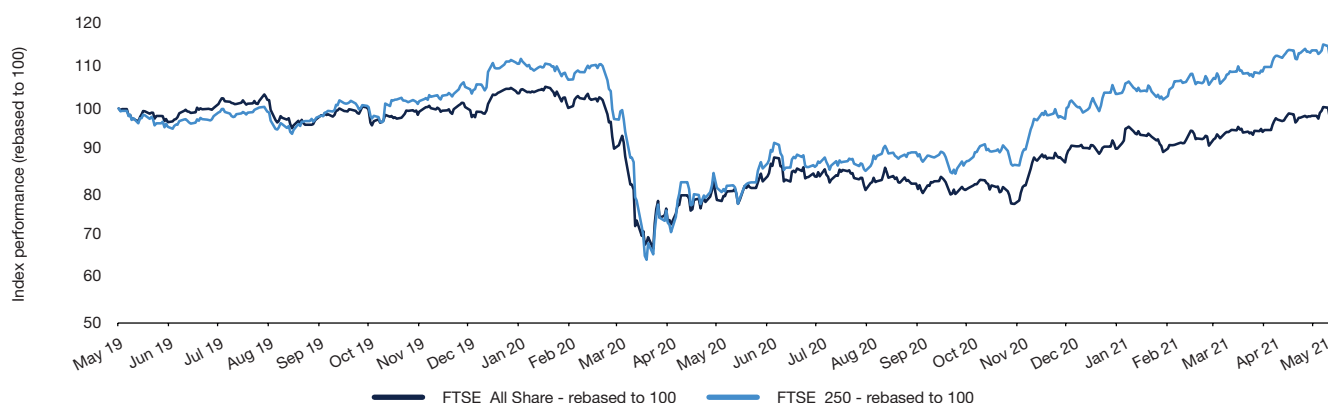


- Investec ran a full dual-track process incorporating trade and private equity, before focusing on the IPO route as public market valuations strengthened
- Due to the strong investor demand, and a significantly oversubscribed order book, the IPO was upsized by c.25%, allowing the selling shareholders to release more liquidity and generating >5x return for the company's venture capital sponsor
- A highly successful test marketing exercise resulted in full coverage of the deal by investors met in pilot fishing, 12 months ahead of IPO, significantly derisking the IPO
- The IPO strengthened ActiveOps profile with its global enterprise customer base

Good reasons to feel optimistic

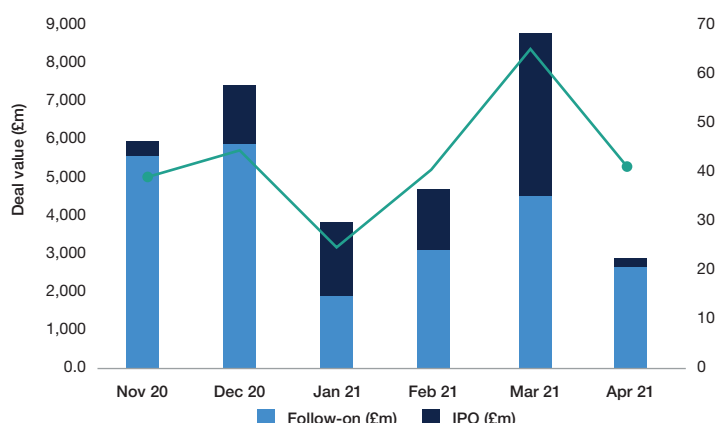
Major indices have staged a marked recovery following the initial outbreak of Covid-19

UK equity markets have exhibited a strong recovery following the initial Covid outbreak



...with strong momentum in UK equity capital market issuances over the course of 2020 and into 2021

- Major UK indices fell by c.30% - 40% at the outset of the Covid pandemic and the social restrictions put in place by Governments to reduce the spread of the virus
- Since the lows seen in March 2020, UK markets have recovered strongly with the FTSE 250 now trading near to its 2 year high and the FTSE All Share regaining nearly all of the ground lost since the start of the Covid-led equity sell off at the end of February 2020
- These strengthening markets are important as they drive capital inflows back into equity markets
- Strong equity prices also help IPO valuations as IPO investors primarily benchmark against other listed peers



- In 2020, (excl. IPOs) UK public companies raised in aggregate, over £44 billion
- This momentum has continued into 2021 with c.£11 billion raised already for existing existing PLCs

Topical themes continue to dominate equity markets



Corporate earnings releases



COVID-19 related stimulus packages



ESG



Improving macro-economic data points



Global COVID-19 case counts



Proliferation of new COVID-19 strains



National COVID-19 vaccination roll-out strategies



UK ECM issuance, supporting growth and financial positions



COVID-19 has made IPOs 'all year around' events



Significant ECM pipeline

WATCHES of SWITZERLAND

SINCE 1924



Right on time: Investec helps Watches of Switzerland raise £242m in one of the most successful IPOs of 2019

Transaction Overview

- The £242m IPO was priced towards the top of its price range at 270p, implying a market cap of £647m
- The company saw the IPO as a means of further enhancing its profile and brand recognition with its customers, suppliers and employees
- The company used the proceeds to reduce its leverage, in order to provide a more permanent capital structure and to access a wider range of capital-raising options
- Apollo Global Management monetised a portion of their stake in the Company, selling down £71m worth of shares and retaining a 56% shareholding

“Investec was able to use its extensive expertise and reach within the UK mid-market investor space to market the Watches of Switzerland IPO successfully, and to ensure that a diverse investor base bought into the strong investment case.”

David Flin

Managing Director, Corporate Broking & PLC Advisory

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- The IPO was multiple times oversubscribed at the offer price with quality long-only investors receiving allocations
- Watches of Switzerland has traded well since listing, rising 13.3% on its first day, and is up c.181% to date
- In September 2019, the company entered the FTSE 250

Am I a good IPO candidate?

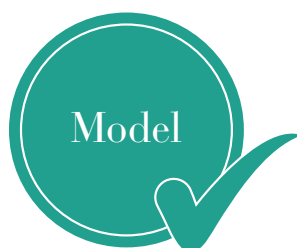
Our straightforward, tried and tested approach to assessing possible IPO candidates

The Four M's

Typical attributes:



- Strong underlying growth dynamics
- Limited risk of regulatory, political or tech disintermediation
- Market size sufficient to support growth ambitions



- Resilient business model which is well established
- Differentiated with significant competitive advantages which underpin the growth story
- Market leader / defensible market position



- Management with a track record of delivering against the strategy
- Key is for management to be able to take ownership of the business plan going forward
- Able to talk knowledgeably to the recent company and market developments



- Strong organic revenue growth
- Recurring revenues
- Resilient margins
- Strong cash flow / predictable working capital cycles

Investec has worked with all of its prospective IPO candidates to get under the skin of the business and properly assess the equity case against these criteria.

We rely on our sector knowledge, and understanding of what public market investors look for, to optimise the positioning of the investment case.



Just the tonic: Investec advises Fever-Tree on its AIM IPO, raising £93m

Transaction Overview

- Fever-Tree is the world's leading supplier of premium carbonated mixers
- The company successfully listed on AIM in November 2014, raising £93m (£4m of which was for the company; the remainder raised for selling shareholders)
- At the issue price of 134p, the Company had a market cap of £154.4m
- The IPO helped position the company for its next stage of development, including raising its public profile and providing it with a platform for future growth
- The IPO also provided a partial realisation for existing shareholders including LDC, which owned over 50% of the company prior to IPO

“There was a level of scepticism at first about a ‘mixer’ IPO but once investors had met the company, and done a taste test they really got it and understood the growth potential in premiumising the luxury mixer space. Since IPO the company has delivered an amazing growth story and taken EBITDA from £10m in 2014 to around £60m in 2020 and now capitalised at £2.9bn”

Adam Bidwell

Head of Small-Mid Cap Equity Sales

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- Fever-Tree has proved to be a darling of the AIM Market
- Since IPO, Investec has raised over £300m for the company's pre-IPO shareholders and has helped further institutionalise and internationalise the company's share register
- For 2014, Fever-Tree reported revenue of £34.7m and adjusted EBITDA of £10.0m. For 2020, despite Covid headwinds, Fever-Tree reported reported revenue of £252m and adjusted EBITDA of £57.0m
- Today, the company has a market cap. of c.£3.0bn and has seen its share price increase by over 1,000%, driven by consistent out-performance against expectations

The key to a successful IPO

Four simple steps to maximise the prospects of a successful IPO



Be prepared

An IPO is a highly intensive process for a CEO and CFO. The more that can be done upfront, the easier the process will be.

Preparation of a three year integrated business plan and model, adopting 'PLC' standard financial procedures and making any required additions to the second tier management and finance team will all help to ensure the process proceeds as smoothly as possible.



Early and regular engagement with investors...

A 'fan base' of investors needs to be curated via the process of Test Marketing and subsequent interaction.

This helps to ensure the equity story is properly understood, any areas of concern are addressed, and provides increased deal certainty for issuers. A fan base will help to create competitive tension amongst institutions to maximise value and to pick up momentum investors.



Telling the story right

Time needs to be spent with your adviser so that the equity story can be carefully constructed in order to maximise the impact with investors. This includes both the presentation content, but also, just as importantly, how management present it.

We spend a significant amount of time with management teams preparing the story and rehearsing the presentation until it becomes second nature.



Getting a strong board assembled early

Good corporate governance is becoming increasingly important for investors, and key to this is an experienced and balanced Board.

A strong Board also acts as a good source of stewardship for management teams who are new to public company life.

Boards cannot be parachuted in at the last minute and it can take time to assemble the right people. We always advise that this is a work stream that is kicked off on 'Day 1'.

Blue Prism

Rise of the robots: Investec advises Blue Prism on its AIM IPO

- In March 2016 Blue Prism launched its IPO onto AIM, raising £10m at 78p per share
- To capitalise on the increasing interest in the Robotic Process Automation market, Blue Prism needed to invest to accelerate its organic growth opportunities
- The £10m raised at IPO was specifically to invest into building a scalable sales and delivery channel partner infrastructure to allow for rapid expansion
- At the time of the IPO, 60% of Blue Prism's customers were through or with partners. Following IPO this increased rapidly to 100% showcasing the success of its programme

“Today, the company is valued in excess of £1.0bn, up from a value of £50m when we completed the IPO back in 2016. What really impressed us from the start was the level of sophistication Blue Prism took in its approach to its channel partner programme.”

Sebastian Lawrence
Head of TMT, Investment Banking

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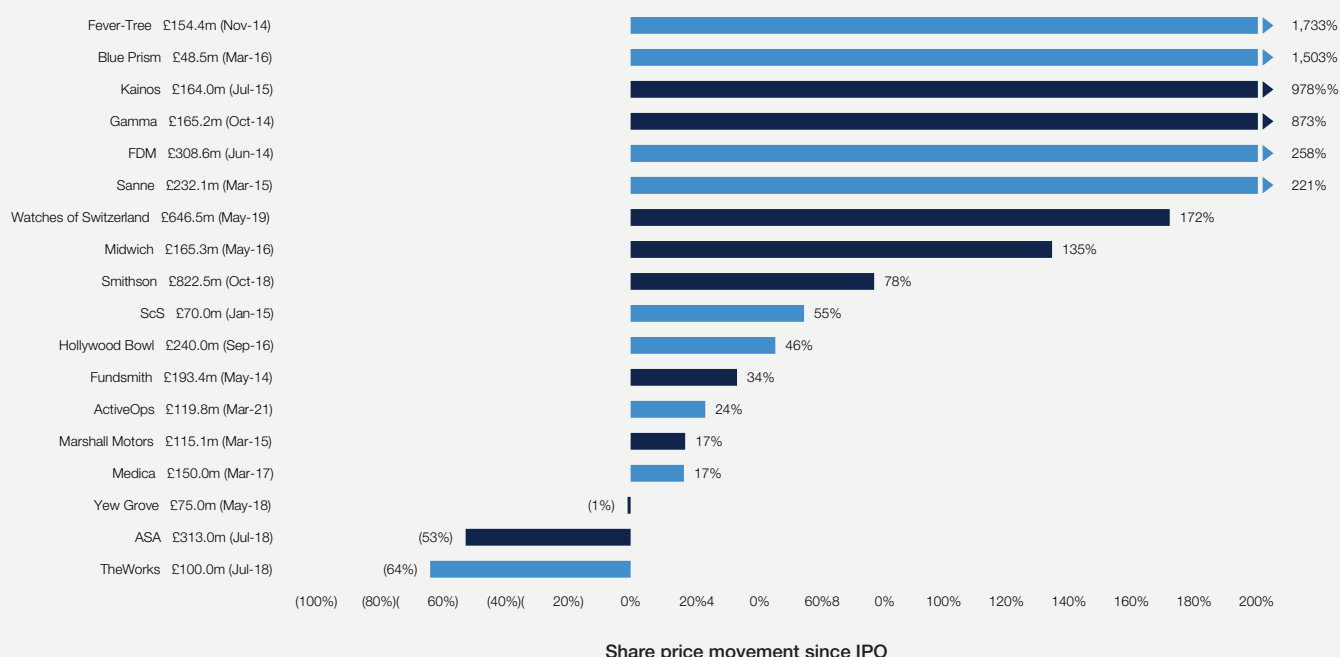


- In 2016 Blue Prism was an early stage technology company with approximately £6m turnover; today, the company is valued at c.£1.0bn
- Blue Prism's share price has increased by >1000% since IPO
- Since IPO, Investec had helped Blue Prism raise three rounds of funding:
 - £40m in January 2018, £100m in January 2019 and £100m in April 2020 – to facilitate further growth and international expansion

Our track record speaks for itself...

Investec has advised on some of the most successful Small-Mid Cap IPOs in recent years

ACTIVEOps £120m AIM IPO NOMAD, Financial Adviser, Sole Broker and Sole Bookrunner March 2021	Cordiant £370m Main Market IPO Sole Financial Adviser, Global Coordinator and Bookrunner Feb 2021	WATCHES of SWITZERLAND £647m Main Market IPO Joint Bookrunner May 2019	Smithson Investment Trust £822m Main Market IPO Sole Sponsor, Sole Bookrunner, Sole Broker October 2018	ASA INTERNATIONAL £313m Main Market IPO Joint Bookrunner July 2018	TheWorks.co.uk £100m Main Market IPO Sole Bookrunner, Financial Adviser and Broker July 2018
RAILLIE GIFFORD £173m AIM IPO Sole Sponsor, and Bookrunner March 2018	Aberdeen Standard Investments £188m Main Market IPO Sole Sponsor and Global Coordinator December 2021	Triple Point Social Housing REIT plc £200m Main Market IPO Sole Global-Coordinator August 2017	MEDICA GROUP £150m Main Market IPO Sole Bookrunner, Sponsor and Broker March 2017	hollywood bowl group £240m Main Market IPO Sole Bookrunner, Financial Adviser and Broker September 2016	midwich £165m AIM IPO NOMAD, Sole Broker and Sole Bookrunner May 2016
blueprism £50m AIM IPO NOMAD, Sole Broker and Sole Bookrunner March 2018	k a i n o s £161m Main Market IPO Sole Bookrunner, Sponsor, Broker July 2015	Marshall Motor Holdings plc £115 AIM IPO NOMAD, Sole Bookrunner and Broker March 2015	SANNE £232m Main Market IPO Sole Bookrunner, Sponsor and Broker March 2015	FEVER-TREE £154m AIM IPO NOMAD, Sole Bookrunner and Sole Broker November 2014	Gamma £165m AIM IPO Sole Bookrunner October 2014



Source: FactSet



Hollywood Bowl

Strikel!: Investec advises Hollywood Bowl on its Main Market IPO, raising £181m

- Hollywood Bowl is the UK's market leading ten-pin bowling operator
- The company successfully listed on the Main Market of the LSE in September 2016 with a market value of £240m
- £181m was raised by Investec at IPO for existing shareholders, having previously been owned by Electra Private Equity
- As well as providing a partial realisation for existing shareholders, the IPO enhanced the company's public profile and status with customers, investors, landlords, developers and business partners

“Investec helped Hollywood Bowl navigate the EU Referendum timetable successfully to deliver the first IPO following the vote. Since the IPO, the management team has outperformed expectations to deliver capital growth and attractive shareholder returns.”

David Flin

Managing Director, Corporate Broking & PLC Advisory

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- Between 2016 and 2019 (pre-Covid impact), the Company had grown revenue and EBITDA by c.22% and c.30%, respectively
- In addition, the company's share price has returned over £47.5m to shareholders by way of dividends (>c.20% of the market cap. at IPO)
- Investec has also helped further institutionalise the company's share register since IPO and helped Electra exit their residual holding in the company
- At the time, the IPO represented the largest UK fundraise and IPO following the EU referendum in June 2016

We have a leading IPO platform

The authoritative voice in the market with significant distribution capabilities - top ranked and highly experienced equity research and equity sales

Highly-rated analysts who will understand and sell your story to UK small & mid-cap investors...

Our research team cover
17 sectors

#1 Extel ranked equity
research team across 7
sectors

More Extel top-ranked
research analysts than any
other broker

A selection of our 2020 Excel equity research team rankings:



Capital Goods



Healthcare



Insurance



Retail



Support Services



Technology



Consumer



Metals & Mining



Media

Top ranked sales team who speak to the key UK and International small & mid-cap investors...

Top 2 ranked in small-mid
cap sales

Dedicated North American and
European equity sales teams
promoting UK mid-caps

Kainos

Driving the digital revolution: Investec advises Kainos on raising £52m on its Main Market IPO

- In July 2015, Kainos, a high growth UK-based provider of IT Services, consulting and software solutions joined the London market by way of a main market IPO
- On IPO, Kainos had a market capitalisation of £164m and raised £52.4m at 139p per share for selling shareholders including Queens University, Belfast, former employees and a number of senior managers and employees
- Investec acted as sole sponsor, financial adviser, bookrunner and broker to Kainos and continue to act for them today

“Since Investec helped bring Kainos to market the Company has continued its rapid growth trajectory and for good reason is recognised as one of Northern Ireland’s premier companies. Kainos is revolutionising the way in which the world works, combining innovation and digitalisation to positively impact people’s lives.”

Patrick Robb

Managing Director, Corporate Broking & PLC Advisory

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- In the year ended March 2015, the Group generated revenues of £60.8m and profit before tax of £11.8m. In the years since IPO, Kainos continued to grow strongly and in the year ended March 2020. Revenues in 2020 were £179m and profits before tax were £25.5m
- Kainos became a constituent of the FTSE250 in 2019 and has a market capitalisation of £1.7bn
- Kainos is one of the few main market LSE companies based in Belfast

An IPO can have significant benefits

An IPO brings with it a range of unique benefits to both companies and shareholders.

What should be considered ahead of an IPO

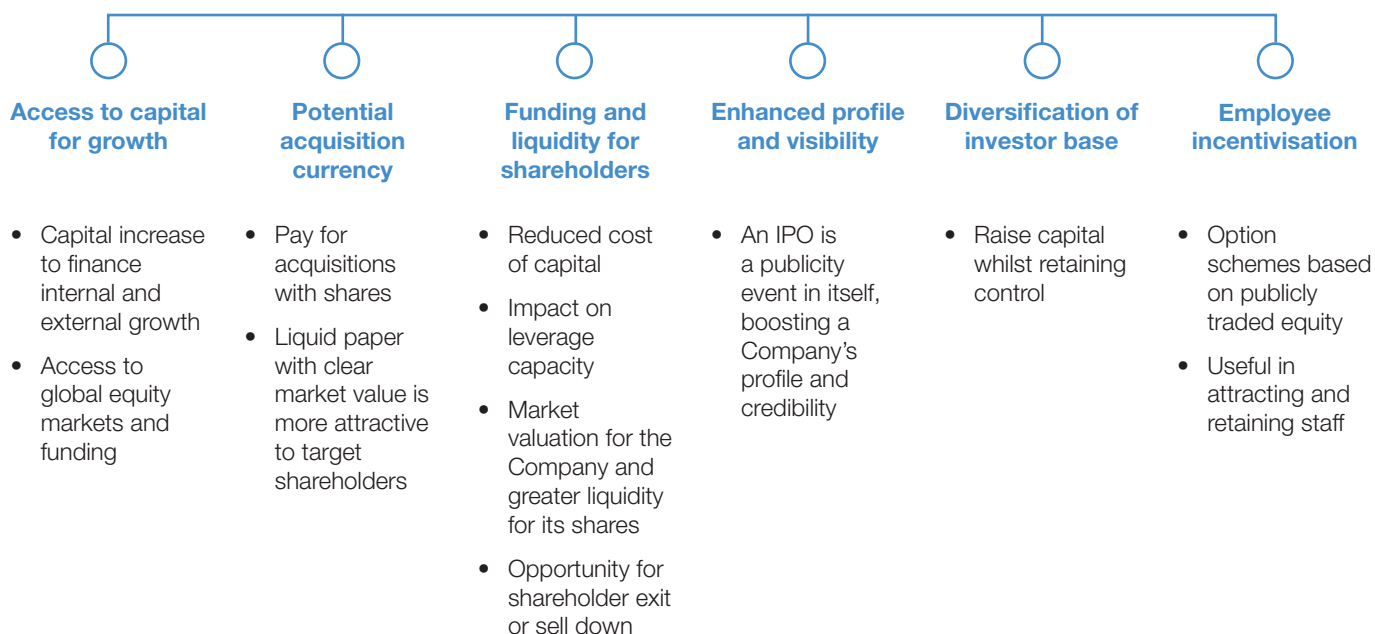
-  Corporate coverage
-  Management time
-  Disclosure and transparency
-  Initial / on-going costs
-  Investor / media scrutiny

An IPO can significantly benefit shareholders and owners

- The benefits of an IPO are beyond the access to flexible capital
- However, the incremental cost and ongoing listing demands should be considered
- ECM investors typically need to believe in a compelling equity story, similar to that of a Private Equity investment

What do ECM investors typically look at?

-  Momentum and upside
-  Size and liquidity
-  Opportunity and scalability
-  Management track record
-  Relevant sector
-  Growth / yield potential



FAQs

Straight answers to common questions

Q. Is there a minimum size a company needs to be in order to IPO?

Whilst size and liquidity (the percentage of a company's shares sold to incoming investors) can influence the level of interest from different types of investors, companies with proven business models, strong market positions and superior growth prospects should be regarded as attractive investment opportunities by public market investors. It is the job of your adviser to identify the right group of target investors for each IPO, although generally the larger the company, the larger the universe of potential investors.

Q. How do public market investors typically value IPOs?

Most IPOs are principally valued on a multiple of forecast earnings – typically profit after tax – although other metrics such as EBITDA, free cash flow and dividend yield are considered. Public market investors will benchmark an IPO against the multiples of the most relevant listed peer group companies. Therefore the construction of a relevant and credible peer group is fundamental to supporting the correct IPO valuation. Where there are no directly comparable listed peers, investors will consider other listed companies with similar business models or financial characteristics such as margins and earnings growth. For early stage or high growth businesses, a longer term view of future profitability will be appropriate, together with a discounted cash flow analysis.

Q. How much money can I take off the table at IPO?

There are no technical restrictions on individual existing shareholders selling down at IPO. Existing institutional shareholders are typically able to sell a significant proportion of their shareholding at IPO but can also decide to retain a material shareholding subject to avoiding the perception of an overhang which can weigh on the post-IPO share price. Maintaining a stake allows the investor to benefit from the upside of future positive share price. Management shareholders can expect to sell a proportion (e.g. 30-50%) of their shareholding at IPO but would typically be expected to retain a majority of their shareholding to ensure appropriate alignment with incoming investors. Each case will be assessed on the individual's circumstance.

Q. How do I realise the value of shares following an IPO?

Having sold shares at IPO, management shareholders would be expected to retain their remaining shares for a suitable period, typically at least two to three years, before any further material sales. Investors pay close attention to management selling shares as a read across to the prospects for the business but are pragmatic and recognise that wealth diversification is a valid reason for share sales. However, investors will expect management to retain suitable value in the business going forward. There is much more scope for existing institutional shareholders to exit their investment in a controlled manner following the expiry of the lock-up undertakings, subject to market demand.

Q. What is the optimal capital structure to come to the market with?

Public market investors expect IPOs to come to market with an appropriate capital structure which facilitates the delivery of their business plan and builds in suitable headroom. The majority of UK Small-Mid Cap companies have bank facilities with leverage and investors expect appropriate headroom against such covenants, particularly for new issuers. Investors usually prefer IPOs to come to market with more conservative leverage levels than existing listed companies, to reflect the lack of track record as a public company.

Q. How long after a substantial acquisition do we need to wait until we can IPO?

There is no uniform answer to this. However, as a general principle, public market investors will not want to bear any integration risk from previous acquisitions. The larger the acquisition, the more the company will need to demonstrate to investors that the acquisition has been successfully integrated. Valuation benefits of acquisitions will be captured in the forecast numbers (including synergies).

We'd love to hear about your IPO ambitions



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