

# IPO

Olivier Levyne  
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# 1. Motivations

- Reputation
  - Enhancement of domestic and international profile
  - Motivation of staff and promotion of loyalty
  - Facilitation of talents' recruitments
  - Opportunity to highlight ambitions and long term objectives
  - Changes in interactions with clients, partners and suppliers
- Liquidity for shareholders
- Possibility to tap the market for equity raising in the future
  - Diversification of financing with low-cost access to capital
  - Financing of organic expansion (R&D, international) and external growth
- Potential eligibility to world-class indices

## 2. Constraints

- Management's time allocation to investor's access and relationships
- Communication to investors
  - At all times
  - Regardless the financial results
- Attention to be remained on the business
- Capacity to take a step back: possible non meaningfulness of the share price behaviour because of markets' volatility
- Attention to be paid to insider information

# 3. Preparation

- IFRS accounts
- Review of legal structure
  - Ownership of pivotal assets: brand, patents, clients files, main subsidiaries
  - Consistency with listing
  - No statutory approvals for shares transfers in by-laws
- Review of operating structure to create a stand alone group
- Shareholders agreement if need be
- Review of corporate governance
  - Independent Board members
  - Monitoring processes
  - Board of Directors' committees
- Review of financial structure to be in line with peers
- Sustainability of the dividend policy
- Employee Stock Ownership Plan
- Equity story
- Advisory by an investment bank (*listing sponsor* on Euronext Growth)

# 4. Listing market

- General case: company's homeland
- Exceptions
  - Huge development on another market (e.g.: Prada's IPO in HK)
  - Low liquidity on emerging markets (e.g.: Alibaba's IPO in NY, Swiss Glencore mining player's IPO in London)
- Low attractiveness of the 2<sup>nd</sup> listing
  - Costs
  - Constraints
  - No real improvement in terms of liquidity and valuation
- Listing of French firms on Euronext Paris
- Eurolist's 3 compartments based on market cap
  - A: > €1,000 m
  - €150m < B < €1,000m
  - C: < €150m
- Over the counter
  - For SMEs: Euronext Growth (former Alternext)
  - For smaller firms: Euronext Access

# 5. Features of the 3 Euronext markets

	Euronext	Euronext Growth	Euronext Access
Target	Large corporations	SMEs	Small firms
Minimal free float	25% or 5% > €5m	€2.5m	No min
Prospectus/visa	Required approval	Required approval (except for private placement)	Required approval (except for private placement)
Historical accounts	Audited accounts over 3 years + last half-year accounts if listing more than 9 months after closing of accounts	Accounts over 2 years + audited accounts for the last year +intermediary accounts if listing more than 9 months after closing of accounts	Accounts over 2 years
Accounting standards	IRFS	Local or IFRS	Local or IFRS
Financial information	Financial annual report + half year report with audited accounts + quarterly information on the company's website	Audited annual report and non audited half-year accounts on the company's website	Annual accounts and management report
Declaration of threshold crossing	5%, 10%, 15%, 20%, 25%, 30%, 33,3%, 50%, 66,6%, 90% and 95% of capital or voting rights	50% and 95% of capital	No

## 6. Calibration

- Primary operation: capital increase
- Secondary operation: sale by current shareholders
- Negative signal sent to the market if there is no primary operation
- Lock up period (6 to 12 months) when an important shareholder is selling part of his / her shares

## 7. KFS

- Intrinsic strengths versus peers
  - Market share
  - Growth
  - Business readability
  - Customary financial structure
  - Management's experience
- Convincing industrial motivations which are reinforcement if the IPO includes a capital increase
- Bullish market conditions
- Roadshows and pilot fishing to educate investors
- Cornerstone investors ie reference shareholders that buy shares a few weeks before IPO or on IPO date but with a warranted allocation
- Anchor investor ie institutional investor with a large order of shares
- IPO price looked upon as lower than intrinsic value



# 8. ECM possible roles

- Global coordinator
  - Coordination of securities placement
  - Bookrunner ie record of investors' orders
- Lead manager
  - Responsible for preparing and executing the deal
  - Bookrunner
  - Participation in the choice of the pool
  - Participation in the choice of investors when securities are allocated
- Joint-lead manager
  - Important role exclusive of bookrunner
- Co-lead manager
  - Warranty of securities placement
  - No role in the structuring of the deal
- Co-manager
  - Limited role in the deal
  - Warranty of a limited part of the securities placement

# 9. Meeting supply and demand of securities

- Extension
  - To be announced in the prospectus
  - Option that can be exercised when securities are allocated to investors
  - Increase in the placement size: +25% (+15% in the case of a capital increase)
- Greenshoe
  - Purpose: provision of liquidity and stability to an IPO
  - Option granted to the lead manager to buy up to an additional 15% of securities at the offering share price
  - Possibility to exercise this option maximum 30 days after the placement
  - Short sale by the bank of the borrowed securities to investors
    - In the event of a drop in the share price, repurchase by the bank on the market of the shares corresponding to the Greenshoe which enables to support the share price
    - In the event of an increase in the share price, exercise of the over-allotment option: closing of the position at a price equal to the one obtained for the short sale
- Clawback
  - No fixation of the size of each tranche: institutional versus retail and versus employees

# 10. Placement

## *10.1. Institutional placement*

- Preliminary study
  - Legal and regulatory background: listing market places including the US or not
  - Structuring
  - Supervisory of the documentation: due diligence and prospectus
  - Warranty agreements
  - Management meetings with brokers to feed their research notes
  - Marketing: nature and content of management presentations
- Pre-marketing
  - Timing: 1 to 2 weeks
  - Warm up meetings: presentation of research notes by analysts before the black out periods
  - Price range or max price based on the conclusion of this phase
- Marketing
  - Timing: 5 to 15 days
  - Disclosure of the prospectus that has been certified by the French Market Authority
  - Book building: gathering of investors' intentions to subscribe in terms of volume and price based on a price range
  - Roadshows and one-on-one meetings
  - Price based on the conclusion of this phase
- Underwriting by banks which reduces information asymmetry as the share price has been determined based on internal information
- Discretionary allocation of shares to investors based on criteria that have been set in advance
  - Balanced allocation to investors with various investment horizons
  - Willingness to prevent flow-back ie massive sales immediately after the deal
- Limited risks borne by bank: counterparty risk and commercial risk (investor's unwillingness to buy the shares)
- Possibility for the pool of banks, one month after the deal (price stabilisation) to buy shares on the market

# 10. Placement

## *10.2. Retail placement*

- **Open Price Offering (OPO)**
  - Centralisation of orders by Euronext
  - Definitive price
    - Based on the volumes of demand for the stock at a price inside a proposed range
    - Determined at the same time as those for institutional investors
  - Possible discount for retail investors
  - Possible price change but required new offer period if the price is not included in the initial range
  - Allocation based on orders if supply and demand are aligned
    - Otherwise, possible reduced allocation based on predetermined criteria
    - General minimum allocation rate: 1%
    - Possible primary allocation of shares corresponding to small orders
- **Fixed Price Offer**
  - Same principles as for OPO except for price determination
  - Same price as that for institutional investors without taking retail demand into account
- **Direct Listing**
  - No centralisation of Orders by Euronext
  - IPO based on secondary market's listing conditions
  - Determination of a minimum IPO price
  - Possible delay of the IPO with a higher minimum price
- Strong price increase just after the IPO if the offer price was meaningfully lower than what the market was ready to pay

# 11. Time table

Month	1				2				3				4				5				6			
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
<b>1. Documentation</b>																								
1.1. Prospectus preparation																								
Kick off meeting																								
Prospectus preparation																								
Meetings with AMF (1)																								
Confidential filing to AMF																								
1.2. Prospectus review																								
Prospectus review by AMF and Euronext/Q&A																								
Prospectus approval by AMF																								
Publication of the prospectus on the Cy's webiste																								
<b>2. Marketing</b>																								
2.1. Pilot fishing																								
Early-look meetings (2)																								
Analysts presentation (3)																								
2.2. Pre-Deal Investor Education (PDIE)																								
Distribution of reports to investors																								
Meeting between equity analysts and investors																								
Definition of price range based on investors' feed back																								
2.3. Placement																								
Bookbuilding																								
Offering price disclosure																								
Allocation of orders																								
2.4. Post-listing																								
Finalisation of settlement and delivery																								
Trading start																								
(1): Presentation of the proposed listing and confirmation of the timeline																								
(2): One-on-one confidential meetings of management with cornerstone investors to introduce the company, test/finetune messages and get market sentiment on the equity story																								
(3): Presentation of the company by management to research analysts in the banking syndicate before they prepare their research report																								

# 12. Listing in the US

- Private placement
  - Least demanding IPO modality
  - Shares purchase by US Qualified Institutional Buyers (QIB)
  - No possible disposal for 2 years except between QIBs
  - No required SEC registration as the shares are not directly listed in the US
- American Depositary Receipts (ADR)
  - Negotiable certificates that mirror the shares
  - Tier 1 ADR: negotiation on OTC markets and no possible use to raise equity
  - Tier 2 ADR: listing on organized markets, required yearly publication of a 20-F form and no possible use to raise equity
  - Tier 3 ADR: listing on organized markets and possible use to raise equity; then required full SEC registration (F-1 form) and other information disclosures, including M&A and reorganization projects
- Full listing
  - Listing of ordinary shares in the domestic country and in the US
  - Access to investors who can't buy shares outside the US
  - Long process which dedicates this operation to groups the domestic stock exchange of which is insufficiently developed

# 13. ICO

- Initial Coin Offering
- Modality of fund raising by a start up
- Required disclosure of a *White Paper*
- Token, issued thanks to the blockchain technology, given to investors
  - Consumer Utility Token: access to goods or service to be developed by the firm that is raising funds
  - Equity Token: access to revenues or dividends to be paid out by the firm that is raising funds
  - Community Token: access to the governance of the financed project
  - Asset Token: rights on underlying assets
- Token valuation based on its use or on the revenues that are generated by its use

# 14. Advisors

## *14.1. Investment banks*

- ECM
  - Direct contacts with issuer on private information
  - Advisory on structuring and timing
  - Process management including documentation supervision and coordination of other advisors' inputs
  - Advisory post IPO on M&A opportunities, fundraising and possibly exit options
- Syndication
  - Operations above the Chinese Wall
  - Link between ECM and Sales & Trading
  - Allocation of information
  - Preparation of roadshows and centralisation of book building
- Sales & Trading
  - Direct contacts with investors
  - Responsibility in the sale of various financial products
  - Sale of stock to institutional investors during the roadshow



# 14. Advisors

## *14.2. Other advisors*

- Legal advisors
  - Guidance throughout the IPO process
  - Interactions with the regulatory authority
  - Supervision of the legal DD
  - Drafting of the prospectus' legal sections
  - Writing of advertising and research guidelines to comply with securities law
- Auditors
  - Comfort letter on the accuracy and fairness of historical financial information in the prospectus
  - Existing company's auditors or new team
- Communications and public relations agencies
  - Presentation of the company to investors in the most attractive light
  - Creation of a media plan to capture investors' interest and ensure global exposure of the company
- Equity advisors
  - Independent point of view
  - Preliminary considerations, help in the selection of advisors, in the preparation of the equity story
  - Supervisory of the marketing / placement phase
- Listing sponsors
  - Banks or independent advisors: accredited by Euronext
  - Presence that helps to boost investors' confidence
  - Mandatory appointment on Euronext Growth and Euronext Access
- Others
  - Intellectual property advisors
  - Independent real estate advisors
  - Tax advisors