

PSX IPO Summit

How to enhance the chances of your IPO being a success & lessons from London's Alternative Investment Market (AIM)

Martin Graham

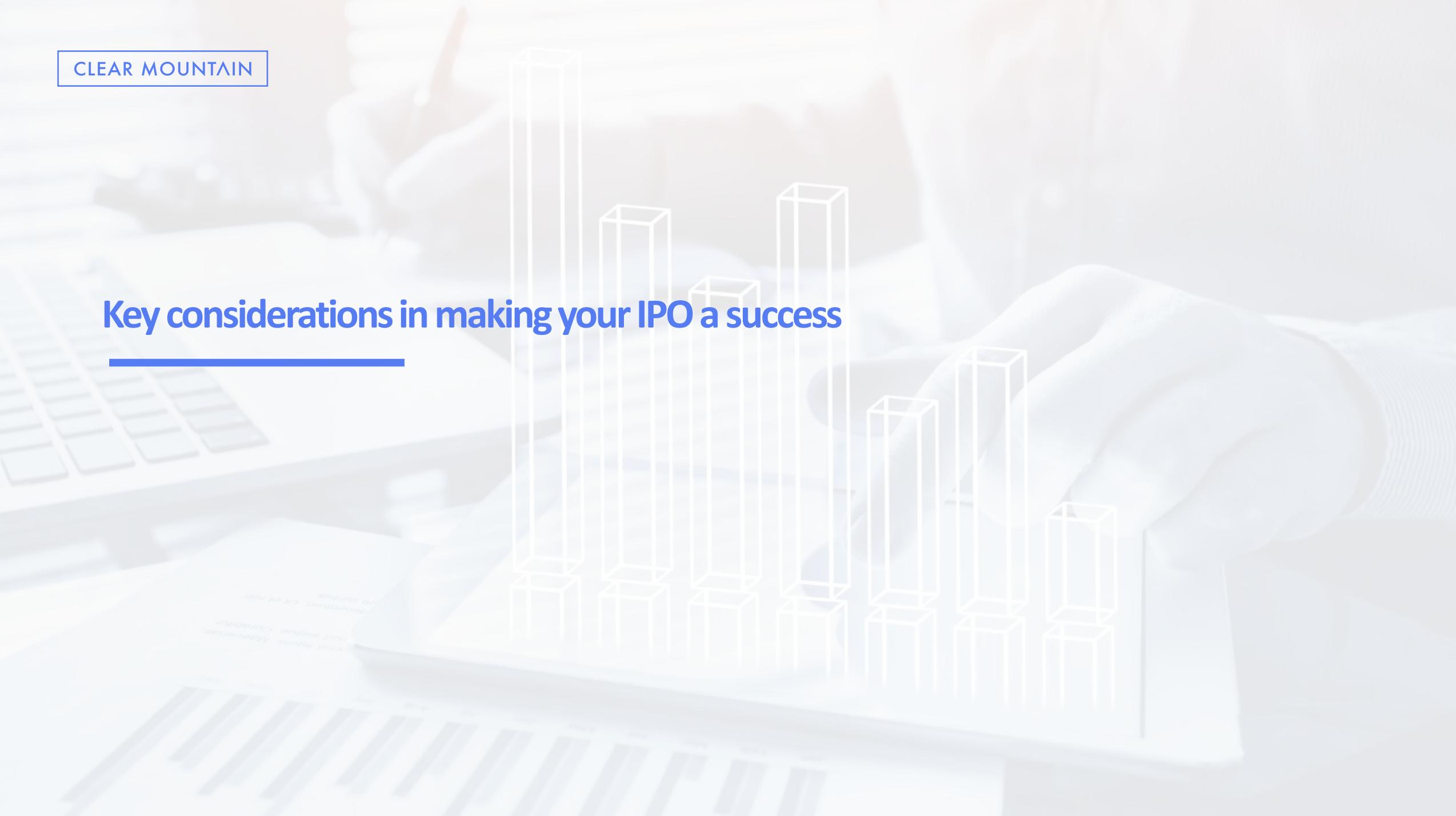
Chairman, Clear Mountain

(Former Director of Markets, London Stock Exchange Group PLC)

AGENDA

- 1** **Key considerations in making your IPO a success** > delivering sophisticated project management and deep domain expertise to minimize risk of significant value destruction
- 2** **Case study on the AIM market** > illustrate how a dedicated small and mid-cap market can be a huge success enabling IPO route to be a real option for smaller growth companies

Key considerations in making your IPO a success



MARTIN GRAHAM AND CLEAR MOUNTAIN BACKGROUND

IPO Advisory

- Closely involved across multiple sectors, geographies and market sizes
- Advice to companies on maximization of IPO value from articulating equity "story" to most effective investor targeting and leading investor roadshows

	BRITISH BIOTECH	(Became Vernalis Group), achieved \$3b peak valuation
	POWERGEN	(Now part of EON), achieved \$1.5b peak valuation
	Deutsche Telekom	\$13b IPO set record as largest global IPO in 1996
	orange™	GBP 2.4b valuation
	Telewest	(now part of Virgin Media) GBP 1.6b valuation
	ASOS	
	nationalgrid	
	YorkshireWater	
	MEARS	
	Yorkshire Power	
	EUROWAG	
	National Power	

London Stock Exchange Leadership

- As Director of Markets and Chairman of AIM Martin Graham had direct responsibility for all primary and secondary markets and 80% of overall group profits
- He led initiative to turn LSE into world's most international stock market and worked with numerous companies to explain corporate benefits of LSE listing as part of global growth strategy
- LSE international listings grew from 8 in 2003 to 95 in 2007. GBP 80B raised in 2008 consolidated LSE's clear lead over US exchanges
- AIM market was transformed under his leadership from UK small cap market into World's leading growth market with listings from over 30 countries
- In 2008 AIM raised \$20B in new and further listings for smaller companies eclipsing NASDAQ
- In 2007 following LSE Group's acquisition of Borsa Italiana, he had responsibility for successful merger of group's operational activities and joined Board of Borsa Italiana
- He also brokered deal in which Qatar Investment Fund took 20% stake in LSE for \$5.6b in 2007

GOING PUBLIC ENHANCES VALUE, AIDS ACQUISITIONS, BOOSTS BRAND, MOTIVATES STAFF, AND CATALYZES TRANSFORMATION

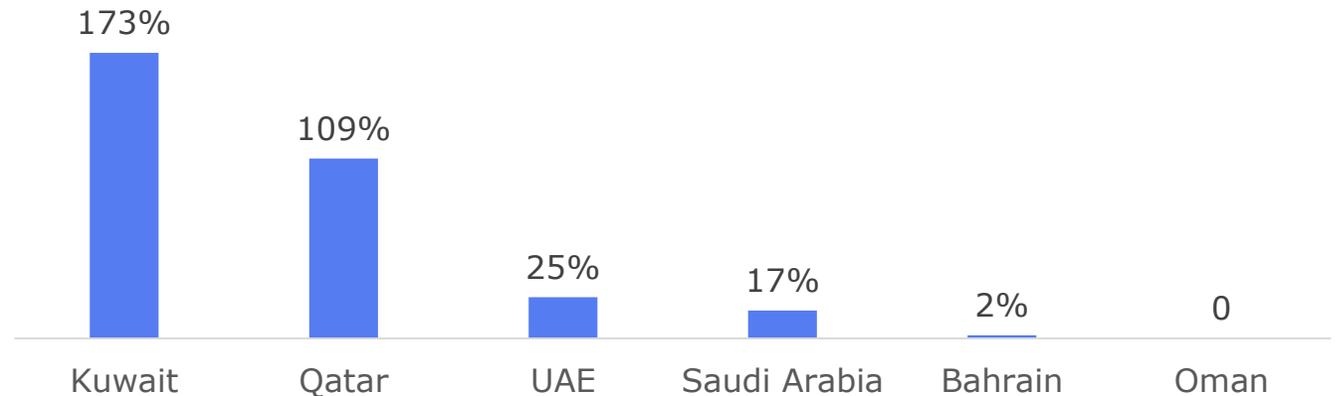
Support Value Maximization	Provide Acquisition Currency	Raise Profile & Brand Awareness	Staff Incentivization & Retention	Value Crystallization	Catalyst for Transformation
<ul style="list-style-type: none"> • Access to Growth Capital: By going public, a company can tap into a vast reservoir of capital from the broader market. This capital can be used to fund new projects, expand operations, or invest in R&D • Strategic Relationships with Institutional Investors: Large institutional investors can bring more than just capital. They can provide strategic guidance, introduce potential partnerships, and offer industry insights that can be invaluable for the company's growth 	<ul style="list-style-type: none"> • Publicly Traded Shares as Currency: With an IPO, companies gain publicly traded shares that can be used in M&A, offering liquidity to the acquired party • Leverage in Negotiations: The perceived value and recognition of a public company's stock can provide an edge in acquisition negotiations, making it an attractive proposition for potential acquisition targets • Diversified Capital Structure: Having publicly traded equity can enable a company to optimize its capital structure, making it more appealing for potential partnerships or joint ventures 	<ul style="list-style-type: none"> • Local Profile: Going public often boosts local brand visibility and recognition through media attention • International Profile: An IPO, especially on major exchanges, garners global attention, elevating a company's international standing • Investor Relations: Engaging with a broader investor base post-IPO can lead to increased coverage by analysts and media, further enhancing brand visibility in financial circles • Market Credibility: Being listed can imbue a company with a sense of legitimacy & trustworthiness in the eyes of consumers, partners & stakeholders 	<ul style="list-style-type: none"> • Stock-based Compensation: Public companies can offer stock options or shares as rewards, aligning employees' interests with the company's • Career Growth Opportunities: The expansion and growth post-IPO often lead to new roles and career paths, attracting and retaining talent • Employee Share Purchase Plans: Many public companies offer ESPPs, allowing employees to purchase company stock at a discounted rate, fostering a sense of ownership and loyalty 	<ul style="list-style-type: none"> • Transparent Value Metrics: The stock price provides a tangible metric of the company's perceived value, offering stakeholders insight into investment's worth • Liquidity for Early Investors: IPO allows early backers, such as VCs and angels, an opportunity to realize ROI • Confidence: Transparent financial reporting and regulatory compliance in public markets can boost confidence among shareholders, customers % partners 	<ul style="list-style-type: none"> • Operational Standards: Public listing necessitates rigorous auditing and regulatory compliance, prompting operational refinement. • Enhanced Processes: The public spotlight encourages adoption of best practices and efficiency improvements. • Cultural Evolution: Accountability to a wider stakeholder base may lead to a more transparent and inclusive company culture. • Strategic Focus: Public visibility ensures clearer communication of long-term strategies to both internal and external stakeholders.

MAJORITY OF GCC IPOs ARE UNDERPERFORMING

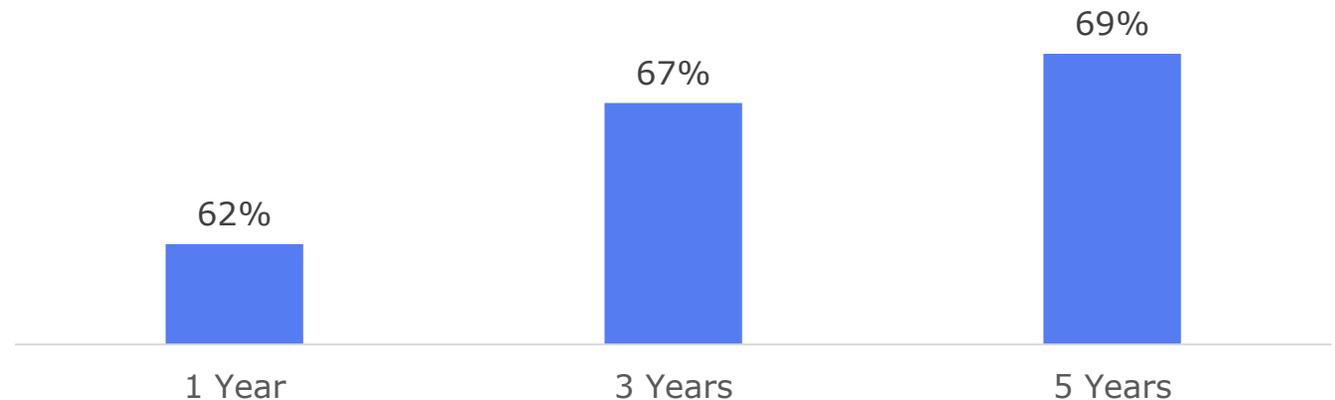
Based on analysis¹ of 457 IPOs in the GCC region between 2005 and 2021,

- Only **38%** were priced successfully
- The difference between the offer price and the first-day closing price was **less than 20%**
- Only **32%** of companies traded within a 20% range of the offer price within the first 30 trading days
- In the first 5 years after listing, **69%** of companies under-performed their country's benchmark index

Median 1 Day Return (IPO pop)



Share of IPOs that underperformed their index



CASE STUDY: WHY SWVL FAILED?

Enablers



Preparation and Timing	The global market volatility and investor sentiment towards tech stocks at the time of their planned IPO were not favorable
Cost Management	Detailed specifics about the cost structures for their IPO attempt are not publicly disclosed, but miscalculations in budgeting or overspending likely contributed to their challenges
Board and Management Expertise	While Swvl's management team had the experience of running the business, navigating the complex waters of a U.S. IPO, especially for a foreign-based company, presented challenges
Equity Story Clarity	Swvl's story, while compelling in its home market, did not resonate as strongly with the international investor base due to communication gaps
Operational Readiness as a Public Entity	Transitioning from a private company primarily operating in emerging markets to a public company in the U.S. presented hurdles in meeting the regulatory and operational standards expected of NASDAQ-listed companies
Investor Relations and Expectation Management	There was a misalignment between the company's projection and what investors expected
Market Choice	While NASDAQ is a common choice for tech companies, Swvl faced challenges in convincing U.S. investors about its growth prospects and market potential
Underwriter Selection	Swvl went public through a SPAC, which proved not being an ideal way to do IPO
Relationship with Local Regulators	Being based in Egypt and seeking to list in the U.S. added layers of complexity in terms of regulatory compliance. Issues or potential delays in this area were detrimental to their IPO ambitions

WHY IPOs FAIL/UNDERMINE VALUE MAXIMISATION

- 1 Poor preparation and timing:** Not strategically planning or choosing the right moment can jeopardize an IPO's success
- 2 Inability to manage costs:** Lack of competition among advisors and post-appointment disorganization can escalate costs
- 3 Inadequate skills in Board and management:** A leadership team lacking expertise can hinder the company's transition to public markets
- 4 Poorly articulated equity story:** Failing to clearly convey the company's value and plans for raised capital can confuse potential investors
- 5 Underdeveloped understanding of how to operate a public entity:** Missing holistic knowledge, including shareholder-centric culture, strong corporate governance, regulatory adherence, and effective investor relations
- 6 Poor investor relations and expectation management:** Ineffectively communicating with shareholders can erode trust and confidence
- 7 Sub-optimal market choice:** Choosing the wrong stock exchange or market can limit the company's growth potential and investor reach
- 8 Suboptimal syndicate selection and management** can have negative impact on achieving fair equity valuation
- 9 Lack of relationship with local regulators:** Absence of a strong rapport with regulatory bodies can result in unforeseen challenges or delays in the IPO process.
- 10 Limited visibility and transparency:** A company's reluctance or inability to provide clear financial disclosures and business insights can deter informed investment decisions

WHAT HAPPENS WHEN IPOs FAIL

- When IPOs don't succeed, companies grapple with stocks that are not only undervalued but also lack liquidity, leading to frustrated investors, while still shouldering the responsibilities and recurring costs of being publicly listed
- Reputational damage from a failed IPO can have long-term implications, eroding the trust of stakeholders and making future financial endeavors more challenging
- The unsuccessful attempt of going public can exhaustively drain management's time and company resources, potentially sidelining other critical initiatives and hindering overall productivity

CLEAR MOUNTAIN SOLUTION: WE PROVIDE SOPHISTICATED PROJECT MANAGEMENT AND DEEP DOMAIN EXPERTISE AROUND KEY STRATEGIC ISSUES

COMMERCIAL DUE DILIGENCE	VALUE CREATION PLANNING	IPO PREPAREDNESS	GEOGRAPHIC EXPANSION	PORTFOLIO SYNERGIES	BOARD PRACTICES	TARGET OPERATING MODEL
<ul style="list-style-type: none"> • Detailed diagnostics based on capability maturity assessment tools, deep operational expertise and benchmarking • Detailed market assessment to explore product-market fit • Operational benchmarking based on global examples and basis of CDD 	<ul style="list-style-type: none"> • Growth roadmap pre-closing • Immediate & also sustainable value realisation • Value levers integrated and sensitised • Organisational cohesion & accountability • Management accountable for focused full-potential growth 	<ul style="list-style-type: none"> • Market-leading experience in IPOs • Deep practitioner knowledge of “best-in-class” corporate governance • Unprecedented network of global relationships • Build in-house capability and post-IPO governance and value creation model 	<ul style="list-style-type: none"> • Clear expertise in Go-To-Market considerations for global and regional expansion (legal, operational commercial) • Swift Market Entry • Cultural & Regulatory Acumen • Regional Expertise • Global Partnerships & Alliances 	<ul style="list-style-type: none"> • Creating platform(s) for information sharing • Establishing partnerships on bids and business opportunities • Aggregating purchasing/selling power • Strategising commercial interchanges • Best practice network through common expert access 	<ul style="list-style-type: none"> • Selection of ideal board construction • Building blueprint of reporting model • Adopting standard governance matrix • Driving VCP into governance and oversight model • Encouraging behavioural fit • Board members are critical thinkers and guides, not fans 	<ul style="list-style-type: none"> • Alignment on pain points & strategic aspirations • Gathering a solid fact base; use clear success criteria to assess current state and potential solutions • Structured approach to selecting the TOM blueprint • Cascade structure through line management

ENSURING A SUCCESSFUL IPO PROCESS

01

**ADVISOR SELECTION &
MANAGEMENT**

02

**BOARD COMPOSITION
& CORPORATE
GOVERNANCE**

03

EQUITY "STORY"

04

MARKET SELECTION

05

**KEY DOCUMENT
PREPARATION FOR DD
PROCESS**

06

**ONGOING INVESTOR
ENGAGEMENT**

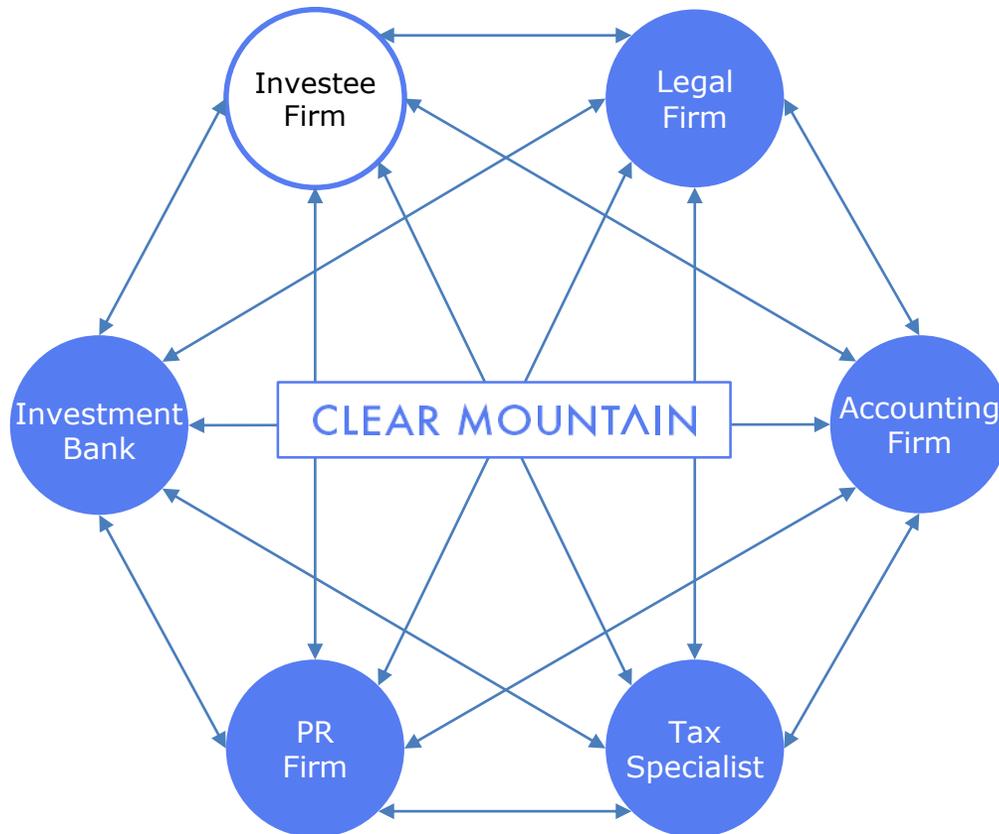
07

**BUILDING CLOSE
WORKING
RELATIONSHIP WITH
LOCAL REGULATOR**

08

**PREPARATION FOR
OPERATING AS A PLC**

WE OPTIMIZE THE IPO PROCESS BY MANAGING ESSENTIAL RELATIONSHIPS, OVERSEEING COMPETITIVE ADVISOR RFPs AND ALIGNING OBJECTIVES



In an ordinary IPO process, there are at least 15 relationships to be managed between investee firm and other 3rd party advisors. Clear Mountain can help to manage these parties for:

- RFP process to appoint all professional advisors including Legal, Accounting, Tax specialist, Investment bank and Public Relations creating competitive tension to keep costs within strict parameters
- Management of all professional advisors around aligned objectives to deliver optimal efficiency
- During execution phase ensure right syndicate structure to achieve proper valuation of shares (not over valuation)

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Advisor Selection & Management

Board Composition & Governance

Equity "Story"

Market Selection

Key Document Preparation

Ongoing Investor Engagement

Relationship with Local Regulator

Preparation for Operating as A Plc

BOARD PLAYS A CRUCIAL ROLE IN ENSURING COMPANY IS MANAGED IN INTERESTS OF ALL SHAREHOLDERS A MAJOR FACTOR IN TRANSITIONING TO BECOMING A PUBLIC COMPANY

Proactive assistance, utilizing our global network, in building strong Board and management team (Note number 1 non-financial valuation factor for institutional investors is quality of Board/management team)

Critical to have NED's with deep industry expertise and public company experience as well as capability to manage key Board Committees (Audit/Risk/Remuneration) as vital pillars of Corporate Governance process

Need adequate skills for proper functioning of Risk Management process including management of regulatory and ESG etc. compliance issues which are becoming increasingly important

Fulfill Board diversity requirements at same time as delivering full range of required capabilities

Where appropriate assist in appointment of CFO with strong public company and IR experience

There should be only limited investor engagement prior to full Board and Management team being in place

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FUNDRAISING IS A COMPETITIVE MARKET SO FORMULATION OF A PERFECTLY ARTICULATED EQUITY STORY IS THE LARGEST COMPONENT OF EQUITY VALUATION

Equity story is,
a derivative of long-term strategy with clear road map and risk parameters,
which Clear Mountain will critique at early stage to ensure robust and differentiated

! Equity "story" should be backed by a strong track record setting company apart from competitors and include market opportunity, market share, sources of sustainable competitive advantage, scalability of business model together with financial strategy and real clarity on use/impact of capital raised through IPO

! Investors will focus on key metrics around EPS and EBITDA growth, sales growth, ROE etc. so high quality financial data needs to be in place at early stage and available through a Virtual Data Room (VDR)

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APPROPRIATE MARKET SELECTION IS CRITICAL IN MAXIMIZING VALUE BUT NEEDS TO UNDERSTAND DIFFERENT LEVELS OF REGULATORY COMPLEXITY & COSTS OF MAINTAINING LISTING

Access to Clear Mountain's proprietary market comparison tools

- Market selection needs to be considered in context of corporate strategy and international expansion plans
- 90% of companies list in local markets however important to analyse potential benefits of international or dual listing
- Joining an international market is often fundamental in showing company endorses highest standards of corporate governance and subsequent impact on investor perception in terms of ongoing cost of capital can be material
- Going forward potential emergence of credible digital asset platforms needs to be explored

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WE WILL OVERSEE PRODUCTION OF MAJOR DOCUMENTS AND ALL DETAILED DISCLOSURES REQUIRED DURING PROFESSIONAL ADVISOR DUE DILIGENCE AND PREVENT COST OVERRUNS

Due Diligence Process Documents

- **Business Due Diligence Report:** Understanding the company's market, competition, and strategy
- **Legal Due Diligence Report:** Examination of contracts, intellectual property, and regulatory compliance
- **Financial Due Diligence Report:** Analysis of financial statements, assets, and liabilities

Core Documents

- **Prospectus:** A detailed document outlining the company's operations, financial health, management, and risks
- **Legal Opinions:** Expert reviews & assurances on legal matters related to the IPO
- **Roadshow Presentation:** Tailored presentations for institutional investors, outlining company value and growth prospects
- **Investor Teaser:** A simplified, visual-rich version of the main prospectus for broader investor audience

Accounting Documents

- **Long Form Report:** Comprehensive financial report detailing company history and projected performance
- **Short Form Report:** Condensed financial report summarizing key metrics and financial highlights
- **Working Capital Report:** Analysis of company's working capital requirements and financial health
- **Accounting Comfort Letter:** A letter from auditors validating the integrity of the financial reports

OUR GLOBAL NETWORK CAN ASSIST WITH EARLY-STAGE INVESTOR TARGETING TO HELP FINESSE "EQUITY STORY" AND POTENTIALLY ASSISTING WITH PRE IPO-FINANCING

To successfully use pre-IPO financing to resolve business problems...

1 Make sure you have a solid business plan

2 Have a clear exit strategy

3 Be prepared to give up some control

4 Use the funds wisely

5 Have realistic expectations

- We will assist in selection and appointment of specialist Financial PR company (as supplement to helping build in house capability)
- Work with investment bank advisors and oversee production of marketing materials at all stages
- We will monitor performance of syndicate members at later stage to ensure high quality investor targeting including roadshow management and ultimate book building process (where relevant)

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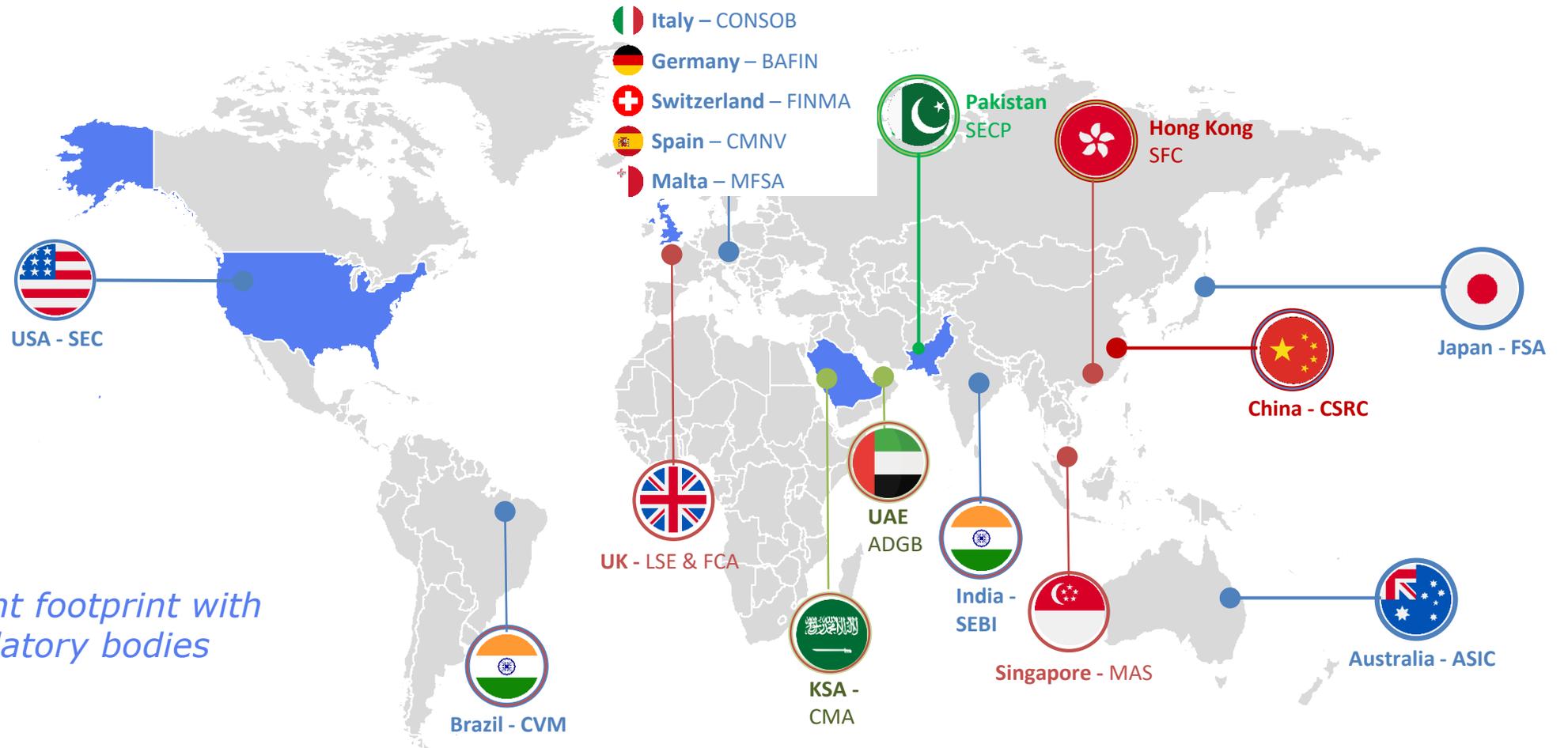
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WE HAVE AND CONTINUE TO BUILD STRATEGIC RELATIONSHIPS WITH REGULATORS TO DELIVER A DEEP UNDERSTANDING OF THEIR EVOLVING REQUIREMENTS AND APPROACHES



Our current footprint with local regulatory bodies

Advisor Selection & Management

Board Composition & Governance

Equity "Story"

Market Selection

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Relationship with Local Regulator

Preparation for Operating as A Plc

IPO IS ONLY ONE STAGE IN PROCESS OF TRANSFORMATION TO BEING AN EFFECTIVELY OPERATING PUBLIC COMPANY. IT IS CRITICAL TO MAINTAIN ACUTE FOCUS ON LIFE POST IPO

IPO Readiness Diagnostics

- As a first step we will conduct a proper analysis of company's IPO preparedness and analyse any remedial steps to be taken in addition to timing of IPO execution

Reporting Capabilities

- All internal processes need to be in place to comply with reporting requirements of a public company including quarterly financial reporting but also regulatory reporting needs and increasingly to meet new demands from important investors (ESG reporting etc.)
- Robust and consistent financial data "sine qua non" for key investors

Investor Relations Capability

- Investor relations capability-built pre-IPO vital in maintaining strategic relationships with major investors as well as wider investor community to fund future growth and support company strategy as well as maintaining stock liquidity and valuation
- Very important to have clarity on use of funds raised and impact on company growth to build on existing track record

Tax Planning Capability

- Additional early-stage work on tax planning to inform market selection process and assist ongoing financial performance

Governance and Risk Management

- Well-functioning governance structure managing company efficiently and in interests of all shareholders
- World class / forward looking risk management to deliver company strategy is a huge differentiator especially given background of accelerating changes brought about by new technology / geopolitics

Case study on the AIM market



HEADLINE NUMBERS



ECONOMIC IMPACT

1

Key in closing “equity gap” for smaller companies. Over 50% of funds raised in further issues giving companies access to continuing stream of growth capital

2

0.3-0.6% benefit to GDP growth (Oxford Analytica)

3

\$800M of fees generated in 2008 providing considerable boost to financial sector and government revenues

KEY SUCCESS FACTORS

1. Regulatory model > exchange regulated principal-based regulation combining practical regime for companies with high standards of investor protection.
2. Model - LSE primary market regulator outsourcing responsibility to NOMADS (nominated advisors) responsible for ensuring company eligibility / suitability to come to market and adherence to continuing obligations.
3. Flexibility re rules with no minimum market cap or free float requirement and limited need for prior shareholder approvals on transactions.
4. Very strict rules on NOMAD performance including scope to levy unlimited fines and remove licenses.
5. Attracted global institutional investor base focusing their growth investments through AIM supplementing traditional retail investor base.
6. International scope of market.
7. Access to ongoing growth capital from secondary offerings (where companies succeeded in building strategic relationships with investors).
8. Tax advantages to retail investors (30% EIS relief, IHT exemptions and CGT relief on disposals etc.)
9. All market participants had mutual interest in upholding standards of market and maintaining market reputation.
10. Seen as "feeder" to main market enabling companies to transition to a fully functioning public company.
11. Wide range of industrial sectors enabling more diversified risk profile.
12. Introduction of investible indices (FTSE AIM UK 50, FTSE AIM 100 and FTSE AIM All-Share).

POST 2008 (RISKS TO SMALL CAP MARKETS)

1

2008 financial crisis had significant negative impact with institutional asset managers reducing exposure to any perceived "risky" assets

2

AIM also a "victim of its' own success" as some NOMAD's chased short term fees through bringing inappropriate companies to AIM damaging markets long term reputation

3

European MIFID regulations changed economics of company research reducing analyst coverage of smaller companies impacting retail interest and secondary market liquidity

4

However, market has showed great resilience

THE GOOD NEWS

1

Today AIM still has over 900 companies including 250 international companies

2

Since launch AIM has raised over \$120B

3

95 international companies have listed in last 5 years

4

The market is diverse including companies from 37 sectors, 90 sub sectors and 26 countries

5

Post 2016 AIM Indices have outperformed all other major LSE market indices

**For additional information,
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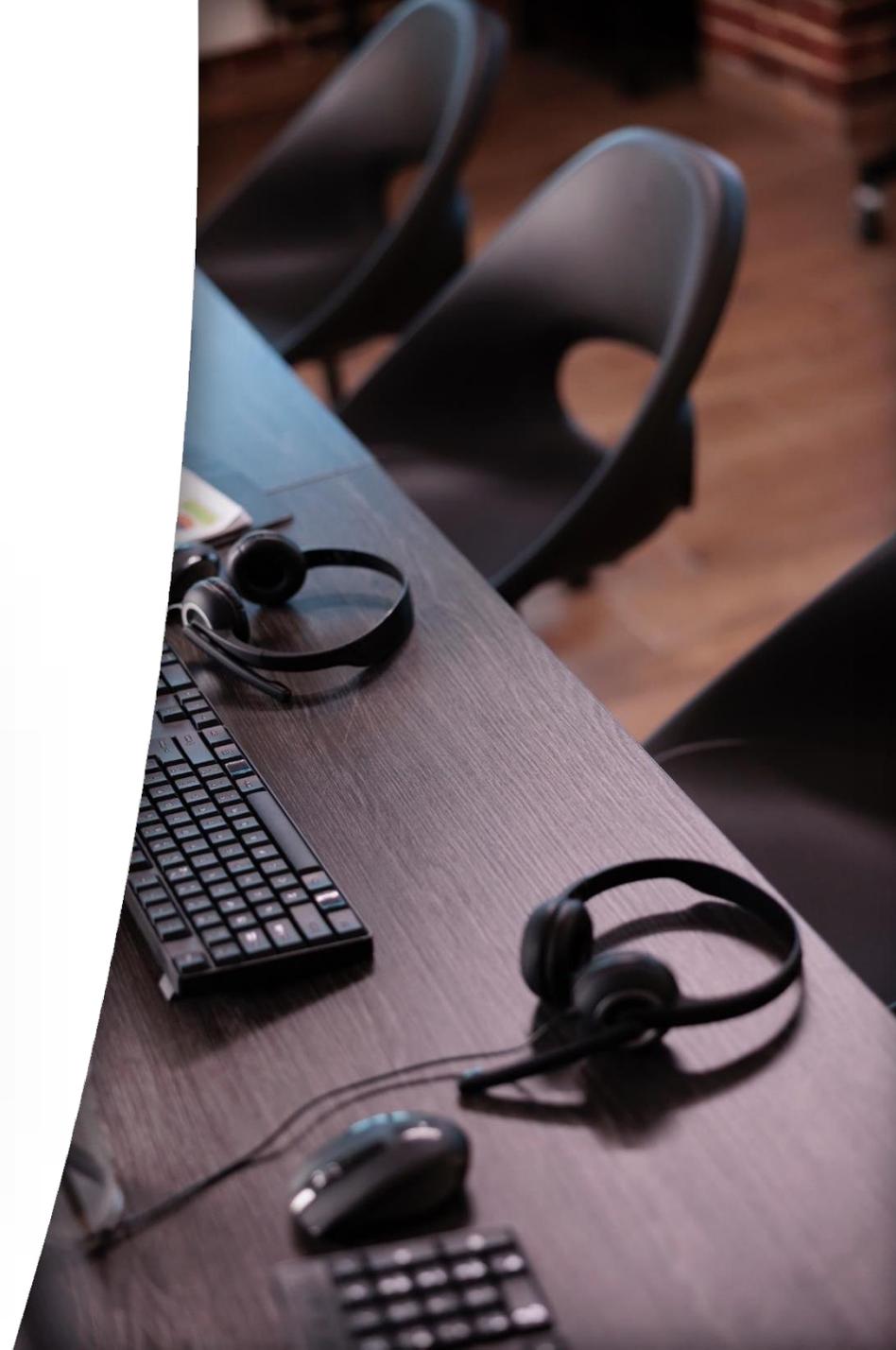
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