

Ready to go public?

Initial Public Offering (IPO)

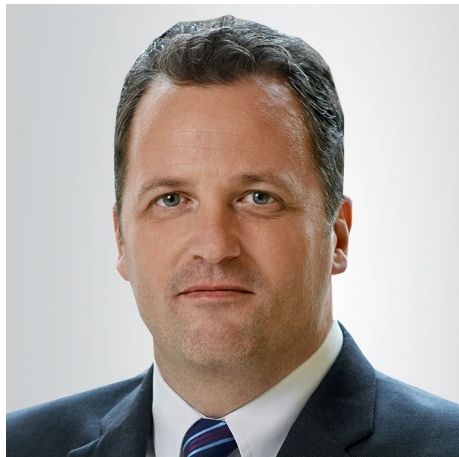
November 30th 2022



Friedrich-Alexander-Universität
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Today with you



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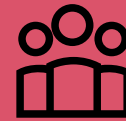
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CMAAS – We are exceptional – so are you!

About us



265
colleagues



8 locations
Berlin, Düsseldorf, Essen,
Frankfurt, Hamburg, Hannover,
Munich, Stuttgart



57 Mio. €
Net Revenues
FY22

Deals / M&A /
Carve Out

Digital
Finance

Capital Raising
/ IPO

Sustainability
(ESG)

Accounting
& Reporting

Path companion



Deals / M&A / Carve Out

Corporate transactions are a complex topic - among other things from an accounting perspective. You support our clients in the context of company acquisitions and sales with exciting topics such as accounting issues (German GAAP, IFRS or US-GAAP) and the preparation of the required financial information.

Digital Finance

Setting up digital and efficient processes in finance and accounting is currently one of the major challenges. In addition to our broad expertise, we rely on software solutions and new technologies such as AI (artificial intelligence), data analytics, RPA (robotic process automation) and chatbots as part of the finance transformation. You support companies on their way into the digital future and advise them, for example, on the selection and implementation of digital solutions.

Capital Raising / IPO

Whether it is a classic IPO or a debt capital raising, sensitive consulting services are necessary when going public in order to guide companies safely into the future (IPO Services). You advise companies before, during and after the IPO: for example, in the preparation or review of pro-forma financial information, in the preparation of profit forecasts, in the performance of IPO readiness assessments and in the preparation of prospectuses, including SEC issues.

Sustainability (ESG)

The topic of sustainability is becoming increasingly relevant. It is crucial from a capital market perspective due to the increasing demands of investors, but also due to various new regulatory reporting requirements (e.g. Supply Chain Act, amendment of the CSR Directive, introduction of the EU taxonomy, etc.). Companies need to take clear positions and report accordingly. We help our clients to meet the increasingly stringent requirements in the area of financial and non-financial reporting. In this context, you advise companies from ESG strategy development to the implementation of regulatory standards.

Accounting & Reporting

We support companies in all questions concerning accounting and financial reporting (German GAAP, IFRS, US GAAP). New standards and regulations have to be understood and implemented in the company. Many accounting topics are so complex that companies need external support for this. Companies also have to change their accounting for various reasons (conversions) or want to specifically influence their external presentation in financial reporting. You advise companies on all these issues (German GAAP, IFRS or US GAAP) - from the initial application of accounting standards to embedding them in accounting practice. This also includes the implementation of digital solutions in reporting.

Our services

Advice on capital market transactions and reporting



Readiness

Preparing companies for the capital market (IPO readiness, equity advisory) and supporting the transaction process



IPO, Capital Increase and Debt Issuance

Preparation, presentation and review of specific financial information for the prospectus, preparation of comfort letters



Special Financial Statements

Preparation and audit of historical financial information in the form of carve-out financial statements, pro forma financial information and profit forecast



Compliance

Compliance with capital market reporting regulations (e.g. EU, USA, China)



Reporting

Advice on reporting requirements e.g. from the SEC or CSRC, advice on optimizing financial reporting and independent tool advice

Agenda



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Introduction

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Parties involved in an IPO

3

Path to a successful IPO

4

IPO Roadmap

B

Back-up





1

Introduction



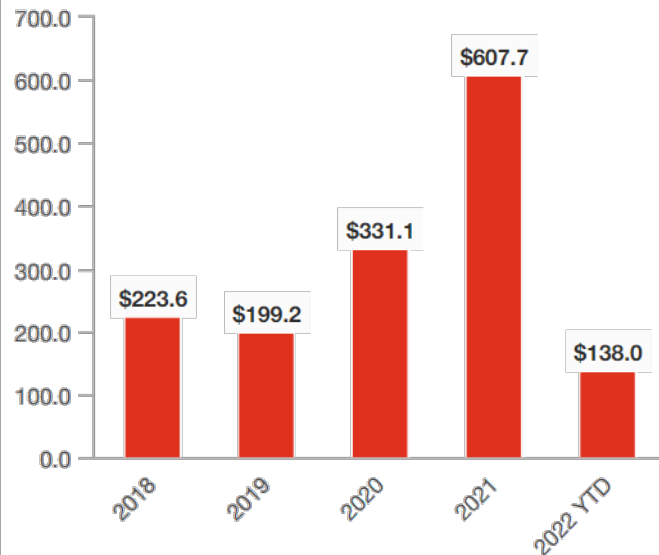
Capital Market



Projects are driven by strategic and regulatory requirements



Global IPO Proceeds (\$bn)



Source: Dealogic with PwC analysis as of 30 September 2022

- Unprecedentedly strong 2021 with around 62,000 global corporate transactions
- Slowdown in 2022 YTD down to a five year low
- Expectation that the broader pipeline will likely be pushed back into late 2023
- Exceptions to the 2022 slowdown still present (e.g. *Porsche*)

Porsche enters a new era with successful IPO
Porsche Newsroom, 29.09.2022

Digitalbank N26 wird eine AG mit Aufsichtsrat vor möglichem IPO

- Firma sieht Vorbereitungen für 'nächste Entwicklungsschritte'
- Schneller Börsengang unwahrscheinlich wegen Marktturbulenzen

Bloomberg, 03.11.2022

United Internet treibt Pläne für Ionos-IPO voran

Manager Magazin, 19.09.2022

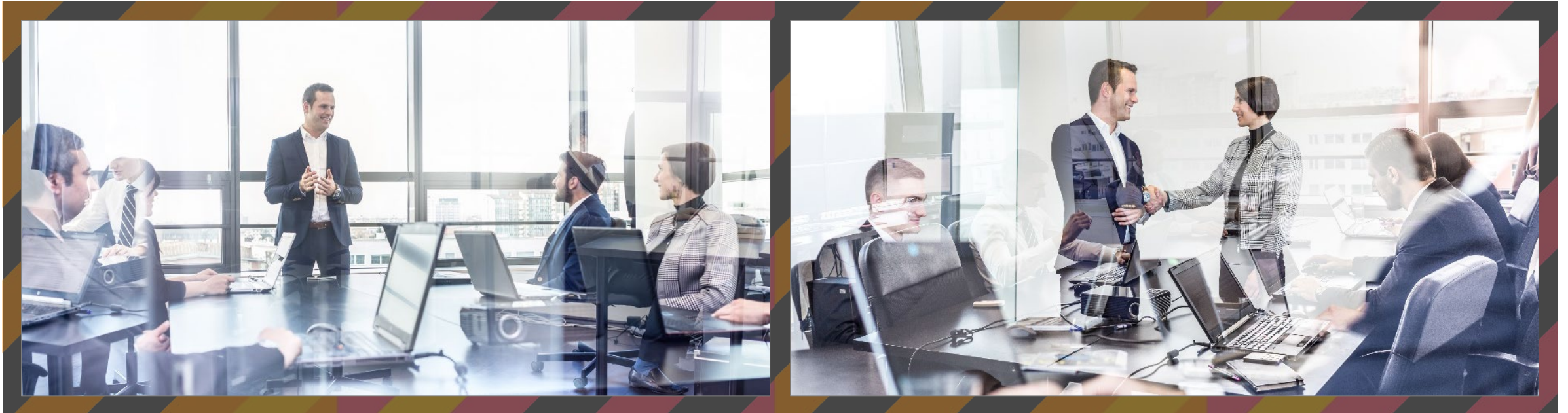
Germany's Ottobock delays IPO due to market turmoil

Reuters, 19.05.2022

Thyssenkrupp: markets unfavourable but IPO remains preferred option for Nucera

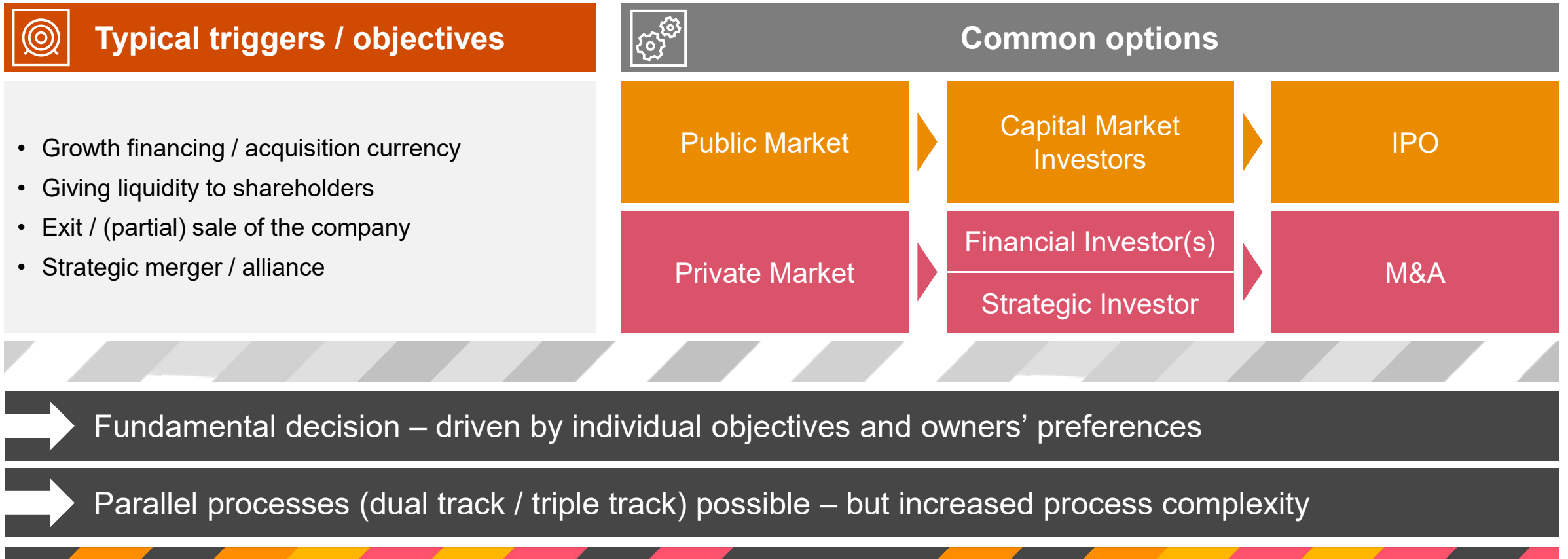
Reuters, 19.09.2022

What is an IPO?

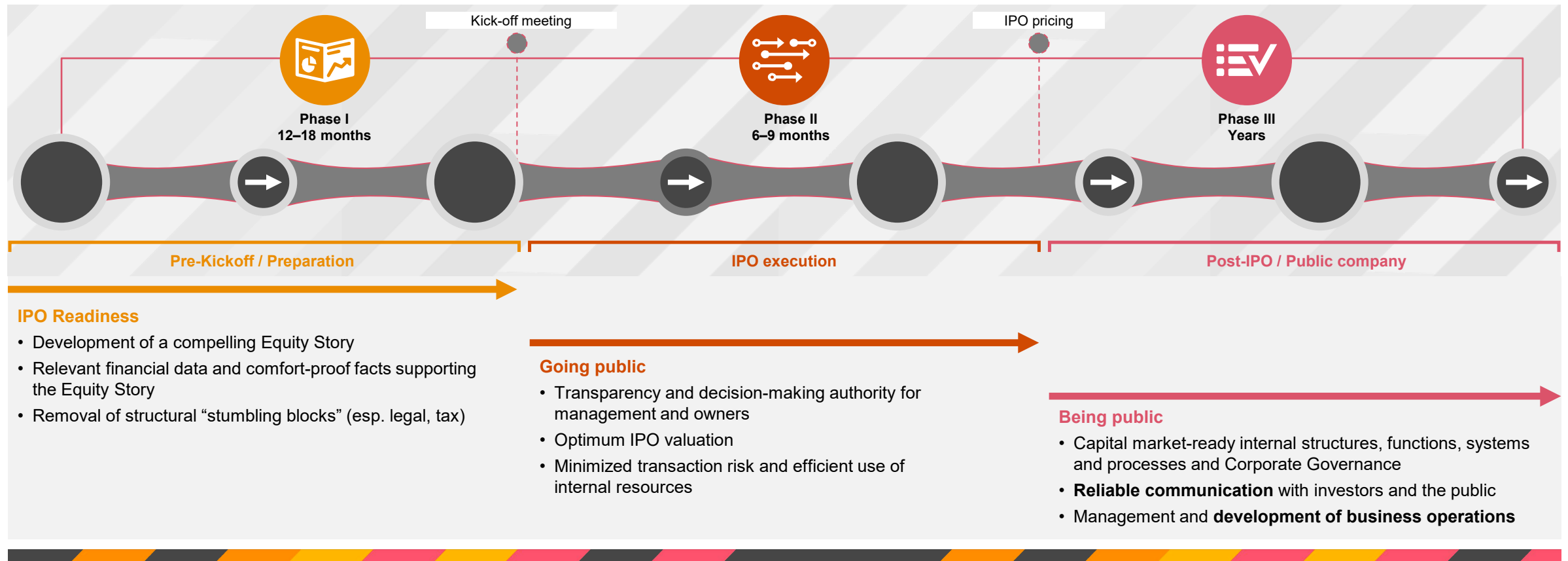


Complex series of negotiations between the company, bankers, lawyers, analysts and investors

An IPO is one option to finance growth and / or manage ownership change



Overview of the IPO process

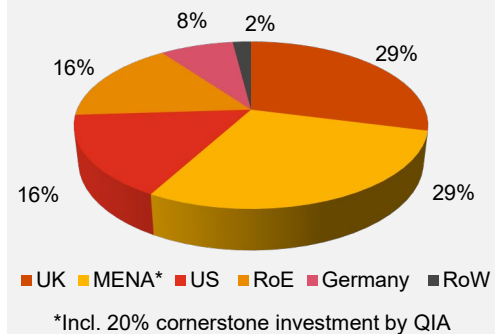


€9.1bn IPO of Dr. Ing. h.c. F. Porsche AG

Offering details

Pricing date	29 September 2022
Offer structure	<ul style="list-style-type: none"> Share capital split 50/50 in ordinary voting and non-voting pref. shares ahead of IPO 25% of pref. shares offered in the IPO – all secondary from VW
Offer prize	€82,50 per share (range €76.50 - €82.50)
Final offer size	€8.17bn (€9.08bn incl. Greenshoe – 74% exercised)
Free float	10,87% (12,08% incl. Greenshoe)
Market cap at IPO	€75.2bn
Lock-up	6 months for Porsche and Volkswagen

Investor allocation by region



Syndicate (16 banks)

Global Coordinators:
Bank of America, Citigroup, Goldman Sachs, J.P. Morgan

Joint Bookrunners:
BNP Paribas, Deutsche Bank, Morgan Stanley, Santander, Barclays, Soc. Générale, UniCredit
+ 4 Co-Lead Managers + 1 Selling Agent

Company overview and carve out rationale

- Iconic sports car brand founded in 1931 with 37k staff and 300k sold vehicles in 2021 generating €33.14bn revenue and EBIT of €5.31bn (16.0% margin). Mid-term target for revenue CAGR of 7-8% with 17-19% margin
- IPO to provide Porsche with increased entrepreneurial independence and to finance VW's transformation to e-mobility, digitization and the battery strategy. 49% of total proceeds to go VW shareholders as a special dividend
- The existing industrial and strategic cooperation between VW and Porsche will be continued comprehensively after the IPO (cooperation agreement, on an arm's length basis, to govern future relationship)



Transaction highlights

- Largest European IPO since 2000, and largest German IPO since Deutsche Telekom (1996)
- Only non-voting preference shares (50% of Porsche's capital) listed of which 25% were offered in the IPO. As part of the IPO, Porsche Automobil Holding SE (holds the majority of VW voting shares) acquired 25% +1 share of Porsche AG's voting shares at 107.5% of the IPO price for the preference shares. Post IPO, VW holds 75% of the preference and 75% -1 share of the ordinary shares
- Almost 40% of the IPO was bought by cornerstone investors: Qatar Investment Authority (QIA), who holds 17% of VW's voting shares, acquired 20% while three other investors bought an additional 19% of the offering
- Retail offerings also outside of Germany in AT, FR, IT, ES and CH (receiving 7.7% of the shares in the allocation)
- The preference shares opened at €84.00 and closed at €82.50 (+0.0%) on the first trading day



Critical investor comments on the IPO structure in the press

- Nested group structures, lack of Board independence, cross shareholdings of Porsche Holding and double roles of Oliver Blume acting as CEO of both VW and Porsche. Many ESG funds with corporate governance concerns
- Only non-voting preference shares for investors with small free float (effectively 10% excl. QIA stake)
- IPO does not give Porsche true independence but is rather designed to give the Porsche family control by purchasing a blocking minority of the ordinary shares at a small premium. VW does not really need the proceeds

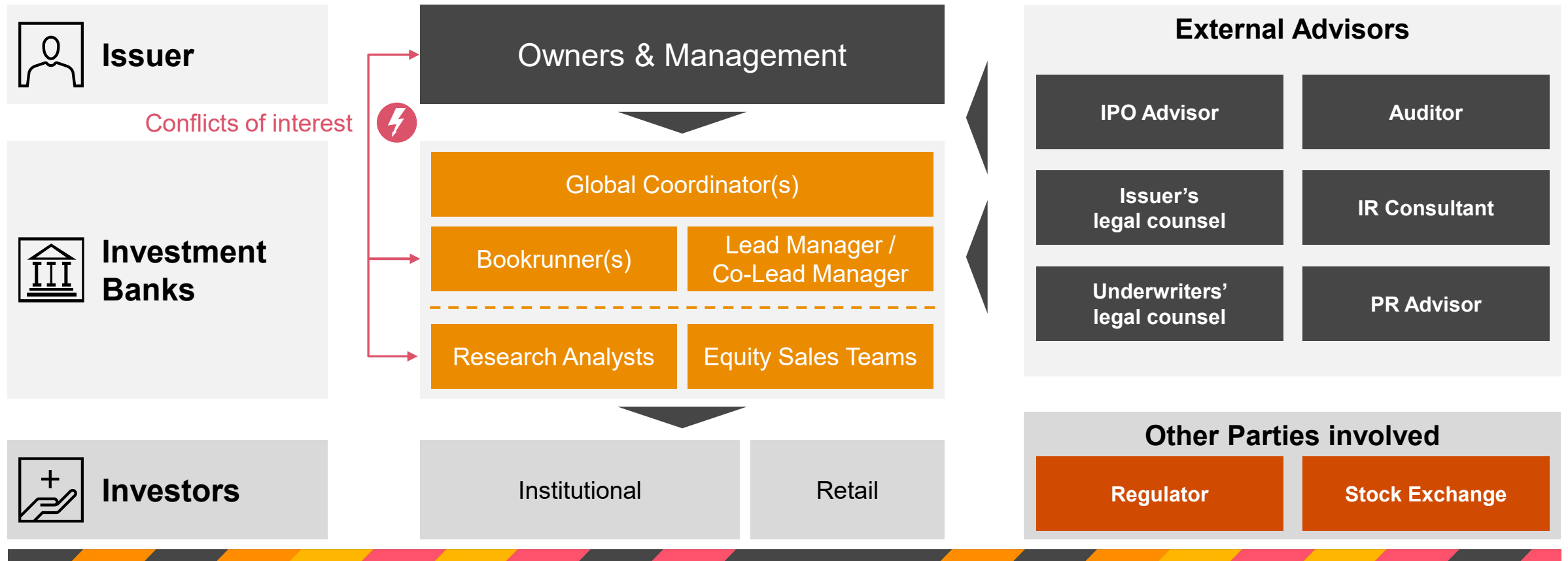


The background of the slide is a collage. It features several orange and yellow geometric patterns, including a grid of squares and a pattern of diagonal lines. In the center, there is a square image of a skyscraper with a large white number '2' overlaid on it. The skyscraper is a modern building with many windows, and the number '2' is a large, bold, white digit.

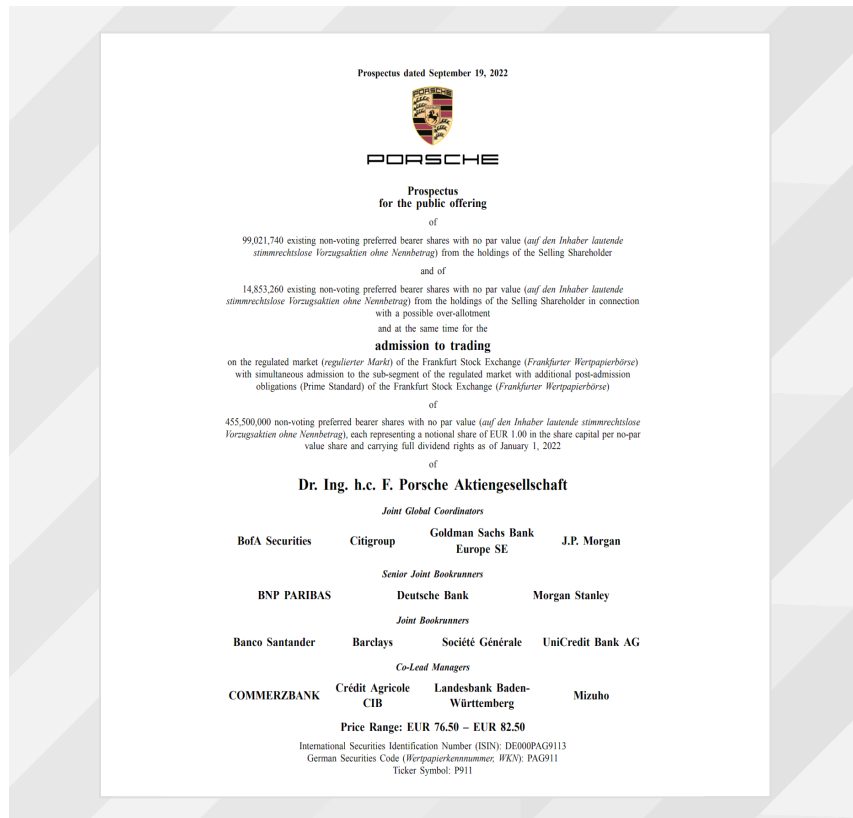
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Parties involved in an IPO

Parties directly involved in the IPO execution



Main sections of an EU prospectus



- Summary of prospectus
- Risk Factors
- General Information
- The Offering
- Reasons for the offering, use of proceeds and offering costs
- Dividend Policy
- **Capitalization and indebtedness, working capital statement**
- **Selected Financial Information**
- **Management Discussion and Analysis**
- **Pro forma financial information**
- **Profit forecast**
- Markets, Competitive Environment and Business
- Management & Supervisory Board, Corporate Governance and Employees
- Transactions with Related Parties
- Legal Matters
- Taxation
- **Financial Statements (“F-pages”)**

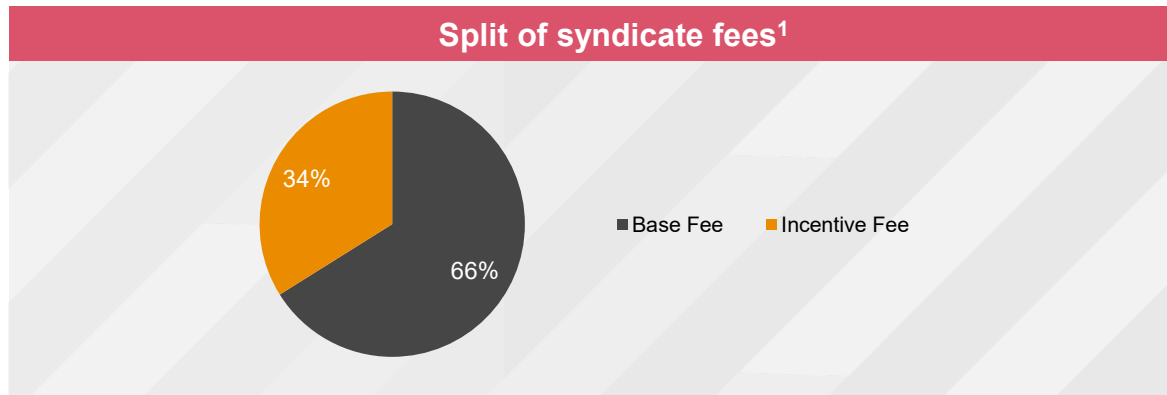
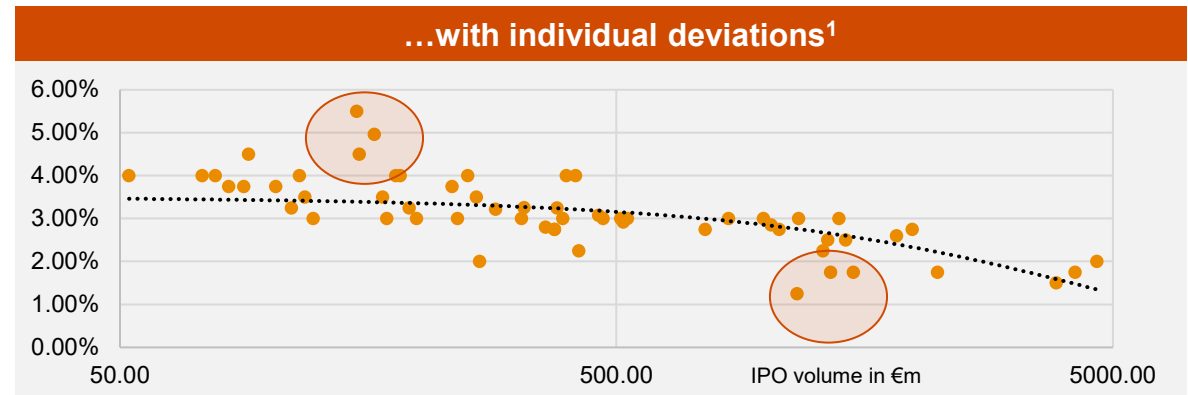
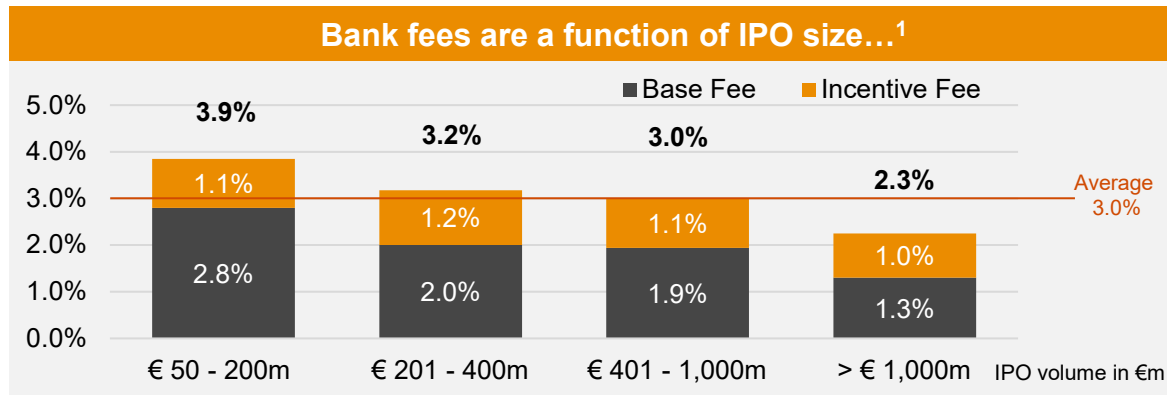


Principal bank roles in an IPO syndicate

Syndicate title	Key responsibilities
(Joint) Global Coordinator(s)	<ul style="list-style-type: none">• Overall responsibility for the IPO execution and key contact for management / owner• Active advice on Equity Story, positioning, transaction structure and marketing strategy• Driving the timetable and leading the various execution work streams (incl. due diligence)• Representing the syndicate to issuer / sellers and coordinating banks' activities• Lead research and pivotal role in equity sales and order generation during book building• Always active Bookrunner with key role in range setting, pricing and allocation decisions
(Joint) Bookrunner(s)	<ul style="list-style-type: none">• Additional Bookrunners with primary focus on research and sales to deepen investor coverage• Typically limited involvement in documentation and due diligence• Active input on positioning and marketing / sales strategy (often through JGCs)• Order generation and input on book building range, pricing and allocation
Other syndicate banks ¹	<ul style="list-style-type: none">• No active order taking (redirecting to Bookrunners)• Broadening target investor universe through additional pre-deal research and investor education• Often marketing focus on specific investor classes and / or regions to complement overall footprint• Possibly assumption of special execution tasks (retail coordination, listing services)

Fee levels and fee structures of German IPOs

Empirical data from German IPOs



- Key aspects of syndicate compensation**
- Banks typically have individual minimum thresholds (for fees and deal size)
 - Overall fee volume key determinant for syndicate structure
 - Soft elements play an important role (league table, overall wallet, reputation)
 - Payment and distribution of incentive fees are at the full discretion on issuer / seller but should be linked to achievable and pre-agreed criteria
 - Pressing for the lowest fees does not necessarily pay off

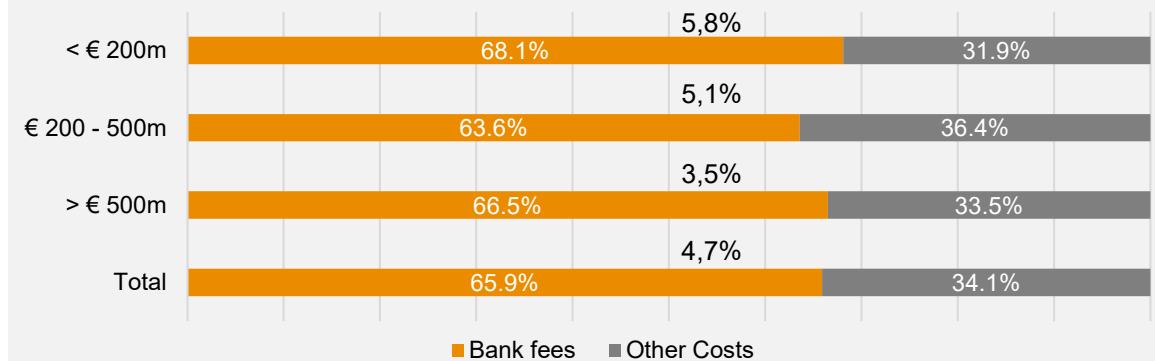
Syndicate fees are the largest part of direct IPO expenses

Empirical data from German IPOs

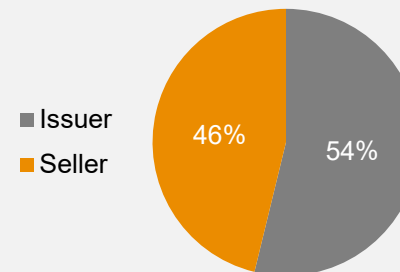
Background to IPO costs

- Overall, bank fees represent 2/3 of the overall cost related to the offering and the listing
- Key elements in 'Other Costs' typically comprise:
 - Issuer's legal counsel
 - Auditor (Comfort Letter; possibly pro forma financials, profit forecasts)
 - IPO advisor
 - IPO insurance (sum insured usually 15-25% of deal size)
 - Public relations, IPO-related communication
 - Reimbursement of syndicate expenses (cap)
 - Roadshow, coaching / training
 - Market studies / research for prospectus
 - Admission fees, BaFin, prospectus printing
- Sharing of prospectus liability and other costs between issuer and sellers in proportion to their respective proceeds has become a market standard (BGH-Ruling on KfW / DTE, May 2011)

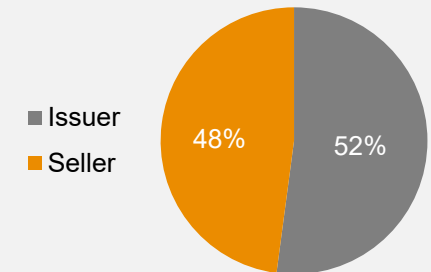
Level and nature of IPO costs¹



Share of total costs¹



Share of proceeds¹

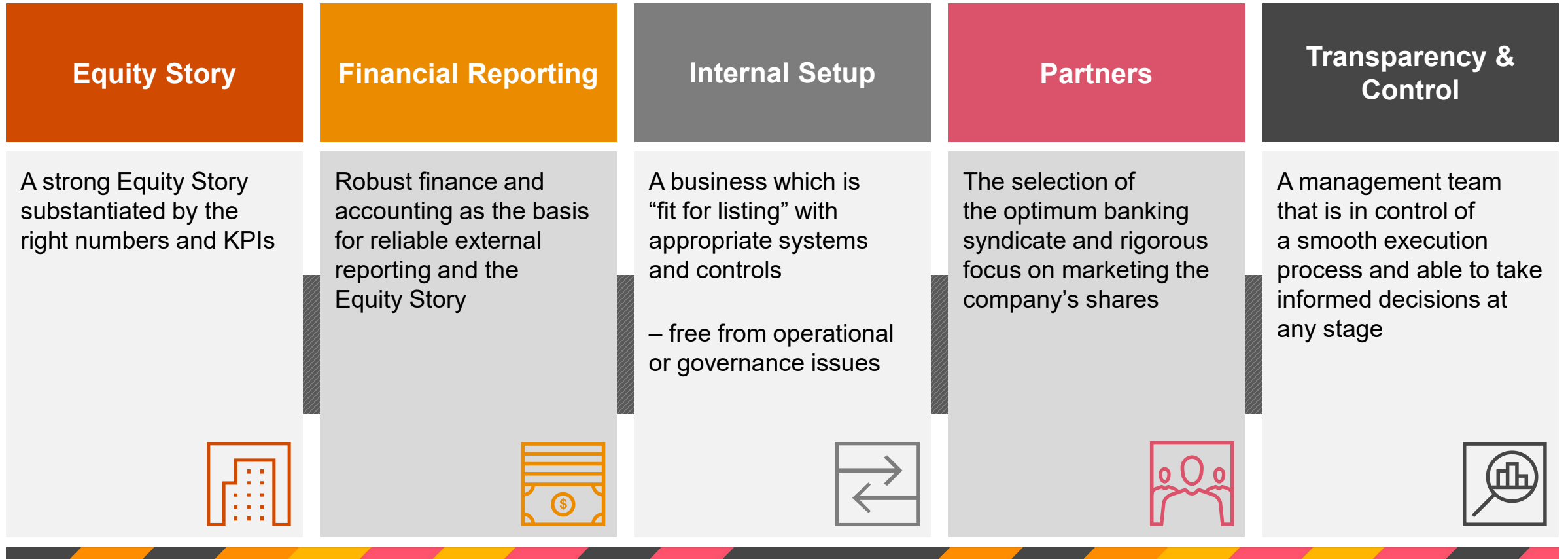




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Path to a successful IPO

What maximizes value in an IPO for issuers and owners?



A potential IPO affects a multitude of areas within a corporation – as does a Readiness Assessment



Increasing complexity through business growth



New legal, regulatory and policy requirements



Extended information expectations of investors and other stakeholders

Financial Reporting

Equity Story

Internal Controls, Risk, Compliance and Internal Audit

Sustainability

Corporate Governance

Human Resources

Tax

Investor Relations

IT Systems and Cyber Security

Execution setup

Readiness for being public

- Robust control over business operations
- Reliable information for communication with all stakeholders
- Legal and regulatory compliance

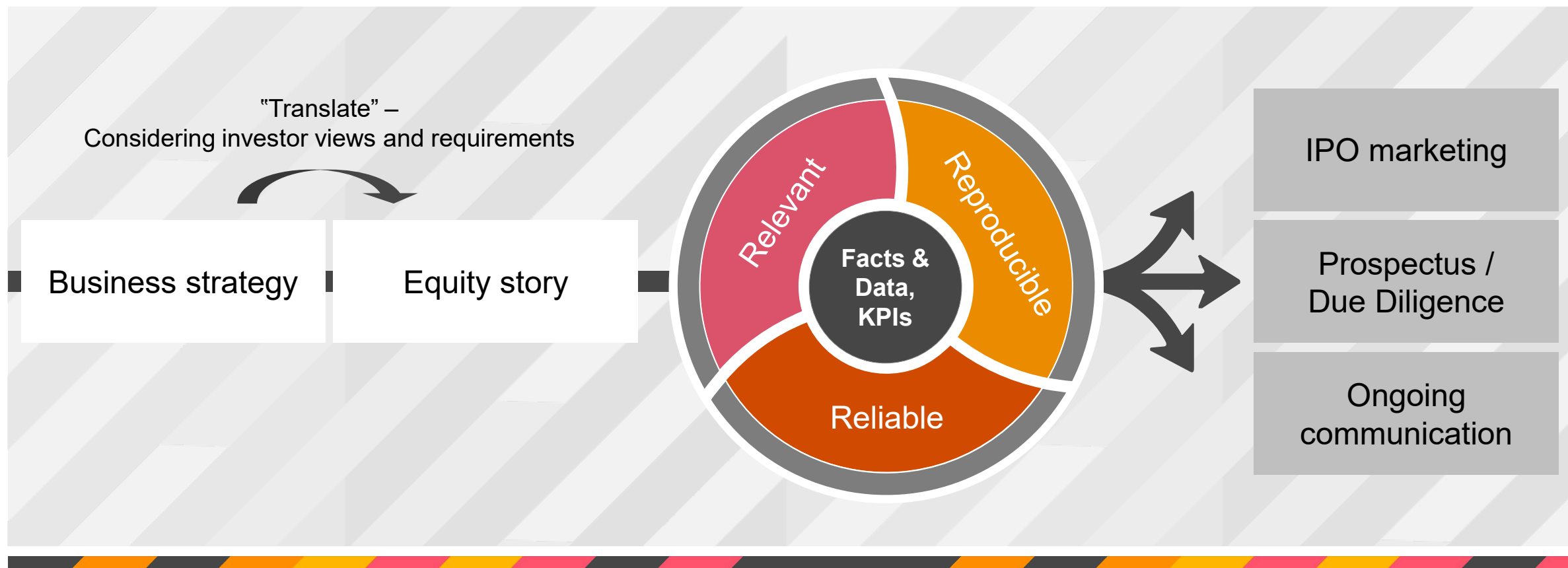


Transaction readiness

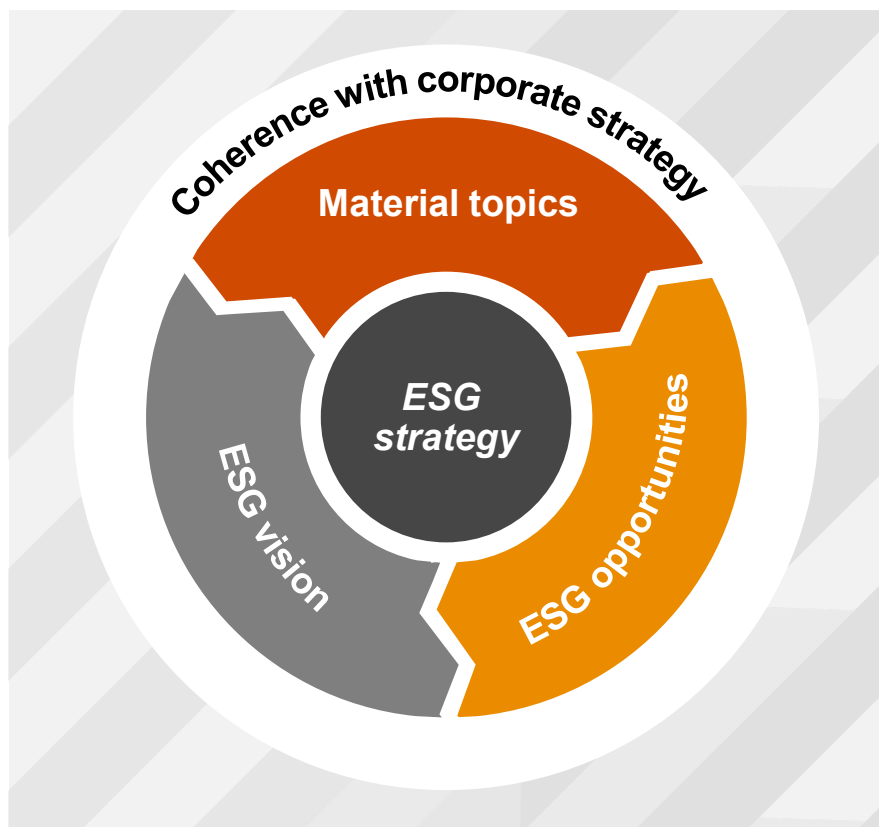
- Understanding the rules and controlling the issues of an IPO
- Avoiding “bad surprises” and distractions during execution
- Satisfying the due diligence requirements with a manageable workload



A convincing equity story must consider investor requirements and be based on reliable, relevant and reproducible data and KPIs



An impactful ESG strategy successfully integrates material topics, ESG opportunities and core believes into a coherent corporate strategy



What are the most relevant ESG topics for the company and biggest ESG risks the industry is facing?

What business opportunities might open up for the company in the ESG ecosystem?

What is the vision with its core believes & principles that guide the company's ESG strategy development?

Difference to corporate strategy: Concrete strategic options within ESG strategies often come with limited alternatives and are therefore not only driven by a companies capabilities but by external requirements and internal believes & principles

Internal and external factors to be considered

Timing



- Operating development and track record (clear path to profitability)
- Evidenced key growth drivers
- Funding requirements
- Availability of financials
- (Market conditions)

Deal size and use of proceeds



- Funding requirements (primary shares)
- Exit strategy of existing shareholders (secondary shares)
- Stock liquidity / index inclusion




Choice of listing venue / market segment



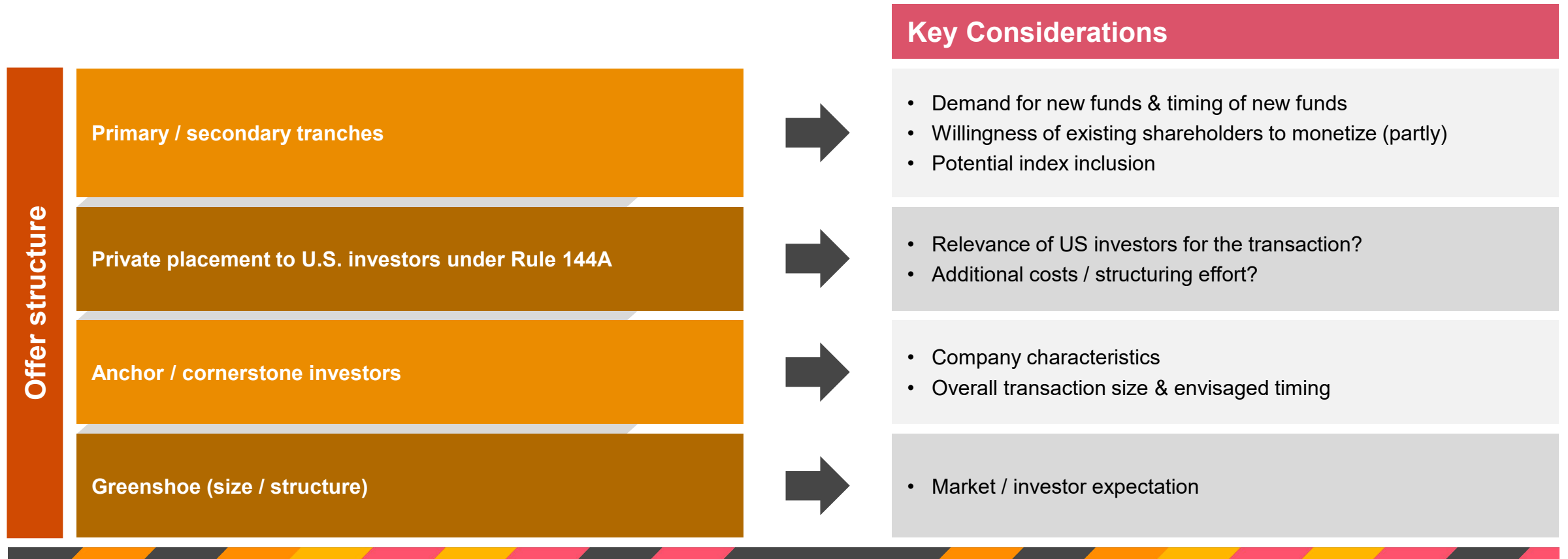
- Investor access / access to capital;
- Valuation / peer availability
- Trading liquidity
- Disclosure / regulatory / corporate governance environment
- “Natural home” (geographic; industry)
- (Costs)

Different listing venues to be considered

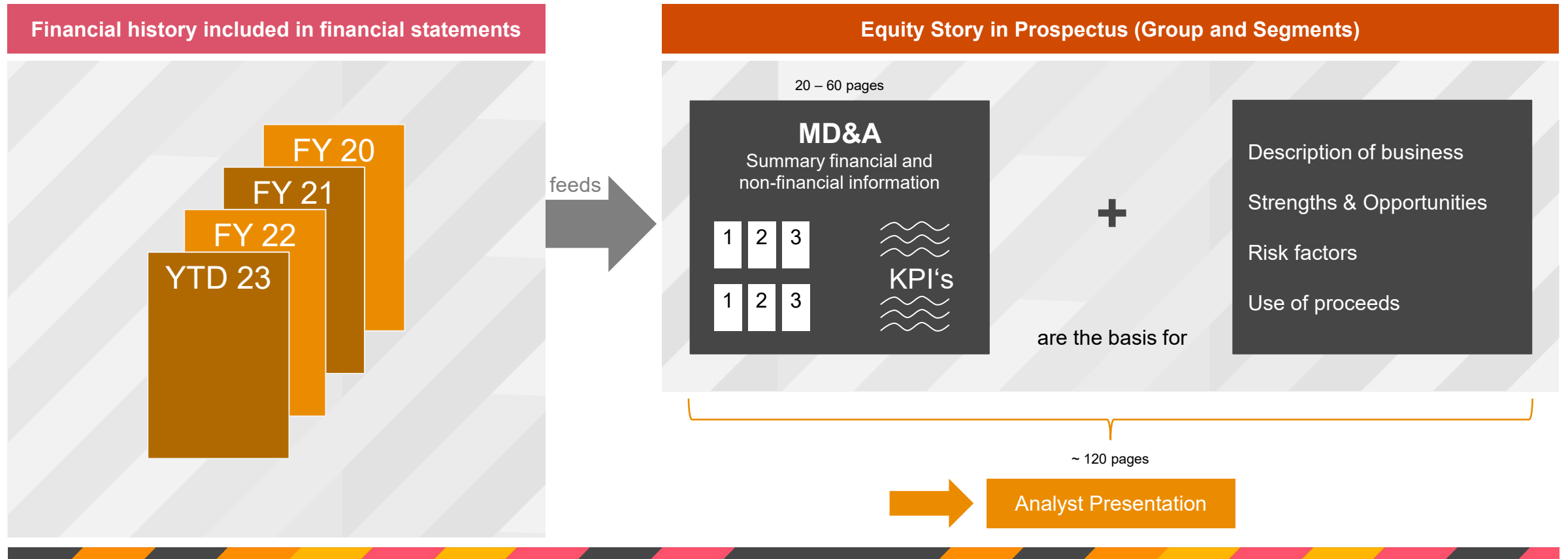
Choice of listing venue

	Frankfurt Stock Exchange 	NYSE / Nasdaq 	Euronext Amsterdam 
Timeline for going public	4-6 months	6-8 months	4-6 months
IPO vehicle	Usually incorporated in Germany (AG, SE or KGaA) or Luxembourg (S.A.)	Listing as Foreign Private Issuer possible	Usually incorporated in Netherlands (N.V. or B.V.) or Luxembourg (S.A.)
Regulator	BaFin, or regulator in country of incorporation	SEC and FINRA	AFM, or regulator in country of incorporation
Financial Statement requirements	3 Years & latest interim financials (IFRS EU) 1 Year HGB standalone of listing vehicle	3 Years & latest interim financials (US GAAP, IFRS IASB only for FPI)	3 Years & latest interim financials (IFRS EU) Add-on: working capital statement
Listing fees	€12,000 + variable fee based on Market Capitalization (up to €77,000) + €2,000	NYSE: \$50,000 + \$0.004 per share (up to total of \$295,000) Nasdaq: \$150,000 to \$295,000	€12,000 + 0.01-0.06% of Market Capitalization (up to total of €2,500,000)

Determining the transaction structure



Equity Story and KPIs in the Prospectus



Financial Statements for an issuer

Typical challenges



Quality and speed of reporting

Public Company Audit Procedures

Segment reporting

Share-based compensation – cheap stock

“Quarterization” of financial statements

Restatements

First-time application of IFRS

Preparing for Success

Characteristics of a good IPO candidate

Key “Must Have” Attributes



- Leading market position with compelling investment thesis
- Attractive financial model
- Appropriate revenue growth and profit visibility
- Attractive product / technology
- Proven management team
- Consistent forecast processes / financial reporting controls
- Board composition (including independent directors) and other governance matters

Key Pitfalls to Avoid



- Mediocre industry position or perceived technology / product risk
- Volatile financial profile
(meaningful dips in revenue / gross margins / operating profit will raise doubts about long-term business model)
- Underdeveloped financial model (unknown margin structure, etc.)
- Intellectual property weaknesses
- Customer concentration
- Ill-timed strategic activity that changes business model
- Revenue recognition issues / messy financials
- Pending material litigation

Critical issues during the IPO process

Issuer / Shareholders



- Board composition
- Law suits / regulatory investigations / compliance issues
- Material discrepancies between investor communication and prospectus
- Major recent or possible future acquisitions, divestments or other changes in company structure
- Major changes in operating performance
- Changes to offer structure
- Diverging views on valuation

Macroeconomics

- MAC events
- Regulatory environment
- General market development



Competitors

- Interlooping competitors
- Poor financial performance
- Competing IPOs



Process

- Availability of financials (including segment reporting and pro-formas)
- Guidance and profit forecasts (including formal requirements)
- Issues around equity story / peer positioning
“Use of Proceeds”
- Issues with prospectus approval authority
- Deficiencies in prospectus disclosure



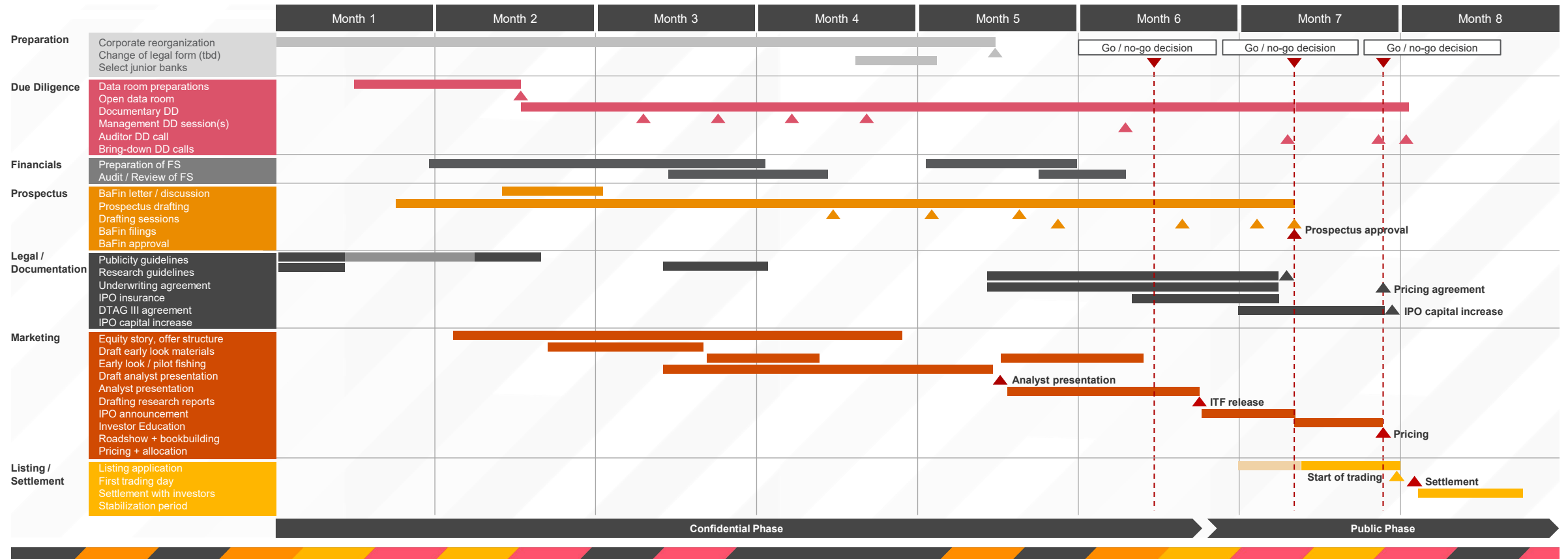
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4

IPO Roadmap

IPO time line

Key activities and workstreams



Thank you.

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