



## Accessing London Capital Markets Forum How to achieve a successful IPO – The benefits of experience

August 2015  
Makati Shangri-La Makati City

# Contents



Introduction

Our capital markets track record in Asia

The IPO Process – An Overview

Illustrative Timetable

What are investors looking for?

Case Studies

How will investors value your business?

How to become investor ready

Potential Taxation Issues

Potential Accounting Issues

Conclusions

Crowe Horwath International

Principal Contacts

# Introduction

- ▶ Moving a privately owned company to a public market will take time, detailed planning is required
- ▶ Accounting compliance requirements are not onerous on admission and continuing obligations are reasonable
- ▶ In accounting terms the key elements for success are:
  - sound and effective financial controls
  - timely and accurate management reporting
  - an experienced CFO
  - IFRS, US or suitable national GAAP compliant audited financial statements
  - realistic and supportable financial projections
- ▶ Taxation planning will be required at an early stage for the company and shareholders
- ▶ In commercial terms, a successful IPO candidate must demonstrate Quality, Good Governance and Value

# Our Team Members' Capital Markets Track Record in Asia Pacific includes...

Reporting Accountant to  
**Galays Plc**

Placing and Admission  
to AIM  
May 2014

Operations in:  
China and South East Asia

**AJM**

Reporting Accountant to  
**JQW Plc**

Placing and admission  
December 2013

Operations in:  
China

**AJM**

Reporting Accountant to  
**SyQic plc**

Placing and admission  
December 2013

Operations in:  
Malaysia, Philippines  
and Indonesia

**AJM**

Reporting Accountant to  
**Aquatic Foods**

Placing and Admission  
March 2015

Operations in:  
China

**AJM**

Reporting Accountant to  
**MayAir Group Plc**

Placing & Admission  
May 2015

Operations in:  
Malaysia and China

**AJM**

Reporting Accountant to  
**Fusionex  
International Plc**

Placing and admission  
December 2012

Operations in:  
Singapore, Malaysia,  
Thailand and the UK

 **London  
Stock Exchange**

**AJM**

Reporting Accountant to  
**Aseana Properties Ltd**

Placing and admission  
April 2007

Operations in:  
Malaysia and Vietnam

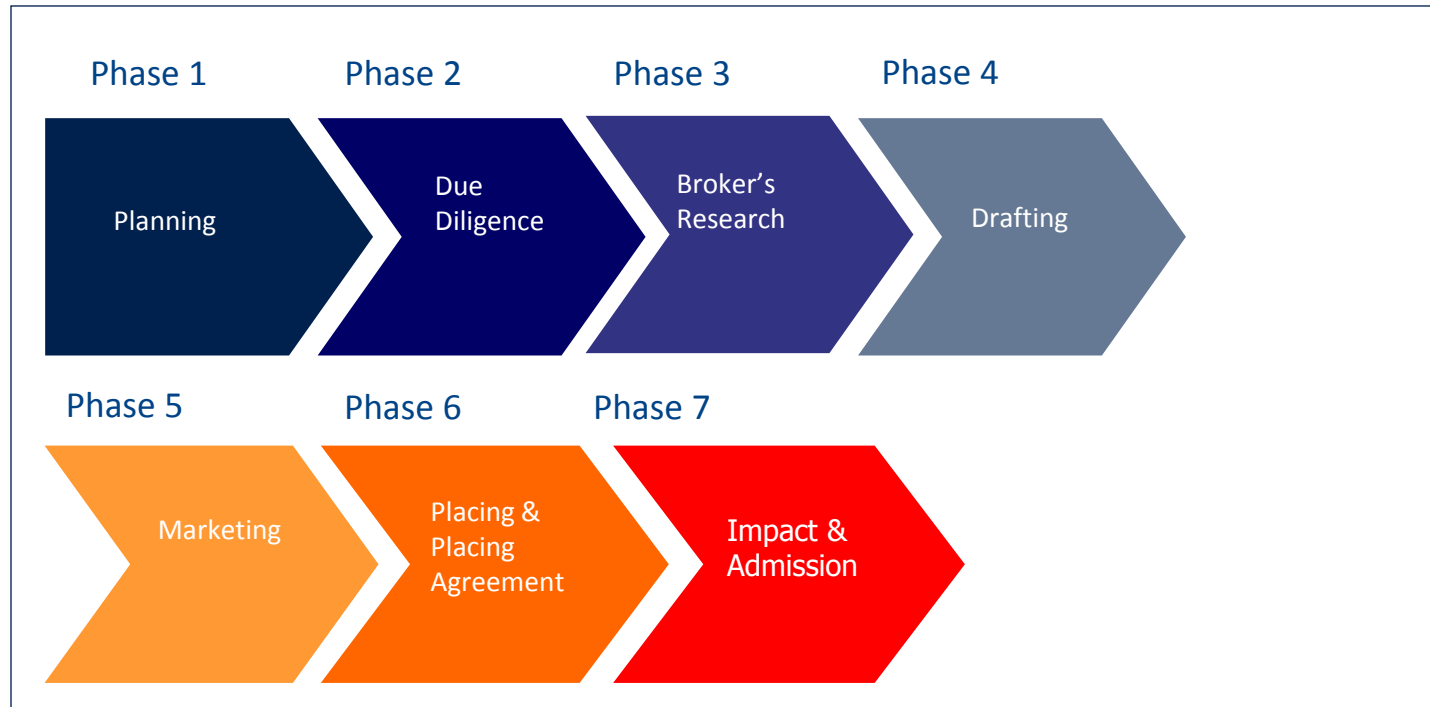
Reporting Accountant to  
**Velosi Ltd**

Placing and admission  
August 2006

Operations in:  
Europe, North America,  
South East Asia and Africa

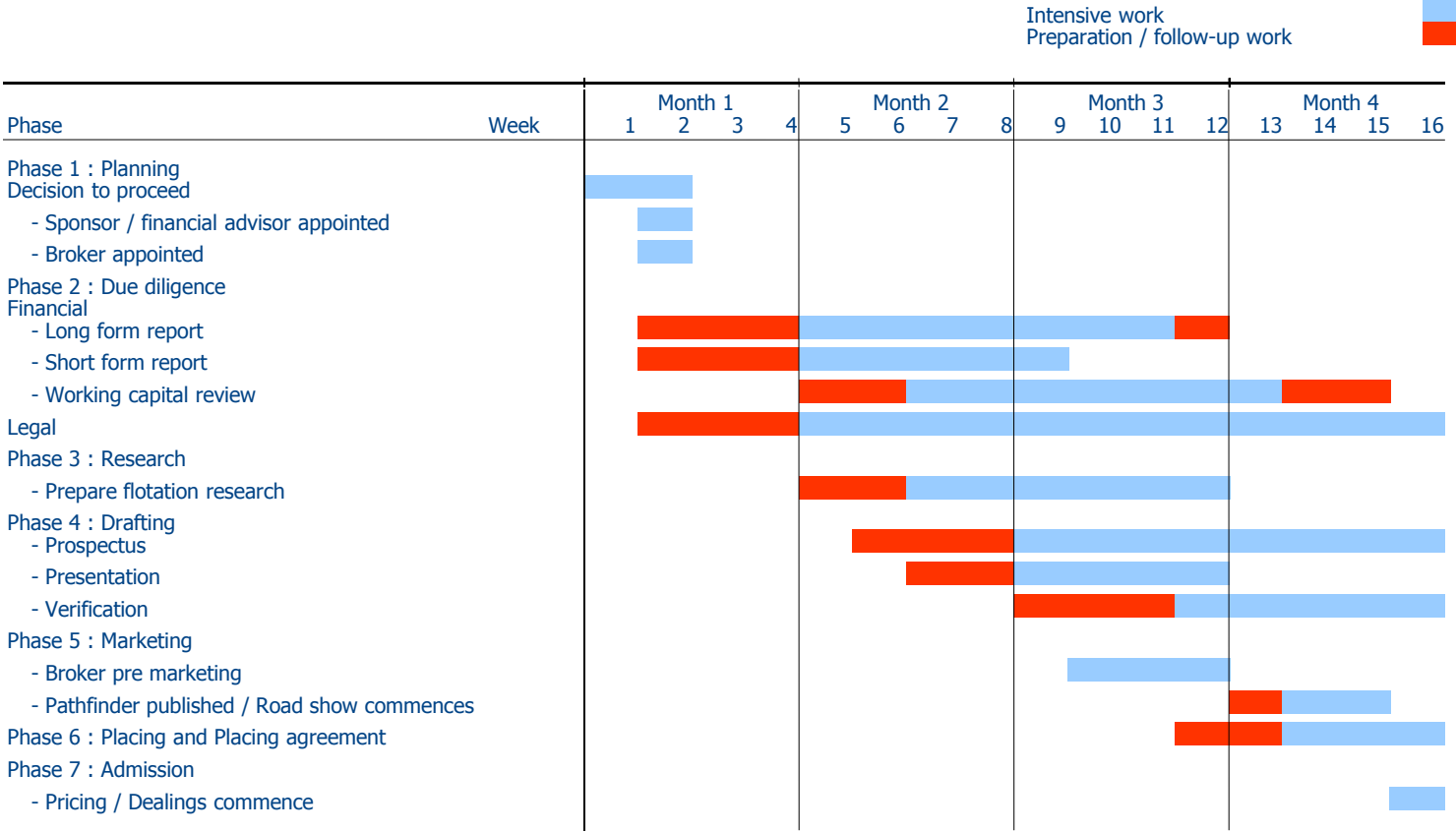
# The IPO Process – An Overview

The AIM IPO process can be broken down into the following phases:



# Illustrative Timetable

Note: The pre-IPO period can take 12 – 24 months



# Planning – What are Investors Looking For?

- A growing business operating in an expanding markets
- International exposure or potential to expand overseas
- Sustainable competitive position
- Visibility of earnings
- **Quality** of earnings
- A committed and experienced management team
- A commitment to strong corporate **governance** procedures
- Sector approach based on macroeconomic factors
- Perceived long term **value**

# Case Studies – MayAir Plc

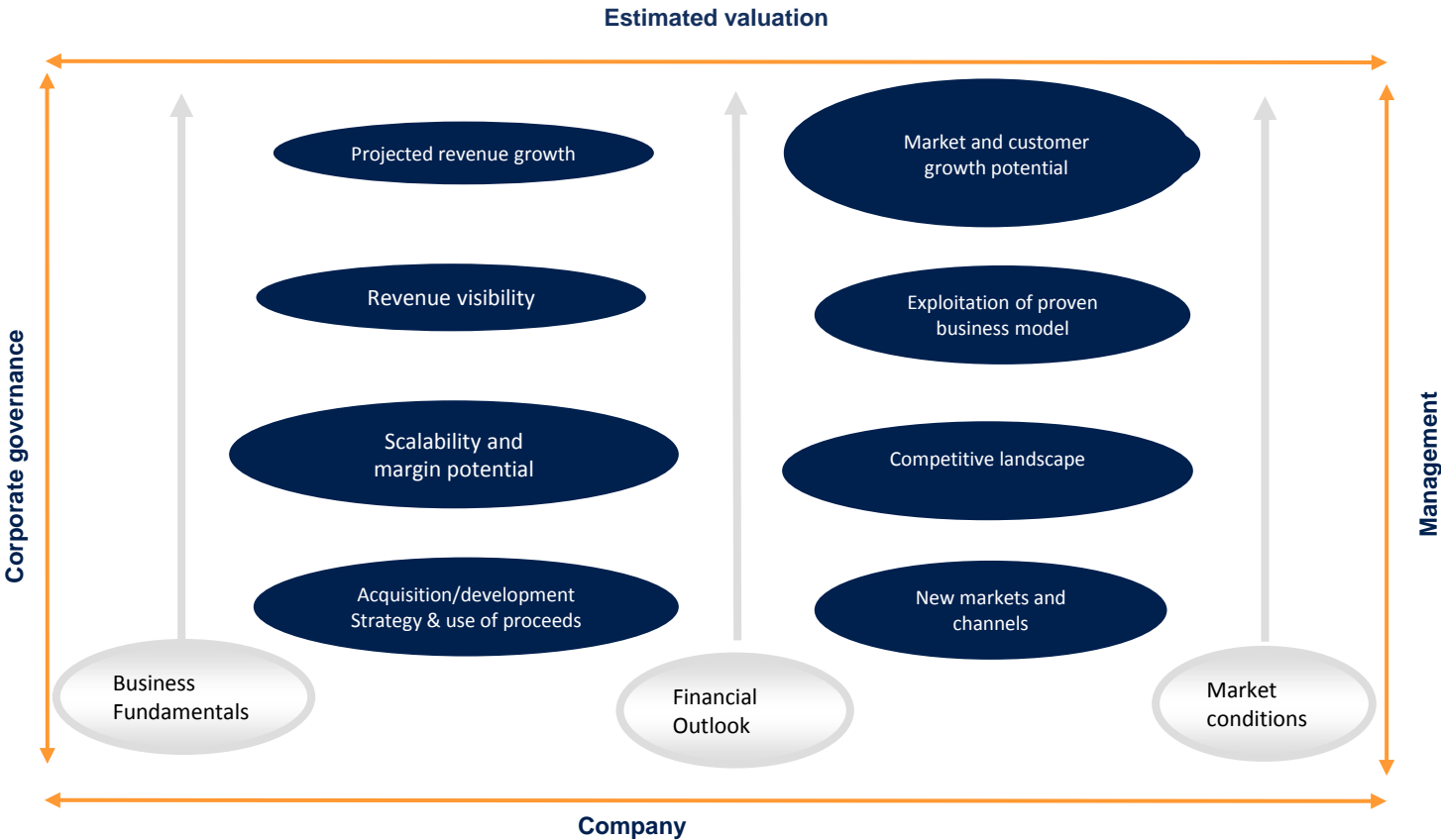
- Sector:** A leading provider of air filtration and advanced clean air technologies and products that create “cleanroom” environments in the industrial, commercial and residential markets
- Market:** Joined AIM via a Placing in May 2015
- Funds Raised:** £16.2m on admission with a market capitalisation of £55m
- Reasons for IPO:** To enhance profile with existing and new customers, to support the brand in Asia and globally, to finance expansion into the commercial and residential property sectors, to finance R&D and expand production capacity
- Lessons:**
- ♦ An exceptionally strong and experienced management team with a proven and successful strategy;
  - ♦ Took the time required to become investor ready and to consider alternative markets and financing routes; and
  - ♦ Committed resources to the IPO process to allow the operational growth to continue



# Case Studies – Galasys Plc

- Sector:** Solutions and services provider that supplies ticketing management systems to Amusement Parks in China and South East Asia
- Market:** Joined AIM via a Placing in May 2014
- Funds Raised:** £3.1m on the IPO – with a market capitalisation of £15m. A subsequent placing in April 2015
- Reasons for IPO:** To finance expansion in China and South East Asia and Europe, including potential acquisitions, R&D and marketing
- Lessons:**
- ♦ A 2 year pre-IPO planning process, waiting for the market and the underlying business to develop, attract and retain talent and raise profile
  - ♦ The role of pre-IPO funding allowed growth to continue
  - ♦ Appointing experienced advisors and NEDs
  - ♦ A fair valuation with a positive after-market that has increased the market capitalisation
  - ♦ Investors buying into the Asia growth story with expansion into Europe

# How Will Investors Value A Business?



# How To Become Investor Ready

## Improve the “quality” of your profits by:

- ▶ A strong and complete management team with clear succession planning
- ▶ A scalable business model, growing organically or by acquisition
- ▶ A move to higher value and higher margin products
- ▶ Build barriers to entry based on technical excellence, market knowledge or scale
- ▶ Robust and reliable accounting and management information system
- ▶ Enhance corporate governance and appoint non-executive directors
- ▶ Capital restructuring or reorganisation, consider share incentives, regulatory approvals
- ▶ Defendable rights over intellectual property
- ▶ Dispose of non-core activities and assets
- ▶ Identify strategic acquisitions and mergers
- ▶ Adopt International Financial Reporting Standards or local equivalent
- ▶ International Audit Standards Compliance
- ▶ Tax review of compliance and planning issues, national and international
- ▶ Reduce dependence on particular customers, products or staff
- ▶ Review terms of trade and strengthen credit management
- ▶ Appoint experienced advisers

# Potential Taxation issues

- Historic compliance record – corporate, income, employment, VAT, stamp taxes
- Impact of any prior year adjustments
- Planning issues for company and shareholders, taxation and cross border implications
- Capital restructuring and approvals may be required
- Impact of withholding taxes on interest and dividends, double taxation agreements
- Transfer pricing issues across borders
- The importance of the location for central management and control
- Intra-group funding and “thin capitalisation”
- Expatriate tax issues for group employees
- Potential use of UK VCT and EIS schemes to widen the potential investor base

# Potential Accounting issues

## These may include:

- Recognition and completeness of income
- Credit management and Terms of Trade, e.g. timing of debtor collections, creditor payments and stockholding periods
- Accounting of group reconstructions
- Share based payments – effect on report profits
- Treatment of research and development
- Transactions with related parties
- Enhancing the accounting team
- Developing acceptable systems and controls
- Visibility of forecasting

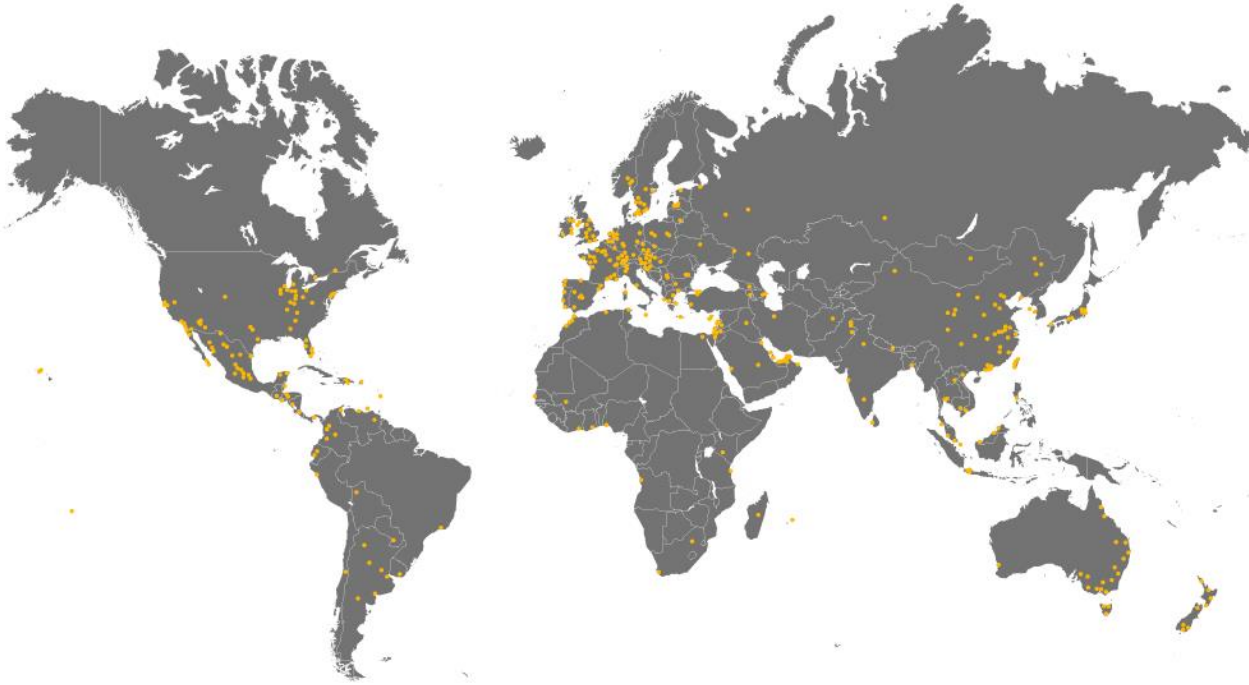
# Conclusions

- Demonstrate **Quality, Good Governance** and **Value**
- Moving a privately owned company to a public market will take time, detailed planning is required
- Increasing the “Quality” of profits will increase the value of your business
- The value of the business on IPO is less important than the value 12 months later, do not over value
- Admission to a market is the start of a process, not the end
- Liquidity and valuations must be developed – “Invest time and effort in the market and the market will invest in you”

# Crowe Horwath International

- Global professional services alliance with more than **170** independent member firms
- Services provided include: audit and assurance, taxation, accountancy, corporate finance, consultancy, financial planning
- Our corporate finance services include pre-IPO planning, reporting accountant services, due diligence, M&A , company disposals, raising finance and MBO's
- Based on integrated and high quality service delivery and common core values
- Operating in over 100 different countries, annual revenues **US\$2.8 billion** and approximately **29,000** professional staff
- Over **8,500** staff in Asia Pacific
- In the UK a leading accountancy firm established in 1843, strong international and public company experience

# Crowe Horwath International: Global Profile



| Crowe Horwath International Statistics* |               |
|---|---------------|
| Member Firms & Business Associates      | 191           |
| Countries                               | 118           |
| Offices                                 | 684           |
| Partners                                | 3,352         |
| Partners & Staff                        | 29,414        |
| Revenue                                 | US\$ 3,168.2M |



# Principal Contacts – Capital Markets (UK and Asia Pacific)

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