



# IPO Considerations

Discussion Document

Beltoné Financial  
June 2010



## The two sides of an IPO

### Initial Public Offering

#### Pros

- Public versus private company valuation
- Endows the company with acquisition currency
- Establishes ability to access debt capital markets
- Enhances company institutionalization processes
- Enforces corporate governance processes
- Liquidity for existing minorities
- Aligns the management's objectives with the companies long term considerations
- Branding
- Enhances flexibility for succession

#### Cons

- Regulatory disclosure requirements / Explanation
- Potential hostile takeovers
- Incremental costs :
  - Compliance departments
  - Investor Relations department

#### Consummation and Marriage "Aldokhlah"

### Initial Public Offering

Globally, IPOs tend to be offered at an estimated 10% to 15% discount to leading market multiples

- Ensures successful placement of the proposed offering
- Gives the market positive initial indications about management and its intent to always make money for itself and its partners



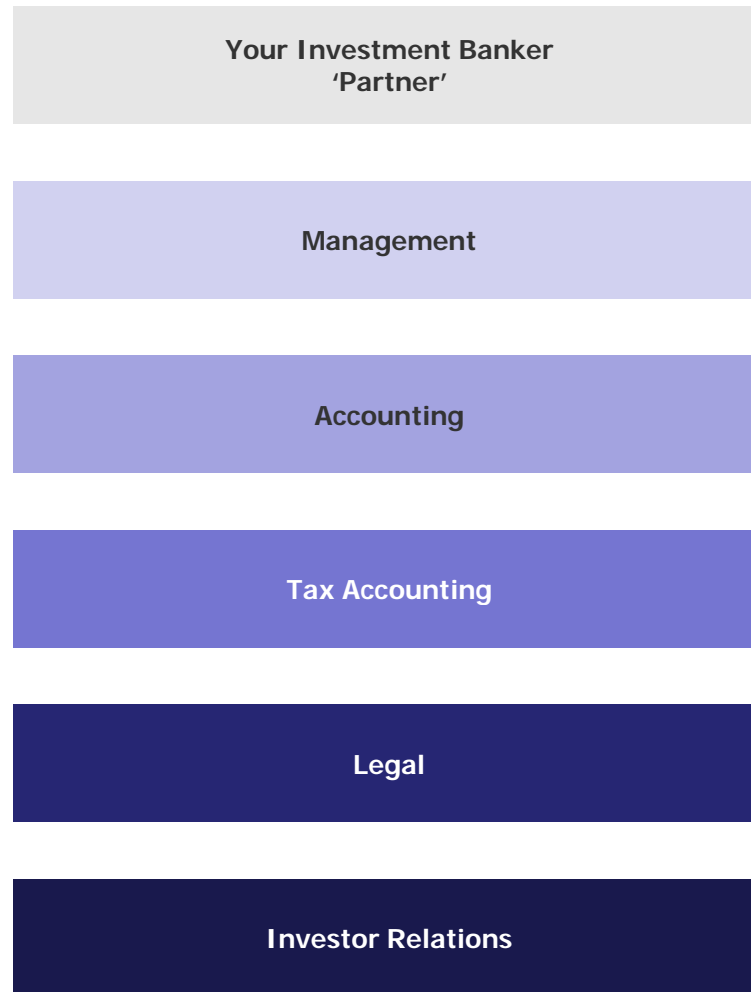
## Readiness

Criteria	Description
Size	<ul style="list-style-type: none"><li>▶ Revenue Level</li><li>▶ Profitability Level</li></ul>
The 'Story'	<ul style="list-style-type: none"><li>▶ Articulate a vision and strategy that draws from a sustainable competitive edge</li></ul>
Management	<ul style="list-style-type: none"><li>▶ A management team that reflects depth and breadth of relevant commitment and experience</li></ul>
Accounting and Compliance	<ul style="list-style-type: none"><li>▶ Internal audit compliance</li><li>▶ Accounting and internal control systems</li></ul>
Corporate Governance	<ul style="list-style-type: none"><li>▶ Willingness to separate ownership and management via a strong board. (Independent versus Ownership)</li></ul>
Regulatory Requirements	<ul style="list-style-type: none"><li>▶ Historical financial statements</li><li>▶ Financial thresholds</li></ul>
Management & Employee Incentive Scheme	<ul style="list-style-type: none"><li>▶ Schemes to align shareholders' interests with those of management and employees (these include share ownership and stock option schemes)</li><li>▶ Implementation of ongoing management incentive programs</li></ul>



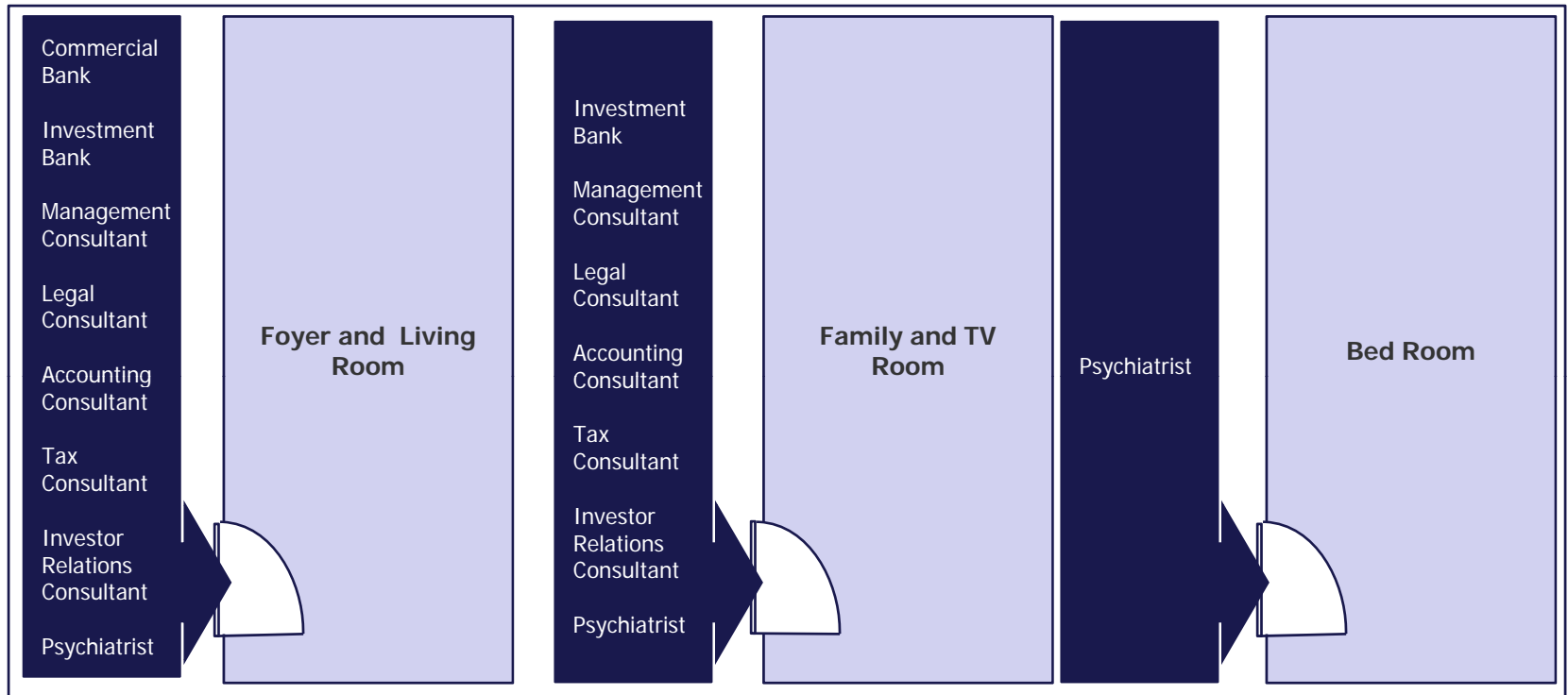
## Consultants and Advisors

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# Advisors and 'My House'





## How to select an Investment Bank ? | 'The Beauty Contest'

### Investment Bank Evaluation Criteria

1	Reputation	<ul style="list-style-type: none"><li>• Market reputation in terms of :<ul style="list-style-type: none"><li>• History of successful deal execution</li><li>• IB team caliber</li><li>• Client and Investment Bank relationship</li></ul></li></ul>
2	Distribution and Capacity	<ul style="list-style-type: none"><li>• Geographically diversified</li><li>• Deep</li></ul>
3	Experience	<ul style="list-style-type: none"><li>• The company should inquire about the IB with its known presence and historical clients</li><li>• Has the investment bank managed initial public offerings of similar companies?</li><li>• How have these IPOs performed?</li></ul>
4	Book Building	<ul style="list-style-type: none"><li>• Manage 'road show' and 'book building' process</li><li>• Allocation</li><li>• Create 'tension'</li></ul>
5	IB's Size	<ul style="list-style-type: none"><li>• Matching the deal size with the investment bank size</li></ul>
6	Market Share	<ul style="list-style-type: none"><li>• A local and regional presence for future M&amp;A or capital market transactions</li></ul>
7	Research	<ul style="list-style-type: none"><li>• Strong Research Department</li><li>• Respected sectoral analysts</li></ul>