

Private equity gaining confidence in public markets

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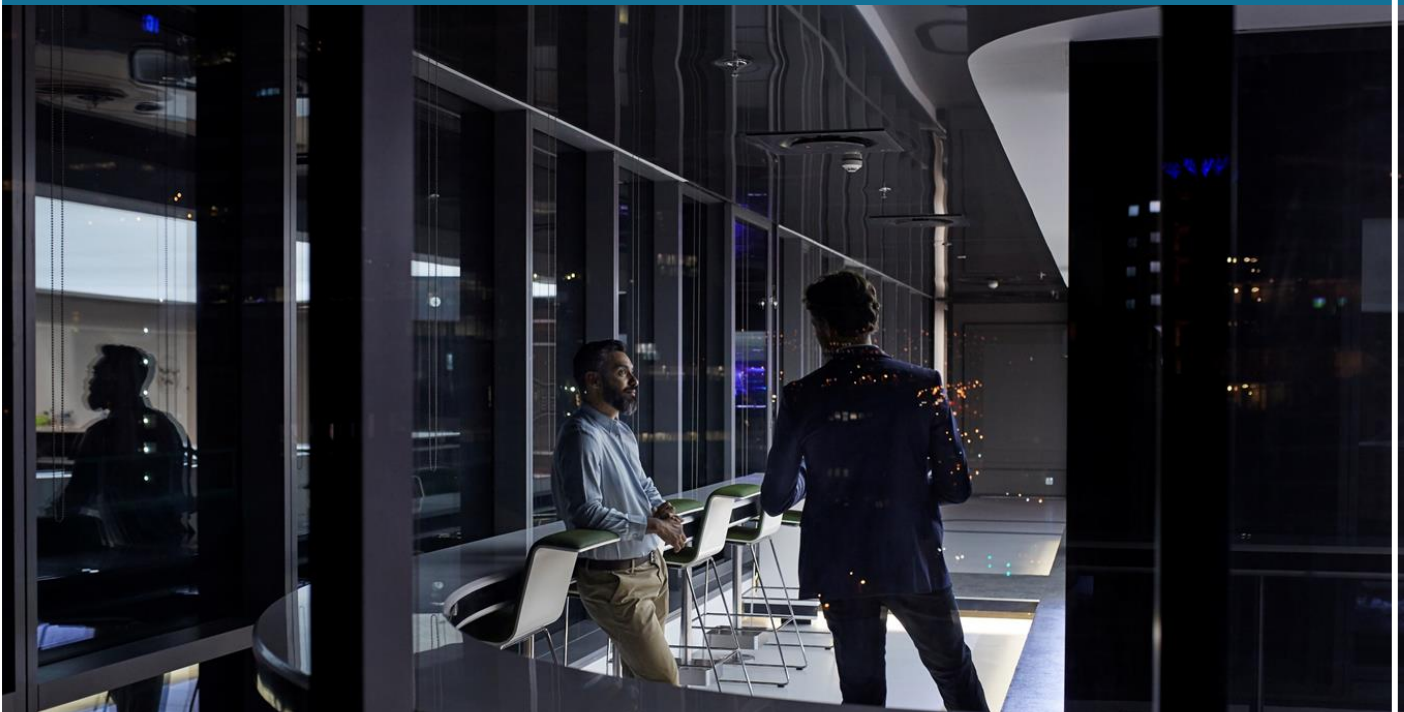
Private sale or public offering: How finnCap helps firms find their best exit strategy

By Leigh Webb, Head of Private Equity Sponsor Coverage

Private equity firms increasingly recognise the viability of IPOs as an exit strategy. Previously dissuaded by the rigorous reporting structures associated with floating, many fund managers have recently found the opportunities available on public markets sufficiently attractive to offset these misgivings.

Leading the post-pandemic resurgence of IPOs, London listings have enjoyed their best beginning to a new calendar year since the global financial crisis. The capital accounted for nine of the 22 listings announced in Europe in January, providing three of the region's five largest offerings in that period.¹

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“With attractive valuations and a booming IPO market, exiting portfolio companies via IPO has become increasingly attractive for many private equity firms across the mid-market. However many PE firms are, understandably, still wary of pinning their exit on an IPO alone and are keen to maintain optionality with the more familiar trade sale and secondary buyout processes alongside the IPO process. The key to making a Dual Track process work is an adviser who can seamlessly merge the two processes through one sector specialist team.”

Karri Vuori, Partner

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Where before Brexit had cast a shadow over its IPO market, London has bounced back strongly following December's deal with the EU and British stocks' robust start to 2021. This was followed by high-profile offerings from Dr Martens plc and Moonpig Group plc, both of which lengthened the now 60+ strong list of London-based unicorns. ²

Elsewhere in Europe, Auto1 Group enjoyed a \$2.2bn IPO in Frankfurt³, while Hydrogen-Refueling-Solutions closed its listing on Euronext Growth Paris earlier than expected after seeing its public offering oversubscribed by just under five times. ⁴

Globally, this flourishing IPO ecosystem is proving to be a happy habitat for private equity exits. Indeed, data from Prime database indicates that more than half of the money raised via IPOs in 2020 was meant for private equity or venture capital exits. This represents a five-year high and a dramatic increase on the previous three years, in which exits from private equity players accounted for an average share of only 26.7%. In fact, the amount raised from IPOs providing PE/VC exits in 2020 was greater than the total raised via all initial public offerings in 2019. ⁵

Dual track avoids one-size-fits-all approach

Options can be an invaluable commodity for business leaders considering a sale, but opportunities can be easily missed without an objective understanding of the different paths open to a business. An increased availability of the integrated analysis designed to yield this understanding is another reason behind the growing interest in private equity exits via IPOs.

A dual track process allows a private equity firm to consider in tandem two different exit strategies from a portfolio company: an IPO and an M&A exit. Moreover, with a single adviser responsible for analysing both opportunities, there is room for flexibility throughout the process as the seller gains a greater understanding of how the options available in the current market climate compare with their initial expectations.



¹ <https://www.bloomberg.com/news/articles/2021-02-01/london-ipos-drive-europe-s-listings-boom-with-new-crop-of-deals>

² <https://www.standard.co.uk/business/tech-nation-report-2021-london-ipo-b924349.html>

³ <https://www.bloomberg.com/news/articles/2021-02-04/softbank-backed-auto1-soars-in-debut-after-2-2-billion-ipo>

⁴ <https://www.euronext.com/en/about/media/euronext-press-releases/hydrogen-refueling-solutions-hrs-lists-uronext-growth-paris>

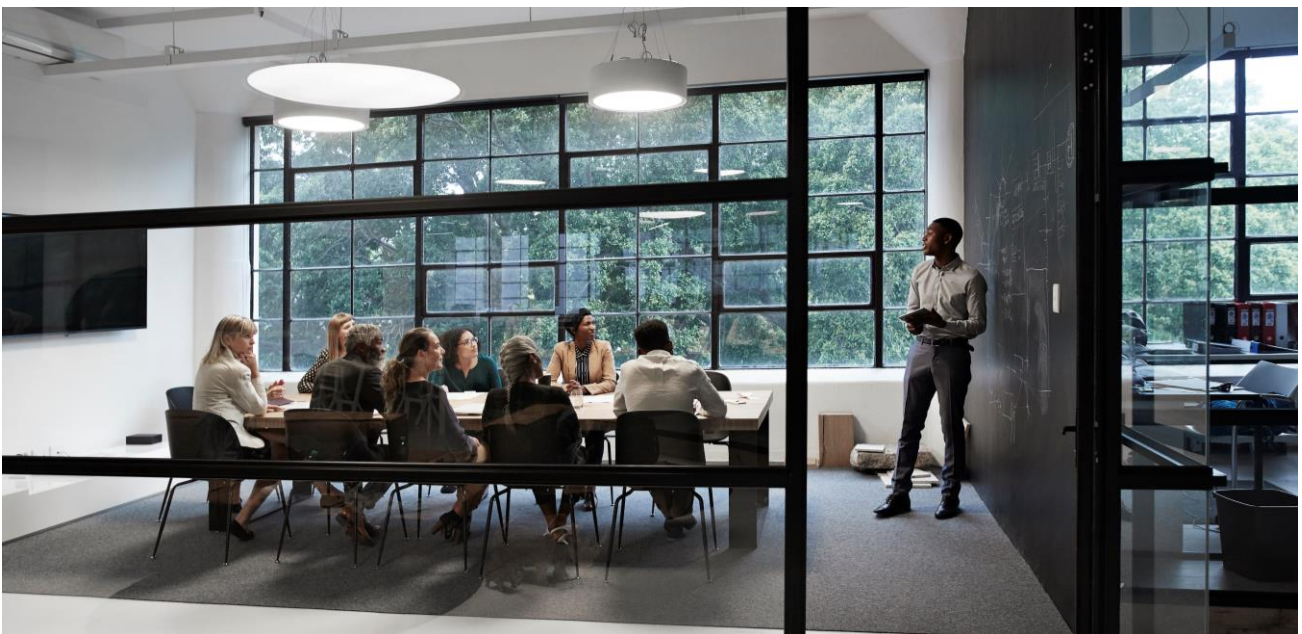
⁵ <https://www.hindustantimes.com/business-news/ipos-in-2020-dominated-by-pe-exits/story-bHxdPhlcmWriQCQbzHOn0H.html>

It is vital that the adviser managing the dual track process tailors their analysis to the specific needs of the company in question, whether those would be best served by undertaking an IPO or not. And with many private equity firms eschewing the public option simply due to lack of expertise in that area, an advisor with the knowhow of both sides can be the difference between an exit realising its full potential and falling short.

Advisers who understand both sides

These aspects of a successful exit strategy are specialisms of ours at Cavendish. Combining award-winning public market expertise with extensive experience on the sell side, we consolidate the costs and time spent on analysing clients' IPO and sale options, marketing their businesses as broadly as possible and ensuring they have everything they need to make the decision which is right for them.

Very few other firms possess the same wealth of combined experience which enables us to act cohesively where hiring respective public market and sell-side experts would only result in friction between the two. Rather than getting stuck in the middle of an unnecessary tug-of-war, our clients can remain confident that our integrated service supports them to make the best-informed decision about the future of their business. Do get in touch if you'd like to discuss things with us more.



“From recent conversations that I have been having with the mid-market private equity community many are far more open to considering a floatation on exit for one or more of their portfolio assets. This puts the finnCap Group in an enviable position as we can run a dual or even triple track process in a seamless fashion all under one roof which sets us apart from most at our target deal size range. For certain sectors this is a no brainer and we have seen a couple of ecommerce related floatation’s in recent months that have provided phenomenal returns for the likes of Mobeus, Connection Capital and Causeway Capital and I am sure we shall see more in 2021!”

Leigh Webb, Head of Private Equity Sponsorship Coverage at finnCap Cavendish

“Providing an integrated dual track offering allows us to support clients who are thinking of exploring both an IPO or traditional sales process. Rather than hiring two separate banks which then vie for control, we are able to run both processes in tandem, decide on the best course of action for our client and then execute the transaction accordingly”

John Farrugia, Managing Partner, Cavendish



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We provide quality broking and fundraising capabilities alongside excellence in M&A advisory with a global reach. We have sold over 600 companies to date and are recognised as the largest Adviser on the LSE and No.1 broker on AIM.

finnCap Group always put clients first delivering your business ambition, whether that is to raise growth capital, IPO, refinance, raise debt for your business, execute an acquisition or sell your business.

Our specialist sector knowledge and entrepreneurial approach helps companies to achieve their ambition.



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