

Preparing for an IPO?

Don't forget to assemble the new Head Office team

“ We were preparing to float but no one gave any great thought to what came thereafter.

General Counsel, recently floated company

“ Any one appointment is at the most going to be 3% of the problem - it is not easy to find the time to do a really thorough recruitment job.

Managing Director, Private Equity

In the frenzy of preparing to IPO, it is very easy to lose sight of the fact that you are also preparing the company for the significantly increased external scrutiny that comes with being a plc.

As well as doing the deal, you also “have to make sure you focus on D-Day plus one” is how one senior executive expresses the view, echoed by others, that the day after the float is just as important as the float itself. This is the day when the advisers have moved onto their next deal, whilst those left inside the company are having to operate in a very different world.

Recruitment will be a key theme of the float. With the appointment of a Chairman, a set of Non-Executive Directors and the evaluation of the credibility to investors of the CEO and CFO, there may be as many as 20 senior level people decisions to be made.

It is the lower profile Head Office roles of the Company Secretary, the Head of Investor Relations, Head of Reward, Head of Internal Audit, and the Head Office Finance team – Heads of Treasury, Tax and Group Finance – which are so critical to the successful transition of the company to a plc. These are the focus of this paper.

Five key tips for a smoother IPO and a better Head Office team

1 Whilst there is “no one size that fits all”, almost certainly additional Company Secretarial resource and some form of Project Manager with a finance background, will be required. These need to be priority appointments.

2 The CFO, General Counsel, and the HR Director need to evaluate their teams as early as possible and assess plc skills gaps and how to address these.

4 DON'T let cost be an excuse for inaction – the advisers' fees will dwarf the cost of any short-term support.

3 The CFO, General Counsel and the HR Director then need to work together to establish a time frame for change – not all of it can be done in one go but between the three of them they need to get a good headstart on the shape, calibre and dynamic of the Head Office.

5 DON'T underestimate how intense this period will be – there will be few people inside who have done a float before and, whilst not really a time for learning on the job, that is just the way it is!

Internal, interim or external?

A number of these appointments will be new disciplines for the company, whilst in others the incumbent may need to be assessed as to whether they can make the plc grade

Either way there are three options – internal, interim or external. To better understand the options, we interviewed executives at five recently floated companies – WorldPay, Merlin Entertainments, Royal Mail, Ibstock and Countryside Properties (“cohort”) – to understand how they had navigated these appointments.

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“ It was a case of tick the box for us with Internal Audit but we have made a much bigger transition postfloat.

CFO, recently floated company

“ Post-float there will be plenty of transition anyway as many executives decide to call it a day or return to a private equity landscape.

HR Director, recently floated company

COMPANY SECRETARY

Any deficiencies in this area, either pre or post-float, quickly become exposed, so this should be a priority appointment. Each of our five companies came into the process with a General Counsel who took line or direct responsibility for the company secretarial role. Even if the General Counsel has recent experience of being a Company Secretary, some kind of company secretarial support will be required for the float and thereafter.

HEAD OF INVESTOR RELATIONS

For smaller companies, the CFO might take this responsibility; for larger ones, there is a tendency to bring this specialist skill into the organisation from outside. However, one of our cohort appointed an individual internally who had to learn the art of IR, but established credibility with investors on account of their corporate knowledge.

HEAD OF INTERNAL AUDIT

The tendency amongst our cohort was not to worry about this function too much pre-float. Four kept it as it was, whilst one of our cohort decided to outsource to the Big Four. The Chair of the Audit Committee is likely to be fairly demanding on this function post-float, so understanding the capability and robustness of your current set-up is very important.

HEAD OF REWARD

The consensus among our cohort was to rely on external advisors for the specialist advice. In a tight market for talent, pre-float this makes sense. Interims are also a possibility, whilst one of our cohort moved someone from the finance function into the role. However, post-float executive reward can be troublesome and the HR Director can spare themselves a few headaches with the Chair of the Remuneration Committee by getting the right internal support.

The Finance Function

The Project Manager – the CFO will be frantic either way. However, rather than get completely absorbed by the transaction, and to give them some chance of being able to contribute to the day-to-day running of their company, an interim support in the form of the IPO Project Manager is critical. There are a handful of these specialists in the market.

Head of Treasury, Tax and Group Finance – whilst less fundamental to a float, each of our cohort mentioned that they evaluated one of these functions either pre-float or shortly thereafter, and concluded that a change needed to be made. The demands of the more rigorous plc landscape, or just that moment when a company has outgrown a loyal lieutenant, were the drivers for these changes.

When to appoint?

Pre-float brings challenges – the best candidates, whilst attracted to all the excitement and possibilities that surround the company, will be aware of the risk that the company does not end up floating. This naturally drives towards the appointment of interims, but companies should not miss the opportunity to evaluate the high-quality and permanent talent that may be available.

The potential number of team changes is also a material factor – hiring too many people in one go, particularly in the middle of an IPO process, is likely to result in more, not less, disruption Post-float the landscape is clearer but the plc spotlight is already on you. Sub-standard functions get exposed and functional leaders – the CFO, General Counsel and HR Director – get pulled into detail, and sometimes clear-ups, which diverts their attention from actually executing the strategy and delivering for shareholders.