



# How to IPO:

## A list for when you're thinking of Listing

The first half of 2021 has been the most buoyant period for UK IPOs in several years. This is more than a pandemic bump. Though the uncertainty of early 2020 caused delays, the exit market more broadly remained not just open but vigorous throughout the flux and the meteoric rise of the SPAC attracted attention.

While Private Equity's appetite for take-privates is undoubtedly creating headlines, London Stock Exchange saw a 467% year-on-year increase in the number of IPOs in H1 2021.

# 1. The IPO as fairy godmother

Virgin Wines and Parsley Box had completely different reasons to go to the ball. Virgin Wines considered a wide range of other options, as it attempted to reconcile the differing needs of three different shareholder groups, while Parsley Box was focused on IPO as an aim from much earlier in its story.

An IPO instantly bestows a greater profile, introduces a broader shareholder base and means a business can go back to the markets to fund future growth opportunities, such as acquisitions or international expansion, as it continues to scale. Those were key priorities for Parsley Box and an IPO was in the plan almost from day one. For this customer-focused team, it also made sense to enable its loyal customer base to participate in its growth.

However, they could not float unless enough existing shares were sold and no one wanted to fully exit this fast-growth, high potential business at such an exciting inflexion point. To allow the IPO to happen, Mobeus agreed to sell down a third of our shares covering

the cost of our original investment but importantly retained a significant stake to benefit from future growth.

Our objective with Virgin Wines was also to stay invested; we'd worked with this remarkable management team delivering impressive growth for seven years, so we liked the idea of an IPO from the beginning as a means of continuing our relationship.

Over a pivotal – but rare! – lunch meeting between lockdowns during the summer of 2020, Virgin Wines CEO Jay Wright made it clear that he was still utterly passionate about the business and highly motivated to stay with it. The idea of an IPO came to the fore, as it would enable the management team to realise some value but remain central to Virgin Wines' journey. A trade sale couldn't guarantee this, while partnering with another set of investors also represented some risk. For our co-investors, Connection Capital, an IPO meant they could exit delivering a return for their clients after seven years, which as an EIS fund, they had to do.



“ The IPO is a significant milestone for the business, and I see it as firing the starting gun on our next phase of growth. The strong demand for our IPO from both blue-chip institutions and our own customers was a real endorsement of our business and the market opportunities that lie ahead of us. I'm pleased to welcome our new shareholders on board. It's been great to work with Mobeus over the last three years and we appreciate its ongoing support.

Kevin Dorren, Parsley Box CEO



# 2. Find out what life is like as a public company CEO



“ While a public company is undoubtedly scrutinised in a formal and specific way and is subject to different reporting and regulation, there's a perception that this goes far beyond what privately-owned businesses are used to. The reality is that working with an institutional investor helps bridge any perceived gap, professionalising processes and operations. You only need to speak to Jay for two minutes to understand that he is driven by making his customers' lives more interesting because life's too short for boring wine; he wanted to make sure his primary focus remained in the business, creating a legacy for Virgin Wines, its management team and its customers.

Ed Wass, Mobeus Portfolio Director



Going public doesn't have to mean a major change in focus for the CEO. Some leaders may aspire more than others to the idea of the City. But any committed business leader also wants to be in the business as much as possible.

When Virgin Wines was considering whether IPO was the right route, Jay wanted some reassurance about and understanding of what being an AIM-listed CEO was really

like. How often would he be wearing a suit on the train to London and how much time would he have to focus on the business he had grown and loves? Mobeus Director Ed Wass introduced Jay to several contacts who had experienced an IPO and could bring the reality of being an AIM-listed CEO to life. Ed also encouraged Jay to do his own research through brokers.

**Virgin Wines**, one of the UK's largest direct-to-consumer online wine retailers, began trading on AIM in March 2021 at a market capitalisation of £110 million.

**Parsley Box**, the direct-to-consumer provider of ready meals focused on the Baby Boomer+ demographic, also floated on AIM in March 2021 at over £83 million

Both businesses benefited from the particular dynamics of lockdowns but, more importantly, are set to continue to grow as a result of enduring shifts in consumer behaviour.



### 3. Having an institutional investor on board pre-IPO helps

Going down the IPO route poses a different type of risk compared to other realisation routes in terms of the costs a business has to commit to before being confident it will get the deal away. An IPO is at risk until the very last minute and this means the business could be left on the hook for a significant level of cost. It's critical to manage that risk, ensure the business could cope with it and go in to the process with all eyes open.

Having an existing institutional investor, especially one with current, relevant experience in IPOs, really helps prepare the business and the team, and wins trust. The wider investment community understands that the business will already have been through a thorough process of professionalisation; numbers

are consequently given weight; investors trust that the governance is there. A well-run business performs well on ESG measures too, because ESG is fundamentally good business rather than a bolt-on afterthought. This all makes the transition to public company life more of an evolution than a revolution.

The fact that in both these cases, Mobeus chose to remain significant shareholders was viewed by the market as a positive and noteworthy buy signal. In fact, shortly before its IPO, we invested a further funding round into Parsley Box in February 2021. This demonstrated our strong support and belief in the business's potential. As a long-term partner that had already been working with the team for three years.



### 4. Get the right analyst looking at your business

One of the things we learnt from these two recent IPOs was that one of the key roles in the process is the analyst. Finding someone who really gets your market, your opportunity and buys into the business's growth story can be

instrumental, not just at the time of the IPO but on an ongoing basis. Choosing the right advisers at the right time can be less of a leap of faith with experienced investors to guide you on what has worked before.



“ The support and advice we have received from Mobeus over the years has been phenomenal and I'm delighted that they have chosen to stay with us for the next leg of the journey! I feel very fortunate to have received the entire team's belief and trust, even when we have gone through more challenging times and I'll be eternally appreciative of that.

Jay Wright, Virgin Wines CEO ”

### 5. Business fundamentals matter but timing and market sentiment have an impact too

While investors have, to some extent, been conditioned to expect a Day One share price “pop”, IPO is a long-term play with long-term objectives. Consistent delivery is far more important and should result in orderly progression. After a run of successful market entries that quickly trade at a premium, the collective mood will be positive. Floating under these circumstances can give an initial boost to trading. However, markets can be fickle and easy to unsettle; one unsuccessful float

can create a broader negative market sentiment, which will inevitably affect other IPOs too. Nonetheless, these short-term fluctuations are par for the public market course. Over the longer term, for a business with good management and a good business model that continues to demonstrate steady and consistent growth, the benefits of having a wider institutional shareholder base outweigh any instability. Those fundamentals will mean it trades up in time.

“ It's great to see Parsley Box and Virgin Wines on AIM. Mobeus is proud to have supported the success of these dynamic consumer businesses as they have scaled and professionalised. Both companies have been transformed since Mobeus first invested and they are great examples of our strategy to support entrepreneurs in creating market-leading businesses. I believe they should continue to deliver strong growth in the quoted arena and we are delighted to remain as significant shareholders.

Clive Austin, Mobeus Partner ”



If you'd like to hear more about how partnering with Mobeus can bring both capital and experience to help the development of your business, please contact one of the team.

