

# Lessons learnt from floating a business



The journey from private to public company is an intense one, often filled with surprises. With four successful IPOs in the last five years, Inflexion understand the need for a well-executed process. Sabre CEO Geoff Carter talks to Inflexion about lessons learnt from his IPO journey.

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## What led you to pursue an IPO?

We'd been working with private equity for a few years and the time was right for us to find a new backer. We set out to find a buyer in the summer of 2017 but didn't manage to find a mutually agreeable solution. Some were happy to pay the asking price, but we had concerns about future strategy plans, while others were undervaluing the business. It's easy to get blinded by the sack of gold that's dangling out there but you need to believe in the business plan. In the end these suitors were interesting consultants for what our business could do, but ultimately we went down the IPO route.

## How did you prepare for the flotation?

We used financial advisers, as well as a management advisory firm for us as individuals, and they were very honest about what the journey would involve. We ended up splitting the management team in half; myself and our CFO realised we'd not be around to run the business for the next 4-5 months, so the other two directors would have to do much more for that time. We didn't take on interim management, as some firms do in the run-up to a flotation, as we have a very strong culture and didn't feel that someone could just parachute in and be effective.

## What surprised you during the IPO process?

We didn't understand the market regulations, which was a real concern, since we were told, 'there's no dress rehearsal, once you're public, you're public'. The advisers were helping bulldoze us across the line, but what about the day after the IPO, when they disappear? What does it look and feel like the day after? We had four banks, four lawyers, financial PR, a financial adviser, and a remuneration consultant involved. We were 150 staff and had what felt like another 100 pushing us over the line. Thankfully two of the banks and some of the advisers stayed on to help us. They brought us safely back down to earth, so it's important you find partners you can work with.

We also quickly learned the importance of a company secretary. In a private company it's not the biggest job; it's being in charge of a lot of day-to-day regulatory stuff. But it changes completely when you go public and you need a great company secretary. We had a good contractor who kept us going – it's the only contractor we took on temporarily. They joined us just beforehand and stayed on for another two to three months.

## What advice do you have for companies thinking of going public?

Firstly, ensure you can spend a lot of time with your business partner(s), since you'll see them more than your spouse for those months, and you'll be tired and ratty and have no time apart. You need to ensure you can put up with that. Additionally, at least one of you needs to convert into a very effective salesperson: you need enthusiasm and must love your business enough to tell the story time and time again and maintain the enthusiasm despite being exhausted.

Secondly, do not underestimate the importance of the investment story. You need a simple way to convey what you do so that a variety of people can understand your strategy. It's also crucial to get the remuneration policy right. It's virtually impossible to change after you've gone public. So, we set out to be fairly modestly paid. The issue is some that sweet equity was paid out through private equity, but then you look at your post private equity remuneration and you wonder whether you've got to the right number. That's very tricky and must be given serious thought.

You also absolutely must have a realistic business plan. We listed at the end of 2017 and the insurance market cycle turned a few

weeks later. It was nerve wracking as we had to face analysts for our maiden results presentation – our share price went down 16% before we presented which was a bit soul-destroying. But fortunately, we had good investors and so we only lost one, with others saying they believed in us and the business strategy and our share price bounced back – but it was a difficult morning.

For this and many other reasons you need a thick skin. Being criticised in the press is tough. If you're private, you're beat up in a small room. But if you're public, you can suddenly be in the Daily Mail and your friends can see that.

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## What have you learned since being public?

We've learned a lot! Including, and importantly, how to speak with analysts. If you're working with a private equity firm, you set a budget and can talk about what to do if you're going to miss it. In a plc, you can't tell them your budget. You have analysts who suggest what your earnings and profits will be; if you miss their consensus you risk taking a massive shareprice kick. You need to learn how to talk to analysts in a way that gets them to roughly the right figure, and then you must deliver on that. It's absolutely critical.

Additionally, once you're public, everyone knows exactly what you earn, there's no hiding it. It's crucial to share the upside with staff; I got real pleasure from being able to share pretty significant sums with all of our colleagues.

The upside is that you're completely in control of your own destiny. All your investors can sell shares but they can't make you change your strategy.

## Inflexion has supported a number of businesses to list on the London Stock Exchange



FDM is a global professional services provider with a focus on IT and graduate training. The management team sought a partner to provide capital to accelerate international expansion and delist from AIM. Inflexion supported FDM's expansion into Asia, Canada, Europe and the U.S., increased graduate trainees three-fold, employees four-fold, and profits five-fold. FDM was successfully listed on the London Stock Exchange in 2014.



Sanne sought a minority partner to accelerate its growth and achieve its ambition of becoming a listed global provider of fund and corporate administration services. In three years, Inflexion supported two transformational acquisitions and grew headcount by 80%. Inflexion helped Sanne successfully float on the London Stock Exchange and it was subsequently credited as one of the best performing new entrants of 2015.

