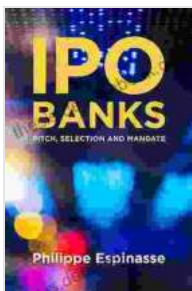


# IPO Banks: A Comprehensive Guide to Pitch Selection and Mandate

Initial Public Offerings (IPOs) are a momentous milestone for businesses seeking to raise capital and enhance their visibility in the financial markets. The selection of the right investment banks to lead an IPO is crucial for ensuring the success of the offering. This article delves into the intricate process of IPO banks pitch selection and mandate, providing valuable insights for companies contemplating an IPO.

## Understanding the Role of IPO Banks

IPO banks, also known as underwriters, play a multifaceted role in the IPO process. They act as financial intermediaries between the issuing company and investors, providing a range of services:



### **IPO Banks: Pitch, Selection and Mandate** by Philippe Espinasse

★★★★☆ 4 out of 5

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\* **Due Diligence:** Conducting thorough financial, legal, and operational reviews of the company to assess its IPO readiness. \* **Pricing and Structure:** Determining the IPO's offering price, share structure, and overall deal structure. \* **Marketing and Underwriting:** Building a syndicate of investors and marketing the IPO to potential buyers. \* **Stabilization:** Managing the trading of company shares in the post-IPO period to ensure market stability.

## **Pitch Selection: A Step-by-Step Process**

The pitch selection process involves several key steps:

1. **Request for Proposal (RFP):** The company issues an RFP to prospective IPO banks, outlining its goals and expectations for the IPO.
2. **Bank Presentations:** Shortlisted banks present their capabilities, track record, and proposed strategies for the IPO.
3. **Due Diligence:** The company conducts due diligence on the banks to assess their financial strength, market reputation, and cultural fit.
4. **Bank Selection:** Based on the presentations and due diligence findings, the company selects the lead underwriters for the IPO.

## **Defining the Mandate**

Once the banks are selected, the company and the lead underwriters negotiate the mandate, which outlines the responsibilities and compensation for the banks:

\* **Underwriting Commitment:** The banks guarantee a certain number of shares to be sold at the offering price, regardless of market conditions. \* **Stabilization Period:** The banks manage trading in the company's shares for a predetermined period after the IPO to ensure market stability. \*

**Compensation:** The banks receive an agreed-upon fee for their services, which typically includes a percentage of the offering proceeds and an ongoing retainer.

## **Factors to Consider in Pitch Selection**

Several factors influence the selection of the right IPO banks:

- \* **Experience and Track Record:** Banks with a proven track record of successful IPOs in the company's industry and market segment.
- \* **Industry Expertise:** Banks with deep knowledge and relationships in the company's specific industry.
- \* **Market Reach:** Banks with a strong distribution network and access to a large pool of potential investors.
- \* **Culture and Values:** Banks that align with the company's culture and share its vision for the IPO.
- \* **Relationship with the Company:** Banks that have an existing relationship with the company or its management team.

## **Negotiating the Best Mandate**

Negotiating the mandate is a crucial step in ensuring a mutually beneficial partnership between the company and the banks:

- \* **Fair Compensation:** Ensure that the compensation package is aligned with industry standards and reflects the value of the banks' services.
- \* **Clear Roles and Responsibilities:** Define the roles and responsibilities of each party involved in the IPO process.
- \* **Flexibility and Adaptability:** Include provisions that allow for flexibility in the event of market changes or unforeseen circumstances.
- \* **Confidentiality and Non-Disclosure:** Maintain strict confidentiality throughout the IPO process.

The selection of IPO banks and the negotiation of the mandate are critical decisions that can significantly impact the success of an IPO. By carefully evaluating the factors outlined in this article, companies can make informed decisions that lead to a successful IPO and long-term value creation for their shareholders.

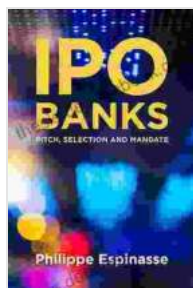
## Additional Resources

\* [Investment Banking: A Guide to IPOs]

(<https://www.investopedia.com/university/IPO/>) \* [IPO Underwriters: Roles and Responsibilities]

(<https://www.sec.gov/divisions/marketreg/podcasts/2021/mar21-ipo-underwriters>) \* [Guide to the IPO Mandate: Key Terms and Considerations]

(<https://www.weil.com/en/articles/2021/04/guide-to-the-ipo-mandate-key-terms-and-considerations>)



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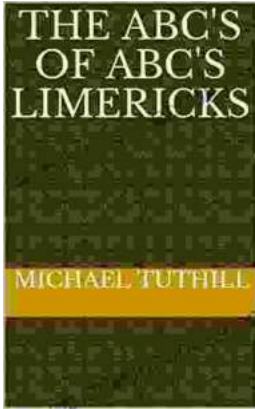
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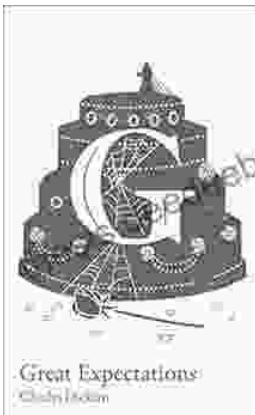
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