# COVID-19: Liquidity & Financing – Equity raising for PLCs

**As COVID-19 evolves, listed companies are having to consider their liquidity and financing position at the same time as confronting market volatility, a dynamic investor landscape and difficult decisions on public market disclosure.**

**Over the coming months, many listed companies will consider raising fresh equity. In this environment, it is critical to get investor-ready, manage conflicting stakeholder objectives and be proactive in preparing for key structuring and execution decisions that will arise at speed.**

## Challenges for PLC issuers in the current environment:

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| ▶ **Complexity** | Raising equity can be complex and involves many critical decisions on an accelerated timescale |
| ▶ **Execution risk** | High risk of unnecessary dilution, excessive bank costs, and reputational damage |
| ▶ **Experience gap** | Lack of recent transaction experience exposes companies to higher risk of value leakage |
| ▶ **Distraction** | Processes can absorb significant management time when the business requires full focus |
| ▶ **Market volatility** | Volatility is a threat to deal certainty – issuance windows may be short and difficult to predict |
| ▶ **Investor capacity** | Investor support will be selective, and PLCs may face deal congestion or investor 'fatigue' |
| ▶ **Conflicts** | Heighted risk of 'institutionalised' bank / broker conflicts of interest impacting deal outcomes |
| ▶ **Disclosure** | PLC disclosure may be necessary before a company has its funding arrangements in place |

## Key questions for PLCs evaluating an equity raise:

1. How to evaluate equity alongside **other funding options** and levers to protect liquidity?
2. Dealing with **announcement obligations** and protecting confidentiality?
3. Is the transaction **equity story** credible and underpinned by robust modelling?
4. **Sizing** and **structuring** the issue (e.g. rights issue, open offer, placing, hybrid)?
5. **Bank / broker syndicate** selection, roles, fee structures and how to manage potential **conflicts**?
6. **Underwriting** arrangements?
7. **Investor engagement** and how to ensure **transparency** of investor feedback?
8. What is the optimal **timing** for launch in view of **market conditions**?
9. **Pricing** the issue and approach to **investor allocation?**
10. **Interdependence** with debt negotiations or restructuring?

## Role of KPMG ECM Advisory

**"We support clients with independent advice as they face a range of critical decisions, often on an accelerated and urgent timescale. The advice and support we provide helps clients to deliver their financing objectives whilst maintaining shareholder support, mitigating bank conflicts, defending shareholder value and avoiding excessive costs."**

- Independent evaluation of transaction feasibility and structuring
- Early education on key transaction considerations, decision points, typical transaction pitfalls and mitigation strategies
- Detailed precedent analysis to benchmark and test transaction parameters
- Independent advice and sounding board on offering structure, timing, sizing, investor engagement, pricing allocation and mitigating bank/broker conflicts
- Objective view on bank/broker syndicate selection and fee arrangements
- Advice on underwriting arrangements – ensuring a fair balance of risk and reward between company, shareholders, and banks/brokers
- Review and challenge of bank/broker investor feedback to ensure it is transparent and a sound basis for decision-making
- Transaction project management and hands-on support for critical workstreams, protecting valuable management time and resource

### Key points to consider

- Early evaluation and preparation for equity raising protects against pitfalls, helps to retain flexibility and ensures companies are better positioned to take advantage of more favourable market conditions when they arise
- PLC management and boards can take a proactive first step by receiving our succinct KPMG Equity Raising Briefing which informs you rapidly on key issues, decisions and market practice
- During crises, stakeholder interests diverge and conflicts arise – companies benefit from advice that is independent of lending banks, investment banks and institutional investors

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