DEUTSCHE BÖRSE
CASH MARKET

Finance your future. Made in Germany

Going public

A guide to your successful IPO

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Introduction

Dear Reader,

Going public is a major milestone for a company. Once listed, the improved access to the capital market allows you to generate additional capital for further growth. At the same time, the various stakeholders' increased attention has positive effects on communication, recruiting, and operational development. The fulfilment of additional duties enhances transparency – internally as well as externally. The entire process – from the first idea of an IPO (Initial Public Offering) to the establishment of optimal structures, to its actual implementation and listing – is complex and challenging. It also offers the opportunity to raise the corporate structure to a new level. Companies have various options when it comes to going public.

This IPO guide offers answers to key questions. What is the purpose of going public? Are the structural foundations for an IPO in place? Which players need to be involved in the IPO? What costs should an issuer expect? What are the choices in terms of share placement? These are among the questions you will inevitably encounter in the IPO process.

The first part of this guide focuses on the significance of capital markets in the financing of companies and gives an overview of the past years' listing activities at the Frankfurt trading venue. The second part presents the IPO as a financing alternative and thus concludes the explanations on market conditions.

From chapter 3, the issuer takes centre stage with practical advice on IPO preparation and readiness. Once a company fulfils all requirements, it's time for the actual IPO. In the 4th chapter, you'll find all the details on the various listing options before the 5th chapter maps out the IPO process in detail. The 6th chapter deals with the costs of an IPO and concludes with an introduction to the Frankfurt trading venue.

We hope you enjoy reading our guide and gain valuable knowledge for your IPO.

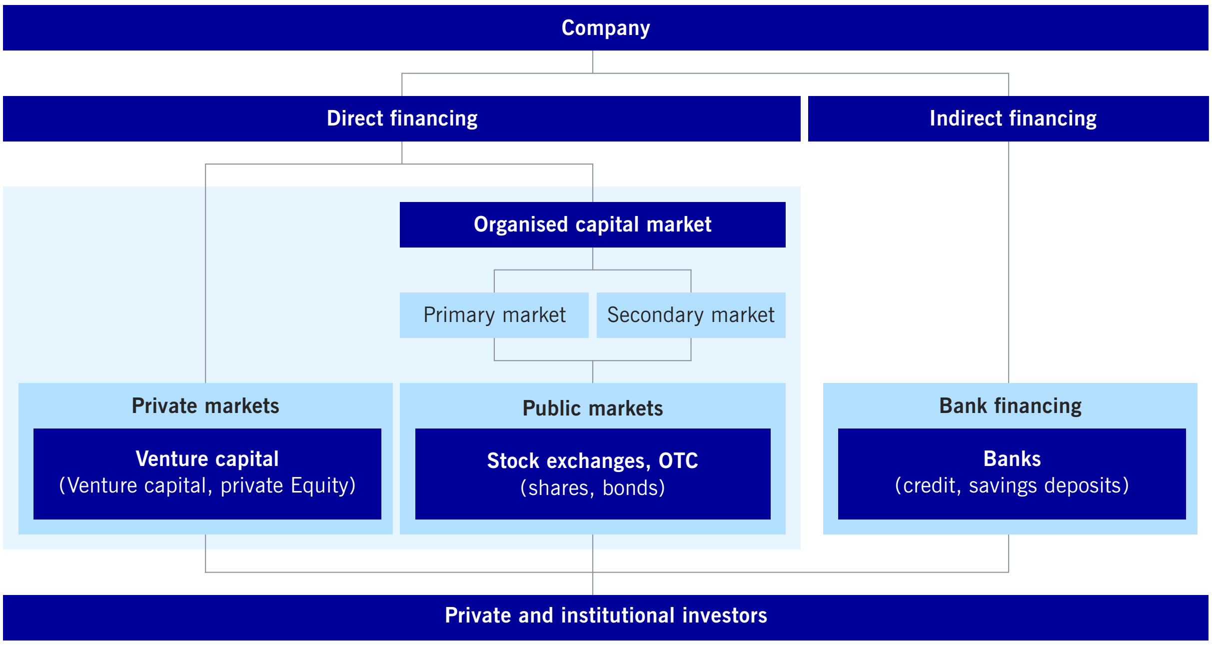
1. The significance of capital markets in the context of corporate finance

Among the most important prerequisites for the development of an economy is an efficient capital market enabling the exchange of capital, ideas, and entrepreneurial opportunities, as well as ensuring regulation and bringing together the needs of companies and capital providers. In Germany after WWII, stock exchanges had an important function as capital intermediaries for the reconstruction of the country, playing an important role in its "economic miracle". Today, as we face monumental change, stock exchanges are again of great significance. The transformation into a sustainable economy and the development of innovations, in which start-ups play a decisive role, will only succeed if companies have efficient access to capital.

Deutsche Börse is an international exchange organisation and innovative market infrastructure provider. With its products, it ensures capital markets characterised by integrity, transparency and stability. With its Xetra® trading venue, it operates the global reference market for German stocks and is Europe's number one for exchange-traded funds (ETFs). For the admission and listing of securities, Deutsche Börse offers different segments and transparency standards, for large and small, national and international companies.[1)]

It supports companies preparing for an IPO every step of the way and offers a wide range of financing options.

Figure 01: The role of the capital market between companies, private and institutional investors



Source: Deutsche Börse AG, in: Strategien zur nachhaltigen Finanzierung der Zukunft Deutschlands, September 2021, p. 11 (URL: https://deutsche-boerse.com/resource/blob/2782450/2060ad27facf5bb6e0f6515da2042469/data/Studie_Strategien-zur-nachhaltigen-Finanzierung-Deutschlands.pdf, as of 22 February 2022)

1) Deutsche Börse AG, URL: https://www.deutsche-boerse.com/dbg-en/our-company/deutsche-boerse-group/business-areas, as of 18 July 2022

It also offers well-known and internationally renowned selection indices and products, giving companies access to a broad spectrum of national and international, institutional and private investors. As the nucleus of the German and continental European capital market and an international financial centre, the city of Frankfurt am Main benefits from its location in the heart of Europe and its airport hub. The Rhine-Main region is home to well over 200 credit institutions (more than 80 per cent of which are foreign banks), as well as the ECB, the Deutsche Bundesbank, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and other important EU authorities. Frankfurt holds 10th place in the ranking of global financial centres (The Global Financial Centers Index 25) and is thus considered the leading financial centre in continental Europe.[2)]

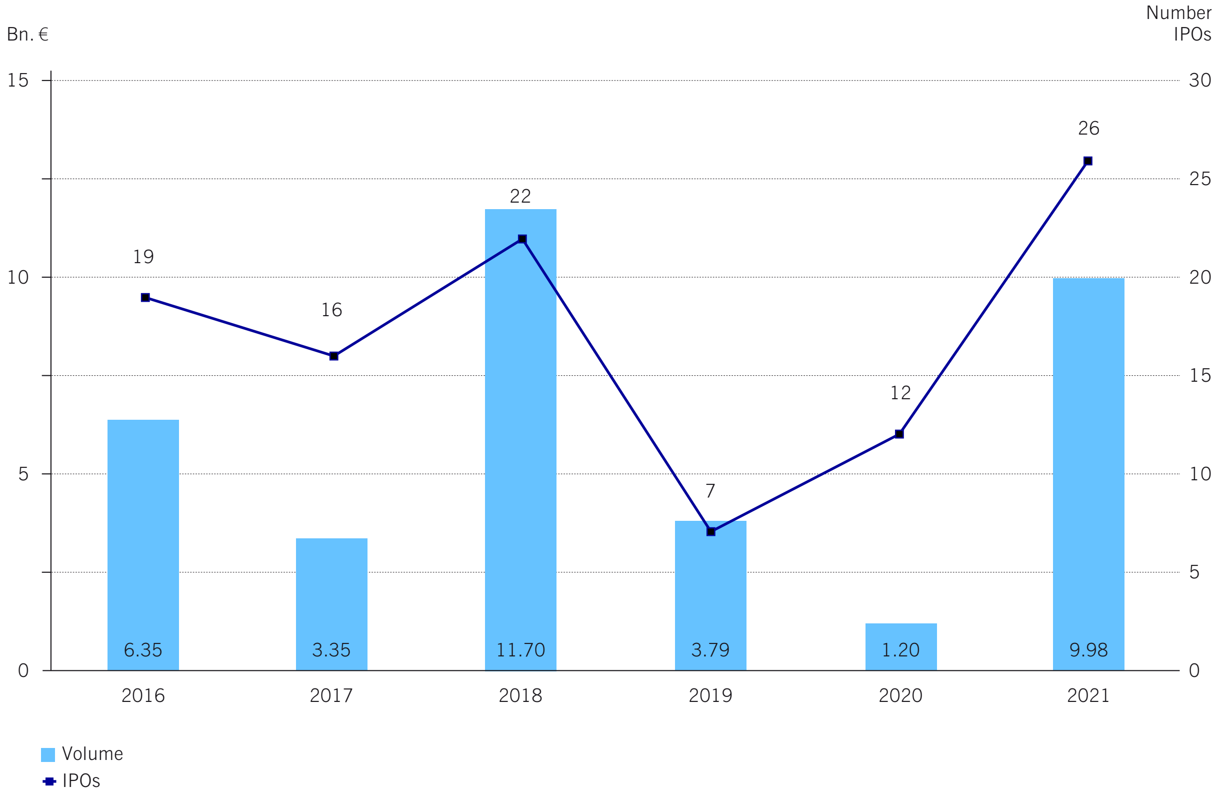
As the operator of Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange), Deutsche Börse AG is a central constituent of this ecosystem and regarded as an important service provider for companies on their trajectory to national and international capital markets.

In recent years, the capital markets have globally seen strong momentum. For the Frankfurt Stock Exchange, 2021 was the most successful IPO year to date, with record figures and a further increase in the share of foreign investors. At the same time, liquidity in trading remained at a high level. A large part of the trading volume was due to tech companies. The greatest new additions were the IPOs of Vodafone subsidiary Vantage Towers AG with an issue volume of €2.3 billion, and AUTO1 Group SE with an issue volume of €1.8 billion. By comparison, Deliveroo, the largest London Stock Exchange IPO, launched its shares at a total value of only €1.7 billion, once again demonstrating the post-Brexit transaction security and reach of the Frankfurt trading venue.

The trading venue offers high flexibility and numerous opportunities: Carve-outs such as the Vodafone spin-off Vantage Towers AG, or the listing of SPAC companies such as Lakestar SPAC I SE (now trading as HomeToGo SE) stand for large volumes, but also for innovative transaction structures settled stably and securely at the Frankfurt financial centre (these and other listing options are described in greater detail in chapter 4).

2) Long Finance: GFCI 25 Rank, URL: https://www.longfinance.net/programmes/financial-centrefutures/global-financial-centres-index/gfci-25-explore-data/gfci-25-rank/, as of 05 April 2022

Figure 02: Listing activities at the Frankfurt trading venue



Source: Deutsche Börse AG

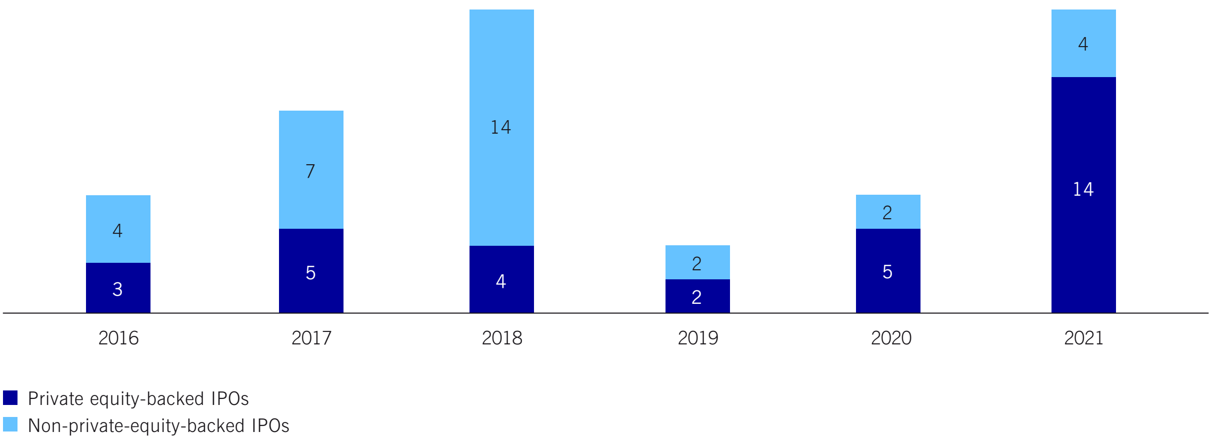
2. The IPO as a financing alternative

The IPO serves most companies to realise their growth strategy, thereby unlocking capital that can be used repeatedly, optimising their structures from a corporate governance perspective and achieving greater publicity. In addition, the IPO offers private equity firms an exit. It is also an attractive option for family businesses that do not have a succession plan in place to ensure the independence their life's work. Private equity firms invest in companies with the aim of restructuring them with a view to efficiency, maximising success and value. A common investment strategy is the sale of the respective stake after three to five years at a profit or to take it public. Private equity-backed IPOs gained prominence in 2021. After the previous years' negative trend, Deutsche Börse saw 14 such IPOs in 2021, suggesting that in a positive market environment, amid sustained high liquidity and rising company valuations or share prices, it is becoming increasingly common for this investor group to choose an exit strategy via the stock exchange for their portfolio companies.

Private equity investors benefit from the (partial) sale of shares during or shortly after listing, as well as from ongoing participation and the growth option via the stock exchange.

Following various rounds of financing, going public is the decisive breakthrough to successful market penetration for many start-ups. In recent years, one of the largest and most important European start-up ecosystems has emerged, especially prominent in Germany. In 2021, venture capitalists invested around €17 billion in German startups, more than in any other EU country. A survey among venture capital investors conducted by "Invest Europe" showed that Germany is on track to remain the preferred destination for venture capital providers.[3] This continuing positive trend speaks for a well-functioning private capital market and an ecosystem boasting the highest number of unicorns (companies with a valuation of over €1 billion) in continental Europe.

Figure 03: Overview IPOs with a private equity background on Deutsche Börse



Source: BVK-Recherchen, Deutsche Börse AG
Only new issues and private placements on Prime/General Standard and Scale were considered.

3) European Investment Fund: EIF Venture Capital Survey 2021: Market Sentiment, p. 56, URL: https://www.eif.org/news_centre/publications/eif_working_paper_2021_74.pdf, as of 05 April 2022

What has thus emerged is an attractive pre-IPO environment for companies and investors as well as a functioning pipeline of innovative and marketable companies which consider an IPO the next step in their growth strategy.

An IPO allows company founders and private shareholders to monetise part of their investments' increase in value. However, a divestment strategy can also raise questions and a communication strategy should therefore be prepared carefully. If a young company's IPO, for instance, is based on the founder's declaration of a great growth story, said founder's expressed intention to sell a large part of his own shares shortly afterwards is likely to raise justified doubts among new investors regarding the supposedly promising growth perspective. If that case, the founder would be much more likely to remain invested in the company. Existing shareholders therefore often limit their option to surrender their shares to the framework of an over-allotment. The over-allotment clause, or greenshoe, grants the syndicate the option to purchase additional company shares at the offering share price to satisfy any additional demand or stabilise the price of the new shares.

A further advantage of a company's stock exchange listing is the use of its own shares as acquisition currency. The issue of new shares from a capital increase against contribution in kind can be used to fund the acquisition of other companies. In this case, rather than placing the newly issued shares from the capital increase on the stock exchange, the company places them with existing shareholders of the acquired company, allowing for a liquidity-neutral construct of the acquisition.

In addition to opening up new financing opportunities, there are other excellent reasons for an IPO. It allows companies undergoing the transformation process of strategically shifting their focus on core competencies to create independent entrepreneurial units to be listed on the stock exchange. For a family-owned business, the lack of a successor can be a good reason to go public, as a diversification of management can increase its appeal.

An IPO can strengthen the relationship among a company's stakeholders. Expanding the options of direct employee participation in its growth promotes company loyalty. Furthermore, the new transparency on the capital market increases trust among customers, business partners and banks. And finally, an IPO increases visibility. A number of previously unknown companies were able to raise the level of awareness for their products and services significantly by going public.

Figure 04: Reasons to go public

Financing	Diversification	Employees	Strategy
▪ Access to capital ▪ Strengthening of equity base ▪ Financial independence ▪ Comparatively higher company valuation than non-public companies ▪ Creation of an acquisition currency ▪ Safeguarding growth, especially in sales, HR and innovation	▪ Opportunity for asset diversification and partial exit of existing shareholders and owners ▪ Participation in future growth of a company ▪ Ensuring or simplifying company succession	▪ Participation of management and employees in company's success. ▪ Recruitment of new talent, e.g., for management positions ▪ Appeal and respectability as an employer, possibly through employee participation models	▪ Strengthening and expanding market position ▪ Organic and acquisition-based growth ▪ Increasing awareness, prestige and brand image ▪ Consolidation of a fragmented market (M&A) ▪ Internationalisation ▪ Securing competitiveness

Source : Deutsche Börse AG

However, an IPO and its follow-up obligations entail additional expenses for companies. The advantages and disadvantages of going public should therefore be weighed carefully well in advance. The process is both time-consuming and cost-intensive; the company must commit to transparency and disclosure of information following the IPO; shareholders exert increasing influence through co-determination and voting rights. Furthermore, a successful listing also requires a regular exchange of information with investors and shareholders regarding the ongoing business development and strategy. Owners and management should therefore weigh the positive nd negative aspects in their entirety prior to their decision for or against an IPO.

3. Preparing to go public – IPO readiness

To go public, a company must fulfil several legal, organisational and economic requirements, among them the choice of legal form, compliance with accounting standards and the development of a credible equity story.

Figure 05: IPO prerequisites

IPO readiness legal requirements	IPO organisational requirements	Economic prerequisites
▪ Compliance with the legal and admission requirements under the Articles of Association and follow-up obligations of the stock exchange segments (Regulated Market and Open Market) ▪ Valid legal form (public limited company (AG), partnership limited by shares (KGaA) or European Company/Societas Europeae (SE)) ▪ Publicity readiness (publication of an issue prospectus, regular annual and interim reports and compliance with other information requirements) ▪ Compliance with the German Corporate Governance Code	▪ Quality, qualification, reputation and experience of corporate management ▪ Effective risk management and balanced corporate governance ▪ Smoothly functioning internal and external accounting systems ▪ Mastery of appropriate accounting standards (HGB) and, if applicable, International Financial Reporting Standards (IFRS) ▪ Efficient reporting ▪ Investor relations	▪ Solid financials and convincing economic development or future viability ▪ Credible equity story for investors ▪ Clear corporate strategy and high degree of innovation

Source: Deutsche Börse AG

Learn more about some of the most important requirements below.

3.1 Change of legal form

A change of legal form is necessary for most stock market candidates. Many companies, and especially SMEs, are organised in limited liability companies such as the GmbH or GmbH & Co. KG. German corporations may choose between the following three legal forms for an IPO: the Aktiengesellschaft (AG, a German stock corporation), the Kommanditgesellschaft auf Aktien (KGaA, a limited joint-stock partnership) or the Societas Europeae (SE). In addition, foreign legal forms such as the Dutch N.V. (naamloze vennootschap) and the Luxembourg SA (société anonyme) can be listed in Frankfurt. If several companies are to form the new AG, the merger or contribution of the previous companies to the AG is also necessary. This change of legal form involves comprehensive advice and takes at least two months.

3.2 Management

Investors expect their invested funds to be applied for the purpose of a sustainable increase in value by the management bodies of the respective company. Management and an efficient management structure (corporate governance) are therefore vital when going public. Corporate governance is responsible for both the rules of conduct according to which a company is managed and the supervision of this management. These factors, alongside administrative structures, the management's relationship with its workforce, as well as remuneration, also play a central role in social and environmental considerations as part of the decision-making process. This, in turn, must be considered against the backdrop of the increasing importance placed on ESG criteria in investment decisions (also see p. 15/16).

The German Corporate Governance Code contains best practice guidelines for the management and supervision of German listed companies. However, it does not have the status of a legal standard. The Code has its legal basis in the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) and is reviewed annually by the Government Commission to ensure that it is up to date. The recommendations and suggestions are internationally and nationally recognised standards of good and responsible corporate governance, regarding, above all, the management and supervision, the composition of the executive board and the supervisory board, the working methods of the supervisory board as well as the remuneration of the executive board, which is also an important issue for investors. While an unlisted company's supervisory board is often made up of family members or other close relations, it is important to investors that the supervisory board is staffed independently, with a broad range of competences among its members. Thus, expertise in the company's market and industry, finances, products and technologies and, if possible, sustainability, and the capital market should be represented on the supervisory board. Sustainability considerations play an increasingly important role in the remuneration system. To meet the expectations of future investors, stock exchange candidates are well advised to take the recommendations of the German Corporate Governance Code into account when structuring their organisation.

In addition to the CEO, the CFO is central to an IPO. The experience of the person in this role, preferably acquired in an already listed company, creates confidence among investors in terms of the company's finances, particularly financial planning.

3.3 Accounting requirements

An IPO is associated with considerable accounting requirements. Early on, accounting figures and quantitative information play an important role in the prospectus. A professional and efficient accounting system is also a basic requirement for an IPO in view of the follow-up obligations arising from the listing.

Companies planning to go public on an organised market such as the Prime Standard of Deutsche Börse are also obliged to prepare their consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS).

In preparation of an IPO, it is therefore important to scrutinise the company's financial organisation through the lens of the capital markets. A listed company is subject to a high level of external reporting and must meet extensive disclosure obligations regarding financial information. Amongst others, this requires a high level of competence in the areas of accounting, financial reporting, treasury and compliance. Only if these requirements are met can the company meet the regulatory standards and investors' demands following its IPO.

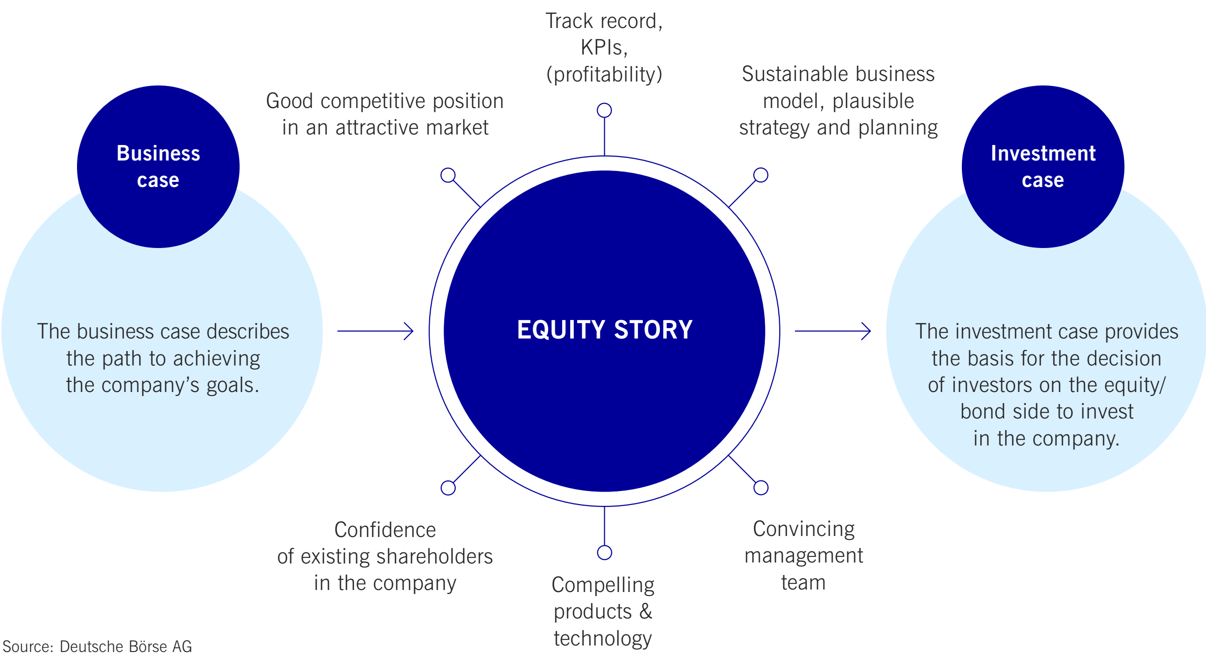
Annual and quarterly financial statements must be published in good time following the IPO until the end of the reporting period (fast disclosure). While the observance is an important sign of a properly functioning accounting system and the establishment of effective internal control and steering systems, the necessity for swift preparation of the annual financial statements must not come at the expense of quality. After all, not all financial statements are created equal, even if accounting standards are identical. Making use of reporting and valuation leeway can be decisive for important key figures such as equity ratio or return on sales. Are the subsidiary valuations realistic? Does the reported turnover and profit realisation match the degree of completion in the case of tasks spanning multiple periods? Answers to questions like these are among the decisive factors for investment recommendations given by research analysts who continuously publish analyses of listed companies.

Another challenge in this context is the management's ability to correctly assess the future development of the business. Reliable, longer-term forecasts enhance investor confidence. Beyond the mere implementation of reporting and planning systems, it is vital that assumptions about market and cost development are subject to continuous and timely review. In addition, the responsible employees should be practised in dealing with the defined processes and implement them in the company's daily business. While these prerequisites should be met at the time of a company's stock market debut, they are an oft-neglected area of preparation. If the first corrections to the expected development occur shortly after the IPO, the negative effect on the stock market price is enormous and restoring investors' thus squandered confidence becomes exceedingly difficult.

3.4 The equity story

To a large extent, the success of an IPO depends on a convincing equity story and its communication. A share profile is complex, characterised by various factors which are based on internal and external influences as well as expectations. An assessment of the quality or sustainability of a company's performance cannot solely be based on financial information. The equity story comes into play at precisely this point. Aimed at bringing the company to the attention of the financial community by highlighting its merits, the equity story describes the company in its environment, its history and visions. It thereby realistically elaborates on potential in terms of growth, earnings, and competitive advantages for investors while connecting the business case of the company with the investment case.

Figure 06: Equity story, connection business case – investment case



Source: Deutsche Börse AG

In communicating the equity story, the most important instrument is the investor presentation. It provides a comprehensive picture of the company.

Figure 07: Content investor presentation

What?	How?
Investment case	Concise description in bullet points
Business model	Illustration and explanation of business model
Management	Presentation of the management
Strategy	Concise description in bullet points
Market environment	Market environment, size & positioning/competition
Operational principles	Current activities and successes in the operating business
Segments	Addition of a compressed description with bullet points
KPIs	Explanation of the most important KPIs
P&L	Explanation of significant changes/positions
Balance sheet	Explanation of significant changes/positions
Use of proceeds	Clear and comprehensible presentation
Milestones	Summary on one slide
Forecast/expectations	Summary on one slide
Contact	Contact person and contact details

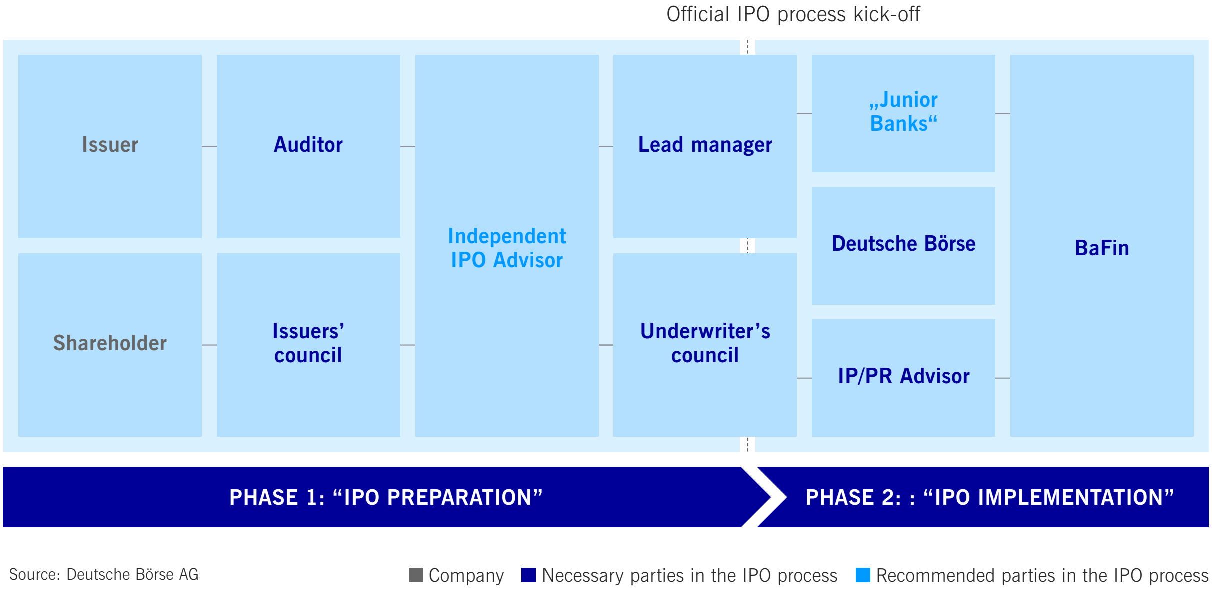
Source: Deutsche Börse AG

4. Going public

An IPO involves strategic, structural, organisational, legal and tax decisions. It therefore requires comprehensive planning, preparation and coordination. It also depends heavily on experienced partners.

Deutsche Börse has built a network of Capital Market Partners specialised in supporting companies on their way to the stock exchange. The selection of the right partners is an essential criterion for a successful IPO.

Figure 08: Experienced project team



Source: Deutsche Börse AG

An independent IPO advisor supports the company in achieving IPO readiness, in selecting the optimal partners and accompanies the entire process. The most important objective being IPO readiness, it is important to include the IPO advisor at an early stage and draw on the advisor's experience during the basic consideration as to whether the company is in the right stage to consider going public. The advisor's knowledge of the IPO market is also highly valuable when determining the stock market segment, considering how to use the proceeds from an IPO and, above all, in choosing suitable partners. As American business commentator George Jerome Waldo Goodman (1930–2014) said: "If you don't know who you are, the stock exchange is an expensive place to find out". The better the preparation, the lower the risk of disappointment after an IPO. Optimal preparation is the fundamental task of the IPO advisor.

An auditor assists the company in meeting the formal requirements for an IPO. Two central responsibilities are the preparation of the auditor's report for the annual financial statements, which must be included in the prospectus, and the issuing of a comfort letter with the auditor's confirmation of the key financial figures' careful calculation and presentation within the prospectus.

As a rule, two legal advisors are involved in an IPO. The company's legal counsel (issuers' counsel) takes the lead in the conversion of the company's legal form and the preparation of the prospectus, amongst others. The legal counsel of the banking syndicate (underwriters' counsel) prepares the underwriting agreement and conducts a review of the prospectus as well as a legal due diligence, amongst others. The underwriters' counsel is proposed by the bank and appointed in consultation with the issuer. In the case of smaller-volume IPOs, the issuer and the banks may also agree on a joint legal advisor.

The success of an IPO largely depends on communication. While communication with investors is handled by the banks, investor relations agencies take on the task of positioning the company as an attractive stock market candidate in the financial community. The agency's good relationship with the financial and business press is particularly important in this regard. Favourable coverage of the stock market candidate impacts the opinion formed by potential institutional investors and others, such as private investors. For a listing of the company on an organised market, the issuer needs the support of a bank. For a listing on the OTC market, however, the issuer merely needs a trading participant admitted to the stock exchange. For larger issue volumes, several banks are usually mandated.

The (investment) banks – one or more, depending on the size of the transaction – are mainly responsible for the preparation of the IPO and carrying out the required process, (further) developing the equity story in collaboration with the company, valuing the company and marketing the shares.[4] The lead bank or banks, so-called "global coordinators", coordinate the pricing mechanism up to the initial listing on the stock exchange. The main criteria for the selection of banks are their IPO experience, investor access and the competence and reputation of the respective technical and research departments.

4.1 Selected listing options

Companies have several options when it comes to accessing the capital market. The most popular and common transaction structures are presented below.

4.1.1 IPO

The Initial Public Offering (IPO) is by far the best known and most common option. A previously unlisted company, either in the legal form of an AG, KGaA or SE, places shares publicly for the first time and subsequently admits them to (initial) trading on a stock exchange. As a rule, the shares offered are those of existing shareholders and new shares resulting from a capital increase of the company.

The (new) shares to be placed are first publicly offered for subscription before the first day of trading on the stock exchange. The proceeds from the placement of new shares accrue to the company and can,

4) There are different structures for price determination. Unlike the fixed-price procedure, bookbuilding includes the interests of large investors in the determination of the issue price: prior to the start of bookbuilding, the syndicate banks approach potential large investors about their willingness to invest. (cf. https://www.boerse-frankfurt.de/en/know-how/glossary/book-building)

for example, serve to fund long-term growth. Existing shareholders also benefit from the public placement of existing shares as they may sell their shares to generate liquidity. As a rule, however, existing shareholders only sell part of their shares in the IPO and remain invested in the company to participate in future developments.

This traditional path was also chosen by TeamViewer AG. The Swabian tech company celebrated its IPO in Frankfurt in September 2019, enabling major investor Permira, which had been invested in TeamViewer since 2014, to initiate the monetisation of its shares. The decision paid off: within a year, the share recorded high double-digit growth. In addition, the company raised fresh capital of around €2.2 billion for further acquisitions, amongst other things.

4.1.2 Private placement

When going public, the shares need not necessarily be offered to the public. It is also possible to specifically address select investors, e.g., within the framework of a private placement. In this special form of an IPO, the securities are only offered to qualified institutional investors. A private placement can consist of both new and old shares.

4.1.3 Direct listing

In a direct listing, only existing shares of a company are admitted to trading, with existing shareholders selling their shares via the stock exchange. There is no bookbuilding procedure or (re-)placement prior to the listing, rendering the process more flexible and significantly reducing transaction costs. An initial share price is therefore not set beforehand, which in turn means that there is no risk of price and valuation markdowns due to a volatile market environment. The company is valued for the first time by the opening price, determined by supply and demand. As no new shares are issued, founders' and existing shareholders' shares are not diluted in this structure. The Swedish music streaming service Spotify opted for a direct listing when it made its stock market debut in New York in 2018. Despite the extensive media attention in Spotify's IPO, the trend has not yet been firmly established in Europe.

4.1.4 SPACs

SPACs (Special Purpose Acquisition Companies) are a further form of listing. The initial purpose of a SPAC is to raise capital through an IPO and, in a second step, to use the raised capital for the acquisition of a previously unidentified operational company. In most cases, only the industry of the potential target company is known. The acquired company is not listed on the stock exchange and only becomes a listed company through the SPAC transaction. The SPAC company usually has 24 months to acquire a company. If it fails to find a suitable target during this time, the SPAC company is liquidated, and the investors are reimbursed for their capital at the agreed interest rate. As it is not tied to a narrow timeframe, a SPAC transaction is flexible in terms of reacting to market volatilities. Interest in the structure is growing, also in Germany. Deutsche Börse has created the framework conditions enabling a SPAC listing in Germany in the Regulated Market of the Frankfurt Stock Exchange (General Standard and Prime Standard). For a SPAC listing on the Frankfurt Stock Exchange (possible in the corporate form Societas Europaea (SE) or the Dutch Naamloze Vennootschap (N.V.)), several requirements must be met:

(a) The proceeds of the issue must be paid into an interest-bearing trust account; (b) the intended purpose of the proceeds of the issue must be detailed in the prospectus; (c) the SPAC must prove that the company is temporary and that, in the event of its dissolution, the trust assets will be distributed to the investors; and (d) it must be ensured that the shareholders decide on the use of the trust assets by a majority of at least 50 per cent.[5)]

4.1.5 Spin-offs and equity carve-outs

There are two further interesting options for a company's business realignment: the spin-off and the carve-out. In the case of a spin-off, a subsidiary or a business division of a company or group forms a new independent entity. The aim is to increase the value of the company for investors. In the case of a spin-off, the parent company issues the shares of the spun-off subsidiary proportionately to its existing shareholders in the form of a special dividend, with no regular inflow of funds to the parent company. The spin-off of Siemens Energy from the Siemens Group in 2020 was among the largest spin-offs in Europe.

Another option is a carve-out, where, in contrast to the spin-off of a subsidiary, the parent company retains a majority stake in the company. The carve-out therefore serves primarily to raise capital and is particularly interesting for the parent company if the highest possible valuation for the shares is achieved on the market. Examples for successful carve-outs are DWS Group from Deutsche Bank (2018) and Lanxess (2005) and Covestro (2015) from Bayer.

4.1.6 Dual listing

In a dual, or secondary listing, a company is listed or included in trading on another stock exchange in addition to its home exchange. This can be a sensible choice for a company intending to tap into another market, diversify its investor reach or expand access to indices and passive products. A dual listing can be purely technical or combined with equity issuance. As it is not a global initial or public offering, it does not constitute an IPO, and a prospectus is not required – provided that one of the prospectus exemption rules is applicable to the dual listing (admission of the shares to trading on the Regulated Market).[6)]

5) More information: https://www.deutsche-boerse-cash-market.com/dbcm-de/primary-market/goingpublic/listing-trends/SPAC
6) Deutsche Börse AG, URL: https://www.deutsche-boerse.com/dbg-en/our-company/knowledge/glossary/glossary-article/Dual-Listing-DL--245408, as of 12 May 2022

5. The IPO process

There are four key stages in an IPO process. With appropriate preparation and professional partners, it generally takes a company six to ten months to go public, provided structural measures such as accounting, compliance, risk control system and corporate governance are already in place. The most important steps are briefly described below.

Figure 09: The four phases of going public

1. Sufficient planning →

- Preparation of equity story with business plan
- Initial meeting with Deutsche Börse
- Selection of IPO advisor
- Selection of under-writing bank (beauty contest)
- Selection of legal advisor
- Involvement of auditor
- Implementation of IR function (selection of agency)

2. Careful structuring →

- Sharpening equity story
- Preparation of timetable
- Preparation of issuing concept
- Creation of legal conditions
- Performance of due diligence
- Preparation of securities prospectus

3. Targeted marketing →

- Preparation of IR activities
- Pilot fishing
- Intention to float
- Publication of prospectus
- Provision of research
- Application for admission of securities
- Pre-marketing
- Determination of price range
- Subscription period and roadshow

4. Successful stock market debut

- Determination of issue price and share allotment
- IPO ceremony with first price determination
- Continuous trading on the stock exchange

7–8 MONTHS PRE-IPO **1–2 MONTHS PRE-IPO**

Source: Deutsche Börse AG

5.1 Preparation

Preparation is key. A mature business plan and appropriate management are essential for an efficient IPO process. The early involvement of an experienced IPO advisor can be critical to meeting the requirements for a successful process before the costs of specific work-intensive tasks start (e.g. preparation of the prospectus). The first step is to assess IPO readiness, on the one hand regarding the development stage of the company, and on the other hand from the investors' point of view.

Figure 10: Checklist for IPO readiness (own compilation)

Criterion	Status
Key points of equity story are clearly stated	✓
Essential parameters of issuing concept have been adopted	✓
P&L/balance sheet/cash flow planning are available for at least 3 years	✓
Business plan is plausible	✓
Reasons for the IPO are convincing	✓
Accounting/controlling is satisfying to investors' information requirements	✓
Follow-up obligations of being public are known and accepted by management and shareholders	✓
Corporate structure is suitable for the capital market	✓

Figure 11: Checklist for IPO from investors' perspective (own compilation)

Criterion	Status
Attractive industry with growth potential	✓
Innovative products, unique selling propositions	✓
Successful track record	✓
Sufficient company size	✓
Good corporate governance	✓
Issue volume enabling liquid trading	✓
Convincing justification for IPO	✓
(Inter)national accounting	✓
Efficient controlling and planning system	✓
Attractive environment for new issues	✓

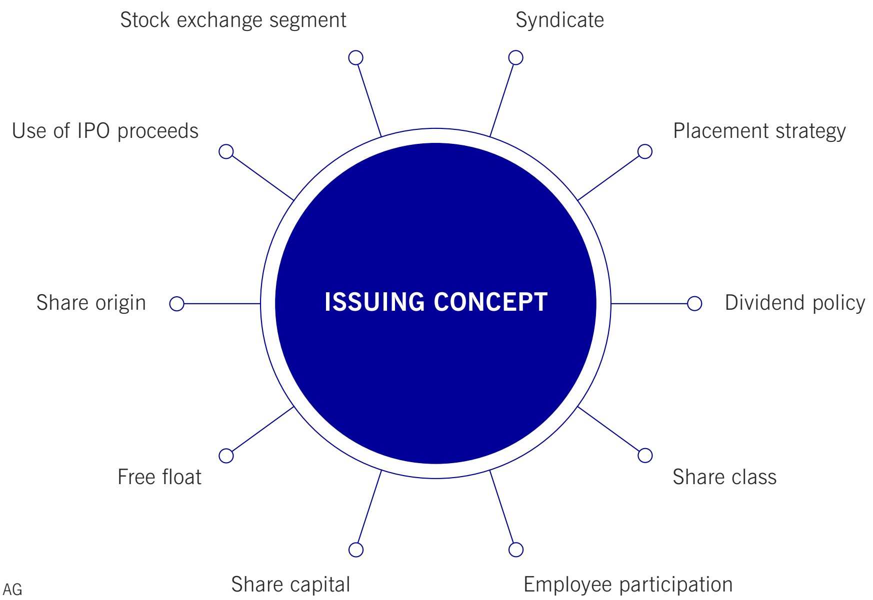
5.2 The beauty contest

Another important step is the beauty contest, serving to select suitable partners for an IPO. Banks, lawyers and auditors are invited to present their expertise, marketing strategy and team, and in the case of banks, their assessment of the issuer's valuation. The experience of the advisors, including the analysts, in relation to the issuer's industry and technology is crucial to the choice of partners. The research reports prepared by the analysts of the chosen banks are important documents for the investors' decision-making. Since the IPO requires intense collaboration over a period of several months, getting along on a personal level is also critical, alongside the technical expertise of those involved. If the chemistry is right, there is a good chance that the process will run smoothly.

5.3 The issuing concept

The issuing concept is compiled in collaboration with the IPO advisor (if applicable) and the selected banks. The questions of the amount of the envisaged issue proceeds, their application, the reallocation, or the scope of the capital increase as well as other aspects must be answered from the perspective of attractiveness to investors. In particular, the appropriation of the issue volume plays an important role in the assessment by investors, as it is their expectation that the invested funds will be employed sensibly – for growth and, if necessary, to increase profitability. The issuing concept must therefore answer these questions convincingly.

Figure 12: Elements of the issuing concept



Source: Deutsche Börse AG

The location and segment of the exchange listing must suit the company, with the degree of the company's internationalisation and the size of the issue playing an important role. When selecting the stock exchange segment, admission and follow-up obligations are often also key selection criteria.

Depending on the company, the question of how many shares come from a capital increase or via reallocation from existing shareholders is also important. Especially in the case of small and medium-sized companies (SMEs), the rule is: the capital increase share should be large as possible, and the share from reallocation as small as possible. Especially for younger growth companies, investors expect the existing shareholders, who are in many cases founders active in the company's management, to remain invested in the company. This signal enhances investors' confidence in the faith of the management in its own growth targets. On the other hand, it is generally accepted that the existing shareholders receive the proceeds from the over-allotment option, or greenshoe, which allows the underwriters to issue and sell more shares at the IPO than originally planned. The additional volume usually ranges between 10 and 15 per cent of the issue volume.

The placement strategy is another important aspect of the issuing concept, as different types investors should be addressed depending on the type of issuer. Investors vary by geographical focus, specific concentration (broad or narrow diversification), investment style, private and institutional, different investment time horizons and types; they also differ depending on company size or their focus on a specific company size (small, mid or large caps).

Figure 13: Investor segmentation

Geographic focus	Concentration	Investment style	Type	Investment time horizon	Type of investment
Local vs. regional vs. international	Broad diversification vs. concentration	Growth, value, hedge funds, ESG, etc.	Private vs. institutional investor	Long-term vs. short-term	Active or passive

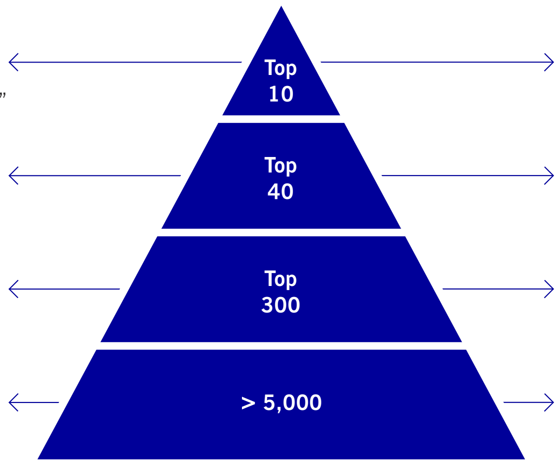
Company size

Small caps (€150 m – €1,500 m)
Mid caps (€1,500 m – €4,000 m)
Large caps (>€4,000 m)

Source: Deutsche Börse AG

Due to these differences, it is important to base the selection of accompanying banks on the relevance of the respective investor network for the IPO candidate and to select banks which provide the best possible access for these particular investors.

Figure 14: Investor base



Major investors
Anchor shareholders
"Preserve and maintain investments"

Direct access to CEO, face-to-face meetings with CEO once a year

Institutional large investors
Market makers
"Target the global elite"

Direct access to CFO, personal meetings with CFO once a year

Smaller institutional investors
Hidden potential
"Absorb as much as possible"

Direct access to head of IR, access to CFO at conferences

Retail investors
Anonymous masses
"Target high-net-worth individuals"

Direct mailings, financial PR, annual general meeting, events for retail investors by IR managers

Source : Deutsche Börse AG

5.4 Due diligence, prospectus, analyst presentation

Once suitable partners have been identified, it is time for three extremely time-consuming and labour-intensive tasks: due diligence, the compilation of the prospectus and the analyst presentation. As these responsibilities are time-consuming and demand management attention, capacities need to be planned at an early stage. In doing so, the company's operative business should not be neglected in favour of IPO preparation and the workload it entails. In fact, it would be counterproductive if business development were negatively affected in the six to ten months of the IPO process. If necessary, reinforcement of the operative management is advisable in good time prior to the IPO.

Due diligence concerns all areas of the company: its business model, market environment, strategy, finances, legal, and, if applicable, technology. Since the company's documentation is subject to intense scrutiny, it is important and helpful to make all relevant documents available in a virtual data room at an early stage, enabling auditors to access them at any time and from any place, saving time and money that would otherwise be spent on travel and accommodation. The quality of the prepared documents is also important, as poor data quality costs time, can chip away at trust, and may affect the equity story. Down the line, it can even lead to a poorer rating.

The prospectus is the most important information document of an IPO. It provides a comprehensive presentation of the company and creates transparency for investors. In addition to the equity story, the prospectus also deals with a wide range of risks, which is why the first pages of IPO prospectuses tend to read like fact sheets with danger warnings. The comprehensive disclosure of risks is legally required, but also provided for liability reasons. Professional analysts and investors, however, are trained to classify the prospectus information and risks when making their investment decisions. The prospectus is therefore extremely important; claims may arise from prospectus liability against those responsible in the event of incorrect or missing information. It is crucial for the management as well as a specialised legal advisor to be involved in the preparation of the IPO prospectus.

The information provided to analysts by the executive board about the company's business model and strategy is based on the analyst presentation. It reflects the equity story, defines the positioning of the company on the capital market and contains detailed information on its financial development. The participating syndicate analysts base their reports on the analyst presentation and the discussions with the executive board. The reports explicitly contain an assessment of the company's value as well as a forecast regarding the financial development of the company. The analyst presentation is also the basic document for the investor presentation, used in the further process for talks with institutional investors.

5.5 Early-look meetings und pilot fishing

In the initial stages, so-called “early-look meetings” are held with selected investors. Information about the company and possible details about further financing via the capital market are provided in these meetings. The feedback is important for the structuring of the process that lies ahead while also establishing first contacts with investors. Early-look meetings may take place up to twelve months before the planned IPO.

Pilot fishing is much more hands-on and closer in time to the actual IPO. In this step, the banks confidentially present the possibility of an investment in the company to a small circle of selected important investors in the pre-marketing phase. The investors’ feedback provides an assessment of the potential success and an initial price indication. Depending on this assessment and, possibly, the changing market conditions, the story can be sharpened and adjusted. In any case, the early feedback affords both the banks and the issuer more clarity regarding their previous assessment of the planned IPO’s prospects of success. Pilot fishing takes two to four days and is usually conducted before the analyst presentation, allowing the input from the discussions to be incorporated into the presentation for the analysts of the syndicate banks. The selection of investors must consider all types of potential investors. As a rule, 10 to 15 investors are approached in this phase.

5.6 Intention to float

The actual marketing and implementation phase begins with the publication of an official press release by the company, informing the public of its intention to float, i.e. to go public. This stage kicks off a phase of parallel marketing. The banks promote the company to investors through their research analysts and sales teams via so-called “pre-deal investor education”, which takes place between the intention to float and the publication of the prospectus. The IR agency uses various communication channels to draw public attention to the IPO.

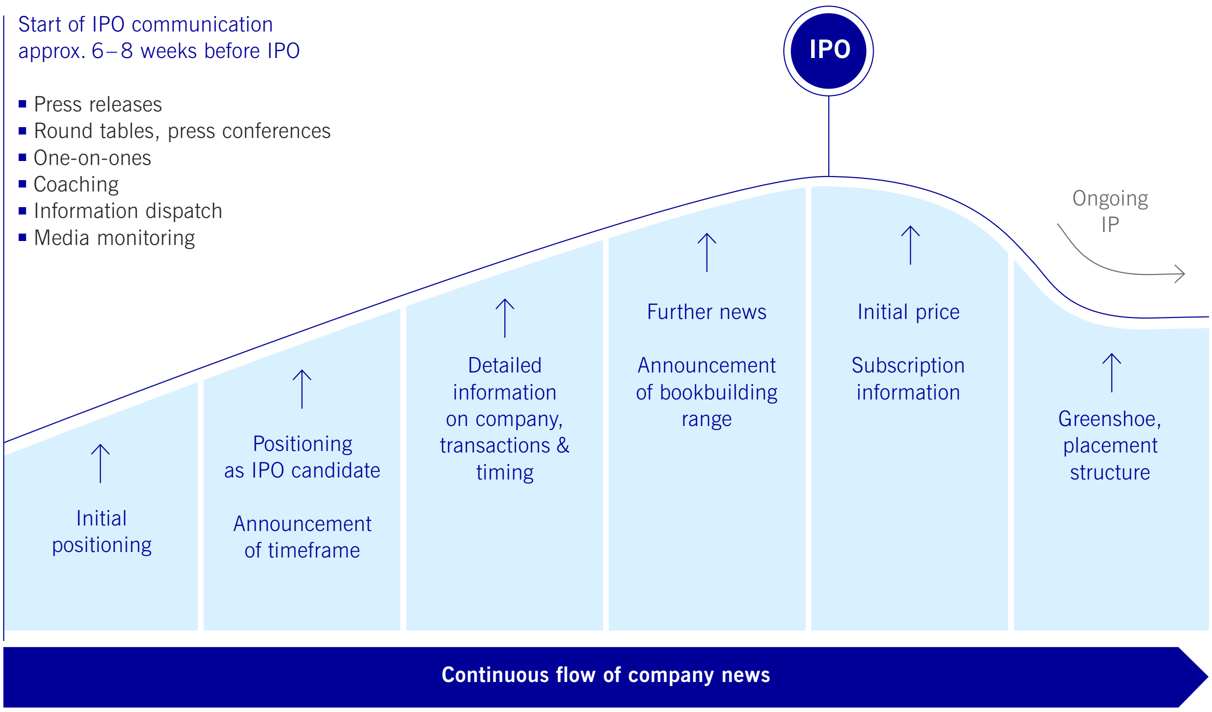
5.7 IPO communication

Communication is of paramount importance in an IPO. The moment the company is positioned as an IPO candidate in the financial community upon publication of the intention to float, it receives enormous attention. The company's communication from this point onwards can significantly impact the success of the IPO as well as the company's valuation. Any information released by the company must henceforth be subordinate to the requirements of the IPO. Announcements regarding products or employees can affect investors' perception of the company.

To align communication measures with the IPO, hiring an agency specialised in IPO communications and investor relations is recommended to manage the company's PR and, in case of doubt, be the sole media contact during the IPO process. By thus ensuring that only coordinated information is released, especially in the hot phase of the IPO process, the agency can lighten the burden of the management.

IPO communication usually starts about six to eight weeks prior to the IPO. Its goal is to generate as much positive press as possible on the company as an attractive IPO candidate, focusing on the equity story and management. An arc of suspense is created dramaturgically to ensure the highest level of attention at the time of listing. Increasingly detailed information on the company and the IPO (e.g. timing, price range, number of shares to be issued) are announced during the process.

Figure 15: Dramaturgy for optimal coverage

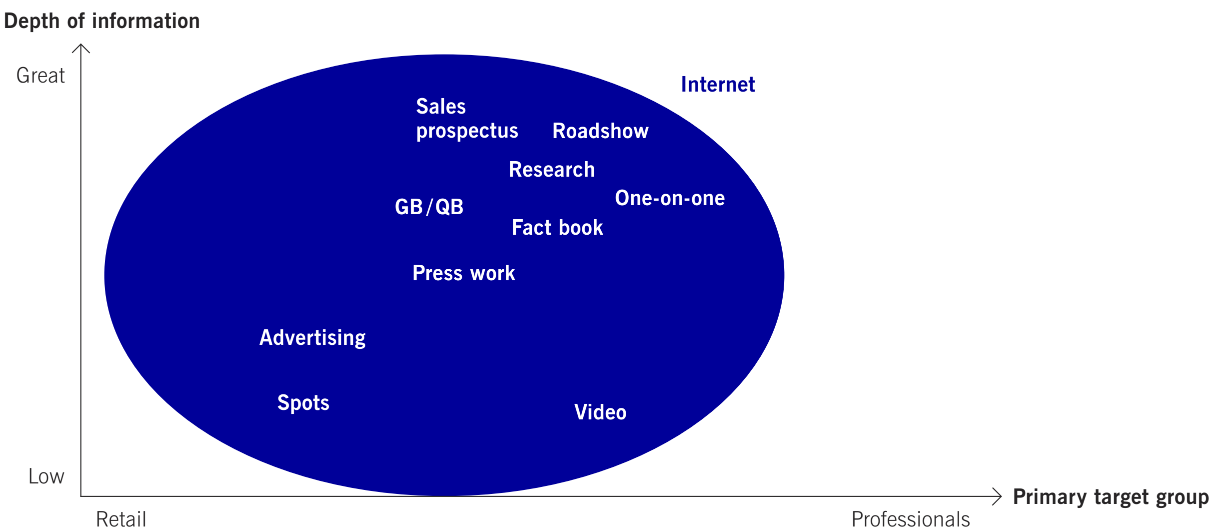


Source: Deutsche Börse AG

The weeks of IPO communication are an opportunity for the company to build a lasting network of journalists for a regular exchange of information as a listed company.

Various means of communication and channels are available for IPO communication. Media relations play a pivotal role, as positive coverage creates a high level of attention. That is especially important if the issuer wants to attract private investors. Institutional investors also pay close attention to media coverage. An intense and positive media response supports the direct approach on the part of the banks in the context of marketing. The high liquidity (tradability) of a share is an important factor in investment decisions.

Figure 16: Means of IPO communications



Source: Deutsche Börse AG

5.8 Placement of securities through banks and Deutsche Börse DirectPlace

In the traditional issue of new securities on the capital market, the issuer commissions a bank or a consortium of banks to place the securities, predominantly with institutional investors. These include, for example, credit institutions, insurance companies and investment funds. With Deutsche Börse's special subscription functionality DirectPlace, companies can expand this group of investors and specifically include private investors, family offices and asset managers. Investors can already place buy orders with their custodian bank during the subscription phase. The order is automatically forwarded to a central order book, which the issuer can view anytime with the accompanying bank. The issuer decides which orders are allocated. This expands the investor base and improves the security's liquidity. DirectPlace can be used by listed and unlisted companies. The functionality is available for public offerings of shares from capital increases as well as bonds, certificates and funds.

In addition, Deutsche Börse offers information services during the subscription phase, drawing the full attention of the financial industry for the new issue. It is displayed on Börse Frankfurt, Deutsche Börse's private investor website, with an explanatory video providing information on the technical procedure of the subscription. The newsletters of Börse Frankfurt and Capital Markets are also available as communication channels to investors. In addition, the Börse Frankfurt investor hotline is available to answer any technical questions throughout the subscription period.

5.9 Listing event

For many issuers, the listing is an unforgettable highlight in the company's history. The first price determination of the share at the Frankfurt Stock Exchange is broadcast publicly via an online visualisation tool and livestreams. The IPO Ceremony can be celebrated as an individually designed event and the live broadcast from the trading floor allows all employees to experience this special moment in the company's history in real time. The presence of national and international media on the trading floor further increases the company's visibility and reach, garnering broad international attention on the day of the IPO.[7)]

7) Also see Deutsche Börse AG, URL: https://www.deutsche-boerse-cash-market.com/dbcm-en/primary-market/going-public/services/ipo-ceremony, as of 13 May 2022

5.10 Being public

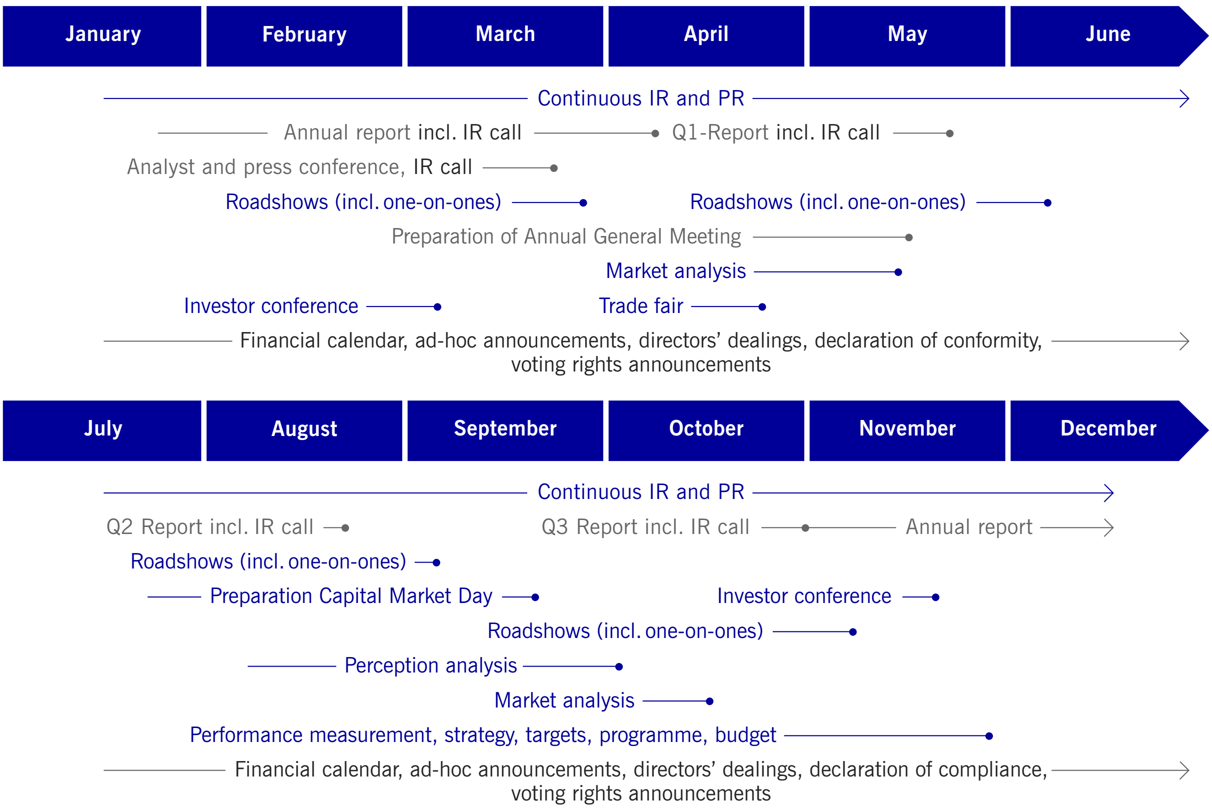
A listing marks the beginning of a previously unknown task for the company: investor relations. Informing shareholders and future investors openly and comprehensively about the developments in and around the company, IR create trust in the management. After all, investors expect their investments in a company to be employed for the sustainable enhancement of value. The most important prerequisite to achieve this goal is trust in the management.

Principles such as credibility, materiality and timeliness must be observed. After all, investors want to receive the information they need for their investment decision as quickly and efficiently as possible.

IR include mandatory measures such as reporting or ad hoc publicity as well as voluntary activities, e.g., participation in investor conferences. The chart below illustrates the necessity of comprehensive IR management for a public company. The CEO and CFO are heavily involved, for example through investor and analyst meetings and conferences.

Figure 17: Typical IR programme

IR/PR roadmap – “freestyle”



Source: Deutsche Börse AG

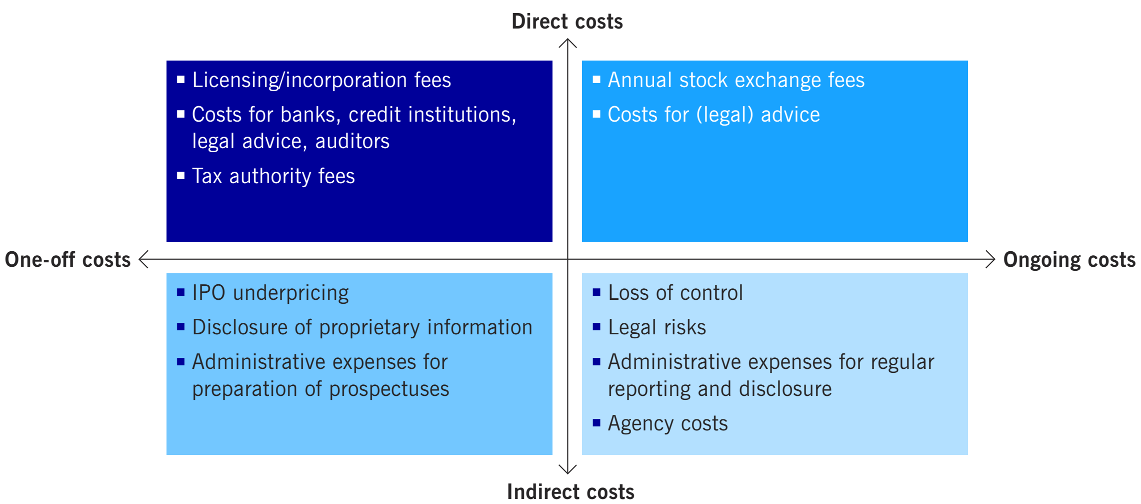
6. The costs of going public

The costs of an IPO depend on the choice of listing venue and segment, as well as the intended transaction structure. Please see chapters 7 and 8 for more details. The total costs are mainly caused by the following:

- Consultants (e.g., IPO advisers, accompanying banks, auditors and legal advisors)
- Admission to/inclusion in exchange trading
- Investor relations and communication measures
- Service providers and other costs
- Possible conversion of accounting to international standards or change of legal form

The expenses for an IPO can also be classified as direct or indirect costs, as well as one-off and follow-up costs.

Figure 18: Overview IPO costs



Source: Oxera Consulting LLP, in: Primary and secondary equity markets in the EU, November 2020, p. 62,
URL: https://www.oxera.com/wp-uploads/2020/11/Oxera-study-Primary-and-Secondary-Markets-in-the-EU-Final-Report-EN-1.pdf, as of 24 February 2022

6.1 Direct costs

The direct costs mainly concern fees and remunerations paid to the company's partners involved in the IPO. Depending on the issue volume, these costs usually range between 3 and 15 per cent of the gross proceeds from the IPO. Those responsible should bear in mind that they can largely be performance-based and are only incurred in the event of a successful IPO. This does not, however, apply to fees charged by the market supervisory authorities, e.g. for review and approval of the application for admission and the prospectus.

In addition to one-off direct costs, there are ongoing direct costs, which usually include the ongoing fees to be paid to the listing venue(s), the advisory firm(s) or sponsor and the auditor(s). For most large companies, ongoing fees should not be a major burden. In addition to fees, issuers seeking a listing incur various indirect (non-monetary) costs associated with a listing.

6.2 Indirect costs

Especially in the preparation phase of an IPO, opportunity costs may arise on the part of the employees tied up in the projects of the IPO process, keeping them from their regular tasks and responsibilities. Further one-off indirect costs are caused by, amongst others:

- The possible IPO undervaluation of the company in the context of the IPO, e.g. during a poor market phase
- The costs associated with the disclosure of proprietary information through the prospectus
- The time invested by the management as well as the regulatory burden when going public

The ongoing indirect costs of a listing are pivotal. They must be considered from the earliest stages of making the decision to go public. Broadly speaking, these ongoing costs are caused by:

- The administrative burden associated with regular reporting and disclosure, which have generally increased in scope and frequency;

- Control issues
  – In the event that economic rights and voting rights are proportionate, companies cannot conduct an IPO without relinquishing some degree of control.

- Agency costs associated with public company status (costs in terms of time, capital and material)
  – These arise when a task is carried out by a representative (agent) rather than the original principal, resulting in discrepancies between the principal’s wishes and the agent’s behaviour due to self-interest.

- Costs for ongoing investor relations and the fulfilment of disclosure requirements

- Legal risks arising from potential securities class action lawsuits
  – Particularly in the US, these are among the most significant legal challenges for IPO candidates. Class actions can be both costly and reputationally damaging to the issuer.

Side note: The increasing relevance of ESG for IPOs

The European Union is committed to making Europe the world's most sustainable economic region. The "Green Deal" serves this goal, stating the intention of the 27 EU member states to achieve climate neutrality by 2050. One instrument to support this transformation process is Sustainable Finance, which requires investors to consider environmental, social and governance (ESG) aspects when making investment decisions. These measures are intended to direct the flow of funds within the EU towards sustainable companies and projects.

The Sustainable Finance Initiative therefore already has an impact on companies going public. Due to the disclosure requirements regarding the extent to which investment ESG criteria are fulfilled, investors demand comprehensive information on the companies' sustainability. The fulfilment of these disclosure requirements, such as the submission of a non-financial statement, meets this information need. BlackRock, as one of the largest private investors, already declared sustainability to be the new investment standard in 2020 (BlackRock Client Letter 2020). An increasing number of investors are following this example.

Figure 19: ESG criteria, based on the UN Sustainable Development Goals

1. Environment	2. Social issues	3. Responsible government
▪ Climate change and necessary adjustments ▪ Protection of biodiversity ▪ Sustainable use and protection of water and maritime resources ▪ Transition to a circular economy, waste avoidance, recycling ▪ Avoidance and reduction of environmental pollution ▪ Protection of healthy ecosystems ▪ Sustainable land use	▪ Compliance with recognised labour standards (exclusion of modern slavery) ▪ Compliance with occupational health and safety regulations ▪ Adequate pay, fair working conditions, diversity, and training opportunities ▪ Trade union rights and freedom of association ▪ Ensuring adequate product safety, including health protection ▪ Equal requirements to companies in the supply chain ▪ Inclusive projects or consideration of communities' and social minorities' interests	▪ Tax compliance ▪ Anti-corruption measures ▪ Sustainability management by senior management ▪ Executive board remuneration of AG and SE based on sustainability criteria ▪ Facilitation of whistleblowing ▪ Workers' rights guarantees ▪ Data protection guarantees

Source: Deutsche Börse AG

Companies are therefore well advised to develop an ESG strategy early on, to fulfil the specified ESG criteria before addressing investors in the context of an IPO.

With the fulfilment of ESG criteria alongside professional reporting and management of the data, companies meet the following important capital market requirements:

Capital attraction

- Investors increasingly demand companies' commitment to a higher degree of transparency on ESG-related data and risks.
- High levels of disclosure and reporting enable investors and capital markets to include ESG-related data and risks into their investment decisions and thus better align them with sustainable practices for a positive effect.

Regulatory compliance

- National and international regulators are increasingly issuing mandatory reporting guidelines on disclosure requirements for data on companies' ESG activities (e.g. the EU NFRD and CSRD directives).
- Although the current scope of this legislation only applies to large companies, it is likely to expand, and companies should act now to be well-prepared.

Corporate sustainability performance

- The improvement of ESG performance and publication of the required reports substantiate a company's risk mitigation and delivery of long-term financial returns.
- By implementing an ESG reporting concept within their organization, companies achieve a better understanding of their individual risks and opportunities.

Corporate reputation

- ESG reporting is an important component of sustainability performance and sustainability impact communications, thus fostering the trust placed in companies.
- Disclosure and effective management are powerful signals to the outside world of a company's commitment to sustainable business practices.

With the newly created Deutsche Börse ESG Visibility Hub, Deutsche Börse proactively supports issuers on their journey, acting as a driver in the transformation to a sustainable economy.

Picking up on the capital market megatrend, Deutsche Börse offers issuers the opportunity to market their ESG efforts in a transparent and focused way via the ESG Visibility Hub. Companies that have already established their sustainability reporting can thereby extend their investor reach and provide all stakeholders a basis for decision-making.

7. The Frankfurt trading venue

Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange), as a synonym for the listing venue Frankfurt and its marketplaces, is the most important trading centre in Germany and one of the world's largest trading venues for securities. Deutsche Börse AG operates the Frankfurt Stock Exchange, an entity under public law. In this capacity, it ensures the functioning of exchange trading. In 1990, administration and operation of the Frankfurt Stock Exchange were transferred from the Frankfurt Chamber of Commerce and Industry to the newly founded Frankfurter Wertpapierbörse AG, which became Deutsche Börse AG shortly afterwards. The Frankfurt Stock Exchange thus formed the nucleus of today's Deutsche Börse Group. As one of the world's largest exchange operators, Deutsche Börse's offering at the Frankfurt trading venue covers the entire service chain for trading in shares, derivatives and other financial instruments. In addition to the supervised execution of trading orders, services also include the clearing, settlement and custody of securities.

The Frankfurt Stock Exchange is an international trading centre. This is also reflected in the structure of its participants. Of the approximately 200 market participants, roughly half are from countries other than Germany.[8)]

At Germany's largest stock exchange, 1.5 million securities from German and international providers are traded on its two trading platforms: Xetra® and Specialist trading at Börse Frankfurt.

7.1 Xetra

Xetra is Deutsche Börse's fully electronic trading venue. 90 per cent of overall share trading in Germany takes place on the Xetra trading venue, where supply and demand are automatically matched.

Xetra is therefore the ideal trading venue for highly liquid (i.e. frequently traded) securities, such as the 40 DAX® constituents. On Xetra, companies benefit from high transparency, low trading costs, fast execution and fair prices, as supply and demand are extremely high. The system serves as a global reference market for trading German blue chips and has become the most important market for ETFs in Europe.

8) Deutsche Börse AG, URL: https://www.deutsche-boerse.com/dbg-en/our-company/frankfurt-stock-exchange, as of 08 March 2022

7.2 Börse Frankfurt

The principle of fully electronic execution does not work for foreign, less heavily traded shares with a home market outside Germany, bonds, and classic funds. These securities may lack the necessary liquidity if supply and demand are low and the order, unprocessed, would either remain in the order book or investors might have to sell or buy at an unfavourable price.

To bridge this gap, Deutsche Börse offers the Specialist trading model via the Frankfurt Stock Exchange. While Specialist trading is also conducted electronically, it differs from Xetra in that Specialists are involved in the trading process, ensuring that orders can be executed at a fair price in line with the market, even in a non-liquid security. The method of price determination is clearly laid down in the Rules and Regulations for the Frankfurt Stock Exchange, and its execution is monitored. Specialists are obliged to keep the difference between purchase and sale prices, the trading margin, as small as possible, to reduce the costs for buyers and sellers.

However, the Specialists' most important service is the continuous supply of buy and sell offers in the quantities which these prices apply to. In this way, they bridge situations in which no suitable order from another investor is available in the market to match to the customers' order and it would simply remain in the order book unprocessed.[9)]

7.3 Advantages of the Frankfurt trading venue

In addition to the factors mentioned above, there are various other significant aspects to consider when choosing a stock exchange. The advantages of a listing on the Frankfurt trading venue:

Global market operator: As the most important financial centre in the heart of Europe, Frankfurt is home to numerous international financial institutions and investors as well as various supervisory authorities and the ECB. With its Group headquarters located there, Deutsche Börse is optimally positioned to pave the way for companies onto the global stage.

International investors: An IPO in Frankfurt offers access to international trading participants. With Xetra and Börse Frankfurt, Deutsche Börse operates trading venues renowned both nationally and internationally. The share of foreign securities on Xetra accounts for around 68 per cent of the total trading volume.

Stable environment: In times of global uncertainty, Deutsche Börse is a reliable partner in the German financial system and international capital market.

Visibility alongside global market leaders: Listing next to global brands and market leaders can enhance your company's international reputation. Strong peer groups span all industries and company sizes, from start-ups to SMEs, to large blue chips.

9) Deutsche Börse AG, URL: https://www.boerse-frankfurt.de/en/first-steps/die-handelsplaetze-der-deutschen-boerse, as of 08 March 2022

Customised, reliable listing segments: Companies seeking access to the capital market benefit from a time- and cost-efficient IPO with a straightforward admission process and tailor-made primary market segments with clear transparency standards and high credibility within the market.

Attractive indices for passive flow: Inclusion in indices grouping representative securities of a certain stock market segment can create additional liquidity for the issuer, as they can be accessed by investors via passive products such as ETFs.[10)]

Highest transparency obligations: Via clearly regulated and manageable follow-up obligations in Prime Standard, transparency obligations ensure confidence among international investors.

Another important argument in favour of a listing on the Frankfurt Stock Exchange is the approach of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin), which carries out a confidential and reliable review of the securities prospectus in close cooperation with the issuer (direct communication between the applicant and the supervisory authority).

In the approval process, the parties usually come to an early agreement on the concrete schedule. The filing and commenting process are extremely plausible and clear. In addition, unlike in the US, commenting procedures are not made public in Germany and BaFin's review is limited to the prospectus and other public information. The application of a single set of corporate governance rules (German Corporate Governance Code) ensures the necessary transparency for investors.

With the International Sustainability Standards Board (ISSB), which has had a local office here since November 2021, the financial centre Frankfurt has the potential to become the centre for ESG standards in Europe. Recently, the IPO market in Europe, and especially in Frankfurt, has developed favourably. Both the number of IPOs and the aggregate placement volume have increased. At the Frankfurt Stock Exchange, this is particularly true for the technology sector, which accounted for 60 per cent of IPOs in 2021.

10) Deutsche Börse AG, URL: https://www.deutsche-boerse-cash-market.com/dbcm-en/primary-market/going-public, as of 09 March 2022

8. Deutsche Börse Venture Network

Innovations are vital to economic development. Start-ups are important drivers but lack access to the capital they require to bring their innovations to market maturity. The Deutsche Börse Venture Network is part of a growth ecosystem, created to support young growth companies through various phases of their development and connect them with suitable investors.

At its core, it is the mission of the Deutsche Börse Venture Network to bring companies and investors together in a transparent and regulated environment.

This ranges from the pre-IPO area, where start-ups and IPO candidates benefit from knowledge and experience as well as a strong network in financing through venture capital or private equity, to exchange segments tailored to the needs of different companies. They are supported not only by Deutsche Börse, but also by banks and advisors, for example from the Deutsche Börse Capital Market Partner network.[11]

9. Choosing a market segment

In Europe, there are basically two different ways for companies to go public. They can either choose to do so on EU-regulated markets or on markets regulated directly by the respective stock exchange.

The fundamental difference lies in the admission requirements and disclosure obligations applicable to the respective securities.

Figure 20: Overview EU-regulated market and exchange-regulated market

Source: Deutsche Börse AG

11) Cf. Deutsche Börse AG, in: IPO-Broschüre: Zukunftsperspektive Kapitalmarkt – Weichen stellen, Wachstum gestalten, p. 13, 22 May 2019, URL: https://deutscheboerse.com/resource/blob/1551196/73937bc82161732865db896035fb929d/data/ipo-broschuere_de.pdf, as of 09 March 2022

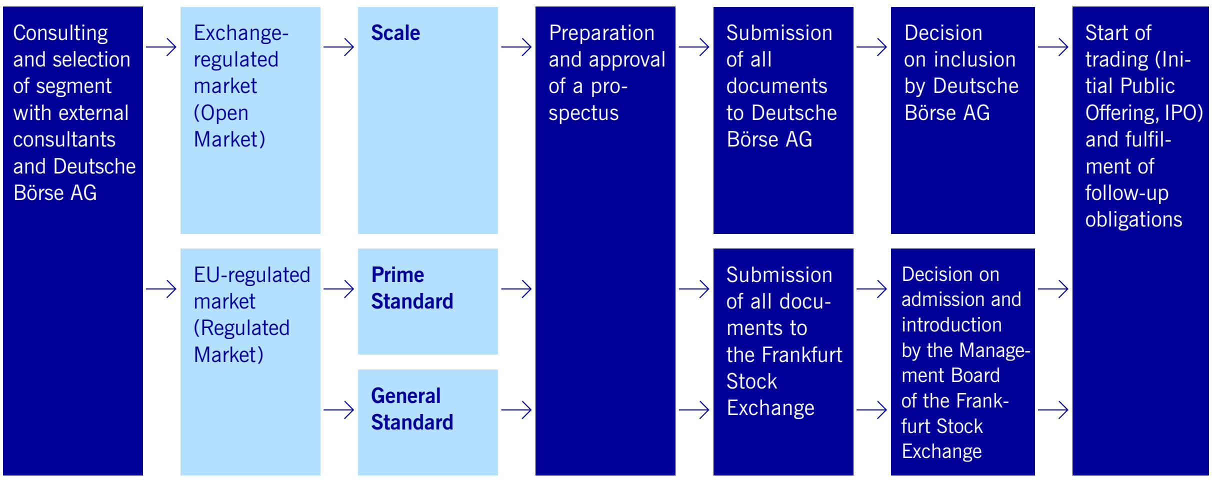
Issuers on the Regulated Market meet uniformly high, EU-wide requirements. The Regulated Market is therefore primarily aimed at large and medium-sized companies which are willing and able to meet these requirements and attract national and international investors. The admission requirements are thus more restrictive than those of the Open Market.

An IPO on the Regulated Market of the Frankfurt Stock Exchange leads issuers either to the General Standard or to the Prime Standard, a sub-segment of the Regulated Market with further post-admission obligations and increased transparency requirements.

By comparison, the Open Market is considered a market regulated by the stock exchange and is thus not an organised market within the meaning of the Securities Trading Act. Unlike the Regulated Market, which is governed by public law, the Open Market is organised under private law.

The different transparency requirements (admission and inclusion obligations) for the respective segments of the Regulated Market, Prime Standard and General Standard, as well the Open Market segment Scale, are examined in more detail below.

Figure 21: The listing process: step by step



Source: Deutsche Börse AG, in: EU-regulierter Markt: General Standard für Aktien und Prime Standard für Aktien Open Market: Scale für Aktien Wesentliche Zulassungs- bzw. Einbeziehungsvoraussetzungen und Folgepflichten, p. 1, February 2019, URL: https://www.xetra.com/resource/blob/1514900/96c7de8755a816b1633233c2358b85af/data/Factsheet:%20EU-regulated%20market:%20Segments%20overview.pdf, as of 02 March 2022

Depending on the listing goals, primary target investors and envisaged level of transparency, the candidate may choose between the General Standard and the Prime Standard in the Regulated Market of the Frankfurt Stock Exchange – the latter being the sub-segment with the highest European transparency requirements.

9.1 Prime Standard and General Standard

The Prime Standard is the segment with the highest requirements, both on the Frankfurt Stock Exchange and in all of Europe. The applicable follow-up obligations go beyond those of the General Standard and must be fulfilled in addition. The extended follow-up obligations of the Prime Standard are characterised by more far-reaching transparency requirements. For example, all required documentation must be provided in English. The Prime Standard is therefore the right choice for issuers intending to chiefly target an international audience of investors.

The admission requirements for the Prime Standard as well as the individual follow-up obligations are specified in the Rules and Regulations for the Frankfurt Stock Exchange. Upon application, the Management Board of the Frankfurt Stock Exchange shall decide on admission to the Prime Standard. The application may be submitted together with the application for admission to the Regulated Market (General Standard). In the General Standard, the applicable legal requirements are those of the Regulated Market. The relevant admission requirements and follow-up obligations are governed by the Stock Exchange Act, the Exchange Admission Regulation, and the Exchange Rules for the Frankfurt Stock Exchange. Following application, the Management Board of the Frankfurt Stock Exchange decides on the admission to the Regulated Market (General Standard).

Issuers in the General Standard meet the high transparency requirements of the Regulated Market. The General Standard is thus primarily suitable for medium-sized and large companies intending to address national investors and opting for a low-cost listing.[12)]

A detailed overview of the basic transparency requirements (admission or inclusion requirements) prior to and following an IPO, applicable to the Regulated Market (Prime Standard and General Standard) as well as to the Open Market (Scale) is provided at the end of the following section.

9.2 Open Market: Scale

Scale is a segment of the Open Market (Freiverkehr) admitted by the Frankfurt Stock Exchange. The requirements and follow-up obligations are stipulated in the General Terms and Conditions of Deutsche Börse AG for the Regulated Unofficial Market (Freiverkehr) on Frankfurter Wertpapierbörse.

Scale for shares, Deutsche Börse's segment for small and medium-sized growth companies, offers an efficient means of equity financing via a legally registered SME growth market in accordance with uniform EU standards.

Inclusion requirements tailored to SMEs and the associated follow-up obligations make it easier for companies to raise capital and access national and international investors.

12) Deutsche Börse AG, URL: https://www.deutsche-boerse-cash-market.com/dbcm-en/primary-market/going-public/markets, as of 02 March 2022

Figure 22: Main prerequisites for admission or inclusion

	Regulated Market General Standard / Prime Standard	**Open Market (regulated unofficial market)** Scale
Applicant	**Admission of securities:** issuer together with a co-applicant (trading participant on a domestic stock exchange) **For certificates representing shares:** issuer of the certificates and issuer of the shares represented together with a co-applicant **Introduction of securities to trading:** issuer	Issuer together with an applying Deutsche Börse Capital Market Partner® (bank or financial service institution)
Prospectus/inclusion document	Valid, approved and published prospectus	Inclusion document or in case of a public offer a valid, approved and published prospectus
Accounting standards	**Consolidated financial statements:** International Financial Reporting Standards (IFRS) or national accounting standards that are recognised as equivalent by the EU. **Individual financial statements:** national accounting standards or IFRS	National accounting standards (for issuers with a registered office in the EU or EEA states) or International Financial Reporting Standards (IFRS)
Reporting history/ company history	At least 3 years	At least 2 years
Market capitalisation	Minimum of €1.25 million	Estimated minimum market capitalisation of €30 million at the time of the inclusion into trading
Minimum quantity	At least 10,000 shares	No minimum quantity
Par value	No restriction	No restriction
Free float	Minimum of 25% among the member states of the EU or the EEA and at least 100 shareholders	At least 20% of the shares or at least 1 million shares or certificates representing shares distributed to the public (applies only if the minimum par value is €1 or, in the case of notional no-par value shares, each have an arithmetic par value of at least €1)
Clearing and settlement	Securities must be deliverable through Clearstream	Securities must be deliverable through Clearstream
Fulfilment of at least three of the following criteria/ performance indicators	Not required	▪ Turnover of at least €10 million ▪ Earnings of the year at least €0 ▪ Equity capital more than €0 ▪ Number of employees of at least 20 people ▪ Accumulated equity capital before IPO of at least €5 million
Financial analysis (equity research)	Not required	Completed and signed confirmation regarding financial analyses. In this confirmation, the issuer names the Capital Market Partner for the preparation of the financial analyses and confirms that it will publish the financial analyses on its website.

	Regulated Market General Standard / Prime Standard	**Open Market (regulated unofficial market)** Scale
Documents to be submitted	▪ Prospectus and certificate of approval ▪ Excerpt from the commercial register ▪ Articles of incorporation or of association ▪ Resolutions of the executive board and the supervisory board ▪ Certificate of incorporation ▪ Copy of the global certificate ▪ Legal Opinion (where appropriate) ▪ Audited annual financial statements of the last 3 years	▪ Prospectus and certificate of approval or inclusion document ▪ Excerpt from the commercial register ▪ Articles of incorporation or of association ▪ Contract with supporting Deutsche Börse Capital Market Partner ▪ Audited annual financial statements and the management report of the last two years (last one audited) ▪ Half-yearly financial statements, if applicable ▪ Confirmation regarding financial analyses

Prime Standard and General Standard as well as Open Market (Scale)
Source: Deutsche Börse AG, as of 01 April 2022

9.3 Deutsche Börse support services

Deutsche Börse offers services to support companies on their IPO journey, increase placement reach and open up advantages for post-IPO success: Deutsche Börse Capital Market Partners assist companies in preparing for the important step onto the capital market stage and provide competent ongoing support.[13)] Appropriate equity research ensures transparency and comparability, and issuers reach family offices, asset managers and private investors via the DirectPlace subscription functionality. After their IPO or the start of trading, companies are under increased public scrutiny, with investors, analysts, business partners, competitors and the media closely following their development. This opens up opportunities but also entails certain obligations, especially towards investors.

Depending on the segment, these include various transparency requirements (admission or inclusion follow-up obligations):

13) https://www.deutsche-boerse-cash-market.com/dbcm-en/primary-market/capital-market-partner

Figure 23: Main follow-up obligations arising from admission or inclusion in the Regulated Market

	Regulated Market General Standard[1]	Prime Standard[2]	**Open Market (regulated unofficial market)** Scale[2]
Annual financial report/ annual financial statements	Publication of the annual financial report within **4 months** after the expiration of the reporting period	Submission of the annual financial report within **4 months** after the expiration of the reporting period	Submission of the audited annual financial statements and the management report within **6 months** after the expiration of the reporting period
Half-yearly financial report/ half-yearly financial statements	Publication of the half-yearly financial report within **3 months** after the expiration of the reporting period	Submission of the half-yearly financial report within **3 months** after the expiration of the reporting period	Submission of the half-yearly financial statements and the interim management report within **4 months** after the expiration of the reporting period
Quarterly statement	Not required	Submission of the quarterly statement within **2 months** after the expiration of the reporting period	Not required
Disclosure obligations/ main information obligations	Ad hoc disclosures, directors' dealings, insider lists, notifications of voting rights	Concurrent ad hoc disclosures in German and English, directors' dealings, insider lists, notification of voting rights	Ad hoc disclosures, directors' dealings, insider lists (by law) as well as notification of Deutsche Börse AG about significant changes concerning the issuer or included securities (in accordance with the Terms and Conditions of Deutsche Börse)
Corporate calendar	Not required	Continuous update and submission of the corporate calendar	Continuous update and submission of the corporate calendar
Analyst conference/Information event for analysts and investors	Not required	At least once a year	At least once a year
Financial analysis (equity research)	Not required	Not required	Publication of initial research no later than six weeks after inclusion in Scale and publication of research updates no later than two weeks after expiry of the expiry of the submission deadline for the annual financial statements or half-yearly financial statements
Disclosure language for follow-up inclusion obligations	German or English	German or English	German or English
Contract with a supporting Deutsche Börse Capital Market Partner	Not required	Not required	Contractual relationship with a supporting Deutsche Börse Capital Market Partner for the entire duration of the inclusion

1) The competent supervisory authority regarding compliance with follow-up obligations is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, German Federal Financial Supervisory Authority).

2) All reports and documents must be submitted to Deutsche Börse AG via the Exchange Reporting System (ERS®).

Prime Standard and General Standard as well as Open Market (Scale)
Source: Deutsche Börse AG, as of 01 April 2022

9.4 Inclusion in equity indices

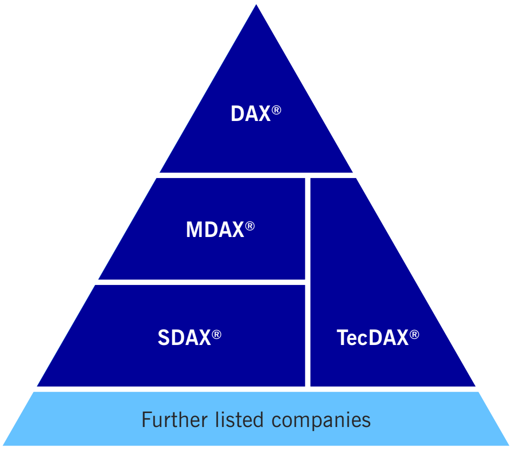
The establishment of European benchmark indices raises the public profiles of the companies listed on the Frankfurt Stock Exchange, among European as well as non-European investors. The indices also facilitate the comparison of shares within specific industries and sectors. Major benchmark indices are the EURO STOXX®, STOXX® Europe 600 Technology Index, STOXX® All Europe 800, EURO STOXX 50® ESG and STOXX® Global 1800 Technology.

An equity index indicates the value of a defined stock portfolio at a particular point in time. The calculation of the indices is based on clear rules. They reflect individual market segments, sectors, groups of shares or certain themes and trends. An equity index is thus suitable as an indicator of stock market climate, the economy or the development of individual sectors. Examples of important equity indices are DAX® (Germany), EURO STOXX (Europe), Dow Jones Industrial Average, and Nasdaq (US).

DAX is the best-known German stock market barometer and tracks the performance of the 40 largest companies on the German stock market. DAX is a trademark brand of Qontigo Index GmbH, which belongs to Deutsche Börse Group. The index is both a barometer for the German economy and a benchmark for a variety of financial products.[14] The selection index tracks the largest companies listed on the Frankfurt Stock Exchange. In addition to DAX, the DAX index family includes other indices such as MDAX®, which tracks the 50 largest companies immediately below the companies included in DAX; TecDAX®, which focuses on technology companies, and SDAX®, which includes the 70 largest companies below MDAX.

The composition of the indices is reviewed on a quarterly basis, with clear and transparent rules determining the inclusion or exclusion of companies.[15]

Figure 24: Overview DAX index family



Source: Deutsche Börse AG, URL: URL: https://www.deutsche-boerse.com/dbg-en/media/deutsche-boerse-spotlights/spotlight/DAX-benchmark-and-barometer-for-the-German-economy-139948, as of 08 March 2022

The process of going public marks a major milestone in a company's history and opens up various opportunities. Deutsche Börse's services support companies throughout the listing process and beyond.

14) Cf. Deutsche Börse AG: Factsheet Equity Index DAX Index, 30 September 2021, URL: https://www.dax-indices.com/document/Resources/Guides/Factsheet_DAX%20EUR_GR.pdf, as of 08 March 2022

15) Cf. Deutsche Börse AG: Guide to the DAX Equity Indices, 25 February 2022, URL: https://www.dax-indices.com/document/Resources/Guides/DAX_Equity_Indices.pdf, as of 08 March 2022

10. Case studies
10.1 TeamViewer AG

TeamViewer was founded in 2005 in Göppingen. Its technology enables users to connect to any type of device anytime, anywhere. It provides secure remote access, support, control and collaboration features to help businesses of all sizes realise their full digital potential. More than 2 billion devices have thus far been activated and up to 45 billion devices are online at any given time.

In 2019, the technology company completed the largest IPO in this industry since the German Neuer Markt segment. It was able to place all offered shares and realise an issue price in the upper half of the price range. The existing shares were placed by its sole owner Permira Holdings Ltd. They started trading at the issue price and rose significantly over the following months. Permira Holdings Ltd. further reduced its stake in the company over the course of four further placements. Free float has meanwhile increased to 79.9 per cent, further improving the liquidity of the share.
On 23 December 2019 – three months after its IPO – TeamViewer was admitted to the MDAX® and TecDAX®.

Information on first quotation

First trading day	25 September 2019
Sectori/Subsector	Software/Software
Segment	Prime Standard
Placement volume	€1.97 bn
Issuing method	Bookbuilding procedure
Bookbuilding range	€23.50–27.50
Subscription price	€26.25
First price	€26.25
Total market cap on first quotation	€5.3 bn
Joint global coordinators	Goldman Sachs, Morgan Stanley
Joint bookrunners	BofA Securities, Barclays
Free float after listing	37.5%

10.2 Vantage Towers AG

Vantage Towers, a subsidiary of Vodafone Group Plc, was founded in 2020 and is headquartered in Düsseldorf. With around 82,000 macro sites in ten countries, it is a leading radio mast operator in Europe, connecting people, businesses and internet-enabled devices, in both urban and rural areas. The portfolio of Vantage Towers includes towers, masts, rooftop sites, Distributed Antenna Systems (DAS) and Small Cells. By building, operating and leasing this passive infrastructure to wireless network operators, Vantage Towers contributes significantly to connectivity and the sustainable digitalisation in Europe.

Its IPO was the largest in 2021, with an issue size of €2.3 billion. The shares were offered in a re-placement by the previous sole owner Vodafone Group Plc. During the nine-day subscription period for the carve-out, all shares offered were placed. Vodafone Group Plc remained the majority shareholder with an 81.05 per cent stake. At the start of trading, the share gained 3.3 per cent on the issue price. Three months later, the shares were admitted to the SDAX® on 21 June 2021 and to the MDAX® on 20 September 2021, with simultaneous admission to the TecDAX®.

Information on first quotation

First trading day	8 March 2021
Sector/Subsector	Telecommunication/Telecommunication services
Segment	Prime Standard
Placement volume	€2,22 bn
Issuing method	Bookbuilding procedure
Bookbuilding range	€22.50 – 29.00
Subscription price	€24.00
First price	€24.80
Total market cap on first quotation	€12.54 bn
Joint global coordinators	BofA Securities, Morgan Stanley, UBS
Joint bookrunners	Barclays, Berenberg, BNP PARIBAS, Deutsche Bank, Goldman Sachs, Jefferies
Free float after listing	18.95%

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