

J.P.Morgan

2025 EMEA Exit Report

EMEA Innovation Economy



Executive summary

Across EMEA, mergers and acquisitions (M&A) continue to be the primary exit strategy for venture-backed companies. This trend is evident as M&A accounts for over 85% of venture-backed exits in the last five years. U.S.-based companies have emerged as the leading acquirers of EMEA startups, driven by their desire to expand into new markets, products and geographies. While corporations predominantly lead these acquisitions, venture-backed companies are becoming increasingly active in the EMEA market.

In contrast, EMEA-based, venture-backed companies are going public at a decade low. This decline is influenced by geopolitics, economic uncertainty and market volatility, which have collectively dampened investor sentiment. There is a general trend for companies to stay private longer as the bar has risen to access public markets. Mega rounds are on the up, suggesting a building pipeline of exits. Although recent venture-backed IPO valuations have shown signs of recovery, the number of companies listing remains limited. In 2021, there was unprecedented IPO activity with a significant number of companies going public, resulting in a wide disparity between median and average valuations. As activity slowed in 2022 and 2023, this gap decreased, but recent larger IPOs have widened the range toward 2021 highs.

The market's ability to accommodate larger IPOs is a positive sign, even though overall activity remains subdued. Still, U.S. stock market indices generally outperform compared to those in EMEA, though this outperformance is mainly driven by the Magnificent 7. Nonetheless, the challenging market conditions have contributed to a slowdown in venture-backed IPOs since 2021. In response, secondary activity has increased, as these transactions can help bridge the liquidity gap.

As venture-backed companies consider going public, two important factors to consider are selecting a suitable exchange to list on and preparing a corporate governance plan. The same type of preparation is crucial for founders, as there are several financial, operational and personal considerations to think through to ensure a well-planned exit.

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Contents

01 Exit activity for EMEA-based companies

- i. EMEA exit landscape: Founders weigh up the options
- ii. M&A overview: Small-scale M&A dominates the landscape
- iii. M&A themes: US firms tap EMEA companies to access new markets and innovation
- iv. IPO breakdown: Is Europe staying private longer?

02 Comparison of US and EMEA public markets

- i. US market performance a boon for US unicorns
- ii. IPO pricing: A more measured approach
- iii. IPO fundamentals: Companies aim for Rule 40 at the time of IPO
- iv. Post-IPO performance: Coming to terms with being public

03 Founder considerations for different exit scenarios

- i. Navigating an IPO: Choosing the right exchange
- ii. Preparing for a potential exit: Corporate governance considerations
- iii. From vision to victory: Crafting a well-planned exit for founders
- iv. Thinking through the details: Founder considerations for exit scenarios

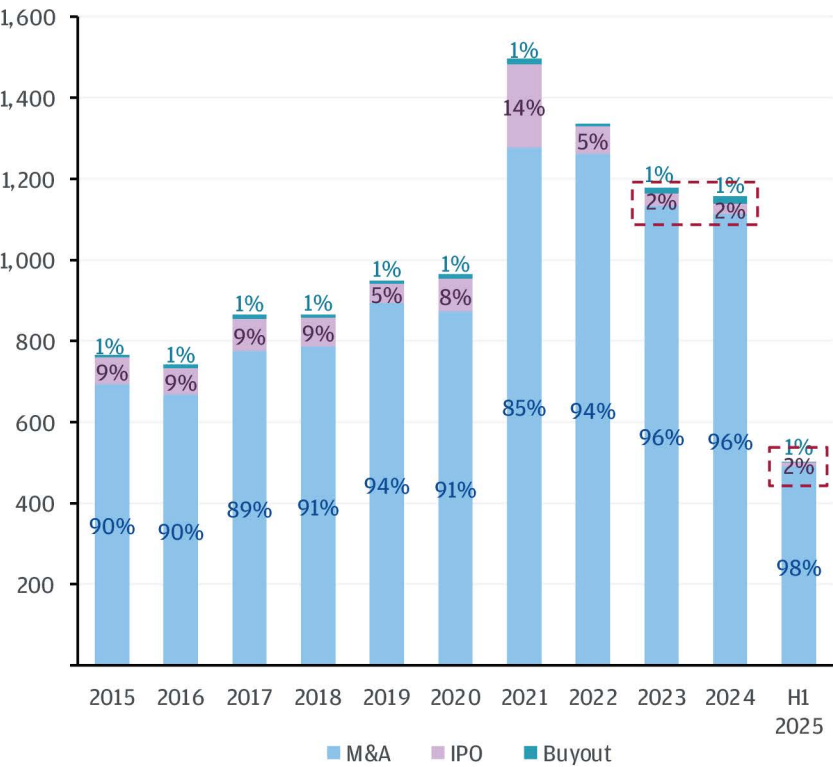
01

Exit activity for EMEA-
based companies

i. EMEA exit landscape: Founders weigh up the options

Since 2021, IPOs have represented a shrinking portion of venture-backed exits, at around 2%, in part due to market volatility and macro and geopolitical conditions. In 2021, EMEA-based companies that went public raised \$16.0 billion compared to \$3.4 billion in 2024. A strong exit and liquidity environment is essential for recycling capital back into the venture ecosystem. A healthy mix of exit types is important, especially considering the magnitude of proceeds that come from IPOs.

STARTUPS FAVOR M&A AS IPO SHARE DECLINES
EMEA-BASED, VENTURE-BACKED COMPANY EXIT COUNT BY TYPE



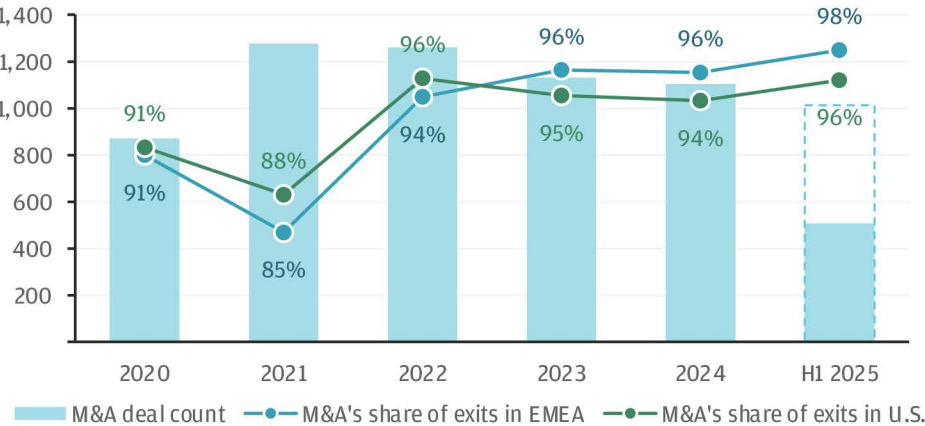
WEIGHING THE DIFFERENT OPTIONS FOR LIQUIDITY
CONSIDERATIONS FOR FOUNDERS

OPTIONS	BENEFITS	CONSIDERATIONS
M&A	<ul style="list-style-type: none">Creates strategic synergies to enhance market positioningLikely to result in higher valuation leveraging strategic rationaleLess onerous, but more nuanced process due to different end results based on share of the company sold	<ul style="list-style-type: none">May result in heavy valuation negotiation with potential for deferred compensation, or equity instead of cashIn the case of a full transaction, complete loss of control over the companyExecution risk of successful post-transaction operational integration
Financial sponsor buyout (PE)	<ul style="list-style-type: none">Deep pockets of capital that can offer liquidity to institutional shareholders and founders, with longer-term focus versus short-term public market scrutinyCan bring operational support and expertise in addition to financial resourcesFaster process with streamlined decision-making and defined time frame	<ul style="list-style-type: none">Likely to result in significant control position for the sponsor with standard minorities protectionTypically involves heavily leveraging the company with debtMore challenging valuation negotiationsNo strategic considerations unless combining with existing portfolio company
IPO	<ul style="list-style-type: none">Most liquid exit route for institutional shareholders and foundersProvides access to the widest and deepest pool of capitalEnhances companies' branding and investors credibility in executing complex transactions	<ul style="list-style-type: none">Sometimes onerous and lengthy execution processSubject to continuous scrutiny from various stakeholders including regulatorsHigh execution risk based on market conditionsDependent on peer multiples
Status-quo (Staying private)	<ul style="list-style-type: none">Retain control and confidentiality over the company operationsNo short-term price fluctuationsRetain optionality to trigger a liquidity event when market conditions are most favourable	<ul style="list-style-type: none">More limited access to capital and might require existing shareholders' supportDelayed liquidity event for institutional shareholders and founders

ii. M&A overview: Small-scale M&A dominates the landscape

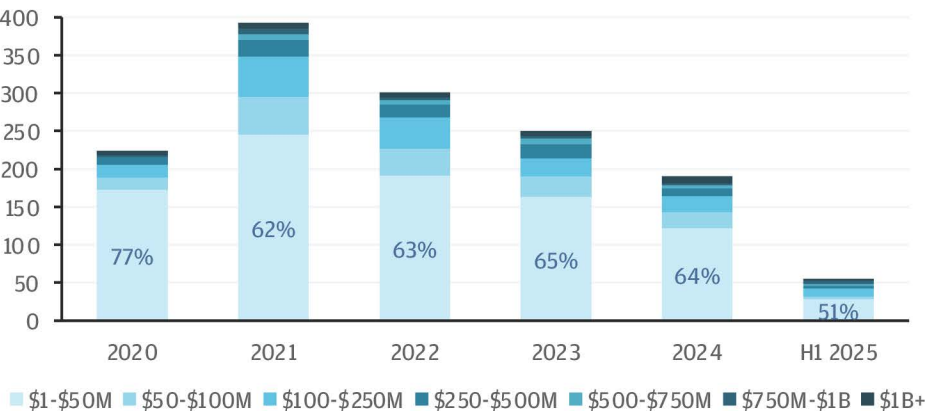
ROBUST M&A ACTIVITY DRIVES VENTURE-BACKED EXITS

M&A DEAL COUNT FOR EMEA-BASED, VENTURE-BACKED COMPANIES¹



SMALL DEALS (\$1M-\$50M) MAKE UP THE MAJORITY OF STARTUP M&A

EMEA-BASED, VENTURE-BACKED ACQUISITIONS BY DEAL SIZE⁴

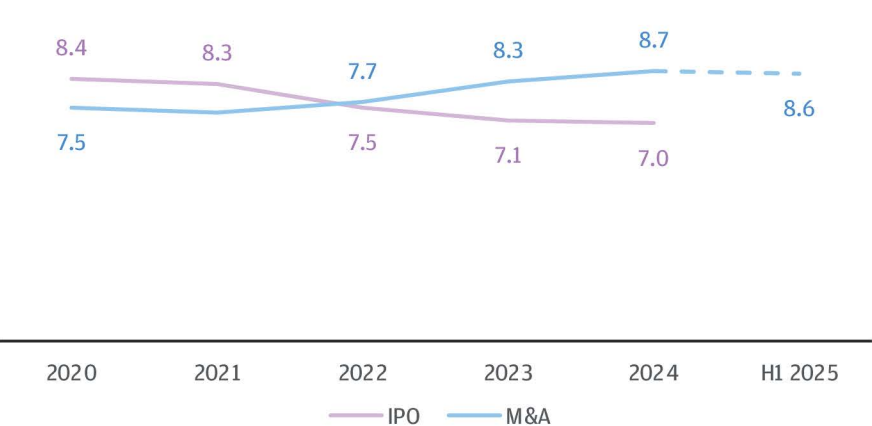


Notes: ¹ Full year 2025 is extrapolated based on H1 2025 trend, as represented by the dotted line bar in 2025. ² Time to exit is calculated as years between exit deal date and founding. ³ H1 2025 median time to exit via IPO was excluded due to small sample size.

⁴ Deals with no deal size stated were excluded. ⁵ YTD 2025 as of 08/15/25.

COMPANIES ARE TAKING LONGER TO EXIT VIA M&A

MEDIAN TIME (YEARS) TO EXIT FOR EMEA-BASED COMPANIES BY EXIT TYPE^{2,3}



LONGER EXIT TIMELINES NECESSITATE RAISING ADDITIONAL FUNDING

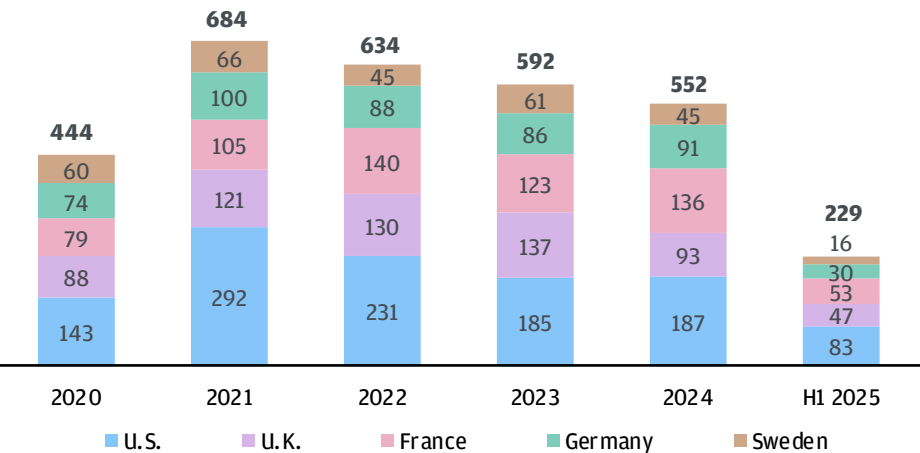
FUNDING RAISED BEFORE ACQUISITION (Y-AXIS) FOR EMEA-BASED, VENTURE-BACKED COMPANIES⁵



M&A continues to be the primary exit strategy for venture-backed companies based in EMEA, reflecting a similar trend observed in the U.S. M&A activity has remained robust, with 2025 on track to remain in line with the last few years. Even though activity is healthy, startups are taking longer to exit via M&A, surpassing the time to exit via IPO in 2022. Most deals with disclosed pricing are small, ranging between \$1M and \$50M. Note, around 70% of M&A deals in the past decade have not had their prices disclosed. However, M&A activity of companies that have raised over \$100M in funding has picked up, rising from 12 transactions in 2020 to 38 in 2023 and 30 in 2024. For acquisitions above \$100 million, companies typically raised between \$30 million and \$56 million before the deal closed.

iii. M&A themes: US firms tap EMEA companies to access new markets and innovation

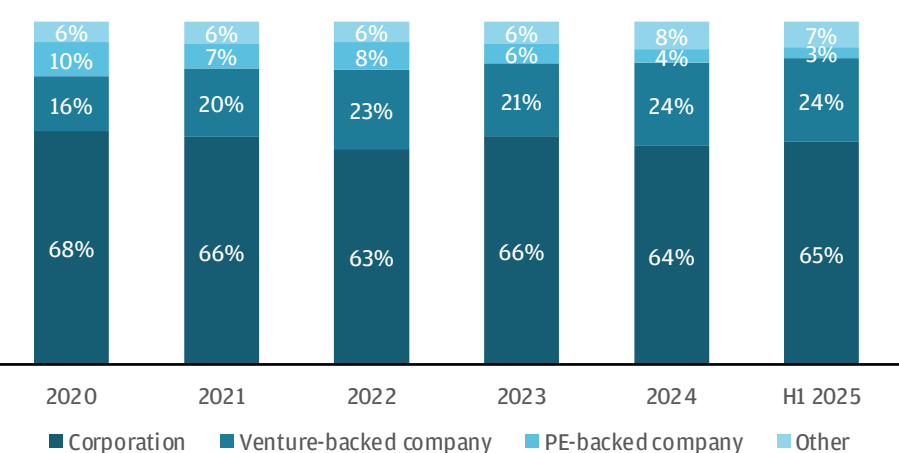
US COMPANIES ARE THE TOP ACQUIRERS OF EMEA-BASED STARTUPS
TOP ACQUIRERS' ACQUISITION COUNT BY COUNTRY FOR EMEA-BASED, VENTURE-BACKED COMPANIES¹



ARTIFICIAL INTELLIGENCE TOPS THE LIST OF TARGET COMPANY SECTORS
TOP SECTORS FOR EMEA-BASED, VENTURE-BACKED ACQUISITIONS³

2020	2021	2022	2023	2024	H1 2025
Fintech	AI	AI	AI	AI	AI
AI	Fintech	Fintech	Fintech	Fintech	Fintech
E-commerce	E-commerce	E-commerce	E-commerce	E-commerce	E-commerce
Manufacturing	Big data	Big data	Manufacturing	Cleantech	Big data
Life sciences	Manufacturing	Manufacturing	Cleantech	Manufacturing	Health tech

ACQUIRERS ARE MOST LIKELY TO BE CORPORATIONS
SHARE OF M&A BY ACQUIRER TYPE FOR EMEA-BASED, VENTURE-BACKED COMPANIES²



MARKET, TECHNOLOGY AND PRODUCT EXPANSION COMMON RATIONALES
AGGREGATED RATIONALES FOR M&A DEALS IN 2025

Top rationales	Examples
Geographical reach	A wellness company acquires a fitness club chain to expand into the European market.
Innovation	An automotive company acquires an electric vertical take-off and landing aircraft (eVTOL) startup to advance its electric vehicle technology.
R&D capabilities	A tech company acquires a startup to enhance its artificial intelligence research capabilities.
Digital transformation	A traditional retailer acquires a tech company to boost its online platform.
Diversification	A health tech company acquires a firm specializing in smart health devices.
Strengthening offerings	A fashion retailer acquires a boutique brand to strengthen its clothing line.
Regulatory compliance	An aerospace company acquires a tech firm to meet certification standards for new technology.
Development	A medical device company acquires a startup to speed up the development of new tools.

The most likely acquirers are U.S.-based companies, averaging 22% of M&A deals in the region since 2020. For larger deals, U.S. corporations are the most common acquirers. The remainder of deals is spread across Europe, with the U.K., France and Germany being notable locales. While acquirers are typically corporations, VC-backed companies are more likely to acquire other venture-backed companies compared to five years ago. AI has consistently been the top sector for EMEA-based targets. Acquired AI startups have focused on business automation, data analytics and market intelligence platforms. The most frequent rationales given for acquisitions in 2025 relate to market expansion, technological advancement and product portfolio enhancement.

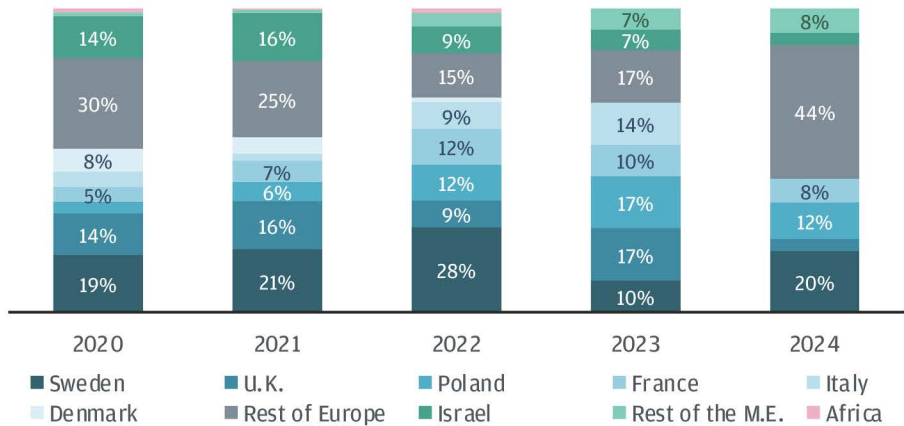
Notes: ¹ Total acquisition deal counts at the top of each bar only include mentioned countries. ² Other includes angel investors, accelerator/incubators, holding companies and more. ³ Sectors are not mutually exclusive.

iv. IPO breakdown: Is Europe staying private longer?

VENTURE-BACKED COMPANIES ARE A SMALLER SHARE OF EMEA IPOs
EMEA-BASED COMPANY IPOs¹ BY BACKING STATUS AND MEGA-ROUNDS²



VENTURE-BACKED IPO CANDIDATES; SWEDEN LEADS THE WAY
EMEA-BASED, VENTURE-BACKED COMPANY IPOs BY COMPANY HEADQUARTERS COUNTRY/REGION^{1,3}



A MIX OF SECTORS PUNCTUATED BY SUSTAINABILITY
TOP SECTORS FOR EMEA-BASED, VENTURE-BACKED COMPANY IPOs^{1,3,4}

2020	2021	2022	2023	2024
Life sciences	Life sciences	Manufacturing	Manufacturing	Cleantech
Manufacturing	SaaS	Industrials	Gaming	Life sciences
Climate tech	Mobile	Life Sciences	SaaS	Gaming
Oncology	Cleantech	SaaS	Cleantech	Climate tech
Cleantech	Manufacturing	Cleantech	AI	LOHAS and wellness

The number of EMEA-based companies going public is at a decade low. Geopolitics, economic uncertainty and market volatility have all contributed to dampened investor sentiment. The decline has been particular pronounced for venture-backed companies. The increasing proportion of mega-rounds suggest that private fundraising may be replacing or delaying exits. Compared to non-venture-backed companies, they're typically smaller with lower revenues and often unprofitable. For instance, only 33% in H1 2025 were over \$100M in enterprise value. Small IPOs, which are the norm in EMEA, are viewed differently by investors which is reflected in their pricing and underwriting compared to their larger peers.

Notes: ¹ EMEA-based, venture-backed company IPOs include companies headquartered in Europe, the Middle East, or Africa that are or were venture-backed that have listed on global stock exchanges since 2020. ² Mega-rounds are funding rounds where the amount raised is over \$100M. ³ H1 2025 was excluded for these analyses due to small sample size. ⁴ Sectors are not mutually exclusive. Cleantech refers to developers of technology which seeks to reduce the environmental impact of human activities. Climate tech refers to companies developing technologies intended to help mitigate the effects of climate change. LOHAS is short for lifestyle of health and sustainability.

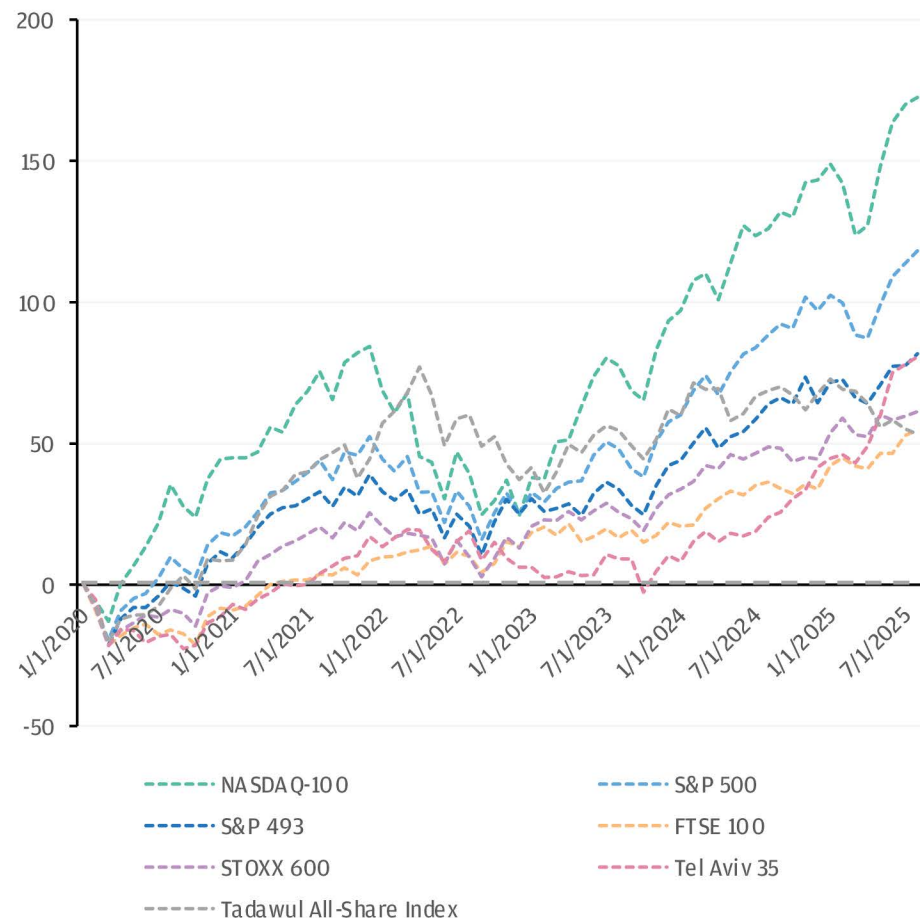
02

Comparison of US and EMEA public markets

i. US market performance a boon for US Unicorns

TECH-HEAVY US PUBLIC STOCK INDICES HAVE OUTPERFORMED

SELECT GLOBAL STOCK INDEX RETURNS, BENCHMARKED TO 2020¹



US UNICORNS OUTPACE THEIR GLOBAL PEERS

CUMULATIVE RETURNS OF GLOBAL AND U.S. UNICORN STOCK INDICES, INDEXED TO 2020²



U.S. stock market indices have generally outperformed those in EMEA. This outperformance is partly due to a higher concentration of information technology (IT) companies. Since 2020, IT has been the second-best performing sector in the S&P 500, accounting for approximately 32% of its market capitalization. In contrast, IT represents about 8% of the STOXX 600 and only 1% of the FTSE 100. Further, when removing “big tech” from the S&P 500, returns (of the S&P 493³) are over 30% lower (the S&P 493 tracks in line with other world indices). U.S. public markets benefit from a more diversified investor base and significantly greater market depth. U.S. investors are typically more willing to accept risk and favor growth and innovation, which benefits IT companies.

Notes: ¹The Tadawul All-Share Index is a stock market index that tracks the performance of all companies listed on the Saudi Stock Exchange. The Tel Aviv 35 Index tracks the prices of the 35 companies with the highest market capitalization on the Tel Aviv Stock Exchange that match the index criteria. The STOXX Europe 600 Technology index tracks the top European technology companies chosen according to their free-float market capitalization. ² The Morningstar PitchBook Global Unicorn Index tracks privately held, late-stage venture capital-backed global companies with post-money valuations of at least \$1 billion. The Morningstar PitchBook U.S. Unicorn Index tracks privately held, late-stage venture capital-backed U.S. companies with post-money valuations of at least \$1 billion. ³ The S&P 493 is the S&P excluding the Magnificent 7 stocks. Data as of 9/3/25.

ii. IPO pricing: A more measured approach

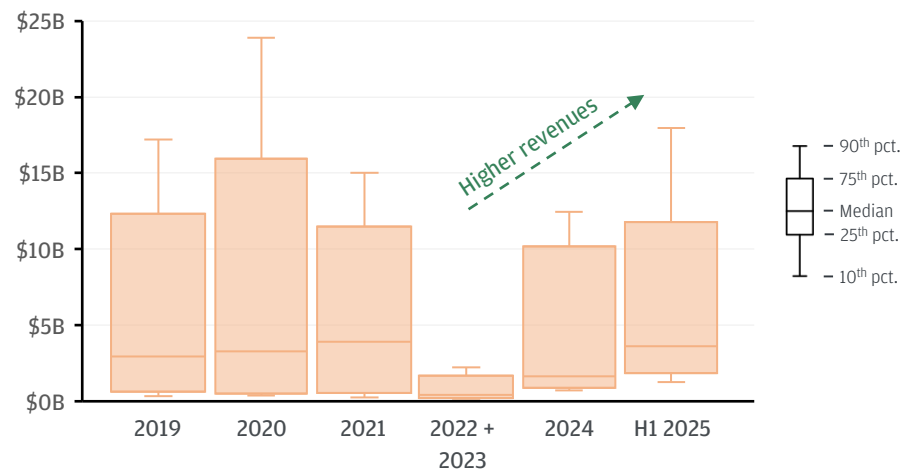
FINANCIALS HIGHLIGHT THE IMPROVEMENT IN FUNDAMENTALS

SELECT METRICS AT IPO FOR EMEA-AND US-BASED, VENTURE-BACKED COMPANY IPOs^{1,2,3}

Cohorts	2019	2020	2021	2022 + 2023	2024	H1 2025
Average valuation ²	\$7.4B	\$9.9B	\$8.1B	\$1.1B	\$5.6B	\$6.8B
Median valuation ²	\$2.9B	\$3.3B	\$3.9B	\$430M	\$1.6B	\$2.4B
Average revenue	\$1.3B	\$861M	\$1.1B	\$1.1B	\$1.7B	\$1.7B
Median revenue	\$369M	\$312M	\$299M	\$558M	\$722M	\$1.4B
Average EBITDA ³	1.2%	0.8%	4.5%	18.3%	26.0%	13.7%
Median EBITDA ³	10.1%	8.4%	9.3%	15.5%	17.0%	11.7%

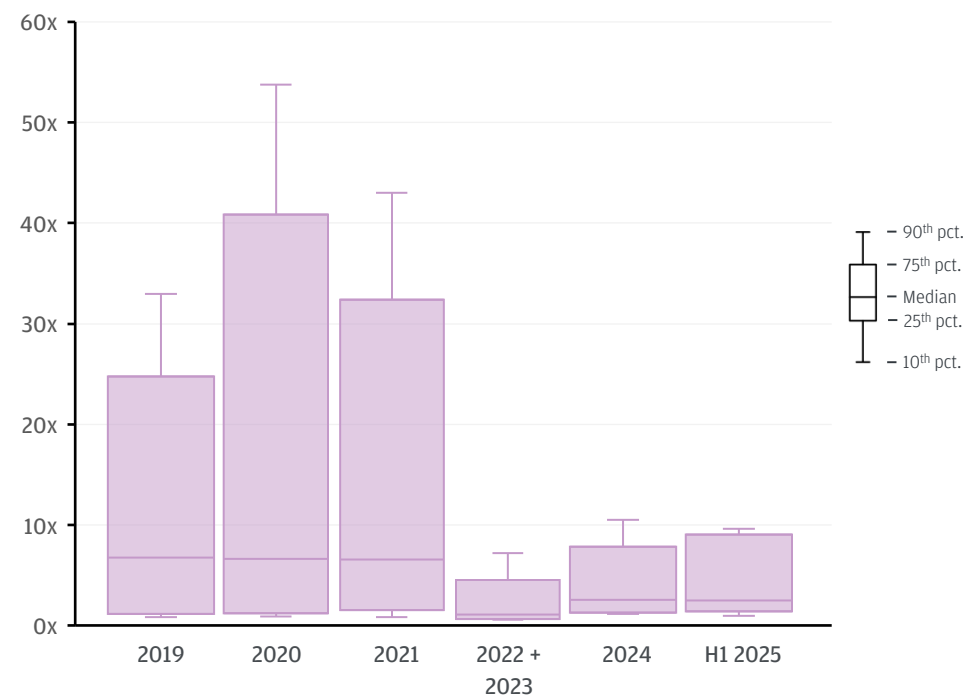
RISING VALUATIONS ARE DRIVEN BY INCREASING REVENUE LEVELS

IPO VALUATION RANGE FOR EMEA-AND US-BASED, VENTURE-BACKED COMPANY IPOs^{1,2}



EV/REVENUE MULTIPLES AT IPO HAVE STARTED TO INCREASE POST-COVID

ENTERPRISE VALUE/LAST TWELVE MONTHS (LTM) REVENUE MULTIPLES FOR EMEA-AND US-BASED, VENTURE-BACKED COMPANY IPOs¹



Cohorts	2019	2020	2021	2022 + 2023	2024	H1 2025
Average multiple	13.0x	22.4x	15.3x	3.9x	4.4x	5.2x
Median multiple	6.8x	6.7x	6.6x	1.7x	2.6x	2.5x

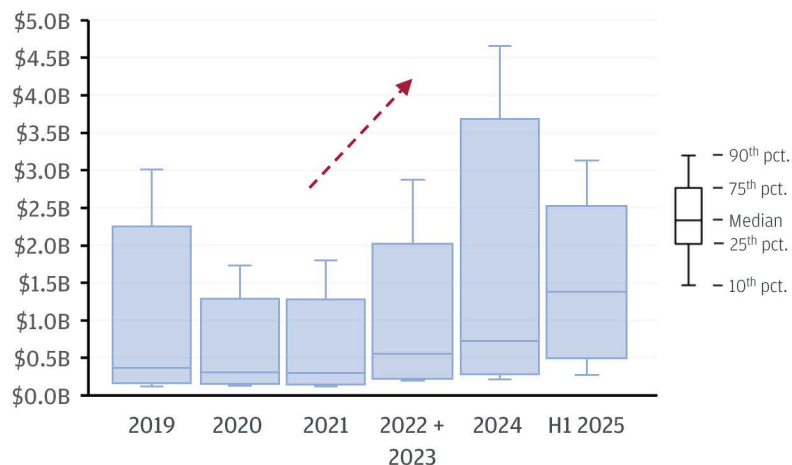
Starting in 2020 and peaking in 2021, IPO activity was at near record levels, with a significant number of companies going public at substantial valuations and supported by unprecedented multiples. As activity slowed down in 2022 and 2023, both valuations and multiples contracted. Recently, several larger IPOs have taken place, pushing the range up toward the highs of 2020 and 2021. The market's capacity to support larger IPOs is encouraging, despite subdued overall activity. Historically, during uncertain periods, larger companies are better equipped to withstand market volatility compared to smaller firms. This resilience may explain why recent IPOs have generally reported higher revenues. In terms of pricing, multiples are on the rise but remain within a 'normal' range.

Note: ¹ EMEA- and U.S.-based, venture-backed company IPOs includes companies headquartered in Europe, the Middle East, and Africa (EMEA) that are or were venture capital- (VC) or private equity-backed and U.S.-headquartered companies that are or were VC-backed. These companies listed on global stock exchanges between 2019 - H1 2025 and had revenues of \$100M or more at IPO. The sector mix of each year's cohort varies based on which companies went public in the respective year. Biopharmaceutical companies are excluded due to frequent negative EBITDA and lack of revenue, which may skew the analysis. Companies omitted if missing data. 2022 and 2023 combined due to limited data availability. ² Valuation represents enterprise value. ³ EBITDA represents EBITDA margin.

iii. IPO fundamentals: Companies aim for Rule 40 at time of IPO

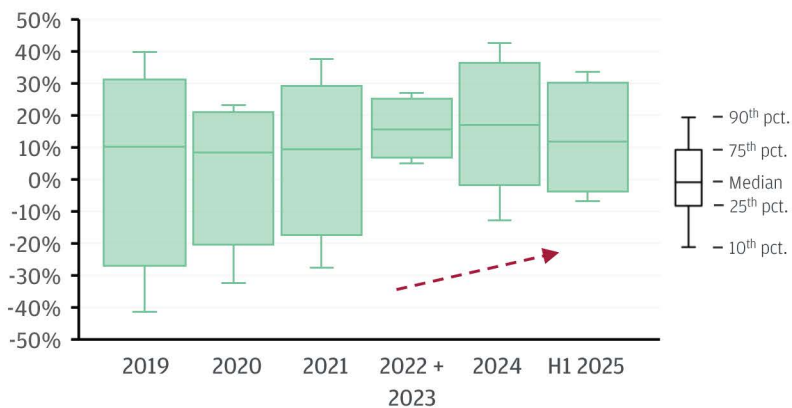
REVENUE RANGE JUMPS DUE TO RECENT LARGER IPOs

REVENUE AT IPO FOR EMEA- AND US-BASED, VENTURE-BACKED COMPANY IPOs¹



PROFITABILITY MORE OF A FOCUS FOR THE MAJORITY

EBITDA MARGIN AT IPO FOR EMEA- AND US-BASED, VENTURE-BACKED COMPANY IPOs¹



THE MAJORITY OF IPOs FALL JUST SHORT OF HITTING THE RULE OF 40

EBITDA MARGIN AND LTM REVENUE GROWTH AT IPO FOR EMEA- AND US-BASED, VENTURE-BACKED COMPANY IPOs¹



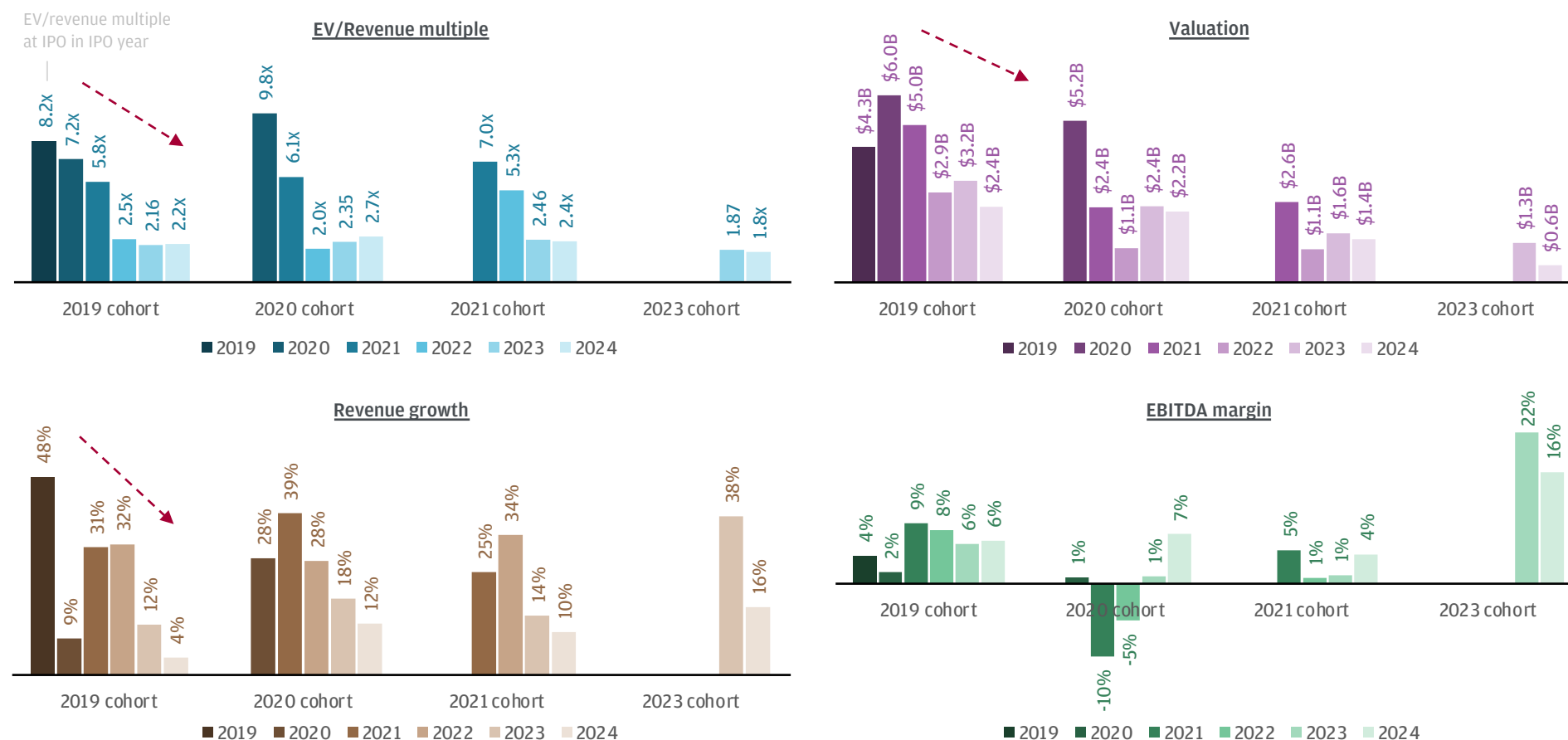
Larger IPOs have defined more recent activity, as demonstrated by the rise in the revenue range for the 2024 and first half of 2025 cohorts. There has also been a noticeable improvement in profitability. Some of this phenomenon could be attributed to the higher participation of private equity investors in EMEA, bringing more operational discipline and a focus on profitability. Despite these improvements, finding the optimal balance between growth and profitability remains a challenge. The “Rule of 40” continues to be a key metric for evaluating IPO readiness. While most companies are close, the majority still fall just below this threshold at the time of their IPO.

Notes: ¹ EMEA- and U.S.-based, venture-backed company IPOs includes companies headquartered in Europe, the Middle East, and Africa (EMEA) that are or were venture capital- (VC) or private equity-backed and U.S.-headquartered companies that are or were VC-backed. These companies listed on global stock exchanges between 2019 - H1 2025 had revenues of \$100M or more at IPO. The sector mix of each year's cohort varies based on which companies went public in the respective year. Biopharmaceutical companies are excluded due to frequent negative EBITDA and lack of revenue, which may skew the analysis. Companies omitted if missing data. 2022 and 2023 combined due to limited data availability.

iv. Post-IPO performance: Coming to terms with being public

A NORMALIZATION OF FUNDAMENTALS

MEDIAN ENTERPRISE VALUE/LTM REVENUE MULTIPLE, VALUATION, REVENUE GROWTH AND EBITDA MARGIN FOR EMEA-AND US-BASED, VENTURE-BACKED COMPANY IPOs¹



For companies that have recently gone public, investors want to see a well-defined strategy for market growth through cross-selling, entering new markets and innovating products. Attaining these objectives is difficult, especially while handling the daily operations of a public company. Over time, the median valuation multiple of each venture-backed IPO cohort has fallen, as valuations have generally normalized even as revenues for most continue to rise. Companies are being sensitive to investor sentiment, with a particular focus on achieving profitability to protect against an unpredictable macroeconomic landscape.

Notes: ¹ EMEA- and U.S.-based, venture-backed company IPOs includes companies headquartered in Europe, the Middle East, and Africa (EMEA) that are or were venture capital- (VC) or private equity-backed and U.S.-headquartered companies that are or were VC-backed. These companies listed on global stock exchanges between 2019 - H1 2025 had revenues of \$100M or more at IPO. The sector mix of each year's cohort varies based on which companies went public in the respective year. Biopharmaceutical companies are excluded due to frequent negative EBITDA and lack of revenue, which may skew the analysis. Only companies with complete data across all metrics for the 2019-2024 period are included, so each cohort includes the same set of companies that listed on the specified year. For each cohort, the first year of data represents the metric at IPO. Valuation is measured as enterprise value. 2022 cohort is excluded due to small sample size.

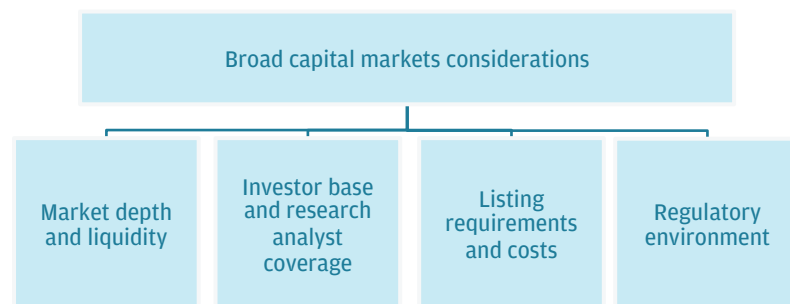
03

Founder considerations for
different exit scenarios

i. Navigating an IPO: Choosing the right exchange

EXCHANGE SELECTION AROUND THE WORLD

STRATEGIC AND OPERATIONAL CONSIDERATIONS FOR PICKING AN EXCHANGE



- **Market depth and liquidity:** Varies depending on the exchange's size and reputation, types of securities traded, trading volumes, investor base, regulatory environment and market infrastructure.
- **Investor base and research analyst coverage:** Investor base differs by geography, regulatory environment, market maturity, local economy and cultural preferences. Larger exchanges, like the NYSE and LSE, have more extensive research coverage due to their global reach and reputation.
- **Listing requirements and costs:** Each exchange has its own listing requirements and costs, including financial and liquidity requirements, corporate governance, disclosure standards, initial and ongoing listing fees, legal and advisory costs, and underwriting fees.
- **Regulatory environment:** Exchanges have varying regulatory requirements. Venture-backed companies can benefit from listing on a well-regulated exchange, since fulfilling the high standard of select exchanges can improve investor confidence and help boost investment.

CHOOSING AN EXCHANGE TO SUPPORT FUTURE GROWTH

COMPANY-SPECIFIC EXCHANGE SELECTION CONSIDERATIONS



Primary location of business

The company should think about where its operations are located and where it generates revenue when picking an exchange. Companies should also contemplate their near- to medium-term geographic expansion plans.



Size and stage of the company

Consider the size and stage (e.g. a late-stage company with 300 employees) of the company in the context of the market (e.g. the heavily tech-weighted NASDAQ).



Publicly traded competitors

Assess if the company prefers to be listed on the same or a different exchange as competitors.



Leverage level at IPO

Markets have different expectations of leverage at IPO. Given the company's expected leverage levels at IPO, the company should consider how and if this will affect where it plans to list.



Local investor base

Investors in particular regions may have differentiated knowledge of sectors or companies, which can benefit the company.

PREPARING TO EXIT



Regulatory oversight

Scale internal control measures and enhance risk management framework.



Reporting infrastructure

Establish standardized reporting processes that align with international and local requirements.



Investor relations function

Management should prepare to hire investor relations staff at least 18 months pre-IPO.



Board composition

Align board size with company's stage and needs, maintain balanced mix of executive, non-executives and investors.



Exchange requirements

Research and prepare to meet the listing requirements of the company's chosen exchange.

ii. Preparing for a potential exit: Corporate governance considerations

SELECT BOARD DECISIONS AREAS:

1 LISTING JURISDICTION (in case of an IPO)	<ul style="list-style-type: none">• Where should the company be listed?<ul style="list-style-type: none">– Selection will determine the regulatory environment and influence access to investor base and liquidity for the company.
2 SIZE AND LEADERSHIP	<ul style="list-style-type: none">• What size should the board be? And who should occupy Board leadership positions? (board chair, committee chairs)<ul style="list-style-type: none">– Board size should be appropriate to the company's size and complexity. For the chair position, it's important to have someone with the appropriate standing to fill the role and, in the case of an IPO, someone with a proven record of public board experience.
3 INDEPENDENCE	<ul style="list-style-type: none">• How independent should the board be?<ul style="list-style-type: none">– Startups often have a relatively informal board structure that is investor and/or founder-heavy. Ahead of an IPO, these directors will typically roll off as the company recruits several new board members to meet jurisdiction-specific independence requirements as well as public market investor expectations. Plan ahead, but maintain a flexible approach, introducing new directors to the board as appropriate in advance of an IPO.
4 DIVERSITY	<ul style="list-style-type: none">• How diverse should the board be? (gender, nationality, age)<ul style="list-style-type: none">– As a startup matures, it often becomes necessary to expand and diversify its board. Depending on the jurisdiction, a potential listing might carry specific gender-diversity requirements.
5 EXPERTISE	<ul style="list-style-type: none">• What are the current and likely future needs of the business and what skills will directors need? (technical, industry, etc.)<ul style="list-style-type: none">– Appoint directors with an appropriate mix and balance of experience and address any skills gaps promptly.– Startups in highly specialized industries (e.g., biotech, etc.) require at least one non-executive director with deep sector expertise.
6 COMMITTEES	<ul style="list-style-type: none">• What committees should be established? (legally required, other) And what specific director skills are needed for each committee?<ul style="list-style-type: none">– There is typically a need to establish a formal audit committee and recruit a qualified financial expert that can serve as its chair.– Public company governance structures and processes should be introduced as early as possible ahead of an IPO.
7 OTHER	<ul style="list-style-type: none">• Will there be a limit to outside board mandates?• How often should directors meet? And where?• How long should directors serve for?• Will there be a mandatory retirement age?

Startups are often characterized by their "work fast and break things" culture. However, as they expand and move toward an exit strategy, such as a merger, acquisition or IPO, the demand for strong corporate governance becomes increasingly important. Effective corporate governance can attract investors, mitigate risks, enhance trust among investors and buyers, and facilitate a smoother and more successful exit. Governance practices typically evolve alongside the company, with the board adapting to the startup's stage and requirements. Therefore, it's important to plan ahead for effective governance, as poor governance can result in undesirable consequences, including loss of shareholder value, legal liabilities and diminished market share.

iii. From vision to victory: Crafting a well-planned exit for founders

Scenarios	IPO	Cash acquisition	Stock acquisition
Key financial and tax considerations	As founders approach exit opportunities, there are tax considerations that come with any transaction. The specific details will vary depending on the nature of the deal, making it fundamental to have the right tax, financial and legal advisors from both a personal and company perspective. Advisors can help founders navigate through the complexities of the process. Key considerations are likely to be location dependent, as relevant laws vary from country to country ¹ .		
Wealth management strategies	<p>Every founder's scenario will vary. Wealth is often perceived through various "mental" accounts, where people assign different values based on its origins and intended use. Since these values can fluctuate, a goal-based plan can help founders form a strategy. One way to view wealth is through four lenses¹:</p> <ul style="list-style-type: none"> • Liquidity: Reserve cash for typical lifestyle expenses, big purchases or opportunistic purposes, ensuring financial flexibility and psychological safety through market and life fluctuations. • Lifestyle: Strategically allocate funds to maintain lifestyle needs and wants, mitigating adverse effects from capital losses or life events, tailored to individual or family definitions of lifestyle. • Legacy: Allocate funds for use during or after one's lifespan, with flexibility to support lifestyle needs if necessary, and for family or philanthropic gifts through complex wealth planning structures. • Growth: Focus on long-term capital growth, serving as the foundation for intergenerational wealth or perpetual philanthropic giving, distinct from the consumable segments of liquidity, lifestyle and legacy. 		
Asset protection and transition planning	<p>During the IPO process, founders need to factor in structures to protect the business during and after the transition:</p> <ul style="list-style-type: none"> • Asset protection: Share price volatility protection can stabilize share price and build investor confidence. Lockup periods can prevent a sudden influx of share sales for a specified period. • Business and personal transition: Executive coaching and succession planning can help startups align executives' vision and strategy, mitigate risk and build investor confidence. 	<p>A cash acquisition can result in varying scenarios, like a complete sale without an earnout or a deal that protects the existing team and achieves a particular financial goal.</p> <ul style="list-style-type: none"> • Business and personal transition: Non-compete agreements can help protect business continuity, protect intellectual property and maintain customer relationships. 	<p>During the process of being acquired via stock acquisition, founders should implement structures to safeguard the business and ensure a smooth transition:</p> <ul style="list-style-type: none"> • Business and personal transition: Non-compete agreements can help protect business continuity and protect intellectual property. Lockup periods can prevent a sudden influx of share sales while supporting the integration of the company into the new strategic company.

iv. Thinking through the details: Founder considerations for different exit scenarios

Scenarios	IPO	Cash acquisition	Stock acquisition
Example scenario and proceeds	<p>Scenario: A major venture-backed startup IPOs, and in the following 12 months, the company's stock performs well with strong investor interest. The founder is subject to a lockup period of six months.</p> <p>Proceeds:</p> <ul style="list-style-type: none"> - Stock: Most of the founders' compensation is locked up as equity or stock options, but they can divest their position after the lockup period ends. - Cash: Founders receive limited cash proceeds immediately after an IPO, though they can sell shares after the lockup period. - Deferred: Founders may have deferred stock units (DSUs) that can continue to vest over time if the founders stay with the company in the long term. 	<p>Scenario: Startup acquired by a strategic company looking to add a new digital offering. The companies agree on a cash acquisition deal given the multiple offers the startup has received.</p> <p>Proceeds:</p> <ul style="list-style-type: none"> - Cash: As the name suggests, founders typically end up receiving predominantly cash proceeds. - Stock and deferred: The remainder of the compensation is often up for debate between stock and DSUs upon a cash acquisition. 	<p>Scenario: Company acquired by a strategic company that is looking to expand its product offerings into an adjacent vertical. Given the strategic company's strong market valuation, the companies agree on a stock acquisition deal to encourage synergies.</p> <p>Proceeds:</p> <ul style="list-style-type: none"> - Stock and deferred: Founders typically receive half of the proceeds as stock, mostly as DSUs. - Cash: About half of proceeds will be received as cash.
Adjustments	<p>Tax strategy: There are tax considerations that come with any transaction, and those considerations will depend on the nature of the deal. They're also location-dependent¹.</p> <p>Wealth management strategy: Given the highly tailored nature of wealth management, wealth management strategy will vary from scenario to scenario. It's important to have the right financial advisors from both a personal and company perspective¹.</p>		
With/without analysis	<p>With adjustments: This would account for underwriting fees, transaction costs, regulatory costs, legal fees and tax considerations.</p>	<p>With adjustments: This would account for transaction costs, tax considerations and potential valuation fluctuations.</p>	<p>With adjustments: This would account for potential valuation fluctuations, transaction costs and tax considerations.</p>

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