



IPsx Prime

Reimagining real
estate investment

November 2022

IPsx has been granted Recognition by the Financial Conduct Authority to operate in the UK as a Recognised Investment Exchange and is the world's first regulated securities exchange dedicated to Commercial Real Estate (CRE). IPsx will reimagine real estate investment for asset managers, wealth managers and other investors.

IPsx will initially operate one market, IPsx Prime. IPsx will admit to trading companies owning underlying Single Commercial Property Assets or Multiple Commercial Property Assets (the 'underlying property assets') which are, or are proposed to be, securitised and traded on the Exchange. IPsx intends to launch soon a second market, IPsx Wholesale. IPsx Wholesale will cater exclusively for professional investors trading Real Estate Investment Trusts (REITs) and Joint Venture REITs.

Introducing IPsx Prime

IPsx Prime enables prospective issuers to bring to market an Initial Public Offering (IPO) of shares in companies which own underlying property assets. For example, a commercial office block that occupies a single geographic location or postal address; or comprises a single building or a group of co-located buildings.

IPsx expects that an underlying property asset should be of institutional grade (i.e. each property will generally have a Market Value in excess of £50m).

- IPsx fills a substantial gap in the capital markets for owners, for new sources of capital, and for investors who will gain access to the best properties, and responds to market demands for greater yield, transparency, liquidity and real-time valuation.
- IPsx will be the first regulated stock market dedicated to the admission and trading of 'single asset' commercial property securities.
- IPsx is majority owned by its management, together with strategic real estate investors including British Land, M7 Real Estate, Moorfield Group and Tritax.

Admission to trading

In order to be admitted to the IPsx Prime market, each company (or prospective issuer) will need to comply with the following conditions:-

- Appoint an IPsx Lead Adviser to support and manage the IPO process
- Sell down a minimum 10% of the underlying company's shares at the point of admission
- Appoint an IPsx Approved Valuer
- Appoint an IPsx Market Maker
- Limit the leverage in the listed entity to 40%
- Have audited accounts

- Meet IPSX’s Admission and Disclosure Standards
- Issue a prospectus for approval by the UK Listing Authority

Private Phase of Initial Public Offering



How does IPSX Prime work?

A property asset owner may decide to release capital from a property they own. Instead of selling the property in its entirety and losing any economic interest, they may choose instead to sell the property to a newly formed company, which has been established for the sole purpose of managing the asset. The economic returns of the company are then shared through securitisation of the company and the sale of its shares and, in exchange for the sale of the property asset, the original asset owner may receive cash and some shares in the company.

The company structure will determine the tax efficiency of the arrangement:

- If the company’s legal structure is a Special Purpose Vehicle (SPV), the transfer of the property asset will not trigger Stamp Duty Land Tax (SDLT);
- If the company is not an SPV, the transfer of the property asset triggers 100% SDLT (as with a private treaty transaction);
- If the company also seeks to take advantage of the UK REITs regime (providing tax efficient treatment of property rental income and capital gains), it will also need to have its shares admitted to the Official List and/or admitted to trading on a recognised stock exchange.

Companies seeking admission of their securities to trading (prospective issuers) will likely be either UK corporates intending to enter the REIT regime or offshore companies (for example, residing in Jersey or Guernsey). The Board of the prospective issuer comprises the Executive Directors responsible for holding and managing the underlying property asset. The prospective issuer will have a general commercial or industrial purpose i.e. managing and leasing the underlying property asset in the best interests of shareholders. The process for admitting a prospective issuer’s securities to trading will be the same as for a traditional equity market, i.e. a prospective issuer must prepare and submit a prospectus to the UKLA for approval and apply to IPSX to have its securities admitted to trading. UKLA turnaround time for a prospectus approval is anticipated to be 2-4 weeks; IPSX will align with the UKLA’s timeframes.

All prospective issuers will need to appoint an IPSX Lead Adviser and other professional advisers, including an IPSX Approved Valuer, lawyer and auditor and to advise them through the admission (and listing) process. The prospective issuer must also appoint an IPSX Market Maker who will guarantee secondary market liquidity in the prospective issuer's securities once they are admitted to trading.

Companies will benefit from proportionate corporate governance and operational management. Many may choose to outsource their ongoing property management function to a traditional property management company.

Shareholder and investor benefits

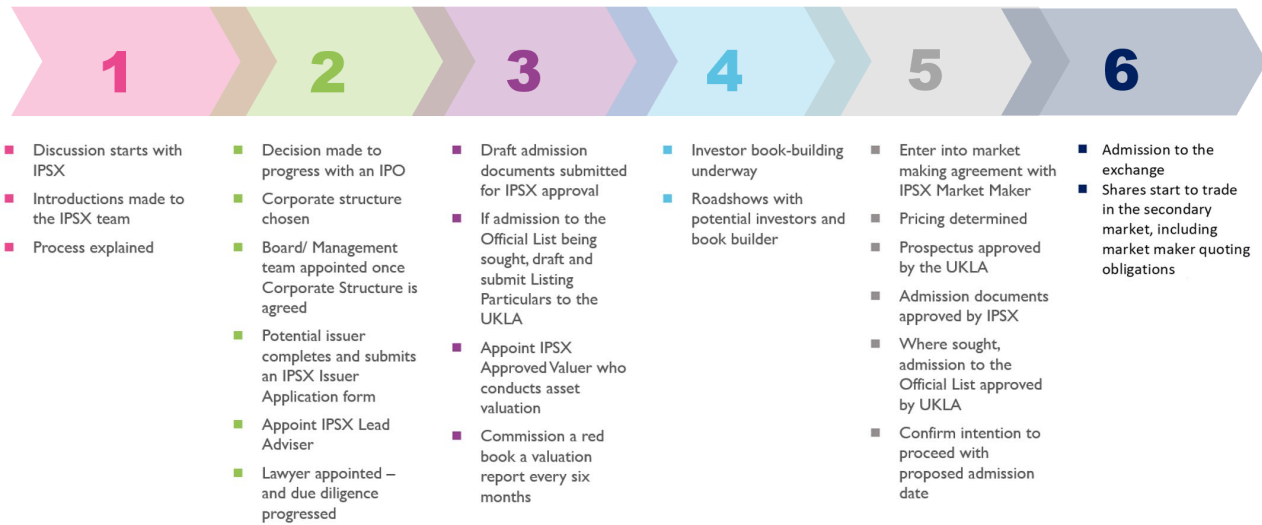
There are a number of benefits to investors in investing indirectly in property assets through the sale of shares:

- No minimum investment;
- Low costs of entry as investors determine the level of due diligence they wish to undertake and, as they are making a direct equity investment, there are no fund management fees;
- Ease of investment entry/exit (i.e. shares in the issuer may be bought/sold through an IPSX Broker, with guaranteed liquidity through the IPSX Market Maker(s)); and
- Transparency (daily price transparency and ongoing issuer disclosures to the market).

Importantly, the purchase of an IPSX issuer's shares will reflect the desire of the investor to have a proxy for direct CRE investment and risk exposure as part of their investment strategy and in the context of alternative investment choices with risk adjusted yield e.g. bank deposits.

Market price formation of the Issuer will differ from private market appraisal values of the underlying property asset. This will take account of the different dynamics at play in a public equity market (where there are often competing interests) versus the more opaque private market. There is likely to be a "liquidity" premium and an "accessibility" premium available in the public markets when compared to the private market appraisal value.

A step to step process to securities being admitted to trading on IPSX Prime



One of the first requirements for any IPSX prospective issuer is to appoint an IPSX Lead Adviser. The role of the IPSX Lead Adviser is to lead the IPO process and coordinate the activities of the other professional advisers to ensure a successful admission to trading on IPSX Prime, including managing the approval process with the UKLA. In addition to the IPSX Lead Adviser, the prospective issuer will need to appoint a range of other advisers, including an IPSX Approved Valuer, bookrunner, lawyer, auditor, registrar and financial printer. If a prospective issuer is also seeking admission to the Premium segment of the Official List, they will also need to separately appoint a Sponsor.

Typically, a prospective issuer's lawyers will take the primary responsibility for drafting the prospectus, although this may be undertaken by the IPSX Lead Adviser. The bookrunner(s) and public relations advisers will normally assist the prospective issuer in drafting the appropriate investment case, messaging for the prospectus and for the investor marketing.

The drafting of the prospectus can take some weeks and will usually involve all advisers (IPSX Lead Advisers, lawyers, bookrunner, accountants) because of the need for accuracy and verifications. Once produced, the prospectus and other supporting documentation will be submitted to the UKLA for approval and simultaneously to the IPSX Market Regulation team.

The UKLA review timetable for equity prospectuses is currently five days for first submission and three days for each subsequent review. It is anticipated that the total vetting process will take approximately four weeks. The IPSX Market Regulation team will align with the UKLA review timetable.

The legal and accounting professional advisers will also conduct due diligence to ensure the accuracy, truthfulness and completeness of the prospective issuer's prospectus, and to understand any issues associated with the prospective issuer or asset being admitted to trading.

This will include:

- *business due diligence*, primarily led by the IPSX Lead Adviser and bookrunner, to verify the prospective issuer's business strategy for the asset and potential for future growth in income streams.
- *financial due diligence* will be conducted by the accountant focussing on the prospective issuer's historic financial results, capital structure, budgets, financial controls and working capital requirements.
- *legal due diligence* will be conducted by the lawyers to verify legal records, any material contracts, litigation, covenants, title deeds and compliance with relevant laws and regulations. Unlike a private transaction, the legal verification for an IPO is completed at the beginning of the process rather than at the end on exchange of contracts.

In summary, admission to trading of an Issuer's securities on IPSX Prime will require:

- the publication of a prospectus approved by the UKLA IN the UK or by another relevant EEA competent authority which must include a Red Book valuation report
- certain basic information to be provided to IPSX including:
 - the prospective issuer details;
 - a brief description of the business, including a description of the underlying property asset;
 - the market value of the underlying property asset;
 - the number and type of securities for which admission is being sought;
 - the capital to be raised on admission;
 - the names and relationships of significant shareholders;
 - the latest financial report;
 - the expected date of admission;
 - the name of the IPSX Lead Adviser and the IPSX Approved Valuer
 - the current investment yield being generated by the underlying property asset and its expected yield at admission to IPSX
 - payment of the applicable exchange admission fees.

The IPSX Lead Adviser and/or bookrunner will also work with the prospective issuer to advise on valuation, an appropriate board composition, and the best market conditions for the IPO and assist in developing a marketing strategy to target an appropriate mix of investors. The prospective issuer management team will then work with the bookrunner and public relations advisers to produce an investor and analyst presentation.

The Public Phase of an IPO

Public Phase of Initial Public Offering



The public or marketing phase starts once the prospective issuer makes a public announcement confirming its intention to float on a public market. At this point a draft or pathfinder prospectus can be made available to prospective investors and the bookrunner will start marketing to investors ahead of a roadshow when the management team of the prospective issuer will formally present the investment opportunity to target investors. Typically, the price range is set before the management begin their roadshow, and this will be reflected in the draft prospectus.

Simultaneously, the bookrunner will start to manage the book building process by taking indications of interest from investors and building a book of demand for shares being offered at different prices.

At the end of this process, a meeting will be held to set the share price. Once the price is agreed, the IPSX Lead Adviser and/or bookrunner will agree the allocation of shares and then notify shareholders of their allotment.

Once the UKLA approves the prospectus and the IPSX Market Regulation team has received and approved all the information they require, the IPO can then take place leading to the financial instrument being admitted to trading on IPSX. If the issuer has also sought to have their securities admitted to the Official List, this will occur at the same time.

How long does the admission process take?

For a prospective issuer seeking to IPO on IPSX, it is anticipated that the admission process will take approximately 12 weeks from the prospective issuer taking the decision to IPO and having appointed advisers to the date of admission. The key stages of an IPO, including the preparation of a prospectus, are set out in the table below:

Typical Preparation Timetable

Week	1	2	3	4	5	6	7	8	9	10	11	12	
Due Diligence	←-----→												
Valuation & Capital Structure	←-----→												
Documentation	←----- Preparation -----→					←----- Vetting -----→							
Marketing & roadshows										←-----→			
Pricing & allocation												○	

Corporate governance requirements

Issuers admitted to IPSX Prime will be required to detail the corporate governance code or principles which they have decided to apply. The IPSX Lead Adviser will advise the asset owner on what corporate governance practices will best suit the interests of all shareholders with regard to the type of underlying property asset(s) of the Issuer.

In applying a corporate governance code or principles, IPSX issuers will need to follow a “comply or explain” approach and explain any non-compliance with their chosen corporate governance code in their annual financial report and in their prospectus.

Subsequent issues

For subsequent equity issues, as well as the relevant FCA requirements, an issuer will be required to satisfy the relevant requirements of the IPSX Rules for Issuers, which will be published on the Exchange’s website.

What are the continuing reporting obligations and requirements?

An issuer admitted to IPSX will be subject to several continuing obligations which are set out in the IPSX Rules for Issuers. Certain obligations will apply to all issuers admitted to trading; for example, all companies will be required to:

- comply on an ongoing basis with the requirements of the FCA’s Disclosure Guidance and Transparency Rules and Articles 17, 18 and 19 of the Market Abuse Regulation;
- have in place systems and controls (including policies and procedures as required by law, rules and regulations) to enable them to do so;
- publish annual and half-yearly financial reports;
- notify a Regulatory Information Service of certain information in relation to the company (such as the resignation, dismissal or appointment of any director);
- notify a Regulatory Information Service of certain information as soon as possible after the terms of certain transactions are agreed; and
- publish the executive summary of its annual Red Book valuation report and publish a half- yearly valuation report in respect of the first six months of each financial year.

Issuers will have an obligation to release other price sensitive information concerning the issuer in a timely manner through a regulatory information service.

Continuing Obligations	IPsx Prime
Minimum free float	10%
IFRS compliant audited financial reports	Required
IFRS compliant half-yearly financial report	Required
Interim management statements	Follows dividend policy
EU IFRS or equivalent	Required
Corporate governance	IPsx rules apply
Pre-emption rights	Applies
Significant transactions and related party transactions	90% shareholder approval (IPsx Rules)
Cancellation	90% shareholder approval (IPsx Rules)
Additional IPsx Requirements	
IPsx Approved Valuer	Applies
Periodic valuation reporting	Applies

How to maximise the benefits of an IPsx IPO

IPsx is committed to helping issuers maximise the benefit of their IPO.

On the day of admission, the Exchange will help support the profile and visibility of the issuer by providing links to the issuer’s website. The market data provided by the Exchange will allow for the general public to access information on price, as well as basic details about the Issuer’s securities and the underlying property asset(s). All secondary market trading data will also be distributed to the leading data vendors worldwide.

PR and Investor Relations activities

To maximise liquidity, it is important for issuers to work with their advisers during the preparation phase of an IPO to establish their public relations and investor relations strategies for the IPO process itself and to manage on-going investor communication post IPO.

In doing so, management will need to be able to communicate clearly and effectively in announcements, results statements, an annual report and in other similar shareholder communication materials the issuer's business strategy and objectives, its performance and returns criteria, and the ways in which it intends to deliver on these. It will also need to decide how trading and financial results reporting will be notified to the market. Most of this information will also be included in the prospectus.

Items to consider include:

- the frequency and expected dates of dividend payments;
- the frequency of valuation disclosures;
- general market updates on the sector, location and local factors impacting the specific asset; and
- announcements in relation to rent reviews and lease expiries.

Additionally, during the financial year the issuer could engage in certain investor relations activities which could include, but are not limited to, promotion of:

- share price details (real time and historical performance/graphs);
- financial calendar timetable of events;
- synopsis of the nature of the SPV and its operations, its management team and their strategy/objectives (mission statement);
- half year and full year results presentations to current institutional shareholders, to be hosted on site at the SPV or at one of its advisers' offices;
- presentations to and meetings with potential shareholders on the general nature of the SPV and its investment/financial performance profile on a regular basis. This will attract new investors and help in building a liquid market in the securities;
- providing investor information on the issuer's website, to include, but not be limited to:
 - board director biographies;
 - a narrative on and photography of the issuer's underlying property asset(s);
 - chairman's statement;
 - a report from the management team on the issuer's future opportunities and performance;

- adviser contact details (legal, accountancy, IPSX Lead Adviser, etc);
 - information for private shareholders
 - share registrar details;
 - company contact details;
 - dates and details of the Annual General Meeting; and
 - publication of the resolutions if applicable;
- web-casts of results presentations which can be readily accessed by private and institutional investors alike.

To discuss next steps, contact:

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