

Key Considerations for Private Equity Sponsors Aiming to Take Portfolio Companies Public

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Key Points

- While a sales process remains the preferred method of exit, financial sponsors are increasingly exploring IPOs and dual-track processes as equity markets become more receptive to private equity-backed companies.
- U.K. and EU markets provided exit routes for several large private equity-backed companies in 2025.
- Because sponsors generally sell only a portion of their shares in an IPO, they must anticipate the constraints they will face as shareholders in a public company, including post-IPO lock-ups and loss of control due to typical public company governance. These can sometimes be mitigated by retaining board seats or holding weighted voting shares.
- At an early stage in IPO planning, sponsors may want to consider how to simplify a company's capital structure, including restructuring its debt, and ensure alignment among sponsors and management.

The global slowdown in recent years of sales processes and initial public offerings (IPOs) has delayed exits for many private equity (PE) sponsors, causing mounting pressure from investors to return capital.

In the U.S. alone, 4,000 to 6,500 PE exits are estimated to have been postponed during the last two years due to suppressed valuations, according to [professional services provider PwC](#). In Europe, an estimated 48% of the sponsor exits planned for 2024 were postponed, according to [M&A sourcing platform Dealsuite](#).

Short-term liquidity options that sponsors have adopted, such as continuation funds, are no longer viewed as a sustainable alternative. There is significant pressure for sponsors in the U.K., Europe and globally to find liquidity for their investments.

While a sale remains the preferred exit route for financial sponsors, consideration of sponsor-backed IPOs increased significantly in 2025, given the need to access the deep capital pools available from institutional investors in the public markets that are not currently readily obtainable from strategic buyers or financial sponsors.

A dual-track process, with competing sale and IPO processes, has also been a valuable strategy in stirring up market enthusiasm and driving up valuations. The appetite for IPO exits and dual-track processes is expected to remain strong in 2026.

In 2025, \$146 billion was generated in IPOs globally, excluding special purpose acquisition companies (SPACs), with sponsors backing a total of 137 IPOs, according to [Bloomberg](#). Notable sponsor-backed IPOs in 2025 included:

- Shawbrook Bank's £2 billion London IPO.
- Security services firm Verisure's €13.7 billion Nasdaq Stockholm IPO.
- Medical products distributor Medline's \$50 billion Nasdaq IPO, which was the largest listing in 2025.

In addition, Google acquired cybersecurity firm Wiz from its venture backers earlier in 2025 for \$32 billion following a dual-track process.

Key Exit Considerations

Sponsors can generally sell only a portion of their holdings in an IPO for several

reasons. Because IPO valuations are typically lower than that of a sale — and post-IPO share price performance may be mixed for a period — to increase average returns, sponsors (along with founders and significant management shareholders) typically sell down the balance of their stakes over time as the share price increases, either on the open market or through block trades placed by banks.

In addition, market capacity often limits the size of the offering and, at the time of an IPO, investors want the reassurance that comes from the sponsors having a continuing interest in the company's post-IPO success.

Sponsors face several challenges when pursuing an IPO. Major shareholders are subject to post-IPO lock-ups (typically lasting six months) to avoid any market overhang immediately post-IPO, which limits the ability of financial sponsors to take advantage of any post-IPO price “pops” or sell down quickly after an IPO.

However, a post-IPO lock-up is temporary and, given the size of typical sponsor shareholdings, a sponsor would in any event be unlikely to fully exit in the months following an IPO.

Once a company goes public, sponsors no longer have the control they had over a company pre-IPO due to typical public company corporate governance requirements, such as having a majority independent board. Sponsors will be treated like any other shareholder post-IPO, and arrangements with the company (e.g., portfolio management fees) will be terminated on IPO.

That said, sponsors can retain a right to a board seat post-IPO so long as they retain a significant shareholding. Typically, a 15% to 20% holding gives a right to one board seat. In addition, before an IPO,

many sponsors will have already considered the appointment of independent directors, given the lead time required and the importance of these decisions.

Depending on the industry and size of a company (e.g., in financial services), portfolio companies may already have independent directors on the board. Sponsors could also hold a separate class of weighted voting shares to retain influence, although this has been more common among founder-led companies.

And, in a move that is positive for sponsors retaining a significant shareholding post-IPO, the 2024 U.K. Listing Rules removed a requirement for listed companies with 30%-plus shareholders to enter into a relationship agreement with them to ensure the company's ability to operate independently from them.

Other Important Pre-IPO Considerations

While formulating a full exit strategy will be the main objective for sponsors considering an IPO as an exit route, there are other matters sponsors should prioritize at an early stage.

– Portfolio companies often have complex capitalization tables that may contain different classes of shares, preferred securities, shareholder loans, a management incentive plan and widely held options. A thorough review of the capitalization table should be undertaken at an early stage to ensure it is cleaned up to facilitate a pre-IPO reorganization and consolidation into a single class of shares. In most cases, it may also be advantageous for the company to flip up to a new holding company in order to establish itself in a different jurisdiction of incorporation, with the existing PE “stack” collapsed as part of that process.

- Because most shareholders' agreements anticipate a full exit by way of a sale, financial sponsors may want to consider how the exit provisions and the distribution waterfall will apply on an IPO and the consolidation of existing company securities into a single class of shares and rollover of options into post-IPO incentive schemes. Often, the IPO exit provisions in a shareholders' agreement will not cover all eventualities, and supplemental agreements among the shareholders may need to be obtained before the IPO is launched. As such, alignment among all sponsors and, where relevant, management shareholders will be critical.
- Existing debt facilities and outstanding bonds may need to be redeemed or refinanced as part of the IPO and any pre-IPO reorganization. These issues should be considered at an early stage given that the credit profile of a portfolio company will likely change significantly when it goes public.

Final Thoughts

Private equity sponsors will be a critical player in driving the London and other global equity markets going forward, and there are many reasons to be optimistic about the IPO opportunities for sponsors. Sponsors should consider these strategic and structural issues at an early stage to be ready to capture IPO exit opportunities when they arise.

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