Ontario

BACKGROUNDER

Ministry of Energy

Initial Public Offering (IPO) at a Glance

April 16, 2015

Broadening ownership of Hydro One through an initial public offering (IPO) will be the first sale of shares from a company currently wholly owned by the province to the public market. An IPO is a multi-stage process that would allow shares to be purchased by the general public.

Preliminary Setup of an IPO

To prepare for an IPO, a company will review its governance model and often make changes to senior management and the board as needed to make it ready to take public. Experts are retained to act as underwriters to facilitate the IPO transaction. A large IPO like Hydro One would involve more than one lead bank and other financial institutions to support the transaction. Their task is to ensure Hydro One satisfies all filing and regulatory requirements and public disclosures.

Document Preparation Phase

Once the foundation for an IPO has been established, the company must then decide which stock market to list on. Next comes the formal due diligence process, which includes a comprehensive review of the company and its legal obligations to ensure that the public has accurate information.

The due diligence feeds into the board-approved preliminary prospectus, which must be filed with the Ontario Securities Commission (OSC) for review and approval. The company must respond to the OSC's comments and file an amended preliminary prospectus, which is made public. This prospectus will then be used by financial experts to market the offering and will form the basis for a listing application, formally requesting that the company's shares list on a stock exchange, such as the Toronto Stock Exchange.

Marketing and Closing

The third phase of taking Hydro One public focuses on marketing the offering. The financial experts will typically prepare a summary of the prospectus and arrange meetings with financial analysts, brokers representing the general public, and potential institutional investors.

Based on the results of the marketing, the financial experts and the province will determine the price of the offering. Once the offering has been priced, the final prospectus and the underwriting agreement are finalized. The final prospectus is delivered to potential investors, who then have a waiting period of two business days to withdraw their offer. Typically, closing will take place within 10 days to two weeks of receipt of the final prospectus. Following closing, the shares are listed on the stock exchange.

The province anticipates being able to close the IPO transaction in the current fiscal year.

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