

[Company Letterhead]

Date: [Date]

To: [Name of Recipient]
[Title/Board of Directors]
[Company Name]

Subject: Advisory Report on Capital Adequacy and Liquidity Strategy for IPO Readiness

Dear [Recipient Name],

This letter outlines the strategic assessment of [Company Name]'s capital adequacy and liquidity position in preparation for its proposed Initial Public Offering (IPO).

1. Executive Summary

The transition to a public entity requires a robust capital structure and a transparent liquidity management framework. This advisory highlights the necessary adjustments to meet regulatory standards and investor expectations.

2. Capital Adequacy Assessment

To ensure long-term solvency post-listing, the following areas must be addressed:

- **Tier 1 Capital Strength:** Evaluating the current equity base against industry benchmarks.
- **Risk-Weighted Assets (RWA):** Analysis of asset risk profiles to optimize capital allocation.
- **Dividend Policy:** Establishing a sustainable payout ratio that balances shareholder returns with reinvestment needs.

3. Liquidity Strategy and Management

Market volatility necessitates a proactive liquidity stance. Our strategy includes:

- **Cash Flow Forecasting:** Implementing rolling 12-month projections to ensure operational coverage.
- **Liquidity Coverage Ratio (LCR):** Maintaining sufficient high-quality liquid assets (HQLA) to withstand short-term stress scenarios.
- **Contingency Funding Plan (CFP):** Formalizing secondary funding sources to mitigate unforeseen market disruptions.

4. Regulatory and Compliance Framework

Post-IPO, the company will be subject to rigorous financial reporting standards. We recommend:

- Strengthening internal controls over financial reporting (ICFR).
- Aligning capital disclosures with [Relevant Regulatory Body, e.g., SEC/FCA] requirements.
- Conducting semi-annual stress tests to validate balance sheet resilience.

5. Strategic Recommendations

[Insert specific recommendations, e.g., Debt restructuring, secondary offering timing, or credit line enhancements].

We remain available to discuss these findings in further detail during the upcoming Board meeting.

Sincerely,

[Signature]

[Name of Advisor/Consultant]

[Title]

[Firm Name]