

Weighing up a Delaware Flip:

When does it make sense, and when are the costs and complexity too onerous?

Presented by:



Frontline

A Delaware Flip is most relevant for pre-seed and seed startups who want to unlock US VC funding.

Only

25%

of companies flip at Series A; virtually no UK founders at Series B and beyond will flip.

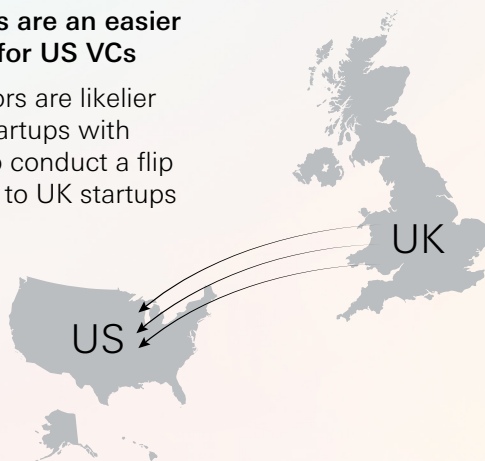
Expected costs

Simple flip at seed stage: \$15k - \$20k

Complex restructure for a larger scaleup: \$75k - \$100k

UK topcos are an easier prospect for US VCs

US investors are likelier to need startups with EU HQs to conduct a flip compared to UK startups



Subsidiary, or reincorporation?

A Delaware flip means setting up a US topco. A subsidiary means keeping your European topco.



Subsidiary

European Parent

U.S. Subsidiary



Delaware flip

U.S. Parent

European Subsidiary

Delaware flip: founder FAQs

- ▶ **Can I grant stock to European employees from the US?**
Yes, you can grant options to employees in Europe from the US.
- ▶ **Can I move IP between entities?**
Yes, but it isn't required. Transferring IP may be deemed a taxable event.
- ▶ **Will my admin costs increase?**
You will need to fund accounting and legal costs for multiple entities post-flip. Seek legal and tax advice.
- ▶ **Could a reincorporation affect any grants I've been awarded?**
Some UK grantmaking organisations may stipulate that the parent company is headquartered in the UK. Consult the relevant bodies ahead of time.

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For UK companies, access to US capital is the primary driver of a Delaware flip. Large enterprises may also prefer a US parent, and government customers will almost certainly demand one.

That said, if you flip later on, the process may become more complex and costly. And remember: upon exit, you'll be liable for US tax regardless of whether you have a meaningful presence in the country."

William McQuillan (Partner, Frontline)