



IPO Readiness: 5 Questions to Ask When Preparing to Go Public

Making an initial public offering is a momentous event for a business, a potential springboard to new growth and greater success. An IPO is also a major undertaking requiring human and financial resources, as well as a sound perspective on the company's position and prospects. ▶

Programs such as the Jumpstart Our Business Startups (JOBS) Act can help issuing companies contain offering costs and risks.

As with any such event, unanticipated factors can derail or at least diminish the outcome of the offering. Fortunately, not all of these factors are vagaries of the IPO market and process. Instead, some relate to management judgment and decision-making. Following are five critical questions company leaders should consider to improve the likelihood of a successful IPO:

1. Are you prepared to go public when the opportunity arises?

Timing the market is often the biggest obstacle companies face when going public. IPO activity can fluctuate based on global events, such as Brexit. However, programs such as the Jumpstart Our Business Startups (JOBS) Act can help issuing companies contain offering costs and risks. Instead of trying to predict the market, a better approach is to focus on what can be controlled: assembling a solid IPO team, having a strong business infrastructure, and allowing adequate time to prepare, for example.

2. Who's orchestrating all of the moving parts?

An IPO can be the most highly choreographed event a company ever undertakes. Investment bankers, accountants, and attorneys provide their respective expertise to the company. The CFO should act as the conductor of all of the parties. It is a plus if the person playing this role has IPO experience, but not mandatory. What's critically important is for the leader to be able

to clearly articulate the strategy for scaling the business. He or she also needs to be able to assemble a skilled team that can execute.

3. What does it take to develop a top-notch corporate governance environment?

IPO investors want to know whether the company is ready to meet the compliance and reporting demands of the public markets. For many privately held companies that have used less formal processes, a key step in preparing for an IPO is assessing the readiness of internal systems and processes for this increased rigor. Clearly documented and articulated policies, procedures, and controls are among governance requirements that companies will encounter in the public markets. It is important to take a measured approach to assessment and remediation processes, leveraging internal resources where possible, and looking externally to supplement when needed. The company may have limited people and resources, often stretched beyond capacity in high-growth businesses. ▣

IPO activity can fluctuate based on global events, such as Brexit.

...not all of these factors are vagaries of the IPO market... some relate to management judgment and decision-making.

4. Can you predict your financial future?

Historical financial statements tell the story of where you have been, not where you are going. Finance teams need to be able to predict revenue, growth rates, and the path to profitability. A proactive approach is essential. For example, increasing the finance function's involvement in the sales forecasting process leading up to the offering can help improve forecast accuracy and thoroughness. Establishing expectations and then hitting those numbers in the early post-IPO quarters is critical to gaining market credibility and support.

5. How do you manage multiple stakeholders?

You built the company and know its worth. You're ready to take it to the next level and reap the rewards of your work. Pricing your IPO is a delicate balance of risks and rewards. It's important to maximize the share price at the time of the IPO to provide adequate

returns for existing shareholders while considering a range that will still allow upside in stock appreciation for new shareholders after the initial trading date. This means weighing out advantages to both constituencies as well as listening to advisors who are well versed in the IPO process. For a more holistic approach, you'll also want to take into account current and anticipated market conditions, short- and long-term shareholder goals, and motivating factors that can help you retain existing employees and attract the ideal talent pool.

Navigating with Purpose

Preparing to go public can be a challenging undertaking, which is why it is imperative to focus on the things you can control. The questions outlined above highlight obstacles that could arise along your journey toward an IPO. As you plan for your next stage of growth stay attuned to these challenges and help make sure your organization is equipped for success.

This means weighing out advantages to both constituencies as well as listening to advisors who are well versed in the IPO process.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

To learn more about our Emerging Growth Company practice, visit: www.deloitte.com/us/egc.

MIT Technology Review Custom produces world-class print, online, and live-event solutions that align clients with a trusted 117-year-old brand. Visit www.technologyreview.com/media.