

Considering an Initial Public Offering?

Make sure you know how to manage the 10 key risks

Companies that have completed a successful initial public offering (IPO) know the process is truly a metamorphosis—a series of planned, pervasive changes undertaken to achieve long-term objectives. IPOs present great benefits and opportunities. Avoid the common risks that can undo all your hard work. Evaluate your progress in readying your organization for one of the most significant transactions it will ever undertake—and for an exciting new phase of corporate life in the public realm.

Risk #1: Failure to plan	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
Planning is critical. Successful IPO candidates spend up to two years building management processes and infrastructure, recruiting executive and advisory talent, getting in front of financial and reporting issues, and mustering the essential Board of Directors' commitment to go public.	<ul style="list-style-type: none"> Have you developed a formal, comprehensive plan and timeline to complete the IPO, with input from key stakeholders—your investors, management, board of directors and advisors? Have you evaluated other possible transactions that could be attractive alternatives to a public listing? Has your organization begun acting, sounding, looking, and feeling like a public company well in advance of filing the registration statement? 		
Risk #2: Trying to "time the market"	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
Rather than trying to "time the market," take the time you need to enter the IPO arena when you are truly ready. The well-prepared company that has addressed all the issues will be able to move swiftly when the market is right.	<ul style="list-style-type: none"> Do you know how to respond to pressure to move quickly to register while a "window of opportunity" is available? Are you actively addressing the four functional phases of the IPO preparation process: due diligence, drafting, SEC review, and marketing? Are you up-to-date on investor acceptance of new issues in your particular industry? 		
Risk #3: Lack of support from your management team	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
Your top managers must have the experience and expertise to undertake the IPO transaction and operate a public company during the road show and long after it is over.	<ul style="list-style-type: none"> Does your management team have a "going public" track record and experience operating under the constraints, rules, and regulations imposed on a public company? Have you determined who will run the day-to-day business while you are on the road and/or handling investor relations? Have you established the right compensation structures to retain and motivate your team? 		
Risk #4: Ineffective corporate governance	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
The legal, financial and risk management infrastructure appropriate for a publicly traded company differs considerably from a typical private company structure. You must define and implement adequate systems, controls, and policies well in advance.	<ul style="list-style-type: none"> Have you established the appropriate oversight, policies and procedures, internal controls, bylaws, and infrastructure? Have you incorporated the 12-to-18 months of lead-time typically required for Sarbanes-Oxley Section 404 preparedness? Have you fielded a Board of Directors of the right size, structure, experience, and depth to help guide your decisions and provide the requisite oversight? 		
Risk #5: Failure to select the right advisors	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
You must recruit skilled underwriters, lawyers, auditors, and other advisors with extensive IPO credentials, contacts, and industry experience. They are your voices of experience.	<ul style="list-style-type: none"> Have you selected an underwriter with a genuine interest in your business and do you mutually understand how their rewards will be tied to outcomes? Are your advisors working in close collaboration, frequently communicating with you and one another, and coordinating their activities? Will your advisors be working as your advocates and ready to support you through future filings, transactions, and financings? 		

Risk #6: Inability to attract the right analysts	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
The newly public company is responsible for garnering analyst coverage from firms beyond those listed on the prospectus cover. You and your management team must be active in this process, accessible, and responsive.	<ul style="list-style-type: none"> › Do you have a skilled investor-relations expert on board to build your strategy and guide your activities? › Do you have a plan to cultivate relationships with research and sell-side analysts who relate well to your team and understand your business? › Will you be able to generate appropriate coverage outside your company's underwriting syndicate? 		
Risk #7: Ineffective communication on the road show	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
Communicating your company's value proposition is key to road show success. You must know how to convey your financial and non-financial messages to the right investors and analysts.	<ul style="list-style-type: none"> › Are your company's goals realistic and clearly communicated? › Are your business plan and messaging consistent, sustainable, and supportable over the long term? › Do you know the dos and don'ts of providing financial guidance and how to answer the question, "Why invest now?" 		
Risk #8: Failure to secure the right investors	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
Private companies often underestimate the courtship of public investors. To drive effective communications as a public entity, manage the public spotlight, and deliver an effective investment message, you must practice strategic investor relations.	<ul style="list-style-type: none"> › Have you established a strategic plan for managing your ownership mix in the aftermarket? › Have you developed a proactive investor-relations strategy that targets the type of investor that will maximize your valuation? › Do you know how to convey your value proposition to the appropriate investing audiences, gauge market perception, and evolve your message? 		
Risk #9: Loss of focus on business operations	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
Preparing for a public offering is an intense and all-consuming process. Nevertheless, to secure long-term success, you must maintain your focus on daily operations and establishing your company as a viable force within its industry.	<ul style="list-style-type: none"> › Have you established "infrastructure balance" within your organization to help ensure your focus on the transaction does not supersede execution of the business? › Are you continuing to drive toward results that will make your company a success? › Do you have enough cash on hand to cushion your business from a delayed transaction or a change in strategy? 		
Risk #10: Failure to deliver on your promise	Let's get to work	Making progress	Ready for the IPO
Where are you on the continuum?			
Once the IPO is complete, the real work of running a newly public company begins. After positioning themselves as public entities long before they went public, market outperformers demonstrate superior financial performance, effectively communicate non-financial attributes, and treat the IPO as part of an evolving process toward market leadership.	<ul style="list-style-type: none"> › Are you effectively using the proceeds of the public offering? › Are you channeling your passion about your business into operational success and shareholder value and generating ongoing investment-community interest? › Have you begun to plan how to accomplish your next set of strategic goals? › Can you meet or beat your forecasts? 		

Often-Overlooked Opportunities

Private Financings: While many private companies have multiple reasons for placing value on a public listing, they may also find private capital markets to be a highly effective and less expensive route to raising capital. The mergers and acquisitions market, private equity-backed deals, and dual-track approaches (such as a concurrent pursuit of both an IPO and an M&A transaction) are viable alternatives to raise capital and offer their own strategic advantages.

Global Footprint: A company that has a global presence, whether expressed through distributed manufacturing, a world-wide customer base, or other operations located on foreign soil, may obtain a higher valuation from investors than a company with purely domestic operations. You should evaluate whether having a global footprint is competitively advantageous—or even necessary—and should be part of your business strategy and quest for capital, whether private or public.

