



## How well-rehearsed are you for the public stage?

EY's guide to going public can help companies successfully transform from a private entity to a public enterprise.



The better the question. The better the answer. The better the world works.



## **It's time for your company to fulfill its potential**

You're a company on the rise, but you've gone as far as you can go as a private entity. To reach your full potential, you know that an IPO is your next step. The question is, are you prepared for the public stage?

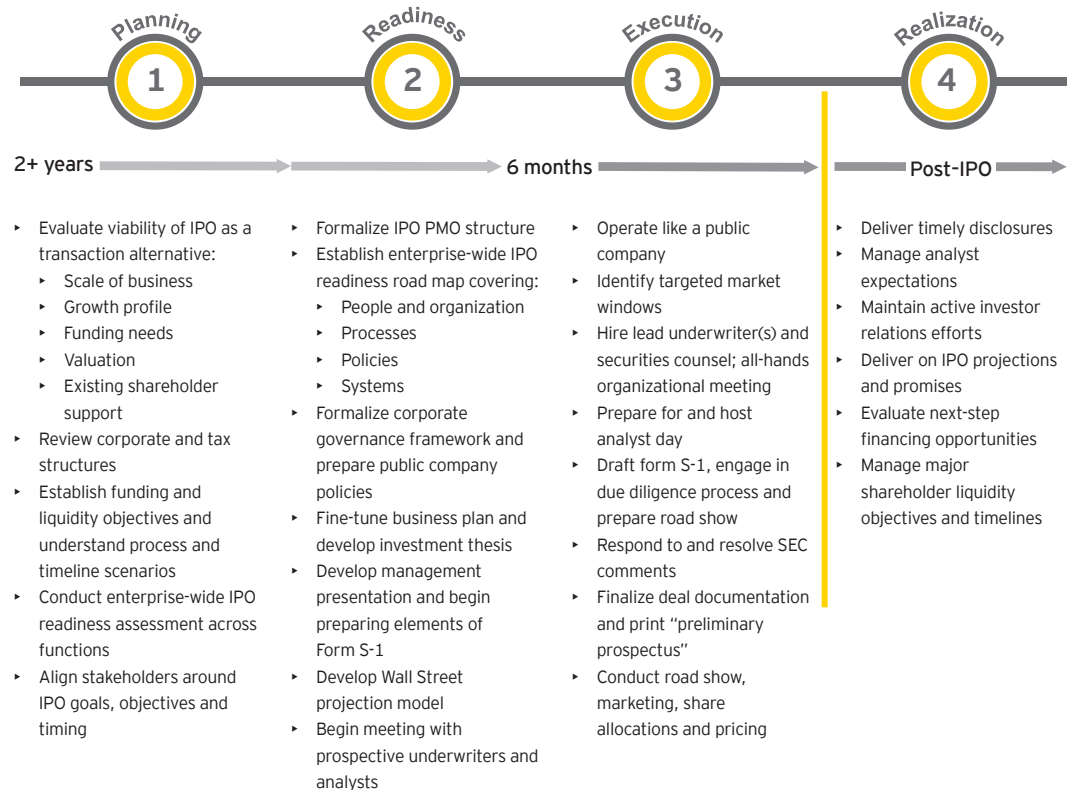
There is a lot to consider: your company's business performance and growth trajectory, investor receptivity, your industry and public company comparables, and the broader IPO market trends and conditions.

Companies that have completed a successful IPO know that the preparation process is truly a metamorphosis – a series of planned, pervasive changes undertaken to achieve long-term objectives.

Throughout the journey, readiness is defined, in part, by managerial diligence, endurance and organizational principles – the foundational elements of a well-run, predictable business that can scale and grow while meeting or beating investor expectations.

## Prepare for the IPO journey, not the transaction

When preparing for the IPO journey, it's important to remember that the IPO event is not the end game. It is only one part of a process that will continue long after the actual transaction is complete. Your journey begins with earnest decision-making and diligent planning. It continues with internal preparedness. And throughout the journey, readiness is defined, in part, by managerial diligence, endurance and organizational principles – the foundational elements of a well-run, predictable business that can scale and grow while meeting or beating investor expectations.



## Act

IPO readiness requires change throughout every aspect of your business, organization and corporate culture. Part of this change means acting like a public company as early in the process as possible. Educate your internal organization on factors that are relevant to operating as a public company and achieving success in the public domain. Allow enough time to build your legal, financial, communications and risk management infrastructures. Provide time to address key financial and reporting issues. Hold mock earnings calls with current investors to review drafts of quarterly/annual filings and press releases, and be prepared to answer challenging questions.

## Assemble an enterprising team

Investors will make calculated bets on the probability of success based on the substance of management and the board, as well as your current investors and financial advisors. Your C-level executives will be the backbone behind the equity story and the mainstay of the public company. The entire team – executive management, finance and accounting, sales and marketing, R&D, production and beyond – must be an enterprising group with deep-seated commitment and the ability to drive operational excellence. Your experienced board, investors and advisors will guide management through the readiness process, with a focus on managing risk and driving sustainable value.

## Strengthen your processes and infrastructure

IPO readiness requires robust enterprise-wide infrastructure, comprising often-new people, processes, policies and technology. Investments in these areas will enable the business to scale and grow quickly while also facilitating regulatory compliance, protecting against risk exposure and providing guidance to meet or beat expectations. As part of your due diligence, you will want to comprehensively examine your business and operational framework, as well as the financial and legal constructs of the organization.

## Keep your eye on the business

Preparing for an IPO is an intense and arduous process. You and your team must strike the right balance between managerial focus on the IPO transaction and the day-to-day operation of the company.

## Avoid the IPO pitfalls

In all the excitement of preparing for the IPO journey, companies sometimes neglect the little things that could have a big impact on the success – or failure – of an IPO.



### Frequent pitfalls

- ▶ Underestimating complexity and intensity of IPO process
- ▶ Insufficient resources to run business in parallel to IPO project
- ▶ Inadequate corporate housekeeping (records, approvals, support)
- ▶ Inadequate processes to support general accounting, the financial statement close process (financial and management reporting), and SEC reporting and disclosures
- ▶ Underdeveloped investment thesis and understanding of market expectations
- ▶ Lack of shareholder alignment on IPO goals, objectives and monetization strategies
- ▶ Limited timeline flexibility
- ▶ Inefficient syndicate structure
- ▶ Inattentive communications or publicity practices
- ▶ Outsized focus on valuation at IPO vs. long-term considerations
- ▶ Mismanaging investor and analyst community expectations



### Leading practices

- ▶ Prepare for the journey early
- ▶ Preserve and maximize optionality
- ▶ Don't chase a hot market
- ▶ Build the right management team; engage experienced advisors
- ▶ Formalize your business and financial processes; fortify infrastructure
- ▶ Operate like a public company 6 to 12 months pre-IPO
- ▶ Consider communications, publicity plans and investor relations strategy early
- ▶ Align and understand shareholder expectations for the IPO and their intended liquidity path
- ▶ Consider pricing and share allocation implications beyond the IPO pricing event
- ▶ Deliver on your promises



## **IPO timing is everything. Or is it?**

Many say that timing the market is the key to success for an IPO. We believe that market access is driven by investor confidence in the ability of your company's management team to execute on your business plan and consistently deliver strong investor returns. Yes, market volatility and economic uncertainty can affect the timing, but more often than not, internal factors matter most: your scale, growth trajectory, maturity and the readiness of your business for public scrutiny are the factors of timing that drive market acceptance.

## **Have a plan B**

If capital markets are less than ideal or the timing feels off, it's important to have a plan B. To the extent possible, your IPO timeline should have enough flexibility to allow for postponement, as well as market disruptions and process delays.

If you can't afford to wait, it's important that you have the flexibility to execute an alternative financing strategy.

## **Put your best foot forward through the IPO road show**

The road show is a critical event in the IPO process. Ideally, it is not the first time you will be meeting many of these investors and analysts. During this whirlwind tour, your company will be addressing key investment audiences, including the underwriters' salesforces and prospective institutional investors. For 8 to 10 hours per day over 8 or 9 days, management must sell the investment merits of the story and be prepared to address skeptics who will challenge the investment thesis.

A key challenge of the road show is to communicate a high level of excitement and passion for your company despite having to repeat the same presentation 50 times or more in one week. Engage and interact with the investors you meet, establish relationships and keep in contact. Your road show audience will be an important source of feedback that will help to improve your investment story as you proceed in the aftermarket.

## **Target the right analysts and investors for stronger aftermarket performance**

Being prepared for your IPO includes having an aftermarket strategy. Once the transaction is consummated, the stakes rise dramatically as management accountability shifts from relatively few investors to perhaps thousands of new ones.

To provide your company with the best chance for a strong aftermarket performance, you need to target the appropriate underwriters. They will help you to coordinate the distribution of shares and provide pricing stabilization. You will also need sell-side analysts to follow your company and help achieve the optimal investor mix.

To attract the right investors, you'll also want to have the right management team in place. Public investors are hard to attract. They will size up management and closely study management ownership structures and the mechanisms in place to reward long-term success. Investors are also more inclined to place their bets on executives with meaningful direct ownership in their company's stock.

## If you want market credibility, deliver on your promises

Once your company goes public, the real work begins: keeping the promises made during the IPO, managing the expectations of shareholders and analysts, and delivering growth and value.

Management credibility is one of the more important drivers of public company longevity and success in the investment arena. Establishing credibility with Wall Street means communicating openly and consistently on your business prospects, executing well against your objectives and delivering on your promises.

Managing expectations is also a critical component of success. Provide investors and analysts with a blueprint to follow by clearly articulating the parameters that management uses to track the business. Otherwise, someone else will set the expectations for you.

## Are you ready for your IPO journey?

Going public isn't easy, but the rewards can be great, provided you are adequately prepared, you solicit experienced guidance and you execute effectively.

**"IPOs are more complicated than they've ever been. Today's transactions are frequently about more than raising capital. They can also be about increasing liquidity, enhancing reputation, attracting talent and driving growth. Having guided more US companies through the IPO process than any other accounting and advisory services organization, we can help your company manage all aspects of the IPO journey as you prepare for the public stage."**

**– Jackie Kelley**

Americas IPO Markets Leader, EY


## Get ready with a readiness assessment

To determine your level of preparedness for your IPO journey, you may want to consider a readiness assessment. A readiness assessment will highlight the things you are doing right, as well as the gaps that need to be closed across all key business functions. An assessment will cover the critical areas you need to focus on for a corporate transformation.



## EY will be there every step of the way

As a trusted advisor to more US companies through the IPO process than any other accounting and advisory services organization, we know what it takes to go public. We are here for you every step of the way, from planning and readiness to execution and realization.



Once your company goes public, the real work begins: keeping the promises made during the IPO, managing the expectations of shareholders and analysts, and delivering growth and value.

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