

# IPO Countdown: 10 Tips for a Successful Initial Public Offering

An IPO brings with it both huge opportunities and major challenges. Your team will need to deal with increased scrutiny on finance and operations, as well as new demands for documented controls. Ready to launch into public orbit? Here are ten tips to help you count down to a successful IPO liftoff.

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## Validate that you're ready

Public tech investors typically like to see revenue growth rates above 30% in the two forecasted years after the IPO.

### You'll need to:

- Have a predictable business model and plan, with accurate quarterly forecasts
- Have an understanding of the competitive landscape, including like public companies
- Be able to articulate a clear vision and a compelling business case

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## Ensure there's enough time—and money—to do it all

Per PwC, companies average \$3.7 million spent directly on their IPO, in addition to underwriter fees of 5 to 7 percent of proceeds.

### You'll need to:

- Be committed to a 12-24 month IPO process
- Have an understanding and acknowledgement of the associated IPO costs
- Exhibit willingness to complete normal business tasks *and* the burden of IPO prep

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## Assemble the right team

Look for an experienced CFO, an individual who has served as the chief financial officer of a company that's already gone public.

### You'll need to:

- Onboard an IPO-seasoned CFO, or one willing to learn quickly
- Assemble a team comprised of AP, AR, auditors, SEC specialists and consultants
- Clearly articulate internal vs. external staff expectations and responsibilities

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## Behave like a public company

Begin to act and operate as a public company at least one year in advance of the IPO.

### You'll need to:

- Have the ability to consistently deliver accurate and detailed financial reporting
- Be willing to retroactively state quarterly results and meet quarterly reporting deadlines
- Have processes, such as a tight financial close, in place and documented

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## Understand and address SEC requirements

It typically takes the SEC 25 days to provide initial comments on your Form S-1 filing, so allow 10 to 14 weeks to complete the process.

### You'll need to:

- Understand topics of current SEC concern and handle them in advance
- Be prepared to substantiate all claims
- Ensure audit sign-off in critical areas such as equity compensation

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## Strive for accuracy

There's nothing quicker to derail an IPO than bad numbers, a material weakness or when people don't believe the story.

### You'll need to:

- Have zero tolerance for missing or incorrect financials
- Have conviction behind critical numbers for maximum capitalization
- Be prepared for all ongoing contingencies and requests

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## Be conscious of the "Word from the Street"

Make sure your external communications do not contain any statements that you cannot prove or don't have disclaimers.

### You'll need to:

- Know that unfiltered communications can negatively influence valuation
- Understand that investors are looking for predictable guidance
- Create added checks and balances on all company communications

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## Utilize technology to your advantage

57% of companies that automate reconciliations are able to close their books within 6 days compared to 27% who do so manually.

### You'll need to:

- Use automation to assist with the IPO process and beyond
- Acquire apps for specialized purposes, such as stock options and month-end close
- Enforce best practices and internal compliance controls

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## Employ new trends in IPO prep

Before filing the S-1 publicly, companies usually pressure test their message and performance in front of investors.

### You'll need to:

- Use advisors to stage all types of IPO exercises to "file without filing"
- Leverage the pre-file process to uncover unanticipated questions
- Allow auditors to review, critique, and help improve responses

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## Anticipate the future

In the first year of SOX compliance, organizations can expect their average cost to be \$853,400.

### You'll need to:

- Be prepared for greater regulatory focus including SOX
- Expect company growth changes and evolution of internal staff responsibilities
- Plan for quarterly reporting, fiscal scrutiny, and expectation management

Count down to your IPO.  
Get ready to ring the bell and  
blast off on your public journey!

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