NUMERIC'S IPO READINESS PLAYBOOK

PREPARED BY NUMERIC

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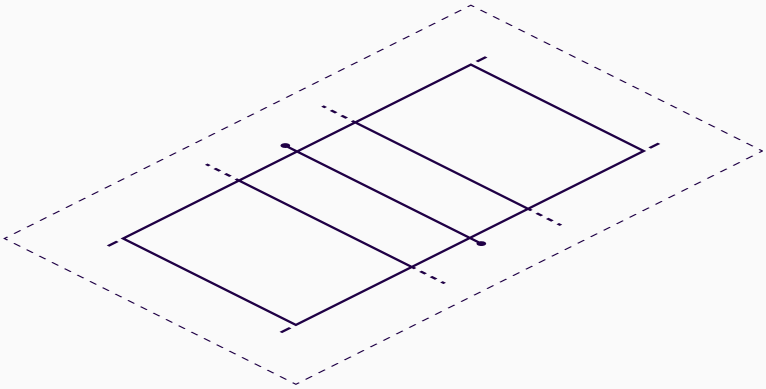


1. Gameday Awaits: The IPO Journey

The rumors have been swirling internally for months, but today, your CEO just made it official: the company plans to IPO in the near future. You're ecstatic — soon, the exec team will ring the bell in NYC, and then, you'll be public. That's all it takes, right? A few chimes, a nifty ticker, and then, the cash flows in.

We all wish it were that simple (okay, everyone except the SEC), but instead, the IPO process is tedious, complex, and lengthy. Readiness procedures can take the better half of two years, even if the actual filing and debut of the stock happens only over several months.

Why do companies go public?

Companies choose to go public for several strategic reasons, all of which can provide significant benefits that help a business grow and thrive in competitive markets.

Access to capital

Going public raises substantial funds, enabling companies to expand through new products, market entry, or infrastructure investments. Compared to private investors, public funding offers a larger capital pool.

Increased visibility + prestige

An IPO often bolsters a company's reputation and brings new attention from media, investors, and analysts. Being listed on a stock exchange signals maturity and stability, which in turn can enhance market presence and partnerships.

Liquidity for shareholders

An IPO provides liquidity, simplifying the buying and selling of shares on the stock market. This flexibility benefits early investors and employees with stock options.

Potential for future growth + expansion

With the capital and visibility gained from an IPO, companies are well-positioned for future growth. Publicly traded companies often find it easier to acquire other businesses or form strategic partnerships. They can also use their public shares as currency in mergers and

acquisitions or to attract top talent to their ranks.

How do companies go public?

Companies file Form S-1 through the SEC's EDGAR system. Following the initial submission, the company must go through a review process with the SEC. Initial SEC feedback arrives within a month, but back-and-forth reviews can extend for months. Once approved by the SEC, companies can move forward with setting the offering price, marketing shares, and listing on public exchanges.

#	Key details	Advantages	Disadvantages
IPO	A traditional IPO lets a private company sell shares publicly to raise capital, with underwriters handling pricing, marketing, and compliance.	• Raises significant capital for growth, debt repayment, or investments. • Underwriters ensure pricing, marketing, and post-listing stability.	• High costs, including underwriting and legal fees. • Lengthy process with regulatory reviews and investor roadshows.
SPAC	SPACs are public companies formed to merge with private firms, enabling them to go public. The merger, called a de-SPAC, transforms the private company into a publicly traded corporation.	• Faster process via pre-raised SPAC funds and fewer complexities. • Predictable capital amounts post-merger for financial planning.	• High costs, including fees for SPAC sponsors. • Sponsor equity stakes (up to 20%) dilute existing shareholder value.
Direct Listing	A direct listing lets a company sell existing shares publicly, raising no new capital, while allowing current shareholders to sell their holdings.	• Avoids underwriting fees, reducing transaction costs. • Shareholders can sell anytime post-listing without lock-up periods.	• No guaranteed buyers, leading to potential price volatility. • Lack of price stabilization may affect trading volume and liquidity.

The IPO Timeline: The big picture

The IPO roadmap can be thought of in roughly four phases: planning, preparation, the IPO transaction, and then life as a public company. Before diving into accounting specifics, here are the big picture milestones to keep in mind.

Phase 1: IPO planning

The planning phase establishes a solid foundation for a successful IPO by evaluating readiness and aligning with experienced advisors.

- **Readiness Assessment:** Assess financial health, governance, and operations for public market readiness.
- **Advisor Selection**: Select expert advisors (banks, legal, auditors) for IPO guidance.
- **Strategic Positioning**: Define value proposition and market potential to attract investors.

Phase 2: IPO preparation

- **Regulatory Filings**: Submit SEC filings to meet regulatory standards.
- **Roadshows:** Conduct roadshows to pitch business model and growth plans.
- **Pricing:** Set offering price to balance capital needs and investor demand.

Phase 3: IPO transaction

- **Market Debut**: List shares on a stock exchange for public trading.
- **Investor Relations :** Launch investor relations to ensure transparent communication.
- **Reporting:** Establish compliance for financial and regulatory reporting.

Phase 4: Post-IPO

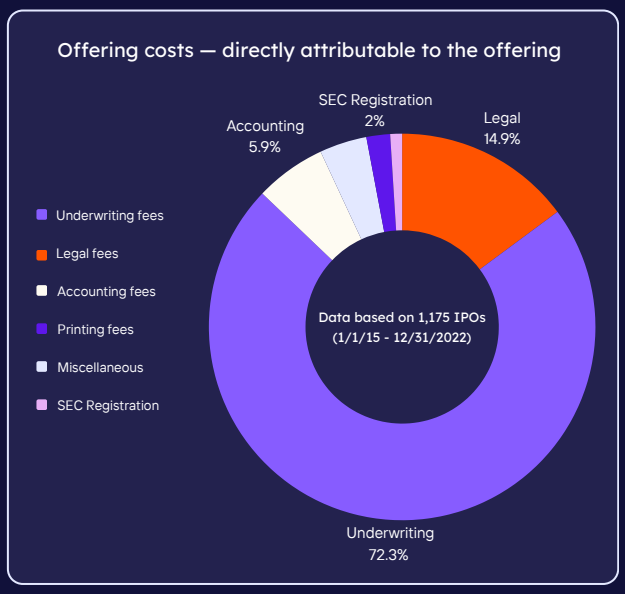
After going public, companies focus on performance tracking, strategic growth, and proactive stakeholder communication to build credibility and sustain success in the market.

- **Performance Tracking:** Monitor stock performance and market trends to guide decisions.
- **"Beat & Raise"**: Adopt a "beat-and-raise" strategy to exceed targets and boost confidence.
- **Strategic Growth Initiatives**: Focus on growth through acquisitions, new products, or market expansion.

How expensive is the IPO?

Quite expensive. IPO costs are primarily driven by the underwriter fees, which are typically a percentage of the IPO proceeds. These fees range from 3-7%, depending on deal size.

In scraping all metrics from the PwC IPO cost calculator, we can see that for the 1,175 IPOs that took place between 2015-2022, the costs of going public range from $1.4M - $182.2M with an average of $49.29M and median of $41.25M.



IPO Readiness

IPO readiness is the process of preparing a company for public share sales. It involves fine-tuning operations, strategy, and financials to withstand public market pressures and meet investor/regulatory expectations. To that end, most teams use an IPO readiness assessment which acts as a diagnostic tool, pinpointing gaps in company preparedness before going public.

By proactively addressing weaknesses, companies can strengthen their market position and create a smoother transition to public ownership. Think of it as a corporate check-up: catch the weaknesses now, and you'll save yourself from some serious public headaches later.

Best practices

Start at least two years early

For many companies, achieving full public readiness for the finance org can take up to **two full years**. Early action allows time to implement accounting policies, update systems, and address organizational gaps.

Ramp up controls

At the 2024 Bay Area IPO Summit, CFOs advised spending a year on strengthening SOX compliance before an IPO. They also stressed the importance of ramping up an internal audit team early to identify risks, improve efficiency, and ensure compliance.

Dedicate resources

IPO teams often underestimate resource needs, especially in accounting. Hiring must increase, advisory consultants are key, and project leaders should manage IPO readiness tasks.

Re-evaluate + revamp tech stack

In preparing for an IPO, teams should ask themselves these types of questions:

- Is my ERP supportive enough for the growth my company expects?
- Is there cohesion between my existing software?
- Can I implement AI tools or automation to expedite current workflows?

Building a tech stack that supports company initiatives is crucial during IPO readiness.

2. The IPO Coach: Key Insights from an EY Veteran

Preparing for an IPO is a transformative journey, and few understand its complexities better than Chris Canoles, a twenty-year veteran auditor from EY with experience helping public and pre-IPO teams.

With decades of experience guiding companies through the transition to public markets, Chris shares key insights that can help finance leaders navigate this high-stakes process. From building the right team to integrating controls and planning for compliance, his expertise highlights the critical steps that separate a seamless IPO from a stressful scramble.

Chris Canoles
Twenty-Year EY Veteran

Timing is everything: SOX + IPO planning

Chris emphasizes the importance of carefully timing an IPO to avoid exhausting your team and risking compliance failures. "Going public is challenging, but going public in Q4 is especially tough," he notes.

IPOs will trigger the registrant to be in compliance with SOX. However, the SEC provides newly public companies with a one-year transition period beginning with their first 10-K filing to fully comply with SOX, allowing registrants to delay their SOX 404(a) management's assessment and 404(b) auditor's attestation until their second annual report.

This means that the time available to achieve SOX compliance can vary depending on the timing of the IPO, from just over one year on the short-end for IPOs completed late in a company's fourth fiscal quarter to nearly two years for IPOs completed early in a company's first fiscal quarter.

Chris recommends being intentional about IPO timing to spread out key milestones, such as the implementation of SOX controls. "During the IPO process, teams are already strained to perform their routine close activities while juggling the various drafting sessions, SEC filings and comment letters, as well as constant interactions with auditors and investors.

Those extra months can make a huge difference for teams, leading to more successful compliance outcomes, higher morale, and greater retention of accounting talent after the lockup period ends. "

Standing up internal audit teams

A strong internal audit function is also essential, but timing the hire can be tricky. "You want to get your Director of Internal Audit in with enough time to establish a team and program, balancing support of the external audit and SOX compliance with the ability to run a few internal projects with any excess capacity - knowing there may not be much in those first 1-2 years," Chris advises. He also notes that maximizing the length of the compliance window by timing the IPO properly gives you the most leeway in making this hire.

For companies in the interim, engaging a reputable outsourced SOX PMO provider can help establish a foundation for your internal audit department and SOX compliance initiatives, but Chris warns, "Always ensure you're working with a great firm and getting their A-team that can quickly interface with your external auditor to align testing programs, establish timelines, and avoid surprises. Without a quality team and a proactive relationship with the external auditor, you could be paying a premium for a false sense of security."

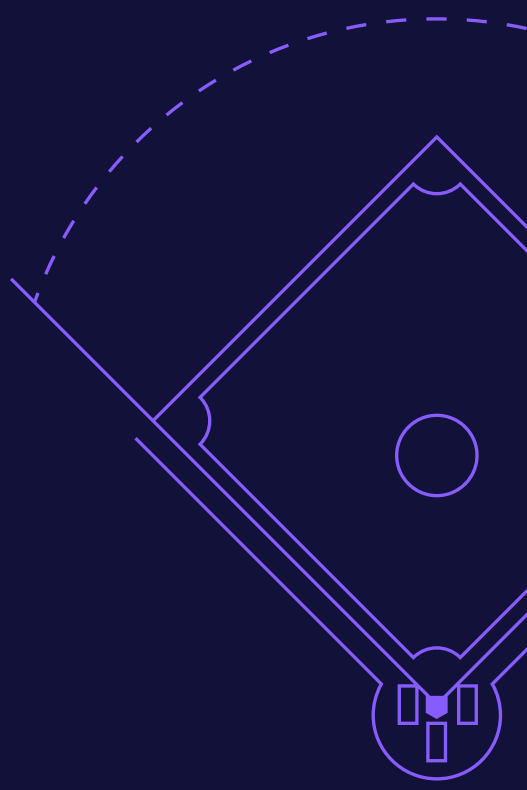
Building the right team

When assembling an IPO-ready accounting team, Chris highlights the importance of key roles like SEC reporting specialists, technical accountants, and revenue accountants. "A lot of companies think they're ready because they close in ten business days, but bookkeeping demands don't go away as your business gets more complex," he explains. Having individuals who can bridge technical accounting and operational processes is critical for ensuring compliance and addressing complex issues like revenue recognition and key metrics.

Chris also underscores the value of cross-functional collaboration. "Accounting teams need strong partnerships with FP&A, legal, and IT. A strong IT leader that ensures the health of your financial systems is as important as having a strong SEC reporting team," he says. These partnerships ensure data integrity, smooth audits, and alignment on key business metrics.

"A lot of companies think they're ready because they close in 10 business days, but bookkeeping demands don't go away as your business gets more complex."

-- Chris Canoles



Steps for controllers on the path to IPO

Chris offers a clear roadmap for controllers preparing for an IPO:

Take stock of your close

Assess your close process and integrate control activities. "Don't give yourself a false sense of security with a so-called 'X-day close' if it omits activities required for GAAP and SEC reporting purposes and performing key controls," Chris warns.

Public companies must balance closing the books with documenting and performing key controls, as well as other activities such as preparing Board communications, SEC reporting, investor relations, and external auditor review.

Fill the gaps in your team

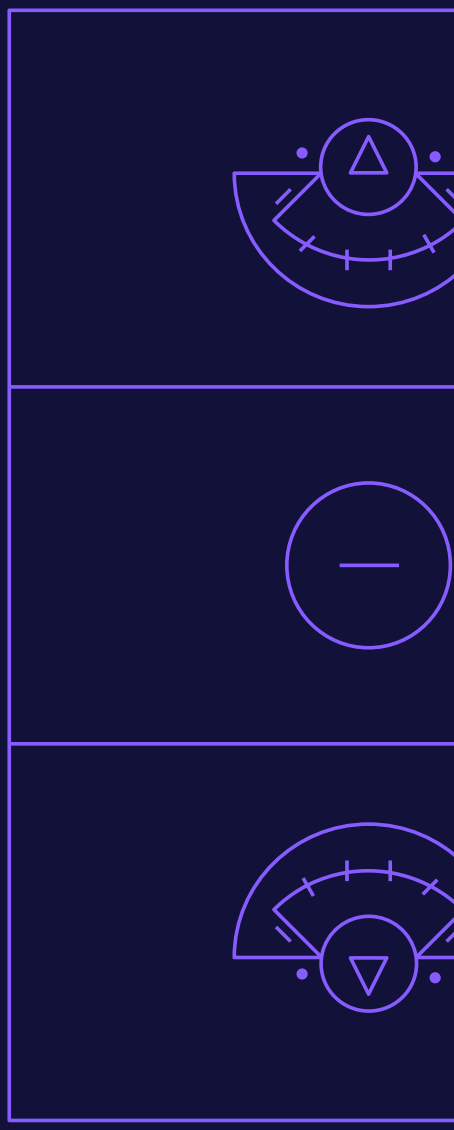
Identify gaps in your accounting, revenue, or collections teams and hire well in advance of the IPO. "You want most of your key roles established one year before going public," Chris advises.

Align on key metrics

Collaborate with FP&A and the broader business to determine which metrics will appear in your S-1. "Having a faux pas on an investor metric can be just as bad or worse than having a GAAP restatement," Chris emphasizes. Metrics should be easily verifiable, tied to standardized data sources, and relatively comparable to peers. Any non-GAAP metrics must be reconciled to the nearest GAAP metric in SEC filings.

Run mock earnings and filings

Before the roadshow, conduct mock 10-Qs and earnings releases. "Practicing mock filings helps you identify gaps and streamline processes before going public," Chris recommends.



The Halftime Speech: Coach's Final Words

Chris Canoles' guidance underscores a vital truth: IPO readiness is more than a checklist; it's a strategic, cross-functional effort. By timing your IPO carefully, investing in the right team, and integrating controls early, finance leaders can set their companies up for public company success. The IPO process may be daunting, but with thoughtful preparation, it's an opportunity to build a stronger, more resilient organization.

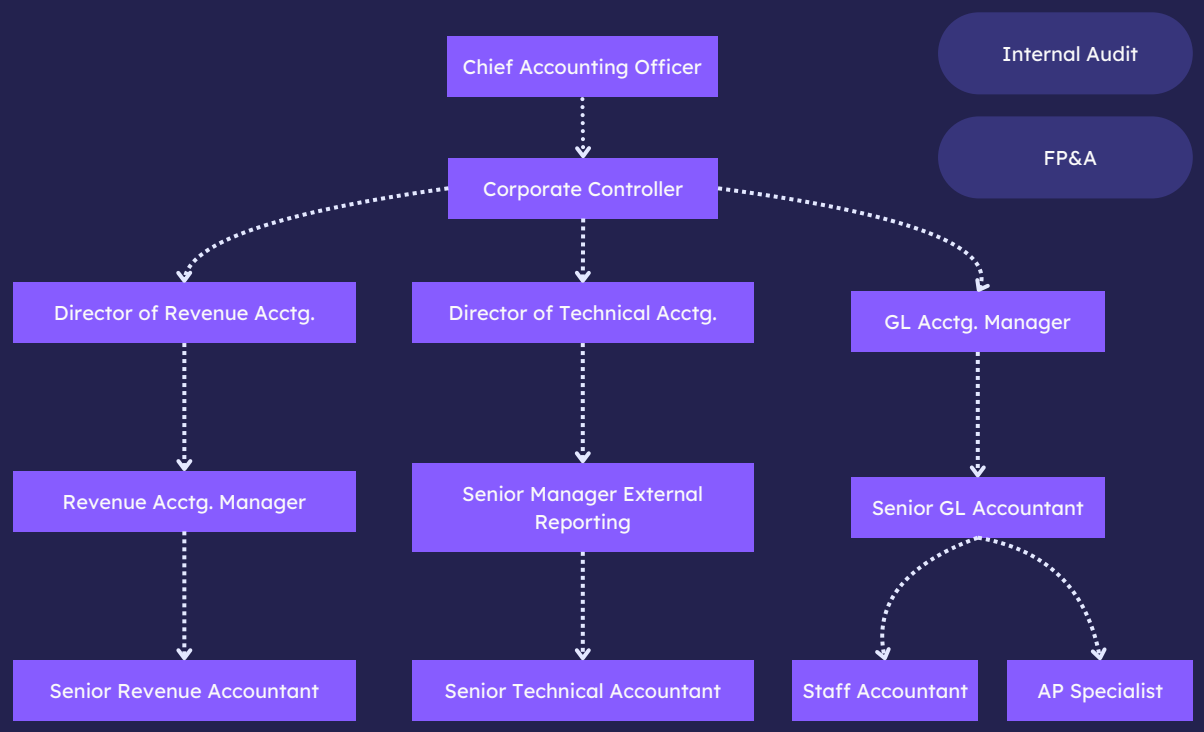
3. The Dream Team: IPO-Ready Accounting Departments

In analyzing accounting teams at companies that went public in recent years, Numeric found clear patterns in how successful organizations structure their finance departments for the public markets.

Here's what the data reveals about building a robust accounting organization ready for IPO.

This accounting org chart is a predictive example of what accounting organizations look like either just before or post-IPO. Specifically, this chart is modeled on data pulled the org charts of major B2B SaaS companies that went public between 2023 and 2024.

Predictive B2B SaaS IPO Accounting Org Chart



The numbers behind IPO teams

By examining public data and predictive measurements derived from platforms like LinkedIn, we've identified the roles and responsibilities that define successful IPO readiness.

Specialization matters

Our research reveals a consistent trend: companies that excel in IPO preparation build accounting teams with robust expertise and specialization. Across the dataset, accounting departments typically featured roles dedicated to revenue accounting, SEC reporting, and technical accounting. That's not to forget a litany of other specialists that feature across organizations: credit and collections teams, deal desk managers, commissions specialists, and more.

> **A key takeaway?**
>
> Revenue recognition expertise is indispensable, especially for SaaS companies managing complex subscription models and usage-based revenue streams.

Building core leadership

The foundation of a successful public company accounting team starts at the top. Most IPO-ready organizations have established a clear leadership structure:

- **Chief Accounting Officer (CAO)** to oversee the entire accounting function
- **Corporate Controller** to manage day-to-day operations
- **Directors** specializing in key areas like Revenue Accounting and Technical Accounting
- **Managers** and **Senior Accountants** for specific areas like SOX compliance, financial reporting, and general ledger operations.

Sizing your team

Our analysis suggests that mid-sized companies approaching IPO **typically maintain accounting departments of 20-30 people**, with specialized roles emerging as companies get closer to their public debut or even soon after.

Supporting primetime players

Remember that building a public-ready accounting team isn't just about hiring – it's about developing the right structure and expertise to handle increased scrutiny and reporting requirements. Start early, focus on specialization, and ensure your team has the tools and support needed for success.

Methodology note: Data derived from analysis of accounting department structures at companies that completed IPOs in 2023-2024, with particular focus on B2B SaaS organizations. Role and organizational information collected via LinkedIn data analysis.

4. Scrimmage Time: Mastering the Close & Other IPO Prep

Championship teams understand that greatness is forged through daily dedication, rather than one single moment. Achieving IPO success is no different.

Did you know that accounting is one of the leading causes of IPO delays? If not, here are the all too familiar accounting bottlenecks that can hinder IPO readiness.

Common accounting bottlenecks on road to IPO

1. Close

The month-end close becomes critical for IPO readiness, requiring 100% completion of tasks like reconciliations, reviews, and reporting within 10 days. Teams must shift from flexible processes to a structured, audit-ready approach to meet public company standards.

Solution: Make an investment in close management software

Invest in close management software like Numeric to automate tasks, streamline reconciliations, and improve controls, ensuring faster, audit-ready closes.

2. Controls

At the Connor Group's Bay IPO Summit, one message stood out: start preparing your controls workflows as early as possible. Failing to fully establish controls doesn't just jeopardize the IPO timeline—it also sets the stage for future accounting issues, including material weaknesses or SEC-imposed fines.

Solution: Assess & remediate your current controls environment

Once teams understand their timelines for being public-ready, they should see what gaps exist in the existing controls environment and begin planning how to shore up these gaps.

3. ERP + tech systems

Private teams often rely on ERPs that "get the job done," but pre-IPO rigor demands scalable and efficient tools. Evaluate whether your current system can support public accounting needs.

Solution: Upgrade, migrate, + integrate your accounting tech stack

If your ERP or other software won't scale with your needs, then upgrade. If you find an intuitive solution that can replace manual, spreadsheet-based processes, then migrate. And last, ensure that any new solutions will integrate well with your existing tech stack.

4. People

Addressing the personnel side of IPO readiness is a challenge. Some companies simply need more people to handle the increased workload, others need staff with SOX and public accounting experience, and some might have the right numbers but lack critical leadership, like a CAO, to manage the overall accounting operations.

Solution: Invest —Internally or externally

Invest in upskilling your team, hiring talent, or engaging external advisors to bridge expertise gaps and prepare for public company demands.

5. Historical + current accounting

IPO prep requires 2-3 years of clean financials. Teams must correct past errors while managing current tasks like month-end close and building SOX compliance—a daunting workload.

Solution: Tackle existing bottlenecks before anything else.

Work on current bottlenecks using automation, AI, or external advisors to clean up past financials and streamline current workflows for IPO readiness.

The best advice of all? Start early.

Getting into in-season shape: is my close ready for an IPO?

If you're a private company, your financial close might feel like playing a friendly weekend pickup game. Sure, everyone's got a sense of who's winning and what's going on, but you're not overly concerned if someone loses track of the score or steps out of bounds now and then.

But taking your company public demands the precision of a professional championship match. Like top-tier athletes competing under the watchful eye of seasoned referees, a public company's financials must be rigorously tracked, reviewed from every angle, and verified down to the last detail—a masterclass in execution on a high-stakes field.

The public close

The Connor Group defines a public company close in terms of these components:

- All "sub-ledger or sub-system" entries are posted, closed, and reconciled.
- All journals and month-end entries are posted.
- All key balance sheet and key P&L accounts are analyzed and reconciled.
- Financial variance analysis is completed.
- Management reviews are performed (in accordance with SOX 302)
- Financial reporting package is completed (in accordance with SOX 404)
- All of the above is completed within 10 days or less, with zero audit or post-close adjustments.

These elements may appear as enhanced versions of a standard close, but which factors —here or unlisted—might present a greater challenge than expected?

Public v. private close: key differences

While not an exhaustive list, these are some of the major differences teams should expect when upgrading their close.

Full balance sheet reconciliation

Private companies often defer the reconciling of low-risk balance sheet accounts until quarterly or annual closes. Public companies must reconcile all balance sheet accounts, not just key ones, and document any exceptions. Prepare for the time and effort this process adds.

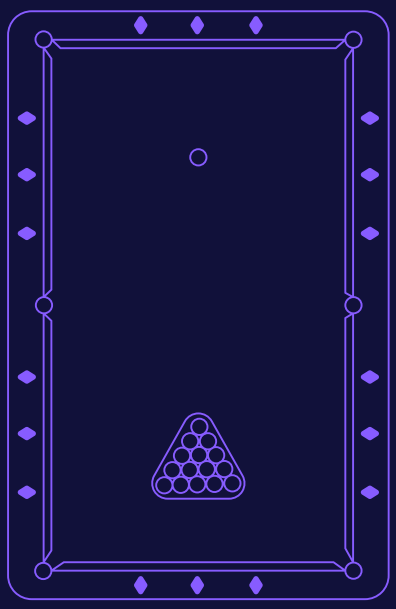
Completion in 10 days

A tight close gets harder under the demands of public accounting. That's especially true if you claim to close in a certain timeframe, but leave plenty of work for after the fact. Ensure your processes and team can maintain speed while managing the added IPO workload.

SOX compliance

Unlike the two concerns above, most private accounting orgs have minimal SOX experience. Ramping up a SOX operation can take roughly a year, and accountants deem it one of the more grueling parts of the IPO process. Factor this into bandwidth planning as part of IPO preparation.

Close-ing the gap on month-end



Looking for some ways to put your close into the best position for being public? These are four strategies for constructing a better and more consistent close process.

Move tasks to pre-close period

Schedule tasks for "negative days" before close to reduce month-end pressure. Handle tasks like payroll pre-close and use real-time transaction monitors for accuracy. This proactive approach validates data early, ensuring smoother close periods and better preparation for going public.

Automate

Save time by automating email reminders, data entry, and tedious tasks with AI. As Mike Dean, VP Corporate Controller of Amplitude, suggests, start by identifying the tasks you dread most and use them as a launching point for automation.

Leverage AI for flux + more

Numeric's technical accounting AI assists with technical accounting across standards (GAAP/IFRS), leveraging training from public filings and Big 4 guidance for policy memos and compliance questions. Teams also expedite the flux analysis process by using Numeric's AI flux writer.

Implement close management software

Streamline public reporting readiness with specialized software like Numeric. Close management tools provide organized documentation, clear controls, and real-time visibility across close processes, making IPO preparation more manageable.

Making a list, checking it twice: IPO close readiness checklist

This lightweight checklist provides some structure to the question of IPO readiness by evaluating close procedures through four lenses: people, processes, systems, and controls.

People

- ☐ Do we have the right personnel to perform current close tasks and those that will come when our business scales?
- ☐ Do we have structured communication with cross-functional partners, especially the FP&A team, surrounding the close process?
- ☐ Are our employees educated well-enough on GAAP + SOX requirements or at least have training opportunities scheduled?

Processes

- ☐ Have we identified opportunities to move certain close tasks or workflows into the pre-close period?
- ☐ Can our team complete full balance sheet reconciliations with moderate ease?
- ☐ Have we set-up processes to account for stock-based compensation and other nuances related to equity?

Controls

- ☐ Have we documented our existing controls in full and practice them as completely and routinely as possible?
- ☐ Is there a well-constructed roadmap for our SOX implementation process?
- ☐ Does our team understand the ICFR disclosure requirements that are part of the quarterly 10-Q form?

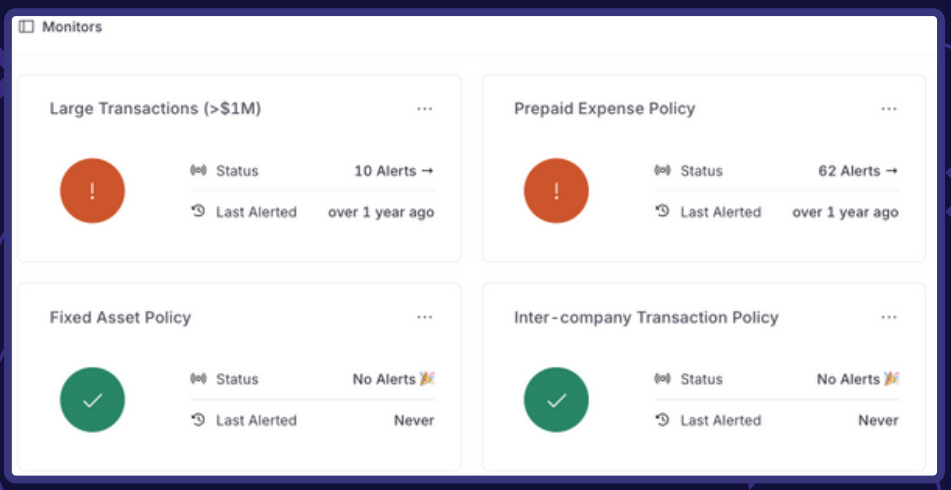
Systems

- ☐ Have we implemented some form of AI or automation that expedites workflows in our close process?
- ☐ Are we confident that we've built a tech stack that can support both current and future closes?
- ☐ Do we have a strong relationship with our IT team and mutual understanding of where support will be needed when publicly traded?

If you're looking for a larger checklist that covers all the readiness tasks that finance teams should cover on the road to IPO, check out our complete IPO readiness checklist housed at numeric.io/templates.

Numeric & the IPO

If your team is gearing up for an eventual IPO, then a close management tool is a must. Numeric is purpose built for fast-growing teams to work towards a faster, accurate, and IPO-ready close process.

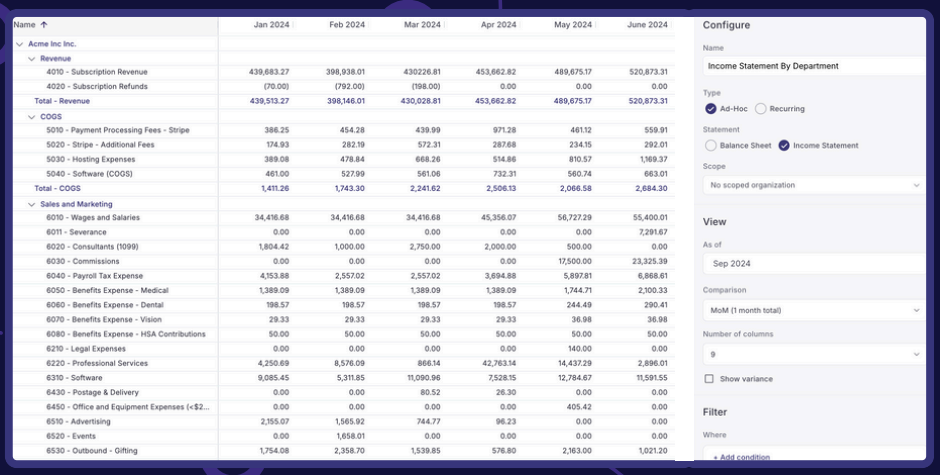


With Monitors, catch errors and ensure policy adherence well ahead of the month-end close.

Teams looking to IPO leverage Numeric Monitors for quality control and visibility.

Numeric's deep ERP integration enables you drill down into individual transactions at every step of the close.

Teams perform flexible flux analysis and reporting and reconcile accounts with ease.



Maintain a pristine audit trail with Numeric's month-end close checklist. Use custom tags to associate close tasks with corresponding controls and ensure segregation of duties by designating preparers and reviewers.

5. Numeric's Pre-IPO Experts

Jake Fohn
Former KPMG Auditor

Brian Tran
Former KPMG Auditor

Unlike internal accounting teams, auditors work with multiple clients across various industries, giving them a broader perspective on what distinguishes strong accounting practices from weaker ones during an IPO.

At Numeric, Jake Fohn and Brian Tran draw on deep expertise from their time in KPMG's pre-IPO readiness group. They've collaborated behind the scenes with some of the most successful tech startups, guiding them through the complex transition to public company status. Here, they sheds light on what factors separate a smooth IPO journey from a chaotic scramble.

"The same thing, the same way, every time"

Jake Fohn's time at KPMG introduced him to the rigorous world of public company compliance, where precision isn't optional—it's the standard. Drawing from his work with Company A, a global leader in digital payment solutions, Jake saw firsthand how a robust close process, consistent controls, and meticulous documentation set the stage for long-term success. "At Company A, they had someone whose entire job was to manage the close calendar in Excel," Jake recalled. "She acted like a project manager for the close process, ensuring everything happened at the same time, the same way, every month." This consistency was critical. "It's not just about proving the numbers are right. As a public company, you have to prove that you do the same thing, the same way, every time," Jake emphasized.

Brian Tran echoed this need for rigor. Working with Company B, a popular on-demand delivery platform, he saw firsthand the challenges of scaling processes for IPO readiness. "Your processes to close should be very well-documented; there should be no questions about what you need to do to close the books every month," Brian explained. Company B faced significant hurdles, including gaps in document retention. "One of the biggest issues was missing contracts. Without contracts, we had

to audit implied agreements by analyzing years of consistent commission payments," Brian noted. This workaround highlighted the importance of retaining and organizing supporting documentation—an issue he never encountered with more prepared companies.

Lessons from revenue recognition at scale

Revenue recognition is often one of the most complex areas of IPO readiness, and both Jake and Brian have seen what works—and what doesn't. For Brian, his work with Company B underscored the need for strong IT infrastructure. "How do you verify that all your numbers are correct when you're dealing with billions of transactions? You need the ability to pull and extract data accurately, and that requires huge involvement from IT," he explained. Transparency with auditors is also key. "All revenue you recognize must have a contract. If there's anything in your footnotes, it should be easily proven."

Jake's experiences reinforced how essential leadership is in this area. "If the controller or CAO had strong controls experience, they could advocate for new tools, systems, and better budgeting. Without that experience, teams often had a very stressful IPO process," he said. This gap in leadership often translated into long nights and additional costs, as companies were forced to bring in outside consultants to compensate for unprepared teams and systems.

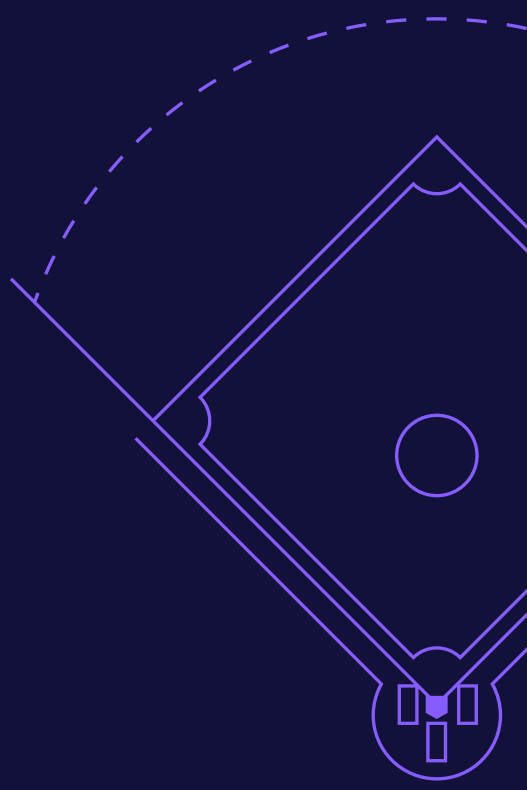
Tools. teams & time: the formula for success

Jake and Brian agree that IPO readiness hinges on three key elements: tools, teams, and time. Without these investments, companies often find themselves scrambling at the last minute, leading to burnout and costly delays. "I've seen teams where the IPO process meant working until 1 a.m. every night for months," Jake noted. "And it was usually because they didn't invest early enough in the right systems and personnel."

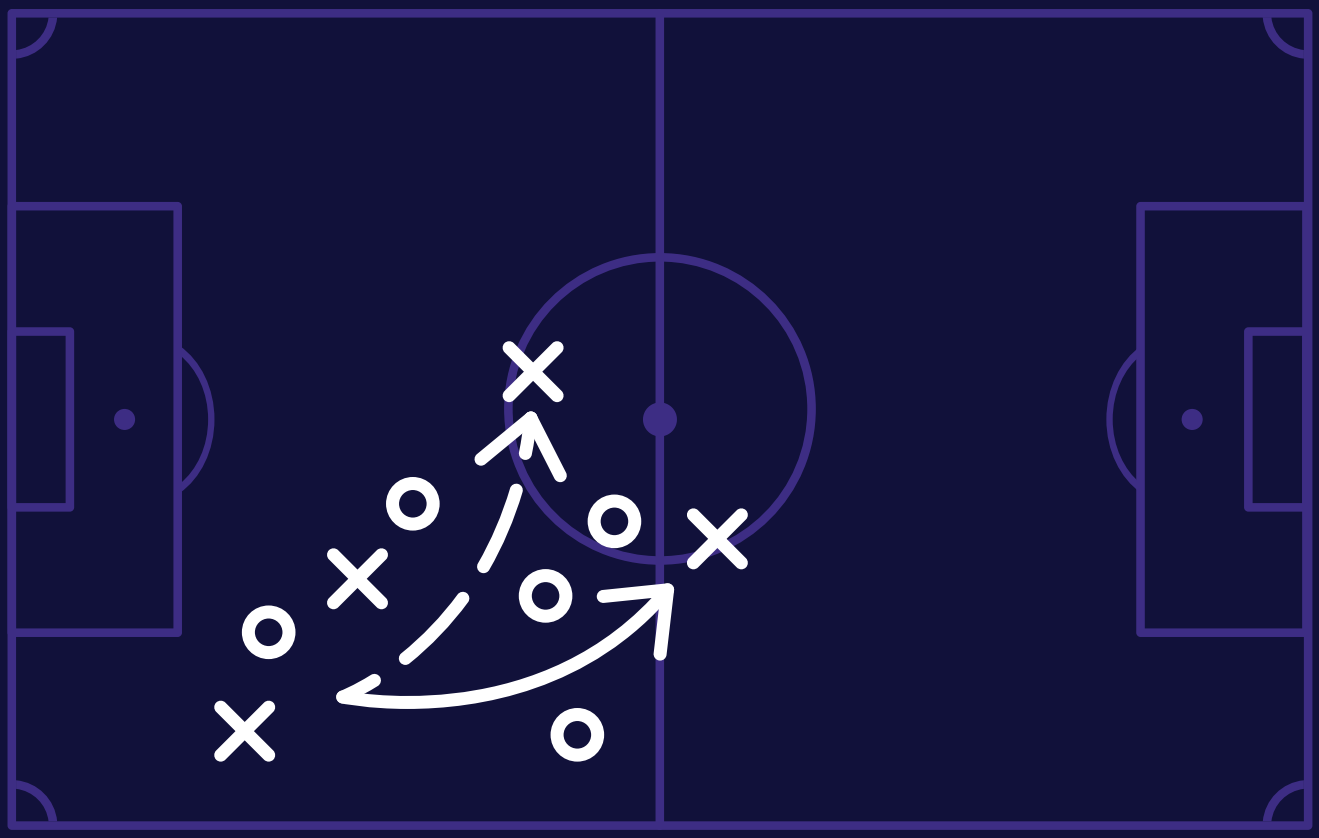
For Brian, the contrast between companies like Company B and Company C, a prominent financial technology company, highlights the impact of preparation. "Company C was buttoned-up and cleaned-up—they were a very well-run machine. They had great policies, quick responses, and all their supporting documentation in order," Brian shared. "Being like Company C means being proactive, organized, and ahead of the curve."

The journey to IPO is demanding, but as Jake and Brian's experiences show, the right preparation can make all the difference.

"How do you verify that all your numbers are correct when you're dealing with billions of transactions? You need the ability to pull and extract data accurately, and that requires huge involvement from IT. "
-- Brian Tran



6. Avoiding Fumbles



Even companies with strong ideas or large market caps can falter under mounting internal missteps.

In 2010, the San Diego Chargers boasted the number one ranked offense and number one ranked defense in the NFL, a feat that hadn't been achieved since the Super Bowl-winning 1996 Green Bay Packers. Despite having an outstanding offensive and defensive corps, **the Chargers had the worst special teams unit in the league,** one that lost them enough games to finish with a 9-7 record and ultimately miss the playoffs.

Companies looking to IPO should be thorough in their public readiness to prevent similarly ironic fates. While revenue numbers might look rosy now, serious internal flaws, particularly in the accounting department, can turn a company with the shiniest prospects into a tumbling house of cards.

IP-"Oh No!": Teachable lessons from 3 public company blunders

1 SuperMicro — beloved by AI, divorced by EY

-75%
Stock Price Drop

SuperMicro, a leader in computer hardware, became a critical player in the AI space, powering systems for companies like Nvidia. By April 2024, its stock soared to $101—a 1000% increase from the prior year—driven by record growth and key deals like its partnership with xAI.

The momentum collapsed when an investigation revealed accounting violations, including $200M in misstated revenue. Governance failures led to SEC fines, auditor resignations, and a 75% stock crash.

2 MicroStrategy's twenty-four year drought

24 yrs
Time to Recover

MicroStrategy, a pioneer in business intelligence software, gained recent fame as a major bitcoin holder. Its stock soared to $403 in 2024, buoyed by bitcoin's rise. Once a high-flyer post-IPO in 1998, the company at one time traded near $300 per share.

By 2000, SEC investigations revealed overstated revenues, forcing restatements for 1998-1999. The stock plunged to $10, erasing nearly all value. It took 24 years and an unconventional bitcoin strategy for the stock to recover.

3 Latch can't hold on

$0.11
Current Share Price

Latch, a smart door tech startup, debuted via SPAC in 2021, raising $510M and reaching a $1.56B valuation. With strong private funding and ambitious growth plans, the company seemed poised for success in the public market.

Accounting errors, leadership turnover, and delayed financial reports led to a Nasdaq delisting in 2023. The stock plummeted from a $15 high to just $0.11, casting doubt on SPAC viability for startups.

Lessons learned

So, how can starry-eyed startups avoid the pitfalls encountered by the companies above?

Historical financials don't go away

S-1 filings require 2–3 years of accurate, GAAP-compliant financials. Address past errors to ensure IPO readiness and avoid derailing the process.

Invest in technical accounting

Revenue recognition is a key challenge for IPOs. Educating your team on technical accounting ensures financial clarity and builds stakeholder trust.

Prioritize controls

Without SOX compliance and proper internal controls, companies face SEC penalties and delisting risks. Strong controls are critical for IPO success and long-term stability.

Crawl, walk, then run public

While going public might be a hallmark company achievement, few things are as embarrassing as having sustained company failure in the public eye. Small companies looking to IPO should get their accounting processes into shape well in advance of going public, and only pursue alternative IPO methods like SPACs with strong, public-ready accounting teams.

Material weaknesses: an accounting nightmare

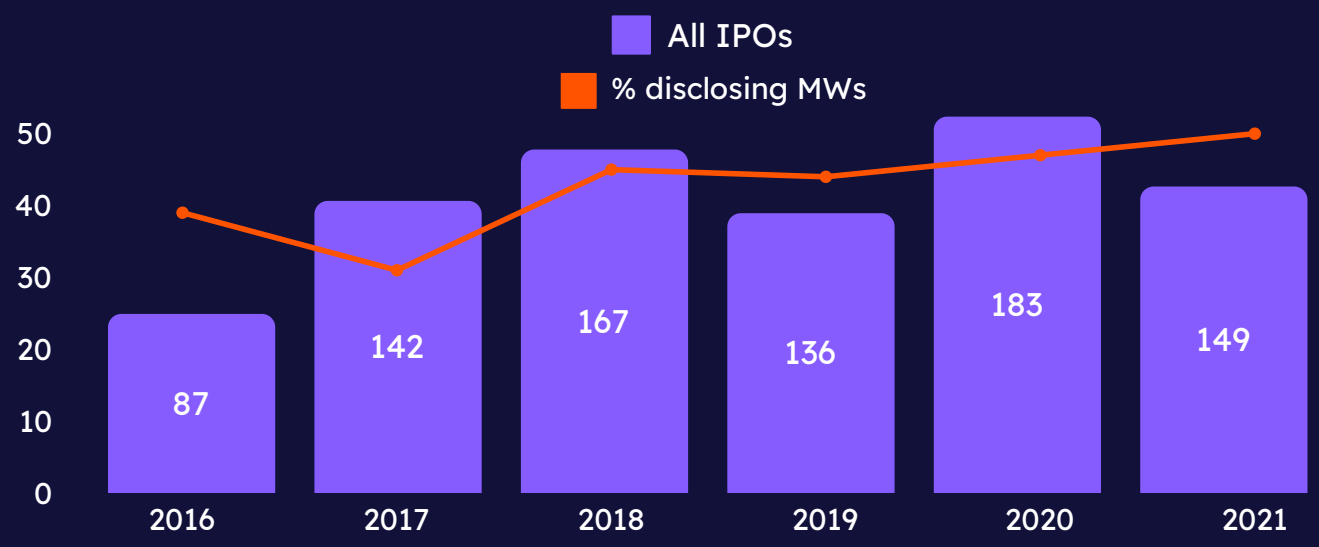


Figure 1: Percentage of IPOs disclosing MWs — c/o PwC, "Material weakness disclosures in an IPO", 2021

Amidst all the headwinds that companies will already face while going public, material weaknesses are one of the most haunting.

What is a material weakness?

Simply stated, a material weakness refers to a flaw or gap in a company's internal controls that could allow for material errors in financial reporting. Ironically, material weaknesses don't necessarily mean material errors *actually* exist in your data; they symbolize a lack of integrity in an accounting team's controls or risk prevention techniques.

What's the current state of material weaknesses?

If your company's thinking about a potential IPO, here's some tough news: based on recent trends, you're more likely to go public with a material weakness than not. In PwC's report on material weakness disclosures, they stated that the rate of material weakness disclosure in IPOs has increased significantly since 2017 (see above) and KPMG found that 58% of IPOs in 2022 had a material weakness in their initial S-1/S-4/F-1 documentation.

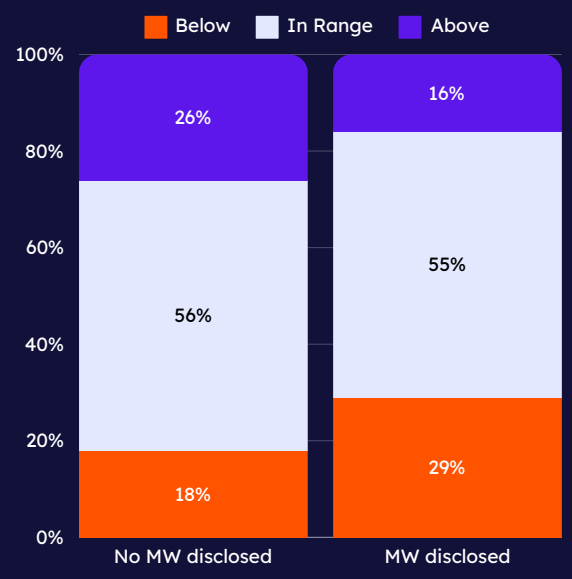
Why preventing material weaknesses matters

Material weaknesses in internal controls can have severe consequences for businesses.

Potential damage to share prices

This chart from PwC illustrates how material weakness disclosures make teams less likely to IPO above their share price range and more likely to actually go below:

Impact of MW disclosure on IPO price versus share price range



(Data based on IPOs for period of 1/1/2016 - 6/30/2021)

Increased audit fees

Material weaknesses often lead to increased audit fees. Auditors may need to perform additional procedures to assess and address these weaknesses.

Long-term financial health

Material weaknesses can misstate asset values, hurt investor trust, and hinder strategic growth, risking a company's financial stability.

Reasons for material weaknesses

Naturally, one must wonder what's driving the uptick in material weaknesses as well as the root accounting issues at play.

Issues contributing to MWs

A 2023 study from KPMG shows top causes of material weakness *(material weaknesses reported were often the result of overlapping issues)*.

%	Issue
62%	Lack of accounting resources/expertise
49%	Segregation of duties issues
45%	Inadequate control design/lack of control
22%	Inadequate/lack of formal policies and procedures

Want to prevent material weaknesses? Here's how.

Perhaps the silver lining of the increasing trend of material weaknesses is the fact that other companies now have a blueprint for how to either remediate existing material weaknesses or institute prevention and risk assessment plans to avoid them.

When businesses disclose their material weaknesses, they almost always include a remediation plan that lists the strategies the business will take to address the issue.

Outline strong policies & processes

Clear policies and procedures reduce risks and resolve accounting bottlenecks. They guide employees through financial scenarios and help teams anticipate future needs as they scale toward IPO. Early investment in strong practices creates a foundation for growth.

Assess control environment

Strong internal controls prevent material weaknesses. Regular validation catches issues early, while fostering accountability ensures compliance. Continuous monitoring and improvement of controls maintains their effectiveness.

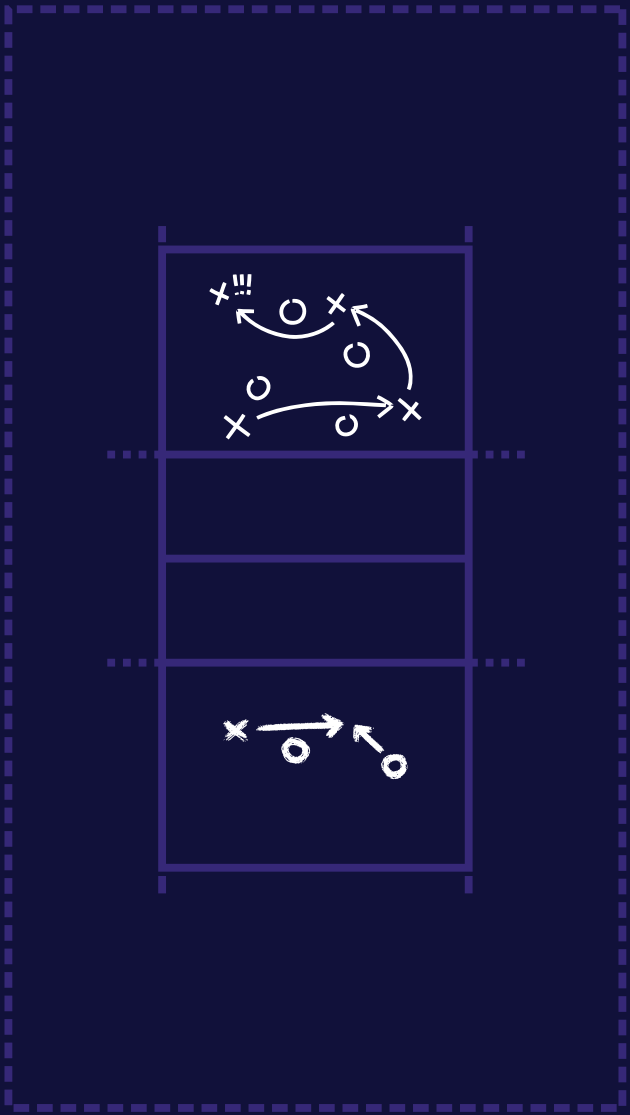
Invest in personnel

Combat accounting shortages by training existing staff on complex issues and processes. Leverage AI to free up time for nuanced tasks. Consider hiring a CAO with public experience. Focus on building expertise internally while automating routine work.

Hire third-party experts

Third-party consultants can provide fresh perspectives on process improvement and controls assessment while freeing up the time needed for other readiness procedures.

Though expensive, their unbiased expertise helps identify and prevent weaknesses, strengthening financial reporting for IPO readiness.



7. The IPO Filing Playbook

No team heads into a championship without a solid playbook. For companies preparing to go public, the filing process is that playbook, a set of key declarations that ensure everyone is on the same field.

In accordance with the SEC, companies have filing requirements that extend not only to the IPO registration statements but also to the periodic reports required at quarter and year-end.

Who calls the plays — SEC filer statuses

Each fiscal year-end, companies assess their filer status for the following year, based on metrics that correlate roughly to a company's size: the foremost among these is public float (market price × publicly held shares) which helps to set filing deadlines and requirements.

- **Large accelerated filer**

  Public float ≥ $700M. Reports are due faster: 10-Ks in 60 days, 10-Qs in 40 days. Auditor attestation on internal controls is required.

- **Accelerated filer**

  Public float $75M–$700M. 10-Ks due in 75 days, 10-Qs in 40 days. Like large filers, auditor attestation on internal controls is required.

- **Non-accelerated filer**

  Public float < $75M. 10-Ks due in 90 days, 10-Qs in 45 days. Exempt from auditor attestation on internal controls.

What are Emerging Growth Companies (EGCs)?

EGCs, defined under the JOBS Act, help smaller, younger companies transition to public markets with reduced regulatory requirements and costs.

Eligibility:

- Annual gross revenues under $1.235B.
- Status ends after 5 years, surpassing revenue or debt limits, or becoming a large accelerated filer.

Key Benefits:

- Exempt from Sarbanes-Oxley Section 404(b).
- Two years of audited financials instead of three in IPO filings.
- Reduced executive compensation disclosures.
- Adopt new accounting standards on private company timelines.
- Can file S-1 forms confidentially, making them public only 21 days before IPO roadshows.

What are Smaller Reporting Companies (SRCs)?

SRCs, a classification defined by the SEC, benefit from scaled disclosure requirements to reduce compliance costs and support capital formation.

Eligibility:

- Public Float: Less than $250M.
- Annual Revenues & Float: Revenues under $100M and public float of $700M or less (or none).

Key Benefits:

- Provide audited financials for two fiscal years instead of three.
- Can qualify as non-accelerated or accelerated filers based on revenue and float.

Form S-1

The majority of private companies, specifically any companies going public through an IPO or direct listing, will register with the SEC using Form S-1.

The S-1 exists to give investors more transparency into the business and financials of private companies before deciding whether or not to invest. In order for your company's securities to be listed on a national exchange such as the NYSE or NASDAQ, Form S-1, or its foreign alternative, the F-1, is a necessary first step.

Key SEC documents for public companies

Form	Description	Frequency
S-1	The majority of private companies, specifically any companies going public through an IPO or direct listing, will register with the SEC using Form S-1. In order for your company's securities to be listed on a national exchange such as the NYSE or NASDAQ, Form S-1, or its foreign alternative, the F-1, is a necessary first step.	**One time only**
10-K	A Form 10-K is an annual report required by the SEC that provides a detailed and comprehensive overview of a publicly traded company's financial condition, operations, and risks. It is a cornerstone document for investors and analysts, offering transparency and a standardized view of the company's performance and strategic direction.	**Once per year**
10-Q	Where the 10-K is an annual report on company operations, the 10-Q provides a snapshot of company financials for any given quarter — specifically, the first three quarters of the year. Even more, where the 10-K has to be completely audited, the 10-Q is unaudited. The 10-Q does look very similar to the 10-K, retaining many of the same sections.	**Once per quarter (minus Q4)**

Key components of the S-1

Form S-1 has two main parts: the prospectus and and a section simply titled, "Information not required in prospectus."

The prospectus outlines key audited financials and non-financial details about the business, including operations, capital use, risks, and management's financial analysis (MD&A). The supplemental section provides details like recent unregistered securities sales and financial statement schedules.

How long does the S-1 take?

Online sources place the S-1 filing process at **taking north of 600 man hours.**

With some certainty, companies can expect to take anywhere from several months to a bit over a year to amass all the data needed for the S-1 and then to assemble it.

S-1 vs. S-4?

Form S-4 is used for business combinations like mergers and de-SPAC transactions. Like the S-1, it has a prospectus and supplementary section, but requires details about all companies involved in the transaction, not just the one going public. It's required for any merger/acquisition, whether going public or not.

Where do you file the S-1?

Companies file Form S-1 through the SEC's EDGAR (Electronic Data, Gathering, & Analysis) system. Amendments to Form S-1 are filed using Form S-1/A if material changes occur after the initial submission.

S-1 example: Reddit (IPO March 2024)

Below is an image of one of the first pages of a recently public company, Reddit's S-1. On this particular page, Reddit listed information about the shares set to be listed in the IPO and named every underwriter supporting the listing.

Shares

Reddit, Inc.

Class A Common Stock

Reddit, Inc. is offering shares of its Class A common stock and the selling stockholders identified in this prospectus are offering an aggregate of shares of Class A common stock. This is our initial public offering and no public market currently exists for shares of our Class A common stock. We will not receive any proceeds from the sale of shares of common stock by any of the selling stockholders. We anticipate that the initial public offering price per share of our Class A common stock will be between $ and $.

We have applied to list our Class A common stock on the New York Stock Exchange under the symbol "RDDT."

We have three classes of authorized common stock: Class A common stock, Class B common stock, and Class C common stock. The rights of the holders of Class A common stock, Class B common stock, and Class C common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to 10 votes and is convertible at any time into one share of Class A common stock. Each share of Class C common stock is entitled to no votes. The holders of our outstanding Class B common stock will hold approximately % of the voting power of our outstanding capital stock after the completion of this offering, with our directors and executive officers and their affiliates holding approximately %, after giving effect to the voting agreement to be entered into between Advance Magazine Publishers Inc., our principal stockholder, and Steven Huffman, our Chief Executive Officer and President and a member of our board of directors, and assuming no exercise of the underwriters' option to purchase additional shares to cover overallotments.

We are an "emerging growth company" as defined under the U.S. federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for this and future filings.

Investing in our Class A common stock involves risks. See "Risk Factors" beginning on page 22 to read about factors you should consider before deciding to invest in our Class A common stock.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Reddit(2)	Proceeds to Selling Stockholders(2)
Per Share	$	$	$	$
Total	$	$	$	$

(1) See "Underwriters" for a description of the compensation payable to the underwriters.
(2) Before expenses.

At our request, the underwriters have reserved up to shares of our Class A common stock, or % of the shares offered in this offering, for sale at the initial public offering price through a directed share program to (i) eligible users and moderators on our platform, (ii) certain members of our board of directors, and (iii) friends and family members of certain of our employees and directors. See "Underwriters—Directed Share Program."

We have granted the underwriters the right to purchase up to an additional shares of our Class A common stock from us to cover over-allotments, if any, at the initial public offering price less the underwriting discount.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares against payment on , 2024.

MORGAN STANLEY | GOLDMAN SACHS & CO. LLC* | J.P. MORGAN* | BOFA SECURITIES
CITIGROUP | DEUTSCHE BANK SECURITIES | MUFG
CITIZENS JMP | NEEDHAM & COMPANY | PIPER SANDLER | RAYMOND JAMES
ACADEMY SECURITIES | LOOP CAPITAL MARKETS | RAMIREZ & CO., INC. | ROTH CAPITAL PARTNERS | TELSEY ADVISORY GROUP

* In alphabetical order
Prospectus dated , 2024

Form 10-K

The 10-K officially has four parts and a total of 15 required items that are split across the four parts. Here are some notable items included in the document, with descriptions courtesy of the SEC:

Notable Sections of Form 10-K

Item #	Description
1	Describes the company's products, services, markets, subsidiaries, competition, regulations, and unique operating factors, providing insight into operations.
1A	Highlights major risks affecting the company, including industry, geographic, and company-specific risks, ranked by importance.

Item #	Description
3	Details significant lawsuits or legal matters, excluding routine litigation.
7	Management's perspective on operations, risks, and trends, covering financial results, liquidity, off-balance sheet arrangements, and critical accounting judgments.
8	Includes audited financial statements, notes, and an auditor's report on financials and internal controls. CEO and CFO certify accuracy under Sarbanes-Oxley.
9A	Outlines disclosure controls and internal controls over financial reporting.
15	Lists financial schedules, material contracts, bylaws, and other required exhibits like subsidiary details.

10-K example: Meta (IPO May 2012)

This cover page comes from Meta's(NASDAQ: META) most recently filed 10-K from FY23. Here, we can see that Meta filed as a large accelerated filer, indicating they only had 60 days to file this form following December 31, 2023.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023
or
For the transition period from to
Commission File Number: 001-35551

Meta

Meta Platforms, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-1655019
(I.R.S. Employer Identification Number)

1 Meta Way, Menlo Park, California 94025
(Address of principal executive offices and Zip Code)
(650) 543-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.000006 par value	META	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

Form 10-Q

The 10-Q provides unaudited, quarterly financial snapshots for the first three quarters of the year. It's essentially a lighter version of the 10-K that uses many of the same sections: financial statements, MD&A, legal proceedings, etc. but focuses on quarterly performance.

10-Q example: Nvidia (IPO Jan. 1999)

On this page from Nvidia's 10-Q [Q2, 2024] Nvidia lists details about their stock-based compensation, equity incentive plans, and net income per share.

NVIDIA Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 3 - Stock-Based Compensation

Stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and employee stock purchase plan, or ESPP.

Condensed Consolidated Statements of Income include stock-based compensation expense, net of amounts capitalized into inventory and subsequently recognized to cost of revenue, as follows:

	Three Months Ended		Six Months Ended	
	Jul 28, 2024	Jul 30, 2023	Jul 28, 2024	Jul 30, 2023
	(In millions)			
Cost of revenue	$ 40	$ 31	$ 75	$ 58
Research and development	832	600	1,559	1,124
Sales, general and administrative	282	211	530	394
Total	$ 1,154	$ 842	$ 2,164	$ 1,576

Equity Award Activity

The following is a summary of our equity award transactions under our equity incentive plans:

	RSUs, PSUs, and Market-based PSUs Outstanding	
	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
	(In millions, except per share data)	

Forms 8-K, 10-NT-Q, etc.

If a company cannot meet filing deadlines for their 10-K or 10-Q, then they are required to submit a Form NT 10-Q in which they explain why they can't meet the set deadline. In return, they receive a one-time grace period of 5 days for the 10-Q and 15 days for the 10-k. Often companies will file a NT 10-Q following a merger/acquisition since that process alters standard operating procedures beyond the norm.

Form 8-K is used in the event of a special company update that investors should know about but happens between 10-Q reports. The SEC has a host of other forms and amendments that are used in variable reporting situations.

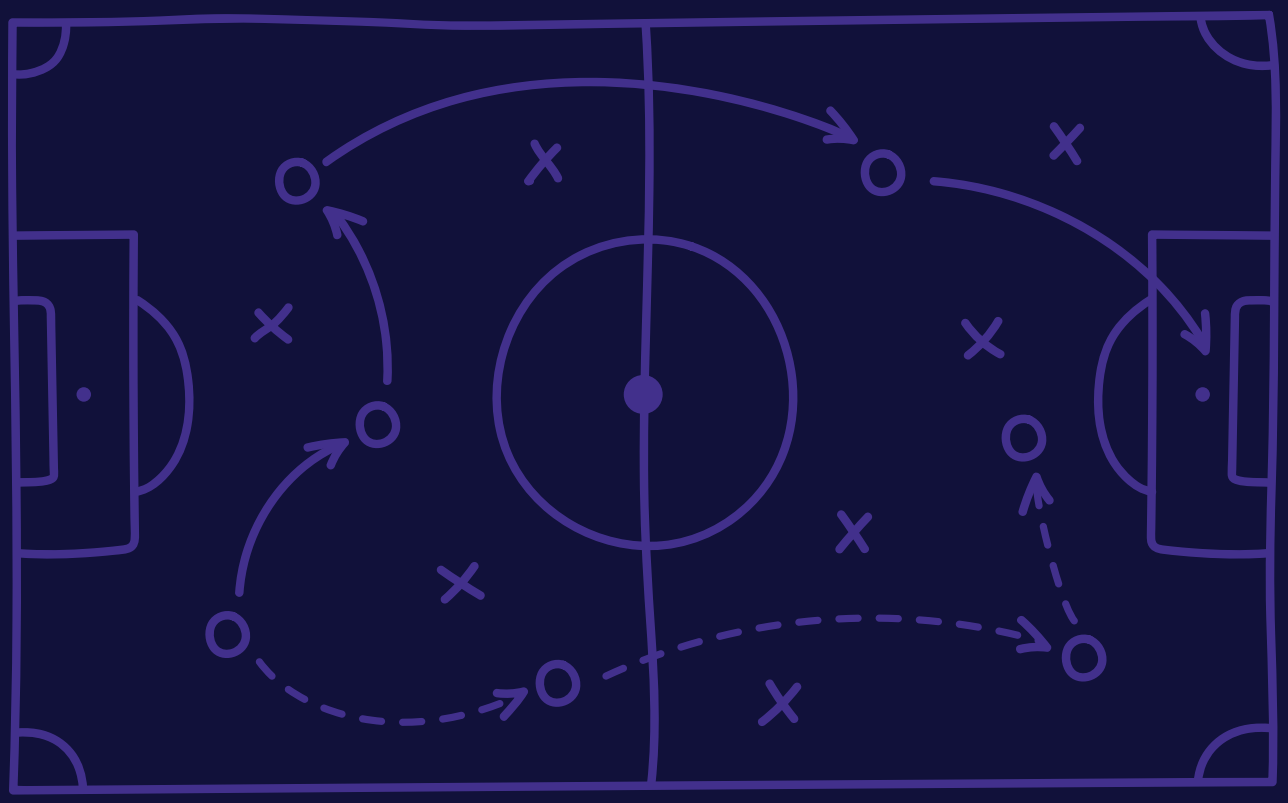
"With the 1st pick..."

When famed commissioners like Adam Silver (NBA) or Roger Goodell (NFL) approach the mic to announce team draft picks, it's a moment that players and teams alike never forget. And again, it all begins with players stating their desire to be drafted.

These SEC filings are more than just routine

paperwork: they are the public company's declaration of its readiness to operate in the spotlight. The S-1 lays the foundation, giving investors a glimpse into a private company's operations and financial health before its public debut. The 10-K builds on this by offering an annual deep dive into financial performance, risks, and strategic outlook, while the 10-Q provides timely updates throughout the year.

Understanding these forms is essential for stakeholders, whether you're an investor assessing a company's growth potential or a business preparing for the rigorous journey to public markets. In the world of IPOs, these filings are the playbook that ensures everyone – investor, government, company – is on the same field.



8. It's Showtime: Going Public + Life Beyond

Every athlete knows that no matter how hard you train, the game is won on the field. For a company preparing for an IPO, the roadshow is that critical moment that determine future company success and helps to decide investor confidence.

In the final stretch, teams are laser-focused on making the best market debut possible. Doing so requires an epic marketing effort — the roadshow — and smoothing out some last-minute details, up till ringing the bell.

What is the roadshow?

The IPO roadshow is a series of presentations by the issuing company's management (usually the CEO and CFO) to generate investor interest. The presentations highlight the company's business model, financials, growth potential, and strategic vision. The lead bookrunners work with the company to create a 20-30 slide deck detailing the offering, products/services, selling points, industry trends, growth opportunities, competitive positioning, and financial performance. The roadshow occurs after the SEC review begins but before IPO pricing, spanning multiple cities or conducted virtually.

Management must balance compelling content with adherence to securities laws. Investor feedback shapes IPO pricing and gauges demand, and the roadshow helps build relationships with key institutional investors.

The roadshow's format and content vary based on the offering, but the goal is always to present a persuasive narrative aligned with the company's market strategy and valuation goals.

How long is the roadshow?

Estimates place the roadshow at taking up to two weeks.

Where does the roadshow go?

These are some of the top destinations on the IPO roadshow: NYC, Boston, London, Chicago, Los Angeles, Hong Kong, Milan, etc.

What happens the day of the IPO?

What happens to the stock?

For companies filing with the NYSE, the following happens (the process for Nasdaq is quite similar):

After setting the price the night before the IPO, the company receives funds for shares, with some sold at market open. The next day begins with the NYSE Opening Bell. Before public trading, the Designated Market Maker conducts price discovery, matching buyers and sellers to determine the opening price. This price may update several times to reflect investor demand. Once finalized, trading begins, marking the company's transition to public ownership.

What happens for the IPO employees?

Many companies celebrate going public with office events and by having executives, like the CEO and CFO, ring the exchange's opening bell. CEOs often give listing day interviews to boost visibility.

Does closing price on the first day matter?

Frankly, not so much.

For one, an IPO doesn't officially close until two business days after trading begins; soon after, the actual fund transfers are completed and the IPO is legally documented.

Secondly, according to Wealthfront's Real Data-Based Guidance on Selling Stock Post-IPO, newly public companies that miss guidance in one of their first two quarters rarely see their stock price rise above their IPO price. As such, long-term company performance matters far more to stock price than the initial numbers.

Quiet period vs. lock-up period?

Before going public, companies have to adhere to a quiet-period that restricts what can be said about the public offering prior to the IPO date.

Quiet period

The pre-filing or quiet period is the time between a company's decision to go public and the public filing of its registration statement with the SEC. During this period, companies must refrain from making any offer of securities, including communications that could stimulate interest in the company or its securities. Financial forecasts, projections, or expected valuations should not be released. Violating these quiet period rules, known as gun-jumping, can delay the offering or create liability for statements made.

Lock-up period

A lock-up period, lasting 90–180 days post-IPO, prevents insiders from selling shares to avoid flooding the market and stabilizes the stock price for all investors. Lock-up periods are common in traditional IPOs, but less so for direct listings and SPACs.

Is now a good time to go public?

When a company decides to go public is incredibly variable. Market conditions, macroeconomic factors, investor appetite, company trajectory, and numerous other facets decide the strength of a business's IPO candidacy.

"Beat and raise": Post-IPO duties

For newly-minted public companies in the high-stakes world of public markets, success is measured by a company's ability to consistently outperform expectations, quarter after quarter.

The key to thriving in this environment lies in the art of the "beat and raise"— consistently meeting or surpassing financial guidance while continuously adapting to the rigorous demands of public market reporting. This is no small feat, requiring a delicate balance of precision, transparency, and agility.

Achieving this level of excellence requires a fundamental shift in mindset and operations. From implementing robust financial controls to honing the accuracy of forecasting models, every aspect of the organization must be tuned for performance under the bright lights of public market scrutiny.

It's a challenging journey, but one that separates the enduring winners from the flash-in-the-pan stars.

Welcome to the big leagues!

Congrats, rookie—you've been called up to the IPO majors! Your potential got you drafted, but now it's time to bring your A-game.

Every earnings call is like a high-stakes playoff game, with investors and analysts dissecting your every move. To excel, you'll need rock-solid financials, winning strategies, and a level of transparency that would impress even the toughest refs. Your successful IPO got you on the court—now it's time to prove to the market that you're a perennial all-star.