CONNOR GROUP

BUSINESS GUIDE

From Private to Public:
The IPO Readiness Guide



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Introduction

An Initial Public Offering (IPO) represents a pivotal transformation in a company's lifecycle, marking the transition from private ownership to the public markets. It is not simply a transaction: It is an organizational shift that reshapes how a company operates, governs itself, and is held accountable.

A successful IPO is not just about raising capital. It requires the discipline, infrastructure, and operating rigor needed to meet the ongoing demands of life as a public company. The transition from private to public is the culmination of years of work and preparation, and it sets the foundation for how the organization will perform long after the offering is complete.

With decades of experience helping companies prepare for the public markets, we have seen that strong pre-IPO foundations are often the determining factor in long-term success. Organizations that invest early in transparency, stakeholder trust, and operational discipline are better positioned to execute at IPO and sustain performance in the years that follow.

While every IPO is unique, many of the challenges companies face are remarkably consistent. This guide is designed to provide the strategic architecture and practical insights needed to build real IPO readiness across your organization. It is a roadmap for leaders who understand that going public means preparing their teams, systems, and businesses for the responsibilities and opportunities ahead.

This guide helps you anticipate challenges, avoid costly delays, build investor confidence, and move beyond a compliance-only mindset toward operating with sustained excellence in the public markets.

Connor Group is here to help you prepare with confidence and execute with clarity.

IPO Overview – Preparing your Business for IPO (and Future) Success

Outlining the Dynamic IPO Landscape

There is a lot to consider when going public. To help put an IPO in context, we'll explore the foundational elements of an IPO, including listing types, regulatory requirements, and the roles of diverse stakeholders critical to executing a successful IPO:

1 Listing Types

Choosing the appropriate listing type (how a company "goes public" and sells shares) is one of the most critical, strategic decisions in an IPO. This choice impacts timelines, costs, compliance obligations, and the company's long-term investor appeal.

Companies must weigh the pros and cons of each option considering factors such as the need for primary capital, valuation preferences, and market dynamics. These decisions, and the process involved, should align with the company's financial goals, growth strategies, and market positioning.

Each listing type presents its own set of operational complexities and benefits.

Traditional IPO

Traditional IPOs issue shares to underwriters (banks) who sell them to public investors. This remains the most common and trusted route for raising capital through broad institutional marketing.

Direct Listing

Direct listings are a route-to-market primarily used by companies with strong brand recognition and adequate liquidity. It focuses on existing shareholder monetization while forgoing underwriters.

SPAC

Special Purpose Acquisition Company (SPAC) prioritizes speed-to-market, particularly appealing during strong issuance cycles, but may involve significant valuation volatility between parties.

Reverse Merger

Reverse Mergers are often suitable for smaller entities. It involves merging with an already public entity, which can sometimes simplify entering the public market while transferring legacy risks.

2 SEC Filings and Regulatory Framework

Meeting regulatory requirements is a cornerstone of IPO readiness, as public companies must adhere to the intricate rules established by the Securities and Exchange Commission (SEC). Filing obligations extend beyond the IPO event, with ongoing requirements for transparency and timely financial reporting. Understanding these regulations, including registration and disclosure rules, is critical for navigating public market expectations.

Private companies must also consider the heightened scrutiny related to governance, legal matters, and the completeness of their disclosures. Identifying potential gaps early in your financial reporting, tax compliance, or governance structures allows time for remediation and will avoid costly delays.

Registration Statement Filing Type

Often, depending on the type of offering, an SEC Form S-1 detailing historical financial performance, risks, and offering specifics is required. We discuss this in more detail in the **Understanding the SEC Form S-1 Filing Process for Going Public section**.

Emerging Growth Companies (EGC)

Benefits available under the Jumpstart Our Business Startups (JOBS) Act (such as reduced disclosure requirements requiring two years of financials instead of three years in certain situations) can enable smaller companies to streamline the process.

Public Company Reporting Demands

Adhering to tight quarterly (Form 10-Q) and annual (Form 10-K) deadlines requires preparatory upgrades in financial systems and workflow.

Material Disclosure Rules

Publicly filed contracts and financials must often be presented in an extensive and detailed format, requiring protection of sensitive, competitive information while remaining compliant.

3 Key Stakeholders in an IPO

Executing an IPO requires collaboration with a comprehensive team of internal and external experts, each bringing specialized expertise for a positive outcome. Compared to private company operations, the number and complexity of stakeholders grow, so building a well-coordinated IPO team is necessary.

Throughout the process, it's critical to clearly define the roles and responsibilities of internal teams and external advisors including underwriters, legal counsel, and auditors. Vendors will typically know the process and the scope of their roles well, but ensuring management understands its role is key. Effective collaboration among all players enforces the seamless execution of registration, pricing discussions, and post-listing activities.

Company Team

Leadership teams, especially the CFO and CEO, are primarily responsible for articulating the company's growth story and creating investor confidence during IPO roadshows.

External Advisors and Auditors

Underwriters provide pricing expertise and post-issuance stabilization, while lawyers help ensure compliance with SEC guidelines. Auditors certify that financials meet Public Company Advisory Oversight Board (PCAOB) standards.

Institutional Investors and Analysts

Building credibility early with these groups amplifies investor buy-in during the marketing of the offering and your post-listing performance.

It is critical for key leaders across the entire process to be kept in the loop on decisions as many will have impacts between accounting, legal, and other domains.

Financial Disclosure Decisions

Banks play a large role in advising which periods to include in the S-1, which significantly impacts an accountant's readiness efforts.

Auditors verify that financial disclosures meet SEC and Generally Accepted Accounting Principles (GAAP)/International Financial Reporting Standards (IFRS) while guaranteeing accuracy and consistency.

Pro Forma Financial Modeling

Management prepares projections such as revenue, net income, and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) based on historical data and expected growth post-IPO.

Auditors review the pro forma assumptions to ensure they align with accounting standards and reflect fair and accurate estimates.

Lawyers ensure pro forma disclosures comply with regulatory requirements to prevent misleading investors.

Bankers provide input on how investors will receive various financial metrics and projections to refine the models to align with market expectations.

Equity Structure Decisions

Lawyers assess the legal implications of equity structure decisions (e.g., dual class voting shares, convertible securities, etc.) to ascertain compliance with applicable laws and corporate governance best practices.

Accountants evaluate the financial and tax effects of proposed equity structures and assist with modeling post-IPO share performance.

Bankers analyze the market appetite for different share structures and advise on the structure most likely to attract institutional and retail investors.

Collaboration often involves balancing legal compliance, governance concerns, and marketability of the equity class.

Risk Factor Identification

Lawyers lead efforts to document all material risks associated with business, industry, and IPO processes.

Accountants and auditors flag financial-related risks such as financial reporting control weaknesses or dependency on specific revenue streams or the volatility of certain expenses.

Bankers contribute strategic input on risks that may impact investor sentiment, helping prioritize which risks to emphasize.

Collaboration secures legal compliance without unnecessarily alarming investors or omitting key risks.

Management and Ownership Composition

Lawyers confirm that the representation of ownership structures (e.g., major shareholders, key management interests) is legally sound and transparent.

Accountants assist in preparing ownership data and management compensation disclosures in line with SEC requirements.

Bankers help package these disclosures attractively for potential investors while advising on governance presentations.

Internal Controls and Governance

Accountants (and related financial risk functions and consultants) collaborate on defining governance practices that support public company requirements, such as forming audit committees or disclosure controls.

Auditors validate internal controls to comply with the Sarbanes-Oxley Act (SOX) if applicable.

Confirming governance policies are mature for public scrutiny is a top priority in the lead-up to the filing.

Legal and risk experts also play a large role here.



4 Public Company Readiness

To help ensure credibility to investors, preparation for an IPO extends well beyond financial readiness and regulatory compliance. Companies must also consider how their operations, governance, and public-facing materials reflect the rigor demanded by public markets. This stage is critical for aligning corporate infrastructure and stakeholder expectations with the realities of being seen and operating as a public entity. Without clear and actionable steps to address governance, internal controls, and shareholder relations, companies may face adverse market reactions or operational inefficiencies post-IPO.

Corporate Housekeeping

Simplify organizational and ownership structures to avoid challenges during registration, such as dealing with stock options or preemptive shareholder rights.

Governance Readiness

A strong board of directors and audit committee with public-company experience enhances market credibility and future sustainability.

Public Market Benchmarks

Building the correct valuation narrative and preparing to meet investor-reporting standards demonstrates maturity to prospective stakeholders, easing market entry.

Expanding the company's public profile is a significant endeavor that combines rigorous planning, multi-functional expertise, and coordinated execution. Readiness across these areas maximizes the probability of a successful launch into the public markets, benefiting shareholders, employees, and customers.

Preparing for Life as a Public Company

Completing an IPO requires meticulous planning and a structured approach that can span several years. From evaluating the timing to ensuring operational readiness and managing post-IPO responsibilities, companies need to address a wide range of strategic, operational, financial, and regulatory considerations.

Below, we outline four critical phases of preparation—early readiness, investor focus, regulatory and risk management, and final execution—allowing private companies to transition into their new public company life smoothly:

It is critical to prepare your IPO foundation well ahead of the transaction itself. By focusing on the following essential areas early, private companies can make sure their systems, processes, and teams are well-prepared for the demands of public market scrutiny.

Evaluate Viability and Timing

- Assess growth profile, funding needs, and valuation expectations.

- Monitor industry conditions, macroeconomic factors, and geopolitical events that may impact IPO timing.

Operational Readiness

- Start producing PCAOB-compliant financial statements.
- Start implementing public company reporting timelines, including quarterly close, even if not fully ready.

Corporate Governance

- Strengthen governance by recruiting experienced board members with public company backgrounds.
- Begin documenting and testing critical internal controls.

Strategic Alignment

- Align key stakeholders—executives, shareholders, and advisors—around IPO objectives and timing.
- Keep communication open so you stay aligned throughout.

At this stage, private companies need to refine their value proposition and begin engagement with public market stakeholders. Creating a compelling investment thesis and bolstering investor confidence are critical to laying the groundwork for the IPO win.

Benchmark Financial Performance

- Evaluate financial metrics and compare them against public peers to ensure market competitiveness.
- Address any gaps in key performance indicators (KPIs) and financial projections.

Develop Investor Materials

- Craft management presentations, an investment thesis, and Wall Street-style financial models.
- Begin drafting the Management Discussion and Analysis (MD&A) section based on investors' preferences.

Engage with Stakeholders

- Initiate conversations with underwriters, analysts, and prospective investors to gauge market interest.
- Formalize investor relations strategies, including communication protocols and transparency objectives.

Governance and Transparency Improvements

- Solidify the governance structure in anticipation of investor due diligence.
- Ensure reporting and compliance systems can handle the demands of institutional investors.

Regulatory and Risk Management: 6–12 Months Before IPO

This period demands a concerted focus on regulatory compliance and risk mitigation. Addressing legal and market risks early can safeguard smoother execution during the formal IPO.

Address External Risks

- Monitor market conditions, potential geopolitical disruptions, and recession indicators that may impact IPO valuation. Bankers will certainly help here.
- Develop contingency plans to mitigate delays due to SEC review processes.

Comply with Regulatory Standards

- Ensure you're thoughtfully planning for compliance with SOX requirements.
- Include any other critical compliance frameworks in your market.

Proactive Communication Strategies

- Prepare responses for high-profile corporate developments that may occur during the IPO window.
- Build a crisis communication plan for managing reputational risks.

The final phase is where all preparation culminates in the execution of the IPO and the transformation into a public company. Companies must focus on delivering a strong public debut while ensuring they have the resources and infrastructure to thrive post-IPO.

File Essential Documents

- Submit registration statement with the SEC, often confidentially, with complete and accurate data.
- Prepare for SEC comments by drafting detailed disclosures on complex accounting issues.

Roadshow Readiness

- Finalize the registration statement and investment materials for IPO roadshows.
- Rehearse presentations to institutional investors to articulate the company's value clearly and confidently.

Governance Structures for Public Life

- Formalize audit committees and establish a robust investor relations team.
- Host an Analyst Day to build rapport with the investment community.

Market Launch

- Collaborate with underwriters to finalize pricing and share allocations.
- Develop strategies to handle market volatility during the IPO window.

Prepare for Post-IPO Obligations

- Commit to consistent, high-quality earnings reporting and adopt "beat-and-raise" practices.
- Maintain proactive transparency to foster long-term investor trust.

By addressing readiness systematically across the key phases outlined above, companies will optimize valuation outcomes and ensure seamless transitions to life as a public company. This also provides an exciting and unique opportunity to strengthen internal capabilities, build future-focused governance structures, and align with evolving market dynamics. For companies willing to invest in diligent preparation, an IPO represents a gateway to sustained growth, market leadership, and long-term shareholder value.

IPO Planning and Management

Effective IPO planning and management determines if your company can weather the complexities of going public while building a sustainable foundation to operate as a public enterprise.

Success requires aligning stakeholders around a unified vision, navigating stringent regulatory requirements, and managing cultural shifts toward increased transparency and accountability.

Companies aiming for IPO readiness must balance their day-to-day operations with the rigorous demands of preparation, reflecting the foresight and coordination needed throughout.

Establish a Dedicated Project Management Office (PMO)

Creating a robust PMO is critical to steering the IPO. The PMO should:

Coordinate Timelines

Develop and maintain a comprehensive IPO timeline covering all key IPO milestones, from readiness assessments to roadshows.

Manage Stakeholders

Ensure participation of internal (finance, legal, IT, HR) and external (underwriters, auditors, legal counsel) stakeholders, facilitating seamless collaboration.

Track Deliverables

Monitor progress on key action items, ensuring alignment with deadlines and immediately resolving bottlenecks.

Ensure Communication

Having conversations across functions helps mitigate the risk of missed deadlines or misaligned priorities, which could delay the IPO.

Decision-Making Framework

Clear and effective communication is the backbone of an IPO.

Create Governance Structure

Formalize a governance framework that facilitates oversight, including input from board members and external advisors.

Prioritize Risks

Develop tracking and escalation mechanisms to quickly address emerging risks like compliance gaps or delays.

Aligning stakeholders early around objectives and priorities help set the stage for smooth IPO execution.



Resource Allocation

One common pitfall during IPO preparation is underestimating the amount and types of resources required.

Companies should:

Expand Internal Teams

Consider bolstering accounting, legal, and compliance teams by hiring experienced professionals with IPO expertise.

Leverage Technology Solutions

Adopt platforms to streamline reporting, compliance tracking, and close processes.

Engage Advisors Early

Working with advisors on financial reporting, SOX readiness, and investor relations early avoids costly delays in the later stages.

By addressing your resource needs upfront, companies are better prepared to manage the high demands of IPO readiness.

Practice Operating as a Public Company

Leading up to the IPO, private companies should simulate the requirements of operating as a public entity:

Mock Earnings Calls

Conduct mock 10-Q filings, earnings calls, and investor presentations to refine procedures and identify gaps.

Audit-Ready Close

Expedite financial close timelines to meet public company standards for timely disclosures, for example, aim for 10 days for month-end close.

Internal Controls

Begin implementing and testing controls for SOX compliance well in advance.

Acting as a public company before the IPO equips your organization with muscle memory to meet the rigorous standards expected by regulators and investors.

Managing Expectations

The IPO journey requires aligning stakeholder expectations with the company's long-term goals. Management should:

Define Value Proposition

Clearly articulate the company's story, growth potential, and vision to inspire confidence among prospective investors.

Focus on Realism in Commitments

Don't overpromise targets or KPIs that may be difficult to deliver. Projections should be ambitious but also achievable.

By cultivating trust among investors and stakeholders, you can secure the credibility required for an IPO.

The Road Ahead

Keep in mind that the IPO is not the end of the road but the beginning of a new chapter. With a proactive and deliberate approach to planning, resourcing, and stakeholder alignment, private companies can turn the spotlight of public scrutiny into an opportunity for sustained growth, innovation, and creating new potential.



Understanding the SEC Form S-1 Filing Process for Going Public

How to navigate the S-1 filing process for a successful IPO.

Going public involves extensive regulatory compliance, and one of the most critical steps is the **Form S-1 filing** with the SEC.

Below, we will walk you through the Form S-1 filing process, highlighting its key components, timelines, and advantages specific to EGCs.



What is a Registration Statement?

The registration statement is a document that companies must file with the SEC to begin their IPO process and have their shares listed on a public exchange. This document is central to the IPO, offering investors a detailed look at the company's financial health, business operations, corporate strategy, and associated risks.

The S-1 ensures companies comply with SEC regulations while providing transparency to help investors make informed decisions.

Key Components of the S-1 Filing

Prospectus Summary

This provides a concise and compelling overview of the company, including its mission, core operations, strengths, and major risks investors should be aware of.

Example: A technology startup might highlight its innovative software solutions, impressive early-stage growth, and the overall market opportunity for the product.

Business Overview

The overview is a deeper dive into the company's operations, business segments, competitive positioning, intellectual property, and growth strategies.

Example: A healthcare firm could emphasize its proprietary medical devices and the size of its addressable market within the industry.

Financial Statements

Companies must submit financial statements prepared in compliance with GAAP.

Statements include the balance sheet, income statement, cash flow statement, and statements of shareholder equity.

Management's Discussion and Analysis (MD&A)

MD&A outlines key financial trends, market influences, and significant developments impacting the company. It includes forward-looking statements to show how IPO proceeds will be used to drive growth.

Risk Factors

This is a critical section that educates potential investors about challenges the company could face. It covers market-specific risks, operational dependence, regulatory challenges, and other exposures.

Use of Proceeds

This disclosure details how the funds raised through the IPO will be allocated (e.g., R&D, debt repayment, expansion projects). It provides transparency by ensuring investors understand the company's growth priorities..

Offering Price Methodology

This explains how the IPO price is determined, including factors that influence valuation.

Dilution

Dilution details how the IPO will impact current shareholder equity, providing a breakdown of share class structures and post-IPO percentages.

Emerging Growth Companies (EGC)

The JOBS Act introduced the EGC designation to encourage smaller businesses to go public by reducing compliance burdens.

To qualify as an EGC, a company must:

- Generate less than $1.235 billion in annual revenue (as of 2026)
- Not issued more than $1 billion in non-convertible debt over three years
- Meet other criteria set forth by the JOBS Act

Key EGC Benefits

Confidential Filings

Companies can submit a draft version of their S-1 privately, giving them time to address SEC comments without public visibility.

Reduced Financial Disclosures

Only two years of audited financials are required, rather than the standard three.

Simplified Pay Disclosures

Executive compensation reporting is reduced compared to non-EGC offerings.

Testing the Waters

EGCs can engage institutional investors to gauge market demand before a formal filing.

This designation is particularly beneficial for high-growth startups in industries like technology and biotechnology.

Financial Standards for IPO Success

When preparing for an IPO, a company's financial statements and related disclosures play a central role, ensuring transparency for investors and compliance with SEC regulations.

Below, we outline key areas that companies must consider to avoid delays and establish credibility in the public markets:

Historical Financial Statement Periods

Understanding historical reporting requirements is crucial to fulfilling SEC expectations during the IPO process. Depending on your company's classification as an EGC or non-EGC, financial statement requirements differ.

EGCs

As defined by the JOBS Act, EGCs benefit from reduced disclosure requirements, including only two years of audited financial statements and interim financials for the most recent quarter, enabling a streamlined path to IPO readiness.

Non-EGCs

Companies must provide audited financial statements for the three most recent fiscal years, alongside unaudited interim financial data for any subsequent quarters.

Audit Periods and SEC Requirements

Audit and review periods must align with SEC expectations to avoid having "stale financials" at the time of filing.

Audited Periods

Audited periods typically cover fiscal years as a baseline. Interim periods—such as quarterly statements—can be reviewed rather than audited, providing flexibility for mid-year filings.

SEC Guidelines

These require financial statements to remain current; this often necessitates updates as the filing progresses to account for additional quarters or fiscal-year-end results.

In the context of IPO financial stale dates, financial statements become stale when they exceed a certain age limit, typically set at 135 days from the date of the latest balance sheet.

Other Financial Statement Considerations

For companies with a history of acquisitions, significant investments, or structural changes, additional financial disclosures may be required:

Significant Acquisitions (Rule 3-05)

Businesses that acquired or divested material assets must assess whether supplemental audited financial data for those entities is required under significance thresholds.

Pro Forma Financial Information (Rule 11-01)

If acquisitions or transactions have materially altered the company's operations, pro forma financial statements can demonstrate the estimated impacts by combining historical and forward-looking information.

Understanding these requirements beforehand, including the concepts of significance tests (based on assets, investment value, and income), allows management teams to forecast and prepare disclosures effectively.

Supplemental Disclosure Requirements

In addition to foundational SEC requirements, companies should evaluate the need for supplemental disclosures relevant to their industry or operational structure:

Related Party Transactions

Any material dealings with affiliates, shareholders, or executives should be disclosed transparently to provide investors with a complete picture of governance and operations.

Tax Considerations

Businesses with deferred tax assets, restructuring costs, or ongoing tax rate volatility must disclose these impacts, particularly in industries like technology or healthcare that are prone to market shifts.

Dividend Policies

If the company plans to offer dividends or has limitations related to shareholder returns, this must be carefully outlined. This disclosure allows investors to align expectations for post-IPO returns.



Practical Steps to Streamline Compliance

Early Audit Preparation

Partner with experienced accounting firms to ensure all financial records are clean, compliant, and formatted to SEC standards before submission.

Proactive SEC Engagement

Advance awareness of SX-05 significance tests or pro forma requirements can mitigate surprises during the comment period.

Quarterly Updates

Develop a robust financial updating process to maintain compliance through multiple submission rounds and avoid staleness.

S-1 Filing Timeline: A Step-by-Step Breakdown

Successfully filing an S-1 and navigating the IPO process requires careful planning and execution. The timeline can vary depending on the complexity of the company's financials, the SEC review process, market conditions, and the organization's responsiveness.

Below is an outline of the typical S-1 filing timeline and milestones:

Phase 1: Pre-Filing Preparation (3–5 Months Before IPO)

Build the S-1 drafting team

In addition to key members of the management team, typical members of the S-1 drafting team will be investment banks (underwriters), their counsel (underwriter's counsel), and company legal counsel experienced in public offerings, along with relevant advisors, including accounting advisors and independent auditors.

Define ownership of S-1 sections

The team will have plenty of expertise in IPOs, but it's critical to align on which party will own primary responsibility for drafting, when will drafts be ready for requisite reviews, and when drafting sessions are planned.

Draft the S-1

Begin crafting the registration statement while determining key strategic messaging for potential investors.

Phase 2: SEC Review Process (3–4 Months Before IPO)

Initial S-1 Submission

Submit the S-1 draft to the SEC for review. EGCs may submit it confidentially.

SEC Comment Period

Barring any significant government disruption the SEC generally provides feedback on the initial S-1 within 30 days. Companies respond by amending the filing and addressing concerns raised.

Additional rounds of comments may take 1–3 weeks each and typically decrease in time as the number of comments decreases.



Preliminary Prospectus

Once the main issues are resolved, the company releases a Preliminary Prospectus (Red Herring) to showcase IPO information to potential investors, excluding final pricing details.

Phase 3: The Roadshow (15–30 Days Before IPO)

Engage Investors

Senior management presents the company to potential institutional investors through in-person or virtual roadshow events.

Gauge Market Interest

Investors provide feedback on interest levels and expected pricing.

Phase 4: Pricing and Effective Registration (7–10 Days Before IPO)

Pricing Discussions

Underwriters finalize IPO pricing based on investor feedback and market trends, making timing a critical component of underwriting strategies.

Final SEC Approval

A final amended S-1 (S-1/A) is submitted with offering terms, and the SEC declares the registration effective.

Phase 5: IPO Launch & Closing (1–2 Days Before IPO)

Trading Begins

Public trading of shares starts the day after pricing.

Final Prospectus Filing (often Form 424B4)

This includes the finalized details of the IPO, such as proceeds raised and share distribution.

By understanding the S-1's key components, leveraging EGC benefits, and maintaining a structured timeline, companies can navigate the IPO journey confidently and efficiently.



Six Technical Accounting Issues Every Company Should Address for a Successful IPO

The IPO process brings heightened scrutiny from regulators, investors, and auditors.

Proactive management of accounting complexities and technical details is crucial. Failure to address these areas effectively can lead to delays, increased costs, reputational damage, or even the need to withdraw the IPO.

Here are six areas where it is essential to conduct thorough and robust technical analyses to mitigate risk:

1 Revenue Accounting

The Financial Accounting Standards Board (FASB) has added disclosure requirements to ASC 606 for public companies to increase transparency for financial statement users. The following disclosure topics are required for public companies but may not be mandatory for private entities. It is wise to plan ahead, particularly if the underlying data is not easily reportable in a manner consistent with disclosure requirements.

Disaggregated Revenue

Provide a granular view of your revenue, broken down by key economic factors. For example, product lines, geographic markets, and customer segments – the more detailed, the better. This allows investors to understand the underlying drivers of your revenue growth and assess the sustainability of your business model.

Contract Balances

Deferred revenue and contract assets tell a story. Investors want to understand the nuances of your contract balances and how those translate into recognized revenue. How much of your revenue is deferred? How does fulfilling performance obligations impact your bottom line? These are questions investors will ask.

Performance Obligations

Performance obligations are central to revenue recognition. They are an essential indicator of your company's future revenue potential. Carefully consider the required disclosures. They allow financial statement users to know how much revenue recognized during the period is related to satisfied (or partially satisfied) performance obligations.

2 Equity and Debt Arrangements

As companies prepare to go public, they often juggle an array of financial instruments. Preferred stock, convertible debt, SAFEs, etc., are the building blocks of a pre-IPO company's capital structure. They have intricate terms that can be presented incorrectly within financial statements if not carefully analyzed. This will cause delays in financial reporting or even restatements of financial statements.

Below are some main considerations that require a significant amount of time, effort, and judgment to ensure the accounting for debt and equity instruments is accurate:

Understanding all the terms of your debt or equity instruments, including conversion, redemption, or other contingent and non-contingent features.

These can significantly impact the accounting for, and presentation of, financial statements of debt and equity instruments. A comprehensive understanding of the terms is critical. Misapplying the guidance can cause errors such as misclassifying mezzanine and permanent equity or failing to properly account for embedded derivatives. These errors can lead to restatements and delays.

Upon the effectiveness of an IPO, many instruments convert, are redeemed, or otherwise impacted.

Thoroughly evaluate what happens to these instruments upon IPO and how to reflect those impacts quantitatively and qualitatively within the financial statements and related disclosures.

Pre-IPO companies may engage in secondary transactions to provide liquidity to shareholders before the IPO.

Companies should understand the accounting implications of these transactions, which may include material elements of compensation expense they didn't anticipate.

Debt refinancings or restructurings may occur to optimize financing structures.

Careful analysis is required. It can be difficult and involve significant judgments that result in either extinguishments or modifications of debt. Depending on those decisions, it can yield materially different accounting results.

3 Segment Reporting

The goal of ASC 280 is not only compliance, but also the provision of decision–making information to financial statement users. By reflecting a company's internal view of operations, segment reporting equips stakeholders with necessary information to evaluate the company's financial performance, capital allocation, and potential risks. Yet in today's data-heavy environment, segment reporting can be particularly challenging, requiring significant management judgment to properly present the required segment information within the financial statements.

The following are two common questions companies encounter in applying segment guidance that often require considerable judgment and can introduce complications:



- **What are your operating segments?**

  An operating segment is a component of a public entity that has the following characteristics:

  - **It engages in business activities** from which it may recognize revenues and incur expenses.
  - Operating results are regularly reviewed by the public entity's **Chief Operating Decision Maker (CODM)** to allocate resources to the segments and assess performance.
  - **The CODM can be an individual or group** responsible for allocating resources and assessing segment performance. The challenge is determining who or what entity qualifies as the CODM in practice, which is not always the CEO. In organizations with multiple layers of management, it may be unclear whether the CODM is a single executive, a group (like the board of directors), or divisional heads.
  - **Its discrete financial information is available.** Determining what characterizes a business activity can become unclear in early-stage or pre-revenue operations, shared service centers, internal-facing divisions, or R&D-focused entities. This requires careful evaluation of the specific facts and circumstances.
  - **Evaluating the availability of discrete information** can be particularly judgmental. Given the large amount of available data, companies need to think critically about what discrete financial data the CODM uses, not just theoretically available.

- **What are your reportable segments?**

  Companies can combine multiple operating segments into one reportable segment if they share similar characteristics. These similarities may include economic factors (margins, profitability trends, etc.), products and services, production processes, customer types, and distribution methods.

  Determining whether operating segments meet the criteria for aggregation involves significant judgment and interpretation of similarity. For example, segments serving different markets with different profit margins or profitability trends may challenge aggregation decisions. Public companies face heightened SEC scrutiny when aggregating segments, as overly broad aggregation can obscure key financial trends and risks. You should maintain clear documentation for such aggregation of decisions and judgments.

  Proper allocation of shared costs and resources, including corporate overhead or material cross-segment transactions, can significantly impact whether reportable segments are correctly identified and can materially impact the financial statements.

4 Earnings Per Share

Calculating earnings per share (EPS) under ASC 260 is a critical aspect of financial reporting for public companies. It is often time-consuming to make sure the relevant historical periods are presented properly and the requisite technical expertise is available for accurate reporting in the future. The process can be complex due to technical requirements, areas requiring judgment, and the need to account for various equity and derivative instruments that impact EPS.

The following are some important factors that require careful consideration:

Share Completeness

Identifying all securities that can impact either basic or diluted EPS requires a detailed understanding of each outstanding financial instrument.

Weighted Average Shares

Calculating the time-weighted average of common shares, adjusting for issuances, repurchases, stock splits, and other changes during the reporting period can involve a significant volume of transactions. Ensure you have a model for accurate calculations, especially after restructuring events like IPO-related stock conversions, stock splits, or reverse splits.

Allocation of Earnings

Allocating earnings between common shareholders and other participating securities, such as preferred stock with dividend rights, may be required. If so, understanding the dividend entitlements, liquidation preferences, and undistributed earnings is critical and may require significant legal input.

Applying the if-converted and treasury stock methods

Estimating the impact of potential conversions or exercises on the numerator (earnings) and denominator (shares outstanding) requires a robust and accurate model, which can be challenging to apply.



5 Cheap Stock

The term cheap stock refers to equity awards, such as stock options, restricted stock units (RSU), or other equity instruments granted to employees, directors, or advisors before an IPO at a price that may be significantly lower than the IPO offering price. The valuation and timing of these equity grants often attract heightened scrutiny from auditors, investors, and regulators such as the SEC.

Here are core considerations when dealing with cheap stock in preparation for an IPO:

Determining Fair Value at Grant Date

The fair value of equity awards should reflect the stock's market value (or intrinsic value) at the date of issuance. If a stock or a share-based payment is granted at an undervalued price, it can result in substantial non-cash compensation expense after the fact.

Don't rely on stale 409A valuations to price options grants within a short timeframe before the IPO, especially during periods where the company is experiencing significant revenue growth has encountered events that could impact a company's valuation, for example, signing a considerable customer contract, launching a major new product, deciding to enter new markets or regions, etc.

Anticipating Scrutiny on Pre-IPO Equity Awards

The SEC and other stakeholders closely examine equity awards issued within the 12-18 months before an IPO to assess whether the pricing aligns with fair market value at the grant date. Maintain detailed records justifying each stock grant, including board approvals, contemporaneous valuations, and supporting business developments that define the grant's timing.

Be prepared to reconcile and disclose differences between pre-IPO valuation assumptions and the expected IPO price. Differences may result from:

- Anticipated growth or performance improvement
- Market conditions
- The nature of the company transitioning to being a public entity

Considering the timing of new and repricing or modifications of existing equity grants

High-volume stock grants issued shortly before an IPO (or close to a significant increase in FMV) can appear opportunistic and attract heightened scrutiny. If the valuation of stock options changes significantly after grants, companies may be tempted to reprice or modify options to reflect the anticipated IPO price. This can raise questions and create financial reporting complications.

Evaluate the timing and purpose of any large or unusual pre-IPO stock grants, repricing, or modifications. Those completed within 6-12 months before an IPO should have strong business justifications (e.g., tying top executives to long-term incentives or hiring critical talent) as they can highlight underlying valuation issues and raise concerns.

Avoid granting equity awards during periods of valuation uncertainty, such as late-stage funding rounds or just before IPO roadshows. Consider the optics of back-to-back large grants, as regulators might view these as attempts to provide recipients with a windfall.



6 Pro Forma Financial Statements

Pro forma financial statements, required for certain SEC filings, simulate the impact of IPO-related transactions or significant events like acquisitions or recapitalizations. These help investors and analysts understand a company's adjusted operations. Preparing pro forma financial statements can be difficult because they illustrate the financial impact of significant past or expected transactions upon the completion of the offering.

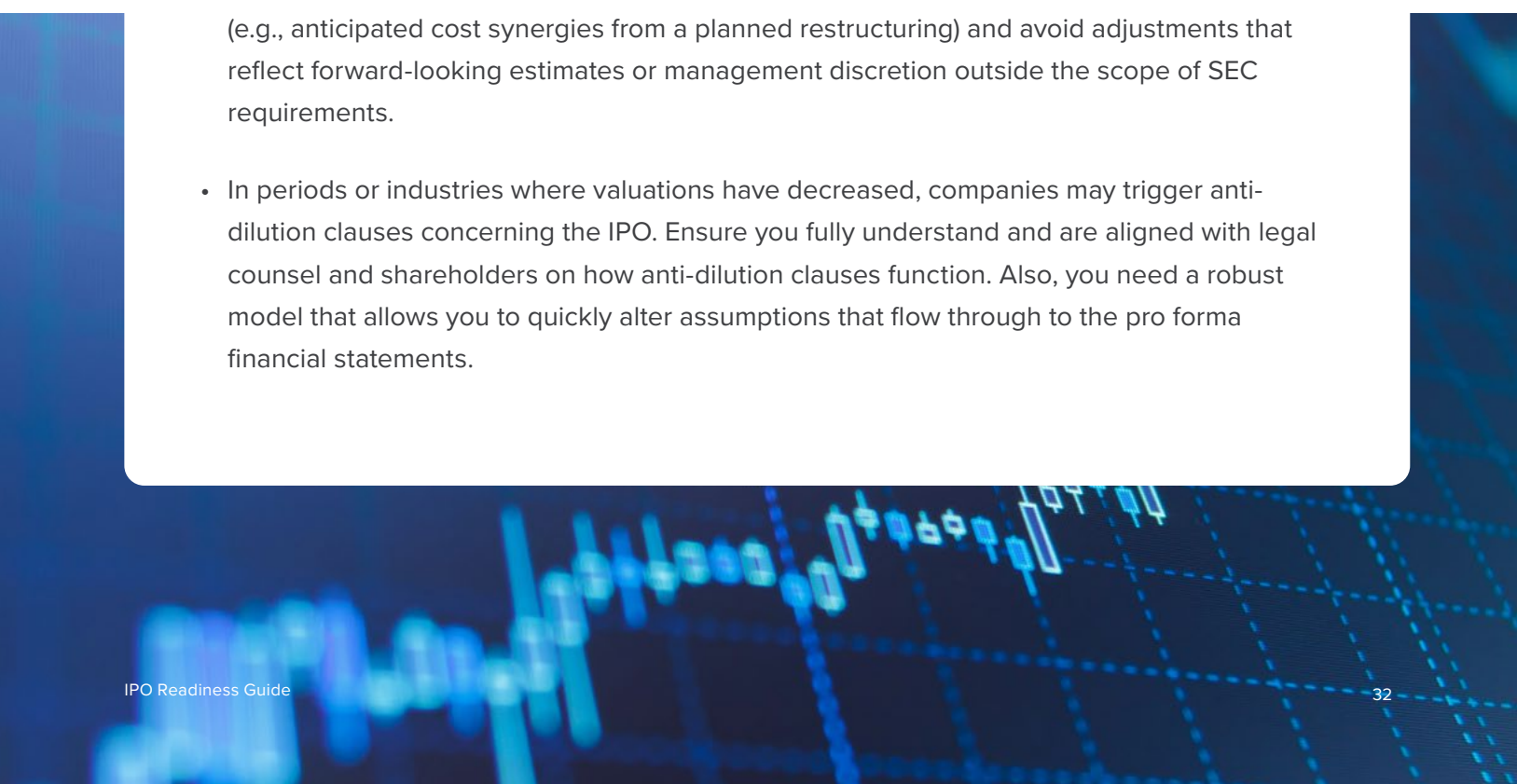
Here are some challenges that you might face preparing pro forma financial statements:

- IPOs often involve significant changes to a company's capital structure. Understand the accounting impact of converting preferred stock, warrants, or convertible debt into common equity at the offering date, determining the dilution impact of newly issued shares on EPS, including the retrospective impact on historical periods, and reflecting the settlement of debt or extinguishment costs in the pro forma balance sheet and income statement.

- If your company has recently completed a large acquisition or anticipates completing one in connection with the IPO, pro forma statements must reflect these transactions under ASC 805 (Business Combinations) and Regulation S-X, which can introduce complexity into the pro forma model.

- SEC guidelines require pro forma adjustments to reflect only those transactions directly attributable to and factually supportable within the scope of the IPO transaction. It is critical to exclude hypothetical or speculative transactions that lack sufficient support (e.g., anticipated cost synergies from a planned restructuring) and avoid adjustments that reflect forward-looking estimates or management discretion outside the scope of SEC requirements.

- In periods or industries where valuations have decreased, companies may trigger anti-dilution clauses concerning the IPO. Ensure you fully understand and are aligned with legal counsel and shareholders on how anti-dilution clauses function. Also, you need a robust model that allows you to quickly alter assumptions that flow through to the pro forma financial statements.



Successfully navigating the composite landscape of an IPO requires meticulous attention to detail, robust technical expertise, and proactive management of potential pitfalls. The areas above all demand thorough analysis and careful preparation. Companies investing the time and resources to address these challenges head-on will be better positioned to withstand regulatory scrutiny, meet investor expectations, and ultimately achieve a successful public offering.

Close and Reporting at Public Company Standard

Transitioning to the rigorous close and reporting standards of public company life is a critical milestone for private entities preparing to go public.

A company's ability to deliver financial results that are accurate, reliable, and timely not only builds investor confidence but also ensures regulatory compliance and positions the organization for sustainable growth post-IPO. This transformation often necessitates a thorough overhaul of existing systems, processes, and organizational practices to meet the expectations of public stakeholders.



Considerations for Efficient Close and Reporting Practices

Implementation of Structured Close Processes

Shift from scattered timelines (e.g., 10–40 days or incomplete closes) to efficient processes where month-end reconciliations, entries, and key analyses are finalized within 10 days consistently.

Establish systematic controls such that sub-ledger entries, account reconciliations, journal postings, and management reviews are seamlessly integrated into the close process.

Resolution of Upstream Process Weaknesses

Address inefficiencies caused by fragmented systems, manual spreadsheets, or decentralized accounting teams. Integrated ERP systems and automation tools should replace manual processes to ensure data accuracy and reliability.

Standardize accounting policies across the organization to minimize inconsistencies during the consolidation of financial data.

Development of Robust Financial Reporting Packages

Train teams to prepare concise management reporting packages that include reconciliations, financial performance metrics, and variance analyses, completed within stringent deadlines.

Ensure financial data undergoes multiple layers of review to achieve accuracy and reduce audit adjustments post-close.

Preparation for Accelerated Public Filing Deadlines

Synchronize interdepartmental collaboration. Include tax provisioning and MD&A drafting.

Continuous Financial Analysis and Reporting

Regular analyses should not only focus on historical performance but also align with forecasted trends, investor expectations, and public benchmarks.

Present information segmented by sales channels, geographic regions, and product lines to cater to shareholder analytical requirements.

Barriers to Achieving Public Company Close Standards

Limited personnel trained for public company reporting requirements can create compliance risks.

Outdated systems unable to produce reliable results force employees to rely on manual processes.

There is organizational resistance to reducing manual dependency due to legacy practices.

Errors occur when insufficient account analysis documentation is available.

To achieve public-ready status, private companies must assess whether their existing close processes, systems, and personnel can withstand the rigors of public reporting. The transformation requires assessing weaknesses in the team, processes, or systems, and investing in areas that align reporting timelines with public company expectations. Improvements must focus on building a reporting foundation that can sustain operational demands while meeting compliance standards critical to building market trust and fostering investor relationships.

Internal Controls Must Evolve – Not Just Exist – on the Path to IPO

Internal controls are often viewed in binary terms – either you have them, or you don't. However, the reality is far more complex, with controls existing on a graduated scale of effectiveness and integration, particularly when looking ahead to the public markets.

As companies prepare for an IPO, it's critical to move away from a check-the-box mindset and instead adopt a proactive, strategic approach. Controls maturity isn't a one-size-fits-all exercise. It evolves based on a variety of factors, including:

- **Stage in the company lifecycle:** pre-IPO, newly public, high-growth, or mature
- **Industry dynamics:** regulatory complexity, market volatility, or operational risk profiles
- **Organizational culture and leadership style:** centralized vs. decentralized decision-making, risk appetite, and tone at the top

Our controls maturity model shows how we view the controls evolution, from an uncontrolled environment to a place where controls are built into and support a company's strategic processes.

SOX Maturity Model

Uncontrolled	Emerging	Established	Managed	Strategic & Optimized
	Controls in place around some key processes, although little documented. Outcomes are directionally accurate.		Defined and validated controls around all finance processes, systems, and ITGC. Outcomes achieve SOX 404.	

What Does IPO-Ready Look Like?

Companies should not just install controls but embed them in the business. This means:

- Standardized, scalable processes for key accounting, reporting, and operational activities
- Document and follow policies and procedures
- When possible, use automation and system controls to reduce reliance on manual processes
- Periodic testing and validation of controls performance
- Training and accountability across the organization

Getting Started: Practical Steps Toward Controls Maturity

Companies gearing up for an IPO must first be clear about their current internal controls landscape. Decide what looks best for your organization and balance that against your ideal state of internal controls. Consider your growth trajectory, risk appetite, and post-IPO expectations.

Remember, controls maturity is not about achieving perfection. It's about making consistent progress toward a scalable, sustainable framework that supports public company requirements.



The following roadmap provides actionable steps to ensure smooth and effective adoption:

#	Action	Why it Matters	Key Deliverables
1	Conduct Controls Readiness Assessment (Current State)	Establishes a baseline view of your control environment and highlights gaps against PCAOB expectations.	• Maturity scorecard • Priority gap list • Target state roadmap
2	Educate and Engage Cross-Functional Stakeholders	Finance, IT, and compliance teams must understand their day-to-day control obligations, while executives must be ready to sign SOX 302 and 906 certifications.	• Role-based training • Executive certification playbook
3	Build a Phased Implementation Roadmap and Execute Remediation	Early detection and remediation of control deficiencies prevent last-minute surprises and cost overruns. **Tip** - Not everything needs to be perfect on the first day. Sequence your efforts in phases. Start with high-impact controls and build toward a fully integrated framework.	• Gap tracker with owners and due dates
4	Fortify the Internal-Control Framework	Strong design and documentation are prerequisites for a clean audit opinion. **Tip** - Focus first on high-risk areas such as Financial Reporting, Revenue Recognition, IT General Controls (ITGC), and Segregation of Duties (SoD).	• Refined risk and control matrix (RCM) • Narratives and flowcharts
5	Stage a Mock Audit (Light Validation of Controls)	Pre-auditing the evidence lets you address issues before your auditor arrives, shortening fieldwork and improving the likelihood of a first-pass sign-off. **Tip** - Validate one sample of each key control already established for design and operating effectiveness.	• Mock audit report • Corrective-action log



Tips for Balancing Cost-Effectiveness with Strength of Controls

IPO-readiness doesn't require a perfect controls environment. The goal is to strike the right balance between fit-for-purpose controls and sensible investment.

Here are some practical steps:

- **Start with Risk-Based Prioritization**
  Focus on areas with the greatest financial impact or regulatory scrutiny first – like revenue, close processes, and IT general controls (ITGC).

- **Build for Scale, Not Perfection**
  Don't deploy overly complex controls. Design scalable processes that can evolve as the company grows.

- **Leverage Technology Wisely**
  Use existing systems to automate where possible. Build in system controls and reduce manual effort without excessive cost.

- **Use Interim Solutions Where Appropriate**
  Temporary manual controls or spreadsheets may suffice during early IPO stages if they are documented, consistently applied, and tested.

- **Embed Accountability, Not Just Checklists**
  Robust controls are about clear roles, consistent execution, and culture of accountability.

- **Review and Rationalize**
  Periodically reassess controls for redundancy or inefficiency.

Material Weaknesses in Internal Controls Over Financial Reporting (ICFR)

This can significantly impact a company's IPO journey, from regulatory scrutiny to investor confidence. Identifying and remediating these issues early is critical for companies considering going public.

Common Themes

- Lack of accounting and internal SEC reporting expertise
- Inadequate segregation of duties or over-reliance on a small finance team
- Deficient risk assessment processes, especially around complex or non-routine transactions
- Manual, spreadsheet-driven processes without robust review or automation
- Incomplete or ineffective control design or execution

Reporting in the S-1 Filing

- Description of the weakness(es)
- Potential impact on the financial statements
- Company's remediation plan and timeline

Considerations for Pre-IPO Remediation

- Can the issue be remediated and tested before the effective date?
- Will the timing of the IPO allow for retesting and auditor validation?
- How will the disclosure evolve if the issue remains unresolved?

Impact on Investor Confidence

- Trigger investor skepticism, especially among institutional investors focused on governance
- Affect pricing or increase risk premiums
- Raise concerns during analyst diligence or during follow-on offerings

Benefits of Early Preparation

- Helps uncover and address weaknesses before they require disclosure
- Reduces surprises during PCAOB audits
- Improves team confidence in financial reporting processes
- Builds investor trust and demonstrates management's commitment to strong governance

Understanding SOX 404(a) vs. SOX 404(b)

SOX 404(a): Management's Responsibility

Under SOX 404(a), management is responsible for establishing, maintaining, and assessing the effectiveness of internal controls over financial reporting (ICFR). Companies are required to disclose material weaknesses, but external auditor attestation is not mandatory.

SOX 404(b): External Auditor Attestation

SOX 404(b) requires an independent auditor to review and attest to the effectiveness of ICFR. This added level of oversight increases regulatory scrutiny and places a greater burden on companies to have well-documented, tested, and effective controls.



Key Differences

- **External Validation:** SOX 404(b) mandates independent auditor verification, unlike SOX 404(a). A company under SOX 404(a) may internally assess that its financial reporting systems are secure and free of material weaknesses. However, under SOX 404(b), an external auditor will independently test and verify this assessment.

- **Higher Standards:** Controls must withstand independent testing rather than just an internal evaluation. If a company under SOX 404(a) has a less formal approval process for certain transactions, it may pass management's review via some compensating controls. Under SOX 404(b), the auditor will likely require formalized policies, written documentation, and evidence of adherence to the process.

- **Greater Documentation Needs:** Companies must ensure rigorous control of documentation and testing procedures. Auditors pay close attention to areas where financial reporting accuracy can be compromised due to weak internal controls. Some critical areas include Segregation of Duties (SOD), IT General Controls (ITGC), and Management Review Controls (MRC).

SOX 302 and 906 Certification Requirements

As part of the broader SOX compliance framework, public companies must adhere to the certification requirements outlined in Sections 302 and 906 of the Sarbanes-Oxley Act. These provisions require CEOs and CFOs to personally certify the accuracy of financial statements and the effectiveness of internal controls.

- **SOX 302** requires executives to certify the completeness and reliability of quarterly and annual filings (such as Forms 10-Q and 10-K), affirming that disclosures fairly present the financial condition of the company.
- **SOX 906** further elevates the stakes by introducing criminal penalties for knowingly filing inaccurate or misleading financial reports.

Together, these certifications promote executive-level accountability and reinforce the integrity of financial reporting. When implemented alongside SOX 404 (a) and (b) internal control attestations, they form a cohesive compliance strategy that supports transparency, investor confidence, and regulatory trust.

Below is a comprehensive view of the various public company requirements around SOX certifications:

Certifications – Defined

Summary of sections 302, 906, 404(a) and 404(b)

	SECTION 302	SECTION 906	SECTION 404(a)	SECTION 404(b)
Certified by	CEO and CFO	CEO and CFO	Management	External Auditor
Summary Requirements	Certify to financial statement fairness and internal control effectiveness	Certify to financial statement fairness (criminal liability)	Annual internal control assessment	Annual attestation to managements internal control report
Timing	Quarterly in 10Q/K	Quarterly in 10Q/K	Annual in 10K	Annual in 10K
Applies to	All issuers	All issuers	All issuers [1] [3]	Accelerate filers [1] [2]

[1] First year exemption for new public issuers

[2] Emerging Growth Company (EGC) exempt from auditor attestation requirement under 404(b)

[3] Additional rules apply for SPAC related transactions that allow for potential exemption in the year of acquisition

Certifying officers should not sign the Section 404 opinion, inclusive of the acquired entity, unless they are satisfied the available evidence enables them to do so.

Outgrowing SOX 404(a)

Public companies typically begin their Sarbanes-Oxley (SOX) compliance journey under Section 404(a), which requires only management's assessment of internal controls over financial reporting. However, as companies mature and exit EGC status, they become subject to the more rigorous requirements of SOX 404(b), which mandates an external auditor's attestation of management's internal controls.

To maintain EGC status, a company must have less than $1.235 billion in annual gross revenue in its most recent fiscal year and not meet any of the following conditions:

- Annual gross revenue exceeds $1.235 billion.
- Five years have passed since the company's initial public offering (IPO).
- The company has issued more than $1 billion in non-convertible debt over the past three years.
- The company qualifies as a large accelerated filer with a public float of over $700 million.

Transitioning to SOX 404(b) can be challenging. It introduces new complexities, including increased scrutiny from external auditors, higher expectations for documentation and testing, and greater risk of financial reporting errors. Without early preparation, companies may face audit delays, increased costs, and potential damage to stakeholder confidence.



SOX Application to EGC under the JOBS Act/Timeline
(for illustration purposes)



SOX 302/906 – Quarterly Certifications

CEO and CEO quarterly certifications applicable - required on 1st 10Q filing

SOX 404(a) – Management Attestation

Management's assessment requirements for internal controls over financial reporting – required on 2nd 10K filing (consider if SPAC has already filed 1st 10K)

SOX 404(b) – Auditor Attestation

EGC exempt from auditor attestation requirements for internal controls over financial reporting

This requirement will be delayed until the company no longer qualifies as an EGC (i.e., no later than the 6th year)

Developing a proactive and strategic approach to controls readiness is essential for companies aspiring to go public.

Preparing Technology for IPO Readiness

Early action and systematic technology enhancements are critical to a successful IPO.

Preparing for life as a public company requires technology that supports reporting integrity, controls maturity, and scalable operations. This often necessitates a shift from manual, fragmented processes to integrated systems built for heightened disclosure and audit requirements.

When assessing technology readiness, organizations should consider whether their systems are equipped to support the following.



Reliable Reporting

With new disclosure needs, reliable reporting is fundamental to IPO readiness. Accurate and timely financial reports are critical during due diligence and ongoing compliance post-IPO. When evaluating technology readiness, look at how your systems can:

- Deliver consistent, error-free data through automated workflows.
- Generate regulatory-compliant reports that outline key financial metrics transparently.
- Streamline gathering and joining data from multiple sources.
- Enable stakeholder access to real-time data for accurate decision-making and forecasting.

A primary consideration is the data's origin. Determine whether sourcing from a single technology platform, for example an Enterprise Resource Planning (ERP) or Customer Relationship Management (CRM) is sufficient, or if leveraging a financial data warehouse to integrate information from multiple platforms would be more advantageous.

Robust Controls Environment

A strong controls environment is a cornerstone for safeguarding assets, ensuring compliance, and reducing financial risk.

Leveraging new or existing technology, organizations can:

- Automate internal controls processes effectively, minimizing manual interventions prone to errors.
- Implement tools that enable approval workflows and AI that flags anomalies in transaction data or compliance breaches.
- Strengthen audit readiness by incorporating automated audit trails within financial systems.
- Provide platforms to monitor adherence to policies and standards—critical for reducing operational risks pre-IPO.

Scalable Tech Tools

Scalability encompasses a system's capabilities to adapt to rapid growth, including in revenue, headcount, or global expansion, without breaking your processes. Technology readiness drives scalability through:

- Ensuring your ERP solutions can accommodate increasing transaction volumes and complexities or evaluating other ways to summarize and record the data.
- Modern solutions for your operations and accounting teams that reduce manual effort, ensuring operations can double transaction processing without doubling the team.
- Using an iPaaS to integrate core platforms like Human Resource Information System (HRIS), CRMs, procurement tools, and homegrown systems to each other and your ERP, to provide consistent flows of information across departments, without manual intervention or errors.

Empowering Data-Driven Decisions

Public companies need to make timely strategic decisions informed by robust data insights. Once you have your modern platforms in place, you can centralize access to your data and:

- Implement advanced analytics tools to visualize real-time data and deliver actionable insights.
- Integrate machine learning and AI capabilities to predict trends, optimize budgets, and analyze risks.
- Create centralized dashboards for leadership to monitor financial, operational, and market metrics continuously.
- Use data to assess performance against IPO goals, ensuring informed and corrective actions are fully supported.

In integrating these pillars, technology readiness transforms an organization into one capable of meeting the rigorous demands of an IPO process while setting the foundation for sustained growth and operational excellence.



Evaluate Where You Are on the Journey

When preparing your systems for an IPO, first start by evaluating your current state and establishing a clear roadmap for technological advancement.

1. Build a Technology Readiness Roadmap

Partnering with an experienced team helps organizations create a tailored plan, specific to their operational demands and long-term scalability. This roadmap identifies critical steps, from foundational upgrades to full-scale automation, ensuring the systems align closely with IPO objectives.

2. Conduct Readiness Assessments

Assessing technology gaps is essential to understanding current challenges and opportunities for improvement. These evaluations target key areas such as financial system integration, the strength of your controls environment, reporting accuracy, and the scalability of your technology platforms.

3. Define Achievements for Each Phase

Clear milestones keep system advancements on track. These may include ERP implementation, deployment of automation tools, process standardization, and the setup of analytics dashboards. Each prepares the business for increasingly complex IPO requirements.

Four Levels of Preparing Technology for IPO Readiness

To effectively achieve IPO readiness, a fundamental shift within an organization's technological infrastructure is often required. We have identified four distinct levels that most companies typically progress through as they bridge the gap between private-sector needs and the systematic rigor required for long-term success as a public company.

Level 1: Build Your Foundation

At the foundational stage, systems predominantly rely on manual inputs and lack cross-functional integration. Spreadsheets and siloed software solutions are commonly in place.

Common Challenges:

Heavy reliance on spreadsheets for reporting

Manual spreadsheets are prone to input errors, formula discrepancies, and inconsistencies in formatting, leading to inaccurate reporting.

Limited internal controls

A lack of formalized internal controls significantly increases operational risks, particularly in areas such as compliance, fraud prevention, and reporting accuracy.

Minimal reporting capabilities

Without integrated systems, reporting capabilities are fragmented, inefficient, and limited in scope.

Recommendations:

- Begin the ERP selection process to scale operations effectively.
- Standardize processes for consistent data accuracy and entry.

- Deploy automation tools in high-impact areas, such as invoicing and payroll.
- Define high-level KPIs and consider basic integrations between existing systems.

Level 2: Upgrade Financial Systems and Reporting

In this phase, organizations significantly advance their technological readiness by implementing systems that enhance automation, allowing for more efficient operations and robust financial reporting. These improved systems facilitate centralized processes, strengthen controls, and ensure audit readiness—key elements to prepare for IPO demands.



Common Challenges:

Disparate systems causing inefficiency

Disconnected systems result in duplication of data entry, inconsistent information across platforms, and increased potential for errors.

Lack of centralized processes and audit readiness

Without centralized processes, approvals, adjustments, and reconciliations are ad hoc. This leads to inconsistent internal controls.

Recommendations:

- Implement ERP systems or centralize processes using a comprehensive ERP solution.
- Introduce a data warehouse, such as Snowflake or Google BigQuery, to improve reporting and analytics.
- Develop internal control processes to meet audit standards.
- Evaluate AI-enabled features within existing systems to support financial reporting and process automation.

Level 3: Optimize Processes and Enhance Automated Controls

At this phase of technology readiness, the focus shifts towards optimizing processes and leveraging automation to reduce manual interventions across systems. By implementing integrations and deploying advanced tools, organizations can achieve efficiency gains, improve data accuracy, and strengthen governance frameworks to meet the stringent requirements of IPO preparation. This level builds upon the foundation and systems upgrades established earlier, further enhancing automation, controls, and strategic decision-making capabilities.

Common Challenges:

Limited automation between key systems

In many organizations, critical systems, like CRM and ERP, operate in silos, preventing seamless data flow.

Inefficient approval workflows

Approval workflows are often poorly optimized or entirely manual at this stage, introducing delays, errors, and challenges in enforcing governance policies.

Recommendations:

- Automate integrations between disconnected systems for seamless data flow.
- Deploy advanced forecasting and budgeting tools.
- Strengthen approval workflows and improve reporting capabilities to ensure strategic insights.



Level 4: Automate Processes

The final phase focuses on achieving full automation and implementing real-time analytics to help organizations meet dynamic IPO requirements. By automating processes and leveraging AI and advanced tools, companies can eliminate inefficiencies, improve data visibility, and scale operations seamlessly in preparation for public listing. In this phase, systems become highly integrated and self-sustaining, with minimal manual intervention required across workflows.

Common Challenges:

Inconsistent KPI Visibility Due to Partial System Automation

Partial automation prevents full transparency into KPI performance. Fragmented reporting, delayed insights, and a lack of predictive analytics create barriers to real-time visibility, leaving organizations unable to efficiently monitor critical data.

Unscalable Financial Close Processes

In many organizations financial close relies on manual workflows that cannot scale with increasing complexity or transaction volume. Common problems include resource-intensive procedures, error-prone intervention, and inefficient data consolidation.

Recommendations:

- Establish real-time dashboards for KPI monitoring using analytics tools such as Tableau or Looker.
- Apply automated financial close solutions, such as BlackLine or FloQast, to improve efficiency.
- Deploy financial planning and analysis tools to support detailed scenario planning.
- Leverage generative AI and agent-based workflows for tasks like memo writing, flux analysis, and accrual management to maximize daily operational efficiency.

By leveraging technology expertise, organizations can strengthen their reporting, controls, and decision-making processes to navigate the IPO process with confidence, meet compliance standards, and achieve sustainable growth post-listing. Your technology will not only prepare you to go public but also position your company for ongoing success in the marketplace.

Public Company KPI Readiness

Preparing the key metrics that build investor confidence

Key Performance Indicators (KPIs) serve as critical tools for monitoring and externally describing a company's performance, including profitability, operational efficiency, and growth strategies.

As private companies prepare to go public, KPIs need to be investor-ready and reflective of corporate priorities. Public market participants, including investors and analysts, rely on these metrics to evaluate business drivers and assess operational and financial health.

KPI preparedness is integral to your IPO readiness strategy, requiring careful alignment of internal reporting with public market expectations. Though not officially required, transparent and effective KPI selection enables companies to communicate success and strategy clearly to potential public stakeholders since KPIs are not just internal tools but also critical for translating a company's vision and strategy.



Considerations for KPI Readiness

Preparing KPIs for the public domain requires strategic planning, careful selection, and robust documentation.

Below are core aspects to consider:

Selection and Relevance

Identify KPIs that align closely with the company's strategic goals and industry benchmarks.

Avoid excessive reliance on non-standard or non-GAAP metrics unless their inclusion is well-justified and clearly explained.

Definition and Calculation

Don't just simply document definitions and review formulas for all disclosed KPIs to ensure consistency; also ensure you have alignment across business leaders with these calculations and definitions.

The methodology must align with guidance under SEC rules, especially considering prominence in public filings.

Usefulness and Disclosure

Include a rationale for why the KPI is meaningful to the business and how it provides investors with valuable insights.

Specify how management uses these metrics for strategic decision-making, highlighting their importance in internal and external reporting.

Controls and Processes

Implement robust processes and controls to ensure the integrity of KPI data. This includes reconciling data across subsidiaries and periods while maintaining audit trails.

Build disclosure controls to avoid inconsistencies during public disclosures. This is particularly critical when KPIs involve estimates or assumptions.

Change Management

Capture and approve any changes in KPI calculations over time.

Provide comparative figures, including ensuring prior period KPIs are “locked down” just like you would a period in your GL.

Industry-Specific KPI Considerations

Industry-specific KPIs provide valuable insights into operational and financial performance for companies planning an IPO, selecting and rigorously preparing these metrics is essential to demonstrate growth potential, operational efficiency, and strategic focus to investors.

Here is a table summarizing essential KPIs for select industries:

Industry	Example KPIs	Key Considerations for Investors
Technology/Software (SaaS)	- Annual Recurring Revenue (ARR) - Monthly Recurring Revenue (MRR) - Churn rate (Customer Retention) - Customer Acquisition Cost (CAC) - Expansion Revenue - Lifetime Value (LTV)	SaaS businesses must demonstrate recurring revenue stability, scalability of their subscription-based model, and cost efficiency in acquiring and retaining customers. Investors are particularly interested in sustainable growth, customer retention, and efficient scaling.
Manufacturing	- Operational yield - Inventory turnover - Capital expenditure efficiency	Demonstrate operational excellence, capacity to scale, and strategic use of capital for growth.
Logistics/ Transportation	- Load factor - On-time delivery rates - Fleet utilization - Cost per mile	Highlight operational efficiency and capacity to scale, while emphasizing cost management.
FinTech	- Total Payment Volume (TPV) - Customer Acquisition Cost (CAC) - Monthly Active Users (MAU) - Average Revenue Per User (ARPU) - Transaction Success Rate- Fraud Loss as a Percentage of Revenue	Investors prioritize scalability, platform adoption, and operational efficiency. Metrics like TPV and MAU reflect market traction, while CAC and ARPU gauge monetization efficiency. Minimizing fraud loss is critical to demonstrate operational effectiveness and risk management.
Telecom/Media	- Average revenue per user - Subscriber net additions - Churn rates- network uptime	Investors focus on subscriber growth, cost management, and reliability of the service provided.
Healthcare Services	- Patient retention - Bed occupancy rates - Average revenue per patient - Operational efficiency metrics	Providers must demonstrate operational efficiency, scalability, and quality of care as critical indicators of sustainability and growth.

Choosing and defining the right industry-specific KPIs enables private companies to effectively illustrate their growth story and operational excellence. By adopting proper preparation, monitoring, and transparent reporting practices, businesses can leverage these KPIs to bridge the gap between private operations and public markets, ultimately aligning them with investor expectations and paving the way for a successful IPO.

While there are no strict regulations prohibiting changes to disclosed KPIs, companies should carefully consider the long-term implications of their chosen metrics. Investors and analysts may scrutinize any modifications, as updates can signal evolving priorities or challenges within the business. For this reason, companies should avoid sharing metrics they would not want to consistently disclose in the future, as these KPIs often become an expected part of ongoing financial and operational reporting.

Developing and disclosing KPIs in the context of IPO readiness requires balancing the need to craft a compelling growth narrative with the obligation to meet stringent investor expectations and regulatory requirements. Thoughtful selection, rigorous preparation, and consistent documentation of KPIs not only strengthen investor confidence but also effectively communicate strategic priorities. Companies should ensure transparency and comparability in their KPI disclosures to mitigate risks, such as regulatory scrutiny or diminished market trust, which could significantly impact the success of their public debut.

Conclusion

While this guide gives you the framework, your path to a successful IPO will be unique.

That's where our assessment process comes in—we'll take a deep dive into your current operations, financials, and governance to understand exactly what needs to happen next.

Let's schedule a conversation to discuss your vision. Together, we can build a strategy that positions your company not just for a strong market debut, but for lasting growth as a public entity.



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