

GUIDE

A Controller's Guide to IPO Readiness

Critical Considerations for You and Your Team

IPO



The Opportunity and Challenge of the IPO

With great opportunity comes great risk, perhaps none so perfect an example as the initial public offering, or IPO.

With changes in the political climate and interest rates, opportunities can open as quickly as they close.

In 2020, there were 480 IPOs. And in 2021, a record 1,058 companies took the plunge into public ownership.

While an IPO provides an infusion of capital, it's not without its drawbacks.

- Finances will be analyzed under a microscope
- Reporting will be adjusted
- Controls and processes will be picked apart looking for weaknesses

Sounds fun, huh?

If an IPO is in the cards for your company, you'll need to know what to expect in your accounting department to make it as stress-free as possible. In this guide, we'll take a look at how financial controllers can prepare their organizations to go public, from adapting existing processes to structuring teams to life after ringing the bell.



Before We Start, a Little “Me Time.”



Prep Yourself

If this is your first IPO rodeo, brush up on what’s involved, who the players are, and which pitfalls can derail you and your team. This isn’t an overnight project. You’ll be immersed in IPO preparation for 18 - 24 months.



Assess Yourself

IPOs are grueling with new demands on top of your day-to-day obligations. Management, external auditors, and your staff all want something from you. Assess your processes to routinize them.

- SOX internal controls
- Month-end close
- Statutory reporting

The sooner you can start acting like the accounting department of a public company, the easier the IPO hill will be to climb.



Drafting Accounting Players for Team IPO

Spanning from executives to more functional in-house players, and including needed external experts and specialists, the composition and onboard timing around the IPO lineup is key. But for controllers and their staff, in the trenches, a great team is critical and its importance to the IPO process can't be understated. Even one member, internal or external, who does not pull their weight can negatively influence the entire endeavor. Ensure that your staff has the structure and support to ensure consistency.

You'll need to take a hard look at what resources your team uses:

- How efficient are they?
- Do we need to replace anything?
- How can these resources support our processes pre, during, and post-IPO?
- What is our window to make these decisions?

Ways to be the “Killa Controlla”

All in favor of archiving the term “killa controlla,” say “aye!” Good, now that that is out of your way, back to your regularly scheduled programming.

So, the IPO reality creeps up and now you are the Controller-in-charge with an extra pile of work to do in addition to all of your regular day-to-day chores. The reality is that you are the functional jack of all trades, handling budgets, forecasts, entries, policies, billing, and risk mitigation. Are you prepped for IPO tasks and beyond? Maybe it is your first time out. There are ways you can get yourself IPO ready and deliver extra value to your organization, while you simultaneously add to your own skills (and CV).



STEP 1:

Get the Financial House in Order

Ideally you'd have two years to get ready for an IPO because you need to make sure your financial data and reports will pass the SEC's review with few questions.

Iron out any kinks in purchasing systems, inventory tracking, and financial reporting. That may mean implementing new resources or working with the IT team to customize what you already have.

If you want to reduce the number of questions or comments you receive from the regulators on the initial IPO filing, make the financial house pristine.

STEP 2:

Read, Read, Read

You're embarking on a major journey here, and there's a good likelihood that it won't be your last. That means it's homework time.

- Pull copies of S-1 filings of other companies in your industry and study them
- Look at the SEC comments and questions on those filings to get a better understanding of what they're looking for and how to avoid slowdowns down the road
- Explore regional and national associations for complementary educational opportunities and networking
- Utilize LinkedIn and the above associations to connect with experienced controllers who have gone through the IPO process

Building Out Your Dream Team

Now comes the time to draft players for your IPO team. Chances are you're going to need more than your current crew to pull this off.

You may need to add experts in:

- Financial analysis
- SEC reporting
- Internal audit and controls

You may need to add experts in:

- Current staffing levels
- IPO timeline and readiness
- Necessary subject-matter experts

An impending IPO is also an appropriate and justifiable time to leverage the expertise of specialty consultants.

These can include specialists in:

- Tax issues
- Accounting technology
- Reporting
- Compliance

Get real with your team. Be honest about the timeframes and amount of work that is to come during the IPO process.

Don't underestimate the time that preparation will take and clearly define the responsibilities of internal staff and external consultants and specialists. And be sure to quantify the benefits that staffers will reap for their added contributions and additional efforts.

Do You See the SEC?

IPOs mark the transition from private eyes watching your company to public eyes and ears following every movement your business makes.

And some of the biggest eyes and ears are at the SEC. Staying in their good graces is vital to reducing your stress levels, both before and after the IPO.



Understand the SEC's current focus and hot buttons

Take some time (yes, we know it's scarce) to research and understand pertinent points of SEC concern, arising from IPOs in similar organizations



Beware disclosures and their possible pitfalls

Too much information can be an advantage for competitors, so be careful not to release intractable data or metrics that are beyond what truly represent your organization's current state



Anticipate the SEC comment letter and your response

Here's a situation where timing is anything but predictable, so get out in front of any foreseeable issues to avoid that extra dose of reactive work



Strive for accuracy in all things

The SEC has zero tolerance for missing or incorrect numbers, and your conviction and ability to substantiate reporting is critical for maximum capitalization

The Reporting and Compliance Factor

As the Controller, the financial reporting and compliance falls on your shoulders. And as a private company, maybe you've been used to monthly reporting to the CFO and Board. Well, guess what? As a publicly owned company, you'll need to prepare quarterly financial statements and disclosure.

It's simpler to operate as a public company post-IPO if you are already doing so before the event. What does that mean?

- Internal controls will need to be buttoned up and extensively documented
- Approval hierarchies will need to be established and enforced
- Quarterly external reviews and annual external audits will be the norm
- SOX audits for compliance will become a regular part of your year

Don't avoid challenging accounting items and investigate all asset valuation impairment issues. Ensure all revenue recognition processes are in place and are validated and blessed by your auditors, both internal and external. It helps to address potential issues and prepares you to morph from the simpler regulations of a private organization into public compliance standards that are more complex and deadline-driven.

It boils down to due diligence and preparedness for all contingencies, with no surprises around things such as stock option tie-outs, M&A disclosures, and tax issues, which can all be covered off by solid internal controls.



There's Always A Tech Angle

Nope, nothing in today's business world escapes the reach and reality of technology, and its ability to streamline the IPO process is no exception. It's around every corner and having the right accounting tools can lessen the strain of IPO readiness.

A capability-rich, scalable and robust ERP is a given. There are now a host of key software technologies that accomplish such functional tasks as bill payment, tax compliance, incentive compensation, procure to pay and month-end close reconciliations. These apps can assist to both prepare your organization for an IPO, and then to continue to complete necessary tasks and associated reporting after the event. Some of these apps even help enforce internal controls and segregation of duties required for Sarbanes-Oxley (SOX) compliance.

There are also even apps for specialized IPO purposes, including ensuring that stock options are correctly recorded.

First Steps and Last Steps

The IPO process is the end of your company's private journey and the beginning of a new one as a public company. This is a time to celebrate. Reaching this milestone is no small task. While you've revamped your accounting processes and controls, you're stepping into a new world. One with tighter deadlines and higher expectations. Remember to not sweat the small stuff and maintain some balance. Remember your IPO is a one-time event, with the rest of your company's history yet to play out. Approach it both thoughtfully and methodically.

Accounting Automation and the IPO Process

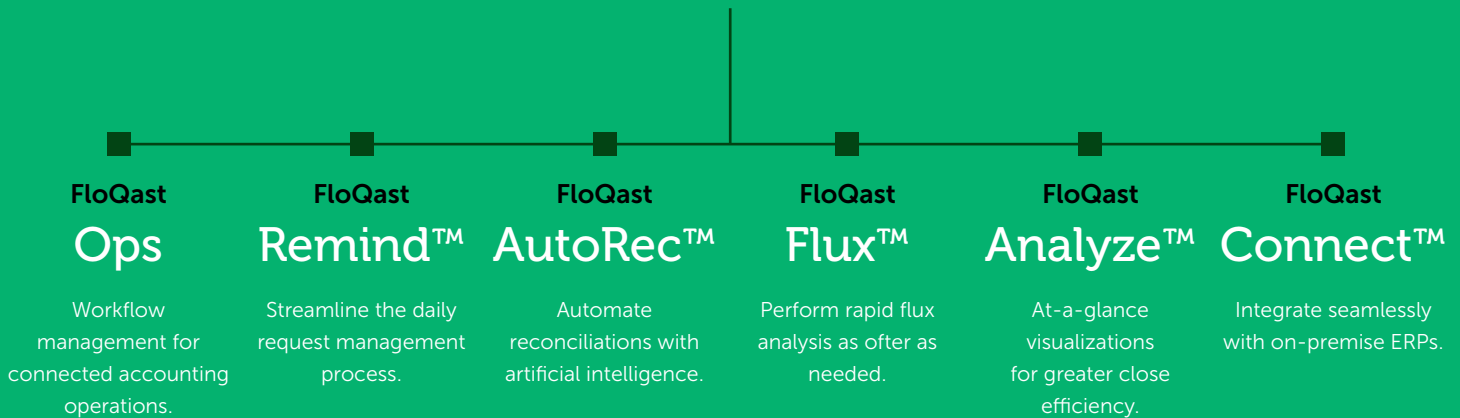
IPO readiness means having accounting systems that are repeatable, automated, and documented.

Sure getting the books closed faster is every Controller's dream. And as a publicly-traded company, there's no room for delays.

Using accounting workflow automation speeds up the close by:

- Streamlining document requests
- Automating reconciliations
- Connecting with your ERP
- Identifying bottlenecks

Optimizing Your Accounting Workflow



FloQast's suite of products provides accounting workflow automation designed to dramatically reduce close times while adding accuracy and cross-organizational collaboration to the monthly, quarterly, and annual close process. It's been an integral part of IPO success for scores of organizations. FloQast delivers benefits for both private and public organizations and is especially valuable for those tracking an upcoming IPO and beyond.

With FloQast You Will:

- Accelerate close-processes and meet deadlines both before and after your IPO
- Ensure accuracy via close-procedure stability and predictability
- Enjoy pre-and post-IPO collaboration tools that empower a successful financial team
- Satisfy and validate increased reporting and compliance demands

75

The number of FloQast users who successfully IOPed in 2021

"FloQast offers wonderful visibility for us, even with everyone shifting to remote locations. I would recommend using FloQast because it's made us more efficient, and it's made managing the close so much easier. It's a fantastic tool; we love it."

Jeanne Du, Head of General Ledger

zoom

There is reason scores of IPO-bound organizations have turned to FloQast to streamline their month-end close needs. In fact, more than any other close management provider, FloQast customers account for the most IPOs in the last 24 months. Some of those who trust FloQast include:



#FloQast

About FloQast

FloQast delivers workflow automation software enabling organizations to operationalize accounting excellence. Trusted by more than 2,000 accounting teams—including Twilio, Coinbase, Los Angeles Lakers, Zoom, and Snowflake—FloQast was built by accountants, for accountants to enhance the way accounting teams work. FloQast enables customers to streamline processes such as automated reconciliations, documentation requests, and other workflows that impact the month-end close, financial reporting, and payroll, and is consistently rated #1 across all user review sites. Learn more at [FloQast.com](https://www.floqast.com).



www.facebook.com/floqast



www.twitter.com/floqast



www.linkedin.com/company/floqast



All third-party brands, product names, logos or trademarks referenced are the property of and are used to identify the products or services of their respective owners.

© Copyright FloQast 2023 All Rights Reserved G061021a