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Ace your IPO filing

Follow these steps for a smart, sane process that gets your show on the road

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The market's right and your business is in prime IPO shape—you're ready to file. Now it's just a matter of some paperwork, right? Not exactly. Plenty of details can trip up your filing if you're not prepared for what's ahead. This guide, part two of our series on executing a flawless IPO, lays out a well-planned IPO filing process that will deliver you safely to your road show.

Ready for an IPO? Don't let the filing process trip you up

When you're truly ready to go public—the market's right, your business is solid, and your finance house is in order—you might think the actual filing is just an administrative chore. Alas, no. Plenty of details can still trip you up—an overambitious schedule derailed by nasty financial dust balls that escaped your housecleaning, oversights and inefficiencies born of poor collaboration, problems with equity reconciliation, and challenging SEC questions.

Fortunately, you don't have to just cross your fingers and hope for the best. There are steps you can take to ensure that your filing process goes smoothly and your S-1 passes SEC scrutiny in time for you to hit your runway. After jumping through IPO hoops with many companies over the years, we recommend the following process.

(Still just thinking about an IPO? Check out part one of this series, which outlines finance issues that affect S-1 filings and steps you can take to resolve them in advance.)

1. Get real about time: develop a schedule that allows for surprises

Your investment banker will let you know when Wall Street is open to new offerings and steer you to the best time slots for your industry. It's up to you to figure out how to hit the target date.

Backing up from that date, figure out how long it will take you to complete each of the necessary steps, from assembling your team to completing the S-1 review process. Then start earlier than that—much earlier if you haven't done the work outlined in part one of this series. While it's OK to be aggressive, it's essential to also be realistic and allow for contingencies.

A common—but usually mistaken—belief is that you can complete the S-1's *accounting* portion in six to eight weeks. That is truly a best-case scenario: fully staffed finance department, audited financials and other needed documents on hand, S-1 talent on board, an appropriate accounting system in place, equity issues resolved, and no unusual accounting transactions. Three-plus months is typical—and even that may not be enough if you encounter major issues. Remember: spending more time up front will save you time and money at the end, when hitting deadlines becomes crucial.

2. Do your company a favor: set your team up for success

Preparing an IPO is truly a team effort. It brings together groups that may not be used to playing together—including company personnel, finance consultants, company lawyers, outside auditors, and investment bankers and their lawyers—so plan to put extra effort into ensuring a collaborative process. Work early with your underwriters and counsel to understand how they want information positioned and displayed in your IPO filing, so you can avoid costly last-minute revisions.

With the team in place and guidance in hand, here's the drill:

Define responsibilities. There will be overlaps, but it's inefficient and time-consuming to duplicate efforts. To prevent work duplication while ensuring that you cover all the bases, create a detailed task list with clearly defined responsibilities and have regular status meetings that bring the whole team together. You may initially schedule these meetings weekly, then more frequently as the filing date closes in.

Be aware that because IPO preparation is so important, this is an area where it's common for too many players to nudge in. We've seen junior members of the legal and investment banking teams eager to prove their worth try to take on work they shouldn't, such as drafting financial disclosure statements.

Don't micromanage. Once you've assigned areas of responsibility, trust your team to get the work done on time. Senior managers should know what's in play, but should avoid pestering people with constant update requests (that's what the meetings are for).

Don't kill your staff. Unreasonable time frames and inadequate staffing make for exhausted workers—and tired people make mistakes. After an 80- to 100-hour workweek, errors will inevitably creep in, most likely of the hard-to-find variety.

3. Ace the S-1: have everyone summon their inner stickler

Preparing your S-1 document is usually the biggest step—and it's the one that everyone underestimates. To avoid unrealistic expectations, make sure people on the periphery of the process understand what needs to happen and why it takes so long.

Financials. To complete the S-1 financials sections, you'll need:

- Three years of audited financial statements, plus unaudited interim information for the period from the last audited balance sheet up to the most recent quarter end
- Five years of summary financial information
- MD&A (management discussion and analysis) for the three audited years and interim periods
- Separate financial statements and pro forma financial information for any material acquisitions in the past three years
- Executive and employee compensation disclosures
- Detailed stock information, which must be reconciled throughout the document

Tell your investment banker about any changes to forecasts or other financial information as soon as you spot them. Remember: you must meet your numbers, because they are the banker's criteria for underwriting your stock issuance. One company we know got caught with overly aggressive sales projections when the market fell, and had to redo the numbers and delay its IPO.

Equity. IPOs ultimately are about issuing new stock, so recording existing equity is key. While most companies have either acted as their own transfer agent or had their lawyers handle the task up to this point, the process must now go to a third-party transfer agent—and shares outstanding must be reconciled down to the share. This can be tough. It's not uncommon for a company to maintain a cap table that's a little different from the one its lawyers have. The same thing happens with stock options. While it may seem immaterial to auditors and staffers, if the outstanding stock accounting varies by even a few shares, it's a problem—and that problem must be resolved, even if it means re-creating board meeting notes.

4. Push the button: send the S-1 to the printer and submit it to the SEC

Your final S-1 documentation must be submitted in the SEC's required EDGAR format. Almost all companies do this through a specialized printer firm, which will also handle and track all changes. Those changes can be extensive. Many firms hammer out S-1 problems when the document's at the printer, and make several rounds of changes at this stage. That's partly because in most cases, the legal and marketing teams have been working separately on their own sections of the S-1, and the initial printer version is the first full version the entire team sees.

It doesn't have to be that way. The smoothest IPO we've ever seen (one that hit its target) was orchestrated by an IPO-veteran CFO who had the legal and marketing teams develop their sections collaboratively. That company spent three days at the printer; the typical company spends five days to two weeks (if a weekend intervenes).

One new wrinkle to watch out for at this stage: XBRL tagging. This year, companies that include pricing information in their S-1 (toward the tail end of their amendments) will be required to tag it and include those tags as an exhibit. This will take at least a couple of weeks, so be prepared. Also beware: while printers typically can help you set up tags, they can't take the whole job off your hands. They have neither the accounting expertise nor the deep knowledge of your company's finances required to ensure accurate tagging. (Is XBRL Greek to you? Get RoseRyan's take.)

5. Be compliant: sail through the SEC review process

The SEC review and comment period typically takes three to four months, encompassing several cycles. The SEC usually provides comments within 30 days; you have 10 days to respond, though extensions are possible. Amendments then happen in two-week cycles of questions and responses.

This is where all that up-front time—both your preprocess preparation (planning and putting your finance house in order) and your masterfully orchestrated IPO filing—pays off. The more accurate, compliant, and thorough your SEC filing is, the more likely it is to gain prompt approval—and the sooner you can get your show on the road.

Many companies have one big advantage: reinforcements. RoseRyan can bolster your staff with senior-level IPO veterans who can help you file an S-1 document that will sail through the SEC review and comment process. Contact Maureen Ryan at mryan@roseryan.com to find out how.

About Maureen Earley: A senior RoseRyan consultant with more than 25 years' experience, Maureen Earley serves as a technical resource for the RoseRyan team. She has significant experience in mergers and acquisitions, IPOs, and follow-on offerings.

About Kelley Wall: Kelley Wall, a CPA with more than 15 years' experience in finance and accounting, regularly advises clients on preparing for IPOs. She joined RoseRyan in 2005 and helps lead the firm's growing technical accounting group.