

# Empowering IPO Success Through Preparation and Technology

## A Playbook for Companies Contemplating an IPO

### HOW STRATEGIC PLANNING AND A MODERN ERP SYSTEM FUEL IPOs

Initial public offerings (IPOs) can propel growing companies into unprecedented success by attracting new investors, talent, and customers while amplifying brand awareness. In the United States, companies choose to launch on the American Stock Exchange (AMEX), New York Stock Exchange (NYSE), or the Nasdaq Stock Market. Each requires similar preparations and offers similar opportunities, although some filing requirements vary. The principles in this eBook apply to all three exchanges.

Going public puts the company's finances, business processes, and leadership under a microscope. Companies undergo a rigorous, multi-year process to upgrade their technology infrastructure and federal IPO requirements. Organizations often spend more than \$1 million and two years preparing for their IPO. They revamp business processes, add executives and board members, and implement new financial reporting systems.

In addition to meeting rigorous IPO requirements, companies must prepare to operate as a public company, including compliance with Security Exchange Commission (SEC) and Sarbanes Oxley (SOX) regulations.

A successful IPO opens the door to a wealth of financial options that enables filers to expand operations and conquer new markets while diversifying investor holdings. In addition, IPO filings can strengthen the brand, attract top talent, and advance merger and acquisition goals. However, failure can irreparably harm companies and occurs when applicants cannot meet revenue forecasts or comply with regulatory demands. Market volatility can also compromise or delay IPO success.

Acumatica's modern ERP solution streamlines IPO readiness by integrating and optimizing business processes across a global enterprise. Robust, on-demand reporting delivers the real-time and historical financial information companies need to satisfy IPO requirements.

This playbook discusses the key principles and technologies organizations need to complete an IPO and thrive as a public company.

### IPO PREPARATION BEST PRACTICES



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## PUBLIC COMPANY REQUIREMENTS

# Start by Acting Like a Public Company

Launching a successful IPO requires years of preparation. Most businesses start building out their teams and revamping processes two to three years before their anticipated launch. However, their challenges do not end at the IPO filing. Getting listed on the AMEX, NYSE or NASDAQ triggers new beginnings and escalating demands that force companies to meet new reporting requirements.

Companies should start behaving like a public company 12 to 18 months before their IPO. Doing so enables them to troubleshoot issues that could compromise IPO success and expose non-compliance. Financial reporting comprises a critical part but should not be the sole focus. For example, consider a cross-functional holistic approach that encompasses people, processes, and technology.

“Financially, everything is easier to track and manage in Acumatica. We’ve connected everything together in Acumatica, giving us an efficient way to manage the business.”

– MARTIN GALSTYAN, CONTROLLER & ACTING CHIEF FINANCIAL OFFICER  
TOUGHBUILT

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## Building a Strong Internal and External Team

### ENHANCE EXECUTIVE TEAM AND BOARD

Building a resilient business involves putting dedicated subject matter experts in the right places. Transitioning into a public company requires adding new functions and diversifying the leadership. After all, the executives need proven experience to support IPO initiatives and convince investors of their credibility. Many companies bring on executives with deep IPO experience and alliances with outside players, such as analysts, banks, attorneys, and regulatory specialists. This background can surpass expertise within the business.

Companies should also fill out their board with members with backgrounds in public company operations and experience in corporate governance, performance reporting, and auditing. Research touts the benefits of diversifying boards and leadership teams across multiple criteria, including racial, age, gender, and leadership style. Government regulators and industry analysts also look favorably upon broadly diverse leadership teams and boards.

**Acumatica keeps all leaders informed with real-time access to one version of financial truth and 360-degree views of the business.**

### ENGAGE BANKS, ANALYSTS, ADVISORS

Private companies often seek targeted counsel on their industry and business practices. But public companies must also work with investment banks, internal and external auditors, sell-side analysts, lawyers, capital market advisors, and regulatory consultants. Start building these relationships early and adjust operations according to their guidance. Hire specialists to support the IPO process and engage others for long-term partnerships.

For example, choose underwriters (investment banks) to help develop registration statements, underwrite risks, and support the stock sales during and after the IPO. Good underwriters can also support the IPO roadshow. Meanwhile, sell-side analysts can help acquire the right investor mix. In addition, the company’s attorney should assemble a team of legal specialists, including a securities counsel and underwriters counsel, to oversee SEC filings and disclosures.

**Acumatica’s advanced financial management capabilities enable customers to adhere to strict SEC reporting regulations and deliver full auditability.**



# Aligning Finances to Public Company Requirements

Financial management and reporting practices distinguish public companies from private ones. Public companies must submit quarterly and annual financial reports that adhere to reporting requirements in the Securities and Exchange Act of 1934. They must also publish sales and revenue forecasts for each quarter and elaborate on how performance measured up to projections. Businesses should start producing these financial reports long before they go public.

Financial reporting hinges on transparency and access to historical and real-time data. Automated, robust reporting is essential. Public-minded organizations cannot afford error-prone manual processes but need systems that perform routine accounting quickly and deliver auditable reports automatically.

“Previously, it took our company 14 days to close the monthly financial statements in QuickBooks. Now we do it in 5 business days, and we should get to a point where we will be able to do it in 2 days.”

– GLENN PEARSON, CHIEF FINANCIAL OFFICER  
R.A.S. LOGISTICS

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## SEC FINANCIAL REGULATIONS

SEC rules require public companies to file annual reports on Form 10-K and quarterly reports on Form 10-Q with the SEC on an ongoing basis.

They must file financial reports on Form 10-Q for the first three quarters of every fiscal year. The quarterly reports present a comprehensive view of company performance and should help investors understand the company's financial health. In addition, companies must also file an annual report 60 to 90 days after each fiscal year.

Annual reports include audited financial statements and company information, such as history, equity holdings, subsidiaries, legal proceedings, disclosures, controls, and accounting services.

Companies may need to also furnish an analysis of their strengths, weaknesses, opportunities, and threats (SWOT), and report on business events, such as executive changes and mergers or acquisitions.

Common SEC filings include Form 10-K, Form 10-Q, Form 8-K, the proxy statement, Forms 3,4, and 5, Schedule 13, Form 144, and Foreign Investment Disclosures.

**Acumatica offers hundreds of standard reports. Users can create real-time and historical reports on any financial criteria without coding.**

## FINANCIAL MANAGEMENT ESSENTIALS

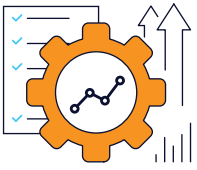
Putting effective financial management systems in place is critical. Financial data flows from every department and must be structured to deliver insights that comply with Generally Accepted Accounting Principles (GAAP) and governmental regulations.

Disconnected systems and manual tasks hamper the accuracy and timeliness of financial results. As a result, month-end close processes are lengthy and error-prone, with users struggling to reconcile conflicting information.

GAAP offers a solid framework for the income statements, balance sheets, and cash flow statements companies need to start populating SEC reports. Companies need systems that automatically generate routine GAAP-compliant reports. In addition, they need flexible solutions that support user-defined reporting on multiple financial parameters while putting a complete audit history at users' fingertips.

Acumatica provides extensive accounting and financial management features for deferred and recurring revenue. The modern ERP system automatically analyzes and presents real-time and historical financial reports on demand.

**Acumatica supports GAAP and IFRS accounting standards for sales tax, use tax, and value-added tax (VAT), fixed asset depreciation rules, and financial regulation.**



## MARKET CONFIDENCE

# Attracting Underwriter and Investor Confidence

Companies embark on the arduous IPO path to increase their upward momentum. However, before they can dip into the potentially lucrative investor pool, they must prove their value to underwriters, analysts, industry thought-leaders, and potential shareholders.

First, they must demonstrate substantial ongoing growth by hitting revenue targets and persuading stakeholders they can sustain growth amid market fluctuations. Second, they must spread the word via analyst meetings and an IPO roadshow.

“We intend to become a leader and an international company, and now we are more efficient in our processes, especially in invoicing and analytics, which allows us to better understand our revenue streams and our outcomes. It was hard to have that granularity with an outside accounting system. Now I have a system that provides me with enough analytics to drive my business and support the way we report.”

– RACHID OUADDOUR, FINANCE MANAGER  
TRAVELDOO TECHNOLOGIES (AN EXPEDIA INC. COMPANY)

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## CREATE THE VALUE PROPOSITION

Companies must demonstrate year-over-year growth before considering an IPO. Once they decide to go public, they must prove consecutive growth each quarter. Finance teams must detail revenue, costs, and equity to meet SEC and investment bank requirements and be able to speak to each point.

Market timing and readiness should go hand-in-hand. After all, investment banks look for high-growth companies in hot markets. However, prioritize preparedness. Market volatility may delay the IPO but should not jeopardize long-term success. Whereas lack of preparation signals doom from the start. The following criteria can indicate growth potential and resilience:

- **Sizable, addressable market**
- **Competitive products/services**
- **Focused business plan**
- **Differentiated business model**
- **Public-ready management team**
- **Proven track record**
- **Strong financial, operational, and compliance controls**
- **Sustainable business practices**
- **Favorable environmental, social and corporate governance (ESG) profile**

## SHOWCASE THE COMPANY STORY

Though essential, companies often downplay storytelling and public relations. They outsource it but neglect to educate their internal team. In successful IPOs, CFOs help develop the company's IPO story and share it with analysts, partners, and shareholders before and after the IPO.

Companies should hire an Investor Relations (IR) firm to manage their message and keep it in front of stakeholders. Insist on consistent and transparent communication. In addition, IR staff should create and execute a strategic communications plan that provides regular touchpoints with the financial media, industry analysts, and targeted investors.

The IR firm should also equip the CEO and CFO to communicate the company message effectively with talking points and coaching. The analyst team can also manage the logistics for the IPO roadshow and the distribution of quarterly and annual financial reports.

In addition, hiring a reputable IR firm tells the investment community the company takes the IPO process seriously.



## CHOOSING A TEAM

# Forming an IPO Dream Team

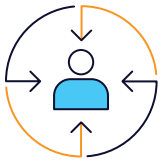
Leaders should not attempt to go through the IPO process alone. They need an external team of advisors to help them navigate IPO complexities, mitigate risks, and convey the company's value. The following advisors will not only help them share the story but can also protect them from the pitfalls of non-compliance and bad publicity.

KEY PLAYER	CORE RESPONSIBILITIES
<b>Underwriters</b>	<ul style="list-style-type: none"><li>• Apply due diligence to documentation requirements</li><li>• Set valuation metrics and parameters</li><li>• Distribute shares to investors</li><li>• Support trading requirements before and after launch</li></ul>
<b>Sell-side analysts</b>	<ul style="list-style-type: none"><li>• Research value of securities based on industry and market factors</li><li>• Recommend per share target price</li><li>• Project financial results and stock performance</li></ul>
<b>Auditors (independent)</b>	<ul style="list-style-type: none"><li>• Examine financial records and business transactions based on best practices</li><li>• Evaluate internal controls</li><li>• Identify risk and conflicts of interest</li><li>• Validate financial claims per SOX and SEC regulations</li></ul>
<b>IPO Advisors</b>	<ul style="list-style-type: none"><li>• Help prepare and manage the IPO process, develop IPO strategy</li><li>• Navigate the process for listing company stock on a public stock exchange</li><li>• Help raise the company's visibility and promote its stock</li></ul>
<b>SOX Advisors</b>	<ul style="list-style-type: none"><li>• Help revise business and data management processes to support SOX compliance</li></ul>
<b>Investor Relations</b>	<ul style="list-style-type: none"><li>• Develop and manage relationships with industry analysts</li><li>• Report on company affairs and outlook with analysts and the general public</li><li>• Develop strategic communication plans that promote the company and stock</li><li>• Analyze and mitigate PR risks related to the company and stock performance</li></ul>
<b>Insurance Broker</b>	<ul style="list-style-type: none"><li>• Provides the company insurance protection against any claims the company faces as a result of going public</li></ul>
<b>Tax Advisors</b>	<ul style="list-style-type: none"><li>• Project taxes owed and promote compliance with state and federal tax laws</li></ul>
<b>Legal Counsel</b>	<ul style="list-style-type: none"><li>• Advises on how to manage risks and regulations related to IPO transactions</li><li>• Manages publicity and disclosures</li><li>• Advises on critical regulations and regulatory processes, including SEC, stock exchange, and Financial Industry Regulatory Authority</li></ul>



## CONNECT TO ONE SOURCE OF REPORTING TRUTH

Acumatica's connected applications keep partners informed with a central source of real-time information and analysis that alleviate manual research. The unlimited user pricing model allows all employees and IPO business partners to access the ERP system freely, while role-based access secures sensitive data.



## INTERNAL CONTROLS

# Strengthening Internal Controls

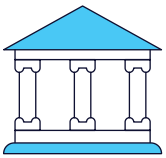
Financial reporting drives IPO success and keeps public companies operating within the boundaries of the law. After filing its initial S-1 registration statement with the SEC, the company's accounting, business, and legal teams must respond to multiple rounds of SEC inquiries. They must also adhere to strict Sarbanes-Oxley Act (SOX) and Public Company Accounting Oversight Board (PCAOB) rules.

In addition, organizations must stand ready to demonstrate compliance on demand or face hefty penalties. Strong internal controls and financial reporting systems enable companies to mitigate risk and deliver the financial reports needed to achieve compliance. The right ERP software does it with ease.

## SATISFY CORE COMPLIANCE REQUIREMENTS

<b>SEC Form S-1</b>	Companies must file this SEC Registration to apply for a listing on a US stock exchange (AMEX, NYSE or NASDAQ).
<b>Exchange Act</b>	Once the registration takes effect, the company must comply with Exchange Act reporting requirements.
<b>Security Exchange Commission (SEC) Act of 1934</b>	Mandates period and public reporting of company results, structure, and composition after IPO.
<b>Sarbanes-Oxley Act of 2002</b>	Requires the external auditor to attest to the effectiveness of the company's internal controls over financial reporting annually, starting with their second annual report.

\*Companies that qualify as an emerging growth company according to the Jumpstart Our Business Startups (JOBS) Act of 2012 can streamline prospectus reporting and phase-in compliance to specific SOX provisions.



## ESTABLISH RIGOROUS INTERNAL CONTROLS

Companies need comprehensive business processes and a solid infrastructure to identify and manage risk. Non-compliance carries a substantial threat to their reputation and bottom line. For example, companies face significant financial penalties for failing to comply with SOX Section 404. In addition, the provision requires a registrant's management (CEO and CFO) and external auditor to report on the adequacy of the company's internal control over financial reporting and document material weaknesses in internal controls in their S-1 filings.

Leaders must personally ensure the company creates:

- Policies and processes to identify, assess, and manage risk – such as the proper division of responsibilities
- Processes and mechanisms to prioritize risks and allocate resources on a risk-rated basis
- Formal communication channels to the board for compliance, risk, and risk management
- Mechanisms to make risk disclosures to the public
- A formal compliance infrastructure, compliance program, and reporting process

**Acumatica advances internal controls by providing entire audit history for all business and financial data. The ERP platform connects with external data to build reports, dashboards, and business processes that demonstrate industry compliance initiatives, such as GDPR, SOC 1/SSAE 16/ISAE 3402, SOC 2, and other standards, including AICPA revenue recognition rules.**



## FINANCIAL REPORTING

# Optimizing Financial Reporting

The importance of accurate financial reporting intensifies as the IPO launch approaches. Companies must continually prove their financial claims and projections to gain investor confidence and assuage auditor concerns. Accountants, auditors, advisors, underwriters, and attorneys all request ongoing information on the company's financial health, business transactions, and pending sales. Shareholders and analysts will also continually dissect company financial health while auditors require companies to back up every figure they submit.

Companies with multiple locations, lines of business, and divisions, often struggle to collect and consolidate financial data. Disjointed business and accounting systems force users to input and verify data manually. As a result, organizations can no longer afford resource-intensive, manual processes but must streamline accounting activities and automatically produce reports.

**Acumatica's robust report engine delivers immediate access to historical and real-time data and lets users drill down to analyze supporting factors.**

“Once we launched, it was amazing. During the first month, we billed \$1.7 million straight out of Acumatica and closed the month in 45 days. In January, it only took 30 days to close, February 15 days, and March was five days.”

– RYAN PENTON, CONTROLLER  
POWER STORAGE SOLUTIONS

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## ROBUST REPORTING FEATURES

Acumatica aggregates financial data from software and hardware systems across the enterprise and pushes reports to user dashboards on schedule or on-demand. Auditors receive compliance proof and can drill down for a complete history.

## AUTOMATED FINANCIAL STATEMENTS

Acumatica creates consolidated financial statements across entities, using combinations of segments, rows, and column definitions to highlight critical data. Users can define reporting criteria or use standard reports out-of-the-box.

## ADVANCED ACCOUNTING

Companies can recognize revenue across financial periods, prorate by the number of days, or recognize revenue when payments are received. In addition, the ERP system automates deferred revenue calculations and accurately implements and accounts for deferred expenses in financial statements.

## SALES AND REVENUE GENERATION

Acumatica delivers real-time reports on sales, marketing, AP, and AR. Additionally, the system automates repetitive tasks, including accounting, lead management, report generation, and distribution.

## FINANCIAL TRANSPARENCY

Gain an end-to-end view of operations. Acumatica combines business intelligence with its centralized database. Dashboards present vital data, including advanced financial features for deferred and recurring revenue, budgets, project accounting, contract management, billing, asset depreciation, and payroll.

## MULTI-DIMENSIONAL REPORTING

Acumatica breaks down data by specific dimensions, such as product line and store. Users can view data from multiple perspectives to spot patterns and exceptions and find root causes.



## INFRASTRUCTURE

# Enhancing Information Technology

Reporting on past performance cannot satisfy IPO requirements. Underwriters, regulators, and investors want proof of ongoing growth.

Companies can no longer rely on disparate systems to gather and process data but must analyze data across their enterprise in real-time. For example, off-the-shelf accounting software may provide performance data, but can it predict growth, conduct future and historical performance analysis, and produce a plethora of custom reports—in real-time?

“IT is vital to helping the public company capture, organize and assess relevant business information quickly and easily. In addition, IT must support a collaborative work environment that allows management to make informed business decisions and monitor and analyze progress.”

– EY, *Is your business story ready for the public spotlight?*

## Acumatica Cloud ERP Delivers Advanced, Modern Technology to Optimize Operations

### STREAMLINED WORKFLOWS

Acumatica connects related workflows. The ERP solution integrates diverse systems (hardware and software) and aggregates performance, operational, and finance data into a centralized platform. Acumatica establishes consistent definitions and common data structures to reduce the time spent collecting information, reconciling data, and understanding variances.

### BEST-IN-CLASS FINANCIALS

Acumatica automates accounting, AP, bank reconciliations, inter-company transactions, period-close tasks, standard and custom financial analysis, deferred revenue, and more.

- **Automated transaction entries replace manual tracking, recording, and posting.**
- **Segmented keys define components of the chart of accounts. Individual row and column parameters support customized financial statements.**
- **Fixed asset data is updated from AP and AR transactions. Depreciation and amortization expenses are calculated and recorded automatically.**

### ARTIFICIAL INTELLIGENCE (AI)

Artificial Intelligence with machine learning takes integrated workflows to the next level of efficiency, automatically populating forms, updating account information, and pushing tasks through to completion.

### UNIFIED CRM

Unified ERP and CRM put all customer information at employees' fingertips and enable users to move seamlessly between sales, marketing, support, and business applications on one interface. The 360-degree views of customer data inform decisions and facilitate collaboration. In addition, users can plan, execute, and measure marketing and sales activities on one platform that automatically updates corresponding financial records.

### OPEN ARCHITECTURE

Acumatica connects people, information, processes, equipment, and ideas with modern technologies. The platform provides a technology foundation for global connectivity with multilingual translations, localized business practices, multicurrency, and international accounting and tax support.





## SCALABILITY

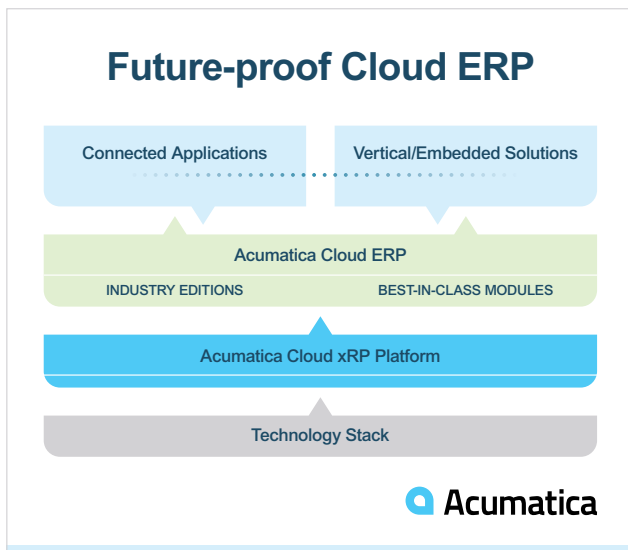
# Embed Scalability and Security

Before the IPO, companies scramble to meet stakeholder demands for proof of long-term profitability. After the IPO, businesses face escalating business demands as they adjust to public company requirements. Success hinges on their infrastructure’s ability to scale to meet mounting needs every day.

Creating sustainable, transparent processes helps public companies fulfill operating demands while reducing risk and improving decision-making. Businesses that utilize disconnected systems cannot visualize end-to-end operations or use real-time insights to inform decisions.

### FUTURE-PROOF MODERN ERP PLATFORM

Acumatica’s future-proof cloud platform delivers the strong foundation businesses need to support the advanced financial applications and web applications that fuel ongoing growth.



### MINIMAL PROGRAMMING

Low-code/no-code tools allow users to configure workflows to match their business needs without programming.

### MOBILE FRAMEWORK

On-The-Go-Mobility lets users work from any browser-equipped device and enjoy the same experience.

### OPEN APIS

Open APIs enable data to flow in and out of Acumatica’s centralized database from multiple sources and make a single version of truth accessible to all users.

### INTEGRATED DEVELOPMENT

The integrated development environment can be extended to encompass software and hardware systems from modern technologies like big data and analytics to legacy systems and the Internet of Things.

### CENTRALIZED DATABASE

Acumatica connects all application data in a single database and provides a 360-degree view of every business area.

### BUILT-IN REPORTING

Embedded reporting, personalized dashboards, and Business Intelligence provide real-time insight into operations and KPIs.

### UNLIMITED USERS

Unique consumption-based licensing lets companies add users without additional fees.

### ENHANCED SECURITY

Advanced authentication and single sign-on procedures limit access to authorized users. Role-based security ensures users only access the data they need.



## CONCLUSION

# Promote IPO Readiness and Profitability with Acumatica

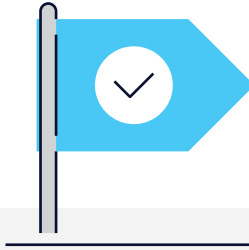
Initial Public Offerings open the door to a new world of possibilities. They can spark rapid growth and lucrative investment opportunities. But they also carry significant risk and require hefty preparation.

The right mix of advisors and information technology can enable companies to reap their desired rewards.

Acumatica's modern ERP solution equips companies with the tools they need to comply with strict SEC and SOX reporting requirements and provide all IPO stakeholders with real-time access to detailed financial and business information.

In addition, Acumatica provides the flexibility businesses need to enter new global markets, supporting different languages, base currencies, and country localizations.

Acumatica's future-proof cloud-based platform empowers organizations to scale to support new divisions, product lines, and unlimited users. In addition, businesses can leverage the open architecture organizations to rapidly merge new applications, devices, and branches into their ERP platform without disrupting operations.



“We transitioned to Acumatica and it's like you pull open the blinds and all of a sudden you see this amazing view of what's actually going on out there. For MiiR, it allows us to see good data, which allows us to make good decisions to grow our business in a really powerful way.”

– BRYAN PAPÉ, FOUNDER & CEO  
MiiR