

FROM PUBLIC READY TO PUBLIC THRIVING

What Your Business Needs To Know



Introduction

Going public is not the finish line — It's the starting point of your public journey

Companies with public ambitions are often consumed by the daily sprints required for public readiness and lose sight of “life after listing.” These companies see “going public” as the ultimate goal without giving due consideration to the complexities, processes, and controls required to operate as a public organization. Scaling up operations and processes to the point in which they are considered compliant for a public organization is a transformative continuum that should extend well beyond your organization’s public listing.

Becoming a successful public organization requires prioritizing both pre-listing and post-listing efforts. However, many fail to consider potential pitfalls that may disrupt their public readiness journey, such as relying on unrealistic timelines, inefficient processes, or an inaccurate assessment of the level of effort required to achieve and maintain public status. Nevertheless, some will attempt to “brute force” their way to public readiness by aggressively expending an increasing amount of capital and resources into the effort without first thinking strategically about how the company’s strategy, operations, workforce, technology requirements, and other business priorities may change. While this “brute force” effort can still be successful, we see a higher degree of lasting success result from taking a more diligent and thoughtful approach that concurrently engages in both public readiness efforts (pre-listing) and public sustainability efforts (post-listing).



Are you ready to go public and stay public?

We offer a starting framework of five distinct focus areas with accompanying readiness questions to help you down the road to public readiness, both before and after your filing. This framework is meant to provide an informed perspective per focus area, and additionally “pressure check” your efforts via probing questions. Additional key considerations are included below but are not the focus of this initial framework.

Additional key considerations include:

- Capital Markets
- Media & Investor Relations
- Tax Matters
- Internal Audit

Governance & Legal: Pre-Public Event

Have you planned and recruited for your board of directors?

Your board of directors as a public company is expected to have both executive and non-executive board members with meaningful business knowledge. Targeting the right non-executive board members early who have relevant skillsets (e.g. technical knowledge, industry contacts, etc.) will set your company apart from less strategic competitors. You should also thoughtfully consider which independent financial expert and independent directors will be appropriate when your board is evaluated for independence. Another key governance step is establishing board meeting guidelines as well as delineation of topics and issues that are reserved for the board to handle.



- ☐ Do you have a plan for recruiting critical roles in terms of board composition?
- ☐ Is your corporate governance structure and operating procedures for the board of directors in place?

Have you formed and qualified an audit committee?

Audit committee members should have a strong technical understanding of accounting as well as familiarity with the processes and controls put in place, as a key mandate of the committee will be to provide financial oversight to the business through the review of periodic financial reports. The committee should also be aware of and prepare for any additional rules or requirements based on the selected exchange (e.g., NASDAQ, NYSE). As the public readiness event approaches, you should coordinate with the audit committee on appointing new auditors, as necessary, and evaluate the internal and external resourcing necessary to uplift financial statements to a public company format.



- ☐ Is your audit committee and independent auditor providing input and guidance on your financial statements and internal controls?
- ☐ Are you aware of your selected exchange's rules and requirements?
- ☐ Is an audit function in place and performing as planned?

Is your General Counsel prepared to be public?

Evaluation of the legal environment as a public company will inform decisions regarding the size and structure of the legal counsel, including whether to hire for technical roles such as SEC counsel or to set up and maintain external counsel for needed roles. Internal counsel should coordinate with the compliance team and Chief Compliance Officer (CCO), if possible, on evaluating the current risk landscape to confirm that current risks and issues related to public company status are being actively identified and addressed.




- ☐ Who is going to be the overall PMO of the public event?
- ☐ Have you coordinated between Legal, Accounting/Finance, BOD, external auditors, external consultants, and regulators?

Governance & Legal: Post-Public Event


Have you developed and implemented a corporate communication plan?

As a public organization, external parties will attempt to glean additional information about your business through social media and other avenues. You can promote consistent, accurate, and appropriate messaging by coordinating with your Investor Relations team to develop a corporate communications strategy and plan, which should include dissemination of a corporate communications policy that clearly defines expectations and guidelines for all employees. Empower your employees with consistent and appropriate information to encourage compliance.

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- ☐ *Do you have a defined external communications policy, and has it been distributed to employees?*
 - ☐ *How are external requests managed?*


Do you have appropriate support to meet external requests?

Management and investor presentations represent how management runs the business; and as such require cohesion between internal reporting and external reporting. These presentations will continue to require dedicated time and attention in order to ensure that your successes and plans are appropriately communicated to external stakeholders. Given these cross-functional requirements, you need to appropriately staff the team to ensure that there is standardization and control over the messaging, appropriate and accurate data shared, and compliance with all standards.

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- ☐ *How are management and investor presentations managed?*
 - ☐ *Who is involved in the preparation and presentation of the material for managing external relations?*

How are requests and compliance needs handled by Legal?


As a public organization, Legal will need to handle more legal requests, new workflows, and a greater amount of public company compliance items. To continue receiving and processing legal requests efficiently, consider how you will manage the demands of the legal team and how they will be distributed based on bandwidth, expertise, and response time required. Legal should also maintain awareness of compliance needs including annual review and distribution of policies, annual compliance certifications, etc.

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- ☐ *Is there a standard form for staff to submit requests to the legal team?*
 - ☐ *Have you identified your new compliance requirements and do you have a process to track and monitor them?*

Workforce: Pre-Public Event


Have you identified skill gaps to hire for?

Public companies require a more diverse range of technical skillsets, including roles to support technical accounting, Investor Relations, Legal, HR, SEC reporting, tax, SOX, industry-specific regulations, and more. Determining which functions will need dedicated support and establishing a realistic hiring and onboarding timeline through workforce planning will reduce risks of overburdening your staff or setting them up to fail with unfamiliar and time-sensitive efforts. In tandem, you should also evaluate your operating model to better estimate capacity and skills needed, since these needs could potentially be provided through outsourcing, business partnering with other functions, or by freeing up staff capacity through shared services arrangements.

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- ☐ Who is determining which new or updated skills / positions are necessary across the organization once public?
 - ☐ How are public company skillsets being prioritized in the recruiting pipeline?
 - ☐ Are staff with public company knowledge focusing on public company issues?


Are you effectively addressing your resource constraints?

Executing a successful public event requires investment in existing business processes as well as brand new ones; you should urgently build a plan that dictates whether to build, buy or borrow the needed talent in crucial functions such as technical accounting, investor relations, and SEC reporting. Preparing for a public event is a very stressful time for the teams involved, so leadership should engage in one-on-one discussions to emphasize how each employee is a critical contributor to a successful public readiness effort. Paving a communication pathway while private is an invaluable way to identify and address growth-related issues early as your newly public company scales.

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- ☐ Have you determined what your future state organizational chart should look like in 6, 12, and 18 months?
 - ☐ What is your hiring timeline?
 - ☐ How can you drive efficiencies with systems or automation to scale down people cost for mundane, time-consuming tasks?

Have you built your Go-Forward Compensation Plan?

Establishing a reasonable go-forward compensation plan should incentivize your top performers to continue to achieve while also maintaining corporate profitability. To accommodate for shareholders, the updated compensation and bonus structure may be less than compensation received as a private company. As the public event approaches, you should coordinate with executive leadership and the board to ensure a smooth transition to the new incentive plan, as necessary. Consider retention bonuses to the highest achievers and confirm that appropriate governance and resourcing are in place to execute the compensation plan.

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- ☐ Are you giving retention bonuses to your current team to keep the full team and knowledge base intact?
 - ☐ How are you handling the exercising of current or future options?
 - ☐ What do incentives look like and what do you need to get them approved?

Workforce: Post-Public Event

How is your team being trained and developed to meet the public demands?

Once public, the responsibilities and skillsets of your team will continue to shift and evolve. Thinking critically about your organizational growth plan as well as how organizational goals can be re-affirmed through performance management and training will provide team members with much-needed direction and support regarding current priorities. Engaging team members one-on-one to empathize with their concerns and co-create growth plans is time consuming but pays huge dividends in terms of team members' motivation, engagements, and alignment with your public company priorities.

- ☐ What is your approach to training and learning?
- ☐ What resources are in place to offer the training and development necessary?
- ☐ How are the skillsets evolving?

Does your team have role clarity and appropriate segregation of duties?

Although it may have been possible to survive with an "all hands on deck" mentality as a private organization, public companies need to have clear segregation of duties and role clarity for all individuals. Prioritizing role clarity solves for numerous potential issues; it focuses and reduces confusion amongst your team, exposes skill gaps and urgent hiring needs, and facilitates segregation of duties. Defining and adhering to segregation of duties (differentiation of a transaction, its reconciliation, and its authorization/approval) when scaling your teams' public-ready roles and responsibilities will reduce risk of non-compliance as well as any resulting penalties.

- ☐ Are roles clearly defined?
- ☐ How have role changes been communicated to individuals?
- ☐ Are duties segregated appropriately?

Does your staff feel empowered to succeed in a public environment?

As a public organization, there will be greater visibility into compensation and increased expectations about the dynamics of your team. Anticipate and prepare for these external expectations by ensuring that a Compensation Review Board is in place and that there is an appropriate cadence of compensation committee meetings. Meet and exceed internal expectations by proactively communicating any updates to roles, compensation, or career progression, while also providing mechanisms for staff to engage in dialogues on these topics confidentially.

- ☐ Is there a Compensation Review Board?
- ☐ Are there clearly defined levels and bands for rewards and compensation?
- ☐ How robust is the talent strategy?

Financial Planning & Analysis: Pre-Public Event

Have you aligned on what KPI's and non-GAAP measures you plan to disclose publicly?

As the public event approaches you should begin to think about financial and non-financial metrics that will help tell your equity story and indicate operational health. KPI's will vary by industry, but the considerations organizations need to be aware of will not. Financial and non-financial KPI's complement one another to give a more complete picture of business performance and health. Leading companies will keep a running inventory of the KPI's and non-GAAP measures that public competitors disclose and determine why those may—or may not—be relevant to the business.

- ☐ What are your competitors and peers disclosing publicly?
- ☐ Is the data that you use for your KPIs consistently clean and accurate?
- ☐ Will the metrics you disclose show a degree of favorability over time?

How easily can your management reporting be leveraged for GAAP reporting?

Strong reconciliations between management and GAAP reporting are necessary so any management adjustments can be thoroughly explained and reconciled to the applicable GAAP metric. The team can test their capabilities by setting up a consolidated GAAP reporting workbook and having a few mock earnings calls.

Management reporting should be based on a standardized, easily reconcilable reporting framework with as little discrepancy as possible between internal and external reporting. Work towards establishing a single source of truth for data sources and automating where possible.

- ☐ How long does it take to update your reporting for external distribution?
- ☐ Are there meaningful distinctions between how you view and report the business internally vs. externally? If so, why?

Have you done an assessment of your forecasting and budgeting process to improve forecasting accuracy?

Public companies typically need to provide guidance to the market on expectations during your next reporting period. The most common metrics for which to provide guidance include revenue and EPS. Negative deviations from guidance (e.g. a “miss”) and/or lower overall ranges signal weakness to the market and will usually put downward pressure on your stock price. Your public forecasts should be more conservative than your internal forecasts, offering your business a greater chance at beating public targets.

- ☐ Historically, how accurate has your forecasting been?
- ☐ Have you considered exploring areas such as advanced analytics and data science to improve forecasting accuracy?
- ☐ Are operational leaders aligned on forecasting goals and targets?

Financial Planning & Analysis: Post-Public Event

Have you stood up investor relations capabilities?

Maintaining investor excitement post-public event is a difficult task, but it will result in continued stock price appreciation in the months and years following your listing. Successful companies maintain this enthusiasm through a strong investor relations function that handles investor requests and inquiries, determines attendance at investor events, and ensures that any publicly released information is shared in a coordinated and consistent manner. Investor confusion over a particular metric or news event could put downward pressure on the stock price despite strong financial results, so enabling a clear understanding of corporate results and PR events is a public company necessity.

- ☐ *How are you maintaining excitement within the investment community regarding your company?*
- ☐ *Are you effectively communicating corporate results and public relations news to the investor community?*
- ☐ *Does the investor community understand changes in your strategy and operations?*

Do you have strong relationships with the analyst community and investment banks?

Diverse and broad analyst coverage of your equity improves the visibility of your company to the investment community, which improves the likelihood that both retail and institutional investors will want to invest in your business. In addition, strong relationships with the investment banking community, specifically their Sales & Trading arms, will increase the chances that large institutional investors, such as mutual funds, will be attracted to invest. Refining the company's equity story should be an ongoing priority so that banks are comfortable pitching your business and investors are confident investing in your business.

- ☐ *Have you identified targets in the investing community that align with your business?*
- ☐ *Are you effectively leveraging relationships with the analyst community to drive investment?*

Are you consistently rethinking what financial and non-financial KPIs you're disclosing publicly?

KPIs are a critical tool that give investors insight into the health of your business beyond standard financial statements. It is important to continually reassess which KPI's you are disclosing publicly and make sure that they are aligned with your current strategy and business model. KPI's that previously gave investors a good understanding of your operational health may not be relevant anymore as a result of changes in strategy. Disclosing such KPIs publicly could confuse investors and have a negative impact on your stock price.

- ☐ *Have you done an assessment of your publicly disclosed KPIs? Do they still make sense relative to your current business model?*
- ☐ *Are there specific product or service updates that would require you to report certain KPIs in a different manner?*

Accounting & External Reporting: Pre-Public Event


Are you proactively uplifting to new accounting standards?

As a public company your financial infrastructure (i.e., people, process, technology) will need to handle new accounting standards and a heightened level of public scrutiny. You should consider implementing a dedicated team to evaluate and adopt new standards (e.g., revenue, leases) that are in line with a public operational structure, and coordinate with IT early on a plan for public-ready technological infrastructure. Determining where your team may have technical accounting skill gaps as well as whether IT is equipped to implement necessary technology enhancements and then either recruit for the role or identify external support will ease the stress on your team both before and after your public event.

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- ☐ What new accounting standards are you impacted by (e.g. ASC 606 – revenue, ASC 842 – leases)?
 - ☐ Have you assessed public accounting considerations such as intercompany accounting, segment accounting and revenue recognition?


Can you report accurately and detailed enough to meet public standards?

To prepare for life as a public company, your team should draft a detailed close calendar and close checklist and identify gaps to be remediated via an action plan in the short-term. SEC-level reporting poses another major hurdle for most finance teams. Building out a roadmap with flexibility to cover reporting needs (e.g., MD&A detail, footnotes, SOX, XBRL, etc.) will pay dividends as your public event approaches.

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- ☐ Are you ready for SEC level reporting (MD&A detail, segments, footnotes, SOX, XBRL, etc.)?
 - ☐ Are quarterly, external reviews occurring prior to the public event?

Can you deliver reporting in a timely enough fashion?

You should engage with IT early to align on your data structure and management, as a logical data structure will dictate whether you can glean insightful analysis timely enough to support your external reporting. Streamlining your data flow and consolidating into a single system of record will also reduce reporting errors and enable agile forecasting. Proactively consider how your system usage will change as a public company as well as identify manual vs. automated processes and controls points to alleviate post-filing burdens on the team. Finally, enhancing certain technologies, such as your close tool, can not only help with your financial accuracy but also with controls and SOX compliance.

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- ☐ What is your current reporting timeline (with SEC and with external auditors)?
 - ☐ Do you need to speed the close and if so, by how many days? Are you resourced to achieve this timely?

Accounting & External Reporting: Post-Public Event

Are you prepared to maintain public accounting standards?

Newly public companies often speed to their filing date but do not establish the requisite technical accounting resourcing and infrastructure to sustainably maintain their public status. You should continue to partner closely with core supporting functions (e.g., IT, HR) and urgently work towards establishing an operating arrangement (internal or external) in which leadership has confidence that technical accounting matters can be maintained in a timely manner. Leading organizations will provide trainings to these supporting functions on how certain activities have accounting implications and “triggers.”

- ☐ What new accounting standards are you impacted by (e.g. ASC 606 – revenue, ASC 842 – leases)?
- ☐ Have you assessed public accounting considerations such as intercompany?

Are your requisite internal controls in place?

Public companies must undergo a significant investment in their Finance and IT control infrastructure to deliver reports indicating that they have internal controls in place over their financial reporting. They must also receive an attestation report from a public accounting firm on the effectiveness of these internal controls. You should “work backwards” by identifying all the controls required for a comparable company, assessing your current controls maturity in relation to your financial reporting, and building a detailed timeline with milestones to verify controls efficacy in advance of your reporting deadlines. Successful companies often build significant “flex” into their controls schedules since setbacks are typically unavoidable, and missing reporting deadlines will result in potentially significant consequences in terms of investor confidence and enthusiasm.

- ☐ Are you aware of your current control gaps, and do you have the skillsets on hand to remedy them?
- ☐ Have you outlined an ongoing testing schedule to document your controls’ effectiveness?

Do you know your ongoing reporting requirements?

As a public company, you are required by the SEC to file periodic reports to keep public investors informed; your accounting team should coordinate closely with your general counsel team to clearly lay out and meet these public regulations and obligations. During your first year as a public company, you will likely be considered a non-accelerated filer since you likely would not have filed an annual report for the prior year. Going forward, you should determine whether you will remain as a non-accelerated filer or qualify as a “large accelerated filer” or “accelerated filer.” This will allow you to proactively work towards meeting the appropriate regulations going forward.


- ☐ Have you prepared a reporting calendar and do you have confidence in meeting quarterly and annual reporting deadlines?
- ☐ Have you aligned on a strategy to provide timely disclosures of material information?

Project Management: Pre-Public Event

Do you fully understand your internal milestones?

When pursuing an IPO, internal milestones will initially consist of restating financial statements, selecting a banker, conducting due diligence, holding organizational meetings, completing management's discussion and analysis (MD&A) document, drafting the S-1, and conducting a PCAOB audit. Follow-on activities will require increasing coordination with external deadlines, including completion of a five-year plan and analyst model, execution of "testing-the-waters" (TTW) rounds, the roadshow, and pricing.


Companies seeking a SPAC reverse merger will first have to agree upon and sign a letter of intent (LOI) while concurrently negotiating a merger or private investment in public equity (PIPE) agreement. Follow-up internal milestones include board and management arrangements, drafting the S-4, conducting a PCAOB audit, completing the MD&A, and completing an Article 11 pro forma financial information and merger memo.

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- ❑ *Have you mapped out your internal milestones for your first year as a public company and delegated appropriate resourcing to meet those milestones?*
 - ❑ *Do you have enough "flex" in your plan to meet your milestones when accounting for unforeseen delays and disruptions?*

Do you fully understand your external milestones?

When pursuing an IPO, external milestones will initially include finalizing the S-1 document, completing an SEC services review comprising of multiple rounds (the "public flip"), and completing the first public filing of Form S-1. Following these events, the SEC will send a notification that your registration statement is effective, and you should be prepared to hold a pricing meeting before commencing trading and closing the IPO.

SPAC proceedings involve accomplishing external milestones such as first finalizing the S-4 or proxy statement document and then completing an SEC services review comprising of multiple rounds. From there, companies must hold a SPAC shareholder meeting and vote, then file the Super 8-K.

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- ❑ *Have you mapped out your external milestones for your first year as a public company and delegated appropriate resourcing to meet those milestones?*
 - ❑ *Do you have enough "flex" in your plan to meet your milestones when accounting for unforeseen delays and disruptions?*

Project Management: Pre-Public Event

Who are your key stakeholders?

Regardless of whether you are pursuing an IPO or SPAC, the top project management goal is making sure internal and external stakeholders are not only engaging in regular communication, but also providing the input and support needed to resolve cross-functional issues that may arise. Internal stakeholders include but are not limited to the CEO, CFO, executive sponsors, corporate management, the controller, general counsel, PE legal and management teams (if applicable), and SPAC advisor(s) (SPAC only). External stakeholders include but are not limited to SEC counsel, capital markets advisor(s), banking syndicate, PE-hired 3rd parties, and external consultants.

- ☐ Do your stakeholders have the knowledge and skillsets needed to identify key public company compliance activities and preparation?
- ☐ Are escalation mechanisms in place to maintain stakeholder accountability?

Project Management: Post-Public Event

Have you strategically planned for your first year as a public company?

Companies are often so focused on the transaction of the public event that they lose focus of the public cadence that is needed to maintain expectations post-event. Successful companies will operate off a detailed corporate calendar and transition to an operational structure with the appropriate board, subcommittees, and compliance driven by corporate policies to meet public deadlines. Facilitating cross-functional efforts to manage financial reporting along with post-earnings media outreach and any communication relating to financial guidance or upcoming material events will help ensure that not only are public deadlines met, but also that external messaging is consistently supplying the appropriate narrative to shareholders.

- ☐ Are the points of coordination established to facilitate effective communication between back office and public-facing functions?
- ☐ Does your plan have the needed executive mandate to drive urgency and accountability?

Are you prepared to change filing status as you scale?

Internal control requirements are a function of a company's filing status, as public companies generally need to maintain control over financial reporting (ICFR) as well as disclosure controls and procedures. Maintaining these controls requirements is a significant undertaking that will require planning to successfully changing filing statuses. The PMO function can help "connect the dots" by tracking progress of setting up a data site for the requirements while maintaining engagement from Legal, Internal Audit, and others.

- ☐ Do you understand the infrastructure enhancements needed for your future filing status, as well as a general timeline?
- ☐ Have you identified the people, process, and technology needs to achieve future filing statuses?

Conclusion

Bringing it all together

Preparing for a public filing is a unique opportunity to align your organization to your vision for the future and make needed improvements to your organization's skillsets, processes, and technology infrastructure. By identifying the gaps in the road to achieving your public company strategy and developing a phased approach to close these gaps prior to your public filing, you are increasing your chances of a successful filing compared to competitors engaging in more reactive efforts. We have found that establishing a clear plan and set of priorities by executive management that is driven through capable functional leaders is the key differentiator between successful and failed public filings.

To operate sustainably as a public organization, continue to assess and evaluate the health of your people, processes, and technology not only in how they meet external demands and needs, but also how they continue to evolve to meet the business's strategy and internal objectives.

Conclusion

Preparing for an IPO or SPAC acquisition is not a short-term race to the finish line. Thoughtful organizations that are prepared for sustainable growth in the public sphere realize that a deliberate and comprehensive business transformation initiative will help them set the stage to reap benefits long after they first go public. With the support of dedicated experts who have traveled this road before, you can manage these complexities and make wise investments for your company's future journey.

At CFGI, we have the skills and experience to support public events and to prepare your people, processes, and technology for success — both before and after your IPO or SPAC acquisition.

To learn more, reach out to our dedicated Business Transformation team members:

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