

The Key Steps of Conducting an Initial Public Offering (IPO) Roadshow

A Spotlight on Risk and Compliance
Components During the IPO Roadshow

Are You Ready for an Open Dialogue with Your Future Shareholders?

An Initial Public Offering (IPO) is the formal process of selling your shares on a stock exchange for the first time to raise capital. Before you can sell your shares, you need to establish their price by assessing interest and demand through an investor roadshow. For the roadshow to be successful in developing strong interest among your potential investors, it is critical to ensure optimal readiness for addressing any questions from potential investors about your business prospects, growth expectations and inherent risks.



READINESS

Readiness should be conducted one to two years before your target IPO filing date to identify risks providing sufficient time to remediate key weaknesses in preparation for regulatory disclosures and investor roadshow presentations. Operational readiness involves assessing your operations, governance, regulatory compliance, partnerships, and cybersecurity.



COUNTDOWN

A typical timeline for an IPO in the US spans from 9 to 12 months and involves registration filing and review with the US Securities and Exchange Commission (SEC), setting the price and shares allocation, as well as preparing financial statements and disclosures.



ROADSHOW

The roadshow is a series of presentations for potential investors to build an interest in your IPO. Direct engagement with investors is an opportunity to build trust and confidence in your business prospects.



IPO Roadshow: The Prerequisites

Your presentation to potential investors must incorporate a narrative on critical aspects of your business, its risks and compliance with SEC regulations or requirements. Key elements to consider and incorporate are identified below:



Financial Statements

Review and analysis of your assets, liabilities, equities, revenue, expenses, and profits, inclusive of accounting practices.



Management And Employee

Leadership qualification evaluation and review of employee roles, compensation, and benefits.



Internal Controls

Assessment of your internal control systems to ensure they are effective and compliant with regulations and contracts.



Risk Factors

Identification of potential risks that could impact your business and financial performance.



Legal Items

Review incorporation documents, bylaws, minutes of board meetings. Examine any ongoing or past legal disputes.



Third-Party Agreements

Review your contracts with suppliers, customers, and third-parties to ensure they are in good standing.



Business Operations

Evaluation of your market position and landscape and assess your offering and market potential.



Intellectual Property

Assessment of your intellectual property, including patents, trademarks, and copyrights.



What Needs to Be in the Prospectus?

A prospectus is required to be filed with the SEC, which generally provides all the detailed information about the investment you are offering to the public and will serve as the primary source of information during the IPO roadshow. The preliminary prospectus (Red Herring) includes most of the details except the offering price and numbers of shares to be issued. The final prospectus is a complete document that includes final price and number of shares to be issued.



Ready To Go Public: What's Next?

While other members of your senior management team may be present at the roadshow, the CEO and the CFO lead the presentation and field questions from potential investors.

Investor presentations typically cover your company background, vision, mission, products, services and markets, financial performance, use of IPO proceeds, growth plans as well as a discussion on governance and inherent risks that may impact your growth projections and future shareholder equity.

Importantly, communications during IPO roadshows and beyond are subject to rules and regulations that regulate the securities market, disclosure of information and protect the investing public. Ensuring compliance with all applicable laws and statutes is vitally important to the success of your IPO.



What to Consider Ahead of the IPO Roadshow

The questions below will help you prepare for your IPO roadshow.



Internal Audit

- Are your internal controls tested and effective?
- Are your audit procedures up-to-date and include all company functions?
- Are you prepared for increased scrutiny from external auditors and regulators?
- Do you have documentation to support external review of any findings?
- Have you evaluated our IT systems and data security measures?



Regulatory Compliance

- Are you compliant with SEC filing requirements?
- Have you implemented all necessary anti-money laundering (AML) and sanctions mitigation measures?
- Have you conducted a comprehensive regulatory compliance audit?
- Are your data privacy and protection measures in place?
- Do you have a plan in place for ongoing compliance monitoring and reporting post-IPO?



Corporate Governance

- Do you have an independent and effective board of directors?
- Do your directors have direct experience in the products offered and markets served?
- Can you demonstrate a culture of compliance?
- Are your committees structured and functioning?
- Are your corporate governance policies, procedures, and minutes well-documented?



Risk Management

- Do you have a comprehensive risk management framework in place?
- Are your risk management policies reviewed and approved by board of directors?
- Are you compliant with regulatory risk management requirements?
- Have you conducted a thorough enterprise-wide risk assessment?
- Does your board review the risk assessments and allocate budget for remediation?



Cybersecurity

- Have you conducted an enterprise-wide cybersecurity risk assessment?
- Do you have a cybersecurity strategy and policy in place?
- Are your systems and networks adequately protected against cyber threats?
- Do you have an incident response plan in place?
- Have you conducted regular cybersecurity audits and vulnerability assessments?



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Pre-IPO Readiness Assessment

Risk factors must be taken into consideration in anticipation of filing for an IPO. Readiness assessments should include operations, governance, regulatory compliance, partnerships, and cybersecurity. Stratis can execute enterprise-wide assessments with enough time for you to remediate significant issues, get the board buy-in and budget, and deliver a clean company for your IPO.



Partnership / Licensing Valuation Strategy

As you seek to maximize your equity valuation upside you must also consider the risks that discount prospective upside in the eyes of your investors. Stratis can optimize your regulatory strategy across partnerships and licensing options to align with your target long-term outcomes and increase investor confidence.



Regulatory Compliance Advisory

As a financial services-enabled platform preparing for an IPO, regulatory compliance is an ongoing function pre-and-post IPO. Compliance relies extensively on the success of your underlying operational processes. From reportable sanctions to cyber incidents, Stratis can help you identify enterprise-wide gaps in your organization leading up to and through your IPO to mitigate disclosable activity and protect your valuation.



