

Planning for Success: 10 Steps to Take before the IPO Window Opens

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Forecasts vary as to when the IPO market will come back, and even optimists say it could take a long time. To give you a sense of how slow the market has been, there were only 43 IPOs priced in 2008 versus 272 in the prior year. In your role as director of a pre-IPO company, it is your responsibility to ensure that management is using the current slowdown in the market to the company's advantage. It is also an opportunity to update your own knowledge about recent developments in corporate disclosure and investor relations. Directors are increasingly becoming involved in these areas at the tactical, as well as strategic, levels.

It can take more than a year to fully prepare a company to face the challenge of communicating with equity investors. Begin your pre-IPO planning now with these 10 steps, and the offering process and first few months of life as a public company are likely to be a lot less stressful for both management and the board. When the IPO window reopens, your company will be ahead of the game in creating credibility on Wall Street and generating positive momentum as the stock begins trading.

1. Prepare for Life as a Public Company

As a director of a public company, you should be cognizant of the many regulations covering your company. For example, you will need to comply with the rules of your stock exchange as well as Regulation FD, Sarbanes-Oxley, and the Securities Acts of 1933 and 1934. Be especially mindful of the laws covering the disclosure of potentially market-moving information. You may be asked directly from

Director Summary: If you are thinking of taking your company public, the time to prepare is now. The author shares 10 steps of action to take in the pre-IPO stage. When it's time to go public, your company will be ready for that opening bell.

external audiences about sales, M&A activity, and even general insider sentiment. Be careful that your answers do not land you afoul of the law. Consider having your board members receive education about these regulations and their expanded roles as public company directors.

2. Establish a Messaging Strategy

You and your management team may believe your pre-IPO company is unique, but Wall Street never sees it that way. Analysts will compare your company and its valuation to others they categorize as your peers, and a key component of your messaging strategy will be to differentiate your enterprise from this peer group. Begin by identifying a group of publicly held companies that share characteristics with yours, and look closely at how they are telling their stories—and how investors are responding. Use what you observe to plan your own communications with the investment community. The foundation for your communications should be an investment thesis that aligns with your long-term business model. Investors will want to understand your company's value drivers and competitive differentiators. They also will need to know the financial and non-financial metrics you plan to provide to help them build their financial models and monitor the company's progress.

3. Commit to a Good Warm-Up

Muscles need some warming up before they are ready for competition, and the same is true for a young company's investor relations function. Pre-IPO companies should take initial steps to begin communicating with the investment community as if they were already public, well before they actually file the registration statement with the SEC. For example, consider drafting and distributing a quarterly update to private investors. Also, post content related to your vision, strategy, goals, and business model on your corporate website. Flexing your communications muscles not only works out the kinks, but it means you will not have



to start educating Wall Street from scratch as you work toward your pricing. Pre-IPO communications increase the likelihood that at least a core group of analysts and portfolio managers will have a basic understanding of your company before you begin the IPO process.

4. Maintain a News Release Pipeline

Issuing a steady flow of news well in advance of the IPO will raise your company's visibility on Wall Street and establish a precedent that will allow you to continue issuing news releases through the "quiet period" in the months prior to your pricing. Recent contract awards, new products and services, additions to the board and executive team, and information that positions the team as industry thought-leaders can serve as triggers for news announcements. Receipt of industry awards and participation in business conferences also can help raise investor awareness. The value of these releases increases to the extent that they deliver not only the "news," but also the company's strategic messages developed as part of the pre-IPO planning process.

5. Create a Strong Corporate Website

The Internet has become the investment community's primary research medium, and the SEC has recently opened the door enabling websites to serve as a primary tool for corporate disclosure. Every company that plans to go public should make sure that its website is an informative and compelling resource for corporate information. The most forward-thinking pre-IPO companies will take steps now to conform their websites to the new SEC guidance. Do what you can to ensure that your website becomes a destination for investors to obtain information. For example, your website should go beyond customer-specific product or service information. Include biographical information on the management team and board of directors to enhance the ethos of these groups. And make sure that your site has a good archive of corporate news releases that documents the key events that have contributed to the growth of the company.

6. Position Your Team as Thought Leaders

Seek out opportunities to increase your executive team's visibility within the investment community before you go public. Secure invitations for speaking engagements at industry tradeshows. Draft white papers and post them on your investor website. Pursue opportunities to place bylined articles in your industry's trade press. In addition, investment banks sometimes allow select private companies to present at their conferences. These events are great for relationship building with investors, bankers, and analysts. To get the most from these speak-

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ing opportunities, make sure that your management team is properly trained in presentation delivery. Once your company is trading in the public markets, management will be expected to participate more frequently in public forums.

7. Seek Feature Story Placements

Companies don't have to be public to get financial media coverage, but they do have to be systematic in identifying and pursuing coverage opportunities. The company should begin developing media lists that focus on various aspects of the business. It will be helpful in securing future news placements if the company has established relationships with some relevant media outlets prior to going public. Get the journalists on board with what your company's goals are and keep them updated on any developments. Most publications make an editorial calendar available, which outlines articles they are working on for future issues. Keeping track of editorial calendars is a good way to identify potential opportunities for management quotes or feature stories.

8. Carefully Manage Corporate Performance Benchmarks

Directors share with management a joint responsibility for ensuring consistent measurement and reporting of corporate performance—especially the performance of key executives. Boards are particularly at risk in this regard when they sign off on the Compensation Discussion and Analysis (CD&A) section of the annual proxy statement. Companies are mandated by the SEC to use this section of the proxy to clearly explain their compensation philosophies and practices, including the specific performance targets used to determine executive pay. Your compensation committee has the responsibility to ensure that these targets are aligned with the company's other investor communications—including quarterly earnings conference calls, investor presentations, and content on the Investor Relations (IR) website. This is more than a matter of compliance. Credibility with Wall Street comes more naturally when a company uses all the

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communication tools at its disposal to consistently report on management's strategic execution.

9. Insist on Full Disclosure Internally

After the IPO, do not let a single board meeting go by without a detailed update on the company's investor relations, disclosure, and trading environments. The report should cover areas such as recently disseminated corporate information, insights from management's recent sell-side and buy-side contacts, and the latest analyses from shareholder intelligence services. This knowledge is not only critical to the board's strategic decision making; it is essential for the occasions when you might find yourself speaking on behalf of the company.

10. Brush Up on Your IR Skills

Moments when directors are called upon to represent their companies are becoming increasingly frequent in a world of ubiquitous communications—not to mention shareholder activism. You are no doubt well-informed about the principles and pitfalls of corporate disclosure generally. But it is equally important to be cognizant of the dynamics that influence your company's relationships with the investment community, including retail shareholders. Become aware of investors' significant concerns. Keep track of what major initiatives discussed at board meetings have and have not been disclosed formally to the public. And make sure that management is sticking to the old IR adage "under-promise and over-deliver" in its quarterly communications.

Even in a dormant market, it is not too early to start planning for your company's IPO. Preparing well in advance and taking advantage of these 10 insider tips will simplify the process of going public and improve your odds for success when the window reopens. ■

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