CORPORATE BOARDS **USA**

Boardroom Fundamentals 201
Module 1: Going Public

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Going Public

- Refers to an initial public offering, or IPO, by a private company of shares of its common stock to the public
- Typically, an IPO occurs via an underwritten public offering, but two other methods are available:
  - Registered Special Purpose Acquisition Companies, or SPACs, may facilitate a going public transaction by acquiring a private company
  - A company may engage in a direct listing of its shares on an exchange without using an underwriter
- Once public, companies are required to file annual, quarterly and other reports with the SEC, all of which are available to the public

Why Go Public?

- To raise capital
- To acquire other companies using public equity
- To increase liquidity in common stock
- To attract and retain employees with stock-based compensation

Considerations in Deciding to Go Public

- Requires time and money
- Subjects company to potential liability for public filings and other disclosures
- Imposes significant obligations, including public disclosures, internal controls, shareholder communications, annual meetings and board governance, which requires management time and additional cost
- Limits flexibility since certain actions require shareholder approval
- Exposes the company's financial condition, business operations and executive compensation to public scrutiny

Process for an Underwritten IPO

- Assemble a team of professionals, such as investment bankers (underwriters), accountants and attorneys, to advise on market conditions, IPO readiness and preparation of disclosure documents
- Each professional will conduct due diligence to understand company risks and opportunities, to identify any issues that may require remediation before going public and to gather information to prepare a registration statement and prospectus to be filed with the SEC
- Once completed, the registration statement, prospectus and required exhibits will be filed with the SEC for review and comments
- After satisfactorily responding to the SEC's comments, the SEC will declare the registration statement effective, at which point the marketing of the securities may commence

Process for an Underwritten IPO

- During the marketing period, the underwriters will gauge interest for the shares and determine the IPO price for the shares based on investor demand and the company's financial position

- Typically, company executives and underwriter representatives go on a road show (which may be virtual) to meet with institutional investors to generate interest in the IPO

- After the road show and determination of price, the shares will then be released to the public and listed on a national exchange, such as Nasdaq or the New York Stock Exchange

Questions?

Contact Linda via email → **lindaiannone35@gmail.com**

End of Module 1

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