

# Avoiding Common Pitfalls

## How to Manage the Challenges of Preparing for an IPO

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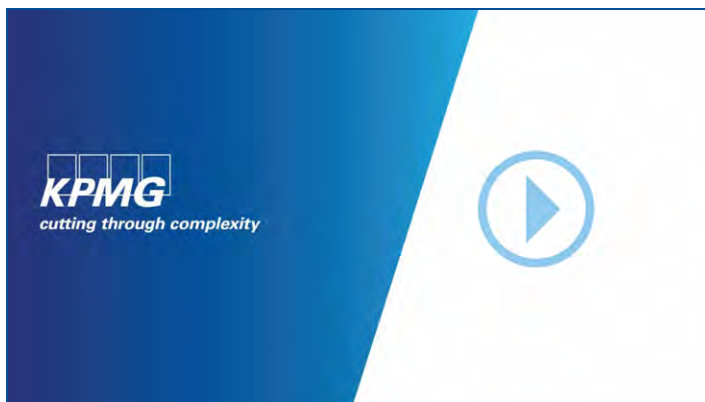
**B**efore you begin the preparation phase of the IPO process, reflect on your decision to take your company public – does it meet your long term strategic objectives? Have you considered all the advantages and disadvantages? Have you considered what life will be like afterwards? The IPO is not an end in itself, it is a different beginning. Once you have concluded that your decision is a sound one, you can begin to prepare your company for the transition to public life and develop a game plan for going public.

We find that companies generally underestimate the enormous amount of time and commitment from human and other resources required to complete a successful IPO. Sometimes, due to competing demands on time and resources, some companies fail to lay a sufficiently detailed foundation when preparing for an IPO. This proves costly in the long run. This is why planning and preparing is key.

### Perform a thorough company review

Start with a thorough review and strategic assessment in order to best position your company. This should include:

- Clearly defining your business, establishing the vision and shaping the future direction – you will need to communicate this story to your underwriters and future investors.
- Assessing the strength of your management team and making changes as needed – the investment community places considerable focus on a company's management team and its ability to deliver shareholder value.
- Refining or developing your financial plans; these plans should be realistic and clearly set out what you intend to do with the money being raised.
- Assessing the strength of your infrastructure – can the people, processes and information systems support the IPO process and the on-going internal and external financial reporting and regulatory obligations of a public company on a timely basis?
- Assessing the capabilities of your board; directors with expertise in your industry, previous experience with IPOs and independent perspective can be a valuable resource to your board.



### Assemble the teams: internal and external

Once you have summarized the findings of this strategic assessment and outlined action plans, the next steps are to decide on the appropriate corporate and management structure of the new public company, assembling the right internal and external teams and developing a project timeline and framework. These steps will help you close the gaps on a timely basis and mitigate the impact of any surprises encountered in the process.

For example, if you have internal and external teams with the right skill sets and experience with IPOs, they can help you respond to information requests, or questions raised by the regulators on a timely and satisfactory basis. Or if your timeline is properly thought out and has built in a contingency, you can address any unforeseen issues without having the whole project miss the deadlines initially targeted.

Companies on the IPO journey should accept that the process is complex and that it is important to have sufficient resources and advisers to undertake the exercise effectively and efficiently. Avoid shortcuts that expose you to risks in the long term. Do not underestimate the workload; share the burden early before the complexity makes this difficult.

## Final thoughts

IPOs are complex undertakings and for a private company that has never been through this process, it is critical to acknowledge that there are many continuously moving parts that need to be managed – including the costs and IPO process itself. As it relates to the costs, the key is to control the costs without sacrificing the quality of the process and the public information produced. It does not take much to lose control of the costs. The best way to control cost creep is to understand the IPO process, be prepared and manage the process with clear accountabilities. If you manage the process properly, you create a win-win situation – everyone knows what to expect, you limit the number and impact of surprises, you can control the costs and deliver on your promises, to ultimately build the foundation required to operate as a successful public company.

To learn more about going public and preparing your IPO strategy visit [www.kpmg.ca/ipo](http://www.kpmg.ca/ipo).

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