

IPOs and SPACs

Getting Ready for Life in the Public Arena

Deepika Sandhu
Blake Collins, CPA

August 18, 2021

Sponsored by:



The Association of
Accountants and
Financial Professionals
in Business

ORACLE NETSUITE

Webinar Features and CPE Credit

Q&A

Asking Questions




Help



CPE Credit

CPE Credit

 0 min(s)

Criteria for Full Credit

- ☐ Minutes to Watch: 50
- ☐ Number of completed Poll(s) required: 3

Moderator



Steve Shannon
Director of Partnership Marketing,
Business Development
IMA

Featured Presenter



Deepika Sandhu
Partner, Financial Operations
Connor Group

Deepika Sandhu's Biography

Deepika is a Partner in Connor Group's Financial Operations (FinOps) practice. She has over 20 years of direct industry, management consulting and Big-4 experience in business process improvement, financial operations, and organizational effectiveness. Deepika has led numerous projects for high-growth companies in the areas of close process optimization, public company readiness, internal controls and system implementations and optimizations.

Ms. Sandhu has significant experience in risk consulting, helping clients to quantify and pro-actively mitigate risks and assessing companies' overall internal control effectiveness. Previously Deepika was a Senior Manager in the advisory practice of Grant Thornton and Deloitte, and the head of Business Process Improvement and Internal Controls at bebe Stores, Inc.

Deepika completed a MSc in Local Economic Development from the London School of Economics and a Dual BA in Economics and International Relations from Scripps College. She is also a published author. Her debut book is titled, "Hello Universe, It's Me".

Featured Presenter



Blake Collins, CPA
Director, Technical Accounting
Connor Group

Blake Collins' Biography

- Blake is a Director in Connor Group's Technical Accounting and IPO Services practice, providing assistance to clients with technical accounting issues and helping clients achieve IPO readiness. He has extensive experience with revenue recognition, lease accounting, business combinations, goodwill and intangibles, public equity offerings, and stock-based compensation.
- Prior to joining Connor Group, he worked as an audit professional at Deloitte in Orange County, California, and Salt Lake City, Utah, for more than 8 years, most recently as a senior manager serving both public and private multi-national and small companies in a variety of industries. His international audit experiences include mergers and acquisitions, SEC reporting and compliance, as well as resolution of technical accounting issues.
- Blake graduated from Brigham Young University holding both bachelor's and master's degrees in Accounting and is a Certified Public Accountant in Utah.

Learning Objectives

Upon completing this webinar, you will be able to:

1. Identify the expectations of a public company.
2. Describe typical challenges encountered on the path to public readiness.
3. Give examples of lessons learned from companies that made the public company transition.

Who is Connor Group?

- We are a specialized professional services firm comprised of Big 4 alumni and industry executives.
- We were built to help high-growth companies, beginning as start-ups through various rounds of capital, prepare for liquidity events.
- Our team of professionals assist companies with Technical Accounting, Financial Operations, M&A, Managed Services and IPO readiness.
- We have served 1,000+ high-growth clients globally within the technology, software, biotech and consumer industries.
- Connor Group has been #1 in Bay Area IPO market share for over a decade.

150+

IPOs in the
last decade

300+

Professionals
globally

1,000+

Clients
Globally

**BERKELEY
LIGHTS**

CONNECT
BIOPHARMA

EARGO

maravai
LifeSciences

olo

POSHMARK

seer

Upstart

Polling Question 1

Have you been through an IPO?

- a) Yes, just recently completed
- b) Yes, 6-18 months ago
- c) Yes, more than 18 month ago
- d) Never been through an IPO



Polling Question 1 Results (Placeholder)

Are you ready for an IPO?

Risks of a delayed IPO or Wall Street miss

- **Accounting is the leading cause** of delayed IPO filings and increases the risk of “missing the window”.
- **IPO delays create uncertainty** for management, bankers and can significantly increase IPO costs.
- 1 out of 3 companies **miss a Wall Street estimate** in the first quarter after an IPO and 1 out of 2 miss in the first year.
- It can take up to two years for a company **to regain its market cap** after missing a Wall Street estimate.



What it Takes

CORPORATE GOVERNANCE

- Board (independent members)
- Audit Committee (financial experts)
- Nominating Committee
- Governance Committee
- Compensation Committee
- Anti-fraud program
- Whistle-blower policy
- Code of Conduct/Ethics

FORM S-1 CREATION

- Theme design and implementation
- Business description and story
- Risk factors
- CD&A
- MD&A – Business areas
- MD&A – Finance areas
- Tie out binder (F-pages, MD&A)
- Auditor comfort letter
- Managing edits, document control, coordination
- Comment letter responses
- Amendments drafting

FORECASTING + REPORTING

- Accurate timely forecasts
- Robust budget v. actual
- Create useful timely dashboard
- Develop KPI (metrics) and non-GAAP measures
- Develop forward-looking model for analysts and investors
- Management reports

INTERNAL CONTROLS

- Entity-level controls
- SOX certification + sub-certifications
- Building internal audit (SOX) team
- Risk control matrices
- Top-down approach
- Cover all processes (routine, non-routine, estimation)
- Auditor reliance on controls testing
- Develop and validate SOX approach
- Annual SOX testing

LEGAL

- Capitalization records
- D&O insurance
- “Lock-up” situation
- Analysis of registration rights
- “Overhang” analysis
- Minute books
- Stock plans
- Executive compensation
- Structure of entity and country/state of incorporation
- Defensive measures
- Charter and bylaw amendments
- Third party consents
- Settlement of claims
- Qualification to do business
- Confidential treatment
- Financings affected by IPO
- Agreements affected by IPO
- Data room

INFORMATION TECHNOLOGY

- SOX (general, application)
- Disaster recovery, security
- System implementations

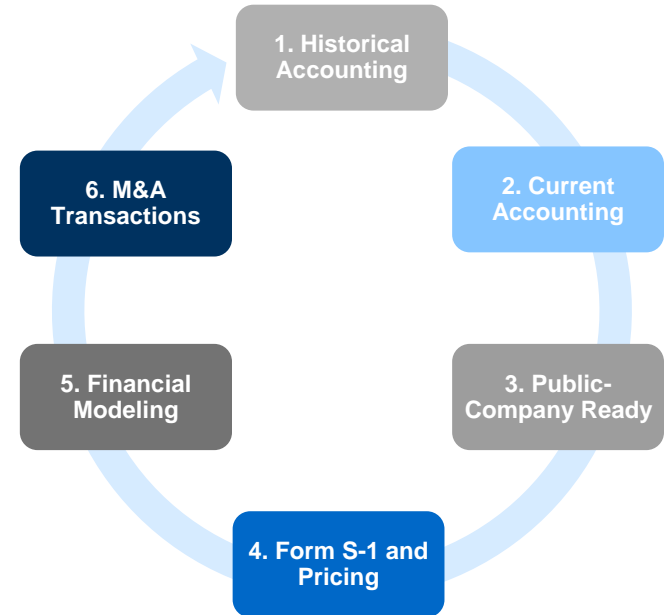
ACCOUNTING

- Year end close
- Audit preparation
- Quarterization
- Complete Q reviews
- Quarterly amounts (2+ years)
- Financials – SEC requirements
- Memos on new financing arrangements
- Technical memos and policies (prepare or update)
- Cheap stock assessment
- EPS (years, quarters)
- Managing auditor requirements
- Reconcile CTA and foreign currency gains/losses
- Stock based calculations
- Equity roll forward

How to be IPO Ready

Public Company Readiness

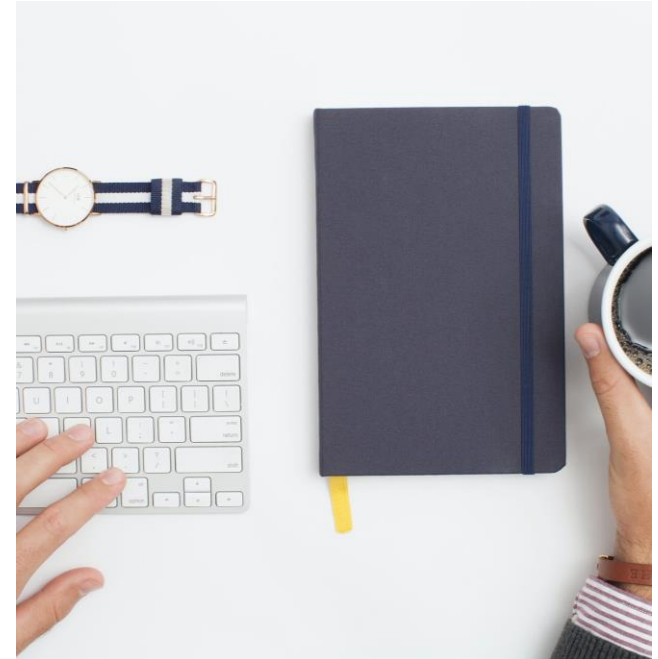
AREAS	ACTIVITIES
1. Historical Accounting	<ul style="list-style-type: none">• Audit preparation and support• Technical memos and policy drafting• Quarterly cutoff and SAS 100 procedures
2. Current Accounting	<ul style="list-style-type: none">• Ongoing close of books monthly and quarterly• Revenue recognition expertise on new products/offerings• Financial reporting at public company standards
3. Public-Company Ready	<ul style="list-style-type: none">• People – organization planning, building team• Processes – public company close and timeline• Systems – ERP, revenue automation, close, etc.• Internal controls – certifications, framework, narratives
4. Form S-1 and Pricing	<ul style="list-style-type: none">• F-pages, MD&A, financial sections, comment letter process, amendments, pricing
5. Financial Modeling	<ul style="list-style-type: none">• Internal budgets, business forecasting, analyst models
6. M&A Transactions (if applicable)	<ul style="list-style-type: none">• Due diligence, purchase accounting, integration work



Polling Question 2

How many days does it take your team to close your books?

- a) 5 - 10 days
- b) 11 - 15 days
- c) 16 - 24 days
- d) 25+ days
- e) I don't know



Polling Question 2 Results (Placeholder)

Why is being ready important?

- Lay a strong foundation to support future growth
- Implement and drive long lasting and needed change
- Address lingering accounting issues
- Assess adequacy of financial ERP system and tools
- Learn how to execute a timely, audit ready close
- Prepare for regular and transparent financial reporting
- Establish credibility within the business
- Help management send clear messages to “the street” backed by reliable financial data
- Avoid future (costly) mistakes resulting from restatement
- Start fresh with clean, stable accounts backed by standard policies & procedures, processes, and controls
- Identify resource needs to scale with growth and meet the challenges of being a public company

Polling Question 3

What is your greatest people challenge?

- a) Not having enough people
- b) Training and development of existing team
- c) Missing skills (like technical accounting, rev. rec., SEC reporting)
- d) No challenge
- e) Other challenge



Polling Question 3 Results (Placeholder)

Minimize SEC Comments & Surprises

WORKING WITH THE SEC

- Avoid filing deficiencies caused by inconsistencies, missing disclosures, or poor quality
- Preempt common issues like incomplete MD&A, omitted material agreements, key metrics, and key judgments
- Pre-clear unique accounting/and or reporting issues

HIGH RISK RESTATEMENT AREAS

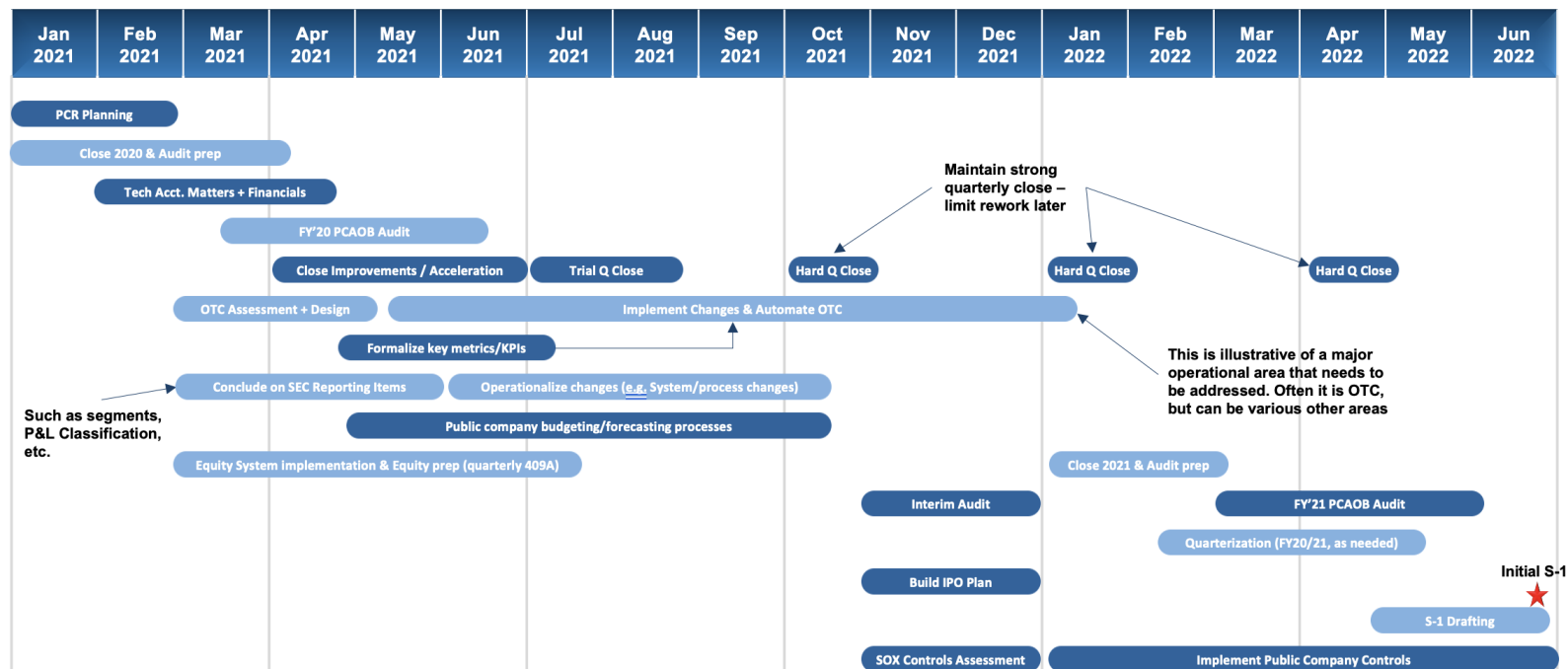
- Debt, quasi-debt and warrants
- Revenue recognition
- Inventory, cost of sales and other expenses
- Income tax expenses and income statement classification
- Equity accounting and financing arrangements

COMMON MATERIAL WEAKNESSES

- Financial statement close process
- Insufficient in-house experience with US GAAP or SEC reporting
- Information technology general controls

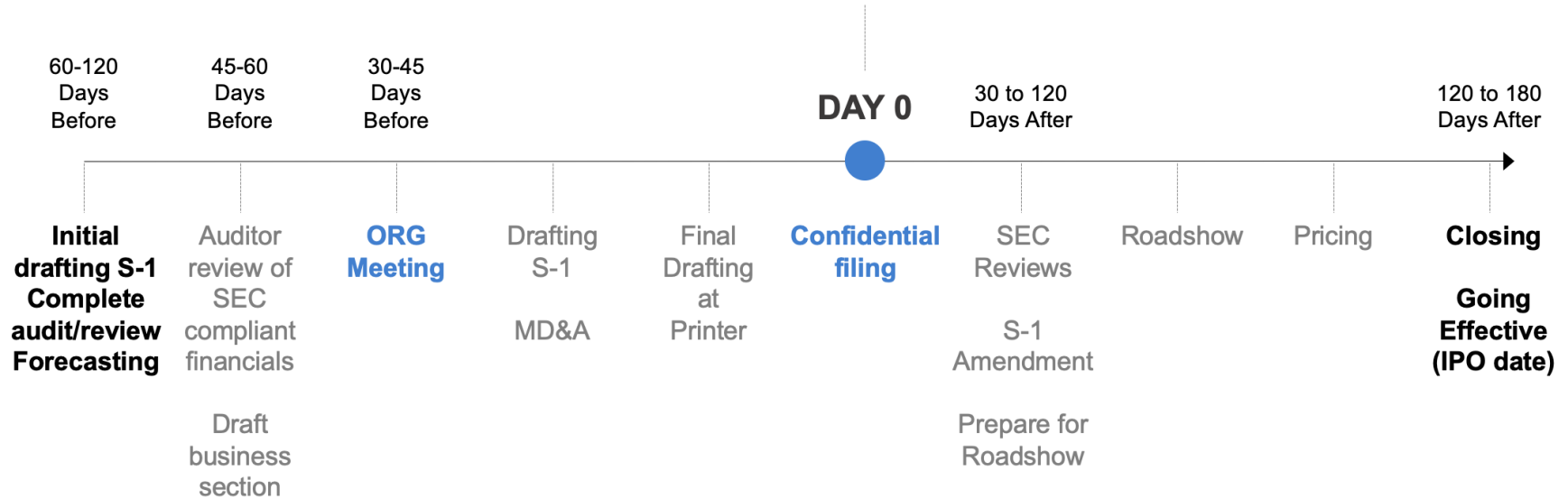
Getting Public Company Ready (PCR)

Key Focus Areas and Priorities – Initial Filing in 18 Months



Building Out Your Filing Timeline

Initial Filing of S-1



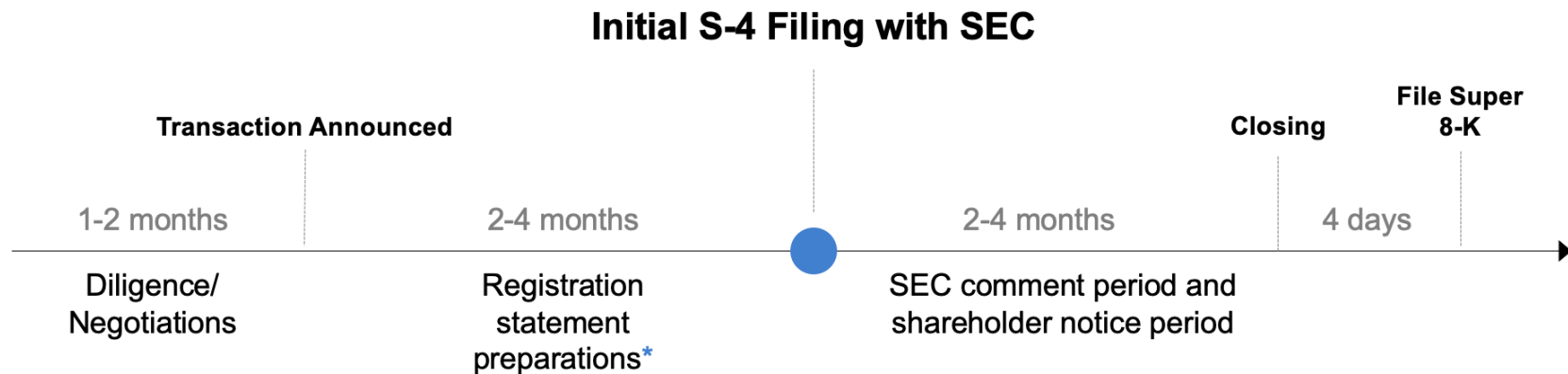
Sample Jobs Act Compliant Timeline for Emerging Growth Company (EGC)

Typical SPAC Process

Key SPAC Milestones

- Identify SPAC and sign letter of intent
- Finalize and announce merger agreement
- File initial draft proxy (S-4)
 - At least two years of full financials ***Three years may be required*
 - PCAOB audit completed for all years presented
 - Quarters may be required in the first draft
- SEC comments – File amended proxies (typically two to three amendments)
- Shareholder vote and transaction closes
- File “Super 8-K” within four days of the transaction date
- SEC may require an S-1 to be filed if additional shares issued

Illustrative SPAC Timeline

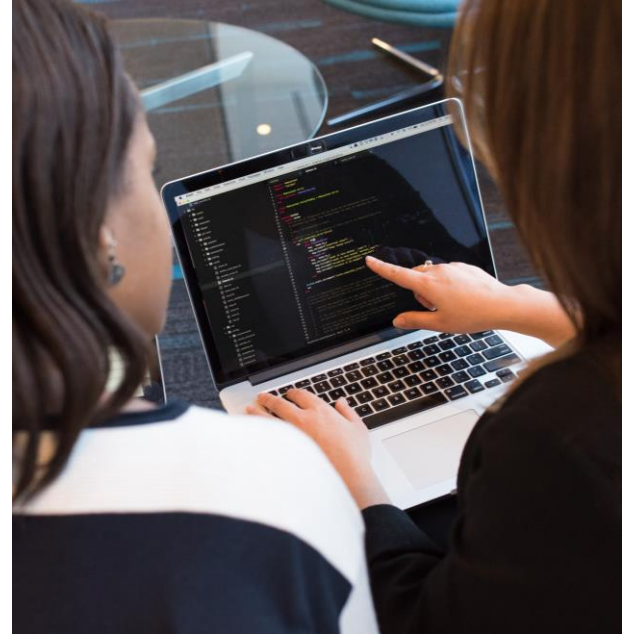


* PCAOB audits, SAS100 reviews, S-4 drafting

Polling Question 4

Based on what you have heard thus far, which obstacle on the IPO path has you most concerned?

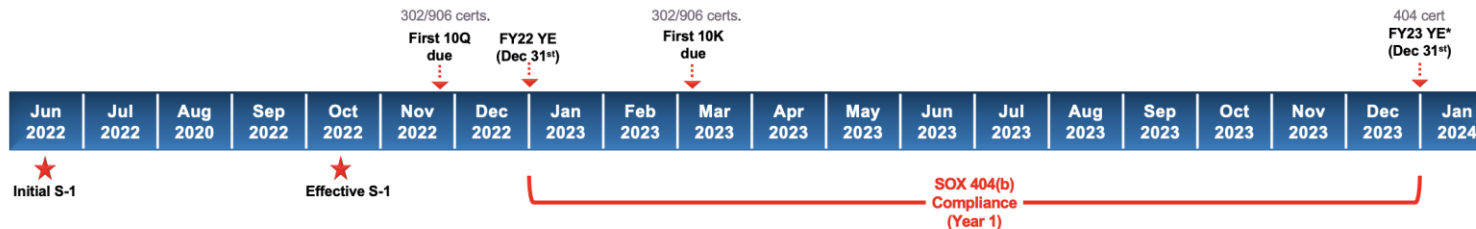
- a) Close process
- b) In-house system knowledge
- c) Time
- d) Changing business events
- e) Other



Polling Question 4 Results (Placeholder)

SOX Compliance

Sections 302, 906, 404(a), and 404(b)



	Section 302	Section 906	Section 404(a)	Section 404(b)
Certified by	CEO CFO	CEO CFO	Management	External Auditor
Summary of contents	Certify to financial statement fairness and internal control effectiveness	Certify to financial statement fairness (criminal liability)	Annual internal control assessment	Annual attestation to managements internal control report
Timing	Quarterly in 10Q/K	Quarterly in 10Q/K	Annual in 10K	Annual in 10K
Applies to	All issuers	All issuers	All issuers ¹	Accelerated filers ^{1 / 2}

Certifying officers should not sign the Section 404 opinion, inclusive of the acquired entity, unless they are satisfied the available evidence enables them to do so.

¹ First year exemption for new public issuers

² Emerging Growth Company (EGC) exempt from auditor attestation requirement under 404(b)

Questions & Answers

Use the Q & A Panel to send your questions to our panelists.



Deepika Sandhu
Partner,
Financial Operations
Connor Group



Blake Collins, CPA
Director,
Technical Accounting
Connor Group



Steve Shannon
Director of Partnership Marketing,
Business Development
IMA

Thank You to Our Featured Presenters!



Deepika Sandhu
Partner, Financial Operations
Connor Group



Blake Collins, CPA
Director, Technical Accounting
Connor Group

Final Reminders

- ▶ **Complete the Evaluation poll** – 2 options
 - On your screen
 - Evaluation Survey icon at the bottom of your console
- ▶ **Access to your CPE Certificate** – 2 options
 - Click the “CPE” icon at the bottom of your console
or
 - Click the link in your post-event e-mail
- ▶ Please print a copy of the CPE certificate for your records.
- ▶ Your CPE credit will be automatically recorded in your transcript.



The Association of
Accountants and
Financial Professionals
in Business

Thank You to Our Sponsor!

ORACLE NETSUITE

www.NetSuite.com

