



Is an IPO right for you?

According to a recent [study](#), the first quarter of 2018 exhibited the best IPO market performance since 2015. Specifically, four companies raised more than \$1 billion during the first quarter of this year, which was more than all of 2017.

The technology and health care sectors have been quite active and successful. Conversely, we have seen other companies, particularly in the media sector, crash and burn as they struggle to stay ahead of estimates and meet expectations.

However, going public is not the answer for all emerging growth companies. For some, it is a path to growth and to others it creates a high growth path the company is not yet ready to handle. To avoid a crash-and-burn IPO scenario, make sure you:



Take a good, hard look at your product portfolio.

If you have a single product offering, you need to evaluate how well you have been monetizing the business. A great product can reap great returns, but sometimes companies are overly reliant on one product and have trouble producing the earnings needed to sustain life as a public company. To safeguard against this, consider expanding your portfolio.



Build credibility for your leadership team.

Venture capitalists (VCs) or others that help finance your company are critical to the success of your IPO. The VCs closely evaluate the quality of the founding team and look for a track record that they can trust. Be sure that your leadership team is strong enough to sustain the scrutiny

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of the public market—and to successfully perform in the long haul. This may mean adding professional leadership, complementing the founding team, or taking more time to establish yourselves.



Ask yourself why you are going public. Do you love the idea of an IPO? Ensure the reality is just as valuable to you as the fantasy. Be ready to invest in quality financial recordkeeping and reporting and for ongoing communication with a multitude of stakeholders at a more intense pace. Are you ready to be fully transparent, accountable, and profit-focused?



Work with qualified investors. Sure, it feels great when an investor understands your business and wants to invest in your growth. But make sure your investors are the right investors. Every single person you involve in your company financing will be critical to its success or failure. Ensure your VCs have a background in your sector and a track record of success. Chemistry with the board members is also crucial. Are they asking you the tough questions? Do they have insight into what could go wrong just as much as what is right? You don't want a bunch of "yes" men/women on your team. You need people who will drive you to success by truly guiding you.

After thinking through the above, you may know whether you are pursuing an IPO for the right reasons. If an IPO is right for you, the next aspect of the process is to prepare. Our next post will cover the key steps to IPO readiness.

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