

Pre-IPO Checklist for Emerging Growth Companies (EGC)

Emerging Growth Company General Requirements:

- < \$1 billion in gross revenue

Maintaining Emerging Growth Company Status (An issuer remains an EGC until the earliest of):

- Last day of the first fiscal year after issuers annual revenues exceed \$1 billion
- Last day of the fiscal year following fifth anniversary of the issuers IPO
- Date on which issuer has issued more than \$1 billion of non-convertible debt in the previous three-year period
- Date on which issuer qualifies as large accelerated filer (more than \$700 million public float)

Punchlist items to consider while preparing for initial public offering:



- ✓ **2 years audited financial statements required for EGC S-1** – balance sheet, statement of operations, cash flows and shareholder's equity
- ✓ **Reviewed interim periods** – once a company completes IPO, it will need to include reviewed quarterly financial information for required periods in SEC filings

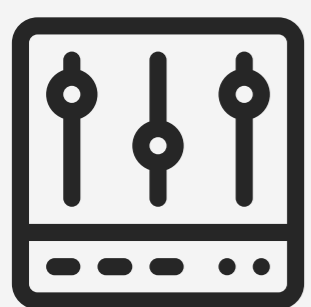
Financial Statements, Audits and Reviews

Financial Reporting Considerations

- ✓ **S-1 Reporting**
 - Management Discussion and Analysis
 - Pro forma financial information



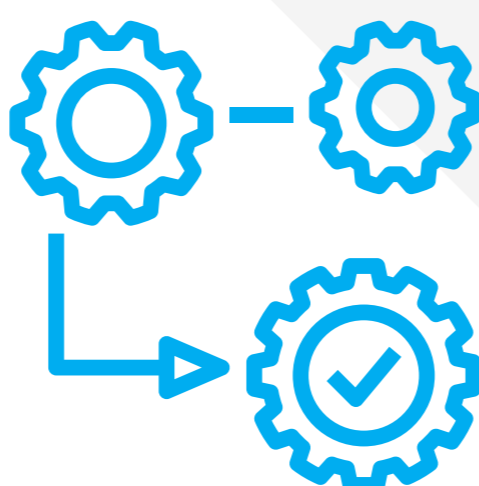
- ✓ **SEC reporting and disclosures, likely not made or prepared as a privately held entity**
 - Segment Reporting
 - Non-GAAP Measures disclosures and reconciliations
 - Earnings per share
 - Disclosures around new GAAP guidance (i.e. ASC 606 – Revenue Recognition – which is effective 1/1/2019 for private companies and EGC)



- ✓ Management assessment of internal controls required in second 10-K filing, although EGC are exempt from auditor attestation of control environment.
- ✓ Establish effective internal controls, document internal control process and implement framework for assessment

Internal Controls

Systems and Processes



- ✓ Establish processes and implement systems for timely and accurate financial close – in preparation for filing deadlines required as public company
- ✓ Establish effective and efficient budgeting and forecasting process – will be an important tool to provide management expectations to analysts

- ✓ **Once the issuer loses EGC status as a public company, it is important to consider and plan for:**

- Sarbanes Oxley compliance: 10-K filing will require auditor's attestation on internal controls over financial reporting, not just a management assessment
- Accelerated implementation of GAAP standards (i.e. Revenue Recognition, Leasing)
- Full executive compensation disclosures required in filings

Looking Forward – A Successful IPO



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