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Your Guide To Going Public: IPO Experts On The Path To The Markets, SPACs, More

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Companies want to go public because "it sounds great," said David Buzkin [sic], Marcum LLP's vice chairman and National Services Line leader, who led a Benzinga Global Small Cap Conference discussion on the subject.

"You can get liquidity and raise additional capital," he said.

Nico Pronk, CEO at Noble Capital Markets, and Jack Cassel, vice president, new listings and head of private capital markets at Nasdaq, echoed Bukzin's remarks, suggesting there's a lot of momentum heading into 2021.

"I'm bullish as well. A lot of it is driven by the liquidity in the marketplace," Pronk said.

"As long as the Federal Reserve keeps rates near zero, there will be continued demand from the investor community for new public offerings."

How To Take Action: Businesses often discount the go-public process, Buzkin [sic] said.

"When we're talking about public markets — when you decide to go public — you go from one to two businesses. The business of whatever you're in, let's call it making widgets, and the business of being public."

In discussing the nuances of an IPO that firms must account for, Pronk told the small-cap conference that the process is multi-faceted.

“At the top of the list is making sure the management teams are well-informed,” he said. “Going public means more transparency, more disclosure requirements, and sometimes that can have effects on companies from a competitive perspective.”

In some instances the process can serve as a distraction, negatively impacting other aspects of a business, such as product development, Pronk said.

“Studies have been done on this over the years where you sometimes see a deterioration in the results of a company post-IPO.”

That’s why working with an established partner is so important, he said.

“You want to work with folks that have done it before and are well versed in your industry, so they can add value not only during the process of becoming public as well, but the aftermarket, once the company is publicly traded.”

Top IPO Requirements: To start, companies should have a public float of at least $100 million; otherwise it will be difficult to attract institutional investors.

Second, companies must find the right vehicle.

Typically, IPOs are the go-to, but recently SPACs, or public companies that are in the business of using funds to finance mergers or acquire other businesses, have gained interest as companies look to cash in on the hype.

“The SPAC market is red-hot now, and there is a lot of capital being thrown,” Pronk said. “Getting in conversations with these SPACs, though, is a very competitive process.”

Next, Cassel said companies must consider their timelines and capitalization tables.

To streamline the go-to-market process, Nasdaq offers structured liquidity programs, exposure initiatives and an open line of communication, he said.

“It helps you invest, clean up that cap-table, and bring in new investors into the company that hopefully share your vision, and want to be part of this story with you,” the Nasdaq exec said.

The decision to go public using a particular product or venue is highly dependent on a company’s long-term vision, Cassel said, highlighting the importance of looking for exchanges that offer the exposure and tools to grow.

“At Nasdaq, we have several indexes, including NBI, a biotechnology index. So, for any of the health care or biotech companies that are listed on our exchange, we work with them early in the process so they are in a position to qualify for our index, which typically takes a passive position of about 1%-2% in the cap-table, post-IPO.”

James A. Mercer III, partner at Sheppard Mullin, ended with a note on the importance of tidy governance and due diligence.

“You’re going to have certain corporate governance pieces in place. You’re going to need independent directors and form certain committees,” he said.

“The paperwork doesn’t take that long, but putting together who should be on the board ... may take a little bit of advanced planning.”