



Why the CFO is integral to a successful IPO

Taking a private company public is one of the biggest challenges a CFO can face. *Tim Cooper* spoke to two CFOs who have been through the process to find out how it worked for them and what they learned from the experience.

The task of preparing a private company for an initial public offering (IPO) inevitably falls mainly to the CFO, and this can be a daunting challenge for an individual without previous experience of this complex process.

One of the main reasons private companies go public is to access liquid capital from public investors in stock markets. An IPO can also improve perception of the organization, both internally and externally; strengthen corporate governance; and help to provide private investors and retiring members of the management team with an exit.

But CFOs often find it challenging to meet the greater regulatory, reporting, governance and audit standards required of publicly listed firms. They also have the tough – but exciting – task of working with the CEO to sell the IPO story to investors.

EY Reporting spoke to CFOs at two companies that have listed in the past few years to find out how they approached the IPO, the pains and joys they went through, and the lessons they learned from the process.

Motives and triggers

Emmanuel Thomassin is CFO of Berlin-based food delivery firm Delivery Hero SE. When he joined the company in 2014, his target was to prepare it for IPO in order to access public funding markets and reassure investors that the company was developing a solid corporate structure.

By the time Delivery Hero was ready to list in summer 2017, it had grown rapidly through acquisition. But Thomassin says one specific trigger was that a competitor was going public, enabling it to access more finance than Delivery Hero would be able to as a private company.

Patrick Moore also prepared his company to list in 2017; he is CFO of optical retail group National Vision, based in Duluth, Georgia in the US. That firm's primary motivation for becoming a public company was different, in that it was one of the exit strategy alternatives for its private equity investors.

Like Thomassin, Moore hadn't taken a company public before, but had known since joining the organization that listing was a priority. "As a sponsor-



Profile: Patrick Moore

Atlanta-based Patrick Moore has been CFO of National Vision since 2014. He has over 25 years' experience

leading teams across multiple disciplines, having served in divisional and group CFO roles for Fiserv, First Data and Fluor. He began his career with BellSouth (now AT&T) in engineering, operations, finance, investor relations and merger integration.

owned company, it's clear from the outset that such an exit is a possibility, so we decided to begin preparing well in advance," he says. "Fortunately, they understood and supported the preparation process and never pushed us to do anything before we were ready. The main consideration was therefore how long it would take to get ready to be a public company."

New requirements

Public companies generally face more stringent laws and regulations related to reporting and oversight. Those wishing to list must therefore prepare for this by building their reporting and governance structures in advance.

Thomassin started laying the foundations for his IPO by identifying which knowledge and functions Delivery Hero needed. "We had to prepare for the many regulatory and reporting requirements," he explains, "and we worked with several banks to understand what the risks were, what reports we would have to generate and how we could be sure about the data we provided. As a result, we had to add missing departments like internal audit, governance, and risk and control."

Moore says that, as a private company, National Vision had previously prioritized its growth strategy over developing some of the detailed processes and controls expected in a public company. "The finance function was good for a private company, but it lacked the stronger technical accounting knowledge and experience necessary for a public company," he acknowledges. "So we had to focus on areas such as technical accounting, external reporting and internal audit. We also added investor relations and securities counsel expertise in the months leading up to the IPO."

Building teams

The months before an IPO are a whirlwind of activity for a CFO. There will be unplanned hitches and obstacles, so they need to build a team that can support them and manage stresses throughout the process. For example, nine months before its target IPO date, Delivery Hero acquired Foodpanda, another large food delivery company. Coping with this and the IPO process put extreme pressure on the already stretched finance team.

"Make sure you have the right people, with the right mood and attitude, on your side, externally and internally," advises Thomassin. "Everyone has moments of weakness and you need people who can encourage you.

"I also say to CFOs, talk to your family, so they understand they won't see you for several months, as you'll be consumed with work," he continues. "And protect yourself. I was looking after my body and staying in good shape because I knew it would be a hard run."

Thomassin had to double the size of his team to meet capital market requirements. However, he says that announcing an IPO can help you find the talent you need, as it makes the role attractive to those with the right experience.

Moore also recruited a strong team going into the IPO. "We bolstered accounting, tax, internal audit and SEC reporting staff," he says, "and we had great support from highly experienced outside counsel and our primary sponsor's capital markets group. We recruited the best around, as the stakes were high."

Working with the CEO

The CFO's job is to understand why the company is listing, where it is heading and the next steps, so that they can explain this to investors (often in a series of roadshows in the weeks leading up to the IPO). They must then add color and detail and align this financial messaging with the overall story the CEO wants to tell.



That period before an IPO is a storm of activity, emotion and issues. So calculate the people you think you need, and then consider adding two or three more.

Patrick Moore,
CFO, National Vision

Moore says: "The CEO and I enjoy a great partnership – we communicate and understand each other well. In investor meetings, he was visionary, high-energy and optimistic; I brought a complementary balance of steady and measured confidence. Investors need to see that the management team is stable and high-functioning."

Thomassin agrees, adding: "If you and the CEO are not aligned on the story, people will see that and lose trust and belief that the listed company will be solid and professional. Our story was that Delivery Hero was getting into emerging markets early, with huge growth potential."



Profile: Emmanuel Thomassin

Emmanuel Thomassin joined Delivery Hero in January 2014 as CFO and is responsible for all

the financial activities of the Group. Before that, in 2012, he joined Team Europe, the Berlin-based incubator and Delivery Hero investor. He had previously been the CFO and a member of the management of leading branding agency MetaDesign in Berlin, after several years working for the REGIOCAST group, a German radio broadcasting network.

How did it feel?

The Delivery Hero IPO was the largest in Germany that year. Thomassin says it was a fascinating adventure and he learned a lot about himself and the company. But the overwhelming feeling on listing was relief: "It was the reward for years of hard work, but we did it for the employees and investors," he says.

His advice is to enjoy the weeks on the roadshow, as you may never experience feelings like that again. "Those three weeks were pure joy for me," he says.

As for Moore, he found it to be an intense and high-pressure period. "There was a great deal riding on this transformation, and I felt a high degree of responsibility to get this right for all stakeholders. Granted, I was able to lean on some of my past experiences, but likewise I had to push myself to fill in gaps. Ultimately, it was comforting to look around the table and see the overall strength and quality of the project team."

It paid off, as the share price shot up on the day of listing. That evening, National Vision held a celebration in New York. "It was such a special evening for management, external partners and guests," Moore recalls. "We felt great that we'd delivered a successful IPO, but I knew it was only a milestone. The work you do in the first year of being public is even harder. There was a mixture of emotions for me that night – celebration, relief, and the realization that this was just the beginning of the public company journey."

Public company differences

CFOs in listed companies spend more time on external investor relations and boardroom responsibilities compared with those in private companies. Thomassin says that, since going public, he travels to roadshows and speaks to investors much more regularly.

"Investors want to see the CFO several times a year and the job is much more about making sure they understand the company's development," he explains. "I like it, but if you don't like traveling or meeting people, it's a nightmare.

"Also, there is more regulatory stress, not to mention an element of personal liability for public company board members in Germany. But if you have

the right people around you, you can manage that."

On the plus side, governance standards are higher now and internal and external perceptions of Delivery Hero are even more positive, says Thomassin.

Moore says the biggest differences – and focus areas – after going public were around making sure external reporting was timely, accurate, transparent and helpful to investors. "As a private company, reporting is less onerous," he explains. "With the shift to being public, reporting becomes far more regulated and important, with significant consequences from mistakes. Going public is like jumping from grade school to a master's degree." As for the positive side of being public, he says that National Vision is a stronger company now, with enhanced controls and balanced compensation packages to help attract and retain the talent required for continued success.

Lessons learned

Both CFOs say the biggest lesson they learned was to plan and prepare for an IPO as early as possible.

"I thought I could wait until the IPO story was more solid before recruiting my team and new departments," says Thomassin, "but if I did it again, I would start doing that earlier. I would also prioritize my time and spend more of it on the company, rather than working for the banks on the IPO presentation."

Similarly, Moore says that, in hindsight, he would have started even earlier in his efforts to strengthen

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Emmanuel Thomassin

CFO, Delivery Hero SE

the National Vision team. "That six- to nine-month period before an IPO is a storm of activity, emotion and issues you have to get through," he says. "So calculate what people you think you need and then consider adding two or three more. You will very likely need those resources after you go public anyway."

Like Thomassin, Moore says that the key is to build a strong, supportive team as early as possible. This, above all else, will help you to overcome any such obstacles and drive you toward a successful IPO. ■

April 2020

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