Five Critical Steps

Prepare Your Business for New Funding, Whether IPO or Private Equity

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The capital markets landscape of today is vastly different than when the first dot.com companies took off around 25 years ago. The number of IPOs has continued to decline since its height in the late 1990's, but public companies today are generally much more stable and larger.

Forbes released their latest Global 2000 list in May, 2020 and stated that current market turbulence caused by COVID-19 dramatically affected market values, which were priced on 30 April 2020 in USD. The companies on the list account for $42.3 trillion in revenues, $3.3 trillion in profits, $201.4 trillion in assets and $54.3 trillion in market capital. Regionally, the US tops the ranking in numbers of enterprises with 588 companies, followed by China: 367, Japan: 217, the UK: 77 and Canada: 61.

Over recent years, the private capital market has exploded. Regulatory changes and economic and market conditions have prompted many companies that may have considered an IPO earlier to stay private longer, financing through venture capital, private equity and debt financing.

It's an exciting time for private equity (PE) in the Asia-Pacific. According to financial data organisation Preqin, AUM for buyout funds focused on Asia have more than quadrupled over the past 10 years and firms in the region now have more than USD $260b in AUM – plus almost USD $100b in dry powder available for deals.

Globally, the landscape has been altered by regulatory mandates and scrutiny of both public and private companies is perhaps at its highest ever. Between compliance with regulatory mandates and meeting heightened investor expectations, companies prepping an IPO who haven't operated as such for long, are bound to struggle. And because private companies are tending to stay private longer than in the past, the stakes for strong financial stewardship are much higher, with private investors scrutinising 'the numbers' as it gets harder to find good deals and generate good returns.

The next 12 months promises to be strong for both the public and private capital markets. All things considered, APAC markets remain an attractive destination for companies looking to raise capital moving forwards, according to Preqin's analysis of funding amounts available.

The bottom line for companies looking to take advantage is that strong governance, financial processes and automated systems are crucial, both in terms of accessing and providing timely information to prepare IPOs or continuing to satisfy and attract private investors.

The Story Remains the Same, If It's IPO or PE

While the paths are different, the steps to prepare a finance organisation for an IPO or to seek private equity, converge in many ways. They both require an historical view of data and real-time access to financial and operational data to satisfy stakeholder concerns, make good decisions, and act as a guide for sustainable business strategies. Whether it's mandated by law in the case of a public company, or just a growing expectation of private equity firms who can request reports whenever they want, having streamlined processes and easy access to the information is crucial to the firms' success.

Can your business answer tactical performance questions about budgeted vs. actual spending, sales pipeline and cash flow analysis, while delivering detailed information on your company's five-year strategic plan? And are you able to access data that enables detailed analysis of market share? If this data lives in a combination of spreadsheets, QuickBooks and disparate systems, the answer is most likely "no".

There is little room for error, and the importance of planning and preparation is paramount. With that in mind, we've compiled five steps companies operating in the capital markets can take to ensure their financial processes and system landscape will prepare them for success.

1. Upgrade the Finance Organisation

Start by examining the competencies of your finance team, whether it is one person or 100 people.

For companies pursuing IPOs, the skill requirements are more specific. Global financial recruitment firm, Robert Half, operates in six APAC countries and thirteen more around the world. Robert Half recommend starting the process of building out a team a year before the IPO.

In doing so, it's important for the CFO to consider how their role will change post-IPO, shifting from day-to-day management, to taking on more leadership and strategic oversight. That includes monitoring risk and compliance issues, and helping to drive technological innovation. Because the CFO will be pulled in many directions, it's crucial to have a strong controller.

Companies will need to hire a controller and other trusted high-level professionals, who have knowledge of forecasting and budget planning, automated finance and accounting systems, regulations, complex tax codes and reporting, and financial compliance mandates, according to Robert Half.

Furthermore, CFOs across APAC are under no illusions when it comes to the challenges facing corporate impacts from the COVID-19 pandemic. Encouragingly, more than half of

Australian CFOs are optimistic, or even 'highly optimistic', about the future, according to a recent Deloitte study.

In 2021 and beyond, M&A, supply chain reform, long-term flexible working provisions, reductions in physical workplace footprints and increased use of new technologies and AI are all on the opportunity table.

Above all, it is important to have individuals on the team who have been successful in fast-paced environments and are well versed in systems and processes—and willing to identify and shore up any gaps in data management, automation and reporting.

2. Improve Systems, Processes and Controls

With the increased pressure on the finance department for accuracy and speed, automating financial processes is absolutely crucial. For many companies looking at ERP software, the impetus is an upcoming IPO, and recognising that QuickBooks or a legacy system simply can't enable the control requirements, nor provide access to financial data necessary for filing and ongoing compliance. Yet for companies operating in the private markets, access to financial data for accurate forecasting of cash flow and liquidity is paramount as well.

One benefit of integrated, automated finance processes is the ability to close the books, fast. For any company operating in the capital markets, it is crucial to complete month-end close in a timely manner—in no more than seven days. This enables pre-IPO companies to meet statutory reporting requirements that vary significantly across the APAC region. For example, Australia requires public companies to lodge annual financial reports, while public companies in Singapore moved away from quarterly reporting in early 2020 to a twice-yearly cycle. A repeatable close process provides adequate time to prepare disclosures and report on internal controls required by each country's regulatory board.

What's more, recent rule changes are having an impact. Many businesses in the Asia Pacific region are struggling to meet the new IFRS 16 lease accounting standard and the new revenue recognition standard AASB 16 which took effect from 2019. The automation of revenue forecasting, recognition reclassification and auditing are crucial to achieving compliance with these new standards.

3. Establish Good Corporate Governance

The most basic, and important, acronym to grasp when it comes to operating in capital markets is GRC (Governance, Risk and Control). Yet without solid control of that first word, any attempt to limit risk and ensure compliance will be futile. Often, private companies underestimate the time and effort required to establish good corporate governance—and this needs to be in place long before an IPO is even a vision.

The board should understand the industry and the challenges that the management team faces and be able to give sound and objective views and opinions. Establishing a governance framework helps both the board members and senior management understand their responsibilities and roles.

There are best-of-breed offerings in the market that claim to address IT governance. But the best practice is to take the proper steps to ensure good governance processes when setting up a system. With cloud-based software, it is easy to ensure that data and documentation is part of the implementation and baked into your daily processes.

4. Develop Risk Management Capabilities

For any company operating in the capital markets, there are two parameters of risk to examine. First, of course, is ensuring internal processes encourage compliance—and the cost for a public SME can be high.

The Thomson Reuters Cost of Compliance Report 2020: COVID-19 Update, indicated a tightening of risk and compliance budgets, regulatory and cultural change and the possibility of increasing personal liability.

This report, released in November 2020, provides evidence of a cyclical turn from the post-financial crisis years. For public companies, complying with the relevant regulations will require workflow capabilities, permissions and more to be implemented to ensure robust controls. NetSuite provides template-based workflows based on industry best practices, plus the ability to configure workflows to business needs, while ensuring documentation is accessible for audit trails.

Secondly, all companies operating in the capital markets must guard against their risk from cyber security incidents and ensure cyber security and data privacy. IBM Security's 2020 Cost of a Data Breach Report showed the Australia average was $3.35 million AUD (an increase of 9.8% year-on-year) and the cost of each stolen record was $141 million. The average cost of a security breach across South East Asia has risen to

$2.71 million USD per company, with the time taken to identify and contain an attack increasing to 287 days.

With the ease of upgrades from cloud-based software, companies can be assured their software is regularly patched to protect vulnerabilities, plugging a hole against cyber-attacks.

5. Establish Investor Relations and Communications

For companies operating in the capital markets, one of the best investments to make is shoring-up investor relations. The best IR professionals have strong backgrounds in communications and are able to easily identify the needs and speak the language of shareholders, investors, and for public companies, financial analysts. They have a unique matrix of communication, legal and financial insight.

For companies going public, involve this expert early on in the IPO process to drive strategic communications. When telling your story, consider what defines your business, and which metrics your competitors report on.

With software that easily allows access to key metrics and reports, the IR role is empowered to communicate the company's position, rather than spending the time finding the information to do so. Having a solid IR function is as important when seeking PE funding.

Consider, for instance, the capitalisation table, which at its most basic level is a list of securities and who owns them. This simple concept can become challenging to deliver when additional rounds of funding are sought, and at that point, many companies outsource this aspect to a law firm. With a solid financial system, the business can encompass the investment details in the equity section of the balance sheet, establishing a solid cap table with all the details from equity type down to individual investors. This saves another layer of cost and empowers the IR professional or team with access to data for reporting.

Conclusion

Some of the most successful public companies on the planet, like Groupon, LogMeIn, Inc. and OpenTable, have leveraged NetSuite to run their businesses, and ensure the agility and scalability needed to operate in today's capital markets.

According to a global 2020 cloud services market report the move toward SaaS is gaining increasing acceptance in the USA, Europe and in the APAC region, due to evolving regulatory requirements, rapidly changing business needs, tightening time-to-market pressures, and the potential for not having to invest so heavily in IT infrastructure.

NetSuite is helping customers confront some of the biggest challenges of meeting today's expectations in the capital markets including:

- **Expedited monthly close.** NetSuite's solution speeds up daily financial transactions, accelerates the financial close and ensures compliance.
- **Ease of regulatory compliance.** NetSuite Advanced Revenue Management eases compliance with relevant standards in countries across the APAC region. NetSuite Advanced Revenue Management automates revenue forecasting, auditing, allocation, recognition and reclassification through a rule-based event handling framework. Whether the business conducts sales transactions of products or services, or both, for transactions that occur at a single point in time or across different milestones, NetSuite's revenue recognition solution helps you schedule, calculate and present revenue on your financial statements accurately.
- **Integrated planning, budgeting and forecasting.** Oracle NetSuite Planning and Budgeting enables the quick adoption of world-class financial planning and budgeting across lines of businesses, with flexible and customisable deployment options.

NetSuite Planning and Budgeting enables both company-wide and departmental financial planning with modelling capabilities, approval workflows and reporting within one collaborative scalable solution. It uses a powerful calculation engine which can accommodate a wide range of business logic with fast in-memory aggregation and instant financial planning analysis and reporting.

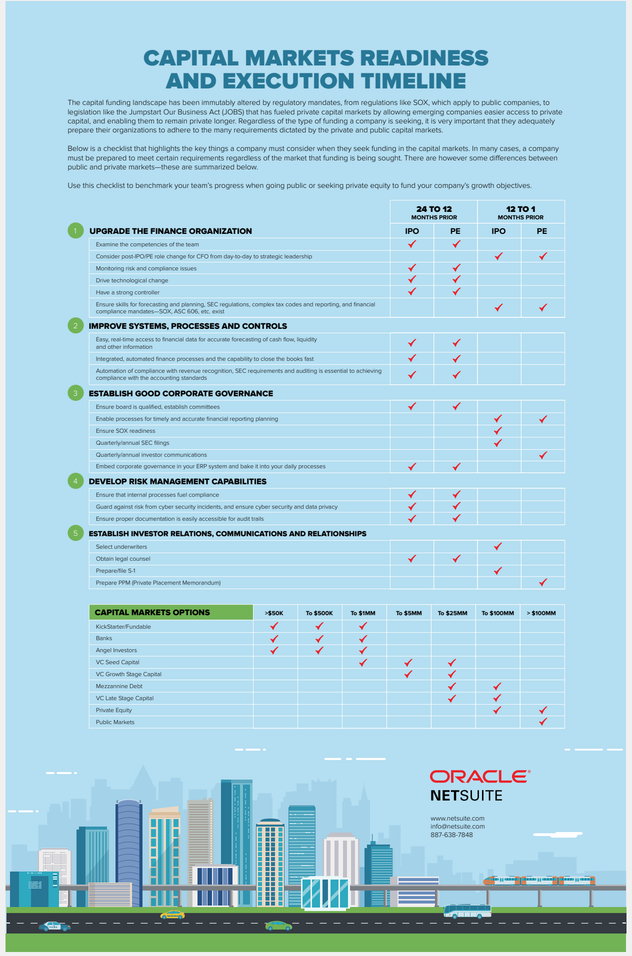
Be prepared for what's next. Learn more about how NetSuite is empowering some of the world's most innovative companies operating in the capital markets.

Capital Markets Readiness and Execution Timeline

The COVID-19 pandemic has created significant economic challenges for industries world-wide and APAC's venture capital industry, and the start-up ecosystem it supports, are no exception. Start-ups in particularly hard-hit industries have found themselves at risk in these uncertain times, as sales within APAC have softened and private fundraising has proved more challenging or taken longer to arrange.

Across the APAC financial services and capital markets sector, there is an ever-changing regulatory landscape. Regardless of the type of funding a company is seeking, it's critical to adequately prepare to adhere to the many requirements dictated by the private and public capital markets.

Here's a checklist that highlights the key things a company must consider when they seek funding in the capital markets. Use this to benchmark your team's progress when going public or seeking private equity to fund your company's growth objectives.



CAPITAL MARKETS READINESS AND EXECUTION TIMELINE

The capital funding landscape has been immutably altered by regulatory mandates, from regulations like SOX, which apply to public companies, to legislation like the Jumpstart Our Business Act (JOBS) that has fueled private capital markets by allowing emerging companies easier access to private capital, and enabling them to remain private longer. Regardless of the type of funding a company is seeking, it is very important that they adequately prepare their organizations to adhere to the many requirements dictated by the private and public capital markets.

Below is a checklist that highlights the key things a company must consider when they seek funding in the capital markets. In many cases, a company must be prepared to meet certain requirements regardless of the market that funding is being sought. There are however some differences between public and private markets—these are summarized below.

Use this checklist to benchmark your team's progress when going public or seeking private equity to fund your company's growth objectives.

	24 TO 12 MONTHS PRIOR		12 TO 1 MONTHS PRIOR	
1 UPGRADE THE FINANCE ORGANIZATION	IPO	PE	IPO	PE
Examine the competencies of the team	✓	✓		
Consider post-IPO/PE role change for CFO from day-to-day to strategic leadership			✓	✓
Monitoring risk and compliance issues	✓	✓		
Drive technological change	✓	✓		
Have a strong controller	✓	✓		
Ensure skills for forecasting and planning, SEC regulations, complex tax codes and reporting, and financial compliance mandates—SOX, ASC 606, etc. exist			✓	✓
2 IMPROVE SYSTEMS, PROCESSES AND CONTROLS				
Easy, real-time access to financial data for accurate forecasting of cash flow, liquidity and other information	✓	✓		
Integrated, automated finance processes and the capability to close the books fast	✓	✓		
Automation of compliance with revenue recognition, SEC requirements and auditing is essential to achieving compliance with the accounting standards	✓	✓		
3 ESTABLISH GOOD CORPORATE GOVERNANCE				
Ensure board is qualified, establish committees	✓	✓		
Enable processes for timely and accurate financial reporting planning			✓	✓
Ensure SOX readiness			✓	
Quarterly/annual SEC filings			✓	
Quarterly/annual investor communications				✓
Embed corporate governance in your ERP system and bake it into your daily processes	✓	✓		
4 DEVELOP RISK MANAGEMENT CAPABILITIES				
Ensure that internal processes fuel compliance	✓	✓		
Guard against risk from cyber security incidents, and ensure cyber security and data privacy	✓	✓		
Ensure proper documentation is easily accessible for audit trails	✓	✓		
5 ESTABLISH INVESTOR RELATIONS, COMMUNICATIONS AND RELATIONSHIPS				
Select underwriters			✓	
Obtain legal counsel	✓	✓		
Prepare/file S-1			✓	
Prepare PPM (Private Placement Memorandum)				✓

CAPITAL MARKETS OPTIONS	>$50K	To $500K	To $1MM	To $5MM	To $25MM	To $100MM	> $100MM
KickStarter/Fundable	✓	✓	✓				
Banks	✓	✓	✓				
Angel Investors	✓	✓	✓				
VC Seed Capital			✓	✓	✓		
VC Growth Stage Capital				✓	✓		
Mezzannine Debt					✓	✓	
VC Late Stage Capital					✓	✓	
Private Equity						✓	✓
Public Markets							✓

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