

# High Growth Company IPO Journey

January 2024



**Erika:**

I am so excited for today's session. We have Francois Chadwick who is with us today, and I just can't wait, Francois, for us to talk. I think you have a lot of wonderful things to share that our audience is going to be super excited about. Without further ado, if you don't mind, please sharing your extensive background, which will support why I'm so excited to have you on today.

**Francois:**

Erika, thank you. It's great to be here. I'll start you a little bit about my background. I'm a lawyer and an accountant. I started in the UK, started with KPMG a long, long time ago out of their Manchester office. Made my way over here to the States once again with KPMG in 2000. And I've always been focused and always had this heavy emphasis on startup companies, technology companies that are looking to scale, grow rapidly, enter either new markets or offering different products. And I've had a number of different roles in my career, and some of them have been with CPA firms and some of them have been other places. I actually had my own technology company, a financial technology company. You would actually call it an AI company these days.

**Erika:**

I didn't even know that.

**Francois:**

That was back in 2008. We sold it in 2011, and that's when I rejoined KPMG back then. That was start of my second tour of duty. And in that timeframe back then, in 2010, 2011, I was focused on assisting startup companies, there was a lot that was happening in San Francisco. And it's interesting, you fast-forward 12, 13 years and there's a lot that's going to be happening here in San Francisco again with all of the AI companies that are growing up in the city. At the time, back then I was working with a number of different clients and I actually took the opportunity, I actually left KPMG and joined one of the clients Uber. And at Uber I was fortunate enough, I started off as global head of tax. These were all additive roles, I became the chief accounting officer global controller, then head of everything in operational finance.

And then quickly after that became the acting CFO, where I had to take the company through its whole IPO journey, making sure it was getting ready for its IPO, taking it through its IPO, and then making sure things were running well afterwards. And I stuck around the company for a short while after that. Then I took another company public through a SPAC, a company called Volta. It was an EV charging company. Eventually sold that company to Shell, joined another company, another AI company for a short time. And then I came back to KPMG, and I'm really, really pleased to be back at KPMG. And Erika, a question I do get asked a lot, I'll just put this on the table right now is like, "Hey, Francois, why did you come back to KPMG?"

**Erika:**

After all that, why?

**Francois:**

Firstly, in all of the companies I was working at, I definitely always had KPMG involved. And a lot of times it was in that IPO readiness opportunity to either helping with the audit or helping with the IPO readiness and in a couple of instances as well, in both roles. And honestly, I think KPMG has the skillset, the capability, the abilities, and the drive to foster that ecosystem and foster that culture within the people that work to KPMG to help drive the greatest value back to companies, getting them ready for a public offering or even just helping them grow to create value because not all companies do and want to go public. But then to come back and be a part of that and help and be able to bring my experience from being an operator back within KPMG to help the team and to help all the other clients that KPMG offers, it was an easy choice for me and I'm really pleased to be back.

**Erika:**

We are thrilled to have you back and I am thrilled that you had time to do this podcast. You missed one part. I've heard you say why you came back to KPMG many, many times and you've only been back a short while, but luckily you get around quickly. But the one piece you didn't say this time was about your wife because didn't your wife, say something about... You got to share that part.

**Francois:**

The story goes, I was trying to decide what I wish to do next, and I was sitting there, I was having a cocktail with my wife and I said, "I'm looking for my new CFO role. What should that be?" And my wife turned to me and she said, "Francois, why not go back to KPMG? That was one of the places you were the most happy. You helped build the teams. And once you were building the teams, those teams were built in such a way that they could work closely alongside clients, once again in this ecosystem, this hyper-growth startup ecosystem." And she said, "As well as that, you get to see all some of the best companies in the world, all the new things that they're building and developing." And I looked at her and this was one of those occasions where I had to say, "Yes, actually, you are correct."

**Erika:**

Yes.

**Francois:**

Hopefully she's not listening to this, she'll tell me that she's correct nearly all the time, which she is. She is.

**Erika:**

That's good stuff. I had to make sure you plugged that part. I thought it was a really good reason to come back. With that, Francois, I think we're going to talk about a number of different things today. But to start off and with keeping in mind that not all companies go through the IPO process, however, the IPO process itself and the preparation really sets companies up to be better and I think more attractive to investors. Can you go through some of the IPO journey and thoughts about what's most important and planning and etc.?

**Francois:**

Erika, when you think about it is a journey and there's a lot of different things you've got to think about. But I would say one of the things to really start thinking about very early on, and this may seem obvious, but it's timing. And what I mean by that is people always talk about when you go public, what's the timing of the market look like? Maybe just taking a quick off ramp here, the timing of the market, what do we think? 23 has been a bit of a subdued year, 2024, a lot of people are starting to talk about how the first six months may open, and I'm starting to hear and see this with a number of our clients that they're starting that journey, which we'll come back to in a second for 2024. The interesting part about 2024 of course, is we're going to have the election at the back end of the year here in the US.

There's also going to be elections elsewhere around the world. I think the UK also has their elections at the back end of 2024. That may bring 24 to a slower pace than one might hope for. But then 25 I think is the year everyone's pushing and thinking it's going to be. But even when you put aside the timing of the market, there is the timing of being ready. And there's a number of steps that one has to take when you are looking to go public. You've got to do your rogue meetings, choose your bankers, choose the market, choose all these various different things.

We can dive into a few of those things if you wish, Erika, but we're at the very front end, I would say making sure that the relevant folks within the company understand the timing and understand the commitment that it's going to take to be ready to go and be public. And that will mean doing this, you will probably need to start with an IPO readiness assessment, making sure that you fully understand where you currently sit as a company, what have you already done that's working, what are you in the process of doing that's needing improvement and what have you not even started that has to be done before you can go ready? Once you've done all of that and you've started to work out what that lay of the land looks like, and then you can start to put timelines against it, owners and responsibilities, and that's when you've got to start to think about what team you need to build out.

**Erika:**

And just as a reminder for the listeners, we have had a recent IPO episode that I do want to refer folks back to. And actually Francois, I would love your thoughts on this. We had Hillary Cimock on, who is a dear friend and partner here in Colorado that I love. And what her recommendation was, she does a lot of IPO readiness, frankly, both training as well as helping companies through it. Her recommendation was 12 to 18 months. Obviously it depends on a lot of things, where you are in your journey, what you have left to do, etc. But what are your thoughts if a company's literally just starting to think about this, what do you think is best practice in terms of when do you do that IPO readiness assessment?

**Francois:**

I think that's about right, 12, 16, 18 months. I will say one of the biggest complicating factors on that, or not a complicating factor, one of the biggest factors to consider on the extent of that timeline is how decentralized you are. If I look back at one of the companies I worked at, when you're in a hundred different countries and you have processes that span every single country and you're starting to build something that you can make sure you've captured all the information or make sure you put in controls in place, in all of these different locations, there's all sorts of different things that get in the way and that can extend that window beyond the 12, 18 months. If you're a smaller company and you are much more centralized, then obviously that timeline may be on the shorter end.

**Erika:**

Absolutely. We'll come back to building out the team. But before we do that, one thing I want to make sure we get your thoughts on, because we have not talked about this before in any of our episodes, is internal and external communications. Can you talk to that, and especially obviously the importance, but then what does that look like? What does that feel like?

**Francois:**

And this is incredibly important. Internal, external communications, I've found that this is one area where if you don't put the time and the energy and the effort into it can go sideways and it can go sideways quickly. When I start to think about internal communications, there's a few things that need to occur there. Firstly, and we can come back, Erika, to talk about the team, but within the team, there's the internal communications on the calendar, timelines and expectations. That's the team that's going to be focused on making sure the company's ready to go. And it could be the team in the finance group or the legal group or whatever else. But at the same time, internally what I've seen happen is there's that internal rumor mill about, "The company's going to start to go public, and what does this mean for me?"

And people start to do these calculations in their head about, "What am I going to get on the day the company goes public?" And I will tell you firsthand that it becomes very, very distracting. And the worst thing that can happen is people get so distracted that they stop focusing on the operations of the company and then the company starts to suffer. And then by the time you want to go public, the company's just not as viable, valuable, whatever, as it should be. What we've always done I've seen happen is to try to keep those communications, internal communications as closely, I don't want to say closely guarded, but it is not a conversation that needs to be widespread in the early part of getting the company ready for an IPO. And frankly, Erika, I mentioned this a little bit earlier, but in the first instances and the number of steps early on where you're talking about IPO readiness and getting the company ready to be public, a lot of it is actually just best practices on making a company more operationally effective.

And that could be within the finance team, within the legal team, across the IT and the infrastructure within the company. And it's really just helping to drive more value within the company because it operates better. But there is going to be a point in time where it becomes obvious that the company's looking to go on an IPO journey. And then you do have to have proper internal communications about what this means for the employees and also what it means for things they can say and they cannot say because there are things that they just shouldn't be talking about to the outside world until the company goes public. But also making sure that they understand what it means when... Let me take a step back, what it means by the fact that they may suddenly not be receiving information about that company that they used to. What I mean there, Erika, is there's a lot of times when in the tech world where they'll do a weekly standup for the whole company and maybe they'll give the results for that week or that results for the month.

As you're getting closer and closer to being public company, that has to go into that silence period. And suddenly employees get a little bit concerned because they don't have the information they had before. You've got to educate them internally and say, "This is a change. It's going to occur. It doesn't mean anything. It's just part of the rules on the company going public. Keep focusing on your day-to-day job, everything's fine." There's a lot of those internal comms that need to occur. Turning to external comms, obviously there's multiple things. We talked about, you've got to choose your bankers. You've got to choose the market that you wish to go on. You'll have your lawyers, you'll have a cadre of folks.

You'll also have investor relations firms that will want to work with you. You want to pick the one that suits you best, but there's going to be a set of external comms that have to occur somewhat before you go public, but especially after you go public. And coming back to building the team, whether you have your own investor relations, people within the company or whether you build that out post IPO. Those external comms are also going to be very important because you've got to land the message on what the value of the company is, what is the company driving. A lot of work around comms.

**Erika:**

Thank you for sharing that. A couple of follow-up questions on that. And then I want to make sure we have plenty of time to get to the team because I think that's equally as important. Thoughts on having a, "Project management office," or somebody who's in charge of really driving the results of the IPO readiness and really getting, they're not the ones doing the work, but helping drive the agenda, like drive the action items, thoughts on that?

**Francois:**

In my mind, it's absolutely essential. Somebody needs to have that role and that person, or maybe it's a small team, depending upon the size of the company, the scale of the company, once again, the geography of the company. That person/team not only has to have the role, they have to have the authority and the responsibility, but the authority to make this thing happen. And the reason I think the PMO role/office is very important is because everybody still has everything else they need to do.

When you look at the accounting group, they are still having to close the books every month. And they have to and they can't stop doing that because a big part of getting ready for an IPO is building out that muscle to be able to close the books, close it accurately, make sure you've got all the cutoff and everything else done so that there's nothing slipping from one month or one quarter into another. And if suddenly you put the responsibility in every individual like that so that they're the ones running the IPO journey, something will slip. I've always had a PMO, I've always made it very clear to everybody in finance, legal, HR, and any other relevant function who this person or team is the mandate of that individual or team and the authority they have. Because that way everything funnels to them. They keep all the trains running.

**Erika:**

Super important. Thank you for your thoughts on that. That's very helpful. Without further ado, building the team, I can't wait to hear your thoughts on this. You just have so much experience, probably good and bad. And if you have any stories to share, those are always fun too.

**Francois:**

Building the team, it is the good and the bad or I'd say it's actually the good and possibly the difficult. First and foremost, you have to make your own, but very frank assessment of the team's capabilities. And as an internal operator, you own that. But I've always taken input from anyone else who may be working alongside the team to say, "Hey, what do you think of this person? You've been through so many IPOs before. Do you think they'll be able to rally through this?" And one of the things you've got to be mindful of here, Erika, there is the journey itself getting ready to be IPO ready, getting ready, and going through the IPO, and we'll talk about this a little bit later, then post IPO and then running quarter by quarter by quarter.

When you think about your internal team, you are going to have to have those people that can do the sprint and put in the hours, getting ready for an IPO is long hours. It's a lot of commitment, and you've got to make sure they're there for the full journey, but then you're going to go public. And then there is certain folks as well that you know are just going to be consistent in making sure that you can close the books and get ready and report on that quarterly basis, quarter after quarter after quarter, and making sure you do not miss anything. You're looking for a mix of a team. And that then brings the next question, which is, once you've done that difficult assessment of your team, you may need to make some changes, maybe.

**Erika:**

Depending on where you are.

**Francois:**

Depending on where you are, or this may be the opportunity where you say, "Look, this is a team that I know is going to be great for this and this, A, B, and C. What I need as well is a bit of D, E and F, but I may not need D, E and F for a long period of time. It may be just on that sprint up to becoming public." And maybe that's when you think about bringing on an external team and outsourcing some of the roles and responsibilities. And then you've got to find those right people, make sure that, once again, they have the skillset, they have the availability, and they're in it for the journey to get you to the IPO. I don't think I've ever seen one of my IPOs where it has never been a mix of just internal people.

It's been internal with a set of external folks, whether that's getting the accounting policies ready, making sure the disclosures are ready. PMO has also been a function that I've outsourced as well because I didn't have anybody available on my team. But getting that mix and getting the people committed is absolutely crucial. And I think one of the things I always say to my teams when I've been doing this as an operator, and I say it to the KPMG teams who are involved in the IPO journey and any clients is, "The IPO journey for the finance department is like the Super Bowl, getting ready and getting up to and taking it to the Super Bowl is what you've got to do. And then once the company's gone public, that's when you get the trophy. That's when you get the ring." We can talk about post IPO.

**Erika:**

But then the season starts the next day again.

**Francois:**

The season starts exactly the next day. Yes. And actually the next day you're not at training camp, you're back in playing the official game again.

**Erika:**

That's right. One follow-up question, because you mentioned it several times and I agree that it's very, very important. How do you get folks committed? And I know that's a loaded question, but based on your experience, what are some of the things you've seen that have worked?

**Francois:**

I think it's a level of enthusiasm. You've got to set the IPO journey up as something that it's a journey that everyone will learn from. It's a journey that everyone will gain some experience from. It's a journey that actually once the company goes public, if the company decides to go public, that there's the thrill of going public. But I also position it as a team endeavor, and that no matter where the journey ends, the process within the finance function, the process within the HR function or the legal function and the IT functions, at the end of the day, they're going to be better.

And it's going to help you in the mid to long term. Your systems are going to be better, your processes are going to be better. You're going to be able to close the books quicker, they're going to be more accurate. This whole thing is, at the end of the day, process improvement leading up to a potential IPO. And I've just done this by making sure that the team knows the journey, understands the journey, understands the commitments that are being asked of them, and we have regular feedback. And this is where the PMO can come in very handy as well, because if you can be armed with the status of where everything stands, you can then feed that back to the whole team. You can celebrate the successes and you can double down in the areas where you need more focus.

And if people understand where they actually are in the journey, I have always found them to be much more receptive to continuing the journey. It's like when you're driving and you've got the kids in the back of the car and they're like, "Are we there yet? Are we there yet? Are we there yet?"



**Erika:**

Yes.

**Francois:**

If you can tell them how far it is to get there, they're sometimes quieting down a little bit.

**Erika:**

While at the same time knowing there might be a surprise stop along the way at any point in time depending on the market, and God knows all kinds of other things. You touched on it a little bit, but I want to make sure to circle back on the notion of getting through the IPO itself, but then also afterwards continuing to be able to put those quarterly numbers out, etc. What are some best practices there in terms of team as well as process? Because like you said, it's like the Super Bowl and you get there and you just want to take a breath and you can, but it has to be a quick one.

**Francois:**

I'll tell you, Erika, the number of times that I've sat there, at the stock market on the day the company goes public, and then quite often, especially when the pre COVID days, and now you then have that evening party post going public and everyone's having the champagne.

**Erika:**

Exciting.

**Francois:**

And then the following day, you're the one that has to send the message out. It's like, "Okay, take a day or two off of them, then here we go again." I think best practices, once again, making sure that people understand that there is this next journey and making sure you understand what is that timeline to that first quarter. You've got to lay it all out again. And quite often what I've done is I've actually used, especially for the first quarter or two, the same PMO to run the first couple of quarters.

**Erika:**

That's great advice.

**Francois:**

Because they know the company, they know the personalities, they know the people. And you're doing the same thing, just you're preparing a set of financials, preparing your Q, or it may be your annual, but whatever your first public filing is. And from an accounting perspective, firstly, you've got to make sure everything's caught in those financials. And then the other thing as well to think about is what's been disclosed about your controls? Do you have any significant deficiencies, material weaknesses? They're now going to be looked at much more closely as you go quarter by quarter by quarter, the board's going to be asking more questions about those things. You've got to start building a plan around those as well. You're going to be building out your internal audit function. That's definitely needed within the first year of being a public company. But as well as that, you've now got the added pressure within the overall finance group of meeting and beating your forecast.

And when you look at your FP&A team or strategic finance team, what are they doing? How are they building out those forecasts? How do they stack up against to what's being reported in the financial statements? What's the difference between management financials and accounting financials, and how do you explain all of that? You've got this suite of different things that you now need to focus on and do quarter by quarter, and you need to build that muscle. Again, using the PMO, building out the calendars, making sure everyone knows what they've got to do when they've got to do it, and tracking incredibly carefully to those dates, you cannot miss as a new public company. Bottom line is you cannot miss.

**Erika:**

Absolutely. Francois, this has been as exciting as I was expecting, but I do want to make sure any parting thoughts? I want to make sure that if there's anything we didn't cover or any best practices or anything like that, that we share that.

**Francois:**

No. The only thing I would say, Erika, I'm a scout master here in San Francisco. I look after a scout troop here, and I go by the scout motto, you need to be prepared. And when I talk about being prepared, it means making sure that you're sweating the big stuff and the small stuff, right from what's going in the management disclosures, what are the KPIs that are going out to the investors, right through to making sure the reconciliations are done correctly, that you're working alongside your audit firm. And if there's any surprises that occur, whatever it could be, that you have a plan to quickly address those surprises, make sure the right people know about it as they need to know about it, and that you can get past those surprises, continue to file on time. And then what the stock market is always looking for, meet and beat your forecasts. Be prepared.

**Erika:**

Be prepared. I love it and makes a lot of sense and consistent with what we like to preach here at KPMG. Thank you, Francois. And I'm going to just plug, we do have our semi-annual IPO and M&A Outlook webcast, which is January 26. And excuse me, that webcast will examine the activities and trends in the US, IPO and M&A landscape in 23, and what to expect for IPOs, M&A and venture investment in 2024. As always, please be sure to subscribe to Private Enterprise and then you'll know about future webcasts as well as this podcast. And Francois, thank you again, so honored to have you today and I just can't wait. I am sure we'll be working together soon, but I really appreciate, first of all, you coming back to KPMG. It just warms my blue KPMG heart, and appreciate you making the time to be on this podcast today.

**Francois:**

It's been awesome. Thank you, Erika. Thank you.

**Erika:**

Thank you. Have a great day.

**Francois:**

Bye.



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