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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

5 Keys To A Successful IPO Roadshow

By **Tom Zanki**

Law360 (August 24, 2018, 2:40 PM EDT) -- Initial public offering roadshows represent a company's final — and most grueling — step as it transitions from private to public markets.

Typically lasting 10 days or more, roadshows mark the culmination of months of IPO prep work. Company executives and their bankers appear front and center, seeking to drum up interest in their IPO before potential investors and analysts during a marathon tour around the country.

Lawyers, who generally don't attend roadshows, nonetheless are responsible for working behind the scenes to make sure the process runs smoothly.

Done right, roadshows generate demand in an IPO at a price favorable to the issuer and serve as a launching pad toward life as a public company. A poorly executed roadshow, however, sets a company back. Here, capital markets experts discuss keys to executing a successful roadshow.

Start Early

Companies should start thinking about their roadshow as soon as they begin drafting their IPO registration statement, lawyers say.

For one thing, telling a consistent, well-thought-out story will keep a company in the clear with regulators. Lawyers point out that companies can't introduce material information during a roadshow that conflicts with their registration statement — the foundational document of a securities offering that is required to include all material information that a reasonable shareholder would consider important before investing.

"It all has to be incredibly tightly, rigorously, consistent with the IPO registration statement that is filed with the SEC," Dentons partner Ira Kotel said of the roadshow. "A big part of counsel's job is to make sure that there is that rigorous consistency with the official publicly filed document."

If a company decides it wants to introduce new facts or figures about its operations in order to win over investors during the roadshow, then lawyers say they will promptly ask why such information wasn't included in the registration statement in the first place. Depending on the nature of the information, it may be necessary to amend the original registration statement.

Cravath Swaine & Moore LLP partner Scott Bennett said his biggest focus is making sure that information revealed to investors "all syncs up and that we don't have a last-minute problem where there is a material difference in content between the roadshow and the registration statement."

"Think about the IPO roadshow very early in the process," Bennett said.

Test the Waters

Starting early often means taking advantage of "testing the waters" provisions of securities laws. The Jumpstart Our Business Startups Act of 2012 permits companies to enter into limited talks with institutional investors before filing a registration statement in order to gauge whether there is enough market interest in the IPO to justify moving forward.

Attorneys say the testing-the-waters phase benefits many companies, partly because it provides an opportunity for company executives to begin sharpening their message to investors that will later be delivered in the IPO roadshow.

"One, it gives the management team the ability to practice and hone its craft in terms of giving the ultimate roadshow presentation," said Stradling Yocca Carlson & Rauth PC shareholder Ryan Wilkins. "Secondly, it allows the management team the ability to incorporate feedback from those early meetings into the roadshow."

Plus, bankers said a company should identify key anchor investors that will buy into its IPO well before the roadshow. Testing the waters allows an opportunity to start those conversations.

"You have to build that momentum," said Seth Rubin, head of equity capital markets at Stifel Financial Corp.

Seize Your Moment

The IPO market is the **most active** it has been in three or four years. But hot IPO markets can turn cold on a dime, which reinforces the need for aspiring public companies to plan ahead of time so they can be nimble enough to seize opportune moments.

An IPO roadshow typically doesn't start until at least three months after a company files its registration statement confidentially with the U.S. Securities and Exchange Commission, which begins a back-and-forth between the company and regulators intended to resolve any concerns before the document is made public.

The time-consuming process means market conditions can change between the conception of an IPO and its pricing. If a company anticipates a favorable market window, it should assemble its deal team, resolve any legal uncertainties that may spook investors, and plan its registration statement months before filing in order to reduce the odds of tripping up later, deal advisers say.

"You want to make sure that your are ready, so you can time the market as opposed to the market timing you," Rubin said.

Keep Lawyers in the Loop

Once the IPO roadshow begins, company management and their underwriters take center stage in seeking to persuade investors to back the offering. Lawyers generally don't tag along but need to be apprised of the IPO book-building process as well any changes to deal terms.

For instance, if a company raises its IPO price range before the roadshow concludes — a sign that demand is stronger than anticipated — lawyers need to be informed in order to amend the company's registration statement. The same is true if the deal's size — how many shares are being offered — is revised upward or downward after receiving investor feedback.

Lawyers have to keep the SEC apprised of any such changes to the offering in order to keep things moving on a steady timeline, which concludes when regulators declare the registration statement effective and the company's listing is finalized with the chosen stock exchange.

"We need to know what's happening on the roadshow," Kotel said, adding that while lawyers don't travel on the trip, "we have phones. You can call us at the airport."

Think Post-IPO

The conclusion of a roadshow, and subsequent pricing of the IPO and commencement of shares trading on a stock exchange, are the culmination of a exhausting travel schedule packed with constant flights, large meetings and conference calls with investors.

But that doesn't mean it's time to relax. Capital markets experts say businesses should apply lessons learned from the roadshow experience into their operation as public company.

For example, companies should pay close attention to the cadence of the communications presentations made to investors during the roadshow because after the IPO, the same company will have to form a team to communicate to investors after each earnings call.

"You cannot overestimate the importance of being prepared, rehearsing and having the right team on the road that complements each other," said Mayer Brown LLP partner David Bakst.

Bakst added that bankers have a "very keen eye for the personal chemistry and the give and take" among the management team to make sure it's right mix of people speaking to investors.

Michael Stiller, co-head of strategic capital intelligence at Nasdaq, said companies are wise to set up mock earnings calls with the aid of outsiders before the roadshow in order to get accustomed to the tough questions that investors and analysts ask of public companies.

Stiller added that the IPO roadshow is also a good time for management to forge relationships with investors that may not necessarily buy into the IPO but could become shareholders later. He said it's vital to keep good notes of conversations during the event and "know who you are talking to so you can set up for future success.

"The IPO is just one day," Stiller said. "The roadshow is seven or eight days. Being a public company could be for forever, hopefully."

--Editing by Brian Baresch and Rebecca Flanagan.