Key Accomplishment Summary

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Successfully Completed a Challenging Initial Public Offering

Situation:

An 18-year-old regional retailer had grown its operations to approximately 50 stores in four states, generating $32 million in revenue. While the company was profitable, it was experiencing numerous problems, including: weak or nonexistent reporting processes; operating and information technology systems were antiquated and cumbersome; its credit facility was inadequate and expensive; and management was thin and inexperienced. The company's founder aspired to take the company public in order to raise capital for expansion and personal liquidation. Further, he was steadfast about selling only one-third of the equity thus retaining two-thirds ownership. Due to his naivety, investment issues were handled poorly. Only one investment banker had been chosen to underwrite the transaction and no other sell-side analysts had been enlisted to write coverage on the company. The banker insisted on a very short window between the filing of the initial prospectus to the road show. This left little time for conducting due diligence, writing the S-1, and completing audits for two financial statement reporting periods while maintaining the ongoing operations with a lean and inexperienced financial staff.

Action Plan:

- Assessed and reorganized finance staff, including replacement of incompetent employees with new middle management hires to address ongoing operations and realignment of responsibilities. Reinforced marketing staff with additional experienced personnel and enlisted their support in selecting and implementing new information systems.
- Cultivated and implemented a new, more responsive commercial banking relationship to replace ineffective and costly predecessor.
- Through personal relationships, contacted other investment banking and securities management firms in order to generate interest in the company's offering and expand underwriting and analyst coverage.
- Laser-focused on completing audits and filing S-1 within established time frame.
- In conjunction with outside consultants, developed a plan to replace outmoded information systems as soon the initial public offering was completed.
- Engaged an executive coach to assist founder with his limited public-speaking capabilities. Personally took the lead role for the majority of the road show presentations.

Results:

The company successfully completed and executed its initial public offering within the original time frame specified by the investment banker, raising over $16 million. This was quite an accomplishment given that capital markets had suffered another "black" October, with the Dow Jones Industrial Average dropping over 554 points or 7 percent in a single trading day. Diligent investor relations and conference presentations resulted in engaging three other analysts in writing coverage and providing recommendations for the company. Successfully negotiated a new $20 million credit facility with a major financial institution that provided superior borrowing terms, reduced covenant restrictions and improved retail service for the stores. Post-IPO, implemented an enterprise-wide fully integrated information system within a six-month time frame that vastly improved reporting processes, enhanced customer service and information gathering at point-of-sale and overall inventory management, contributing to a 25 percent improvement in inventory shrinkage. This improvement created an opportunity to enhance television advertising and increase spending to drive sales. Lastly, the company experienced a 13 percent pre tax savings in interest costs in the initial year following the IPO.