

CASE STUDY: SUCCESSFUL IPO EXECUTION REQUIRES A MULTIDISCIPLINED APPROACH

A large private equity real estate company prepares to go public

A Chicago-based private equity real estate company was planning an IPO as a real estate investment trust (REIT). The company owned and operated the largest portfolio of wholly owned industrial properties located exclusively in the United States. Operating in 23 states across the country, the company's portfolio included warehouse and distribution centers totaling more than 117 million square feet.

Despite the company's size, management realized that they did not have the internal resources to handle an IPO themselves, so they turned to the assistance of external specialists to help prepare the company to become what a prominent business publication noted would be one of the biggest publicly traded firms of its kind. In addition, the internal financial reporting group had significant private company financial reporting experience, but needed help with public company reporting requirements.

Preparing for the initial public offering

In order to properly and efficiently execute its IPO, the company leveraged financial reporting outsourcing and management consulting specialists with technical expertise in public offerings, as well as real estate industry experience. With a tight timeline set for going public and daunting reporting requirements, the company engaged RSM for assistance. RSM worked closely with the company over a period of several months to help meet the planned IPO timetable and provide support in several key areas:

- **Draft financial reporting**
Preparing key sections of the initial registration statement, a complex, time-consuming effort requiring an array of reviews, tests and team coordination, which included drafting the management's discussion and analysis (MD&A) section of the filing; coordinating the consolidation of the pro forma information; and accumulating the financial information for the support book for the auditor's comfort letter.
- **Restructure the financial close and reporting**
Creating a consolidated close through SEC filing process to fit filing deadlines. Drafted and harmonized business unit and property policies and procedures.
- **Consolidate financial information**
Recommended alternatives to consolidate the financial information of four separate and distinct entities, each previously accounted for and maintained on a stand-alone basis.
- **Draft public filing templates**
Prepared the public company's quarterly and annual public filings, including a template for the consolidation of the four separate entities.
- **Assess systems and processes**
Evaluating the current financial information systems and identifying the key business needs for the new public company.

Systems and functional financial process assessments offered an overview of the close, reporting and planning processes, as well as the current system environment, allowing the team to provide a plan to meet increased scrutiny required for SEC reporting, data security and information access, among other areas.

The RSM team established working relationships with the other external professionals hired by the client in order to resolve issues on a timely basis, providing a coordinated effort among the professionals involved to align with the overall goal of the IPO filing by the client. Taking a long-term view, the team also identified opportunities for lasting improvement in a range of functional areas across the company to achieve efficiencies and effectiveness as a public entity.

Paving the way

Ultimately, the company received a comprehensive report; assistance with the preparation of a number of financial statements, reports, schedules and position papers; and a road map for taking the company public. "RSM got us to the finish line," said the company's vice president and director of accounting, "which was exactly what we needed."

Issues and challenges

In order for the company to go public, the RSM team, working in concert with company personnel, needed to do an assessment of the company's readiness to become public, as well as to operate successfully as a public company. They set about identifying any potential gaps—in reporting, controls, functions and even management experience—against specific "going public" and "being public" requirements.

Financial reporting concerns required the team to perform a gap analysis to determine financial and accounting data availability. This work included assessing the quality of reporting and documentation; analyzing existing accounting policies; and ensuring compliance with U.S. GAAP and SEC rules and regulations. The team then developed a plan to address the information needs and assisted in the implementation of procedures to facilitate ongoing public company reporting.

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