



Preparing for the Road Ahead

IPO Gibberish



Agenda



IPO Timeline: "T-18" to T+6"

Pre-IPO Considerations

- M&A vs. IPO
- "Getting House in Order"
- Selecting IPO Team

IPO Process

Post-Pricing Life as a Public Company

T-18

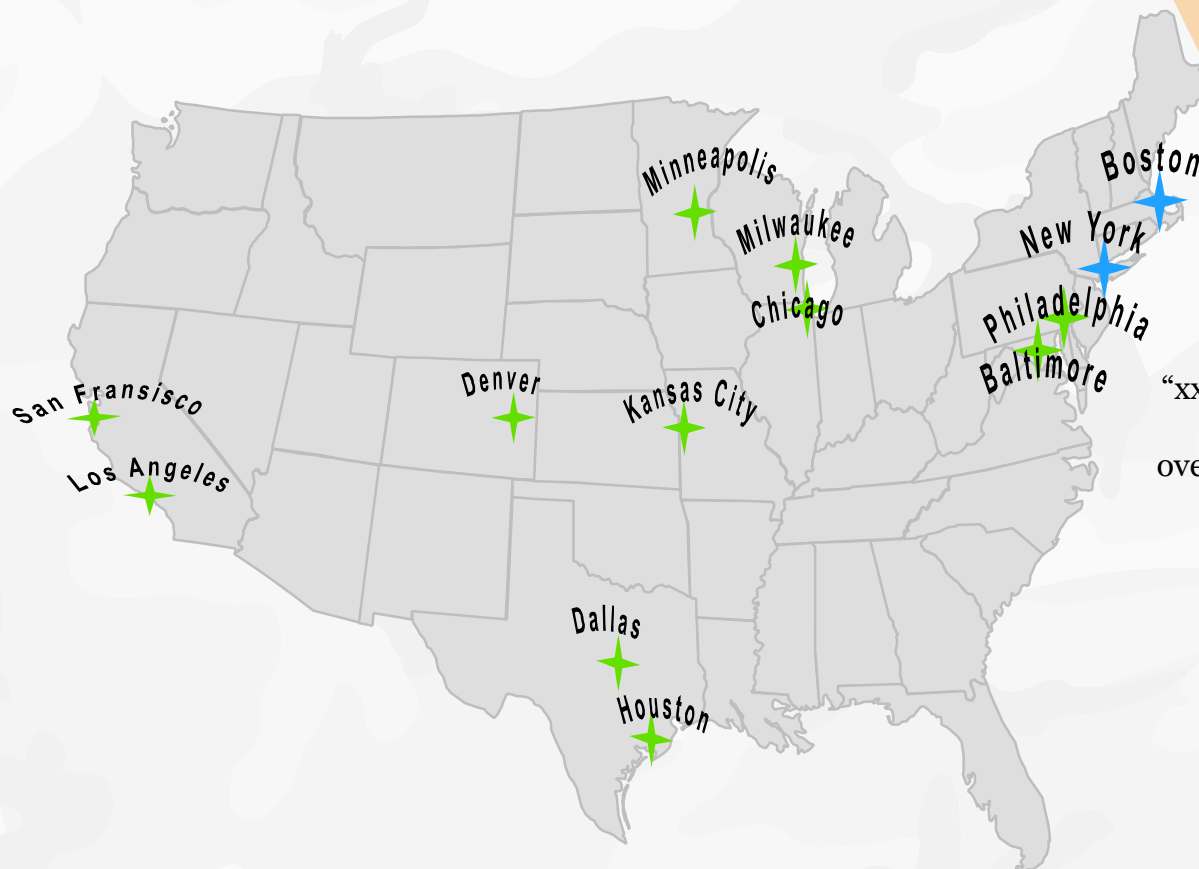
T-6

IPO

T+6

- Perspectives from
 - Management Team
 - Advisors
 - Investment Banking
 - Attorneys
 - Investor Relations
 - Investors
 - Research Analysts

Illustrative Roadshow



Exposure to Institutions

Group Meetings (2 – 3)

Small Group Meetings (2 – 3)

1 x 1 Meetings (± 50)

Indications

“xx% hit rate”
“x times
overstructure”

Size and
Price Feedback

“at market”
“price limited”
“price limited /
scaled order”
“10% order”

Allocations

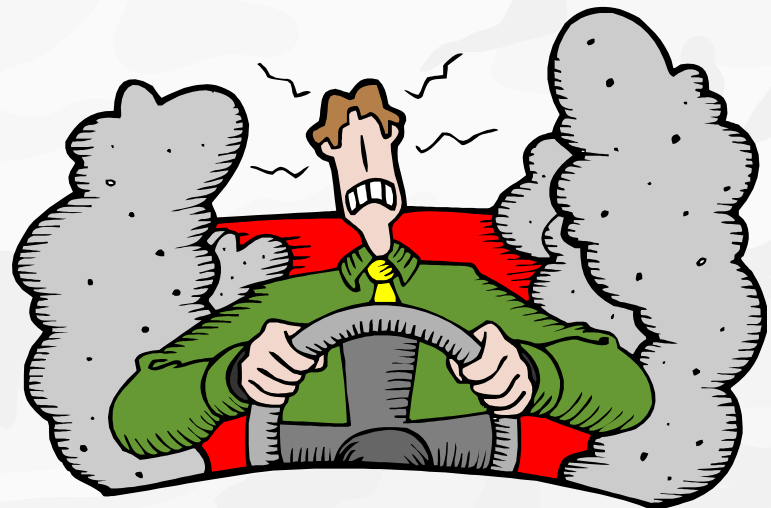
Base Deal vs. Over-Allotment Option

Base Deal	100%	}	Split Between:	Proceeds to
Green-Shoe / Over-Allotment Option	15%		Primary	Company
Deal Layout	115%		Secondary	Selling Shareholder

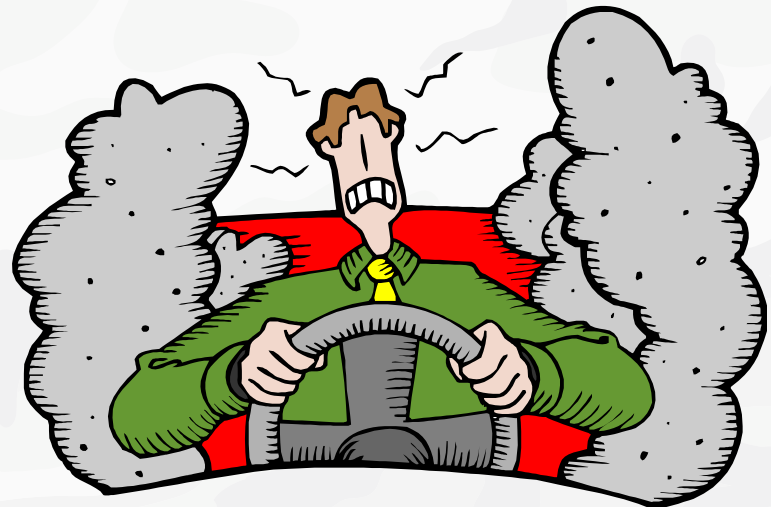
Aftermarket	Stabilization Activity	Over-Allotment Option Exercised
Weak	<ul style="list-style-type: none"> ■ Underwriters purchase in aftermarket to support price ■ Short position covered 	✗
Strong	<ul style="list-style-type: none"> ■ No underwriter activity ■ Short position uncovered 	✓

If exercised, incremental proceeds delivered

CEOs / CFOs: Driver vs. Passenger



CEOs / CFOs: Driver vs. Passenger



Empowered CEOs / CFOs Impact Key Decisions

- Calibrating post-IPO expectations
 - Financial projections
 - Milestones
- Managing diverse objectives of key constituents
 - IPO vs. M&A
 - IPO Timing
 - IPO Structuring
- Forming own views vs. relying on “experts”
- Orchestrating the IPO process

Calibrating Financial Projections at IPO

Theoretical Objective:

Beat EPS by 1¢ each quarter

Question:

How much “cushion” should you have in Year 1 and Year 2 EPS

Common Answer:

4¢ cushion in Year 1 and **4¢** cushion in Year 2 (reflecting 1¢ x 4 quarters per year)

Year 1				Year 2			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1¢	1¢	1¢	1¢	1¢	1¢	1¢	1¢

EPS	4¢	4¢
Net Income ⁽¹⁾ (\$mm)	\$0.8	\$0.8
EBITDA “Cushion” (\$mm)	\$1.3	\$1.3

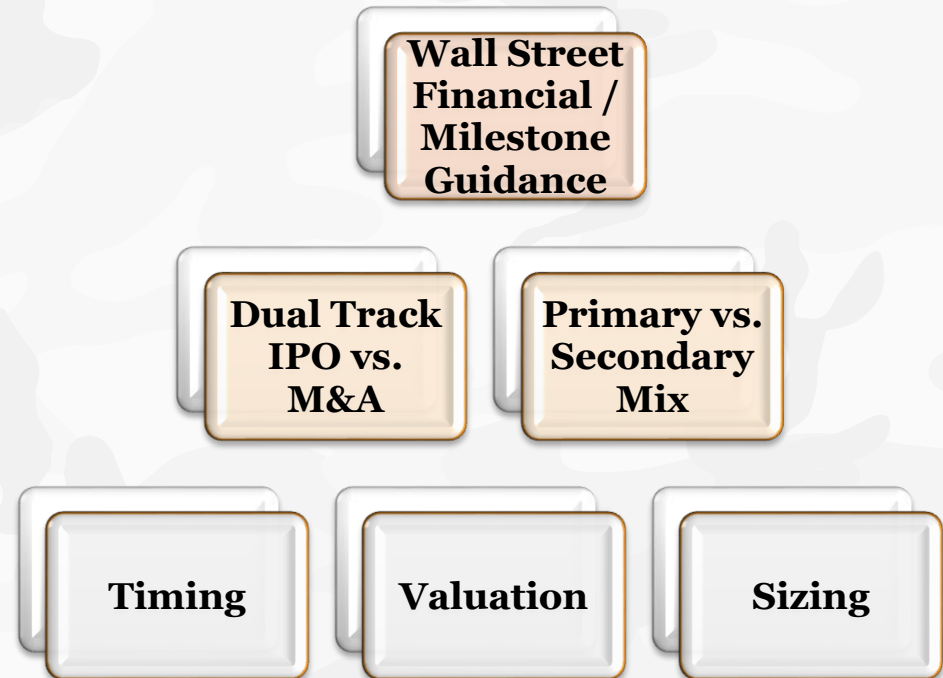
(1) Assumes 20 million shares outstanding.

IPO Variables

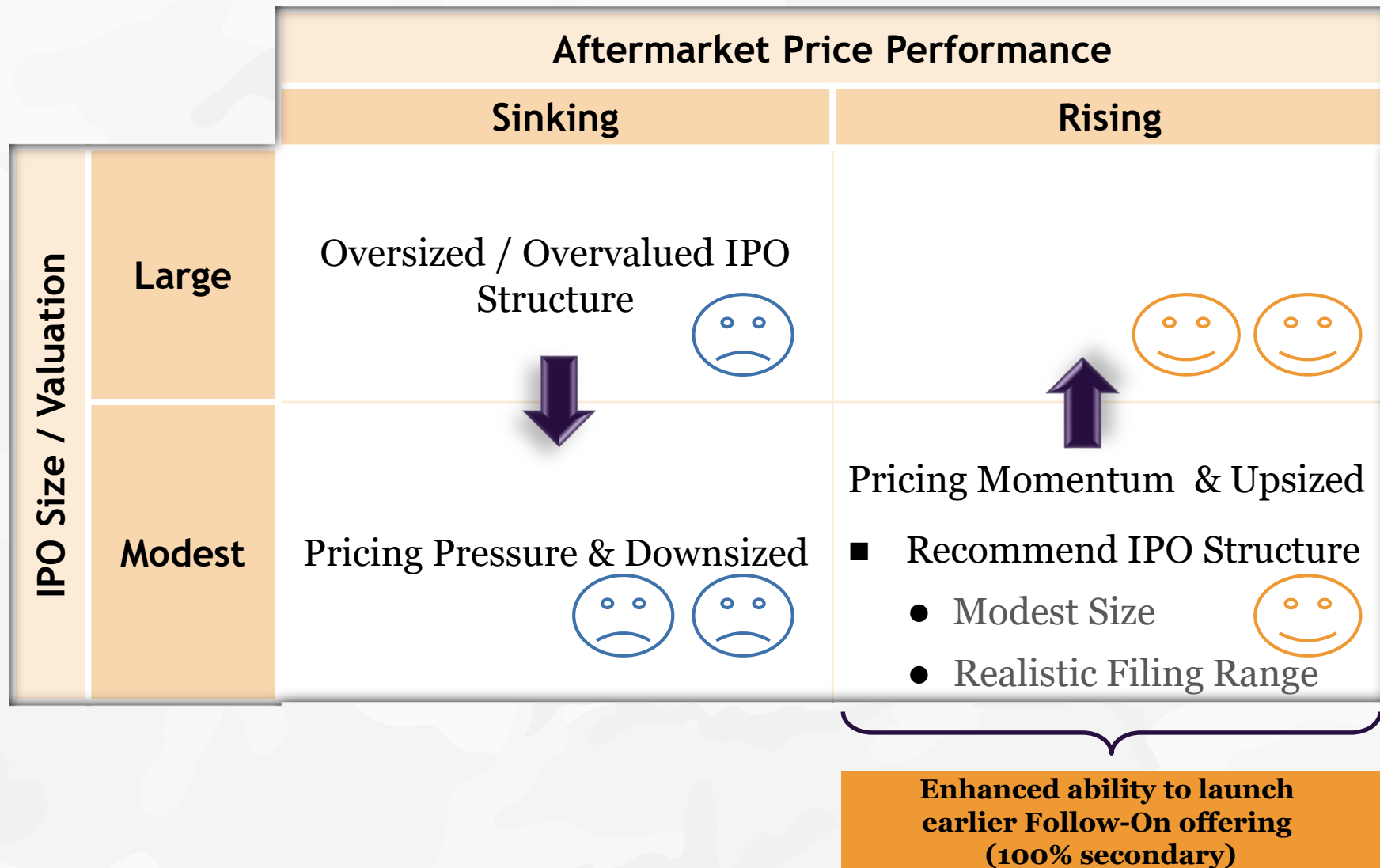
POTENTIAL OBJECTIVES

- Financing Need
- Shareholder Liquidity
- Optics
 - Positions for future M&A sale
 - VC fundraising
 - Business' customer credibility
- Simplification of Capital Structure
- Currency for Future Acquisitions

IPO STRUCTURING VARIABLES



Illustrative Decision Making Framework

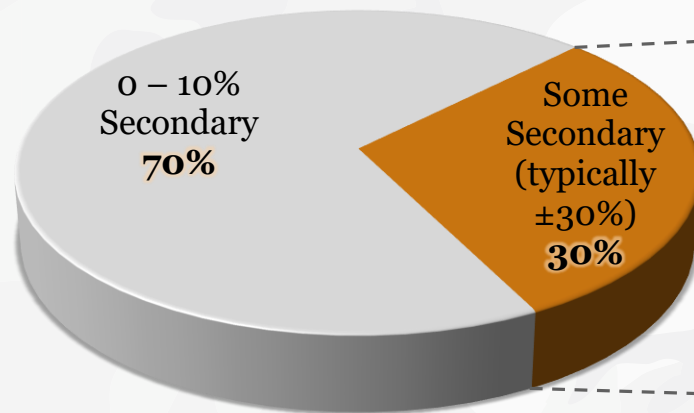


Pathway to Monetization

IPO

- 10 MedTech IPOs

% Secondary



FIRST FOLLOW-ON

**Months
Since IPO**

**Price Performance
Since IPO**

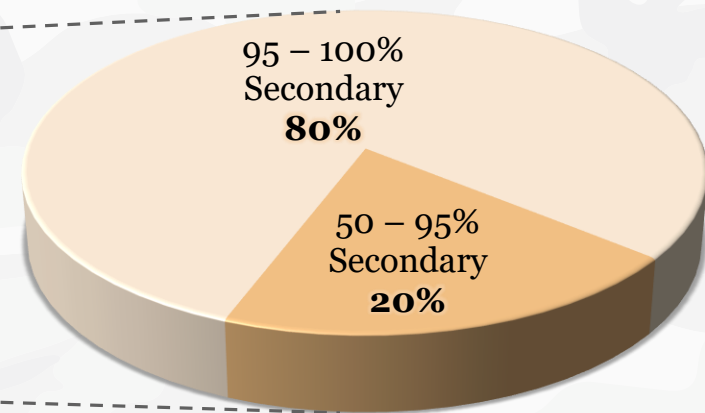
Avg: 6

Avg: +70%

Range: 5 – 8

Range: +30 – 150%

% Secondary



Case Study: [Company]’s IPO Guidance vs. Actual

- [Company]’s IPO projections included “cushion” vs. management internal projections to allow room for beating expectations and the natural tendencies for Wall Street analysts to “raise the bar” in future periods
- IPO Date: May 2002
- Conservatism in IPO projections in anticipation of “Raising Bar”

	2002				2003				
	Q2	Q3	Q4	CY	Q1	Q2	Q3	Q4	CY
Analyst Projections									
6/12/2002	15.4	16.5	19.0	65.5					110.0
7/30/2002		19.2	21.9	74.0					110.0
10/30/2002			21.9	75.5	23.0	26.0	28.0	33.0	110.0
1/29/2003					24.0	26.0	28.0	33.0	111.0
4/30/2003						27.7	29.7	32.5	115.0
7/25/2003							32.4	34.4	123.0
10/30/2003								37.6	129.0
Actual Revenue	\$18.2	\$20.7	\$22.7	\$76.3	\$25.1	\$31.1	\$35.1	\$39.7	\$131.0
Analyst “Bar Raising” from Initial to Final Estimates		\$2.7	\$2.9	\$10.0	\$1.0	\$1.7	\$4.4	\$4.6	\$19.0
“Cushion” in Actual Projections vs. Actual	2.8	4.2	3.7	10.8	2.1	5.1	7.1	6.7	21.0

Case Study: Given [Company] IPO Guidance vs. Actual

- Given did not get credit for its projection at IPO as investors did not believe the forecasted ramp
- IPO Date: October 2001

