

insights

Jennifer Post talks to Business Insider about startup considerations before going public

As more startups rush to the public markets – [PwC reports](#) that in the first quarter of 2021, 727 companies globally started trading publicly, raising \$202.9 billion – Los Angeles managing partner [Jennifer Post](#) recently talked to Business Insider about the risks startups should consider when deciding whether to stay private or go public.

Business Insider subscribers can read the full article from May 17, “[Startups are ditching the ‘stay private longer’ mantra. A corporate lawyer tells us the 4 things they need to consider before going public.](#)”

Here are some highlights from Jennifer’s discussion with the publication.

The ‘public’ part of going public. The IPO process requires startups to release significant information about their financial performance, business processes, holdings and technology, “even if revealing some of that information may put [the company] at a competitive disadvantage,” said Jennifer. Startups need to weigh the risk/reward of that reality.

Distractions for management. The public markets carry a significant regulatory burden, which forces company leadership to devote time and energy to reporting and compliance activities instead of focusing solely on the company’s growth. “Dealing with regulatory hurdles and maintaining regulatory compliance can certainly be a challenge for any company, let alone a company that wasn’t previously prepared or seeking a public exit,” said Jennifer.

Valuation is out of your hands. Startup founders typically develop close relationships with their private investors, investors who may share “particular passion or expertise with the company’s products or services.” This is not true for public companies, of course, where public shareholders – whether institutions or individuals – drive the stock price based in part on overall market and economic trends. “[T]here’s constant pressure to grow your stock price and keep your valuation moving up,” Jennifer said. “That is very hard to do in the face of institutional pressure” and “circumstances that are beyond your control in the stock market.”

Shifting board alignments. Public listing requirements often force companies to add financial experts and outside directors to the board under various market rules which are designed to protect shareholder interests. “It works from a regulatory point of view,” Jennifer said, “but this can be sort of a wake-up call for founders and others who have been running the company comfortably with hand-selected advisers and key hires for many years.”

Jennifer is a vice chair of Thompson Coburn’s Corporate Finance and Securities practice. She serves as primary outside counsel to a variety of individuals, institutions and companies, including entrepreneurs, startups and investors, as well as domestic and international public companies. She is the Managing Partner of the Firm’s Los Angeles Office.

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