



Small businesses face a large comms task in going public

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By Danielle Drolet

In 2003, a one-time political attorney and her entrepreneurial husband opened a local bakery on New York's Upper West Side, and introduced a new twist on cupcakes with out-of-the-ordinary fillings, frostings, and toppings.

Today, Crumbs Bake Shop has become the US' largest national cupcake bakery chain with 35 stores across six states. Last year, the company baked and sold approximately 13 million cupcakes, generating \$2.5 million in earnings and posting \$31 million in revenue. By 2014, the company is targeting a total of 200 locations.

Cofounders Mia and Jason Bauer announced in January plans for Crumbs to go public through a \$66 million merger with investment company 57th Street General Acquisition, a hotly anticipated deal expected to follow through this spring. The husband-and-wife team say they are excited about the impending listing, but, whatever the outcome, plan to stick to their recipe for success as the neighborhood bakery that is available nationwide.

"I'll operate my business no differently if I have five or 5,000 shareholders," says Jason Bauer. "We'll be more open about the business, but, day to day, it's all about making it as profitable as it can be, regardless of whether we're public or private."

Harrison & Shriftman is the agency of record for Crumbs overseeing lifestyle PR, and marketing. Crumbs has obtained another agency, which cannot be disclosed due to a confidentiality agreement, to spearhead IR and business media.

IPO on many minds

With resurgence in the markets, more entrepreneurial-type businesses and startups are looking to go public. Most recently, Zipcar and eDiets.com have filed S-1s, the required registration form to begin the IPO listing process.

Already, the US IPO market for Q1 rose 22% year over year with 33 companies raising \$13.5 billion, according to Renaissance Capital. The SEC-registered investment advisor attributes the uptick to a number of mega-private equity-backed IPOs, such as hospital operator HCA, energy company Kinder Morgan, and Nielsen Holdings, as well as an increased investor interest in growth stories in the technology sector.

"What we must be very careful about is that a lot of these folks don't have public company experience. In some instances, these are mom-and-pop shops with great products, great ideas, loyal followings, and rabid customers, who are brand loyalists. But having that public company experience, whether it's in your board or management team, is so incredibly important because the markets may be opening up, but the markets are still the markets," says Tom Rozycki, SVP of CJP Communications.

Along with the opportunities of big payoffs in entering the public market, there are the unique challenges for first-timers, as Rozycki points out.

Don Duffy, president of ICR, another financial communications agency, agrees, adding that investors are increasingly looking for more transparency in company disclosures and earnings calls. Digital also plays a key role with sites such as Yahoo Finance releasing transcripts immediately following a conference call.

"The single biggest issue most of those folks have to go through is this brave new world of communicating with outside shareholders," he says. "Sometimes, it's a shock to the system for them because the public markets have gotten extremely intelligent and granular about how they monitor your performance. Where you might have a founder-driven culture, one where they live comfortably in the private market, the public markets are a lot trickier because you go through a lot of outside scrutiny where people can micro-analyze everything you do."

Preparation and guidance are both must-haves prior to any company going public, whether it is handled internally or through outside IR support. The businesses need to learn about and understand the types of individuals and groups they will be speaking to, as well as the relevant messages that are going to best resonate with them, say both Rozycki and Duffy.

Just the beginning

"A lot of executives look at the IPO as the end of the rainbow, or the finish of the race, and we like to say it's the start of a marathon," explains Duffy. "You're getting your deal priced and people like to think it's over, but it's just begun. It's a long-term relationship and long-term engagement with shareholders that doesn't end while you are public.

"They need to get their minds around it," he adds, "but also get strategies developed on how they're going to deal with shareholders on an ongoing basis. They stay so focused on getting an IPO done, oftentimes they don't realize the bigger picture is really about a long-term level of engagement with these folks."

Number of IPO filings by year

2011 36 (year to date, as of April 8)

2010 154

2009 63

2008 31

2007 214

2006 196

2005 192

2004 216

2003 68

2002 70

SOURCE: Renaissance Capital