The Small Business Development Group, Inc "Symbol SBDG"
Taking your Private Company from Main Street to Wall Street
Value Creation for a timed Exit for Stakeholders

By

Roy Y Salisbury
Managing Member C2C Private Investment Co., LLC
Chief Executive Officer Small Business Development Group, Inc

The number of listed public companies in the USA has significantly decreased over the past few decades. As of 2020, there were less than 4,000 public companies listed on U.S. stock exchanges and 4,300 in 2024. This represents a dramatic decline from the peak in 1996 when there were over 7,000 public firms.

Decline in Public Companies

The reduction in listed companies is striking:

- Mid-1990s peak: Approximately 8,000 public companies
- 2020: Less than 4,000 public companies
- 2024: About 4,300 public companies

This represents a decline of roughly 50% since the mid-1990s.

Reasons for the Decline

Several factors have contributed to this trend:

- Many public companies have been acquired or merged, reducing the overall count.
- There are now about five times as many private equity-backed firms in the US as there are publicly held companies.
- Companies are staying private longer. In 1999, the average US technology firm went public after four years. By 2019, this increased to 11 years.
- Some companies prefer to avoid the costs and regulatory requirements associated with being public.

Implications

The shrinking number of public companies has several potential consequences:

- Reduced transparency in the overall economy
- Fewer investment options for retail investors
- Potential decrease in market efficiency and price discovery

- Challenges in understanding broader economic trends

Despite the decline, the U.S. stock market remains the largest and most influential in the world. However, the trend of fewer public companies continues to be a topic of concern for market observers and policymakers.

The Small Business Development Group, Inc "Symbol SBDG" an alternative OTC Markets reporting company has developed a business strategy for brining established profitable SMB private companies public as an alternative to a sale to Private Equity Groups for their EXIT. Management firmly believes that SMB owners can benefit from going public based on the Strategy of Engineering a Public Company.

Why Go Public?

Going public can offer numerous advantages for companies, particularly small to medium-sized businesses (SMBs). Here are the primary reasons why businesses choose to pursue an initial public offering (IPO):

Going public is one of the most effective ways to raise significant capital quickly. By selling shares to public investors, companies can secure funds for various purposes, including:

Financing growth initiatives such as entering new markets or increasing production capacity.

Investing in innovation and new product development.

Reducing existing corporate debt, which can improve cash flow and financial stability.

Becoming a publicly traded company can significantly boost a business's visibility and credibility in the market. An IPO often generates media attention, which can enhance brand recognition and attract new customers, partners, and investors. Being listed on a stock exchange also lends an air of prestige, making the company more appealing to potential clients and employees.

Going public provides an opportunity for founders, early employees, and initial investors to monetize their investments. Shares can be traded on the open market, offering liquidity that may not have been available when the company was privately held. This liquidity allows stakeholders to realize gains from their investments while still retaining some ownership in the company.

Publicly traded shares can serve as a form of currency for mergers and acquisitions (M&A). Companies can use their stock as consideration in purchases, which allows them to grow through strategic acquisitions without depleting cash reserves. This ability to leverage stock for M&A can facilitate expansion and enhance market position.

Shares that trade on public exchanges typically have higher liquidity than privately held shares, leading to potentially higher market valuations. A successful IPO can establish a market-driven valuation that reflects the company's true worth based on supply and demand dynamics.

Going public allows companies to offer stock options and other equity-based incentives to attract and retain top talent. This can enhance employee motivation and align their interests with those of shareholders, fostering a performance-driven culture within the organization.

Once a company is publicly traded, it has greater flexibility in raising additional capital through follow-on offerings or secondary offerings. This ongoing access to capital markets supports long-term growth strategies and financial planning.

In summary, while going public involves significant considerations and challenges, the potential benefits—ranging from improved access to capital and increased visibility to enhanced liquidity for stakeholders—make it an attractive option for many SMBs seeking growth and expansion opportunities.

Why Hesitation

Private business owners often hesitate to pursue going public for several reasons, primarily revolving around the perceived risks, costs, and loss of control associated with the process. Here are the key factors that contribute to this reluctance:

Going public entails strict regulatory requirements, including compliance with the Securities Exchange Commission (SEC) regulations. This involves regular financial reporting, audits, and disclosures that can be daunting for smaller companies. The complexity of these requirements can deter owners who may not have the resources or expertise to navigate them effectively.

The financial burden of an IPO can be significant. Initial costs may include underwriting fees, legal fees, accounting expenses, and other associated costs, which can total millions of dollars. Many SMBs find these expenses prohibitive, especially when considering that they must also maintain ongoing compliance costs after going public.

Owners must relinquish a degree of control over their company when they go public. This includes giving up decision-making power to shareholders and being subject to the scrutiny of public investors and analysts. Many private business owners prefer to maintain their autonomy and strategic direction without external pressures.

Once a company is public, its operations and financial performance are subject to intense scrutiny from investors, analysts, and the media. This level of transparency can be uncomfortable for owners who are used to operating in a more private environment. The fear of negative publicity or market reactions can deter them from pursuing an IPO.

Public companies often face pressure to deliver short-term results to satisfy investors, which can conflict with long-term strategic goals. This shift in focus can be frustrating for business owners who prioritize sustainable growth over immediate financial performance.

The uncertainty surrounding the IPO process itself poses a risk; if market conditions are unfavorable or investor interest is low, the IPO may fail to raise anticipated capital. This risk can lead to wasted resources on preparation without guaranteed returns.
Transitioning from a private to a public company can create a cultural shift within the organization. Employees accustomed to a private environment may struggle with the new expectations and transparency required in a public setting. This change can affect morale and productivity.

In summary, while going public offers potential benefits such as access to capital and increased visibility, many private business owners weigh these against significant challenges and risks that make them hesitant to pursue an IPO.

SBDG Risk Mitigation

SBDG's Strategy of Engineering a Public Company mitigates much of the risk based on staged benchmarks designed to strengthen the opportunity for success.

SBDG Partners with SMB business Owner

- SMB becomes a subsidiary of SBDG
- SMB Grows through acquisition
- SMB team prepares for registration in place
- SMB is Spun Off via registration and IPO

When preparing for an Initial Public Offering (IPO), companies must address several crucial considerations to ensure a successful transition to becoming a public entity. SBDG prepares the SMB on key pre-IPO considerations:

(see Exhibit A Partnership and Growth through Acquisition)

Financial Readiness

Strong Financial Performance

- Consistent revenue growth
- Profitability or a clear path to profitability

- Positive cash flow

Robust Financial Reporting

Prepare for increased scrutiny by:

- Implementing accurate and transparent financial statements
- Engaging reputable auditors for thorough audits
- Practicing the preparation and release of quarterly financial statements

Organizational Structure

Management Team

- Assemble a competent senior management team capable of operating a public company
- Consider key roles such as investor relations and financial reporting specialists

Board of Directors

- Review board composition and committee structures
- Ensure compliance with exchange requirements for board independence

Legal and Regulatory Compliance

Corporate Governance

- Implement strong corporate governance policies
- Review and update bylaws and corporate documents

Internal Controls

- Establish robust internal control mechanisms
- Prepare for Sarbanes-Oxley (SOX) compliance

Market Positioning

Business Strategy

- Clearly articulate the company's value proposition and growth strategy
- Identify and address potential risks that may impact valuation or growth prospects

Market Opportunity

- Demonstrate a sizable addressable market for the company's products or services

IPO Team Assembly

External Advisors

- Select experienced underwriters, legal counsel, and auditors
- Engage with IPO advisors and transfer agents
-

Due Diligence Preparation

Documentation

- Organize all necessary documents for due diligence review
- Consider using an online data firm to facilitate the process

Mock Due Diligence

- Conduct due diligence process to identify and address potential issues proactively

Timing and Market Conditions

Market Analysis

- Assess current market conditions and stability
- Consider the optimal timing for the IPO

By addressing these pre-IPO considerations, companies can better position themselves for a successful public offering and transition to life as a public company. It's crucial to start this process well in advance of the planned IPO date to allow ample time for preparation and addressing any issues that may arise.