

7 Steps

for IPO Due Diligence and Open Source Compliance

FOSSA

1 Confidentiality

Sign a mutual non-disclosure agreement (NDA) between the company and each underwriter and outside counsel. By starting here, you are keeping sensitive information discreet.

2 Technology Review

A technology stack questionnaire is filled out by the IT, software infrastructure, application security, and engineering operations teams of the company to help the banking and legal teams understand which programming languages, build tools and package managers, continuous integration processes, and version control systems are being used.

3 Open Source Audit

Perform an automated scan of every line of the company's code to discover all the direct and transitive dependencies for license information that may not be uncovered by package file parsing alone.

IPO
+67%

Through the first eight months of 2020, the IPO stock index is up 67%, compared to less than a 11% rise for the S&P 500 over the same period.¹

Manual tracking will produce an incomplete or inaccurate list of open source licenses.

For example, at the time of IPO, Uber used an automated scan to document more than 1300 direct and transitive dependencies in its open source Kepler project alone.²

51%

of dealmakers indicate that digital tools & accelerators are minimizing risks and uncertainties through more analysis in the diligence phase.³

4 Documentation and Implementation

Documentation on how to implement scanning and licensing in a continuous state enables the company to mitigate risk on behalf of its underwriters, investors, and shareholders, both present and future. This stage is crucial and helps avoid legal issues down the road.

2020 will see the second-most IPO activity of the current decade, next to 2014. There will be more than 150 IPOs with proceeds anticipated to reach or exceed

\$100 billion⁴

Open source components now constitute up to 90% of all software in development, and 90% of software engineering teams report using open source code.⁵

5 Behind the Scenes

Financial underwriters and legal counsel conduct a **policy and gap analysis definition** to streamline feedback. Once definitions are complete, performing an initial review of scans helps the company organize projects based on various contexts, including releases and product lines.

6 Reporting

Generate industry-standard reports for underwriters, counsel, and key investors to review. These include licensing, security, and more. For any gaps found, remediation work is confidential.

7 Roadshow

At the completion of the due diligence process, having an inventory report in the format most relevant to your legal, engineering, and security teams will streamline the investor promotion and public offering processes.

FOSSA's due diligence audits and ongoing automated license management assure the most complete bill of materials and deliver the most comprehensive and accurate picture of your open source compliance, security, and quality risks.

To learn more about how FOSSA's solution stacks up, visit fossa.com or contact sales@fossa.com.

FOSSA IPO Due Diligence Core Benefits

- Complete your due diligence in a matter of days
- Integrate directly into existing CI/CD processes
- Get gap remediation workflows done in minutes
- Reduce the overhead and ongoing compliance risk for the public entity

1] "Renaissance IPO ETF." Renaissance Capital, 1 September 2020. <https://www.renaissancecapital.com/IPO-Investing/US-IPO-ETF-Index>

2] "Large-Scale WebGL-Powered Geospatial Data Visualization Tool." Kepler.gl, kepler.gl/.

3] Thompson, Russel, et al. "The State of the Deal: M&A Trends 2020." Deloitte, April 2020.

4] "2020 IPO Market Stats." Renaissance Capital, 1 September 2020. <https://www.renaissancecapital.com/IPO-Center/Stats>

5] Gardner, Dale. "Technology Insight for Software Composition Analysis." Gartner, 1 November 2019.