FENWICK & WEST

How is a Direct Listing Different From a Traditional IPO?

	Direct Listing	Traditional IPO
Financial Advisors Role & Underwriting Process	Company registers for resale existing outstanding shares without an investment bank underwriting the stock	Company sells shares to an investment bank who then sells the shares to investors
	Financial advisors do not plan and participate in investor meeting	Underwriters plan and participate in investor meetings
	Company pays flat fee to Financial Advisor	Company pays underwriters a commission on sale of shares (typically 7% in an IPO)
Share Registration & Plan of Distribution	No new shares are created and no capital is raised	New shares issued by company and/or sold by existing investors
	Gap between effectiveness of registration statement and trading of stock due to regulatory and logistical issues	Stock begins trading on day immediately following effectiveness of registration statement
Stock Pricing & Trading Activity	Prospective purchasers of shares place orders with their broker of choice at whatever price they believe is appropriate	Purchases by initial investors made at IPO price set by company
	Market-driven price discovery	Book-building during IPO roadshow
	Existing stockholders have access to immediate liquidity (no lock-up)	Existing stockholders subject to underwriter lock-up (usually 180 days)
Investor Education & Guidance	Publicly streamed “Investor Day”	Meetings with institutional investors during IPO roadshow
	Ability to provide public-company style financial guidance	Limited in ability to provide financial guidance due to liability concerns
	No information sharing with research analyst	Research analysts assist with investor education