The Pros and Cons of a Direct Listing

Pros	Cons
Greater liquidity for existing stockholders and option/RSU holders	Opening stock price will be completely subject to market demand and potential market swings; No ability of company and board to set price for shares
Equal access for all buyers and sellers	Less control over investors buying shares
Greater transparency	No additional capital raised by company
Ability to provide public-company style guidance	More comprehensive investor education needed – no traditional IPO roadshow to tell story to investors and no research analyst information sharing
No dilution to existing stockholders	May end up paying more to financial advisors than would have in standard IPO underwriting fees
No lock-up restrictions	Limited by the number of shares company employees and existing investors choose to sell on the open market
Reduced IPO-related documentation (e.g., no underwriting agreement)	Potential to miss out on participation by long-term or large investors as would be typical in an IPO process
No FINRA review process	Financial advisors do not plan and participate in investor meetings
“Well-trodden” path from an SEC and stock exchange perspective due to Spotify and Slack	Logistical and communication hurdles in getting shares ready for trading upon listing
Cost of capital cheaper in subsequent offerings	D&O insurance more expensive