Overview of Pathways to Going Public

This chart presents a high level overview of pathways for private companies to become public.

	Traditional Initial Public Offering (IPO)	Direct Listing	Special Purpose Acquisition Company (SPAC) Merger[1]
Offering Overview	A private company raises capital by selling newly-issued shares to investment banks (underwriters), which they then sell primarily to institutional investors.	A private company becomes public, typically without raising new funds in the process, by allowing existing shareholders to sell shares directly to the public.	A SPAC goes public as a shell company using an IPO. Generally within 2 years, the SPAC combines with a private company via a de-SPAC merger, with the resulting company becoming public and receiving a combination of the SPAC's IPO proceeds and additional capital from a private financing.
New Capital Raised	Yes	Typically no	Yes
Shareholder Dilution	Yes	Typically no	Yes
Shareholder Lock-Up	Typically 180 days	Typically none	Typically 180 days (may be longer for some shareholders)
Investor Selection	Broadest initial investor selection	No investor selection	Limited investor selection
Investment Bank Role	Leads diligence as underwriter	Limited role as financial advisor (issuer leads diligence)	M&A advisor for target and additional roles for SPAC (SPAC leads diligence)
Marketing/ Roadshow	Yes	No	No
Speed/Timeline	Typically longer	Typically longer	Typically shorter
Key Decision-Factors	• Financial disclosure focuses on historical performance • Underwriter transaction fees • Cost of capital with IPO discount	• Financial disclosure focuses on historical performance • Trading volume challenges • Potentially lower transaction fees	• Financial disclosure has often included forward-looking information • Pricing certainty • Sponsor transaction fees • Cost of capital and warrants
SEC Disclosure Form	S-1	S-1	S-4, and Super 8-K
Execution Conditions	Market conditions + underwriter guidance	Market conditions	SPAC shareholder approval + redemptions
Typical Size of Company	Varies significantly	Historically large, consumer-facing companies	Target size varies significantly, typically larger private companies

For more information on the offering types and risks investors should consider, visit www.investor.gov.

This overview was prepared by the SEC's Office of the Advocate for Small Business Capital Formation at the request of the SEC's Small Business Capital Formation Advisory Committee. It is not a rule, regulation, or statement of the SEC, and the Commission has neither approved nor disapproved its content.

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[1] This chart is focused on the pathway for an operating company to become a public company, and not on the IPO of the sponsor-led SPAC vehicle. For more information on SPAC offerings, see the SEC's recent Investor Bulletin What You Need to Know About SPACs.