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Recent Insight into the IPO Market

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Foreword

As we enter Q4 2025, the U.S. IPO market stands at a pivotal moment. After a prolonged drought in 2022–2023, the market has rebounded sharply in 2025, with 201 IPOs already priced year-to-date — nearly matching the 225 for all of 2024. The SEC's pipeline is robust, with over 70 companies currently under active review and more than 100 expected to file or update prospectuses before year-end.

Momentum is building for a strong Q4. Recent blockbuster IPOs — Tether, Circle, Chime, Corweave and Klarna — have not only priced successfully but delivered strong aftermarket performance. Circle's shares surged over 500% post-listing, Chime jumped 59% on debut, and Coreweave more than doubled, signaling renewed investor appetite for high-growth fintech and AI infrastructure plays. Klarna and Stubhub have also demonstrated that consumer and marketplace models can still command premium valuations when fundamentals are sound.

Looking ahead, the market's attention is riveted on two giants: Databricks and Stripe. These "big kahunas" are widely expected to launch their IPOs in the coming months, and their performance will likely set the tone for the entire tech and fintech sector. If successful, they could open the floodgates for dozens of other late-stage unicorns waiting in the wings.

What's driving this resurgence?

- Aftermarket strength: Median first-day returns for 2025 IPOs are above 20%, with tech and fintech deals leading the way.
- Sector rotation: AI, fintech, and cloud infrastructure dominate the pipeline, while cross-border listings remain strong.
- Market readiness: Companies are better prepared, with realistic pricing and a focus on profitability and sustainable growth.
- Liquidity needs: The secondary market is robust, but public listings are once again the preferred path for scale and visibility.

Outlook:

With over 70 IPOs in the SEC queue and a strong finish expected for Q4, we anticipate 40–60 IPOs to price before year-end, barring major macro shocks. The performance of Databricks and Stripe will be closely watched as bellwethers for the broader market. For boards and management teams, the message is clear: be ready, be flexible, and move quickly when the window opens.

This book provides a comprehensive guide to the current IPO landscape, including lessons from recent deals, regulatory updates, and practical strategies for navigating the path to public markets in late 2025 and beyond.

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State of Capital Markets for Public Companies:

A Comprehensive Look at the Technology, Clean Energy, and Life Sciences Sectors in 2025

October 1, 2025

Executive Summary and Key Takeaways

As a Silicon Valley corporate lawyer advising high-growth companies and their boards, I have seen firsthand how capital strategy, disclosure, governance, and litigation risk all intersect. In today's market, emerging growth companies, whether focused on the technology, clean energy, or life sciences sectors, must work within multiple, complex financing structures, each with its own legal frameworks, financial reporting obligations, and reputational implications.

The U.S. capital markets have undergone a significant transformation from 2019 to 2025, experiencing extreme volatility, regulatory uncertainty, and the emergence of innovative financing structures. Following the unprecedented boom of 2021, when IPO proceeds reached $155.8 billion, and the subsequent contraction in 2022-2023, the market has been in a period of selective recovery and structural adaptation.

As of mid-2025, technology, clean energy, and life sciences companies are experiencing an increasingly complex landscape of financing options. Traditional IPOs have raised more than $30.8 billion through September 30, 2025.

What 2025 presents, in my albeit opinionated view, is a market of selective access. The capital is there, but only for the prepared, the credible, and those who choose the right instrument for the right moment. In this environment, optionality beats perfection, liquidity beats price, and readiness beats hope.

The capital markets landscape of 2025 represents both continuity and change from historical norms. While traditional IPOs remain important for establishing public currency and achieving liquidity, the proliferation of alternative financing mechanisms provides companies with unprecedented flexibility in accessing capital.

The technology, clean energy, and life sciences sectors each face distinct challenges and opportunities. Technology companies must demonstrate sustainable business models and paths to profitability. Clean energy firms benefit from policy support but require patient capital for long development cycles. Life sciences companies must carefully consider the timing of capital raises around clinical and regulatory milestones.

Looking forward, successful navigation of capital markets will require sophisticated understanding of products, careful preparation across multiple workstreams, and strategic timing of market entry. Companies that invest in readiness, maintain flexibility in structure selection, and execute with experienced advisors will be best positioned to capitalize on improving market conditions.

The remainder of 2025 and into 2026 promises to be a period of continued recovery and innovation in capital markets. While unlikely to reach the exuberant heights of 2021, the market is establishing a new equilibrium that balances investor protection with capital formation efficiency. Companies that understand these dynamics and prepare accordingly will find receptive markets for well-structured transactions at appropriate valuations.

As we progress through this transitional period, the convergence of traditional and alternative financing methods will continue, creating hybrid structures that combine the best features of multiple products. This evolution, combined with regulatory modernization and technological advancement, suggests that despite recent challenges, the U.S. capital markets will maintain their position as the premier destination for growth company financing.

The path forward requires careful navigation but offers substantial opportunity for prepared companies with compelling value propositions. By understanding the comprehensive landscape of financing alternatives, regulatory requirements, and market dynamics outlined in this survey, companies can make informed decisions that optimize their capital structure while positioning for long-term success in the public markets.

In 2025, public capital markets can still be your ally, but only if you respect their pace, their rules, and their cycles. My counsel after 25 years in these trenches: be ready, be flexible, and never assume the window will still be open tomorrow.

The following comprehensive, multi-part report examines the current state of capital markets products, regulatory requirements, cost structures, and provides strategic guidance for companies considering public market transactions in the remainder of 2025 and beyond so boards can make informed, compliant, and strategic decisions.

YTD IPO Volume	Active SPACS	Alternative Financing	Avg. IPO Performance
$27.1B	287	$145B	+31.2%

Before We Get Started – Making Sense of the Jargon

Before we dive deep into the subject, to put us all on the same page, let's put some definition around the jargon.

- **Primary Offering:** a public offering of securities directly by a company, sometimes referred to as "the issuer." The company or issuer receives the proceeds.
- **Secondary Offering:** a public resale offering by stockholders of the company or issuer; the proceeds of the offering are received by the stockholders, rather than the company.
- **Follow-on Offering:** a public offering after an IPO, which could be a primary offering with proceeds to the company or a secondary offering with proceeds received by the stockholders, or some combination of both. Most follow-on offerings are typically registered with the SEC on either Form S-1 or Form S-3. In rare instances, there can be a private follow-on offering, which is typically exempt from registration in reliance on Rule 506(b).
- **Form S-1:** refers to the long-form registration statement used for initial public offerings and other transactions for which a short-form registration statement is not available. Issuers cannot affect an at-the-market primary offering on Form S-1 (but secondary offerings can be effected on Form S-1).
- **Form S-3:** refers to the short-form registration statement that incorporates much information by reference to longer periodic reports filed by public companies. A Form S-3 can be a shelf-registration statement for a delayed, at-the-market primary offering of various securities, sometimes referred to as a "universal shelf." It can only be used by issuers that have been reporting companies for one year or more with a non-affiliated market cap of at least $75 million. Baby shelf rules permit smaller issuers to issue up to one-third of non-affiliate market cap per year. These limitations do not apply to secondary offerings by listed companies.
- **PIPE:** refers to a private investment in public equity, usually coupled with an obligation of the issuing company to file a "resale registration statement" to enable the PIPE investors to sell into the market at a later time. PIPEs are generally considered an expensive way to raise capital. Issuers are usually companies that could not raise capital through a traditional public offering or "shelf takedown." Investors are typically institutional or accredited investors. PIPE investors enter into private purchase agreements to acquire securities at a fixed price. Securities cannot be immediately resold because they are "restricted securities." PIPEs are often made through a placement agent. The investor is granted registration rights that require the issuer to file, soon after closing the offering, a resale registration statement, and have it declared effective. The security sold in the PIPE can be common stock, convertible preferred stock, convertible notes, warrants, or other securities. Transaction counterparties sometimes structure IPEs to involve some combination of the foregoing, with warrants being regular, contingent, funded, or unfunded. Notes can be amortizing or not. Structured PIPEs may involve terms, restrictions, consent rights, anti-dilution provisions, optional, and mandatory conversion and redemption features, and preemptive and board designation rights. Definitive documents usually consist of a common stock purchase agreement (or securities purchase agreement), registration rights agreement, and maybe a form of convertible note and or warrant. To market a PIPE, a private placement agent or underwriter will need to "cross the wall" and comply with Regulation FD. Transactions must be immediately announced on Form 8-K so the investor does not have material non-public information.

Benefits of a PIPE include:

- Alternative source of capital which can be obtained quickly notwithstanding the public market environment
- Confidential marketing process
- Typically, lower transaction expenses than registered offerings
- Relatively limited offering documentation that has become fairly standardized
- Continued control over shareholder base (assuming friendly investor)

Downsides of PIPEs include:

- More expensive capital than a traditional public offering because of resale restrictions (e.g., an illiquidity discount is priced in). Investors in a PIPE traditionally get a discount on the market price of the stock which could be in a range of 20% or more.
- Failing to timely file or obtain effectiveness of the resale registration statement can result in monetary penalties
- Investor-specific covenants and control over company actions in certain types of structured transactions

Restrictions on implementing PIPEs can include:

- The ubiquitous “20% rule,” a stock exchange rule which requires the company to solicit stockholder approval before the issuance of securities in a private placement if the amount of common stock issued (or the amount issuable as a result of the conversion) exceeds 20% of the issuer’s outstanding stock (not fully diluted), unless the stock is issued at a price that equals or exceeds the minimum price (e.g., the market price) of the stock, subject to some exceptions.
- SEC Rule 415, a rule by which the SEC can challenge a secondary offering as essentially being a primary offering disguised as a secondary offering.
- Individual ownership limits. PIPE investors seek to avoid beneficial ownership limits that could trigger a Schedule 13D or 13G filing, so parties use “conversion blockers” and “prefunded warrants” to address ownership issues.

Convertible Notes: are different in the public company context than in the start-up world or in Rule 144A offerings, and can be used by either private or public companies. Potential terms include:

- Principal
- Interest
- Maturity date
- Events of default
- Amortization, pay-in-kind or PIK features and PIK interest
- Secured or unsecured
- Conversion price and conversion price adjustments
- Registration rights
- Affirmative and negative covenants
- Minority holder rights

RDO: refers to a “registered direct offering,” which is a public offering sold by a placement agent on a best-efforts basis, rather than on a firm commitment basis. An RDO is marketed and sold much like a PIPE, but issuing shares by the issuer is registered, so that subsequent registration of the securities issued in the offering is not required. The securities issued in an RDO are usually registered on a Form S-3 universal shelf registration statement, but they can also be done on a Form S-1 (known as a “bullet registration statement”).

CMPO: refers to a “confidentially marketed public offering.” A CMPO is an underwritten registered public offering made under an S-3 shelf registration statement under which the underwriter confidentially markets the offering to a select group of wall-crossed institutional investors, often on an overnight basis. Sometimes, the CMPO is marketed to the public for a short period following the confidential marketing effort.

ATM: refers to an “At-the-Market Offering”, where a listed company sells newly issued shares into an existing trading market through a designated sales agent at market prices. The sales agent may act on an agency basis or a principal (firm commitment) basis, but in recent times, more typically on an agency basis. Sales are consummated as ordinary brokers’ transactions. No special selling efforts are needed (e.g., no roadshows or other active solicitation). There is no advance commitment to size, price or timing. ATMs are used when companies frequently need capital in small amounts. REITs and healthcare companies are frequent users of this product. To establish an ATM, a company would file a Form S-3 registration statement, whereby the full ATM program would count against the one-third limitation under the “baby-shelf” rules. The transaction is often documented through an equity distribution agreement with one or more sales agents, including standard indemnification, reps and warranties, legal opinions, certificates, and a cold comfort letter from the audit firm. There would be a base prospectus, a prospectus supplement describing the specific ATM program (if a takedown from a universal shelf), and a Form 8-K would be filed with the signature of the equity distribution agreement, and sales would be reported in quarterly reports on Form 10-Q and 10-K. As sales agents have Section 11 liability, they will perform the same due diligence as an underwriter, with diligence updated quarterly.

Equity Lines: refer to the entry by a registered public company into a purchase agreement with an investor that gives the issuer the right to “put” its securities to the investor at a price based on a discount to the market-price of the issuer’s stock at the time of the put. The shares are deemed issued in a private placement that is deemed to be completed once the purchase agreement is signed. The issuer agrees to file a registration statement for the resale of the shares sold under the purchase agreement. Effectiveness of the registration is one of many conditions on the ability of the issuer to sell the shares. The SEC has imposed narrow limitations on the use of equity lines, where an investor cannot decide not to purchase the shares. They are highly dilutive, often used by companies unable to access the ATM market (because they cannot use a Form S-3). They can contribute to stock price volatility, as the market views them as a financing of last resort.

Rule 144A Offering: refers to a private placement to an “initial purchaser” or “underwriter,” who then reoffers and sells the restricted securities to qualified institutional buyers. Rule 144A provides investors with a way to resell securities in efficient, secondary market transactions, as long as they sell only to “qualified institutional buyers” or “QIBs.” QIBs do not need the protection of registration under the Securities Act, and can fend for themselves. This can be similar to a registered transaction without the time delay imposed by registration with the SEC. The buyers typically will have registration rights, or the issuer will conduct a registered exchange offer to exchange new securities registered with identical terms for the Rule 144A securities.

Rule 144A/Reg S Offering: refers to a private placement to QIBs (Rule 144A) and non-U.S. persons offshore (under Regulation S under the 1933 Act).

Part I: Market Evolution and Current Landscape

Historical Context: The 2019-2025 Journey

From 2019 to 2025, we have experienced one of the most dynamic eras in U.S. capital markets history. The steady growth in 2019, when 235 IPOs raised $65.4 billion, established a baseline for what would become an extraordinary boom-bust cycle.

From 2020 to 2021 we saw record-breaking activity, driven by pandemic-era monetary stimulus, retail investor participation, and the SPAC phenomenon. The market peaked in 2021 with 416 traditional IPOs raising $155.8 billion, while SPAC IPOs exploded to 613 transactions raising $162.5 billion.

The key characteristics of this period included:

- Valuation exuberance with companies achieving unicorn status at accelerated rates
- Democratization of investing with retail participation through commission-free platforms
- SPAC proliferation that included celebrity sponsors and compressed timelines
- Sector rotation from pandemic beneficiaries to reopening plays

Then a correction came swiftly in 2022, as rising interest rates, inflation concerns, and geopolitical tensions drove the most severe contraction since 2008. IPO activity drastically fell to just 71 deals raising $7.7 billion, while SPAC activity virtually ceased amid regulatory scrutiny and poor de-SPAC performance.

However, a recovery began in 2024, with IPO proceeds increasing 45% to $41.4 billion across 231 transactions. The first nine months of 2025 have shown continued momentum, though with notably different characteristics than the boom years. Investors now prioritize profitability over growth, proven business models over speculation, and sustainable unit economics over total addressable market narratives.


IPO Market Trends 2019-2025
Deal Volume
Proceeds
By Sector
IPO Count
SPAC IPOs
700
600
500
400
300
200
100
0
2019
2020
2021
2022
2023
2024
2025E


IPO Market Trends 2019-2025
Deal Volume
Proceeds
By Sector
IPO Proceeds ($B)
SPAC Proceeds ($B)
180
160
140
120
100
80
60
40
20
0
2019
2020
2021
2022
2023
2024
2025E


IPO Market Trends 2019-2025
Deal Volume
Proceeds
By Sector
Technology ($B)
Life Sciences ($B)
45
40
35
30
25
20
15
10
5
0
2019
2020
2021
2022
2023
2024
2025E

Current Market Dynamics

In 2025 we are seeing several key themes define capital markets:

- **Selective Appetite** - Investors are demonstrating strong interest in quality companies, while maintaining strict valuation discipline. Multiples of forward earnings are more attractive for investors in 2025, and they are responding with demand.
- **Sector Concentration** – Companies in the technology, clean energy, and life sciences sectors account for a substantial portion of IPO activity, with artificial intelligence, renewable energy infrastructure, and cell/gene therapy companies attracting premium valuations.
- **Alternative Prominence -** Non-traditional financing methods now represent a larger share of total capital formation than IPOs, with companies increasingly turning to hybrid structures and staged capital-raising strategies.
- **Regulatory Clarity** - The SEC's comprehensive SPAC rules, effective July 2024, have created a more standardized framework, while enhanced disclosure requirements have improved transparency across all transaction types.

Geographic and Cross-Border Trends

The U.S. markets continue to attract international issuers, with cross-border IPOs making up two-thirds of total offerings in Q2 2025. Chinese companies are selectively returning to the IPO market, focusing on consumer sectors, rather than technology, to manage regulatory sensitivities. European technology companies are increasingly choosing U.S. listings for deeper capital pools and higher valuations, while Latin American growth companies are utilizing dual-listing structures.

Key Performance Indicators for Emerging Growth Companies Looking to Go Public

When is the right time for an emerging growth company to seek to go public? Achievement of key performance indicators over the past eight quarters, with visibility to achievement over the next eight quarters, with some indication of a new product or new market that could enable the company to outperform, are often the criteria separating success from failure. KPIs are wildly different by sector, and in this summary, we will explore them for each.

Technology Sector

Tech companies, especially in software, AI, and SaaS, are often evaluated on growth velocity and scalability:

KPI	Description
Annual Recurring Revenue (ARR)	Strong ARR growth (e.g., >40% YoY) is a key metric for SaaS and cloud companies.
Gross Margin	Typically, >70% for software; indicates scalability and profitability.
Customer Acquisition Cost (CAC) vs. Lifetime Value (LTV)	Healthy LTV/CAC ratio (>3x) shows efficient growth.
Net Revenue Retention (NRR)	>120% is ideal; shows upsell and customer stickiness.
Burn Multiple	Measures capital efficiency; ideally <2x in pre-IPO stage.
Rule of 40	Growth rate (in revenue) + profit margin ≥ 40% is a benchmark for healthy growth.

Tech companies are expected to show strong unit economics and scalability before IPO. Investors tolerate losses if growth is exponential and efficient.

Clean Energy Sector

Clean energy companies are capital-intensive and often evaluated on project pipeline and regulatory alignment:

KPI	Description
Project Backlog & Pipeline	Size and maturity of energy projects (solar, wind, hydrogen, etc.).
Capacity (MW) Under Development	Indicates future revenue potential.
Regulatory Approvals	Permitting status and alignment with incentives (e.g., IRA subsidies).
Carbon Offset Metrics	Tons of CO_2 avoided or captured.
Levelized Cost of Energy (LCOE)	Competitive LCOE compared to fossil fuels.
Funding Secured	Government grants, tax credits, and private capital.

Clean energy IPOs often hinge on regulatory tailwinds and infrastructure readiness. Profitability may be deferred in favor of long-term impact.

Life Sciences Sector

Life sciences companies are judged on clinical progress and IP portfolio strength:

KPI	Description
Clinical Trial Milestones	Phase I–III progress and FDA interactions.
Intellectual Property (IP)	Patents filed and granted, exclusivity periods.
Pipeline Breadth	Number of drug candidates or diagnostic platforms.
Time to Market	Estimated timeline to commercialization.
Strategic Partnerships	Collaborations with pharma or academic institutions.
Cash Runway	Ability to fund operations through key milestones.

Life sciences IPOs are often pre-revenue, functioning as a continuation of the venture capital financing cycle. Investors focus on scientific validation, regulatory strategy, and IP defensibility.

Comparative Summary

KPI Category	Technology	Clean Energy	Life Sciences
Revenue Growth	Critical	Emerging	Often not applicable
Profitability	Expected post-IPO	Deferred	Deferred
Regulatory Risk	Moderate	High	Very High
Capital Efficiency	Essential	Less emphasized	Important for runway
IP Portfolio	Once critical, now only optional	Rare	Essential
Market Timing	Fast cycles	Long cycles	Milestone-driven

My Take

If you are the CEO, CFO, or a board member of a publicly listed company in **technology**, **clean energy**, or **life sciences**, here is your reality:

- Your funding runway is your true balance sheet. If you are within six months' liquidity from breaching covenants or slowing strategic programs, you are already negotiating from a position of weakness.
- Regulatory burden is real and growing. The SEC's 2023–24 rulemakings on climate disclosure, cybersecurity, and SPACs have not simplified your life.
- The window is fickle. Equity and debt issuance capacity is opening and shutting with macro data, Fed whispers, and sector momentum. You must be "file ready" 365 days a year.
- Smaller publics are disadvantaged. Exchange rules, float thresholds, and analyst coverage desertion have left sub $2 billion market cap stocks in structural financing purgatory.

Part II: The Current State of Play and Recommendations for Reform

Structural and Regulatory Reforms Needed

Despite a historic backlog of exceptionally strong emerging growth companies in the technology, clean energy, and life sciences sectors, initial public offerings have suffered a significant decline over the past 25 years. On average, the past 25 years have seen just 135 IPOs per year, a third of the activity witnessed in the 1990s. Additionally, the number of publicly listed U.S. companies has halved since 1996 due to the increasing costs of maintaining a public listing and the broader economic environment.

- Reinstate 500 Holder Threshold for Going Public: The JOBS Act of 2012 removed a key impetus for companies to go public by increasing the stockholder threshold that triggers public registration. Rather than stimulate thee IPO market, the JOBS Act enabled many companies to stay private longer, or indeed, indefinitely. The change certainly boosted private capital formation, but indefinitely delayed the process of going public. With fewer companies choosing to go public, the pool of investable U.S. equity focuses on larger cap stocks, reducing liquidity and removing price signals that reflect public-market scrutiny. Earlier public listings would bring broader transparency, improve governance, shareholder rights and corporate accountability. A larger, more diverse roster of public companies would support a healthier IPO window. It would also enable earlier access to a fungible equity path to help employees monetize holdings, improve retention and align with growth objectives.
- Decimalization of Trading: The shift to penny-based commissions reduced brokers' margins, leading them to focus on larger public companies at the expense of smaller ones. Should the rules on commissions be reframed to enable larger commissions for emerging growth companies that have gone public, or has the train left the station?
- Global Analyst Research Settlements: These 2003 agreements between Wall Street banks and regulators made research coverage for smaller public companies prohibitively expensive. Should new rulemaking foster and encourage analyst research on emerging growth companies that go public?
- Brokerage Concentration: The consolidation of brokerage activities in large banking corporations has marginalized smaller public companies. Should FINRA make it easier for broker dealers to become licensed or to make a market in emerging growth companies that have gone public?
- Regulatory Burdens: Laws like the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010 have significantly increased compliance costs, making the IPO process more expensive and burdensome, particularly for smaller companies. Should some of the expensive regulatory compliance burdens be rolled back?
- Rise of Private Capital: The growth of private equity and other private capital sources has reduced the incentive for companies to go public. Should there be a forcing function for emerging private companies with a billion dollars or more of valuation or capital raised be forced to publish their financial statements, for example?
- Shift to Passive Investing: The move from active to passive investment strategies has favored large-cap companies, further marginalizing smaller firms. How can we level the playing field for emerging growth companies that go public to compete for capital allocation?

These factors have led to a U.S. equity market dominated by the largest companies, often called the "seven sisters" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla). Without structural reforms, these trends are likely to continue, posing challenges for the broader market and the U.S. economy's capacity for innovation and job creation.

From my vantage point, as a Silicon Valley lawyer trying to stimulate the innovation economy, the following are additional recommendations for regulatory reform of the U.S. capital markets:

1. Reinstate the 500-stockholder registration trigger. There needs to be an on-ramp to the IPO market.
2. Extend EGC scaled disclosure to 10 years because cost savings matter.
3. Lower the S-3 float threshold to $50 million. Keep shelves alive for small/mid-caps.
4. Rationalize the 20% Rule so that well covered issuers have flexibility without a three to four month shareholder vote.
5. Incentivize small cap liquidity and allow exchange tiered rebates for market maker participation.
6. Expand 144A access and allow more sophisticated capital pools that expand depth.
7. Expand the Private Securities Litigation Reform Act to protect against frivolous lawsuits.
8. Harmonize ESG/climate disclosure and cut duplicative state/federal/EU costs.

If implemented, we would see more IPOs, more resilient small cap publics, and innovation capital flowing more efficiently.

Part III: Comprehensive Product Analysis

Traditional Equity Offerings

Initial Public Offerings (IPOs)

The traditional IPO remains the gold standard for companies seeking public market access, despite its complexity and cost. The process typically spans six to twelve months and involves extensive preparation across multiple workstreams:

- Financial preparation: Three years of audited financials (two for EGCs), implementation of SOX-compliant controls, establishment of public company reporting infrastructure
- Corporate governance: Independent board recruitment, committee formation, executive compensation restructuring
- Legal and regulatory: S-1 drafting and SEC review process, state blue sky compliance, exchange listing applications
- Marketing and distribution: Roadshow presentation development, institutional investor targeting, retail allocation strategies

Cost structures for traditional IPOs have evolved significantly. Underwriting fees, while still representing the largest component at four to seven percent of proceeds, have compressed for large, high-quality issuers. However, fixed costs have increased due to enhanced regulatory requirements and the need for sophisticated investor relations capabilities.

Follow-On Offerings

Secondary offerings by already-public companies provide growth capital and liquidity for existing shareholders. The market has seen increased activity in 2025, with companies taking advantage of recovered valuations to strengthen balance sheets. Key considerations include:

- Timing relative to earnings announcements and lock-up expirations
- Impact on existing shareholder base and index inclusion
- Use of proceeds messaging and growth narrative reinforcement

Alternative Public Offerings

Once a public listing is achieved, companies have access to a variety of capital markets products, each with distinct characteristics:

- PIPEs (Private Investment in Public Equity) offer quick access to capital but may involve discounts and warrants.
- RDOs (Registered Direct Offerings) are similar but registered with the SEC, providing more transparency.

- CMPOs (Confidentially Marketed Public Offerings) allow issuers to gauge investor interest before filing. Rule 144A offerings target qualified institutional buyers and are exempt from SEC registration.
- De-SPAC transactions involve merging with a special purpose acquisition company, while RTOs are reverse mergers with public shells.
- ATM offerings and equity lines provide flexible capital raising options. Debt products include investment grade (low risk), high yield (higher returns), and crossover debt (between investment grade and high yield).

We examine these in greater detail below.

Private Investment in Public Equity (PIPE)

PIPE transactions have become increasingly sophisticated, with structures ranging from traditional common stock purchases to complex convertible instruments with price adjustment mechanisms. The 2022-2023 period saw approximately 1,200 PIPE transactions raising $74 billion, with activity continuing robustly into 2025.

Key advantages include:

- Execution speed (two to eight weeks vs. six to twelve months for IPOs)
- Certainty of pricing and proceeds
- Ability to select strategic investors
- Reduced market risk during volatile periods

Common structures now include:

- Traditional PIPE: Direct purchase at fixed price
- Structured PIPE: Convertible securities with price protection
- Strategic PIPE: Includes commercial agreements or board representation
- PIPE with warrants: Provides upside participation for investors

In 2025, PIPEs remain a go to for speed and discretion. They work when you have a friendly institutional base or strategic investor. They are less ideal when you need broad market validation. Discounts are unavoidable; in a flat or rising tape, they can be palatable; in a falling tape, they punish the remaining holders. My advice: Use PIPEs to bridge catalysts, not as recurring lifelines.

Registered Direct Offerings (RDO)

RDOs combine the speed of PIPE transactions with the liquidity benefits of registered securities. Institutional investors receive freely tradeable shares, eliminating the discount typically required for restricted securities. Execution is as fast as a PIPE if you have an effective shelf and a ready buyer. But you must manage Reg FD and avoid selective disclosure landmines.

The structure has gained popularity among small and mid-cap companies, particularly in the life sciences sector where capital needs are ongoing but unpredictable. The optics are cleaner than a PIPE, and pricing can be firmer.

Confidentially Marketed Public Offerings (CMPO)

CMPOs represent an evolution in public offering technology, allowing companies to gauge institutional demand before public announcement. The structure has become popular for companies with volatile trading or those seeking to minimize market disruption. The two-phase process involves:

1. Confidential marketing phase: Wall-crossed institutions provide feedback and soft commitments
2. Public offering phase: Compressed public marketing period with pre-built book

The Confidentially Marketed Public Offering is a surgeon's scalpel: fast, precise, and unforgiving if wielded poorly. It is my top choice for a shelf-eligible issuer with upcoming good news that can be floated with select investors before going public.

Success factors for CMPOs include strong institutional relationships, compelling equity stories, and favorable market windows. Failed CMPOs that never reach public announcement avoid the negative signaling of withdrawn traditional offerings.

Warning: Do not use this tool in a rumor laden environment. Leaks kill CMPOs.

Special Purpose Acquisition Companies (SPACs)

The party is over for speculative SPACs. The deals that now work are those that look like traditional IPOs in diligence and disclosure, but involve a SPAC shell. Yes, SEC review is intense. Yes, redemptions can gut your trust proceeds. But for the right cross border or complex story issuer, it's still viable. See my piece on "SPAC 4.0" here.

SPAC IPOs and Market Evolution

The SPAC market has stabilized at sustainable levels following the 2021 bubble and subsequent correction. Current market dynamics include:

- Quality sponsors: experienced operators with sector expertise replacing celebrity sponsors
- Improved structures: enhanced investor protections, including overfunding and forward purchase agreements
- Realistic valuations: de-SPAC transactions at reasonable multiples with achievable projections
- Sector focus: concentration in capital-intensive industries benefiting from patient capital

The SEC's January 2024 final rules fundamentally altered the SPAC landscape by:

- Requiring target companies to assume co-registrant liability
- Mandating enhanced sponsor compensation disclosure
- Implementing 20-day minimum dissemination periods
- Aligning financial statement requirements with traditional IPOs

De-SPAC Transactions

De-SPAC execution has become increasingly complex, with successful transactions requiring:

- Comprehensive investor education on target company fundamentals
- Significant PIPE commitments to offset redemptions
- Realistic projections with achievable milestones
- Strong post-merger integration planning

At-The-Market (ATM) Programs

ATM offerings have emerged as a critical tool for public companies requiring financing flexibility. This structure allows companies to sell shares directly into the market through designated broker-dealers, providing several advantages:

- Market timing: ability to raise capital during favorable windows
- Price optimization: sales at prevailing market prices without discounts
- Minimal disclosure: no deal-specific disclosure requirements
- Cost efficiency: lower fees than traditional offerings

Life sciences companies have been particularly active users. The ability to raise capital incrementally as clinical milestones are achieved aligns funding with value creation.

ATMs are my favorite back pocket instrument for mid cap tech and life sciences. It is patient capital — you draw as the market allows. But beware: over reliance signals desperation. My counsel: pair an ATM with an announced strategic milestone so draws are masked by liquidity spikes.

Equity Line Financing

Equity lines provide committed capital that companies can draw upon over time, typically 12-24 months. Unlike ATMs, equity lines involve firm commitments from institutional investors, providing certainty of capital. Key structural features include:

- Commitment amounts: typically, $10-100 million for small/mid-cap companies
- Pricing mechanisms: usually based on VWAP with small discounts (three to five percent))
- Draw limitations: daily volume restrictions and minimum price thresholds
- Registration requirements: requires effective resale registration statement

These are misunderstood. The stigma of “toxic” structures was real in the 2000s. Modern equity lines with credible, repeat counterparties can be efficient — but *only* if disclosed and managed with discipline. Boards must demand transparency into draw triggers.

Rule 144A Private Placements

The ability to privately place to QIBs without SEC review is a high-speed lane — but remember, you will often need to file an 8 K for material terms, and you must manage information flow to avoid leaks.

Quietly, convertibles have become a lifeline for sectors like clean energy and SaaS. 144A allows you to tap deep pools of debt equity crossover funds without a full SEC filing at offer. Remember — in 18–36 months, you may face a wall of maturities if equity markets aren’t hospitable.

Comparative Table of Capital Markets Products

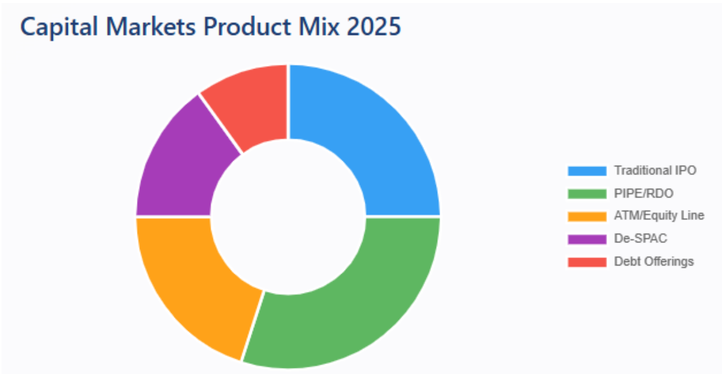
The following table sums up the key differentiating factors of these products:

Product	Disclosure Level	SEC Filing	Timeline	Cost	Investor Type
PIPE	Low	8-K	2–4 weeks	Low	Institutional
RDO	High	S-3	4–6 weeks	Medium	Public
CMPO	Medium	S-3	3–5 weeks	Medium	Institutional
Rule 144A	Low	None	2–3 weeks	Low	QIBs
de-SPAC	High	S-4	3–6 months	High	Public
RTO	Medium	8-K	2–3 months	Medium	Public
ATM	Medium	S-3	Ongoing	Low	Public
Equity Line	Medium	S-1/S-3	Ongoing	Low	Institutional
Investment Grade Debt	High	S-3	2–4 weeks	Low	Institutional
High Yield Debt	High	S-1 or 144A followed by S-4 for A-B exchange offer	4–6 weeks and then 3-6 months	Medium	Institutional
Crossover Debt	High	S-1/S-3	3–5 weeks	Medium	Institutional

What market forces are driving the utilization of these products?

- PIPEs and CMPOs dominate sub-$500M issuers due to speed and flexibility.
- RDOs remain viable for seasoned issuers with effective shelves.
- Rule 144A offerings are increasingly used for structured debt and pre-IPO bridge rounds.
- RTOs and de-SPACs face heightened disclosure and litigation scrutiny.

What is the total mix of these products across the capital markets by volume? This infographic divides up the pie.



Part IV: Debt Capital Markets

Equity is only part of the story. History reminded us in 2022 that a zero interest rate policy was not to be forever. In response to a surge (some say a scourge) of inflation, beginning in January 2022, the Federal Reserve tightened the cost of money faster and steeper than at any other point in history, both increasing the interbank cost of lending and concurrently decreasing the size of its balance sheet. The result was the return of debt capital markets as investors sought to take advantage of the increase in yield. Let us look at the debt capital markets products for public companies.

Investment Grade Debt

Investment-grade issuers have benefited from continued investor demand despite rate volatility. Current market characteristics include:

- Spreads: trading near historical tights at 90-120 basis points over Treasuries
- Duration: average 6.79 years, creating interest rate sensitivity
- Covenant packages: increasingly borrower-friendly with limited restrictions
- ESG integration: green and sustainability-linked bonds gaining market share

Technology companies with strong cash flows and clean energy companies with contracted revenues have achieved investment-grade ratings, accessing lower-cost capital than equity alternatives.

But these are relegated to highly profitable companies that long since graduated out of the “emerging growth” category.

High Yield Markets

High yield debt products have not historically been used by emerging growth companies due to the lack of a history of profitability, nor a clear path to get there. High yield debt has largely been relegated to the acquisition finance category for established public companies. For example, when a financial sponsor buys out a public tech company, it may use high yield debt to finance the transaction. Or a large tech company seeking to finance an acquisition or a product buildout on terms better than the cost of equity capital may seek to raise high yield debt.

Crossover Credit

The crossover market, spanning BBB to BB ratings, has expanded significantly as companies navigate rating transitions. This segment offers:

- Flexible structures: Ability to access both investment-grade and high-yield investors
- Transition financing: Bridge funding during credit improvement journeys
- Hybrid instruments: Convertible bonds and preferred securities
- Strategic alternatives: Private credit competition driving improved terms

Once again, crossover credit products have not historically been used by emerging growth companies due to the lack of history of profitability, and are a better option for established public tech companies that are achieving deleveraging after a buyout.

Part V: Regulatory Framework and Compliance

SEC rules applicable to capital markets transactions include Regulation D (private placements), Regulation S (offshore offerings), Rule 144A (resales to QIBs), and Form S-1/S-3 registration requirements. Disclosure obligations are governed by Regulation S-K and Regulation S-X. Stock exchange rules (NYSE, NASDAQ) require shareholder approval for certain transactions, minimum listing standards, and corporate governance compliance. For example, NASDAQ Rule 5635 requires shareholder approval for issuances exceeding 20% of outstanding shares.

SEC Registration Requirements

The regulatory landscape has become increasingly complex, with different transaction types requiring specific forms and disclosures.

Form S-1 and S-3 Requirements

The SEC filing process varies by product. PIPEs often use Form 8-K to disclose material agreements. RDOs and CMPOs use Form S-3 for shelf registration. Rule 144A offerings do not require SEC filings but must comply with antifraud provisions. De-SPAC transactions use Form S-4 and undergo full SEC review. RTOs require Form 8-K with detailed disclosures. ATM offerings use Form S-3 and update prospectus supplements. Equity lines may use Form S-1 or S-3 depending on eligibility. Debt offerings use Form S-1 or S-3 based on issuer status.

- S-1 eligibility: available to all issuers but requires comprehensive disclosure
- S-3 eligibility: requires 12-month reporting history and $75 million public float
- Baby shelf limitations: restricts primary offerings to one-third of public float for smaller companies
- Incorporation by reference: S-3 allows streamlined disclosure through periodic report incorporation

Warning: if your public float drops below $75 million, your ability to do quick shelf takedowns vanishes. For a mid-cap caught out of cycle, this can be lethal. I have had boards opt to do insider rounds to prop up float and preserve S-3 status.

Financial Statement Requirements

The SEC's Article 15 implementation has standardized requirements across transaction types:

- Age requirements: 135 days for annual, 45 days for interim periods
- Audit standards: PCAOB audits required for all public offerings
- Segment reporting: enhanced disclosure for multi-business companies
- Pro forma requirements: significant acquisition and disposition presentations

Exchange Listing Standards

NYSE and NASDAQ have implemented stricter compliance mechanisms in 2025:

Minimum Price Compliance

- Immediate delisting for non-compliance after a 360-day cure period
- Restrictions on reverse splits that trigger other listing violations
- Enhanced notification requirements (10 days for NASDAQ, up from five)

Market Value Requirements (Effective April 11, 2025)

- NASDAQ Global Market: $8 million MVUPHS from IPO proceeds only
- NASDAQ Capital Market: $5 million MVUPHS from IPO proceeds only
- Elimination of previously issued share inclusion in calculations

Corporate Governance Standards

- Independent director requirements (majority of board)
- Committee composition rules (100% independence for audit)
- Shareholder approval thresholds (20% rule for dilutive issuances)
- Related party transaction oversight

Warning: NYSE/Nasdaq require shareholder approval if you issue >20% of outstanding shares below market price. Timing a vote takes three to four months. If liquidity needs are urgent, your best paths are debt or a registered offering at market.

Disclosure and Liability Considerations

Enhanced disclosure requirements have increased preparation complexity:

- Material Contract Filing: expanded interpretation requiring more commercial agreement disclosure
- Cybersecurity Reporting: four-day disclosure for material incidents
- Human Capital Disclosure: enhanced workforce and diversity metrics
- Climate Risk Reporting: pending requirements for emissions and physical risk disclosure

Part VI: Cost Analysis and Timeline Consideration

Costs and timelines vary significantly across products. PIPEs and Rule 144A offerings are relatively quick and inexpensive. RDOs and CMPOs require more preparation and SEC review, increasing costs. De-SPAC and RTO transactions are complex and costly due to due diligence and regulatory scrutiny. ATM and equity line products offer flexibility but require ongoing compliance. Debt offerings depend on credit rating and investor appetite.

Detailed Cost Breakdowns

IPO Cost Components

Direct costs for a $100 million IPO typically include:

Underwriting Fees (4-7% of proceeds): $4-7 million

- Lead underwriter typically gets at least 20% of the gross spread
- Syndicate members typically get a 60% selling concession
- Expenses are typically 20% for roadshow and support

Professional Services: $2-4 million combined

- Legal counsel (company): >$1.5 million
- Legal counsel (underwriters): >$1 million
- Accounting and audit: >$1 million
- Financial printer: $300-$600,000

Regulatory and Listing: $500,000-1M

- SEC registration: $153.10 per $1 million in proceeds
- FINRA filing: $1.125 million as of July 2025
- Exchange listing: $150-500,000 initial plus annual fees
- Blue sky filing: $50-$100,000

Marketing and IR: $500K-1M

- Roadshow logistics: $200-$400,000
- IR firm retainer: $250-$500,000 annually
- Market research: $50-$150,000

Alternative Financing Costs

Comparative cost analysis reveals significant variations:

PIPE Transactions: 3-8% all-in cost

- Placement fee: 2-3%
- Discount to market: 5-15% (situation dependent)
- Legal and administrative: $200-$500,000

ATM Programs: 1-3% of proceeds

- Sales commission: 1-3%
- Setup costs: $100-$250,000
- Ongoing compliance: $50,000 annually

De-SPAC Transactions: Variable but substantial

- Sponsor promote: 20% dilution typical
- PIPE commitment fees: 2-5%
- Advisory and legal: $2-$5 million
- Redemption impact: Potential 50%+ dilution

Comparative Cost Analysis by Product Type

PRODUCT	TIMELINE	TOTAL COST RANGE	COST VISUALIZATION	SECTOR FIT
Traditional IPO	6-12 months	7-12% + $3-5M		Tech, Life Sciences
PIPE	2-8 weeks	3-6% total		Tech, Clean Energy
De-SPAC	4-8 months	Variable (20% dilution)		Clean Energy, Tech
ATM Program	Ongoing	1-3% commission		Life Sciences
144A Debt	4-8 weeks	2-3% fees		Tech, Clean Energy

Timeline Analysis

Transaction timelines vary significantly based on complexity and market conditions:

Traditional IPO Timeline (6-12 months):

- Months 1-2: organizational meeting, due diligence commences
- Months 3-4: S-1 drafting and financial statement preparation
- Month 5: initial SEC filing (often confidential)
- Months 6-7: SEC review and comment process
- Month 8: testing-the-waters meetings
- Month 9: public filing and roadshow
- Month 10: pricing and trading commencement

SPAC Timeline Considerations:

- SPAC IPO: 3-4 months
- Target search: 12-18 months (per SEC guidance)
- De-SPAC execution: 4-6 months
- Total timeline: 18-24 months to public listing

The Wrap on Timelines and Cost

Boards often underestimate execution timelines. Here’s my blended real-world counsel:

- **Fast lane (<2 weeks)** – ATM draws, CMPOs, RDOs, PIPEs with lined up investors
- **Mid lane (4–8 weeks)** – 144A converts, HY debt, marketed follow-ons
- **Slow lane (3–6 months)** – IPOs, de SPACs, shareholder approval requiring PIPEs

Costs:

- Legal: 0.2–0.5% for shelf takedown; 1%+ for IPO/de SPAC
- Bankers: 1–3% for debt, 3–7% for equity (negotiable on size)
- Accounting: Flat + incremental for comfort letters

Part VII: Sector-Specific Considerations

Technology Sector Dynamics

Technology companies face unique considerations in accessing capital markets:

Valuation Methodologies: Shift from revenue multiples to profitability metrics

- SaaS companies: 4-8x ARR (down from 15-20x in 2021)
- Marketplace businesses: Focus on contribution margin and take rate
- AI companies: Premium valuations but higher scrutiny on differentiation

Key Success Factors:

- Demonstrated path to profitability within 12-18 months
- Strong unit economics with improving margins
- Diversified customer base with low concentration
- Clear competitive moats and differentiation

Preferred Structures: Technology companies increasingly utilize convertible debt and structured equity to minimize dilution while maintaining flexibility for future rounds.

Clean Energy and Climate Technology

The clean energy sector has experienced renewed interest driven by federal policy support and institutional ESG mandates:

Market Drivers:

- Infrastructure Investment and Jobs Act funding
- Inflation Reduction Act tax incentives
- Corporate renewable energy commitments
- Grid modernization requirements

Capital Requirements: Clean energy projects require substantial upfront investment with long payback periods, making them ideal for patient capital structures like SPACs or infrastructure funds.

Financing Structures:

- Project finance for utility-scale developments
- YieldCos for operating assets
- SPACs for pre-revenue technology companies
- Green bonds for investment-grade issuers

Life Sciences and Biotechnology

Life sciences companies navigate unique challenges requiring specialized financing approaches:

Development Stage Considerations:

- Pre-clinical: Limited to private funding or reverse mergers
- Phase I/II: PIPE transactions and ATM programs predominant
- Phase III: IPO window opens with significant data packages
- Commercial: Full access to capital markets

Regulatory Milestones: FDA approval timelines and clinical trial results create binary events requiring careful capital planning.

Preferred Instruments:

- ATM programs for incremental funding needs
- Royalty financing for commercial-stage companies
- Strategic partnerships with upfront payments
- Convertible debt to bridge value inflection points

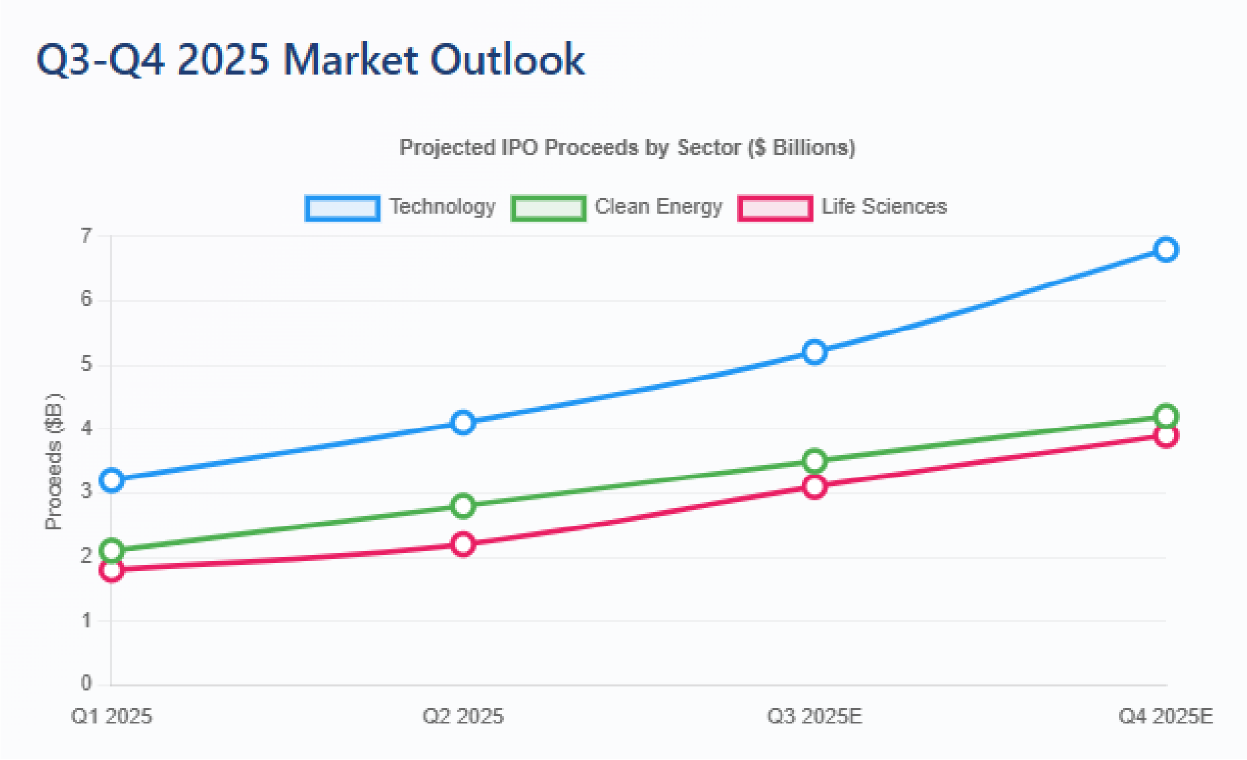
Part VII: Strategic Recommendations and Outlook

Decision Framework for Capital Access

Companies should evaluate financing alternatives across multiple dimensions:

1. Timing Flexibility: can the company wait for optimal market conditions?
2. Capital Requirements: is the need immediate or can it be staged?
3. Valuation Sensitivity: how important is minimizing dilution?
4. Investor Base: institutional, retail, or strategic focus?
5. Ongoing Obligations: capacity for public company compliance?

Market Outlook for Q3-Q4 2025



Several factors suggest continued improvement in capital markets conditions:

Positive Catalysts:

- Federal Reserve pivot toward accommodative policy
- Resolution of regional banking concerns
- Strong corporate earnings in key sectors
- Accumulated private equity portfolio requiring exits

Risk Factors:

- Geopolitical tensions and trade policy uncertainty
- Inflation persistence requiring policy reversal
- Market concentration in mega-cap technology
- Credit stress from refinancing wave

Sector-Specific Projections:

Technology: expected to lead IPO activity with 35-40% of total volume, focusing on enterprise software and AI applications.

Clean Energy: continued SPAC activity and project finance, with emerging focus on grid storage and hydrogen.

Life Sciences: selective IPOs for late-stage companies, continued reliance on alternative financing for earlier stages.

Best Practices for Market Preparation

Regardless of the chosen financing path, companies should focus on:

Financial Readiness:

- Implement robust financial reporting systems
- Achieve clean audit opinions for required periods
- Develop sophisticated forecasting capabilities
- Establish strong internal controls

Governance Excellence:

- Recruit independent directors with public company experience
- Establish proper committee structures
- Implement public company-ready compensation programs
- Develop comprehensive insider trading policies

Strategic Positioning:

- Articulate a clear and differentiated equity story
- Build relationships with research analysts
- Develop a comprehensive investor relations strategy
- Maintain consistent financial communication

Risk Management:

- Address regulatory compliance gaps
- Implement enterprise risk management framework
- Develop crisis communication protocols
- Establish cybersecurity and data governance programs

My Takeaways for Board Directors

If you are a board director reading this piece, to maintain a strong public listing with access to the capital markets whenever a window opens, look to ensure that management:

- Maintains clean, timely 34 Act filings. Form S-3 eligibility is strategic gold.
- Builds a multi-path capital plan (equity + hybrid + debt) and socializes it with its bankers quarterly.
- Pre-clears with the stock exchange on any >15% issuance to manage 20% Rule risk.
- Uses ATMs/CMPOs to “top-up” outside major events and avoid desperate appearances.
- Keeps investor communications clear, avoiding execution risk that rises with rumor driven volatility.

This survey represents market conditions as of September 2025. Capital markets are subject to rapid change based on economic conditions, regulatory developments, and investor sentiment. Companies should consult with qualified legal, accounting, and financial advisors before pursuing any capital markets transaction. The information provided here is for educational purposes and should not be construed as legal or investment advice or a recommendation of any particular financing strategy. Special thanks to Alexandre Turqueto for researching statistics referenced in this article.

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SPAC 4.0: From Spectacular Failures to a Disciplined Renaissance

September 25, 2025

The Special Purpose Acquisition Company (SPAC) market has experienced one of the most dramatic arcs in modern financial history. From the euphoric boom of 2021 — when 613 SPACs raised $162 billion — to the crushing losses that left most de-SPAC companies trading far below their IPO price, the sector seemed destined to be remembered as a cautionary tale of speculative excess. Yet in 2025, a new chapter has begun. Reinvented as “SPAC 4.0,” these vehicles are re-emerging with tighter discipline, stronger governance, and a more sober outlook.

This article examines how the market reached this point, why so many early SPACs collapsed, and what innovations define today’s more measured renaissance.

Understanding the Evolution of SPACs

At their core, SPACs are publicly traded shell companies that raise money through an IPO to merge with a private company, offering a faster and often less burdensome path to the public markets. Over the past three decades, SPACs have evolved in four distinct phases:

- **SPAC 1.0 (1990s–2010s):** A “Wild West” era defined by quick fundraising, minimal oversight, and a fraud rate exceeding 25%. Average deal sizes hovered at $20–50 million.
- **SPAC 2.0 (2010–2020):** Institutional legitimacy arrived with trust accounts and redemption rights, but misaligned incentives still plagued the model. Only 15–25% of deals created lasting value.
- **SPAC 3.0 (2020–2022):** The boom and bust. Celebrities lent their names, retail investors piled in, and valuations reached unsustainable heights. At its 2021 peak, SPACs accounted for 64% of all IPOs. But the party ended abruptly, with de-SPAC companies losing an average of 67% of their value.
- **SPAC 4.0 (2024–present):** A disciplined revival. With stricter SEC disclosure rules, longer search periods, performance-based incentives, and higher revenue thresholds for targets, this new era aspires to raise the SPAC success rate to 40–50%.

The Reckoning: Billions in Value Destroyed

The numbers are staggering. From 2021 to 2023, cumulative de-SPAC value destruction reached hundreds of billions of dollars. More than 90% of de-SPAC companies still trade below $10, the original IPO price.

While a handful of names — DraftKings, SoFi, and Grindr — have defied the odds, most high-profile SPACs failed spectacularly. These collapses reveal common patterns of speculative projections, weak governance, and inadequate due diligence.

Case Studies: Spectacular Failures

Nikola Corporation: Technology by Hype

Once valued at $27.6 billion, Nikola promised to revolutionize zero-emissions trucking. Instead, it became the poster child for SPAC-driven hype. Allegations of fraud, production delays, and financial shortfalls culminated in its February 2025 bankruptcy filing. The company's downfall underscores the perils of taking pre-revenue businesses public on the back of glossy marketing rather than proven technology.

Lucid Motors: Premium Dreams, Production Nightmares

Lucid entered the public markets with aspirations of becoming the "Tesla killer." Yet repeated production shortfalls, cash burn, and supply chain disruptions eroded confidence. Despite producing a high-quality product, Lucid's capital-intensive model proved unsustainable. Its trajectory demonstrates why SPACs are ill-suited for industries requiring decades of scale and expertise.

WeWork: A $9 Billion Flameout

After a failed traditional IPO, WeWork sought salvation through a SPAC merger. But its structural flaws — long-term lease obligations paired with short-term memberships — were irreconcilable. By November 2023, WeWork filed for bankruptcy, cementing its status as a cautionary tale about aggressive growth and fragile economics.

Case Studies: Success Stories

Not every SPAC ended in disaster. Some used the model responsibly, showing that the vehicle can still provide an effective path to liquidity when fundamentals are sound.

Grindr: The Right Deal at the Right Time

In 2022, Grindr merged with Tiga Acquisition Corp. and saw its stock price soar. Strong brand equity, a loyal user base, and strategic governance reforms positioned the company for success. The deal also marked a milestone for LGBTQ+ representation in public markets.

SoFi: Building a Financial Superapp

SoFi leveraged its 2021 SPAC proceeds strategically — acquiring a bank charter, diversifying revenue streams, and charting a clear path to profitability. By 2024/25, it reached sustained GAAP profitability, transforming market perception from speculative fintech to durable operator. SoFi illustrates how disciplined capital allocation and sponsor quality can overcome structural weaknesses.

The Sectoral Heatmap: Where SPACs Failed Most

Certain sectors proved particularly vulnerable:

- **High Failure:** Electric vehicles (Nikola, Fisker), space tech (Virgin Orbit), consumer micromobility (Bird Global), and biotech (23andMe, Pear Therapeutics).
- **Moderate Failure:** Real estate tech (WeWork) and energy.
- **Lower Failure:** FinTech and SaaS, where companies like SoFi and DraftKings showed resilience.

This heatmap reinforces a critical lesson: capital-intensive or speculative industries rarely thrive under the compressed timelines and structural constraints of SPACs.

SPAC 4.0: What's Different Now?

The latest generation of SPACs incorporates several key reforms:

- **Performance-Based Promotes:** Instead of automatic 20% rewards, sponsor compensation is now increasingly tied to stock-price hurdles or earn-outs.
- **Longer Search Periods:** The typical 18–24 month deadline has stretched to 30–36 months, allowing more time for due diligence.
- **Revenue Requirements:** Many SPACs now target companies with $50 million+ in annual revenue, discouraging purely speculative listings.
- **Stronger SEC Oversight:** The 2024 rules mandate greater transparency around sponsor pay, dilution, and conflicts of interest.

Together, these changes aim to realign incentives, reduce agency costs, and restore investor confidence.

Litigation and Enforcement Risks

Even as SPAC 4.0 gains traction, legal scrutiny remains intense. In late 2024, the SEC charged Cantor Fitzgerald for misleading statements in two SPAC IPOs, resulting in a $6.75 million penalty. Meanwhile, Delaware courts continue to test the limits of disclosure obligations, with some MultiPlan-style claims dismissed but others allowed to proceed.

Sponsors and advisors must therefore prioritize disclosure, strengthen due diligence, and prepare for shareholder suits as part of the new normal.

The Path Forward

Will SPAC 4.0 endure — or is it merely another cycle of speculative enthusiasm? Four insights stand out:

- **Capital Structure Determines Destiny:** High redemption rates continue to predict poor outcomes.
- **Fundamentals Trump Hype:** Companies with real revenue and profitability prospects are the only ones thriving.
- **Innovation Drives Renaissance:** Earn-outs, performance gates, and disclosure reforms represent genuine progress.
- **Regulation Enables Growth:** SEC oversight provides a sturdier foundation, even if structural conflicts remain unresolved.

For companies considering SPACs in 2025 and beyond, the bar has been raised. Success requires established revenue, reasonable valuations, public-company readiness, and transparent governance.

Conclusion

The story of SPACs is one of boom, bust, and tentative revival. The failures of Nikola, Lucid, and WeWork exposed the dangers of hype-driven listings. But the successes of Grindr and SoFi prove that, under the right conditions, SPACs can still serve as a viable alternative to traditional IPOs.

SPAC 4.0 represents more than a cosmetic rebranding. It reflects a market that has absorbed painful lessons and is now attempting to balance innovation with discipline. Whether this renaissance proves sustainable will depend on whether sponsors, regulators, and investors can maintain alignment — or whether the cycle of exuberance and disappointment repeats once again.

The Future of Silicon Valley: Examining the Six Biggest Issues Impacting Innovation and Growth

September 1, 2025 Silicon Valley continues to be a leader in driving global innovation, with Silicon Valley startups accounting for over half of venture capital (VC) investment last year according to Crunchbase data. But to better secure its future influence and status as the leading tech hub, it must address some critical challenges that pose a threat to innovation and growth.

While the region is still a leader in artificial intelligence (AI), biotech, and frontier technologies, without addressing some critical issues, Silicon Valley could risk its standing as the premier global innovation hub.

Talent Drain & Cost Barriers

Silicon Valley is a magnet for engineering and entrepreneurial talent, but for top talent looking to make a move to the area, there are some significant restraints.

As of May 2025, the median home price in Silicon Valley was over $1.6 million, with rental costs and everyday living expenses well exceeding most markets. To put it in perspective, San Jose ranks as the most expensive metro area in the U.S. to buy a home, with prices increasing 38.09% since 2020. For professionals early in their careers, this kind of economic reality can present a substantial barrier to entry, and it can force executives to consider a move to more affordable innovation hubs at home or abroad.

At the same time, U.S. immigration policies, including increased scrutiny surrounding H1-B visas, have made it more difficult to attract international talent to Silicon Valley, where two-thirds of the tech workforce is international. For example, as of September 2, 2025, H1-B visa holders will now be required to attend an in-person meeting in their home country to renew them, a costly process that could cause delays.

Whereas Canada, the EU, and other countries have streamlined pathways for skilled workers in AI and life sciences, Silicon Valley risks a “brain drain” if skilled international employees exit or are refused entry. Without lower barriers and incentives for global talent to stay, there is the risk of ceding long-term leadership in critical sectors that drive innovation.

Strains on the Infrastructure

If the future is going to be powered by AI, then Silicon Valley must have the infrastructure in place to power and support the massive data centers that will fuel the AI revolution.

The facilities that power AI or train large language models (LLMs), require an immense amount of power. Pacific Gas & Electric Company (PG&E) reported there has been a 40% spike in power requests from data centers based in Northern California. Electric providers are scrambling to keep up with this incredible demand that CoStar reports is expected to quadruple by 2030. They also say PG&E is already working to meet this surge in demand by "boosting capacity and adding new technology at several power substations in San Jose to support added data centers."

And it is not just power that is an issue for data centers. According to a recent article from Stanford University, the evaporative cooling technology that is critical to efficient data centers relies on a great amount of water which is only going to continue to increase as newer chips designed to produce AI require even more power, meaning they require more water to cool them off than older versions.

Making sure the infrastructure is in place to provide the power and water critical to run AI data centers will be essential, and that infrastructure must be able to keep up with the demands that will no doubt increase as the technology advances.

The Rise of New Tech Hubs

Where Silicon Valley once stood nearly unchallenged, today there are emerging tech hubs that are knocking at its door.

Companies in countries such as Singapore and Japan are attracting investor interest, and Entrepreneur recently pointed to Bangalore, Nairobi, Tallinn, and São Paulo as emerging tech hubs challenging Silicon Valley and leading to a shift in investor interest . That doesn't even account for domestic cities such as Miami, Austin, and Boston that offer lower costs, strong digital infrastructure, and government-backed incentives for startups.

With this kind of decentralization, there is both risk of diluting influence, as well as an opportunity for collaboration. There is no doubt that Silicon Valley startups continue to attract the lion's share of investment, but competing regions pose a risk to that dominance as they continue to grow in terms of innovation and the level of investment.

Regulatory Uncertainty & Geopolitical Risk

The regulatory framework that governs Silicon Valley is fragmented and often unpredictable, and coupled with the numerous geopolitical risks of today, it can lead to a great deal of uncertainty.

Silicon Valley startups not only have to work within California's highly regulated environment, but also the federal and international regulations that govern their industries. Take for example AI regulations that differ widely across states and are still up in the air on a federal level, and then there are the varying international regulations as well. There is also a patchwork of privacy and data security regulations across the U.S. and abroad, as well as wage & hour and other labor laws that are constantly shifting. Then there are antitrust concerns as federal regulators have amped up scrutiny of mergers & acquisitions (M&A) for years now. For those companies straddling multiple jurisdictions, compliance only becomes more complex.

Here at home, the only bipartisan viewpoints shared in Washington are that technology innovation companies are Thanksgiving turkey that should be carved up, and that China is the enemy. The antitrust authorities blocked all tech M&A for four years, and now instead of blocking, they are holding them up for dispositions or non-strategic concessions. Hardly de-regulation. Meanwhile, federal regulators and legislators have been teaming up to make it tougher to do business in China, soon to be the largest economy in the world. How can Silicon Valley companies achieve global scale without access to such a large and important market?

Geopolitical tensions add another layer of risk, with increased supply chain issues, barriers to market access, and complexities surrounding cross-border investment. Export controls on semiconductors and biotech further intensify the uncertainty. For Silicon Valley firms, this means legal clarity and proactive risk planning are not just compliance matters, but they are strategic imperatives that help to preserve market share and investor confidence in volatile global markets.

Financial Market Architecture

While digital asset legislation and regulation is moving forward through the levers of power in Washington, D.C., no one has sought to challenge the Frankenstein structure of our private and public capital markets.

Currently, the process of going public and staying public is so expensive and tortuous, that for many, the IPO is not a viable exit, much less a desirable exit. Not for entrepreneurs (too much personal risk), not for companies (too much cost), and not really for investors (not enough liquidity). Meanwhile, the private markets do not incentivize an IPO exit. How can it be easier for companies to go public and stay public, and a little tougher for unicorns to stay private? How can we make it more profitable for broker dealers to make a market in smaller cap stocks, when decimalized trading has rendered it difficult for brokers to cover stocks beyond the large caps? How can we enable more research analysts to cover smaller cap stocks? How do we make it easier for brokers to operate?

How about decreasing the disclosure burdens and litigation risk for companies that go public, as well as their directors and officers? We need a new JOBS Act 2.0 to kickstart the IPO market and a re-architecture of a broken process. Until then, regulatory uncertainty is a huge risk factor for Silicon Valley's technology innovation ecosystem.

Venture Capital Concentration & Burn Rates

Over the past few years, there has been a massive surge in VC investment in AI startups that has fueled both remarkable innovations, but also some growing inefficiencies.

Many young companies are raising large rounds at high valuations but operating with unsustainable burn multiples and low revenue per employee. This kind of dynamic risks creating bubble conditions reminiscent of the dot-com bust, where abundant capital masked weak fundamentals. At the same time, non-AI sectors, such as cleantech or healthtech, face tighter capital access, potentially stalling breakthroughs with longer development horizons. Global Corporate Venturing notes that the boom in AI investment has also led to a bust for investment in enterprise software.

To sustain balanced growth, Silicon Valley must deploy capital smartly, with investors scrutinizing business models more closely and policymakers encouraging public-private R&D partnerships that spread risk and align funding with long-term national innovation priorities.

The future of Silicon Valley as the world's leading innovation hub is not guaranteed and will be determined by how it responds to the challenges it currently faces. If Silicon Valley can adapt with purpose and address these issues head on, it will not only retain its status as the leader in global innovation, but also chart the course for the future of global technological leadership.

Is an IPO Window Opening for H2 2025?

August 1, 2025

Executive Summary

The IPO market is showing encouraging signs of recovery in 2025, with 201 companies going public year-to-date compared to 225 for all of 2024. While deal volumes are increasing and aftermarket performance is strong, average deal sizes remain smaller than historical norms. Key sectors including AI, fintech, crypto, and defense tech are driving investor interest, supported by favorable regulatory and political tailwinds.

Market Recovery in Historical Context

FIGMA’s spectacular debut exemplifies the potential for exceptional performance when market conditions align. Pricing at $33 per share, opening at $85, and closing its first full day at $115, FIGMA achieved a market cap of $67.6 billion—more than triple Adobe’s blocked $20 billion acquisition offer from 2022. This performance signals that investors remain enthusiastic about high-quality growth companies when the timing is right.

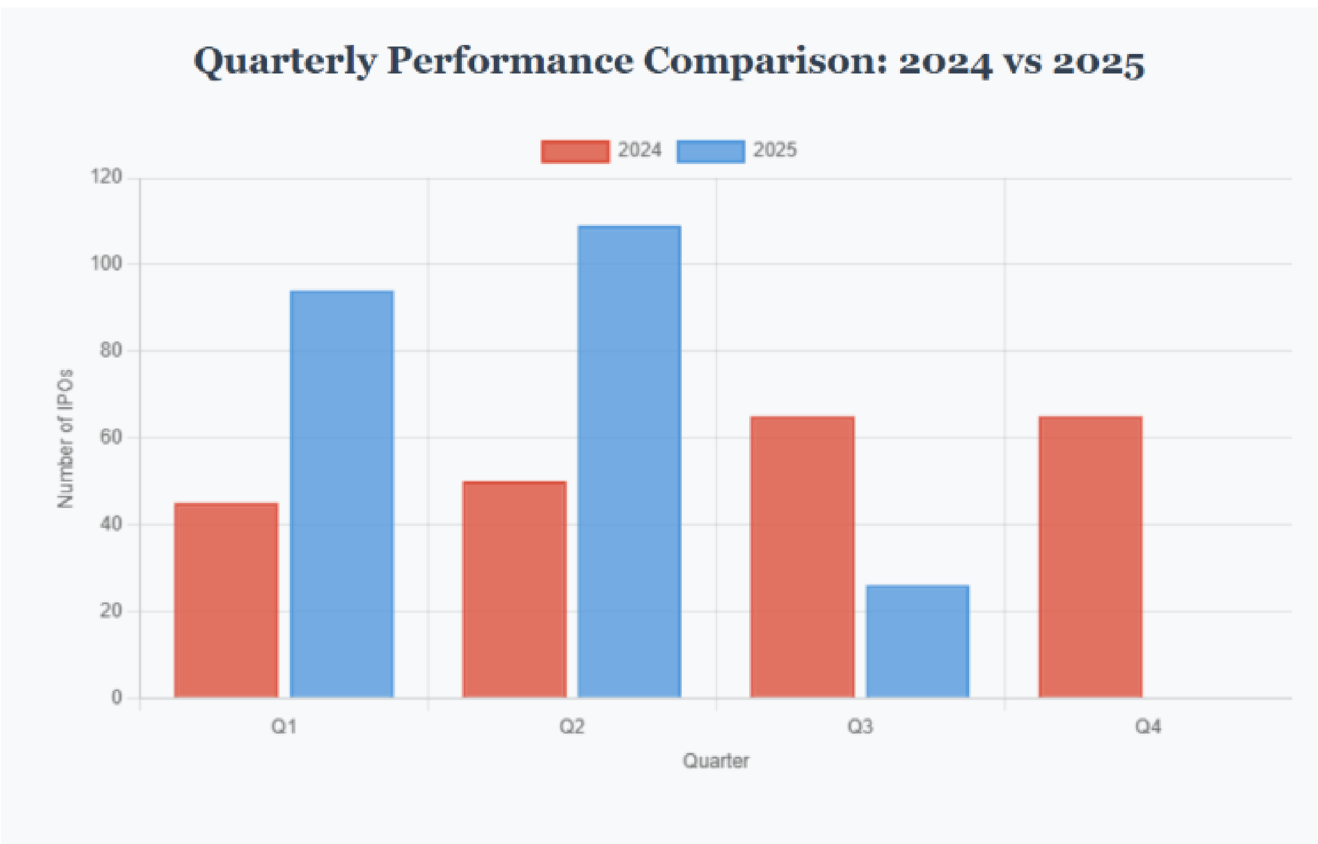
Q2 2025 Performance Analysis

According to EY's Global IPO Trends report, the U.S. IPO market gained significant momentum in Q2 2025, with 109 companies going public and raising $17.1 billion in proceeds. This represents a 16% increase in deal count compared to Q2 2024, though total proceeds declined by 20%, indicating a shift toward smaller average deal sizes.

Key Q2 2025 Highlights: June proved to be the standout month, accounting for nine of the 16 IPOs that raised over $50 million, including the quarter's two largest deals. Strong aftermarket performance helped buoy investor confidence heading into Q3, with median first-day returns topping 20%.

Period	Number of IPOs	Proceeds (USD)	Avg Deal Size	YoY Change
Q1 2025	94	$18.5B	$197M	+80%
Q2 2025	109	$17.1B	$157M	+16%
July 2025 YTD	26	~$4.2B	$162M	-
2024 Full Year	225	$49.6B	$220M	-65%

PitchBook's Q2 VC Market Update reinforces these trends, noting that despite initial volatility from Liberation Day tariff announcements, venture exit activity picked up significantly, particularly in fintech. Notable success stories include Coreweave (high-performance cloud computing), which saw its value more than double post-IPO, and Circle Internet Group (USDC stablecoin issuer), which surged more than 5x after its June IPO.



Sector-Specific Trends and Political Tailwinds

High-Growth Sectors Leading Recovery

Technology, Media, and Telecommunications (TMT) dominated Q2 2025 IPO activity, accounting for 25% of deals and nearly 50% of total proceeds, including 38% of IPOs over $500 million.

PitchBook identifies several sectors particularly well-aligned with current administration priorities that are commanding significant investor attention:

- **Artificial Intelligence**: Continued momentum from AI infrastructure and application companies
- **National Security & Defense Tech**: Increased focus on homeland security and defense innovation
- **Fintech**: Robust activity driven by digital transformation and regulatory clarity
- **Cryptocurrency**: Favorable crypto legislation boosting sector confidence
- **Cloud Computing**: Enterprise demand for AI-enabled cloud services

Cross-border IPOs made up two-thirds of U.S. listings in Q2, and investor interest in AI and crypto continues to fuel cautious optimism across the market. Chime Financial's successful debut, with shares jumping 59% and reaching a valuation exceeding $18 billion, demonstrates continued appetite for well-positioned fintech companies.

Market Challenges and Risk Environment

Despite positive trends, significant challenges remain. PitchBook notes that the current risk environment is complicating company pricing at a time when down-round IPO pricing has become "the norm." The absence of a surge in new IPOs during Q2 highlights that many startups are still waiting for major macroeconomic questions to be resolved.

Secondary Market Growth: The secondary market has become an essential outlet for investors seeking liquidity, with PitchBook estimating its size between $48.1 billion and $71.5 billion (midpoint ~$60 billion). While significant, this represents less than 2% of total unicorn valuations, highlighting a substantial liquidity gap.

This secondary market size roughly matches Q2's primary exit value of $67.7 billion, underscoring its growing importance as an alternative path to liquidity, even if it can't fully satisfy broader market appetite.

Strategic Outlook: H2 2025 and Beyond

Looking ahead to Q3 and beyond, anchored by FIGMA's early Q3 blowout success, steady progress in the IPO market remains likely. However, uncertainty still looms amid unresolved national and global challenges. With recession concerns continuing to surface, companies must stay agile and prepared to act when windows of opportunity open.

Key Success Factors for H2 2025:

- **Market Readiness**: Companies should prepare for volatile timing and be ready to move quickly
- **Sector Alignment**: Focus on politically favored sectors (AI, defense, fintech, crypto)
- **Realistic Pricing**: Accept that valuations may be lower than peak periods
- **Strong Fundamentals**: Emphasize profitability path and sustainable growth metrics
- **Strategic Flexibility**: Consider alternative liquidity options including secondary markets

From my perspective as a Silicon Valley lawyer, we are seeing many clients and prominent private technology companies rushing to prepare for a potential IPO market window in late 2025 and early 2026. The combination of improving market conditions, strong aftermarket performance, and sector-specific tailwinds suggests that well-prepared companies with compelling growth stories may find receptive audiences.

Bottom Line: While we're not yet seeing a full return to 2021 levels, the IPO market is demonstrating clear signs of stabilization and selective strength. Companies that can navigate the current environment with realistic expectations and strong execution may find significant opportunities in the months ahead.

Charting the Path Back to the Good Life: Unblocking the Innovation Markets in 2025

July 14, 2025

Silicon Valley is built on the promise of innovation, but for the better part of the past three years, the innovation economy has been in a coma. It all started with runaway inflation triggering the biggest hike in the price of money in a century. The era of “zero interest rate policy” and “quantitative easing” is over. The cost of capital suddenly got expensive, lending became hard to come by, and valuations took a hit. Then came geopolitical uncertainty, with hot and cold wars erupting between nuclear weaponized states and actors. The IPO markets were shut down and regulators closed the market from technology mergers and acquisitions (M&A). Fiscal and tax policies were in question, and unpredictable regulatory enforcement ensued. Then came “Liberation Day,” and the end of nearly a century of free-trade policies, leaving markets as uncertain as the cost of manufacturing.

The impact to the innovation economy has been a dramatic decrease in the raising of new venture capital (VC) funds and their deployment, as VC investors have been unable to distribute proceeds to investors, leaving slim pickings for startups looking for funding.

But it wasn’t all bad news, as the release of ChatGPT by OpenAI has driven the fastest consumer adoption of new technology in the history of mankind, and the speed of automation is radically disrupting the cost of everything, unleashing a paradigm shift in how we live, work, and play.

While the first set of factors worked to shut down the innovation markets, the advent of generative artificial intelligence (Gen AI) and the promise of artificial general intelligence (AGI) has redirected capital flows to businesses building the infrastructure of the new frontier.

As we look forward to the second half of 2025, with clarity restored to U.S. fiscal and tax policy, a downward rate cut bias at the Federal Reserve, some relaxing of regulatory enforcement, and the potential resetting of terms of trade, there is reason for optimism for the innovation economy no matter your politics.

A Strong Tax Bill Sets the Stage

On July 4, we saw the passage of the sweeping tax package (the Big Beautiful Bill) that notably preserves and strengthens the Qualified Small Business Stock (QSBS) exemption. This rewards early risk-taking by allowing founders, employees, and investors to exclude up to 100% of gains from federal taxes on qualifying stock sales. The tax shelter was increased from $10 million to $15 million, and the terms for qualifying were shortened from five years to three years.

For Silicon Valley and the broader venture environment, this is a direct incentive to build and hold for long-term outcomes. This effort, combined with targeted tax cuts aimed at boosting consumer demand and business investment, is encouraging for startups and founders.

But We’re Not There Yet

While fiscal policy is moving in the right direction, a few key pressure valves still need to release, including the interest rate cuts everyone is waiting for. The cost of capital remains stubbornly high, particularly for capital-intensive startups (think robotics, data centers, and energy required to power Gen AI and AGI) or those looking to raise growth-stage rounds. A shift from the Federal Reserve would ripple through valuations, funding rounds, and exit paths.

We also need some trade deals to come through. The global startup ecosystem is built on cross-border collaboration. There has been some recent progress toward stabilizing some of our trade relationships, but the threat of higher tariffs for many of our partners still exists. Therefore, more must be done to reduce friction and restore investor confidence.

There is also a lingering fog of uncertainty. While markets don’t need perfection, they do need predictability. Uncertainty, whether in the form of monetary policy, tariffs, or enforcement priorities, is the killer of risk-taking. Stability helps to drive innovation.

A More Transparent DOJ and FTC

Regulatory uncertainty has loomed large, particularly when it comes to M&A in technology. For too long, companies and investors alike have faced restrictive, opaque, and unpredictable merger review processes from the DOJ and FTC. While the enforcers under the current administration are not necessarily softening their stance, they are becoming more transparent in their demands. This helps to provide the predictability needed for strategic buyers and sellers to engage in serious conversations again. Meanwhile, large technology buyers are returning to the market with new “acqui-hire” and licensing structures to change the paradigm of “buy vs. build” to “spend to build.”

When there is more regulatory clarity, such as rational antitrust reviews, coupled with the promise of lower interest rates, the M&A market will be in a better position to bounce back. Strategic buyers who’ve been sitting on dry powder are already signaling interest, and startups that delayed exits in 2023–24 are ready to come back to the table.

The knock-on effects from an M&A rebound could be powerful. For example, we could see the IPO window start to open. A clear pipeline of high-quality exits builds confidence and momentum. Capital could also start returning to LPs. Exits mean liquidity, and liquidity means limited partners get their money back…finally.

VCs would also be able to raise and deploy capital again. With returns flowing back and a clearer exit environment, venture funds can confidently put money to work. That, in turn, allows them to raise new funds and start the cycle again.

Back to the Good Life

For those of us who have weathered the past few volatile years alongside our clients, this turning point feels hard-won. Startups are scrappy, and founders are resilient, but the health of the innovation economy depends on more than grit. It requires a fully functioning system that rewards risk and supports bold ideas.

If good fiscal policy, smartly negotiated trade deals, and a transparent regulatory environment collide, we could be in for a more stable foundation that allows the innovation markets to open. The message to founders, investors, and entrepreneurs is simple. It’s time to get to work, and it’s time to build, as the path to the good life opens again.

A Delay in Exit Plans

March 21, 2025

There was much hope going into 2025 that we would see a rebound in the IPO market after a bit of a drought over the past few years. We left the uncertainty of the election behind us, and good news on the inflation and interest rate fronts were fueling a sense of hope that 2025 was going to be a great year for the IPO market. However, at almost three months into the new year, it is looking like that rebound might be delayed a little longer.

The Wall Street Journal reports that the market volatility we are currently seeing is going to make IPO pricing a “monumental challenge,” and the IPO recovery that venture investors have been waiting on is on hold. The market is reacting to the threats of tariffs and a trade war, as well as recent talks of a recession, and the WSJ says this is keeping some companies on the sidelines as they delay their exit plans.

Yahoo! Finance cites data from Dealogic indicating that the total value of US IPOs is up 62%, coming in at $10 billion as of March 11 – almost double the number of deals compared to the same period in 2024. However, this is still well lower than the kinds of numbers we were seeing in the boom of 2021.

There are some companies who have already gone public this year, with six venture backed IPO’s as of mid-March. And there are still some on track, at least as of now, for the second quarter. Klarna and CoreWeave both filed an IPO prospectus this month, but those plans could be derailed if the market continues its roller coaster ride. Others have already put their plans on hold.

And it is not just IPOs that are delayed – mergers & acquisitions (M&A) are also off to an extremely slow start this year despite expectations that there would be more robust activity this year. PitchBook data show that “US M&A volumes in January were the lowest they’ve been in 10 years, and February wasn’t rosy either.” They point to antitrust policy, market turmoil, and “price mismatches” as contributing factors here. The leadership at the DOJ and FTC also remains critical of Big Tech, so many of those players are sitting on the sidelines which has slowed down dealmaking considerably.

Only time will tell how the back and forth on tariffs will play out, but they are certainly having an impact on the market now and could have longer term impacts that further delay exit plans. A recent article in Forbes notes that the “market’s long-term response to tariffs depends largely on adaptability—how quickly companies can adjust supply chains, pass costs to consumers, or find alternative markets.” But how quickly companies can pivot remains to be seen, and timing will be critical for market stability and for transactions to resume.

There is certainly still hope that successful trade negotiations could end this tariff battle, but there are still fears about the current state of the economy and the potential for a recession. The world is watching closely to see how all of this shakes out, as is everyone sitting on the sidelines planning their next move.

Given that the pre-IPO planning process can be lengthy, and we know that better planning leads to better performance (and that lack of planning leads to poor results), companies and financial sponsors should be getting their ducks in a row for an anticipated IPO market window opening soon, perhaps as early as May 2025.

The 2025 IPO Market

December 18, 2024

Are we headed for an IPO rebound in 2025? According to a recent CNBC article, a major window for the IPO market could be opening. They point to prime conditions such as markets at new highs, interest rate stabilization, a strong economy, and of course, the election is now over, and we have a better sense of the new administration's plans moving forward.

Where is the IPO window?

However, CNBC points to two necessary components that are currently missing in order to have a robust IPO rebound. The first is what they refer to as a "sense of desperation." As they note that tech companies still have private funding available and the ability to sell shares in the private market if investors need to cash out. This provides them with alternatives when there is pressure for an exit. The second missing component they point to is a return to higher valuations, as a large portion of IPOs are pricing lower than recent their most funding rounds. They do note that the discrepancy between those private and public valuations is shrinking, which is a positive sign.

So, are we actually in for an IPO boom in 2025? Lynn Martin, president of the NYSE, recently told Reuters, "We are shaping up for a really active 2025," noting the US IPO market could see an elevated level of interest from investors in the coming year. Reuters also highlights lower interest rates and a slowdown in inflation as positive signs that could encourage new listings, as well as the expected easing of regulations under the Trump Administration that could ignite more activity in capital markets. Bloomberg also recently reported that a senior banker at Goldman Sachs stated that the number of initial public offerings (IPOs) in the tech sector will likely more than double next year.

And momentum has already been building this year. Data reported by Yahoo Finance shows there have been 193 IPOs this year, marking the highest number of IPOs since 2021. That is compared to 179 in 2022 and only 148 in 2023. And then there is Goldman Sachs' IPO Issuance Barometer, which is currently at 137. That is significantly above the 100-point threshold for a healthy IPO environment.

With conditions continuing to improve, there is a great deal of optimism out there that 2025 could not only be a great year for IPOs, but for deal activity overall. Rate cuts are expected to extend well into next year, and there is a good sense that the regulatory changes that will come with the new administration could positively impact exit plans.

Why go public at all?

Some may wonder with the cost and scrutiny of being public, why go public at all? Many founders and investors would tell you it's all downside:

- Cost of capital is often north of 10%
- Tons of distraction for management and investors on the process
- Increased costs of maintaining a public listing, with auditors and personnel (starting prices are well north of $1 million)
- Managing for external investors, including pressures for short-term performance
- Disclosure of sensitive information to the world, including financial performance, customer information and executive compensation
- Greater regulation of, and greater risk of liability associated with, public disclosures to investors
- Loss of control over the company's value, reputation and possibly control

But it's not all bad! Going public can provide:

- A mechanism for stockholder liquidity, and returning proceeds to investors
- A way for key investors, employees and others to monetize their investment
- A currency for future acquisitions
- Access to capital markets for future financing
- Use publicly traded stock for executive incentive compensation
- More easily attract and reward key employees)(and provide long-term liquidity)
- Best marketing for a future exit is an SEC-approved prospectus with SEC audited financial statements
- Public markets provide the strongest levers for highest possible valuation
- Credibility with suppliers and customers

Indeed, it's all in the timing and the planning…

What are the key elements of a strong pre-IPO plan?

Any successful plan starts with the team. That's internal and external. It's in finance, it's legal and it's communications. And that's just the start. The best advisors are those who deeply understand your business and care about you and the outcome. You will be spending a lot of time with this group and relying on their judgment. Choose wisely.

What else?

- There are tax considerations and structure.
- There are important corporate governance decisions to make about how things will run.
- The finance function will need to be up-leveled and the house put in order.
- Operations need to be scaled and even more scaleable.
- Compliance and risk management functions will need to be introduced and verified.

Seasoned operators and advisors can help you make the plan that's right for your company.

Wrapping it all up

We are all watching very closely to see what the new year will bring, but if all the chatter out there right now proves to be accurate, 2025 could be an exciting time for founders and investors whose plans have been put on hold for several years now. It might not be a return to 2021 levels, but it seems this might be the right time for the boost in IPO activity we have been waiting for. And that would definitely be a happy new year!

Meanwhile, successful IPOs will have strong hands on deck and follow smart pre-IPO planning.

What to Expect for the IPO Market in the Second Half of 2024

August 16, 2024

The market for initial public offerings (IPOs) in the United States has exceeded expectations in the first half of 2024. According to Renaissance Capital, 69 IPOs were priced by June 30, 2024, marking a 32.7% increase compared to the previous year. Total proceeds reached $16.7 billion, a remarkable 87.3% increase from 2023. Filing activity has also seen an uptick of 21.6%, and after-market performance has risen by over 7.4%, although this lags behind the broader market's 15.3% increase.

A Historical Context

To understand these developments, it's crucial to recognize that 2023 and 2022 were exceptionally challenging years for IPO activity, marking the darkest period for IPOs in over two decades. However, the decline in the U.S. IPO market is not a recent phenomenon. Over the past 25 years, the market has been in a state of gradual decline with only brief recoveries. On average, the past decade has seen just 135 IPOs per year, a third of the activity witnessed in the 1990s. Additionally, the number of publicly listed U.S. companies has halved since 1996 due to the increasing costs of maintaining a public listing and the broader economic environment.

Long-Term Structural Challenges

Several long-term structural impediments have contributed to this decline:

- **Decimalization of Trading**: The shift to penny-based commissions reduced brokers' margins, leading them to focus on larger public companies at the expense of smaller ones.
- **Global Analyst Research Settlements**: These 2003 agreements between Wall Street banks and regulators made research coverage for smaller public companies prohibitively expensive.
- **Brokerage Concentration**: The consolidation of brokerage activities in large banking corporations has marginalized smaller public companies.
- **Regulatory Burdens**: Laws like the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010 have significantly increased compliance costs, making the IPO process more expensive and burdensome, particularly for smaller companies.
- **Rise of Private Capital**: The growth of private equity and other private capital sources has reduced the incentive for companies to go public.
- **Shift to Passive Investing**: The move from active to passive investment strategies has favored large-cap companies, further marginalizing smaller firms.

These factors have led to a U.S. equity market dominated by the largest companies, often referred to as the "seven sisters" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla). Without structural reforms, these trends are likely to continue, posing challenges for the broader market and the U.S. economy's capacity for innovation and job creation.

Recent Impacts

Recent events have also imposed new challenges for the IPO market to recover:

- **Rising Cost of Capital**: The Federal Reserve's rapid interest rate increases in 2022-2023.
- **Market Volatility**: Significant corrections in equity market prices and poor IPO after-market performance.
- **Private Market Dynamics**: Overpriced private financings have made IPOs less attractive.
- **SPAC Collapse**: The rise and spectacular fall of special purpose acquisition companies (SPACs) have added to market instability.
- **Global Disruptions**: Supply chain issues, geopolitical tensions, and political uncertainties.
- **Tax Uncertainty**: Looming expiration of corporate tax reductions and potential changes in federal and state tax rates.

The Outlook for 2024 and Beyond

Despite these challenges, the outlook for the IPO market in the second half of 2024 and early 2025 appears positive. Indicators of increased risk appetite, such as the surge in Bitcoin prices, suggest a potential rebound. Expectations of Federal Reserve interest rate cuts, stronger after-market performance of recent IPOs, improving earnings reports, and a substantial backlog of companies preparing to go public all point to a brighter future.

Promising Sectors

Two sectors are particularly promising for IPOs:

- **Healthcare and Biotech**: Innovations in CRISPR and artificial intelligence, combined with the essential nature of healthcare products, make this sector highly attractive.
- **Green Energy**: Increasing focus on sustainability and industrial policies favoring renewable energy are driving growth in this sector.

Within the technology sphere, enterprise software and fintech companies are likely to lead the IPO charge, given their steady demand and the need for venture capital and private equity investors to secure returns.

Investor Sentiment

Currently, public market investors are selective, prioritizing established profitability and sustainable growth. Historical data shows that investor demand for IPOs correlates with the returns they offer. With IPOs yielding a 4.84% return in 2024 compared to the S&P 500's 15.61%, investors are understandably cautious. Consequently, the IPO market needs to demonstrate more robust returns to attract significant investor interest.

Conclusion

While the IPO market faces substantial long-term and recent challenges, the first half of 2024 has shown some signs of improvement, leading to hesitant optimism for the second half. Strategic focus on promising sectors like healthcare, biotech, and green energy, coupled with favorable market conditions, could herald a resurgence in IPO activity. However, achieving sustained growth will require addressing the structural impediments that have long plagued the U.S. IPO market.

How startups can get in top shape for an IPO

July 24, 2024

- Louis Lehot, a Silicon Valley law-firm partner, specializes in taking companies from startup to IPO.
- Lehot gave his suggestions for how to prepare, like hires to make and risks to consider pre-IPO.
- This article is part of "Road to IPO," a series exploring the public-offering process from prelaunch to postlaunch.

The IPO market is expected to pick up later this year, so Business Insider emailed Silicon Valley lawyer Louis Lehot, a partner at Foley & Lardner, for advice on how startups should prepare for life as public companies.

Lehot has more than 25 years of experience advising businesses, financial sponsors, venture capitalists, investors, and investment banks on topics including equity offerings, mergers, acquisitions, and spinoffs. His work often involves helping startups prepare for initial public offerings.

The following has been edited for brevity.

What's the environment like for IPOs?

2023 was the toughest year for IPO activity in more than two decades. The IPO outlook for the second half of 2024, or at least the first half of 2025, can only get better.

Riskier assets, such as Bitcoin, have rebounded strongly, suggesting risk appetite is a lot higher. The Fed is expected to make at least one rate cut later this year. The after-market performance of some recent IPOs has been stronger. Earnings reports from public companies are improving.

There's a substantial backlog of companies preparing to go public as soon as the window opens, and the outcome of important federal and state election races should bring greater clarity.

Which sectors are most likely to be successful in an IPO?

- Healthcare and Biotech: These companies go public as part of their venture financing path, often before they have a product in the market. As a result, they are heavily risk-driven, and the opportunity to make alpha with smaller amounts of capital invested is real. If risk appetite is truly back, we can expect investors to pile into biotech, life sciences, and medical device IPOs. New tech, enabled by CRISPR and AI, should increase the speed and accuracy of clinical trials.
- Green Energy: As the effects of climate change spread, we expect industrial policy to favor renewable energy companies and the ecosystem that they enable, maybe even nuclear energy. Renewables and related technologies are gaining traction with a growing focus on sustainability.
- Enterprise software and fintech: There's a solid backlog of late-stage private companies whose venture capital and private equity investors require a public market exit to return capital to limited partners and raise new funds. As a result, we expect a bumper crop of enterprise software (B2B solutions, cloud services, and cybersecurity) and fintech companies (digital banking, payments, and financial services) to come to market when the window opens later this year or next.

Are public market investors generally keen to invest in IPOs, or are they focused elsewhere?

Public market investors are selective, focusing on established profitability and sustainable growth over speculative, high-growth stories. Many investors are diverting their attention to safer, more predictable assets due to market volatility and economic concerns.

What are IPO investors expecting in the current climate?

- Profitability, or a clear path to profitability: Unlike previous periods focused solely on growth, profitability is now critically correlated to a successful IPO.
- Sustainable revenue growth: Consistent and predictable growth trajectories
- Robust metrics: Strong KPIs and unit economics
- Valuation discipline: More conservative valuations compared to the frothy markets of past IPO booms

Should tech startups want to go public right now?

If you have a choice, you stay private.

For example, if you're the CEO of a successful startup with more than $100 million in revenue that's growing in excess of 30% at over 40% gross profit margins, every door is open to you.

There's ample private capital to finance your company's scaling needs. There is likely a robust secondary market for your personal shares if you need to take some chips off the table. You have no obligation to report your compensation and equity holdings publicly or your company's quarterly results, much less live under the public microscope and the constant glare of Wall Street analysts who are focused on reporting on any short-term event that might drive trading.

Fringe benefits include more control over business decisions, fewer regulatory requirements, and the ability to focus on long-term growth.

The choice is not even close. Any CEO-founder would want to stay private. Look no further than the example of the Collison brothers at Stripe.

However, the characteristics that drive a transformational CEO-founder to achieve this level of commercial success are not necessarily driven by the same logic.

The vision of a transformational CEO extends far beyond the perceived short-term benefits of a quick exit. I'm surrounded by mission-driven CEO's with the burning ambition to achieve global market ubiquity, which usually means an IPO is a necessary step on their long road.

What are the most important hires to make before an IPO?

- Chief Financial Officer: A CFO with public company experience is crucial for navigating financial reporting and investor relations.
- The CFO of a public company is the first or second line of communication with Wall Street, key long-term investors, auditors of your financial statements, and financial regulators. In addition, the finance department will quickly need someone who can manage internal controls over financial reporting and write public financial reports. This person is usually a "controller."
- The CFO will also need someone who can forecast, model, and plan ahead and ensure that the company, when going public and forever thereafter, accurately telegraphs its future performance on a forward-looking, one-quarter, and one-year-ahead basis. This is usually a vice president for forecasting, planning, and analysis, or FP&A. For larger public companies, a chief accounting officer is also on the road map.
- General Counsel: Whereas 20 years ago, a general counsel was not hired until just before an IPO, nowadays, a company with $10 million of revenue or more may consider hiring a head of legal in-house to control costs, particularly for rote, repeatable tasks. But an IPO puts the company under a microscope of regulatory, investor, employee, and public scrutiny where the stakes get large enough that an experienced general counsel is usually hired, and if large enough to support the cost, even a deputy general counsel for securities law compliance to manage the more hours intensive processes of making the company ready for IPO and maintaining compliance thereafter.
- Investor Relations Officer: About a year ahead of the big day, a forward-thinking CFO will try to hire a vice president of investor relations who has been through the process of managing a syndicate of analysts before, during, and after an IPO. Particularly for larger companies who garner analyst coverage from six or more sell-side and buy-side analysts, making sure the analysts are getting adequate information to build quality models will ensure higher quality coverage and greater liquidity for the company once public, which is a critical indicator of success.

- Audit Committee Chair: While a pre-IPO company will seek to hire a majority-independent board of directors, the audit committee chair is one key role to fill on the board.
- The audit committee chair is usually a former CFO who has deep knowledge of the IPO process and the interplay of a board of directors and its independent registered public accounting firm, which is a critical relationship at every stage of an IPO and beyond.
- The audit committee's role is to oversee the production and auditing of the financial statements and the financial integrity of the company's public disclosures and compliance with regulatory standards. The audit committee chair will want to make sure there are at least two other directors who can serve independently on the audit committee who are financially literate and expert enough to assist them.

What are the biggest changes startups must go through to be IPO-ready?

To consider a successful IPO, a tech company will need to have line of sight to $100 million in revenue with eight quarters of historical growth and line of sight to eight quarters in the future of predictable growth. For a tech business, annual growth in GAAP revenue will need to be in excess of 20% (and ideally double this amount) at gross margins of 40% or more. These are herculean feats that few businesses will ever achieve.

There also has to be some other ingredient, which some call the "sizzle," to inspire long-term fundamental investors to believe that growth can be significantly greater than what the models show over the next eight quarters.

Historically, that sizzle could be explained by exposure to international markets that would be enabled by the scaling capital provided by the IPO.

Today, revenue from a US tech business may well be evenly split between US and international markets from the outset, so the "sizzle" will need to come from planned advances in technology, new product releases, and new product enhancements that will unlock new and significant branches of growth.

What are the key process changes companies need to make ahead of an IPO?

- Leveling up the company's financial reporting function: Enhanced accuracy and transparency in financial statements is an absolute necessity, both historically and forward-looking for eight quarters in both directions.
- Corporate governance: Companies need to recruit an experienced, independent, and supportive board that can provide wisdom to management during the IPO process and beyond.
- Operational scalability: Ensuring systems and processes can support growth and compliance requirements. Have you installed a world-class ERP software system? Do you have a contract management system and CRM software? Do they all work together?
- Compliance and risk management: Implementing robust controls to meet regulatory standards is a playbook that a new CFO and new General Counsel can implement with the help of outside advisors.

Louis Lehot
Partner | Silicon Valley

On a very short list of leading corporate lawyers in California, Louis Lehot has handled some of the highest profile matters in recent years in the tech, health care, and clean energy spaces. A partner in the firm's Private Equity & Venture Capital, M&A, and Transactions Practices, as well as the Technology, Health Care, Life Sciences, and Energy Industry Teams, he advises entrepreneurs and their management teams, investors, and financial advisors at all stages of growth.

Louis is skilled at taking clients from "garage to global," helping them achieve hyper-growth, go public, and successfully obtain optimal liquidity events. He guides emerging private companies as they secure venture capital financing, prepare for IPO, de-SPAC, or an M&A transaction, and navigate the exit. Clients routinely turn to Louis for his domain experience in public offerings and private placements of equity, equity-linked, and debt securities, mergers, acquisitions, dispositions, spinoffs, strategic investments, and joint ventures, as well as corporate governance and securities law compliance matters. Additionally, Louis regularly represents U.S. and non-U.S. registrants before the SEC, FINRA, NYSE, and NASDAQ.

Louis draws on more than 25 years of global experience and leverages the latest legal technology tools to drive strategies and solutions that make sense. He has been recognized by peer-reviewed industry guides and leading practitioners as one of the most innovative, creative, and versatile corporate counsel. *Chambers USA* noted that he has considerable experience representing both emerging companies and investors in venture financings, stating, "Louis Lehot is known for the high quality of his advice, his responsiveness and passion for his clients."

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CAPABILITIES

EMERGING GROWTH COMPANY REPRESENTATION (STARTUPS FROM GARAGE TO GLOBAL)

VENTURE CAPITAL

M&A

PRIVATE EQUITY

CROSS-BORDER MARKET ACCESS DEALS (INBOUND AND OUTBOUND)

Client Testimonials

Jay Chong

General Partner | Millennium Ventures

"In my capacity as a technology business leader and investor, I have known and worked with Louis Lehot for over ten years. Louis is a trusted business advisor and friend. I have trusted Louis to help me structure, invest, monitor, harvest and acquire technology businesses as outside legal counsel. Louis forms strong working relationships with my teams and works well with target businesses and their counsel. Louis inspires trust, and then he delivers. He gets the business imperative and then makes the legal process follow it. Over the past ten plus years working together, I have witnessed Louis's strength in building great legal teams to drive results for technology businesses and their investors, and across multiple disciplines. Louis shines on projects that cross borders. Our relationship has withstood the test of time and changes of companies, and I attest to Louis's ethical, high integrity and exacting standards both as a lawyer and as a friend. I look forward to working with Louis and his team on future transactions."

Steve Doll

CFO and Co-Founder | Improvement Funding, LLC

"Louis has been my first call since we first worked together in 2005. That was 4 companies ago…but no matter where I go, one of the first things I do is get Louis involved as counsel. I do this for two principal reasons: 1) it makes me look good to the company I just joined, because invariably they've been impressed with Louis, and 2) I trust him to give me a broader perspective on the challenges that come up. In short, I call Louis because he delivers. He doesn't pretend that he's always got the right answer. But, what he does do is harness the smartest resources at his firm to consider the problem and collectively come up with a smarter approach. I value Louis' counsel because he invests time to get the right answer – it shows me that getting the best answer matters to him as much as it does to me."

Hee Suk Jung

Head of Investment | SK Gas

"I had a chance to work with [Louis] on several occasions, and it was the greatest experience I've ever had with a lawyer. Louis is very professional and organized at his work with deep knowledge, yet he is very friendly and personal. He was upfront with all the terms and made things very easy…Our team also appreciated his availability at all times where he was reachable via email, phone or in person. I don't think he ever passed 24 hours to respond to our queries or requests. He always had answers to our questions and his global experience definitely helped…He cares for clients' business like his own…We were intrigued by his leadership and integrity not to mention his moral character. I have nothing but appreciation towards working with Louis and look forward to working with him and his team again."

Michael Golomb

Founder and CFO Blockstream Corporate

"In my tenure as CFO and Corporate Officer previously at Dasan Zhone Solutions, a NASDAQ public company, we relied on Louis and his team for global legal support, including a complex acquisition in Europe from a private equity seller, our public reporting with the SEC, a change in auditors, a shelf registration statement and takedown shelf offering. Louis is one of the best corporate lawyer I ever worked with, bringing a combination of deep experience, sophisticated expertise and balanced demeanor to every challenge.

I highly recommend Louis as both a relationship partner and as a zealously effective lead corporate counsel for global public companies, particularly in the TMT space."

Jenny Sohn

CFO in SaaS | Evernote, Workato, Evergreen Finance

"Louis is my first call when I need any legal opinion in the Silicon Valley. I have worked with a number of law firms and attorneys in the Valley, no one comes close to his knowledge and practice of a variety of corporate legal matters in VC-backed private companies. Not only is he knowledgeable, detail-oriented, spot-on in his predictions of how each scenario will play out, he is also great with people, from founders to legal teams, and generous in offering his time and help. I am privileged to know and work with him."

RJ Pittman

CEO | Matterport

"Over my career I'd say my experience with outside counsel has at best, been mixed. I was finally redeemed when Louis Lehot and team Foley & Lardner LLP arrived on scene. To say this venerable group broke the mold would be a gross understatement. No better team, no better firm to have in your trenches when building a company with ambitions as big as ours."

Peter Herbert

Co-Founder, Partner

Lux Capital Management

While the words "attorney" and "advisor" are often used interchangeably, in my experience with Louis "strategic guide" is the best way to describe the legal wisdom and prescient planning that he brought to his clients. I had known of Louis by reputation for many years but got to see him up close in action as a board member of Matterport (NASDAQ: MTTR).

About Foley

Foley & Lardner LLP is a preeminent law firm that stands at the nexus of the Energy & Infrastructure, Health Care & Life Sciences, Innovative Technology, and Manufacturing Sectors. We look beyond the law to focus on the constantly evolving demands facing our clients and act as trusted business advisors to deliver creative, practical, and effective solutions. Our 1,100 lawyers across 27 offices worldwide partner on the full range of engagements from corporate counsel to intellectual property work and litigation support, providing our clients with a one-team solution to all their needs. For nearly two centuries, Foley has maintained its commitment to the highest level of innovative legal services and to the stewardship of our people, firm, clients, and the communities we serve.

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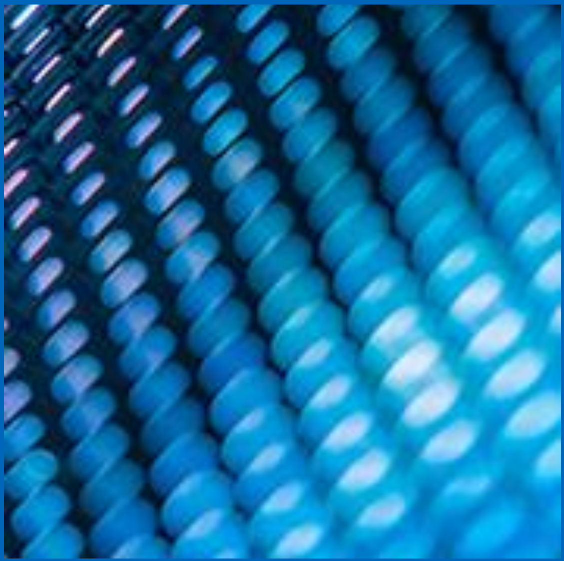

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