

# IPO Glossary

[A](#) [B](#) [C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [X](#) [Y](#) [Z](#) [0-9](#)


## A

<b>add-on offering</b>	when a publicly traded company issues additional shares to the public
<b>allocation</b>	the amount of stock in an initial public offering (IPO) that is sold to a customer
<b>amendment</b>	additional registration document that is filed by the issuer with the SEC that has additional information regarding the proposed offering for that company
<b>American Depositary Receipts (ADRs)</b>	securities offered by non-U.S. companies who want to list on an American exchange; each ADR represents a certain number of a company's regular shares

## B

<b>best efforts</b>	arrangement whereby investment bankers acting as agents agree to do their best to sell an issue to the public; instead of buying the securities outright, these agents have an option to buy and an authority to sell the securities
<b>book</b>	list of all indications of interest for a new issue offering put together by the lead underwriter

## C

<b>calendar</b>	refers to upcoming IPOs and secondary offerings;  maintains equity, bond, and municipal calendars
<b>cancellation</b>	when an IPO or secondary issue has difficulty getting investor interest to raise the desired capital, the company issuing the shares may cancel the offering in favor for some other form of financing
<b>co-manager</b>	underwriters for the initial public and secondary offerings who are not the lead manager controlling the offering; names of these underwriters appear on the bottom of the front page of the prospectus, with the most important manager appearing on the top left, and the co-managers arrayed from left to right in order of importance
<b>common stock</b>	units of ownership in a public company for which the holders can typically vote on matters pertaining to the company and receive dividends from the company's growth; common stockholders are the last to receive assets if the company liquidates

cooling off period	time period, usually about 20 days, between the filing of the registration statement with the Securities and Exchange Commission (SEC) and the offer of those securities to the public; during the cooling off period, the syndicate and selling group members distribute tombstone notifications announcing the new issue, send preliminary prospectuses to qualified investors for review, and take indications of interest from customers
covered non-public company	any non-public company satisfying the following criteria: income of at least \$1 million in the last fiscal year or in two of the last three fiscal years and shareholders' equity of at least \$15 million; shareholders' equity of at least \$30 million and a two-year operating history; or total assets and total revenue of at least \$75 million in the latest fiscal year or in two of the last three fiscal years
D	
due diligence	reasonable investigation conducted by the parties involved in preparing a disclosure document to form a basis for believing that the statements contained therein are true and that no material facts are omitted
E	
EDGAR – Electronic Data Gathering, Analysis, and Retrieval	Securities and Exchange Commission (SEC) computer database system that allows issuers to file reports with the SEC by computer instead of having to file physical documents; this data is available to the general public via the Internet
effective date	the day a newly registered security can be offered for sale
F	
final prospectus	prospectus that is printed after the deal has been made effective and can be offered for sale; it contains the information not available in preliminary prospectus, such as number of shares issued and the offering price
firm commitment	arrangement whereby investment bankers make outright purchases from the issuer of securities to be offered to the public
flipper	investor who has acquired shares of an IPO at its offering price and sells it immediately—
float	number of a company's shares which are available for trading

## G

<b>go public</b>	process by which a privately held company first offers shares of stock to the public; this is done via an initial public offering (IPO)
<b>green shoe</b>	part of the underwriting agreement which, in the event the offering is oversubscribed, allows the issuer to authorize additional shares (typically 15%) to be distributed by the syndicate; also called the overallotment option
<b>gross spread</b>	difference between the offering price and the net proceeds given to the company; the difference is made up of various fees charged to the issuer, including the selling concession, manager's fees, underwriting fees, and reallowance

## H

<b>holding company</b>	company that owns enough shares of another company to secure voting control
<b>hot issue</b>	IPO that trades at a significantly higher price on the secondary market than its initial offering price—this usually occurs when demand of the issue far exceeds the supply; the Securities and Exchange Commission (SEC) defines an issue as hot when it trades 5% higher than its offering price in the secondary market

## I

<b>insiders</b>	persons such as management, directors, and significant stockholders who are privy to information about the operations of a company that is not known to the general public; insiders are subject to various restrictions and or limitations regarding equity stock offerings
<b>IPO</b>	privately held company offers its shares to the public—an initial public offering (IPO)
<b>issue price</b>	price at which a new security will be distributed to the public prior to the new issue trading on the secondary market; commonly referred to as offering price

## J

(No entries)

## K

(No entries)



## L

<b>lead underwriter</b>	underwriter who, among other things, is in charge of organizing the syndicate, distributing member participation shares, and making stabilizing transactions; the lead underwriter's name appears on the left side of a prospectus cover
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<b>lockup period</b>	time period after an IPO when insiders at the newly public company are restricted by the lead underwriter from selling their shares in the secondary market
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## M

<b>market capitalization</b>	method of calculating the value of a company that is equal to the number of shares outstanding multiplied by the price of each share of the stock
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## N

<b>new issue</b>	a security publicly offered for sale for the first time
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## O

<b>offering date</b>	the first day a security is publicly offered for sale
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<b>offering price</b>	price for which a new security issue will be sold to the public; also known as "issue price"
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<b>offering range</b>	price range at which the company expects to sell its stock in a public offering
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<b>outstanding shares</b>	number of shares that have been issued by the company that are held by the insiders and the general investing public
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<b>overallotment</b>	part of the underwriting agreement which, in the event the offering is oversubscribed, allows the issuer to authorize additional shares (typically 15%) to be distributed by the syndicate; also called the green shoe
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<b>oversubscribed</b>	situation in which investors have expressed an interest in buying more shares of a new security than will be available; under this condition, the price of the security has a greater likelihood of opening higher in the secondary market than is the offering price
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## P

pipeline	supply of new issues that are tentatively scheduled to come to market; pipeline is also referred to as "visible supply"
postponement	when an offering that had a tentative "pricing" date is pushed back in timing to a later date; postponement may occur when market conditions threaten the viability of the offering; extremely adverse market conditions could lead to cancellation of the offering
preliminary prospectus	offering document printed by the issuer containing a description of the business, discussion of strategy, presentation of historical financial statements, explanation of recent financial results, management and their backgrounds and ownership; the preliminary prospectus has red lettering down the left-hand side of the front cover and is sometimes called the "red herring"
premium	if the opening price of an IPO in the secondary market is higher than its offering price, the difference would be the premium
price range	price range at which the company expects to sell its stock in a public offering; also referred to as "offering range"
private placement	investment in a company by a group of private investors—the offering is limited both by the amount of shares or units and the number of investors; recipients receive restricted stock from the issuer
privately held	company whose shares have never been offered publicly for sale

## Q

quiet period	time period in which companies are forbidden by the Securities and Exchange Commission (SEC) to promote or hype the offering; starts the day a company files a registration statement and lasts up to 25 days after a stock starts trading
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## R

red herring	another name for the preliminary prospectus; the offering document printed by the issuer containing a description of the business, discussion of strategy, presentation of historical financial statements, explanation of recent financial results, management and their backgrounds, and ownership
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<b>registration</b>	procedure by which a company who would like to go public files a registration statement with the SEC which contains a description of the company, its management, and its financials; the material is reviewed by the SEC for its completeness, amount of disclosure, and its presentation of accounting information before the SEC declares the registration effective, which allows it to be traded to the public
<b>risk factors</b>	considerations that are disclosed in the preliminary prospectus that might materially affect the company's financials, stock price, or reputation in a negative way
<b>road show</b>	also called the "dog and pony show," a tour taken by a company preparing for an IPO in order to attract interest in its securities; attended by potential buyers, including institutional investors, analysts, and money managers by invitation only—members of the media are forbidden to attend
<b>S</b>	
<b>SEC</b>	Securities and Exchange Commission, a federal government agency that regulates and supervises the securities industry; the commission administers federal laws, formulates and enforces rules to protect against malpractice, and seeks to ensure that companies provide full disclosure to investors
<b>secondary offering</b>	public sale of previously issued securities held by large investors, usually corporations or institutions
<b>selling concession</b>	commission paid to brokers to help distribute a public securities offering
<b>selling group</b>	group of broker/dealers that helps an underwriting syndicate distribute securities of a public offering
<b>settlement date</b>	date on which an executed trade of securities must be paid for
<b>shareholder</b>	any person who owns shares of a company's stock
<b>shelf filing</b>	Securities and Exchange Commission rule which allows a company to register a public offering with the SEC which will be made available for sale at some unspecified future date
<b>SIC code</b>	Standard Industrial Classification is a four-digit code that identifies the sector specific industry that a company is a member of
<b>spinoff</b>	conversion of a subsidiary or division of an existing company into a stand-alone entity



<b>syndicate</b>	group of underwriters who assist the lead manager or syndicate manager in distributing a new securities issue
<b>syndicate manager</b>	also referred to as the lead underwriter or managing underwriter who, among other things, is in charge of organizing the syndicate and distributing member participation shares to other members of the syndicate
<b>T</b>	
<b>tombstone</b>	advertisement placed in print media that serves as an official advisory of a securities offering having been completed for a company; it lists all the managers and co-managers who participated in the event
<b>tranche</b>	French word used to describe segments of the IPO being sold in different countries; a multi-tranche distribution is commonly used for large U.S. and foreign IPOs where there is demand both in the U.S. and in their home country
<b>treasury stock</b>	stock a company issues then buys back, at which time it is placed in the company's treasury, where it earns no dividends and carries no voting privileges
<b>U</b>	
<b>underwriter</b>	brokerage firm that raises money for companies using public equity and debt markets; underwriters are financial intermediaries that buy stock or bonds from an issuer and then sell these securities to the public, a process which is highly regulated by the SEC and the National Association of Securities Dealers
<b>use of proceeds</b>	how the company plans to use the monies it generated from an IPO or secondary offering
<b>V</b>	
<b>venture capital</b>	source of money for start-up companies, typically raised by venture capital firms who invest in private companies that need capital to develop and market their products; in return for this investment, the venture capitalists generally receive significant ownership of the company and seats on the board
<b>volatility</b>	characteristic of a security which rises or falls sharply in price within a short time period
<b>W</b>	
<b>withdrawal</b>	when a company decides to not continue with its proposed offering of securities

X

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*(No entries)*

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Y

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*(No entries)*

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Z

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*(No entries)*

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