



Executive Summary

To IPO or not to IPO is a decision requiring careful consideration. The IPO market remains vibrant in 2025, with the fintech sector drawing significant interest and even a few community banks getting attention. However, the decision to go public involves much more than just market timing. This year, we have seen significant IPO activity from fintech companies like **Chime** (which raised \$864 million and valued the company at \$11.6 billion) and **Circle** (\$34.5 billion market cap). Also in June **Northpointe** became the first U.S. bank IPO of 2025, valued at \$595 million. Stripe, Klarna and Plaid are all planning IPOs too.

As an alternative to an IPO, some companies have chosen the direct listing route. In a direct listing, the company registers shares and lists them on an exchange without issuing new shares or using an investment bank. Direct listings work best when there are many existing shareholders who are interested in selling stock and many investors interested in the company. This type of transaction leverages the brand and market presence of the company and avoids the costs and complexities associated with a traditional IPO.

In August 2025, USBC went public via a novel SPAC transaction funded with \$15 million plus 1,000 bitcoin (worth about \$110 million). Several other crypto-related companies are also using the SPAC structure to go public including Twenty-One (a reference to bitcoin) which is associated with Tether (the largest stablecoin) and Bitfinex.

This highlights an evolving landscape where IPOs, direct listings and even SPACs are viable options. The decision must align with the company's strategic goals, growth stage, and market dynamics. At **Endurance Advisory Partners**, we believe that community banks and fintechs may be better served by non-traditional alternatives like direct listings or SPACs, particularly in light of current market trends. This article explores these options, offering insights into the process, costs, benefits, and challenges, as well as updated valuation multiples based on 2025 data.

Decision Process: To Be (or not To Be) a Public Company

Pros:

- Mechanism to meet diverse shareholder desires from selling/monetizing investment to buying/investing/growing the company
- Enhanced market visibility
- Diversifies investor base
- Broader access to equity markets to obtain growth capital; potentially broader access to more sophisticated debt markets
- Enhanced external and internal reporting requirements may result in improved financial reporting discipline

- Active market feedback on Company performance
- “Acquisition currency” for stock-based M&A deals
- Ability to provide stock and/or options as part of compensation may attract and retain key talent
- Enhanced transparency and information dissemination to employees, customers and vendors
- Opportunity for founders/investors to monetize investments and exercise financial exit strategies
- Vehicle for holding and transferring inter-generational wealth

Cons:

- Considerable amount of work to execute, and hence, can be an expensive and distracting effort
- Cost – the gross spread payable to investment bank is typically 7% of proceeds; accounting and legal can add as much as \$2 million each
- New layers of ongoing compliance requirements – SEC, SarBox, etc
 - Increases compliance, investor relations and other personnel (minimum \$2 million incremental cost when public)
 - Forces company to maintain compliance with exchange requirements (minimum number of shares available for trading, minimum share price, number of shareholders and number of market makers), making it impractical for companies raising less than \$50 million
 - Requires investor attention which is difficult to obtain unless the market cap and float allow for active trading and adequate liquidity (even higher minimums, e.g. \$200 million market cap and \$100 million float)
 - Stringent audit standards which significantly increase the cost of annual audits
- Disclosures – financial and operational data is publicly released, including compensation for top officers. This may result in competitors taking advantage of the Company with targeted sales or recruiting efforts. The Company will need to disclose certain transactions with entities or persons related to officers, directors and significant shareholders.
- Volatility – most non-bank financial services companies have short-term valuation windows that offer little earnings visibility
- Short term focus – investors focus on earnings trajectory, which will often be discounted, thereby pressuring management to “hit” current period performance goals
- New fiduciary obligations to investors may limit the Company’s operating flexibility
- Restrictions on management and control investors regarding personal stock sales, pledging and trading
 - Even when allowed, sales may send a negative message¹
 - Lockup periods – large investors and insiders are prohibited from selling for 90-180 days following an IPO, and 180 days to 1 year following a SPAC. The end of lockup periods can result in a drop in stock price even if no insiders sell.
 - Moving large blocks of stock may require a secondary offering or large block trade, which comes at additional expense (up to 5% of proceeds).

¹ Personal financial planning and transitions are often complicated. Control shareholders in public companies must file 10b5-1 selling plan which can limit gains. Large positions are generally exited through a secondary or block trades (which result in more fees). These restrictions limit owner’s ability to take cash out of the Company.

- Limits control and decision-making; increases accountability to outsiders
 - Exposure to activist investors, short sellers or other nay-sayers/opportunists
 - Potential for poor stock performance, particularly when:
 - The Company is not included in major indices or exchange traded funds
 - The sector can go out of favor regardless of fundamentals, which can trap the Company in a downward valuation spiral
 - There are few publicly traded comparables and/or
 - There are esoteric industry practices that are not widely known by potential investors
 - Potential to lose control of the company
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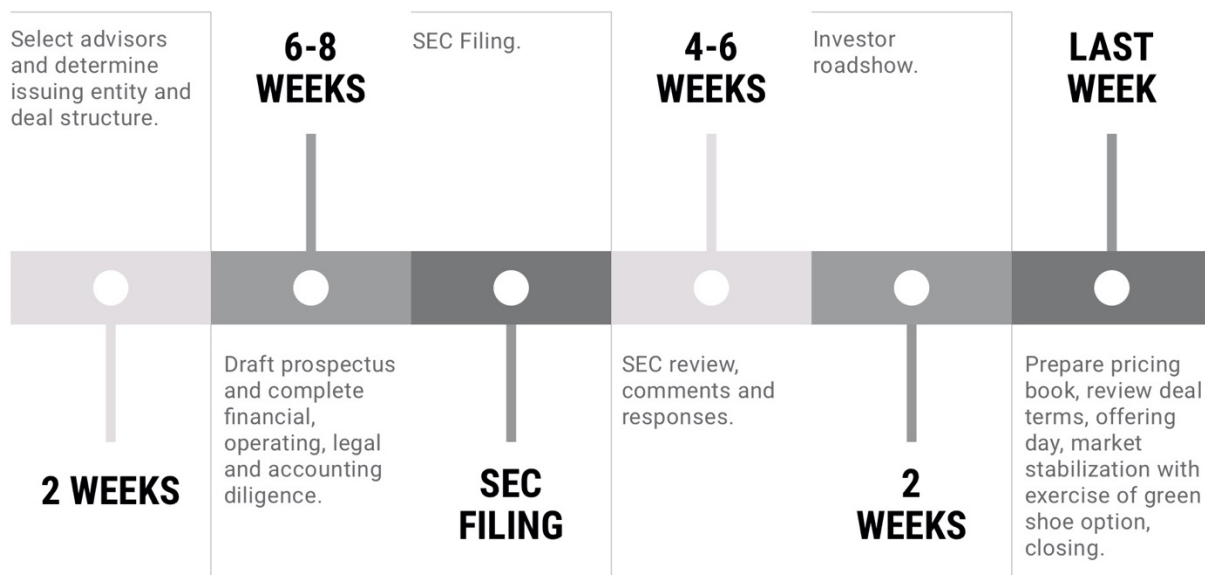
The Traditional IPO Process

The IPO process is typically a 4-6 month journey – and that’s only if it already has the financial discipline in place that is required to describe its operations from a financial point of view. Before this process starts it is imperative that the Company undertake a careful review of the pros and cons to make sure that this is a journey worth taking. Many advisors suggest spending a full year before beginning the IPO process building the controls necessary to function in the public domain. This pushes the planning horizon to 18 months before the big day.

Key Steps and Decisions

The following graphic shows the key steps to an IPO along with the time required for each. The timetable is neatly split in half by the SEC filing date – meaning half of the work happens before anyone outside of the company and its advisors knows what is going on. The process ends when the deal is priced and closes.

Determine target timeline (typically 4-6 months if everything is ready)



Pre-Filing

Most of the important decisions are made prior to the SEC filing. First of all, and most important, the Company must identify its key advisors: investment bank, legal, accounting, and tax. The investment bank will put together a “working group list” with contact information for everyone to expedite communication across the team. Together this team can answer the deal structuring questions and set a target timeline.

The first question is: What entity should do the IPO? In some cases, the primary operating company is the best issue because it’s closest to the business and has little “noise” that can complicate the story or detract from valuation. Other times it is best to use the holding company because, after all, existing shareholders probably invested at that level. It is surprisingly common for the best issuer to an entity that doesn’t exist yet – an assortment of subsidiaries that have not been combined before.

Among banks, the correct choice is almost always the holding company. Issuing at the holding company enables the enterprise to manage leverage at the operating company (the bank) more easily and efficiently. That said, while it is rare, it is possible to execute an offering for shares of the regulated bank, particularly if there is no holding company. Similarly, it is possible for a mortgage bank to execute an offering of just the origination company or just the servicer.

The next question is: Should the IPO be primary or secondary shares? With a primary share offering, proceeds go to the Company whereas with secondary shares the proceeds go to the selling shareholder. Of course, it is possible to do a mixture of primary and secondary shares. Furthermore, it is possible to transform a secondary offering into a primary and vice versa through a series of bridge financings. Sophisticated investors see through such financings and

understand that the Company can get to the same place by adjusting the mix of primary and secondary shares. That said, primary offerings are often favored because they signal that the Company is growing (use of proceeds is the next paragraph) rather than signaling that the existing holders think it's a good time to sell.

A follow-on question is: What is the Company's use of proceeds? Use of proceeds is always a critical consideration. Like any equity offering, the deal is first and foremost about raising capital, so the Company needs to have a need for that capital. The need for capital indicates that the Company has strong growth prospects.

The banking, accounting, legal and tax team needs to figure the deal structure out before getting starting the real "deal" process. Once the basic structuring questions are answered the investment bank can seek approval from its Equity Commitment Committee. With that approval, the investment bank will work with the Company to pull together a Public Information Book of all of the marketing and financial information that is available. This information is typically uploaded to a virtual data room and shared with the entire working group. Now the team can start drafting registration documents. With structuring considerations resolved, the Company can move to the task of telling its story.

An IPO prospectus is a once-in-a-lifetime opportunity to tell the Company's story to the public in a truthful and compelling way. Of course, the story is also told from a financial point of view. All marketing materials must rely on information which is also disclosed in the prospectus; roadshow speeches are limited to prospectus disclosures. Hence, the Company needs to make the verbiage (and the numbers) compelling.

What are the most important operating statistics? The Company must figure out the optimal way to portray these operating statistics. For example, should tables group by product, channel or region? Combinations? Other? All operating statistics must foot to the financials. The Company needs to be in a position to provide audited financial statements for the issuer for the time period covered by the prospectus.

Getting the numbers right is hard; writing the text is harder. The text must simultaneously ring true to current shareholders and prospective investors. The Company should expect all executives to read it, and all employees will at least hear excerpts. The same is true of suppliers, vendors and other business partners. The prospectus is an opportunity to tell a new story, but at the same time the story must be consistent with what everyone already knows about the firm.

After going through innumerable drafts, the prospectus will finally be ready to file 6-8 weeks after starting the drafting sessions. During this process, the Company must select a printer (chosen once the prospectus has made it through the first several drafts). The Company will also choose a transfer agent and a registrar for its soon to be public stock. The Company's board must formally appoint the transfer agent and registrar and then approve the form of the stock certificate and authorize enough shares to cover the offering. The board should also establish a "pricing committee" to expedite the approval of the offering price when the time comes.

Financial, operating and legal due diligence occurs simultaneously making these two months amongst the most difficult and exhilarating in the company's history. Operating due diligence typically includes contact with suppliers and customers. Financial due diligence culminates with the investment bank and counsel discussing the Comfort Letters that the Company's auditors

must provide certifying the numbers in the prospectus. When the document is ready, it is sent to the printer where the final few drafts are reviewed. At this time, the investment bank returns to its Equity Commitment Committee to gain approval and its Equity Valuation Committee for the pricing range, if any, that will be included in the filing. The investment bank's counsel will complete a preliminary Blue Sky survey to ensure that the offering complies with all state law. The Company's public relations firm will prepare a press release about the filing. When the working group is fully satisfied, the prospectus is filed with the Securities and Exchange Commission (SEC).

Post-Filing

The SEC allows several weeks to review, make comments and turn comments. In total this typically takes 4-6 weeks (IPOs are almost never approved without review).

Look at other public companies to anticipate SEC (and investor) comments. What other companies are the best peers for the Company? For banks, this is relatively easy – banks are commonly grouped by size and region and, to a lesser extent, business. For Mortgage Banks, payments companies and fintechs the choice of peers is more difficult. The choice of comparables and the way that informs the Company's presentation is critical. The absence of comparables, which often translates into an absence of best practices in valuation or even a widely accepted methodology for valuing the stock, can result in low valuations or excessive volatility.

Anticipating SEC questions should prime the Company for answering investors' due diligence questions. These questions range from general strategy to financial details. Of course, all of these answers must also be contained in the prospectus. At a minimum, the Company should be prepared to discuss:

- Overall business strategy
- Management (organization chart, experience, compensation, bonus program, contracts with key employees, stock/option ownership)
- Market strategy (competition, key producers, channels)
- Product offerings and differentiators
- Financial diligence (balance sheets and income statements with discussion of any non-recurring items, copies of all financing agreements, copies of all shareholder agreements)
- Financial planning (current plan vs actual, projections, critical assumptions/KPIs, historical data for all key performance indicators, tax status)
- Auditors (tax and accounting review)

The Roadshow

Preparing the Roadshow Presentation consumes a lot of the post-filing time. The investment bank will work with the Company to write a presentation designed to capture the interest of prospective investors. If necessary, the investment bank will help the executive team by bringing in a presentation coach to ensure that the presentation will go well. When ready, they will do a dry run of the presentation. At this point in time, the investment bankers walk their equity research team through the Company's story and financials; equity research, in turn, teaches the institutional salesforce the selling points for the stock. In short order, the bankers, research and salesforce are able to identify the target audience for the roadshow, and the bankers schedule group presentations and one-on-one meetings.

The Roadshow can commence when the SEC is ready to declare the registration statement effective. Roadshows are designed to give potential institutional investors an opportunity to meet the management team and ask questions about the Company. Roadshow presentations are usually about an hour long and are followed by a question and answer period. In addition to group presentations, the investment banks will schedule many one-on-one meetings with potential significant investors. For one-on-ones, the roadshow presentation is usually abbreviated and the Q&A period extended. In most situations, allowing two weeks for the roadshow is adequate.

Pricing Day

After the roadshow, the investment bank prices the offering. Throughout the roadshow, the bankers keep track of expressions of interest by every potential investor. Most just specify volume, not price. As the roadshow concludes, they can review the entire book and allocate shares to each investor. If the book is strong, they can scale back shares committed to each investor, leaving more after-market demand. After the market closes, they will review deal terms with the Company and agree on price, so that it will be ready to open the following morning. Behind the scenes, the investment bank gains internal approval, coordinates with co-managers and underwriters, contacts the exchanges to release the trading symbol, and finalizes Blue Sky authorization, the Comfort Letter and other required documents.

When trading commences the next morning, the lead will control activity in the stock for up to a week of “market stabilization” to ensure a broad distribution of shares and strong market receptivity. They will also typically exercise the green shoe option², thereby increasing the size of the offering and covering their short position. At the end of a week, the deal is closed and the investment bank pays the Company the net proceeds of the offering.

Alternative Ways to Go Public

The most common path to becoming a public company is through a traditional Initial Public Offering (an **IPO**), but over the past decade alternative structures have emerged that get the Company to the same place via a different route. These alternatives include a merger with a special purpose acquisition company (a **SPAC**) or a **direct listing** (going through the public registration process without an investment bank).

SPAC popularity took off when early stage, high growth companies realized that disclosures in a the traditional IPO did not provide investors with enough information to make a prudent decision. IPO prospectuses generally report historical financial information and do not include projections or any discussion of management’s plans for

² The “green shoe” is an option to purchase an additional 15% of shares issued at the agreed upon offering price. Investment banks usually place more shares with initial investors than they have agreed to purchase from the Company, so when trading starts they have a short position. If the deal was under-priced and trades up when trading commences (as usually happens), the investment bank would lose money on shares that it buys back. With an option to buy more shares, it can avoid a loss.

the future. By contrast, disclosures to shareholders in merger transactions often include information about how the two companies plan to operate together going forward. Hence, if an early stage, high growth company merges with a shell company, its disclosures could include forward looking statements and the description of operating activities would only be about company going public (the other party is, after all, only a shell company).

This end run around normal SEC disclosure rules was explicitly addressed in 2022, and the differences in IPO vs SPAC disclosures were largely eliminated. That said, a merger is still a different type of transaction than a stock offering, SPACs often include multiple classes of stock, warrants, convertible notes, stand-by investors and other complexities which further differentiate a SPAC from an IPO. For companies who benefit from the financial flexibility associated with these structural complexities (e.g., early stage, high growth companies), the SPAC route may make more sense than a traditional IPO.

Direct listings are just now gaining traction. Unlike SPACs and IPOs, direct listings do not require investment banker involvement. Direct listings grew out of the nascent market for trading in privately held equities. Private companies often have diverse investors – current and former employees, investors in early rounds who did not participate in recent rounds, investors who want liquidity for their shares and investors who want to increase their exposure to the company. As a private company, it is often difficult to balance the desires of all of these shareholders simultaneously.

Many banks were capitalized decades ago with investments from businesses in the community. Like private equity backed companies, such banks may find it impossible to meet the needs of all of its shareholders at the same time. Further, since banks already file call reports and operate in a highly regulated environment, the additional cost of being public is lower than it is for most types of companies.

A direct listing solves a lot of the “conflicting shareholder desire” issues by creating a public market for the stock – enabling prospective sellers to sell and new investors to buy. As with an IPO, a company doing a direct listing must write a prospectus, register the shares with the SEC and answer the SEC’s questions. Unlike an IPO, however, there is no investment bank or roadshow. There is no third party who determines the offering price. Instead, the price emerges at the level where shareholders are willing to sell and investors are willing to buy (to provide some structure, the initial trading price is typically based on a dutch auction). Best of all, the primary expense of an IPO – the underwriting spread is avoided.

Pros and Cons of Each Route

Traditional IPO: Pros and Cons

Pros:

- **Capital Raise:** An IPO allows a company to raise significant capital, providing funds for expansion, acquisitions, or strengthening the balance sheet.
- **Underwriter Support:** Underwriters assist with pricing guidance and post-listing stabilization, mitigating initial volatility, which is crucial for fintech companies in volatile markets.

Cons:

- **High Costs:** IPOs are expensive, with underwriting fees of about 7% plus other expenses totaling millions of dollars.
- **Lock-up Periods:** Typically lasting 180 days, lock-up periods restrict insider selling, deferring liquidity for early investors.

SPAC: Pros and Cons**Pros:**

- **Capital Raise:** An IPO allows a company to raise significant capital, providing funds for expansion, acquisitions, or strengthening the balance sheet.
- **Investment Banker Support:** Investment bankers assist with pricing the merger but after announcement, the SPAC stock price reflects market dynamics.

Cons:

- **High Costs:** IPOs are expensive, with underwriting fees of about 7% plus other expenses totaling millions of dollars.
- **Structural Complexity:** Various securities and classes of investors make it more difficult to value the company
- **Lock-up Periods:** Often lasting as long as a year, lock-up periods restrict insider selling, deferring liquidity for early investors.

Direct Listing: Pros and Cons**Pros:**

- **Cost-Efficiency:** Direct listings are far less expensive.
- **Liquidity for Shareholders:** A direct listing provides immediate liquidity for existing shareholders without sending a negative signal .

Cons:

- **No New Capital Raised:** Since no new shares are issued, direct listings are unsuitable for companies seeking to raise capital for growth (e.g., community banks in need of capital for expansion).
 - **Volatility Risk:** Without underwriter stabilization, direct listings may experience higher price volatility post-listing.
 - **Reduced Marketing Effort:** The lack of a formal roadshow and focused marketing efforts can result in lower investor awareness, less visibility, and a lower public profile which may result in a lower multiple and/or weaker trading volume.
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When to Consider a Direct Listing

Direct listings are ideal for companies with numerous publicly traded comparables and strong financials (both balance sheet and cash flow). Further, direct listings are also good for companies with diverse shareholders – often those who have gone through several private equity rounds or where enough time has passed that shareholders’ goals have changed since investing.

Further, direct listings are attractive when shareholder opinion differ about the current market value of the stock and the prudence of incurring the cost of an IPO and selling shares now. In effect, a direct listing enables the company to offer its shareholders a compromise. Once the company has a public stock price, that price can be used when negotiating mergers or when evaluating the dilution incurred if a stock offering is necessary to capitalize growth.

Ongoing Obligations for Public Companies

Once listed, companies face ongoing regulatory and compliance requirements:

- **SEC Filings:** 10-Q, 10-K, and 8-K filings.
 - **Sarbanes-Oxley Compliance:** Companies must establish robust internal controls and undergo audits.
 - **Investor Relations:** Continuous communication with investors, including quarterly earnings calls and annual reports.
 - **Insider Trading Disclosures:** Insiders will be required to report trades and limit trading activity to trading windows when all material information has been disclosed
 - **Exchange Rules:** Compliance with stock exchange requirements for equity listing.
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Summary

Endurance Advisory Partners is ready to guide fintechs, payments companies, and community banks through the IPO, SPAC or direct listing process. We specialize in:

- Conducting gap assessments for public readiness.
- Developing strategy, risk plans, and investor narratives.
- Supporting dual-track IPO and M&A processes.
- Providing regulatory advice and validating recommendations.
- Assembling teams, preparing timelines, and ensuring due diligence.

Ultimately, the decision to pursue an IPO, SPAC or direct listing depends on the company's capital needs, growth stage, and market environment. In 2025's volatile financial landscape, IPOs are better suited for capital-hungry community banks, while direct listings offer liquidity options for community banks with diverse shareholder groups or established fintechs who have gone through multiple rounds of private equity funding.

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