

## **INITIAL PUBLIC OFFERING RISK DISCLOSURES**

While an IPO may give investors the opportunity to participate in the growth and development of a formerly private company, IPOs can be risky and speculative investments and may not be appropriate for every investor.

Before a company goes public, it discloses required information about its business, financial condition, risks, and management in the registration statement, typically on Form S-1. Form S-1 and its amendments are filed with the Securities and Exchange Commission (the “SEC”) and publicly available through the SEC’s [EDGAR](#). It is important to read the prospectus because it provides information regarding the terms of the securities being offered as well as disclosure regarding the company’s business and risks that are key to deciding whether the offering is an appropriate investment. ***You should obtain and carefully read the prospectus prepared by the issuer before making any investment.***

There are a variety of risks typically associated with new issue securities that may have a material and adverse effect on the price of the issuer’s shares, including the following examples; you should carefully read the issuer’s prospectus to understand the risks that face the particular company:

***Issuer’s Limited Operating History.*** A new public company in its early stages of growth may have a limited operating history which makes it difficult to evaluate current business and future prospects. Typically, the information that can inform a decision to invest often can only be found in the prospectus.

***Volatility.*** How a company’s shares perform during the first day of trading, or even during its first year, is not always indicative of long-term performance. Following the IPO, the market price for the securities may be subject to significant fluctuations due to liquidity constraints, general market volatility, and other factors unrelated to the issuer’s operating performance.

***No Prior Market for Common Stock.*** There is generally no public market for an issuer’s common stock prior to an IPO and there is no guarantee that an active trading market will develop following the IPO. The offering price is a negotiated estimate of the company’s value, which may not correlate to the trading price of the securities in the secondary market. It is possible that the closing price of the shares shortly after the IPO will be above or below the offering price.

***Additional Financing.*** A public company may need to raise funds to expand its business, acquire complementary businesses, develop new technologies, respond to competitive pressures or react to unanticipated events. If a public company raises funds through the issuance of equity or

convertible securities, existing shareholders, including those who purchased in the IPO, may face substantial dilution. If a public company raises funds through the issuance of debt securities or preferred stock, the holders of those new securities would have rights, preferences and privileges senior to holders of common stock. In addition, debt financing could subject the company to interest rate fluctuations and restrictive covenants affecting the company's operations and ability to raise capital.

***Dependence on Key Personnel.*** Certain key management personnel may drive shareholder value; loss of their services could have a material adverse effect on business operations and the company's share price.

***Dependence on Key Suppliers.*** Some public companies rely significantly on a limited group of suppliers to obtain product components or materials. If an issuer is unable to obtain sufficient quantities or such components or materials fail to meet specifications, delays or reductions in shipments may result

***Dependence on Limited Number of Customers.*** An issuer's primary customer base may be limited to a small number of customers, the loss of any one of which could have a material adverse effect on the issuer's business and financial condition.

***Intellectual Proprietary Rights.*** Companies that depend on licensed technologies are vulnerable to patent litigation and infringement claims which, in turn, may result in substantial diversion of resources.

***Competition.*** New issuers may face significant competition from relatively larger and more mature companies with access to greater financial, technical, and other resources.

***Rapid Technological Change.*** Public companies in manufacturing and technology sectors are susceptible to the risk that rapidly evolving technologies and shifting customer needs will render their products or technologies obsolete.

For information on investing in IPOs see <https://www.sec.gov/files/ipo-investorbulletin.pdf>.

Still have questions? [Contact Robinhood Support](#)