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Buying PRE-IPO Stocks?

WHAT YOU NEED TO KNOW

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Buying shares in startups early in their development is a proven way to earn exponential returns. Usually, that means buying at the IPO (Initial Public Offering) stage. But if you know how to buy Pre-IPO stock, though, you may have the chance to get in even earlier and reap even higher rewards, potentially in a shorter time frame.

There are no guarantees, and Pre-IPO investments have genuine risks. Still, if you have money that you're willing to risk in return for extraordinary potential rewards, Pre-IPO invesments are worth looking into.

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What Is Pre-IPO Stock Investing?

Pre-IPO stocks are shares that a private company sells to investors before the company goes public (before its IPO). Most companies who sell Pre-IPO stock use a process called Pre-IPO placement. These shares are often bought by institutional investors like hedge funds and private equity firms, along with a few retail investors.

Can Retail Investors Purchase Pre-IPO Shares?

Pre-IPO investing is not easy and has a high entry barrier. A vast majority of Pre-IPO shares – which are usually offered in large blocks – are purchased by deep-pocketed in stitutional investors. Individual investors can participate, but there are significant restrictions in most cases.

Accreditation Requirements

In the US, SEC rules restrict many private offerings to "accredited investors," who must have at least:

- an annual income exceeding $200,000 ($300,000 for joint income) for the last two years with the expectation of earning the same or a higher income in the current year.
- Or - they have a net worth exceeding $1 million, either individually or jointly with their spouse.

Direct Listing vs. Initial Public Offerings (IPO)

The major difference between a direct listing and an IPO is that one sells existing stocks while the other issues new stock shares. In a direct listing, employees and investors sell their existing stocks to the public. In an IPO, a company sells part of the company by issuing new stocks. The goal of companies that become public through a direct listing is not focused on raising additional capital, which is why new shares are not necessary.

What Are the Advantages of Pre-IPO Investing?

Pre-IPO investing has advantages that are difficult to duplicate in any other investment market. Let's look at some of them.

The Opportunity to Get Exponential Returns

This is the biggest reason why many seasoned investors choose to invest in Pre-IPO's. If you pick the right company at the right time, you can get enormous returns on your investment.

One of the most cited Pre-IPO success stories is that of the Alibaba Group, the Chinese conglomerate which went public in 2014. Before going public, Alibaba offered Pre-IPO shares (at less than $60 per share) to investment firms and high net worth investors.

Among the investors who bought Alibaba's Pre-IPO shares was Ozi Amanat–a Singapore based venture capitalist. He bought a block of shares worth $35 million. A few months later, Alibaba went public in the largest global IPO to date, and its share price reached $90 on the very first day. It allowed Ozi Amanat and other investors to earn a 50% return on their investment in a span of just a few months.

Pre-IPO Stocks Are Available at a Discounted Price

When you invest in Pre-IPO stock, you don't know how the company will actually perform once it goes public. To offset this risk, private companies usually offer Pre-IPO stocks at a discounted price.

For example

If a company sets its IPO price at $20 per share, it might offer Pre-IPO shares at $10 per share. That lets you buy in at a lower price that's likely to yield profit even if the IPO is not highly successful. Let's assume that the company's share price declines from $20 per share to $15 per share, due to a political crisis or a pandemic. Investors who bought the company's shares at $20 apiece will suffer losses. It might take them several weeks or even months to recover their losses. You will be less affected by the dip in the share price since you only paid $10 per share. If the company performs well and if its share price in creases significantly, you stand to earn substantially higher returns on your investment than someone who invested in the company's IPO. It can help you build enormous wealth over a period of time as well as allow you to earn passive income through dividends.

A Chance to Build Long-Term Wealth

One of the biggest benefits of Pre-IPO investing is that you are investing in a company that is on its way up.

If the company performs well, you can benefit enormously from its growth in the long term. It is not uncommon for million-dollar startups to turn into billion-dollar public companies, especially in the tech industry. So, your investment in a company at the Pre-IPO stage could pay off massive returns in the future and help you build long-term wealth.

Pre-IPO Investing Risks

Like any other investment, Pre-IPO stock also comes with risks, which you need to consider before making an investment decision.

Do Your Research Before Investing

Do your research and find out as much as possible about the company you are about to invest in. This is where Global IPO Group can assist you. Is there a genuine demand for the product or service the company offers? Is their projected rate of growth realistic and achievable? Are the shares reasonably priced? These are things you need to find out before you make a decision.

Read the PPM Carefully

Private companies which intend to go public provide a Private Placement Memorandum (PPM) to their investors. It is a document that contains the information you need to decide whether the company is worth investing in or not. A PPM usually contains information about the company, its management, the products and services it offers, the customer base it caters to, its performance in the past, its financial resources, & potential risk factors that investors should consider. Make sure you read the PPM carefully before deciding to invest in Pre-IPO stock.

Set yourself up for success

At Global IPO Group, we specialize in connecting accredited investors to unique Pre-IPO investment opportunities of private companies. By partnering with our expert profession- als, you put yourself in a better position to diversify and potentially increase principal.

Be Patient

Pre-IPO investing is not a get-rich-quick scheme. It can take several months – or in some cases, even years – for a company in the Pre-IPO stage to go public. Moreover, even after the company goes public, its share price might not increase right away. So, it's paramount for you to be patient and focus on long-term wealth generation rather than expecting quick returns on your investment.

Investing in Pre-IPO stock can be a strategic way to build wealth in the long term. If you manage to invest in the right company at the right time, you can get tremendous returns on your investment. There are risks in Pre-IPO investing – as is the case with any other investment but the upsides can be tremendous. If you have the resources and a suitable risk profile, it is an investment opportunity you should not miss out on.

How to get started

If you're curious (or serious) about exploring Pre-IPO investments, Global IPO Group can help. We introduce accredited investors to attractive Pre-IPO investment opportunities. Some of our offerings are big-name companies (unicorns) with a lot of hype, while others are lesser-known disruptors in their industry with ground breaking technology or significant upside potential.

It all starts with a simple phone call or email. We'll discuss your goals and how we can help you reach them. If you're interested, let's explore Pre-IPO opportunities together.

To Learn More About Our **Pre-IPO** Offerings

PLEASE CALL (561) 765-4667

Please note that any investment involves risk including loss of principal. Private Shares are for accredited investors and involve a high degree of risk There is a risk in buying pre–IPO shares in that the company may never IPO. In those cases, since the shares never trade on the open market, they are highly illiquid and it becomes more difficult (although not impossible) to sell them for a profit. This is for informational and educational purposes only and should not be construed as investment advice or an offer or solicitation of any products or services. Opinions are subject to change with market conditions. The views and strategies may not be suitable for all investors and are not intended to be relied on for legal or tax advice.