

The 2025 IPO Market

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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 their most recent 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 throughout 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 scalable.
- 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.

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