Spotify Direct Listing

Symbol: SPOT
Exchange Listing: NYSE
Target Trading Date: April 3, 2018

Spotify recently filed for a direct listing of their shares. Rather than a traditional Initial Public Offering, Spotify is pursuing an atypical "direct listing", which means they will not use the traditional syndicate approach of issuing new shares to raise capital. Instead, through the direct listing, Spotify will list for sale existing shares enabling them to be traded by the public.

Please refer to Spotify's web site or SEC.gov for more information.

Spotify
https://investors.spotify.com/investor-day-2018/default.aspx

Form F1 Registration Statement
https://www.sec.gov/Archives/edgar/data/1639920/000119312518063434/d494294df1.htm

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How can customers participate?
Any person with a brokerage account can attempt to purchase shares when the shares begin trading in the secondary market. Spotify (symbol: SPOT) is currently scheduled to begin trading on April 3, 2018.

To participate, during the morning of April 3rd, prior to the Opening trade of SPOT, Fidelity will begin accepting Limit Orders to Buy shares of SPOT. The time is currently TBD.

How will the opening price be determined?
The opening public price of the shares on the NYSE will be determined by buy and sell orders collected by the NYSE from various broker-dealers and will be set based on the designated market maker's determination of where buy orders can be matched with sell orders at a single price. On the NYSE, buy orders priced equal to or higher than the opening public price and sell orders priced lower than or equal to the opening public price will participate in that opening trade.

What types of orders can be placed on Spotify?
The Morning prior to the Opening Trade of SPOT (currently 4/3/18), clients will only be able to place limit orders to buy SPOT.

After trading begins, all order types will be available (e.g., market orders, stop orders, etc.).

What is the price range for Spotify?
Because this is a direct listing, there won't be an initial price or price range for the stock. The price will be determined by market demand on the day it is set to begin trading, which is currently targeted for April 3, 2018.

Can I trade SPOT through a Fidelity Representative?
Clients can place orders like any other security—Online, through a Representative, or Fidelity's automated phone service (FAST). Regular commissions for those channels will apply.

What happens if I want to place an order prior to when Fidelity will be accepting orders on 4/3?
You will be unable to place orders earlier than that.

Is the stock marginable?
Spotify (symbol SPOT) will be margin eligible on the first day of trading.

What is a direct listing versus the traditional IPO process?
A **direct listing** is where a company lists for sale previously issued shares enabling them to be traded by the public. It does not involve any underwriters or other intermediaries, there are no new shares issued, and there is no lock-up period. Spotify has filed a Form F-1 with the SEC that provides full financial disclosure, just like they would have if they had conducted a traditional underwritten IPO.
In **traditional IPOs, newly issued shares are listed for sale and sold to the public.** Intermediaries called underwriters facilitate the IPO process and charge commissions for their work. IPO underwriters are financial experts who help the company go public. They work closely with the issuer to perform various functions which include deciding the initial offer price of the shares to be sold, helping with regulatory requirements, buying the shares from the company, and then selling them to the various investors via their distribution networks.

Why is Spotify listing their shares this way?
Spotify executives claim the company is well capitalized and doesn't need to raise new capital through a public offering. They have stated that their goal is to create liquidity for existing shareholders. Spotify has also explained that it is trying to avoid subjecting shareholders to the lockup period that is customary when companies go public.

What are the potential risks of Spotify's direct listing?
There are a number of potential risks, including the fact that since there is no pre-determined price range, there is the potential for volatility in Spotify's stock price. The opening price of the stock may be drastically different than the price of the stock over time. This may be exacerbated shortly after trading commences in the stock and in periods of general market volatility. Since there are not a fixed number of shares being sold, supply and demand may be limited. It may be difficult for customers to sell their shares or effect short sales.
However, p lease note that because we cannot list all the potential risks here, so you should seek additional information on Spotify's website, the Form F-1 Registration Statement and the company's prospectus for further information. Links to these documents are listed above.

Who is underwriting the offering?
Since this is a direct listing, there will be no underwriter.

Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors. Please assess your financial circumstances and risk tolerance before trading on margin. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

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