

Inside IPOs: A window into the state of innovation and health of capital markets

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The Initial Public Offering (IPO) space is heating up, notably with the recent public listing of SpaceX, which received significant media attention. Other leading-edge technology companies, such as OpenAI and Anthropic, have also indicated their intention to list in coming months.

While the media frenzy and narratives around big technology IPOs are captivating, investors must remain disciplined when determining whether or not to participate. Critically, fundamentals, IPO structure and alignment with risk-return objectives form the foundation of the investment decision.

Today, to help understand what to look for and what to avoid, I am joined by Mickey Ganguly, Associate Portfolio Manager, Global Technology at CIBC Global Asset Management.

Q: What is an IPO and why do private companies offer their shares to the public?

An IPO, or Initial Public Offering, is the process by which a private company lists its shares on a public stock exchange, fundamentally transforming from a privately held entity into a publicly traded company. The decision to go public is rarely straightforward, as management teams and boards must carefully weigh the considerable benefits against the tradeoffs that come with operating under the scrutiny of public markets, regulatory bodies, and institutional investors.

One of the most compelling reasons a company chooses to pursue an IPO is the unparalleled access it provides to the deepest and most liquid pools of capital in the world. Public equity markets allow companies to raise significant sums of money from a broad and diverse investor base, including retail investors, mutual funds, pension funds, and sovereign wealth funds. This influx of capital is often critical for funding large-scale growth initiatives, such as expanding into new geographies, investing in research and development, building

out infrastructure, or scaling operations. For high-growth companies in particular, the ability to tap public markets can be the difference between capturing a market opportunity and falling behind well-capitalized competitors.

Beyond raising capital, going public gives a company a powerful strategic tool: the ability to use its publicly traded stock as currency for corporate transactions. Publicly traded shares carry a transparent, market-determined valuation, making them an attractive form of consideration in mergers and acquisitions. A compelling recent example is SpaceX's acquisition of Cursor in an all-stock transaction valued at approximately \$60 billion. Notably, this deal was announced just days after SpaceX completed its own IPO on June 12, 2026, illustrating how quickly a newly public company can leverage its stock to execute transformative deals. Without a public listing, structuring a transaction of this magnitude in stock would have been far more complex, given the illiquidity and valuation uncertainty inherent in private company shares.

A publicly traded company also gains a significant advantage in attracting and retaining top talent. Equity compensation in the form of stock options or restricted stock units becomes far more attractive when the underlying shares are liquid and freely tradeable on a public exchange. This practice is especially prevalent in the technology sector, where competition for skilled engineers, product managers, and executives is intense.

Finally, an IPO serves as a critical exit mechanism for early-stage investors, including venture capital firms, angel investors, and founding shareholders. Private companies inherently present barriers to buying and selling shares, as transactions require finding a willing counterparty, negotiating terms, and navigating transfer restrictions. Going public removes these barriers, allowing early backers to monetize their investment through open-market sales. This liquidity event is often the culmination of years of patient capital deployment and is a foundational element of the broader venture capital and private equity ecosystem.

Q: Why have recent and upcoming IPOs gained so much attention?

Before addressing the excitement surrounding recent and upcoming mega IPOs, it is important to acknowledge the broader IPO environment of the past several years. Since the peak of 2021, when over 2,000 companies went public globally, IPO activity has experienced a significant and sustained decline. By 2025, that number had nearly halved, reflecting a fundamental shift in how high-growth companies are choosing to finance their operations.

A primary driver behind this decline is the remarkable expansion of private markets. Over the past decade, the availability of venture capital, private equity, and growth-stage funding has grown dramatically, giving companies access to substantial financing without the obligations that come with a public listing. Going public introduces a host of tradeoffs: quarterly earnings scrutiny, increased regulatory requirements, heightened public disclosure obligations, and the pressure to manage short-term investor expectations. As these burdens have become more pronounced, many companies have made the deliberate choice to remain private for longer, raising successive funding rounds at increasingly elevated valuations rather than subjecting themselves to the demands of public market investors.

As companies continued to raise capital in the private markets, their valuations grew substantially, often reaching levels that historically would have triggered an IPO. This dynamic created an unusual situation: some of the most consequential and fastest-growing companies in the world were scaling at a breathtaking pace entirely out of reach of the public market investor. Public market participants, who had been effectively excluded from this value creation, watched from the sidelines as companies at the forefront of transformative industries accumulated enormous enterprise value in private hands. This prolonged exclusion has built considerable pent-up demand, and as the IPO window begins to reopen, that appetite is now coming to the surface in a meaningful way.

Now, with landmark companies such as OpenAI and Anthropic signaling their intentions to enter the public markets, the broader investment community is being offered a rare opportunity to participate in the growth of organizations that are defining the next era of technological innovation.

Anthropic serves as a particularly striking example. With a potential IPO anticipated later in 2026, the company has captured the attention of investors worldwide. Anthropic has grown its Annual Recurring Revenue from \$9 billion to over \$45 billion in less than six months — a rate of expansion that is virtually unprecedented. For investors who have watched the AI industry reshape entire sectors of the global economy, the

prospect of owning a stake in one of its most influential players is a compelling proposition.

The success of SpaceX's IPO further underscores the depth of investor appetite for high-growth, innovation-driven companies. Its strong market reception demonstrated that investors are not only willing but eager to deploy capital into businesses that are redefining the boundaries of what is possible. Taken together, these developments signal that the IPO market may be entering a new and highly consequential chapter where public investors will support the build out of the infrastructure necessary to build transformative technologies while rewarding the long-term winners.

Q: How do you determine whether or not you want to invest in an IPO within the funds you manage?

When investing in IPOs, the decision to invest cannot rely on the same depth of financial track record that typically informs equity analysis. There are no years of quarterly earnings to examine, no long history of management navigating economic cycles, and often no established pattern of capital allocation to evaluate. As a result, the investment decision relies heavily on informed judgement — a careful, rigorous assessment of the business itself, its competitive positioning, and its potential to generate sustainable long-term value. While every company that comes to market is unique, and the considerations that drive each investment decision will naturally vary, a consistent set of fundamental principles forms the foundation of this evaluation process.

The first and perhaps most critical area of analysis is the strength and durability of a company's competitive advantages, often referred to as its moat. A wide moat suggests that a company has built meaningful barriers that protect it from competitive encroachment — whether through proprietary technology, network effects, switching costs, cost advantages, or brand equity. The key questions here go beyond simply identifying whether a moat exists. It is equally important to assess how sustainable that advantage is over time. Markets evolve, technology disrupts, and well-capitalized competitors can erode advantages that once appeared insurmountable. A company with a defensible and durable moat is far better positioned to compound value over the long term than one whose competitive edge is narrow or easily replicated.

Even the most competitively advantaged business will struggle to deliver meaningful growth if it operates in a market that is too small or already fully penetrated. Evaluating the Total Addressable Market, or TAM, is therefore a central component of the IPO investment framework. The analysis

considers whether the market is large enough to support the growth ambitions the company has articulated, and whether realistic pathways exist to capture a meaningful share of that opportunity. Market fragmentation is also an important consideration — a highly fragmented market with no dominant incumbent can represent a significant consolidation opportunity, while a market already controlled by a few large, well-resourced players may present a more challenging competitive landscape. Understanding the scale and positioning of top competitors provides essential context for evaluating the company's growth runway.

A compelling business at the wrong price is still a poor investment. IPO valuations must be assessed critically, particularly given that companies coming to market often carry premium valuations reflective of high growth expectations. The analysis examines whether the IPO price is reasonable relative to the company's growth profile, current and projected profitability, and the competitive advantages it has demonstrated. Peer comparison is a critical part of this process — benchmarking the company's valuation multiples against those of comparable publicly traded businesses helps determine whether the market is pricing in a realistic or overly optimistic outlook. Overpaying at the point of entry can significantly impair long-term returns, even for fundamentally strong businesses.

The final pillar of the framework addresses corporate governance — an area that is sometimes overlooked in the excitement surrounding high-profile IPOs but carries significant implications for minority shareholders. Dual-class share structures, which grant certain shareholders — typically founders or insiders — disproportionate voting rights relative to their economic ownership, can materially limit the ability of ordinary shareholders to influence management decisions or hold leadership accountable. Similarly, highly concentrated ownership in the hands of a single individual or entity can create governance risks, as the interests of the controlling party may not always align with those of the broader shareholder base. Understanding the ownership structure and its implications is an essential step in forming a complete picture of the risks associated with any IPO investment.

Q: Explain lock-up periods and any other pitfalls investors should watch out for?

An IPO lock-up period is a legally binding contract that prohibits company insiders — such as early investors, executives, and employees — from selling their shares for a defined period of time, typically ranging from 90 to 180 days following the IPO date. This restriction is designed to prevent an immediate flood

of shares into the market, which could otherwise destabilize the stock price during its earliest and most vulnerable trading days. While the lock-up period limits liquidity for insiders at a time when public demand is naturally elevated, the expiration of this period introduces a new set of risks. As the lock-up window closes, insiders who have been waiting to monetize their positions may rush to sell, significantly increasing the supply of shares in the market. This sudden influx of selling pressure frequently creates notable volatility in the stock price.

Beyond the lock-up dynamic, retail investors face a structural disadvantage when it comes to accessing IPOs in the first place. IPO share allocations are predominantly directed toward institutional investors — such as mutual funds, hedge funds, and pension managers — who possess both the deep capital reserves and the established broker relationships necessary to receive shares at the IPO price.

As institutional demand for a newly listed stock surges, it frequently gives rise to what is commonly referred to as the IPO "pop" — a sharp and rapid increase in the stock price during the first hours or days of trading. Institutional investors, having secured their allocations at the offering price, are well-positioned to capitalize on this initial rally by selling into the momentum at a significantly elevated price. This mechanism allows sophisticated investors to realize outsized returns in a very short window, often before retail participants have had a meaningful opportunity to assess the stock's true value. Once this wave of institutional enthusiasm subsides, however, the stock frequently enters a prolonged and often painful period of price discovery — a process that can stretch over several months — during which the broader market attempts to establish a fair and sustainable valuation for the company.

A further complication for public investors lies in how IPO pricing is determined in the first place. In the lead-up to a public offering, the stock's initial price is often anchored to the valuation established during the company's most recent private funding round. Private market valuations, however, are frequently derived through methods that lack the transparency and rigor expected in public markets. These valuations may reflect the negotiating dynamics between the company and a small group of private investors, rather than a broad open market.

Public investors are rarely given full visibility into the assumptions underpinning these private valuations, which means they may be purchasing shares at a price that does not accurately reflect the realities of the industry the company operates in, or the sustainability of its projected growth trajectory. This information asymmetry places a significant burden on retail and even institutional public investors to conduct thorough due diligence before committing capital.

In summary, while IPOs can present compelling investment opportunities, they come with a distinct set of structural risks that are often underappreciated. From lock-up expiry volatility and unequal access to allocations, to the mechanics of the institutional “pop” and the opacity of private market valuations, public investors must approach IPO investments with a disciplined, research-driven mindset to ensure that the price they pay genuinely reflects the company’s long-term value.

Q: What can the demand for IPOs tell us about the markets in general?

In our view, a healthy IPO environment is one of the most telling indicators of a well-functioning equities market. When new companies are willing and able to go public — despite the considerable tradeoff costs associated with an IPO, including regulatory burdens, disclosure requirements, and the structural risks outlined above — it signals robust institutional confidence and genuine demand for growth-oriented investment opportunities.

Perhaps no recent example illustrates this dynamic more powerfully than the landmark IPO of SpaceX, which launched a record-breaking public offering to raise \$75 billion — a figure that was ultimately oversubscribed, meaning that investor demand for shares significantly outpaced the supply made available at the offering price. Oversubscription of this magnitude is a strong signal of institutional conviction, as it indicates that sophisticated capital allocators were competing aggressively for access to the offering rather than approaching it with caution or hesitation.

The market’s enthusiasm did not dissipate after the initial offering. SpaceX’s stock has continued to attract sustained buying activity, climbing from its initial offering price of \$135 per share to \$185 per share as of June 18, 2026 — representing an appreciation of approximately 37% from the IPO price. While the continued price momentum is encouraging, we would point out that with SpaceX entering some global benchmarks on an accelerated timeline, some of the demand is likely driven by passive funds that track that particular benchmark.

The significance of SpaceX’s IPO, however, extends well beyond its own balance sheet. It functions as a critical litmus test for what may prove to be one of the most consequential IPO cycles in recent memory. Both Anthropic and OpenAI are anticipated to launch their own public offerings later this year, each at a projected valuation exceeding \$1 trillion. These are not incremental milestones — they represent a generational shift in how transformative technology companies access public capital markets, and their success or failure will send a powerful signal

about the market’s willingness to fund the next chapter of the artificial intelligence revolution.

The stakes are particularly high given the unprecedented capital requirements of the current AI investment cycle. Developing and scaling frontier AI systems demands infrastructure investment — in data centers, semiconductor supply chains, energy capacity, and research talent — at a scale that has no modern precedent. Companies operating at the cutting edge of this space cannot rely solely on private funding rounds to sustain their growth trajectories indefinitely. They need access to deep, liquid, and receptive public capital markets to raise the funds necessary to compete and innovate at scale.

This is precisely why the success of upcoming AI-focused IPOs carries implications that reach far beyond the companies themselves. A well-received Anthropic or OpenAI IPO would validate not only the individual companies’ valuations, but also the broader thesis that public markets remain willing and able to fund transformative, long-duration innovation. Conversely, a tepid reception would raise important questions about the sustainability of current AI valuations and the market’s capacity to absorb the volume of capital these companies intend to raise.

Ultimately, monitoring the trajectory of high-profile IPOs offers investors and executives a uniquely transparent window into the health of capital markets. In an era defined by rapid technological change and record-level investment in artificial intelligence, the ability of public markets to absorb and reward these offerings is a signpost for the market’s confidence in the future.

Putting into practice

Within the CIBC Technology Innovation fund, we have the flexibility to access the broader IPO market and selectively participate in new issuances. Consistent with our disciplined investment approach, we apply the same rigorous due diligence process to companies entering the public markets as we do to our existing portfolio companies — carefully evaluating each opportunity to assess the risk-return trade-offs required to generate attractive outcomes for our clients.

We remain highly constructive on the technology sector and view the anticipated wave of high-profile IPOs as a compelling opportunity to deepen our understanding of these businesses and their broader implications for our investment universe.



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¹ CIBC Global Asset Management (previously known as TAL Global Asset Management Inc.) was founded in 1972 as a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.

² Includes \$57 billion in notional currency, \$125 billion in US PWM assets and \$28 billion in third-party sub-advised assets. All figures in CAD. As at March 31, 2026.

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