GLOSSARY

prospectus – a printed document that provides information about an investment opportunity, describing what it includes and what risks it carries
* Manuel doesn't have time to read the fund prospectus, but his financial advisor will summarize it for him.

to get in on – to participate in something that is available to only a small group of people, not the general public
* I wish we had gotten in on those investments years ago, because today they're worth millions of dollars.

initial public offering (IPO) – the first time a company's stock is sold to the public, converting that company from a private company into a public company
* How does a company determine the appropriate stock price in an IPO?

publicly traded – with the stock or shares of a company being bought and sold by members of the public, including people who are not connected with the company
* How many publicly traded companies are listed in the New York Stock Exchange?

stock market – stock exchange; the financial market in which shares of companies are bought and sold
* Julissa follows the stock market closely to determine when to buy and sell.

share – one of many equal parts of a company that is owned by many different people
* They own shares in a lot of food manufacturing companies.

privately owned – owned by an individual or a family, not a public company or a government-owned business
* Their company has been privately owned since it was founded, and they plan to keep it that way for many generations.

to raise capital – to gather money for business investments, especially for starting or expanding a business
* Do you think you'll be able to raise enough capital from friends and family members?

early investor – one of the first people to invest in a company
* If it weren't for those early investors, we never would have been able to open our first factory.

to cash in – to receive money, especially by ending one's investment in a business and receiving the appropriate percentage of the profits
* If we invest in that company, it might be years before we can cash in.

underwriter – an individual or company that purchases shares from a company and then resells them to investors
* If the underwriter can't sell all the shares at the expected price, it will lose money on the transaction, or it will have to keep the shares for itself.

investment bank – a large bank that buys and sells many shares in other companies, often on behalf of investors
* William earned an MBA with a concentration in finance and hopes to work for one of the large investment banks on Wall Street.

share price – the cost of purchasing one share in a company
* If the share price continues to increase, we'll be millionaires by the end of the year!

in bulk – in large quantities; buying a lot of something at once
* Shelly saves money by buying flour, rice, beans, and pasta in bulk.

lying around – available; without being set aside for a particular purpose; ready to be used
* Why do you have all these antiques lying around? You could make a lot of money by selling them.

to turn around – to immediately do something else, especially to repeat one's previous actions, but from the other side of the transaction or relationship
* Trent told us he was going to drop out of school, but then he turned around and told his parents how excited he was about earning his medical degree.

to lose (one's) shirt – to lose all of one's money and become broke, especially as the result of a risky decision, a risky investment, or gambling
* Adam lost his shirt at the casino last night.

COMPREHENSION QUESTIONS

1. What is Midas looking at?
a) A newspaper article about the IPO.
b) Historical data about share prices.
c) A description of the IPO investment opportunity.

2. What will the owners do when they raise capital?
a) They'll get money from investors to develop their business.
b) They'll move their business to the capital city.
c) They'll produce advertisements to attract investors.

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WHAT ELSE DOES IT MEAN?

to cash in
The phrase "to cash in," in this podcast, means to receive money, especially by ending one's investment in a business and receiving the appropriate percentage of the profits: "Karen has spent years getting her law degree and she wants to cash in by working for a high-paying law firm." When gambling, the phrase "to cash out" means to stop playing, take one's "chips" (playing pieces) to the cashier, and receive cash equal to their value: "Let's stop gambling and cash out before we lose any more money." Finally, the phrase "to cash a check" means to go to a bank and receive cash equal to the amount of money indicated on a paper check: "The line at the bank is always longest on the first day of the month, when people are cashing their paychecks."

to lose (one's) shirt
In this podcast, the phrase "to lose (one's) shirt" means to lose all of one's money and become broke, especially as the result of a risky decision, a risky investment, or gambling: "When the man lost his shirt at the racetrack, he started crying like a baby." The phrase "to bet (one's) shirt on (something)" means to risk all of one's money, or place a bet with all of one's money: "The home team is going to win the championship this year. I bet my shirt on it." Finally, the informal phrase "keep your shirt on" is used to try to make someone calm down before getting too angry: "I know you're upset, but keep your shirt on and listen to what I have to say."

CULTURE NOTE

Employee Stock Options

"Employee stock options" are sometimes part of a "compensation package" (all the different ways someone is paid for his or her work). A "stock option" gives employees the "right" (the ability to do something), but not the "obligation" (something that one must do), to buy a certain number of shares of the company's stock at a "set" (already established) price at a specific time in the future. If the company's share price at that time is higher than the price that was set in the stock option, then the employee will be buying those shares below the "market price" (the price at which people are currently buying and selling something), which will present an opportunity for the employee to make money. However, if the company's share price at that future time is lower than the market price, the employee will choose not to "exercise" (use; act upon) the stock option.

In the past, stock options were normally offered only to executive-level staff, but now it is more common for stock options to be offered to all employees, even some "entry-level" (just beginning one's career) employees, especially at "startup companies" (companies that are just beginning), which may not have a lot of cash to pay high salaries, but seem to have "high potential for" (a strong likelihood of) being profitable in the future.

Companies offer stock options to employees, because they are a useful tool for attracting highly qualified applicants. Stock options also make employees feel more like owners and business partners. Employees with stock options should be willing to work harder, because they know that if the company succeeds, they will make more money.

Comprehension Questions Correct Answers: 1 – c; 2 – a

COMPLETE TRANSCRIPT

Welcome to English as a Second Language Podcast number 1,048 – Launching an Initial Public Offering.

This is English as a Second Language Podcast episode 1,048. I'm your host, Dr. Jeff McQuillan, coming to you from the Center for Educational Development in beautiful Los Angeles, California.

Visit our website at ESLPod.com. Remember that we also have additional premium courses on our website in our ESL Podcast Store. You can become a member of ESL Podcast and download the Learning Guide for this episode as well. Lots of things for you to do. And if you're on Facebook, you can go to facebook.com/eslpod.

This episode is a dialogue between Zoe and Midas about initial public offerings. Let's get started.

[start of dialogue]

Zoe: What are you looking at?

Midas: It's the prospectus for Boogle's IPO. I wish I could get in on the initial public offering, but since I can't, I'll buy stock as soon as the company becomes publicly traded.

Zoe: I'm not really familiar with how the stock market works. You mean you're going to buy shares in Boogle?

Midas: That's right. An IPO is a way for a privately owned company to become a publicly owned one. The owners of the company do it to raise capital, or sometimes it's for early investors to cash in.

Zoe: Why can't you buy stock in the initial public offering?

Midas: A company like Boogle works with an underwriter, like a major investment bank, to help set the share price and to find buyers for the initial offering.

Zoe: Okay, I'm following you so far.

Midas: Well, that first sale of stock is usually done in bulk, and I don't have a few million dollars lying around to buy that much stock. Luckily for me, those first buyers then turn around and sell that stock in smaller amounts.

Zoe: And that's when you'll buy.

Midas: That's right. You should get in on it, too.

Zoe: You mean buy some Boogle stock?

Midas: Sure, why not?

Zoe: And risk losing my shirt? No, thanks!

[end of dialogue]

Zoe asks Midas, "What are you looking at?" What are you reading? Midas says, "It's the prospectus for Boogle's IPO." A "prospectus" (prospectus) is a printed document, usually, that provides information about some investment opportunity.

One of the laws here in the United States requires that companies who want to sell stock or sell partial ownership in their companies have to print out or give people written information about the company and the possible risks involved – the possible ways that you might lose your money. This document, which is probably now communicated to people more by PDF than by mail, is called a "prospectus."

Midas is looking at a prospectus for a company's IPO. IPO stands for "Initial Public Offering." "Initial" (initial) here means the first time it's done. A "public offering" is when a company decides it's going to sell "stock" – partial ownership in the company – allowing the average person, or at least some people, to buy partial ownership in the company. This is abbreviated "IPO," and it stands for Initial Public Offering.

Midas says, "I wish I could get in on the initial public offering, but since I can't, I'll buy stock as soon as the company becomes publicly traded." "To get in on" something means to participate in something that usually only a small group of people are allowed to participate in. Sometimes when a company has an IPO and they start to sell stock, it will only be available to a certain group of people. However, eventually the company becomes "publicly traded," allowing anyone to buy stock in it.

"Publicly traded" means that the shares in the company, stock in the company, is sold to the public, usually through what's called a "stock exchange," such as the New York Stock Exchange or the Toronto Stock Exchange. Yeah, they have a stock exchange in Toronto. Of course they do. Many countries have stock exchanges. There are a couple here in the U.S. and several in Europe and in other countries as well.

Well, we're talking about a publicly traded company here. Zoe says, "I'm not really familiar with how the stock market works." The "stock market" refers generally to the financial market in which people buy and sell shares in companies. The "stock market" often refers to a particular exchange, such as the New York Stock Exchange. However, it can also be used to refer to the activity of all the different exchanges in the country or even around the world.

People sometimes say, "I'm going to put money in the stock market" – I'm going to buy stocks. I'm going to buy partial shares in companies. Zoe doesn't understand how the stock market works. She says, "You mean you're going to buy shares in Boogle?" A "share" is your small percentage of ownership of a company. It's an equal part; if you own more shares, you own more parts of the company. The share is, if you will, the unit of ownership.

Midas says, "That's right. An IPO is a way for a privately owned company to become a publicly owned one." If we say something is "privately owned," we mean that the average person on the street can't buy partial ownership in the company. The company is owned, say, by one family or one group of investors. "Publicly owned companies" are companies that sell partial ownership, sell stock, in their companies, and these companies have different regulations, different rules they have to follow, because they are publicly owned.

An initial public offering is a way for a privately owned company to get more money – for selling more of its product or for doing research or for expanding the business somehow. Midas says, "The owners of the company do it" – that is, have an IPO – "to raise capital." "Capital" (capital) refers to money that is used for some business purpose. "To raise (raise) capital" means to get more money, to get money from people for some particular business project.

Midas says, "Sometimes the IPOs are for early investors to cash in," or perhaps "to cash in on." An "early investor" is someone who gives money for partial ownership in the company when the company is still relatively new or young. A privately owned company can get money from people who help it grow, and then when there's an IPO and the company's stock is worth a lot of money, these initial investors – these early investors – often cash in. “To cash in” means to make a lot of money by selling what you have.

So, you sell your shares in the company in order to get your money back plus a lot of other money. At least, that’s the idea. Zoe then asks, “Why can’t you buy stock in the initial public offering?” Midas says, “A company like Boogle works with an underwriter, like a major investment bank.” An “underwriter” (underwriter) is an individual – but more commonly, a company – that purchases shares from a company and then resells them to people who want to buy them, to investors.

Usually, this is done through something like an investment bank. An “investment bank” is a large bank that has investments and that helps companies raise capital through selling stocks. Midas says that the underwriter helps set the share price and find buyers for the initial offering. The “share price” is how much that one unit of partial ownership is worth, how much it will cost you. Zoe says, “Okay, I’m following you so far,” meaning I understand what you mean up to this point.

Midas continues, “Well, that first sale of stock is usually done in bulk.” “In bulk” (bulk) means in a large quantity, when you buy a lot of something at once. Some people, when they see a good sale on, I don’t know, paper towels or toilet paper or cans of tuna, will buy them in bulk. They’ll buy lots of them because the price is good. I buy my coffee in bulk whenever it goes on sale at the grocery store; I buy as many as I can at a cheap price.

That’s what Midas is talking about when he says that the sale of stock is done “in bulk,” meaning it’s sold in large quantities. That means that you have to have a lot of money, typically, in order to buy it. Midas says, “I don’t have a few million dollars lying around to buy that much stock.” When we talk about something “lying (lying) around,” we mean available – something, typically money, that you can just access, get the use of, quickly, that’s not being used for anything else.

Midas says, “Luckily for me” – fortunately for me – “those first buyers then turn around and sell that stock in smaller amounts.” The phrasal verb “to turn around” here means to immediately do something else, usually buy or sell. For example, I could buy a new computer today and then turn around and sell it tomorrow to someone else for a higher price. Or, I could sell my computer today and turn around tomorrow and buy a new computer. So, it usually refers to buying and then selling, or selling and then buying – the two actions being done very close together in time.

Zoe says, “And that’s when you’ll buy?” meaning when the initial investors who have a lot of money start selling their stock in smaller amounts. Midas says, "That's right" – that's correct. "You should get in on it, too." Zoe says, "You mean buy some Boogle stock?" Midas says, "Sure, why not?"

Zoe says, "And risk losing my shirt? No, thanks." "To lose (lose) your shirt (shirt)" means to lose all your money, typically in some sort of investment. You could, for example, loan your money to a friend who's starting a business, and then the business is not successful and you don't get your money back. If you loaned him all of your money or most of your money, you could lose your shirt – that is, you could go broke. You could have no money left.

Now let's listen to the dialogue, this time at a normal speed.

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[end of dialogue]

We'd like to thank our wonderful scriptwriter, Dr. Lucy Tse, for her wonderful scripts.

From Los Angeles, California, I'm Jeff McQuillan. Thank you for listening. Come back and listen to listen to us again right here on ESL Podcast.