



What Are Unicorn Companies?

Prateek Mehrotra, MBA, CFA®, CAIA®

In business lexicon, a Unicorn refers to any venture backed private company that exceeds a \$1 billion valuation, because, like the mythical creature, it's a statistical rarity. However, since the Great Recession, the global private tech ecosystem has witnessed a remarkable paradigm shift as more companies reach this milestone. The Wall Street Journal now tracks 154 companies in the billion-dollar club, approximately half of which are U.S. based tech companies.

Why the growth? Smartphones, cheap sensors, cloud computing and other technological advancements have enabled new internet connected services to reach more customers faster. Low interest rates, a 7-year bull market in public equities, large cash balances on corporate balance sheets and other favorable economic factors have also fueled the trend.

While more common, it is still relatively rare for a company to achieve unicorn status. Roughly 22,000 U.S. tech companies were funded since 1995, resulting in approximately 40 public, 30 acquired and 90 paper unicorns. Given that venture capital (VC) batting averages are near 1.5%, not all paper unicorns will realize their valuation upon liquidity, implying many could lose Unicorn status.

Uber tops the list of U.S. based unicorns with a paper valuation of \$68 billion. Founded 8 years ago, it reportedly is losing money as it continues to focus on global market share as it competes with U.S.-based Lyft and other global startups.

Airbnb, which lists more room and apartment rentals than the largest hotel chains in the world is the 2nd largest Unicorn. With an estimated \$30 billion valuation, Airbnb is worth more than Wyndham Worldwide and Hyatt Hotels.

Palantir is the 3rd largest U.S. based Unicorn. Operating in the big data predictive analytics world, its technology scours massive, disparate data sources seeking patterns that aren't obvious to the human eye. Its technology was rumored to have helped the U.S. government track down Osama Bin Laden with its technology.

Other top 10 Unicorns include WeWork, SpaceX, Pinterest, Dropbox, Infor, Stripe and Spotify. Since 2009 about 70 U.S. based Unicorns have had exits (either through an IPO or by an acquisition) in excess of \$1 billion, making them real Unicorns.

Top 3 U.S. Unicorn data sourced from CB Insights

Prateek Mehrotra, MBA, CFA®, CAIA® is Chief Investment Officer of MBA, CFA®, CAIA® of Endowment Wealth Management, Inc., based in Appleton, WI. Prateek can be reached at 920.785.6010.

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