

Chasing Decacorns: IPOs to Watch in 2022

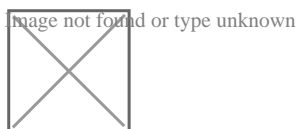
Quote

"Unless the markets completely fall apart, IPOs will happen this year. But it will be higher-quality companies, with strong brands and high growth rates."

- Kevin Spain, General Partner at Venture Capital firm Emergence Capital

Chasing Unicorns Decacorns (Part IV)

Over 1,000 companies hit US public markets for the first time in 2021, shattering previous records. However, after a red-hot start to the year, shares of newly public listings reversed course towards the end of 2021 and into 2022.



The media and other market pundits have been quick to cite the dot-com bubble as a comparable historical reference, infusing fear into an already jittery macro environment facing a worsening Russia-Ukraine conflict, persistent concerns around inflation, and an unknown number of Fed rate hikes looming on the horizon.

Due to some of these macro factors, investors have rebalanced lopsided portfolios, reorienting towards value stocks that have underperformed over the past decade. In many cases (especially among retail investors), that meant dumping meme stocks and tech stocks that were clearly overvalued. However, during this process, high quality tech names have also been unfairly clobbered.

In our view, this is a classic case of “throwing out the baby with the bath water.” In other words, during a broader growth selloff – which has been marketed by some as the pinprick in this era’s tech bubble – many tech companies with bright long-term prospects have tumbled, creating a buying opportunity for investors that know where to look.

Even as [postponed IPOs](#) begin to pile up as a result of this selloff, IPOs are expected to have another high-octane year in 2022. However, as alluded to in this week’s quote, we agree that investors will be more focused on topline growth, margins, and profitability than in previous years where large cash-burning operations skated by without many questions from eager speculators.

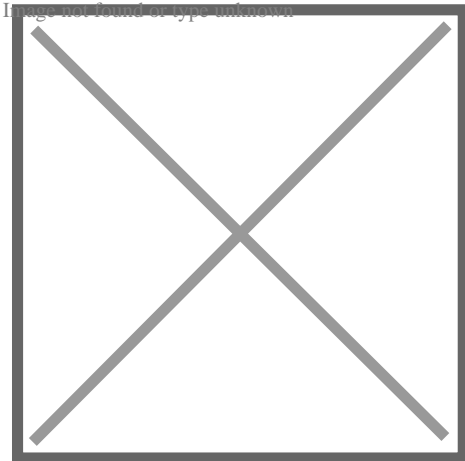
Over the past few years, we’ve published a similar letter on three separate occasions, highlighting some of the most high-profile Initial Public Offerings (IPOs) to hit markets (read last year’s version [here](#)).

As we wrote about in late-December, 2021 was the [year of the Decacorn](#) so, fittingly, this year we’re highlighting four high-profile private companies valued at over \$10 billion that are expected to hit public markets in 2022. This list is in no way an endorsement of these companies, but they are nevertheless worth watching as the IPO market starts to heat up.

*IPO stands for “Initial Public Offering” and SPAC stands for “Special Purpose Acquisition Corporation”

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IPOs and Direct Listings to Watch in 2022



Company: Reddit

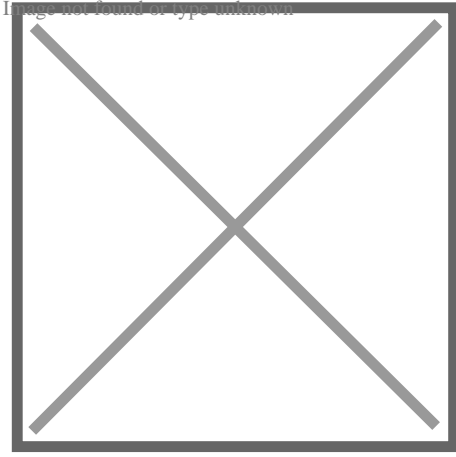
Primary Business Offering: Online platform that enables users to submit links, create content, and discuss topics of interest (news, technology, business, politics, religion, movies, music, sports, etc).

Year founded: 2005

Last Private Funding Round: In August 2021, Fidelity invested \$410 million at a reported \$10 billion valuation.

Headquarters: San Francisco, California

Reason it’s worth watching: As of September 2021, the extremely popular social platform ranks as the 7th most visited website in the United States. The company boasts 50 million daily users, and second-quarter revenues in 2021 exceeded \$100 million – roughly triple sales from a year-ago. However, other publicly traded social platforms such as Pinterest (PINS), Bumble (BMBL) and Snap (SNAP) have seen shares dip, meaning the company could go public at a lower valuation than its most recent private funding round. Additionally, the jury is still out on whether this niche platform can successfully scale and rival its more popular competitors within a crowded social media ecosystem.



Company: Databricks

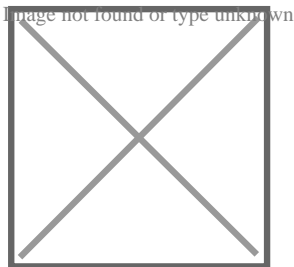
Primary Business Offering: Databricks is a data and AI company that simplifies data architectures by unifying information, analytics, and AI workloads into one common platform.

Year founded: 2013

Last Private Funding Round: In August 2021, Counterpoint Global led a \$1.6 billion round at a reported \$38 billion valuation.

Headquarters: San Francisco, California

Reason it's worth watching: Databricks counts more than 5,000 organizations as customers, with over 40% of the Fortune 500 on their platform. Further, the company is reportedly on track to reach \$1 billion in revenue sometime in 2022. However, margins are still unclear, which could be increasingly important for public market investors considering this already sky-high private market price tag.



Company: Discord

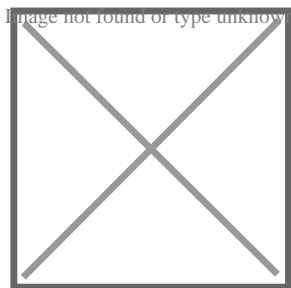
Primary Business Offering: Discord is an online voice, video, and text communication platform designed for creating digital communities.

Year founded: 2015

Last Private Funding Round: In September 2021, Discord raised \$500 million in new financing at a reported \$15 billion valuation.

Headquarters: San Francisco, California

Reason it's worth watching: Growth has been up-and-to-the-right over the past two years, with monthly active users surging from 56 million to 140 million between 2020 and mid-2021. In 2021, Microsoft reportedly offered to acquire the company for \$12 billion, but the startup rejected the offer in favor of a Series H funding round that valued the company at \$15 billion. The question is whether spurning Microsoft's offer will turn out to be a wise decision for this relatively young company.



Company: Stripe

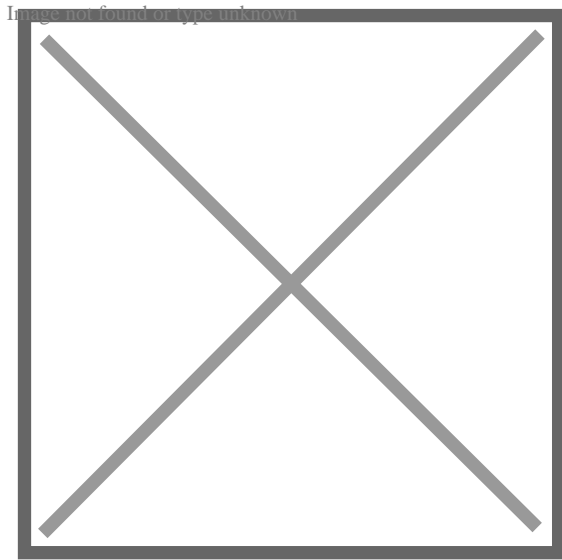
Primary Business Offering: Stripe is a developer-oriented commerce company helping small and large companies accept web and mobile payments.

Year founded: 2010

Last Private Funding Round: In September 2021, Stripe received fresh capital that valued the company at \$95 billion.

Headquarters: San Francisco, California

Reason it's worth watching: With a \$95 billion private market valuation, Stripe is one of – if not the – most anticipated IPO of 2022. The PayPal competitor was reportedly talking to investment bankers about a market debut that would value the company above \$100 billion, which would make it one of the largest IPOs in the history of public markets. However, after PayPal earnings fell short of expectations this week and shares sank 24% in its worst-ever trading day, it's worth wondering whether Stripe might reconsider the timing of its grand entrance.



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