

Venture Capital-Backed ‘Unicorns’ See Ranks Swell

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Coined in 2013, the term ‘unicorn’ in the venture capital industry has come to signify a company valued at \$1bn or more. There has been a boom in the number of firms acquiring unicorn status in the past few years, with 276 firms achieving valuations of \$1bn or more since 2013. With large amounts of venture capital available to them, many companies are choosing to remain private for longer and later into their growth cycles, pushing valuations higher and driving growth in the number of unicorns. Despite unicorns representing a small fraction of the total number of venture capital-backed companies, they account for a considerable proportion of deal value thanks to their larger funding rounds. In fact, unicorn companies account for 37% of total venture deal value in 2017 so far, while making up just 2% of the number of venture capital-backed deals year-to-date. Additionally, unicorns consistently outperform other venture funds, with a net IRR of 18% compared to 13% for all other venture funds.

For more information and analysis, see the full *December Private Equity and Venture Capital Spotlight* here: <http://docs.preqin.com/newsletters/pe/Preqin-Private-Equity-and-Venture-Capital-Spotlight-December-2017.pdf>

Key Venture Capital Unicorn Facts:

- Since 2013, 276 firms have acquired unicorn status, with **38 firms acquiring a valuation of \$1bn or more in 2017 YTD**.
- In 2017, **169 unicorn deals secured \$65.8bn, accounting for 37% of total venture deal value year-to-date**, but just for 2% of number of deals.
- **The internet sector dominates the industry, representing 41% of unicorns** and 49% of aggregate unicorn value as at November 2017.
- **More than two-thirds (68%) of institutional investors with unicorn exposure are based in North America**, followed by Europe (18%) and Asia (12%).
- **Fund of funds are the most active investor type in the \$1bn+ club**, accounting for 16% of all LPs with known unicorn fund holding, while foundations, public and private pension funds each account for 15%.
- **Funds invested in unicorns outperformed all other venture funds for vintages 2007 through 2014**, with an average net IRR of 18%, compared to 13% for all other venture funds.
- Sequoia Capital leads the industry by number of investments in unicorns, with 57 known holdings – more than 20 more than the next most active firms, Tiger Global Management and Accel Partners

Felice Egidio, Head of Venture Capital Products:

“Despite being a recently-coined term, designating large private companies as ‘unicorns’ has quickly become a part of the private capital zeitgeist. The existence of private companies on this scale is hardly newsworthy, but the recent growth of this exclusive club is significant: over 60% of venture capital-backed companies valued at \$1bn or higher have earned their horns in the past three years. Unicorns represent a significant proportion of value in the venture capital space, and have accounted for over a third of total venture capital-backed deal value in 2017 alone.

There are mixed feelings in the industry about the recent boom in the number of unicorns. Some argue that it is a sign of a bubble forming in the market, while others argue that it signifies the huge scope of possibilities by recent technological advances. While only time will tell, general opinion currently lies in favour of investing in unicorns, perhaps driven by the stunning performance multiples achieved by early investors in companies like Facebook and Alibaba.”

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