

Unicorn Companies: Some regions are better than others at creating privately held start-ups worth \$1bn

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Abstracts

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SUMMARY

Unicorns are start-up companies, typically in the tech and finance space that have reached the advantageous position of over a \$1bn market capitalization and remain in privately owned hands. These are effectively the cream of the crop of start-up opportunities and many have been serious disruptors in their traditional industries, rising rapidly to become very large businesses in what is often a short period of time.

Unicorns get a great deal of publicity not least because of their size, but also many are often preparing for stock market listing and trying to display the superiority of their technology or business model. Not all regions are adept at producing unicorns however and despite their relative rareness globally (estimated around 360 companies worldwide) some regions are particularly good at producing them. The US and China have managed to find methods to fund and support significant numbers of these companies, whereby comparison Europe is much weaker at producing them. Other regions are starting to emerge as new tech hubs and we might see a new epicenter of these massive private companies emerging in regions such as Africa. There are however questions over whether unicorns are desirable for a country to have though, because they undoubtedly absorb a vast amount of investment capital that could be better used funding large numbers of smaller businesses.

KEY HIGHLIGHTS

Silicon Valley in California, United States has long been the home of tech startups, with the country as a whole producing some of the biggest names in the environment in a range of segments such as e-commerce and on-demand. The historically large appetite of venture capitalists, as well as being the renowned 'go to' place for entrepreneurs seeking to make their fortunes in tech, has made the US the perfect location for unicorns to flourish. Furthermore, the US has large numbers of top level financial investors that can provide finance for the later ramped up funding rounds necessary to get start-up ideas off the ground and continue their momentum. In 2018 for instance, 35 companies reached unicorn status in the US alone, which is only around half the all-time total for Europe. The general business environment in the US has allowed ambitious emerging start-ups to be less risk averse, given them a broader range of funding options and faced regulatory environments which are less daunting.

China has trailed the US in terms of the number of unicorns for some years however, favorable economic conditions and continuous investment in innovation and technology, particularly in Shenzhen, has resulted in China producing large amounts of unicorns. China has started producing more unicorns than The US and could become the global hot spot for businesses to achieve \$1bn valuations in the near future. The rise of the mobile Internet has transformed China's huge consumer market allowing internet giants to emerge such as Tencent, Alibaba, Baidu and JD.com. These so called super unicorns have been instrumental in financing new business and driving innovation in throughout the country. As a result the number of unicorns in the Asia-pacific has grown at an unprecedented rate. Many leading Chinese companies have adopted aggressive investment strategies particularly in the technology sector; as a result, start-ups are able to acquire adequate capital support, enabling them to reach unicorn status. Technology driven companies have been the most successful in securing large investments and account for a high percentage of APEC unicorns. Financial technology, Artificial intelligence and e-commerce businesses are some of the markets producing the greatest number start-ups valued over \$1bn.

The number of unicorn companies in Africa is tiny compared to most of the world, but there are signs the number should grow over the coming years. Yet there is a gathering argument in favor of Africa ignoring developing unicorns and instead concentrating resources at a much smaller level. Despite this view, more venture capital funds are ploughing more money into the continent as interest

rises around the world in tapping opportunities on offer. More venture capital funding will improve the chances of more unicorns coming out of the world's poorest continent. The startup ecosystem is improving swiftly, but long-term progress still depends on significant improvements in the fundamentals of managing a national economy from governments spread throughout the region.

SCOPE

Examine the nature of unicorns and their essential business needs

Learn how well they are developing worldwide

See which regions are able to produce large numbers of unicorn businesses and why

Understand what the future for start-up tech firms looks like and whether the outlook is positive

REASONS TO BUY

What regions have a better environment for unicorn development, China, the US, Europe or Africa?

What is helping or hindering the emergence of these companies worldwide?

How many unicorns are expected to go public in 2019?

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