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2019 IPO Outlook

A Bellwether Year for the New Tech Elite?
/ *Adam Augusiak-Boro*

As the bull market charged into its ninth year in 2018, with the FAANG tech giants (Facebook, Apple, Amazon, Netflix and Alphabet's Google) leading U.S. equities markets to record highs, many of us thought we would have seen stronger IPO activity. However, with under two months left of 2018 and despite favorable market conditions, this year's U.S. IPO count is still nearly 100 IPOs lower than 2014's total of [275](#) priced IPOs. At EquityZen we continue to believe that IPO volume will remain subdued compared to prior bull markets given the secular trends we see in the U.S. capital markets.

Namely, private capital (accompanied by record high valuations) continues to flood the venture-backed ecosystem, allowing tech companies to stay private longer by greatly reducing the need for public capital. While 2018 did not set a record for IPOs, it was the year of the "SoftBank IPO" as the Japanese giant led financing rounds at U.S. companies totaling almost \$8 billion, according to Crunchbase. Through its \$100 billion Vision Fund, SoftBank essentially established itself as the central bank of venture capital, seemingly printing money for circulation among the elite corporate institutions, except Fed Chairman Jerome Powell is SoftBank CEO Masayoshi Son and Wall Street titan JPMorgan is ride-hailing giant Uber.

Even if recent news out of [Saudi Arabia](#), a major backer of the Vision Fund, curtails SoftBank's spending, the rise of mega funds is not purely a SoftBank phenomenon. Since 2014, the average venture capital fund size in the U.S. has increased from [\\$161 million](#) to [\\$283 million](#). Additional factors contributing to the tepid IPO environment in recent years include the high regulatory costs of becoming—and remaining—a public company, equity analyst scrutiny, and an increase in liquidity alternatives, such as the [EquityZen](#) platform. We believe these factors will continue to weigh on IPO volume into 2019 and the years ahead.

Nevertheless, 2019 may be one of the most highly anticipated IPO seasons in recent memory, with potentially

EquityZen Inc.

Adam Augusiak-Boro
Senior Associate
adam@equityzen.com

Atish Davda
Founder & CEO
atish@equityzen.com

Catherine Klinchuch
Research & Finance Lead
catherine@equityzen.com

Risun Udawatta
Associate
risun@equityzen.com



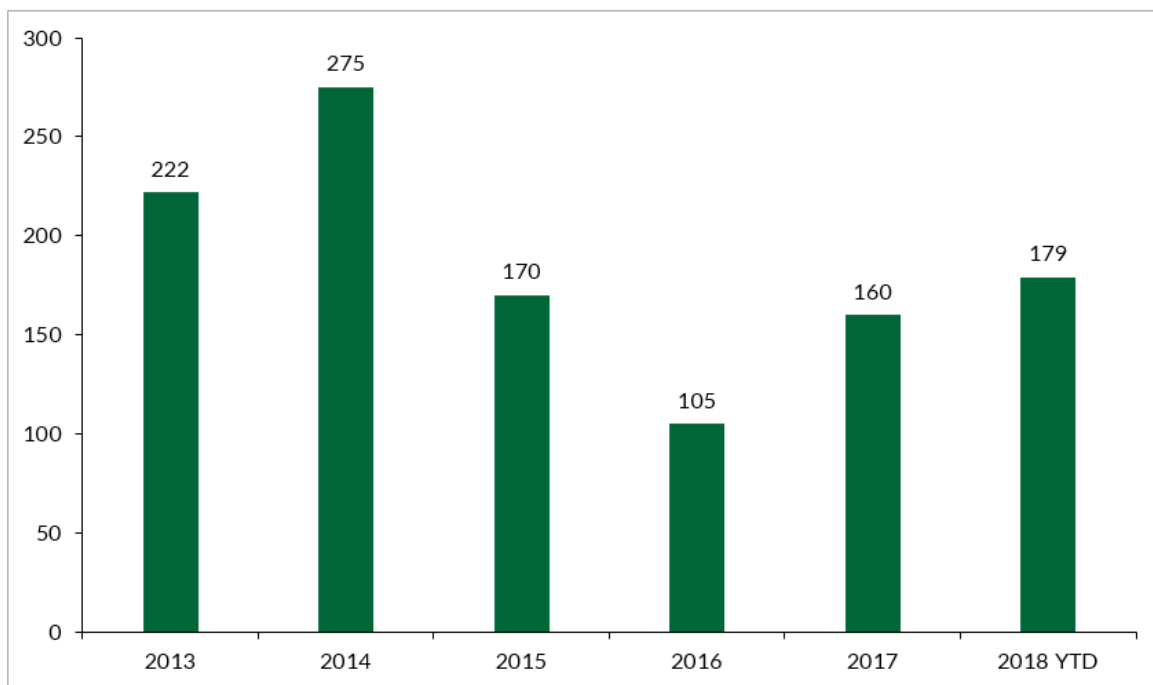
Through its digital marketplace, EquityZen connects shareholders of private companies with investors seeking alternative investments. Private company shareholders are able to diversify and monetize their holdings through EquityZen's platform. EquityZen's proprietary solution provides access to cash without any effect on the company's shareholder count or capitalization table. Meanwhile, accredited investors (AIs) can gain access to returns previously limited to larger asset managers: upside in growth firms. EquityZen's platform establishes a secure marketplace, allowing AIs to browse investment opportunities in emerging companies and industries.

EquityZen was founded in 2013 and is headquartered in New York City's NoMad neighborhood.

 **EquityZen Inc.**
45 West 27th Street, Suite 200
New York, NY 10001



Number of U.S. IPOs Priced Since 2013



Source: [Renaissance Capital](#) data as of 11/2/18; includes all IPOs, not just tech or VC-backed companies

blockbuster IPOs from Uber, Lyft, and Palantir among the over 15 tech startups we believe are ready to join the public ranks.

Our projection is based on a bottoms-up analysis, starting with a list of nearly 130 of the largest VC-backed unicorns in the U.S. We then use a combination of quantitative and qualitative factors that have historically presaged an S-1 filing to determine IPO readiness. Before we jump into our full list, let us take a deeper dive into some of 2019's anticipated marquee IPOs.

After Taking Billions in Private Capital, Will the New Tech Elite Impress the Public?

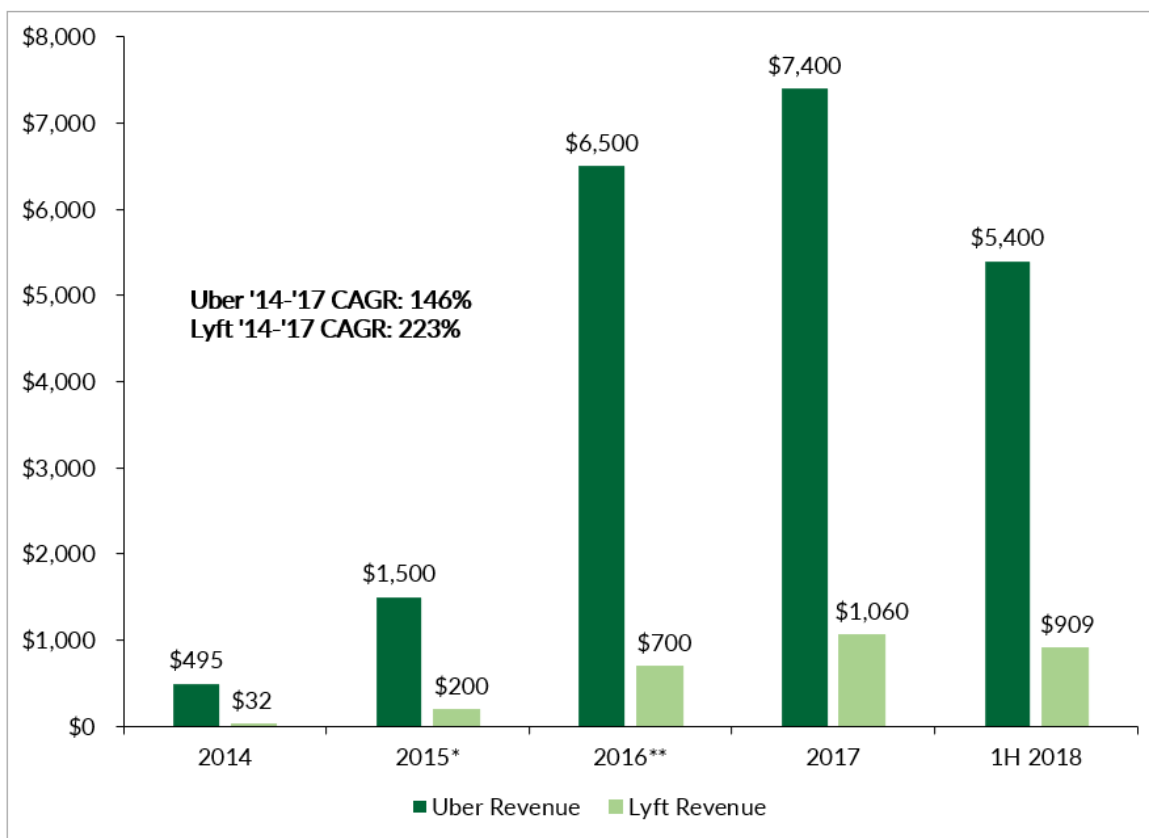
Since their founding, the top 20 most valuable private tech companies in the U.S.—which include Uber, Airbnb, Lyft, and Palantir—have received over \$65.2 billion in private capital. With 2019 approaching, next year's IPO season may finally shed light on whether this [massive influx](#) of private capital into the tech industry

has been well spent. We dig further into some of these bellwether IPOs below.

Lyft Pulls Ahead as the Ride-Hail Battle Enters Uncharted Territory

Perhaps the two most highly-anticipated IPOs of 2019 belong to U.S. ride-hail competitors Uber and Lyft. Uber has reportedly received IPO valuation proposals from Goldman Sachs and Morgan Stanley that valued the company at [\\$120 billion](#), up from its [\\$76 billion](#) valuation in August. In the meantime, Lyft has hired [JPMorgan Chase](#) to lead its IPO, which could take place as soon as early 2019 at a more modest [\\$15 billion](#) valuation. Despite Lyft's speedier IPO preparation, Uber still dwarfs Lyft in size and presence—Uber's 2017 revenue was almost seven times greater than Lyft's ([\\$7.4B](#) vs. [\\$1.1B](#)), and so far in 2018, Uber's revenue is nearly six times greater ([\\$5.4B](#) vs. [\\$909M](#) in 1H 2018). This isn't shocking given Uber's presence in [over 600 cities in 65 countries](#) worldwide compared to Lyft's relatively modest footprint, which only includes the [U.S. and Canada](#).

Uber vs. Lyft – Revenue (\$ in MM)



*Uber estimates extrapolated from 1H 2015 figures as reported in the media

**Uber estimates include losses related to Uber's Chinese operations

Source: Revenue estimates based on reporting from Crunchbase, Bloomberg, Business Insider and Forbes

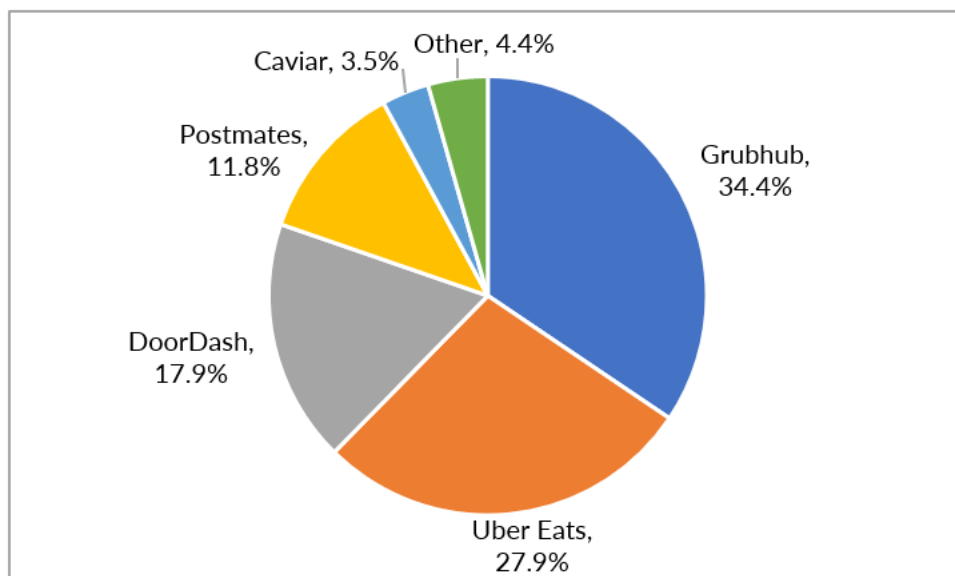
However, despite its size disadvantage, Lyft's financial performance has improved dramatically over the last few years as it positions itself to go public. Uber may hold an enormous revenue advantage, but Lyft has actually outpaced Uber in revenue growth since 2014 with a 223% growth rate compared to Uber's 146%. Moreover, Lyft is charging towards profitability at a faster rate than Uber. In 2014, Lyft's net loss as a percentage of revenue was negative [631%](#) compared to negative [136%](#) at Uber; however, in the first half of 2018, Lyft has narrowed that gap at a much faster clip, with a negative [41%](#) net loss margin compared to Uber's [28%](#).

Does Lyft have anything to gain by going public first?

Going public before or after Uber presents a number of potential advantages and disadvantages. On the one hand, beating Uber to an IPO would allow Lyft to be the market leader in setting expectations for ride-hailing companies. This may help draw attention away from its larger rival and lock up investor money before Uber. Lyft would also be able to capitalize on its strong recent momentum— notably, Lyft has captured [35%](#) of the U.S. market as of May 2018 (compared to a market share of [low-to-mid teens](#) in 2016).

On the flip side, by going public first, Lyft risks the possibility that investors simply hold out for Uber. Moreover, Lyft's disclosures during its IPO roadshow could offer a competitive advantage to Uber as it makes its own IPO plans. Regardless of which company trades

Food Delivery Services – Revenue Share



Source: July 2018 revenue market share in the United States according to [Edison Trends](#)

publicly first, we can be certain that Lyft and Uber will be two of the most anticipated IPOs in recent memory and will finally put ride-hailing to the test of the public markets.

Don't Forget the Food Delivery Wars

While Uber and Lyft have been sharing the limelight, the rivalry among the top food delivery services is no less intense. Just in the past year, the main food delivery rivals have received a staggering amount of money, with Postmates raising [\\$300 million](#) in September and DoorDash clinching nearly [\\$800 million](#) in two separate funding rounds this year. Uber, which has entered into the food delivery space with Uber Eats, received an additional [\\$500 million](#) in funding from Toyota in August.

After its massive capital raise, Postmates CEO Bastian Lehmann indicated that the company had a ["beautiful path to an IPO in 2019."](#) While less transparent about its IPO plans, we suspect DoorDash may also be planning a 2019 debut on the public markets, with Uber and Postmates IPOs seemingly imminent and incumbent leader Grubhub in decline. Grubhub's revenue share fell from [42%](#) in January to [34%](#) in July, indicating that there is plenty of market for

Uber, Postmates and DoorDash to chase in 2019.

Whether public or private, who will win the food delivery wars?

We're not going to make a prediction just yet, but we think it may come down to one thing—funding, private or public. With the food delivery market projected to grow [over 630%](#) by 2020, there is enormous room for these companies to grow rapidly as restaurants increasingly shift sales online. Capital to fund expansion will be critical as these companies fight over the same consumers, drivers, and restaurants, and having the money to offer incentives to all parts of this market is increasingly important. This is an industry where the barriers to entry are relatively low (compared to sectors with more sophisticated technology), and where competitors can really only differentiate themselves by consistently offering a greater breadth of restaurants and broader geographic penetration with quick delivery times.

This may explain why companies like DoorDash have decided to stomach the ownership dilution and take on funding in rapid succession.

According to its CEO Tony Xu, DoorDash plans to triple its markets to over [1,800](#) cities by the end of 2018 while also adding [250](#) employees to enable this growth. Capital will also be deployed to ink large restaurant partnerships, such as Uber Eats' delivery arrangement with [McDonald's](#) and Grubhub's arrangements with [KFC, Taco Bell and Yum! Brands](#). Similarly, DoorDash has partnered with [Chipotle](#) to offer free delivery for a limited time on minimum orders of \$10. This rapid growth and the concessions offered to partner restaurants are costly but may be key to food delivery dominance, as consumers increasingly order food based not on which restaurant they want but rather which delivery app is most convenient.

We may finally get under the hood at Palantir

According to media reports, the data-mining company most often associated with the words "elusive" and "secretive" has been engaged in discussions with Morgan Stanley and Credit Suisse as part of a potential IPO as early as 2019. Palantir hasn't received private capital since 2015, when it was valued at [\\$20 billion](#), and has faced criticism for its role in helping law-enforcement agencies identify crime suspects, among [other controversies](#).

The famously opaque company has also been subjected to significant write-downs, including a nearly [\\$16 billion](#) write-down from its favorite investment bank, Morgan Stanley, from earlier this year. However, the capital markets desk at Morgan Stanley seems to think otherwise, reportedly ascribing a [\\$41 billion](#) valuation to Palantir in a potential IPO.

What about Airbnb and Slack?

These two companies have been less explicit about their IPO plans, with Airbnb notoriously [wishy-washy](#) on the subject. However, both possess characteristics we would typically associate with IPO-readiness—namely, annual revenues well over \$100 million, experienced

executive teams (particularly CFOs), and relatively mature businesses, among other factors. In contrast, Amazon famously went public in 1997 after its founding only [three years](#) earlier and with only [\\$15.75](#) million in revenue. Airbnb and Slack have each already been around approximately a decade, with recent revenues of [\\$3.8 billion](#) and [\\$200 million](#), respectively, indicating just how high the bar has moved for a company to IPO today.

But Will the Markets Cooperate?

Despite all the IPO media hype, capital markets conditions are known to turn on a dime, as they seemingly did just last month. As we finished collecting data for this report, the tech-heavy Nasdaq ended October down [9%](#), almost in market correction territory, as concerns over the health of [China's economy](#) and the impact of [trade tariffs](#) rattled the global financial markets. As we head into 2019, private tech companies may no longer find a market receptive to their shares.

Nevertheless, despite recent market turmoil, some of the aforementioned tech firms may be too far down the IPO path to turn around now. While we're not convinced that this is necessarily the beginning of a sustained down market, we think recent market volatility may push a few companies that were entertaining an IPO in 2019 back onto the sidelines. For companies that gave clear signals that they intend to IPO next year, such as [Uber](#) and [Lyft](#), we believe they'll continue to march ahead but probably with greater speed now that the bull market's run appears shakier.

Now that we've covered the upcoming IPO landscape, let's jump into our full list of IPO candidates for 2019.

Without Further Ado, the Nominees Are...

Now that we've dug into some of the most high-profile potential IPOs, here's our full list of startups that we view as S-1 ready below. Unfortunately, between the writing and publication of our list, we had to remove [Cylance](#), [Moderna Therapeutics](#), and [Qualtrics](#), all of which very recently filed to IPO or reportedly agreed to be acquired. Note that all valuation estimates below are publicly disclosed and as of November 2, 2018.

[Afniti](#)



- ▶ Year Founded: 2006
- ▶ Industry / Description: AI / big data enterprise software for customer service
- ▶ Most Recent Equity Funding: \$210M Series D (2018)
- ▶ Total Implied Valuation: \$1.6B
- ▶ Revenue Estimate: Unavailable
- ▶ Other Notes: Afniti [confidentially filed](#) for an IPO in 2016 but decided to raise private capital instead; CEO has said the company has recently entered into [profitability](#)

[Airbnb](#)



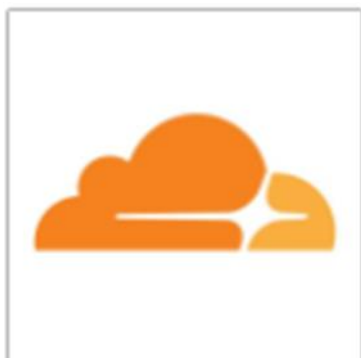
- ▶ Year Founded: 2008
- ▶ Industry / Description: Hospitality / marketplace for travel accommodations
- ▶ Most Recent Equity Funding: \$1B Series F (2017)
- ▶ Total Implied Valuation: \$29.3B
- ▶ Revenue Estimate: [\\$2.8B \(2017\)](#)
- ▶ Other Notes: CFO [Laurence Tosi](#) left in February 2018; company is currently looking to fill CFO and CMO roles, potentially signaling renewed IPO plans

[AvidXchange](#)



- ▶ Year Founded: 2000
- ▶ Industry / Description: Enterprise Software / Accounts payable and invoice management solutions
- ▶ Most Recent Equity Funding: \$300M (2017)
- ▶ Total Implied Valuation: \$1.4B
- ▶ Revenue Estimate: [\\$64.9M \(2016\)](#)
- ▶ Other Notes: CEO Michael Praeger stated that his team is building the company in [preparation for an IPO](#), hiring for CFO and COO roles with this in mind

[CloudFlare](#)



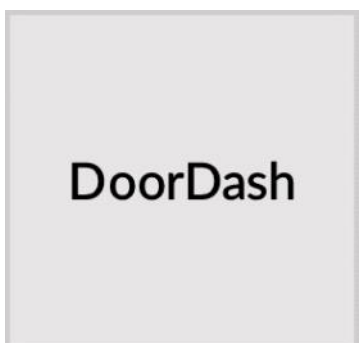
- ▶ Year Founded: 2009
- ▶ Industry / Description: Enterprise Software / web performance and security company
- ▶ Most Recent Equity Funding: \$110M Series D (2015)
- ▶ Total Implied Valuation: \$1.0B
- ▶ Revenue Estimate: [\\$100M \(2017\)](#)
- ▶ Other Notes: Reportedly preparing for an IPO that could value CloudFlare at more than [\\$3.5 billion](#)

[CrowdStrike](#)



- ▶ Year Founded: 2011
- ▶ Industry / Description: Cyber Security / cloud-based endpoint protection
- ▶ Most Recent Equity Funding: \$200M Series E (2018)
- ▶ Total Implied Valuation: \$3.0B
- ▶ Revenue Estimate: [\\$100M \(2017\)](#)
- ▶ Other Notes: Reportedly has hired [Goldman Sachs](#) to prepare for an IPO in the first half of next year

[DoorDash](#)



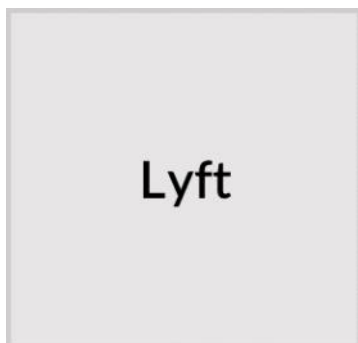
- ▶ Year Founded: 2013
- ▶ Industry / Description: Food Delivery / provides on-demand restaurant food delivery services
- ▶ Most Recent Equity Funding: [\\$250M Series E \(2018\)](#)
- ▶ Total Implied Valuation: \$4.0B
- ▶ Revenue Estimate: Unavailable
- ▶ Other Notes: No direct hint at an IPO but the company has raised almost [\\$1B](#) and may feel pressure to go public as Uber and Postmates pursue IPOs

[GRAIL](#)



- ▶ Year Founded: 2016
- ▶ Industry / Description: Biotechnology / develops a pan-cancer screening test designed to detect cancer early
- ▶ Most Recent Equity Funding: \$300M Series C (2018)
- ▶ Total Implied Valuation: \$2.5B
- ▶ Revenue Estimate: Unavailable
- ▶ Other Notes: Reportedly planning an IPO in [Hong Kong](#); Guardant Health IPO may pressure GRAIL to pursue IPO as well

[Lyft](#)



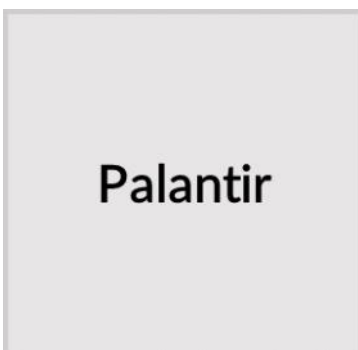
- ▶ Year Founded: 2007
- ▶ Industry / Description: Logistics / ride-hailing services
- ▶ Most Recent Equity Funding: \$600M Series I (2018)
- ▶ Total Implied Valuation: \$15.0B
- ▶ Revenue Estimate: [\\$1B \(2017\)](#)
- ▶ Other Notes: The company reportedly hired [JP Morgan](#) for an early 2019 IPO

[Medallia](#)



- ▶ Year Founded: 2001
- ▶ Industry / Description: SaaS / provides SaaS customer experience management
- ▶ Most Recent Equity Funding: \$150M Series D (2015)
- ▶ Total Implied Valuation: \$1.0B
- ▶ Revenue Estimate: [\\$250M \(2017\)](#)
- ▶ Other Notes: New CEO Leslie Stretch says an IPO is [imminent](#), subject to market conditions

[Palantir Technologies](#)



- ▶ Year Founded: 2004
- ▶ Industry / Description: Big Data Analytics / suite of software applications for integrating, visualizing, and analyzing information
- ▶ Most Recent Equity Funding: \$880M (2015)
- ▶ Total Implied Valuation: \$20.0B
- ▶ Revenue Estimate: [\\$600M \(2017\)](#)
- ▶ Other Notes: Reportedly pursuing an IPO as early as 2019 at a valuation of [\\$41 billion](#)

[Peloton Interactive](#)



- ▶ Year Founded: 2012
- ▶ Industry / Description: Fitness / hardware and software company providing access to live fitness group classes
- ▶ Most Recent Equity Funding: \$550M Series F (2018)
- ▶ Total Implied Valuation: \$1.3B
- ▶ Revenue Estimate: [\\$700M \(2017\)](#)
- ▶ Other Notes: CEO John Foley has stated that a 2019 IPO [“makes a lot of sense”](#)

Postmates



- ▶ Year Founded: 2011
- ▶ Industry / Description: On-demand delivery / on-demand logistics for deliveries from any type of merchant
- ▶ Most Recent Equity Funding: \$300M Series E (2018)
- ▶ Total Implied Valuation: \$1.2B
- ▶ Revenue Estimate: [\\$250M \(2017\)](#)
- ▶ Other Notes: Reportedly interviewed banks for roles in an IPO, which is likely to take place in the [first half](#) of 2019

Rubicon Global



- ▶ Year Founded: 2008
- ▶ Industry / Description: Cloud Computing / cloud-based waste management platform
- ▶ Most Recent Equity Funding: \$65M Series E (2018)
- ▶ Total Implied Valuation: \$1.0B
- ▶ Revenue Estimate: [\\$300M \(2016\)](#)
- ▶ Other Notes: After May 2018 Series E funding, investor in the company stated that Rubicon is at a [“pre-IPO”](#) stage

Slack Technologies



- ▶ Year Founded: 2009
- ▶ Industry / Description: Enterprise Software / software platform that allows teams and businesses to communicate
- ▶ Most Recent Equity Funding: \$427M Series H (2018)
- ▶ Total Implied Valuation: \$7.1B
- ▶ Revenue Estimate: [\\$200M \(2017\)](#)
- ▶ Other Notes: Slack is reportedly [“actively preparing”](#) for an IPO in the first half of 2019

Uber



- ▶ Year Founded: 2009
- ▶ Industry / Description: Logistics / ride-hailing services
- ▶ Most Recent Equity Funding: \$500M (2018)
- ▶ Total Implied Valuation: \$76B
- ▶ Revenue Estimate: [\\$7.4B](#)
- ▶ Other Notes: CEO Dara Khosrowshahi has stated that Uber is [“on track”](#) for an IPO in 2019

[WalkMe](#)



- ▶ Year Founded: 2011
- ▶ Industry / Description: Enterprise Software / digital adoption platform that aims to simplify user experience and eliminate user confusion
- ▶ Most Recent Equity Funding: \$40M Series F (2018)
- ▶ Total Implied Valuation: \$1.0B
- ▶ Revenue Estimate: Unavailable
- ▶ Other Notes: In September 2018, the company confirmed that it plans to IPO in the next [18 months](#)

And the Honorable Mentions Are...

The following companies also exhibit the qualities we'd expect to see in an S-1 ready business. However, we did not have the same conviction that we had with the companies above, although we would not be surprised if any company from this list went public in 2019 as well: [Houzz](#), [Credit Karma](#), [Oscar Health](#), [JetSmarter](#), [Snowflake Computing](#), [Freshworks](#), [DraftKings](#), [PagerDuty](#), [Roblox](#), and [TechStyle Fashion Group](#).

**2019 IPO OUTLOOK
– KEY TAKEAWAYS**

- ▶ Factors contributing to subdued IPO seasons in recent years, primarily the growth in private capital, will continue into 2019
- ▶ Nevertheless, 2019 remains a highly anticipated year for bellwether IPOs among several well-funded, private tech companies
- ▶ Key industry verticals may see a public markets showdown among fierce rivals, including ride-hail and food delivery
- ▶ Recent market turmoil may knock some IPO candidates back onto the sidelines but will push others to go public faster before a prolonged downturn

Cautionary Note Regarding Forward-Looking Statements

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