From: https://techcrunch.com/2019/07/12/with-so-much-late-stage-money-available-why-are-tech-companies-going-public-now/

With so much late-stage money available, why are tech companies going public now?

Ajay Chopra2:00 PM PDT•July 12, 2019

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Ringing the Nasdaq market bell was the thrill of a lifetime — both when I did it as a founder and also vicariously as a VC via my incredible founders who have taken their companies public. There's nothing like seeing the baby you nurtured mature into a multibillion-dollar public entity.

But times have changed. The dramatic influx of late-stage venture capital is enabling companies to slow walk their public offerings. In addition, the accumulation of mountains of cash by strategic buyers and the rise of private equity buy-out firms are making other forms of exits viable options.

Case in point: The number of publicly listed companies has dropped 52%, but entrepreneurship momentum hasn't slowed; it has actually accelerated. Many of the companies that are finally going public this year are doing so several years after they could have — and would have — in years past. When Uber went public this year, its valuation was so large that it would have registered as 280 on this year's Fortune 500 list. TransferWise prolonged any move to the public markets through a secondary sale that allowed them to stay private while more than doubling their valuation.

IPOs aren't for everyone or every company — or indeed for most companies. According to PitchBook, only 3% of venture-backed companies in the last decade eventually went public. Most startups that don't go public never had the option to do so. However, some founders who could IPO are actively choosing to delay IPOs due to the many challenges of managing a public company.

What's best for one company isn't necessarily what's best for another.

For starters, employee moods shift with the stock price. I once had an employee mad at me for not telling him to sell when I knew we were going to have a weak quarter. That would have been illegal! Also, IPOs come with a burden of public scrutiny; the administrative hassles take up precious time, and 90-day reporting cycles often conflict with long-term strategic planning. In addition, many public investors are only interested in short-term moves; plus, there's the related risk of activist investors upending the company's long-term strategy in pursuit of their own short-term goals.

Despite the challenges, going public is still important for many high-growth companies. Here's why:

- **IPOs make it easier to compete for talent**. Public stock offers clearly valued, tangible cash value to candidates and employees who are either weighing competitive offers or who need to be retained. While private companies can provide one-off private liquidity events via secondary sales, public companies have a far greater ability to engage and retain valued team members though the continuous, orderly disbursement of stock-based compensation.

- **IPOs can facilitate a company's ability to make acquisitions, as well as facilitate strategic partnerships**. After going public, my company used its public equity to make 16 acquisitions, which in part helped to fuel our growth from a few hundred million to a multibillion-dollar valuation. Even though private companies can make acquisitions with stock, it's far easier to do a deal with tradable public currency. It's also easier to enter into important strategic partnerships because prospective partners have easily accessible information about the company's business and financial position.

- **IPOs are a big milestone and mark of achievement for the entire team**. IPOs boost employee morale and job satisfaction. Employees who help shepherd their company from its early stages through IPO feel accomplishment and camaraderie, and achieving this milestone contributes measurably to corporate culture. They are not bad for employees' and founders' pocketbooks, either!

- **Operating under the watchful eye of Wall Street is cumbersome but makes a company resilient**. As complicated as it is to manage a public company, public scrutiny often makes companies more disciplined on execution, which helps them build more predictable businesses. This discipline and transparency can drive long-term success — which in turn accrues to the benefit of its customers, partners, stockholders and employees.

- **The tech IPO window is open right now.** Stock markets track the boom and bust cycles of the economy. The so-called "IPO window" for tech stocks can close as surely as it's open right now. Many companies are planning to "get out" while this window is open. IPO windows can sometimes close for several years, so floating your stock when the window is open is an important consideration. In addition, due to the decline in number of publicly listed companies over the last decade, there is a pent-up demand for fast-growing tech IPOs, as demonstrated by the positive reception that Beyond Meat, CrowdStrike and Zoom received from public investors.

For those founders with their eye on the IPO ball, here's my advice:

- **Raise plenty of money**. Right now, VC dollars are plentiful, and the cost of capital is cheap. However, if you have access to plentiful capital, so do your worthy competitors; you don't want be disadvantaged relative to them. Use this capital wisely and keep some in reserve just in case the markets turn. My company had to abort its IPO just days before we embarked on our IPO "road show" when the markets turned. We had to survive on the cash we had in the bank for a full two years before we successfully went public.

- **Consider vertical integration**. A lot of the businesses going public today or on track to do so in the next few years have adopted business models that encompass every element of the user experience and allow companies to capture a large share of the value stack. We're especially seeing this in capital-intensive verticals like Katerra in construction and Opendoor in housing (each valued at about $4 billion). We Company (WeWork), expected to IPO this year at a rumored $47 billion valuation, has vertically integrated every element of physical workspaces. Extraordinarily capital intensive, this type of vertical integration creates tremendous value and deep competitive moats. Importantly, these businesses only can be built in environments such as now, where plenty of capital is available with reasonable dilution.

- **Consider broadening your product capabilities**. With plenty of cash on hand and your company sitting at a nice revenue multiple, it may be wise to consider broadening your offering while you are still private; both via investment in internal development resources and by acquiring companies with complementary products but less significant market

traction. This is particularly relevant for enterprise companies where the cost of customer acquisition is high. With a broader product offering, you can sell more to existing customers, amortizing your acquisition costs and hopefully improving retention with a more complete product offering.

- **Scale as quickly as possible**. Because capital is available so cheaply, the IPO-bound companies that win have become the companies that grow quickly, leveraging capital to capture market share faster than their competitors. Uber and WeWork are examples of companies that have used access to capital to scale so quickly that they've been able to capture market share from their numerous less-endowed competitors.

- **Review the capabilities of your team and your board for public market scrutiny**. Unlike some people who believe that the company needs to bring in an "IPO team" to go public, my experience is that most founders and senior managers are perfectly capable of growing into the public market executive role. They just need to be aware of the rules and regulations, and they need to be advised to use proper judgement. Even so, you may find that you need to "beef up" your team in a few areas such as finance and bring in seasoned executives in other areas such as investor relations. The right board structure for a public company is equally important. Adding board talent with public company experience — particularly in audit oversight and governance areas — is highly recommended.

Every company charts its own path to success, so what's best for one company isn't necessarily what's best for another. I personally wouldn't trade my experience of going public for the world, and I believe that the talented founders taking their companies public this year feel the same way. What's great about today's market environment is that going public — or not — is a choice that lies squarely where it should: in the hands of founders.