

# The Daily Dispatch

## Weekly Special Feature

July 30, 2021

### *Technology unicorns are growing at a record clip*

By: The Economist (Published on July 19, 2021)

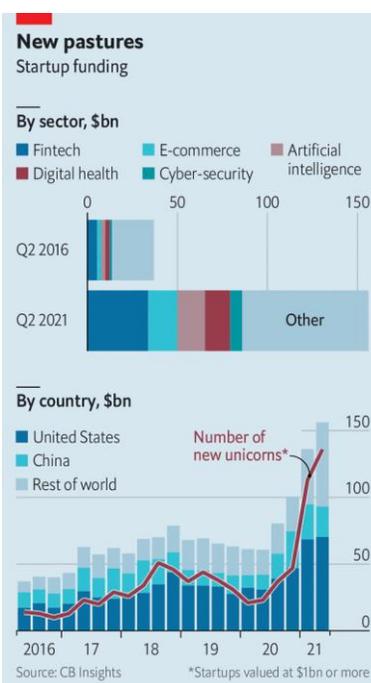


Aileen lee, a venture capitalist who founded an investment firm called Cowboy Ventures, coined the term “unicorn” in 2013 to refer to what was then a rare, mythical species: privately held startups valued at \$1bn or more. Any magical attributes aside, today they are commonplace—and becoming ever more so. Consumers, who stand to benefit from an array of novel, often cheap products and services, can expect to enjoy the ride. Investors betting on the unicorn derby should tread more carefully.

The world’s unicorn herd is multiplying at a clip that is more rabbit-like. The number of such firms has grown from a dozen eight years ago to more than 750, worth a combined \$2.4trn. In the first six months of 2021 technology startups raised nearly \$300bn globally, almost as much as in the whole of 2020. That money helped add 136 new unicorns between April and June alone, a quarterly record, according to cb Insights, a data provider. Compared with the same period last year the number of funding rounds above \$100m tripled, to 390. A lot of this helped fatten older members of the herd: all but four of the 34 that now boast valuations of \$10bn or more have received new investments since the start of 2020.

The latest tech darlings are no longer primarily Uber-esque marketplaces for matching services with consumers. Instead, they offer, or are developing, sophisticated products, often in more niche markets. Some 25% of the

funding in the second quarter went to financial-technology firms, with lots also flowing into artificial intelligence, digital health and cyber-security (see chart).



The Economist

The recipients of investors’ largesse are also getting more global. Although American and Chinese startups continue to top the fundraising league tables, the share from outside the two biggest markets grew from around 25% in 2016 to 40% in the past quarter. In July Flipkart, an Indian e-commerce firm, raised \$3.6bn in a round that valued it at \$38bn. Grab, vying to be South-East Asia’s answer to China’s super-apps, hopes to go public in New York this year at a valuation of \$40bn.

The torrent of cash can be explained by two factors. The first is a divestment spree by the startups’ early venture-capital (vc) backers. These stakes command top dollar from investors desperate for exposure to the pandemic-era digitisation wave. Exits, via public listings and acquisitions, more than doubled globally year on year, to nearly 3,000. The proceeds are flowing back into new vc funds, which have so far this year raised \$74bn in America alone, nearing the record \$81bn in 2020 in half the time. The venture capitalists cannot spend the dough fast enough. In the three months to June Tiger Global, a particularly aggressive New York investment firm, made 1.3 deals on average every business day.

The second reason for soaring valuations is more competition among investors. Relative newcomers to tech-investing, such as pension funds, sovereign-wealth funds

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and family offices, are encroaching on the private markets that used to be dominated by VC firms from Sand Hill Road in Palo Alto. In the past quarter “non-traditional” investors in America took part in nearly 1,800 deals that together raised \$57bn. Many may have been encouraged by the success of earlier forays by dabblers from outside the vc world. Their annual returns from exited investments in a first round of financing have averaged 30% in the past decade, reckons PitchBook, another data firm. That is more than double the 10-15% for veteran VCs.

This winning streak may yet end in tears. That is what happened two years ago, when richly valued firms with shaky business models either fizzled after their initial public offerings (like Uber and Lyft, two ride-hailing rivals) or never got that far (WeWork, an office-rental firm whose flotation was shelved after investors got cold feet). Many recently listed unicorns continue to bleed cash. According to The Economist’s calculations, those that went public in 2021 made a combined loss of \$25bn in their latest financial year.

Assessing whether the remaining ones are worth their lofty valuations looks harder than ever. Like their predecessors, they do not disclose financial results. At the same time, extrapolating from the earlier unicorns, which tended to pursue growth at all costs in winner-takes-all markets, offers little help because today’s lot often aim to capture good margins by selling genuinely unique technology. This could be a more sustainable strategy—if the technology works. But it is harder for non-experts to evaluate, especially based on what is often little more than a prototype. Nikola and Lordstown, two electric-vehicle companies that listed in 2020 via reverse mergers with special-purpose acquisition companies (spacs), are under investigation by American authorities over allegedly exaggerating the viability of their technology.

Another risk comes from politics. Authorities around the world are growing warier of letting tech firms get too big or entering regulated markets such as finance or health care. As part of a broader crackdown against big tech firms China’s government recently sabotaged the operations of Didi, by banning its app from Chinese app stores days after the firm’s \$68bn initial public offering in New York, ostensibly over misuse of users’ data. Such moves have

chilled investors’ appetite for Chinese startups, funding for which has actually declined in the past two quarters. In America the Securities and Exchange Commission is beginning to scrutinise the use of cryptocurrencies. Many crypto-exchanges set investors’ pulses racing in last year’s bitcoin rush. Now the market capitalisation of Coinbase, one of the biggest, has shrunk by half, or \$56bn, since peaking after its listing in April.

Investors, then, had better beware. For everyone else, the unicorn stampede is a boon. Because venture investments involve mostly equity and little debt, even flops such as WeWork or cautionary tales like Didi pose little risk to the financial system. So long as venture capital is bankrolling lossmaking startups while they offer subsidised services or develop clever new products, consumers have no reason to look the gift horned horse in the mouth.

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# The Daily Dispatch

July 30, 2021  
TODAY'S TOP NEWS

## PSE to BOI: Require firms enjoying perks to go public

The Philippine Stock Exchange Inc. (PSE), the operator of the country's equities market, said it has asked the Board of Investments (BOI) to require all companies availing of incentives from the government to go public.

## Jollibee forms JV with Malaysian franchisee

Local fast-food giant Jollibee Foods Corp. (JFC) on Thursday said it is forming a joint venture (JV) with its franchise owner in Malaysia, which will become its vehicle to operate the company's stores in the western part of the oil-producing Southeast Asian nation.

## AboitizPower income hits Pts4 billion in Q2

Aboitiz Power Corp. posted P4 billion in net income in the second quarter, bringing its first-half net income to P10.1 billion. The power firm reported strong financial results during the period as its newest power facility—GNPower Dinginin 1—was commissioned.

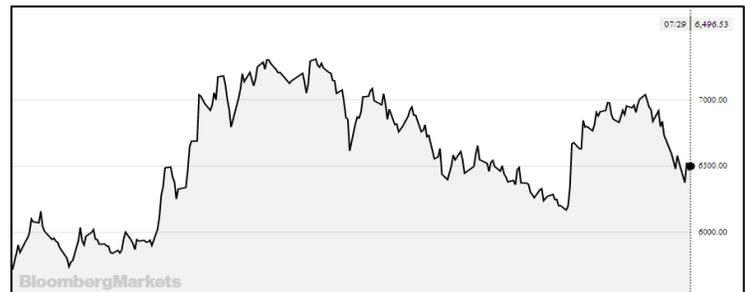
## PCMC acquiring 70% equity in listed Prime Media

Listed Prime Media Holdings Inc. is being transformed into a mass media company through a backdoor listing. Prime Media said in a disclosure to the stock exchange Thursday Philippine Collective Media Corp., which is engaged in radio and television broadcasting, would acquire a 70-percent interest in the company.

## Diokno expects peso to rebound on forex inflows

Bangko Sentral ng Pilipinas Governor Benjamin Diokno on Thursday downplayed the weakness of the peso against the US dollar, saying the country's solid macroeconomic fundamentals will support the local currency in the months ahead.

## Philippine Stock Market Update



Previous Close:

6,496.53

Open:

6,520.12

52-Week Range:

5,691.74 - 7,432.40

1 Yr Return:

11.46%

YTD Return:

-9.02%

Source:

Bloomberg

## Foreign Exchange

As of July 29, 2021

US Dollar	Philippine Peso
1	50.31

## BVAL Reference Rates

As of July 29, 2021

Tenor	Rate
1Y	1.637
3Y	2.346
5Y	2.991
7Y	3.487
10Y	3.873
20Y	4.762

## Daily Quote

“Let us make our future now and let us make our dreams tomorrow's reality.”

--Malala Yousafzai

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## MORE LOCAL NEWS

### Debt climbs to new high of P11.2T

THE NATIONAL Government's outstanding debt inched up to a new high of P11.166 trillion at the end of June, amid an increase in foreign borrowings to finance the pandemic response. The National Government's debt stock rose by 0.9% from its end-May total of P11.07 trillion.

### Emperador income up 60% to P3B

EMPERADOR, Inc. recorded a 60% increase in net profit to owners at P3 billion in the second quarter as the easing of quarantine restrictions boosted its performance. Its topline for the quarter jumped 21% to P13.2 billion from P10.88 billion year on year.

### PSE eyes REITs from smaller property firms

THE PHILIPPINE Stock Exchange is hoping that more property developers, even small- and medium-sized firms, will consider entering the real estate investment trust (REIT) market. Three REIT companies, namely Filinvest REIT Corp., RL Commercial REIT, Inc., and MREIT, Inc., are planning to launch initial public offerings this year.

### PetroEnergy plans 'transition' towards power gen

PETROENERGY Resources Corp. said on Thursday that it will be focusing more on the power generation business as it hopes to grow into one of the most profitable listed energy companies in the Philippines.

### ABS-CBN sees global market as major growth opp.

ABS-CBN Corp. said on Thursday that it aspires to expand its content viewership worldwide, citing the global market as a major growth opportunity for the media company that was denied a broadcast franchise. He also said ABS-CBN is already licensing its content to global digital platforms like Netflix and iflix.

### China Bank income jumps 39% to P7.3 billion

China Banking Corp. booked a 39 percent jump in earnings to P7.3 billion in the first semester from P5.2 billion in the same period last year, despite a double digit increase in its provision for bad debts due to the impact of the COVID-19 pandemic.

### Wilcon Depot profit up 254% in H1

Wilcon Depot Inc., the listed home and finishing construction supply retailer, reported a first half net income of P1.25 billion, up P254 percent or P895 million year-on-year. For the second quarter, net income increased to P643 million from P24 million a year ago due mainly to the recovery in net sales.

### AirAsia carries more passengers in Q2

AirAsia Philippines sustained its growth momentum in the second quarter, finishing as the only one among AirAsia Group's four key operating entities with a quarter-on-quarter improvement in the number of passengers carried.

### NEA may attain electrification goal by June 2022

State-run National Electrification Administration (NEA) may meet the 100 percent household electrification target of the Duterte administration by June next year if based on the 2015 census as electric cooperatives (ECs) have already given electricity access to 99 percent of the total potential household.

### BIR defers 12% VAT on exporters' purchases

The Bureau of Internal Revenue (BIR) has deferred the implementation of Revenue Regulation 9-2021 which imposed a 12 percent value-added tax (VAT) on raw material purchases of export firms from domestic suppliers.

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## TODAY'S TOP ASIAN NEWS

### Didi shares surge after news it could go private

DIDI Global shares surged as much as 49 per cent in pre-market trading after The Wall Street Journal (WSJ) reported the firm is considering going private to placate Chinese regulators and compensate investors for losses.

### Cheung Woh Technologies to delist on Aug 3

CHEUNG Woh Technologies will delist from the Singapore Exchange at 9am on Aug 3, the high-precision engineering product manufacturer said in a bourse filing on Friday.

### SIA trims quarterly losses to \$409 million

Sequential improvement in passenger numbers and a robust cargo performance saw Singapore Airlines (SIA) cut its first quarter loss to \$409 million, from \$1.123 billion a year earlier.

### Citi sees S\$20b wealth inflow after hiring in SG, HK

Citigroup attracted close to US\$15 billion (S\$20 billion) in net new money across its Asia-Pacific wealth management business in the first six months of 2021, as hundreds of new hires helped the lender mark one of its strongest half years on record for the unit.

### Record \$6.65b raised in SEA IPOs in H1 of 2021

Companies in South-east Asia raised a record US\$4.9 billion (S\$6.65 billion) through initial public offerings (IPOs) in the first six months of this year, according to Bloomberg's equity capital markets data.

## TODAY'S TOP GLOBAL NEWS

### Tesla supplier CATL debuts sodium-ion batteries

[NINGDE] Contemporary Amperex Technology Co Ltd (CATL) unveiled a sodium-ion battery on Thursday. It is a type of lower-density cell that uses cheaper raw materials than batteries made from lithium-ion metals.

### Airbus raises forecasts after strong first half

[PARIS] Europe's Airbus sharply raised its forecasts for full-year deliveries and earnings after reporting better-than-expected half-year results on Thursday.

### Shell's profit soars as it boosts dividend, buybacks

[LONDON] Royal Dutch Shell's second quarter profit jumped to US\$5.5 billion, its highest in over two years as a sharp rise in oil and gas prices prompted the company to raise its dividend and launch a US\$2 billion share buyback programme.

### Elon Musk's start-up Neuralink raises \$277m

Neuralink, the futuristic brain-computer interface company founded by Elon Musk, said it has raised US\$205 million (S\$277 million) in fresh venture backing, by far the biggest haul of any company in its field.

### US economy grows 6.5% in Q2, below forecast

The US economy expanded at an annualised 6.5 per cent pace in the second quarter, a far slower recovery from the Covid-19 pandemic than economists had expected. Growth was boosted by massive government aid and vaccinations against the pandemic, which fuelled spending on travel-related services.