STUCK ON THE UNICORN FARM

Smith School adjunct professor Jonathan Aberman describes three stages of a slow-motion adjustment that will occur in the private market, where “unicorns” (valued at $1 billion or more) have raised concerns.

1 **UNICORNS GET FAT:** Institutional investors feed cash to a small number of promising startups, usually in the later rounds of fundraising. As the unicorns grow bigger, their valuations drive up the private market.

2 **GATES GET LOCKED:** Inflated valuations mean that public firms trade at a discount. This limits IPO opportunities. While private firms wait for better market conditions, they grow bigger, which pushes smaller buyers out of the M&A market. In the end, the unicorns are penned in.

3 **HERD GETS THINNED:** When firms cannot exit the private market, they slow their expansion and cut costs. Many survive for extended periods of time until they can go public or be acquired at discounted prices.

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**TOP 20 UNICORNS, BY VALUATION**

2. Xiaomi  7. Didi Kuaidi  12. WeWork  17. Square
5. Snapchat  15. Spotify