

Snap Aims for Valuation of More Than \$20 Billion in IPO

By Lindsey Sugimoto, J.D. Candidate 2019 | March 2, 2017

[Snap Inc.](#), the parent company of Snapchat, is positioned to be one of the biggest initial public offerings in the technology industry in years. The company will have the ticker symbol SNAP and is expected to begin trading early March. Snap has an expected potential value of about [\\$22.2 billion](#), with its midpoint being close to \$20.9 billion based on offerings in the range of \$14 to \$16 per share. Despite being lower than the \$25 billion that Snap anticipated, it is significantly higher than the \$16.5 billion that the company valued itself last year.

At a similar stage of the offering process, Snap will trail Facebook, as Facebook was valued at around \$86 billion. Yet, Snap will greatly exceed [Twitter's valuation of \\$12 billion](#) back in October 2013.

Snap will be beginning a two-week tour with three of Snap's top executives to sell investors on one of the most promising and fruitful IPOs this year. The three executives include co-founder and chief executive [Evan Spiegel](#), chief strategy officer Imran Khan, and chief financial officer Andrew Vollero. This tour officially began on Thursday, when Morgan Stanley hosted the executives to speak with its sales force. Goldman Sachs, another underwriter, installed the [Snap's Spectacles](#) vending machine in its lobby.

Snap's investors have questioned whether Snap has the ability to maintain its use growth rate, especially given Facebook's recent additions in Instagram that mirror much of Snap's features. While this may be so, Snap maintains that it averaged around 158 million users a day last year, and has focused its primary efforts in North America and Europe, as opposed to worldwide.

Additionally, investors are wary about Snap's ability to maintain profits. Despite the company's loss of \$154 million last year, its revenue grew from \$58.7 million in 2015 to [\\$404.5 million](#) last year. This boosted revenue stems from Snapchat's decision to provide services for both users and advertisers. Starting off a platform for people to send disappearing messages, Snapchat has evolved to allow users to create "stories" and play with filters that have face-swaps or paid-for content.

Yet, one caution for investors is that they will have minimal influence in the company's management, as the co-founders will be retaining about 89 percent of the voting shares. The shares in the offering will not include voting rights.

With so much speculation, Snap's IPO is one to watch. Snap's IPO may reflect the market's appetite for other tech IPOs and may affect Snap's reputation as one of today's leading technology companies.