INNOVATION

Is a billion dollars still cool?

Startups valued at $1 billion or more were once so rare they were termed “unicorns.” Not anymore.

By REST OF WORLD

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In the 2010 film “The Social Network,” early Facebook employees discuss the money-making potential of their new site. “A million dollars isn’t cool,” someone says to Mark Zuckerberg (played by Jesse Eisenberg). “You know what’s cool? A billion-dollar valuation.”

Fifteen years later, the publicly traded company now known as Meta is worth around $1.6 trillion. And although startups valued at $1 billion or more were once so rare they were termed “unicorns,” that has changed with the fast-money era of megadeals. These creatures are no longer so mystical: today there are 1,569 active unicorns, according to the private market data platform Pitchbook.

The shift began in the 2010s. Low interest rates fueled an era of easy money that venture capital shoveled into startups, chasing growth at all costs. The situation was supercharged by the Covid-19 pandemic. As lockdowns limited investors’ ability to travel, big deals were quickly hashed over Zoom, while tech stocks benefited from the sentiment that people would be living through their computers for the foreseeable future. More than 630 new unicorns were minted in 2021 alone.

One way to understand how this happened: the story of Tiger Global. The hedge fund and venture firm has earned an outsized reputation for its fast-paced, big-money, “spray-and-pray” style of investing, writing giant checks in hopes that a small number of them will yield even bigger returns. In 2021, Tiger was the most prolific venture investor in the world. But the strategy Tiger embodied also comes with risks — for investors, and the companies they fund.

As the pandemic waned, interest rates spiked, geopolitical tensions rose, and company exits ground to a halt. Startups that had ridden wave after wave of investment to stay afloat found themselves beached, leading to mass layoffs. Some even shut down.

Some of Tiger’s bets failed in a major way. The crypto platform FTX crumbled, and its founder Sam Bankman-Fried was convicted of fraud. The $22 billion Indian edtech firm Byju’s went bankrupt amid a flurry of lawsuits. A co-founder of the Indian car-servicing startup GoMechanic openly admitted to financial misreporting, saying he’d done it in the name of pursuing “growth at all costs.”

Tiger Global's hedge fund fell a whopping 56% in 2022. In 2023, Tiger only struck about 40 venture deals — down from 300 the year before. That year, global venture funding fell to an eight-year low. There were only 133 unicorns minted in 2023.

With the AI boom, though, big investments are returning. During the early pandemic years, Tiger invested in several AI firms that have now achieved unicorn status. It backed Scale AI in 2020, for example, and OpenAI in 2021. Meta invested more than $14 billion in Scale AI in June, while OpenAI is reportedly eyeing a $1 trillion IPO.

As another bubble grows, what will be the fate of the unicorns it helps create? And has anyone learned their lesson from last time?

For more, read the feature "Big bets and broken unicorns: Tiger Global's rise and reckoning," by Issie Lapowsky.