

# Private companies investing

Tom Wright and Rachael Callaghan

Investing  
in the  
Anthropocene



# Companies are staying private for longer

## Structural reasons

Technology-enabled, capital-light business models enable founders to retain control for longer

Regulation makes it easier to stay private (JOBS Act) and more burdensome to be public (Sarbanes-Oxley)

Availability of capital in later-stages of private markets

## Cultural reasons

IPO no longer seen by founders as defining moment of success

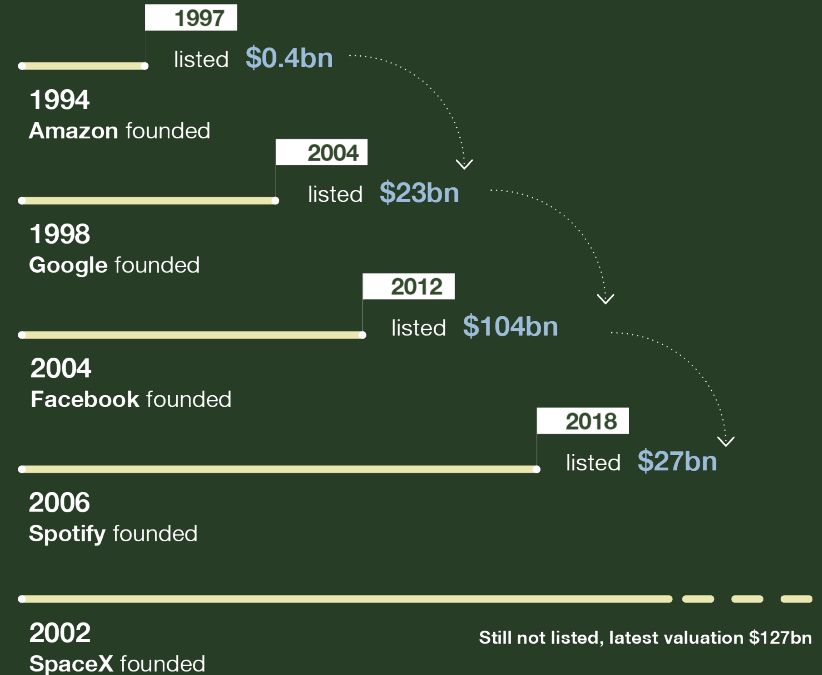
Founders increasingly realising they can build better businesses by staying private longer

Less distraction from public markets means greater focus on execution

Lower risk of misaligned shareholder base

**Portfolio companies which Baillie Gifford first bought when private take an average of 9 years to come to IPO**

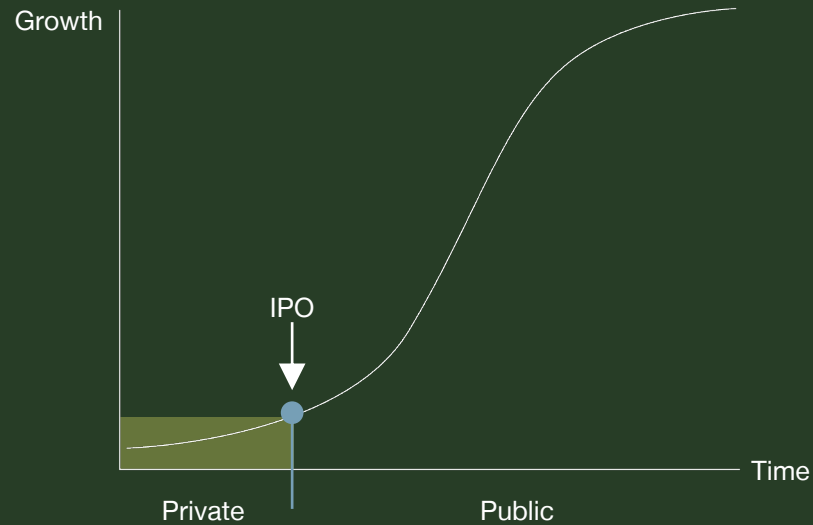
Time to IPO and market capitalization at IPO illustrative examples



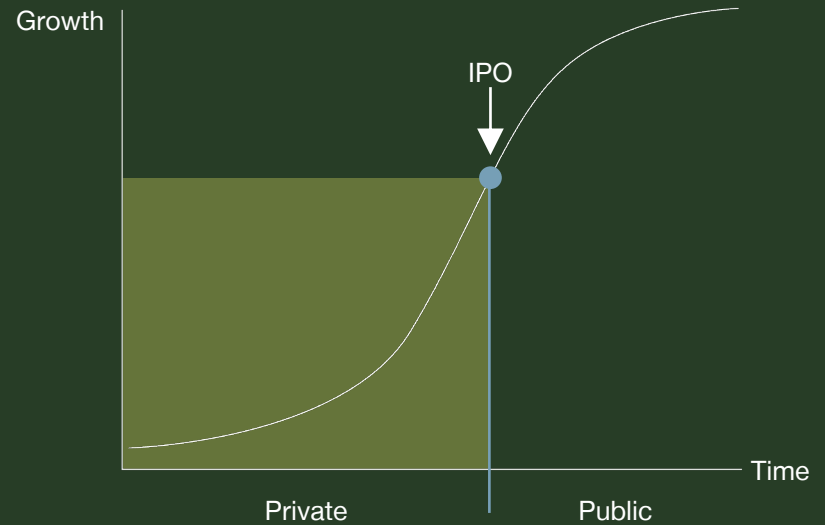
SpaceX valuation as at 30 September 2022. US dollars.

# Investing in private companies

The journey of a company as it was then



The journey of a company as it is now



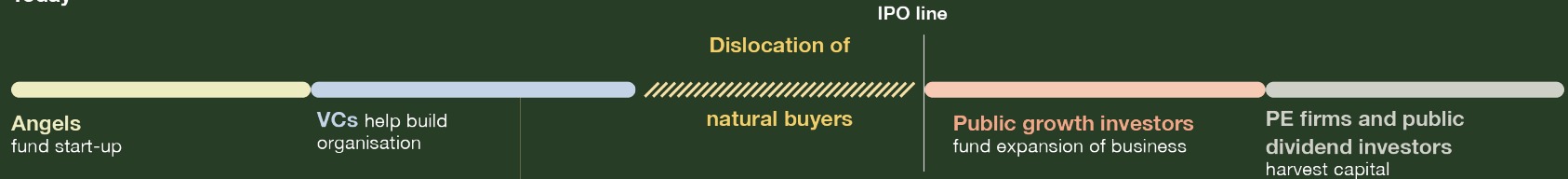
# Dislocation

## Companies outgrow VC structures but choose to remain private

Historical



Today



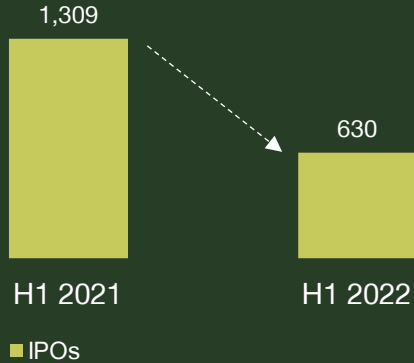
Our focus

Our focus

There is a dislocation between the natural buyers of late-stage growth companies and the investment vehicles available to them

# Current investment environment

## IPO market



Decrease in IPOs due to current economic conditions means companies will stay private for even longer, seeking well-aligned partners to support them pre-IPO

Source: PwC, EY.

## Our investable universe has grown

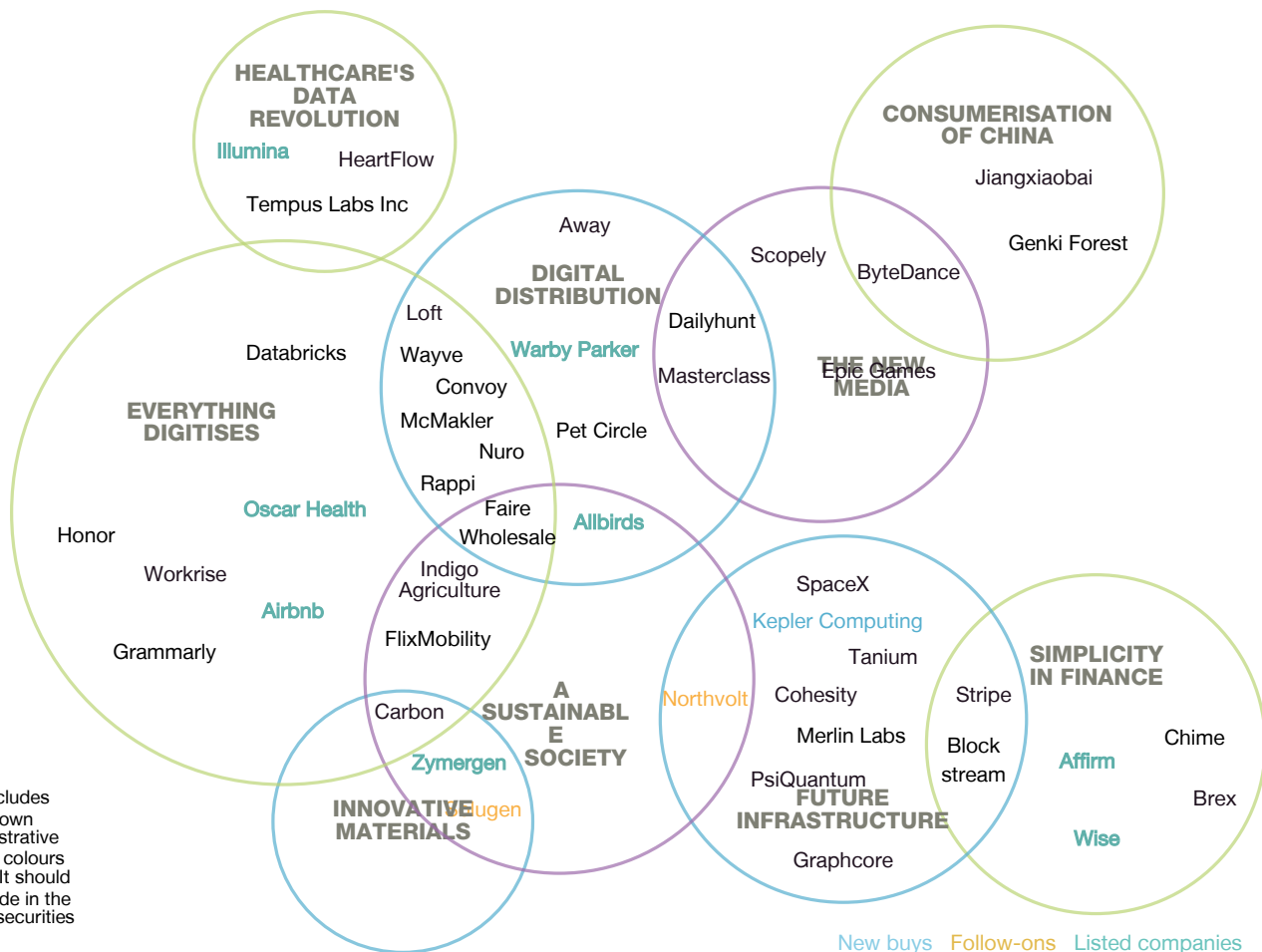


Private companies today are worth c. \$5.5 trillion\* (c. 2.7x the size of S&P mid cap 400)

\*Source: Pitchbook, S&P. As at 25 October 2022.

**These trends accentuate the long-term structural attractions of late stage private markets given the rapidly growing companies and extreme inefficiency**

# Companies drive future trends and investment opportunities



The Schiehallion portfolio. As at 30 September 2022, excludes cash and cash equivalents. New buys and follow-ons shown three months to 30 September 2022. This diagram is illustrative of the Private Company team's own views. The size and colours shown are not representative of holding size or themes. It should not be assumed that recommendations/transactions made in the future will be profitable or will equal performance of the securities mentioned. Holdings are subject to change.

New buys Follow-ons Listed companies

# Legal notices

## S&P

The S&P 500 and S&P Global SmallCap (index) are products of S&P Dow Jones Indices LLC or its affiliates ('SPDJI') and have been licensed for use by Baillie Gifford & Co. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ('S&P'); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ('Dow Jones'); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Baillie Gifford & Co. Baillie Gifford & Co product(s) is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of The S&P 500 and S&P Global SmallCap (index).

# Private companies investing

Tom Wright and Rachael Callaghan

Investing  
in the  
Anthropocene

