

Startup Values Set Records

Chinese Smartphone Maker Xiaomi, at \$46 Billion, Tops a Strong Tech Field



Venture Capital investors value Xiaomi Corp at \$46 billion. Lei Jun, founder and CEO *REUTERS*

By: [EVELYN M. RUSLI](#) Dec. 29, 2014

Smartphone maker Xiaomi Corp. is now [officially the world's most valuable tech startup](#), worth \$46 billion—*the exclamation point on a year of extraordinary valuations.*

Valuations placed on tech startups world-wide stretched to record heights in 2014 and accelerated at an exceptional pace, even when compared with the late 1990s dot-com boom.

Xiaomi is just the latest example. It raised more than \$1 billion from investors, giving it the \$46 billion overall valuation. Only [Facebook](#) Inc. raised capital at a higher value from private investors, at \$50 billion in 2011.

This year, venture capitalists, mutual funds and big banks bestowed valuations of \$1 billion or more on about 40 startups world-wide, doubling the number of such companies at the start of the year, according to research firm Dow Jones VentureSource.

Adjusted for inflation, the current roster of 70 “billion dollar” startups globally is nearly twice as large as the number during the boom years 1999 and 2000. A “startup,” in this case, is loosely defined as a young, private company backed by venture capital, with overall valuations derived from the price that pre-IPO investors pay for a fraction of the equity.

Perhaps more astonishing than the dollar figures was how fast they were achieved. In November, (2014) investors paid \$1.2 billion for a stake in Uber Technologies Inc. that valued the five-year-old car-hailing service at \$41.2 billion, almost 12 times the price set by venture capitalists last year. The valuation of Pure Storage Inc., a vendor of data-storage equipment, [tripled to \\$3 billion](#) in April after less than a year. Slack Technologies Inc. [was valued at \\$1.1 billion](#) in October only a year after releasing its popular work-collaboration product.

In short, 2014 was the year the tech sector went into hyper-drive...and it looks like 2015 will even be better!

The prevailing theory behind the investment rush: Technology is overtaking nearly every major industry, from city transportation and hospitality to education and health care. And real businesses are being built, bullish backers say, not the revenue-less startups from those heady dot-com days in the late 1990s, when excitement over the Internet led to a tech-stock bubble that burst in early 2000.

Many of the companies in today's billion-dollar club, such as Uber, Xiaomi, home-rental site Airbnb Inc., Web storage company Dropbox Inc. and data-mining startup Palantir Inc. are said to be generating tens if not hundreds of millions of dollars annually.

Airbnb, which is seeking to upend the hotel industry, was tagged with [a \\$10 billion valuation](#) in April, about 40 times its revenue of roughly \$250 million in 2013. That revenue had doubled from the previous year, people familiar with the matter previously told The Wall Street Journal. Dropbox, also [with a \\$10 billion valuation](#), had expected sales of more than \$200 million in 2013, up from \$116 million the year earlier.

Other companies, like messaging service Snapchat Inc. and online scrapbooking site Pinterest Inc., have barely started making money. Investors are betting those companies can capture audiences that will eventually translate into big money, à la Facebook.

Billionaire venture capitalist [Peter Thiel](#), an early investor in Facebook, says “the field of startups doesn't feel overvalued. The sum of billion-dollar-plus valuations in the U.S. -roughly \$160 billion- would still be less than half of [Google](#) Inc. 's \$365 billion market cap.”