

# Fidelity Marks Down Startups Including Dropbox, Zenefits

Largest Fidelity markdown in February is enterprise-software company Cloudera



While Fidelity Investments cut the valuations of some startups in February, it also raised the values of at least four companies. PHOTO: GETTY IMAGES

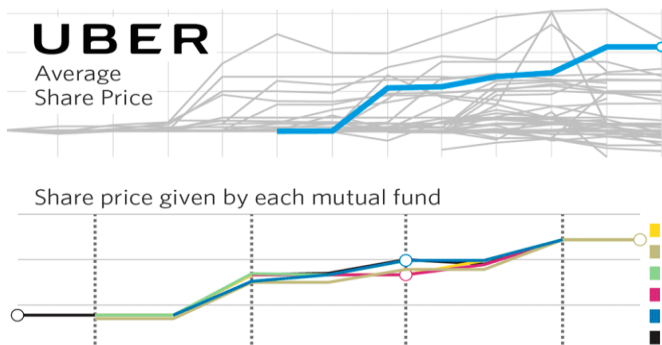
By  
**ROLFE WINKLER**  
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Mutual-fund giant Fidelity Investments took an ax to the valuations of its private technology shares in February, cutting bellwether software startups like Dropbox Inc., Cloudera Inc. and Zenefits by as much as 38% compared with the prior month.

On Wednesday, the Boston-based company released valuation estimates as of Feb. 29 for the holdings in its various mutual funds. The reports are closely watched in Silicon Valley because they offer among the few public gauges for how closely held startup values are trending.

Fidelity and other mutual-fund firms including [T. Rowe Price](#) Group and [BlackRock](#) Inc. have spent billions of dollars in recent years buying shares of highflying startups ahead of hopeful initial public offerings. Their money helped inflate valuations, creating a stable of startups valued at \$1 billion or more that now numbers near 150.

But last fall, mutual-fund firms began marking down the values of their stakes after the stock market dropped and doubts grew about world's economic stability. The markdowns helped sap momentum for startups, making it harder to raise funding at higher valuations and recruit employees eager for stock awards.



A Fidelity spokesman declined to comment.

There are no hard rules for how mutual fund firms value their startup shares, and they often disagree on the per-share price of the same company. They typically estimate

valuations using a mix of the startup's financial information, the market values of publicly traded rivals, and the prices paid previously for the startup's shares.

The Wall Street Journal last month published the [Startup Stock Tracker](#), which keeps tabs on valuations posted by mutual funds for those startups valued at over \$1 billion. The interactive tool has been updated to show February disclosures by rivals Hartford Funds and Principal Funds in addition to Fidelity.

The tracker shows that for 13 startups that have accepted money from mutual funds, at least one of those mutual funds valued its investment at less than what it paid for the shares.

Among the biggest paper losses was a BlackRock stake in Jawbone, which has declined 69% as of December.

Despite the markdowns, mutual funds on paper still have many big potential winners among their startup investments, including stakes in ride-hailing company Uber Technologies Inc. and room-sharing service Airbnb Inc.

The largest Fidelity markdown in February was in enterprise-software company Cloudera, which Fidelity cut by 38% compared with January to a per-share price in line with other mutual-fund companies.

Other big markdowns include business-software company Domo Inc., down 29%, the first big decline for that company; Web-storage firm Dropbox, down another 20% to a level that all but wipes out the gains on Fidelity's 2012 investment in the company; and health-benefits broker Zenefits, down 25% and now 65% below Fidelity's May 2015 purchase price.

The mutual fund company's stake in electronic-document software firm DocuSign Inc. was reduced 34% compared with December, though Fidelity still shows a 170% paper gain.

Fidelity's data shows it marked down the values of 12 startups tracked by the Journal in February. The write-downs may have been expected after an early February swoon for public technology shares like [LinkedIn](#) Corp. and [Tableau Software](#) Inc.

The technology-heavy Nasdaq Composite Index made a strong comeback during the second-half of the month, recovering some of its losses, and the U.S. stock markets have continued to recover this month. On Wednesday, the Nasdaq rose 22 points to 4,869, up nearly 7% since Feb. 29.

Fidelity lifted the valuation of at least four companies during February, including stakes in Airbnb and prepared-meals company Blue Apron Inc., both up 14%; baby-products retailer Honest Co., up 12.7%; and in entrepreneur Elon Musk's rocket maker, Space Exploration Technologies Corp., up 8.3%.

Messaging company Snapchat Inc. got a vote of confidence from Fidelity in February when the [mutual-fund company invested \\$175 million](#) at a valuation that was in line with the fund's investment in the company last March. The exact per-share price isn't clear because Fidelity didn't disclose its latest total shareholding in the company.

**Write to** Rolfe Winkler at [rolfe.winkler@wsj.com](mailto:rolfe.winkler@wsj.com)