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## Dropbox Sets IPO Target Valuation at \$7 Billion to \$8 Billion

Web-storage company said it expects its shares to price between \$16 and \$18



The company's performance will be closely watched. PHOTO: DAVID PAUL MORRIS/BLOOMBERG

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Dropbox Inc. set a valuation target between \$7 billion and nearly \$8 billion ahead of its initial public offering, which is set to be one of the biggest tech IPOs in the past few years.

In a filing Monday, the web-storage and collaboration company said it expects its shares to price in a range of \$16 to \$18. At the midpoint of that range, based on a fully diluted share count, its valuation would be \$7.4 billion, well below the \$10 billion valuation where the company had raised private capital in 2014.

The Dropbox IPO will seek to raise \$612 million of capital at the midpoint of its range, and the company said it would receive proceeds of \$529.7 million at that midpoint.

That valuation level would make it the largest U.S. tech IPO since Snap Inc. made its debut in March of 2017, according to Dealogic. The Wall Street Journal had previously reported the company was seeking a valuation of roughly \$7 billion to \$8 billion. The company also revealed in its filing that the corporate investment group of Salesforce.com Inc., which has been an investor in the company, will serve as a so-called anchor in the IPO and will buy \$100 million worth of the shares being offered when the IPO closes in a private placement.

As one of few richly valued tech startups to test the public markets in recent years, Dropbox will be closely watched as a potential barometer for the more than 100 U.S. companies valued at more than \$1 billion that still remain private—particularly the larger ones.

Most of the startups with the highest valuations have put off IPOs as they still have access to ample amounts of capital from big investors.

The San Francisco-based company and its underwriters will set a final IPO price based on feedback from investors in a roadshow that is about to begin. IPOs aren't guaranteed to price within companies' expected ranges.

Dropbox is expected to start trading on Nasdaq under the symbol "DBX" late next week. Investors from top venture-capital firms such as Sequoia Capital and Accel Partners as well as mutual funds including Fidelity Investments and T. Rowe Price have collectively pumped more than \$600 million into Dropbox, viewing the company as having enormous potential to dominate the consumer business of file storage.

Dropbox, which lets users store, share and collaborate on documents, photos and other files online, is among the older of the so-called billion-dollar startups. The company was founded by MIT computer-science students Drew Houston and Arash Ferdowsi in 2007. It now has more than 500 million registered users, most of whom use its free, basic service with limited storage.

The 11-year-old company has never turned a yearly profit, which isn't uncommon for investment-heavy tech startups seeking to go public. It posted revenue last year of \$1.11 billion and a net loss of \$111.7 million.

Mr. Houston, Dropbox's CEO, and Mr. Ferdowsi are each selling 2.3 million shares in the offering, which would generate proceeds of about \$39 million at the midpoint of the range.

Ahead of the IPO, in December 2017, Dropbox's board granted the co-founders stock awards that give Mr. Houston the potential to earn as much as \$930 million over the next decade if Dropbox's share price reaches \$60; Mr. Ferdowsi could earn as much as \$396 million.

Over the past few years, Dropbox has faced intense competition from tech giants like Alphabet Inc.'s Google and Apple Inc., which have pushed into the consumer-storage space. Dropbox also has begun offering storage for businesses.

While Dropbox's losses have been shrinking, its revenue growth has also slowed. It has roughly 11 million paying users, but the vast majority of its 500 million users don't pay.

Despite a pushback against dual-class shares from index funds and the SEC in recent months, Dropbox will have a dual-class structure that gives the founders and some investors 10 votes a share, compared with one vote a share for investors buying shares in the public markets.

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