# Analysis of high-growth company trends

Investing in stocks has the potential to provide an average annual return of around 10%, as indicated by the S&P 500 index.

However, it's important to recognize that this seemingly attractive figure is somewhat offset by the impact of inflation. In reality, investors may actually experience a decrease in purchasing power of approximately 2% to 3% each year when considering the effects of inflation. So, while the average return may appear promising, it's essential to account for inflation's erosion of real returns.

**by Mahesh Ushir**

# Objective



We are tasked with helping an investment firm by conducting an analysis of high-growth company trends. The goal is to identify industries with the highest valuations and determine the rate at which new high-value companies are emerging. This information will provide the firm with valuable insights into current industry trends and guide their portfolio structuring for future investments.

To facilitate this analysis, we have been granted access to the unique unicorns database, which includes comprehensive tables for extracting the required data and conducting a thorough assessment of the evolving landscape of high-growth companies and industries.

# Analyzing Emerging High-Value Companies

**1** **Rapid Growth**

New high-value companies are emerging at an accelerated pace, leveraging technology and disrupting traditional industries.

**2** **Innovative Business Models**

These companies are pioneering innovative business models that increase efficiency, enhance customer experiences, and drive profitability.

**3** **Investment Opportunities**

Investors are eagerly seeking out the next wave of high-potential startups and growth-stage companies.

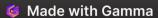# The Tech Sector: Dominance and Continuous Innovation

### Market Leadership

Tech giants continue to dominate the global market, leveraging their scale, resources, and cutting-edge technologies.

### Disruptive Innovations

Emerging tech startups are challenging incumbents with innovative products and services that redefine entire industries.

### Investor Confidence

Investors are drawn to the tech sector's potential for rapid growth and high returns.

# Data : Companies | Dates | Funding | Industries

QUERY : SELECT * FROM TABLE_NAME;

| company_id | company | city | country | continent |
|---|---|---|---|---|
| 189 | Otto Bock HealthCare | Duderstadt | Germany | Europe |
| 848 | Matrixport | | Singapore | Asia |
| 556 | Cloudinary | Santa Clara | United States | North America |
| 999 | PLACE | Bellingham | United States | North America |
| 396 | candy.com | New York | United States | North America |

| company_id | date_joined | year_founded |
|---|---|---|
| 189 | 2017-06-24T00:00:00.000Z | 1919 |
| 848 | 2021-06-01T00:00:00.000Z | 2019 |
| 556 | 2022-02-15T00:00:00.000Z | 2011 |
| 999 | 2021-11-17T00:00:00.000Z | 2020 |
| 396 | 2021-10-21T00:00:00.000Z | 2021 |

| company_id | valuation | funding | select_investors |
|---|---|---|---|
| 189 | 4000000000 | 0 | EQT Partners |
| 848 | 1000000000 | 100000000 | Dragonfly Captial, Qiming Venture Partners, DST Global |
| 556 | 2000000000 | 100000000 | Blackstone, Bessemer Venture Partners |
| 999 | 1000000000 | 100000000 | Goldman Sachs Asset Management, 3L |
| 396 | 2000000000 | 100000000 | Insight Partners, Softbank Group, Connect Ventures |

| company_id | industry |
|---|---|
| 189 | Health |
| 848 | Fintech |
| 556 | Internet software & services |
| 999 | Internet software & services |
| 396 | Fintech |

# 3 best-performing industries based on the number of new unicorns created over three years (2019, 2020, and 2021) combined.

SELECT

        i.industry, COUNT(i.company_id) AS count_new_unicorns

    FROM industries i

    JOIN dates d ON i.company_id = d.company_id

    WHERE EXTRACT(YEAR FROM d.date_joined) IN (2019, 2020, 2021)
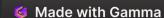
    GROUP BY i.industry

    ORDER BY count_new_unicorns DESC

    LIMIT 3;

OUTPUT :

| industry | count_new_unicorns |
|---|---|
| Fintech | 173 |
| Internet software & services | 152 |
| E-commerce & direct-to-consumer | 75 |

The data shows that Fintech attracted 173 new unicorn companies, Internet Software & Services added 152, and E-commerce & Direct-to-Consumer saw 75 new unicorns between 2019 and 2021, indicating strong growth and investor interest in these sectors.

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# Number of unicorns and the average valuation, grouped by year and industry.

QUERY : SELECT

   i.industry, EXTRACT(YEAR FROM d.date_joined) AS year,

   COUNT(i.company_id) AS num_unicorns, AVG(f.valuation) AS average_valuation

   FROM industries i

   JOIN dates d ON i.company_id = d.company_id

   JOIN funding f ON d.company_id = f.company_id

   GROUP BY i.industry, year;

OUTPUT :

| industry | year | num_unicorns | average_valuation |
|---|---|---|---|
| Fintech | 2014 | 1 | 95000000000.0000 |
| Fintech | 2018 | 10 | 8600000000.0000 |
| E-commerce & direct-to-consumer | 2018 | 4 | 27250000000.0000 |
| Cybersecurity | 2018 | 1 | 8000000000.0000 |
| Consumer & retail | 2020 | 1 | 15000000000.0000 |

Average valuations and the number of unicorn companies for specific years. Fintech led with a $95 billion valuation in 2014 and 10 unicorn companies in 2018, while E-commerce & Direct-to-Consumer, Cybersecurity, and Consumer & Retail also demonstrated significant average valuations.

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# CTEs from above both observations for number of unicorns and average valuation.

QUERY : WITH top_industries AS (

SELECT

i.industry, COUNT(i.company_id) AS num_companies

FROM industries AS i

JOIN dates AS d ON i.company_id = d.company_id

WHERE EXTRACT(YEAR FROM d.date_joined) IN (2019, 2020, 2021)

GROUP BY industry

ORDER BY num_companies DESC LIMIT 3

),

yearly_ranks AS (

SELECT

COUNT(i.company_id) AS num_unicorns, i.industry,

EXTRACT(YEAR FROM d.date_joined) AS year, AVG(f.valuation) AS average_valuation

FROM industries AS i

JOIN dates AS d ON i.company_id = d.company_id

JOIN funding AS f ON d.company_id = f.company_id

GROUP BY industry, year

)

SELECT

industry, year, num_unicorns,

ROUND(AVG(average_valuation / 1000000000), 2) AS average_valuation_billions

FROM yearly_ranks

WHERE year in (2019, 2020, 2021)

AND industry in (SELECT industry FROM top_industries)

GROUP BY industry, year, num_unicorns

ORDER BY industry, year DESC;

OUTPUT :

| industry | year | num_unicorns | average_valuation_billions |
|---|---|---|---|
| E-commerce & direct-to-consumer | 2021 | 47 | 2.47 |
| E-commerce & direct-to-consumer | 2020 | 14 | 2.64 |
| E-commerce & direct-to-consumer | 2019 | 12 | 2.58 |
| Fintech | 2021 | 138 | 2.75 |
| Fintech | 2020 | 15 | 4.33 |
| Fintech | 2019 | 20 | 6.80 |
| Internet software & services | 2021 | 119 | 2.15 |
| Internet software & services | 2020 | 20 | 4.35 |
| Internet software & services | 2019 | 13 | 4.23 |

The provided output showcases the unicorn count and average valuations in billions for the top 3 industries, namely E-commerce & Direct-to-Consumer, Fintech, and Internet Software & Services, across the years 2019, 2020, and 2021.

1. **E-commerce & Direct-to-Consumer**:
   - Saw a growth in the number of unicorn companies from 12 in 2019 to 47 in 2021, with their average valuation fluctuating slightly.

2. **Fintech**:
   - Experienced a significant expansion in unicorn count from 20 in 2019 to 138 in 2021, however, the average valuation showed a decreasing trend over the years.

3. **Internet Software & Services**:
   - Demonstrated a surge in unicorn companies from 13 in 2019 to 119 in 2021, while noting some fluctuation in their average valuations.

These insights provide a valuable overview of the growth and valuation trends for unicorn companies within these industries over the past three years, offering a comprehensive understanding of their market performance and attractiveness for potential investment.

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# Analyzing the Rate of New High-Value Company Formation

### 1 Technological Advancements

Rapid progress in areas like AI, cloud computing, and data analytics is enabling the creation of innovative, high-value companies.

### 2 Entrepreneurial Ecosystem

A thriving startup culture, abundant funding sources, and supportive policies have fostered an environment conducive to new high-value company formation.

### 3 Global Connectivity

The interconnected world and the ability to scale businesses globally have accelerated the pace at which new high-value companies are emerging.