

# Snap Inc. Case Overview

# Intro to Snap Inc. Case

- You are an analyst at a company that provides wireless, cloud-based broadband solutions.
- You are tasked to analyze the IPO of Snap Inc., in order to provide insight for the future IPO of your company, likely coming up in the next year.
- How did Snap Inc. do in the IPO?
  - Was going public the correct decision? Was it underpriced? What could have been done better?
  - Based on what happened to Snap Inc., what advice would you give to your company regarding IPO?



# Initial Public Offering (IPO)

The **IPO** is a major transition in the life of the firm.

## Advantages of IPO:

- More liquidity to shares and other securities.
- Raise capital for upcoming large scale projects.
- Free advertisement, prestige, etc.

## Disadvantages of IPO:

- Cost of reporting and fulfilling disclosure criteria of a public firm.
- Less control over the firm.

# Should your company go public?

There are many many considerations when deciding on whether or not to go public. A few are listed below, but there are certainly more.

## *For:*

- The company has an opportunity to invest in a large scale project that will create a lot of value. But more capital is required.
- The current shareholders are looking to *exit*.
- The general public has good sentiment to the company which can be taken advantage of if goes public.

## *Against:*

- More difficult to focus on long term goals.
- Disclosure of company's activities may be a liability.
- Lack of projects to take advantage of the capital raised from IPO.

# Case Objective



- This case requires you to comment on the IPO of Snap Inc.
- This case requires understanding of securities and firm valuation.
  - Try to estimate Snap Inc.'s value.
    - Which method should you use? DDM or DCF or Multiples?
  - Base on your valuation, was the IPO successful?
    - Remember that a firm's ultimate goal is to create value for its shareholders. Did the IPO create value / provide benefits for its shareholders?
  - Apart from valuation, this case involves a lot of qualitative analysis.
  - Feel free to gather data from sources outside the case to support your claims or assumptions.

# Case Discussion

Please spend a few minutes with your team to discuss the case.

Some questions to consider:

- Which valuation method(s) should you use to estimate the value of Snap Inc. during its IPO?
- What costs and benefits are associated with an IPO?
- In general, why should a firm go public? When should a firm go public?