

Berkshire Hathaway

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Snowflake breaks US software company IPO record with US\$3.4bn fundraise

Snowflake Inc (NYSE:SNOW) has become the US software company completing the largest initial public offering in Wall Street.

The cloud data platform raised a grand total of US\$3.4bn by placing 28mln shares at US\$120 each, for a market capitalisation of US\$33bn.

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The flotation had generated lots of interest so the price was bumped up to US\$100-110 per share from US\$75-85 set out initially, but ended up selling for an extra US\$10.

The company has high-profile backers including Salesforce and Warren Buffet's Berkshire Hathaway, who have both pledged to invest US\$250mln in the business at a price equivalent to the final IPO price.

Berkshire will also invest a further US\$250mln by way of a private purchase, also at the IPO price, although CMC Markets' Michael Hewson noted these investments represent a very small percentage of the overall size of their total investment portfolios.

Snowflake already has a decent client base, though it is competing with giants such as Amazon, Oracle, Alphabet and Nvidia.

Among its clients there Sainsbury, Capital One, Adobe and Deliveroo, with 2019 revenue skyrocketing 170% to US\$265m.

With US\$242mln clocked in the first six months of 2020, it is likely to double its turnover for this year - although it is yet to make a profit.

Is it going to flake on investors?

"With the recent volatility surrounding the tech sector still fresh in mind, this week's launch of Snowflake is another IPO that is generating excitement, but with little of the fanfare that has accompanied some of the more high-profile IPOs of the past few years," Hewson noted.

"Does this mean for one moment that it is going to be as successful as Zoom, or fall flat on its face like Uber? In all honesty it's hard to say given that so few of the recent IPOs trade anywhere close to their underlying fundamentals."

"As with any IPO it's always a good idea to understand why the company is coming to market as well as who its backers are. This usually tells you a lot about the company's prospects, and in the case of the likes of Uber and the failure of WeWork, it was clear that SoftBank was looking for an out."

Share Information

Code: BRK

Listing: NYSE

Sector: Financial Services

Website: www.berkshirehathaway.com

Company Synopsis:

Berkshire Hathaway is a holding company owning subsidiaries engaged in a number of business activities, primarily insurance businesses conducted on both a primary basis and a reinsurance basis.

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