Thematic Investing

Unicorns, Decacorns and Hectocorns: The Private Companies Primer

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This is a redaction of a 182-page report published on October 21, 2025. Please reach out to your BofA Securities representative or Merrill Global Wealth Management financial advisor for more information.

Tectonic transformation: the world is going private

When it comes to efficient allocation of capital throughout an economy, it would initially appear that public companies are more attractive than private, as they provide audited financials and information on operations. The investments are also liquid, low-fee and available to everyone. And yet, private companies are also transforming the world. If private capital assets under management were a country, it would be the world's second-largest economy.

Private investments: the world's second-largest economy

Since 2000, the number of US-listed companies has halved to over 4,000, while the number of private venture capital-backed companies has risen 25x. Total private capital assets grew to $22tn in 2024, more than doubling since 2012. Companies are also turning or remaining private. Today, startups are staying private for an average of 16 years after being founded, taking 33% longer to go public than just a decade ago.

Better returns, control and lower costs vs. governance

Public markets offer key advantages like transparency, governance and liquidity, while the opacity of private companies and lack of periodic reporting could create greater financial and governance risks. We are not recommending private companies, but rather highlighting the pro and cons that led to the growth and outperformance of this asset class, as well as its risks. Over a 10-year time horizon, private equity has outperformed the S&P 500 by 6pp every year on average. Remaining private could avoid the potentially higher costs and regulations associated with being public. In the time spent on financial regulation paperwork every year, 12 Great Pyramids of Giza could be built.

Tech arms race: public market's never been so dependent

The innovation behind the world's most transformative private companies impacts not only their respective ecosystems but also the global economy. The access to technology is crucial for growth and the public market is racing to own it.

Private collection: meet the companies changing the world

The 120 largest Thematic unicorns have a total valuation of $3tn, as large as the market cap of Germany. The Private Magnificent-7's recent combined valuation reached $1.4tn, almost 5x higher vs. 2023. We've reviewed 16 of them across different industries that are transforming the world, with a combined valuation of $1.5tn, >1% of global GDP.

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Thematic Investing
Merrill Lynch (Israel)

Haim Israel >>
Equity Strategist
Merrill Lynch (Israel)

Felix Tran
Equity Strategist
BofAS

Savita Subramanian
Equity & Quant Strategist
BofAS

Martyn Briggs >>
Equity Strategist
MLI (UK)

See Team Page for List of Analysts

Unicorns: startup companies with valuations of at least $1bn

Decacorns: startup companies with valuations of at least $10bn

Hectocorns: startup companies with valuations of at least $100bn

Private Magnificent-7: OpenAI, SpaceX, Anthropic, Databricks, Stripe, Anduril, xAI

Refer to important disclosures on page 7 to 8. 12908821

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Did you know?

- Almost 90% of US and Asia companies with >US$100mn in revenue are private…[1]
- …for Europe, it's 96%[2]
- The number of US publicly traded companies has decreased by almost 50% since 1996, while the number of VC-backed private companies has increased 25x over the past 25 years[3]
- Today, startups are going public an average of 16 years after being founded, 4 years later than just a decade ago[4]
- In 1999, the median age of US IPOs was 5Y. In 2022, it was 8Y, and today it has risen to 14Y[5]
- We could build 12 Great Pyramids of Giza in the total time spent on financial regulation paperwork every year (425 mn hours)[7]
- The average FTSE 100 annual report is now 147,000 words long – that's almost 2x JK Rowling's *Harry Potter and the Philosopher's Stone*[8]
- Total compliance costs are 4.1% of market cap for a median US public company[9]
- 40% of VC money this year was invested in 10 startups[11]
- Just 0.07% of startups are unicorns. The chances of founding a unicorn are 250x smaller than getting into the University of Cambridge[12]
- AI companies represent 40% of the top 50 most valuable private companies…[13]
- …while the US and China account for 86% of the list[14]

Sources: [1]S&P Capital IQ, Apollo Chief Economist, iCapital, Hamilton Lane, Advisorpedia; [2]S&P Capital IQ, Apollo Chief Economist, iCapital, Hamilton Lane, Advisorpedia; [3]Pitchbook, World Bank, Visual Capitalist; [4]CBInsights; [5]Ritter; [6]Preqin, ScrapeHero; [7]Bloomberg, Press reports, The Economist, Vox BofA Global Research; [8]Quoted Companies Alliance, BofA Global Research; [9]Ewens et al; [10]CBInsights. As of 19 August 2025; [11]PitchBook; [12]Aileen Lee – TechCrunch article, BofA Global Research based on University of Cambridge Undergraduate Admission Statistics 2024; [13]CBInsights, data as of 9 September 2025; [14]CBInsights, data as of 9 September 2025; [15]CBInsights; [16]BofA Global Research

Executive summary

- A unicorn is a privately held startup with a valuation of at least $1bn. The term was coined by venture capitalist Aileen Lee in a 2013 TechCrunch article, 'Welcome to the Unicorn Club', where she highlighted the rarity of such companies.
- Back then, there were only 39 unicorns globally, but there were over 1,620 globally in 2025 (as of 13 October 2025), collectively valued at c.$6.6tn, per Crunchbase. Currently there are 84 decacorns (private companies valued at $10bn or more) and 7 hectocorns (worth at least $100bn).
- Just 0.07% of venture-backed software startups founded in the 2000s reached the $1bn threshold – 1 in every 1,538. As of 13 October 2025, $158bn had been raised for unicorns, vs $116bn in all of 2024.

The rise of private markets

Private capital AUM has grown >2x in the past 10Y

Total private markets AUM more than doubled to $22tn in 2024 from $9.7tn in 2012, (source: EY, McKinsey). And from 2000 to 2023, private markets AUM grew nearly 20x (source: McKinsey). Private capital AUM could keep rising per BCG estimates, with 2023-28E CAGRs for private equity, private debt and infrastructure AUMs of at least 11%. In the US, private markets have grown faster than public markets, c.35x larger in the last 25Y vs 4x for public markets. As a result, private markets' share of the overall US market has risen from 1% to 8% over 2000-25.

When it comes to efficient allocation of capital throughout an economy, it would initially appear that public companies are more attractive than private, as they offer key advantages like transparency, governance and liquidity. However, investors are allocating more money to private markets given more attractive returns vs. public markets. As an example, over a 10Y time horizon, private equity has outperformed the S&P 500 by 5.6pp and the Russell 2000 Growth Index by 9.3pp annually.

Companies are staying private

Globally, the number of listed companies has declined by 6% to c.3,000 since 2019. The US stock market has shed nearly half its companies in the past 25 years, falling from a peak of 8,090 in 1996 to 6,917 in 2000 to 4,010 in 2024. In the US, overall IPO activity has remained far below the levels of the 1990s, with an average of ~150 deals/year since 2000 (introduction of Sarbanes-Oxley) vs. ~500/year in the 1990s. And a US company's age at IPO has also crept up over time, from 6Y in 1980 to 14Y today. In the US, the number of PE-backed private companies has increased by 5x over the past 25 years.

Why are companies remaining private?

Higher costs, regulations and disclosures as a public company

One reason for remaining private is to avoid the potentially higher costs, regulations and disclosures as a public company vs private. For a private company that has revenues and a deal value range of $100-249mn, the average cost of going public is $6.9-30.5mn (source: PwC). The underwriting fees are the largest component at c.4-7% of the gross IPO proceeds (source: PwC).

Companies would also need to comply with regulations such as Sarbanes Oxley (SOX; which has compliance requirements like revenue recognition, audit, internal controls, record keeping), provide enhanced documentation and have enhanced reporting systems. The regulatory costs of being a public company are large, with various disclosures and internal governance rules leading to a total compliance cost of 4.1% of the market cap for a median US public company (source: Ewens et al).

Privacy, entrepreneurship and control considerations

Private companies, as the name implies, have a higher degree of privacy and are not required to disclose financial data, development strategies, and intellectual property to the general public and competitors. Hence, they have greater control. They are not subject to short-term pressures from public investors who might be focused on quarterly earnings. And this can enable them to make long-term strategic decisions, even if they involve large investments or short-term risk, i.e., they can invest in R&D and innovation, even if this impacts short-term profitability.

The increasing need for scale

The average US company has a market cap of $15.5bn (2024) vs. $0.3bn in 1975, almost a 60x increase and the broader US listed equity market cap has increased by 88x. In addition, the overall US equity market cap is double the size of US GDP, which has been driven by rising equity markets and larger companies. This scale can be positive for listed companies competing globally, but it can also be a headwind for private companies looking to go public against large, listed companies.

Shorter decision-making process enabling tech advancements

Technological innovations, e.g. cloud, AI agents, generative AI, are lowering the initial setup and operating costs for many (tech) companies. Companies can grow and reach higher valuations with less initial capital than before, enabling them to remain private and postpone the need to go public. With private companies, the decision-making process can be smoother as there isn't the bureaucracy of large boards of directors, committees or shareholder meetings. A 1% increase in private equity investment increases the number of USPTO (US Patent and Trademark Office) patents by 0.04-0.05% (source: Popov and Roosenboom).

Growing access to private markets

Private markets were traditionally confined to institutional investors, family offices and the ultra-wealthy, and out of reach for the everyday investor. High capital demands and illiquidity meant that private markets were not previously part of a retail investor's portfolio. However, recent industry developments e.g. structural innovation and regulatory changes could accelerate future retail alternatives (alts) AUM (source: Dechert, Norton Rose Fulbright).

For example, in August 2025, the Trump administration introduced a new order directing regulators to expand access to alternative investments in 401(k) plans. And in March 2025, the Monetary Authority of Singapore (MAS) proposed a Long-Term Investment Fund (LIF) Framework to allow retail investors access to private market investments. And in the UK, 17 of the workplace pension providers have pledged to invest 10% of portfolios in alternatives by 2030.

Structural innovation expanding access to private markets

Investment vehicles are typically complex with high minimum commitments and long lock-up periods (a window where investors cannot redeem or sell their investments), as well as capital calls (formal request by an investment fund to its investors to contribute a portion of the capital they have previously agreed to commit) (source: CFA Institute).

However, some tools can help widen investor access to private markets e.g. evergreen funds (open-ended funds that do not have a fixed end date or lock-up period and have lower investment minimums), sidecars (one investor allows a second to control how to invest the capital; source: Investopedia), feeder funds (investment vehicle which pools the capital commitments of investors into a 'master fund' that directs and oversees all investments held in the master portfolio; source: Mayer Brown) and funds of private funds (funds that buy shares in private funds; source: Investopedia), which are available to retail investors through wealth manager channels (source: Dechart).

Retail alts AUM growing at 12% CAGR to 2032 vs >9% alts industry growth

Retail AUM is one of the key growth avenues for private markets in the next decade. According to Bain, private wealth AUM in alternatives is expected to grow at a 12% CAGR from 2022-32 compared to 8% for institutional AUM, as investors seek diversification/low correlation to public equities and higher long-term returns. This is above the overall private assets AUM 2023-33 CAGR of 9% (source: Bain). Retail investors are under-allocated to alternatives vs other investor types. The private wealth channel is only c.2% allocated to alternatives and could move closer to 4% in 2025 (source: Blackstone, BofA Global Research). Bain expects global alternatives AUM from retail to grow from 16% of the total in 2022 or $4tn, to 22% in 2032 or up to $13tn.

Why does this matter?

Companies can be disruptive

In US public markets since 1926, US$55tn in shareholder wealth has been created, but just 3% of companies accounted for that entire amount (source: Bessembinder). While the data runs only until 2022, we anticipate that the percentage of companies that have contributed to the entire net shareholder wealth created since 1926 is now even smaller.

And the growing impact of disruptive companies can have downstream effects on incumbent companies. Using public markets as an example again, roughly a third of the S&P 500 has been replaced since 2015 (source: S&P Dow Jones Indices). In 1958, the average seven-year rolling lifespan of a company on the S&P 500 was 61 years. By the 1980s, it had dropped to 30 years, by 2016 it was 24 years, and by 2021 it was 16 years (source: McKinsey). If we continue on this road, by 2027, companies could last just 12 years as they become increasingly disrupted (source: Innosight, S&P 500).

Private companies can be disruptive too e.g. unicorns, disruptive innovators?

A unicorn is a privately held startup with a valuation of at least $1bn. Just 0.07% of venture-backed software startups founded in the 2000s reached the $1bn threshold (source: Aileen Lee) – that's 1 in every 1,538. Per Antler, unicorn status comes from disruptive innovation – companies that change how we think about a sector. This can be through bringing a new product to market that gives them an edge or introducing new business models e.g. subscription services or gig economy platforms, redefining customer expectations or leveraging technology to streamline inefficient processes (source: Santander, RobotMascot).

Important implications for related listed companies and the global economy

Key developments by private companies are important to understand not only for how their products, market position and developments impact their publicly listed peers and respective industry ecosystems, but also to understand how their broad technology may change the global economy.

Taking AI as an example, ChatGPT, a LLM (large language model) chatbot that was the first to democratise access to generative AI. And since its release in November 2022, the world has seen significant developments in AI ranging from more frontier AI models to physical AI – humanoid robots, autonomous vehicles and drones.

Private capital 101

What is private capital?

Private capital refers to assets not available on public markets, such as private equity, private credit and real assets where investors receive a share in the company or asset(s) (source: Preqin). Private markets' AUM was US$22tn in 2024, more than doubling since 2012 (source: McKinsey, EY).

The types of private assets (source: S&P Global):

Private equity (PE): investment in privately owned companies or buyouts of public companies. PE firms raise investment funds by pooling money from investors and using it to buy stakes in private companies (source: S&P Global). There are various types of private equity including (source: S&P Global):

- **Funds of funds**: a managed pool vehicle that raises capital from investors to invest in multiple other private funds
- **Growth equity:** investments in more established and more mature companies seeking to grow to a new stage
- **Leveraged buyouts** (LBOs): existing investors cash out and the purchasers take over a meaningful share in the company
- **Venture capital:** investment in young companies with high growth potential

Private debt refers to the purchase and sale of loans and debt securities in private companies. They are debt investments that are not financed by banks and are not issued or traded in an open market. Forms of private debt include (source: S&P Global):

- **Direct lending:** financing provided by a lender to a borrower without the involvement of a bank or intermediary
- **Distressed debt:** provided by a lender to a borrower, without an intermediary, that is typically considered below investment grade
- **Mezzanine debt:** a combination of senior debt and equity often used to finance leveraged buyouts or other transactions where the borrower's credit rating is not strong enough to qualify for senior debt
- **Private debt fund of funds:** a fund that invests in other private debt funds
- **Venture debt:** provided to early-stage companies by venture capital firms, typically between the initial round of funding and the next. Venture debt lenders tend to have a lower interest rate than traditional banks but also a higher default risk.

Real assets investing refers to the purchase of physical assets e.g. real estate (property purchases like offices, retail space, apartments and industrial buildings), infrastructure (transportation networks, communication networks, utility systems) and natural resources (commodities like oil, gas, coal, gold, silver and copper) (source: S&P Global).

Private market investors can be pension funds, hedge funds, sovereign wealth funds, insurance companies, university endowments and family offices. Interests in these assets are typically arranged as limited partnerships (LPs) or general partners (GPs) acting as the investment manager deploying capital from the LPs.

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Research Analysts

Equity Strategy

Haim Israel >>
Equity Strategist
Merrill Lynch (Israel)

Lauren-Nicole Kung >>
Equity Strategist
MLI (UK)

Felix Tran
Equity Strategist
BofAS

Savita Subramanian
Equity & Quant Strategist
BofAS

Martyn Briggs >>
Equity Strategist
MLI (UK)

Equity Research

Justin Post
Research Analyst
BofAS

Nitin Bansal, CFA
Research Analyst
BofAS

Harvey Qin
Research Analyst
BofAS

Brad Sills
Research Analyst
BofAS

Matt Bullock
Research Analyst
BofAS

Ronald J. Epstein
Research Analyst
BofAS

Mariana Perez Mora
Research Analyst
BofAS

Jordan Lyonnais
Research Analyst
BofAS

Samantha Stiroh
Research Analyst
BofAS

Alexander Preston
Research Analyst
BofAS

Menka Bajaj >>
Sustainability Strategist
MLI (UK)

Andrew Obin
Research Analyst
BofAS

Wamsi Mohan
Research Analyst
BofAS

Sabrina Abrams
Research Analyst
BofAS

Omar Dessouky, CFA
Research Analyst
BofAS

Arthur Chu, CFA
Research Analyst
BofAS

Frederic Boulan, CFA >>
Research Analyst
MLI (UK)

Mihir Bhatia
Research Analyst
BofAS

Aditya Buddhavarapu, CFA >>
Research Analyst
MLI (UK)

Perlie Mong >>
Research Analyst
MLI (UK)