

Slack is latest tech company to go public, with a twist

June 20 2019, by Mae Anderson



Slack CEO Stewart Butterfield poses for photos outside the New York Stock Exchange before his company's IPO, Thursday, June 20, 2019. (AP Photo/Richard Drew)

Shares of work messaging platform Slack rose after it started trading

under the ticker "WORK."

The San Francisco company's shares debuted on the New York Stock Exchange at \$38.50 and rose \$1.70, or 4.4%, to \$40.20 in midday trading.

Slack's initial public offering is using an unusual approach known as a direct listing. In such cases, a company doesn't hire underwriters or sell new shares to raise money; it simply lists existing shares. While there is no set price for the listing, Slack said in a regulatory filing that the volume-weighted average price of shares that changed hands in the private market from February through May was \$26.38.

Slack aims to replace traditional work communication like email with its own messaging platform. Users start "channels," or a group chat with a specific topic, rather than starting an email string about a subject. Slack says 600,000 organizations in more than 150 countries use Slack. That includes more than 10 million daily active users, who collectively spend more than 50 million hours in active use of Slack in a typical week, on either a free or paid subscription plan, according to the company. By contrast, Facebook has more than 2 billion users.



Slack co-founders Cal Henderson, left, and Stewart Butterfield pose for photos outside the New York Stock Exchange before their company's IPO, Thursday, June 20, 2019. (AP Photo/Richard Drew)

Slack's listing is the latest in several highly anticipated tech IPOs. Rideshare companies Uber and Lyft, video conferencing company Zoom Video Communications and digital scrapbooking site Pinterest have all gone public in recent weeks.

They haven't all been successes. Uber's IPO in May was the most highly anticipated debut, but it hit a few potholes on opening day, closing down 8%.

Kathleen Smith, principal at Renaissance Capital, which researches

IPOs, said a direct listing saves the company underwriting fees, but it means the company needs a strong investor relations program since initial shares aren't being sold at a discount to attract buyers.



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"It's always a little challenging to get this kind of value into the market elegantly. We know it was challenging for Uber," she said. "These very large IPOs can have a rocky road when they enter the market."

Slack said earlier in June that for the February-April quarter, the

company lost 26 cents per share as revenue jumped 67% to \$134.8 million.

For the fiscal year ending in Jan. 31, 2020, it expects revenue to grow 47% to 50% year-over-year, totaling \$590 million to \$600 million.

Slack is the second major tech company to start trading with a direct listing; Spotify did so in April 2018. More than a year later, Spotify's shares are trading at \$147, about the same price it debuted at.



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