Aaron Goldberg ([00:16](https://www.rev.com/transcript-editor/Edit?token=ZelHFZ0oAkoGbOA48vw0e_N0CUgPqxwGtblfg_qD70gBzp5xMqsaCT1OTtPxuI4-9e-oEdmB1T5GJ4h4DCss-QVs9R8&loadFrom=DocumentDeeplink&ts=16.5)):

Hey, everyone. Welcome back to the PGA Players Podcast. I'm your host, Aaron Goldberg, certified financial planner and private wealth advisor at AWM capital. If you've been tuning in, a lot of our discussions so far have been about the structure of being a professional athlete and specifically being a professional golfer. We haven't gotten too much into investing or investments, but we've had a lot of questions over the last few weeks about specific investments and, in particular, IPO's or initial public offerings. The two big ones over the last few weeks were DoorDash and Airbnb. And I wanted to clear up some myths and some items that maybe are out in the public and out in the press, but we want to make sure that everyone has a true understanding of how these IPO's work, whether or not they are a good investment is going to be individual and unique to you and what you're trying to accomplish. But we want to make sure you have a good understanding of how it happens, how it works, what you're investing in, so that you can make a better and better informed decision for yourself. So we're going to focus on DoorDash today.

Aaron Goldberg ([01:26](https://www.rev.com/transcript-editor/Edit?token=rDs__G1UenY3EUvO_R3S6TplkbnjprigsCDlHyrGyIG_tA9hwMdcN-iTJgayiJMO7eio0VScEBIi4WRylHRyQVA4RhQ&loadFrom=DocumentDeeplink&ts=86.76)):

I think everyone knows what DoorDash is. I don't think anyone's going to argue that it's a useful company. It's a useful business that we've all, especially during COVID and lockdowns and everything that's going on, their business has gone through the roof. Now, does that translate into profits and revenue? That's the big question and that's why the price is being speculated on. But let's take a look at what the IPO was and how the stock price has been affected. And then we're going to also take a look back, rewind a little bit and look behind the scenes.

Aaron Goldberg ([02:02](https://www.rev.com/transcript-editor/Edit?token=Lfo7iYrpmDahK-W77YU6LpXeURiyhnEXHnRRKzZDTS4EQPncUe0c4Qx3J0H-KSWfIRv-TOfaHUSqg2Jk8VED_U9gpYs&loadFrom=DocumentDeeplink&ts=122.5)):

So when it IPO'd or did its initial public offering, that's when the bank goes ahead and buys up a bunch of the shares that DoorDash is now going to take public or sell their shares to the public. The bank then turns around and has their investors buy those shares from them and sell them on the open market or take them to the open market. So when DoorDash did its IPO, it went public for what we call its valuation as at $32 billion, which is a big number, but that translates to $102 a share. So that's the key number we want to think of. Well, here's the thing. When it went and actually hit the open market, when normal everyday investors could buy it, it was already at $182 a share. That is an enormous increase in price. That's 80% profit for those shares. And that's not going to you, the investor, that's going to the bank, that's going to... DoorDash still has some ownership, so their valuation has gone way up at that point. That valuation had skyrocketed to $58 billion.

Aaron Goldberg ([03:20](https://www.rev.com/transcript-editor/Edit?token=NVUC67HBOmXvEOd84r2JM94PIAiQ0V6GKzYKJEnFuoYi9uVTNdBjMlFetWo2pi0I-8gXi03zUW3YgbtN3_ffRIYyYaA&loadFrom=DocumentDeeplink&ts=200.82)):

But if you're buying in at $182 a share, that's 80% higher, roughly 80% higher, than what the bank said was fair market value to buy these shares from DoorDash. So, you really need to take a step back and understand just because you think it's a viable business and a good business, it doesn't necessarily mean it's a good investment at that price. And I'm not saying not to do it, but we want to make sure that we understand what we're buying into. Now, as the day and week went on, the shares actually went up a little bit. So they closed on the first day at $189 a share. So if you bought in right when it hit the market, you were able to get a little bit of an increase, but then within a week, the shares were down to 161 a share.

Aaron Goldberg ([04:06](https://www.rev.com/transcript-editor/Edit?token=DN11SXguwLZrHu1lLSLE0SNpqBE0tBGDt69t3egZM7CN1whYHzpVhRk6HA0qKz3oXEGpSeW42sN242-jJ0g_0uBD9WI&loadFrom=DocumentDeeplink&ts=246.31)):

And then now, as of recording or over the last this week, it's down to $140 a share. So if you bought in when it hit the market at 182, and now it's at 140, now all of a sudden we're down 20% ish. And that's in about a month, not even. That's not necessarily what we were looking for from this business that we think is booming right now. Not to say it's not going to be a viable business, not to say that it's not going to be a very successful business or that the stock price may go up in the future. It may do that. The real question is the money that we're going to invest into something like an IPO, we need to be fully aware that that money is going to fluctuate a lot. It's borderline gambling in the beginning.

Aaron Goldberg ([04:57](https://www.rev.com/transcript-editor/Edit?token=y91DFv0xb1xgfbh4yO6fmxiKDbXD8sTFKugp0appfXRKwoY3qtFkRzeIprl-fa4uWXcW6dwaZCPQdURw1BC2YuU3ZhE&loadFrom=DocumentDeeplink&ts=297.29)):

What we want to also understand is that bubble or that increase in price on the first day that we saw where the bank paid 102 for the shares and then all of a sudden they hit the open market at 182, that's an extreme example. But typically, those banks look for about a 20 to 25% increase in that little bubble, partially so they can make a profit, but partially it creates a little bit of a frenzy and a little bit of media alerts so that more people, more public investors, want to buy the stock because they have FOMO. They see this increase, all of a sudden they want to buy in. So what we look at is if we remove day one in that bubble, how do these IPOs, how do these stocks, actually fair in the long run?

Aaron Goldberg ([05:47](https://www.rev.com/transcript-editor/Edit?token=FzvBz932lJBrm1VOU7FNRtr6YSancf1xjFpnruTjw5kStNo_MmkQ0CmQpVBSzkYSPXigQfgnnHgSAVSeWPYWzuRagO0&loadFrom=DocumentDeeplink&ts=347.84)):

So dimensional fund advisors did a study and over the last 26 years, after day one, these companies that have done their IPO have averaged about 6.93% per year in return, which is not bad. But if we look at market cap weighted index of similar size companies, that's over 2% under-performance to that index. So are we really getting the payoff for the extra risk we're taking in terms of a lot of fluctuation in the beginning? And in the long run, we're actually not getting as much return. So, not to say you shouldn't participate in an IPO or buy a company that hits the public market, but we want to know what we're getting into because realistically, if you're buying the stock once it hits the public market, you've already missed the IPO. The IPO is if you have access somehow to the institutional investing side.

Aaron Goldberg ([06:48](https://www.rev.com/transcript-editor/Edit?token=5tEOGTgtGA5X8nhBCx8n0DrQO0mlPNqlwhfEPG71DgppPgi9rkv39CysgiOlwf3pxB3eNdpwsGuQr7aTsNO-3qryPZ0&loadFrom=DocumentDeeplink&ts=408.25)):

Now, the next thing I want to talk about is how do we get in before that though? Because if we take a look back, two, not even two years ago, in back in February DoorDash one of their last fundraises in their series F fundraise and the company was valued at $7 billion. So that translates to about $22 a share. Now we're talking a pretty good deal because now it's a company that has already proven itself, it's going to go public. That's part of what that fundraise was about. And if it was valued around $22 a share, and then its IPO came out at 102 and then it hits the market at 182, that's where guys are making, and gals, are making a lot of money and a huge return. Now, obviously there's more risk involved in those types of fundraises, but that's where using a inexperienced venture capitalist fund can have huge payoffs. But again, this is money that's going to have large fluctuations, very volatile. And most of the time, this is going to be money that's probably going to be locked up for a while too.

Aaron Goldberg ([07:59](https://www.rev.com/transcript-editor/Edit?token=LBXvHnzcFMxwGMe9P-aNhH8h--H1XN8a30kZ3CzX0Y9bvQ0QN1feeW4ot998Ju554Exo7mHMIvKFljBZpz6Oega1hIE&loadFrom=DocumentDeeplink&ts=479.86)):

So we always want to make sure that any money that we are going to need in the next couple of years is going to be invested in one way and that's going to be very conservative. That's going to be cash and maybe some shorter term bonds. Then the money that we need to take care of our normal expenses, our everyday expenses for the rest of our life, that's going to be in liquid bonds, equity, the stock market, that type of thing, but a little bit more stable. If we have some more legacy type money, money that we don't necessarily need to pay our normal everyday expenses, but it's money to help grow our net worth, it's money to help grow for future generations.

Aaron Goldberg ([08:36](https://www.rev.com/transcript-editor/Edit?token=xE57szqt46bS6E91QT2MbhB3p7oeiF7FY1Xmsui6HoBxIR91qz_A6O7DWYHjF8LJ4mgwGOeT9sF13jWOivQYUbn9iBA&loadFrom=DocumentDeeplink&ts=516.63)):

That's where we can maybe look at our 10, 15, 20 year time horizons of investing and look at diversifying amongst some venture capital and get a much better risk reward and risk return type of ratio, as opposed to trying to get in on... Just after an IPO hits the public market, it's not necessarily going to be the best bang for your buck, if you will. I'd much rather be if we're going to invest there, just understand that your investment is... You're investing like you're betting. You're betting on that company to do well. You're not necessarily taking a look at their financials and saying, "Hey, I think this is a viable company and I think that this value of this company at this price, it is undervalued. I think it's going to go up in the future."

Aaron Goldberg ([09:32](https://www.rev.com/transcript-editor/Edit?token=tBKsuOpOI5WISdrMJ_yF_j9LmArcm7FRNOtJdA_S9B0tjhgJUPNQge2Bbv5o1lNDsQ64lyXNqNYrVo2QpRVh1FekcVQ&loadFrom=DocumentDeeplink&ts=572.15)):

So those are things we want to keep in mind when we're looking at new investments or investments that are a little bit different than the normal public stock markets or indexes that we typically hear about or the established companies that have been public for a long time. So, it's important to keep that information in mind and know what we're getting ourselves into it. It's not as sexy. I get it. And it's more fun to talk about getting in early with DoorDash or getting in early with Airbnb, or... Uber was the big one last year, Lyft. Those companies, I think we all understand they're going to be around, but look at the performance of those. Uber's bounced back and it's done pretty well, but Lyft's still down. It's a tough go when it goes public, because there's a lot of excitement. There's a lot of a bubble around that pricing. And if it doesn't work out, then we can see a lot more volatility than a normal, more established public company.

Aaron Goldberg ([10:42](https://www.rev.com/transcript-editor/Edit?token=HQbFcQOyiFjmtgOvwn66t8UutBA338aNZVo9cl0tsSRwAIHw7K2HtKKFb-urGvRKu49_RK1pBcm6-jlZtuQ3hB-ma3I&loadFrom=DocumentDeeplink&ts=642.79)):

So if this is something that's important to you or interesting to you, I really, really encourage you to, before you just jump in and invest, talk about it with your certified financial planner, your chartered financial analysts, somebody on your investment team at your wealth management team, so that you know not only what you're getting into, but how it also interacts with your portfolio that you already have and some of the risks you're already taking that you may not fully know about, and understand that where that fits in your financial structure.

Aaron Goldberg ([11:17](https://www.rev.com/transcript-editor/Edit?token=r_9IVHWouIBEp7SvbF6gCbHhZJixp8HDlZo6QeaI_OXLNHqggYP0C3VaQsy1Wn7uOkK2FanD-QD3kMUw19n_19lBojY&loadFrom=DocumentDeeplink&ts=677.2)):

So you can always reach out to us. The podcast is pgaplayerspodcast.com. Love your feedback, would like to get some questions so we can do a little Q and A coming up over the next few weeks, and look forward to talking with you guys next week. Thanks a lot.