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Private Company Secondary Market Pricing Scorecard

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Private Company Secondary Market Pricing in Perspective

Introduction

Many investors look at opportunities in the private company secondary market to improve returns and diversify their portfolios. A key challenge is being able to effectively source aggregated market data to make more informed decisions while leveraging context from the broader market. While technology companies such as Addepar are actively working to resolve these gaps, we've developed a simple scorecard based on hard and anecdotal data to help you put recent market conditions into perspective.

The pricing assessment represented in our scorecard looks at price and volume in the secondary market compared to two adjacent markets: venture-backed IPOs and late-stage venture capital. Many of our clients view these markets as related and we generally witness similar dynamics across each.

Q2:2022 Trends:

With the Fed shifting to quantitative tightening and raising interest rates, discount rates are rising rapidly drawing public equity markets into bear market territory. These dynamics are now spilling over into private markets. Some of the key highlights include:

- Recent IPOs are trading below their IPO price
- Unicorn IPOs have dried up in the US (5 in APAC)
- The secondary market is solidly trading at a discount to par
- New late stage VC capital has dropped from 2021 peaks to \$44 bn

Secondary Market Pricing Scorecard

AS OF JUNE 30, 2022

| | | Seller's Market | | | Buyer's Market | | | | Seller's Market | | | Buyer's Market | | | |
|------------------|---|-----------------------------|-----------------------------------|----------------------------|---------------------------|----------------------------|----------------------------------|--------------------------------------|---------------------------------|-----------------------------------|--|---|-------------------------------------|--------------------------|----------------------|
| | | Q1:2019 | Q2:2019 | Q3:2019 | Q4:2019 | Q1:2020 | Q2:2020 | Q3:2020 | Q4:2020 | Q1:2021 | Q2:2021 | Q3:2021 | Q4:2021 | Q1:2022 | Q2:2022 |
| VC-Backed IPOs | Price / IPO Price: 1 mo. after IPO 3 mo. after IPO 6 mo. after IPO 12 mo. after IPO | -11% -7% -19% -23% | 14% 34% -1% -12% | -14% 6% 11% 141% | -6% 15% 98% 142% | 20% 37% 114% 137% | 1% 5% -15% -12% | 10% 36% 41% 26% | 16% 21% 55% 98% | -6% -10% -19% -45% | 2% 14% -14% -58% | 2% -15% -52% -71% | -11% -38% -55% -- | 23% -8% -11% -- | -- -- -- -- |
| | Number IPOs and Representative IPOs: | 3 Lyft | 11 Zoom Beyond Meat Uber | 4 Peloton Cloudflare | 2 Bill.com | 1 One Medical | 6 Vroom Genetron Health | 14 Asana Snowflake Palantir | 7 Airbnb Doordash Wish | 13 Oscar Roblox Coursera | 24 Coinbase Flywire Marqeta UiPath | 20 Robinhood Toast Warby Parker | 16 Rivian Sweetgreen Udemy | 1 Credo | 0 -- |
| Secondary Market | Bid / Offer Pricing: Premium to Par At Par Discount to Par | At Par | At Par | Premium to Par | Discount to Par | Discount to Par | Discount to Par | Discount to Par | At Par | Premium to Par | Premium to Par | At Par | At Par | Discount to Par | Discount to Par |
| | Volume: High Moderate Low | Moderate | High | High | Low | Low | Low | Moderate | Moderate | High | High | Moderate | Moderate | Low | Low |
| Late Stage VC | Avg. Valuation* (\$m): | 301 | 279 | 302 | 255 | 310 | 328 | 447 | 615 | 910 | 599 | 717 | 585 | 548 | 667 |
| | Valuation/Previous Year Avg. | 69% | 72% | 81% | 90% | 108% | 110% | 133% | 145% | 158% | 93% | 101% | 83% | 90% | 106% |
| | Capital invested (\$m): | 46,972 | 45,505 | 62,594 | 50,502 | 55,331 | 48,621 | 69,407 | 73,176 | 114,503 | 128,568 | 135,102 | 125,963 | 109,976 | 84,578 |

* Post-money valuation of latest funding round

Source: Pitchbook

Scorecard Methodology

As described in the introduction, quality pricing and volume information remains scarce for the secondary market at this time. However, useful indicators can be constructed in the adjacent VC-backed IPO market and late-stage VC market that are based on public data sources.

- IPO indicators include price appreciation at the 1-month, 3-month, 6-month, and 12-month end-of-day close prices post the opening IPO price and the number of IPOs in each quarter for U.S. listed unicorn (\$1 bn+) venture-backed companies.
- Using a combination of our data and subjective criteria to assess prices and volumes in the secondary market, we look at bids/offers relative to par (prices at the last valuation) as an indicator of market pricing. Prices are considered high when the majority of bids/offers are at a premium to par. Volumes are considered high when they are more than 1.5 times average historical ranges and low when they are less than half of the average historical ranges.
- For late-stage venture capital investments, we look at average valuations based on U.S. deals done that quarter and total capital invested. Later stage venture capital is Series B to Series Z+ rounds that occurred more than five years after the company's funding round.

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