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Private company secondary market pricing scorecard

Dan Golosovker, research@addepar.com

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.

Key takeaways

The secondary market for venture-backed companies may have found its bottom with moderately increased activity at reset price levels.

Global late-stage capital invested during Q2 (\$57B) was 4% below the prior four quarters' average and showed signs of forming a floor.

The IPO market showed signs of life, notably with Cava listing in June.



Secondary market pricing scorecard

As of June 30, 2023

		2019				2020				2021				2022				2023	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
VC-backed IPOs	Price 1 mo. post IPO	-11%	14%	-14%	-6%	20%	1%	10%	16%	-6%	2%	2%	-11%	23%	-	-	4%	-20%	-24%
	Price 3 mo. post IPO	-7%	34%	6%	15%	37%	5%	36%	21%	-10%	14%	-15%	-38%	-8%	-	-	-	-59%	-
	Price 6 mo. post IPO	-19%	-1%	11%	98%	114%	-15%	41%	55%	-19%	-14%	-52%	-55%	-11%	-	-	-	-	-
	Price 12 mo. post IPO	-23%	-12%	141%	148%	137%	-12%	26%	98%	-45%	-58%	-68%	-46%	-	-	-	-	-	-
	Number of IPOs	3	11	4	2	1	6	14	7	13	24	20	16	1	0	0	1	1	2
	Representative IPOs	Lyft	Zoom, Beyond Meat, Uber	Peloton, Cloudflare	Bill.com	One Medical	Vroom, Genetron, Health	Asana, Snowflake, Palantir	Airbnb, Doordash, Wish	Oscar, Roblox, Coursera	Coinbase, Flywire, Marqeta, UiPath	Robinhood, Toast, Warby Parker	Rivian, Sweetgreen, Udemey	Credo	-	-	Prime Medicine	Hesai Tech	Acelyrin, Cava
Secondary market	Bid / offer pricing	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	Discount to par	Discount to par	Discount to par	Discount to par
	Volume	Moderate	High	High	Low	Low	Low	Moderate	Moderate	High	High	Moderate	Moderate	Low	Low	Low	Low	Low	Low
Late stage VC	Avg. valuation ¹ (\$m)	294	264	294	235	286	315	423	581	875	597	670	583	529	598 ²	396	524	273	465
	Valuation / previous year avg.	100%	95%	104%	87%	106%	111%	134%	145%	160%	96%	98%	86%	89%	101%	75%	102%	61%	112%
	Capital invested (\$m)	52,006	43,883	58,364	50,812	51,599	48,371	68,258	72,216	113,730	125,978	133,227	120,150	106,937	87,446	54,672	46,996	48,444 ³	56,997
		SELLER'S MARKET				BUYER'S MARKET				SELLER'S MARKET				BUYER'S MARKET					

Source: Addepar, Pitchbook

¹Post-money valuation of latest funding round

²SpaceX and Epic Games are significant outliers. Average valuations for the quarter excluding these two companies is \$498M and capital invested \$81,235M

³Stripe and OpenAI are significant portion of Q1 2023 capital invested (\$16.5B / 34%)



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.

01

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.

02

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.

03

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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