

2020 Mid-Year Private Company Report

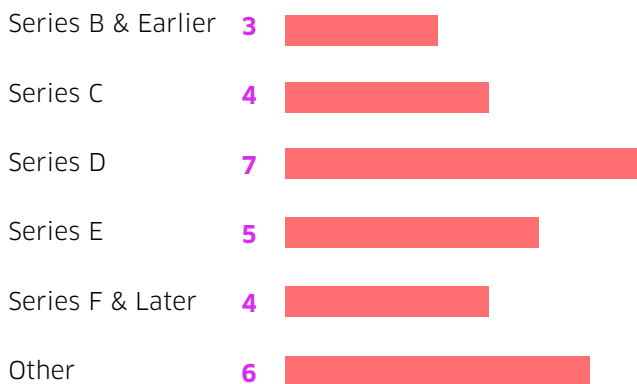
August 2020

Nasdaq Private Market (NPM) had a record first quarter in 2020, fueled in part by momentum of late 2019. An extraordinarily busy January and February helped offset the slowdown in transaction activity in April and May, when private companies briefly stepped back from secondary transactions in the wake of market turbulence brought on by the pandemic. Toward the end of the second quarter, private company secondary activity rebounded in tandem with the IPO market. NPM’s June activity rebounded with a 20% increase over June 2019.¹

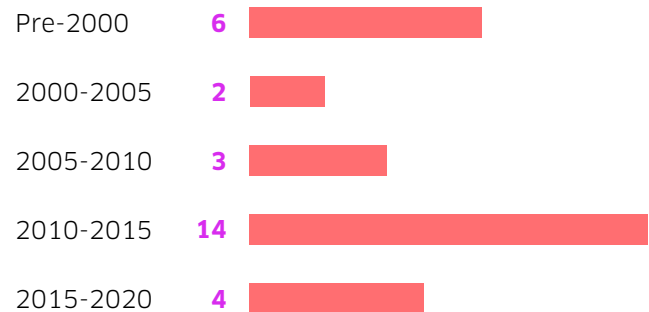
The majority of the liquidity programs we facilitated during the first half were employee focused, with a solid mix of deals across a spectrum of early- to late-stage companies.

Below is a breakdown of program activity on the NPM platform in the first half of 2020:

Latest Funding Round



Year Founded



\$1.7B

PROGRAM VALUE

29

LIQUIDITY PROGRAMS

2,841

PROGRAM PARTICIPANTS

34%

SHARE BUYBACK

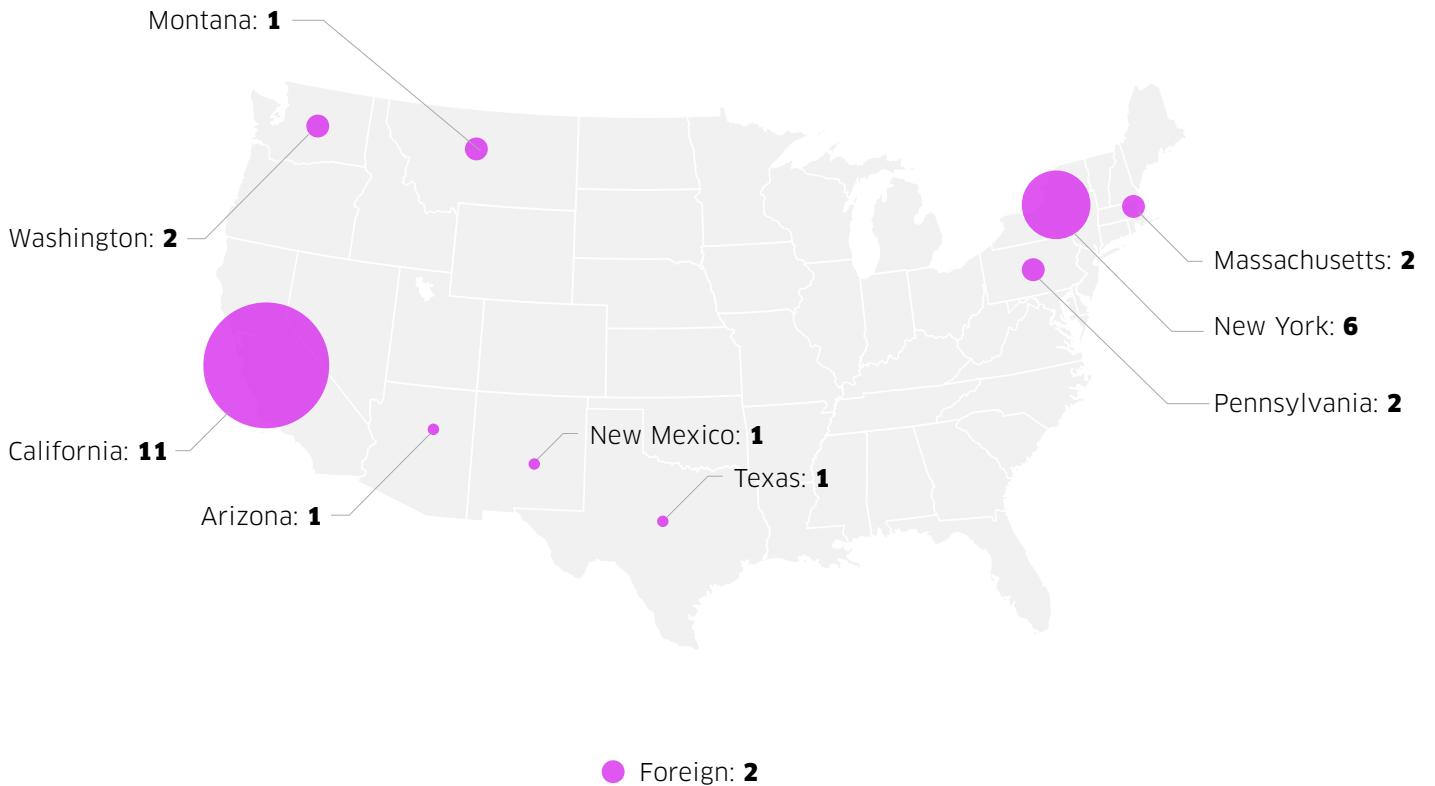
7%

SECONDARY AUCTION

59%

THIRD-PARTY TENDER OFFER

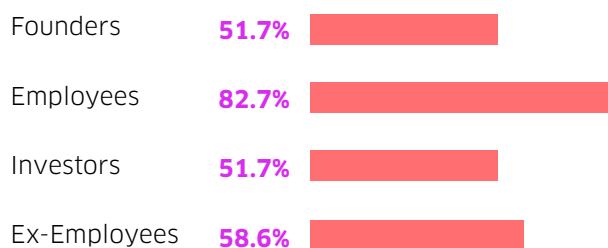
REGIONAL BREAKDOWN



Evolution of Private Company Liquidity

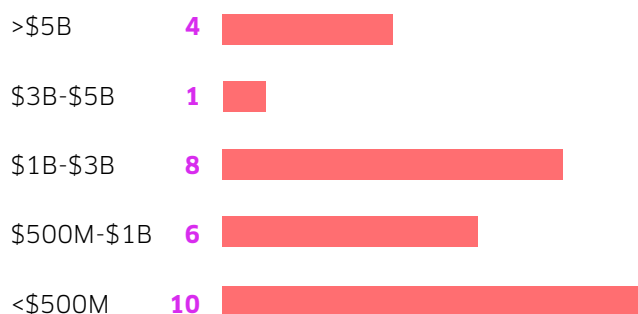
Private company founders are becoming more comfortable executing liquidity programs and a growing number of early-stage companies are unlocking liquidity as a compensation play and talent retention strategy. NPM experienced new clients and a growing pipeline of companies seeking NPM's trading technology to operate centralized liquidity programs and utilize various price discovery mechanisms for the potential benefit of their employees and shareholders. During the first half of the year, we noticed widespread interest from private companies reported to be exploring direct listings (vs a traditional IPO). In a direct listing, the company lists its securities on the exchange and individual stockholders sell their shares in the market as soon as they determine the price is sufficient. Because there is not an investor roadshow to help determine the price at which to sell its stock, the bankers and investors will look to the company's secondary market trading for a reference price. With this nuance, it has become critical for companies to manage the secondary programs through a centralized platform. We have seen companies interested in lifting trading restrictions prior to a direct listing to facilitate secondary market activity, and expect this trend may become a driving force in the continued evolution of the private markets. In addition, we have seen that private companies are pursuing liquidity programs earlier in their lifecycles.

Eligibility



Percentage of programs each shareholder pool is eligible

Company Valuation



"As more transaction activity on our platform resumes, we expect the secondary market to grow, providing more opportunities for private companies to access liquidity. As private companies evaluate the timing of their liquidity programs, Nasdaq Private Market remains ready to help them meet their liquidity needs."

– Eric Folkemer, Head of Nasdaq Private Market

NPM's Continuous Liquidity Platform

By leveraging Nasdaq's technology and market operations experience and expertise, NPM's continuous trading platform provides a centralized marketplace and simplifies the transaction process for its clients by providing transparency, regulatory oversight and structured technology. With real-time access to trade data, private companies and their investors have the ability to keep a finger on the pulse of market supply and demand, helping to tighten spreads and drive activities to develop a price benchmark or reference price for potential use on day one of the company's public listing. Additionally, NPM has a global network of experienced, institutional investors in private market transactions that can provide increased demand for private shares. We believe this trend to leverage continuous trading environments will continue to evolve for private companies over the next 6 to 12 months.

Key Benefits of Continuous Trading Platform:

- Increased buyer demand
- Increased liquidity for sellers
- Tighter spreads
- Real-time trade data
- Estimated reference prices for potential public offering

Significant Capital Remains to be Deployed

The latter half of the year has traditionally been the strongest for NPM and we anticipate a robust second half of 2020. Reportedly, there remains excess dry powder and buyers may seek opportunities for secondary liquidity transactions in the coming months, as long as COVID-related uncertainty does not destabilize markets as it did in the spring. However, buyers in the near term may exercise caution and turn to fundamentals-based due diligence in favor of relying on primary round valuations or the reputation of venture investors. ²

Transaction Value



In conclusion, during the second half of 2020, NPM will focus on strategically leveraging our proximity to Nasdaq's trading technology and investor relationships to bring the power of Nasdaq to private companies.

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¹ <https://www.wsj.com/articles/pre-ipo-liquidity-deals-rebound-after-halt-11593953118>

² Q4 2019 Pitchbook-NVCA Venture Monitor