



Nasdaq Private Market

---

2023

# State of the Private Market

Companies and investors alike gradually approached equilibrium in secondary pricing expectations as the market landscape took shape.

# CONTENTS

03 2023 Private Market Highlights

---

04 State of the Private Market in 2023

---

11 Secondary Trading Activity

---

14 Regulatory Landscape in 2023 and Beyond

---

16 Conclusion

---

17 About Nasdaq Private Market

---

## 2023 Private Market Highlights

- ▶ In 2023, private company executives continued to reconsider their pre-IPO fundraising and liquidity strategies, whether halting activities altogether or structuring insider-led rounds, convertible assets, or company-sponsored secondaries.
- ▶ Even with the pullback in venture capital funding in 2023, certain segments of the market attracted massive outlays of capital with artificial intelligence giants Anthropic and OpenAI absorbing upwards of \$15 billion in investment alone.
- ▶ Companies and investors alike gradually approached equilibrium in secondary pricing expectations as the market landscape took shape.
- ▶ Multi-year highs in participation rates across Nasdaq Private Market (NPM)-facilitated secondaries reached median levels of 53% in 2022 and 75% in 2023, compared to a historical median of 48%, which pointed to pent-up sell-side supply.
- ▶ Despite the market consolidation and pullback in quantity of structured secondaries since 2021, NPM facilitated \$3.3 billion in transactional volume in 2023.

## State of the Private Market in 2023

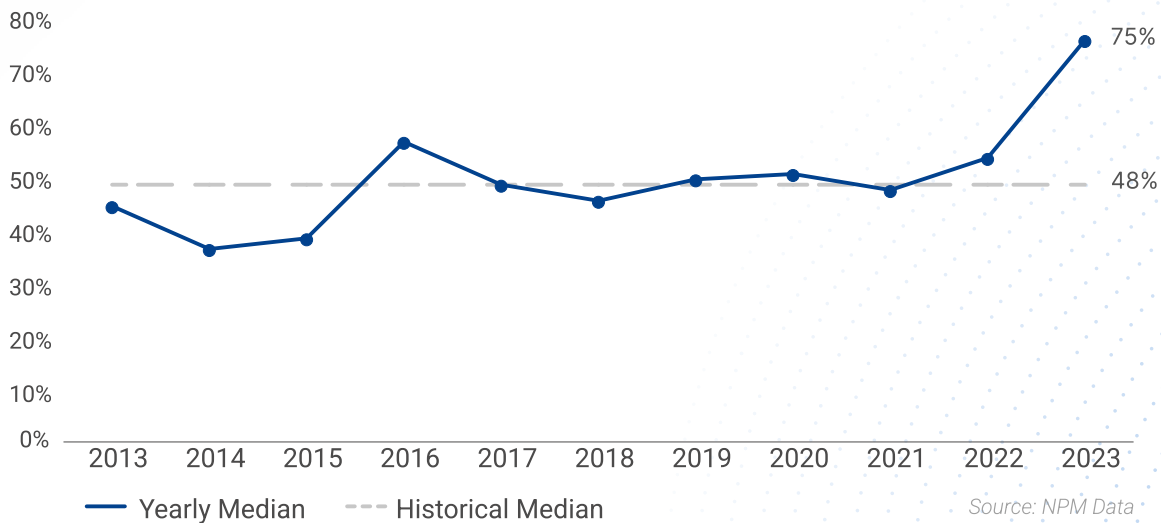
While market dynamics remained challenging throughout 2023, with an exaggerated impact on private company valuations due to liquidity concerns, there were signs of hope. Private company valuations tracked their public peers in 2022, which struggled amidst a NASDAQ Composite pullback of 33%, but saw a slight rebound in 2023, as the Nasdaq regained more than 40% of its value.

Even amidst the difficult market of the last two years, executive teams continued to provide shareholders with liquidity opportunities, albeit at about half the pace of the record levels seen in 2021. While many companies that provided liquidity in 2021 placed a temporary hold on their liquidity calendars throughout 2022, the need for fresh capital necessitated private companies reentering both the primary and secondary markets in 2023, principally during the latter half of the year. This was especially true for the late-stage cohort of companies looking to IPO in the next 18 to 24 months. As private companies turned to the capital markets for funding in 2023, the market saw a proportional increase in insider-led rounds with bridge and continuation rounds constituting an ever-greater percentage of capital raised.

One area of the market that commanded heightened levels of capital deployment in 2023, without regard for the complex market landscape, was artificial intelligence. Companies including Anthropic, Cohere, CoreWeave, Hugging Face, and OpenAI raised nearly \$20 billion collectively in venture capital funding indicating strong investor appetite for areas of the market exhibiting substantial levels of growth. This activity provided the market with signs of optimism by reminding private companies of the elevated levels of dry powder ready to be deployed, given a compelling story and strong underlying financials. Alongside the increased level of primary fundraising activity, secondary demand for artificial intelligence and other market segments followed suit. In 2023, NPM's Execution Desk received more than \$6.2 Billion in institutional buy-side interest, with a dramatic concentration in pre-IPO companies that have patiently waited for their public market debut.

While the private market community awaited more IPO activity, investors subsequently turned to the secondary market in 2023 for potential alternatives. In 2024, private market investors will continue to look for signals that the public market can once again buoy the valuations of venture capital-backed technology companies and others beginning their nascent lifecycle as public companies.

### Year Over Year Median Total Participation Rate

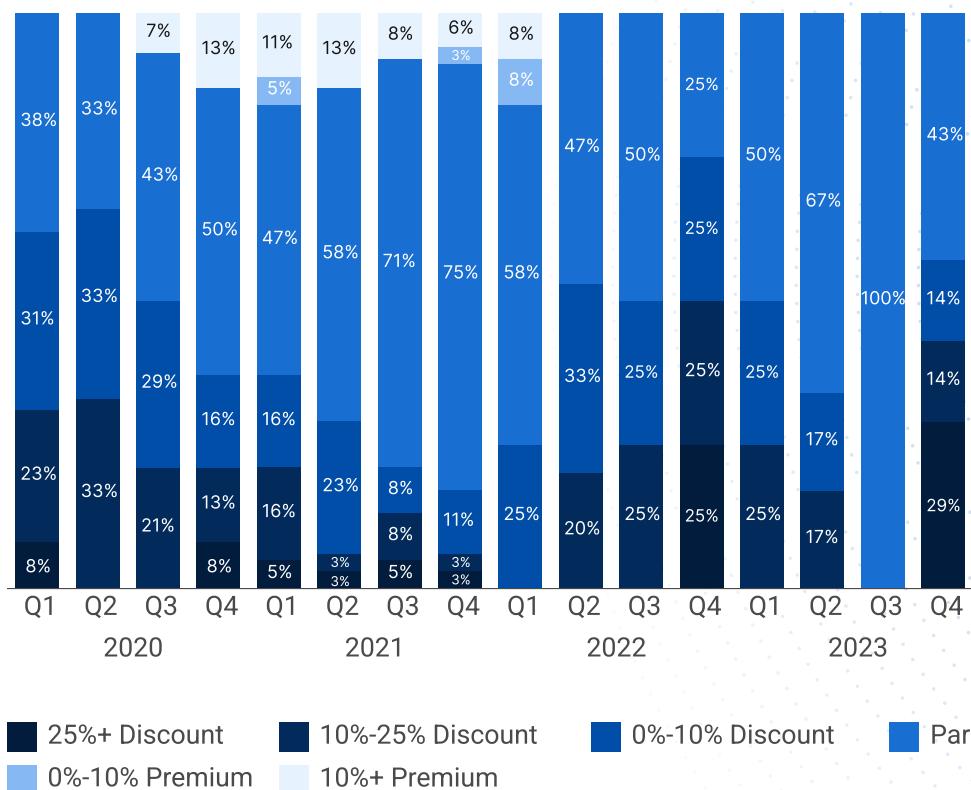


While investors remained prudent in their capital deployment throughout 2023, shareholders reinforced the importance of access to liquidity, specifically in a difficult market, with participation rates in NPM-facilitated secondaries hitting multi-year highs of 53% and 75% in 2022 and 2023, respectively. Historically, the median participation rate has been 48%. Similarly, the number of shareholders seeking to leverage the NPM SecondMarket™ Trading Marketplace to manage block trading far outpaced recent years. As private company leadership teams contemplate how best to adjust to the evolving capital markets environment, employees and other shareholders have continued to seek opportunities within the private secondary market to diversify their asset allocations.

## Secondary Valuations Remained Slightly Deflated as Capital Deployment Waned

In contrast to 2021, a market in which 66% of NPM-facilitated secondaries (not including block trades) priced at par to the most recent preferred issuance and 10% priced at a premium, secondary valuations and pricing discounts in 2022 and 2023 returned to levels generally seen prior to the pandemic. In 2022 for instance, approximately 44% of NPM-facilitated secondaries were priced at a discount, and in 2023, approximately 40% were priced at a discount. In contrast, only 24% of all NPM-facilitated secondaries priced at a discount in 2021. In both 2022 and 2023, the median discount among secondaries priced below par was approximately 10%. This minimal discount level, even considering the exaggerated compression of public market comps, indicates that favorable pricing can be achieved for shareholders, especially given company involvement and the right strategic investors participating on the buy side.

### Secondary Discount Relative to Most Recent Preferred Round



Source: NPM Data

After an eventful year for many of the top venture capital, growth equity, and hedge funds in 2021, many investors slashed their activities in both the primary and secondary markets throughout the majority of 2022 and 2023. 2023 saw a second year of decreased venture capital funding, coming in at \$170.6 billion in aggregate. This represents a decrease of \$71.6 billion from 2022 and \$177.4 billion from 2021, according to PitchBook data. This investor pullback diverted the market from equilibrium throughout 2022 and into the first half of 2023, as investors' pricing of new deals decreased substantially, especially for non-portfolio companies.

The resulting vacuum in private capital movement left both companies and shareholders searching for the correct valuation marks to successfully issue new equity and trade in the secondary market. By leveraging NPM's technology to centralize trading activity and access a critical database of both primary and secondary market data, private companies can bring more control to the trading of their equity among shareholders and company-approved investors. Additionally, as NPM continues to facilitate billions of dollars in transactional volume annually, our team can provide real-time insight into pricing levels and those secondary structures best designed to meet company objectives.

Contrary to the recent capital markets environment and with many fund commitment periods often lasting only four to six years, NPM expects that venture capital investment will maintain at a steady pace, if not experience a mild acceleration, in 2024 as earlier-formed funds mature and portfolio companies look to existing investors for capital. Further, with dry powder standing at a record level of \$302.8 billion to close out the year (according to [NVCA and PitchBook data](#)), is no shortage of capital to fuel growth across the ecosystem now, and especially as the macro environment continues to improve. Along with this expected increase in venture capital fundraising activity, NPM expects to see a comparable increase in secondary activity.

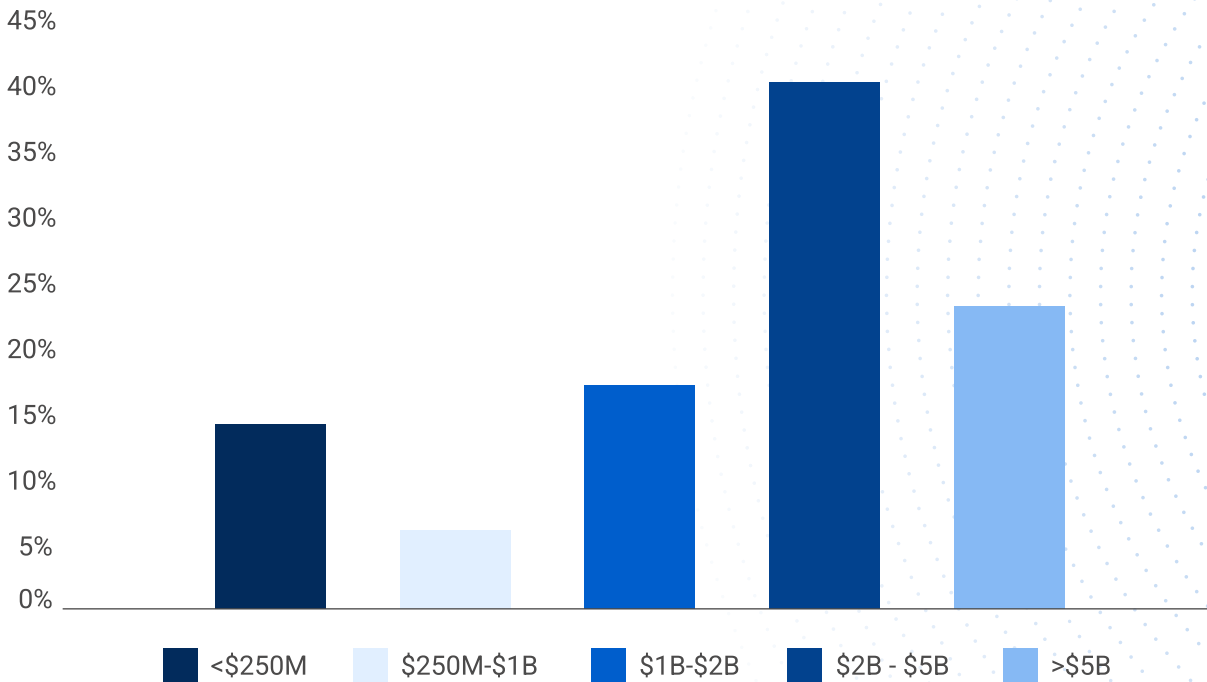
While NPM expects valuations to remain compressed from 2021 levels and capital to flow in concentrated fashion to companies with healthy cash positions and persistent growth, we also believe secondary pricing will remain relatively competitive when the right strategic investors are identified. The NPM institutional investor network provides companies with access to new distribution channels and new potential capital sources in the secondary market.

## Optimistic Outlook for International Secondary Markets

As in prior years, the majority of companies that partnered with NPM in 2023 operated in the U.S. and were primarily located in California (50%) or New York (21%). However, to a greater degree than in years past, 2022 and 2023 featured more international engagements as late-stage private companies throughout historically less active regions looked to formulate or enhance their liquidity strategies via the secondary market.

Further, with recent venture capital funding having decreased substantially for early-stage companies, the principal participants in the secondary market in 2023 were of a valuation of \$2 billion or more, primarily operating in the technology sector.

**2023 Company Client Valuations**



Source: NPM Data



In 2022 and 2023, NPM penetrated two new markets: Africa (more specifically, Nigeria) and India. In both instances, NPM worked alongside international deal teams and counsels to align with jurisdiction-specific regulations and ensure compliance from each engaged party's perspective. As mandates from international companies have grown increasingly common, NPM has maintained a global mindset and strengthened services to support international companies engaged in the secondary market.

 Australia	 France	 Mexico
 Bermuda	 Germany	 Nigeria
 Brazil	 Hong Kong	 Singapore
 Canada	 India	 Sweden
 Cayman Islands	 Indonesia	 Switzerland
 Colombia	 Israel	 Ukraine
 Estonia	 Japan	 United Kingdom
 Finland	 Luxembourg	 United States

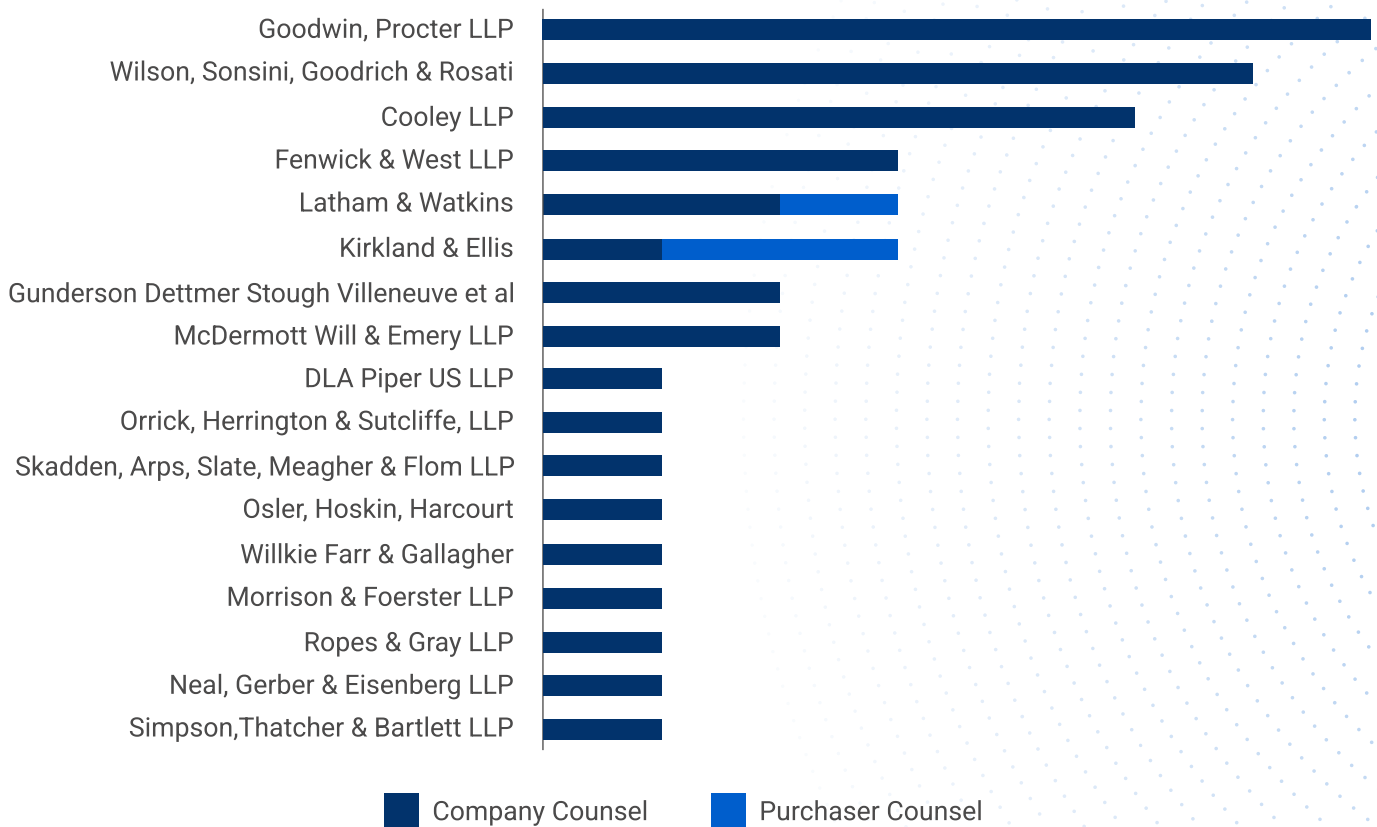
*\*Countries represent global client distribution.*

As the market for venture capital funding continues to improve from the depressed levels of 2022 and 2023, NPM expects to see continued growth in various countries and regions including, but not limited to, Australia, Canada, Israel, Mexico, the Nordics, South America, and the United Kingdom.

## Corporate Legal Community Continues to Drive Origination

The corporate legal community continues to operate as a fundamental driver of value for NPM through its private company relationships. As the market for structured liquidity grows, law firms recommend NPM as a solution, not only to facilitate secondary transactions, but as a secondary liquidity thought leader with experience in providing jurisdictional and structural guidance. In 2023, NPM worked with 17 unique law firms on both the company and purchaser side of structured secondaries.

### Law Firms Leading Private Company Transactions with NPM



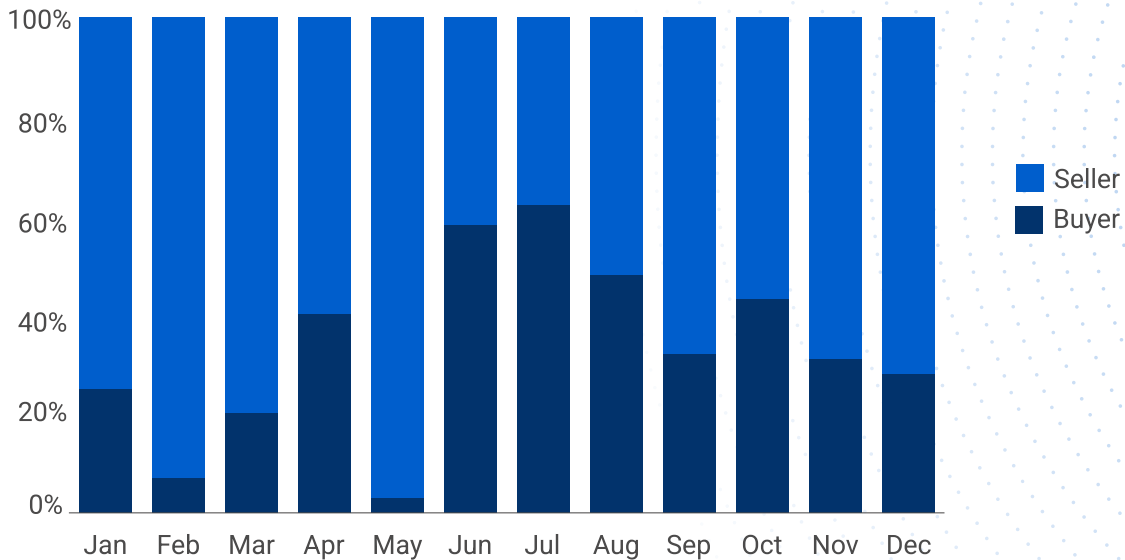
Source: NPM Data

# Secondary Trading Activity

## Expected Pickup in Both Primary Fundraising and Secondary Block Trading in 2024

Unlike the past two years of compressed capital deployment, 2024 provides a new landscape for secondary trading participants, principally those on the buy side. The long drought of venture capital fundraising in 2022 and 2023 left many companies with no indication as to their valuation in the market’s viewpoint. Capital that was deployed was limited to an exclusive cohort of late-stage companies or specific market segments. This was challenging for institutional investors, who, if not insiders and having no access to information, traded on sparse fundamentals regardless of their level of diligence. However, as the fundraising environment continues to improve in 2024, many private companies will look for opportunities to approach the market for new funding, especially given that more than 200 private company unicorns have not raised primary funding since 2021.

**Bid / Ask Ratio**



Source: NPM Data

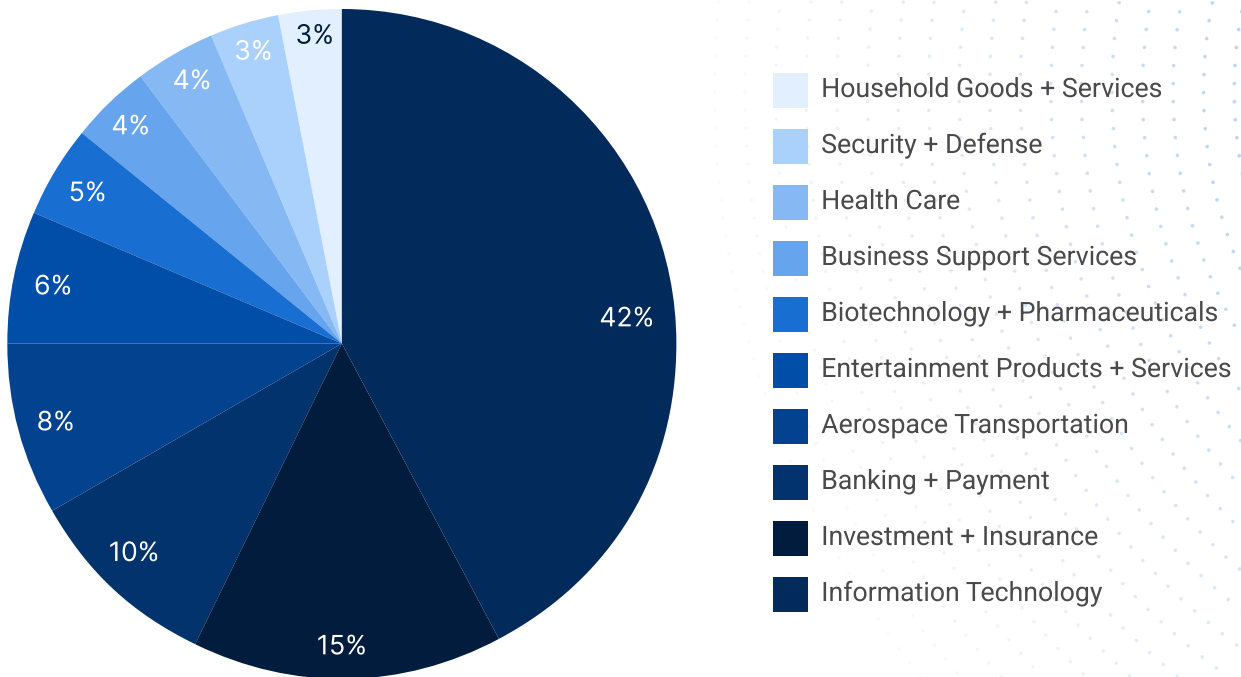
In 2023, the average monthly buy-side open interest was \$522M and the sell-side open interest was \$770M.

### Most Active Companies in Order Book



Source: NPM Data

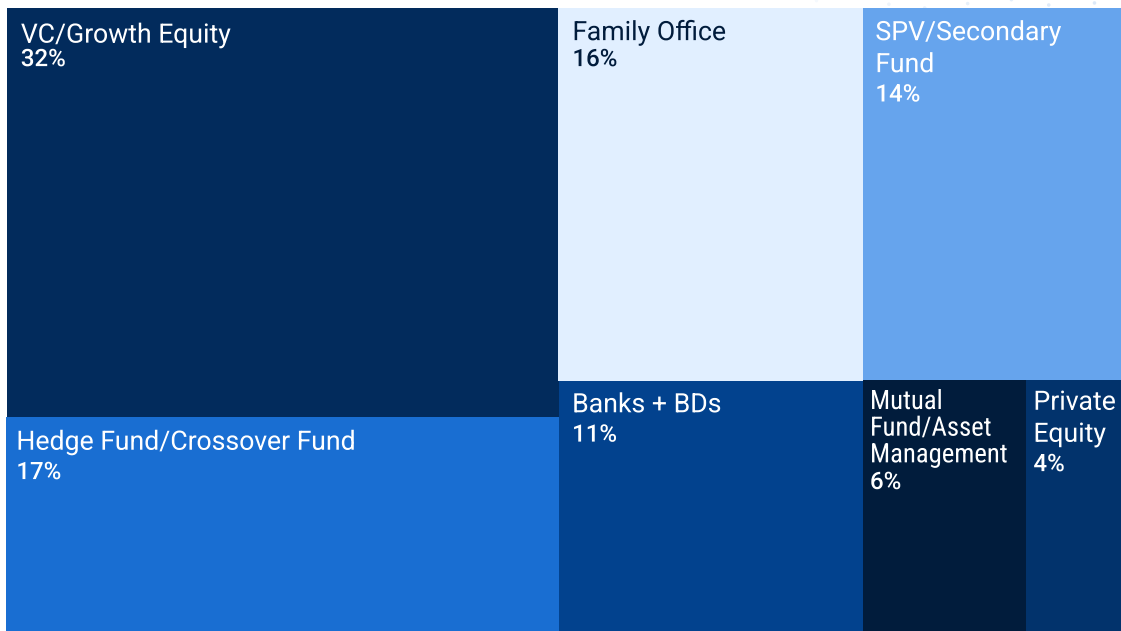
### Orderbook Industry Breakdown



Source: NPM Data

This year, new pricing indications are expected to enter the market for institutional investors, many of whom have been wary to participate in secondary trading since 2021 principally due to the lack of fundraising activity and reliable valuation data available. Along with the expected acceleration in primary fundraising activity, institutional investors can leverage NPM’s technology, including a database of more than 20,000 state and federal filings, resulting in over one million deal terms, to better understand the issuance and terms of equity from recent and current fundraising rounds. With the origination of organic market data driven by new primary rounds and the tools provided by NPM’s data suite, we expect to see a large uptick in secondary block trading via NPM’s electronic SecondMarket™ Trading Marketplace in 2024.

### Institutional Breakdown of NPM Secondary Trading Clients



Source: NPM Data

NPM has continued to diversify our buy-side clientele of institutional investors, which includes a broad range of established venture capitalists, private equity firms, hedge funds, family offices, RIAs and more. In 2023, NPM also onboarded several of the world’s largest global banks, further demonstrating our commitment to a key segment of the private market ecosystem, including their private wealth and high-net worth franchises, along with their global institutional and family office customers. Clients and partners should expect the deployment of new products supporting the goals of private market stakeholders on both sides of the market in 2024. NPM’s SecondMarket™ Trading Marketplace will continue to provide access to liquidity in an increasingly efficient manner.

## Regulatory Landscape in 2023 and Beyond

On August 23, 2023, the Securities and Exchange Commission (SEC) adopted a final rule package that modified the regulation of private fund advisers under the U.S. Investment Advisers Act of 1940, as amended (the Advisers Act).

As written, the new rules would require all SEC-registered private fund advisers to (1) prepare and distribute quarterly statements to investors containing detailed information on fees, expenses, compensation, and performance; (2) obtain and distribute to investors an annual audit for each private fund such advisers manage; and (3) obtain and distribute to investors a fairness or valuation opinion from an independent opinion provider in connection with an adviser-led secondary transaction, as well as distribute to such investors a written summary of any key relationships with the independent opinion provider.

While these new rules will likely increase the compliance burden on private fund advisers, they also reveal an effort by the SEC to bring more transparency to the private equity market and protect investors from potential conflicts of interest.

In January 2023, SEC Commissioner Caroline Crenshaw proposed a new mandatory periodic disclosure regime for large private companies in a speech at the 50<sup>th</sup> Annual Securities Regulation Institute.

Under this new plan, the agency would amend Regulation D (the rule that allows unicorns and many other private companies to raise capital without going public) to require each unicorn or other large private company to disclose audited financial statements and to provide independent attestations regarding the issuer's internal controls over financial reporting, both at the time of an offering and on an ongoing basis thereafter.

While these disclosures would not be as robust as the disclosures that public companies are required to comply with under the Securities Exchange Act of 1934, it would nonetheless be a monumental change from the current regime, which requires very little disclosure on the part of private issuers.

No further regulatory action has taken place since this speech. However, NPM believes greater disclosure requirements and transparency are beneficial to investors as they may bring more participants into the private markets, improve liquidity, and lower the cost of capital for both start-ups and mature private companies.

It remains to be seen whether the SEC will prioritize bringing additional transparency to private markets in the months and years to come, but recent activity suggests that it is certainly on their radar, and market participants should be aware that the agency and certain commissioners are focused on this area.

## Conclusion

### NPM Continues its Commitment to Companies, Shareholders, and Investors in the Private Markets

NPM was a pioneer in the market for structured secondary liquidity in 2013 and then acquired SecondMarket Solutions in 2015 to solidify our market position and accelerate our mission. Since inception, NPM has redefined shareholder liquidity by introducing new products and structures from company-defined trading windows on a permission-only basis to company-sponsored post-trade transfer and settlement. NPM's Company Solutions and Capital Markets teams continue to partner with companies, shareholders, global banks, and investors to improve the secondary market's current capabilities, while simultaneously developing new innovative solutions.

Beyond industry-leading structured secondary liquidity capabilities, NPM is well positioned to centralize opportunistic block trading in the secondary market. NPM continues to enhance both pre- and post-trade functionality, working with private companies and institutions globally to expedite adoption of our market-leading solutions. NPM Capital Markets has built an extensive network of investors and global banks by which it connects employees and other shareholders to liquidity opportunities through its electronic SecondMarket™ Trading Marketplace. Investors onboarded into NPM's network are vetted and can trade private company shares among themselves in a bid-ask format as well, but always on a company-permissioned basis. This process drives price efficiencies and brings lower latency trading to the private markets. NPM operates through an agency model, facilitating block trades in a manner aligned with each company's transfer policies.

NPM's outlook is cautiously optimistic moving further into 2024. After two challenging years for secondary market participants, due principally to liquidity constraints and pricing misalignment, the market is returning to a state of equilibrium in expectations. Alongside the continued evolution of NPM's secondary liquidity product suite and enhanced marketplace for block trading, private market data has become a core piece of our team's strategy. Look for the NPM team to roll out a new data platform and advanced financial products for clients soon. We are proud to be able to bring new solutions to the private market community this year.

NPM stands ready to support private companies, shareholders and investors with their liquidity needs in both stable and turbulent markets. Please [contact us](#) if the NPM team can be of assistance in navigating the secondary market in 2024.



# About Nasdaq Private Market

Private Market Trading, Company Programs, Data, Settlement.  
All On One Platform.

Total Transaction Value

**\$50B+**

Total Number of Participants

**190K+**

Total Company-Sponsored Programs

**700+**

Private Companies' Data Tracked

**3K+**

NPM Employees

**70+**

NPM Years of Experience

**10+**

## Investors + Partners:





## Nasdaq Private Market

NASDAQ PRIVATE MARKET, LLC (dba Nasdaq Private Market) is not (i) a registered exchange under the Securities Exchange Act of 1934; (ii) a registered investment adviser under the Investment Advisers Act of 1940; OR (iii) a financial or tax planner, and does not offer legal, financial, investment, or tax advice. Nasdaq Private Market is operationally independent and distinct from the Nasdaq Stock Market LLC. Securities-related services are offered through NPM Securities, LLC (“NPMS”), a member of FINRA and SIPC. Registered representatives of NPMS do not (i) advise any person on the merits or advisability of a particular investment or transaction; (ii) assist in the determination of fair market value of any security or investment; or (iii) provide legal, tax, or transactional advisory services.

The information contained herein is provided for informational and educational purposes only. None of the information provided represents an offer to buy or sell, or the solicitation of an offer to buy or sell, any security, nor does it constitute an offer to provide investment advice or service. Any Information relating to company financing, valuation, or capitalization information should be independently verified by you in connection with any investment decision. The material is based in part on information from third-party sources that we believe to be reliable, but which have not been independently verified by us and for this reason we do not represent that the information is accurate or complete. There may exist other material non-public information that impacts the valuation of any securities. Past performance is not indicative of future results.

Investing in private company securities is not suitable for all investors. It is highly speculative and involves a high degree of risk. You must be prepared to withstand a total loss of your investment. Private company securities are also highly illiquid and there is no guarantee that a market will develop for such securities. Each investment also carries its own specific risks and you are strongly encouraged to conduct your own independent due diligence regarding the investment, including obtaining additional information about the company, opinions, financial projections and legal or investment advice.