



Cautious Year Ends with Optimism
2023 Pre-IPO Year End Review

January 2024

2023 in Review

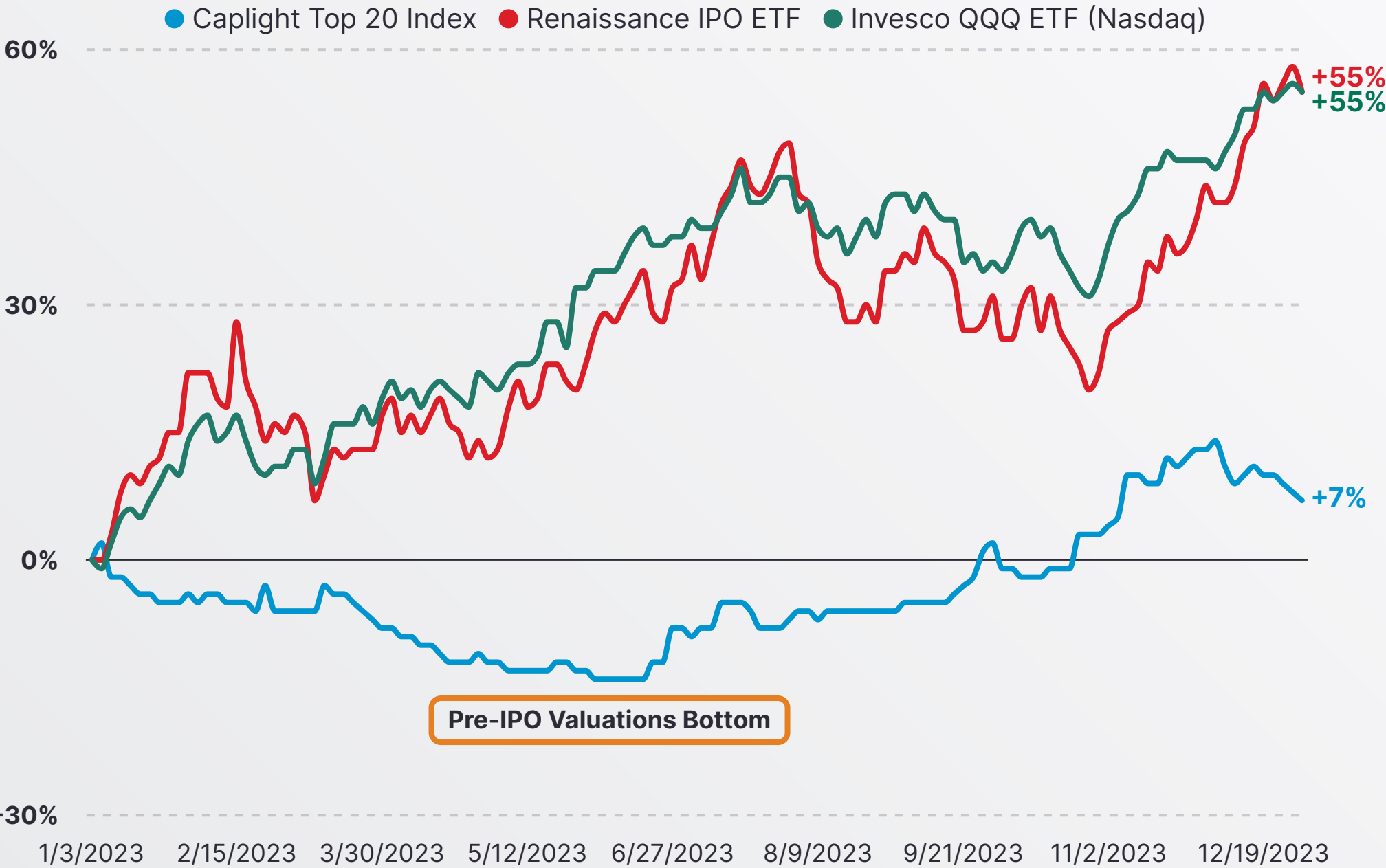
2023 Round Up:

Pre-IPO market rebounded off June bottom

Pre-IPO valuations bottomed in June 2023 and gained ~25% by year end, outperforming the Nasdaq-100 over the same time period (~12%).

The valuation bottom served as an inflection point for our market. Since then, **we've seen the bid to total volume ratio increase alongside an upswing in monthly closed trade volume.**

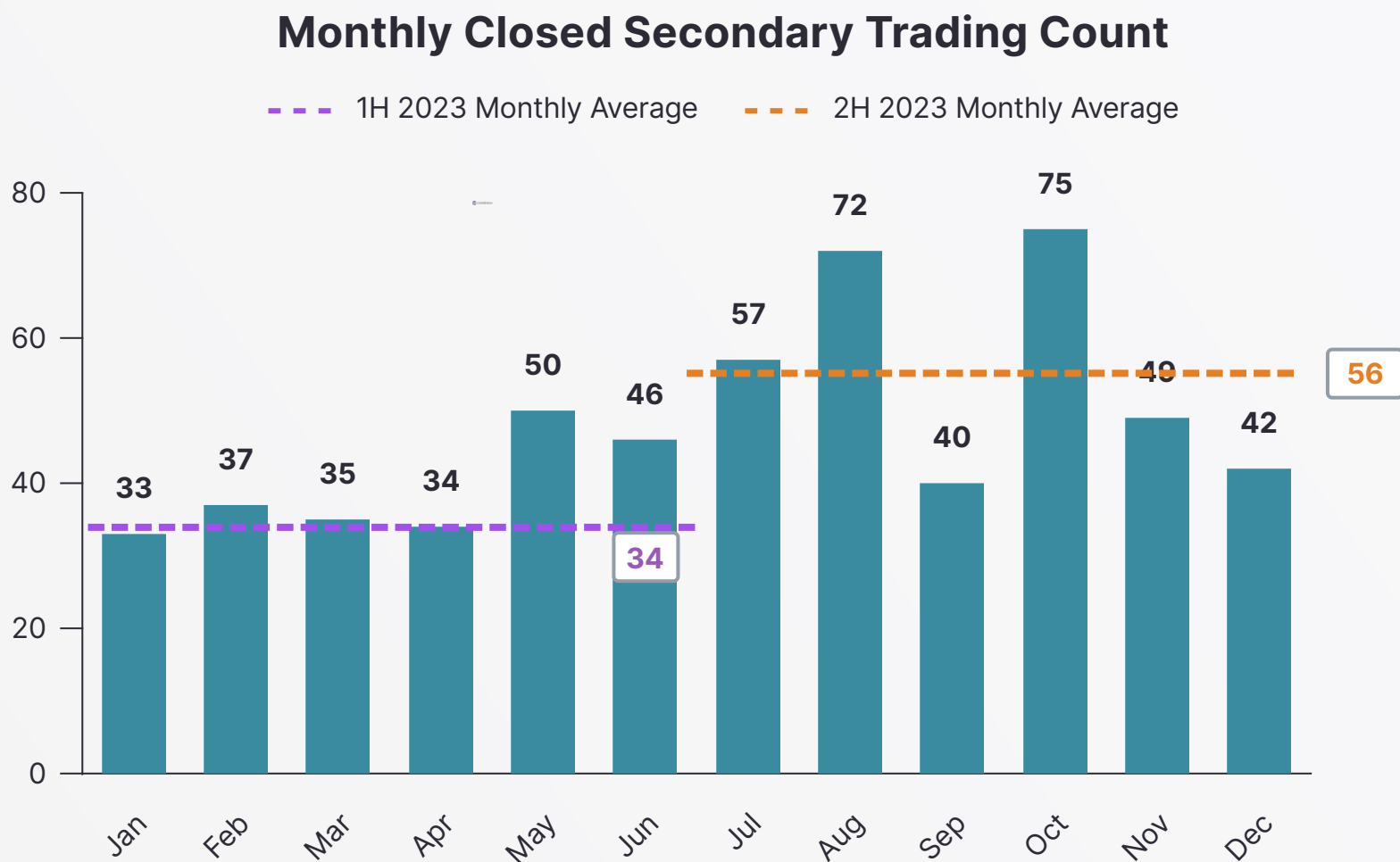
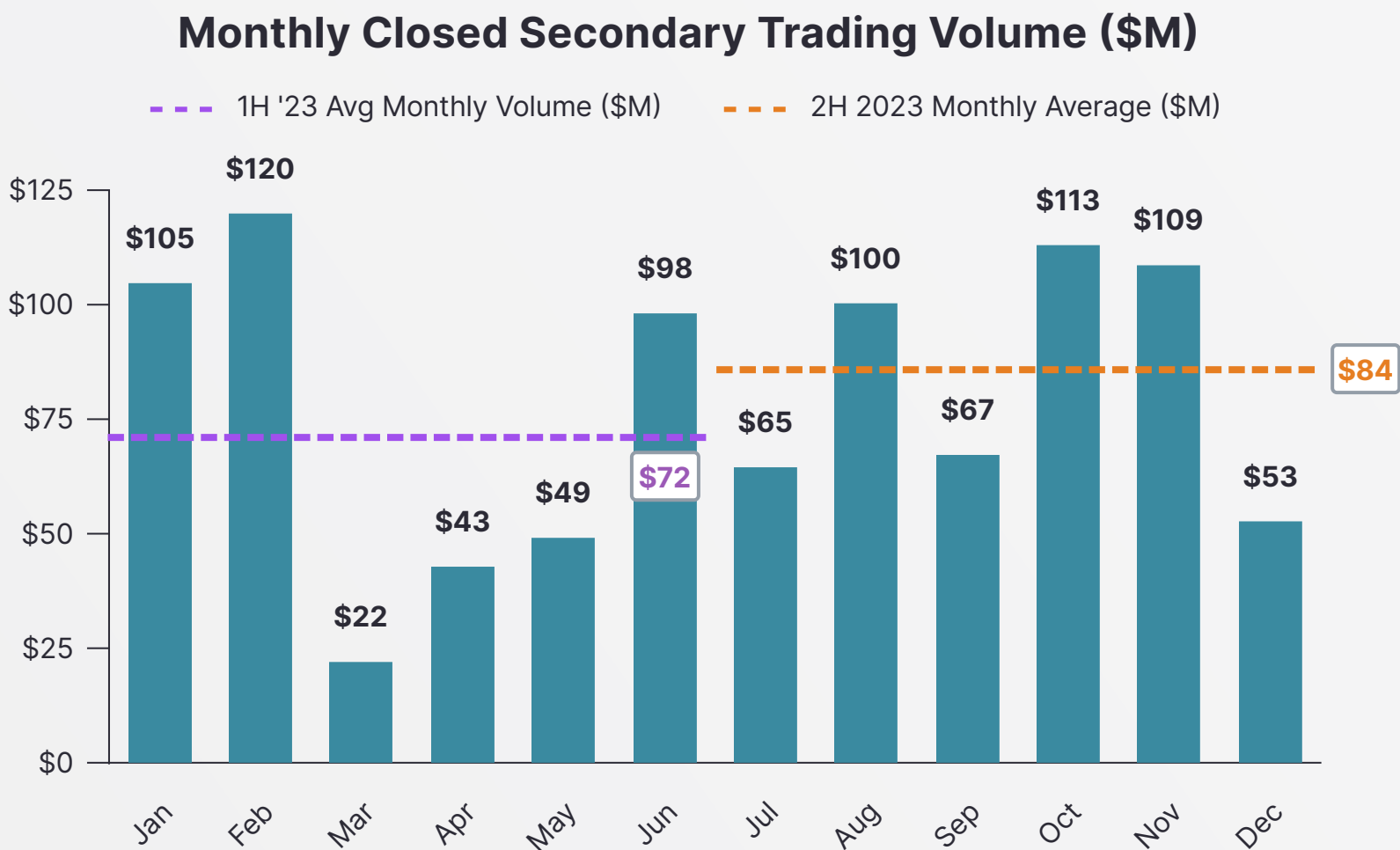
2023 Price Performance of Private & Public Equities



Note: Sourced from Caplight Data. The Caplight Top 20 Index is a financial index tracking the performance of the largest late-stage, venture capital-backed, private companies with active secondary markets. Please contact us to learn more about the index.

Secondary trading activity gained momentum in H2 2023

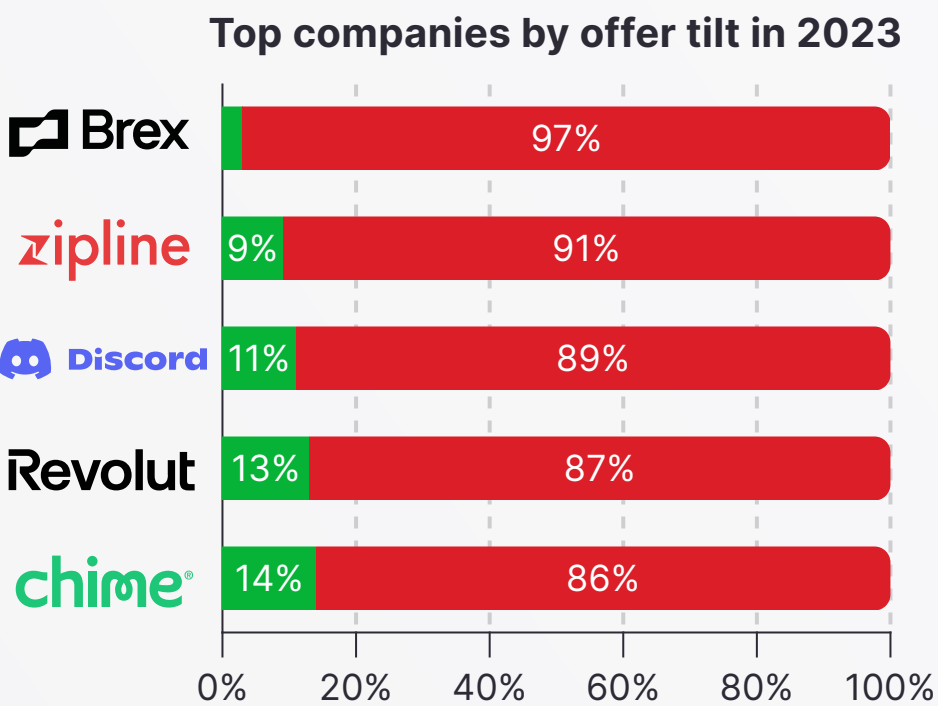
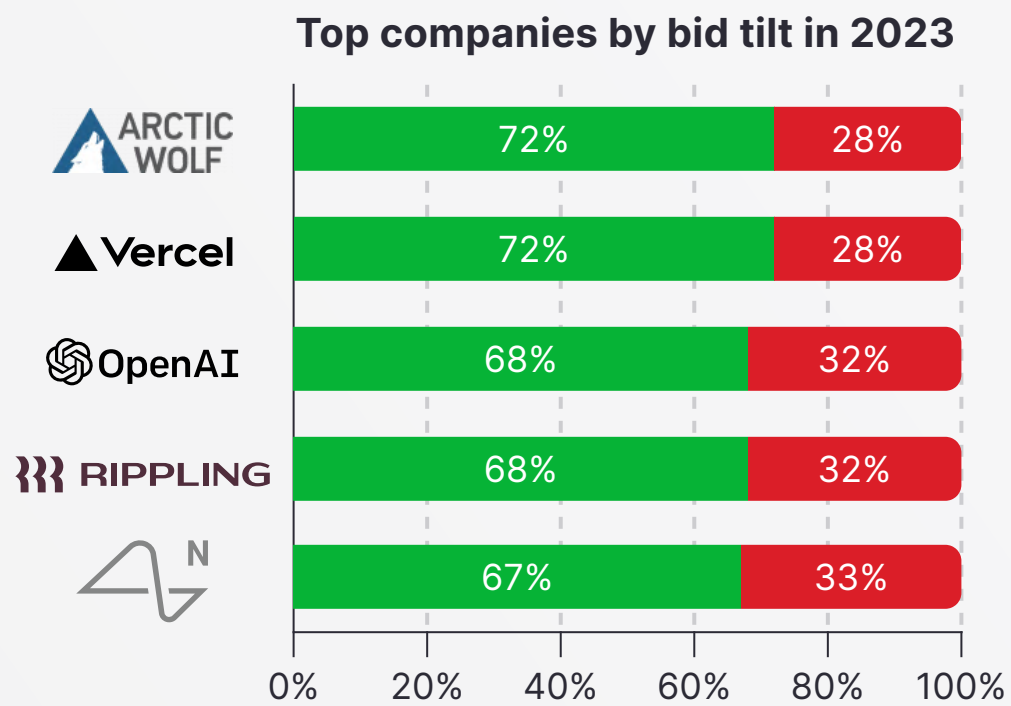
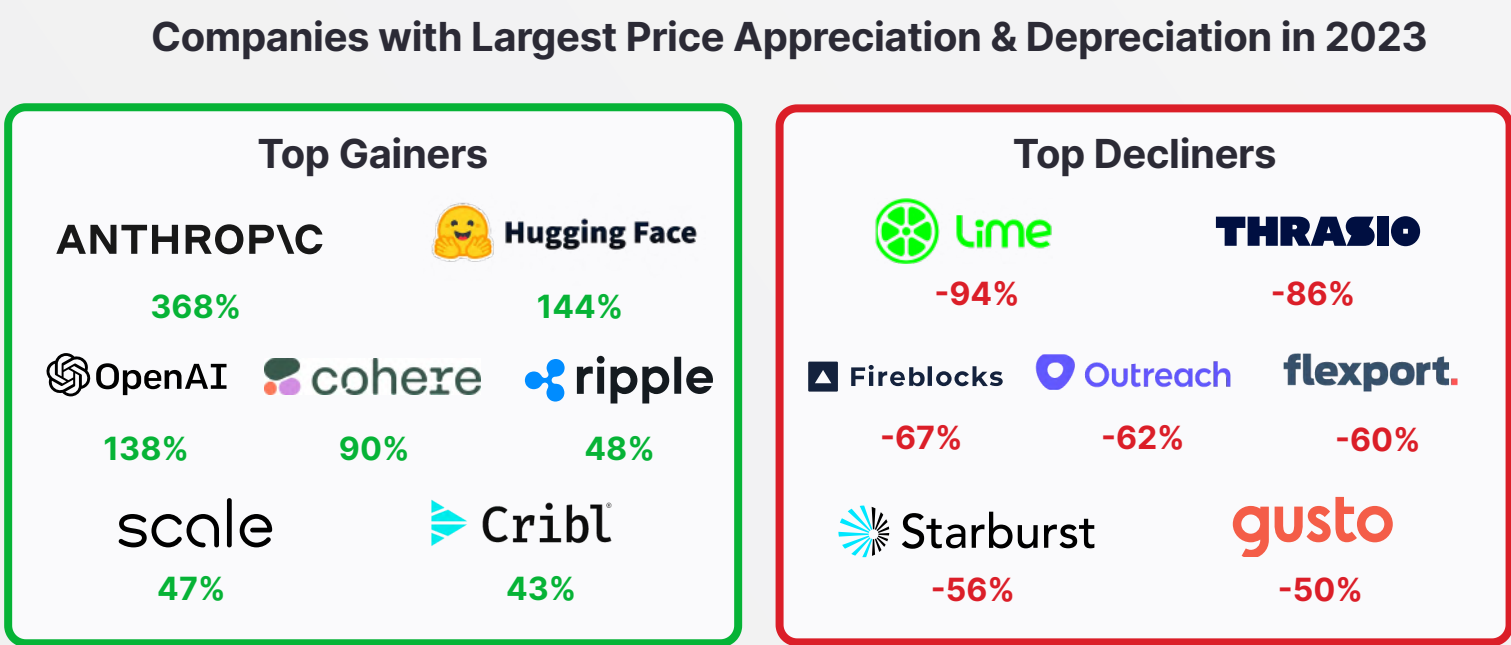
- Secondary trading picked up as buyers capitalized on discounts and sellers capitulated to reset valuations.
- Investors "dipped their toes" into the market, purchasing smaller-sized blocks often being sold by holders of common stock in companies with delayed IPOs.
- The avg. closed trade size decreased from \$2.1M in 1H '23 to \$1.5M in 2H 2023.



Note: Sourced from Caplight Data.

Secondary investors focused on a select group of pre-IPO Unicorns

- SpaceX, ByteDance, and Stripe led closed trading volumes across the pre- IPO market.
- Top gainers included companies in the hottest sector: Data & AI.



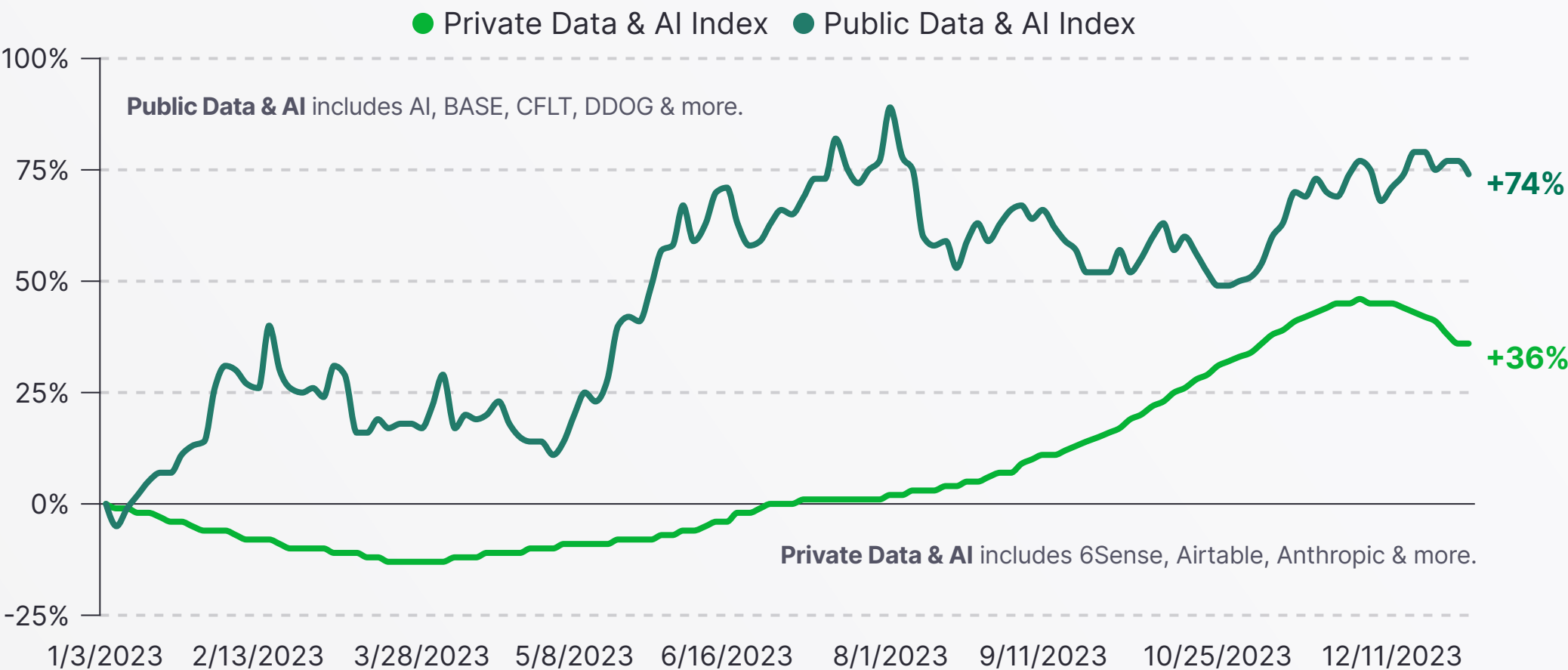
Note: Sourced from Caplight Data. Companies with Largest Price Appreciation & Depreciation in 2023 is based off Caplight MarketPrice. Top order tilt includes user-submitted indicative order data only and companies with over 10 indications of interest in 2023.

Data & AI was the private market darling in 2023

Data & AI was the top performing pre-IPO sector led by Anthropic, Hugging Face, and OpenAI. **Despite all the hype, the Private Data & AI Index still trailed performance of public comps.**

Estimated valuation multiples for these private market Data & AI leaders have soared while the companies release snippets of strong fundamental data.

Price Performance in Private vs. Public Data & AI Indexes since January 2023



Data & AI Fundamental Data

"The 300-person company [Anthropic] has told investors that it would generate revenue at a \$200 million annualized pace by the end of this year, as of October." - The Information

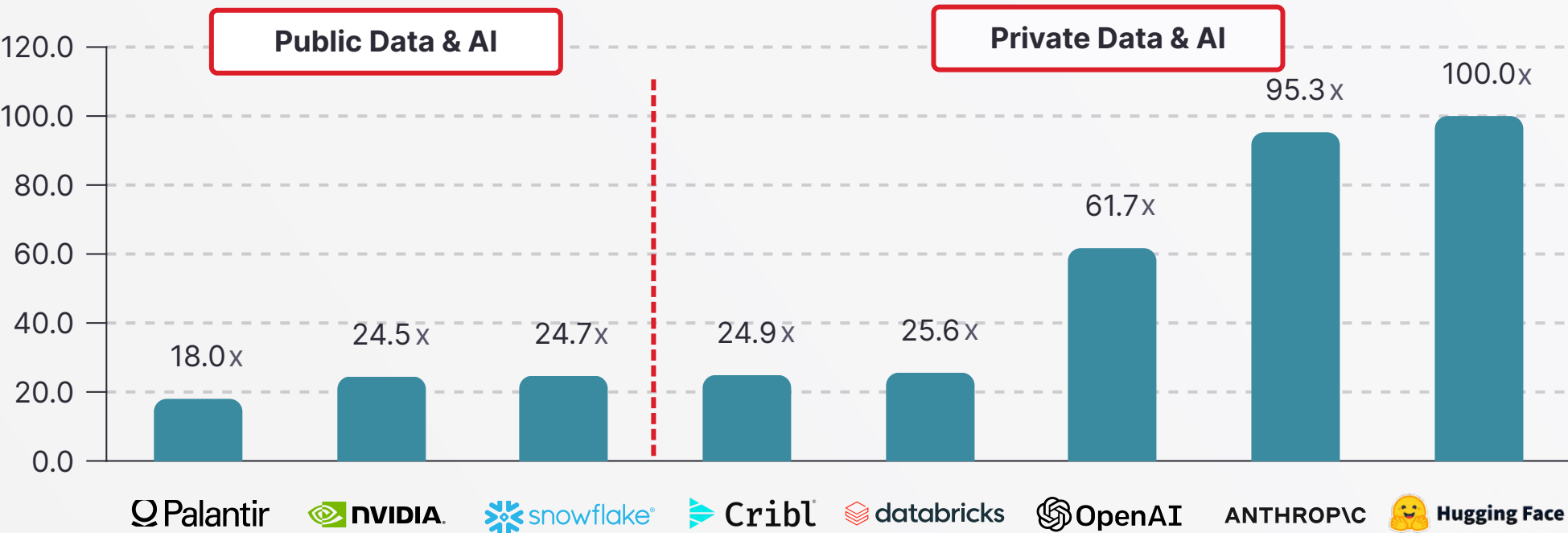
"Cribl Surpasses \$100M in Annual Recurring Revenue in less than Four Years." - Company PR

"[Databricks] crossed \$1.5B revenue run rate at over 50% revenue year-over-year growth with the second quarter" - Company PR

"[\$4.5bn is] double the startup's valuation from May 2022 and reportedly more than 100 times Hugging Face's annualized revenue." - TechCrunch

OpenAI's Annualized Revenue Tops \$1.6 Billion as Customers Shrug Off CEO Drama." - The Information

Public Market vs. Private Market Estimated EV/S Multiple at Year End

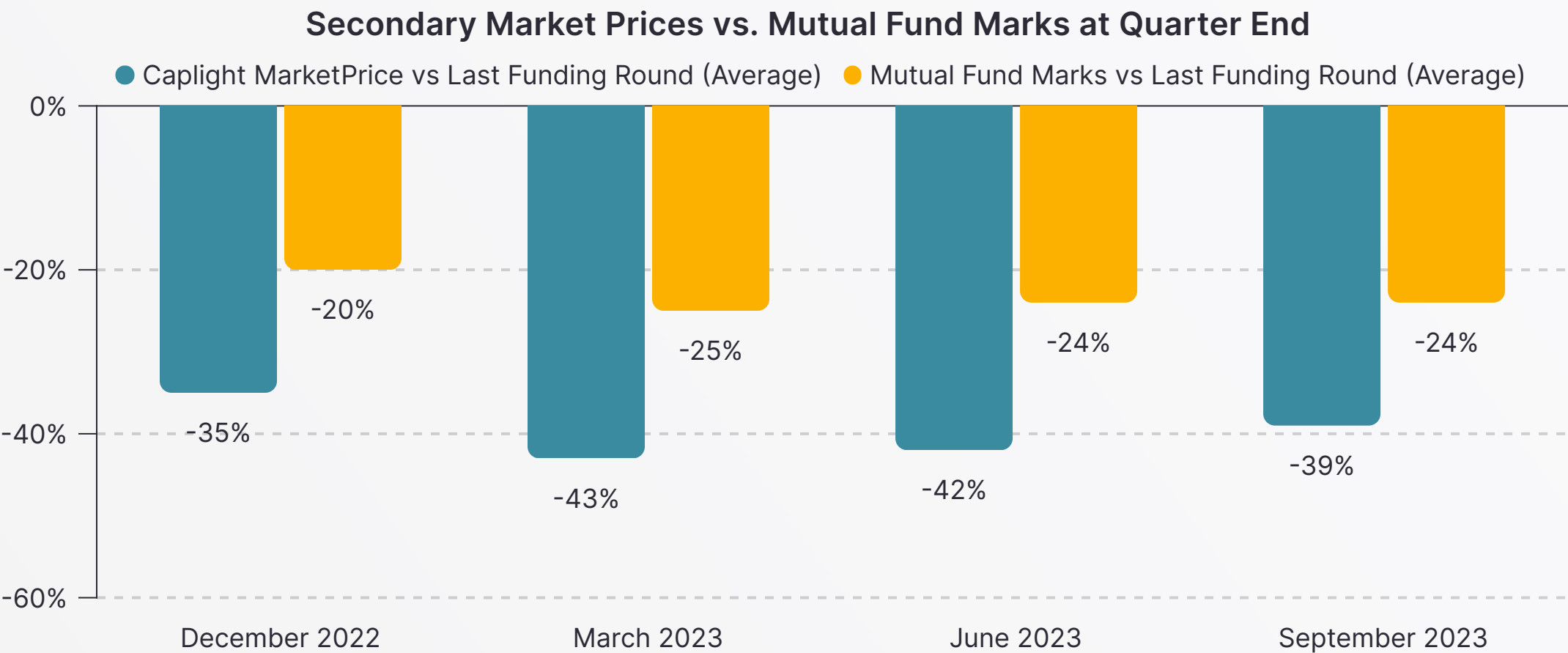


Note: Sourced from Caplight Data. Charts indicate average price performance of underlying constituents in each index. **Private Data & AI** includes 6Sense, Airtable, Anthropic, Automation Anywhere, Cockroach Labs, Cohere, Cribl, Databricks, Dataminr, DataRobot, DataStax, Flock Safety, Grafana Labs, Hugging Face, OpenAI, ScaleAI, Starburst Data & ThoughtSpot. **Public Data & AI** includes AI, BASE, CFLT, DDOG, LIDR, GTLB, MDB, NEWR, NVDA, PEGA, PLTR, SNOW & SPLK.
Note: Public company EV/S multiples sourced from PitchBook as of 12/29/23. Private company EV/S multiples are estimated based on Caplight MarketPrice valuation as of 12/31/23 and most recently reported annualized revenue figure.

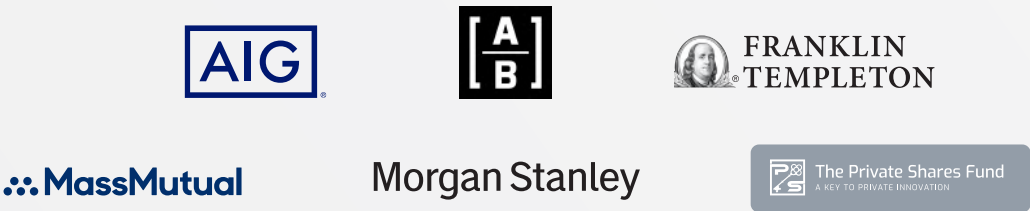
Mutual Funds proved less volatile than secondary market prices

In Q3 2023, the average mutual fund mark valuation for each company was (-24%) vs. last round, flat QoQ.

Mutual funds continue to mark at a smaller discount to last round (-24% in Q3) vs. the secondary market (-39% in Q3).



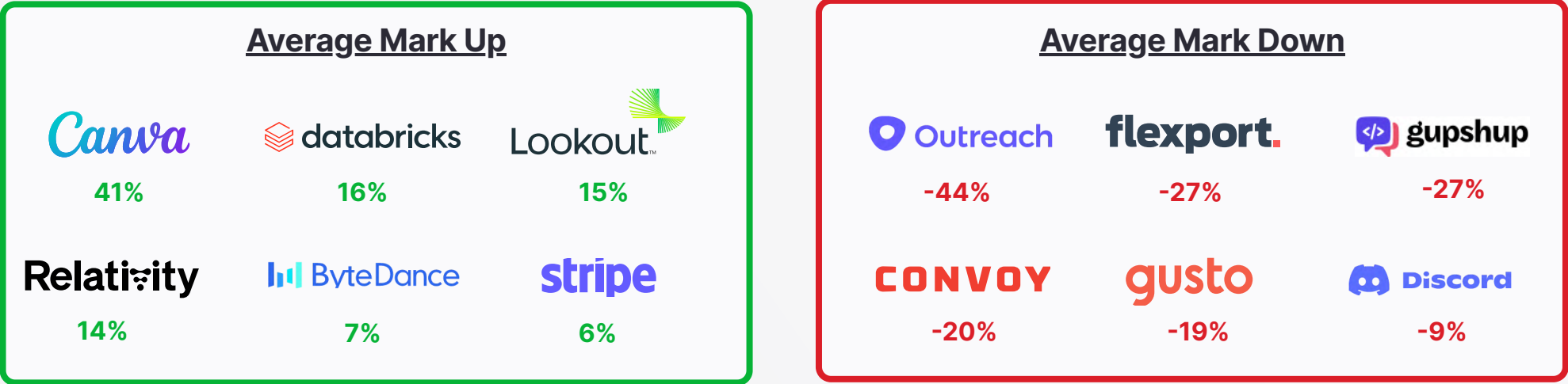
Mutual Funds Marking Above Average in Q3 2023



Mutual Funds Marking Below Average in Q3 2023



Top Mark Ups & Mark Downs QoQ in Q3 2023



Note: Sourced from Caplight Data and public filings. This analysis includes the most active private secondary market companies with disclosed last primary round valuations and held by mutual funds (n = 60). Price performance based on Caplight MarketPrice. Q4 2023 mutual fund marks are not currently available. Average mutual fund mark vs. last round is calculated by taking the quarterly average of each companies' average marking vs. last round across fund family.

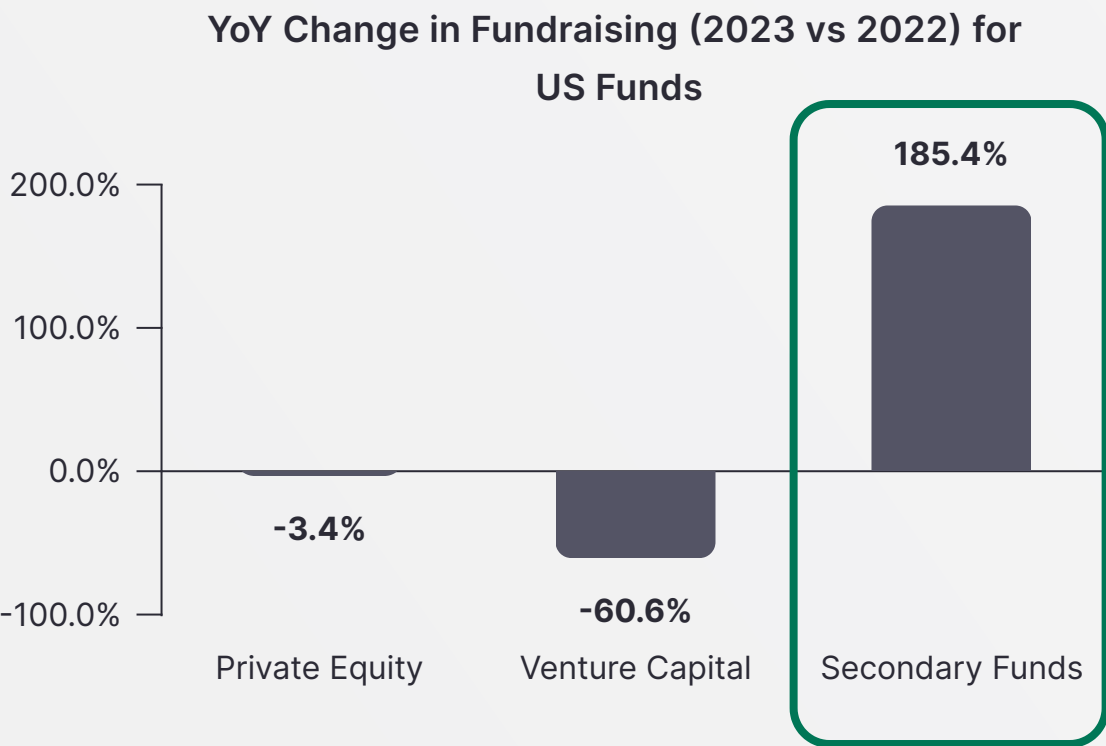
Three Themes to Watch in 2024

We expect more secondary deals in 2024.

Why?

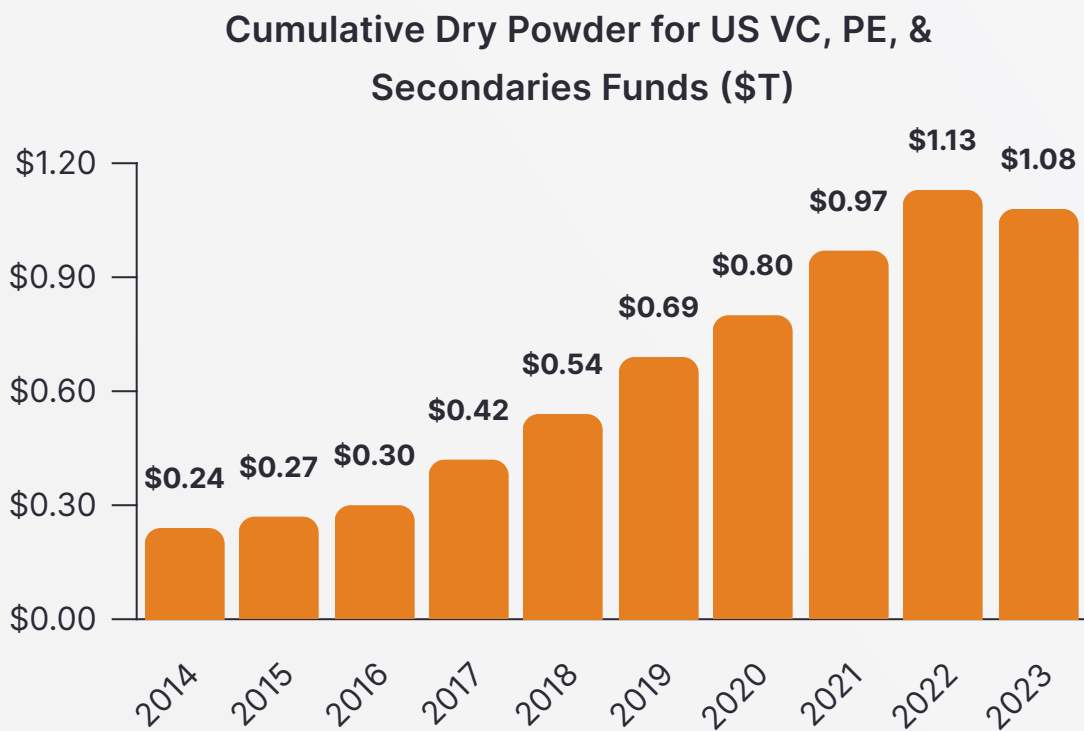
1. Secondary Funds were the hottest funds raised last year

Fundraising was up nearly 200% year over year, while both Private Equity and Venture Capital fundraising declined.



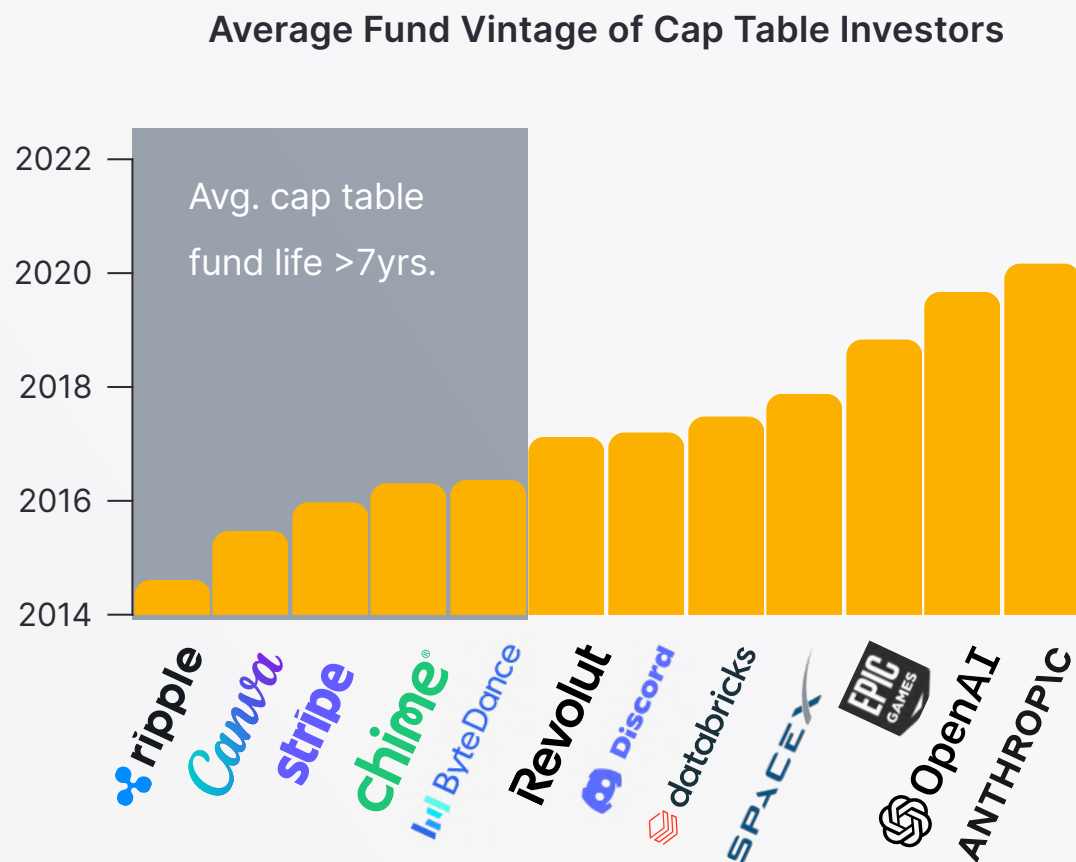
2. Dry powder is massive and needs to be put to work

Dry Powder amongst US-based VC, PE, and Secondaries Funds remains near all-time highs.



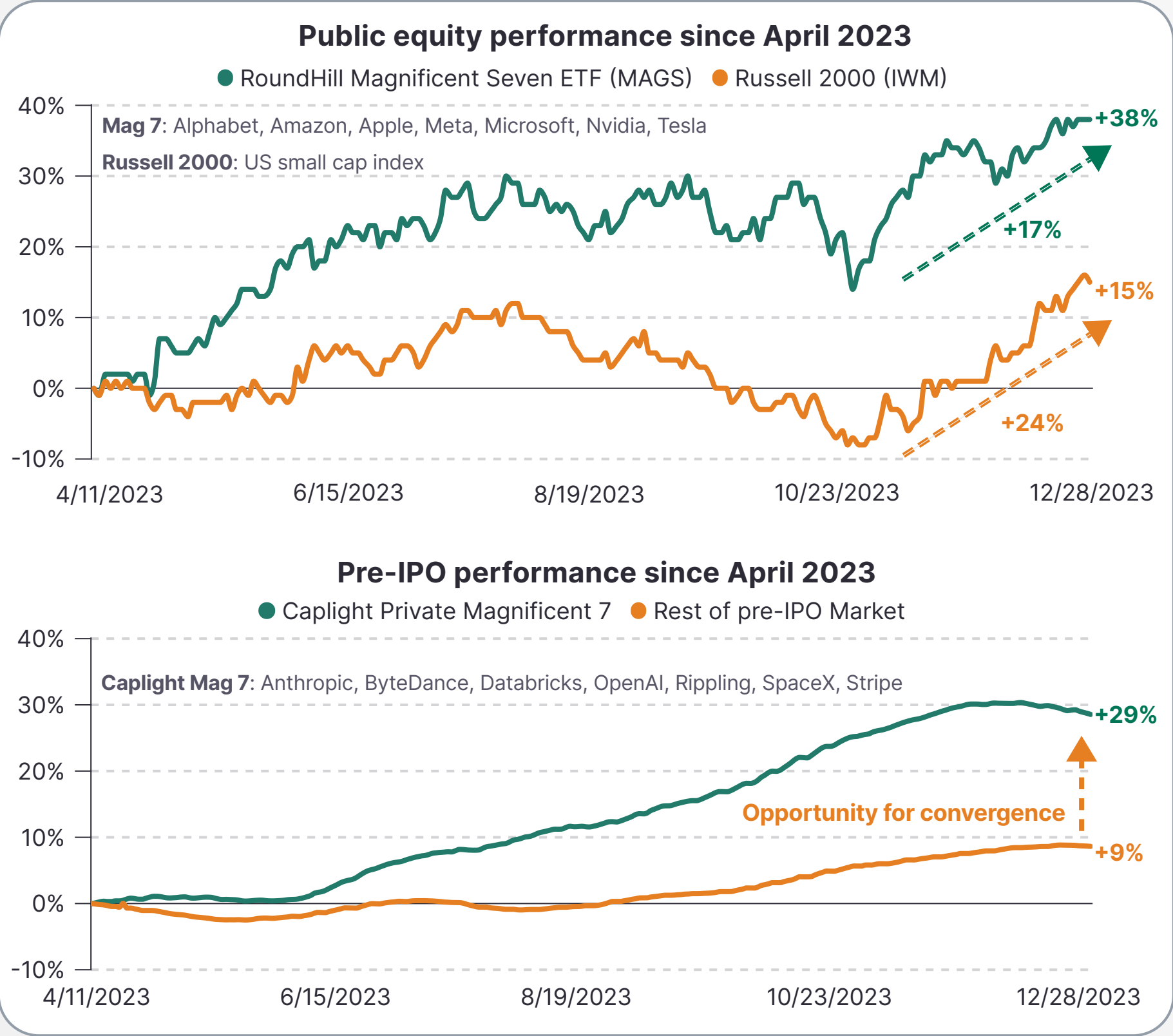
3. Existing investors in pre-IPO are nearing their end-of-fund lives

Many funds that invested in pre-IPO companies are 7+ years old, putting pressure on GPs to return capital.



Note: Sourced from PitchBook data. Average fund vintages are calculated when available. Not all Cap Table members have available fund vintages.
Secondary Funds includes VC + PE Secondary Funds (Direct Investments, GP-led, LP-led, etc.).

Breadth enters the private markets, mimicing public markets



2024 Prediction: Rising tide lifts all boats

The "Magnificent 7" are largely responsible for public equity gains in 2023 while the Russell 2000 has lagged for most of the year. Since the October bottom, however, the trend has reversed, and the Russell 2000 has outperformed the Magnificent 7 into year end (+24% vs. +17% respectively).

We see this as a bellwether for the private markets.

Like the public markets, the "Caplight Private Magnificent 7" are responsible for most of the market's gains in 2023. Given the lag between public and private markets, we expect the rest of pre-IPO valuations to "play catch up" in 2024, just like the Russell 2000.

2023 Case Study: Higher valuations lead to increased market breadth

	1H 2023	2H 2023	% Change
Companies that traded	84	98	+17%
Companies that traded > 1	40	58	+45%

As valuations rose in the 2nd half of 2023, more companies traded in the secondary market. This is because:

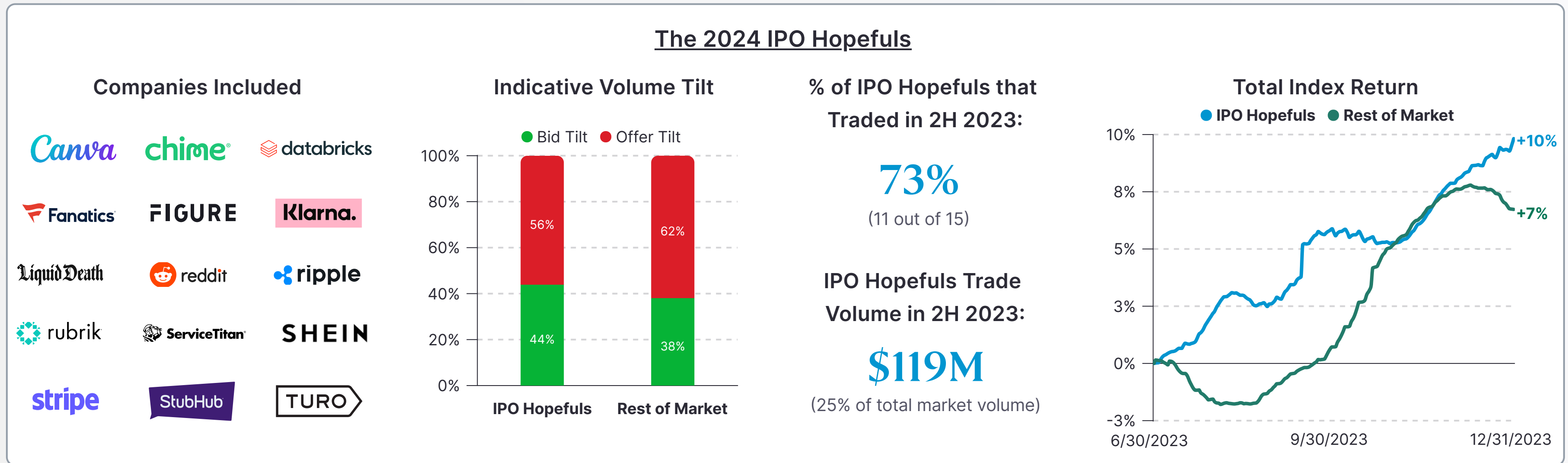
- Buyers have a more constructive outlook on the market
- Sellers still have a need for liquidity
- Management teams have blocked less transactions

Note: Sourced from Caplight Data. Magnificent 7 ETF began trading on April 11, 2023, and offers equal weight exposure to the "Magnificent Seven" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla). Caplight Private Mag 7 is an equal weighted index that tracks the 7 companies with the most indicative bid volume in 2023.

IPO hopefuls attract secondary market investors

Caplight identified 15 Companies that are likely to IPO in 2024 based on public sources.

These IPO hopefuls attracted a flurry of pre-IPO secondary market interest in the 2H of 2023, which is expected to continue into 2024:



In the 2H of 2023, the 2024 IPO Hopefuls have received more buy-side interest, have traded more frequently, and have outperformed the rest of the pre-IPO secondary market.

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