



Nasdaq Private Market

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2024

# Private Market Pulse: Mid-Year 2024 Review

Private market investors focused on AI and late-stage well-capitalized companies. Structured programs rebounded with \$4.2B in transaction volume in H1 2024.

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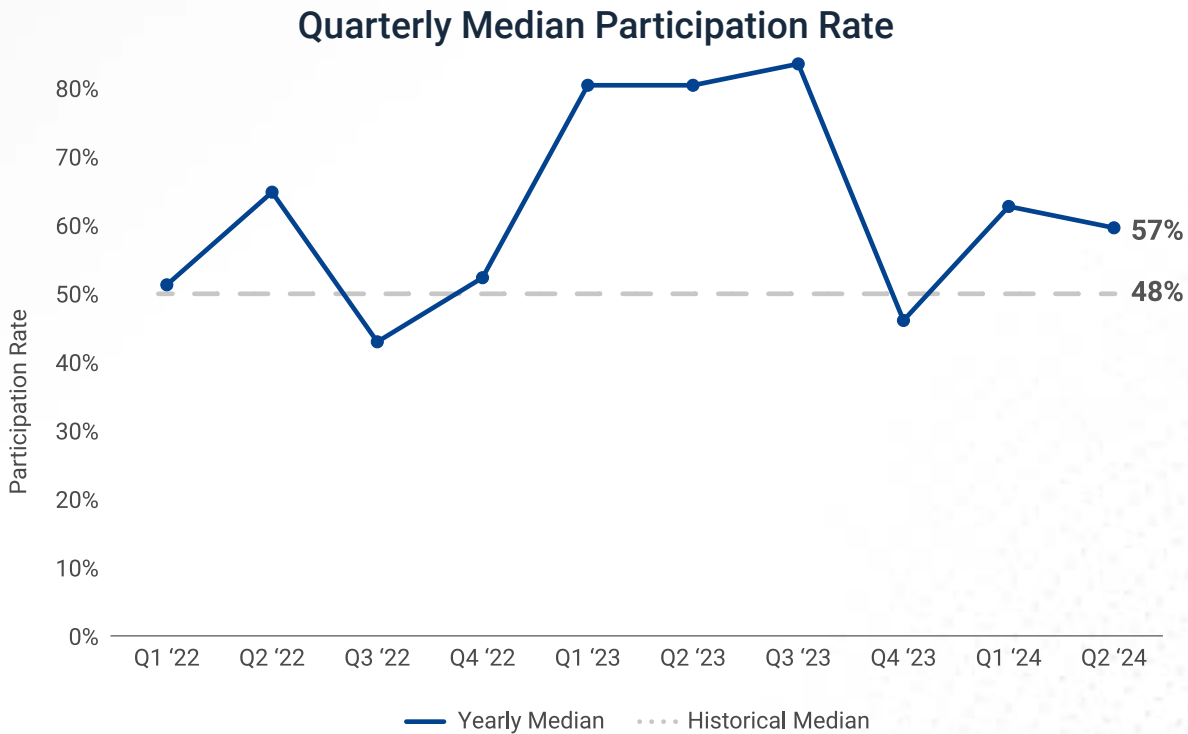
## H1 2024 Nasdaq Private Market Highlights

- ▶ In the first half of 2024, Nasdaq Private Market's (NPM) Company Solutions team saw a rebound in the secondary market, facilitating over 30 structured secondaries and \$4.2 billion in transactional volume.
- ▶ Private market investors engaged with NPM's Capital Markets team remained focused on well-capitalized, late-stage companies, with certain exceptions for earlier-stage, high-growth areas, including artificial intelligence.
- ▶ Low levels of capital deployment throughout 2023 have positioned the venture capital community with massive amounts of dry powder, the current level of which sits at more than \$300 billion (according to PitchBook data), to invest in 2024 and beyond.

## State of the Private Secondary Market

After 18 months of a lull in the secondary market, Nasdaq Private Market (NPM) encountered a strong revival in secondary transactions throughout the first half of 2024. In the first six months of the year, NPM Company Solutions assisted 30 private companies in executing 31 structured secondaries, principally taking the form of tender offers and share repurchases. Accompanying the uptick in cadence, NPM facilitated numerous secondaries crossing into the notional size of nine figures or larger, with the largest being a \$1.6 billion tender offer closed in Q1. Across the five largest structured secondaries this year, NPM supported nearly \$3.5 billion in notional flow from investors to private company shareholders. This points to a continuation in the secondary market's nascent recovery, principally for late-stage companies, that began in the fourth quarter of 2023.

In tandem with private companies' employment of secondaries to provide liquidity throughout the first half of 2024, eligible shareholder participation remained at historically elevated levels. This trend emphasized the importance of private companies offering opportunities for employees to sell their equity, with median participation rates reaching 60% and 57% in Q1 and Q2, respectively; this compares to a historical median of 48%. These participation rates were paired with subscription rates (the amount of investor demand filled by selling shareholders) of 94% and 90%, respectively, on par with the historical median of 90%. As structured secondaries have become more commonplace throughout the private market ecosystem and shareholders have grown more sophisticated in their understanding of equity compensation, shareholder engagement in secondaries structured by private companies and their investors has gradually, but meaningfully, increased, even since the market's peak in 2021.

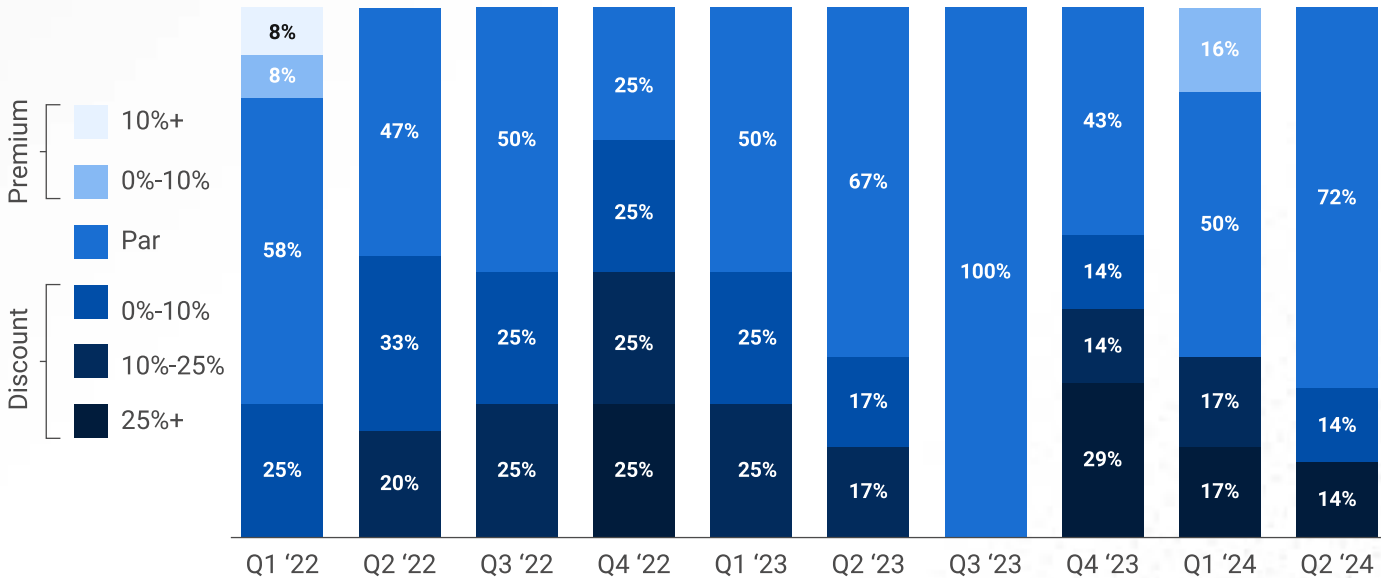


Source: NPM Data

A driving factor in the heightened levels of participation and subscription seen throughout the first half of the year was pricing. Across those structured secondaries facilitated by NPM, the median pricing discount from the most recent preferred issuance (i.e., the most recent primary fund raise) was 0%. For those companies active in the secondary market this year, investors (or the company itself, in the context of a repurchase) were willing to pay the same amount for common shares that investors paid for preferred shares in the primary market. Discount levels are often used as a proxy for the health of the secondary market. Compared with median discount levels that reached as much as 10% in the fourth quarter of 2022, the return to secondaries pricing at par in the first half of 2024, signaled that investors are once again willing to provide favorable pricing to both private companies and their shareholders.

Source: NPM Data

### Quarterly Discount to the Most Preferred Issuance



Source: NPM Data

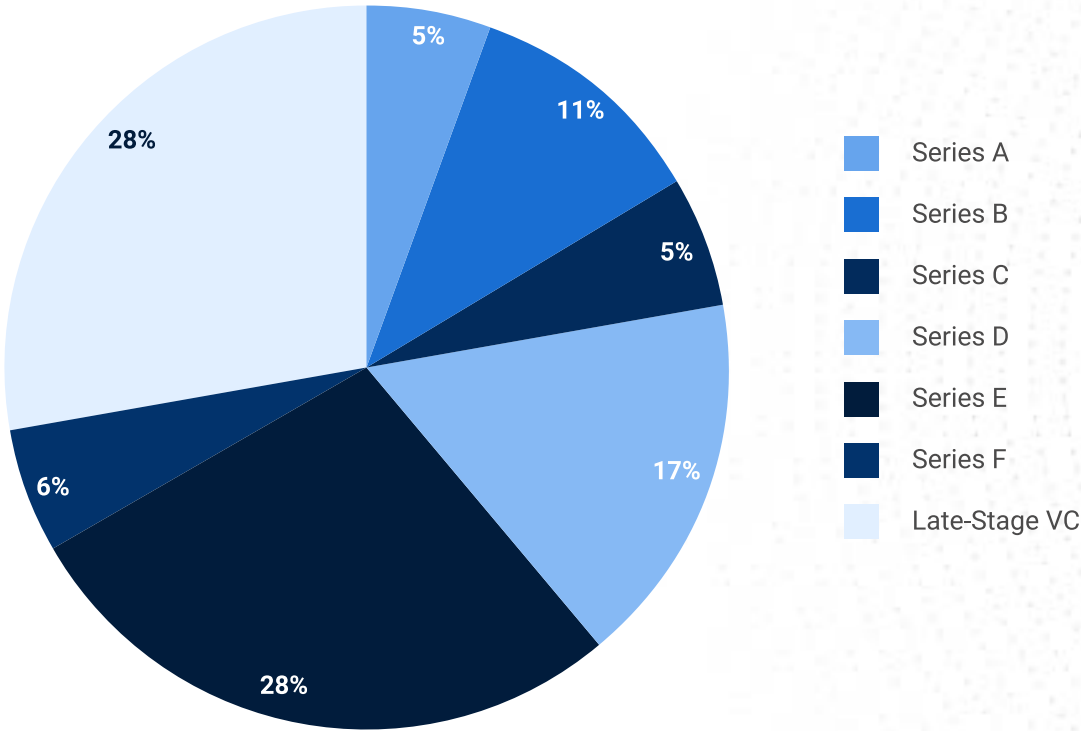
NPM continued to deploy its expertise and assist clients globally throughout the first half of 2024, supporting private companies headquartered throughout the U.S., Australia, Canada, and Europe. A notable highlight from the first six months of the year was NPM’s penetration of the French market. Given stringent regulations relating to which financial institutions are capable of supporting French-domiciled companies, NPM worked with various legal counsels and other partners to ensure its alignment with jurisdictional considerations. Although the U.S. remained the most active market, NPM has supported private companies in 24 countries worldwide thus far in 2024.

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

\*Countries represent global client distribution.

NPM is optimistic that there will be continued growth in the number of venture capital-backed private company exits throughout 2024 and especially into 2025. Notably, the slowdown in the IPO market since early-2022 has resulted in an increasingly mature population of private companies awaiting their public market debut. A number of these late-stage companies, many within 12 to 18 months of an IPO, have looked to NPM to shore up their cap tables and allow their employees and other shareholders to sell equity prior to a lockup in the public market. With north of 730 structured secondaries facilitated to date, NPM has built a depth of knowledge to assist its clients, whether late-stage or otherwise, in managing issues including increasingly global regulatory considerations, providing RSU liquidity in the secondary market, and supporting cross-border, multi-currency payments, among various other transactional complexities.

### Last Financing Stage

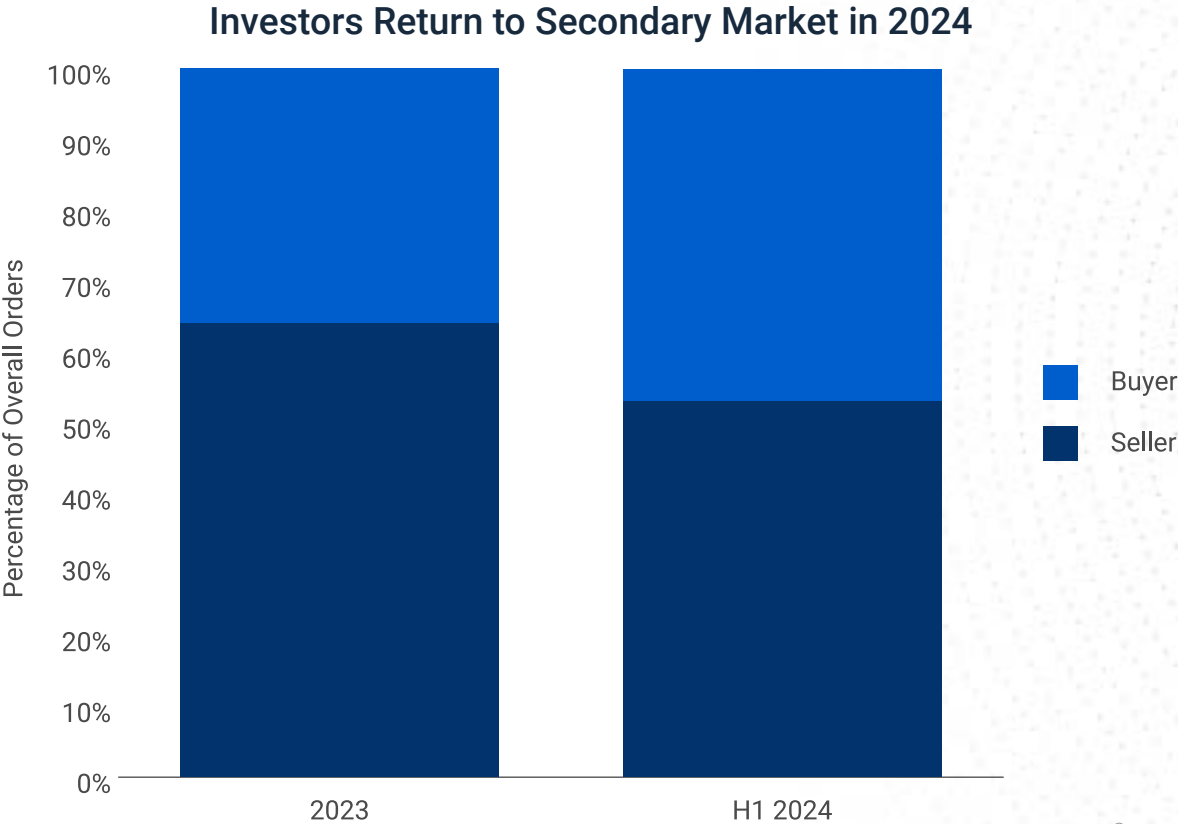


Source: NPM Data

# Private Capital Markets in 2024

While there has certainly been an improvement in the environment for secondary transactions in 2024, investors have remained particularly discerning in the selection of their investments. Order volume in the first half of the year remained concentrated in the artificial intelligence sector and late-stage private companies with well-established revenue streams and valuations underscored by reputable investors.

As investors returned to the secondary market, so did closed trades. Our platform recorded more trade volume in the first half of the year than all of 2023 with a median discount to last round of 18%.



Source: NPM Data



In the first half of the year, SecondMarket™ saw heightened bid levels compared to 2023 as the notional bid ratio rose to 47% versus 36% for the entire year prior. In Q2 2024, NPM officially launched the company’s proprietary, electronic secondary trading platform SecondMarket™ to automate the end-to-end trading life cycle for private company shares. With adoption of this low-touch trading solution, NPM believes it will help unlock greater access to private market data, liquidity, and settlement efficiencies for market participants worldwide.

### Top 20 Most Active Companies



Source: NPM Data

SecondMarket™ activity concentrated in a couple dozen private companies with nearly 60% of order value funneled into 20 companies. The AI sector made up more than 20% of the market with fintech and aerospace and defense trailing close behind.

Similarly, as was highlighted in NPM’s 2023 State of the Private Market report, there was a continued trend in insider-led rounds. For many of those investors that deployed capital in the first half of 2024, there was also a clear focus on the funding of portfolio companies that demonstrated their ability to produce strong fundamentals.

The median funding raised by companies partnering with NPM in the first half of 2024 was \$395 million and the median post-valuation was \$4.65 billion. This data points to the fact that investor appetite remained somewhat constrained to the market's most well-positioned names, a trend that is likely to continue until investors grow more comfortable with the macro environment. Given the challenges posed by relatively tightened monetary policy, continued inflation, and various other factors, NPM remains cautiously optimistic regarding the capital markets environment for the remainder of 2024.

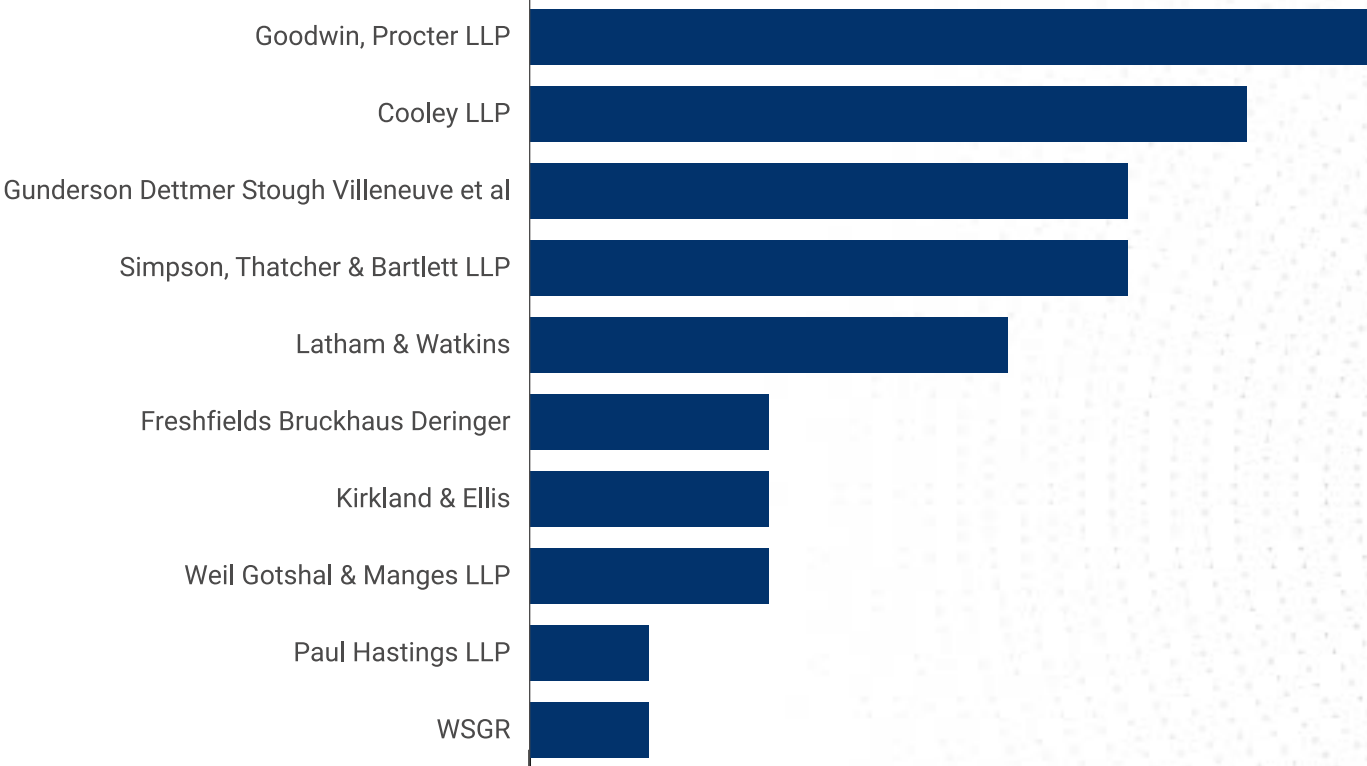
Even against the backdrop of a constrained capital markets environment in the first half of 2024, NPM assisted various shareholders, ranging from current employees to early investors, in unwinding positions in private companies on a one-off basis through its institutional investor network. With nearly \$2 billion in oversubscribed supply across structured secondaries this year, many companies directed shareholders to NPM to assist them in matching any portion of their remaining equity positions that were cutback during structured secondaries. With a network of more than 400 institutional investors and over a dozen bank partners, including many of the world's largest and well-respected financial institutions, NPM continued to develop this robust channel to introduce capital to individual shareholders looking to liquidate their positions.

Increasingly, participants in the market are looking for more data transparency before they transact. In Q3 2024, NPM launched its first premium data product Tape D™. The Tape D™ pricing suite contains pricing estimates, bid/offer history, reported trade levels, primary round history, 409A valuations, and mutual fund marks. The comprehensive private company data available includes cap table monitoring and waterfall analysis. Tape D™ also includes a source document library with federal/state filings and more.

# Corporate Legal Support of NPM

The corporate legal community remained a strong partner to NPM throughout the first half of 2024, referring over 20 private companies to the NPM team as their recommended partner for secondary liquidity solutions. Across all corporate legal referrals in the first half, NPM generated \$3.5 billion in aggregate transactional volume for various employees and other shareholders. Goodwin was NPM’s leading referral partner in the first half of 2024, having pointed several of their clients to NPM to facilitate secondaries of various structures.

## Top Referring Law Firms for Private Company Transactions



Source: NPM Data

## Conclusion

### NPM's Continued Commitment to Companies, Shareholders, and Investors in the Private Markets

In the first half of 2024, secondary market activity rebounded and unlocked heightened levels of liquidity in comparison to 2022 and 2023. While the market has not completely returned to the levels seen in 2021, NPM is tracking to have the company's second-best year since inception, specifically in terms of structured secondaries facilitated. After an extensive quiet period throughout most of 2022 and 2023, companies are reengaging with the secondary market to provide liquidity opportunities to employees and other shareholders. While capital has been deployed principally to investors' top performing portfolio companies since early-2022, NPM has seen an increase in capital flows in 2024, including those from investors to net-new companies. While there is still room for growth, this is indicative of a market that is regaining equilibrium.

As the cohort of current late-stage private companies continues to mature and liquidity becomes an increasing concern, these companies will be pushed to either list, exit by some other means, or provide liquidity to their longstanding shareholders, principally employees and early investors. NPM expects a continuation in the current cadence of secondaries for late-stage companies, and as time elapses and shareholders increasingly emphasize the importance of liquidity opportunities, a rebound for both early-stage private companies, as well as for venture capital-backed companies choosing to list.

In 2024, our trading platform continued to see concentrated activity in the artificial intelligence sector. As we reported in our annual state of the private market report, indications continued to be focused on late-stage private companies with well-established revenue streams.

Order volume in the first half of the year remained concentrated in the artificial intelligence sector and late-stage private companies with well-established revenue streams and valuations underscored by reputable investors. As of July 2024, we have \$3B of aggregate volume across both the buy and sell-side in our orderbook and are optimistic that we will see continued growth in the secondary market throughout the year.

# About Nasdaq Private Market

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

Total Transaction Value

**\$50B+**

Total Number of Participants

**190K+**

Total Company-Sponsored Programs

**760+**

Private Companies' Data Tracked

**3K+**

NPM Employees

**70+**

NPM Years of Experience

**10+**

## Investors + Partners:





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