



# Forge Investment Outlook

Q3 2023



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# "The Great Reset" is reshaping the private market

The ten-year bull market that ran through 2021 is long over. In its wake? Forge CEO Kelly Rodrigues calls it 'The Great Reset' – a massive disruption to private market dynamics: Fundraising. Valuations. Investor sentiment. And notably, exits.

In this, the first installment of the Forge Investment Outlook, our team aims to show just how far back the private market has retraced. Using new analytics, Forge's data show that private companies on the Forge Markets platform are effectively trading at valuations in-line with their second-to-last primary fundraising round. Meanwhile, the length of time between new primary funding rounds ticks steadily upwards – now at 20 months on average. That last round valuation obtained in the pandemic-fueled, low interest rate market cycle? It's like it never happened.

In addition, our data shows:

- The Forge Private Market Index is down 17% YTD though leveling off from the steep declines that characterized 2022
- Primary fundraising is registering at 15% of peak volume from prior years
- Length of time between fundraising reached a 5-year high in Q2 of 2023
- Mutual funds marked top companies at a 22% premium to their last funding round

You'll find more new insights within the following pages of The Forge Investment Outlook, which is intended to provide institutional and professional investors with insights into the current state of the private market and the trends shaping it for the future. In this new quarterly report, investors can review more in-depth data that contextualizes the private market relative to other market indicators, as well as more detailed private market insights that provide a new perspective on trends and performance within the current and historical market cycles.

At Forge, we strive to provide investors with knowledge and tools to gain better access and transparency into the private market through proprietary insights derived from our marketplace and data offerings. Building on the launch of the Forge Private Market Index, the Forge Investment Outlook brings all of this to bear for market participants looking to go deeper into the emerging asset class of late-stage growth equity.

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## Forge Investment Outlook: Takeaways

**The private market has essentially reset valuations from its last funding round**

Companies on Forge Markets are trading at a –52% discount to their last funding round, and at a –5% discount to their second-to-last funding round. In other words, the price discovery process has effectively reset private corporate valuations to where they were before the most recent upcycle.

**In Q2, the number of primary funding rounds was 32% of their peak**

Private companies raised significant amounts of funding during the low-rates cycle, and the extent to which this has declined is more apparent today. Fundraising from companies covered on the Forge platform has shrunk by 77% in terms of dollar volume and 68% in deal count from its 2021 highs. Companies are also waiting much longer to raise money than in previous quarters.

**There remains a handful of winners in each sector**

Mutual fund marks and secondary market trade performance both show a handful of companies outperforming the broader market, with companies in the top decile of mutual fund marks remaining priced at a 22% premium to last funding round and 22 of 75 companies in the Forge Private Market Index priced up in Q2 2023.

*Forge Data as of 6/30/23*

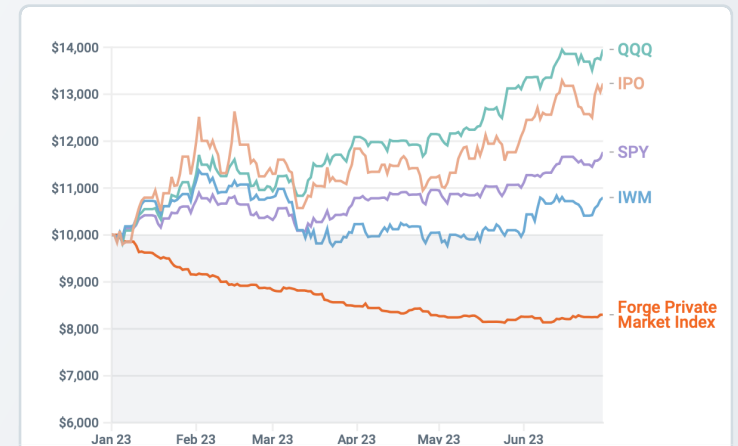
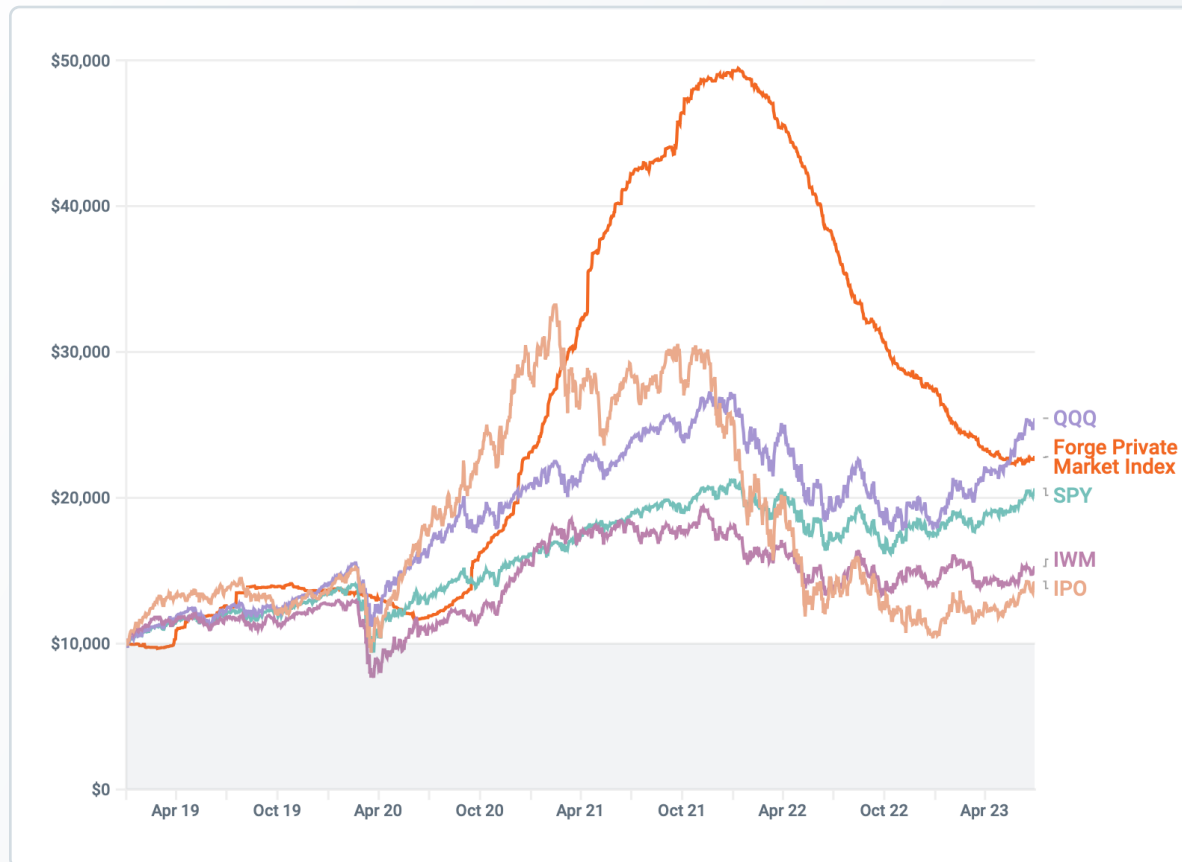
# Market Performance



**MARKET PERFORMANCE**

# Understanding private market performance through the Forge Private Market Index<sup>1</sup>

Introduced in Q2 2023, the Forge Private Market Index provides investors with a benchmarking tool to assess the performance and pricing activity of venture-backed, late-stage companies that are actively traded in the private market.



Thus far in 2023, the public market has recovered more quickly than the private market. The Forge Private Market Index is down -17% YTD, showing the lag between the private and public market, and trailing the positive returns from broad public equities ETFs QQQ, SPY, IPO, and IWM.

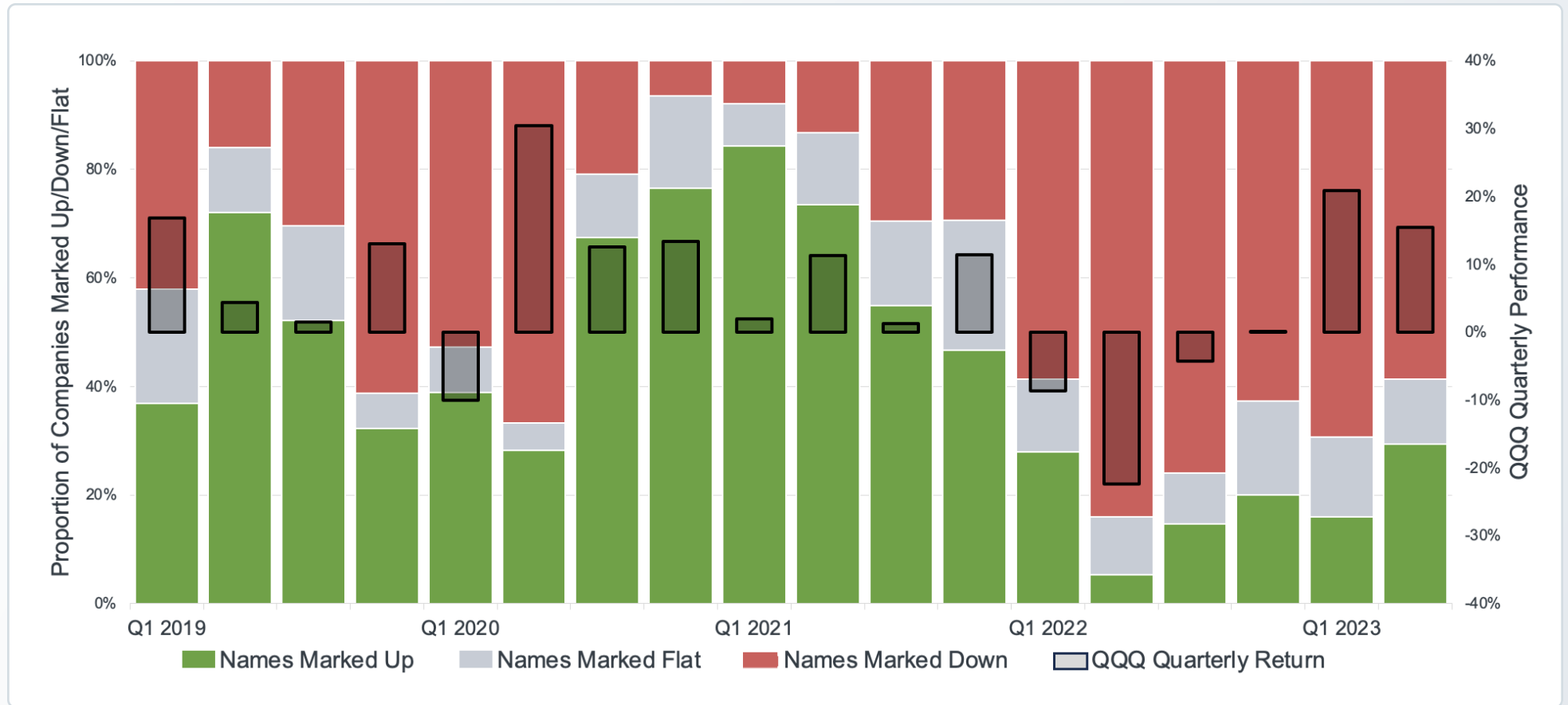
|                            | QTD | YTD  | L12M | L3Y  | ITD  |
|----------------------------|-----|------|------|------|------|
| Forge Private Market Index | -2% | -17% | -40% | 91%  | 128% |
| SPY                        | 9%  | 18%  | 21%  | 58%  | 106% |
| QQQ                        | 15% | 40%  | 34%  | 55%  | 155% |
| IWM                        | 6%  | 8%   | 11%  | 37%  | 53%  |
| IPO                        | 12% | 32%  | 9%   | -19% | 43%  |

1. Forge Data as of 6/30/23.

Non-Forge Private Market Index data from Quandl and Sharadar.

# Private Markets Lag Public Markets More on Upside than Downside

Q2 2020 and Q1 2023 offer historical examples where public market indices (e.g. QQQ) bounced back, but private market names broadly remained marked down.



Forge Data as of 6/30/23. | Additional data from Quandl and Sharadar.

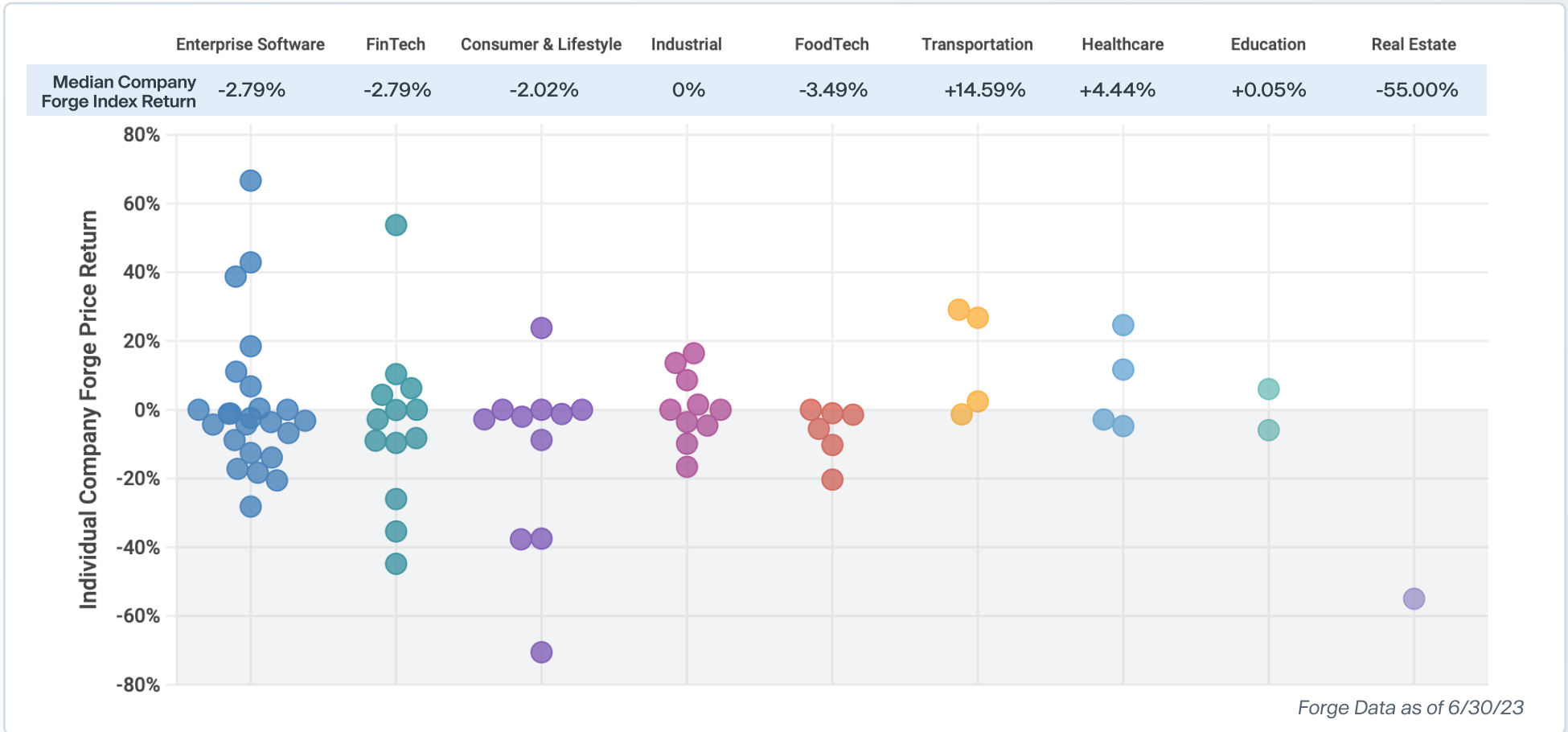
## Visualization Details

Chart overlays the quarterly performance of the QQQ index on top of the percentage of companies in the Forge Private Market Index that were marked up, down, or flat quarterly since Q1 2019.

MARKET PERFORMANCE

# Forge Private Market Index: Q2 Sector and Company Returns

Eight of the nine sectors in the Forge Private Market Index were priced down in Q2 2023. 57% of individual companies in the Forge Private Market Index were priced in a narrower band between 0% to -20% in Q2. Each sector has a handful of winners, such as Starburst Data (+66.7%, Enterprise Software) and Turo (+29.1%, Transportation).



**Visualization Details**

This chart shows the Q2 2023 performance of each of the 75 companies within the Forge Private Market Index, organized by sector. Forge employs its own sector taxonomy to best reflect and disaggregate the private market space relative to public market sectors. The Forge sector taxonomy has 11 sectors and 75 subsectors.





# Issuer Activity Q2 '23

| Company                   | Sector               | Industry                   | Forge Private Market Index Return - Q2 '23 | Forge Private Market Index Return - YTD |
|---------------------------|----------------------|----------------------------|--|---|
| Addepar                   | FinTech              | FinTech software           | -9.0%                                      | -22.0%                                  |
| Arctic Wolf               | Enterprise Software  | Cybersecurity              | 0.3%                                       | -33.9%                                  |
| Attentive                 | Enterprise Software  | Sales & Marketing / Adtech | -3.2%                                      | 1.1%                                    |
| Automation Anywhere       | Enterprise Software  | Productivity               | 42.9%                                      | -40.4%                                  |
| Chainalysis               | FinTech              | Blockchain software        | 10.4%                                      | -23.2%                                  |
| Consensys                 | FinTech              | Blockchain                 | -2.8%                                      | -36.1%                                  |
| Dataminr                  | Enterprise Software  | Data Intelligence          | -2.4%                                      | -13.4%                                  |
| Epic Games                | Consumer & Lifestyle | Gaming                     | -8.8%                                      | 2.1%                                    |
| Farmer's Business Network | FoodTech             | AgTech                     | -20.3%                                     | -32.5%                                  |
| Flexport                  | Industrial           | Industrial software        | -16.6%                                     | -30.6%                                  |
| Impossible Foods          | FoodTech             | Animal-free protein        | -1.0%                                      | -32.8%                                  |
| Mercury                   | FinTech              | Digital Banking            | 6.3%                                       | -15.8%                                  |
| Netskope                  | Enterprise Software  | Cybersecurity              | -3.6%                                      | -21.2%                                  |
| Ripple                    | FinTech              | Payments                   | -9.7%                                      | -3.9%                                   |
| Rubrik                    | Enterprise Software  | Data Management / Storage  | -12.6%                                     | -16.7%                                  |
| SpaceX                    | Industrial           | Aerospace & Defense        | 8.6%                                       | 14.1%                                   |
| Starburst Data            | Enterprise Software  | Data Intelligence          | 66.7%                                      | -39.0%                                  |
| Stripe                    | FinTech              | Payments                   | 4.3%                                       | -27.1%                                  |
| Thoughtspot               | Enterprise Software  | Data Intelligence          | -1.1%                                      | -29.9%                                  |
| Thrive Market             | FoodTech             | Food Products & Services   | -10.3%                                     | -8.1%                                   |

Forge Data as of 6/30/23

## Visualization Details

This table shows companies in the Forge Private Market Index with the most trading volume in Q2 2023 in alphabetical order. It includes the company's Forge Sector, Subsector, quarterly, and year-to-date Forge Price returns in the Forge Private Market Index.

# Primary Market Activity



## PRIMARY MARKET ACTIVITY

# Primary Funding Shows Slight Reversal of Downward Trend

Since Q2 '21, primary funding has shrunk by 68% by deal count and 77% by dollar volume. However, despite both this decline and recent increases in down and flat rounds, the majority of primary rounds are still positive.

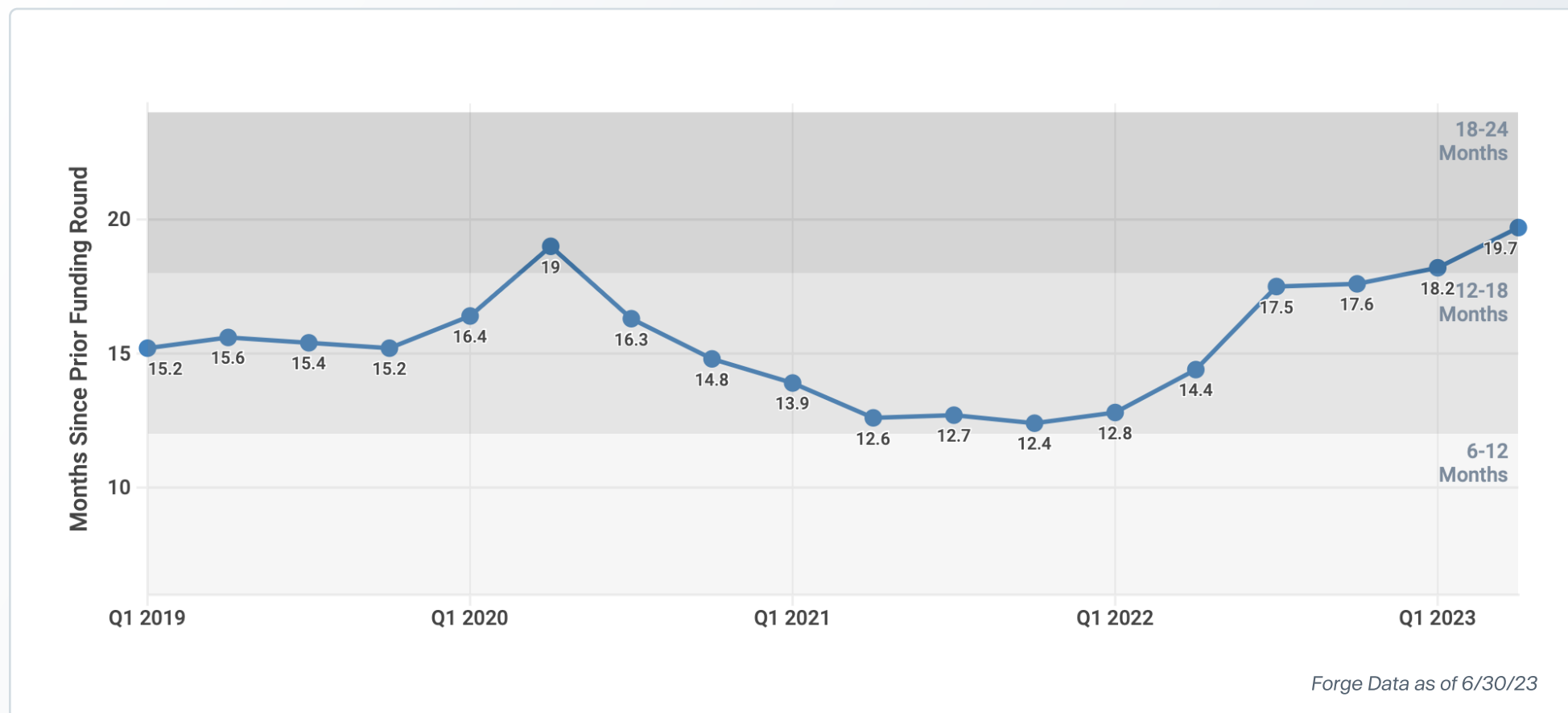


### Visualization Details

On the left y-axis, the bar chart counts the number of Up, Flat or Down rounds for Mid- or Late-Stage companies in each quarter. On the right y-axis, the line chart plots the total amount of money raised by Mid- and Late-Stage companies in each quarter since 2019. Forge defines Mid and Late Stage based on a set of rules incorporating funding rounds, money raised, implied valuation, and company age.

# Companies are Waiting Longer to Raise Money

In 2021, the average funding round was roughly one year after a company's previous raise. In 2023, companies are increasingly taking more time to raise money. The majority of companies raising are still raising up rounds, which indicates companies remain selective in their fundraising with relatively few forced to raise at unfavorable valuations.

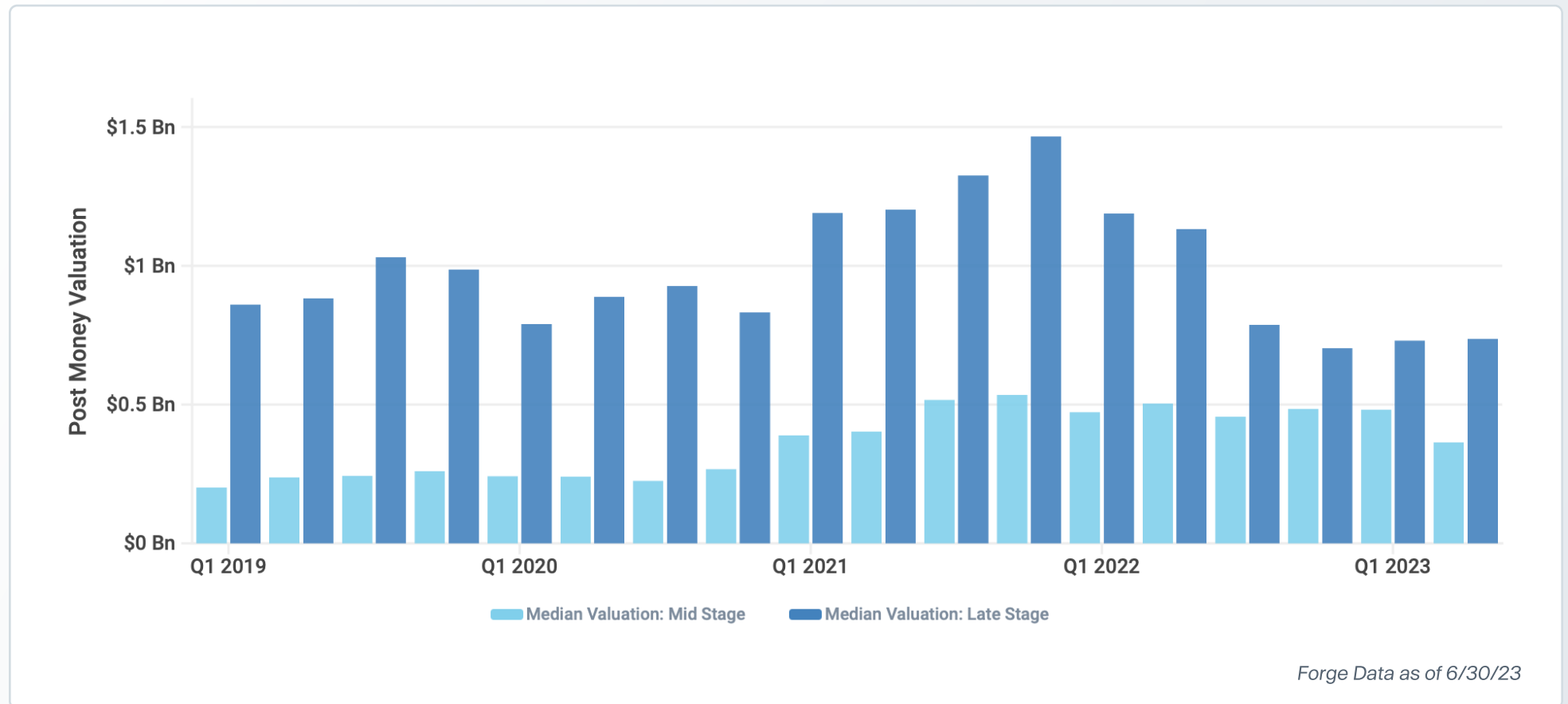


## Visualization Details

This chart plots the average time (in months) that elapsed between a company's most recent and previous funding round for Mid- and Late-Stage companies.

# Late-Stage Companies More Impacted by Funding Environment

Median implied valuations for both mid and late-stage companies have fallen from their peaks in Q4 2021. Late-stage valuations have fallen by 50% as the valuation bubble of 2021 course corrects back to pre-2020 levels. Mid-stage valuations have corrected as well but still remain elevated compared to their pre-2020 levels.



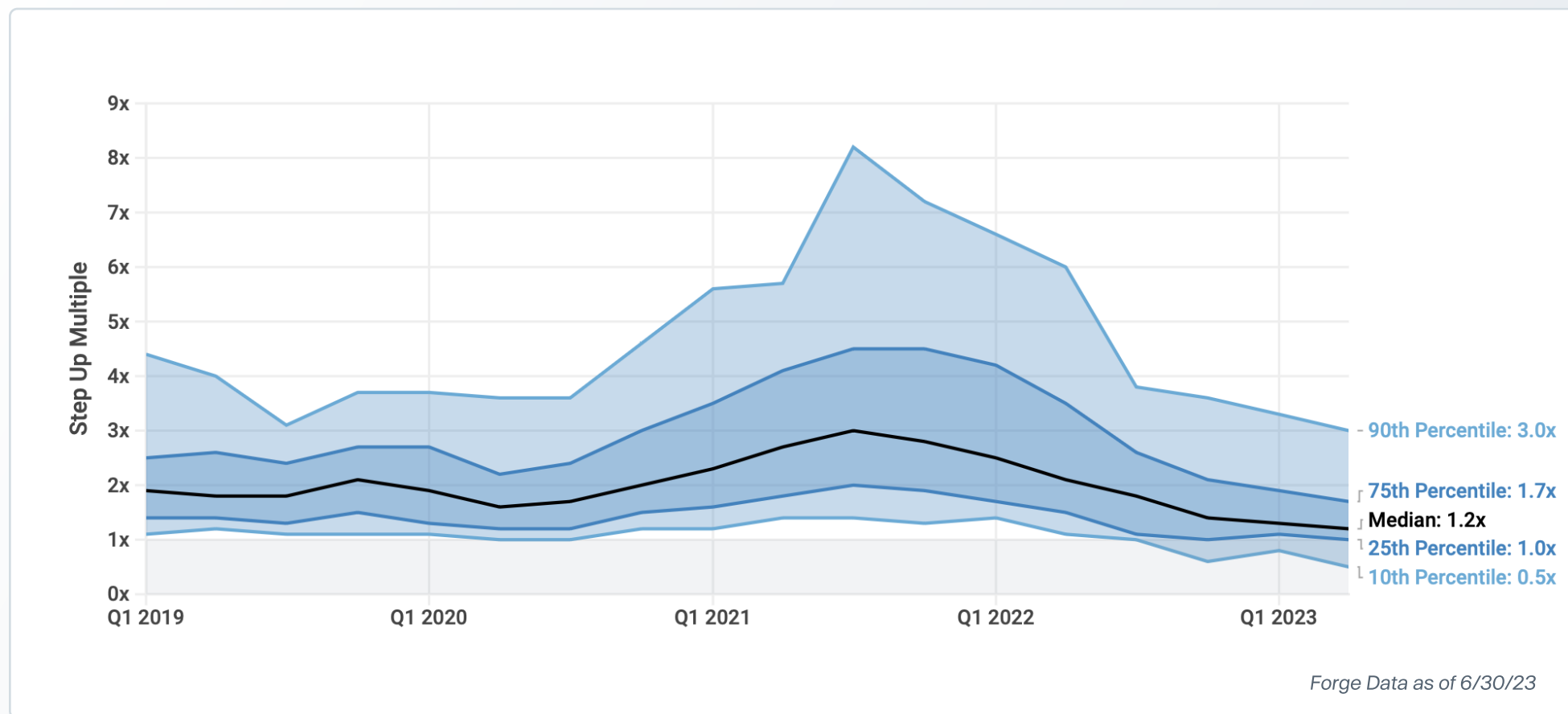
## Visualization Details

This chart plots the median implied valuation of Mid- and Late-Stage companies that raised primary funding in each quarter since 2019.



# Median Step-Up on Primary Funding Rounds Approaches 1x

The median step-up continues to fall and is now 1.2x – down from over 3x in its peak. Top-performing companies in the 90th percentile are securing 3x step-ups in their valuation, a far cry from the 8.2x in Q3 '21. The tightening of capital has shifted the leverage away from companies raising at inflated valuations and has significantly narrowed step-up distribution in 2023.



## Visualization Details

This chart plots the distribution of step-ups for Mid- and Late-stage companies raising primary round funding in each quarterly period since 2019.

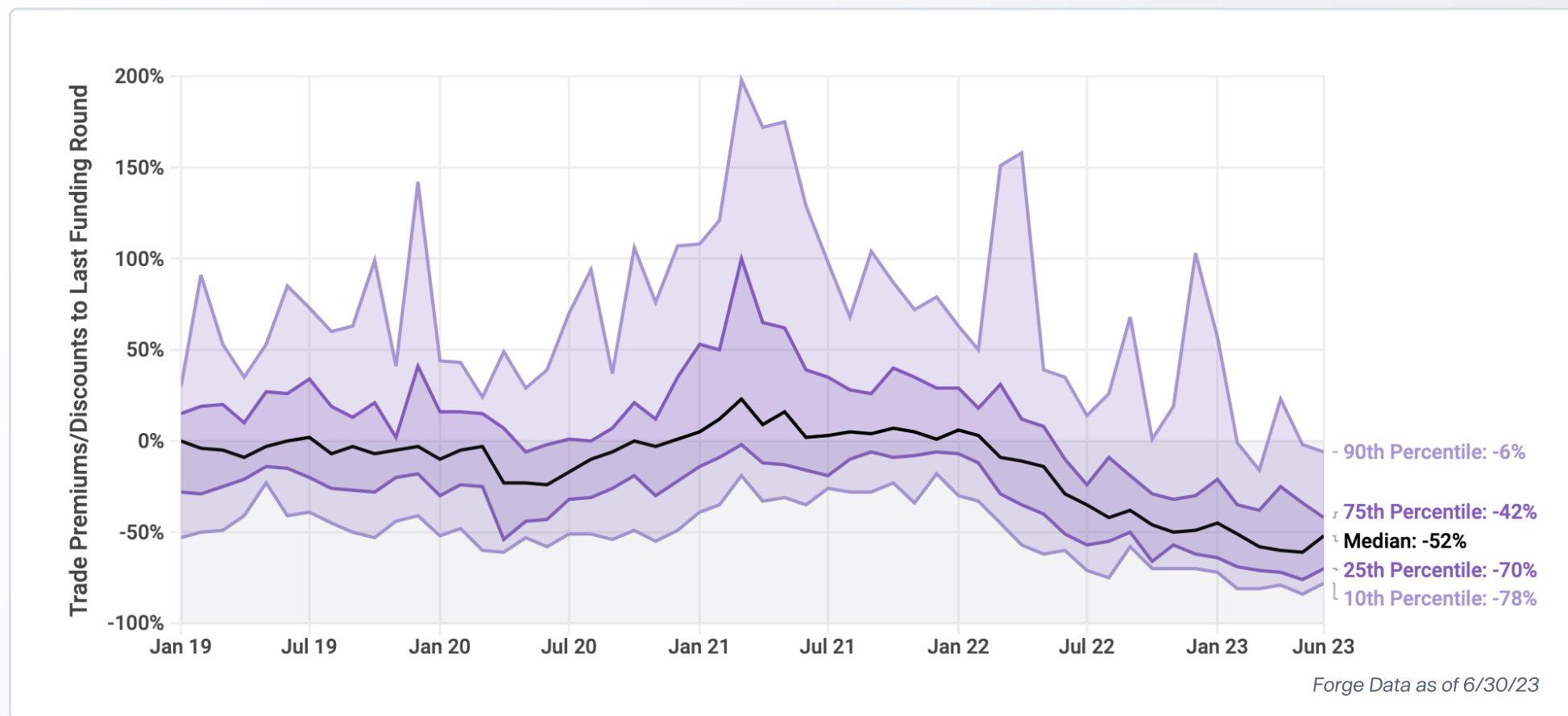
# Secondary Market Activity



## SECONDARY MARKET ACTIVITY

# Private Companies on Forge Markets Trading at Median -52% Discount

Secondary market premiums/discounts to a private company's last primary funding round are near or at recent historical lows. Even companies in the 90th percentile of performance are trading slightly below par.



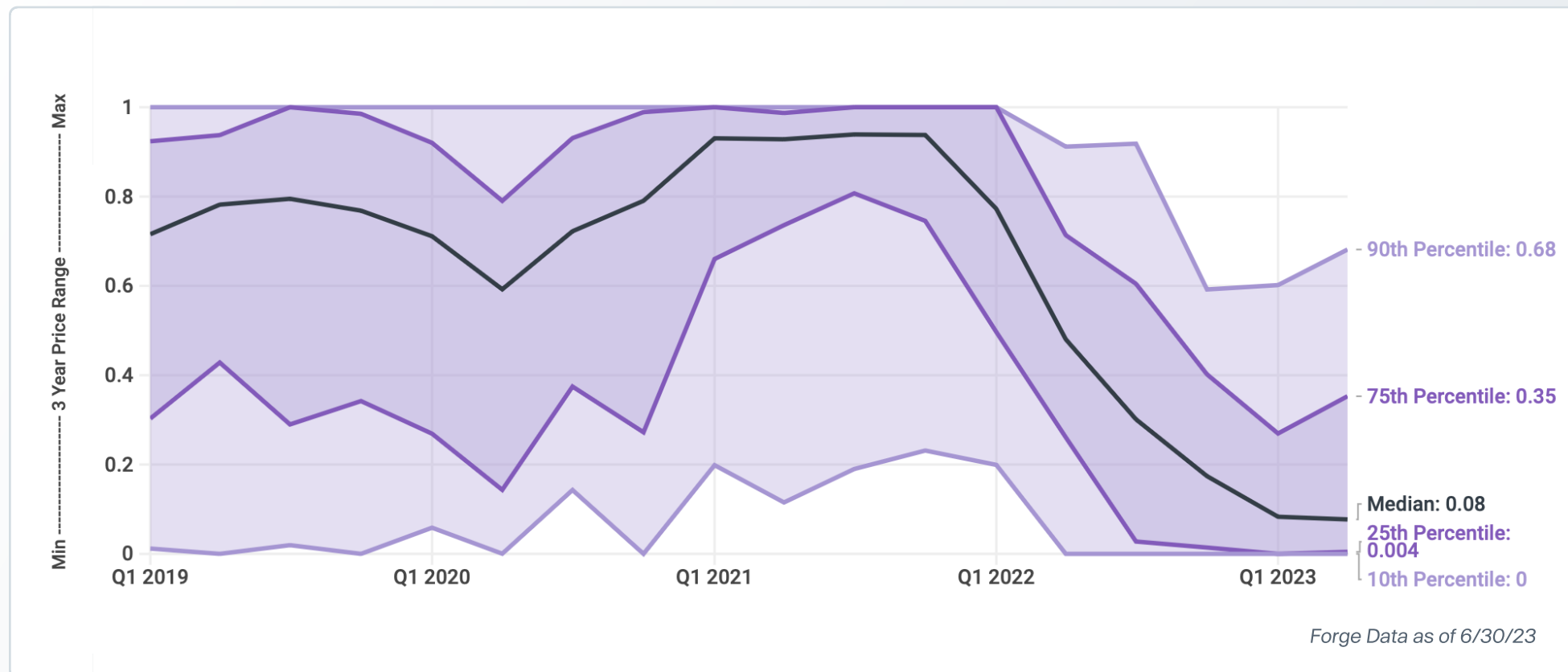
### Visualization Details

This chart plots the distribution of monthly secondary market premiums/ discounts to a company's last primary funding round on Forge Markets trades executed since January 2019.

## SECONDARY MARKET ACTIVITY

# Median Trade Prices near 3-Year Lows while top performing companies reverse downward price trend

After a spike in trade prices throughout 2021 that saw median trade prices close in the 94th percentile of their 3-year range, Q2 2023 is now showing the median trade is only in the 8th percentile of a its 3-year range.



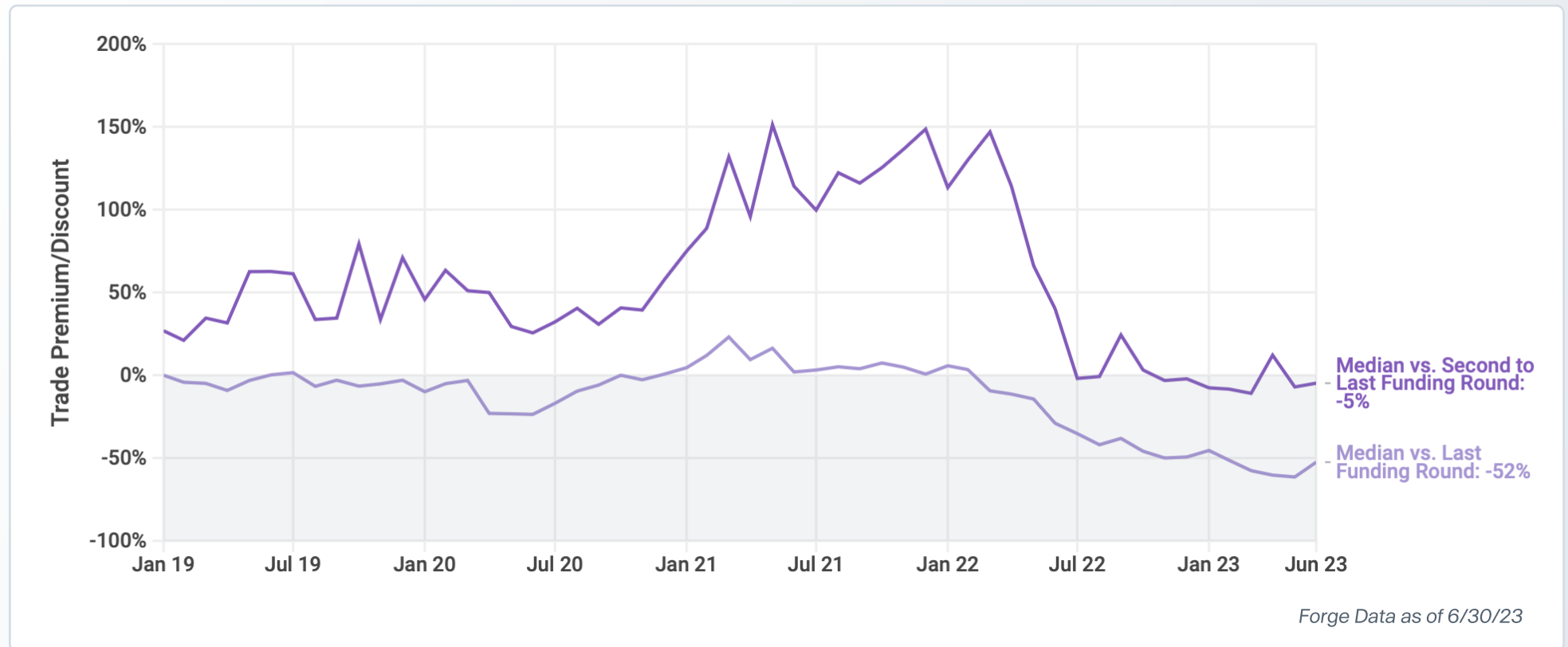
### Visualization Details

The chart shows how company trade prices compare to their own historical 3-year high and low prices. A value of 0 means the company is trading right at its lows, while a value of 1 means it's trading at its high. A company trading at a value of 0.48, for example, would be 48% of the way between its low and its high. On aggregate, the chart shows the distribution of trade prices relative to highs/lows across companies in each quarter.

## SECONDARY MARKET ACTIVITY

# The Great Reset: Private Companies Now Trading Close to Par With Their Second-to-Last Funding Round

The median company is trading at a deep discount to their most recent primary funding round price per share and nearly trading at par with their second most recent funding round price per share. For those companies who raised funds in 2021 at high valuations, this data shows that almost an entire funding cycle has been wiped out as companies are back to trading at their primary round valuations from before the boom.



### Visualization Details

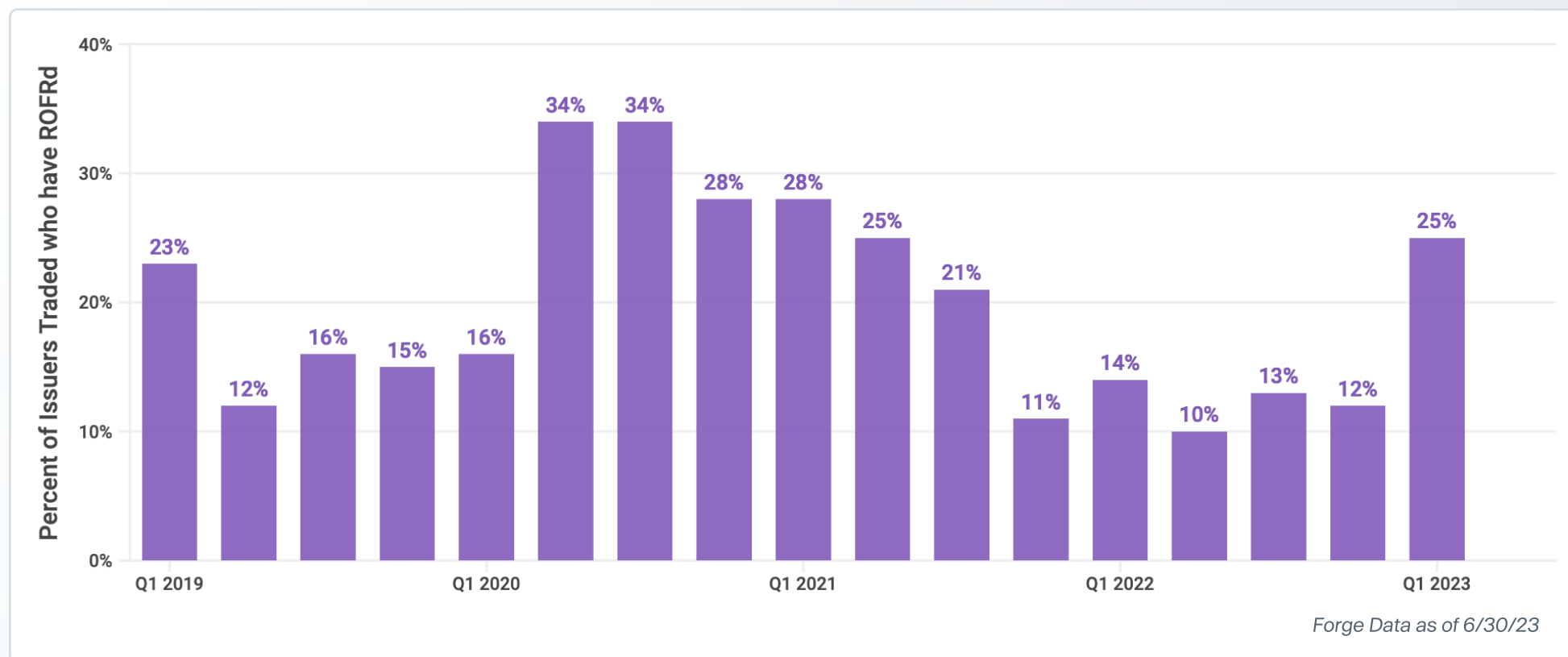
This chart plots the monthly median trade prices on Forge Markets compared to a company's last funding round as well as their second to last funding round since January 2019.



## SECONDARY MARKET ACTIVITY

# Notable Uptick in Companies Exercising their Right of First Refusal (ROFR)

The percentage of issuers who exercised their ROFR dropped to historic lows in 2022. However, Q1 '23 ROFR rates have increased significantly from last year.



### Visualization Details

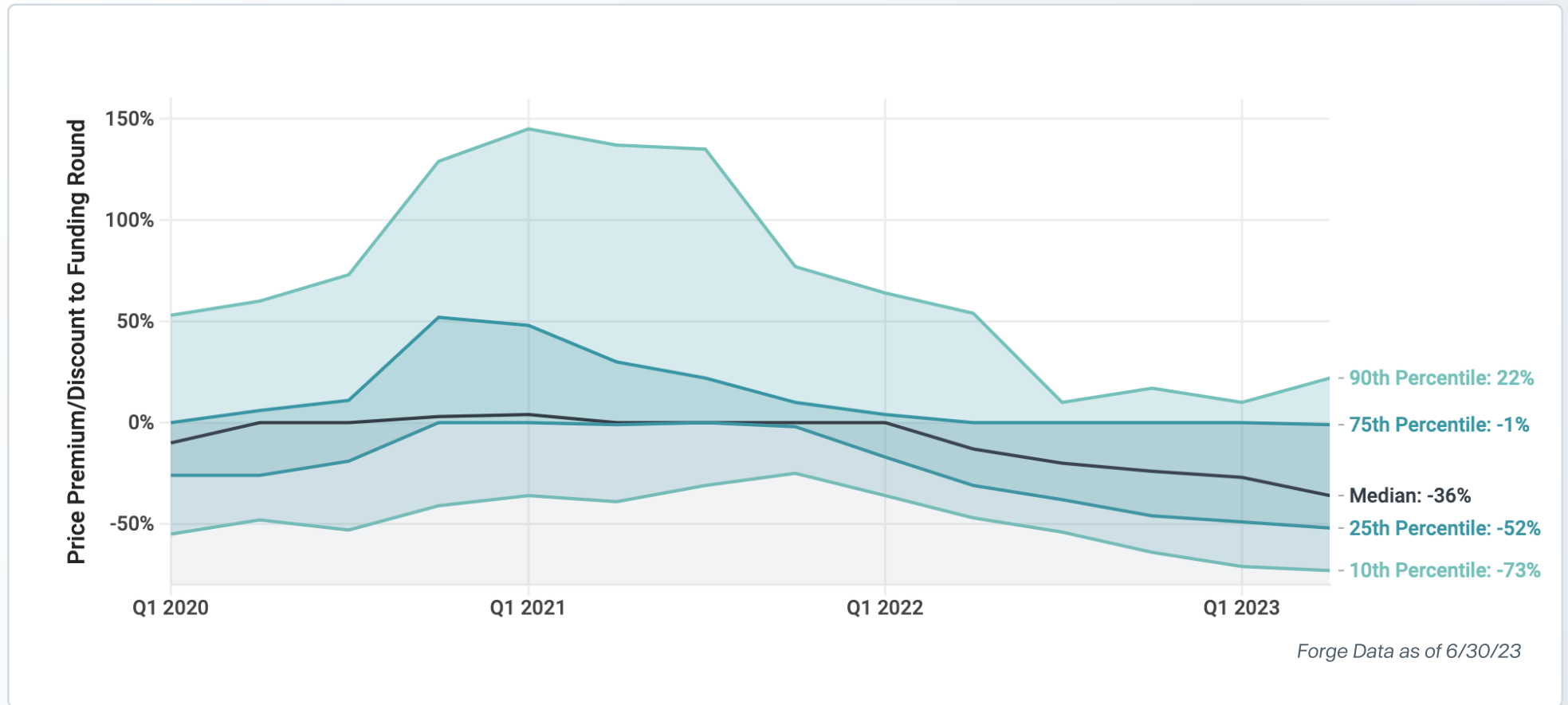
This chart shows the percent of issuers that traded in a given quarter that ROFR'd trades.

When a private company shareholder seeks to sell stock to a third-party buyer, the company typically retains a right of first refusal for a set period (which is often 30 days) to step in and buy the stock back itself (or assign this right to a large investor) at the price negotiated by the seller and buyer. In addition to the Company ROFR, certain large investors may have ROFR or co-sale rights they can exercise in this context. If the company (and/or investor) waives this right, the seller can proceed to sell the stock to the buyer at the negotiated price.

# Mutual Fund Marks

# Public Mutual Funds Marking Top Performers at a Premium

Historically, median mutual fund marks have been close to par with last funding round – but this measure has fallen consistently since the start of 2022, down to a -36% discount. While top decile companies remain marked at a modest premium, bottom decile companies are being marked at over a -73% discount to last funding round.

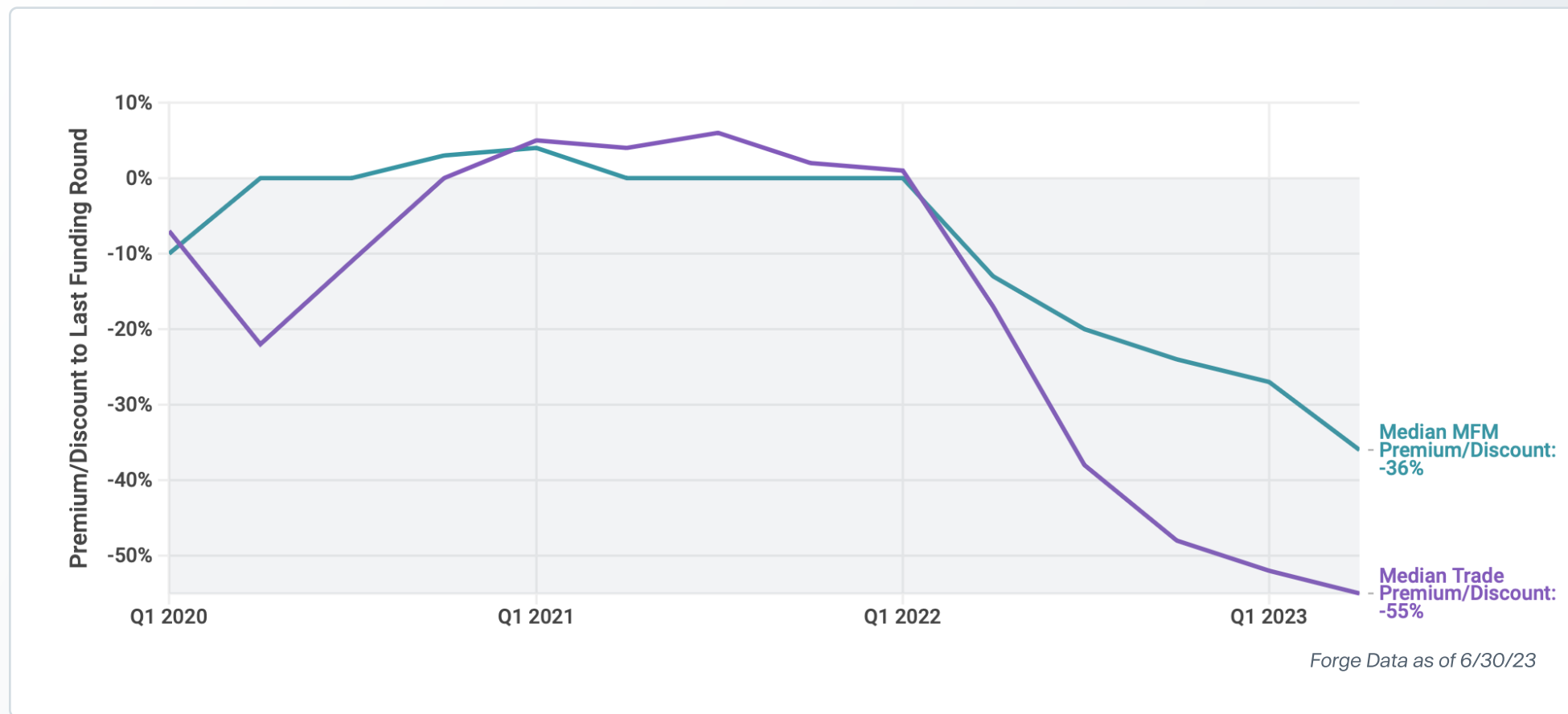


## Visualization Details

This chart plots the quarterly distribution of premium/discounts to last primary funding round at which public mutual funds are valuing their private company holdings since Q1 2020.

# Public Mutual Fund and Trade Price Premium/Discounts Diverge

Through most of 2021, median mutual funds and secondary prices were both roughly at par with a company's last funding round. Beginning in early 2022, trade prices fell further than mutual fund marks as measured by premium/discount to last funding round.



## Visualization Details

This chart plots the median premium/discount to the last funding round on public mutual fund marks versus the median premium/ discount on secondary trades in each quarter since 2020.

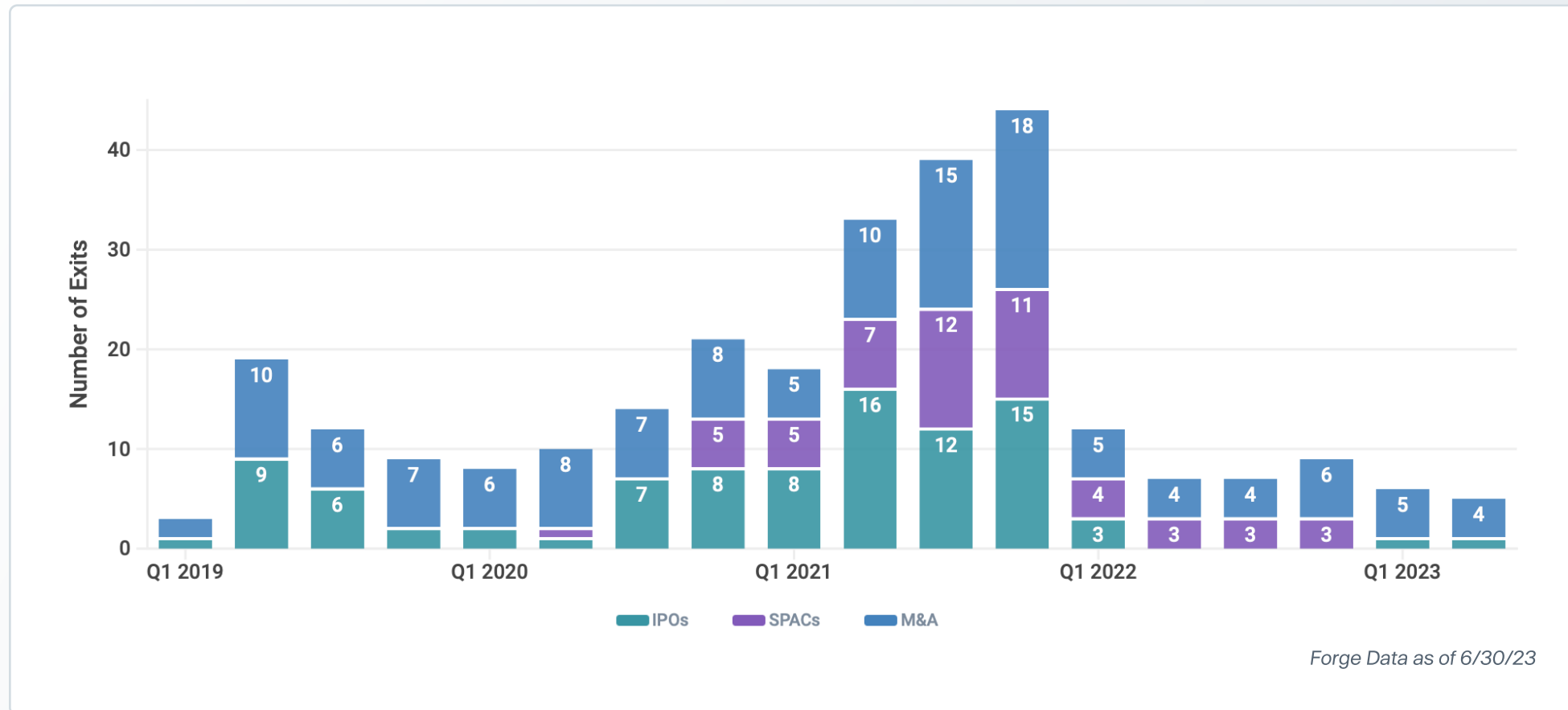
# Exit Activity



## EXIT ACTIVITY

# Minimal but Steady M&A Activity Through 2023

Exits are down more than 80% since the end of 2021. M&A activity has been steady at around 5 deals per quarter since Q1 '22 with a few SPACs illuminating the extremely dry exit environment. The lone IPO of Cava in Q2 provides a glimmer of hope for a re-opening IPO window.



### Visualization Details

This chart plots the median premium/discount to last funding round on mutual fund marks versus on secondary trades in each quarter since 2020.

## Q2 2023 Completed &amp; Announced Exits

## IPOs

## Completed

| Company     | Date    | Exit Valuation | Last FR Valuation | Exit Multiple |
|-------------|---------|----------------|-------------------|---------------|
| Cava (CAVA) | 6/15/23 | \$4.7 B        | \$1.39 B          | 3.38          |

## Announced

| Company     | Status               | Date Filed | Last FR Valuation | Last FR Date |
|-------------|----------------------|------------|-------------------|--------------|
| Klaviyo     | Confidentially Filed | 5/12/23    | \$9.5 B           | 5/18/21      |
| Seatgeek    | Confidentially Filed | 4/19/23    | \$1.24 B          | 8/31/22      |
| Chia        | Confidentially Filed | 4/14/23    | \$458 MM          | 5/24/21      |
| Tevogen Bio | Confidentially Filed | 6/29/23    | \$4.3 B           | 3/15/22      |

## Mergers &amp; Acquisitions

## Completed

| Acquired Company |                   | Acquirer    |                   | Acquirer |          |          |
|------------------|-------------------|-------------|-------------------|----------|----------|----------|
| Company          | Last FR Valuation | Company     | Last FR Valuation | Date     | Price    | Multiple |
| Aumni            | \$258 MM          | J.P. Morgan | n/a               | 5/2/23   | \$232 MM | 0.90     |
| Proxy            | \$298 MM          | ŌURA        | \$2.55 B          | 5/9/23   | \$165 MM | 0.55     |
| Ordermark        | \$393 MM          | UrbanPiper  | Unknown           | 6/13/23  | Unknown  |          |
| Ribbon Home      | \$507 MM          | EasyKnock   | Unknown           | 5/8/23   | Unknown  |          |

## Announced

| Acquired Company |                   | Acquirer    |                   | Acquirer |          |          |
|------------------|-------------------|-------------|-------------------|----------|----------|----------|
| Company          | Last FR Valuation | Company     | Last FR Valuation | Date     | Price    | Multiple |
| Mosaic ML        | \$142 MM          | Databricks  | \$37.9 B          | 6/26/23  | \$1.3 B  | 9.17     |
| Policygenius     | \$726 MM          | Zinnia      | n/a               | 4/25/23  | Unknown  |          |
| Mode             | \$156 MM          | Thoughtspot | \$4.2 B           | 6/26/23  | \$200 MM | 1.28     |

Forge Data as of 6/30/23

## Visualization Details

This page shows individual exit events in Q2 2023 where at least one of the parties is a mid- and late-stage companies covered on the Forge platform.

# Authors & Contributors



**Andrew Alden**, CFA, serves as Senior Director of Quantitative Research at Forge Global where he leads a research team focused on the private market. Prior to this role, Andrew launched Semantiqa, an investment management firm, which focused on the public-market growth equities space. Andrew has also held researcher positions at WeatherStorm Capital and Lattice Strategies (now Hartford Funds) where he led equities investment strategy development, including index development which was utilized to launch ETFs tracking those indices. Collectively his strategies are embedded in 7 systematic factor-based ETFs with assets in excess of \$3Bn.

**Andrew Alden** | Lead Author

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## Contact Us

If you are new to Forge and would like to discuss the private secondary markets in greater detail, please reach out to [institutions@forgeglobal.com](mailto:institutions@forgeglobal.com). We will assign you a private securities specialist who can guide you through broader market trends or company specific real-time pricing / trading history.