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EXPERT INTERVIEW

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Dan Akivis, senior associate at Expansion VC, on selling secondary and managing LP relationships

TEAM

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By **Jan-Erik Asplund**

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Background

Search

Dan Akivis

Walter Chen

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Interview

I'm here with Dan Akivis, who's senior associate at Expansion VC, an early stage venture fund based out of New York City. Dan leads the secondary trading efforts at Expansion. Super excited to have someone who's an early stage investor who's active in secondary here with us. So thanks for joining.

Yeah. Great. Thanks for having me, really excited to be here as well.

I think it would be best to start off with the stuff that you guys do in the early stage. Talk about what you guys invest in at Expansion.

So we're focused, as you said, on the early stage. Pretty generalist fund, but have carved our roots in fintech, real estate technology, mobility, some direct to consumer things, marketplaces.

And we started investing in around 2011. Have invested in roughly 118 or so companies. And some of them have germinated really nicely. I was brought on right at the beginning of the year and one of the big efforts that we started thinking about proactively as things have gone really well -- I guess that depends on how you define it. Because you can't really eat marks, even though marks are great. And so we started to be much more wary and conscious of, how do we monetize on our positions? And frankly, in the past, we've only monetized it when the company presented an opportunity to sell some of the shares, either in a structured round or in a tender.

But we wanted to get ahead of that curve. And I was brought on to figure out that effort. And frankly, between you and I, I'm still figuring out that effort. But that's our core, which is at the early stage, and then I think that now we have changed some of our investing lens to include being a little bit more proactive once the companies mature a little bit.

I'd love to hear how you guys are thinking about being more proactive and what the considerations are, both qualitative and quantitative, and how you're thinking about approaching it.

Yeah. So I think that there is a couple of sides.

I think that we're slowly changing our mindset. And I think that, if we could change the dynamic in venture, if we can be much more programmatic about the way that we invest -- and what I mean by that is, if we could invest with our early stage and we could programmatically sell at the series B or series C, on our terms when we want, then venture fundamentally changes significantly for us. It goes from an asset class where you are either shooting for the stars or hoping for broad liquidity for shareholders, to controlling your own destiny. And I think that

there's a lot of infrastructure that needs to happen from the perspective of the investor in order to actually be able to execute, I'm going to call this programmatically on secondary selling in core positions.
I can tell you now that we have a couple of companies that are at this unicorn stage. We're having a very difficult time transacting in those names and not because the companies aren't strong companies or not because the companies aren't doing well, but purely because of the fact that the investors that we're speaking with don't really know the companies well enough to make an informed decision.

And it's never an incentive of the company itself to work with some of these secondary buyers. A lot of times it's not significant enough. Even the information that we provide on the company is not enough for buyers to make an informed decision. So it's hard for us to transact in some of these names, which I wish changed.

Yeah. One of the things that you hear in secondary is a potential buyer may not have that information, but they have a certain level of risk tolerance for not knowing that information. They are able to dig into other information about how the company's performing through expert networks or their own networks and, as a result, maybe they peg the price based on what the last round of financing was or something not necessarily fundamental or specific to how the company is actually performing. Are there reasons that is not necessarily working for you and the transactions you want to do with potential buyers?

I think the short answer is yes. And the reason that it's not working is pretty singular, actually. A lot of the times discounts get pegged as a valuation for a company, regardless of whether they raise a round or not. We are invested in a company that was trading as low as -- and by the way, "trading at," that's a whole different conversation about what that really means trading at when there's really no volume or transactions in a company -- but it was trading at a 50% discount to the last round. And then the company raised at a valuation that was north of 2x of the last round. And when we reached out to some of the buyers again, we got the same feedback that, oh yeah, now it's still trading at 50% discount. Now to me, that signals that some of these buyers don't actually know what's going on with the company. I don't think that they have access

to figure out what's going on with the company, but regardless, it's not like we as early stage investors can provide the prospective buyer with full financials or last board decks and 409A valuation.
And frankly, maybe it's something that we'll touch upon, but it's some of the information that we don't have anymore. And so some of the things that a prospective investor may want, I don't have, but also the problem is that even if I gave it to them, I can't trust even through legal documents that, A, they keep it to themselves, or B, they even spend time looking through it. They might just be curious about, I'll just look at this high level real quick, and then not really spend time.

And so I think there's really this misbalance of people who want to sell versus people who want to buy. And there's honestly a very poor matchmaking system today.

How do you think about creating a competitive process and solving some of these information asymmetry problems?

So it's a good question. So because this market is so imperfect, you're trying to educate some of the buyers that could potentially be interesting.

There's a lot of miscommunication and misinformation out there. Because it's not in the incentive of the issuer to give any sort of information on any sort of cadence. And because of that, what people think is actually is going on with the company or the trajectory the company is on, is a lot of times not necessarily the right thought process. And frankly it's because they don't have information to think otherwise.

Now, it's very difficult to paint a picture for people who don't want a picture to be painted. I've spoken with folks where I knew that there was a round coming together and I said, look, there's going to be a round coming together. That didn't even close to sway them. We thought that maybe we should do a secondary in the name that we were thinking of selling, because we knew that there's about to be an up round and they were selling at -- someone quoted us a 50% discount, so we thought, okay, why don't we just buy this at a 50% discount? We know that they're going to raise another round and then it's basically an easy couple of X on paper. But we ended up not transacting in the name, partially because we're pretty core early stage funds and decided to maybe not play that game just yet. But perhaps in the future, if liquidity got better, and if pre-IPO names were easier to transact in, I think that it opens up the door and democratizes the way that lots of folks who haven't traditionally invested in late stage names can now do so on an easier basis.

So just to recap, you've been thinking about being more proactive about being involved in secondary, but you haven't found buyers at the price that you expect based on how the company's performing. Is that leading to having you guys rethink how you're approaching this? What do you think the approach will be going forward?

And has selling secondary as bundled into a round of financing -- is that sort of the fallback where there's a big institutional that comes on, and let's say they do some primary and some secondary, and there's a price that they said that makes sense. Is that sort of a fallback that you're still involved with? Like a more reactive secondary sale?

Yeah. So the answer to the first question is I think that the way that we have tried to approach the situation is, instead of selling name by name, we try bundling it in.

So we know that we have some names in our portfolio that investors are very interested in. That's just given the trading in the name. And we also know the last price that trades have been happening at. And again, I'm just scraping this information from network, not because it was a central place for me to see that. The thing is that, hey, we're getting pings about certain companies that we're invested in.

So we're saying, yeah, sure. We are willing to sell a piece of that name, but can you also take one of these two names with you? And so far the answer has been largely, I'll find out or I'll see or I'll check or we'll try and we'll look and lots of lags, but it's worked out, or it looks like it's working out at least once. If someone says, okay, fine, I'll take X off your hand, and sure, you could sell me Y with it, but that's more of an option play and we'll see what happens with it, but I'm really just wanting exposure to X. So I think that we're seeing that. And I think that we're probably gonna try to continue doing that going forward, just bundling it.

And then to your second question, I think that, yes, we're opportunistically taking chips off the table when companies offer us in a structured round that there's a new investor to sell some secondary. I'll tell you that there's an issue with that, obviously, because you are not in control of your own IRR destiny in that scenario.

Because a lot of late stage names, or growth stage names, aren't raising at the cadence that you would want as far as from a share appreciation perspective. And yesterday we talked to one of our portfolio companies, valued in that call at the $500 million range, and the person told me pretty frankly, that he has 36 months of cash on his balance sheet. And I don't think we're going to see an up round in that company in at least a year and a half or something like this, at least. So, but at the same time we want to sell a couple dollars, but it's not a company that we will ever be able to sell money in because I don't think anyone even ever heard of it.

Can you talk a little bit about this from a portfolio construction standpoint? You touched on this a little bit, but how do you decide what percentage of a name to hold and what percentage to sell. And also from the controlling your IRR destiny, how do you think about that?

Yeah. So we invest typically somewhere between, call it a hundred and $500,000 at the seed or early series As , like under $30 million valuation rounds. And I think once we have the ability to sell, we always take cost basis plus. And so I think that for us, it's a pretty, very simple exercise, much more simple than you think. I'm just saying, okay, how much do we take off the table to have a certain IRR threshold? So if we put in, call it $150k, and that was five, six, seven years ago, it was like five years ago.

If I'm taking off, let's say, I don't know, close to, let's say, 700, $800,000. What's my IRR on that math ? At the same time we're balancing it with, while we still believe in the company and we still want to continue riding it out, so how much should we leave in the company assuming, call it 2, 3x valuation from here for it to be still meaningful for us from the amount of money that's left.

So it's just like a very delicate balance of, on one hand, we want to have a nice return. On the other hand, we want to

leave enough so that if there's further appreciation, we don't miss out on it. So I would say it's not really an exact science, where there's a cell in Excel that says, oh, here you go. But there's definitely a lot of back and forth about it internally.
We've talked about the unicorn names. What about the sub unicorn names? Is there any buyer interest in, let's say, companies in the $100 million range or $500 million range, that area?

So I think, so the short answer is no, there isn't. And I think that the reason that is because there is no coverage of venture capital. Because venture capital by definition is a game of everyone chasing the top. But everyone that hasn't gone to a certain marker, it's been like written off.

Because if you think about just -- there's a top of funnel here in venture, where there's hundreds of thousands of early stage companies and then how many of them trickle down to the over billion dollar valuation ones? So no one pays attention to the ones above.

And I think that part of it is twofold. The later the company is in its lifecycle, likely the more times and more conducive is the CEO to allowing a secondary transactions in the name. Whereas in the early stage, we've had this before, where we wanted to do a secondary in a pretty early stage name, sub $200 million, and frankly, the reaction that we got, it was just like, why are you guys doing all this? What is going on here? And I think that the reason that it happened is because the management team was just uncomfortable and they didn't know about the nuance of secondary to even consider or think about it.

And frankly, I think they thought about it as just more distracting that one of their shareholders wants to sell a piece of them. And I think that's a big problem. If we translate this into -- let's say, if we try to make an analogy for public markets, you have microcap names and you have large cap names, right? So just because you have a microcap name doesn't mean you shouldn't be able to trade in it. And also, I think that microcap names, especially if you do allow us a secondary on a more programmatic basis, in earlier stage names, that it could be lots of investors that are actually very intrigued by the business, it could be very helpful. It's just that it's not their full

time job to seek out this business. And so you miss out on a lot. But yeah, totally different nuance between the stages.
Yeah. Can you talk a little bit about, as an early stage investor, what triggers for getting management to think about secondary have been useful, that work? When management starts to become conducive to secondary, is it because they're hearing it from employees? Is it because they're hearing from early stage investors? Is it hearing from a big institutional that's coming on and wants a big chunk? What are you seeing from that side?

Yes, so from our lens, it's a little bit hard to appreciate the need of the employee to get some liquidity. So I'm sure there's some of that nuance. I'm not personally privy to that.

Certainly the institution wanting a little bit more ownership. I think at any large institution that -- it's funny, even players who are institutions that are not traditionally secondary buyers a lot of times get their ownership threshold through doing some secondary, just because the primary round is just not big enough.

But, for us, you'd be surprised at how many times we mentioned to a company that we'd like to sell a piece of our stake. They're caught a little bit off guard. They're saying, okay, I guess if we hear of someone who wants to buy, we'll let you know, which inevitably never happens. But I think what you did was you set a precedent, which I think then makes a company open to if you come with a buyer that the company accepts, then theoretically, they don't really have an issue with it.

That's the biggest challenge, coming with a buyer that would like to be in a cap table of a company that is not a company that you can easily Google about what's going on with it. And also you have to understand that management is not conducive on off-cycles to educate random folks that are not going to add, call it economic value to the company immediately, to start sharing all this information on behalf of one shareholder. And so it becomes very difficult to actually execute a transaction.

How do you think about messaging that, because obviously it could potentially be a hard conversation to have. So how do you think about that? How do you message it to management? And then are there things

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that you do to take away some of the administrative overhead and facilitate the actual transaction with the buyer in a boots on the ground sense?
Yeah. So I think that for the management part -- look, we have a good relationship with all of our portfolio companies, or at least we strive to have a very positive relationship with all of our portfolio companies.

And so when we call a portfolio company, we tell them, look, we've been investors in this company for some period of time and we're thinking of partial liquidity. Look, they understand. No one says no to that. In fact, when we've teased a structured secondaries for management and some employees, so that the position is a little bit bigger and so that we could sell together a bigger chunk, they got interested. It definitely piqued the interest. It's not something they jumped on, but it's not something that they were closed off to.

But I would say that a lot are understanding of where we're coming from, but a lot of them wish us luck. They're like, look, if you could get it done, great. As long as it's an investor that we would also appreciate on the cap table, feel free to try to do this. Because they know how onerous it is and how laborious it is to go and try to find essentially this one buyer who would be interested in taking over our position in quite an early stage company. Relative to we were talking about where secondaries can get done in a much more structured way.

And so it's very difficult. Frankly, we haven't been successful in doing secondaries in some of these under $200 million names. Even though the company's in a great trajectory and we invested really early and from a multiple perspective, we're doing really well,. But it's just that not enough people know about this company, and the company's not going to share enough information with the new buyer for the new buyer to get excited by it. And so that nuance , I don't think it's going to change.

Yeah, that's interesting. I'm curious what trends you're seeing among your fellow early stage venture funds. Are they also getting more interested in secondary and involved in a proactive way?

Yeah, so I think it depends. It really depends. If it's an early stage fund that's been doing venture investing for a long time

and they're a storied brand, and everyone knows who they are, chances are they have some sort of secondary -- I don't say the word program, it's because it's probably not official -- but they have access at this point and network large enough to, I think, be able to transact in some of their names. Not all their names, but in some of their names in very specific points of time of that name.
I've talked to plenty of early stage funds where I asked them how they're thinking about secondary transactions and the short answer was, what do you mean by that? And yes, they understood -- they literally, they didn't understand what I mean -- but metaphorically they're just like, we're here to shoot for the stars and unless there is some sort of significant liquidity event, at a significant valuation, we believe our fiduciary obligation to our shareholders or our LPs is to shoot for the stars and we're shooting for 10x's. Until we get that, we're not really thinking about it.

I think that's the wrong approach. But that's personal, like I think everything is up for debate. I don't think there's a right answer here, but I always think, for people who are investing in companies that naturally have an illiquidity discount to what the actual valuation of a company could be, should be very proactive in how they think about, of all the other discounts that come with private investing, how do you minimize at least this liquidity discount so that you could give some money to your LPs?

But the second thing is that the service here is that -- I also think that LPs should be in on the decision making process, which they're not. Essentially LPs give money to the GP and they read the LPA, which is essentially the fund agreement, and they're like, this is the agreement. I think that, if there could be a potential to sell, that LPs should know about that.

But I will tell you this, that selling in an off cycle or otherwise at a time when there's no opportunity to sell, where you're trying to create the opportunity to sell, is very distracting. I've spent so much time trying to meet folks, talk to folks, get in front of folks and it's become almost like a full time job. And so to the extent that your full time job is not to sell secondaries, is not to transact in your portfolio companies, or not to do some sort of monetization process, it's just, it's otherwise just noise in your day, and so you're not concentrated on it.

I don't think any early stage fund has a person dedicated to secondaries on their team. So to that extent, I think that people miss out on opportunities to, I would say create demand. Because I think that from the early stage perspective, if no one thinks that some of the names that we're investing in are potential investments for themselves, so there's no broad education on some of these earlier stage names in a way that there could be. I just think at the early stage, unfortunately, we want a broad exposure to a couple of names, as opposed to like at the late stage, where it's you want exposure to a certain name, the trajectory, the rumors, the whispers, that you've been talking to the experts, you're like, okay, so that's the name I want to put my money on. In the early stages, it's very hard to do where I think you need to like index it a little bit, where you take a couple of positions off the funds' hands. And again, that's very difficult to do because it's just not a nuance that we're used to in venture.

Can you talk a little bit about the relationship with LPs and how this, if at all, is messaged to LPs? Because if it's something that's different from what your typical early stage fund would do, and how you frame it for them.

Yeah. So the way that I've seen it done is twofold. It gets reported to the LP after the fact. "Dear LP, we had a chance to take some chips off the table, so we did. And so here's your distribution off of those chips." I will tell you, 99% of the time, no LP is mad at that decision, and no one ever pushed back and said, no, why don't you keep the money in the company and just swing for the fences.

That's not common. I think that when you can take money off the table and you can distribute, it's a good thing. And I'll tell you why. Because when you're raising your next fund, you want to show some distributions along with your markup. And no one's going to punish you for that.

I think that, for us particularly, so we're backed by a single family, and the conversation is a little bit different and that's probably why we're trying to be a little bit more proactive. Because we don't want our destiny to be controlled by this third party, or essentially the fund manager, and we want to be able to -- and I would say this -- not fully control our own destiny, but at least attempt to control our own destiny. Because at the end of the day, what I was alluding to, not all

companies, even those that are worth, call it, four to $600 million are going to be easy to transact in, and so as much as we would like, we are having difficulty doing it. And I think not because the companies are bad, but because it's very hard to educate people at scale.
If you think about the mirroring of private to public markets, a company can educate investors with the amount of press releases that are coming out, with 8-Ks, 10-Qs, 10-Ks. There's so much information there that's coming out of management, that you can get pretty smart on a name in due time, whereas for private companies that don't publish any information on them, you don't know anything, they have no incentive on educating anyone except for their small number of investors that they're raising from in the next round. No one really knows anything. So it's incredibly difficult to transact in.

By the way, buyers know this. And that's why you have this notion of a discount. You're saying, the discount is essentially supposed to be a catch all for not having the perfect information on a company. Let me just say, okay, I think it's worth X dollars. So because I don't have so much information and essentially I'm shooting in the dark here, I'm just going to have to ask for a DV worth half of X. And I'm just hoping that this other half of X is where my return is slash where I discover a bunch of stuff with the companies.

And that's where I think that nuance is. But otherwise I don't think there would be. If there's perfect information, I don't think there would be a discount because things would be priced.

Just to go deeper into that a little bit and talk a little bit about efforts working with the people who in the ecosystem are meant to solve this problem, brokers, platforms, et cetera. What has it been like trying to work with them?

Yeah. So I think that, it's funny, I was talking to a broker yesterday and I basically told him, no fault of your own, but your job is imperfect because you have no idea. Because you go to your own network and maybe there's some sort of structured database that you're paying and that you're okay with cold reaching out to someone, but you have no way of knowing whether some random executive who could be very helpful to this company could be very interested in a secondary, but never even thought about this, could potentially

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be interested in taking a piece of our position. And he said, frankly, that I'm a hundred percent correct that we are basically hiring him for his network. And unfortunately, that is very imperfect and that is not how -- your network is limited. Whereas, if you think about -- and I'm not saying anything groundbreaking here -- but if you want to buy stock in a public traded company, you can find a way to do it, in a much more frictionless process. And so over here, working with brokers has been -- I would say that the short answer is it depends. Unfortunately for brokers, the only way for them to be truly successful is by having scale of -- I guess the amount of people that work there that are reaching out to these nebulous networks, for interest in a name.

I think that there's also a handful of brokers out there that are doing this. I don't think there's anything nefarious, but I think that they're not honest with the ability to actually transact in a name. They might be marketing something that, again, could be in a legal structure that's wrapped around another legal structure, and you're technically buying a piece of a third legal structure that technically has some sort of economic exposure to the first two structures. And you quickly see how you're not even sure what you bought at the end of the day.

But now, the larger institutional investors, because there's larger funds out there -- the Greensprings, Industry Ventures, things like that -- so they're in the business, like a lot of these other funds, of getting the absolute best price and never being in what colloquially is the J curve. Which is essentially how long are you in the red for as a fund. And the issue with selling to them is twofold. They have the pulse on the price way too well, and they are almost in the business -- I don't want to go as far as saying the word price gouging -- but they might say, okay, the company is worth 90 cents on the dollar, so we're bidding 70. Because that 20 cents is where we think we get outsize returns on late stage names, where it's like we can squeeze, call it, 2, 3, 4x in a pre-IPO name in a way that some of the investors that are investing at the pre- IPO round are squeezing, call it, 2x in the name or 3x in the name. They could maybe squeeze up to 4 or 5x on a name. I would consider them the sharks of secondary investing. And not in a bad way. In a way that they really know what they're doing. And so, you don't really want to deal with them because they probably know too much about some of the names that even you're trying to transact in.

And so this is balance, right? We're just like, you want to give as much information as possible. You don't want to give too much information. You're trying to get the best price. So you don't want to transact with someone who's going to give you the worst price. And at the same time, frankly, these funds also have a threshold in position size. And a lot of times, for us specifically, it's much bigger than what we have, the amount of stock that we have.

And so in order for some of these larger funds to transact in, they need to start getting supply from other investors. And that's an entire process that they do once they already know that they're interested in putting on the position. It's very hard for us to educate a large secondaries fund on any sort of nuanced investing because they know what they want already.

So yeah, but totally different universe. Brokers can sometimes be very difficult. And the problem is that you don't know the quality of the broker and that's really it, there's no transparency. Because the way they started the conversation is, we've seen some bids on this name. You're like, okay, let's transact in that name. And then once push comes to shove, it's, oh, something fell through, something didn't work, the buyer withdrew, and a number of other excuses. And then you don't actually know -- first of all, you never actually meet the buyer. So you don't actually know if it's successful or not, or who this person is, whether it's even real or not, but you're exposing your cards or the fact that you want to sell. And so it's a convoluted process.

And then to your last question, these platforms. So for us, we're not averse to it at all. It could be on a platform, that's fine for us at the end of the day, we still get the money that we want. It's as long as the company's okay with having that platform essentially on the cap table, or maybe the aggregation of the investors of the platform on the cap table. But at the same time, I signed up for one of these platforms just for fun, out of curiosity just to see how does this work?

You need to be on that platform probably once a quarter. And I looked at the platform and I didn't recognize, call it, 95% of names. And I thought to myself, how do I get educated on some of these names? Then I realized that there is no way for me to get educated on the names, especially not through this platform.

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And so the platform kind of serves there as almost like a landing page and an execution, which again doesn't solve the problem. Yes, it solves the problem of -- if you already know you want exposure in a name and you're a retail investor and you're investing ten to $50k, then you could do it through this platform. But it doesn't give you a chance to say, here's why you should invest in this company. And so that's what I think prohibits large scale liquidity in some names that are even on these platforms.

Information is the name of the game here, by the way. Everyone's trading on scarcity of information. That's why everyone asks, are there information rights? Which means really what? Let's say the word is the answer that these shares come with information rights, and the buyer's like, great. I'm buying shares and they come with information rights. If the company decides not to give information, there's not much you could do. And no buyer's going to be like, okay, then I'm going to sue the company. Then you're never going to do a secondary transaction ever again, and so you need to think very carefully about whether that's something that's worth doing.

And so that's really the frustrating part about why secondaries are so difficult to do, because we have execution mechanisms in place. It is possible to do a secondary if you want it. The problem is that you don't know if you want to do it. That's the issue. And if we could change that issue and we can on a much more large scale educate folks on all sorts of names, I think it'd be much more trading. I think then essentially the CEO is going to say, wait a second. If I don't have to do anything and I get a new investor in my cap table -- they could, by the way, add a lot more value than the investor that's getting off of the cap table -- then maybe I'd be really open minded to it. But I also know today, 2020, in order for me to do this, the amount of effort it's gonna take, and the amount of investors they're going to have to educate on this name, and then realize that there's no actual economic value to the company and only economic value to one shareholder.

And then the question becomes, well, was I supposed to open this to all the other shareholders too? Was I supposed to open this to some of my employees? Should I be considering doing this? How do I balance that against my day to day

responsibilities of the company? And this becomes very distracting very quickly.
And so I think to a large extent, people are just like, leave me alone until there's a large scale event, in which case my mindset is already on this event, and so I will think about how to execute on this, on your block of stock.

How do you think about solving some of these structural issues? Especially around this core incentive question around how to get companies to share more information and educate investors more.

Yeah, I think, because I'm always trying to parallel everything I do in the private markets, I try to parallel to the public markets. I think that, especially at the early stage, I think that they're extremely worried about what's perceived as poor growth or poor execution, and so they keep the information very close to themselves. Because I think that if there was actual free trading allowed in more names, you'd quickly see that there'd be a lot of price compression in some stock. And I'm not even talking about just like the late stage names, I'm talking about names that are valid from a hundred to 500 million. I think that they come down to being worth 50 to 250, in my opinion.

I think that the other issue is structurally. There's a structural issue in the private markets, that there's no short selling. If you can't short sell, then there's no one to come in to be the bear in any position, and otherwise put a bet against the company. And as long as you can't do that -- and as long as venture is a long only game, you by definition are not going to have the most fair pricing of securities.

You have to also remember how these securities get priced. It's one fund that determines the next price and everyone else just says yes or no. And that's it. And so you think to yourself, whenever we see these great announcements of big company raised big round at a big valuation, you have to remember who priced that. It wasn't the market, it was a person in the market that priced that, and then everyone else signed the same term sheet.

I think the way that you could solve it is by -- it has to start with the management teams from the perspective of showing them, if you share this information, this is the amount of attention you can garner and therefore the amount of liquidity

that you can establish or generate for yourself. Because I think even today CEOs operate on, okay, I own 20% of the company after the series B, let's say, or whatever it is, and this is what it's worth, but who cares, I'm miles away from ever actually monetizing on this.
I think that if we tied some of this nuance to CEOs and management teams and employees, I think that it would change the mindset of some of these companies, but essentially I still think that it's all about creating -- and I was talking about this internally. What if we can create a class of shares, let's call it, going to be, let's say 10 to 15% of the value of the company, that's purely meant for free trading. It's like anyone can buy and sell it. And no one can take a control position because even if you buy all 10% of the outstanding of this second class of shares, you can't have control, they might come with no voting or whatever it is. And you can establish this structure where you might have all this free trading in your name.

Now the question is how do you establish this regular information reporting. And that unfortunately is an entire job function of a department, like investor relations at a company. The only thing they do 100% of the time is facilitate the transfer of information from the company to investors and figuring out what the right way of phrasing some of these things are. Early stage companies don't have the resources, and early stage is something over a hundred million but under 500 million, I think is how I'm thinking of early stage companies. Some of these early stage companies don't have the bandwidth or the resources to hire even one person to be on the investor relations role. So at the end of the day, it's also going to be distracting. Because that means that they need to put something out. Why, what cadence, what information, people need to get that information. And so yes, I think broadly there has to be a shift of how we think about trading names, at the earlier stages.

I really appreciate you taking the time to chat today. On that note, I feel like it's going to be really interesting to see all the changes that happen in the private markets, both in the late stage and the early stage. And, I think as we think about startups more as an asset class, and as sophistication in this stuff grows, to the way that you're thinking about it, more of what in the public markets will

be translated to the private markets. So it's exciting to be a part of it.

I totally agree. All we need now is execution and information, and I think that we'd be pretty golden.

Yeah, something we're working on, so let's make it happen. Cool, man, thank you.

Thank you.

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