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EQUITY RESEARCH

UPDATED
07/14/2025

EquityZen

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EquityZen

[Visit Website]

Marketplace for buying and selling pre-IPO shares in late-stage private companies

#private-markets-exchanges

FUNDING

$6,500,000

2017

Details

HEADQUARTERS

New York, NY

CEO

Atish Davda

SACRA

Valuation

EquityZen raised $6.5 million in total funding through 2017, with their most recent Series A round of $3 million led by Draper Associates in July 2017. The company has not announced any subsequent funding rounds since then.

Key investors include Draper Associates, WorldQuant Ventures, 500 Startups, LaunchCapital, and Projector Ventures. Tim Draper led the Series A investment, with WorldQuant Ventures participating as a returning investor from earlier rounds.

Product

EquityZen is a two-sided online marketplace that connects employees and early shareholders in late-stage private companies who want liquidity with accredited investors seeking pre-IPO exposure. The platform operates through a FINRA-registered broker-dealer and structures most investments via special-purpose vehicles that hold the underlying shares until an exit event.

For sellers, the process begins with creating a free account and adding their equity details including company, share class, desired price, and number of shares. A Marketplace Specialist evaluates demand from accredited investors, and if sufficient interest exists, EquityZen launches a deal. The company negotiates final pricing, prepares placement agreements, and opens escrow while coordinating the issuer's right of first refusal process. Upon closing, which typically takes 8-11 weeks, sellers receive cash minus the 5% placement fee.

For investors, the platform requires verification of accredited status before browsing live or preview listings with minimums usually starting at $10,000. When deals go live twice weekly, investors sign subscription documents and wire funds after allocation confirmation. EquityZen aggregates commitments inside LLC special-purpose vehicles that purchase the shares, with investors tracking status through real-time dashboards until exit events when the SPV dissolves and distributes underlying shares or cash.

The platform targets sellers who are current or former employees, angels, or funds owning common or preferred stock in Series C+ companies that have raised at least $50 million in venture capital. Only US accredited investors or qualified institutions can participate as buyers, with verification completed during onboarding.

Business Model

EquityZen operates a B2B2C marketplace model that monetizes through transaction fees rather than subscriptions or ongoing management fees. The company charges sellers a 5% placement fee on successful transactions while providing free access to buyers, creating a seller-pays model that aligns incentives with transaction completion.

The platform's core value delivery mechanism centers on aggregating fragmented liquidity through special-purpose vehicles that pool investor capital to purchase individual employee shareholdings. This SPV structure solves the coordination problem between small individual sellers and institutional buyers while managing the complex legal and administrative requirements around private company share transfers.

EquityZen's go-to-market approach combines direct outreach to employees at target companies with demand generation among accredited investors. The company maintains a weekly deal cadence and uses preview offerings to gauge interest before sourcing shares, improving hit rates for sellers. Lower minimum investments of $5,000 for multi-company funds versus $100,000+ at competitors helps democratize access and expand the buyer pool.

The business model benefits from network effects as more sellers attract more buyers and vice versa, while the company's proprietary data on private market pricing and demand creates informational advantages. EquityZen's asset-light approach avoids the capital requirements of competitors who hold inventory, instead earning fees on flow while outsourcing the actual share custody to SPV structures.

Competition

Vertically integrated exchanges

Forge Global represents the most formidable competitive threat with 636,000 registered users, 18,000 institutions, and over $15 billion in historical volume. Their 2025 launch of Forge Pro provides institutions with order management system tools and live bid-ask spreads, moving closer to a public market experience. Forge's proprietary Private Market Index and Forge Price valuations, combined with their ATS broker-dealer license, enable them to handle block trades of $5 million or more that attract supply away from EquityZen's syndicate model.

Nasdaq Private Market has partnered with parent Nasdaq on Tape D API to deliver real-time secondary pricing to banks and wealth managers. With $60 billion in total volume across 775 programs and a flat 1% commission structure, their access to Nasdaq's distribution network could rapidly standardize price discovery and erode EquityZen's informational advantages.

Retail-focused marketplaces

Augment (augment.market), a FINRA-registered ATS launched in mid-2023, targets accredited retail investors with low investment minimums, real-time indicative quotes, and its “Power 20” index for price transparency. End-to-end digital settlement and a dashboard of daily price histories aim to replicate the public-equity user experience, threatening to siphon smaller tickets from EquityZen’s funds and undercut its data moat.

Linqto focuses on smaller check sizes starting at $5,000 with mobile-first user experience and educational content targeting accredited but less sophisticated investors.

InvestX works through broker-dealer networks to reach similar customer segments, while these platforms compete primarily on user experience, minimum investment thresholds, and deal curation quality rather than fundamental business model differentiation.

Alternative liquidity providers

EquityZen faces indirect competition from option financing companies like EquityBee and Secfi that provide upfront capital for employees to exercise stock options, reducing the need for secondary sales. These platforms address the same underlying liquidity need but through different financial structures.

Tokenization platforms like Securitize are exploring blockchain-based rails for private company shares that could eventually disintermediate traditional marketplace models, though regulatory clarity remains limited.

TAM Expansion

Product expansion and packaging

EquityZen has introduced lower-minimum single-company funds at $5,000 versus $100,000+ at rivals, along with thematic multi-company bundles that attract first-time accredited investors. The platform's embedded Private Market Map valuation data and AI-driven company screening launched in late 2024 enable self-directed investors to sort deals by premium/discount, growth scores, and sector focus.

Logical next additions include secondary access to venture fund interests and employee option financing, both demanded by the surge in family office volume. Automated tax-loss harvesting for private market markdowns represents another value-added service that could increase platform stickiness and justify higher fees.

Customer base expansion

The platform has grown to 710,000+ registered users as of March 2025, benefiting from the SEC's 2024 broadened accredited investor definition that enlarged the addressable US investor pool by approximately 13%. EquityZen is developing RIA and digital bank channel partnerships to enable advisors to batch client orders, expanding beyond direct individual relationships.

The shift toward retail investors, with their share of transaction volume growing from 56% to 86% year-over-year, demonstrates successful market expansion beyond institutional buyers. Family office allocations growing 120% versus historical averages indicates momentum in the high-net-worth segment that values the platform's curated deal flow and simplified access.

Geographic and institutional expansion

EquityZen facilitates transactions across 50+ countries and has indicated plans for a MiFID-compliant EU offering that would allow European accredited investors to fund USD-denominated SPVs. This would open access to approximately 250,000 high-net-worth individuals currently underserved by US-focused platforms.

A white-label API now integrates cap table data and trade execution into family office dashboards, positioning EquityZen as infrastructure rather than just a marketplace. With venture secondary dry powder doubling to $7.2 billion, the platform can syndicate larger block trades by co-listing with secondary funds, moving upstream toward eight-figure ticket sizes while maintaining retail accessibility.

Risks

Market concentration: EquityZen's business depends heavily on a small number of high-profile late-stage companies that generate most secondary market interest and transaction volume. When specific sectors like autonomous vehicles experienced funding declines in 2022, it directly impacted platforms facilitating employee liquidity in those companies. A broader downturn in venture funding or IPO activity could significantly reduce both supply from employees seeking liquidity and demand from investors wanting pre-IPO exposure.

Regulatory constraints: The platform's growth is fundamentally limited by accredited investor requirements that restrict participation to a small subset of the population, while complex transfer restrictions and right of first refusal processes create friction that can derail transactions. Changes in SEC regulations around private market access or new restrictions on SPV structures could materially impact EquityZen's business model and addressable market size.

Competitive displacement: Vertically integrated competitors like Forge Global and CartaX are building comprehensive data and trading infrastructure that could commoditize EquityZen's marketplace model. As these platforms offer institutional-grade tools, real-time pricing, and direct issuer relationships, they may capture the highest-value transactions and most sophisticated participants, leaving EquityZen with smaller retail-focused deals that generate proportionally less revenue.

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Published on Jul 14th, 2025