



EXPERT INTERVIEW

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Hari Raghavan, ex-COO of Forge, on late-stage investing and facilitating secondary sales

TEAM

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By **Jan-Erik Asplund**



Background

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Hari Raghavan

Walter Chen

I'm here with Hari Raghavan, who's a cofounder of AbstractOps, which automates the back office for early stage companies. He previously served as CEO of Forge, and he's an active investor in both early stage

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Interview

I'm here with Hari Raghavan, who's a cofounder of AbstractOps, which automates the back office for early stage companies. He previously served as COO of Forge, and he's an active investor in both early stage startups and later stage pre-IPO companies. Thanks for joining us.

Thanks for having me, Walter.

I know you're an active investor. I'd love to hear you talk about how you think about investing in early stage versus



investing in these later stage pre-IPO companies, and what excites you about the secondary market?

Yeah. I think there's some common themes. You still want to bet on the best companies that are fastest growing and have the most potential. So when you're betting on software driven companies, technology driven companies and private companies overall, you're betting on growth more than you are betting on the existing numbers. So that element is in common between them, but obviously the kinds of things you're betting on vary between the early and late stage, where in the early stage -- I try to think of it as, okay, there are four major things that every company needs to get right . There's team, product, market, and traction, repeatable traction. And in the early stages you were betting on the team first, in tandem with the market -- like the founder market for team market fit or whatever it is -- and then, like maybe by series A, you're betting on the maturity of the product and how well it's addressing the market and you're starting to see glimmers of repeatable traction.

Whereas the late stage, you don't care about the first three. Because unless there's upheaval. If there's a CEO departure or meaningful talent is leaving or something, then yeah -- like the team. Or there's regulatory shifts in the market, then like market, start to shift, but really all you're betting on at the later stage is distraction, barring any unforeseen changes in the first three measures.

And so one thing that I think is consistently interesting is people try to use metrics that are insufficient, where they're trying to think about , oh, price to sales or price to earnings or something like that, that don't take into account growth in any factor whatsoever.

You know, there's some rules, like rule of 40 and stuff like that, that help you understand that a little bit better, but I still think there's elements missing in the way people think about later stage companies, but ultimately -- this sounds super cliché , and I'm cringing at saying it -- but with all of these companies, you are betting on the future . In the sense that the vast majority of their enterprise value will accrue from starting five years from now. And I think that's just really cool and fun to be a part of, in your own tiny way.



Can you talk about secondary investing in particular and how you think about betting on the future, especially where you may not have access to internal information?

Yeah. I think people also over-index on how much internal information is necessary. I think with a handful of measures, just revenue, growth rate, gross margin, months of runway, like with four or five metrics, you can get 80% of the way there. And I think if you can basically get 80% of the way there and put your money in more companies and get diversification that way, it's a better path than trying to get 99% of the way there on like two companies. Because you're probably wrong. Things change. And so I think people need to be more 80/20 about the way they're thinking about -- when you're betting on the future, the future is unpredictable. So then the best you can do is just an approximation. And trying to get any more than 80% accuracy, or pick your number, is false position.

Can you talk about how you source the deals and how you get access to this information? Because a lot of pushback that people give about investing in these companies is that there's a lack of information available.

Yeah. So companies that are 10 billion plus you can generally find publicly available sources of information. Companies like Airbnb and Uber, for example, were kind of required to provide investor calls to their hundreds of investors by the time they were like seven or eight years in, by the time they were a \$10 billion plus company, and so on. That information is regularly reported in the press either from primary and secondary sources. And so you could get a pretty good sense of how those companies were doing, and obviously there's still fundraising announcements and stuff like that. Like if you hear a company saying we did 500 million in revenue this year, and we did 200 million in revenue last year, during the last fundraise, that's enough directionally to actually point you in the direction of, is this company worth 5 billion or 2 billion.

And this is what I mean by 80/20 -- it's like, if you're trying to say, oh, this company is not worth five, it's worth six, well, you're probably wrong on that level of precision. And so yes, access to information is a huge issue. Information asymmetry is a huge issue, particularly when it comes to, for example, early investors who are professional investors, offloading their shares and things like that. That can be an issue at times, but I



would say that's the minority of situations, where I think sellers are irrational, in fact, more often than buyers are -- buyers might have FOMO, but sellers are irrationally bullish.

And they're irrationally over-reactive . And it's also personal if you've been employee number three at a company, and you've seen it through its six year horizon. And you're like, oh, this isn't the same company that I joined. It's like, okay, well, that's fine. But like, that's an emotional reason to sell your shares.

and you find that a lot of people actually make decisions for those kinds of reasons, rather than for fundamental rational reasons as to like, is this a good investment or not? The other thing is, too, a lot of times people are just selling, because like, oh my God, like 99% of my net worth is tied up with this one company, I should diversify my holdings. And I'm a big fan personally of diversification. I've spoken to thousands of shareholders where they hesitated at taking 10% off the table and more often than not, they ended up regretting it. I've never encountered a single person that regretted taking 10% off the table.

Obviously if you joined a company and then a year later you take 10% off, then you might, because most of the growth is ahead of you. But if you joined the company like three, four, five, six years ago, and you're taking 10 or 20% off the table, it's the smart move. And what any common sense wealth or tax advisor or financial planner or whatever will tell you to do.

So, yes , to put a bow on it, information is a metric that does need to be addressed. I'm glad you're working on the problem that you are. I think it's a really hard problem to solve because there's lots of stakeholders with conflicting agendas, and I think steps in the right direction is awesome.

But I think that there's still plenty of fertile ground for secondary investors to participate in these as long as they're -- I mean, you can lose your money, you can lose your shirt betting on Tesla. There's just as much information asymmetry, and there's just as much uncertainty in companies like that as there are in, I don't know, at this point, Airbnb, or snowflakes going public soon, but Airbnb or Databricks or some of these other companies.

So, I think certainly most of the value of accrual has moved to the private markets. So the more people can think about ways



to get clever exposure to that segment of the equity asset class, that's a plus.

And how do you think about allocating between, early stage, late stage and any public market investing that you do?

Yeah. So for me, it's probably, let's say, roughly a third of the -- well, I'd say, between real estate, which, I mean, living in the Bay Area, you have to have a massive allocation to real estate no matter what you choose, if you want to have a home you got to do that. I think the way I'm currently allocated it's about 20, 25% in each, and all of my early stage investments aren't directly in companies, a lot of them are actually in venture funds. I think that's a pretty good way to go about it. I don't know the exact numbers off the top of my head at this point, but I'd say it's roughly 15% in early stage companies, 10% in early stage VC funds, 25% in late stage companies, 25% in public equities and bonds, 25% in real estate.

It depends on your personal financial situation, your horizon, right? You gotta be comfortable locking up the first 50% for the next 10 years. There's no you can draw against early stage investments and there's no guarantee of liquidity and you have to be comfortable with a big -- for us, we're privileged enough and fortunate enough that we can -- I mean, it's not a lot of money, but it's enough that we can put in early stage companies and putting in token angel checks here and there, but it's not for everyone obviously.

And I certainly think that because of the opacity and the information asymmetry, it's very easy to lose your shirt doing early and late stage investments simultaneously.

You've become known as a secondary guy, like if you want to talk to someone who's in the know about secondary or advice, you're the guy to talk to. How did you first get involved in it and source deals initially before you were well known?

I didn't. So, when I moved to the Bay Area, that was the first time I heard the word secondary investing or secondary markets. So when I joined Forge, I was the first non-founding full time employee. And so it was the parochial three people in a living room, and it was a pretty wild ride to grow those



numbers like a hundred to 200x over the course of the next four years.

But back then secondaries were a dirty word, right? People are like, oh my God, I don't touch secondaries, like that's for people shopping deals like doctors and lawyers and flyer receipts, that was literally the reputation. It's come a long way since then, and I'm glad that it has because -- you're still very much providing the 1% access to it, so in terms of democratizing access, sure, it's a plus that one percenters have access and not 0.1 percenters, I guess -- but more than anything else, I'm really glad about the fact that it's actually empowered a lot of people who have worked their ass off for years and a decade in some cases to build companies, to get liquidity. That means they can start their own companies or they can buy a home or set up a college fund or otherwise just change their quality of life.

And I think that's really important and I think anyone who -- it particularly boils my blood to hear VCs who have only ever known privilege -- talk about like, oh, I think everyone should say invested, and I think golden handcuffs are a good thing. Pardon my French, but those folks can go fuck themselves.

And they have never understood what it's like to actually look at a checking account and see \$10,000 in it or something like that. And so I think secondary markets are an essential component of a living breathing ecosystem and any company that seeks to handcuff its employees, golden or otherwise, is going to suffer in the long term.

And I think it's a really amazing shift that companies like Coinbase and Pinterest and Airbnb have created seven year option exercise windows, companies like SpaceX facilitate regular tenders. I think that is the sign of a vibrant, smoothly functioning ecosystem.

It's still not smoothly functioning yet, but it's at least trending in that direction. The thing that I would say is -- I'm meandering a little bit from your original question, but I think that's an important component of the ecosystem. Back then, secondaries were a dirty word. Now they're much more in the mainstream and I think it's easier to find secondary deals now.

The thing that I'm glad to see is that while there's a lot more people in this space, I think it was much more of a Wild West



three years ago. There were a lot more people shopping around deals to crappy companies, frankly, like three, four years ago. I think, we've seen, maybe it's a function of macroeconomic climate, maybe it's a function of a maturation in secondary market, but in general, now you see mostly people focusing on good companies, companies that are growing, companies that have good governance. And I think the entire market had swung far too much in the direction of founder friendly a few years ago. And I think now it's come back to a happy medium where governance and accountability and balance of the board and reporting and things like that have actually become important. They've come into vogue, which frankly they should have never gone out of vogue because absolute power corrupts absolutely. But those are all things that I think show that the secondary market in general is becoming more mature.

So in terms of sourcing secondary deals, literally all my earliest investments came through Forge because I was part of the flow of information there.

And we would participate in the same rounds that other -- sometimes employees participate in same rounds that other investors had access to. Obviously there's compliance and stuff like that to go through to make sure that it's done right. But, that was my earliest source of exposure to private investing.

And that's when I started angel investing as well. Since then it's been, I get connected with folks who are thinking about liquidity, and I try to be helpful to them just because, and I'm like, hey, by the way, I mean, I'm not expecting to make money off this, but if you happen to do a deal and you want to include me as a potential buyer, I'd be delighted to be a part of it. because the company sounds interesting. And you know, it's not an explicit expectation. It's not a quid pro quo, but it's like, if you do good things for people and sometimes some of it makes its way back to you. I think the other thing is, it never hurts to mention to people -- it's like, hey, by the way, it's a great company, if you're ever thinking about something like secondary liquidity, let me know. And I'll throw it out there 20, 50 times. And like one of them, somebody be like, oh, by the way, I'm thinking about that now. So sowing those seeds of that conversation early, never hurts. And, I think, honestly, because secondaries are still very much not mainstream, I



mean, besides going through the platforms, it's just an entirely viable way to source deals. At least in my case, it was just trying to be around and trying to be helpful and try to be available to people. And then some of it works its way back. I think, though, as it gets more and more in the mainstream, a very important component will be for people to access it through diversified approaches because, unless you're spending 10 to 20% of your time thinking about doing it, you'll probably lose money. The guy from Barstool Sports might think that stocks only ever go up, but we all know that's BS and the same is the case in the private markets as well. So being smart about your investing or taking a diversified approach is the right way to go.

On that note, it's a good segue into talking about the platforms. Obviously you were CEO at Forge, so you know this world really, really well. I'd love to hear you talking about how the different platforms are positioned, where you think they are working, and maybe where you see opportunity for platforms to emerge to take this market and transaction volume to the next level.

If you actually take a really big step back -- so a lot more deals are happening off these platforms and a lot more volume is happening off these platforms than on them. So that actually tells me that the platforms haven't captured as much of the market as they should have.

The vast majority of transactions are happening in handshake deals between VCs or with companies introducing one member of the cap table to another, and things like that. So I think that the secondary market has a long way to go. If you think about the volume of venture financing that's going into mid and late stage companies, it's on the order of a hundred billion dollars a year.

And the fact that, if you add up the volume of all the platforms, you can get a pretty good sense of it as all the, let's say, top 10 platforms, you're still an under 10 million. There should be a lot more secondary trading than that. The cap table is actually on the order of a trillion dollars. And it's a hundred billion of investment going into companies every year. So 20% of the cap table cycles every year, or even 10%, that's a hundred billion dollars. So very clearly the platforms have not captured the market. There's still lots and lots of white space, and that's



not even accounting for the fact the more liquidity there is, liquidity begets liquidity.

I think a really other interesting trend that's going to emerge, it's like the equivalent of 1031 exchanges. So in real estate, obviously, if you have rental property, you can sell the rental property and recycle your gains into your new property and defer taxes.

The same thing can happen with QSBS investing . So, if you take your gains from QSBS eligible investment, but it's before it's five years, and actually cycle it into a new QSBS investment, then you actually get to defer taxes for longer and longer. And so people haven't really figured out really creative ways to do this.

I think there's a ton of potential -- for what it's worth secondary investing does not qualify for QSBS investments, not tax advice, obviously, but that's just widely known. But the thing is, selling on the secondary market and then taking that and recycling into another primary investment is actually a phenomenal way to continue to recycle your gains.

So I think things like that are going to become more and more mainstream over time, which is going to result in a more vibrant, liquid private market. I think it's inevitable. Will there ever be an exchange? I don't really know. Everyone's like, we're going to be the exchange for the private markets, but I think we can move more and more in the direction of that. There are other parallels like corporate bond markets. They're not truly, truly liquid in the same way, but they're much more liquid than private markets are. And I think that's a good proxy for what we can expect in the medium term.

The different positioning of the different platforms. There are some of the older school players. Obviously there were SecondMarket, which was acquired by NPM, and they were really the first platform in this space. And now it's essentially -- it's a SaaS tool, right? Like it's a loss leader for NPM, as far as I can tell. It's the fact that it builds a relationship early with tech companies to go public on NASDAQ. It makes a ton of sense, right? They are considered one of the better solutions out there for tenders. Still not really addressing the market because tender offers -- like 20% of companies maybe do them and they do them every 12 to 18 months. It's like, liquidity is a 24/7/365 need for people. And so that doesn't really



completely address the market, which is why you saw other brokerage and other platforms emerge.

So chronologically speaking SharesPost was one of the next ones. It never really built out a ton of tech. And so as a result, SharesPost is just like, buyers and sellers matching each other, being matched by brokers and collecting a commission. They were one of the better known brand names in the space.

And obviously , through partnerships and/or just through branding and marketing, grew their base pretty widely. So then EquityZen and Equidate, as it was known at the time, later we brought it to Forge, emerged as more like tech enabled, tech driven platforms.

And I think the fascinating thing is, the matching of buyers and sellers still requires so much judgment that it can never truly be automated because the market is too fragmented. Transfer restrictions vary wildly from company to company . Some of them are like, oh, you can just submit a ROFR and we'll waive it. Others like, you submit a ROFR and we'll exercise it. Others like, we'll waive the ROFR if it's over X million dollars and it's still a member of the cap table. And then others like, no, we have board approval provisions. And others like, we have board approval provisions that also prohibit forward contracts.

Others are like, board approval provisions and we not only prohibit forward contracts, but also swaps. It's just a massively fragmented space. And I actually blame the lawyers for this. Correction. I blame control freak founders and CEOs and boards. And I blame the lawyers that fed their control freakness for this trend in increasing control.

If a free market is telling you that something needs to happen, and you try to regulate it, which is what is happening, what's going to happen -- the free market's going to find ways to circumvent that regulation. We see this with Congress writing laws.

It's like, if you try to tell people not to do something that they really, really want to do, they're gonna find a way to do it. And you're actually pushing it more into the gray zone. Whereas the better thing to do is actually to find structural ways to enable it in a regulated and controlled way. And I really think that, issuers -- issuers being synonymous here with companies -- need to get with the program and understand that this is



something that, once you've been around for like eight years as a private company, the founders probably have gotten liquidity along the way and yet somehow they're like, no, my employees need to stay invested. It's not cool for that to happen. And not every founder does this. A lot of people are actually thoughtful and empathetic about the way they're handling this.

And I think it's inevitable that the market shifts in the right direction by -- like when you see people who are early employees at some of these companies going and starting their own companies, they have a unique empathy for how their cap table should be managed and things like that. I think, in general, that's something that needs to happen.

And I think the lawyers need to understand that the right answer to this is not just write in more clauses that prohibit things, because you're already starting to see new ways of getting around the prohibition on forward contracts, in swaps with other structures.

Stop trying to play catch up. You can never innovate faster than the premarket can. Instead, try to figure out ways to structurally enable systematic liquidity. And I think that's going to be interesting to see, because once that happens, once it's structurally enabled, then the platforms lose their edge, because then the company is enabling it. So I think that's going to be a really interesting dynamic to see play out. And then it's going to be about who can sell most effectively to the companies and who can build a sufficient platform of buyers and sellers in a sufficiently liquid and vibrant sense.

So that's a pretty roundabout answer, but I think the preeminent players in the space, without question -- at least to my outside and observation at this point, haven't been part of Forge or been deeply enrolled in the secondary market for two years now -- but it's pretty clear that Forge, especially with the acquisition of SharesPost, is becoming one of the larger players in the space. EquitiesZen is still -- generally speaking, people who use them use them and they're moderately well-regarded. I think they focus a little bit more on the smaller ticket sizes, which, nothing wrong with that -- again, like democratization of access and all that, it's a good thing. And not every employee has \$5 million of shares of which they're selling a million. Some employees need to sell 150K and



having there be a platform that enables that is a really important role to play as well.

So the one name I haven't mentioned along all, this is Carta. Frankly, they had a position, where three years ago they could have really capitalized on this, right as the market was going into its maturity.

I still think they have an edge. I think the problem with Carta's strategic positioning is that their customer is the company . And they can't afford to do anything that'll piss off the company because that would kill their primary business model. And so if they can't do anything that pisses off the company, then that means that they can't cater to buyers and sellers as their primary customers.

And if you're not doing that, you're not a marketplace. You're not a true market. In fact, what's funny is, if you look at the New York Stock Exchange or NASDAQ, they don't give a shit about buyers and sellers. Their customers are the issuers and prime brokers. And market makers.

And prime brokers' customers are buyers and sellers. Market makers' customers are buyers and sellers. So, essentially the question is, okay, well, what role are you playing in that. You actually start to see that Forge and SharesPost and players like that are actually positioning themselves to be prime brokers.

And Carta is positioning itself to be a little bit more of the exchange, theoretically speaking, because their customers are already issuers. And sure that's a good business to be in, but prime brokers make a hell of a lot more money than the exchanges do. Market bankers make a hell of a lot more money than the exchanges do.

So I think we'll start to see the ecosystem coalesce in some ways this way. While it seems like all of them are directly competitive with each other, I think they can all coexist. It's going to be a really big market in five to 10 years. So yeah, that's kind of the existing markets and where I think it's going to go.

I think where the pockets remain is, there's still nobody who has tied together a way to cater to issuers in a way that they want. NPM hasn't really innovated in any ways whatsoever. It



hasn't tried to push the agenda. CartaX has been overdue for three years. And so I can't tell if they're trying to push the agenda or not, because as of this moment, it's still vaporware. And I would love for them to launch because I think this is a really important product to have out there in the market. But I think there's still plenty of room for other players to emerge as a major hubs.

There are adjacent investment platforms that are probably going to move into this space. There are bulge brackets that are probably going to launch products in this space or already partnering with it. This is public information, but Goldman's obviously backed Carta, BNP and other bulge brackets have backed Forge. And I think there's some of those coalitions starting to emerge with that, which I think is really interesting. Morgan Stanley moving in and acquiring Shareworks was an interesting play, but they haven't really done anything with it since, so I think that's gonna be interesting to see where that goes.

So I think there's lots of tectonic shifts happening in this market right now. By no means is it a settled outcome. And we haven't even begun to talk about actually secondary transfers of fund liquidity.

Because you've now had funds that have like 10-year funds that are 15 years in, and they still haven't exited all their positions. Because a fund that invested in a company that was founded in 2010, in 2011, and invested in its fourth and fifth year of its life is now like, oh shit, well, we're at year 14. We're still renewing the fund management and administration. We still haven't seen liquidity. So I think that's already a massive market. The really big private equity and multi asset managers typically do hundreds of billions in fund buyouts and private equity buyouts and VC buyouts and stuff like that every year. I think that's another market that's ripe for adjacent disruption.

Where do you see the most technology leverage in this market? Obviously Carta is coming from the perspective of the transfer agent managing the cap table. You talked about the challenges in the matching of buyers and sellers for Forge. Where do you see the most tech leverage?



That's a really interesting question. Let me try to think on the best way to answer that.

I think there's far more room for business model leverage, than there's tech leverage. So if you actually look at -- and by the way, that's not a bad thing. In fact, I think people are obsessed with software driven leverage when really it's actually marrying good software with good almost like social engineering and business model leverage is actually far more powerful.

I mean, this is a complete digression and a side rant, but everyone called them technology companies, when really a lot of them are actually innovating on business models. So like Uber, for example, it's not a technology company. Uber has an app, sure. But their primary innovation was actually business model innovation. They actually said, okay, we're going to take the fact that there are now mobile phones everywhere, there's GPS -- neither of which are groundbreaking technologies, they've been around for half a decade or a decade before. They were like, we're going to flip the script of how people engage with transportation. And it was brilliant, and it obviously built a category defining company.

But I think, in this particular space, there's a lot more room for how do we take all these stakeholders, corral them and drag them into the future kicking and screaming. Because that's what's happening right now. Right now, it's a stalemate between a dozen different kinds of stakeholders. It's buyers, sellers. And within buyers, you have institutional buyers, retail buyers, and family office buyers. And then within sellers, you have early investors, you have early employees and you have later stage employees. Each of them have their own lawyers, which complicates the matter 5x. Then you have issuers and you have regulators. Then you have the obviously competitive other players in this ecosystem. Then you have VCs, each of whom have their own agendas as well.

So it's a really complex multisided marketplace. And that was the biggest challenge when it's like, how the hell can you keep all these people happy? You just kind of can't, which is kind of what I was getting at where I think you actually will have multiple players catering to different elements of the ecosystem and then ultimately plug into each other.



I could even see a world in which Carta, if they ever opened up their API -- like that could actually be an avenue by which Forge integrates with them and actually drives more volume for both parties. So it could actually be a really virtuous cycle. And so that's one possibility, but I think really what it's about is actually, how do you keep these very different interests happy and how do you build a product that caters to all of them?

So, frankly, the other thing is you actually don't need a lot of technological leverage. And the reason I say that is because, when something's really low margin, as a baseline, you have to have a tremendous amount of tech leverage in order to produce profits. You're replacing investment bankers, each of whom make a half million dollars in profit a year. If you had 2x tech leverage, which is really not a lot to build, you have a massive, massive business. So I don't think you actually need to have that much software leverage in order to build a really big business in the space.

Yeah, that's an interesting thought. We were talking about the expectation and what needs to happen for this market to grow meaningfully. I'd love to hear how you see the public and private markets evolving, especially this sort of binary distinction between public and private today.

Yeah. And I'm sorry I had made it up, but you hit the nail on the head. It's such an arbitrary binary distinction. I mean, it's a function of regulation, right? It's a function of the fact that the SEC and regulation, all that says that there's one point at which you go public. And before that you are an otter, and now you're a giraffe.

And it's just silly. Because it's not the way that evolution of a company or a life of anything that has a history works. It's not a sharp line. This is a part I struggle with. I think, there needs to be an interim stage. And I don't know how it comes about. Might come about because of regulation. Might come about because Congress and the SEC decide that there needs to be -- and we're seeing some surprisingly quick shifts in policy from the SEC right now, which is interesting to view. But I think it's possible that regulators decide and rule makers decide that there needs to be an interim stage where companies not like early stage venture and it's not like public. And it's not just the companies that belong in this bucket, there's probably elements of any really large company that's still private -- and



by the way, there are a lot of them. There's Cargill. And I think Wrigley Mars is private and a lot of really massive companies that are actually still private. Where, you know, across the board, it's like, well, these are thriving businesses. They don't want to be public. They don't want that scrutiny. They don't want the quarterly earning circus. And instead you have this interim stage where a company can stay for X number of years, where it's reached a certain level of maturity where it's predictable. It's growing, I don't know, maybe not tripling year on year like you were in the series A, but it's growing 50 to 100% year on year between year 7 and year 12. And you're like, I want to enable liquidity. I'm on RSUs now so I don't care about the 409A anymore. I want to have more transparency around my equity. I want to provide some limited investor updates to a broader audience of people.

There's probably some interim stage like that that should develop. To his credit, Tim Draper, back in the day -- he's a controversial person in a lot of ways and has lots of interesting opinions, but at least some of them are pretty astute. Like back in 2009, he said there was going to be this interim stage that develops. And he said, they're gonna be "public" companies. And I don't know if that's the name we're going to settle on, but I think his observation was right that there does need to be something in the middle.

Where, no matter how you slice it, for the last five years, Airbnb is not the same company as like, I don't know, like Scale AI is. Scale AI raised a billion dollar round, but they were around for like three or four years. And they're still very much figuring things out, much more than Airbnb has since like 2015. Airbnb has been a billion dollars plus in revenue since I think 2016, if I'm not mistaken.

And that's insane. How is that company lumped in the same conversation as a series A company? They're both private? That makes no sense to me. And so I think we're seeing a ton of shifts in how people think about these things.

I think SPACs are really intriguing. I think now SPACs are the Wild, Wild West, where in secondary markets you see the Wild, Wild West before. We'll see how that settles out in the future. I think direct listings are an amazing shift and I think it's going to be an important way by which companies continue to evolve and the private markets continue to evolve.



And in fact, that's actually going to boost secondary markets in a way that I don't think people realize because you have to have a reference price set for direct listing instead of a roadshow. And how are those set? Those are set through secondary transactions. You saw a tremendous amount of secondary trading volume in Spotify and Slack out of their direct listings, and that was actually one of the really important inflection points in the secondary market history, because Spotify did hundreds of millions of dollars of secondary. This is in their F-1, and that wasn't a slip of the tongue. F-1's an S-1 for foreign companies.

Anyway, there was hundreds of millions of dollars of secondaries done in three months, four months leading up to the IPO. And I think that's a really important component of the evolution of how we think about secondaries. And so I think all of these things, it's a complex system. Like all of these things feed on each other and any one of them could kind of nudge things in direction A versus direction B.

Yeah. How do you think about -- you know, you talked about a potential regulatory framework for this. What would be the incentive for companies to do this of their own volition? One of the things that's been talked about is incentivizing companies to do this via platforms with the incentive that with certain disclosures it enables a certain amount of liquidity. Do you think that that sales pitch makes sense and works? Because one of the things I've heard you say, too, is that companies don't want liquidity, and so how do you think about the incentives. In some sense it's the question of what incentivizes a company to grow up on their own, in preparation for going public, if there's nothing that forces them to do so.

Yeah, I don't have a good answer for that. I have no problem having lots of strong opinions, but I think it's just -- there are too many companies with too many different agendas and too many different moving pieces to know if there's one solution to do that. I think examples of why a given company might decide to have a certain approach is that -- I mean, I'm sure it was an element of coin basis decision. The fact that Brian Armstrong was an early employee at Airbnb. It gives you a certain amount of unique -- like, I don't know Brian personally, I don't have any insight into what the conversation or that room where that decision was made was like -- but I'm just reading between the



lines. I think having the next wave of founders be former early employees at early companies, at other really successful companies, is going to be a really important component of that. I think another one is, again, the large law firms need to understand that regulating this away, it's just not going to happen. They're going to have to have a more holistic approach to this. I think another component is regulation probably will play a role. And I think another one that I really hope happens more and more is that early employees start forming -- I don't want to use the union word, but they start forming a coalition of like, hey, you know, the most important constituency, the most sought after constituency at private companies, the most powerful constituency in the venture ecosystem is not venture capitalists, it's not founders, it's not angels, it's employees, it's talent. And so if that's the case, some kind of shift where people start to understand that -- I actually think unions have their own problem like in other ecosystems and stuff, like I'm not saying change at-will employment, or I'm not changing collective bargaining rights and stuff like that -- but at the same time, having a unified voice that says like, this is BS, we need this norm to change, is going to be a pretty important part of it. And finally, I think, the market will invent solutions.

And I think having the right solution come along at the right time, like the iron is hot and somebody needs to strike. And so figuring out the right solution that caters to as many of the constituencies as possible. It's really hard to predict what the tipping point for some of these things will be. And so I think it's more transparency, more adoption market-wide, more incentives changing, more people's perspectives evolving are all important components of it. I don't know what the one solution is going to be.

Yeah, that's an interesting point. I think it speaks to it being an exciting and interesting time, and an opportunity to be in this space because there's no clear outcome yet, but everyone senses there is a big shift happening.

Yeah, there's a stalemate right now. And it's a stalemate with literally millions of participants. How do you break that? It's really, really hard, right? There's shifting waters, shifting tectonic plates. Over time it'll turn in the right direction I think.



Thank you so much for spending the time with us. it was a fascinating conversation and really great to hear your thoughts on this.

Yeah, man, I love talking about this stuff and it was great to come on and brainstorm and shoot the shit about where this very exciting space that we're in is going to trend.

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