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Private Share Sales Getting Bigger

By Joanna Glasner



An IPO market return won't kill off private share trading sites. But it could cause a broader shift from buy-and-hold investments to more arbitrage-type transactions, with investors looking to profit from spreads between public and private valuations.

So says Greg Brogger, CEO of SharesPost, the five-month-old site for buying and selling private company stock. The company just launched a new set of analyst reports on some closely watched venture-backed companies.

When I spoke to Brogger, about the announcement, he told me that the site is also seeing a big increase in the size of transactions.

“When we started, the average transaction size was \$5k to \$50k,” Brogger explains. But over the last few transactions, he adds, the size has increased substantially, to \$200k to \$250k.

Since it's a recent phenomenon, it's tough to say if that's a “new normal” or if there just happened to be a few bigger buyers in the market. SharesPost tracks sales through a combination of adding up contracts consummated on its site, and relying on buyers and sellers to self-report deals that they close “off platform.”

Prices are set in an eBay-like manner, with buyers and sellers posting what they'll take. To help gauge what's appropriate pricing, Sharespost publishes research report that estimate valuations. Currently, they've got four research firms posting reports – a large number considering it's a space that, not long ago, practically didn't exist.

New and updated research reports cover companies including Facebook, Twitter, LinkedIn, Tesla, eHarmony, SolarCity, Digg, Slide and Fortinet (which recently went public.)

With the IPO market still pretty slow (there've been filings, but few offerings), private share markets have been an interesting place to see what people are buying and selling. One thing's clear – many holders of private company shares are itching to sell. By my count, there are currently close to 150 companies with shares listed on the site.