

# Dow industrials for startups? Pre-IPO index opens

March 3 2010, By RACHEL METZ , AP Technology Writer

---

(AP) -- Because startups aren't required to report regular financial results the way publicly traded companies are, it can be hard for outsiders to get a sense of what hot ones like Facebook and Twitter are really worth.

Now, a private online [stock exchange](#), SharesPost, hopes to shed some light on the subject by rolling out an index that it says will serve as a reference point for [startup](#) companies' values.

"We're trying to create essentially something like the S&P 500 but for late-stage, venture-backed companies," said Greg Brogger, founder of SharesPost.

SharesPost is one of a handful of private stock exchanges that have sprung up to deal with the sluggish market for initial public offerings. The exchanges give stakeholders and a small pool of qualified buyers a way to trade stock in startups without having to wait for an IPO that could be years away.

SharesPost's new index will aim to track the ups and downs in the value of seven startups - [Facebook](#), [Twitter](#), electric car maker Tesla Motors, social gaming company Zynga, virtual world creator Linden Lab, business networking site LinkedIn and building materials company Serious Materials.

The index will be calculated by crunching four data points: the valuation suggested by a startup's last round of financing; the most recent price of

its shares that sold through SharesPost; the average valuation set by analysts who research the companies; and the midpoint between the highest offer to buy and lowest offer to sell the stock on SharesPost's site.

Of course, the values SharesPost's index places on companies can't be as reliable as those in a publicly traded market, in part because, unlike publicly traded companies, they're not required to disclose financial data regularly to the Securities and Exchange Commission.

Of the seven companies in SharesPost's index, only Tesla has filed an IPO registration statement - a voluminous financial disclosure document that is a precursor to selling stock to the public.

The index data will be available to anyone who registers as a user on SharesPost's site. Not everyone can use this information to trade through SharesPost, though: That ability is restricted to institutional investors or "qualified buyers" - people who have a net worth of at least \$1 million or salary of at least \$200,000 for the last two years.

©2010 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Dow industrials for startups? Pre-IPO index opens (2010, March 3) retrieved 28 April 2024 from <https://phys.org/news/2010-03-dow-industrials-startups-pre-ipo-index.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.