

insights

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ABF Journal turns to Jennifer Post for current trends and opportunities in venture debt

[Jennifer Post](#), Managing Partner of the Firm's Los Angeles Office, has been featured in a recent article in the ABF Journal, an independent trade finance magazine focused on the asset-based lending, factoring, commercial finance and turnaround management industries.

With the IPO market slowing in 2022 for technology companies, venture debt has become an attractive source of additional capital, and this trend has also opened up opportunities for asset-based lenders. Jennifer covers these trends and more:

Q: How has the IPO market fared in 2022 as a whole?

"Given the choppiness in the market this year generally, it was really difficult for companies and their investors to figure out how to price themselves and have successful exits with potential upside. So, overall, there was a pullback because of general market forces and valuation pressures, which caused the stock markets for tech companies in general to be very choppy in the second half of 2022."

Q: Why has the technology IPO market, specifically, slowed down this year?

"The IPO market for tech companies slowed down in part because valuations across the board were really uncertain and mostly down in a lot of sectors. This created a mismatch of tech companies that had completed capital raises at very high valuations looking for exit opportunities in the context of uncertain valuation or clearly lower valuation. That reality, of course, was not acceptable to the founders, boards or investors who had invested under rising valuations and projections. So, declining valuations held back a lot of companies that might have raised additional pre-IPO capital and/or gone public. The declining valuations came after a history through 2020 and 2021 of steadily climbing valuations and very active equity investments. The rising valuations for pre-IPO tech companies couldn't support the IPO push and would not result in the size of the exits or the scale of the exits that investors wanted to see in light of general market pressures - global uncertainty, energy prices, supply chain disruptions, rising interest rates and a growing risk of recession."

Q: What are some sectors that are more attractive on the IPO market right now and why?

"The energy sector is still moving forward. And that's quite broad and includes green energy and all types of technology related to electronic vehicles and charging capacity. There's a huge movement for people to buy electric vehicles, and consumers are starting to demand more access and availability and inventory. In addition, especially coming out of the pandemic when people are back out buying and making significant buying decisions, there's a lot of activity in the markets generally for green energy. I think that those items will keep moving forward as well as more traditional energy sources as the crisis in Ukraine and the disturbance in world oil markets continues."

Q: What advice are you giving to venture debt funds and other capital providers in this environment?

"From my perspective, the venture debt market has been healthy and will continue to be even more healthy going into 2023 in terms of dollar size of capital deployed overall and size of deals per investment and/or per loan. I think that will continue as the equity markets regain predictability and some of the global risks of recession are either realized or avoided. The other issue influencing the venture debt market is higher interest rates related to the prime rate. Now that the prime rate is so high and the cost at which the banks are deploying capital to tech companies is starting to even out in some degree, the choices that tech companies have between the commercial banks and the private venture funds are driven less by pricing. The funds tend to have more flexibility overall, but it really depends on the type of credit companies are looking for."

Q: What is your outlook for the venture debt space in 2023?

"We're seeing an influx and a growth in the number of venture debt funds that are doing lending in the technology space, and that includes private offices, high-net-worth individuals and limited partners who are in venture debt



funds that want direct deal access or want to be brought into a syndicate outside of their fund relationships. In addition to there being more opportunity in the market, there are actually more lenders coming into the space and therefore a lot more capital is coming into the space. There's more money looking to be involved in the venture debt space, and I think that will continue to increase the volume and potentially the scale of the venture debt transactions that will be done in 2023."

[Read the full interview here.](#)

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