

26 January, 2009

## 5 questions with Mona DeFrawi

Mona DeFrawi, CEO of InsideVenture, talks about when the market for IPOs will return

When InsideVenture CEO Mona DeFrawi conceived the idea for a new forum to match pre-IPO companies and asset managers with a track record of investing in newly public companies, the new issues market was weakly sputtering along.

More than a year later, with the IPO market virtually comatose, promising venture-funded companies have all but given up on expectations of a near-term public market exit.

InsideVenture, based on Sand Hill Road in Menlo Park, Calif., is looking to change that. The startup is creating a marketplace for executives of leading venture-backed companies to present their businesses to large asset managers and other qualified managers. The hope is that by investing in late stage private rounds, qualified investors will familiarize themselves with the companies, and make further buy-and-hold investments in public shares when the IPO market recovers.

The problem is that no one is sure when the IPO window will open back up. DeFrawi is optimistic and she tells PE Week Senior Editor Joanna Glasner it's possible that public offering demand will pick up later this year.

Q: Can you describe your firm's launch last year of the nomination process to decide which companies you'll present to investors?

A: We launched it in December, and we have 100 or so companies that have contacted us. Many have already applied and the rest are still in the application process. We certainly have room for more. There's a Jan. 30 deadline, and after that we're going to pick 25 health care companies and 25 tech companies to present at our conference in March.

(more)

Q: What kinds of companies have applied?

A: They're from a lot of different industries and we're seeing some very profitable companies. We have one health care company that's earning close to \$100 million in EBITDA annually. There are also some cleantech companies projecting enormous sales. We have companies with orders of more than \$1 billion lined up.

Q: Do you think an IPO market recovery is possible only with a dramatic upturn in the broader market?

A: Look at the example of the Grand Canyon Education (Nasdaq: LOPE) IPO in November. They came out under the worst circumstances possible. Grand Canyon had a drop initially, but now they're like 30% up.

Certainly there are hurdles, such as regulatory and accounting burdens, that U.S. companies are facing today that are blocking them from going public. If those hurdles were removed, you'd see a lot more IPOs coming out.

Q: Will asset managers, who traditionally invest in public markets, take stakes in private, pre-IPO companies?

A: If IPOs don't come back, then people are going to be forced to look to private markets for financing. But I hope they come back, because if not, that would be a horrible thing for the American economy.

Q: When do you think the new issues market might begin to improve?

A: I think you could see a much faster recovery if Washington, D.C., made some regulatory reforms. Possibly you could see the market coming back as early as this summer. That's probably the most optimistic estimate you'll hear anyone say.