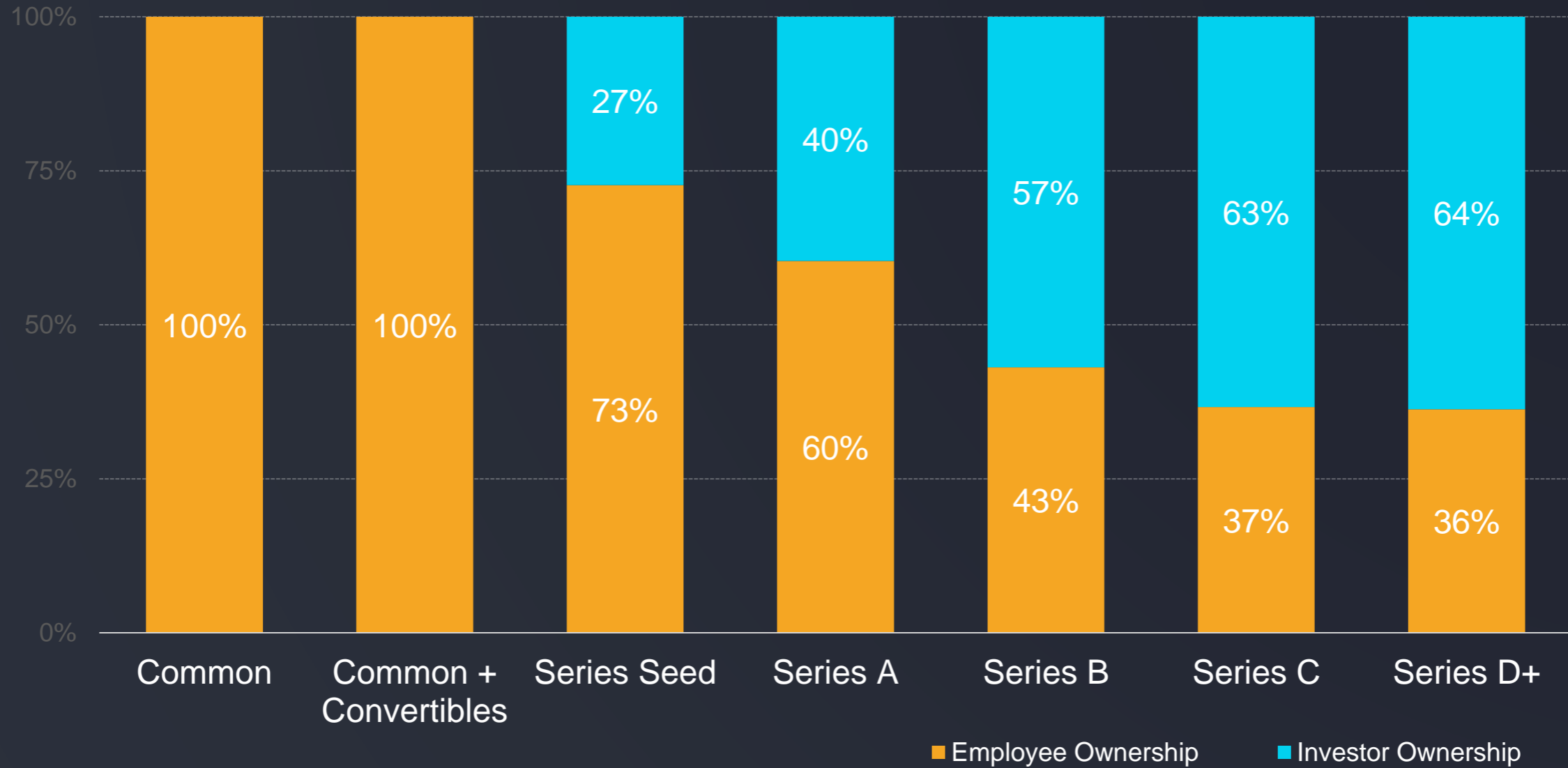


2018 Private Company Equity Statistics Report

ABOUT THIS REPORT

- Capshare offers a cloud-based cap table and electronic stock management system
- Capshare has over 10,000 companies, law firms, and investors using our platform
- This report offers benchmark data and aggregated analysis for startup executives and investors
- Sample sizes for every chart and graph in this report exceed 1,000 companies though sample sizes are somewhat small for Series D or higher companies
- No personal or company-identifiable data is available in this report

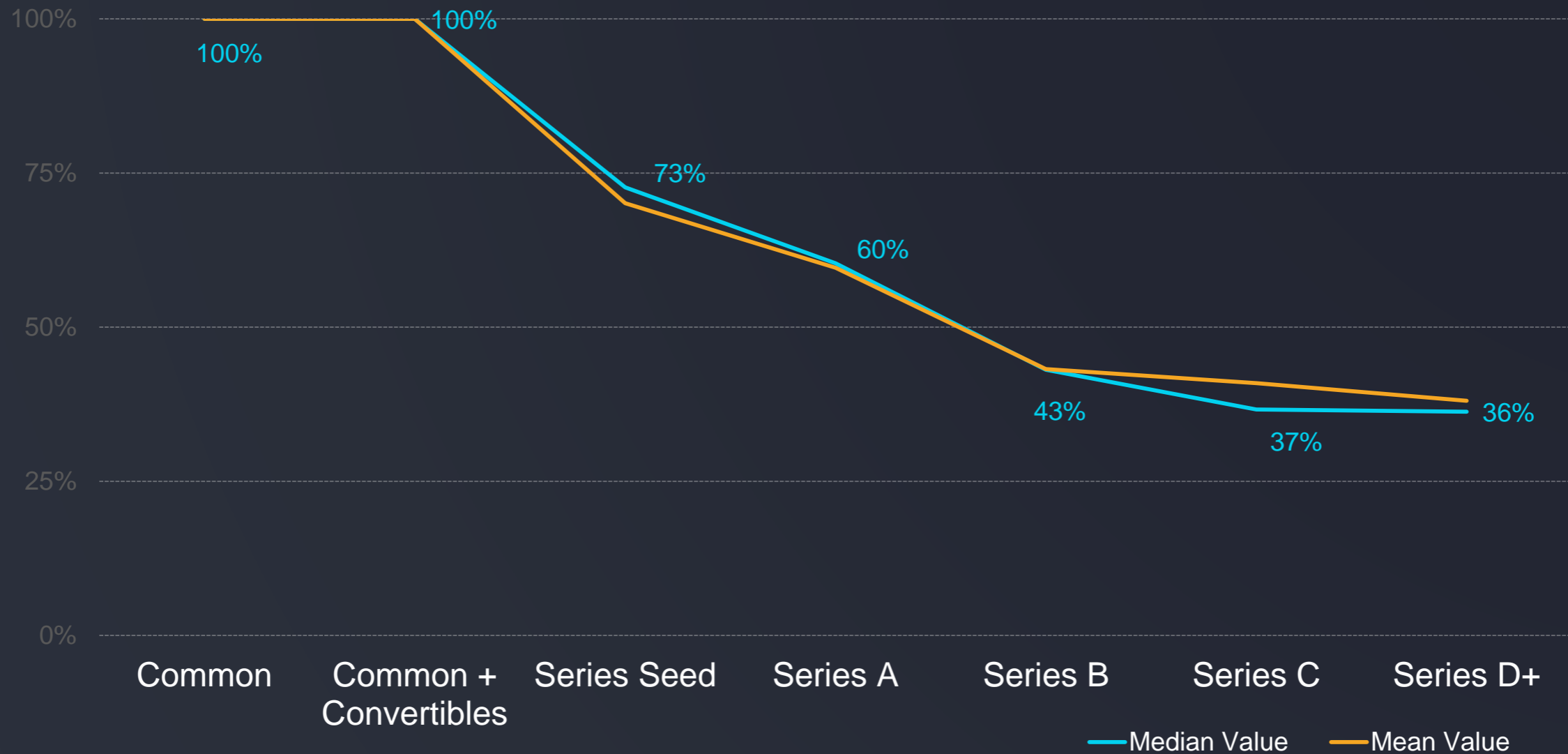
EMPLOYEE VS. INVESTOR OWNERSHIP BY STAGE



EMPLOYEE VS. INVESTOR EQUITY BY STAGE

Employees retain a majority ownership stake in a typical investor-backed company until the Series B stage. However, company founders still often lose the ability to control a company by themselves after a Series A.

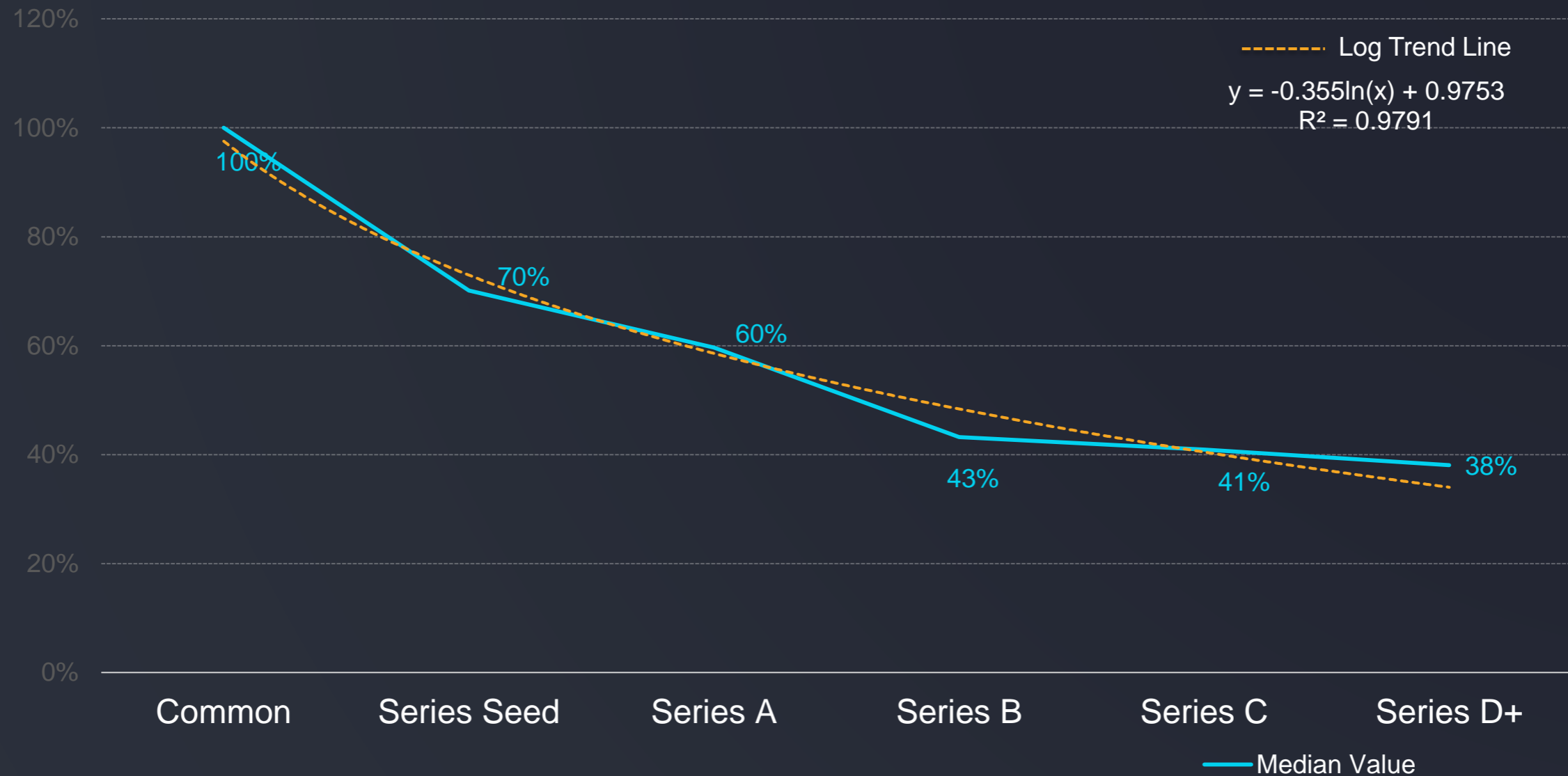
NON-PREFERRED STOCK OWNERSHIP % BY STAGE



EMPLOYEE DILUTION BY STAGE

If you use all non-preferred shares as a proxy for employee ownership percentage, you can see that employee ownership “decays” from 100% to around 42% by the Series B stage.

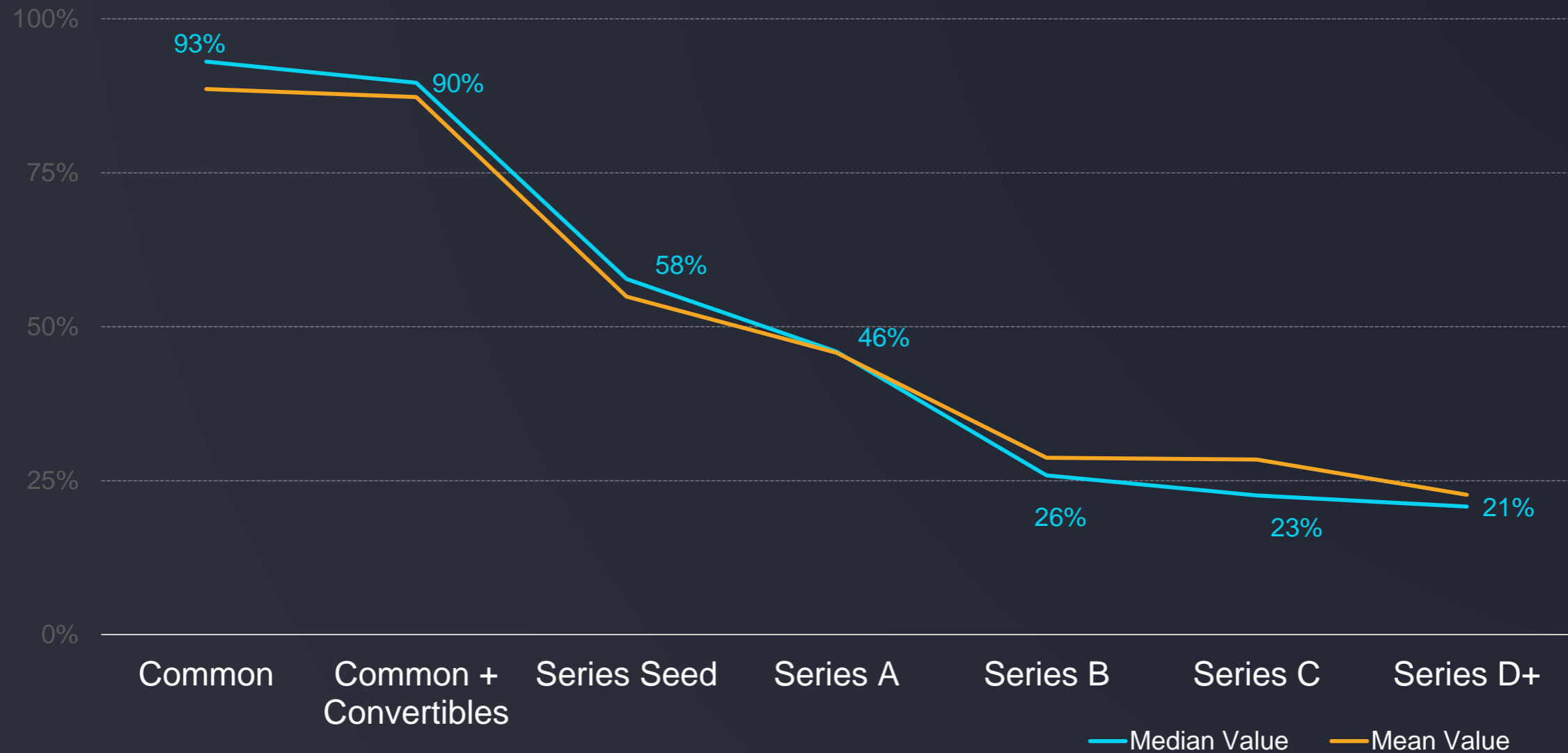
EMPLOYEE OWNERSHIP TRENDLINE BY STAGE



EMPLOYEE OWNERSHIP FORMULA

For the mathematically inclined, employee ownership almost perfectly fits a logarithmic curve with each new round of funding. The “Employee Ownership Formula” is: $\text{Employee Ownership} = -0.38 * \ln(\text{Number of Rounds of Funding}) + 1$.

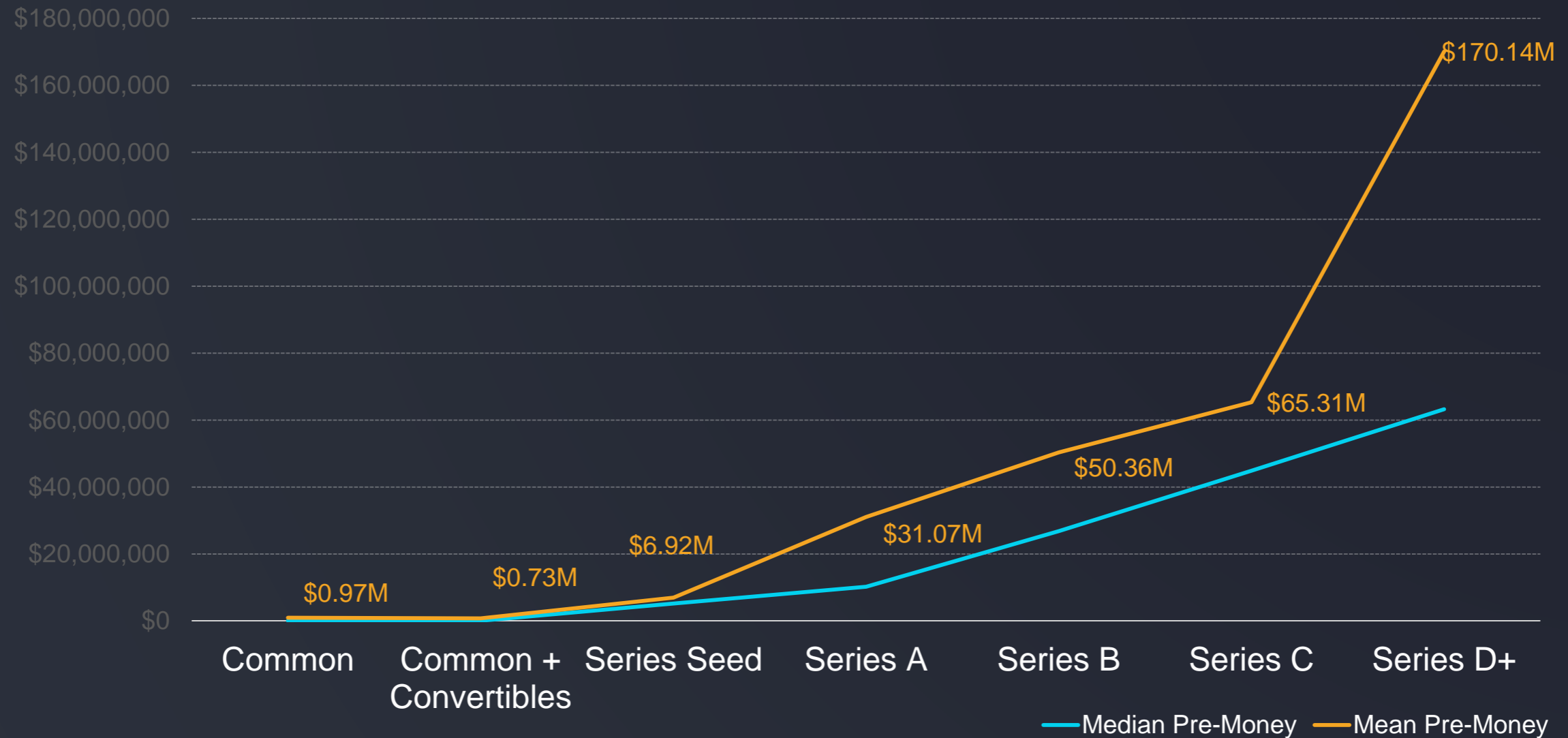
COMMON + RESTRICTED COMMON OWNERSHIP BY STAGE



FOUNDER OWNERSHIP BY STAGE

We can define “founder ownership” as all common and restricted common stock. Founder ownership decreases from 95% to 27% by the Series B stage. It could actually be a little lower in later stages as optionees convert options to common stock.

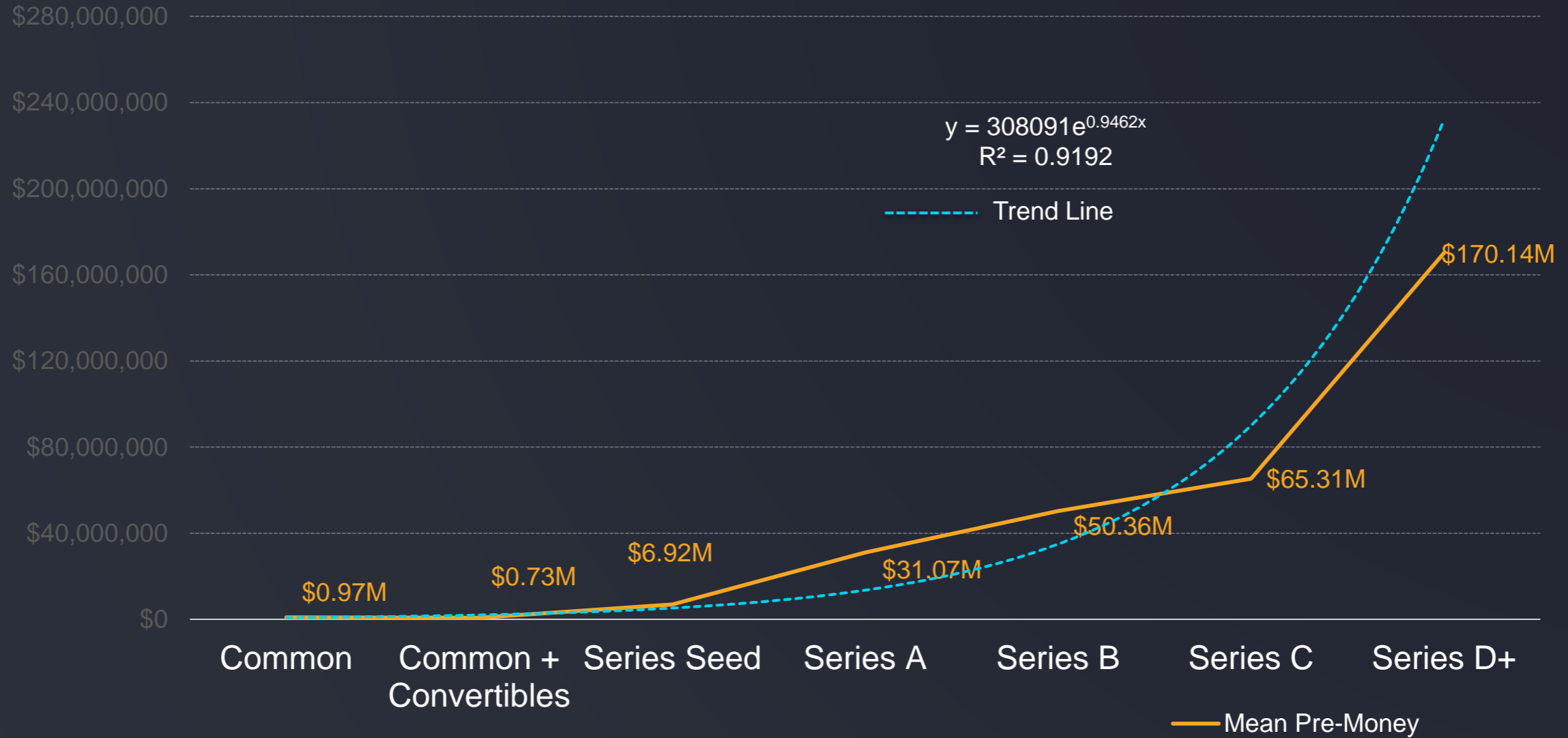
MEAN AND MEDIAN PRE-MONEY VALUATION BY STAGE



PRE-MONEY VALUATIONS BY STAGE

The distribution of pre-money valuations has a long-tail skewing toward a few companies with really high valuations so median values are significantly lower than mean values. Pre-money valuations grow rapidly in a company's later stages.

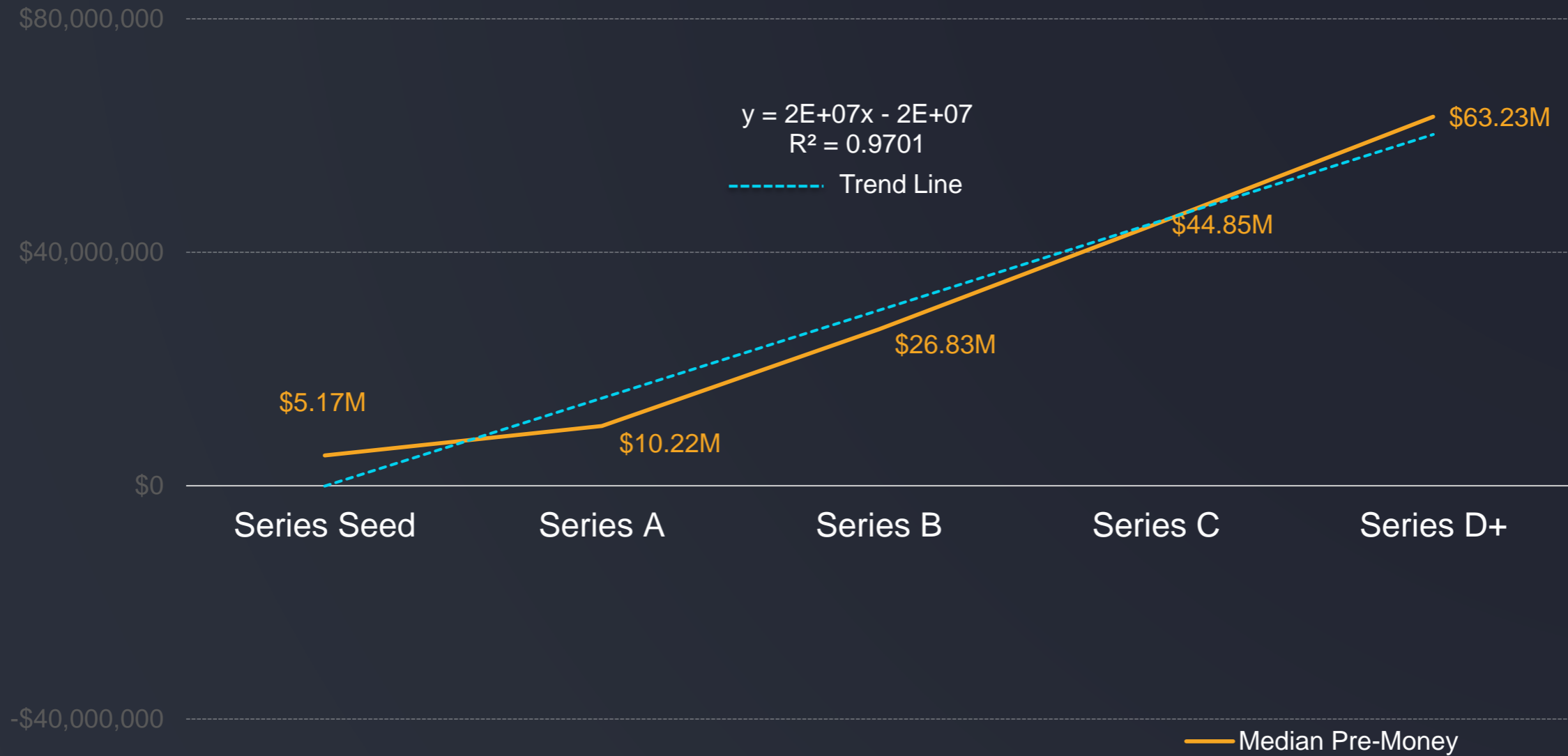
MEAN PRE-MONEY VALUATION TREND LINE



PRE-MONEY VALUATIONS FOR HIGHER PERFORMING COMPANIES

Mean pre-money valuations increase almost exponentially. This implies that the fastest-growing venture-backed startups create value faster than just about any other asset on the planet.

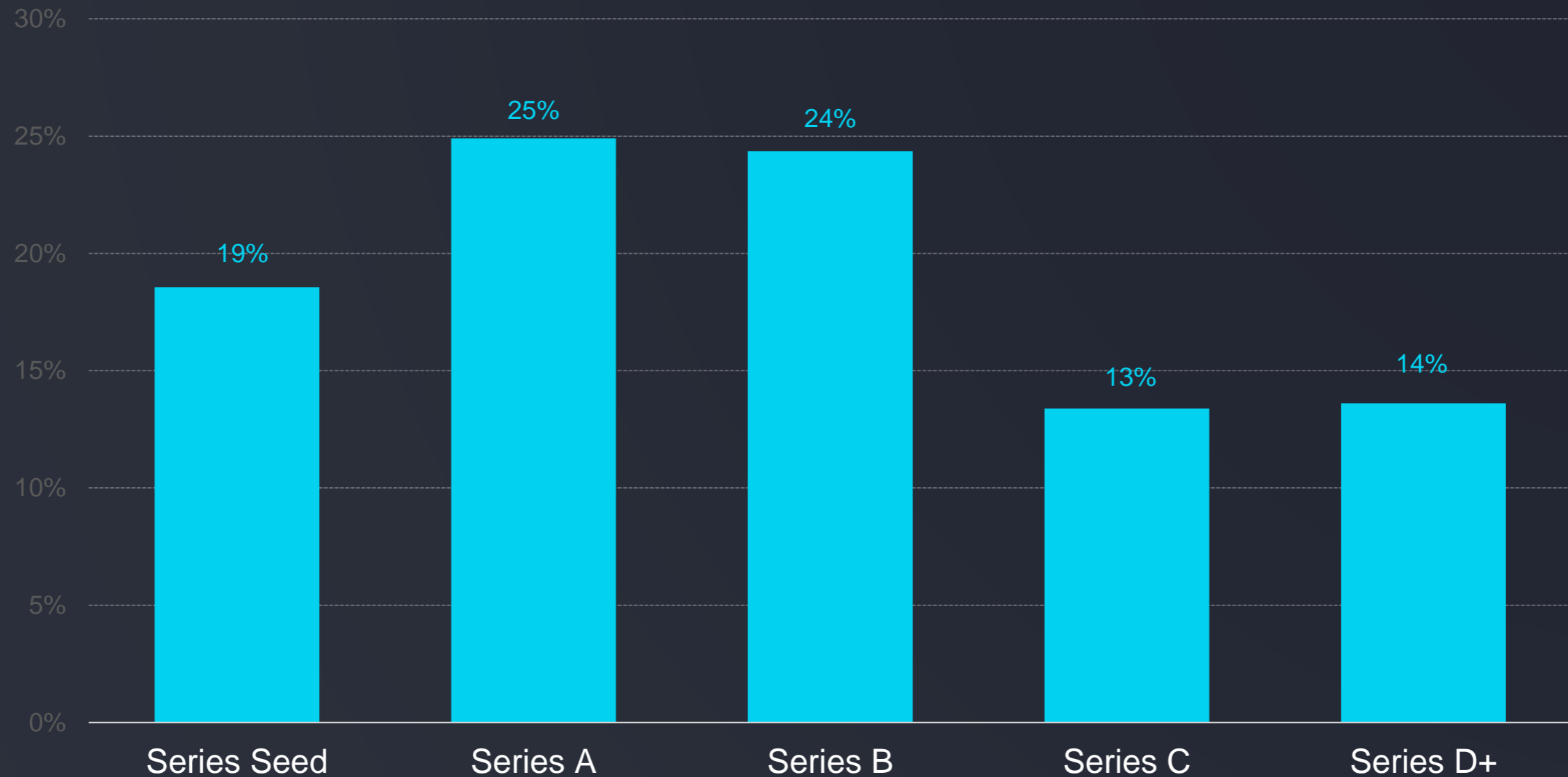
MEDIAN PRE-MONEY VALUATION TREND LINE



PRE-MONEY VALUATIONS FOR MORE TYPICAL COMPANIES

Median pre-money valuations grow at a much more linear rate.

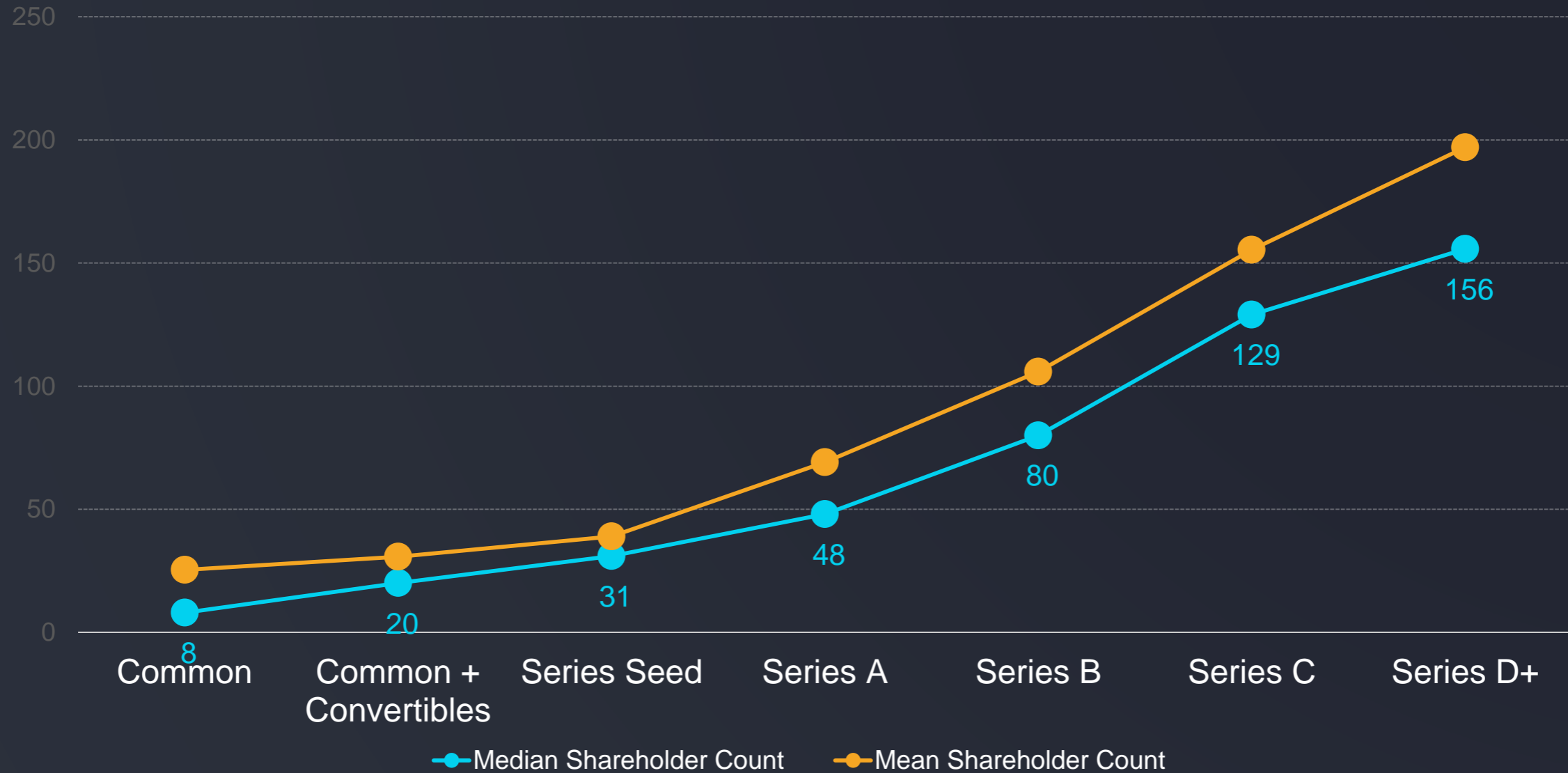
MEDIAN EMPLOYEE DILUTION BY STAGE IN PERCENTAGE POINTS



“TYPICAL” DILUTION RATES

Executives should expect dilution of between 14-25% in nearly any round no matter the stage. However, dilution does appear to be smaller at the earliest and latest stages of a company’s life. Dilution peaks in the Series A and B.

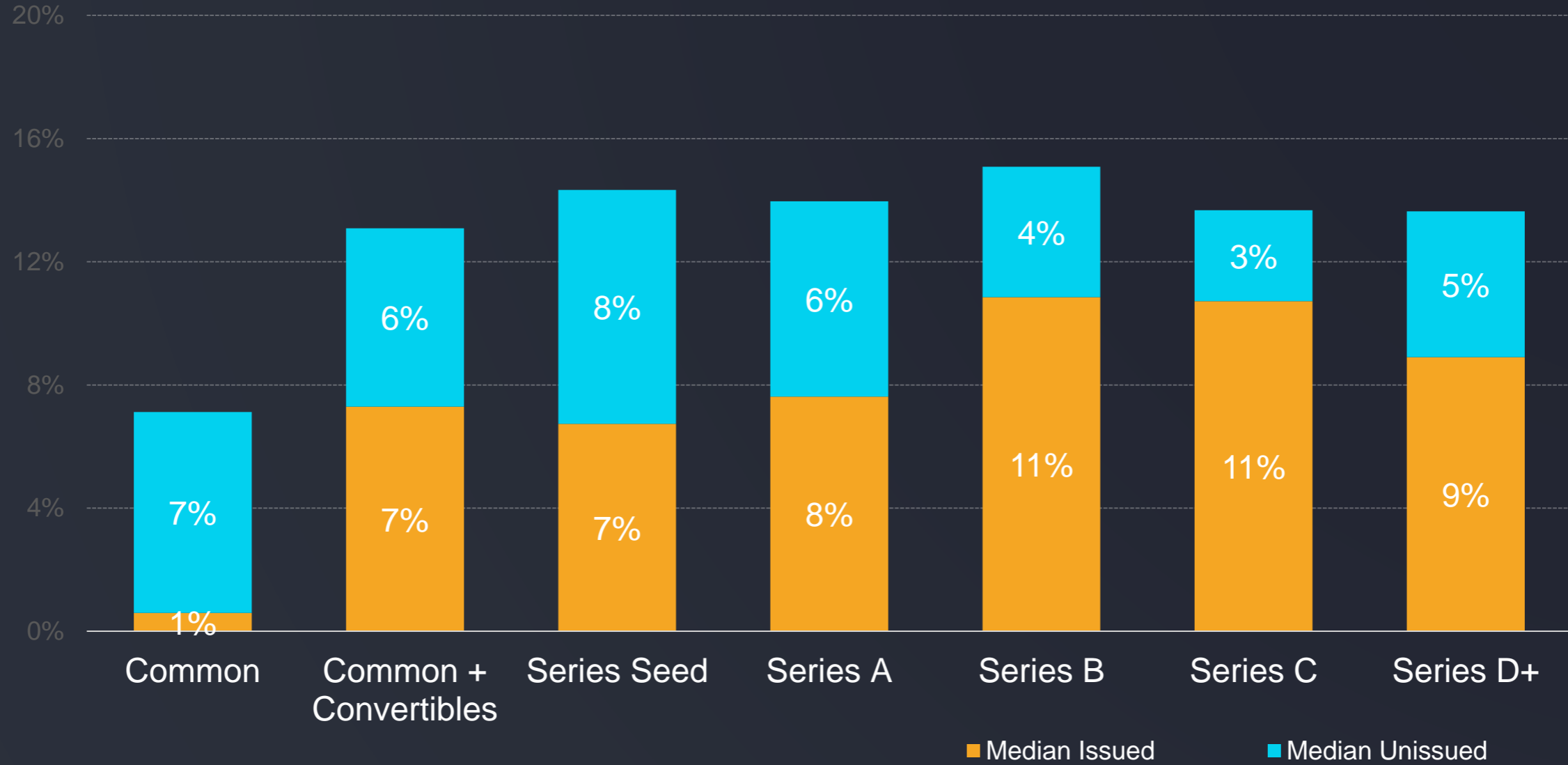
SHAREHOLDER COUNT BY STAGE



NUMBER OF SHAREHOLDERS BY STAGE

Number of shareholders often correlates with headcount but some companies offer equity to a broader range of employees. Here is the mean and median number of equity shareholders at all stages.

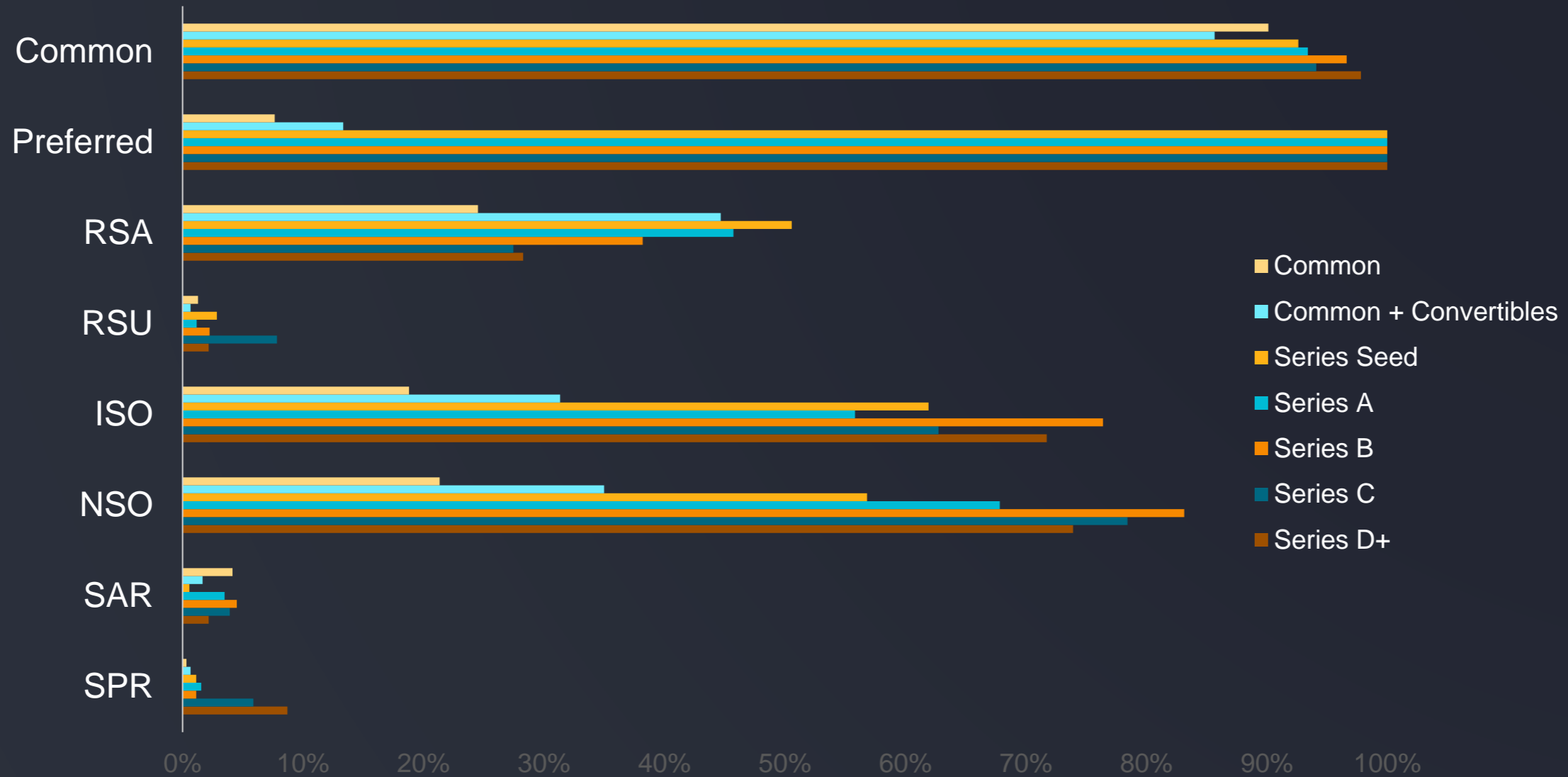
ISSUED AND UNISSUED OPTIONS BY STAGE



OPTION POOL PERCENTAGE BY STAGE

The option pool typically stays between 13-16% at any stage, if you include authorized but unissued options.

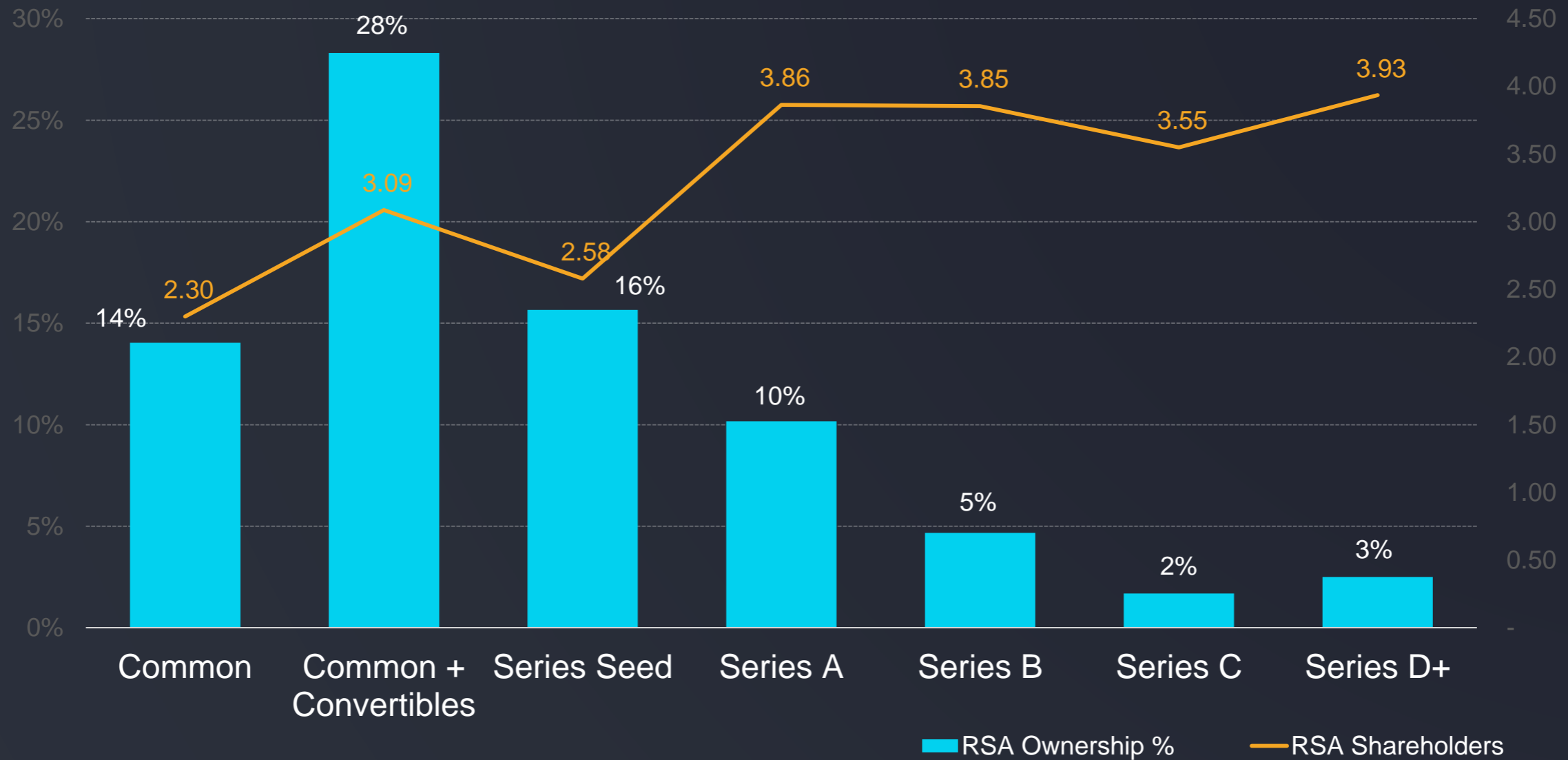
USAGE OF EQUITY INSTRUMENTS BY STAGE



EQUITY INSTRUMENTS BY STAGE

Companies almost all use common, preferred, ISO, and NSO equity. Companies also use RSAs, though somewhat less frequently. RSUs, SARs, and SPRs appear much less frequently and typically in later-stage companies.

RESTRICTED STOCK AWARDS (RSAs) BY STAGE



RESTRICTED STOCK AWARDS (RSAs)

On average, RSAs represent a large ownership stake across a small number of shareholders. This is because RSAs are frequently used by founders to vest each other.

MEAN EQUITY ISSUANCE TRANSACTIONS BY STAGE



VOLUME (EQUITY ISSUANCES TO SHAREHOLDERS)

The average number of equity issuance transactions (including electronic stock issuances) increases rapidly as companies grow. The volume is much higher including non-issuance transactions.

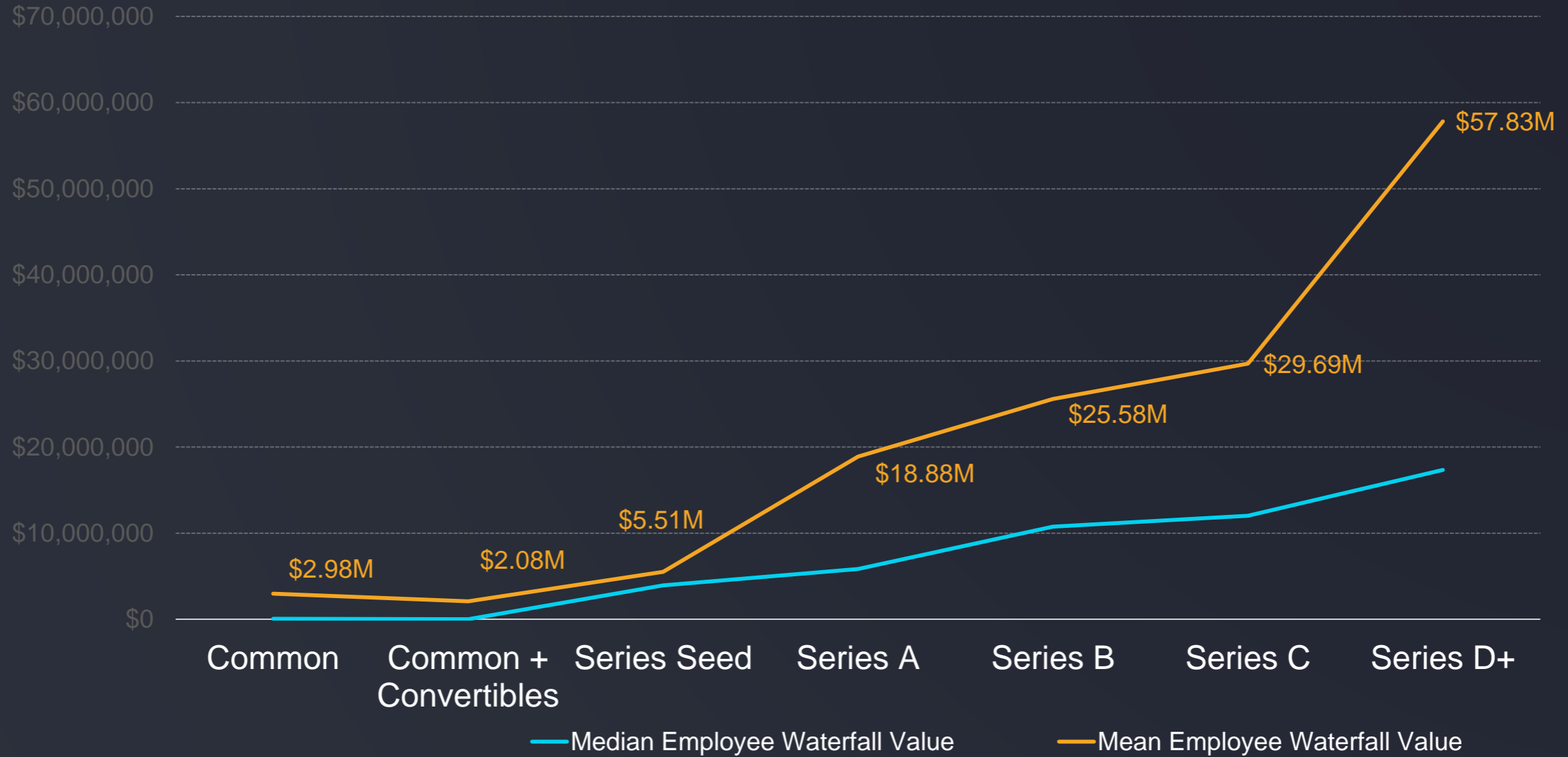
WATERFALL ANALYSIS

- Capshare pioneered software-based waterfall analysis for private companies
- Executives and shareholders can see a complete breakdown of equity proceeds in any hypothetical exit scenario
- Capshare's waterfall analysis takes into account:
 - Liquidation preferences
 - Participation rights and caps
 - Conversion rates
 - Cumulative dividends
 - PIK dividends
 - Warrants with exercise prices less than their liquidation preference per share

**THE FOLLOWING SLIDES PROVIDE
AGGREGATE WATERFALL ANALYSIS DATA**



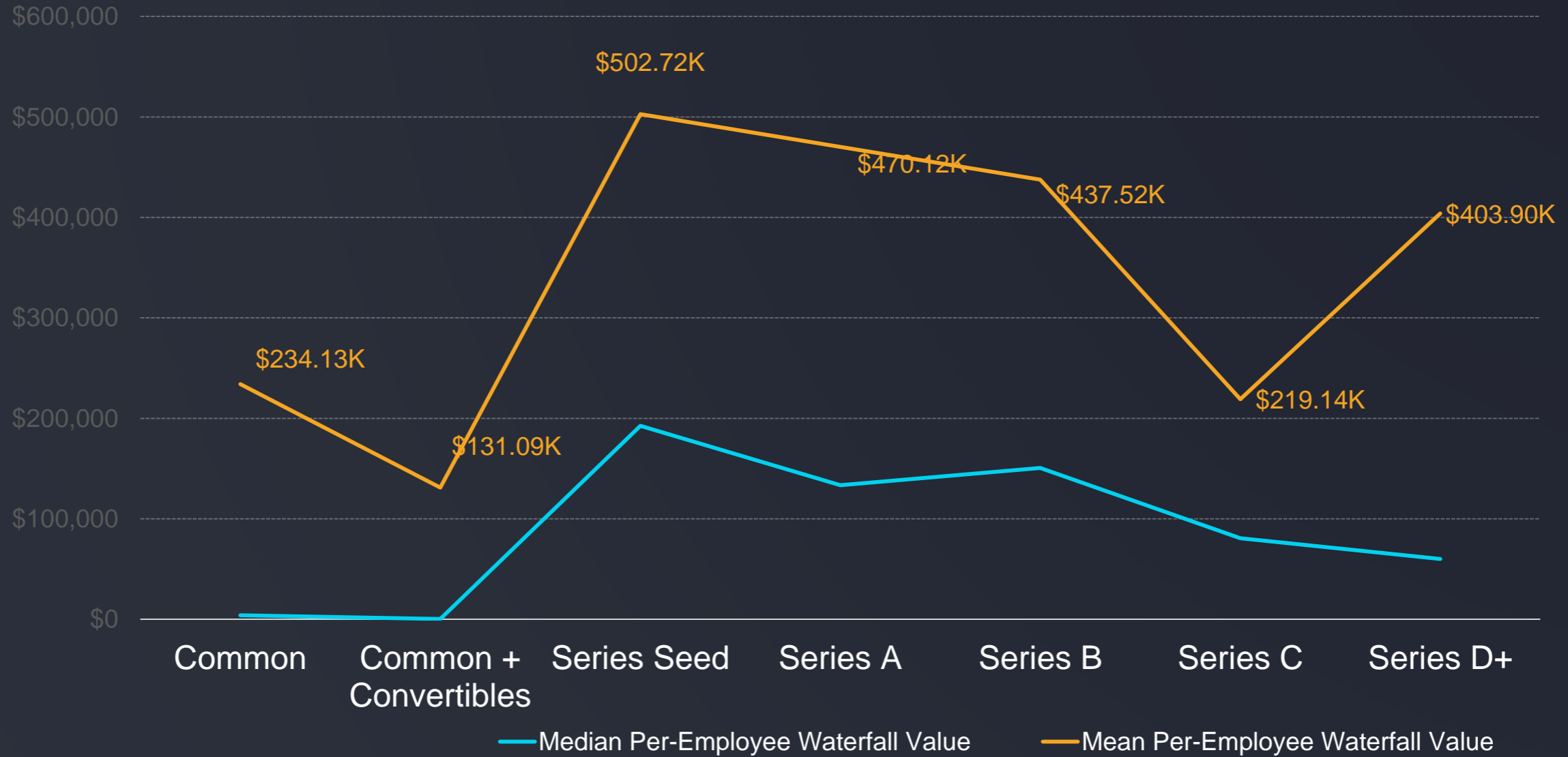
AGGREGATE EMPLOYEE WATERFALL VALUES BY STAGE



EMPLOYEE WATERFALL VALUE BY STAGE

Assuming each company is worth its latest post-money valuation, non-preferred shareholders (employees) would receive the following values in a liquidation scenario. Median results are much lower than mean because larger deals skew the average.

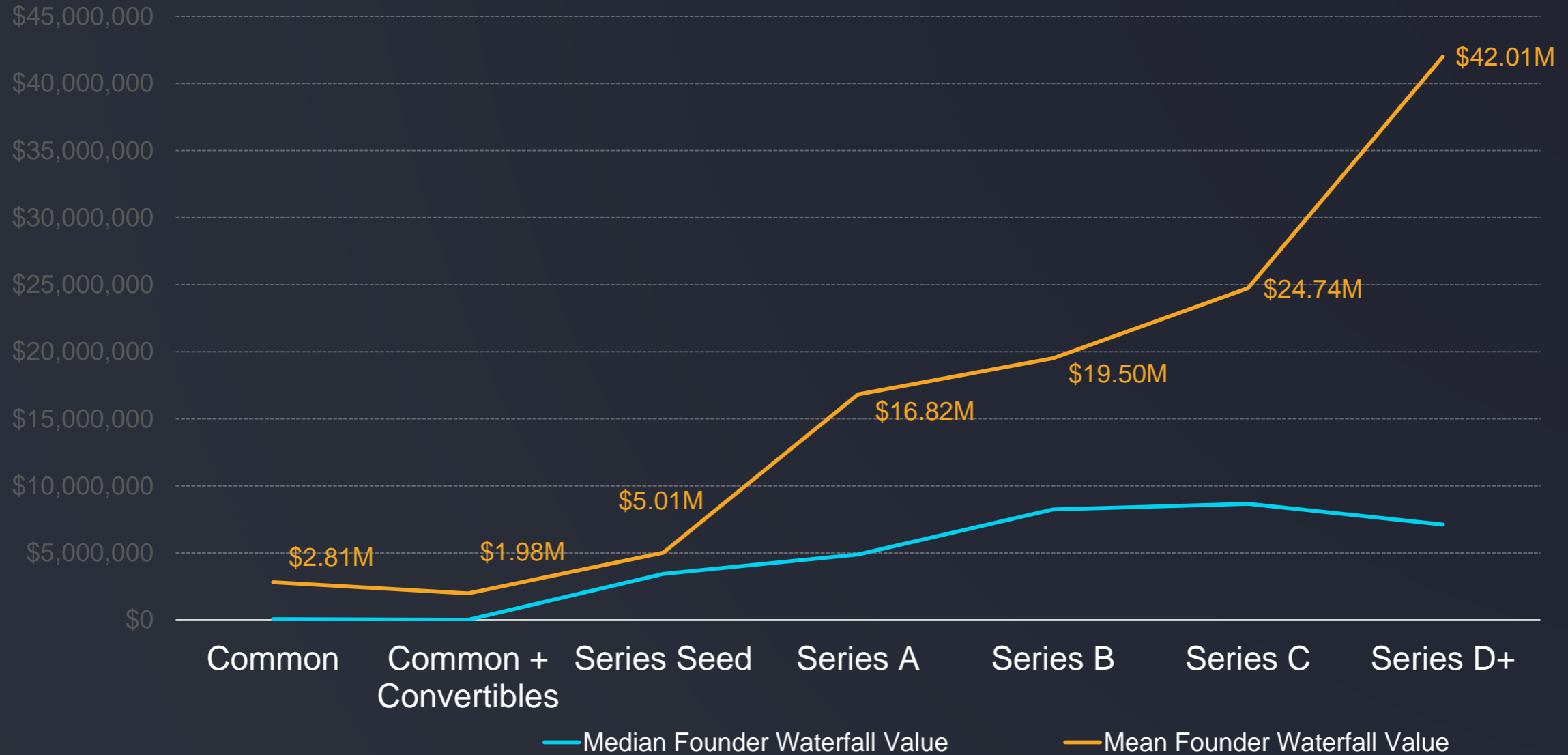
PER EMPLOYEE WATERFALL VALUES BY STAGE



WATERFALL VALUE BY STAGE PER EMPLOYEE

Per-employee waterfall proceeds (total employee proceeds / total number of employees) peak around Series A and then decrease as companies hire more employees.

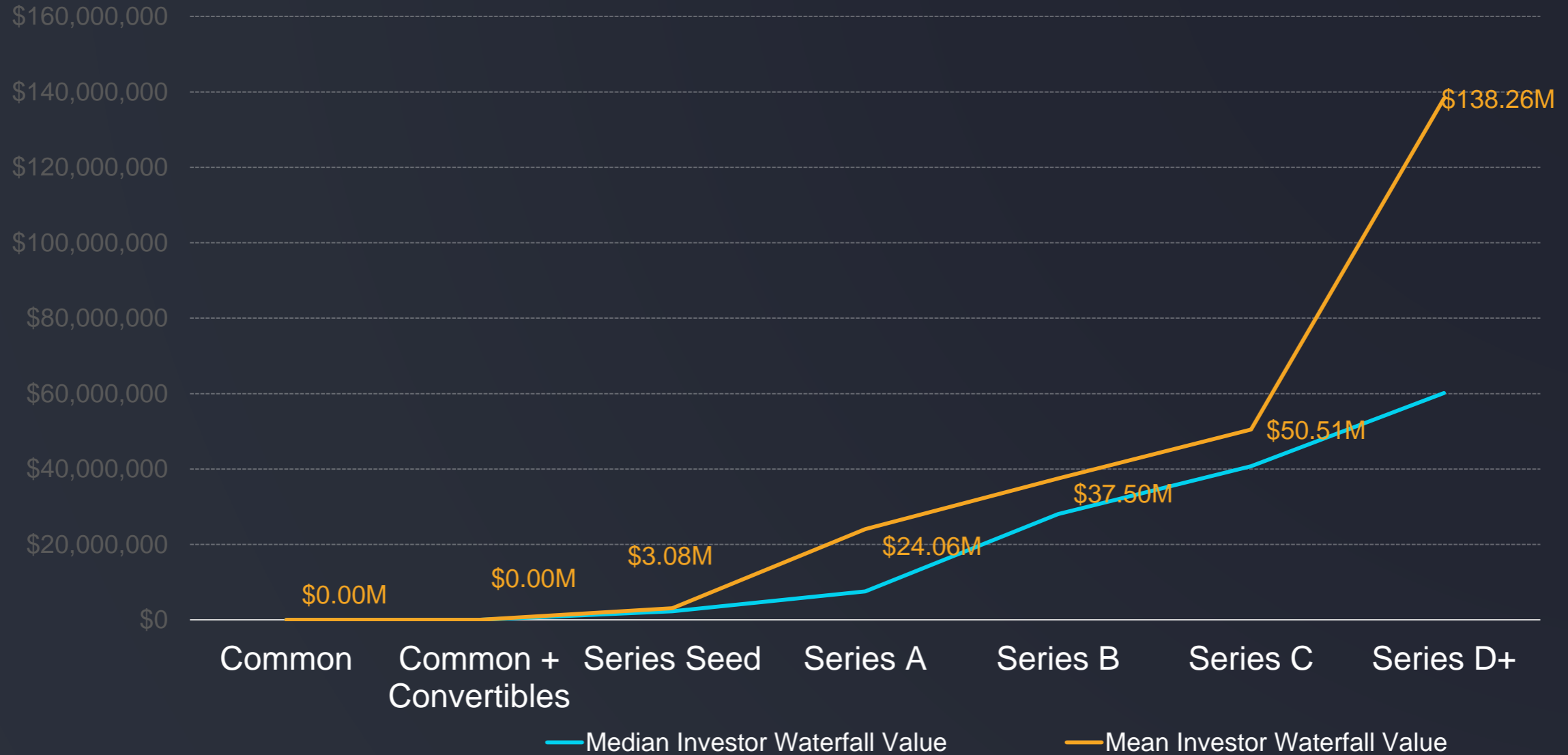
AGGREGATE FOUNDER WATERFALL VALUES BY STAGE



FOUNDER WATERFALL VALUE BY STAGE

Aggregate waterfall value to founders shows that they receive a very large portion of the value of the company. Median values show a leveling off of founder waterfall value after Series B.

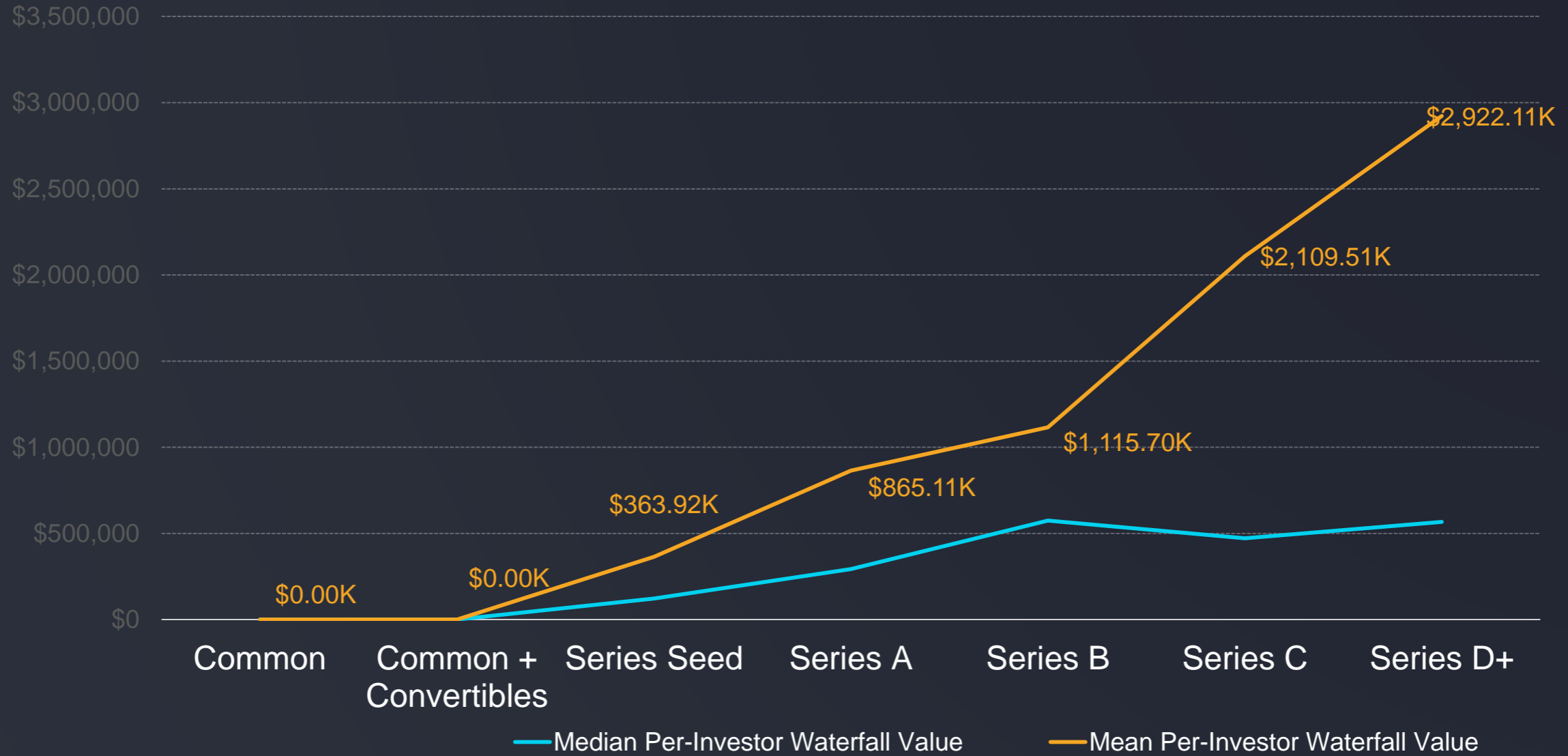
AGGREGATE INVESTOR WATERFALL VALUES BY STAGE



INVESTOR WATERFALL VALUE BY STAGE

Unlike employees and founders, investors' waterfall values are almost always get larger in later stage companies.

PER INVESTOR WATERFALL VALUES BY STAGE



WATERFALL VALUE BY STAGE PER INVESTOR

Per-Investor proceeds also continue to climb the later stage the company is.

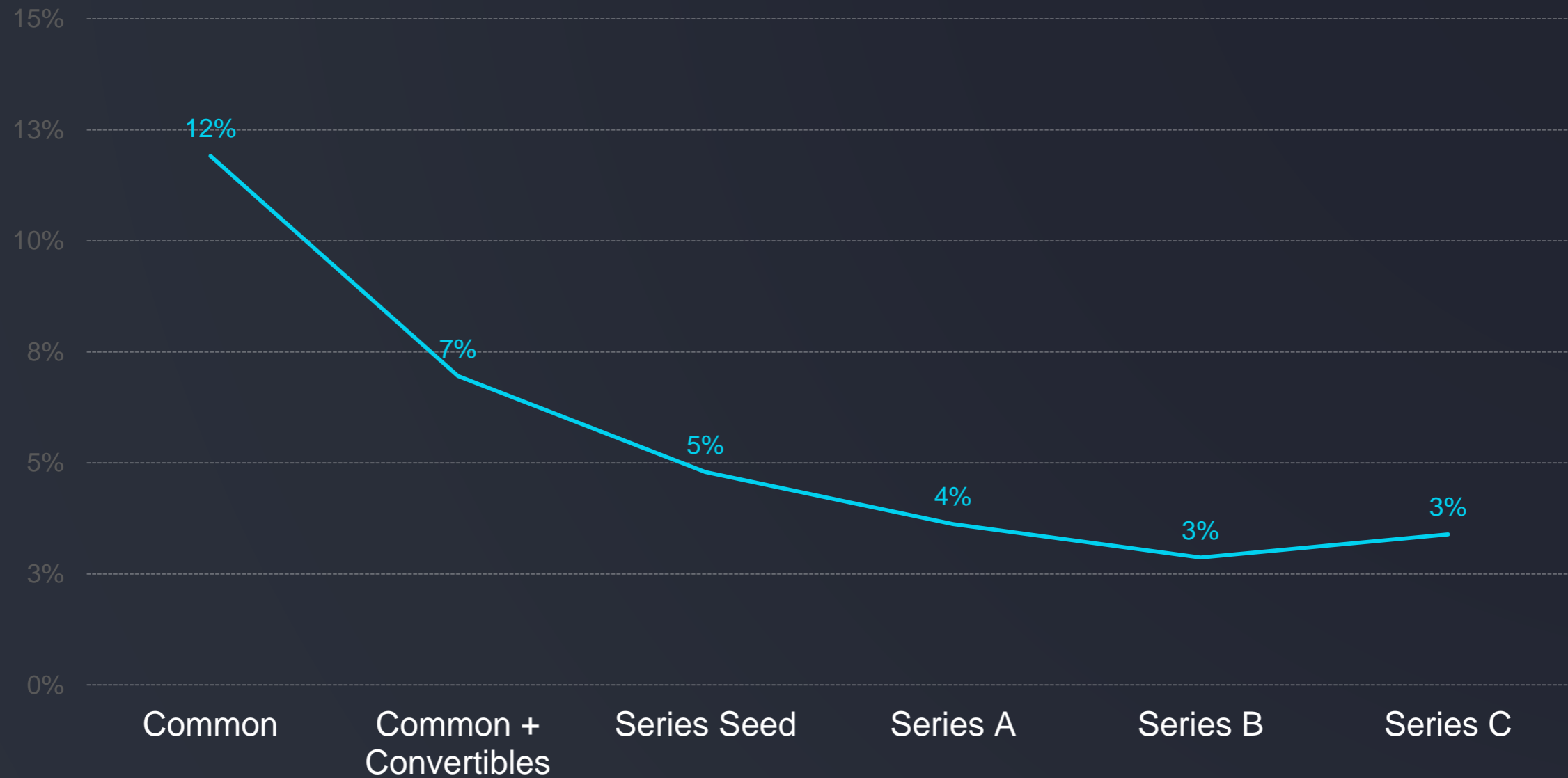
EQUITY FAIRNESS ANALYSIS

- Capshare pioneered research into the distribution of equity in startups among founders, all employees, and investors
- You can use this data to get a sense of how equally distributed your equity is
- You can benchmark your company's equity distribution in several ways:
 - Using Lorenz curves and Gini coefficients
 - Segment and compare the data by company stage
 - Segment and compare the data by shareholder group: all shareholders, founders only, and employees only

**THE FOLLOWING SLIDES PROVIDE
EQUITY FAIRNESS ANALYSIS DATA**



NEW EMPLOYEE EQUITY GRANTS IN THE LAST YEAR AS A % OF THE FULLY DILUTED CAP TABLE BY STAGE

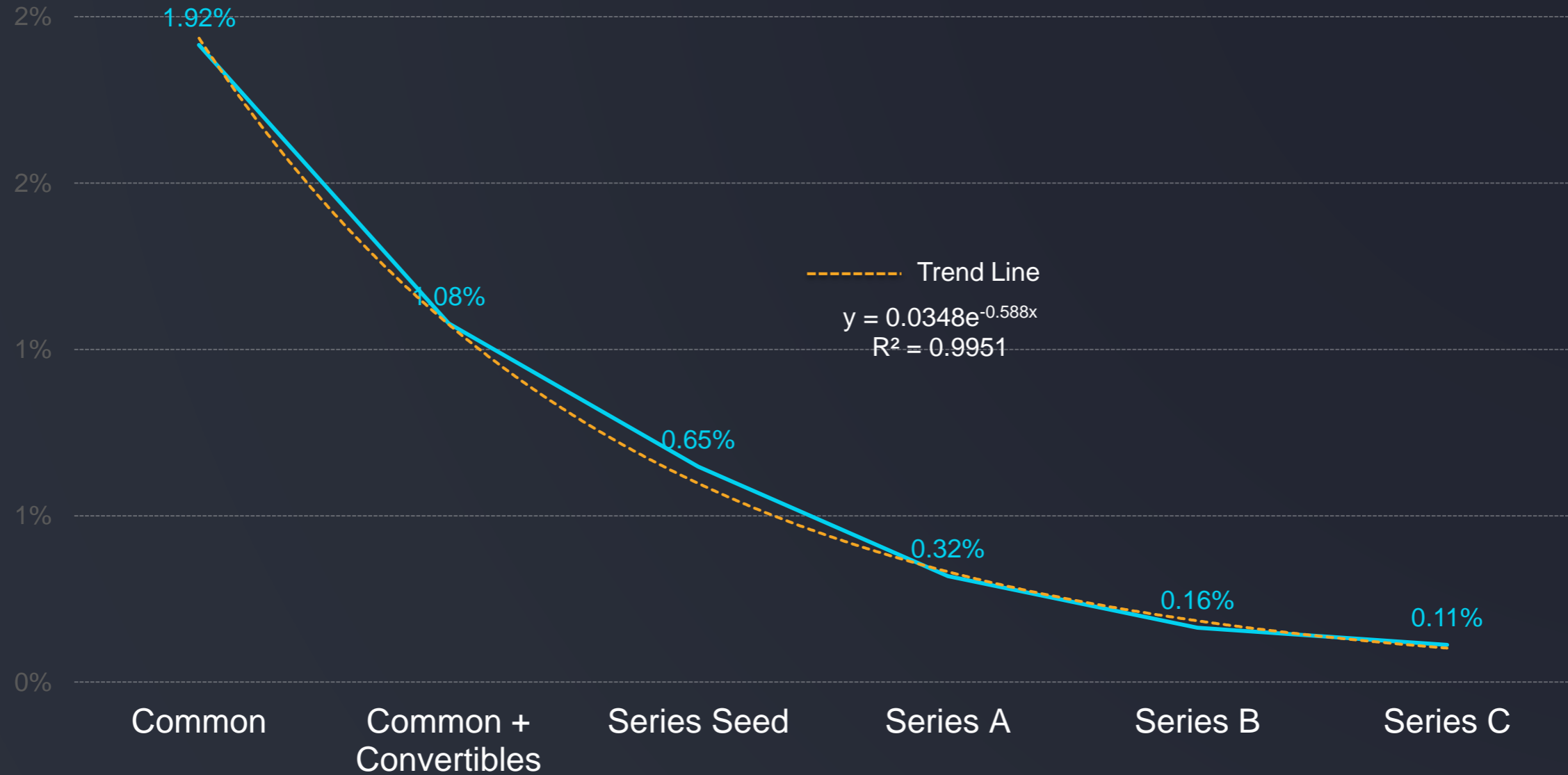


THE “GROUND FLOOR” EFFECT

Startups give out the vast majority of their ownership before the Series Seed stage at the “ground floor.” This means that employees that come in later typically won’t own very large portions of the startup.

Note: We excluded companies that made no grants in the year. So while the trend line should be accurate, values may be slightly higher than expected.

NEW PER-EMPLOYEE EQUITY GRANTS IN THE LAST YEAR AS A % OF THE FULLY DILUTED CAP TABLE BY STAGE

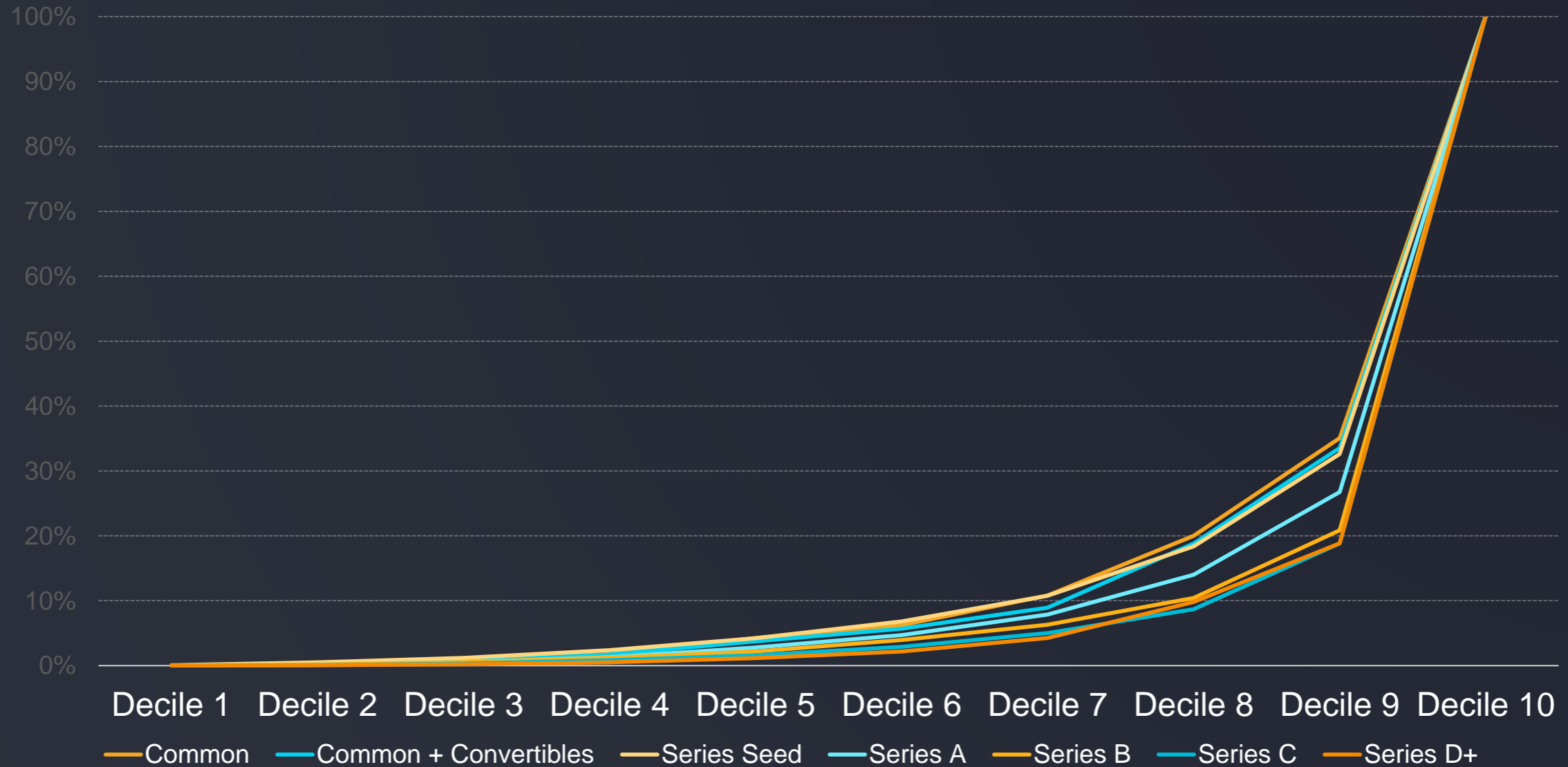


THE “GROUND FLOOR” EFFECT ON A PER EMPLOYEE BASIS

On a per-employee basis, the “Ground Floor” effect means that you are likely to get only a small fraction of a percent ownership in a startup after the founding stage. The best fitting trend line shows an exponential decrease in grant size.

Note: We excluded companies that made no grants in the year. So while the trend line should be accurate, values may be slightly higher than expected.

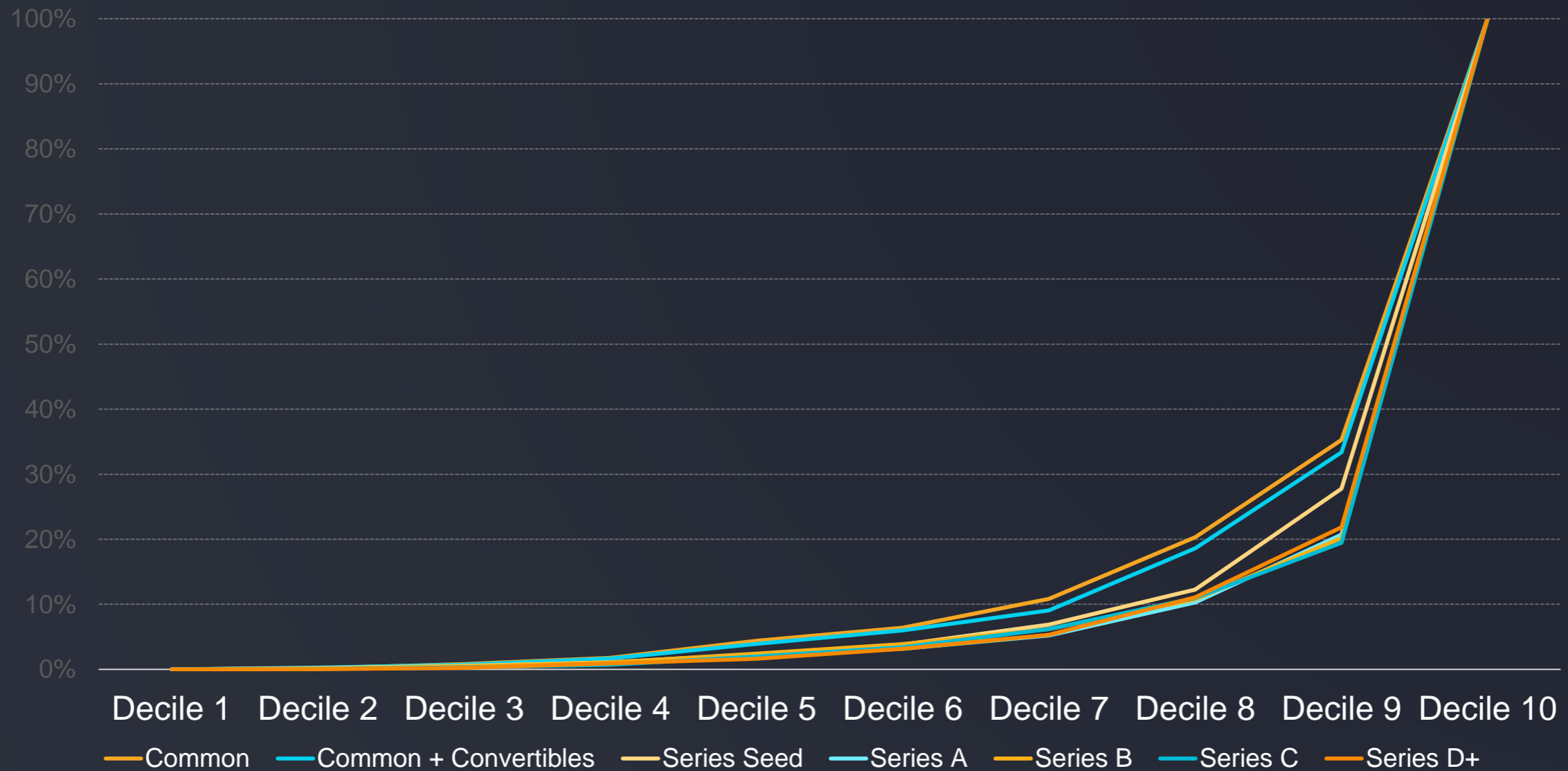
LORENZ CURVES BY STARTUP STAGE



OWNERSHIP DISTRIBUTION BY STAGE

Equity distribution in startups is highly *unequal*. Top decile owners own up to 65%-85% of the company. Ownership distribution is more unequal among later-stage companies relative to early-stage companies, not less.

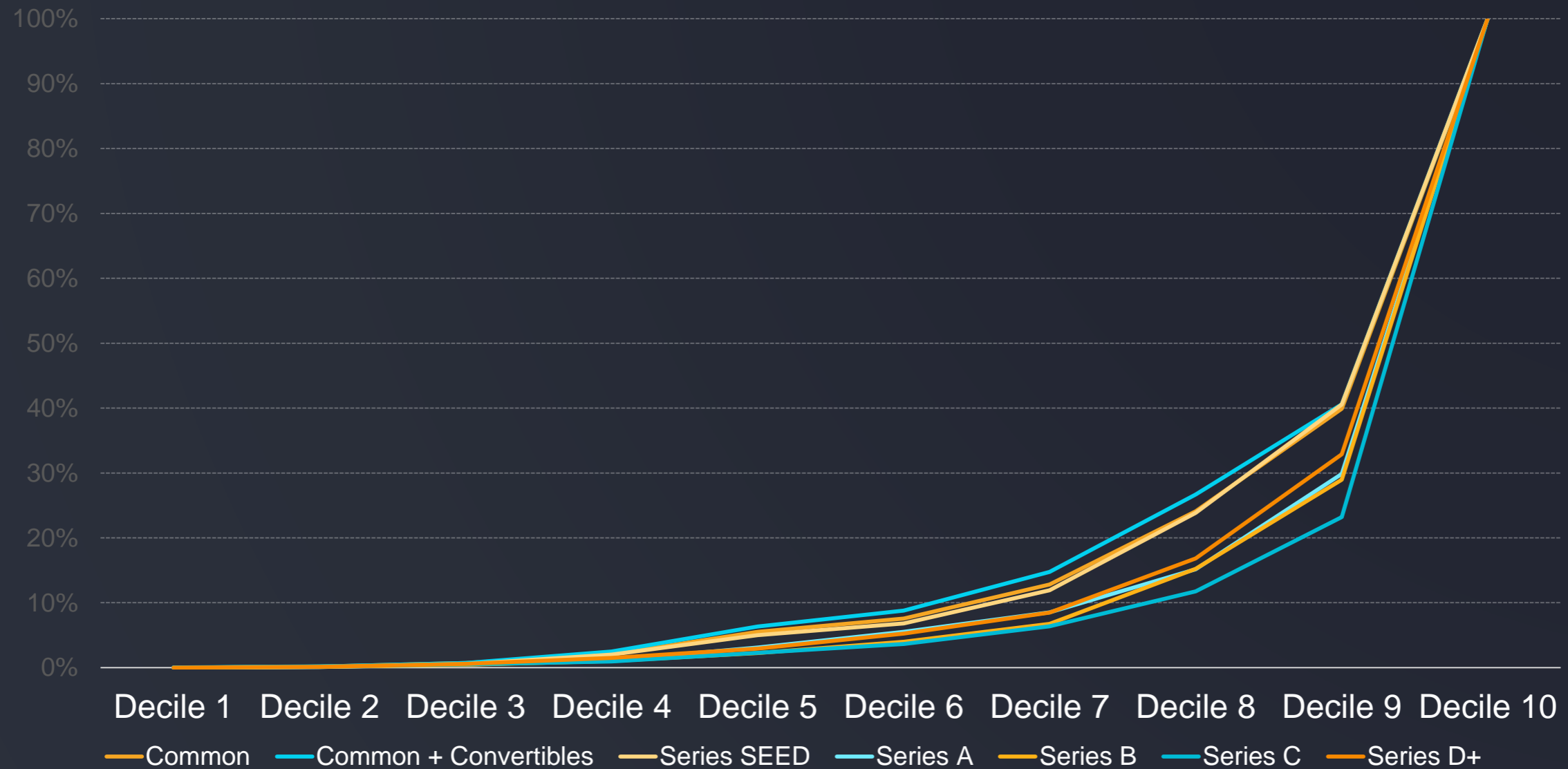
EMPLOYEE LORENZ CURVES BY STARTUP STAGE



EMPLOYEE OWNERSHIP DISTRIBUTION BY STAGE

Equity distribution among employees (excluding investors) is also quite unequal. The top decile employee-owners own 65-80% of the startup. Ownership equality is also lower among later-stage companies relative to early-stage companies.

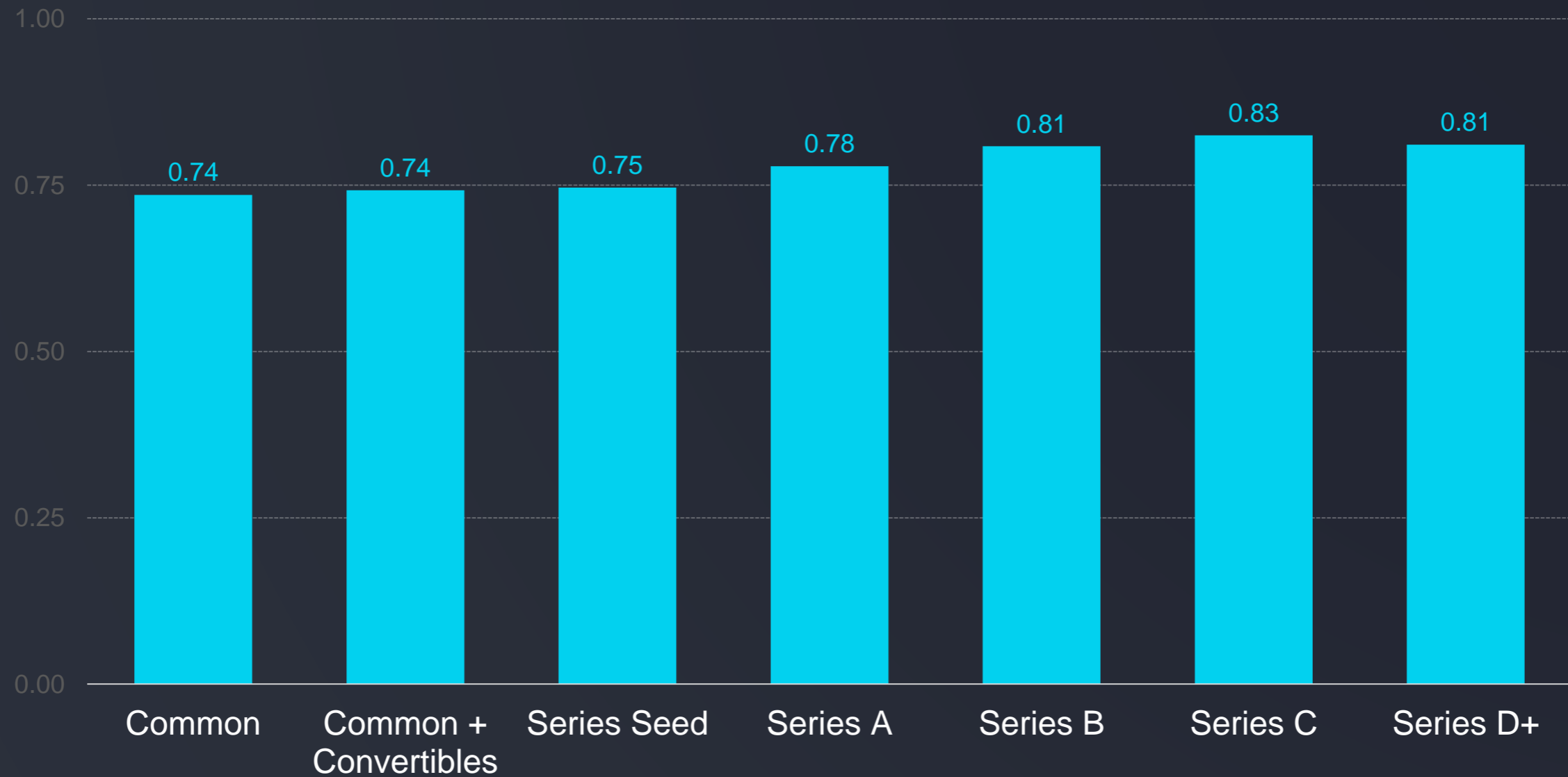
FOUNDER LORENZ CURVES BY STARTUP STAGE



FOUNDER OWNERSHIP DISTRIBUTION BY STAGE

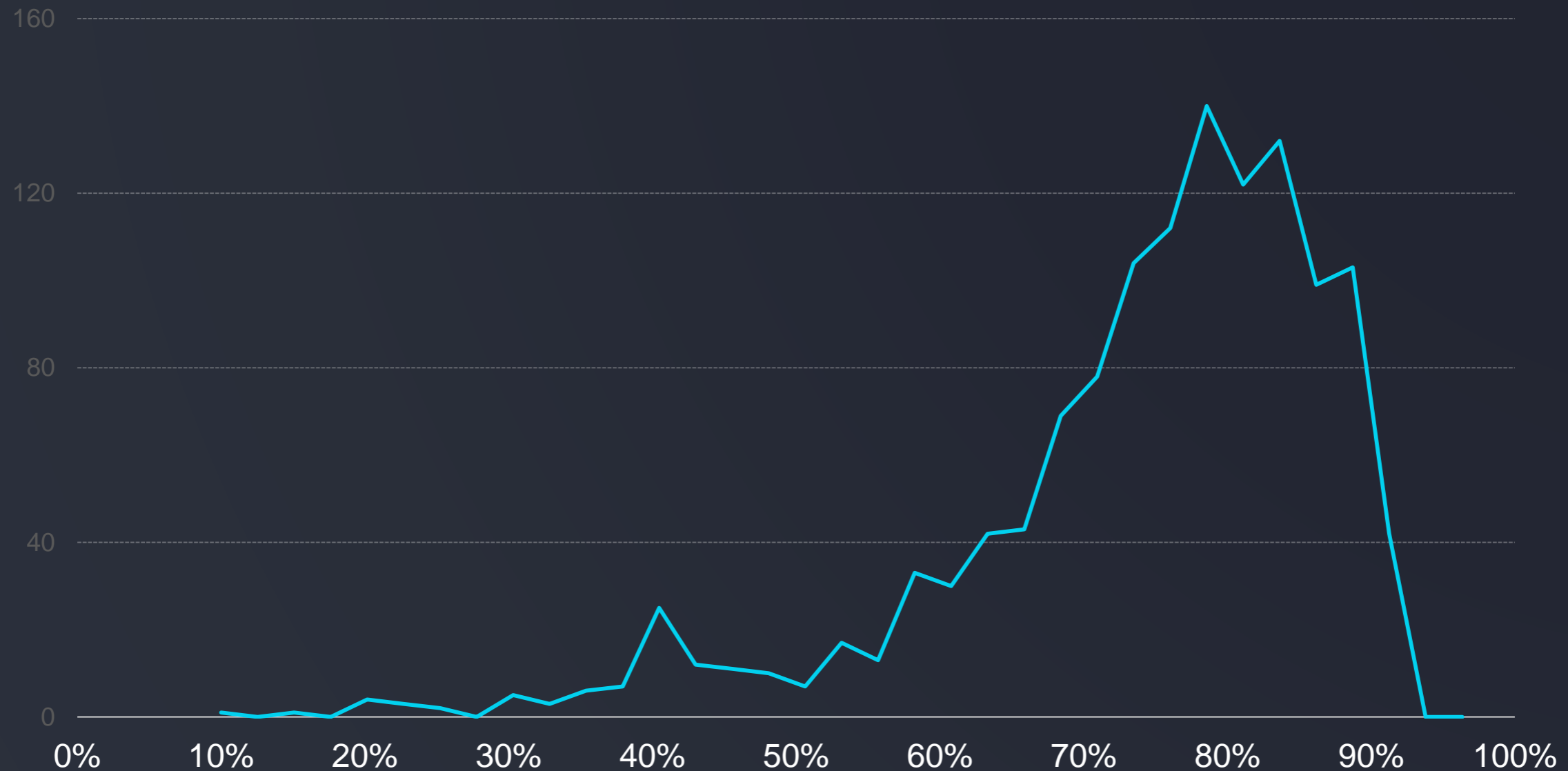
Even among founders (holders of common and restricted stock), the equity distribution is unequal but less so than other segments. Mid-decile owners enjoy relatively larger ownership positions.

MEDIAN GINI COEFFICIENTS BY STARTUP STAGE



EQUITY “EQUALITY” BY STAGE

Gini Coefficients, a measure of inequality, are high across all stages of startups. Ownership concentration is higher in later-stage companies.



FAIRNESS DISTRIBUTIONS

Even among founders (holders of common and restricted stock), the equity distribution is unequal but less so than other segments. Top decile founders own 60-80% of their stock. But there are mid-decile owners that enjoy relatively large ownership positions.

CAN WE HELP?

- Manage your cap table in the cloud and share securely with all relevant parties
- Model and record new rounds of funding
- Perform waterfall analysis for your company
- Offer personalized stock compensation portals for your employees
- Issue electronic stock rather than paper
- Maintain your equity ledger
- Manage all equity accounting
- Offload complicated and time-consuming compliance work

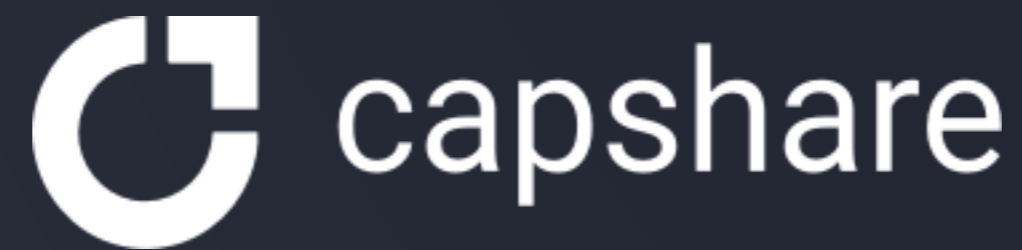
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