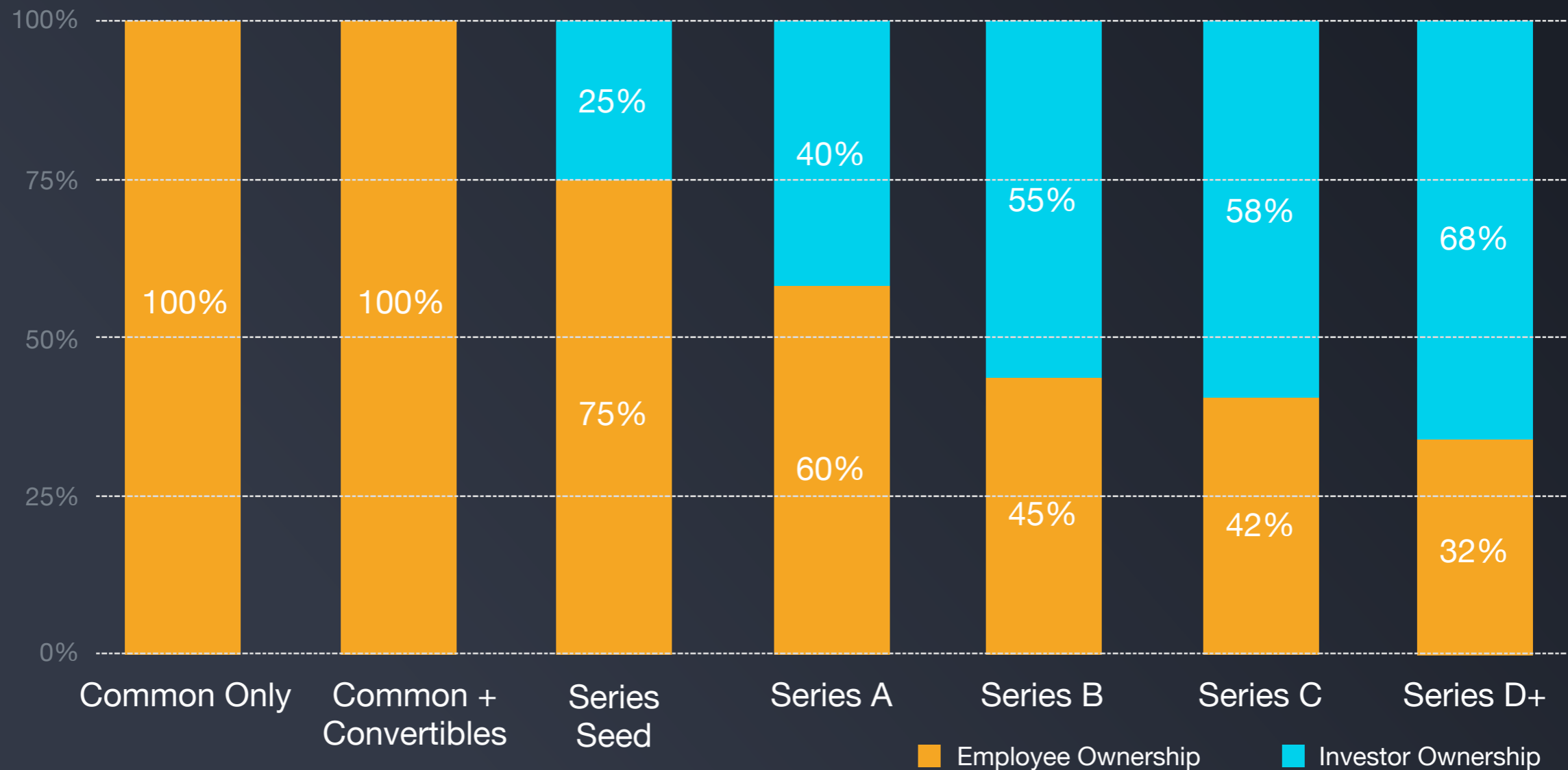


2016 Private Company Equity Statistics Report

ABOUT THIS REPORT

- Capshare offers a cloud-based cap table and electronic stock management system
- Capshare has over 5,000 active companies, law firms, and investors using our platform
- This report offers benchmark data and aggregated analysis for startup executives and investors
- No personal or company-identifiable data is available in this report

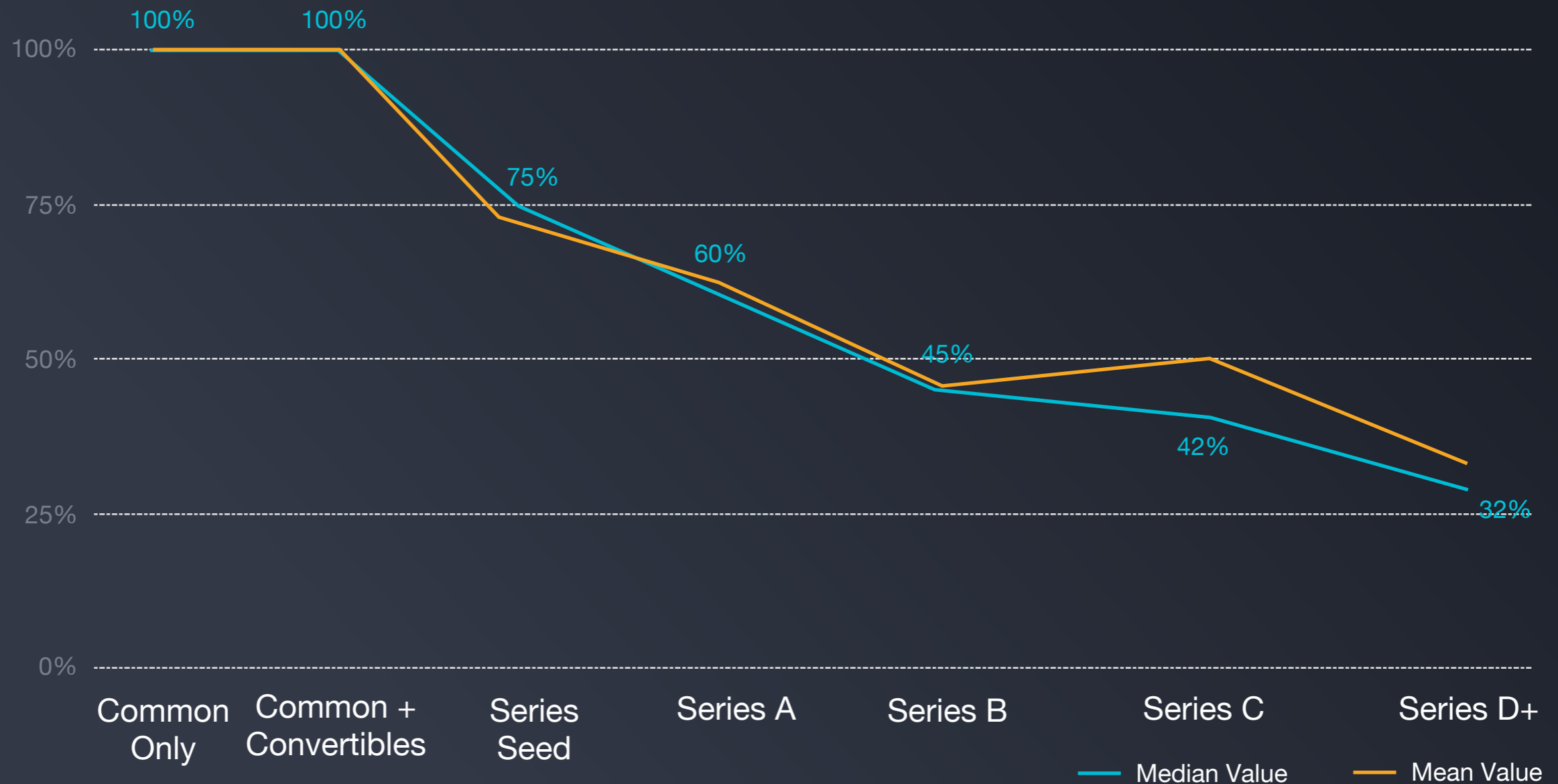
EMPLOYEE VS. INVESTOR OWNERSHIP BY STAGE



EMPLOYEE VS. INVESTOR EQUITY BY STAGE

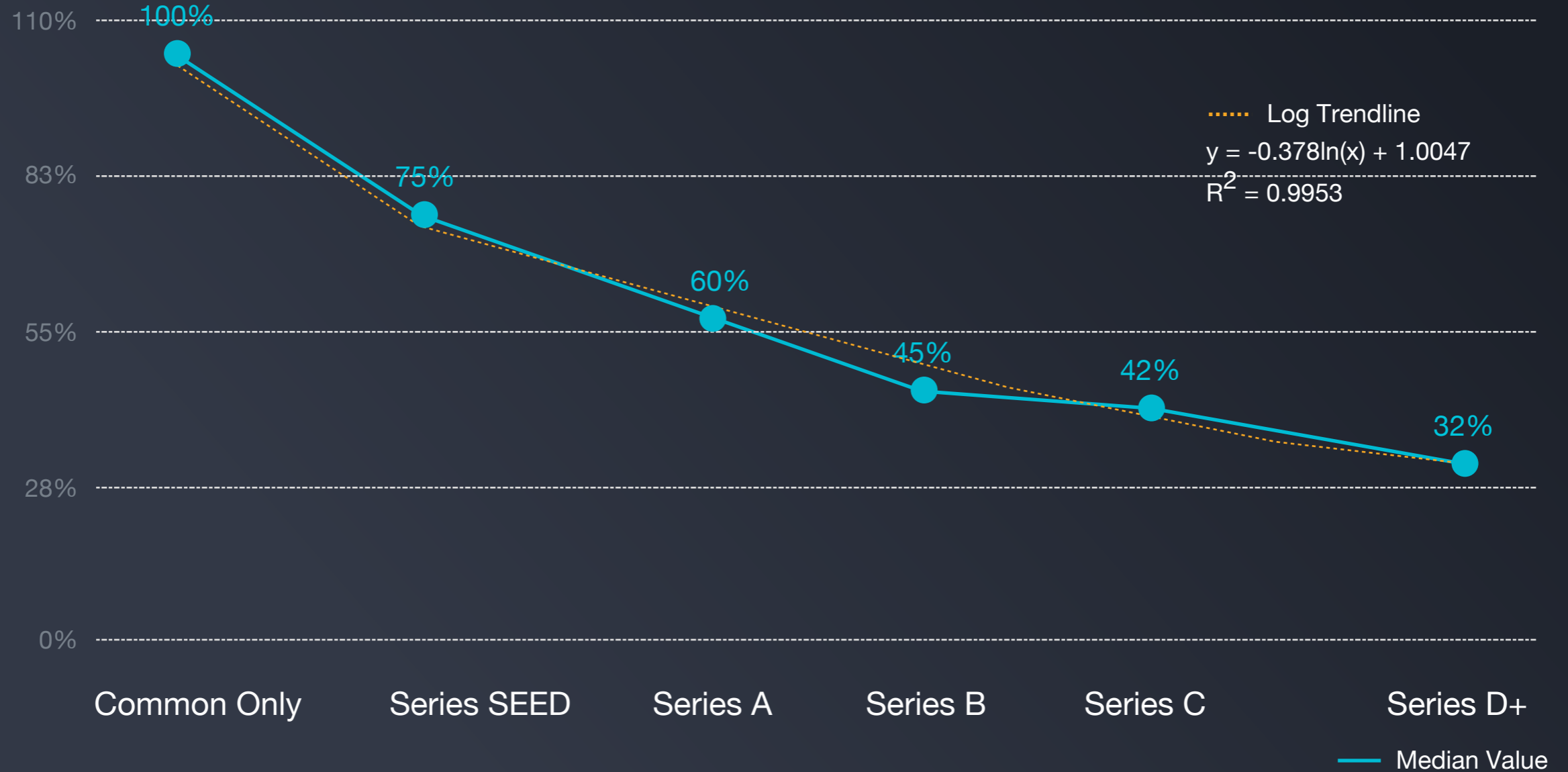
Employees retain a majority ownership stake in a typical investor-backed company until the Series B stage. However, company founders still often lose the ability to control a company by themselves after a Series A.

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 32% by the time the company is at a Series D or higher stage.

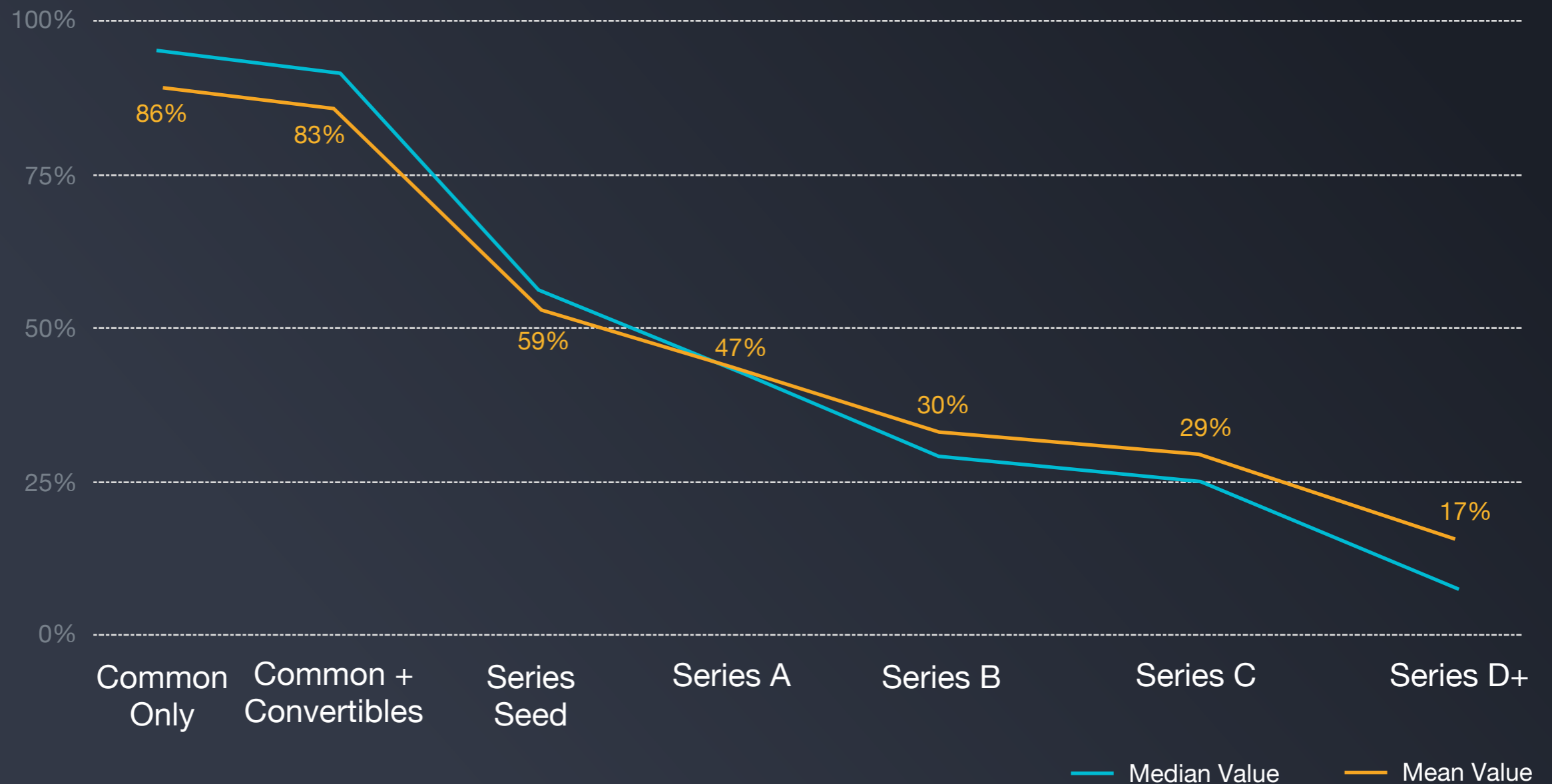
EMPLOYEE OWNERSHIP TRENDLINE BY STAGE



EMPLOYEE OWNERSHIP FORMULA

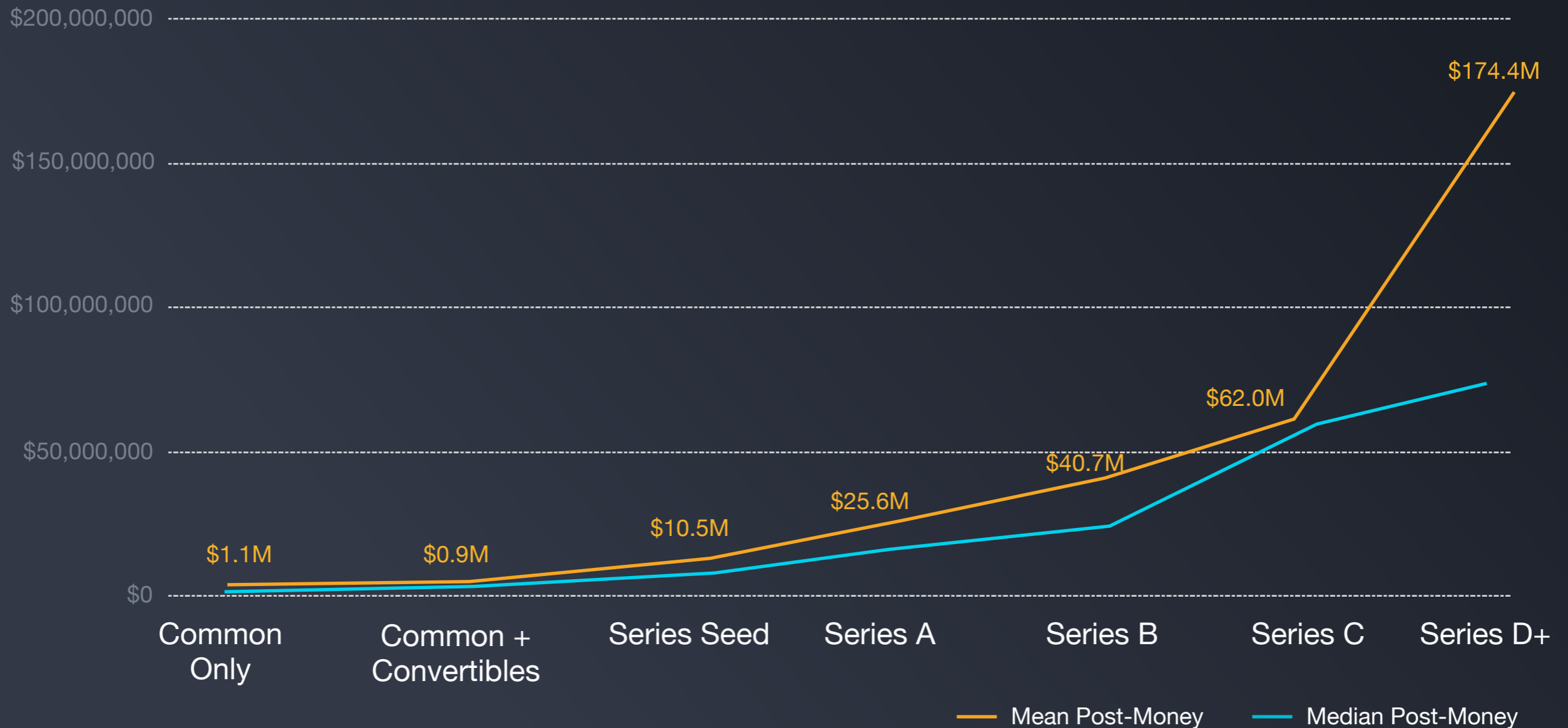
For the mathematically inclined, employee ownership almost perfectly fits a logarithmic curve with each new round of funding. The “Employee Ownership Formula” is: $\text{Employee Ownership} = -0.38 * \ln(\text{Number of Rounds of Funding}) + 1$.

COMMON + RESTRICTED COMMON OWNERSHIP BY STAGE

**FOUNDER OWNERSHIP BY STAGE**

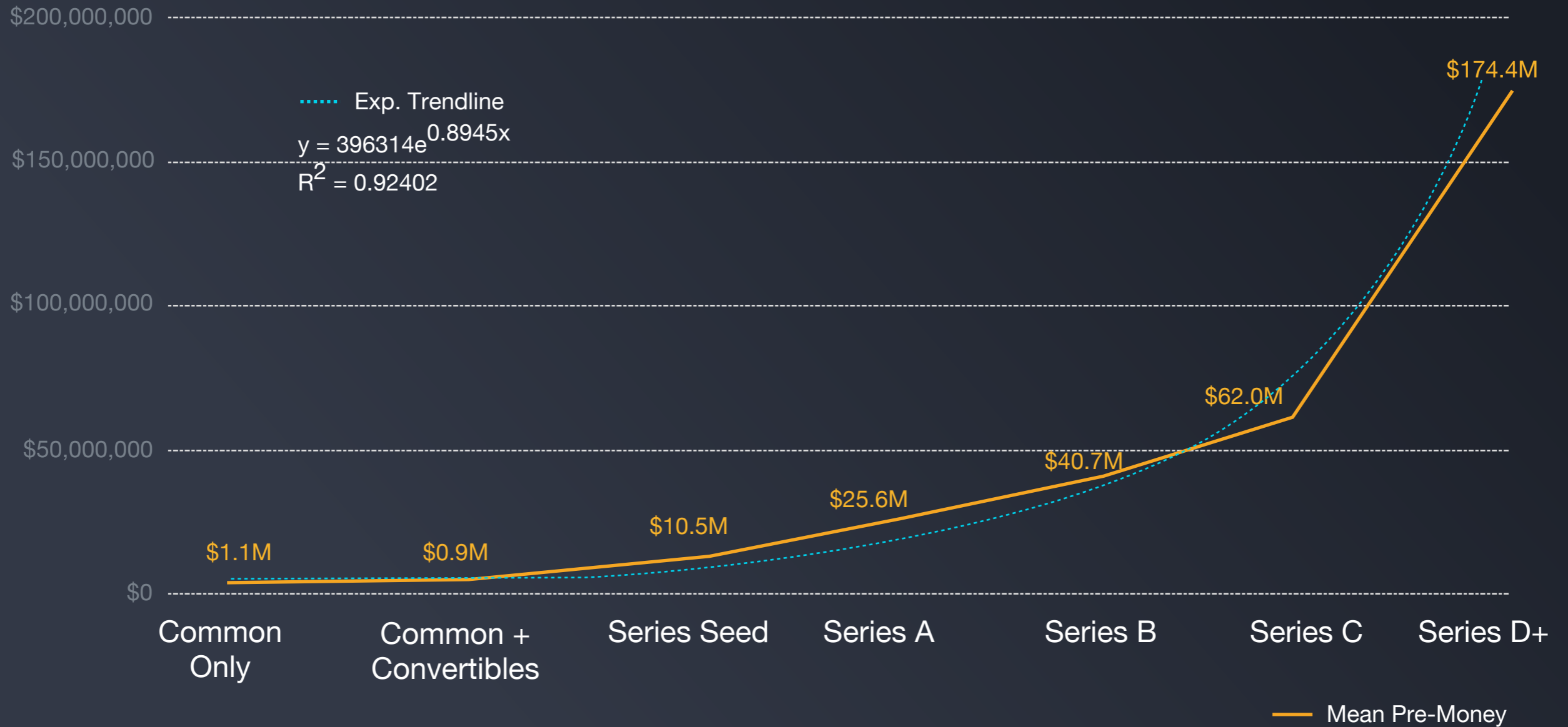
We can define “founder ownership” as all common and restricted common stock. Founder ownership decreases from 86% to 30% by the Series B stage. It could actually be a little lower in later stages as optionees convert options to common stock.

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.

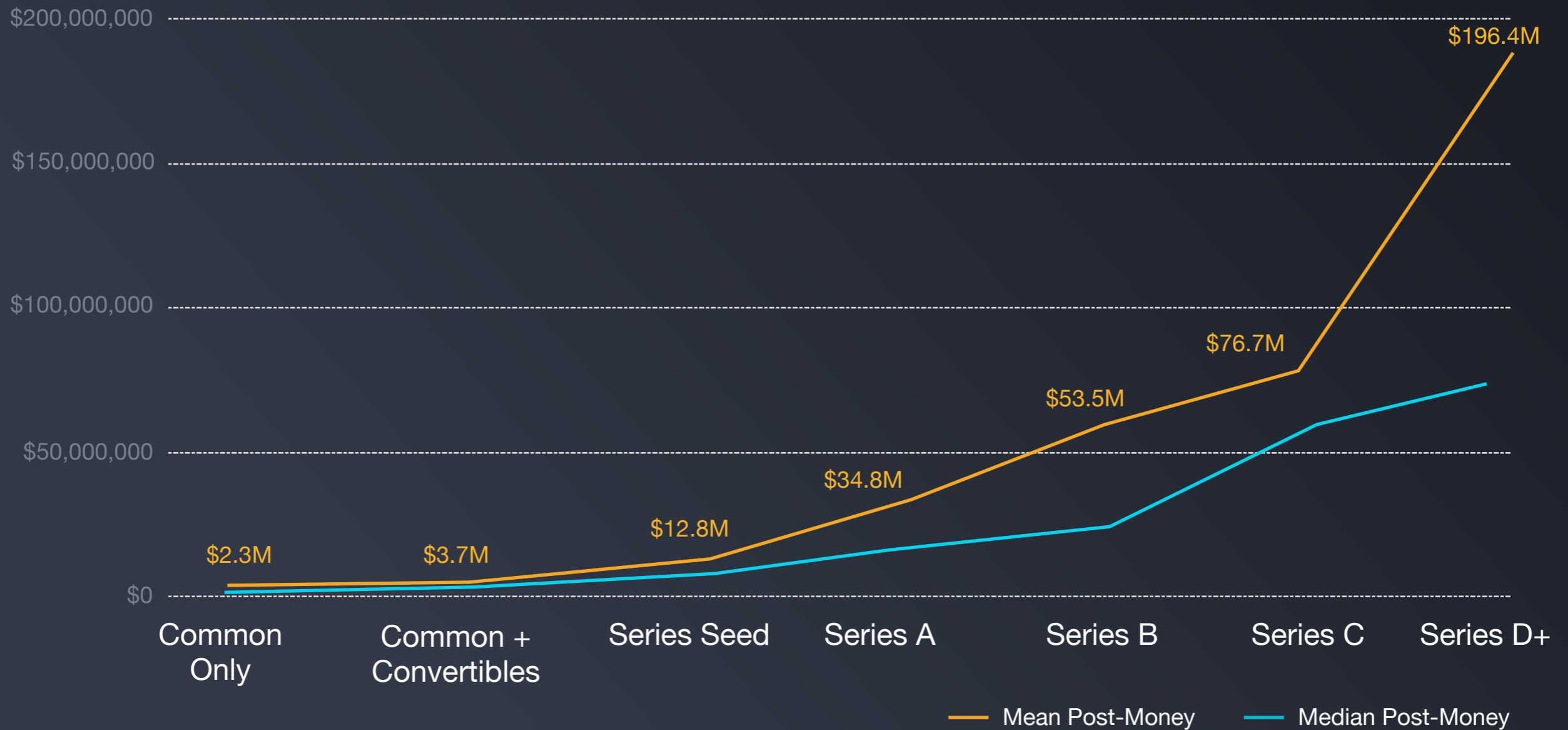
PRE-MONEY VALUATION TRENDLINE BY STAGE



PRE-MONEY VALUATIONS TRENDLINE

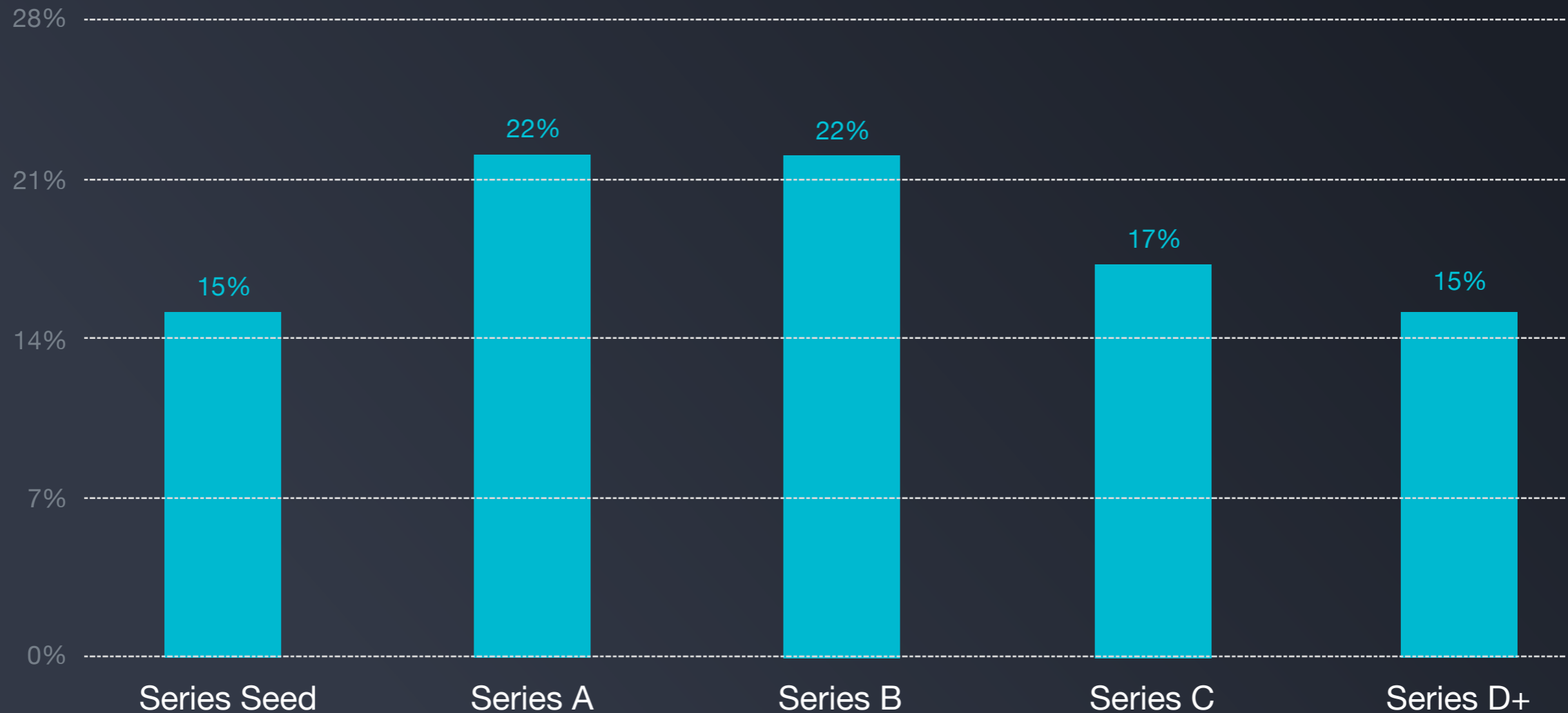
Mean pre-money valuations increase exponentially as companies progress to later stages.

MEAN AND MEDIAN POST-MONEY VALUATION BY STAGE

**POST-MONEY VALUATIONS BY STAGE**

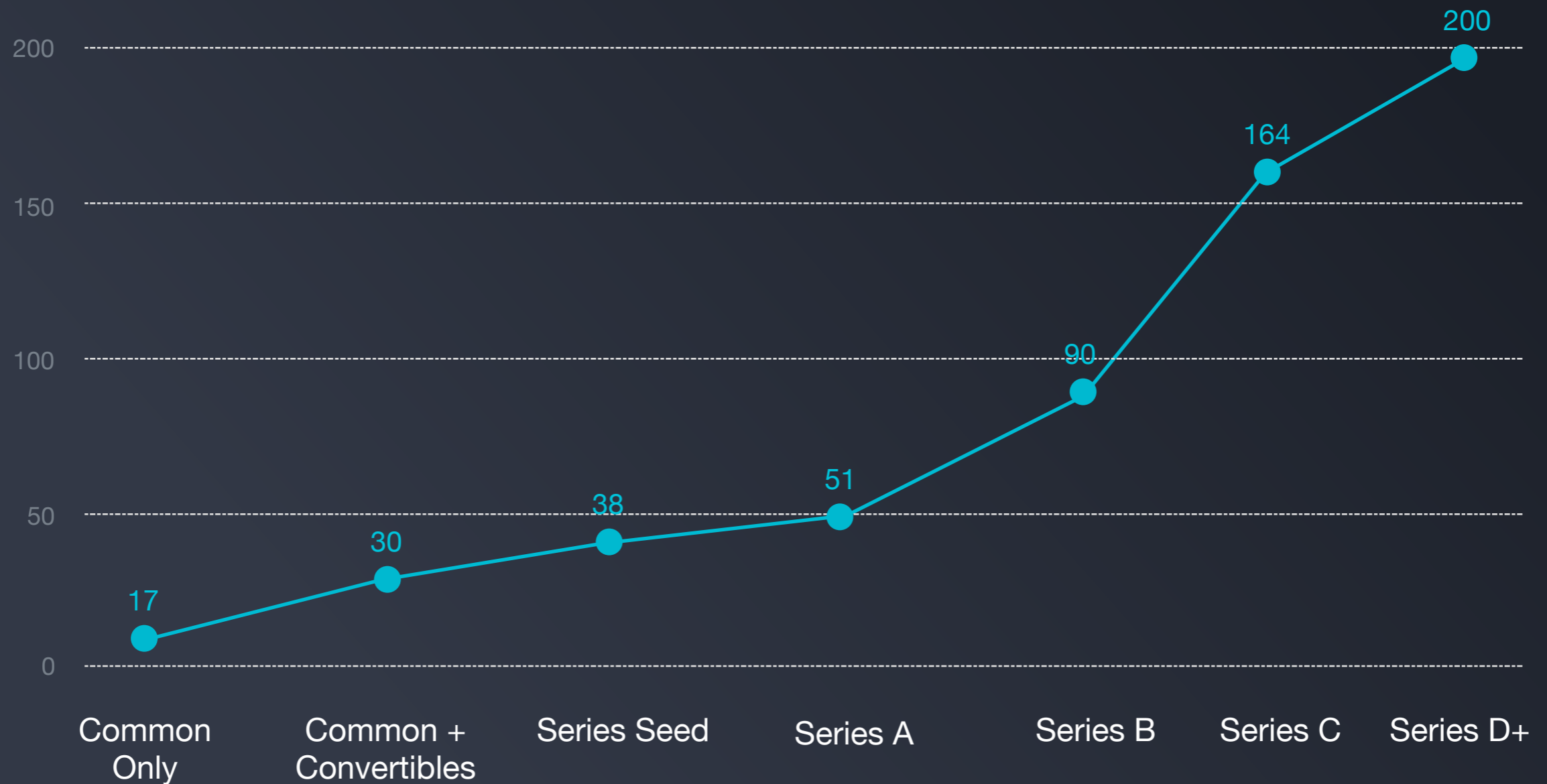
Mean and median post-money valuations diverge increasingly at later stages. This would indicate that the values of a subset of very highly valued companies pulls the average up but most companies don't achieve such high valuations.

MEDIAN EMPLOYEE DILUTION BY STAGE IN PERCENTAGE POINTS

**“TYPICAL” DILUTION RATES**

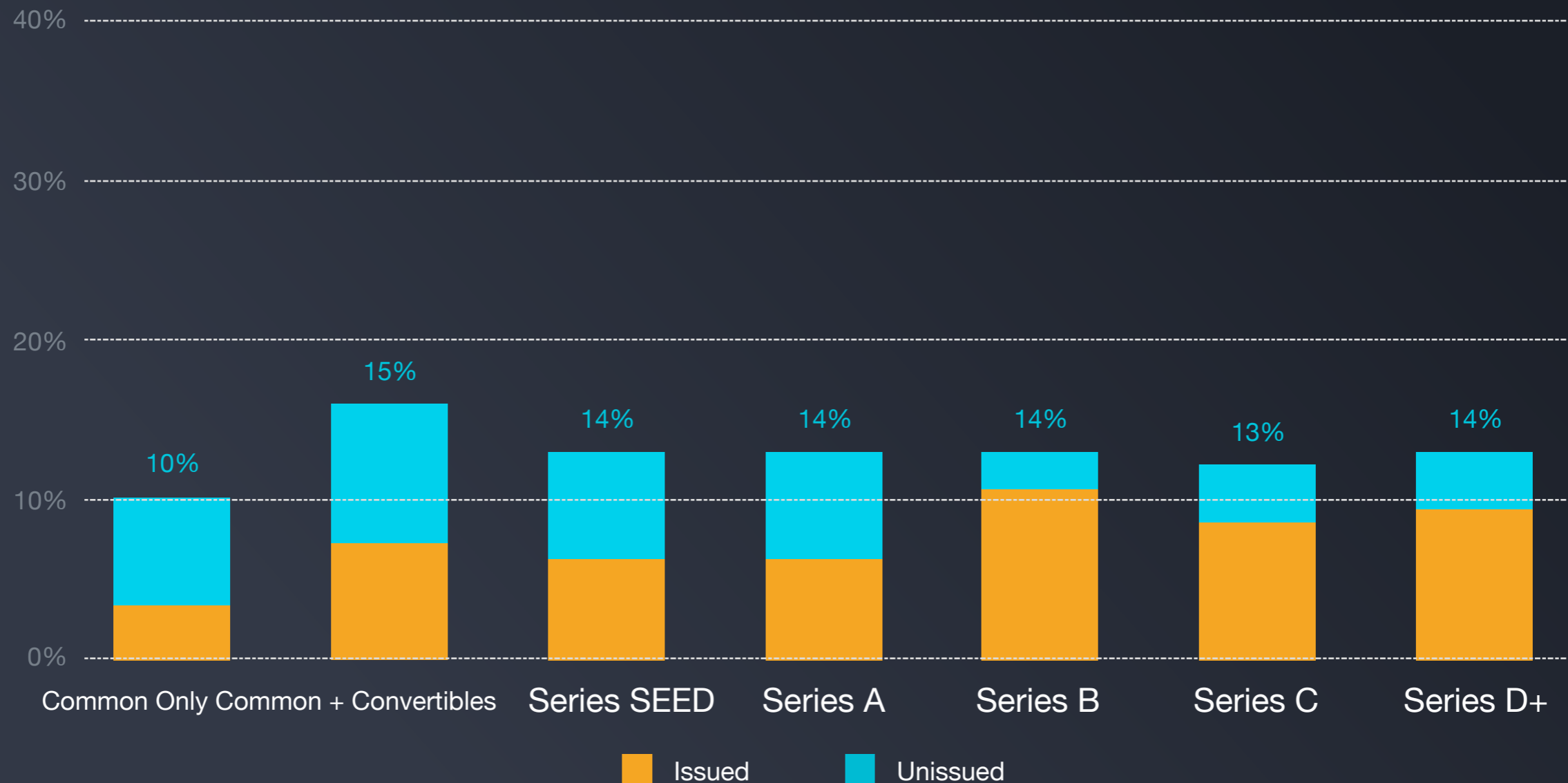
Executives should expect dilution of between 15-25% in nearly any round no matter the stage. However, dilution does appear to be smaller at the earliest and latest stages of a company's life. It peaks in the Series A and B.

NUMBER OF SHAREHOLDERS BY STAGE

**NUMBER OF SHAREHOLDERS BY STAGE**

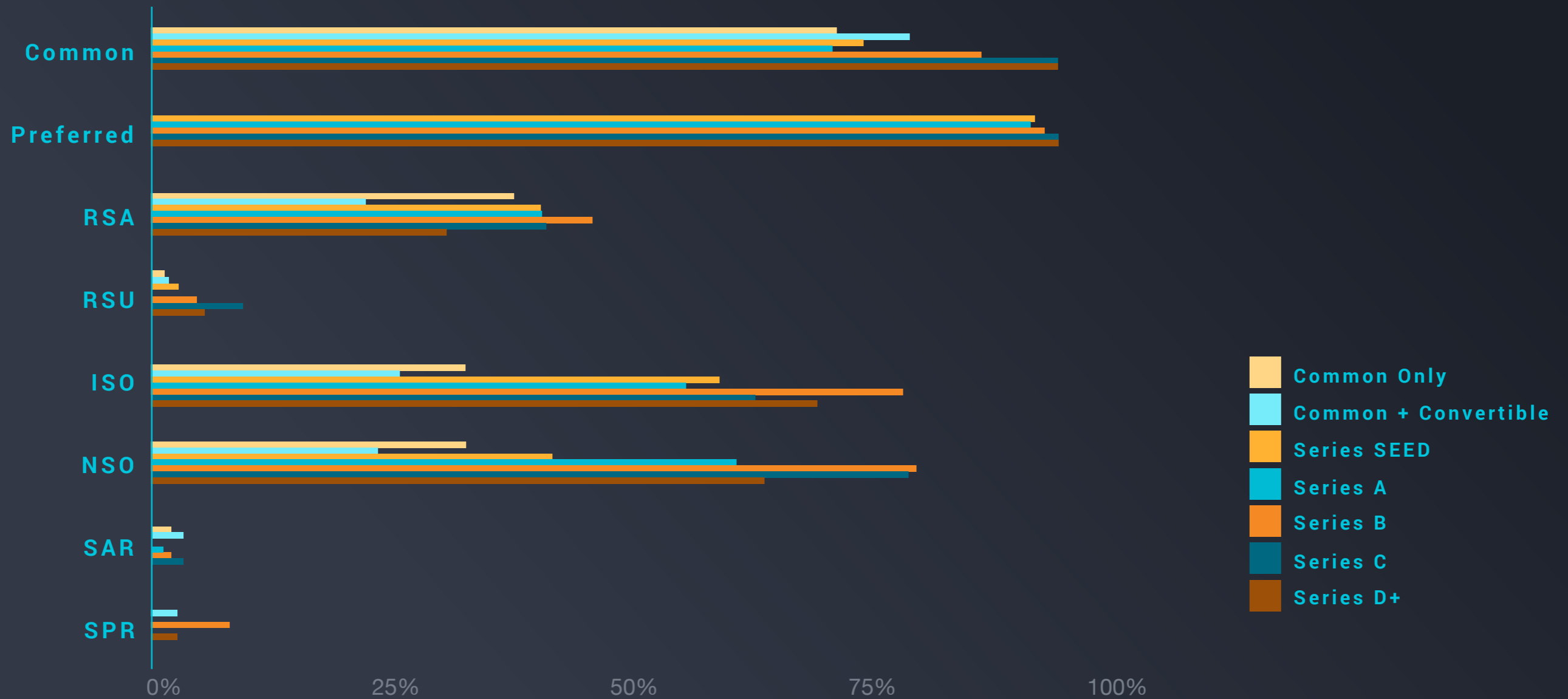
Number of shareholders often correlates with headcount but some companies offer equity to a broader range of employees. Here is the median number of equity shareholders at all stages.

ISSUED AND UNISSUED OPTIONS BY STAGE

**OPTION POOL PERCENTAGE BY STAGE**

The option pool typically stays just under 15% at any stage, if you include authorized but unissued options.

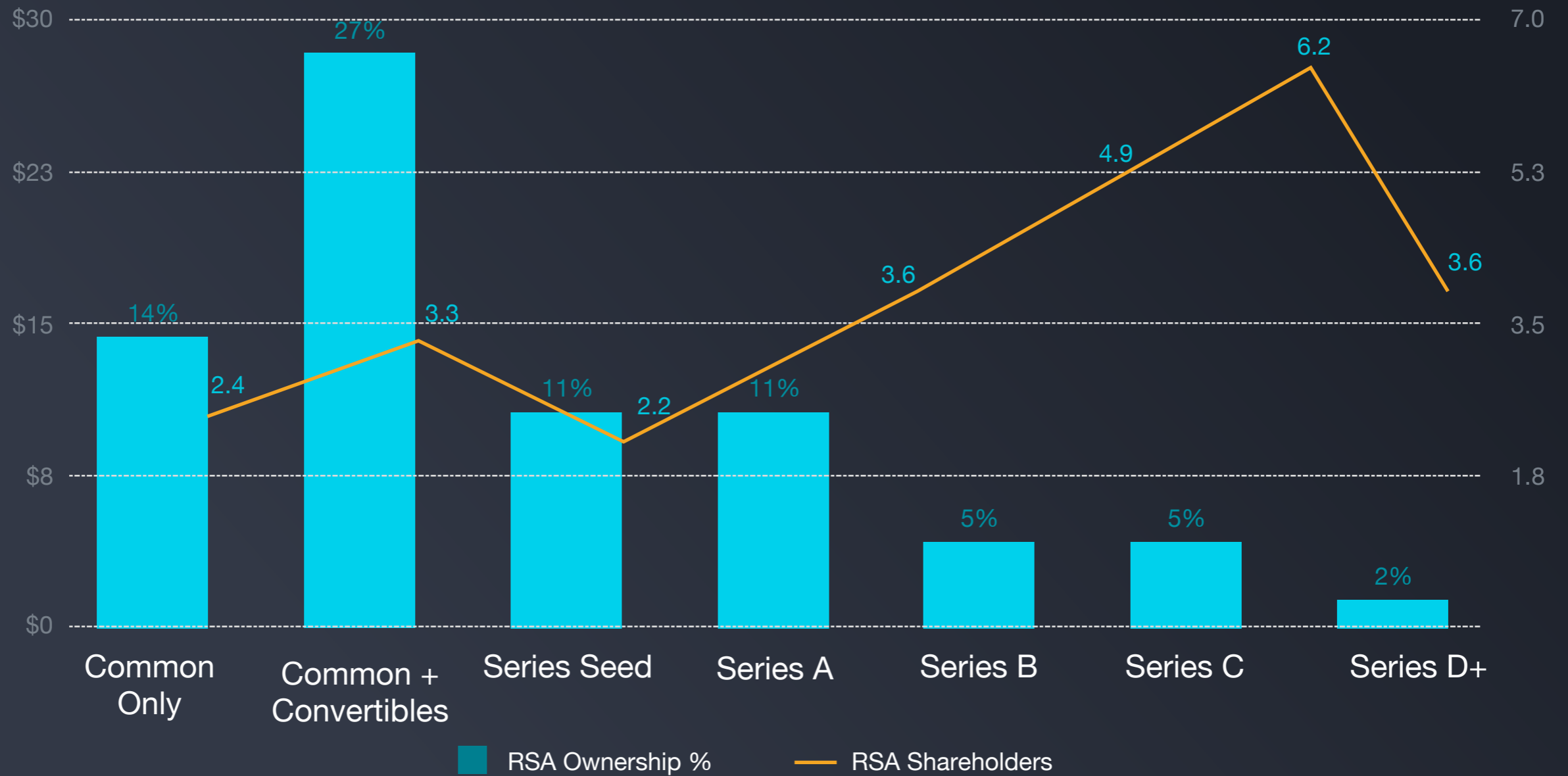
USAGE OF EQUITY INSTRUMENTS BY STAGE



USAGE OF 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 (RSA)

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.

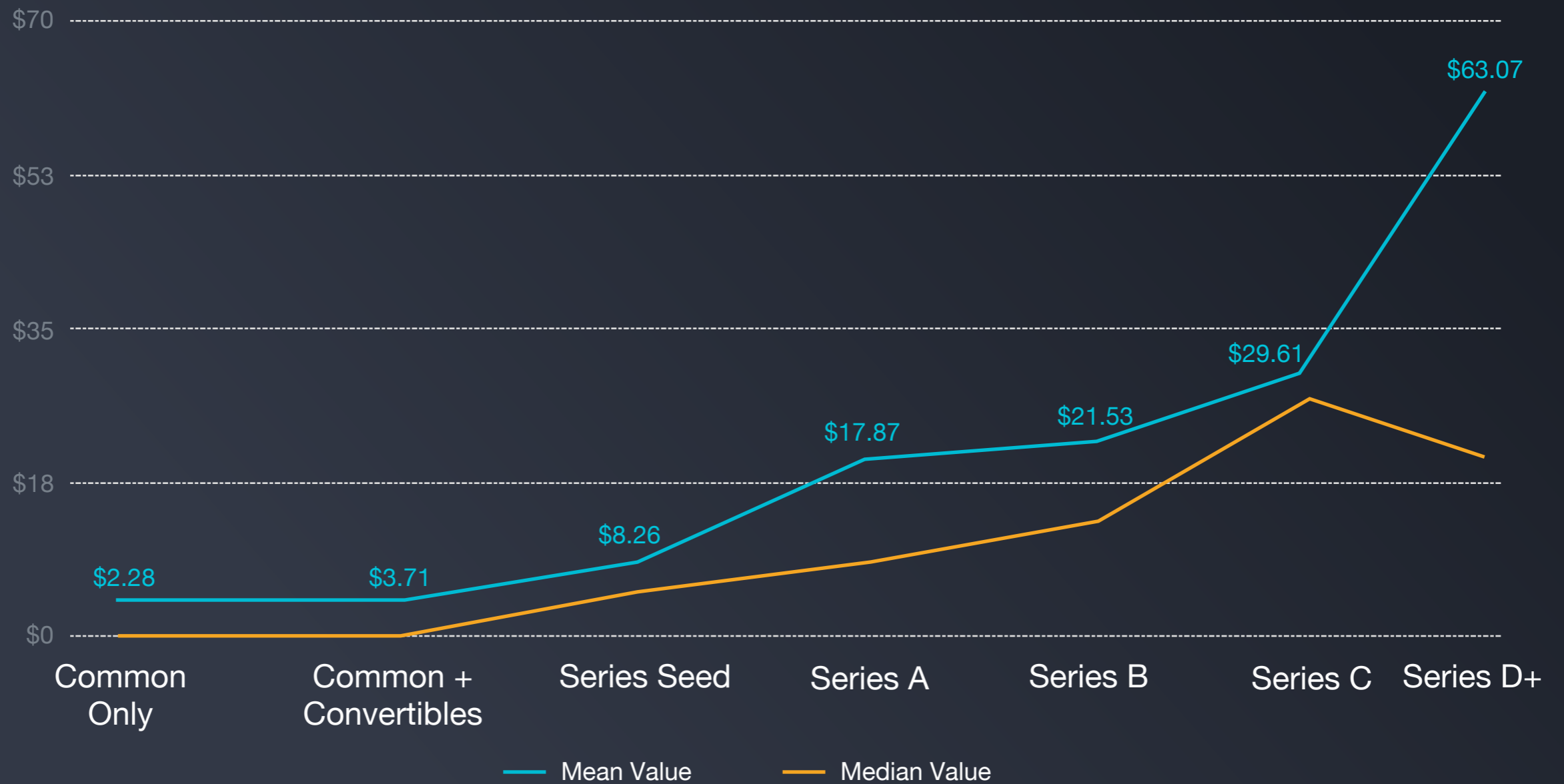
WATERFALL ANALYSIS

- 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



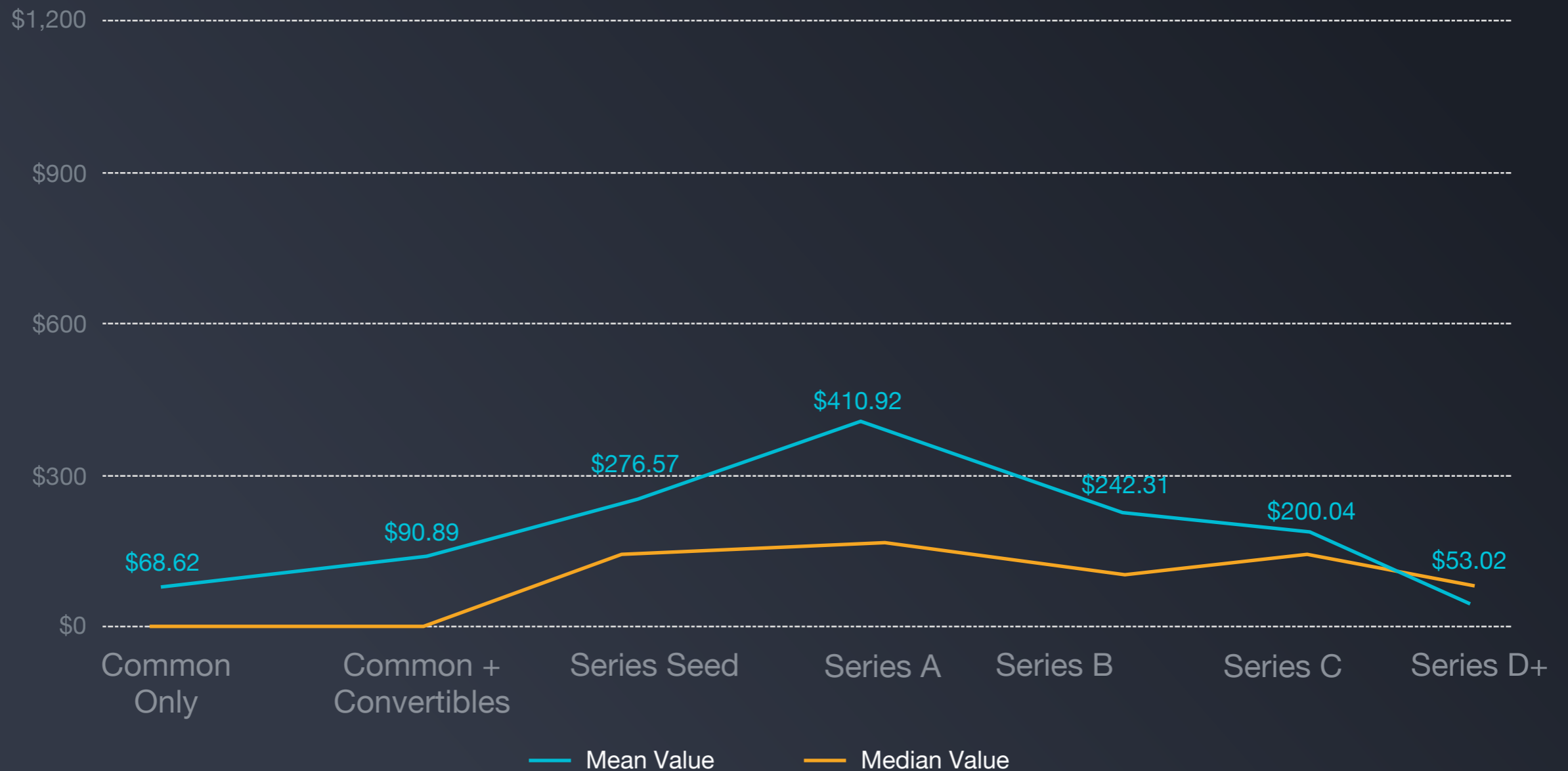
AGGREGATE EMPLOYEE WATERFALL VALUES BY STAGE (\$M)



EMPLOYEE WATERFALL VALUE BY STAGE

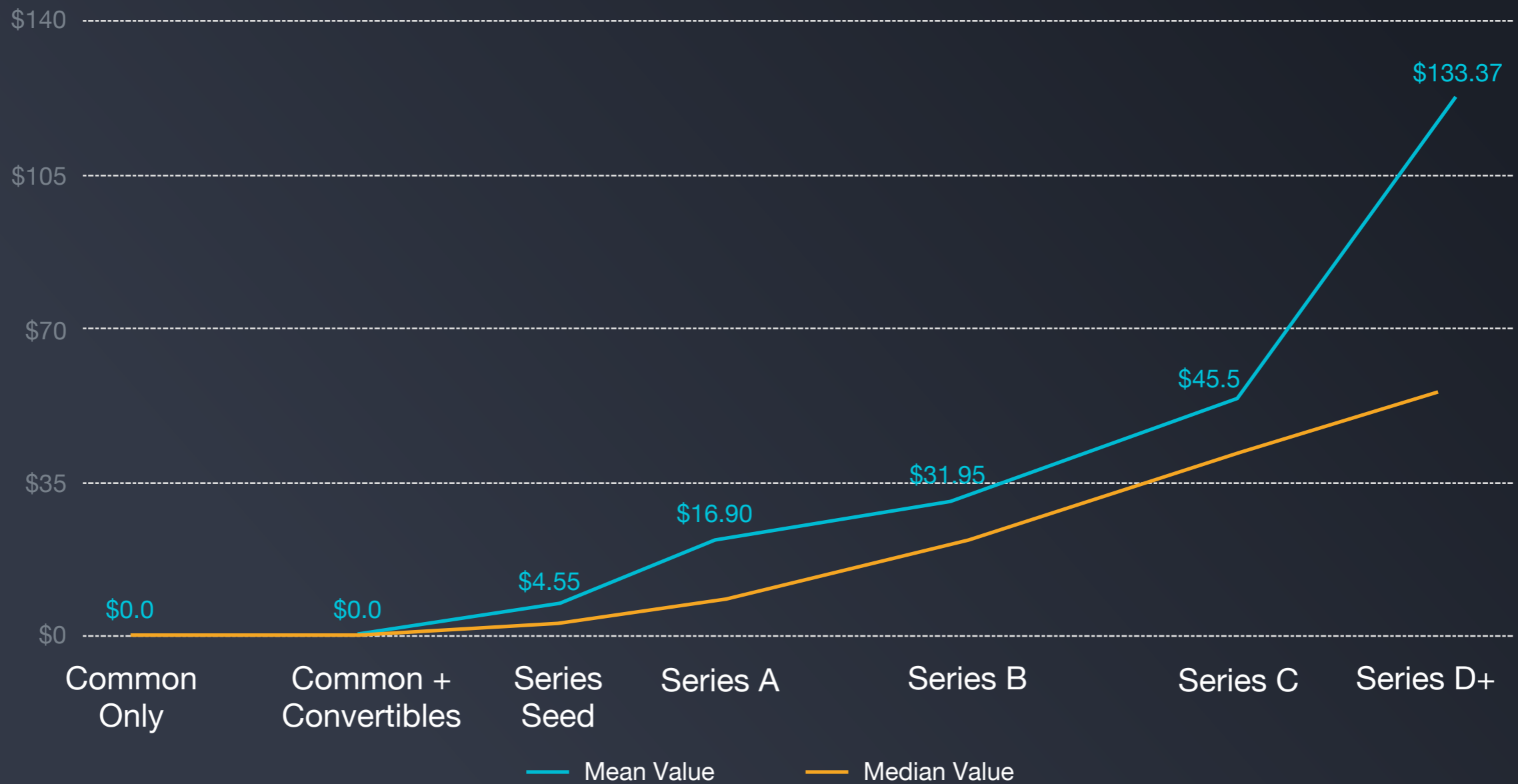
Assuming each company is worth its latest post-money valuation, non-preferred shareholders (employees) would receive the following values in a liquidation scenario. Median results are much lower than mean because larger deals skew the average.

PER EMPLOYEE WATERFALL VALUES BY STAGE (\$000)

**WATERFALL VALUE BY STAGE PER EMPLOYEE SHAREHOLDER**

Per employee waterfall proceeds peak around Series A and decrease thereafter as companies hire more employees. Founders still make more money each round but on average, employees make less.

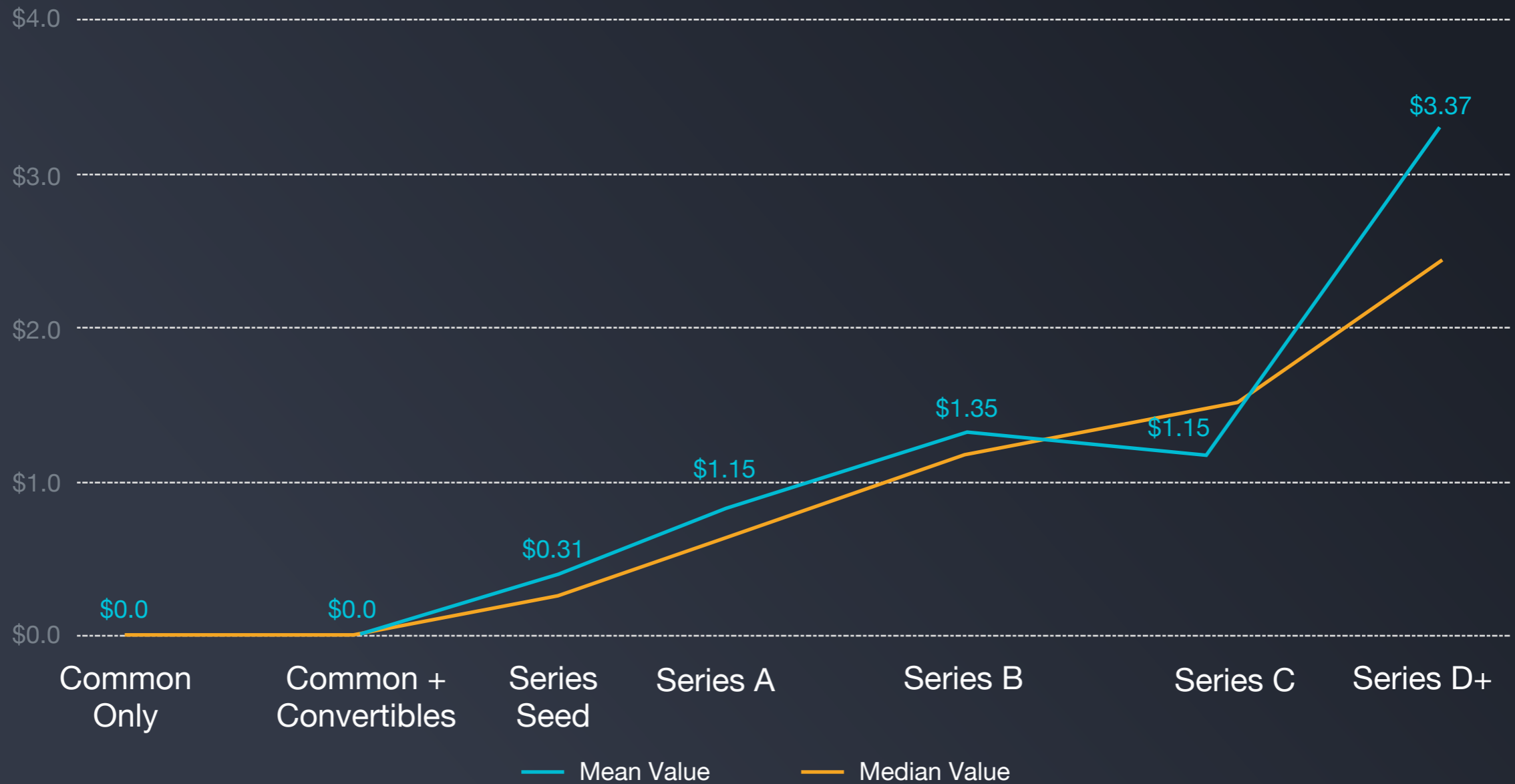
AGGREGATE INVESTOR WATERFALL VALUES BY STAGE (\$M)



INVESTOR WATERFALL VALUE BY STAGE

Assuming each company is worth its latest post money valuation, preferred shareholders (investors) would receive the following values in a liquidation scenario. Again median values are much lower than mean values.

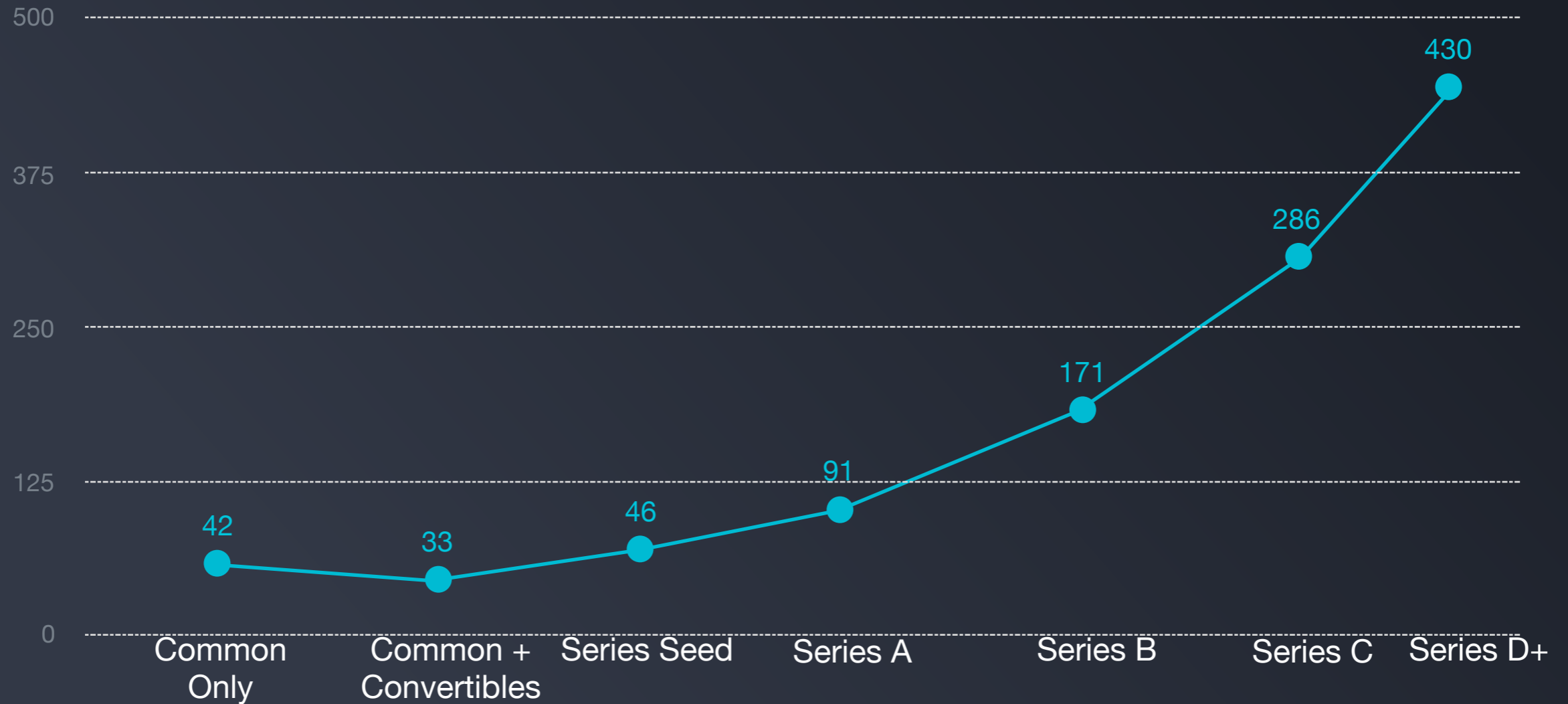
PER INVESTOR WATERFALL VALUES BY STAGE (\$M)



INVESTOR WATERFALL VALUE BY STAGE

Investors make more and more per investor, even as the company grows. Investors proceeds are diluted far less than employee proceeds.

EQUITY ISSUANCE TRANSACTIONS BY STAGE

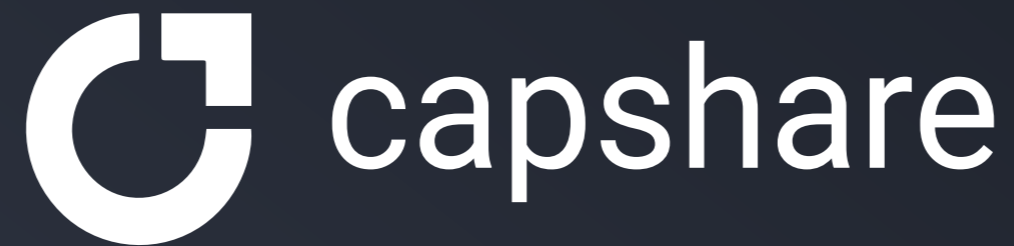
**VOLUME (EQUITY ISSUANCES TO A SHAREHOLDER)**

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.

CAN WE HELP?

- Manage your cap table in the cloud and share with all relevant parties
- Model and record new rounds of funding
- Perform your own waterfall analysis
- Offer personalized shareholder portals
- Issue electronic stock
- Maintain your equity ledger
- Manage all equity accounting
- Offload complicated and time-consuming compliance work

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