Morgan Stanley
AT WORK

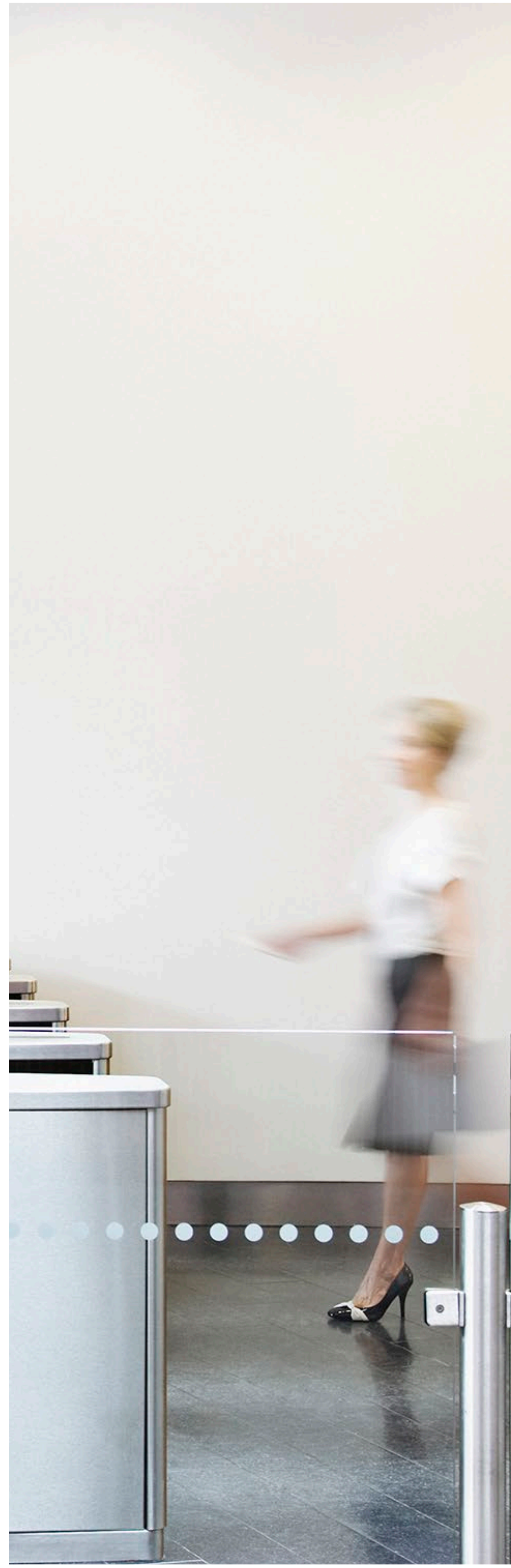
Equity Solutions

Liquidity Trends

Perspectives from Private Company Leaders

Table of Contents

TREND REPORT 2023



About the Research

This report was commissioned by Morgan Stanley at Work and was executed between December 2022 and April 2023. Research and authorship were undertaken by Rebel, a third-party research and strategy agency.

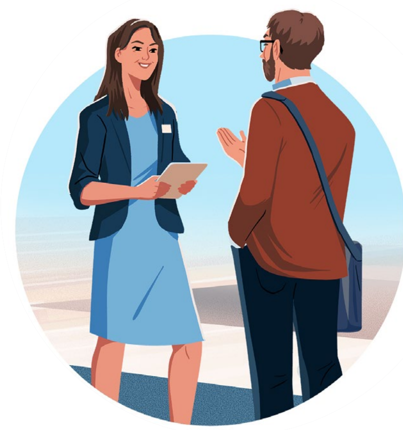
Criteria for Participation

Researchers surveyed 311 private company decision-makers. Participation was limited to private companies that currently offer an equity plan. In addition, qualifying companies had to meet at least one of the following criteria: a valuation of $400 million or more, completion of a fundraising round of a Series B or higher, or greater than 200 employees. All respondents reported that their job responsibilities included selecting the equity management platform or managing their company's cap table and equity plan. The survey was written in English and delivered online to a United States audience in January 2023.

You have a vision. We have a plan. Morgan Stanley at Work is here to support your growth initiatives. To learn more about our Private Market Solutions and the Shareworks platform, please contact us.

Executive Summary

Today, as private markets rapidly evolve amidst the macro environment, a shift is taking place in the way companies approach employee equity and liquidity event timelines and goals.



Widespread economic uncertainty is driving some companies to stay private longer or question what the future may hold. Thirty-seven percent (37%) of private company decision-makers report that their companies are staying private longer than originally planned and 34% are unsure or questioning the next steps. And as part of this new reality, companies are experiencing an increase in expectations for liquidity events, specifically when it comes to attracting and retaining talent. Fifty-nine percent (59%) of private company decision-makers report increased pressure to hold a liquidity event and 73% state that equity, in general, has become more valuable to prospective talent than years before.

While a tender offer remains the most common structure for private companies to provide liquidity to shareholders and employees, the popularity of alternative paths to liquidity, such as direct secondaries or controlled liquidity, may be on the rise. The success of these events is often predicated on providing employees with sufficient education about how to participate and plan for the event while also being conscious of their financial circumstances and goals.

To date, Morgan Stanley at Work has executed over 100 private liquidity events and over $15 billion in transaction volume. Our team has observed increased participation rates in liquidity events from 2021 to 2022, with seller participation at 42% (up from 26% in 2021) and subscription participation at 92% (up from 66% in 2021). Additionally, offers oversubscribed increased to 75% (up from 19% in 2021).

Explore key findings from the survey on the next page.

73% state that equity, in general, has become more valuable to prospective talent than years before.

Key Takeaways

Companies are staying private longer.

With an evolving macro environment, an increased capacity for liquidity and the growth of private capital markets, companies are continuing to push off pursuing an IPO. Staying private longer can allow companies to maintain control of their growth strategy.

37% of private company decision-makers report that they are planning to stay private longer. 34% are unsure or questioning the next steps.

Equity continues to be a strong value proposition.

Even amid market uncertainty, equity decision-makers reported that both equity ownership and the potential of liquidity events are important to both employees and stakeholders.

73% of private company decision-makers state that equity, in general, has become more valuable to prospective talent than years before.

A growing expectation for liquidity events.

Private company decision-makers reported increased expectations for a liquidity event from investors, C-suite executives and equity-holding employees.

59% of private company decision-makers report that there is an increased pressure to hold a liquidity event.

An opportunity for alternative liquidity options.

As expectations for liquidity increase, prospective talent continues to find the potential of liquidity events valuable. As companies remain private longer there is a unique opportunity, and timely need, to explore alternatives to tender offers, such as controlled liquidity.

93% of private company decision-makers reported that the company's ability and/or possibility of having a liquidity event is valuable to a prospect's decision when considering a job offer.

Section

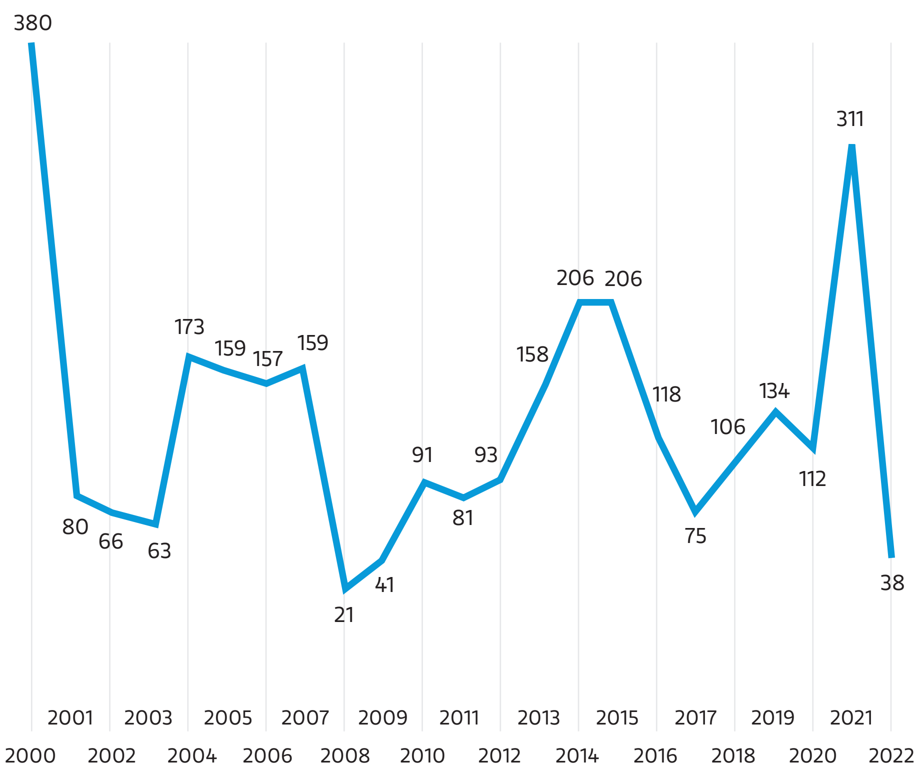
1

Private Company Liquidity

Liquidity significantly impacts a private company's ability to attract and retain talent.

By receiving equity, employees have an opportunity to realize the wealth they have built once their shares can be converted to cash. In the past, the most common opportunity for liquidity occurred through an acquisition by another company or an IPO. But the IPO environment is unpredictable and has become even more so in recent years.

Annual Number of IPOs of VC-backed Companies (U.S. Market)[1]



The surge in VC-backed IPOs in 2021 is notable, but the global economic uncertainty of 2022, among other factors, drove that number down.

As 2022 ended, the slowdown of VC-backed IPOs persisted, with no clear expectation about when the downward trend would reverse.

Many factors have influenced the ongoing drought of VC-backed IPOs, including:

Macroeconomic volatility

External factors such as inflation rates, rising interest rates and general uncertainty about when economic stability might return have caused investors and VC firms to move cautiously.

Misalignment of valuations and pricing

In 2021, U.S. VC-backed companies raised $300 billion, a nearly 100% increase over the already high performance of 2020.[2] Despite the doubling of the total investment in 2021, the number of deals increased by only 27%.[3] Valuations have since reverted closer to the historical averages, and businesses have shied away from IPOs accordingly, reluctant to accept lower valuations.[4]

The possibility of a recession

Companies are bracing for a variety of future states and the potential for recession has caused some investors to take a more defensive position to extend cash runaways and preserve balance sheets.

Investors and companies alike have good reason to hope for a resurgence of VC-backed IPOs. Such IPOs have historically had an outsized positive impact on U.S. public markets, signaling job growth and innovation.[5] The liquidity of a public stock can be critical in helping a company increase its scale, attract and retain talent and devise succession and/or exit plans. But with economic uncertainty, there's an overall hesitation to pursue a public offering.[6]

> "Definitely a lot of companies are staying private longer. And because of that, they're starting to explore [how to drive more value through] the equity plan. So, there isn't really a push for wanting to go public right away."
>
> –Director of Stock Administration at a large private company (1,000-5,000 FTE)

Glossary of Terms

Liquidity Event An action that allows company stakeholders, investors and employees to convert equity into cash. The type of liquidity event a company plans is determined by factors such as valuation, fundraising, cash flow and overall business goals.

PRIVATE COMPANY EVENTS

Tender Offers

A structured liquidity event that allows a set of eligible shareholders to sell their shares to an investor, a group of investors or back to the company at a predetermined price.

Direct Secondary Sales

A shareholder in a company sells their shares to another investor. Usually, this requires the company's approval.

Controlled Liquidity Program

A company sponsored program for shareholders and employees to participate in secondary transactions.

CORPORATE EVENTS

Initial Public Offering (IPO)

An event in which company shares are listed on a public exchange, initiated by the sale of company stock to the public.

Merger and/or Acquisition

The consolidation of two companies, usually through one company purchasing the outstanding shares of another.

Special Purpose Acquisition Company (SPAC) *(Also commonly known as blank check companies)*

A shell company that raises capital through an initial public offering (IPO) for the purpose of acquiring an existing company.

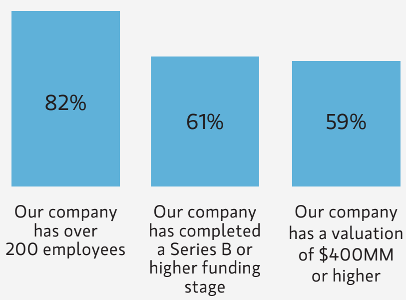
Direct Listings

An event in which a company lists on a public exchange, but rather than sell new shares to investors, it sells existing shares.

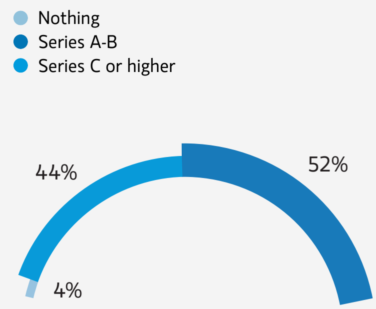
Survey Participants at a Glance

Overview

Must meet at least one of the following criteria:

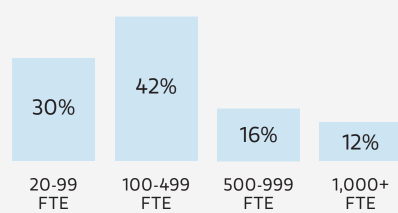


Fundraising Stages

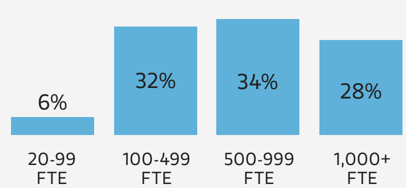


Full-Time Employees (FTE) by Company Valuation

Company Valuation Under $400MM

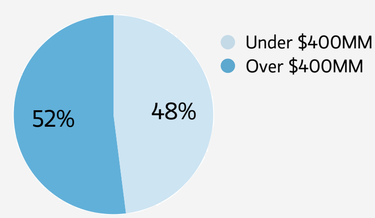


Company Valuation Over $400MM

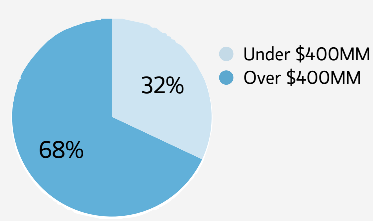


Company Valuation by Funding Stage

Series A - B



Series C or higher



The research presented focuses broadly on perspectives of liquidity events, the benefits of liquidity offers and the current factors impacting the considerations and expectations of liquidity in today's private companies.

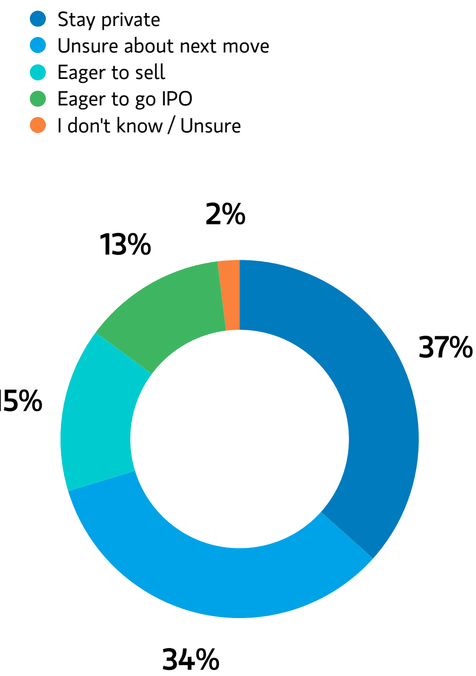
Private Companies Are Staying Private Longer

Thirty-seven (37%) percent of private company decision-makers reported a rising trend to stay private longer.

Thirty-four percent (34%) reported they were unsure of the next steps in light of market uncertainty. Of note, companies with 500 or more FTEs reported less uncertainty about their strategy moving forward, with 45% deciding to stay private. In contrast, only 29% of the smaller companies (less than 500 FTEs) were certain of their decision to stay private.[7]

The decision to stay private longer may not have happened in a vacuum. Of the private company decision-makers surveyed, 81% reported that the current market and/or economy influenced how their industry is thinking about liquidity events.[8]

Which best describes how the businesses in your industry are thinking about liquidity?



**totals may exceed 100 due to rounding

"I see a lot of waiting—waiting for the marketplace to settle."

– Equity Plan Administrator at a large private company (1,000-5,000 FTE)

Staying private longer has its advantages for some companies.

Staying private can provide a longer runway to continue to grow the value of the business free of the obligations associated with public companies. For example, private companies can avoid the continual scrutiny of investors and analysts and the pressure to demonstrate short-term performance.

Moreover, the level of disclosure required is not the same for a privately held company. A private company can operate within its already defined long-term strategy while keeping important fiscal and growth-related information undisclosed to the public.

> A lot of companies [are] staying private longer, especially if they have a good cash flow position. You'd rather have stronger numbers to actually build a history and build a strong company because with being private, you don't have to disclose as much and you [can] communicate more to your employees.
>
> – Director of Stock Administration at an enterprise private company (5,000+ FTE).

With the desire to stay private longer, equity and liquidity strategies remain top of mind for private company decision-makers. Equity, and as a result, liquidity, offer an advantageous financial benefit for private company stakeholders, investors and employees.

Section 2

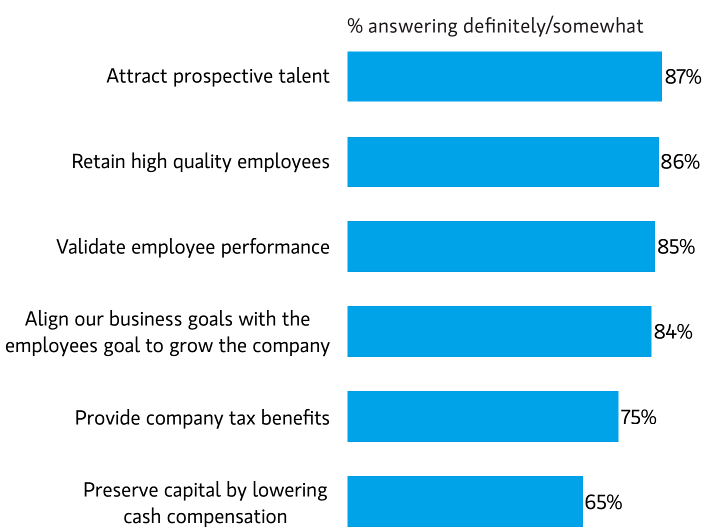
Equity (and Liquidity) and Talent

> We are getting talent from [large technology companies]. It's been very positive for us to be able to have an equity plan that enables us to have a broad-based plan that allows us to provide some liquidity, so people are not waiting around forever.
>
> – Director of Stock Administration at a large private company (1,000-5,000 FTE)

According to the key decision-makers surveyed, the motivation for offering equity has been closely tied to their overall talent acquisition strategies: to attract and recruit talent (87%) and retain high-quality employees (86%).[9]

However, companies have also used equity as a means to drive overall business goals, fiscal or otherwise. Private companies reported utilizing equity plans to align business/employee goals (84%), validate employee performance (85%) and other fiscal business-related objectives.[10]

Our company offers an equity plan to …



THE OPPORTUNITY OF EQUITY

For private companies focused on growth, equity provides a competitive edge as job seekers evaluate their next opportunity.

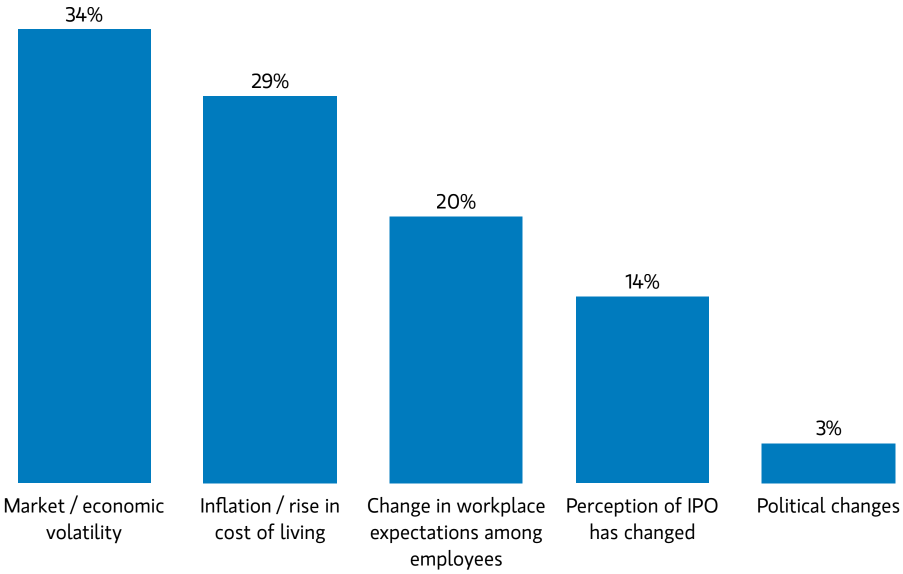
Evaluating the equity plan offering alongside business goals can be a great start to ensuring the offering is competitive. Some of the questions private company decision-makers can ask about their equity plans may include:

- What percent of our cap table should be allocated to employees?
- When should we move from stock options to RSUs?
- How should we approach refresh grants?
- When should we consider introducing performance grants?
- How are we managing liquidity events?
- What type of education and support are we providing to our employees?
- How are we measuring our employee experience? What metrics should we be paying attention to?

Seventy-three (73%) percent of private company decision-makers surveyed reported that the perceived value of equity among prospective talent has grown.[11]

The reasons given for the positive growth are varied, but business decision-makers attribute the increase to economic volatility and overall inflation and rise in the cost of living.[12]

What do you believe has contributed the most to the perception of equity becoming more valuable within the last two years?



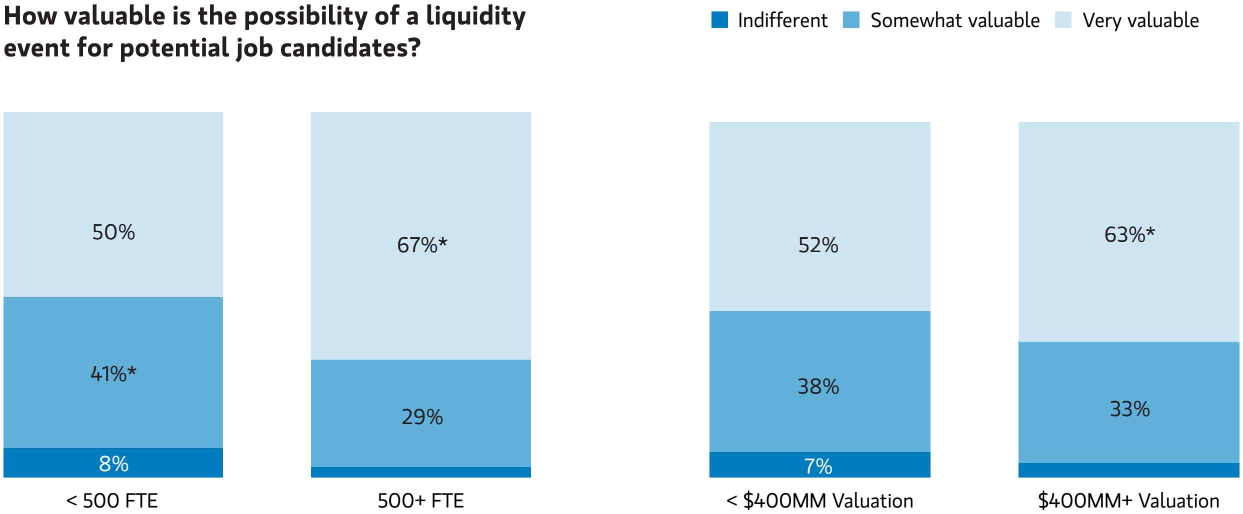
Equity helps align individuals with the company mission and overall goals by establishing a sense of ownership. Rewarding team members through liquidity events as the company grows can improve talent retention, an increasingly important metric for companies experiencing a high growth trajectory.

For prospective employees, the possibility of a liquidity event can contribute significant value to job offers. Ninety-three percent (93%) of private company decision-makers reported that the company's ability to have and/or possibility of having a liquidity event is valuable to a prospect's employment decisions.[13]

> As we introduce liquidity events, little by little, it just becomes normal. There becomes an expectation of it and when that historic pattern isn't met in the present day, people start asking.
>
> – Director of Payroll and Stock Administration at an enterprise private company (5,000+ FTE)

Moreover, liquidity occurrences are perceived as even more valuable to prospective talent for companies with 500+ FTE and/or with valuations of $400 million or more.[14] This may be because these later-stage companies have had a history of liquidity events due to their time in the market and potential employees are aware of that fact.

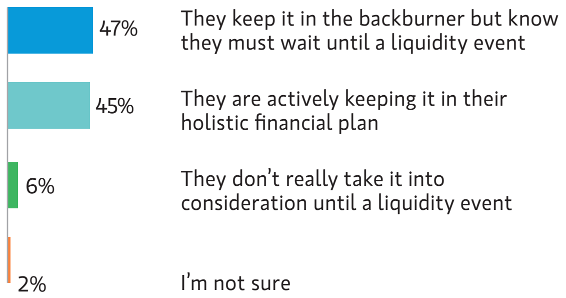
How valuable is the possibility of a liquidity event for potential job candidates?



* denotes statistical significance ($p < 0.05$). Indifferent values less than 5% are too small to note and therefore not shown.

We know that liquidity events, in general, benefit private companies, employees and investors alike. Forty-five percent (45%) of private company decision-makers reported that employees are actively considering their equity ownership in their financial planning, and 47% report that employees are keeping equity on the backburner but know they must wait until a liquidity event.

When do employees begin considering their equity in future financial planning?

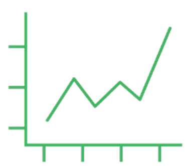


When Do Companies Hold Liquidity Events?

The decision to hold a liquidity event may include several criteria.

Private company decision-makers list the top three considerations as:

the annual revenue of the company (71%)

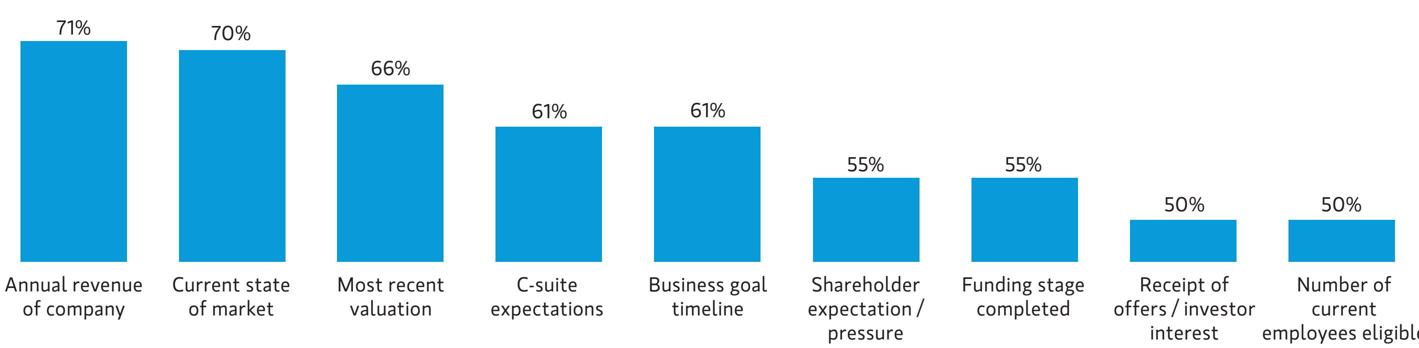


the current state of the market (70%)

the most recent valuation (66%)

How important are the following considerations when planning for a liquidity event?

(% answering very important)



Depending on the company's size and maturity level, the roles of those involved in the decision-making process for a liquidity event may differ. Among the respondents, the positions most likely to be involved in making decisions about a liquidity event are the CEO and CFO. However, for companies with valuations higher than $400 million, the conversations about liquidity events are significantly more likely to include other decision-makers throughout the organization in addition to the CEO and CFO, such as Chief Information Officers, Technology Officers, HR Officers and Strategy Officers.

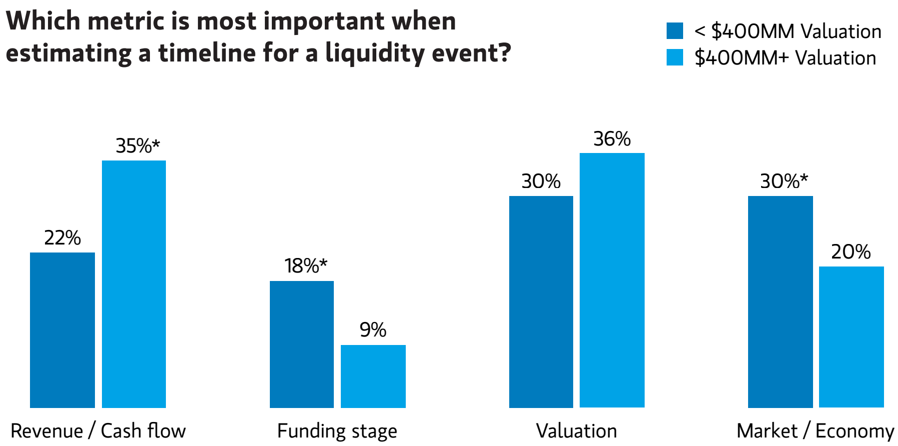
Which roles are involved in the liquidity event conversations within your organization?

	Valuation	
	<$400MM	$400MM+
Chief Executive Officer/Founder/President	64%	60%
Chief Financial Officer	43%	50%
Chief Information Officer	25%	39%*
Chief Technology Officer	12%	32%*
Chief Human Resources Officer	16%	27%*
Chief Operations Officer	18%	24%
General Counsel	19%	20%
Chief Marketing Officer	11%	14%
Chief Security Officer	3%	11%*

* denotes statistical significance ($p < 0.05$)

When considering the timing for holding a liquidity event in today's market, companies focus on different metrics, depending on their valuation. Higher-valued companies ($400 million+), more often than lower-valued companies, plan liquidity events by reviewing their valuation and/or revenue and cash flow. By contrast, lower-valued companies are more influenced by their funding stage along with the overall market and economy.

Which metric is most important when estimating a timeline for a liquidity event?

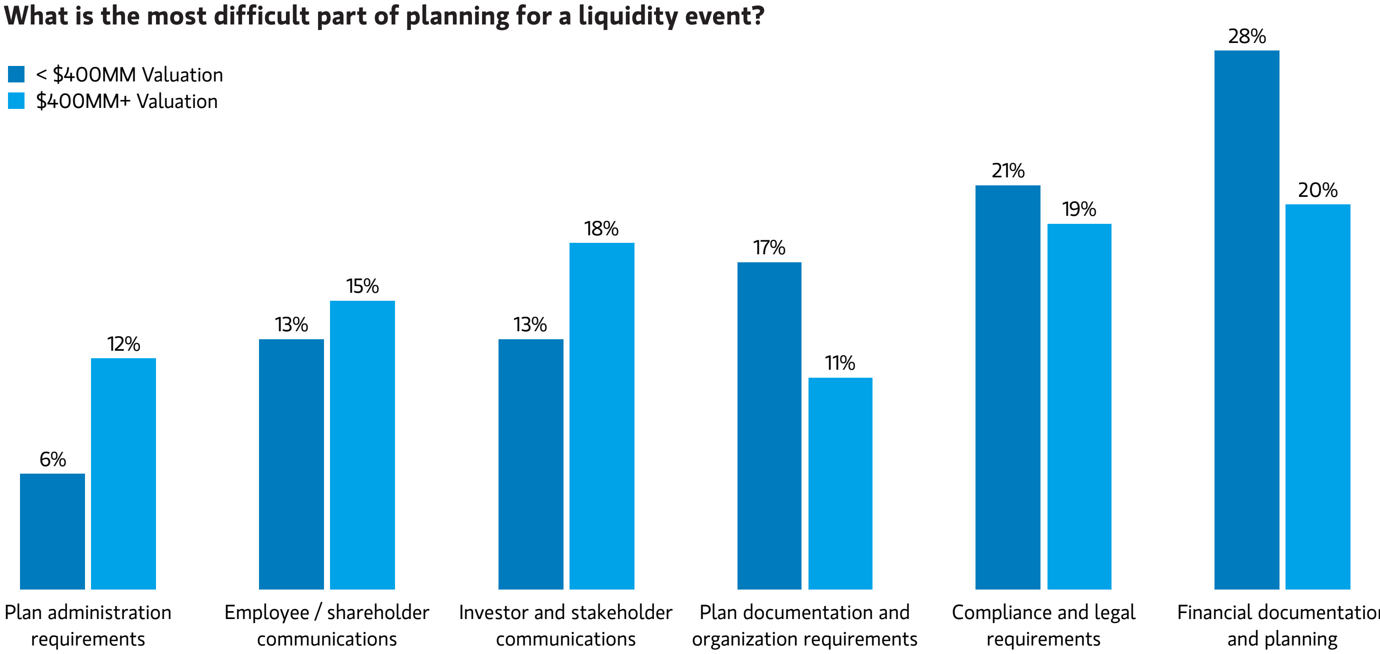


* denotes statistical significance ($p < 0.05$)

Private company decision-makers agreed financial documentation was the most difficult part of planning for a liquidity event.

For companies with less than $400 million in valuation, decision-makers reported that compliance requirements and plan documentation were difficult to navigate. For decision-makers within companies with more than $400 million in valuation, employee, shareholder and investor communications were reported to be a challenge.

What is the most difficult part of planning for a liquidity event?



> We keep evaluating [the timing of a liquidity event] from a cash flow perspective. What's our impact and does it make sense to have a liquidity event or should we be using that resource elsewhere?"
>
> – Director of Stock Administration at an enterprise private company (5,000+ FTE)

Section

3

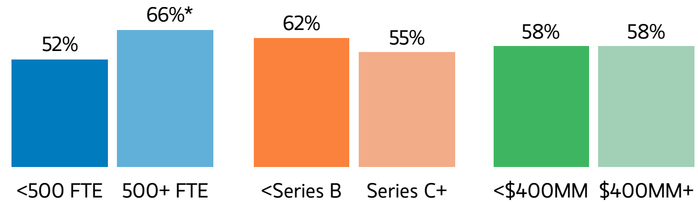
Liquidity in a Bear Market

While companies may want to stay private longer, 59% of all private company decision-makers reported increased internal pressure to hold a liquidity event.[15]

Of note, companies that have been through a Series B or less fundraising round reported an increased pressure for liquidity over and above those companies that have gone through a Series C round or higher.

This may reflect a combination of factors, including economic volatility and the early-stage startup valuation and investment trends of 2021. In 2021, the average size of a Series B funding round for a U.S. company was $45 million, nearly 50% higher than in 2020.[16] While 2021 valuations for early-stage startups were memorable, in early 2022, the number of startups that raised a round or exited at a valuation increase began to decrease, then abruptly dropped mid-year and continued to decline into 2023.

Percentage of respondents stating an increased expectation to have a liquidity event.



* denotes statistical significance ($p < 0.05$)

What shifts in expectations have you seen among these audiences for having a liquidity event?*

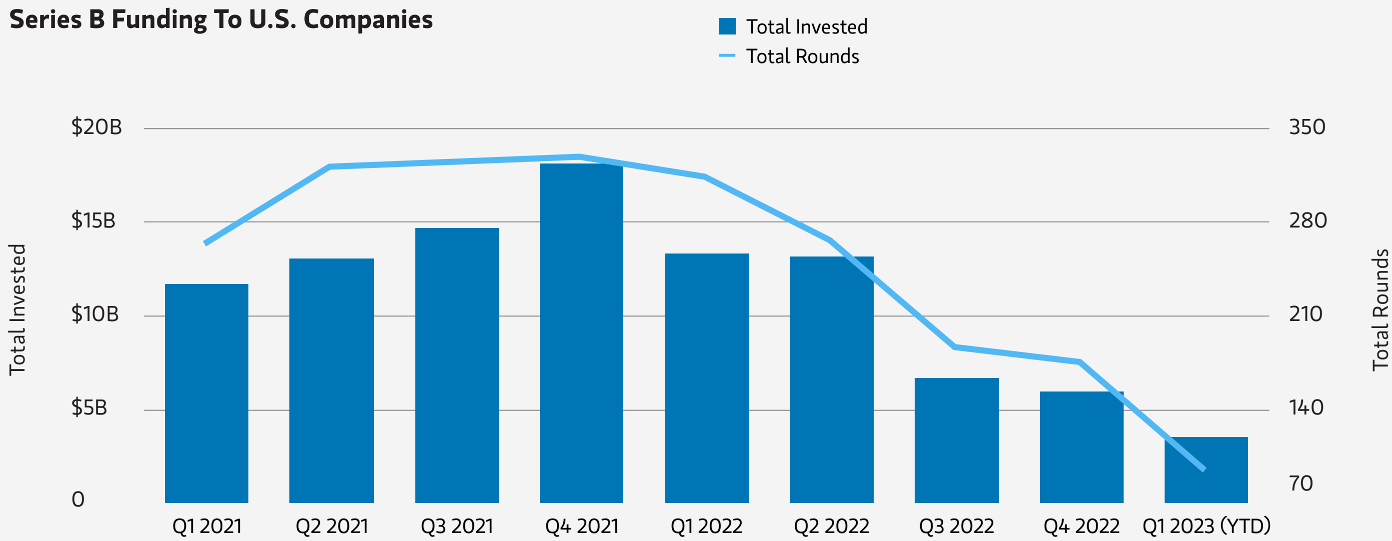
	Strong shifts	Subtle shifts	No shifts
Investors	48%	41%	11%
C-suite / Executives	44%	39%	17%
Equity-holding Employees	42%	46%	12%
Board Members	36%	44%	20%
Founders	34%	40%	26%

*% answering increased pressure for liquidity event

By Q4 2022, the share of deals that raised at a valuation increase for startups was 67%—a decrease of 17 percentage points from Q4 2021.[17]

Series B valuations fell sharply during 2022–dropping a full 50% in median valuation from the first quarter to the fourth quarter.[18] Moving into Q1 2023, the decline continued, with the first quarter on track to result in the lowest quarterly level of funding in the last three years.[19]

Series B Funding To U.S. Companies



Source: Crunchbase. March 2023.

Across early-stage companies, it may be that the higher company valuations in 2021 set the stage for increased expectations for liquidity events in 2023 among stakeholders.

In contrast, later-stage companies may have a bit more stability in valuations, and while liquidity is a priority, they are moving ahead as planned. Nevertheless, business decision-makers of all company sizes and fundraising stages reported an increase in general expectations for liquidity events, especially among the C-suite/executives and investors.[20]

> With companies staying private longer and IPOs being delayed, we're helping companies navigate company-sponsored liquidity events. Historically the focus for liquidity was on an exit. But with access to tools like a tender offer, management teams are getting comfortable with providing liquidity while private. Since the company gets to design the program and map out eligibility, it gives the management team control over the transaction while providing shareholders with an opportunity to access liquidity.

– Liquidity Specialist, Private Markets,
Morgan Stanley at Work

Morgan Stanley at Work's Private Markets team witnessed increased participation rates in liquidity events from 2021 to 2022.

Seller participation

42%

↑ up from **26%** in 2021

Subscription participation

92%

↑ up from **66%** in 2021

Offers oversubscribed

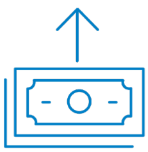
75%

↑ up from about **19%** in 2021

You have a vision. We have a plan. Morgan Stanley at Work is here to support your growth initiatives. To learn more about our Private Market Solutions and Shareworks, please contact us.

Prior to an IPO, one of the most common paths to liquidity is a **tender offer**.

Tender offers are transactions regulated by the U.S. Securities Laws.



A **tender offer** is a structured liquidity event that allows a set of eligible shareholders to sell their shares to an investor, a group of investors or back to the company at a predetermined price.

There are typically two types of tender offers.

1. A company "share buyback," in which the company buys the shares back from employees, investors or current shareholders.
2. A third-party tender offer in which investors purchase shares from existing shareholders. In both cases, the share price is typically set at or near the most recent primary round, usually at a discount, given that the shares being tendered are most often common shares.

Advantages of Tenders Offers

For companies, the advantage of running tender offers is two-fold. In the midst of fundraising, tender offers can help manage dilution. Additionally, they can help growing companies attract and retain talent by offering a pathway for turning vested equity into cash.

While the tender offer is the most common type of liquidity event in venture-backed private companies, it is not the only one. As with many other components in the venture market over the last few years, the avenues for liquidity among private companies have continued to evolve.

> Whether [there is global instability], whether the economy is doing good or bad, whether we're in lockdowns, liquidity has just become a central part of the overall compensation, the overall corporate strategy.
>
> – Director of Payroll and Stock Administration at enterprise private company (5,000+ FTE)

Section

4

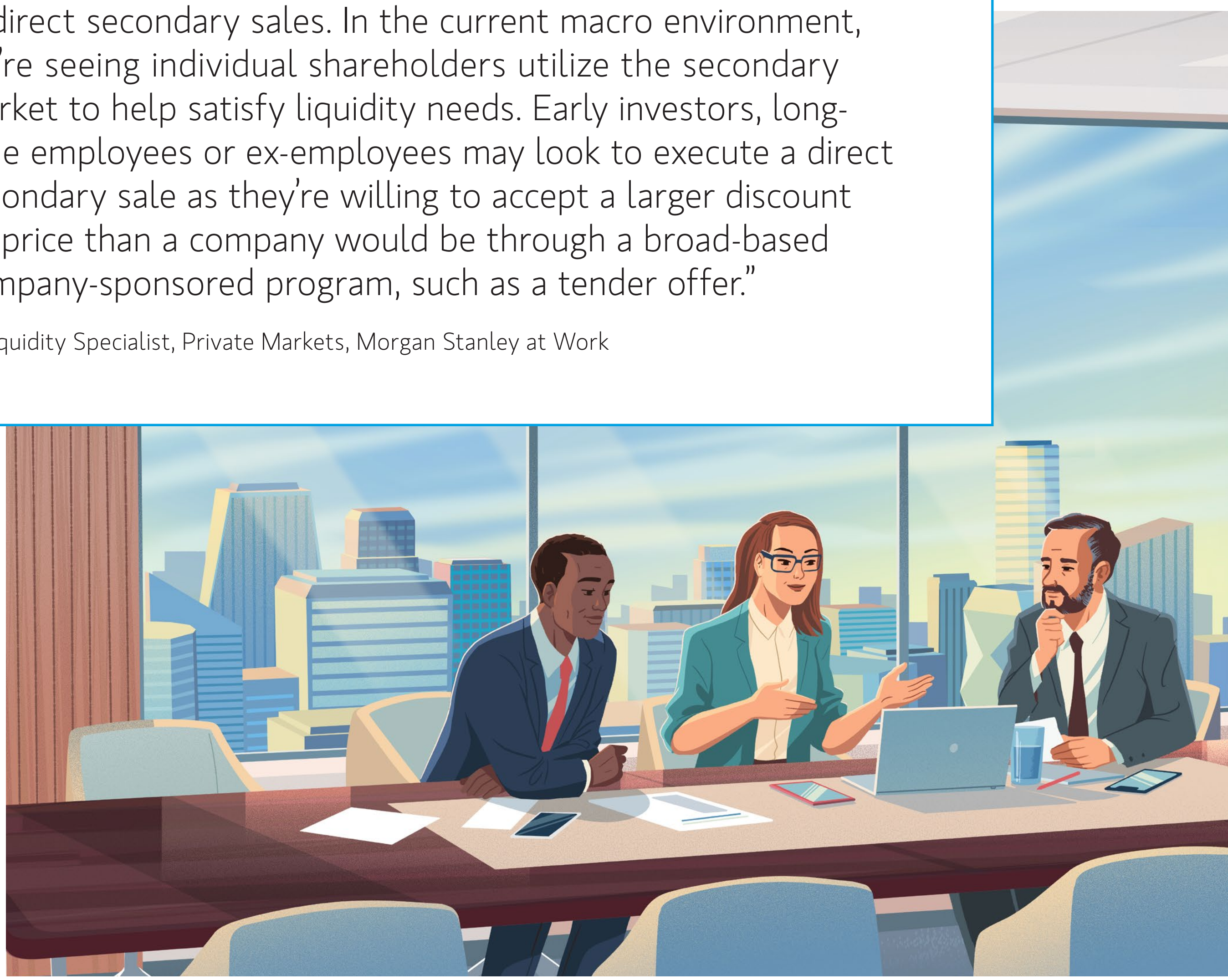
The Emergence of the Secondary Market

With the emergence and growth of the secondary market for VC-backed companies, there's a shift in liquidity dynamics.

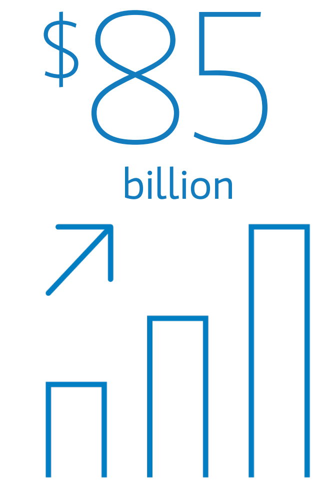
Depending on company bylaws, shareholders may now have easier access to liquidity via direct secondary sales versus waiting for company-sponsored events.

A **direct secondary sale** is one in which one shareholder sells shares to an investor. Such shareholders can be investors, companies, employees or other individuals.

> "There has been a large shift in the secondary market, specifically in direct secondary sales. In the current macro environment, we're seeing individual shareholders utilize the secondary market to help satisfy liquidity needs. Early investors, long-time employees or ex-employees may look to execute a direct secondary sale as they're willing to accept a larger discount on price than a company would be through a broad-based company-sponsored program, such as a tender offer."
>
> – Liquidity Specialist, Private Markets, Morgan Stanley at Work



With the slowdown in IPO activity and increased pressure for liquidity, direct secondary sales are becoming popular for shareholders who are looking for access to liquidity.



From 2012 to 2021, global investments in direct secondaries across the venture market increased from **$13 billion to $60 billion** and are projected to **reach $85 billion in 2023.**[21]

However, private companies may have concerns about direct secondary sales.

"It's actually becoming fairly common to see private companies hold liquidity events. I think what we'll see and what I've been pushing for, is secondary market transactions."

– Director of Payroll and Stock Administration at enterprise private company (5,000+ FTE)

Challenges with Secondary Markets

It can be challenging for a company to approve, process and track transactions—putting private companies at risk of losing control of their cap tables.

The majority of venture-backed companies do not want their equity trading in open markets and have rights and restrictions that allow them to control this activity. This has resulted in secondary brokers introducing structures such as forward contracts and special purpose vehicles (SPV) to work around the company.

Additionally, there is no centralized market infrastructure for secondary transactions, so it can be difficult to find opportunities to buy or sell shares. As the secondary market grows, company decision-makers are left trying to figure out how to manage and track this activity.

In interviews, private company business decision-makers recognized that direct secondary sales offer shareholders access to isolated liquidity events. At the same time, they raised questions about how to guide employees who may be interested in the secondary markets and how to approach secondary transactions within the company's broader liquidity strategy.

"Right now because of the way the market is, it's really impacting [our decisions about] how and when we want to do a liquidity event. Do I want to do a tender offer? Do we want to focus more on the IPO or IPO readiness and as soon as the market opens that's the timing of people getting liquidity? Or do we just open it up and say, 'Hey, if you want to go sell your shares in the secondary market, you could do that …'

In the past, we have told people that if they're interested in liquidity, they could look out for a secondary sale and we will evaluate and waive the transfer restriction if applicable.."

– Director of Stock Administration at a large private company (1,000-5,000 FTE)

While the increased visibility of the secondary market[22] has highlighted an additional avenue for shareholder liquidity, its future and value proposition remains unclear to private companies.

Companies require the infrastructure and solutions to proactively manage and process secondary transactions. Moreover, private company decision-makers should consider how they want to handle secondary sales at the earliest stages of the company lifecycle, ideally when setting company bylaws.

A critical consideration for a private company is to be able to control who is buying their shares and at what price. As a result, there has been a rise in interest in Controlled Liquidity programs and other company-sponsored alternatives, which empower companies to remain in control of their cap table.

> “I think as companies stay private longer and longer, they need to have more and more access to liquidity. I think we'll see more and more companies utilize different equity vehicles … As long as you have liquidity and no IPO in sight, I think employees want more and more control over what they get, when they get it and how they can liquidate it … I think it would be great to see giving employees the kind of power to 'choose their [own] destiny.'”
>
> – Director of Payroll and Stock Administration at enterprise private company (5,000+ FTE)

Section

5

Considerations for Private Company Decision-Makers

As the talent landscape continues to evolve, the expectation for liquidity is anticipated to increase.

Private companies and their decision-makers have a variety of options (e.g., tender offers, secondary markets, company buybacks, direct secondary sales, controlled liquidity programs, etc.) at their disposal to offer liquidity while remaining private. There are a few things for decision-makers to consider when planning to provide liquidity:

Identify business goals.

There may be strategic advantages to each type of liquidity solution. By identifying the overarching and acute business goals, business decision-makers can align the type of liquidity offering and terms accordingly.

Design a timeline for the liquidity event.

Creating a clear timeline with critical milestones for a liquidity event can help business decision-makers prioritize needs while working towards a common goal.

Create terms for the liquidity event.

Much of the pricing and participation terms will be determined by the type and timeline of the liquidity event. However, the necessity of clarity in terms is underscored by the importance of alignment with business objectives.

Offer ongoing employee education.

The success of liquidity events and programs is often predicated on the ongoing education of employees on the value of equity, how to participate in liquidity events, what to expect throughout the process and how liquidity can impact their overall financial planning.

Help sellers navigate legal and tax implications.

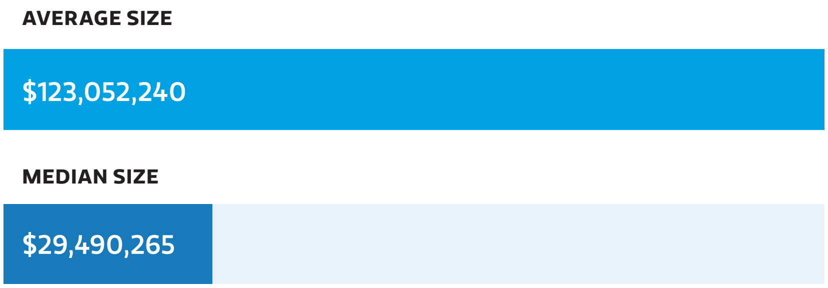
As with all transactions, there are legal, tax and accounting implications that need to be considered with each liquidity event. Consider offering resources that help employees navigate the legal and tax implications.

Section

Morgan Stanley at Work Private Market Solutions

6

Liquidity events will continue to be a part of the landscape for private companies in 2023 and beyond. Morgan Stanley at Work is dedicated to helping fast-growth companies meet their liquidity goals. Our Private Markets team understands the complexities in equity needs that high-growth companies face and the value of a well-structured liquidity event. Our broad suite of technology and financial solutions are designed to help propel private companies through varying development stages—whether it's preparing for the next investment round, continuing private growth or going public.



With more transactional choice and improved preparedness, we believe private companies can better navigate and be ready for whatever comes next.

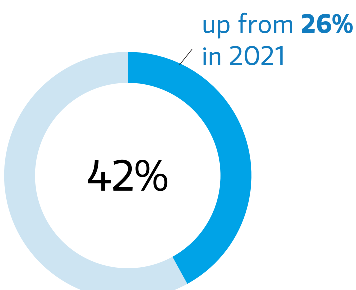
Liquidity Events Executed on the Shareworks Platform To Date

100+ liquidity events

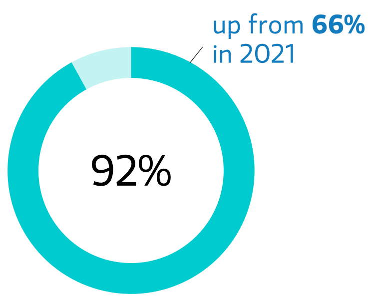
$15+ billion in volume

Private Market Liquidity Events in 2022

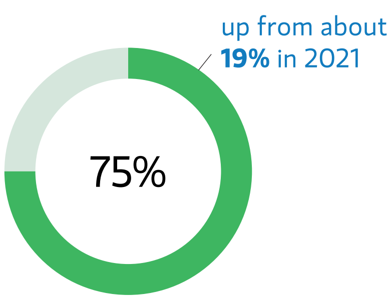
Morgan Stanley at Work statistics



Seller participation
*participated ptp #s / eligible #



Subscription participation
*annual subscription $ amount / offer size $ amount

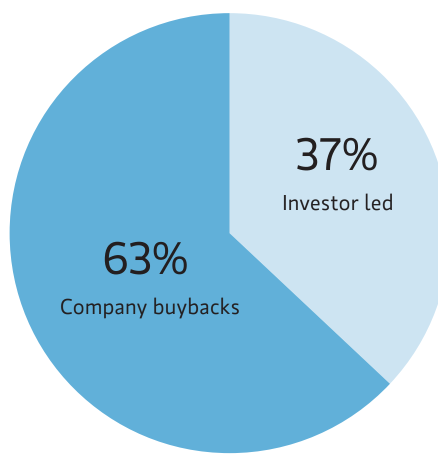


Offers oversubscribed
*oversubscribed / total offers

Median eligible participant #

Morgan Stanley at Work's Private Markets team witnessed increased participation rates in liquidity events from 2021 to 2022.

Types of Tender Offers



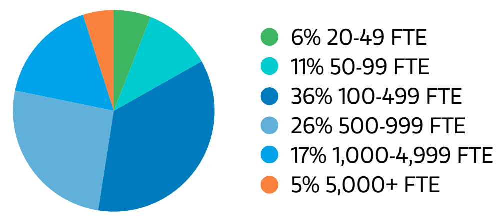
You have a vision. We have a plan. Morgan Stanley at Work is here to support your growth initiatives. To learn more about our Private Market Solutions and the Shareworks platform, please contact us.

Participant Company Demographics

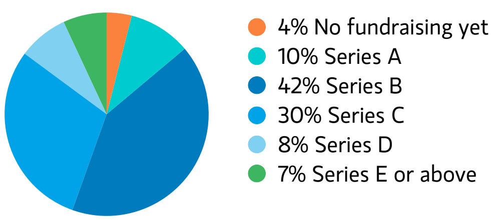
Additional Recruitment Details

In addition to the survey, five interviews were conducted with individuals, each lasting one hour. Three of these interviews were with decision-makers at the surveyed companies and two were with liquidity specialists within Morgan Stanley at Work's Private Markets business. Both the survey and interviews focused on the overall setup of equity plans, purchasing decisions, recent trends in equity management and decision-maker perceptions of overall perspective of liquidity events.

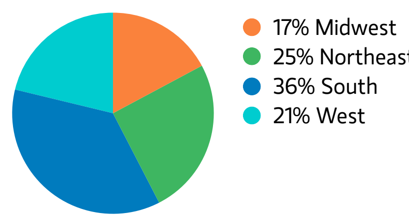
Full-Time Employees (FTE)



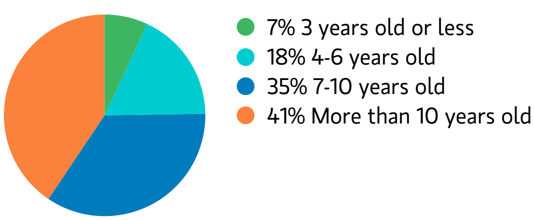
Stage of Fundraising



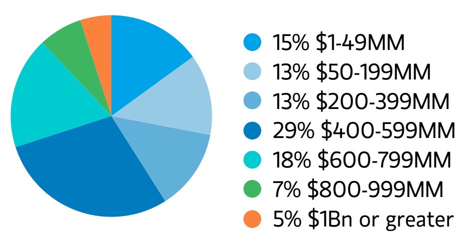
Region U.S.



Company Age



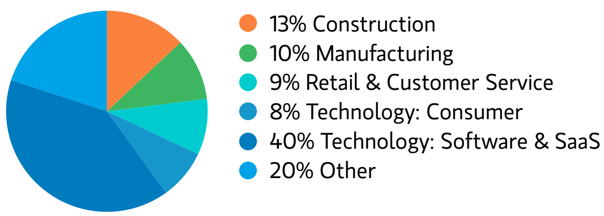
Valuation



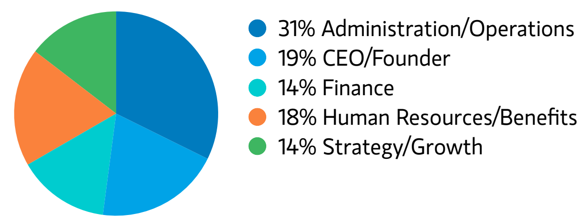
*Totals may exceed 100 due to rounding

Participant Company Demographics (cont.)

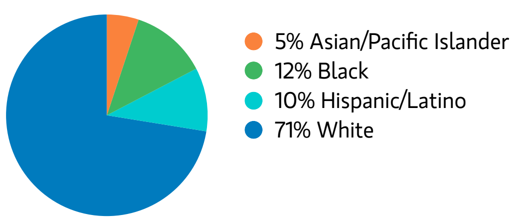
Industry



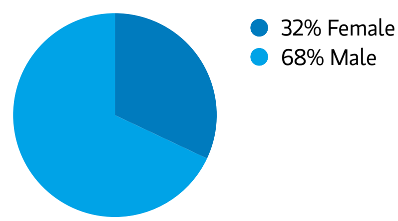
Department/Function of Position



Race/Ethnicity



Gender Identity



*Data points less than 5% are too small to denote and therefore not reported.
Totals may not add up to 100 due to reporting.

Citations

[1] University of Florida (2023). Initial Public Offerings: VC-backed IPO Statistics Through 2022

[2] PitchBook-NVCA (2022). Venture Monitor Q4 2021

[3] PitchBook-NVCA (2022). Venture Monitor Q4 2021

[4] PitchBook (2023). Even startups with lots of runway probably can't grow into those sky-high valuations

[5] VentureBeat (2022). NVCA: Report confirms U.S. venture deals tanked and IPOs plummeted in Q2

[6] Investopedia (2022). Initial Public Offering (IPO): What It Is and How It Works

[7] Q. Which best describes how the businesses in your industry are thinking about liquidity?

[8] Q. Is the current economy influencing the way businesses are thinking about liquidity?

[9] Q. Our company offers an equity plan to ... (This is somewhat or definitely why) (excludes all participants that offer ESPPs only)

[10] Q. Our company offers an equity plan to ... (This is somewhat or definitely why) (excludes all participants that offer ESPPs only)

[11] Q. How has the perception of the value of equity changed among prospective talent over the last two years?

[12] Q. What do you believe has contributed the most to the perception of equity compensation becoming more valuable within the last two years? (excludes all participants that offer ESPPs only)

[13] Q. How valuable does the talent market find the possibility of a liquidity event when considering a job offer?

[14] Q. How valuable does the talent market find the possibility of a liquidity event when considering a job offer?

[15] Q. Which best describes the shifts in expectations for liquidity events?

[16] Crunchbase (2022). What Current Series B Trends Say About The U.S. Startup Scene

[17] AngelList-Silicon Valley Bank (2023). The State of U.S. Early-Stage Venture & Startups: 2022

[18] Newcomer (2023). New AngelList Data Shows Startup Fundraising Pain in Second Half of 2022

[19] Crunchbase (2023). Series B Funding Has Also Fallen Sharply

[20] Q. What shifts in expectations have you seen among these audiences regarding having a liquidity event?

[21] Industry Ventures (2022). How Big Is the Secondary Market for Venture Capital? An Updated View to a $130B Market

[22] TechCrunch (2023). Secondary market trackers are lighting up a traditionally dark deal environment

CRC 5713876 06/2023