Technology Industry 2021-2023 Market Trends: Equity Usage

A CAP study of 53 Technology Companies, Grouped by Revenue Size

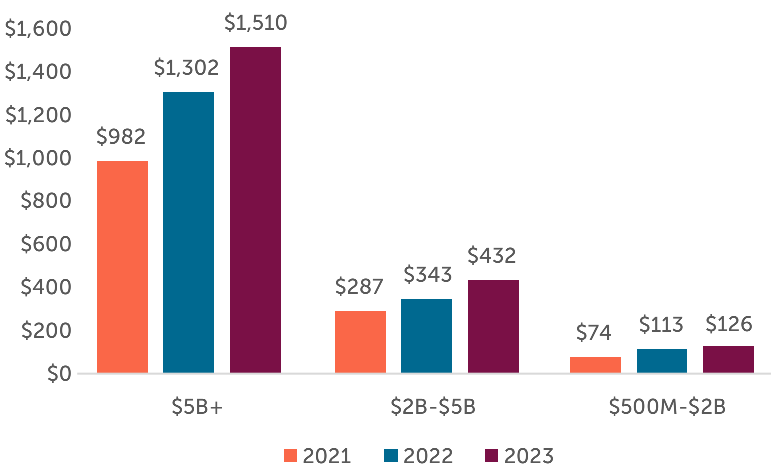
Burn Rate

Summary Statistics	Burn Rate		
	2021	2022	2023
$5B+ Revenue			
75th Percentile	2.1%	2.4%	2.7%
Median	**1.5%**	**1.8%**	**1.9%**
25th Percentile	1.0%	0.9%	1.0%
$2B-$5B Revenue			
75th Percentile	3.1%	6.1%	6.9%
Median	**2.0%**	**2.4%**	**3.7%**
25th Percentile	1.4%	1.5%	1.9%
$500M-$2B Revenue			
75th Percentile	3.6%	4.0%	4.2%
Median	**1.9%**	**2.4%**	**2.4%**
25th Percentile	1.2%	1.5%	1.7%

- Burn rate has trended upward over the past three years across all 3 groups
- Smaller revenue companies tend to use equity more broadly throughout the organization to attract and retain talent (with more restraints on cash usage) and have fewer shares outstanding, resulting in higher burn rates than larger, more mature companies
- Larger revenue companies have a more consistent (and often lower) burn rate since they have less limitations on form of pay (cash or equity) and often do not issue equity quite as deep in the organization

Stock-Based Compensation Expense

Median Stock-Based Compensation Expense *($mm)*



Revenue Group	Median YoY Change		
	2020-2021	2021-2022	2022-2023
$5B+	+22%	+21%	+15%
$2B-$5B	**+42%**	**+29%**	**+18%**
$500M-$2B	+42%	+46%	+22%

- Stock-based compensation expense has increased each year, though the median rate of increase has slowed in recent years
- Factors impacting stock-based compensation expense include stock price volatility, increases in pay levels, and continued shift in pay mix to equity, particularly at the executive level

Total Shareholder Return (TSR) and Market Volatility Impact

- Market volatility heavily impacts this industry, leading to fluctuations in company market capitalization, burn rate and equity use. As a result, companies may adjust their compensation spend and equity grant practices from year to year
- Among all the companies in our sample, 2022 saw the biggest decline in TSR, with a rebound in 2023 TSR; TSR in the $5B+ revenue group was impacted the least. To date, 2024 returns have been relatively flat
- As stock price falls (or rises), companies need to use more (or less) shares to deliver the same dollar value of equity. Tech companies needed to award larger equity awards to attract and retain key talent as the labor market tightened; this combined with recent stock price fluctuations has driven up both burn rate and stock-based compensation expense in recent years

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About the Sample

$500M - $2B Revenue (n=22)

- ACI Worldwide
- AppFolio
- BILL Holdings
- Blackbaud
- Box
- Cloudflare
- Confluent
- DoubleVerify Holdings
- Dynatrace
- Fair Isaac
- Guidewire Software
- Informatica
- MongoDB
- PowerSchool Holdings
- Q2 Holdings
- SPS Commerce
- Tenable Holdings
- Tyler Technologies
- Verisign
- Vertex
- Workiva
- Zscaler

$2B - $5B Revenue (n=19)

- Akamai Technologies
- ANSYS
- AppLovin
- Cadence Design Systems
- CrowdStrike Holdings
- Datadog
- DocuSign
- Dropbox
- Gen Digital
- GoDaddy
- HubSpot
- Nutanix
- Okta
- Palantir Technologies
- PTC
- Snowflake
- Twilio
- Unity Software
- Zoom Video Communications

$5B+ Revenue (n=12)

- Adobe
- Autodesk
- Fortinet
- Intuit
- Microsoft
- Oracle
- Palo Alto Networks
- Roper Technologies
- Salesforce
- ServiceNow
- Synopsys
- Workday

For more information or if you have any questions, please contact:

Melissa Burek
Founding Partner
melissa.burek@capartners.com
212-921-9354

Joanna Czyzewski
Principal
joanna.czyzewski@capartners.com
646-486-9746

John Swift
Senior Analyst
john.swift@capartners.com
646-568-1175

Thomas Brown
Analyst
thomas.brown@capartners.com
646-568-1159