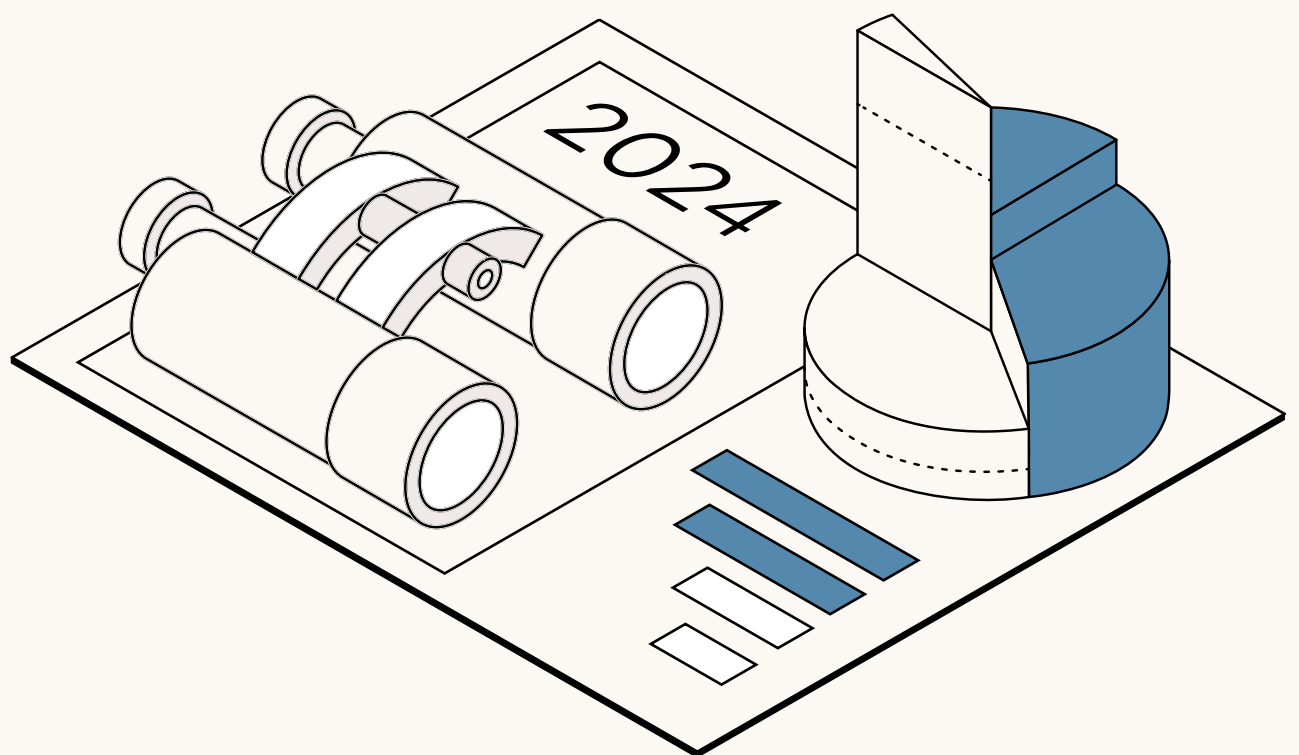


Ownership Trends in Private Equity 2024



Executive summary

It's been a momentous year for private equity. PE deal volume in Q2 was the strongest it's been in the previous two years, marking a rebound in activity after a prolonged slump. We also saw more PE firms—including industry giant Blackstone—make public commitments to grant equity to employees beyond the top brass, something that's long been table-stakes in the venture world. Blackstone joins other leading PE firms including KKR, TPG, and Warburg Pincus that have adopted this approach in recent years.

The power of company equity is to ensure employees, management, and investors are all aligned and incentivized to perform their best. Employee ownership can benefit a company's bottom line, thus providing stronger returns for investors while also giving employees the opportunity to participate in the profits they help create.

Carta supports more than 2,700 PE-backed companies, including both LLCs and corporations, that are backed by over 600 PE firms. Through our real-time, aggregated, and anonymized data, we hope to provide insight into the state of ownership in the PE sector. Our second annual Ownership Trends in Private Equity report provides a status update on the progress private equity has made toward the commitment to expand employee ownership.

2024 highlights



Growth in employee ownership

The number of employee stakeholders on Carta has increased 172% since 2019, but the rate of growth has slowed since 2022.



Few companies have hundreds of employee stakeholders

Most PE-backed companies have at least one employee equity owner, but only about 20% have over 100.



Rise in profits interest units

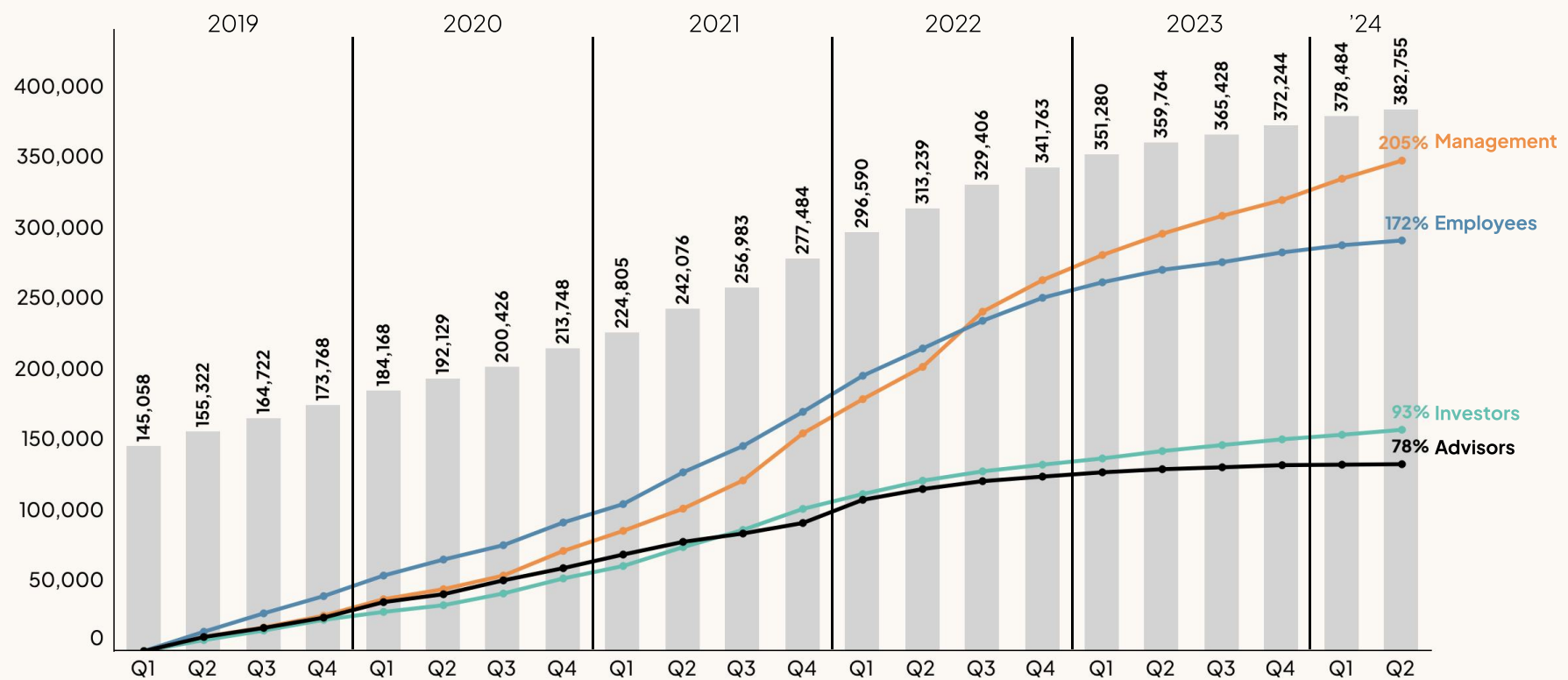
The issuance of PIUs by PE-backed LLCs has become more common across different stakeholder groups, especially to employees as a vehicle for equity sharing.

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Key trends

Nearly 400,000 stakeholders have received interests on Carta

Cumulative number of PE stakeholders on Carta by date of first issuance and cumulative percentage growth by group | Q1 2019–Q2 2024



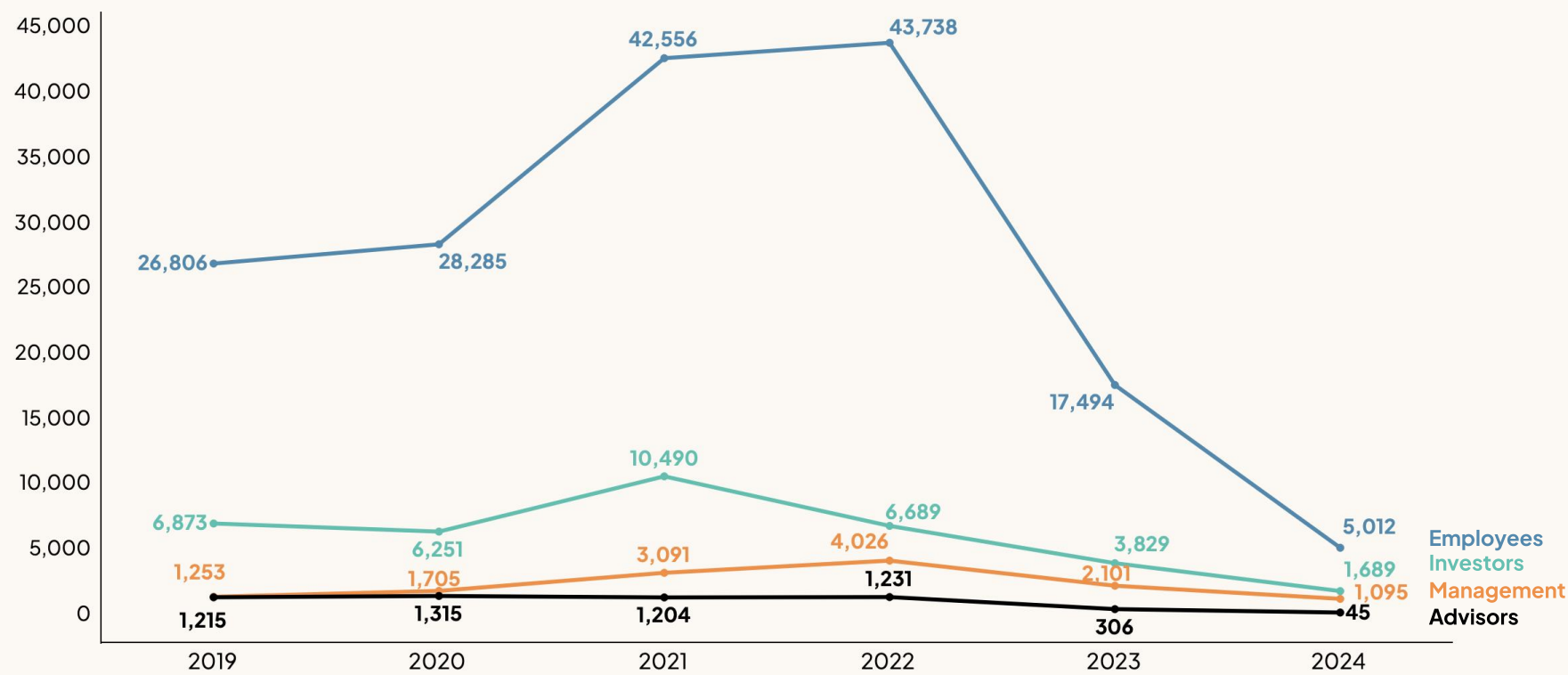
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As of Q2 2024, over 382,000 stakeholders across Carta's 2,700-plus PE-backed businesses had received ownership interests of some kind. This figure has effectively doubled in the four years since Q2 2020 as a result of both Carta's growing market share and a rise in the issuance of interests.

Stakeholders at PE-backed companies include management teams, investors, employees, and advisors. Each of these groups has grown significantly in terms of the number of stakeholders on Carta since 2019. The number of stakeholders increased the most for those in management – over 200% from Q1 2019 to Q2 2024. The group with the second largest growth was employees, increasing by 172%.

Growth in employee stakeholders has slowed drastically since 2022

Count of new PE stakeholders on Carta by group and year | 2019–H1 2024



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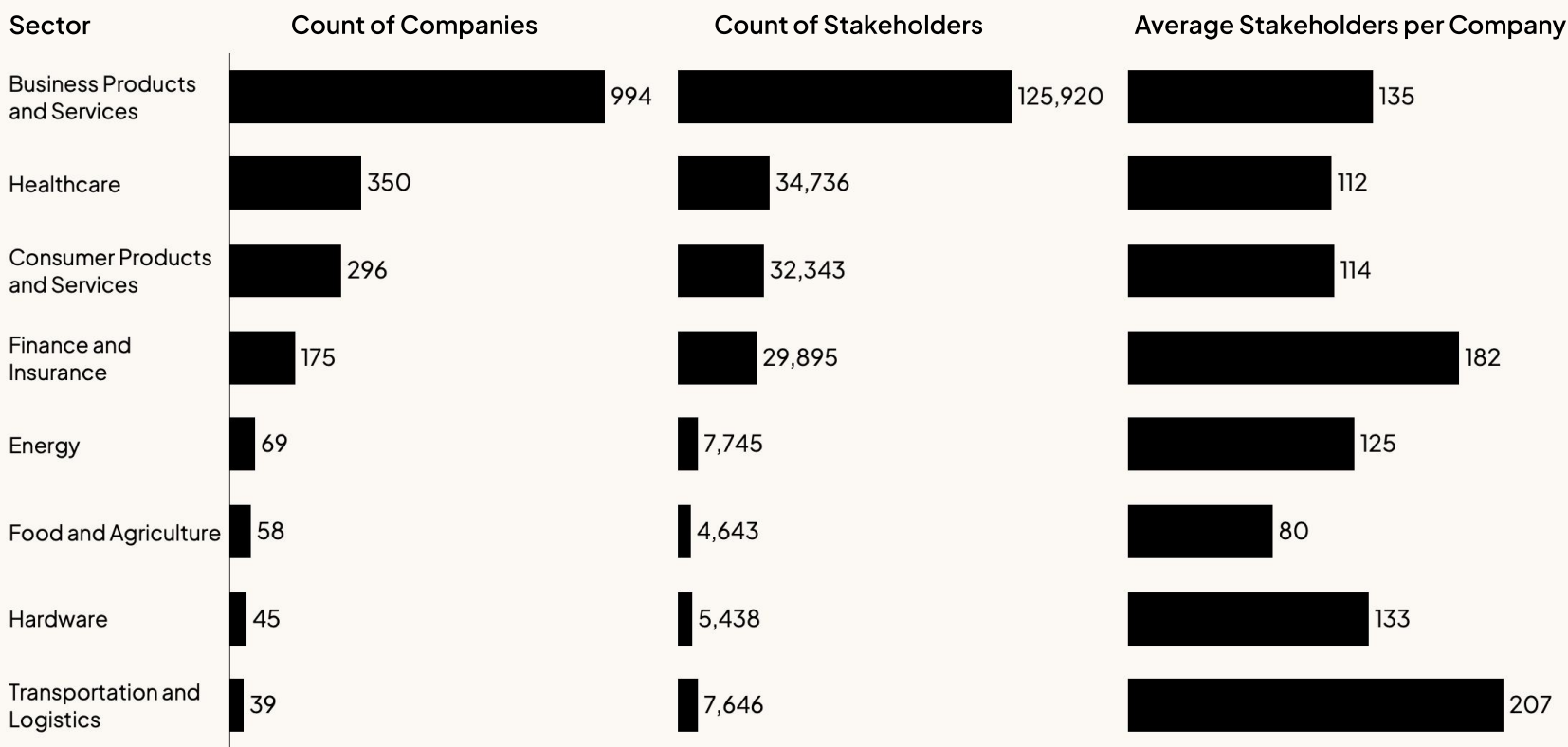
From 2019 to 2022, the number of new employee stakeholders rose each year. That trend changed in 2023 and H1 2024, however, following a significant deceleration in private equity deal volume. Fewer companies getting acquired by PE has meant that fewer new equity grants have been issued by PE-backed companies. The number of new employee stakeholders in 2023 was 17,494, a 35% decrease in comparison to 2019.

Although PE-backed companies are still creating more employee owners, it is at a much slower rate than before. This slowdown in employee ownership also hit the venture world, as the 2022 financial downturn negatively affected [employee compensation packages](#).

As with employees, fewer investors and management team members at PE-backed companies are becoming stakeholders compared to pre-2022. But the recent decline in new stakeholder numbers hasn't been as steep for investors and management as for employees.

Most PE companies and their stakeholders are in B2B or healthcare

Count of PE-backed companies and stakeholders on Carta by sector | Data as of August 2024



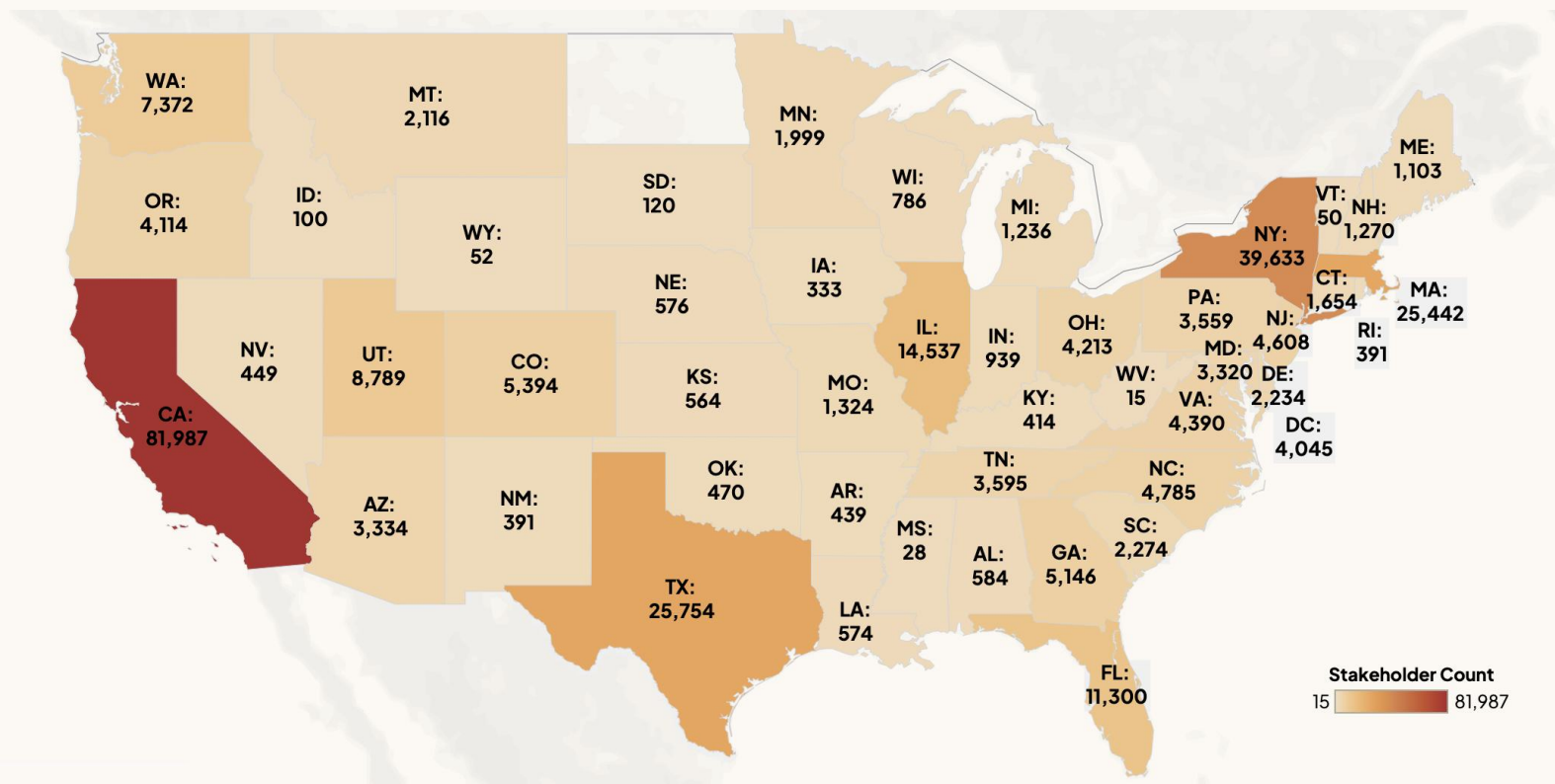
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Companies that offer business products and services, including B2B software and IT services, make up 49% of the PE-backed companies on Carta that issue equity interests. The second largest industry is healthcare, accounting for 17% of the total. These two industries also have the most PE stakeholders on Carta.

The two industries with the most stakeholders per company, on average, are transportation/logistics and finance/insurance. With over 200 stakeholders, the average company in transportation/logistics has nearly twice as many stakeholders as the average healthcare company. The average food/agriculture company has just 80 stakeholders, the lowest among the included industries.

47 of 50 states have PE company interest holders

Count of PE stakeholders on Carta by state of issuing company | Data as of August 2024



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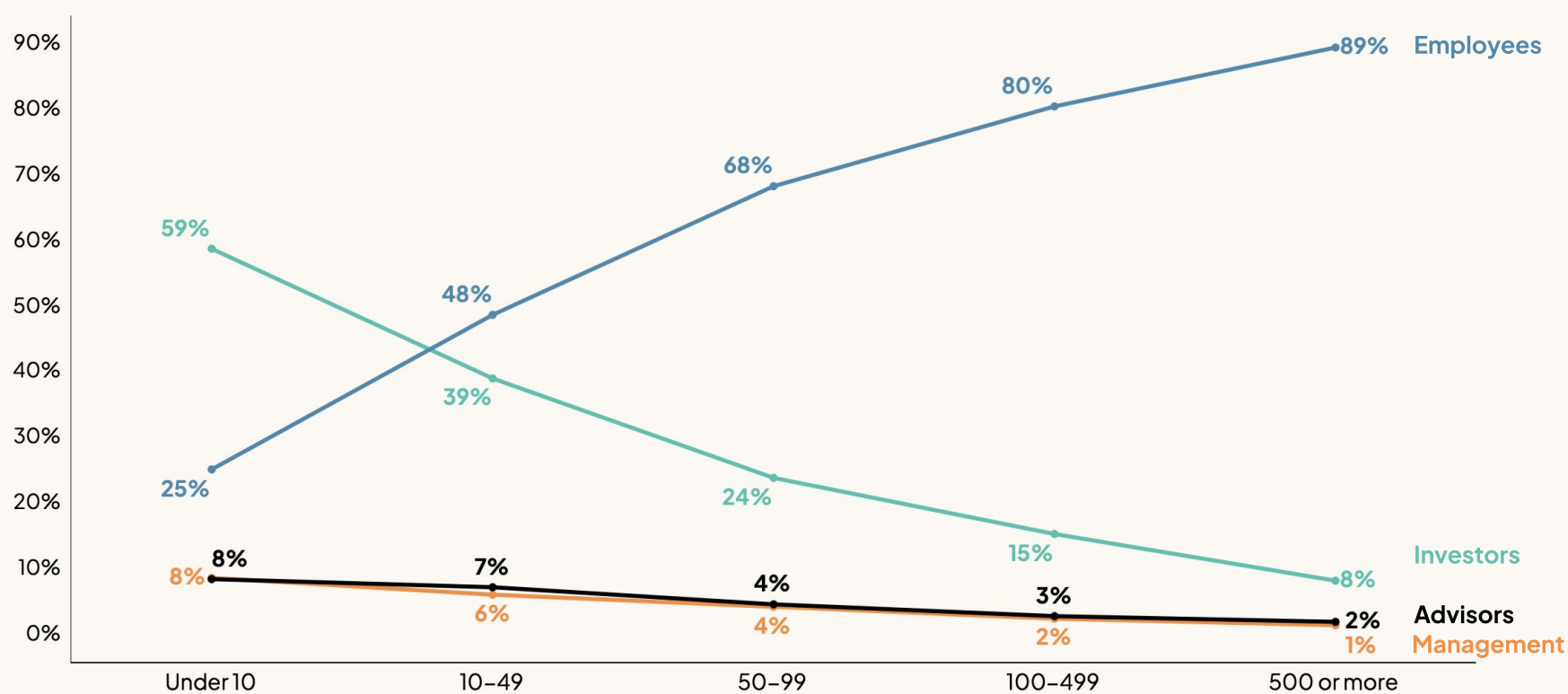
Nearly all U.S. states have PE stakeholders on Carta. As of August 2024, the five states with the most stakeholders were California (28.5% of all stakeholders), New York (13.8%), Texas (9.0%), Massachusetts (8.8%), and Illinois (5.1%). Compared to [last year's data](#), the top five have stayed the same, though their order has shifted.

Florida comes in a close sixth, with 3.9% of the total share, while Utah holds 3.1%. No other state has more than 3% of the total, but Washington, Georgia, and Colorado each maintain strong representation in the dataset.

Employee ownership and PE-backed company size

As companies grow, employees represent a larger share of stakeholders

Share of PE stakeholder type by total employee headcount | Data as of August 2024

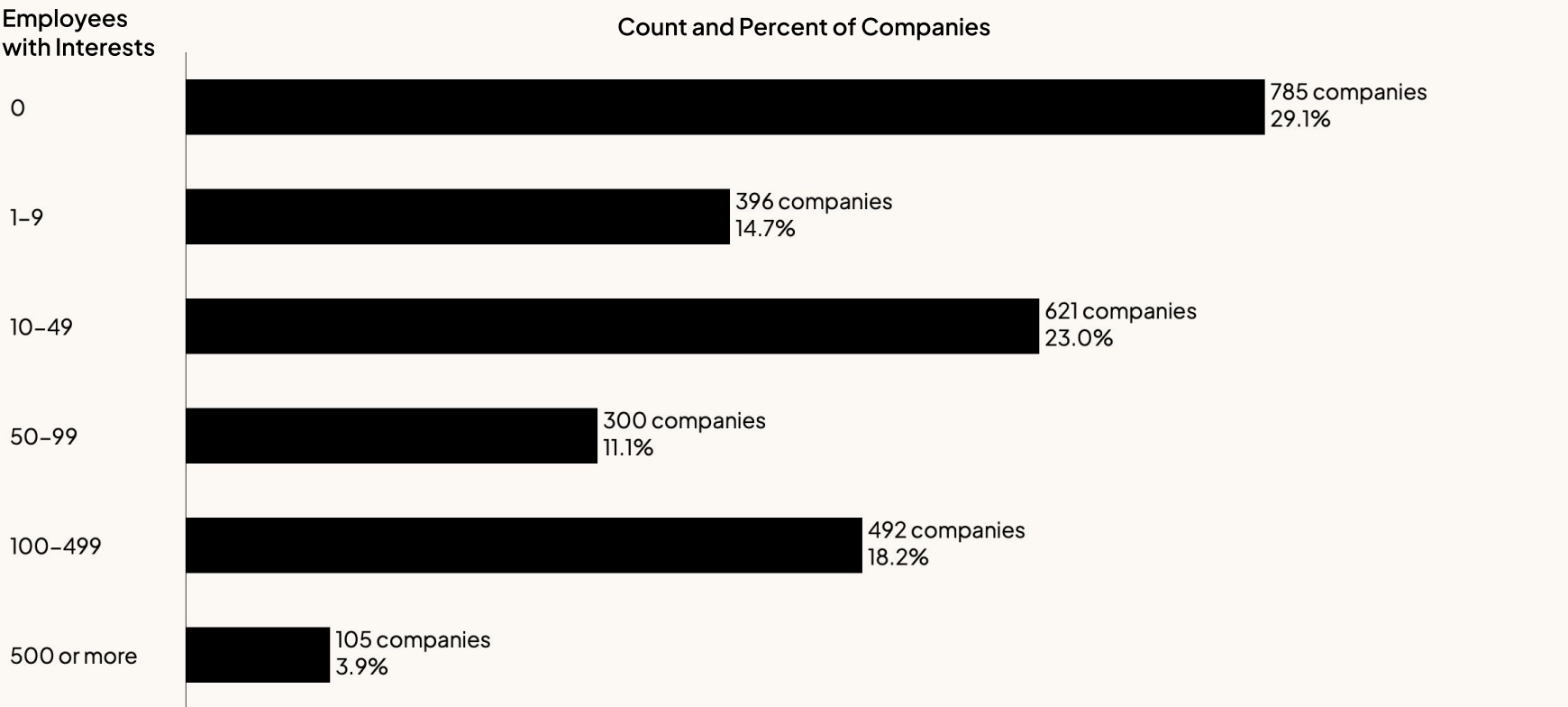


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The share of stakeholders at PE-backed businesses who are non-management employees naturally grows with company size. At companies with under 10 employees, a majority of stakeholders are investors and only 25% are employees. At large companies with 500+ employees, the share of stakeholders who are employees approaches 90%.

Most PE-backed companies have 10+ employee interest holders

Share of PE-backed companies issuing interests on Carta by number of employees with at least 1 interest | Data as of Aug. 2024



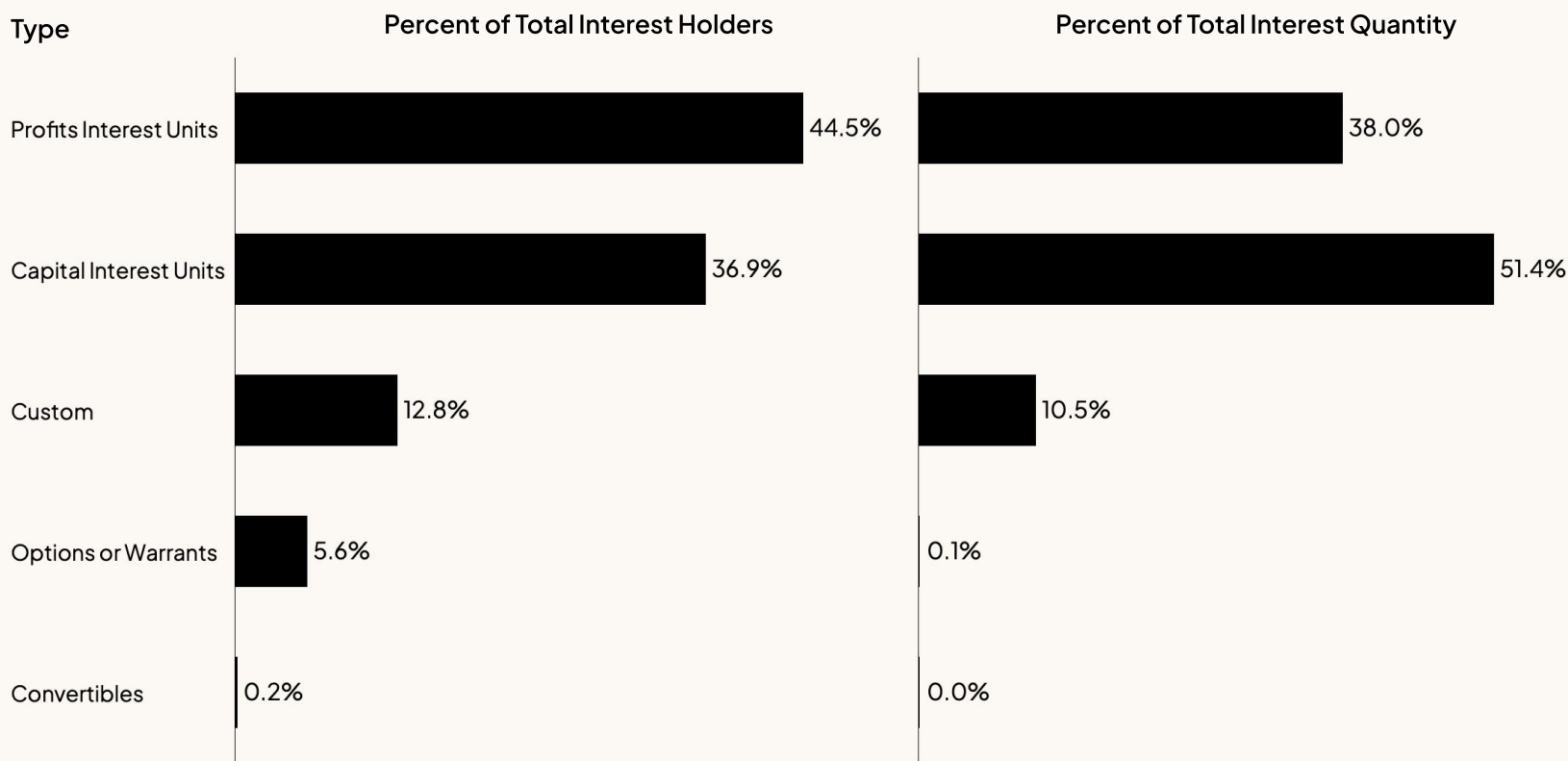
The vast majority of PE-backed companies on Carta have issued some type of interest to at least one employee, a positive sign for broad-based ownership. Fewer than 30% of companies have no employee stakeholders.

Most PE-backed companies that grant employee equity have fewer than 50 employee stakeholders. Only around 4% of PE-backed businesses on Carta have more than 500 employee interest holders. In contrast, over 8% of PE-backed companies on Carta have at least 500 employees. While companies are offering employee equity plans, the largest companies do not grant every employee a piece of the pie.

Types of interests issued by PE-backed LLCs

PIUs are issued to more recipients, but CIUs are issued in larger quantities

PE LLC interests by type | Data as of August 2024



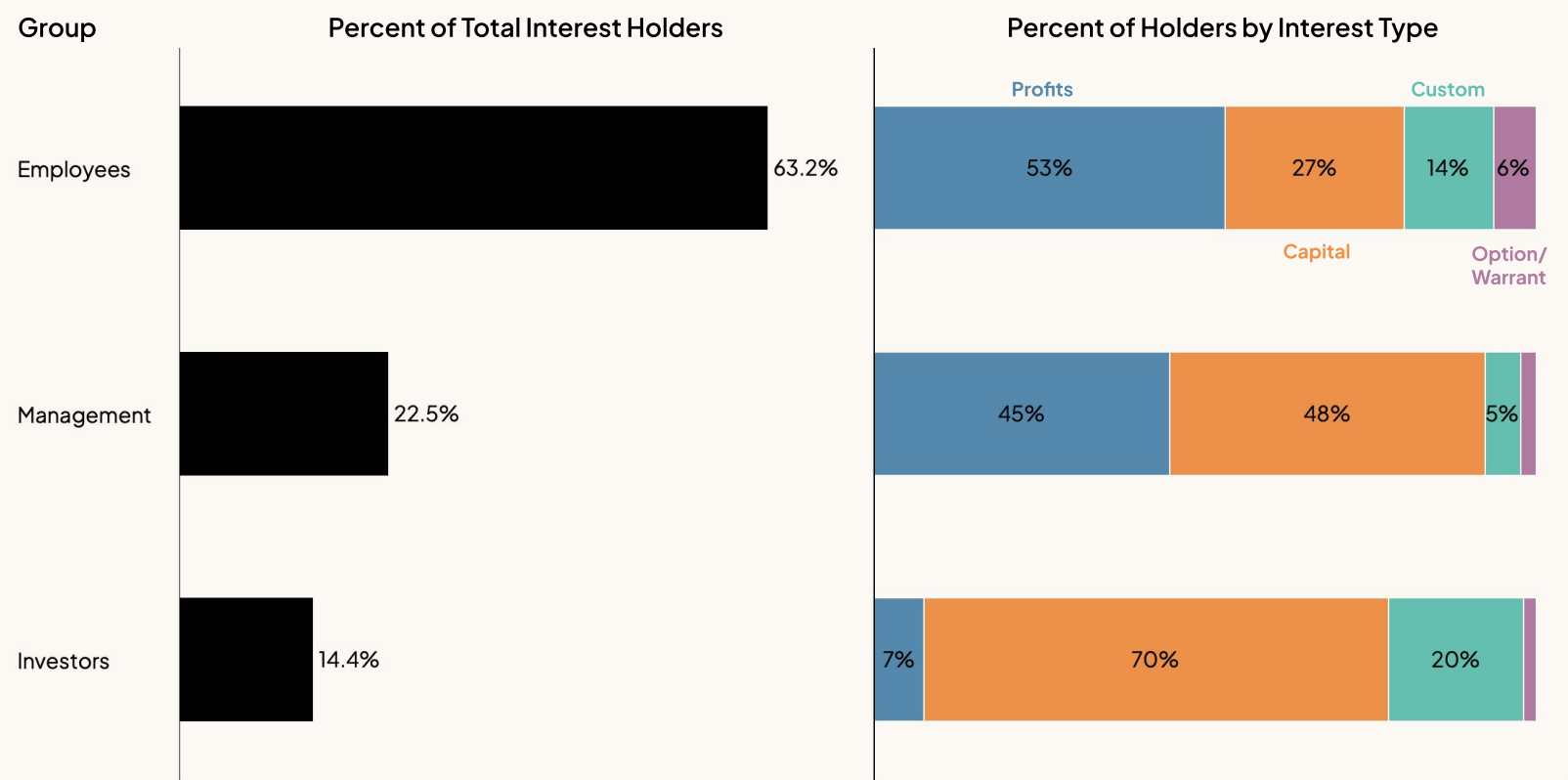
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Looking specifically at the types of interests issued by PE-backed LLCs, a plurality of recipients hold profits interest units (PIUs). PIUs provide a share of the company’s future profits, as opposed to capital interest units (CIUs), which represent true equity ownership in the LLC and are the second most common type of interest. Custom arrangements, options, warrants, and convertible instruments are less common.

While more recipients hold PIUs, CIUs represent the majority of the total quantity of interests issued. This means that the average stakeholder receiving CIUs, typically an investor, receives a larger amount of units than the average PIU holder. Compared to 2023, however, the share of total quantity has increased for PIUs but declined for CIUs. This suggests that more PIUs were granted in the past year, likely as a form of employee equity compensation.

Employees constitute a majority of stakeholders at PE LLCs

Share of PE LLC interest holders by stakeholder group and interest type | Data as of August 2024



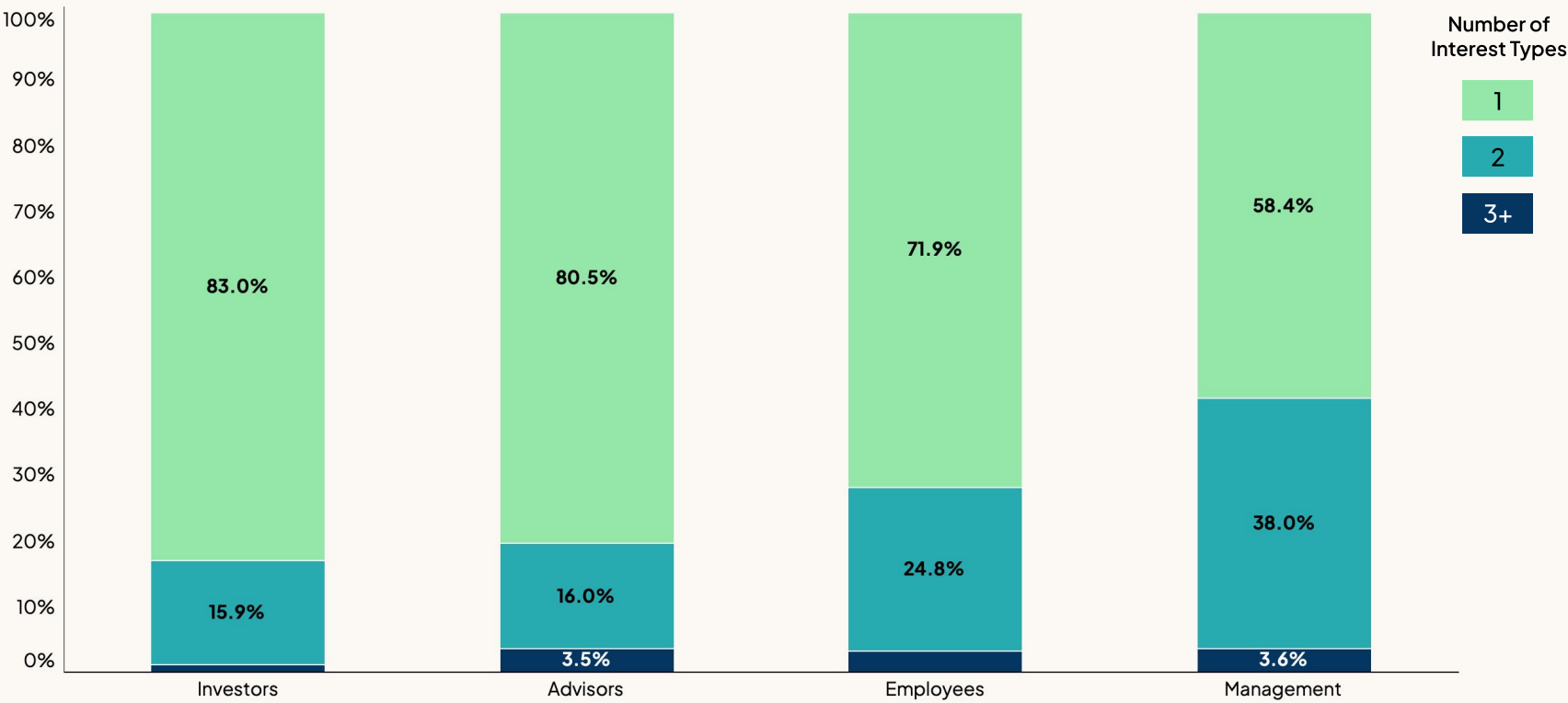
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Over 60% of interest holders at PE-backed LLCs are employees. Management teams make up 22.5% of interest holders, while investors comprise 14.4%. Of course, differences in the quantities and types of interests mean that managers and investors hold a much larger share of the actual value of their respective companies than employees.

These stakeholders have diverging distributions of interest types. A majority of the interests issued to employees are in the form of PIUs. Still, a notable minority of employees receive CIUs, custom arrangements, or options/warrants. Managers hold a relatively even split of PIUs and CIUs, while 70% of the interests held by investors are CIUs.

Management teams are more likely to hold multiple interest types

Share of PE LLC interest holders by stakeholder group and number of unique interest types | Data as of August 2024



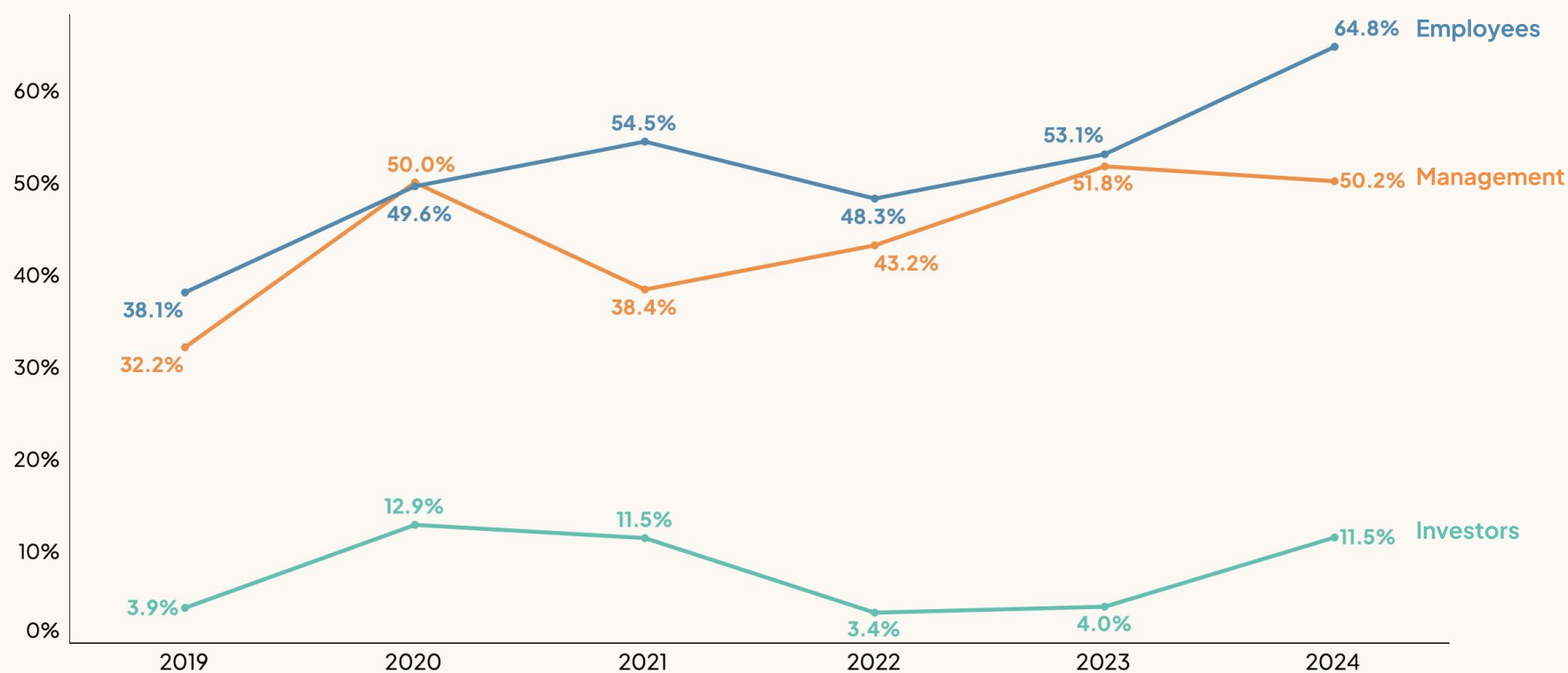
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It is rare for individual stakeholders to hold more than one interest type. An employee with PIUs is likely to receive more PIUs, and an investor with CIUs is likely to receive more CIUs. But while a vast majority of employees, investors, advisors only hold one interest type, this is somewhat different for managers.

Nearly 40% of managers hold two different interest types, and 3.6% hold at least three interest types. The most common arrangement in these cases is a mix of PIUs and CIUs.

PIUs have become more common across stakeholders since 2019

Share of all interests issued by PE LLCs that are profits interest units (PIUs) by stakeholder group | 2019–H1 2024



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Over time, PE-backed LLCs are choosing to issue more PIUs across stakeholder types. In 2019, PIUs represented a clear minority of issuances for both employees and managers. As of H1 2024, they represented a majority for each group.

Even for investors, the share of issuances that are profits interests has gone up from 3.9% to 11.5% in the same time period. Many of these investors received PIUs on top of CIUs, likely in exchange for providing additional services or expertise beyond capital.

Methodology

Overview

Carta helps more than 2,700 PE-backed companies who are backed by over 600 PE firms. We share insights from this unmatched dataset about the private equity industry to help executives, employees, and investors make informed decisions and understand market conditions. This study uses an aggregated and anonymized sample of Carta customer data. Companies that have contractually requested that we not use their data in anonymized and aggregated studies are not included in this analysis.

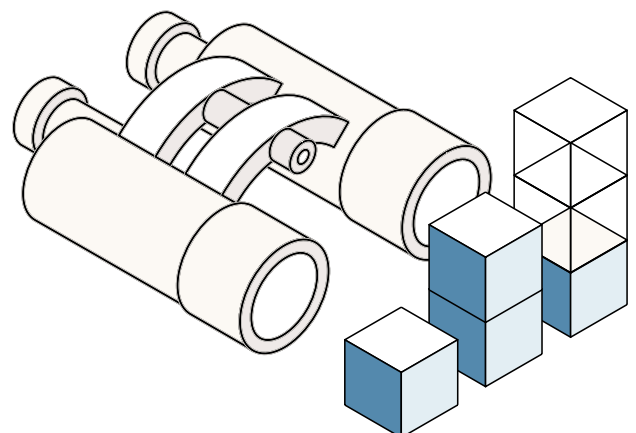
The data presented in this private equity report represents a snapshot as of August 22, 2024. Historical data may change in future studies because there is typically an administrative lag between the time a transaction took place and when it is recorded in Carta. In addition, new companies signing up for Carta's services will increase historical data available for the report.

Stakeholder Categories

The following stakeholder categories were analyzed: management, employees, investors, and advisors. "Management" encompasses leadership roles such as C-level executives, board members, founders, and owners. "Employees" include other non-leadership staff. "Investors" include investment firms, general partners, limited partners, and individual investors. "Advisors" include non-staff consultants and advisors.

Interest Types

The following interest types were analyzed: profits interest units (PIUs), capital interest units (CIUs), custom, options or warrants, and convertibles. These labels are self-reported by the issuing companies on Carta. A single individual may hold more than one type of interest.





Carta for Private Equity

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