Council of Institutional Investors®
The voice of corporate governance

Dual-Class IPO Snapshot: 2017–2018 Statistics

Calendar Year 2017:

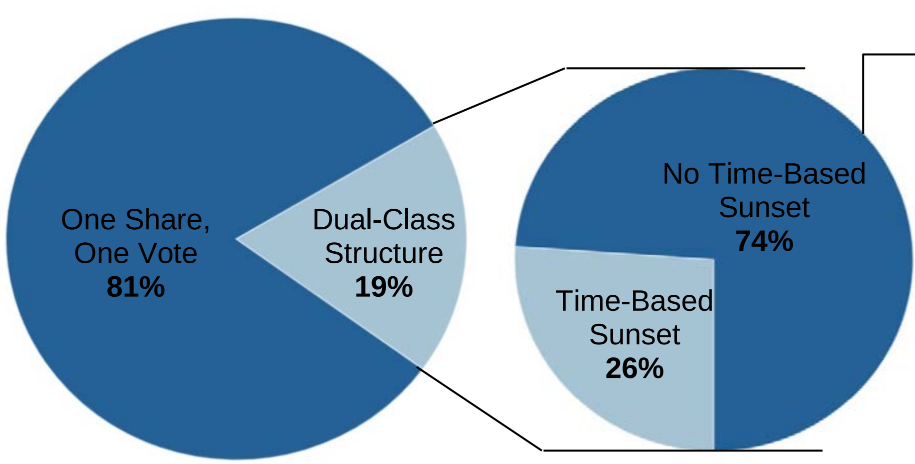
CII's tracking of the IPO market in 2017 shows more than four in five companies continue to go public with a one share, one vote structure.

In 2017, a total of 195 companies went public on U.S. exchanges. Of these, 45 were foreign private issuers (FPIs), 20 were special purpose acquisition companies (SPACs), and six were master limited partnerships (MLPs).

Of the remaining 124 IPOs (excluding FPIs, SPACs, and MLPs):

- **101, or 81%, were one share, one vote.**
- 23, or 19%, had dual-class structures with unequal voting rights.
- Four, or 3%, included non-voting shares in their structures: Snap, Altice USA, Blue Apron and Cadence Bancorporation. Snap is the only company that has actually issued non-voting shares to public investors, and no IPO with non-voting shares occurred in 2017 after Blue Apron's IPO in June.
- Six, or 26% of dual-class IPOs, will phase out their unequal voting structures with time-based sunsets

CII reported in November that 2017 set a record for IPOs with time-based sunset provisions that automatically convert the super-voting class to one share, one vote common stock. The six companies with these sunsets are Mulesoft (five years), Hamilton Lane (10 years), Alteryx (10 years), Okta (10 years), Stitch Fix (10 years), and Altair Engineering (12 years). The mean sunset for 2017 was 9.5 years, down from 10.3 years in 2016. CII recommends a sunset of seven years for newly public companies that choose to adopt dual-class structures with unequal voting rights.



In 2017, just 14% of companies went public with indefinite unequal voting structures. That said, the two largest IPOs, Snap and Altice USA, were dual-class with unequal voting rights.

Although dual-class structures skew toward larger companies that comprised roughly half of the total IPO market capitalization in 2017, Snap and Altice witnessed significant price declines after their IPOs, lessening the market cap weight of dual-class firms among the new IPOs by year end.

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Calendar Year 2018:

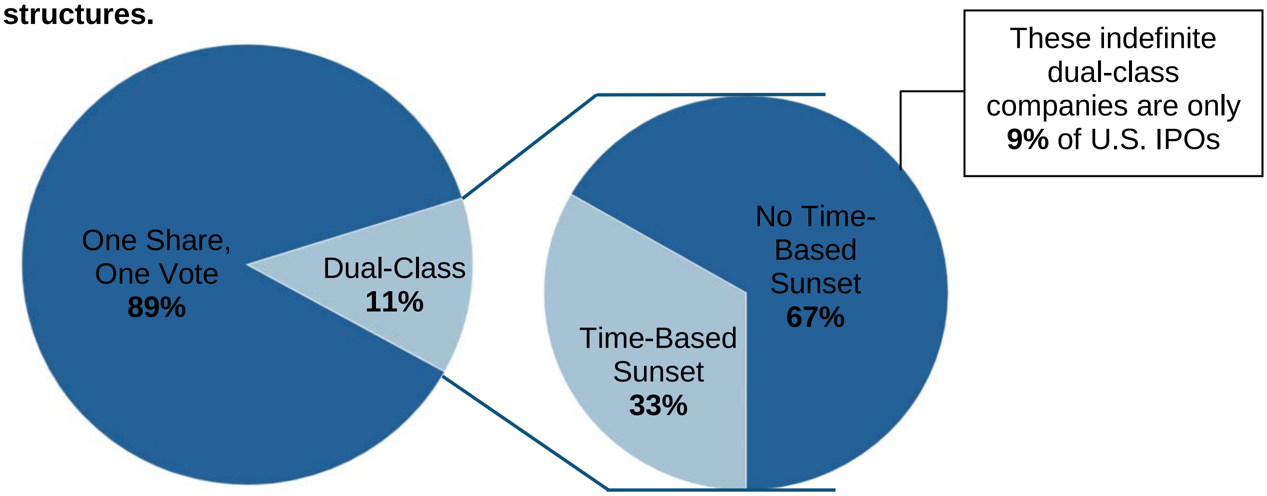
In 2018, nearly nine in ten companies went public with a one share, one vote structure.

Last year, a total of 246 companies went public on U.S. exchanges. Of these, 54 were foreign private issuers (FPIs), 44 were special purpose acquisition companies (SPACs), and eight were foreign companies but not FPIs.

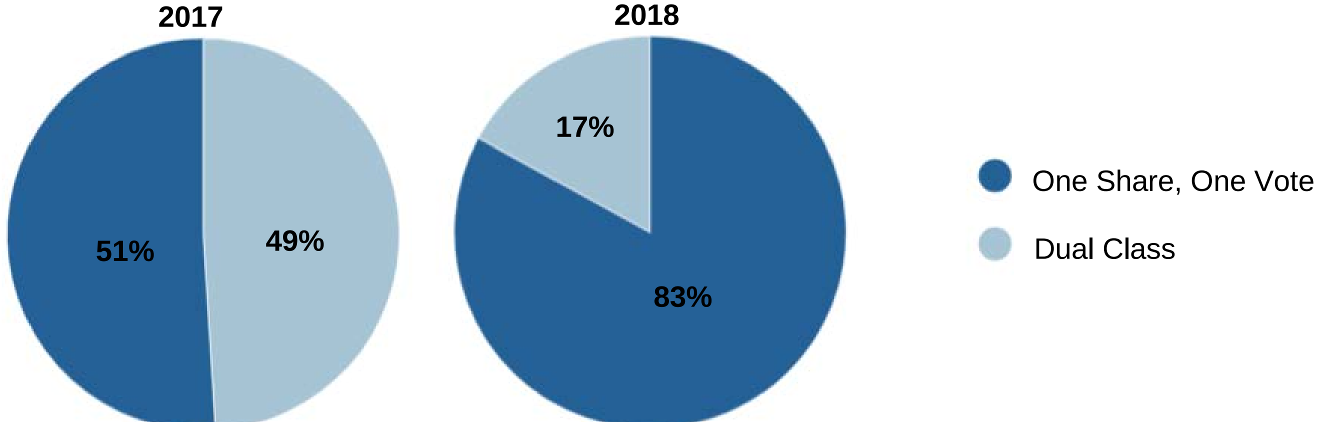
Of the remaining 140 IPOs (excluding FPIs, SPACs and other foreign companies):

- **125, or 89%, were one share, one vote.**
- 15, or 11%, had dual-class structures with unequal voting rights.
- Just one, Dropbox, included non-voting shares in its structure, but these shares have not been issued to public investors.
- Five, or one-third of dual-class IPOs, will phase out their unequal voting structures with time-based sunsets: EVO Payments (three years), Bloom Energy (five years), Smartsheet (seven years), Eventbrite and Zuora (10 years).

The mean sunset in 2018 was seven years, down from 9.5 years in 2017 and 10.3 years in 2016. **Last year, just 9% of companies held IPOs with indefinite unequal voting structures.**



Dual-class companies also comprised a much smaller proportion of IPO market capitalization in 2018 compared to 2017. In 2017, dual-class companies comprised nearly half of IPO market capitalization despite accounting for one-fifth of IPOs. Last year, more large companies opted to use one share, one vote, which comprised more than four-fifths of 2018 IPO market capitalization.



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