

## **Newly Public Operating Companies Snapshot: Jan.-Dec. 2023**

Since 2017, CII has tracked U.S. initial public offerings (IPOs) to monitor the proliferation of dual-class structures.<sup>1</sup> This snapshot examines IPO activity in the first and second halves of 2023, as well as annual trends in relation to 2022.

### **First Half of 2023**

From January 1 to June 30, 2023, there were 10 traditional IPOs, 15 de-SPAC mergers, and no direct listings.

Of these 25 companies, three have dual class structures with unequal voting rights. These companies represent 12% of total companies in 1H 2023:

- 3 de-SPAC mergers (20% of all de-SPAC mergers)

### **Second Half of 2023**

From July 1 to December 31, 2023, there were nine traditional IPOs, 13 de-SPAC mergers, and no direct listings.

Of these 22 companies, five have dual class structures with unequal voting rights. These companies represent 23% of total companies in 2H 2023:

- 3 traditional IPOs (33% of all traditional IPOs)
- 2 de-SPAC mergers (15.4% of all de-SPAC mergers)

### **All of 2023**

From January 1 to December 31, 2023, 19 companies went public via traditional IPO, 28 via de-SPAC merger, and zero via direct listing.

Of these 47 companies, eight have dual-class structures with unequal voting rights. These companies represent 17% of total companies tracked by CII in 2023:

- 3 traditional IPOs (15.79% of all traditional IPOs)
- 5 de-SPAC mergers (17.87% of all de-SPAC mergers)

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<sup>1</sup> CII has monitored the proliferation of dual-class share structures in initial public offerings (IPOs) since 2017. As of 2021, the universe of companies tracked by CII includes traditional IPOs, direct listings, and de-SPAC mergers. CII does not include shell company IPOs, foreign private issuers (FPIs), Real Estate Investment Trusts (REITs) or companies valued below US\$200 million in public equities when tracking unequal voting structures.

Out of the 47 companies tracked by CII in 2023, the two following companies adopted time-based sunsets:

**1H 2023**

Intuitive Machines (7 years)

**2H 2023**

Klaviyo (7 years)

The six following dual-class companies did not adopt time-based sunsets in 2023, and are of greatest concern to CII for their long-term misalignment between voting rights and equity stake:

**1H 2023**

United Homes Group  
Beneficient

**2H 2023**

Apogee Therapeutics  
Sagimet Biosciences  
PSQ Holdings  
Better Home & Finance

## **Trend analysis**

47 companies went public in 2023, representing a small increase from 46 companies in 2022. A greater increase was seen in the number of de-SPAC mergers: 28 companies went public via a de-SPAC merger in 2023, a 21.70% increase from 23 de-SPAC mergers during the same period in 2022. Only 19 companies went public via a traditional IPO in 2023, a 13.6% decrease from 22 traditional IPOs in 2022.

The climate for new public offerings continued to be poor in 2023, and the share of newly public companies featuring equal voting structures tapered down slightly to 83% for the year overall, down two percentage points from 85% overall during the previous year.

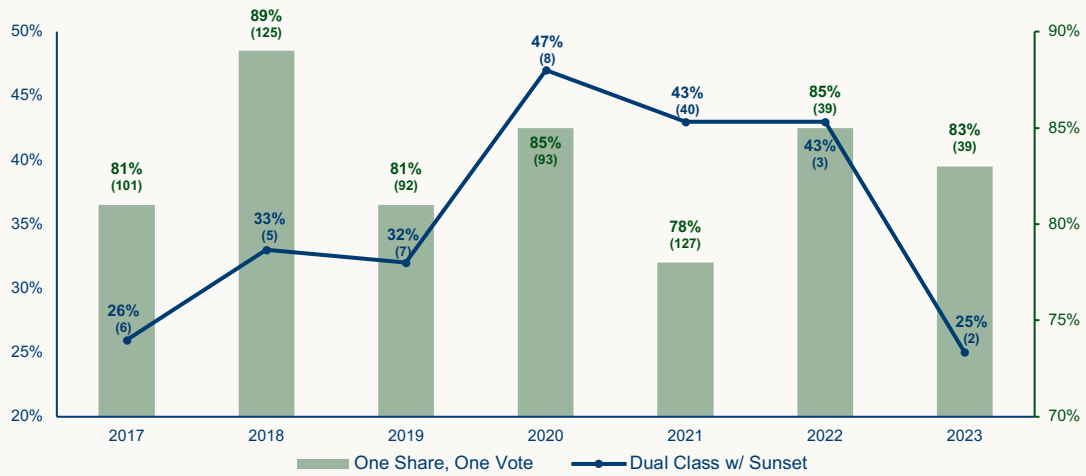
Notably, all three companies with unequal voting rights in 1H 2023 were de-SPAC mergers, while three of the five companies with unequal voting rights in 2H 2023 were traditional IPOs, with the remaining two being de-SPAC mergers. This trend is in line with IPO activity levels throughout the year.

In addition, a greater proportion of newly public companies had unequal voting rights in 2H 2023 than in 1H 2023, halting an anticipated reversion to legacy levels of unequal voting rights across the market. Historically, about one in 10 companies went public with unequal voting structures.

Among companies with dual-class structures, CII observed a 25% adoption rate for time-based sunsets in 2023 overall, broken down as 33% for 1H 2023 and 20% for 2H 2023. This is a notable decrease from 43% for 2022 overall. This data point, together with the slightly lower adoption levels for equal voting structures, represents a potential backsliding in the advancement of one-share-one-vote structures.

## One share, one vote structures and time-based sunset provisions

Adoption at newly public companies, % of companies, annual



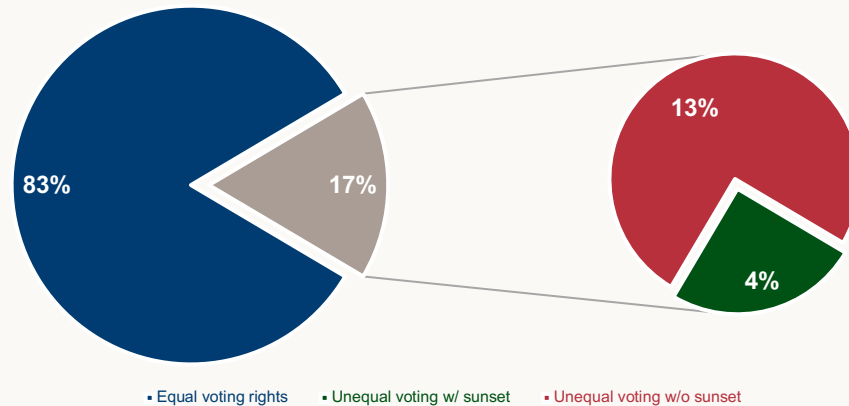
**Figure 2.** Percent of newly public companies with one-share-one-vote structures (green) vs. percent of newly public dual-class companies with time-based sunset provisions (blue). Sample size for each data point is shown in parentheses.

Note: CII updated its tracking criteria in 2021 to exclude shell company IPOs and include de-SPAC mergers.

Source: CII analysis of IPOscoop, SPAC Track, StockAnalysis.com, SEC filings (via BamSEC)

## Unequal voting and time-based sunsets at newly public companies

% of companies, Jan.-Dec. 2023



**Figure 1.** Newly public companies with the following shareowner voting structures, represented as a percentage of all companies tracked by CII in 2023: equal voting rights (blue); unequal voting rights with time-based sunset (green); unequal voting rights without time-based sunset (red).

Source: CII analysis of StockAnalysis.com, SPAC Track, SEC filings via BamSEC