

# Executive Compensation: Insights from the 2011 CompStudy Survey of Venture-Backed Companies

**Life Sciences Edition**  
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- ▶ CompStudy overview
- ▶ Current *Founder's Dilemmas* research
- ▶ 2011 survey – company profiles
- ▶ Summary compensation data
- ▶ CEO compensation review
- ▶ Hot topics and current trends



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## CompStudy.com

All reporting now done on our online, fully interactive platform, located at CompStudy.com.

Participants in the annual survey receive free, year-long access to the reports.

New features for 2011:

- Board data
- Print-to-PDF for all reports
- VC Scorecards



## The CompStudy.com Survey

Data collected in every survey includes:

- Cash compensation and equity
- Founding team
- Financing history
- Company size
- Products/revenue
- Equity programs
- Executive backgrounds
- Board of directors

Technology  
survey

2000

211 cos.

2011

575 cos.

Life Sciences  
survey

2002

168 cos.

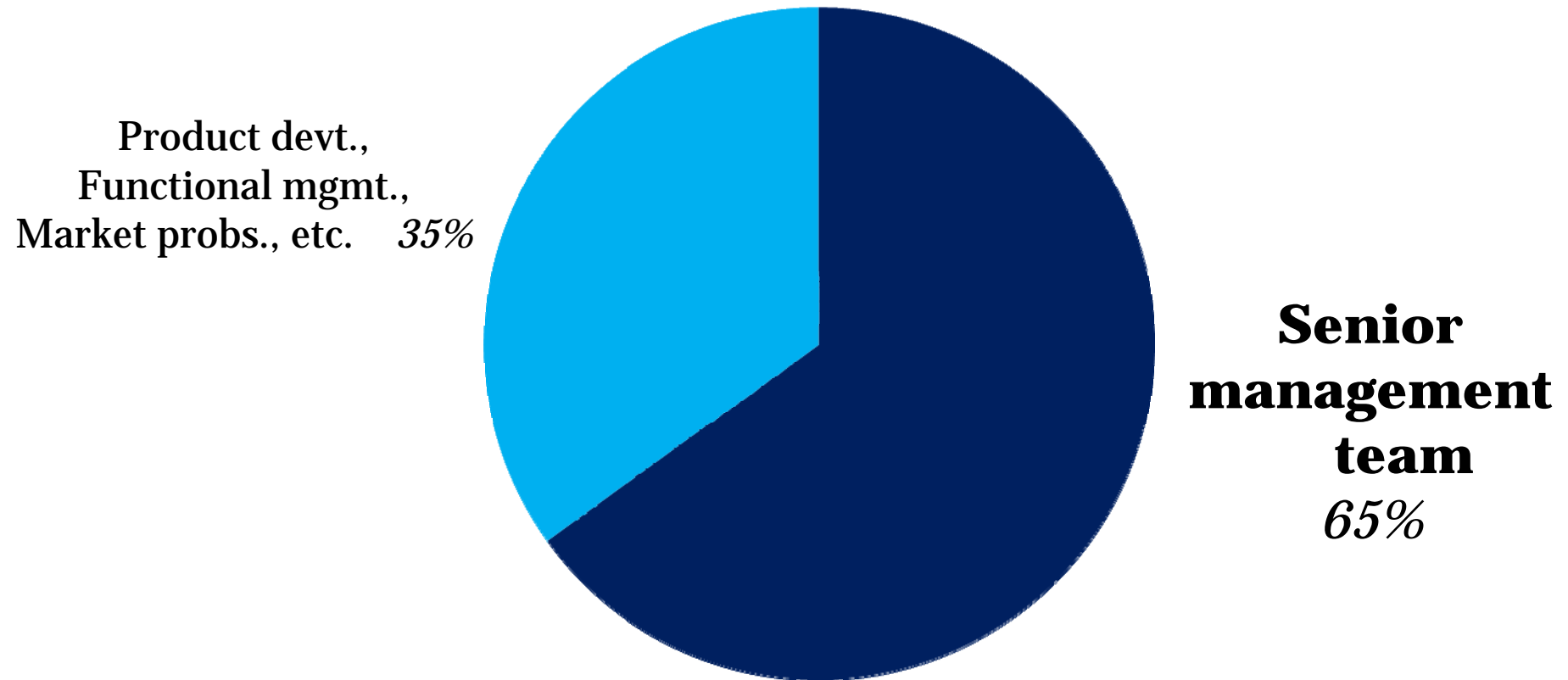
2011

225 cos.

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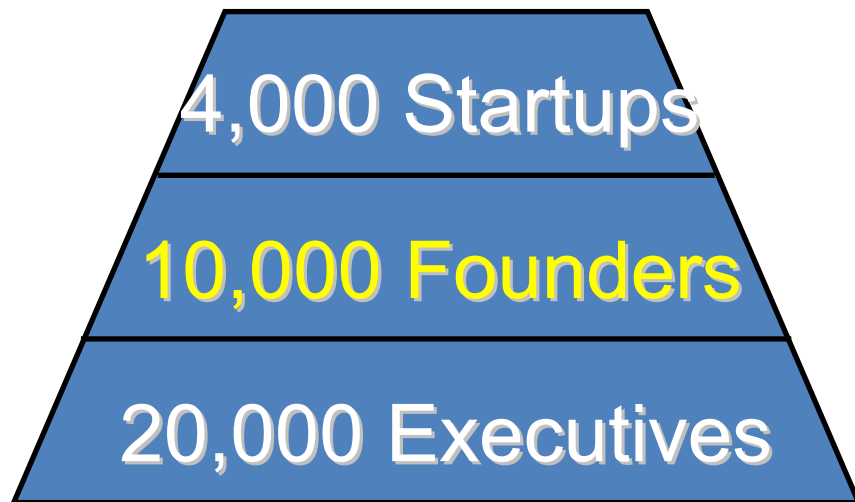
## Causes of Failure in VC-backed Ventures



Sahlman and Gorman (1989), "What Do Venture Capitalists Do?" *Journal of Business Venturing*. (65% ex post)

Also: Kaplan and Stromberg (2004), "...Evidence from VC Analyses," *Journal of Finance*. (61% ex ante)

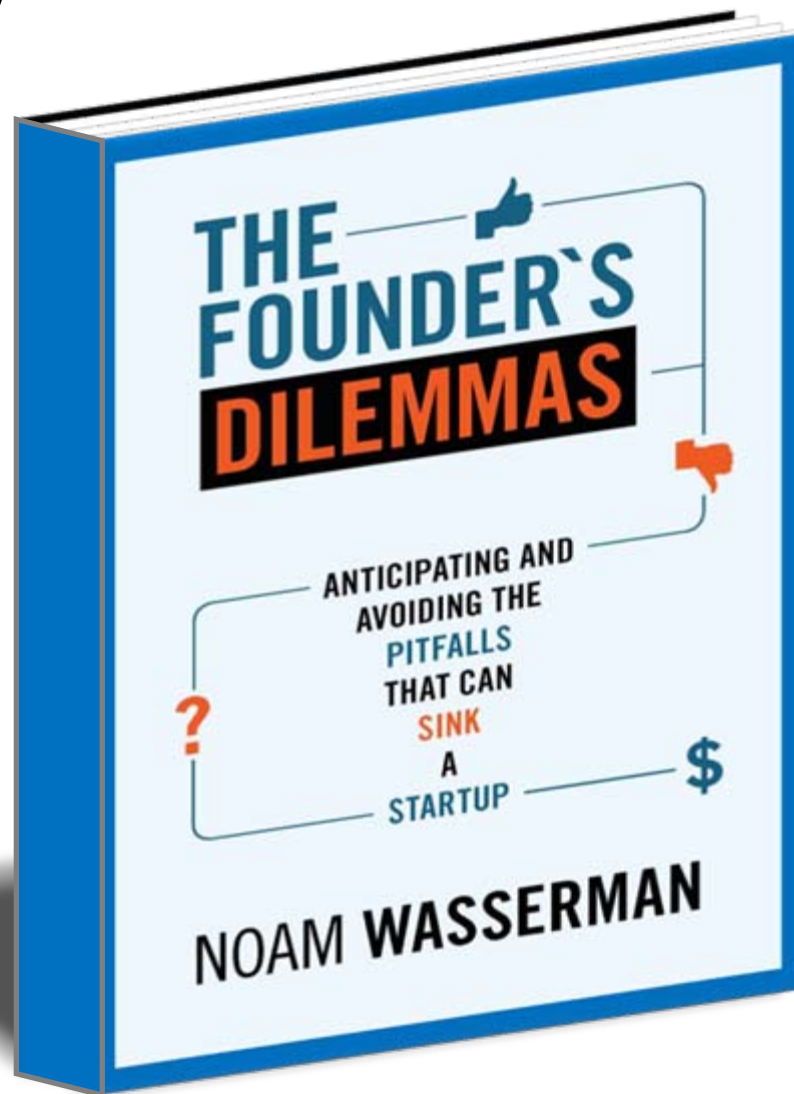
First decade of CompStudy  
(2000-2009)



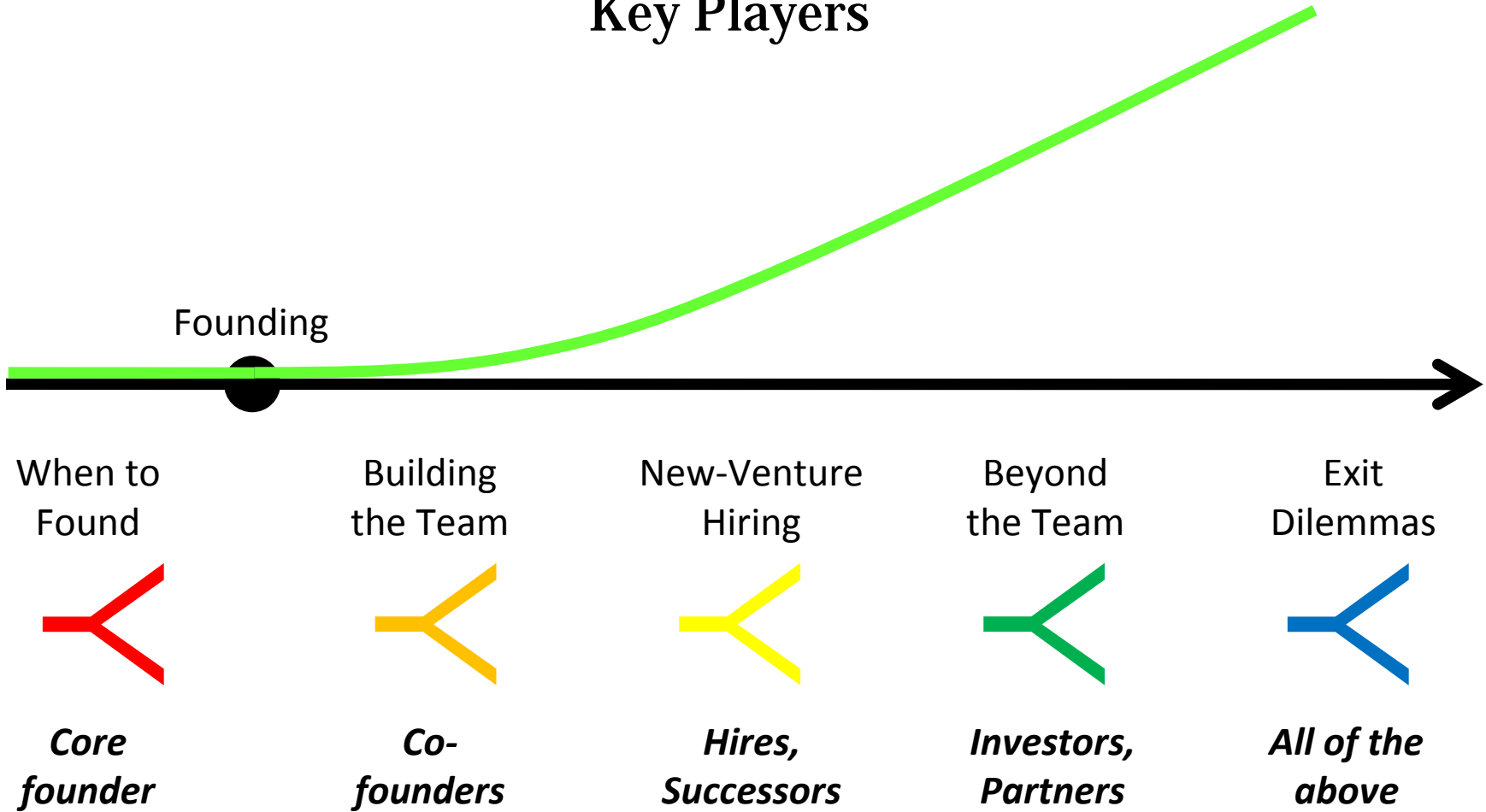
+

Inside stories of 30 founders:

- **Evan Williams** (Blogger, Odeo/Twitter)
- **Tim Westergren** (Pandora)
- **Genevieve Thiers** (Sittercity)
- **Dick Costolo** (FeedBurner, Twitter)



## Key Players



# THE FOUNDER'S DILEMMAS

## I. Introduction and Pre-founding

- Career Dilemmas; “When to Found?”

## II. Founding-Team Dilemmas

- Solo vs. Team Dilemmas
- Relationship Dilemmas: Flocking Together, Playing with Fire
- Role Dilemmas: Positions and Decision Making
- Reward Dilemmas: Equity Splits and Cash Compensation
- The “3Rs” System

## III. Beyond the Founding Team: **Hires and Investors**

- Hiring Dilemmas: The Right Hires at the Right Time
- Investor Dilemmas: Adding Value, Adding Risks
- Failure, Success, and Founder-CEO Succession

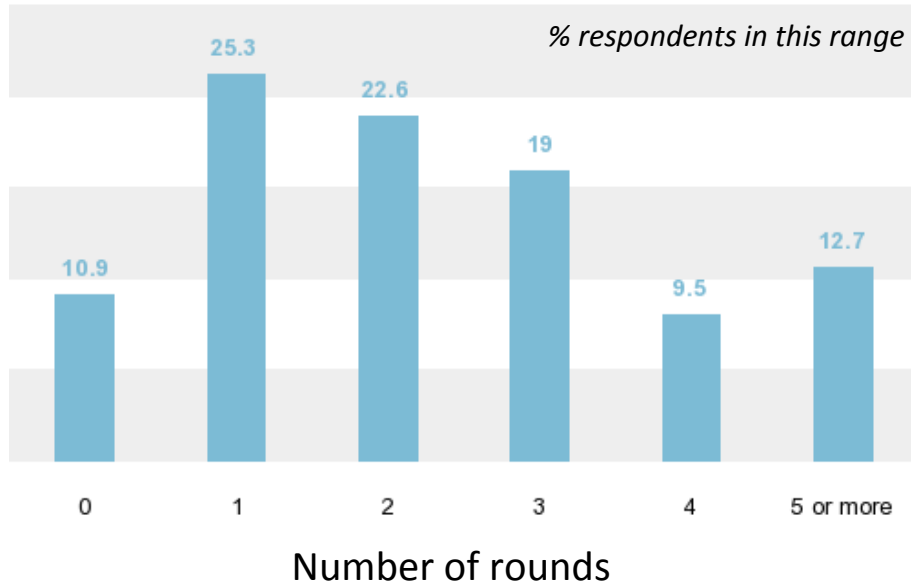
## IV. Conclusion: **Wealth vs. Control** Dilemmas

What is your company's current operational outlook on the economy:

- A. The economy has turned a corner and we are beginning to see expansion opportunities
- B. It still looks and feels like a recession—capital efficiency is king
- C. We can't tell—that's the problem

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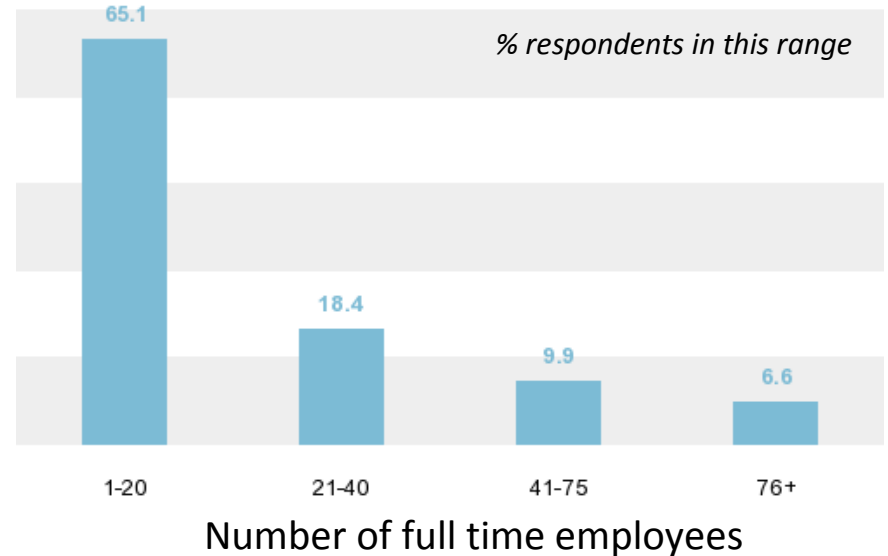
## Institutional rounds raised



The percentage of companies that have not raised any institutional money jumped over 4 % points, from 6.7% in 2010 to 10.9% in 2011

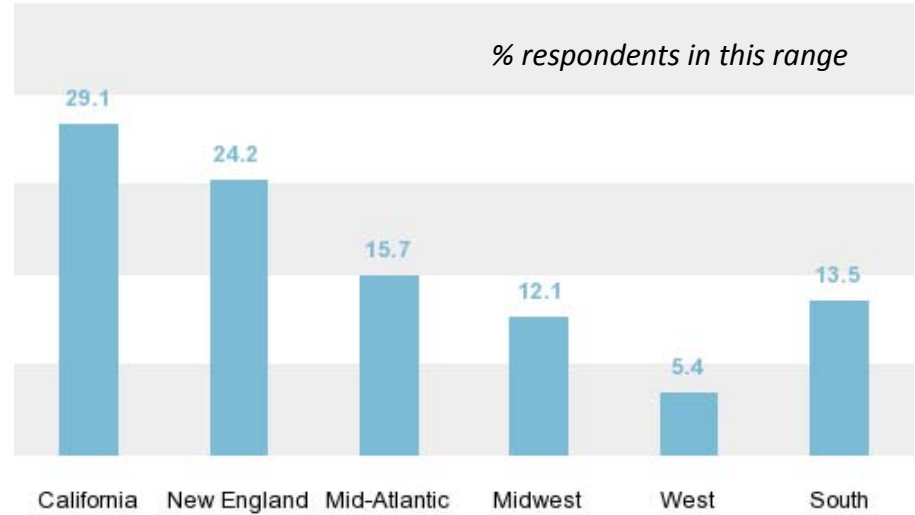
Respondent company profiles closely match the 2010 survey on headcount.

## Headcount

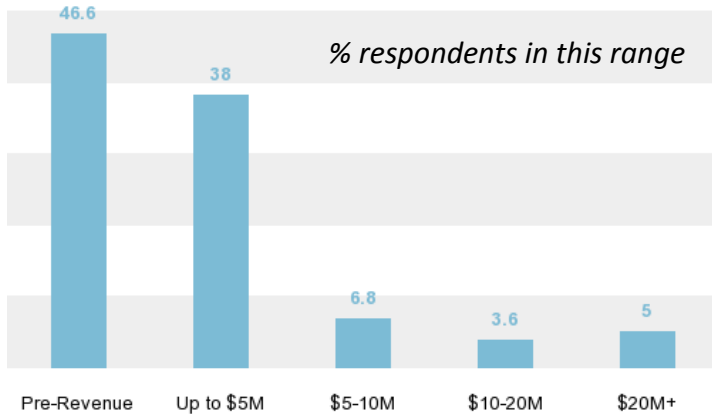




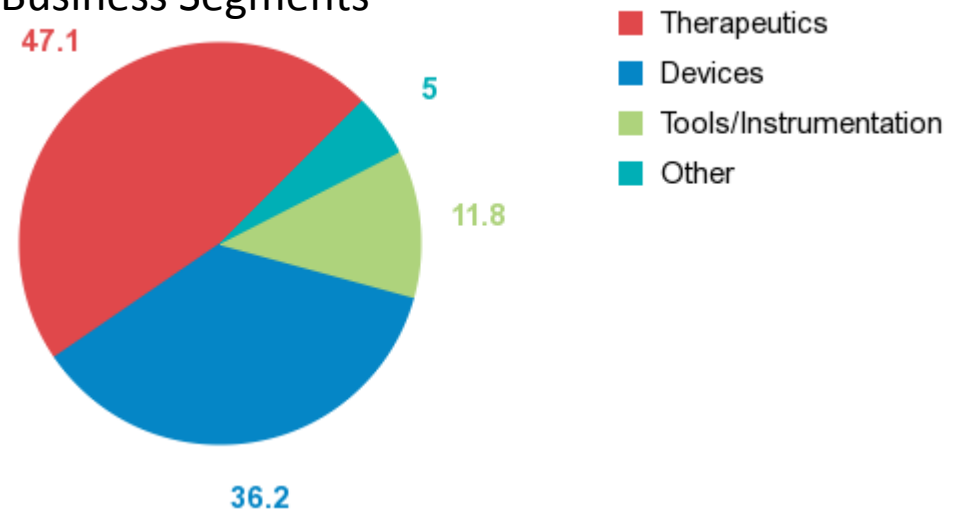
## Geography



## Revenue

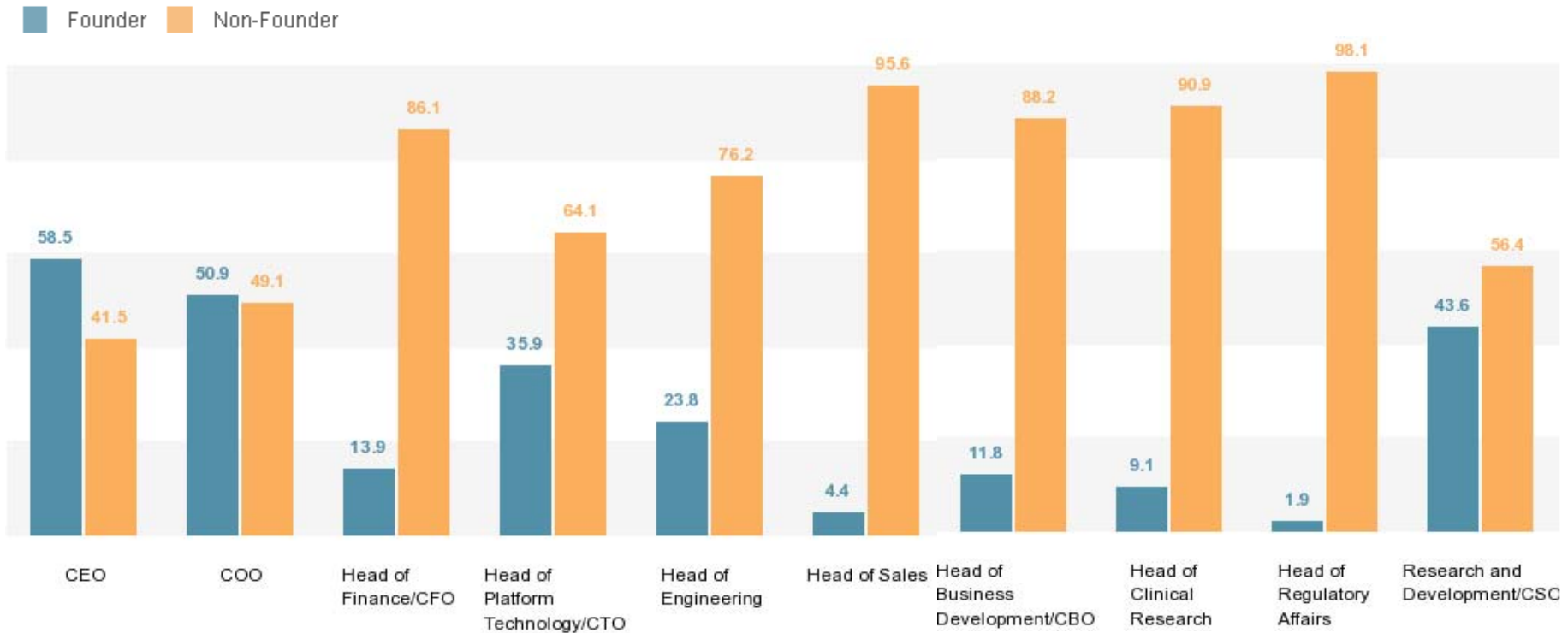


## Business Segments





## Founder status - % of role held by founders vs. non-founders



- Participants had essentially the same founder/non-founder split by position profile as in 2010

What change do you anticipate for base salaries next year?

- A. Decrease greater than 5%
- B. Decrease up to 5%
- C. No change
- D. Increase up to 5%
- E. Increase over 5%

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## Founder cash compensation

*\*Fewer positions shown due to lack of founders in certain roles\**



Founders not only received less of their target bonuses in 2010 than their non-founder peers, they also saw their base salaries fall by 1.1%, on average

## Founder current equity holdings, as % of fully diluted shares

*\*Fewer positions shown due to lack of founders in certain roles\**

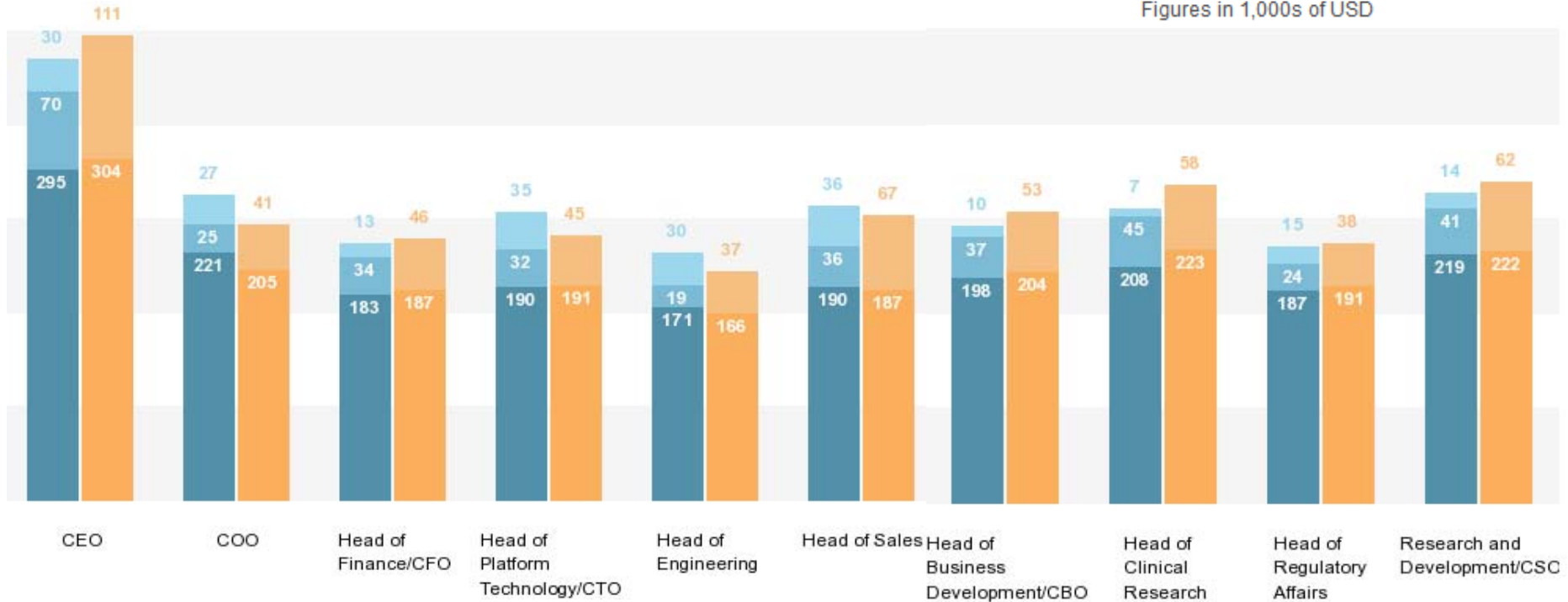


On the average, founders of life sciences companies hold significantly less equity than their technology peers – largely due to the more capital-intensive nature of most life sciences start-ups.

## Cash compensation – non-founders, 2010 and 2011

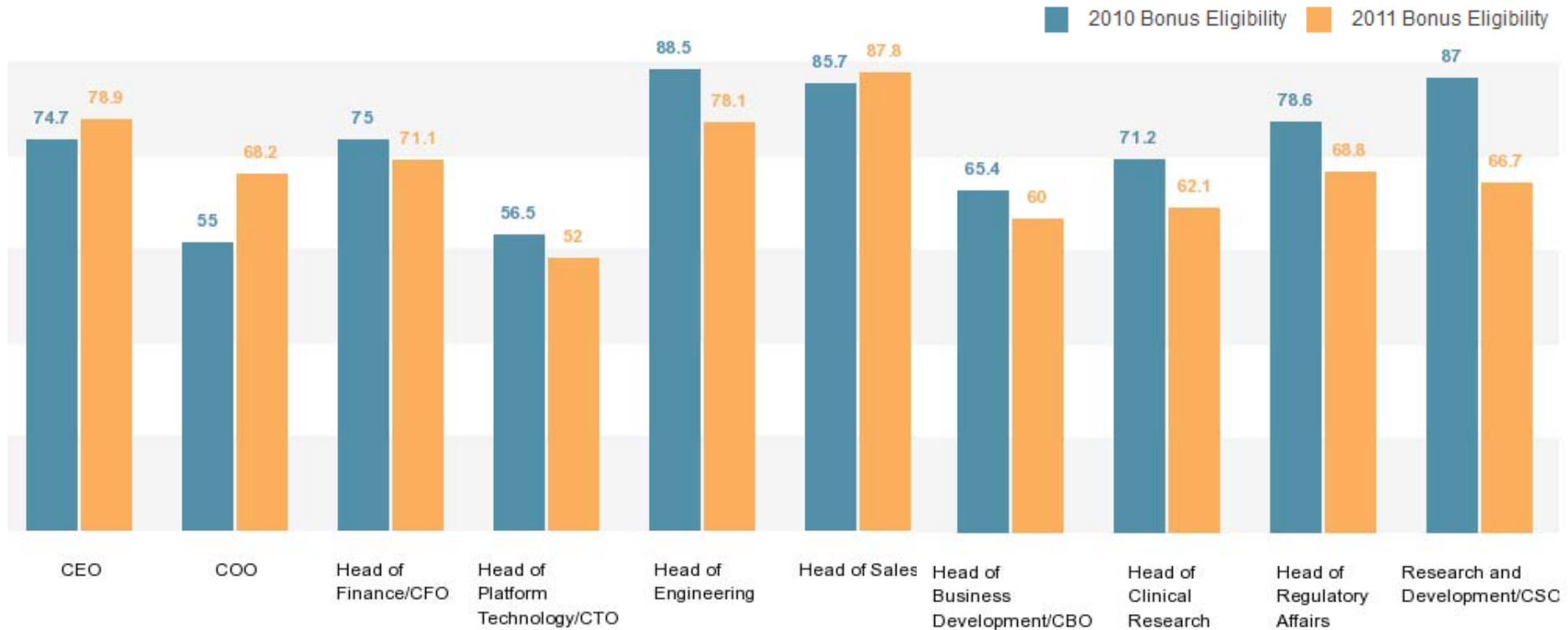
■ 2010 Base Salary   
 ■ 2010 Bonus Received   
 ■ 2010 Unachieved Bonus   
 ■ 2011 Base Salary   
 ■ 2011 Target Bonus

Figures in 1,000s of USD



Non founder base salaries rose by just 1.6%, the smallest year-to-year increase in CompStudy's 12 year history.

## Bonus eligibility - % of non-founder executives eligible



What percentage of the equity in your company is reserved for management, directors and employees?

- A. Less than 10%
- B. 11 – 15%
- C. 16 – 20%
- D. 21 – 25%
- E. More than 25%



## Equity holdings – non-founder executives

■ 2011 Median ■ 2011 Mean

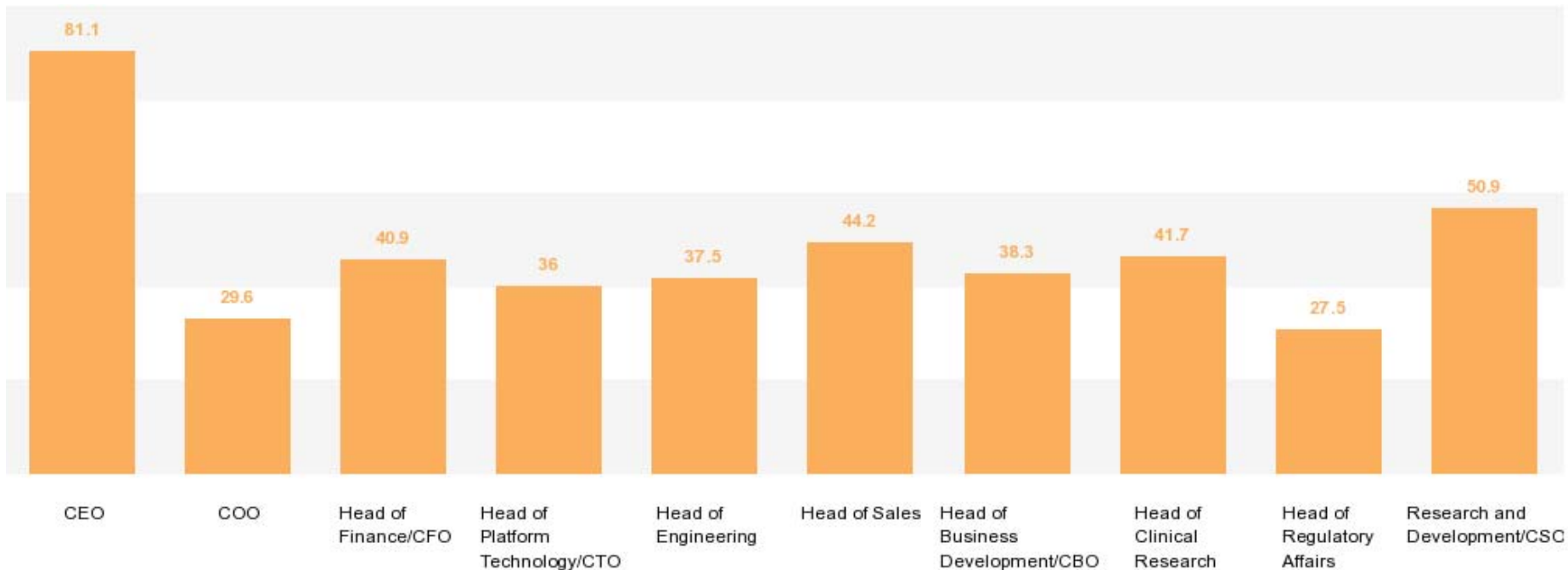
### Current equity - % of fully diluted shares



### Equity at hire - % of fully diluted shares



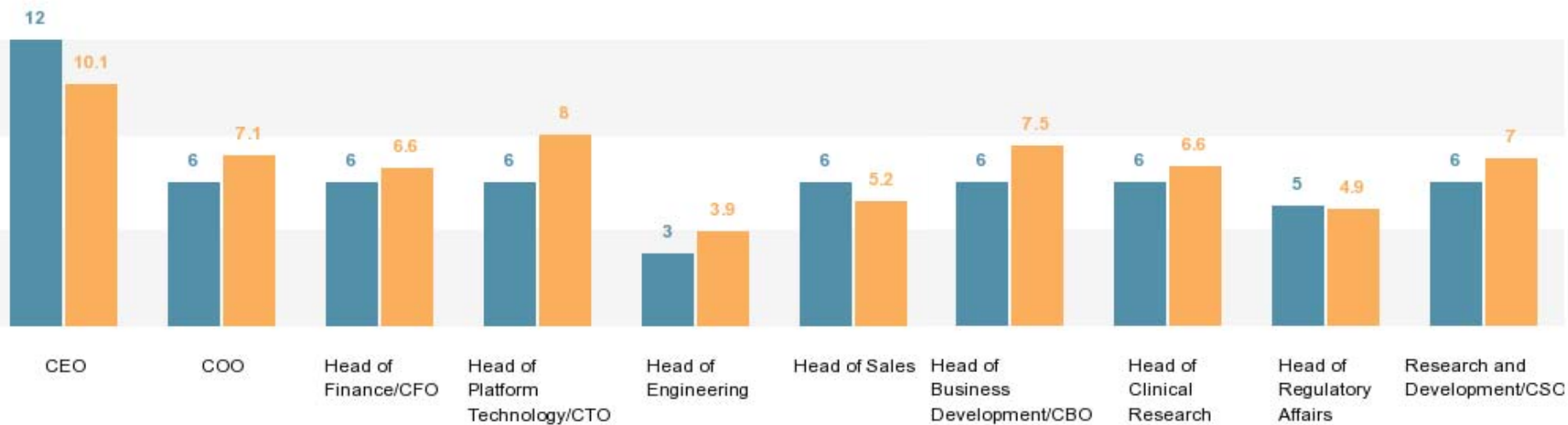
## Percentage of non-founder executives eligible for severance



81.1% of non-founder CEOs surveyed had some sort of severance package, up from 72.8% in 2010. Head of R&D was the only other position to exceed 50% participation.

## Length of severance packages granted (months)

■ 2011 Median ■ 2011 Mean

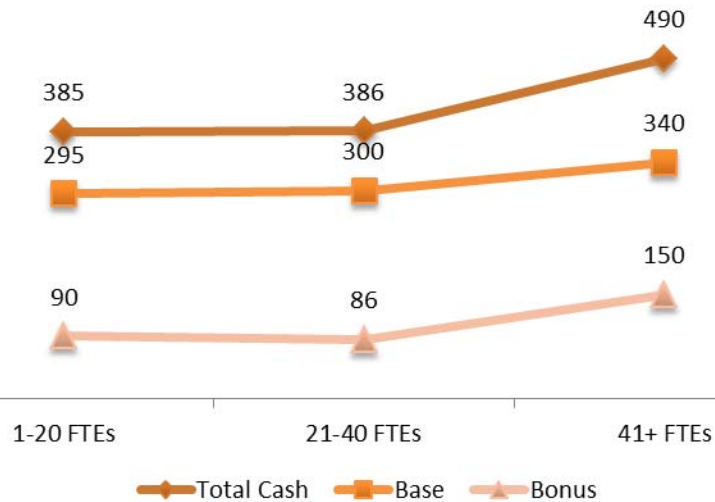


As the median numbers suggest, the length of nearly every severance package granted is a multiple of three months

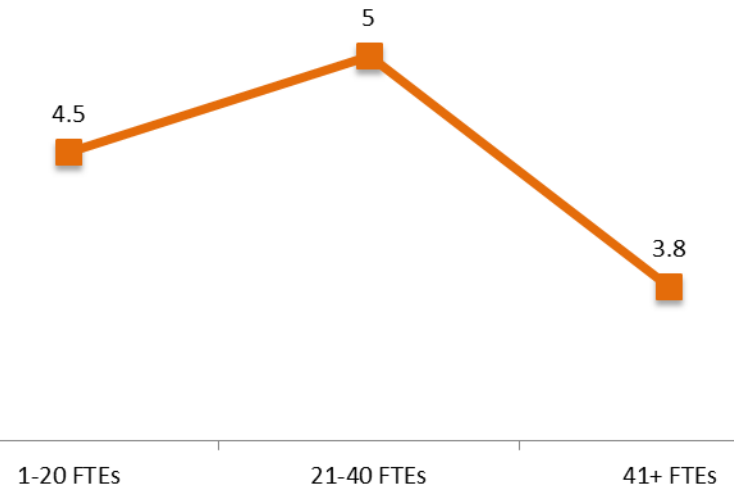
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## Median Non-founder Compensation by # of Full Time Employees

*In 1,000s USD*



*% of fully diluted shares*



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- Doing more with less
  - Deferred compensation plans
  - Controlling costs vs. retention
- The effect of tax law changes on executive compensation
- The effect of secondary markets for common on compensation planning
- Performance based vesting



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