PE Equity Report

V4RP

Data from more than 1,500 corporations and 500 LLCs that are backed by private equity firms sheds new light on how equity compensation works within the multitrillion-dollar industry.

Employee equity isn't just a Silicon Valley toy for VC-backed startups anymore. Private equity—the bigger, older, much richer cousin—has moved in. Increasingly, PE-owned companies are using equity as a central part of compensation packages, especially for management teams.

But here's the thing: equity at a PE-backed company doesn't look like equity at a venture-backed startup. In fact, it rarely looks the same from one PE-owned business to the next. Different structures, different timelines, different performance triggers—it's a whole different playbook.

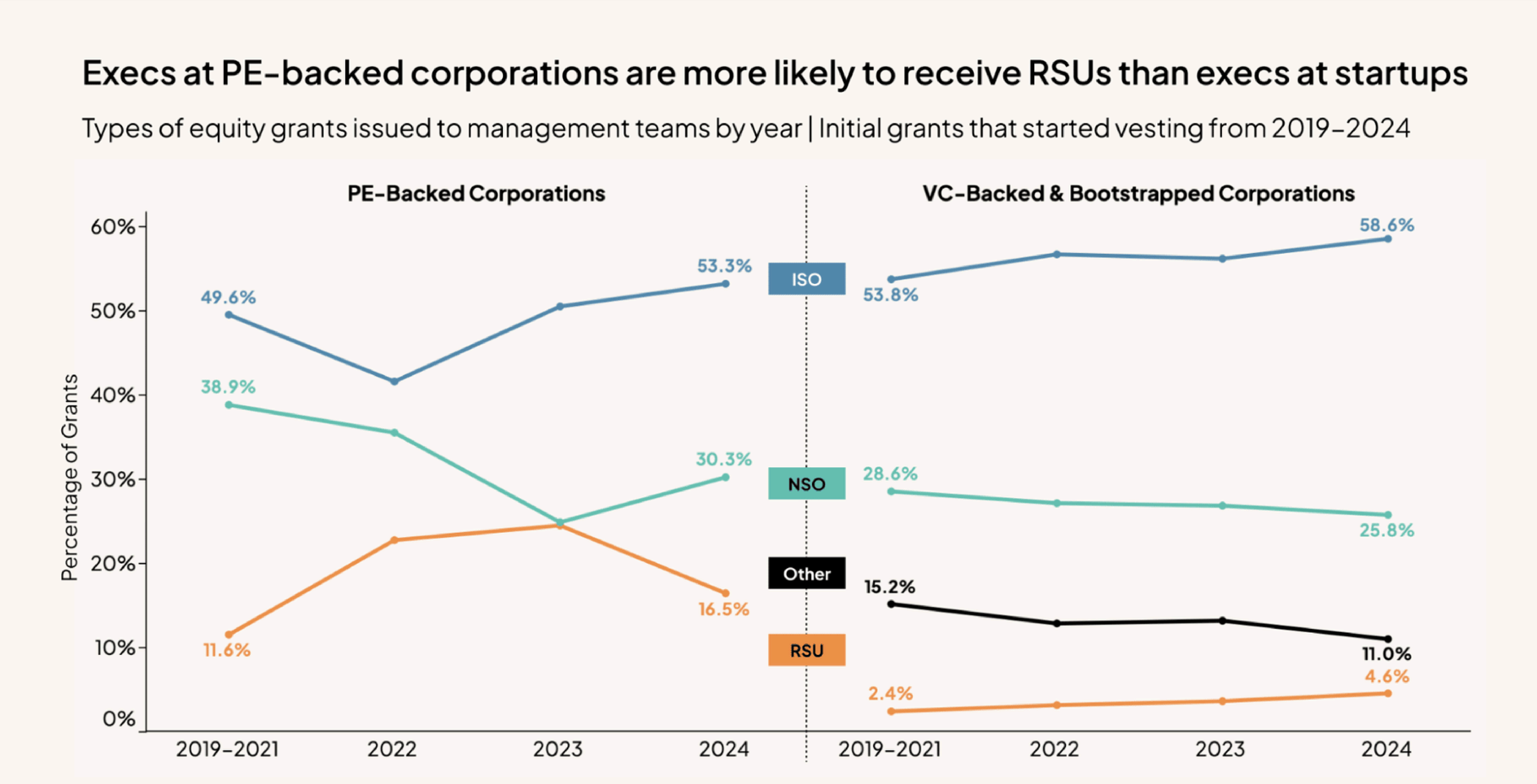
This report pulls in data from more than 1,500 corporations and 500 LLCs on Carta, all backed by private equity firms, to cut through the noise and show how equity really works inside this multitrillion-dollar slice of the economy. We dig into the details: the types of equity securities being granted, how vesting schedules are structured, the typical size of awards, and the performance hurdles that shape when equity actually vests. Our particular focus is on management teams—the executives leading these businesses—because that's where equity strategy is often most decisive.

Good data on compensation in PE-backed companies is notoriously hard to find. This report is built to change that. It gives decision-makers at these companies a clear look at how peers and competitors are using equity to recruit, reward, and retain top-tier talent.

HIGHLIGHTS

- Corporations prefer monthly vesting, LLCs stick to annual: Roughly 63% of executive equity grants at PE-backed corporations vest monthly, versus just 15% on an annual schedule. Flip it around for LLCs: 72% vest annually, and fewer than 10% vest monthly.
- Performance conditions usually tied to returns: For PE-backed LLCs, over half (52%) of performance conditions on management equity are linked directly to MOIC, IRR, or other return metrics. Only a minority tie vesting to an exit event.
- CEO grants hover above 2% equity: At corporations, the median new CEO gets 2.6% of fully diluted equity. At LLCs, that figure comes in slightly lower at 2.2% for 2024 hires.

PE-BACKED CORPORATIONS

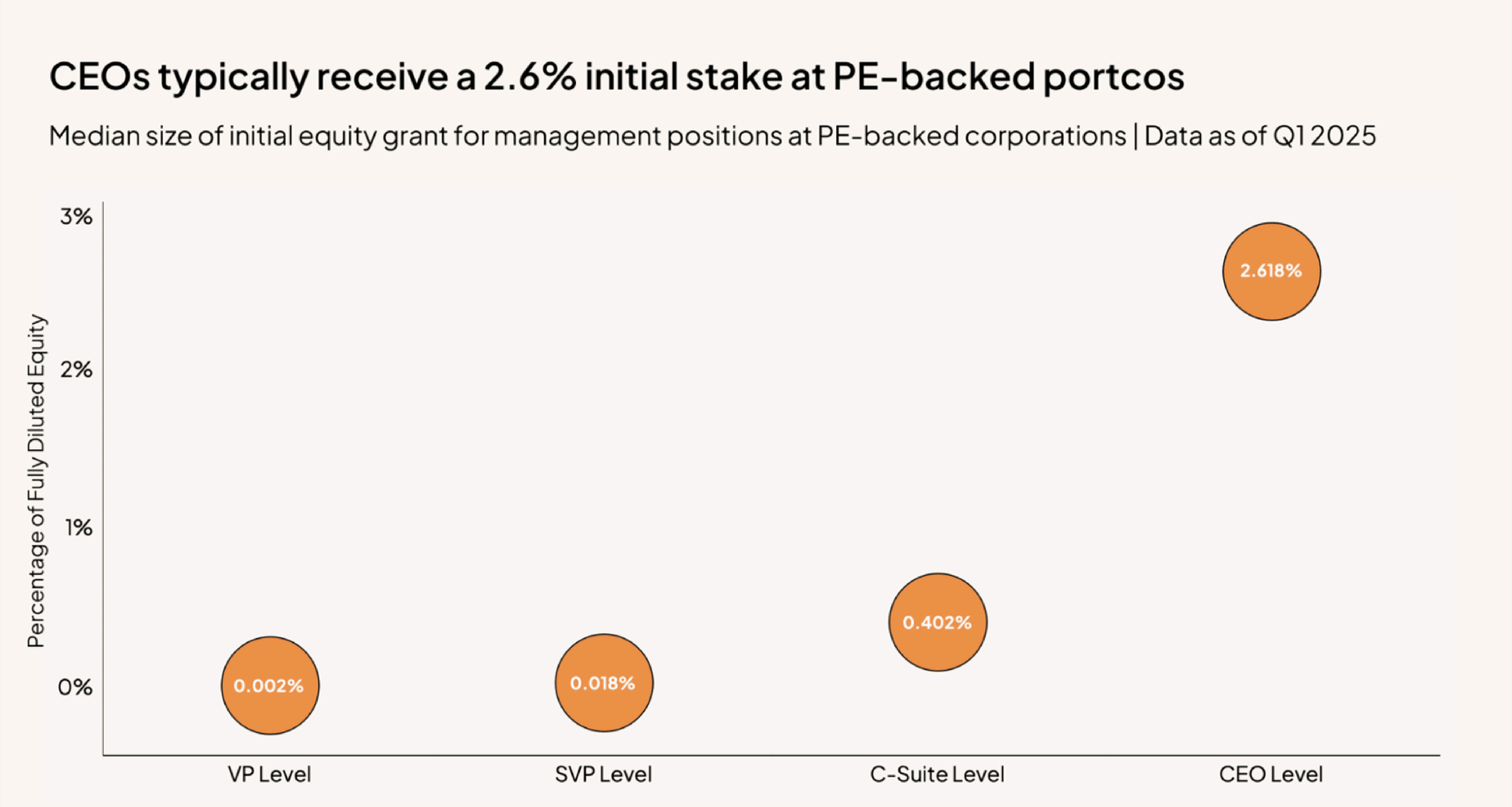


In 2024, more than half of all initial equity grants awarded to executives at both PE-backed and VC-backed corporations came in the form of incentive stock options (ISOs), with non-qualified stock options (NSOs) making up more than a quarter of the mix. ISOs, in particular, have been gaining ground steadily across both types of companies in recent years.

Where the two groups diverge is in their use of restricted stock units (RSUs). Throughout the first half of the 2020s, PE-backed corporations have consistently leaned more heavily on RSUs than their VC-backed counterparts when bringing in new executives. In 2024, RSUs represented 16.5% of all equity grants at PE-backed companies — down from 24.5% in 2023, but still well above VC norms.

This gap isn't surprising. Young, VC-backed startups typically start with stock options — ISOs and NSOs — as the default equity vehicle. As those companies scale and valuations climb, they often transition to RSUs. The driver is simple: when a company's valuation rises, so does the strike price attached to options, which makes them less attractive to new hires. RSUs bypass that problem by granting equity directly.

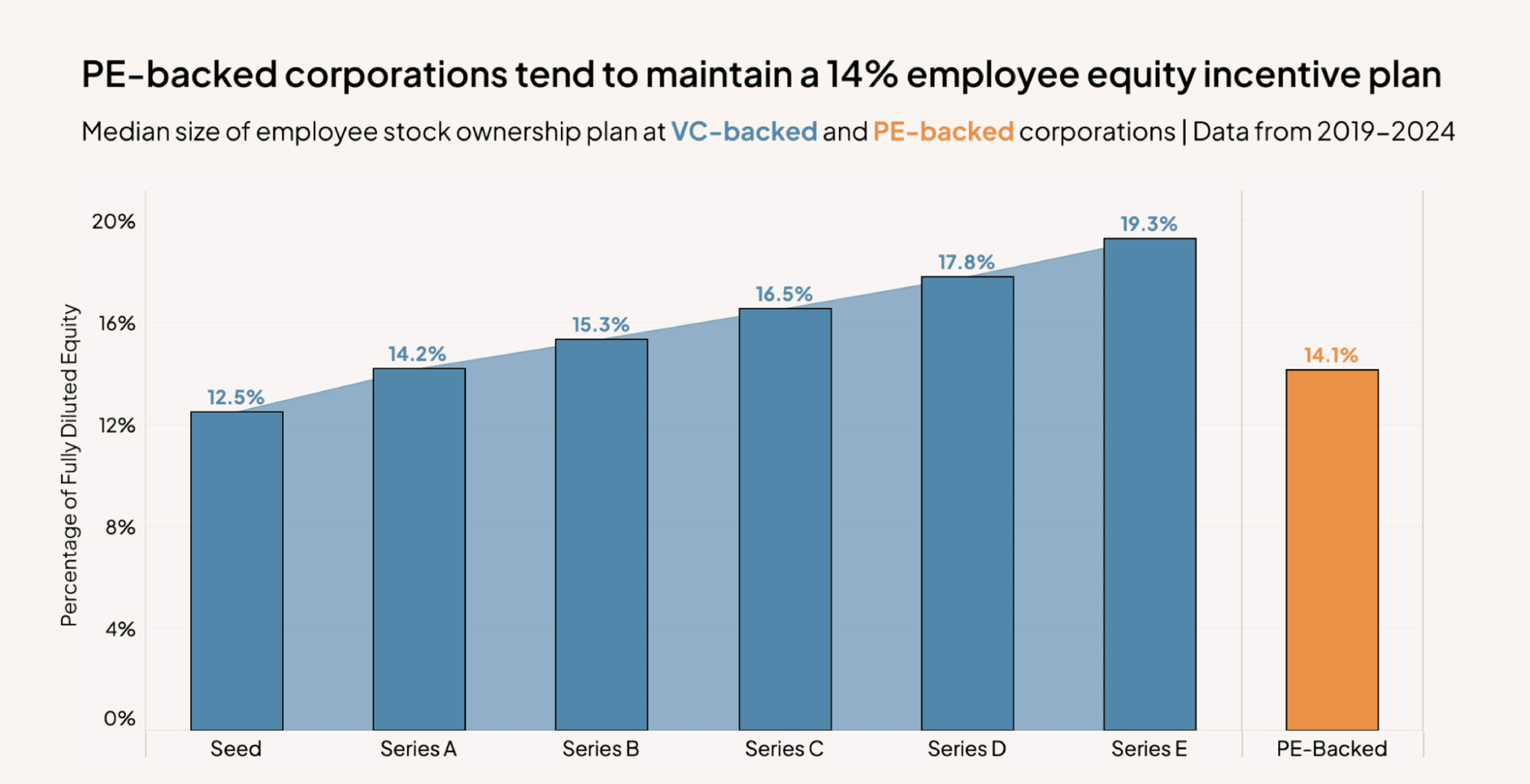
Both stock options and RSUs ultimately deliver employees an ownership stake once vesting conditions are met, but the mechanics differ. Stock options give employees the right to purchase shares in the future at a predetermined strike price. RSUs, on the other hand, convert automatically into shares at no cost to the employee (other than applicable taxes).


CEOs typically receive a 2.6% initial stake at PE-backed portcos
Median size of initial equity grant for management positions at PE-backed corporations | Data as of Q1 2025
Percentage of Fully Diluted Equity
3%
2%
1%
0%
0.002%
0.018%
0.402%
2.618%
VP Level
SVP Level
C-Suite Level
CEO Level

The typical new CEO at a PE-backed corporation is handed an initial equity grant worth about 2.6% of the company's fully diluted equity. To put that in perspective, that's six to seven times larger than the median grant for other C-suite hires, which lands closer to 0.4%.

Step further down the hierarchy and the gap widens dramatically: SVPs and VPs are usually issued far smaller slices, with the median CEO's grant coming in at more than 1,000 times the size of the median VP grant.

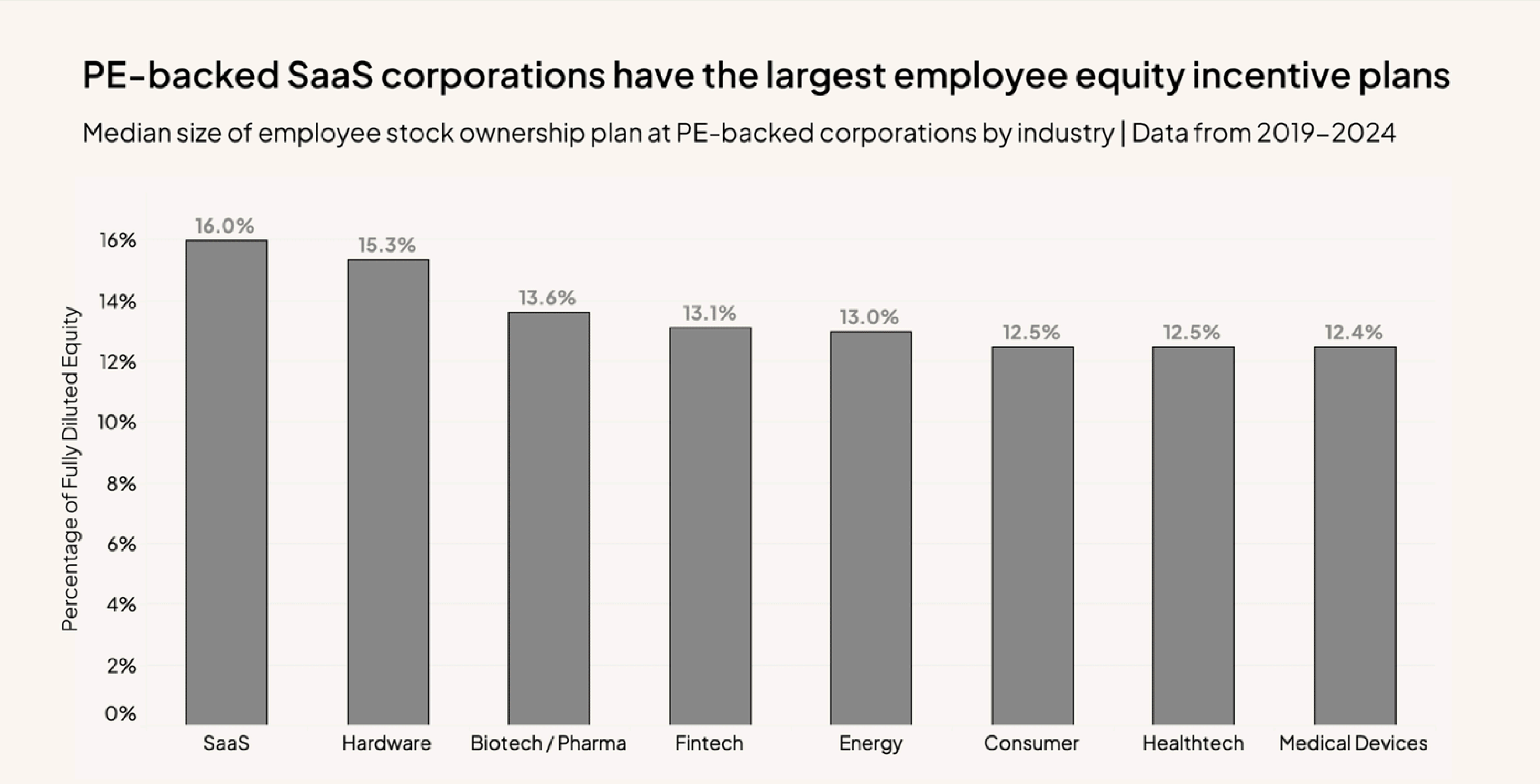
And those first allocations aren't the end of the story. Many executives will see their ownership stake grow over time through refresh grants or equity-based bonuses, further expanding their ultimate share of the pie.



PE-backed corporations tend to maintain a 14% employee equity incentive plan
Median size of employee stock ownership plan at VC-backed and PE-backed corporations | Data from 2019–2024
Percentage of Fully Diluted Equity
20%
16%
12%
8%
4%
0%
12.5%
14.2%
15.3%
16.5%
17.8%
19.3%
14.1%
Seed
Series A
Series B
Series C
Series D
Series E
PE-Backed

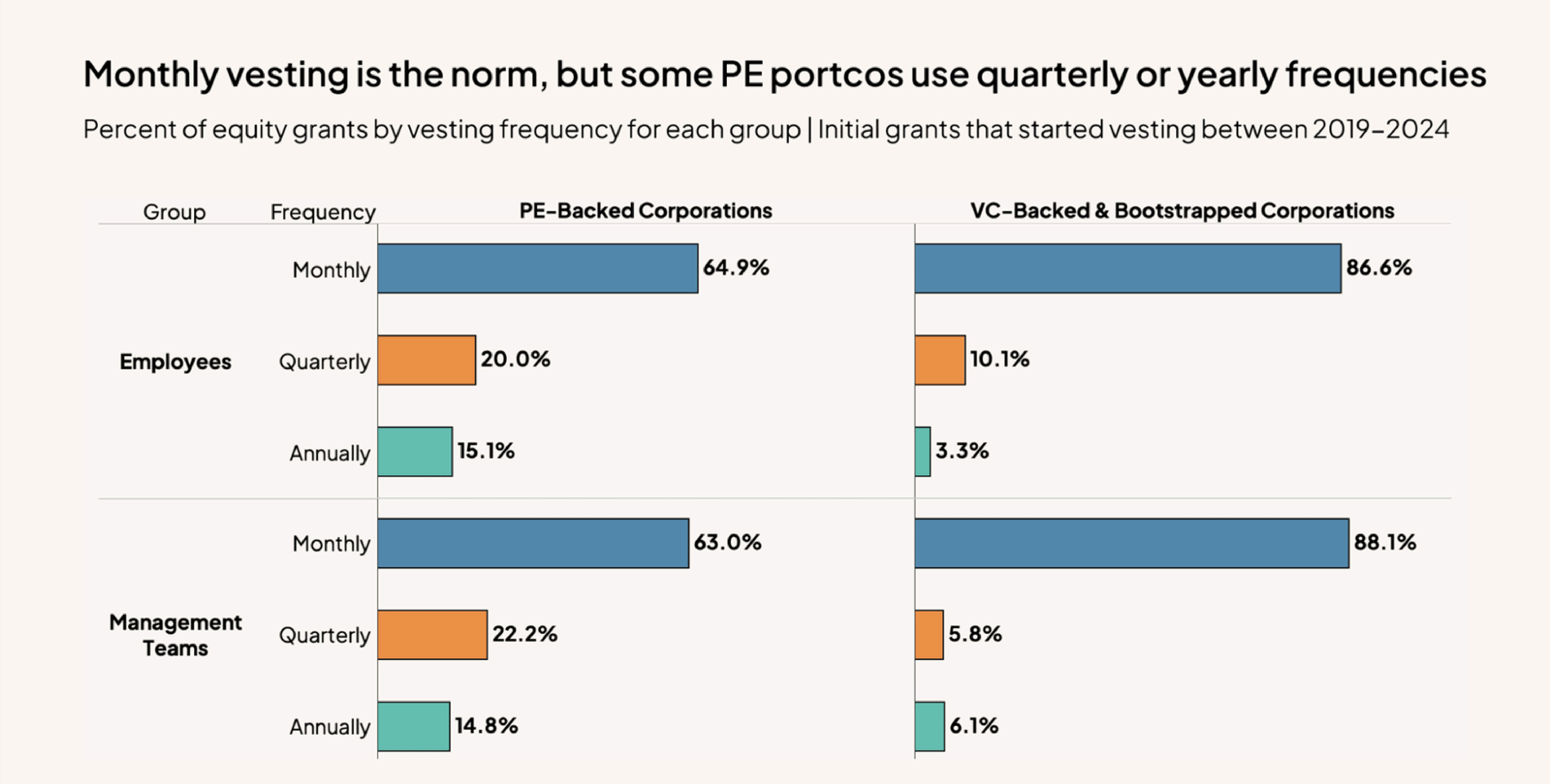
The median PE-backed company reserves 14.1% of its fully diluted equity for its employee incentive plan. This pool fuels both initial grants for new hires and ongoing refreshes or bonuses for existing staff.

In practice, that puts the typical PE-backed company on par with a Series A startup in terms of equity allocation. Venture-backed startups, however, usually expand their pools with each funding round — by late stage, it’s not unusual to see employee equity plans consuming nearly 20% of the total cap table.



Employee ownership plans aren't one-size-fits-all in PE-backed companies. The median pool sits at 14.1% of total equity, but the sector breakdown tells a different story. SaaS leads the pack at 16%, followed by hardware at 15.3%. After that, the spread tightens — six other sectors cluster between 12.4% and 13.6%.

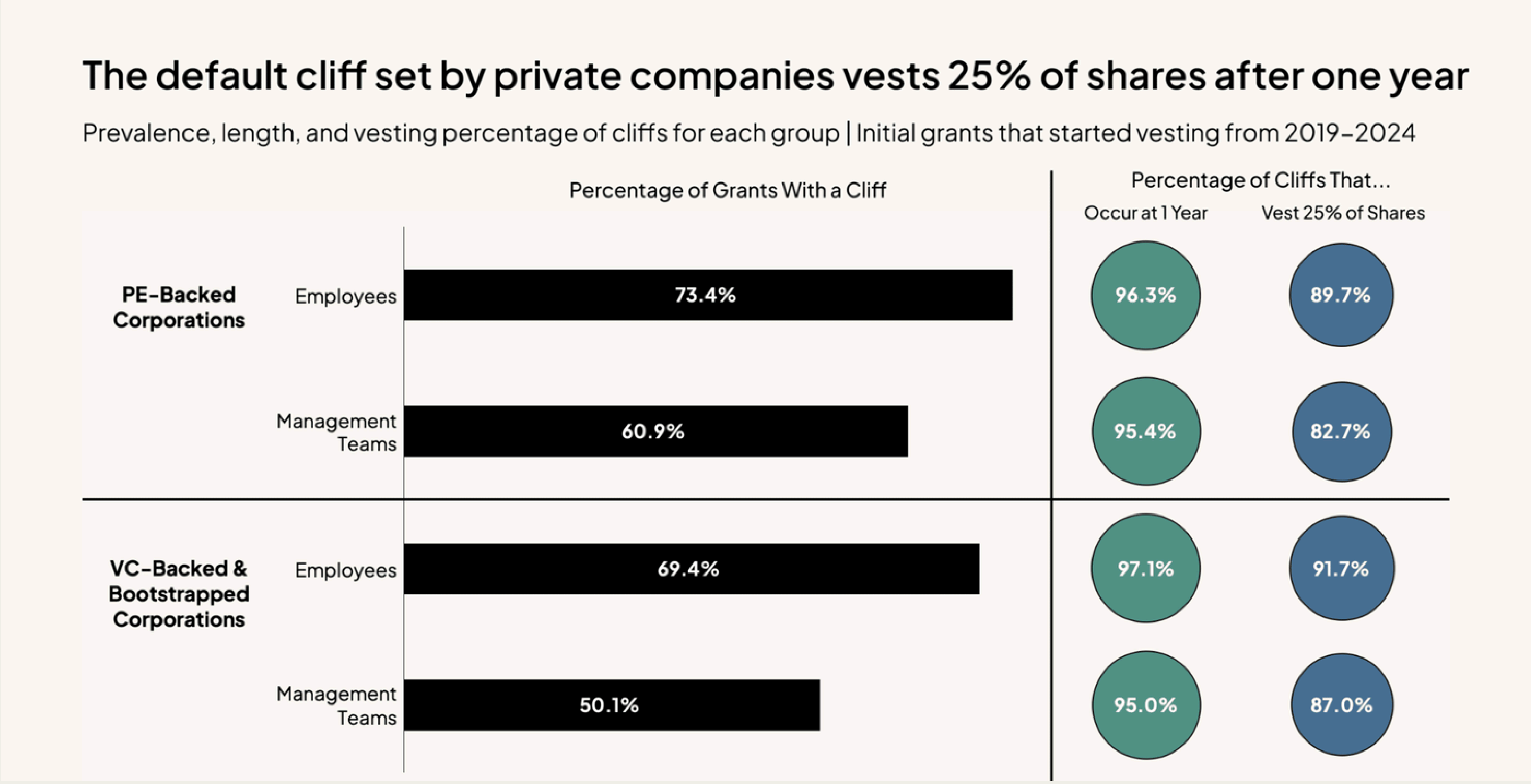
There's a backstory here. Many SaaS companies now under PE ownership started life as venture-backed startups. In VC land, employee equity pools tend to expand with each round, often landing higher than the PE median by the later stages. That legacy explains why SaaS companies under PE tend to carry bigger equity plans — they're still shaped by their VC roots.



At PE-backed corporations, monthly vesting is the standard for both employees and management teams. Roughly 65% of employees and 63% of management hires kick off with monthly vesting schedules.

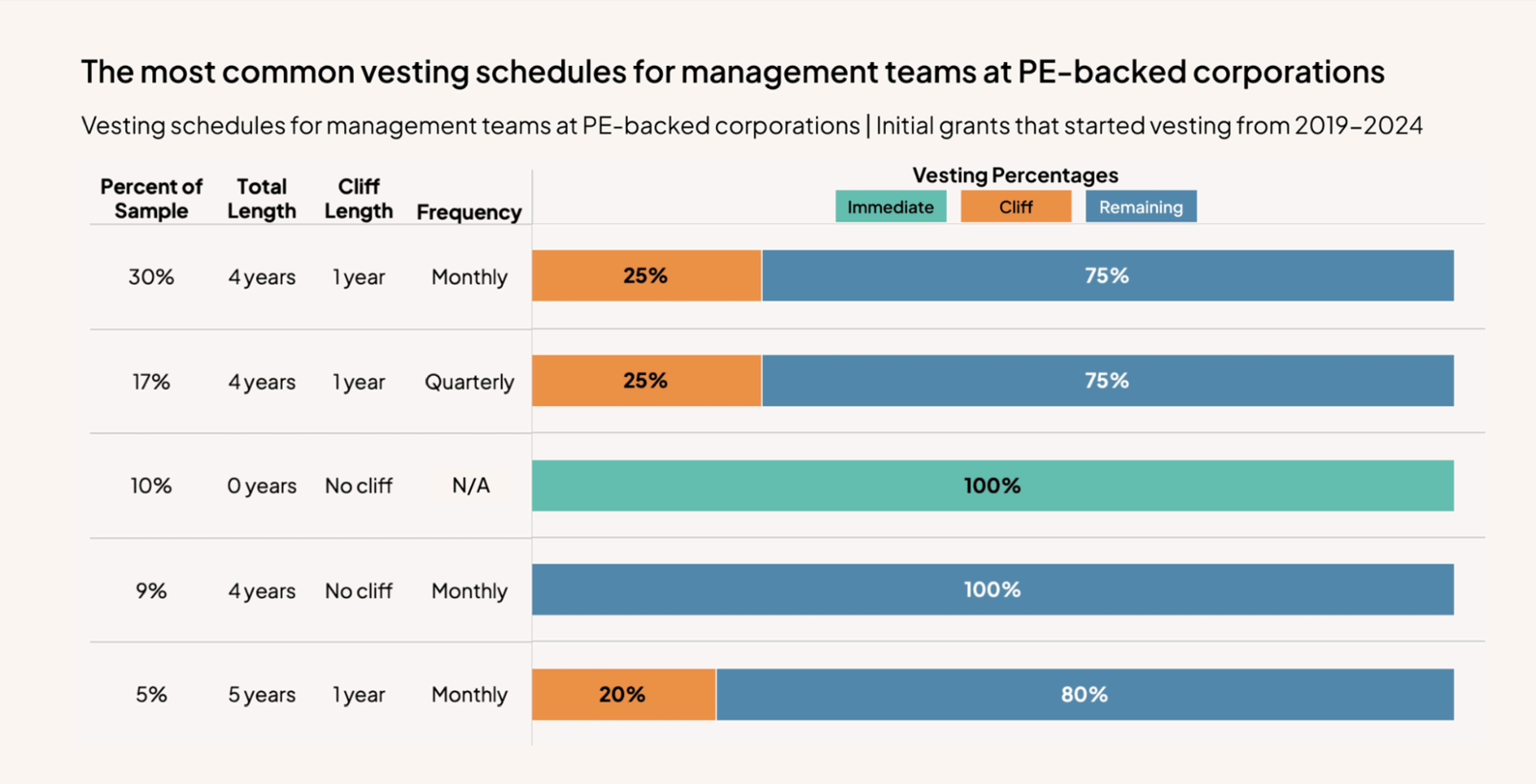
These numbers are slightly lower than what we see at VC-backed corporations, where monthly vesting is even more dominant. The logic is simple: frequent vesting keeps talent engaged, providing a steady, predictable stream of financial upside that ties employees to the company over time.

That said, PE-backed corporations are more likely than their VC-backed counterparts to offer grants with quarterly or annual vesting. Among executives, for example, about 37% of initial grants vest quarterly or annually at PE-backed corporations, compared with less than 12% at VC-backed corporations. This reflects a subtle but meaningful difference in how PE firms structure incentives versus the typical VC-backed startup.



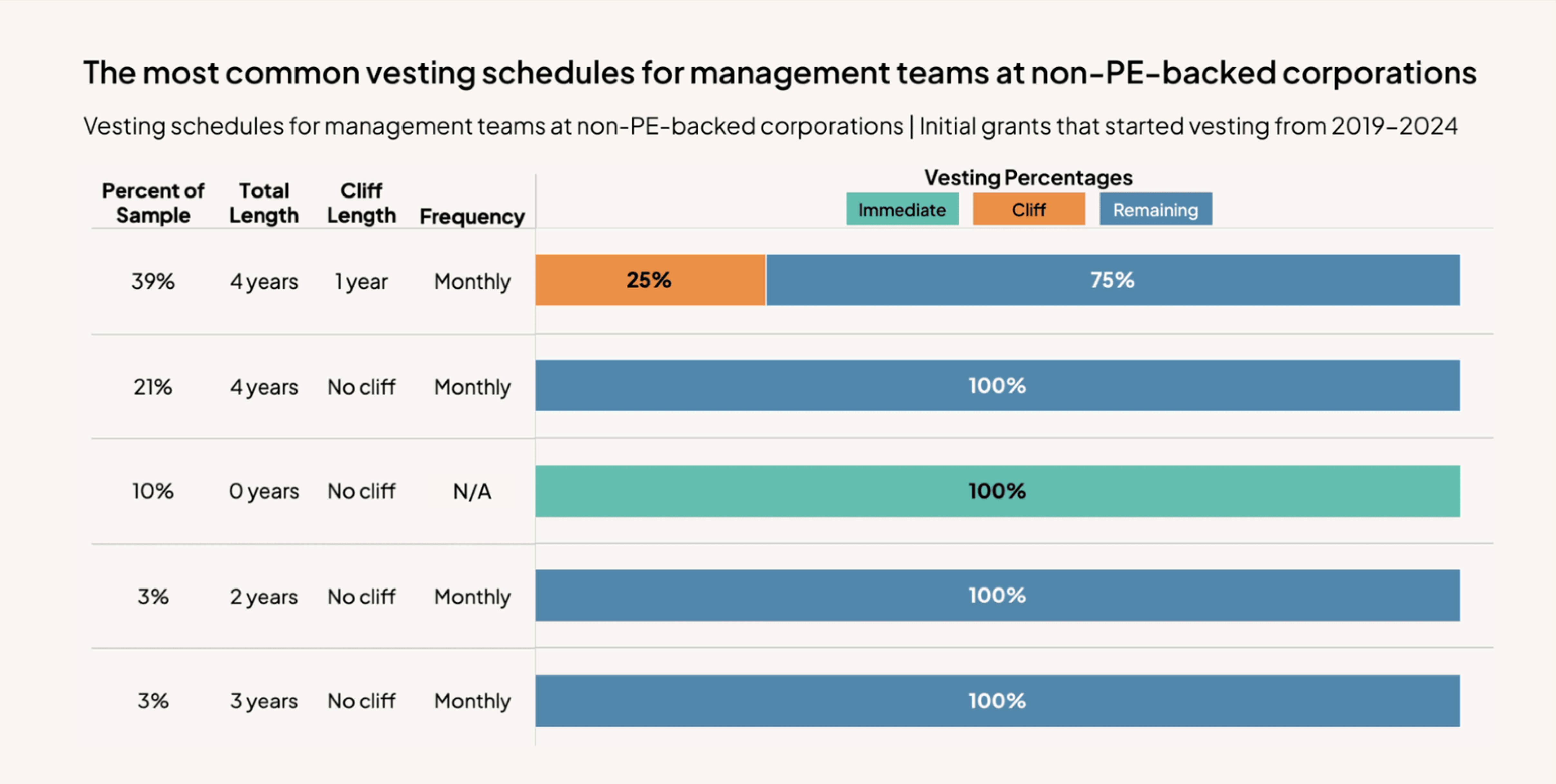
Across both PE-backed and VC-backed corporations, the majority of initial equity grants — for both employees and management teams — include some form of a cliff that must be reached before vesting begins. That said, the proportion of grants with cliffs varies by group. For example, about 73% of employees at PE-backed corporations face an initial cliff, compared with just over 50% of executives at VC-backed corporations.

When cliffs are in place, they are almost always one year, and it's standard for 25% of the grant to vest once that cliff is reached. Put plainly, this means that most employees at PE-backed corporations who receive equity must stay in their roles for a full year before any ownership starts to accrue.



Vesting schedules at PE-backed corporations vary along three dimensions: the total length of the grant, the length of the initial cliff, and the frequency of vesting. For management teams, the most common combination is a four-year grant with a one-year cliff that vests monthly — this single structure accounts for about 30% of all newly issued grants.

The next most common setup, representing about 17% of grants, is a four-year grant with a one-year cliff that vests quarterly, followed by grants that vest immediately. Beyond these, there are several other combinations of vesting schedules in use, though each of these occurs in less than 5% of initial grants at PE-backed corporations.


The most common vesting schedules for management teams at non-PE-backed corporations

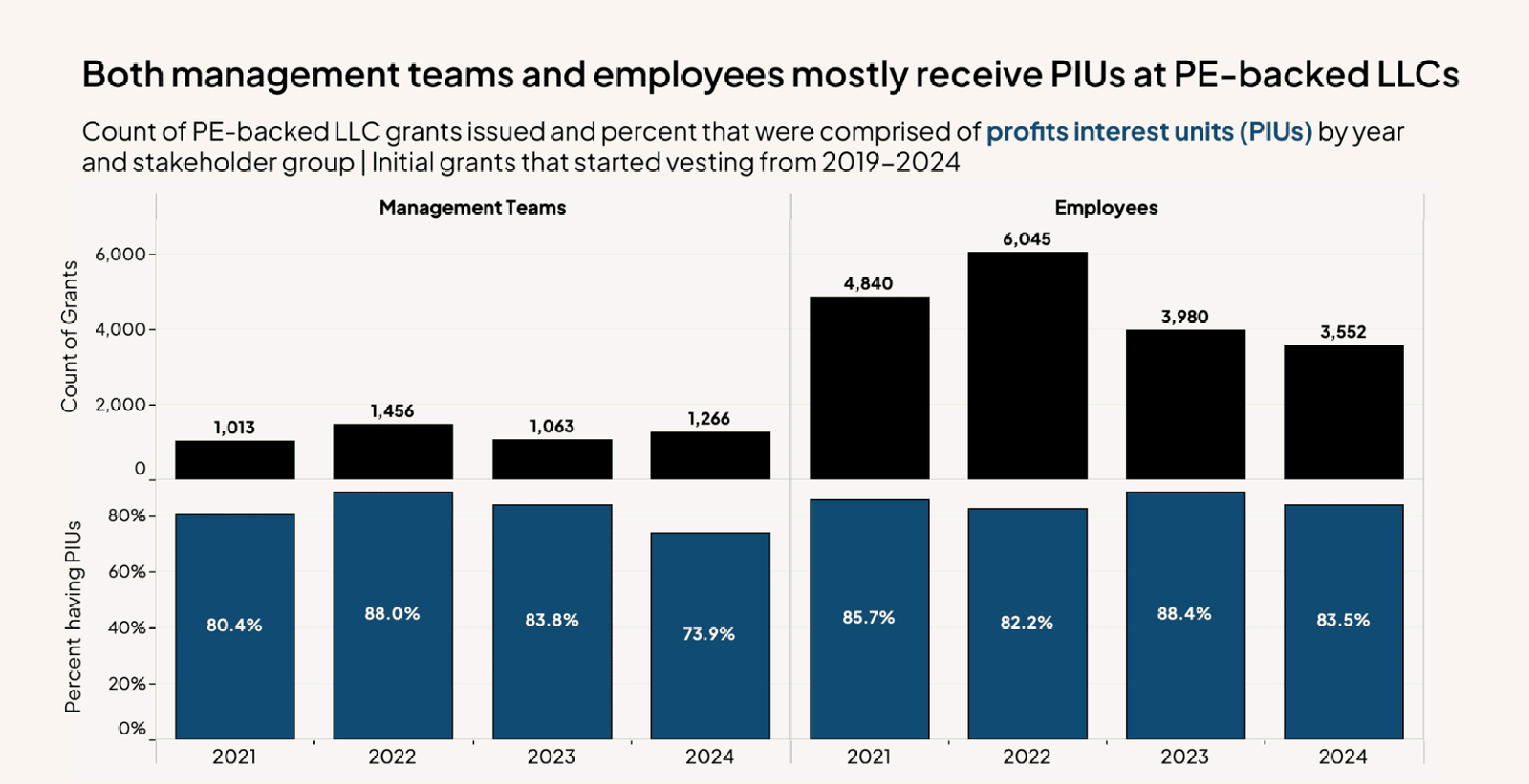
Vesting schedules for management teams at non-PE-backed corporations | Initial grants that started vesting from 2019–2024

Percent of Sample	Total Length	Cliff Length	Frequency	Vesting Percentages (Immediate / Cliff / Remaining)
39%	4 years	1 year	Monthly	Cliff 25%, Remaining 75%
21%	4 years	No cliff	Monthly	Remaining 100%
10%	0 years	No cliff	N/A	Immediate 100%
3%	2 years	No cliff	Monthly	Remaining 100%
3%	3 years	No cliff	Monthly	Remaining 100%

As with PE-backed corporations, the most common vesting schedule at corporations outside the PE universe is a four-year grant with a one-year cliff that vests monthly.

For non-PE-backed corporations, quarterly vesting plans are far less common. In fact, all five of the most frequently used vesting schedules in these companies involve either monthly vesting or no vesting at all — meaning the entire grant vests immediately.

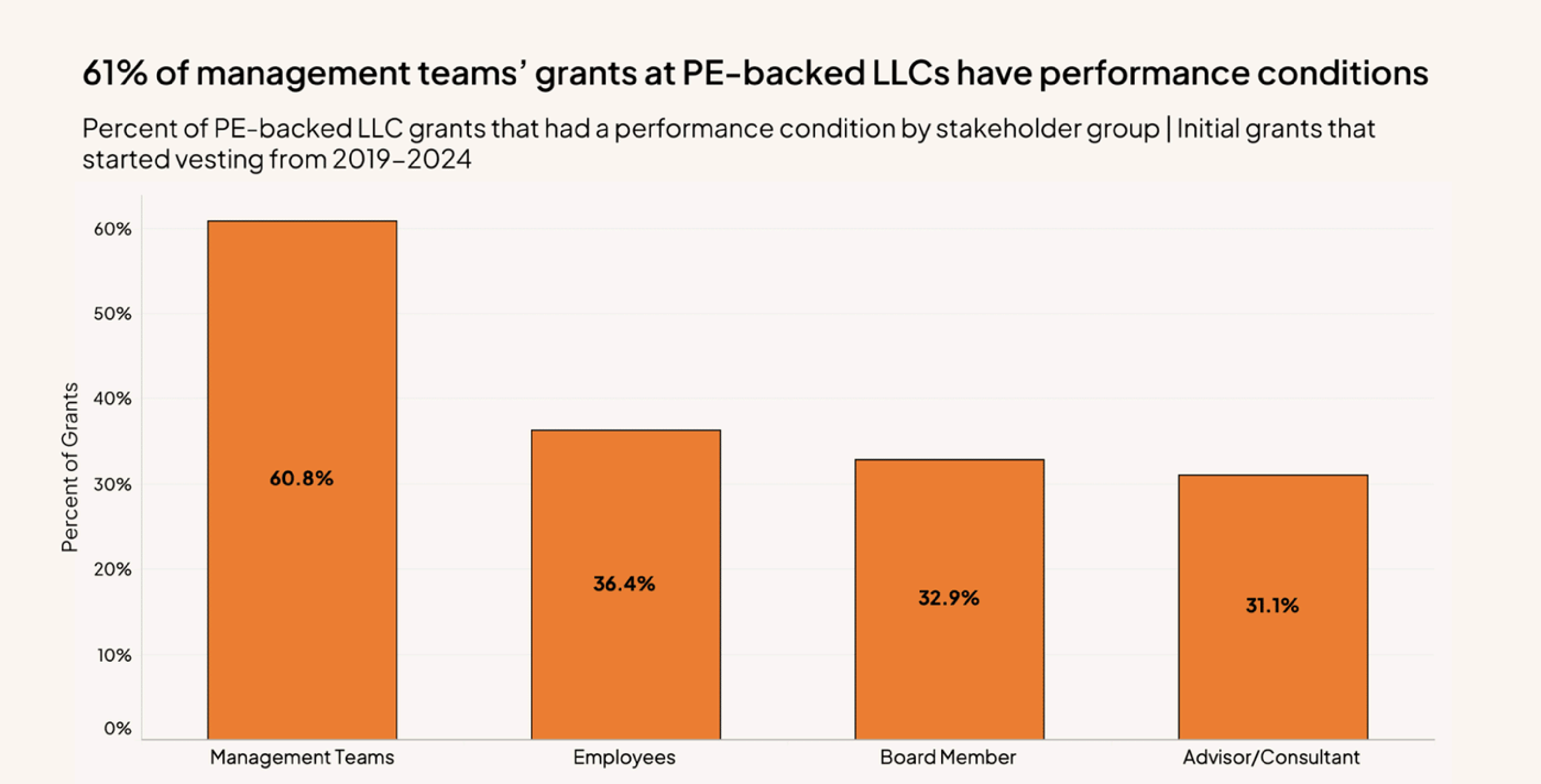
PE-backed LLCs



Across both management teams and rank-and-file employees, the majority of LLC grants issued by PE-backed LLCs continue to take the form of profit interest units (PIUs). That said, the prevalence of PIUs declined last year for both executives and employees. For example, among management teams, 73.9% of newly issued grants in 2024 were PIUs, down from 83.8% in 2023.

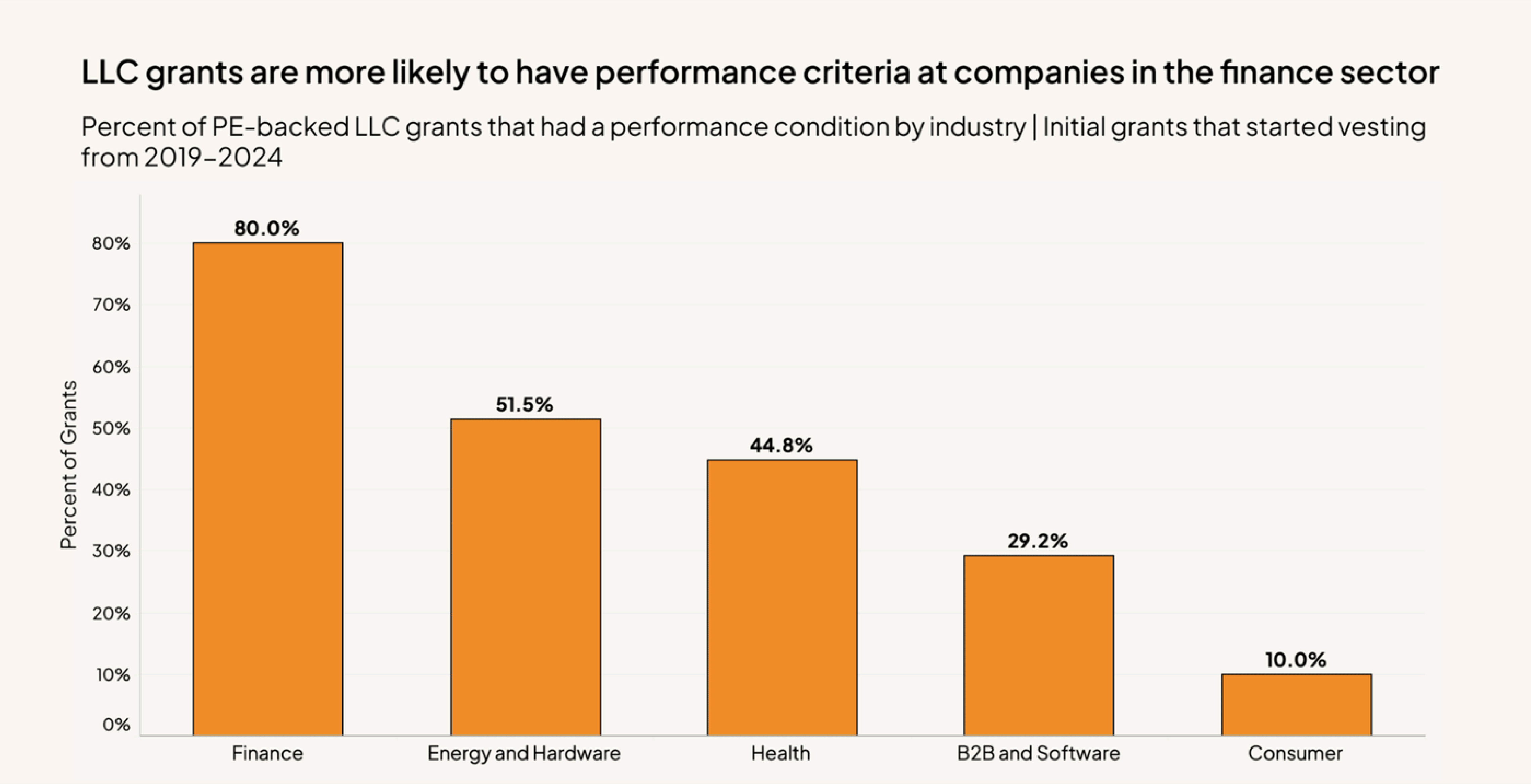
Other common types of grants issued to employees at PE-backed LLCs include capital interest units (CIUs), options, warrants, and custom interests. CIUs are generally more likely to be issued to outside investors than to employees.

In terms of volume, the number of initial LLC grants issued to management teams on Carta rose 19% in 2024 compared to 2023, while the number of initial grants issued to employees fell 11%, marking the second consecutive year of declines.

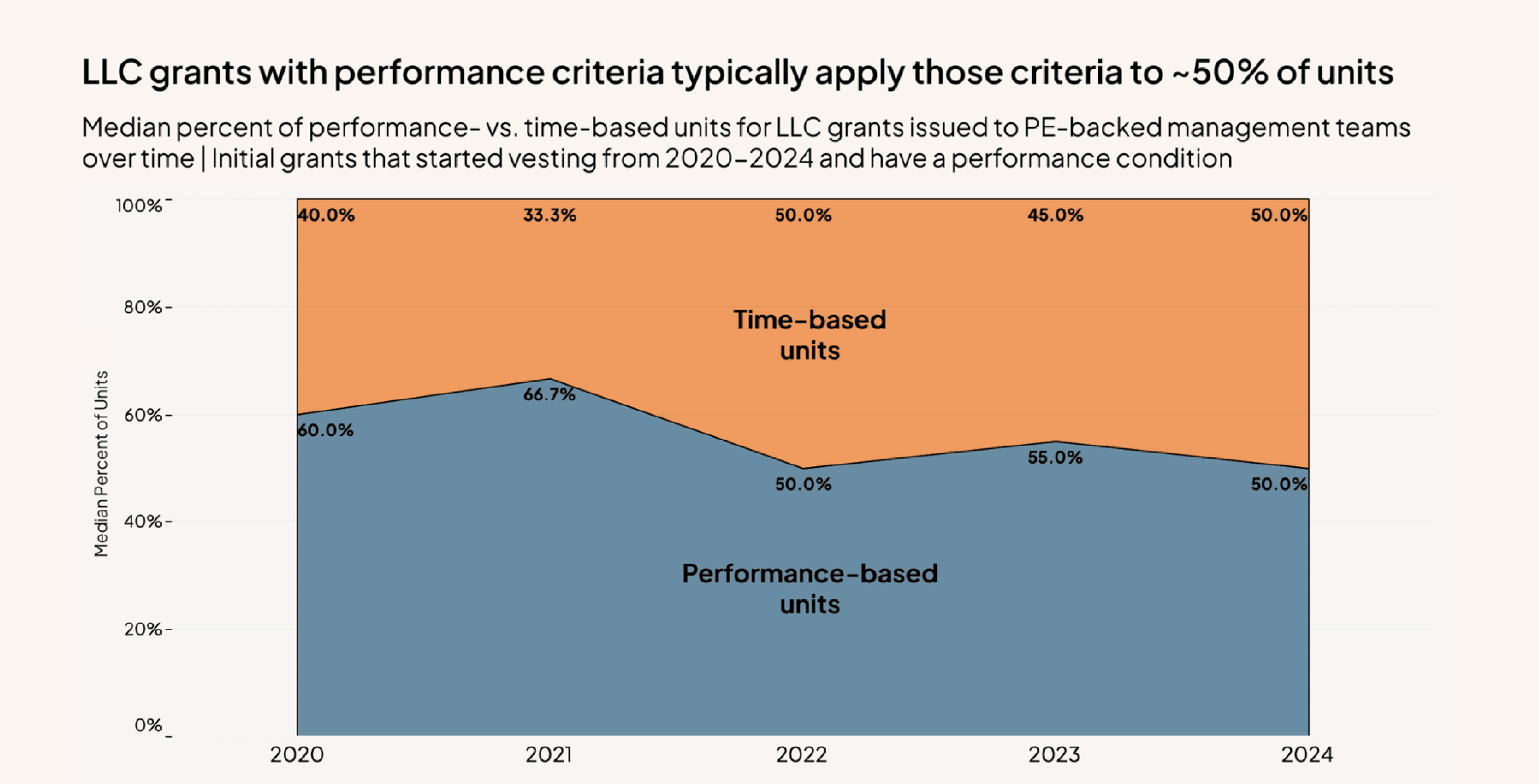


At PE-backed LLCs, nearly 61% of all initial grants issued to members of management teams are conditional on some sort of performance metric. It's much less common for the equity grants issued to members of other stakeholder groups to come with performance conditions.

This alignment of incentives between ownership and management reflects the key role that executives play in driving performance. Compared to rank-and-file employees or board members, management teams typically play a larger role in determining financial outcomes.

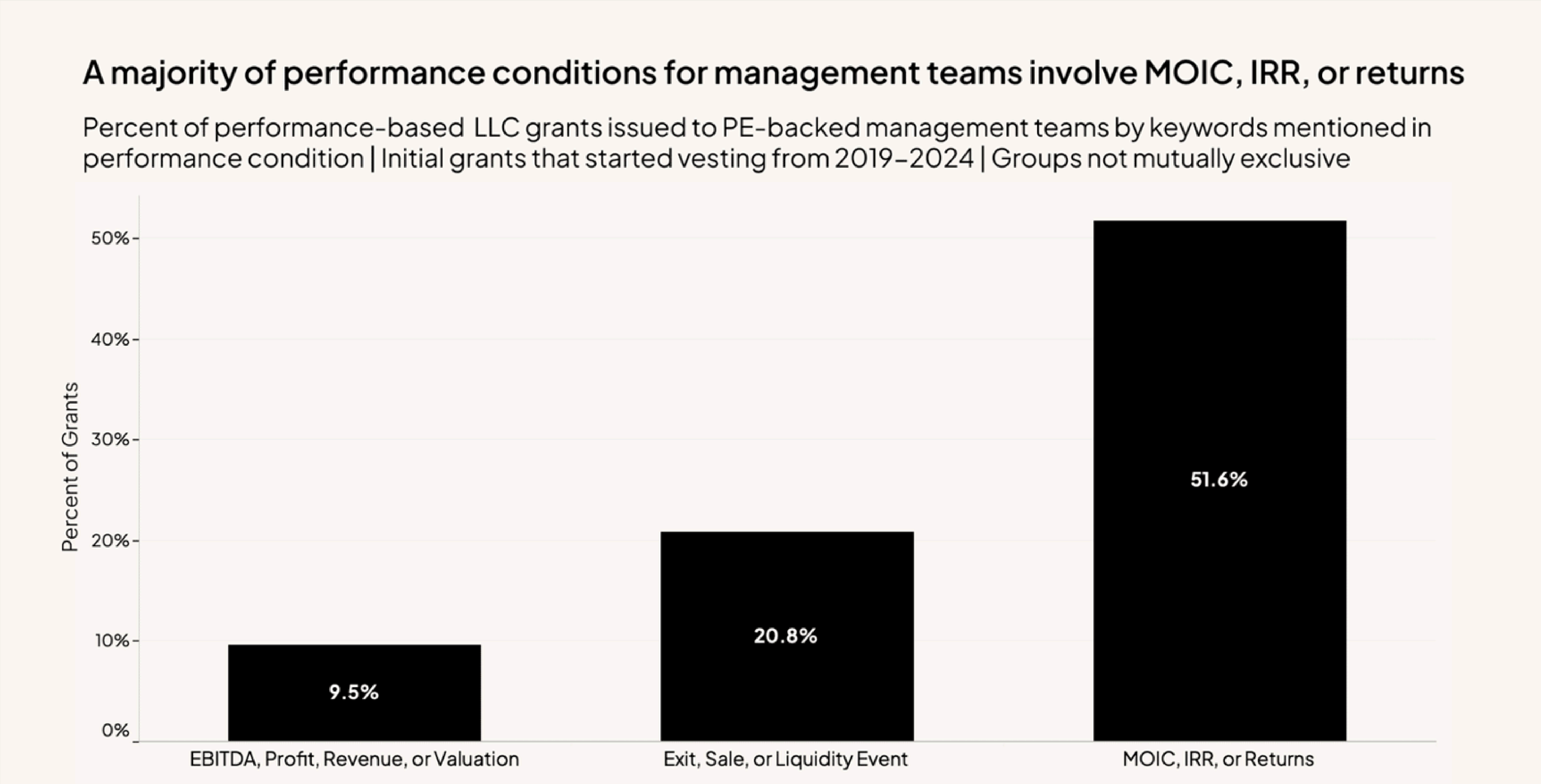


The prevalence of performance conditions at PE-backed LLCs varies significantly by industry. In finance, 80% of all initial grants issued by PE-backed LLCs from 2019 through 2024 included some type of performance condition. In contrast, the consumer sector sees far fewer, with only 10% of grants carrying performance conditions. B2B and software sectors fall in between, with 29.2% of grants including performance criteria.



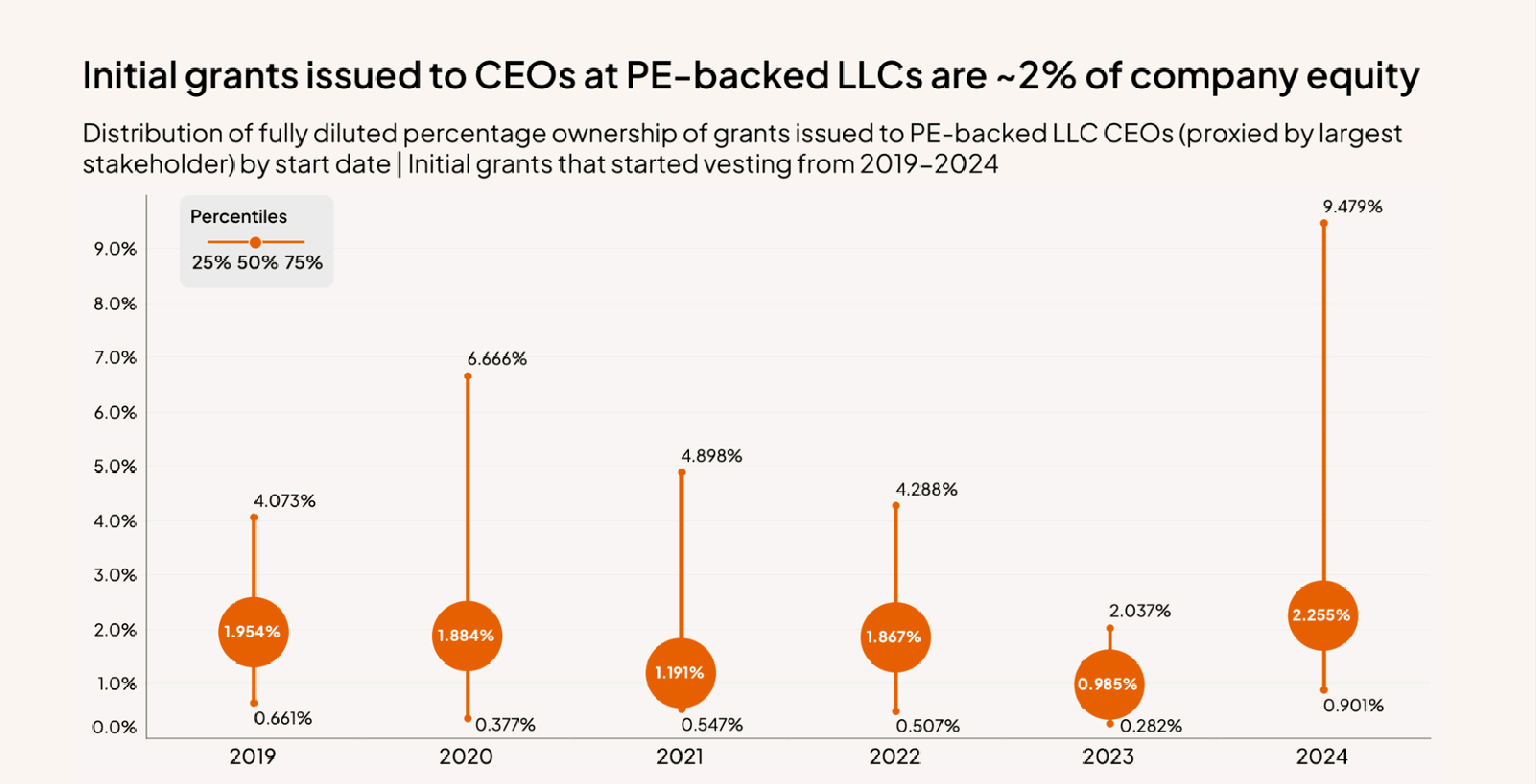
Grants at PE-backed LLCs that include performance criteria typically apply those criteria to only a portion of the units, leaving the remainder purely time-based. Within the population of grants that incorporate performance conditions, the median grant in 2024 was split 50/50 — half performance-based and half tied to employee tenure.

Compared to 2020 and 2021, the 2024 median grant relies slightly less on performance-based units and slightly more on time-based units. This shift mirrors a broader slowdown in dealmaking and valuations across the private markets. As investors recalibrate their expectations for financial performance, they are increasingly less likely to link equity vesting to performance outcomes.



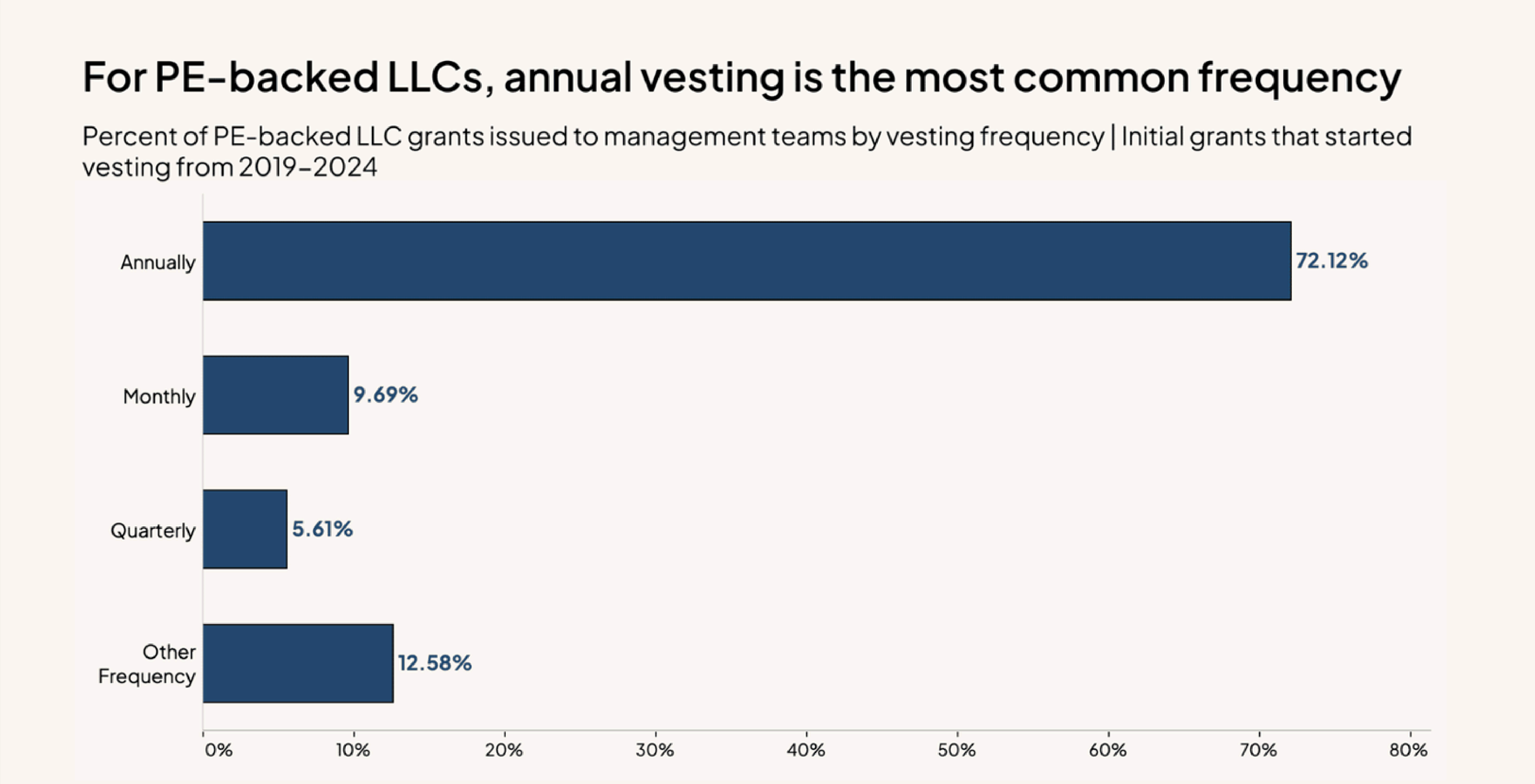
When equity grants issued to management teams at PE-backed LLCs include performance conditions, the most common basis for those conditions is MOIC, IRR, or another metric that tracks the ultimate return generated for the PE owners. This structure tightly aligns management incentives with those of the owners, ensuring both parties are focused on positioning the company for a successful exit in the near-to-medium term.

Over half of all performance conditions at PE-backed LLCs are linked to these return-focused metrics. By contrast, 20.8% of performance conditions are tied to achieving a sale or other liquidity event, while 9.5% are tied to EBITDA, profit, revenue, or valuation. These latter metrics provide a lens into shorter-term financial performance, whereas MOIC, IRR, and other return-based measures are concentrated on the final financial outcome.



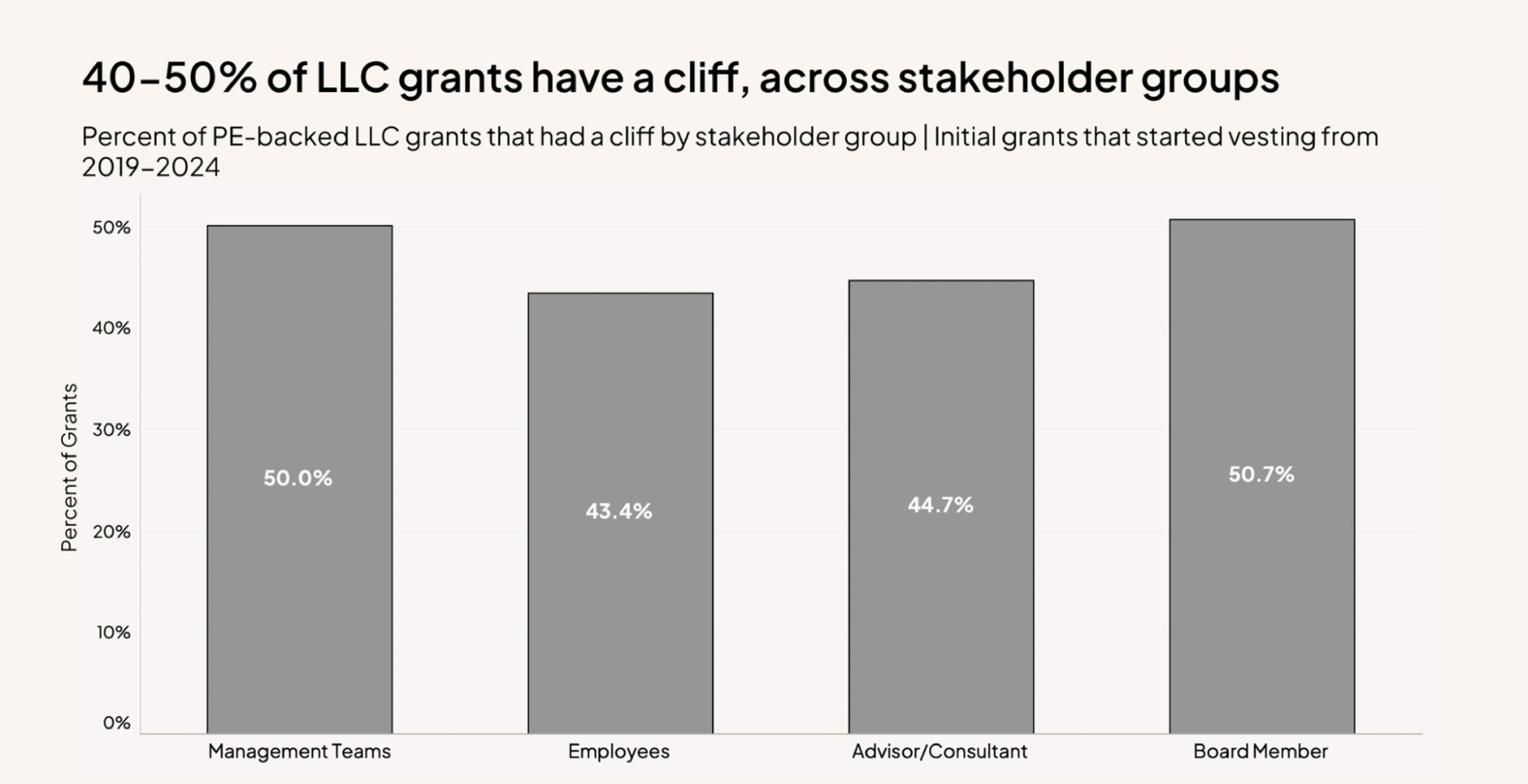
The median initial grant to CEOs at PE-backed LLCs in 2024 was about 2.25% of the LLC's fully diluted units. That's the highest median initial grant for CEOs in the past six years. At the 75th percentile, initial grants to CEOs last year comprised almost 9.5% of the LLC's equity, which is also higher than any other 75th percentile figure dating back to at least 2019.

In most recent years, the median initial grant to CEOs has hovered around 2% of total units. There has been some notable annual variance, however: In both 2021 and 2023, the median was closer to 1%. In general, larger equity grants are a sign of a more talent-friendly market. When competition for CEO talent grows more intense, companies might be inclined to offer larger grants to help attract their top choices.



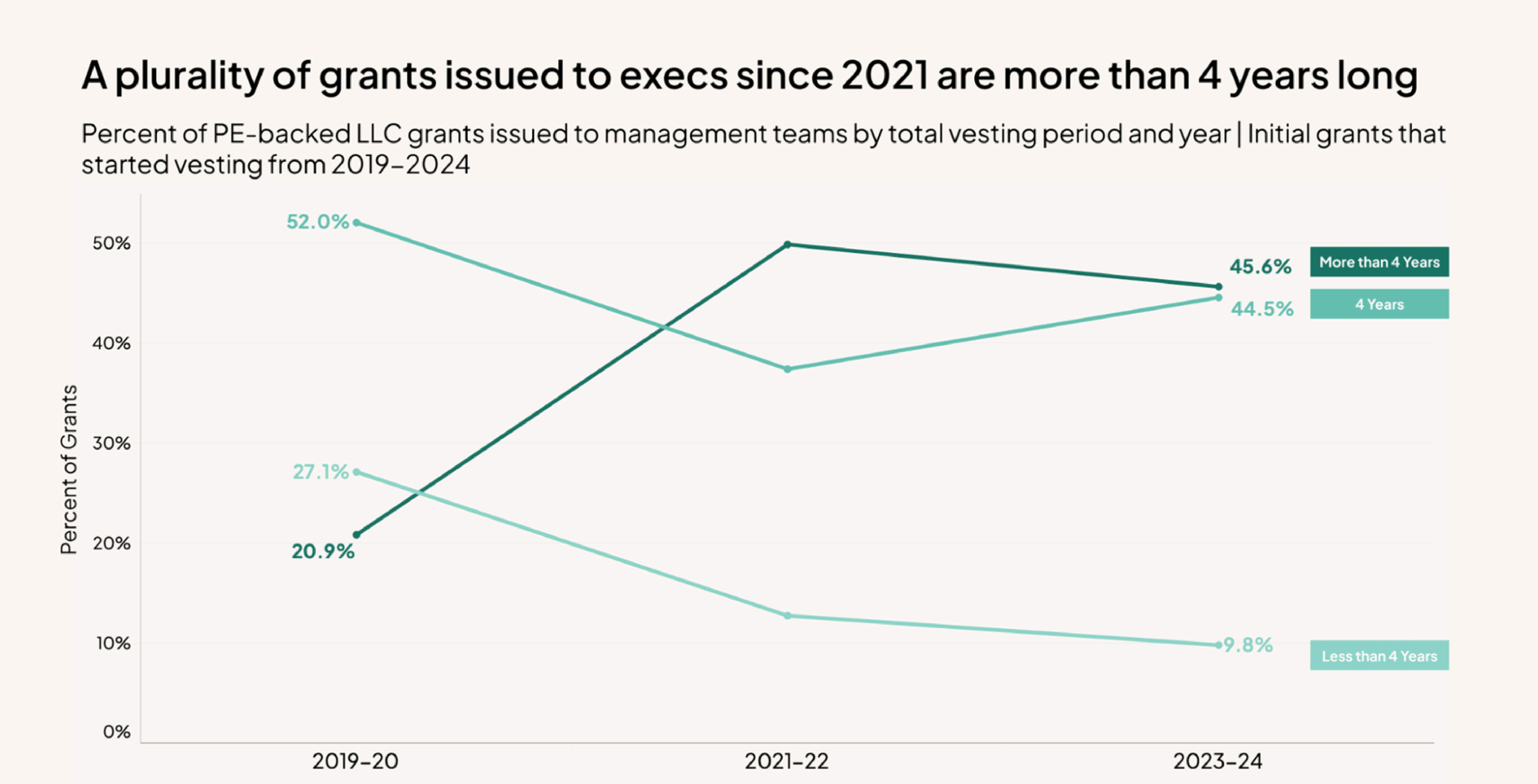
At PE-backed LLCs, the vast majority of initial grants issued to management teams vest on an annual basis, while less than 10% vest monthly. This contrasts sharply with trends at PE-backed corporations, which we covered earlier: only 14% of executive grants vest annually at PE-backed corporations, while 65% follow a monthly vesting schedule.

Monthly vesting schedules provide a steadier cadence of compensation and greater financial flexibility for equity or interest holders, while more accurately aligning vesting with an employee's actual tenure. For employers, though, monthly vesting adds administrative complexity. More frequent vesting requires additional time and effort to manage and update cap tables and other financial systems.



Across all stakeholder groups at PE-backed LLCs, roughly 43% to 51% of initial grants include some type of cliff before vesting begins. Cliffs are slightly more common for management teams and board members than for employees or advisors/consultants.

By comparison, vesting cliffs are less prevalent at PE-backed LLCs than at PE-backed corporations. At PE-backed corporations, 72.9% of initial employee grants include a cliff, and 60.2% of initial grants for management teams do as well.



Across 2023 and 2024, 44.5% of new LLC grants issued to management teams at PE-backed LLCs had a four-year vesting period, while another 45.6% had a vesting period longer than four years. Less than 10% of grants issued during this period had vesting schedules shorter than four years.

This marks a notable shift from 2019 and 2020, when vesting schedules longer than four years were the least common option. By 2023 and 2024, longer vesting schedules had become the most common structure.

This upward trend in vesting lengths aligns with an increase in the typical holding period for private equity portfolio companies. As investors plan to maintain their positions for longer stretches, they are increasingly structuring equity grants to incentivize management teams over extended durations as well.

Methodology

General

V4RP tracks equity data from thousands of PE-backed companies. We leverage this unmatched dataset to provide insights into private equity, helping executives, employees, and investors make informed decisions and understand market trends. This study draws on an aggregated and anonymized sample of V4RP data. Companies that have contractually requested that their data not be used in aggregated and anonymized analyses are excluded from this report.

The data in this report represents a snapshot as of March 2025. Historical data may shift in future studies because there's often an administrative lag between when a transaction occurs and when it's recorded in V4RP. Additionally, as new companies begin sharing data with V4RP, historical coverage in future reports may expand.

Definition of PE-backed companies

PE-backed companies include both corporations and LLCs. A company is considered PE-backed if it receives financing from a private equity firm, whether through growth equity, buyouts, or other strategies.

Stakeholder groups

Equity grants are grouped based on the type of stakeholder holding them. Management teams or executives include leadership positions such as founders, C-suite officers, presidents, and vice presidents. Employees cover all other non-leadership staff. Non-staff stakeholders include advisors/consultants and board members.

Thank you!

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