

Vice President Engineering: Salary Review Update | January 2012 – December 2013



Executive Summary:

Our continued focus on engineering talent in the Bay Area provides a unique perspective on compensation trends as it relates to this highly sought after group. We are sharing this information with you in our ongoing effort to provide additional insight and transparency into this market.

We have reviewed compensation packages within the Bay Area's emerging growth company community over the past 24-month period. The data presented gives a snapshot of salary, bonus, and equity information for candidates who have taken Vice President Engineering roles at VC-backed companies. We believe the data is representative of compensation figures for candidates who possess certain levels of experience and proven success, as well as strong business, technical, and cultural acumen.

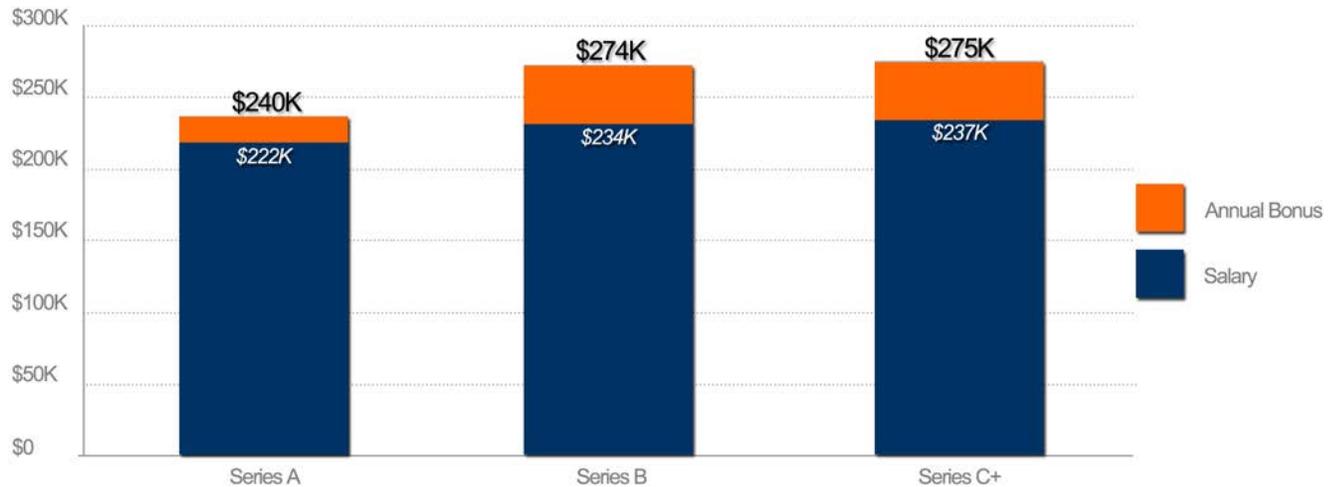
Overview:

- The latter half of 2013 saw a 31% increase in Series A funding rounds (typical inflection point for companies to seek Vice President Engineering candidates) compared to the prior year period.
- Salaries increased approximately 4% over the 24-month period.
- Approximately 67% of hires received annual cash compensation in excess of \$250,000.
- Annual bonuses continue to represent a larger component of total cash compensation as company funding stages progressed.
- Candidates at early stage companies continue to receive a larger equity stake than candidates in later stage opportunities.
- Cash compensation continues to increase, albeit not as rapidly as previous figures, while equity grants remained consistent with previously measured levels.

From 2012-2013, cash compensation among Vice President Engineering hires steadily increased over this two year span. In earlier studies, we observed a growing number of 2013 salaries pushing well into the \$300,000+ range, but as the year rounded out, the trend slightly decelerated. We attribute two main reasons for this slowing of growth: (1) reduced frequencies of annual bonuses; in 2013, only 40% of candidates received an annual bonus compared to 74% in 2012; and (2) we saw significantly more Series A activity in 2013 compared to 2012. There were still instances where companies paid candidates cash compensation packages surpassing the \$400,000 threshold. In sum although this period of measured compensation figures did slow, we anticipate growth through 2014 as a result of a steadily increasing median. We also expect equity grant levels to continue to reflect funding stage, rather than cash compensation level.

Note: Compensation package information correlates with the respective company's funding state at the time of the offer – companies included in this data may have since taken on additional rounds of funding. If you are interested in more detailed information, let us know and we are happy to discuss further, to the extent permitted by underlying confidentiality limitations.

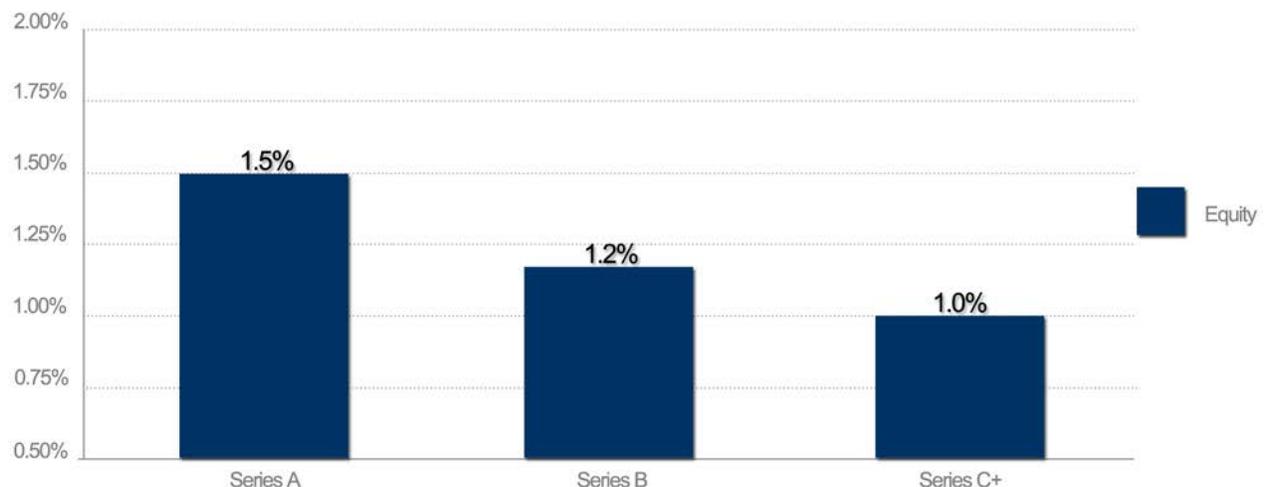
Average VP Engineering Cash Compensation*



*Annual Bonus figures only; C+ is inclusive of Series C rounds and higher; public companies were excluded.

In addition to the cash compensation noted above, more than 22% of those hired received additional cash compensation by way of sign-on bonuses. These bonuses typically accounted for 15% to 25% of a candidate's base salary, but could range as high as \$300,000. Generally, factors such as bonus provisions at the existing employer or a client's urgency to hire were the driving forces behind these bonuses.

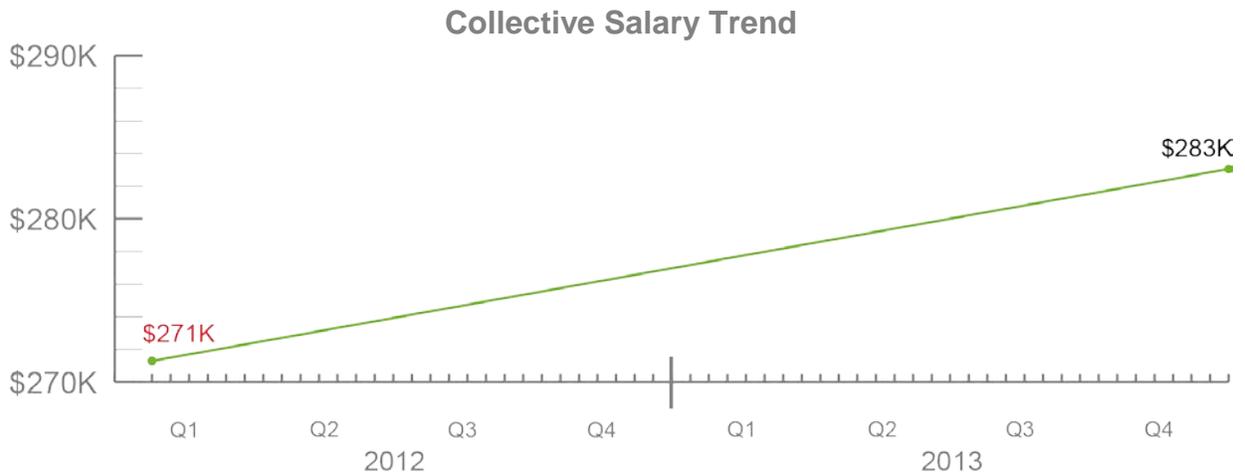
Average VP Engineering Equity vs. Company Funding Stage*



*C+ is inclusive of Series C rounds and higher; public companies were excluded.

Yet again, Vice President Engineering hires at earlier-stage companies typically received a larger equity share than their counterparts at later-stage companies. When looking at the rolling 24-month averages, we found there to be very little change in comparison to previously measured equity levels. There also continued to be a wide variance among grants ranging from 0.1% to 4%.

As depicted in the graph below, we see that total compensation has been trending upward. We saw a steady increase in total cash compensation packages through 2012 and 2013. If venture activity follows the patterns seen in 2013 and produces growing number of Series A companies, we may see 2014 compensation and equity figures closely reflect what we saw last year. Conversely, we may also then see an increase of companies in need of executive talent, thereby increasing the demand for an already limited talent supply, resulting in further growth in compensation levels.



Looking further into the underlying trend, it becomes apparent that this growth is being driven by an increase in cash compensation in the \$300,000+ ranges, as illustrated below. A growing number of candidates are receiving offers starting in the \$250,000 range, with many now pushing upward of the \$300,000+ range of cash compensation.

