

**WILSON
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**Silicon Valley 150
Risk Factor
Trends Report**

Second Edition



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INTRODUCTION

Wilson Sonsini Goodrich & Rosati is pleased to present the second edition of our Silicon Valley 150 Risk Factor Trends Report, which reviews the risk factor practices of the Valley's largest public companies.

This report uses the Lonergan SV150, which ranks the top 150 public companies with headquarters in Silicon Valley by annual sales. For more information on the methodology used to prepare the Lonergan SV150, please visit <https://lonerganpartners.com/assets/pdfs/2020-lonergan-silicon-valley-150-list.pdf>.

This report summarizes the risk factor disclosure practices of the SV150 overall and the S&P 500 companies within the SV150. In addition, this report summarizes the risk factor disclosure practices of the SV150 by:

- years since initial public offering (IPO);
- annual sales; and
- industry.

In August 2020, the U.S. Securities and Exchange Commission (SEC) voted to adopt amendments to Item 105, Risk factors, of Regulation S-K.¹ These amendments were effective on November 9, 2020, and amended Item 105 as follows:

- **Headings.** Item 105(a) requires risk factors to be organized under relevant headings. In addition, if companies present risks that could apply generically to any company or any offering, then those risks are to be disclosed at the end of the risk factor section under the heading "General Risk Factors."
- **Summary risk factor disclosure.** If the risk factor section exceeds 15 pages, then Item 105(b) requires a summary, in the form of short, concise, bulleted, or numbered statements, of the principal factors that make an investment in the company or offering speculative or risky. This summary is to be no more than two pages and is to be included in the forepart of the prospectus or annual report, as applicable.
- **Disclosure standard.** The amendments to Item 105(a) modify the disclosure standard for risk factors from "most significant" risks to "material" risks.

Last year's report summarized the risk factor disclosure practices of the SV150 prior to the amendments. This report summarizes the risk factor disclosure practices of the SV150 following the effective date of the amendments through May 31, 2021. Due to the timing of the amendments, the risk factor disclosure practices of 120 of the SV150 companies were reviewed for this report. The remaining 30 companies had either been acquired prior to filing a Form 10-K under the amended rules or had not yet filed a Form 10-K under the amended rules.²

We would like to thank the team that conducted the research and provided editorial input for this report, including partners [Jose Macias](#) and [Lisa Stimmell](#), and senior counsels [Courtney Mathes](#) and [Kenisha Nicholson](#). Please feel free to share your comments or questions about public companies and risk factor practices by contacting Jose Macias (jmacias@wsgr.com), Lisa Stimmell (lstimmell@wsgr.com), or any Wilson Sonsini public company representation partner.

ABOUT THE SV150



The SV150 is released each year by Loneragan Partners, a leading executive search firm based in Silicon Valley, and is comprised of the 150 largest public companies in Silicon Valley, based on annual sales. Among the SV150 are some of the most influential technology, manufacturing, and life sciences companies in the world. Some have been public for many decades; others completed their IPOs only last year. This section provides an overview of the SV150 rankings, as well as the following groups within the SV150—companies in the S&P 500; years since IPO; annual sales; and industry.



The Rankings (1-50)

SV150 Rank		IPO Year	Business Description	2019 Sales (\$millions)	Headquarters Location
1	Apple Inc.	1980	Consumer electronics	267,683	Cupertino
2	Alphabet Inc.	2004	Web search, advertising	161,857	Mountain View
3	Intel Corporation	1971	Semiconductors	71,965	Santa Clara
4	Facebook, Inc.	2012	Social networking website	70,697	Menlo Park
5	HP Inc.	1957	Imaging, printing, computing devices	58,664	Palo Alto
6	Cisco Systems, Inc.	1990	IT networking services	51,550	San Jose
7	Oracle Corp.	1986	IT services, equipment	39,583	Redwood City
8	Hewlett Packard Enterprise Co.	2015	IT services, equipment	28,531	Palo Alto
9	Tesla, Inc.	2010	Electric vehicles, battery powertrains	24,578	Palo Alto
10	SYNNEX Corp.	2003	IT supply chain services	23,757	Fremont
11	Broadcom Inc.	1998	Semiconductors	22,666	San Jose
12	Gilead Sciences, Inc.	1992	Therapeutic viral medicines	22,449	San Mateo
13	Netflix, Inc.	2002	Entertainment distributor	20,156	Los Gatos
14	PayPal Holdings, Inc.	2015	Digital payment platform	17,772	San Jose
15	salesforce.com, inc.	2004	CRM software	17,098	San Francisco
16	Western Digital Corp.	1978	Semiconductors	15,582	San Jose
17	Applied Materials, Inc.	1972	Chip-making equipment	15,017	Santa Clara
18	Uber Technologies, Inc.	2019	Transportation network company	14,147	San Francisco
19	Adobe Inc.	1986	Publishing software	11,171	San Jose
20	NVIDIA Corp.	1999	Graphics processors	10,918	Santa Clara
21	VMware, Inc.	2007	Virtualization software	10,811	Palo Alto
22	eBay Inc.	1998	Online marketplace	10,800	San Jose
23	Lam Research Corp.	1984	Chip-making equipment	9,549	Fremont
24	Sanmina Corp.	1993	Virtualization software	7,866	San Jose
25	Intuit Inc.	1993	Financial software	7,127	Mountain View
26	Advanced Micro Devices, Inc.	1972	Semiconductors	6,731	Sunnyvale
27	NetApp, Inc.	1995	IT storage, management	5,603	Sunnyvale
28	Equinix, Inc.	2000	IT data centers	5,562	Redwood City
29	Electronic Arts Inc.	1989	Entertainment software	5,388	Redwood City
30	KLA Corp.	1980	Chip-making equipment	5,279	Milpitas
31	Agilent Technologies, Inc.	1999	Electronic measurement tools	5,236	Santa Clara
32	Square, Inc.	2015	Mobile payment solutions	4,714	San Francisco
33	Intuitive Surgical, Inc.	2000	Robotic surgical systems	4,479	Sunnyvale
34	Juniper Networks, Inc.	1999	Networking tools	4,445	Sunnyvale
35	Workday, Inc.	2012	Enterprise software	3,627	Pleasanton
36	Lyft, Inc.	2019	Transportation network company	3,616	San Francisco
37	ServiceNow, Inc.	2012	IT management software	3,460	Santa Clara
38	Twitter, Inc.	2013	Multimedia messaging	3,459	San Francisco
39	Synopsys, Inc.	1992	Chip-design software	3,375	Mountain View
40	Varian Medical Systems, Inc.	1999	Cancer-fighting equipment	3,313	Palo Alto
41	Autodesk, Inc.	1985	Design software	3,274	San Rafael
42	Super Micro Computer, Inc.	2007	IT hardware	3,268	San Jose
43	Trimble Inc.	1990	Global-positioning tools	3,264	Sunnyvale
44	Xilinx, Inc.	1990	Semiconductors	3,235	San Jose
45	Palo Alto Networks, Inc.	2012	Network security	3,121	Santa Clara
46	Avaya Holdings Corp.	2017	Digital communications software/devices	2,864	Santa Clara
47	Plantronics, Inc. (Poly)	1994	Telecommunication and audio devices	2,863	Santa Cruz
48	Marvell Technology Group Ltd.	2000	Semiconductors	2,699	Santa Clara
49	Arista Networks, Inc.	2014	Cloud networking equipment	2,411	Santa Clara
50	Align Technology, Inc.	2001	Orthodontic devices	2,406	San Jose

SOURCE: LONERGAN SV150

The Rankings (51-100)

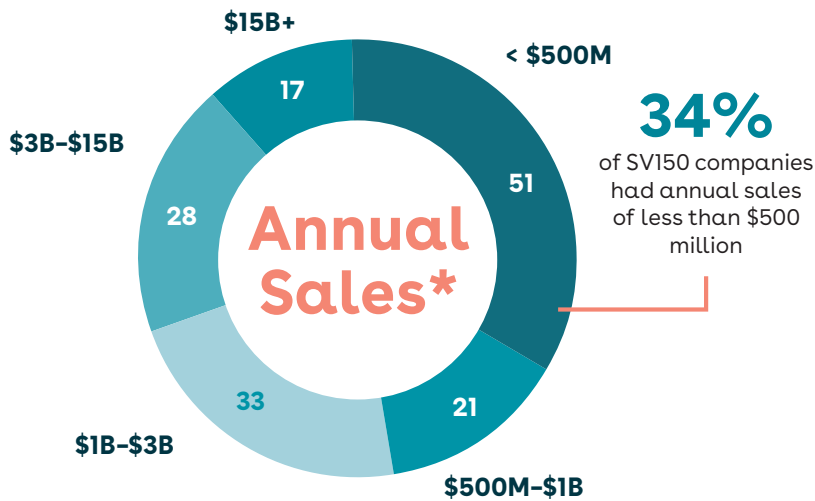
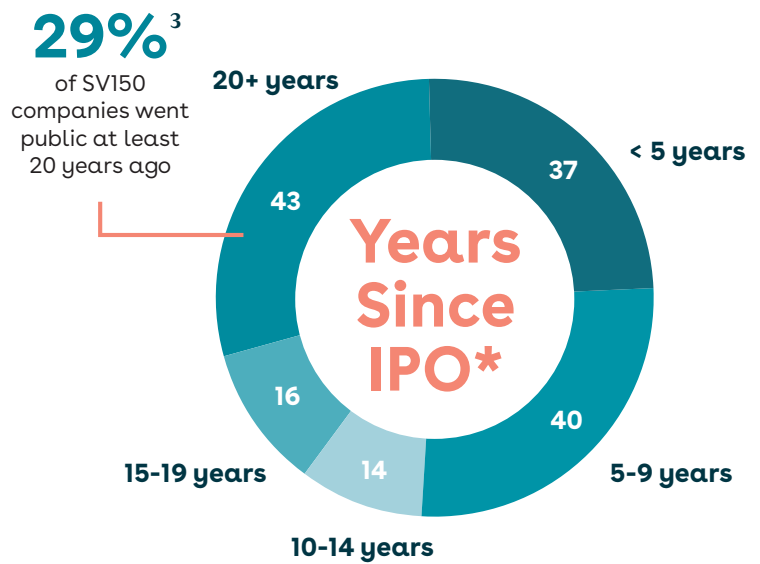
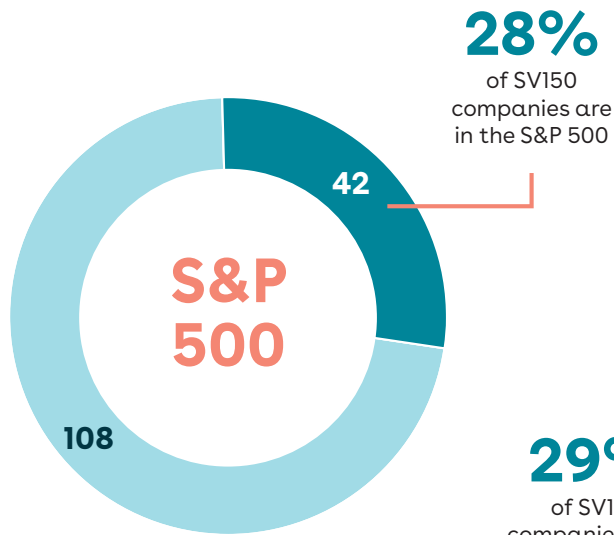
SV150 Rank		IPO Year	Business Description	2019 Sales (\$millions)	Headquarters Location
51	Splunk Inc.	2012	Web data analysis software	2,359	San Francisco
52	Cadence Design Systems, Inc.	1988	Chip-design software	2,336	San Jose
53	Bio-Rad Laboratories, Inc.	1980	Life science research tools	2,312	Hercules
54	Maxim Integrated Products, Inc.	1988	Semiconductors	2,183	San Jose
55	Fortinet, Inc.	2009	Network security devices, software	2,156	Sunnyvale
56	SunPower Corp.	2005	Solar energy products	1,864	San Jose
57	Lumentum Holdings Inc.	2015	Optical and photonic products	1,745	Milpitas
58	Stitch Fix, Inc.	2017	Personalized online retail service	1,738	San Francisco
59	Dropbox, Inc.	2018	Web-based content sharing platform	1,661	San Francisco
60	Pure Storage, Inc.	2015	Data storage solutions	1,643	Mountain View
61	Fitbit, Inc.	2015	Wearable wireless fitness devices	1,435	San Francisco
62	Coherent, Inc.	1978	Laser-based photonics	1,368	Santa Clara
63	Synaptics Incorporated	2002	Touch-based information tech.	1,357	San Jose
64	Zynga Inc.	2011	Social gaming	1,322	San Francisco
65	Infinera Corp.	2007	Optical telecom equipment	1,299	Sunnyvale
66	Nutanix, Inc.	2016	Cloud platform infrastructure	1,238	San Jose
67	Dolby Laboratories, Inc.	2005	Audio processing technology	1,231	San Francisco
68	Fair Isaac Corp.	1987	Enterprise analytics software	1,196	San Jose
69	GoPro, Inc.	2014	Wearable, gear-mountable cameras	1,195	San Mateo
70	Viavi Solutions Inc.	1993	Optical telecommunications	1,168	Milpitas
71	Pinterest, Inc.	2019	Social photo sharing platform	1,143	San Francisco
72	Twilio Inc.	2016	Internet infrastructure solutions	1,134	San Francisco
73	Roku, Inc.	2017	Entertainment streaming	1,129	Los Gatos
74	Veeva Systems Inc.	2013	Cloud-based business software	1,104	Pleasanton
75	SMART Global Holdings, Inc.	2017	Specialty memory and storage solutions	1,090	Newark
76	Ultra Clean Holdings, Inc.	2004	Chip-making equipment	1,066	Hayward
77	Extreme Networks, Inc.	1999	LAN switching tools	1,026	San Jose
78	Yelp Inc.	2012	User review network	1,014	San Francisco
79	NETGEAR, Inc.	2003	Home, small business networking	999	San Jose
80	DocuSign, Inc.	2018	Electronic verification software	974	San Francisco
81	Exelixis, Inc.	2000	Small-molecule cancer treatments	968	So. San Francisco
82	RingCentral, Inc.	2013	IP-based telephony	903	Belmont
83	Omniceil, Inc.	2001	Medication management technology	897	Mountain View
84	FireEye, Inc.	2013	Network security	889	Milpitas
85	Proofpoint, Inc.	2012	Data protection software	888	Sunnyvale
86	Sunrun Inc.	2015	Solar energy products	859	San Francisco
87	Zendesk, Inc.	2014	Web-based help desk software	816	San Francisco
88	Bloom Energy Corp.	2018	Fuel cell systems for onsite power	786	San Jose
89	Cloudera, Inc.	2017	AI-based analytics platform	727	Palo Alto
90	Guidewire Software, Inc.	2012	Insurance industry software	720	San Mateo
91	Box, Inc.	2015	Content-sharing platform	696	Redwood City
92	Zoom Video Comms., Inc.	2019	Web conferencing platform	663	San Jose
93	LendingClub Corp.	2014	Internet-based lending facilitation	655	San Francisco
94	Slack Technologies, Inc.	2019	Workplace collaboration software	630	San Francisco
95	ICHOR Holdings, Ltd.	2016	Semiconductors	621	Fremont
96	FormFactor, Inc.	2003	Chip-making equipment	589	Livermore
97	Okta, Inc.	2017	Identity management software	586	San Francisco
98	New Relic, Inc.	2014	Cloud-based application management	572	San Francisco
99	Penumbra, Inc.	2015	Medical devices for stroke patients	547	Alameda
100	Natus Medical, Inc.	2001	Devices to treat newborn disorders	495	Pleasanton

SOURCE: LONERGAN SV150

The Rankings (101-150)

SV150 Rank		IPO Year	Business Description	2019 Sales (\$millions)	Headquarters Location
101	QuinStreet, Inc.	2010	Internet marketing tools	483	San Mateo
102	CrowdStrike Holdings, Inc.	2019	Cybersecurity platform	481	Sunnyvale
103	Alpha and Omega Semi. Ltd	2010	Semiconductors	457	Sunnyvale
104	Quotient Technology Inc.	2014	Online promotion platform	436	Mountain View
105	Calix, Inc.	2010	Communications platform and services	424	San Jose
106	Power Integrations, Inc.	1997	Power-conversion chips	421	San Jose
107	8X8, Inc.	1997	VoIP platforms	419	San Jose
108	Quantum Corp.	1999	Computer storage products	417	San Jose
109	Glu Mobile, Inc.	2007	Mobile games	411	San Francisco
110	Chegg, Inc.	2013	Education software platform	411	Santa Clara
111	Accuray, Inc.	2007	Robotic radiosurgery systems	409	Sunnyvale
112	Harmonic, Inc.	1995	Content delivery services	403	San Jose
113	Medallia, Inc.	2019	Customer management software	402	San Francisco
114	Nevro Corp.	2014	Pain relief products	390	Redwood City
115	Coupa Software Inc.	2016	Cloud procurement software	390	San Mateo
116	Arlo Technologies, Inc.	2018	Smart home security cameras	370	San Jose
117	Inphi Corp.	2010	High-speed analog semiconductors	366	Santa Clara
118	Zscaler, Inc.	2018	Cloud-based security	360	San Jose
119	NeoPhotonics Corp	2011	Planar light wave circuits	357	San Jose
120	LiveRamp Holdings, Inc.	2018	Identity resolution platform	353	San Francisco
121	Anaplan, Inc.	2018	Financial planning software	348	San Francisco
122	Elastic N.V.	2018	Enterprise search engine	342	Mountain View
123	Forescout Technologies, Inc.	2017	Security software	337	San Jose
124	Five9, Inc.	2014	Cloud contact center software	328	San Ramon
125	Eventbrite, Inc.	2018	Online event ticketing	327	San Francisco
126	Qualys, Inc.	2012	IT security and compliance services	322	Redwood City
127	SVMK Inc. (SurveyMonkey)	2018	Online survey platform	307	San Mateo
128	Corcept Therapeutics Inc.	2004	Cortisol regulating pharmaceuticals	306	Menlo Park
129	Natera, Inc.	2015	Genetic testing services	302	San Carlos
130	Upwork, Inc.	2018	Freelancer marketplace	301	Mountain View
131	Cloudflare, Inc.	2019	Cloud-based security platform	287	San Francisco
132	Xperi Corp.	2003	Chip scale packaging	280	San Jose
133	Zuora, Inc.	2018	Subscription management software	276	San Jose
134	FibroGen, Inc.	2014	Development-stage pharmaceuticals	257	Mountain View
135	10X Genomics, Inc.	2019	Tools for genomic analysis	246	Pleasanton
136	Aviat Networks, Inc.	2010	Internet telephony services	233	Milpitas
137	Ambarella, Inc.	2012	Semiconductors for imaging	229	Fremont
138	Rambus Inc.	1997	Semiconductor technology	224	Santa Clara
139	Telenav, Inc.	2010	GPS tools for mobile phones	221	Santa Clara
140	Invitae Corp.	2015	Genetic testing for health diagnostics	217	San Francisco
141	Irhythm Technologies, Inc.	2016	Ambulatory cardiac monitoring	215	San Francisco
142	Guardant Health, Inc.	2018	Cancer detection technology	214	Redwood City
143	A10 Networks, Inc.	2014	Networking products	213	Sunnyvale
144	MobileIron, Inc.	2014	Software platform for mobile devices	205	San Jose
145	Aemetis, Inc.	2007	Renewable fuels, specialty chemicals	202	Cupertino
146	Fastly, Inc.	2019	Website speed platform	200	San Francisco
147	Cutera, Inc.	2004	Laser-based medical devices	182	Brisbane
148	Vocera Communications, Inc.	2012	Mobile communication for healthcare	181	San Mateo
149	Livingo Health, Inc.	2019	Digital health management tools	170	Mountain View
150	PagerDuty, Inc.	2019	Real-time incident management platform	166	San Francisco

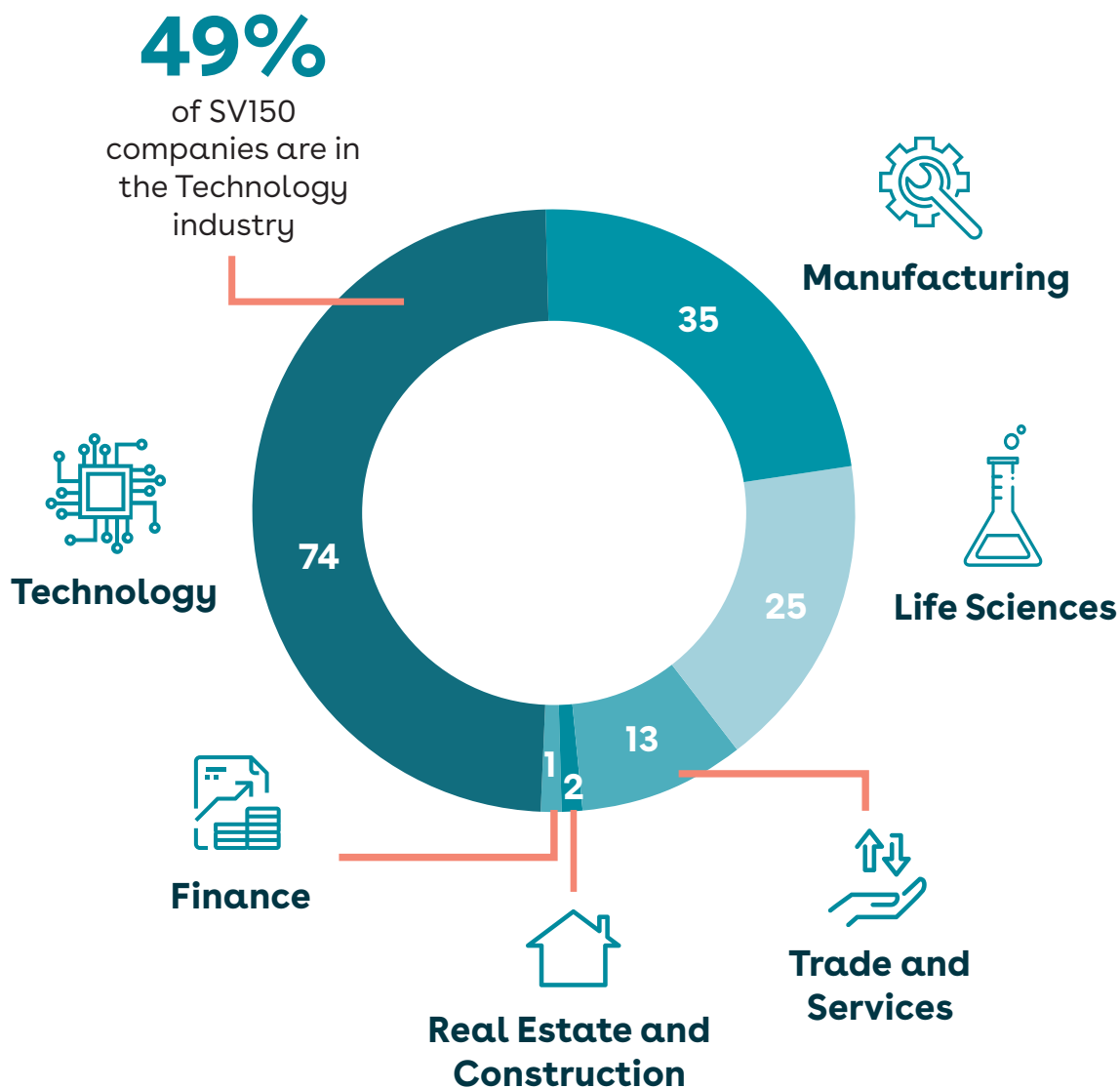
SOURCE: LONERGAN SV150



* This report utilizes the 2020 Lonergan SV150; therefore, the number of years that have elapsed since IPO is measured from 2020, and the annual sales are based on 2019 annual sales.

Breakdown by Industry

Industry has been determined by each company’s Standard Industrial Classification Code (SIC Code) and the applicable SEC review office for that SIC Code. The SIC Codes represented in the SV150 are set forth in **Annex A** to this report. There are six industries represented in the SV150.⁴



SV150 Companies Reviewed

Due to the timing of the effective date of the amendments, the summaries of the risk factor disclosure practices in the pages that follow include only 120 of the SV150 companies. By category, we reviewed Form 10-Ks for the following number of companies.



S&P 500 – 33 of 42 companies



Years Since IPO

- Less than 5 years: 30 of 37 companies
- 5 to 9 years: 35 of 40 companies
- 10 to 14 years: 8 of 14 companies
- 15 to 19 years: 15 of 16 companies
- 20 or more years: 32 of 43 companies



Annual Sales

- Less than \$500 million: 41 of 51 companies
- \$500 million to \$1 billion: 20 of 21 companies
- \$1 billion to \$3 billion: 24 of 33 companies
- \$3 billion to \$15 billion: 22 of 28 companies
- \$15 billion and greater: 13 of 17 companies



Industry

- Technology: 56 of 74 companies
- Manufacturing: 28 of 35 companies
- Life Sciences: 22 of 25 companies
- Trade and Services: 11 of 13 companies

TOTAL NUMBER OF PAGES OF RISK FACTORS



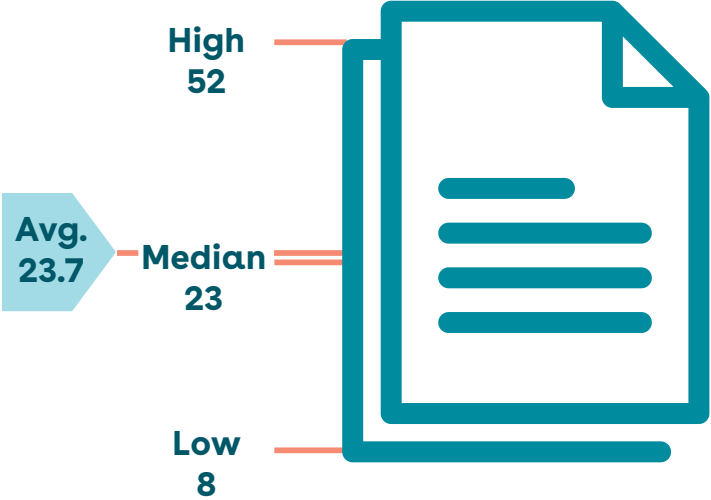
The recent amendments to the risk factor disclosure requirements were intended, in part, to address the increasing length of risk factor disclosure.⁵ Among other things, the SEC thought that companies might be incentivized to reduce the length of their risk factor disclosure to 15 pages or less to avoid triggering the risk factor summary requirement.⁶ In addition, the SEC believed that the change in disclosure standard from the “most significant” factors to the “material” factors that make an investment in the company or offering speculative or risky, would result in more tailored and less generic risk factor disclosure, potentially resulting in shorter risk factor disclosure.⁷

While the companies reviewed for this report have only filed a single Form 10-K under the amended rules, the initial filings suggest that the length of risk factor disclosure is not decreasing and instead is continuing to increase. This section provides a summary of the length of risk factor disclosures by total number of pages of risk factors⁸ across the SV150, and includes some general trends drawn from this data.



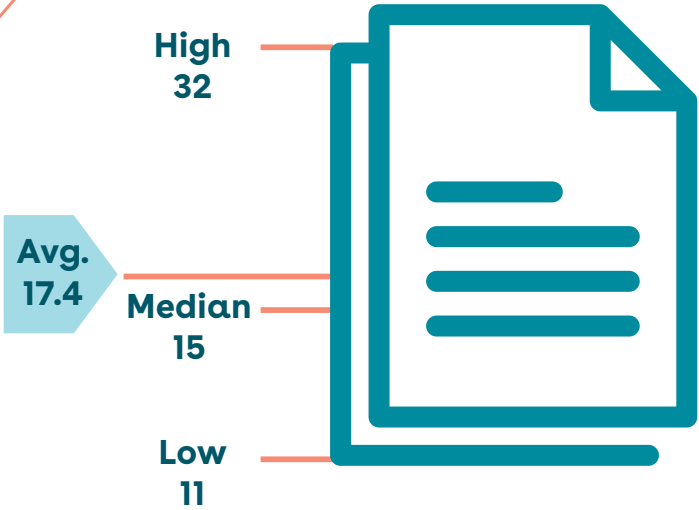
SV150 and S&P 500

SV150



The average total number of pages of risk factors increased from approximately 21 pages last year to 23.7 pages this year, a 13% increase. Similarly, the median total number of pages of risk factors increased from 20 pages last year to 23 pages this year, a 15% increase.

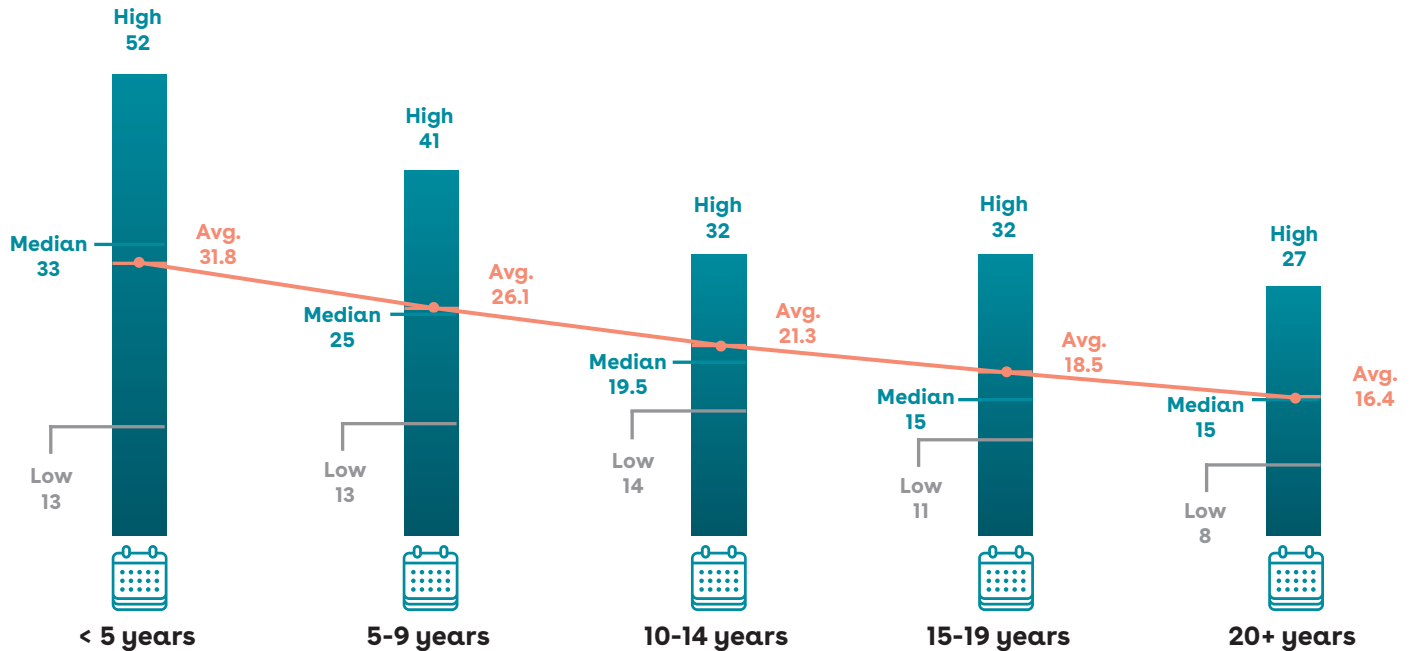
S&P 500



The average total number of pages of risk factors increased from approximately 16.4 pages last year to 17.4 pages this year, a 6% increase. However, the median total number of pages of risk factors remained flat at 15 pages.

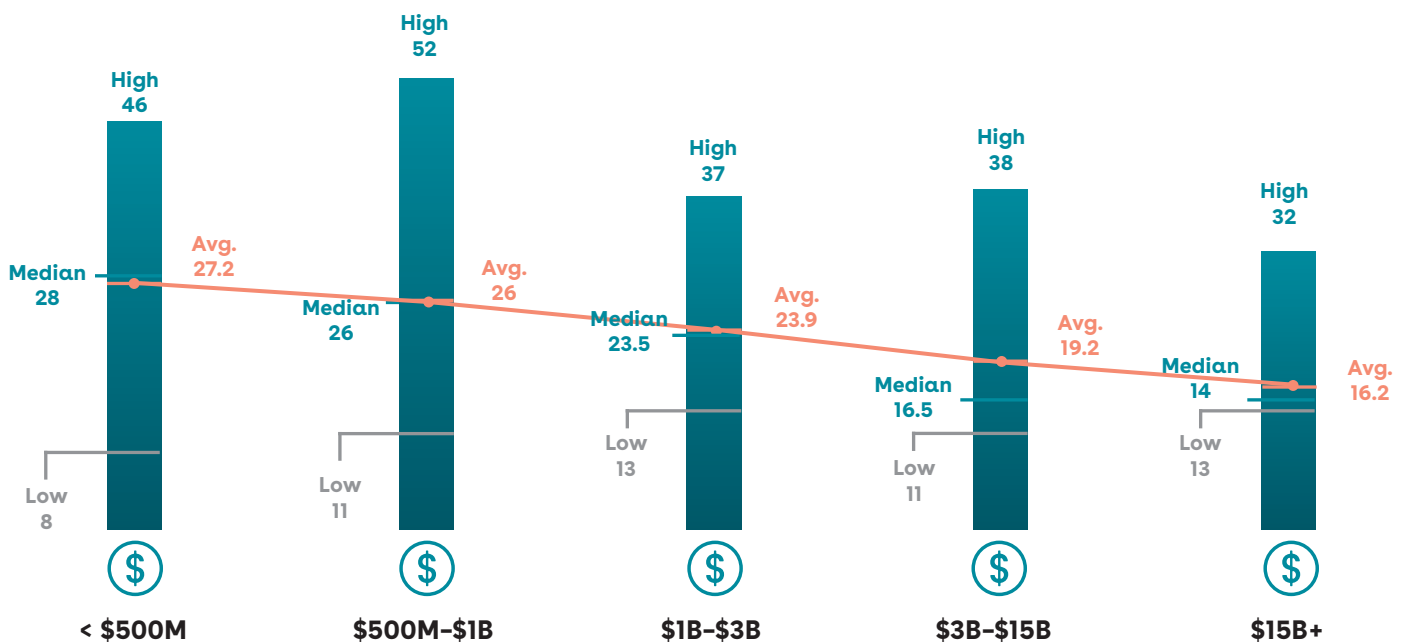
Years Since IPO

As more years elapse following an IPO, the average total number of pages of risk factors decreases. Companies that went public within the last five years average approximately 31.8 pages of risk factors, while companies that went public at least 20 years ago average approximately 16.4 pages of risk factors, a 48% decrease.



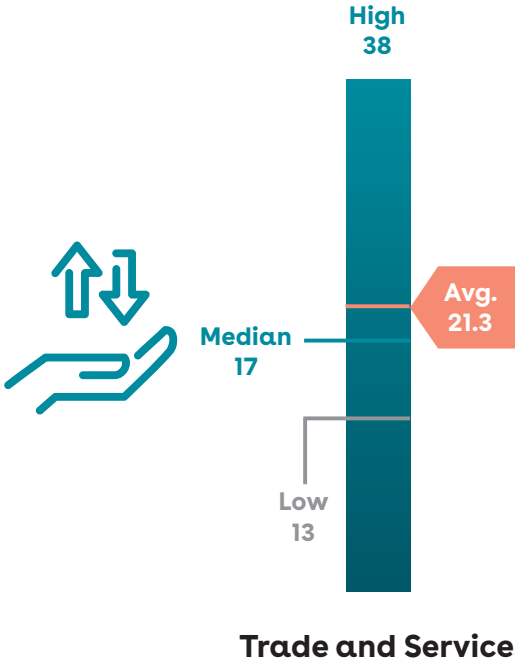
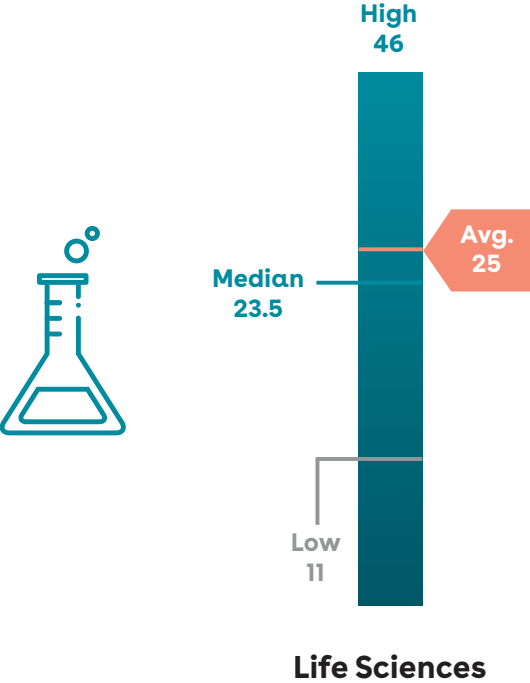
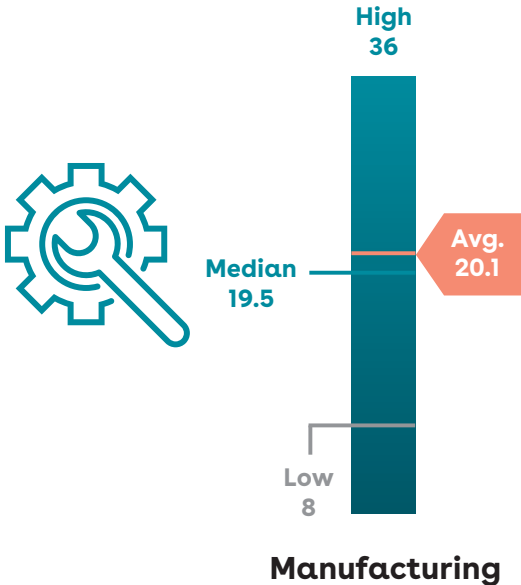
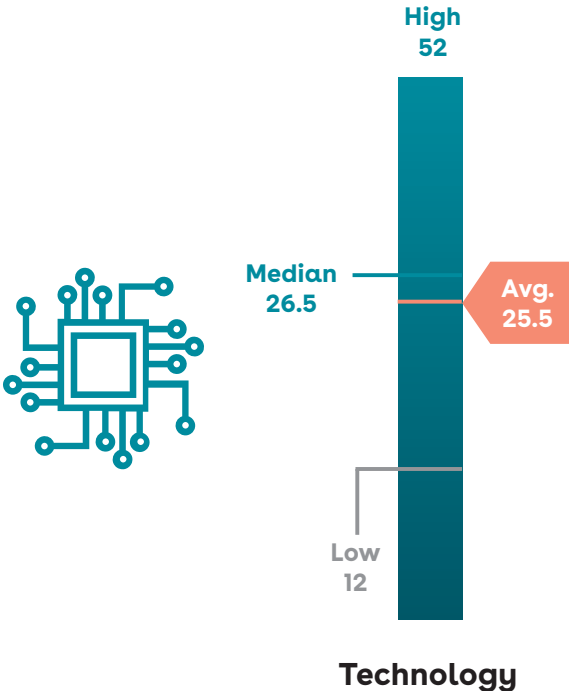
Annual Sales

As annual sales increase, the average total number of pages of risk factors decreases. Companies with less than \$500 million in annual sales average approximately 27.2 pages of risk factors, while companies with at least \$15 billion in annual sales average approximately 16.2 pages of risk factors, a 40% decrease.



Industry

Companies in the technology industry average the highest total number of pages of risk factors at approximately 25.5 pages, followed closely by companies in the life sciences industry at 25 pages. Companies in the manufacturing industry average the lowest total number of pages of risk factors at approximately 20.1 pages, or 21% fewer pages than companies in the technology industry.



TOTAL NUMBER OF RISK FACTORS



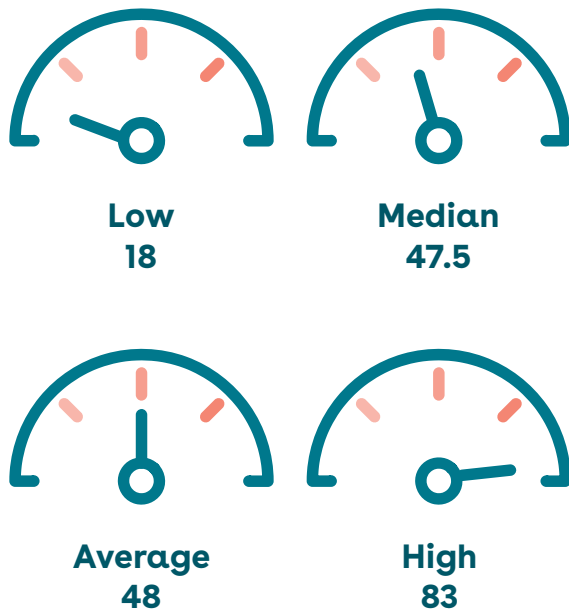
The number of risk factors in a company's Form 10-K filing may increase or decrease at various times during its life cycle. An increase in the number of risk factors may occur for any number of reasons, including due to specific events, such as an impending material merger or acquisition, following the issuance of convertible notes by the company, or due to an expansion of the business into other areas. A decrease in the number of risk factors may similarly occur for any number of reasons, including changing materiality considerations, particularly as revenues increase, or where certain risks may no longer be applicable to companies that have been public for many years (for example, risks relating to emerging growth company status or risks relating to dual class stock that was subject to a sunset provision).

Similar to the total number of pages of risk factors, the initial filings under the amended rules suggest that the number of risks presented is also continuing to increase, albeit at a decidedly lower rate of increase. This section provides a summary of the total number of risk factors included in risk factor sections across the SV150, and includes some general trends drawn from this data.



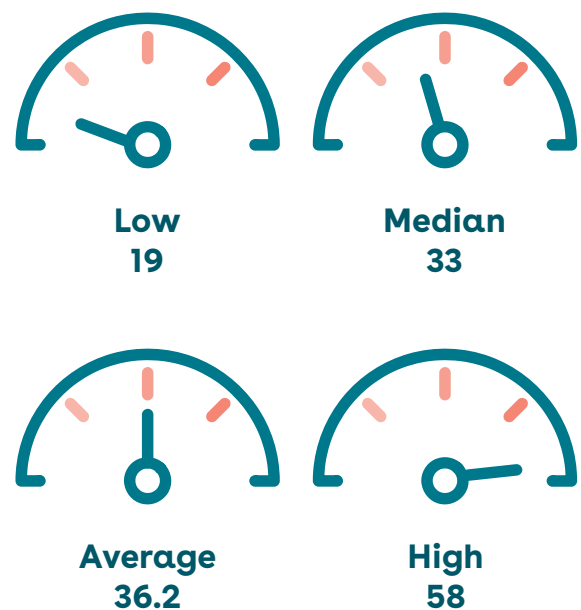
SV150 and S&P 500

SV150



The average total number of risk factors increased from approximately 46.5 risk factors last year to 48 risk factors this year, a 3% increase. Similarly, the median number of risk factors increased from 45.5 risk factors last year to 47.5 risk factors this year, a 4% increase.

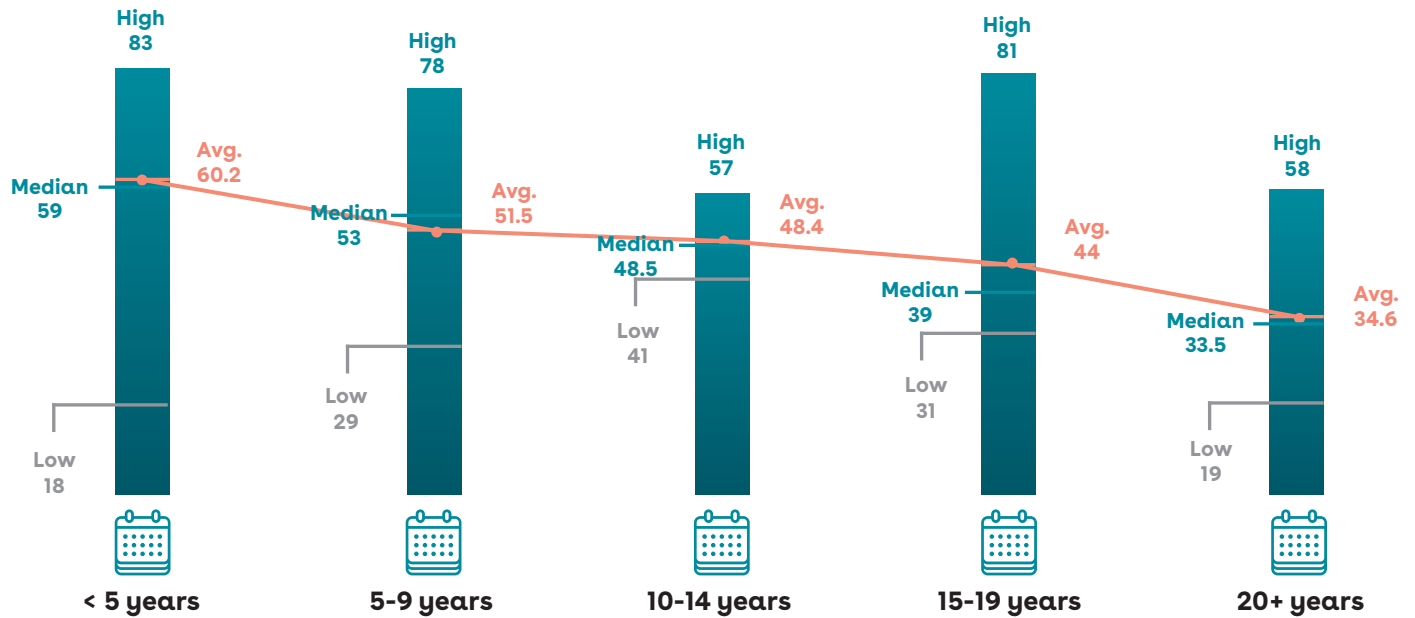
S&P 500



The average total number of risk factors increased from approximately 35.7 risk factors last year to 36.2 risk factors this year, a 1% increase. However, the median total number of risk factors remained flat at 33 risk factors.

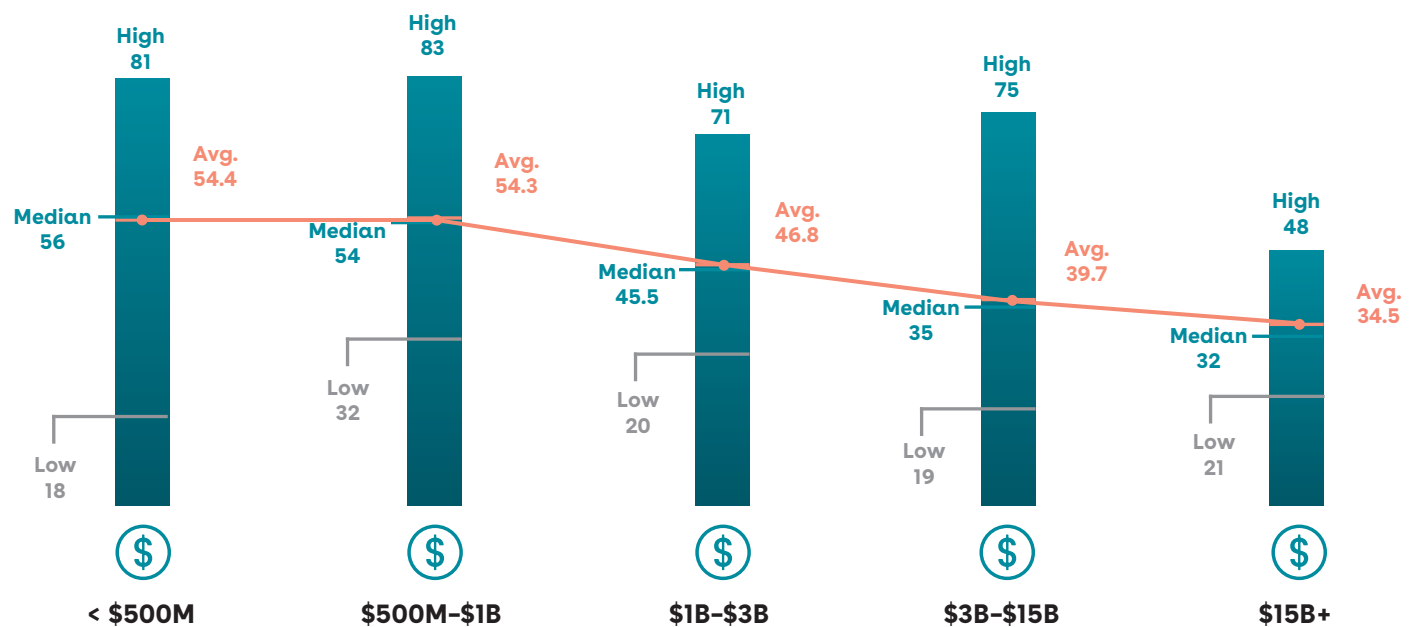
Years Since IPO

As more years elapse since the IPO, the average total number of risk factors decreases. Companies that went public within the last five years average approximately 60.2 risk factors, while companies that went public at least 20 years ago average approximately 34.6 risk factors, a 43% decrease.



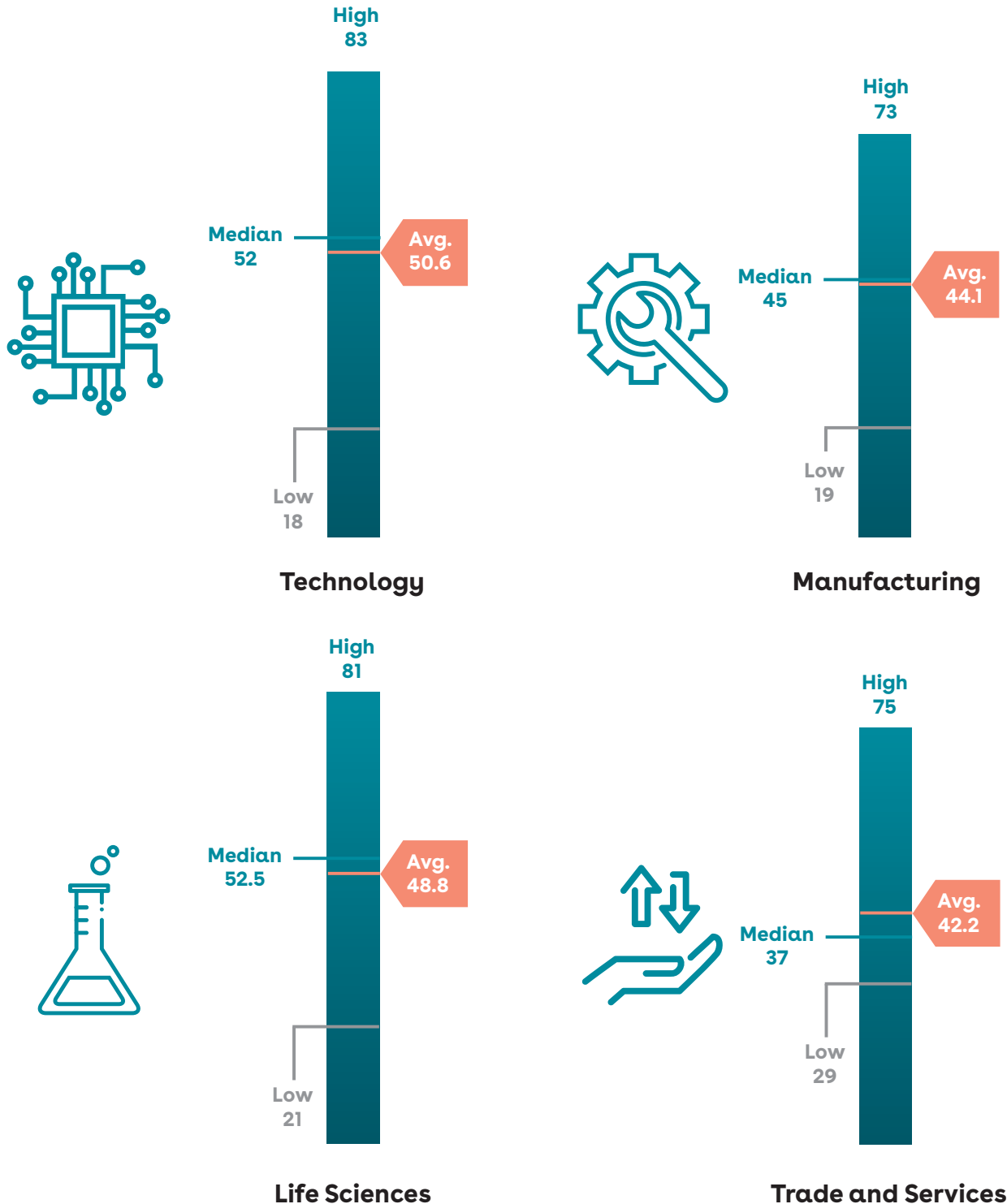
Annual Sales

As annual sales increase, the average total number of risk factors decreases. Companies with less than \$500 million in annual sales average approximately 54.4 risk factors, while companies with at least \$15 billion in annual sales average approximately 34.5 risk factors, a 37% decrease.



Industry

Companies in the technology industry average the highest total number of risk factors at approximately 50.6 risk factors, while companies in the trade and services industry average the lowest total number of risk factors at approximately 42.2 risk factors, or 17% fewer risk factors than companies in the technology industry.



USE AND NUMBER OF RISK FACTOR HEADINGS



The amended rules require risk factors to be organized with relevant headings, such as “Risks Relating to the Business” or “Intellectual Property Risks,” with generic risk factors presented at the end of the risk factor section under the heading “General Risk Factors.”⁹ The amended rules do not include any minimum number of headings that must be included.

The initial filings under the amended rules demonstrate broader usage of risk factor headings. Last year, 74% of the SV150 included at least one heading in their risk factors. However, 73% of those companies included three or fewer headings. This year, nearly all of the companies surveyed included risk factor headings, and 71% included between four and seven risk factor headings. This section provides a summary of the use of risk factor headings across the SV150, as well as the number of headings included.

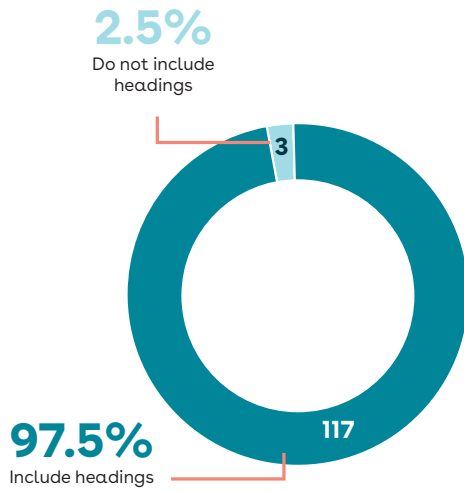


SV150 and S&P 500

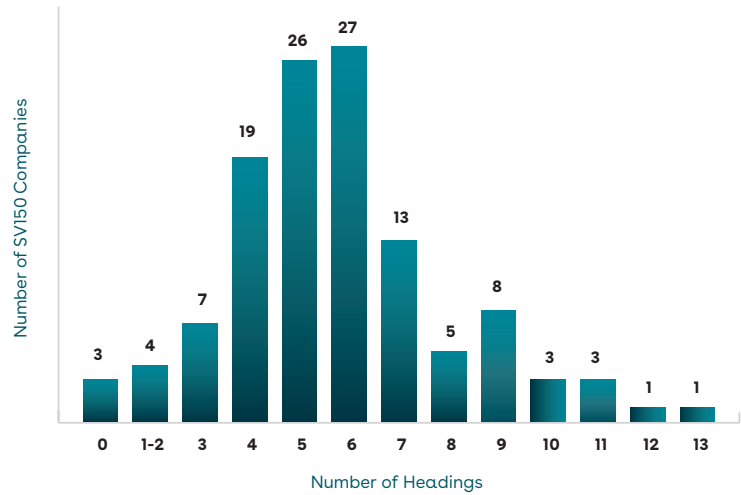
117 of the 120 SV150 companies surveyed, or 97.5%, include at least one heading in their risk factors. Of these 117 companies, 85 companies, or 71%, include between four and seven headings.

Overall SV150

Use of Headings



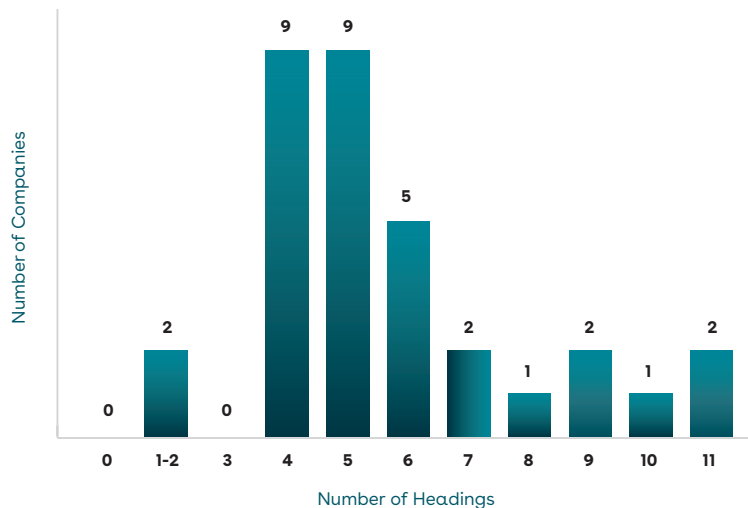
Number of Headings



All 33 of the S&P 500 companies surveyed include at least one heading in their risk factors. Of these 33 companies, 25 companies, or 76%, include between four and seven headings.

S&P 500

Number of Headings



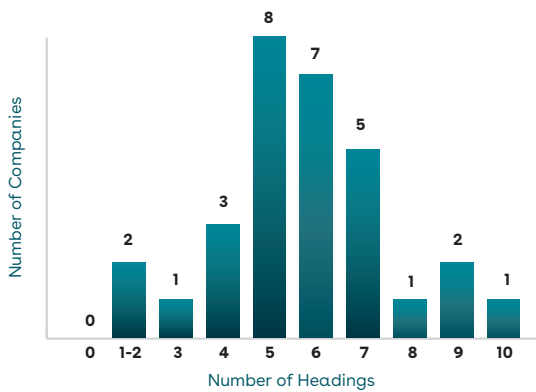
Years Since IPO

Use of Headings

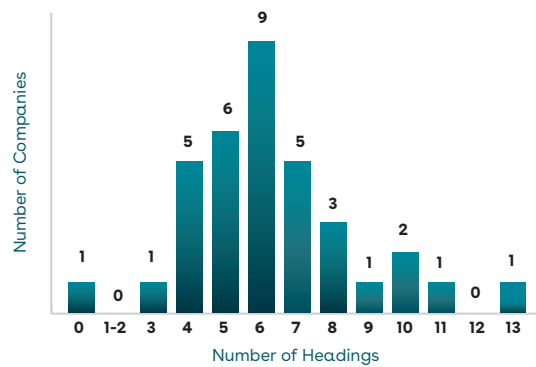
The three companies that did not include any risk factor headings were in the following categories of “Years Since IPO”—5 to 9 years, 15 to 19 years, and 20 or more years.

Number of Headings

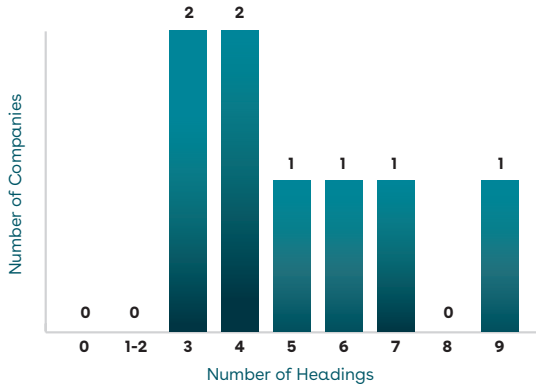
Less than 5 Years



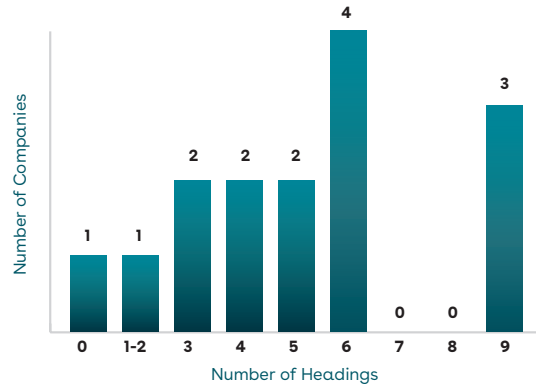
5 to 9 Years



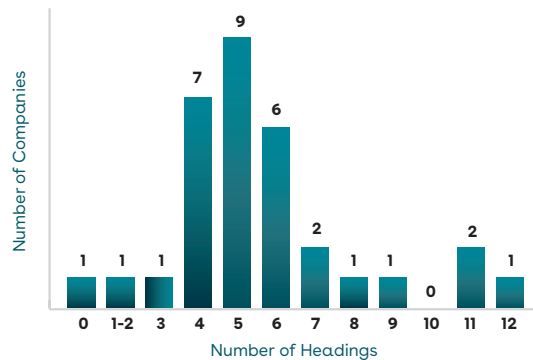
10 to 14 Years



15 to 19 Years



20 or More Years



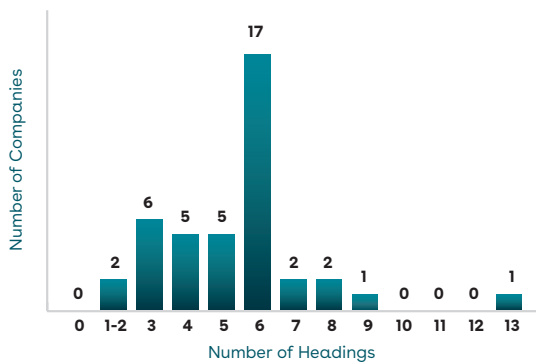
Annual Sales

Use of Headings

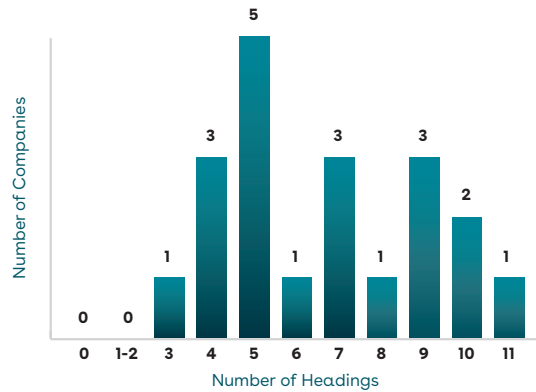
The three companies that did not include any risk factor headings had annual sales from \$1 billion to \$3 billion.

Number of Headings

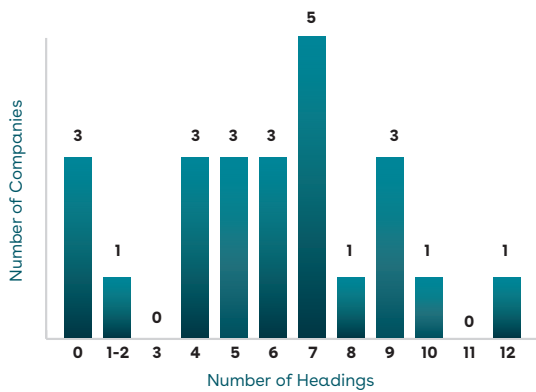
Less than \$500 Million



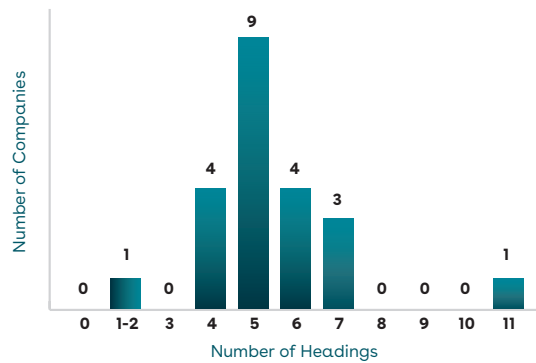
\$500 Million to \$1 Billion



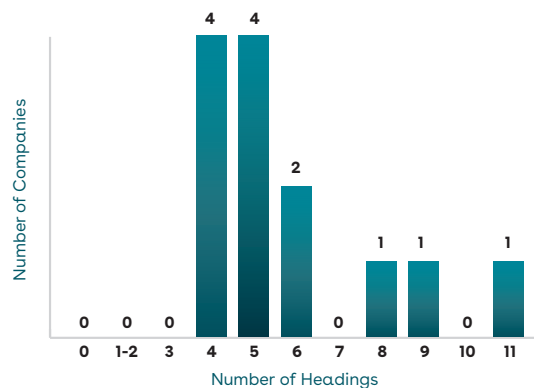
\$1 Billion to \$3 Billion



\$3 Billion to \$15 Billion



\$15 Billion and Greater



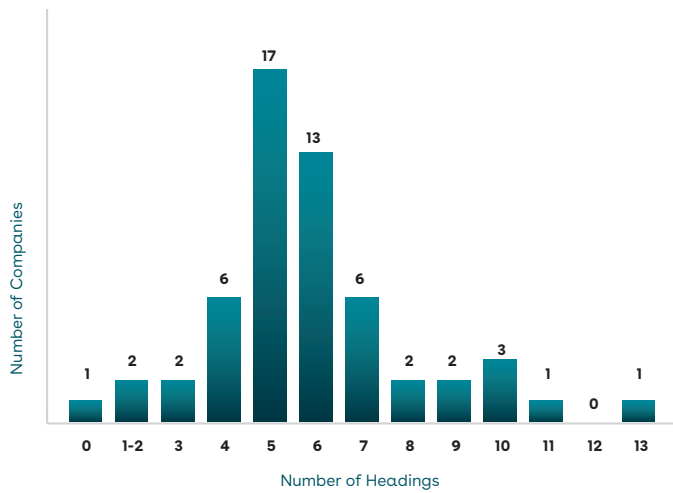
Industry

Use of Headings

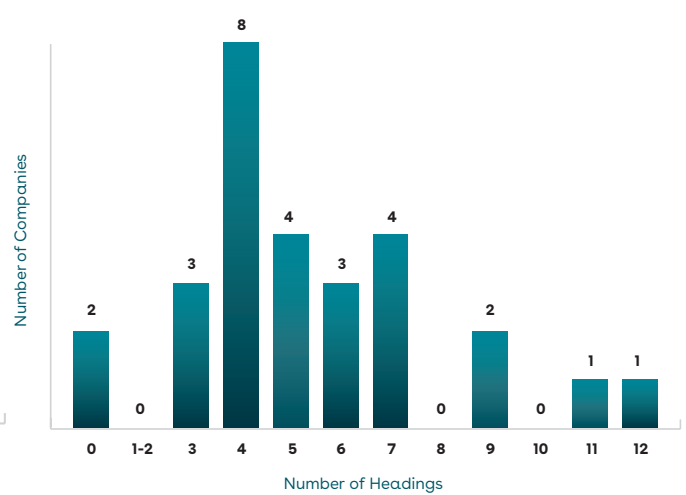
The three companies that did not include any risk factor headings were in the following industries—one in the technology industry and two in the manufacturing industry.

Number of Headings

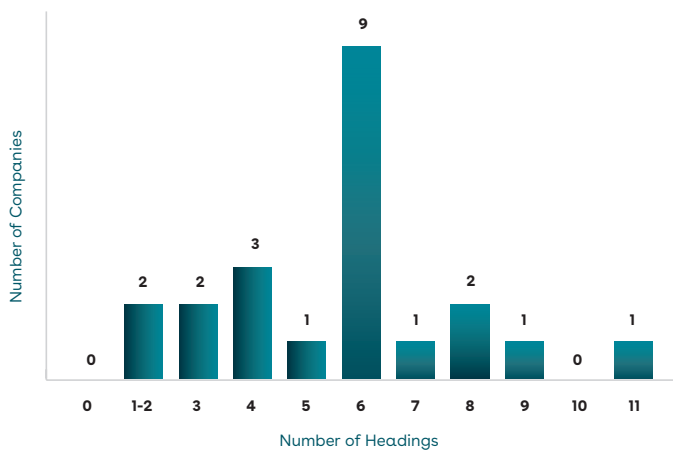
Technology



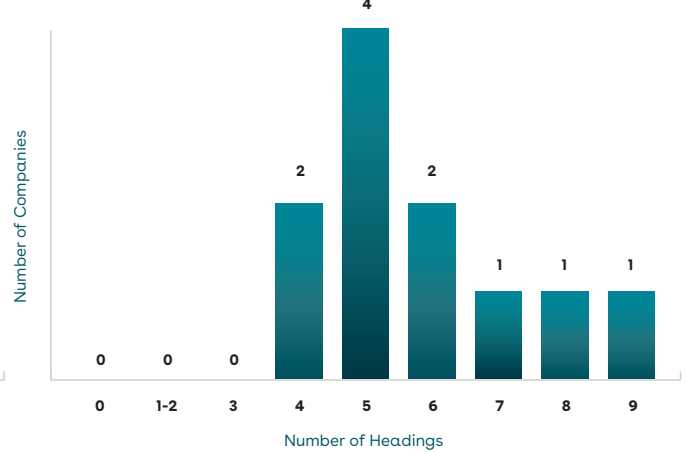
Manufacturing



Life Sciences



Trade and Services



GENERAL RISK FACTORS



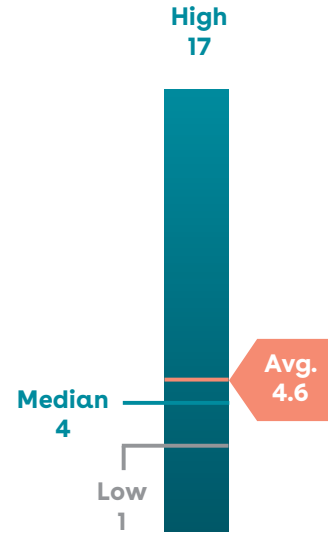
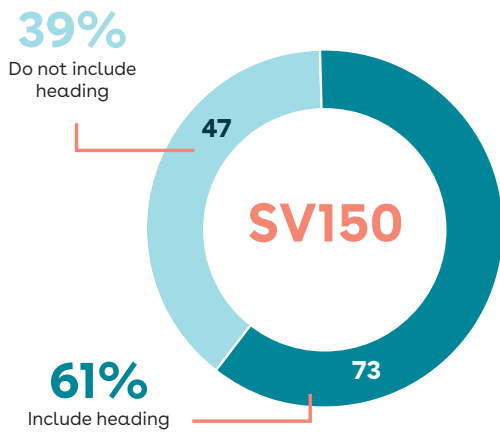
The SEC discourages the presentation of generic risk factors, meaning risks that could apply generically to any company or any offering. However, if a company presents generic risk factors, then the company must disclose those risks at the end of the risk factor section under the heading “General Risk Factors.”¹⁰ This section provides a summary of the use of the “General Risk Factors” heading and the number of risks included under this heading. For a list of some of the risk factor topics covered under the heading “General Risk Factors,” please see **Annex B**.



General Risk Factors Heading

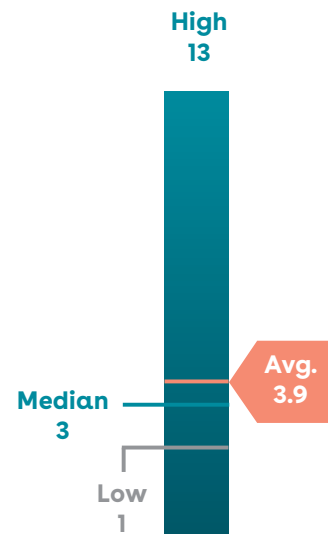
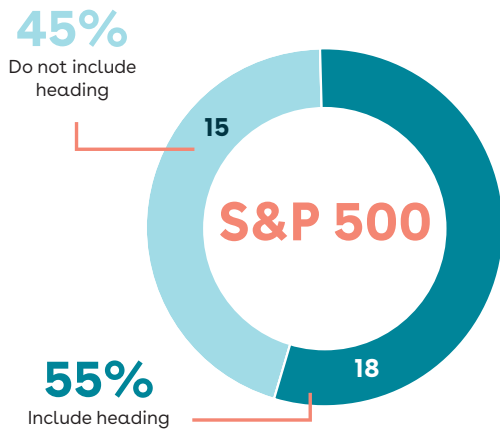
The use of the “General Risk Factors” heading was relatively high, with 61% of the companies surveyed including it in their risk factor section. The number of risk factors included under this heading ranged from 1 risk factor up to 17 risk factors, with an average of 4.6 risk factors.

SV150



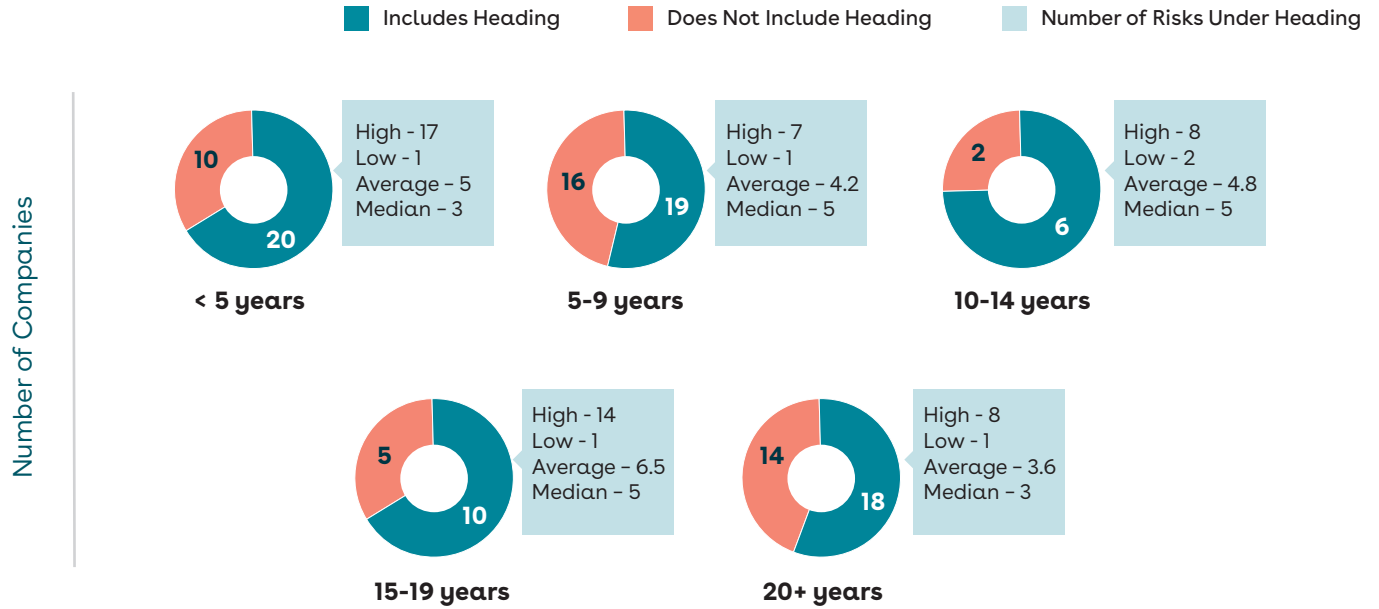
Number of risks under heading

S&P 500

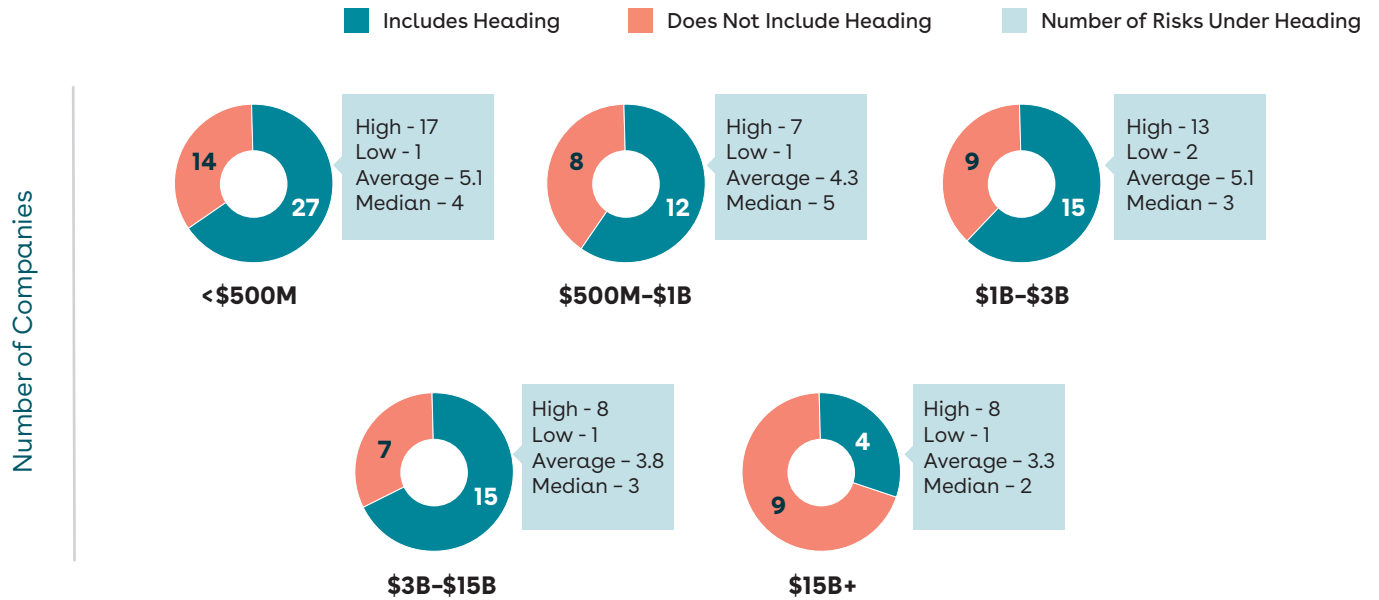


Number of risks under heading

Years Since IPO



Annual Sales



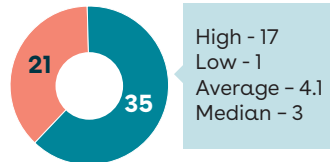
Industry

Number of Companies

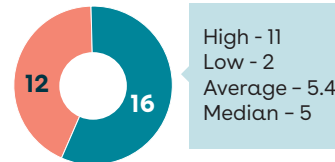
Includes Heading

Does Not Include Heading

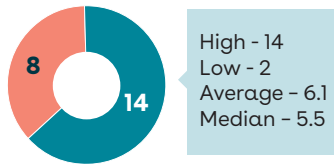
Number of Risks Under Heading



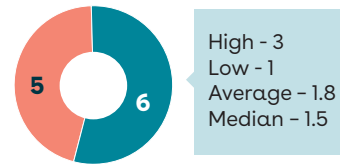
Technology



Manufacturing



Life Sciences



Trade and Services

SUMMARY RISK FACTOR DISCLOSURE



Under the amended rules, if a company's risk factor section exceeds 15 pages, then it is required to include, in the forepart of the report, a bulleted or numbered summary of the principal factors that make an investment in the company or offering speculative or risky.¹¹

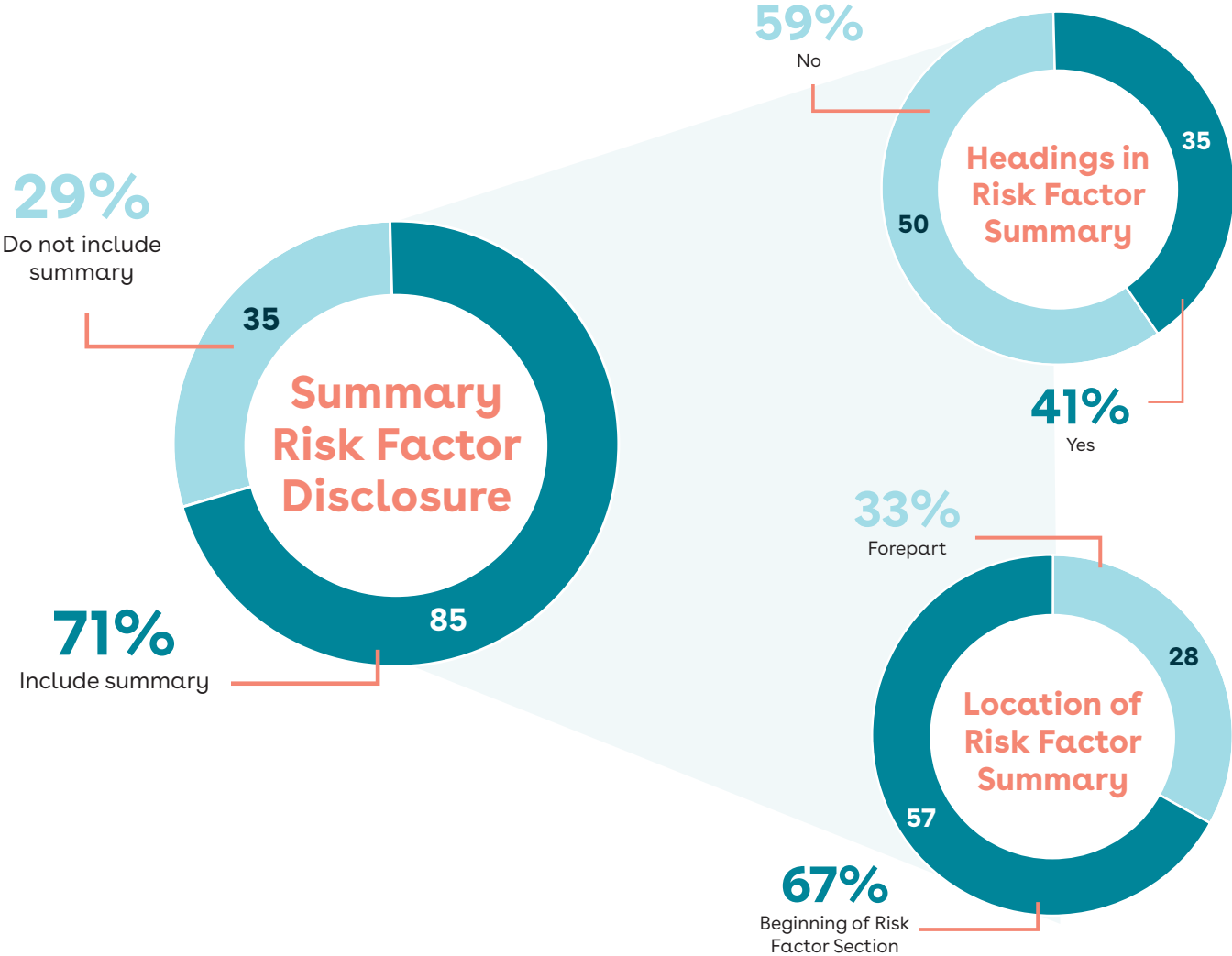
Last year, 73% of the SV150 had more than 15 total pages of risk factors. Not one of those companies included summary risk factor disclosure. This year, under the amended rules, companies had to consider whether to reduce the amount of risk factor disclosure, or to include a summary risk factor disclosure. For purposes of their first Form 10-K filing under the amended rules, most of the SV150 companies surveyed opted to include a summary risk factor disclosure rather than shorten their risk factor disclosure.

This section provides a summary of the prevalence of risk factor summaries, as well as the location¹² of the risk factor summary, if included. In addition, as we reviewed Form 10-Ks earlier this year, we noticed that many companies were organizing their risk factor summaries using the same headings as were used in the risk factor section itself. Thus, this section also summarizes trends relating to the use of headings in the risk factor summary.



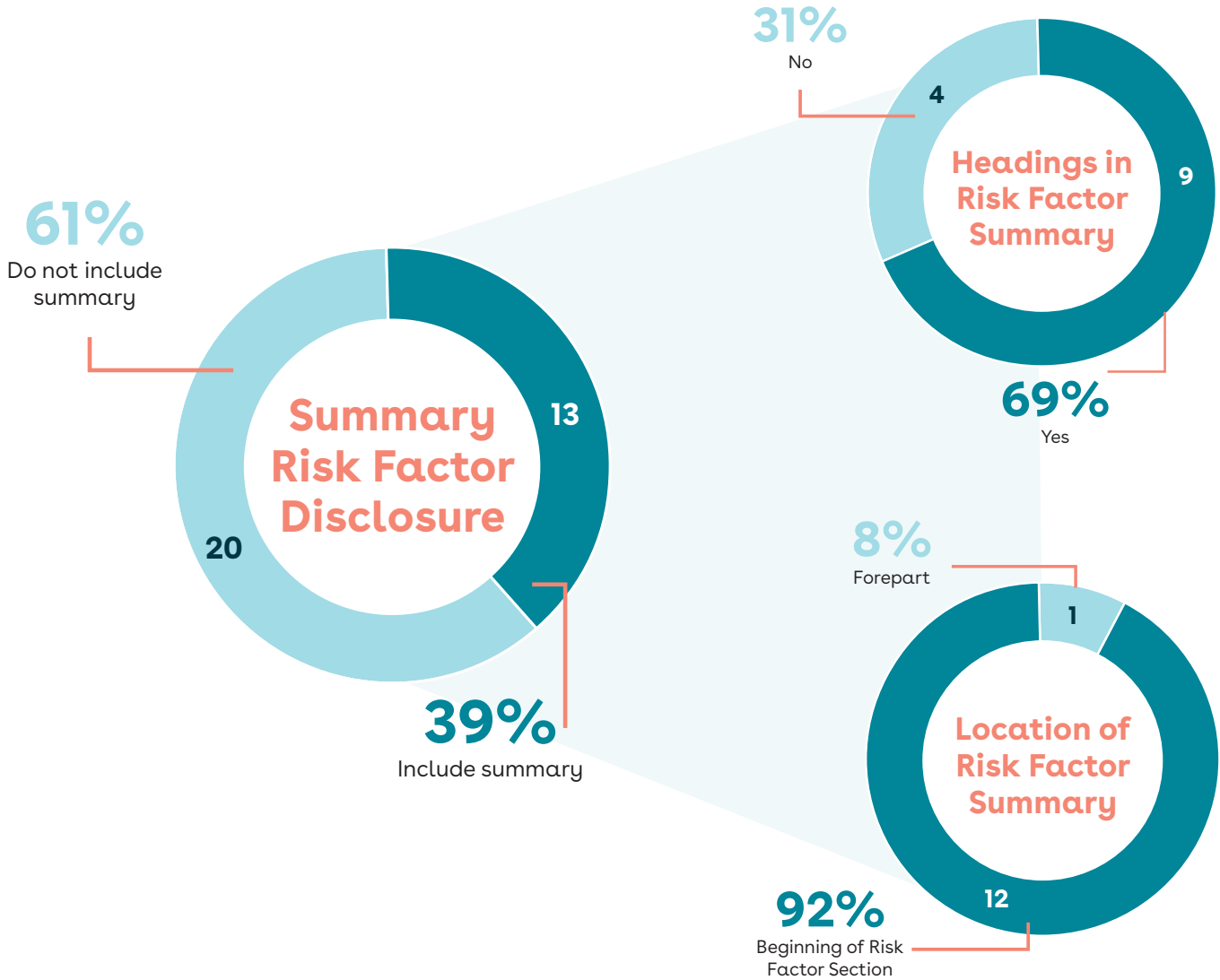
SV150

85 of the 120 companies surveyed, or 71%, include more than 15 pages of risk factors.



S&P 500

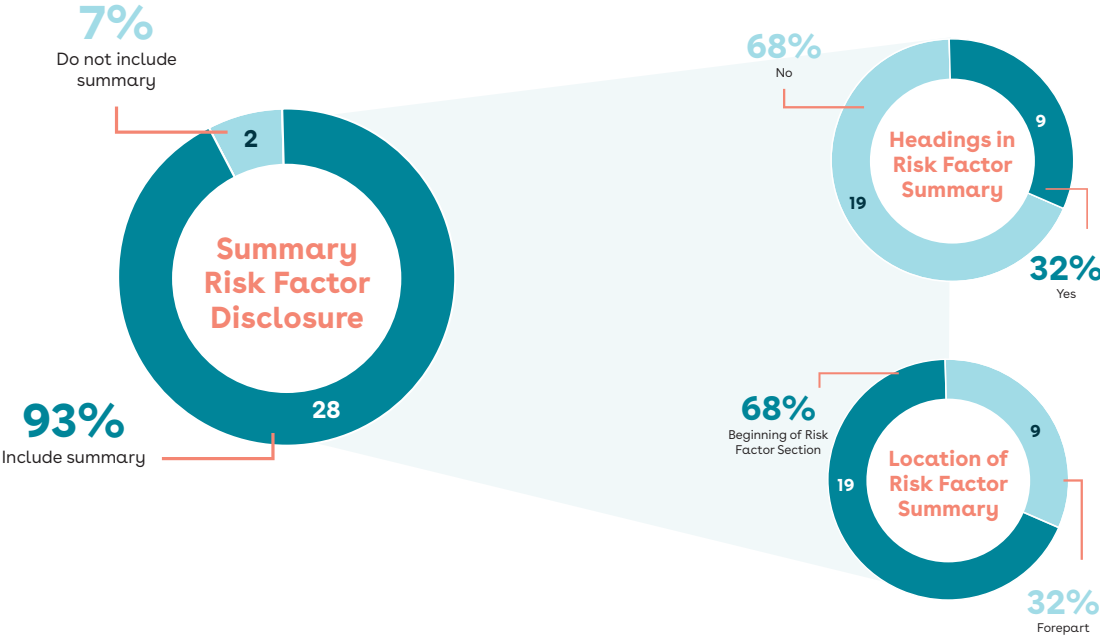
13 of the 33 S&P 500 companies surveyed, or 39%, include more than 15 pages of risk factors.



Years Since IPO

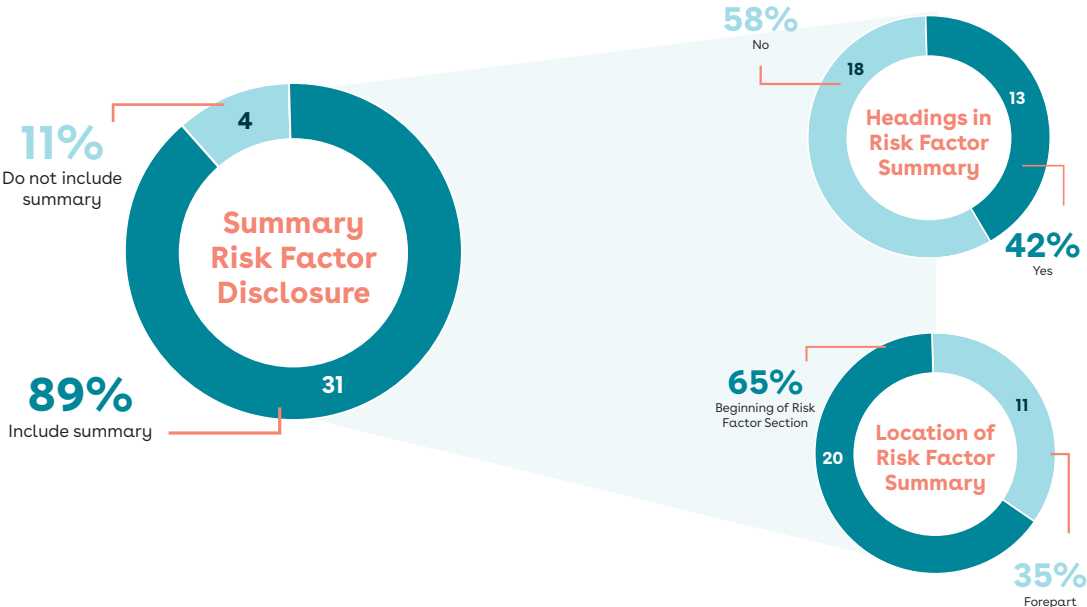
Less than 5 years

28 of the 30 companies surveyed, or 93%, include more than 15 pages of risk factors.



5 to 9 years

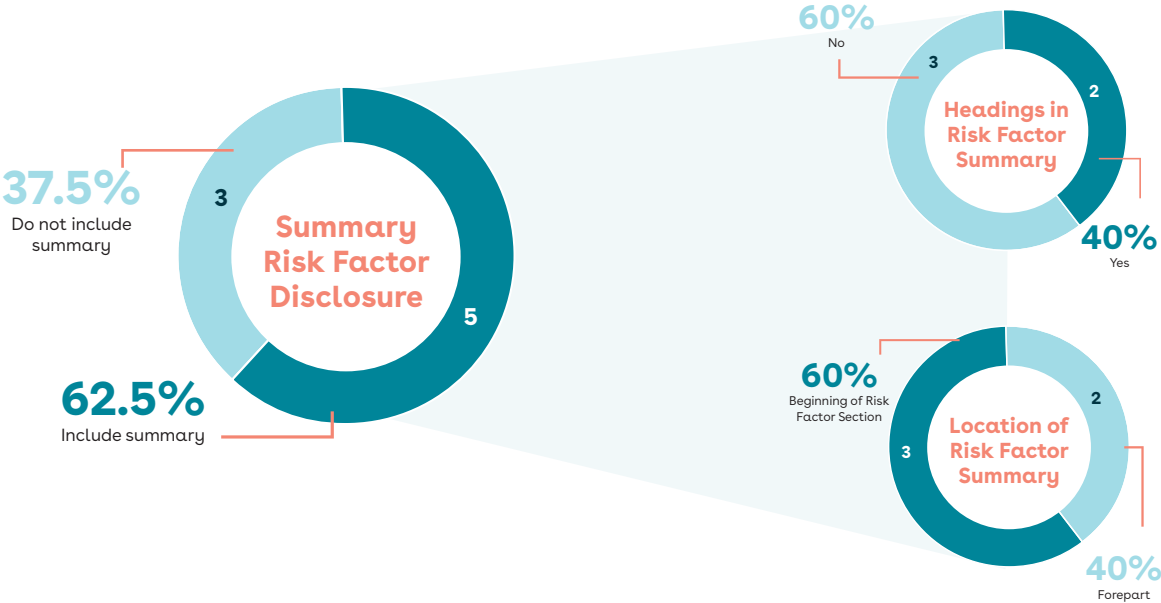
31 of the 35 companies surveyed, or 89%, include more than 15 pages of risk factors.



Years Since IPO

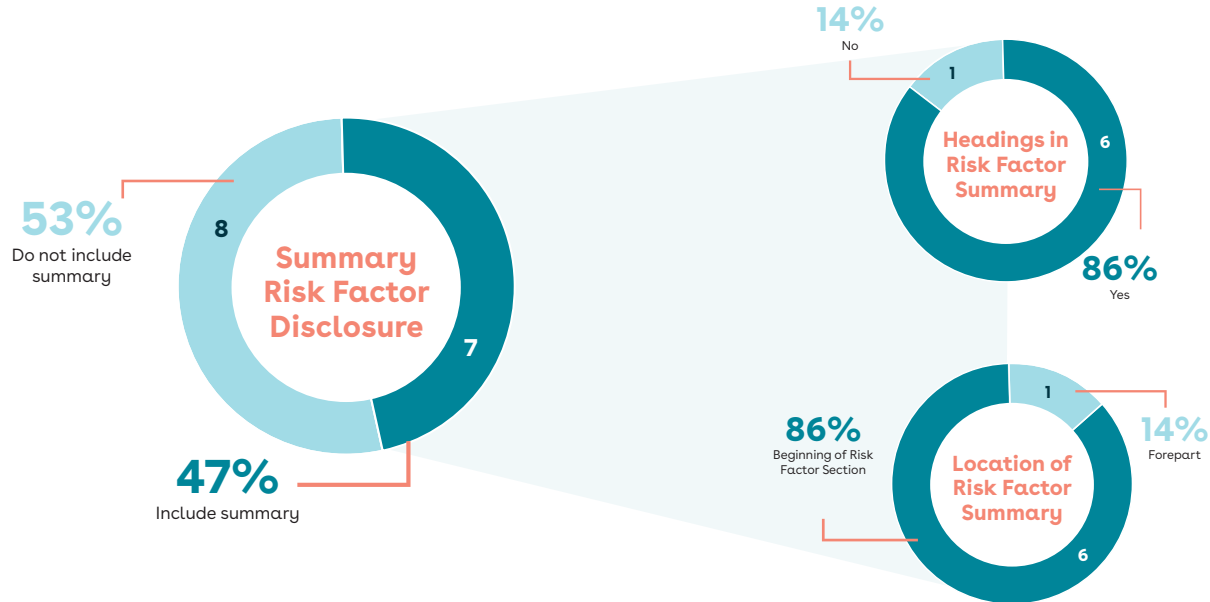
10 to 14 years

6 of the 8 companies surveyed, or 75%, include more than 15 pages of risk factors.



15 to 19 years

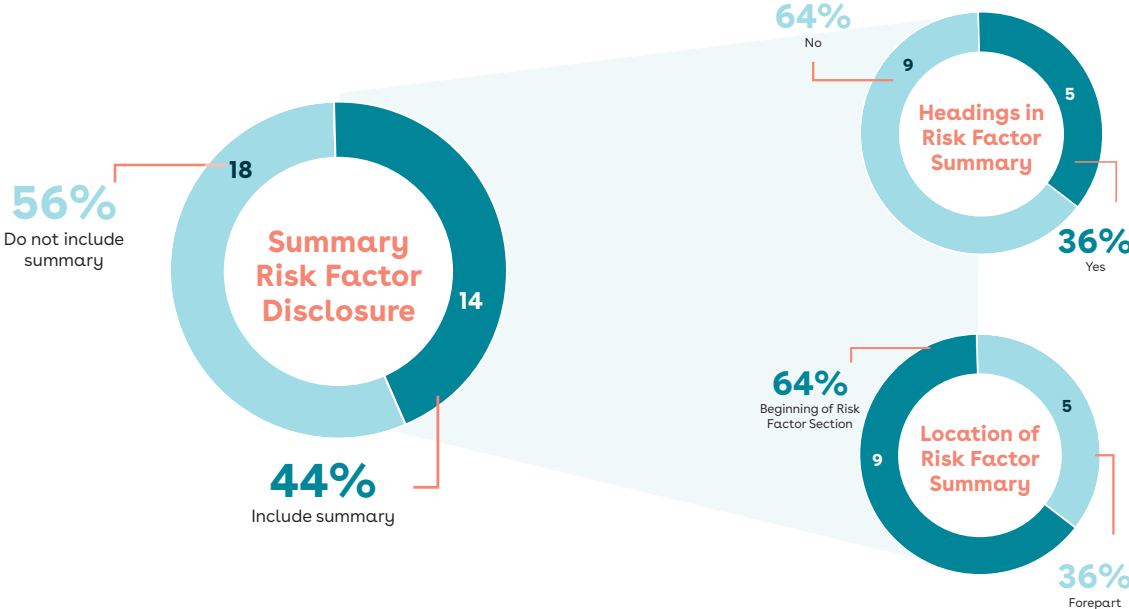
6 of the 15 companies surveyed, or 40%, include more than 15 pages of risk factors.



Years Since IPO

20 or more years

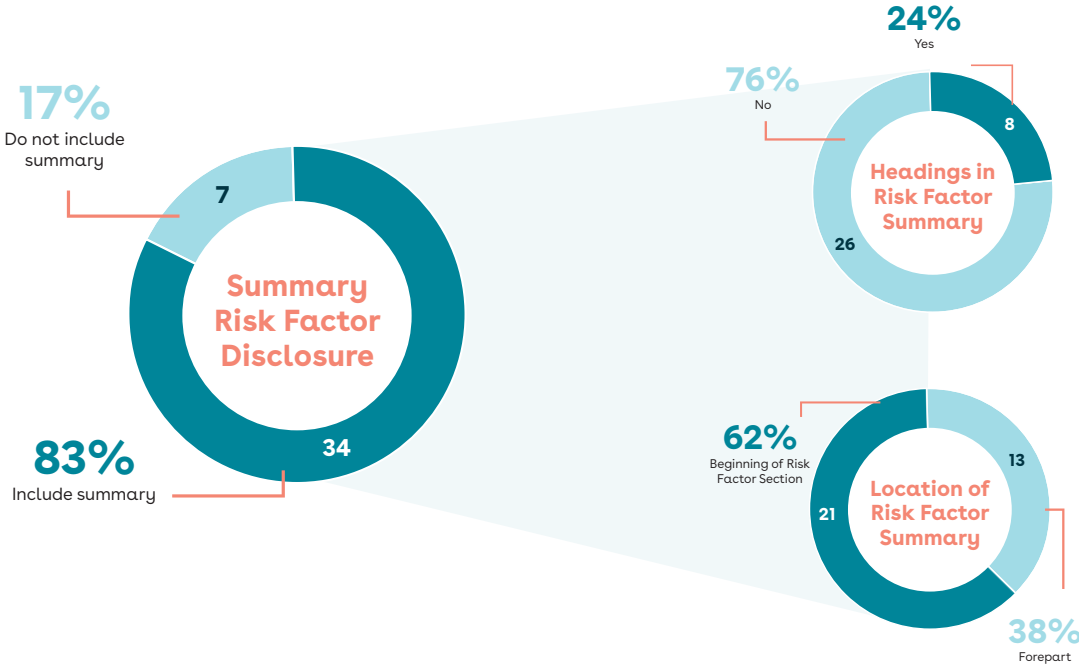
14 of the 32 companies surveyed, or 44%, include more than 15 pages of risk factors.



Annual Sales

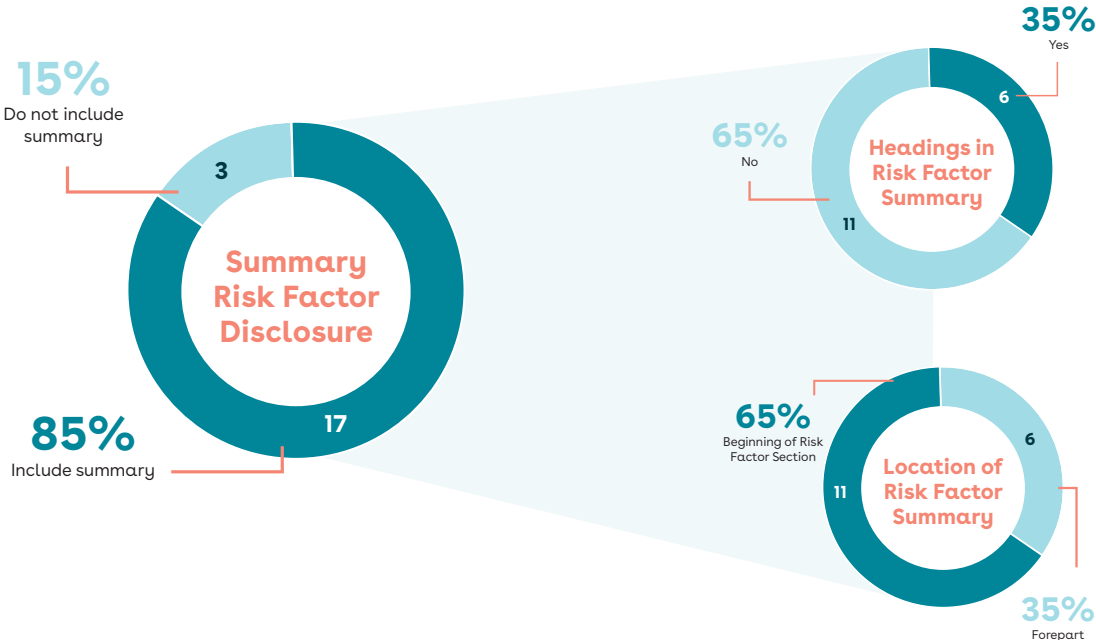
Less than \$500 million

34 of the 41 companies surveyed, or 83%, include more than 15 pages of risk factors.



\$500 million to \$1 billion

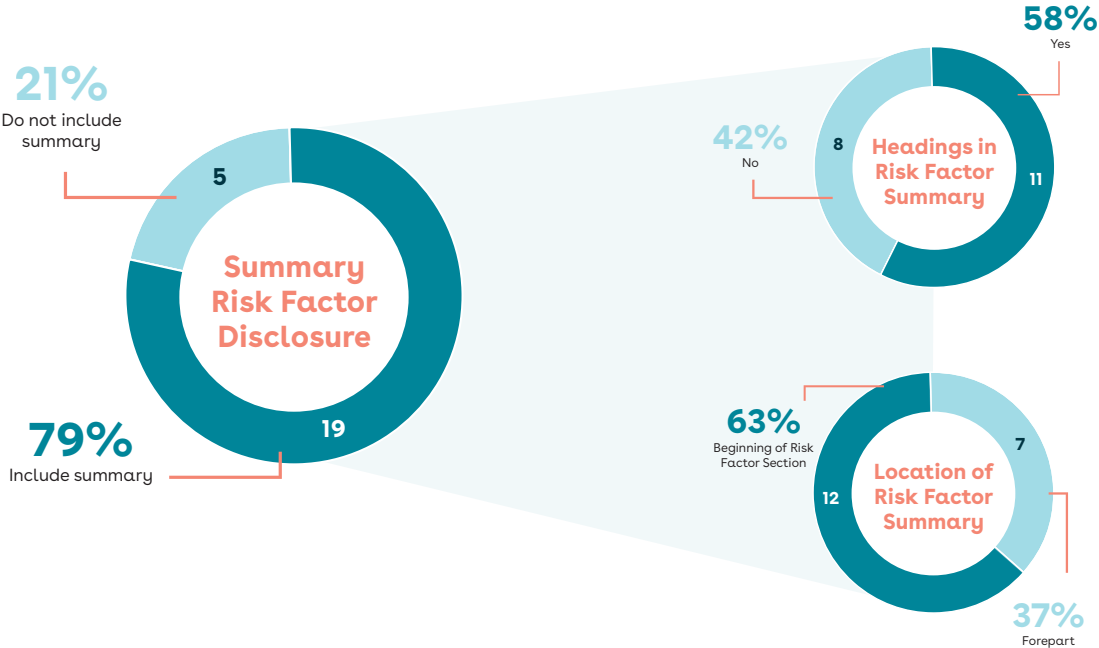
17 of the 20 companies surveyed, or 85%, include more than 15 pages of risk factors.



Annual Sales

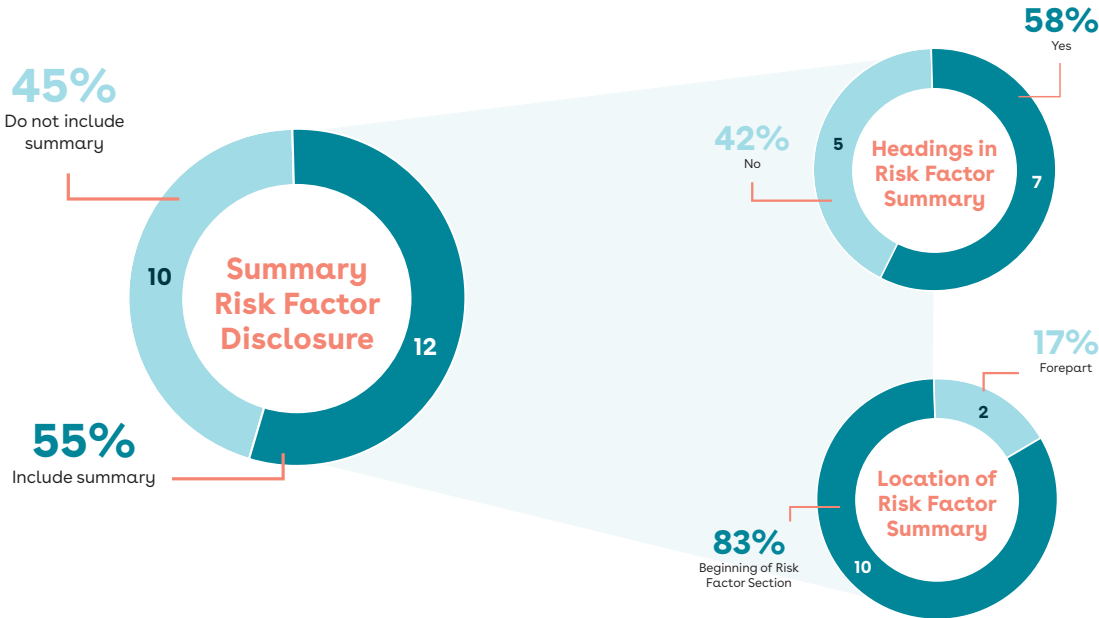
\$1 billion to \$3 billion

19 of the 24 companies surveyed, or 79%, include more than 15 pages of risk factors.



\$3 billion to \$15 billion

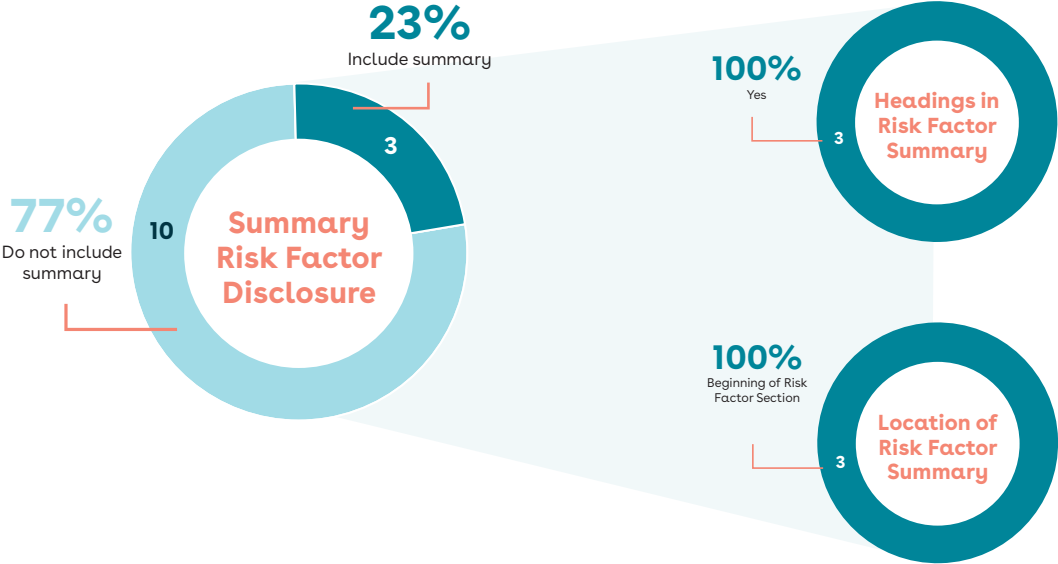
12 of the 22 companies surveyed, or 55%, include more than 15 pages of risk factors.



Annual Sales

\$15 billion and greater

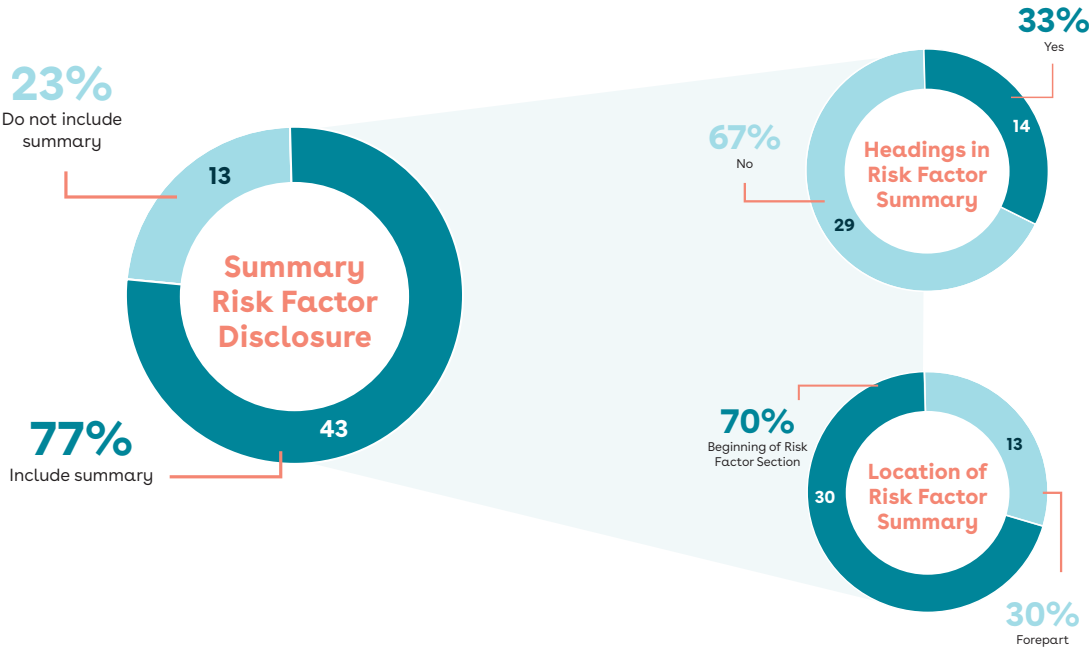
3 of the 13 companies surveyed, or 23%, include more than 15 pages of risk factors.



Industry

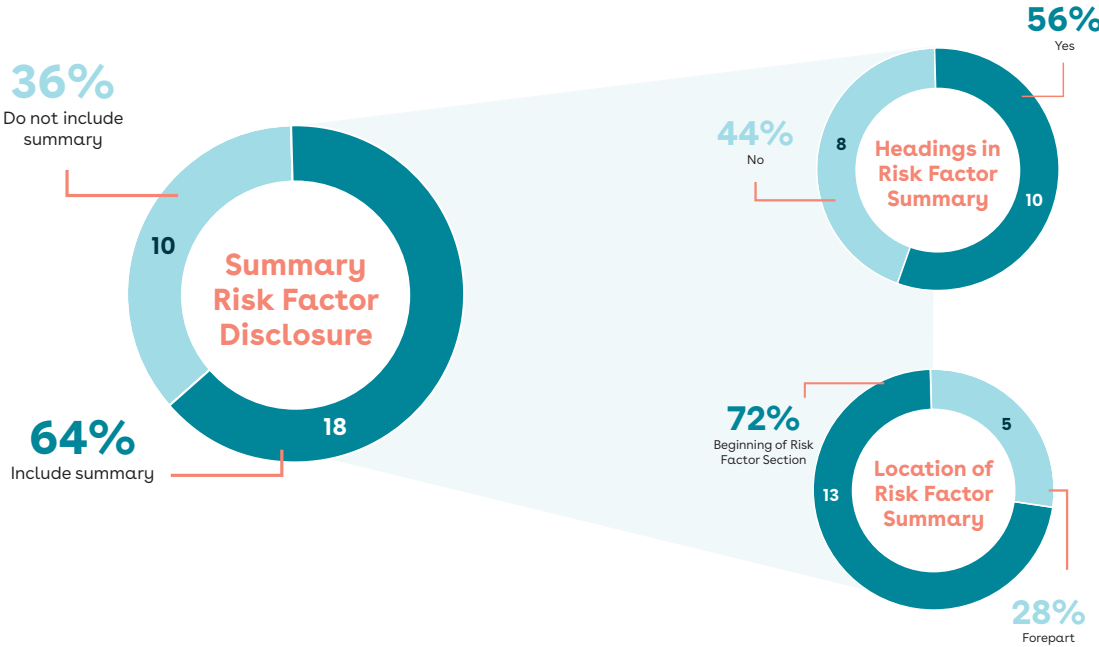
Technology

43 of the 56 companies surveyed, or 77%, include more than 15 pages of risk factors.



Manufacturing

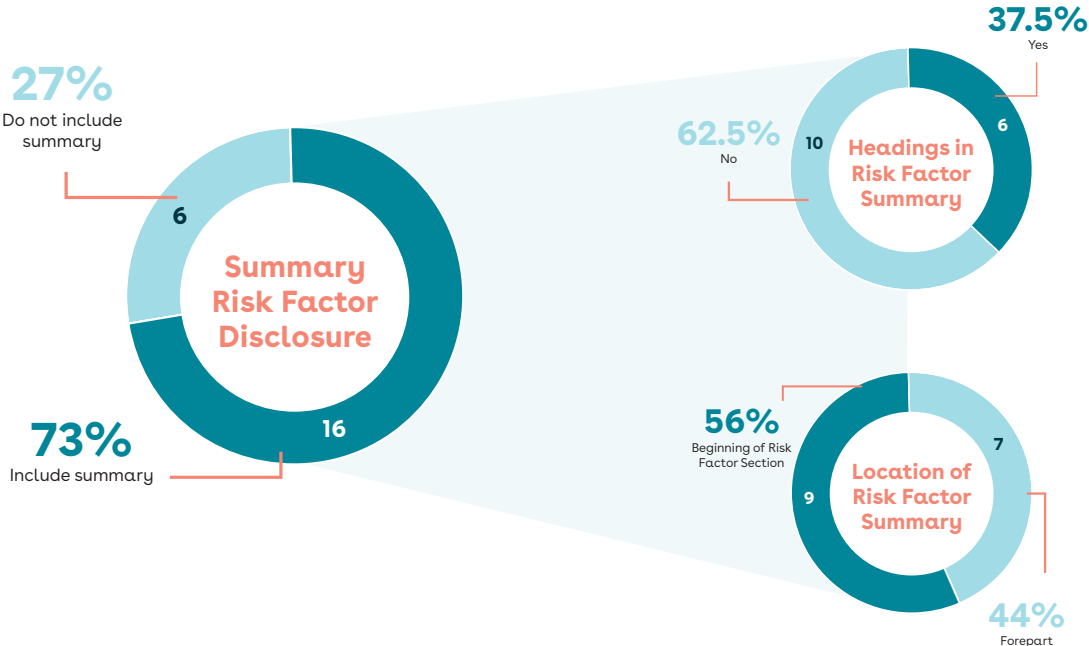
18 of the 28 companies surveyed, or 64%, include more than 15 pages of risk factors.



Industry

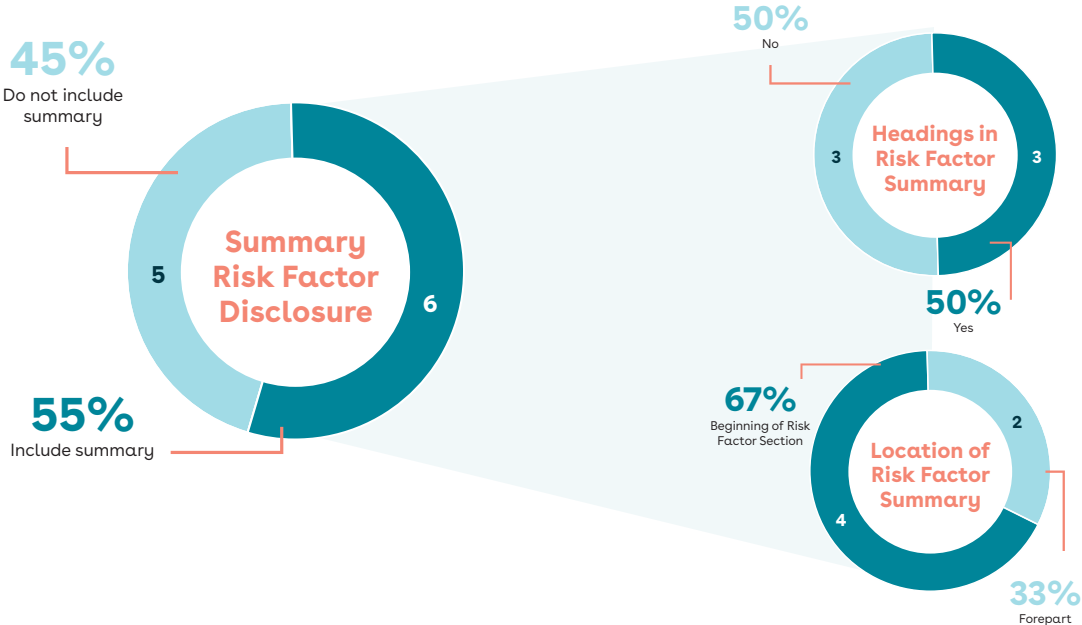
Life Sciences

16 of the 22 companies surveyed, or 73%, include more than 15 pages of risk factors.



Trade and Services

6 of the 11 companies surveyed, or 55%, include more than 15 pages of risk factors.



FORM 10-Q RISK FACTOR DISCLOSURE PRACTICES



In Item 1A of Form 10-Q, companies are required to disclose any material changes from the risk factors previously disclosed in their Form 10-K. Risk factor disclosure practices in Forms 10-Q vary widely—some companies only provide updates (if any) from the risk factors disclosed in their previously filed Form 10-K, some companies provide the full set of risk factors from their previously filed Form 10-K and highlight (whether by asterisk or otherwise) any updates from their previously filed Form 10-K, and some companies provide the full set of risk factors from their previously filed Form 10-K without highlighting whether any updates were made.

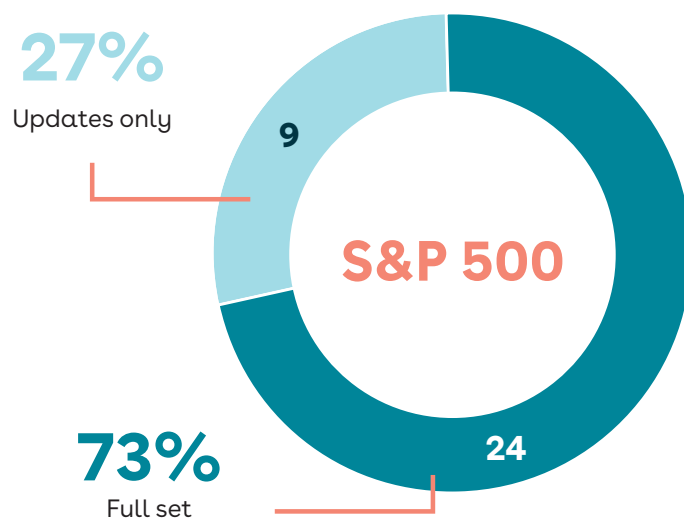
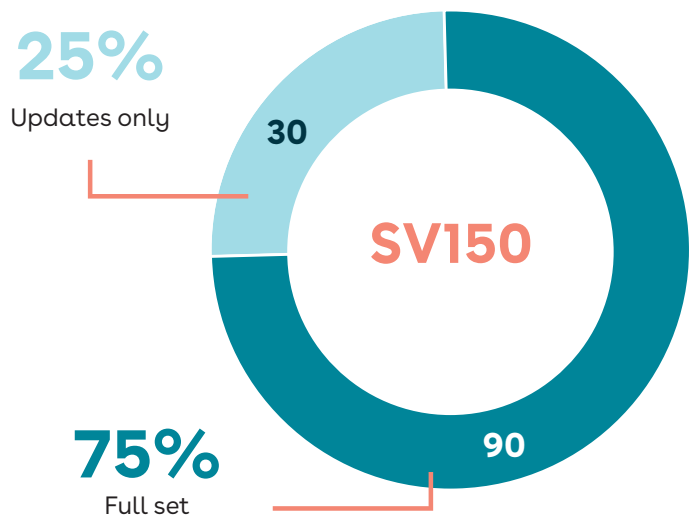
While a discussion of the pros and cons of these practices is beyond the scope of this report, there are a variety of reasons why companies may decide to favor one approach over another. For example, companies that include a full set of risk factors in their Form 10-Q, without highlighting any updates, may make frequent updates to their risk factors and do not want to risk implying that every edit or update is material, or companies may prefer to include a full set of risk factors in each filing to make it easier for investors to find the most up-to-date and complete set of risk factors rather than require investors to review the Form 10-K and the most recent Form 10-Q filing. Companies that only include updates may prefer to reduce the length of their Form 10-Q filings or decrease repetition from their Form 10-K filings, or they may believe that this practice more closely aligns with the requirements in Form 10-Q or prior statements made by the SEC.¹³

We reviewed the Form 10-Q filing that immediately preceded the Form 10-K filing in order to determine whether a company included a full set of risk factors or only included updates (if any) in their Form 10-Q. This section includes a summary of the Form 10-Q practices of the SV150.



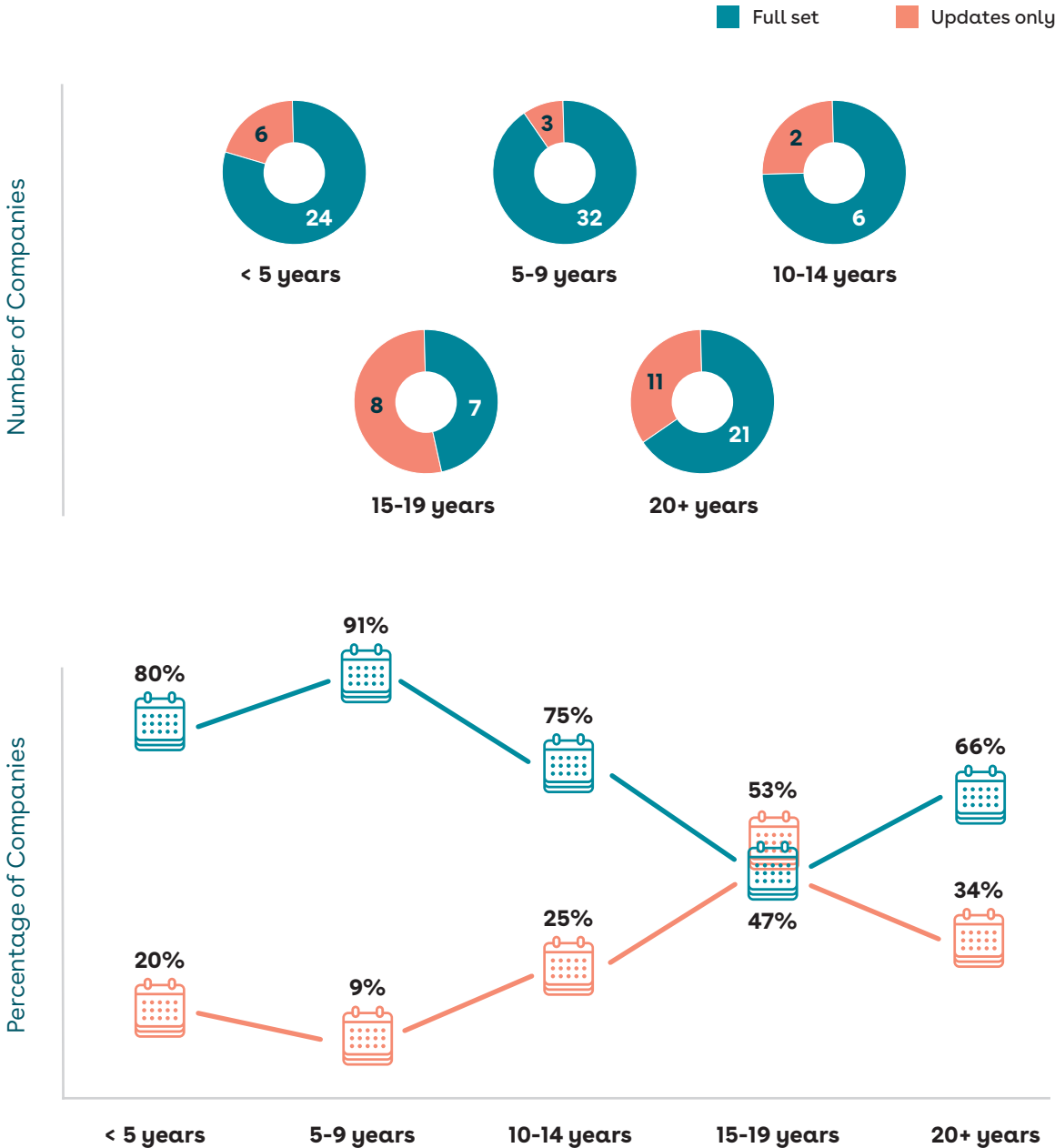
SV150 and S&P 500

Of the 120 companies surveyed for this report, 90 companies, or 75%, include a full set of risk factors in their Form 10-Q filings. Similarly, 24 of the 33 S&P 500 companies surveyed for this report, or 73%, include a full set of risk factors in their Form 10-Q filings.



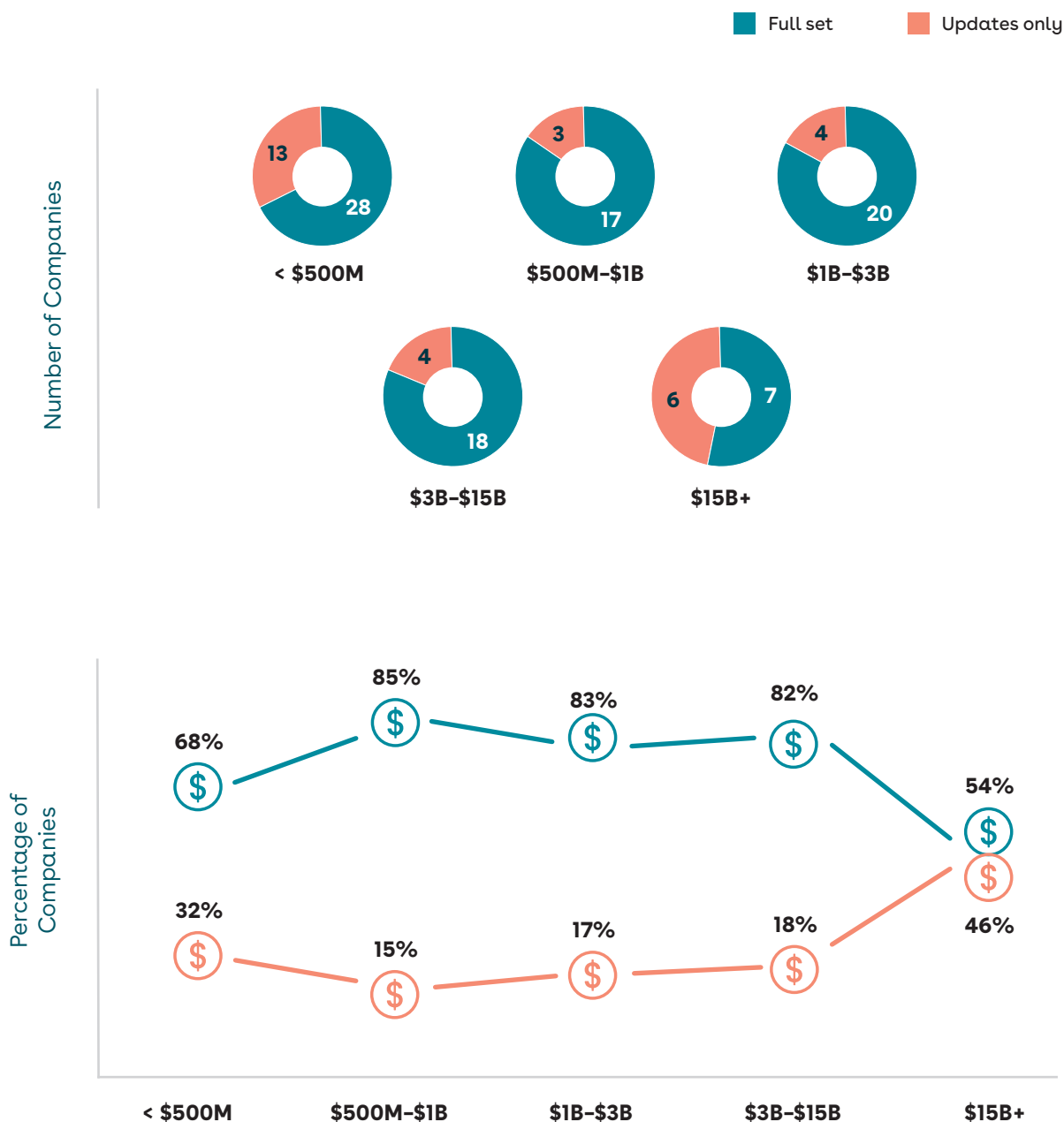
Years Since IPO

A substantial majority of the companies that went public within the last 10 years include a full set of risk factors in their Form 10-Q filings. Specifically, 56 of those 65 companies, or 86%, include a full set of risk factors. Companies that went public 10 or more years ago are somewhat less likely to include a full set of risk factors, with 62% of those companies including a full set of risk factors.



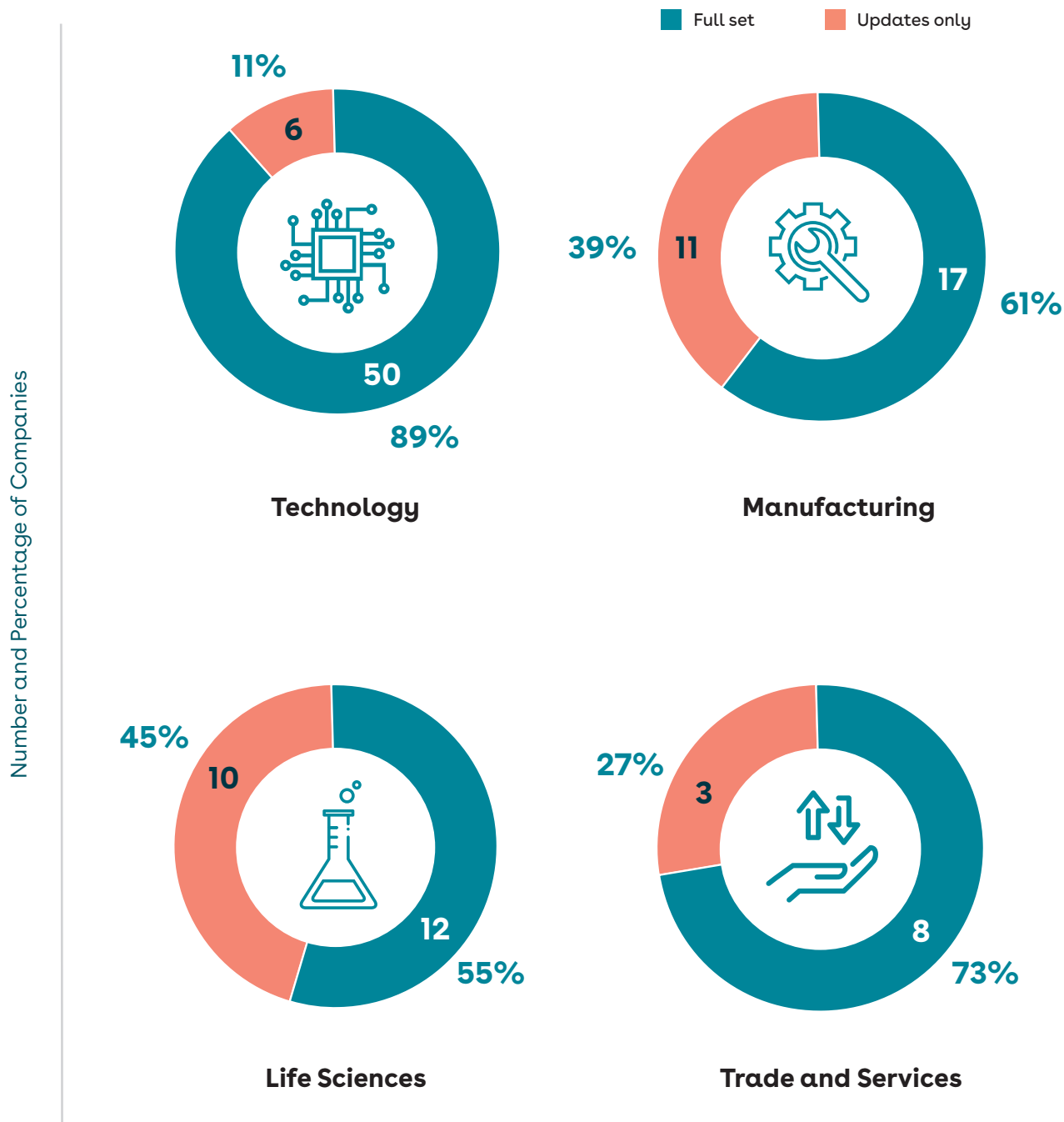
Annual Sales

A substantial majority of companies with \$500 million to \$1 billion in annual sales (85%), with \$1 billion to \$3 billion in annual sales (83%), and with \$3 billion to \$15 billion in annual sales (82%) include a full set of risk factors in their Form 10-Q filings. This trend becomes far less predominant for companies with at least \$15 billion in annual sales, with only 54% of those companies including a full set of risk factors in their Form 10-Q filings.



Industry

Technology companies, for the most part, continue to disclose a full set of risk factors, up from 88% to 89% year-over-year. Conversely, life sciences companies are trending toward disclosure of updates only, with the percentage of life sciences companies that disclose a full set of risk factors decreasing from 67% to 55% year-over-year.



CONCLUSIONS

Risk factor disclosure practices vary widely. We hope, however, that this glimpse by the numbers into the risk factor disclosure practices of the SV150 is useful as companies benchmark their own practices with some of the most prominent technology, manufacturing, and life sciences companies in the world. Set forth below are some general themes and observations from this year's review of the risk factor disclosure practices of the SV150.

Key Changes in Risk Factor Disclosure Practices Under Amended Rules:

- *Risk Factor Summary.* Rather than decrease the total number of pages of risk factors, most SV150 companies opted to maintain robust risk factor disclosure and, in accordance with the amended rules, add a risk factor summary to their Form 10-K filings. Last year, 73% of SV150 companies had more than 15 pages of risk factors, compared to 71% of the SV150 companies this year. Nearly all of the companies with more than 15 pages of risk factors this year added a risk factor summary to their Form 10-K filings.
- *Use and Number of Risk Factor Headings.* Nearly all of the SV150 companies now include risk factor headings. In addition, there is much broader usage of risk factor headings. Last year, most companies included three or fewer total headings. This year, most companies include four to seven total headings, and have expanded beyond the two most prevalent headings from last year, risks related to the business and risks relating to ownership of the company's stock.
- *General Risk Factor Heading.* Many of the SV150 companies surveyed now include a "General Risk Factor" heading in their risk factors, and average more than four risk factors under this heading. Of note, following the effective date of, and consistent with, the amended rules, the SEC began issuing comment letters requesting that companies revise their risk factor section by relocating risks that could apply generically to any registrant or offering to the end of the risk factor section under the heading "General Risk Factors."

Although there were several changes to risk factor disclosure practices under the amended rules, a decline in the overall length of risk factor disclosure was not one of them. Generally, the risk factor sections, measured by the total number of pages of risk factors and the total number of risk factors, increased year-over-year.

Several overarching themes from last year continued into this year:

- The length of the risk factor section, both in terms of total number of pages and total number of risk factors, tends to decrease as more years have elapsed following the IPO.
- The length of the risk factor section, both in terms of total number of pages and total

CONCLUSIONS

number of risk factors, tends to decrease as annual sales increase.

- Companies in the technology industry tend to have the longest risk factor section, and companies in the manufacturing industry tend to have the shortest risk factor section.
- The disclosure of a full set of risk factors in Form 10-Q filings remained high, with 75% of companies surveyed this year disclosing a full set of risk factors, and this practice is particularly prevalent for newer public companies and companies in the technology industry.

There were also several notable year-over-year observations:

- *Total Number of Pages of Risk Factors*
 - Of all the data sets within “Years Since IPO” surveyed for this report, companies that went public within the last five years had the largest year-over-year increase in total number of pages of risk factors.
 - Although the newest public companies saw the largest year-over-year increase, the oldest public companies also saw an increase in total number of pages of risk factors.
 - All of the data sets within “Annual Sales” saw double-digit percentage increases year-over-year in total number of pages of risk factors, except companies with annual sales of \$15 billion or greater.
 - Of all the data sets within “Annual Sales” surveyed for this report, companies with annual sales from \$3 billion to \$15 billion had the largest year-over-year increase in total number of pages of risk factors.
 - Companies in the life sciences industry had a significant increase in the total number of pages of risk factors year-over-year.

Number of Pages of Risk Factors:

Companies that went public in the last five years:

- Average: 31.8 up from 27.2, or 17%
- Median: 33 up from 27.5, or 20%

Companies that went public at least 20 years ago:

- Average: 16.4 up from 14.8, or 11%
- Median: 15 up from 14, or 7%

Companies with annual sales of \$15 billion or greater:

- Average: 16.2 up from 16.1, or <1%
- Median: 14 **down** from 15, or 7%

Companies with annual sales from \$3 billion to \$15 billion:

- Average: 19.9 up from 16.5, or 21%
- Median: 18 up from 14, or 29%

Companies in the life sciences industry:

- Average: 25 up from 20.7, or 21%
- Median: 23.5 up from 18.5, or 27%

- *Total Number of Risk Factors*

- Overall in the SV150, the percentage increase year-over-year in total number of risk factors (3%) was much smaller than the percentage increase year-over-year in total number of pages of risk factors (13%), which may be indicative of lengthier individual risk factors for many of these companies.
- Of all the data sets within “Years Since IPO” surveyed for this report, companies that went public 15 to 19 years ago had the largest year-over-year increase, on average, in total number of risk factors, driven in part by a few companies with higher risk factor counts.
- Of all the data sets within “Annual Sales” surveyed for this report, companies with annual sales between \$3 billion and \$15 billion had the largest increase in total number of risk factors, although this percentage increase was significantly smaller than the increase in total number of pages of risk factors.
- Companies in the trade and services industry saw a marked decline in the total number of risk factors year-over-year, while companies in the life sciences industry had the largest increase in total number of risk factors across the industries surveyed.

Total Number of Risk Factors:

Companies that went public 15 to 19 years ago:

- Average: 44 up from 40.4, or 9%
- Median: 39, remained flat

Companies with annual sales from \$3 billion to \$15 billion:

- Average: 39.7 up from 36.6, or 8%
- Median: 35 up from 33.5, or 4%

Companies in the trade and services industry:

- Average: 42.2 **down** from 46.5, or 9%
- Median: 37 **down** from 43, or 14%

Companies in the life sciences industry:

- Average: 48.8 up from 44.3, or 10%
- Median: 52.5 up from 42.5, or 24%

¹ See Modernization of Regulation S-K Items 101, 103, and 105, 85 Fed. Reg. 63726 (Oct. 8, 2020).

² Five of the SV150 companies were acquired prior to filing a Form 10-K under the amended rules. These companies include Fitbit, Inc., ForeScout Technologies, Inc., Telenav, Inc., MobileIron, Inc., and Livongo Health, Inc. In addition, as of May 31, 2021, 25 of the SV150 companies had not yet filed a Form 10-K under the amended rules due to the timing of their respective fiscal year ends. These companies include Apple Inc., Cisco Systems, Inc., Oracle Corporation, Western Digital Corporation, Lam Research Corporation, Intuit Inc., NetApp, Inc., KLA Corporation, Super Micro Computer, Inc., Palo Alto Networks, Inc., Maxim Integrated Products, Inc., Lumentum Holdings Inc., Stitch Fix, Inc., Synaptics Incorporated, Nutanix, Inc., Viavi Solutions Inc., SMART Global Holdings, Inc., Extreme Networks, Inc., Guidewire Software, Inc., QuinStreet, Inc., Alpha and Omega Semiconductor Limited, Accuray Incorporated, Zscaler, Inc., Elastic N.V., and Aviat Networks, Inc.

³ All percentages have been rounded to the nearest whole percentage, where applicable and possible. For ease of readability, this report does not include “approximately” or words of similar import when referencing these percentages.

⁴ There are two companies in the Real Estate and Construction industry and one company in the Finance industry. Given these small sample sizes, this report does not include Real Estate and Construction or Finance in the industry-related data that follows. However, the companies in these two industries are included within all other data, where applicable.

⁵ See Modernization of Regulation S-K Items 101, 103, and 105, 85 Fed. Reg. 63726, 63742 (Oct. 8, 2020) (“in proposing the amendments to Item 105, we aimed to address the lengthy and generic nature of the risk factor disclosure presented by many registrants”) (“some recent studies have indicated that risk factor disclosures have increased over time”); see also at 63744 (“the length of risk factor disclosure and the number of risks disclosed has increased in recent years”).

⁶ *Id.* at 63744 and 63754.

⁷ *Id.* at 63744.

⁸ For purposes of counting the total number of pages of risk factors in each Form 10-K filing, if no actual text of a risk factor appeared on a page, then that page did not count toward the total number of pages of risk factors. For example, if just the risk factor section heading and introductory sentence(s) were included on a page, then that page did not count toward the total number of pages of risk factors because no actual text of a risk factor appeared on that page. In addition, if the risk factor summary was included in the risk factor section, it was not counted as part of the total number of pages of risk factors.

⁹ Item 105(a) of Reg. S-K.

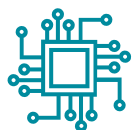
¹⁰ *Id.*

¹¹ Item 105(b) of Reg. S-K.

¹² Risk factor summaries were located in one of two places, either 1) at the beginning of the risk factor section (after the caption, Item 1A. Risk Factors, and introductory paragraph, but before the actual risk factors) or 2) in the forepart of the report, either prior to Part I or immediately following the Part I reference, but before the Item 1, Business caption.

¹³ In Item 1A of Form 10-Q, companies are required to disclose “material changes” to the risk factors previously disclosed in their Form 10-K filing. In addition, in the adopting release for the 2005 Securities Offering Reform, the SEC states that it discourages “unnecessary restatement or repetition of risk factors in quarterly reports.” Securities Offering Reform, 70 Fed. Reg. 44786 (Aug. 3, 2005).

SIC Codes



Technology

Includes SIC codes:

3559 (Special Industry Machinery, Not Elsewhere Classified)	4899 (Communications Services, Not Elsewhere Classified)
3570 (Computer and Office Equipment)	7370 (Computer and Data Processing Services)
3571 (Electronic Computers)	7371 (Computer Programming Services)
3572 (Computer Storage Devices)	7372 (Prepackaged Software)
3576 (Computer Communications Equipment)	7373 (Computer Integrated Systems Design)
3577 (Computer Peripheral Equipment, Not Elsewhere Classified)	7374 (Computer Processing and Data Preparation and Processing Services)
4841 (Cable and Other Pay Television Services)	



Manufacturing

3430 (Plumbing and Heating, Except Electric)	3669 (Communications Equipment, Not Elsewhere Classified)
3620 (Electrical Industrial Apparatus)	3672 (Printed Circuit Boards)
3651 (Household Audio and Video Equipment)	3674 (Semiconductors and Related Devices)
3661 (Telephone and Telegraph Apparatus)	3711 (Motor Vehicles and Passenger Car Bodies)
3663 (Radio and Television Broadcasting and Communications Equipment)	



Life Sciences

2834 (Pharmaceutical Preparations)	3829 (Measuring and Controlling Devices, Not Elsewhere Classified)
2836 (Biological Products, Except Diagnostics Substances)	3841 (Surgical and Medical Instruments and Apparatus)
2860 (Industrial Organic Chemicals)	3842 (Orthopedic, Prosthetic, and Surgical Appliances and Supplies)
3812 (Search, Detection, Navigation, Guidance, Aeronautical, and Nautical Systems and Instruments)	3845 (Electromedical and Electrotherapeutic Apparatus)
3826 (Laboratory Analytical Instruments)	3861 (Photographic Equipment and Supplies)
3827 (Optical Instruments and Lenses)	8071 (Medical Laboratories)



Trade and Services

5045 (Computers and Computer Peripheral Equipment and Software)	7389 (Business Services Not Elsewhere Classified)
5961 (Catalog and Mail-Order Houses)	7841 (Video Tape Rental)
7200 (Personal Services)	8200 (Educational Services)
7310 (Advertising)	8731 (Commercial Physical and Biological Research)
7384 (Photofinishing Laboratories)	



Real Estate and Construction

6794 (Patent Owners & Lessors)	6798 (Real Estate Investment Trusts)
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Finance

6141 (Personal Credit Institutions)

Risk Factor Topics Under “General Risk Factors” Heading

The top 10 topics, by frequency, of risk factors included under the “General Risk Factors” heading are the following:

- Risks related to catastrophic events or natural disasters
- Risks related to maintaining internal control over financial reporting
- Risks related to global economic conditions or uncertainty
- Risks related to loss of key personnel or retention of employees
- Risks related to stock price volatility
- Risks related to potential changes to tax laws or tax rates, or potential tax liabilities
- Risks related to securities analysts’ recommendations
- Risks related to the costs of being a public company
- Risks related to potential changes in accounting principles or standards
- Risks related potential errors in critical accounting estimates or judgments

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