

Foundational Equity 2025

Dilution across cofounders, advisors,
employees, pre-seed and seed funding

A thrilling kickoff from our lawyers



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In case you were wondering...

Data gifts for everyone

Yes, you can have this deck.

Email me: peter.walker@carta.com

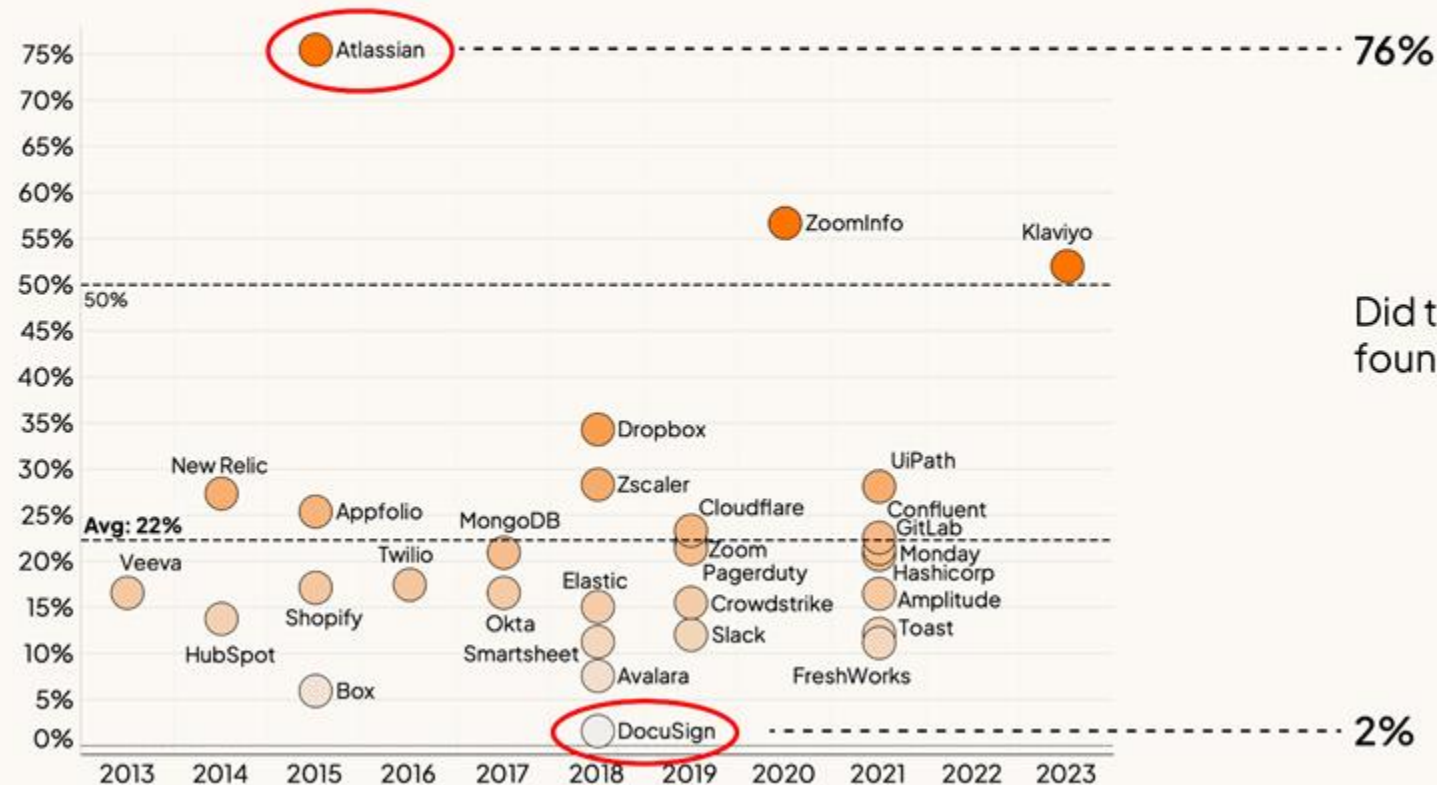
The core mechanic is dilution

[DY] + [LOO] + [SHUHN]

The **decrease in ownership percentage** for existing shareholders when a company issues or reserves new shares of stock.

Flash forward – how much of your company will you own at IPO?

Founder ownership as a group on day of IPO | .34 prominent SaaS companies | Data compiled by Jason Lemkin, SaaStr



Did the DocuSign founders mess up?

Sources of Dilution

Cofounders







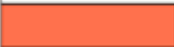
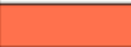




























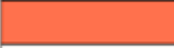





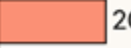


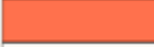
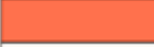



Advisors

Employees

Fundraising

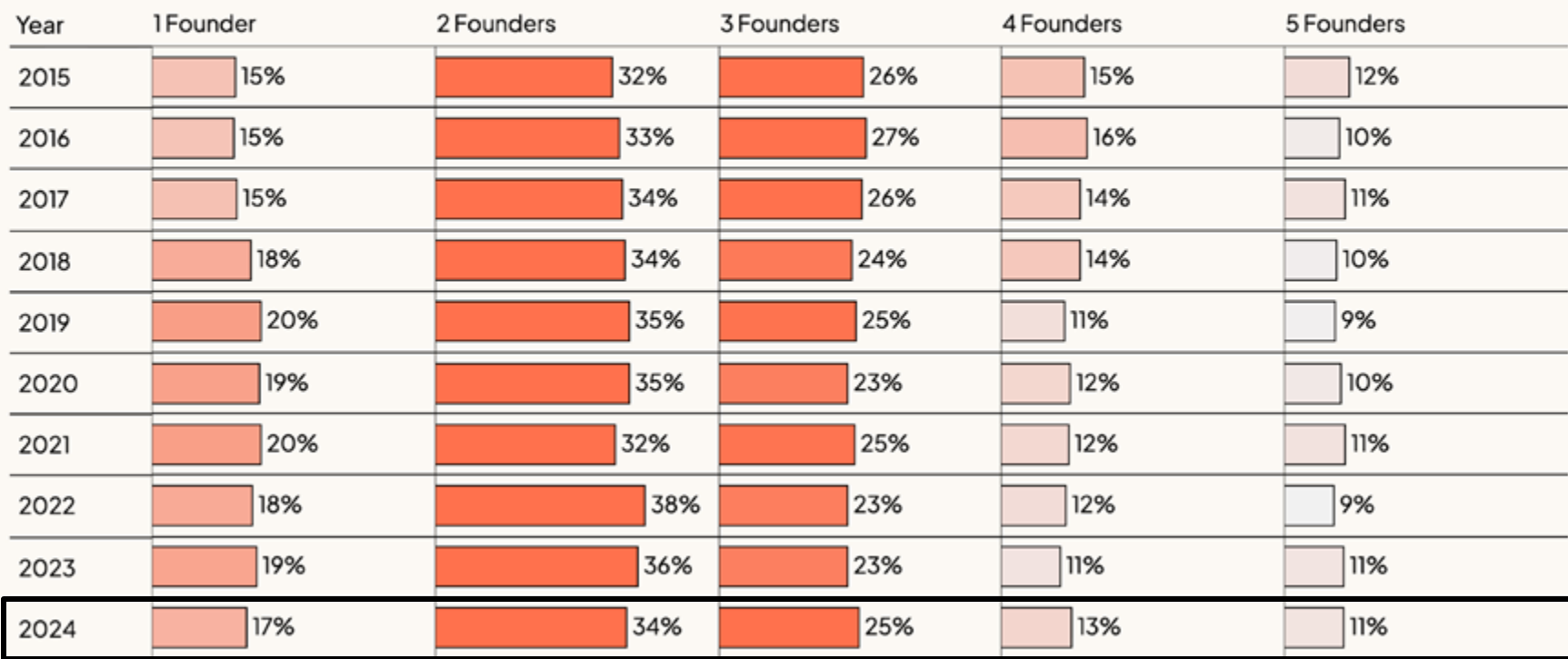
Solo-founded startups became more common

Distribution of founding team size across 43,492 US startups on Carta | Includes startups with and without VC funding

Year	1 Founder	2 Founders	3 Founders	4 Founders	5 Founders	Startups
2015	 17%	 32%	 25%	 15%	 11%	2,619
2016	 18%	 33%	 26%	 14%	 9%	2,581
2017	 17%	 33%	 25%	 14%	 11%	3,047
2018	 21%	 33%	 23%	 14%	 9%	3,686
2019	 23%	 34%	 23%	 11%	 9%	4,379
2020	 24%	 35%	 22%	 11%	 9%	5,315
2021	 25%	 34%	 22%	 11%	 8%	6,673
2022	 27%	 38%	 20%	 9%	 6%	5,762
2023	 29%	 36%	 20%	 8%	 6%	5,666
2024	 35%	 37%	 16%	 7%	 4%	3,764

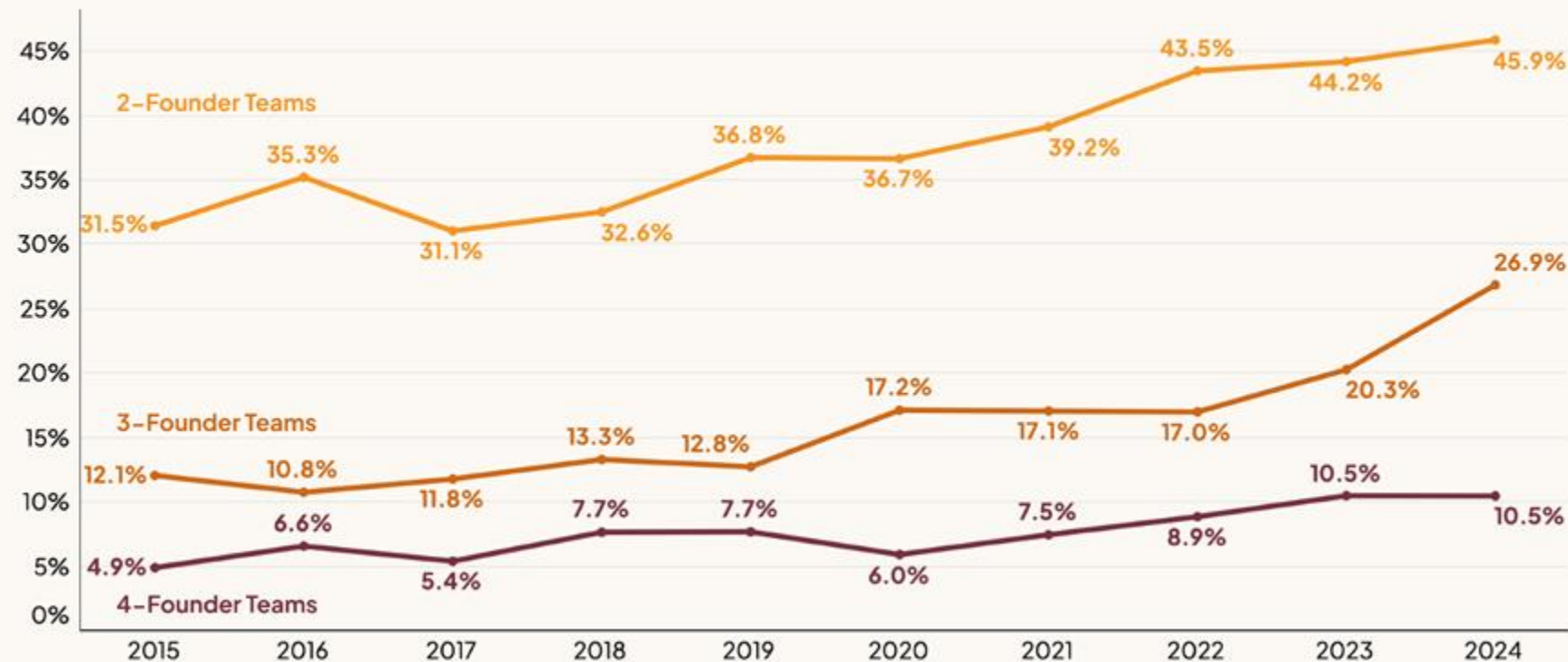
Startups with VC funding are more likely to have cofounders

Distribution of founding team size across 18,388 US startups on Carta | Includes only startups with VC funding



Splitting equity equally has become more common in recent years

Share of startups that had equal equity splits by founding team size and incorporation year



The lead founder typically takes an outsize portion of equity

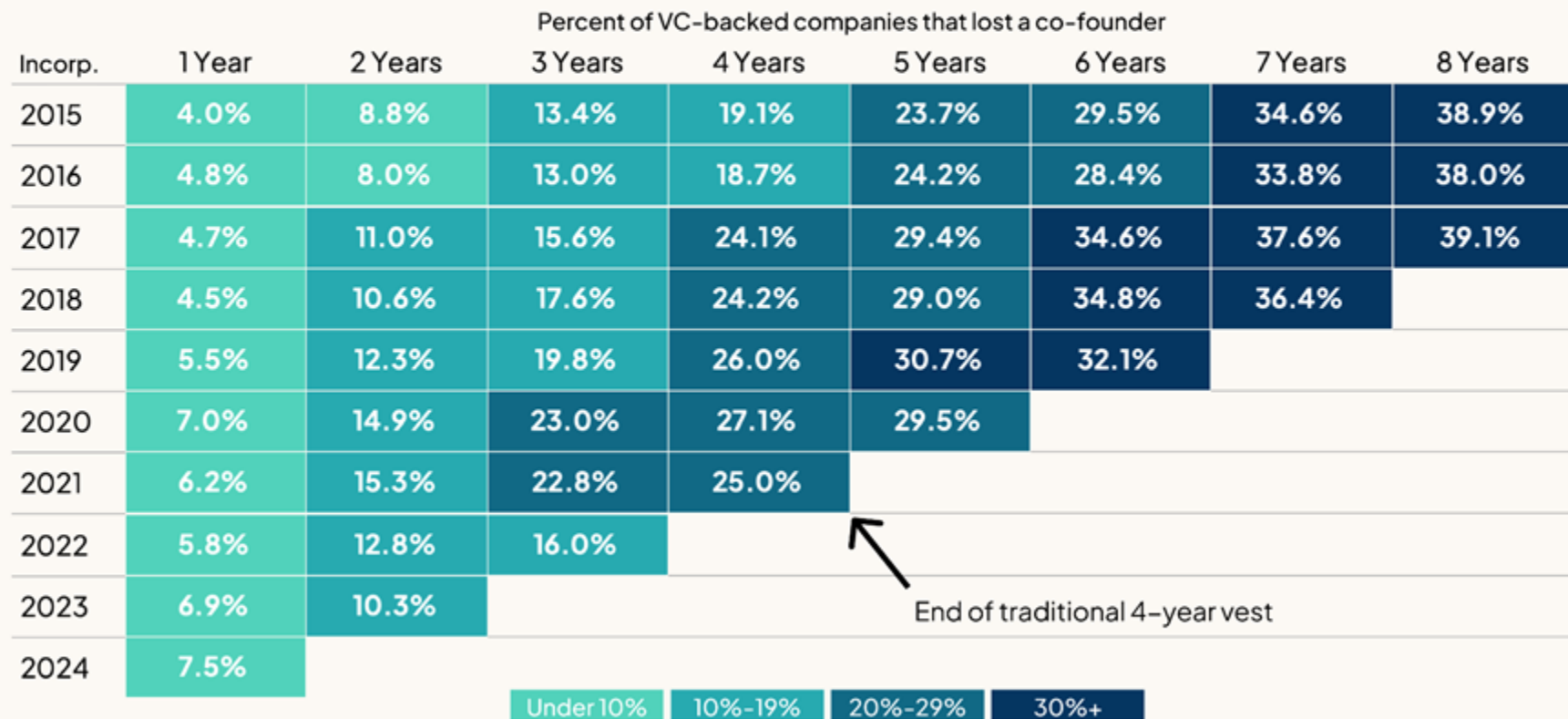
Median equity for each founder by founding team size | Incorporated 2019–2024 | Percentages may not add to 100%

Team Size	Individual founder (alphabetical by % equity)				
	Founder A	Founder B	Founder C	Founder D	Founder E
2 Founders	51%	49%			
3 Founders	45%	33%	20%		
4 Founders	41%	25%	18%	10%	
5 Founders	36%	23%	17%	12%	8%

What's (one) easy way to kill your startup?
...founders without a vesting schedule

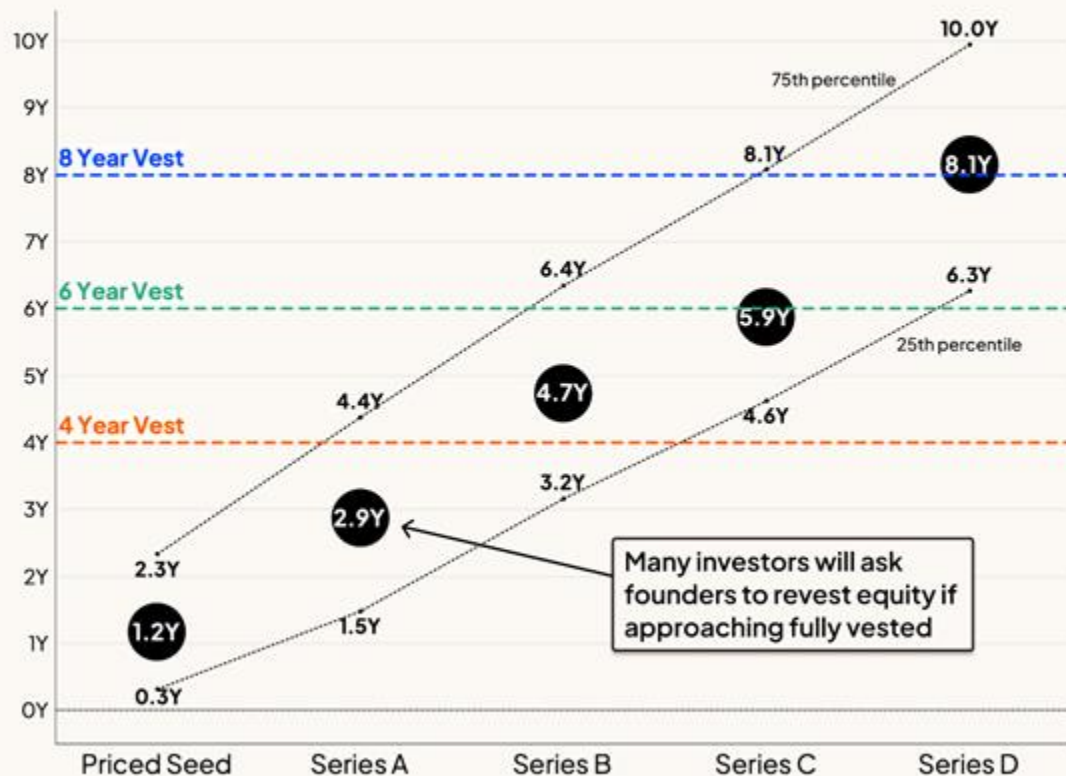
About 24% of 2-founder teams lose a founder by Year 4

Percent of VC-backed, 2-founder teams that eventually lose a cofounder | 6,567 startups incorporated from 2015–2024



Should founders have longer vesting schedules?

Founder vesting vs funding stage by time from incorporation



Many investors will ask founders to revest equity if approaching fully vested

My Take:
Let the VCs ask first

Founder Equity Details

Vesting schedules and equity types

Vesting Schedule	Equity Type	Refresh Options
<ul style="list-style-type: none">• Typically a 4-year vest with no cliff.• Slight trend lately towards 5 or 6-year vesting schedules.	<ul style="list-style-type: none">• Usually Restricted Stock Awards (RSAs).• Own the shares on the date you <u>accept the grant</u> and satisfy any purchase price requirements, but typically, the shares will still be subject to vesting conditions. RSAs are considered "restricted" stock, because the shares cannot be freely transferred or traded, which allows the company to stay in compliance with securities laws.• RSAs are generally issued by very early-stage companies when the <u>fair market value (FMV)</u> of common stock is very low—you won't get hit with a significant tax burden if you receive the shares as compensation instead of purchasing them.	<ul style="list-style-type: none">• Could see refresh grants implemented in line with future fundraising.• Could also have currently vested equity re-vested by VCs in future deals

Sources of Dilution

Cofounders

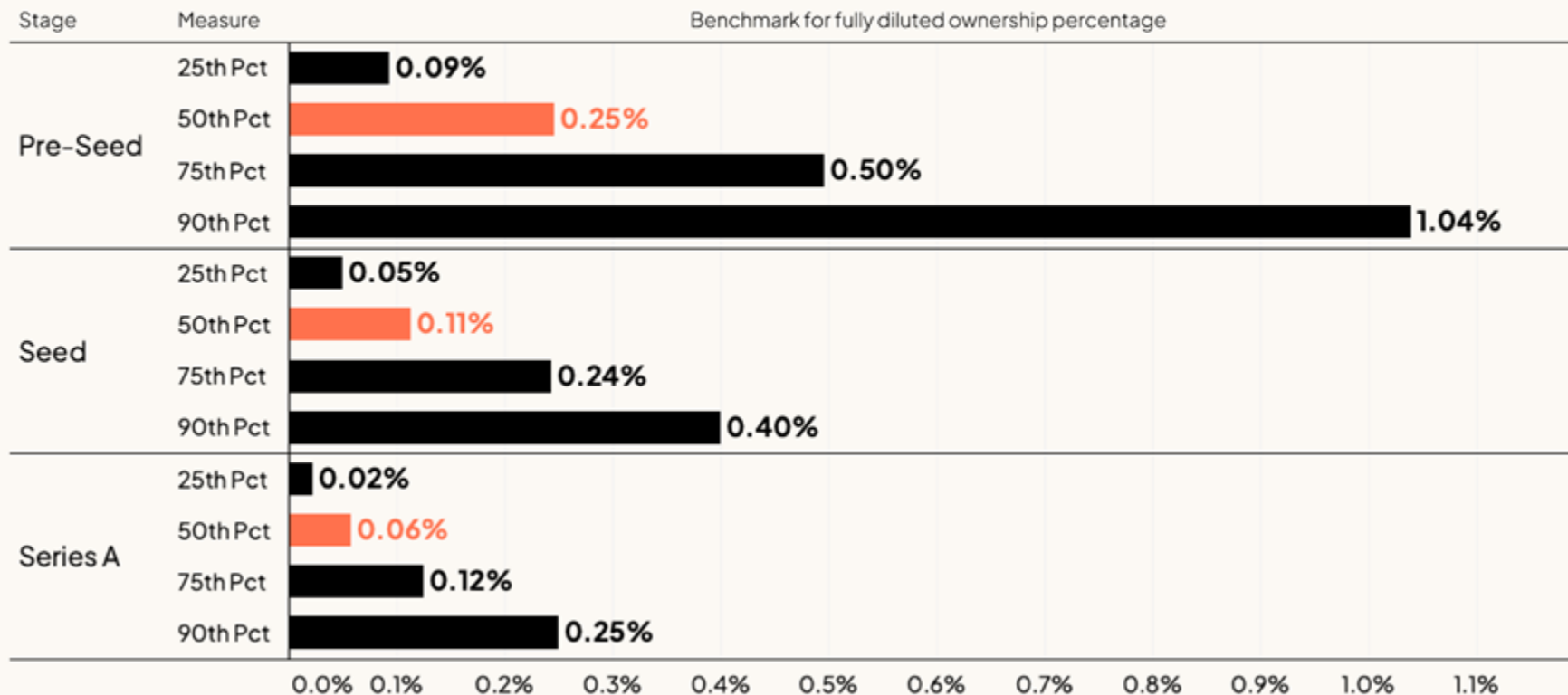
Advisors

Employees

Fundraising

Only 10% of pre-seed advisors receive 1% or more in equity

Fully diluted equity grants for advisors in 2024 | Most advisor equity vests over 2 years



Advisor Equity Details

Vesting schedules and equity types

Vesting Schedule	Equity Type	Refresh Options
<ul style="list-style-type: none">• Typically a 2-year vest with no cliff or a very short one.• Can also vest according to performance criteria rather than time.	<ul style="list-style-type: none">• Non-Qualified Stock Options (NSOs).• https://carta.com/learn/equity/stock-options/nso/	<ul style="list-style-type: none">• Early advisor equity is usually not refreshed as most advisors do not continue to provide the same level of value over time.

Sources of Dilution

Cofounders

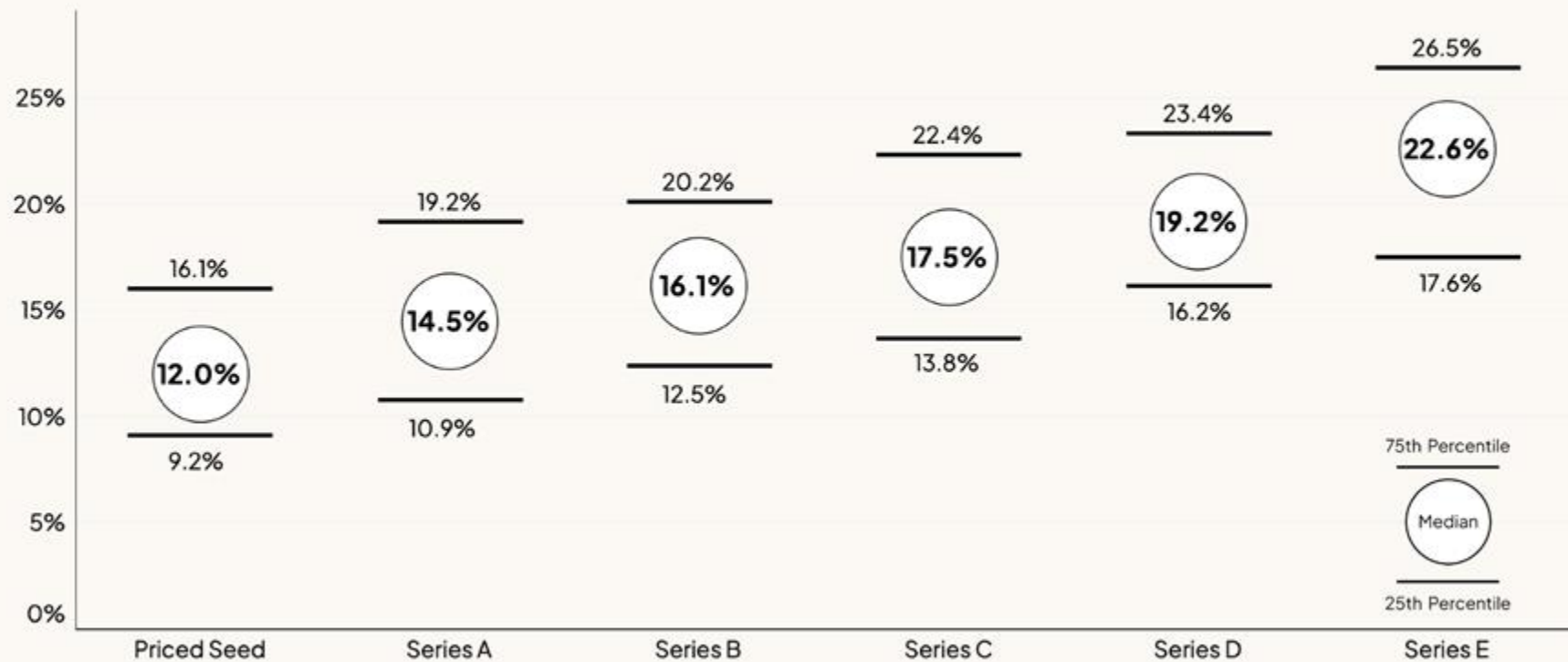
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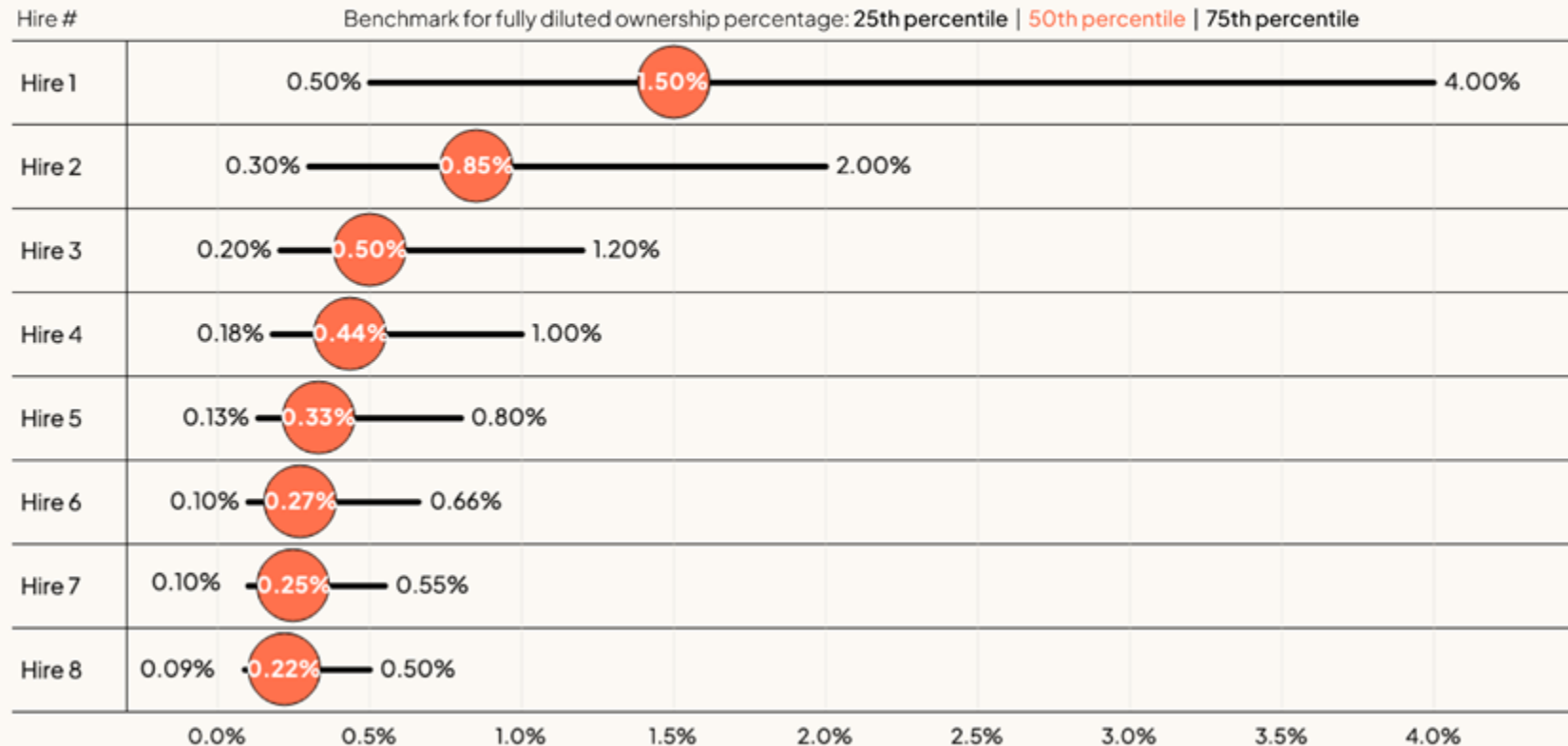
Option pools will dilute over time – but don't start at 20%

Range of Employee Stock Option Pool (ESOP) sizes as a percent of fully diluted equity for SaaS companies by stage



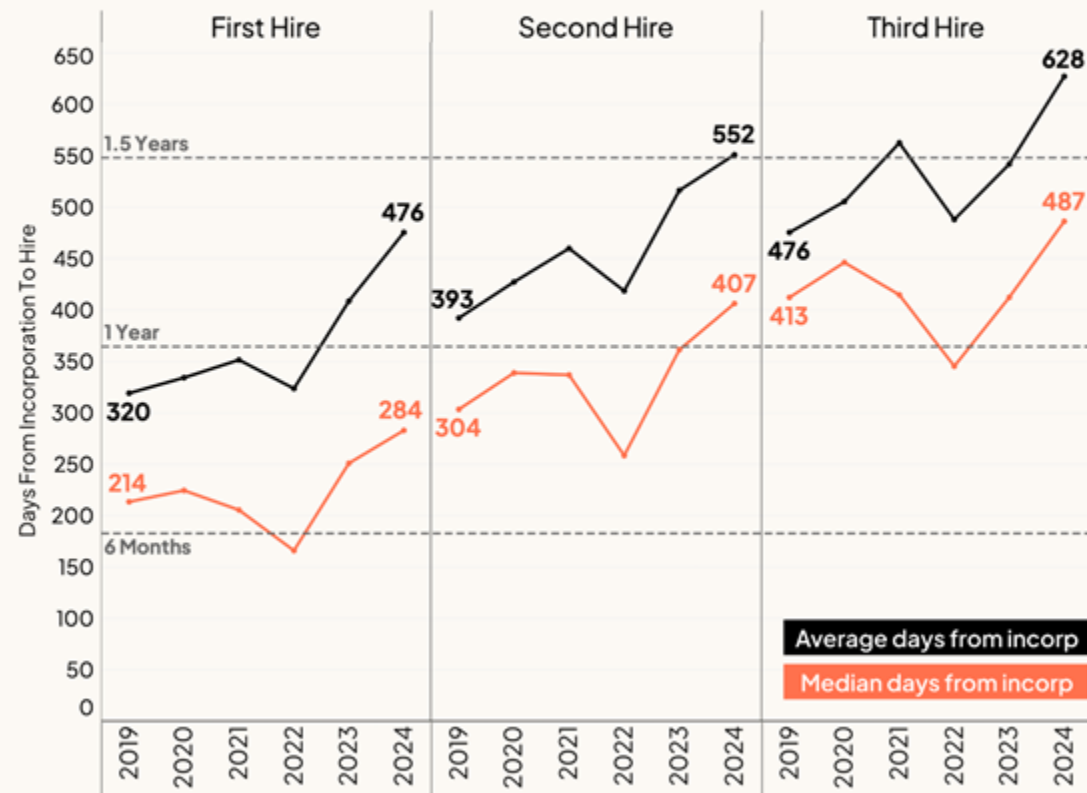
Equity grants for early employees fall off rather quickly

Fully diluted equity grants for early employees in 2024 | Most employee equity vests over 4 years



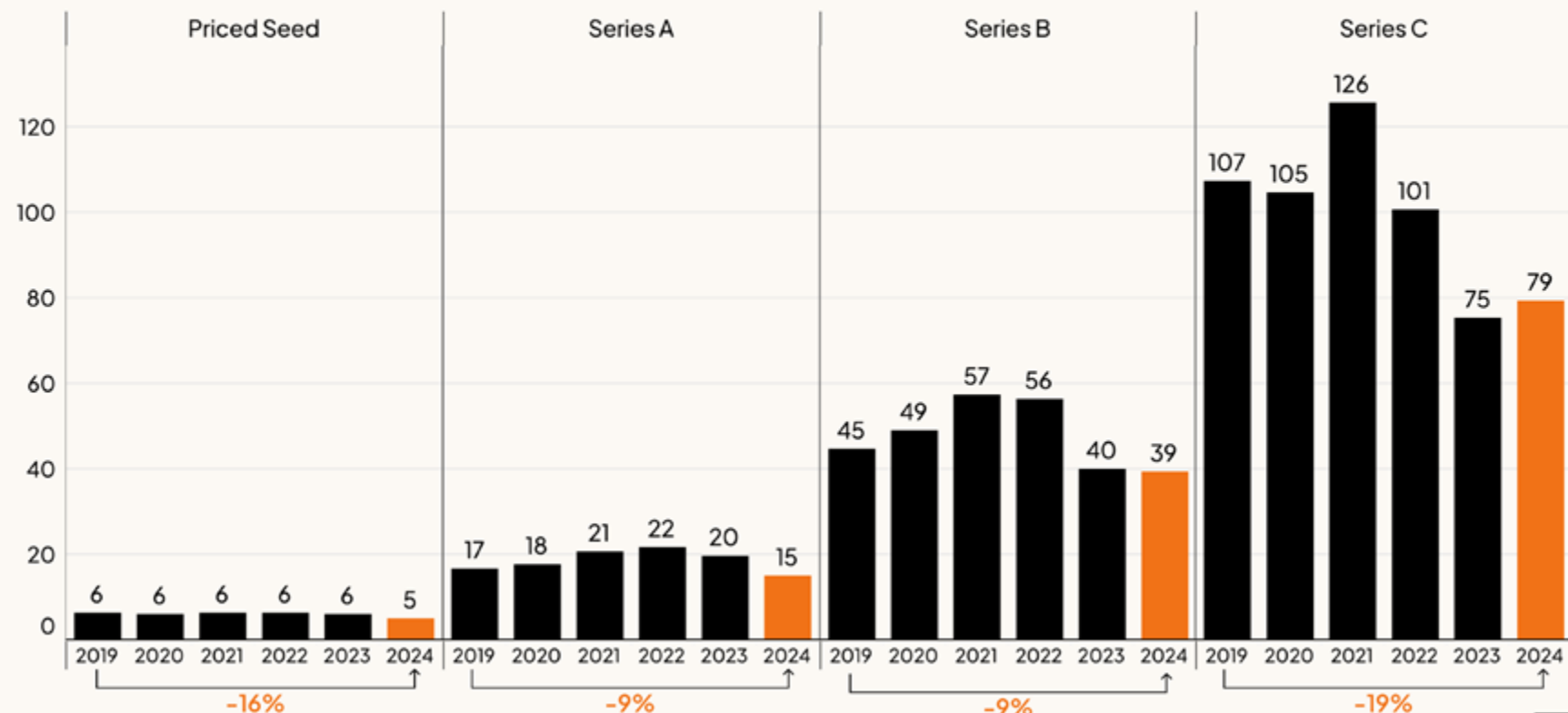
Founders are putting off hiring their initial team

Days from incorporation to 1st, 2nd, and 3rd hire for startups on Carta



Team sizes are shrinking

Average number of full-time, equityholding employees at SaaS startups by date of fundraise



Employee Equity Details

Vesting schedules and equity types

Vesting Schedule	Equity Type	Refresh Options
<ul style="list-style-type: none">• 4-year vest with a 1-yr cliff.• Some late-stage private tech companies are experimenting with 1-year vesting schedules (not employee friendly).	<ul style="list-style-type: none">• Almost all employees receive Incentive Stock Options (ISOs).• Once a company is very large (think \$500M+ in valuation), you may switch to RSUs.• https://carta.com/learn/equity/stock-options/iso/	<ul style="list-style-type: none">• 3 kinds of equity refresh: tenure, merit, or promotion.• Tenure generally happens around year 3.• Merit is more rare these days, promotion is very common.

Sources of Dilution

Cofounders

Advisors

Employees

Fundraising

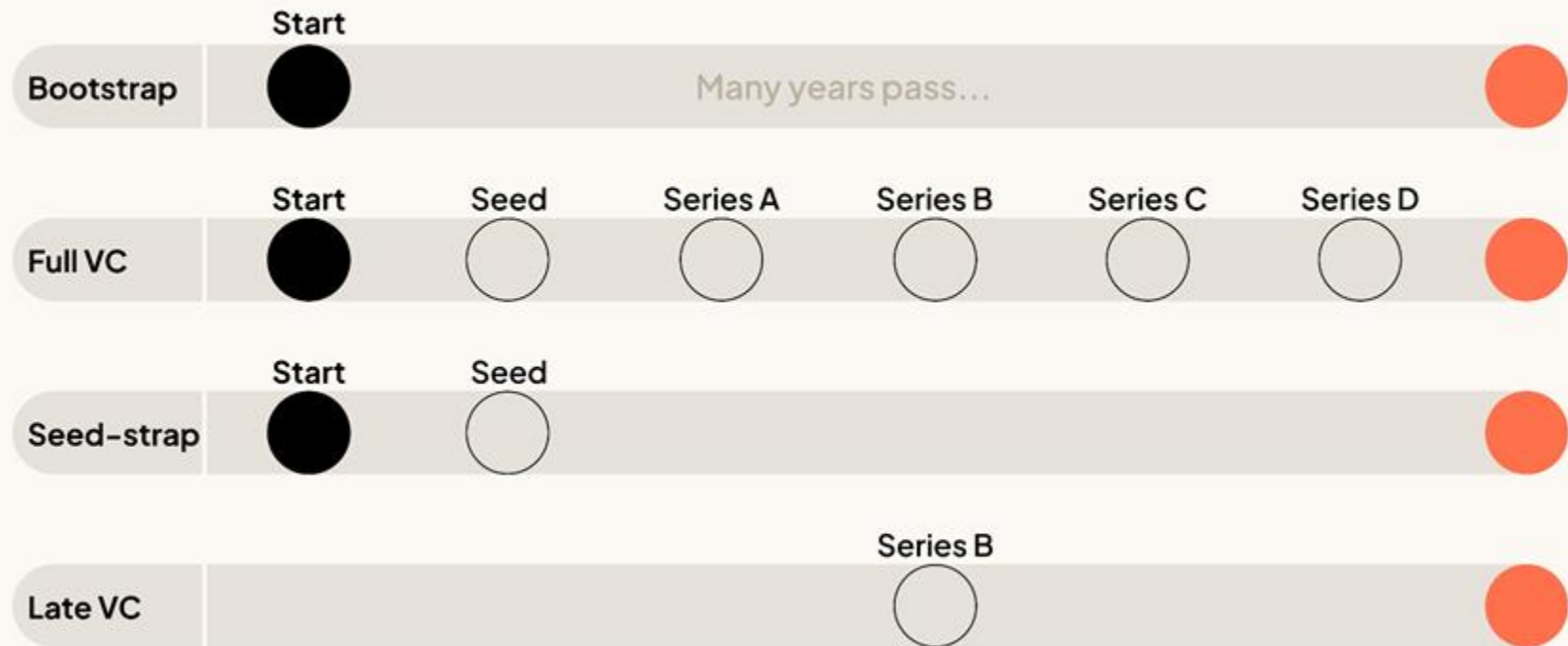


Stop for a second...

Do you *really* need to fundraise?

How should you fund your company?

Simplified models of startup financing



SAFE & Convertible Notes

SAFE financing

Simple Agreements for Future Equity, commonly referred to as “SAFEs” allow investors to convert their investment into equity at a future priced funding round or liquidation event.

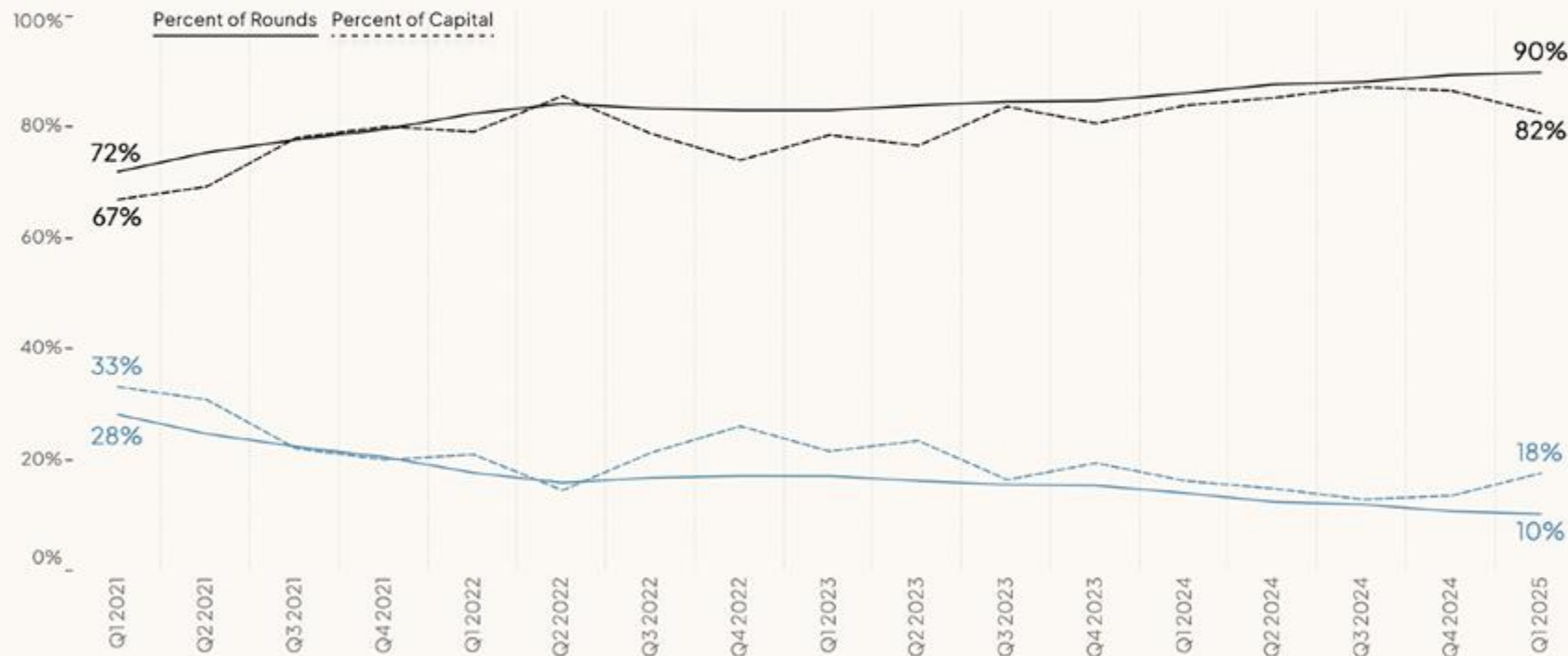
Convertible notes

A form of debt financing that allow investors to convert their loan into equity upon a future priced financing round or liquidation event.



About 90% of pre-priced rounds in Q1 2025 were raised on SAFEs

Percent of pre-priced rounds and cash raised by instrument, SAFEs vs. [convertible notes](#) | Q1 2021–Q1 2025



SAFEs: Terms to Know

Valuation cap

- Maximum price at which a SAFE converts into equity

Discount rate

- Discount to the priced round valuation that SAFE holders will get when they convert

Pre vs Post Money

- Pre: SAFEs convert at the company capitalization that **excludes** all SAFE fundraising
- Post: SAFEs convert at the company capitalization that **includes** all SAFE fundraising

Create New SAFE

SAFE document template

Krakatoa Ventures

Valuation cap

\$10M

Discount

20%

Investment amount

\$1M

SAFE document [Preview](#)

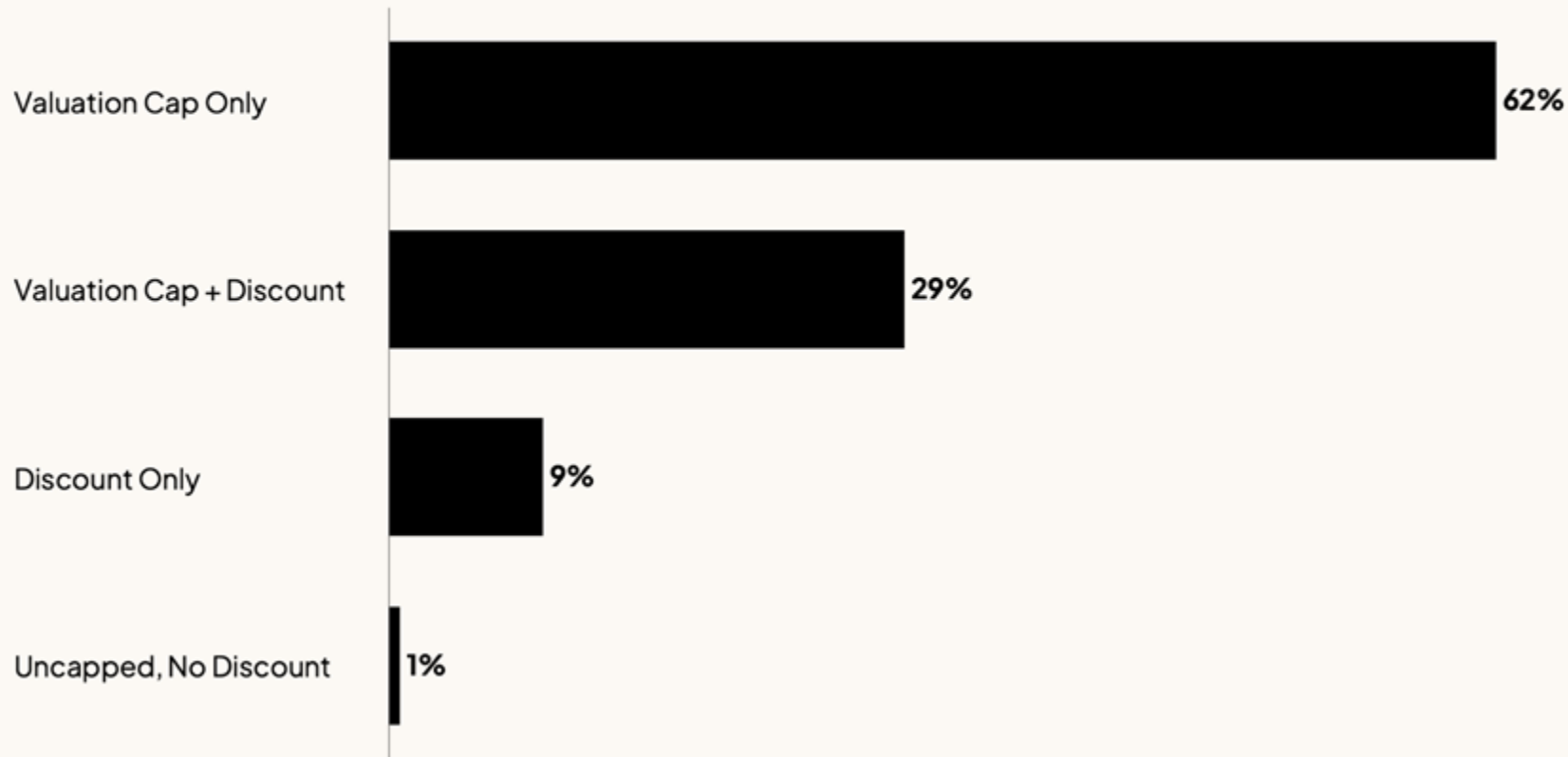
Meetly SAFE

Simple Agreement for Future Equity

Company: Meetly
Investor: Krakatoa Ventures
Valuation Cap: \$10M
Discount: 20%
Investment Amount: \$1M

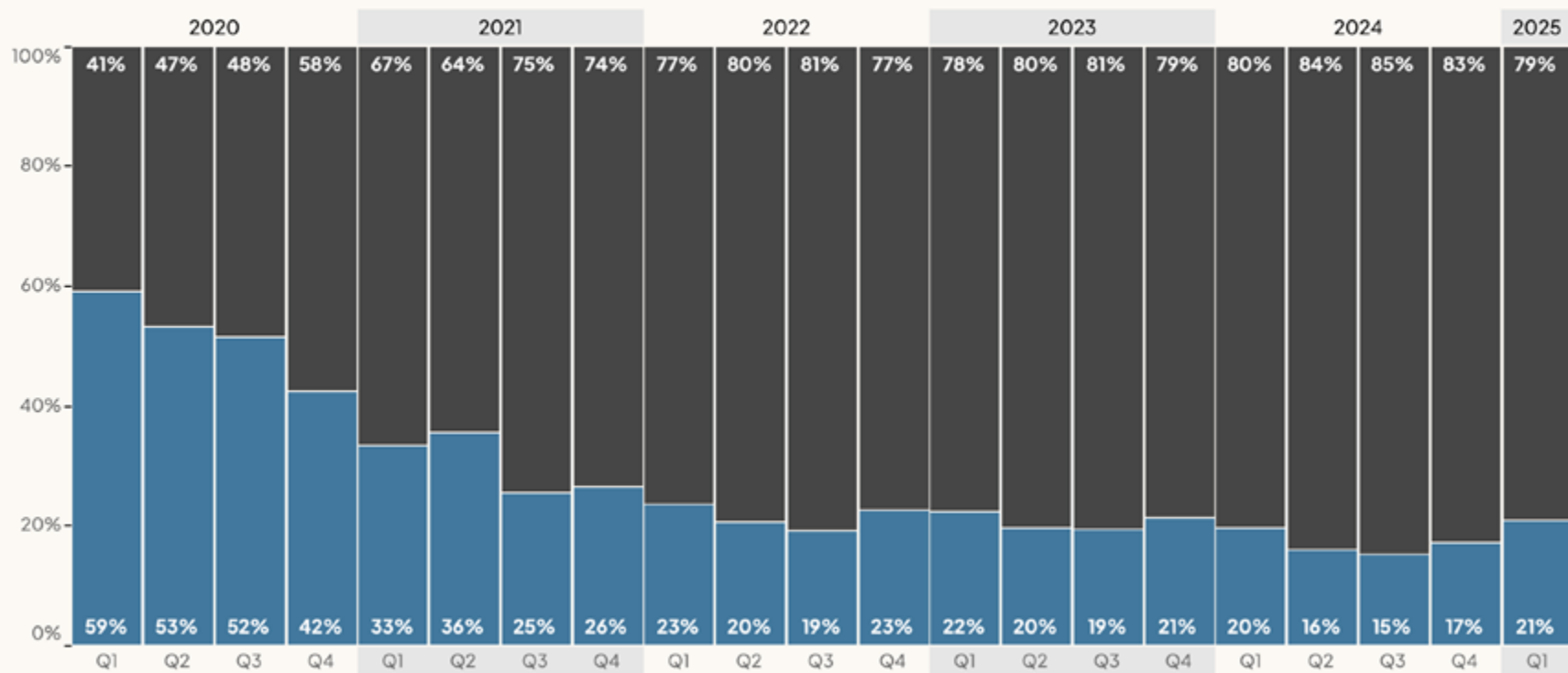
Over 90% of SAFEs have a valuation cap

Percent of SAFEs by conversion terms (pre-priced rounds only) | Jan-Sept, 2024



Nearly 80% of SAFES had a post-money price cap in Q1 2025

Percent of SAFEs by type (post-money vs. [pre-money](#)) | Pre-priced rounds only | Q1 2020–Q1 2025



Rough Math

If I invest \$1M into a startup on a \$10M pre-money valuation cap...

I have no idea really how much I'll end up owning.

If I invest \$1M into a startup on a \$10M post-money valuation cap...

I own 10% (a little less actually due to the option pool, but close enough)

Model Your SAFE Fundraise on Carta

1. Investments

SAFEs

Uncheck to exclude from scenario calculation. Existing investments cannot be edited.

<input type="checkbox"/> Stakeholder	Type	Investment	Valuation cap	Discount	Share price	Ownership	Converted shares
<input type="checkbox"/> Krakatoa Ventures Fund I, L.P.	Pre-money	\$300,000	\$5,000,000	20.00%			
<input checked="" type="checkbox"/> Peter Angel's Group	Post-money ▼	\$ 500,000	\$ 5,000,000	N/A			
Subtotal						0.00%	0

nothing...yet!

[Add new investment](#)

2. Priced Round Terms

To calculate ownership, priced round terms are required. [Use market terms instead.](#)

Investment *

Pre-money valuation *

Option pool after round *

Model Your SAFE Fundraise on Carta

1. Investments

SAFEs

Uncheck to exclude from scenario calculation. Existing investments cannot be edited.

<input type="checkbox"/> Stakeholder	Type	Investment	Valuation cap	Discount	Share price	Ownership	Converted shares
<input type="checkbox"/> Krakatoa Ventures Fund I, L.P.	Pre-money	\$300,000	\$5,000,000	20.00%	Now we own shares		
<input checked="" type="checkbox"/> Peter Angel's Group	Post-money 	\$ 500,000	\$ 5,000,000	N/A	 \$0.1125	7.23%	4,444,444 
Subtotal						7.23%	4,444,444

[Add new investment](#)

2. Priced Round Terms

To calculate ownership, priced round terms are required. [Use market terms instead.](#)

Investment *

\$ 3,000,000

Pre-money valuation *

\$ 14,000,000

Option pool after round *

% 10.00

Founders can play around with different versions of your next round

Model Your SAFE Fundraise on Carta...for free

CARTA LAUNCH

The leading cap table platform—free

Get tools and resources to manage your cap table, issue equity, and fundraise day one.

Get started for free



SAFE Side Letters

MFN

If you give someone else a better deal, we get it automatically.

Information Rights

You are required to share certain financial information with us on a regular basis

Pro Rata

We have the right, but not the obligation, to invest in your next round to maintain our ownership

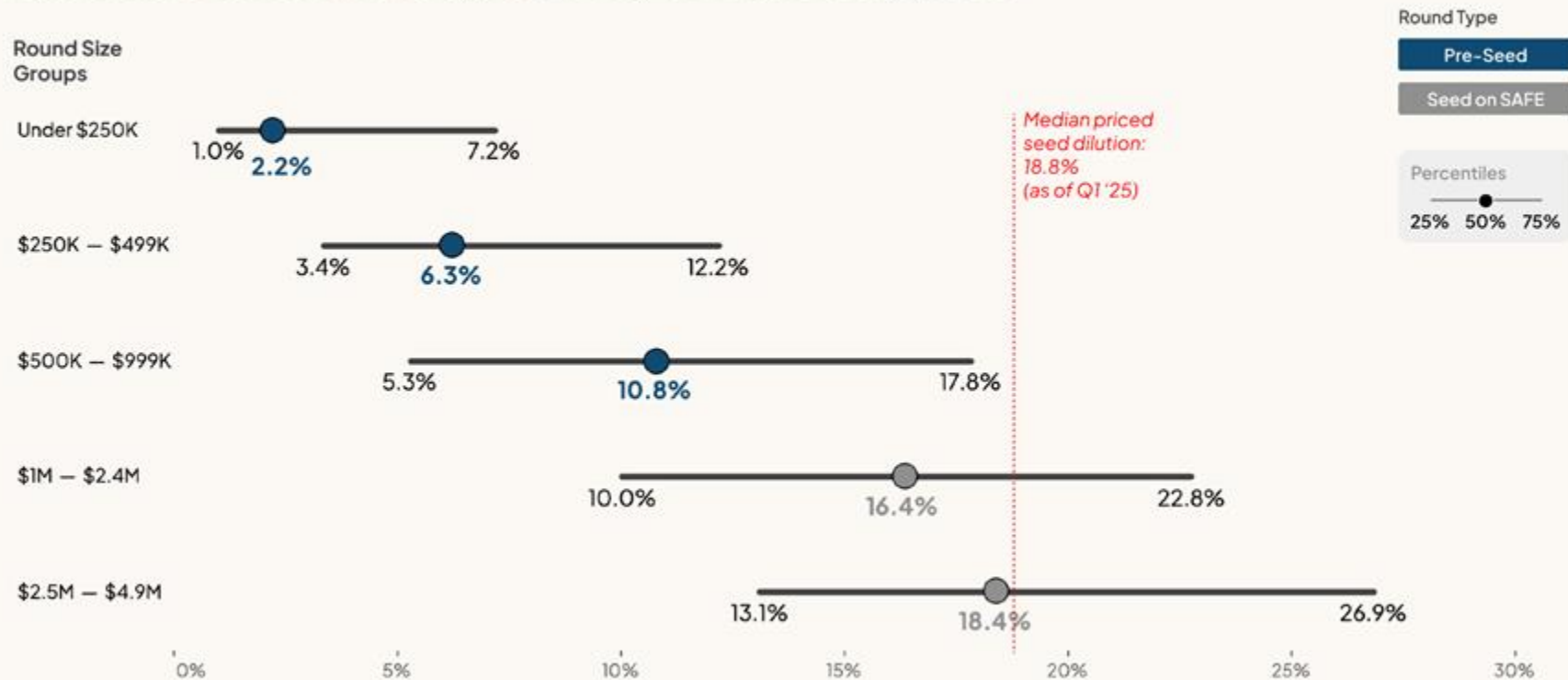
SAFE val caps ticked up in Q1 2025 for round sizes above \$500K

Median valuation cap on post-money SAFEs by round size and quarter | Q1 2023–Q1 2025



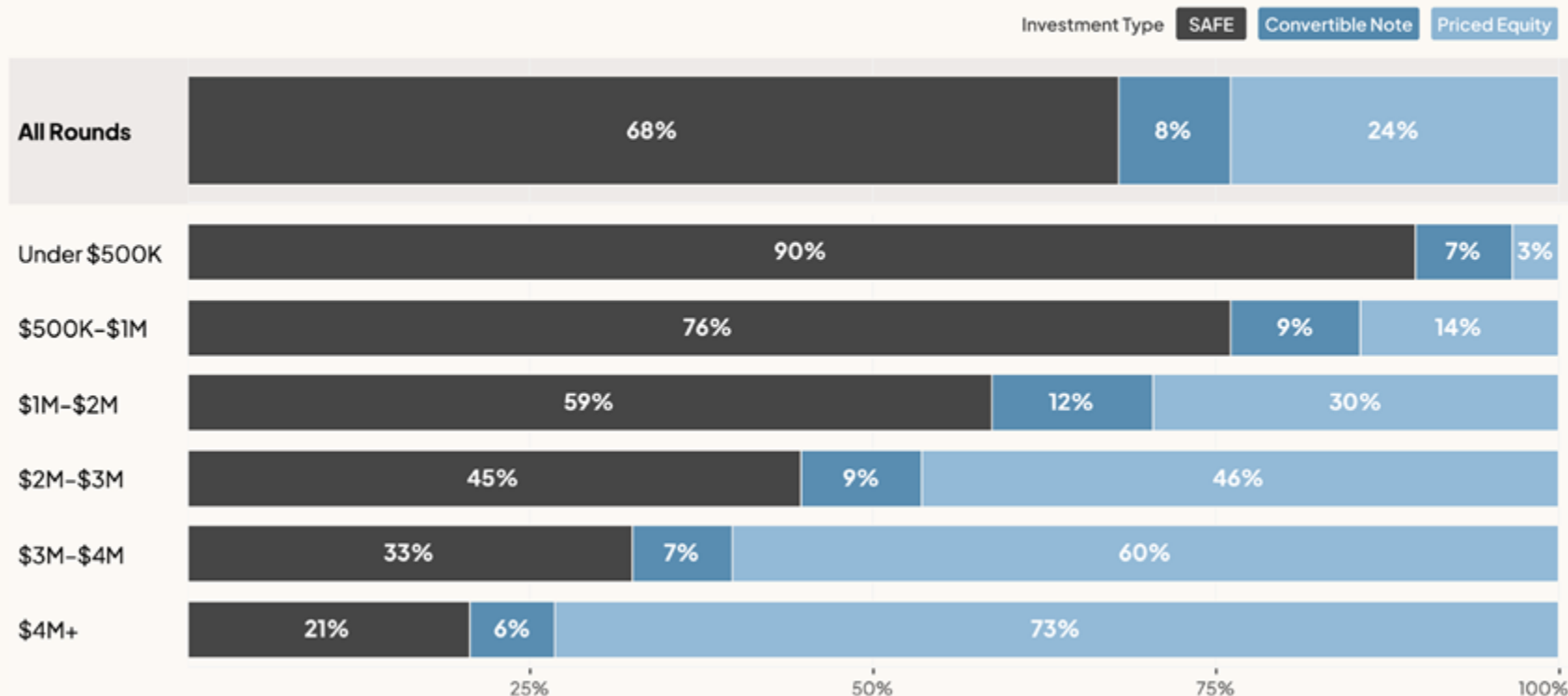
SAFEs between \$2.5–4.9M have about the same dilution as priced seed rounds

Expected dilution benchmarks by post-money SAFE round size | Q1 2025



Founders switch to priced equity for rounds greater than \$3M

Percent of early-stage rounds (pre-priced and priced Seed) by investment type and round size | Q1 2024–Q1 2025

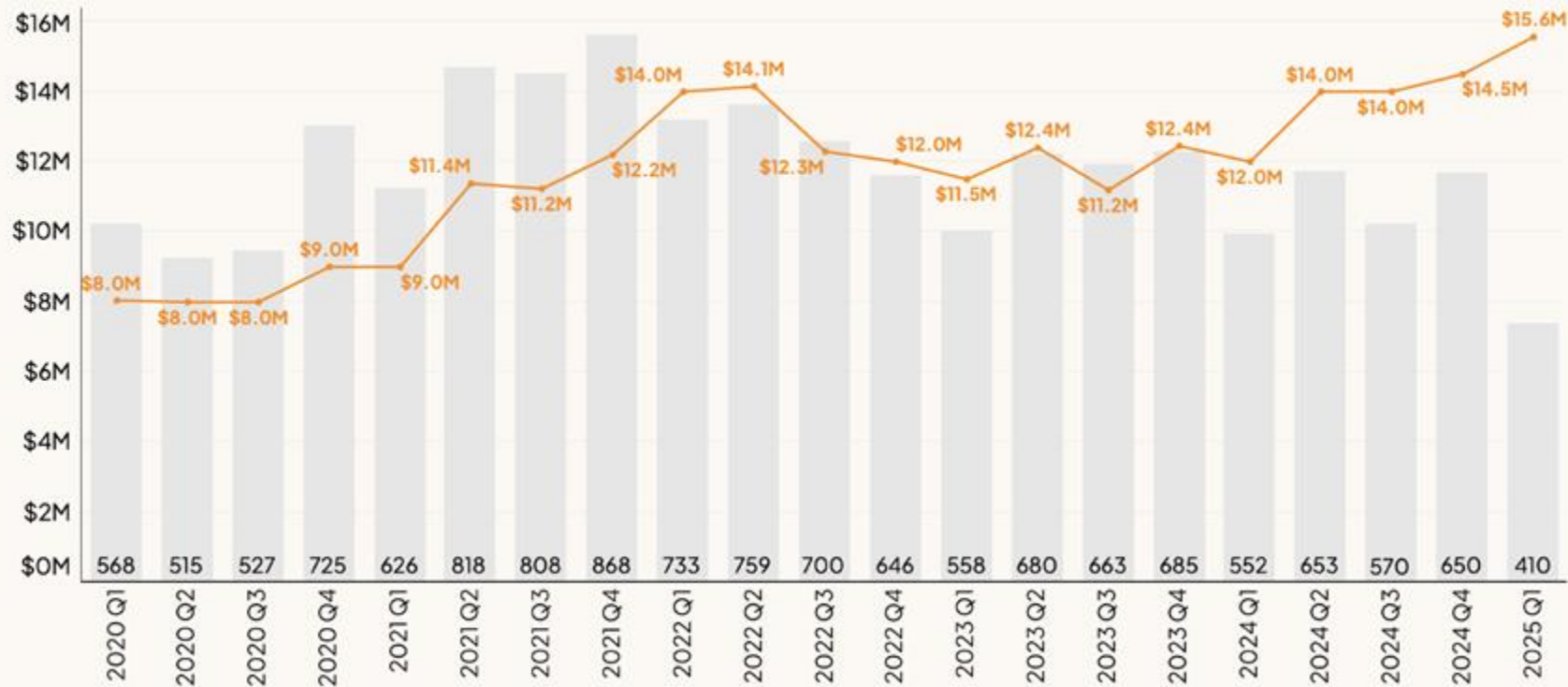




Don't stay on SAFEs too long

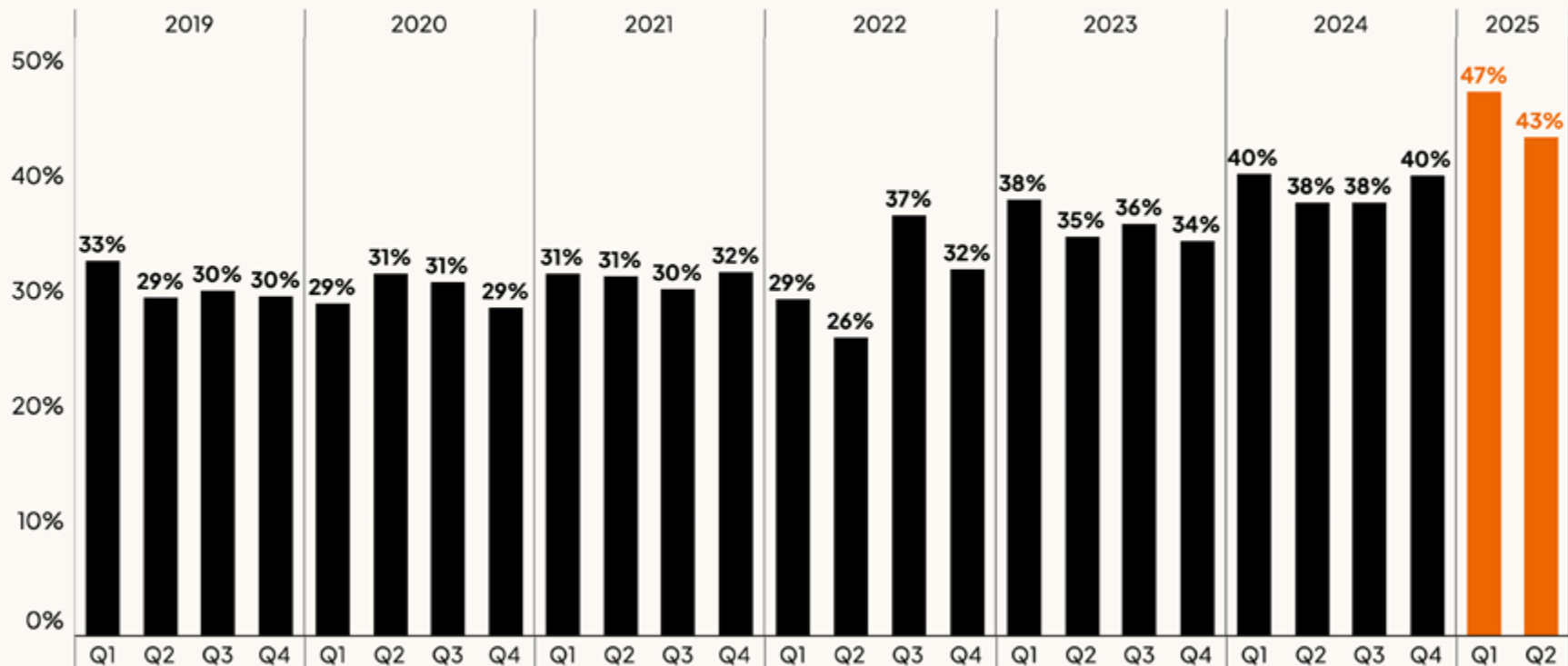
Seed stage valuations are at all-time highs...wait, what?

Median pre-money valuations and total rounds by quarter | Q1 2020–Q1 2025



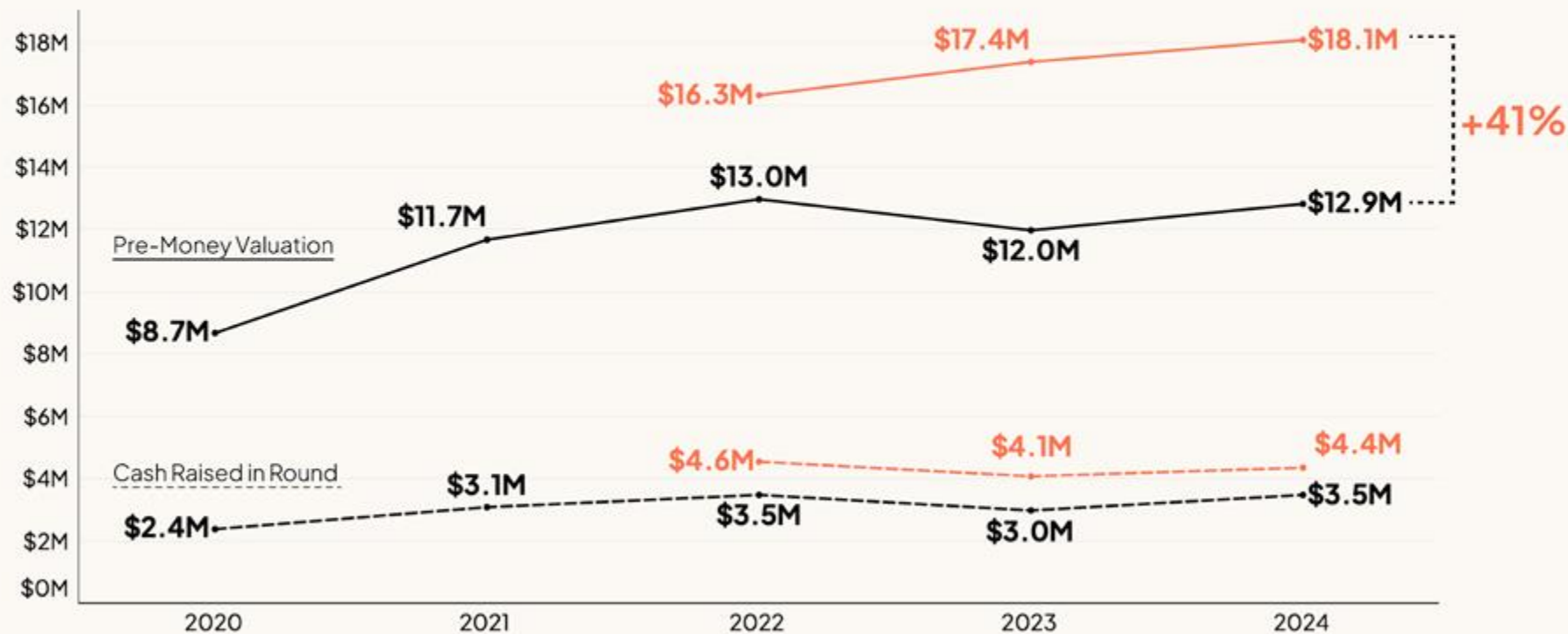
Lots of seed activity is actually bridge/extension funding

Percent of seed rounds that were bridges/extensions by quarter



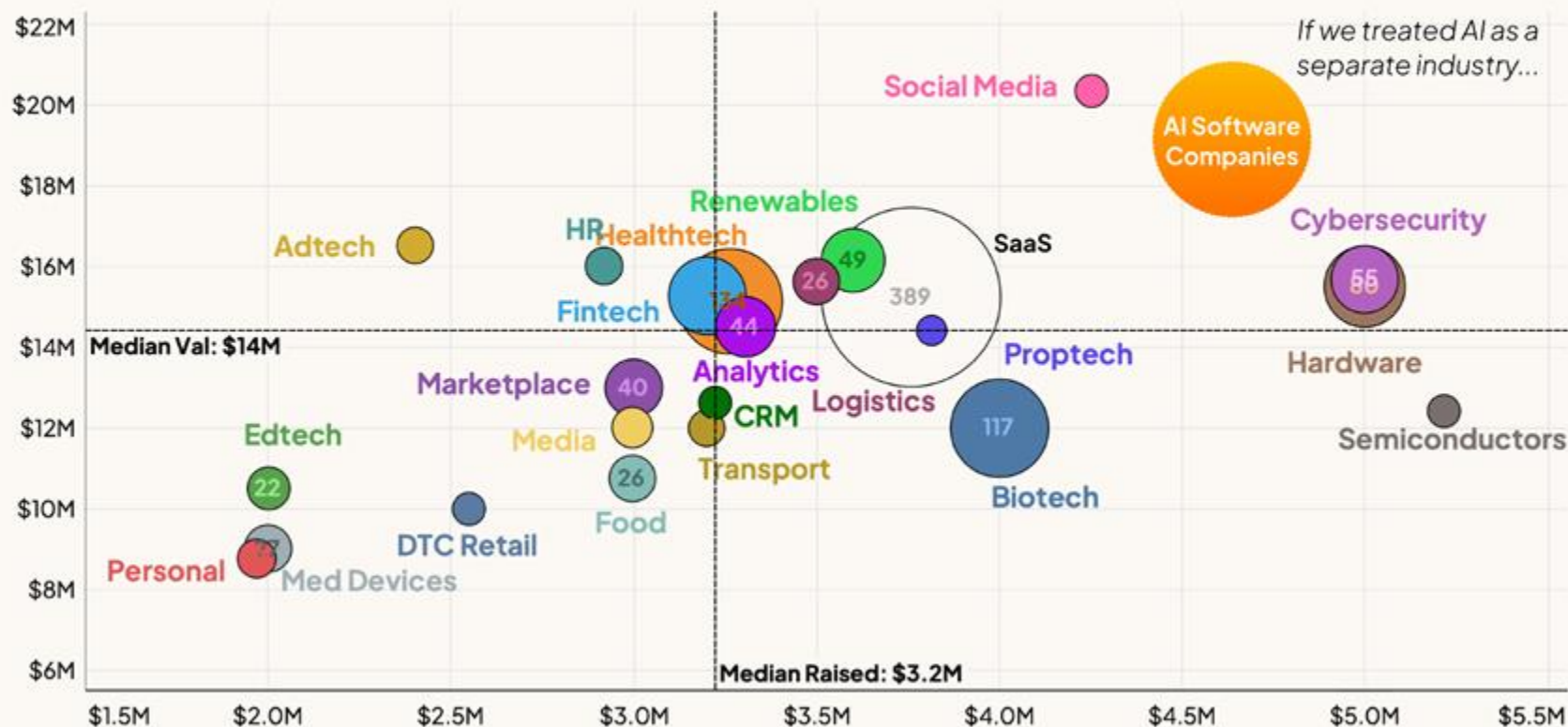
Valuations at Seed are higher for AI SaaS companies

Median seed round pre-money valuations and cash raised for SaaS companies on Carta | Split by AI and non-AI



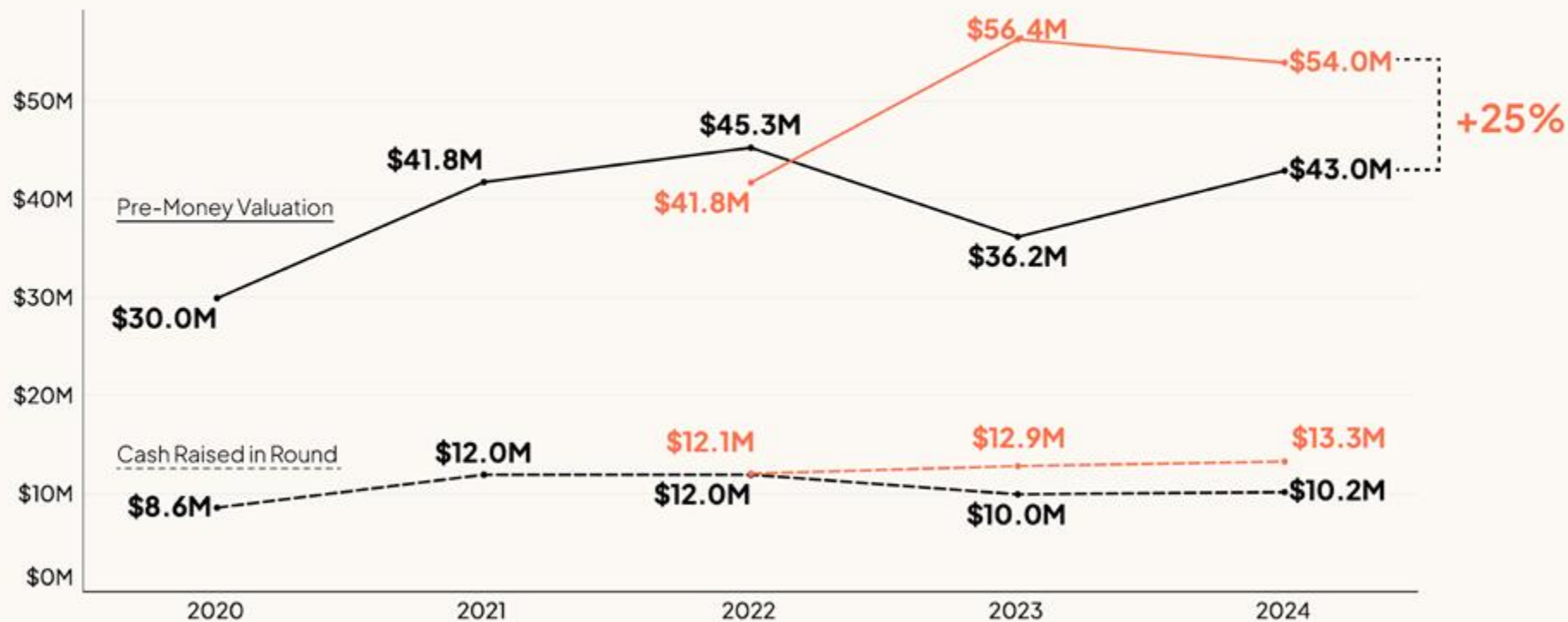
Seed round benchmarks for different sectors

X-axis = median cash raised, Y-axis = median pre-money valuation, Bubble Size = number of rounds | April 2024–March 2025



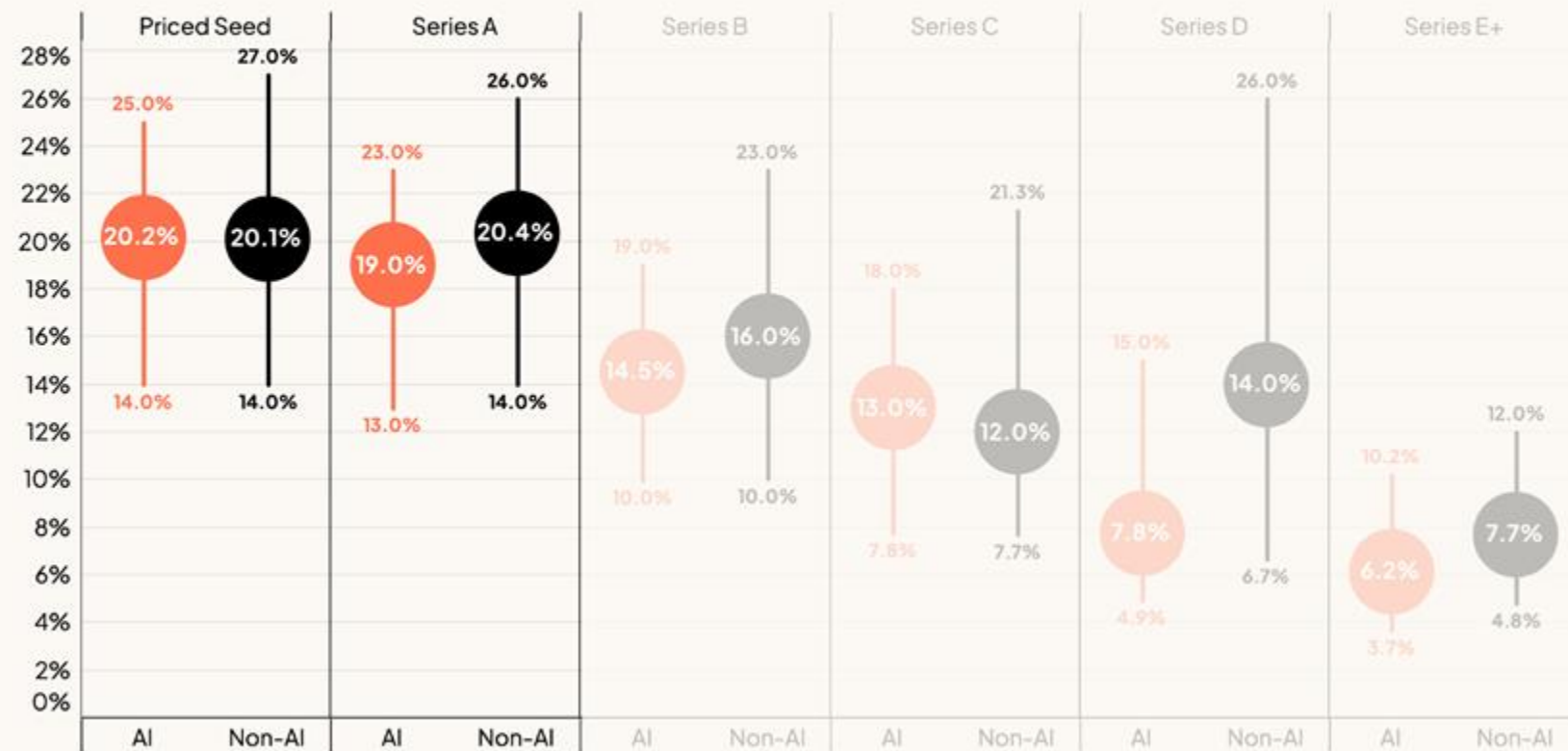
Valuations at Series A are higher for AI SaaS companies

Median Series A round pre-money valuations and cash raised for SaaS companies on Carta | Split by AI and non-AI



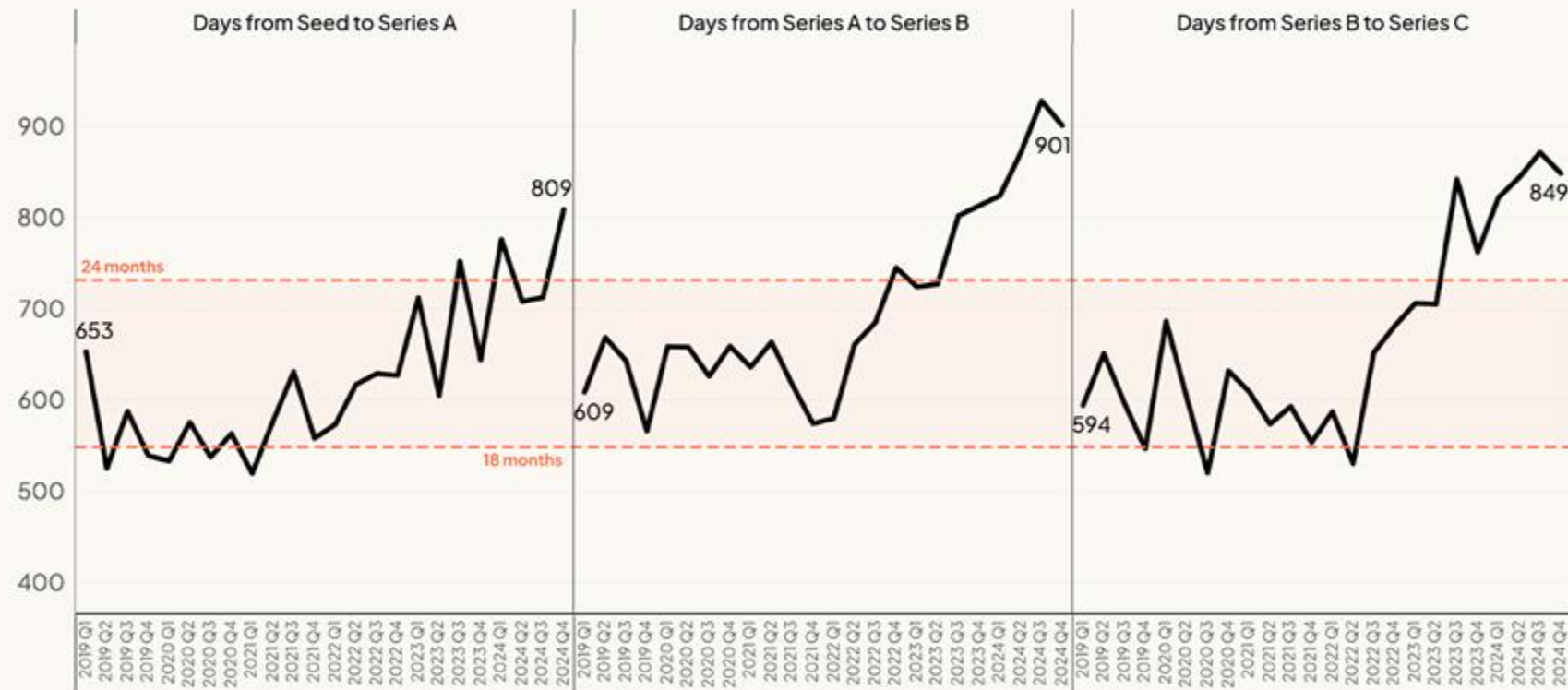
AI companies typically have slightly lower dilution per round

Percent sold to investors in a primary venture round in 2024 | Circle = median dilution



Median time between rounds now well above 2 years

Median days between primary financings by quarter of raise

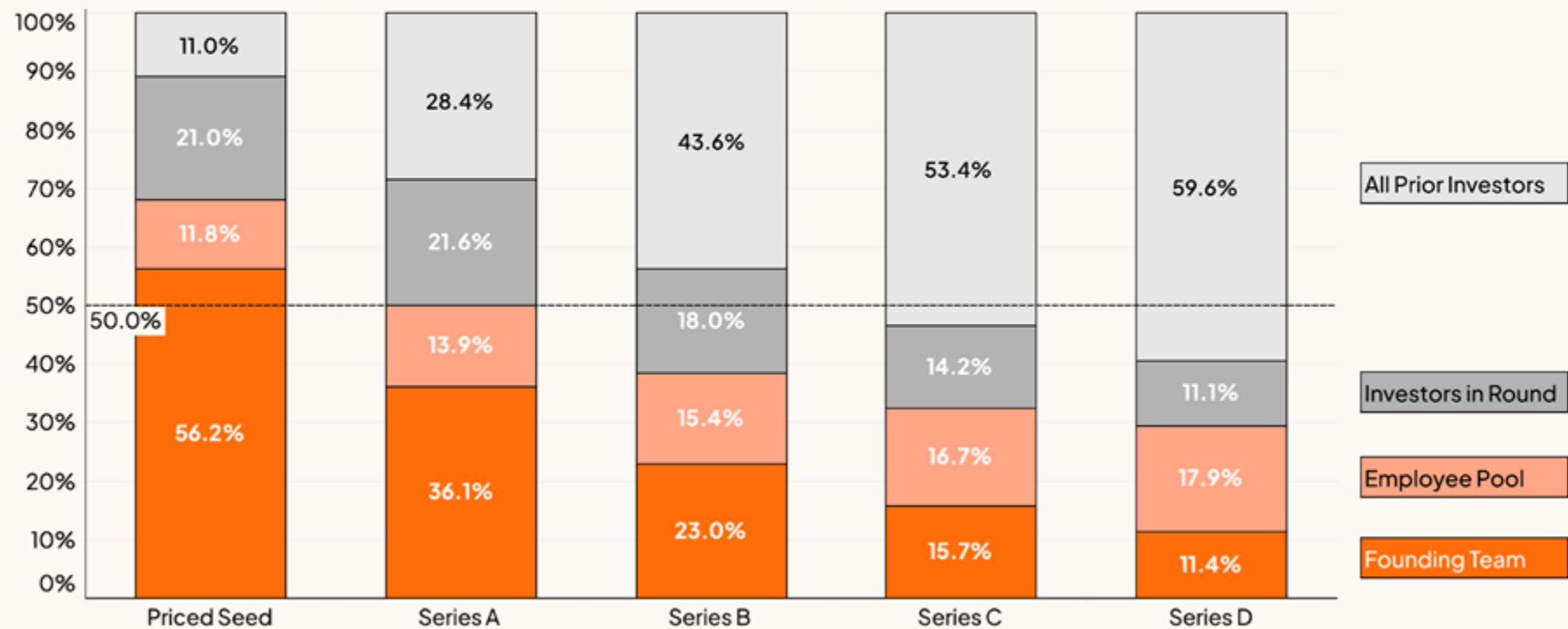




What does this mean
for your ownership?

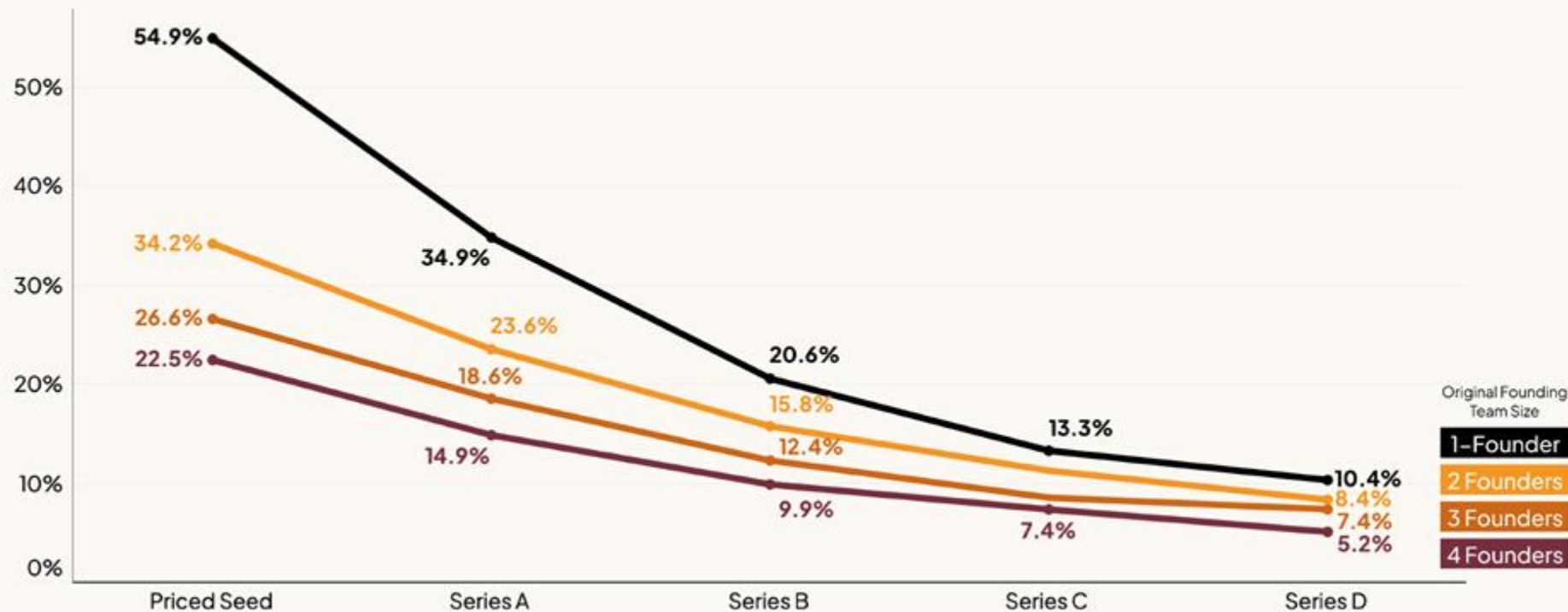
Median total investor ownership crosses 50% between Series A and B

Median share of fully diluted company equity owned by stakeholder group after each round | Rounds raised from 2020–2024



CEO ownership over time is sensitive to original founding team size

Median share of fully diluted company equity owned by CEO after each rounds | Rounds from 2020–2024



The question AI asks us to answer:
How much capital do you **really** need?

Pre-seed founders

Launch



Free cap table
until you raise \$1M

Seed / Series A founders

Deal Closings



Save thousands on
your priced round