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THE ENTREPRENEURS REPORT

PRIVATE COMPANY FINANCING TRENDS

From the Wilson Sonsini Database:

FINANCING TRENDS Q1 2026



Key Features and Developments in This Report

Wilson Sonsini's New Defense Tech Practice

We sat down with Mark Fitzgerald and Michael McGinley, who lead the firm's defense tech group, to discuss why now is the moment to formalize the practice, how founders should be thinking about dual-use commercialization, and the path to success in this exciting sub-sector of the venture ecosystem.

See [p. 3](#)

Seed Valuations and Fundraise Amounts Climb Yet Again

Venture-backed valuations and fundraise amounts remained strong in Q1 2026, with Seed-stage companies continuing to attract significant investor interest and record valuations.

See [p. 6](#)

Nearly 90% of Later-Stage Financings Were Up Rounds

The share of up rounds among Series B and later companies rose sharply in Q1 2026, reaching levels not seen since 2022. At the same time, down and flat rounds declined, signaling stronger investor confidence in growth-stage companies.

See [p. 8](#)

SAFE Amounts Are Down While Post-Seed Bridges Are Up

SAFE raise amounts declined notably, reflecting a shift as more early-stage start-ups pursue preferred stock financings. Meanwhile, post-Seed convertible note fundraise amounts strengthened, reaching levels not seen since early 2024.

See [p. 10](#)



Market Perspective with Wilson Sonsini's Mark Fitzgerald and Mike McGinley

Mark Fitzgerald is a corporate and securities partner in the Boston office of Wilson Sonsini Goodrich & Rosati. He joined the firm in 2000 to help open its first East Coast office in the Mid-Atlantic region. In early 2016, he returned to Massachusetts as a founding partner of the firm's Boston office and New England corporate practice.

Mike McGinley is Senior Of Counsel at Wilson Sonsini Goodrich & Rosati, where he advises clients in the defense technology sector, leveraging his extensive experience in defense innovation, government acquisitions, contracting, and compliance requirements.

We sat down with Mark Fitzgerald and Mike McGinley, who lead the firm's defense tech group, to talk about why now is the moment to formalize the practice, how founders should be thinking about dual-use commercialization, and the path to success in this exciting sub-sector of the venture ecosystem.

Wilson Sonsini recently launched a formal defense tech practice. What trends in the private markets and start-up ecosystem made this the right time to create this new initiative?

Mark Fitzgerald: As a firm we have been working with defense tech companies for many years, decades even, but there are a couple of reasons why now is the right time to formalize and put a name to the practice. First, technology companies are starting to find faster paths to money from the government that had previously been reserved for more traditional government contractors. Technology is driving the needs of the defense industry. They require fast solutions and workable technology to meet various mission demands. That has been growing over the past decades, to where now our client base is noticing it.

Mike McGinley: The fundamental nature of national defense and security, along with the technologies at the foundation of that area, are changing at a speed that we have never seen before. That requires consistently innovative solutions, so the demand signal is really driving all of this. On top of that, new and newly-used contract structures, including the Department of Defense's use of Other Transaction Authority (which has been successfully proven and scaled by the Defense Innovation Unit), are now being coupled with new organizations like the Wartime Production Unit and the Economic Defense Unit to incentivize and strengthen the defense sector and drive technological change faster than ever before. These developments, together with novel procedures like the administration's new Acquisition Transformation Strategy, have fundamentally changed the way the department perceives and leverages private-sector capital and technology. All this is on the demand side.

Market Perspective with Mark Fitzgerald and Mike McGinley (cont.)

Dual-use technology, i.e. innovations developed commercially that have defense applications, or vice versa, seem to be at the heart of a lot of what is driving recent investor interest in defense tech. How do you advise founders sitting in that dual-use position, particularly when balancing commercial scalability with potential government customers?

This quickening is coupled on the supply side with venture investors understanding the demand signal in a new way and leaning in. We are operating in the middle of all that and working to bring it all together and help our clients overcome the challenges they would otherwise face.

Mark Fitzgerald: A lot of our advice relates to business and funding concerns. We have companies that are defense-only and they have some money from the government (such as an [SBIR grant](#)) to play around and develop a prototype for some particular mission need. A lot of times these companies may think, "Oh, well, defense tech is hot, I need to figure out a dual-use application," and they have in the back of their mind what the commercial need might be. Sometimes it's good to have that in the back of your mind, but it's hard to pursue both at the same time.

Similarly, there's a commercial-use company that might say, "Hey, we want to start selling this to the government." All kinds of additional considerations are involved when you go from commercial to defense that many private-sector start-ups are not aware of. It is important to know what the company is at the beginning and know the restrictions and limitations if you want to become a dual-use defense tech company.

Mike McGinley: On the bookend of that: know what you want to be at the end. There's no getting started without first asking, "What are your business goals? What is your intention?" There are a lot of ways for founders or executives to really think through that, and it's not as straightforward as it seems. You start with first principles, with the end in mind of where you're going. Then we can help construct an understanding of potential commercial revenue streams and government revenue streams. They move in different cycles, and once we understand the founders' objectives, we can help match those cycles. Frequently, founders have a brilliant engineering idea and don't stop to think about these things, and taking some time to strategize can really help. It allows us to spot issues for them, so we can show them where our services are going to provide value and ultimately help them succeed on whichever path will work best, whether that is more commercial, more public sector, or a blend.

Market Perspective with Mark Fitzgerald and Mike McGinley (cont.)

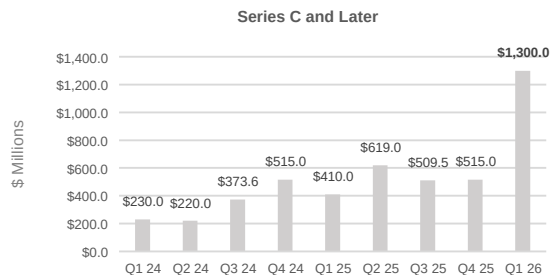
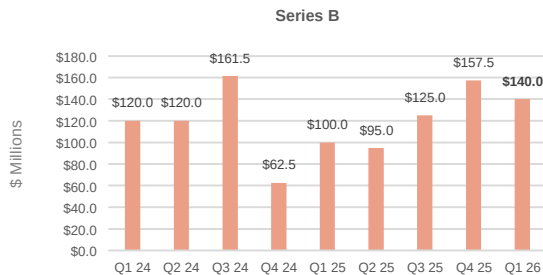
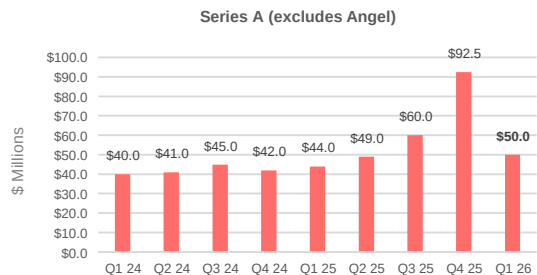
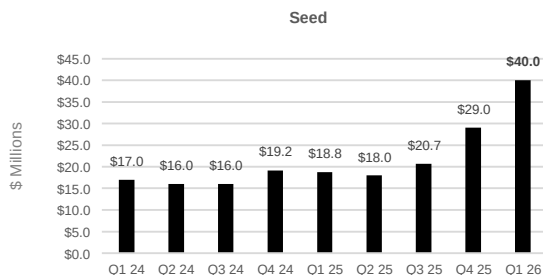
What's an important piece of advice you would give to a founder today who is building in the defense tech sector?

Mark Fitzgerald: I think the companies that build teams that have both someone with a military or intelligence background, and a member with a venture-backed start-up background are going to be the most successful. Externally, start-ups also need advisor expertise on both the military and venture sides, whether that be law firms, accounting firms, or other service providers.

Mike McGinley: Part of the key is having those very different skill sets and experiences. If you can put yourself in the customer's shoes and truly understand the problem they are trying to solve — and if you can bring in someone with an understanding of how to run a business, and then ask, "Is there a military or defense application to that?" — that's where the magic really happens. Now you're doing something that could be groundbreaking, or you're taking something fresh and hot and proven in the private sector and applying it in a new way to defense that's never been done before. You can essentially take a nascent market and get first-mover advantage by leveraging the diversity of skill set that Mark mentioned. I think that is absolutely invaluable. There's a creativity component to this as well, but it needs to be grounded in reality and some experience, or the lessons will be painful.

PRE-MONEY MEDIAN VALUATIONS*

The Blurry Line Between Seed and Series A Valuations

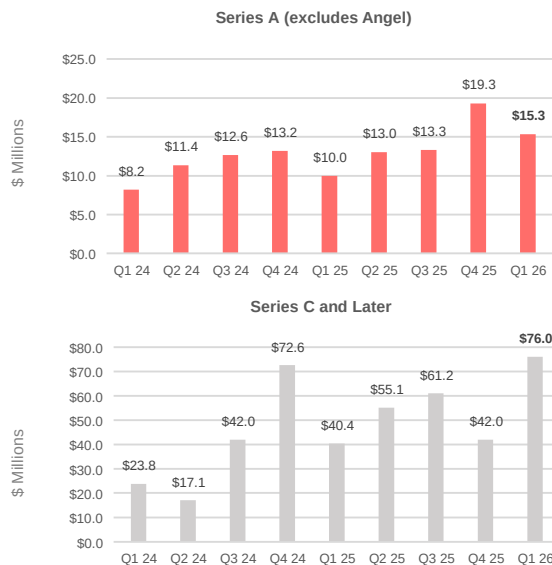
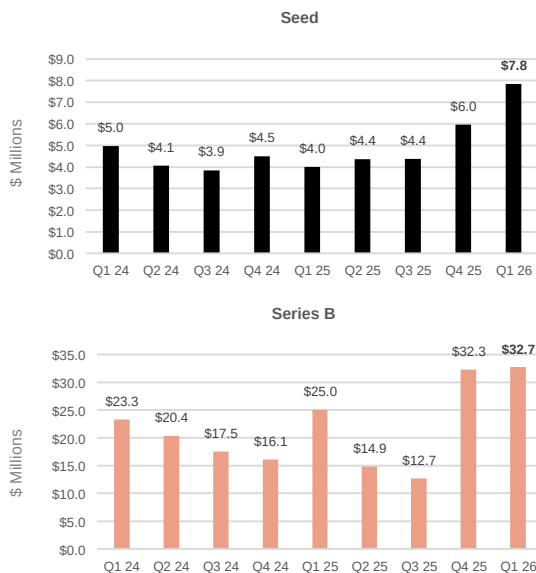


Venture-backed company valuations remained robust in Q1 2026, with Seed-stage rounds continuing to set records. Seed round median valuations increased for the fourth straight quarter to \$40.0 million, closely approaching the \$50 million median for Series A, suggesting that some Seed-stage companies are attracting valuations traditionally seen at the Series A level. Artificial intelligence continues to be a key growth driver at these stages, fueling investor enthusiasm.

Series B valuations dropped slightly to \$140.0 million, reflecting a bit of growth-stage volatility, while Series C and later-stage valuations jumped to unicorn levels at \$1.3 billion. We will be watching closely to see if investors are able to sustain an appetite for billion-dollar valuations through the rest of the year.

EQUITY FUNDRAISE MEDIAN AMOUNTS*

Fundraise Amounts Move in Line with Valuations



Our data on median fundraising amounts in Q1 2026 reflected a continued appetite among investors to deploy significant capital into promising companies, though with some variation across stages.

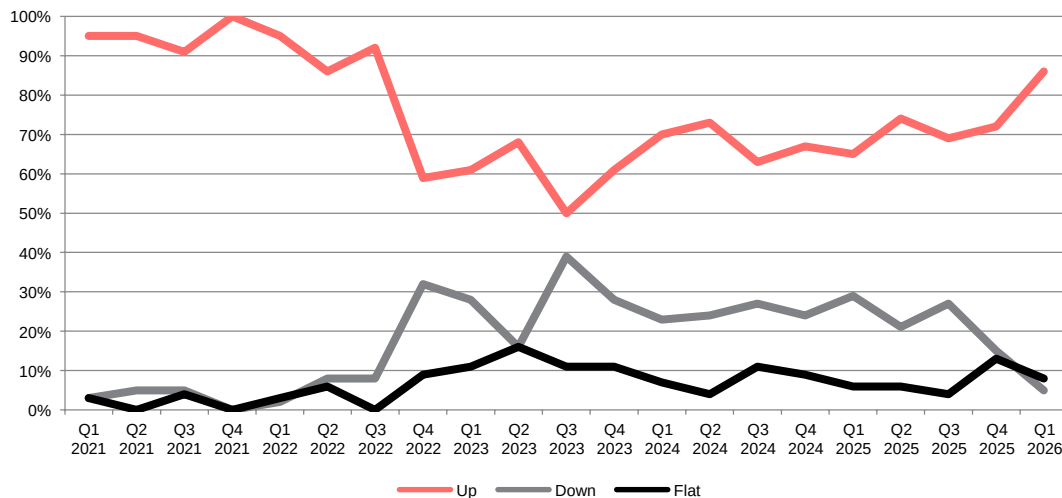
Median Seed raises increased notably to \$7.8 million, up from \$6.0 million in Q4 2025, underscoring sustained early-stage enthusiasm. In contrast, median Series A raises moderated to \$15.3 million, down from the record \$19.3 million set last quarter.

Series B fundraising held steady, edging up slightly to \$32.7 million, maintaining growth-stage momentum.

The most striking change occurred in Series C and later rounds, where median raise amounts surged to \$76.0 million, a significant jump from \$42.0 million in Q4 2025. This sharp increase highlights robust capital flows into late-stage companies, likely driven by pre-IPO activity and strong investor confidence in scaling enterprises.

Up Rounds Are on the Up and Up

Up and Down Rounds by Quarter (Series B and Later Companies)



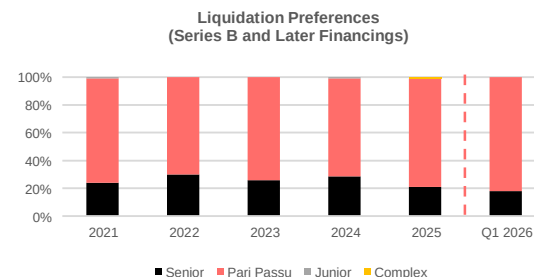
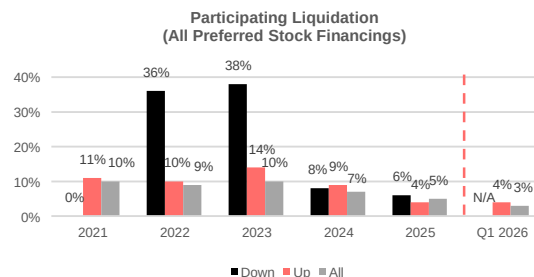
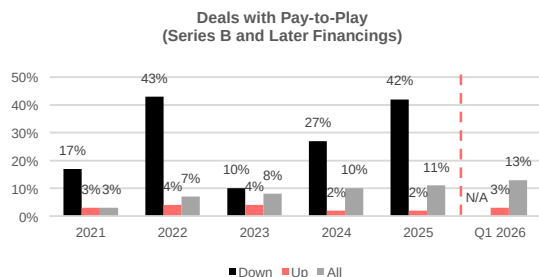
In Q1 2026, the share of up rounds among Series B and later companies rose to 86%, marking a substantial increase and reaching levels not seen since 2022. This surge reflects renewed and growing investor confidence in growth-stage companies that demonstrate strong revenue and clear paths to profitability.

Concurrently, down rounds continued to decline sharply, falling to just 5%, while flat rounds also decreased to 8%. The ongoing reduction in down and flat rounds suggests that investors are increasingly willing to support companies at stable or higher valuations, moving away from the cautious wait-and-see approach observed in prior quarters.

Nonetheless, the presence of some flat and down rounds underscores that valuation challenges persist for certain companies and highlights the importance of tangible operational progress between fundraising events.

EQUITY FINANCING DEAL TERMS*

Investors Are Still Hedging Against Downside Risk



Due to a smaller percentage of down rounds this year, pay-to-play and participating liquidation preference provisions were absent from our small sample of down rounds in Q1 2026. Both flat and up rounds saw these more aggressive terms included in a small percentage of deals, and we expect that investors and companies will continue to use them selectively in specific circumstances.

The prevalence of senior liquidation preferences across all rounds also continues to decrease from the highs seen in 2022, with this type term showing up in 18% of Series B and later financing rounds.

SAFEs (Simple Agreements for Future Equity)

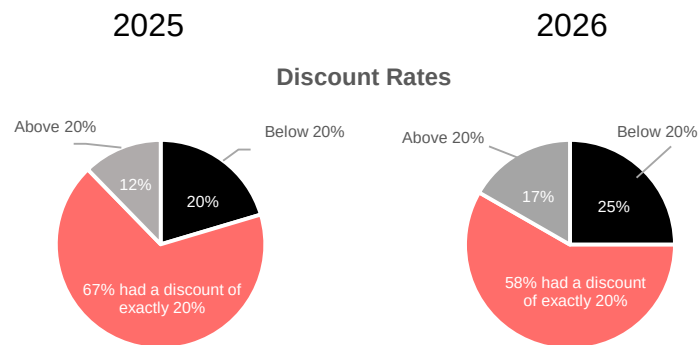
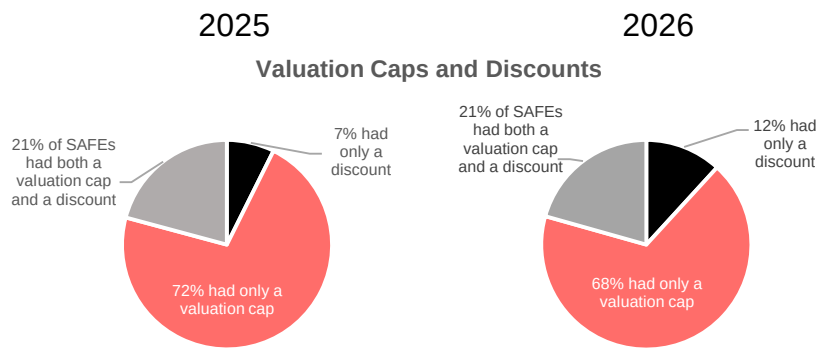
SAFE Fundraise Amounts Return to 2021 Levels



In Q1 2026, the median amount raised via SAFE financings dropped significantly to \$0.55 million, down from the \$1.0 million median recorded over the last three quarters of 2025. This decline may reflect a shift in early-stage fundraising dynamics, where more promising start-ups are increasingly opting for preferred stock Seed rounds rather than convertible instruments like SAFEs. This trend aligns with the rise in Seed fundraise amounts during the same period, suggesting that companies with stronger growth prospects are seeking preferred stock rounds to better position themselves for subsequent financing. Founders and investors should continue to weigh the trade-offs between SAFEs and preferred stock rounds, considering factors such as speed, legal complexity, cap table implications, and signaling to later-stage investors.

SAFEs (Simple Agreements for Future Equity)

SAFE Terms Continue to Shift Slightly



So far in 2026, 88% of SAFEs included a valuation cap, down slightly from 93% in 2025, indicating a sustained preference for valuation caps as the primary mechanism for allocating upside in early-stage deals.

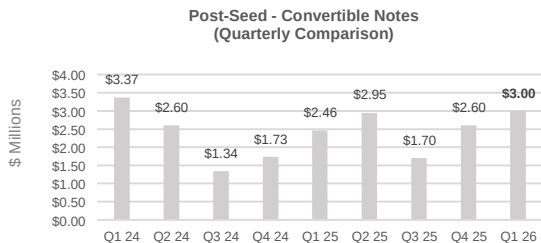
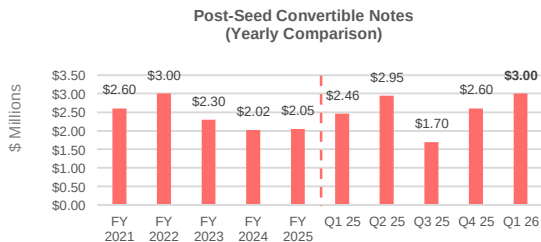
The median SAFE valuation cap was \$15.0 million this year, down from 2025's \$20.0 million. Additionally, 90% of SAFEs in Q1 2026 employed a [post-money valuation cap structure](#), up from 81% in 2025. While the median discount rate remains at the standard 20% this quarter, 32% of discount rate SAFEs included a discount rate that was above or below that median, showing that investors remain amenable to customizing discount rates under certain scenarios.

The widespread adoption of valuation caps (and the persistence of post-money caps) often results in a better economic deal for investors, which likely explains their continued popularity versus discount-only structures. However, customized discounts and other nonstandard terms remain tools that investors can use to calibrate risk and upside on a deal-by-deal basis, so founders should be aware of these alternative terms when negotiating SAFEs.

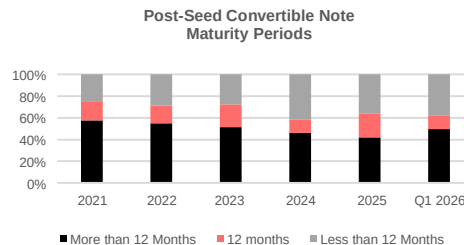
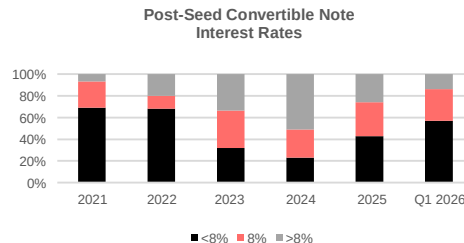
CONVERTIBLE NOTE MEDIAN RAISE AMOUNTS

Bridge Note Raise Amounts Hit Median of \$3 Million

Median Raise Amounts



Terms



Companies raising bridge funding using convertible post-Seed notes continued to do well in Q1 2026, with the median amount raised increasing to \$3.0 million, which was the highest level since Q1 2024. This strong showing suggests continuing investor willingness to support post-Seed bridge rounds.

Interest rates remain varied, with 43% of post-Seed notes carrying rates below 8%, 31% exactly at 8%, and 26% above 8%, reflecting a broad range of investor risk tolerance and deal terms.

Notably, maturity periods shifted toward longer durations compared to 2025, with 50% of notes maturing in more than 12 months. This increase in longer maturities may indicate greater investor patience amid ongoing market uncertainties, though a significant portion of notes still anticipate relatively quick follow-on financings.

SEC Permits Accelerated Offering Period for Certain Tender Offers

On April 16, 2026, the Division of Corporation Finance (the Division) of the Securities and Exchange Commission, acting under delegated authority, issued an Exemptive Order (the Order) providing flexibility to shorten the minimum offering period for certain types of equity tender offers from 20 business days to 10 business days. The Order is intended to reflect technological advancements and address market inefficiencies in eligible transactions.

In addition to affecting certain offerings by public companies, the Order provides for a minimum 10-business day offering period for tender offers subject to Rule 14e-1 of the Exchange Act for private companies if:

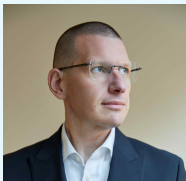
- the tender offer is made for equity securities of an issuer that 1) does not have a class of securities registered under Section 12 of the Exchange Act and 2) is not required to file reports pursuant to Section 15(d) of the Exchange Act;
- the tender offer is made by the issuer of the securities sought, or one of its wholly owned subsidiaries;
- the consideration is only for cash at a fixed price;
- changes in the percentage of the subject securities sought or consideration offered in the tender offer are communicated by notice to the holders of the subject securities no later than 9:00 a.m., ET, on the fifth business day before the expiration of the offer; and
- any other material change in the terms of the tender offer is communicated by notice no later than 9:00 a.m., ET, on the second business day before the expiration of the offer.

The shortened offering period does not apply to tender offers by third-party purchasers, such as secondary market funds that buy directly from employees or investors conducting secondary purchases from existing shareholders. To the extent structured as tender offers, these transactions remain subject to the 20-business day minimum offering period.

For more information, please see our [recent client alert](#).

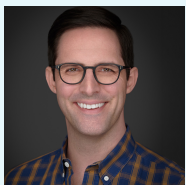
Wilson Sonsini's *Breakthrough Minds* Podcast

Wilson Sonsini presents [*Breakthrough Minds*](#), a podcast exploring transformative innovations across technologies and industries. In each episode, we sit down with founders, operators, and thought leaders to hear candid stories about the breakthroughs that shape the future. See below for links to the podcast's recent episodes, available to listen now:



[A Conversation with Patrick Smith, zally](#) (Season 1, Episode 6)

In this episode, Patrick Smith, Founder and CEO of zally, joins host Raj Mahapatra to discuss Patrick's entrepreneurial journey and the development of zally, a behavioral AI company. They emphasize the critical need for technology to adapt to human behaviors rather than requiring humans to conform to technology.



[A Conversation with Evan Judge, Morning Consult](#) (Season 1, Episode 7)

Evan Judge, Chief Operating Officer of Morning Consult, joins host Raj Mahapatra to explore the intersection of AI and critical thinking, building an AI-native organization, employee empowerment, human insight in AI utilization, and ethical considerations for AI.

**BREAK
THROUGH
MINDS**

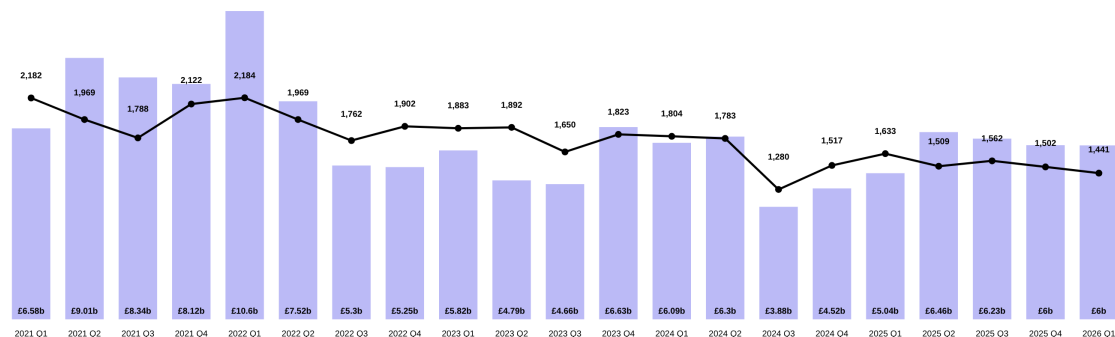
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The State of UK Equity Investment: Q1 2026

UK equity investment has held near £6 billion a quarter since late 2024, with Q1 2026 average deal sizes (£4.2 million) approaching 2022 peaks of £4.9 million.

Quarterly equity investment into UK companies (2021 -Q1 2026)

Amount raised ● Number of deals



Q1 2026 marked the fifth consecutive quarter near £6 billion, with 1,441 UK companies raising equity. The average deal size has climbed from a £3.0 million low in late 2024, with investors concentrating capital in fewer, larger, higher-conviction rounds as we have seen in 2025.

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The Headlines

UK equity investment has settled into a steady rhythm. £6.0 billion was raised in Q1 2026, the fifth consecutive quarter near that mark and 34% ahead of 2025's pace. Beneath that headline stability, however, the market has become more concentrated than it has been in years.

The average deal size has climbed to £4.2 million—up from a £3.0 million low in late 2024 and approaching the 2022 peak of £4.9 million. AI has driven much of this concentration, with NScale, Wayve, and ElevenLabs alone accounting for 49% of Q1's capital.

Metric	Q1 2025	Q1 2026	Change
Number of deals	1,633	1,441	−11.8%
Amount raised	£5.04 billion	£6.00 billion	+19.0%
Average deal size	£3.17 million	£4.34 million	+36.9%

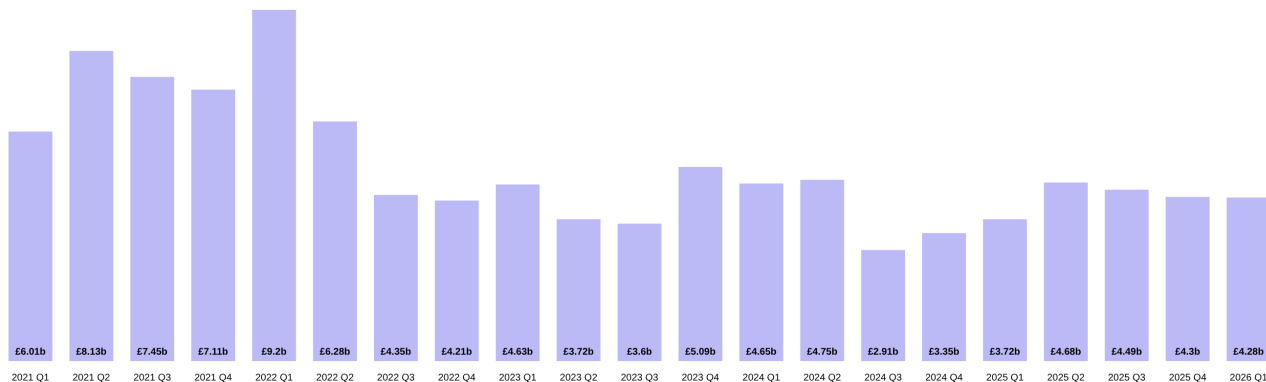
The State of UK Equity Investment: Q1 2026 (cont.)



Adjusted for inflation, UK equity investment has held around £4.4 billion a quarter since mid-2025, with Q1 2026 (£4.3 billion) still 53% below the 2022 peak of £9.2 billion.

Inflation-adjusted quarterly equity investment into UK companies (2021 -Q1 2026)

● Amount raised



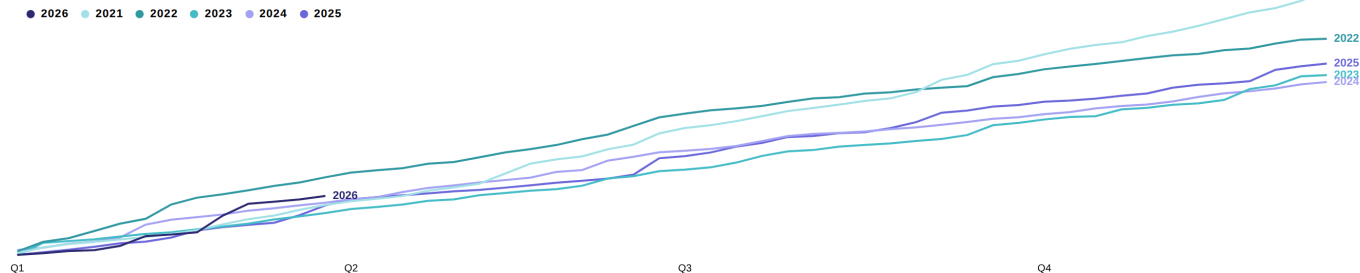
While nominal Q1 2026 reached £6.0 billion (broadly in line with pre-2024 levels), inflation-adjusted figures reveal a more measured recovery. The £4.3 billion real-terms total is up 47% from the £2.9 billion late-2024 trough, driven by AI mega-rounds.

The State of UK Equity Investment: Q1 2026 (cont.)



2026 UK equity investment is tracking 34% ahead of 2025, with £5.9 billion raised in Q1 compared to £4.4 billion at the same point last year.

Cumulative amount raised of equity deals by UK companies by year



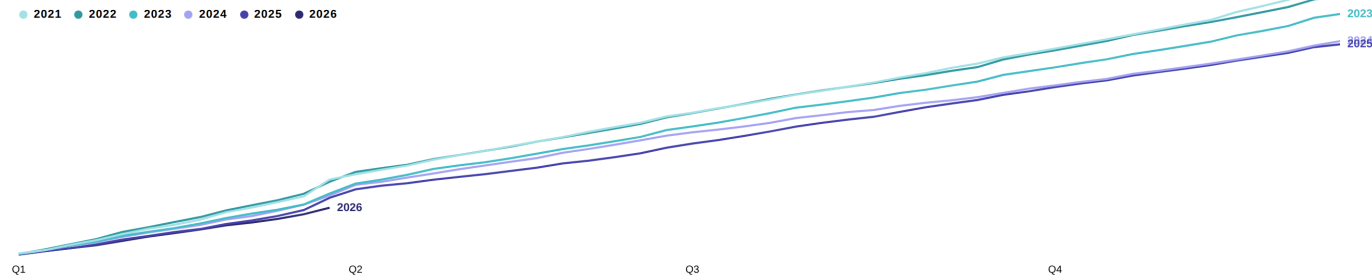
Since the 2022 boom in equity amount raised, full-year totals between 2023 to 2025 have settled tightly between £20.7 billion and £23.6 billion, suggesting a stable post-boom equilibrium. There has been variability in Q1 paces within this time period: 2023 (£5.8 billion) and 2024 (£6.1 billion) opened close to 2026's current £5.9 billion, while 2025 was the outlier with a £4.4 billion Q1 before recovering to £23.6b for the full year. 2026's stronger start could signal a more balanced paced year ahead.

The State of UK Equity Investment: Q1 2026 (cont.)

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UK equity Q1 deal volume has narrowed each year since 2021, with 1,366 deals in 2026 (14% below 2025 and 41% below the 2021 peak of 2,319).

Cumulative number of deals by year



Full-year deal counts have declined steadily from 8,057 in 2021 to 6,197 in 2025, and Q1 2026 indicates this year is on the same trajectory. Volume has narrowed at every Q1 measurement since 2021, independent of the much more volatile pattern in amount raised.

The £6 billion quarterly run-rate looks stable, but it is increasingly powered by fewer, larger, higher-conviction rounds. AI mega-deals alone drove nearly half of Q1's capital.



The State of UK Equity Investment: Q1 2026 (cont.)



Credit

Henry Whorwood

Henry started and runs Beaurost Insights. Beaurost Insights produces research on the UK's economy, with a focus on innovation, investment, and growth. He has worked on briefs for clients including the British Business Bank, HM Treasury, and Innovate UK. Henry is an expert on business finance, entrepreneurship, and innovation and regularly gives presentations on market trends at events around the country. He is an advisor to The Entrepreneurs Network, sits on the EISA's Research Committee, and is on the advisory board of the APPG for Entrepreneurship. He studied Classics at the University of Oxford.

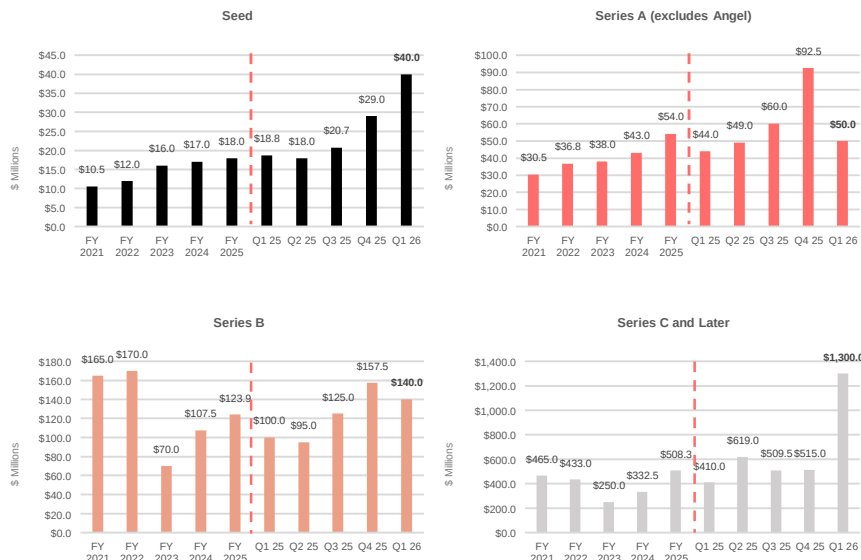
About Beaurost Insights

Beaurost Insights deliver analysis, interpretation, and commentary on the UK's economy to our clients across the public and private sectors. We specialise in transforming high-quality data into economic understanding. We work on thought leadership, strategic consulting, and economic evaluation engagements. Anyone wanting to better understand the UK's economy should work with us. Our methodologies and outputs can be tailored to geographies, sectors, and business types.

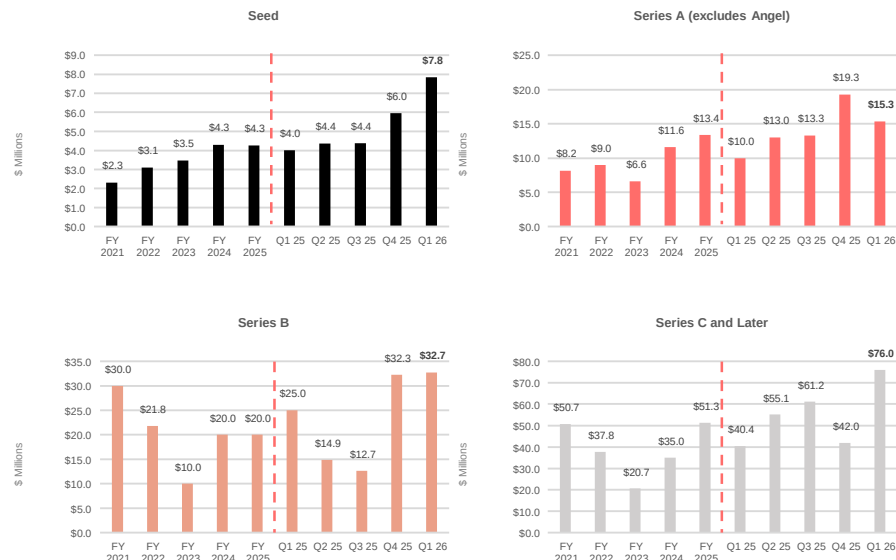
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Appendix – A Yearly Look-Back on Equity Valuations and Raise Amounts

Pre-Money Median Valuations



Equity Fundraise Median Amounts



Appendix – Private Company Financing Deal Terms (Wilson Sonsini Deals)¹

	2021 All Rounds ²	2022 All Rounds ²	2023 All Rounds ²	2024 All Rounds ²	2025 All Rounds ²	Q1 2026 All Rounds ²	2021 Up Rounds ³	2022 Up Rounds ³	2023 Up Rounds ³	2024 Up Rounds ³	2025 Up Rounds ³	Q1 2026 Up Rounds ³	2021 Down Rounds ³	2022 Down Rounds ³	2023 Down Rounds ³	2024 Down Rounds ³	2025 Down Rounds ³	Q1 2026 Down Rounds ³
Liquidation Preferences - Series B and Later																		
Senior	24%	30%	26%	29%	21%	18%	23%	26%	20%	13%	12%	12%	50%	64%	38%	63%	46%	N/A
<i>Pari Passu</i> with Other Preferred	75%	70%	74%	71%	79%	82%	76%	74%	80%	87%	88%	88%	50%	36%	62%	35%	54%	N/A
Junior	1%	0%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	N/A
Complex	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	N/A
Participating vs. Non-Participating																		
Participating - Cap	4%	3%	2%	3%	2%	0%	4%	3%	4%	7%	3%	0%	0%	0%	14%	2%	2%	N/A
Participating - No Cap	6%	6%	8%	4%	3%	3%	7%	7%	10%	2%	1%	4%	0%	36%	24%	6%	4%	N/A
Non-Participating	90%	91%	90%	93%	95%	98%	89%	90%	85%	91%	96%	96%	100%	64%	62%	92%	93%	N/A
Dividends																		
Yes, Cumulative	5%	6%	3%	4%	2%	1%	6%	8%	6%	7%	4%	0%	0%	8%	0%	2%	2%	N/A
Yes, Non-Cumulative	56%	51%	46%	42%	40%	35%	65%	57%	53%	52%	45%	43%	57%	58%	65%	65%	62%	N/A
None	39%	43%	51%	55%	58%	64%	29%	35%	40%	42%	51%	57%	43%	33%	35%	33%	36%	N/A
Anti-Dilution Provisions																		
Weighted Average - Broad	97%	98%	98%	96%	100%	100%	98%	99%	100%	94%	100%	100%	100%	100%	95%	100%	100%	N/A
Weighted Average - Narrow	1%	0%	1%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	5%	0%	0%	N/A
Ratchet	1%	1%	0%	1%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	N/A
Other (Including Blend)	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	N/A
None	1%	1%	2%	3%	0%	0%	0%	0%	0%	6%	0%	0%	0%	0%	0%	0%	0%	N/A
Pay-to-Play - Series B and Later																		
Yes, Pay-to-Play	3%	7%	8%	10%	11%	13%	3%	4%	4%	2%	2%	3%	17%	43%	10%	27%	42%	N/A
None	97%	93%	92%	90%	89%	87%	97%	96%	96%	98%	98%	97%	83%	57%	90%	73%	58%	N/A
Redemption																		
Yes, Redemption	10%	8%	5%	8%	4%	6%	15%	12%	4%	12%	5%	10%	17%	7%	15%	4%	6%	N/A
None	90%	92%	95%	92%	96%	94%	86%	89%	96%	88%	95%	90%	83%	93%	86%	96%	93%	N/A

Appendix – Convertible Notes – Deal Terms (Wilson Sonsini Deals)

Convertible Notes ¹	2021 Pre-Seed	2022 Pre-Seed	2023 Pre-Seed	2024 Pre-Seed	2025 Pre-Seed	Q1 2026 Pre-Seed	2021 Post-Seed	2022 Post-Seed	2023 Post-Seed	2024 Post-Seed	2025 Post-Seed	Q1 2026 Post-Seed
Interest rate less than 8%	90%	44%	52%	48%	56%	N/A	69%	68%	32%	23%	43%	57%
Interest rate at 8%	5%	44%	26%	24%	38%	N/A	24%	12%	35%	26%	31%	29%
Interest rate greater than 8%	5%	11%	22%	29%	6%	N/A	7%	20%	34%	51%	26%	14%
Maturity less than 12 months	14%	30%	38%	19%	19%	N/A	25%	29%	28%	42%	36%	38%
Maturity 12 months	5%	0%	13%	24%	19%	N/A	18%	16%	21%	12%	22%	13%
Maturity more than 12 months	81%	70%	50%	57%	63%	N/A	58%	55%	52%	46%	42%	50%
Debt is subordinated to other debt	14%	40%	17%	25%	13%	N/A	48%	41%	39%	35%	46%	13%
Loan includes warrants ²	0%	0%	0%	0%	6%	N/A	6%	20%	22%	15%	19%	0%
Warrant coverage less than 25%	N/A	N/A	N/A	N/A	100%	N/A	0%	11%	45%	50%	17%	N/A
Warrant coverage at 25%	N/A	N/A	N/A	N/A	0%	N/A	0%	0%	0%	0%	0%	N/A
Warrant coverage greater than 25%	N/A	N/A	N/A	N/A	0%	N/A	100%	89%	55%	50%	83%	N/A
Automatic conversion into equity on qualified financing ³	100%	100%	92%	89%	93%	N/A	96%	93%	88%	96%	93%	86%
Voluntary conversion into equity on qualified financing ³	0%	0%	8%	11%	7%	N/A	4%	7%	12%	4%	7%	14%
Conversion rate subject to price cap ⁴	71%	56%	54%	50%	38%	N/A	52%	32%	47%	47%	40%	57%
Conversion to equity at discounted price ⁵	75%	50%	88%	78%	92%	N/A	70%	78%	80%	84%	86%	86%
Conversion to equity at same price as other investors	15%	30%	8%	17%	8%	N/A	25%	20%	10%	8%	14%	0%
Discount on conversion less than 20%	20%	40%	14%	36%	9%	N/A	21%	29%	18%	16%	23%	17%
Discount on conversion at 20%	60%	20%	48%	36%	73%	N/A	63%	39%	55%	51%	40%	50%
Discount on conversion greater than 20%	20%	40%	38%	29%	18%	N/A	16%	32%	27%	33%	37%	33%

¹ We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding. Pre-Seed refers to convertible notes issued prior to the first preferred stock financing. Post-Seed refers to convertible notes issued after the first preferred stock financing.

² Of the 2021 post-Seed convertible notes with warrants, 100% also had a discount on conversion into equity. Of the 2022 post-Seed convertible notes with warrants, 59% also had a discount on conversion into equity. Of the 2023 post-Seed convertible notes with warrants, 55% also had a discount on conversion into equity. Of the 2024 post-Seed convertible notes with warrants, 69% also had a discount on conversion into equity. Of the 2025 post-Seed convertible notes with warrants, 50% also had a discount on conversion into equity. There were no post-Seed convertible notes with warrants in Q1 2026.

³ The 2021 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$4M and \$10M, respectively. The 2022 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$7M and \$10M, respectively. The 2023 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$5M and \$10M, respectively. The 2024 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$5M and \$10M, respectively. The 2025 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$10M and \$10M, respectively. There were no pre-Seed convertible notes in Q1 2026. The Q1 2026 median dollar threshold for a qualified financing in post-Seed convertible notes was \$40M.

⁴ The 2021 median price cap in pre- and post-Seed convertible notes was \$1.1M and \$4.1M, respectively. The 2022 median price cap in pre- and post-Seed convertible notes was \$2.0M and \$5.0M, respectively. The 2023 median price cap in pre- and post-Seed convertible notes was \$2.0M and \$4.0M, respectively. The 2024 median price cap in pre- and post-Seed convertible notes was \$1.1M and \$2.8M, respectively. The 2025 median price cap in pre- and post-Seed convertible notes was \$2.8M and \$7.0M, respectively. There were no pre-Seed convertible notes in Q1 2026. The Q1 2026 median price cap in post-Seed convertible notes was \$7.3M.

⁵ Of the 2021 post-Seed convertible notes that had a discount on conversion into equity, 9% had warrants. Of the 2022 post-Seed convertible notes that had a discount on conversion into equity, 17% had warrants. Of the 2023 post-Seed convertible notes that had a discount on conversion into equity, 16% had warrants. Of the 2024 post-Seed convertible notes that had a discount on conversion into equity, 17% had warrants. Of the 2025 post-Seed convertible notes that had a discount on conversion into equity, 14% had warrants. Of the Q1 2026 post-Seed convertible notes that had a discount on conversion into equity, 0% had warrants.

Wilson Sonsini Methodology

- The Up/Down/Flat analysis is based on Wilson Sonsini deals having an initial closing in the period reported to ensure that the data clearly reflects current trends.
- The median pre-money valuation is calculated based on the pre-money valuation given at the time of the initial closing of the financing round. If the issuer has a closing in a subsequent quarter, the original pre-money valuation is used in the calculation of the median for that quarter as well.
- A substantial percentage of deals have multiple closings that span fiscal quarters. The median amount raised is calculated based on the aggregate amount raised in the reported quarter.

This report is based on detailed deal data provided by the firm's corporate and securities attorneys and analyzed by the firm's Knowledge Management department.

For purposes of the statistics and charts in this report, our database includes venture financing transactions in which Wilson Sonsini represented either the company or one or more of the investors.

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