

BLACKTECHSTARTUP EDUCATION

Startup Valuation Before a VC Round: Set a Financeable Range Without Giving the Company Away

Use current market evidence, company traction, dilution math and financing goals to set a defensible valuation range that can actually clear the market.

Valuation is both price and financing architecture. A high valuation can reduce immediate dilution but make the next round harder if operating progress does not catch up. Current Carta data shows wide differences by stage, sector and geography, which is exactly why a founder should not copy a headline median. Build a range from company-specific evidence, round size, ownership targets, option-pool effects and likely next-round requirements.

Know what weak and strong look like

READINESS AREA	WEAK / DILIGENCE RISK	STRONG / INVESTOR-READY
Benchmarking	Uses one friend's round or national median.	Uses stage/sector/region/current market data as context, not answer.
Traction	Narrative says "strong growth."	Revenue/retention/usage/margin/customer proof supports position in range.
Dilution	Only post-money percentage estimated.	SAFE/note conversion, pool top-up and new-money dilution modeled.
Next round	Assumes next valuation rises automatically.	Required milestone/step-up and downside flat/down scenario modeled.
Terms	Highest price wins.	Price considered with preferences, governance, certainty and investor quality.

Start with the amount and milestone

Valuation should support the financing needed to reach the next meaningful proof point. If you need \$4M but refuse more than 10% dilution, you are implicitly demanding at least a \$36M pre-money valuation before instrument/pool effects. Ask whether current evidence can support that.

Build a valuation evidence grid

Use market comparables/benchmark data, growth, retention, margins, customer quality, market, team, technical/regulatory proof and competitive financing demand. Separate evidence from aspiration.

Model ownership at low/base/high valuation

Include every converting SAFE/note, current option pool and likely pool increase. Show founder/team/investor post-close ownership for several prices.

Model the next round before setting this one

Ask what milestone and market conditions are required to raise above today's price. A valuation that requires a 3× step-up in 15 months may create pressure to over-spend or accept structured terms later.

Negotiate total terms

A slightly lower valuation with clean 1x nonparticipating preference, sensible governance and a high-conviction lead can be superior to a headline price with aggressive control or downside terms. Compare term sheets across economics and rights.

Run the diligence stress test before investors do

Do not rehearse an answer. Rehearse the evidence. Give yourself a short diligence window and try to produce the underlying records without rebuilding the story from memory. A clean result is reproducible, tied to a source system or signed document, and consistent with the numbers elsewhere in the company.

→ **Benchmarking:** Put the underlying records on screen and prove this standard: Uses stage/sector/region/current market data as context, not answer. If the evidence still looks like this weak state—Uses one friend's round or national median.—record the gap, name an owner and give it a due date instead of explaining it away.

-
- **Traction:** Put the underlying records on screen and prove this standard: Revenue/retention/usage/margin/customer proof supports position in range. If the evidence still looks like this weak state—Narrative says “strong growth.”—record the gap, name an owner and give it a due date instead of explaining it away.
-
- **Dilution:** Put the underlying records on screen and prove this standard: SAFE/note conversion, pool top-up and new-money dilution modeled. If the evidence still looks like this weak state—Only post-money percentage estimated.—record the gap, name an owner and give it a due date instead of explaining it away.
-
- **Next round:** Put the underlying records on screen and prove this standard: Required milestone/step-up and downside flat/down scenario modeled. If the evidence still looks like this weak state—Assumes next valuation rises automatically.—record the gap, name an owner and give it a due date instead of explaining it away.
-
- **Terms:** Put the underlying records on screen and prove this standard: Price considered with preferences, governance, certainty and investor quality. If the evidence still looks like this weak state—Highest price wins.—record the gap, name an owner and give it a due date instead of explaining it away.
-

Do the math investors will do

Pre-money/post-money: $\text{Post-money} = \text{pre-money} + \text{new primary capital}$. New-money ownership (ignoring conversions/pool mechanics) = $\text{new capital} \div \text{post-money}$. Example: \$5M on \$20M pre = \$25M post, or 20% new-money ownership. If a pool top-up or convertibles are included in the pre-money fully diluted count, founders may experience more dilution than the simple 20%.

Build the evidence investors can verify

-
- ✓ Valuation evidence grid
-
- ✓ Low/base/high round model
-
- ✓ Full pro-forma dilution including convertibles/pool
-
- ✓ Next-round milestone and step-up analysis
-
- ✓ Comparable/current benchmark notes with date/source
-

- ✓ Term-sheet comparison across economics/control
-

Questions an investor may ask

- ? Why does this valuation fit your current evidence?
 - ? What ownership will founders retain after all conversions?
 - ? What must be true to raise the next round above this price?
 - ? Would you take a lower price for materially better terms or investor fit?
 - ? How does the option pool change effective valuation?
-

30-day repair sprint

- 1 Days 1–5: determine round need and target ownership range.
 - 2 Days 6–10: gather current stage/sector/region market evidence.
 - 3 Days 11–15: build company evidence grid.
 - 4 Days 16–20: model low/base/high pro formas.
 - 5 Days 21–25: stress-test next-round step-up/downside.
 - 6 Days 26–30: define negotiation range, walk-away conditions and term-sheet comparison sheet.
-

SOURCE DESK

Research behind this guide

Use the primary and authoritative sources below to verify current rules, market conditions and technical guidance. Terms and regulations can change.

Carta — State of Private Markets Q1 2026



Carta — Round Benchmarking Tool



SEC — Ready to Raise CAPITAL



NVCA — Model Legal Documents



Important: This guide is educational information, not individualized legal, tax, investment, employment, security or compliance advice. For decisions with material legal or financial consequences, use a qualified professional who can review your facts.

SHARE THIS GUIDE ↗

POWERED BY: BLACK TECH STARTUP

blacktechstartup.com