

PATHFINDERS CAPITAL

The ***Lab-to-Term Sheet***® EARLY-STAGE VENTURE INVESTOR IN ENTERPRISE IT & DEEP TECH

STATE OF PRE-SEED 2025

Where Atoms Meet Capital: A Founder's Guide to a Year of Pre-Seed Deal Terms

PATHFINDERS CAPITAL, The Lab-to-Term Sheet® Investor, Palo Alto, CA

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ABOUT THIS REPORT

A Founders Resource on 2025 Pre-Seed VC Deals Data

Pathfinders Capital is a **Lab-to-Term Sheet**® early-stage (Pre-Seed and Seed) venture investor focused on Enterprise IT and Deep Tech — spanning artificial intelligence, advanced computing, cybersecurity, defense tech, robotics & automation, semiconductors & photonics, quantum technology, materials science, and key vertical markets including healthcare IT, industrial tech, future energy, and defense & GovTech.

This venture deal terms data is synthesized for founders preparing to raise a pre-seed round, and for the operators and co-investors we work alongside who want a grounded, data-backed view of what "market terms" actually look like right now. We cover:

- The Big Picture — capital raised, deal count, and the concentration story
- Deal Terms 101 — SAFEs vs. convertible notes, valuation cap benchmarks, discounts, and dilution
- The Priced-Equity Crossover — when and why founders leave convertible instruments behind
- Industry Dynamics — "Where Atoms Meet Capital": hardware and biotech/pharma vs. software
- Geography — the Bay Area's continued grip, and a genuinely deepening second tier of hubs
- The Founder's Playbook — a practical, numbers-first checklist for your own raise

\$10.4B

Total US pre-seed capital raised, 2025 (–
1% vs. 2024)

50,316

SAFES & convertible notes issued, 2025 (–
13% vs. 2024)

\$3–4M

Round size where the majority of founders
now switch from SAFE/note to priced
equity

1. The Big Picture

The headline number is almost boring: **US pre-seed startups raised \$10.4 billion across 50,316 SAFEs and convertible notes in 2025** — down just 1% from 2024. But that stability is hiding a much sharper story underneath: instrument count fell 13% year-over-year, and the fourth quarter alone saw only 11,672 SAFEs and notes issued — the lowest quarterly count in recent years — while raising \$2.62 billion, right in line with the rest of the year. Pre-seed capital is concentrating into fewer, larger checks, the same dynamic Figure 1 shows the full four-year arc.

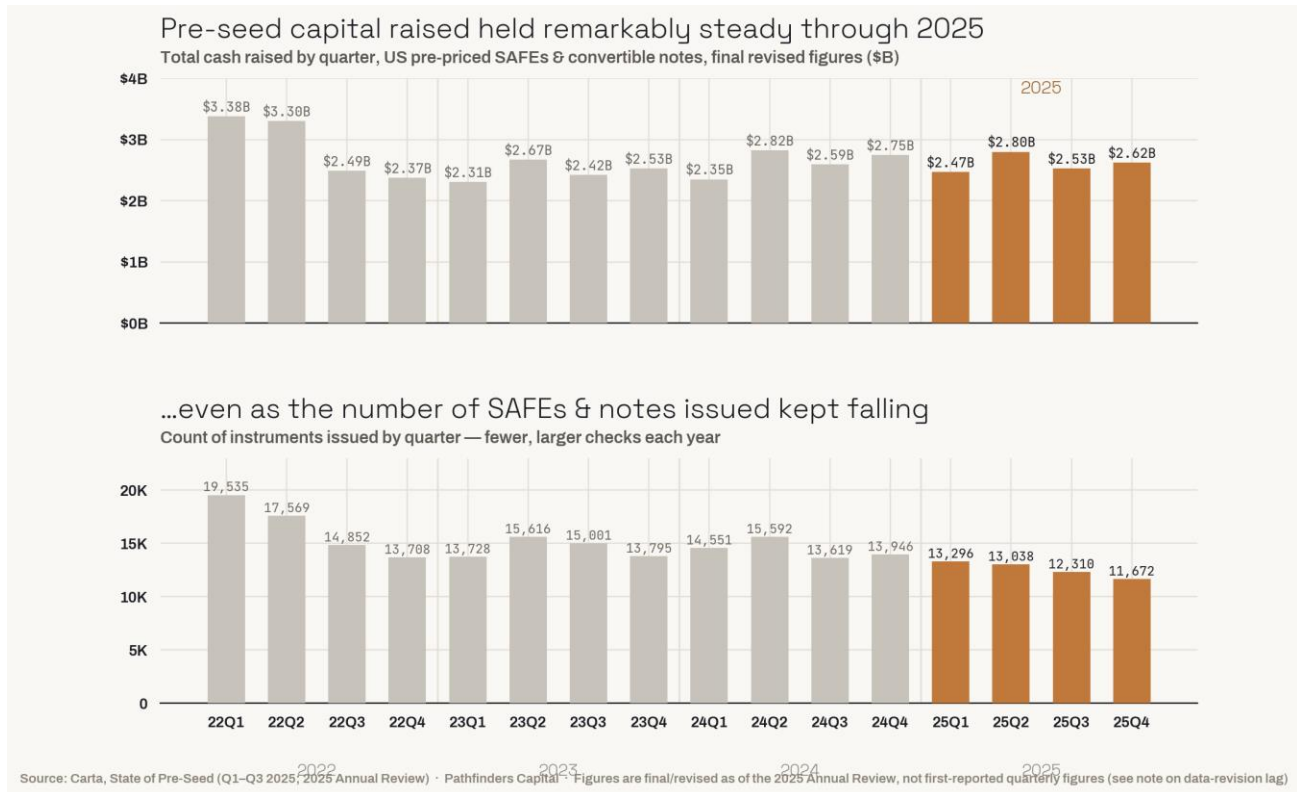


Figure 1. Total cash raised and instruments issued by quarter, 2022–2025. Figures are final, revised numbers as of the 2025 Annual Review.

Capital raised in the largest rounds (\$1M+) has held remarkably steady, between roughly \$8.8B and \$9.8B every year since 2021, even as the number of such rounds has fallen from 6,881 (2021) to 6,279 (2025). The average large pre-seed round is simply bigger than it used to be.

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Fewer, bigger rounds is a story about capital efficiency and conviction, not retreat. If you're a founder with real traction, 2025's data suggests investors will still write meaningful pre-seed checks — the bar for getting one has simply gone up. And if you're reading someone's "pre-seed is down" headline, ask which quarter's data it's built on before you believe it.

2. Deal Terms 101: SAFEs, Caps, Discounts & Dilution

SAFEs are, more than ever, the default pre-seed instrument: **93% of all instruments and 89% of all dollars** raised in 2025 were on SAFEs, both up from 2024. Convertible notes now show up mostly in capital-intensive, longer-horizon

sectors — biotech/pharma (36% of dollars raised on notes), energy (28%), and medical devices (28%) — versus effectively token usage in software (SaaS: 6%). Within SAFEs, the market has also standardized on structure: post-money SAFEs with a valuation cap and no discount now account for 88% of all SAFEs issued (up from 41% in 2020), and post-money convertible notes have followed the same path to 85%.

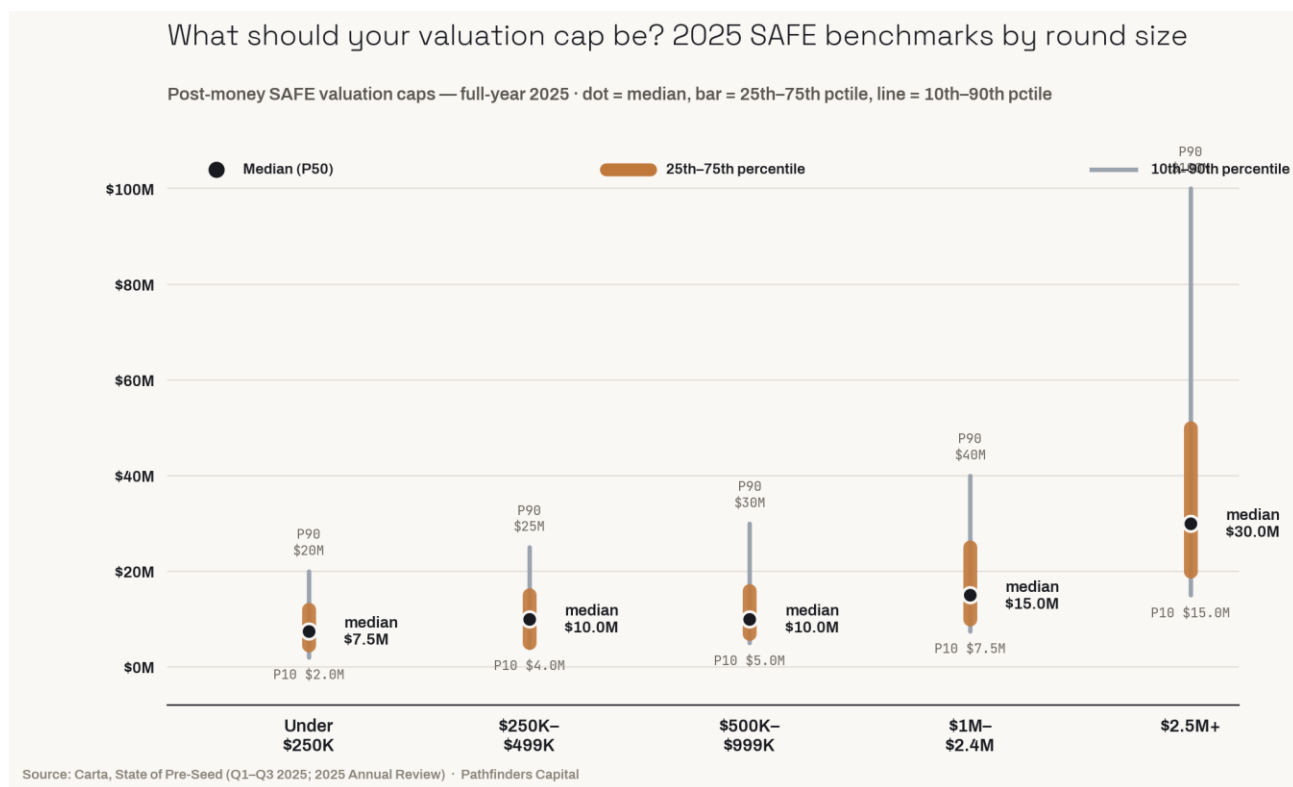


Figure 2. Post-money SAFE valuation cap benchmarks by round size, full-year 2025.

Figure 2 is the single most useful reference in this report if you're pricing your own round: it's the actual distribution of what pre-seed companies raised money at in 2025, not a rule of thumb. A few reads worth calling out:

- **Valuation caps rose across the board in 2025**, and rose fastest for the smallest checks — the median cap for sub-\$250K SAFEs climbed from \$6.5M to \$7.5M between Q1 and Q2 alone. Our read: investors are pricing in higher upside for very early-stage companies, plausibly reflecting AI-driven productivity gains letting small teams get further before their first institutional round.
- **The spread is enormous at the top end.** A \$2.5M+ round's valuation cap ranges from \$15M (10th percentile) to \$100M (90th percentile) — a wide enough band that "what's the going valuation for a \$3M round" genuinely doesn't have a single right answer without more context on traction, team, and sector.
- **Convertible notes tend to price a notch below SAFEs, especially at scale** — the 90th-percentile cap for a \$2.5M+ note is \$60M, versus \$100M for a SAFE at the same size. If you're choosing between instruments for a larger round, be aware the two aren't perfectly interchangeable in how the market prices them.

Discounts and dilution

When a discount is used, **20% is the overwhelming market standard** — roughly two-thirds of SAFEs and convertible notes that carry a discount are priced at exactly 20%. Anything meaningfully above that favors the investor; below it favors the founder. Discount-only SAFEs (no cap at all) remain a small share of the market but have grown steadily, from about 1% of SAFEs in 2021 to 8% in 2025.

On dilution: the built-in expected dilution from a SAFE rises steadily with round size — from a median of **5.5%** for sub-\$250K rounds to **22.1%** for \$2.5M–\$4.9M rounds. That top-end figure is worth sitting with: the median priced seed round in Q4 2025 diluted founders **19.4%** — meaning a large pre-seed SAFE round now costs founders roughly as much ownership as a full priced seed round used to. Size and structure matter as much as the label on the instrument.

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Cap-only, post-money, 20% discount-if-any is the modal pre-seed SAFE in 2025 — if your term sheet looks meaningfully different from that, know why. And treat Figure 2 as a starting negotiating range, not a ceiling: the 75th–90th percentile bands exist because real companies with real conviction behind them cleared those numbers.

3. The Priced-Equity Crossover

One of the clearest structural shifts of 2025: the round size at which founders typically abandon convertible instruments for a priced equity round moved up. **In 2024, the crossover point was around \$3M** — the majority of rounds larger than that were priced. By the second quarter of 2025, data was calling that threshold **\$4M**, and the full-year data bears it out: the \$3M–\$4M band is essentially a coin flip (47% SAFE/note vs. 47% priced equity), with priced equity only taking a clear majority above \$4M.

Round size	SAFE	Convertible Note	Priced Equity
Under \$500K	90%	7%	3%
\$500K–\$1M	82%	10%	8%
\$1M–\$2M	71%	9%	20%
\$2M–\$3M	55%	7%	37%
\$3M–\$4M	47%	6%	47%
\$4M+	33%	5%	62%

Table 1. Investment type mix by round size, full-year 2025 early-stage rounds (pre-priced + priced seed).

Why does this matter beyond trivia? SAFEs and notes are cheap and fast to execute, with no need to negotiate a board seat, protective provisions, or a 409A valuation. Priced rounds buy clarity on ownership and governance, which matters more as the check size — and the number of parties with a stake in the outcome — grows. The data suggests the market's collective judgment on where that trade-off flips has moved up by roughly a third of a round size in just one year, likely because SAFEs remain simple to execute even as check sizes grow and because more capital-efficient, AI-tooled teams are able to do more with pre-priced capital before needing the governance structure a priced round provides.

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If you're planning a round in the \$3M–\$4M zone, both paths are genuinely live options in today's market — the choice is now a real strategic decision, not a foregone conclusion driven by size alone. Model both: a SAFE keeps you moving fast and preserves flexibility on cap table structure until your next round; a priced round costs more time and legal spend up front but gives your investors — and you — real clarity on ownership heading into that next raise.

4. Industry Dynamics: Where Atoms Meet Capital

This is the section closest to home for us. 2025 was the year “founders built in atoms” at the earliest stage. **SaaS remained the largest pre-seed category by a wide margin (\$3.9B raised, 4,079 rounds)** — software is not going anywhere. But hardware and biotech/pharma both leapfrogged healthtech and fintech during the year to finish as the **#2 and #3 industries by total cash raised**, up from #3 and #5 in 2024.

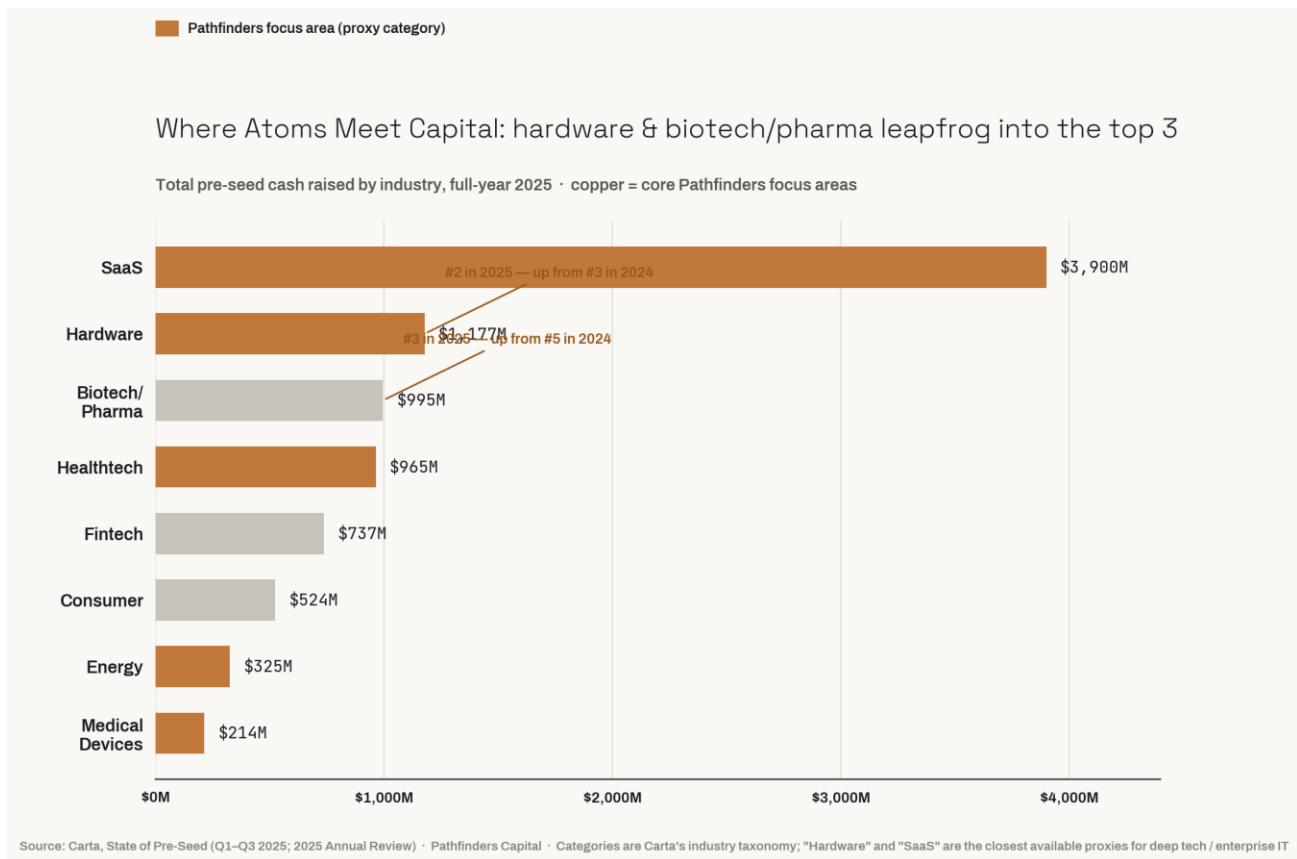


Figure 3. Total pre-seed cash raised by industry, full-year 2025.

A caveat on taxonomy: some of our industry categories are broad — there's no separate line for "AI," "cybersecurity," "robotics," or "space tech." Throughout this report we use "Hardware" as the closest available proxy for physical/deep-tech company formation (robotics, semiconductors, advanced computing, space, industrial automation) and "SaaS" as the proxy for enterprise software, cloud, and much of cybersecurity. Energy and Medical Devices map cleanly onto our Future-of-Energy and Medical Devices verticals; Biotech/Pharma and Healthtech sit

partly inside and partly outside our mandate depending on the degree of IT/deep-tech enablement in a given company.

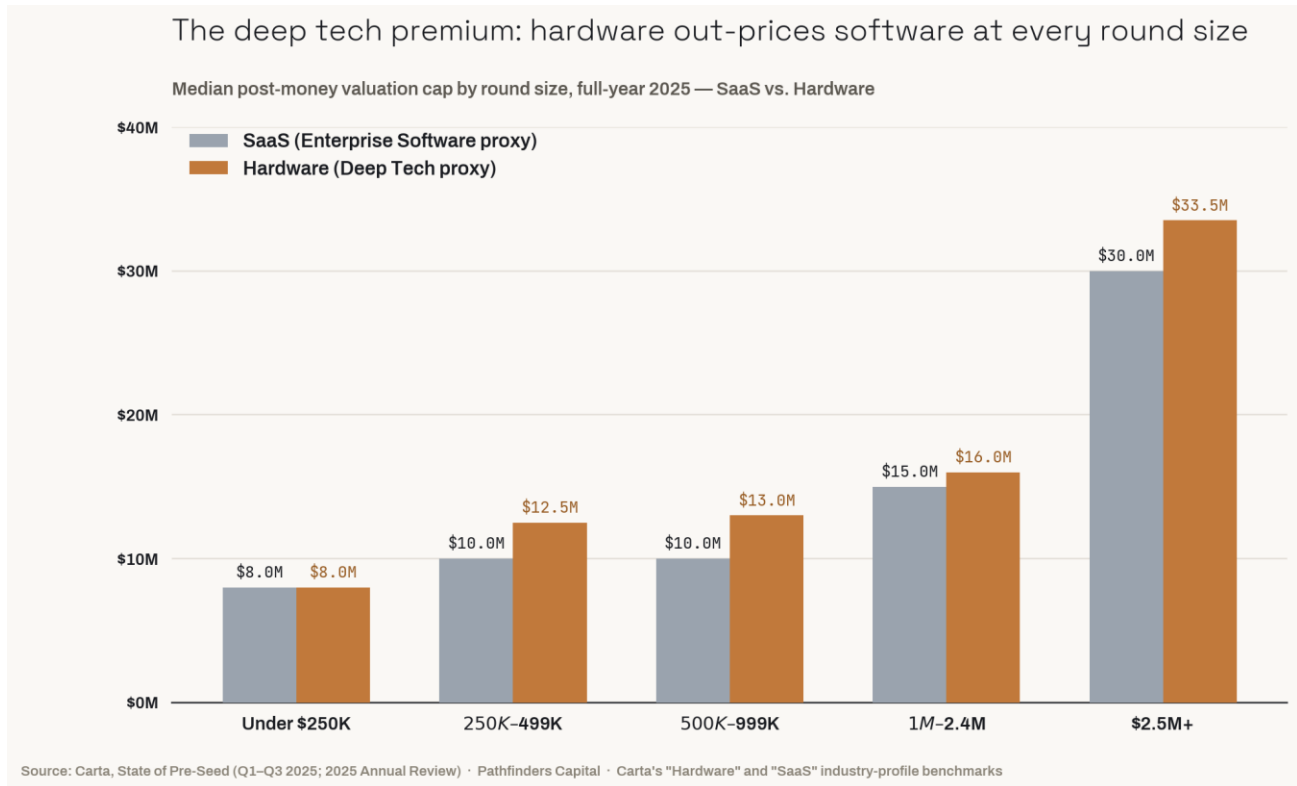


Figure 4. Median post-money valuation cap by round size, SaaS vs. Hardware, full-year 2025.

Figure 4 shows something we see constantly in our own pipeline: hardware commands a **higher valuation cap than software at every round size band above the smallest** — 25% higher at \$250K–\$999K, and roughly 12% higher at \$2.5M+. Investors are pricing deep-tech conviction into the earliest checks, not waiting for a priced round to do it. Healthtech, meanwhile, quietly put up some of the strongest per-round pricing of any sector all year — its \$2.5M+ rounds carried a \$35M median valuation cap through Q3, among the highest of any industry at that band, even though healthtech placed “only” fourth by total dollars raised for the full year.

Crypto/Web3 and biotech/pharma consistently posted the **highest** pre-seed valuation caps of any sector across every quarter we reviewed — a reminder that per-round pricing and total sector dollar volume are two different signals. A sector can raise relatively little in aggregate while still commanding premium prices on the deals it does close.

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“Where Atoms Meet Capital” isn't just our tagline — it's what the 2025 data shows happening across the entire pre-seed market, not only in our own portfolio. Deep-tech and physical-product founders are being priced with real conviction at the earliest stage, and the pool of comparable deals to point to when negotiating a cap has gotten meaningfully deeper over the past year. If you're a hardware, robotics, or advanced-computing founder wondering whether investors will engage before you have a priced round's worth of traction — the market-wide answer in 2025 was increasingly yes.

5. Geography: The Bay Area's Grip, and a Deepening Second Tier

The West census region (which includes the Bay Area, LA, Seattle, and San Diego) has held roughly half or more of all US pre-seed capital every year since 2021, ending 2025 at **59.2%** of the full-year total — its highest share of the period. The Bay Area alone accounted for roughly **24% of all US pre-seed dollars** raised in 2025.

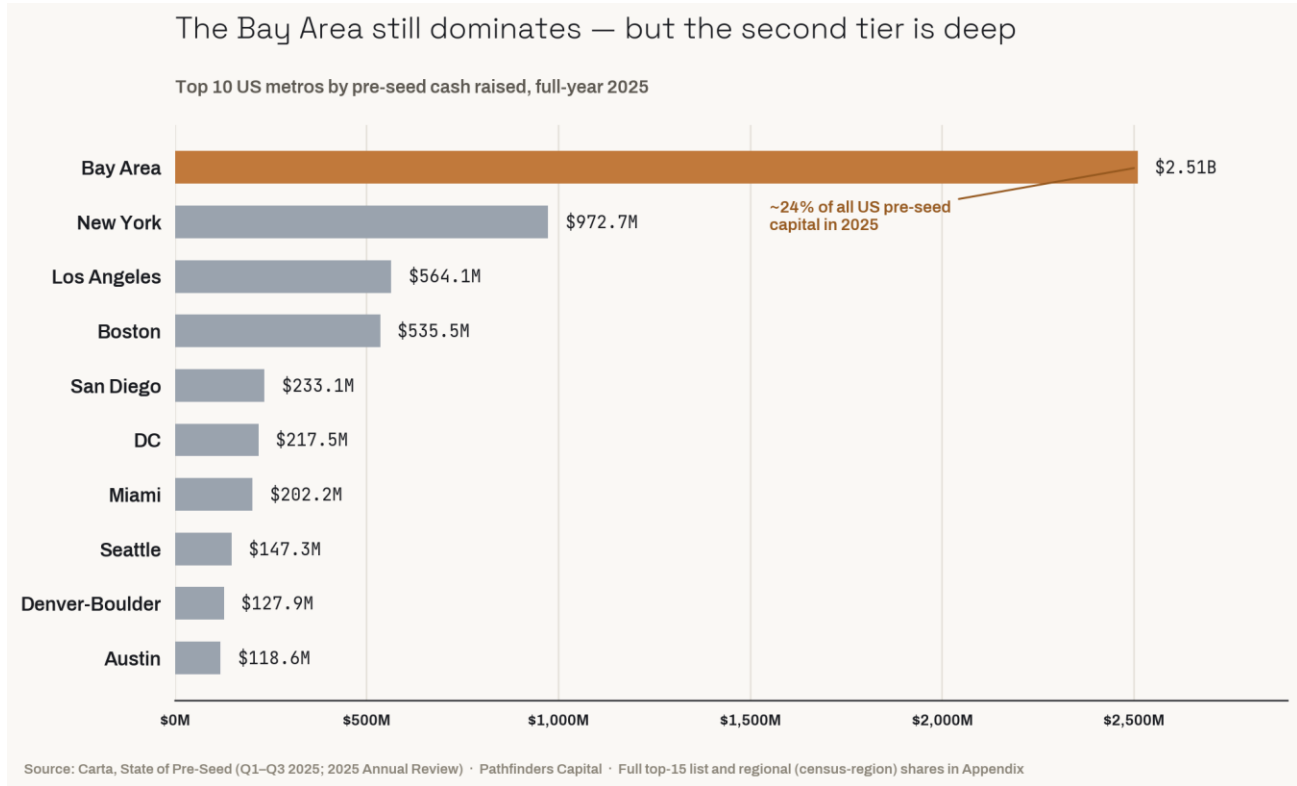


Figure 5. Top 10 US metros by pre-seed cash raised, full-year 2025.

Rank	Metro	2025 Cash Raised
1	Bay Area	\$2,509.3M
2	New York	\$972.7M
3	Los Angeles	\$564.1M
4	Boston	\$535.5M
5	San Diego	\$233.1M
6	DC	\$217.5M
7	Miami	\$202.2M
8	Seattle	\$147.3M
9	Denver-Boulder	\$127.9M
10	Austin	\$118.6M
11	Chicago	\$116.8M

Rank	Metro	2025 Cash Raised
12	Houston	\$97.9M
13	Atlanta	\$79.3M
14	Philadelphia	\$78.6M
15	Phoenix	\$66.8M

Table 2. Top 15 US metros by pre-seed cash raised, full-year 2025.

The more interesting story is what's happening outside the Bay Area. Six of the top 20 metros by trailing-12-month cash raised in early 2025 were Southern cities — Austin, Dallas, Houston, DC, Atlanta, and Miami — and the South took in roughly 18% of all US pre-seed capital across the Q1 2023–Q1 2025 window. Nashville broke into the top 20 metros for the first time in Q2 2025 with \$32M raised on a trailing-12-month basis. Regional shares do swing meaningfully quarter to quarter — a handful of large deals can move a region's share by ten points or more in a single quarter — but the multi-year direction is clear: the set of cities where a founder can credibly raise a pre-seed round has genuinely widened.

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We don't require Bay Area proximity, and the data increasingly backs that stance up: Los Angeles, Boston, San Diego, DC, Miami, Austin, and Denver-Boulder are no longer thin, one-off outliers — they're a real, recurring second tier with hundreds of millions of dollars in annual pre-seed activity apiece. If you're building deep tech outside the traditional hubs, that's a genuine tailwind, not just a founder-friendly narrative.

6. The Founder's Playbook

Pulling the report together into a practical checklist for your own pre-seed raise:

- **Anchor your ask to Figure 2, not to what your friend's startup raised at.** Know which round-size band you're in and where you plausibly sit in the percentile range given your traction, team, and sector — then negotiate from real data.
- **Default to a post-money SAFE, cap only, no discount, unless you have a specific reason not to.** That's what 88% of the market is doing. If an investor asks for a discount, 20% is the going rate — know that number before the conversation starts.
- **If you're building something hardware, deep-tech, or frontier-science flavored, use that as leverage, not an apology.** The data shows these categories command higher caps at almost every round size — investors are actively pricing in conviction on atoms, not just bits.
- **Think hard about the SAFE-vs-priced decision once you're above roughly \$2M.** It's a live, genuine choice in today's market, not a formality — model the trade-offs on speed, cost, and cap-table clarity for your specific situation.
- **Understand what you're diluting, not just what valuation you're "getting."** A \$2.5M+ SAFE round today dilutes about as much as a full priced seed round used to. Size the round accordingly.
- **Don't assume you need to be in the Bay Area to raise a credible pre-seed round.** The data increasingly doesn't require it — a real, growing set of hub cities now has meaningful annual pre-seed volume.

- **Discount any single quarter's headline “pre-seed is down/up” framing.** The most recent quarter in any given report is provisional and will very likely be revised upward — sometimes dramatically — as more data comes in.

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We built this report because we get versions of these questions from founders in nearly every meeting: “what's a fair cap,” “should I do a SAFE or wait for a priced round,” “am I raising too little/too much.” None of these have a single right answer, but they all have better and worse ones — grounded in what the rest of the market is actually doing. That's what this report is for.

Investment Lens: Where Pathfinders Capital Is Looking

Drawing on the trends above, three implications stand out for how we think about deploying pre-seed capital over the next several quarters:

Conviction pricing on atoms is real, and durable

Hardware and biotech/pharma didn't just raise more aggregate capital in 2025 — they were priced up at every round-size band, ahead of a company's first institutional round. That's a signal the earliest checks in deep tech are increasingly written with genuine technical and market conviction, not merely optionality. We expect this to persist as long as the underlying capability gap between AI-native teams and prior cohorts continues to widen the amount a small, well-resourced deep-tech team can prove out pre-priced-round.

The \$3M–\$4M pre-seed round is becoming a distinct instrument, not a phase

With the SAFE/priced-equity split roughly even in the \$3M–\$4M band, we increasingly see well-structured, larger SAFE and note rounds as a legitimate substitute for a small priced seed round for the right team — particularly in capital-intensive hardware and healthcare-IT businesses where a priced round's governance overhead arrives earlier than the company's actual need for it.

Geographic diversification is no longer a concession

A genuinely deep second tier of hub cities means we don't have to trade away deal quality to invest outside the Bay Area. We expect our own geographic footprint to continue reflecting that reality rather than reverting to it.

Appendix: Quick-Reference Benchmarks

Post-money convertible note valuation caps, full-year 2025

Round size	P10	P25	P50 (median)	P75	P90
Under \$250K	\$2.5M	\$5.0M	\$8.8M	\$10.0M	\$18.0M
\$250K–\$499K	\$3.0M	\$6.0M	\$10.0M	\$16.5M	\$28.0M
\$500K–\$999K	\$4.5M	\$6.0M	\$8.4M	\$14.3M	\$20.0M

Round size	P10	P25	P50 (median)	P75	P90
\$1M–\$2.4M	\$6.0M	\$8.0M	\$12.0M	\$20.0M	\$30.0M
\$2.5M+	\$10.0M	\$15.0M	\$25.0M	\$40.0M	\$60.0M

For comparison against Figure 2 (SAFE caps).

Expected dilution by round size, full-year 2025 (post-money SAFE)

Round size	Median dilution	25th–75th percentile
Under \$250K	5.5%	1.9% – 14.5%
\$250K–\$499K	9.9%	4.9% – 19.0%
\$500K–\$999K	13.6%	7.9% – 22.5%
\$1M–\$2.4M	19.4%	12.9% – 28.3%
\$2.5M–\$4.9M	22.1%	15.9% – 31.3%

Reference point: median priced-seed-round dilution was 19.4% as of Q4 2025.

Methodology & Sources

This report synthesizes various venture industry market data and publications. “Pre-seed” is defined as fundraising activity on convertible instruments (SAFEs and convertible notes) prior to a company's first priced equity round. All rights reserved. This report is Pathfinders Capital's independent analysis and synthesis of numerous published data and does not represent any specific source's own commentary or conclusions.

About Pathfinders Capital

Pathfinders Capital is a **Lab-to-Term Sheet**® early-stage venture investor. We invest at the frontier of Enterprise IT and Deep Tech. Our focus sectors include: Advanced Computing, Artificial Intelligence, Cloud Computing, Cybersecurity, Defense Tech, Edge Computing, Enterprise IT Infrastructure, Enterprise Data Storage & Networking, Materials Science, Nanotechnology, Quantum Technology, Robotics & Automation, Semiconductors & Photonics, Synthetic Biology, and key vertical markets including Healthcare IT & Tech Bio, Industrial Tech, Manufacturing Tech, Mining Tech, Construction Tech, AgTech, Climate & Sustainability, Future Energy, Defense & GovTech, and Transportation & Mobility Tech.

We partner with founders who are building foundational technology with durable technical differentiation — at Pre-Seed and Seed stage, before categories become consensus. We do not invest in blockchain/crypto, consumer tech, fintech, or pure biotech/pharma and life sciences without a meaningful IT or deep-tech component.

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