Startup funding stages guide: From pre-seed to IPO [2024]

Core knowledge

Fundraising

If you're thinking about launching a business, scaling your company, or entering new markets, chances are, you'll have to turn to outside funding at some point. And when you do, you must know your financing options like the back of your hand—starting with all startup funding stages.

Navigating the venture capital stages of funding—understanding which stage to target and what's expected of you—is vital to fundraising success. This is especially true for early-stage startup funding, which accounted for 80.7% of all disclosed VC deals in 2023.

All funding stages for startups have unique characteristics and requirements, ranging from funding amounts and potential investors to their expectations and terms.

Having assisted startups in raising over $3 billion across different stages of startup funding, we're here to guide you through the intricacies of startup funding. We'll help you comprehend **how each stage operates, its objectives,** and the **essential milestones needed to secure funding,** from pre-seed to an IPO.

Pre-seed funding

Pre-seed is the very first priced equity round a startup raises at its nascent stage. Most startups at this stage only have an idea, a team, and an understanding of their target market. This stage has only formed over the past decade due to the growing need for substantial initial money infusion for entrepreneurs to get things off the ground.

What is pre-seed funding used for? Mainly for:

- Hiring crucial team members in areas like product development and marketing
- Validating the idea through proof of concept
- Developing a minimum viable product (MVP) or a prototype
- Covering basic operational expenses, including office space, software tools, and administration

the next funding round. It's crucial to request the right funding amount. Asking for too little could deplete your resources before fulfilling your commitments, jeopardizing future fundraising. Conversely, seeking too much might hinder your ability to raise any funds at all.

Average pre-seed funding amount: These investments start at **$30,000**, occasionally reaching up to **$5M** (one of our clients raised $3M pre-seed) for up-and-coming startups. Your position in this range depends on factors like your industry, location, business potential, founding team's expertise, and pitch effectiveness.

Typical pre-seed investors:

- Angel investors: Wealthy individuals who often provide initial financial support, with investments ranging from $30,000 to over $500,000.
- Accelerators and incubators: These programs not only offer mentorship but sometimes follow-on pre-seed financing for top graduates.
- VC funds: Ranging from micro VC funds specializing in early-stage startups to established funds participating in early investing trends.

Funding instruments:

- Qualified equity round (requires company valuation)
- SAFEs, in all their variety
- **Convertible notes**

How to raise pre-seed funding

At this cradle stage, the startup's main goal is to

1. Strong team/founder-market fit, with your founders' and experts' past track record of success playing the key role
2. A bold, compelling vision for the long-term future
3. A compellingly explained problem you're solving, supported by stats
4. Super promising market size opportunity with a clearly defined target customer (**TAM SAM SOM**)
5. A well-thought-out concept and value proposition

Relevant read:

- **$500k pre-seed raise for a beauty brand: Case study**
- **How to create a perfect team slide**

Seed funding

If pre-seed capital is about kickstarting your business, venture capital seed funding represents the first significant step towards early growth for a startup. At this early-stage startup funding, most startups are yet to generate revenue.

Seed capital aims to elevate startups from the idea or prototype stage to becoming fully operational entities and:

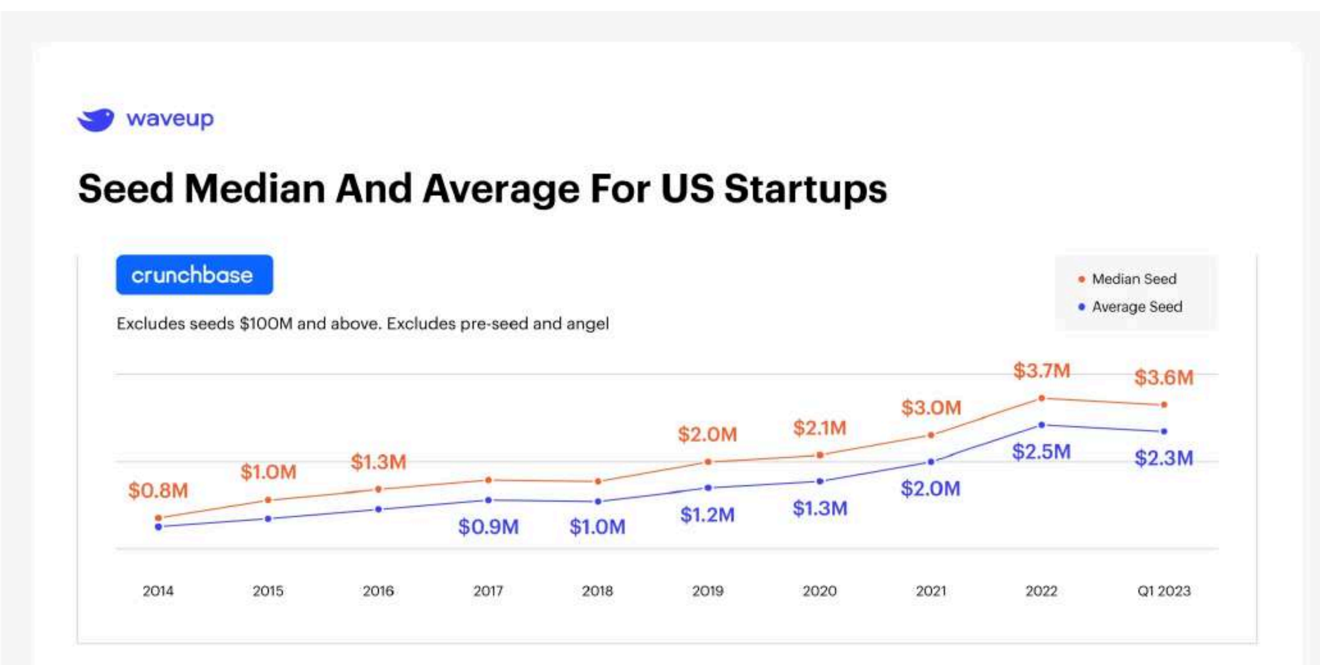
- Develop and refine the product
- Arrive at product-market fit
- Validate and refine the business model
- Scale marketing and sales to start generating revenue
- Expand the team

Equity: Seed investors typically get between 15%-35% of equity.

Valuations: Typical seed round valuations in 2024 land between $1M to $15M.

Runway: Seed capital should last 12-24 months on average, depending on your burn rate.

Average seed funding amount: Over the past decade, seed checks have increased significantly. This growth has led to venture capital firms primarily conducting these rounds, with angel investors sometimes participating in smaller deals. As of January 2024, the average seed funding amount is **$3.5 million**. Here's a look at how the average seed deal size has evolved over the years:



- Venture capital firms
- Sometimes, previous investors who participated in the pre-seed round

Related read: **How to value an early-stage startup**

How to raise seed funding

Here is what investors expect at a seed stage:

- Strong team-market fit
- A massive TAM opportunity and a clear target persona with use cases
- Strong problem/user pain point, supported with statistics
- Quantified value proposition: increase in lead qualification time by 3x, 100% higher conversion rate, etc.
- Strong **market validation** signals and proof of demand, e.g., quotes from user/potential customer interviews
- Strong GTM motion plan
- Promising revenue forecast supported by financial projections

Related read: **$4M seed round for a prospecting automation platform: Case study**

Series A funding

So, what is a Series A investment? Reaching Series A is a major milestone for startups, as it signifies beating the odds that lead to failure for 60% of early-stage companies.

Series A funding is a leap towards scaling and enhancing the startup's revenue generation capabilities. The investments at this stage are substantial, reflecting the increased expectations and requirements.

The primary goal of Series A funding is to steer a startup toward **profitability** or, at the very least, to **achieve specific revenue targets**. These targets can differ greatly, depending on the startup's industry and business model.

To achieve this, the majority of the raised Series A cash goes into:

- Enhancing the core product/service
- Fueling sales and marketing funnels
- Establishing partnerships
- Optimizing operations to achieve capital efficiency

As of 2024, raising a Series A round takes about 6 to 12 months. Many investors emphasize the importance of starting the preparation for this phase well before you run out of cash. Leslie Feinzaig, founder of Graham & Walker, states founders should start focusing on their critical metrics 12 to 18 months before seeking Series A investment.

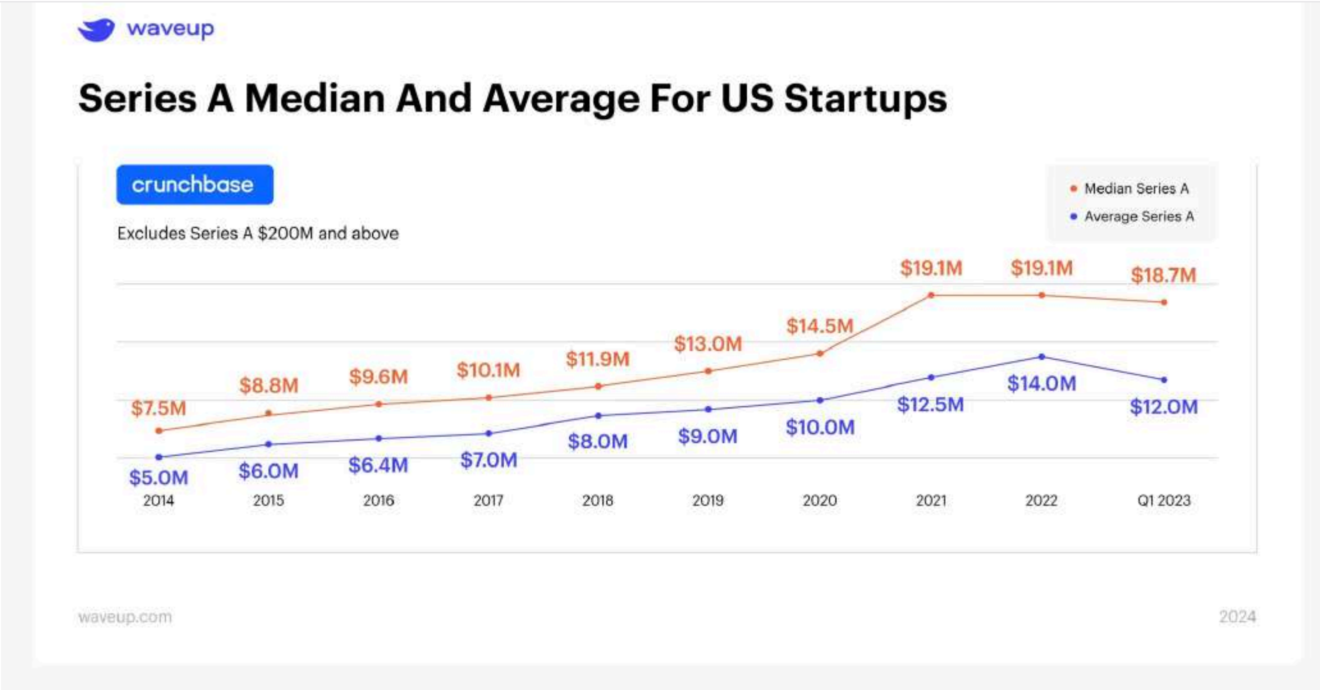
> **The fundraising cycle, once you start it, takes twice as long and requires three times the conversations.**
>
> Leslie Feinzaig, for TechCrunch+

Equity: Typical startup equity at the Series A stage lands between 15%-30%.

Valuations: Series A valuation for startups in 2024 floats between $10M and $45.5M.

Runway: Series A money should last startups 12-20 months on average.

Average Series A funding amount: Typical Series A funding peaked for the first time in 2022, then stagnated for a year only to reach its new heights in January 2024, composing a whooping **$21.2M.**



Source: Crunchbase

Typical Series A investors:

- VC firms
- Previous investors who re-finance their portfolio companies with the biggest potential

How to raise Series A funding

Obviously, the requirements for this stage rely heavily on the startup's business model and industry benchmarks. But there's a general set of key milestones startups must hit to qualify for this round and stand a chance:

- Strong signals of product-market fit specific to your industry and business model
- Steadily growing customer/user base month-over-month (MoM) or quarter-over-quarter (QoQ)
- Consistent revenue growth and demonstrable ability to monetize your product
- Strong unit economics and **capital efficiency**
- Valuable partnerships
- Exit strategy

Related read: How to prove to investors your product-market fit

Series B funding

Raising Series B funding, in most cases, is a sign of major success and potential to become a serious market player for a company, as around 35% of companies fail after raising Series A.

moving upmarket

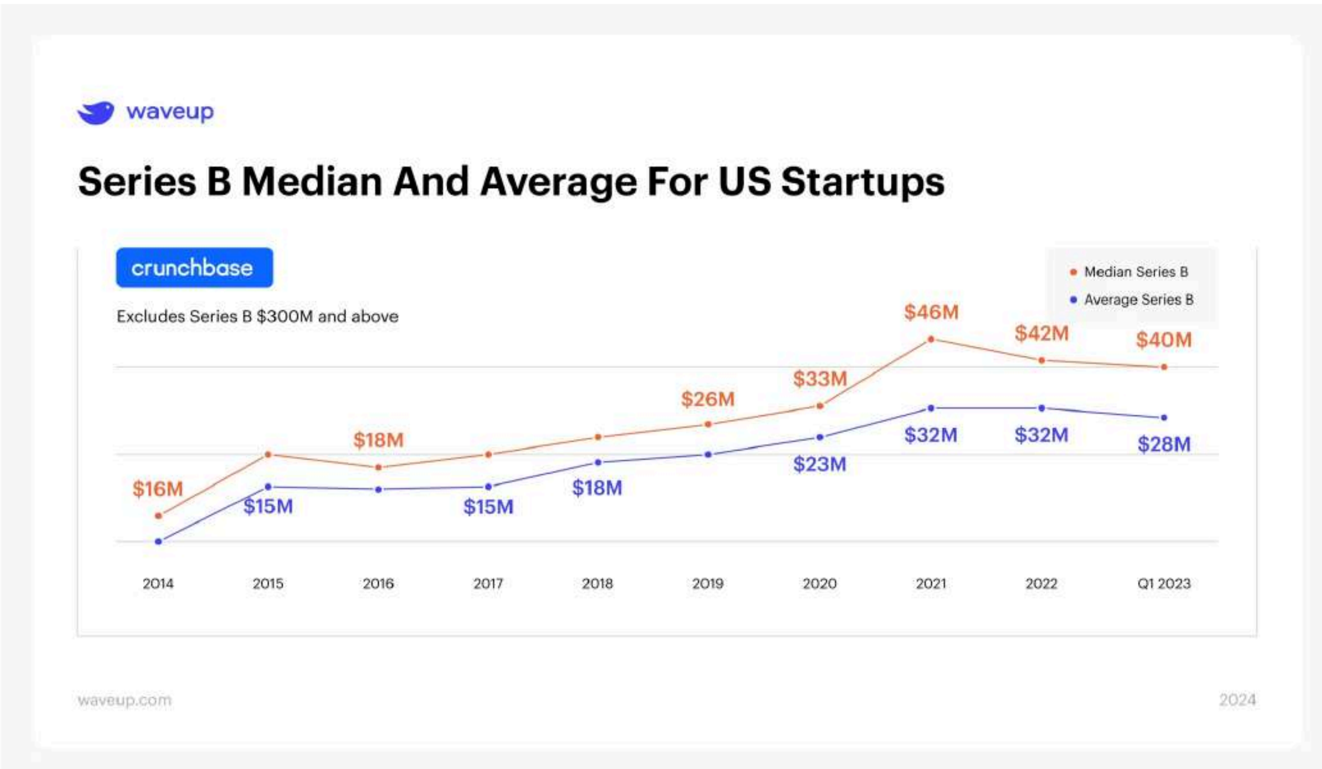
- Enhance the product to maintain a competitive advantage
- Scale operations and expand the team

Equity: Typical startup equity at Series B that they give to investors 10%-25%.

Valuations: In 2024, the average Series B valuation for startups in 2024 lands somewhere between $50M and $105M, with the peak Series B valuation hitting $160M in 2022).

Runway: Series B runway should normally last around 18 to 24 months.

Average Series B funding amount: Series B deal sizes peaked in 2021 with $46M, followed by a steep decline that hit its lowest point of **$30M** average in Q4 2023. The average check is slowly increasing again, with an average of **$38.9M** in January 2024.



Source: Crunchbase

How to raise Series B funding

The key Series B milestones, again, vary based on the startup's industry benchmarks, business model, and market conditions. But as a rule of thumb, here is what investors expect at this stage:

- Strong revenue growth: For SaaS startups, a common target is to have Annual Recurring Revenue (ARR) in the range of $2 million to $10+ million; others must demonstrate consistent year-over-year revenue growth of 100% and gross margins above 50%
- Strong customer growth and retention rates, with a healthy CAC to CLV ratio of 1:3 and a low churn rate

- Expansion into new markets or regions, with provable ability to replicate success
- Strong strategic partnerships that open new growth opportunities
- Exit strategy

Related read:

- **Key metrics to assess your sales&marketing efficiency**
- **Leading & lagging metrics for startups to track**

Series C funding

Series C funding is the third significant early-stage startup funding round. It's a turning point for most startups, meant to help them fuel expansion and set the stage for potential exit strategies. It's also not uncommon for startups to leapfrog from raising Series C funding to IPO.

Startups at this stage have already proven their market viability and ability to generate serious revenues—or even profits. The idea is working; the risks are decreasing—it's time to take the company to the next level.

Like Series B, the Series C investment focuses on helping a company reach market dominance and expansion by **entering new markets**, **expanding the product's use cases,** or **releasing new products** to take up a bigger chunk of the TAM.

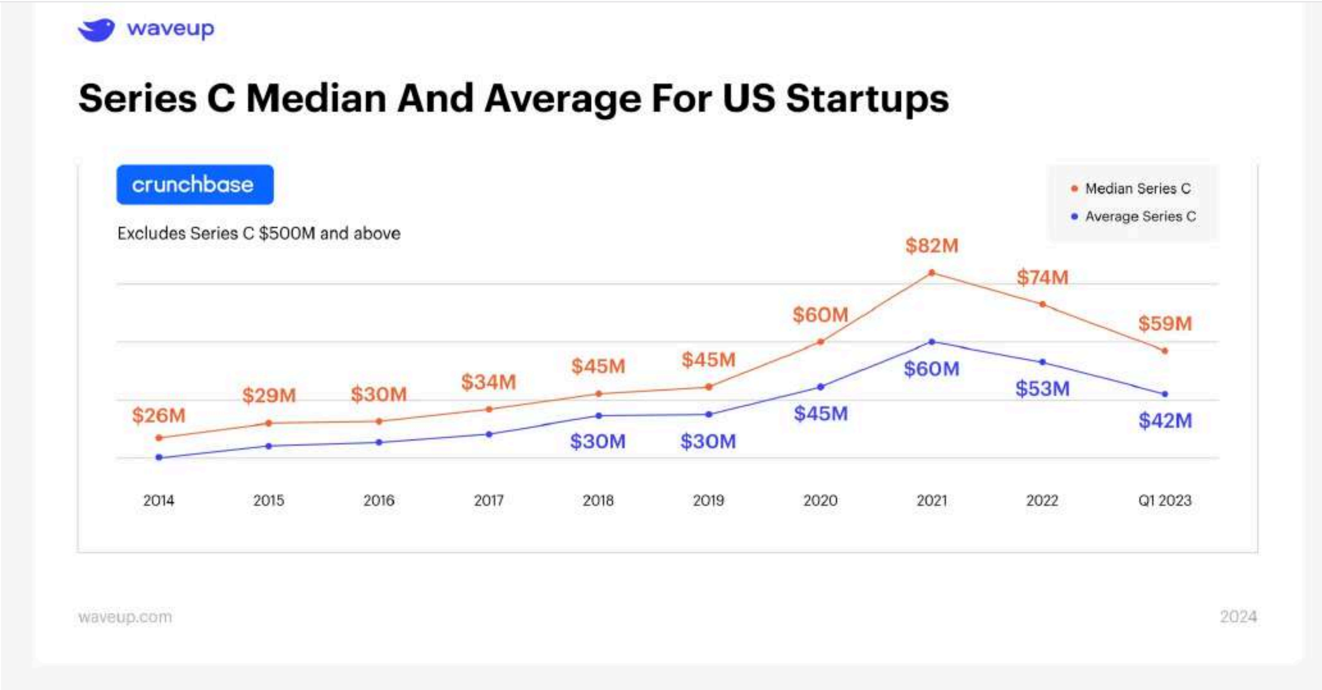
As with other stages, your investors from previous rounds may also participate in the fundraiser. But given the substantial check size, they won't lead the round, only contributing a chunk of the needed cash. The rest of the money will be raised from the new investors.

Equity: A typical percentage of Series C startup equity given to investors lands around.

Valuations: The average 2024 Series C valuation for companies starts from $100M and can reach up to $250M.

Runway: Ideally, Series C financing should last a company a minimum of 18 to 24 months or longer.

Average Series C funding amount: Since peaking in 2021 with a whopping $82M, Series C checks have been declining, hitting their lowest point in January 2024 with a mere average of **$37.4M**.



Source: Crunchbase

How to raise Series C funding

This stage is characterized by generally easier fundraising, as the company's success usually speaks for itself, having new investors reaching out to the founders and not the other way around. Yet, your fundamentals must still be sharp and demonstrate **a clear path to profitability**, along with the attributes required to raise the Series B, but with higher revenue indicators.

Later funding stages: Series D, E, F & G funding

Later funding stages are considered extra rounds, aimed at startups that have firmly established themselves and own a serious % of their addressable market but haven't yet reached the IPO level.

With some exceptions, the need to raise extra cash later on often signals the company's inability to turn profits and successfully exit. This begs the question: is needing Series D funding bad? Needing Series D investment and further rounds doesn't mean you're in trouble. The scenario will depend on a specific company, its business model, long-term strategy, and market conditions.

Here's a comprehensive comparative table for the Series D, E, F & G startup investment stages.

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Later funding stages: Series D, E, F & G funding

ASPECT	SERIES D FUNDING	SERIES E FUNDING	SERIES F FUNDING	SERIES G FUNDING
Goals	• Further scale operations • Expand market reach • Prepare for IPO	• Additional capital for expansion • Delay IPO • Strategic investments	• Pre-IPO funding • Expand into new markets • Acquire other companies	• Postpone IPO • Long-term strategic initiatives • Sustain market leadership
Company Stage	• Profitable or close to it • Established market presence	• Established, but seeking further growth • May face new challenges	• Highly mature and stable • Market leader	• A well-established leader • Diversifying or consolidating market position
Investor Profile	• VC firms, including previous investors • Private equity • Late-stage investors	• Same as Series D; sometimes strategic partners	• Large institutional investors • Sovereign wealth funds	• Similar to Series F; sometimes public market investors

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Valuation	$100M to $1B	$150M to several $B	$200M to several $B	$200M ro several $B (sometimes less than Series F)
Use Of Funds	• Expansion projects • Acquisitions • R&D	• Similar to Series D; may include debt restructuring	• Pre-IPO preparations • Large scale expansions or acquisitions	• Long-term projects • Fortifying market position • Strategic pivots
Risks And Challenges	• Maintaining growth momentum; • Market saturation risks	• Justifying high valuation; • Adapting to changing market conditions	• Meeting investor expectations for IPO; • Maintaining market position	• Navigating large-scale operational challenges; • Innovating in a mature market
Exit Strategy	• IPO • Acquisition	• IPO (delayed) • Further funding rounds or acquisition	• IPO is imminent • Sometimes strategic sale	• IPO (if still pending) • Continued private operations or strategic sale

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Initial Public Offering (IPO): Funding from public markets

IPO, or “going public,” is rightly considered the culmination of the company’s journey. When it happens, the company issues its shares in the public market for people to buy at a price that reflects its current value.

Going public is viewed as the ultimate sign of success for a startup and its backers, who get to cash out. However, there are cases when companies choose not to go down the IPO route to maintain control or simply sell the company. Either way, just having the option to go public means a company has reached the pinnacle of success.

Fundraising doesn’t have to be a struggle

Despite the recent fundraising drought that has struck startups across all VC funding stages, Waveup has helped early-stage companies raise over $505M in 2023 alone. Check out our materials and services to assist you across your fundraising pipeline:

- Compose an effective **investor targeting** strategy and messaging
- Create a perfect pitch deck that will 10X investor response rate with our **pitch deck consulting services** — or simply read how to do this yourself in our **articles on Pitch Deck.** Good luck!

FAQ