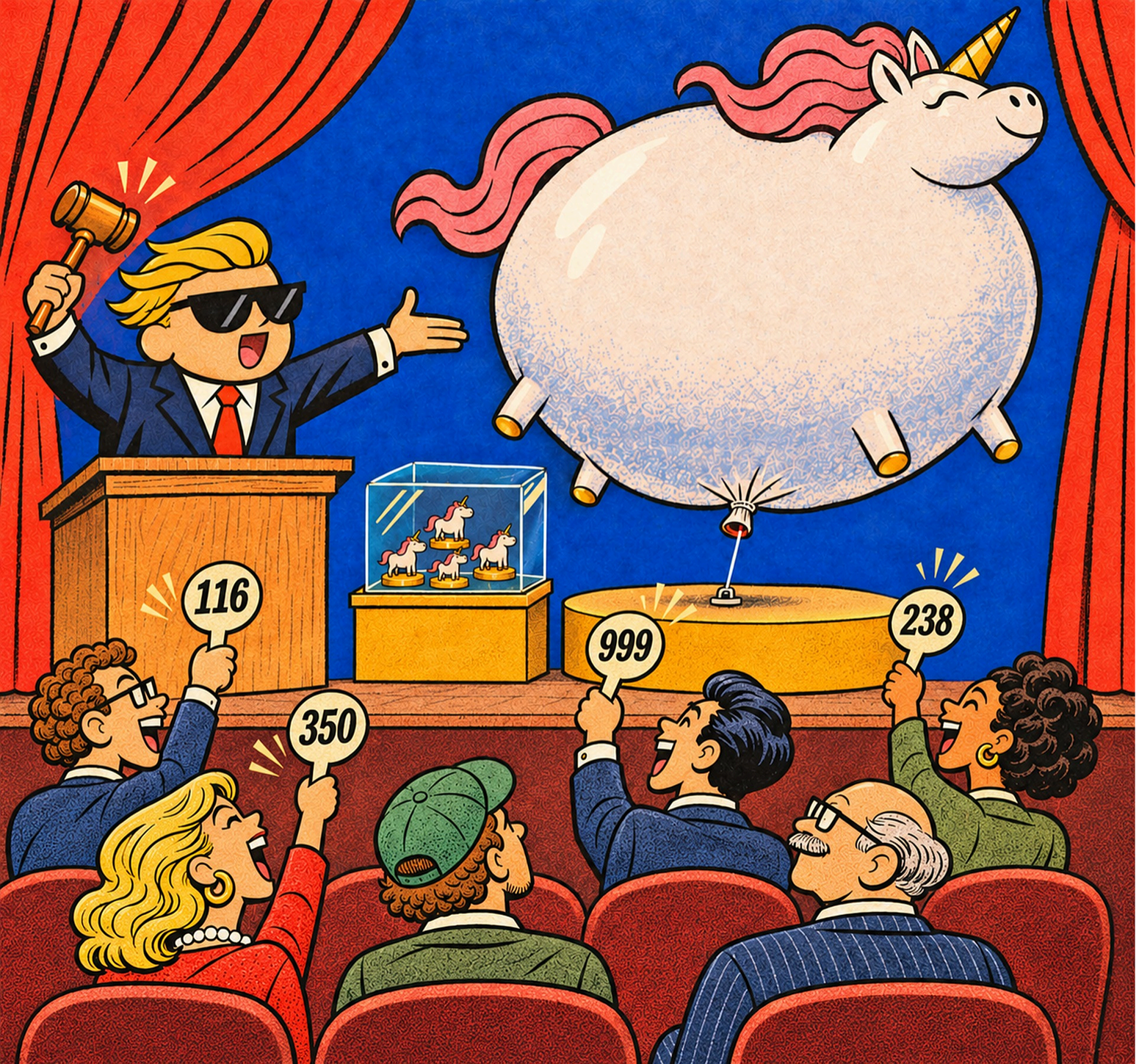


OPINION PIECE

02

IS THE MARKET UNFAIRLY PRICED BY OPTIMISTS?

Private rounds are set by the keenest buyer, and the companies that never raise go uncounted.

By **Ray Wyand**

The views expressed are the author's own and do not necessarily represent those of Verified Metrics.

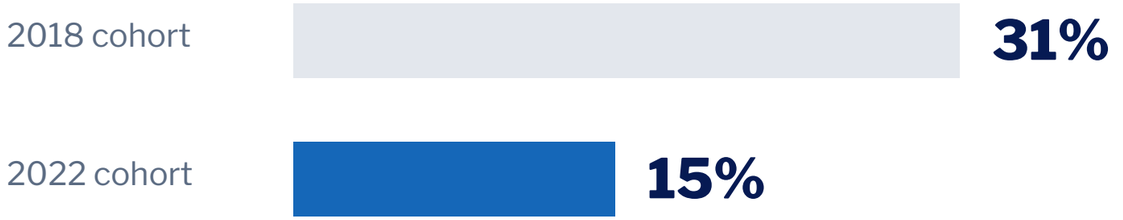
Is the market unfairly priced by optimists?

Most private market valuations have an interesting feature: comparable price points are priced only by the optimistic buyers in the room. In a public market, skeptics are able to short stocks and pull down their prices; however, in private markets skeptics simply don't buy, so the price paid doesn't actually reflect their view. Decades of research on public stocks show that when short selling is hard, prices run high. With AI valuations booming, we are seeing this in full swing in the venture market.

This dynamic is created because a price is only set when a company raises and only the strongest ones raise at all. Fewer are getting through: about 15% of the 2022 Seed cohort reached Series A within two years, against 31% of the 2018 cohort, while top-end (95th-percentile) Seed valuations nearly tripled, from $72m to $200m, in the year to Q2 2026.

Fewer startups get through

Seed startups reaching Series A in two years



Top Seed prices nearly triple

95th-percentile Seed valuation

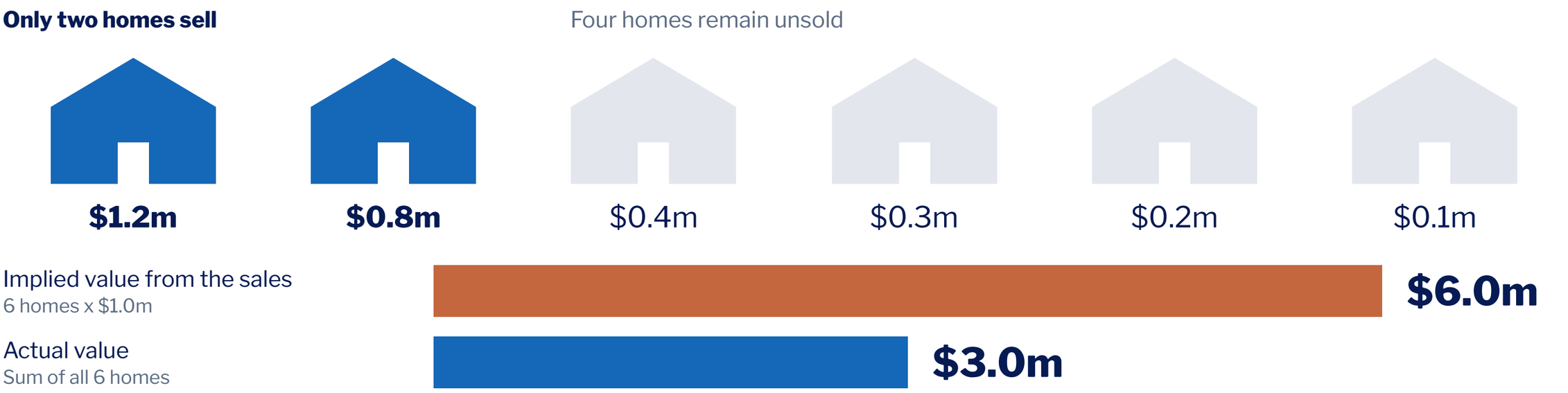


Sources: Boehme, Danielsen and Sorescu (2006); Chronograph; Carta. See sources

Headlines describe the winners, not the market

Nnamdi Iregbulem of Lightspeed venture explains the result with a street of six homes: if only the two best homes sell, while every sale is fair on its own, the average price of the neighborhood is double what it is actually worth.

Venture is no different. The prices that make headlines come from new rounds, and Iregbulem estimates a new Seed round is valued at about 4x the average existing Seed company and 10x the median one. Clearly, the prices entering the market increasingly belong only to the best companies, so treating them as a picture of the whole market overstates it by a wide margin.



Illustrative values, after Nnamdi Iregbulem, Valuations need a correction (Oct 13, 2026); new-round vs existing Seed valuations from the same article (PitchBook data, author's model). See sources

Two-tier rounds make it worse -- and they are becoming increasingly common as the market heats up

And even for the companies that do raise, the headline prices are not always what investors actually paid. There's been a new surge in two-tiered rounds: the lead investor buys some shares cheaply and the rest at a much higher price, but only the higher price is announced. Recent examples of rumored two-tier rounds include Serval, announced at $1bn with Sequoia's cheapest shares at $400m; Aaru, announced at $1bn with Redpoint in at $450m; and Starcloud, announced at $1.1bn with Benchmark's first tranche at $250m. Carta counted more than 20 such rounds in the 6 to 12 months before June 2026, and by August, several early-stage VCs estimated that about a quarter of the deals they were seeing had two prices. Employees and smaller investors see only the higher number and the inflated headline becomes the next round's comp.

Two prices in the same round

	Lower-price tranche	Headline-price tranche
Valuation	**$400m**	**$1bn**
Money in	**$40m**	**$50m**
Stake out	**10%**	**5%**

BLENDED VALUATION

$600m

$90m buys 15% of the company

HEADLINE VALUATION

$1bn

Worked example at Serval's two prices: $40m at $400m plus $50m at $1bn; tranche sizes are illustrative. Sources: TechCrunch (Mar 3, 2026); EquityZen (Jun 24, 2026); Newcomer (Aug 13, 2026). See sources

The valuation takeaway: be careful about using private market comparables

Not every valuation is inflated, but the aggressive dynamics in today's market do create risks for managers and valuation professionals. During the negotiation stage of an investment, it can be tempting to anchor a proposed valuation to a recent print in the market, but if the print was a two-tiered round, this can lead to overvaluing an asset. Further, where possible, managers need to carefully consider the value of liquidation rights and participation features, which are especially powerful in large early-stage rounds.

Secondly, we must avoid dogmatic valuation practices that give an illusion of rigor but do not reflect the reality of an investment. Even I have fallen into the trap of applying comparable multiples to a company that, in retrospect, was unable to raise funding at all. The dogmatic nature of AI tools has only served to worsen this problem -- and now, more than ever, there is a need for professionals to apply their experience with a skeptical mindset rather than blindly plugging numbers into a template.

The headline shows what the winners were worth on their best day, not what a portfolio is worth.



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