From: **Data Driven VC** datadrivenvc+insights@substack.com
Subject: 💥When Should Founders Sell Their Shares? And How Much?
Date: 2 September 2025 at 16:08
To: lorenzodeleo.usa@gmail.com

💥When Should Founders Sell Their Shares? And How Much?

Learnings from Revolut, Databricks, Stripe, Klarna & More

ANDRE RETTERATH AND JEROME JAGGI

SEP 2

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👋 *Hi, I'm Andre and welcome to my newsletter Data Driven VC which is all about becoming a better investor with Data & AI. Join **34,980 thought leaders** from VCs like a16z, Accel, Index, Sequoia, and more to understand how startup investing becomes more data-driven, why it matters, and what it means for you.*

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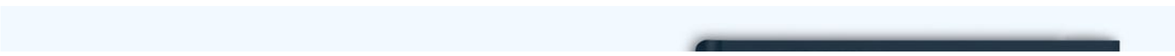


Revolut's founder and CEO Nik Storonsky sold secondary shares in fall 2024 worth $ 200 - 350 million (source, source). Last night, the news came out that he's opening the opportunity for a company wide secondary sale, driving liquidity to employees and early investors too.

UK's Revolut kicks off secondary share sale at $75 billion valuation, source says

By **Reuters**

September 1, 2025 5:43 PM GMT+2 · Updated 21 hours ago

Aa

What seemed rare just a decade ago has quickly become common practice, as exemplified by numerous cases such as:

- **Stripe** – Ran multiple secondary rounds, including a $1B employee liquidity program in 2021 and a $6.5B raise in 2023 that partly funded secondaries.
- **Klarna** – Founders and staff sold stakes during peak valuations in 2020–21.
- **Databricks** – Allowed founders and staff to sell shares in 2021 and 2023 at valuations over $40B.
- **Palantir** – Permitted large employee secondaries to investors years before its 2020 direct listing.
- **SpaceX** – Regularly conducts tender offers for employees, sometimes including small founder sales.
- **Epic Games** – Secondary deals let Tim Sweeney and employees sell shares during Tencent and later investment rounds.
- **OpenAI** – Structured secondary programs in 2023–24 enabled employees to cash out at valuations above $80B.
- **…**

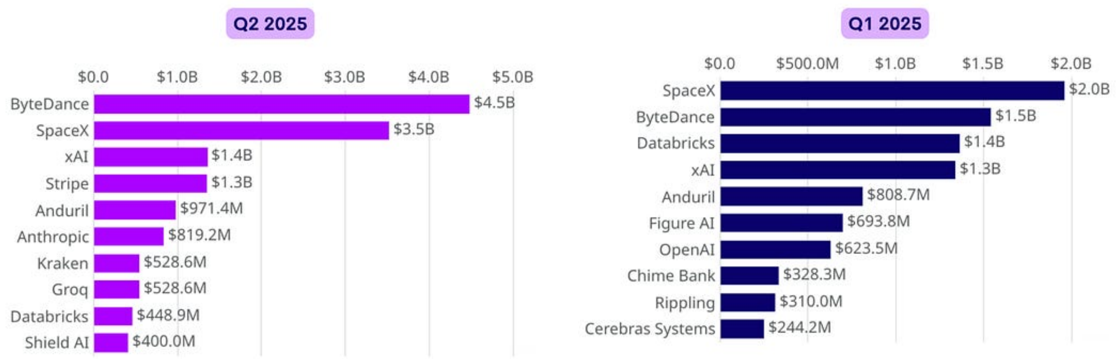
The list goes on, and on, and on…

The Early Cash-Out Conundrum: Does Founder Liquidity Help or Hurt Startups?

Startups?

It’s taking longer than ever for startups to reach a traditional exit. IPOs are rare, and acquisitions can take 10+ years, leaving founders pouring years (and personal savings) into their companies with no guarantee of cash reward. Startups are also staying private longer than in decades past, which means early stakeholders wait much longer to realize gains (Seedblink, 2025). The 2025 founded Revolut is just one example.

In response, **founder liquidity** (basically selling a portion of one’s own shares for cash during a funding round) has shed much of its old stigma. Ten years ago, it was “taboo” for a founder to sell early equity, but today a modest secondary sale is often seen as a healthy way to “relieve the pressure” (Seedblink, 2025).



Top 10 secondary transactions for H1 2025, according to PM Insights (2025)

Both investors and founders are increasingly open to these transactions as a means to manage risk and reward in the long slog of startup growth. The question is: **When is the right time and what is the right amount of shares to sell for a founder?** That’s the topic of today’s episode!

Let’s dive in!

✅ TL;DR (5 Key Takeaways)

- **Secondaries are booming but concentrated:** Global transactions hit a record $162B in 2024 (+45% YoY), with **AI startups driving 35% of 1H 2025 volume** and U.S. firms capturing 83%.
- **Stratification is rising:** $100B+ companies now account for one-third of listed volume, and the "**Private Mag 7" represent 44% of activity**, while smaller firms struggle with discounts.
- **Pricing is tightening:** Median secondary **discounts narrowed to –27%** in H1 2025 (vs. –39% a year earlier), with elite AI firms and $10B+ players even trading at premiums.
- **Founder liquidity is increasingly normalized:** Once a U.S. growth-stage practice, **secondaries are spreading to Europe,** with Series C+ rounds often including structured founder and/or employee liquidity.
- **Moderation is the consensus:** Selling ~5% or less of their relative share at strong valuations is seen as healthy and alignment-preserving, while large early cash-outs (20%+ of their relative shareholdings at low valuations) risk signaling doubt and weakening incentives.

The State of Secondaries in 2025

1. Secondaries Shoot Up With Strong Stratification

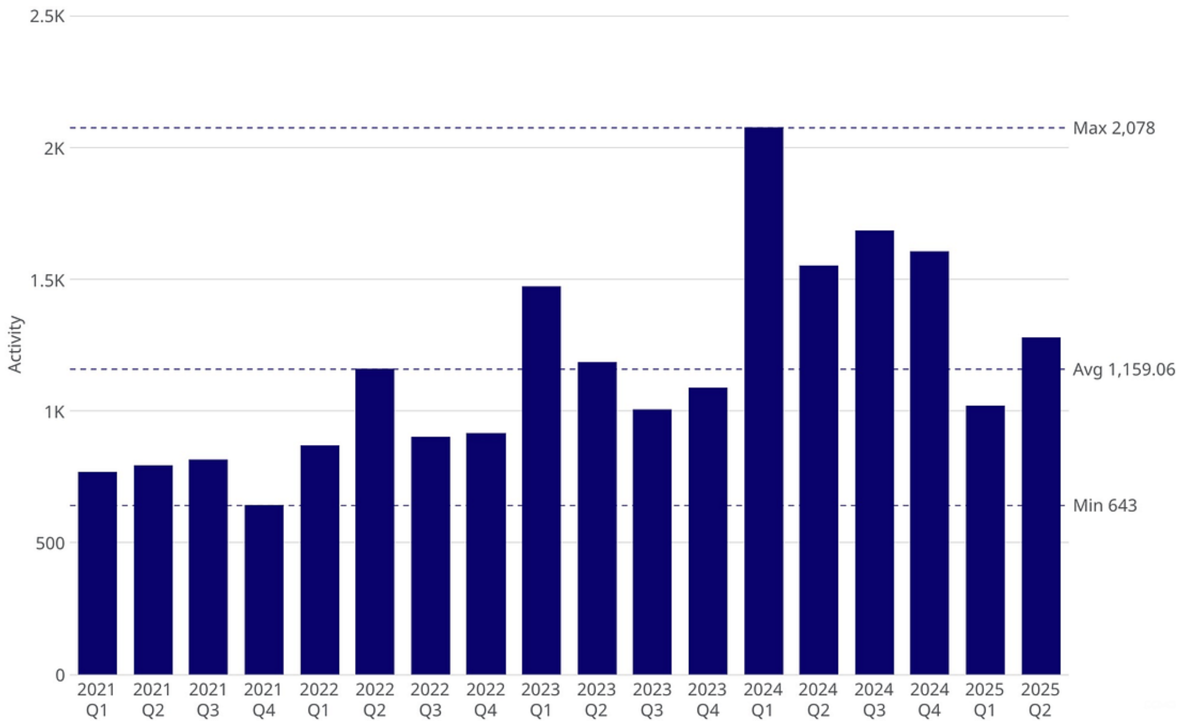
Recent data shows an increasingly bifurcated venture secondary market. AI startups now dominate the volume, accounting for **35% of all listed secondary activity in H1 2025**, up from 23% in 1H 2024. Meanwhile, U.S.-based companies comprise **83% of volume**, compared to 75% previously, highlighting both sector and geography concentration (Launchbay Capital, 2025).

Large, high-valuation players are capturing more of the action, with **companies valued at $100B+ representing 33% of listed volume (vs. 13% in 1H 2024)**, and the "Private Mag 7" making up **44%** (vs. 20%) of volume. AI startups continue to outperform, delivering median valuation growth of 17%, while newer companies (founded in 2020 or later) saw **70%**median growth compared to flat growth for older cohorts (Launchbay Capital, 2025).

2. Global Secondary Market Resilience

Secondary transaction volume hit a record $162B in 2024, up 45% year-over-year from $112B (2021 level). **GP-led deals accounted for 44%** of that volume, signaling that continuation structures are becoming central to liquidity strategies.

Non-U.S. secondaries are rising too, showing **meaningful pricing strength**: median discount to latest valuations is **13% for non-U.S. companies vs. 25% in the U.S.**, while non-U.S. “Mag 7” companies trade at just a **3%** discount. Annualized YoY returns sit at **~17% in both segments** (PM Insights, 2025).

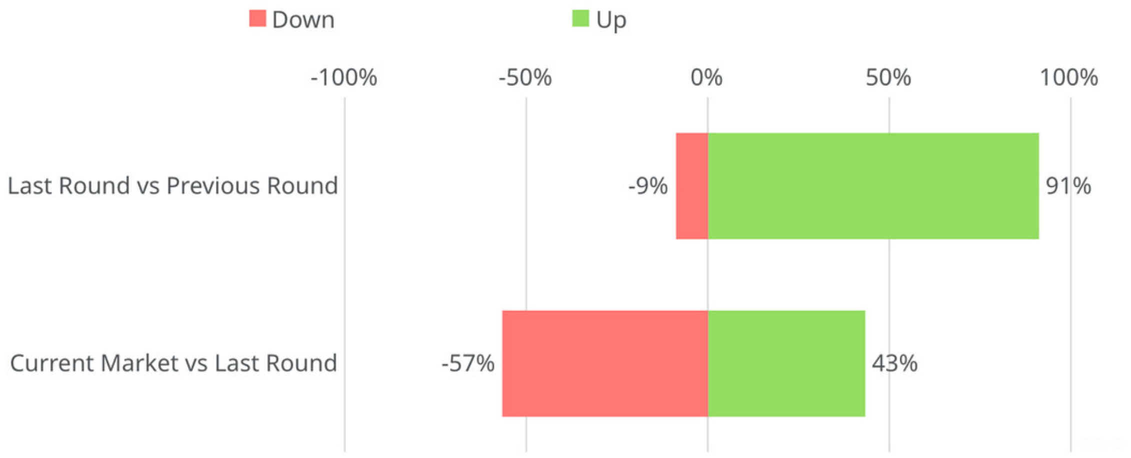


Secondaries activity on the rise again (PM Insights, 2025)

3. Premium Pricing and Market Segmentation Are Rising Sharply

Beyond volume growth, what’s striking in mid-2025 is how **secondary market pricing and segmentation are evolving**:

Premium pricing is returning, particularly for highly liquid, top-tier private companies. The **median discount to the last primary round narrowed to –27% in H1 2025**, compared with –39% a year earlier, reflecting tightening valuation gaps and rising buyer demand (PM Insights, 2025).



Secondaries are heating up: while most deals still trade at a discount, 43% of companies now command premiums vs. their last round. A sharp improvement from Q1'25 ((PM Insights, 2025)

The **most liquid segment**, companies valued above $10 billion (often AI leaders), is trading at **tight spreads or even at a premium** to their last financing rounds. Tender offers have become routine in this cohort, especially as these companies use liquidity strategically for talent retention (Launchbay Capital, 2025).

This reveals a **dual-speed secondary market**: At the top, large AI or "Private Mag 7" firms are enjoying premium, liquid trading. For smaller, older, or less high-growth firms, pricing remains more challenging and segmented. This divergence signals rising stratification across secondary market tiers.

> ✈️ ***KEY INSIGHTS***
>
> *The secondary market is exploding but it's increasingly concentrated. In 1H 2025, AI startups drove 35% of activity (up from 23% in 2024), U.S. firms took 83% of volume, and $100B+ players captured one-third of trades. Overall global secondary transactions hit a record $162B in 2024*

> *(+45% YoY), with discounts narrowing from –39% to –27%, underscoring both growth and sharp stratification between elite AI leaders and everyone else.*

How Common Are Early-Stage Founder Secondaries?

Secondary share sales have quickly gone from rarity to routine, especially in larger funding rounds. *"In the last couple of years, we saw a secondary component in almost every mid to late stage fundraise"* (Sifted, 2024). This trend started in the U.S. but has spilled into Europe: Most late-stage tech companies are either doing one or talking about doing one in the US, which is very likely to spill over into Europe (Sifted, 2024).

Europe historically lagged the U.S. in secondary activity. Many European investors rarely considered buying private shares as an option until recently – but awareness and activity are now rising fast. Dedicated secondary funds are emerging in Europe, normalizing liquidity for founders, early employees, and angels across the continent (Seedblink, 2025).

Top 10 Based on Institutional Contributions During the End of Q2 2025

Data as of June 30, 2025.

Company	90D Return △	90D % △	Implied Mkt Cap*	90D Implied Mkt △	90D Bid/Ask Vol
SpaceX		+3.91%	$389.96B	+14.66B	
Kraken		+13.79%	$6.82B	+830M	
Anthropic		+12.8%	$74.52B	+8.45B	
Groq		+0.79%	$4.84B	+40M	
xAI		-7.91%	$89.96B	-7.72B	
Anduril		+20.23%	$42.03B	+7.07B	
Stripe		-3.87%	$94.08B	-3.78B	
ByteDance		+16.24%	$329.76B	+46.08B	

Databricks	+10.78%	$76.39B	+7.44B
Scale.ai	+41.80%	$33.68B	+18.41B

PM Insights, ([2025])

At the **early-stage (Series A/B)**, founder liquidity is still the exception but is no longer unheard of. During the 2020-2021 boom, some hot startups even saw secondaries at Series A – for example, in 2020 a16z famously let a founder sell $2M worth of shares as part of a $10M Series A to win the Clubhouse deal (1984 VC, 2024). That was an outlier "in the heyday of 2020" and would be tough to repeat in today's climate.

Generally, secondary sales typically occur at Series C or beyond, with **Series B liquidity only for top performers** or oversubscribed rounds (1984 VC, 2024). In 2023-24, investors became "much more tolerant" of founders taking a bit off the table even pre-Series B, especially if the company is in a hot sector like AI and doesn't need all the primary capital being offered (Sifted, 2024).

> 💡 The best time to sell secondaries is once the company approaches a valuation between $500M-$1B and has a round that is clearly oversubscribed.

(1984 VC, 2024)

One emerging pattern: If a startup has more investor demand than it has room for capital (e.g. a hot AI company raising money but "insufficient headroom" to take more primary cash), the founders may do a **small secondary sale to accommodate an extra investor** without over-capitalizing the company (Sifted, 2024). This allows new investors in, gives the founder some liquidity, and avoids diluting the cap table with unnecessary new shares. A win-win solution!

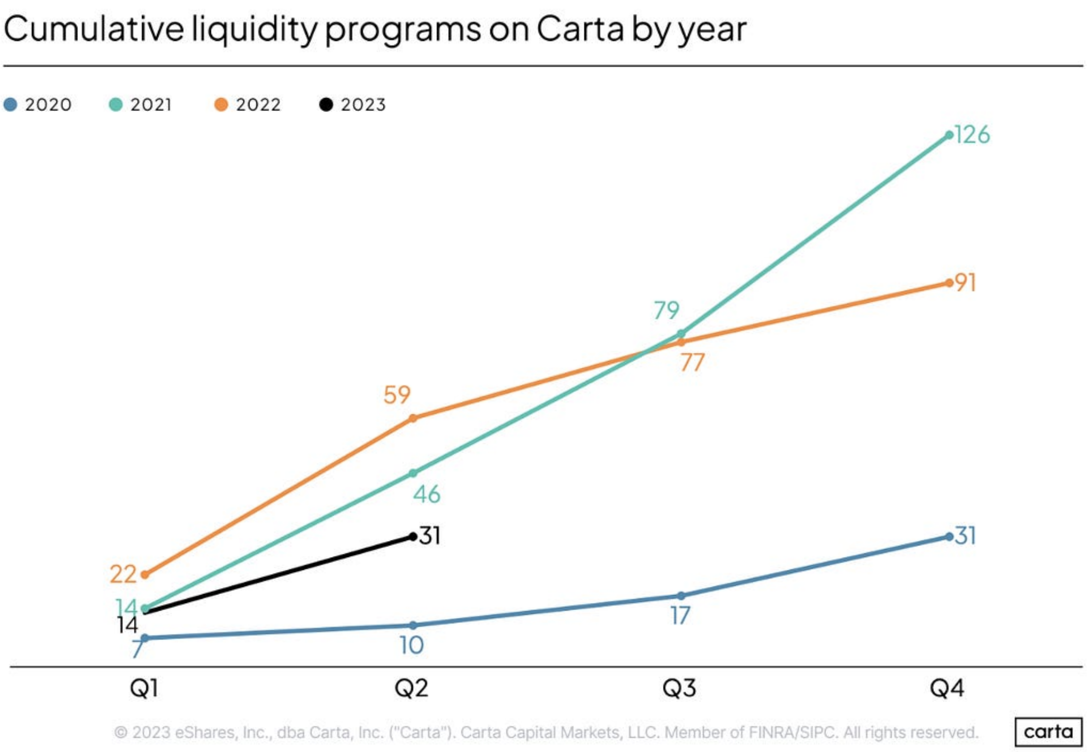
> **"The type of banks that you would be hiring to do your IPO are now interested in assisting with this transaction earlier in the company's life cycle, partly to see if there's an interest, if there are investors, what**

the price is and so on. //

(Sifted, 2024)

So, how frequently are founders actually selling? Hard data is still emerging, but platform figures and anecdotes give a sense. Carta reported that in late 2022's downturn, founders and early investors made up a larger share of secondary sellers: At one point, only ~60% of secondary sellers were employees (down from ~86% in early 2021), meaning ~40% were founders or investors (Carta, 2023). This coincided with the VC market slump: Some employees held off selling (maybe due to lower valuations), while some founders/VCs sought liquidity as other exit options dried up.

By early 2023, the mix reverted to ~72% employees (28% founders/investors) as markets stabilized (Carta, 2024). These swings suggest that founder secondaries aren't yet **standard in every round**, but they do happen, especially when market conditions or investor appetites create an opening. Notably, **secondary deal volume overall slowed in 2022-2023** after the 2021 frenzy (Carta, 2024).



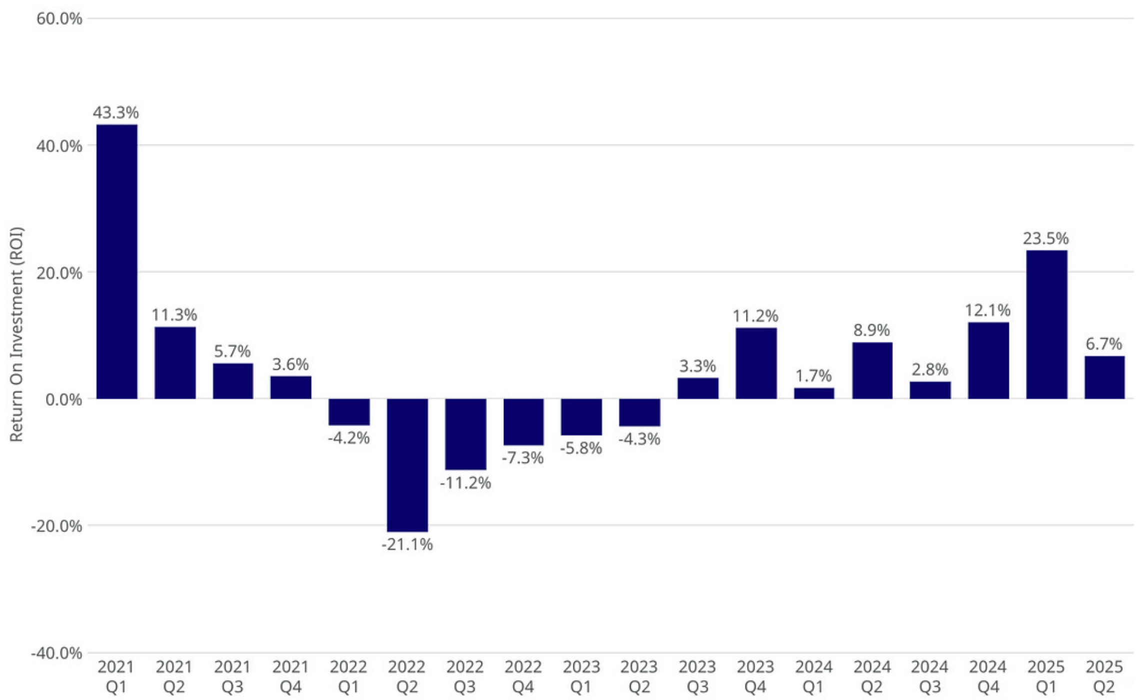
Liquidity programs in private companies over the years (Carta, 2023)

There were just 31 company-sponsored secondary transactions on Carta in H1 2023, a *remarkably low* count compared to the brisk pace of 2021 (Carta, 2024). This was likely due to valuation resets and cautious investors. But as venture activity picks up again in late 2024 and 2025, many predict secondaries (including founder liquidity) will rebound as well. In Europe, insiders say we're "probably experiencing the peak" in the number of secondary deals ever – and that includes a trickle-down to early stages as needed.

> ✈️ ***KEY INSIGHTS***
>
> *Early-stage founder secondaries remain rare but are no longer exceptional: outlier cases like Clubhouse saw $2M sold at Series A, though most liquidity still appears from Series C onwards. Founders and investors made up ~40% of secondary sellers during the 2022 downturn before stabilizing at ~28% in 2023, highlighting cyclical shifts tied to market conditions. In Europe, secondary deal activity is accelerating, with insiders calling 2025 "the peak" for such transactions, including trickle-down effects into earlier stages.*

Does Taking Money Off the Table Hurt or Help Outcomes?

This is the crux of the debate. On one hand, **providing a founder with some liquidity can actually improve outcomes** by reducing pressure and aligning incentives for the long haul. Founders who have spent years on below-market salaries often carry personal financial stress (mortgages, family obligations) that could tempt them into a premature exit (Crunchbase, 2025).



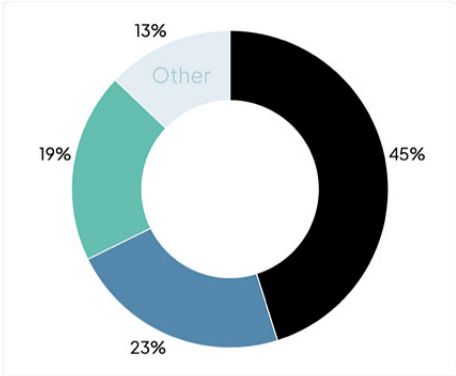
Private market returns have been rebounding for a few quarters now, not least due to better liquidity in the market (PM Insights, 2025)

A modest cash-out (say enough to pay off debts or buy a home) can *"mitigate risk while remaining highly motivated"*, argues one startup attorney, who has seen liquidity deals "strengthen alignment" rather than weaken it (Crunchbase, 2025). The logic: If a **founder isn't worrying about basic financial security**, they can think bigger and resist the urge to sell the company at the first decent offer. In fact, **many VCs now explicitly approve small secondary sales as a way to keep founders focused on building a huge company** instead of chasing a mediocre acqui-hire.

A famous example comes from HubSpot: CEO Brian Halligan recalled that in a late-stage round, Sequoia Capital let the founders take some money off the table, which "stiffened our backbone" against acquisition offers and kept them focused on long-term growth (SaaStr, 2024). In his words, it "*turned out to be a great idea… It aligned our interests very well with our investors*" to keep aiming for a generational company (SaaStr, 2024). HubSpot went on to IPO rather than sell early, suggesting that this secondary actually *helped* achieve a bigger outcome.

Which industries are providing liquidity?

Liquidity programs by industry H1 2023

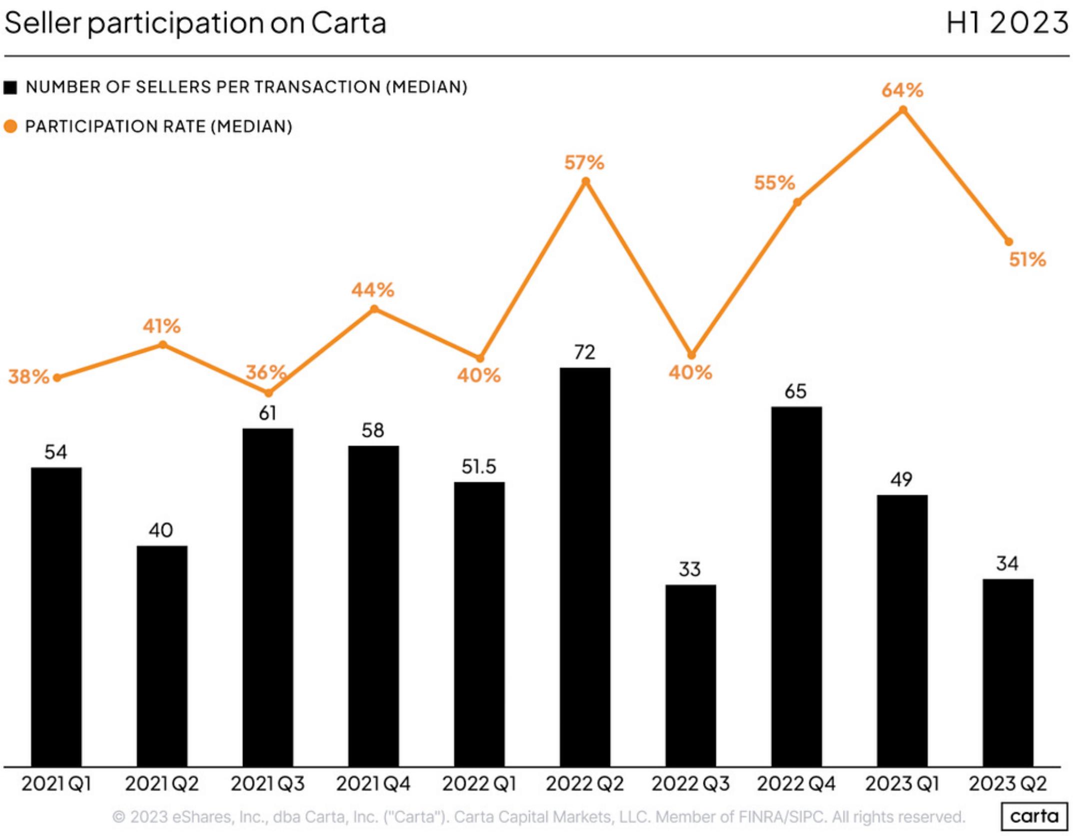


Industry	Total transacted value	Median amount transacted	Average participation rate	Total sellers
SaaS	$212.4M	$12.7M	58%	1,012
Internet & media	$35.8M	$5.0M	67%	328
Healthcare	$42.3M	$5.5M	46%	177

Where just ~2 years ago, most liquidity came from SaaS, this has now mostly been overtaken by AI companies (Carta, 2023)

On the other hand, **too much, too early can absolutely backfire**. The era of 2020-2021 showed some cautionary tales: In the frothy market, some founders pocketed large sums (tens of millions) in secondary sales before their startups truly scaled. In Jason Lemkin's experience, this over-indulgence in the "boom times" led to regret for both founders and VCs. Essentially, if a founder cashes out a big chunk of equity early, it can undermine their drive to push through the next arduous chapters of growth. Investors worry it signals the founder doesn't **100% believe** in the company's future upside (SaaStr, 2024).

After all, if you truly expect to build a unicorn, why would you sell, say, 20% or more of your stake at a $50M-$100M valuation (a fraction of potential exit value)? Actions speak louder than words: A founder selling a large proportion early might be telegraphing doubt about the upside (SaaStr, 2024). This is why many VCs get anxious if a secondary sale is “too much (as a %) or too early (at a low valuation)” (SaaStr, 2024).



Unfortunately, there was no newer data available on this, but participation rates (what percentage of shareholders who **could** sell, do) have been on the rise steadily in the past years. This trend has likely continued or even accelerated in 2024 and 2025 (Carta, 2023).

In practical terms, many firms impose limits: A founder selling **5% or less of their relative holdings** in a ~$100M+ valuation round is usually fine, but anything much above 5% or at a very low valuation raises eyebrows (SaaStr, 2024). It’s seen as *“not just getting a little liquidity… [but] selling out a material amount,”* which can indeed hurt future outcomes if the founder loses incentive (SaaStr, 2024).

The consensus emerging in 2025 is that *moderation* is key. Founder liquidity is a useful tool, but it must be sized and timed appropriately. Investors are increasingly open to secondary sales “so long as they trust that investors are increasingly open to secondary sales "so long as they trust that the founder still has enough 'skin in the game'" after the sale (Crunchbase, 2025). Selling a small single-digit percent of your shares to secure personal stability is generally viewed as reasonable and even beneficial. Selling, say, 20% of your stake in a Series A – you might get some *side-eye* in the boardroom.

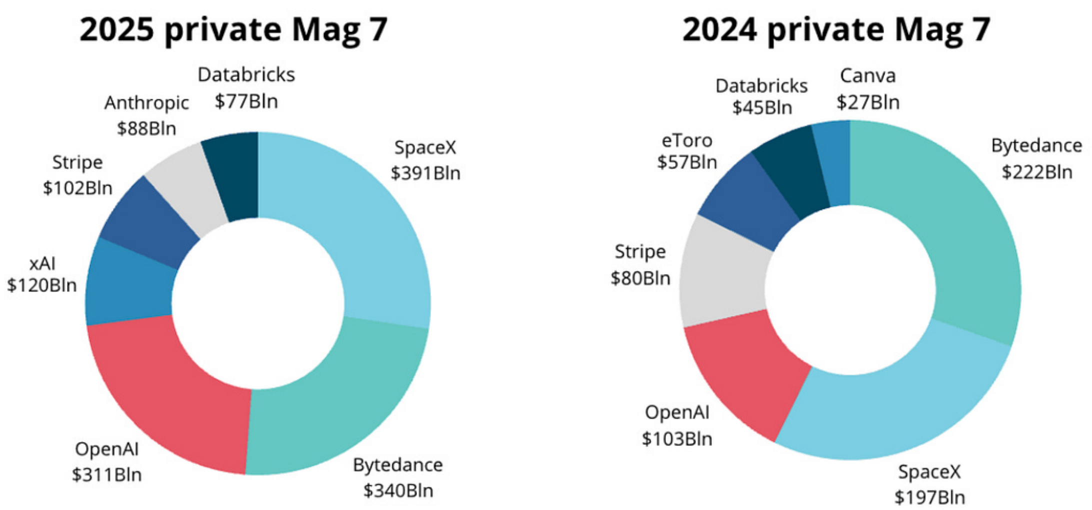
As the 1984 VC (2024) handbook advises: If you're just trying to buy your first house or cover kids' college, most investors will be supportive. If you're eying a yacht with early proceeds, expect pushback. In short, taking **a bite of the pie** along the way can keep you in the game for the long run, but trying to eat your whole dessert in Round One could spoil your appetite to build.

> ✈️ ***KEY INSIGHTS***
>
> *Moderate founder liquidity is generally seen as positive: Selling ~5% or less of holdings at a $100M+ valuation can reduce financial stress and align long-term incentives. By contrast, large early cash-outs (20%+ at low valuations, common in 2020–21) often signaled doubt, dulled founder drive, and created regret for both founders and VCs. The 2025 consensus is that small, well-timed secondaries can strengthen outcomes.*

Dilution and Cap Table Impact

One attractive aspect of secondary sales is that they **don't dilute the company's other shareholders** (1984 VC, 2024). In a primary issuance, new shares are created, diluting everyone's ownership percentage. In a secondary, the founder (or other seller) is transferring existing shares to a new investor. From the company's perspective, the cap table composition changes (new investor comes in, founder's slice shrinks), but the total shares outstanding remain the same.

This can actually be a savvy way to **bring in a new investor without expanding the cap table** – especially if the company doesn't need additional cash for operations (Sifted, 2024). In Europe, secondaries are even used to **clean up messy cap tables**, like consolidating many small angel investors or early employees via a buyout, to streamline governance before a big growth round (Seedblink, 2025).



2025 is clearly the year of AI secondaries, even more so than 2024 (Launchbay Capital, 2025)

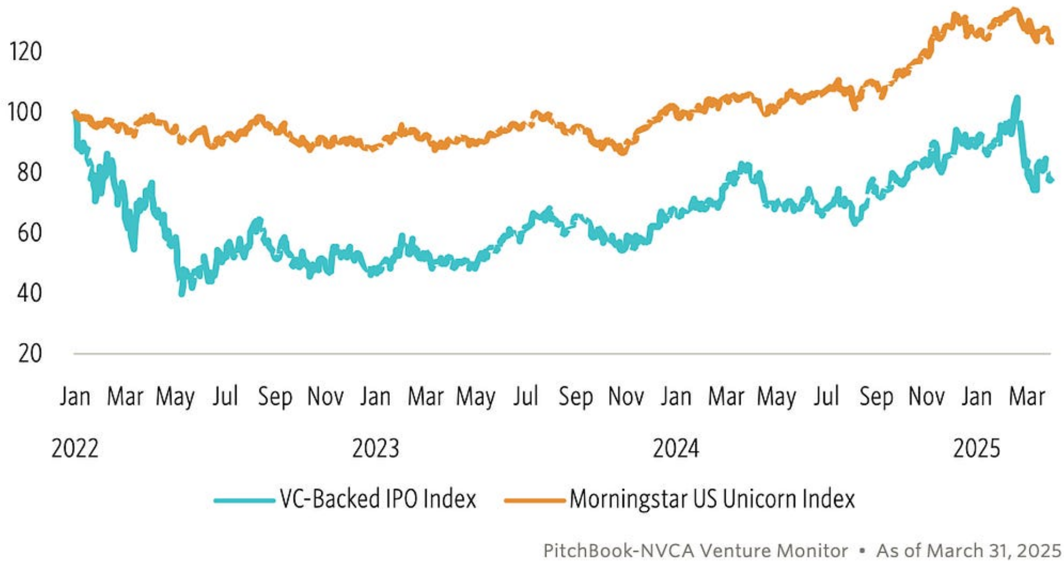
However, from the **founders' standpoint**, selling stock early is a form of dilution – you're diluting *your personal ownership*. For example, consider that by the time a startup raises a Series A, the median founding team's ownership has already dropped to about **36% (from ~56% post-seed)**, and by Series B it's around **23%** (Carta, 2025). That decline comes from issuing new shares to investors.

If, on top of that, a founder sells a few percent of their shares in a secondary, their stake decreases further (even if their bank balance increases). Investors, therefore, want to ensure the founder retains a significant stake post-sale, both for optics and motivation. Many boards set formal or informal limits, such as allowing perhaps **10-15% of a founder's vested equity** to be sold in a liquidity program, ensuring at least ~85% of their holdings (and thus incentive) remain for the future (Carta, 2024).

IPO index drops quickly

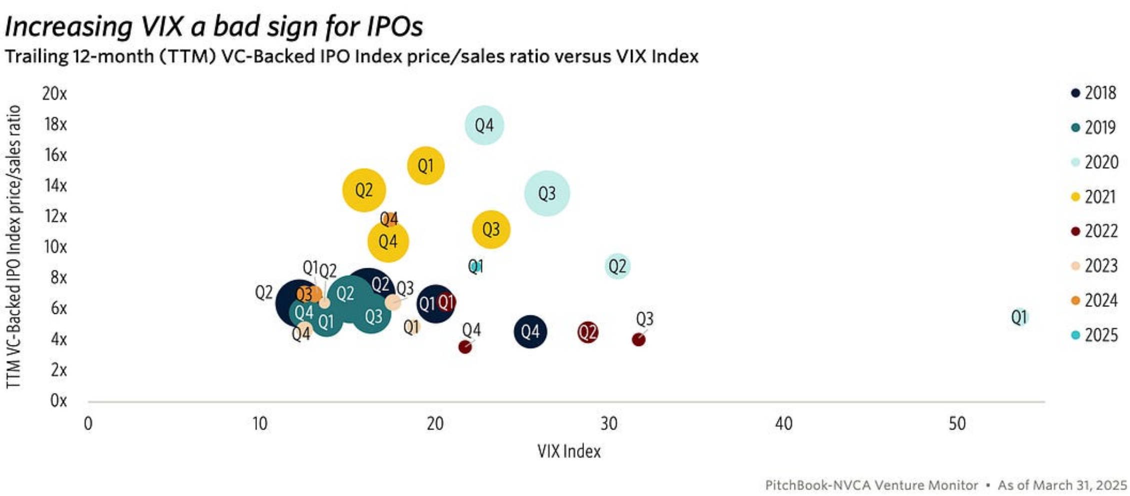
VC-Backed IPO Index and Morningstar US Unicorn Index (rebased to 100 in 2022)

140



Data from the NVCA (2025) shows that there is still a notable overhang of VC-backed unicorns vs. the IPO markets that threaten to slump again.

The company's bylaws and investor rights often require board consent and give investors a **Right of First Refusal (ROFR)** or co-sale rights on any founder stock sale (Crunchbase, 2025). In other words, early investors get a say (they can choose to buy those shares themselves or to proportionally join the sale) so any secondary deal usually involves careful negotiation to keep everyone aligned. If a founder tries to sell too much too soon, the board might simply veto the sale. Moreover, if the company's coffers are low, investors may prefer any new investor money to bolster the **company's balance sheet** rather than the founder's pocket (1984 VC, 2024).

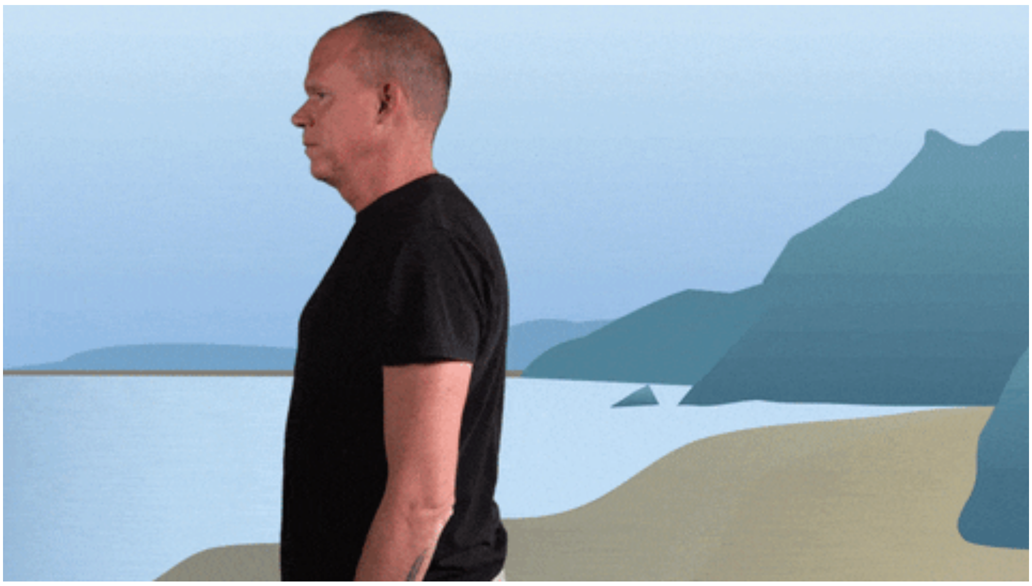


As market volatility increases, IPOs usually suffer (NVCA

As market volatility increases, IPOs usually suffer (NVCA, 2025)

In tight fundraising climates, a founder seeking liquidity when the startup itself is underfunded will not be well received. The timing has to make sense; typically **when the round is oversubscribed and the company is performing well** (1984 VC, 2024). In those scenarios, adding a secondary component can actually strengthen the cap table. It balances the needs of founders, early backers, and new investors without hurting the company's financial position.

> ✈️ ***KEY INSIGHTS***
>
> *Secondary sales avoid company-wide dilution since no new shares are created, but they do dilute the founder's personal stake. Median founder ownership already falls from ~56% post-seed to ~36% at Series A and ~23% by Series B, so selling even a few percent more through a secondary meaningfully reduces alignment. Boards typically cap sales at ~10-15% of vested equity to preserve incentives, and secondaries are usually only approved in oversubscribed rounds or strong performance contexts where bringing in a new investor without issuing new shares strengthens the cap table.*



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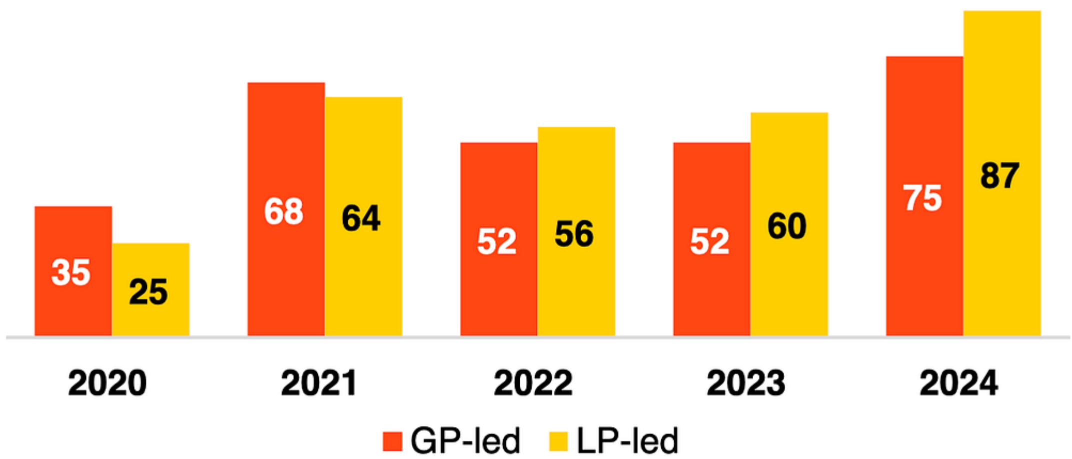
Convergence in US and EU Practices

In Silicon Valley, founder secondaries have been an accepted part of the playbook in growth rounds for over a decade (many date the practice back to around 2010) (SaaStr, 2024). In the U.S., it's now common for a Series C or D financing to include an allocation for founder/employee liquidity.

Europe came around a bit later – as one European VC fund partner admitted, until recently, secondaries were often viewed negatively, as a sign a founder might be "selling out" or that something was wrong (Seedblink, 2025). That attitude is changing fast. Today, European founders and investors are warming to the idea that a **"modest secondary sale is a healthy action"** in the right circumstances (Seedblink, 2025). The cultural shift is partly driven by success stories and by necessity (with exits delayed, Europeans face the same alignment problems and solve them the same way).

GP-led and LP-led volume continues to grow



Source: Jefferies – Global Secondary Market Review, January 2025.

Data (in Bn USD) from Blackrock (2025) shows that both GP-Led and LP-Led secondaries are growing globally, including Europe

We've also seen a rise in Europe-focused secondary funds and even law firms and banks facilitating these transactions across the EU, bringing more liquidity options to the table (Seedblink, 2025). The broad principles remain the same on both continents: keep it reasonable in size, time it with a strong round or milestone, communicate clearly to stakeholders, and make sure the founder's **"skin in the game"** remains significant enough after the sale.

> ✈️ ***KEY INSIGHTS***
>
> *Europe is catching up to the US, where growth round founder liquidity has been much more accepted since the 2010s. Specialised secondary funds and law practices are getting more common, solidifying the process and infrastructure.*

Conclusion

Ultimately, founder liquidity can be a healthy part of a company's journey, if handled with care. The key is to treat it as a signal of strength, not weakness.

Keep the percentage small enough to preserve alignment, and maintain clear motivation and commitment after the sale. Transparent communication with your board and team is essential, as is alignment with your lead investors, who can either support or block the process.

When executed thoughtfully, early liquidity isn't about "cashing out," but about ensuring founders have the stability to stay fully engaged for the long run.

Thanks to Jérôme Jaggi for his help with this post.

Stay driven,
Andre

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