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2026 Report

# Liquidation Preference Statistics in French Tech

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## Who we are

Sovalue specializes in providing fast and accurate stock option valuations for tech startups, with a primary focus on the French market. Our mission is to support entrepreneurs, investors, and legal advisors thanks to reliable valuations and insights that enable informed decision-making.

Since 2023, we completed over **250 valuations** for startups ranging from Seed to later-stage Series rounds. These deals involved **nearly 300 VC funds**. This breadth of experience gives us a ground-level view of market practices and how term sheet provisions are evolving in real time.

**Liquidation preferences** are among the most impactful provisions in these deals. They determine how value gets distributed at exit, but they also directly influence common share value and stock option strike prices. Yet their real-world impact often remains poorly understood.

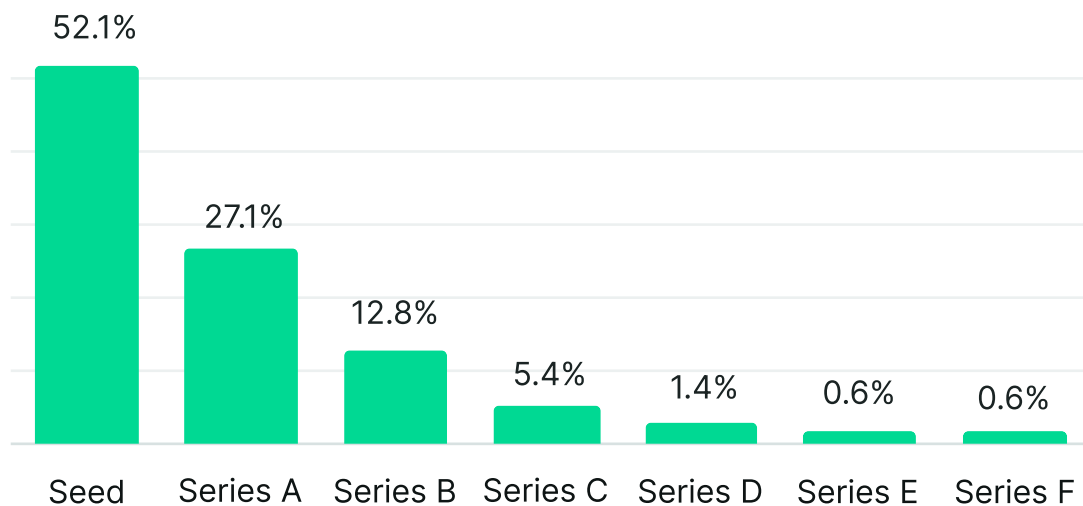
This report was born from that observation. Drawing on data from valuations completed for the last 3 years, we set out to analyze current market practices, identify underlying trends, and illustrate, through concrete examples, what these clauses actually change for founders, investors, and teams.

# Methodology

The data and conclusions presented in this report come from French Tech companies whose fundraising rounds, ranging from pre-seed through Series E, reached a cumulative valuation of \$18B. In addition to the target companies, these contracts have involved a broad range of stakeholders, including 287 venture capital funds, speaking to the general applicability of the trends found within the data.

Following the natural progression of venture-stage companies, the data presented here is more heavily associated with earlier-stage companies (~79% pre-seed, seed, Series A) than later-stage companies (~21% Series B+).

The breakdown by stage:



The diversity of counterparties is crucial to our analysis: it allows us to observe a wide variety of contractual practices from funds with different strategies, sizes, and geographies, enabling us to identify robust market trends.

For each deal, we analyzed liquidation preference clauses in detail in the shareholder agreements. The study specifically examines:

- Presence or lack of a liquidation preference clause
- The investment multiple that is protected by the clause
- Whether preferred shares are participating or non-participating
- Existence and level of carve-out

Where relevant, we compare 2025 practices to those in our previous report based on 2024 data. These comparisons remain deliberately qualitative to highlight trends without over-interpreting limited time-series data.

## Valuation framework and regulatory context

Our valuation approach systematically accounts for liquidation preference clauses and **their impact on common share value**. This methodology aligns with evolving French regulatory standards, particularly the BOFiP updated in March 2024, which recognize that fair value for employee equity instruments can and should be calculated using objective financial methods.

This regulatory evolution has reinforced the importance of rigorous common share valuation, particularly for structuring BSPCE (French startup stock options) and other equity incentive plans. The framework we apply integrates these preferential rights to determine strike prices that are both economically sound and defensible from a tax and compliance perspective.

# Definitions

**Liquidation preference:** A clause that provides rules for how the money associated with a sale of the company or other liquidation event will be distributed, i.e., who gets paid first and how much of the pie they'll receive.

**Multiple:** In the shareholder agreement, some investors negotiate preferred returns, under which they could receive, before common shareholders, the amount of their investment multiplied by a “multiple”, such as 1.0x, 2.0x, or more.

**Carve-out:** A certain percentage of the exit that shall be paid to all shareholders before any other distributions, applied prior to both preferred shares and common shares.

**Non-participating:** A type of liquidation rule in which the investor will have the option to either be paid up to their defined multiple (which would make sense in the case of a relatively low sale price) or to be paid as if they were holding common stock (which would make sense in the case of a relatively high sale price).

**Participating:** A type of liquidation rule that gives the investor the right to the initial multiple on their investment as well as the right to receive a further portion of the remaining proceeds as if they were holding common shares. In essence, these shareholders are paid twice, making participating preferred shares a way to further mitigate the investor's risk.

# Why liquidation preferences matter

Liquidation preferences determine **how value is distributed among shareholders** during a liquidity event, such as a sale or an IPO. They establish the payment order and the amounts investors are entitled to receive first.

For investors, these clauses provide downside protection. For founders and teams, they directly impact the share of value actually accessible at exit.

Beyond exit scenarios, liquidation preferences play an immediate role in **company valuation**. The per-share price negotiated in a funding round applies to preferred shares, while common shares (held primarily by founders and employees) are affected by the preferential rights granted to investors.

These mechanisms therefore **directly influence the value of equity instruments and stock options** (BSPCE, BSA). The same company can display a high valuation at its latest round while presenting significantly lower value for its common shares, depending on the liquidation rules in place.

This is why a nuanced understanding of liquidation preferences is essential. Minor contractual variations (multiple, participation, or carve-out) can lead to substantial value differences and fundamentally shift economic alignment between investors, founders, and teams.

The following sections illustrate these effects through straightforward numerical scenarios, making these mechanisms concrete and comparable.

## Understanding the mechanic

To understand the impact of liquidation preference, let's work through a simple example.

An investor puts \$1M into a company in exchange for 10% equity. They receive non-participating preferred shares with a 1x multiple. A few years later, the company experiences a liquidity event.

Scenario 1 : Company sells for <b>\$50M</b>	Scenario 2 : Company sells for <b>\$2M</b>
<p>Here, the investor's economic stake (10%) is worth \$200K – less than the amount initially invested. The investor exercises their liquidation preference and recovers \$1M, i.e. 50% of the proceeds. The remaining 90% shareholders will only catch 50% of the proceeds.</p>	<p>Here, the investor's stake is worth \$5M – five times their initial investment. The investor waives their liquidation preference and is treated as a common shareholder. They receive \$5M, just like other shareholders, proportional to their ownership.</p>

Various changes lead to various outcomes. For example, in Scenario 1 if the investor held a 2.0x multiple, they would be paid \$2M. Or if the investor held participating preferred shares, they would first be paid their preferred \$1M and then also receive returns on the remaining \$4M according to their 10% ownership stake to get a total of \$1.1M, which represents 28% of the proceeds.



### Key takeaway

With a 1x non-participating liquidation preference, investors always choose between protection and upside participation.

This mechanism explains why two exits at vastly different valuations can produce radically opposite economic outcomes for founders and teams

# When do these clauses actually appear?

Liquidation preference rights are now central to venture capital fundraising. However, they're not present in every round, particularly at the earliest stages.

Data from Sovalue's 2025 valuations shows a clear evolution in practices compared to the previous year.

## At Seed, liquidation preference becomes the norm

In 2025, **89.6% of Seed rounds** include a liquidation preference clause. By comparison, this proportion was 68% in the data analyzed the previous year.

This progression marks a significant shift. Where founders could still, in some cases, raise Seed capital without preferred shares a year ago, this situation is now marginal. Capital protection is kicking in earlier in company lifecycles.

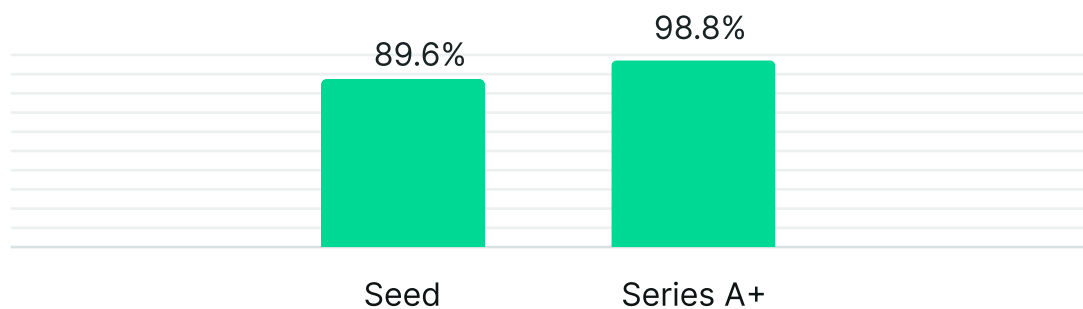
This evolution stems partly from increasing amounts raised in first rounds, but also from a more demanding market environment where investors seek to better secure their risk exposure.

## From Series A onward, near-universal adoption

From Series A onward, liquidation preference has become virtually standard.

In 2025, **98.8% of Series A through D rounds** analyzed by Sovalue include a liquidation preference clause.

This figure closely tracks that observed in 2024, where liquidation preference appeared in 100% of rounds from Series A onward. The slight variation stems from sampling effects and doesn't challenge the underlying trend.



### Key takeaway

2025 data confirms a clear trend:

- Liquidation preference kicks in earlier and earlier
- It becomes a contractual standard once the amounts raised increase

For founders, this means negotiation no longer centers on whether the clause exists, but on its terms. For investors, these clauses remain a core risk management tool, now integrated into term sheets very early.

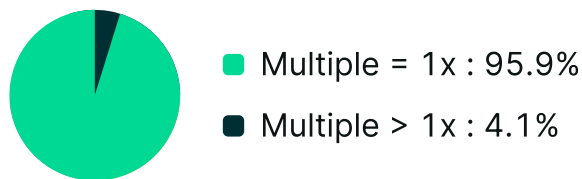
At these stages, the question is no longer whether there's a liquidation preference, but what rules apply: multiple, participation, carve-out.

## Preferred returns multiples

While liquidation preference becomes nearly universal from Seed onward, the level of protection attached to this clause remains relatively moderate in the vast majority of cases.

### The 1x multiple dominates overwhelmingly

In 2025, 95.9% of analyzed rounds include a liquidation preference with a 1x multiple. Multiples above 1x remain marginal, accounting for only 4.1% of deals.



In 2024 data, the 1x multiple was already dominant, but at a lower proportion:

- 88% of deals at 1x
- 12% with multiples above 1x

Between 2024 and 2025, we therefore observe two simultaneous movements:

- Increased frequency of liquidation preferences
- But reduced reliance on more aggressive multiples

### Key takeaway

This evolution is particularly interesting. It shows that market tightening doesn't translate into widespread adoption of high multiples. Investors favor standard capital protection over contractual over-optimization of returns.

In addition, multiples higher than 1.0x were applied as a consequence of the valuation drop in 2022 and the necessity for startups to get more funding bridges to survive. 2025 statistics show fewer distress fundings and a return to market standards.

For founders, this point is crucial: risk tied to liquidation preference today relates more to its existence than to multiple inflation. Negotiation therefore focuses less on multiple level than on other clause parameters, particularly the carve-out.

## Participating or Non-participating

Beyond the multiple, whether preferred shares are participating or non-participating is one of the most structurally important parameters of a liquidation preference. It directly determines how value gets distributed between investors and common shareholders.

### A strong majority of non-participating clauses

**94.7% of analyzed deals** involve **non-participating** preferred shares. Conversely, **participating** clauses account for only **5.3% of rounds**.



These proportions closely match those observed the previous year:

- 95% non-participating clauses in 2024
- 5% participating clauses

In other words, despite a more demanding market context and increased investor protection from the earliest rounds, this rule hasn't evolved significantly.

### Key takeaway

The participating clause is often perceived as among the most punitive for founders and teams, as it allows investors to combine protection with upside participation. The fact that it remains marginal, even in 2025, sends a strong signal.

This suggests that even in a tighter environment, investors continue to favor structures perceived as more balanced, limiting recourse to the most asymmetric mechanisms. For founders, this represents an important element of clarity in term sheet negotiations.

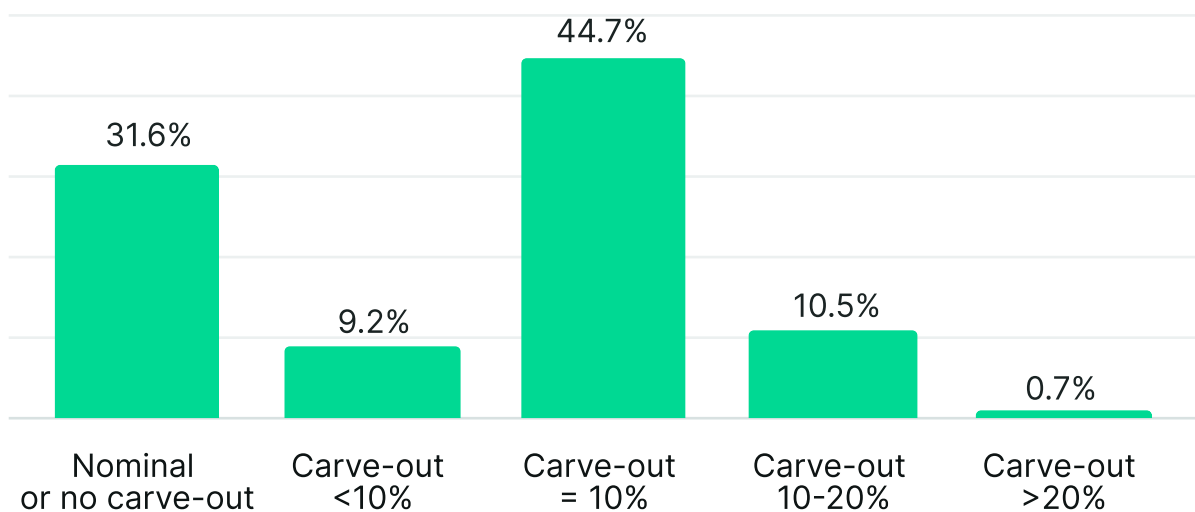
## Carve-out exit %

The carve-out represents the final major structural variable in liquidation preference clauses. Unlike the multiple or participating nature, it introduces a **rebalancing mechanism** that favors common shareholders by guaranteeing an initial value tranche distributed before preferential rights are applied.

Having a carve-out in place means that even if preferred investors hold a relative advantage, there can still be positive financial rewards for other stakeholders, including management and employees. In our dataset, the two most prevalent situations are either no carve-out or limited to nominal value, occurring in roughly 31% of cases, or a 10% carve-out, which we see in 45% of cases. The remaining 25% of companies have carve-outs ranging from 3-30%.

### Strong concentration around the 10% carve-out

We observed the following carve-out distribution:



The 10% carve-out clearly emerges as the market reference point.

2024 data already showed a very similar structure:

- Significant share of situations with no carve-out or limited to a nominal amount
- Strong concentration around 10% carve-out
- Balance is distributed among intermediate carve-outs, typically between 3% and 20%

The stability observed between 2024 and 2025 is striking. Unlike other parameters, carve-out hasn't experienced progressive practice tightening.

### Key takeaway

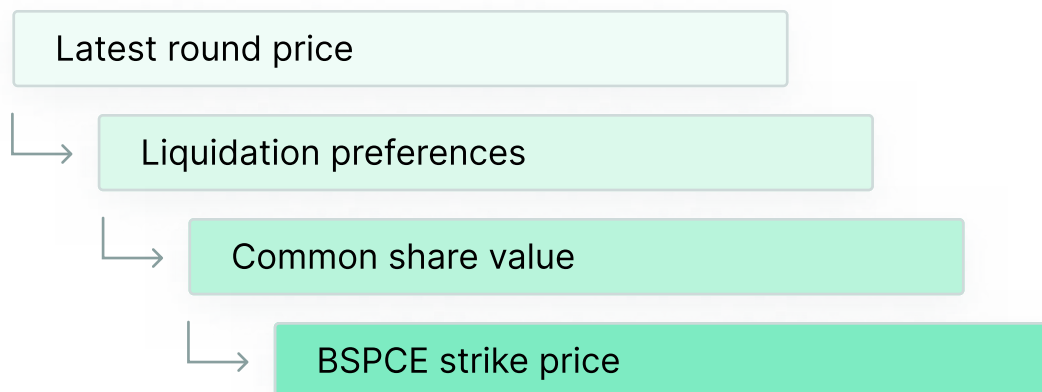
This stability suggests the market has reached a certain level of maturity on this issue. Carve-out is now widely recognized as an alignment tool, enabling the preservation of founder and team incentives even when investors fully exercise their liquidation preferences.

In practice, a carve-out often plays a decisive role in mid-range exit scenarios. At equal valuation, the presence or absence of a carve-out can make the difference between an exit generating value for common shareholders... or none at all.

# What this means for stock options' strike price

Liquidation preference clauses directly **impact the economic value of shares** within a company's cap table. This impact isn't limited to exit scenarios – it's equally **critical for calculating stock options strike price** (in France, a BSPCE).

At Sovalue, we systematically integrate these mechanisms into our valuation work. Common share value cannot be mechanically derived from the latest market valuation. It depends on all rights attached to different share classes, particularly liquidation preference clauses.



French regulatory standards have evolved significantly in this area. The [BOFiP guidelines](#), updated in March 2024, now explicitly recognize that fair value for employee stock options **can and should account for preferential rights**. This regulatory shift has made rigorous common share valuation both possible and necessary, laying the foundation for coherent, defensible incentive plans.

The example below illustrates how, for the same company, the existence and structure of liquidation preferences can lead to vastly different values for common shares, and therefore substantially lower strike prices than the price observed at the latest funding round.

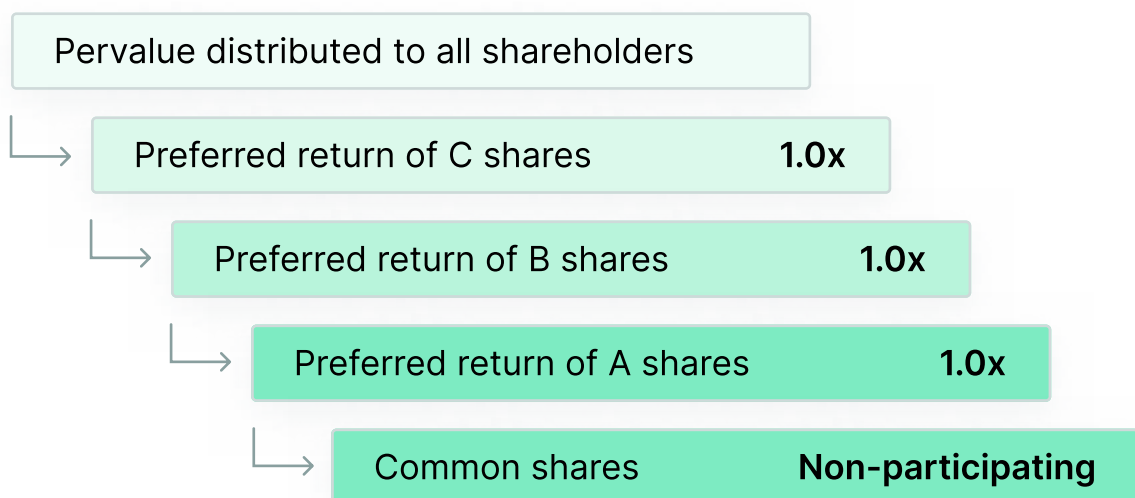
# A concrete example: same company, different values

Let's work through the numbers.

A company completes a Series C round at \$250 per share. The round raises \$60M at an overall valuation of \$255M.

At this stage of maturity, like all comparable companies in our dataset, the shareholder agreement includes liquidation preference clauses structured as follows:

- 1x liquidation preference on each preferred share series (Series A, B, and C)
- Non-participating preferred shares
- No carve-out



The question then becomes: what's the appropriate strike price for BSPCE, i.e., the value of common shares?

## One company, many strike prices

The \$250 per-share price is the reference price for the Series C round. However, it doesn't reflect the economic value of common shares after accounting for all existing preferential rights in the cap table.

Integrating:

- The hierarchy of different share series
- Liquidation preferences associated with each
- As well as applicable lack of marketability discount to common shares

Based on the option pricing model, the value of the common shares is **\$97.1 per share**.

This represents a **61.2% discount** compared to the price investors paid in the latest round.

<p><b>\$250</b> Series C price</p>
<p><b>\$97.1</b> Common share value</p>
<p><b>-61.2%</b> Discount</p>



### Key takeaway

This gap illustrates a core reality: the same company can present multiple reference prices depending on the share class considered.

Within incentive plans, this mechanism justifies strike prices significantly below the latest round price. It also explains why rigorous common share valuation is essential for structuring coherent, attractive, and defensible BSPCE or stock option plans.

## Testing alternative liquidation rules

Starting from the same baseline valuation, the chart below illustrates how changing a single liquidation preference parameter at a time can dramatically affect common share value.

While most market-standard rules (1x, non-participating) already imply a significant discount, more aggressive structures can almost entirely erode common shareholder value. Conversely, the introduction of a carve-out materially preserves economic value.

From non-participating to <b>participating</b> : 61.2% discount	→	<b>79.9%</b>
From 1.0x to <b>2.0x multiple</b> : 61.2% discount	→	<b>88.5%</b>
From no carve-out to <b>20% carve-out</b> : 61.2% discount	→	<b>46.6%</b>
<b>0% carve out, 2.0x multiple, participating</b> : 61.2% discount	→	<b>93.7%</b>

At a 93.7% discount, the common share market value would be \$15.80, compared with the \$250 value originally assigned to C shares.



### Key takeaway

This exercise highlights a crucial point:

**not all liquidation preference rules carry equal weight.**

In a market where non-participating shares and 1x multiples overwhelmingly dominate, **the carve-out emerges as the most structurally important variable** for preserving common share economic value and the effectiveness of incentive plans.

# The provision that matters most

When we look at market practices highlighted in this report, one conclusion emerges: not all liquidation preference rules have the same economic impact.

In the vast majority of cases, preferred shares are non-participating with a 1x multiple. In this context, the variable most strongly influencing common share value isn't the multiple or participation. It's whether a carve-out exists.

Let's revisit the previous example.

The company has raised a total of \$80M throughout its development. Suppose it's sold a few years later for \$80M – a realistic but unspectacular exit scenario.

- **Without a carve-out**, the entire sale price is absorbed by liquidation preferences. Investors recover their investment, but founders and other common shareholders receive no value.
- **With a 10% carve-out**, an initial \$8M tranche is distributed to all shareholders before liquidation preferences are applied. This single difference is enough to radically transform the economic outcome of the exit for founders and teams.

This example illustrates why carve-out plays a central role in interest alignment.

At equal valuation, it can make the difference between an exit that creates zero value for common shareholders and one that rewards team efforts over the long term.

In an environment where liquidation preference clauses have become the norm, carve-out thus emerges as the primary rebalancing lever. For both founders and investors, it represents a key negotiation point – economically and for incentive purposes.

# Conclusion

The 2025 data tells a nuanced story about the evolution of **French Tech**. **Liquidation preferences have become nearly universal** – appearing in 90% of Seed rounds, up from 68% the prior year – signaling a clear shift toward **investor protection** even at the earliest stages.

Yet this represents **maturity** rather than market deterioration. The prevalence of 1x non-participating structures (96% and 95%, respectively) suggests that investors have resisted the aggressive terms that often emerge in tighter funding environments.

What's particularly striking is the **stability of carve-outs**. While founders have lost ground on whether liquidation preferences exist at all, they've held the line on the provisions that actually matter most for common shareholder outcomes. **The 10% carve-out remains the market standard**, appearing in 45% of deals – a critical retention point that can mean the difference between founders walking away with meaningful value or nothing in moderate exit scenarios.

This data reveals a French Tech ecosystem that's becoming more institutionalized and less founder-friendly at the entry point, but more disciplined and predictable once you're in the game.

For founders, the strategic imperative is clear: liquidation preferences are now table stakes, but **the negotiation leverage lies in carve-out provisions** – the single variable that most dramatically impacts common share economics. Understanding this dynamic isn't just useful. In today's market, it's the difference between building wealth and building exits that only benefit your cap table's top line.

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