

Negotiating Equity for Biotech Startup Job Offers

A scientist's guide to biotech startup equity: what you're being offered, what it means, and how to negotiate it confidently.



Pivot Points / Negotiating Equity for Biotech Startup Job Offers

An offer to join a biotech startup can be an exciting step in your career, especially if it's mission is inspiring to you. In addition to the standard details—base salary, bonuses, start date, and benefits— you're like to find equity as part of the total compensation package. Since startups are generally cash-limited, they tend to pay below-market rates. To compete with larger, established firms, they offer equity to compensate for the lower salaries and to attract and retain talent.

For many scientists and professionals changing or transitioning into industry roles, owning a stake in a company's future is exciting. It can also be unfamiliar, overwhelming, or confusing.

Understanding how to evaluate the equity offer is critical to:

- making an informed career decision;
- protecting your financial future; and
- negotiating confidently.

In this post, we'll walk through:

- what to expect in an equity offer;
- understanding and evaluating your equity offer; and
- planning your negotiation.

The goal is to give you the information you need to advocate for yourself during negotiation so you don't leave money on the table. Do note that this is not a comprehensive guide, nor does it include a discussion of any tax implications.

What do equity offers look like in biotech startups?

Equity offers are common stocks, compared to preferred stocks, which are given to investors. The type and amount of equity offered will depend on the startup's funding stage and the seniority of the position offered. Let's cover the former first.

Restricted Stock: Typical of early-stage, pre-valuation startups, restricted stocks are shares granted to employees once certain conditions are met (more on restrictions below).

Stock Options: Typical of post-valuation startups, stock options give you the right to purchase company stocks at a fixed price sometime in the future, but that option has an

expiration date.

Restricted Stock Units (RSUs): Typical of later-stage startups right before or after an initial public offering (IPO), RSUs are neither shares nor options, but rather the promise of shares granted to an employee once certain conditions are met, after which they'll convert.

For the latter, role seniority influences the amount of equity offered—the more senior, the more offered. Very generally, these ranges may look like this:

Role	% Equity Range
Entry level	0.01%–0.1%
Mid-senior	0.05%–0.25%
Senior	0.1%–0.5%
Director	0.25%–1%
VP	0.5%–1.5%
C-Suite (non-founder)	1.0%–5.0%

The percentage of equity describes the percentage ownership or the percentage of total outstanding shares, which is one part of understanding and evaluating your offer.

Understanding and evaluating your equity offer

It is important to understand what is being offered to you and evaluate that offer in terms of the startup's position and your personal risk tolerance. Unlike a publicly-traded company,

some of the information you need to know about the startup is likely not readily available, nor are all the details you need in your offer letter. You'll need to discover this info in your negotiation conversation. The goal is to understand how much of the company those shares represent, what they might be worth in the future, how long it will take to earn them, and the risks involved.

Liquidity

Regardless of what is offered, the equity in a startup company is illiquid, meaning you cannot sell the shares until a liquidity event occurs—an acquisition or IPO, commonly referred to as an "exit" from startup status. Choosing to exercise your options is gambling on the company's ability to exit successfully.

Risk:

That exit may never happen. Most startups fail, potentially leaving you with worthless shares. If the exit is an acquisition, it may not be favorable to employee-held shares or options, as preferred stockholders are paid out before common stockholders.

Example clarifying questions:

- *What is the company's exit strategy?*
- *What exit value must be met before common stock has positive value?*

Shares, dilution, and ownership percentage

A large number of shares or a favorable percentage equity may be impressive, but it doesn't mean much without knowing the total number of shares outstanding, and if those represent fully diluted shares. Shares outstanding are those issued to date, whereas fully

diluted shares are outstanding shares that exist once all forms of conversion are exercised. How does that translate into ownership percentage?

$(\text{Shares offered} \div \text{Total outstanding shares}) \times 100 = \% \text{ ownership}$

So, an offer of 10,000 shares among 10 million outstanding shares is a 0.1% ownership.

Risk:

If the startup plans future fundraising rounds, i.e., issuing more shares, your percentage ownership is diluted. Dilution is normal and something to be aware of as you make your decision.

Example clarifying questions:

- *Can you clarify the total number of shares outstanding?*
- *Is that offer on a fully-diluted basis?*
- *Could you share the current number of fully diluted shares outstanding so I can understand the percentage my equity grant represents?*
- *When was the company's last fundraising round?*

Cliffs and vesting schedules

When you accept an offer, your shares or options are not immediately available. Remember those restrictions mentioned above? The restriction is your employment period. Your offer should detail how much time you need to work before you can exercise your options—the cliff—after which more will become available as you continue to work for the company—the vesting schedule. For example, a standard vesting schedule is four years with a one-year cliff. Twenty-five percent of your options vest after one year of work, with additional options vesting periodically thereafter (monthly, quarterly, etc.).

Risk:

The risk here concerns when and how you exit from the company. If you leave before your cliff, you get nothing. But if you've vested, and then later resign or are terminated, you can retain the options you exercised, but may forfeit any that haven't yet vested. If you are laid off due to restructuring or acquisition, some companies offer accelerated vesting, allowing some unvested options to immediately vest.

Example clarifying questions:

- *Is early exercise allowed?*
- *What is the expiration date to exercise my options?*
- *What happens if I leave the company?*

Valuation and strike price

As a private company, a startup's value isn't publicly available, but that doesn't mean it hasn't been assessed. A startup's road to a successful exit involves what is referred to as a 409a valuation - an independent appraisal of a company's fair market value, typically based on the most recent fundraising round. The valuation sets the strike price for employee stock options, which is the price you'll pay per share when you exercise your options. Ideally, it should reflect the company's value at the time of your hire, but be lower than the future valuation so you can buy low and sell high once they are liquid.

Risk:

Valuation can change, and the strike price is based on the most recent valuation. Future valuations can increase or decrease the share value, affecting the value of the options you may have already exercised.

Example clarifying questions:

- *What valuation is this strike price based on?*
- *What is the company's current valuation?*
- *Are there future fundraising or valuations planned?*

Once you've evaluated your offer, done your research and gathered information, and have a clearer understanding of what the equity offer represents, you're ready to decide if, what, and how you want to negotiate.

Negotiating for Equity When It Wasn't Offered

If equity isn't included in your offer, don't assume that means it's off the table. Depending on your role level, the company's stage, and their compensation philosophy, you may be able to introduce equity into the conversation.

You might frame your request like this:

"I'm very excited about this opportunity and the company's mission. As we finalize the offer, I'd like to explore whether equity can be included as part of my total compensation package."

Asking communicates that you're invested in the company's future and thinking long-term.

Planning Your Negotiation Strategy: Levers, Leverage, and Logic

Before you step into a negotiation, it helps to think strategically—like a logic puzzle. You're not just asking for more. You're identifying what matters most to you, what's flexible in the offer, and how to justify your ask in a way that aligns with the company's goals.

Start by breaking your plan into three key parts:

Part 1. Clarifying Questions

Use clarifying questions to gather more information in your conversation, and to fully understand your offer:

- “Is this equity grant based on fully diluted shares?”
- “What is the current 409a valuation, and when was it last assessed?”
- “Is accelerated vesting available in the event of an acquisition or layoff?”
- “Is early exercise permitted?”

The answers to questions like these will help you decide *what to ask for and how*.

Part 2. Levers: What You Can Ask For

A lever is a negotiable component of the offer that you want to adjust in your favor. In startup equity negotiations, common levers include:

- Number of shares or percent ownership
- Shortening or modifying the cliff (e.g. from 12 to 6 months)
- Accelerated vesting clauses for performance milestones or severance
- Type of equity (e.g. REUs vs options)
- Cash compensation adjustments if equity terms can't change

Each lever represents a point of potential movement in your compensation package. It's important to note that strike price isn't usually negotiable, as it is fixed by the valuation.

Part 3. Leverage: Why They Should Say Yes

Your Leverage is the rationale or influence you bring to persuade the employer to move the lever. This could include:

- Relevant experience or skillsets that directly impact company goals
- A competing offer (or expected offer)
- Scarcity of your expertise in the job market
- A documented record of results in similar roles
- Alignment with key milestones or timelines

Example:

"I'd like to request an increase in shares from 10,000 to 20,000 because my five years of experience leading preclinical development can help accelerate your timeline to IND submission."

Here, the ask is the lever (increase in shares) and the rationale is the leverage (expertise that helps the company reach a major milestone).

Build Your Logic Tree

Once you've identified your levers and leverage, map them out like a logic tree:

- If they answer A to clarifying question B, ask for lever X.
- If they say yes to X, great—you're done.
- If they say maybe to X, apply leverage 1.
- If they say no to X, shift to lever Y.

Prioritize by which lever matters most to you, and with the leverage that best supports it.

The goal is that this mental planning gives you flexibility in the moment and helps you stay focused on outcomes rather than getting flustered by the details.

Conduct the Conversation

When it's time to negotiate, anchor the conversation in enthusiasm, professionalism, and alignment with the company's goals.

"I'm very excited about the opportunity to contribute. Based on our discussions and the offer details, I'd like to explore whether there's flexibility in the equity portion to ensure alignment with the scope of the role. I'd first like to discuss the number of shares and then the vesting terms"

From there:

- Start with your top-priority lever;
- Pause and let them respond;
- Layer in leverage, if needed;
- Get an answer to your lever;
- Say thank you and move on to the next topic.

This will keep the conversation focused, direct, and strategic. Remember, you're not only negotiating *for* something, you're negotiating *with* someone. A collaborative tone will go a long way.

Above all, advocate for yourself with confidence. You've done the work to be ready for this conversation.

Conclusion

Equity offers from a biotech startup can be potentially valuable if you understand how it works and how to negotiate it. While there are risks to consider, asking thoughtful questions and advocating for yourself is not only expected, it's respected. The more informed you are, the more confident you'll feel navigating the conversation.

If you're evaluating a startup offer and want expert support to navigate the equity conversation or to negotiate a compensation package that reflects your value, Fulcrum Point Career Solutions can help.

References

This post was a learning experience for me, too. These resources were used to inform and support the content:

- [Carta: Stock Options Explained](#) – A helpful overview of stock option types and mechanics.
- [Carta: RSAs vs RSUs](#) – A comparison of restricted stock awards and restricted stock units.
- [Carta: Fully Diluted Shares](#) – Understand how fully diluted share counts affect ownership.
- [Capbase: Equity vs. Stock Options](#) – Clarifies the key differences between equity types.
- [Carta: 409A Valuation](#) – Why 409A valuations matter when assessing your strike price.
- [Holloway Guide to Equity Compensation \(Preview\)](#) – A deep-dive resource for equity structures and decision-making.
- [Summitry: What Happens to Your Equity When Leaving a Company](#) – Insights on forfeiture, exercising, and post-termination options.
- [MassBio: What to Know When Negotiating Your Equity Compensation](#) – Equity negotiation tips tailored to biotech professionals.

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