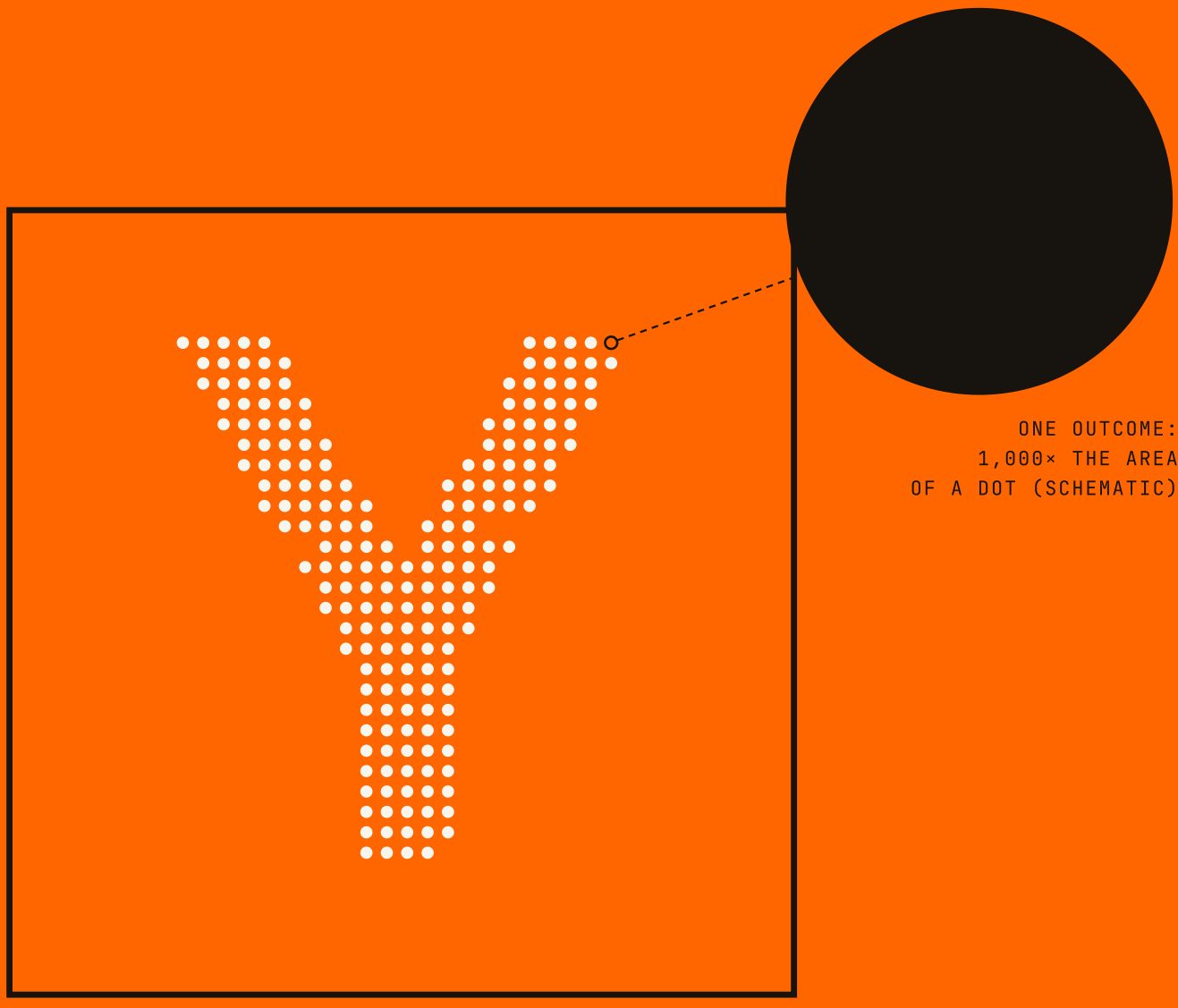
# *Once upon a time* in Silicon Valley

Y Combinator buys a small slice of about 200 young companies a batch. One of them pays for all the rest.



ONE OUTCOME:
1,000× THE AREA
OF A DOT (SCHEMATIC)

197 DOTS + 1: THE 198 COMPANIES OF ONE BATCH (WINTER 2026)

EXECUTIVE SUMMARY

# Buy 7% of everyone cheaply; wait for the one that matters.

01 **The program.** YC runs four three-month batches a year. Of about 23,000 applicants for Winter 2026, 198 got in: an acceptance rate of 0.86%.[1,2]

02 **The price.** $125k buys YC 7%, valuing a company at about $1.79m. At the reported $40m Demo Day default, the same 7% costs $2.8m: 22.4 times more.[2,3]

03 **The power law.** In 2012 Dropbox and Airbnb were about three-quarters of YC's $10bn portfolio. Today Stripe alone is about a quarter of roughly $600bn.[1,8,9]

04 **The evidence.** One study found accelerated startups raised 47% to 171% more. YC publishes no data, so selection, help and the badge cannot be separated.[13]

05 **The cracks.** Delve, accused of faking compliance reports, denies it and has parted ways with YC. Inflated revenue is an industry problem that Demo Day pricing rewards.[16,17]

| 0.86% | $500k | 22.4× | ~¼ |
|---|---|---|---|
| WINTER 2026 ACCEPTANCE RATE (CALC) | STANDARD DEAL SINCE JAN 2022, FOR ~7.9% | PRICE OF THE SAME 7% AT DEMO DAY (CALC) | STRIPE'S SHARE OF YC'S ~$600BN TOTAL |

**Alumni named in this article, by YC batch** – S = summer, W = winter; orange = Indian[11,21]

| S07 | W09 | S09 | S12 | S13 | W15 | S16 | W18 |
|---|---|---|---|---|---|---|---|
| Dropbox | Airbnb | Stripe | Coinbase | DoorDash | Razorpay | Meesho | Groww |

THE ONE-LINE VERSION

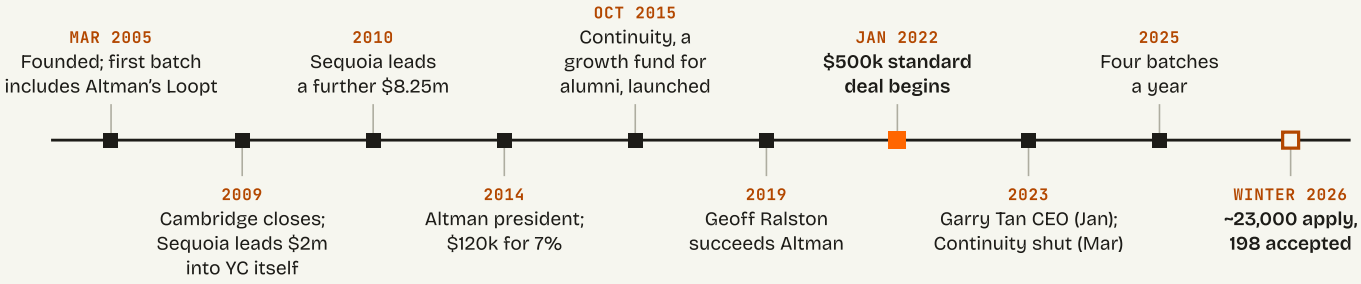
YC's edge is the price it pays: buy early and often, and one winner a batch pays for the rest.

As of 18 October 2026. YC is private: it publishes no fund size, investors, fees, returns, acceptance rates or founder data, so batch statistics are third-party and returns are Tyche arithmetic on the standard deal. Superscripts refer to sources on page 06.

INTRODUCTION AND BACKGROUND

# 01 From one summer batch to roughly 6,000 companies.

FIG. 1 **Y Combinator, 2005 to 2026**




Confirmed · Reported by third parties · Turning points for the deal and the batch

Evenly spaced, not to scale. Source: Wikipedia, "Y Combinator" [1]; YC deal posts [3,4]; Lobster Capital, W26 Demo Day recap [2].

In March of 2005, Paul Graham, Jessica Livingston, Robert Morris and Trevor Blackwell started Y Combinator starting their first program out of Cambridge, Massachusetts and Mountain View. One of the young founders in their very first batch was a young Sam Altman with his startup called Loopt. Twenty one years later, YC has funded roughly 6,000 companies which are worth around $600 billion, with famous alumni such as Stripe, Airbnb, DoorDash, Coinbase and others.[1]

▲ explainer | accelerator vs incubator

**Difference between Accelerator and Incubator:** An accelerator is a program which invests cash in very young startups, in return for equity. An incubator usually gives startups office space and gives them an ecosystem to grow for an open ended time, hence YC is an accelerator not an incubator.

YC funds startups in batches, and since 2025 YC has run four of them per year, which are Spring, Summer, Fall and Winter.[1] Each batch is 3 months long, where YC's partners advise these startups, and ends with Demo Day, where the batch pitches their startup to various other investors. The batches are highly competitive to get into. In the Winter 2026 batch over 23,000 startups applied and only 198 were selected. Making the acceptance rate 0.86%, making it more selective than the Ivy League Universities.[2,22]

The fund is currently headed by Garry Tan, who himself was part of YC's early cohorts.[1,7] We should keep in mind that since YC is a private firm, its details such as fund size, investors and fees aren't public. Therefore anything said about YC's returns is either from Paul Graham's own figures in 2012, or speculative arithmetic from their standard deals.

**Who has run YC** – presidents, by year they took over[1]

| 2005 | 2014 | 2019 | 2023 |
|---|---|---|---|
| Paul Graham | Sam Altman | Geoff Ralston | Garry Tan |

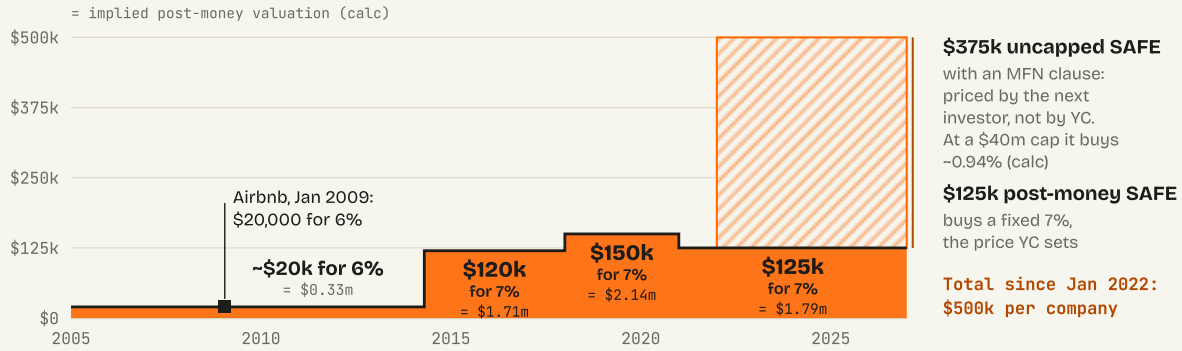
**YC went from a small summer program in Mountain View, to a machine creating hundreds of billions in value.**

02

THE YC STANDARD DEAL, FROM FIRST PRINCIPLES

# $125,000 for 7%, and the market prices the rest.

**FIG. 2** What YC has paid for its standard stake, 2005 to 2026




Cash per company for the standard stake. Before April 2014 YC's own figures differ: "about $20,000 for 6%" (2020 post) and "on average $17k for 7%" (2014 post); 2011–14 outside investors also offered a note on top. Implied valuation = cash ÷ stake (calc). Hatched = priced by the next investor, not by YC. Source: YC [3,4,5]; Wikipedia, "Brian Chesky" [6].

Since January of 2022, YC gives every company $500k through two SAFEs signed together. The first $125k buys YC 7% of the company on a post-money SAFE, while the rest $375k is an uncapped SAFE with an MFN clause.[3] Therefore the 7% that YC has purchased is fixed, and isn't diluted or watered down by other SAFEs before the company's first priced round, though later rounds of funding do dilute it.

▲ explainer | SAFE

**SAFE:** A SAFE stands for Simple Agreement for Future Equity, and is a simple agreement where the investor provides funding now in exchange for the right to receive equity on a future date. Typically during the company's next priced round, or a liquidity event.

▲ explainer | MFN

**MFN:** stands for Most Favored Nation, and means that YC gets whatever best price the next investor gets, in the future round.

Let's use the analogy of purchasing an apartment. Suppose the builder sells you the apartment at a pre-launch price before construction starts. The $125k is the pre-launch price set by YC, the $375k is like agreeing to pay whatever the cheapest buyer pays once the building is completed. So that price is set by the market, not by YC.

So what are the pre-launch valuations of these startups? According to the standard deal, $125k for 7% means that YC values the company at $1.79 million roughly. During the Demo Day, the reported default round for the Winter 2026 batch was $4 million on a $40 million post-money valuation.[2] The same 7% would cost $2.8 million at $40 million, a markup of roughly 22.4x in just 3 months. The $375k converts to about 0.94% at a $40 million cap, making YC's total stake roughly 7% + 0.94% = 7.94%.

A batch of around 200 companies costs YC roughly $100 million, and around $300 to $400 million a year across its four batches (according to our calculations). For the founder, YC is a mark of prestige and recognized worldwide, which further helps in the funding rounds and gives them an extra stamp of credibility. Giving up 7% of your equity for $125k makes sense, when the reported default after Demo Day is $4 million raised at a $40 million valuation, making the trade off worthwhile.

**FIG. 3** Worked example: the Demo Day markup on YC's 7%




Tyche arithmetic: $125,000 ÷ 0.07 = $1.79m; 0.07 × $40m = $2.8m; $2.8m ÷ $125,000 = 22.4. Before later dilution. The $40m default is as reported for Winter 2026 (Winter 2023: $20m). Source: YC [3]; Lobster Capital [2].

THE BLACK SWAN

# 03 One company in a batch pays for all the others.

FIG. 4 **Share of all YC companies' combined value held by the biggest winners**




Combined values are approximate and differently dated: ~$10bn as Graham wrote in Sep 2012; ~$600bn as of 2026. Stripe: $159bn in a Feb 2026 tender offer; $159bn ÷ $600bn = 26.5% (calc). Source: Graham [8]; Wikipedia [1]; Bloomberg, The Block [9].

The Black Swan, is a term popularized by Nassim Taleb, used to denote something which happened which is so statistically improbable. In September of 2012, Paul Graham wrote an essay called "Black Swan Farming" which explained how YC made money. YC's companies at that time were worth $10 billion together, and just two of them which were Dropbox and Airbnb made roughly 3/4th of that valuation. Graham wrote about how their outcomes vary about 1000x, and that only one company per batch actually mattered for YC to be profitable.[8]

▲ explainer | power law

**Power Law:** is when a few results are so large, that they outnumber everything else. In VC investing this means how one or two companies make up most of the fund's returns.

The same pattern is true even now, with companies like Stripe who were part of YC in 2009, being worth $159 billion, making up about 26% of the $600 billion of value that YC has generated.[1,9] Around a hundred of the 5,668 companies that YC has invested in are unicorns, which is about 1.8%.[1] This figure counts every batch, including younger batches that still need more time to grow, so the rate for older batches alone is higher.

▲ explainer | unicorn

**Unicorn:** is a startup valued at $1 billion or more.

The math behind this makes YC so sustainable. Suppose YC had invested in 1000 companies, and one of them turned out to be Stripe. The rest 999 can be worth nothing, and the returns are still gargantuan. We should also remember that YC's 7% stake isn't constant, it gets smaller and smaller after every single round, and roughly falls below 5% of each of its biggest IPO listings.[10]

YC has had its fair share of investing in Indian startups as well, with stories like Razorpay, Meesho and Groww being YC alumni.[11] Since 2019, YC has required Indian companies to flip to a US parent, and since then Indian startups in YC have fallen down to just 6 in Summer 2023.[12]

▲ explainer | flip

**Flip:** is when a startup moves its parent company to another country, like the US, so the original company becomes a subsidiary.

**~1.8%**
of the 5,668 companies YC has funded are unicorns (about 100; calc)

**<5%**
YC's reported stake in each of its biggest IPOs, by listing day

**74 → 6**
Indian startups in YC: all 2021 batches vs Summer 2023

DOES YC ACTUALLY CREATE VALUE?

# 04 Picking the winners, or making them?

FIG. 5 **The Winter 2026 funnel, from application to the one that matters**




| | |
|---|---|
| ~23,000 | applications |
| 198 | accepted<br>0.86% of applicants (calc) |
| 14 | at $1m+ annualised revenue by Demo Day<br>7% of the batch (calc) |
| ~1 | that matters to YC's returns<br>Graham's 2012 rule of thumb, schematic |

YC publishes no acceptance rate; ~23,000 and 198 are third-party counts. The last step is Graham's 2012 rule of thumb, not a W26 result (hatched = schematic). Source: Lobster Capital [2]; Extruct [14]; Graham [8].

If YC companies are more successful than other startups, there could be 3 reasons for it. Firstly its selection process. YC is extremely selective with its process, with less than 1% of applicants making it extremely competitive and rigorous.[2] The second is the network and the opportunities being part of YC provides. YC not just provides funding, but provides a network, advice from YC Partners, the knowledge and the support it gives helping a startup launch fast without hassles. The last thing is the prestige or the perception that the YC badge provides. That gives these startups an extra ounce of credibility, which can further help the startups get more funding.

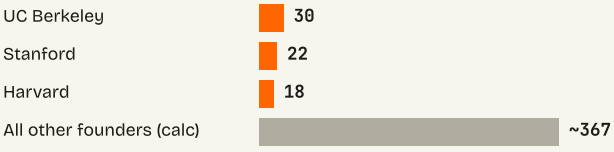
A 2020 study by Hallen, Cohen and Bingham compared startups which got into accelerators with ones that narrowly missed out. In the next funding rounds, the accelerated companies raised 47% to 171% more funding in the next two to three years, and survived more often. Learning seemed to be the main driver, though sorting and signalling couldn't be fully ruled out. However this study looked at accelerators in general, not YC alone.[13]

Then comes the question of academic pedigree. In the Winter 2026 batch, UC Berkeley had 30 founders, Stanford had 22 and Harvard had 18, which together is about 16% of the batch. The most common previous employers were Amazon and Apple, followed by Tesla, SpaceX and Meta.[14] Among founders of YC's unicorns and companies with $100 million revenue, MIT and Stanford each had 33 of the 298 founders, while 43% came from outside the US.[15] So it would be wrong to say YC only takes founders from prestigious universities, but there is a heavy concentration, and it is hard to tell whether YC selects for it or creates it.

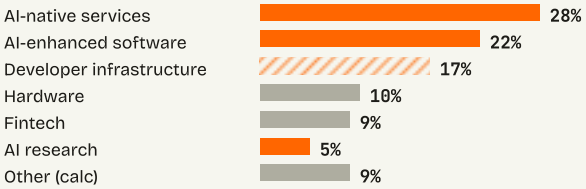
From a finance POV, pedigree is a cheap screening signal when you have 23,000 applications every single batch, but YC doesn't publish any data on whether it predicts outcomes. There is also a rise in AI based companies, with 55% of the Winter 2026 batch in categories named as AI, and roughly 72% if developer infrastructure is counted.[14]

FIG. 6 **Who is in the Winter 2026 batch**

FOUNDERS BY SCHOOL
top three ≈ 16% of the batch's founders




COMPANIES BY CATEGORY
solid = AI in the name; hatched = often AI tooling




"All other founders" ~367 = 70 ÷ 16% - 70 (calc, approximate). Category shares as published for 199 companies; "other" = 100% minus the six listed (calc). Source: Extruct, W26 batch breakdown [14].

THE CRACKS IN THE MACHINE

# 05 When young revenue sets the price.

**FIG. 7** Five YC controversies, September 2024 to July 2026

| SEP 2024 | FEB 2025 | MAR–APR 2026 | APR–MAY 2026 | JUL 2026 |
|---|---|---|---|---|
| **PearAI** | **Optifye.ai** | **Delve** | **The ARR debate** | **LemonLime** |
| Near-copy of Continue, another YC company's open-source tool; licence written by ChatGPT | YC demo of AI cameras tracking garment-factory workers; YC deleted the posts | Accused of pre-written SOC 2 reports; "parted ways" with YC, which made no statement | Inflated revenue across AI start-ups; tactics reported by TechCrunch; not YC-specific | Job interviews offered for a company tattoo; seven took one; the CEO apologised |
| CONFIRMED | CONFIRMED | ALLEGED / DENIED | REPORTED | CONFIRMED |

Confirmed = the company or YC acted or admitted it; alleged = claims not proven; denied = the company rejects them; reported = press findings across many firms. Source: TechCrunch [16–19]; Fortune [20].

The biggest controversy surrounding YC has been Delve, which is a startup automating compliance for security certifications like SOC 2 and ISO. In March 2026, an anonymous Substack article was released, claiming to be a former customer, who accused Delve of automatically generating reports and routing its clients through "certification mills". While Delve vehemently denied these accusations calling it an attack with fabricated claims, it was removed from YC's directory, with its COO posting that "YC and Delve have parted ways".[16]

▲ explainer | SOC 2

**SOC 2:** is a security audit which software companies get done to show business customers that their data is handled safely.

While these are allegations against one YC company, there is an industry wide problem with inflated revenues or business models. In April 2026, Spellbook's CEO Scott Stevenson called inflated AI revenues a huge scam (as paraphrased in reports), and in May a TechCrunch article reported how founders and VCs pump up their ARR to fudge up these numbers. This includes things such as counting signed deals which haven't gone live, counting free pilots, and annualizing one good week or month to misrepresent true figures.[17]

▲ explainer | ARR

**ARR:** stands for Annual Recurring Revenue, and is the revenue a company expects to earn every year from subscriptions.

This problem isn't specific to YC, but can potentially become worse for the fund. With Demo Day pricing companies on young revenue figures, there's a strong incentive to inflate them, in order to increase its valuation.

The controversies don't stop there either. In September 2024, PearAI which is a YC backed code editor launched a near copy of Continue which was another YC company's open source code editor. The licensing agreement for the PearAI code editor was generated by ChatGPT, and while YC CEO Garry Tan defended them, he later backed down his statements.[18] Also in February 2025, YC deleted a demo of Optifye.ai, whose AI cameras tracked garment factory workers, receiving backlash for enabling sweatshop style behavior.[19] These cases suggest how the incentives of this startup ecosystem can push founders to be unethical and deceitful in order to succeed, though Delve denies the claims against it and inflated ARR is an industry-wide problem.

SOURCES Entries are links. † = seen only as a search summary; open before publication. Opened 17–18 Oct 2026 unless marked.

[1] Wikipedia, "Y Combinator" (2026 revision): history, leaders, batches, portfolio
[2] Lobster Capital, "YC's Record Breaking W26 Demo Day Recap"
[3] Y Combinator, "The YC Deal": $125k for 7% + $375k MFN SAFE
[4] YC blog, S. Altman, "The New Deal", 22 Apr 2014: $120k for 7%
[5] YC blog, G. Ralston, "A New Standard Deal", 26 Jun 2020
[6] Wikipedia, "Brian Chesky"†: Airbnb, $20,000 for 6%, Jan 2009
[7] YC blog, "Welcome Garry and Aaron"†: Tan, Posterous, funded 2008
[8] Paul Graham, "Black Swan Farming", Sep 2012
[9] Bloomberg, 24 Feb 2026†; The Block†: Stripe at $159bn
[10] Crunchbase News†: YC's stakes in its biggest IPOs
[11] YC directory, companies in India
[12] Inc42†: the flip rule; Indian startups in YC, 74 → 6
[13] Hallen, Cohen & Bingham, "Do Accelerators Work?", Org. Science 2020†; UNC summary†
[14] Extruct, "YC W26 Batch Breakdown": schools, employers, categories
[15] Dealroom, YC batch index†: 298 founders of top companies
[16] TechCrunch, 4 Apr 2026: Delve "parted ways" with YC
[17] TechCrunch, 22 May 2026: inflated "ARR" at AI startups
[18] TechCrunch, 30 Sep 2024†: PearAI and Continue
[19] TechCrunch, 25 Feb 2025†: Optifye demo deleted
[20] Fortune, 31 Jul 2026: LemonLime tattoo interviews
[21] Y Combinator home page†: founders' batches (Airbnb, Stripe, etc.)
[22] Harvard Gazette, Oct 2025†: 2,003 admitted of 47,893, ~4.2% (calc)

Figures are as publicly reported; interpretation is the author's. "Calc" = Tyche arithmetic. Not affiliated with Y Combinator or any company named; marks belong to their owners.

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