

# State of the Markets

SVB's Outlook on the Innovation Economy

February 2026



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# Teaching Old VC New Tricks



These multi-billion-dollar deals may be venture in name, but they have fundamentally different risk and return profiles than traditional early-stage venture.”

The results are in. Overall, it was a great year in venture, even as some participants were left clapping on the sidelines. Last year, we saw nearly \$340B of venture capital (VC) investment, cash runway increased across all sectors, Series A tech deal activity began to improve, and IPO and M&A activity hit the highest point since 2021. Barring a larger, macroeconomic recession or a deflation of the AI bubble, we expect growth to continue and metrics to improve through 2026.

After 40 years on the job, some guys buy themselves a Corvette. Masayoshi Son bought a \$30B stake in OpenAI. The SoftBank founder wasn't the only VC breaking the mold in 2025. The definition of venture has expanded to include a new class of mega funds and companies. The power law distribution in venture has a heavier head than ever, with the top 1% of all venture deals accounting for one-third of all investment. These multi-billion-dollar deals may be venture in name, but they have fundamentally different risk and return profiles than traditional early-stage venture. The funds invested in these companies look more like private asset managers paid with fees, not with carried interest.

At the other end of the spectrum, the funding environment is very different. The bottom half of US VC-backed companies by valuation accounted for just 7% of all investment. While capital invested in sub-\$100M deals picked up, deal activity trended down. However,

we expect this trend to flip in 2026, anticipating moderate deal growth driven by the AI platform shift and growing investor confidence.

If history is a guide, we must temper our short-term expectations for AI. Many investors we speak with who have been active participants since the dot-com era say this is the largest platform shift in their career, while also acknowledging a potential bubble. In the three years since ChatGPT's release, five AI companies have achieved values three times higher than all dot-com-era IPOs. There are clear signs of overexuberance in AI: high burn multiples, low revenue per employee and high valuation premiums for companies with less revenue than their peers. We are certain AI will generate long-lasting gains, but we are equally certain the path to value creation and innovation is marked with expensive and perhaps necessary mistakes. The challenge is catching the AI wave, without getting sucked under by the backwash of overhype.

From Masayoshi Son's \$30B overtures to the quiet resurgence of sub-\$100M deals, venture is playing a more complex tune than ever before. We enter 2026 mindful of the dot-com echoes and the heavy-headed power law, but we remain bullish. In periods of platform shifts, hype is unavoidable. But when the noise dissipates, true innovation remains and lays the foundation for the next decade of technological growth.



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# Click Through to Key Takeaways



5 AI companies have achieved 3x more value than all IPOs during the dot-com era

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Venture funds struggle to raise, hitting seven-year low; those that close take longer to do so

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VC investment hit second-highest year, one-third of capital went to the top 1% of companies

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Compounding challenges: Revenue required to fundraise is higher today, yet growth is slower

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Median seed valuations have nearly doubled since 2021 given high demand and low supply

[Jump to Page](#)



\$4.4T locked in US VC-backed tech unicorns: secondary transactions ease liquidity thirst

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Geopolitics and US policy push defense tech from covert to overt

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2025 IPOs had a wide range of revenue, which many active unicorns surpassed

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# Perspectives on the Innovation Economy

## LPs Swim to Early-Stage<sup>1</sup>

“Almost every LP of importance tells us the same thing right now: We’re swimming toward early stage and away from the large platform funds. **They understand the return dynamics, and they also recognize that big platforms have had a hard time truly operating at the early stage.** People are looking for the next generation of managers, and they don’t want the overhead of big firms that have effectively turned into asset-management businesses.”

Jon McNeill  
CEO & Co-Founder

*dv<sup>x</sup> ventures*

## Not an Alternative to IPO

“The secondary market is not a substitute for IPOs. **It’s a liquidity mechanism that extends runway, relieves pressure of companies going public too early, rewards employees, and dampens volatility along the exit path — but it doesn’t eliminate the need to go public.** At scale, once companies reach tens of billions of dollars in value, there just isn’t enough private capital to support sustained growth and liquidity. The public markets are still necessary, so IPOs may be delayed for longer durations, but for most companies they’re not optional, only deferred.”

Eric Thomassian  
Head of Private  
Company Relations

 **Forge**

## Better Tooling Today

“I’ve seen several big tech waves over my career — internet, mobile, SaaS, cloud — AI is the biggest. It’s also the most competitive. **When you’re a winner, or even perceived as one, you get this hyper-boost that pulls you further and further away from the pack.** Is there a bubble? Probably. But even when bubbles burst, there is always serious residual value created.”

David Frankel  
Managing Partner

**FOUNDER**  
COLLECTIVE



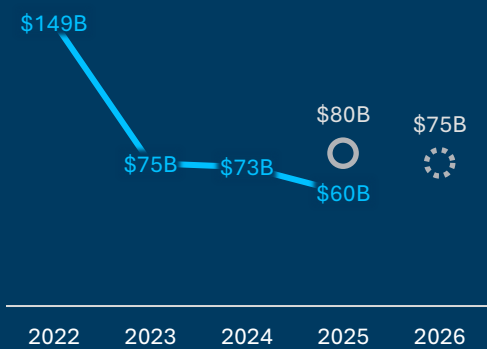
# Macro

# 2026 Outlook

2026 Forecast    2025 Forecast (from H1 2025 report)    Actual Values

## Fundraising Volume

Capital Raised by US VC Funds by Date Closed

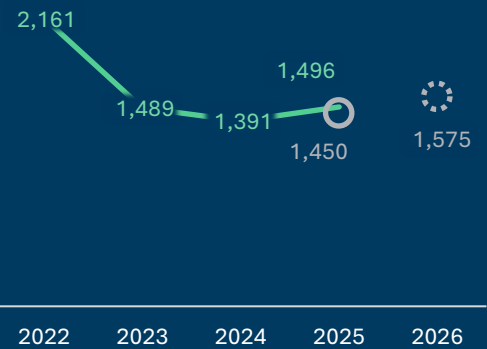


**2025 Forecast Performance**  
**Poor: 66% Accuracy for 2025**

Even as nearly \$340B has flowed into US VC deals in 2025, US VC fundraising fell to a seven-year low. AI's continued surge and the uptick in exits in 2025 seem to have lined the coffers of growth funds but not most VC funds. Heading into 2026, we expect fundraising to increase this year as some capital starts to cycle back to LPs and big funds that raised in 2022-2023 come back to market. Sixty-three percent of capital raised by \$1B funds in 2022 has been deployed.<sup>1</sup>

## Early-Stage Activity

US VC Series A Tech Deals<sup>2</sup>

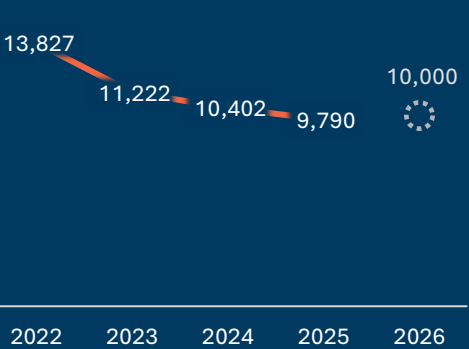


**2025 Forecast Performance**  
**Excellent: 97% Accuracy for 2025**

Series A tech deal activity matched our expectations of a turnaround. Even as the revenue benchmark (at the median) to raise a Series A increased 35% year-over-year, deal activity increased 8% over 2024. Momentum continues into 2026. While we continue to see companies raise extension rounds, graduation rates are no longer declining, and in absolute terms, more Series A companies are receiving term sheets today.

## US VC Deal

US VC Deals <\$100M

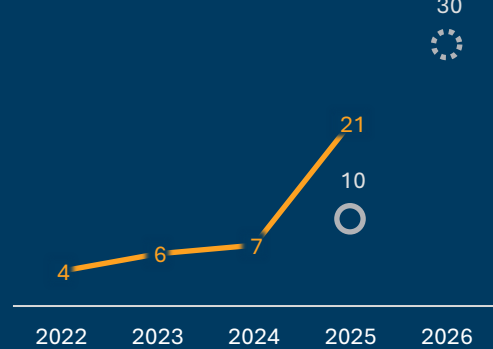


**2026 marks the first year we have published this forecast.**

VC deal count under \$100M is among the most telling measures of the fundraising environment for most companies — and it is at a decade low. Companies without the supercharged star power of a repeat founder or an AI phenom faced a sober landscape in 2025. We expect the tide to turn in 2026 and bring modest gains to deal activity under \$100M. Exits will recycle capital, and we will see the application of AI to new business models just as mobile did for consumer apps in the 2010s.

## IPO Activity

US VC-Backed Tech IPOs on Major US Exchanges<sup>3</sup>



**2025 Forecast Performance**  
**Poor: 48% Accuracy for 2025**

We expected low IPO activity in 2025, with a handful of high-profile companies with strong metrics like Chime, which exited in June. What happened instead was a smattering of companies across all revenue and profitability levels. While stock price performance has been mixed, the window is open. Twelve tech companies have already filed with more on the way. And lower interest rates are likely to add fuel to the fire.

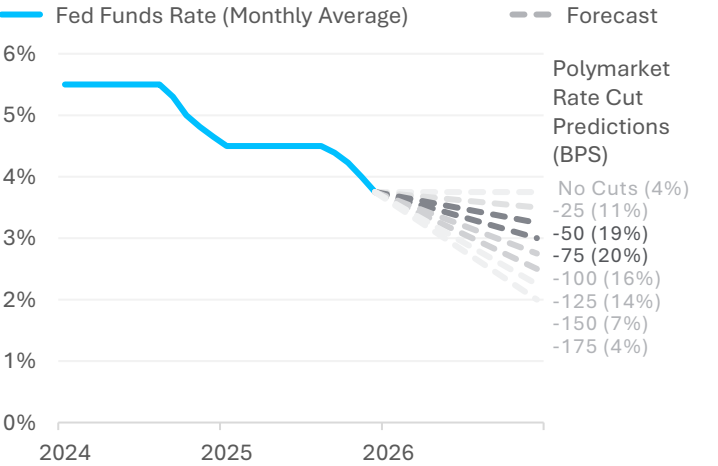
# An Economy That Works for AI

All signals are go for tech investment in 2026. The US economy grew by 4.3% in Q3 and 3.8% in Q2 last year, the two best back-to-back quarters of expansion since the first half of 2021. The Federal Reserve has cut the federal funds rate by 175 basis points since September 2024, creating more favorable conditions for fundraising and investment. AI spending is driving a significant portion of economic growth. Private investment in the BEA buckets that capture AI (hardware, R&D, software and data centers) is under 4% of US GDP, yet these categories contributed 10%-30% of quarterly GDP growth in 2025. In Q1, they offset what would have been a deep economic contraction, a Fed study showed.

**The economy is growing, but it's a fragile growth that relies on AI spending and an increasingly small group of high-earning consumers.** While the economy tilts toward more investment, consumer buying power is shifting. From 2014-2017, the top 20% of US wage earners added about \$7K more to their annual income than the bottom 20% of earners. From 2020-2023, they added \$30K more. This disparity in raw wage growth gives high earners greater control over consumer spending overall and concentrates risk into a smaller group of spenders. The disparity is showing up as greater strain for lower earners. Auto defaults, a leading signal for stress in consumer quality, have spiked for low income borrowers.

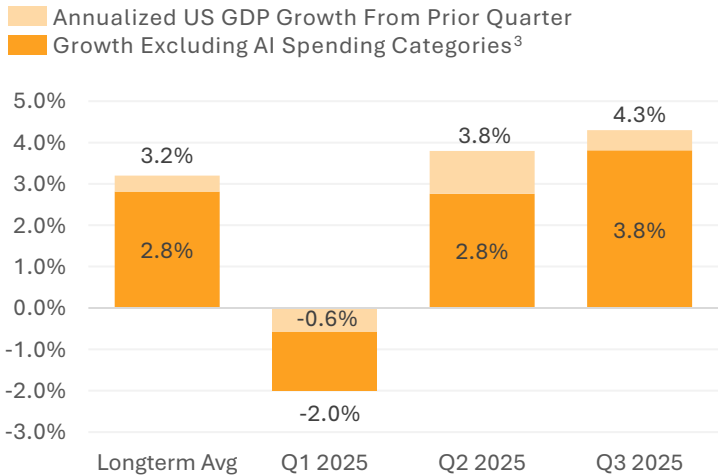
## Bet On It: More Rate Cuts Expected for 2026

Federal Funds Target Rate (Upper Limit) and Predicted Change<sup>1</sup>



## AI Spending Is Boosting Economic Growth

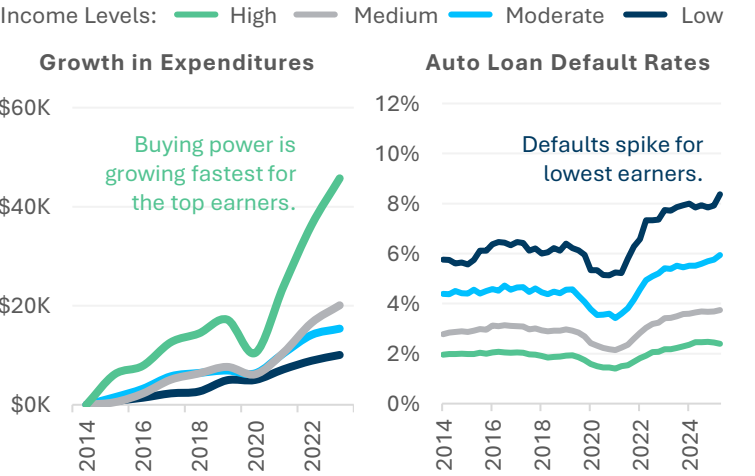
AI Spending's Annualized Contribution to US GDP



Notes: 1) Forecast based on odds on Polymarket. 2) Income levels are household income quintiles for expenditures and households in census tracts grouped by average income. 3) Not all contributing categories are included.  
Source: Polymarket, US Federal Reserve, Bureau of Economic Analysis, Bureau of Labor Statistics and SVB analysis.

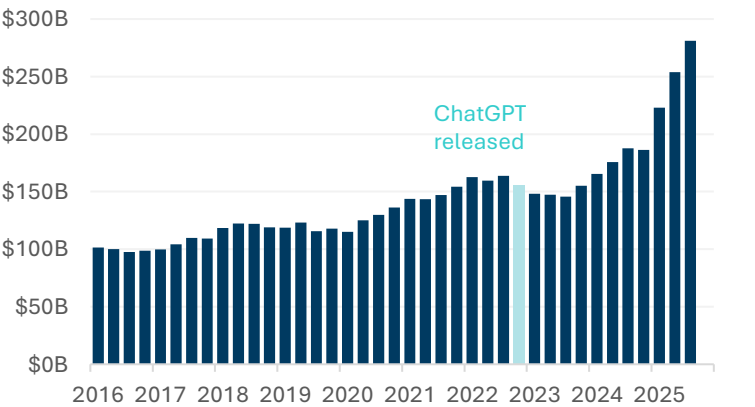
## Consumers Moving at Different Speeds

Growth in Annual Expenditures and Auto Defaults by Income Level<sup>2</sup>



## Investment in Hardware has Doubled Since '23

US Annualized Private Investment in Nonresidential Commercial Computers and Peripheral Equipment (Computers, Servers, Chips)



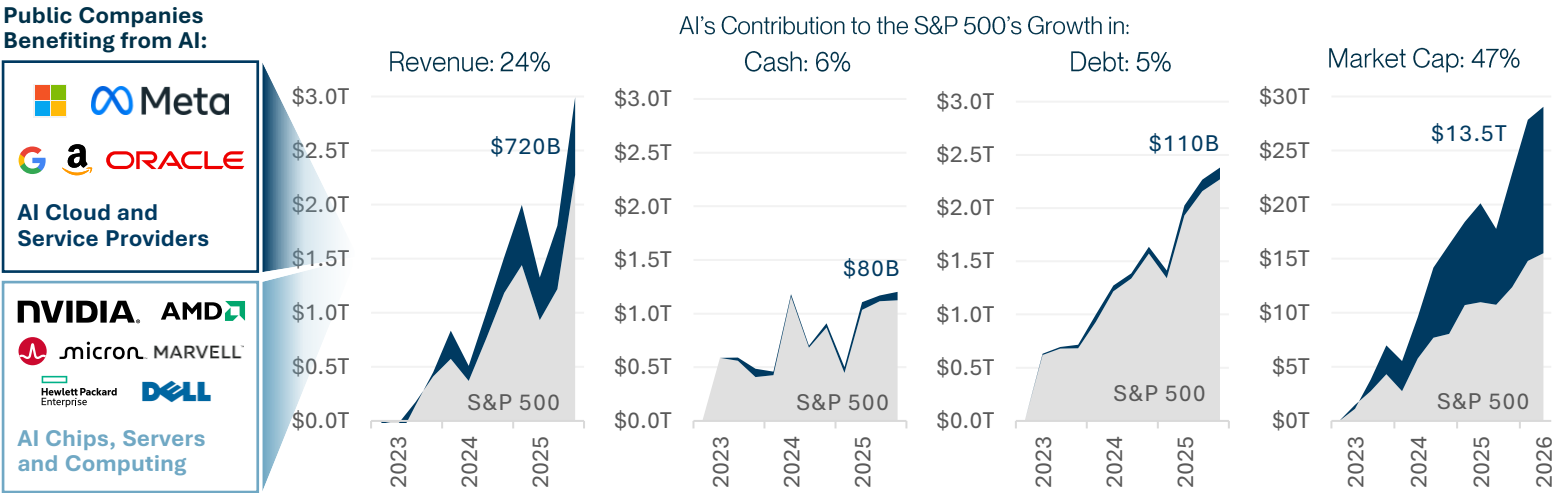
# Putting the Hype in Hyperscalers

Hyperscalers are throwing their weight and their considerable balance sheets at AI investment. So far, the investments are paying off, at least when it comes to market cap. **The top 12 public US companies most benefited by AI technology — from cloud and service providers to chips and servers — have collectively added \$14T to their market cap since 2023, accounting for half the value created in the S&P 500 during that span.** Much of this value is driven by investor expectations of future cash flow rather than current fundamentals. While capital expenditure (CapEx) has increased 2.8x in the last three years, revenue has grown by 1.6x, accounting for 12% of S&P 500 revenue and a quarter of gains in that time.

That spending may only scratch the surface. CapEx only counts data centers and servers owned by the company, not compute purchased from third parties or most AI R&D. Chip purchases are actually OpEx or inventory. To fund the AI spending, more hypersclers are turning to debt. This flips the script for an industry that was always capital light. Tech balance sheets are looking more like manufacturing these days. Meta, which has notably used cash flow to finance growth in the past, has increased its debt from \$14B in 2022 to \$51B in Q4 2025. A total of \$3T in planned AI infrastructure spending has been floated for the next few years. For this investment to prove profitable, AI revenue must materialize soon. Investors have so far been patient, but debt funding may add a ticking clock.

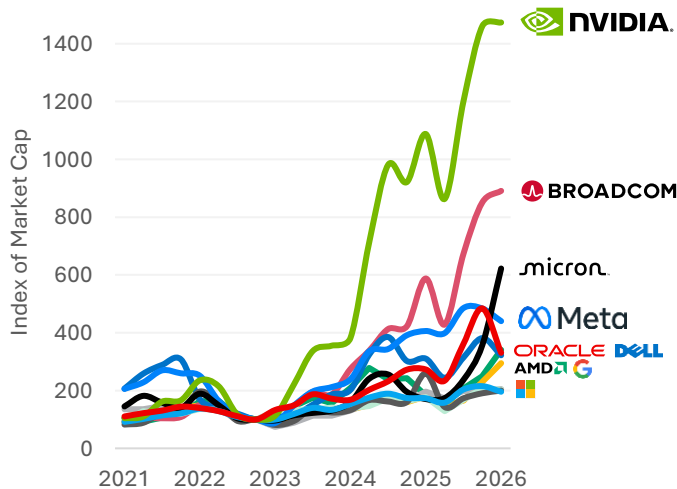
## How Much of S&P 500 Gains Come from Big AI?

Selected Annualized Metrics for the S&P 500 and the Large Public Tech Companies Benefiting from AI<sup>1</sup>



## Investors Want a Piece of the AI Pie

Indexed Market Cap of Public AI Beneficiaries (100=Q4 2022)



## For Big AI, Annual CapEx Approaches \$500B

Annualized CapEx and Revenue for AI Beneficiaries<sup>2</sup>

| Annualized Revenue |           | Annualized CapEx |     |
|--------------------|-----------|------------------|-----|
| \$720B             | Amazon    | \$140B           |     |
| \$409B             | Google    | \$96B            | 23% |
| \$311B             | Microsoft | \$78B            | 25% |
| \$228B             | Nvidia    | \$7B             |     |
| \$205B             | Meta      | \$75B            | 37% |
| \$108B             | Dell      | \$3B             |     |
| \$72B              | Broadcom  | \$1B             |     |
| \$60B              | Oracle    | \$48B            | 80% |
| \$45B              | Micron    | \$22B            | 49% |
| \$39B              | HPE       | \$3B             |     |
| \$37B              | AMD       | \$1B             |     |
| \$8B               | Marvell   | \$0.3B           |     |

Notes: 1) AI basket includes: Microsoft, Meta, Alphabet, Amazon, Oracle, Nvidia, AMD, HPE, Dell, Micron, Broadcom and Marvell Technology. S&P 500 constituents as of January 20, 2026. Metrics through Q3 2025. Revenues were annualized. 2) Latest reported revenue. Source: S&P Capital IQ and SVB analysis

# The AI Mic Is Still Hot

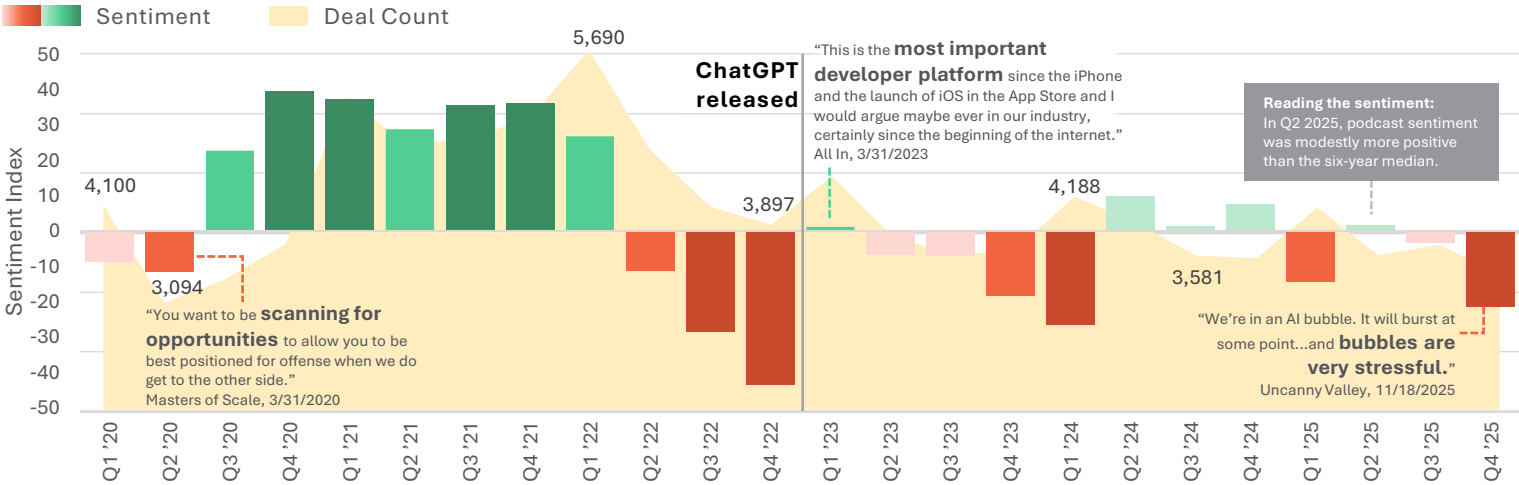
VC investment numbers have skyrocketed, nearing even the feverish heights of 2021. But sentiment remains stubbornly muted. What gives?

AI mega-rounds are receiving the lion’s share of capital, while early-stage and smaller startups struggle to attract meaningful investment. **More capital deployed has not translated to more companies funded, with VC investment up 53% and deal count down 15%** from 2024 to 2025. This dynamic shows up clearly in sentiment. Our analysis of sentiment among 4,800 VC-focused podcasts has tracked closer to deal count than capital invested. The discourse has been more negative than the long-term median for three of the last four quarters. Fewer checks, even if much larger, make for a narrower and more anxious venture ecosystem. People tend to talk their own book, and with fewer deals and fewer exits, there are fewer positive stories. As investor David Frankel told us, “Investor sentiment about the market generally comes down to what’s happening in your portfolio. If you’ve got two or three potential fund returners, you feel great!”

AI is bringing optimism around innovation but also unease tied to jobs, privacy, regulation and investment concentration. Early signs of productivity gains (vibe coding) may start to shift the tone, but until capital becomes more evenly dispersed, sentiment is likely to remain cautious.

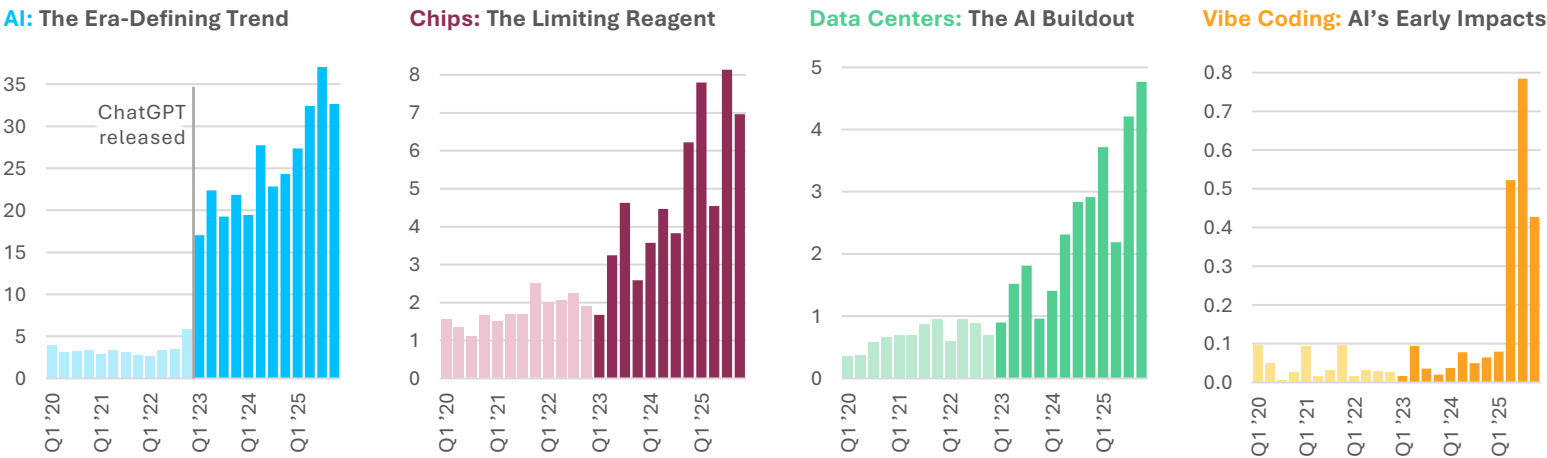
## The Story of Venture, in Their Own Words

VC Deal Count and Average Sentiment Among a Sample of Tech- and VC-Focused Podcasts from 2020 to December 2025<sup>1</sup>



## AI Leads the Story but Brings Several Compelling Subplots

Average Number of Mentions of Each Topic per Podcast Episode<sup>2</sup>



Notes: 1) Deal count represents all VC deals for US companies quarterly. The Podcast Sentiment Index tracks the tone of nearly 4,800 podcast episodes using FinBERT, a financial sentiment model. Scores reflect the quarterly average of the three-month moving average positive language in each episode. Zero is the median positive monthly score. 2) Topic mentions are based on keyword frequency across the same sample, quarterly average.  
Source: RSS feeds of podcasts, OpenAI Whisper transcriber, FinBERT (ProsusAI) and SVB analysis.



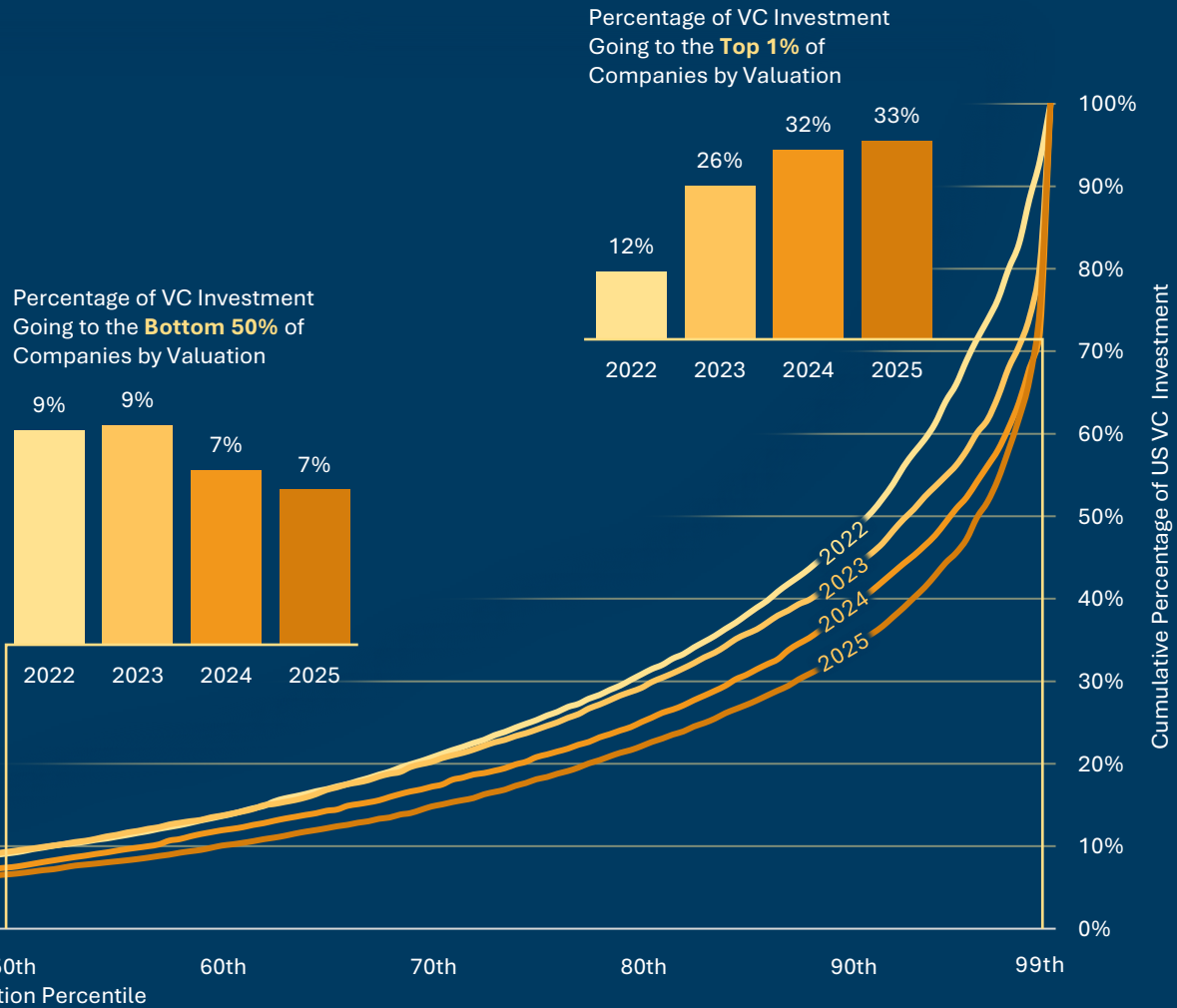
# Fundraising and Investment

# Heavy Is the Head of the Venture Power Law

The top 1% of companies are seeing their share of aggregate investment increase, while the bottom 99% are seeing their share decline. GenAI is a primary driver with LLM companies capturing massive investment, but other late-stage companies like Stripe, Anduril, Kraken, Wiz Cloud and Quantinuum are benefiting from this trend.

Venture was always a power law game. In 2015, 4,700 US companies raised their first venture round, but only 2% of those have achieved unicorn status. The reality is that a handful of companies make this \$340B per year industry profitable. While this remains true today, **the emergence of GenAI, the concentration of capital among top funds, and the fact that the largest, most successful companies don't always need to tap public markets is changing the shape of the venture power law distribution.**

As the venture ecosystem continues to evolve, both companies and investors are adapting to the new scale of funding that is achievable in private markets. Valuations and capital that were once reserved for the public markets are now possible, or even expected, for the top companies. CEOs and CFOs are considering new ways of operating to meet the moment — from secondary liquidity to large debt deals — and funds are happily accommodating them.



# What Even Counts as VC Anymore?

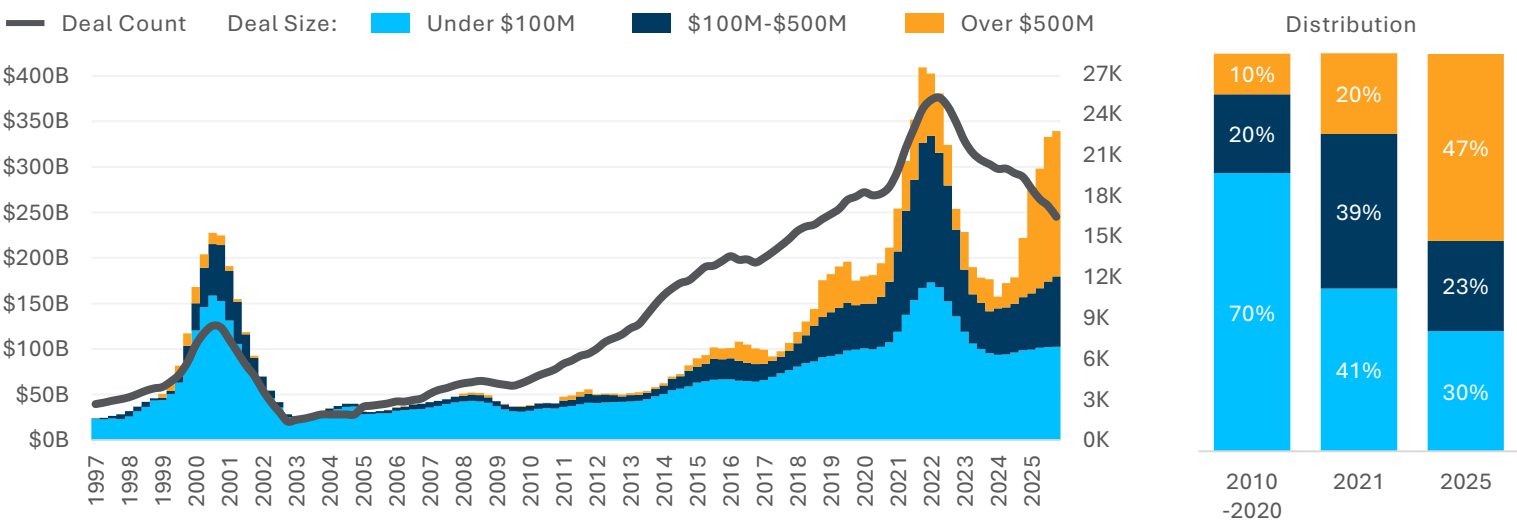
VC has morphed into the “How do you do, fellow kids?” meme of financial assets. Instead of Steve Buschemi holding the skateboard, it’s a \$10B Series J deal talking to a group of seed deals. It’s all called “venture capital,” but who are we fooling? These deals are not the same.

Check sizes have grown so large in the last two years that they are stretching the very definition and risk model of venture investing itself. **In 2025, investors poured nearly \$340B of equity investment into US VC-backed companies, the second-highest year of all time. Yet this capital was packed into the fewest deals of the 2020s.** Nearly half of this sum went to just a few dozen deals over \$500M. AI’s intensive costs for compute and talent are transforming the tech industry into a capital-heavy industry. Last year, 24 companies received billion-dollar VC deals, while only 17 companies did so in 2021. Fundings this large have less in common with early-stage risk that venture was created to address.

They also change incentives for managers, with larger funds driving higher fees and less expectation of carry. “When you’re writing a \$100M or \$500M check into a Series H round, that’s not venture capital anymore — that’s late-stage private asset management,” said Jon McNeill, co-founder and CEO of DVx Ventures. As this trend continues, VC may continue to bifurcate between the old world of VC, dominated by smaller, earlier deals, and the new.

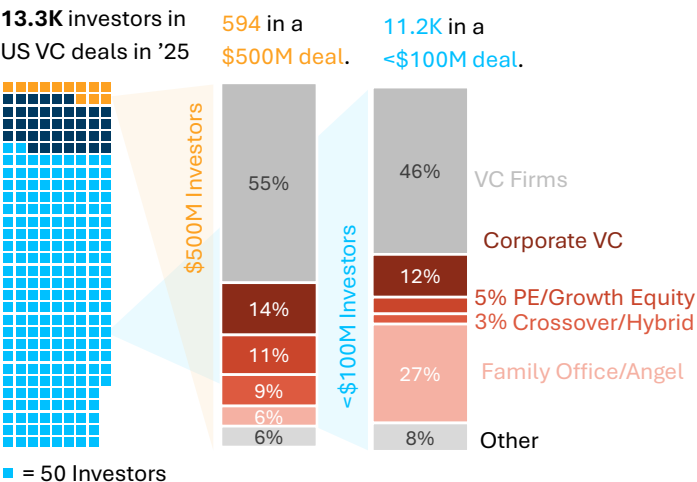
## Giant Deals Are Dominating Venture Investing

CPI-Adjusted US VC Investment by Deal Size (Trailing Four Quarters)<sup>1</sup>



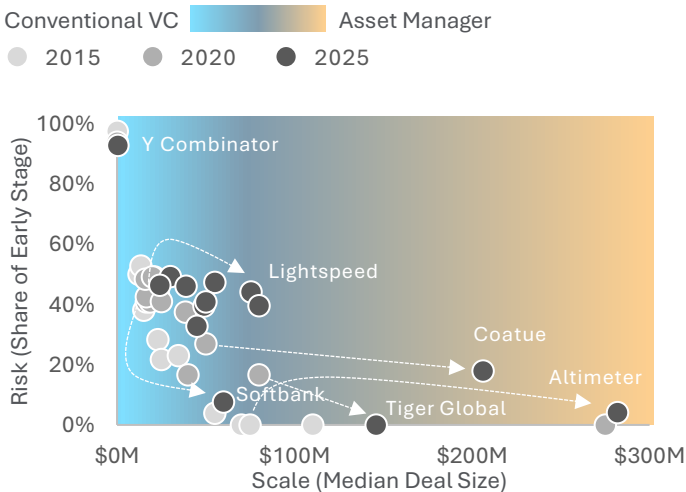
## VCs Get a Little Help From Their Friends

Distribution of 2025 VC Deals by Size and Participants



## Venture’s Journey to Asset Management

Annual Median Deal Size and Share of Early-Stage Deals<sup>2</sup>



Notes: 1) VC investment is adjusted to 2025 dollars, including deal sizes. The VC totals from 1995-2004 are sourced from PwC’s MoneyTree report, and VC totals from 2005-present come from PitchBook. PitchBook’s deal size distributions were applied to PwC Moneytree data. 2) Each dot is a single firm’s aggregated VC deals in one year. There are 14 VC firms representing notable investors across every stage. Source: PwC MoneyTree, PitchBook Data Inc. and SVB analysis.

# Investors Pay Up for Early Stage

Venture investors love high growth in company revenue, but not in the price they pay for companies. High demand for early-stage companies amid a stagnation of company founding is causing prices to grow. This contributes to the high growth in median valuations among seed-stage companies, while later stages experienced comparatively meager gains.

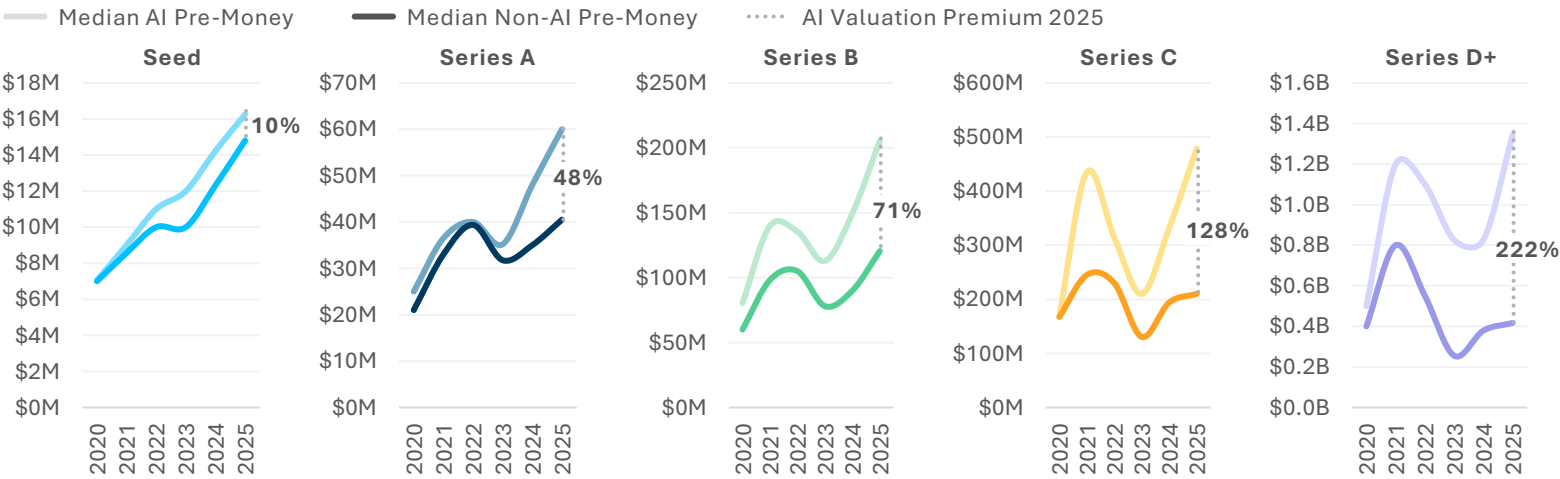
Over the last five years, the percentage of investors investing in seed-stage companies has increased 21 percentage points. At the same time, first-time financing for companies, a proxy for company formation rates, has fallen 22%. In essence, demand for seed-stage companies is up, while the supply of seed-stage companies is flat to down.

A benefit of climbing valuations has been the elimination of much of the valuation overhang that companies experienced in 2022, 2023 and, to a lesser extent, 2024. The recalibration of valuations is now behind us.

Companies that have integrated AI have a valuation premium regardless of the sector, but there are still differences across sectors. Long-term trends are holding. Capital light, recurring revenue models are generally more prevalent in enterprise and fintech, which have been rewarded with higher valuations.

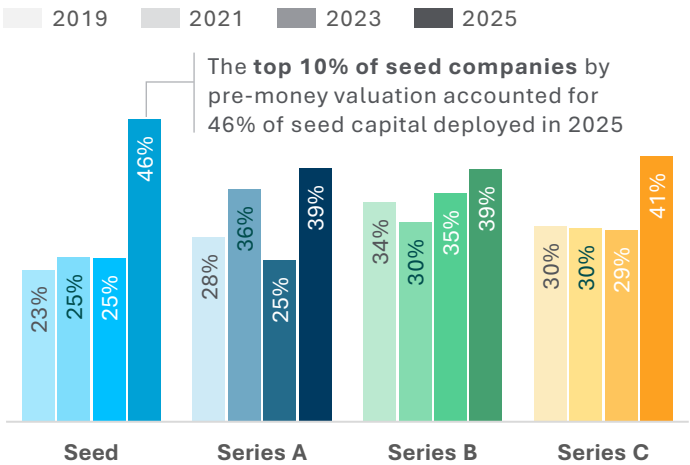
## Valuations Hit New High-Water Marks for Everything but Late-Stage Non-AI Companies

US VC Pre-Money Valuations and 2025 AI Valuation Premium by Series



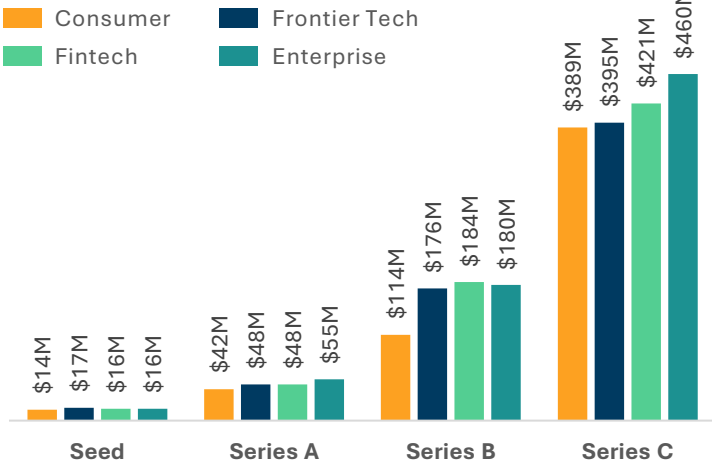
## Top Companies Attract Far More Capital

Top 10% of US Companies by Valuation Share of VC Raised<sup>1</sup>



## Slight Differences Across Tech Sectors

US Median Pre-Money Valuation by Sector



Notes: 1) Excludes extension and bridge rounds; the share of VC raised for that series.  
Source: PitchBook Data Inc., SVB proprietary taxonomy and SVB analysis.

# Grad Rates Improve (On a Curve)

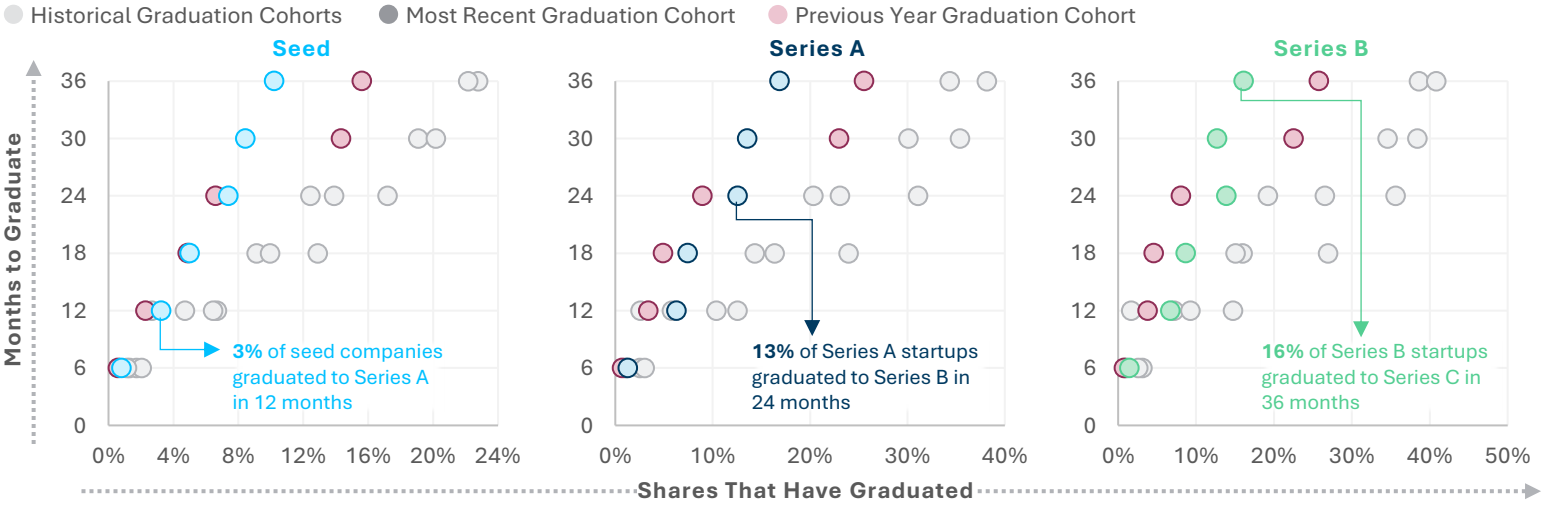
Startups might’ve watched too much “Animal House” (or “Old School” for the younger generation). Despite a slight uptick, graduation rates continue to grind on at an alarmingly slow rate. Half as many startups are graduating to the next round within three years as compared to 2019 (pre-pandemic). Meanwhile, a third are graduating to the next round within three years as compared to 2021 (post-pandemic boom times).

Partially contributing to the sluggish numbers is that startups are simply raising more. The median deal size has jumped anywhere from 60% to 100%, depending on the series, since 2019. Furthermore, benchmarks to raise the next round have risen (see slide 29). As growth has stalled, more startups have taken on extension rounds to meet the metrics required to raise the next series. **For example, nearly a fifth of US VC-backed startups that raised a Series A in 2025 had previously raised a seed extension round** — prolonging the time it takes to get from one series to the next and perpetuating the narrative of companies staying private longer.

From an investor’s standpoint, if extension rounds continue to be prevalent, how does that change the return profile? Well, purely looking at the change in valuation per dollar invested from one series to the next: not much. On a median basis, investors give up some return but less than a dollar relative to investing in the original round.

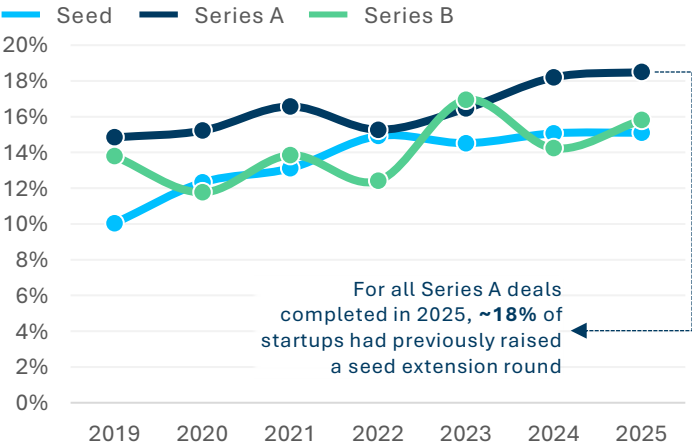
## Graduation Rates Start To Show Signs of Life Despite Historic Lows

Share of US VC-Backed Startups that Graduate to the Next Series by Time Taken to Graduate<sup>1</sup>



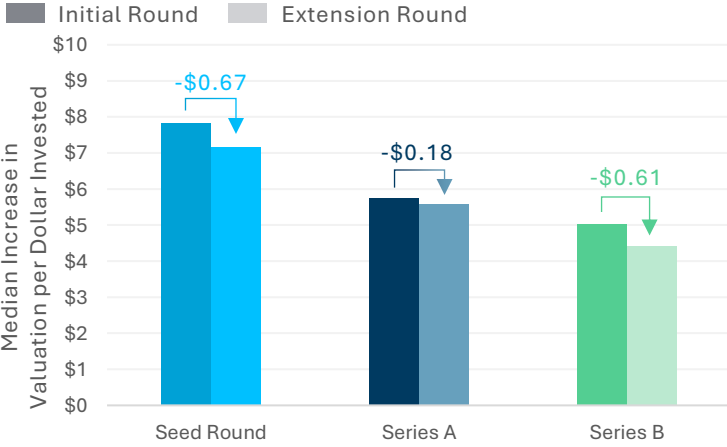
## More Extensions Prior to the Next Series

Share of US VC-Backed Startups that Raise an Extension Round Before Graduating to the Next Series by Year



## Return Only Slightly Lower for Extensions

Median Increase in the Valuation in the Next Series per Dollar Invested by Stage Since 2017 for US VC-Backed Tech Startups<sup>2</sup>



Notes: 1) Graduation cohorts are from 2019-2025. The “Most Recent Graduation Cohort” and “Previous Year Graduation Cohort” will depend on the months to graduate timeframe. 2) Tech defined by SVB taxonomy. Increase in valuation per dollar invested determined by taking the difference between the pre-money valuation of the next series and the post-money valuation of the previous round divided by the deal size. Source: PitchBook Data, Inc. and SVB analysis.

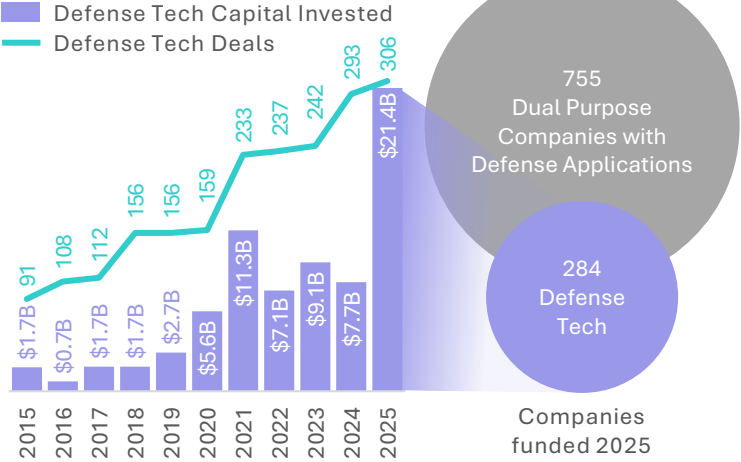
# Defense Tech Goes Kinetic

The military industrial complex has taken tech by storm. Investors and founders once keen to downplay defense applications are highlighting their defensive (and offensive) capabilities in a bid to become purveyors of goods to militaries and law enforcement. Silicon Valley's once pacifistic approach to technologies with offensive potential has quickly changed.

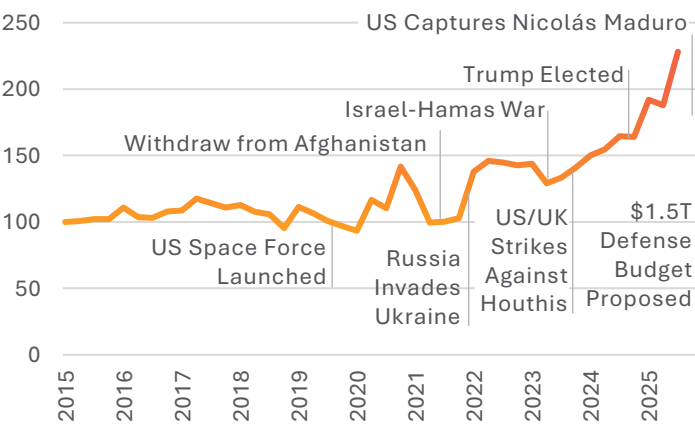
War is integral to the US economy. Defense spending accounted for 3.4% of US GDP in 2025, but could reach 4%-5% of GDP by 2027 if the \$1.5T proposed budget becomes reality.<sup>1</sup> Alongside the White House's more aggressive foreign policy, there is an increasing interest in shifting defense contracting to tech companies. **This is providing the confidence investors need to hitch their wagons to companies that will benefit from increased defense spending.** In 2025, US VC investment into defense nearly doubled the prior high-water mark, hitting over \$21B. Yet defense is a truly unique space. Governments have complex procurement processes, which is new for many investors in Silicon Valley familiar with simple SaaS contracts.

Recent defense tech IPO performance has been poor, driven in part by weak profitability even as revenue growth has generally been strong. This is indicative of a broader risk-off climate. 2025's three defense tech IPOs relative to the S&P 500 returned less than 150% annualized.

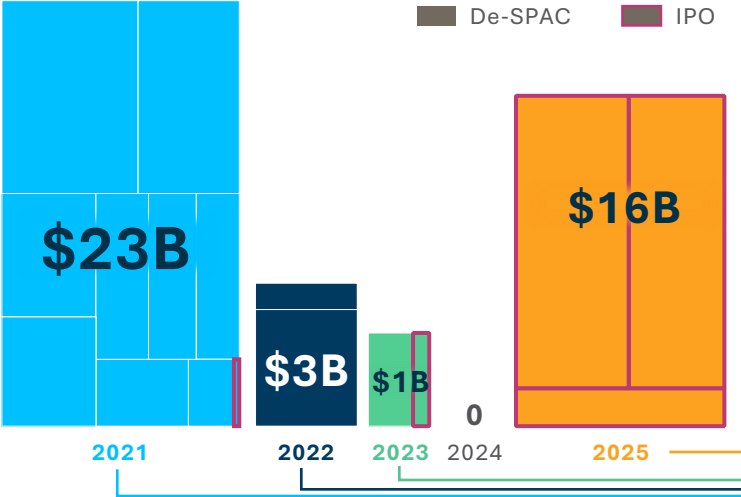
## Investors Target Defense Tech US VC Investment into Defense Tech



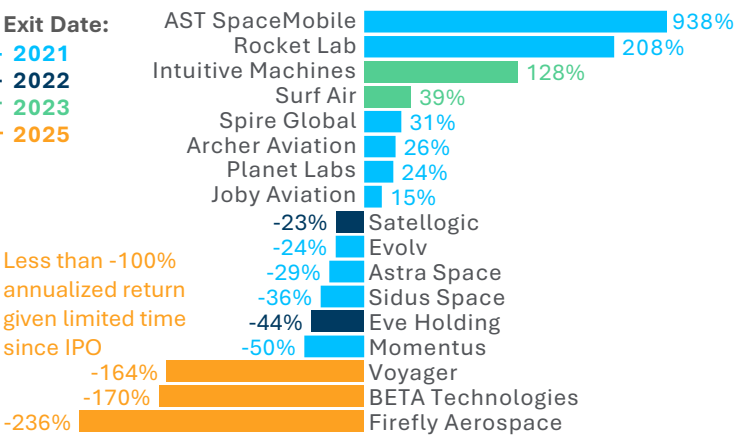
## Everyone Is Talking About Defense Earnings Call Mentions of Defense and National Security Related Terms Indexed to 100 in January 2015



## Defense Companies Find Public Exits Value at Exit of US Defense De-SPACs & IPOs on US Exchanges



## Recent Performance: A Charlie Foxtrot US Defense Tech Public Market Exits Average Annualized Stock Price Performance Relative to the S&P 500 Since Exit (2021-2025)



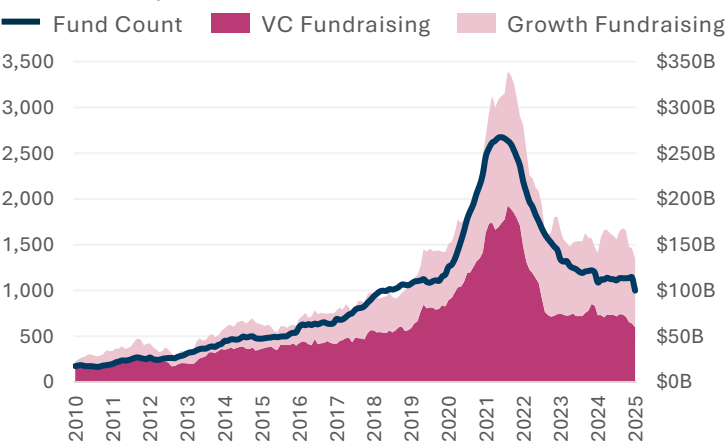
Notes: 1) VC-backed companies on major US exchanges (Nasdaq or NYSE).  
Source: PitchBook Data, Inc., S&P Capital IQ, US Department of War and SVB analysis,

# Not-So-Happy Times in (Fun)draising

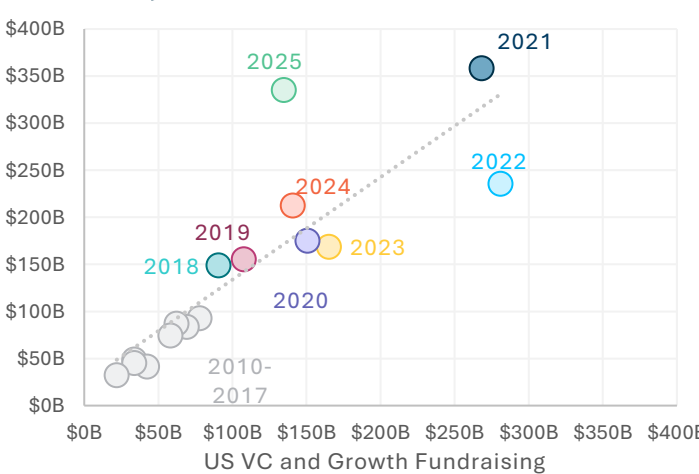
Last year proved to be another difficult year for fundraising with total figures falling to pre-pandemic levels. Both US VC and growth funds that closed dropped high single digits YoY. **Meanwhile, US VC fundraising dollars fell almost 20% YoY to the lowest level since 2019.** General Partners (GPs) are spending nearly two years in market — double the time it took to close a fund during the boom times of 2021. When the funds eventually close, they're typically closing at or modestly above the initial target size.

When comparing and scaling the current fundraising data relative to total US VC investment over previous years, it's clear that last year was not the norm. However, it's not all doom and gloom. US VC investment hit a new high as continued excitement surrounding AI drove check sizes (and prices) higher. US VC dry powder fell for the second consecutive year. The exit markets bounced back with a banner year for acquisitions and the best year for IPOs since 2021. All these factors combined create an environment for improved fundraising moving forward. Recent exits should provide much-needed liquidity back to investors while the sustained activity on the investment front should continue to generate demand for capital necessary to fund the next generation — though it will take time for the capital to recycle.

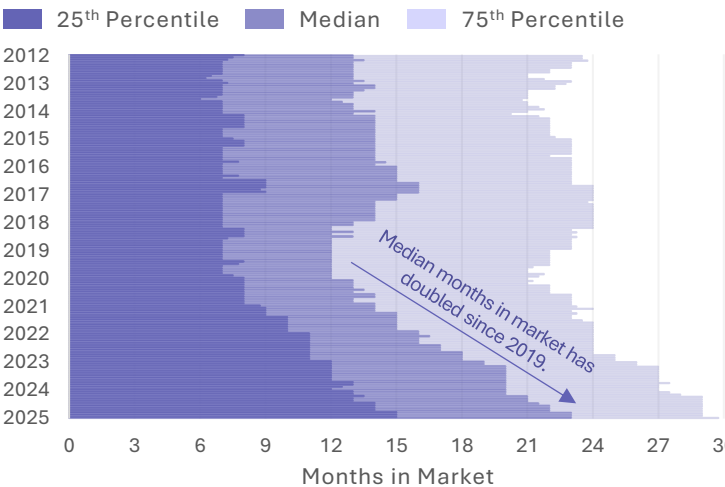
Fundraising Dips to Pre-Pandemic Levels  
Trailing Twelve Months US VC and Growth Fundraising and Fund Count by Year Closed



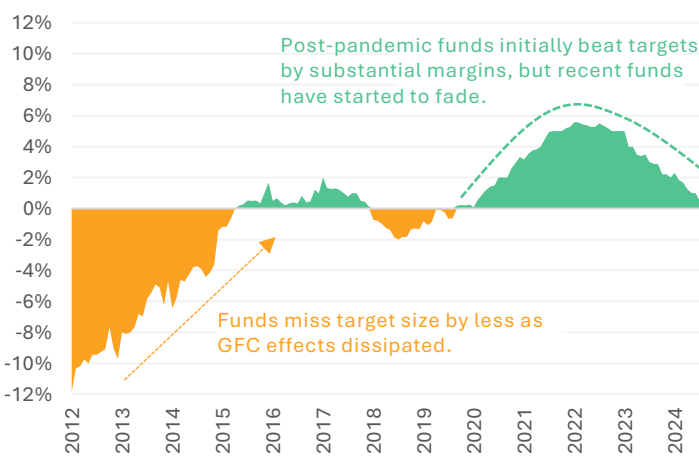
Fundraising Fall-Off Didn't Affect Investment  
US VC and Growth Fundraising by Year Closed and US VC Investment by Year



Months in Market Extending  
Trailing 3-Year Months in Market by Percentile and by Year Closed for US VC and Growth Funds



Firms Hitting Their Target by Less  
Trailing 3-Year Median Fund Size Relative to Initial Target Size by Year Closed for US VC and Growth Funds<sup>1</sup>



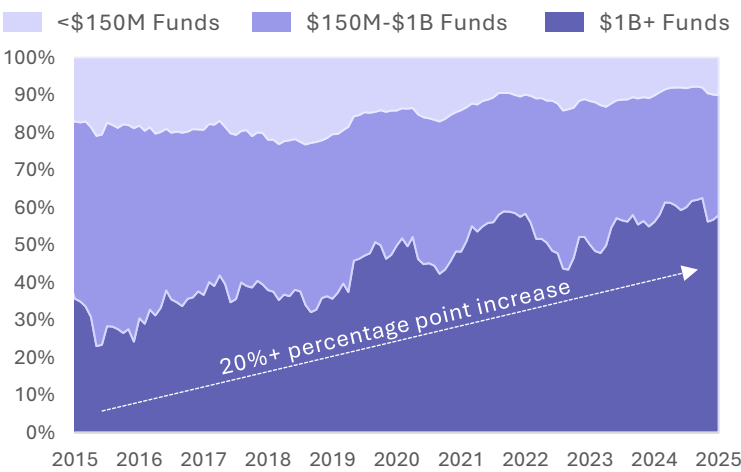
Notes: 1) If both an initial target fund size and revised target fund size are provided, then the original initial target fund size is used.  
Source: Preqin, PitchBook Data, Inc. and SVB analysis.

# Go Big (or Niche) or Go Home

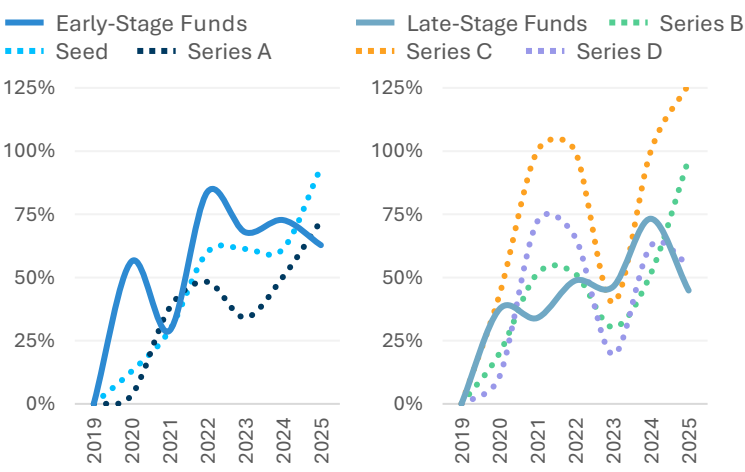
Fund managers are at a crossroads on how they compete in today’s market. On one end, you have the platforms that have raised billion-dollar-plus funds, offering founders connections, resources, scale and services beyond the capital. Think of firms like a16z, which just raised \$15B across multiple strategies and stages. These firms have challenged what it means to be a venture investor, with some viewing them as asset aggregators living off fees rather than carry. While that debate is for another day, this does change the traditional economics of a traditional venture fund. **Since the pandemic, deal sizes have skyrocketed, and fund sizes have grown in lockstep in an attempt to maintain ownership percentages and participate in the best deals.**

But is bigger always better? On the other end of the scale, there’s been a modest rise in the number of first-time managers. **With liquidity harder to come by and more senior partners staying put, some have decided to spin out of these larger platforms to venture on their own.** In fact, about one-fifth of all US VC fundraising in 2025 came from funds from first-time fund managers. Expect this trend to continue as new GPs look to prove themselves and capitalize on their proprietary deal flow, connections, and operational or technical expertise.

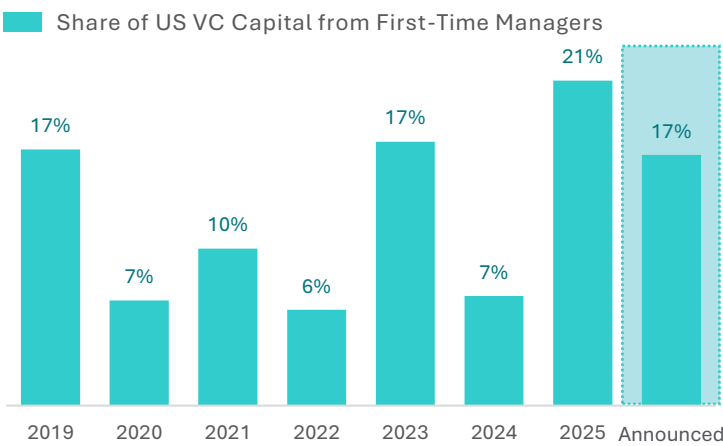
Billion-Dollar Funds Taking Share of Capital Pool  
Trailing Twelve Months Share of US VC and Growth Fundraising Dollars by Fund Size Bucket and Year Closed



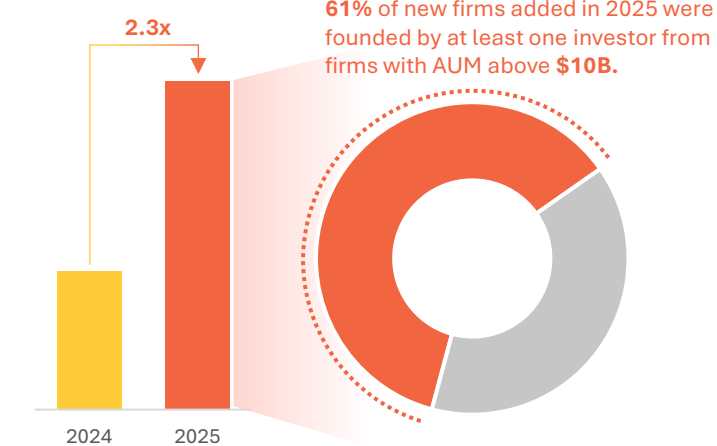
Fund Size Growth Following Deal Sizes  
Growth in 75<sup>th</sup> Percentile of US VC Deal Size by Series and US VC Fund Size by Fund Type, Indexed to 2019<sup>1</sup>



First-Time Firms See an Increase in 2025  
Share of US VC Capital Raised from First-Time Fund Managers by Date Closed



New Funds Coming from Bigger Platforms  
Growth in First-Time Fund Managers Added and Share Coming from Large Firms in 2025<sup>2</sup>



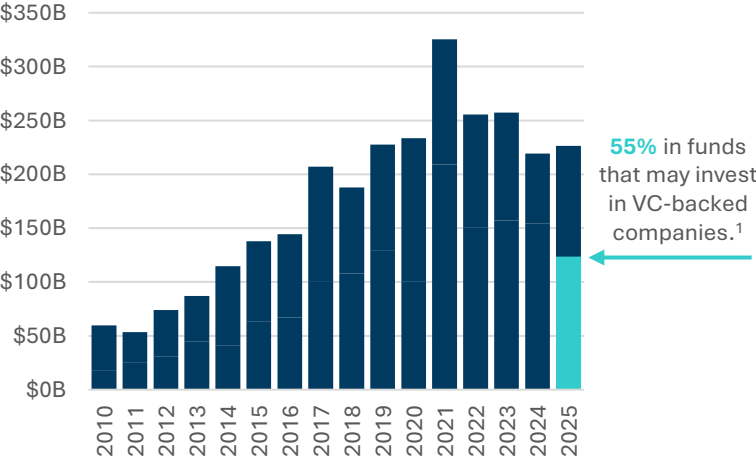
Notes: 1) Early-stage and late-stage funds methodology defined by Preqin. 2) Data based on SVB proprietary data. Large defined as firms with assets under management (AUM) above \$10B.  
Source: Preqin, SVB proprietary data and SVB analysis.

# Would You Like That Loan Super-Sized?

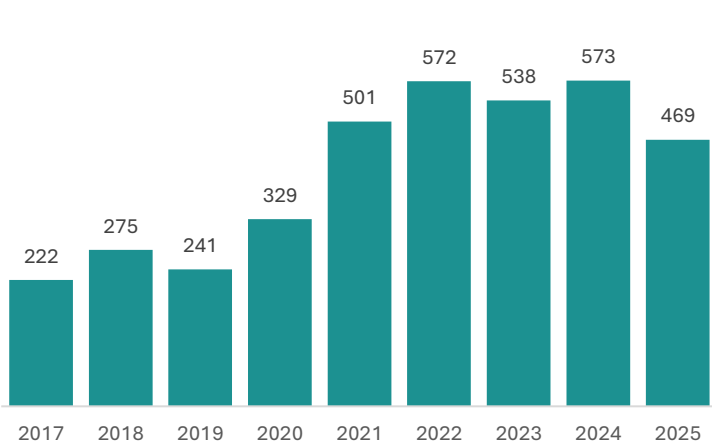
Super-sized debt deals are not entirely new to venture. Large equipment financing deals helped fuel the wave of hardware innovation that gave Silicon Valley its name, while larger venture debt facilities have long been the norm in capital-intensive sectors like biotech. But with the shift to software in the 2000s, tech venture became capital light and larger deals dwindled. The result was a bifurcated credit market. The early-stage is dominated by a handful of banks (including SVB) that pursue deposits and leverage their pricing advantage to establish incumbency at the outset. The later-stage is dominated by private lenders offering flexible terms and the larger check sizes necessary to achieve the higher yields their investors require. However, **what’s new with this latest wave of AI-centric hardware companies is the scale and risk of deals.**

Compared to the first era of hardware financing, today’s large venture loans rival yesterday’s equipment loans in size and are used for general corporate purposes, making them riskier than equipment deals of similar size, while the companion equipment financing facilities are often precedent-setting multiples of yesteryear’s norms. Of course, the deals aren’t happening in a vacuum. AI equity deals are themselves reaching unprecedented proportions, which is in turn driving the larger debt financings. Taken together, these trends are potentially super-sizing the risk at the top end of the market. A ton of weight now rests on the backs of a narrow but crucial set of companies.

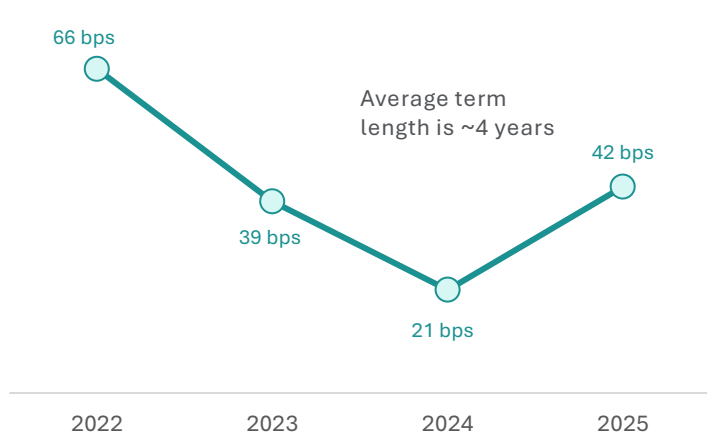
Fundraising Sustained at Higher New Normal  
Global Private Credit Fundraising Activity



By Deal Count, Activity Is Steady  
Number of Disclosed Debt Deals for VC-Backed Companies



Terms Normalize: Growth Capital Bank Deals  
Average Prime Rate Spread on Bank-Issued Growth Capital Term Loans (<\$200M) to VC-Backed Companies<sup>2</sup>



But AI Mega Deals Are Redefining the Market  
Largest Debt Deals for Current US VC-Backed Tech Since 2015

| Company    | Deal Size | Vertical | Year |
|------------|-----------|----------|------|
| CoreWeave  | \$7.5B    | AI       | 2024 |
| databricks | \$5.25B   | AI       | 2025 |
| x1         | \$5.0B    | AI       | 2025 |
| OpenAI     | \$4.0B    | AI       | 2024 |
| COHE5ITY   | \$3.1B    | AI       | 2024 |
| viagogo    | \$2.53B   | Consumer | 2024 |
| ANTHROPIC  | \$2.5B    | AI       | 2025 |
| CoreWeave  | \$2.3B    | AI       | 2023 |
| viagogo    | \$2.3B    | Consumer | 2020 |
| Uber       | \$2.0B    | Mobile   | 2018 |

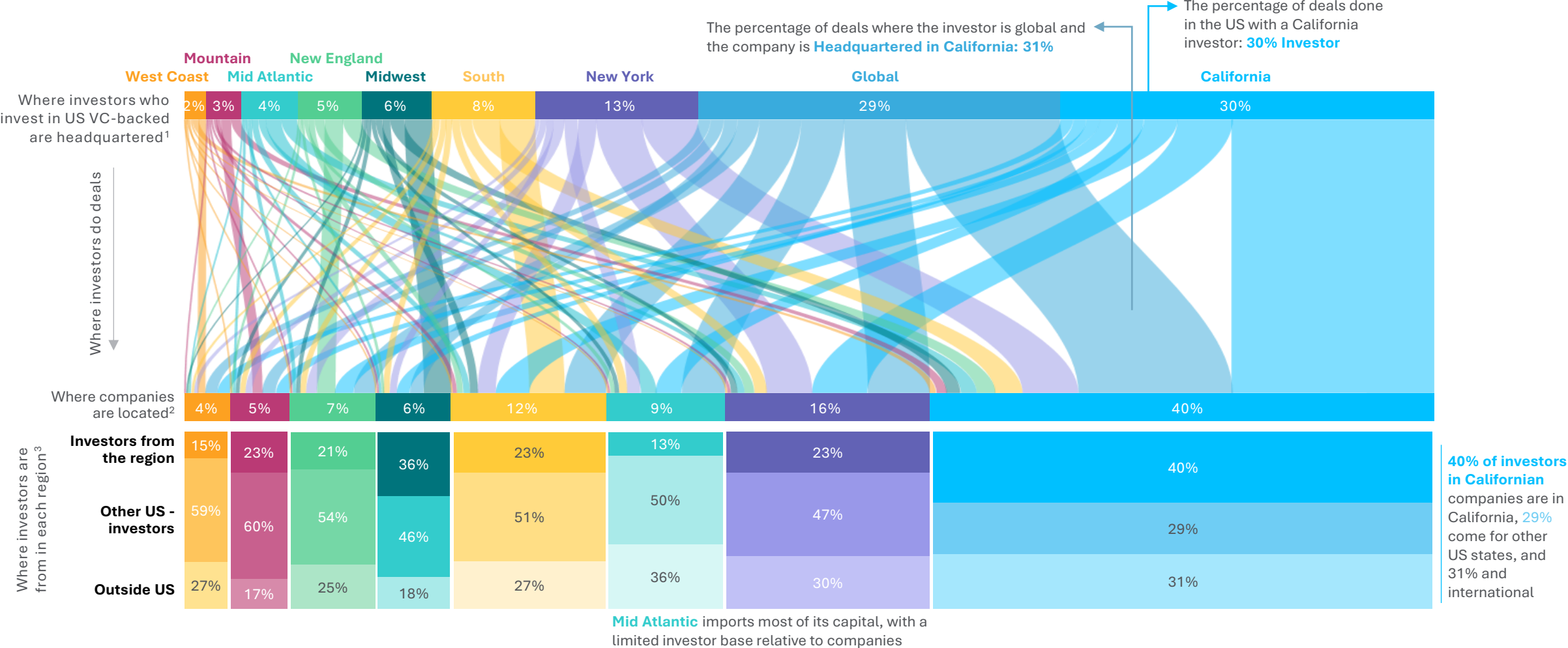
Notes: 1) Includes venture debt, direct lending, bridge financing, mezzanine and multi-strategy funds. 2) SVB data on term loans to VC-backed companies by year issued.  
Source: PitchBook’s H1 2025 Global Private Debt Report, PitchBook Data, Inc., SVB proprietary data and SVB analysis.



# Regional Tech Hubs

# For Investments Into US Companies, Global Investors Are Critical

## US VC Investment by Investor Headquarters for Deals Done in the Last Three Years



# What Plays in Austin Doesn't Play in Boston

## VC Sector Concentration by State, Indexed to US Distribution



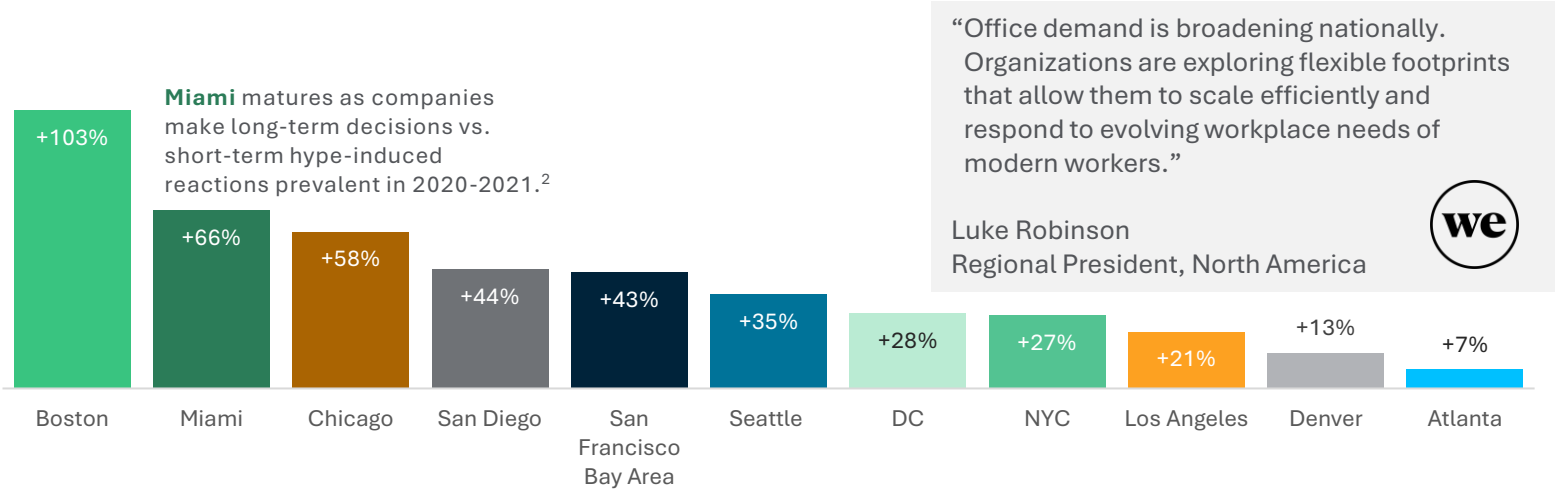
# Office Space is More in Demand

Despite fewer VC-backed company formations, startup office space is making a comeback. Prospective tenants touring WeWork offices spiked across the US last year, with tours in San Francisco increasing 43% and doubling in Boston. **“Six years after the onset of COVID, the return-to-office debate has run its course. Most organizations have established a new operating model, which is creating more demand for bespoke solutions that flex with business needs,”** said Luke Robinson, Regional President of North America for WeWork. What has changed? Companies are exploring diverse locations. Employees are located across the country, which has contributed to the broad-based growth.

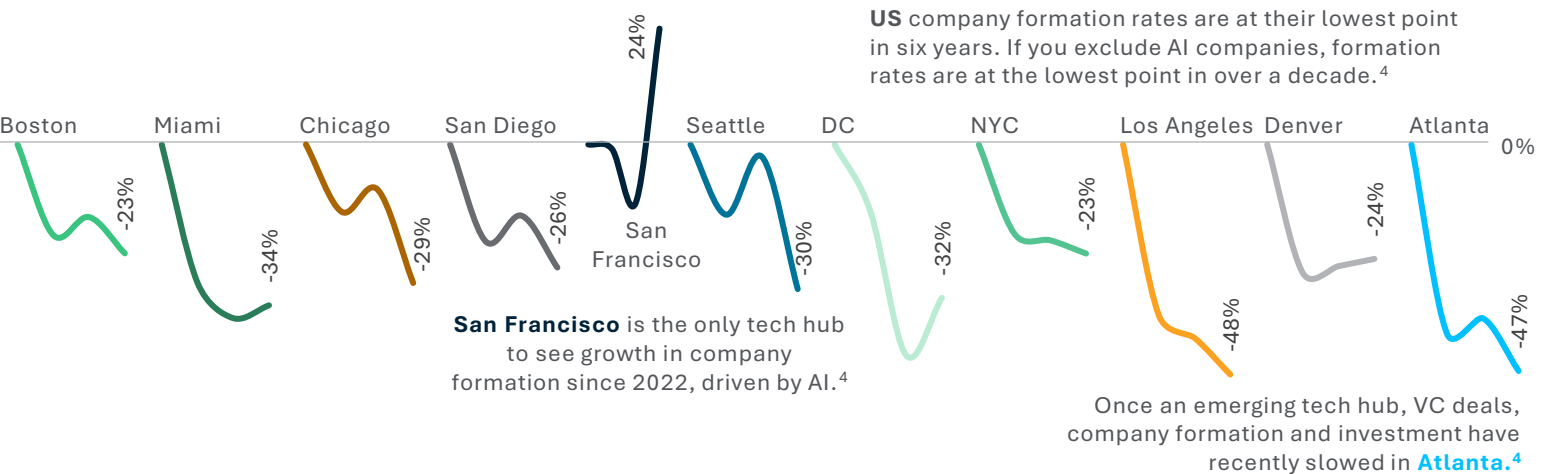
While Miami VC growth remains slow, office space demand is a different story. **According to Robinson, “Miami is a maturing market.”** SVB data suggests that as companies mature, they move away from full remote models toward flexible, hybrid models.<sup>1</sup> This indicates that while Miami is by no means a major hub, it is continuing to evolve.

Team sizes, purported to be smaller by Silicon Valley commentators, have remained consistent according to WeWork data on San Francisco-based companies. This further validates the idea that while AI companies *could* operate more leanly, abundant capital keeps them fat and happy.

## More Companies Look for Offices; Core Markets Experience Growth ... YoY Change in WeWork Office Tours (2024-2025) in Core Markets<sup>2</sup>



## ... Despite US Company Formation Rates Hitting Six-Year Low VC-Backed Company Formation Rates Since 2022<sup>3</sup>



Notes: 1) See SVB's State of the Venture-Backed CFO report. 2) The information provided by WeWork in this report is for informational purposes only and is provided by as is without warranty of any kind. 3) Company formations tracked through number of first-time financings of US companies. 4) SVB analysis.  
Source: WeWork proprietary data, PitchBook Data, Inc., and SVB analysis.



# AI Adoption

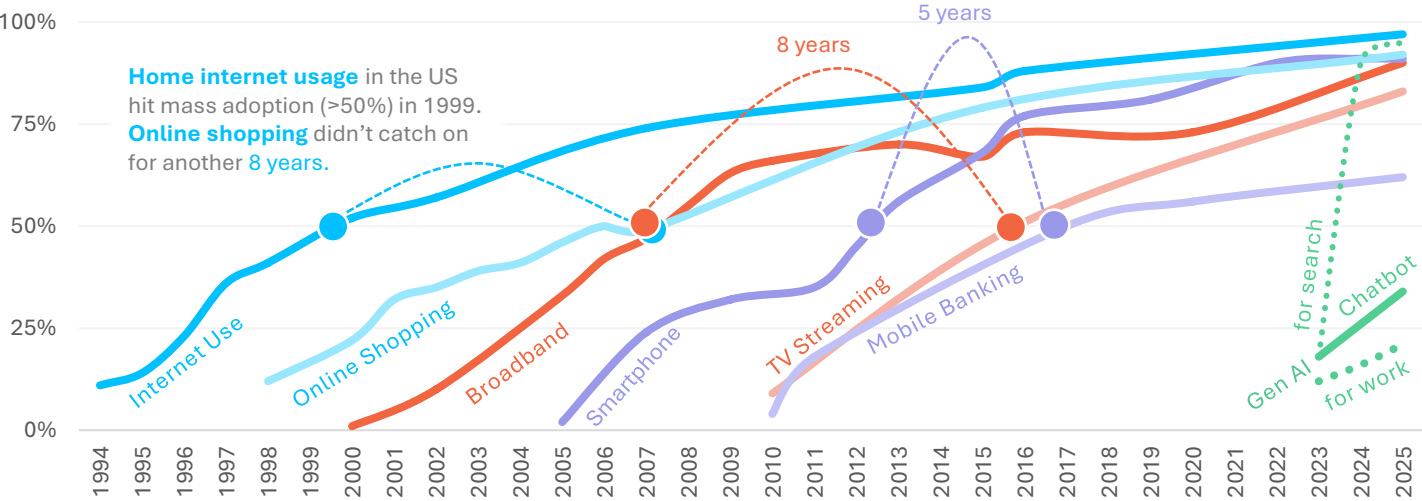
# AI Adoption Follows a Familiar Path

We're due for a new platform shift, and we're getting it with AI. About a third of US adults used an AI chatbot as of mid-2025, according to the Pew Research Center. That's up from 18% in mid-2023. If you compare it to home internet adoption, we're at about 1998 levels. The internet was still largely a novelty then. Its functionality and commercial viability were still an open question. Google was just being founded and Amazon was four years old, but only 12% of US adults had made an online purchase.

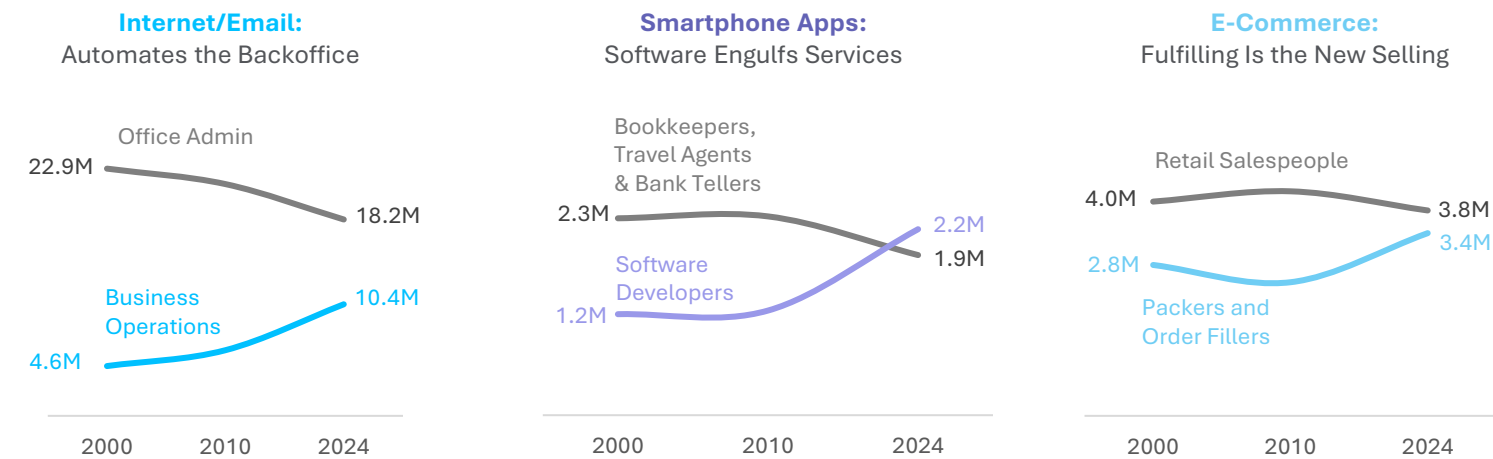
People gave broadband the same treatment. A Pew poll in 2003 found that 57% of internet users had "no interest" in upgrading to high-speed internet. A similar cycle corresponded with smartphone use and so on. Now we're seeing the same familiar pattern, but with one key difference. **Instead of apathy, skeptics of AI adoption are expressing fear. One recent poll showed 50% of people are more concerned about AI than excited. They may be forced to use it anyway.** Unlike internet adoption, which required opt-in, AI is being incorporated into other services such as Google, used by virtually all internet users.

One fear is about AI-induced job loss. If past trends reflect future results, this may be overstated. Tech tends to change work, but also create new types of jobs. While the internet has reduced the number of travel agents and other service providers, it has created over a million software developer jobs since 2010. AI could replace jobs in customer service and sales, but it could open new categories of work.

Platform Shifts Aren't All That Rare. Is the AI Shift Overdue?  
Percentage of US Adult Population Adopting Technology<sup>1</sup>



New Technologies Tend To Replace Tasks, But Jobs Sprout Elsewhere  
US Employment for Select Occupations<sup>2</sup>



Notes: 1) AI adoption curves use both Pew Research data and SVB analysis of AI market share in search using Google market penetration data. 2) Analysis of annual employment for three points in time, 2000, 2010, 2024. Job categories use the broadest, consistent BLS occupational grouping available to minimize impact of methodological changes over time.  
Source: Pew Research Center, Bureau of Labor Statistics and SVB analysis.

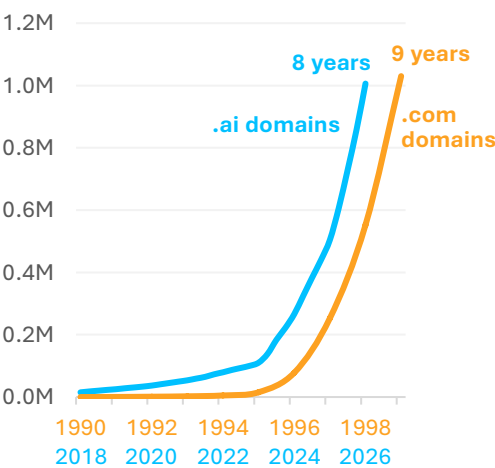
# AI in Domain Name Only?

How do you know if a company is AI-enabled? Don't worry, they'll tell you. The "pivot to AI" is both a tired joke and real phenomenon. Over a million website domains have been registered with the .ai moniker, yet only 25K AI-focused companies worldwide have received VC funding.

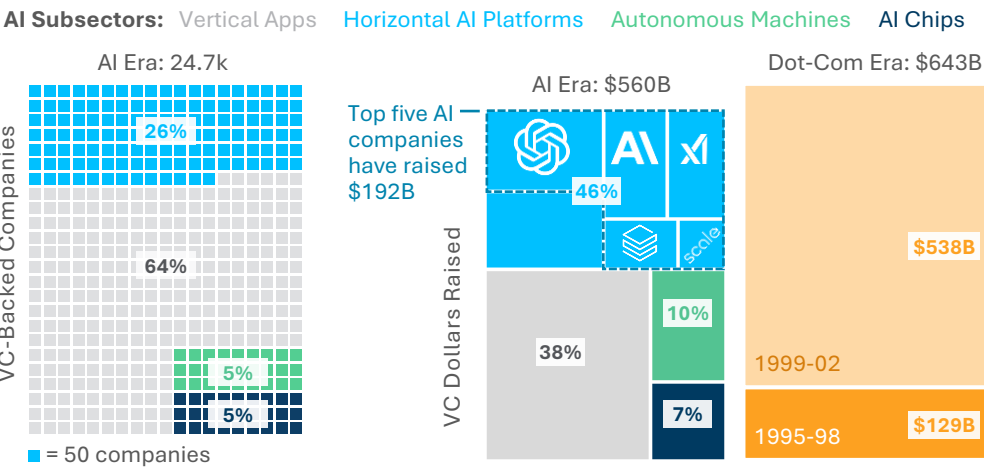
The vast majority of these (64%) are developing vertical AI applications rather than a core AI technology (think an LLM applied to a domain-specific business problem). Almost all VC-backed companies today are adopting AI into their products. Those founded before GenAI have largely pivoted into it. Stripe, for example, has infused AI into features like fraud detection and revenue optimization. These application layer companies leverage AI but don't always depend on it for operations, unlike autonomous machines, horizontal AI platforms, or next-generation chip companies whose business models rely on the technology.

The overall AI sector is attracting a massive amount of VC investment, \$560B since 2022. That's on par with total deployment during the dot-com era. **The top five highest valued AI companies alone have attracted a third of this funding, and their values are currently three times higher than the inflation-adjusted value of all US VC-backed internet IPOs from 1995 to 2002.** That concentration at the top does create outsized risk. If one or two of these top companies fail to demonstrate outsized returns, we could see a pullback in funding.

From Zero to a Million  
Total Domains Registered by Type



AI Investment Already Matches the Entire Dot-Com Era  
AI Investment vs. Dot-Com Era: Global VC-Backed Companies and Investment<sup>1</sup>



The Top AI Companies Are Massively More Valuable than the Dot-Com Era  
Cumulative Value (CPI-Adjusted) of US VC-Backed Companies<sup>2</sup>



“Every company we see now is AI. Calling yourself an AI company is like saying you’re an internet company in 2004 — it’s completely superfluous. If you’re not using contemporary technology, you’re just not contemporary.”

—David Frankel, Managing Partner, Founder Collective

Notes: 1) Deals converted to 2025 dollars. VC values for years 1995 – 2004 were taken from PwC Moneytree, while VC totals for 2005-2025 came from PitchBook data. The distribution of capital by deal size came from analysis of PitchBook. Those distributions were applied to MoneyTree totals. 2) Dot-Com IPOs use PitchBook Data, Inc.

Source: Domain Name Stat, PwC MoneyTree, PitchBook Data, Inc. and SVB analysis.

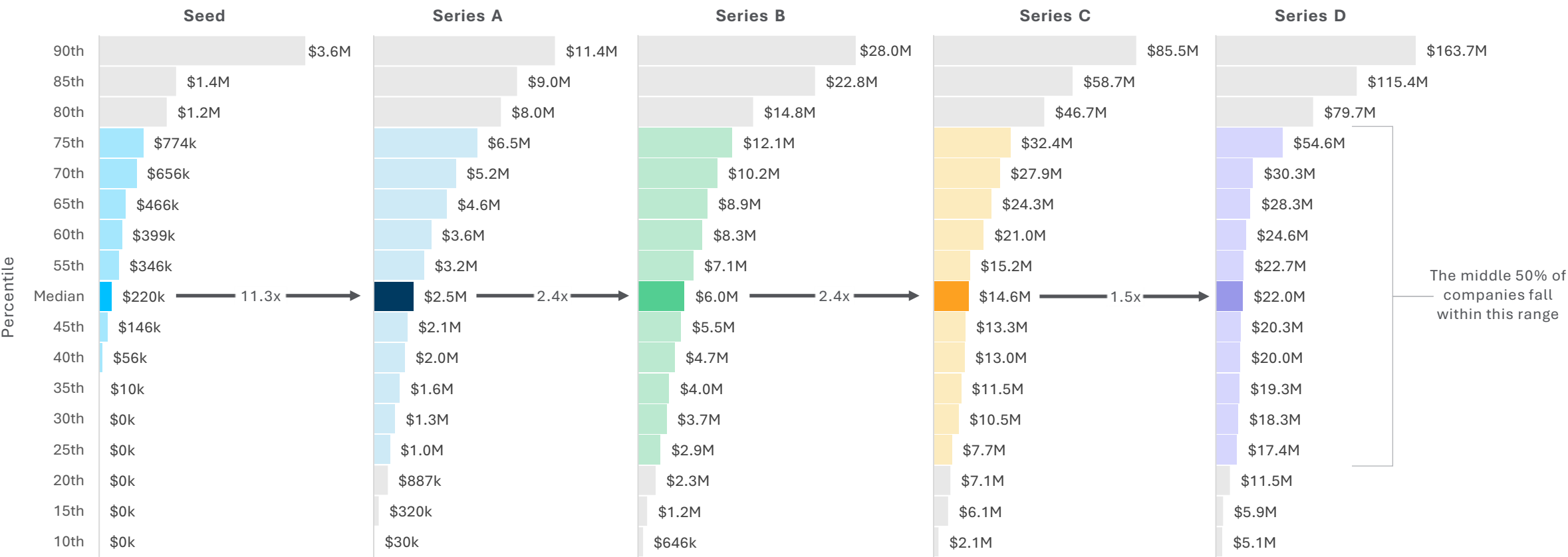


# VC-Backed Tech Benchmarks

# The Myth of The Magic Number: No Single Revenue “Benchmark”

## Revenue at Time of Raise by Percentile (Excluding Extension Rounds) for US Tech Companies 2024-2025<sup>1</sup>

What is the benchmark revenue to raise a given series? The middle 50% of companies will raise a Series A with between \$1.0M and \$6.5M. Some companies will raise Series A rounds with no revenue, and others will raise with tens of millions. **In essence, there is no single benchmark, but the range of outcomes has widened over time, driven by the rise of a haves and have-nots climate, more extension rounds and low graduation rates.** What is more interesting than the benchmark at any one series is the delta between one series and the next. This delta, the amount a company will likely have to grow revenue from one round to the next, is highest at the early stages and diminishes at the later stages, mirroring the lower growth companies experience as they scale. For example, the median seed must grow its revenue 11.3x to get to a median Series A revenue level, while a Series C company only grows revenue 1.5x to get to Series D. The delta establishes how much cash they will need at given growth and burn rates to achieve their next round.



# High Expectations, Not Growth Rates

When it comes to revenue, operators face twin challenges, each amplifying the impact of the other. First, revenue growth rates have slowed substantially since 2021, driven in large part by a focus on efficiency and profitability. Second, the median revenue across all series is higher today. The twin challenges compound and extend the time it takes for a company to make it from one round to the next.

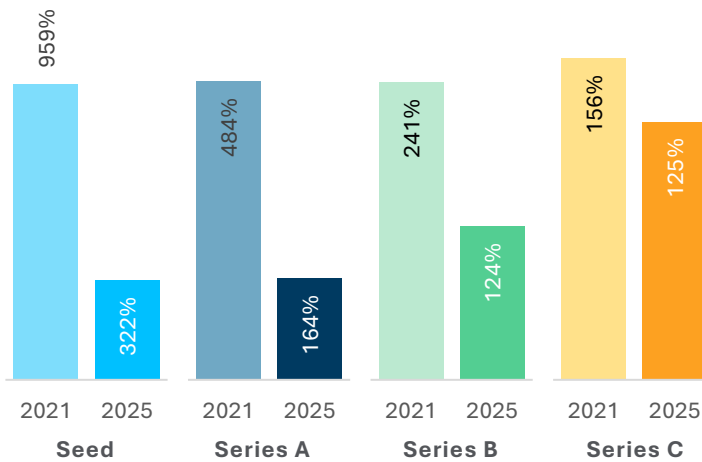
The impacts of this trend are particularly pernicious for companies moving from seed to Series A. These companies have the largest jump in revenue.

**Companies will typically grow revenue between 8x-12x between seed and Series A. This massive leap contributes to the lower graduation rates between seed and Series A compared to later stages.**

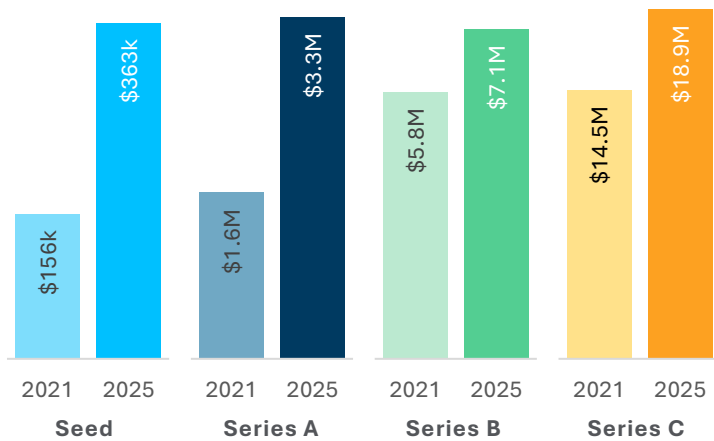
Historically, only around 20% of seed companies make it to Series A in 36 months, but recently that has fallen to around 10%. Companies are turning to extension rounds to meet runway shortfalls.

Ultimately, defining the exact revenue a company needs to reach the next round depends on the company and sector, given there is a high degree of variance between companies and across sectors. For example, consumer companies are expected to generate revenue early, whereas a frontier tech company may take years as it develops tough tech.

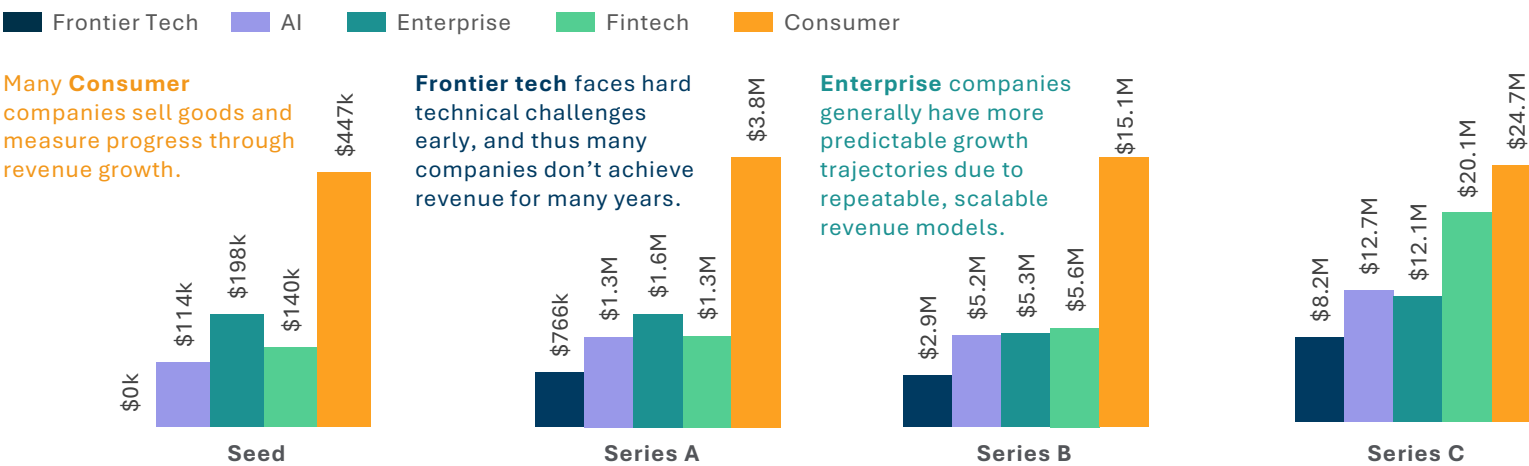
The Typical Startup Faces Slower Growth  
US VC-Backed Tech Company Top Quartile Revenue Growth<sup>1</sup>



And Higher Benchmarks for Future Rounds  
Median Revenue at Time of Round<sup>2</sup>



Revenue Benchmarks Vary Significantly by Sector  
Median Revenue at Time of Raise (Excluding Extension Rounds) Last Five Years



Notes: 1) YoY revenue growth trailing four quarters. 2) Trailing four quarters; annual total revenue (recurring and one-time sales) at time of raise for companies that raised a given series in 2025.  
Source: SVB proprietary data, PitchBook Data, Inc. and SVB analysis.

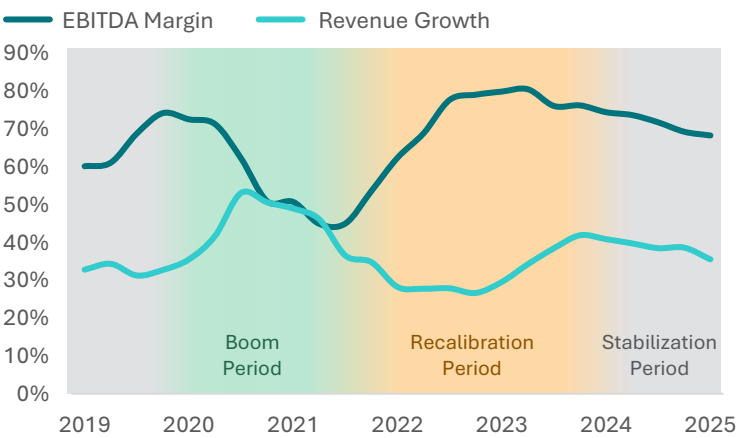
# Foot on the Gas For Those Raising

Fewer startups are seeing improvement in operating margins as well as revenue growth heading into 2026. This shouldn't be a shock given revenue growth is no longer as important as it once was. However, there is a point at which only so many levers can be pulled to reduce costs without simultaneously chasing growth, that it starts to affect the bottom line. This puts even more importance on efficiency metrics such as burn multiples.

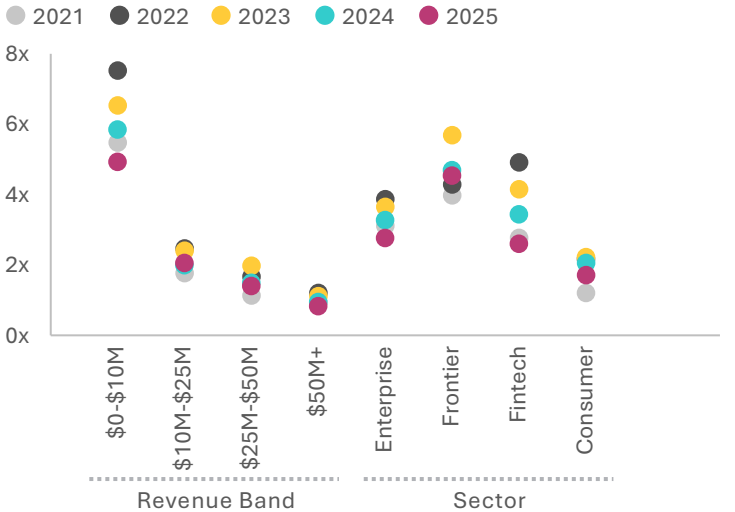
Across stages and sectors, **burn multiples have continued to fall in 2025, with the exception of the early-to-mid-stage (defined here as \$10M-\$25M revenue band) likely due to the fact that this stage is an inflection point where startups must demonstrate growth to reach the next round.**

However, is this trend true for the best companies that are attracting capital and able to move to the next round? Preliminary data paints a different picture. Following several years of stagnating burn and revenue growth as companies focus on efficiency, initial data shows startups beginning to accelerate these metrics post-raise. Across series, on average in 2025, burn increased 50%, and revenue growth increased 75% one year after the deal. This could signal startups have finally adjusted to the new normal and are feeding into the AI frenzy. Should capital markets remain supportive, look for startups to lean into growth in 2026.

Fewer Startups Showing Improvement in Metrics  
Share of US VC-Backed Startups with Improving EBITDA Margins and Revenue Growth YoY<sup>1</sup>

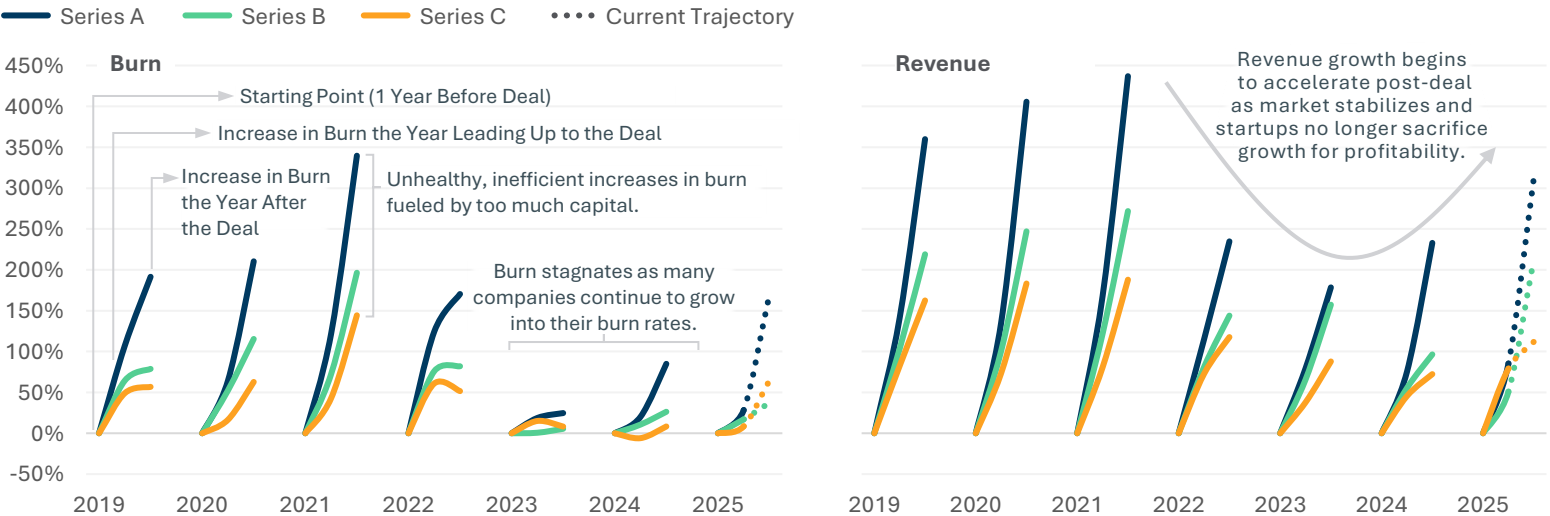


Burn Multiples Fall Across Sectors and Stages  
Median Burn Multiple by Stage, Sector and Year



## Companies Are Starting To Accelerate Burn and Revenue Growth Post-Raise

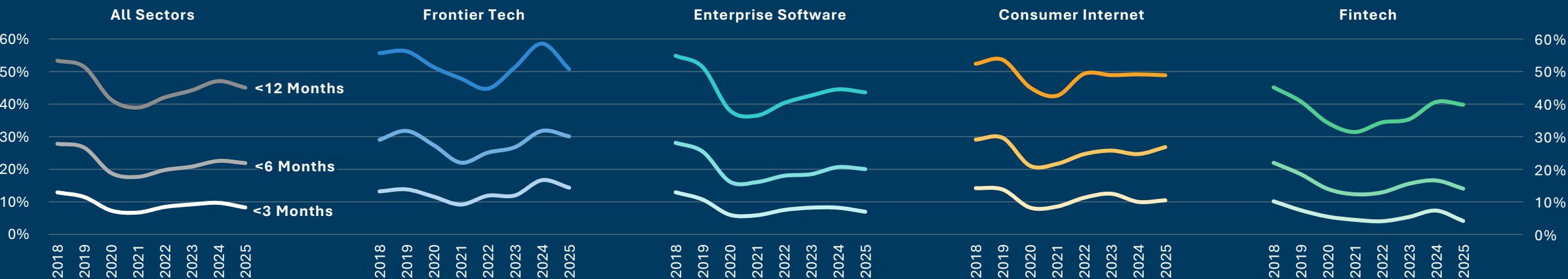
Median Change in Burn and Revenue for US VC-Backed Tech Startups Starting One Year Before Round (Excluding Extension Rounds)<sup>2</sup>



Notes: 1) Based on trailing four quarters. 2) Current trajectory based on latest data available for 2026.  
Source: PitchBook Data, Inc., SVB proprietary data and SVB analysis.

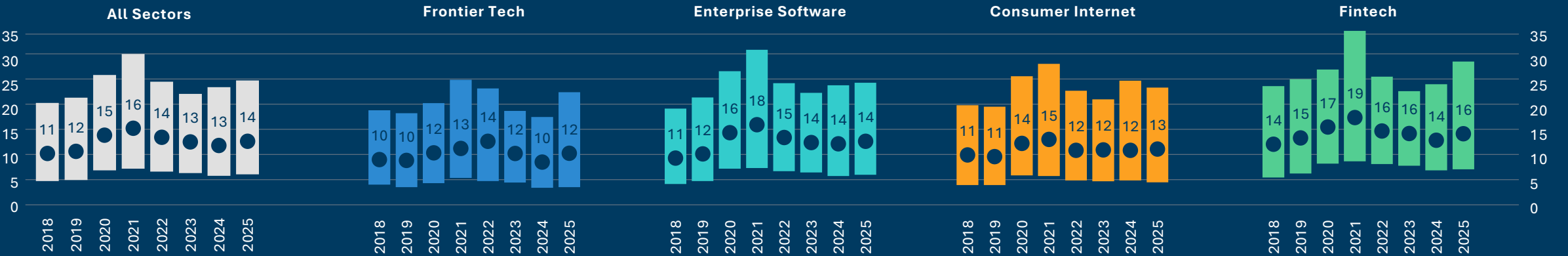
# Runway Conditions Improve for US Tech

Percentage of US VC-Backed Tech Companies that Must Raise within Three, Six or Twelve Months<sup>1</sup>



Median Months of Cash Runway for US VC-Backed Tech Companies

■ Middle 50% of Companies    ● Median



Notes: 1) Companies with less than 3, 6 or 12 months of runway, excluding profitable companies.  
Source: SVB proprietary data, SVB proprietary taxonomy and SVB analysis.

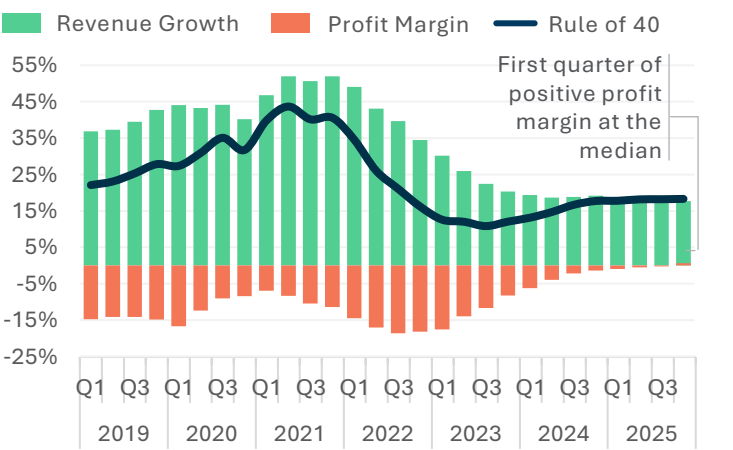
# Keep Capitalized and Carry On

Large, VC-backed tech companies are the predictable, blue-chip performers in private markets. Here, we define large VC-backed tech as companies with over \$200M in annual revenue. Over the last seven quarters, revenue growth remained stable and profit margins pushed into positive territory for the first time.

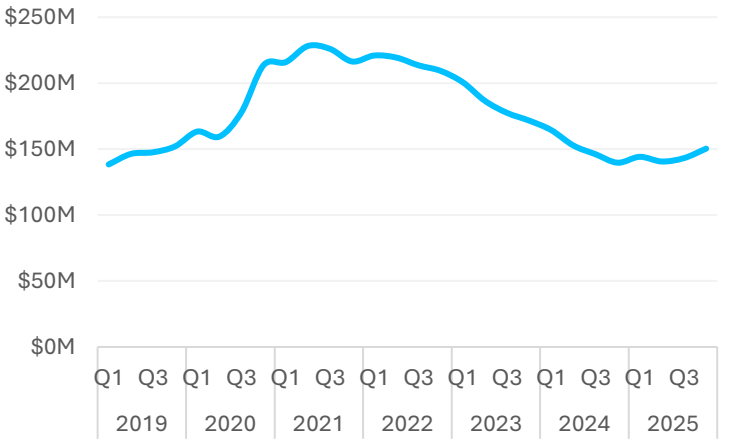
Despite the dramatic improvements in profitability over the last three years, the median Rule of 40 for this cohort is just 18% given growth rates have fallen by more than half since 2021. **Even so, many companies within this cohort fall well within the range of metrics for companies we saw go public in 2025. The median revenue growth and profit margin for 2025 US tech IPOs was 35% and -16%, respectively.**

There are, however, significant differences between sectors. For example, large frontier tech companies have seen massive improvements to margin with limited decreases in revenue growth rates compared to consumer where profit margin improved marginally and revenue has slid. Further underscoring the late-stage tech ecosystem’s stability is the consistent cash levels these companies have maintained. For cash burning companies with over \$200M in revenue, runway remains robust. The median company in most sectors has over 30 months of runway.

Profit Margins Creep Into Positive Numbers  
Median Revenue Growth and Profit Margin, US VC-Backed Tech Companies with at Least \$200M in Revenue Trailing 4 Quarters¹

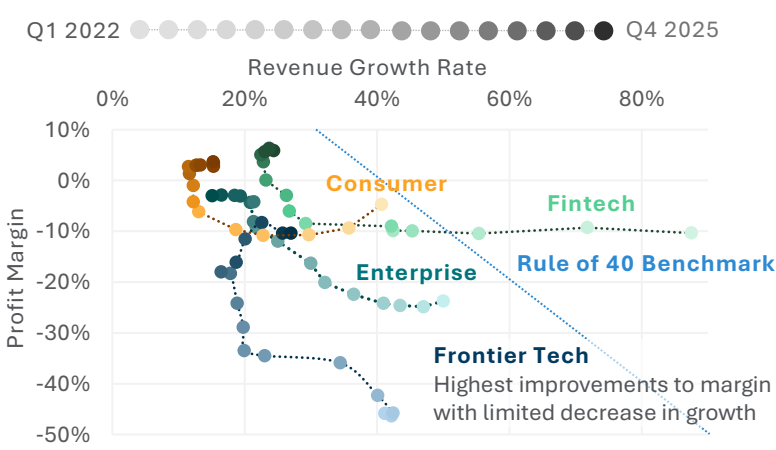


Cash Reserves Stabilize  
Median Cash and Cash Equivalents for US VC-Backed Tech Companies with at Least \$200M in Revenue

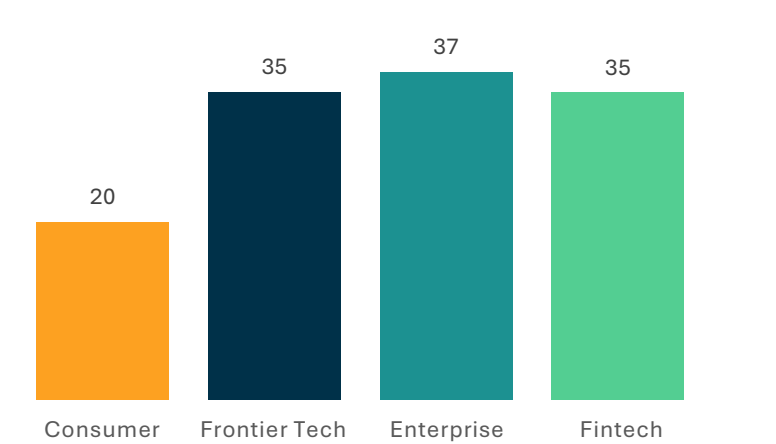


Notes: 1) Rule of 40 calculated as a derivative of median revenue and median profit margin.  
Source: SVB proprietary data, SVB proprietary taxonomy and SVB analysis.

Frontier Tech Sees Dramatic Improvements  
Median Revenue Growth and Profit Margin, US VC-Backed Tech Companies with at least \$200M in Revenue by Sector



Cash Runway Is High Across Sectors  
2025 Months of Cash Runway for Cash Burning US Tech Companies with at Least \$200M in Revenue by Sector





# Exits

# The Long and Winding [Exit] Road

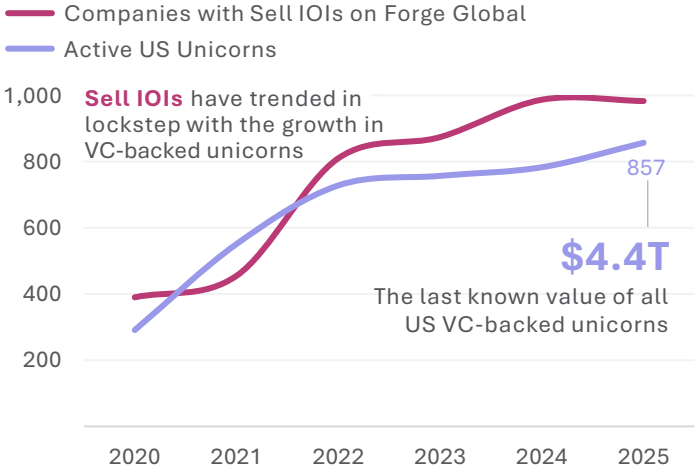
Secondary markets have grown in lockstep with the herd of unicorns. The US innovation economy added 123 new unicorns in 2025, bringing the total to 857, worth a whopping \$4.4T. Many of these companies are scaled businesses that achieve the revenue required to go public, but opt to remain private given public markets are often unfriendly to unprofitable companies with unpredictable financial results — two areas unicorns tend to struggle.

Today, private markets have more capital available than ever before, but liquidity remains a challenge without exits. As such, we've seen an appreciable rise in secondary activity. Sell indications of interest (Sell IOIs), which are typically nonbinding announcements from investors, founders or the companies seeking to sell shares and gauge interest from buyers, grew in line with the number of US VC-backed unicorns. **Access to liquidity is not equal across companies; larger companies tend to have higher demand and thus a greater ability to access liquidity on secondary markets.** The top 10% most traded companies on Forge's marketplace account for between 50%-70% of trading volume depending on the quarter.

Pricing for sellers has improved since 2023. This not only mirrors public markets, but also the pricing in primary venture deals. Even so, many secondary deals involve structured sales enabling the company to control its price.

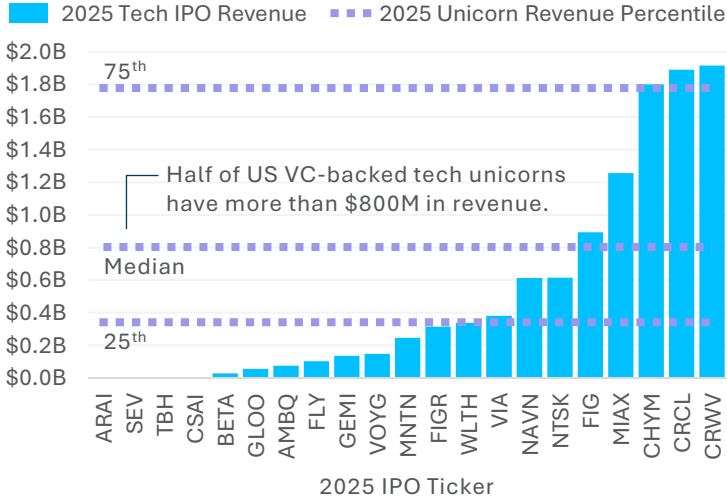
## A Late-Stage Market Thirsting for Liquidity

US VC-Backed Tech Unicorns and Sell IOIs on Forge Global<sup>1</sup>



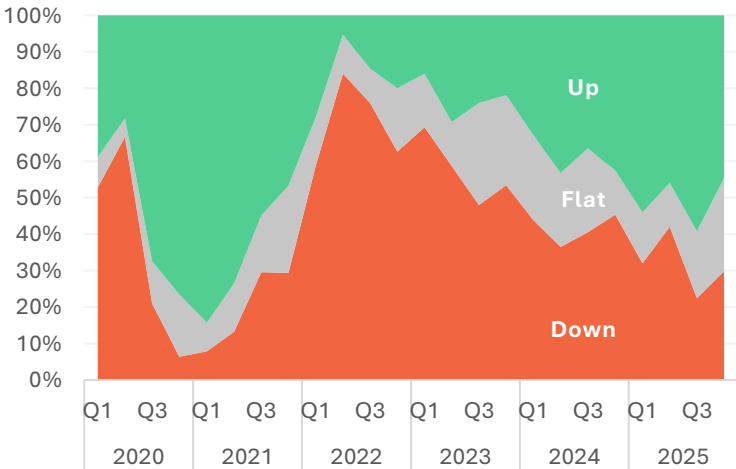
## Unicorns Have the Revenue to IPO

2025 VC-Backed Tech IPO Revenue Relative to Unicorn Revenue



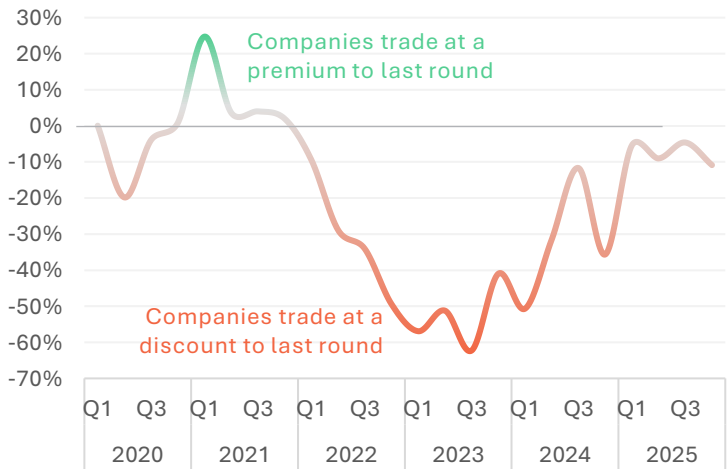
## Fewer Companies Marked Down...

Forge Private Market Index: Companies Marked Up, Flat or Down<sup>2</sup>



## ...And Discounts Decrease

Forge Secondary Market: Median Premium/Discount to Last Round



Notes: 1) IOI is generally a nonbinding indication of an interest by a buyer or seller to purchase or sell a security. 2) [Forge Private Market Index](#) is an index of 50 top names on secondary markets.  
Source: Forge Global, PitchBook Data, Inc., SVB proprietary data and SVB analysis.

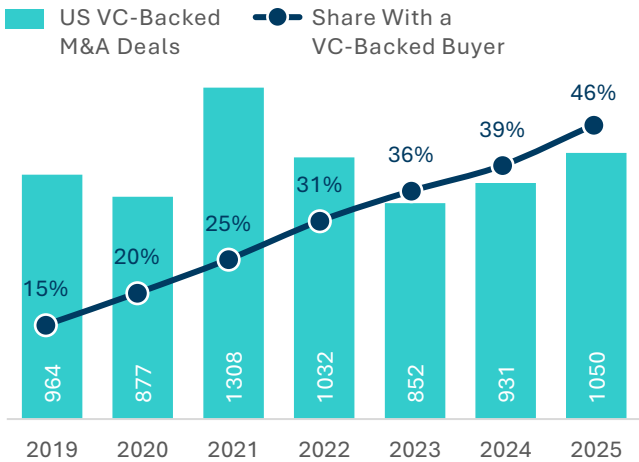
# VC Buyers in the M&A Driver's Seat

M&A deal volume ticked up to the highest total since 2022, growing 11% YoY. There are two markets in M&A right now. At the top, late-stage and public companies are doing all-cash deals using balance sheet and debt to acquire new products or talent. Disclosed deals totaled \$128B this year, the most in four years. Below this group, the smaller end of the market has a prevalence of soft-landing and distressed deals.

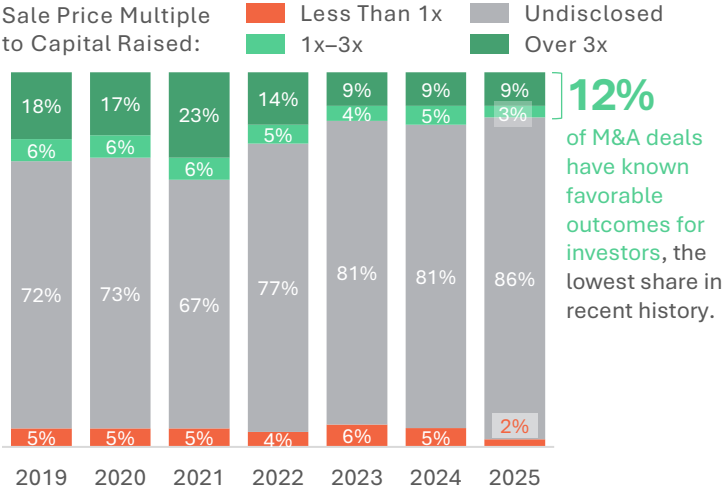
Signs suggest that the majority of acquisitions are not money makers for investors. Only 12% of 2025 deals have known sales prices greater than the capital these companies raised. **More VC-backed companies are buying other companies. These deals tend to be smaller — the median capital raised for companies acquired by other startups was 33% less than deals with other buyers.** That’s slightly lower than the prior two years. One reason VC-backed buying is picking up may be that investors are finding value in all-stock deals.

Anecdotally, we are hearing that soft-landing deals with private buyers involve stock rather than cash. Nearly 94% of VC-backed deals have undisclosed prices. That’s significantly higher than the 73% that are undisclosed for non-VC-backed buyers. For investors, all-stock acquisitions keep the upside alive by rolling it into a new venture, but it doesn’t return any liquidity. That’s making M&A a bit of a ghost metric as a measure of liquidity.

Another Banner Year for M&A Deals  
US VC-Backed M&A Deals and Disclosed Total Deal Size<sup>1</sup>

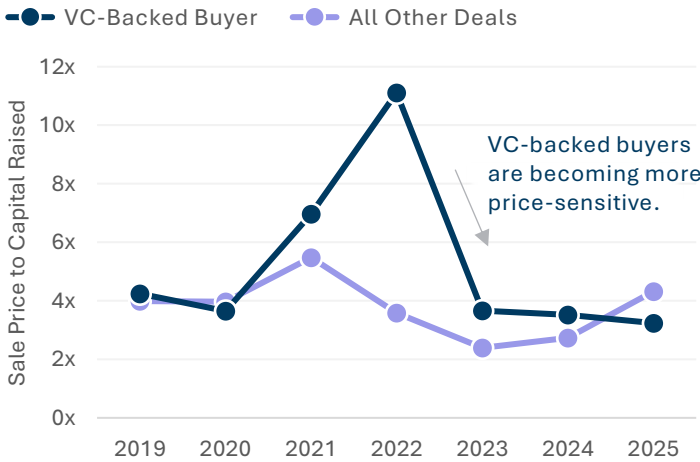


Signs of Distress: Fewer Flashy Win Stories  
Breakdown of Outcomes for All US M&A Deals

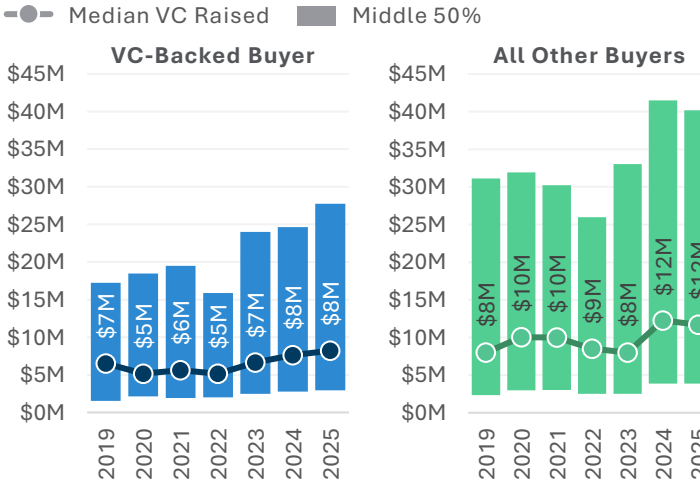


Notes: 1) Excluding leveraged buyout (LBO) deals.  
Source: PitchBook Data, Inc. and SVB analysis.

VC Companies Are Bargain Hunting  
Among Disclosed Deals: Median Acquisition Price to Capital Raised



VC-Backed Buyers Favor the Early Stage  
Median VC Raised for VC-Backed M&A Targets at Acquisition

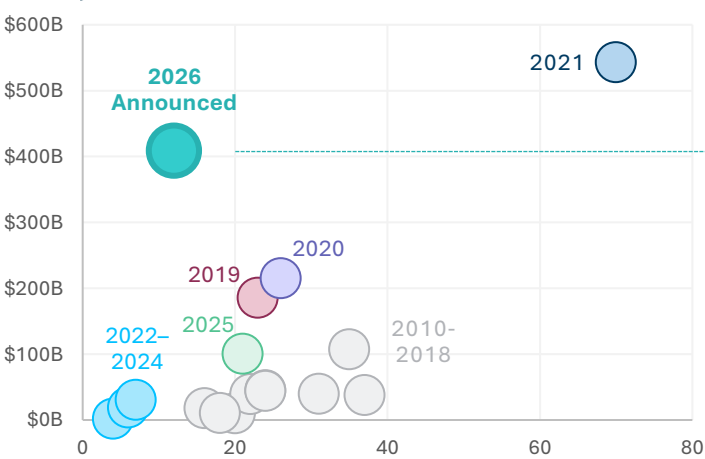


# IPOs: Playing Red Light, Green Light

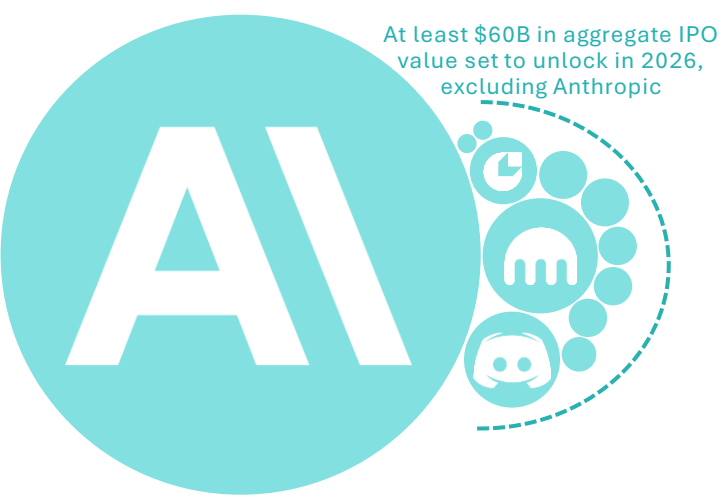
Last year was the best year for US VC-backed tech IPOs since 2021. Yet for many in the industry, it didn't feel all that positive. That's because the profile of today's IPO (and public market perception) is markedly different than previous cohorts. To start, they're bigger than previous cohorts with the median revenue at IPO standing at \$250M — larger than any previous period. But bigger isn't always better. Operating margins have continued to trend in the mid-negative double digits. Revenue growth has remained sluggish. Companies are older and have raised more money than ever before. Put this all together and it's a recipe of heightened expectations, excessive capital and a mixed reality.

This story is reflected in how these startups have been received by public investors. As of the time of this writing, **only half of the 2025 US VC-backed tech cohorts are above their last private valuation, and less than a third are above their initial IPO market value.** Such lukewarm reception from public markets may push some startups to wait before pulling the IPO lever for liquidity. This is even more enticing with the rise of secondary markets being able to provide cash back to early investors and vested employees. Yet these vehicles should be seen as a complement to, not a replacement for, an IPO. Expect more companies to test the public markets this year as pent-up demand for liquidity and increasingly large needs for capital push startups out.

Tech IPOs Bounced Back in 2025  
Count and Aggregate Valuation of US VC-Backed Tech IPOs by Year<sup>1</sup>

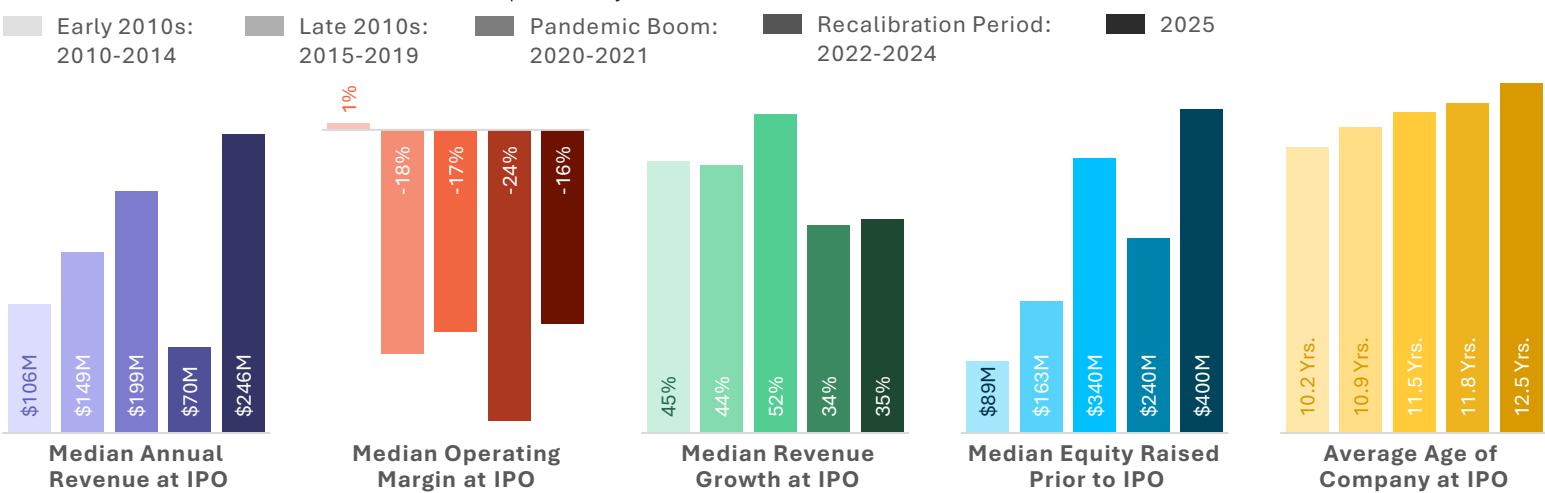


Next Year IPO Hopefuls Could Be Huge  
2026 US VC-Backed Tech IPO Hopefuls by Potential IPO Value<sup>2</sup>



2025 IPO Cohort Mirrors Rest of Recalibration Period IPOs

US VC-Backed Tech IPO Cohort Metric Comparison by Period



Notes: 1) Tech as defined by SVB taxonomy. 2) Tech IPO hopefuls based on PitchBook Data, Inc.'s tagging of companies that have announced or filed to go public. Tech and VC-backed determined by SVB.  
Source: PitchBook Data, Inc., S&P Capital IQ and SVB analysis.

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Marc Cadieux is president of Silicon Valley Bank's commercial banking business where he focuses on the needs of innovation companies at all stages of development, including the investors who back them.

Marc's career at Silicon Valley Bank, a division of First Citizens Bank, began in 1992. In the three decades since, he has held a variety of top credit and sales roles serving some of the world's most innovative companies. Most recently, he served as chief credit officer, appointed in 2013, and oversaw credit policy and process, credit underwriting, loan approval and portfolio management activities. He is a strong advocate of bank initiatives to expand opportunities for those who are underrepresented in the innovation economy. He serves as an executive sponsor for the company's employee resource group focused on women employees.



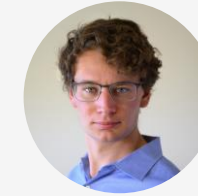
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Mark Gallagher is the co-head of the investor coverage practice. He and his team provide tailored services, industry insights and strategic guidance to top investors in the innovation economy.

Mark has served as a financial partner to venture capital firms and technology and life science companies for the majority of his career. During his 22-year tenure with SVB, he has been involved in a number of strategic projects and initiatives, most recently leading the corporate venture capital practice. He's held numerous leadership roles including head of the Northeast technology banking practice, head of business development in New England and several years running the Northeast life science practice.

A supporter and champion of the New England technology community, Mark serves as a board member for BUILD Boston and was formerly on the board of overseers for The Mass Technology Leadership Council (MTLC).

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