

Sector spotlight: Applied Technology

2026



Executive summary

Applied tech has benefited from growing investor attention, attracting increasing amounts of capital and talent as advances in AI enable technologies that bridge software and the physical world. While software remains a foundational part of the innovation ecosystem, investors are increasingly expanding their exposure to companies in manufacturing, robotics, defense, infrastructure and industrial technology. Venture funding in these areas reached record levels in 2026, reflecting demand for technologies that can increase production, improve efficiency and strengthen critical industries. At the same time, government is playing an increasingly important role in shaping innovation priorities. As the United States seeks to modernize infrastructure, strengthen supply chains, enhance economic resilience and support long-term growth, national security and domestic manufacturing have become central policy objectives. This has expanded the government's role from funding research to helping accelerate commercialization and deployment. Together, these trends suggest a broadening of the innovation agenda. Innovation is increasingly extending beyond digital applications toward technologies that modernize infrastructure, strengthen supply chains and enhance industrial capabilities. These trends are also reflected in the [JPMorganChase Security and Resiliency Initiative \(SRI\)](#), which was created to facilitate, finance and invest in industries critical to national economic security and resilience.

- Jack

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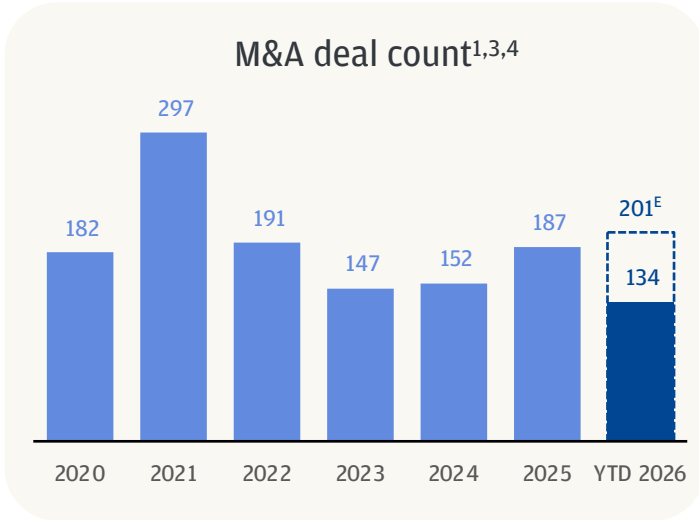
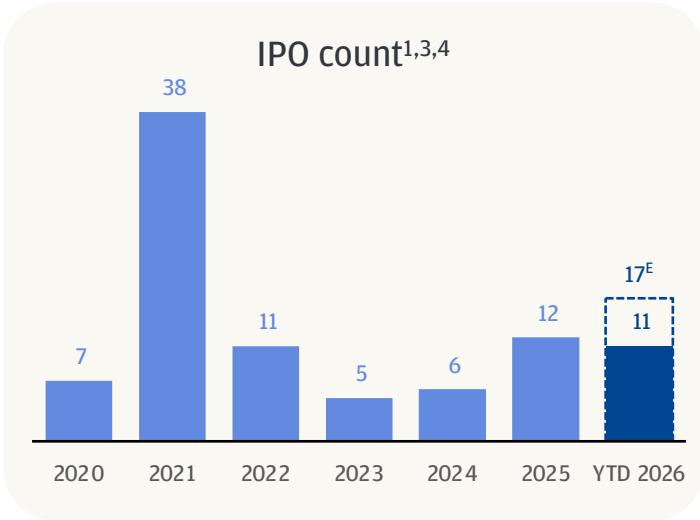
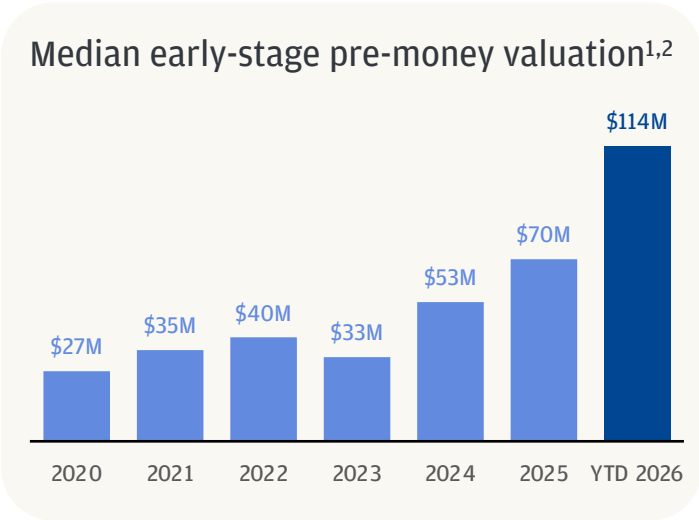
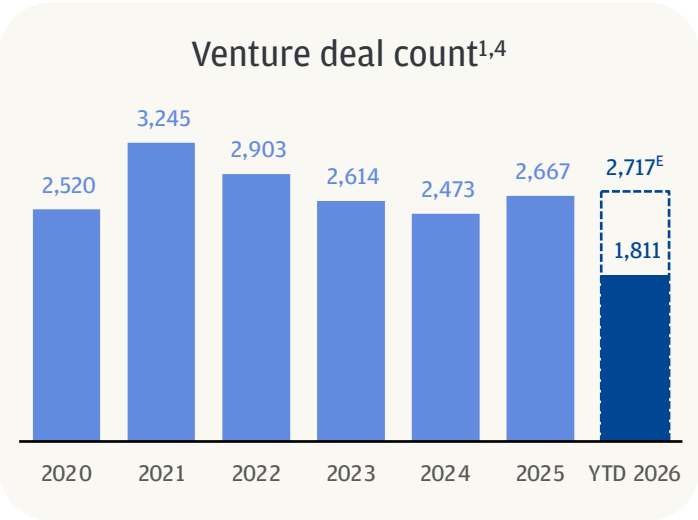
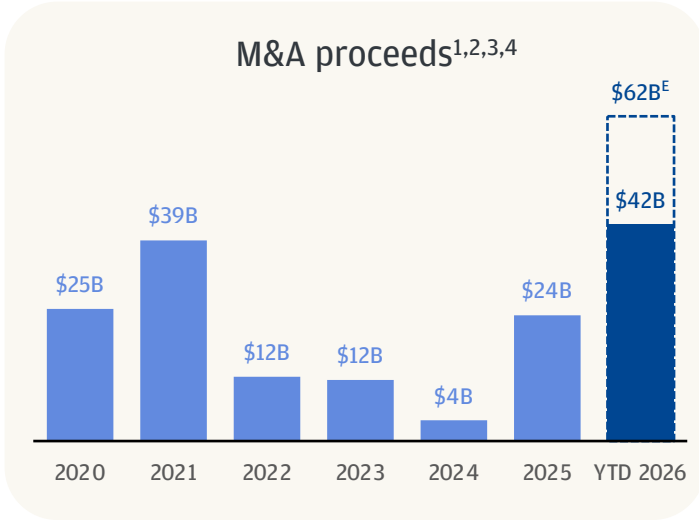
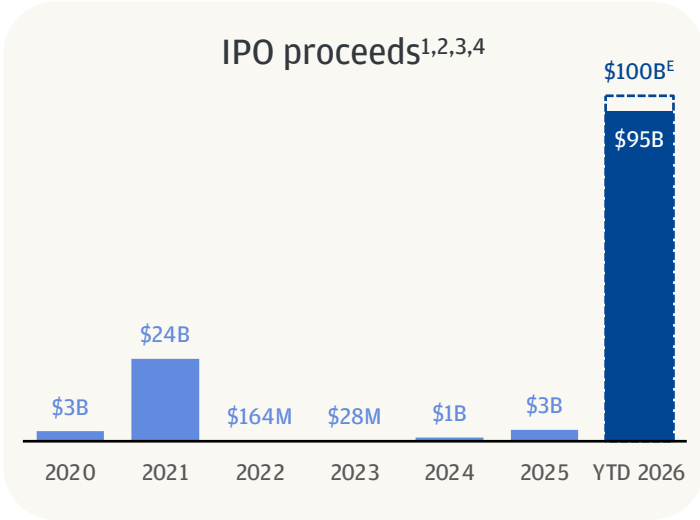
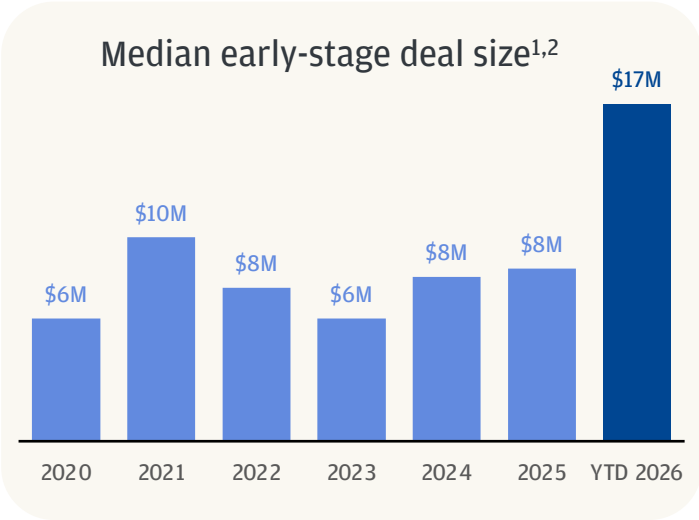
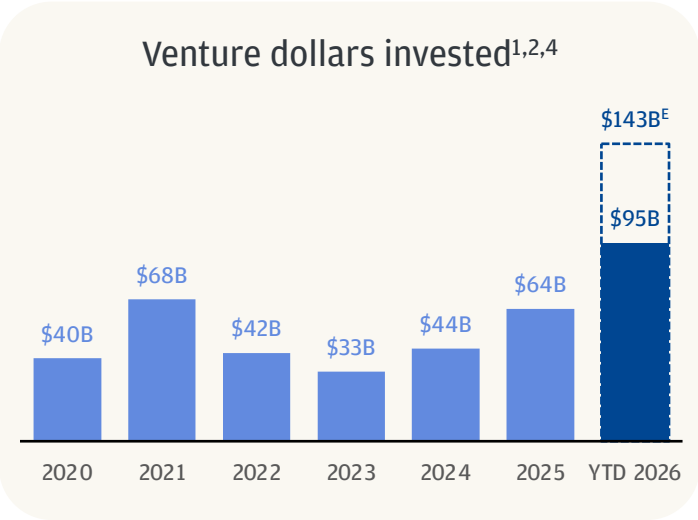
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Applied tech dashboard: Key Performance Indicators



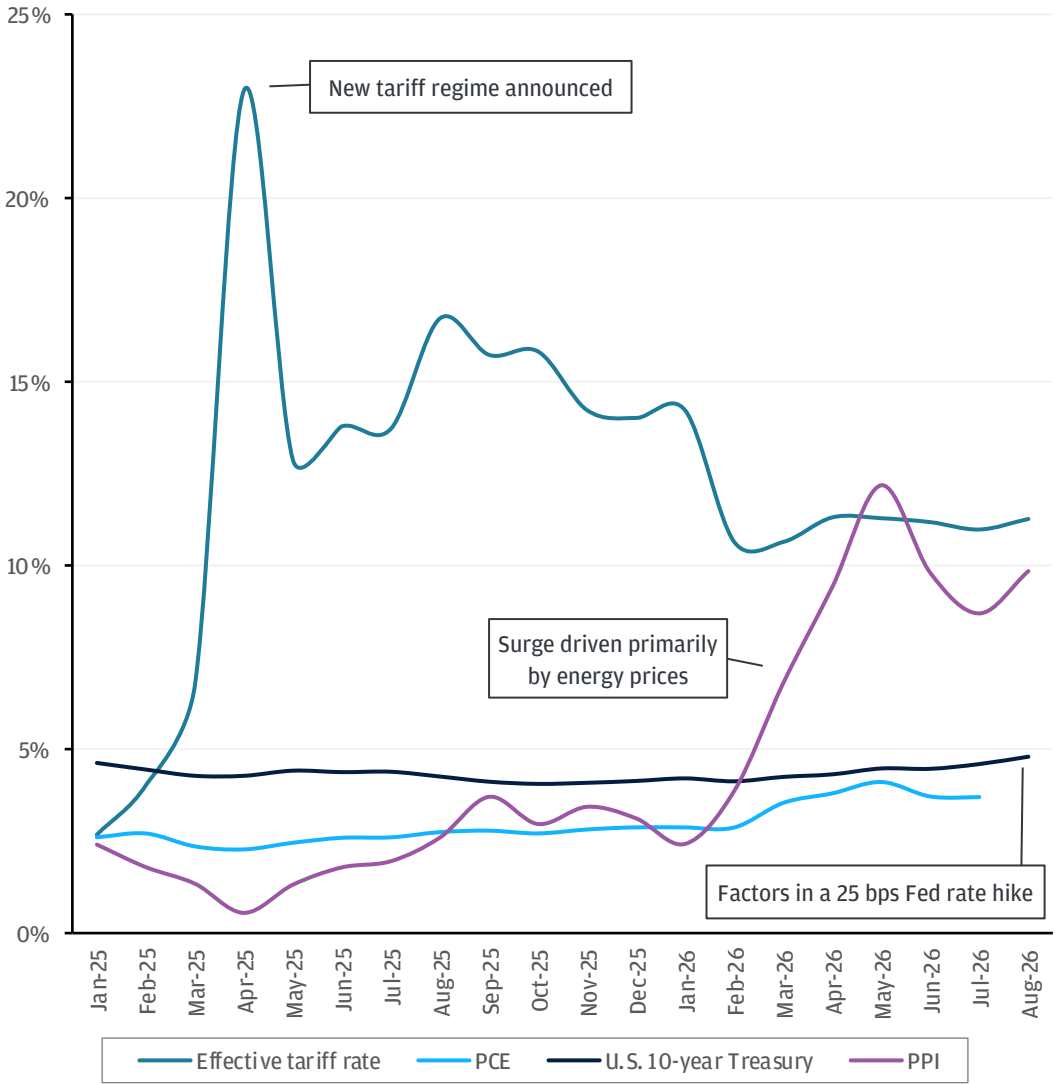
Notes: ¹ YTD 2026 reflects data through August 31, 2026. ² Includes only deals with a disclosed transaction amount. ³ Venture-backed U.S. issuer/target only. M&A includes strategic acquisitions, buyouts and reverse mergers. ⁴ For YTD 2026, ^E represents full-year extrapolation. For the IPO proceeds extrapolation, SpaceX's IPO proceeds are excluded to improve comparability. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

01

Key macroeconomic
themes

Cost pressures mount for builders and makers

Higher prices loom for hardware-based companies

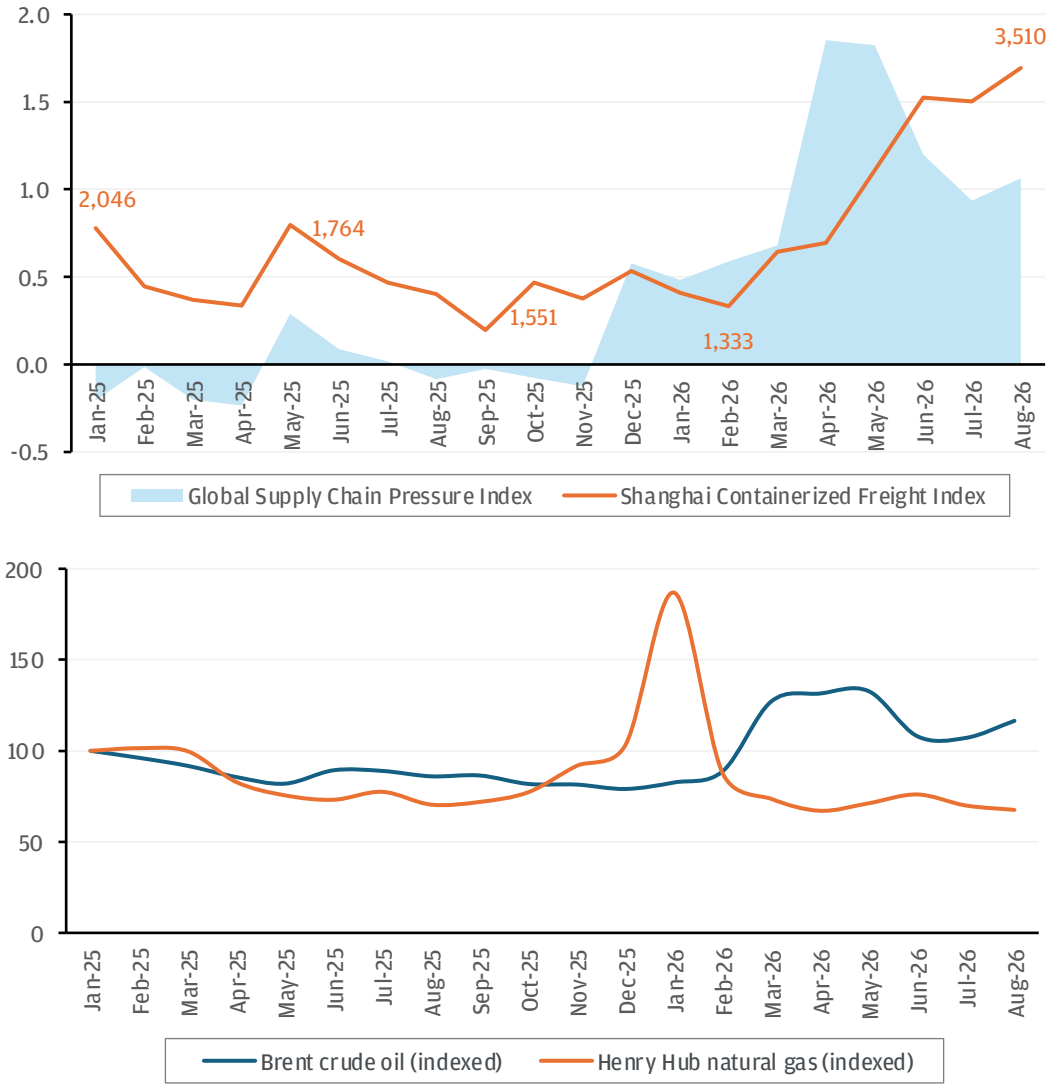


Select macroeconomic indicators for Applied Tech startups¹

Notes: ¹ PCE stands for Personal Consumption Expenditures, which measures the total value of goods and services purchased by or for U.S. households. PPI stands for Producer Price Index, which measures the average change over time in the selling prices received by domestic producers for their goods and services. ² Indexed to January 2025. ³ SCFI provides spot container shipping rates from Shanghai to major global trade routes. The SCFI is effectively a real-time measure of supply chain tightness.

Sources: Federal Reserve Bank of St. Louis, The Budget Lab, Bureau of Labor Statistics.

Supply chains pressured amidst energy price spikes

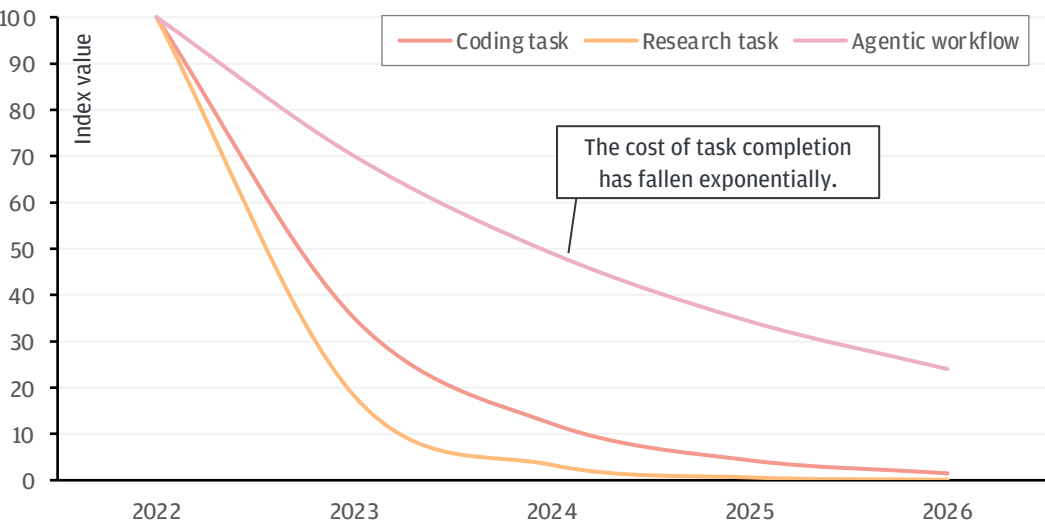
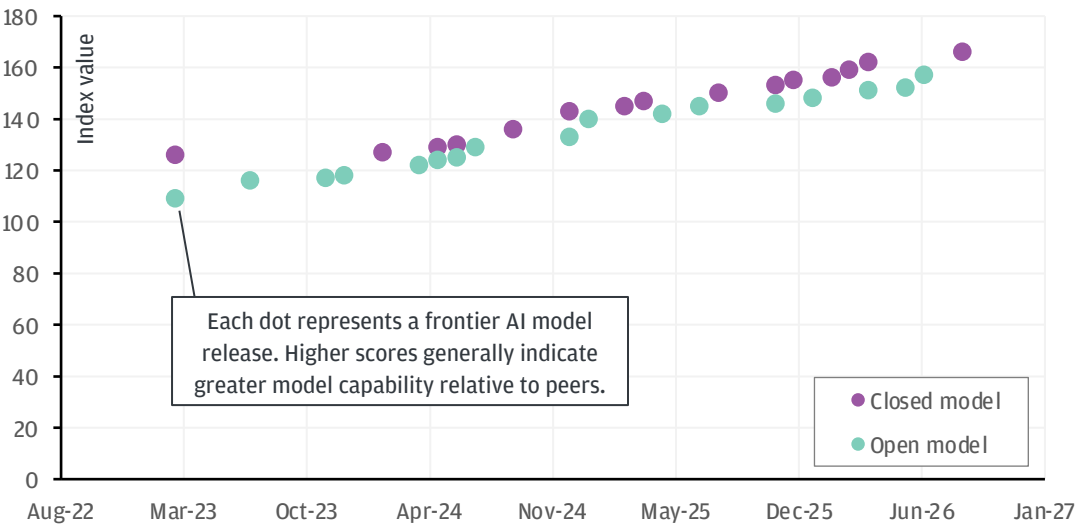


Select indicators for supply chain health (top) and energy costs (bottom)^{2,3}

Producer-price inflation in 2026 reflects a broader mix of pressures than the goods shortages and supply chain disruptions that dominated 202 and 2022. Recent increases have mainly been driven by tariff pass-through, transportation and logistics costs and energy-price volatility, reflecting more diverse sources of input-cost risk. For manufacturers, the challenge is shifting from securing supply to managing cost variability across the value chain. Companies with limited purchasing leverage or pricing power may face greater margin pressure, while those with differentiated products, operational flexibility, strong supplier relationships or policy support are better positioned to absorb higher costs. As a result, resilience and cost management are becoming increasingly important competitive advantages for scaling.

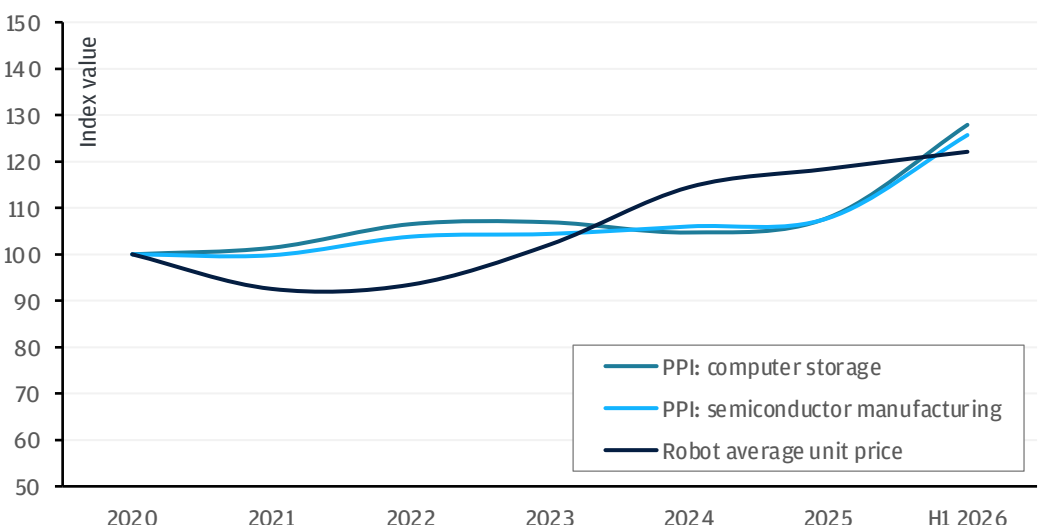
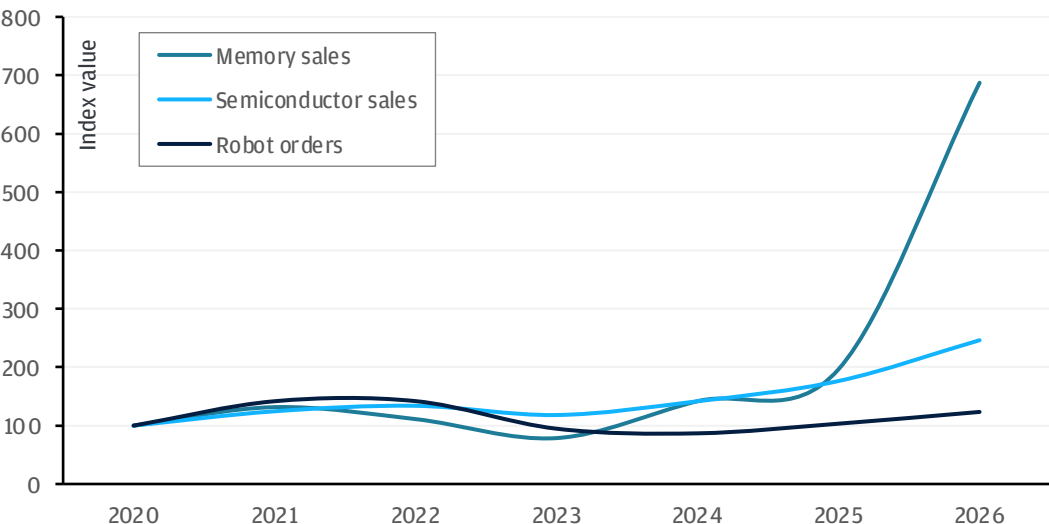
AI progress drives applied technologies forward

Applied tech startups can ride the improvements in AI



Epoch Capabilities Index (top) and estimated AI cost per task indexed (2022=100) (bottom)¹

Demand (and price) for critical applied tech elements rises



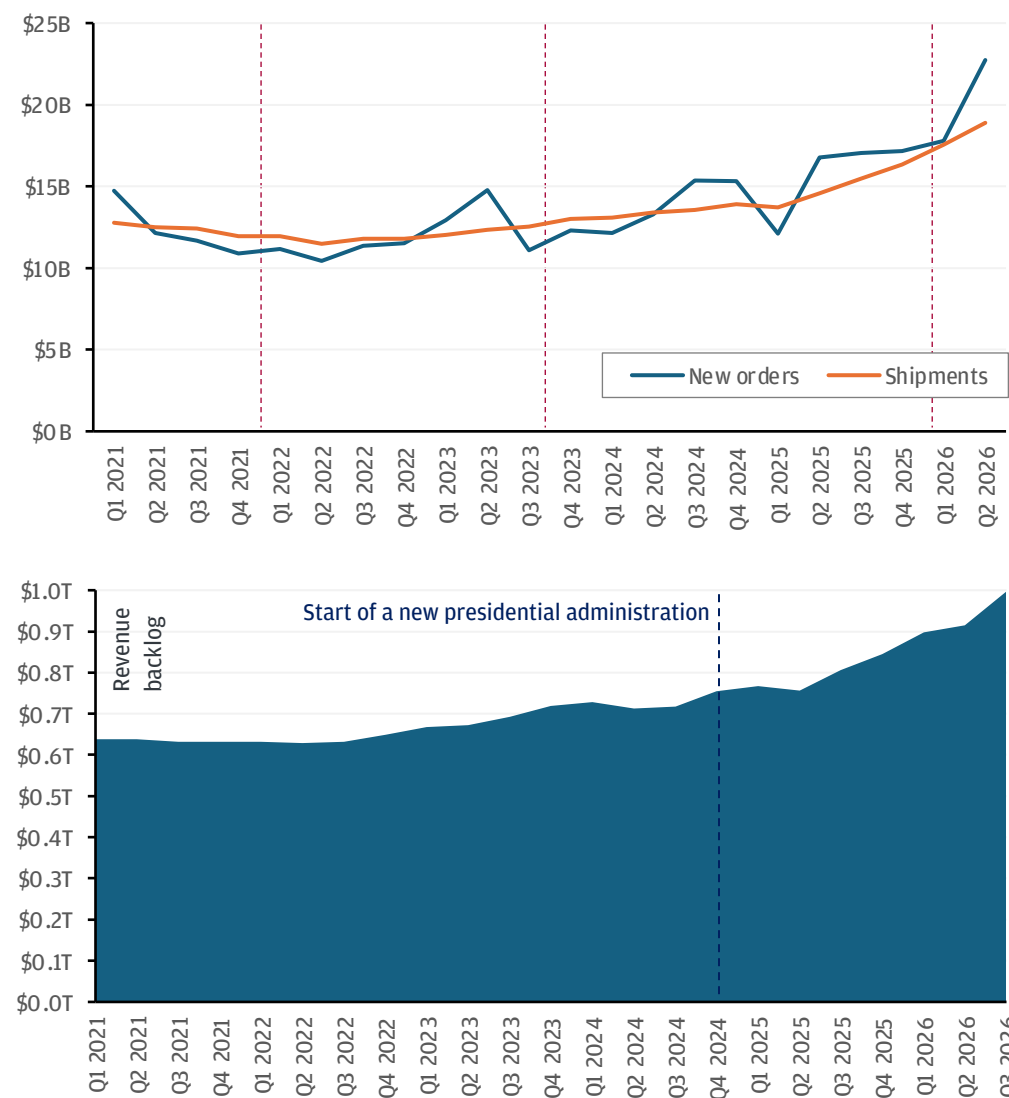
Global demand (top) and cost trends (bottom) for select Applied Tech critical elements indexed (2020=100)^{2,3}

AI is emerging as a key driver across applied technology, expanding the capabilities and addressable markets of robotics, automation, defense systems and advanced manufacturing. Improving model performance and lowering inference costs may support broader adoption. For example, in predictive maintenance, stronger AI expands from anomaly detection to root-cause analysis and eventually to autonomous maintenance planning. Demand for high-bandwidth memory and other critical components continues to outpace capacity, while limited power generation, grid connections and electrical equipment create additional bottlenecks. For applied technology founders, these constraints are increasingly influencing product design, deployment timelines and capital requirements across the sector.

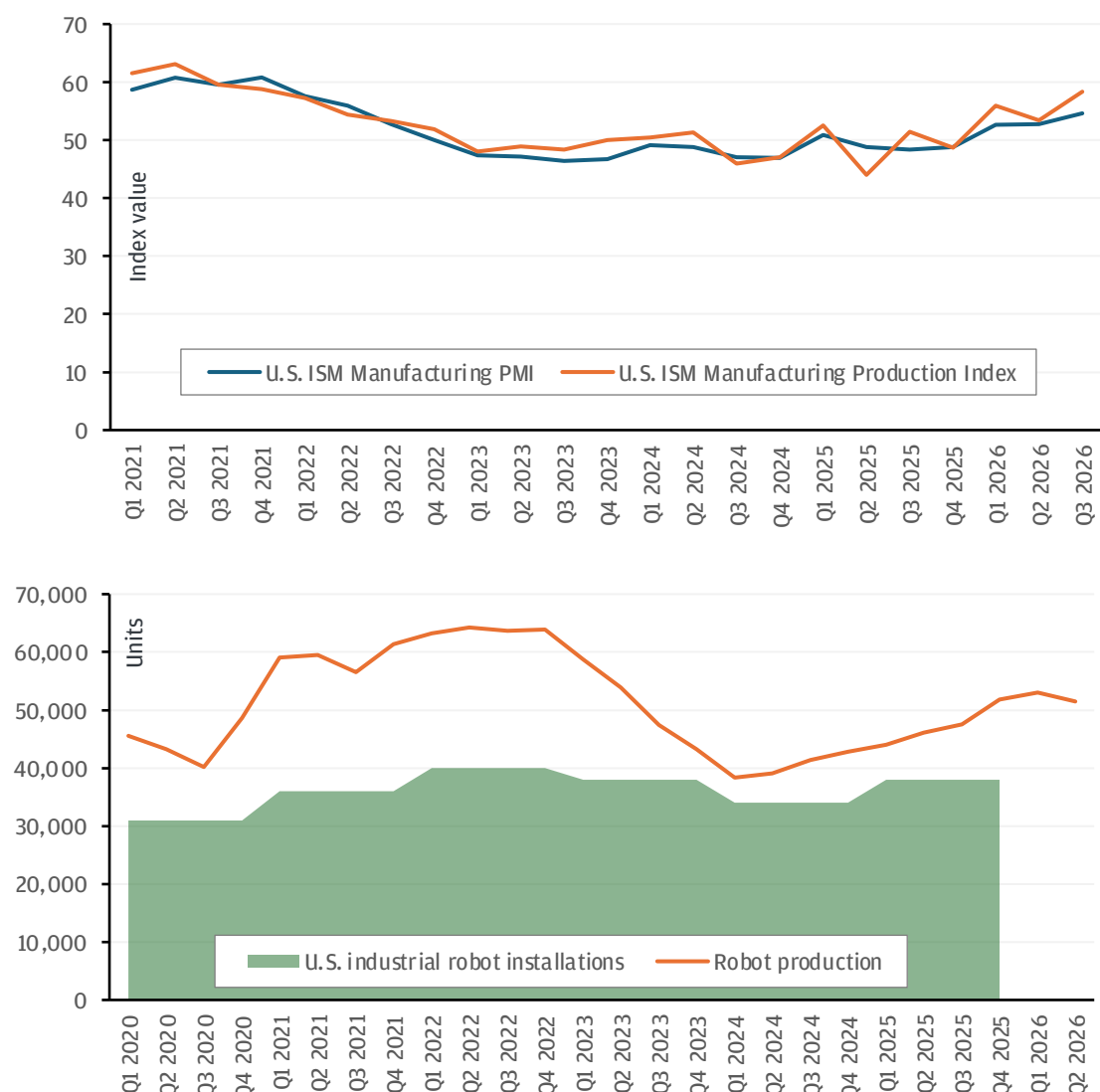
Notes: ¹ Estimated cost per completed task on a capability-adjusted inference basis, by task type. ² Global demand for memory chips and semiconductors based on sales. 2026 is estimated based on trend. ³ PPI stands for Producer Price Index. Robot average unit price for JARA members.
Sources: Epoch AI, Federal Reserve Bank of St. Louis, Japan Robot Association (JARA), World Semiconductor Trade Statistics, Semiconductor Industry Association.

Data shows the shift to national security and resilience

Heightened geopolitical environment boosts defense demand



Manufacturing is seeing a resurgence, leading with automation



Federal policy is increasingly linking national security, industrial capacity and economic resilience. The FY2026 National Defense Authorization Act authorized \$890.6 billion for national defense, reflecting sustained investment in defense modernization, autonomous systems and secure supply chains. The shift is driven by geopolitical competition, supply chain disruptions, labor shortages and concerns over dependence on foreign manufacturing. As a result, reshoring, supplier diversification and domestic industrial expansion have become strategic priorities. Automation is emerging as a key enabler: U.S. industrial robot installations rose 11% to 38,000 units in 2025. These trends are increasingly shaping public policy, as the U.S. seeks to strengthen domestic industrial capabilities and accelerate the adoption of strategically important technologies.

Defense orders and shipments (top) and select public defense contractor revenue backlog^{1,2}

U.S. manufacturing performance (top) and automation indicators (bottom)^{2,3}

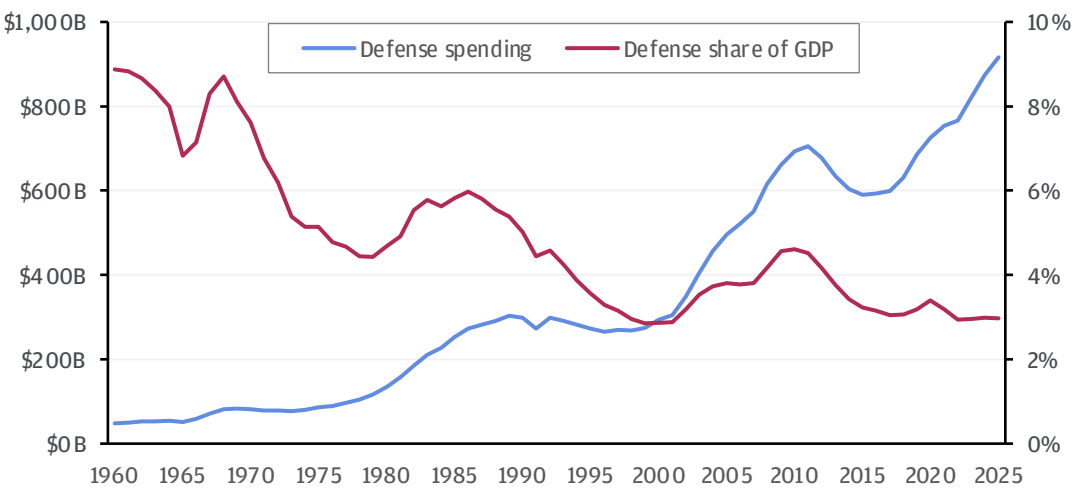
Notes: ¹ Red dotted lines denote the start of major conflicts. ² Q3 2026 data as of 8/31/2026. ³ Purchasing Managers' Index (PMI) measures the economic health of the manufacturing sector based on surveys of supply chain managers. Robot production based on JARA members. Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis, Institute for Supply Management, Japan Robot Association (JARA), International Federation of Robotics.

02 |

The role of government

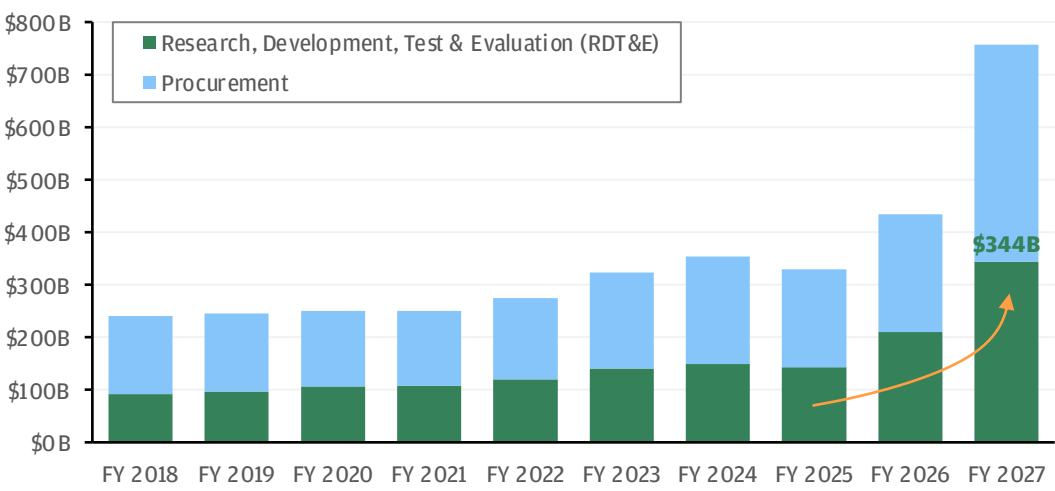
Government engagement spans from innovation to deployment

Defense spending rises, GDP burden remains constrained



U.S. national defense outlays and its share of U.S. gross domestic product (GDP)

Department of Defense wants to grow spending on innovation



U.S. Department of Defense enacted and requested funding for RDT&E and procurement¹

Government support for emerging technologies

Year	Milestone	Why it mattered
2015	Defense Innovation Unit (DIU) founded	Established a permanent bridge between the DOD and commercial startup ecosystems.
2016	Commercial Solutions Opening (CSO) and MD5 launched	Introduced a commercial-style acquisition process and university-linked venture formation.
2017	AFWERX launched	Created a structured Air Force pathway for startup engagement, SBIR/STTR adoption, and technology transition.
2019	NSIN formed; NavalX Tech Bridges established	Expanded access to regional innovation ecosystems, universities, laboratories, and operational users.
2021	SpaceWERX and NSIC became operational	Added dedicated space commercialization pathways and early-stage hardware capital support.
2022	CHIPS Act; APFIT; OSC	Increased focus toward industrial capacity, procurement transition and private-capital mobilization.
2023	DIU 3.0 initiated; Replicator announced	Shifted emphasis from prototyping toward fielding, scale and strategic impact.
2024	Defense commercialization infrastructure expanded	OSC began implementing financing programs while Replicator accelerated pathways to deployment.
2025	APFIT and transition programs scaled	Expanded procurement-focused funding for nontraditional defense contractors and small businesses.
2026	SBIR/STTR reauthorized through September 2031; APFIT surpassed \$2B cumulative awards	Reinforced continuity of non-dilutive innovation funding and prototype-to-production pathways.

Illustrative evolution of the U.S. defense innovation ecosystem²

While the infrastructure supporting emerging technologies has evolved considerably over the past decade, federal investment in national security and defense modernization remains a priority. The U.S. government has expanded its role from primarily funding research and development to supporting a broader innovation ecosystem that includes startup engagement, commercialization, procurement transition, manufacturing capacity and private-capital mobilization. Collectively, initiatives such as DIU and APFIT were designed to address common commercialization challenges that arise between successful prototypes and scaled deployment, an area often referred to as the "valley of death." The result is an improving ecosystem in which emerging technology companies can access support across a larger portion of the innovation journey, from research through procurement, production and adoption.

Notes: ¹ Reflects DoD Procurement and RDT&E funding. FY2025-FY2027 figures include both discretionary and mandatory funding. ² Dates reflect when initiatives were launched or became operational and may not correspond to the year of congressional authorization or full-scale implementation. Sources: U.S. Bureau of Economic Analysis, Defense Innovation Unit (DIU), AFWERX, SpaceWERX, National Security Innovation Network (NSIN), Office of Strategic Capital (OSC), Office of the Under Secretary of Defense for Research & Engineering (APFIT), Congressional and DOD announcements.

Government pathways supporting technology maturation and procurement

1. DEVELOP

Technical feasibility + prototype

SBIR/STTR Phase I

\$50K-\$275K+

WHO IT'S FOR

Small businesses testing technical feasibility

Proof of concept

Phase II/Direct-to-II

\$400K-\$1.5M+

WHO IT'S FOR

Phase I graduate or commercially validated technologies

Prototype maturation

2. VALIDATE

Operational testing + user feedback

DIU/operational pilots

Varies by solution

WHO IT'S FOR

Commercial and dual-use companies validating deployable solutions

Generate operational evidence

3. TRANSITION

Connect capability to procurement demand

TACFI/STRATFI

\$375K-\$15M+

WHO IT'S FOR

Phase II-backed companies with customer and matching support

Aligns technology with acquisition strategies

4. SCALE

Initial fielding + enduring procurement

APFIT/Phase III

Can support \$10M-\$50M

WHO IT'S FOR

Companies with high technology readiness level (TRL) and a sponsoring DOD organization

Support deployment at scale

Program of Record

Long-term procurement

Large-scale contracts possible

Other Transaction Agreements (OTA) Prototype development and operational demonstration, with a potential pathway to follow-on production

Adjacent pathways

DARPA/ARPA-E/BAAs

Variable; often \$500K-\$10M+

High-risk R&D and technology maturation

CRADAs + lab access

Often non-cash

Joint R&D, test access and end-user learning

NSIC/IQT/strategic capital

Program-specific

Mission-aligned investment and dual-use hardware

OSC/DPA Title III/CHIPS

Selected awards can reach \$100M+

Capacity, equipment and critical supply chains

Prime contractor teaming

Subcontract / supplier revenue

Access to existing vehicles, programs and production

As the ecosystem supporting technology commercialization has expanded, private investors have followed, directing more capital to companies aligned with long-term industrial and national priorities.

Illustrative and non-exhaustive examples of government programs that may support technology maturation, commercialization and procurement¹

Note: ¹ Illustrative and non-exhaustive examples of government funding, validation, transition, production and procurement pathways. Funding amounts are representative and may vary by program, agency, solicitation, technology area and company circumstances. Companies may access programs in different sequences, and participation does not guarantee follow-on funding, contract awards, procurement or commercialization outcomes.

Sources: Defense Innovation Unit (DIU), AFWERX, SpaceWERX, National Security Innovation Network (NSIN), Office of Strategic Capital (OSC), Office of the Under Secretary of Defense for Research & Engineering (APFIT), Congressional and DOD announcements.



JUSTIN KRAUSS

*Managing Director,
Security and Resiliency Initiative*

“AI is not just a software story. It depends on a complex foundation of energy, data centers, semiconductors, manufacturing capacity and resilient supply chains. The opportunity is not only to develop breakthrough technologies, but to build the infrastructure that enables them at scale.

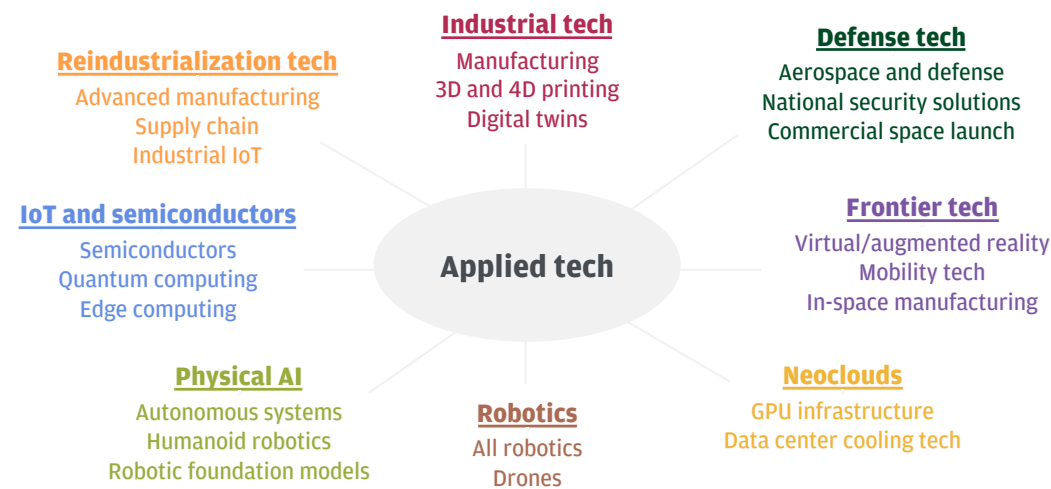
Through the [JPMorganChase Security and Resiliency Initiative](#), we are helping support companies advancing critical industries that strengthen economic resilience and national security. To date, the initiative has mobilized more than \$220 billion in financing and facilitation and mapped over 4,500 companies globally that are positioned to reinforce critical industries and supply chains.”

03

The state of fundraising

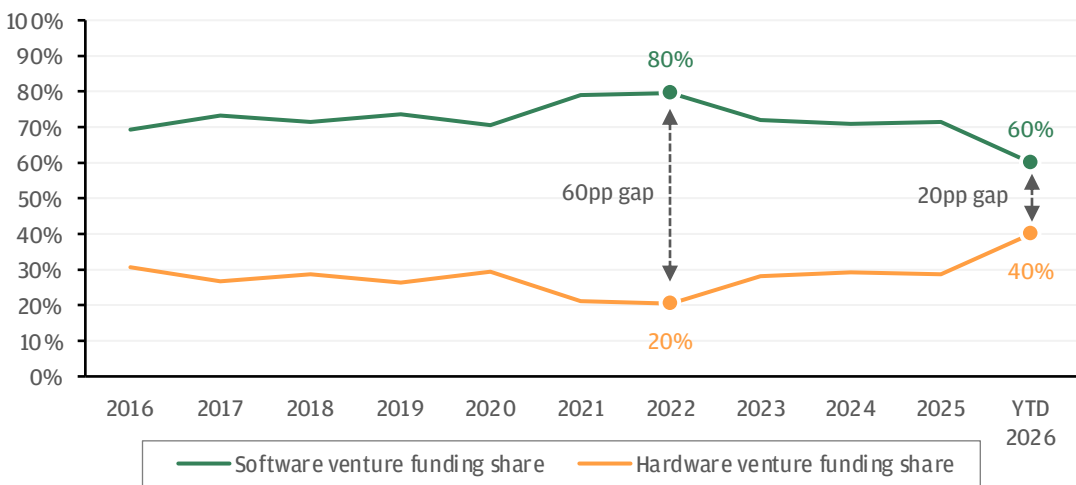
Applied tech leads venture capital's shift toward the physical world

Applied tech spans several interconnected domains



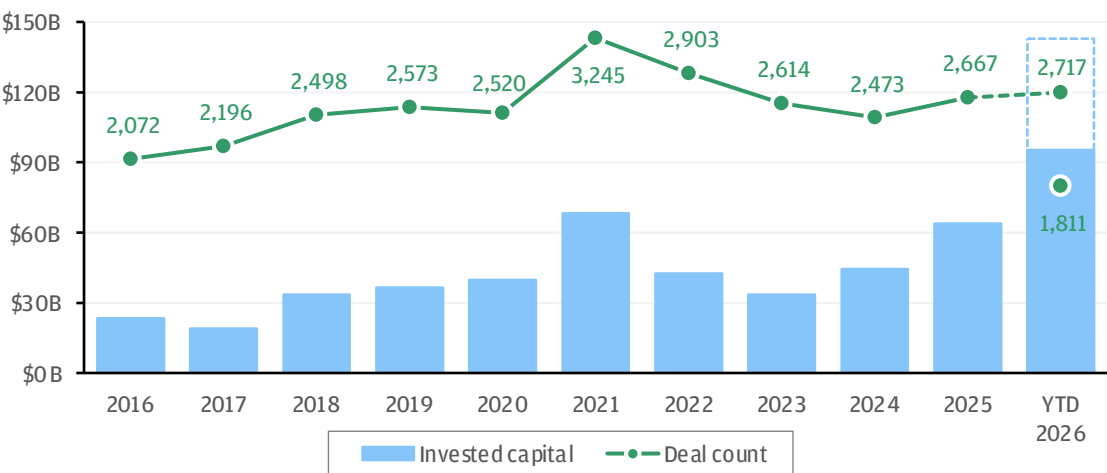
Illustrative taxonomy of the applied tech ecosystem, by subsector and underlying technologies¹

Hardware has doubled its share of investment since 2022



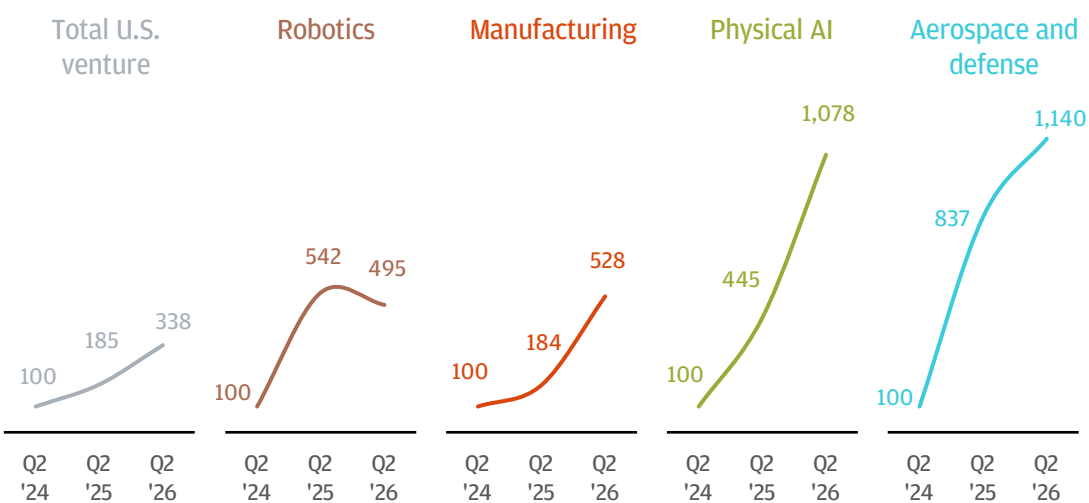
Share of annual U.S. venture investment allocated to hardware and software startups^{2,4}

Venture investment in 2026 surpasses all-time highs



Annual U.S. applied tech venture activity^{2,3}

Physical technologies are outgrowing the broader market



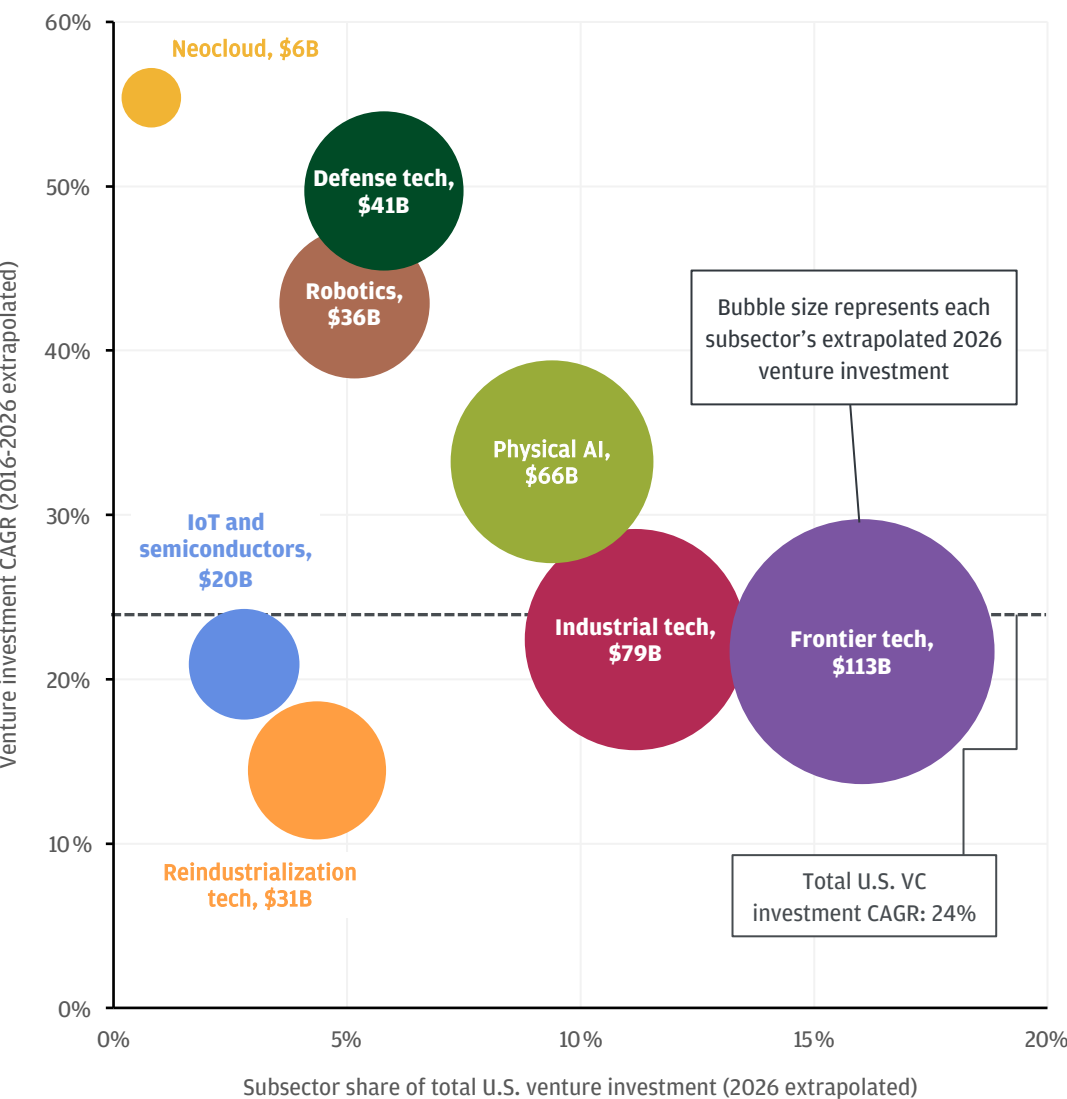
Quarterly U.S. venture investment by select underlying applied technologies, indexed to Q2 2024¹

The combination of rising industrial demand, accelerating AI capabilities and expanded government support has helped position applied technology at the center of venture capital's shift toward physical-world innovation. Record investment activity through 2026 reflects a convergence of public and private sector priorities, including scaling AI infrastructure, modernizing U.S. industry, strengthening critical supply chains and expanding capabilities tied to national security and resilience. These forces are creating new opportunities for startups to replace or augment legacy technologies across manufacturing, logistics, transportation, defense and other historically under-digitized sectors. Additionally, advances in AI are increasingly moving beyond software and into physical systems, enabling new products and business models that combine software, AI, hardware and real-world operations.

Notes: ¹ Non-exhaustive. Subsectors are not mutually exclusive; companies or technologies may be represented in more than one subsector. ² YTD 2026 reflects data through August 31, 2026. ³ Dashed line denotes full-year 2026 extrapolation. ⁴ Software excludes major frontier AI model providers. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Investor conviction is running deep across applied tech

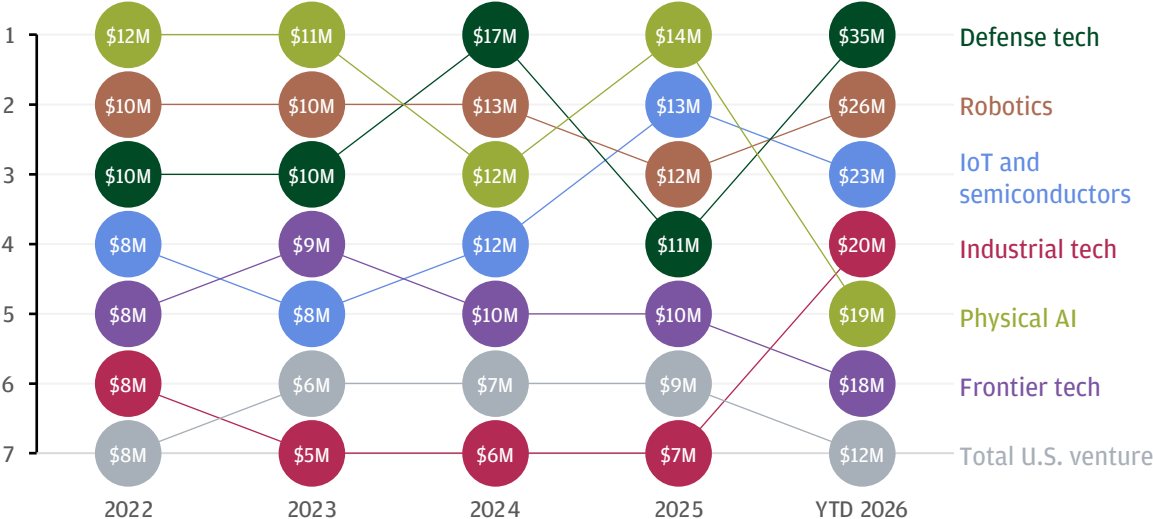
Growth meets scale in applied tech



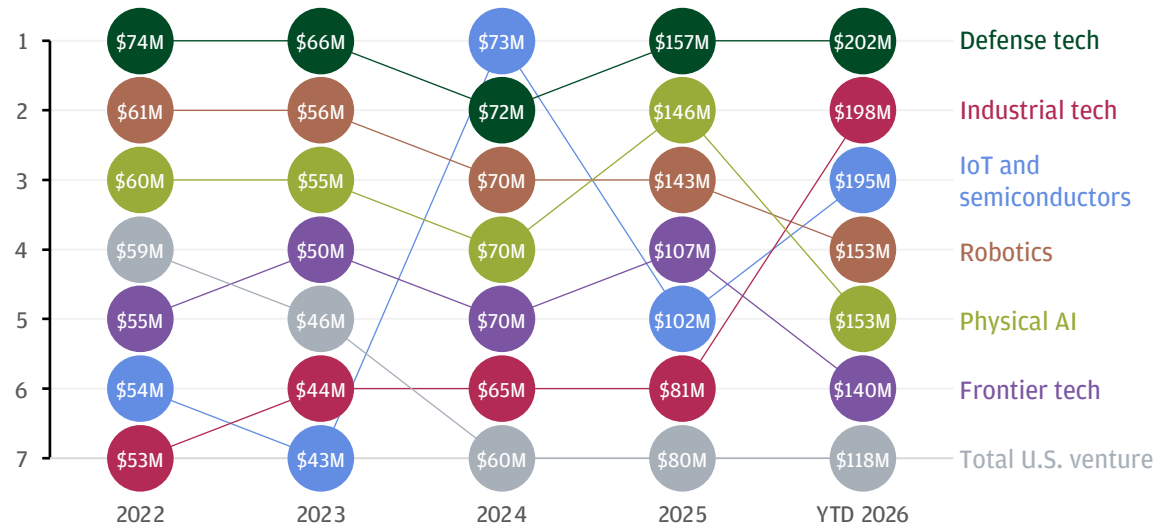
U.S. applied tech subsector venture investment CAGR (2016-2026E) vs. share of U.S. 2026E total^{1,2}

Notes: ¹ Subsectors are not mutually exclusive. ² 2026E investment totals are extrapolated from activity through August 31, 2026. CAGR calculated using 2016 and 2026E investment totals. ³ YTD 2026 reflects data through August 31, 2026. Neocloud and reindustrialization tech are excluded due to limited data availability. Values are rounded to the nearest whole number.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Valuations and deal sizes point to sustained investor interest



Applied tech subsectors ranked by median early-stage deal size^{1,3}



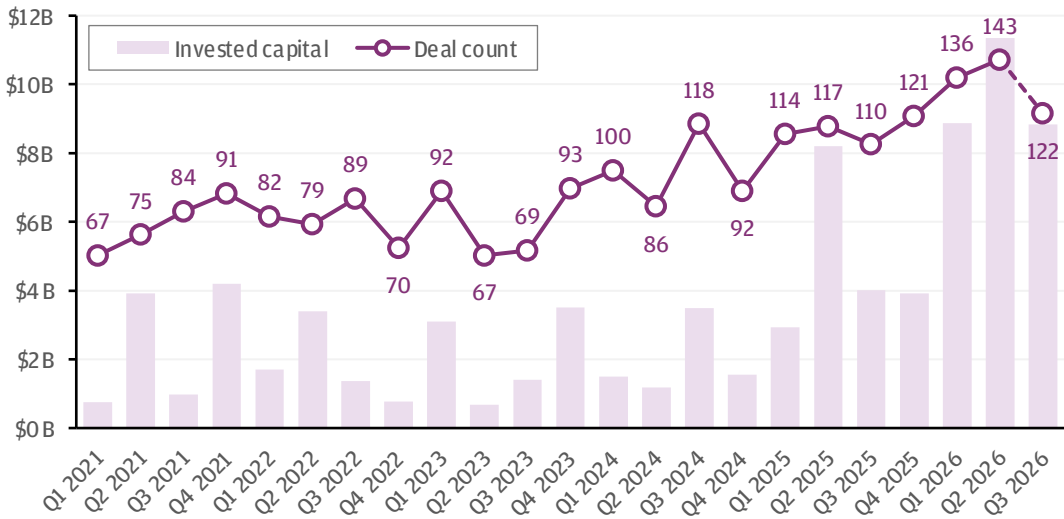
Applied tech subsectors ranked by median early-stage post-money valuation^{1,3}

Capital is flowing into applied tech at record levels across a wide range of subsectors, with several of these technologies pairing persistent growth with a meaningful share of the broader venture market. Larger rounds partly reflect the realities of building applied technologies, where commercialization may require specialized engineering, manufacturing capacity and operational expertise long before products reach widespread adoption. Higher valuations may reflect investor interest in capabilities that may be difficult to develop or replicate, including specialized engineering talent, production expertise, proprietary operating data and deep integration with customer workflows. As companies move from prototype to deployment, real-world operating experience, customer relationships and technical know-how may become increasingly important differentiators.

04 | Key thematic areas

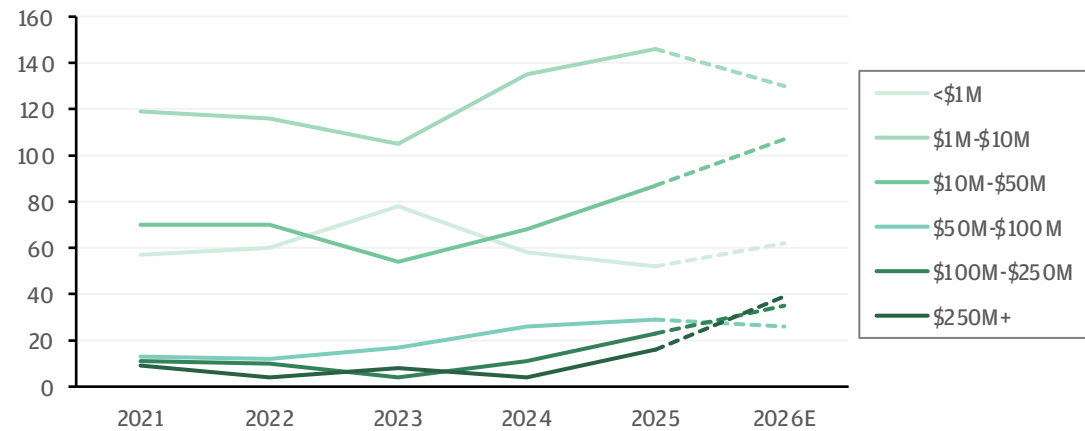
Funding the future arsenal: Investment arrives to meet startups' capital needs

Substantial investment flows into defense tech



Venture activity for defense tech¹

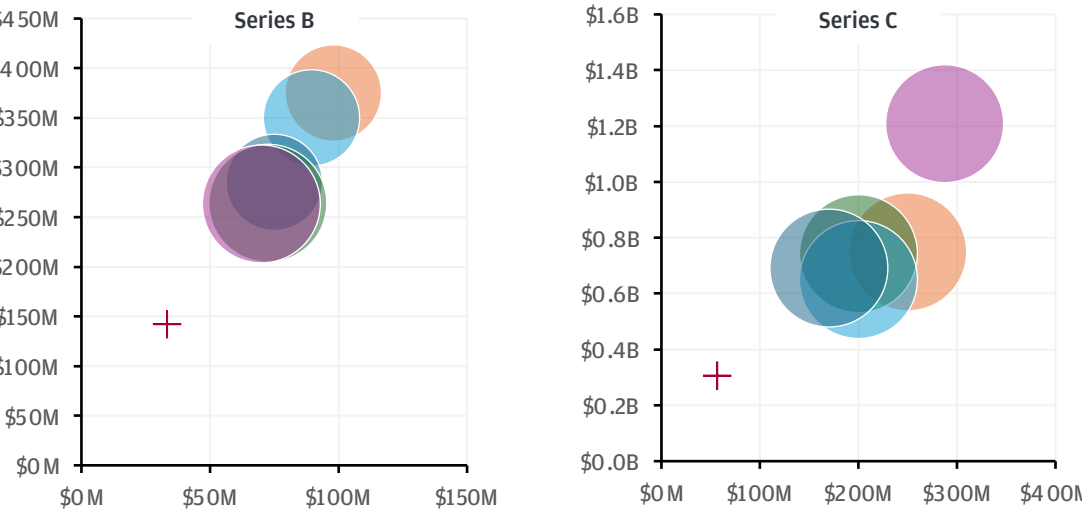
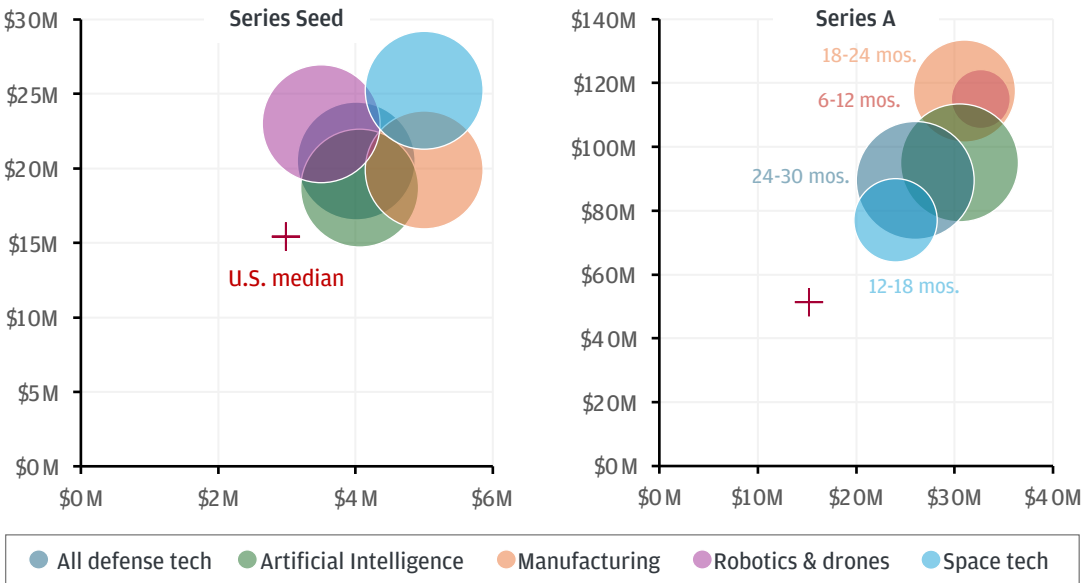
\$100M+ deals jump from 5% in 2024 to nearly 20% in 2026



Defense tech venture activity by deal size range²

Notes: ¹ Q3 2026 data as of 8/31/2026. ² Dashed line denotes full-year 2026 extrapolation. ³ X-axis is pre-money valuation, y-axis is deal size, bubble size is time between rounds in months. Sectors not mutually exclusive. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Defense tech startups raise more—and at higher valuations

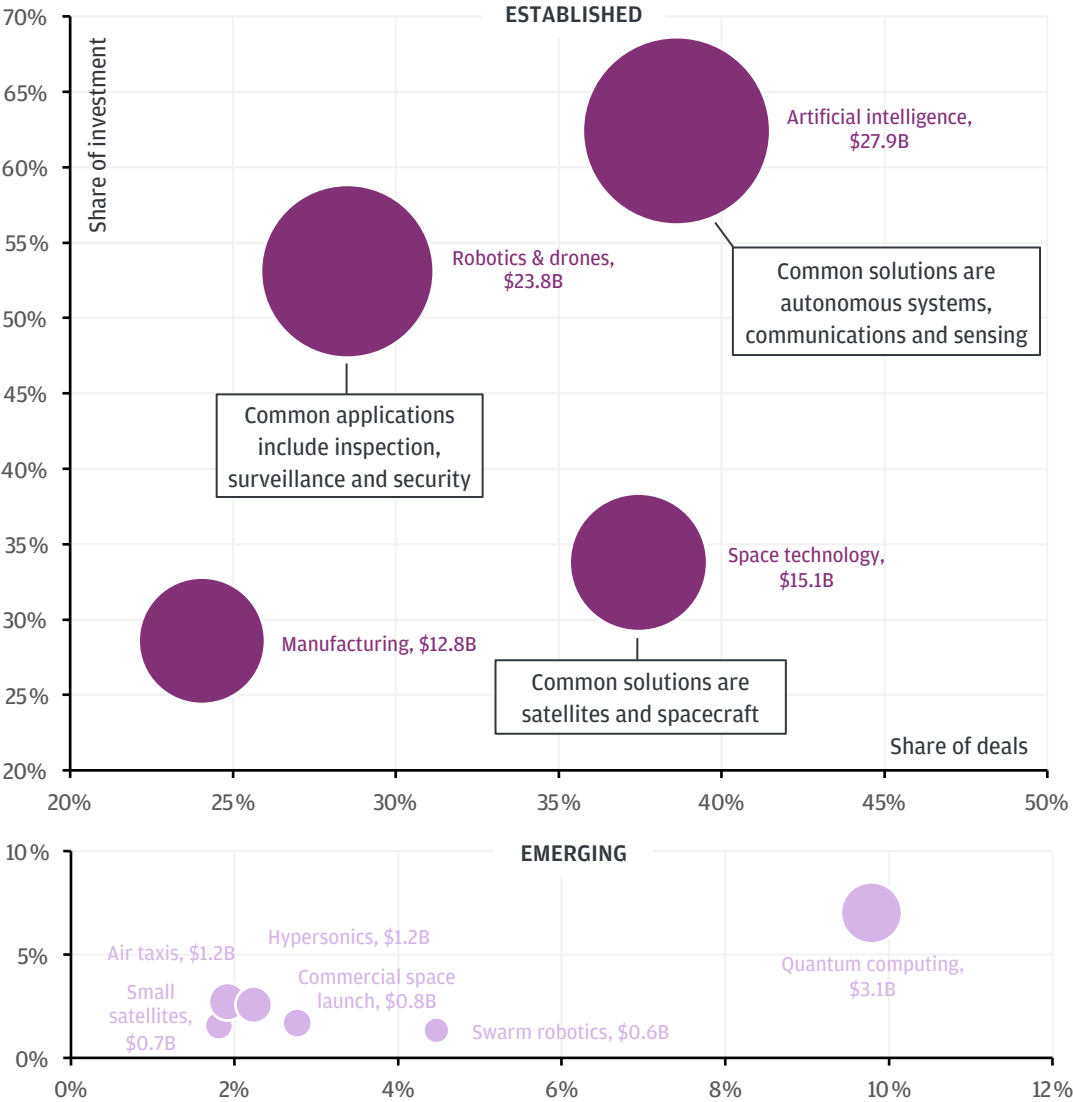


Median defense tech fundraising metrics for select sectors by series (H2 2024 - H1 2026)³

The nature of warfare has materially shifted, placing the U.S. defense industry at a turning point. Success increasingly depends on stronger partnerships with commercial companies, greater manufacturing capacity and faster adoption of emerging technologies. Defense-tech funding reached record levels in 2025, driven by larger financing rounds for AI-enabled physical systems, including spacecraft, aircraft, drones, maritime vessels, sensors, weapons and industrial equipment. Many of these companies share a common objective: making strategically important capabilities faster to build, cheaper to deploy, and more autonomous and resilient in contested environments. Because developing and scaling physical systems is capital intensive, startups often require larger funding rounds, contributing to growing capital concentration across the sector.

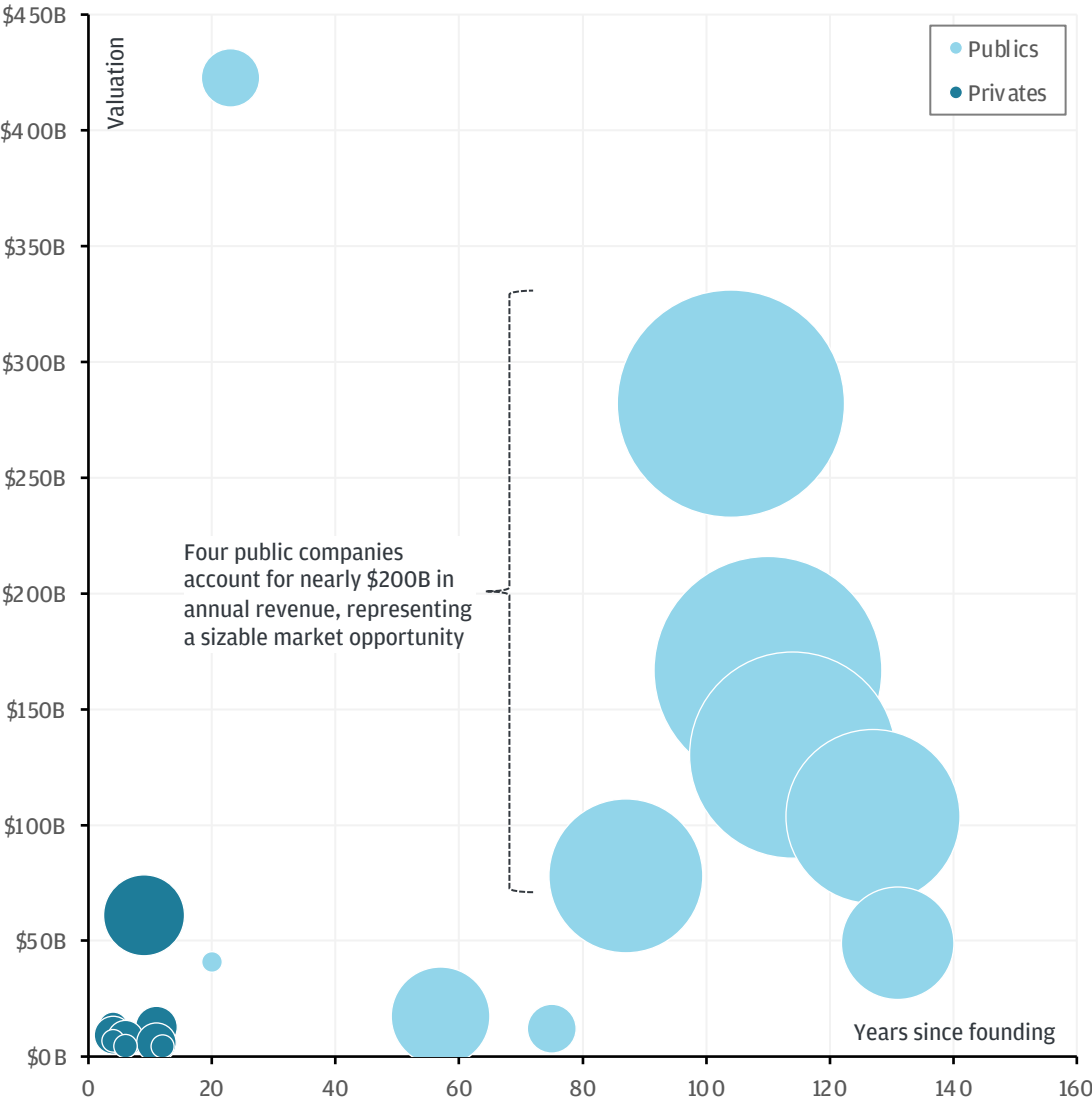
Action stations: The new defense industrial base

AI, robotics and drones capture most defense tech funding



Share of defense tech venture investment and deals (H2 2024 - H1 2026) by subsector¹

Plenty of room to run for private defense tech companies



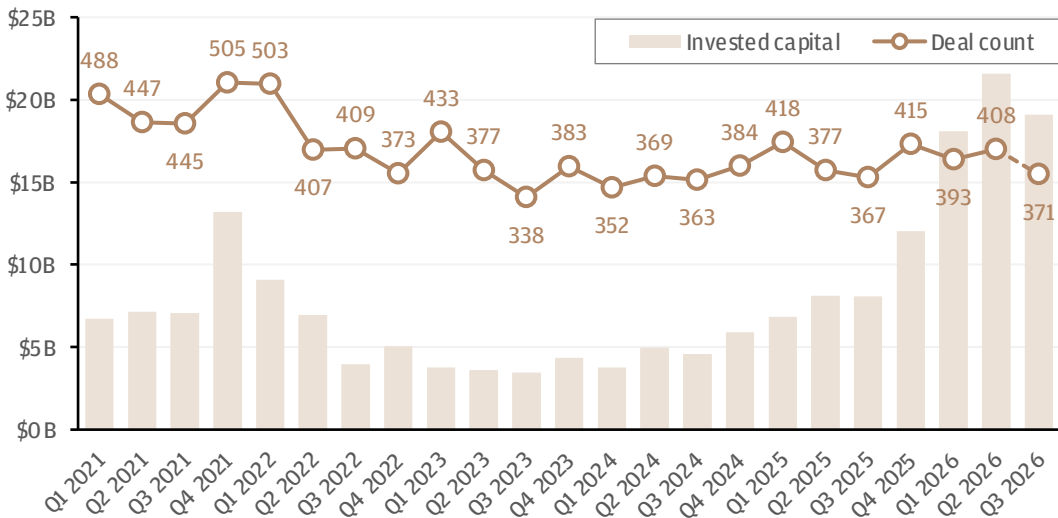
Largest public and private (venture-backed) companies in defense tech by valuation²

Lessons from Ukraine have reinforced six Department of Defense technology priorities: applied AI, biomanufacturing, contested logistics, quantum and battlefield information dominance, scaled directed energy and scaled hypersonics. These areas, alongside swarm robotics and space launch, are attracting startups developing dual-use defense solutions. New entrants may move faster than incumbents, particularly in software-intensive categories, but face barriers in procurement, systems integration, manufacturing scale and access to classified programs. The market opportunity remains significant, although converting technical progress into large, recurring government programs remains difficult.

Notes: ¹ Sectors not mutually exclusive. Bubble size represents the total amount raised by each subsector during the period. ² Valuation for publics is market capitalization and post-money valuation for privates. Bubble size for publics is TTM revenue and total amount raised for privates. As of 8/31/2026. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

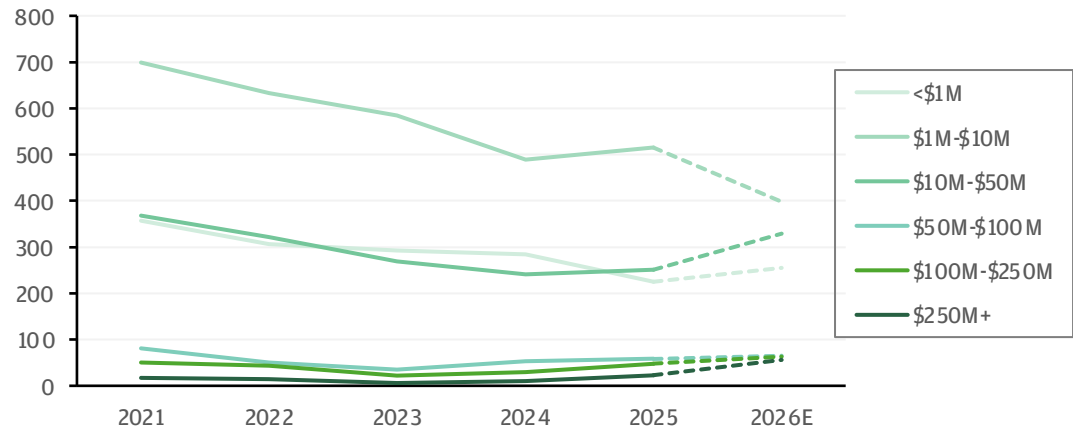
Startups ride the reindustrialization wave

Reindustrialization cements itself as a category



Venture activity for reindustrialization¹

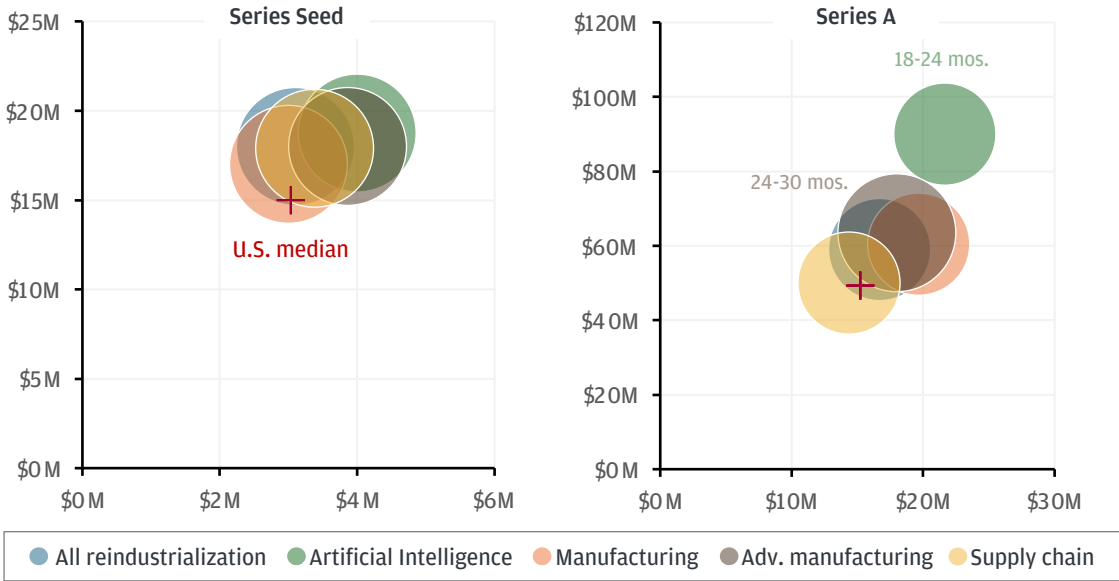
A slight shift to larger deals, but most still below \$10M



Reindustrialization venture activity by deal size range²

Notes: ¹ Q3 2026 data as of 8/31/2026. ² Dashed line denotes full-year 2026 extrapolation. ³ X-axis is pre-money valuation, y-axis is deal size, bubble size is time between rounds in months. Sectors not mutually exclusive. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Modest deal sizes and valuations for reindustrialization startups

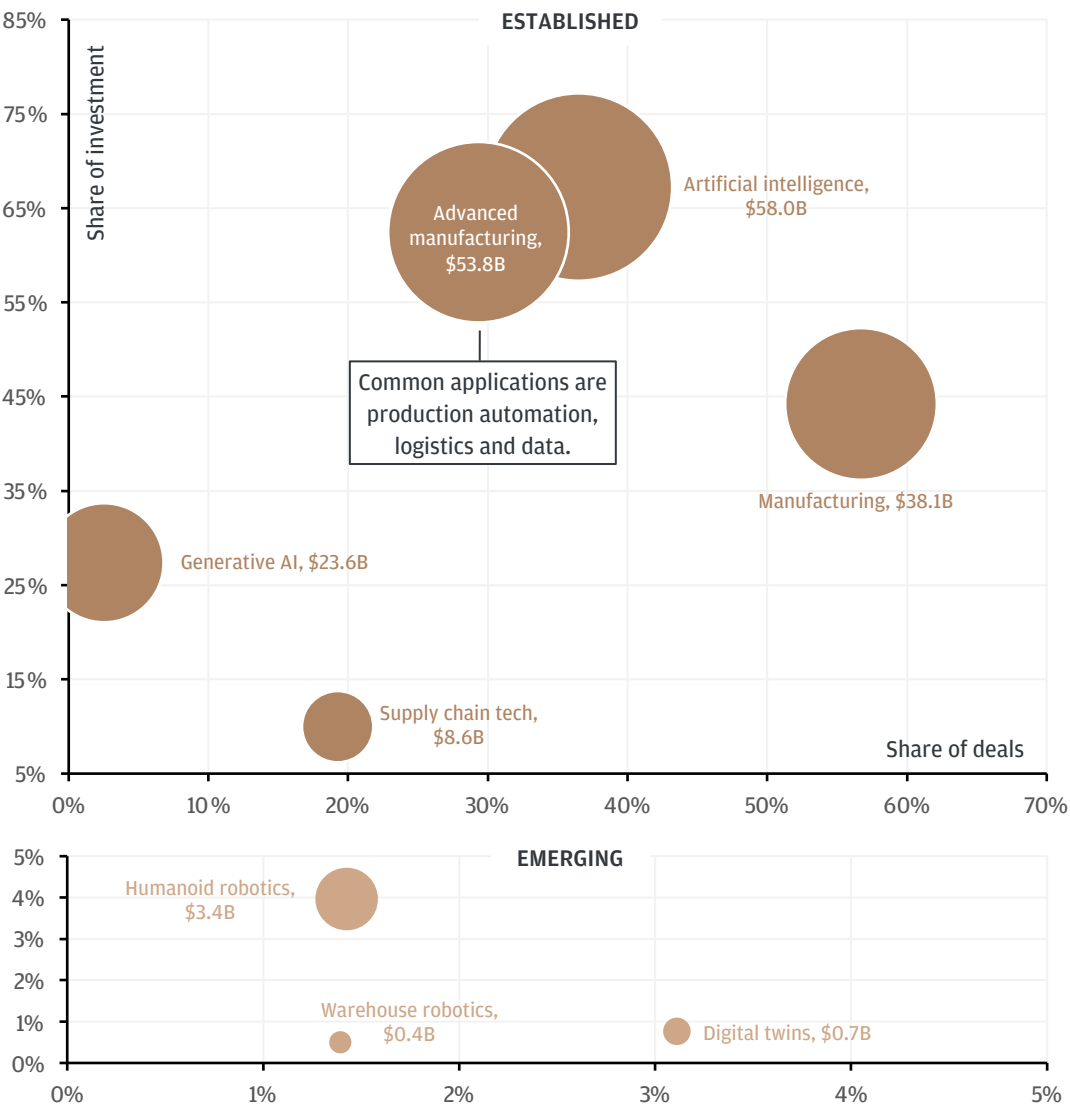


Median reindustrialization fundraising metrics for select sectors by series (H2 2024 - H1 2026)³

Manufacturing's share of U.S. GDP has declined from roughly 15% in 2000 to 9.4% in Q1 2026, even as interest in expanding domestic industrial capacity has increased. Venture investment in manufacturing-related technologies has accelerated over the past year, although deal activity has remained relatively stable, suggesting capital is becoming concentrated in larger financings. Much of that funding has flowed to robotics, physical AI and automation companies serving manufacturing, supply chains, defense, infrastructure and space. These businesses are generally focused on expanding physical-world capacity by addressing things like labor shortages, productivity constraints and supply chain fragility. However, translating investment into deployed capacity typically takes years, meaning any impact on industrial output or broader economic measures may take time to appear.

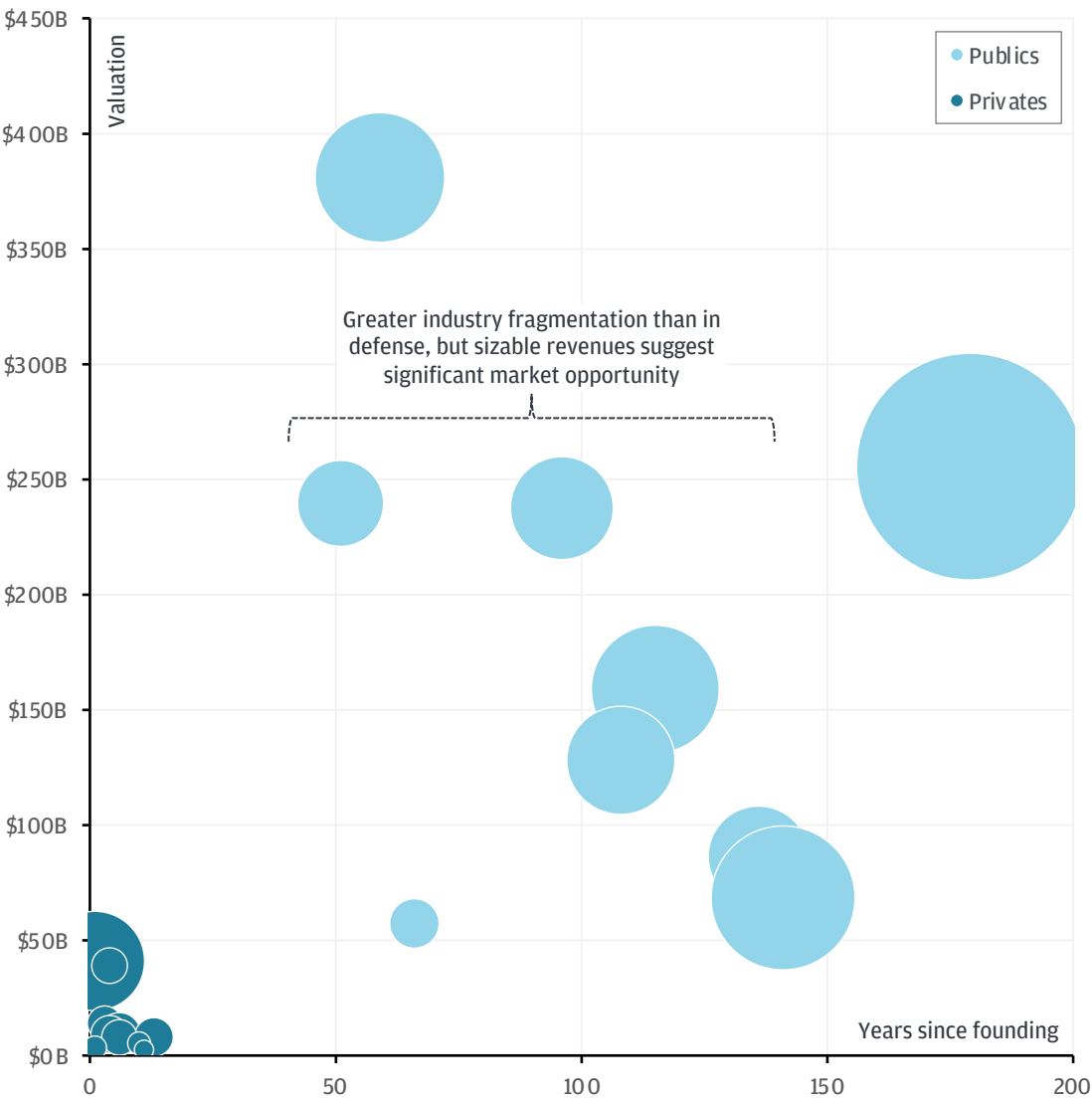
American reindustrialization presents multiple opportunities for innovation

AI and advanced manufacturing power reindustrialization



Share of reindustrialization venture investment and deals (H2 2024 - H1 2026) by subsector¹

A fragmented market of new and established players



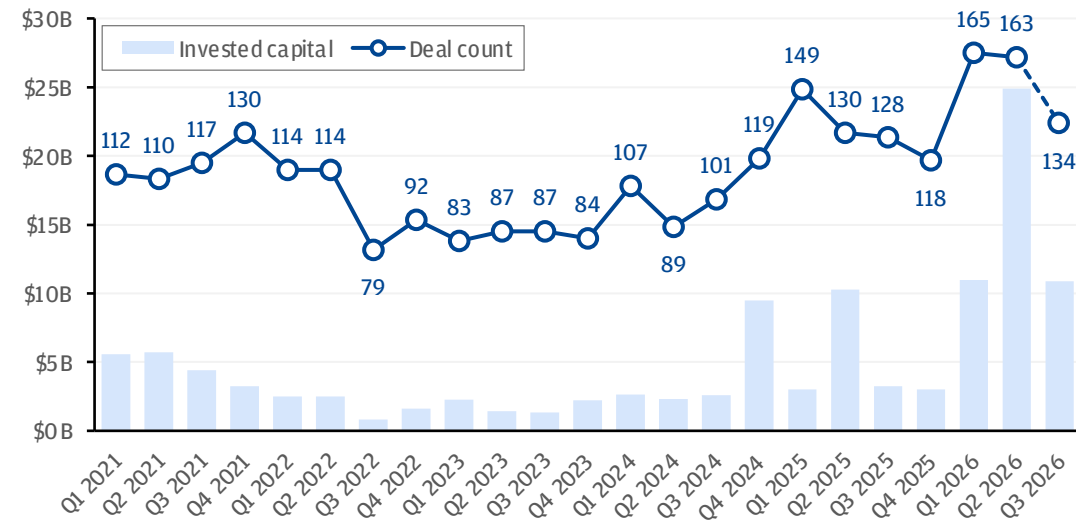
Largest public and private (venture-backed) companies in reindustrialization by valuation²

U.S. manufacturing remains highly fragmented, with most firms operating at relatively small scale. This structure may create opportunities for startups developing automation, robotics and digital tools that can improve productivity without requiring large organizational change. The emergence of dedicated investment categories around industrial automation reflects growing investor interest in these markets. As funding has increased, investors have placed greater emphasis on real-world deployment rather than technical capabilities alone. Companies often use design partnerships to evaluate product performance under commercial conditions. As companies mature, metrics such as reliability, error rates, uptime and asset utilization are likely to become increasingly important indicators of commercial readiness and scalability.

Notes: ¹ Sectors not mutually exclusive. Bubble size represents the total amount raised by each subsector during the period. ² Valuation for publics is market capitalization and post-money valuation for privates. Bubble size for publics is TTM revenue and total amount raised for privates. As of 8/31/2026. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

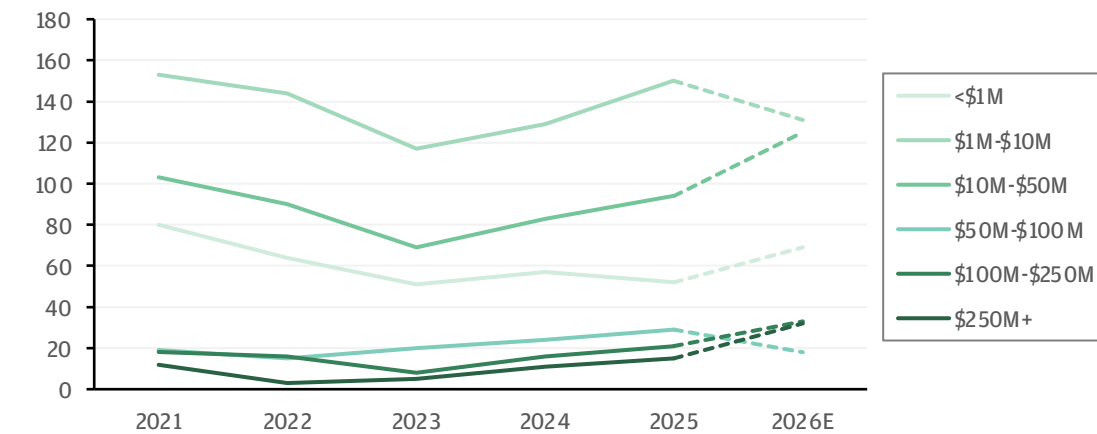
Rise of the robots: Physical AI startups emerge hungry for capital

Venture activity in physical AI continues to rise



Venture activity for physical AI¹

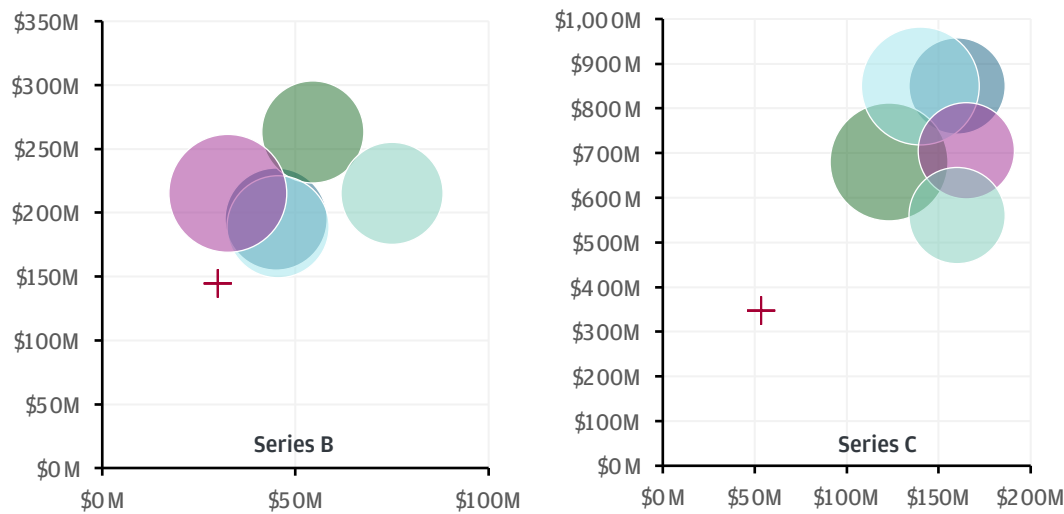
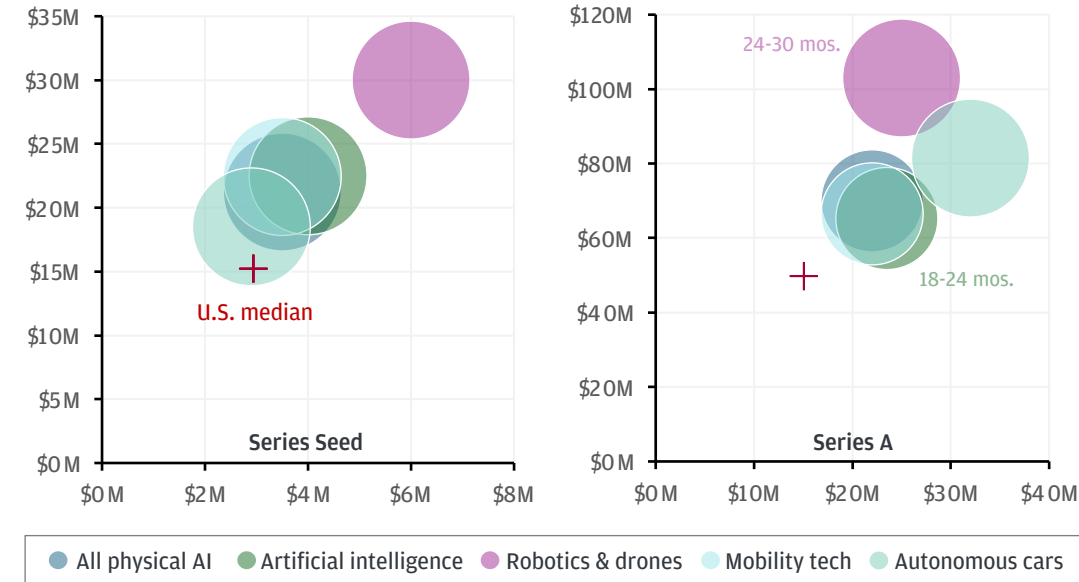
Larger deals rise as a share of physical AI funding



Physical AI venture activity by deal size range²

Notes: ¹ Q3 2026 data as of 8/31/2026. ² Dashed line denotes full-year 2026 extrapolation. ³ X-axis is pre-money valuation, y-axis is deal size, bubble size is time between rounds in months. Sectors not mutually exclusive. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Physical AI capital needs increase as they mature

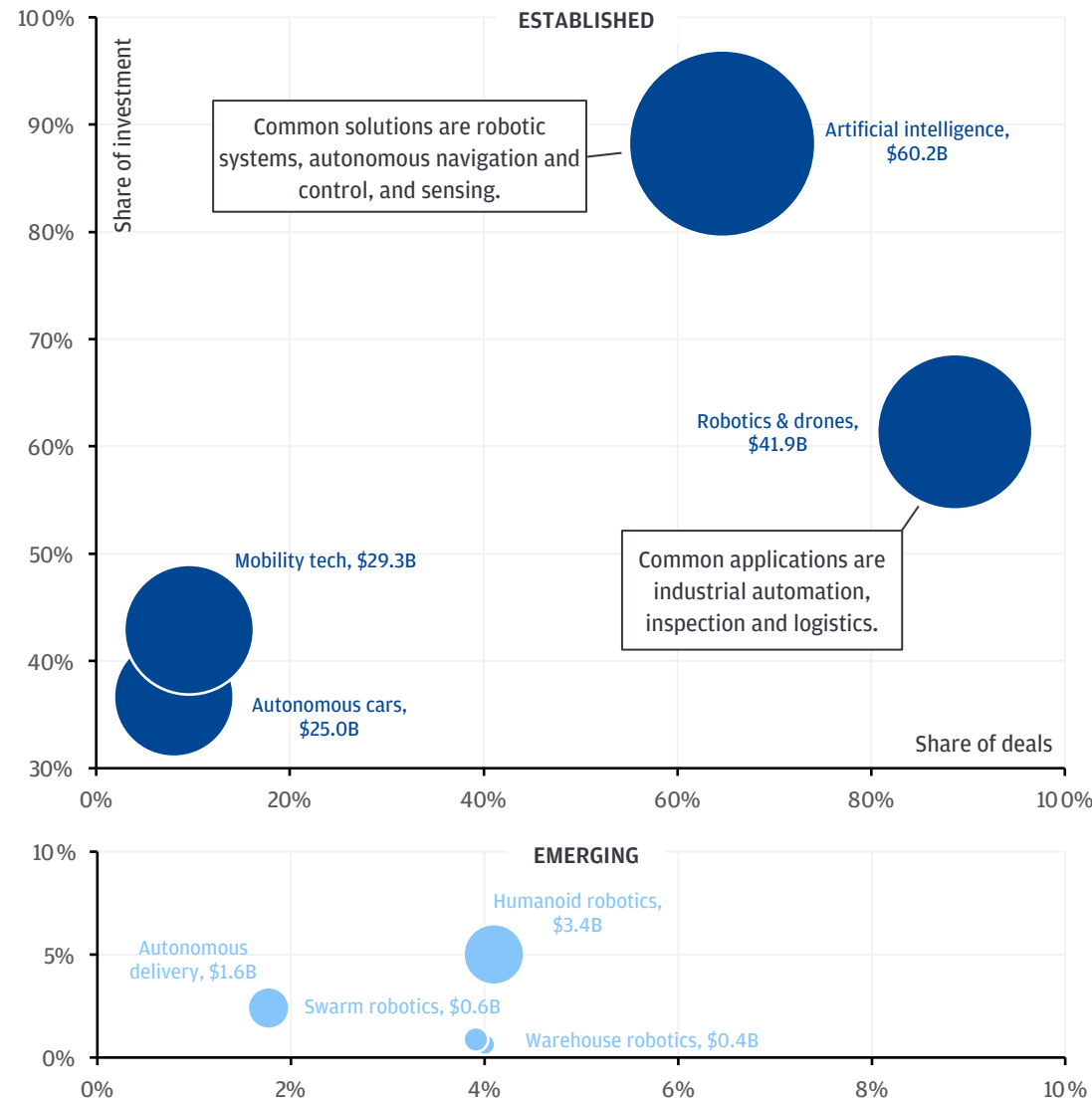


Median physical AI fundraising metrics for select sectors by series (H2 2024 - H1 2026)³

Venture investment in physical AI has accelerated as investors increasingly focus on technologies that expand capacity in the physical economy. The sector also appears to be maturing, reflected in a growing share of later-stage financings. Among the largest funding rounds since the start of 2025, many recipients have established manufacturing operations, suggesting increased emphasis on deployment and execution alongside technical capabilities. For earlier-stage companies, access to operating environments and evidence of repeatable deployments may play an important role in demonstrating commercial viability. At later stages, manufacturing capacity, operational scale and proprietary data generated through ongoing operations appear increasingly relevant. This shift is reflected in financing outcomes, with funding rounds often becoming larger as companies scale.

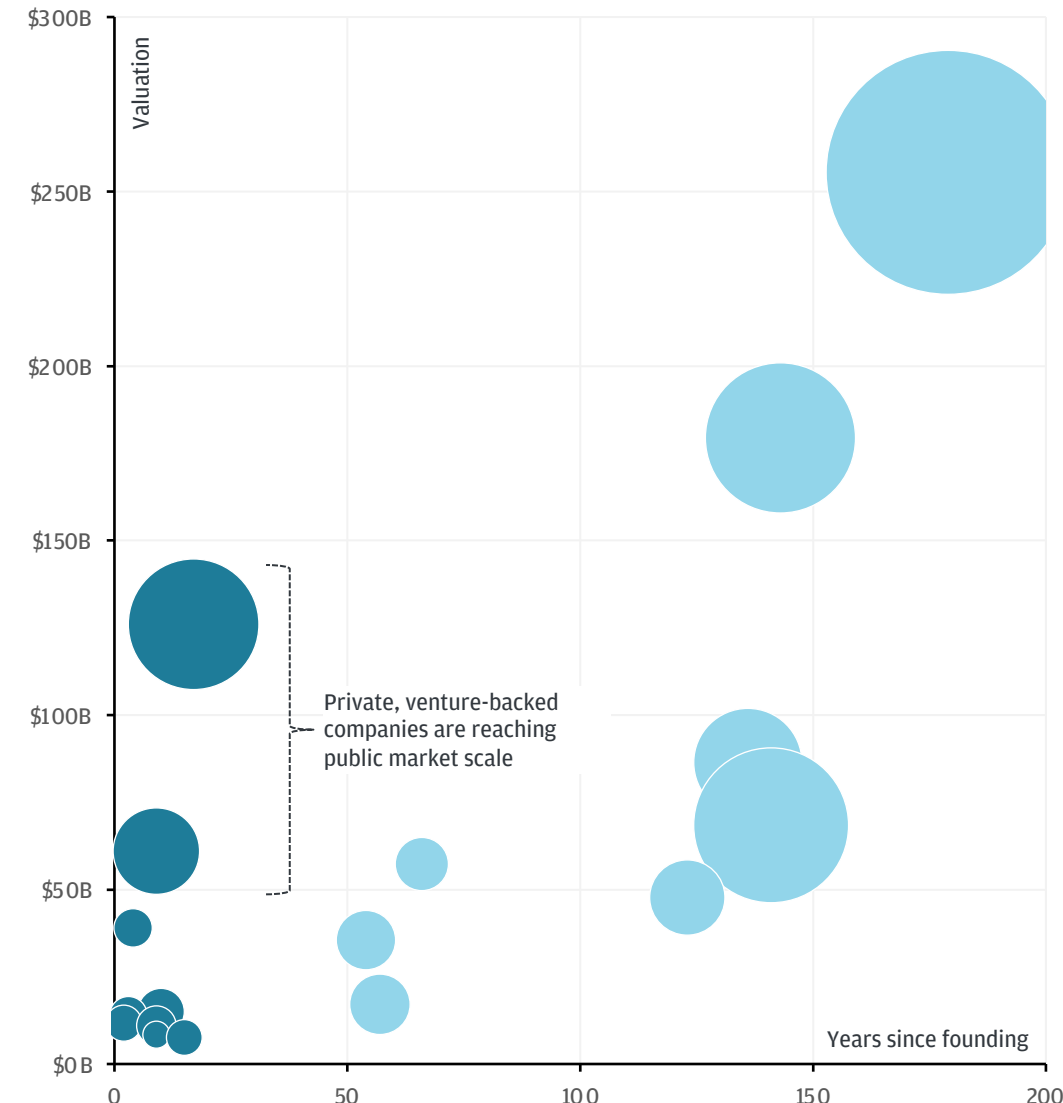
Risk versus reward: Bringing AI into the physical world

Unsurprisingly, AI and robotics dominate investment



Share of physical AI venture investment and deals (H2 2024 - H1 2026) by subsector¹

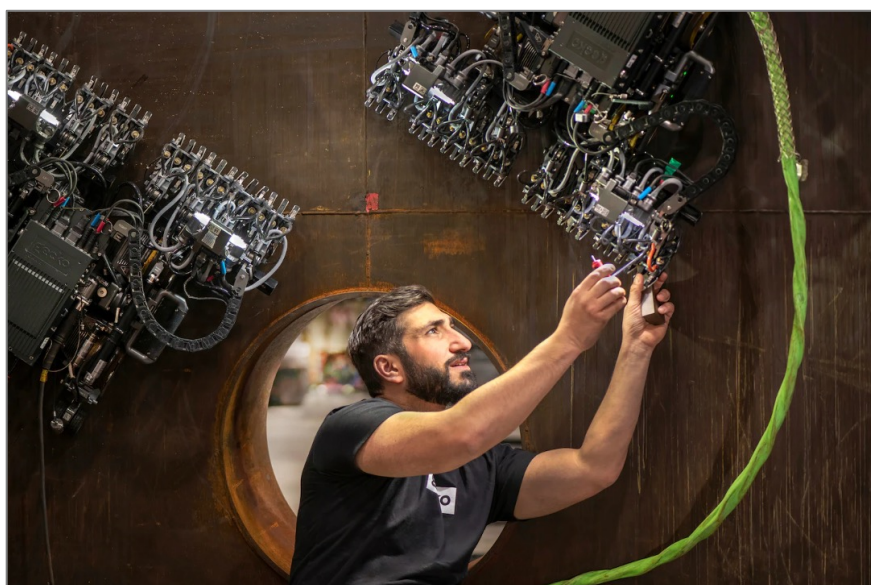
Sizable private players aiming to join public incumbents



Largest public and private (venture-backed) companies in physical AI by valuation²

Physical AI is extending automation beyond fixed, repetitive tasks toward systems that can interpret their surroundings and adapt to changing conditions. Adoption may emerge first in factories and warehouses, where structured environments make performance, safety and return on investment easier to measure. Broader applications, including humanoid robots and autonomous delivery systems, face additional challenges related to reliability, cost, integration and operation in less predictable settings. While long-term market forecasts vary widely, investor interest reflects the potential scale of these opportunities. Startups are increasingly using foundation models, including vision-language-action architectures, to improve robot training and flexibility. Emerging development efforts appear focused on combining these models with more advanced planning, reasoning and tool-use capabilities.

Notes: ¹ Sectors not mutually exclusive. Bubble size represents the total amount raised by each subsector during the period. ² Valuation for publics is market capitalization and post-money valuation for privates. Bubble size for publics is TTM revenue and total amount raised for privates. As of 8/31/2026. Source: PitchBook. Data has not been reviewed by PitchBook analysts.



JAKE LOOSARARIAN

Co-founder and CEO, Gecko Robotics

“The robotics industry is entering a defining period. Geopolitical races, labor shortages and the push to accelerate critical manufacturing using machines that can perform essential work in the real world.

At the same time, advances in AI are making robots more capable, adaptable and valuable across industries. The companies that succeed will be those that move beyond compelling demonstrations and deliver measurable economic improvements in productivity, resilience and growth.”

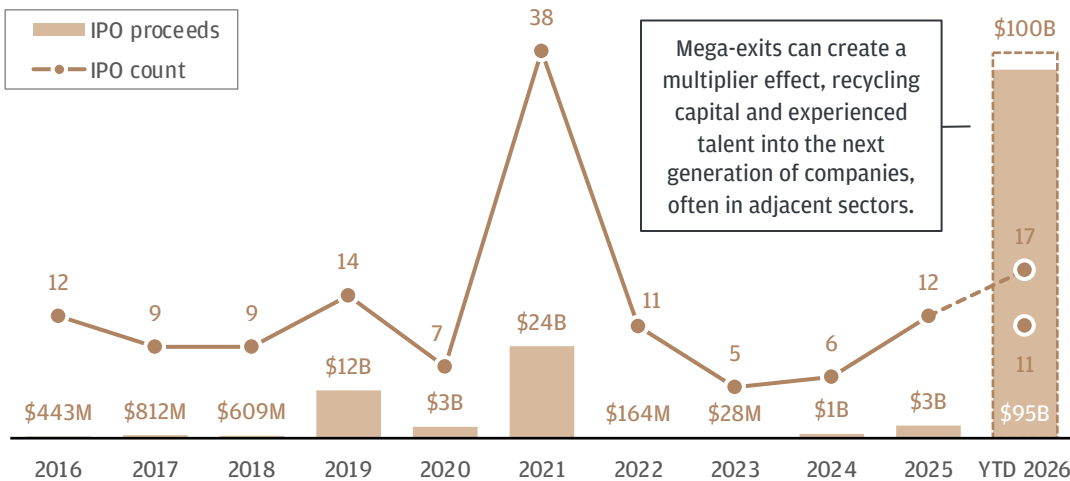
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Paths to exit



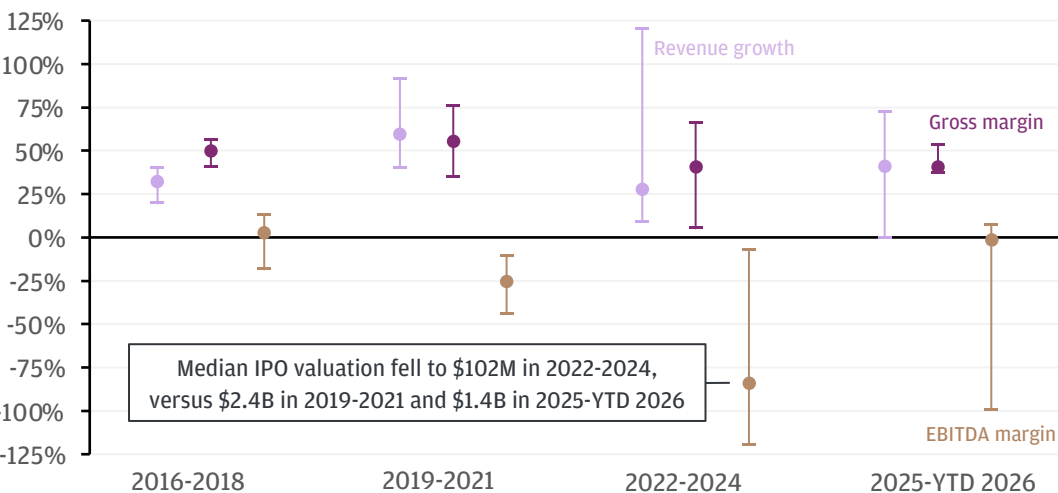
Applied tech IPOs rebound, but market reception remains uneven

Outlier aside, applied tech IPO exits on track for a good year



Annual U.S. applied tech venture-backed IPO activity^{1,2,3}

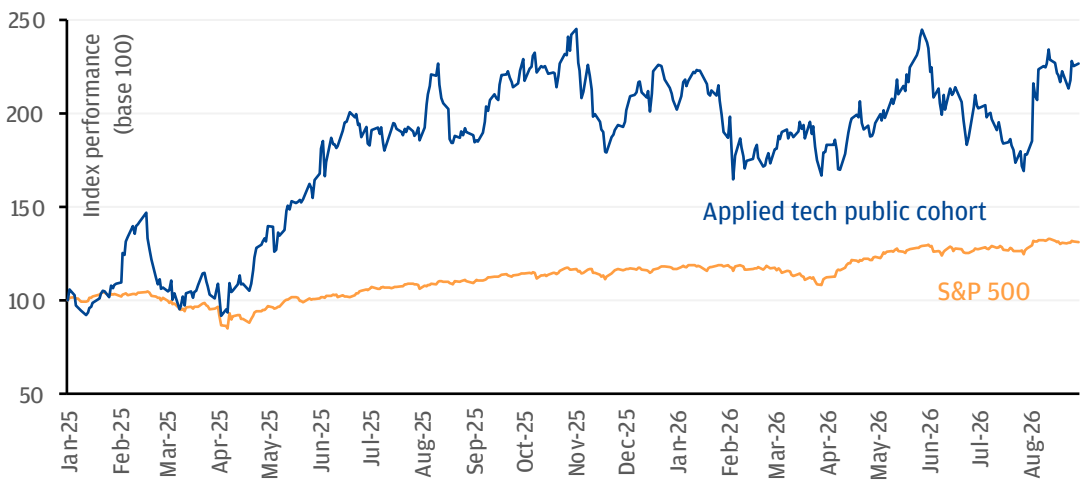
Operating profiles have shifted across applied tech IPO cohorts



Revenue growth, gross margin and EBITDA margin at IPO by cohort (25th, 50th and 75th percentiles)¹

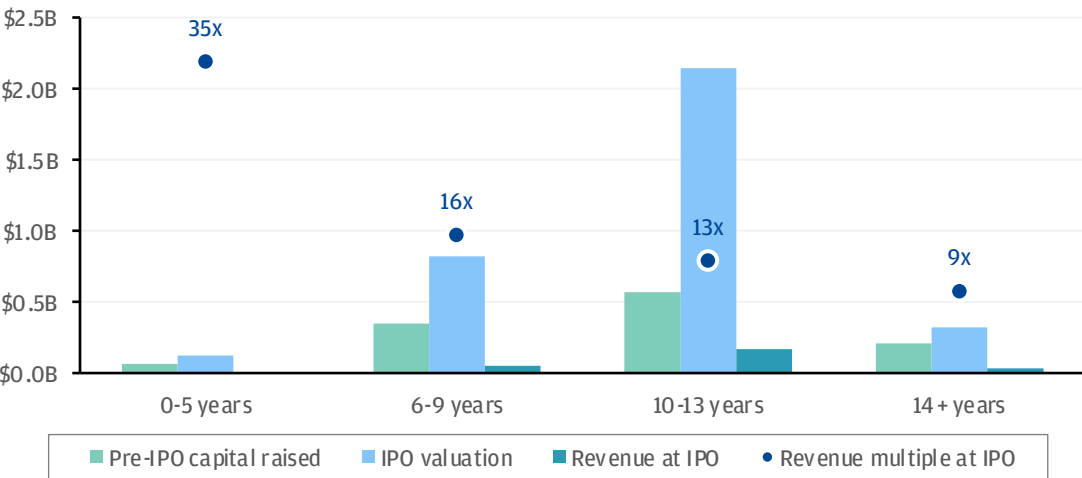
Notes: ¹ YTD 2026 reflects data through August 31, 2026. ² Dashed line denotes full-year 2026 extrapolation. ³ FY 2026 IPO proceeds extrapolation excludes SpaceX's \$86B in IPO proceeds to improve comparability. ⁴ Time-to-IPO is calculated as IPO year less year founded. Revenue multiple at IPO represents the median of company-level IPO post-money valuation divided by revenue at IPO and excludes unavailable or non-positive revenue observations and multiples of 500x or greater. ⁵ IPOs are anonymized and include only companies that were valued at \$1.2 billion or more at IPO. Sources: Company reports, PitchBook. Data has not been reviewed by PitchBook analysts.

Public applied tech companies outperforming the broader market



Indexed price performance of the applied tech public cohort and S&P 500, Jan. 2025 = 100

IPO valuation and revenue multiples vary by time to IPO

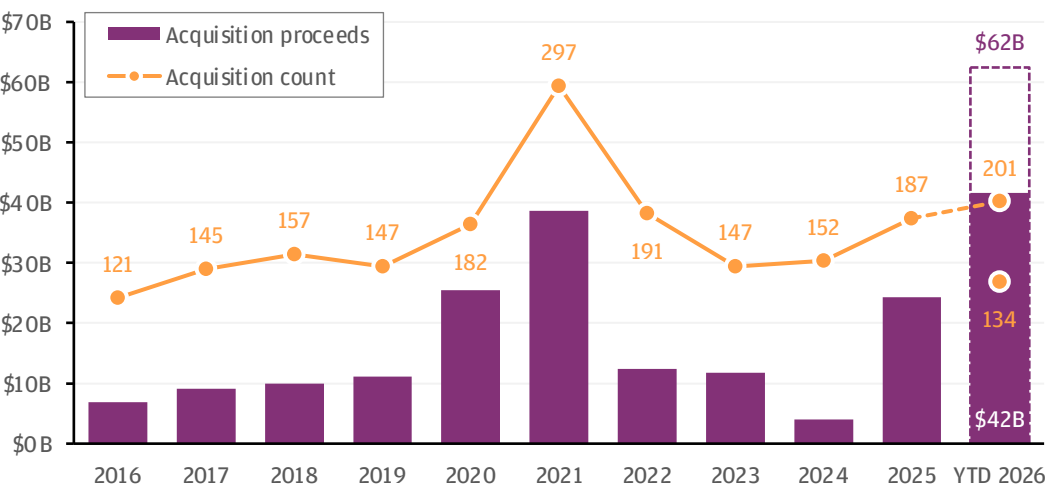


Median pre-IPO capital raised, IPO proceeds, IPO valuation and revenue multiple by time to IPO cohort⁴

Applied tech IPO activity accelerated in 2026, signaling renewed capacity for larger offerings. Based on a representative cohort, market performance for public applied tech companies has been strong, which could encourage private applied tech companies to go public. Companies that listed between 2019 and 2021 had strong growth profiles but typically were not yet profitable. Following a broad IPO lull during 2022 to 2024, when mainly smaller companies exited, recent IPOs have returned to scale, albeit with lower growth profiles and a wider range of profitability. Mapping time to IPO reveals that funding and scale generally increase with the time it takes applied tech companies to reach the public markets until roughly 14 years, after which they decline. It is worth noting that many companies in this cohort may have faced business model pivots, target market readiness challenges or prior unsuccessful exit attempts.

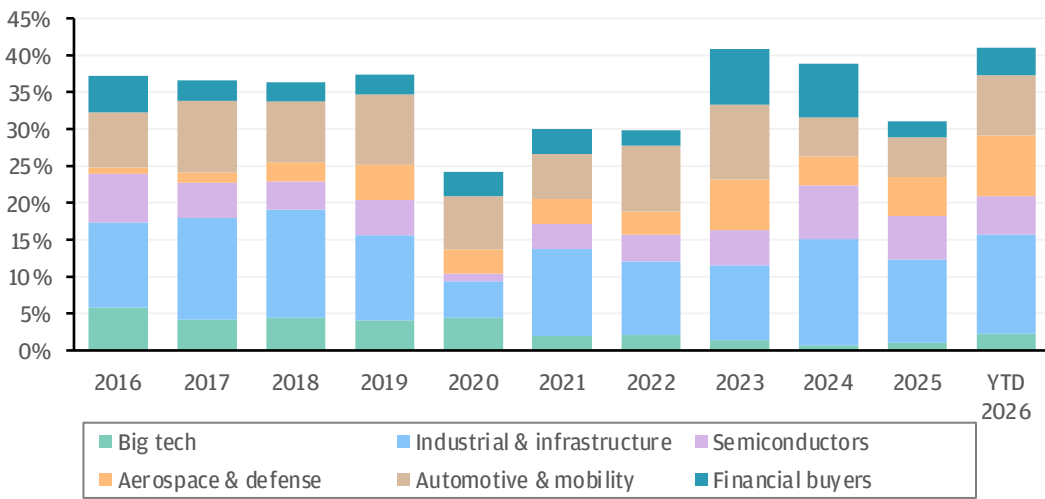
Applied tech acquisition activity reflects growing strategic demand

2026 is on pace to be a breakout year for acquisitions



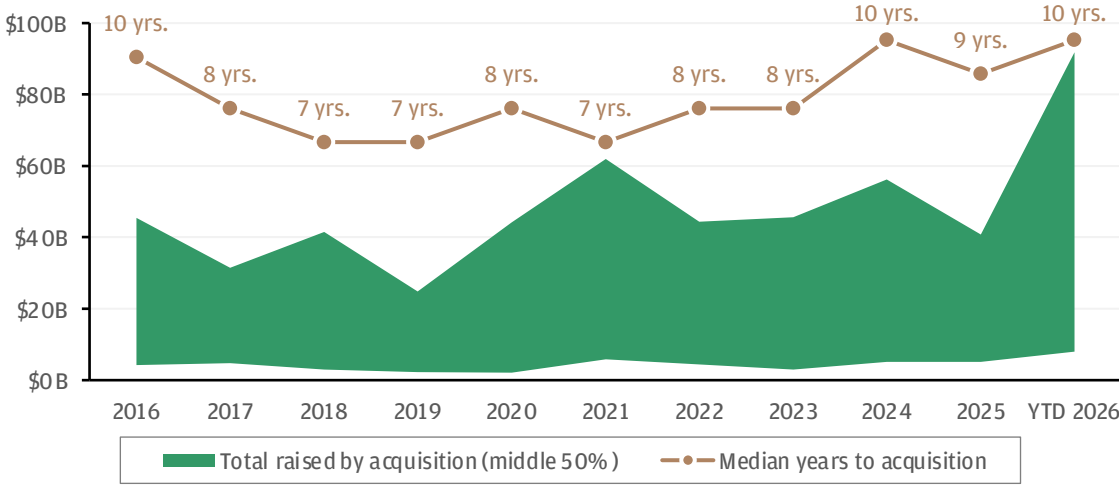
Annual U.S. applied tech venture-backed acquisition activity^{1,2}

Strategics dominate the applied tech buyer universe



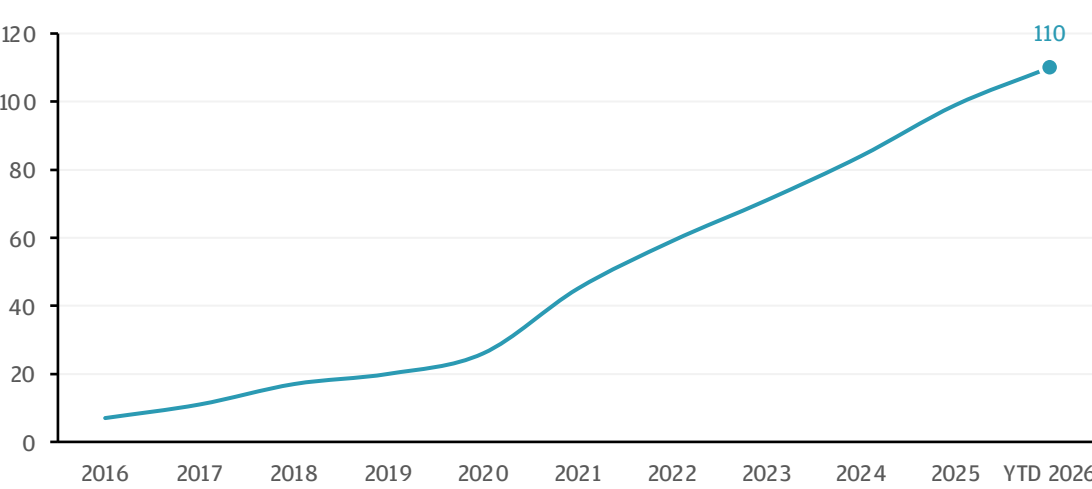
U.S. venture-backed applied tech acquisition share by acquirer type^{1,2,3}

Applied tech companies are raising more, exiting later



Applied tech median years to acquisition and middle 50% of capital raised prior to acquisition^{1,2}

Applied tech targets with prior government backing grow



Cumulative sum of applied tech acquisitions involving companies with prior U.S. government investment^{1,2}

Acquisition activity suggests that many strategic buyers increasingly view applied technologies as important capabilities to own rather than build, with 2026 on pace for record acquisition value even as IPO markets and broader liquidity conditions remain selective. A notable shift is that acquired applied tech companies often have substantially more capital invested than comparable targets in prior cycles, reflecting the larger rounds raised across AI infrastructure, defense tech, industrial automation and advanced manufacturing. Strategic acquirers continue to dominate the buyer landscape, using M&A to accelerate access to technology, engineering talent, customer relationships and market positions that can take years to build organically. As a result, acquisition activity has been concentrated around capabilities viewed as strategically important by acquirers.

Notes: ¹ Acquisitions include strategic M&A, PE buyouts and reverse mergers. The remaining share of acquisitions is not shown for readability. ² YTD 2026 reflects data through August 31, 2026. ³ Financial buyers includes private equity firms and other financial services firms. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

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