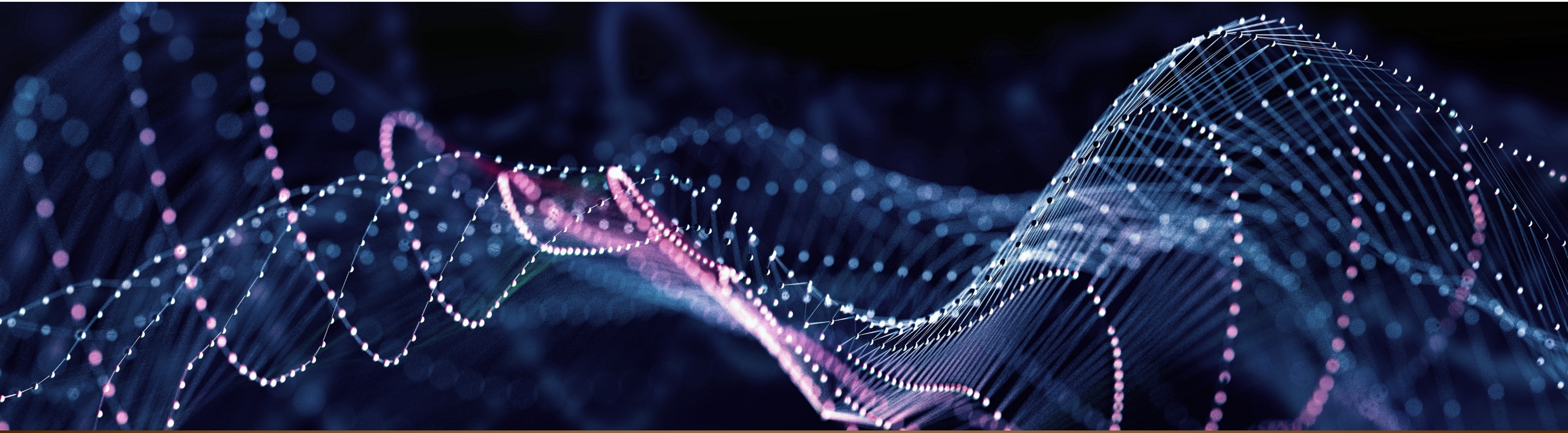
J.P.Morgan

INNOVATION ECONOMY

Innovation Economy Update

H2 2025



Executive summary

Despite a tumultuous macro environment, the venture ecosystem was active, driven by insatiable demand for transformative technologies like artificial intelligence (AI) and excitement around how new and existing industries can leverage it. Substantial capital was invested, on par with the 2021 peak venture period, but concentrated in fewer companies. For others, there was a sense of scarcity as certain sectors and regions drew investor attention, resulting in longer fundraising cycles and perhaps the need to consider alternatives. Overall, for those that raised capital, check sizes and valuations were favorable. However, one trend we are watching closely is the decline in follow-on rounds. Exit markets in 2025 delivered several bright spots, including several large IPO and M&A deals that generated higher proceeds than in recent years. We are hopeful this return of capital will spark a strong 2026.

- John and Andrew

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Co-Head of Innovation Economy

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Co-Head of Innovation Economy

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Head of Innovation Economy Insights

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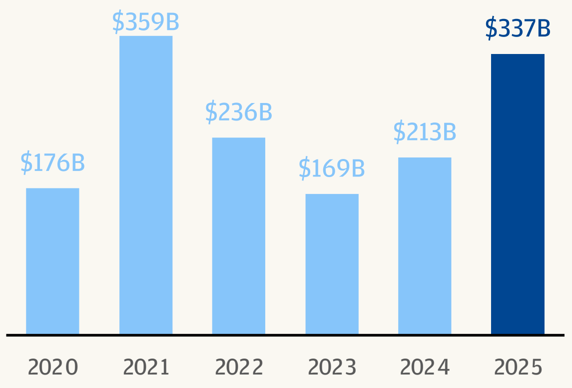
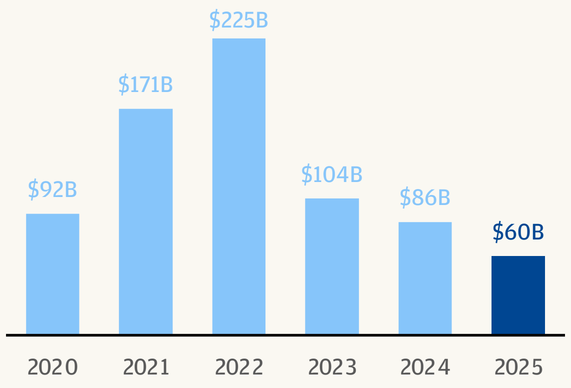
J.P. Morgan Innovation Economy dashboard: 2020-2025

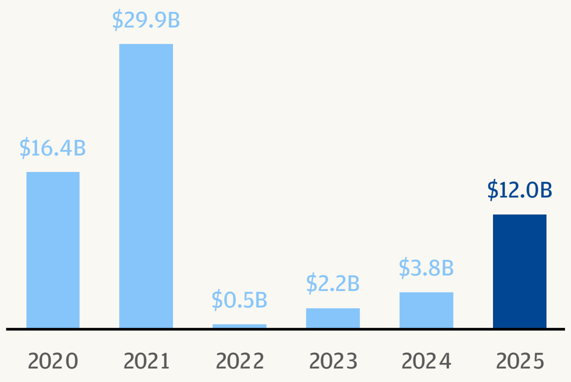
VENTURE DOLLARS INVESTED[3]



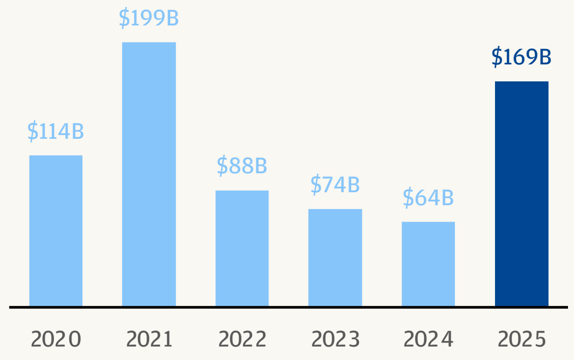
VENTURE FUNDRAISING



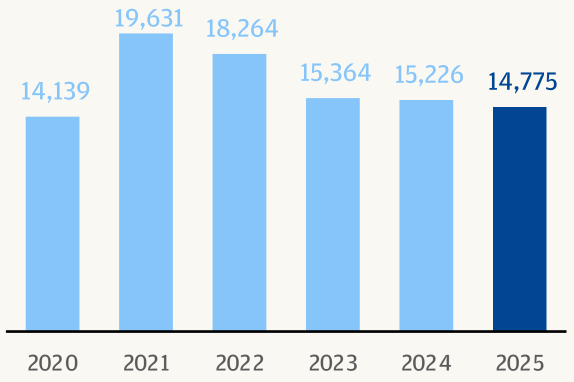
TECH IPO PROCEEDS[1,2,3]



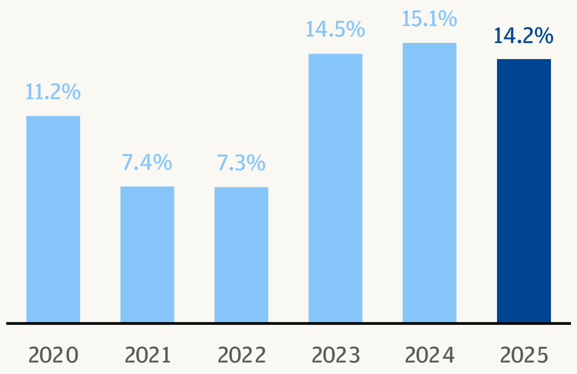
M&A PROCEEDS[1,3]



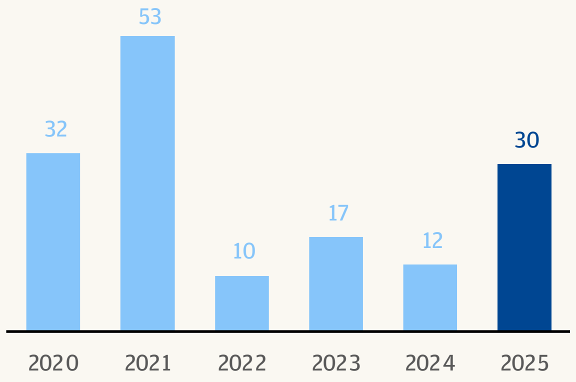
VENTURE DEAL COUNT



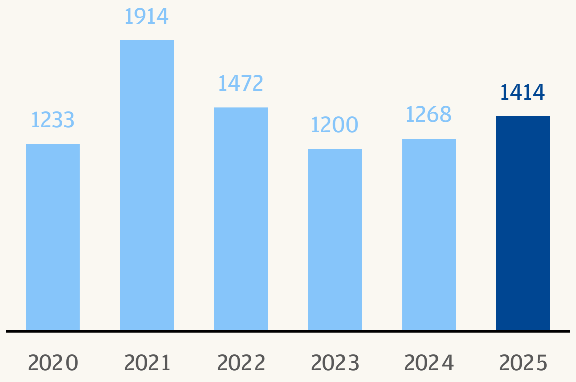
DOWN ROUNDS



TECH IPO COUNT[1,2]



M&A DEAL COUNT[1]



Notes: [1] Includes IPOs and M&A transactions in which the company going public or being acquired is U.S.-based and was venture-backed prior to the transaction. M&A includes strategic acquisitions, buyouts and reverse mergers. [2] Includes only companies listed on major U.S. exchanges. [3] Includes only deals with a disclosed transaction amount.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

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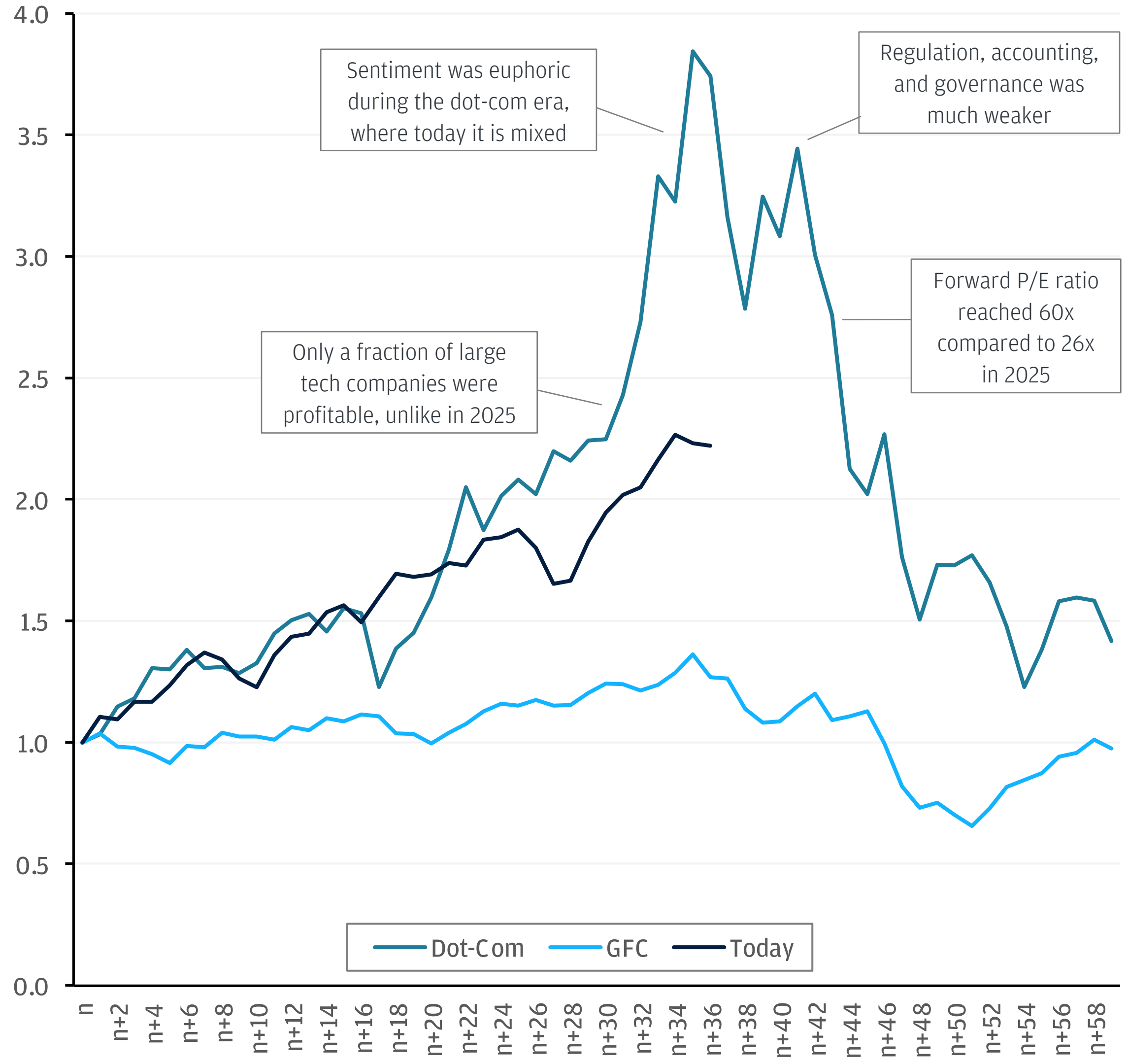
01 | Macro themes

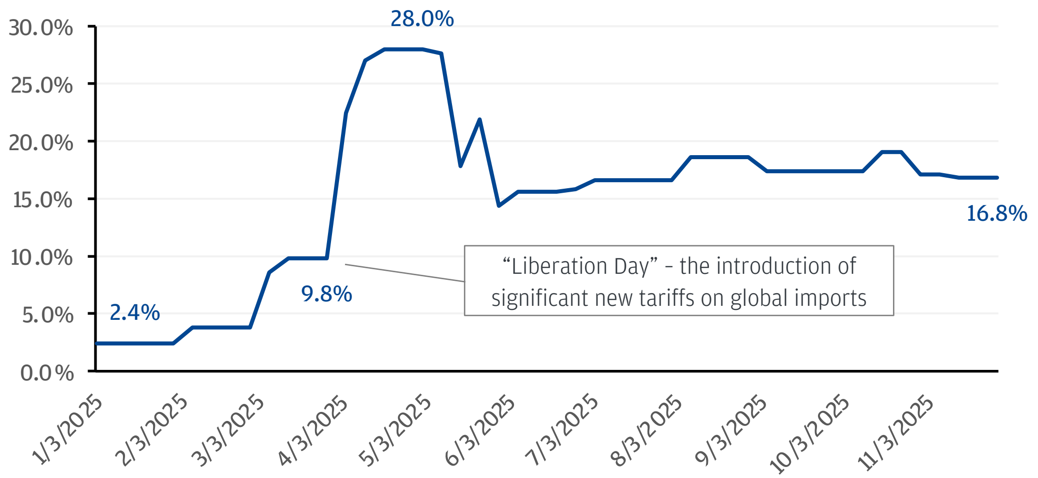
Macro trends provide plenty for founders to think about

BUBBLY, BUT FEARS OF ANOTHER DOT-COM MIGHT BE OVERBLOWN



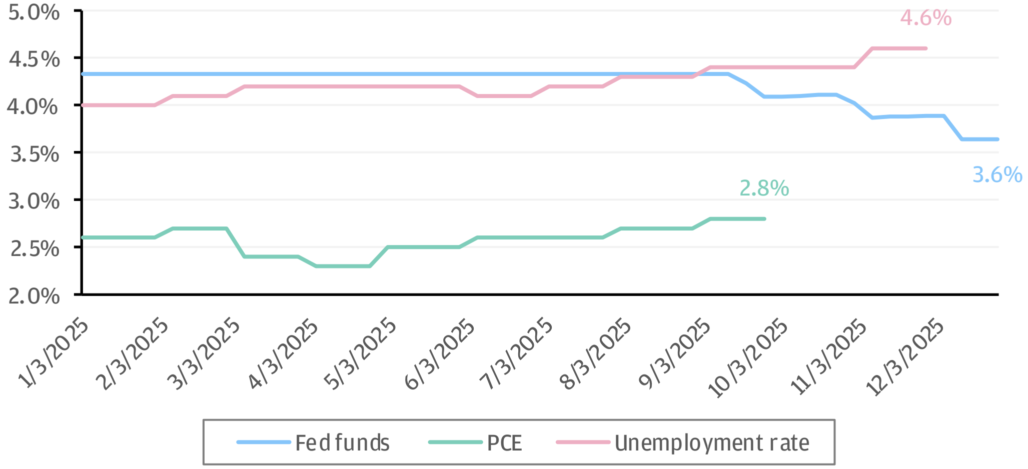
NASDAQ Composite indexed through select periods[1]

TARIFFS A NEW CONSIDERATION FOR MANY FOUNDERS



U.S. average effective tariff rate, 2025

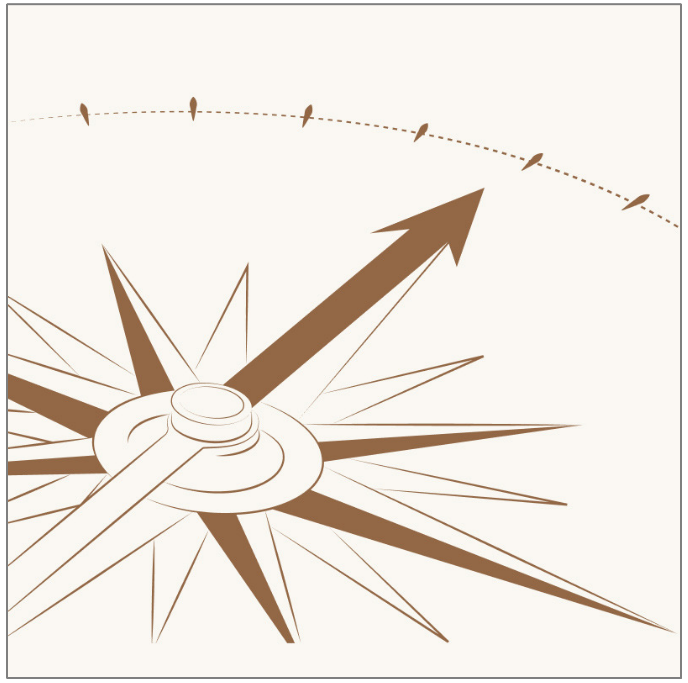
PRIORITIZED FED DECISION DATA CREEPS UP



Major macroeconomic fundamentals in 2025 prioritized by the Federal Reserve Board[2]

Public markets have been on a strong run since the start of 2023, driven in large part by the technology sector. This, in parallel with record AI investment, has brought fears of a bubble. However, compared to the most notorious technology-driven bubble, today's technology companies are much more robust. Tariffs are a new proposition for many founders, with the average effective tariff rate rising from 2.4% to 16.8% as of December 2025. Based on the 2026 J.P. Morgan Business Leaders Outlook survey, tariffs are one of the top five challenges for innovation economy leaders. Other top concerns are: uncertain economic environment (45%), availability of capital (40%) and government policy changes (36%).[3]

Notes: [1] Dot-Com refers to the dot-com bubble, GFC refers to the Global Financial Crisis. Period shown is in months, three years prior to index peak, five-year period shown. [2] Fed funds is the federal funds effective rate, PCE is personal consumption expenditures. [3] J.P. Morgan BLO survey.
Source: Nasdaq; The Budget Lab at Yale; FRED; J.P. Morgan.



CORPORATE FINANCE ADVISORY

J.P. Morgan 2026 Corporate Compass:
State of the Art vs. The State

The full report can be found here.

The macro environment is at a crossroads between innovation and geopolitical uncertainty

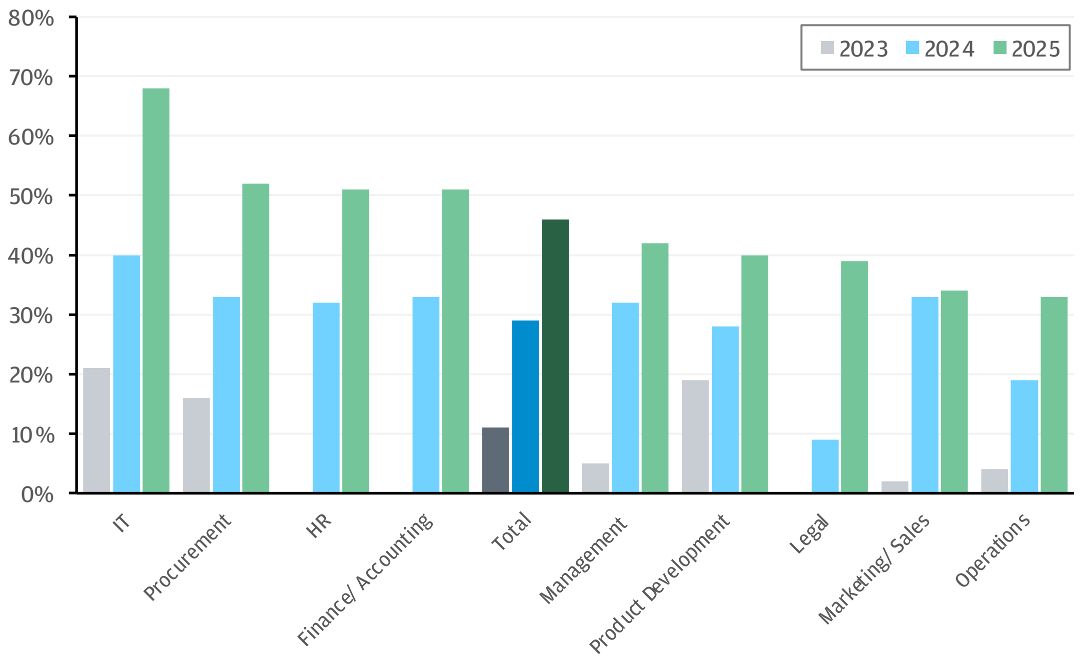
Artificial intelligence and hyperscalers' long-term growth trajectory continue to dominate markets and underscore the premium investors place on scale. At the same time, significant policy volatility in the U.S. is straining the legal and regulatory predictability that firms seek as they look to the future. Together, this tension has created a macro backdrop in which uncertainty is the new norm and markets reward those who consistently demonstrate focused, targeted growth that can persist in a wide range of economic scenarios.

Firms are increasingly evaluating whether to "go big" or "go private"

In 2025, transformative M&A deals, i.e., deal values greater than 50% of the acquirer's enterprise value, reached their highest point since 2020, and global take-private deal volumes reached nearly $400 billion—the highest in 10 years. While strategic, synergistic M&A has been a priority for large corporates, macro environment uncertainty is increasingly shaping smaller firms' decision-making. In addition to current valuation levels, the flexibility of private market capital is driving more small- to mid-cap firms to go private. Over time, these companies may re-emerge as larger, public firms.

AI poised to become the next platform shift

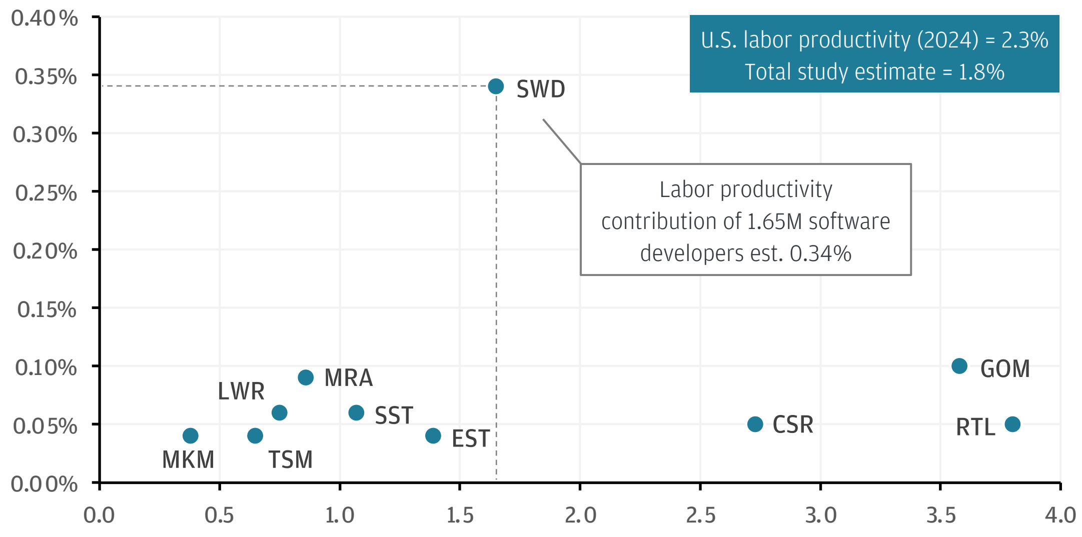
AI ENTERPRISE ADOPTION ON THE RISE



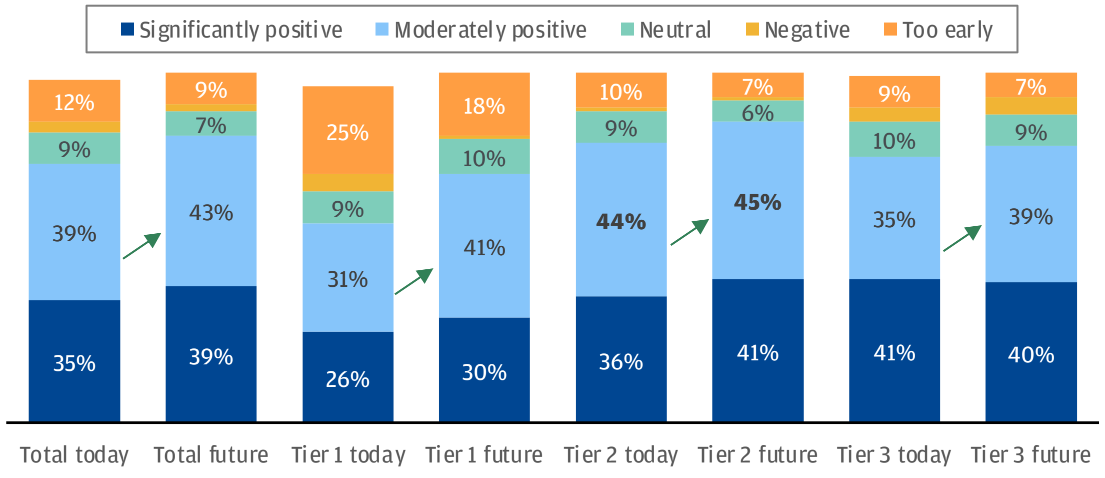
GenAI daily use in the workplace by functional area[1]

Top purposes of current GenAI use[1]

AI CRACKS THE HOLY GRAIL FOR BUSINESSES' PRODUCTIVITY



Labor productivity contribution by occupation[2]



Return on investment by firm size (Tier 1 = $2B+ annual revenue, Tier 2 = $250M-$2B, Tier 3 = <$250M)[1]

A counterweight to some of the concerns around an AI bubble is the growing adoption of the technology, especially in the IT sector. While estimates vary, the trend of increasing enterprise AI adoption is clear, particularly for structured tasks. At J.P. Morgan, we now have more than 450 AI and ML use cases in production supporting a range of business activities, including risk management, payments processing, trade optimization, customer service and personalized client marketing. Improving productivity is a big part of AI's value proposition, especially in areas like software development. Even though we are a few years into the current AI wave, companies of all sizes are realizing the payoff, especially mid-size businesses.

Notes: [1] From the "Accountable acceleration: GenAI fast-tracks into the enterprise" survey. [2] From the "Estimating AI productivity gains from Claude conversations" report. Abbreviations; MKM = marketing managers, SWD = software developers, GOM = general & operation managers, MRA = market research analysts, SST = secondary school teachers, LWR = lawyers. CSR = customer service representatives, RTL = retail salespersons, TSM = IT systems managers, EST = elementary school teachers.
Source: Wharton-Human Research and GBK Collective; Anthropic.

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02 | Investment themes

CARLY RODDY

Managing Director,

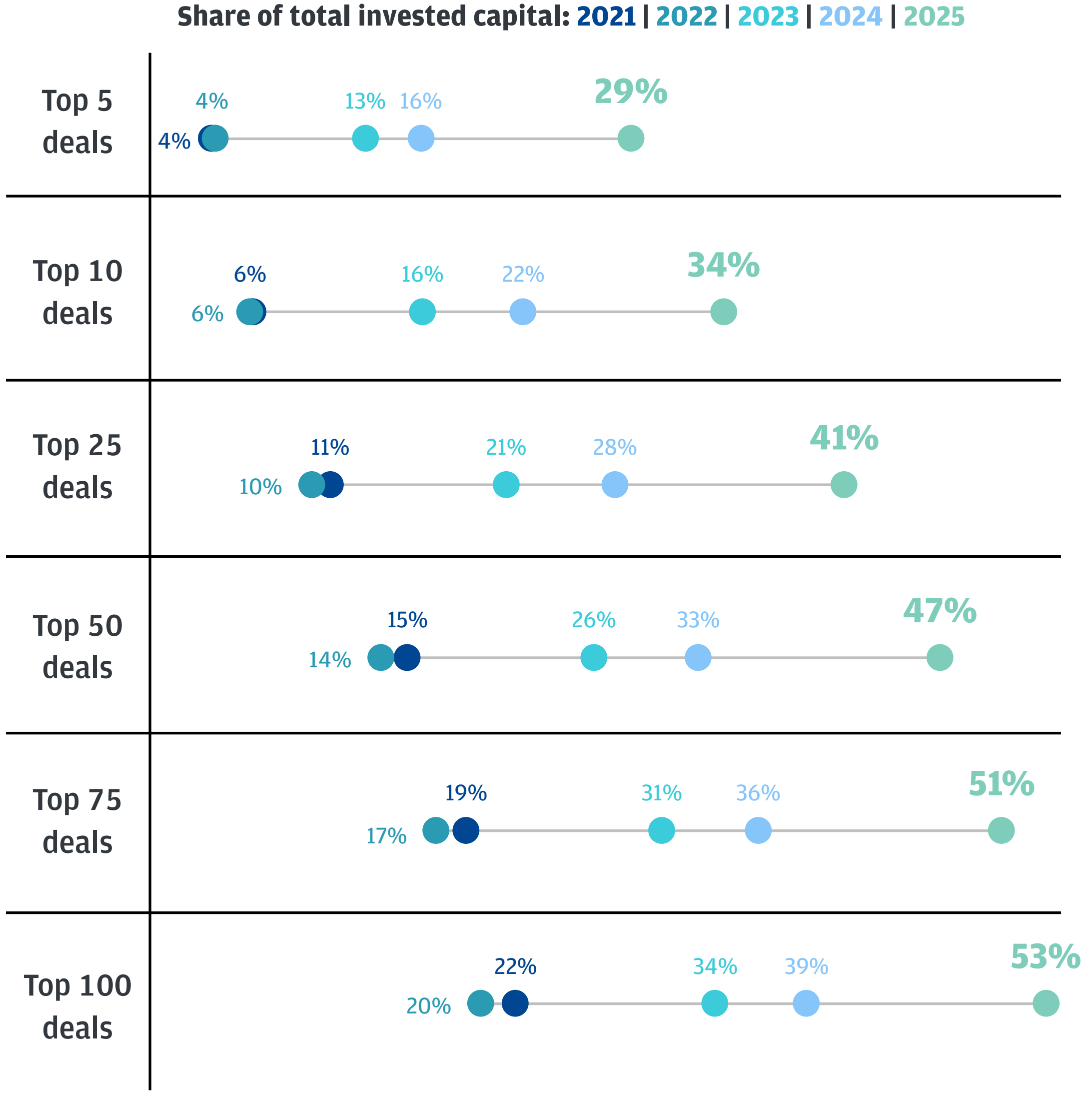
Co-head of Venture Capital Relationships

Capital concentration and AI are reshaping venture

2025 has been a dynamic year. Capital was highly concentrated, with several outsized AI rounds reshaping how companies are financed and how investors underwrite risk. This year saw many AI Seed rounds pricing at post-money levels that would have resembled Series A two years ago, reflecting how quickly these businesses can scale. Still, many investors are choosing to enter early to secure access before valuations move further, while others prefer to engage later when customer adoption, unit economics and category leadership are clearer. The result is a barbell, with capital clustering at the earliest and later entry points, and a higher bar for opportunities in between as the line between “early” and “later” continues to blur. Secondaries are becoming a more common tool to manage exposure and reward teams, even as late-stage pricing resets toward reality. In the new year, while the ability to scale revenue quickly will likely remain a key signal for investors, many will also look for durable revenue, a repeatable customer acquisition and expansion model, and solid unit economics. Demonstrating steady gains in retention, margin expansion, revenue per employee and cash efficiency alongside growth is expected to be well received.

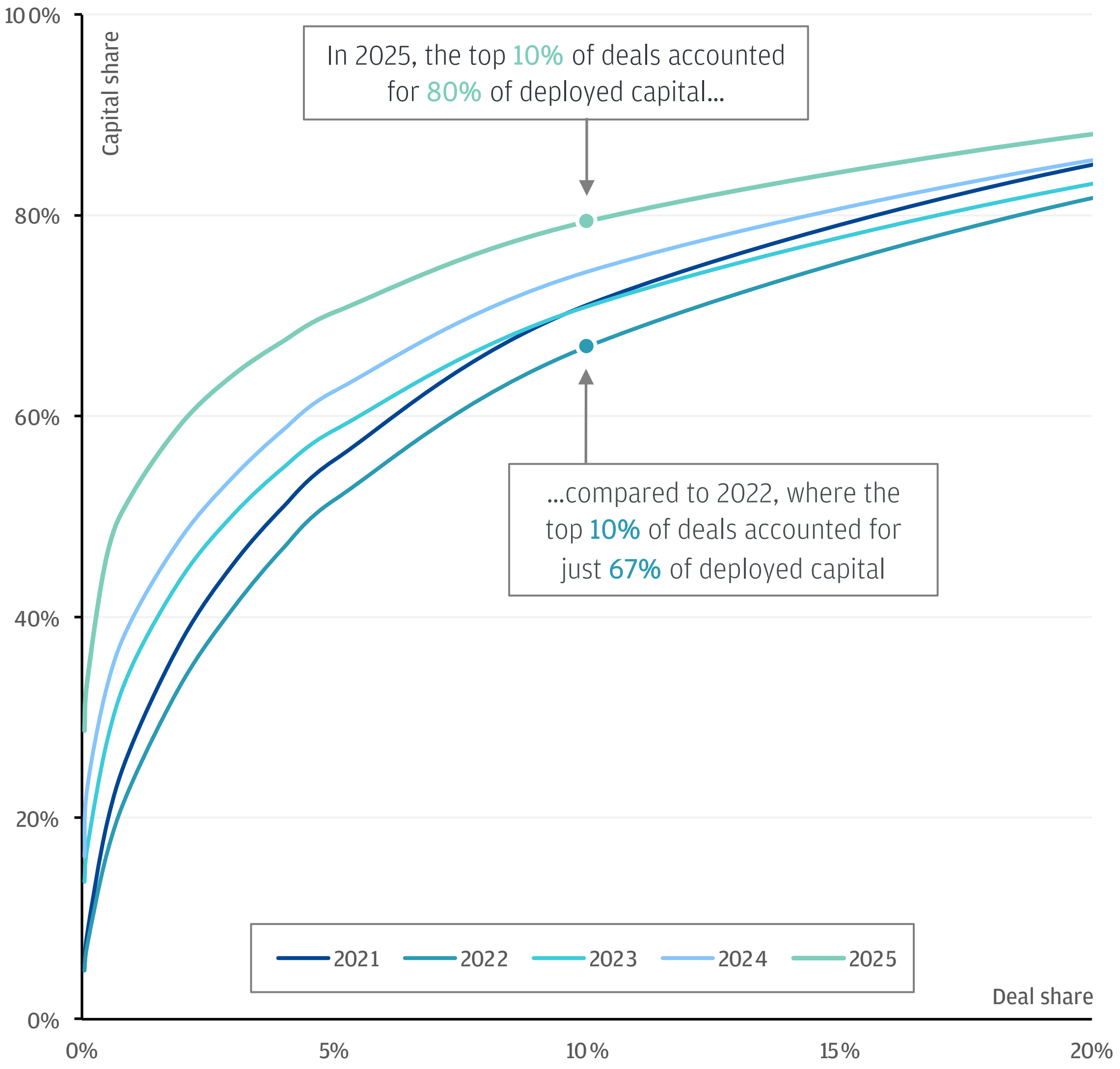
Concentration: Investment gravitates to $1B+ deals

2025 PULLED MORE CAPITAL INTO FEWER DEALS



Capital concentration by deal tier (2021-2025)[1,2]

CAPITAL DEPLOYMENT RESEMBLED THE POWER LAW (IN 2025)



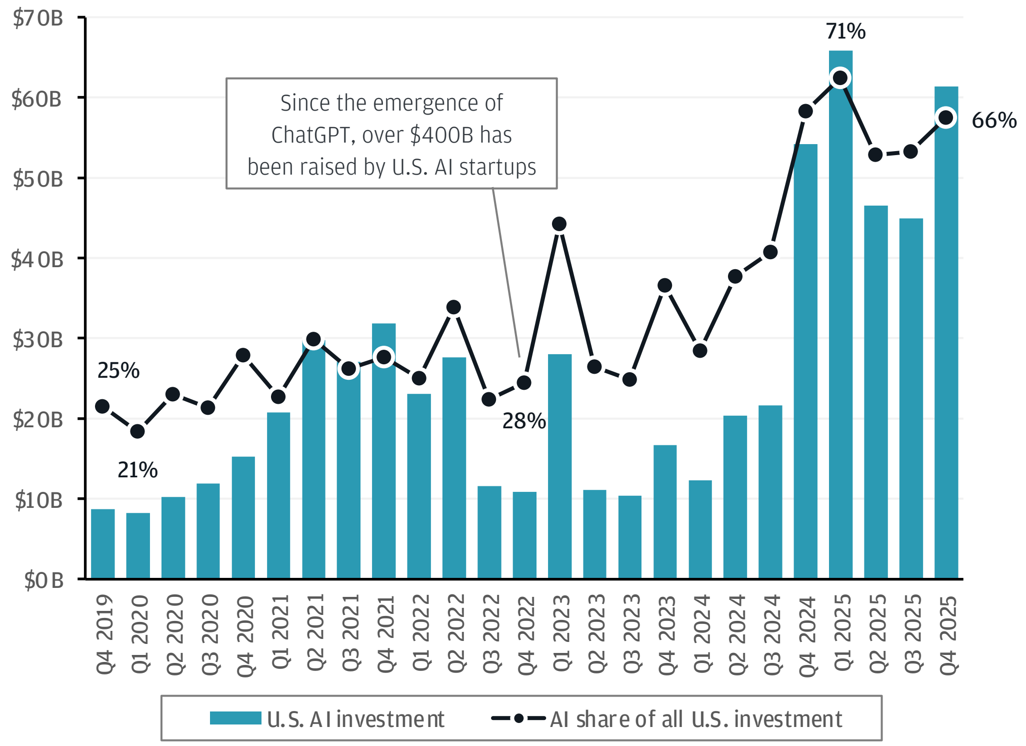
Capital distribution by deal share (2021-2025)[2]

Capital concentration became one of the defining themes of 2025, driven in large part by a handful of AI companies raising exceptionally large rounds. The top five deals captured nearly one-third of all deployed capital—reflecting a market that allocated large sums of capital to companies viewed as leaders in the next wave of technological innovation. This degree of concentration points to an uneven fundraising environment. While capital flowed heavily toward a small set of companies building in capital intensive sectors such as AI and defense, many companies outside of these areas faced a more discerning fundraising environment.

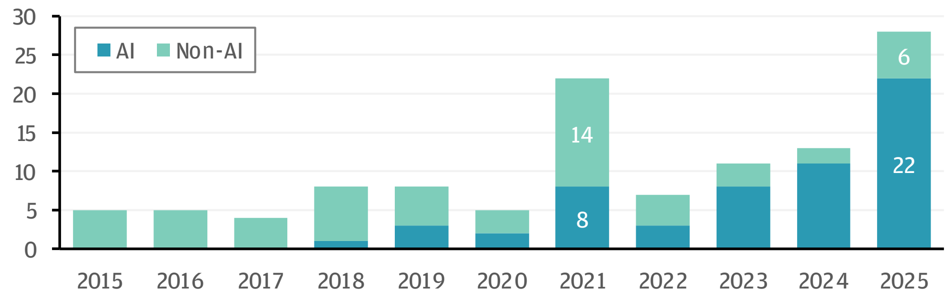
Notes: [1] Deal tiers are defined by capital invested per deal; for example, "Top 25 deals" represents the 25 largest venture rounds by dollar amount. [2] Includes only deals with disclosed deal sizes.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Artificial intelligence: Investors are all-in on AI

AI STARTUPS DOMINATE VENTURE FUNDRAISING

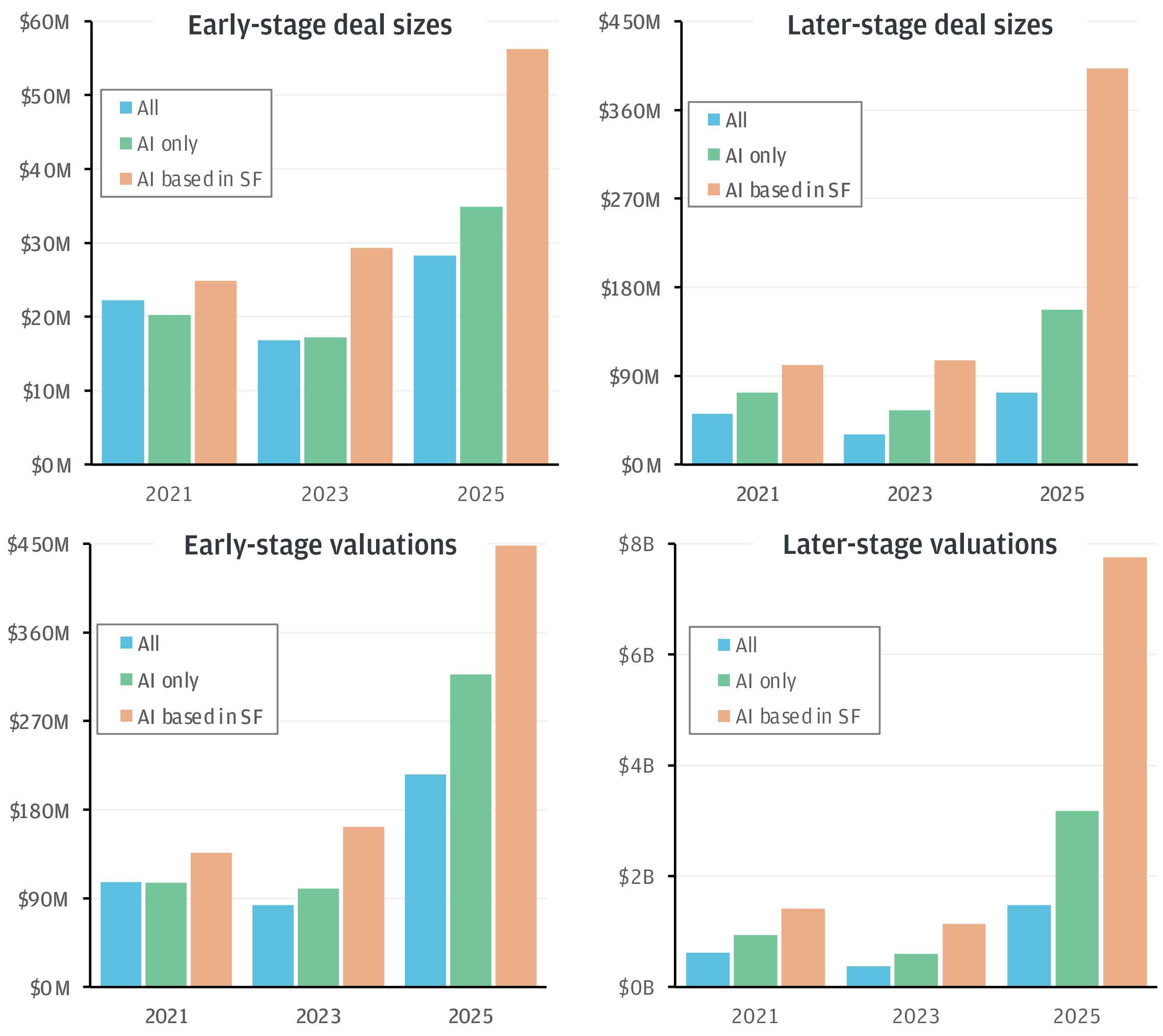


U.S. AI venture investment



U.S. venture rounds greater than or equal to $1 billion, by focus

COMPETITION FOR AI DEALS SPIKES PRICES



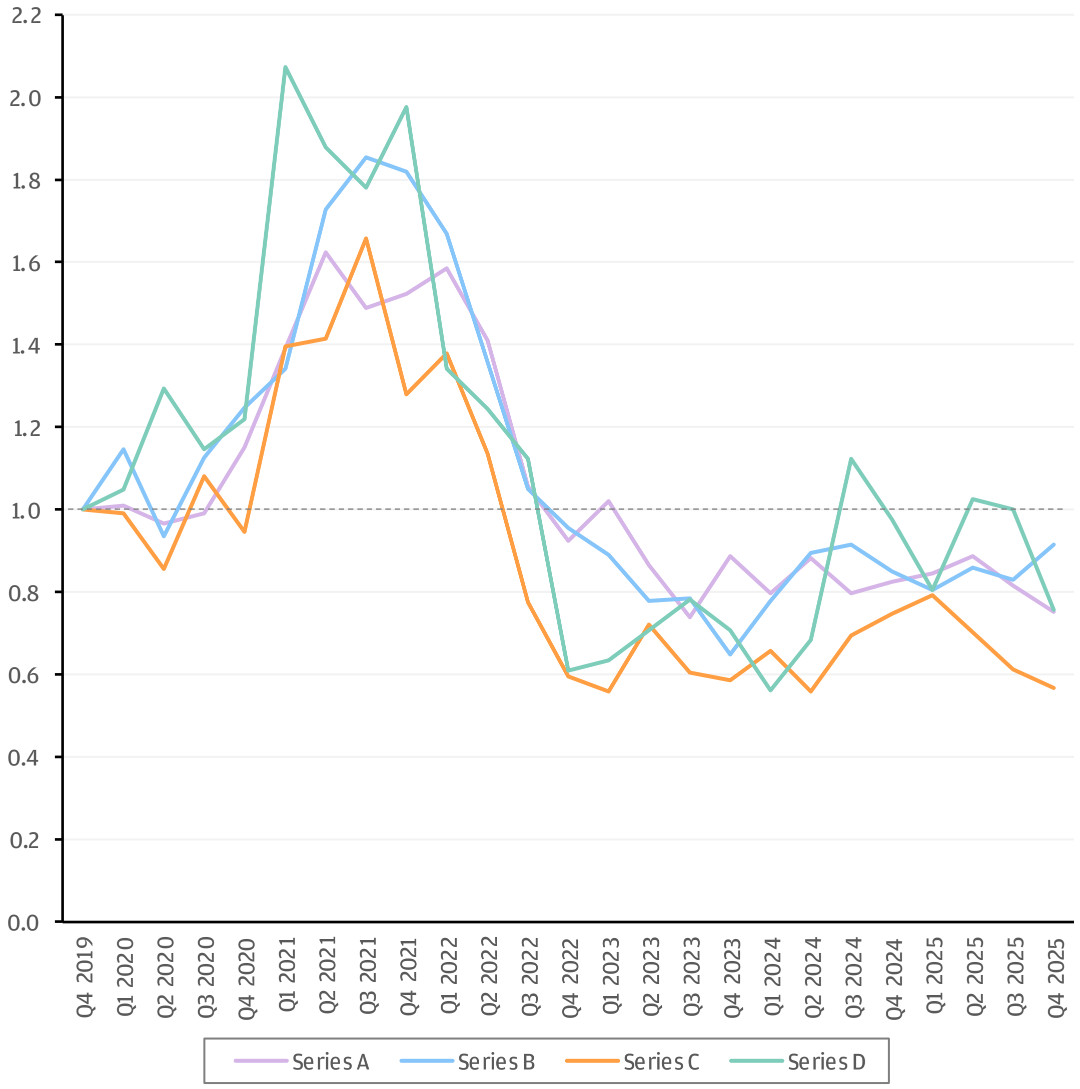
Average deal sizes and pre-money valuations by stage, focus, and location

The amount of capital being invested in AI has risen dramatically, particularly in 2025. AI's share of all venture investment went from 21% in Q1 2020 to a high of 71% in Q1 2025, in part due to substantial deal sizes, including many over $1 billion. Broadly, AI startups have benefited, with larger deal sizes and valuations; however, this has been particularly pronounced at the epicenter of the current AI wave—San Francisco. Of the 10 largest pure-AI rounds in 2025, seven were for companies based in the city, with only one outside the Bay Area. Similar to what drove an abundance of capital in 2021, there is high representation of non-traditional investors, including big tech, private equity, sovereign wealth funds and asset managers.

Source: PitchBook. Data has not been reviewed by PitchBook analysts.

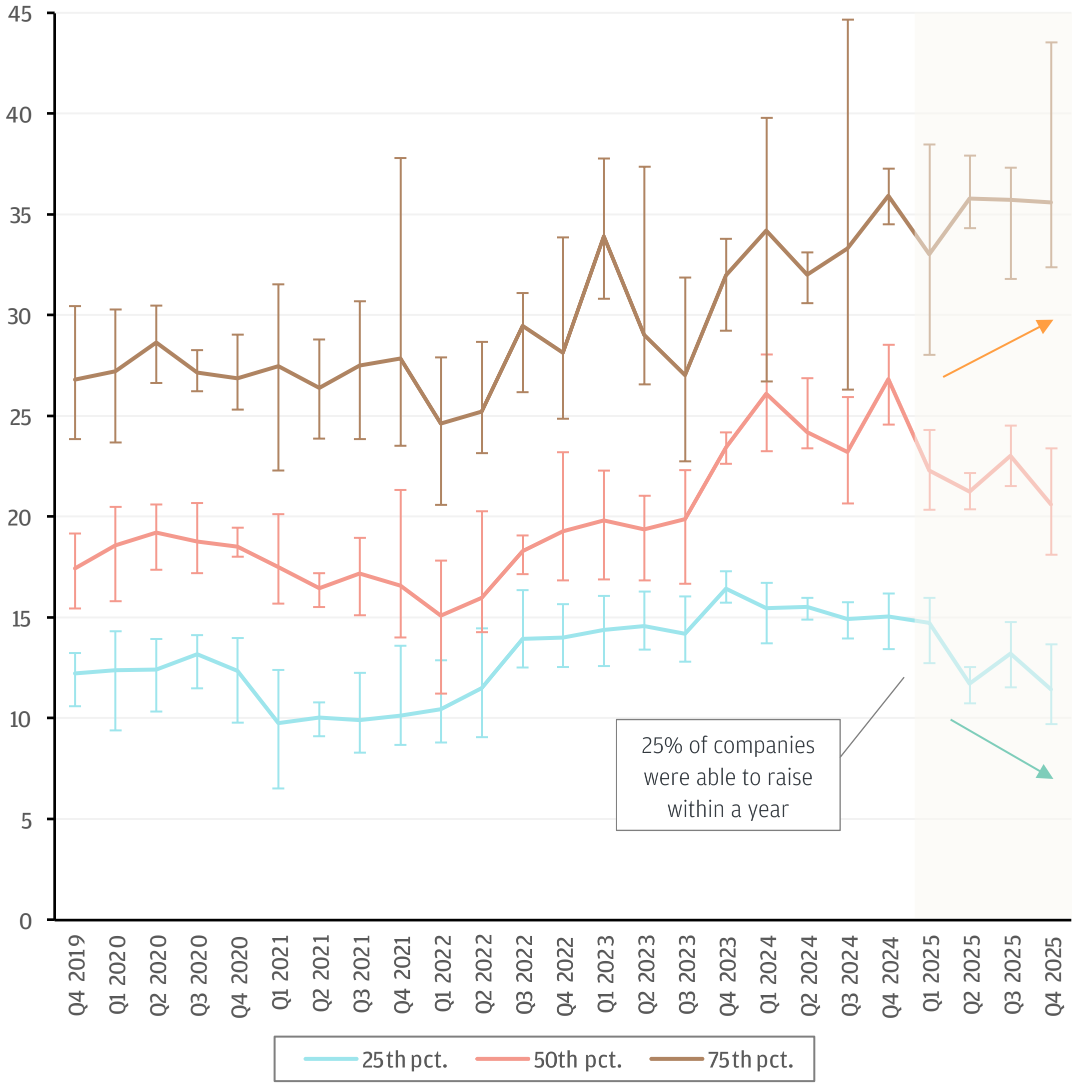
Scarcity: Sparse deal activity leaves many waiting (longer)

DEAL ACTIVITY REMAINS BELOW PRE-PANDEMIC LEVELS



Deal count trajectories by series, indexed to Q4 2019 (1.0)

THE LONGER YOU WAIT (TO RAISE), THE LONGER IT TAKES



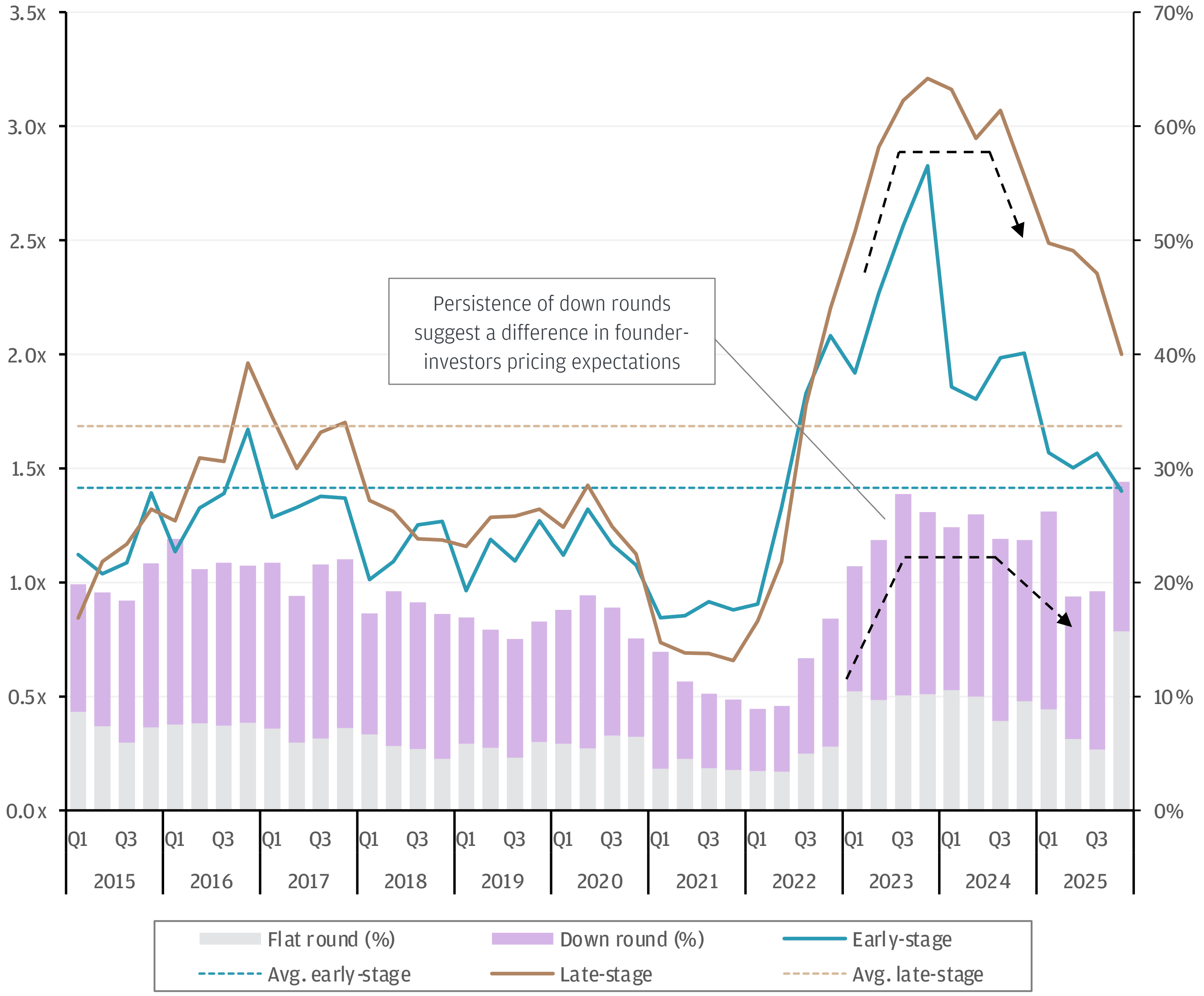
Distribution of time between venture rounds (months) by percentile[1]

In 2021, approximately $360 billion of capital was invested across nearly 20,000 deals. A similar amount of capital was deployed (~$340 billion) in 2025, but across roughly 25% fewer deals (~14,800). The lower spread of capital has contributed to a divergence in the time it takes companies to raise a venture round in 2025, with some able to raise more quickly and others more slowly than before. Part of this could be influenced by the speed at which AI startups are finding adoption and growing revenue. According to an a16z analysis, the median enterprise company reached more than $2 million in ARR in its first year; consumer companies performed even better, reaching $4.2 million in ARR. The previous target of $1 million ARR is now toward the lower end of the range observed in the data.

Note: [1] Cohort includes Series A, B, C and D raises. The variance between series was negligible, whereas the variance by percentile was significant.
Source: a16z; PitchBook. Data has not been reviewed by PitchBook analysts.

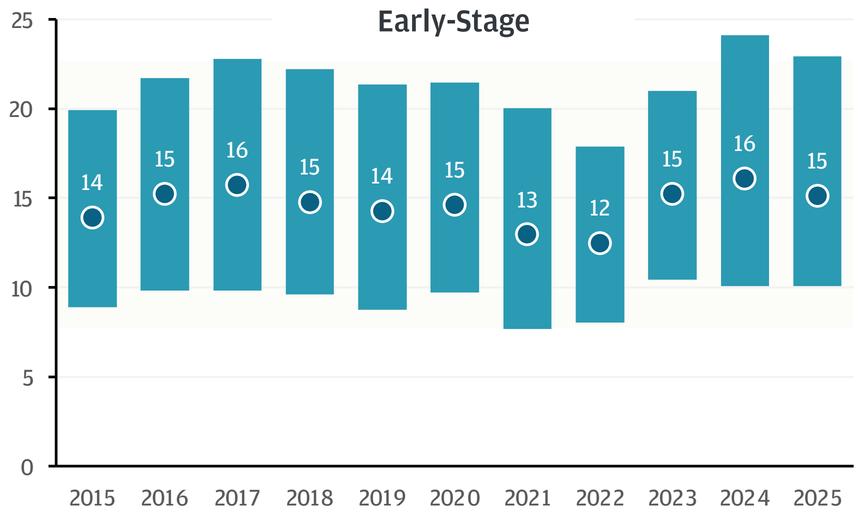
Divergence: Early- vs. later-stage fundraising fortunes split

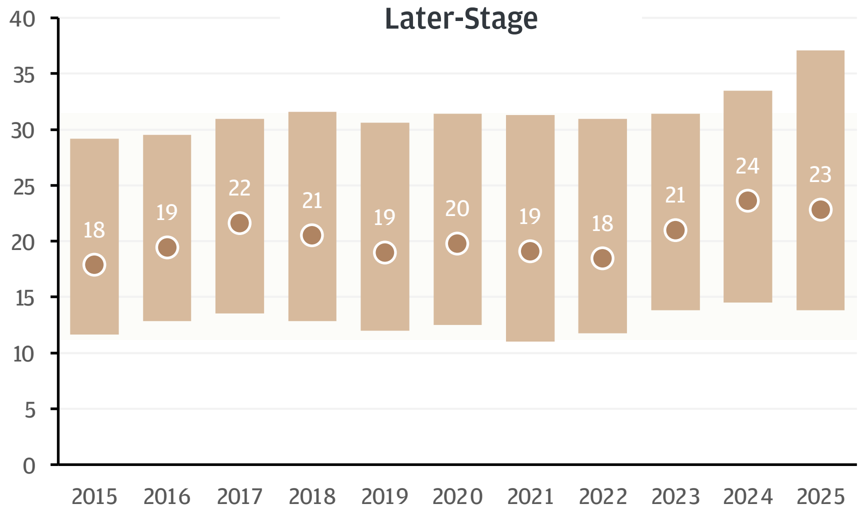
EARLY-STAGE IMPROVES; LATER-STAGE GRAPPLES WITH CAPITAL DEMANDS



Capital demand-to-supply ratio by stage and flat/down round frequency (% of deals)

EARLY-STAGE EASIER, LATER-STAGE LABORIOUS





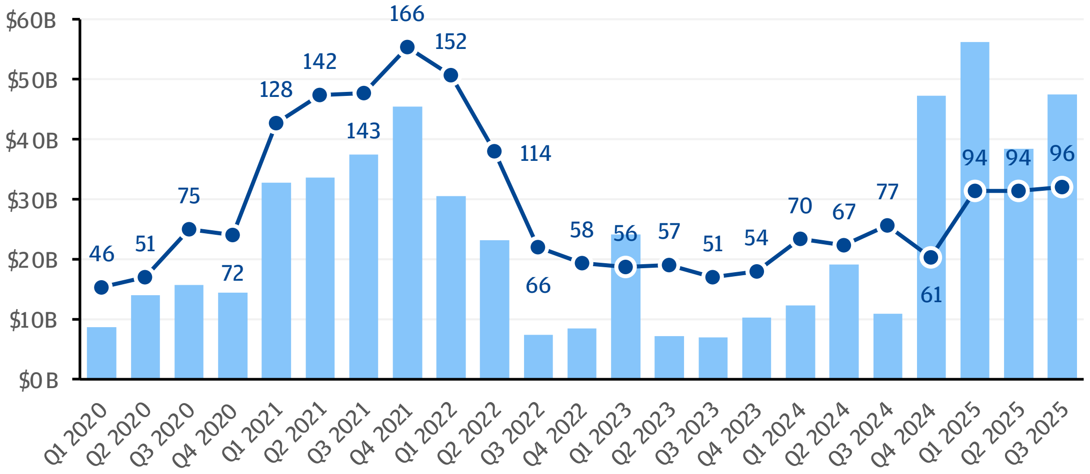
Time between venture rounds (in months) by stage

For much of the last decade, ample capital met the needs of most startups, culminating in record deployment and high valuations in 2021. But starting in 2022, non-traditional investors slowed their pace or exited the market, reducing available capital—especially at later stages. In 2023 and 2024, down rounds became more common, helping normalize company valuations that hadn't adjusted to the new environment. Even so, early-stage activity has rebounded more quickly, with improved supply-demand dynamics and shorter times between venture rounds. At the later stage, the story is mixed, with the median company raising faster than in 2024, but the bottom quartile taking longer to raise.

Source: PitchBook. Data has not been reviewed by PitchBook analysts.

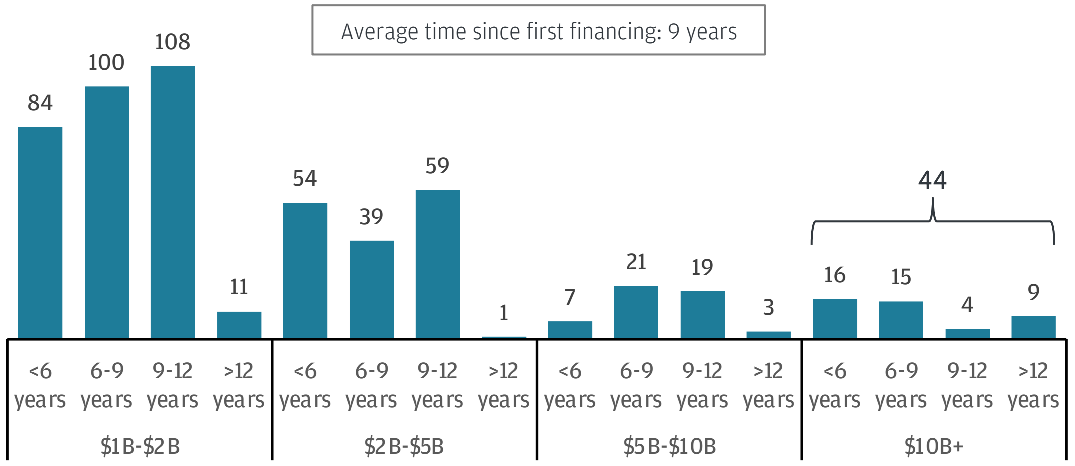
Liquidity: Later-stage companies watching and waiting

A BURST OF MAGIC: UNICORN NUMBERS BOUNCE BACK



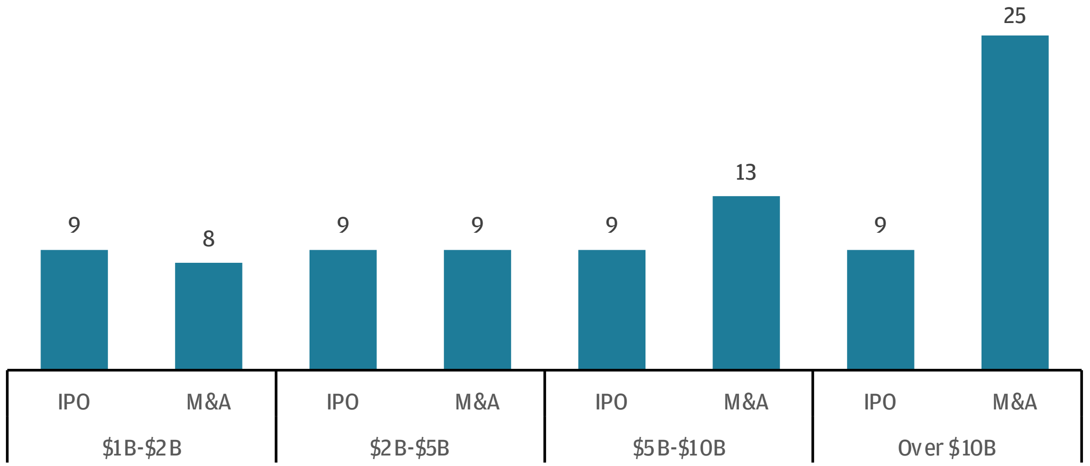
U.S. unicorn venture deal value and count[1]

A FRESH BATCH OF UNICORNS REJUVENATES THE COHORT



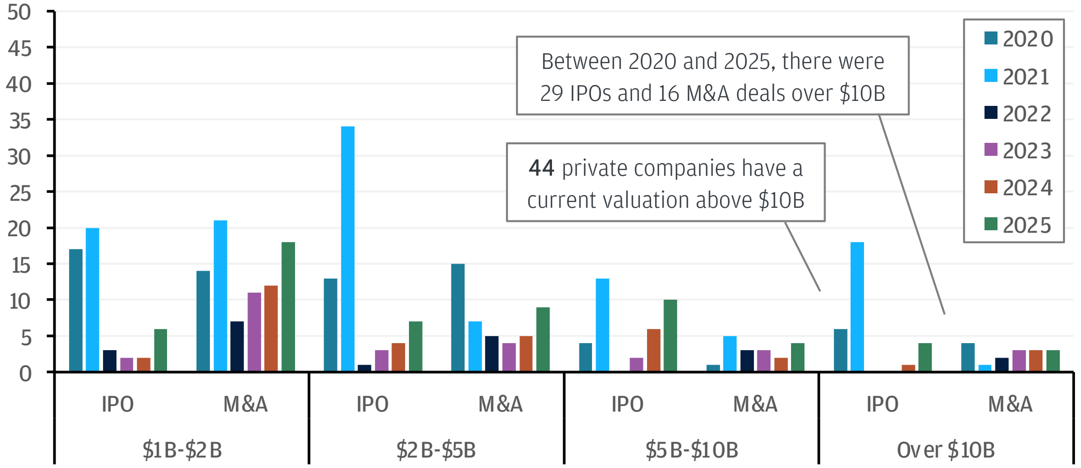
U.S. unicorn size (based on last known valuation) and age (based on time since first financing)[2]

NINE IS THE MAGIC NUMBER FOR $1B+ EXITS



Median time from founding to exit for U.S. venture-backed companies between 2020 and 2025[3]

THE SCALE OF UNICORNS OVERSHADOW RECENT EXITS



Number of U.S. venture-backed exits over $1B between 2020 and 2025

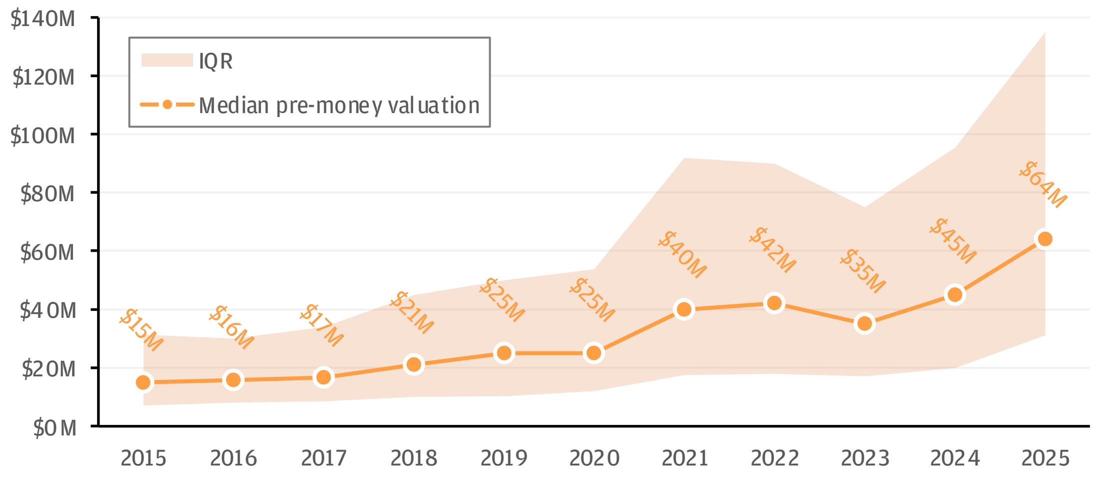
The surge in AI investment drove up the number of companies reaching a unicorn valuation. These companies tended to be younger, which brought the average age of the cohort down to nine years (since first financing). However, about 40% have been private for over nine years. By comparison, for exits between 2020 and 2025, the median pre-exit age was nine years, except for larger M&A transactions. The majority of large (over $1 billion) exits happen between $1 billion-$2 billion for M&A deals and $2 billion-$5 billion for IPOs. The large number of unicorns has raised questions around whether the IPO and M&A markets have capacity to absorb them—especially for companies valued over $10 billion.

Notes: [1] Analysis as of Q3 2025 due to lag in data reporting. [2] Excludes prior unicorns now under $1B in valuation. M&A missing undisclosed values. [3] Years removed from calculation if insufficient number of data points (exits).
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

03 | Fundraising dynamics

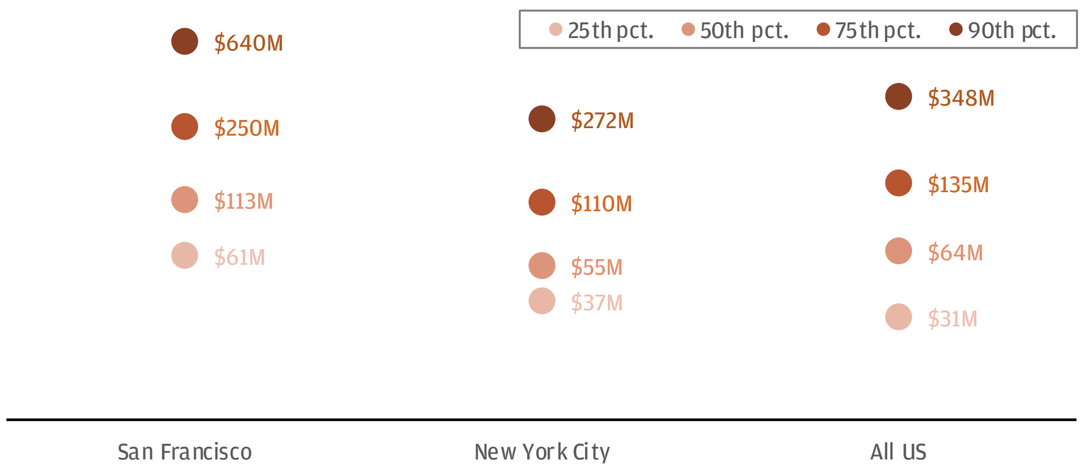
Valuations reach new heights, especially for San Francisco startups

EARLY-STAGE VALUATIONS REACH AN ALL-TIME HIGH



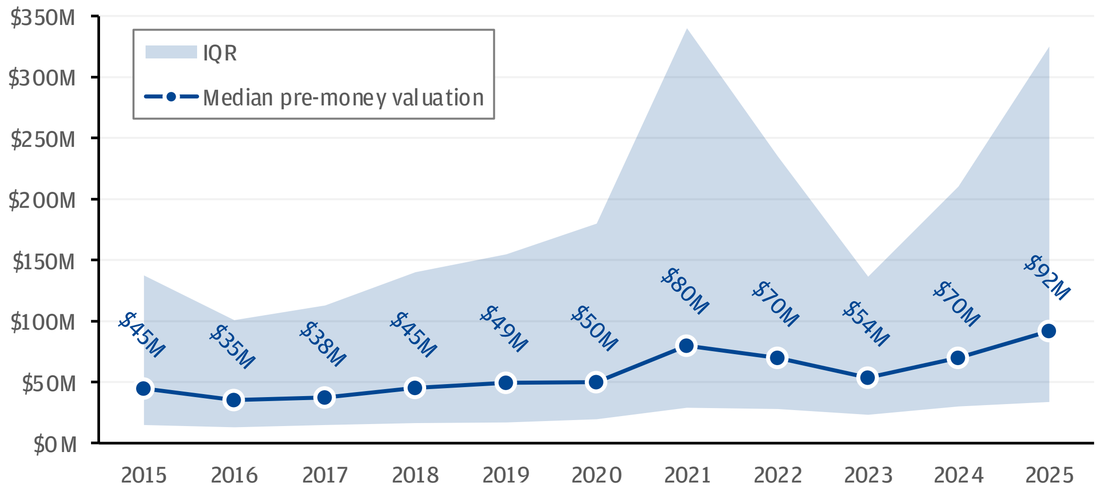
Median and IQR of early-stage pre-money valuations (U.S., 2015-2025)[1,3]

SF-BASED STARTUPS GET A CONSIDERABLE VALUATION PREMIUM



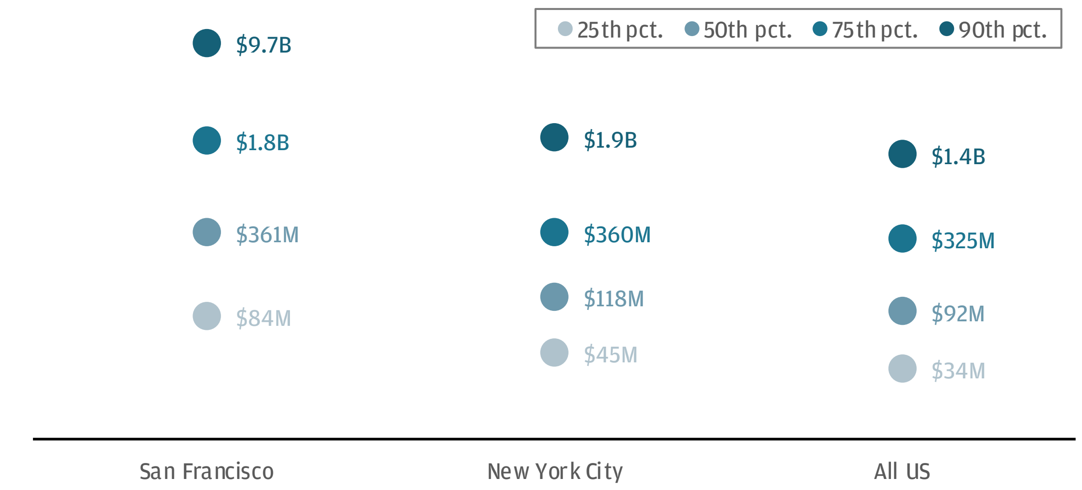
Early-stage pre-money valuation percentiles for U.S. startups by U.S. market, 2025[1]

LATER-STAGE VALUATIONS RESEMBLE PEAK VENTURE[2]



Median and IQR of later-stage pre-money valuations (U.S., 2015-2025)[1,3]

$1B+ ROUNDS DRIVE SF'S VALUATIONS TO UNMATCHED LEVELS



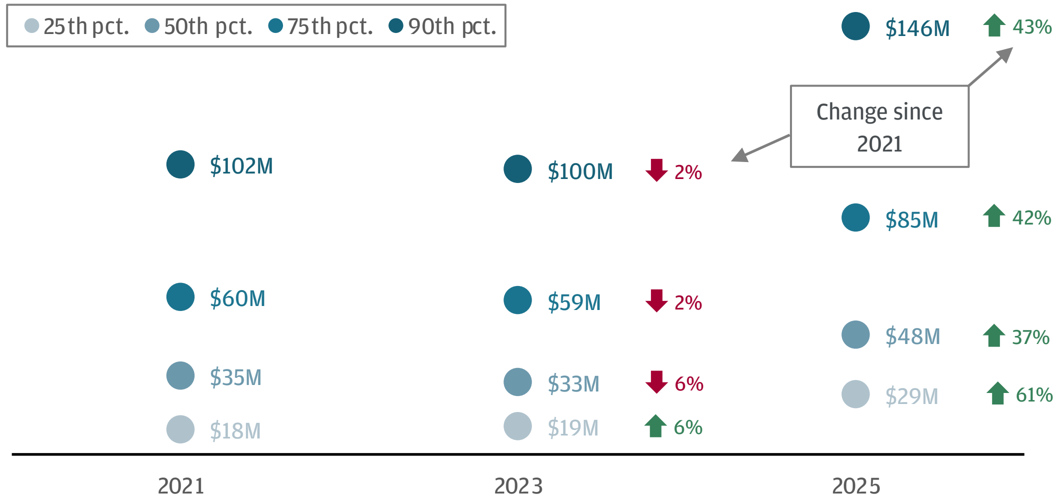
Later-stage pre-money valuation percentiles for U.S. startups by U.S. market, 2025[1]

Valuations rose meaningfully in 2025 across both early- and later-stages. Median valuations rose, but gains were increasingly concentrated towards the upper ends of the valuation spectrum. Large drivers of this phenomenon relate to concentration, scarcity and the rise of AI (previously discussed). This dynamic is most pronounced geographically: San Francisco continues to command a clear valuation premium, accounting for a disproportionate share of $1 billion rounds and the associated high billion-dollar valuations. Valuations typically improved elsewhere, but at a more measured pace. The result is a market that has abundant capital to deploy but is more selective—rewarding scale, category leadership and perceived durability.

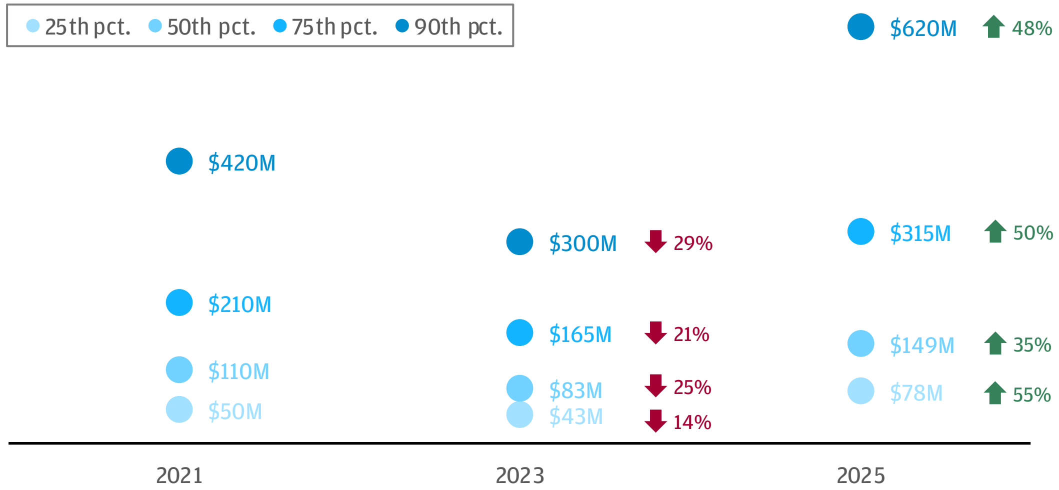
Notes: [1] Y-axis uses a logarithmic scale (base 10) to visualize pre-money valuation ranges. IQR = interquartile range. [2] Peak venture refers to the Q1 2021 through Q2 2022 period. [3] Adjusted for inflation, the 2025 median early- and later-stage valuations would be $53M and $77M in 2021 dollars.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Valuations surpass 2021 highs, except for series D

EARLY-STAGE: SERIES A AND B VALUATIONS SURGE

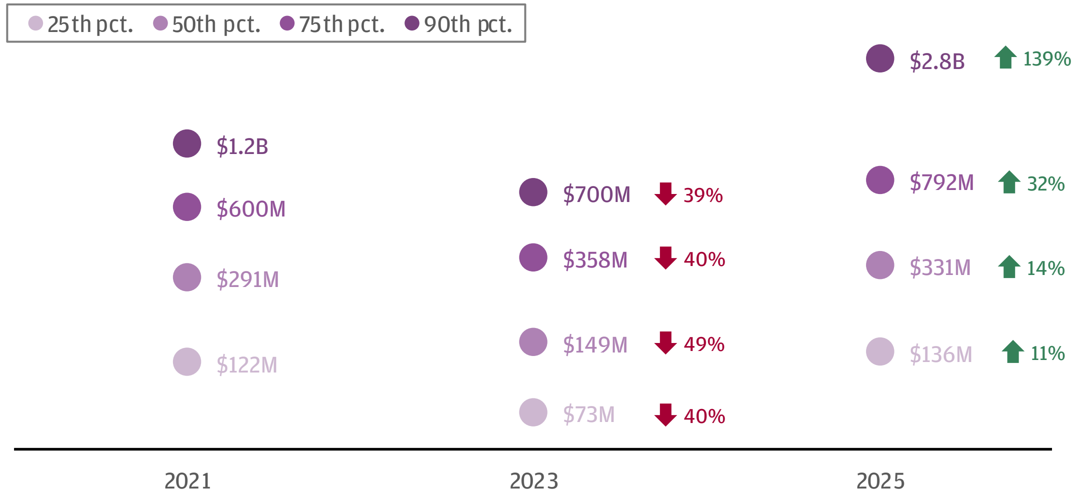


U.S. series A pre-money valuation percentiles[1,2]

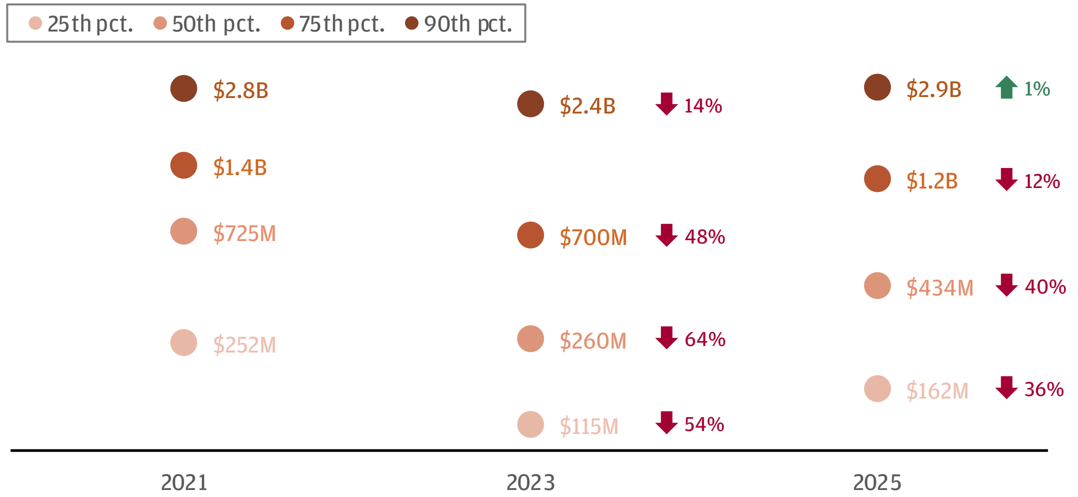


U.S. series B pre-money valuation percentiles[1,2]

LATER-STAGE: SERIES C RISES, SERIES D MIXED



U.S. series C pre-money valuation percentiles[1,2]



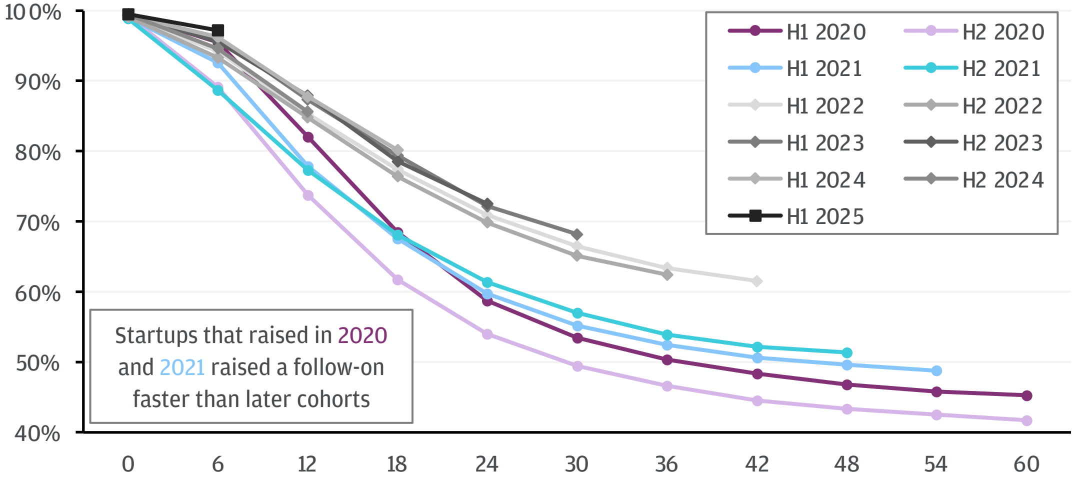
U.S. series D pre-money valuation percentiles[1,2]

Series A valuations experienced a significant jump in 2025 compared to 2021. Similarly, the median deal size grew from $11 million to $15 million. It was the same for Series B valuations, with the median valuation rising 35% and the median deal size increasing from $30 million to $36 million. Although headlines were dominated by huge raises, the growth in valuations was less pronounced for Series C, with the median valuation increasing 14% and the median deal size was almost the same as in 2021 ($56 million vs $55 million). For Series D deals, the effect of inflated valuations from the 2021 period persist, with most Series D rounds raising at lower valuations than in 2021. This is also reflected in deal sizes, with the median Series D round raising $75 million compared to $100 million in 2021.

Notes: [1] Y-axis uses a logarithmic scale (base 10) to visualize pre-money valuation ranges. [2] Percentage shown is the change since 2021.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

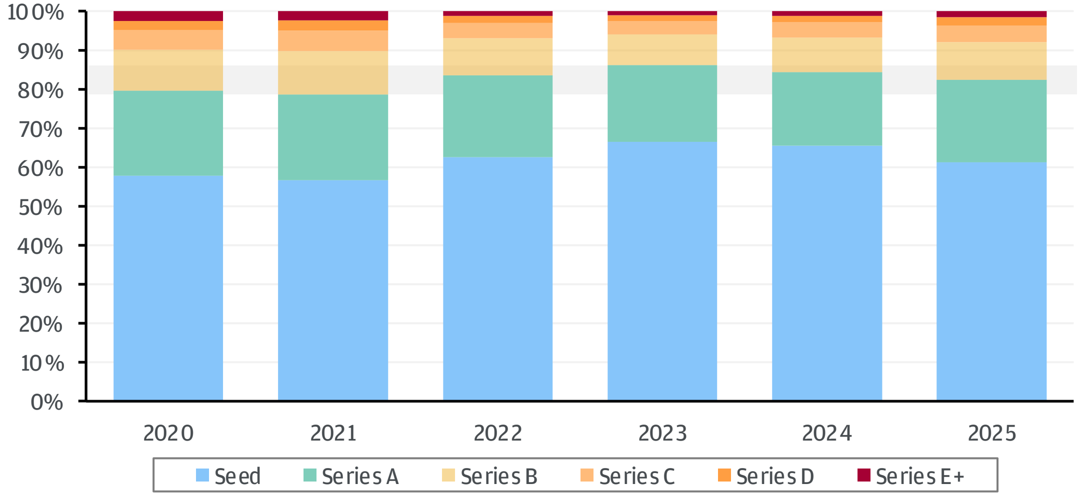
The haves, the have-nots and the not-at-alls

A DIVERGENCE IN FOLLOW-ONS POST-2021



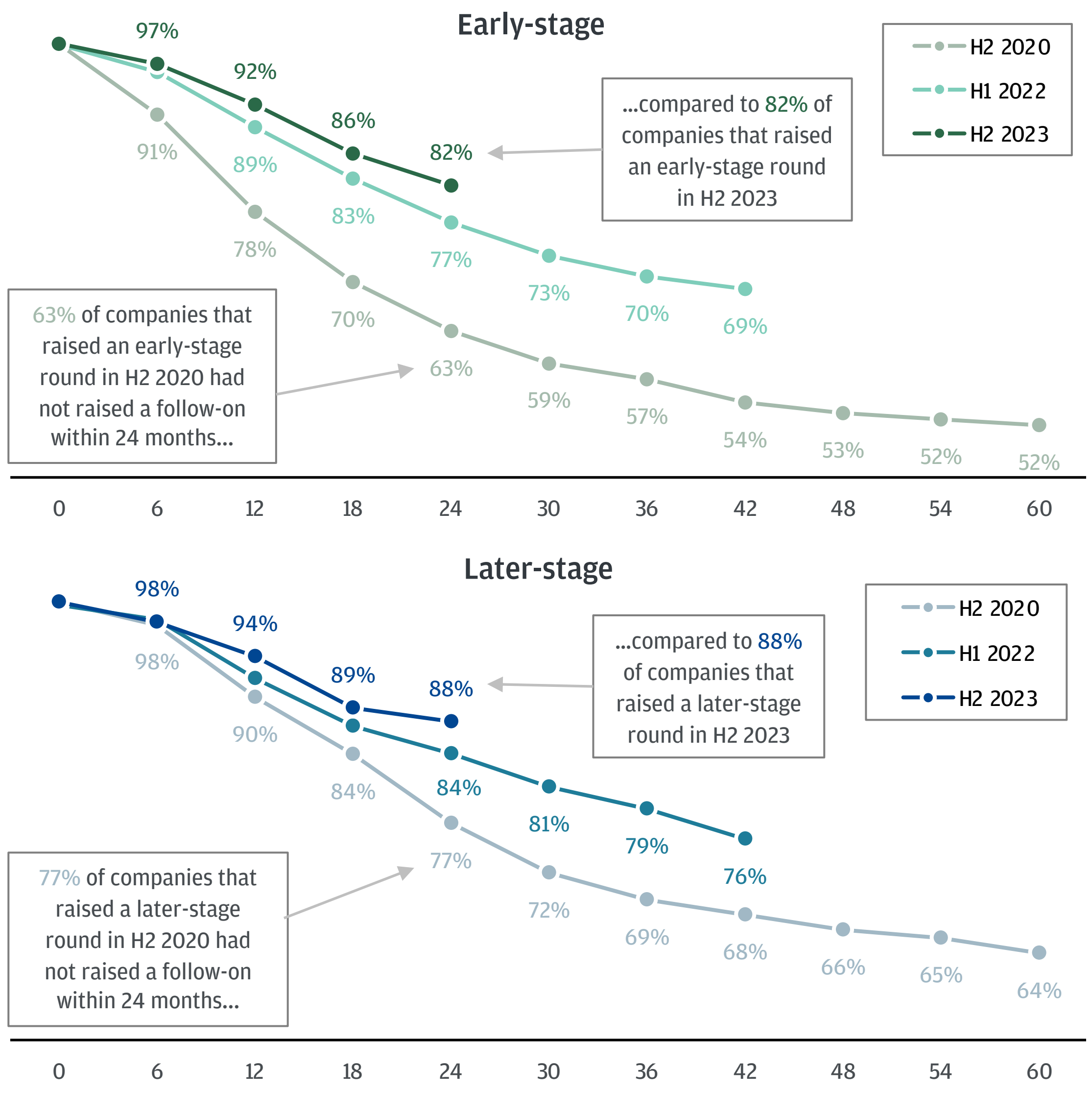
Share of U.S. companies (by cohort) with no follow-on venture investment (all stages)[1]

LATER-STAGE DEALS START TO TAKE BACK SHARE OF ALL DEALS



Breakdown of U.S. venture deal count by series

A GREATER SHARE OF STARTUPS IS NOT RAISING AGAIN



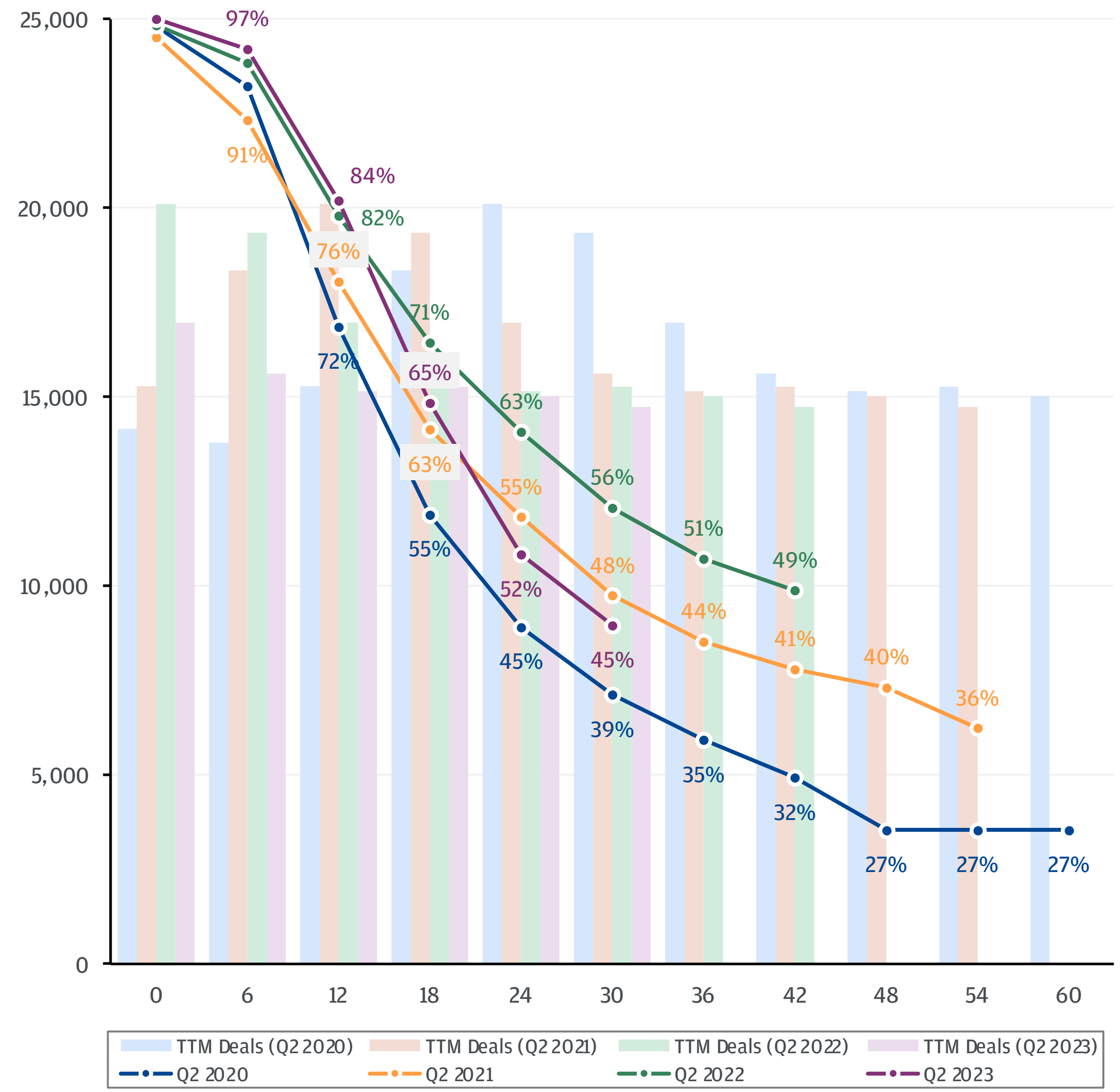
Share of U.S. companies (by cohort) with no follow-on venture investment[1]

A follow-on fundraising is defined as a company raising another round of equity financing after its most recent one. Post-2021 follow-on rates fell across both early and later stages. This is due in part to the decline in deal activity—a growing backlog of companies are seeking funds in an environment where fewer deals are getting done. Some of this trend may be offset by a greater availability of alternative fundraising sources, including debt, federal grants (including SBIR and STTR) and revenue-based financing. Similarly, some founders, particularly seasoned ones, are choosing to “seed strap,” which is a strategy where founders raise a single round of funding and then rely primarily on revenue and profits to fuel future growth.

Note: [1] X-axis denotes number of months after initial investment.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

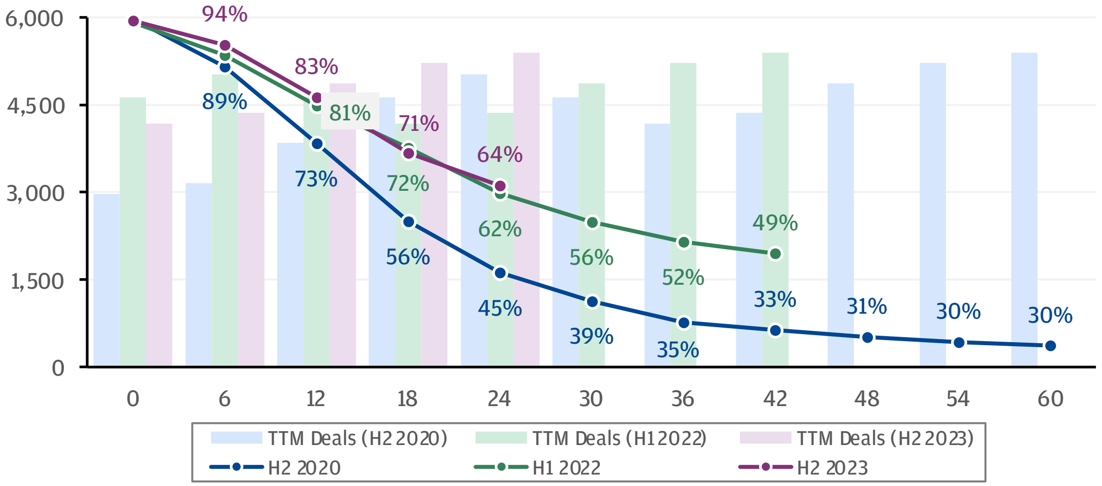
Follow-on rates are slowing, though AI and San Francisco retain an edge

SERIES A FOLLOW ON RATES MIXED AS DEAL ACTIVITY FALLS



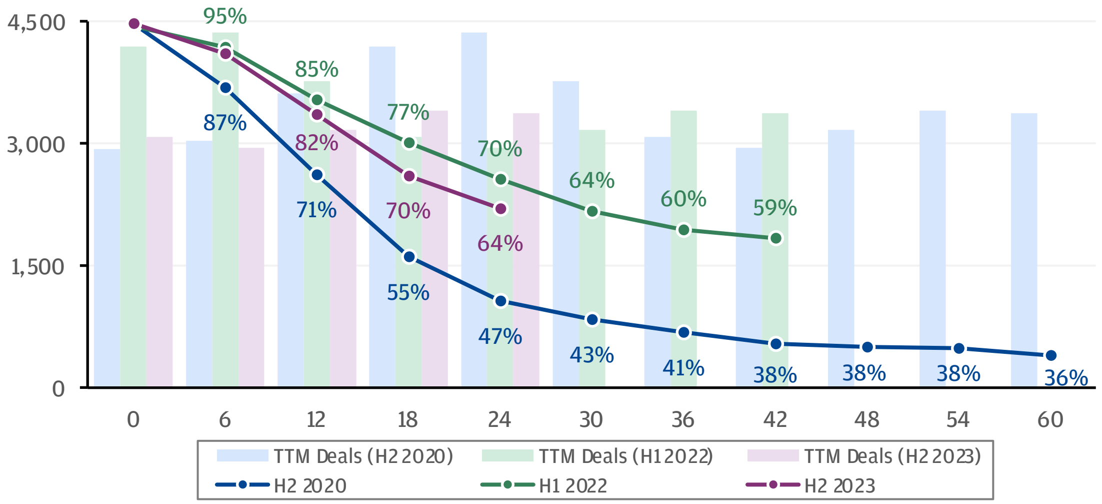
Percentage of U.S.-based companies with no follow-on venture investment after Series A and TTM deal count for all venture[1]

AN AI FOCUS IMPROVES THE CHANCES OF GETTING FUNDED



Percentage of U.S. AI companies with no follow-on venture investment, and AI TTM deal count[1]

SF-BASED COMPANIES MORE LIKELY TO RAISE AGAIN



Percentage of SF-based companies with no follow-on venture investment, and SF TTM deal count[1]

The rate of follow-on rounds continues to decline, and companies that raised capital more recently are less likely to secure subsequent financing. For Series A rounds, most companies typically go on to raise another round, as expected given the early-stage nature. However, even for Series A companies, the likelihood of raising a follow-on round has declined over time. Much depends on deal trends—more companies secure deals during buoyant periods and fewer do so when the market is slower. Another factor is the size of the initial cohort. Even when activity is high, if the backlog of companies seeking capital is large or there is a shift in investor preferences (by stage, sector, region, etc.), follow-on rates can remain flat or fall.

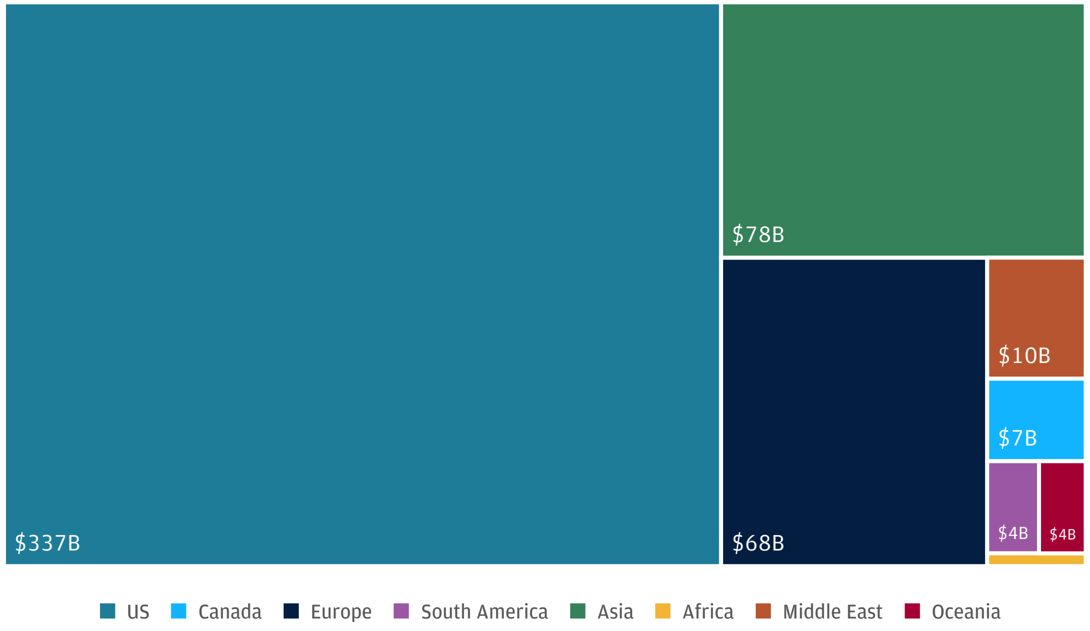
Note: [1] X-axis denotes number of months after initial investment.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

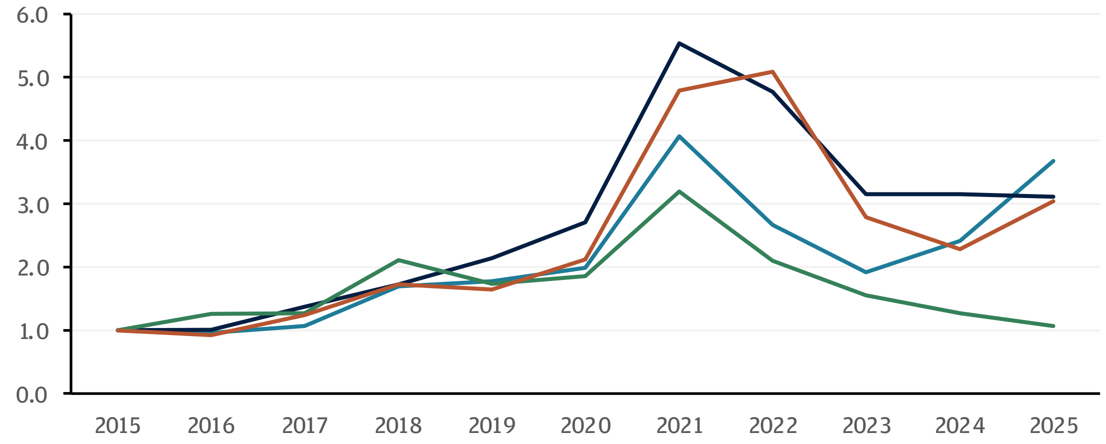
J.P.Morgan

04 | Global venture landscape

Global venture capital flows shift from east to west

GLOBAL VENTURE INVESTMENT IN 2025 REACHED $511B





Global venture investment by region and select regions growth trajectories (indexed)[1]

PLAYING CATCH-UP, THE UK BENEFITS FROM CHINA'S SLUMP

Rank	Country	2025 Investment	Country	2015 Investment	Change in Rank
1	China	$37.5B	China	$55.5B	0
	Difference	*$14.5B*		*$45.2B*	
2	UK	$23.0B	India	$10.3B	1
	Difference	*$9.2B*		*$3.0B*	
3	India	$13.9B	UK	$7.3B	-1
4	South Korea	$12.4B	Germany	$3.5B	5
5	Germany	$8.3B	Canada	$2.1B	-1
6	France	$8.3B	Israel	$2.1B	1
7	Canada	$6.6B	France	$1.9B	-2
8	Japan	$6.2B	Singapore	$1.6B	2
9	Israel	$5.8B	South Korea	$1.5B	-3
10	Singapore	$3.7B	Japan	$1.3B	-2

Top 10 countries based on 2025 venture investment[2]

Rank	Vertical	Country	2025 Investment	Vertical	Country	2015 Investment
1	Manufacturing	China	$18.0B	Mobile	China	$14.8B
2	AI	South Korea	$9.8B	Mobility Tech	China	$12.3B
3	SaaS	UK	$9.5B	E-Commerce	China	$10.1B
4	FinTech	UK	$8.1B	SaaS	China	$7.9B
5	AI	UK	$7.9B	FinTech	China	$6.3B
6	Robotics/ Drones	China	$6.7B	E-Commerce	India	$4.9B
7	AI	China	$6.7B	Manufacturing	China	$4.6B
8	Mobile	UK	$6.7B	Mobile	India	$4.0B
9	Advanced Manufacturing	China	$6.6B	LOHAS & Wellness	China	$3.9B
10	Cryptocurrency/ Blockchain	UK	$5.1B	Big Data	China	$3.3B

Top 10 verticals by country based on 2025 venture investment[2]

Global venture investment in 2025, reached an estimated $511 billion versus roughly $391 billion in 2024. Apart from the dominance of venture investment in the U.S., the landscape has shifted over the past decade. In 2015, outside of the U.S., China was the clear leader for venture investment. In 2025, China remains the second-largest country for venture investment, although the absolute amount has fallen, and places like the U.K., France and Germany have gained share. It's a similar story by sector, with the U.K. now leading in SaaS, fintech and AI. Notably, China maintains the top spot in manufacturing, which aligns with its most recent Five-Year Plan that prioritizes industrial modernization and leadership in advanced manufacturing, AI and robotics, among others.

Notes: [1] Venture investment indexed to 2015 (2015=1.0). [2] South Korea includes an $8B round.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

05 | Liquidity and exits

TEGH KAPUR

Managing Director,

Head of Technology Equity Capital Markets

J.P.Morgan

2025 IPO market: Robust yet discerning

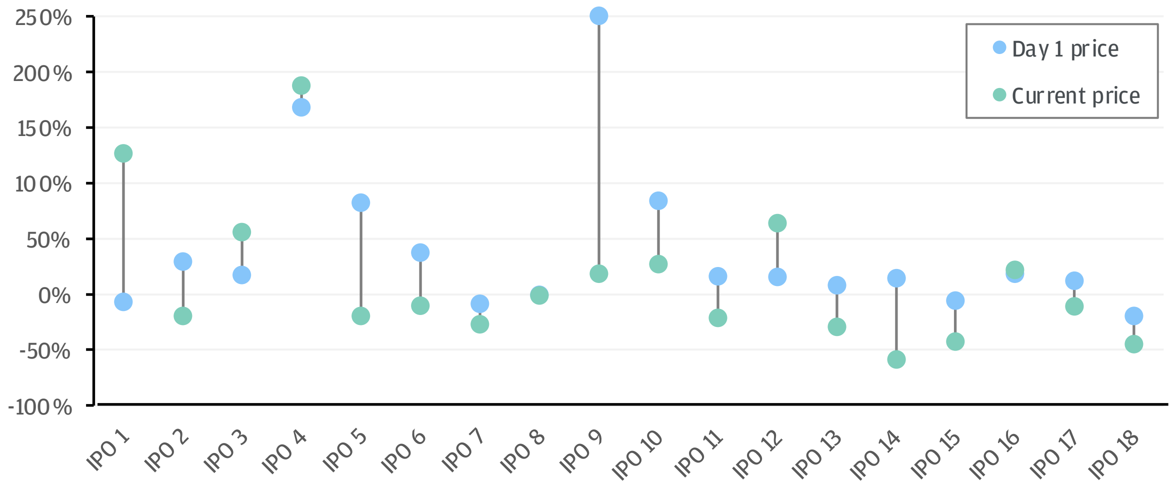
The 2025 IPO market was active but experienced varied aftermarket performance. Several prominent tech listings priced well and traded up early, but elevated expectations and a retail pull-back created meaningful volatility. Policy uncertainty—including the government shutdown—extended timelines and added to the IPO backlog. A stable macro stretch could unlock a busy early 2026 calendar. Investors are signaling a clear quality bar centered on durable growth (often 20%+), efficient customer acquisition, margin improvement and credible paths to cash generation. High-growth companies that can deploy cash to further accelerate topline or reinforce AI-driven product advantages will continue to find strong reception in the public markets. Others are pacing more deliberately, using time to refine playbooks and show how private capital raises translate into sustainable performance.

Select J.P. Morgan-led transactions

Wealthfront: $485 million, Lead Active Bookrunner, 12/11/2025
Netskope: $900 million, Joint Lead Bookrunner, 09/18/2025
StubHub: $800 million, Lead Left Bookrunner, 09/16/2025
Bullish: $1.3 billion, Lead Left Bookrunner, 08/12/2025
Circle: $1.2 billion, Lead Left Bookrunner and Stabilization Agent, 06/04/2025

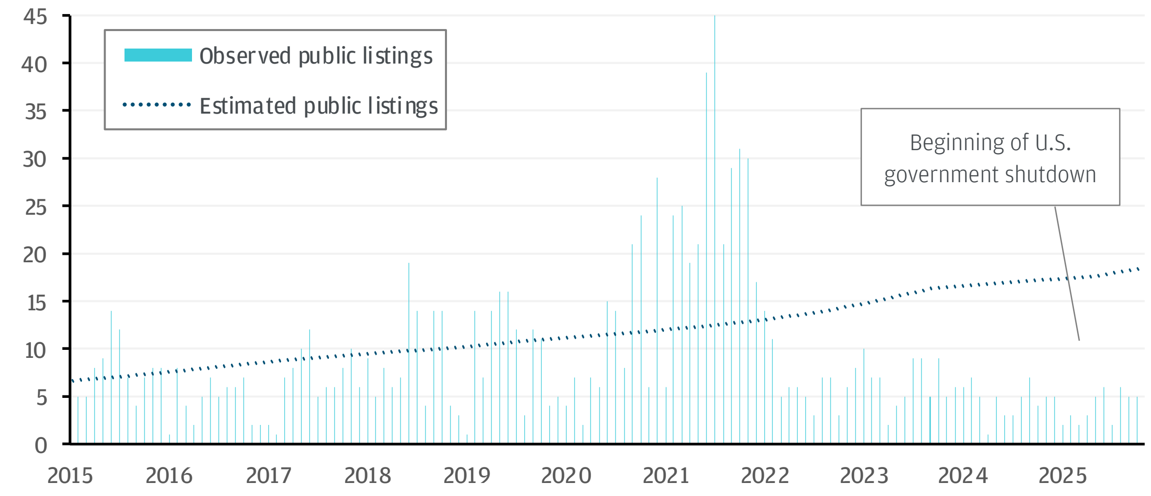
Many IPO candidates will wait, but high-growth outliers may not want to

2025 TECH IPOS: A ROLLERCOASTER



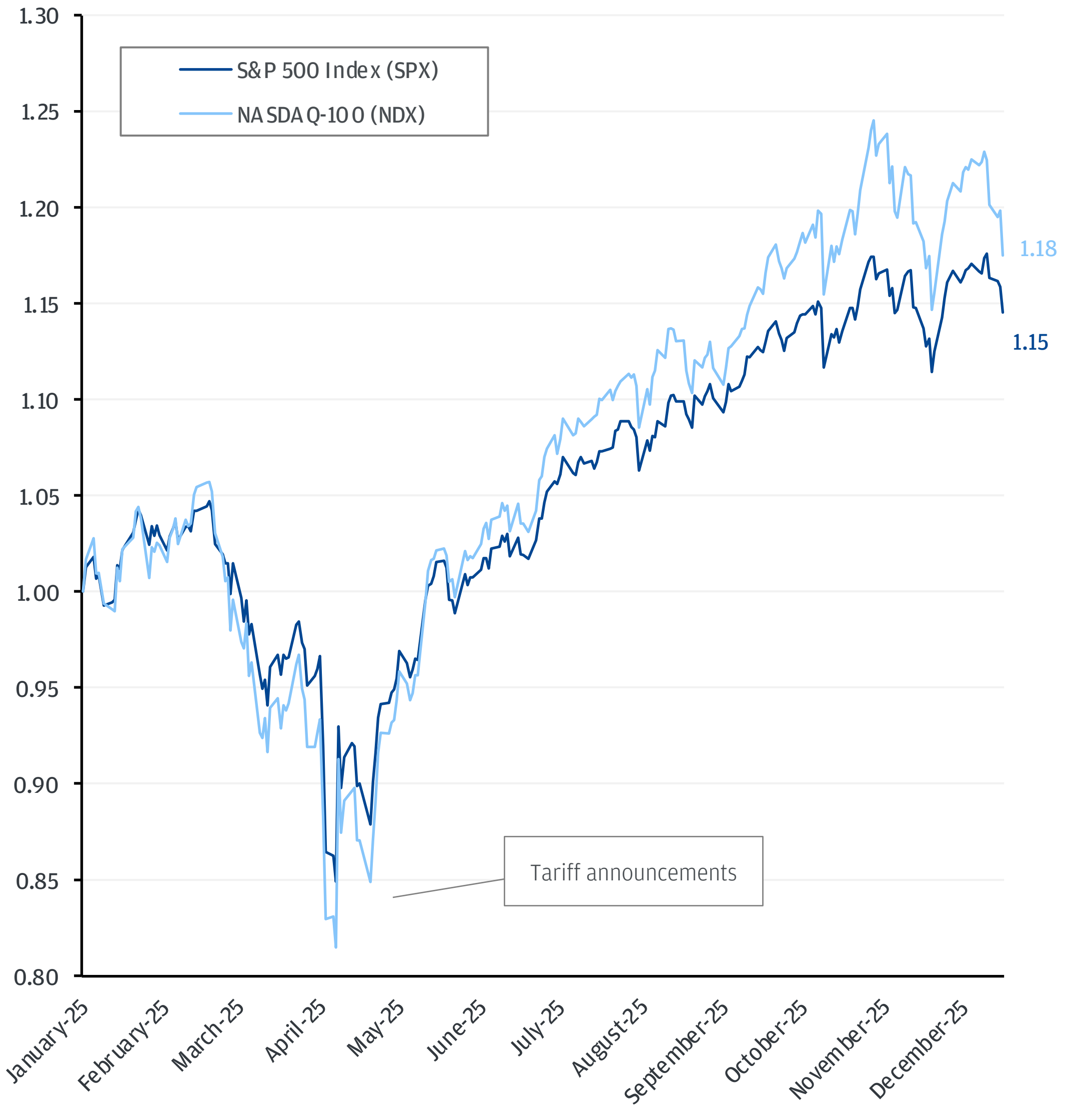
2025 tech IPO trading performance[1]

MARKET UNCERTAINTY STOKES IPO BACKLOG



U.S. IPO backlog[2]

HOWEVER, PUBLIC MARKETS HAVE PERFORMED WELL



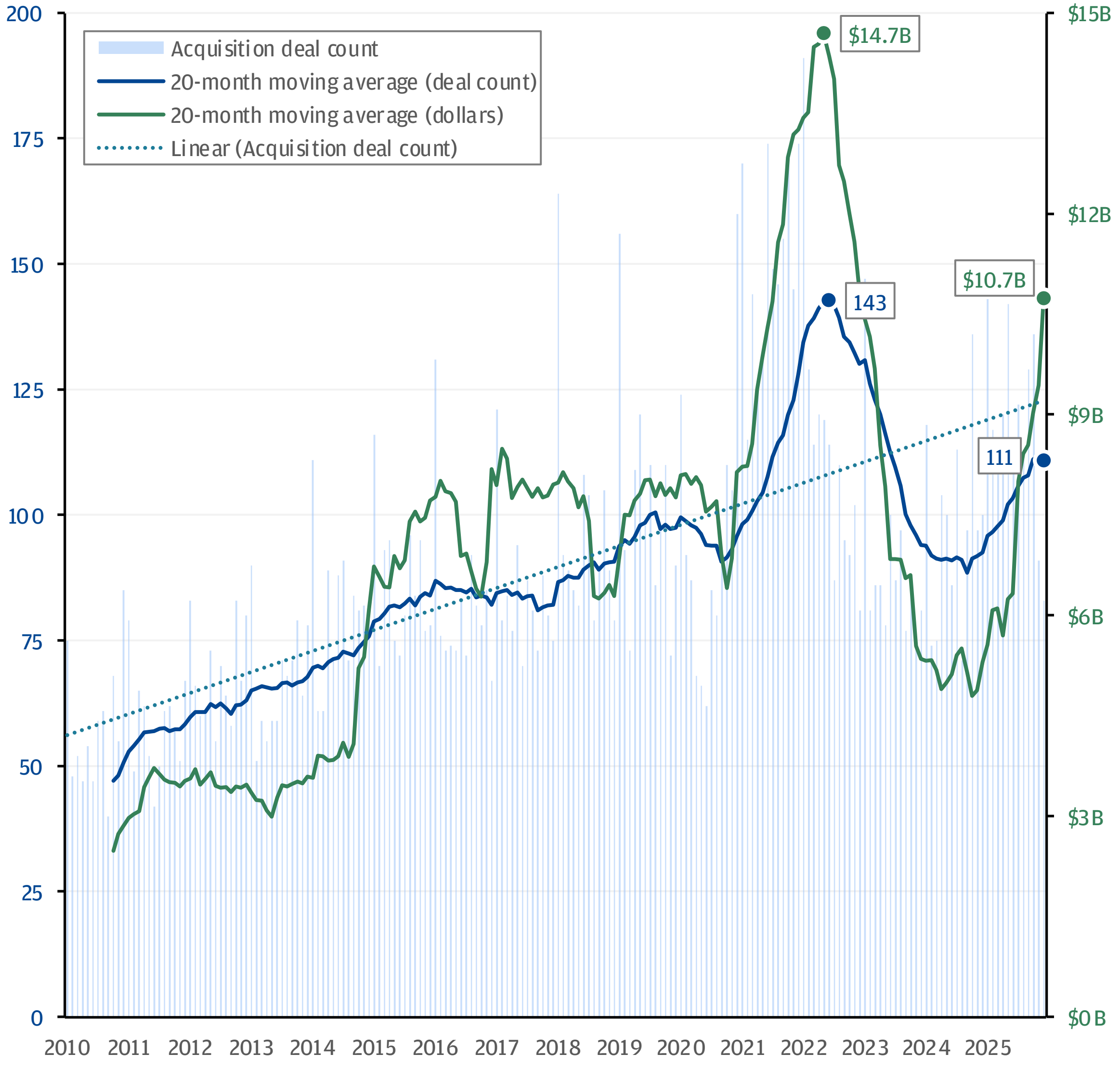
Price performance of S&P 500 and Nasdaq-100

IPO activity in 2025 was a roller coaster. While many newly public tech companies experienced strong first-day gains, a significant portion has since fallen below their offer price, as initial demand faded and concerns around macro conditions, overvaluation and growth prompted a broader tech sell-off. Amid this volatility, the IPO backlog continued to build as companies waited for more stable conditions. At the same time, high-growth public tech companies have continued to outperform the broader market, signaling ongoing investor appetite for scale and durable growth. For venture-backed companies with strong growth profiles and an ability to scale, this suggests an IPO may still be a feasible option.

Notes: [1] Current price as of Dec. 9th, 2025. IPOs on x-axis listed in order of IPO date. Includes core tech IPOs with market cap of $300M or greater as of Dec. 2025. [2] Backlog is calculated as the difference between observed and estimated public listings.
Source: Bloomberg; PitchBook. Data has not been reviewed by PitchBook analysts.

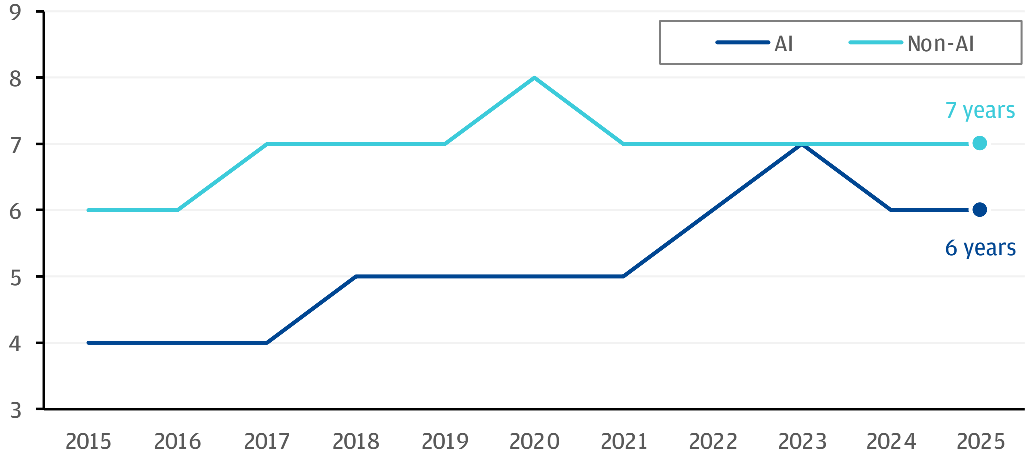
M&A activity ticks up in 2025; AI startups are acquired early and more often

ACQUISITION ACTIVITY PICKS UP IN 2025



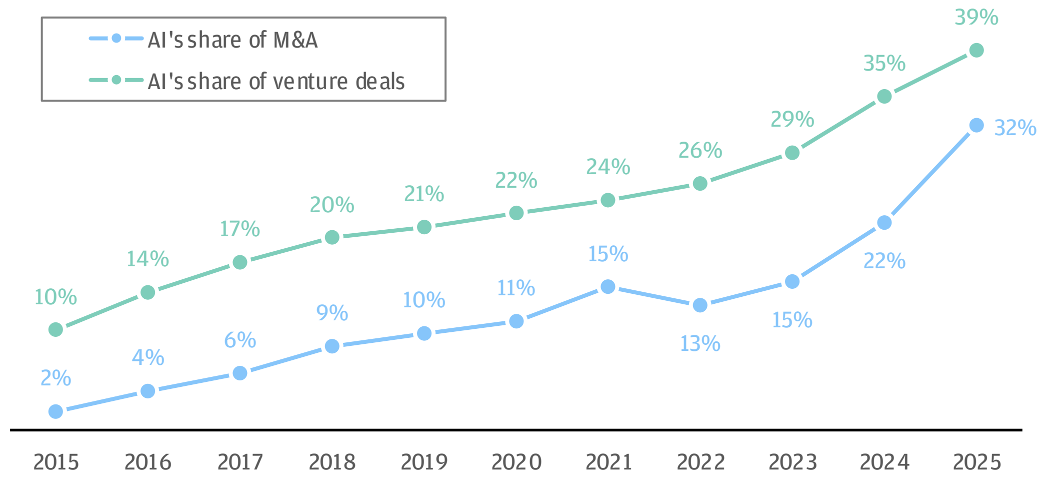
Monthly acquisition activity for U.S.-based, venture-backed companies[1,2]

AI COMPANIES ARE ACQUIRED EARLIER IN THEIR LIFECYCLE



Median age at acquisition for U.S. AI and non-AI startups, by year acquired[1,3]

AI TAKES OVER M&A, JUST LIKE WITH VENTURE INVESTMENT



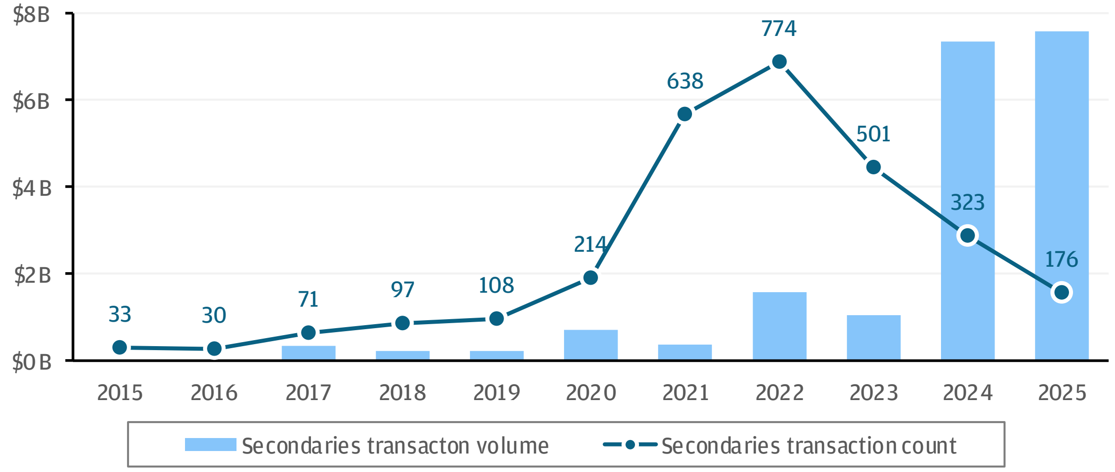
AI's share of U.S. M&A deals vs. AI's share of U.S. venture deals[1]

M&A activity ticked up in 2025 amidst a volatile macro environment, shifting rate expectations and geopolitical uncertainty. There was nearly $170 billion of acquisition deal value in 2025, notably higher than recent years, although heavily concentrated among a select number of deals. Overall deal activity remains slightly below trend, except deals for AI startups. These startups are being acquired earlier and more frequently, reflecting both competitive pressures to accelerate acquirer capabilities and a growing acceptance of "acqui-hires" as a path to securing scarce technical talent. Unsurprisingly, AI companies account for a growing share of venture-backed M&A, moving closer to the trend exhibited by the venture capital market.

Notes: [1] Acquisition includes strategic acquisitions, buyouts and reverse mergers. [2] Acquisition 'dollars' value reflects disclosed transaction amounts only (~30% of deals have disclosed values on average); trends should be viewed as directional rather than comprehensive.
[3] Age calculated as difference between founding year and year of acquisition.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

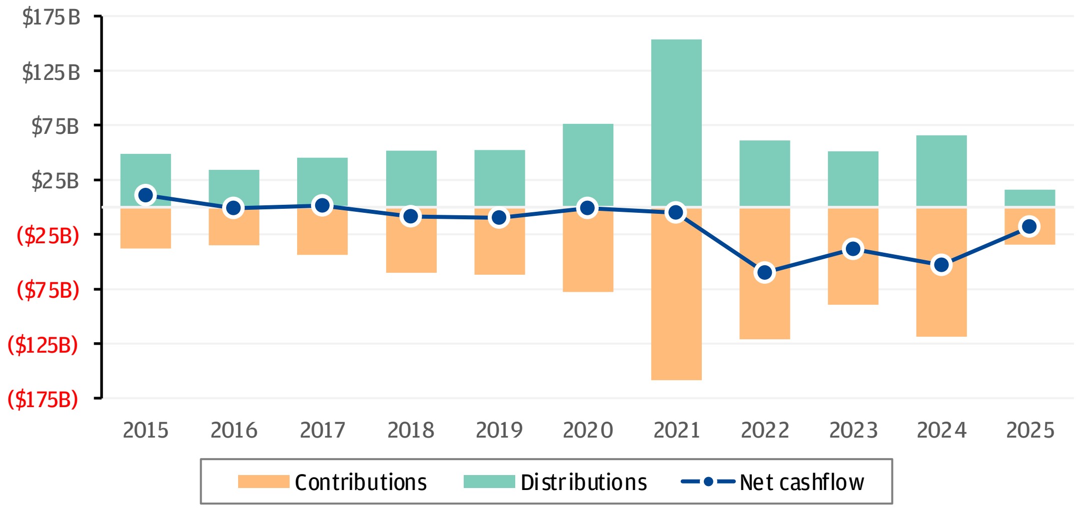
Secondaries deal value is up due to large outliers, but less transactions overall

SECONDARIES DOLLARS ARE UP BUT DEALS ARE DOWN



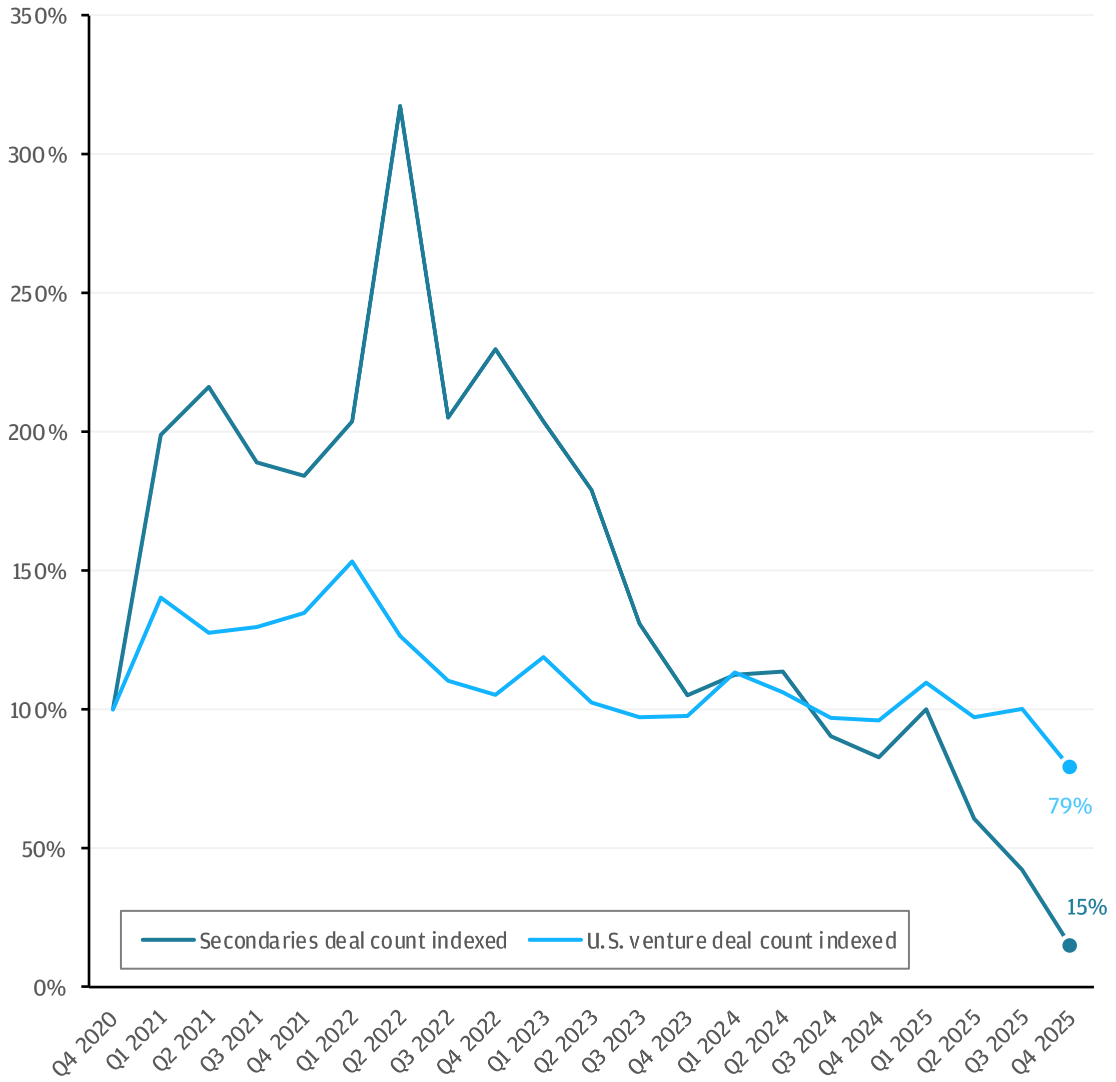
U.S. secondaries deal activity[1]

LIQUIDITY CONSTRAINTS CONTINUE AS DISTRIBUTIONS LAG



U.S. venture firm fundraising data; contributions vs. distributions[2]

SECONDARY TRANSACTIONS WERE LESS FREQUENT IN 2025



U.S. secondaries deal count vs. U.S. venture deal count; indexed to Q4 2020[1]

Secondaries deal volume continued to increase in 2025 as founders, employees and early investors sought liquidity in the absence of a more active exit environment. Despite this uptick, the number of secondary transactions continued to decline and still represents a relatively small share of overall exits, constrained by persistent gaps between buyers' and sellers' price expectations. Meanwhile, fund distributions remain modest relative to contributions, limiting many Limited Partners' ability to reinvest in the asset class. The result is a market where secondaries serve as an important mechanism, but not a primary driver of liquidity.

Notes: [1] Analysis as of Q3 2025 due to lag in data reporting. [2] Analysis as of Q1 2025 due to lag in data reporting.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.