

J.P.Morgan

INNOVATION ECONOMY

Innovation Economy Update

2026



Executive summary

Even with an unpredictable macro backdrop, capital continues to flow into the innovation economy at extraordinary levels. AI has been the clear beneficiary, capturing a disproportionate share of funding, particularly through a growing concentration of very large rounds. The result is a bifurcated market. For some founders, fundraising conditions remain highly favorable, with strong valuations and ample access to capital. For others, the process can feel prolonged and uncertain, as capital is spread across the fewest number of deals this decade. Subdued exit markets have been a persistent overhang. Muted IPO and M&A environments slows the recycling of capital, weighing on investor liquidity and, in turn, fundraising. Recently, however, a handful of large exits offer signs of hope. If the IPO market is accommodating, especially to larger offerings, substantial capital could be unlocked, supporting both fundraising and deployment. We're optimistic that this could help rebalance the venture landscape, bringing conditions closer to the more broadly accessible environment seen in prior cycles.

— John and Andrew

Co-heads of Innovation Economy:



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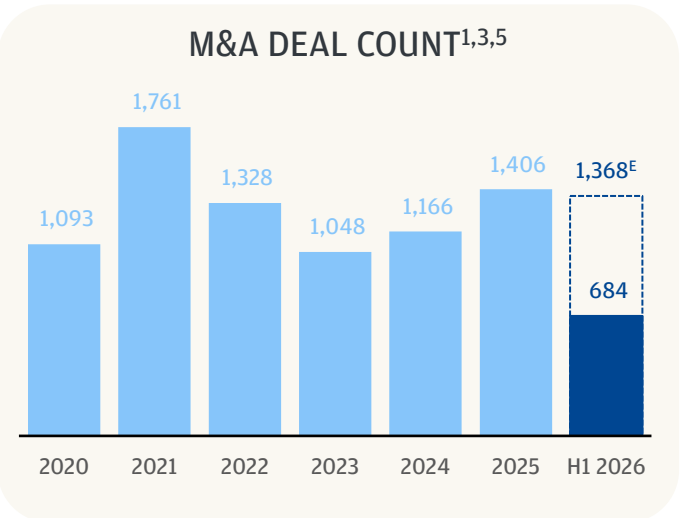
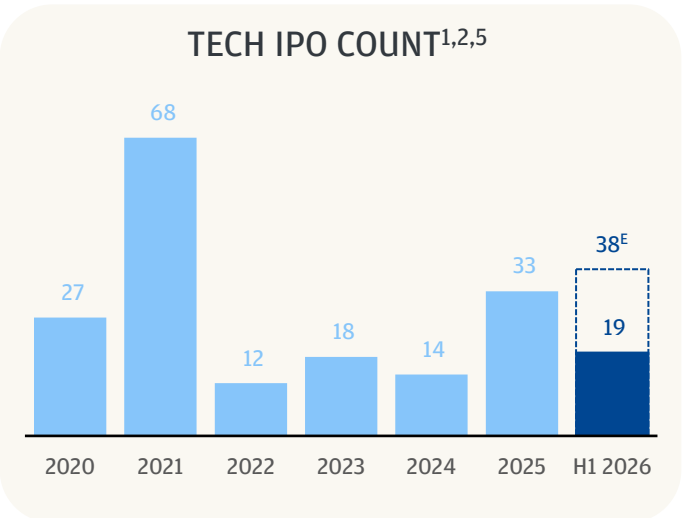
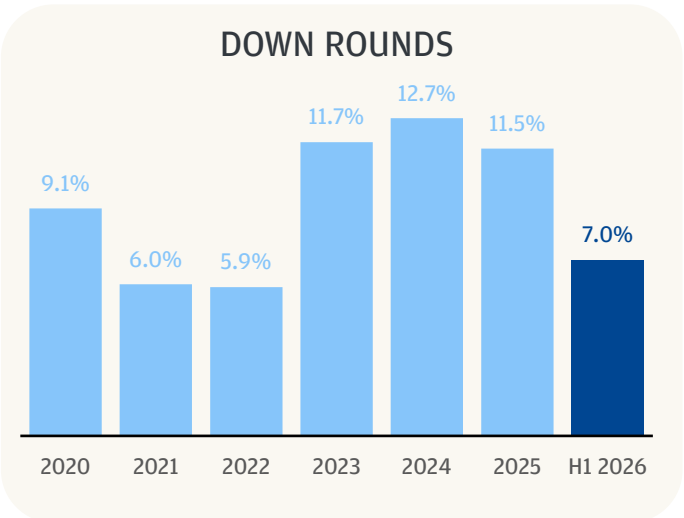
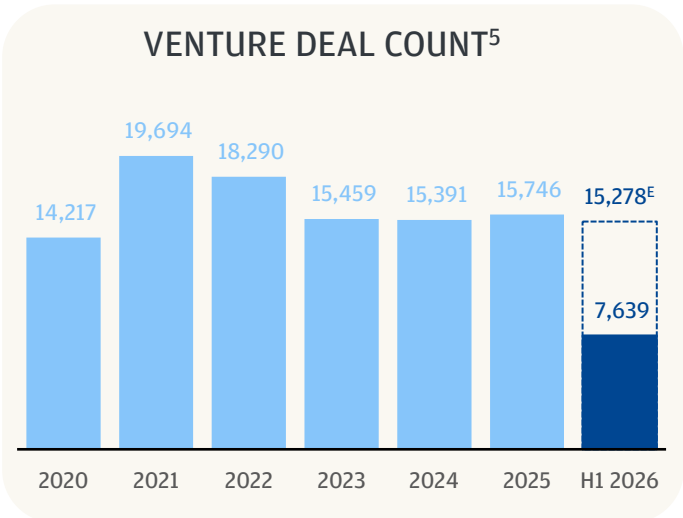
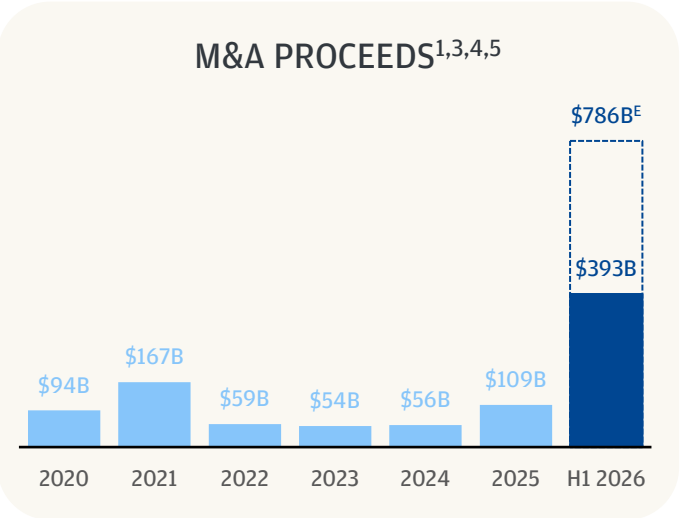
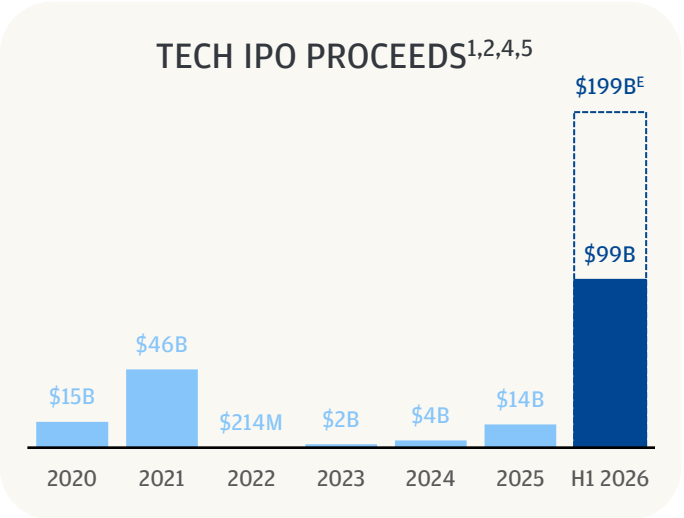
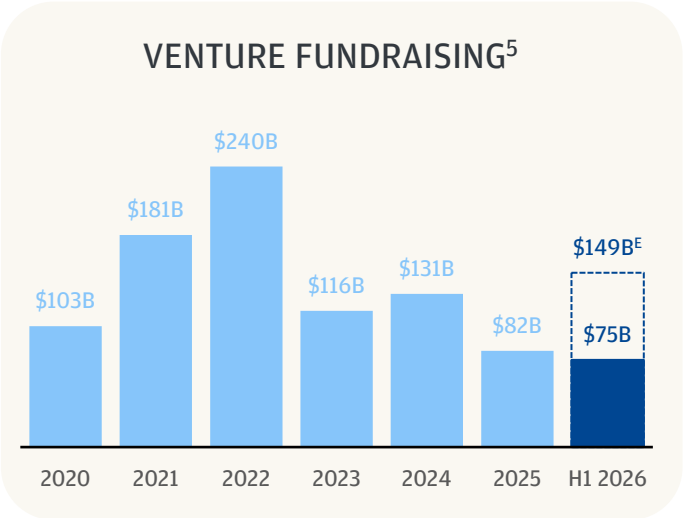
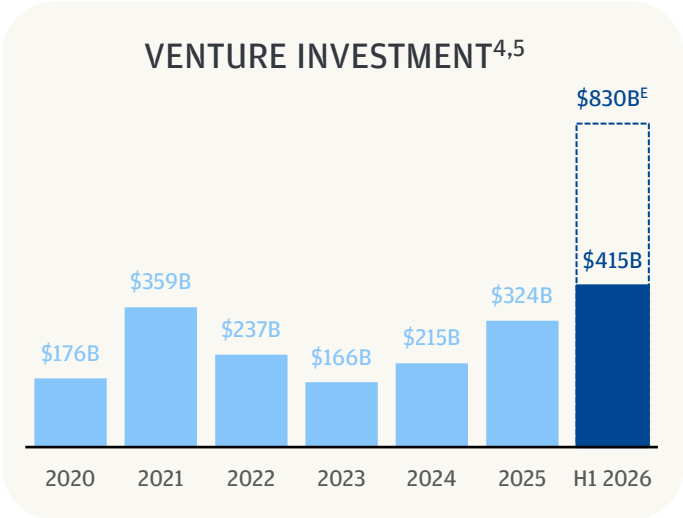
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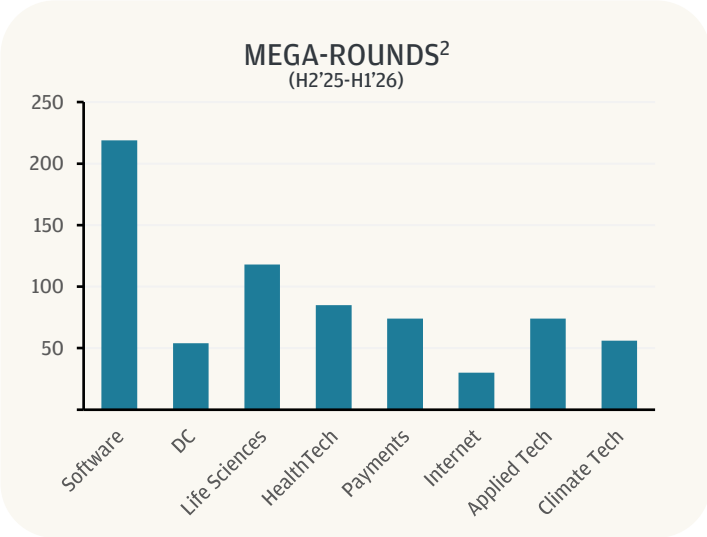
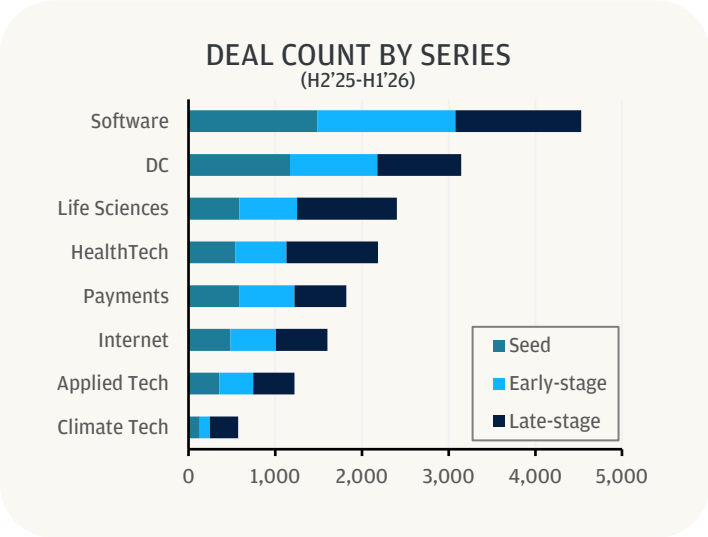
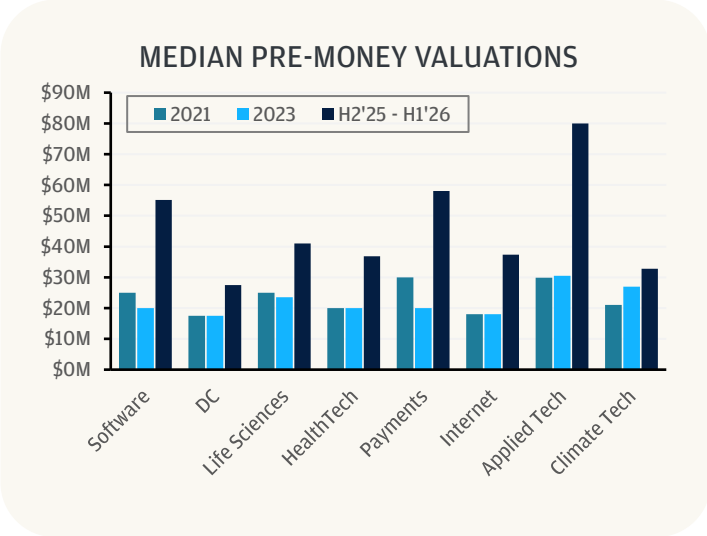
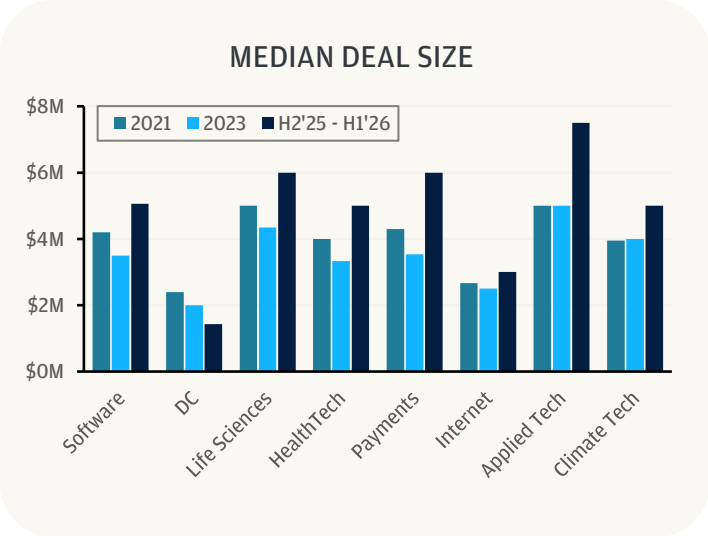
Innovation Economy Dashboard: Key Performance Indicators



Notes: ¹ Venture-backed U.S. issuer/target. ² NYSE and Nasdaq listings only. Excludes pharmaceuticals and biotechnology companies. ³ M&A includes strategic acquisitions, buyouts and reverse mergers. Includes SpaceX's announced (not yet closed) \$60B acquisition of Cursor.
⁴ Includes only deals with a disclosed transaction amount. ⁵ For H1 2026, ^E represents the extrapolation of half-year data for the whole year.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Innovation Economy Dashboard: Sectors

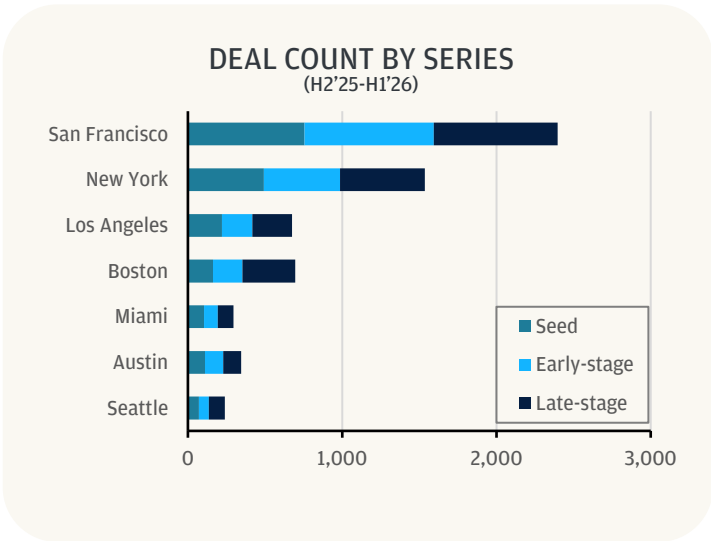
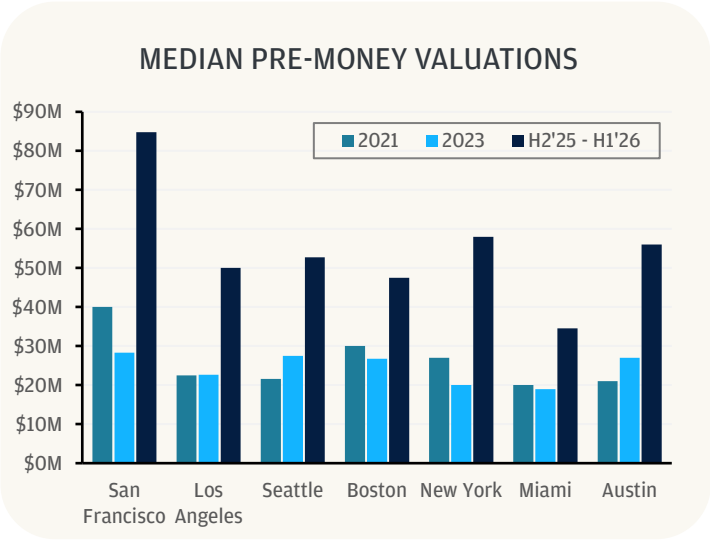
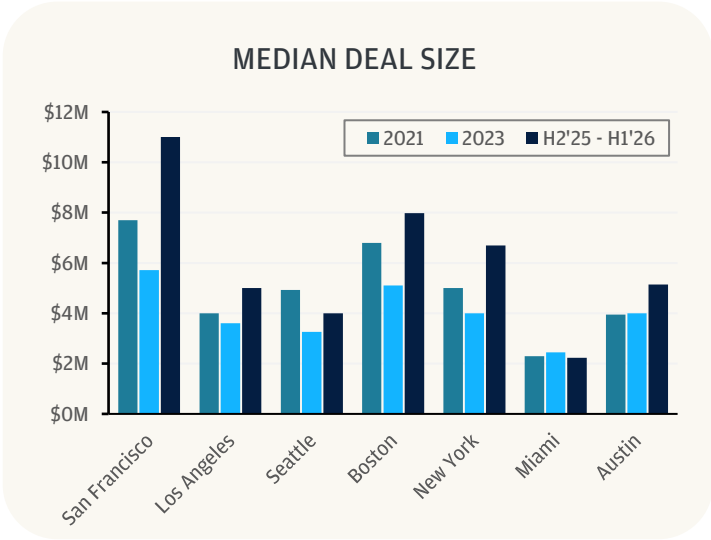
Rank	Sector ¹	Deal count (H2'25 - H1'26)	Deal count year-over-year % change	Capital invested (H2'25 - H1'26)	Capital invested year-over-year % change
1	Software	4,780	-7%	\$357.7B	114%
2	Disruptive Commerce	3,881	15%	\$29.9B	26%
3	Life Sciences	2,542	-6%	\$50.9B	19%
4	HealthTech	2,324	-4%	\$38.4B	17%
5	Payments	1,940	-7%	\$34.9B	36%
6	Internet	1,802	-14%	\$19.0B	8%
7	Applied Tech	1,443	19%	\$80.8B	90%
8	Climate Tech	1,041	3%	\$30.8B	23%



Notes: ¹ Disruptive commerce (DC) encompasses consumer companies operating at the intersection of retail and technology, including sectors such as apparel, beauty, beverage, fitness and wellness, food and ingredients, furniture and home, and pet care. The internet category includes companies developing online gaming, marketplaces, local commerce, e-commerce, social and digital platforms, and software for consumers and small- to medium-sized businesses. Applied technology covers defense tech, robotics and automation, semiconductors and microelectronics, and space tech. Climate technology includes battery and grid tech, clean mobility and charging infrastructure, food and agricultural tech, built environment, industrial tech, and carbon tech. ² Mega-rounds are funding rounds of \$100M or larger.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

Innovation Economy Dashboard: Regions

Rank	Region ¹	Deal count (H2'25 - H1'26)	Deal count year-over-year % change	Capital invested (H2'25 - H1'26)	Capital invested year-over-year % change
1	San Francisco	2,490	-11%	\$379.4B	125%
2	New York	1,657	-11%	\$37.3B	45%
3	Los Angeles	750	-14%	\$20.6B	54%
4	Boston	736	-2%	\$20.0B	31%
5	Austin	377	0%	\$10.7B	122%
6	Miami	343	3%	\$3.3B	3%
7	Seattle	274	-18%	\$4.7B	-28%



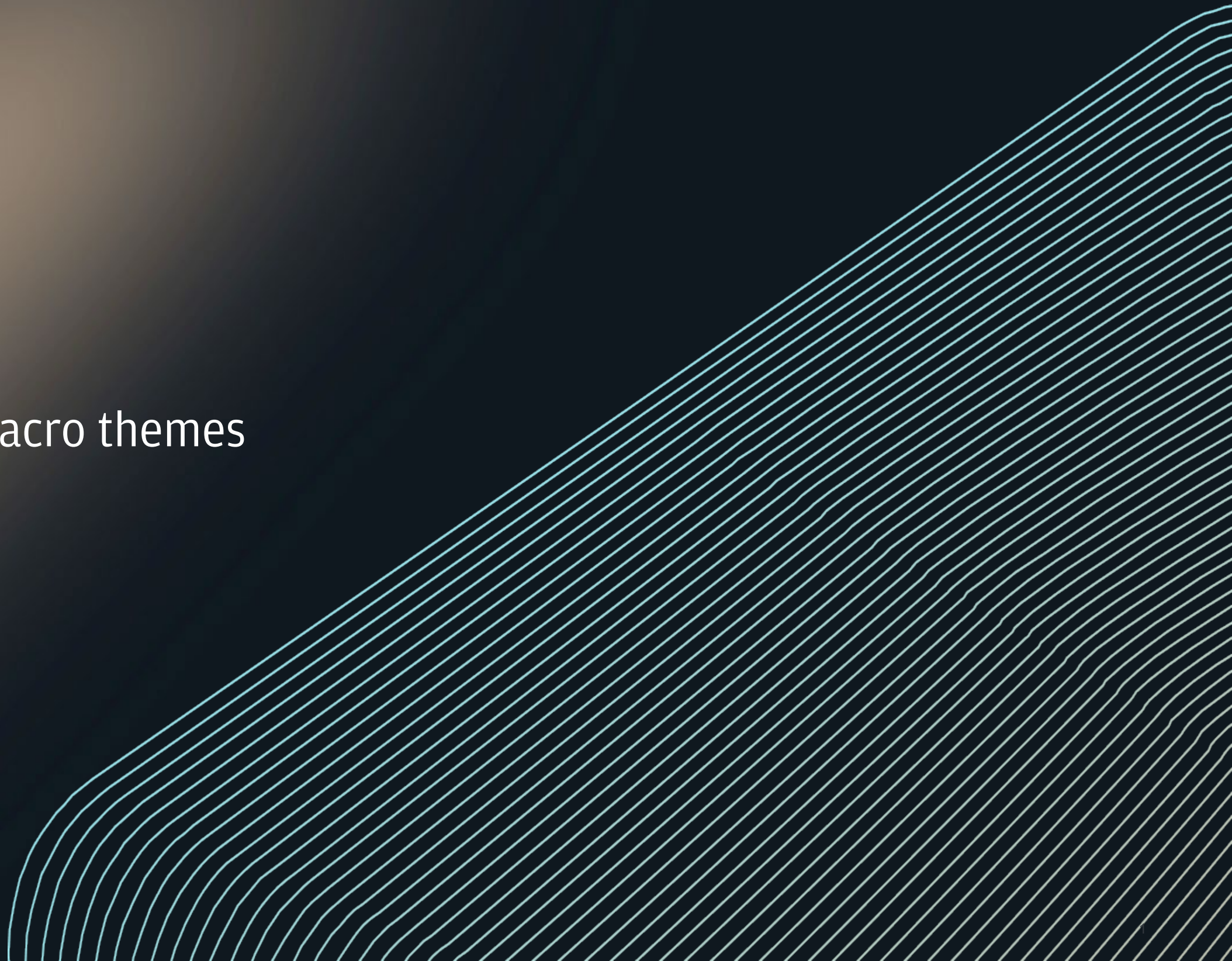
TOP SECTORS IN EACH REGION¹
(H2'25-H1'26)

Region	Top Sectors
San Francisco	AI, SaaS, Big Data
New York	AI, SaaS, Fintech
Los Angeles	AI, SaaS, E-commerce
Boston	AI, Life Sciences, HealthTech
Austin	AI, SaaS, HealthTech
Miami	AI, SaaS, Fintech
Seattle	AI, SaaS, HealthTech

Note: ¹ San Francisco includes the San Francisco-Oakland-Berkeley, CA MSA. New York includes the New York-Newark, NY-NJ-CT-PA CSA. Los Angeles includes the Los Angeles-Long Beach-Anaheim, CA MSA. Boston includes the Boston-Cambridge-Newton, MA-NH MSA. Austin includes only the city of Austin. Miami includes the Miami-Fort Lauderdale-West Palm Beach, FL MSA. Seattle includes the Seattle-Tacoma-Bellevue, WA MSA.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

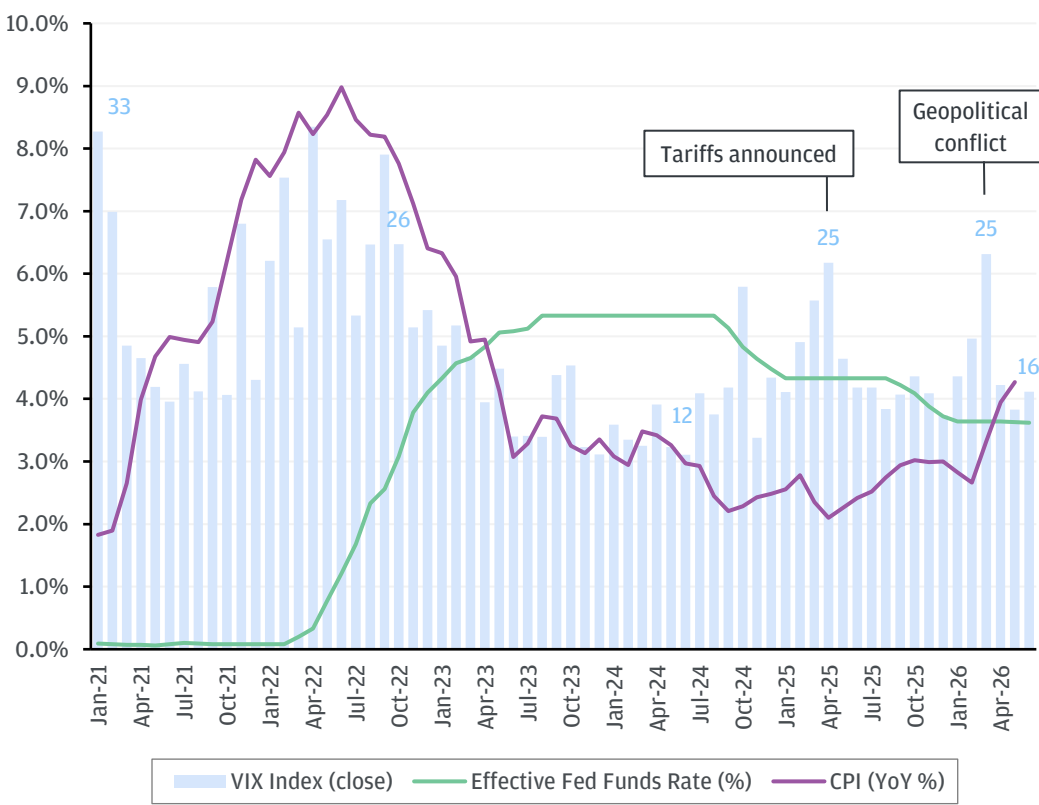
01

Macro themes



Rising uncertainty in the era of growing AI dominance

TOUGH GOING: RISING INFLATION & BOUTS OF VOLATILITY

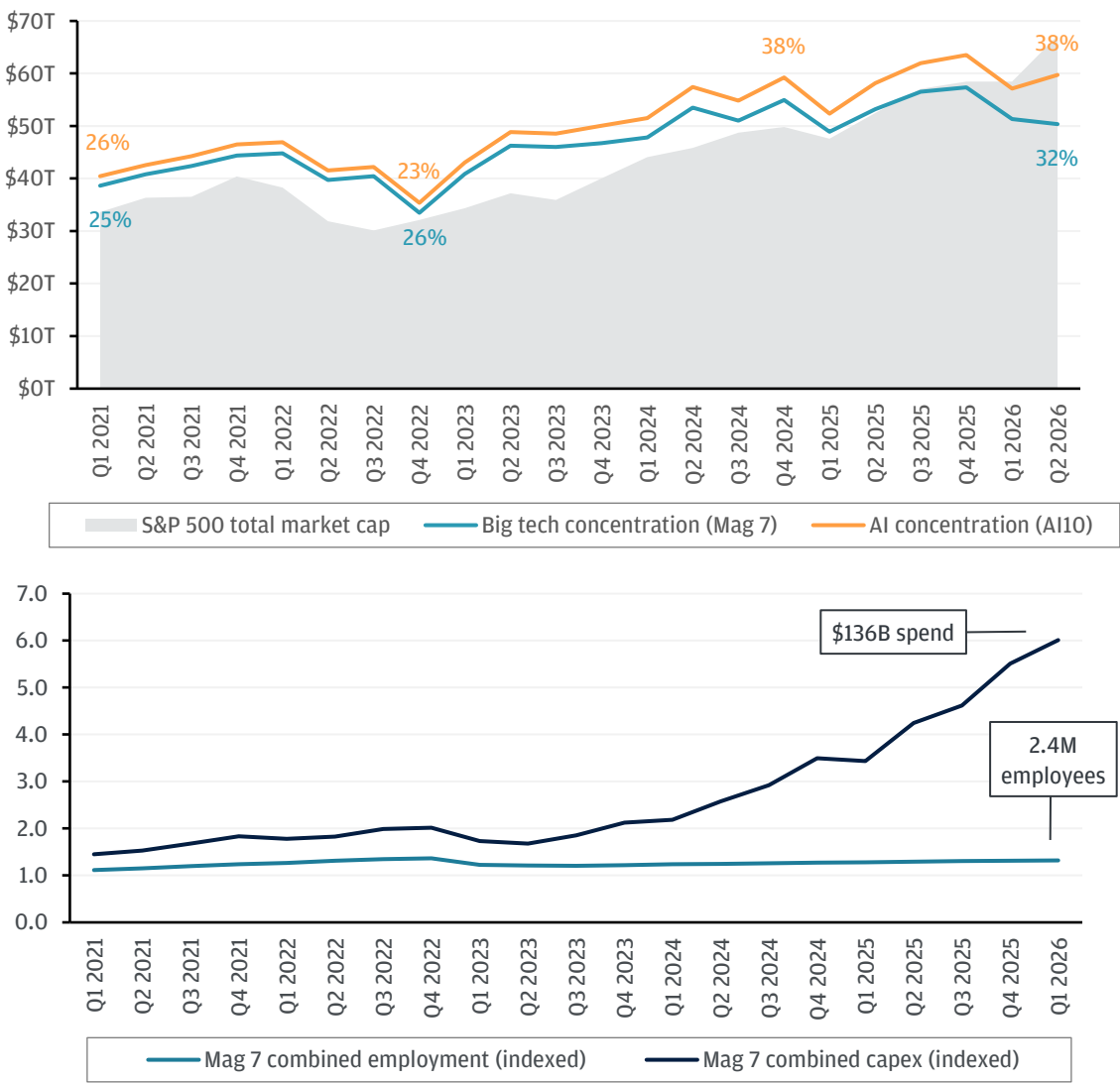


	Q1 2026	Q2 2026	Q3 2026 (E)
Effective Fed Funds Rate	3.64%	3.63%	3.62%
CPI-U (YoY)	2.7%	3.9%	3.6%
Real GDP growth	2.1%	2.2%	1.5%
S&P 500 Index level	6,529	7,499	

Key macroeconomic and public market indicators

Notes: ¹ Mag 7 are Apple, Alphabet, Amazon, Meta, Tesla, Nvidia, and Microsoft. AI10 is the Mag 7 plus Broadcom, Micron, and AMD. ² Latest data available is for Q1 2026.
Source: Federal Reserve Bank of St. Louis; Rogo; J.P. Morgan Economics Research.

AI IS FUELING THE STOCK MARKET, LED BY BIG TECH



S&P 500 concentration (top) and Mag 7¹ capital expenditure and employment trend index (bottom)²

A word to describe the current state of the U.S. markets would be uncertainty. The level of volatility is elevated, and periodic spikes in volatility can be unsettling. Rising inflation is also a concern, particularly regarding how it could influence interest-rate decisions. Another relevant factor for startup founders is the “shock” caused by the release of new AI products and features, and how those might impact their businesses. The concentration of AI stocks in the S&P 500 is rising and is expected to increase, particularly as notable private AI labs approach the public markets. Public and private AI companies are raising significant capital to fund AI capex, including data center expansion, servers, networking and broader AI infrastructure. Focusing on the Mag 7, capital expenditures have accelerated meaningfully following the release of ChatGPT in late 2022, compared to total employment, which has remained flat.



KRITI GUPTA

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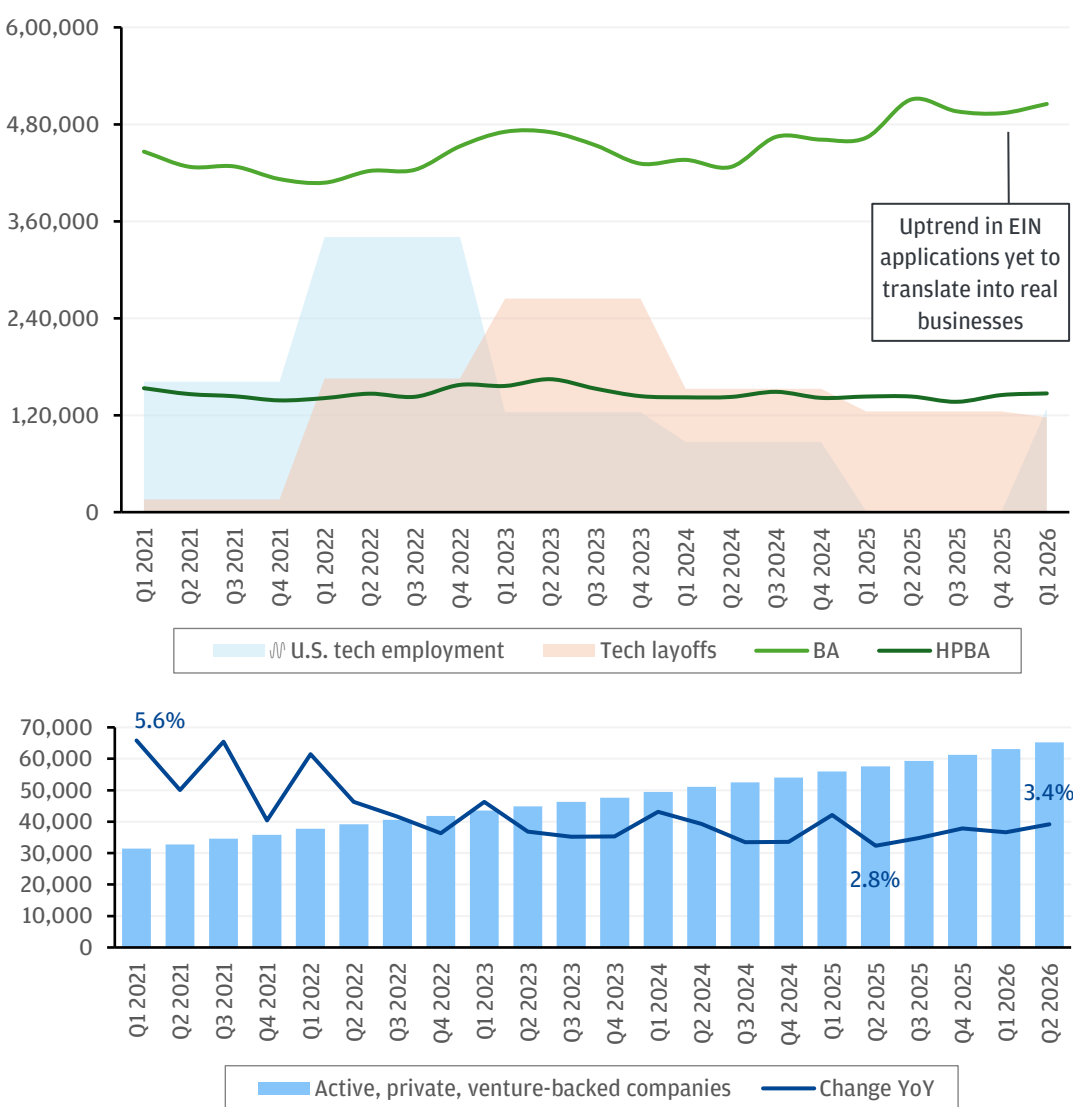
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Scale, demand and AI are reshaping markets

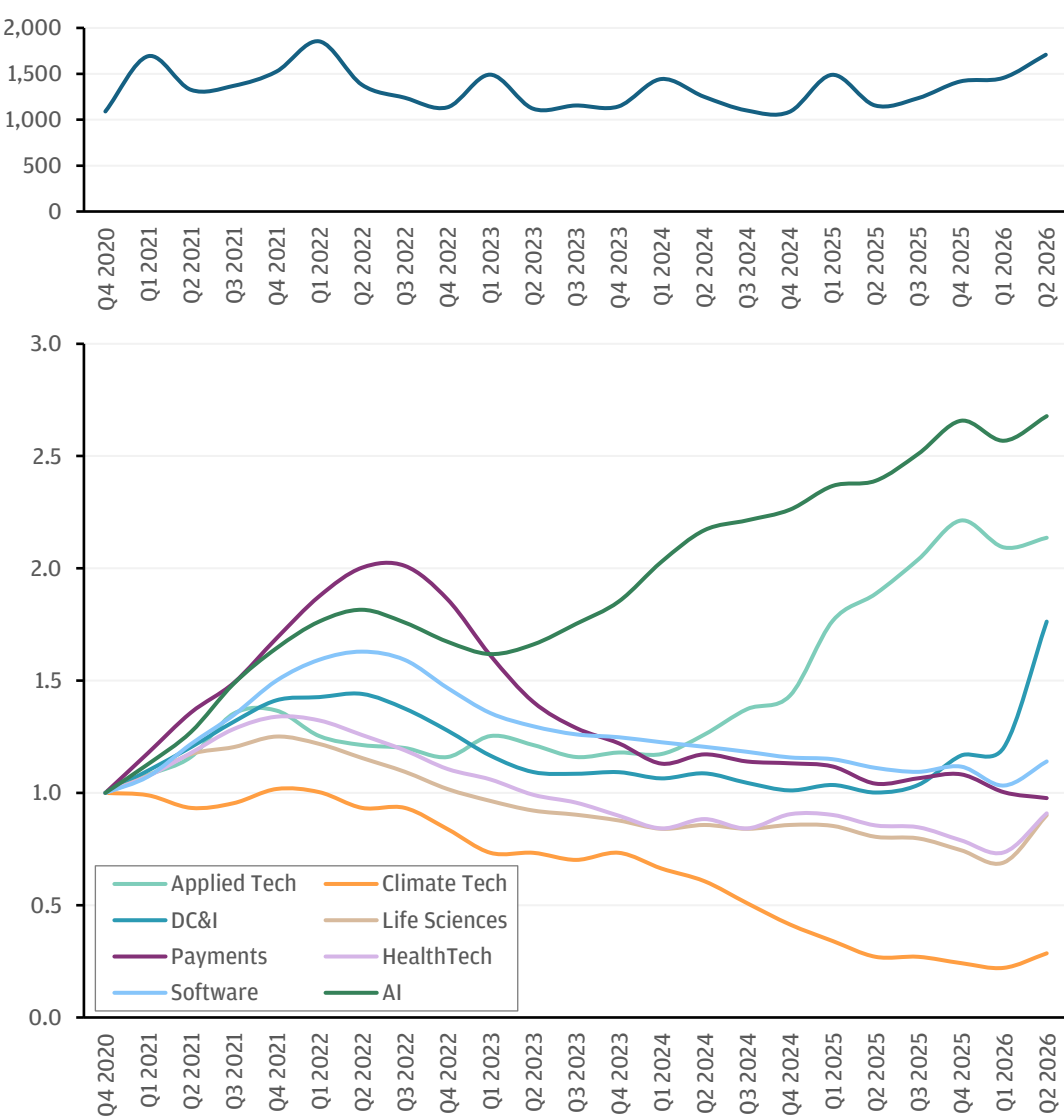
The size of the U.S. stock market is undeniably historic, thanks to price appreciation over the last several decades. Today's equity markets have become more structurally sound, paving the way for easy digestion even in the face of mega IPOs and other equity supply. Plus, demand is insatiable and coming from a variety of sources. Corporate demand in the form of buybacks remains robust, mergers and acquisitions have seen a record start in the first half of 2026, and households and retail investors have become net buyers of equities. Under the hood, the artificial intelligence (AI) revolution is already driving earnings growth—and by extension the stock market—at a record clip. In the process, technology has worn different hats, serving as different things to different types of investors—from growth investments to safe assets to liquidity and volatility plays. The path for the next leg of stock market gains extends beyond technology. It relies on broader AI adoption across sectors that increases productivity and bolsters margins across the board—an achievable reality going into 2027.

The startup boom that AI proliferation promised is yet to materialize

NO SIGN YET OF AN AI-FUELED STARTUP TAKEOFF



AI & APPLIED TECH STARTUPS DOMINATE THE EARLY STAGE



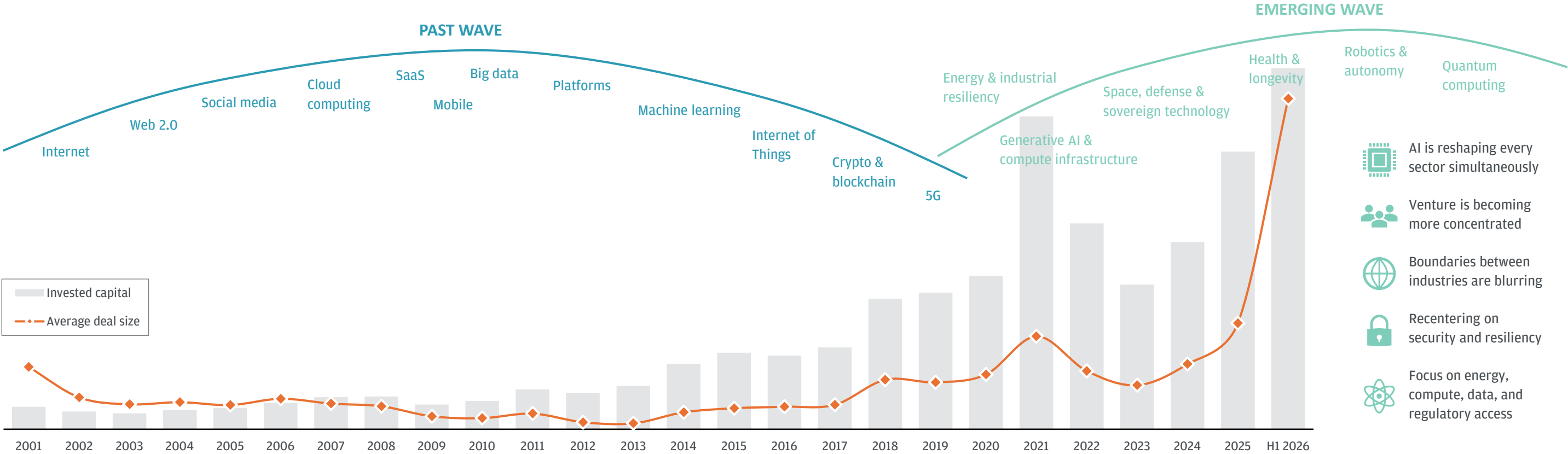
Starting in 2025, business applications rose in the U.S. However, the number expected to translate into businesses with payroll remained relatively flat. With growing adoption of AI tools, the expectation was that the barriers to starting a business would fall. This is especially true for innovation startups, as prerequisites like a technical background become less critical compared to industry knowledge and deep subject matter expertise, especially in areas like applied tech. With a slowdown in tech employment and rising tech layoffs, the pool of talent has further expanded, but it has not yet translated into a measurable increase in active startup formation. One potential explanation is that a growing number of startups may be opting to remain in stealth or delaying external fundraising.

Tech employment & U.S. business formation trends (top). Number of U.S. venture-backed startups (bottom)¹

Number of first venture financings (top) and first venture financings index for select sectors (bottom)²

Notes: ¹ Business applications (BA) refers to EIN applications filed. High-propensity business applications (HPBA) refers to the subset most likely to lead to business formation. Startups are active, private companies as of date. ² Index is the trailing 12-month number average indexed to Q4 2020. Source: Federal Reserve Bank of St. Louis; Rogo; PitchBook. Data has not been reviewed by PitchBook analysts.

Phases of venture capital



- AI is reshaping every sector simultaneously
- Venture is becoming more concentrated
- Boundaries between industries are blurring
- Recentering on security and resiliency
- Focus on energy, compute, data, and regulatory access

Fundraising dynamics	Power shifts back to investors after dot-com bubble bursts, capital discipline returns		VC industry matures, expands operations, functions and strategies	Founders negotiating leverage rises	\$100M+ venture rounds become common	Crossover investors ramp up private market investing	Peak founder friendly, high valuations, low due diligence		Rise in the Seed to Series A divide		K-shaped: • Elite AI/category defining companies (high leverage) • Median startup (tighter fundraising conditions)	
Ecosystem vibes	Survival post-dot com crisis	The Web 2.0 era; stealth & conservative	The lean startup era, following the Great Recession	Do things that don't scale	Be mobile-first	Grow fast	Grow at all costs	Have a path to profitability	Peak venture	Haves and have-nots	Deep-tech migration	AI-native startup era

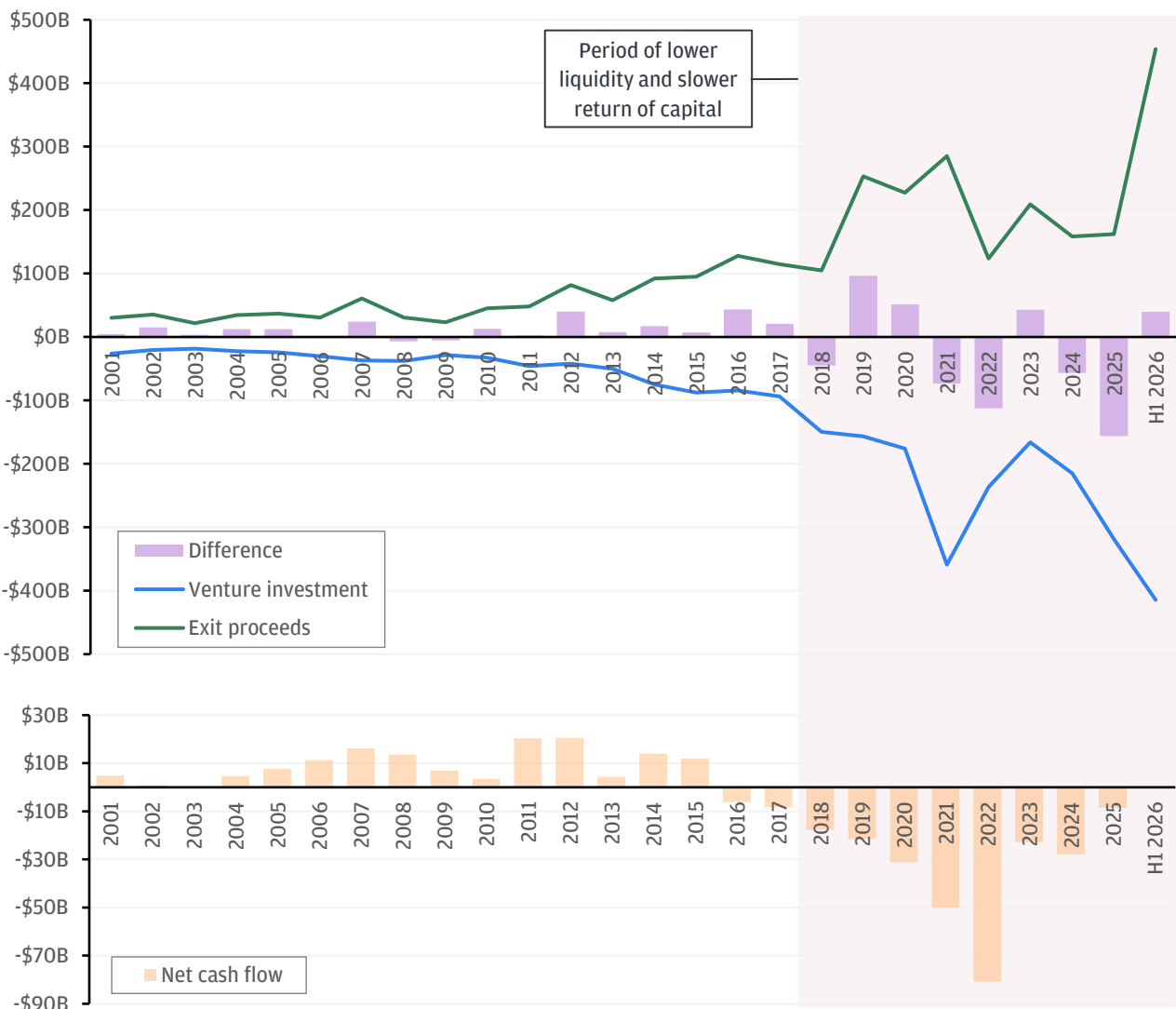
Source: J.P. Morgan; PitchBook. Data has not been reviewed by PitchBook analysts.

02

Venture fundraising

Capital unlock: can mega-exits solve the cash flow crunch

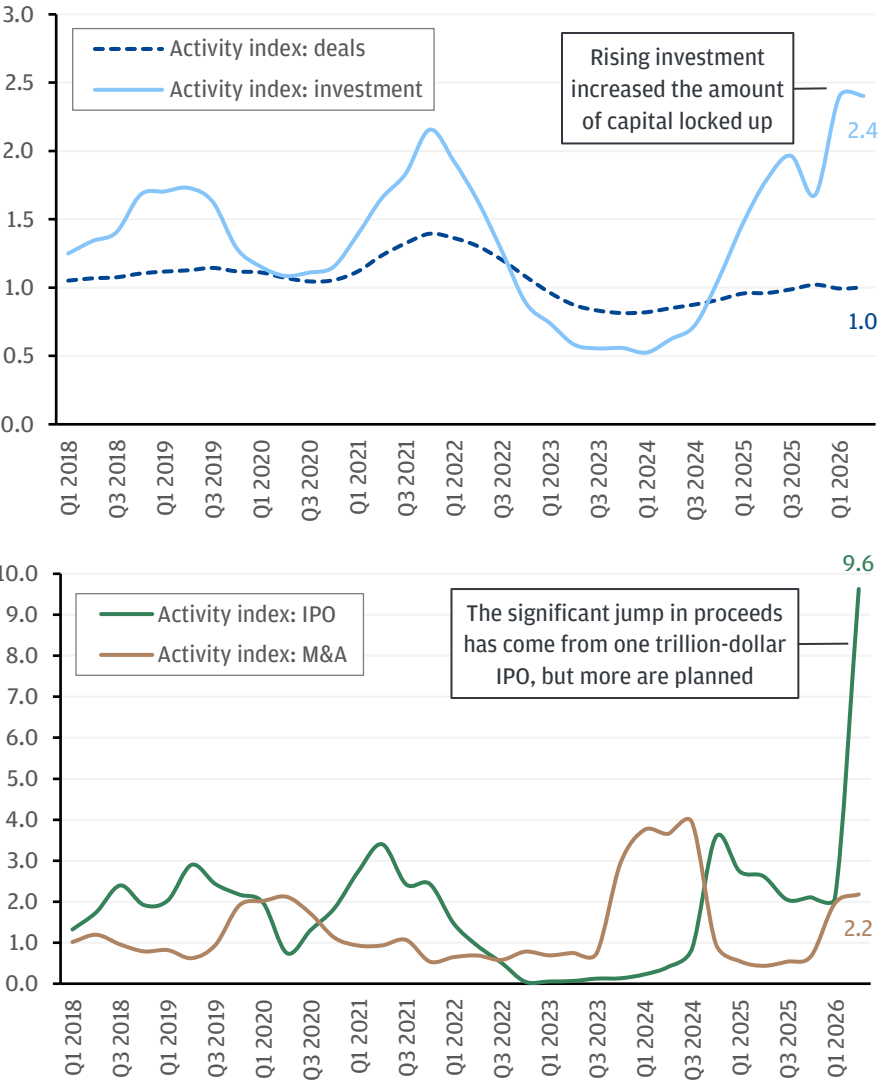
SLOW RETURN OF CAPITAL HINDERS THE VENTURE FLYWHEEL



Capital flows in and out of the venture ecosystem (top) and net VC fund flows (bottom)^{1,2,3}

Notes: ¹ For the U.S. ecosystem. ² The majority of M&A transactions do not disclose a price, so exit proceeds are likely understated. ³ Net fund flows are distributions less contributions, by fund closed year. ⁴ Activity index is calculated as the trailing four-quarter trend over the prior eight-quarter trend. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

ACTIVITY RISES RAPIDLY AFTER A CLEAR SLUMP

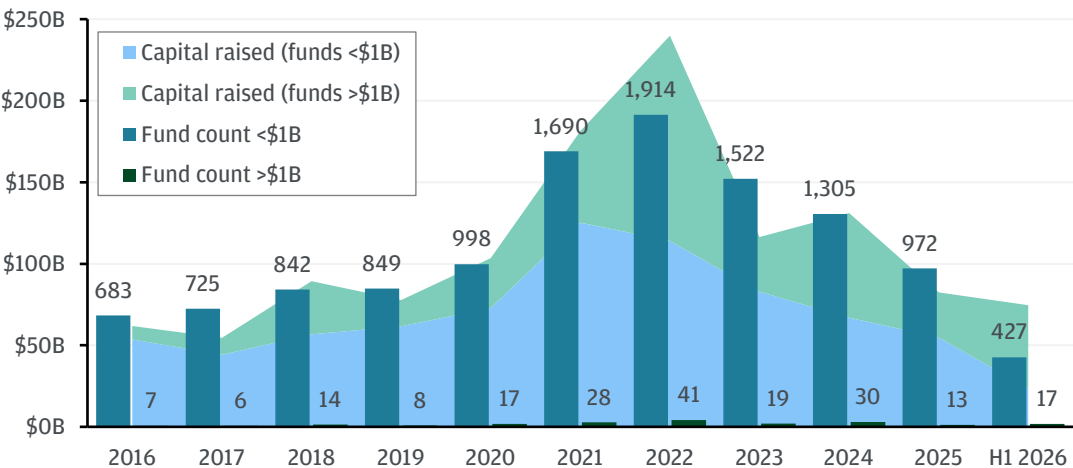


Venture activity index (top) and venture-backed exit proceeds index (bottom)⁴

The pace of capital recycling is key to a healthy venture ecosystem. The return of capital from exits—like an IPO—flows back to limited partners (LPs), who in turn re-up their commitments to venture funds, which then deploy it in the next wave of startups. Because exit markets slumped from H2 2022 onward, the considerable amount of capital deployed during 2021 and 2022 was tied up. A run-up in capital investment started again in 2025, adding to the problem. Recent data suggests the market may be approaching an inflection point, with IPO proceeds experiencing a considerable jump, supported in large part by the record trillion-dollar valuation SpaceX IPO. Several notably large private companies have filed S-1s in preparation for an IPO. A release of capital may help support a more broad-based investment environment, akin to the 2021 period.

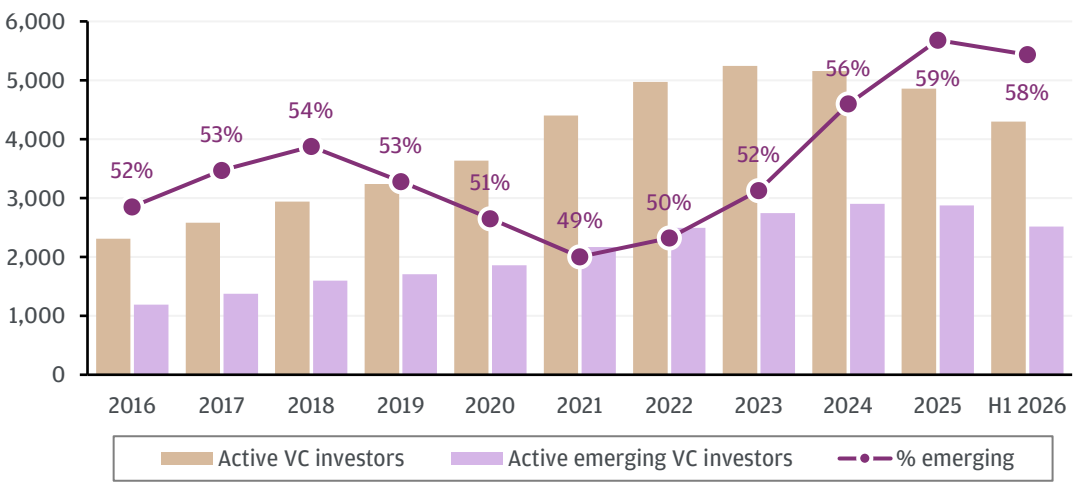
The future of venture capital looms large (pools of capital)

VC FUNDRAISING STRUGGLES, MEGA FUNDS DOMINATE



U.S. venture capital fundraising trend, by fund size

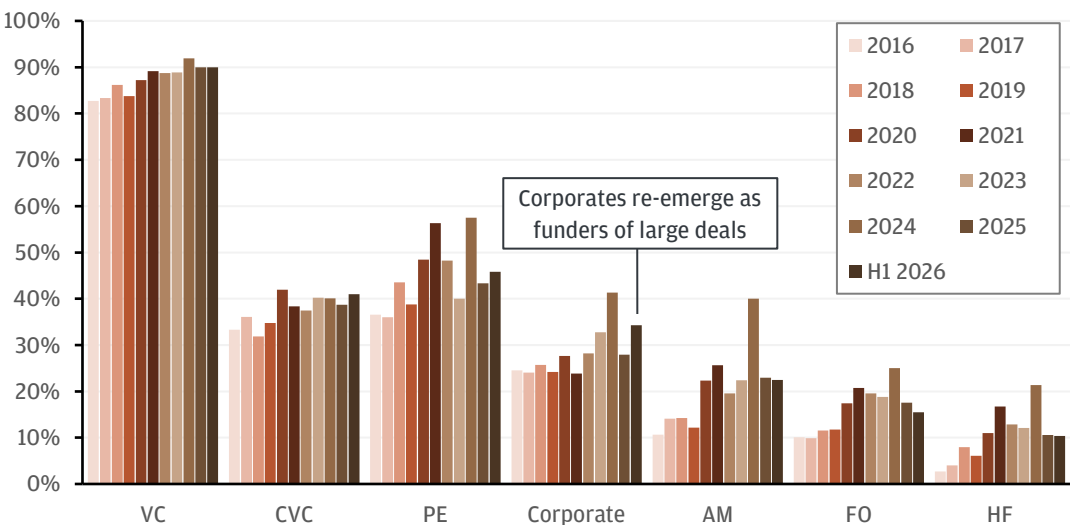
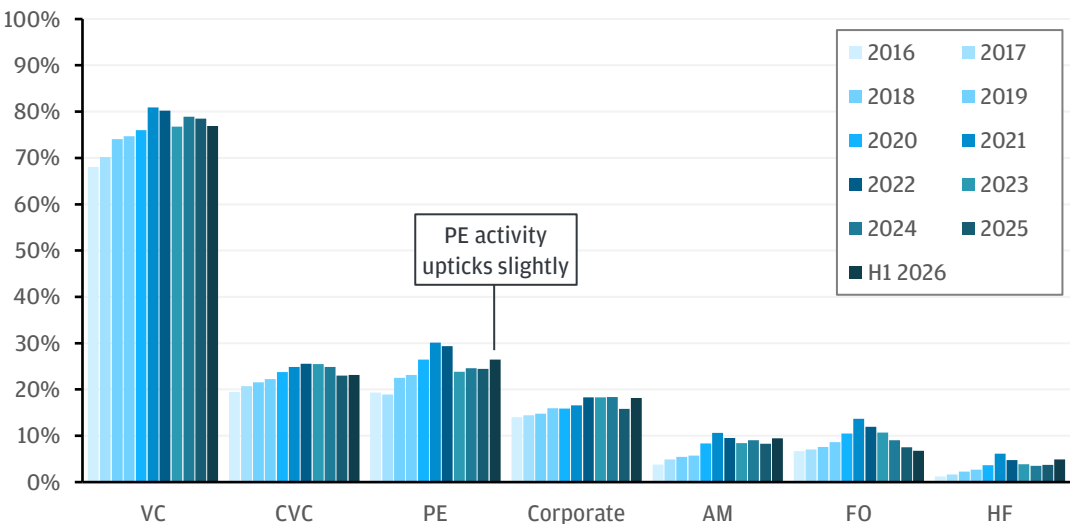
TENURED VC INVESTORS CONTINUE TO LEAVE THE JOB



Active U.S. VC investors¹

Note: ¹ An active investor has raised a VC fund within the past five years or has made four or more VC investments in the last three years.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

PRIVATE EQUITY AND CORPORATES STEP-UP THEIR INVOLVEMENT

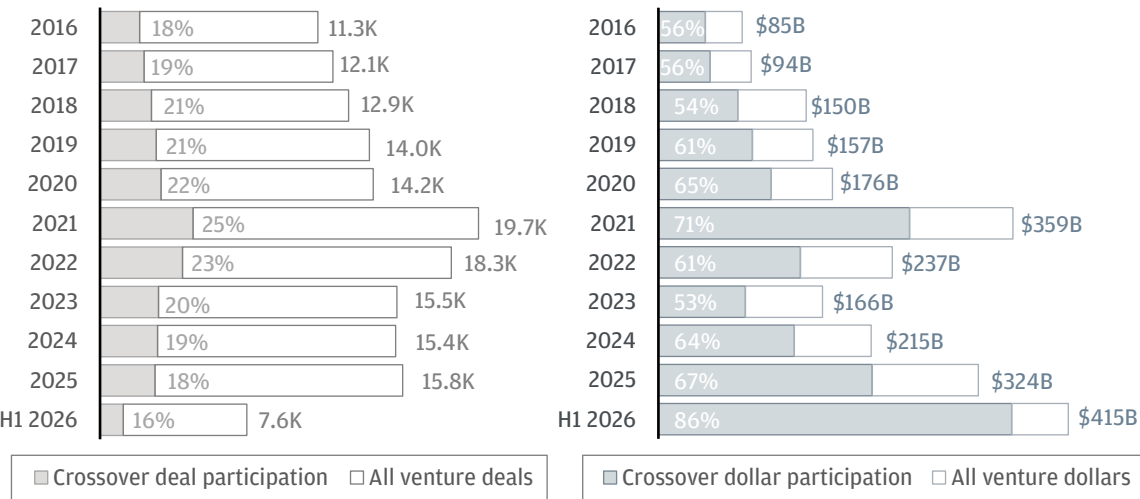


U.S. VC deal (top) and invested capital (bottom) participation by primary investor type

The knock-on effect from the liquidity crunch in the private markets has been a tighter fundraising environment, as investors slowed or paused deployment, in part due to consideration for LP commitments. Other investors left the industry altogether. One group that has seen relatively stronger fundraising outcomes is large, established firms focused on raising mega-funds (\$1B+), which pulled in 68% of all funding in H1 2026, compared to 49% in 2024 and 33% in 2025. At the other end of the spectrum, deep domain expertise appears increasingly valued, as illustrated by the backgrounds of recent emerging managers. Recently, the record deployment of venture capital has been supported by increased participation from non-VC investors, notably private equity firms and corporates.

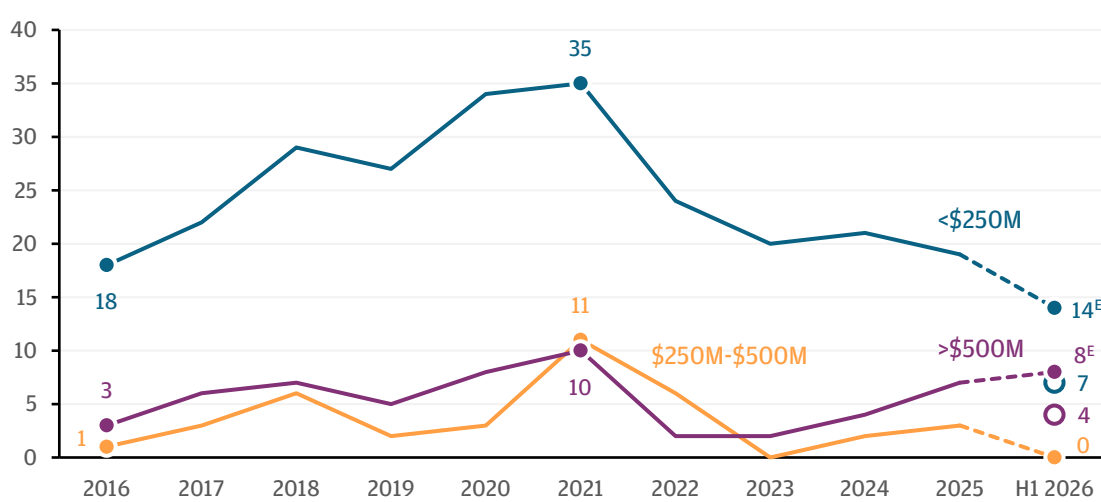
Crossover capital concentrates in the largest deals

CROSSOVER INVESTORS ARE HIGHLY ACTIVE IN LARGE DEALS



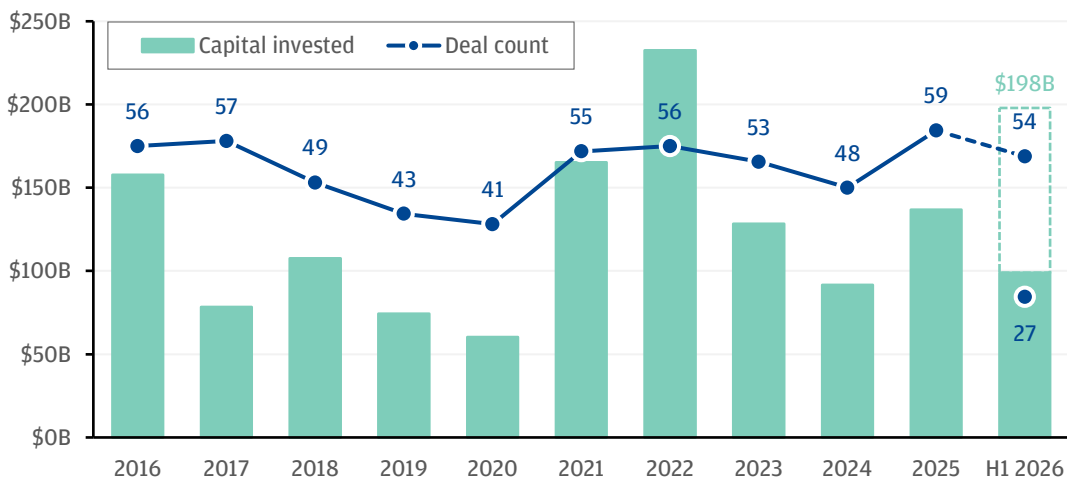
Crossover venture investor investment activity and participation share of total venture activity¹

BUYOUTS EXCEEDING \$500M+ PICK UP IN RECENT PERIODS



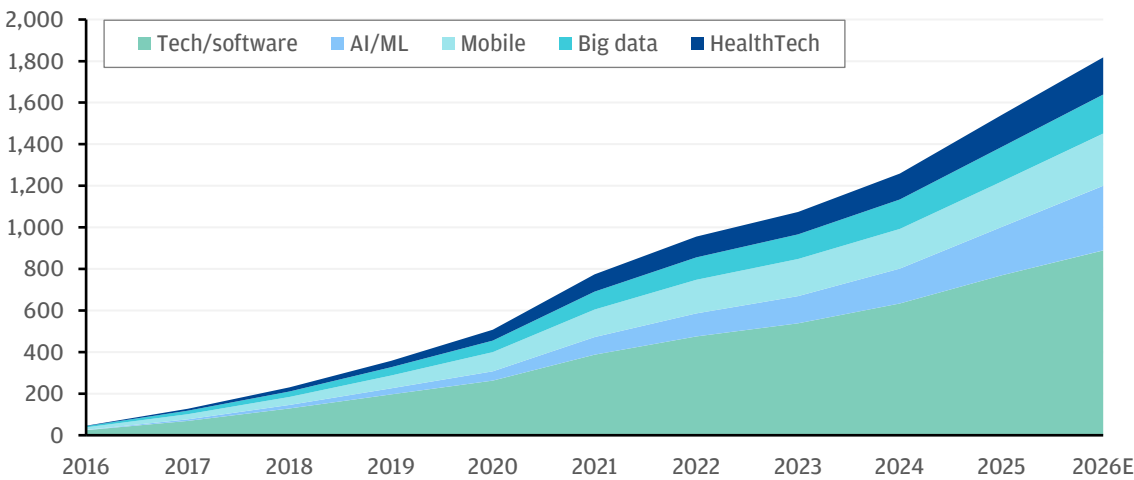
Count of PE buyouts of U.S.-based, VC-backed startups by deal size range

TAKE-PRIVATES ON PACE FOR THE SECOND-HIGHEST YEAR EVER



Take-private activity for U.S.-based (formerly-public) companies

TECH AND SOFTWARE ARE DOMINATING PE ADD-ONS



Count of PE add-ons by vertical of acquired startup (U.S.-based startups only) (cumulative)²

In H1 2026, crossovers participated in 16% of venture deals but were involved in 86% of total venture dollars invested. PE firms operating within the venture ecosystem have been particularly active, with take-privates pacing toward one of the strongest years on record and \$500M+ buyouts of venture-backed targets trending upward. PE capital is increasingly being deployed through add-on acquisitions, particularly in software, where recurring revenue and fragmentation create opportunities for scaled platforms. Taken together, this suggests capital concentration around proven platforms, and the bar may continue to rise, as growth alone appears to be less sufficient for many investors. Companies that attract sustained interest are increasingly those that look and operate more like public businesses earlier in their lifecycle.

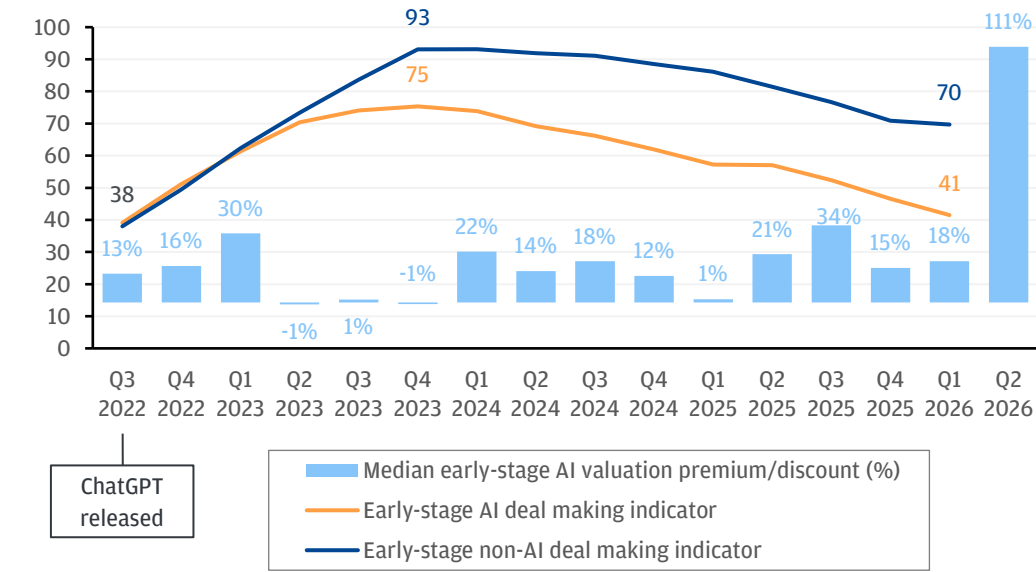
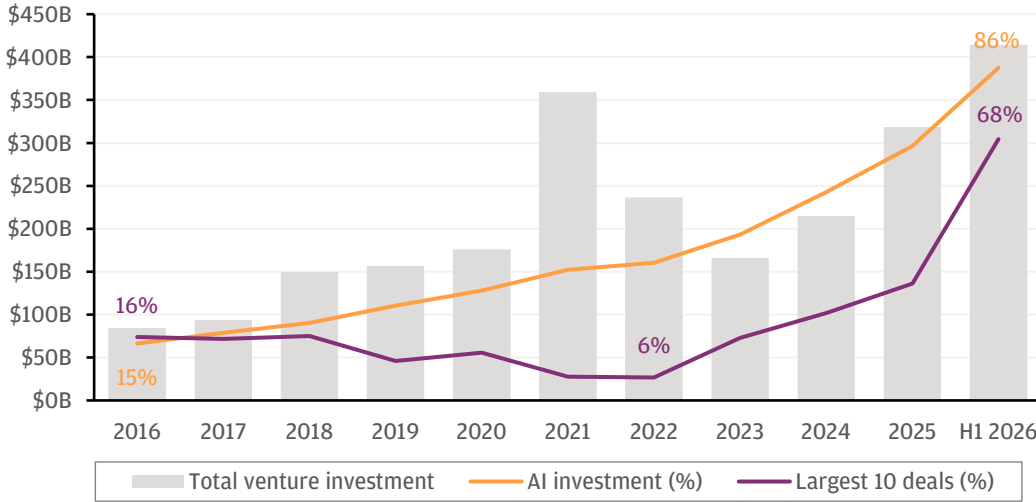
Notes: ¹ Crossover investors include corporate venture capital, PE, sovereign wealth funds and governments. Percentages reflect the share of total deal value or count that included at least one crossover investor, not their capital contribution within those deals. ² Verticals are not mutually exclusive. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

03

Investment dynamics

The power law: AI dominance drives new high-water marks

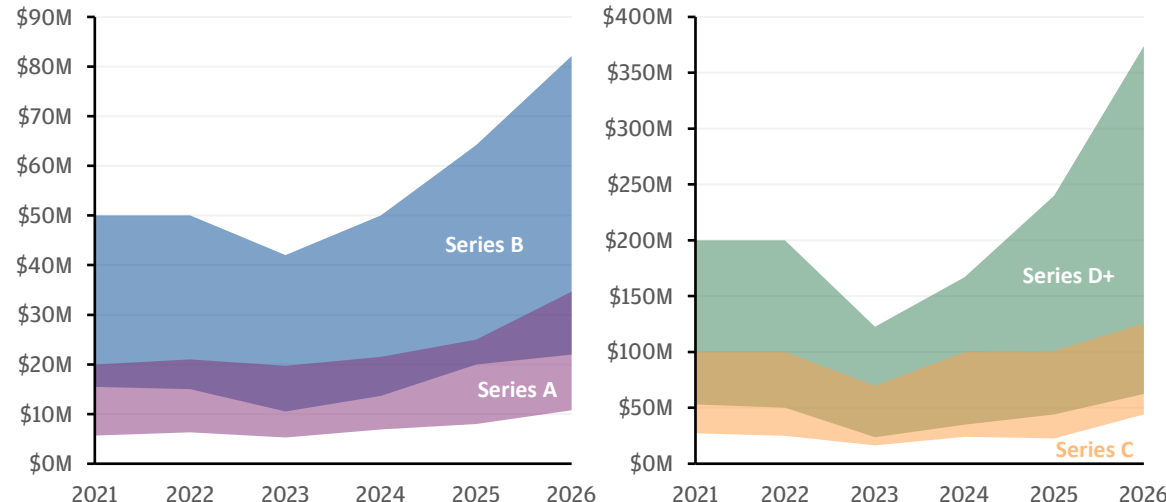
AI STARTUPS ARE PLAYING A DIFFERENT FUNDRAISING GAME



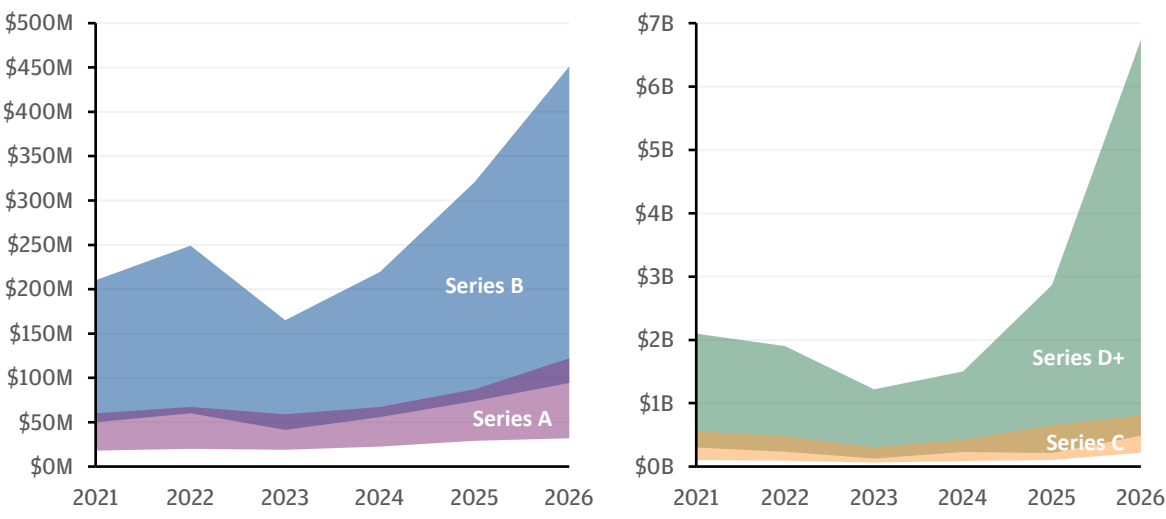
U.S. venture activity (top) and early-stage AI valuation premium/discount (bottom)^{1,2}

Notes: ¹ Pre-money valuation. ² A neutral score for the deal making indicator is 50, meaning negotiating power is equal.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

DEAL SIZES & VALUATIONS REACH ALL TIME HIGHS...FOR SOME



Deal size range (25th to 75th percentile) by series for U.S. venture investment



Valuation range (25th to 75th percentile) by series for U.S. venture investment¹

The level of concentration in 2025, with 66% of venture capital flowing to AI startups, was a surprise for many. In 2026, that concentration has increased dramatically, with 86% of capital flowing to AI startups and 68% to the 10 largest deals. Valuations have reached new highs for those that have been able to raise capital. Note, while capital investment is at all-time highs, deal counts continue to be at decadal lows. For a cohort of AI startups, the experience appears materially different compared to companies not building in AI. AI startups often experience less friction in fundraising and likely command a premium in valuation. It is important to highlight the overlap between series and the significant delta between a company raising at the high end of a range vs. the middle or low end. The fundraising experiences in those cases can vary dramatically and impact preparation and planning.



CARLY RODDY

Managing Director,

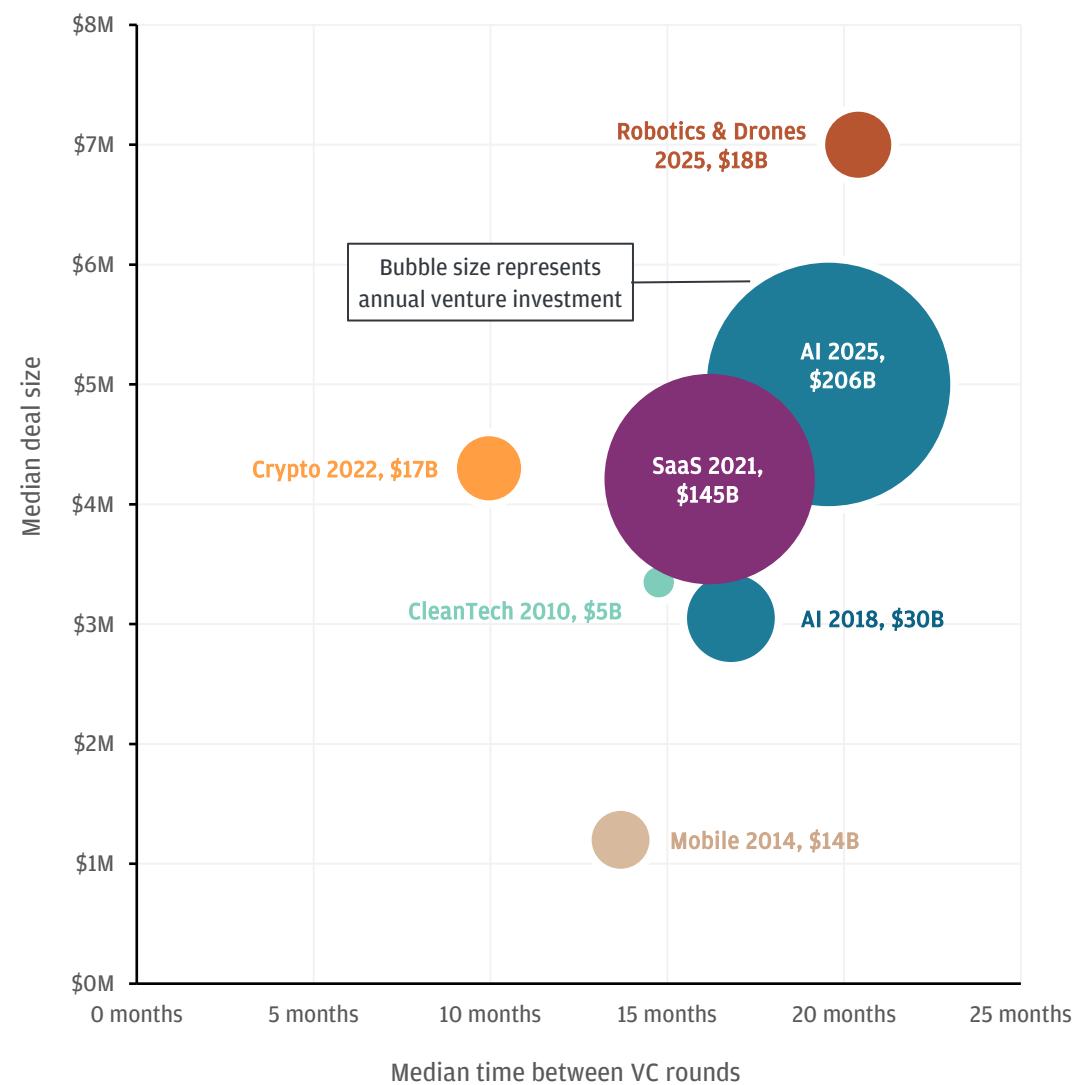
Co-head of Venture Capital Relationships

The venture ABCs of 2026: AI, barbell strategy and compute

In many ways, 2026 year to date has been something of a continuation story of the AI hubris that gained steam in 2025. More than 80% of venture capital deployed in the first half of this year went to AI companies, though investors are increasingly shifting focus to infrastructure and orchestration layer companies given some concerns around IP differentiation and competitive moat in the application layer as the foundational models continue to build out their product sets. Indeed, the moat of 2026 may actually be a company (or firm's) ability to access compute, which is constrained for most companies, bar the hyperscalers. This squeeze has also intensified VC appetite for companies innovating solutions for compute efficiency, access and power. In the near term, the limited supply of inference remains incredibly costly, driving continued inflation in capex, opex and, of course, valuations. The strategy for many VCs thus remains a barbell approach: big swings at the seed, or doubling down as proof points (and annual recurring revenue) materialize in the later stages. Both point to the idea that larger fund sizes (and multistage strategies) are here to stay for the time being. Thankfully, there is optimism from both managers and LPs that increased activity in the public equity capital markets will provide some much needed liquidity to continue funding this new generation of category-defining companies.

Hype is a feature of the venture industry

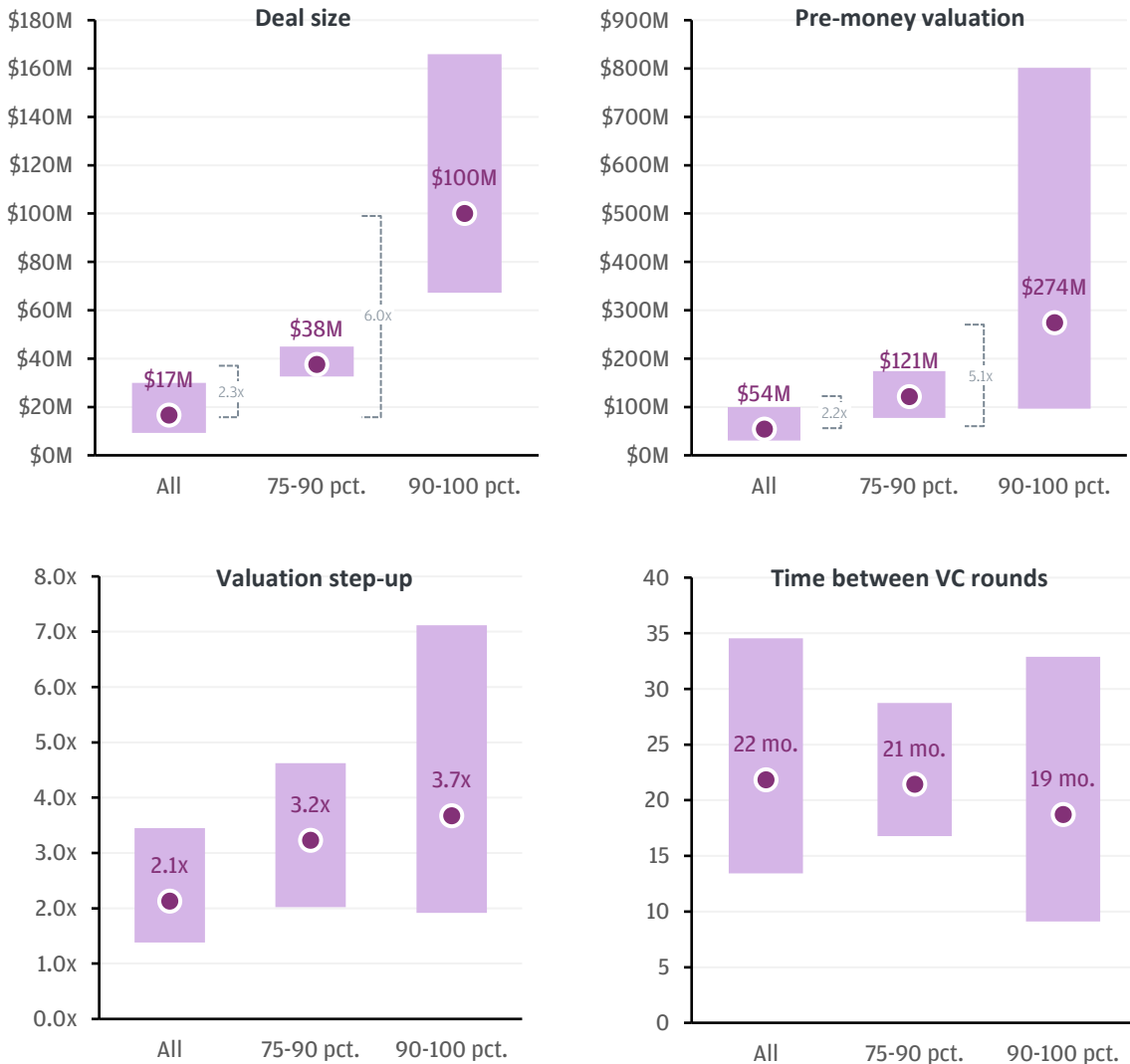
MORE CAPITAL, LESS HASTE FOR RECENT TECHNOLOGIES



Fundraising dynamics for select breakout categories¹

Note: ¹ The medians are for the entire group, not a singular company for both axes.
Source: PitchBook. Data has not been reviewed by PitchBook analysts.

TOP-PERCENTILE COMPANIES DRIVE EXPECTATIONS AT SERIES A

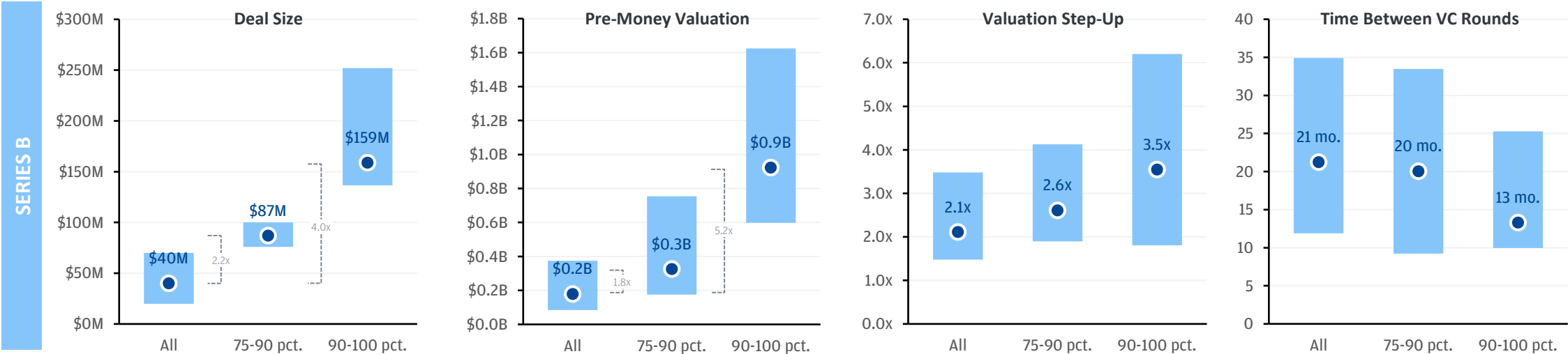


Series A fundraising metrics by percentile range

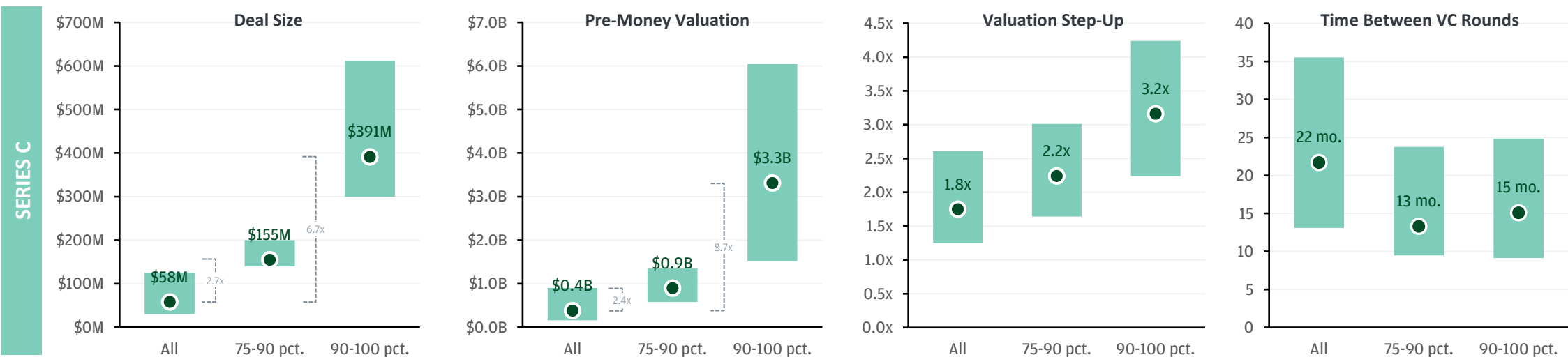
The innovation economy is renowned for its hype cycles, where substantial attention is diverted toward an emerging technology. More recently, breakout trends have commanded larger check sizes, but rounds have taken longer to close, perhaps signaling more diligence and discernment. For example, crypto startups raising in 2022 closed a round within 10 months, compared to twice that for 2025 AI companies. Similarly, deal sizes and valuations for the top 10% have expanded much faster than for the rest of the cohort, even as these companies raise their next round in less time, driven largely by a flight to perceived market leaders. One risk is that founders benchmark against unrealistic comparables, while investors may misprice the median deal by anchoring to the top.

The top 10% of raisers are in a league of their own

SERIES B DIVIDE SIMILAR TO SERIES A AS THE TOP PERCENTILE ARE ABLE TO RAISE FASTER



THE SERIES C DIVIDE ACCELERATES AS TOP PERCENTILES COMPANIES HIT SCALE AND RAISE FASTER



Series B (top) and Series C (bottom) fundraising metrics by percentile range

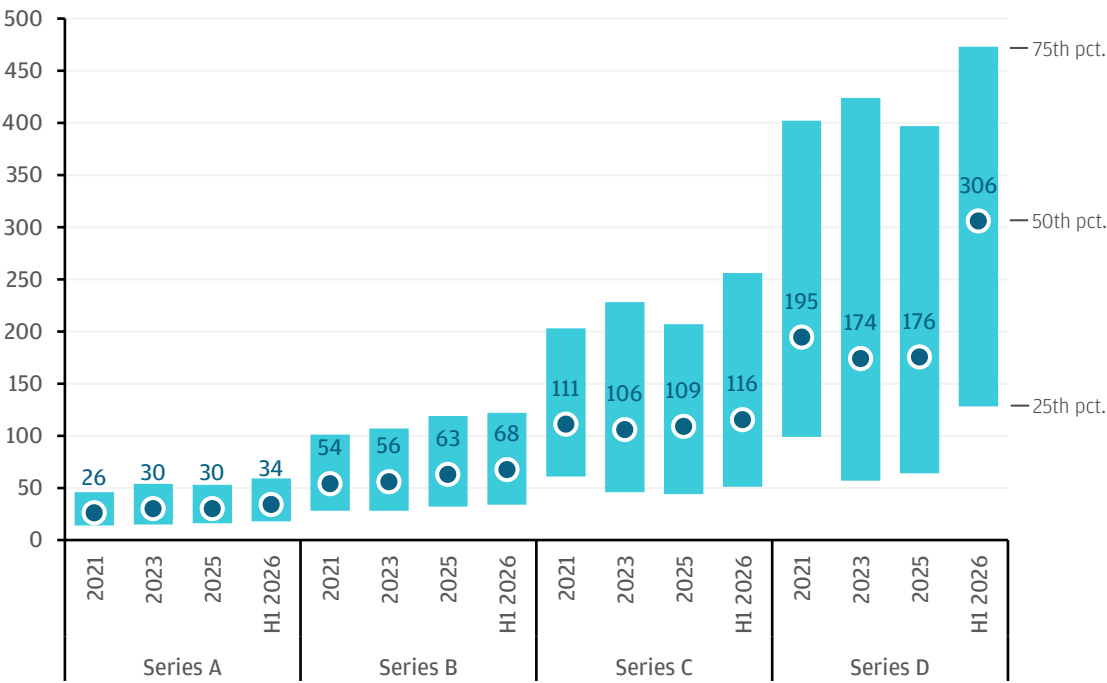
The top-percentile advantage appears to persist—and in some cases widen—across later rounds. At Series B, the valuation gap between percentiles was narrower than at Series A or C, with the median top-percentile (90th to 100th) company valued at roughly 5x the overall group median. By Series C, that divide accelerated sharply, with top-percentile companies reaching a median valuation of nearly 9x the group median. One likely factor is venture is concentrating into the perceived winners. For many investors, the cost of missing a “fund returner” is far greater than the cost of backing one that ultimately fails. As the apparent winners get christened earlier, a dynamic can emerge in which excess demand bids up valuations, which also explains the shorter time for those companies to close their next round.

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

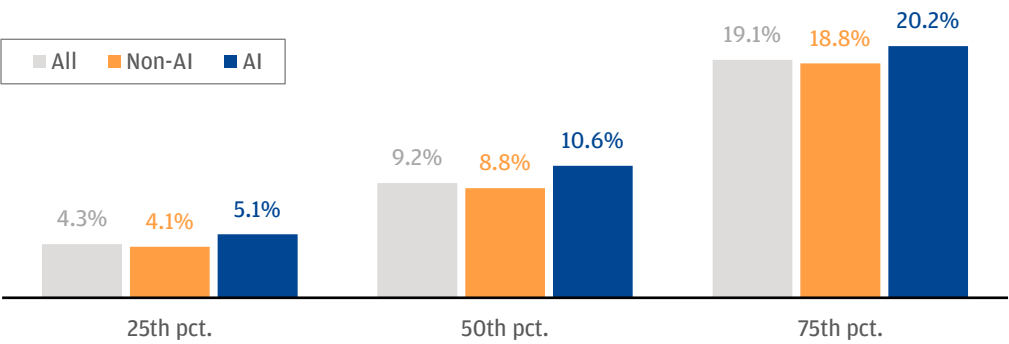
04 | Startup operations

Robots need not apply; AI startups lead hiring acceleration

HEADCOUNT GROWS IN 2026, AFTER 2025 PLATEAU

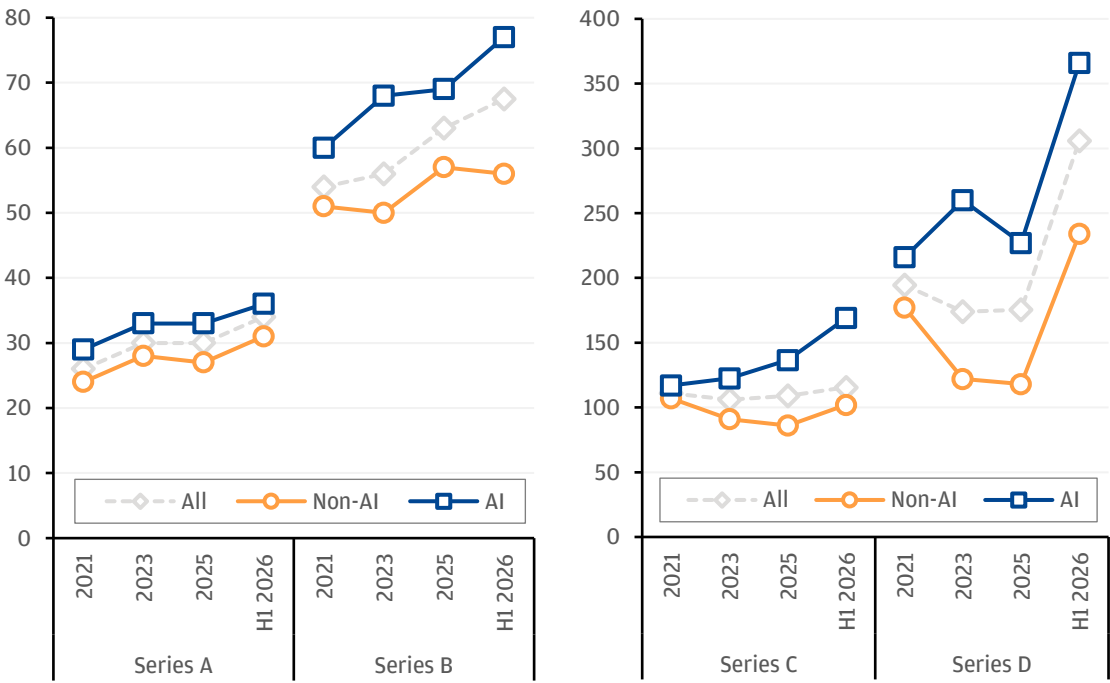


Headcount distribution by series

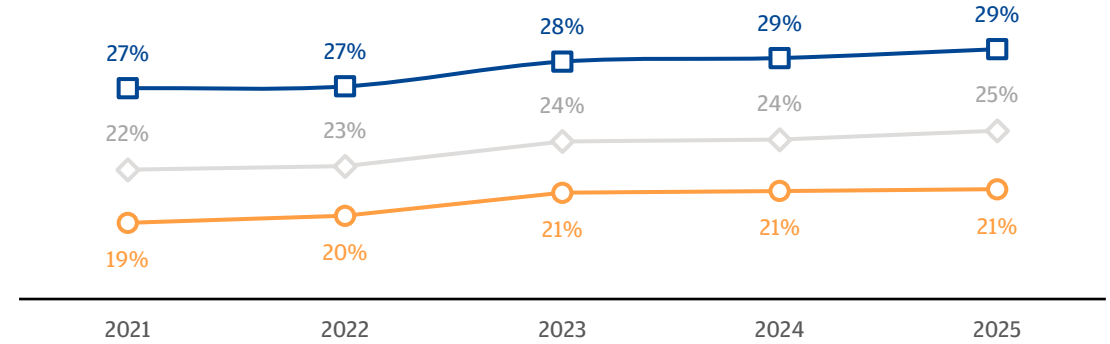


Engineering staff as a share of total headcount for select sectors

HIRING AT AI STARTUPS OUTPACES THE REST OF THE MARKET



Median headcount by series for select sectors



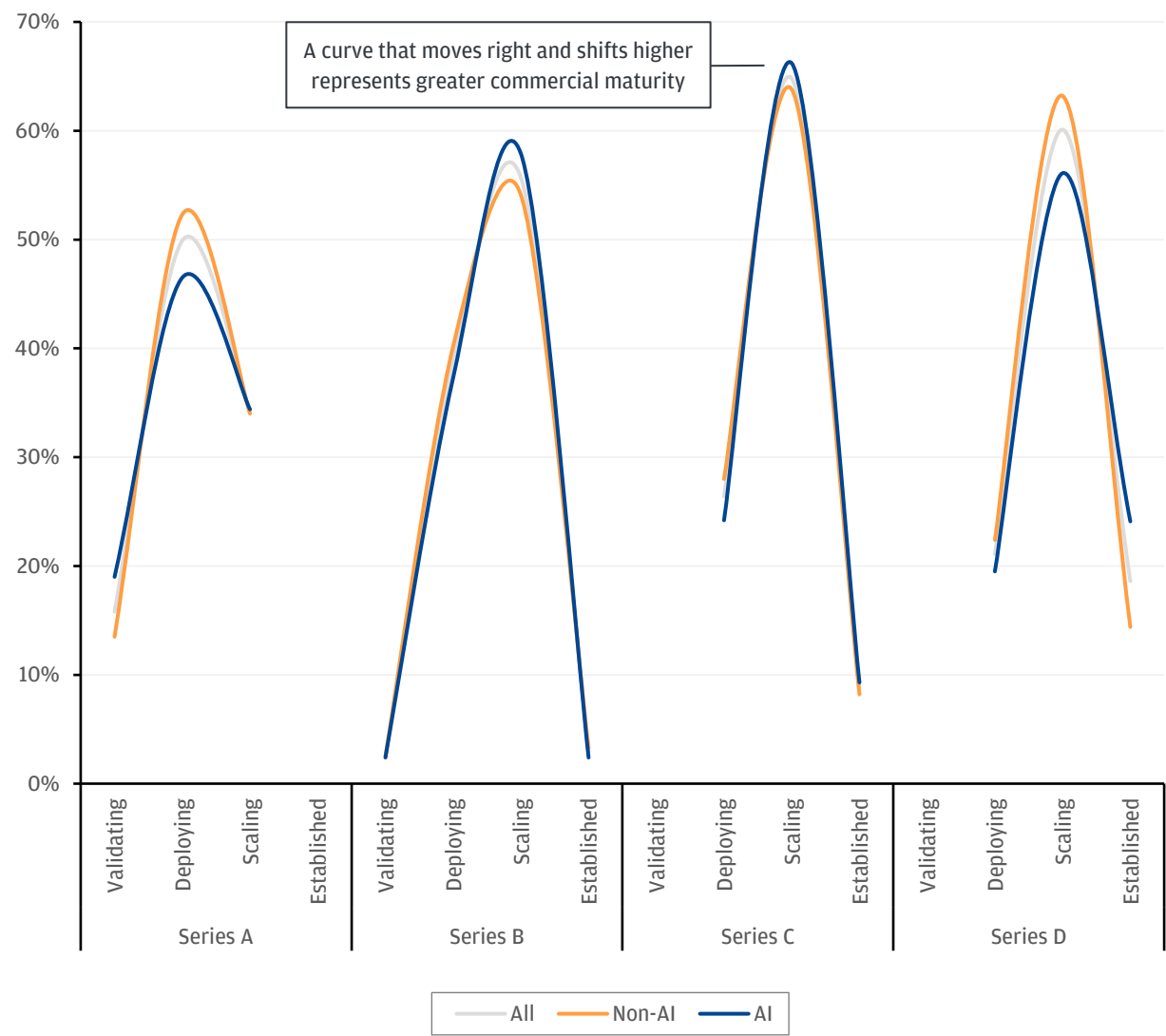
Hiring momentum 2026 for select sectors¹

Recently, a prevailing theme in the ecosystem has been “do more with less.” With the emergence of AI agents, which can autonomously execute entire workflows, questions around the need for incremental hiring are increasingly being raised. The details are nuanced; however, after a slight pullback in 2025, hiring is on the rise in 2026. Ironically for engineering staff, hiring is led by AI-focused startups. That does not mean efficiency and productivity aren’t still top of mind for founders. Annual recurring revenue per full-time employee is emerging as an increasingly important metric, while other companies are focusing on token spend and individual token use. Another emerging practice is rearchitecting organizational structures to speed up communication, decision-making, development and feedback cycles.

Note: ¹ Hiring momentum is a CB Insights index that compares companies’ hiring activity, adjusting for company size and number of job openings. Larger companies with the same hiring rate (as a % of headcount) score higher than smaller ones.
Source: CB Insights.

AI or not, startups still need humans to grow

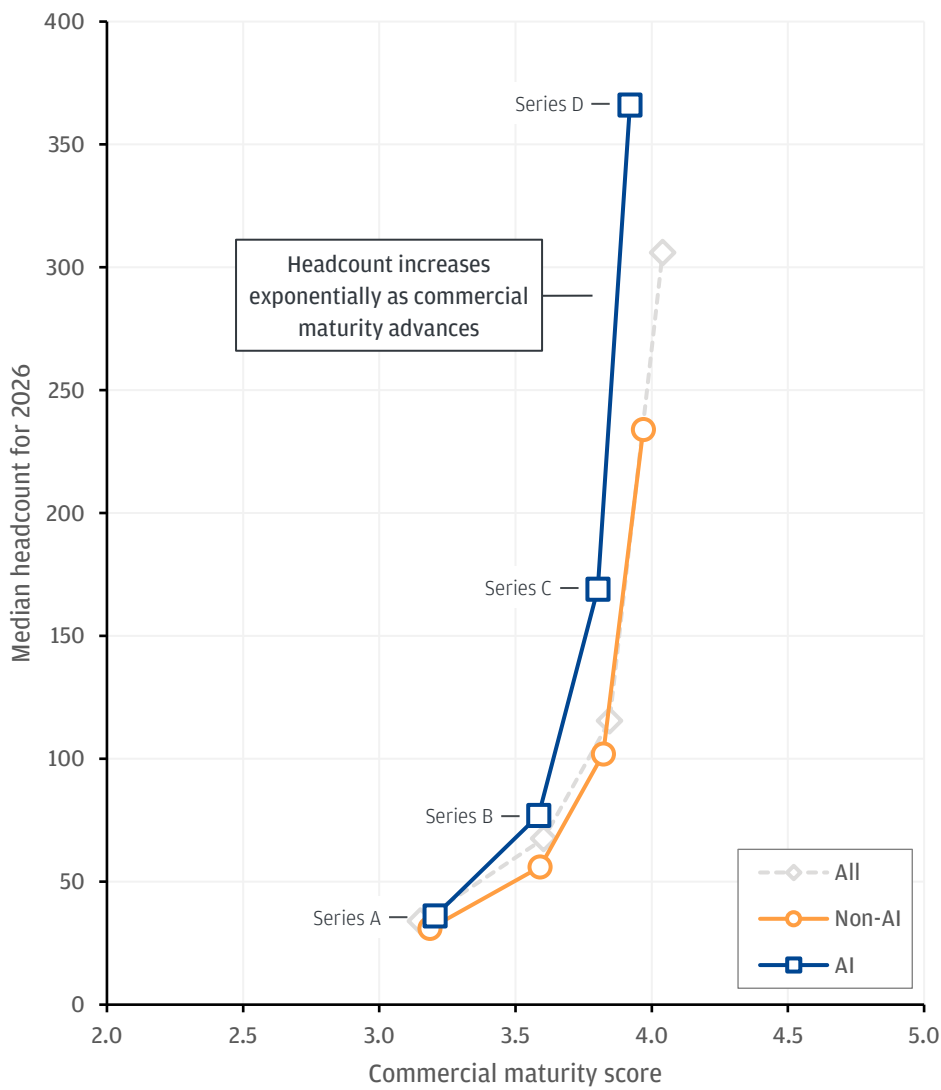
AI STARTUPS START SLOWER BUT MATURE QUICKER



Commercial maturity distribution by series¹

Notes: ¹ A CB Insights metric that assesses a private company's ability to compete or partner, based on 30+ signals like customers, partnerships, patents, funding, news, and web traffic. ² Commercial maturity score is blended based on the weighting of each category type. Source: CB Insights.

HEADCOUNT SCALES RAPIDLY AS STARTUPS MATURE



Median headcount and commercial maturity score by series for select sectors²

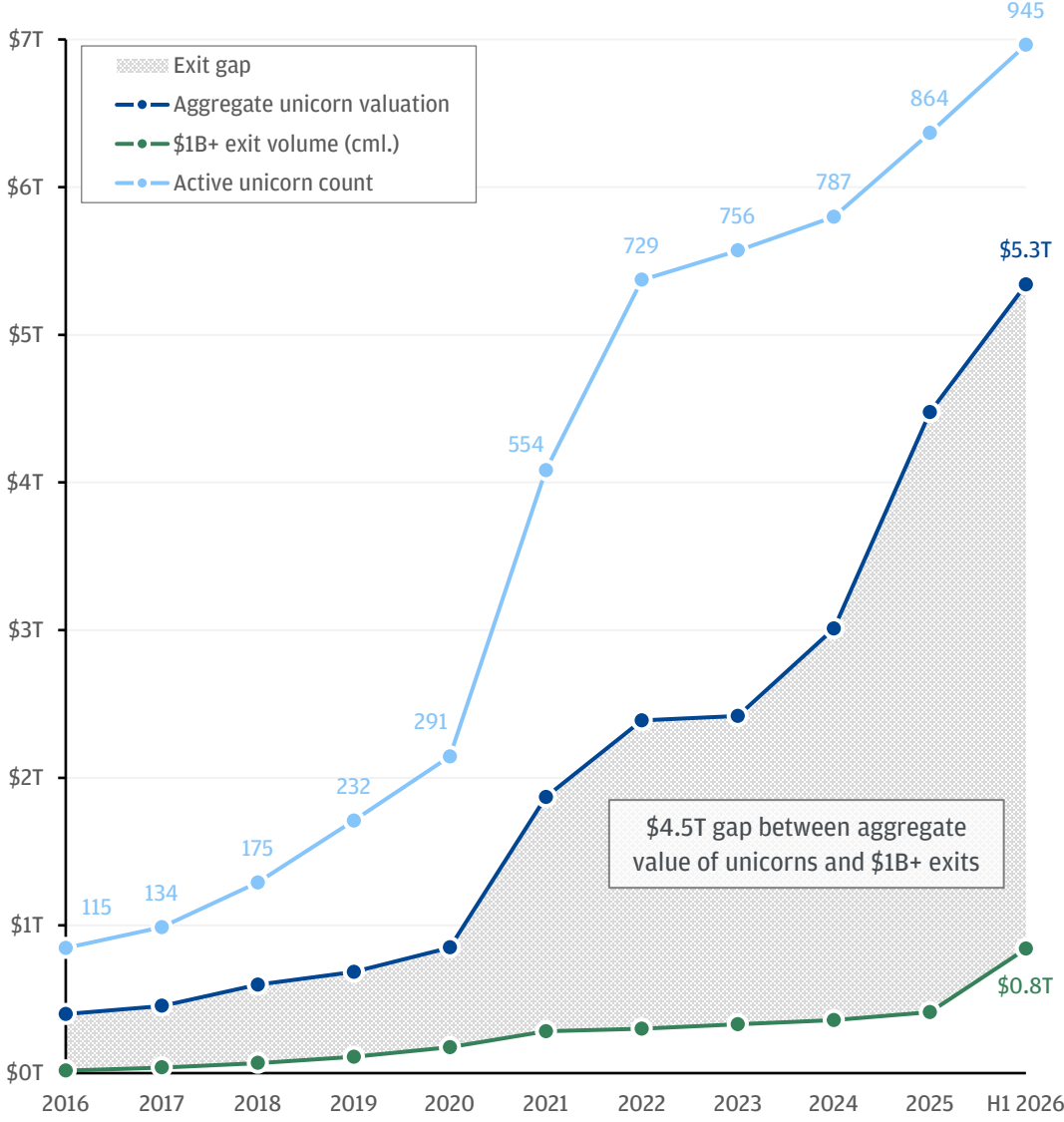
Development for AI companies tends to be slower at Series A, but they quickly catch up to—and often surpass—their non-AI peers by Series B and C. Overall, commercial maturity is broadly similar across stages, regardless of whether companies are AI-focused or not. However, AI companies typically raise each round with larger teams while reaching comparable levels of commercial maturity. A clear takeaway is that scaling requires people, and that need increases exponentially as companies mature. As explored earlier, ARR per FTE becomes a critical lens—highlighting the growing tension between team size and productivity as companies balance rapid scaling with operational efficiency.

05

Exit environment

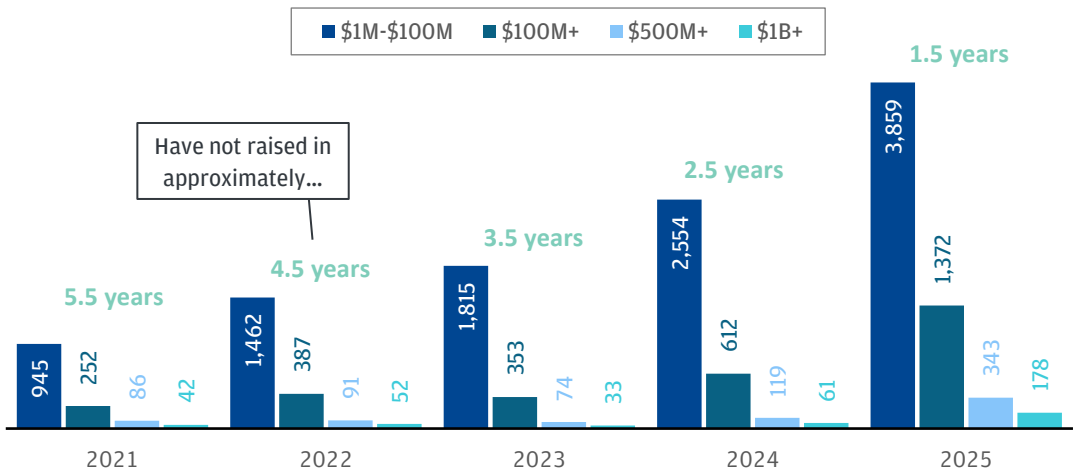
A growing private backlog searches for viable paths to liquidity

THE UNICORN BACKLOG IS ACCELERATING RAPIDLY



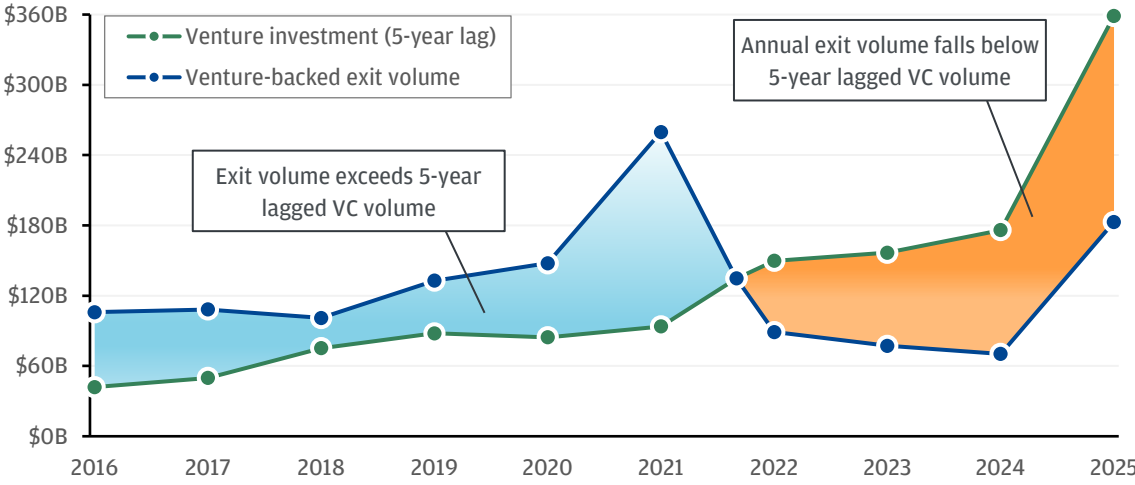
Count of active U.S. unicorns and post-money valuation and cumulative sum of \$1B+ venture-backed exits¹

A GROWING COHORT OF COMPANIES HAVE YET TO RAISE



Count of active U.S. startups by last year raised (2021-2025), grouped by last known valuation tier²

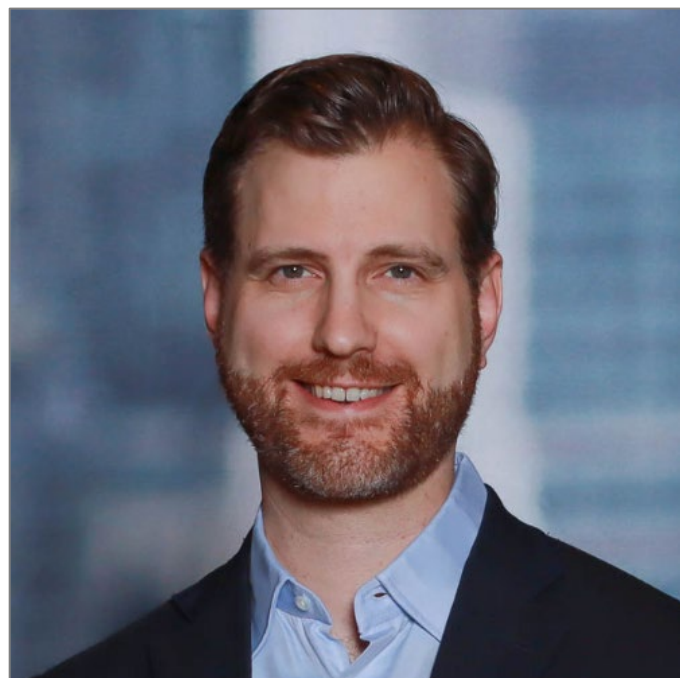
EXIT MARKETS HAVE ROOM TO CATCH UP



U.S. venture-backed exit volume vs. 5-year-lagged U.S. venture investment, 2016-2025¹

The exit market today is active, but the balance between investment and liquidity is shifting. Investment dollars continue to climb, yet exit volume has not kept pace, raising the question of whether liquidity can ultimately return a meaningful share of the capital flowing in. Since late 2021, investment on a five-year lag has run ahead of exit volume. Time between rounds has lengthened to three, four and even five years across nearly every valuation tier. This may reflect a growing cohort of companies that have raised capital but have yet to return to market, holding between milestones as they weigh a path to exit. Together, these trends suggest a market where liquidity is present but may be increasingly delayed, leaving a sizable backlog of companies whose paths to exit remain to be tested.

Notes: ¹ VC-backed exits includes IPOs, reverse mergers, strategic acquisitions and PE buyouts. Aggregate value reflects last-known private valuations. ² "Last year raised" reflects venture capital funding rounds only and excludes other forms of capital (e.g., debt, grants, secondary rounds, etc.). Source: PitchBook. Data has not been reviewed by PitchBook analysts.



EVAN JUNEK

*Managing Director,
Global Head of Corporate Finance Advisory*

Strategic investment shapes market leadership

The first half of 2026 was defined by geopolitical volatility, persistent uncertainty around AI's long-term impact and a shift toward a new capital markets regime: broad-based capex expansion and a clearer investor willingness to pay for durable growth.

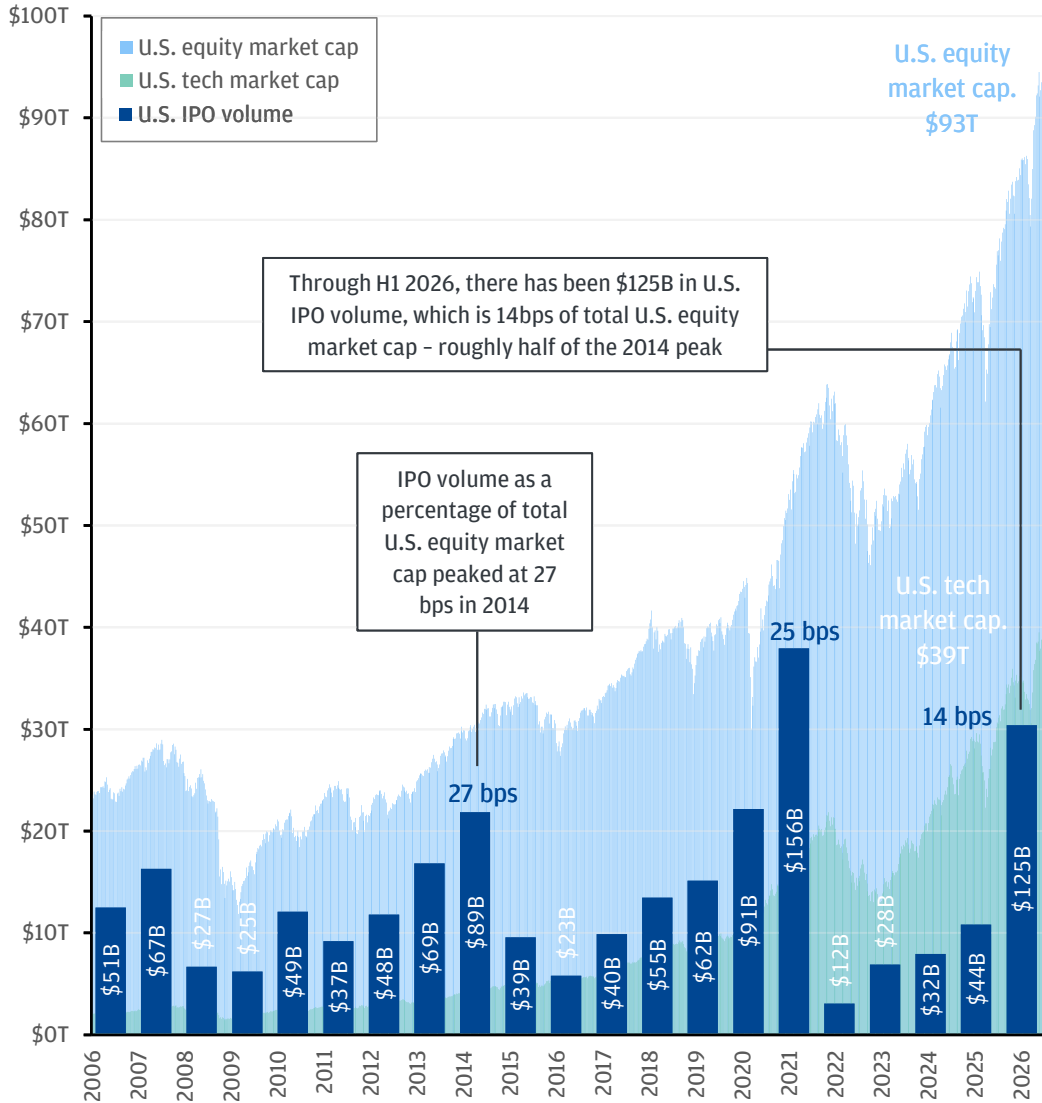
Across sectors, corporates are leaning into a super cycle of investment in AI infrastructure, energy and critical minerals, signaling that the next leg of equity returns will come from building rather than return of capital. This structural shift, along with robust M&A activity and capital formation, has helped underpin market resilience never seen in prior oil and energy shocks.

History suggests that firms who act decisively in periods of uncertainty are rewarded by the market, and this cycle is no different. The window is open for ambitious growth investment and transformative moves, but capital is increasingly discriminating, flowing to firms that can articulate a credible path from investment to sustainable earnings power.

Leaders should seek to maximize balance sheet and liquidity flexibility, and pressure test returns across a range of economic scenarios so that growth remains financeable, governable and repeatable.

Year of the IPO? Are public markets able to absorb the IPO backlog

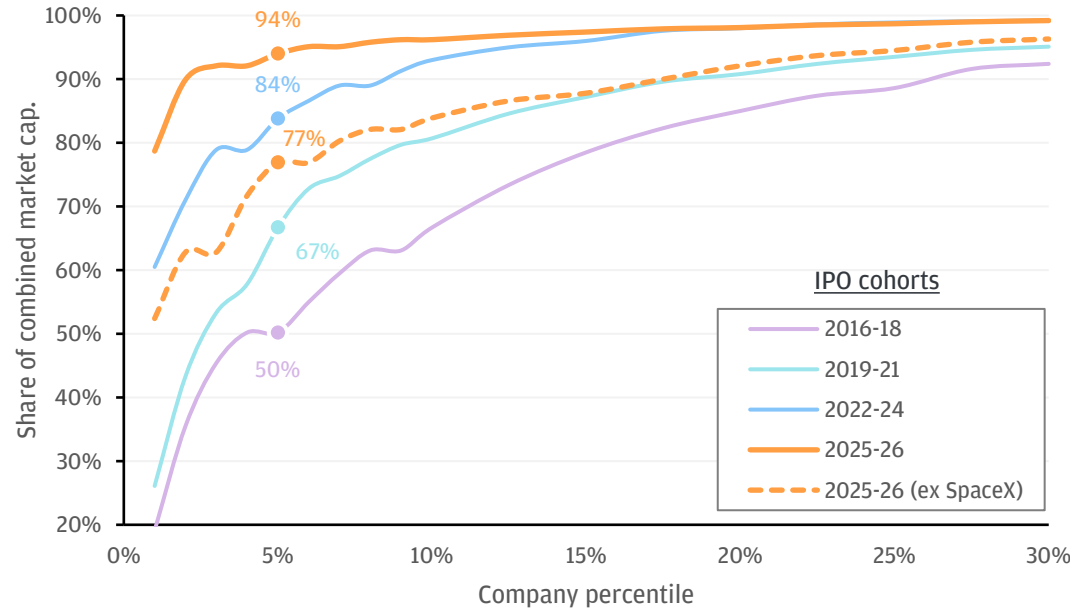
IS THERE CAPACITY FOR THE TECH IPO BACKLOG



U.S. equity market cap vs. U.S. tech market cap vs. U.S. IPO volume & share of U.S. equity market cap¹

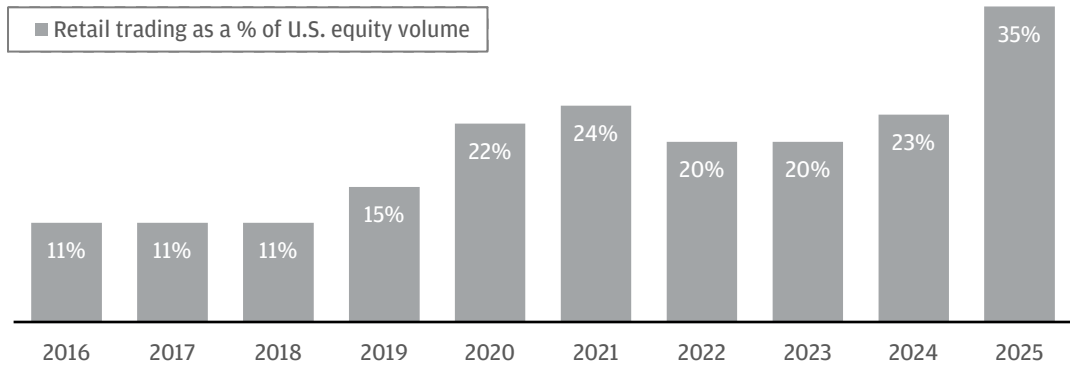
Notes: ¹ U.S. equity market cap represents market cap of NYSE and Nasdaq. U.S. tech market cap refers to market cap of Mag 7 and TMT companies listed in the U.S.; IPO volume includes all NYSE and Nasdaq listings. ² Companies included in dataset are tech IPOs only listed on NYSE or Nasdaq. Source: Bloomberg; company filings; PitchBook. Data has not been reviewed by PitchBook analysts.

SPACEX IPO SKEWS THE IPO PICTURE



Cumulative share of tech IPO cohort market cap by top company percentile²

RETAIL INVESTORS A NEW DYNAMIC FOR TECH IPOs

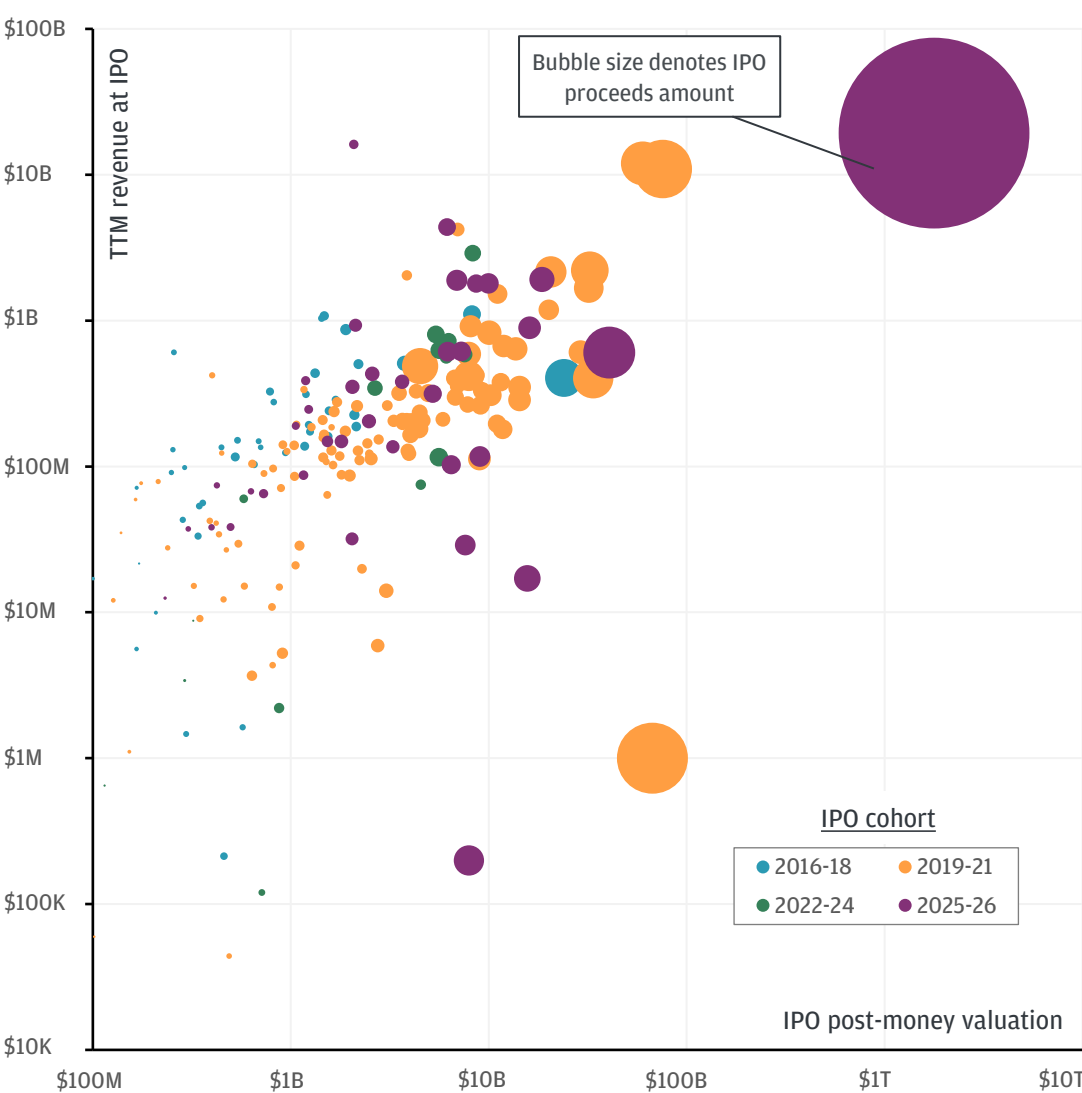


Retail investors' share of total U.S. equity trading, by year

Public equity markets depth is greater than ever, especially for tech-focused companies. A healthy pipeline of S-1 filings for venture-backed tech companies will test this depth. The first test was the SpaceX IPO which raised \$86B valuing the company at \$1.8T, making it the largest IPO in history. More massive, highly anticipated tech IPOs look likely in the near future. Retail investors, along with institutional investors and index funds, are playing a greater role in U.S. equity markets, including holding significant proportions of the largest tech companies. Historically, activity has increased following anticipated large IPOs, something worth noting for companies working toward becoming a public company.

The IPO bar has risen for venture-backed companies

DISTRIBUTION OF TECH IPOs HIGHLIGHT GOOD YEARS



Notes: ¹ U.S.-based tech IPO; excludes pre-revenue IPOs. ² NYSE/Nasdaq IPOs with disclosed data; excludes post-money valuation < \$100M.
Source: Bloomberg; company filings; PitchBook. Data has not been reviewed by PitchBook analysts.

RECENT IPOs ARE LARGER IN SCALE AND STILL GROWING

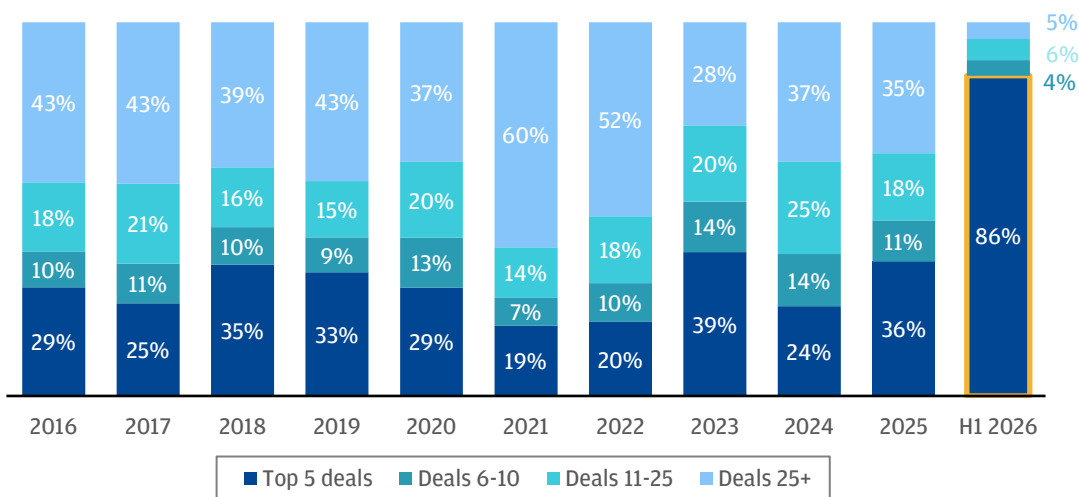
IPO cohort		2016-18	2019-21	2022-24	2025-H1 26
Number of tech IPOs		49	136	22	43
IPO valuation	Median	\$571M	\$1.84B	\$793M	\$2.1B
	90th pct.	\$2B	\$12.8B	\$6.2B	\$14.5B
IPO proceeds	Median	\$116M	\$249M	\$230M	\$459M
	90th pct.	\$261M	\$1.2B	\$748M	\$1.5B
Revenue at IPO	Median	\$135M	\$134M	\$16M	\$148M
	90th pct.	\$536M	\$779M	\$715M	\$1.9B
Revenue growth at IPO	Median	34%	49%	35%	33%
	90th pct.	105%	129%	77%	151%
EBITDA margin at IPO	Median	(13%)	(22%)	(36%)	(35%)
	90th pct.	8%	11%	10%	24%
Percentage above "Rule of 40" at IPO		83%	72%	60%	59%
Change in stock price	Median	(10%)	(73%)	(37%)	(23%)
	90th pct.	518%	85%	287%	32%
Percentage of cohort above IPO stock price		46%	17%	35%	28%
Percentage of cohort no longer public		29%	23%	23%	9%

Median IPO characteristics for U.S.-based, formerly venture-backed tech IPOs by annual cohort²

Recent IPOs have exhibited greater scale compared to prior cohorts, especially at the upper end. AI-focused companies have become a much larger proportion of IPOs and have fared better than their non-AI peers, although performance across the entire group remains muted. While size may be a gating factor for going public, there appears to be limited evidence that it is a primary determinant. Public investor sentiment has focused on scrutinizing fundamentals. Public markets appear receptive, particularly for scaled issuers, and companies that can tell a durable public-company story—around scale, growth, margin path and capital discipline—tend to be better positioned to outperform. Liquidity has the potential to become a flywheel, as major IPOs create employee and investor wealth that can be recycled into the next wave of startups.

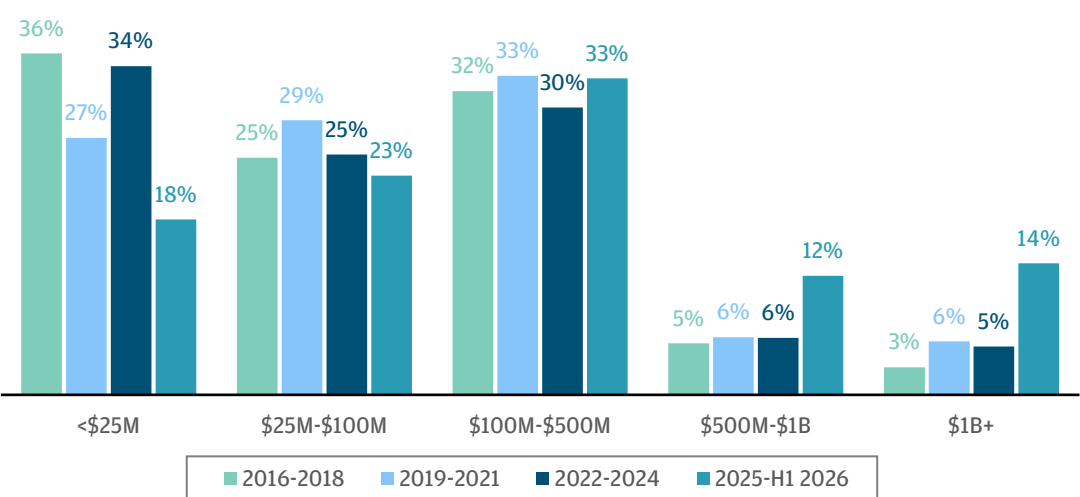
M&A surge boosts the ecosystem as maturer firms find exits

LARGE DEALS CONCENTRATE RECENT M&A EXIT SHARE



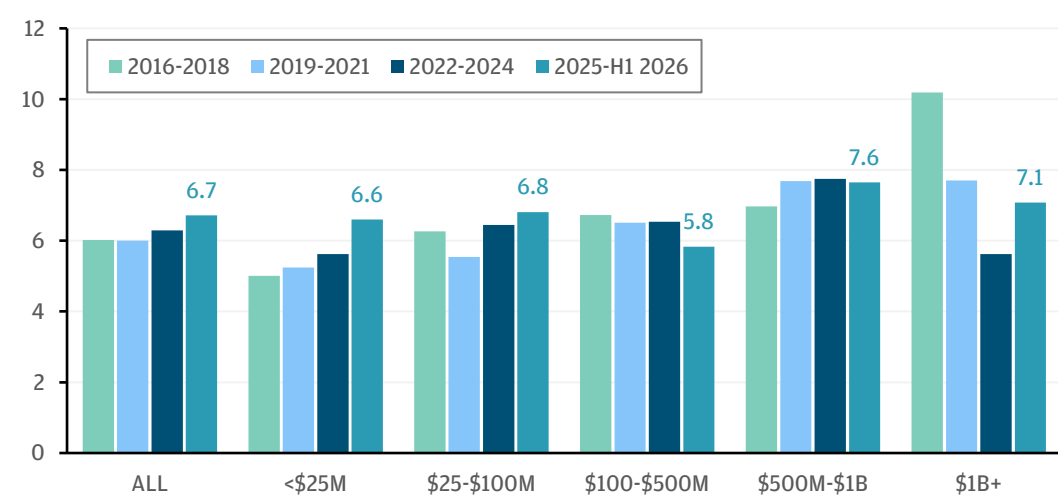
Share of total U.S. M&A proceeds attributable to the top 5, 6-10, 11-25, and 25+ deals annually¹

RETURN OF THE HEADLINER (ACQUISITION)



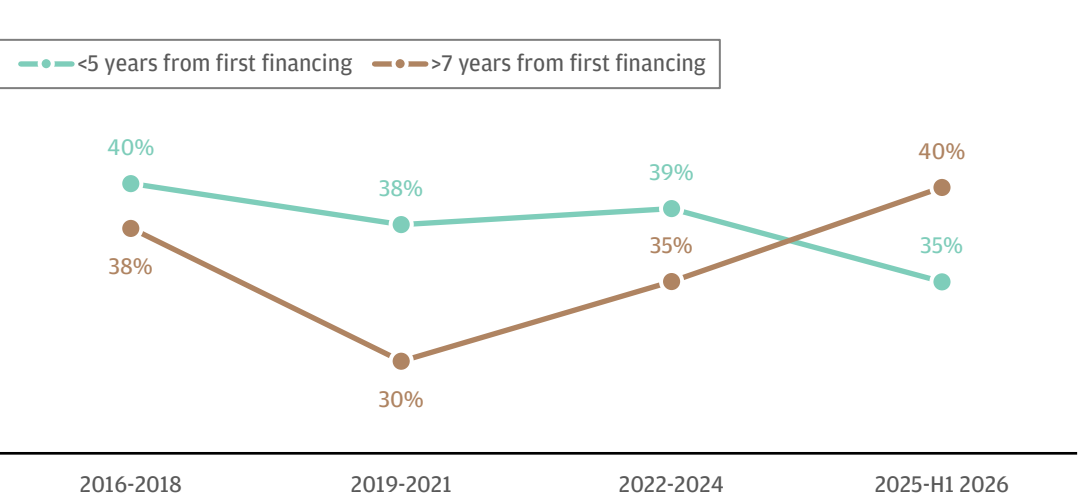
Distribution of U.S. M&A transactions with disclosed deal values by transaction size¹

THE PATH TO AN EXIT NOW TAKES ABOUT SEVEN YEARS



Median time from first financing to acquisition for U.S. VC-backed startups, by acquisition value range¹

RECENT EXITS SKEW TOWARDS OLDER COMPANIES



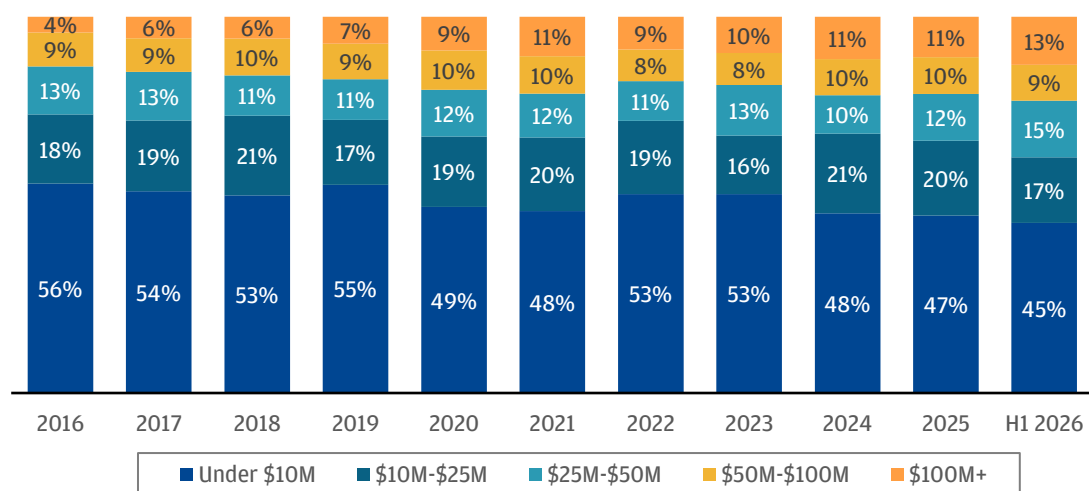
Share of U.S. VC-backed acquisitions occurring within 5 years and after 8+ years from first financing, by period¹

Through H1 2026, M&A activity showed signs of resurgence, with a greater share of transactions occurring at larger deal sizes than in prior periods. Exit value was highly concentrated, with the five largest acquisitions accounting for 86% of U.S. M&A proceeds. SpaceX's announced \$60 billion acquisition of Cursor further highlights how a handful of marquee transactions are driving exit activity. Across the tech M&A landscape, buyers were primarily big tech and industrial companies focused on software and AI infrastructure, pursuing acquisitions to expand product capabilities, fill offering gaps and add engineering talent. Acquired companies also skewed older than in prior periods, reaching a median of roughly seven years from first financing to exit.

Note: ¹ Venture-backed U.S. targets. M&A Includes both strategic acquisitions and reverse mergers. Cursor's announced \$60 billion acquisition by SpaceX (June 2026) is excluded from M&A proceeds and concentration analyses, as the transaction had not closed as of June 30, 2026. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

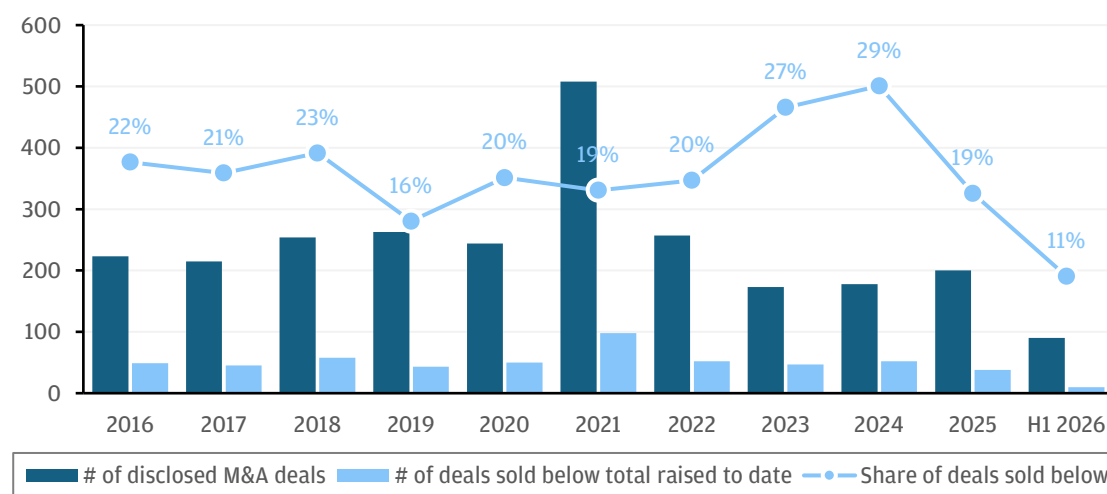
M&A paradox: greater capital released as transparency lessens

COMPANIES WITH LARGER CAPITAL STACKS SELL



Share of U.S. startups acquired (x-axis is acquisition year) by total amount raised at acquisition date^{1,2}

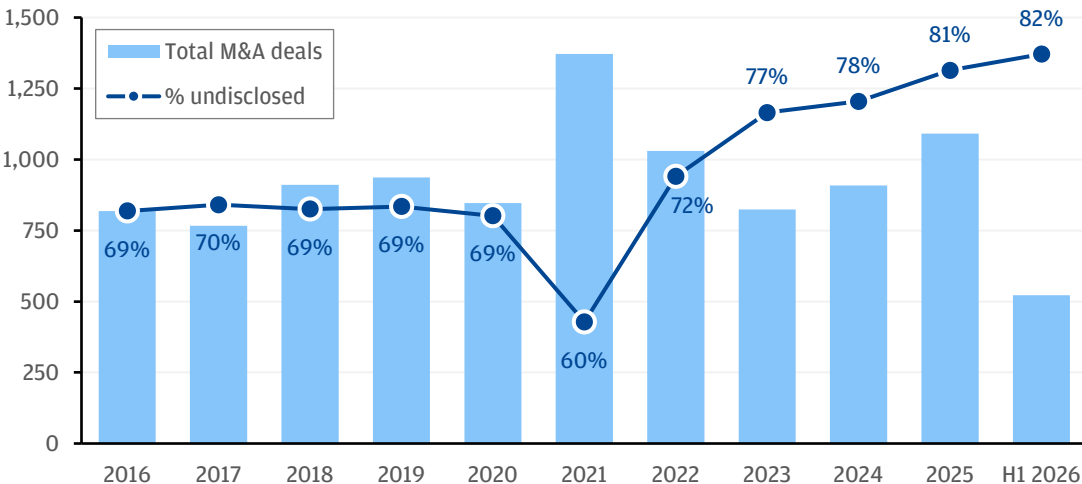
BETTER OUTCOMES FOR RECENT (DISCLOSED) M&A DEALS



Count of disclosed M&A deals and share sold below total capital raised^{1,2,3}

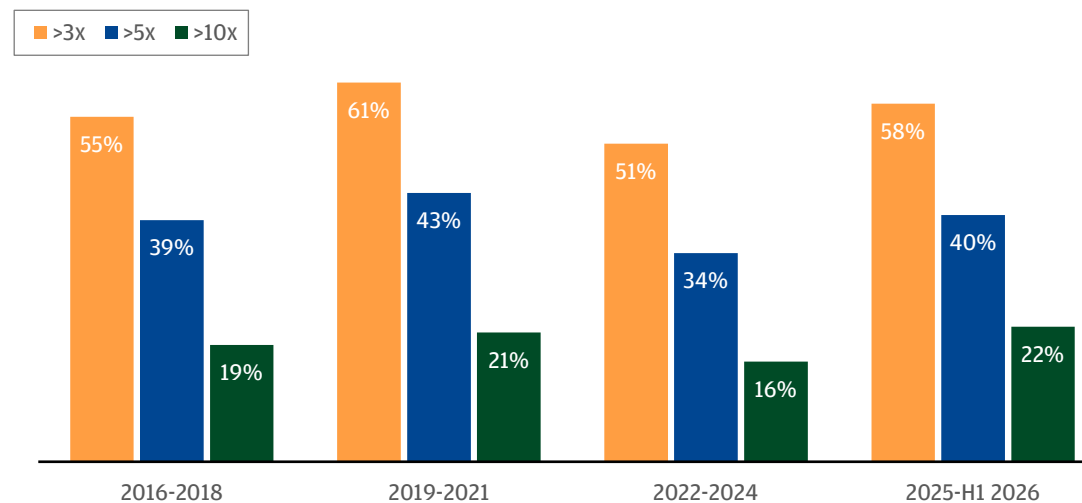
Notes: ¹ Venture-backed U.S. targets. M&A Includes both strategic acquisitions and reverse mergers. Excludes the \$60B announced acquisition of Cursor. ² Total amount raised includes all sources of capital including VC, debt, grants, etc. Does not include exit proceeds. ³ Disclosed M&A deal refers to deals that have both a disclosed exit amount and total amount raised to date of acquisition. ⁴ Includes only U.S. VC-backed acquisitions with disclosed acquisition value and total capital raised; multiples calculated as acquisition value divided by total capital raised prior to exit. Source: PitchBook. Data has not been reviewed by PitchBook analysts.

MORE DEALS, LESS TRANSPARENCY ON TYPE OF OUTCOMES



Count of U.S. M&A deals and share of deals that did not disclose an exit amount¹

MULTIPLES ON CAPITAL IMPROVE ACROSS RECENT M&A EXITS



Share of U.S. VC-backed acquisitions exceeding 3x, 5x, and 10x capital raised at exit, by period^{1,2,4}

The share of companies selling with larger capital stacks is increasing, perhaps reflecting that more mature companies are now able to find a buyer. At the same time, the proportion of deals that do not disclose a purchase price also increased. One reason for this might be that a growing number of transactions are closing at valuations below prior marks. The number of small deals noticeably declined since 2025, so perhaps instead of less small deals occurring, they simply weren't disclosed. Among deals that disclosed terms, the number of companies sold for less than the total capital they had raised fell to a decade-low, while multiples on invested capital improved for the 2025-H1 2026 cohort after a period of expected weakness from 2022 to 2024.

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