

Venture Capital in the Age of AI



Explore how AI, capital concentration and shifting exits are reshaping venture capital.



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Executive Summary

- ▶ AI is accelerating venture outcomes, enabling faster scaling with less capital and shifting investor focus toward differentiated technology, data advantages and defensible business models.
- ▶ Capital is concentrating at the top end of the market, with larger firms and mega-funds capturing the highest-quality deals, creating a widening gap between well-funded leaders and more selective conditions for the broader startup landscape.
- ▶ Exit pathways are evolving, with fewer traditional IPOs and longer hold periods driving increased reliance on secondaries, strategic acquisitions and private market value capture later in the company lifecycle.

Venture capital is entering a new phase, one that looks fundamentally different from prior cycles both in scale and structure. The convergence of artificial intelligence, shifting capital allocation and evolving exit dynamics is reshaping where value is created, how it compounds and who captures it. While headlines often focus on record-breaking funding rounds or eye-popping valuations, a more nuanced story lies beneath the surface: Venture capital has increasingly become the critical engine of value creation in the global innovation economy.

The great shift from public to private markets

Historically, many of the world’s most iconic technology companies entered public markets at relatively early stages of maturity. Revenue at IPO was modest, growth trajectories were more uncertain and much of the value creation occurred after listing. That paradigm has changed decisively.

Leading VC-Backed, Private Companies Today	Previous Category Leaders at IPO
Latest publicly available estimates	
 OpenAI \$25B Annual Recurring Revenue	 \$117M Revenue
 databricks \$7B Annual Recurring Revenue	 \$197M Revenue
ANTHROPIC \$47B Annual Recurring Revenue	 \$16M Revenue
 ANDURIL \$4B Projected 2026 Revenue	 \$3B Revenue
	 \$4B Revenue
	 \$11B Revenue

Annual recurring revenue and total revenue figures are latest estimates as of June 2026. Note that ARR and total revenue are not directly comparable.

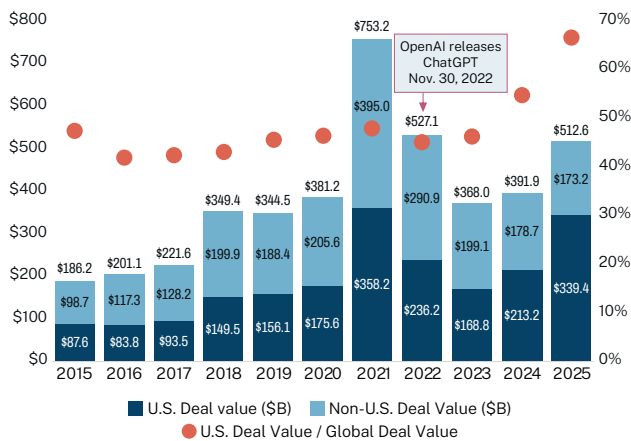
Today’s category-defining companies, particularly those born in the AI era, are reaching extraordinary scale while still private. Many companies are now generating billions, sometimes tens of billions, in annual recurring revenue before ever contemplating an IPO. This represents a structural shift. A growing share of long-term value is being created and captured in private markets, and venture capital increasingly sits at the center of that value capture.

The implications for investors are clear. Earlier access within private markets matters far more than it did in prior generations. Simply “waiting for the IPO” might miss a significant portion of that growth of the most powerful innovation cycles.

Capital is concentrating quickly

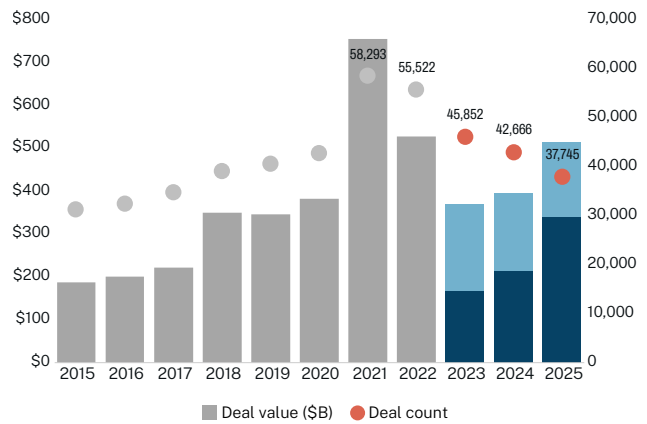
Global venture deal value rebounded sharply in 2025, reaching one of the highest levels of the past decade. Yet that resurgence masks a striking divergence. While dollars invested have surged, the number of deals has continued to decline. Capital is being deployed into fewer companies, at larger check sizes, with so-called “mega-deals” of \$100m+ now representing a dominant share of the market.

Global VC Deal Activity by Value (\$B)



Source: Pitchbook (December 2025).

Global VC Deal Value (\$B) and Count

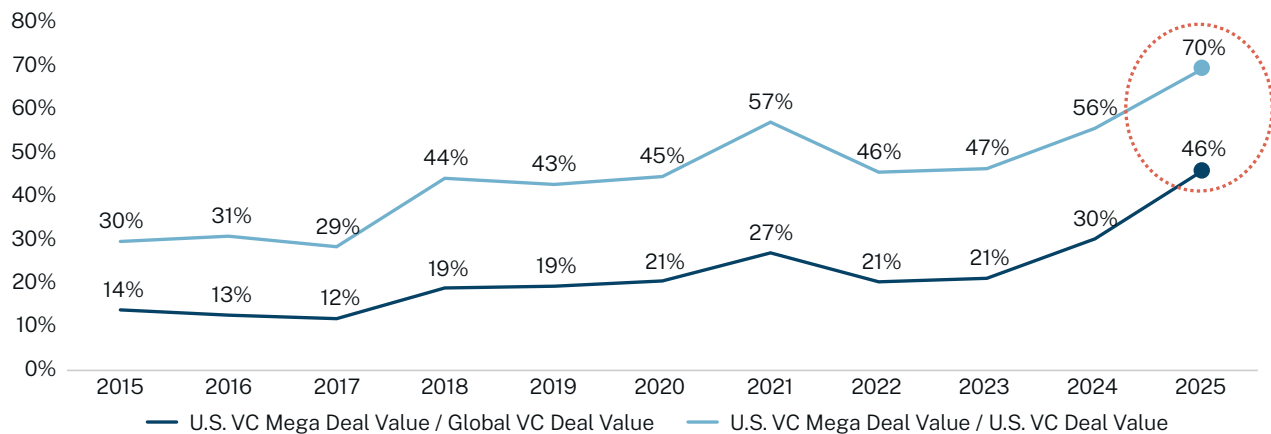


Source: Pitchbook (December 2025).

AI is the primary driver of this concentration. Capital is flowing disproportionately to companies demonstrating early, decisive revenue traction, often at a scale and speed previously unseen in venture. The result is a bifurcated market: breakout winners absorbing ever-larger pools of capital, while the long tail becomes increasingly capital constrained.

This concentration dynamic does not necessarily reduce the opportunity set, but it raises the bar. Manager selection, sourcing depth and the ability to differentiate between durable leadership and temporary momentum have never been more important.

A Growing Proportion of VC Deals Globally and in the U.S. Are Mega Deals

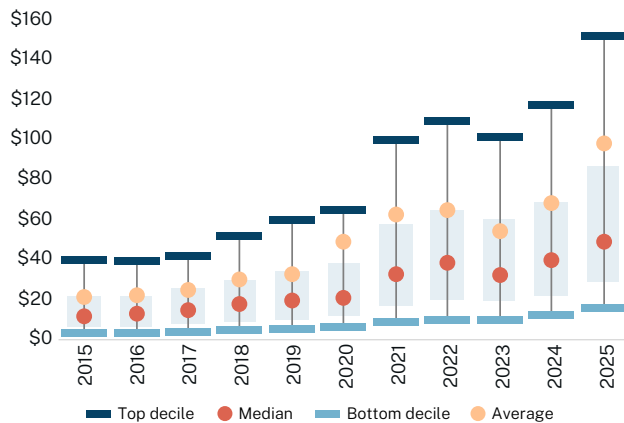


Source: Pitchbook (December 2025).

Valuations: Elevated, but not untethered

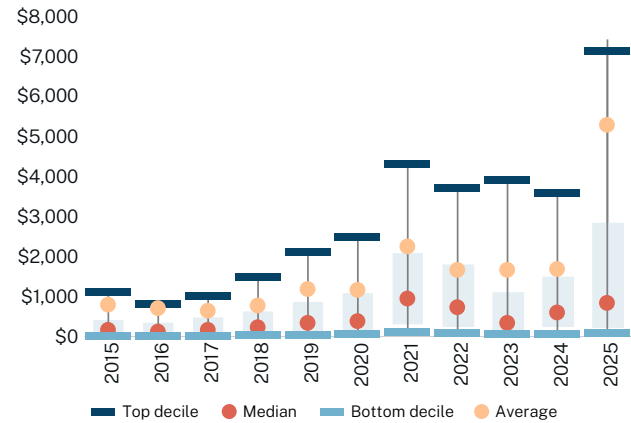
Rising valuations are an unavoidable topic in today's venture landscape. Early-stage valuations are meaningfully higher than a decade ago, and dispersion across and within stages is widening. Yet context matters. For example, 2021 marked a recent high in venture deal activity, yet the median valuations of later-stage VC-backed companies (Series D+) remain below 2021 levels (0.9x). When viewed through the lens of rapid growth, today's market looks more robust than headlines might imply.

Series A Pre-money Valuation Ranges (\$M)



Source: Pitchbook (December 2025).

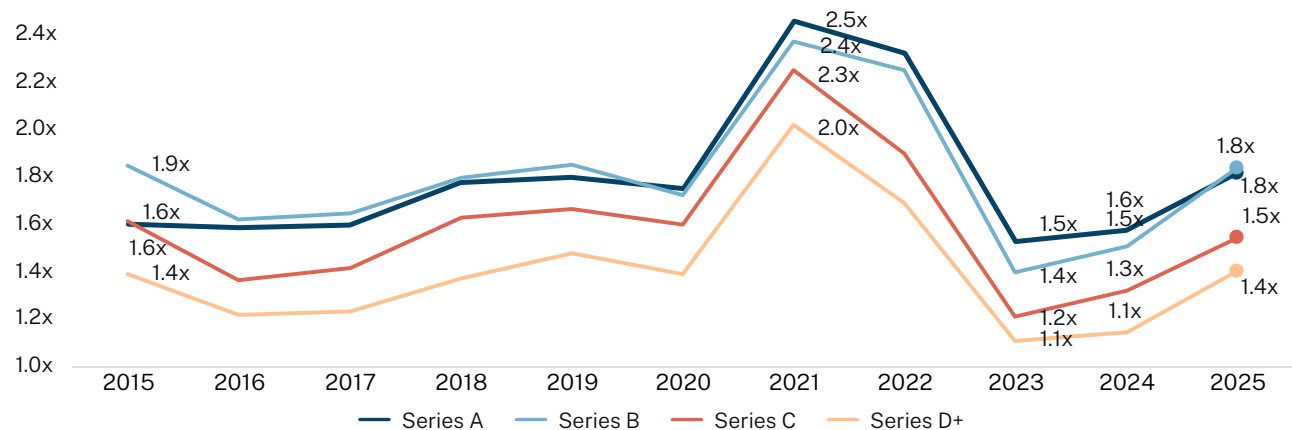
Series D+ Pre-money Valuation Ranges (\$M)



Source: Pitchbook (December 2025).

Another way to measure the momentum valuations on the current venture market is to look at valuation step up between rounds. Perhaps surprisingly, step-ups are in line with historical averages of a decade ago, normalizing to those level following the post-pandemic peak. At the same time, the fastest-growing AI-native companies are “growing into” their valuations with unprecedented speed. Revenue expansion is compressing multiples rapidly, often within months rather than years.

Median Step Up by Series



Source: Pitchbook (December 2025). Past performance is not an indicator of future results.

The lesson is not that valuation risk has disappeared. It has not. But simplistic narratives about bubbles miss the nuance. In a market defined by extreme dispersion, valuation alone is an incomplete story. Growth durability, competitive positioning and monetization pathways matter just as much.

AI is redefining the addressable market



Source: ¹ Vista Equity Partners: Agentic AI and the Future of Enterprise Software (March 2026). ² Gartner Research (February 2026).

What separates this cycle from prior technology waves is not just speed, but scope. AI is not merely another software category competing for a slice of a finite IT budget. It is targeting a far larger pool of economic activity: the labor market, and specifically, repetitive intellectual labor across industries, functions and geographies.

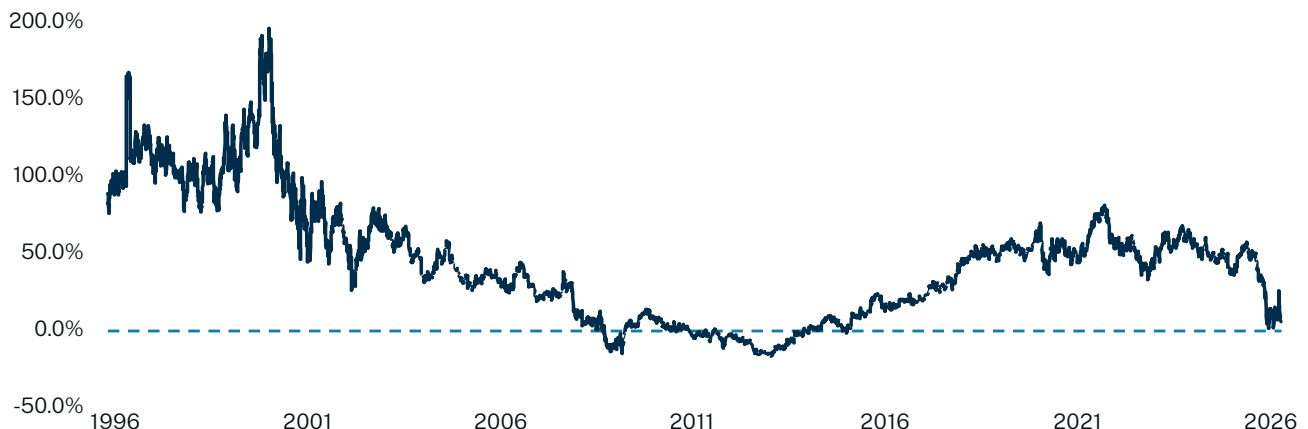
This market is significantly larger than traditional enterprise software, and largely unconstrained by legacy incumbents. As a result, enterprise AI has scaled faster than any software category in history, moving from negligible revenue to tens of billions in just a few years. AI-native companies are consistently outpacing non-AI peers in growth, fundraising and exit activity.

Importantly, the center of gravity is shifting from foundational models toward the application and agent layers, where use cases proliferate and value accrues closer to the end customer. History suggests this layer is where the majority of long-term winners ultimately emerge.

SaaS is not dead

S&P 500 Software and Services Sector Relative to the S&P 500

% Premium (Forward Price to Earnings Ratio)



Source: Bloomberg (June 2026). Past performance is not indicative of future results.

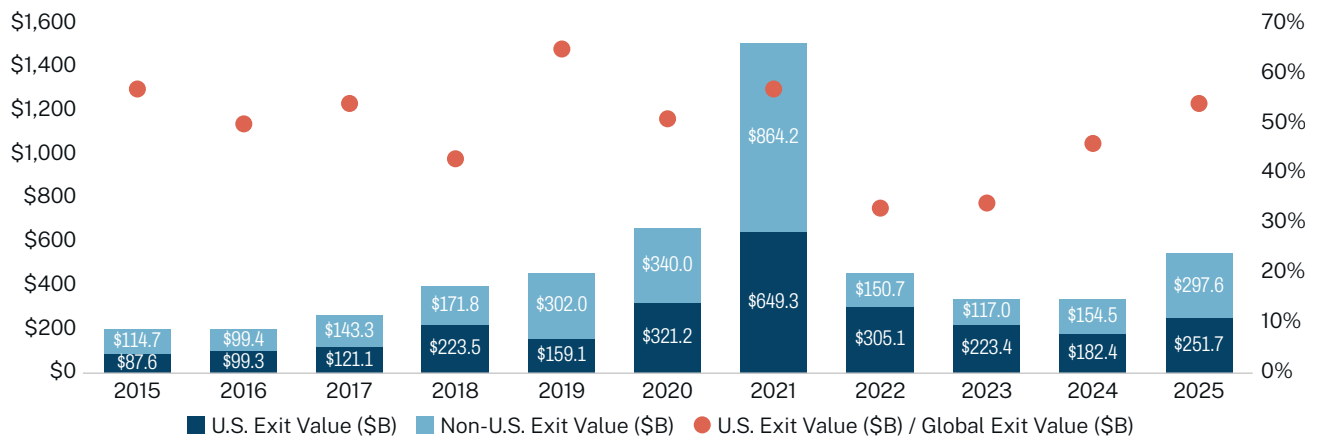
The rise of AI has sparked existential questions about the future of traditional software. Public market multiples suggest skepticism, with software trading at historically low levels relative to the broader market. Yet the reality is more nuanced.

AI is not erasing software completely. Instead, it is accelerating a Darwinian process. Software with deep workflow integration, proprietary data and strong customer trust is well positioned to embed AI, expand functionality and improve margins. SaaS companies with less differentiation and a weaker competitive moat face real obsolescence risk.

This bifurcation mirrors prior platform shifts, from on-premise to cloud to mobile. In most cases, incumbents did not disappear, but leadership changed hands. AI appears poised to follow the same pattern.

Liquidity is evolving

Global VC Exit Activity (\$B) and Share of U.S. VC Exits (%)



Source: Pitchbook (December 2025). Past performance is not an indicator of future results.

While traditional exit markets remain muted relative to their 2021 peak, liquidity has not disappeared. It has shifted. AI-driven M&A is rising, the IPO window is selectively reopening, and venture secondaries have become a critical pressure release valve for both GPs and LPs.

Secondaries, in particular, offer a compelling dual role: providing liquidity in a constrained exit environment while also presenting attractive entry points into mature, often quality companies at potentially favorable pricing. As companies stay private longer, venture secondaries are moving from a niche solution to a core portfolio tool.

Looking ahead: Discipline in an age of abundance

The venture market today is the engine of innovation, making access, selection and liquidity even greater challenges for investors.

AI may be redefining the limits of growth, but it does not suspend the laws of investing. We believe the opportunity is generational, but it belongs to those prepared to navigate complexity, not chase headlines.

DEFINITIONS

Venture Capital: Venture Capital includes any PM fund focused on any stages of venture capital investing, including seed, early-stage, mid-stage, and late-stage investments.

S&P 500 Index: The S&P 500 Index tracks 500 largest companies based on market capitalization of companies listed on NYSE or NASDAQ.

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As of June 30, 2026