PitchBook Data, Inc.

Nizar Tarhuni Executive Vice President of Research and Market Intelligence

Paul Condra Global Head of Private Markets Research

Kyle Stanford, CAIA Director of Research, US Venture

Institutional Research Group

Analysis

Kyle Stanford, CAIA
Director of Research, US VC
kyle.stanford@pitchbook.com

Emily Zheng
Senior Research Analyst, VC
emily.zheng@pitchbook.com

Kaidi Gao
Senior Research Analyst, VC
kaidi.gao@pitchbook.com

Susan Hu
Quantitative Research Analyst
susan.hu@pitchbook.com

Data

Matthew Nacionales
Senior Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Designed by **Chloe Ladwig**

Published on June 23, 2025

2025 US Venture Capital Outlook: Midyear Update

Checking in on our 2025 US VC predictions

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

2025 outlooks

Introduction

Our outlook at the beginning of the year was tailored to the market conditions at that time. Expectations were largely for a rebound in liquidity, with optimism surrounding the strength of the public market and its potential impact on the significant backlog of companies that had remained private.

Tariffs have dominated the narrative in the global financial markets during the first half of the year. In the US VC space, the introduction of the tariff regime has caused considerable disruption, leading to turmoil in the IPO market as several companies began their registration processes. What was anticipated to be a return to a normal liquidity environment in 2025 now appears unlikely, with projections that the IPO market will remain sluggish until the end of the year.

Despite this, there have been some positive developments. Eight US companies have successfully listed with valuations exceeding $1 billion. While the number of listings may not meet initial expectations, a few companies have managed to navigate the volatility successfully.

M&A has exhibited interesting trends as well. Notably, VC-backed companies have emerged as significant buyers in the market, particularly well-funded AI startups. In total, approximately 36% of completed M&A transactions have involved a VC-backed company as the buyer, marking a new high.

However, low liquidity continues to pressure LPs, leading to challenges in fundraising. Aside from Founders Fund's new $4.6 billion growth vehicle, less than $20 billion has been raised by new VC funds.

In response to the continued lack of liquidity, secondaries have become a focal point, with investors utilizing them to generate liquidity and stimulate enthusiasm for VC among LPs. The secondary market remains concentrated but shows a promising growth trajectory before it potentially becomes a standard aspect of VC. Our estimates indicate that the size of the secondaries market has increased rapidly, and until full liquidity events can be achieved for unicorns, secondaries are likely the best option for VC.

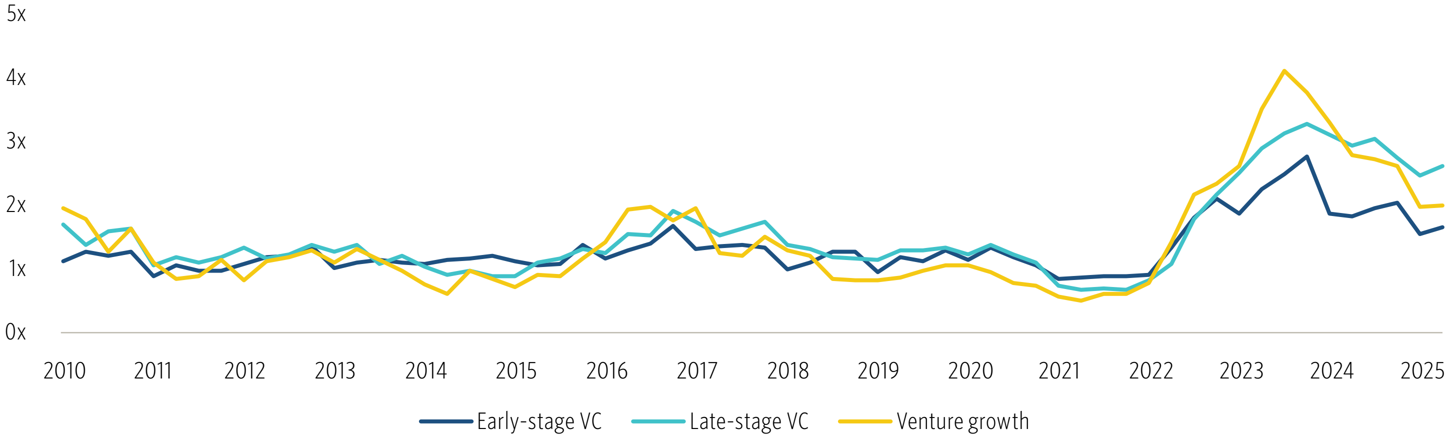
The second half of 2025 will test the sustainability of these emerging trends amid the ongoing liquidity crunch. The question remains: Can the few large exits and the growing secondary market suffice for LPs and help boost fundraising, or will the challenges in dealmaking for companies outside of the largest AI firms come to a head next year due to restricted capital availability?

Our other outlook reports from December 2024 cover US PE, EMEA private capital, APAC private capital, healthcare & life sciences, consumer technology, industrial technology, and enterprise technology.

Susan Hu
Quantitative Research Analyst
susan.hu@pitchbook.com

Outlook: The demand-supply imbalance for late- and venture-growth-stage companies will remain above 2016-2020 trend averages.

Capital demand-supply ratio by stage



Source: PitchBook • Geography: US • As of May 30, 2025

Rationale from December 2024

From 2016 through 2020, the average capital demand-supply ratio for the venture market was approximately 1.4x for late-stage companies and 1.2x for venture-growth-stage companies. This indicated that there was consistently more capital needed by startups than was being supplied by investors. Our venture capital demand-supply ratio measures the balance between the capital deployed by VC firms and other market participants (capital supply) and the number of startups seeking to raise capital (capital demand). A 1x ratio represents a balanced market where supply equals demand. However, for late- and venture-growth-stage companies, estimated demand has typically exceeded supply, driven by their proximity to public markets. By 2023, the demand-supply ratio peaked at 3.5x for these companies.

Even as conditions improved, we expected the 2025 demand-supply ratios to meet or continue to trend above the 2016-2020 averages of 1.4x for late-stage companies and 1.2x for venture-growth-stage companies. While an anticipated uptick in exit activity could have restarted the venture flywheel, the backlog of private companies and ongoing capital constraints suggested the recovery was likely to be gradual. We estimated that there were over 18,000 late-stage and venture-growth companies in the inventory at the time, accounting for 32.4% of VC-backed companies—of which at least 1,000 VC-backed companies had not raised another VC round since 2021.

Midyear update: Outlook is tracking as expected.

As mentioned in our PitchBook-NVCA Venture Monitor, value was up 18.5% QoQ to $91.5 billion in Q1 2025, the highest level since early 2022. However, the current demand-supply ratio for late stage and venture growth continues to show a strong imbalance and remains well above 1.4x and 1.2x, respectively.

In the original outlook, we estimated that deal value would have to reach $15 billion for late-stage companies and $7 billion for venture-growth companies to bring the ratios back down to 2016-2020 norms. Currently, from January through May, late-stage dealmaking averaged $7.8 billion per month while venture-growth activity, excluding OpenAI's $40 billion round, averaged $4.8 billion per month. The surge in headline deal values continues to be driven by a small number of mega-rounds in AI—OpenAI's $40 billion late-stage round alone accounted for almost 60% of the quarterly value in Q1.

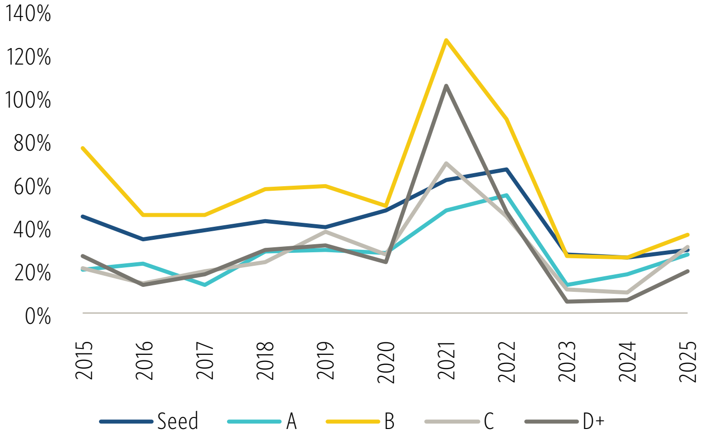
Several key trends mentioned in the original outlook persist in the first half of 2025. Investors remain highly selective, with capital flowing into select later-stage companies, while interest continues to lie in AI. Exit activity has not picked up meaningfully, keeping many of those mature companies still private and limiting downstream liquidity for LPs. Deployment pacing continues to be measured, with GPs still operating under extended timelines. These dynamics keep deal flow below the levels needed to meet pre-COVID-19 demand-supply ratios, and we expect the ratios to remain elevated throughout the rest of the year.

While venture activity has remained more insulated from tariff policy and market uncertainty than other asset classes due to its longer investment horizon and capital overhang, the absence of meaningful exits limits momentum and reinforces the elevated demand-supply imbalance observed across late stages.

Kyle Stanford, CAIA
Director of Research, US VC
kyle.stanford@pitchbook.com

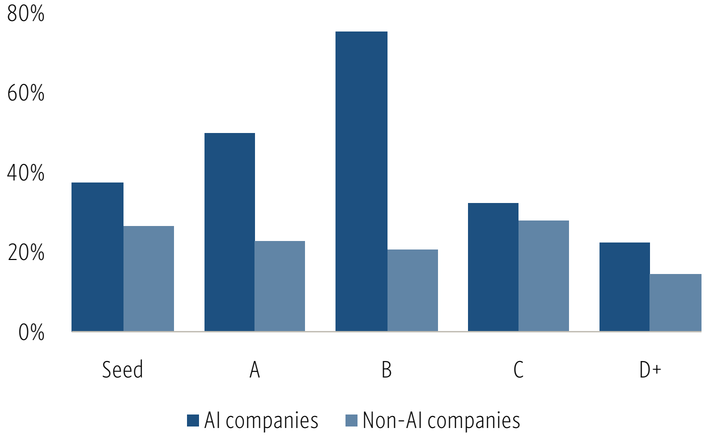
Outlook: Valuation growth for the market will rebound.

Median relative velocity of value creation (RVVC) by series



Source: PitchBook • Geography: US • As of May 30, 2025

Median RVVC by series and vertical in 2025 YTD



Source: PitchBook • Geography: US • As of May 30, 2025

Rationale from December 2024

Companies were still valued highly in the market, with increasing median valuations despite some rounds occurring at flat or down valuations. Although roughly 30% of rounds reflected this trend, the median increases between rounds rose again after the lows of 2023. However, the time taken between financings lengthened, leading to slower annualized valuation growth.

Our PitchBook comp sheets indicated that trailing 12-month (TTM) revenue multiples in 2024 were still below historical norms for sectors like software as a service and fintech, with even AI companies experiencing multiple compression. These lower multiples restricted valuation expansion in a slow revenue growth environment.

VC-backed startups also faced challenges with too many companies competing for funding, which shifted pricing power to investors and increased customer acquisition costs. Consolidation through M&A or company failures may have alleviated some cost pressures, extending the runway until the next investment round.

Overall, by reducing costs and expanding multiples, valuation growth was likely to return to more historical levels, rather than the highs of 2021.

Midyear update: Outlook is tracking as expected.

Through May, valuation growth has rebounded to a certain extent. At each stage, annualized valuation growth between rounds has increased in 2025. However, this growth remains relatively small compared with historical standards. With 36% annualized growth, companies raising Series B rounds are growing nearly 50% faster than those raising funds last year; however, this figure indicates slower growth than in all years except for the past two.

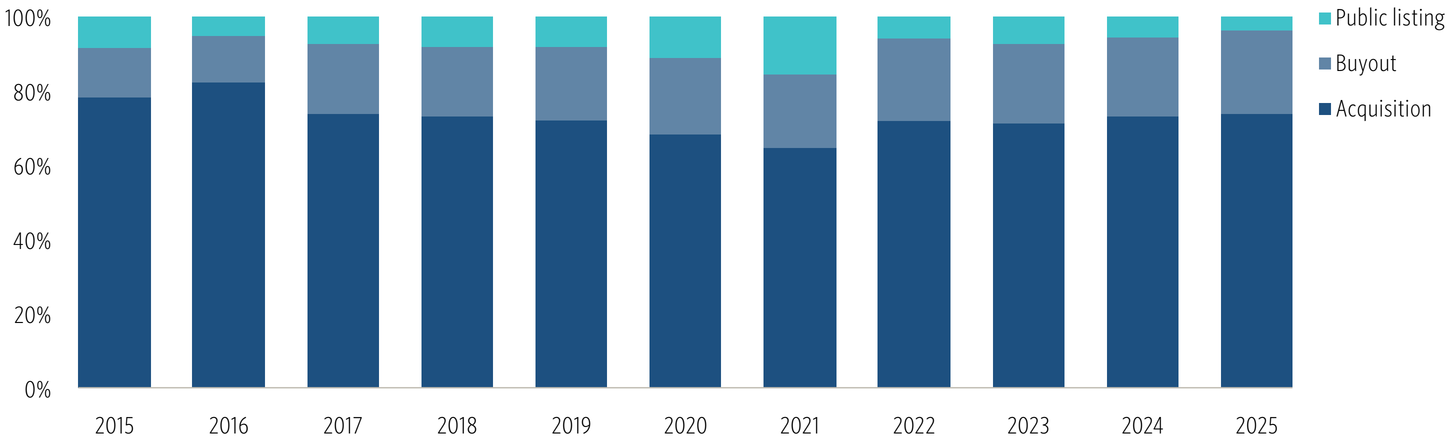
AI companies are on different trajectories than non-AI-focused startups, and this difference contributes to the modest growth reflected in this metric. At Series A, AI companies are experiencing valuation growth nearly as rapid as in 2021, with the 2025 value reaching almost 50% on an annualized basis, just below the 53% and 58% rates of 2021 and 2022, respectively. AI valuations at every series have seen significantly higher growth this year, more than doubling the annualized growth rates of non-AI companies in some cases.

Later-series company growth remains significantly below historical norms and earlier financings. Despite the AI hype, VC remains in a challenging market with less capital available to support the hyper-growth rates seen in previous years. With 31% RVVC in Series C deals and 19% at Series D+, the market is not significantly lagging 2014 to 2020. The critical component missing is the nontraditional capital that flooded the market in 2021 and has since stayed on the sidelines. As VC investors continue to allocate capital cautiously into the market due to the lack of liquidity options, we expect valuations and valuation growth to remain favorable for buyers.

Kaidi Gao
Senior Research Analyst, VC
kaidi.gao@pitchbook.com

Outlook: An acute need for liquidity generation will spur an increase in acquisitions.

Share of VC exit count by type



Source: PitchBook • Geography: US • As of May 30, 2025

Rationale from December 2024

The M&A landscape for venture-backed startups remained sluggish over the past two years, with 699 acquisitions recorded YTD and 2024 on pace to slightly underperform 2023—a weak year in itself. Large-scale deals were scarce amid persistent macroeconomic uncertainty and increased regulatory scrutiny, particularly from the Federal Trade Commission (FTC). However, healthcare emerged as a relative bright spot, with Roche's $3.3 billion acquisition of Carmot Therapeutics and Genmab's $1.8 billion buyout of ProfoundBio leading the pack. Healthcare M&A remained more resilient due to lower valuation inflation and reduced regulatory interference compared with tech.

Looking ahead to 2025, several factors pointed to a rebound in VC-backed M&A activity. These included growing pressure on GPs to generate liquidity, improved price alignment between buyers and sellers, and renewed interest in inorganic growth strategies. If a pro-business administration were to ease regulatory hurdles—particularly with a possible shift at the FTC—acquisition appetite might rise. Additionally, lower valuations and strong corporate cash positions made acquisitions more financially viable. PE firms, in particular, were expected to drive add-on activity, especially if anticipated rate cuts were to lower borrowing costs, further supporting dealmaking momentum.

Midyear update: Outlook is tracking as expected.

US VC-backed M&A activity has maintained its momentum during the first half of 2025. With 372 acquisitions closed YTD, if the current deal pace continues, annualized M&A deal count is on track to narrowly eclipse 2024.

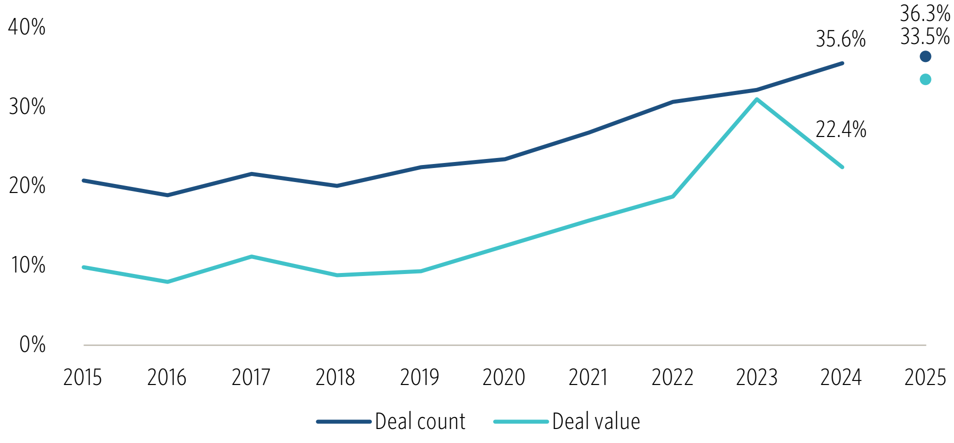
This relative robustness stands in contrast to the continued sluggishness of the overall VC exit landscape. According to our Q1 2025 Venture Monitor, VC-backed exit activity remained scarce in Q1 2025.

Between 2023 and 2025 YTD, the number of public listings as a proportion of total exit activity almost halved, settling at 3.8%, a historic low. During the same period, M&A as a share of total US VC exits consistently ascended YoY, notching 73.7% in 2025 YTD, the highest level since 2017. In light of a prolonged IPO drought, acquisitions have become an ever-important means of liquidity generation for the venture ecosystem.

Should macroeconomic headwinds persist, VC-backed M&A activity for the second half of 2025 will likely be driven by small acquisitions, while outsized acquisitions remain far and few. To start with, the anticipated regulatory shift that boosts large M&As has not yet materialized. As discussed in the US VC-Backed M&A Outlook, tech and healthcare sectors continue to grapple with regulatory scrutiny, adding to challenges to blockbuster deals. In addition, scenarios such as failure to meet growth expectations have pushed founders and investors to increasingly consider acquisitions as a route of liquidity generation. The Q1 2025 Venture Monitor illustrates how acquisitions have become increasingly concentrated in startups at the earliest stages of the venture life cycle, with 51.9% of M&A deals occurring at or after a seed round financing. This shift suggests the ongoing trend of underperforming early-stage startups actively exploring exit options to strategic buyers.

Amid prolonged liquidity constraints, VC-backed startups with a strong balance sheet are well positioned to maximize opportunities from a period of economic volatility and falling valuations by acquiring their smaller-scale counterparts. Since 2018, the number of acquisitions where both the buyer and seller are venture-backed startups as a share of total US VC-backed M&A activity has consistently expanded YoY, peaking at 36.3% in 2025 YTD. Private, venture-backed companies are playing an increasingly active role in absorbing nascent startups for inorganic growth.

VC-backed acquisition activity with VC-backed company buyers as a share of all VC-backed acquisitions

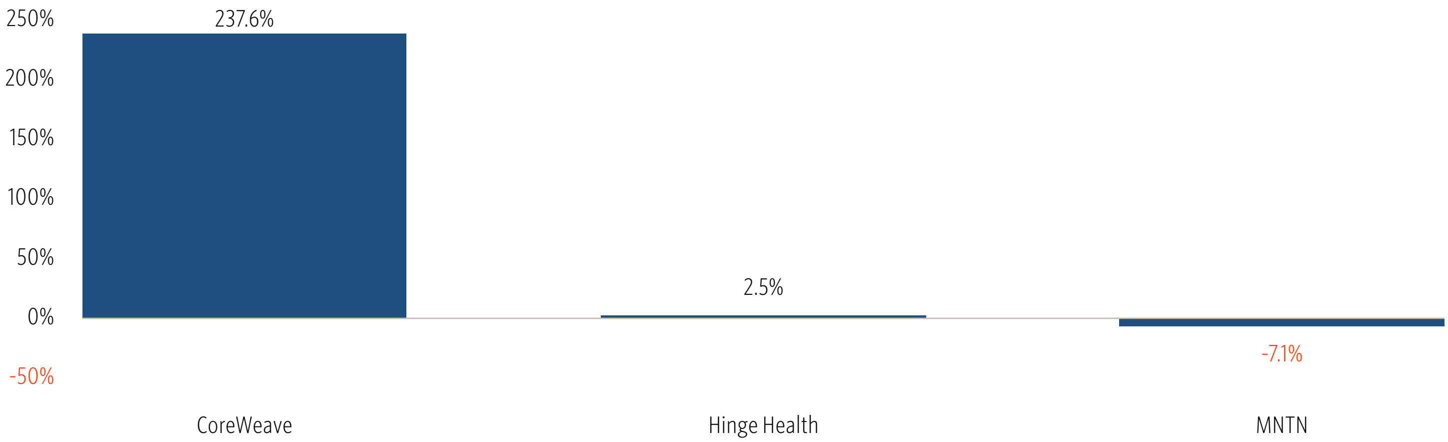


Source: PitchBook • Geography: US • As of May 30, 2025

Emily Zheng
Senior Research Analyst, VC
emily.zheng@pitchbook.com

Outlook: Unicorn IPOs will propel growth in venture exit value.

Post-market performance of recent unicorn IPOs from close on the first day of trading



Source: PitchBook • Geography: US • As of June 5, 2025
Note: Returns are relative to closing price on the first day of trading.

Rationale from December 2024

IPOs have historically led the creation of venture exit value, and the recent drought locked up a large proportion of potential returns in an aging unicorn population. Going into 2025, there was hope for a friendlier exit environment, as venture anticipated steady and significant interest rate cuts from the Federal Reserve and increased appetite for new listings from public investors.

However, simply forecasting that a flood of unicorns would finally exit in 2025 would have been naive. Instead, we created a list of 20 notable unicorns that already filed, were speculated to be actively planning, or had a high IPO probability on our VC Exit Predictor model.[1] Our unfavorable scenario was that IPOs would remain at the same level as 2024, which was six unicorn IPOs with at least $20 billion generated in exit value. Our base-case scenario was 12 unicorn IPOs in 2025, assuming 60% of the 20 notable unicorns followed through, resulting in about $70.5 billion of exit value.

Midyear update: Outlook is tracking as expected.

2025 is pacing for the base case of 12 unicorn IPOs after a surge of listings in Q2. The market shock from tariff announcements and trade war uncertainty caused some startups that had already filed to delay their listing, but this pause was temporary.

Six unicorns have gone public YTD, including AI cloud computing startup CoreWeave at a $17.1 billion pre-money valuation, financial technology company Chime at $9.1 billion, stablecoin issuer Circle Internet Group at $5.8 billion,

1: PitchBook's VC Exit Predictor calculates exit probability using a machine learning model that is fed historical and real-time data on private company exits.

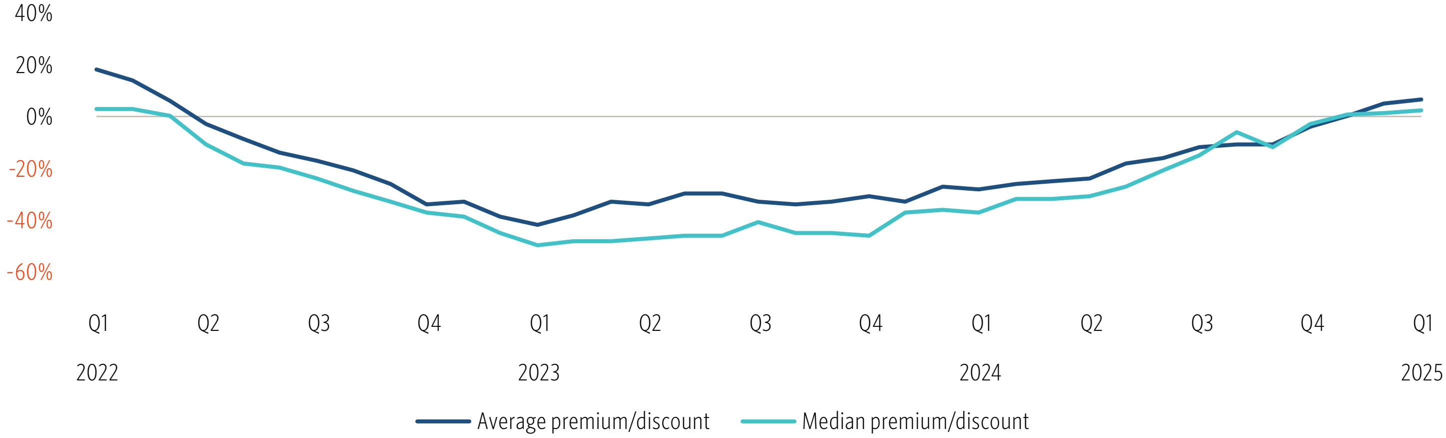
aerospace & defense technology company Voyager at $3.8 billion, digital health company Hinge Health at $2.3 billion, and advertising platform MNTN at $1.1 billion. Voyager's exit valuation soared above its previous peak of $680 million, while the other five companies had to cut their valuations before their IPOs: Chime's highest was $25 billion in September 2021, CoreWeave's was $22 billion in November 2024, Circle's was $7.7 billion in April 2022, Hinge Health's was $6.2 billion in October 2021, and MNTN's was $2 billion in January 2022.

Although there has been a modest uptick in IPO activity in Q2 2025, a full-scale recovery remains unlikely until key policy uncertainties are resolved and more companies file. We anticipate that the trend of flat or declining valuations upon exit will continue through the end of 2025, because many of these IPO candidates are late-stage unicorns that have exhausted their private capital options. Similarly, high-profile unicorns will not be entering the public markets this year, largely due to their continued ability to attract ample private investment.

Emily Zheng
Senior Research Analyst, VC
emily.zheng@pitchbook.com

Outlook: The secondary market will expand due to increasing demand.

Median and average secondary premium/discount to last VC round



Source: Zanbato • Geography: US • As of March 31, 2025

Rationale from December 2024

We expected the secondary market to play an even larger role in VC in 2025. Investor demand to purchase secondaries rose as cautious investors sought exposure to the highest conviction startups. The rise of venture secondaries funds was forecasted to provide continuous tailwinds, and discounts significantly recovered from 37% in January 2024 to 6% in October 2024. However, most of the trading volume was concentrated among brand-name private companies, including SpaceX, Anthropic, Stripe, Databricks, and Discord.

As discounts approached parity, we anticipated that the narrative around secondaries would shift. Secondaries were a way to gain access to promising companies at lower price points. As demand ballooned for a select few elite companies, we expected that the market would become reminiscent of the pandemic era, when investors' fear of missing out led to oversubscribed rounds and secondary purchases above market value. This trend could artificially inflate valuations far greater than company fundamentals and widen the chasm between the top performers and lower-conviction startups.

Midyear update: Outlook is tracking as expected.

The secondary market continues to expand, driven by rising demand from both opportunistic buyers and liquidity-seeking sellers. Our current estimate of the US VC direct secondary market ranges from $48.1 billion to $71.5 billion, with a midpoint of $60 billion—a significant increase from our 2024 estimate of $50 billion. However, this growth is largely attributed to rapidly expanding valuations of venture's highest-valued unicorns.

For the first time in nearly three years, average and median secondary pricing flipped to premiums in Q1 2025 to 6% and 3%, respectively. Yet, transaction volume remains concentrated in a narrow band of top-tier startups, similar to how the performance of "The Magnificent Seven" dominates the public markets. For example, Hiive's top 20 startups accounted for 83.2% of Q1 trading volume, with the top five representing 50.6%. Outside this elite tier, price discovery remains difficult because sluggish primary VC dealmaking and exit activity have led to a lack of reliable comparables. Discounts for these mediocre startups are anecdotally reported to be marked down 30% to 60% from their last-priced primary round, though their lack of closed transactions means these data points are few and far between.

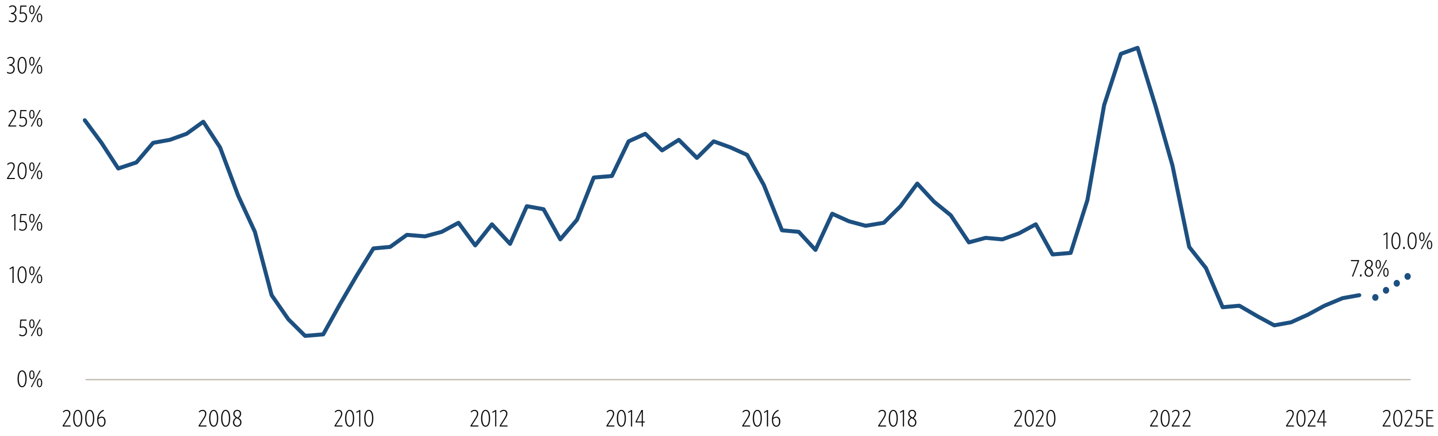
Looking forward, secondaries have a strong potential for continued growth. VC secondary dry powder has more than doubled since 2022, reaching $9.8 billion as of September 2024, and this figure is even larger when considering the $138.4 billion held by general secondary funds that likely have a venture allocation. Tender offers have also become an increasingly popular solution for unicorns that are staying private for longer but would still like to provide liquidity to early investors and employees at a predetermined price and volume.

Altogether, these dynamics point to the further maturation of the VC secondary market. As more investors seek liquidity options outside of IPOs or M&As, secondaries are becoming a vital pillar of the venture ecosystem.

Kyle Stanford, CAIA
Director of Research, US VC
kyle.stanford@pitchbook.com

Outlook: Distribution yields will increase for the first time since 2021.

VC fund TTM distributions relative to net asset value (NAV)



Source: PitchBook • Geography: US • As of March 31, 2025
Note: The values for Q4 2024 and Q1 2025 were estimated from venture exit values. Data is based on 5- to 10-year-old funds.

Rationale from December 2024

Distribution yields had declined since Q3 2021. Recent quarters had shown some of the lowest rates, nearing global financial crisis (GFC) lows of 4.2%. Unlike the GFC, which was marked by a broad economic crisis, the conditions at that time were not as dire; unemployment was low, inflation was slowing, and public market indexes showed strong returns. The recent dip in distributions reflected a hangover from rapid market changes.

From 2010 to 2019, quarterly distribution yields averaged 16.4%, with VC-backed companies taking a median of 9.2 years from founding to public listing. The time between capital raises for VC funds averaged 2.7 years. In 2020, these dynamics shifted due to low interest rates and increased risk appetite, reducing the median years to public listing since founding to 7.5. This surge in exit activity peaked at 33% in Q3 2021, allowing firms to raise new funds quickly. When the momentum stopped, many companies that could have supported distributions were lost, and remaining firms faced high valuations. Despite recent distribution shortages, the average quarterly yield since 2020 was 14.1%, close to historical averages, supporting the idea that the recent drought stemmed from rapid market changes rather than systemic issues.

Looking to 2025, we expected distributions to rise toward historical averages, as GPs felt pressure to return capital. The reset in market dynamics paved the way for exits, supported by a strong base of mature unicorns and forthcoming regulatory changes in M&A activity.

Midyear update: Outlook is tracking as expected.

The distribution rates for older funds have risen to 7.8% with our latest data, climbing a few percentage points from the lowest point but still only about half of the average for the prior decade. Exit activity in late 2024 and early 2025 does not appear particularly exciting for companies, GPs, or especially LPs. The market has made a concerted effort to deliver returns in various forms. Secondaries, as mentioned above, have become the market's preferred method for generating liquidity, partly because that has been the only option for some firms.

The IPO rebound has gone through fits and starts over the past year. Initially, there were poor listings and high private valuations, followed by tariffs and a lack of available late-stage capital for outperforming companies. Regardless, IPOs have not been readily available. Still, the companies that have completed an offering have managed to generate more exit value seen since 2021, and several have produced market-beating returns following their initial listings.

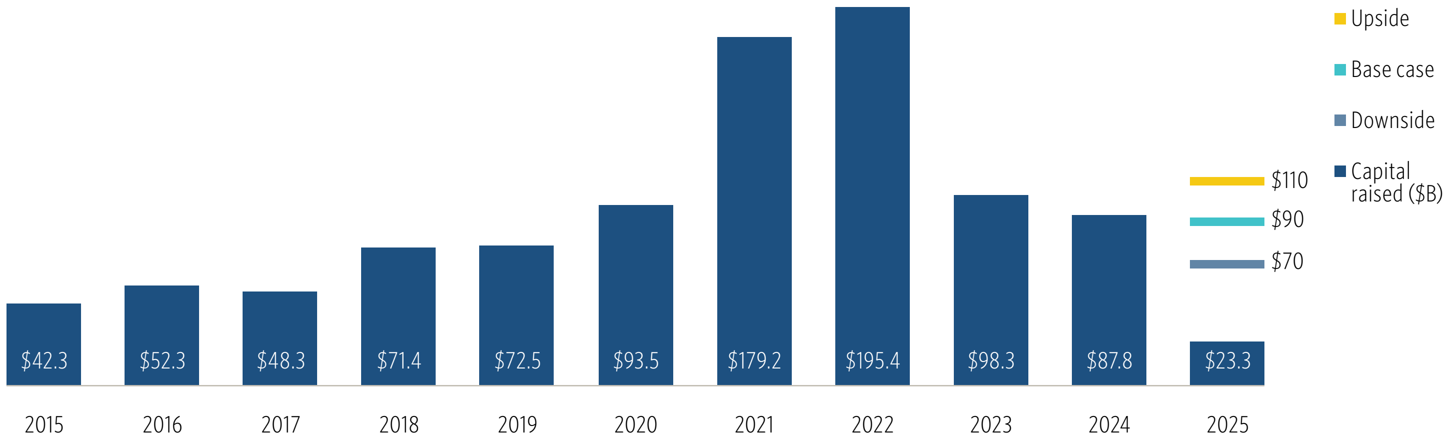
The few large exits and post-IPO performance alone have not driven the increase. Market NAV has continued to decline, dropping the denominator of the calculation, with beginning NAV falling below $100 billion. Although market hype around AI promotes narratives of a robust market, the low valuation growth underscores ongoing issues stemming from the high prices of several years ago. As portfolios are marked down due to underperforming companies—and we continue to see high levels of down and flat rounds—the RVVC calculation will present an illusion of recovery.

Exits and viable liquidity options may continue to face challenges throughout the rest of the year, although several unicorns are preparing to list, albeit at lower valuations than previous private raises. Google's $32 billion acquisition of Wiz offers hope for the return of larger market buyers, although this has yet to fully materialize and will remain under pressure due to market and regulatory headwinds.

Susan Hu
Quantitative Research Analyst
susan.hu@pitchbook.com

Outlook: VC fundraising activity will surpass 2024 levels.

VC fund capital raised with 2025 estimates



Source: PitchBook • Geography: US • As of May 30, 2025
Note: 2025 forecasts are estimates for the full-year 2025. $23.3 billion reflects capital raised YTD.

Rationale from December 2024

In 2025, fundraising activity remained constrained by historically low distribution rates and limited LP liquidity. Distribution yields hovered at near-record lows, with levels comparable to those last seen during the GFC. As a result, the time between fundraising cycles lengthened as many GPs chose to delay their next fundraising, particularly smaller and midsized funds, which faced the brunt of LP liquidity challenges. While larger, more established managers continued to secure capital, it was perhaps at reduced fund sizes. High-profile venture investors scaled back their fundraising efforts. For example, Tiger Global closed a fund earlier in 2024 at $2.2 billion—63% below its initial target.

Amid these challenges, the gradual recovery in exit activity anticipated in 2025 pointed to a possible reversal. Healthier M&A volumes and the thawing of the IPO market were expected to unlock LP liquidity, providing momentum for new fundraising cycles. This shift could have helped alleviate fundraising challenges for smaller and first-time funds, which faced acute difficulties in securing capital. Only 77 first-time funds were raised YTD, a sharp decline compared with 215 in 2023.

Our fundraising projections leverage a time series framework that analyzes historical distribution data and market conditions to forecast future activity. In our base case, assuming a 10% distribution rate, capital raised for 2025 was projected at approximately $90 billion. Downside scenarios estimated $70 billion, while upside projections reached $110 billion if market conditions improved earlier than anticipated.

Midyear update: Outlook is tracking with some variations.

Fundraising activity remains subdued through the first half of 2025. Just $23 billion has been raised YTD, tracking well below the base-case projection of $90 billion for the year. While this points to continued fundraising pressure, it is important to note the lag in data collection, particularly around smaller funds. As seen from prior years, figures for fundraising often undercount activity in more recent quarters and will be later revised upward.

The current environment continues to reflect many trends from the original outlook. Distribution rates remain low, and LP liquidity is still constrained, with smaller and emerging managers facing the brunt of capital limitations. Established and proven investors have been able to raise, but often at reduced fund sizes. First-time managers continue to face steep hurdles, and GPs are operating under longer fundraising timelines, with the median time between funds reaching 2.9 years, the longest in over a decade.

Lingering macroeconomic uncertainty, including elevated inflation risk, volatile public markets, and tariff-related headwinds, has also delayed the IPO timelines of several venture-backed companies expected to go public earlier in the year. These factors have weighed on investor sentiment and slowed the return on distributions. However, there are now early signs of change. A small but growing cohort of unicorns, including Hinge Health and eToro, has moved forward with public listings, even below their private market valuation. Encouragingly, several of these offerings have delivered strong aftermarket performance and will potentially open the door further for broader exit activity to pick up in the second half of the year.

The growing number of public listing attempts could help loosen the capital recycling flywheel, but the impact on LP liquidity and, by extension, new fundraising activity is unlikely to materialize meaningfully until 2026. Given the current pacing, data lags, and continued macro uncertainty, full-year fundraising for 2025 is more likely to land between the base and downside scenarios outlined in the original outlook, with fundraising projected in the $70 billion to $90 billion range.