

PitchBook Data, Inc.

**John Gabbert** Founder, CEO

**Nizar Tarhuni** Vice President, Institutional Research and Editorial

**Paul Condra** Head of Emerging Technology Research

Institutional Research Group

Analysis



**Paul Condra**  
Head of Emerging Technology Research  
paul.condra@pitchbook.com



**Kyle Stanford, CAIA**  
Lead Analyst, Venture Capital  
kyle.stanford@pitchbook.com



**James Ulan**  
Lead Analyst, Emerging Technology  
james.ulan@pitchbook.com



**Ali Javaheri**  
Analyst, Emerging Technology  
ali.javaheri@pitchbook.com

pbinstitutionalresearch@pitchbook.com

Publishing

Designed by **Julia Midkiff**

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## EMERGING TECH RESEARCH

# H1 2024 VC Tech Survey

### Rising VC optimism, IPO growth, strategic shifts, and cautious views on cryptocurrency trends in 2024

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

## Key takeaways

- **Increased optimism for VC funding:** Sentiment toward VC funding has significantly improved, with nearly three times as many respondents expecting strong increases and Europe remaining a top destination for investments outside the US.
- **Moderate IPO optimism:** While there is slight improvement in IPO expectations, with 8% of respondents anticipating significantly more IPOs, most respondents foresee only a modest increase or no change, influenced by factors such as declining interest rates and valuation adjustments.
- **Stable yet selective fundraising:** Fundraising plans have remained largely stable, though the proportion of respondents planning to accelerate their fundraising has increased from 4% to 12%. Despite this, 12% do not plan to raise another fund, highlighting continued challenges in the market.
- **Focus on AI:** AI is seen as both a leading innovation area and an overinvested segment. Health & biotech, along with climate technologies, are identified as underinvested areas with high innovation potential. The run-up in cryptocurrency prices has elicited mixed views as a sector benefiting from meme frenzy but one that still has disruptive growth potential.

## Executive summary

Our H1 2024 VC Tech Survey provides insights from 53 VC investors to gauge their perspectives on technological innovation and fundraising expectations within the VC ecosystem. This survey follows the themes of our [H2 2023 survey](#), providing a continuous perspective of how attitudes toward technology and the VC industry have evolved throughout the past year.

Compared with last year, sentiment toward VC activity is increasingly positive, with nearly three times as many respondents expecting VC funding to “increase strongly.” Europe remains the top destination for VC investments outside the US.

IPO optimism has improved slightly, with 8% of respondents anticipating significantly more IPOs over the next year, up from none in the previous survey. However, the majority expect only a modest increase or no change, indicating continued uncertainty. Declining interest rates are seen as the most crucial factor for the IPO market, followed by valuation rationalization, stock market gains, and higher-quality companies going public. Most respondents view the market as a mix of overpriced and fairly priced assets, with nearly half expecting valuations to become slightly more attractive soon.

Fundraising plans have largely stayed the same, though the percentage of respondents planning to accelerate fundraising has increased from 4% to 12%, indicating a more favorable market for some funds. Conversely, 12% do not plan to raise another fund, reflecting ongoing challenges. Returns for 2023 and 2024 vintages are expected to be among the strongest since 2019, suggesting higher confidence in the long-term value of current investments despite near-term uncertainties. In terms of secondaries activity, 62% of respondents do not participate, while 25% are becoming more active in this market.

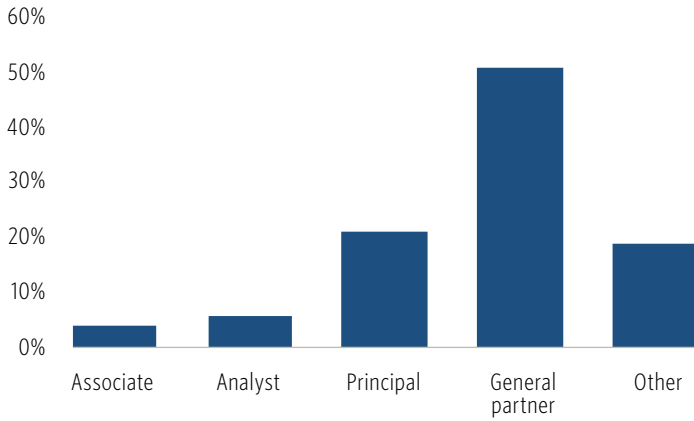
For early-stage investments, the focus remains on founders and leadership, followed by product-market fit. In late-stage investments, revenue growth and a clear path to profitability become more important.

AI is anticipated to be a leading area of innovation, though it is also seen as the most overinvested segment. Despite this, VC investment in AI remains robust. Health & biotech and climate tech are viewed as underinvested with significant innovation potential. Interest rates and geopolitical risks are viewed as the most significant factors impacting technology, with enterprise technology providers seen as the most exposed to disruptive pressures, especially from AI. Healthcare is seen as the second-highest disruption risk.

Despite the recent rise in cryptocurrency prices, most respondents (29%) attribute this to meme investing rather than fundamental growth trends. Still, 25% see bitcoin’s strength as evidence of crypto’s disruption and growth potential, primarily for the largest coins.

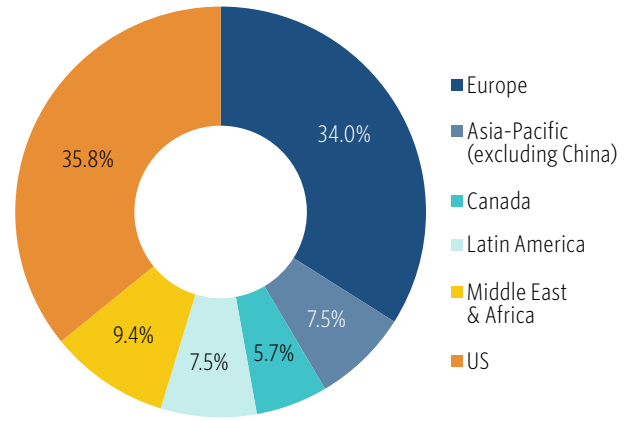
## Survey-taker demographics

**Figure 1: What is your role at your VC firm?\***



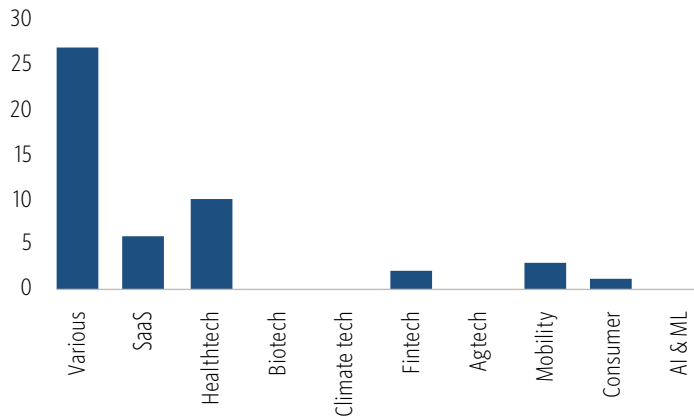
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**Figure 2: Where is your VC firm located?\***



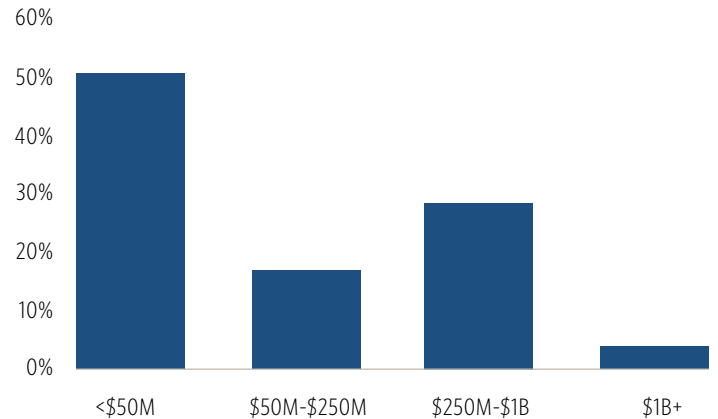
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 3: What sort of technologies does your firm primarily invest in?\***



Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 4: What is your firm's current AUM?\***



Source: PitchBook • Geography: Global • \*As of May 13, 2024

## VC ecosystem expectations

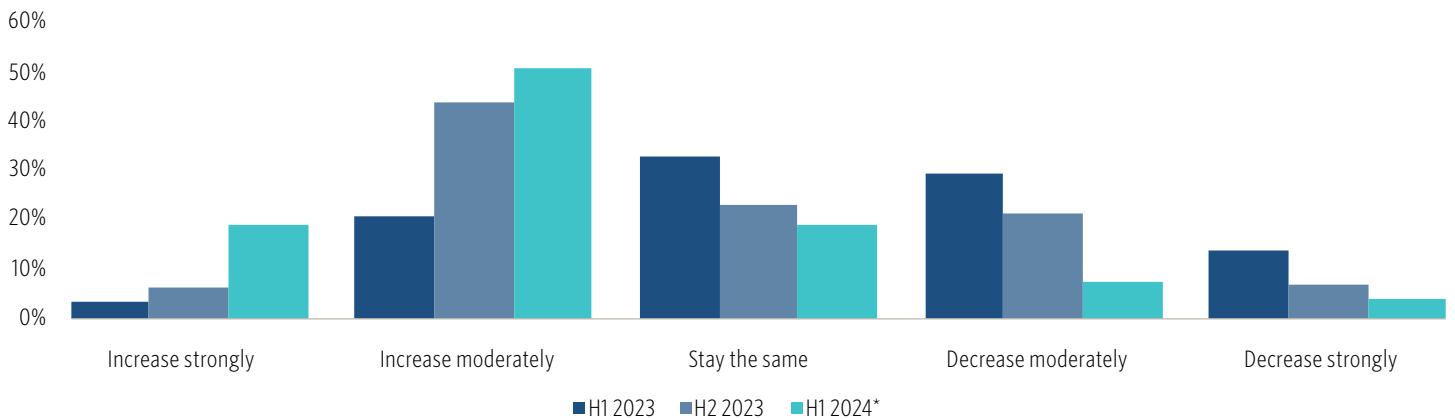
Relative to our [H1 2023 survey](#), sentiment toward VC activity is increasingly positive, with the proportion of respondents expecting VC funding to “increase strongly” nearly tripling while significantly fewer investors expect either a moderate or strong decline. Europe remains the preferred destination for VC investments outside the US.

IPO optimism appears slightly more positive, as 8% of respondents are expecting “significantly more” IPOs over the next year, whereas nobody held this view in our prior survey. Still, most respondents (37%) expect IPO volume to increase by only a few more, while a similar amount (34%) expect no change, indicating a still-uncertain near-term outlook. A decline in interest rates was chosen as the most important factor impacting the IPO market, followed by rationalization of valuations, broad stock market gains, and higher-quality companies seeking to go public. When asked about valuations, most survey takers (62%) view the market as a mix of overpriced and fairly priced assets, with 49% expecting valuations will get “a little more attractive” over the near term. While most respondents (48%) said fundraising plans have largely stayed the same in the current environment, those who plan to accelerate fundraising have increased from 4% in our [last survey](#) to 12% in the current survey, indicating the market may be growing more favorable for some funds. Still, 12% also said they do not plan to raise another fund, reflecting the continued difficult environment. In terms of returns, 2023 and 2024 are viewed as likely to be among the strongest vintage return years (going back to 2019), suggesting investors have relatively higher confidence in the long-term value of current investments despite the murky near-term outlook.

When evaluating early-stage investments, founders and leadership remain the top area of focus, followed by product-market fit. For late-stage investments, while founders and leadership remain crucial, revenue growth and a clear path to profitability take on greater importance.

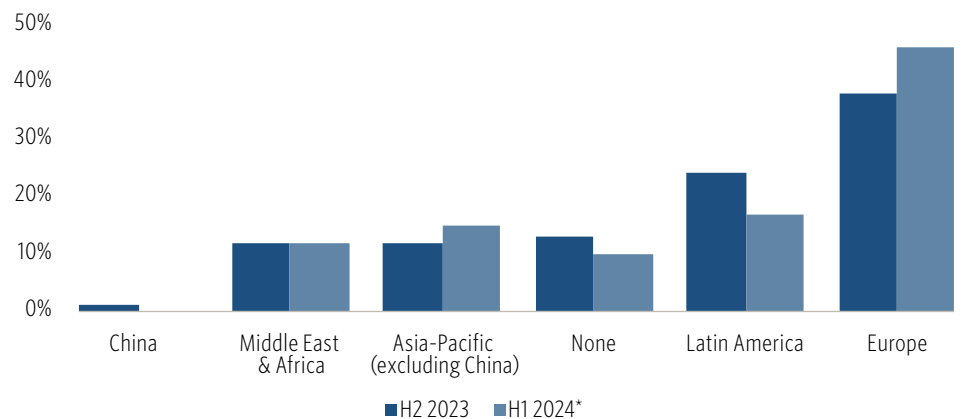
A new question we asked for this survey related to secondaries activity. While a large majority (62%) of respondents said they do not participate in the secondaries market, a respectable 25% of responses cite becoming “more active in secondaries” in the current environment.

**Figure 5: Do you expect total dollars of VC investment in technology startups to increase or decrease over the next 12 months compared with the previous 12 months?**



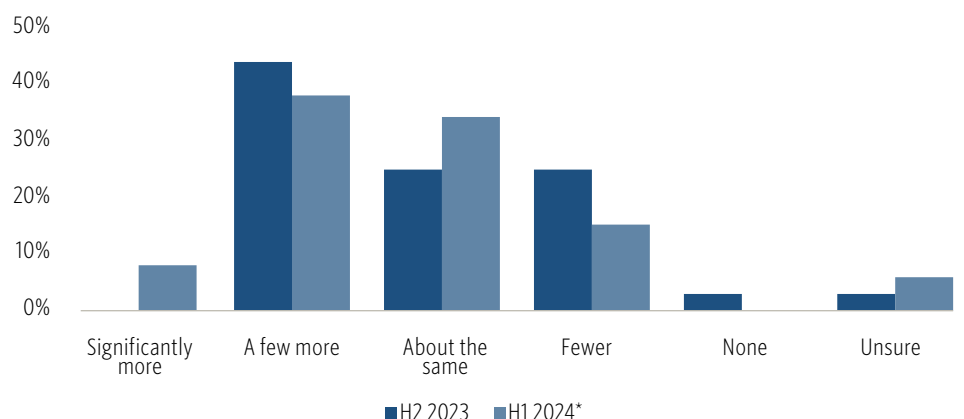
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 6: Which regions outside of the US appear the most attractive for VC investment currently?**



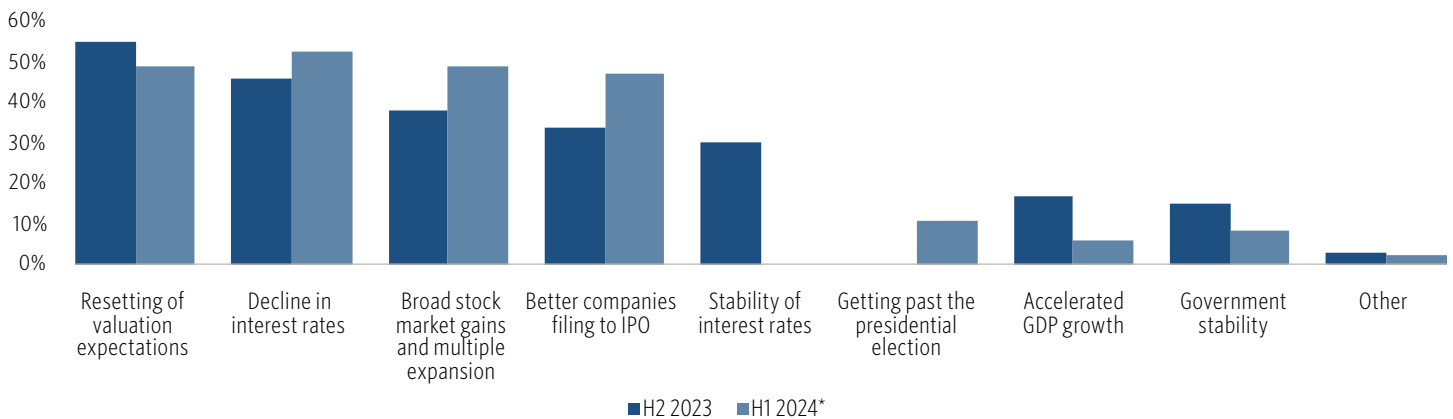
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 7: Relative to six months ago, do you expect more unicorn startups to exit via IPO in the next 12 months?**



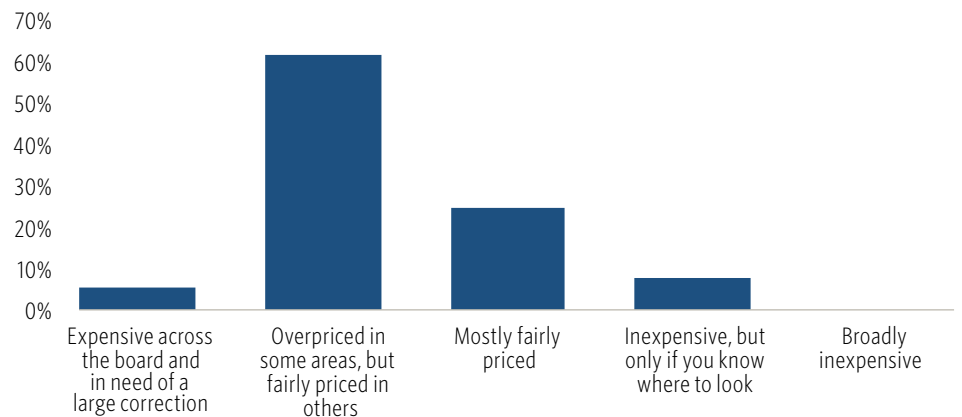
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 8: Which factors do you view as the most important to driving an increase in IPO activity (choose up to three)?**



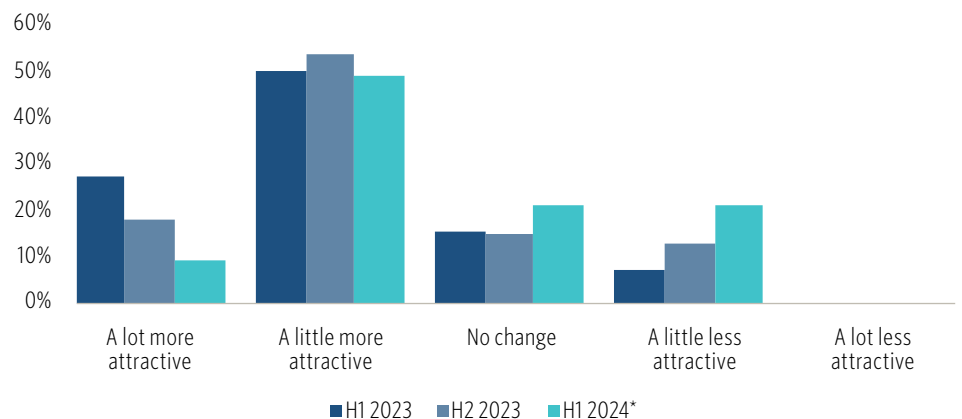
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 9: In terms of valuations, how do you view the startup landscape?\***



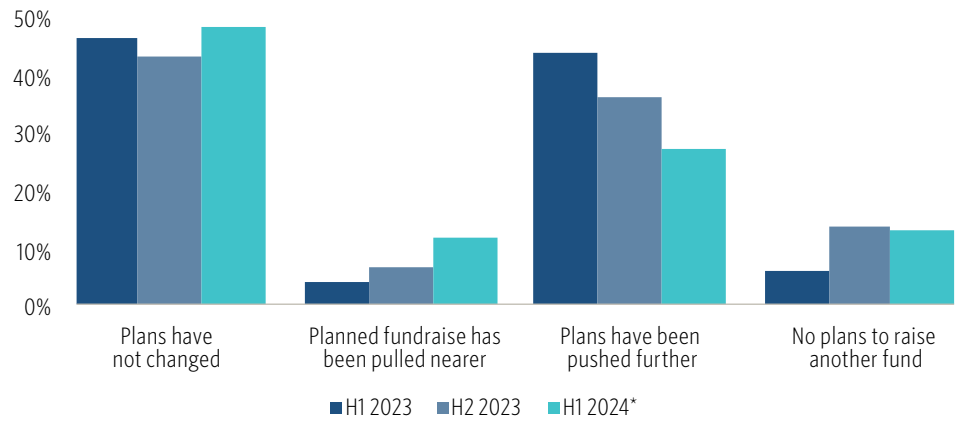
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 10: Do you expect valuations to be more or less attractive in the next six to 12 months than they were in the past six to 12 months?**



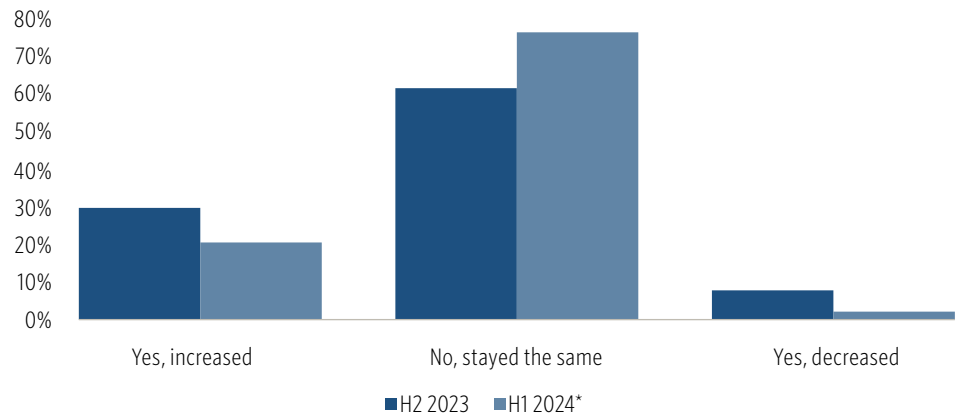
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 11: How has the current state of the market impacted your future fundraising plans?**



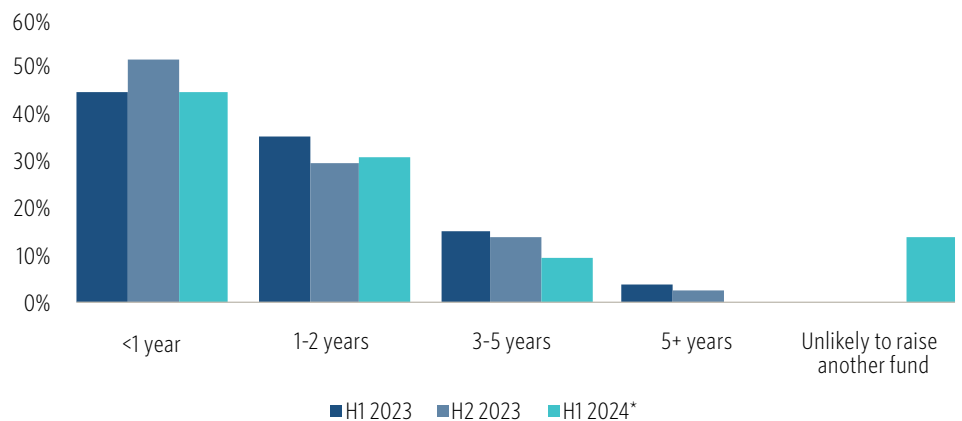
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 12: Did the percentage stake acquired in rounds you invested in change over the past 12 months?**



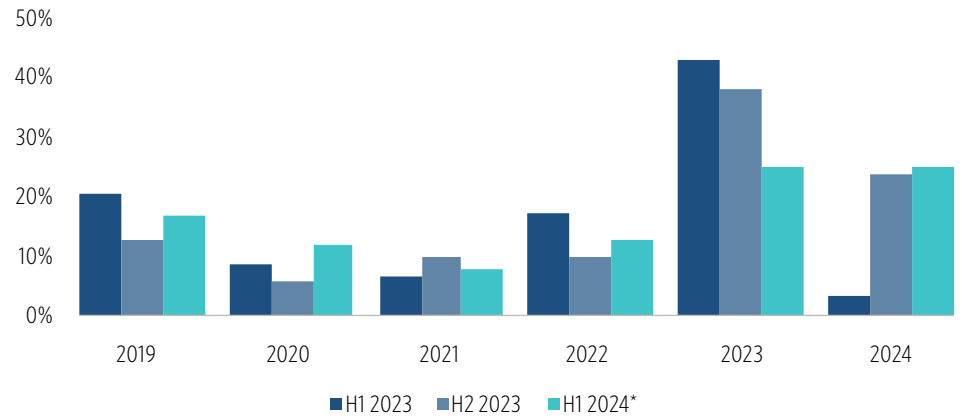
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 13: When do you plan to begin raising your next fund?**



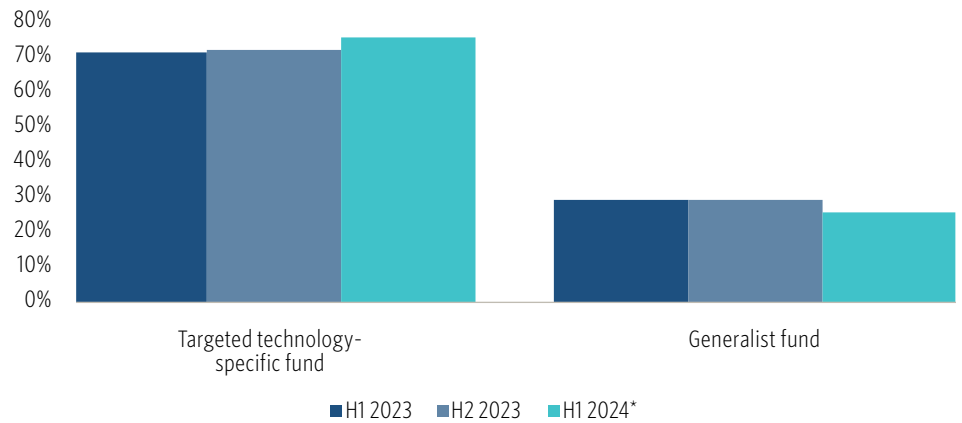
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 14: Which VC vintage do you think will have the highest IRR out of this group?**



Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 15: In the current environment, which style of fund seems easier to raise?**



Source: PitchBook • Geography: Global • \*As of May 13, 2024



**Figure 16: Rank the top five most important factors when evaluating a new early-stage investment.\***

Factor	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
An emerging technology	6	6	7	8	2
Cash runway	1	2	2	7	8
Existing investor base	0	0	2	3	7
Other	1	2	0	1	2
Path to profitability	2	3	7	10	11
Product-market fit	3	19	15	5	2
Revenue growth	3	2	6	10	8
The founders and leadership team	37	10	3	0	0
Total addressable market	2	6	8	5	9

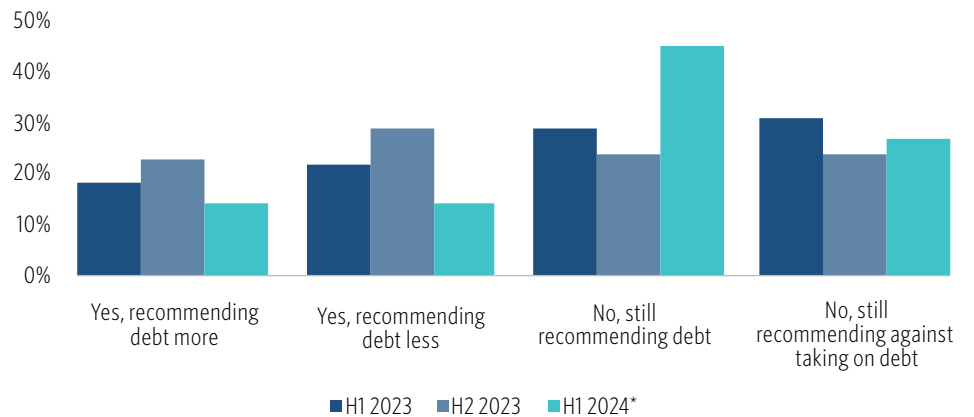
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 17: Rank the top five most important factors when evaluating a new late-stage investment.\***

Factor	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
An emerging technology	1	1	3	0	1
Cash runway	2	2	3	9	10
Existing investor base	0	2	2	10	4
Other	2	2	1	0	0
Path to profitability	9	12	7	5	4
Product-market fit	6	0	5	7	6
Revenue growth	13	10	8	4	5
The founders and leadership team	14	11	8	5	2
Total addressable market	2	7	8	4	11

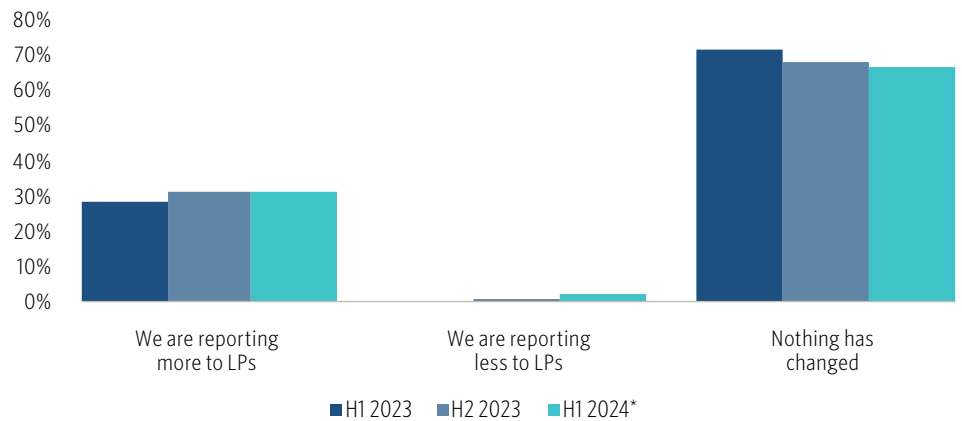
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 18: Has recommendation toward taking on debt changed between you and your portfolio companies over the past year?**



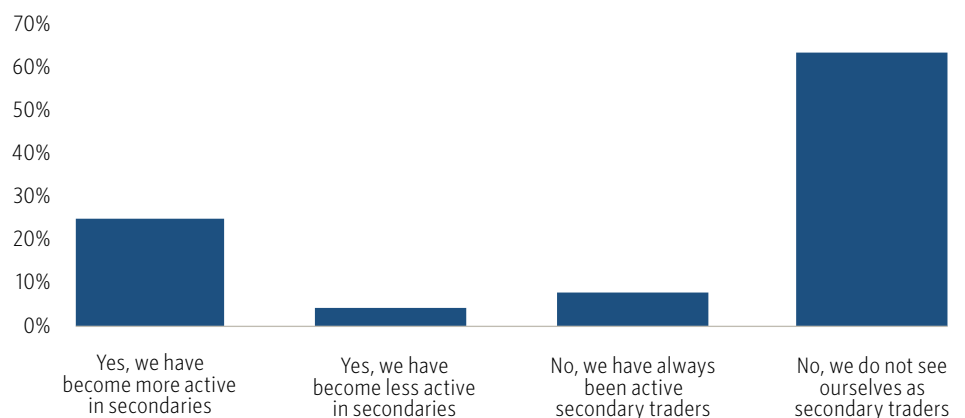
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 19: How have higher reporting standards impacted your reporting to LPs?**



Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 20: Has your firm's activity, or thoughts around activity, in secondary market sales changed over the past year?\***



Source: PitchBook • Geography: Global • \*As of May 13, 2024

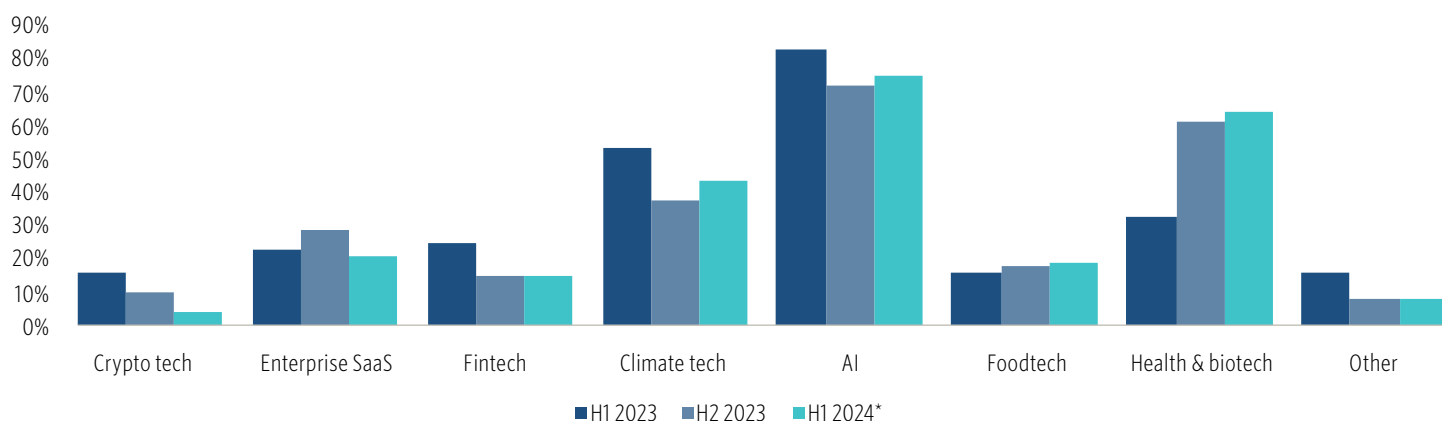
## Technology expectations

Consistent with previous surveys, AI is anticipated to be a leading area of innovation, growth, and adoption over the next year. Nevertheless, most respondents (58%) also view AI as the most overinvested segment. While this implies VC opportunities in the space may be thinning out, VC investment data in the segment remains robust. Additional AI-related questions found that investors are generally equally as bullish on the tech as they were in our prior survey, and that the pace of AI adoption appears to be occurring as expected. Leading blockers to AI adoption, according to our respondents, include potential regulation, unclear use cases, and a limited AI-experienced workforce. Surprisingly, the cost of inferencing and chip availability were not widely viewed as significant blockers.

Beyond AI, health & biotech and climate tech were cited as the second- and third-largest areas of potential innovation, with both segments viewed as significantly underinvested areas of tech. Interest risk and geopolitical risk remain the most significant macroeconomic and sociopolitical factors impacting technology, and respondents cited enterprise technology providers as having the highest exposure to disruptive and/or competitive pressures from emerging technologies. This likely stems from the impact AI could have on enterprise workflows and the rapid emergence of new AI-based enterprise applications. Healthcare was chosen as having the second-highest disruption risk.

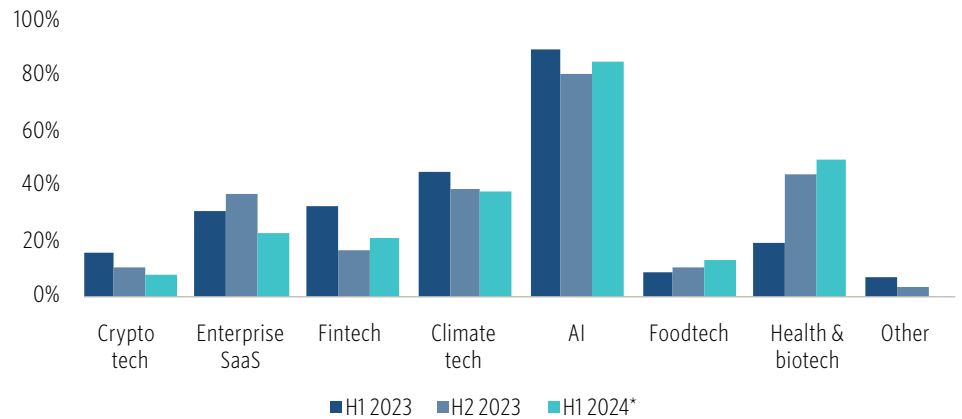
Given the rise in cryptocurrency prices this year, we sought to get investors' views on the state of crypto. Despite the run-up in bitcoin to new record highs, most respondents (29%) attribute the price increase to meme investing rather than a genuine market trend. We note the recent run-ups in GameStop and AMC stocks validate the view that meme investing is still alive and well. Still, 25% of respondents view the strength of bitcoin as proof that crypto has disruption and growth potential, whereas another 25% view this as only relevant to the largest coins, such as BTC and ETH. Only 13% of respondents view the run-up as a sign of bullishness.

**Figure 21: In which areas of technology do you expect the most innovation over the next 12 months (choose up to three)?**



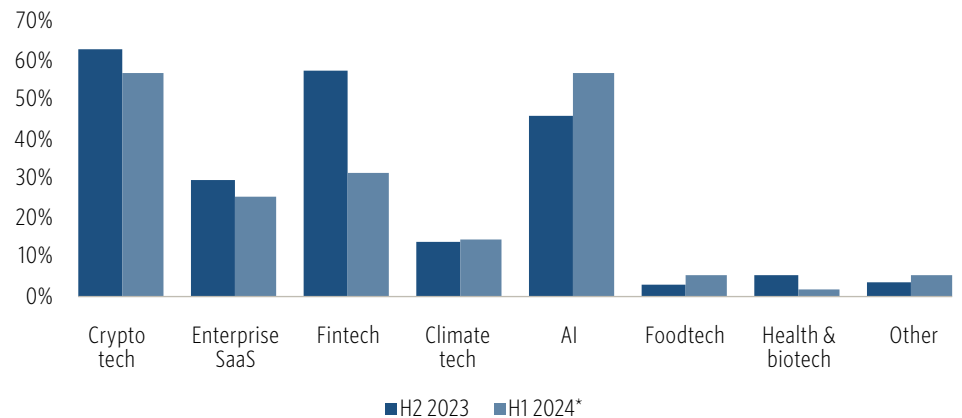
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 22: In which areas of technology do you expect the most growth and adoption over the next 12 months (choose up to three)?**



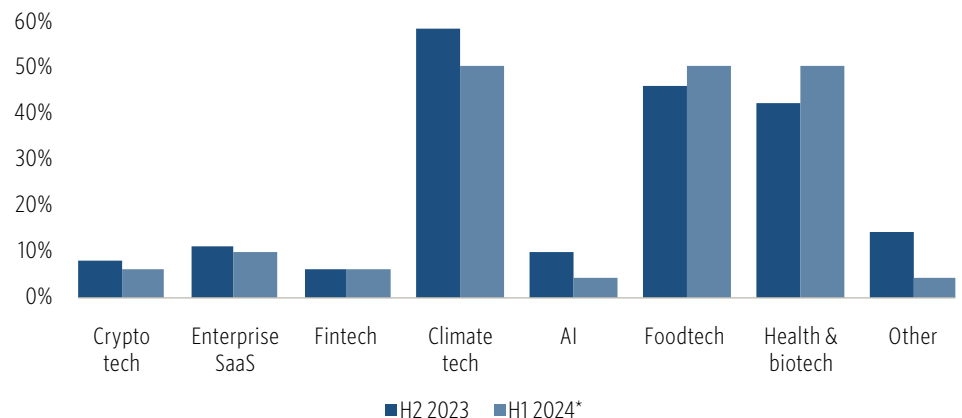
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 23: Which areas of technology do you view as overinvested (choose up to three)?**



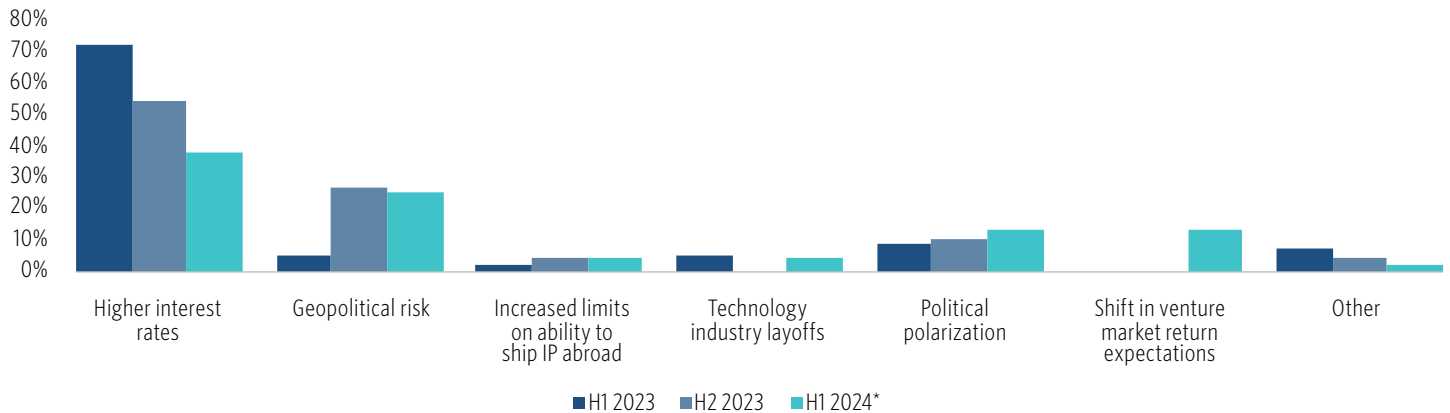
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 24: Which areas of technology do you view as underinvested (choose up to three)?**



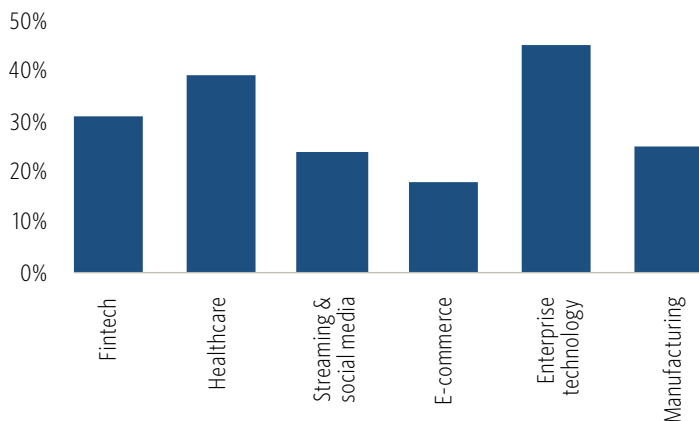
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 25: Which of the following macroeconomic and sociopolitical factors are likely to have the biggest impact on technology over the next few years?**



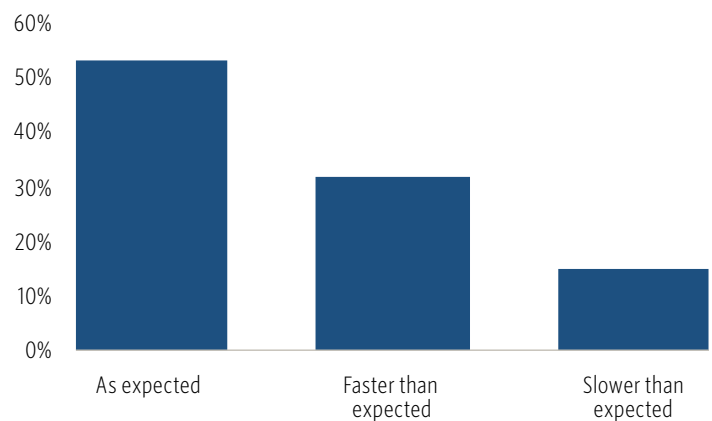
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 26: In which areas of technology are incumbents most likely to experience disruptive/competitive pressures from startups over the next 12 months (choose up to three)?\***

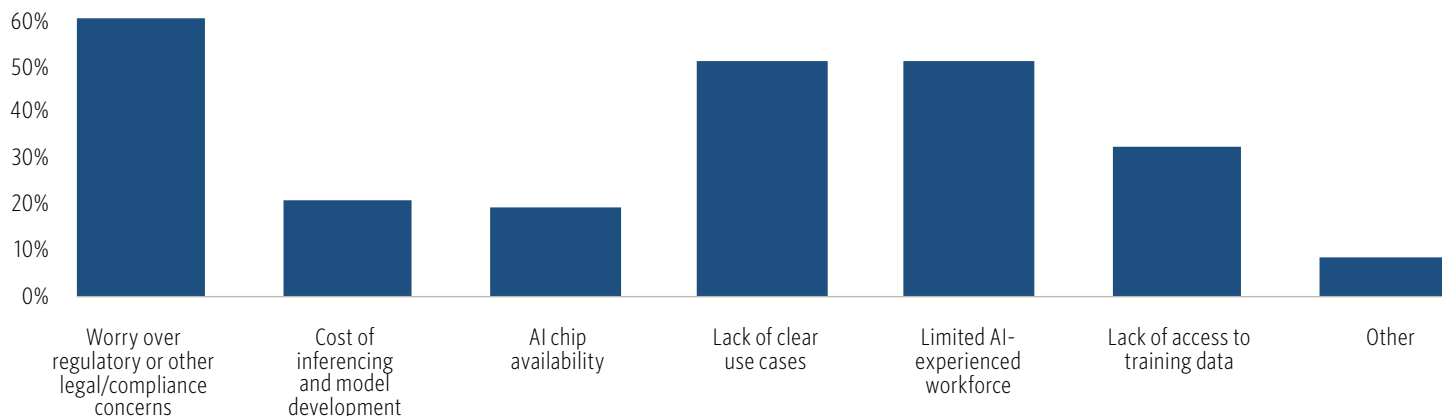


Source: PitchBook • Geography: Global • \*As of May 13, 2024

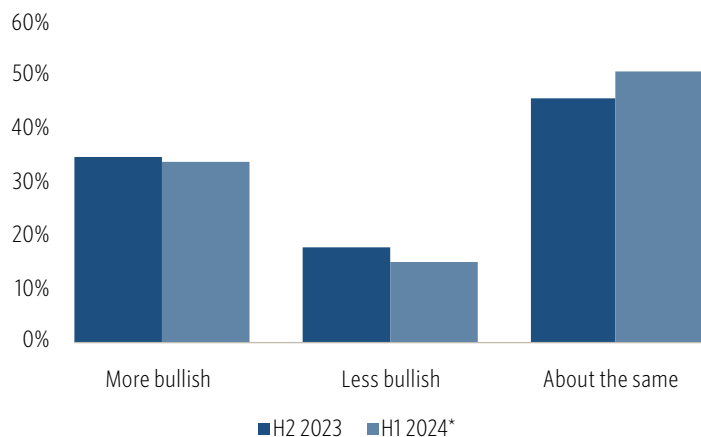
**Figure 27: How do you believe the pace of generative AI adoption is progressing?\***



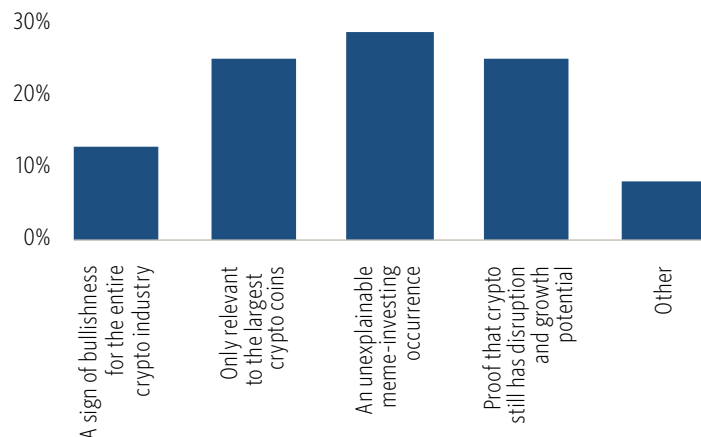
Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 28: What do you see emerging as the most important blockers to AI adoption (choose three)?\***


Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 29: Are you more or less bullish toward generative AI as a disruptor compared with how you felt at the start of 2023?**


Source: PitchBook • Geography: Global • \*As of May 13, 2024

**Figure 30: How do you view the rise in the price of bitcoin?\***


Source: PitchBook • Geography: Global • \*As of May 13, 2024