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Q1 2025

Venture Monitor

The definitive review of the US venture capital ecosystem

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Contents

***Methodology change update:** To present a clearer picture of the true exit value of the market, we are implementing the extrapolation methodology used for undisclosed M&A transactions for PE and global M&A reports into venture reports. Most of the M&A transactions we collect have no value attached, leaving a void in the data we present as exit value. Though these deals are much smaller than the values we are able to collect, they do provide a substantial amount of value to the market, which we have been missing. This change will impact only transactions we collect as closed and will not be implemented on the estimated exit counts we previously introduced in the venture reports, though those exit count estimates will remain. This change will apply to this and all future VC-related reports where data counts are large enough to run the extrapolation model off. This change harmonizes our VC reports with our PE and M&A reports, which already use this methodology.*

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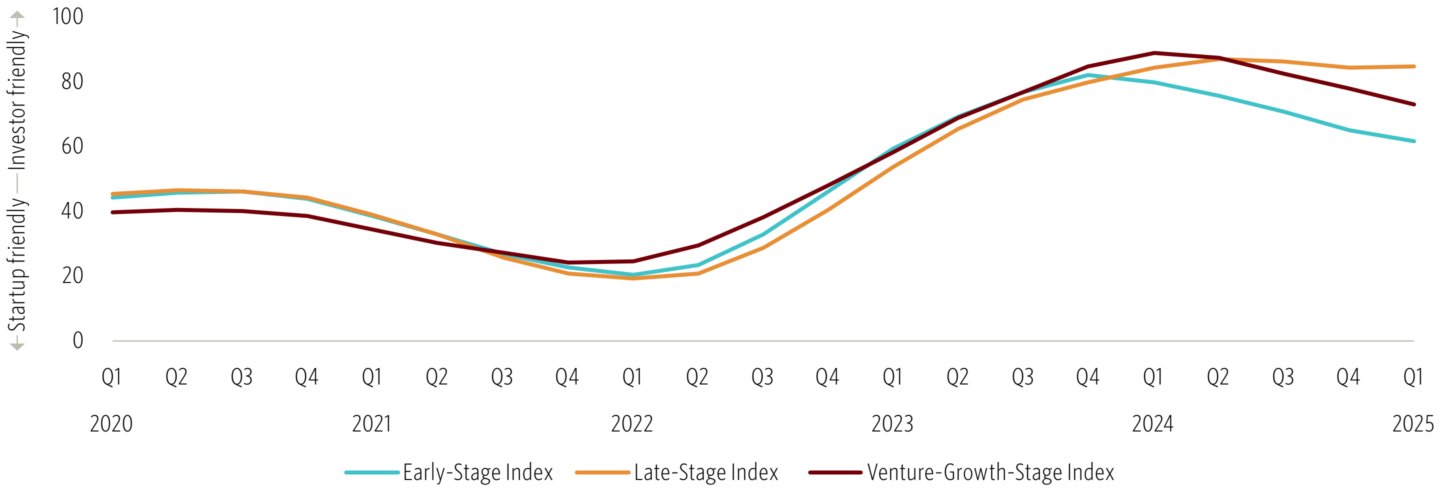
Market overview

Deal activity up QoQ

VC Dealmaking Indicator by quarter



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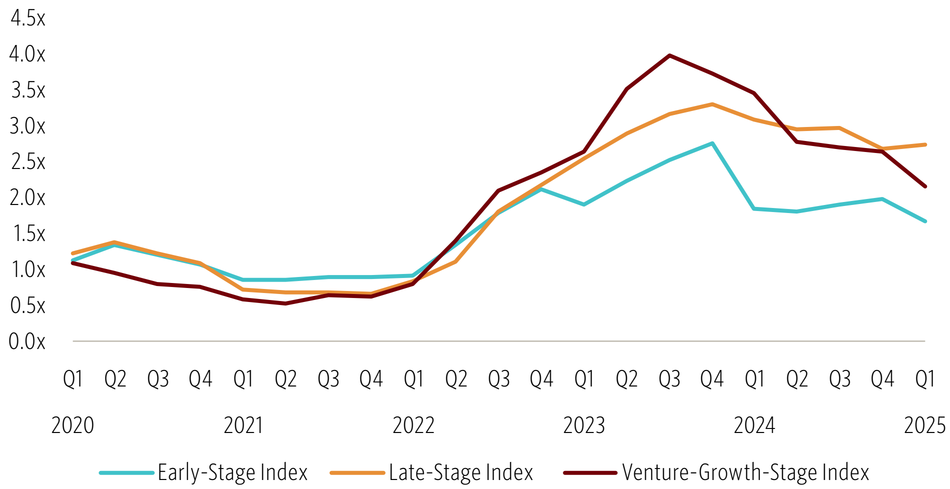
With uncertainty dominating US financial markets throughout the first quarter, our prior expectation that 2025 would see a resurgence in venture capital (VC) liquidity and dealmaking has been dimmed. Should the latest iteration of tariffs stand, we expect significant pressure on fundraising and dealmaking in the near term as investors sit on the sidelines and wait for signs of market stabilization.

With regard for first-quarter activity, there has been a marked bifurcation in the market as larger deals and exits represent a greater share of total activity. The 10 transactions exceeding $500 million accounted for 61.2% of the total VC investment during the quarter. OpenAI's $40 billion deal is included in that figure, though the other nine deals still account for 27% of the total when that deal is excluded. The acquisition of Wiz (to be closed in Q2) and the initial public offering (IPO) of CoreWeave collectively generated more exit value

Demand/supply shows large gap

VC capital demand/supply ratio by quarter



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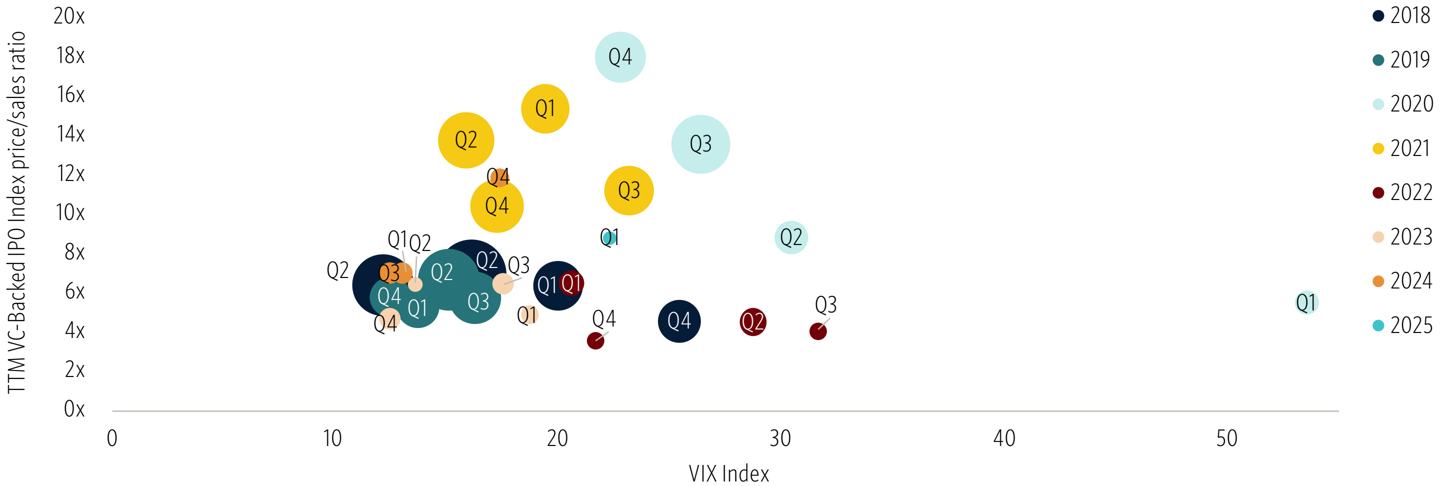
than any quarter since Q4 2021, while the rest of the exit market has remained relatively silent. Fundraising exhibited a similar concentration in a quarter that paced the year to the lowest fundraising total in a decade.

Despite a few significant transactions fostering a narrative of market resurgence, VC remains challenging for investors, companies, and limited partners. Only 12 companies completed public listings during the

Increasing VIX a bad sign for IPOs

Trailing 12-month (TTM) VC-Backed IPO Index price/sales ratio versus VIX Index



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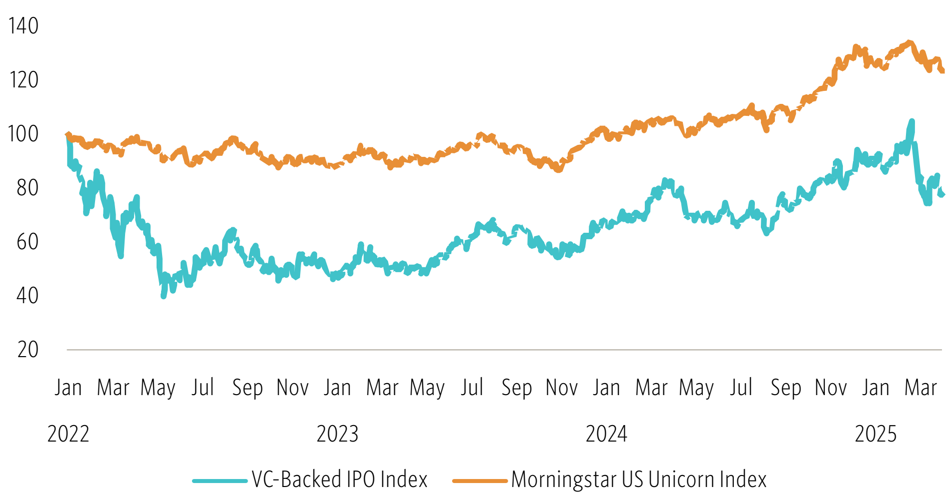
quarter. Additionally, M&A has been focused on younger companies, yielding returns that many VC firms would find unsustainable. 76% of completed acquisitions in Q1 occurred before a Series B was raised. Our VC Dealmaking Indicator has remained staunchly investor-friendly, though artificial intelligence (AI) companies have had more success than others. We expect these trends to continue until the market returns to normal liquidity patterns.

The recent tariff announcement has significantly impacted VC activity and IPO plans. The equity market sell-off reflects heightened uncertainty, leading many VC investors to adopt a wait-and-see approach until clarity and stability return. Notably, Klarna and Hinge Health have postponed their IPOs due to market volatility. As public companies begin reporting earnings, tariff discussions are expected to dominate calls, but it may still be too early to fully assess the long-term implications of the new trade policies. Investors will likely focus on recession risks in the near term, as this will impact the timing of interest rate cuts.

IPO index drops quickly

VC-Backed IPO Index and Morningstar US Unicorn Index (rebased to 100 in 2022)



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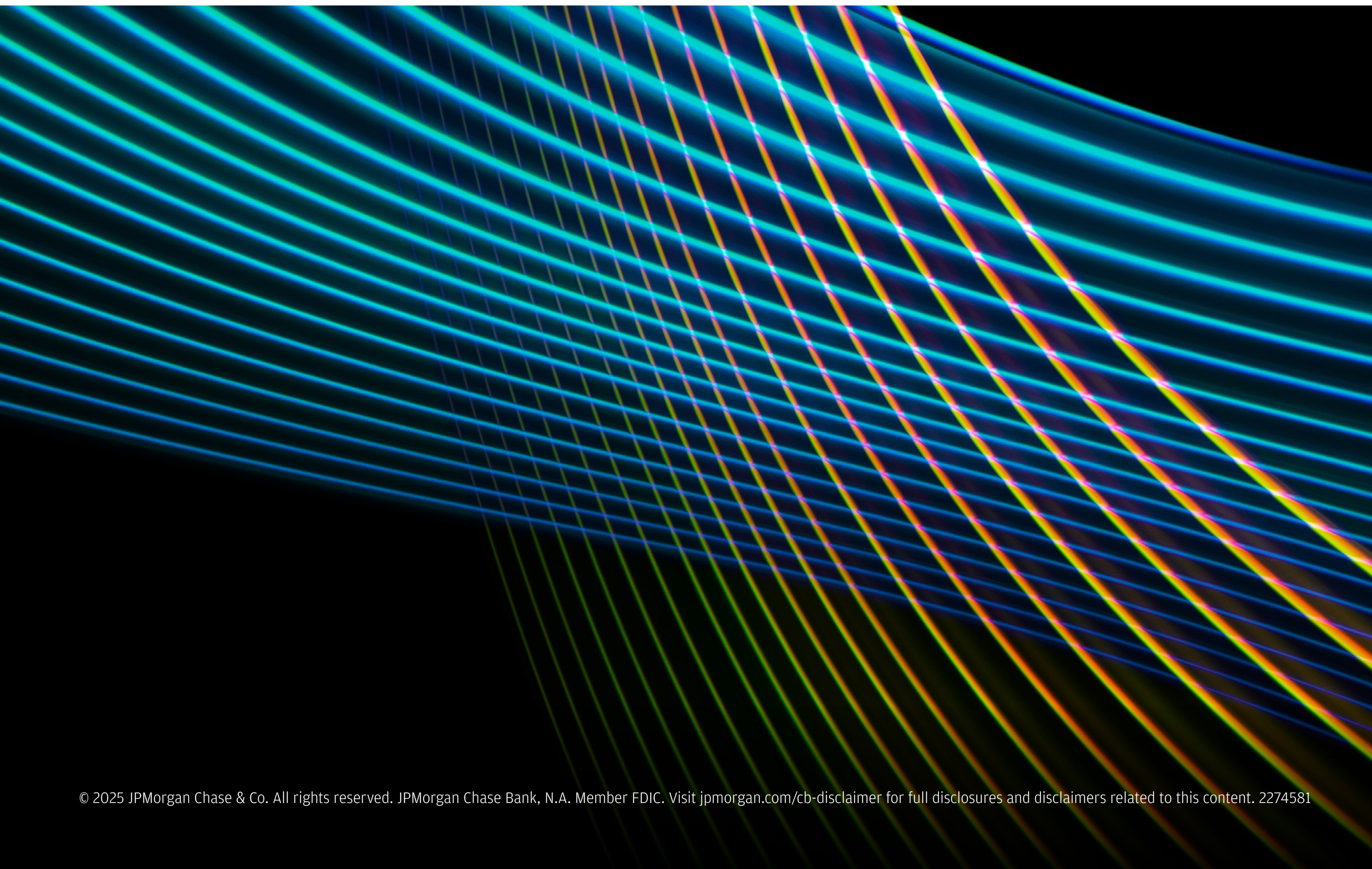


NVCA policy highlights

Below is an overview of NVCA's current policy priorities and their states of play.

Tax update

Republicans began 2025 with control of the White House, House, and Senate. The party plans to proceed with a large-scale budget reconciliation bill anchored by Tax Cuts and Jobs Act (TCJA) of 2017 extensions. Budget reconciliation allows legislation affecting revenues to pass the Senate with a 51-vote simple majority rather than the 60-vote filibuster threshold that applies to most other legislation.

On February 6, President Donald Trump met with Republican lawmakers to discuss budget priorities, proposing to end favorable taxation for carried interest as an offset for his priorities, such as eliminating tax on tips. On the same day, Democrats introduced bills in both the House and the Senate that would fully eliminate favorable taxation for carried interest. NVCA is meeting with congressional offices to fight to protect carried interest, protect Qualified Small Business Stock (QSBS), and fix research & development (R&D) amortization in tax legislation this year. On February 25, the House passed its budget resolution by a margin of one vote, moving Republicans one step closer to realizing their goal of TCJA expirations. The Senate released the text of a compromise House-Senate budget resolution on April 2. Both chambers must pass the same budget resolution to unlock access to the budget reconciliation process. NVCA has been spending a lot of time on Capitol Hill discussing issues critical to our members, including carried interest, QSBS, and R&D. The feedback from congressional offices has been encouraging, but this will be a long and complicated process, and we continue to believe everything is on the table.

Capital markets update

The Developing and Empowering our Aspiring Leaders (DEAL) Act, an NVCA priority, would fix outdated definitions that force many VC firms to unnecessarily register as Registered Investment Advisors. The DEAL Act would change what are considered as "qualifying investments," enabling additional investment among Exempt Reporting Advisors (ERAs) in key sectors that reflect the market without forcing them to register with the Securities and Exchange Commission.

Among other things, the DEAL Act addresses investment challenges in:

- **Secondary investments:** Under current law, investing in secondaries is considered a "nonqualifying" investment, limiting firms' ability to remain ERAs. This bill would fix that, making secondaries a "qualifying" investment and helping provide much-needed liquidity in today's difficult exit environment.
- **Fund-to-fund investments:** Many firms invest in other venture funds to support emerging managers, yet these investments are also classified as "nonqualifying." The DEAL Act would modernize this outdated restriction, ensuring that VCs can continue expanding access to capital without unnecessary regulatory burdens.
- **Cryptocurrency:** The current legislation does not include cryptocurrency. NVCA is gauging if there is interest to include crypto investments as qualifying investments.

In March, the House Financial Services Committee held a hearing titled "Beyond Silicon Valley: Expanding Access to Capital Across America," which reflected on the Jumpstart Our Business Startups (JOBS) Act and a suite of bills that would reduce regulatory burdens and increase access to capital for the entrepreneurial ecosystem. NVCA submitted a letter for the record calling for key legislation being considered by the committee, highlighting the DEAL Act among other relevant bills. NVCA also submitted a response to the committee's request for information (RFI) on capital markets solutions for both the public and private markets. NVCA continues to engage with the Senate on the introduction of complementary legislation this year.

Crypto and blockchain update

Stablecoin legislation moved swiftly in Q1 with the Senate Banking Committee passing its version—the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act—in March and the House Financial Services Committee passing its version—the Stablecoin Transparency and Accountability for a Better Ledger Economy (STABLE) Act—at the beginning of April, both on a bipartisan basis. The bills both create a regulatory framework for payment stablecoins through reserve requirements and capital, liquidity, and risk management obligations for stablecoin issuers. Next, the bill sponsors will continue working toward a floor vote. President Trump stated at the White House crypto summit in March that he hopes to sign stablecoin legislation before Congress' August recess.

Also in March, President Trump signed an executive order to establish the Strategic Bitcoin Reserve and US Digital Asset Stockpile for non-bitcoin digital assets, both capitalized with digital assets owned by the Department of the Treasury and forfeited as part of criminal or civil asset forfeiture proceedings.

AI update

In February, the White House issued a call for public input on the development of an AI Action Plan. The RFI follows a January executive order from President Trump that called for a focus on US leadership in the sector, including a new AI Action Plan set to be developed within 180 days. The action plan will outline the priority policy actions needed to sustain and enhance America's AI leadership and ensure that unnecessarily burdensome requirements do not hamper private sector AI innovation.

NVCA submitted comments in response to the administration's call for feedback. Our comments focused on the need to harness the US startup ecosystem to build on America's global leadership in AI innovation, with the following summary recommendations:

- Invest in AI R&D infrastructure.
- Develop AI talent domestically and support targeted immigration reforms to attract top global AI talent to the US.
- Expand data access by aggregating data silos across federal agencies into a shared resource.

The AI Action Plan is being spearheaded by David Sacks, White House AI and crypto czar; Sriram Krishnan, senior policy advisor on AI; and key officials from the Office of Science and Technology Policy. We expect a final report to be delivered in June or July.

National security update

America First Investment Policy: President Trump recently announced his new America First Investment Policy, which focuses on protecting critical US technologies from foreign adversaries, particularly China (see fact sheet). The National Security Presidential Memorandum aims to guide executive departments in their review and decision-making with respect to foreign direct investment into the US and outbound investments, particularly regarding "foreign adversary" nations. The memorandum includes key priorities, such as:

- A "fast-track" process for investments from allied nations, provided investors are not linked to adversaries. The memo defines "foreign adversaries" as China, including the Hong Kong and Macau special administrative regions; Cuba; Iran; North Korea; Russia; and Venezuela.
- Reiterating the directions in Executive Order 14083 that the Committee on Foreign Investment in the US (CFIUS) should "restrict Chinese investments in strategic US sectors like technology, critical infrastructure, healthcare, agriculture, energy, raw materials, and others."[1]
- Encouraging continued passive investments from all foreign persons.
- Changes in CFIUS processes that could make it harder for Chinese companies to invest in sensitive sectors.
- Strengthening CFIUS authority over "greenfield" investments and restricting foreign adversary access to US talent and operations in sensitive technologies.
- Establishing rules to curb the exploitation of its capital, technology, and knowledge by foreign adversaries to ensure that only those investments that serve American interests are allowed.
- Considering new or expanded restrictions on US outbound investment to China in sensitive technologies, including semiconductors, AI, quantum, biotechnology, aerospace, and more, to stop American funds from supporting China's Military-Civil Fusion strategy.

Bobby Franklin
President & CEO
NVCA

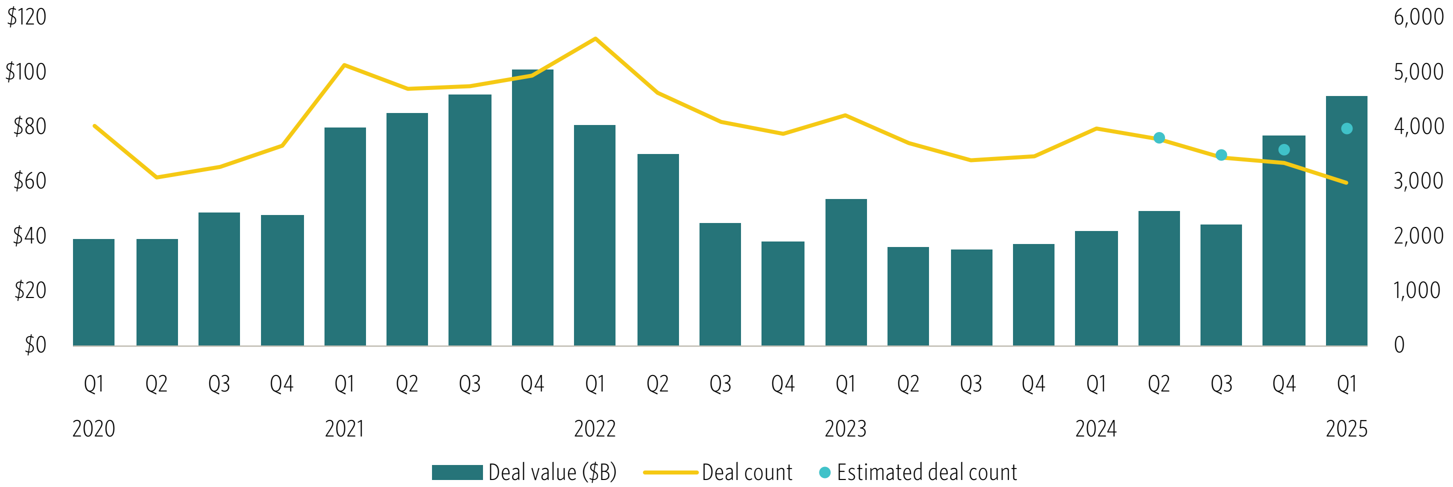
Bobby Franklin is the President & CEO of NVCA, the venture community's trade association focused on empowering the next generation of transformative US-based companies. Based in Washington, DC, with an office in San Francisco, NVCA acts as the voice of the US VC and startup community by advocating for public policy that supports the US entrepreneurial ecosystem.

1: "Fact Sheet: President Donald J. Trump Encourages Foreign Investment While Protecting National Security," The White House, February 21, 2025.

Dealmaking

Q1 in line with 2024 activity

VC deal activity by quarter



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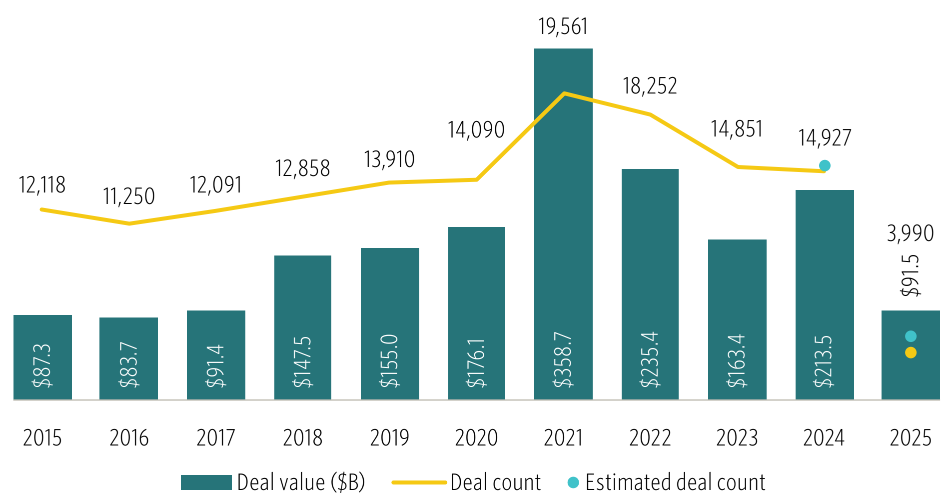
Activity level similar to 2020

VC deal activity



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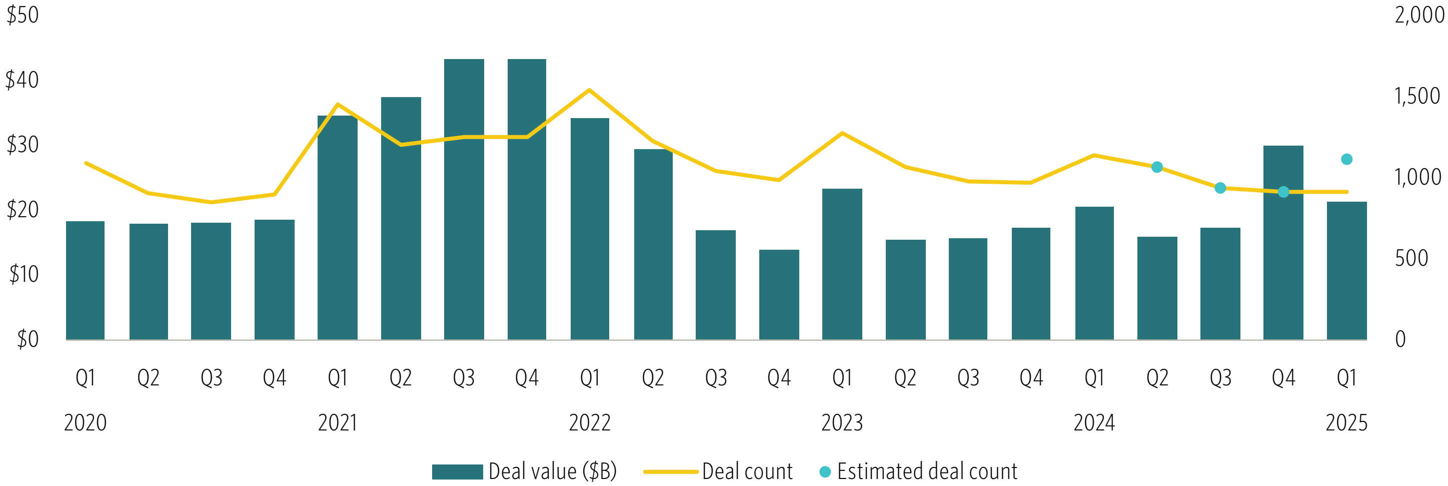
We estimate there were 3,990 deals in Q1 2025, a 10.9% QoQ uptick and almost the same level as Q1 2024. The Q1 deal value of $91.5 billion was up 18.5% from that of Q4 2024, which was the highest level since Q1 2022. Elevated deal value from the most recent two quarters was bolstered by large AI deals that represented a significant portion of quarterly deal value.

VC investors remain highly selective as LPs continue to show caution given lackluster performance over the past few years. Recently, challenges facing the VC industry include the lack of clarity on government tariffs and other policies, market volatility, cost containment in the tech industry, and negative consumer sentiment. As these business headwinds pressure startups' ability to meet investors' growth expectations, this could adversely impact the exit environment, keeping a lid on dealmaking activity.

AI stands out as an exception to an otherwise sluggish dealmaking environment. Despite fears that DeepSeek might change the investment trajectory, large tech companies have not pulled back in their AI spending, and significant AI deals continue to take place. The five largest deals from Q1 were OpenAI's $40 billion venture-growth-stage financing, two rounds

Late-stage deals begin to rebound

Late-stage VC deal activity by quarter



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raised by Anthropic totaling $4.5 billion, Infinite Reality's $3 billion late-stage VC round, and Groq's $1.5 billion round, all of which came from the AI sector. While demand for AI remains strong, the impact of new tariffs on chip supply chains could dent VC appetite for these investments should companies struggle with pricing increases.

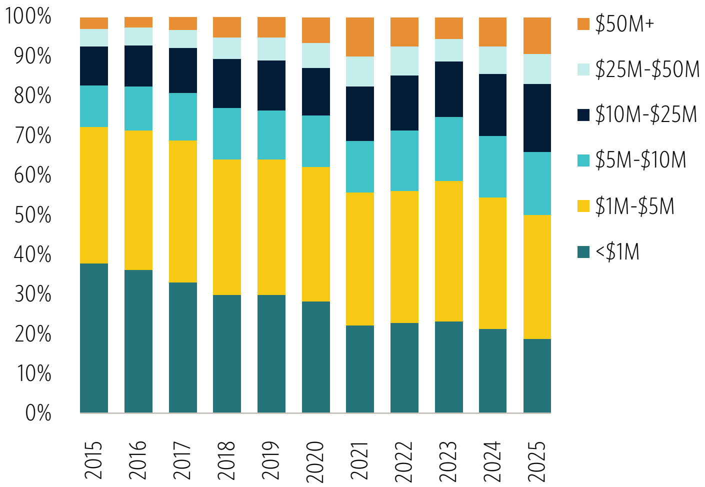
Data continues to support the flight to quality among VC investors. The number of deals at or above $50 million as a share of all US VC deals increased to 6.6% in 2025 through Q1 from 3.9% in 2023. During the same period, the total share of deals priced at or below $5 million dropped to 36% from 42.9%, landing at the lowest level in a decade.

In general, quality companies continue to receive the funding they need to grow, including AI startups with high cash burn.

First-time financing activity remains low, reflecting broader trends across the VC industry. In Q1, we recorded $3.8 billion invested across 892 deals, which was down both QoQ and YoY.

A few deals driving total value

Share of VC deal count by size bucket



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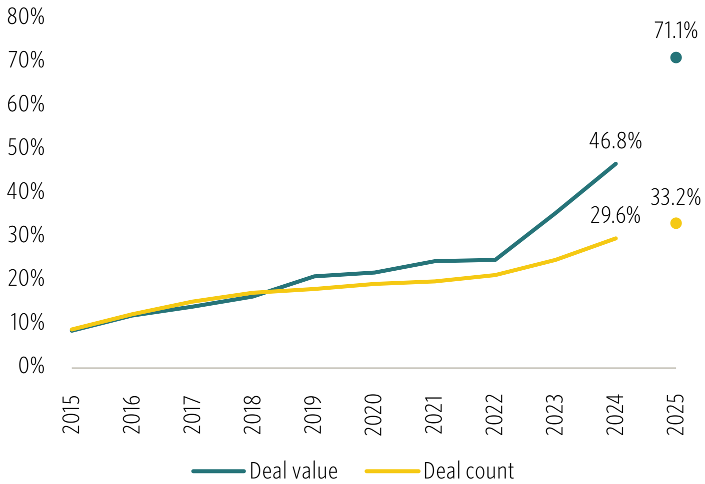
AI scoops up 71% of capital

AI & ML VC deal activity as a share of all VC deal activity



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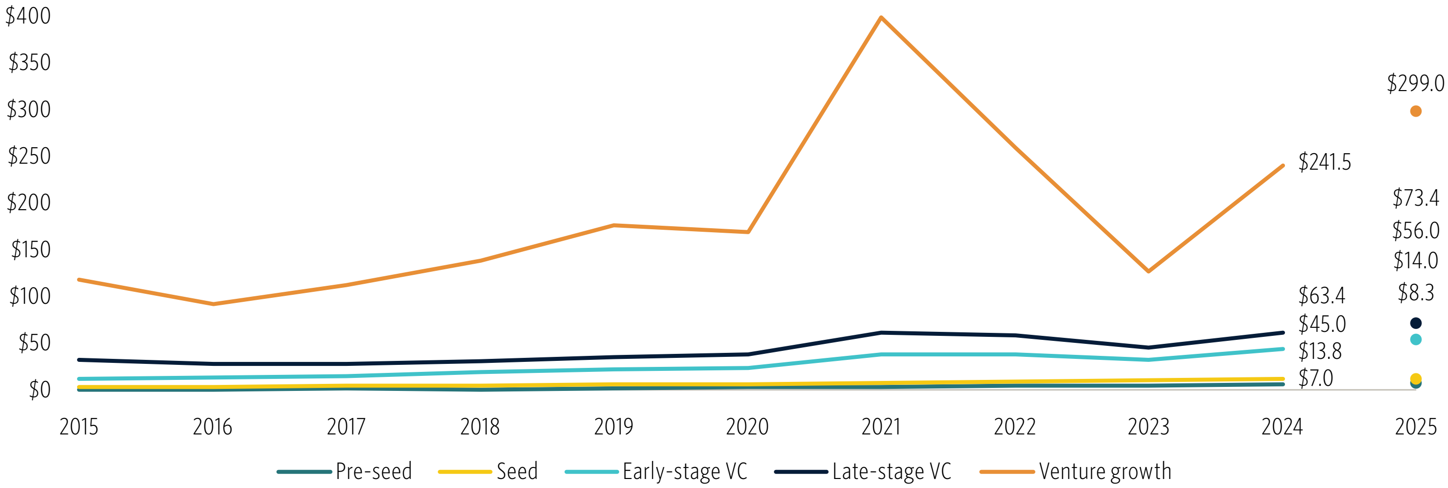
Valuations rising

Median VC pre-money valuation ($M) by stage



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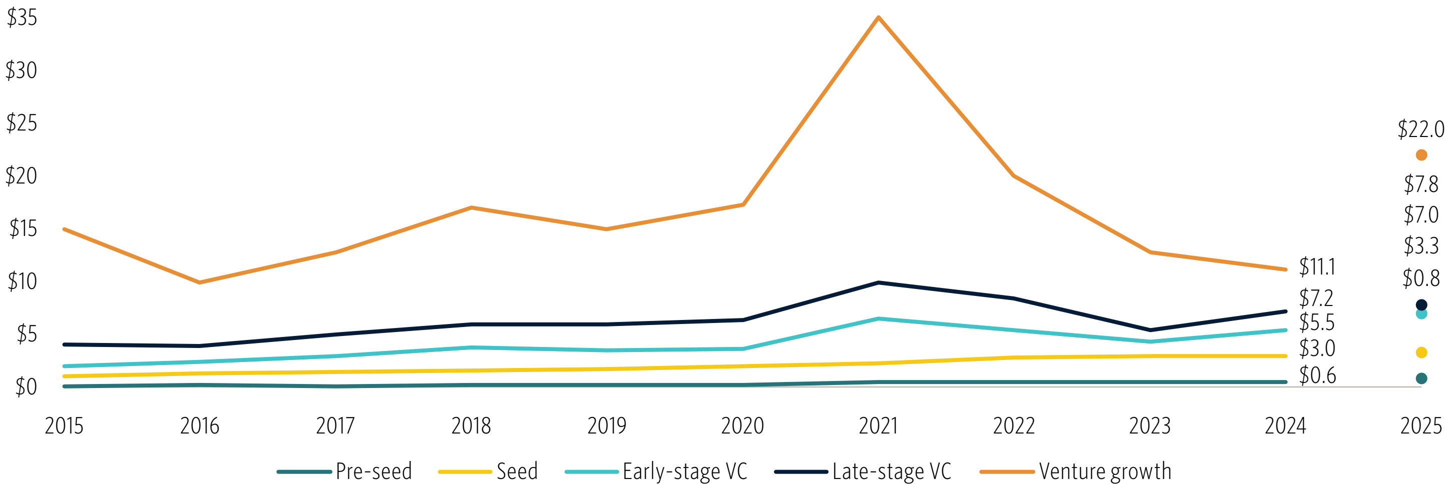
Deal size medians reaching toward highs

Median VC deal value ($M) by stage



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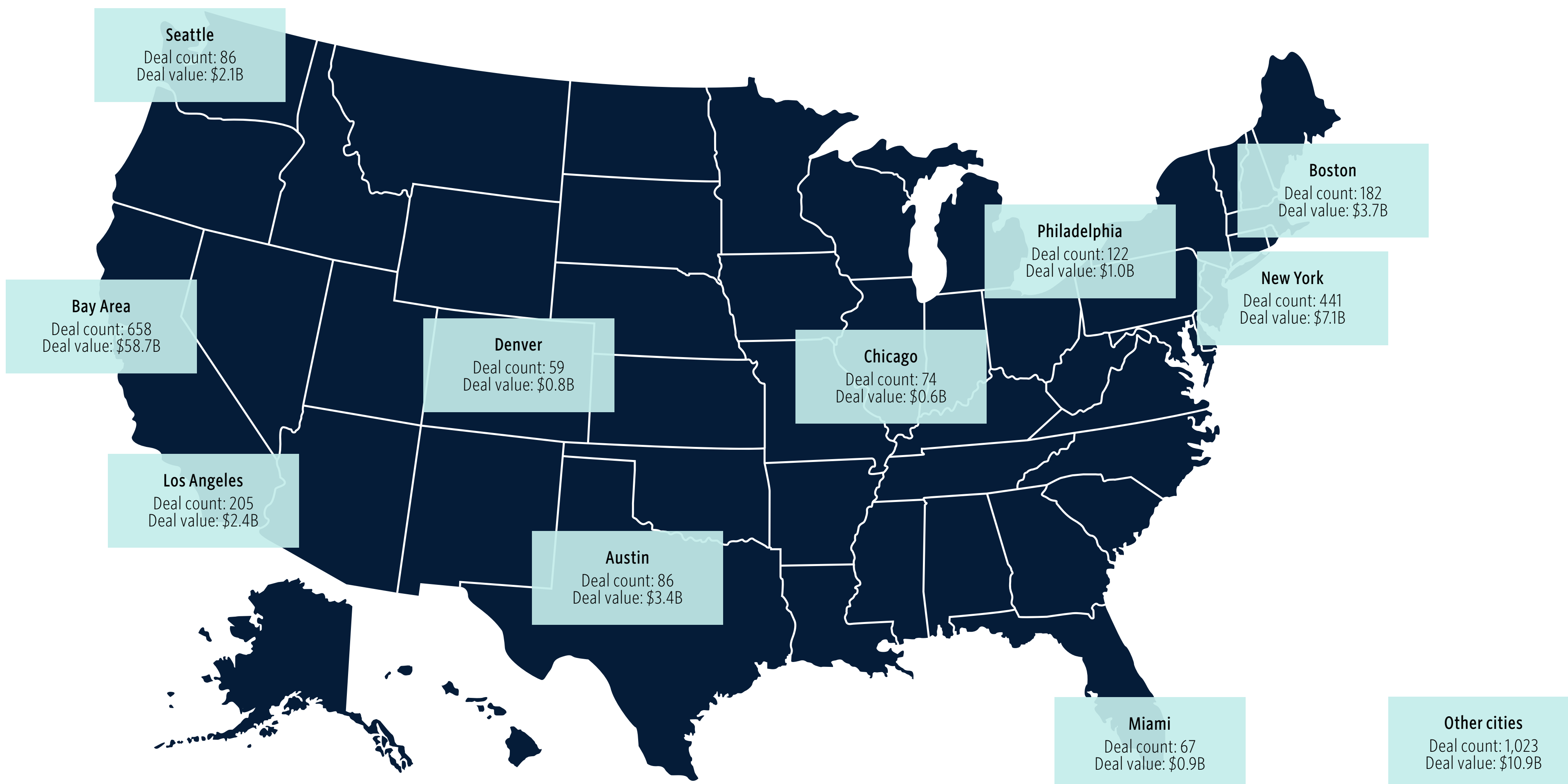
Regional spotlight

Market moving back to coasts
Q1 2025 VC deal activity by ecosystem



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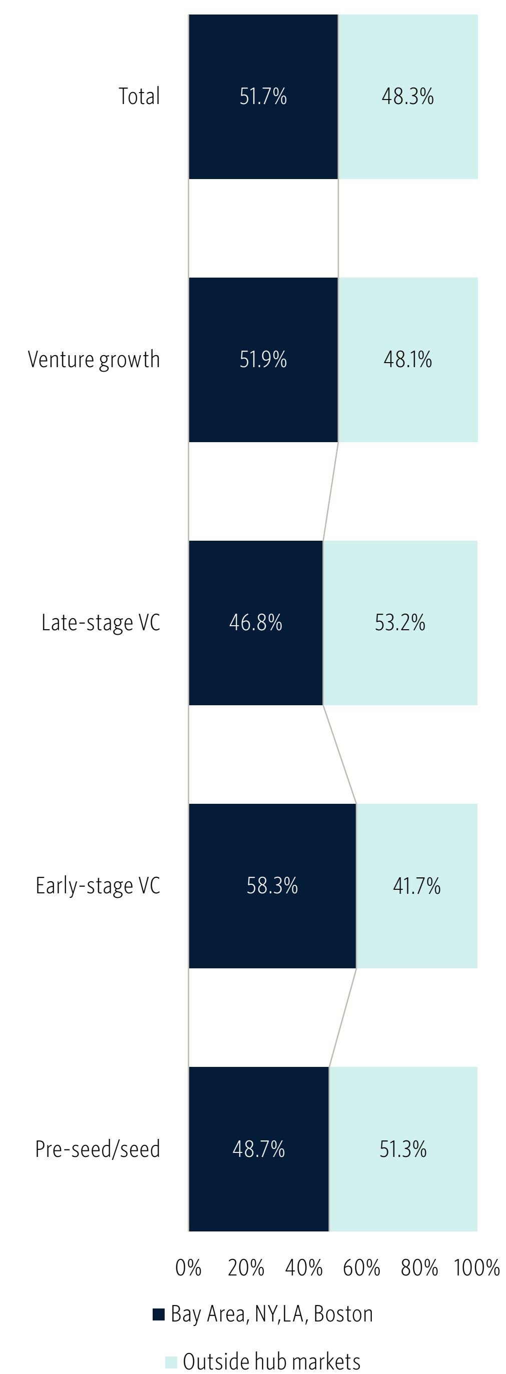
Deals favoring hubs
Share of VC deal count by market breakout



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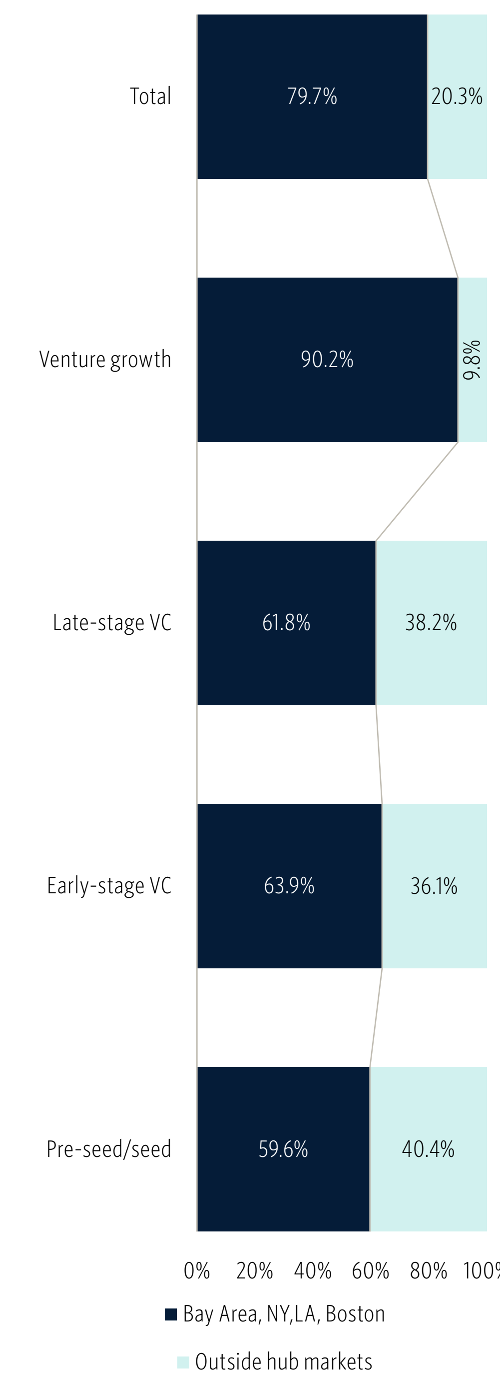
Hubs account for high portion of dollars
Share of VC deal value by market breakout



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A WORD FROM J.P. MORGAN

Our views on venture

Venture green shoots weather another few months of uncertainty

Trends across the venture ecosystem in early 2025 mostly reflect a continuation of the prevailing themes we saw in 2024. AI, defense tech, and digital infrastructure continue to dominate the sector narrative, while a convincing recovery in exit markets has yet to take hold. Increased macro and policy uncertainty early in the year dampened an expected acceleration in IPO activity. On the other hand, startup M&A green shoots have been encouraging with a jump in deal announcements.

Founders that stay focused on the fundamentals and persevere toward a better exit environment should fare well in the long run. The tone from VCs remains measured with the latest wave of market turbulence taken in stride. Many are cautious and waiting for proof points on successful headline IPOs, which are still expected in 2025. If M&A regulation eases, that exit path could be further reinvigorated as well.

Macroeconomic momentum moderating amid peak policy fog

US economic growth appears to have downshifted in early 2025, reflecting some to-be-expected normalization dynamics following above-trend growth last year, combined with incremental near-term caution on the part of consumers and businesses amid heightened policy uncertainty. The magnitude and velocity of the new administration's tariff announcements over the past two months have been above expectations, putting some spending and investment activity into a holding pattern.

While the tariff endgame remains subject to ongoing negotiations with key trading partners, we are hopeful the dust could start to settle on this topic over the next few months. Even though companies reliant on imports and international supply chains will have to navigate a period of adjustment, improved clarity on the state of play should help pave the way forward for business investments and growth strategies. Also important to keep in mind is that the administration's pro-growth economic policies including reduced regulation, stable taxes, lower energy prices, and increased foreign direct investment are expected to phase in over time.

Nonetheless, given the slower-than-expected start to the year and potential drags on near-term capital spending, consumer purchasing power, and exports related to tariff developments, our forecast for 2025 GDP growth has come down while our outlook for inflation and unemployment has moved up.

Regarding interest rates, we expect the Federal Reserve (the Fed) to proceed cautiously with any adjustments in the coming months. Decision-making should remain data-dependent, guided by its dual mandate of stable prices and full employment. Our view remains that the Fed could cut rates later this year.

Ginger Chambless
Head of Research,
Commercial Banking

Ginger Chambless is a Managing Director and Head of Research for JPMorgan Chase Commercial Banking. In this role, she produces curated thought leadership content for commercial banking clients and internal teams. Her content focuses on economic and market insights, industry trends, and the capital markets.

Additional contributors:
Pamela Aldsworth
Head of Venture Capital Coverage
Andy Kelly
Managing Director, Venture Capital Coverage

If correct, market-based interest rates that influence valuations should also be stable to modesty lower through the year.

Recent market turbulence has delayed but not derailed the anticipated recovery in tech IPO markets

It appeared late last year that the stars were aligning for tech IPOs in 2025 to accelerate. However, volatile market conditions through the first quarter delayed the anticipated pickup in activity. Some startups that may have planned to go public early in the year opted for calmer waters to test the market, including a VIX sustained below 20. Improved visibility on the impact from tariffs—and furthermore, rates—should help on this front.

Tegh Kapur, a Managing Director on JPM's Technology Equity Capital Markets team, remains constructive on the outlook for tech issuance this year, noting that IPO "bake-off" and readiness activities have accelerated since the volatility began. While the increased macro and policy uncertainty is weighing on near-term market sentiment, several companies have decided to press ahead with their IPO plans, with one large tech company listing and two others publicly on file.

Aside from the recent spell of market volatility, the fundamental drivers supporting our outlook for increased IPO volumes this year remain in place. The large universe of private unicorns that are scaled, growing, and profitable provide a healthy pipeline of potential IPOs. For sponsors and VCs, generating liquidity remains a top focus given mounting pressure to boost DPI and recycle capital.

Kapur highlights that after three years of subdued exits, an additional consideration for the IPO landscape relates to the significant scale—on an absolute dollar basis—many companies have amassed in the private markets. With a small percentage of equity stakes likely to be monetized upon IPO, VCs are increasingly exploring creative solutions to de-risk exposure ahead of a listing. This could include transactions to consolidate minority stakes via sales to crossover growth-equity investors and sovereign wealth funds. Thus, the private secondary market should also see significant volume this year.

Secondaries are playing an increasingly important role in venture

We are witnessing an ongoing shift in the late-stage venture capital landscape, particularly for top-performing startups, where mega-rounds and a booming secondaries market are playing larger roles. Five years ago, the public markets served as the primary way to inject capital for investment, growth, and liquidity as private companies reached a certain scale and size. In today's fundraising cycle, the proliferation of large private funds (via dedicated pools of capital and deal-by-deal co-investment structures) can now provide these investments to private companies through sizable financing rounds at high valuations. Furthermore, we are increasingly seeing secondaries serve as a valuable liquidity mechanism for employees and early investors.

According to Will Eckert of Morgan Private Ventures, more than half of the late-stage growth rounds over the past six months have had a secondary component attached to the deal. This is up from 20%-30% a few years ago as traditional exit markets of IPO and M&A have been subdued for the better part of three years. The secondary offering in these rounds allows employees to monetize some of their vested equity (including in some cases the associated tax burden), which is an important talent retention and incentive mechanism for private companies that compete with public companies. For investors, the ability to crystallize a portion of portfolio gains and boost DPI to LPs is as critical as ever in the current fundraising environment. However, the "bar" set by investors to provide private market liquidity remains high as demonstrated by how concentrated secondary activity is, with some estimates that close to 75% of all secondary activity is concentrated in just 20 private companies.

The market for fund secondaries (LP stakes, GP-led vehicles, and block trading) has also been active. As the life cycle of traditional funds has stretched out from 8-10 years to as high as 15-20 years in some instances, options to generate liquidity and return capital to LPs have become ever more important.

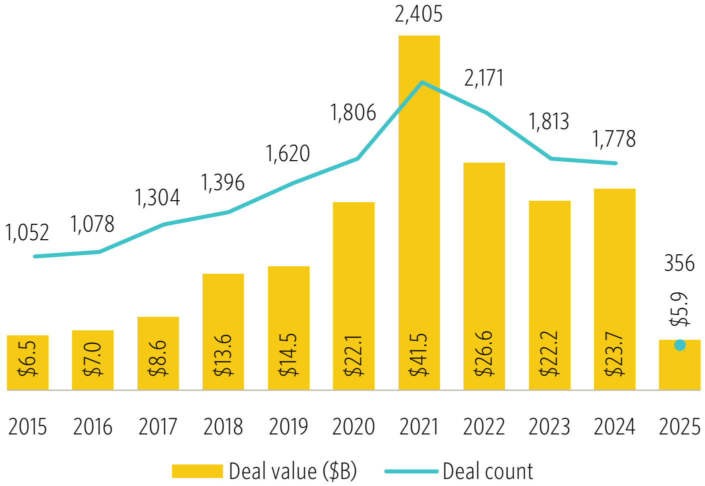
Commentary and views as of April 4, 2025.

DEALS BY SECTOR

Healthtech

Healthtech looking for rebound

Healthtech VC deal activity



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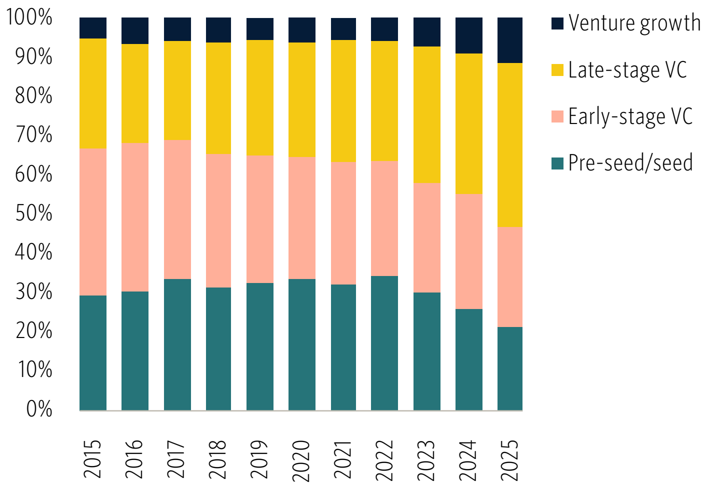
Late stage far outpaces other stages

Share of healthtech VC deal count by stage



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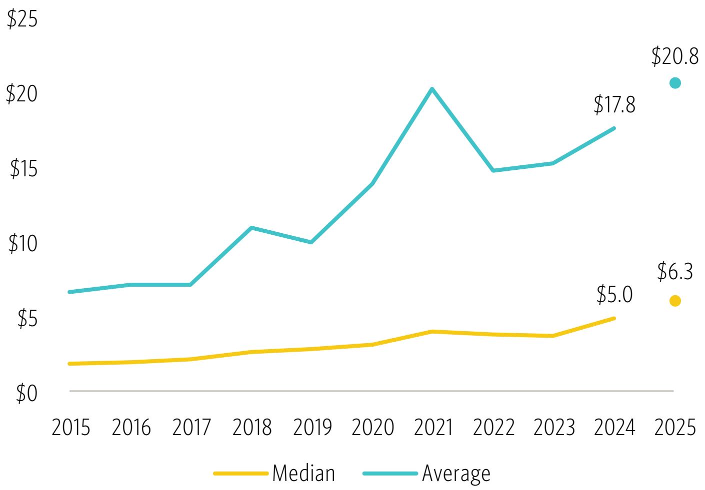
Deal sizes continue to rise

Median and average healthtech VC deal values ($M)



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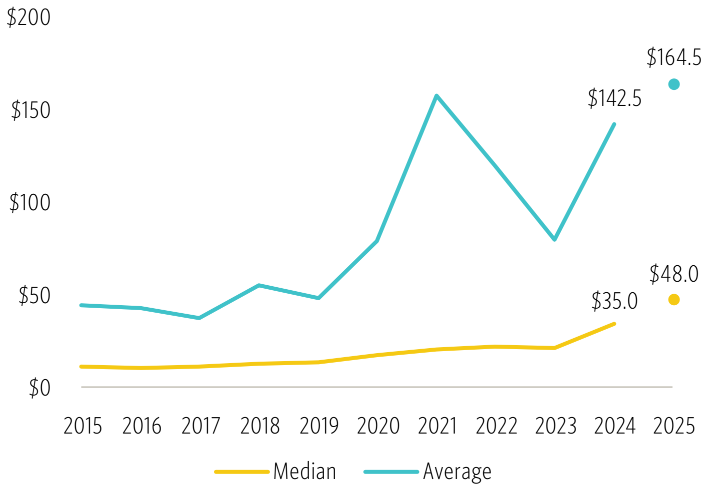
Valuations reach new highs

Median and average healthtech VC pre-money valuations ($M)



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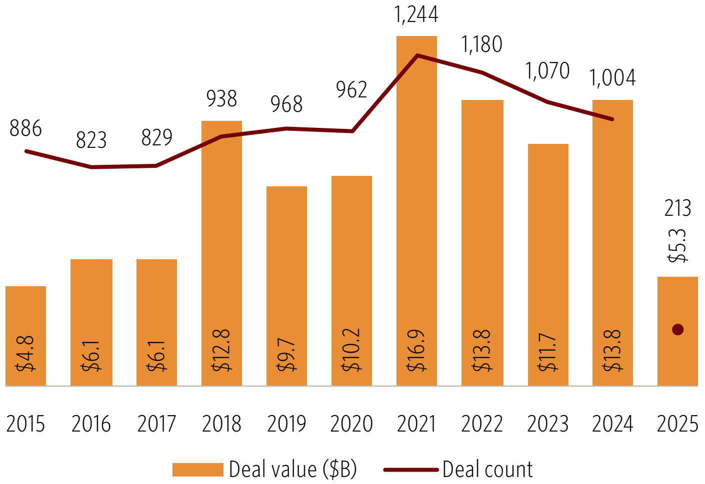
DEALS BY SECTOR

Manufacturing

Manufacturing looking for tailwinds

Manufacturing VC deal activity



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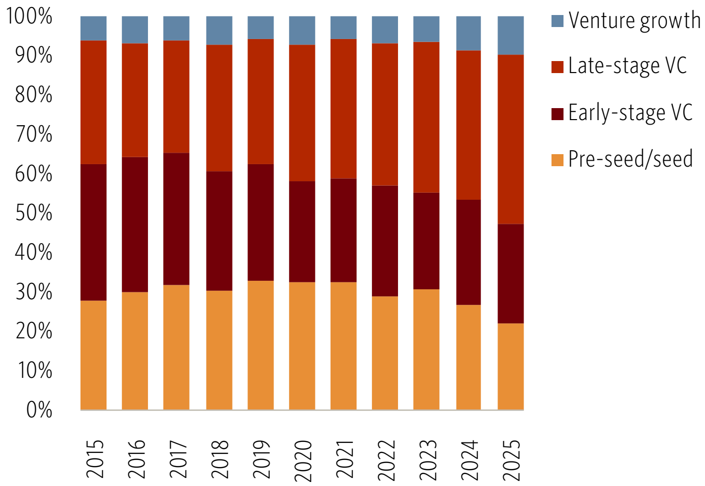
Market maturing at later stages

Share of manufacturing VC deal count by stage



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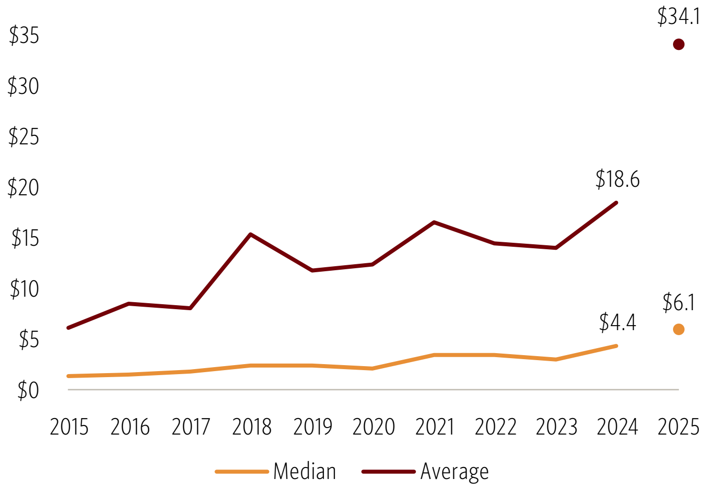
Manufacturing finding larger deal sizes

Median and average manufacturing VC deal values ($M)



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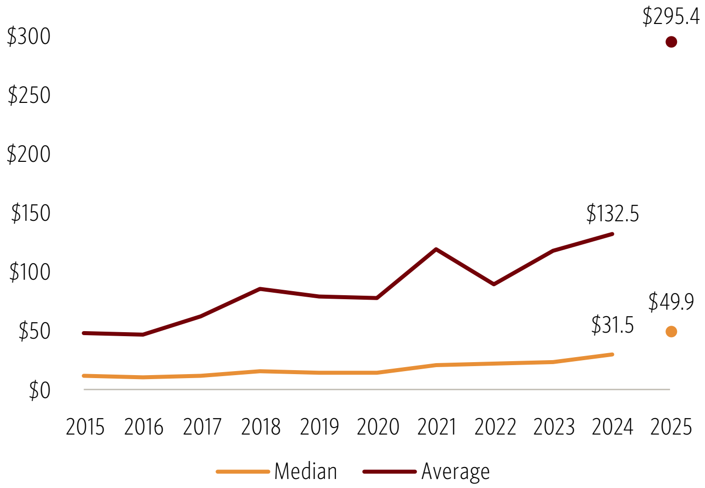
Valuations finding growth

Median and average manufacturing VC pre-money valuations ($M)



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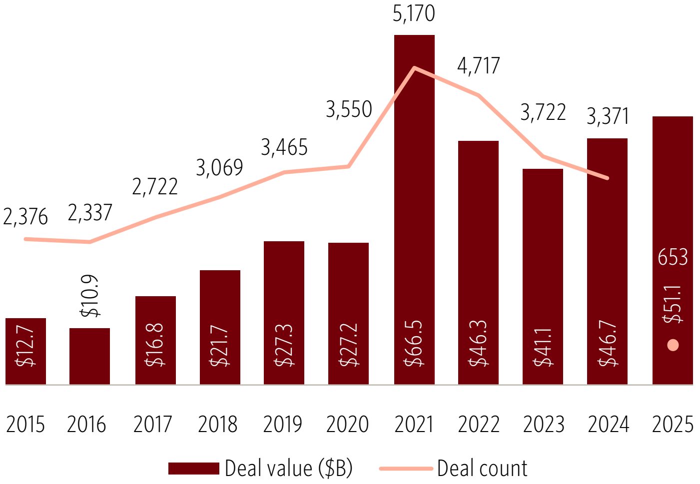
Female founders

Outside of OpenAI, $11.1 billion invested in female-founded companies in Q1

VC deal activity in companies with at least one female founder



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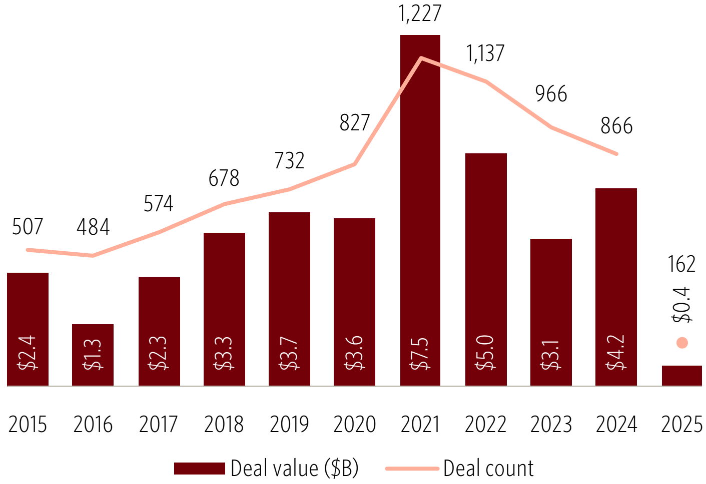
All-female teams miss 2024 deal-raising pace

VC deal activity in companies with all-female founding teams



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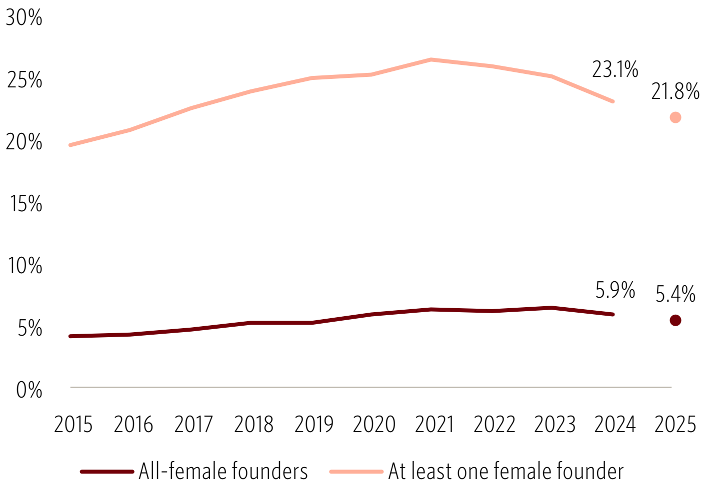
Female founder deal count continues to slide

Female-founded company deal count as a share of all VC deal count



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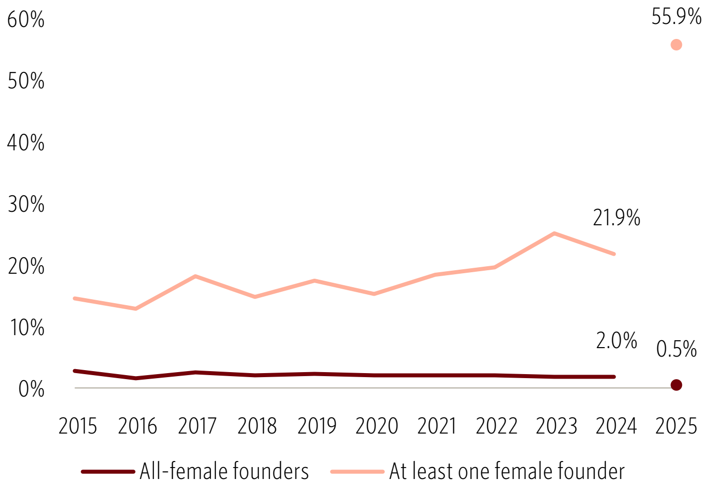
All-female teams raise less than 1% of total invested

Female-founded company deal value as a share of all VC deal value



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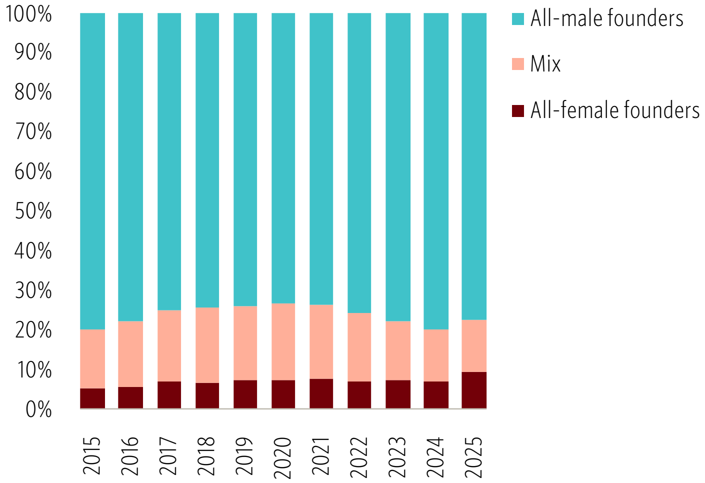
All-female teams show relative strength in first financings

Share of VC first-time financings by founder gender mix



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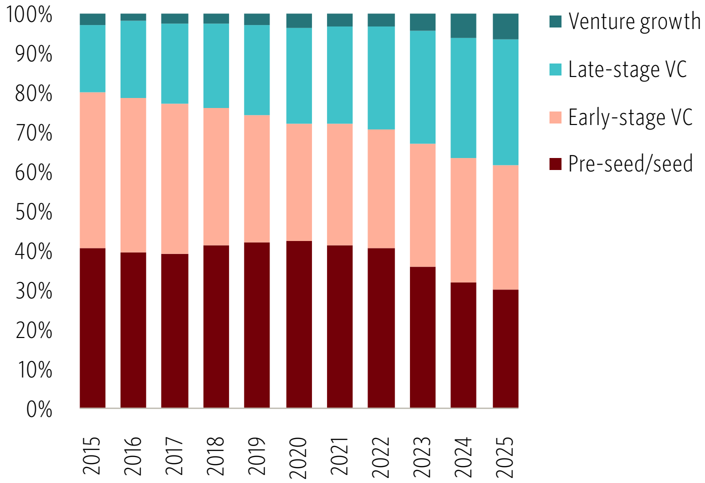
More female-founded companies reaching venture-growth stage

Share of VC deal count for female-founded companies by stage



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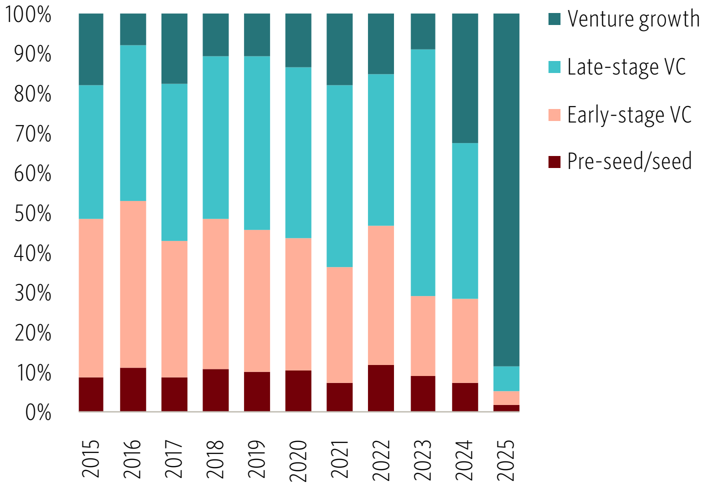
Deal values off pace across most stages

Share of VC deal value for female-founded companies by stage



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New York continues to be most female-founder friendly

Top five CSAs by deal count for companies with all-female founder teams in Q1 2025

Combined statistical area	Deal count
New York-Newark, NY-NJ-CT-PA	372
San Jose-San Francisco-Oakland, CA	275
Los Angeles-Long Beach, CA	143
Boston-Worcester-Providence, MA-RI-NH-CT	69
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	68

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Note: San Diego MSA is excluded in Los Angeles-Long Beach CSA. Austin MSA is included in rankings alongside CSAs.

A WORD FROM
DENTONS GLOBAL VENTURE TECHNOLOGY GROUP

The rise of the secondary market

A candid Q&A on liquidity, pricing, and future trends

*Victor H. Boyajian, global chair of Dentons' Venture Technology and Emerging Growth Companies Group, sat down with **Chris Bull**, managing director at Kline Hill Partners, and **Matt Krna**, founder and managing partner at Two Meter Capital, to discuss the evolving landscape of the secondary market. They explore what's driving increased activity, the unique dynamics of venture secondaries compared to private equity, and how investors, founders, and fund managers are leveraging secondaries for liquidity.*

Boyajian (New York/San Francisco): The secondary market has been quite active lately. What's driving that?

Bull (Kline Hill, Greenwich, CT): It really comes down to liquidity constraints in private equity and venture capital. With public markets shut down and M&A activity slow, investors and founders are turning to secondary transactions to unlock capital. It's a dynamic space, with a wide range of participants—from early investors to fund managers and employees—seeking liquidity solutions.

Boyajian: How does the venture secondary market compare to private equity secondaries?

Krna (Two Meter Capital, Menlo Park, CA): The private equity secondary market is much more mature, with established structures and a deep network of financial service providers. Venture secondaries, by contrast, are still developing as an asset class. The venture ecosystem has grown significantly, with companies staying private longer, increasing the demand for secondary transactions to provide liquidity. Unlike private equity, where ownership is concentrated, venture cap tables are more fragmented. This complexity makes transactions challenging but also creates unique opportunities for investors.

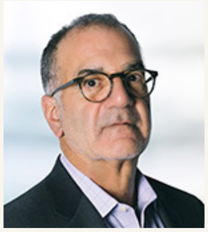
Boyajian: Beyond providing liquidity, what role do secondary investors play?

Bull: We typically take a passive approach, meaning we're not looking to take board seats or get involved in management. Our role is to provide capital so that founders, limited partners, investors, and employees can meet their financial goals without disrupting company operations.

Krna: But it's not always just about writing a check. Sometimes we help structure transactions, navigate complex deals, or connect companies with the right resources. There's a lot of nuance in secondaries. Each deal has unique elements—whether it's the structure, the counterparty dynamics, or the underlying business itself.

Boyajian: Do you stay involved if a company raises another round?

Bull: Generally, no. Our focus is on the secondary transaction itself, and we're not usually participating in future funding rounds. But we do track how companies progress post-transaction.



Victor H. Boyajian
Global Chair
Global Venture Technology

Dentons is one of the world's largest law firms at the intersection of tech, law, and policy. Victor leads a global team focused on representing emerging growth technology companies, venture capital firms, corporate strategic and private equity firms in a broad array of matters from Silicon Valley and New York to London and Singapore, and beyond.

Chris Bull, CFA
Managing Director
Kline Hill Partners

Chris is a managing director at Kline Hill Partners, leading investments in venture secondaries. He has extensive experience in private equity and venture capital, structuring transactions, optimizing liquidity strategies, and identifying high-growth opportunities for institutional investors.

Matt Krna
Founder and Managing Partner
Two Meter Capital

Matt Krna is the founder and managing partner of Two Meter Capital, the industry's first portfolio harvest management firm, which has extensive experience in venture and growth-stage secondaries. He has over two decades of experience as a venture capital and growth equity investor with leadership roles at firms like SoftBank.

Krna: That's where a firm like Two Meter Capital comes in. Since we work closely with secondary investors and portfolio companies, we often have insight into which businesses are performing well. If a compelling follow-on opportunity comes up, we're positioned to step in with capital.

Boyajian: What's the biggest challenge in the secondary market today?

Krna: Awareness is a major hurdle, especially for our harvest management model. Many fund managers don't realize they have options when it comes to managing out legacy portfolios. Educating the market is a big part of what we do.

Bull: On the deal side, pricing alignment remains the toughest issue. While valuations have come down from the highs of 2021, there's still a gap between what sellers hope to get and what buyers are willing to pay. Sellers often price based on previous funding rounds, but we have to underwrite deals based on realistic outcomes. Bridging the gap between seller expectations and what buyers are willing to pay is a core part of what we do to make deals happen.

Boyajian: Looking ahead, what trends do you see shaping the secondary market?

Bull: GP-led transactions are gaining traction in venture, just as they have in private equity. We're also seeing more structured liquidity solutions for employees as companies look for ways to manage their cap tables while retaining talent.

Krna: Another big trend is corporate venture investors reevaluating their portfolios. Whether it's leadership changes, a strategic pivot toward AI, or shifting macroeconomic factors, corporate VCs are increasingly turning to secondaries to optimize their holdings.

Boyajian: Does a secondary sale impact a company's next primary funding round?

Bull: It depends. If an early employee sells shares, it probably won't matter much. But if a major investor exits at a discount, that can send a signal to the market and impact valuation discussions. Every situation is different, and investors will take context into account.

Boyajian: For anyone considering a secondary transaction, what's your advice?

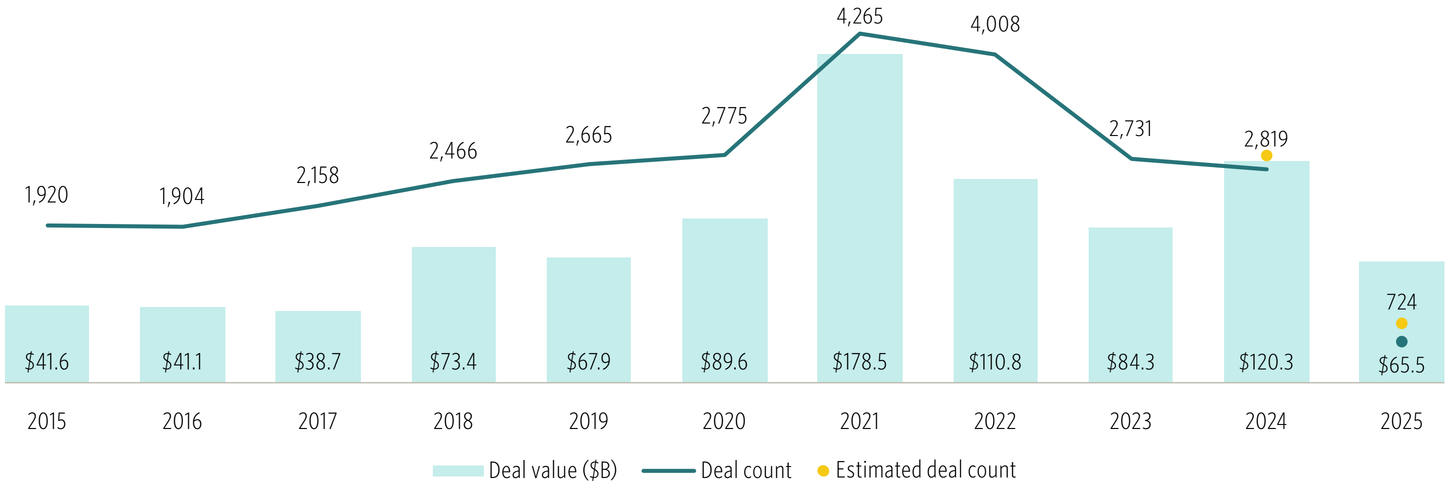
Krna: Be prepared. Whether you're a fund manager, company executive, or employee looking to sell, understanding the process, setting realistic expectations, and working with experienced secondary investors will make the transaction smoother.

Bull: Absolutely. Transparency and communication are key. The secondary market is evolving rapidly, and those who take a strategic approach will be best positioned to take advantage of the opportunities it offers.

Investor trends

CVCs deploy slowly

VC deal activity with CVC participation



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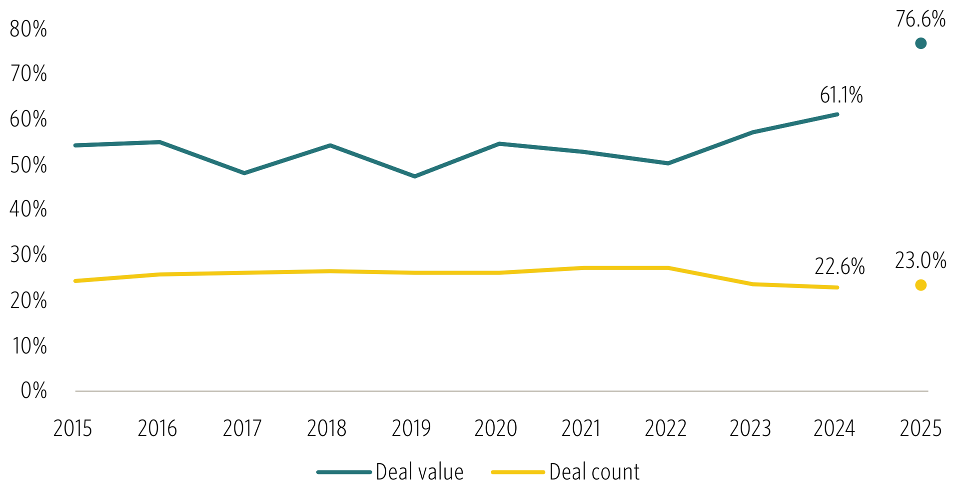
Nontraditional investors continue to represent diminished activity relative to the boom years. While crossover investors have maintained an average of around 170 deals per quarter over the past 10 periods, this represents one-third of the activity of the peak year in 2021. Crossover firms have been largely unable to exit from significant positions built up several years ago, and this group is unlikely to get more involved in the market, absent a strong revival in IPOs. Similarly, many hedge funds that added VC strategies during the boom years appear to have shifted away from the market in favor of more liquid asset classes.

Participation rate less than 23%

VC deal activity with CVC participation as a share of all VC deals



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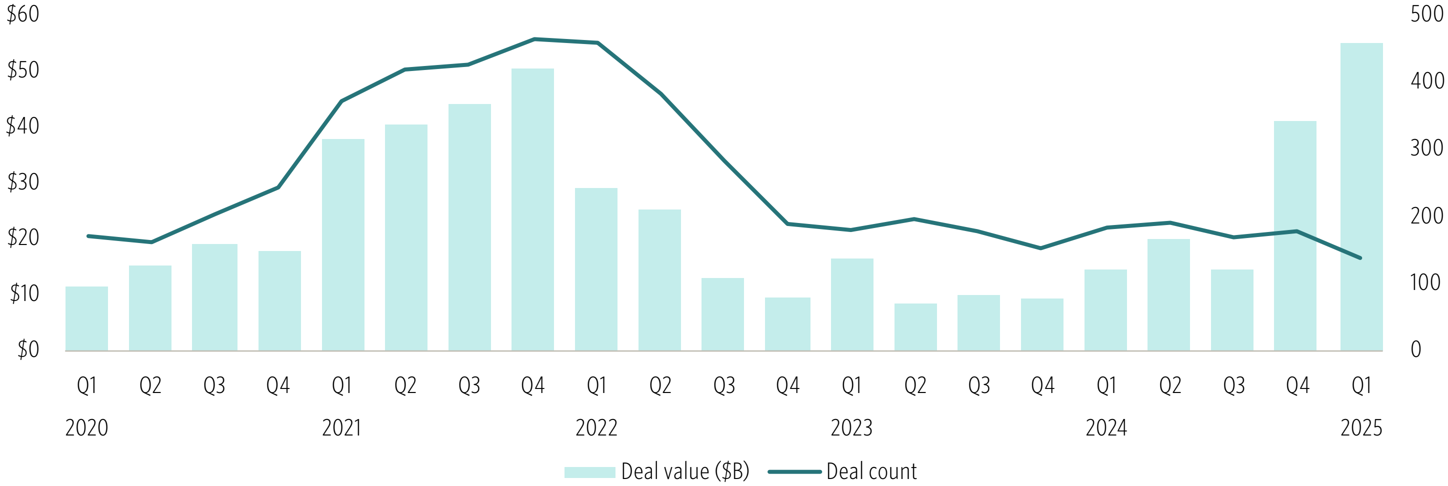
Crossovers stay away from VC

VC deal activity with crossover investor participation by quarter



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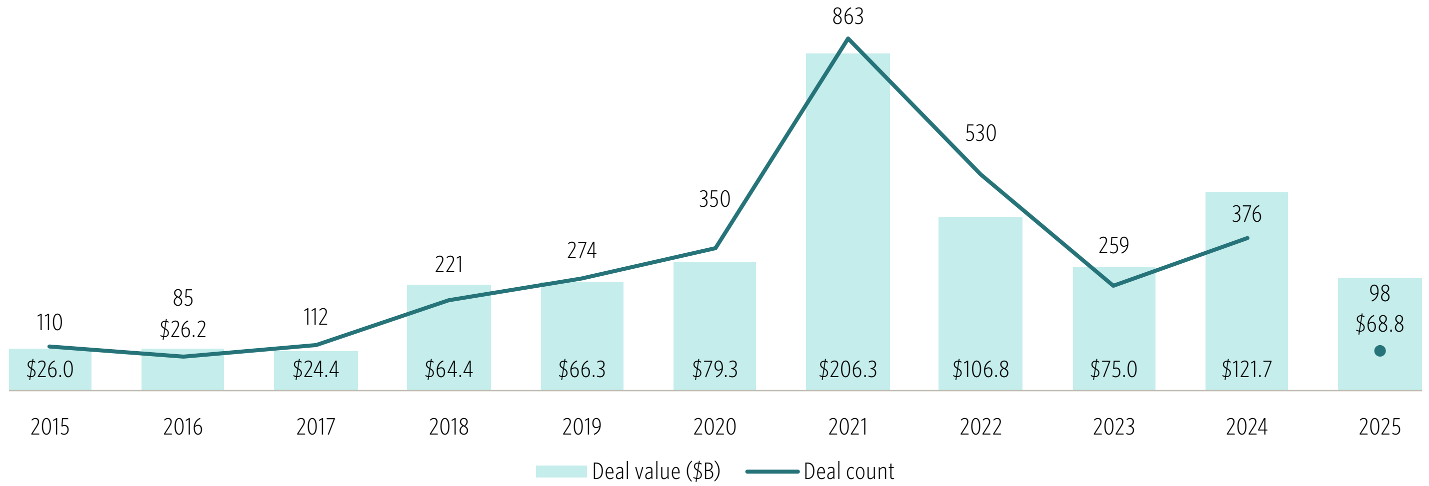
In Q1, corporate investors continued to play a significant role in VC, though their participation continues to decline as a share of total deals. CVCs have increasingly focused on AI companies, representing about 41% of all CVC deals in Q1—the highest share we have recorded and well above the annual average of 32.3% for 2023. Moreover, large corporate deals in AI, such as those involving OpenAI and Anthropic, have contributed to a high deal value participation rate, reaching 61% in Q1. The prospect of incorporating AI into business processes, products, and applications is not only encouraging AI adoption but also creating a compelling investment narrative for corporates, which appear to be favoring VC-based exposure over M&A strategies. However, as corporates turn their focus to cost management strategies in the face of new import tariffs, this could impact the rate of investment in AI.

Mega-rounds tick up

VC megadeal activity



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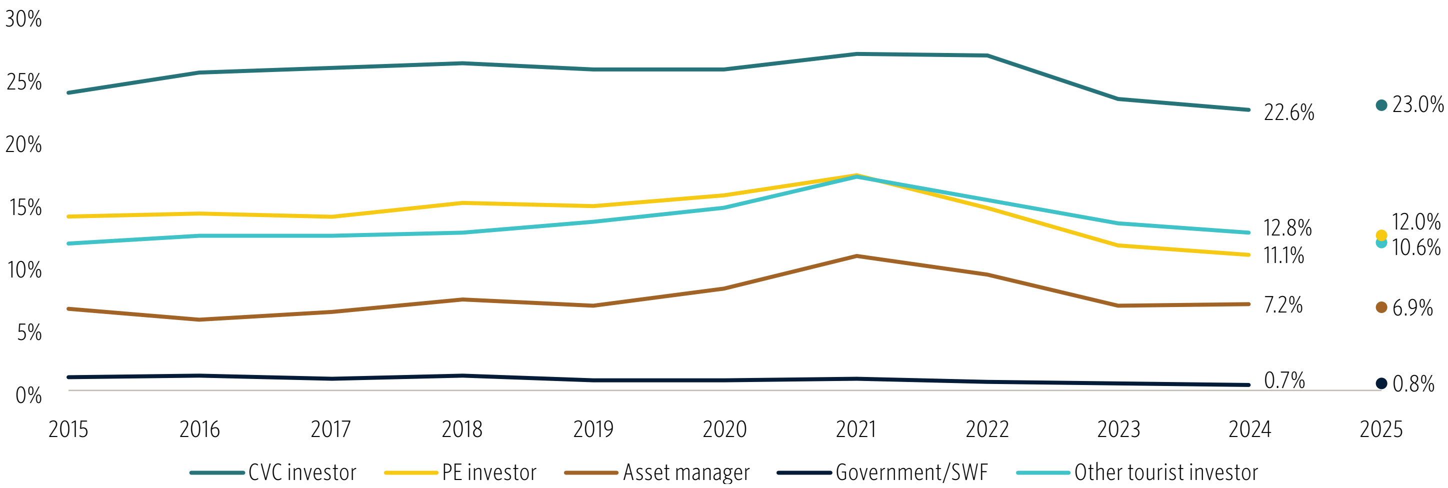
PE investors building back activity

VC deals with nontraditional investor participation as a share of all VC deal count by investor type



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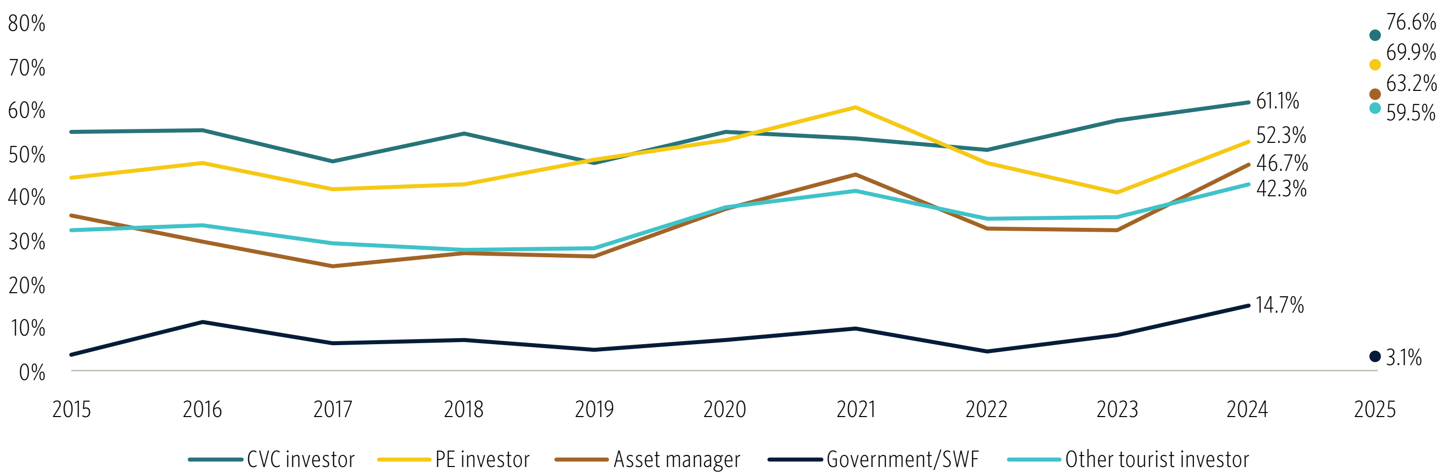
CVC dollar participation hits new high in Q1

VC deals with nontraditional investor participation as a share of all VC deal value by investor type



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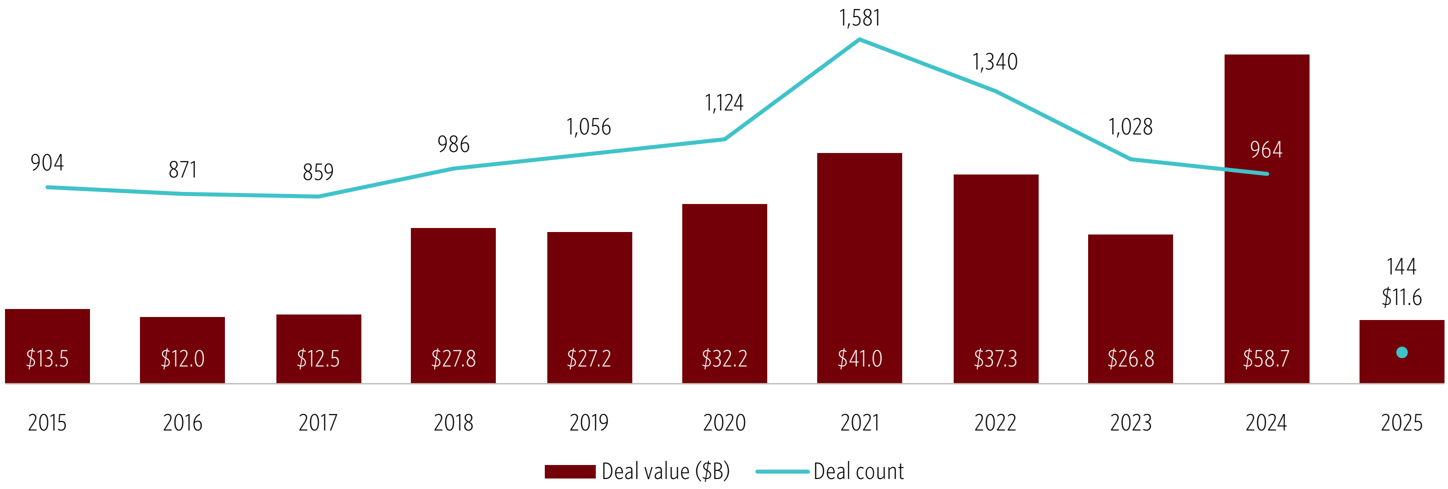
Venture debt

Q1 lending sets strong pace

Venture debt deal activity



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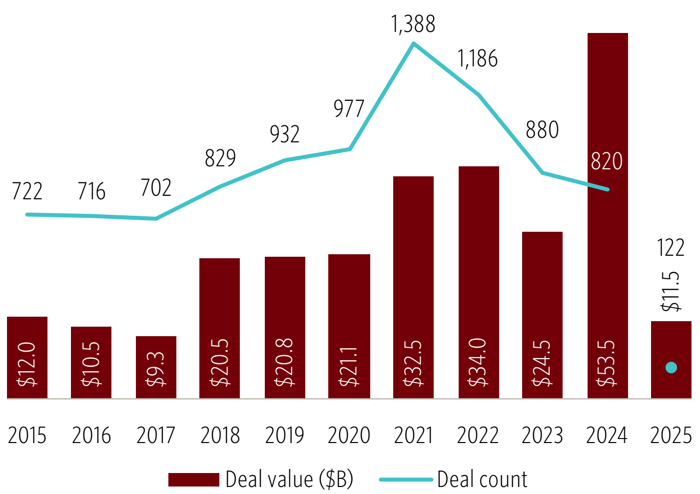
AI driving activity

Tech venture debt deal activity



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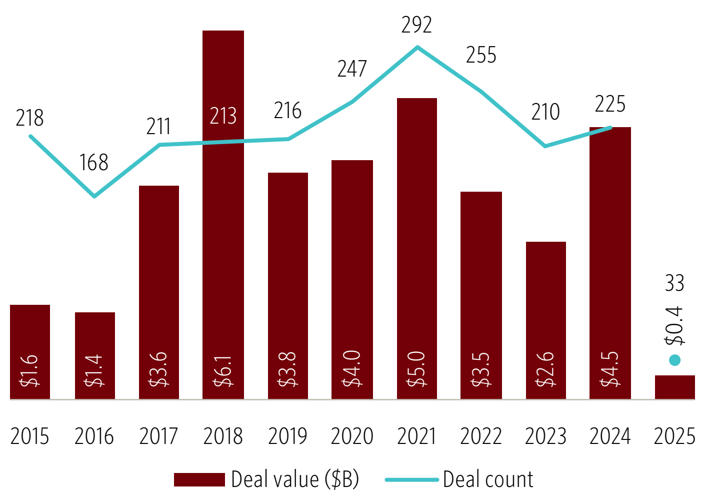
Healthcare lending low in Q1

Healthcare venture debt deal activity



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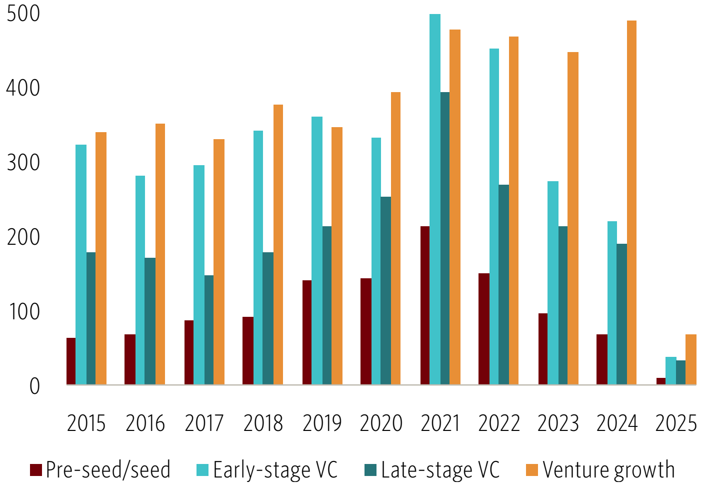
Early-stage lending has swiftly declined

Venture debt deal count by stage



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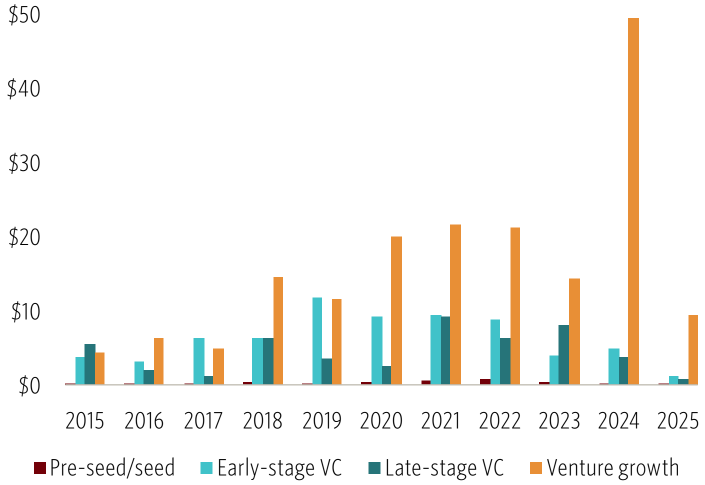
Venture growth accounts for 83% of Q1 lending

Venture debt deal value ($B) by stage



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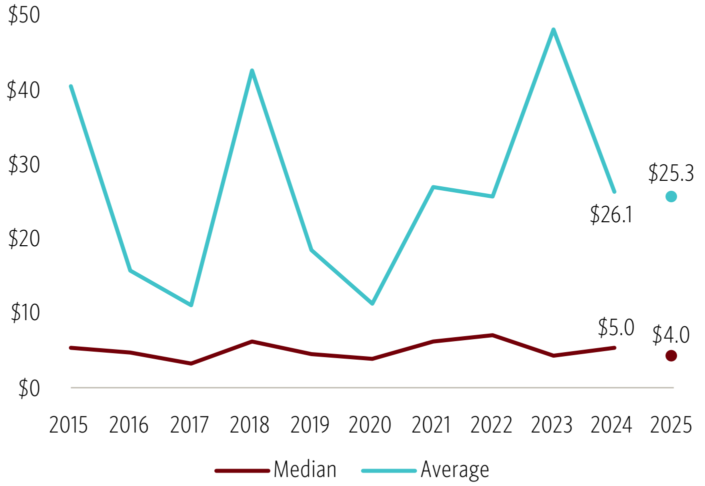
Late-stage median loan muted

Median and average late-stage venture debt deal values ($M)



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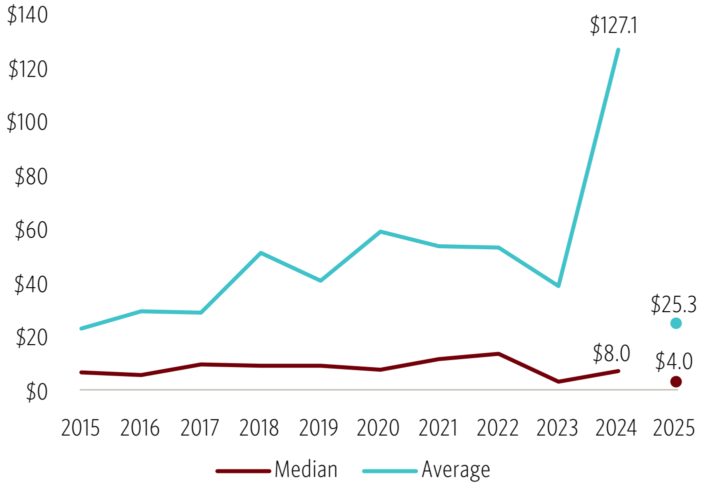
Large deals driving averages higher

Median and average venture-growth debt deal values ($M)



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A WORD FROM DELOITTE

The state of venture capital: A 2025 market snapshot

In the ever-shifting landscape of VC, 2025 has kicked off with cautious optimism. After the roller coaster ride of the past few years, investors and startups are navigating a market that's showing signs of life, albeit with some lingering uncertainty. After the financial whiplash of recent years, investors are no longer in funding freeze mode, but they haven't exactly returned to a blank-check windfall. The market shows promising vital signs; deal flow is up from its flatline state. It's not boom times, but the doom times appear to be in the rearview mirror, as the industry capitalizes on a more sustainable approach to innovation funding.

The funding formula: How VC is recalibrating in 2025

"There definitely is momentum. It's a bit more tempered than maybe we had hoped," says Heather Gates. The current policy shifts, particularly around tariffs, have created ripples in the stock market. And as any seasoned investor knows, IPOs do not like a volatile market.

Despite this, conditions are markedly better than last year's "frozen transactions" environment. Investment bankers are forecasting a smoother second half of 2025, with many companies positioning themselves for fall debuts when markets are hopefully expected to stabilize.

Heather notes that the past few years have witnessed a necessary valuation reset. She estimates: "Probably about one-third of the companies that raised in 2021 and 2022 at the really high valuations haven't yet faced what the next round will look like, and how far down it might be." A correction likely seems on the horizon for them.

The AI gold rush

While most sectors have seen valuation corrections, one segment remains the life of the party: AI. "Anything with .ai at the end of it is still living in 2021," Heather observes. Valuations in AI continue to defy gravity, with venture capitalists pouring money into what many view as a parallel to the 1990s internet boom.

Just as "internet" evolved from buzzword to business backbone, AI is following the same playbook. "Eventually, it will likely infiltrate everything we do," Heather says, noting that companies are currently deploying AI as the corporate equivalent of a multipurpose knife—starting with cost-cutting and mundane task elimination, but rapidly slicing into new territories.

This enthusiasm comes with a warning flag: "When you overpay, you're going to get hit on the backside of the exit," says Heather. Whether these premium-priced AI ventures will deliver outsized returns remains to be seen.

Heather Gates
Audit & Assurance Private Growth Leader
Deloitte & Touche LLP

With more than 30 years of financial services experience, Heather serves as the national Private Growth Leader, with oversight of the Deloitte Private and Emerging Growth Company businesses within Audit & Assurance.

Biotech's steady climb

Unlike AI's skyrocketing valuations, biotech continues its measured march forward. Over the past decade, biotech companies have consistently dominated the IPO landscape. Why? For biotech ventures, going public is simply a financing event in their development cycle, not a graduation ceremony as it often is for software companies.

The sector is experiencing a renaissance thanks to the maturation of technologies coupled with clinical trial advancements. New therapeutic platforms are hitting their stride just as trial designs become more efficient—a perfect double helix of innovation and implementation.

While biotech founders aren't experiencing the same booming valuations as their AI counterparts, they're building something perhaps more valuable: companies with balance sheets that don't require suspended disbelief. In the venture world's cacophony of hype, biotech has found its rhythm in the steady drumbeat of scientific progress.

Creative exit strategies make a comeback

As companies navigate this complex landscape, "dual-track processes" are resurfacing. This approach—simultaneously courting IPO and acquisition suitors—gives founders leverage at the negotiating table. "People go public for the premium," Heather notes, "but that comes with the public market spotlight and regulatory complexity."

Financing creativity extends to debt instruments as well. Beyond traditional venture debt (which combines equity warrants with lower-interest loans), we're seeing the rare emergence of "traditional debt" financing, a telling sign that investors are now betting on revenue streams rather than just moonshot valuations.

Fund or fold: VC's reality check

Behind the VC curtain, a dramatic reshuffling is creating financial winners and losers. The fundraising landscape has split into "the haves and the have-nots." While established funds with proven track records continue to raise capital (albeit at reduced levels), emerging managers appear to be struggling to raise that next fund.

"First-time fundraisers are finding limited partners with limited interest," Heather notes, as unproven managers struggle to show returns that don't yet exist. This capital crunch signals a venture landscape in transformation. In a move that sent shockwaves through the community, Charles River Ventures did the unthinkable: It returned uncommitted capital to limited partners, declaring it couldn't deploy it effectively.[2] In Heather's words: "That's an extraordinarily unusual event."

Exit timelines: The long road ahead

The combination of previously inflated valuations and unstable IPO markets has dramatically extended exit timelines into ultramarathons. Heather says, "The average timeline from first round of funding to exit has stretched to 12 years or more in some cases."

Adding to the strategic toolkit for timing these extended exit runways, PitchBook's VC Exit Predictor has become an increasingly valuable resource for both investors and founders.[3] The data-driven forecasting tool analyzes funding patterns and comparable exits to provide probability windows for liquidity events, bringing algorithmic precision to what was traditionally more art than science. It remains to be seen how accurate these and similar tools actually are.

Looking forward: Cautious optimism

For companies considering exits, Heather's advice remains consistent: "Get ready now," she says. Windows of opportunity can open unexpectedly, and preparation is paramount. Whether pursuing an IPO or acquisition, companies need appropriate controls, key management, and structures in place.

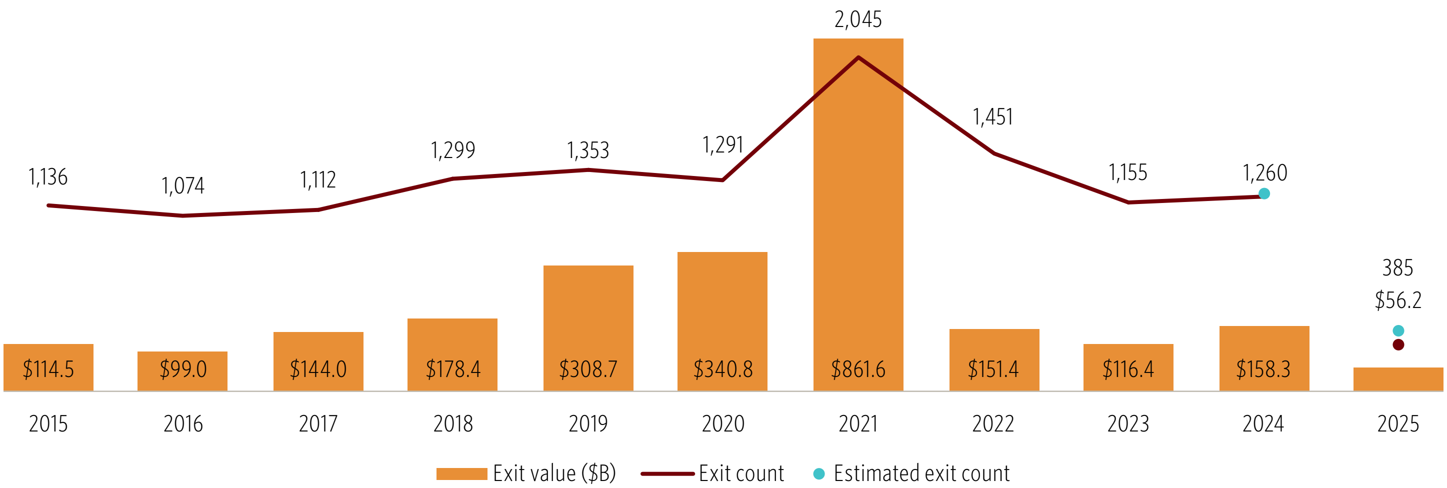
The fall of 2025 will hopefully usher in a healthier market for transactions, providing line of sight into what policies are coming into play. Barring any global catastrophes, the increasing market stability should likely create favorable conditions for exits. For those with sufficient dry powder and patience, opportunities await on both sides of that inevitable swing. Navigating these shifting currents demands strategic guidance from those who've weathered similar storms. The Deloitte team brings decades of experience to the table, preparing you for whatever opportunity horizon appears. Contact our team today to ensure you're ready when your exit window opens.

2: "A Venture Capital Firm Does Something Rare: Give Money Back," The New York Times, Erin Griffith, October 2, 2024.
3: "How Our VC Exit Predictor Can Improve the Investment Selection Process," PitchBook, Andrew Akers, March 25, 2023.

Exits

Exit activity continues to be scarce

VC exit activity



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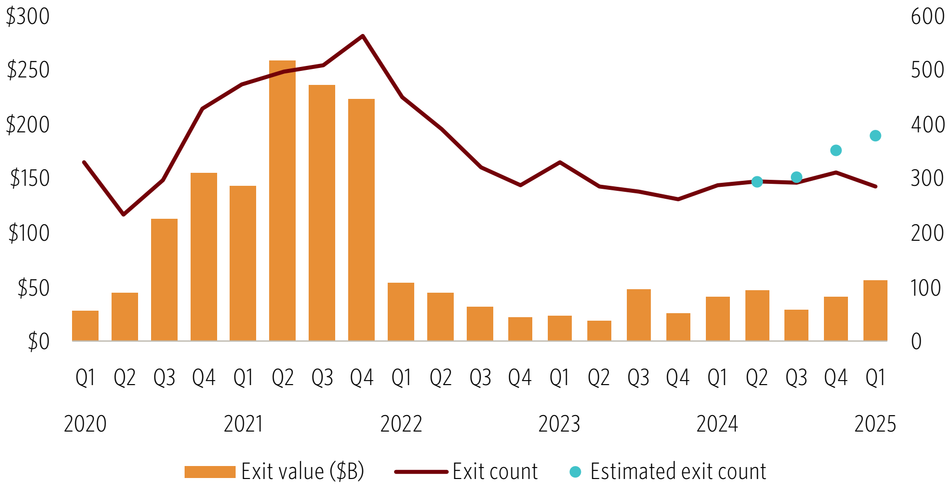
Exits hit their highest quarterly value since Q4 2021, generating $56.2 billion across 385 exits. However, nearly 40% of Q1's value was generated through one IPO.

CoreWeave went public at $39 per share and a pre-money valuation of $21.7 billion. The AI cloud company's stock performance was volatile in its first few days of trading, signaling mixed public market enthusiasm for unprofitable startups. As of April 2, CoreWeave's $29 billion market capitalization is considerably higher than its $19 billion valuation from May 2024's Series C but still lower than its reported $35 billion goal for its listing. After closing above $61 on April 2, recent secondary buyers of CoreWeave were finally in the black, according to the company's last reported secondary price on Notice.co, which was $54.05 per share.[4]

Liquidity remains constrained due to the lack of exits

VC exit activity by quarter



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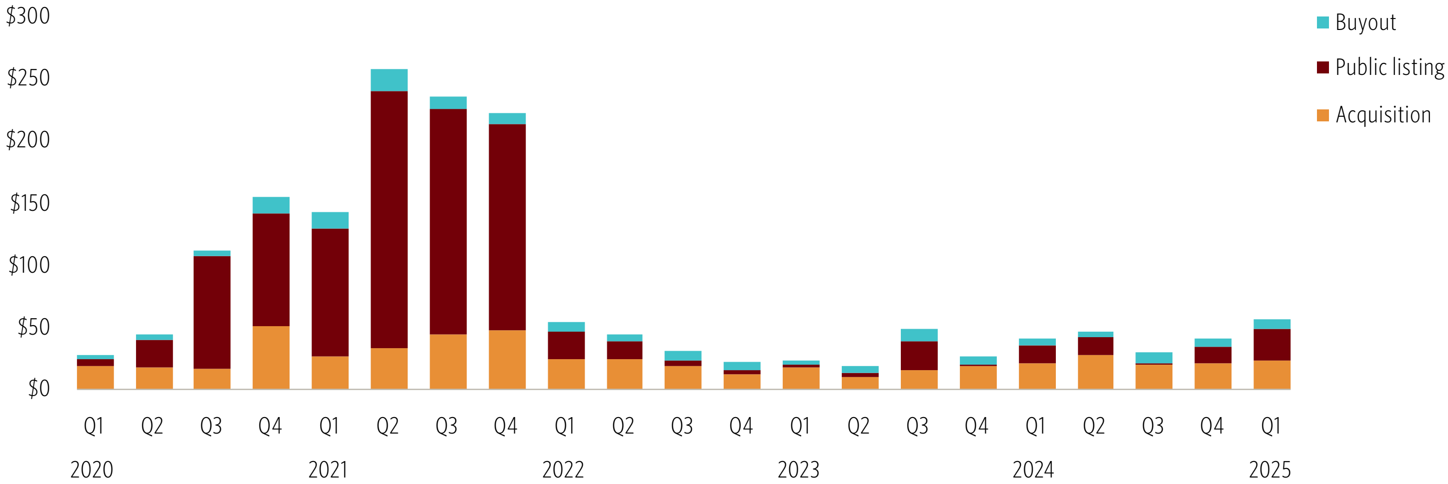
4: "Pre-IPO Investing for the Rest of Us," Notice, n.d., accessed March 28, 2025.

IPOs have yet to return to normal levels

Quarterly VC exit value ($B) by type



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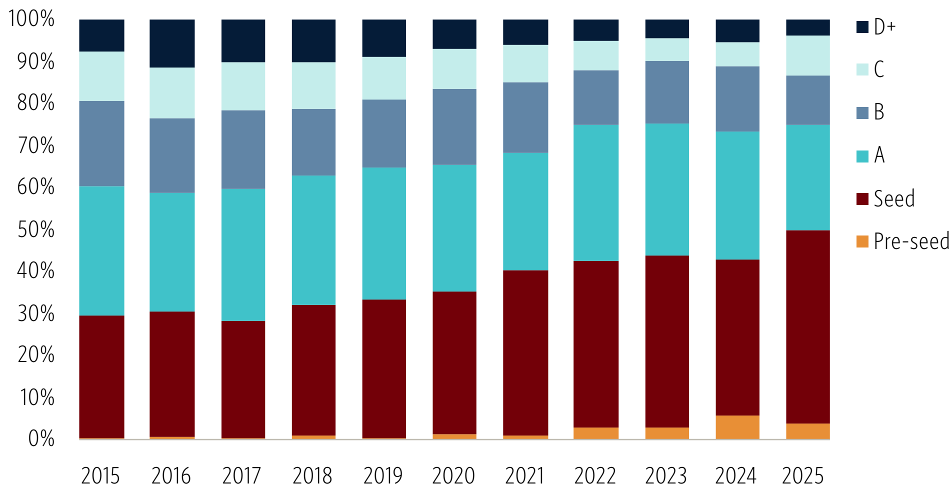
Only 12 companies completed public listings in Q1.[5] Several notable startups have filed, with some well positioned as beneficiaries of the new administration's policy aims. Cryptocurrency exchange Gemini and aerospace & defense company Voyager are notable with this perspective in mind. Although we anticipated a resurgence in IPO activity as the year progressed, that outlook has diminished due to the imposed tariffs. Several companies, including StubHub and Klarna, have put their listings on hold, citing market conditions resulting from the tariff-induced sell-off. As public market investors shift toward less risky investments, many VC-backed companies may struggle to generate the demand necessary to meet their high market valuations.

Acquisitions are increasingly concentrated among early-stage companies

Share of VC round count by series where next round is an exit via acquisition



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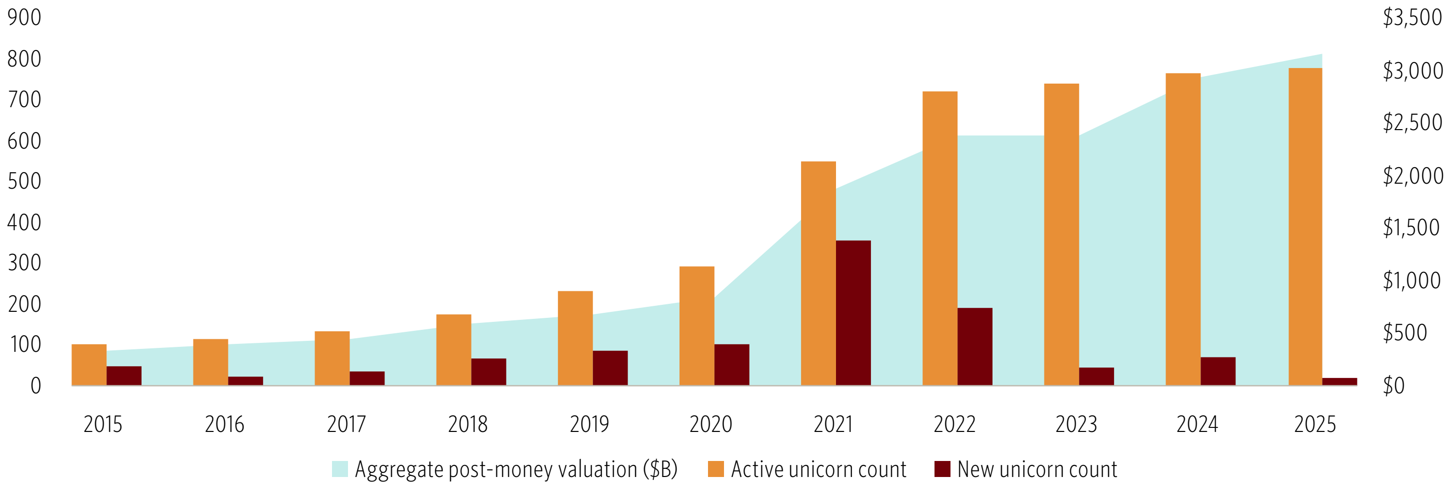
While secondaries have become increasingly prominent in the venture narrative as a liquidity alternative, this market remains small and focused on only the most prominent startups. We recently estimated the current US VC direct secondary market size to be about $50 billion, or only about 2% of unicorn value—insufficient to provide venture liquidity at scale.[6] Still, we expect this market to grow over time and note several tender offers in Q1, including Ramp's finalized $150 million tender offer for employees and investors in March and Stripe's announcement of a tender offer in February at a valuation of $91.5 billion, up from $70 billion in September 2024.

5: For further reading, see our US VC-Backed IPO Expectations analyst note.
6: For further reading, see our Sizing the US VC Secondaries Market analyst note.

Unicorns now account for over $3 trillion in value

Unicorn count and aggregate unicorn post-money valuation



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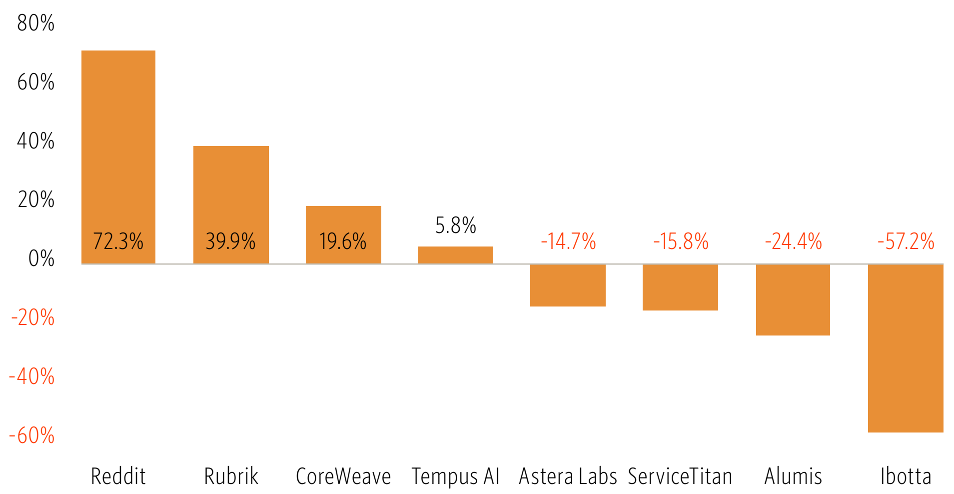
Though the secondary market still has growth opportunities, its concentration among top startups will cap its potential. Current market conditions will lead to even further concentration in this market while also increasing pressure on pricing. Discounts had reached nearly 50% in 2022 at the onset of the market slowdown before slowly creeping back toward par. Without a robust exit environment to aid in pricing, secondaries activity will likely decrease in the near term.

Acquisitions generated $22.7 billion across 205 closed transactions in Q1. Expectations that a change in government leadership could catalyze M&A have been tempered by the view that the heads of the Federal Trade Commission (FTC) and Department of Justice remain critical of Big Tech's oversized influence.[7]

In March, Alphabet agreed to acquire cybersecurity startup Wiz for $32 billion in the largest-ever acquisition of a startup. The deal, which is expected to close in Q2 and amounts to more than double the total acquisition value recorded in Q1, values Wiz at 2.7x its last known valuation of $12 billion from May 2024. A previous offer of $23 billion failed last summer due to regulatory hurdles. This exit, if finalized, could alleviate some of venture's concerns around the FTC.

Post-IPO performance varies widely

Select IPO returns from the close of the first day of trading



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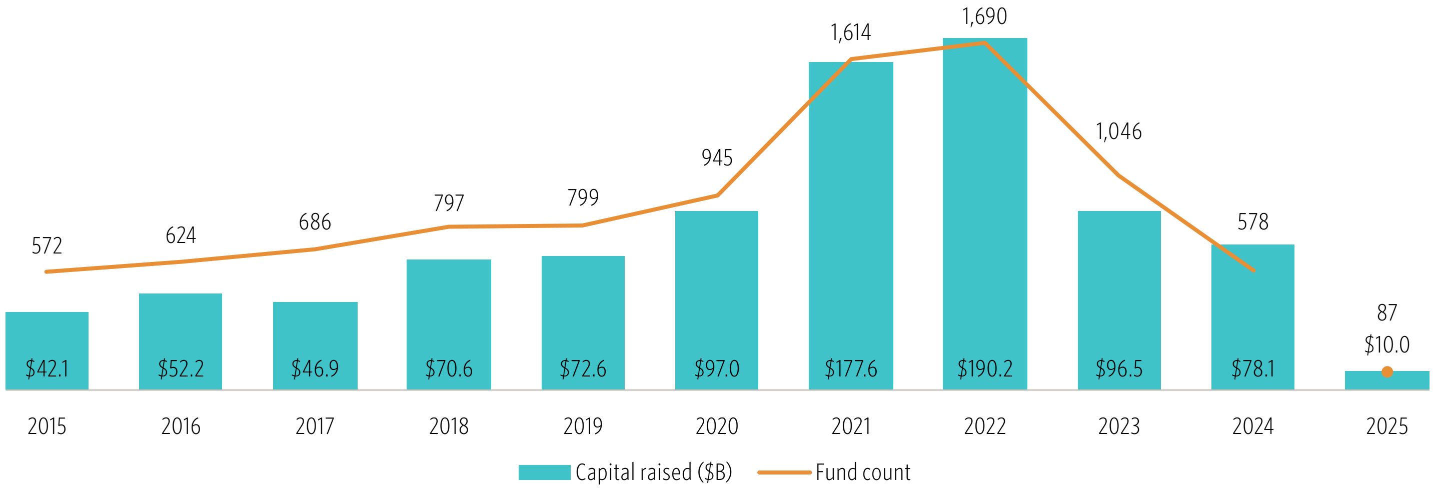
7: For further reading, see our VC-Backed Companies Taking Advantage of Slow M&A Market analyst note.

Fundraising

Fundraising continues to be muted as allocators await distributions

VC fundraising activity



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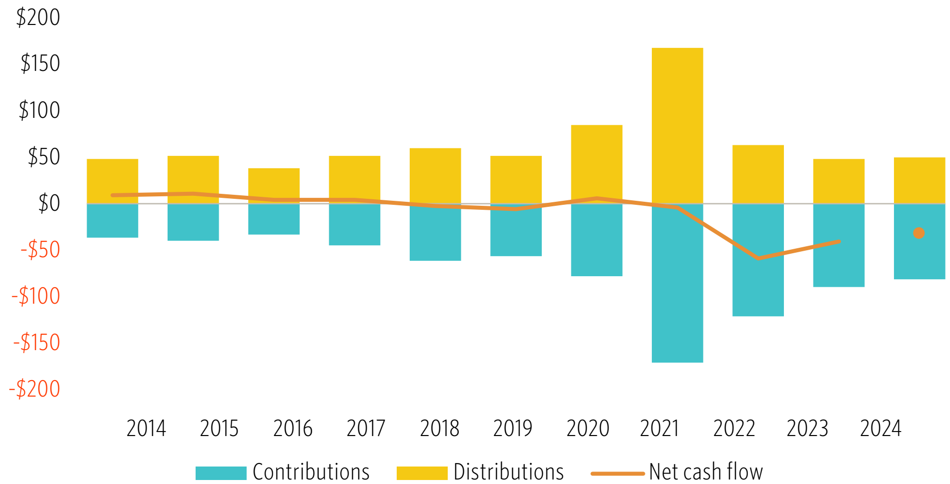
The fundraising market struggled in Q1 due to the lack of liquidity over the past three years. Only $10 billion was raised across 87 VC funds, setting a pace for the lowest year of fundraising in a decade. 2024 saw a concentration of capital raised by a few managers, with the top decile of funds by size contributing over 71% of the capital raised. 2025 is yet to be buoyed by these large capital raises as only one US VC fund has reached the $1 billion mark. However, the market still exhibits a concentration of LP commitments.

Managers have slowed deployments from recent vintages to conserve capital and refrain from entering a poor fundraising market. 77% of managers that raised in 2021 or 2022 have yet to close a fund since, and that percentage increases to 85% when looking at emerging firms. Those that have raised new funds significantly outperform on historical timelines. Across the five-, 10-, and 15-year horizons, that outperformance has reached 6.1%,

Liquidity remains constrained

VC cash flows ($B)



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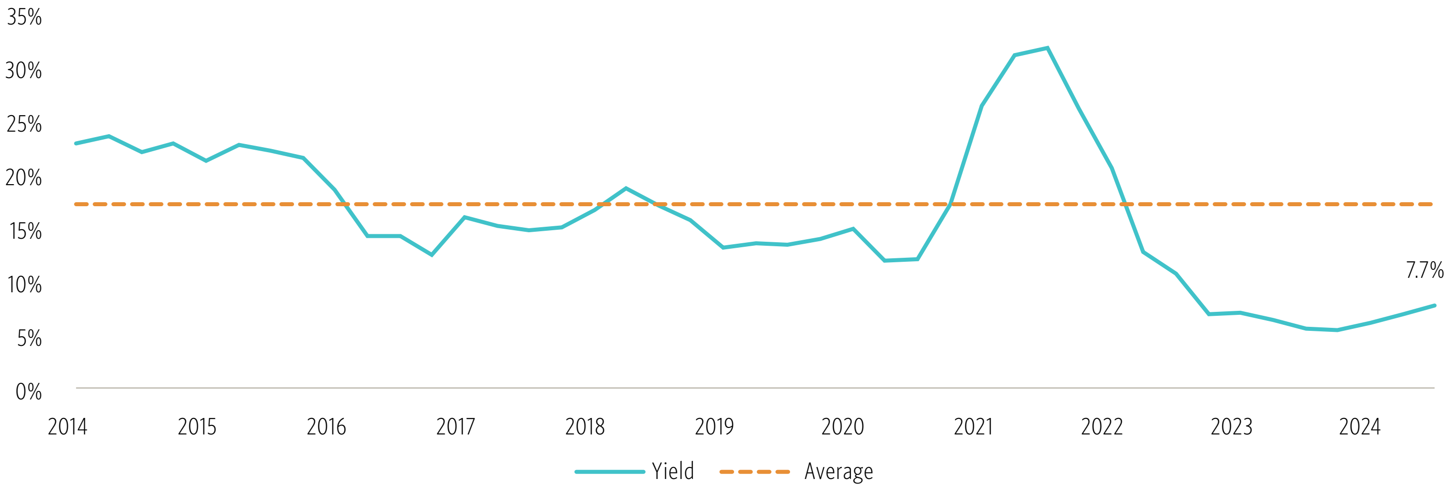
9.8%, and 9.4%, respectively. Historical performance is a component of LP decision-making in any market, though the current liquidity constraints have further emphasized the metric.

Despite managers deploying cautiously into new deals, the slow fundraising environment has led to dry powder dropping from $324.5 billion to $289.7 billion. The share of dry powder that is between 2 and 5 years old stayed above 50%—higher than any year in the last decade aside from 2023. Managers are taking full advantage of the investor-friendly deal market, which allows them

Distributions begin to show signs of a recovery

VC distributions as a share of net asset value for funds aged 5-10 years



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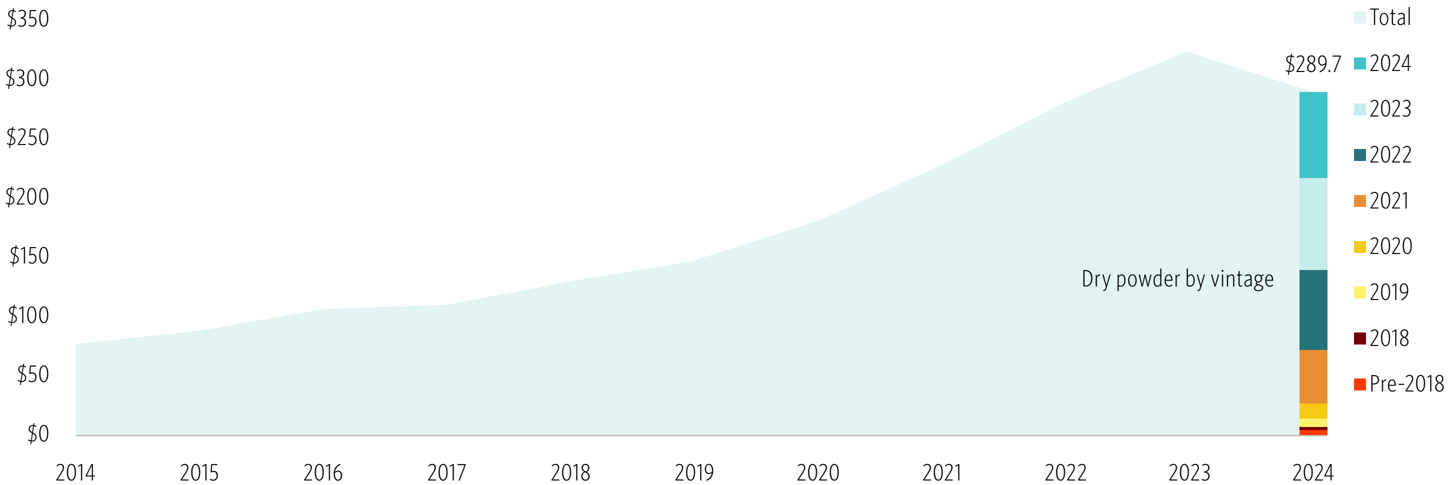
to diversify across startup vintages. This is a far cry from 2021, when managers rapidly deployed capital and returned to LPs for new commitments. As such, the median time between fundraises increased beyond three years for the first time.

The primary concern for both managers and allocators continues to be distributions, and the outlook for fundraising [will depend on these cash flows](). While there was a promising bump in IPO filings in Q1, new tariffs have caused companies to rethink their IPO strategies or delay them until markets stabilize, meaning distribution will likely remain pressured barring a dramatic reversal of market sentiment. In this environment, the flight to quality takes hold, leaving large funds and established managers well positioned to take share from allocators.

Dry powder stays on the sidelines as investors remain selective

VC dry powder ($B)



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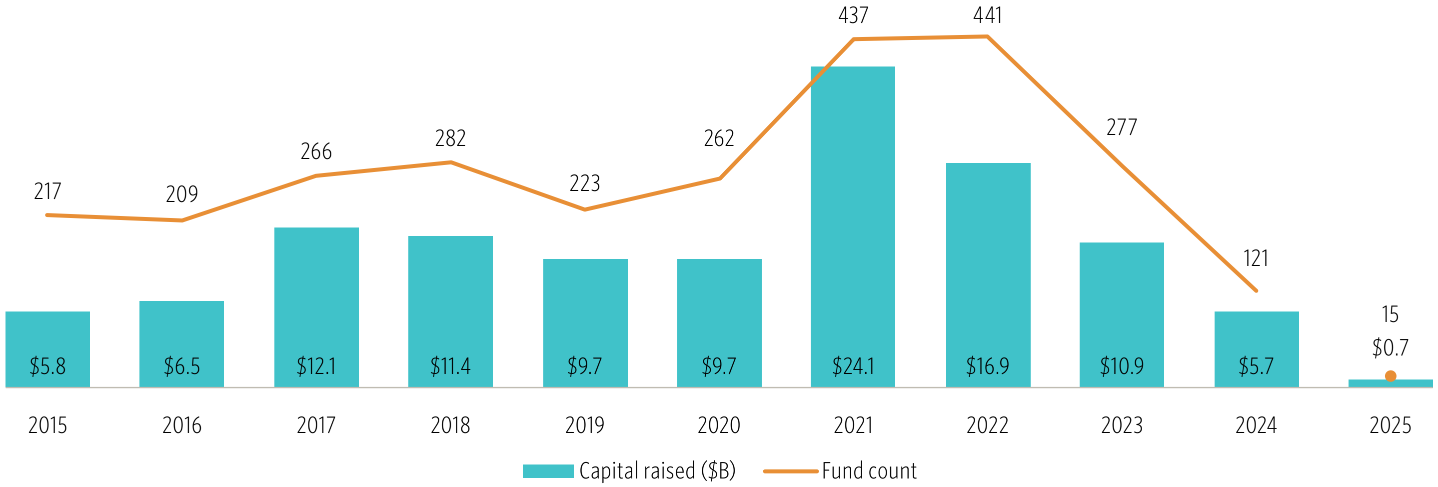
First-time managers still struggle to raise capital

VC first-time fundraising activity



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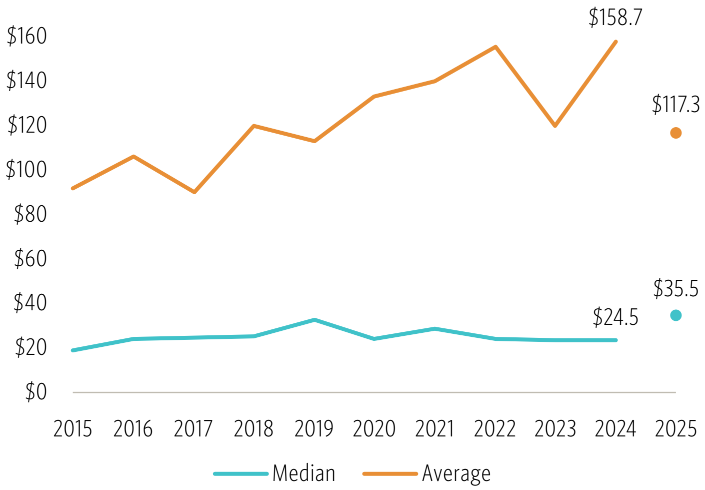
Median fund size hits decade high on limited counts

Median and average VC capital raised ($M)



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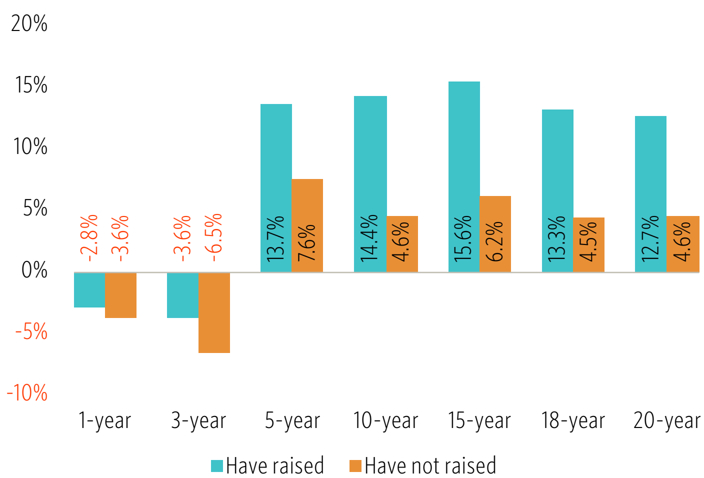
Allocators remain focused on managers with superior returns

Horizon IRRs for VC managers that have raised since 2021



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Q1 2025 US league tables

Most active pre-seed/ seed investors

1	Pioneer Fund	38
2	Y Combinator	33
3	Plug and Play Tech Center	27
4	Andreessen Horowitz	15
5	Team Ignite Ventures	14
6	Soma Capital	12
6	Precursor Ventures	12
6	Alumni Ventures	12
6	Antler	12
10	SOSV	11
11	Triangle Tweener Fund	10
12	Impact Assets	9
12	Kulveer Taggar	9
12	Rebel Fund	9
15	Elevate Ventures	8
15	iSeed Ventures	8
15	Everywhere Ventures	8
15	Sequoia Capital	8
15	Orange DAO	8
15	First Round Capital	8
15	Gaingels	8
15	General Catalyst	8
23	HAX	7
23	Olive Tree Capital	7
23	K5 Global	7
23	Gradient Ventures	7
27	500 Global	6
27	Draper Associates	6
27	BoxGroup	6
27	Bloomberg Beta	6

PitchBook-NVCA Venture Monitor
As of March 31, 2025

Most active early-stage investors

1	Dorm Room Fund	25
2	Y Combinator	20
3	Andreessen Horowitz	19
3	General Catalyst	19
5	Lightspeed Venture Partners	13
5	Rebel Fund	13
5	FJ Labs	13
8	Innovation Partnerships	11
9	Soma Capital	10
10	Draper Associates	9
10	Founders, Inc	9
10	Alumni Ventures	9
13	Plug and Play Tech Center	8
13	Antler	8
15	Impact Assets	7
15	In-Q-Tel	7
17	Flex Capital	6
17	Kleiner Perkins	6
17	Khosla Ventures	6
17	Reach Capital	6
17	Liquid 2 Ventures	6
17	NFX	6
17	Abstract Ventures	6
17	Gaingels	6
17	8VC	6
17	Coinbase Ventures	6

PitchBook-NVCA Venture Monitor
As of March 31, 2025

Most active late-stage investors

1	Alumni Ventures	16
2	SOSV	12
2	Gaingels	12
4	Andreessen Horowitz	11
5	Draper Associates	9
5	General Catalyst	9
7	Sequoia Capital	8
7	Menlo Ventures	8
9	Morrison Seger	7
9	Y Combinator	7
9	New Enterprise Associates	7
9	Spark Capital	7
13	Elevate Ventures	6
13	Lightspeed Venture Partners	6
13	Insight Partners	6
13	Lux Capital	6
13	Techstars	6
13	FJ Labs	6
13	First Round Capital	6
13	Dorm Room Fund	6
13	8VC	6
22	Avenir Growth Capital	5
22	Impact Assets	5
22	True Ventures	5
22	Breakthrough Energy	5
22	HAX	5
22	Khosla Ventures	5
22	Sanofi Ventures	5
22	Qualcomm Ventures	5
22	Samsung NEXT Ventures	5
22	Founders Fund	5
22	Coatue Management	5
22	Connecticut Innovations	5
22	IndieBio	5

PitchBook-NVCA Venture Monitor
As of March 31, 2025

Most active venture-growth investors

1	Andreessen Horowitz	6
1	Alumni Ventures	6
3	Sequoia Capital	5
3	Bossa Invest	5
3	Y Combinator	5
6	2468 Ventures	4
6	Global Venture Management	4
6	SaxeCap	4
6	General Catalyst	4
6	Energy Impact Partners	4
6	Lightspeed Venture Partners	4
12	Fidelity Management & Research Company	3
12	Impact Assets	3
12	Helios Ventures	3
12	U.S. Venture Partners	3
12	Bessemer Venture Partners	3
12	Meritech Capital Partners	3
12	Coatue Management	3
12	The Goldman Sachs Group	3
12	Connecticut Innovations	3
12	Insight Partners	3
12	Cormorant Asset Management	3
12	B Capital Group	3
12	FJ Labs	3
12	SoftBank Group	3
12	Founders Fund	3
12	AJI Capital	3
12	Gaingels	3
12	Gilde Healthcare	3
12	Pegasus Tech Ventures	3

PitchBook-NVCA Venture Monitor
As of March 31, 2025

2025 US league tables

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PitchBook-NVCA Venture Monitor
As of December 31, 2024

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PitchBook-NVCA Venture Monitor
As of December 31, 2024

Methodology

Deals

We include equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, VC firms, corporate venture firms, corporate investors, and institutions, among others. Investments received as part of an accelerator program are not included; however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US, with any reference to "ecosystem" defined as the combined statistical area (CSA). We include deals that include partial debt and equity.

Pre-seed/seed: When the investors and/or press release state that a round is a pre-seed or seed financing, it is tagged as such. If the company is under two years old and the round is the first institutional investment in the company, the deal will be tagged as pre-seed unless otherwise stated. Regulatory filings under $10 million for deals where investors are unknown are classified as seed unless pre-seed parameters are met.

Early stage: Rounds are generally classified as Series A or B (which we typically aggregate together as early stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Late stage: Rounds are generally classified as Series C or D or later (which we typically aggregate together as late stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Nontraditional investors: "CVC" includes rounds executed by established CVC arms as well as direct equity investments by corporations into VC-backed companies. "PE" includes VC deals by investors whose primary classification is PE/buyout, growth, mezzanine or other private equity. "Crossover" investors are a subset of nontraditional investors—specifically asset managers, hedge funds, mutual funds, and sovereign wealth funds—that have been active in VC investment across any stage. They are referred to as crossover as these investors are likely to be participating at the late stages directly prior to an exit.

Venture debt: The venture debt dataset is inclusive of all types of debt products raised by VC-backed companies, regardless of the stage of company. In mixed equity and debt transactions, equity is excluded when the amount is of known value. Financings that are solely debt are included in this dataset, though not incorporated into the deal activity dataset used throughout the report. Mixed equity and debt transactions will be included in both datasets.

Exits

We include the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of majority of the equity by another entity (corporate or financial acquisition). This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown. IPO value is based on the pre-money valuation of the company at its IPO price. One slight methodology update is the categorical change from "IPO" to "public listings" to accommodate the different ways we track VC-backed companies' transitions to the public markets. To give readers a fuller picture of the companies that go public, this updated grouping includes IPOs, direct listings, and reverse mergers via SPACs.

To present a clearer picture of the true exit value of the market, we have implemented an extrapolation methodology for undisclosed M&A transactions. Most of these deals have no value attached, leaving a void in the data we present as exit value. Though these deals are much smaller than the values we can collect, they do provide a substantial amount of value to the market, which we have been missing. This change will impact only transactions we collect as closed and will not be implemented on the estimated exit counts we previously introduced in our venture reports, though those exit count estimates will remain.

Fundraising

We define VC funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional VC firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund's investment team is based; if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

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