

State of the Markets

SVB's Innovation Economy Outlook

H1 2025

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The Good, The Bad and The Bubbly



Nearly every investor we speak to sees AI as a platform shift analogous to the steam engine, the internet or the rise of mobile. Pick your parallel. Even conceding the potentially inflated expectations and valuations — this sentiment will drive investment.”

Venture investment is booming, companies are raising colossal rounds and valuations are flexing to all-time highs. That is, if you're an AI company. For the rest of the innovation economy, the times are slower. Deal activity is stagnant, valuations are low and exits are limited.

AI is the explosive, albeit unproven, fuel of the innovation economy. The positive is that new technologies spur recoveries. In 2009, mobile — a vertical turned horizontal — spurred the global financial crisis (GFC) recovery that took under three years to return to peak levels and fueled durable growth. Nearly every investor we speak to sees AI as a platform shift analogous to the steam engine, the internet or the rise of mobile. Pick your parallel. Even conceding the potentially inflated expectations and valuations — this sentiment will drive investment.

At the company level, the innovation economy is recovering in a healthy way. Efficiency reigns supreme. Companies that successfully raised capital in 2024 managed their burn, and companies across life stages are closer to profitability.

With the focus on efficiency, revenue growth has been slow to improve. Growth rates reached a floor in 2024 and are no longer falling, but they aren't improving either. Lower interest rates may be

the accelerant that kick-starts growth. Both the market and Federal Open Market Committee (FOMC) members expect the federal funds rate (FFR) to fall below 4% by year-end, which could help spur additional spending on new technologies from public companies and lead to higher growth rates. But the strong December jobs report and continued wage growth at 4% may put the breaks on future cuts, and if inflationary policies such as tariffs are implemented, the rate-cutting cycle could end.

If a low interest rate outcome prevails, it may provide the last push to crack the exit window, and provide the much-needed liquidity to end the three-year exit drought. A handful of notable companies like Chime, xAI, Stripe and others are well positioned to go public in 2025. Furthermore, a less aggressive anti-trust policy at the Federal Trade Commission (FTC) may send big tech on a shopping spree — especially for AI companies with talent and tech that can scale in-house offerings.

Most facets of the innovation economy found market bottom in 2024 and are transitioning to growth in the year ahead. While hype cycles come and go, advances in one sector spur innovation in ways we cannot yet anticipate. What we know for sure is that investment and innovations today scaffold the foundation of future growth.



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Click Through to Key Takeaways



AI drives the next wave of growth in venture investment.

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A growing number of VC-backed companies are running out of runway.

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Large funds dominate fundraising, changing long-term venture dynamics.

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VC fund life cycles extend, changing GP and LP¹ expectations.

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Demand for venture outpaces the supply, throwing prices on ice.

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Most unicorns are stuck in the stable without metrics to go to the IPO race track.

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Companies raising VC have controlled their burn, leading to low growth.

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M&A remains scarce and increasingly reserved for the most troubled companies.

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Perspectives on the Innovation Economy

A Lesson from Past Cycles

“Many VCs went all-in for crypto in 2020. Unfortunately, by 2022 plans for decentralized financial systems were shaken when the crypto industry collapsed, crushing many startups and the funds that backed them. AI use cases are clearer and less speculative, but likely will play out very differently than VCs expect today. The crypto boom and bust is ‘training data’ that every investor should include in their AI projection models.”

Eric Paley
General Partner

FOUNDER
COLLECTIVE

A High Bar to IPO

“Conversations have picked up with companies looking to go public. Overall Fed policy is positive. People like the clarity of the new administration. But you have a high bar in the tech market. To IPO, companies need high ARR (more than \$300M-\$400M) and a good Rule of 40. But more than that, you need to be able to predict the next 12 months of revenue.”

Jordan Saxe
Sr. Managing
Director, Listings:
Americas

 Nasdaq

A Healthy Secondary Market

“As hiring remains competitive, we’ve seen public companies leverage liquidity to attract and retain top talent. Private companies increasingly want to tap into the same benefits. As a result, private companies are approaching Forge to better understand how they can adopt liquidity programs on a similar scale.”

Eric Thomassian
Head of Private
Company Relations

 Forge

About the Authors

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Marc Cadieux is president of Silicon Valley Bank's commercial banking business where he focuses on the needs of innovation companies at all stages of development, including the investors who back them.



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Mark Gallagher is the co-head of the investor coverage practice. He and his team provide tailored services, industry insights and strategic guidance to top investors in the innovation economy.

To learn more about the lead authors see page 37.

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The SVB Market Insights team leverages SVB's proprietary data, deep bench of subject-matter experts and relationships with world-class investors and founders to develop a holistic view of the innovation economy for our State of the Markets Report. We partnered with lead authors Marc Cadieux and Mark Gallagher, who bring over a half century of industry knowledge and experience working with many of the top companies and investors across the innovation economy.

Together, we're proud to present this 29th edition of SVB's State of the Markets Report.



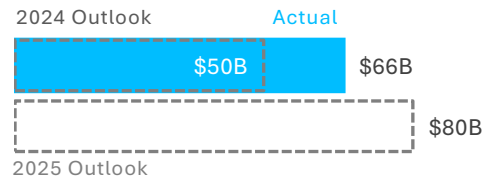
Macro

Outlook for 2025



VC Fundraising

US VC Fundraising¹



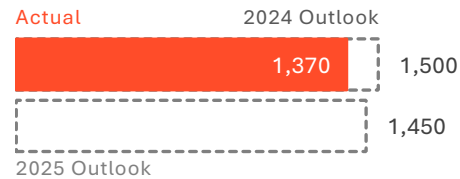
2025 Outlook

US venture funds outperformed our 2024 outlook to the tune of \$16B fueled by large funds and AI. The top 10% of funds accounted for 64% of venture fundraising in 2024, and half of funds closed reported a focus in AI.² With the same trends likely to persist in 2025 — fueled by a continued lower rate environment and potential distributions to LPs³ — we anticipate a growth in fundraising this year.



Early-Stage

US Series A Tech Deals^{4,5}



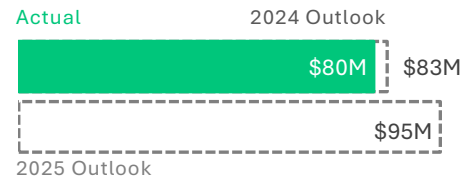
2025 Outlook

Series A tech deals underperformed our expectation, hitting the lowest level since 2012. But the backlog of seed companies looking to raise a Series A remains, thus we expect moderate growth in Series A tech deal activity to reach 1,450 deals. While this would represent an inflection point toward growth, activity levels are still lower than they were a decade ago.



Late-Stage

US Late-Stage Tech Valuations^{4,5}



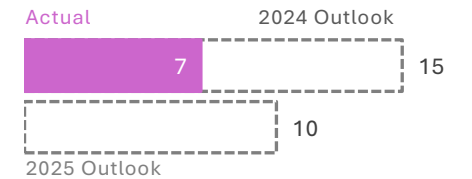
2025 Outlook

Late-stage valuations rebounded quickly, and we expect continued expansion. But the absolute increase obfuscates the reality. AI deals are the primary driver of this jump. For example, AI has a 100% valuation premium to non-AI at Series C. Secondly, late-stage deals are often structured through instruments like liquidation preferences and ratchets. That said, strong valuations reflect improving sentiment.



Exits

US VC-Backed Tech IPOs on Major US Exchanges⁶



2025 Outlook

We jumped the gun on our 2024 IPO outlook; anticipated exits did not materialize. We expect the IPO window may tentatively open for a select group of top companies that are profitable or have a clear path to profitability. Several tech companies such as Chime, xAI and Stripe are all positioned to go public after ServiceTitan's strong performance in Q4.

Rates in the Driver's Seat ... for Now

The Federal Reserve has made great progress in its fight against inflation, but VC continues to reel from the consequences of high interest rates.

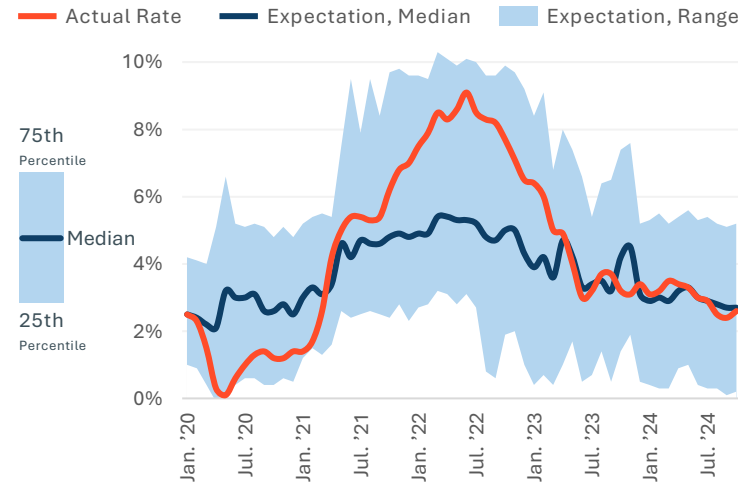
Inflation settled around 2.5%-3.0% at the end of 2024, and consumer survey respondents reckon 2025 will show similar readings. The downward trend in expectations will be especially reassuring to Fed officials who have stressed the importance of anchoring inflation expectations. With this progress has come a normalizing of rates, with 100 basis points of rate cuts in the back half of 2024. In his December speech, however, Chair Jerome Powell downplayed potential future rate cuts. Indeed, the dot plot suggests rates just under 4% for the remainder of 2025 and slightly below that for 2026. Markets tend to agree, at least through year end. Of course, expectations are just that: predictions about an uncertain future.

Shocks like economic downturns or tariff policies could lead to a reversal in interest rate policy.

Lower interest rates are a potential tailwind for VC. Over the past several years, **VC investment has been highly correlated to interest rates. As rates decrease, VC activity may be expected to get a boost. But this is not a return to the market peak seen during the zero interest rate policy (ZIRP) period.** In a moderate interest rate environment, rates will likely play a smaller role in determining VC levels, similar to the 2017-2019 period.

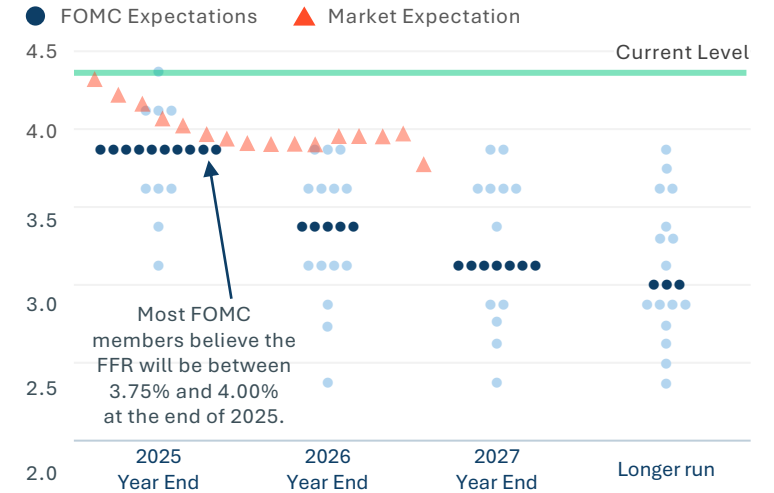
Inflation Expectations Track Actual Rates

Survey: Expected Change in Prices over Following 12 Mos.



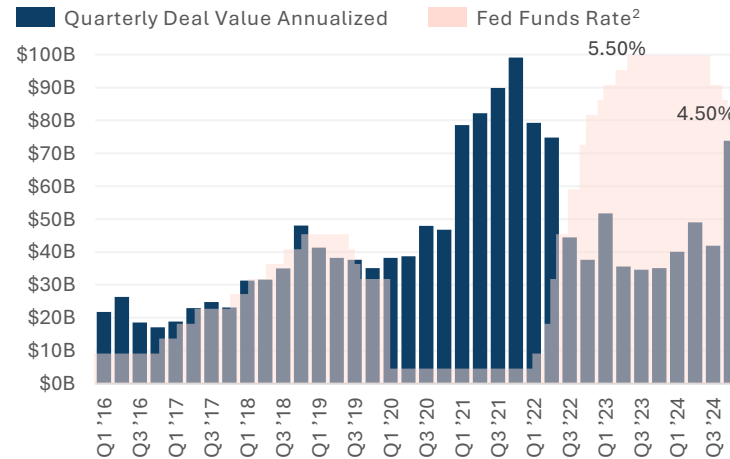
Market Sees Higher Rate Path than Fed

Dot Plot of FOMC Expectations for the Federal Funds Rate¹



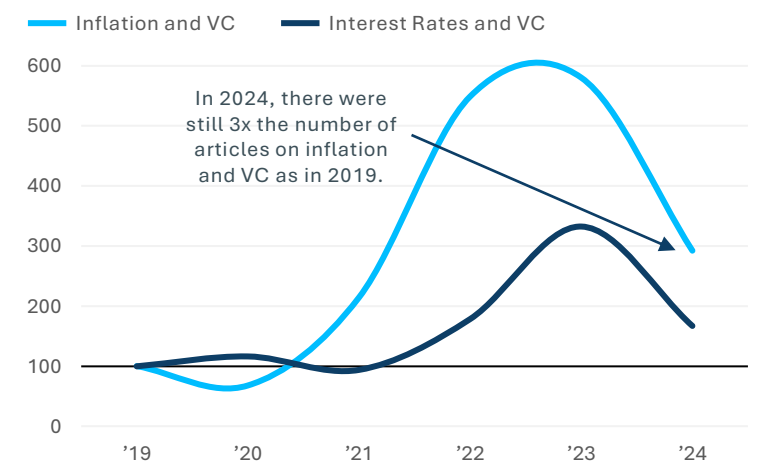
Monetary Policy a Key Driver of VC Activity

US VC Investment vs. Fed Funds Rate



Market Chatter on Rates Elevated but Waning

Index of Articles that Mention VC & Either Interest Rates or Inflation³



Notes: 1) Dot plot based on the December 17-18 FOMC meeting. Market-implied rates as of January 9, 2025; each observation represents one FOMC meeting through 2026. 2) Upper end of target range. 3) Count of articles in major news sources by year, indexed to 100 at 2019 levels. Source: University of Michigan Surveys of Consumers, Bureau of Labor Statistics, FOMC, Bloomberg, PitchBook Data, Inc., Federal Reserve Economic Data, St. Louis Fed, Factiva and SVB analysis.

A Tale of Two Consumers

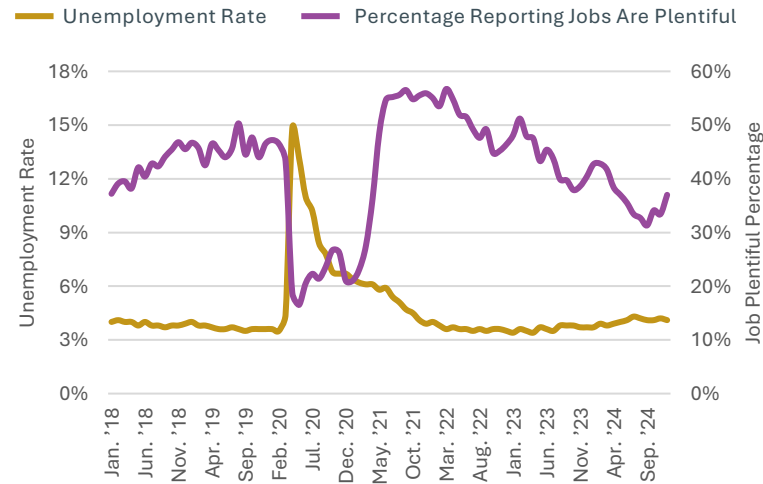
The Fed is in a balancing act. While inflation has stabilized, it is at a level above the Fed's target. The cost: A weakening labor market.

"If you have a job, you're doing very well," noted Jerome Powell in his December 18 press conference. "If you are looking for a job, though, the hiring rate is low." The headline unemployment number has remained stable around the 4% baseline, but other metrics show signs of softening, such as the 23-percentage-point drop in the share of workers saying that jobs are plentiful. **The tech job market was perhaps the tip of the spear in terms of white collar job weakening, as venture dollars dried up.** Since then, job growth in professional services, IT and finance have underperformed other industries.

Similarly, there is a bifurcation in consumer spending. From 2018 through 2021, consumer spending increased similarly for both upper- and lower-income consumers. Starting mid-2021, however, there has been a bifurcation. Those who've kept their high-earning jobs continue to spend more. Lower-income earners, meanwhile, are increasing their spending far less, with the bulk of the spending increase going to combat inflation. **Flat spending delivered another blow to a challenged consumer sector.** Revenue growth rates among VC-backed consumer companies fell 40-percentage points since 2021 on top of a 60% decline in VC investment.¹

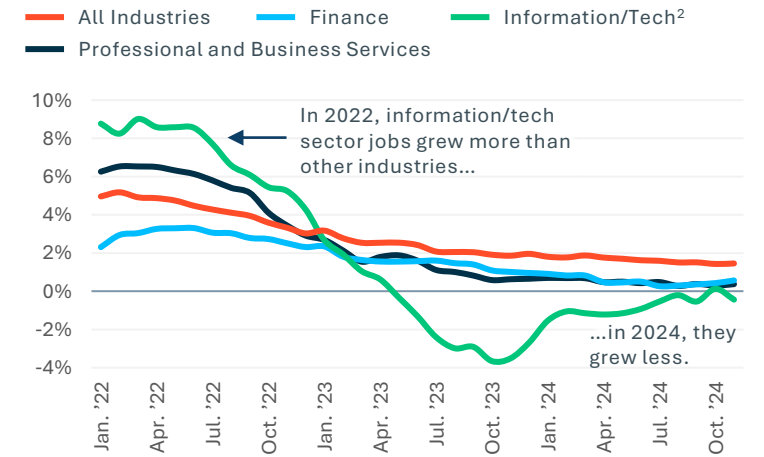
Softer Job Market a Wildcard in 2025

Unemployment Rate and Difficulty Finding Jobs



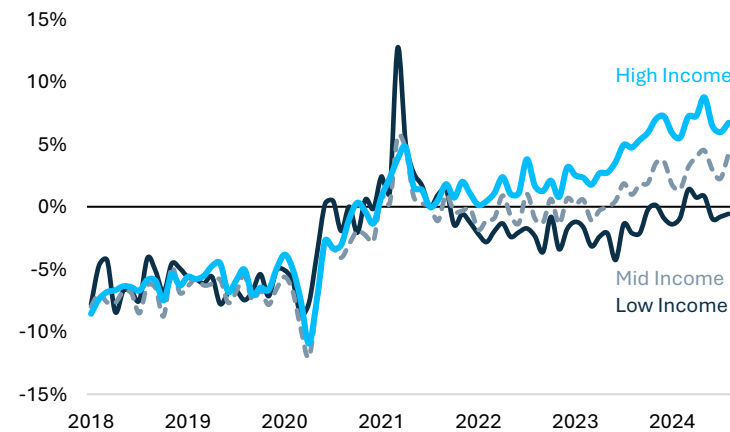
New Tech, White Collar Jobs Hard to Find

Year Over Year (YoY) Growth in Monthly Job Counts, Select Sectors



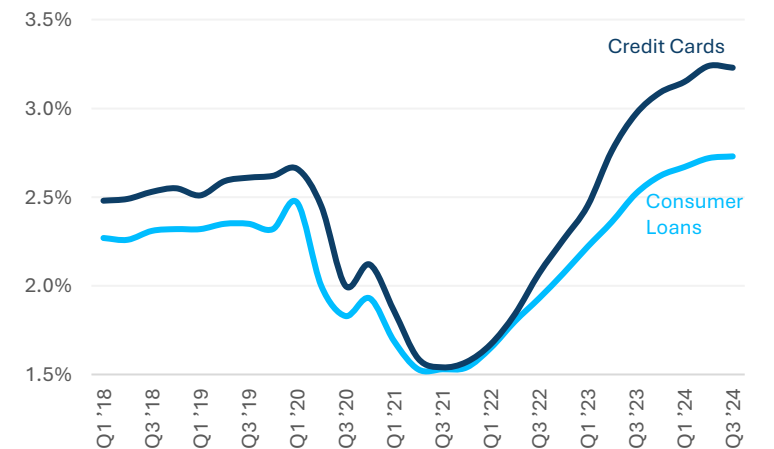
Consumer Spending Bifurcates by Income

Inflation-Adjusted Growth in Retail Spending by Household Income, Indexed to 100 in July 2021



Consumer Health Shows Cracks

Delinquency Rates on Consumer and Credit Card Loans



Notes: 1) Decline in revenue growth rates at the median for US VC-backed companies. 2) Current employment statistics industry code 50 ("Information") includes tech.

Source: Bloomberg, Bureau of Labor Statistics, Federal Reserve and SVB analysis.

America's Got (Overseas) Talent

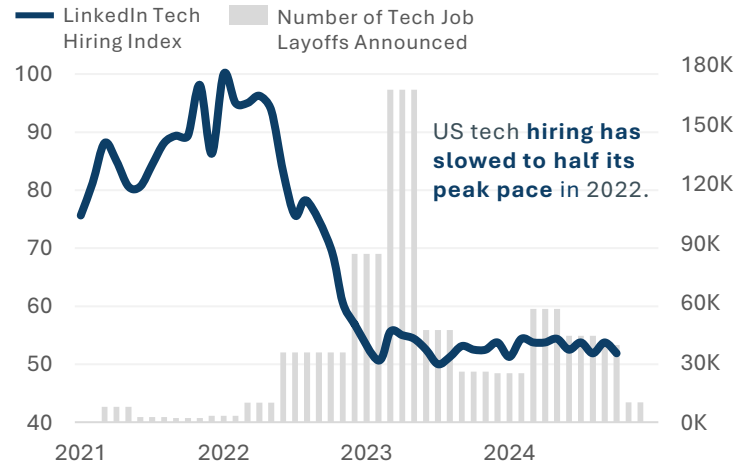
US tech layoffs have slowed as most of the companies that could shed jobs to save money have already done so. For those in the job market, there are fewer positions to choose from. Tech hiring has stagnated for the last two years. **Tech companies are hiring at half the pace they were in the 2022 peak, the weakest level since at least 2016, according to LinkedIn data.**

US tech salaries are showing signs of weakening due to lower demand and pressure from lower-cost and growing talent pools overseas. Emerging markets in Asia, Africa and Latin America are adding millions of coders every year, quickly closing the software skills gap to the US. Startups are taking note. **About 60% of companies already outsource app development. India is expected to overtake the US in number of developers by 2030.**

AI is having a greater impact on programming work in the US, though it doesn't appear to be replacing human developers (yet). According to an annual survey from Stack Overflow, 63% of developers now use AI in their work, up from 44% last year. Most use it to directly write code, find answers or debug. Complex coding tasks are still best left to the humans, a sentiment reflected in lukewarm responses gauging developers' trust in the accuracy of results. This may explain why only 12% of developers said they view AI as a threat to their job.

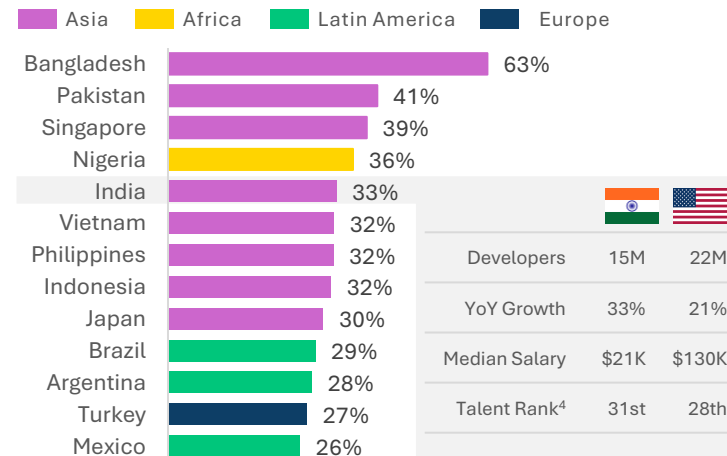
Tech Layoffs Slow, Hiring Stays Dormant

Index of US Tech Industry Hiring (100 = Peak) vs. Tech Layoffs¹



Rising Tech Skills Overseas

YoY Change in the Number of Developers on GitHub ('23 to '24)³

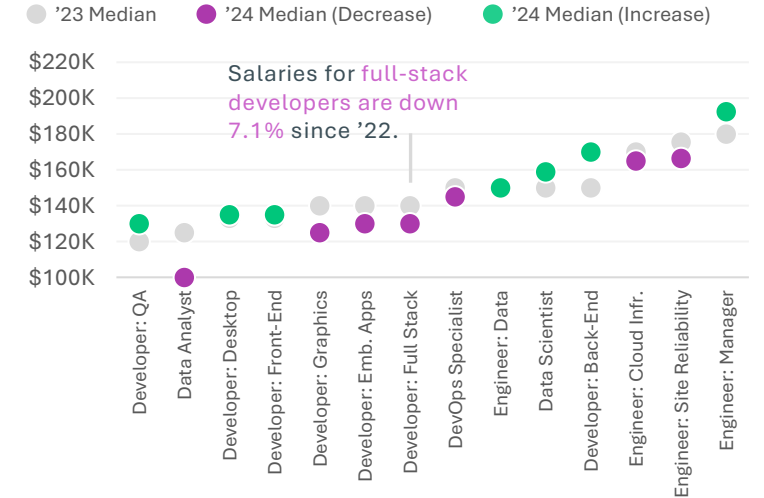


Notes: 1) Hiring rate is the percentage of LinkedIn members in the technology, information and media industry who added a new employer to their profile in the same month the new job began. The hiring rate is indexed to the average rate in 2016. Layoffs in thousands. 2) Annual survey most recently conducted in May 2024 with 65,000 respondents. 3) Among countries with at least 1M developers. 4) Based on global HackerRank scores, last updated in 2016.

Source: LinkedIn Workforce Report, Stack Overflow Developer Survey, GitHub Octoverse Report and SVB analysis.

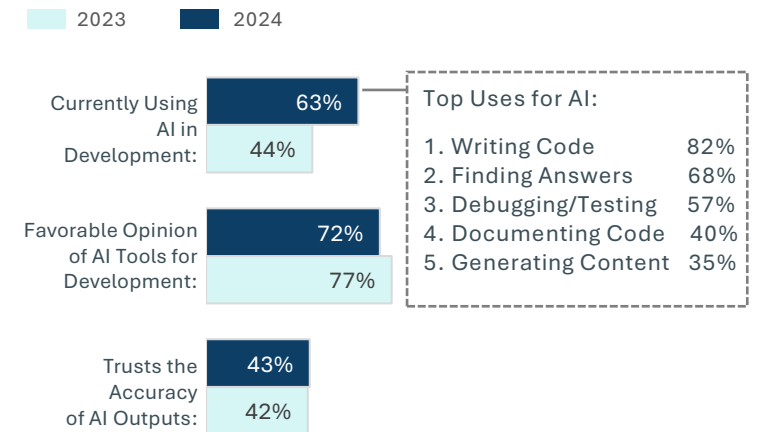
Letting the Air Out of Tech Salaries

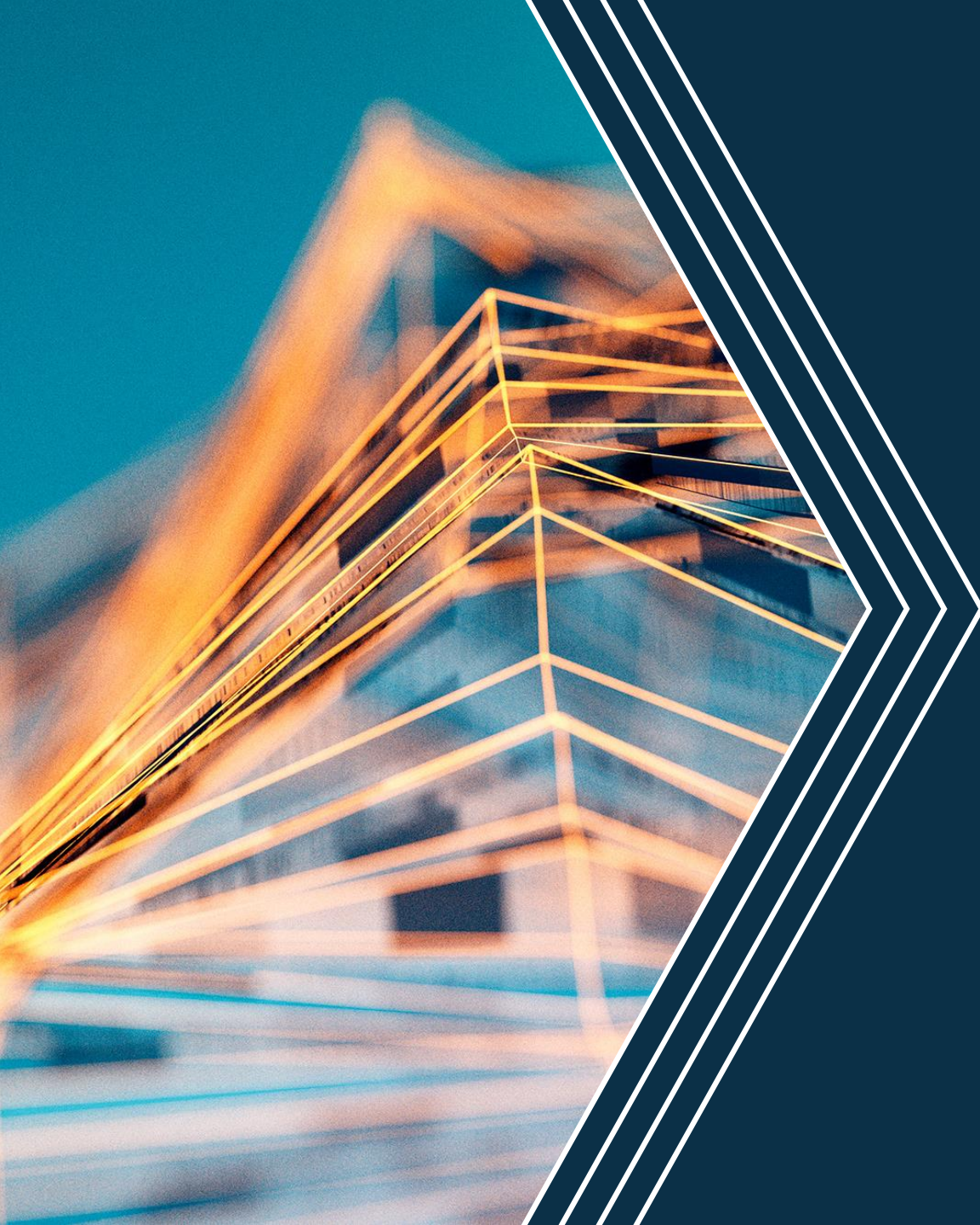
Stack Overflow Survey: Median US Pay for Software Roles²



For AI Productivity, the Proof Is in the Coding

Stack Overflow Survey: Developer Sentiment on AI²





VC Fundraising

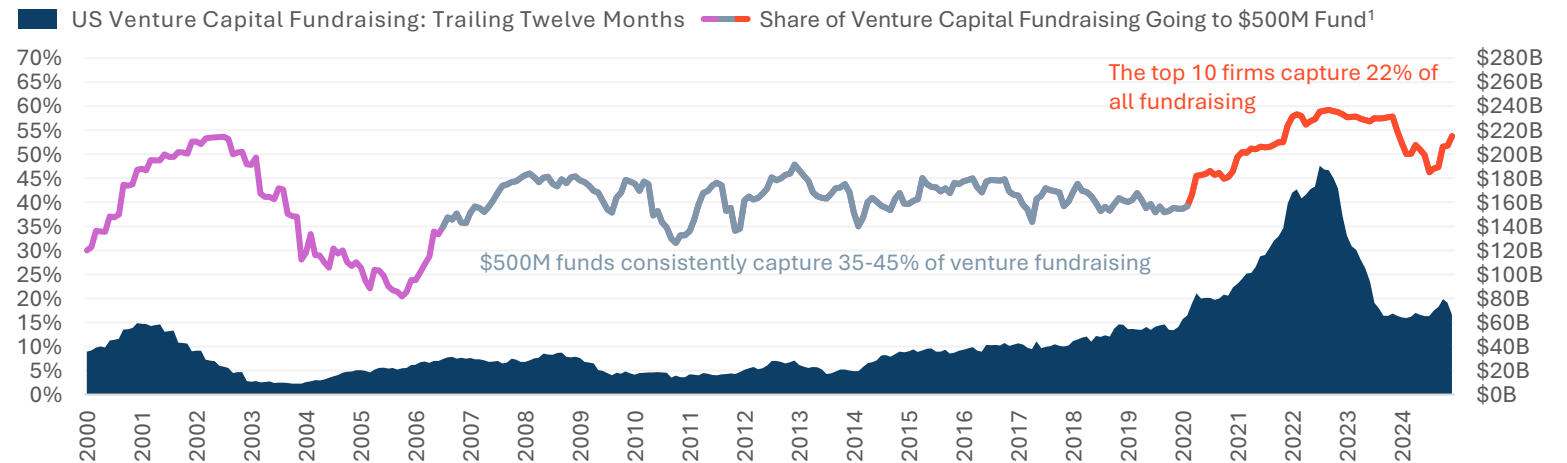
The 90/10 Rule: Venture Edition

If Bernie Sanders were a venture economist, he would undoubtedly draw attention to the growing inequality in venture fundraising. The bottom 90% of venture firms have raised as much capital as the top 2%, highlighting a significant skew towards the largest funds.

Since 2020, the VC industry has been increasingly dominated by large firms, with the top 10 firms alone capturing 22% of all fundraising. This concentration of capital is leading to entrenchment, with the elite group of top 10 VC fundraisers changing little from year to year. This dominance of large funds is marginalizing mid-sized funds. **There is a clear bifurcation in the market, where the biggest funds focus on making large investments and, in some cases, nearly “index” the venture market.** On the other hand, small funds carve out niches, targeting specific sectors or stages.

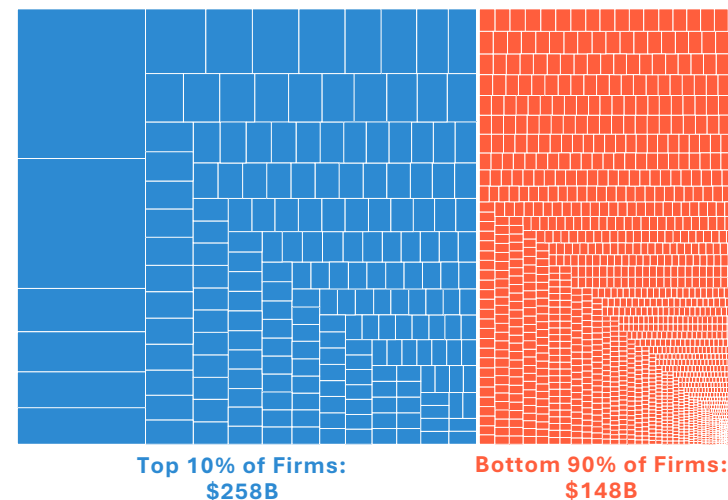
This leaves mid-sized funds in a precarious position. Their role is less clear. Most are neither giants able to compete in mega-deals nor niche funds in hyper-specialized markets. This could lead to consolidation and a less competitive market, with capital and talent increasingly concentrated among a few top firms.

Big Funds Expand Their Share of Venture Fundraising US VC Fundraising and the Share of Venture Fundraising Going to Funds Larger than \$500M



Concentration Among Largest Managers

Venture Fundraising 2022-2024 Vintages



The Top Firms Raise 1 in 5 VC Dollars

Top 10 Firms 2020-2021 and 2023-2024

Rank	2020-2021	2023-2024
1	Tiger Global	General Catalyst
2	Andreessen Horowitz	New Enterprise Associates
3	Lightspeed	Andreessen Horowitz
4	Accel	Khosla Ventures
5	New Enterprise Associates	ARCH Venture Partners
6	Flagship Pioneering	Norwest Venture Partners
7	ARCH Venture Partners	Flagship Pioneering
8	Khosla Ventures	Tiger Global
9	Norwest Venture Partners	Greenoaks Capital
10	General Catalyst	OrbiMed

Colors illustrate change in ranking

Notes: 1) Assessed over the trailing 24 months to smooth data given significant swings caused by large top-end outliers.

Source: Preqin, PitchBook Data, Inc. and SVB analysis.

The Growth Rule: Scaling Is Hard

Based on the data, lessons from past downturns have not been fully absorbed. Namely, scaling is hard!

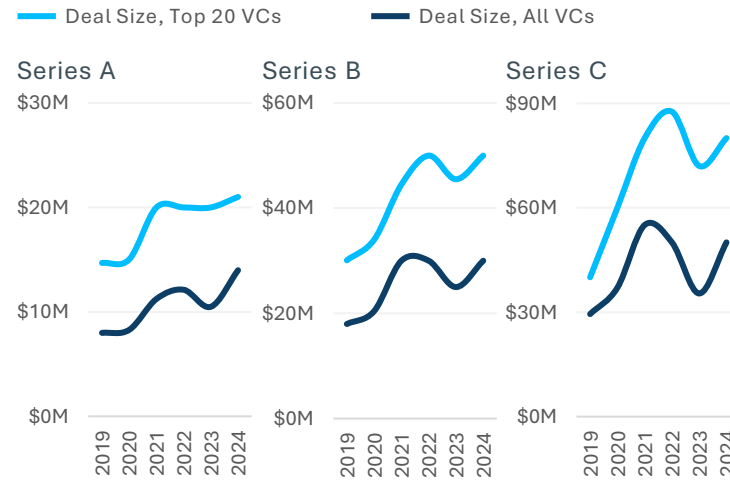
There is only so much capital that can be effectively deployed in each company without driving inefficient burn. For VCs investing in early stages, fund sizes are difficult to scale. Larger funds will naturally have big portfolios of small bets that begin to mirror the market, limiting outperformance potential.

This venture pitfall persists. The largest VCs are deploying more capital per deal and paying more per deal compared to the median VC fund. **Overpaying can lead to underperformance, which is particularly evident in the top quartile of large funds.**

Concentration of capital and power can drive up prices unnecessarily, leading to outsized valuations during peak times — valuations that the industry is still struggling to come to terms with today. This trend poses significant challenges for the industry. Larger funds simply have more capital to deploy, and those that invested early can dominate later-stage deals. Together, this can effectively squeeze out smaller VCs. Nevertheless, the incentives for individual firms to grow remain compelling, making it difficult to reverse course without LP pressure. **Should muted returns become the norm, however, fund sizes may decrease and LPs may increasingly opt for other asset classes.**

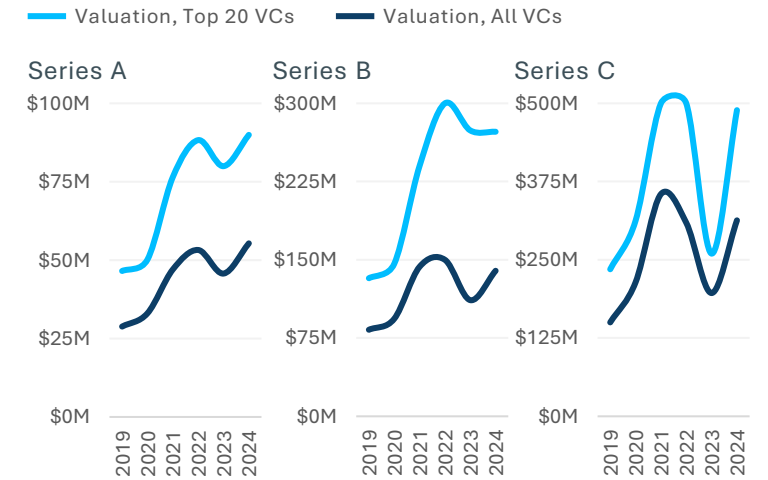
Largest VCs Deploy More per Deal

Median VC Deal by Series, Largest VCs vs. Overall Market¹



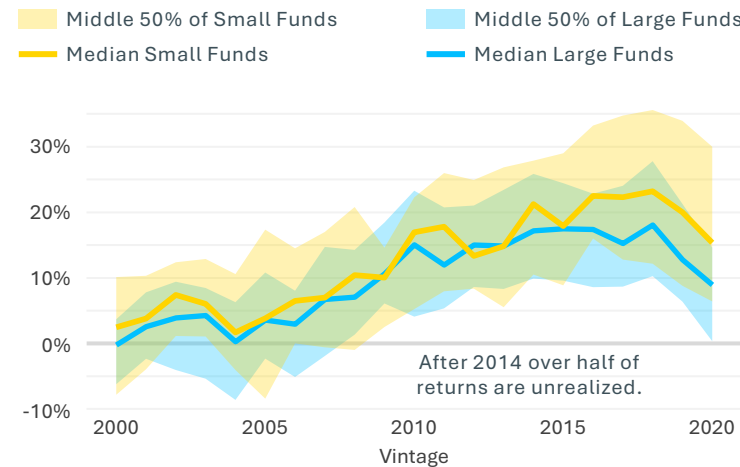
And Pay More per Company

Median Post-Valuation by Series, Largest VCs vs. Overall Market¹



This Can Lead to Underperformance

Interquartile Range of IRR by Vintage for Small and Large Funds²

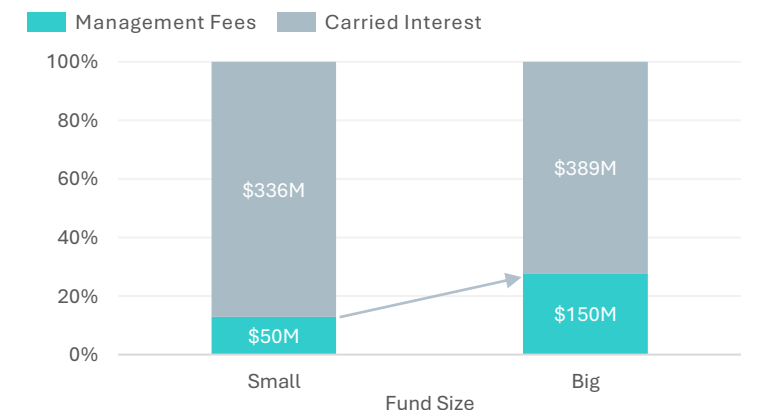


Notes: 1) Top 20 VCs defined as US-based VCs that have raised the most during their life, calculated by the fund's aggregate VC fund size. 2) Internal rate of Return (IRR); For each vintage, large and small funds are those that have fund sizes above or below the median, respectively. 3) Big funds are those \$750M+, small are less than \$250M. Analysis assumes the top quartile return of each group for vintage years 2010-2019. Carry net of an 8% hurdle rate.

Source: Preqin, PitchBook Data, Inc. and SVB analysis.

Fees a Bigger Part of Payment for Big Funds

Median Management Fees and Carry Over a 10-Year Fund Life for Top Quartile Funds, by Size³



The New Rule of Thumb

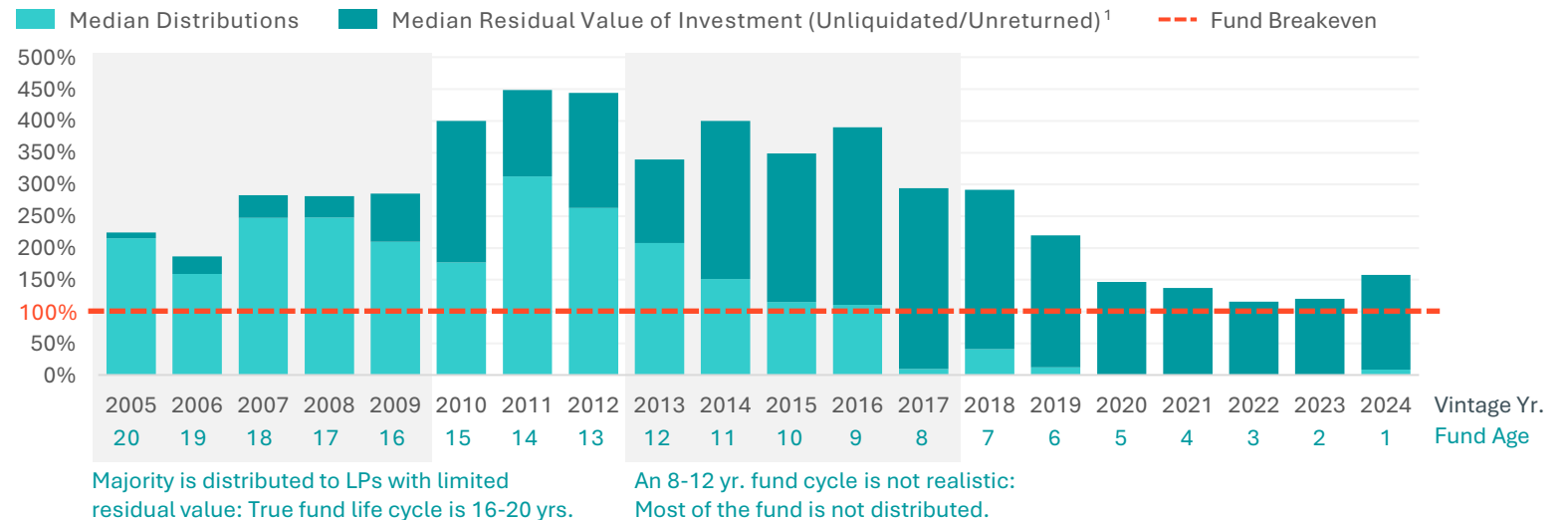
The old rule of an 8- to 12-year fund life cycle is not a reality for most funds. **Top quartile funds don't actually return capital for 16-20 years.** To reflect this new reality, some funds are changing the language in their limited partner agreements (LPAs) to reflect longer fund life cycles but cut off the fee period.

With large funds investing at the latest stages, companies are able to stay private longer, and the trend toward large funds is only likely to continue. As a result, the average age of a US VC-backed unicorn is now 10.3 years, just four months less than the average age of tech IPOs. The vast majority of those unicorns do not have the metrics to make a compelling IPO (see pg. 32).

Despite longer time frames, LPs are still investing in venture. **During peak times, we saw record-low time between funds. While it is increasing, it is still historically low;** however, this time will likely continue to grow as fewer funds have come back to market since 2022 and investment rates remain below peak levels. What this data misses is the VCs that may not raise capital again after investing their first fund at the peak of the market and having marginal returns to show for it. But a venture firm doesn't disappear overnight — unless they sell their portfolio in a secondary. It takes 16-20 years to liquidate their investments and close their doors.

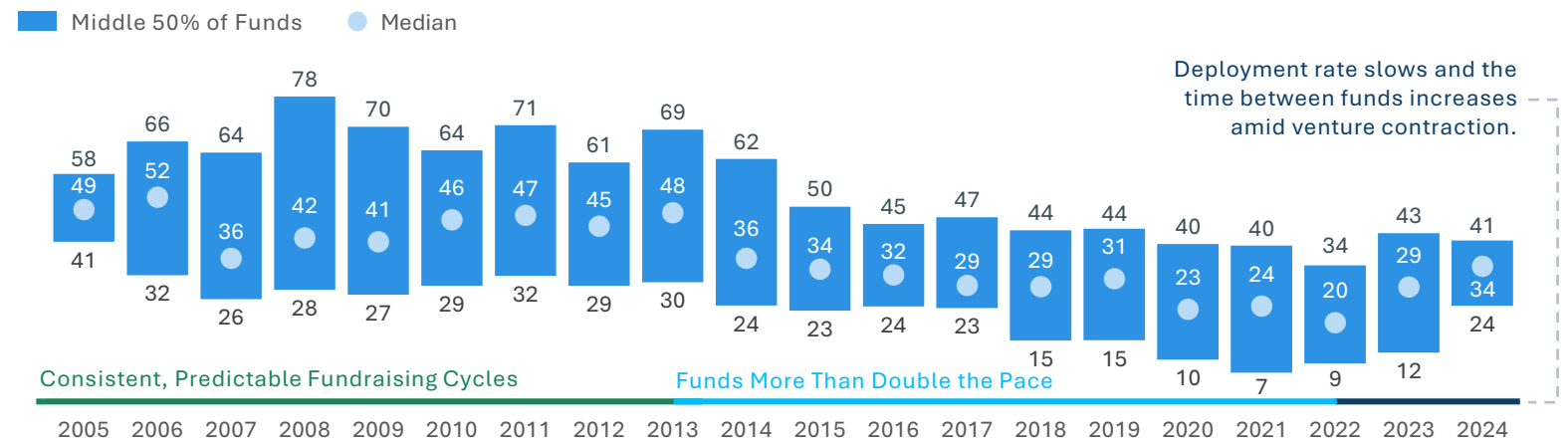
Fund Life Cycles Are Over 15 Years for Top Quartile Funds

Median Distributions and Unrealized Value for Top Quartile Funds by Age¹



Increasing Time Between Funds

Months Between Funds of the Same Series by Fund Close Date



Notes: 1) For top quartile multiple on invested capital (MOIC) funds. Distributions are Distributions to paid in capital (DPI) and Residual Value is the residual value of paid in capital (RVPI) both expressed as a percent of capital paid in.

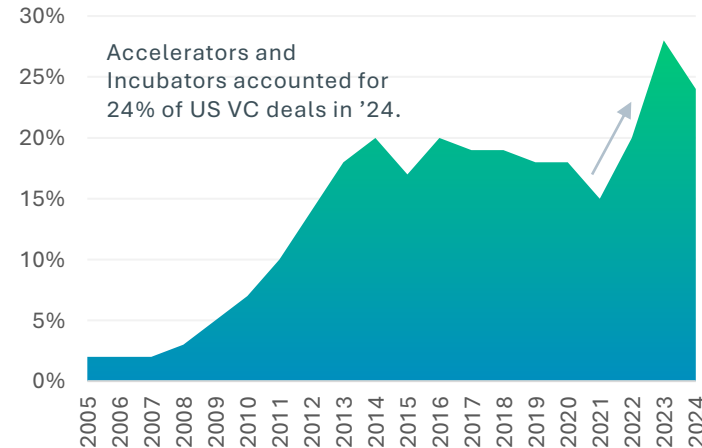
Source: Preqin and SVB analysis.

When VC Dims, Incubators Shine

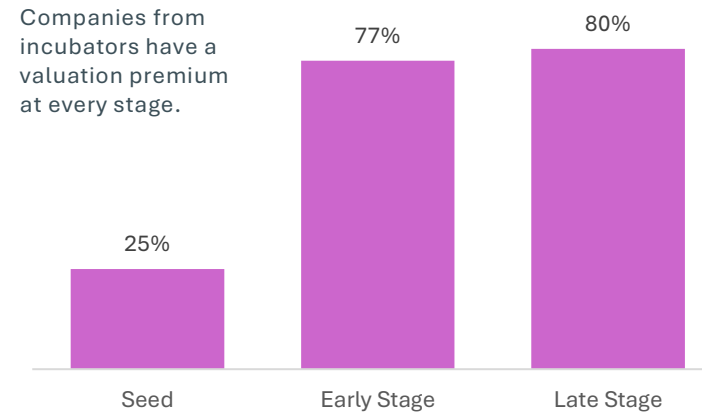
Startup launch programs have become the front door for the venture ecosystem, welcoming in thousands of startups each year that might otherwise be overlooked or go unfounded. Deals from incubators and accelerators are typically small dollar values relative to seed deals, but they comprise a significant share of overall VC activity, accounting for a quarter of all deals in 2024.¹ **Incubators are a stabilizing force in early-stage formations. Not only do they act as a quality screen for investors, they're also less fickle in downturns.** When VCs apply the brakes during market lulls, incubators tend to continue churning out new cohorts at a steady rate.

The era of startup programs took root during the Global Financial Crisis when programs such as Y Combinator, Plug and Play and Techstars helped launch iconic companies like Stripe, AirBnB and DoorDash. More than 13,000 companies from these programs across the country have raised over \$200B in VC over the last 15 years. As the model has spread nationwide, the impact from startup launch programs has been more pronounced in non-tech hubs, where supportive local governments, corporations and universities give these programs a concentrating effect, attracting as much as 40% of all VC deals in some states. Here, incubators fill the market gap by finding and supporting founders outside of the main innovation hubs.

A Moment in the Sun for Incubators Accelerator/Incubator Share of All VC Deals¹

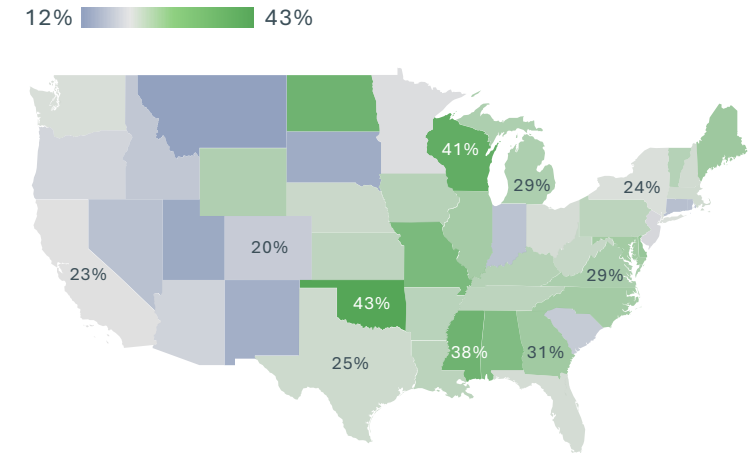


Incubated Startups, Accelerated Valuations Median Pre-Money Valuation Premiums for US Incubator Alums in 2024²

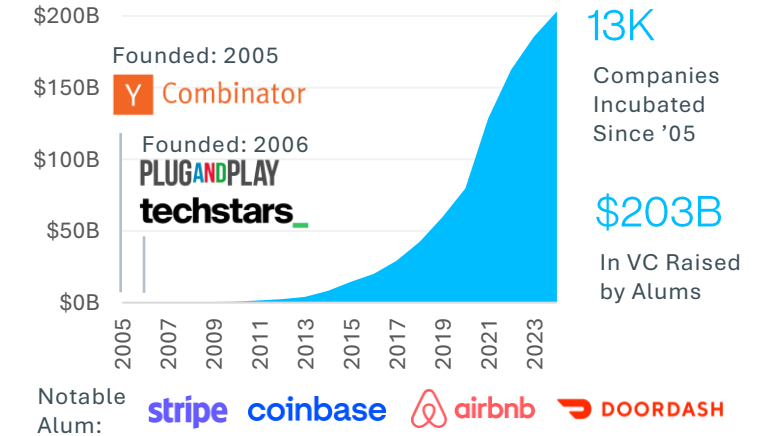


Notes: 1) Incubator and accelerator deals are presented here as a share of overall VC deals to show their scale, however, we exclude these deals in our analysis of VC activity elsewhere in the report. 2) Includes companies that received an incubator or accelerator deal, as classified by PitchBook. Premium as compared to companies with no incubator/accelerator deal. Source: PitchBook Data, Inc. and SVB analysis.

Accelerators Have a Big Impact in Small Hubs Accelerator/Incubator Share of All VC Deals by State, 2023-24



Who Incubated the Incubators? Cumulative VC Raised by US Companies Started at a 'Big Three' Accelerator





VC Investment

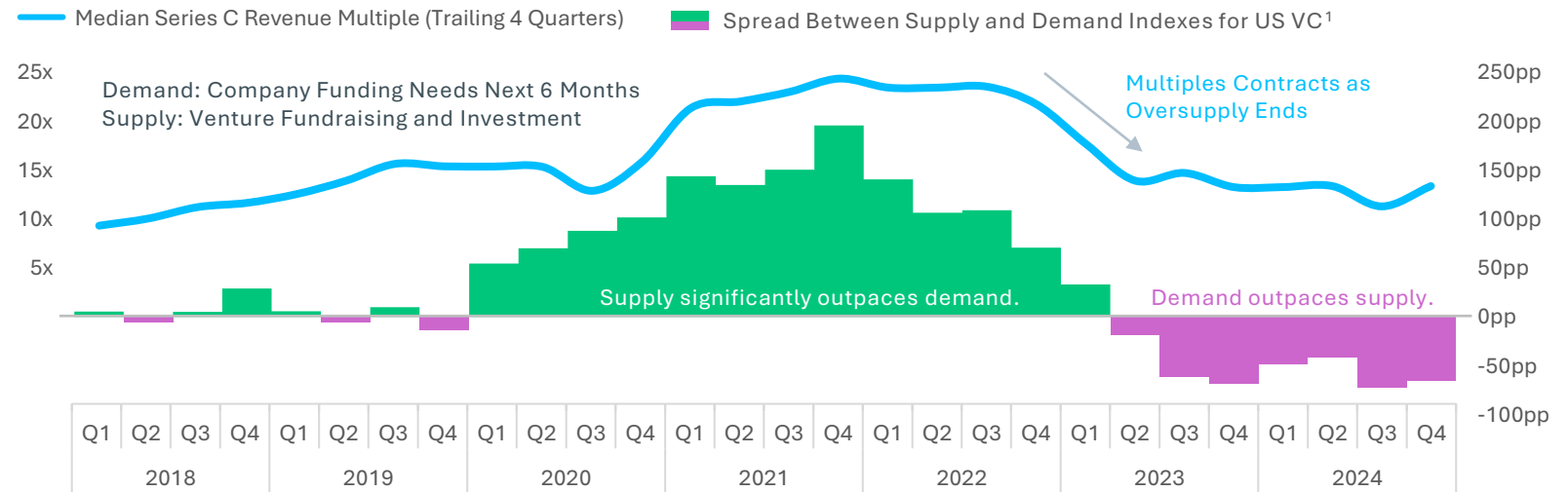
Econ 101: Supply and Demand

Simple supply and demand models go a long way in describing the current state of the innovation economy. We assessed demand by looking at the number of companies that need to raise in the next six months and how much those companies would need to finance operations at current burn rates. The supply of capital is simply a function of US VC fundraising and investment. As company fundraising boomed in 2020 and 2021, the demand for capital fell because fewer companies needed to raise at any given time. At the same time, supply increased, pushing prices for companies higher as measured by revenue multiples. Fast-forward to 2022 and the trend flipped. Demand began to rise and supply began to fall, pushing multiples down.

Not only are valuations lower, but the speed of valuation growth is slower. **It now takes the typical Series A company over two years to increase its valuation as much as companies in 2021 did in a single year.** While this is partially attributable to the supply and demand in venture, it is important to note that growth rates for VC-backed companies have also slowed substantially (see pg. 26). This slower growth further drives down multiples as high growth is one of the main reasons for investing in a company with a high multiple.

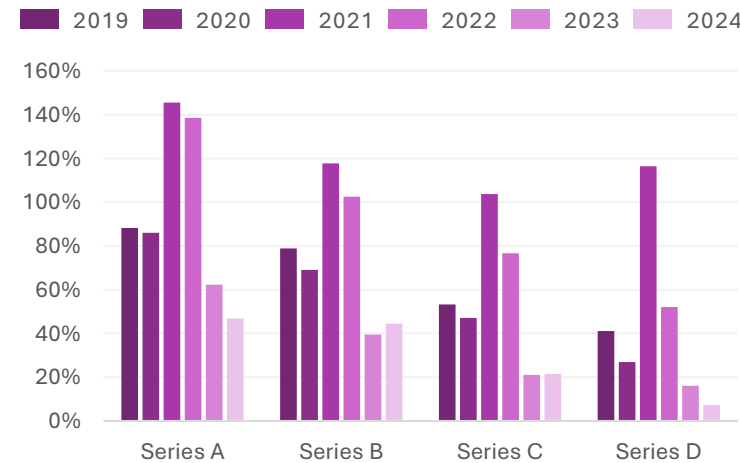
As the Spread Between Supply and Demand for Venture Normalizes, So Too Do Multiples

Index of Venture Capital Supply (from VCs) and Demand (from US Companies) with Median US Series C Pre-Money Valuation



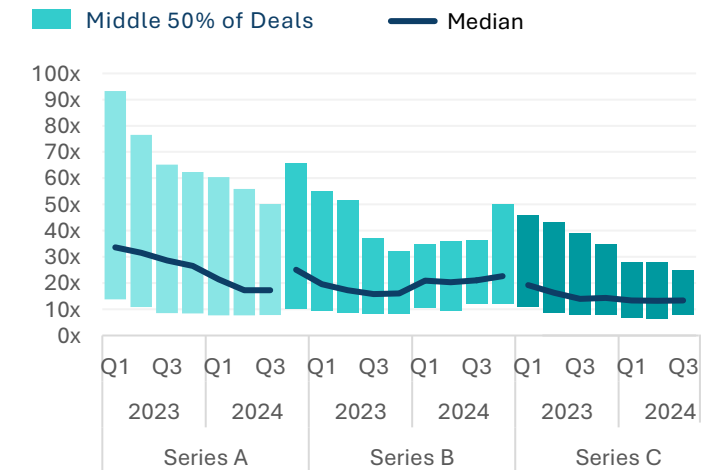
The Velocity of Value Creation Has Slowed

Median Annual Change in Valuations for US Companies²



Multiples Across Stages Are Down

US Tech Revenue Multiples by Stage (Trailing 4 Quarters)



Notes: 1) Demand for venture is a function of the number of companies that need funding in the next six months and the amount those companies are burning. Supply is a function of fundraising and investment (equal weighted index of the two). A baseline for the index was established between 2017-2019; the percentage point variance is expressed in relation to that baseline. 2) Calculated at the valuation increase in relation to that baseline. 2) Calculated at the valuation increase between rounds divided by the years between rounds for the given year a company closed a deal.

Source: SVB proprietary data, PitchBook Data, Inc. and SVB analysis.

To Infinity? VC in the Era of AI

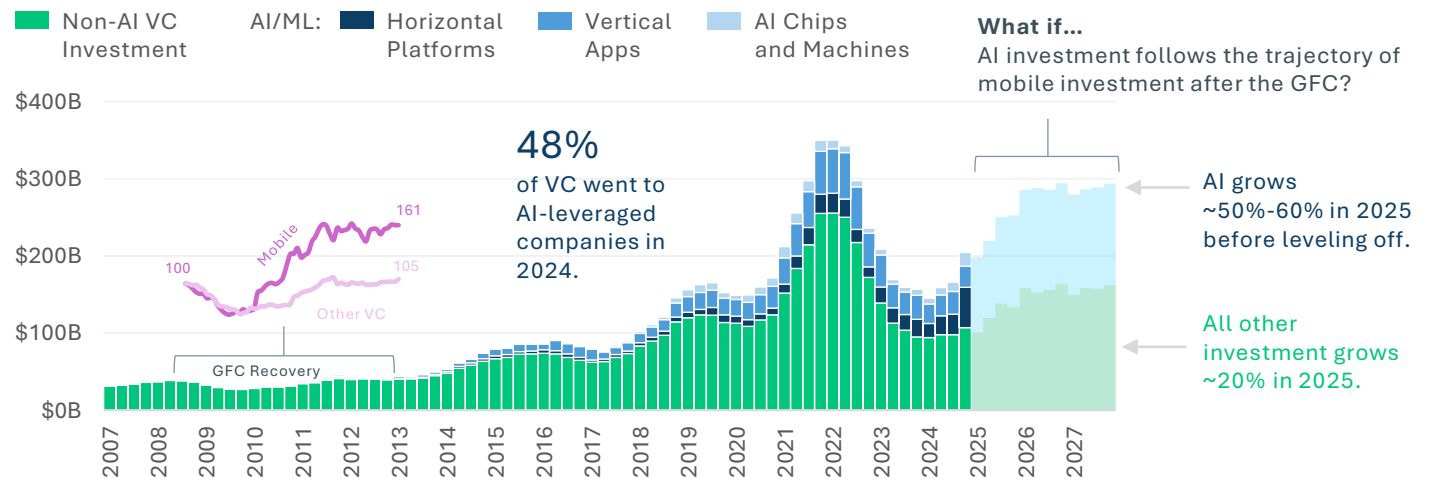
And just like that, VC is back. US VC investment totaled \$204B in 2024, a 30% year-over-year increase and the third-highest annual total on record. The recovery marks an about-face for the venture ecosystem. **This year started at a low-point, after eight straight quarterly declines in annual VC investment, and ended on a hot streak with three quarterly increases.** What happens next depends on the prospects for the one technology most responsible for the turnaround: generative AI (GenAI).

Exclude AI investment and the story changes. There is no meaningful investment uptick for companies not leveraging AI. Investment for this group is essentially flat for the last year. AI has gobbled up VC market share in the last two years. **At the peak of the last cycle, only one in four companies getting VC deals had AI as a vertical. Now, it's half of all companies.** And a handful of these are controlling a huge portion of the VC dollars. For the first time, more mega-deal dollars went to AI companies (\$73B) than to non-AI companies (\$47B).

This inflection marks a turning point like we haven't seen since the rise of mobile technology after the GFC. The emergence of the iPhone and the App Store kicked off a wave of innovation that at first was confined to a core group of mobile-focused companies. VC flowed disproportionately to this group for the first few years, sparking a general VC recovery as mobile spread to all companies. Could we see a similar trend with AI?

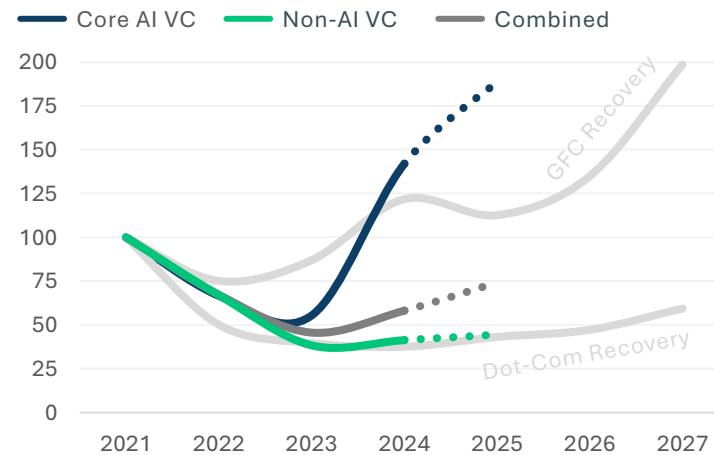
AI Investment Is on Pace to Return VC to Record Highs. Will it Happen?

US VC Investment Trailing 12 Months and Three-Year "What if" Projections!



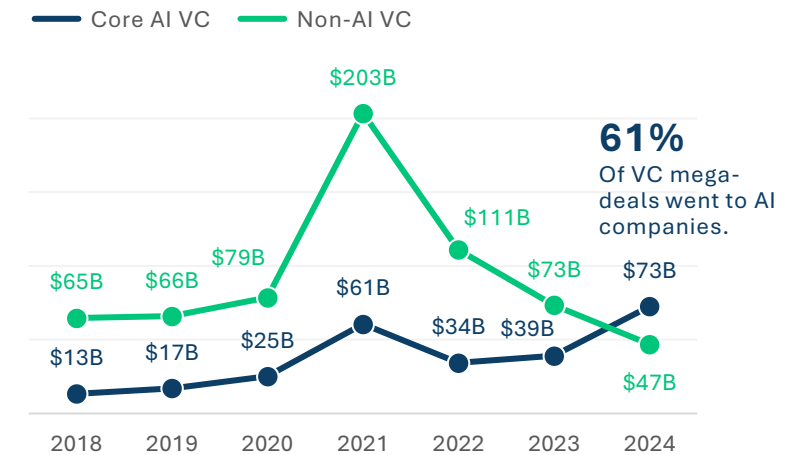
A Tale of Two Recoveries

VC Forecast Scenarios Indexed to 100 in 2021



AI Takes the Majority of Mega-Deals

US VC Investment for Deals Over \$100M: AI vs. All Other Deals



Notes: 1) What-if projections simulate investment levels if AI company investment follows the same path as the mobile tech vertical post-GFC, indexed to the investment peak prior to the decline. Our forecast picks up when mobile VC returned to its pre-GFC peak, which is where we are with AI now.

Source: PitchBook Data, Inc. and SVB analysis.

Big Tech's AI Building Boom

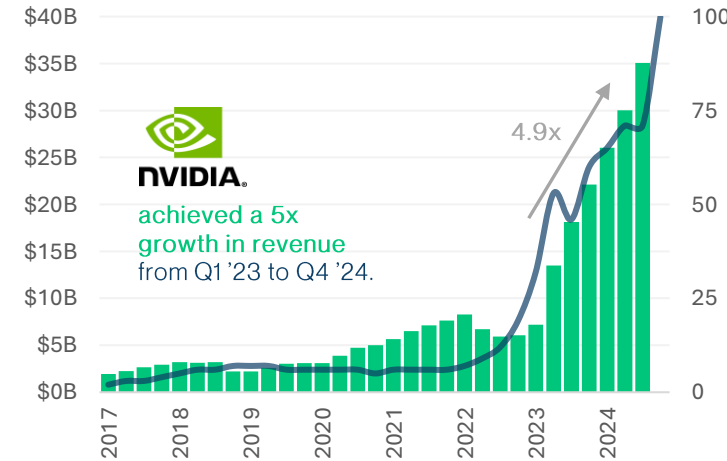
It's hard to comprehend the advancements in computing that have led us to GenAI. In 1969, the Apollo Guidance Computer calculated 14,000 math operations per second to deliver astronauts to the moon. Today, we measure compute in quadrillions of operations per second (called a PetaFLOP). ChatGPT 1 took a full day of PetaFLOP computing to train its 100-million parameter model. But even PetaFLOP-days aren't cutting it anymore. Meta's latest model, Llama 3.1, required a staggering 1,200 PetaFLOP-years to train on over a trillion words. All of that compute doesn't come cheap.

Every new large language model (LLM) costs hundreds of millions of dollars to develop, and foundational AI companies are churning these out several times per year, releasing multiple versions that are optimized for developers to build upon. The metric that may best capture this activity is NVIDIA's revenue. The AI chipmaker has cornered the market on semiconductors needed to train new models, and its sales are rising in proportion to public adoption of AI.

Corporations are increasingly investing in AI products and tooling. Research by the VC firm Menlo Ventures shows that US companies spent at least \$16B on AI products in 2024, a 7x increase from 2023.¹ That's only expected to grow as the costs come down and apps get better.

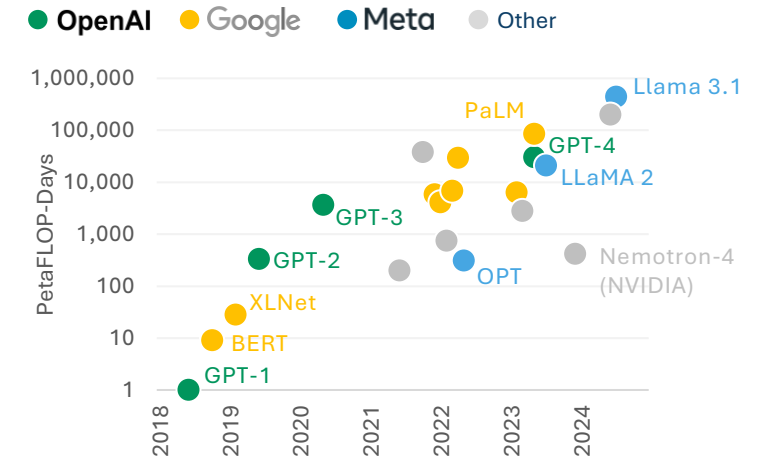
NVIDIA's Revenue Rocket Ship

NVIDIA's Quarterly Revenue and Google Searches for "AI"



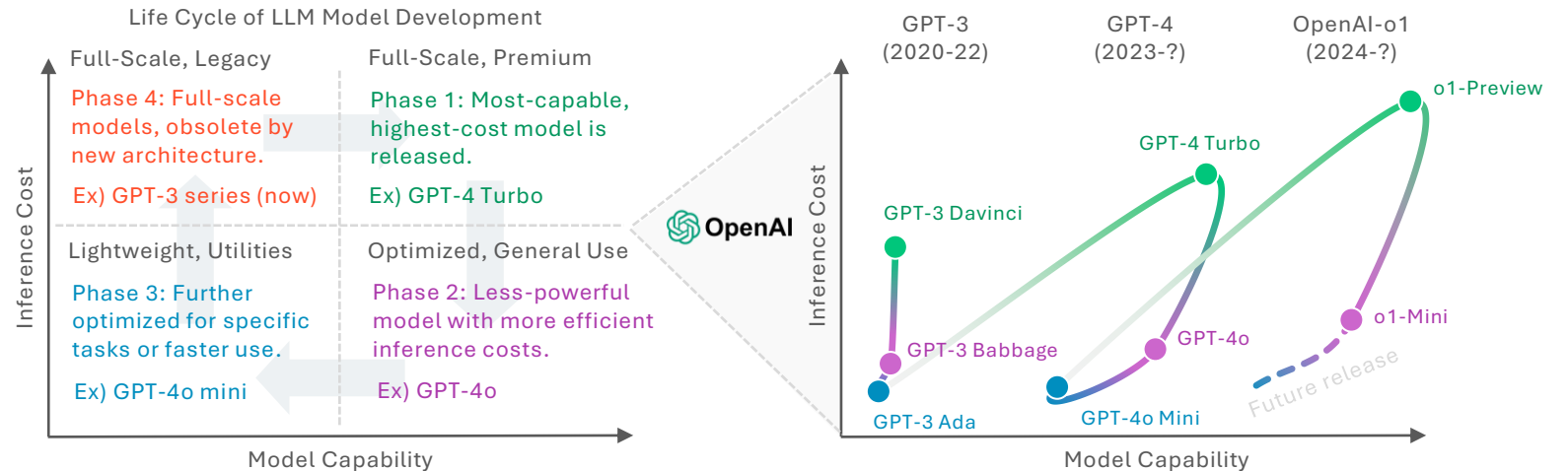
Today's a Training Day Year

Compute Cost to Train Notable LLMs (in PetaFLOP-Days)



Bigger, Faster, Smaller, Repeat: The LLM Development Cycle Spins On

Stages of Development for LLM Models and Examples from Notable Open AI Releases²



Notes: 1) According to [Menlo Ventures' analysis](#) of dollars spent on foundation models, model training and deployment, AI-specific data infrastructure and new GenAI applications from startups and established corporations. 2) This is an illustrative example with model capability and inference costs approximated based on estimated data such as the number of parameters to train models and subjective factors like iterative improvements in models.

Source: SEC filings, Google trends, company websites and SVB analysis.

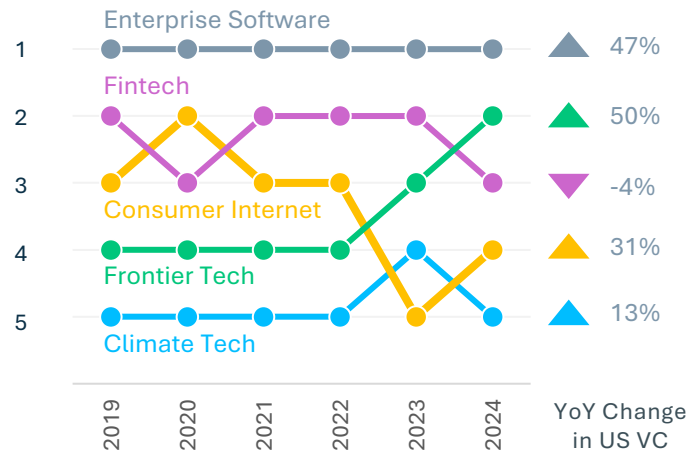
An AI Arms Race Propels VC

With AI driving nearly all of the growth in VC investment, it's not surprising that the sectors benefiting most are those where the AI hype is peaking: enterprise software (LLMs) and frontier tech (autonomous machines). Attention on these sectors is at an all-time high and so is investment. Companies at the core of GenAI, such as xAI, Databricks and OpenAI, are generating massive VC deals, pushing enterprise software investment up 47% from 2023. Much of the capital for these deals is consumed by the high cost of training models. A single new LLM released to market takes hundreds of millions of dollars in compute to train, and the pace of new releases is only growing.

Then there are the machines. **Autonomous vehicles are driving a large share of the investment in frontier tech, which has jumped from the fourth-most heavily invested sector in 2022 to the second-most favored sector in 2024.** Defense technology is also emerging as a growth area for frontier tech investors, with notable deals for several defense tech unicorns such as Anduril among the largest deals of the year. Consumer tech is still struggling to find its footing in the era of AI. Only 25% of consumer companies have AI as a key vertical, yet those that are building AI products have a much higher valuation over those that don't (4x premium for later-stage companies and 2x for early-stage).

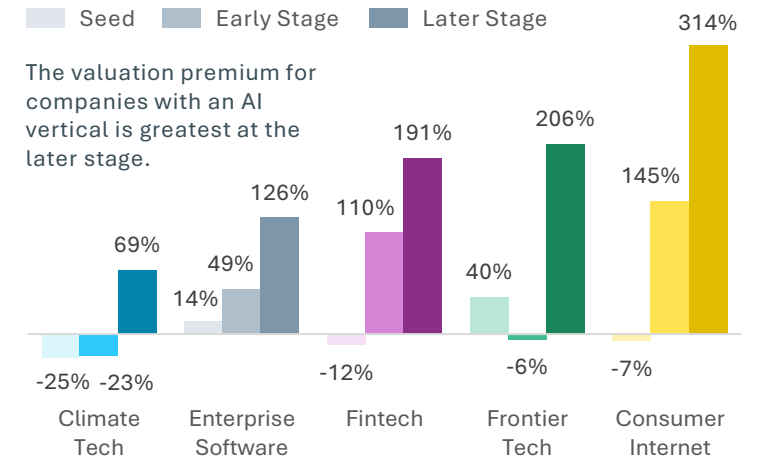
Frontier Tech Rises in the Ranks

Rank of VC Investment by Tech Subsectors and YoY Change¹



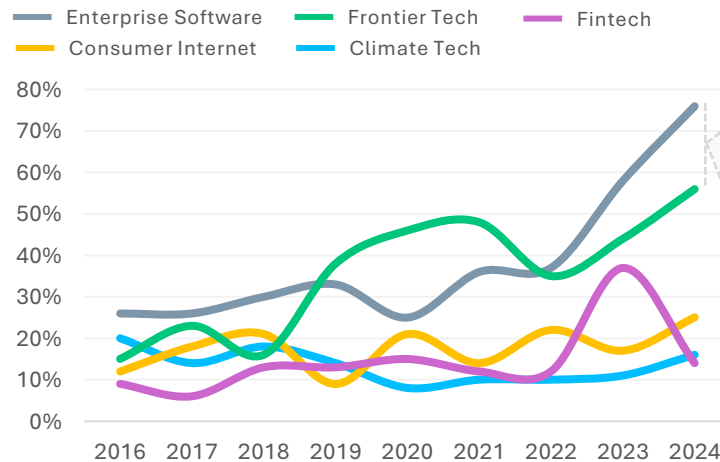
For Later-Stage Companies, It's AI or Bust

Pre-Money Valuation Premiums for US AI Companies in 2024



AI Dominates Enterprise and Frontier Tech

Percentage of VC Investment in AI Vertical by Sector



Creating Massive Deals for Top Companies

Notable Mega-Deals for Enterprise and Frontier Tech Companies

Company	VC in '24	Sector	Focus
xAI ²	\$12.1B	Enterprise	Foundational AI
Databricks	\$10.0B	Enterprise	AI Infrastructure
Anthropic ³	\$9.2B	Enterprise	Foundational AI
OpenAI	\$6.6B	Enterprise	Foundational AI
Waymo	\$5.6B	Frontier Tech	Autonomous Vehicles
Anduril	\$1.5B	Frontier Tech	Aerospace and Defense
Coreweave	\$1.1B	Enterprise	AI Infrastructure
Mistral AI	\$1.1B	Enterprise	Foundational AI
Wayve	\$1.0B	Frontier Tech	Autonomous Vehicles
Scale AI	\$1.0B	Frontier Tech	Aerospace and Defense

Notes: 1) Based on SVB's proprietary taxonomy of PitchBook deals. 2) xAI closed two \$6B deals in 2024. 3) Anthropic closed three deals for \$9.2B raised in 2024. At least \$3B of this was convertible debt. They closed another \$1B in January 2025 and are in-progress to close \$2B more, according to PitchBook.

Source: PitchBook Data, Inc. and SVB analysis.

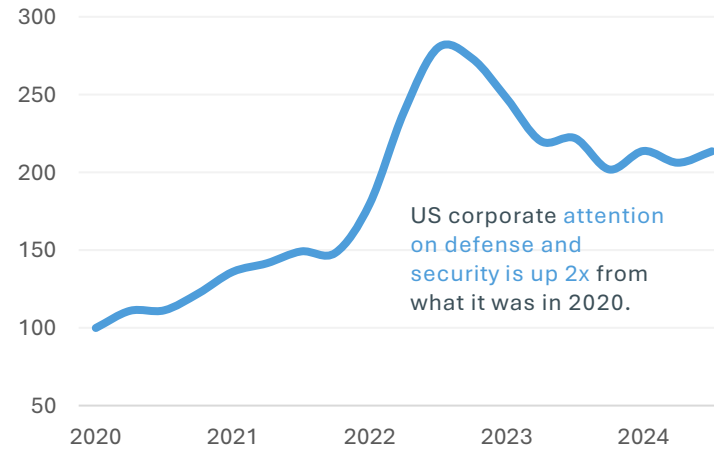
Tech Comes to the Defense

Defense tech is emerging from the shadows to claim a more prominent role in the venture ecosystem. **The wars in Ukraine and Israel have drawn stark awareness to the impact that technologies such as drones have on the modern battlefield.** VC investment in US defense technology has ticked higher as a result, jumping 2x in 2023 and staying at that level in 2024. The largest deals are dominating — with the top 10 deals accounting for about 80% of VC dollars in the last two years, a 20-percentage-point jump from 2022. At least seven defense tech unicorns received later-stage deals in 2024, positioning the cohort well for potential exits in the year ahead.

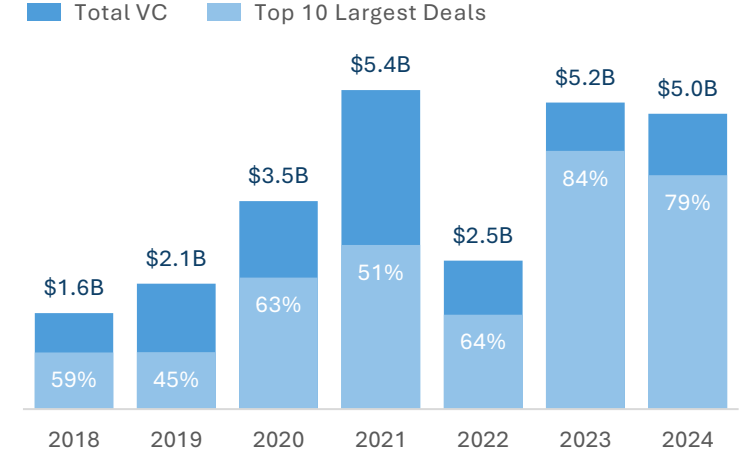
More VCs are mentioning defense tech as a specific focus area than ever before. General Catalyst named defense a key strategy for their recent \$8B fund (though it wasn't clear how much of that was earmarked for defense). Follow-on investors could further increase the demand for what is still a niche segment of the venture ecosystem.

Defense tech companies have steeper capital requirements than other sectors. Later-stage deal sizes were 4x higher for defense tech than other technologies. Machines are expensive (and complicated) to build, which can be a deterrent for investors. However, the companies that do find product market fit, tend to achieve exit velocity, given the large government contracts that tend to be lucrative and dependable.

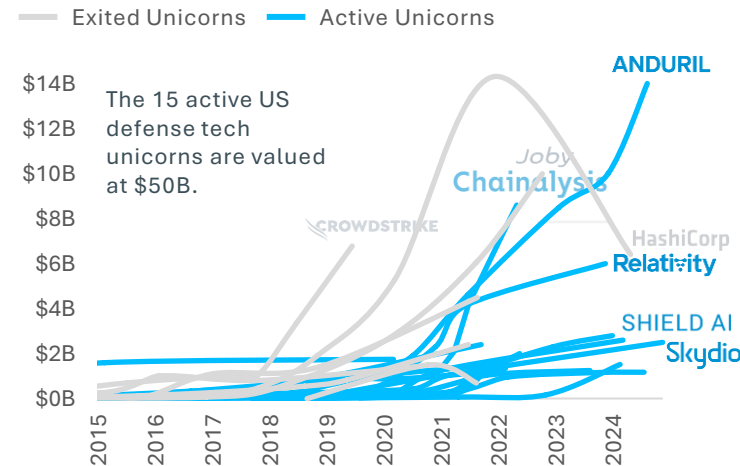
Geopolitical Concerns Top of Mind for Execs Index: US Earnings Call Mentions of "Defense" Terms¹



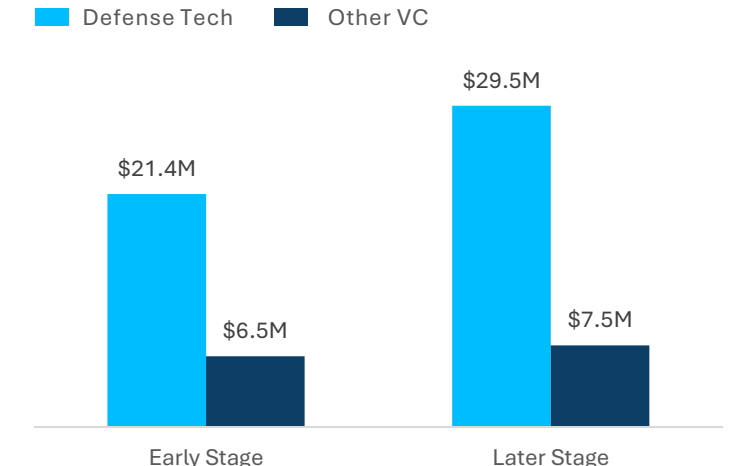
Defense Tech VC on the Rise US VC Investment in Aerospace and Defense Tech²



Defense Tech Unicorns Take Flight US Defense Tech Unicorns by Status and Latest Valuation³



Capital Requirements Higher for Defense Median Deal Size for VC Investment 2023-24



Notes: 1) Terms include "defense," "instability," "war," and exclude "financial instability." 2) Defense tech includes all of PitchBook's analyst curated vertical: "Aerospace and Defense" as well as an SVB-curated list of VC-backed defense contractors. 3) Post-money valuations for all disclosed deals. Source: CB Insights, PitchBook Data, Inc. and SVB analysis.

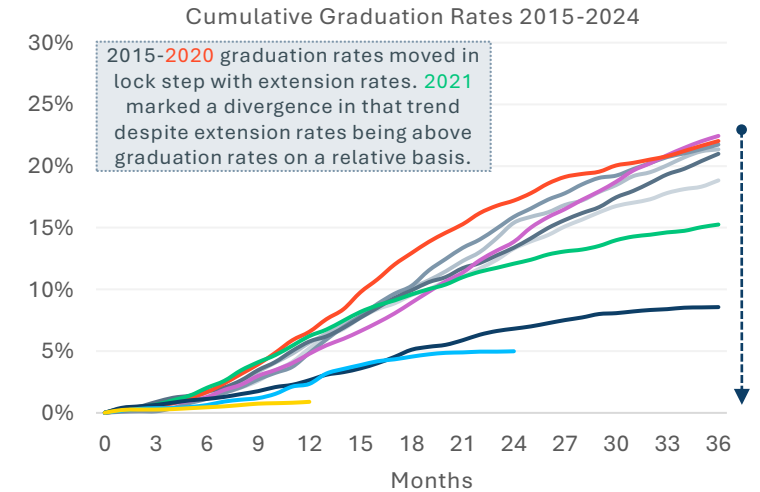
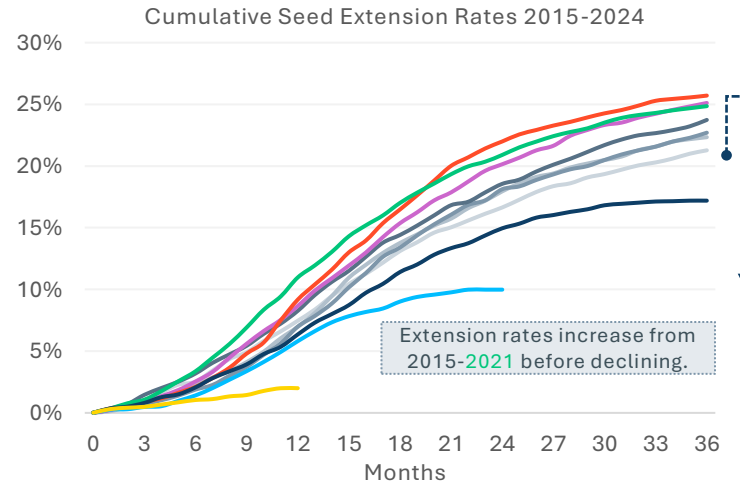
Less Graduating, More Gradu-waiting

Seed extensions are capturing the highest percentage of seed deals and capital ever witnessed. Starting with the 2015 seed cohort, extension rates (i.e., the share of seed companies that raised an additional seed round) ticked up year by year, peaking for those that raised a seed in 2021. Graduation rates moved similarly to extension rates up until the 2021 cohort.

Following the 2021 class, graduation and extension rates started to tick down. **On a relative basis, graduation rates fell faster than extension rates.** This shift occurred for a number of reasons. First, seed cohorts from 2020-2021 raised in a growth-at-all-costs environment, whereas more recent seed cohorts were forced to be capital efficient from day one. Second, the venture landscape recalibrated as investors pulled back, pushing graduation rates down and leading companies to depend on extension rounds. Third, the cohorts that raised in 2020-2021 need more time to reach the higher Series A benchmarks expected of them. Lastly, seed companies are using extensions to kick the can down the road in hopes of raising a Series A at a better valuation. **As a result of these trends, seed extension deal sizes and valuations continue to climb.** Until those older cohorts work through the system, expect graduation and extension rates to drudge along.

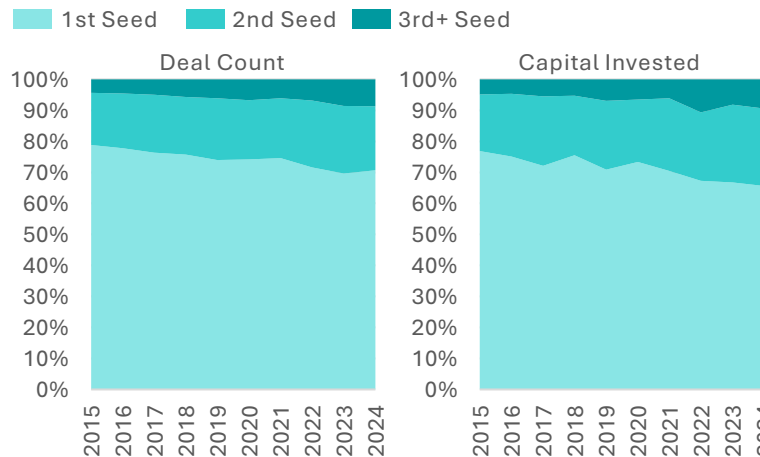
Seed to Series A Grad Rates Still Muted as Backlog of Seed Extensions Take Time to Digest

Seed to Series A Cumulative Graduation Rates and Seed Cumulative Extension¹ Rates by Year



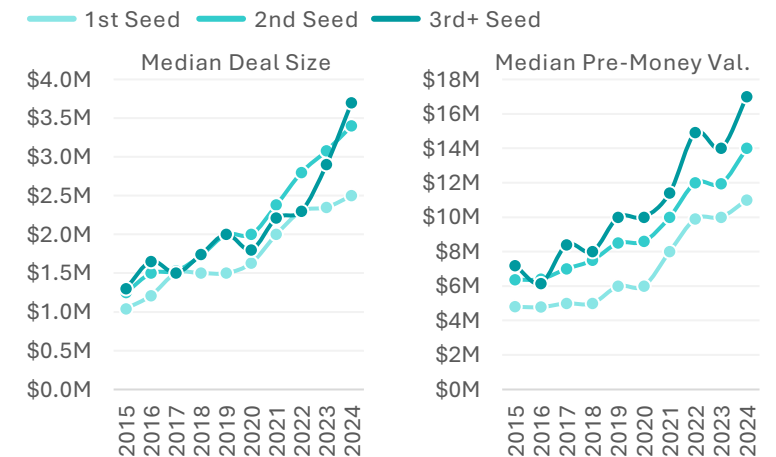
Seed Extensions Taking Greater Share of Pie

Share of Seed Deal Count and Capital Invested by Seed Round



Higher Valuations for Seed Extensions

Median Deal Size and Pre-Money Valuation for Seed Deals



Notes: 1) Seed extension defined as any seed round after the first seed for the specific startup.
Source: PitchBook Data, Inc. and SVB analysis.

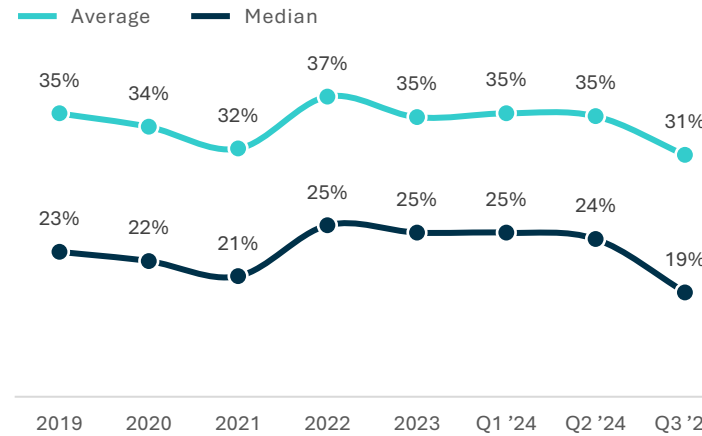
Venture Debt Fills the VC Void

Rising interest rates in 2022-2023 sent ripples through the capital markets, curbing the appetite for debt among public tech companies. **Yet in the startup world, venture debt is a key lever, compensating for a slowdown in VC funding and providing critical runway extension.**

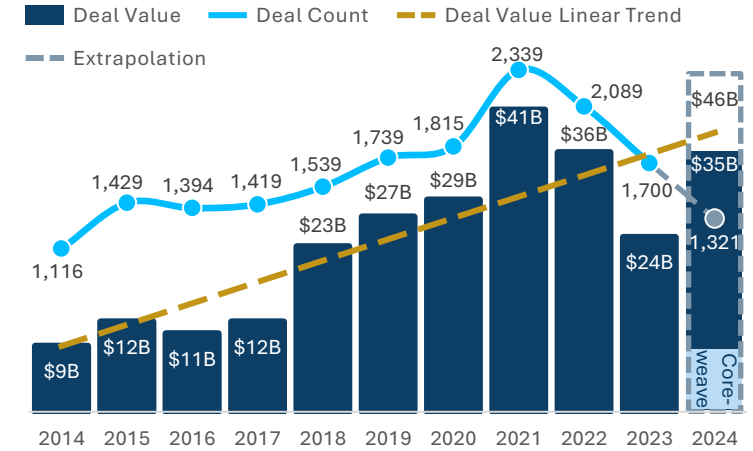
In the past, later-stage venture debt was a complement to equity. When it was a replacement to equity, it was due to the company's strong fundamentals, such as reducing burn. This could become a problem for companies and their lenders if the financing was insufficient to achieve the milestones necessary to raise the next round, or if new investors are unwilling to see their new dollars go to repay debt. Venture-backed companies are also finding new ways of using debt. CoreWeave, for instance, turned to a collateral-backed facility for financing compute.

Historically, lenders pulled back during downturns, as those who invested heavily during the peak times realized losses. During this cycle, however, the opposite has occurred. **New entrants, such as deep-pocketed private credit funds, are further increasing the competitive pressure, offering sweetheart deals to gain market share.** What's clear is that venture debt is no longer just a stopgap measure.

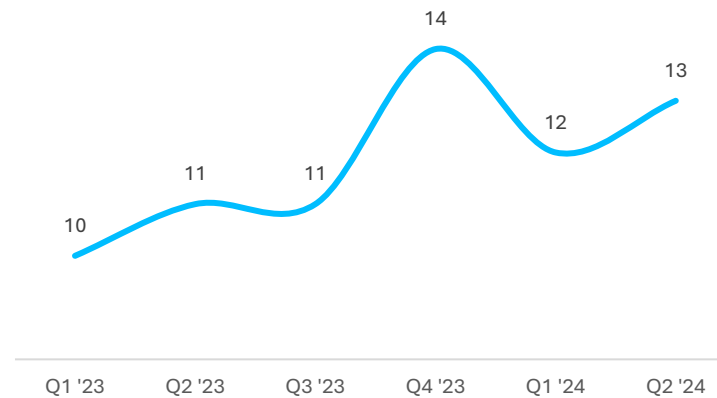
Generally, Higher Rates Mean Less Debt Debt-to-Capital Ratios for Public Tech Companies¹



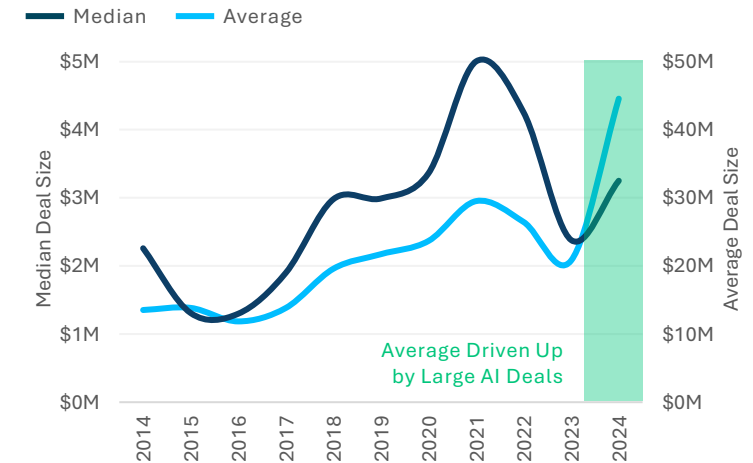
But with VC Down, Venture Debt Steps In US Venture Debt Deal Activity Over the Past Decade²



Debt Provides Bridge to Next Round Median Months of Runway Provided by Venture Debt for Late-Stage Companies³



Average Deal Sizes Spike in 2024 Median and Average Venture Debt Deal Size⁴





VC-Backed Tech Benchmarks

Raising Rounds and Shifting Goal Posts

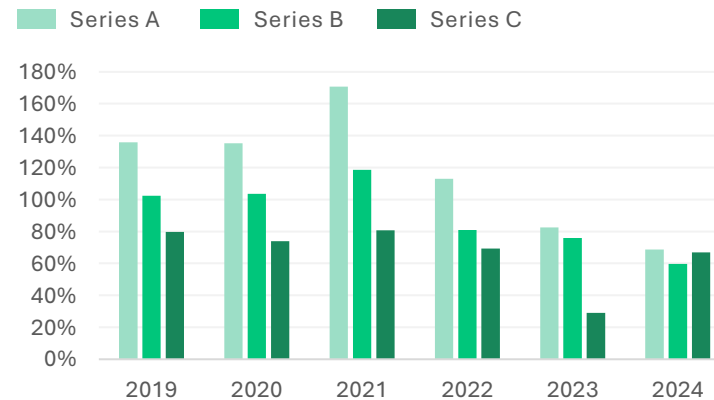
One of the most common questions we hear from founders is “what are the benchmarks for raising capital?” Unsurprisingly, the answer has changed over time. **Revenue growth is no longer as important as it once was.** In fact, the typical company raising a Series A is growing at 69% today. This is down from 171% YoY in 2021.

Managing burn is of utmost importance today. Among companies that raised capital in 2024, the typical Series B company only increased its burn 8% YoY. **This means that companies are growing, but they aren't growing their burn.** Companies that are raising are increasingly efficient. This is vastly different from companies raising in 2021 and 2022 that rapidly grew burn YoY in an environment where capital was easier to come by.

At the Series A we have also seen a significant increase in the median revenue companies have at the time of raise. The median Series A company now has a whopping \$2.5M in annual revenue — 75% higher than companies had in 2021. This has coincided with more companies raising multiple seed rounds and a bottleneck of seed-stage companies seeking to raise a Series A. There were fewer Series A tech deals done in 2024 than at any point in the last decade — those that are being done are the exception.

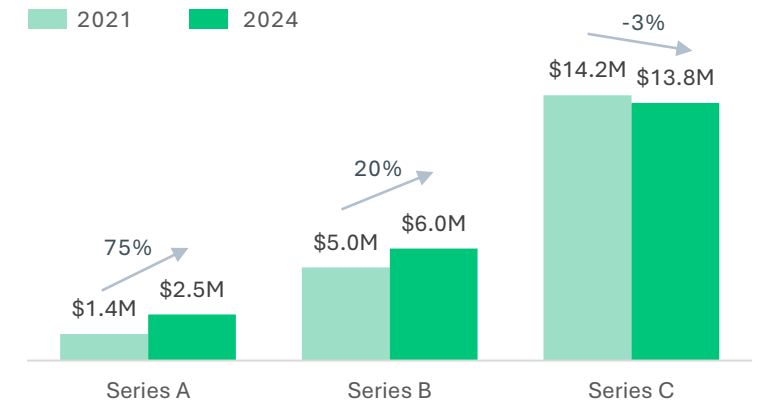
Companies Raise with Low Growth

Median Revenue Growth Rate at Time of Round by Year: US VC-Backed Tech Companies¹



Series A Benchmark Substantially Higher

Median Revenue at Time of Round: US VC-backed Tech²



Companies Have Managed Their Burn Pre-Raise and Post-Raise

Median Change in Burn for US VC-Backed Tech Companies Starting One Year Before Venture Round (Excluding Extension Rounds)



Notes: 1) YoY growth rate comparing annualized quarterly values; does not include extension rounds. 2) The annualized current run rate; does not include extension rounds.

Source: SVB proprietary data, PitchBook Data, Inc. and SVB analysis

The Yellow Brick Road to Profitability

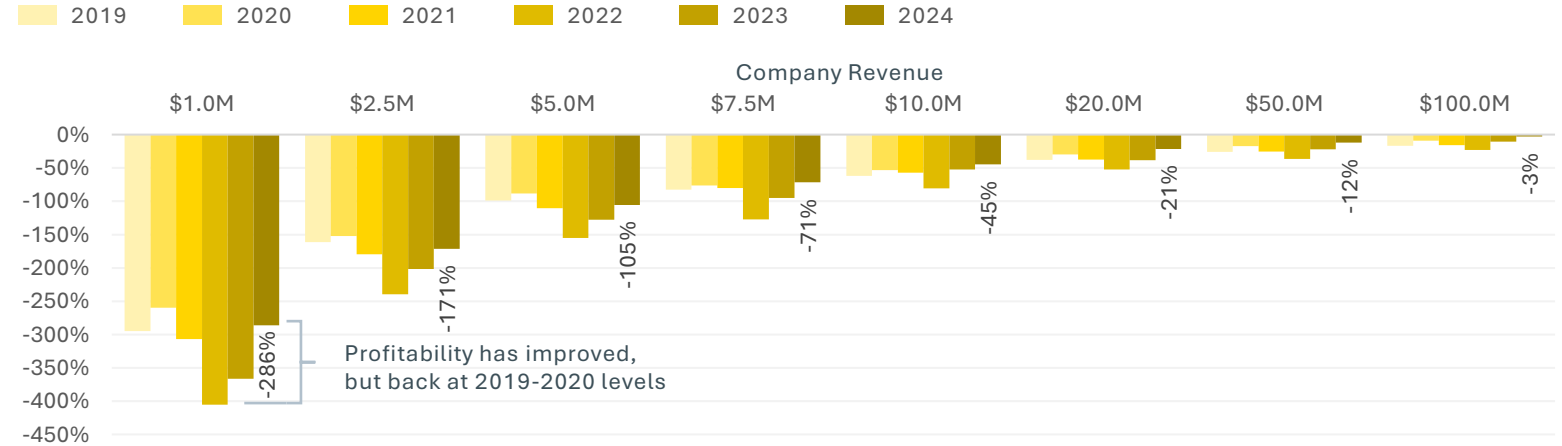
The long and winding road that leads to profitability may be shorter today than in 2021. More companies are approaching profitability and doing so sooner in their life cycle. This is not to say early-stage companies are profitable — far from it. The median VC-backed tech company with \$1M in revenue has a profit margin of negative 286%. But as the YoY increases in burn settle near zero and revenue growth rates continue (albeit slower), companies continue to trend toward profitability. In fact, the median VC-backed tech company with \$1M in revenue saw margins improve 119 percentage points since 2021.

The trade-off of lower burn and higher profitability is slower growth. When companies burn less, they spend less on marketing and expansion that drive the top-line growth. Therefore, in addition to exogenous factors like a slower economy and lower spending on new tech, growth rates have fallen.

Balancing growth and profitability is a tightrope all companies walk, but many have been falling off. The median Rule of 40 fell in 2022 and 2023, as growth rate declines outpaced the improvements in profit margin. **But 2024 marked an inflection point; growth rates leveled out and profitability continued to improve, which means companies are generally operating with better Rule of 40 metrics.**

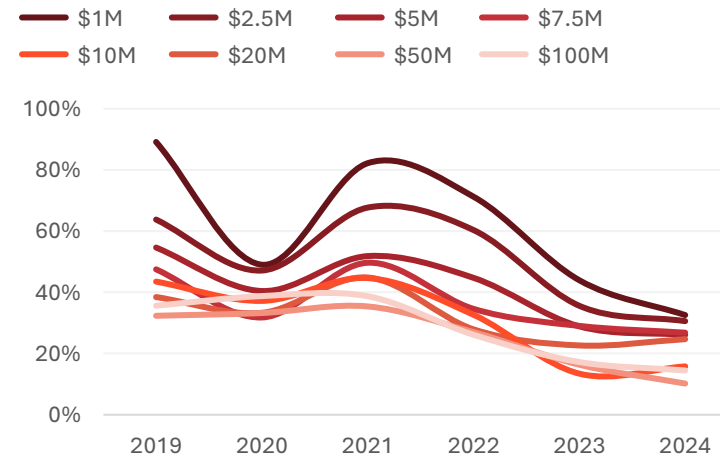
Tech Companies Are Closer to Profitability, Especially the Largest Companies

Median Profit Margin by Revenue and Year: US VC-Backed Tech Companies^{1,2}



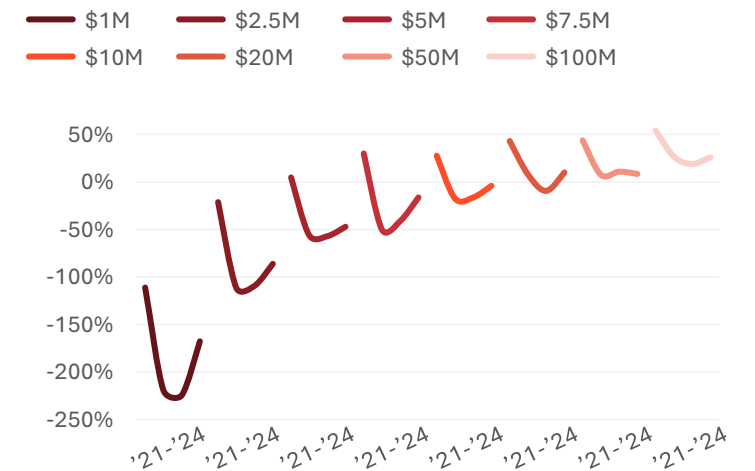
Growth Is Lower Than Ever

Median Annual Revenue Growth by Company Revenue Over Time^{1,2}



The Balance of Growth and Profitability

Median Rule of 40 by Company Revenue Over Time^{2,3}



Notes: 1) Year over year revenue growth. 2) Revenue corresponds to bins: \$1M-\$2.5M, \$2.5M-\$5M, \$5M-\$7.5M, \$7.5M-\$10M, \$10M-\$20M, \$20M-\$50M, \$50M-\$100M. 3) Rule of 40 is equal to revenue growth rate plus profit margin. Source: SVB proprietary data and SVB analysis.

Brother, Can You Spare a Dime?

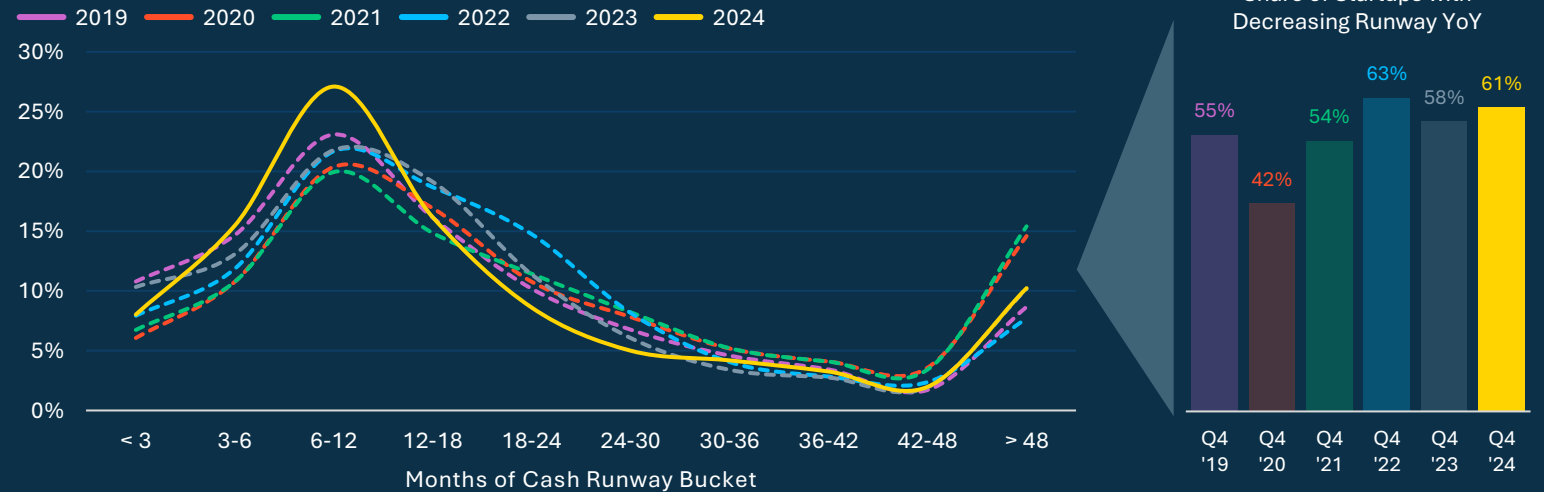
Cash has always been king. But right now, most startups' cash reserves would be lucky to be a prince. As investment remains subdued, companies are feeling the pinch. Most have cut where and what they can, but without investing in growth or being able to raise another round, startups have started to see their reserves dwindle. **Median runway for US tech startups has settled at 12 months in 2024 — the lowest level since 2019.** Furthermore, 61% of startups saw their cash runway decline from the previous year, the second highest share since 2016.

For those that have been fortunate enough to raise cash, they're raising far fewer months of runway compared to previous years. On a median basis, **startups are raising nine months less of runway compared to the boom times of 2021.** To be sure, some of this is supply driven with late-stage capital fleeing the ecosystem. It may also be demand driven, as startups have realized that all capital is not created equal, and there is such a thing as too much capital.

However, there are a mounting number of startups that need to raise in the coming months. It's estimated that half of cash-burning US tech startups will need to raise in the next year — similar to 2019 levels. While 2025 has brought more optimism that checkbooks will open, some companies are still likely to be grounded on the runway.

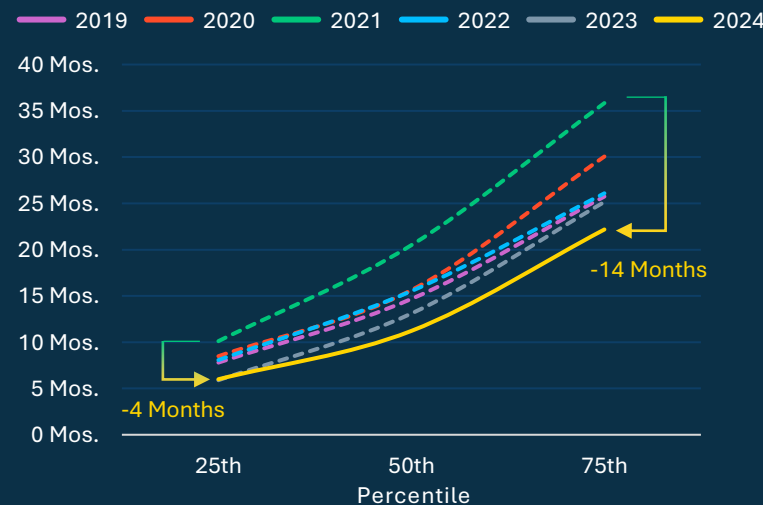
2024 Cash Runway Skews Lower

Distribution of Cash Runway for US VC-Backed Startups by Year and Buckets¹



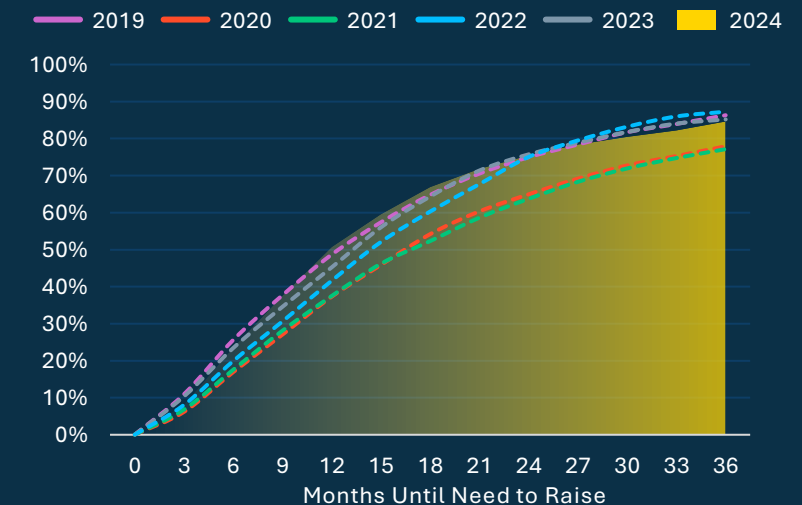
Cash Runway Raised Lowest in Last 5 Years

Median Cash Runway Raised for US VC-Backed Startups^{1,2}



More Startups Need to Raise in Next Year

Share of US VC-Backed Startups That Need to Raise Over Time¹



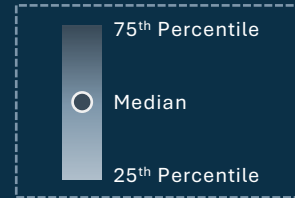
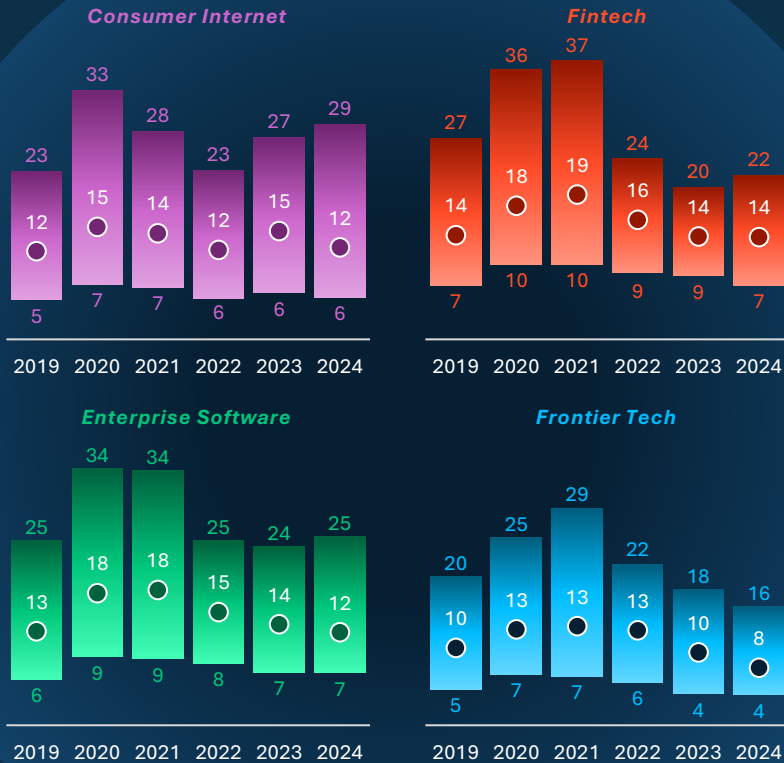
Notes: 1) Data for 2024 based on Q4 data where applicable. If Q4 is not available, then Q3 is used. 2) Cash runway raised determined by using current burn rates for companies with >100% increase in cash balance from the previous quarter and the company raised an equity round.

Source: PitchBook Data, Inc., SVB proprietary data and SVB analysis.

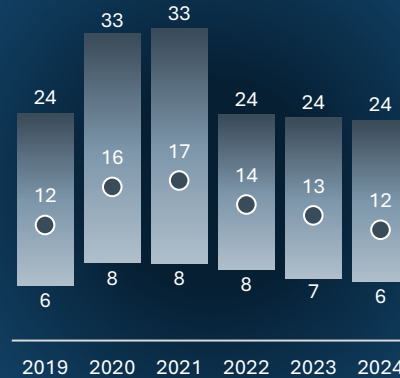
Cash Runway Continues to Fall at Early Stage and Across Sectors

Cash Runway Benchmarks by Sector and Revenue Band¹

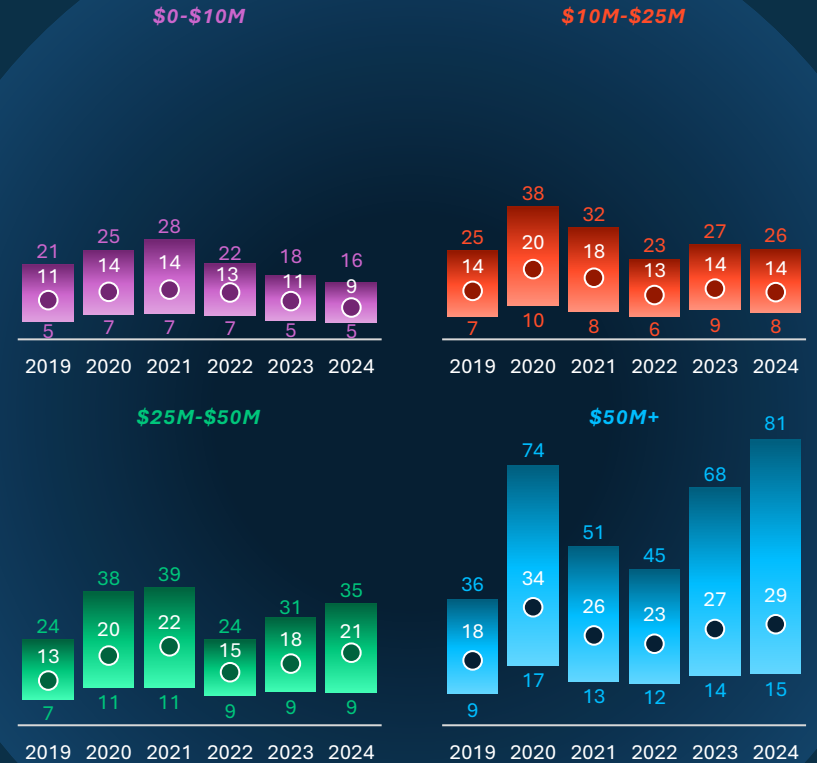
Sector



US VC-Backed Startups



Revenue





Exits

The Companies Are Not Alright

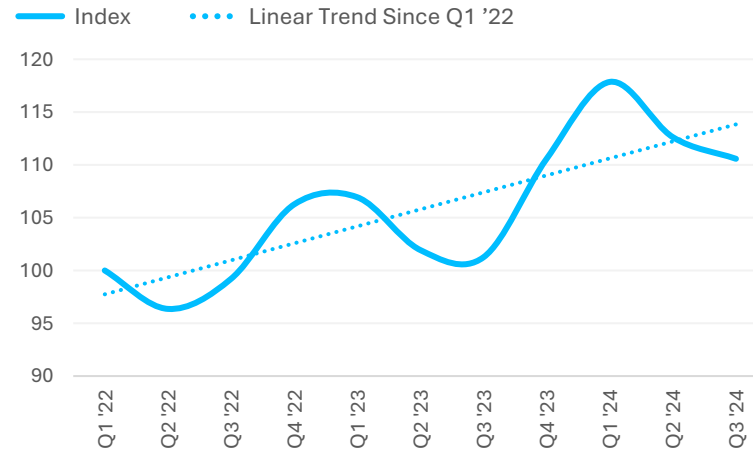
The VC slowdown is testing startups' resilience, particularly when it comes to managing debt. With less funding available, some companies are finding it harder to stay on track with repayments — a trend that evokes parallels to the early pandemic period.

Data suggests that at the end of 2023 and into 2024, more startups began having difficulty with debt repayments, a sign of financial trouble for these companies. While this peak has since eased, levels remain elevated, reflecting the ongoing adjustments many companies face in today's funding environment.

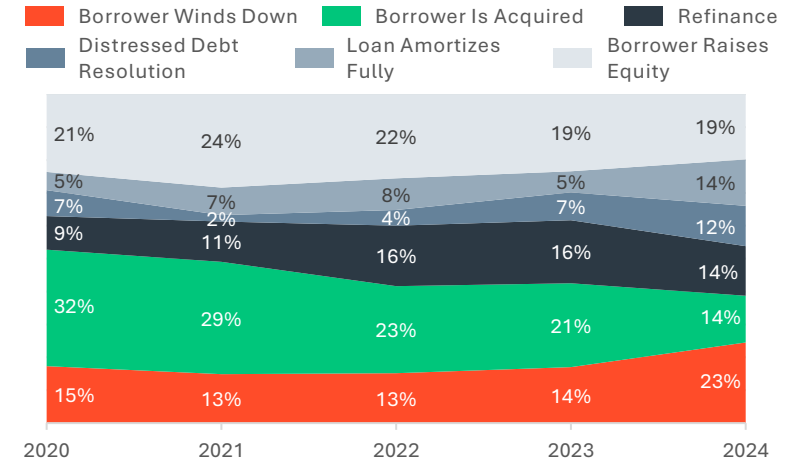
For startups encountering financial strain, options are more constrained than in previous years. **Acquisitions, whether full buyouts or tech-focused deals, have become less frequent. An increasing number of companies are winding down entirely.** Bankruptcy filings in Silicon Valley are on the rise, underscoring the harsh realities of operating in a capital-constrained environment.

Macro headwinds in the funding environment are creating a critical turning point for many companies. An increasing share of VC-backed startups is showing no growth or profit, forcing many to confront hard choices about their future. As the startup ecosystem contends with this wave of financial fragility, the question remains: How many will sink before the tide turns?

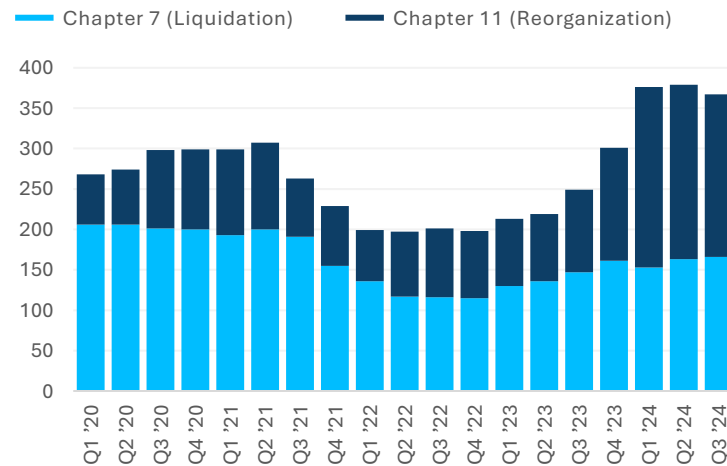
Uptick in Troubled Companies¹ Index of Total Number of US Troubled Debt Deals



More Companies Wind Down, Fewer Acquired² Distribution of Outcomes of Troubled Debt Deals²

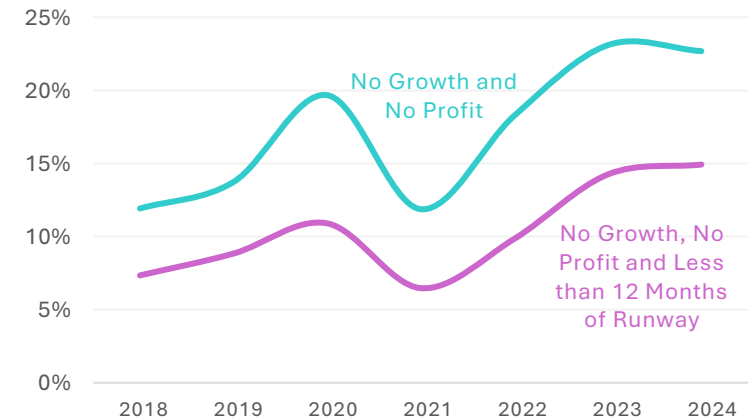


In Silicon Valley, Bankruptcies on the Rise³ Count of Bankruptcies in Silicon Valley, by Type



More to Come?³

Share of US VC-Backed Tech Companies with No Growth, No Profit and Less than 12 Months of Runway



Notes: 1) Two-quarter moving average. 2) Data for 2024 includes Q1-Q3 only. "Other" outcomes are excluded, so each year does not sum to 100%. 3) Silicon Valley includes San Francisco, San Mateo, Santa Clara and Alameda counties. Data includes bankruptcies across industries. Source: US courts, SVB proprietary data and SVB analysis.

Putting Old Unicorns Out to Pasture

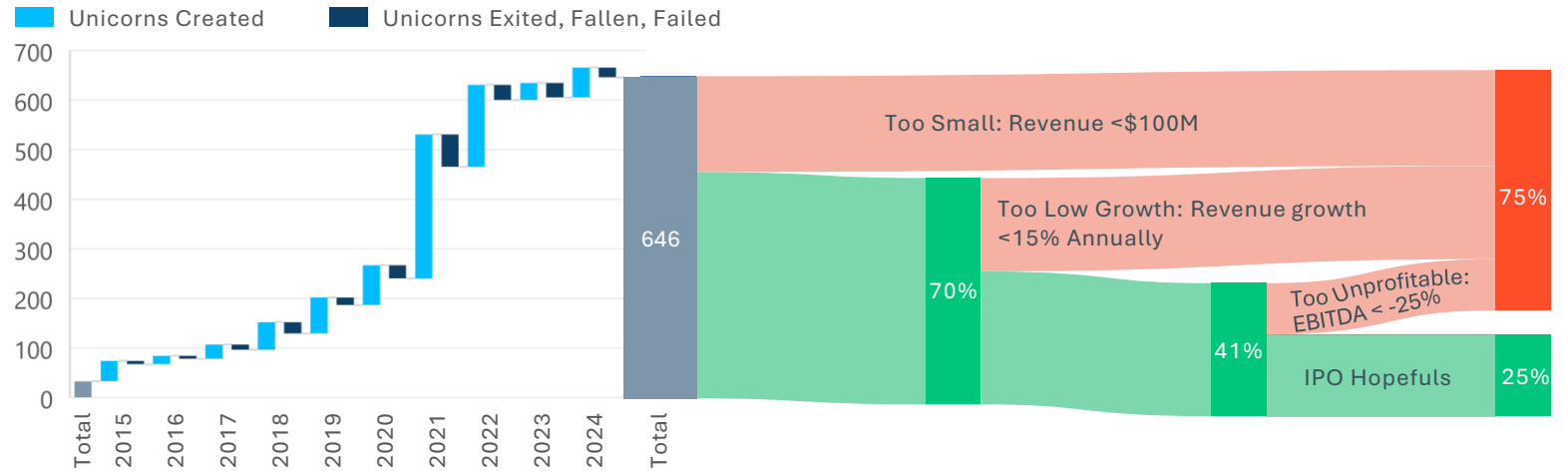
The herd of US VC-backed tech unicorns continues to grow, with few exiting, closing their doors, or taking a down round below \$1B post-money. With the growth of the herd, so too comes growing demand for liquidity.

Secondary markets and M&A activity may provide some liquidity to unicorns, but IPOs will need to play a key role as well. But the IPO bar is higher today, and few unicorns surpass it. According to Jordan Saxe, who oversees Nasdaq's listings in the Americas, to IPO "companies need high ARR (more than \$300M-\$400M NTM ARR) and good Rule of 40." Many US tech unicorns are simply too small to be likely IPO candidates. Thirty percent of US tech unicorns have less than \$100M in annual revenue. An even greater percentage are growing too slowly to be a compelling IPO. Nearly half of US VC-backed tech unicorns are growing slower than 15% annually.

Profitability is also an important factor. "You need to be profitable or have a clear path to profitability. If not, you will not get a warm reception from investors," Saxe said. **Even if we consider IPO benchmarks to be relatively low: over \$100M run rate for revenue, at least 15% YoY growth, and greater than negative 25% margin, only one quarter of the unicorn cohort are IPO hopefuls.** But it is hard to know exactly what the benchmarks are today. They are certainly higher than they were in 2021, but few have exited to establish new benchmarks.

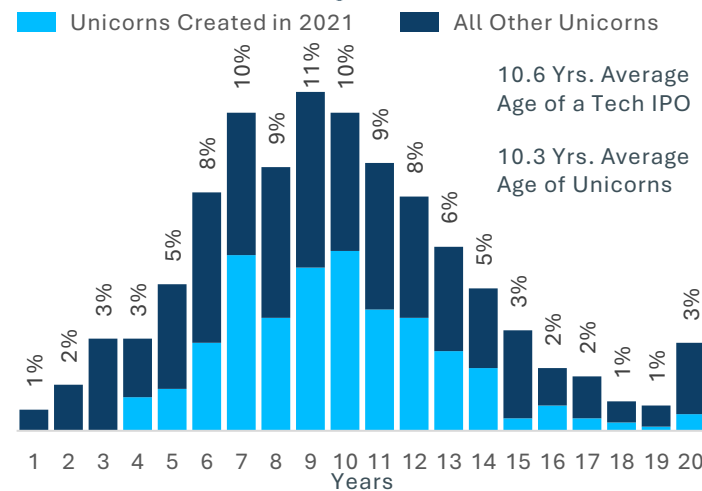
More US Tech Unicorns Than Ever, Most Are Unlikely to IPO

Total Number of US VC-Backed Tech Unicorns and Unicorn Cohort Breakdown of IPO Likelihood



Unicorns Are Skewing Older

Distribution of the Current Age of US VC-Backed Unicorns



Unicorns Worth More Than IPOs Since 2010

Tech IPO Since 2010 vs. Tech Unicorn Value¹



Notes: 1) Unicorn value is the last known valuation. Value of tech IPOs is the value at IPO.
Source: SVB proprietary data, PitchBook Data, Inc. and SVB analysis.

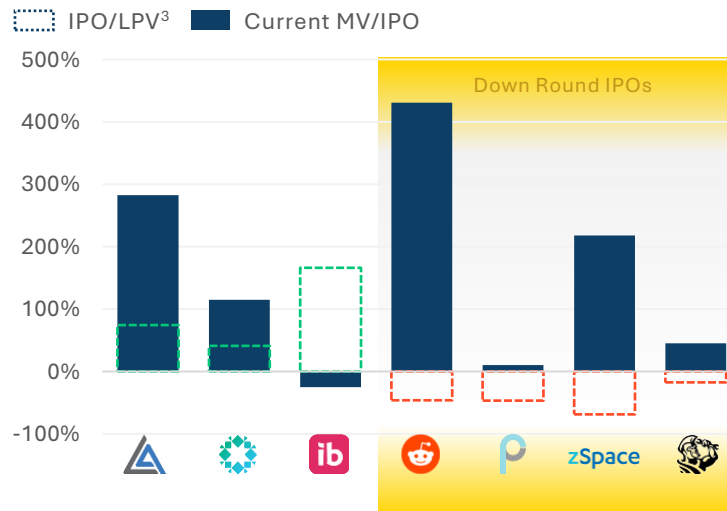
Don't Judge a IPO by Its Cover

Despite most investors calling for a thawing of the exit market (including us), the IPO window barely cracked open — a relative surprise considering US public markets were up 20%+ in 2024.¹ While the 2024 IPO cohort wasn't mighty in numbers, it was mighty in clout. Seemingly forever-private social media platform Reddit finally went public after eyeing an IPO for years. Notable startups like Rubrik, Pony.AI and ServiceTitan also went public.

So, what gives? Notably, **of the seven US VC-backed tech IPOs in 2024, four of them were down rounds** — a popular narrative among the investor community of why some startups don't want to exit. While down rounds seem unpleasant, they're not uncommon. Additionally, it is far from the whole story. **Successful companies (such as Block) have taken down round IPOs only to soar past previous private high-water marks.** It's also worth noting that with war chests still fairly full, most late-stage startups might not need the capital (even though investors would benefit from the liquidity). Despite this, still look for tech startups to test public waters should markets remain favorable.

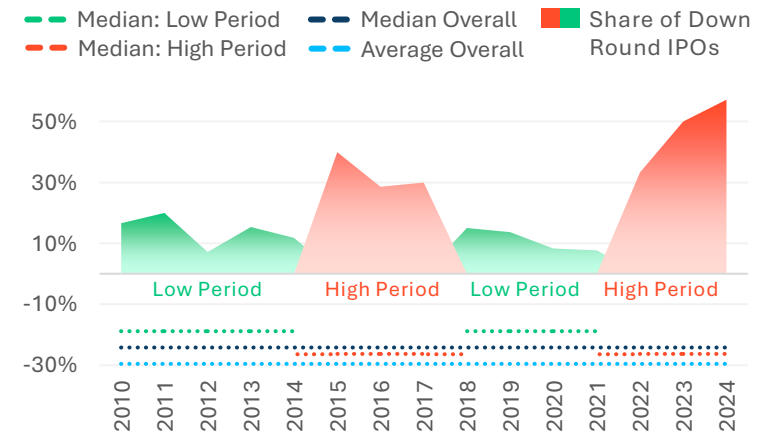
One additional wrinkle that may pressure startups to go public is IPO ratchet structures, which put startups on the clock to go public to minimize dilution impact should they trade below the hurdle price. Notably, both Block and ServiceTitan (both down round IPOs) had ratchet provisions.

Several Down Round IPOs This Year Performance Metrics of 2024 US VC-Backed Tech IPOs²



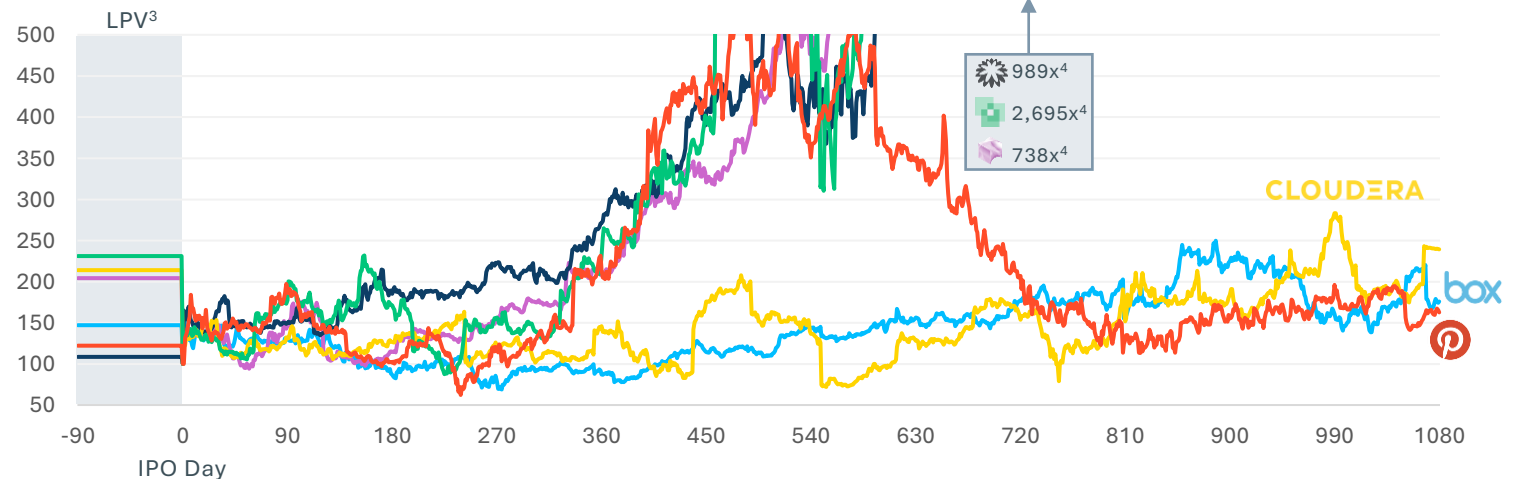
Down Round IPOs Tick Up

Share of Down Rounds for US VC-Backed Tech IPOs and Valuation Haircut Taken at IPO During Various Periods



Startups Can Still Clear Past Private High-Water Marks

Market Cap Valuation for First 3 Years of Notable US VC-Backed Tech IPO Down Rounds Since 2015 Indexed to 100 at IPO

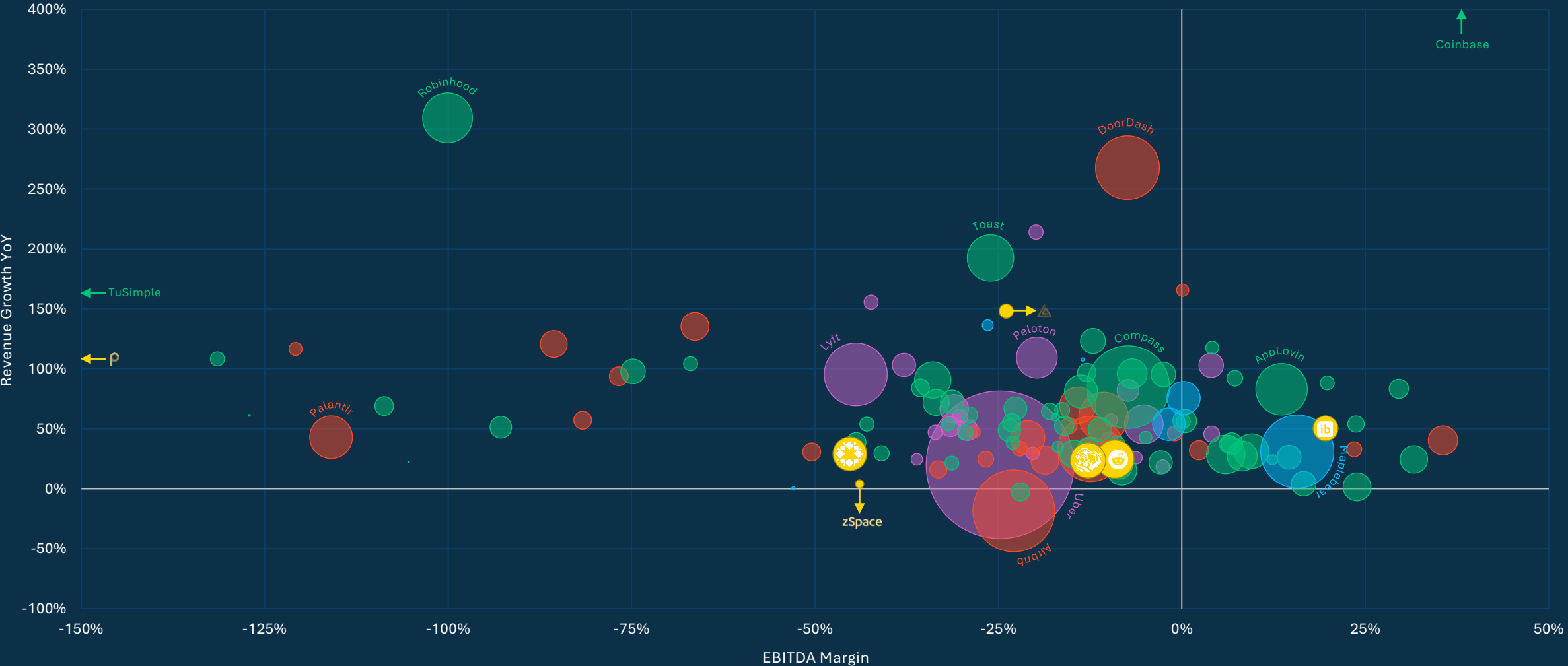


Notes: 1) Based on the S&P 500 price return from 12/31/2023-12/31/2024. 2) Company names in order of left to right: Astera Labs, Rubrik, Ibotta, Reddit, Pony.ai, zSpace and Service Titan. Performance data as of 12/31/2024. 3) Last private valuation. 4) Metric as of 1,080 days post-IPO. Company names in order of appearance: Coupa, Cardlytics and Block.
Source: PitchBook Data, inc., S&P Capital IQ, S-1 filings and SVB analysis.

Fundamentals Not Far Off from Past Cohorts Despite Higher Bar

Revenue Growth and EBITDA Margins for Recent US VC-Backed Tech IPOs^{1,2,3}

● 2019 ● 2020 ● 2021 ● 2022-2023 ● 2024 ○ Bubbles Scaled to Revenue Size⁴



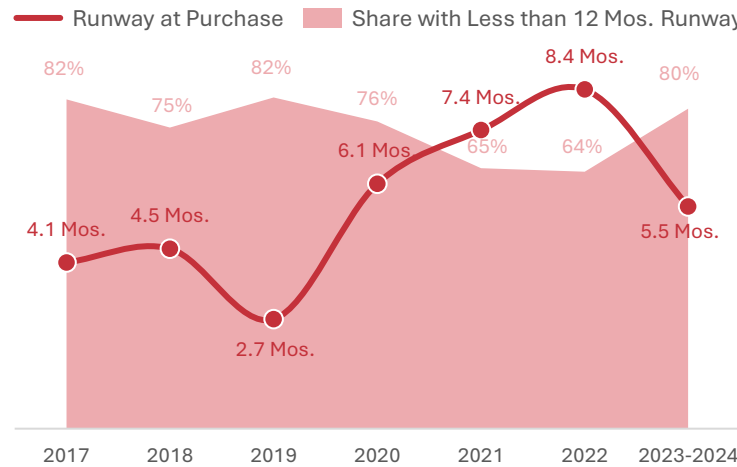
Notes: 1) Revenue growth determined using latest annualized quarterly revenue at time of IPO. If quarterly data is not provided, then the available time frame provided by the company is used. Earnings before interest, taxes, depreciation and amortization (EBITDA) margins determined using latest quarterly data at time of IPO. 2) VC-backed determined using SVB analysis of previous equity rounds. 3) Tech determined using SVB analysis and taxonomy. 4) Revenue size determined using revenue level provided by PitchBook Data, Inc.
Source: PitchBook Data, Inc., S&P Capital IQ, S-1 filings and SVB analysis.

SOS: Startups Hit Distress Signal

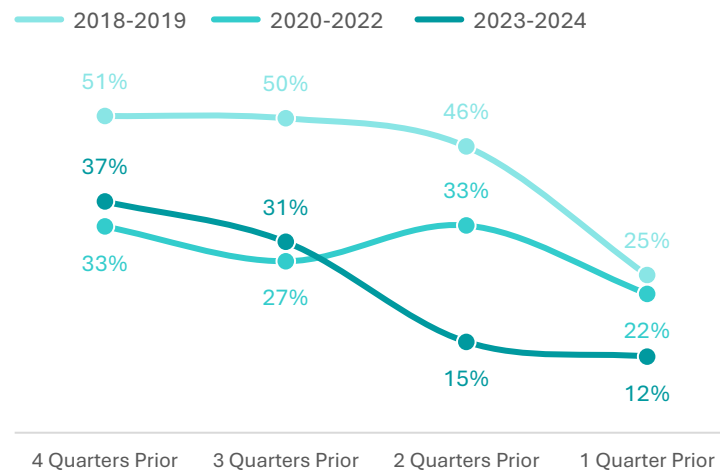
Companies are scraping to the bone when it comes to exhausting all options before exploring an acquisition. At least that's what it seems. To start, companies are being acquired closer to the end of their runway. **Median cash runway at time of acquisition fell 35% to just below six months, dropping for the first time since 2019.**

Financials tell a similar story. Pre-pandemic revenue growth hovered around 10% to 20% and EBITDA margins -80% to -100% at time of acquisition. Those figures (on a median basis) have slipped lower the past two years. In fact, revenue growth trends downward leading up to an acquisition. This is in stark contrast compared to the frothier times of 2020-2022. Revenue growth held fairly steady leading up to an acquisition, potentially suggesting that more deals were strategic rather than done out of necessity. In today's climate, more startups are likely forced to look for a new home and subsequently lose revenue sources leading up to that. Another data point that supports this thesis is the share of deals that report a valuation. **Out of nearly 900 US VC-backed M&A deals done in 2024, only 18% disclosed a purchase price.**¹ While data may be backfilled as more information becomes available, it's unlikely this number will reach peaks of previous years. In part, this is attributed to the fact startups are getting acquired for much less than what they raised and were valued at. See our previous analysis from last year's State of the Markets [here](#).

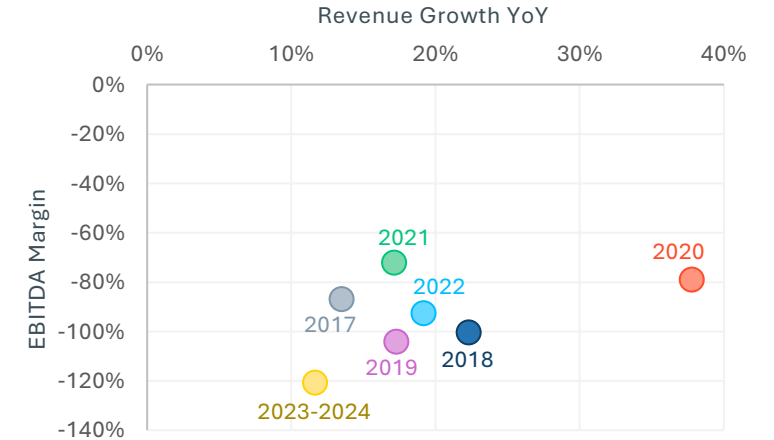
Startups Exhausting Runway
Median Runway and Share of Runway Below 12 Mos. at Purchase¹



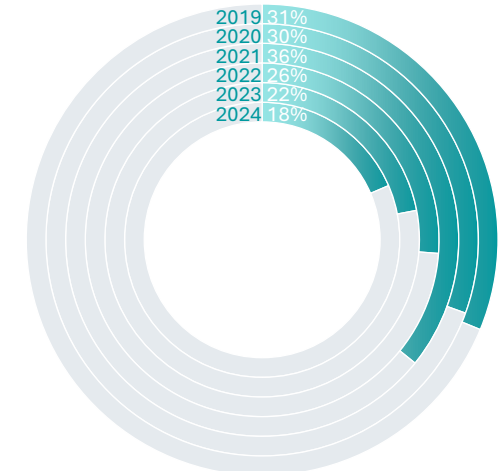
Growth Falls Sharply Leading Up to M&A
Median Revenue Growth Four Quarters Prior to Acquisition^{1,2}



Fundamentals Worse at Time of Purchase
Median Revenue Growth and EBITDA Margins at Time of Purchase for US VC-Backed M&A^{1,2}



Nobody Wants to Show Their Hand
Share of US VC-Backed M&A Deals With Disclosed Valuation¹



Notes: 1) VC-backed determined using SVB analysis of previous equity rounds. 2) Revenue growth determined by annualizing a company's revenue on its most recent statement.

Source: PitchBook Data, Inc., SVB proprietary data and SVB analysis.

Giving Secondaries a Second Thought

With the growth of unrealized returns and limited exit activity, GPs, LPs and employees are hungry for liquidity.

“Momentum is building within the ecosystem for alternative paths to liquidity,” says Eric Thomassian, Head of Private Company Relations at Forge Global.

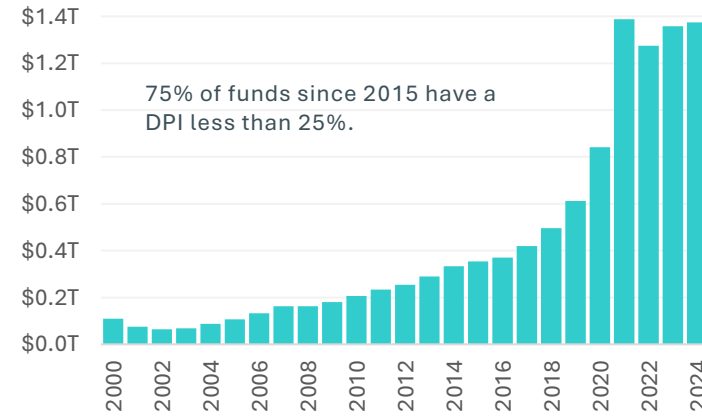
Enter secondary markets. GPs of venture firms are selling down positions to reduce exposure to bets placed in 2021, and to boost DPI before their next fund. In some instances, smaller GPs are selling off their entire portfolios. GPs at asset managers and hedge funds are using secondaries as an off-ramp for private exposure and reducing growth investing. Some LPs like family offices, pension funds and endowments are selling co-investments and fund interests. While employees are selling options.

But the secondary market is challenging, with its limited price transparency, inefficient price discovery, extended settlement cycles, high transaction costs and stock transfer restrictions. That said, it is increasingly more transparent and accessible with the rise of secondary exchanges like Forge Global, Nasdaq Private Markets and others. Furthermore, the growth of VC-specific secondary funds creates more opportunities for transaction.

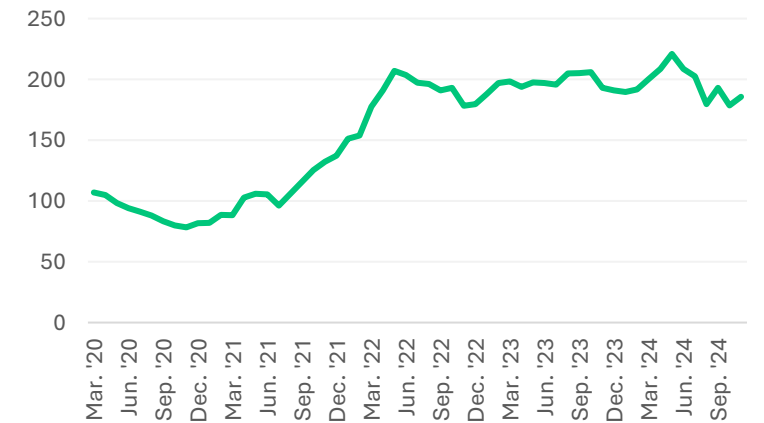
While secondary transaction volumes are elevated, 73% of investors have not participated in secondary markets.

There is still a lot of opportunity for growth as markets become more liquid and efficiency improves.

Cambrian Explosion of Unrealized Returns US Venture and Growth Unrealized Returns¹

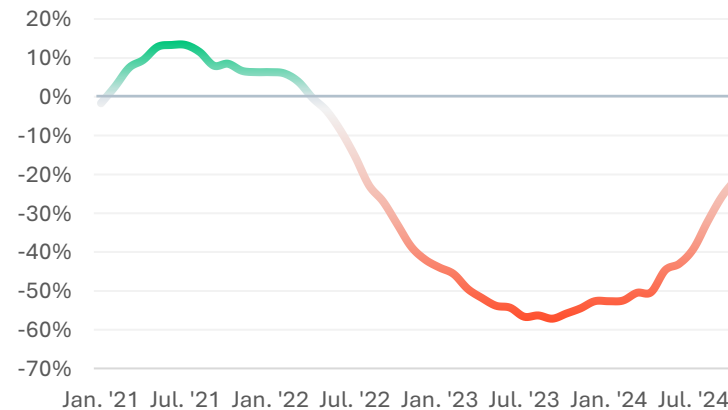


Secondary Volumes Remain Elevated Unique Issuers With Sell Indication of Interest (IOI) on Forge Global Secondary Exchange Trailing 3-Month Average



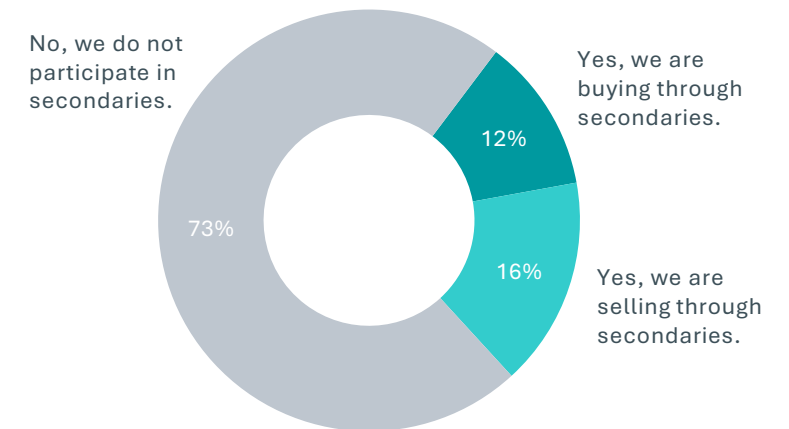
Secondary Prices Rebound

Median Discount or Premium to Last Round on Forge Global Secondary Exchange²



Majority of Firms Haven't Used Secondaries

Has your firm used a secondaries strategy during the market slowdown over the past three years?³



Notes: 1) Total unrealized returns in the US innovation economy as of year end; 2024 data as of March 2024. 2) Data smoothed using trailing six months. 3) Pitchbook Data, Inc. survey of global venture investors from 2024.

Source: Forge Global, Preqin, PitchBook Data, Inc. and SVB analysis.

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Marc Cadieux is president of Silicon Valley Bank's commercial banking business where he focuses on the needs of innovation companies at all stages of development, including the investors who back them.

Marc's career at Silicon Valley Bank, a division of First Citizens Bank, began in 1992. In the three decades since, he has held a variety of top credit and sales roles serving some of the world's most innovative companies. Most recently, he served as chief credit officer, appointed in 2013, and oversaw credit policy and process, credit underwriting, loan approval and portfolio management activities. He is a strong advocate of bank initiatives to expand opportunities for those who are underrepresented in the innovation economy. He serves as an executive sponsor for the company's employee resource group focused on women employees.



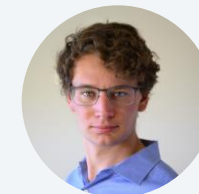
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Mark Gallagher is the co-head of the investor coverage practice. He and his team provide tailored services, industry insights and strategic guidance to top investors in the innovation economy.

Mark has served as a financial partner to venture capital firms and technology and life science companies for the majority of his career. During his 22-year tenure with SVB, he has been involved in a number of strategic projects and initiatives, most recently leading the corporate venture capital practice. He's held numerous leadership roles including head of the Northeast technology banking practice, head of business development in New England and several years running the Northeast life science practice.

A supporter and champion of the New England technology community, Mark serves as a board member for BUILD Boston and was formerly on the board of overseers for The Mass Technology Leadership Council (MTLC).

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