

Venture Monitor

The definitive review of the US venture capital ecosystem



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PitchBook Data, Inc.

NIZAR TARHUNI Vice President, Institutional Research and Editorial
PAUL CONDRA Global Head of Private Markets Research

Analysis

KYLE STANFORD, CAIA Director of Research, US VC
EMILY ZHENG Senior Research Analyst, VC
SUSAN HU Quantitative Research Analyst

pbinstitutionalresearch@pitchbook.com

Data

HARRISON WALDOCK Data Analyst

Publishing

Report and cover design by **DREW SANDERS, JENNA O'MALLEY,**
and **JOSIE DOAN**

National Venture Capital Association (NVCA)

BOBBY FRANKLIN President & CEO
SHILOH TILLEMANN-DICK Research Director
EVAN KELLER Director of Communications
ROBIN CEPPOS Communications Manager
KYLIE LAPSLEY Special Projects Manager

Contact NVCA

nvca.org
nvca@nvca.org

J.P. Morgan Commercial Banking

ANDREW KRESSE Co-Head of Innovation Economy
JOHN CHINA Co-Head of Innovation Economy
PAMELA ALDSWORTH Co-Head of Venture Capital Relationships
CARLY RODDY Co-Head of Venture Capital Relationships
GINGER CHAMBLESS Head of Market Insights

Contact J.P. Morgan

jpmorgan.com/innovationeconomy

Dentons Global Venture Technology and Emerging Growth Companies Group

VICTOR H. BOYAJIAN Global Chair

Contact Dentons

dentonsventurebeyond.com
victor.boyajian@dentons.com

EisnerAmper

PETER COGAN Managing Partner, Financial Services
www.eisneramper.com/vc

Contact EisnerAmper

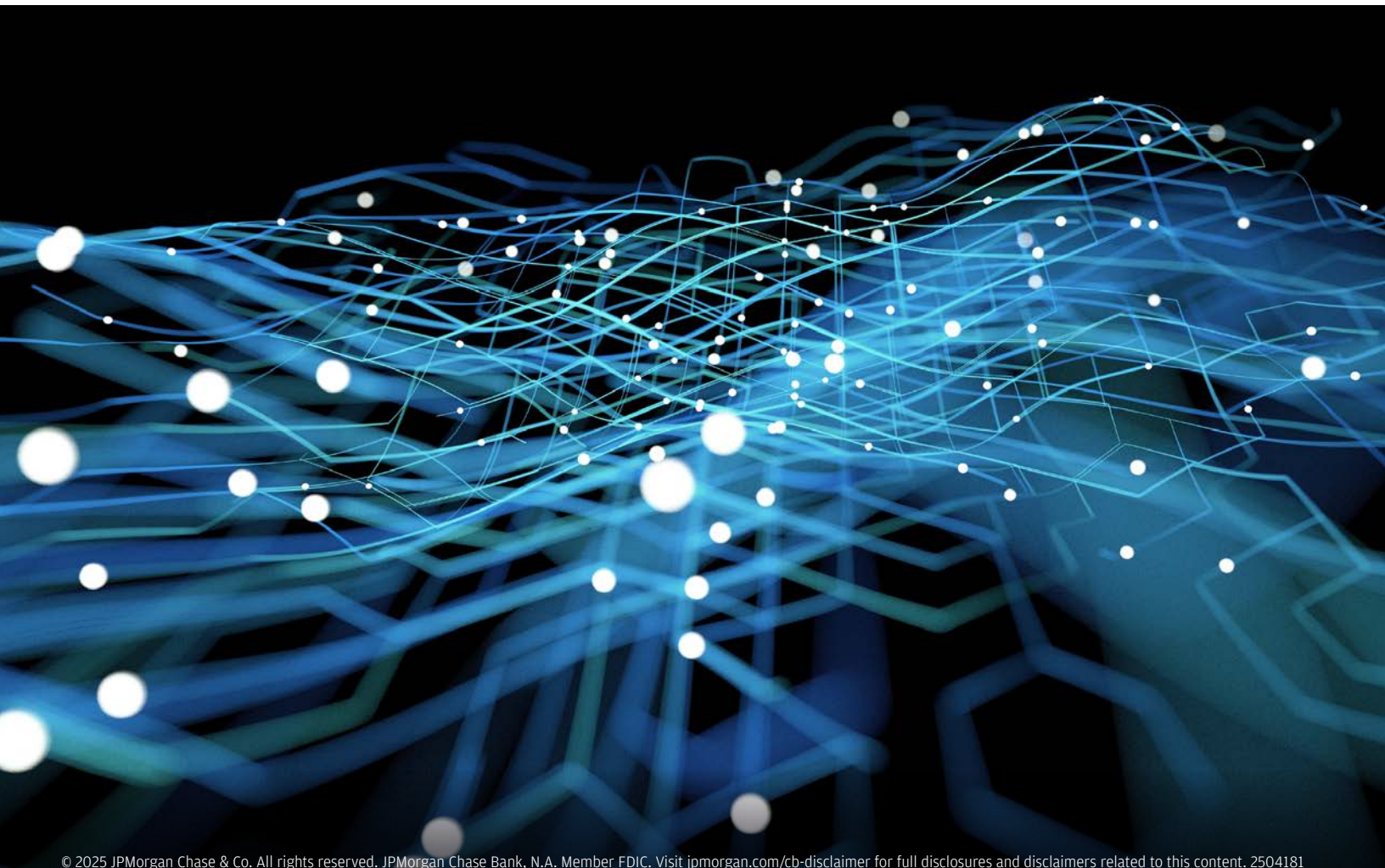
peter.cogan@eisneramper.com

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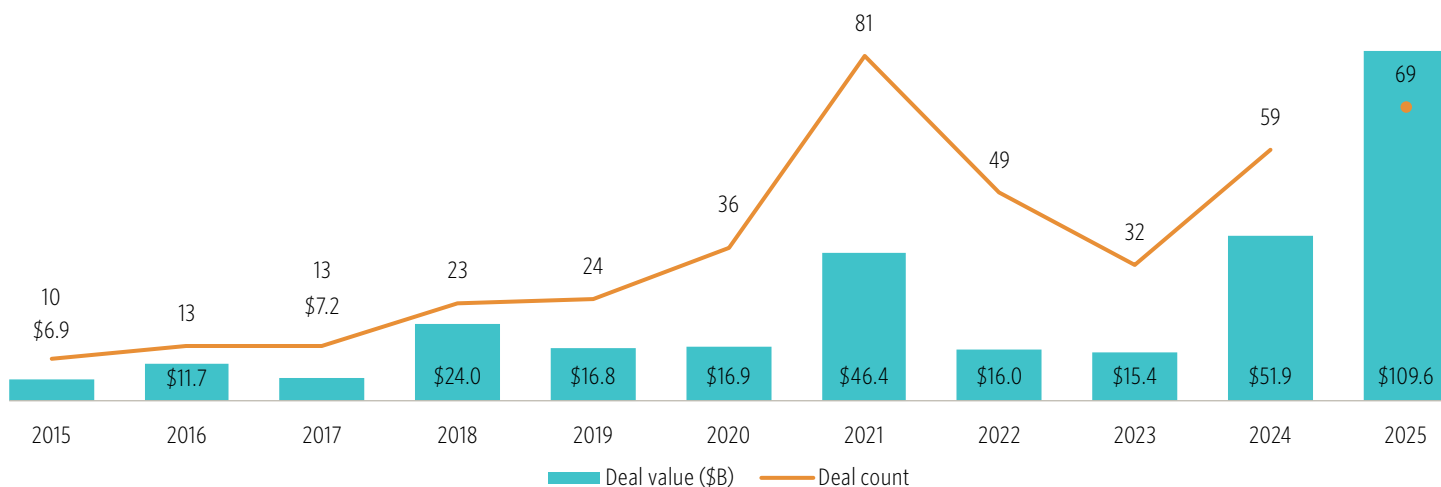
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Market overview

High-valued companies remain private

Private deal activity with post-money valuation of \$5 billion-plus



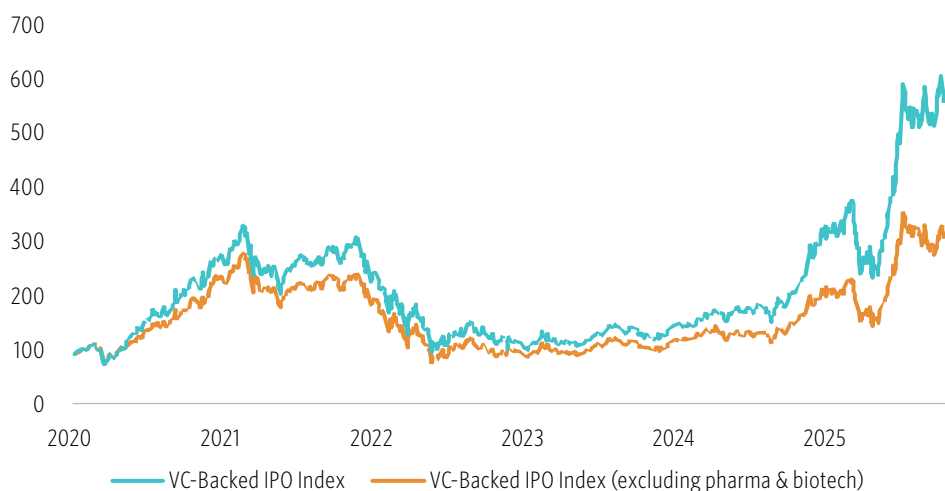
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Q3 2025 continued the hope of a rebounding IPO market, with Figma and Firefly Aerospace completing strong listings. Several large acquisitions kept the momentum of billion-dollar deals in 2025. However, the exit environment remained relatively subdued outside of a few newsworthy deals. A necessary consolidation is happening, as well as a sifting through companies that cannot maintain the high growth pace venture seeks. 2025 is on track for the second-highest number of completed exits ever, though 75% of acquisitions this year have occurred after reaching only Series A. Buyouts have also quietly increased, as private equity firms find many companies that cannot sustain high growth but have become profitable over recent years, aligning with the PE add-on strategy.

The IPO market continues to develop unevenly. Figma, Firefly Aerospace, Gemini, and Figure led Q3, but the rest of the startup listings were less headline-grabbing. With only

IPO indexes show positive trend

VC-Backed IPO Index (rebased to 100 in 2020)



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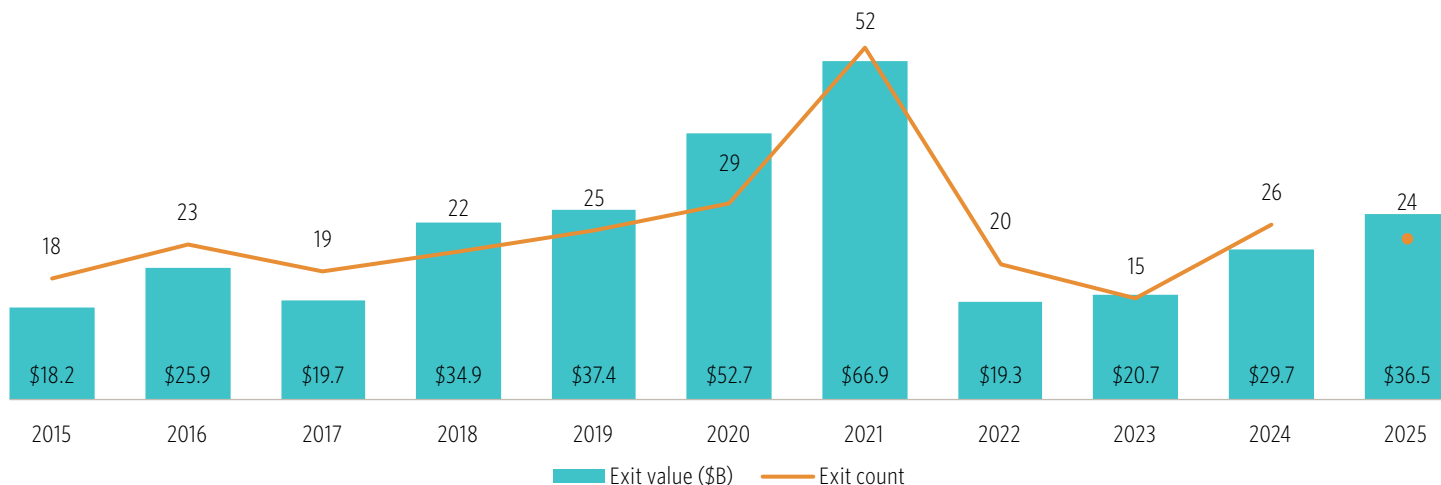
one quarter remaining, IPO activity remains on par with the past couple years, raising questions about the true strength of the current IPO market. There appears to be a clear divide between tech and healthcare (particularly biotech), with certain tech sectors, especially those aligning

with Trump administration policies, leading the way.

Through Q3, only eight pharma & biotech companies went public, sharply contrasting with the 22 biotech IPOs in 2024, which was already well below the decade average of 39. Similar to

Large M&A exits show growing buyer appetite

VC-backed M&A activity of \$500 million-plus



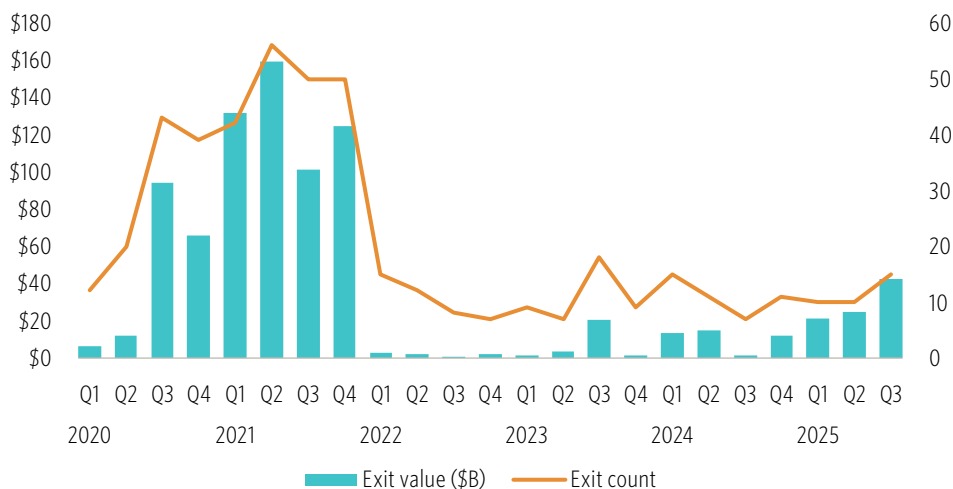
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the strong listings of crypto and AI companies this year, biotech firms are strongly influenced by Trump administration policies but face many challenges rather than opportunities. Uncertainty around future funding, potential price controls, and rhetoric questioning drug-based care and vaccine effectiveness have dampened market support, prompting companies to delay listings rather than risk poor performance.

Meanwhile, tech companies have leveraged public market support to achieve their strongest IPO year since 2021, representing 95.1% of the value created through initial offerings. However, few have been valued above their private market highs. Despite favorable conditions—low volatility and high multiples—valuation growth remains limited, highlighting the barriers many companies encounter. As tariff uncertainties diminish and rates stay low, additional momentum could develop, releasing trapped private capital.

Tech's IPOs are hot, biotech's are not

VC-backed IPO activity by quarter



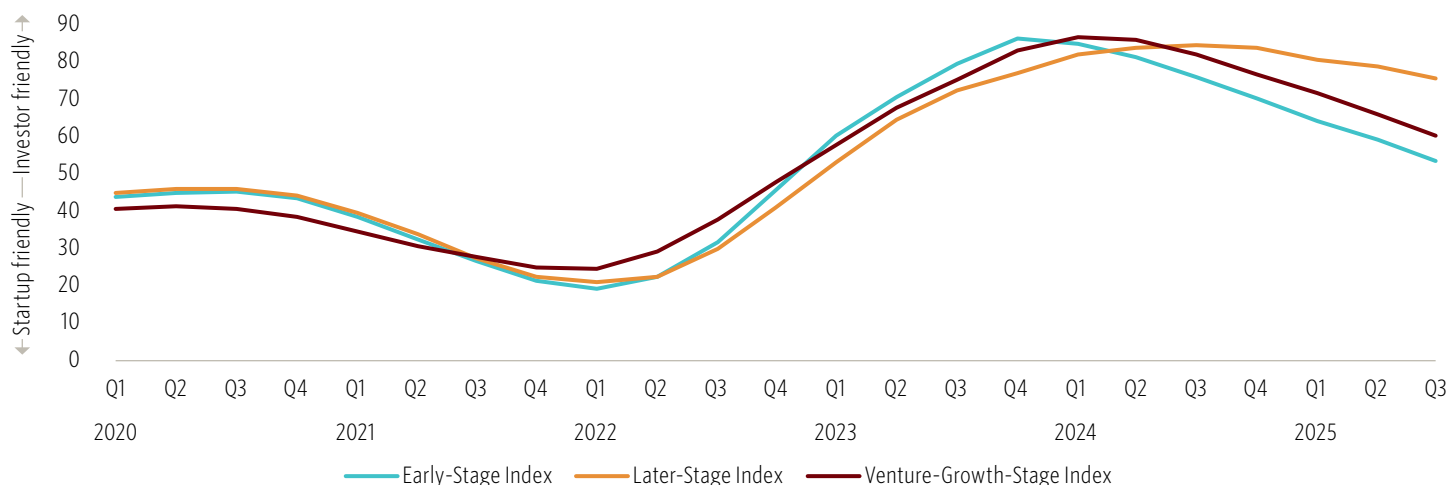
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AI has driven venture capital growth despite liquidity shortages. In 2025 thus far, VCs have averaged over 100 megadeals per quarter—a level not seen since 2021 and 2022—accounting for 70% of yearly deal value. Unlike previous years, most of these megadeals are without crossover

investor participation, with only 37% including crossovers, down from 60% in 2021 and 48% in 2022. This shift is partly due to the rise of megafunds and the move of large VC firms to Registered Investment Advisor status, enabling larger investments in higher-valued deals without the immediate

Market entrenched within investor-friendly territory

VC Dealmaking Indicator by quarter



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expectation of exits, thanks to new fund structures and debt options that traditional VCs might lack.

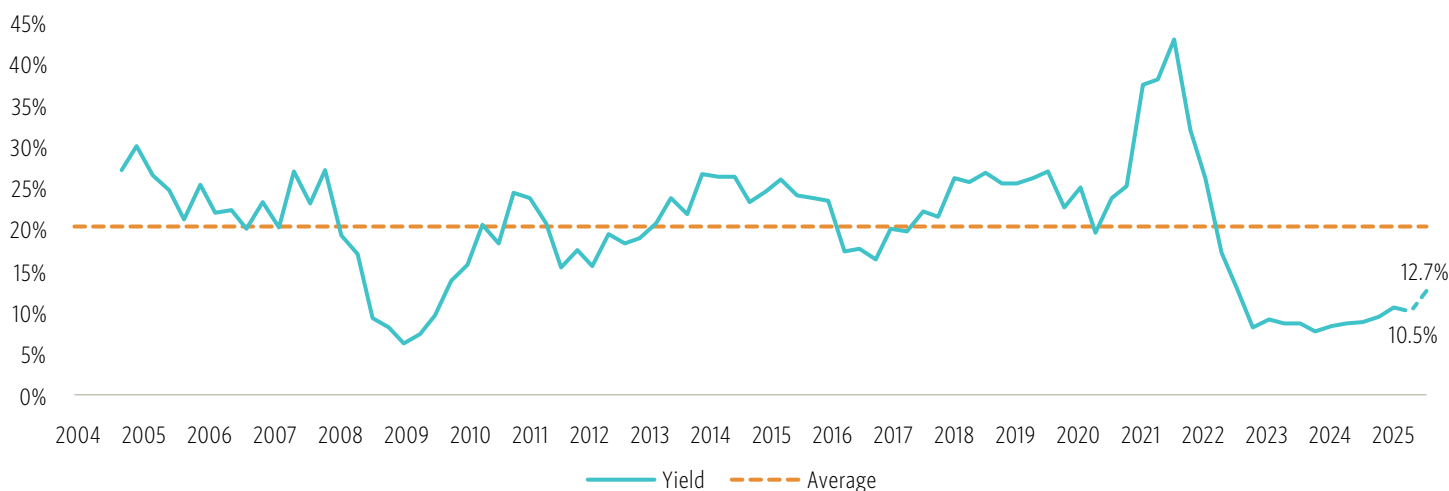
These market trends create a dilemma for limited partners. AI remains popular, and deal activity still demands large capital calls, but the lack of

liquidity is discouraging some LPs from reinvesting. The small amount of new commitments, which totals only \$45.7 billion through Q3, highlights the market's difficulties. As deal values near record highs and the exit market shows signs of recovery, fundraising is heading toward the lowest annual

commitment total since 2017. GPs are exploring ways to generate distributions. The use of secondaries continues to grow, and new ways to use continuation-style vehicles are starting to enter the market. Now, almost four years past the 2021 highs, the liquidity crunch is really beginning to be felt.

Distribution continues to improve

VC distributions as a share of NAV



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Note: The values for Q2 and Q3 2025 were estimated from venture exit values. Data is based on funds that are 5-plus years old. Methodology as of Q3 2025 has been updated to include interpolated fund returns.

NVCA policy highlights

Tax policy: OBBBA in action

On July 4, President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law. For the venture community, the outcome was a mix of wins and setbacks. Carried interest was left untouched, the Qualified Small Business Stock (QSBS) was expanded with tiered exclusions and higher per-issuer caps, and research & development (R&D) expensing was made immediate and permanent—retroactively benefiting smaller firms beginning with tax year 2022.

More concerning were provisions accelerating the phaseout of energy tax credits, restructuring the excise tax on university endowments, and removing the moratorium on AI-related tax proposals. These shifts create new uncertainties for investors and portfolio companies. Later this year, Congress could introduce additional tax proposals, and NVCA will remain vigilant in defending core venture priorities while navigating new revenue offsets.

Capital markets and regulation: Signs of progress

Several priorities advanced in Q3 that collectively reshape the fundraising and compliance environment. The DEAL Act moved forward in the House, offering greater flexibility for exempt reporting advisors handling secondaries and fund-of-fund structures. Additional legislation was introduced to expand the 3(c)(1) qualifying VC fund exemption, raising the investor cap to 500 LPs in early-stage funds—a significant modernization for capital formation.

Public company reform efforts also gained traction, with measures to reduce reporting burdens and extend the IPO on-ramp, making public markets more accessible for growth companies. Finally, the venture community secured a two-year delay in Anti-Money Laundering/Know Your Customer enforcement, pushing the compliance deadline past January 2026.

National security: A moving target

Attention is now turning to the National Defense Authorization Act for Fiscal Year 2026. Proposals under discussion could streamline procurement for defense technologies while also introducing provisions to restrict—or at least require notification of—US investment in certain Chinese technologies.

Small Business Innovation Research and Small Business Technology Transfer program lapses

Reauthorization negotiations have stalled due to disagreements among the six corners of the Small Business Committees and Science, Space, and Technology Committee. In early October, Senator Edward Markey called for a one-year clean extension, while Senator Joni Ernst sought a 30-day extension paired with controversial provisions—a \$75 million lifetime cap and stronger due diligence requirements outlined in her INNOVATE Act. The House previously passed a bipartisan one-year extension, and in early October, the four House corners expressed bipartisan disappointment with the program's lapse. NVCA is working with key legislators to find bipartisan paths toward reauthorization.

On the administrative side, President Trump issued a new executive order expanding outbound investment restrictions, while inbound capital flows continue to be reshaped by the America First Investment Policy Memorandum. Sovereign wealth fund activity also remains under close scrutiny.

Intellectual property: Rising federal pressure

Commerce Secretary Howard Lutnick has advanced a sharp reinterpretation of the Bayh-Dole Act. His proposal would let the government exercise “march-in rights” to claim up to half the profits from university patents developed with federal funding. Harvard has already been directed to provide a full accounting of its federally supported patents, and reports suggest the University of California system will be next.

Lutnick is also pushing for a complete overhaul of the US Patent and Trademark Office fee structure. Instead of fixed fees, applicants would face percentage-based rates tied to each patent's assessed value, ranging from 1%-5%. For universities, research institutions, and innovators, these changes pose both financial and strategic challenges.

Healthcare funding opportunity: Rural Health Transformation Program

The OBBBA, enacted in July 2025, created a \$50 billion Rural Health Transformation Program, providing \$10 billion annually to states from 2026 through 2030. Working with the Centers for Medicare & Medicaid Services, states must submit detailed plans to improve access to community healthcare providers.

Most-favored-nation development

Following President Trump's Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients executive order [released](#) in May 2025, he sent letters to leading pharmaceutical manufacturers outlining steps to lower US prescription drug prices to match the lowest offered in other developed nations. View the fact sheet [here](#).



Bobby Franklin
President & CEO
NVCA

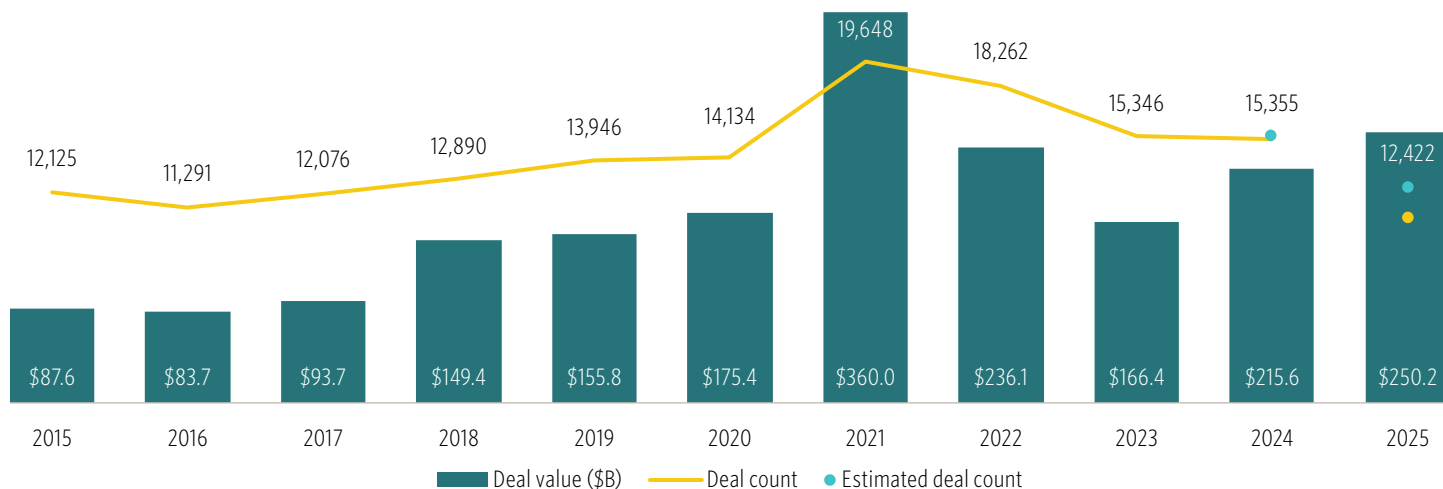
Bobby Franklin is the President & CEO of NVCA, the venture community's trade

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.

Dealmaking

2025 deal value through Q3 has already surpassed 2022-2024

VC deal activity



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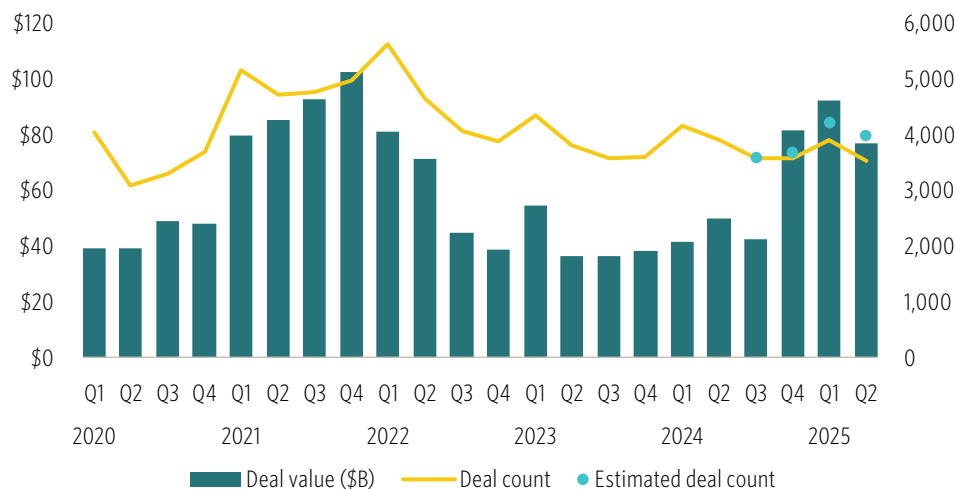
Dealmaking activity warmed slightly with a 4.9% QoQ increase in deal value. In Q3 2025, VC firms deployed \$80.9 billion across an estimated 4,208 deals. This quarter was defined by AI exuberance and capital concentration in outsized deals, which have been prominent themes throughout this year. Venture's bifurcation between elite startups with seemingly unquenchable private investor demand and those struggling to attract capital continues to grow as the liquidity crunch persists.

Investor conviction has been increasingly concentrated in AI & machine learning (ML). This sector accounted for 64.3% of venture deal value in the year to date, despite representing only 37.5% of deal count. Similarly, unicorns have dominated deal value, capturing 56.8% of dollars with just 2.7% of deal count.

Nine billion-dollar-plus financings accounted for nearly 40% of Q3's deal value, emphasizing the stark

Dealmaking continues to be concentrated in outsized deals and AI

VC deal activity by quarter



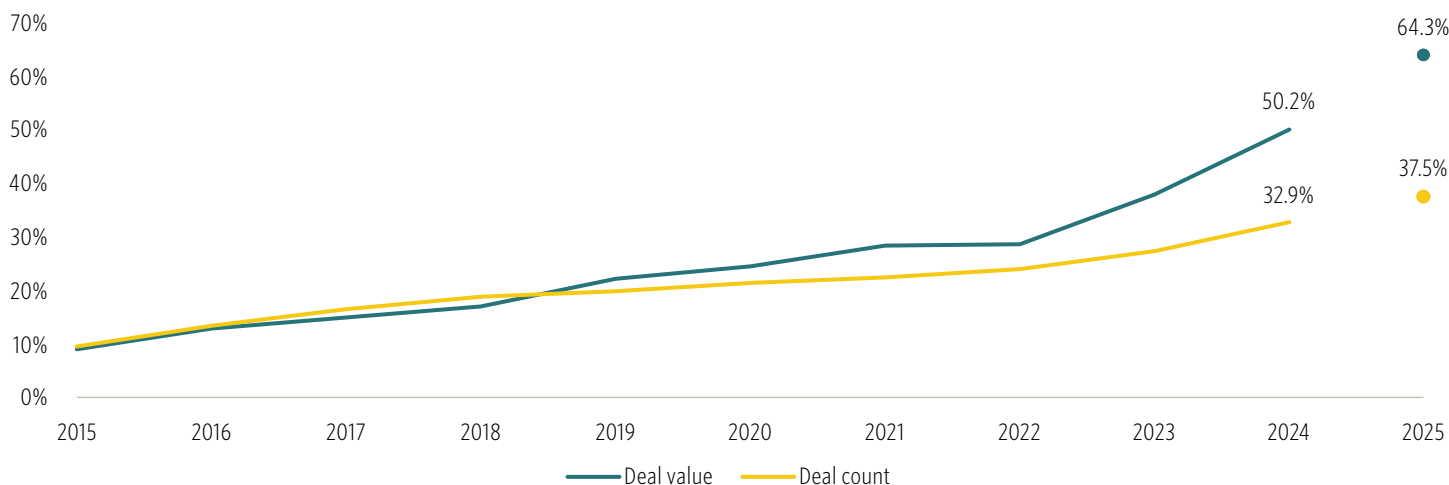
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difference between the haves and have-nots. Many also shared notable similarities as AI companies that have seen tremendous valuation growth in a short time. For example, data analytics platform Databricks raised \$1 billion

at a \$100 billion post-money valuation in September, a 61.3% increase from its Series J in December 2024. AI R&D company Anthropic's \$13 billion Series F led to a \$183 billion valuation, which is nearly triple its previous Series E

Sustained investor conviction in AI

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



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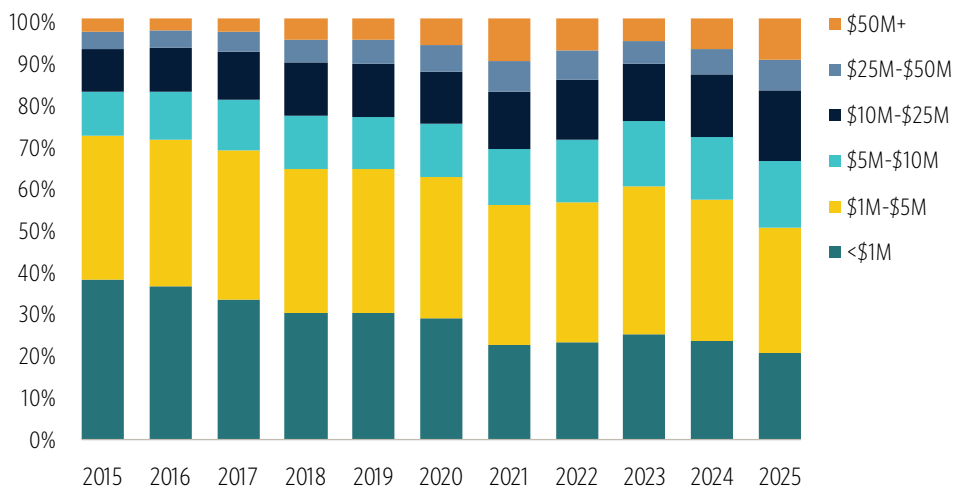
valuation from six months prior. In July, AI model developer xAI secured \$10 billion in debt and equity, resulting in a \$75 billion valuation that is 50% greater than its previous round in November 2024.

These staggering figures are not without reason. After all, the race to meet soaring demand and compete with rivals requires significant funding, especially given the high cost of securing top talent, buying chips, and building infrastructure. Yet as company valuations climb ever higher, so, too, does the pressure to deliver outsized returns, raising the bar for what these businesses must ultimately generate for their investors.

Dealmaking outside of these select standouts has continued, though many startups face headwinds. The share of sub-\$5 million rounds fell to 50.3% of

Declining share of sub-\$5 million deals

Share of VC deal count by size bucket



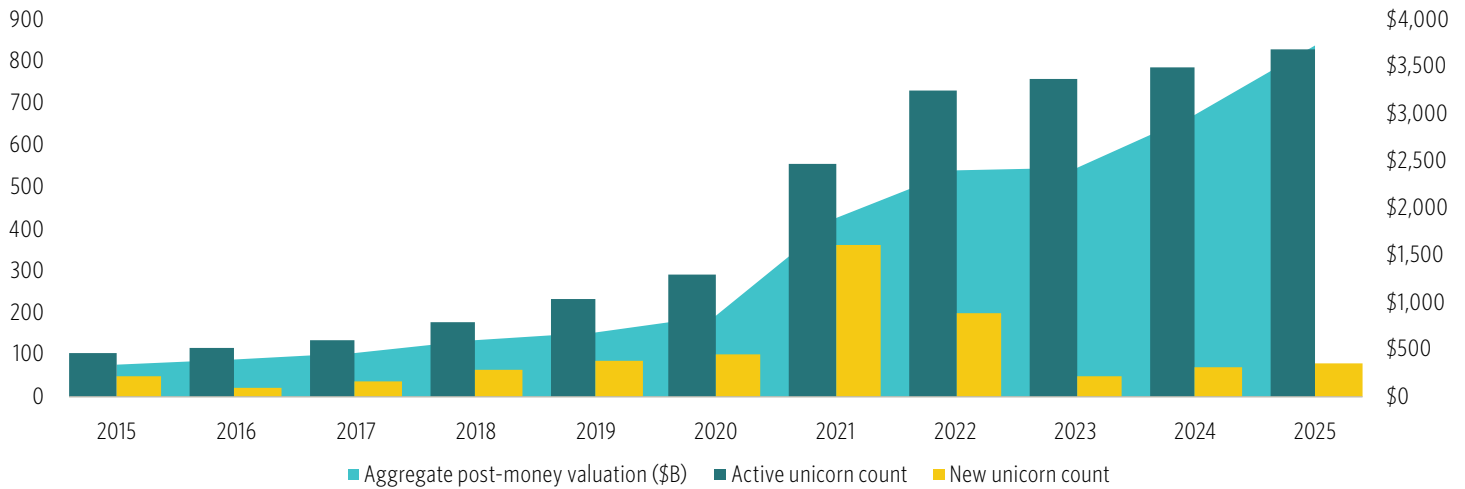
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all VC deals in 2025, down from 57.0% in 2024—a decade low that illustrates how selective capital allocation has become. Plus, many founders are opting

for larger raises to extend their runways and defer future rounds until the market is hopefully more startup friendly.

As companies stay private, unicorn market value balloons past \$3.7 trillion

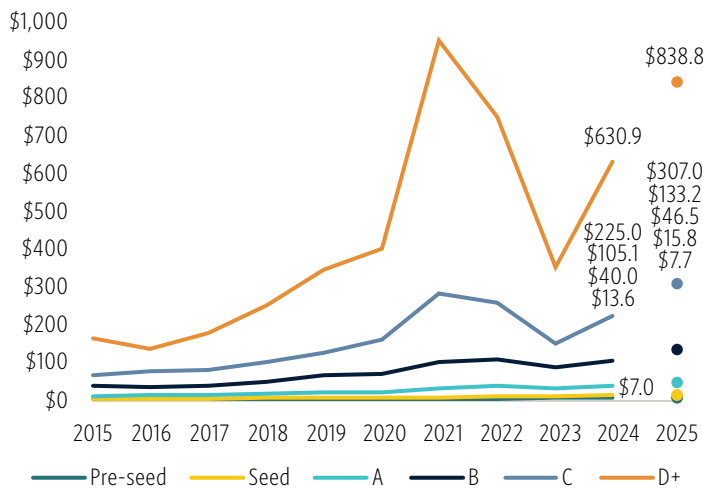
Unicorn count and aggregate post-money valuation



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Median pre-money valuations have climbed across the board

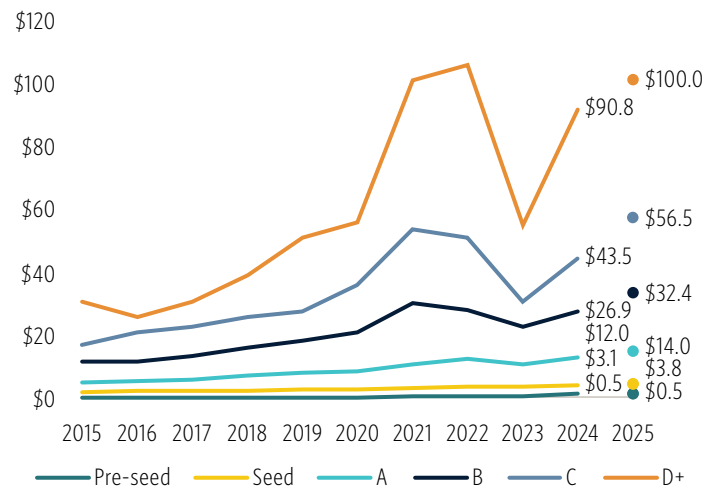
Median VC pre-money valuation (\$M) by series



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Median deal size increased for all series

Median VC deal value (\$M) by series



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A WORD FROM J.P. MORGAN

Our views on venture

"With the acceleration in deal activity in recent months, the tone across venture is looking up. Strong performance of the latest wave of tech IPOs is bolstering confidence for others in the pipeline, and M&A activity is also rebounding. While there is still a long way to go in some areas of the market, recent developments are encouraging to see."

Carly Roddy

Co-Head of Venture Capital Relationships

The gears are starting to shift in venture

There is cautious optimism that the improved market environment for venture-backed exits can ease the pressure that's been building in the ecosystem for resumed recycling of capital. This is an important light at the end of the tunnel after VCs have spent much of the last three years triaging portfolios amid challenged exit markets. While more markdowns are expected this cycle, improved clarity on current market valuations is providing a better decision-making framework for both investors and founders.

VC mindsets appear to be shifting, and activity is picking up. AI and related industries continue to lead the market and reshape capital flows across all stages of the venture capital lifecycle. For example, a mere 10 companies in the sector garnered 41% of all venture investment dollars year-to-date.¹ While implications of this dynamic will take time to play out, history tells us significant market concentration carries risks.

Investment activity in other sectors reflects prevailing geopolitical considerations and national security priorities: cyber, supply chain resilience, defense tech, and robotics.

The fog of market uncertainty is lifting

Heading into the final months of the year, businesses, consumers, and investors appear to be successfully navigating the rapidly evolving policy and macroeconomic backdrop. Resilient consumer spending and corporate earnings, clarity on tax policy, and lower interest rates have all bolstered investor sentiment and business confidence in recent months. While some areas of trade policy remain fluid, the range of potential outcomes has narrowed. There is less concern an all-out trade war will drag the US into recession.

Our US macroeconomic forecasts have improved since the aftermath of Liberation Day but remain below our initial full-year outlook as higher tariffs have been headwinds to growth. Estimated GDP growth of roughly 2% for full-year 2025 would be in line with long-term trend but the slowest since the pandemic.

The resumed easing cycle and lower interest rate outlook are also helping market sentiment and supporting the acceleration of IPO and M&A activity. After the Federal Open Market Committee lowered the federal funds target rate by 25 basis points at its September meeting, we expect two more rate cuts before year-end and an additional cut in January 2026.



Ginger Chambliss

Head of Market Insights,
Commercial Banking

Ginger Chambliss is a Managing Director and Head of Market Insights 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

Co-Head of Venture Capital Relationships

Andy Kelly

Managing Director, Venture Capital Relationships

Questions remain about Federal Reserve (Fed) independence and how fiscal deficits may influence longer-term rates, which are more relevant for market activity and valuations, over time. So far this year, 10-year Treasury yields have moved lower and directionally in line with the Fed's expected easing path. A stable- to lower-interest-rate environment should provide further support to the macro environment, investor sentiment, and equity valuations. Meaningful small-cap outperformance since July has demonstrated how lower interest rates can benefit company valuations and improve market breadth.

The latest wave of tech IPOs has delivered strong debuts

Momentum in the IPO market accelerated post-Labor Day, further

¹: "41% of All VC Dollars Deployed This Year Have Gone to Just 10 Startups," PitchBook, Rosie Bradbury and Jacob Robbins, August 8, 2025.

opening the window for issuers. Deal counts and volumes are tracking at the highest levels since 2022, with a diverse set of issuers from various sectors and growth profiles. Pricing outcomes have been sequentially strengthening, with most deals in August and September pricing above the midpoint of marketed ranges. September was the most active month for IPOs since 2021.

Tegh Kapur, a managing director and co-head of JPM's Technology Equity Capital Markets team, expects the IPO calendar to stay active in coming months, provided the macro backdrop remains supportive. There is a large pipeline of scaled, profitable, and/or high-growth companies that are encouraged by the recent performance of IPOs, and readiness activities are the highest in four years.

Kapur notes strong performance of recent tech IPOs reflects robust institutional investor demand for high-growth stories. Retail investors are also adding significant—yet short-lived—pops in aftermarket trading of new issuances. This is an important and evolving factor that will likely influence future pricing and trading expectations.

Trading volatility aside, measured valuations at pricing remains the most important factor for the long-term stability and outperformance of future IPOs. We have observed that roughly half of recent venture-backed tech IPOs have priced at discounts to their latest private round, with conservative public peer discounts.

Alongside valuation discipline, investor due diligence processes remain in line with historical norms. While involvement of cornerstone investors

has been case by case, we have seen approximately one-quarter of IPOs in the third quarter include a cornerstone investor. We are also seeing active engagement from a broad range of investors—mutual funds, hedge funds, and family offices—but not an unusual willingness to stretch on terms. This is a key reason we expect the momentum in the IPO market can be sustained.

Tech M&A is also accelerating

After a few years of subdued volumes, M&A in the tech sector is experiencing a strong rebound. Despite lingering uncertainty around trade deals and geopolitics, the resilient economic backdrop and lower interest rate outlook have bolstered business optimism and boardroom confidence. With equity markets near all-time highs, companies are increasingly motivated to push ahead with strategic plans.

The revival in tech sector M&A has outpaced the broader market as tailwinds from AI, cybersecurity, and consolidation transactions drive activity. With significant capital flowing into AI this year and a competitive sense of urgency to scale, Big Tech is actively pursuing talent acquisitions and licensing transactions to fill product gaps. Relatively nascent AI companies are being approached by strategics keenly focused on adding to their teams and technology. This could persist into next year as the AI race picks up speed.

Secondaries markets activity on the rise

With the recovery in tech IPOs and M&A in early innings, the need for

alternative liquidity sources for employees and early shareholders remains high. In this regard, secondaries are playing an increasingly important role in later-stage private markets—a trend we expect to continue as startups are staying private for longer.

Like other areas of venture, secondary market activity this year has been highly concentrated in the top names in favored sectors such as AI, robotics, and crypto.

Although AI has dominated the headlines and garnered the majority of venture investment dollars year-to-date, the sector has comprised somewhat less of secondary transaction volume this year on a relative basis. These companies tend to have strict transfer restrictions and shareholders who are reluctant to sell stock.

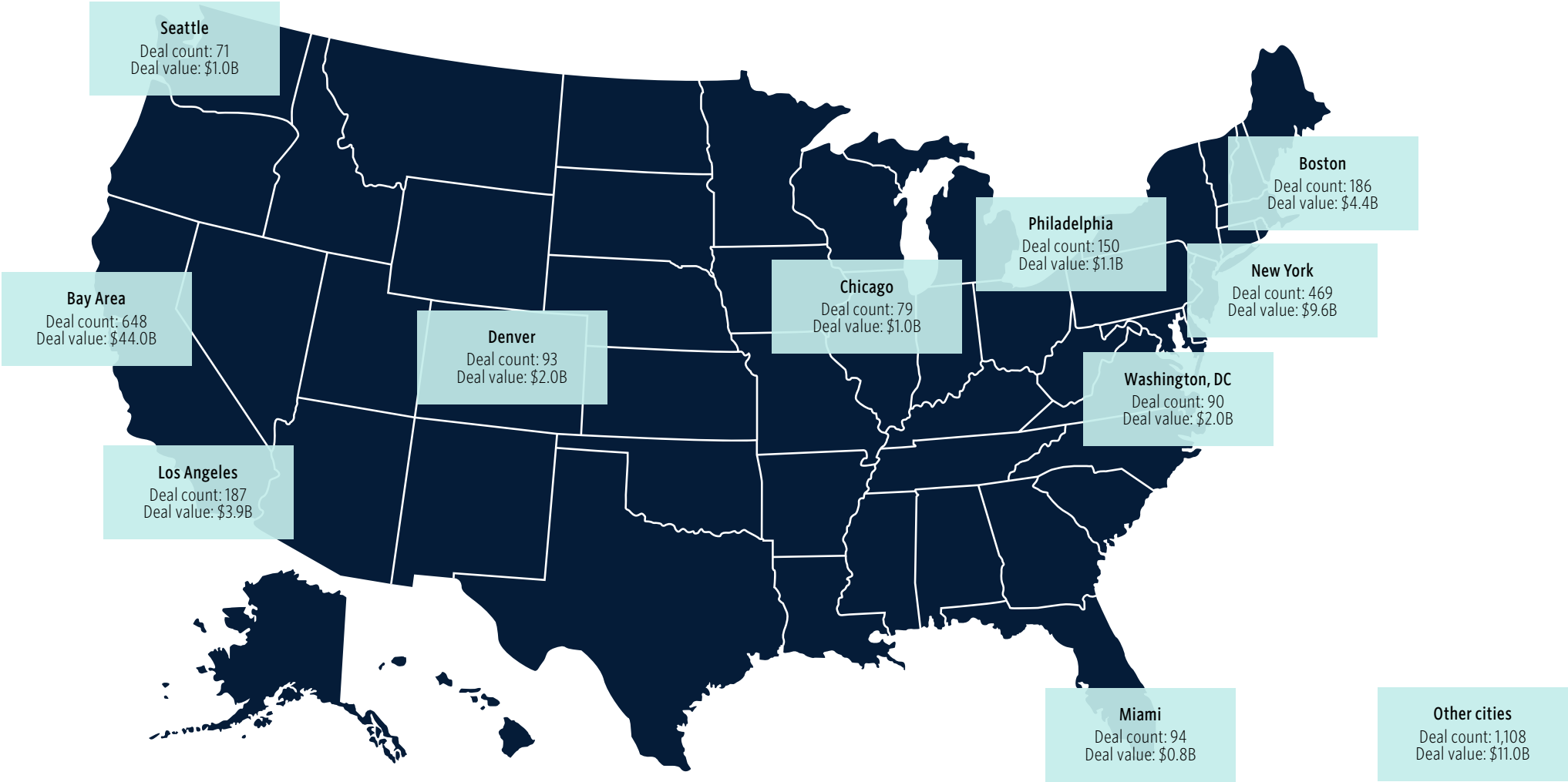
According to Aumni data, secondary pricing has been strengthening in line with broader private market trends. Nearly 30% of secondaries in the first half of 2025 were purchased at a premium to the most recent equity financing round, compared with a low of 16% in the first half of 2023. Startups founded in 2020 are seeing the most activity in secondaries markets for the second year in a row.² This coincides with the typical four-year vesting period for employee equity and the five-year Qualified Small Business Stock period.

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2: "Venture Beacon Q2 2025 Report," Aumni, August 25, 2025.

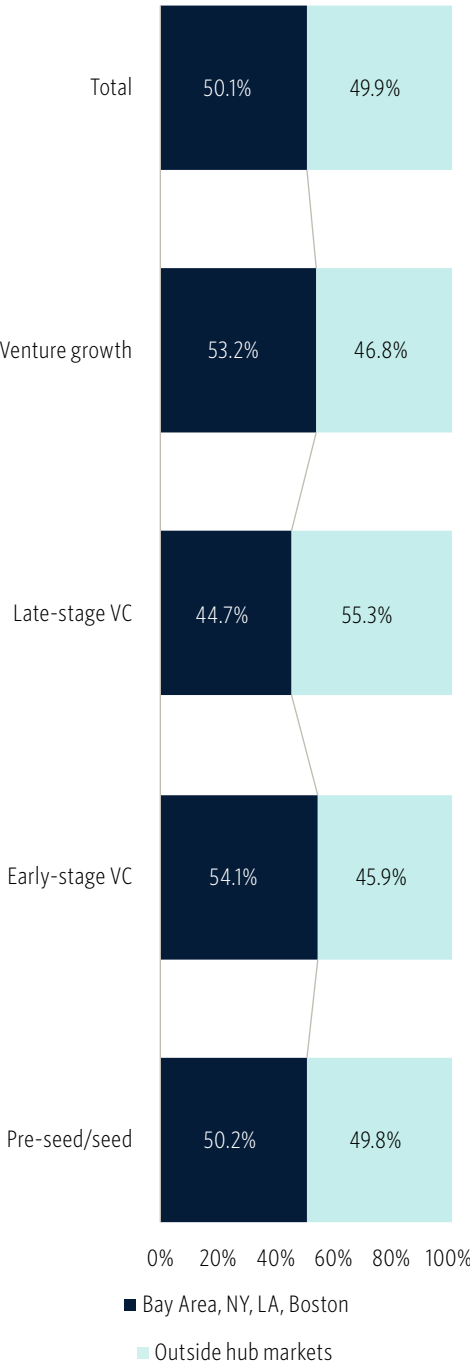
Regional spotlight

57% of capital invested in the US has gone to Bay Area startups
Q3 2025 VC deal activity by ecosystem



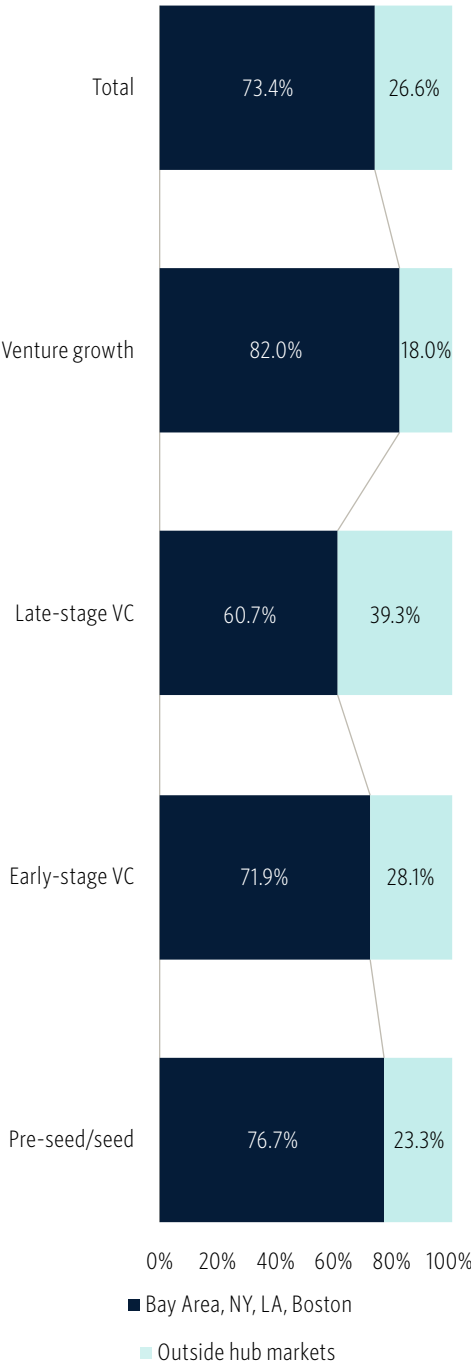
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Hubs account for over half of deals across all but late stage
Share of VC deal count by market breakout



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Deal value heavily concentrated in hubs
Share of VC deal value by market breakout



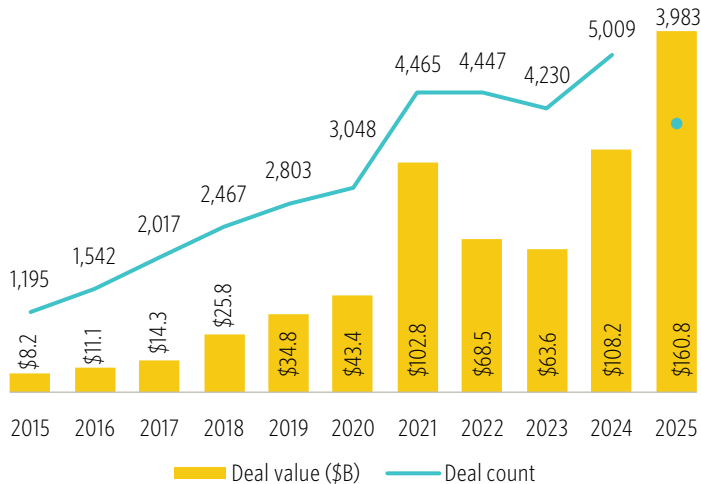
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DEALS BY SECTOR

AI & ML

YTD AI deal value has already crossed all-time highs

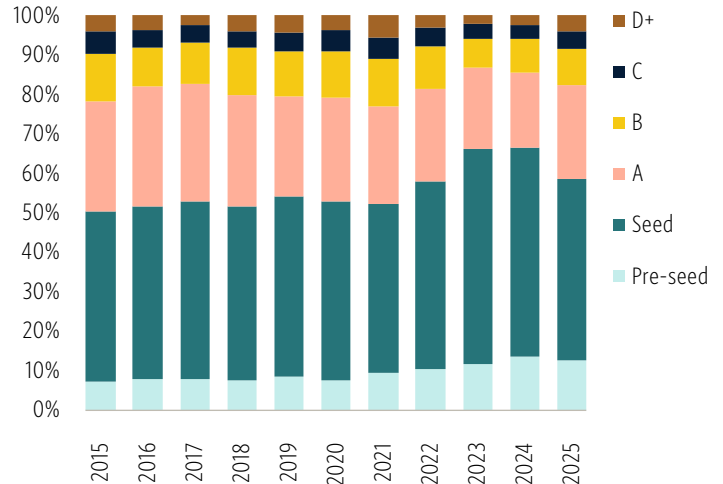
AI & ML VC deal activity



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Share of pre-seed and seed deals decreases

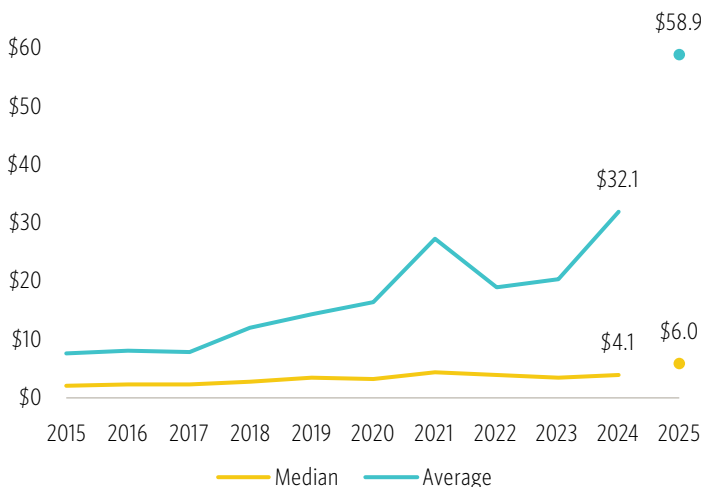
Share of AI & ML VC deal count by series



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Deal sizes continue to rise

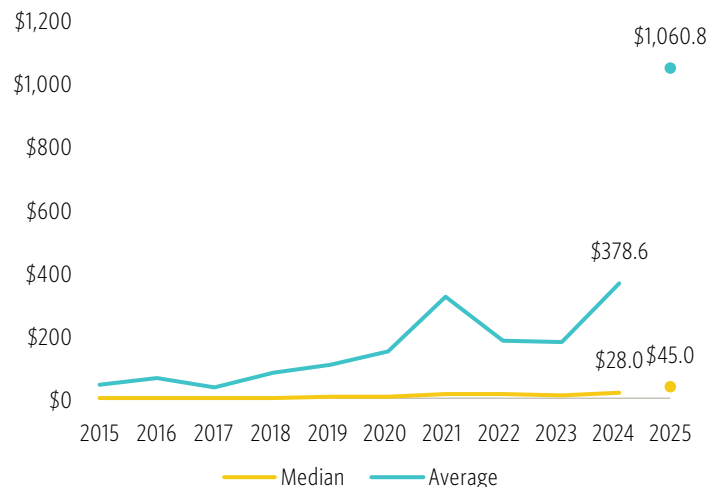
Median and average AI & ML VC deal values (\$M)



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Valuations reach decade highs

Median and average AI & ML VC pre-money valuations (\$M)



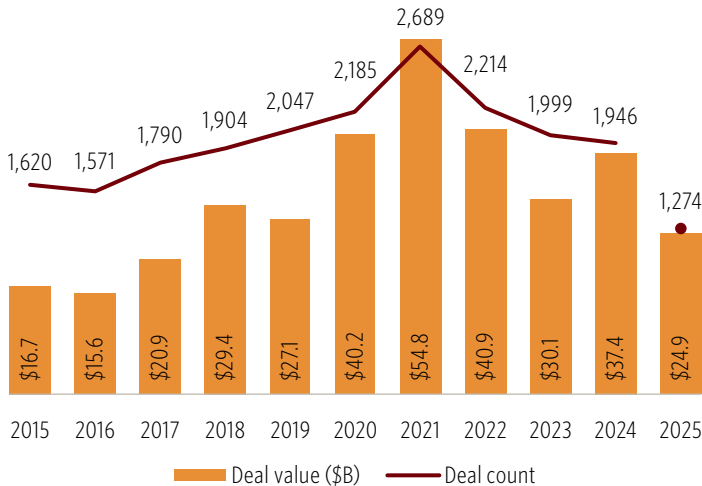
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DEALS BY SECTOR

Life sciences

2025 deal value is on track to be lower than 2024

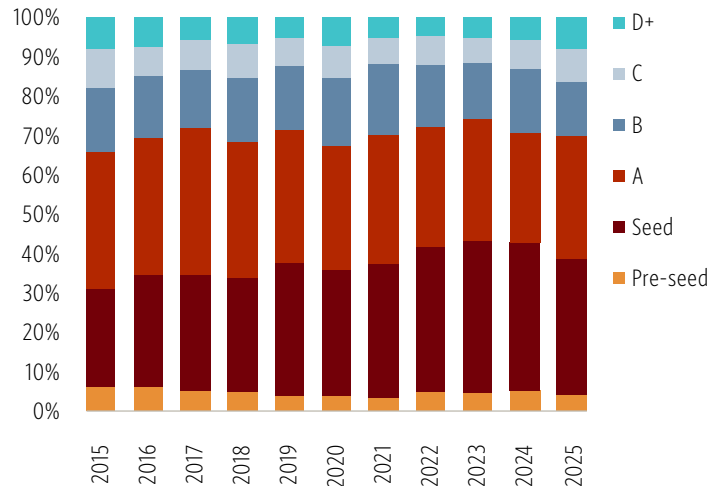
Life sciences VC deal activity



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Later-series deals see increasing activity

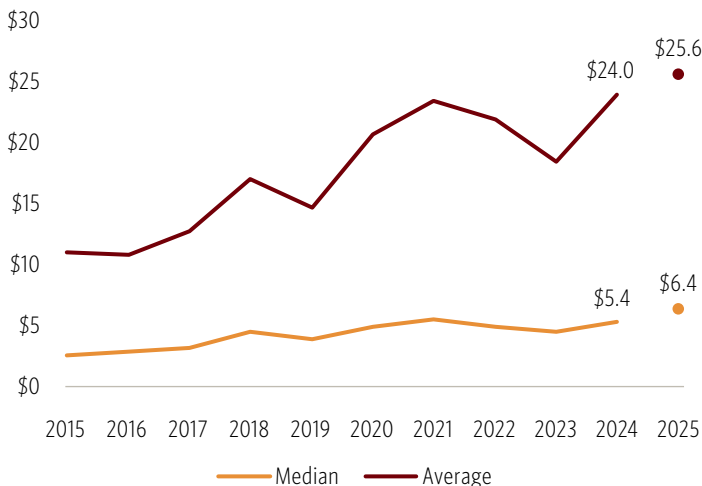
Share of life sciences VC deal count by series



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Deal sizes growing YoY

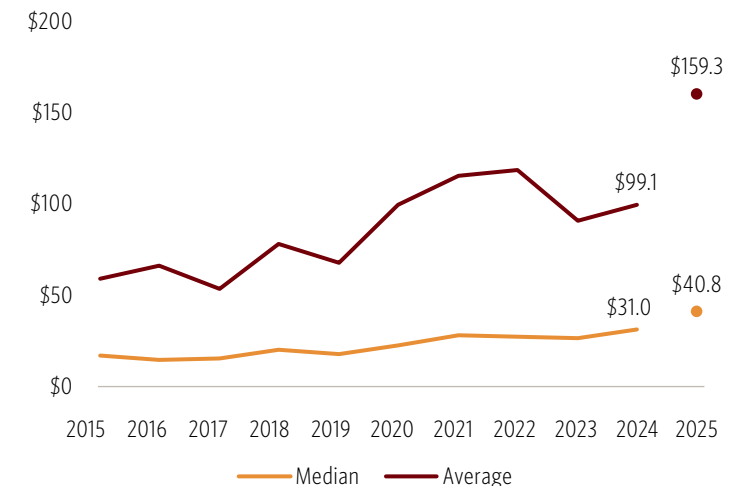
Median and average life sciences VC deal values (\$M)



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Valuations expand rapidly

Median and average life sciences VC pre-money valuations (\$M)

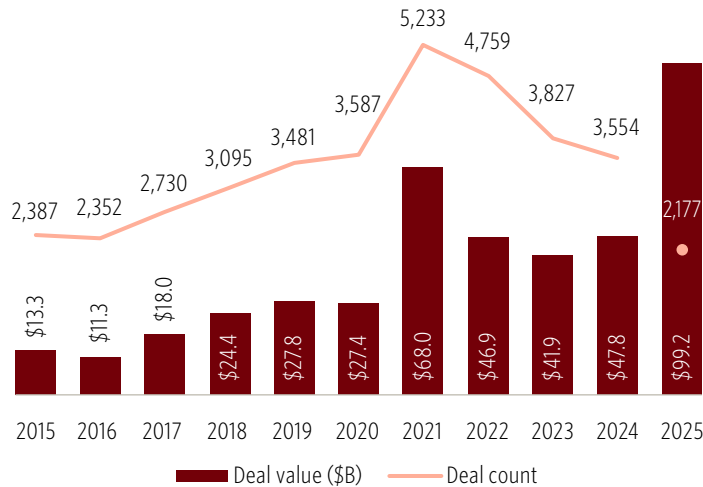


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Female founders

Deal count falling back to pre-2020 levels

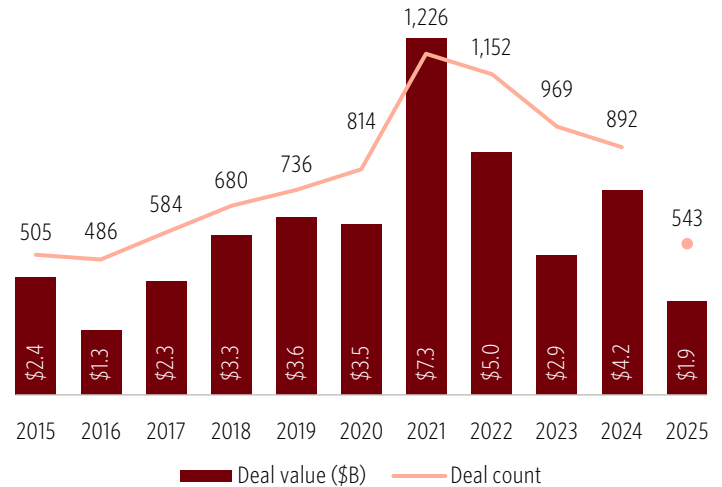
VC deal activity in companies with at least one female founder



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Just \$1.9 billion raised by all-female teams

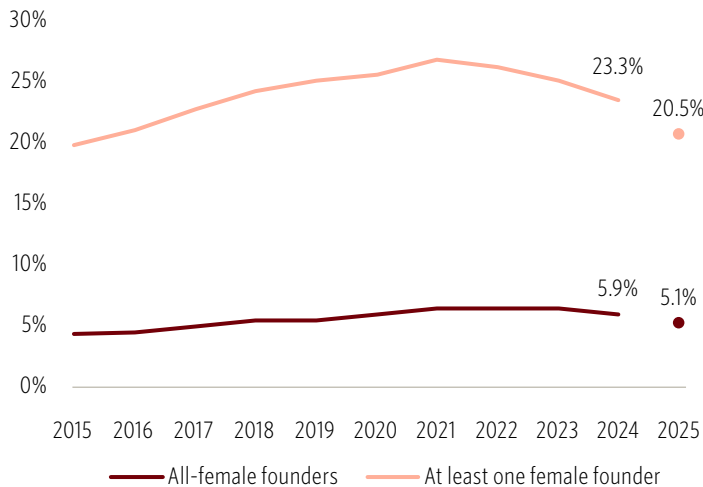
VC deal activity in companies with all-female founding teams



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Lowest percentage of deals going to all-female teams since 2015

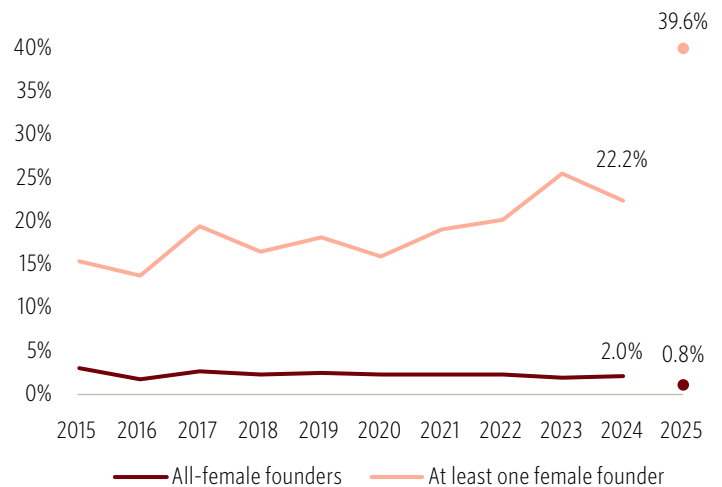
Female-founded company deal count as a share of all VC deal count



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Less than 1% of capital invested into all-female teams

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



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80% of first-time financings go to all-male teams

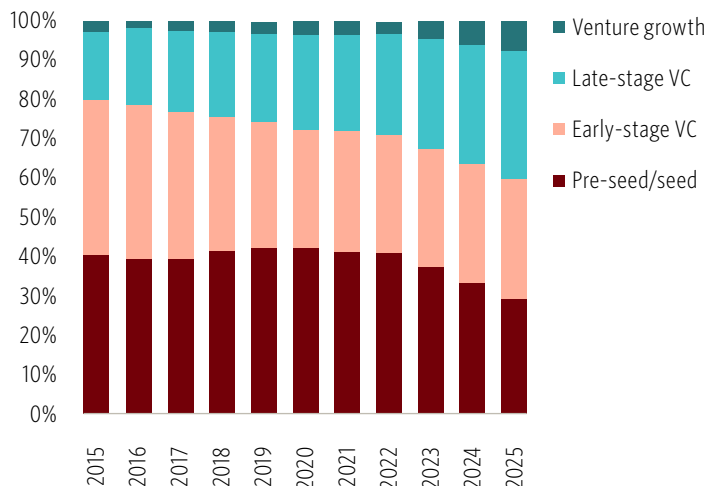
Share of VC first-time financings by founder gender mix



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2025 pacing record venture-growth deals for female-founded startups

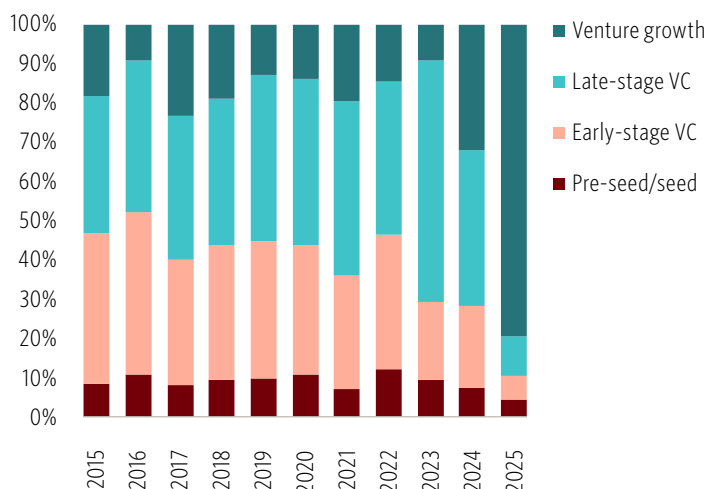
Share of VC deal count for female-founded companies by stage



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Female-founded startups have raised just 33% of 2021 total seed deals

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



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San Francisco retakes top spot for pre-seed/seed deals

Top five CSAs by deal count for companies with all-female founder teams (rolling 12 months)

Combined statistical area	Deal count
San Jose-San Francisco-Oakland, CA	137
New York-Newark, NY-NJ-CT-PA	134
Los Angeles-Long Beach, CA	51
Boston-Worcester-Providence, MA-RI-NH-CT	32
Philadelphia-Reading-Camden, PA-NJ-DE-MD	31

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

A WORD FROM DENTONS GLOBAL VENTURE TECHNOLOGY GROUP

Tokens in motion: Payments, portability, and the next wave of blockchain

Dentons' Venture Technology Global Chair **Victor H. Boyajian** sat down with **Alex Felix**, co-founder and chief innovation officer of **CoinFund**. They were joined by **Joe Guagliardo**, Dentons' venture technology partner and co-head of its blockchain, digital assets, and cryptocurrency practice. Their discussion traces blockchain's evolution from early infrastructure bets to today's focus on driving adoption through mature middleware, payments, and tokenization. They explore how deal structuring, diligence, and regulation are reshaping the sector—and why the next wave of value creation depends on execution.

Boyajian (NY/SF): Alex, you founded CoinFund in 2015. With institutions now listing crypto exchange-traded products (ETPs) and blockchain firms like Figure going public, how has your thesis evolved?

Felix (CoinFund, Boston): In 2015, we believed blockchain networks and cryptocurrencies could do more than act as currencies (or medium of exchange). Platforms like ethereum have opened the door to new application development opportunities atop blockchain rails. Today, CoinFund targets early-stage opportunities in companies, protocols, and tokens. Early on, we focused on infrastructure. Now, we see product-market fit around stablecoins and payments as a killer use case, expanding into tokenization and the applied phase of blockchain. It's why firms like Stripe, Mastercard, and PayPal are building here. We're using the technology to supercharge existing businesses.

Boyajian: We're seeing big players like BNY Mellon and Goldman Sachs use blockchain to streamline financial products. On the enterprise side, that's clear, but how do these kinds of innovations start to show up for consumers?

Felix: On the B2B side, companies like [Dakota](#) are rebuilding the payments stack, integrating fiat and crypto rails in one account to cut settlement costs. For consumers, we're seeing blockchain-based assets become portable, increasing the value proposition in gaming and finance.

Guagliardo (NY): [Gunzilla Games](#), a CoinFund portfolio company and Dentons client, is a great example. It integrates blockchain technology to provide players with digital asset ownership and trading capabilities.



Victor H. Boyajian

Global Chair, Dentons Venture Technology Group

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.



Alex Felix

Co-Founder and CIO, CoinFund, a crypto-focused investment firm

Alex is the CIO and co-founder of CoinFund, leading early investments in over 100 blockchain companies since 2013, including ethereum, Ether.fi, and Blockdaemon. With a decade of prior private equity and banking experience, he brings deep fintech expertise to pioneering ventures across Web3, crypto, and digital assets.



Joe Guagliardo

Partner, Dentons Venture Technology Group and Co-Head, Blockchain, Digital Assets, and Cryptocurrency Practice

Joe advises fintech, blockchain, and digital asset companies on capital raising, commercial and technology transactions, and regulatory matters. Ranked by Chambers FinTech 2025, he leverages more than three decades of business and legal experience to help businesses navigate complex legal, regulatory, and transactional challenges with practical, business-driven solutions.

Felix: Exactly. Gunzilla shows how a AAA-quality game can also embed blockchain marketplaces, giving players real flexibility for the dedicated time and money they've invested. And in finance, decentralized finance (DeFi) gave retail users their first taste of self-sovereign borrowing, leverage, and yield.

Guagliardo: You were early in ethereum and other L1s. As the space matured, how did your thesis shift from infrastructure to applications?

Felix: We've shifted toward middleware—tools that let developers build without mastering blockchain's back end. There are roughly 50,000 active crypto developers versus 30 million software developers globally. Middleware bridges that gap. But for applications, distribution has also been a hurdle. Apple banned crypto apps, and Google blocked ads. Now, Telegram, with 1 billion users, is enabling mini-apps powered by crypto infrastructure. We're focused on applications in DeFi and tokenization, the intersection of Web3 and AI, and consumer plays like ZOOT, a real-money gaming startup.

Guagliardo: With digital asset policy in the US and globally seemingly moving toward fostering innovation in blockchain and digital assets, we are entering another phase of adoption and product-market fit assessment. Do you agree?

Felix: Broadly, yes. But with respect to digital assets, we still need a market structure bill to clarify direct token ownership and custody. Until then, digital-asset treasury companies are offering equity wrappers as a bridge. Institutions are moving slowly—not just because AI is in the spotlight, but because they know this is a long haul that requires, for the first time, detailed participation plans.

Boyajian: Regulators like the New York Department of Financial Services are pressing banks to adopt blockchain analytics. In that environment, how do you balance innovation with risk mitigation?

Felix: The biggest risk is safe adoption. Users are often the weak point—phishing, bad links, and poor two-factor authentication. We need stronger defaults and education. On the technical side, blockchains are resilient. Protocols like Ether.fi now secures 10 billion in assets, with significant borrowing volumes. That durability in an open-source environment builds trust over time. Another portfolio company, [Veda](#), runs on-chain infrastructure for accessing yields or creating crypto-native ETFs packaged into a single token.

Boyajian: The Securities and Exchange Commission's recent approval of streamlined crypto ETP listings shows regulation is evolving. Who's building the tools governments need to keep pace?

Felix: Chainalysis is a leader, but there are still large gaps in coverage. Our portfolio company [Cloudburst](#) tracks coordination among bad actors online before funds move. Blockchain's transparency actually makes crime easier to trace. It's similar to encryption: initially restricted, but ultimately essential once credit cards went digital.

Boyajian: Platforms like London Stock Exchange Group's blockchain infrastructure are reshaping private markets. What role can digital assets play in emerging economies?

Felix: Absolutely. Remittances have moved quickly on-chain. In Brazil, where inflation and capital controls limit options, holding digital dollars is powerful. In the Philippines, the game Axie Infinity became so widespread that shops accepted it as payment. Tokenization could also give savers in developing markets access to assets like the S&P 500 without traditional banking.

Boyajian: Joe, you advise some of the most active companies and investors in this space. From your perspective, what sets blockchain companies apart from other high-growth software businesses?

Guagliardo: Broadly speaking, they share many of the same needs—capital raising, commercial and technology agreements, employment and benefits, and tax, among others—but the digital asset component adds another layer of complexity to this work, including regulatory aspects both in the US and globally. For example, traditional equity financings become more complex when tokens are involved, which makes due diligence, structuring, and compliance far more nuanced than in a typical software deal.

Alex, do you agree? And how do you approach due diligence and evaluating prospective investments broadly?

Felix: That's right. Our diligence is two-pronged: deep technical review down to the code, and business model analysis. We adapt classic corporate finance tools creatively. Some companies earn recurring revenue from stablecoin float, others from subscriptions. At seed, we prioritize team, market, product in that order. By Series A or B, it shifts to market, team, product. The key is to avoid gut-based investing and validate every thesis with real diligence and data.

Boyajian: Alex, as an investor on the front lines, what challenges weigh most heavily on your mind as this industry matures?

Felix: Fraud and opportunists—FTX is the cautionary tale. I also see developer talent stagnating as it continues to be hard to build mass market products on crypto rails. Nonetheless, regulation and better tooling will help ease these bottlenecks. Still, I'm convinced the next decade of value creation will come from AI, crypto, and fintech.

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Victor Boyajian

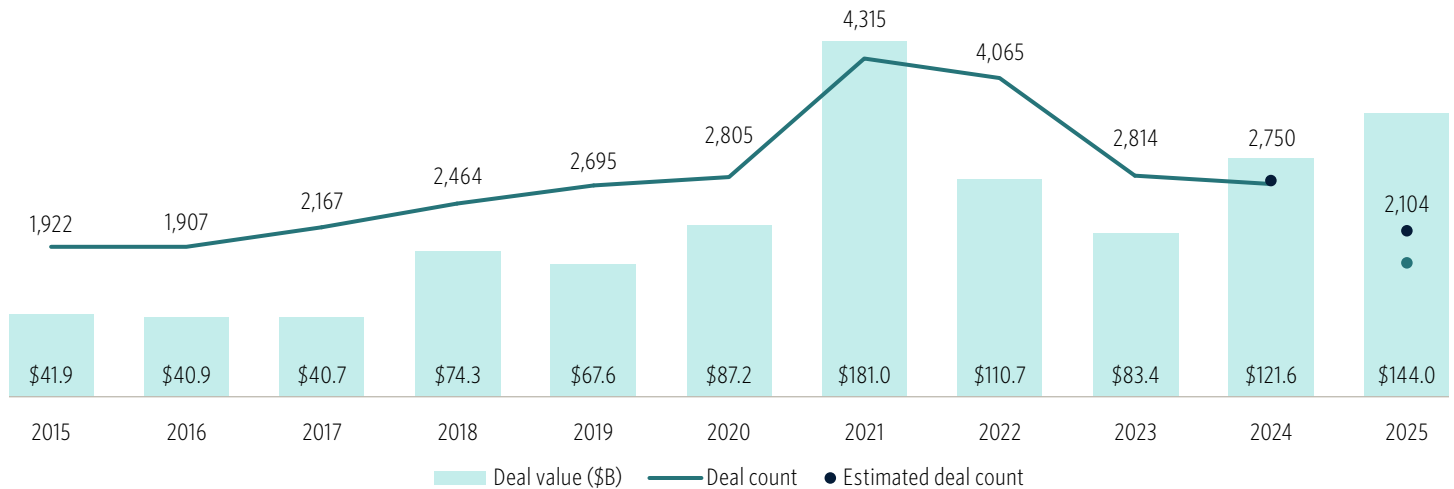
Global Chair, Venture Technology Group
New York / San Francisco

Venture**Beyond**.
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Investor trends

CVC activity pacing roughly flat to 2024

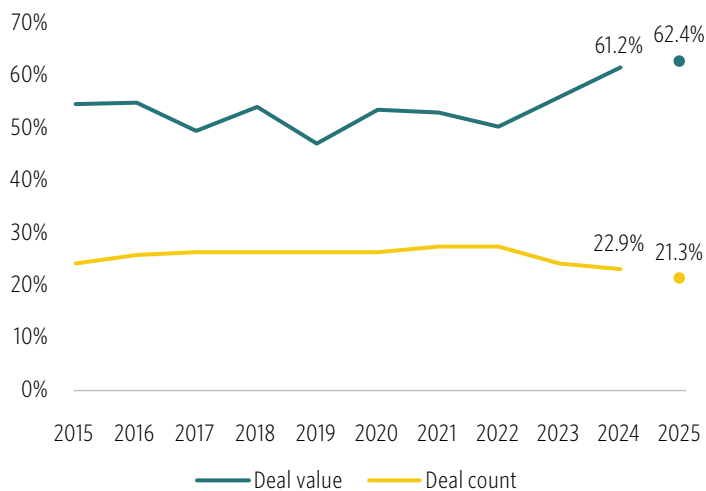
VC deal activity with CVC participation



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Just 20.9% of deals include a CVC investor

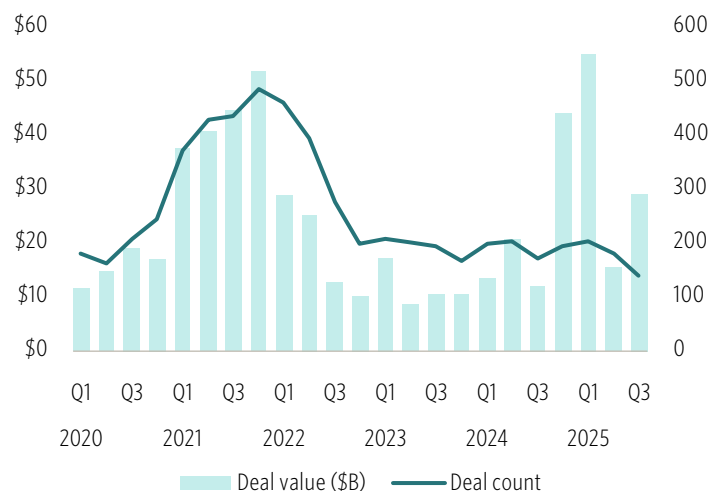
VC deal activity with CVC participation as a share of all VC deals



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Crossovers activity falls despite spate of megadeals in VC

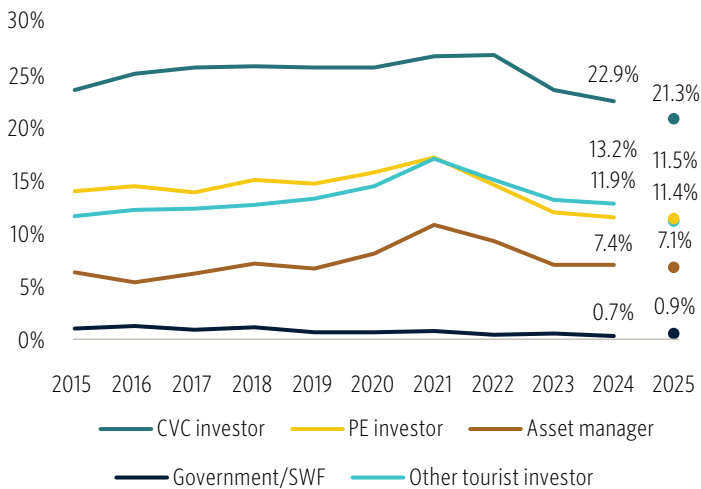
VC deal activity with crossover investor participation by quarter



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PE firms active in just 11.5% of VC deals

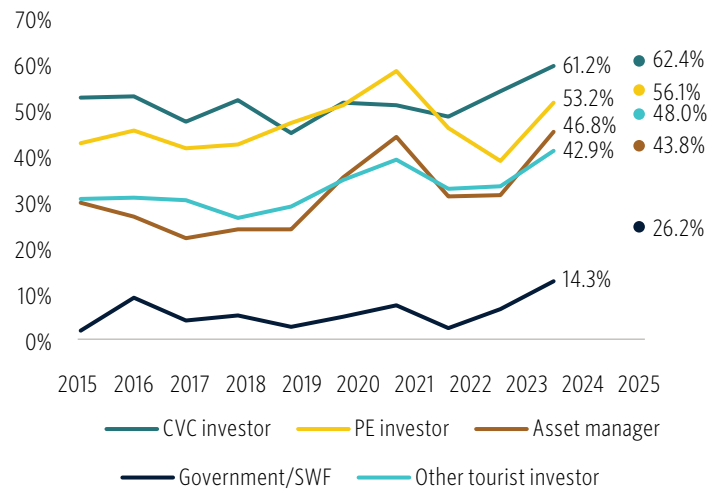
VC deals with nontraditional investor participation as a share of all VC deal count by investor type



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Pushed into AI, 62.4% of deal value includes CVC

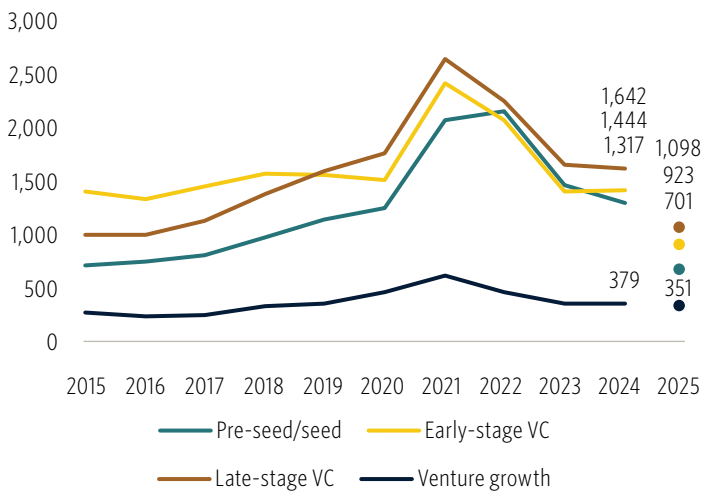
VC deals with nontraditional investor participation as a share of all VC deal value by investor type



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NTI activity has moved into late stage and venture growth

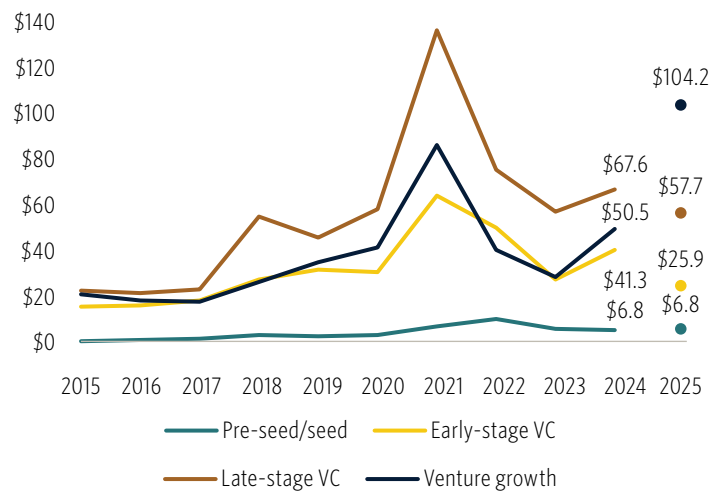
VC deal count with nontraditional investor participation by stage



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AI megadeals propel NTI deal value

VC deal value (\$B) with nontraditional investor participation by stage

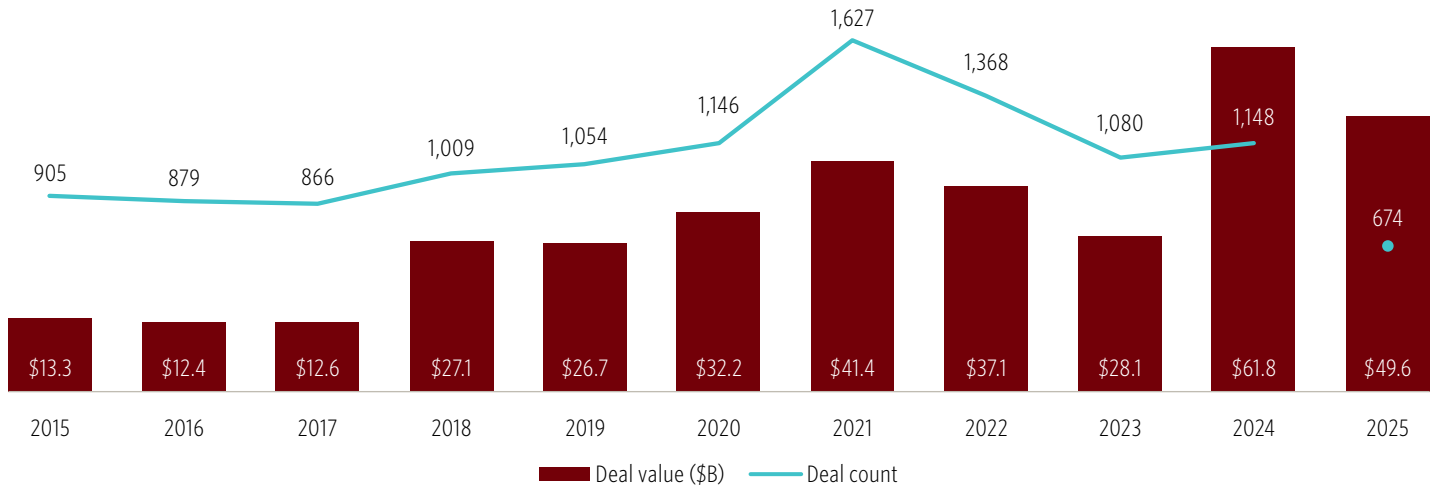


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Venture debt

High venture loan value outpaces loan count

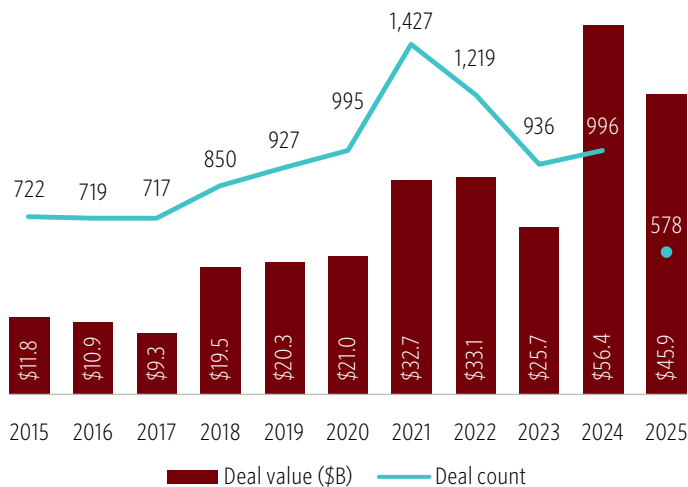
Venture debt deal activity



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Tech, especially AI, accounts for high percentage of VC loan count

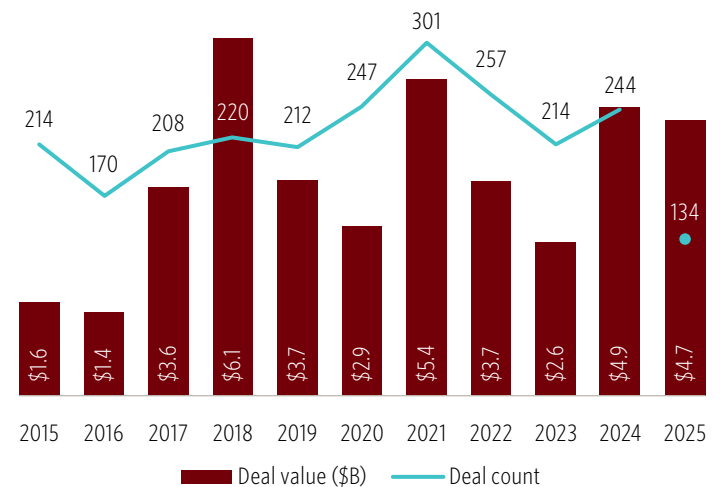
Tech venture debt deal activity



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Healthcare loan count sees significant drop-off from 2024

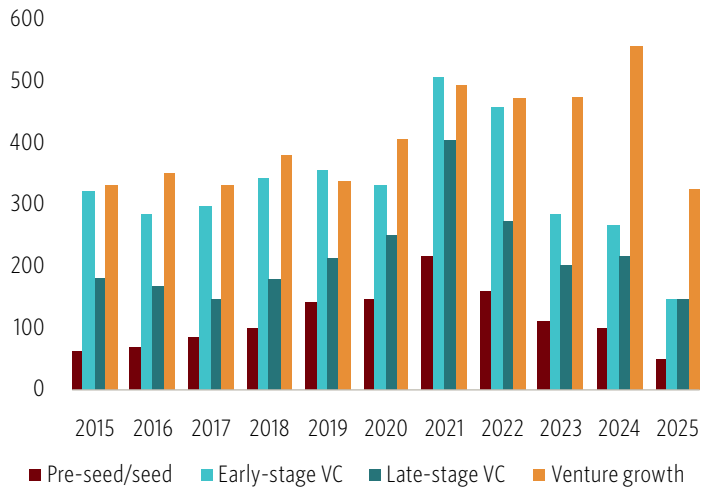
Healthcare venture debt deal activity



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AI loan sizes boosting venture growth

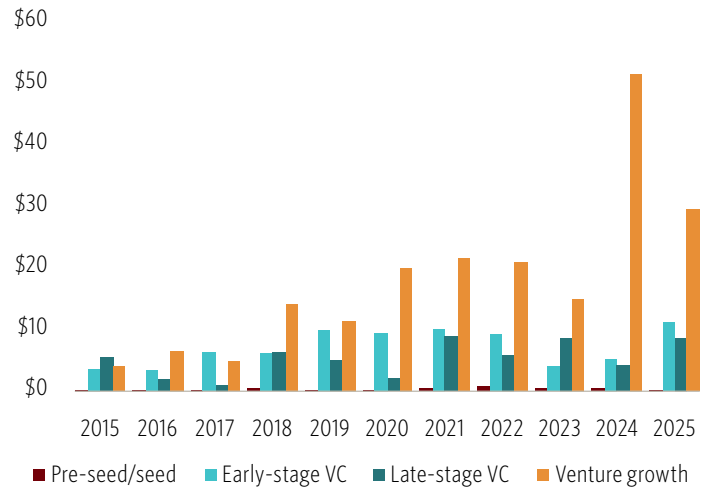
Venture debt deal count by stage



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Balance has pushed well into later stages

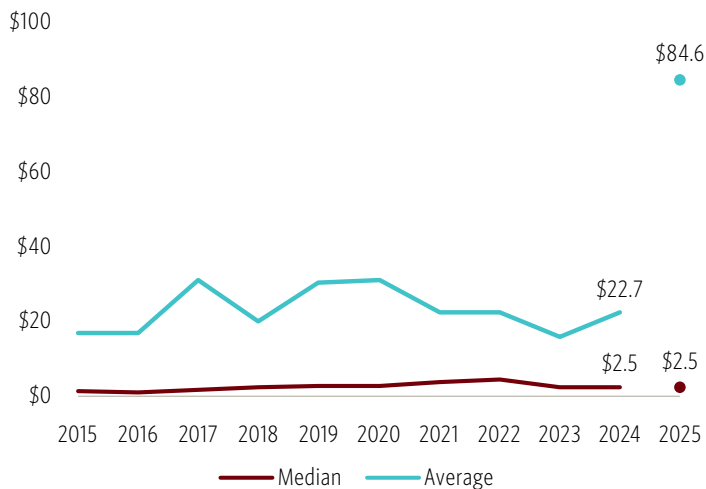
Venture debt deal value (\$B) by stage



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Median early-stage loan remains low, while average jumps

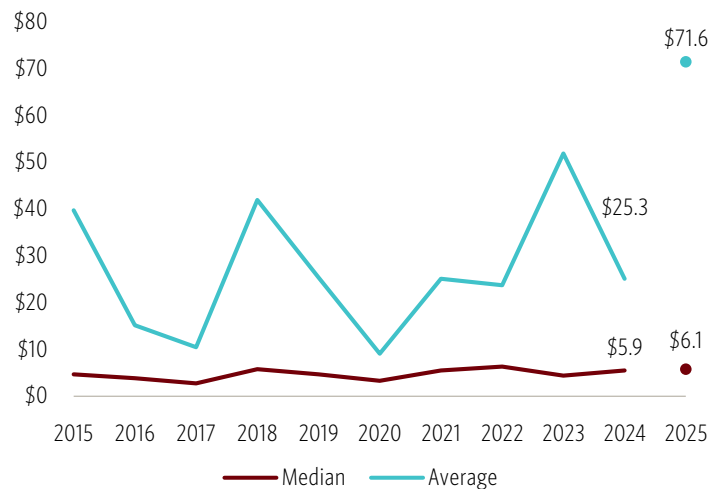
Median and average early-stage venture debt deal values (\$B)



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Late-stage average loan size triples since 2024

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



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A WORD FROM EISNERAMPER

A bold transformation: VC 3.0 and beyond

Venture capital is undergoing a significant transformation. On one side are headwinds: lack of liquidity, record dry powder, concentrated deals, an aging portfolio, and pressure to deliver strong returns. On the other is optimism, driven by era-defining transformational technologies in AI & machine learning (AI & ML) that foster rapid growth and scaling. Amid this transformation, the focus is on ensuring the venture space will emerge stronger and maintain the resilience and essence that define it—innovation, high risk, and high returns.

This article will discuss the outlook for innovation in the venture capital space, liquidity concerns, fundraising trends, regulatory initiatives such as the One Big Beautiful Bill Act (OBBBA) impacting the industry, and more.

Pace of innovation and future of VC investments

The venture industry's scale has plateaued at roughly \$1.2 trillion in available capital and assets between 2021 and 2025, a sharp slowdown from earlier growth. In contrast, assets were at around \$800 billion in 2020 and \$370 billion in 2015, according to the [Q2 2025 PitchBook-NVCA Venture Monitor](#). Over the last decade, venture capital has grown 3.5x. Investments in AI & ML have grown steadily each year, representing approximately 27% of deal value in 2021 and growing to 49% in 2024 and 64% at the end of Q2 2025. As the AI & ML sector continues to grow, the key risk or challenge for VC 3.0 is whether innovation can keep pace—and scale—while providing stellar returns for this broader and highly expanded capital base. If the pace of innovation slows or stagnates, can venture capital remain as attractive?

Liquidity and fundraising

Despite public markets reaching record highs, at least five venture-backed IPOs in 2025 (among 30-plus IPOs to date) are trading below their last private valuations. Investors are recalibrating how they price risk, growth, and profitability, prompting more companies waiting to grow into or beyond their last private round valuations. As more venture-backed companies contemplate an IPO, management teams focus on the stability of public markets, broader indicators of inflation,



Gautham Deshpande

Assurance Partner

Gautham is an assurance partner with EisnerAmper. With more than 20 years of financial services experience, Gautham serves as the growth leader for closed-end funds including VC and PE funds.

economic growth, consumer confidence, and the expected softening of interest rates. Venture investors, while wanting to maximize portfolio returns and support their portfolio companies through the IPO process, are also feeling the pressure of delaying distributions to investors and their impact on the portfolio's IRR.

Liquidity remains challenging, with the combined exit activity over the last three years roughly at 50% of the exit value from full-year 2021. 2021 was a massive year for exits by all standards in the history of venture capital. The impact of overallocated venture portfolios for investors has meant a slow and extended fundraising process. Until we can return to a more robust exit environment, this seems like the new normal in the near term.

Lack of liquidity has also provided pockets of opportunities for innovative solutions. Fund managers are using continuation vehicles or lead secondaries offerings for investments that both have growth potential and need additional capital infusion. Such opportunities, while providing immediate liquidity to investors, also allow them a choice to participate in future upside. The rise of secondaries platforms has also helped LPs gain liquidity, albeit at discounts to net asset value. Portfolio companies have also worked with both employees and investors to support innovative liquidity solutions. Tender offers and forward contracts in private stocks have allowed employees to gain liquidity while allowing existing and new venture investors to gain exposure to some high-quality private companies that have chosen to remain private in the current environment.

Beyond the averages

Looking beyond the averages, two distinct stories have continued to emerge over the first three quarters of 2025. First, fundraising and exit activity point to concentration among large and megafunds (platform firms) and megadeals. More than two-thirds of fundraising activity is concentrated with funds raising over \$250 million, and over four-fifths of exit value is concentrated in deals unlocking exit value of over \$500 million per deal. Second, specialist emerging managers are succeeding. These hyperfocused investors succeed by targeting niche problems, products, or technologies and leveraging strong founder networks. They attract loyal investors by delivering credible value-creation strategies and strong historical returns.

On the dealmaking front, opportunities beyond AI & ML remain compelling. Businesses layering AI to cut delivery times, reduce product costs, and improve margins are gaining traction. This is evidenced in healthcare technologies, consumer-facing businesses using agentic AI, AI-driven supply chain solutions, GPUs, and computing infrastructure.

Regulation and tax changes

The passage of the OBBBA brought much-needed cheer to the venture capital industry. It enhanced the benefit for investors in C corporations to exclude gains up to the greater of \$15 million or 10x the investor's cost basis as Qualified Small Business Stock exclusion under Section 1202 for investments made after July 4, 2025. The exclusion will be adjusted for inflation each year. The previous exclusion was limited to \$10 million for investors holding the investment for over five years. The new exclusion creates a tiered exclusion based on holding periods:³

- 50% of gain excluded for a holding period of at least three years
- 75% of gain excluded for a holding period of at least four years
- 100% of gain excluded for a holding period of at least five years

The C corps must not have had assets more than \$75 million (\$50 million previously) at the time the investment was made.

The exclusions offer potentially larger tax savings and provide flexibility for earlier exits through the tiered exclusion.⁴

The OBBBA also revived expensing of research & development (R&D) expenses under new Section 174A, which will help early-stage companies. The OBBBA also provides small businesses with an opportunity to file amended returns for 2022, 2023, and 2024 to retroactively claim their R&D expenses. Businesses must meet the definition of "small business" for the 2025 tax year, meaning their average annual gross receipts over 2022, 2023, and 2024 cannot exceed \$31 million. Additionally, all businesses are eligible to deduct unamortized R&D expenses over either one or two years, beginning in 2025.⁵

The previous Tax Cuts and Jobs Act enacted in 2017 had introduced 100% bonus depreciation but contained phaseouts that took effect in 2022. For 2025, the available bonus depreciation amount was 40%.⁶ The OBBBA permanently revived 100% bonus depreciation for assets acquired after January 19, 2025.⁷

Additionally, the OBBBA increased the amounts a taxpayer can immediately expense under Section 179. The limit was increased to \$2.5 million (up from \$1 million), with the threshold increased to \$4 million (from \$2.5 million). These amounts are increased annually for inflation.⁸

Beyond tax reform, regulatory focus on digital assets and cryptocurrencies is reshaping venture capital. Sovereign adoption of cryptocurrency reserves and the tokenization of real-world assets are boosting activity. Estimates suggest \$16 billion of inflows into the crypto space in 2025 YTD, though investment remains concentrated in a handful of firms.⁹

Conclusion

Venture capital has weathered multiple economic and innovation cycles, thriving by providing outsized returns. At the end of each cycle, venture investments have grown and continued to attract new sources of capital and supported risk-takers in driving innovation forward. Venture 3.0 is all in on AI & ML, and this time the bets are bigger, and the stakes are high. The outlook for venture capital to support innovation is robust.

3: "H.R.1 - One Big Beautiful Bill Act," [Congress.gov](https://www.congress.gov/bills/118/1), July 4, 2025.

4: Ibid.

5: Ibid.

6: "Tax Cuts and Jobs Act: A Comparison for Businesses," IRS, n.d., accessed September 20, 2025.

7: "H.R.1 - One Big Beautiful Bill Act," [Congress.gov](https://www.congress.gov/bills/118/1), July 4, 2025.

8: Ibid.

9: "The State of Crypto Venture Capital in 2025," LinkedIn, Paul Veradittakit, August 28, 2025.



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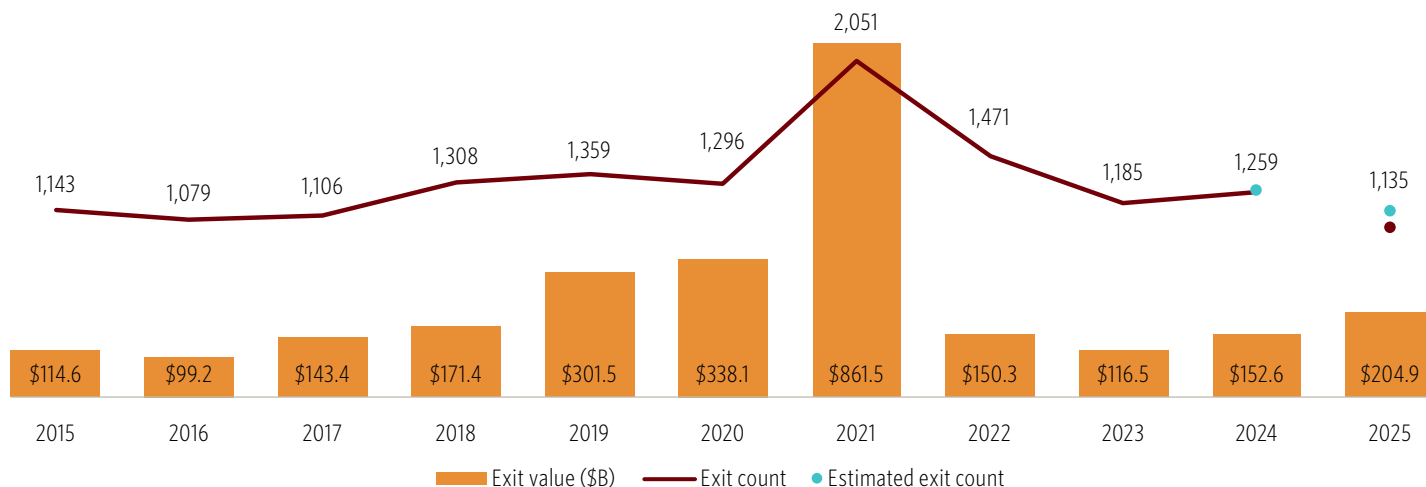
Assurance
Tax
Advisory
Outsourcing



Exits

2025 exit value through Q3 has already surpassed 2022-2024

VC exit activity



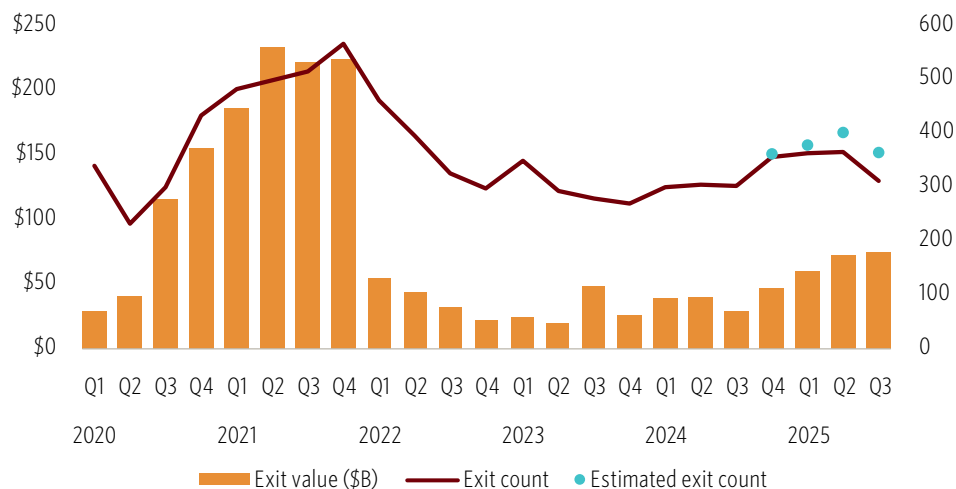
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Exit activity accelerated in Q3 2025, generating \$74.5 billion across 362 exits and marking the strongest quarter since the pandemic era. Seven unicorns completed IPOs during the quarter, mirroring levels seen earlier this year. With YTD exit value already surpassing that of the past three slowdown years, optimism is growing that startups are beginning to find paths to liquidity again. However, the market continues to be muted as the number of VC-backed IPOs remains on par with other post-pandemic years.

Unlike the pandemic era, when rapid revenue growth was sufficient, companies today must demonstrate profitability or a credible path to it. Design platform Figma's July IPO exemplifies this shift, as its debut was welcomed with a 250% price pop. Uniquely well positioned as profitable, the company was one of fewer than 20 US startups valued above \$20 billion, insulated from tariff risk, and bolstered by its recent launch of AI-powered

This year's key exit themes are profitability and policy tailwinds

VC exit activity by quarter



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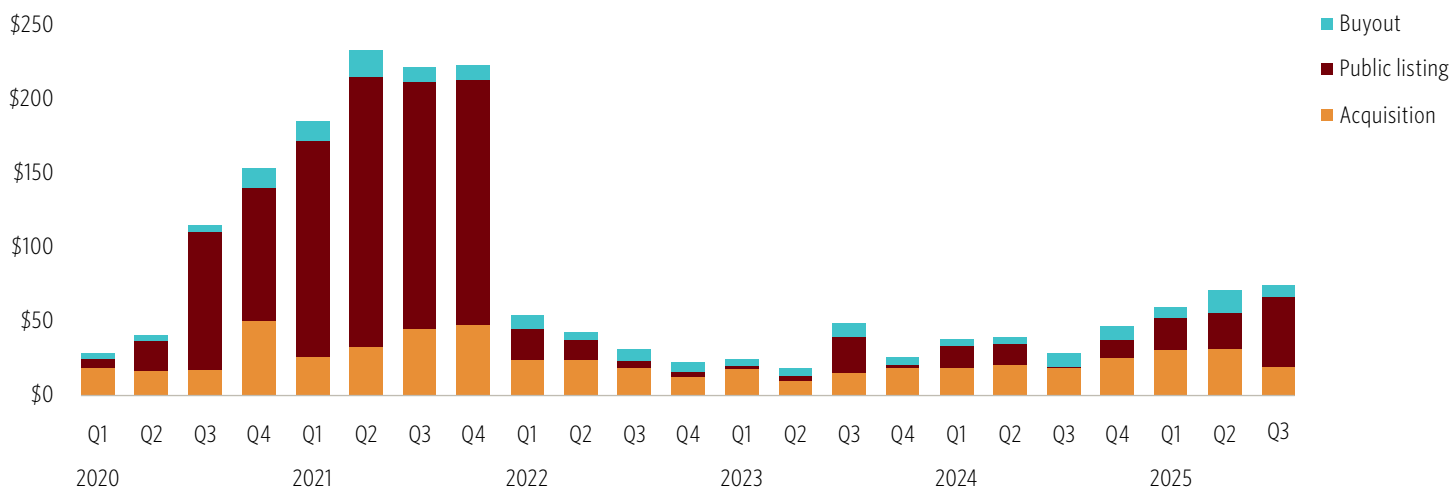
products. Though Figma's stock price has come down from its initial surge, its market cap remains nearly double its IPO valuation as of mid-September.

However, [Figma is the exception, not the rule](#). Most late-stage startups

focus on growth over profitability, making them poor candidates for IPOs in an environment where investors are demanding stronger fundamentals. The lack of a clear peer group ready to follow Figma underscores the fragility of the exit market's recovery.

Despite recent uptick, IPOs have yet to return to normal levels

Quarterly VC exit value (\$B) by type

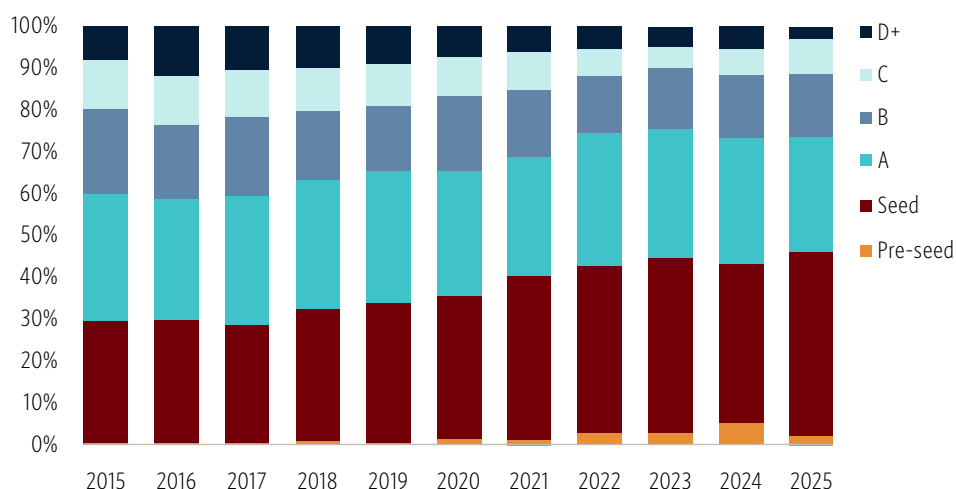


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Outside of profitability, Q3's largest listings suggest a clear advantage for candidates whose businesses align with the Trump administration's policy agenda, particularly in AI, space, crypto, and national security. Soon after defense and space technology company Voyager's oversubscribed IPO in Q2, space transportation firm Firefly Aerospace went public in August at a \$5.6 billion valuation, which was more than double its Series D valuation just three months prior. Following the passage of the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act and stablecoin issuer Circle's massive post-IPO surge, crypto exchange Gemini debuted at \$7.1 billion in September. Netskope, a cybersecurity company, also went public in September at \$7.3 billion, highlighting the convergence of AI-driven technologies with national security imperatives. Taken together, these listings suggest that companies whose missions intersect with federal priorities may find a smoother path to public markets, even in an otherwise constrained environment.

Acquisitions are increasingly concentrated among early-stage companies

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



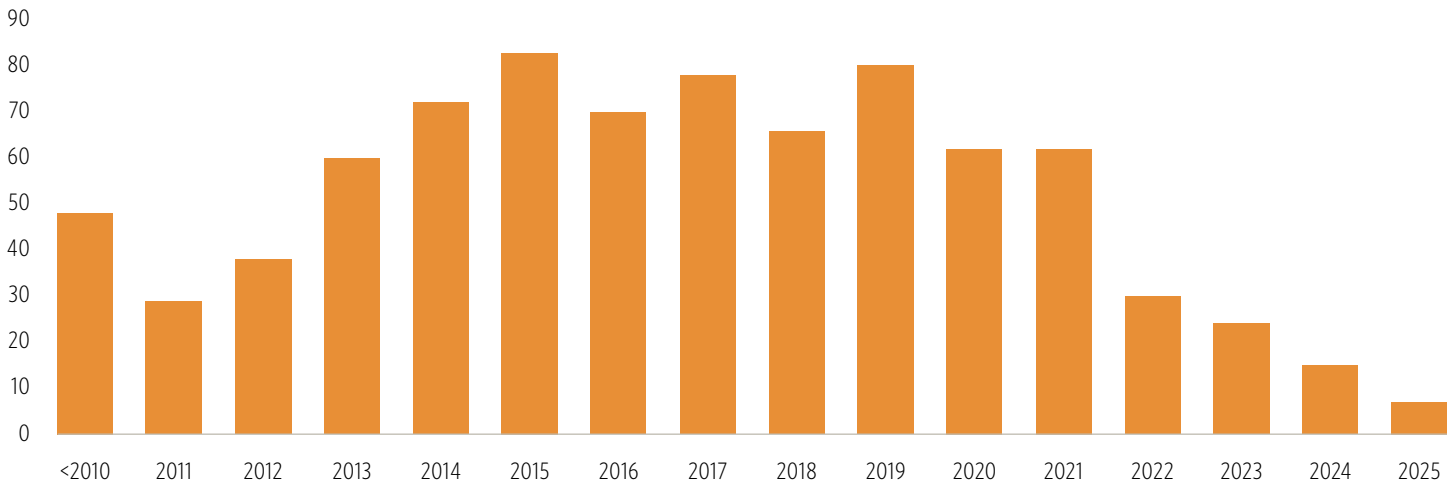
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Overall, recent headlines on first day pops do not tell the whole story. Firefly Aerospace, Gemini, Netskope, and Figma's stock prices are trading well below their first close as of September 30, though Figma's remains well above its \$33

IPO price. Time will tell whether the public market's demand for these companies will be sustained for the long term, especially after lockup periods expire, or if this was just a brief burst of enthusiasm.

Over 40% of unicorns raised their first VC round over a decade ago

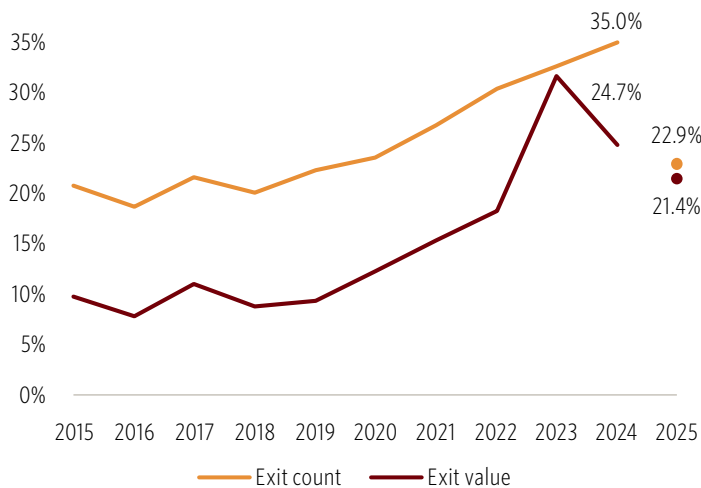
Unicorn count by first VC deal year



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VC-backed companies are becoming prominent acquirers

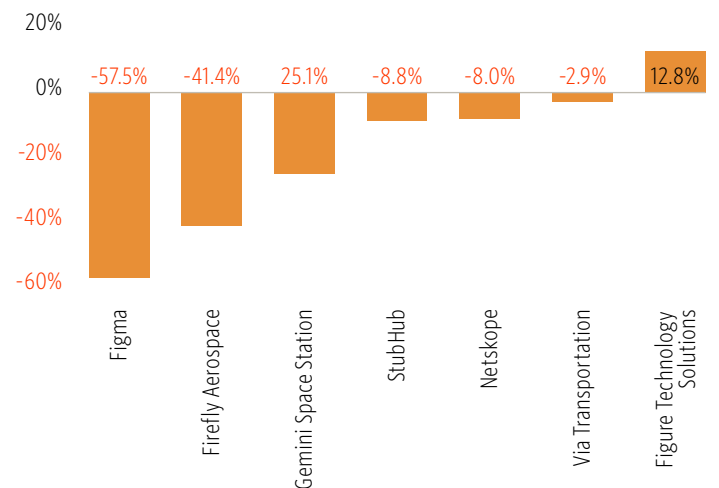
VC exit activity via acquisition with VC-backed buyer as a share of all VC exits



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After multiple massive IPO pops, postlisting performance has been mixed

Post-IPO performance of Q3 listings from first close



PitchBook-NVCA Venture Monitor • As of September 30, 2025

The quarter's largest acquisitions underscore AI's role as the central theme of today's exit market, not only as a driver of technological innovation but also corporate strategy and investor appetite. Salesforce acquired Regrello, an AI operating system, for \$2.1 billion

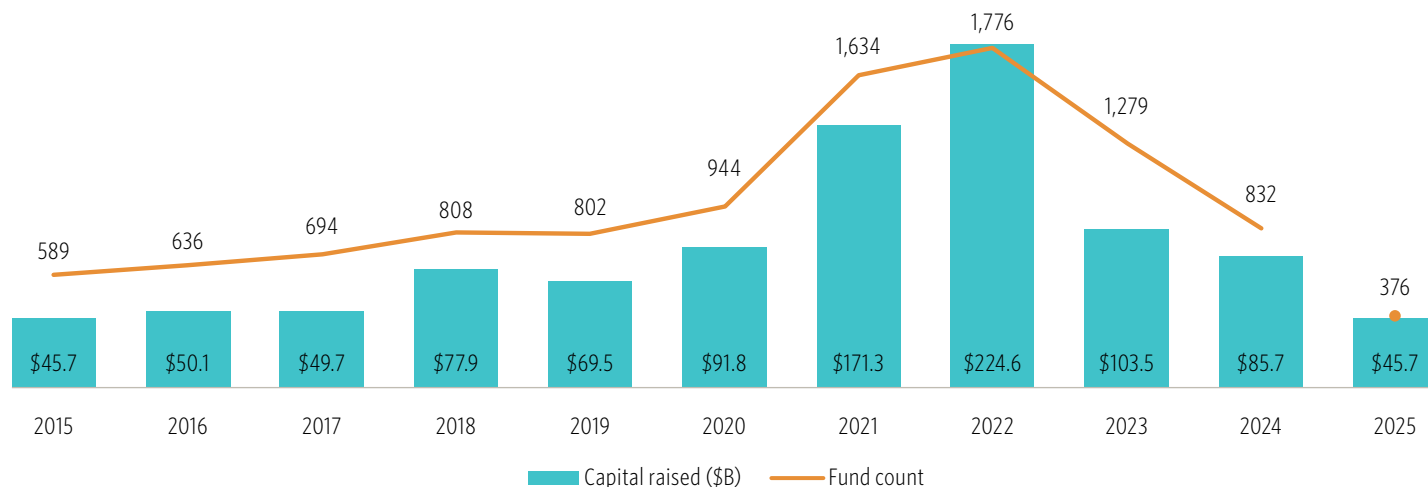
to advance its use of autonomous AI agents in business workflows. OpenAI purchased Statsig, a product development platform, for \$1.1 billion to accelerate its development of AI-powered applications. Grammarly acquired Superhuman, the email

productivity app, for \$900 million to expand its AI-driven communication suite. We expect this trend to continue as today's top tech companies strive to maintain their status as AI leaders.

Fundraising

Annualized fundraising deal value is on track to land near decade low

VC fundraising activity



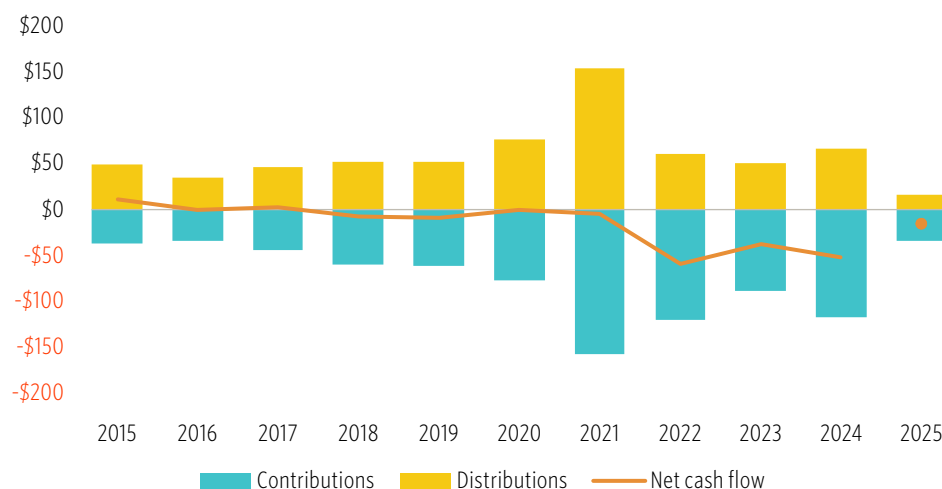
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US VC fundraising remained subdued in Q3 2025 as the liquidity drought continued to weigh on LP sentiment. Through the first three quarters, \$45.7 billion was raised across 376 funds, putting the market on pace to return to pre-pandemic levels. Fund managers are taking significantly longer to close new vehicles: The median time to close has stretched to 15.6 months, up from 9.7 in 2022. Reluctance to reduce target sizes has also contributed to longer fundraising timelines, as many managers prefer to extend their process rather than cut targets. Of the 2,220 VCs that launched funds during the flush years of 2021-2022, only 653 have raised a follow-on vehicle and around 70% of that cohort has yet to close another VC fund. Across the market, the average and median times between funds now sit at roughly 2.2 years.

Participation has also become increasingly concentrated. [The top 10 VC funds captured 42.9% of capital](#), the highest share in at least a decade.

Net cash flow remains in the negative territory

VC cash flows (\$B)



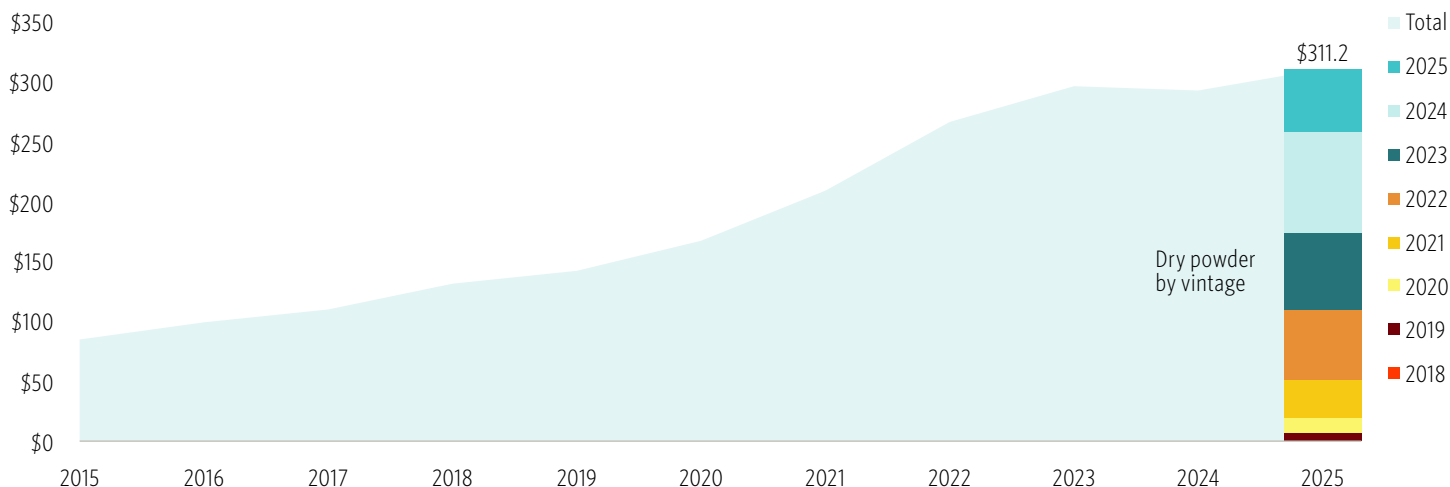
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Consistent with our latest VC investor league tables, several large multi-stage platforms - Andreessen Horowitz, General Catalyst, and Sequoia among them - have climbed higher in the active pre-seed/seed investors ranking. Their scale and cross-stage mandates allow them to write large checks and

move quickly, at times preempting competitive early-stage deals and competing directly with specialist funds on allocation and pricing. This has implications beyond capital, as it shifts the value proposition of small funds and shrinks stake sizes as funds chase deals.

Most dry powder sits within funds of 2022 vintage and later

VC dry powder (\$B)

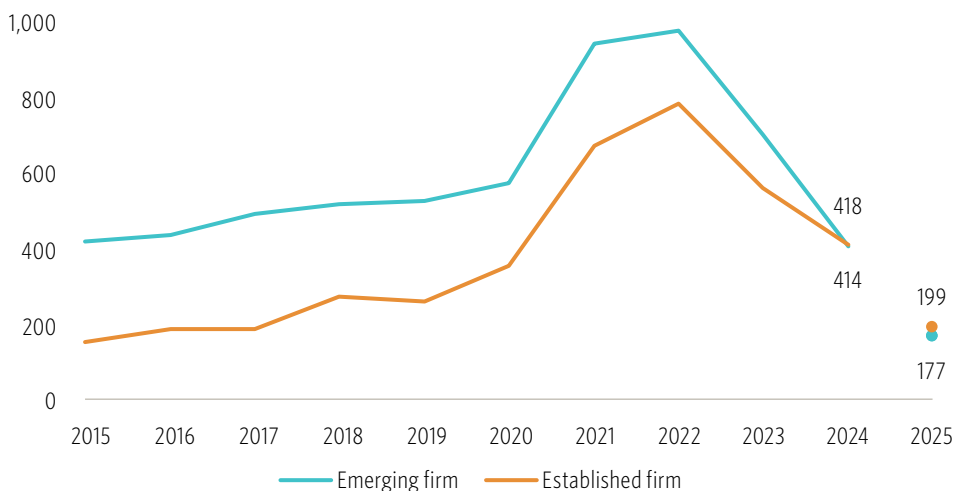


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Emerging managers remain under pressure. While their share of capital raised has stabilized at roughly 29%, the 177 funds closed by emerging managers marked a decade low. Close times are now broadly similar across manager types, with the sharpest divergence appearing in 2024, when emerging managers stretched up to 18.1 months versus 12.6 for established peers. By 2025, that gap has narrowed, but spacing between vintages continues to be wide: Emerging managers are taking more than twice as long as established peers to raise successor funds. First-time managers from the 2021-2022 vintages are especially challenged, with only 20.4% having raised a follow-on vehicle.

Established managers command LP interest

Closed VC fund count by manager experience



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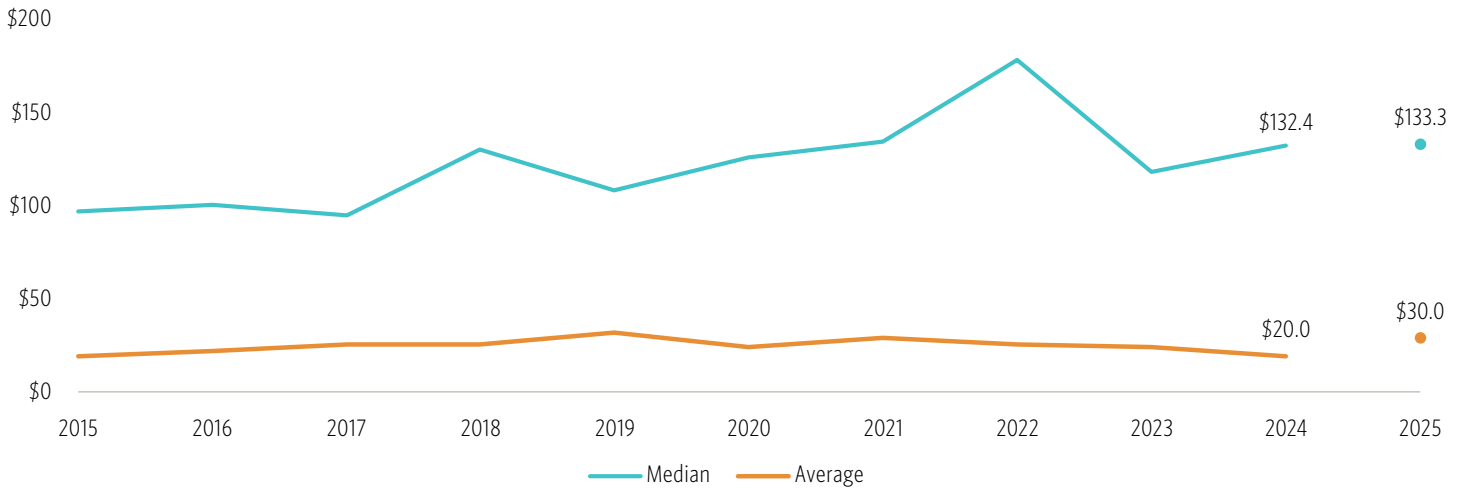
Dry powder plateaued in 2024 before resuming growth in 2025, reaching a record \$311.2 billion. One-third of today's dry powder stems from funds raised during the pandemic-era boom, and GPs have continued to reserve more capital for follow-ons and portfolio support. More recent vintages have also

been pacing deployment cautiously, adding to the buildup. Net cash flows have remained negative since 2022, with contributions still outpacing distributions, leaving LPs more cash-constrained and slower to re-up.

While AI-driven enthusiasm has lifted sentiment, it has yet to accelerate deployment. Without a rebound in distributions, fundraising conditions are likely to remain challenging for most managers into 2026.

Fund sizes edge higher despite modest count

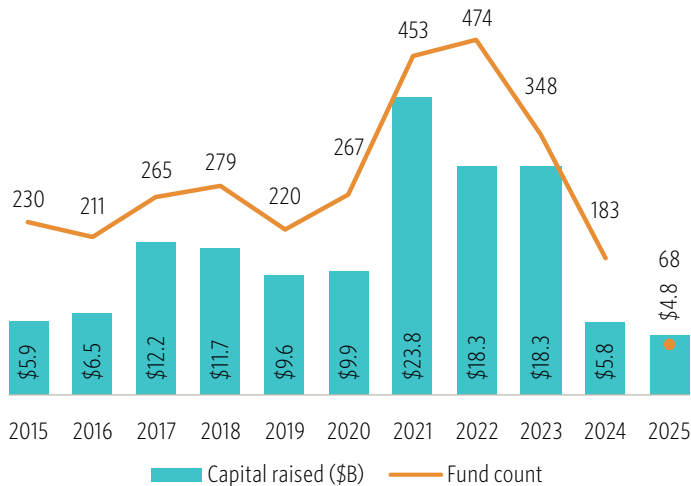
Median and average commitments raised (\$M)



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Annualized first-time fundraising capital improves over 2024 as fund count falls short

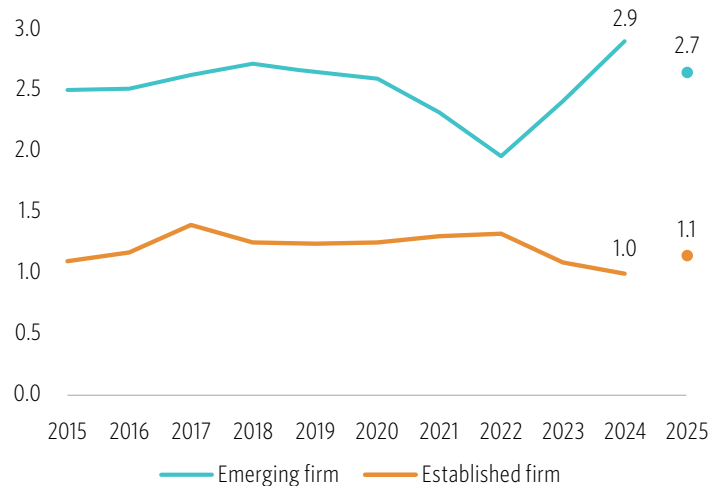
VC first-time fundraising activity



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Emerging managers taking twice as long to raise another fund

Median time (years) between funds by manager experience



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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: For a deal to be classified as early-stage VC, the company must be founded fewer than five years by the time of the deal, and if a series is specified, it should be a Series A or B.

Late stage: For a deal to be classified as late-stage VC, the company must be five years old or older regardless of series. Alternatively, if a series is specified, it should be a Series C or later regardless of time since founded.

Venture growth: Rounds are generally classified as Series E or later (which we typically aggregate together as venture growth) 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, number of VC rounds, company status and participating investors.

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.

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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