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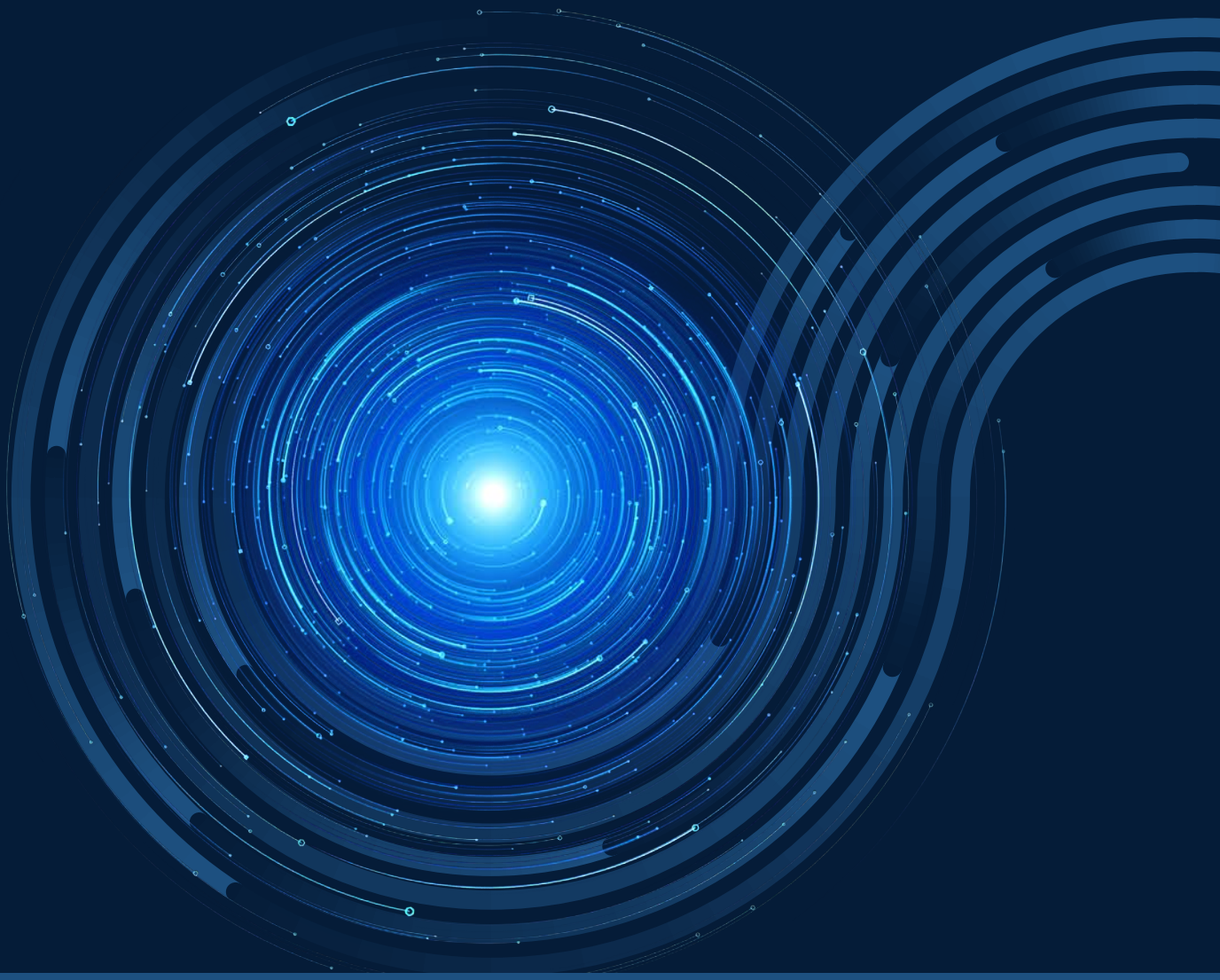
Q1 2026

Venture Monitor

The definitive review of the US venture capital ecosystem



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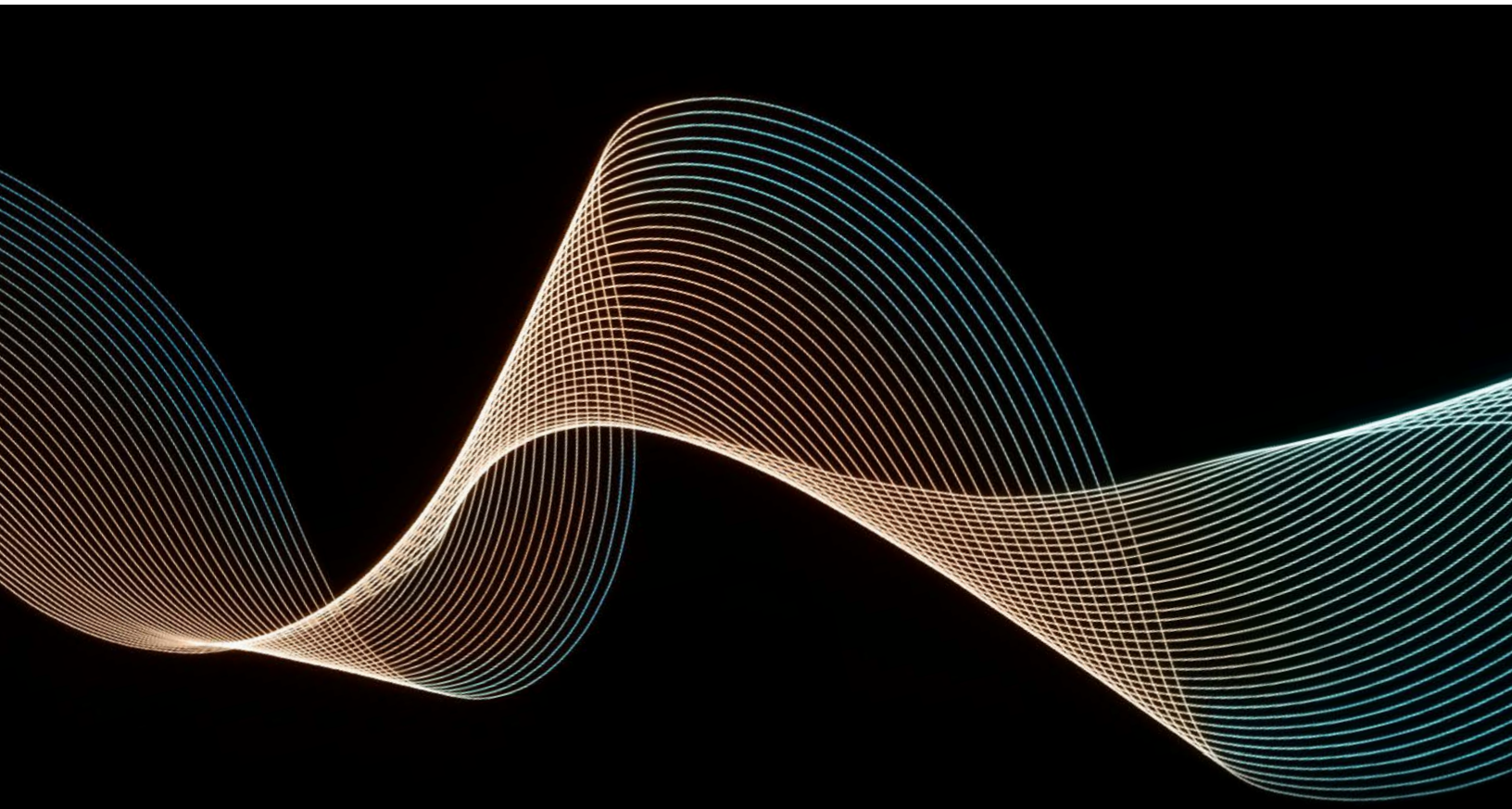
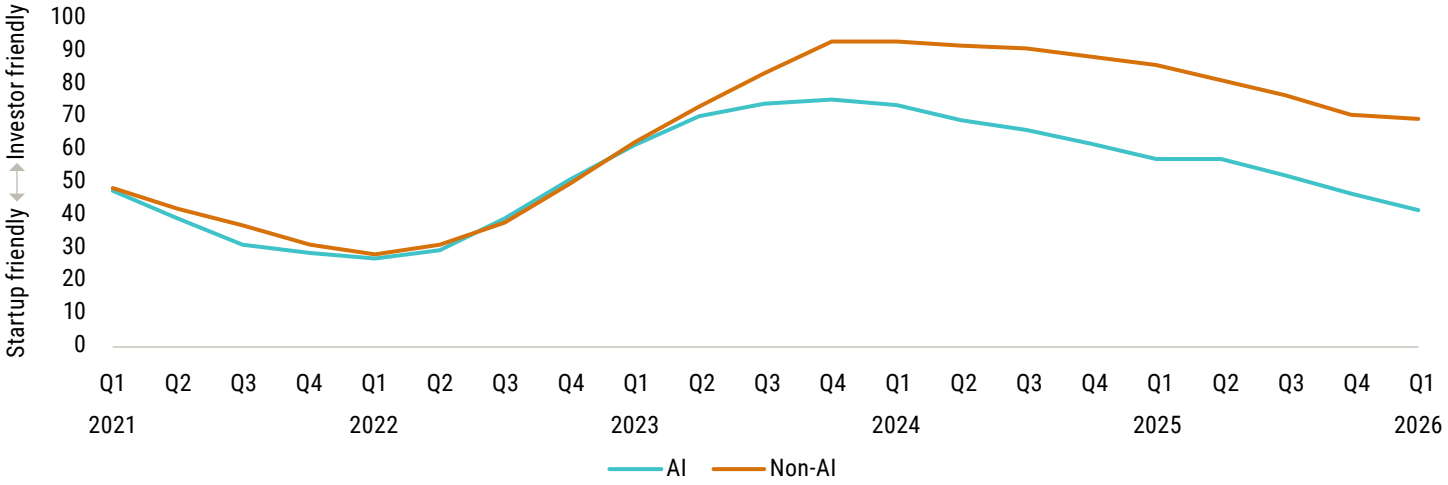


Market overview

AI operating in much more startup-friendly early-stage market

AI versus non-AI Early-Stage VC Dealmaking Indicator by quarter



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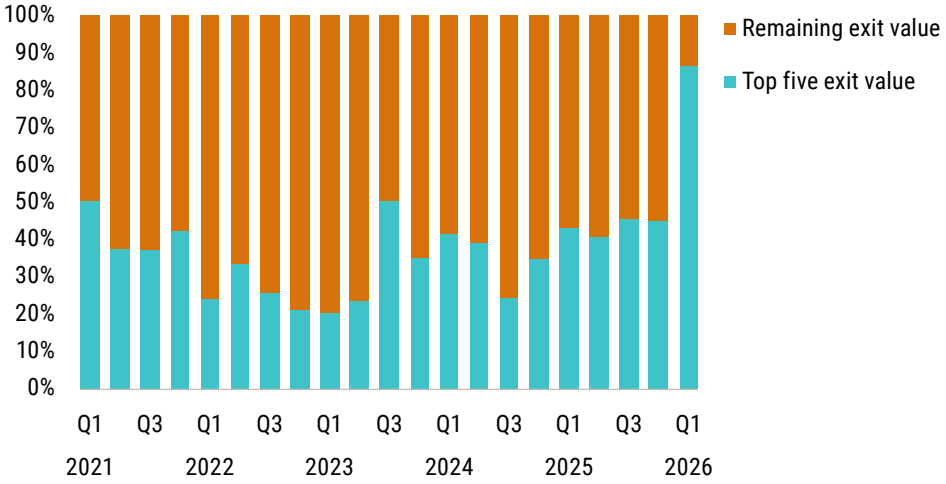
Q1 2026 was one for the record books. The $267.2 billion in quarterly deal value topped all full-year totals except for those of 2021 and 2025, and the $347.3 billion in exit value set a quarterly high, already placing 2026 as the second-highest year for exit value ever. However, if you exclude the five largest deals and exits in Q1, those figures fall by 73.2% and 86.6%, respectively. Concentration has defined VC in recent years, but Q1 marked a new extreme. Four deals above $15 billion were completed, including OpenAI's $122 billion financing, and xAI's merger with SpaceX was the largest VC-backed exit of a US company ever, though the narrative was muted because SpaceX is gearing up for an estimated $1.5 trillion+ IPO later this year.

xAI and Wiz exits represent 81.2% of Q1 exit value

Share of VC exit value by quarter



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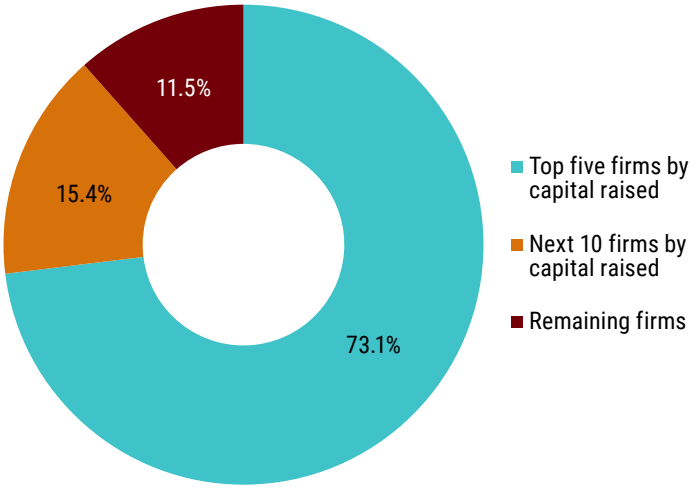
Beneath the top-line figures, the market remains much the same as it was in 2025. Liquidity continues to be tight for most of the market, and there has not been significant movement in IPO registrations. The onset of the war in Iran has added another obstacle to opening the IPO window. After tariffs and a government shutdown weighed on 2025's new listings, Q1 2026 contended with fresh policy and geopolitical risks. The public software-as-a-service- and AI-induced market volatility in late February revealed a market on edge—and that investors are searching for reasons to sell amid the uncertainty. VC-backed tech startups continue to struggle with elevated past valuations, uncertain market conditions, and looming mega-IPOs.

Five firms raise 73.1% of new commitments

Share of venture capital raised in Q1 2026



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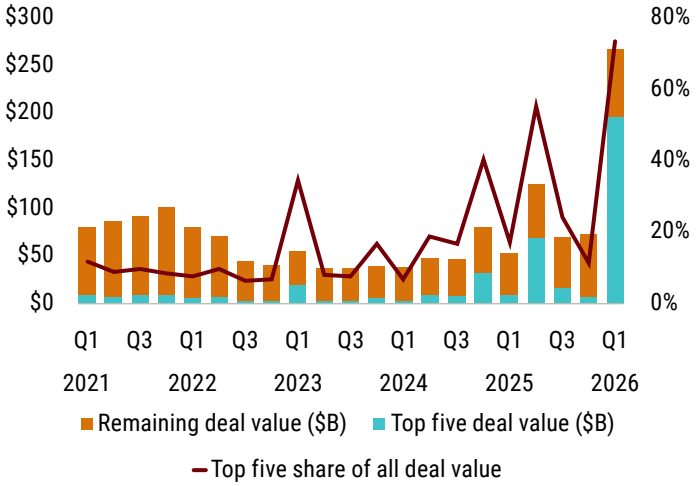
$195.6 billion invested in five companies

Top five deals as a share of all VC deal value by quarter



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To say the market underneath is unchanged from the past few years does not discount the strength at the very top. Potential IPOs from SpaceX, Anthropic, OpenAI, Databricks, and Stripe would provide an enormous windfall; the top three listings could near $2.5 trillion in exit value, more than the total of all the IPOs in this century. However, this potential masks challenges that still characterize the market. The median VC IRR for North American fund vintages since 2019 sits in the single digits, and the median distributions to paid-in multiple for vintages over the past decade remains below 1x. Until there is a broader move to unlock liquidity, a large portion of the venture market will remain constrained.

Looking ahead to the rest of 2026, annual records for deal value and exits will undeniably be a theme. Fundraising is on a different trajectory. 73.1% of the capital committed in Q1 went to five VC firms, and emerging managers continue to struggle mightily with attracting capital. As LPs look ahead, the uncertainty in public equity markets will likely weigh on their willingness and ability to commit capital to new VC funds. This will not impact megafunds nearly as much as smaller vehicles and firms, which will rely more heavily on smaller, less flexible LPs. More funds over $1 billion closed in Q1 than during all of 2025, and we expect megafund counts to continue to surge toward 2022 highs.

VC has entered the era of consensus deals, and that dynamic will likely persist. Across all stages and series, a small portion of companies is vastly outraising the rest. As concentration continues to build in funds, those with dry powder will pile into the perceived "top" deals, pushing valuations and deal sizes higher. The median seed pre-money valuation has risen to $18.4 million, which is more than double the figure of 2021. The fast pace of development in AI puts a premium on capital, and those companies with the agility afforded by larger cash bases and large fund investors have leverage to move fast and win.

For liquidity's sake, 2026 was supposed to build on monetary easing and deliver several more rate cuts that could have raised risk appetite among investors and driven demand for growth tech stocks. Wall Street is currently pricing in zero rate cuts for the rest of the year. Uncertainty in the market—and the potential economic pressure that could weigh on liquidity and investment in AI-related sectors—is a burden the market must now carry.

NVCA policy highlights

Taxes: California continues to anchor the state tax conversation. A proposed November 2026 ballot measure would impose a one-time 5% wealth tax on residents above ~$1 billion in net worth, applied to unrealized gains, creating liquidity pressure on illiquid startup equity; dual-class structures complicate valuation and could overstate taxable value. Updated sourcing rules expand look-through provisions for management fees, potentially treating more revenue as California-sourced for firms with California-based LPs. A federal reconciliation package is expected this year and likely to include a tax title.

Capital markets: The SEC is focused on private market structure, highlighting secondaries, continuation funds, SPVs, and tender offers as alternative liquidity mechanisms in a constrained exit environment. The agency is advancing a push toward "responsible retailization,"[1] emphasizing valuation discipline and governance as private assets reach a broader investor base. Proposed changes to the "small entity" threshold could reshape how regulatory burdens are applied.

Merger and competition policy: DOJ leadership changes have introduced uncertainty into federal merger enforcement, with signals toward a more transactional approach, though enforcement remains active in major tech cases. States are increasingly asserting themselves as independent enforcers. Ongoing litigation over revised HSR rules adds uncertainty around filing requirements and deal timelines.

Blockchain and crypto: The SEC has clarified that blockchain-based securities remain subject to existing securities law while providing a more workable structuring framework. Chair Atkins has signaled openness to an "innovation exemption,"[2] but legislative clarity remains limited. Congress is negotiating market structure legislation, with unresolved issues leaving agencies to set near-term direction.

AI: A recent executive order calls for a minimally burdensome national AI framework and signals willingness to challenge restrictive state laws. NIST is accelerating standards development focused on agent security, interoperability, and risk mitigation. Continued state legislative activity is setting up potential legal conflicts over the federal-state authority balance.

Deep tech/emerging tech: SBIR/STTR reauthorization stabilizes a key early-stage research & development funding source after the program stalled in September 2025, with updates including expanded international due diligence and commercialization pathways. The administration is also exploring a national robotics strategy tied to manufacturing reshoring.

Cybersecurity: The White House released a six-pillar cyber strategy spanning offensive capabilities, regulatory harmonization, and critical infrastructure protection. NVCA held a briefing with the FBI on increasing sophistication among state-sponsored actors and their growing focus on infrastructure and persistent access.

National security and international investment: Defense procurement continues to shift toward faster, commercially driven acquisition with reduced barriers for nontraditional contractors. The Department of the Treasury is exploring a "Known Investor Program" to streamline CFIUS reviews for trusted partners. NVCA has advocated for reducing friction while maintaining national security safeguards.

Healthcare: FDA modernization is a growing priority, with signals toward streamlining approvals and integrating AI into regulatory processes. HHS is working in parallel to accelerate AI adoption in clinical care while reducing regulatory barriers and clarifying oversight frameworks.

IP: At the USPTO's first oversight hearing this administration, Director Squires highlighted a pro-IP, pro-AI modernization posture, including an AI-powered trademark classification tool, AI-assisted prior-art search, and a focus on backlog reduction and eligibility reform. The sharpest questioning centered on proposed PTAB rule reforms and questions about executive influence at the agency.

Energy: Federal energy policy remains focused on permitting reform and preserving existing tax incentives; comprehensive reform is unlikely, but incremental changes may occur through must-pass legislation. Permitting delays continue to constrain venture-backed projects, while rising electricity demand is driving interest in firm power sources including nuclear, geothermal, and long-duration storage. Transmission expansion and domestic supply chains are becoming central underwriting considerations for investors.

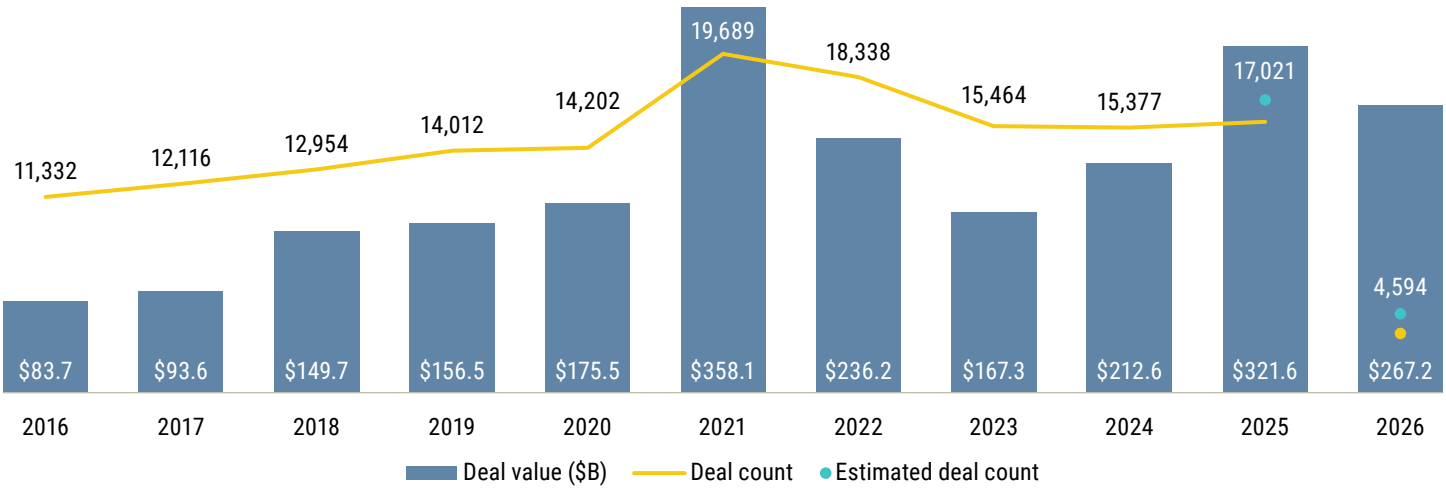
Bobby Franklin
President & CEO, NVCA

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

High concentration as top five deals capture 73.2% of Q1 deal value

VC deal activity



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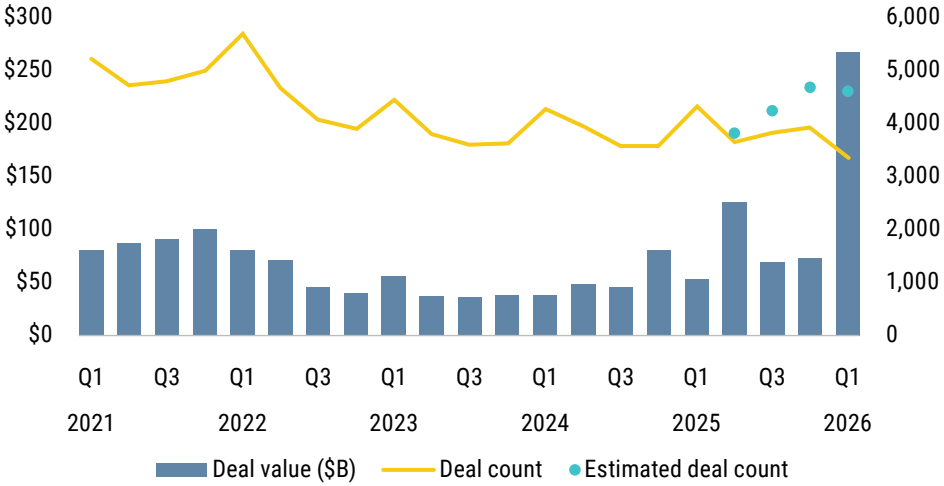
VC dollars are flowing to fewer companies in larger amounts at increasingly elevated valuations. This dynamic is evident across every stage of the market, not just among marquee names.

Median pre-money valuations and deal sizes have steadily expanded across series. The median Series A pre-money valuation reached $62 million in Q1—nearly triple the $21 million recorded in 2020—while the median Series A deal size rose to $19.6 million from $7.5 million over the same period. At Series C, the moves were even more striking: The median pre-money valuation surged to $579 million from $167.2 million in 2020, and the median deal size expanded to $75 million from $35 million. These are not incremental changes but a sustained shift in the cost to participate at each stage of the venture lifecycle. Half of early-stage deals now exceed $10 million, the highest share of large early-stage deals in the past decade.

Q1 2026 is a record quarter for dealmaking

VC deal activity by quarter



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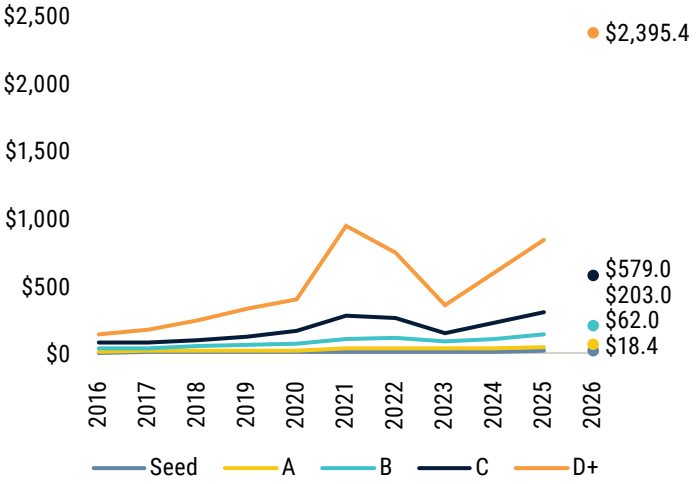
The wide gap between median and average deal sizes tells an equally important story. At Series A, the Q1 2026 median of $19.6 million sits well below the average of $39.6 million; at Series C, the $75 million median sits well below the average of $124.6 million. The persistent and widening divergence between median and average deal sizes reflects an increasingly bifurcated market.

Over the past four quarters, deal counts have increased most notably for the early stage due to two tailwinds. First, aging dry powder is creating pressure

Valuations surge, especially for Series D+

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



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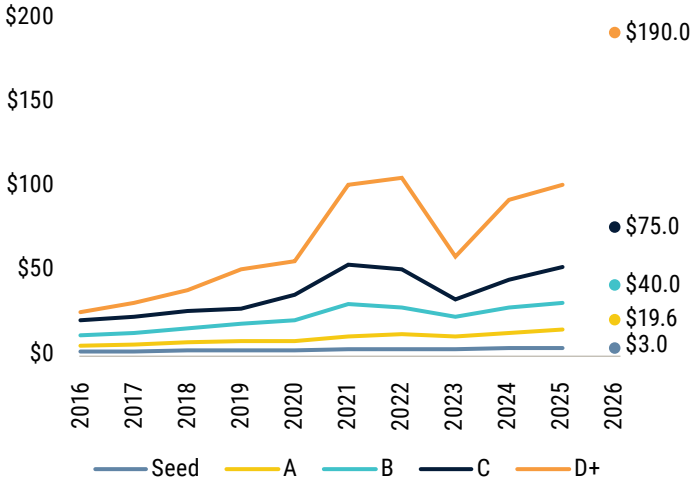
Median deal value expands across series

Median VC deal value ($M) by series



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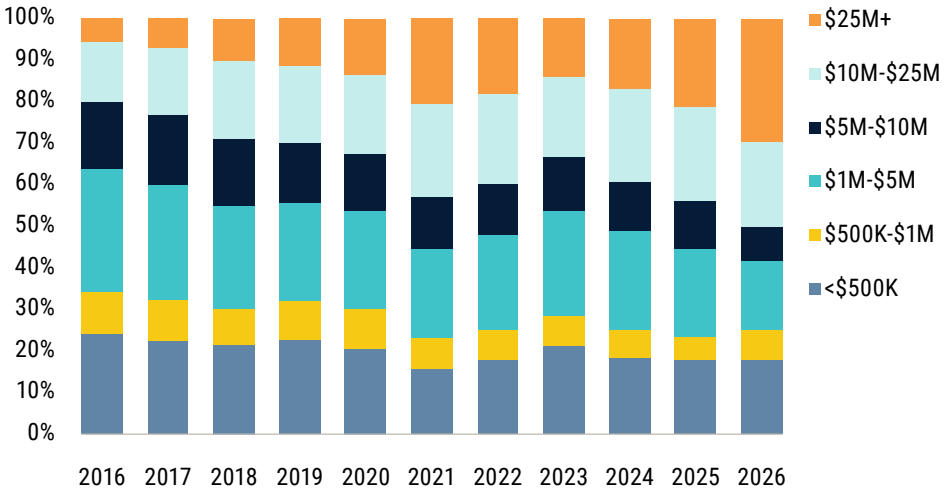
as the significant capital raised for early-stage investing has yet to be deployed. Second, the most active firms have materially accelerated their pace of seed and early-stage investments: In Q1, Andreessen Horowitz and Y Combinator each made 46 investments, General Catalyst made 25, and Sequoia Capital made 22. Together, these trends reflect a structural shift in how leading managers are approaching portfolio construction, favoring volume and velocity at the earliest stages.

The early-stage resilience is real, but it will take years before those investments are realized. The market's more immediate liquidity problem remains unsolved—particularly as the aggregate post-money valuation of unicorns has crossed $5.8 trillion. 44.6% of those unicorns had their first VC round in 2016 or earlier, meaning that the early investors and employees of nearly half of all unicorns have been waiting more than a decade to realize returns. The result is a market increasingly defined by divergence: abundant capital and rising valuations at the top and a growing cohort of mature companies with no clear path to liquidity at the bottom.

Uptick in large early-stage deals

Share of early-stage VC deal count by size bucket



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A WORD FROM J.P. MORGAN

Our views on venture

Ginger Chambless
Head of Market Insights, Commercial Banking, J.P. Morgan
Ginger Chambless 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,** and **Carly Roddy, Co-Head of Venture Capital Relationships**

Record quarterly investment amid shifting venture landscape

Recent trends in venture include record levels of capital deployment across fewer deals and significant sector concentration. Mega-rounds in AI & machine learning (ML) startups have been the primary driver behind the investment surge. According to PitchBook, in the first quarter of 2026, the top five deals (for OpenAI, Anthropic, xAI, Waymo, and Databricks) garnered nearly three-quarters of the total venture investment. This level of concentration is without precedent in modern venture history. The market's bifurcation is also reflected in a widening gap in valuation premiums between AI and non-AI companies.

In this environment, early-stage and first-time financings have been steady but relatively subdued. Stable investment activity across lower deal counts suggests that the discerning approach by VCs over the past couple of years continues to hold with a clear preference for category leaders with strong unit economics. Outside of AI, sectors receiving significant investor interest and increased levels of funding include defense tech and cybersecurity as geopolitical tensions remain elevated.

AI remains the central theme, but the narrative evolves

In recent months, the prevailing narrative around AI has evolved from the technology's ability to broadly benefit the economy and business productivity to a heightened focus on sectors most at risk of disruption. For software-as-a-service specifically, rapid advancements in models and agents shifted the focus from AI as a productivity tool and sector tailwind to an existential threat of disintermediation. This has caused jitters throughout both private and public markets, sending public software equity multiples to 10-year lows.

While the functionality of agentic AI has improved exponentially, history tells us that adoption and business model disruption will likely occur over time rather than abruptly as accuracy and safety standards are considered. Nonetheless, there are some early signs of AI affecting the business landscape and labor markets specifically. According to the February Challenger Report, AI was cited as the cause of 8% of job cut plans in the first quarter of 2026, up from 5% in 2025 and 3% in 2023.[3] In the technology sector specifically, announced job cuts YTD are up 51% over the prior year and account for more than 20% of US economy-wide layoffs.

These factors challenge software sector investment sentiment in the near term, especially as investors have become acutely focused on return profiles amid the build-out of AI. We expect startups with mission-critical platforms and clear AI road maps will continue to get a strong reception while risks stay elevated for companies with less differentiated offerings.

Geopolitical and tariff developments complicate the macroeconomic outlook

While the Supreme Court ruling against International Emergency Economic Powers Act (IEEPA) tariffs in February was anticipated, the duration and extent of the conflict in the Middle East has unsettled markets as the surge in energy prices adds downside risk to the economic outlook. Both developments have the potential to affect the path of inflation with implications for consumer affordability and the Federal Reserve's (the Fed's) approach to interest rate policy.

Given the effective closure of the Strait of Hormuz for several weeks—the key shipping channel out of the Persian Gulf through which 20% of global oil and gas trade volumes transit—oil prices have spiked to four-year highs. In addition to energy supply disruption, the availability of certain chemicals such as helium and industrial metals critical for technologies has also been constrained. This supply shock emphasizes the importance of maintaining a diversified supply chain to support business continuity and limit overall cost pressures.

The path forward for tariffs also remains in flux following the Supreme Court's ruling against IEEPA. The Trump administration's subsequent enactment of 10% global tariffs under Section 122 of the Trade Act of 1974 is set to expire in July, after which it is widely expected that the previous tariff regime will be reconstructed by other legal authorities.

The US Trade Representative recently announced Section 301 investigations into the "acts, policies, and practices" of several economies related to structural excess capacity in manufacturing sectors, including technology.[4] The investigation will assess whether these actions are "unreasonable or discriminatory and burden or restrict US commerce." The economies under review include China, the European Union, Singapore, Korea, Vietnam, Mexico, Japan, and India. With the investigation potentially resulting in more targeted tariffs on technology imports, some pull forward of shipments could occur over the next few months.

Leading up to the conflict in the Middle East, data on economic activity had been broadly consistent with our expectation for steady GDP growth in the 2% area, sticky inflation, and labor market stabilization. Given recent geopolitical developments and energy supply shock, we see downside risks to our growth forecast and upside risks to inflation. With these crosscurrents, we expect the Fed will hold rates in the 3.50% to 3.75% range over the course of the year.

From a founder perspective, there is a growing level of uncertainty caused by the state of geopolitics and the change taking place across industries, most notably from AI. This could slow strategic decision-making across products and services in addition to affecting how founders run and fund their operations.

The IPO and M&A outlook navigates another patch of volatility

Coming into the year, our constructive macro and market outlook reflected reduced policy uncertainty, fiscal tailwinds from tax refunds, and continued easing from the Fed. These drivers were coming together to create benign conditions for increased IPO volumes, M&A, and capital raising broadly.

Geopolitical events and AI-disruption concerns have increased equity market volatility and clouded the near-term outlook for IPOs. However, according to David Bauer, head of Americas Equity Capital Markets for J.P. Morgan, the US IPO forward calendar still looks positive. There is a healthy pipeline across sectors, particularly consumer, energy, industrials, and technology. Within the tech sector, it is worth noting that this may mean only the largest private companies are realistically evaluating a listing in the near term.

In an environment with increased volatility and headline risk, issuers are taking a more cautious approach to testing the market.

M&A activity across the tech sector has also experienced a pause in momentum. Small tuck-in deals by sponsors are still happening, but until software valuations see a more sustainable recovery, activity could remain subdued.

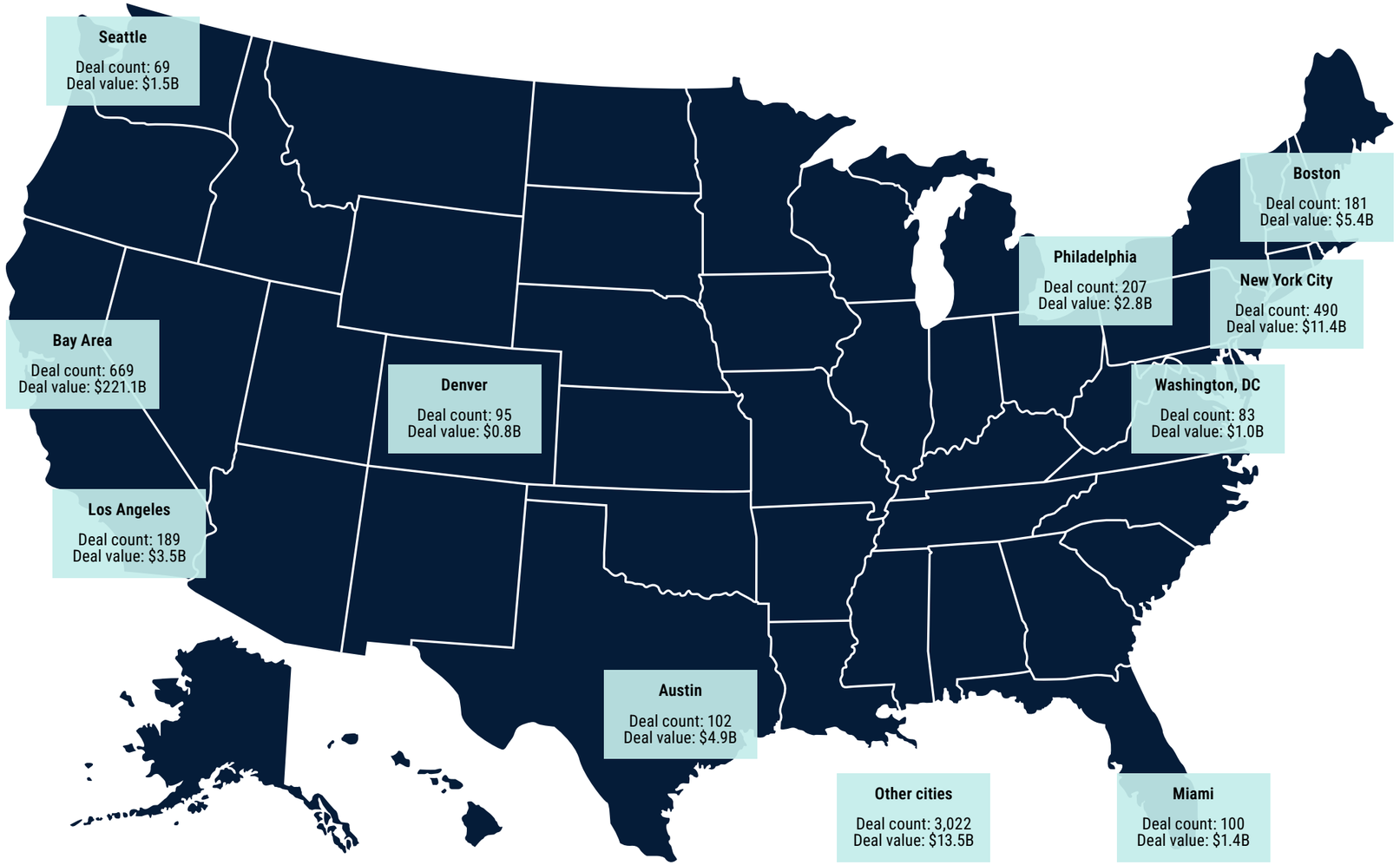
Bauer advises boards to continue prioritizing readiness and valuation discipline to mitigate execution risk when an exit opportunity presents itself. Market sentiment could quickly shift, as seen in the months following the "Liberation Day" dislocation. Plus, the SEC continues to alleviate its review-process bottleneck caused by the six-week government shutdown at the end of last year.

We are seeing elevated engagement among investors, and conversations around the near-term calendar continue to be productive. It will be important to watch how companies take advantage of the issuance windows when they open. These listings can potentially serve as a benchmark for the remainder of the year, in terms of the liquidity generated and whether a positive feedback loop is created for others to test the market.

Regional spotlight

Mega-financings push more than $244 billion into tech hubs in Q1

Q1 2026 VC deal activity by ecosystem



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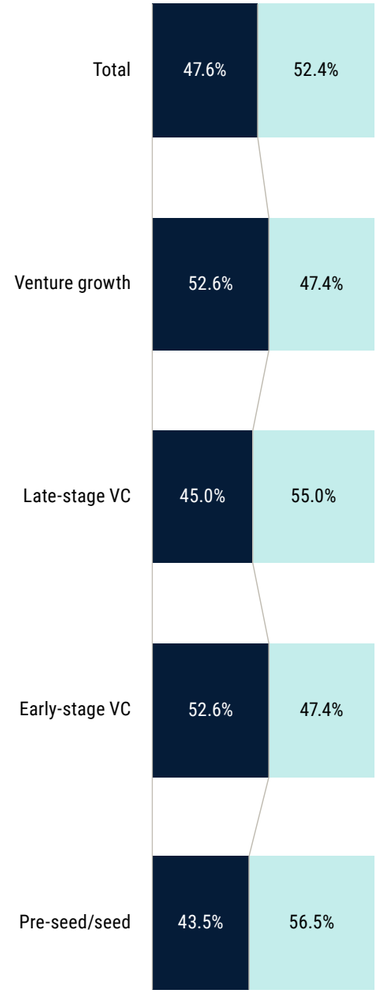
Early-stage activity pacing high in hubs

Share of VC deal count by market breakout



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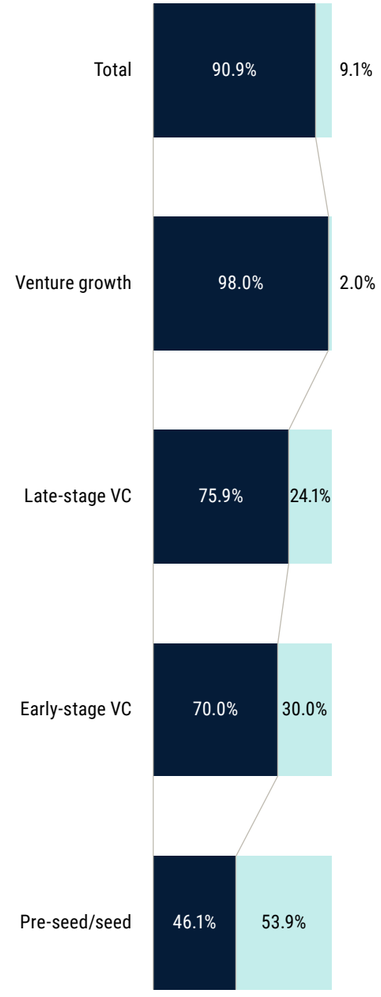
90.9% of VC dollars went to hubs in Q1

Share of VC deal value by market breakout



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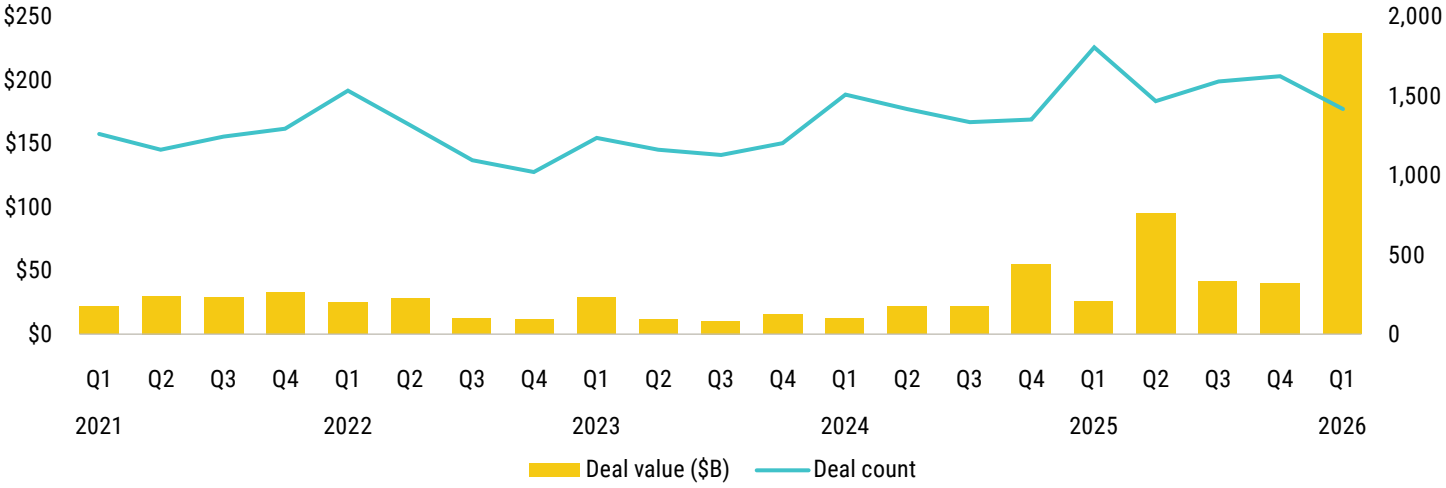
AI spotlight

Q1 deal value nearly reaches aggregate of prior five quarters

AI & ML VC deal activity by quarter



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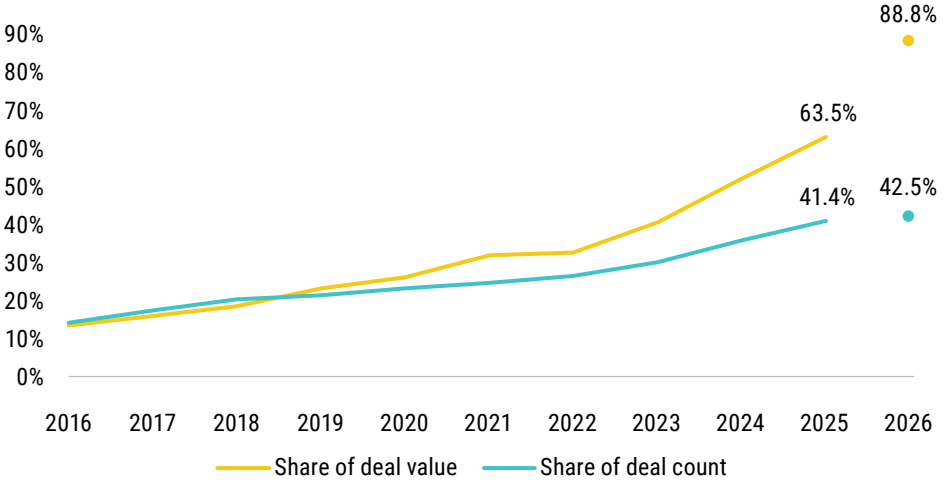
The statement "AI is the new VC" is difficult to challenge. AI companies' proportion of all completed deals has risen every quarter but one since 2022. 42.5% of deal count in Q1 involved an AI startup. As large as that figure seems, especially compared with AI's 14.6% share a decade ago, it still understates investors' heightened focus on AI. More than half (51.7%) of the megadeals completed during Q1 involved AI companies, and the market value of AI startups is now only outpaced by that of software-as-a-service startups, which greatly overlap with AI companies and hold a large amount of value from 2021 deals that has likely deteriorated since.

88.8% of Q1 deal value went to AI

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



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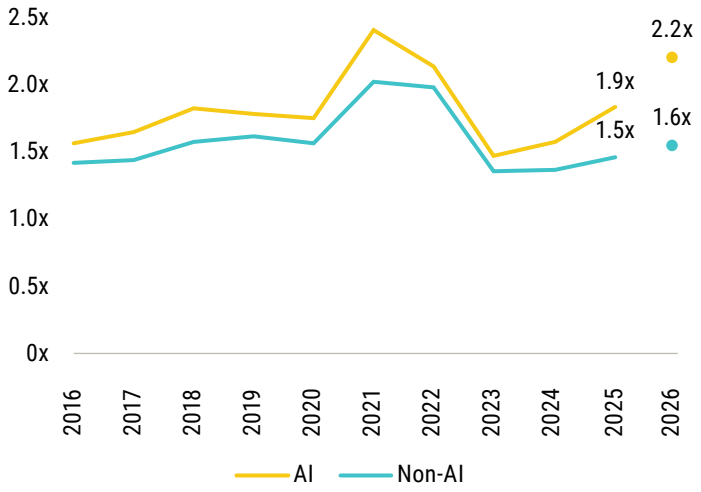
The AI trade in VC has been driven by enthusiasm for the technology's future; its ability to immediately create efficiencies for young companies; and, largely, FOMO. The speed with which AI deals are getting done far outpaces non-AI dealmaking. AI companies that closed rounds in Q1 did so roughly half a year sooner than non-AI companies. VC firms are not the only ones deploying capital into AI at scale, either. Beyond the megacap public hyperscalers, smaller and more traditional corporate VC firms (CVCs) have shifted their focus to AI to harness the strategic and financial gains the technology could deliver for their parent organizations. In Q1, more than half of CVC deals were in AI.

AI valuation step-ups charging higher

Median AI and non-AI VC valuation step-up



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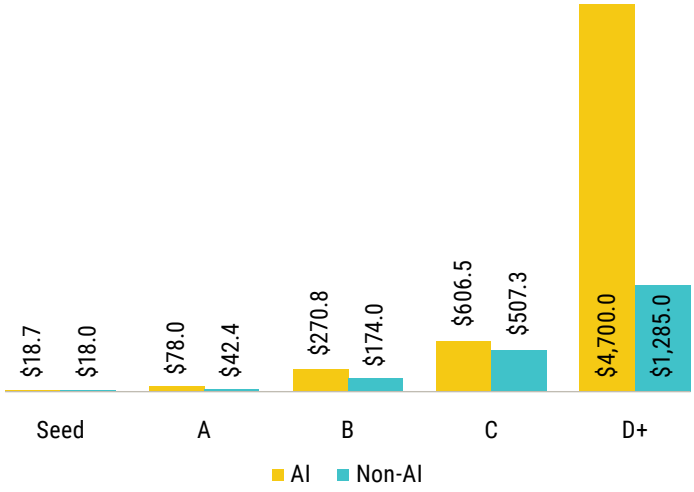
AI valuations significantly higher

Median AI and non-AI VC pre-money valuation ($M) by series



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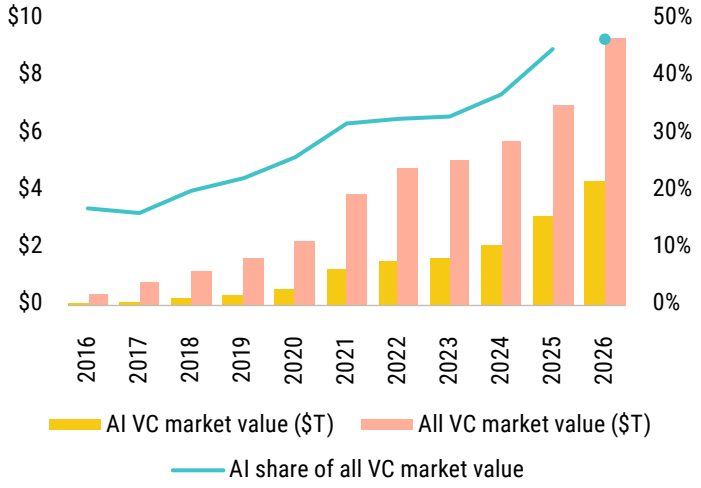
45% of VC market value is held by AI companies

AI VC market value as a share of all VC market value



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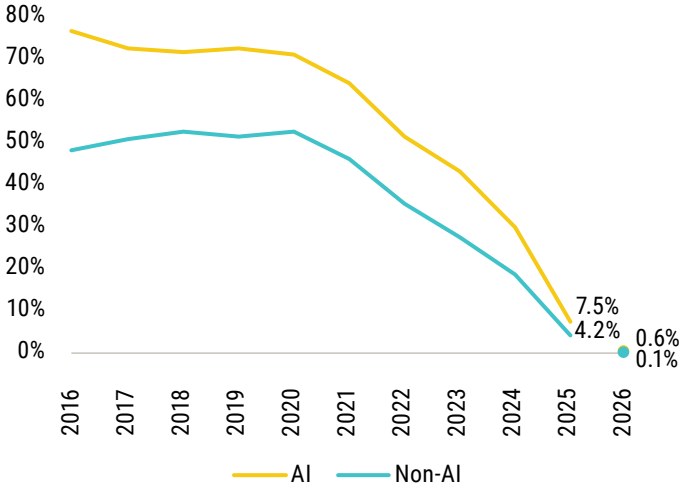
AI companies raise second VC rounds at higher rate

Share of first-time-financed AI and non-AI companies that raised a second round



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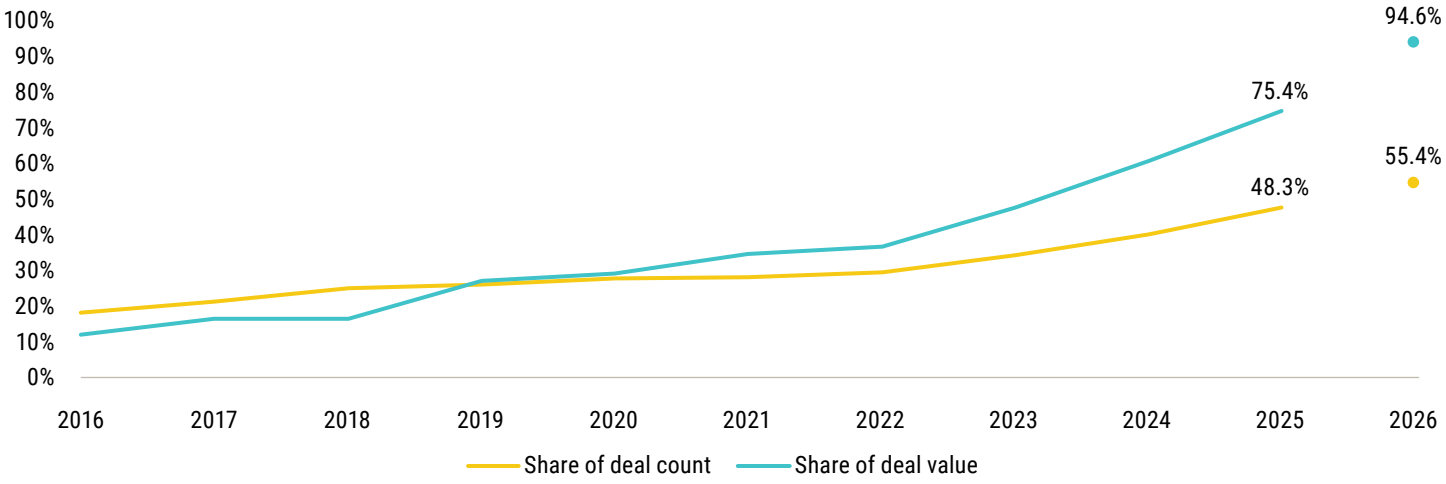
The next phase of AI momentum and VC deployment is already underway. With OpenAI and Anthropic on the IPO doorstep, the rest of 2026 may begin to reveal the returns that AI investments can generate. Those two IPOs could serve as a catalyst for additional companies to file and generate liquidity—provided their listings receive a strong reception and sustain a positive performance. The chase for AI runs throughout the venture lifecycle. AI is the most invested vertical at every stage. AI companies move through the early venture lifecycle at much higher rates than non-AI companies, and at higher valuation step-ups, reflecting strong investor conviction for AI even at the earliest stages.

The IPOs of OpenAI and Anthropic will not be ordinary. They will likely be transformational listings that chart a path for AI investment more broadly. The structural position of these companies within AI places significant weight on their success, as a growing number of businesses are being built on the models they have developed.

AI synergies pressure CVCs to keep pace

AI & ML VC deal activity as a share of all VC deal activity with CVC investor participation



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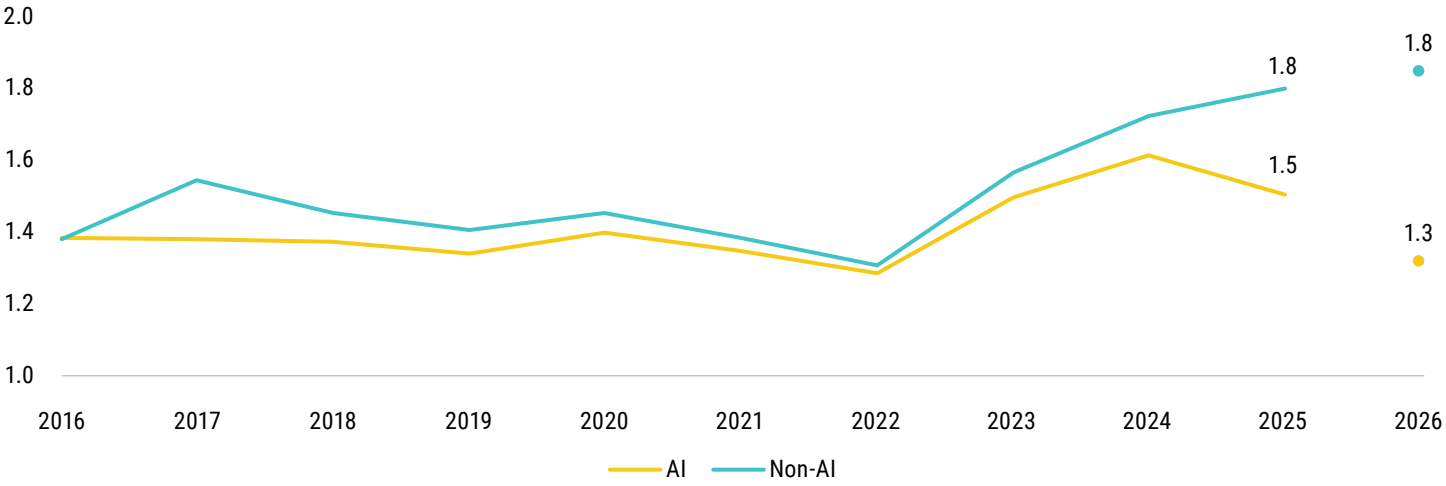
AI companies raising faster, creating FOMO

Median time (years) between VC rounds for AI and non-AI companies



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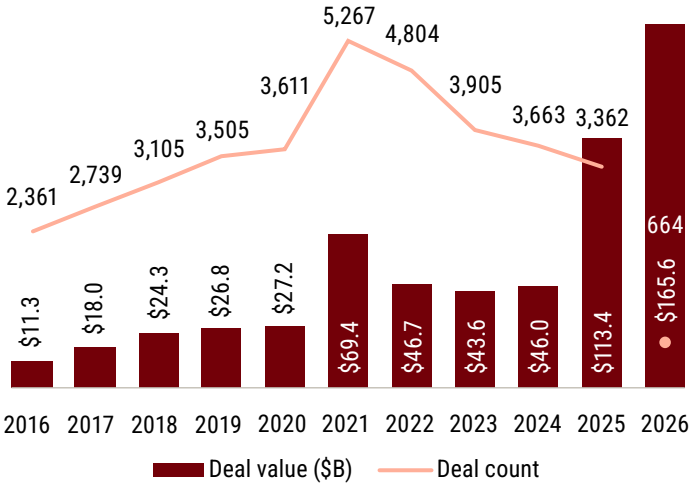
Female founders

OpenAI and Anthropic drive Q1 deal value

VC deal activity in companies with at least one female founder



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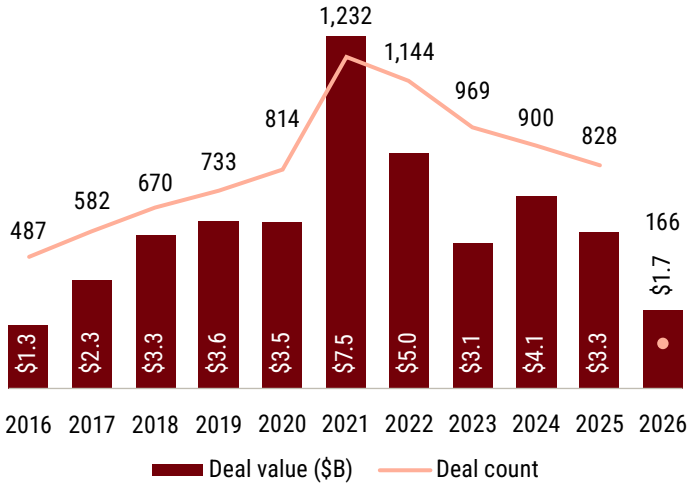
Muted deal count for all-female teams

VC deal activity in companies with all-female founding teams



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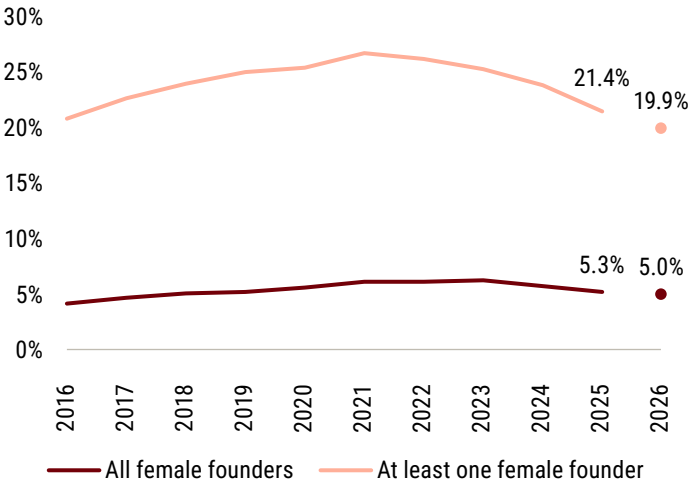
Female-founded companies make up 19.9% of all deals

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



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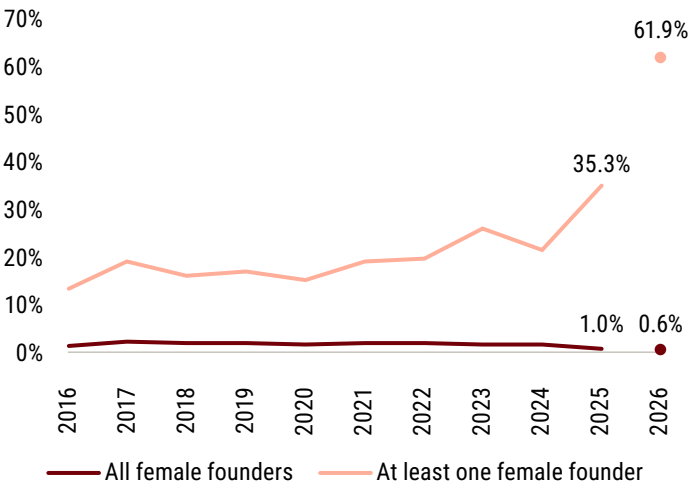
Only 0.6% of capital was invested in all-female teams in Q1 2026

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



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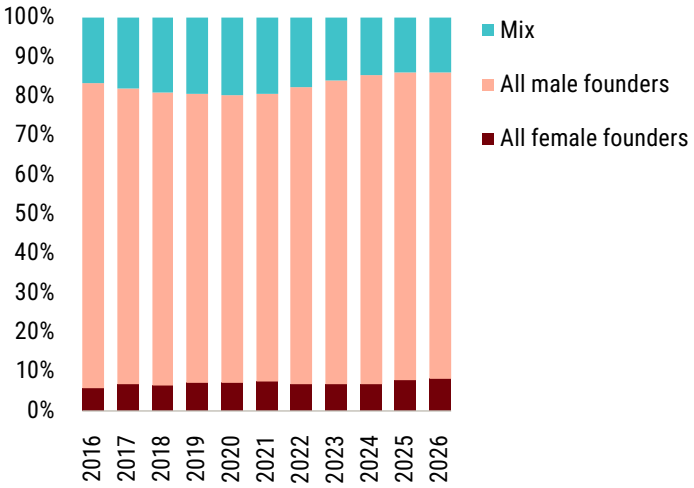
77.9% of first-time financings in Q1 went to all-male teams

Share of first-time financing VC deal count by founder gender mix



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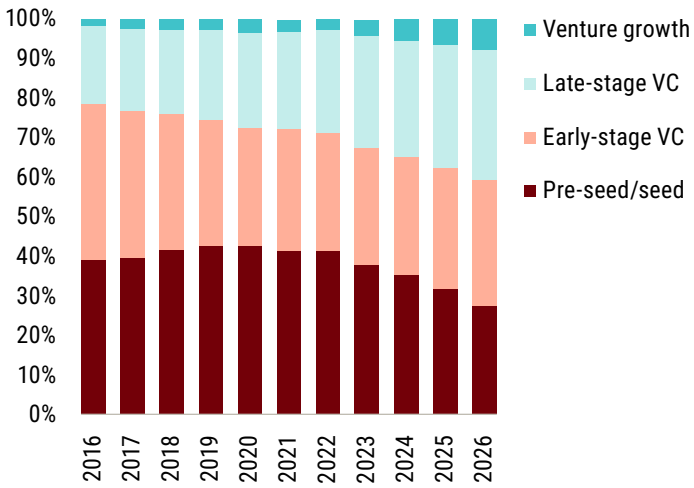
Female-founded startups held their greatest portion of later-stage deals in Q1 2026

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



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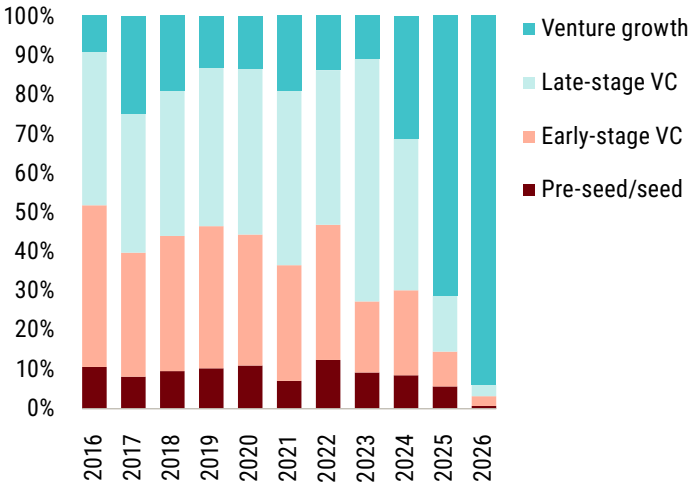
Venture growth captured 94.1% of Q1 deal value for female-founded startups

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



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San Francisco CSA leads deal count for all-female teams

Top five CSAs by trailing 12-month VC deal count for companies with all-female founding teams

CSA	Deal count
San Jose-San Francisco-Oakland, CA	214
New York-Newark, NY-NJ-CT-PA	206
Los Angeles-Long Beach, CA	99
Philadelphia-Reading-Camden, PA-NJ-DE-MD	54
Boston-Worcester-Providence, MA-RI-NH-CT	53

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

A WORD FROM DENTONS GLOBAL VENTURE TECHNOLOGY GROUP

Early-stage reset: Capital concentration and the new bar for Series A

Dentons' Global Venture Technology Group Global Chair Victor H. Boyajian sat down with Amy Wu Martin, partner at Menlo Ventures, and Graham Brown, managing partner at Lerer Hippeau, to discuss how early-stage venture is evolving. While the number of rounds has declined, overall capital remains strong—but is increasingly concentrated in a small subset of companies, particularly in AI. Boyajian, Martin, and Brown's conversation explores how this shift is affecting founders' access to capital, what investors now expect at the Series A stage, and how signals of product-market fit are being redefined in a more selective environment.

Victor H. Boyajian
Global Chair, Dentons Global 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.

Amy Wu Martin
Partner, Menlo Ventures
Amy Wu Martin is a partner at Menlo Ventures, where she leads consumer and AI application investments, including Suno, Higgsfield AI, ShopMy, Alta, Good Job Games, OpenFX, and Flora AI. Prior to working at Menlo, Amy was a partner at Lightspeed Venture Partners, senior VP at Warner Bros. Discovery, and CFO at Welcome Software (acquired by Optimizely).

Graham Brown
Managing Partner, Lerer Hippeau
Graham Brown is a managing partner at Lerer Hippeau, where he's been investing in early-stage companies for over a decade. He previously held roles at SoftBank Capital, Polaris Partners, and Life Line Screening. Graham holds a master's degree from Columbia Business School and a bachelor's degree from Colby College.

Boyajian (Dentons, NY/SF): Venture markets have been under pressure, with fewer rounds and more selective capital deployment. At the same time, we're seeing significant capital flowing into AI-driven companies. How do you interpret what's happening at the early stage?

Martin (Menlo Ventures, NY): While the number of raises has declined, total venture capital has not. In fact, more capital was deployed in 2025 than in 2024.

What's changed is the concentration of capital. A smaller number of companies are raising a larger share of capital—particularly in AI, where infrastructure and model-layer companies are raising historically large rounds. The power law has become more extreme. Capital isn't disappearing; it's becoming more concentrated.

Brown (Lerer Hippeau, NY): There has certainly been an imbalance between volume and capital. A huge number of talented folks are launching new companies, and making fast progress at the AI application layer is easier and faster than ever before. At the same time, capital is increasingly being concentrated among a small number of perceived winners who are receiving disproportionate shares. The disparity is being driven principally by specialized talent scarcity and computing costs at the infrastructure and foundation model layers.

Boyajian: For founders outside of those infrastructure and model-layer companies, we're hearing that access to capital has become more difficult. How should they think about this environment?

Martin: It depends on the type of company. Infrastructure and model-layer companies require significant up-front

capital, which explains the size of those rounds.

At the application layer, companies can be more capital efficient, with lower costs to build and launch products. What's changed is that when companies show early success, investors are willing to allocate more capital to those perceived early winners—accelerating go-to-market and widening the gap within a category.

Brown: At the same time, it's never been easier to start and scale a company, particularly at the application layer. Better tooling and new model capabilities are spurring unprecedented growth for companies at the earliest stages. Founders can go further with less capital, but we're seeing more competition than ever, especially in areas with low barriers to entry.

Boyajian: Let's talk about the transition from seed to Series A. What has changed in how companies position themselves for that next round?

Brown: Companies need to show more progress, but it's not just about hitting a revenue number. The takeaway isn't "get to $3 million and you can raise a Series A." The rate of progress matters—how quickly you're growing—and where you sit relative to others in your category. We're also seeing a reversion from the previous cycle, where graduation rates from seed to Series A were unusually high.

Martin: The benchmarks for strong performance have shifted. In many cases, exceptional growth now looks like going from $0 to $3 million to $15 million to $60 million in annual recurring revenue over a relatively short period. But more importantly, it's about the quality of that growth. Early revenue is easier to generate today, particularly with enterprise experimentation. What matters is how customers are using the product. There's a big difference between "this is one of many tools" and "we can't operate without this." That level of reliance is a much stronger signal.

Boyajian: How are you thinking about product-market fit in this environment?

Martin: At the application layer, we focus on customer references and evidence of real value creation—clear return on investment and strong feedback. In consumer or "prosumer" businesses, retention is the key metric and the best proxy for product-market fit.

Brown: Ultimately, revenue, growth, and speed are all proxies for the same question: What value is the product delivering to the customer? That's always been the most important factor, but with more experimentation across the market, it's harder to distinguish between early signals and durable traction.

Boyajian: Talent was mentioned earlier. How are you thinking about founding teams, particularly in the context of AI?

Martin: For infrastructure and model-layer companies, concentration of research talent is critical and often the key factor in investment decisions. More broadly, in our strongest-performing companies, founders remain CEOs. Bringing in an external CEO early would be a red flag.

Brown: We see the same: We're backing founders to build companies. What's changed is the composition of founding teams, especially in technical areas. AI fluency is more important, and the best teams are able to move much faster than in prior cycles. At the earliest stages, a team's ability to win is always the primary signal for us.

Boyajian: As you look across sectors—AI, robotics, payments, defense tech (to name a few that we see often)—are there particular areas you're prioritizing?

Martin: Menlo is a generalist fund, so we look across all of those categories. Each partner, though, specializes in thesis areas.

Brown: Same for us. We invest broadly but try to get ahead of where a category becomes widely recognized. By the time a theme or road map has been discussed broadly, competition is already there, so we aim to identify opportunities before they become consensus.

Boyajian: What advice would you give founders navigating this environment?

Brown: Focus on demonstrating durable progress and momentum—not just hitting milestones, but how quickly you're getting there and what separates you within your category. Expectations have shifted, particularly at the Series A stage.

Martin: It's not just about growth—it's about how meaningful that growth is. Strong customer validation and evidence that the product is becoming essential to users are what will differentiate companies.

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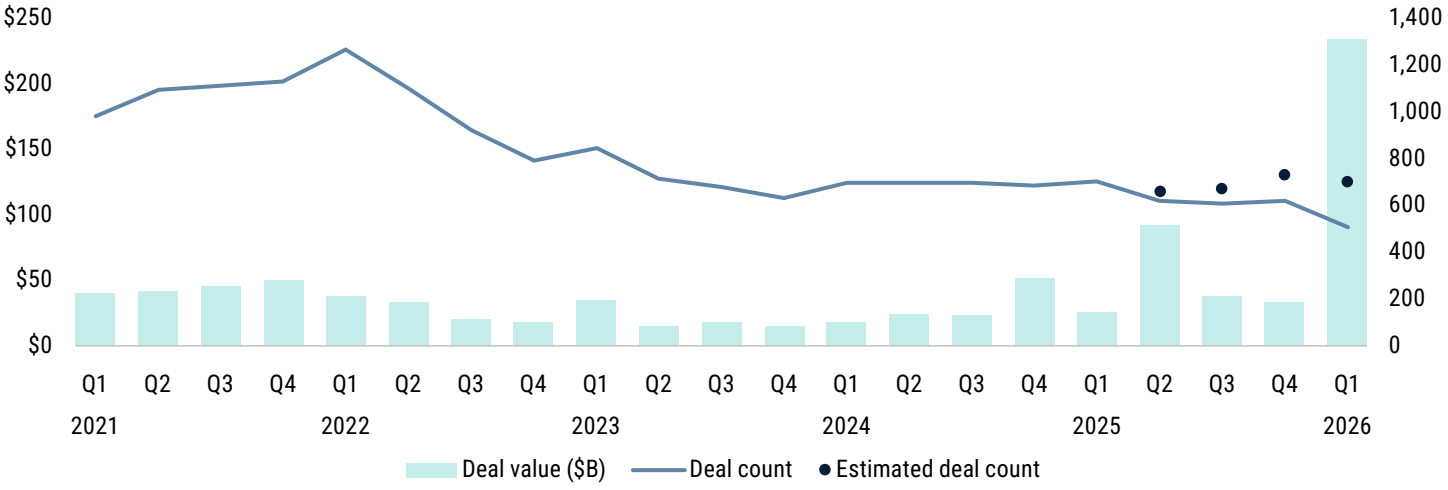
Investor trends

CVC deal counts hold steady

VC deal activity with CVC investor participation by quarter



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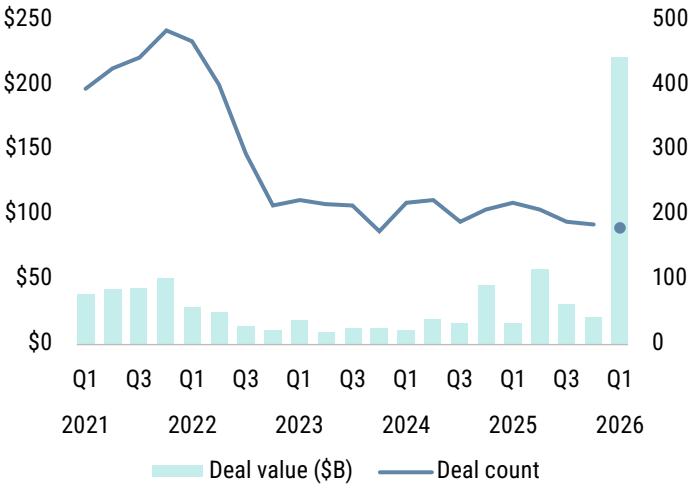
Crossover deal count holds while deal value jumps, highlighting megadeals' impact

VC deal activity with crossover investor participation by quarter



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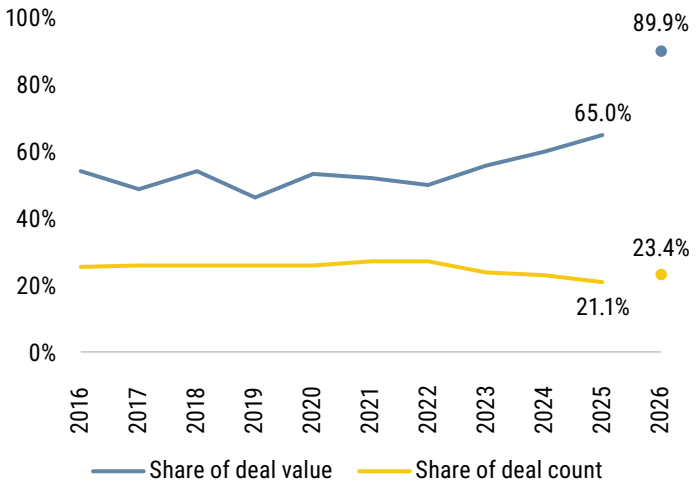
Less than a quarter of deals include a CVC investor

Deal activity with CVC investor participation as a share of all VC deal activity



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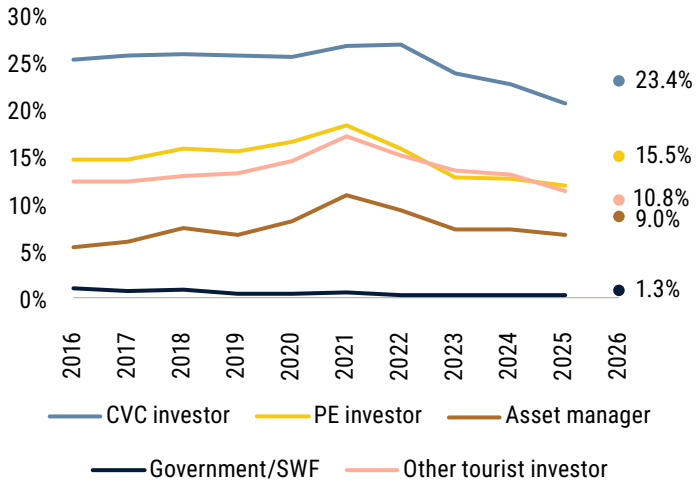
PE firms active in just 15.5% of VC deals

Share of VC deal count by investor type



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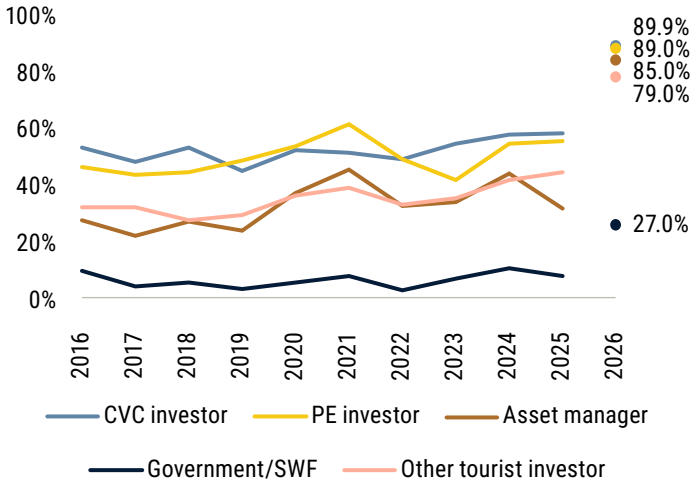
CVC deal value driven by AI hype

Share of VC deal value by investor type



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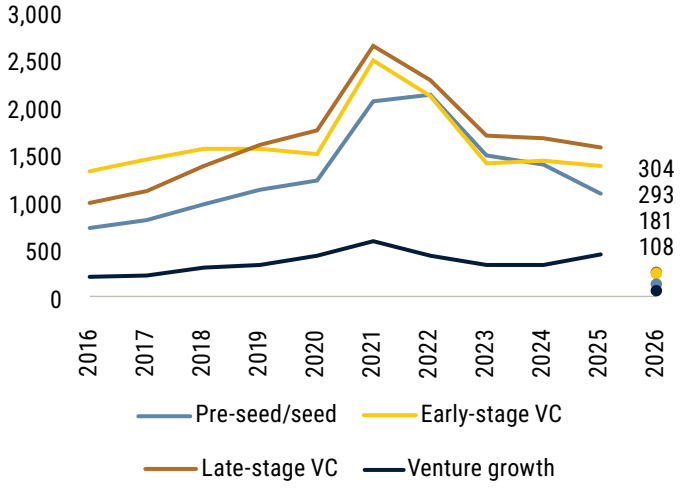
Late-stage VC has the highest nontraditional investor deal count

VC deal count with nontraditional investor participation by stage



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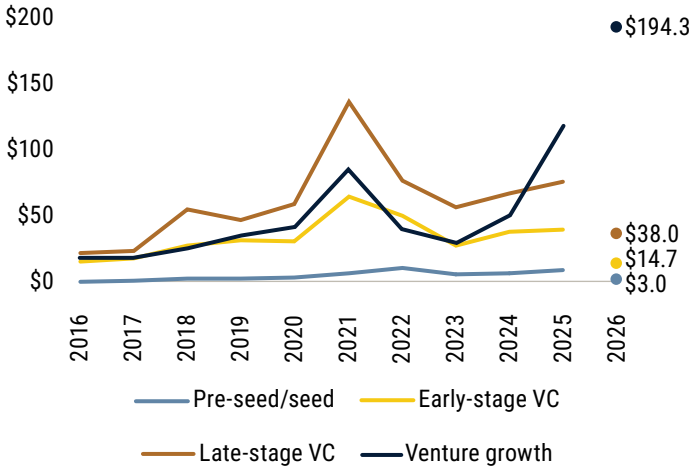
Nontraditional investor deal values decline for nearly all stages

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



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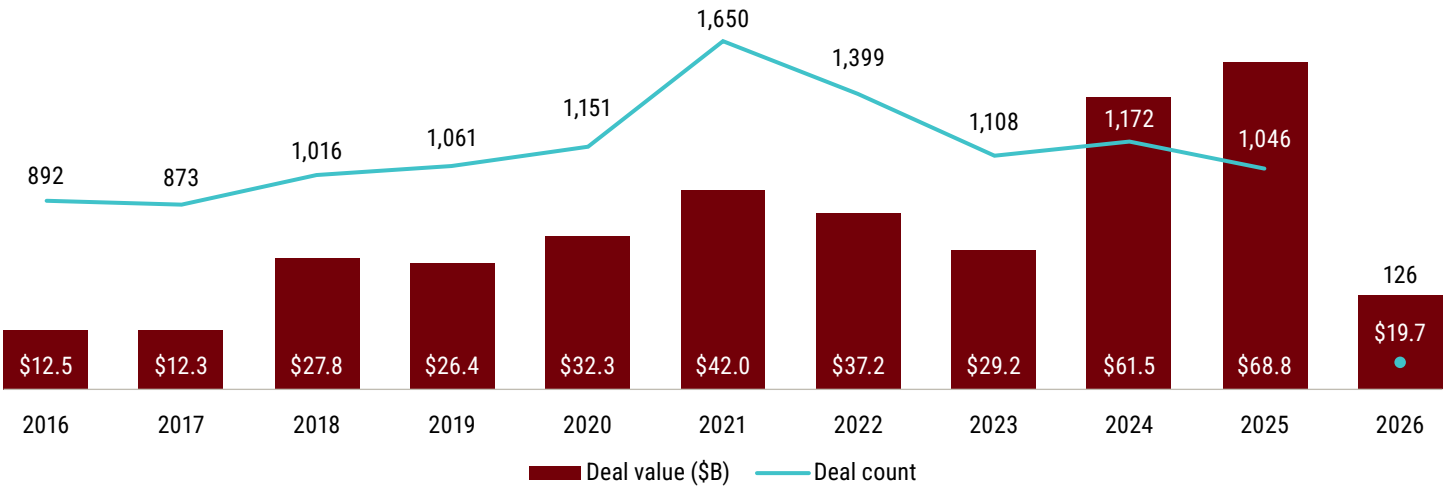
Venture debt

Muted venture debt counts for Q1 2026

Venture debt deal activity



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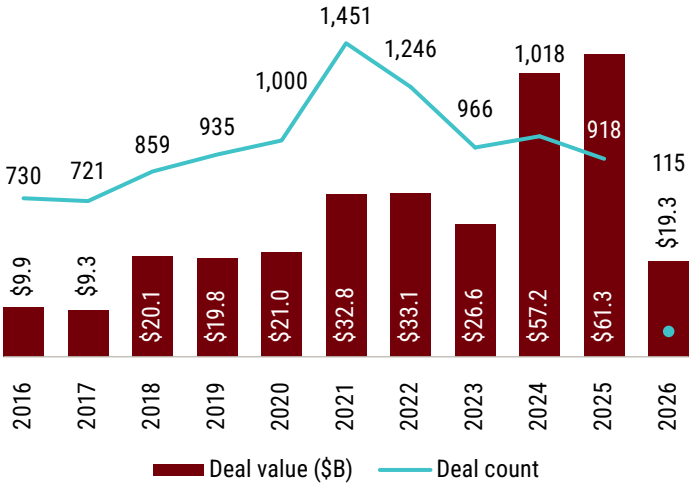
Tech drives high fraction of VC loan activity

Tech venture debt deal activity



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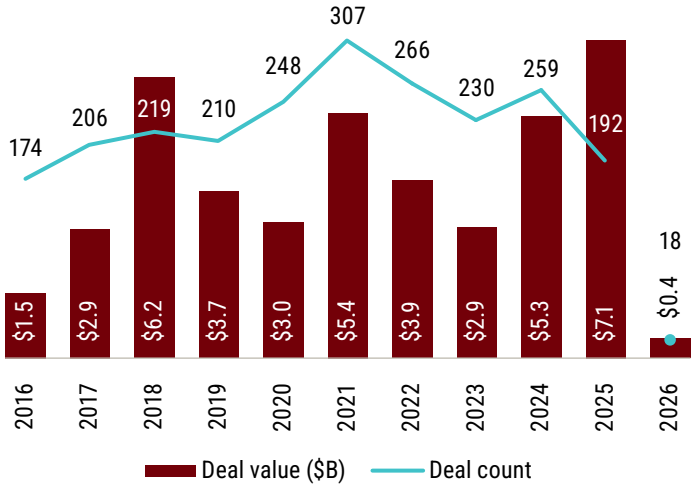
Healthcare loan activity declines significantly

Healthcare venture debt deal activity



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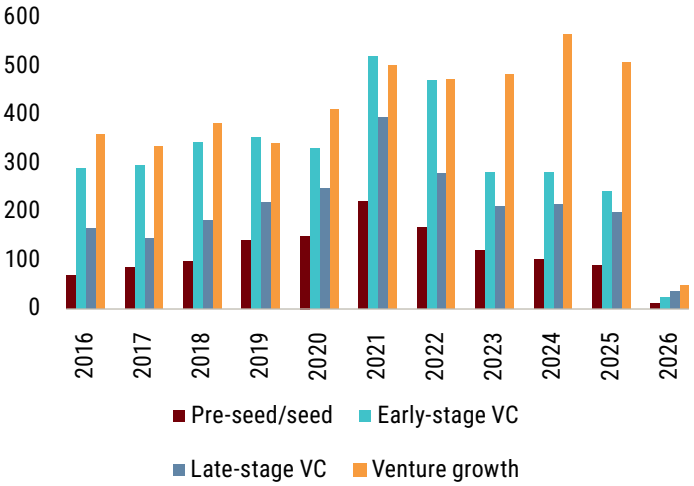
Venture growth continues to lead debt count

Venture debt deal count by stage



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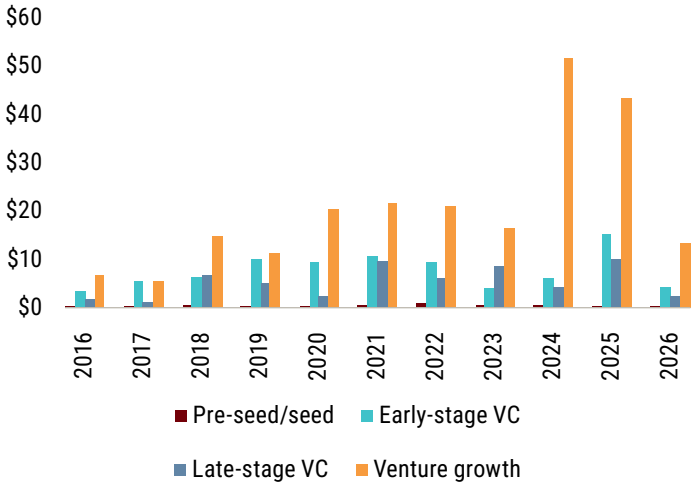
Venture growth captures the most debt value

Venture debt deal value ($B) by stage



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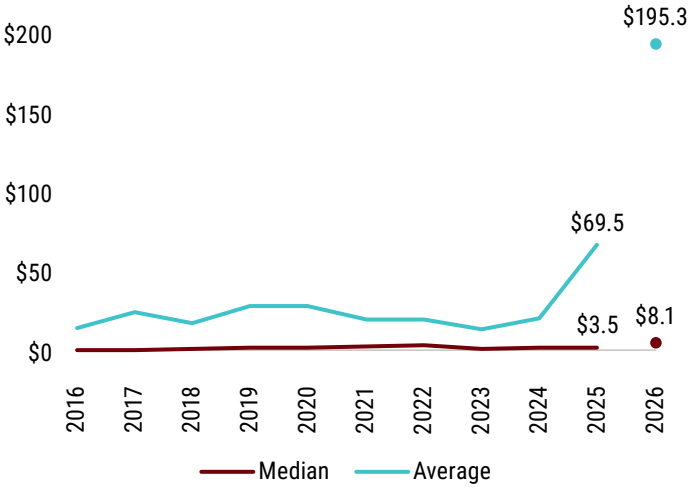
Early-stage average soars while median remains low

Median and average early-stage venture debt deal value ($M)



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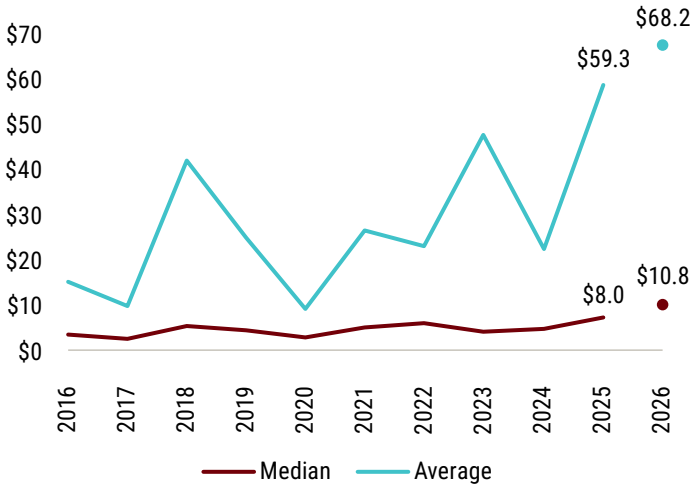
Decade highs for median and average late-stage loan sizes

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



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A WORD FROM EISNERAMPER

The real value in the venture ecosystem

Ryan Keating
Industry Leader, Venture Services
Ryan leads EisnerAmper's Venture Practice, connecting founders, funds, and operators across the venture ecosystem. A former venture fund GP with experience raising capital and investing in startups, he and his team have served more than 1,000 early-stage and venture-backed companies. Ryan brings 25+ years of experience across venture-backed companies and major technology and consulting firms.

For decades, professional services firms focused on building their advantage by controlling how work got done: Work faster. Work cheaper. Protect the margin.

Those advantages were sustained through structural moats: proprietary tools, expensive information sources, and large pools of lower-cost labor. Firms that controlled execution could capture and protect the economic value of the work itself. AI is dismantling those moats.

The capabilities reshaping how work gets done are no longer controlled by a handful of firms. They are being embedded directly into the tools we use in the market today: accounting systems, HR software, cap table platforms, collaboration tools, financial systems, and increasingly the operational software that runs manufacturing, logistics, and other parts of the modern economy.

As those capabilities become embedded in everyday workflows, execution advantages that once differentiated firms will essentially disappear. Efficiency can no longer be hoarded—and, increasingly, it can no longer be avoided.

When the ability to execute faster and more cheaply becomes widely accessible—and the structural moats disappear—the economic value of the transaction itself compresses. This pattern has appeared repeatedly across industries as technology has lowered the cost of executing work.

Brokerage commissions are a great example. For decades, investors paid sizable fees simply to execute trades. Then the structure of the brokerage industry changed. New entrants built technology-first platforms that challenged Wall Street incumbents and reshaped the economics of the business. As trading tools became widely accessible, the advantages that traditional brokerage firms once held disappeared. Execution fees declined year after year until trades became essentially free.

The brokerage industry didn't disappear. The value simply moved up the stack. But into where?

Advice and research, platforms and technology, access to opportunity, and navigation across the market itself.

There was a time when tax and accounting professionals competed on the speed of calculation. Before spreadsheets and calculators became commonplace, the ability to run numbers faster than someone else was a real competitive advantage. Once those tools became universal, that advantage disappeared almost overnight. The tax and accounting profession didn't disappear. When execution becomes easy, value moves up the stack.

The same dynamic is now reshaping the infrastructure surrounding venture-backed companies and the funds that invest in them. As technology continues to transform the operational work that keeps the venture ecosystem running (such as closing books, running payroll, managing banking, producing dashboards, and preparing board/investor materials), the effort required to execute those activities continues to decrease.

But this shift did not start with AI. The real value in professional services has always existed above the transaction—in judgment, relationships, client engagement methodology, and the ability to help clients navigate complex decisions. Clients' growing awareness of AI and the rapid adoption/embedding of AI capabilities across the tools that companies already use are simply making that reality impossible to ignore.

When transactions compress, value migrates upward. In venture, that upward shift is particularly important. Capital will always power the venture ecosystem. But the real value—the enterprise value that is created—depends on the decisions that founders and investors make once that capital is deployed and set in motion. These impactful decisions rarely occur at the transaction layer. Instead, the greatest value is created above it. This is where experience, judgment, relationships, and strategic guidance shape the decisions that determine outcomes. These decisions include when to raise capital, how to scale effectively, how to build the right investor and partner relationships, and how to navigate an ecosystem that grows more complex every year.

Today's venture ecosystem is broader than ever. Thousands of venture-backed companies operate around the world, connected to an expanding network of investors that include venture funds, emerging managers, corporate venture, family offices, angel networks, and global investors. Capital moves faster, information moves faster, and the consequences of mistakes compound faster.

Recognizing this shift, EisnerAmper has been building its Venture Group, designed to support the venture ecosystem as a whole rather than serving its participants in isolation. The Venture Group operates across three interconnected pillars: the portfolio companies building businesses, the investment funds backing those companies, and the people who participate across both sides of the ecosystem as founders, investors, and operators.

Each pillar represents a different dimension of the venture network. But the real value lives in the connections between them. Because our colleagues operate across all three pillars of the ecosystem every day, we sit inside that network. We watch capital, experience, relationships, and opportunity move between founders, funds, and operators in real time. Founders meet founders. Investors meet investors. New relationships form as smaller communities emerge inside the broader venture ecosystem.

This generation of founders and emerging managers isn't operating through RFPs or formal processes. Social networks and connections have become intrinsic parts of their lives, and they want to work with people they know and trust. Introductions move in every direction: founders to investors, investors to founders, founders to founders, and investors to investors.

Being inside that flow allows us to be intentional and deliberate in connecting insights, relationships, capital, and experience in ways that create value far beyond any single engagement. I like to think of this dynamic as the "swirl": a continuous exchange of opportunity moving across the venture ecosystem. For founders, that means working with advisors who understand the operational realities of building companies and the capital markets that support them. For funds, it means partnering with professionals who can manage fund operations and understand both the companies in which those funds invest and the wider venture landscape.

The best venture service providers don't behave like vendors; they behave like partners. Put more simply: The best advisors act like they're already on the cap table. They approach every decision and recommendation as if the outcome of the company directly affects them. That mindset changes how problems are solved, how opportunities surface, and how the entire ecosystem functions. When that level of trust develops, something else begins to happen: Founders introduce investors, investors introduce founders, and opportunities circulate (swirl) naturally across the network.

This happens because the ecosystem runs on trust and relationships rather than on a gatekept insider network. None of these forces was created by AI, but AI is accelerating them. Firms that continue to compete primarily on executing the work—no matter how efficiently—will find themselves competing for a shrinking share of the value. That value is steadily moving upward into strategy, forward-looking guidance, judgment, relationships, and ecosystem navigation. The firms that thrive will be those that help founders and investors navigate the venture ecosystem itself.

EisnerAmper

Connectivity that Grows with *Purpose*.

The best advisors act like they're already on the cap table.

At EisnerAmper, we shape the venture ecosystem, connecting founders, funds, and operators throughout the entire lifecycle. We produce solutions that are rooted in precision, grown with a purpose, and built to evolve.

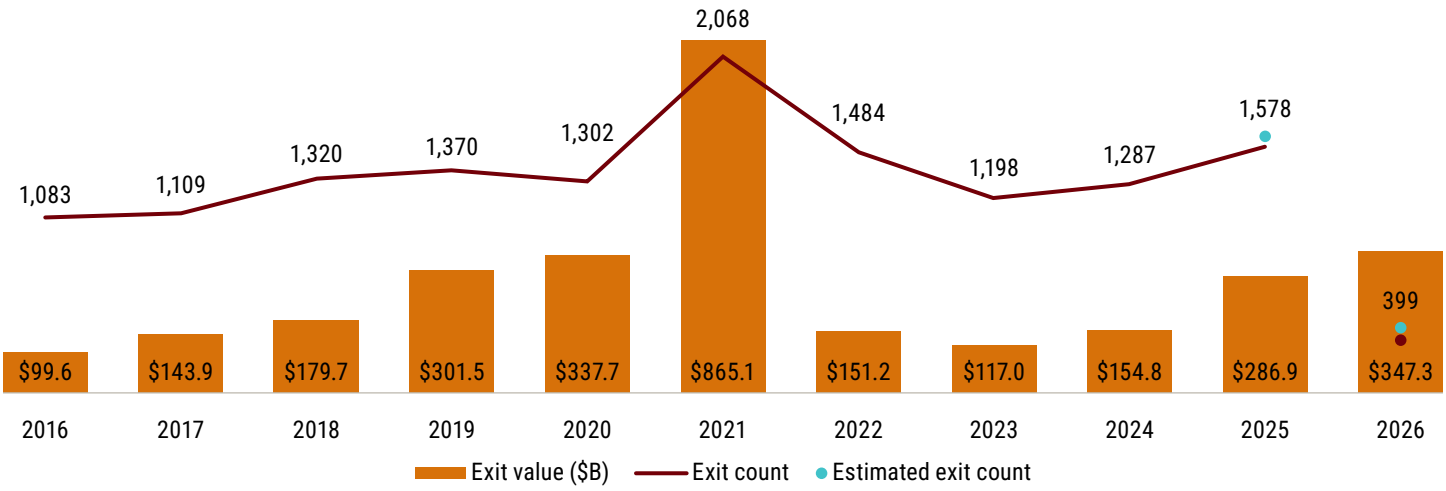
We are with you every step of the way

Assurance
Tax
Advisory
Outsourcing

Exits

2026 is already the second-largest year for exits

VC exit activity



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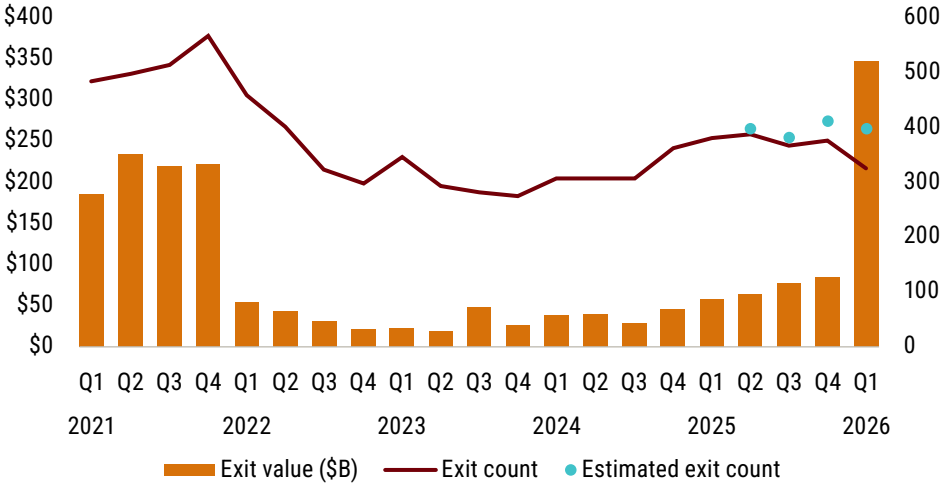
With only one quarter completed, 2026 is already breaking exit records. Q1 generated $347.3 billion in exit value, the highest quarterly total on record by a wide margin. 2026 already has the second-highest annual exit value in history, trailing only 2021.

These figures do not, however, reflect the current state of VC exit activity, which remains largely frozen. A single transaction accounts for 72% of the quarter's exit value: SpaceX's $250 billion acquisition of xAI. Both are Elon Musk's companies, making this less a traditional acquisition than a consolidation of affiliated assets. Excluding it, the quarter's underlying exit environment looks considerably more modest at $97.3 billion, which is still the highest quarter since Q4 2021. The concentration problem runs deeper still: 86.8% of Q1 acquisitions had undisclosed valuations, implying significant markdowns and limited returns for investors. That said, any liquidity in an extended stalemate is valuable, even at a discount.

SpaceX's $250 billion acquisition of xAI accounts for 72% of Q1 exit value

VC exit activity by quarter



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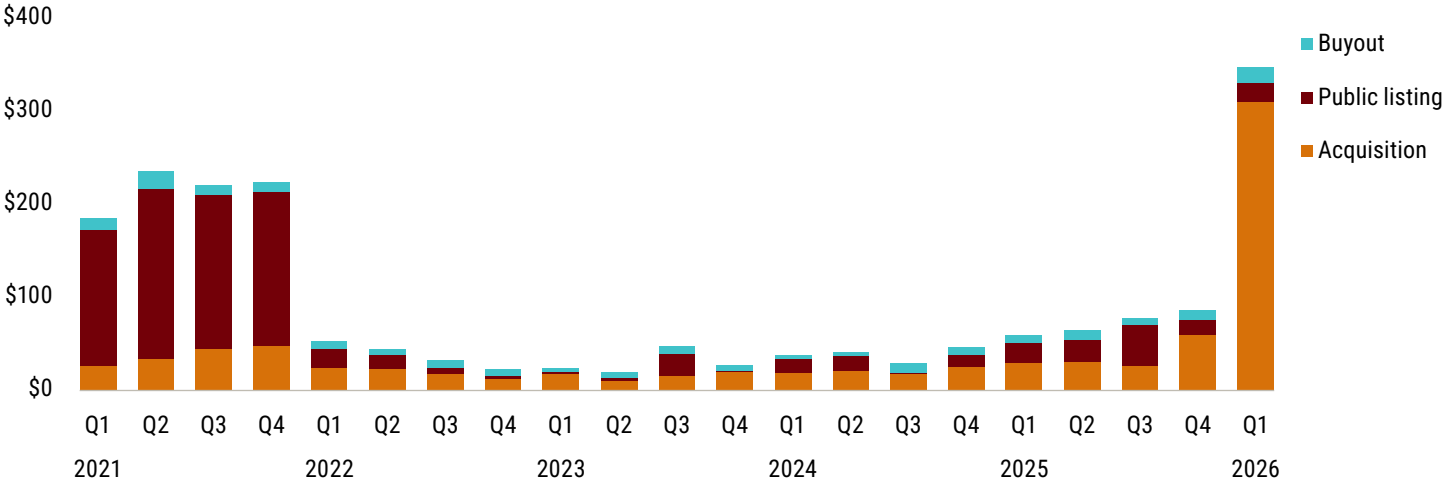
The quarter's top acquisitions were centered on the AI strategy. Google finalized its $32 billion acquisition of cybersecurity company Wiz, the largest corporate acquisition of a VC-backed company on record. Marvell Technology's $6 billion acquisition of Celestial AI addresses the high-bandwidth, low-latency connectivity demands of large-scale AI deployments. Cybersecurity firm Palo Alto Networks' $3.4 billion acquisition of observability platform Chronosphere targets the challenges of monitoring

AI acquisitions drive Q1 exit value

Quarterly VC exit value ($B) by type



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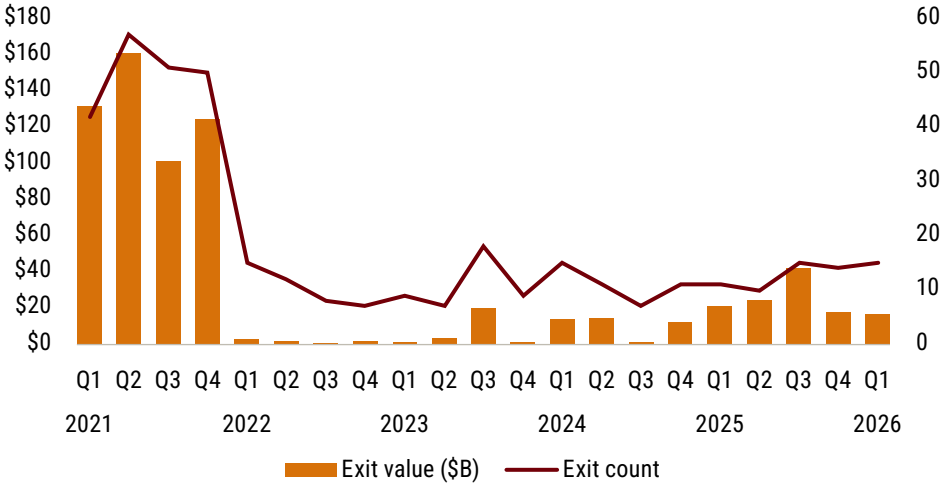
and securing massive volumes of AI-related data.

The IPO market continued its measured recovery in Q1. The quarter's 15 VC-backed IPOs put 2026 on pace for 60 listings—above 2025's 50 but well short of what is needed to clear the years-long backlog. 40% of the quarter's IPOs were in biotech & pharma, driven by the listing companies' focused paths to commercialization, advancing clinical trials, and more disciplined capital requirements. This represents a notable shift from the platform-heavy wave of 2021, when companies went public on the promise of their science rather than the strength of their products.

The IPO window has not fully reopened yet

VC exit activity via IPO by quarter



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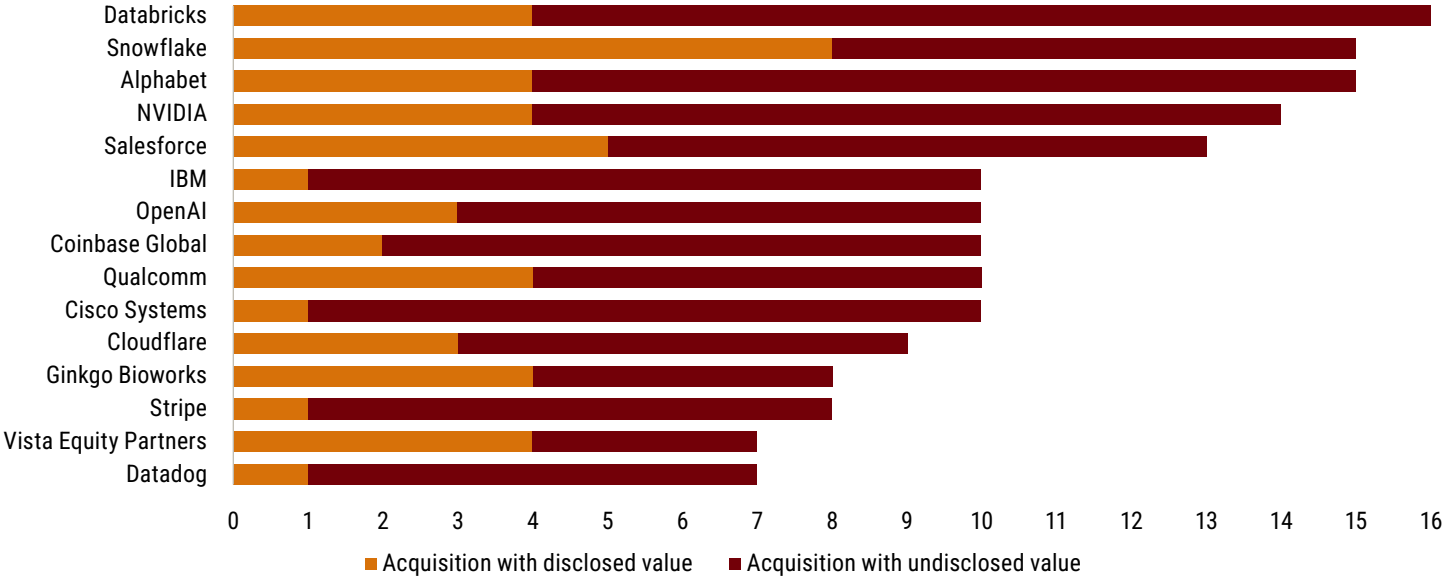
Two of Q1's largest IPOs, EquipmentShare and BitGo, capture a pattern that defined 2025 listings and is expected to continue in 2026. These companies were either profitable or operated in sectors closely aligned with the Trump administration's policy priorities, such as AI, crypto, aerospace, and defense. Construction rental firm EquipmentShare, which reported a 2025 net income of $40 million, was profitable at the time of its listing. As a digital asset infrastructure company, BitGo reflects the crypto tailwind, with $8.1 million in net income on $10 billion in revenue for the first nine months of 2025. Both companies listed in January, were priced above their marketed ranges, and saw initial enthusiasm quickly fade—a pattern that has become yet another reason the IPO pipeline remains thin.

The most consequential variable for 2026's IPO outlook has yet to materialize. Potential listings from SpaceX, OpenAI, and Anthropic—each of which would rank among the largest IPOs in history—could reshape the exit landscape entirely, for better or worse. Strong reception would serve as a catalyst, reaffirming public market appetite for high-growth, venture-backed businesses and encouraging additional companies to file. The risk, however, is equally significant: If these mega-IPOs absorb available underwriting capacity and institutional allocation, the resulting crowding-out effect could push the return of IPOs into 2027, further straining VC's liquidity needs.

Increasing number of acquisitions with undisclosed values implies smaller exits

Top VC startup acquirers by acquisition count since 2022



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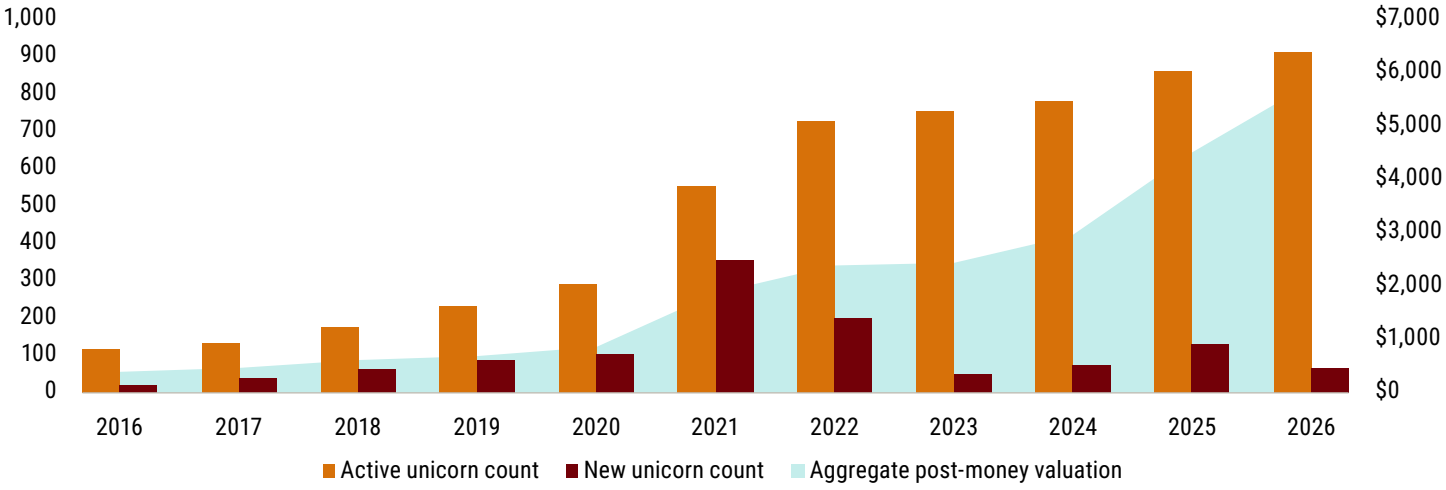
Unicorns are now valued at over $5.8 trillion

Unicorn count and aggregate post-money valuation ($B)



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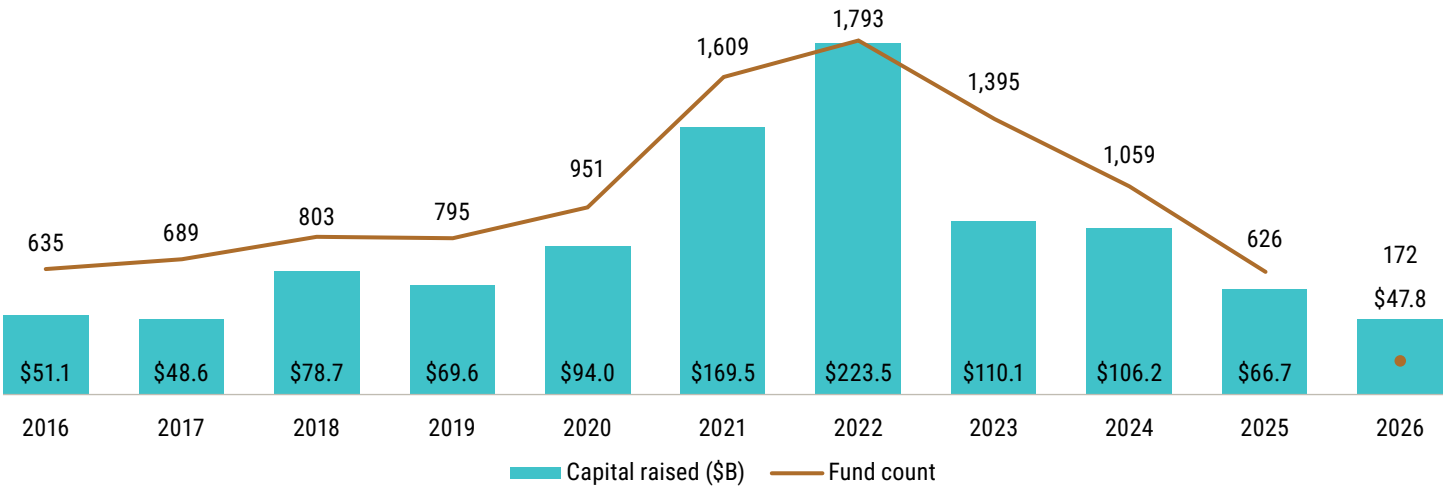
Fundraising

2026 fundraising starts strong, but capital is heavily concentrated in a few large players

VC fundraising activity



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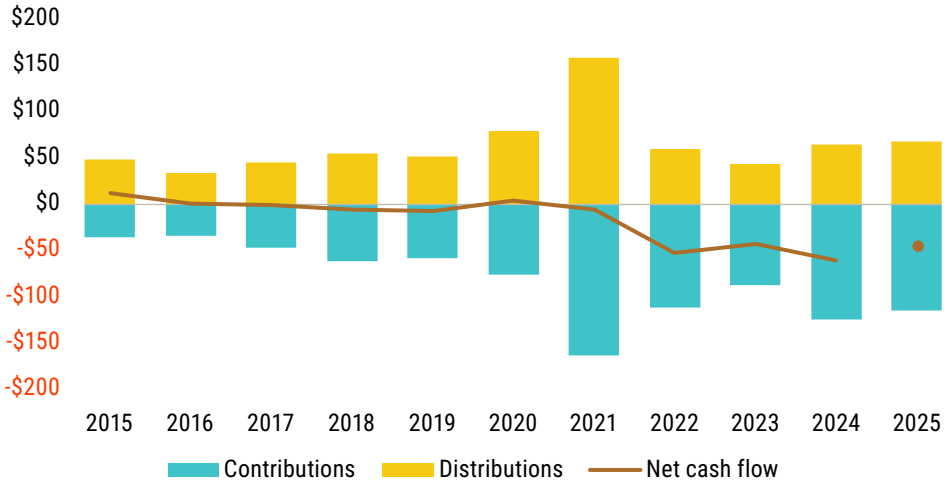
In Q1 2026, $47.8 billion was raised across 172 funds. Compared with the full-year 2025 total of $66.7 billion, the Q1 figure suggests the fundraising market is recovering. The headline number is distorted, however, by extreme capital concentration within a handful of large managers.

Six managers—Andreessen Horowitz, Thrive Capital, Founders Fund, Battery Ventures, Kleiner Perkins, and Lux Capital—together raised $36.4 billion, or 76.2% of the quarter's total capital, meaning the remaining funds closed during the quarter accounted for less than 25% of the Q1 capital raised.

This concentration is not new—it was building throughout 2025—and carries meaningful implications. As AI-driven companies sustain capital-intensive development cycles and continue to delay public listings, large funds are well positioned to support portfolio companies through extended holding periods without forcing premature liquidity events. A core risk to the market, however, is compounding concentration at both the fund and company level. A significant share of capital is being deployed into AI companies whose valuations, in many cases, rest more on anticipated growth trajectories than on realized financial performance. A meaningful correction in AI sentiment or fundamentals would reverberate broadly across the venture ecosystem, not only dampening returns but also weighing further on already-thin liquidity.

Despite YoY improvement, net distributions remain in the negatives

VC cash flows ($B)



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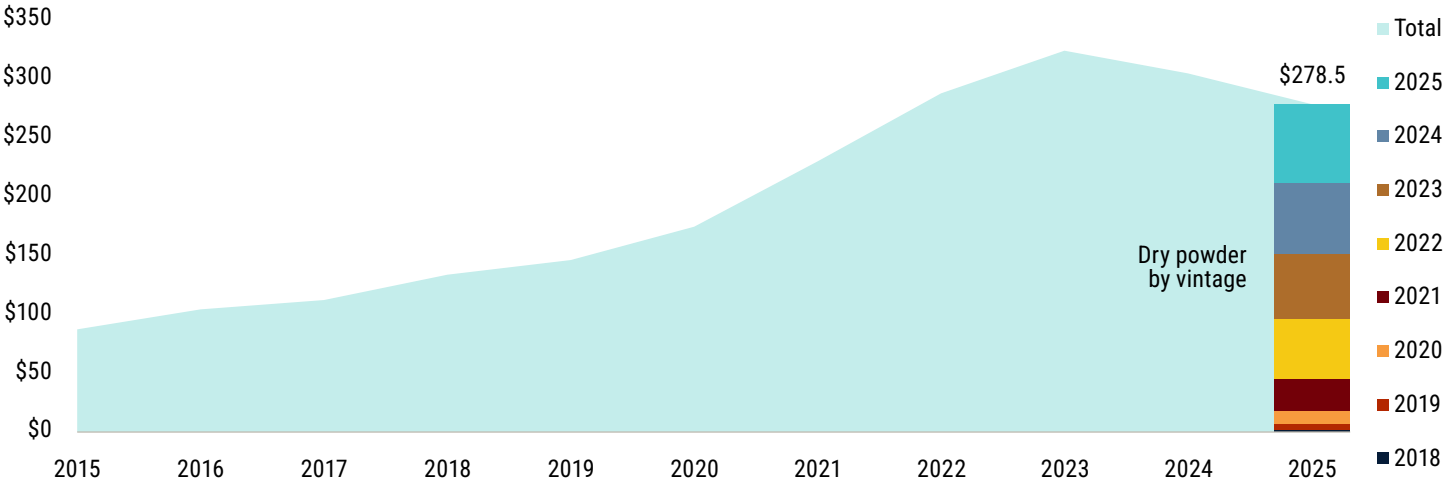
The bulk of dry powder sits in funds from recent vintages

VC dry powder ($B)



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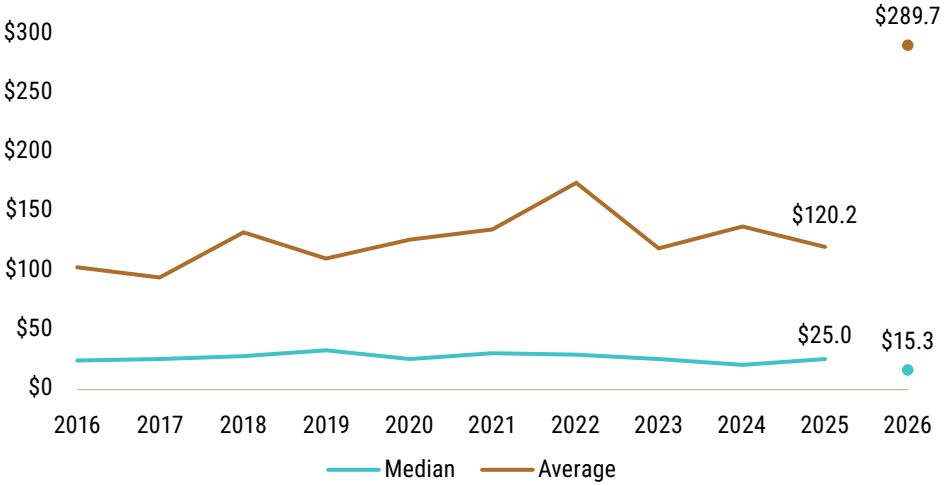
These dynamics reflect a market bifurcating at an accelerating pace. Experienced firms captured 90.9% of capital raised in Q1 2026, up from 73.7% for full-year 2025 and the highest share on record in this dataset. Established managers have always held a structural advantage in LP fundraising—brand and track record are durable edges—but that share has now climbed to a level at which the fundraising market is practically closed to most emerging managers.

The squeeze extends beyond emerging managers. Even established firms with strong track records have faced LP resistance amid shifting regulatory frameworks, heightened geopolitical tensions, and overallocation to venture. For emerging and first-time managers, conditions are considerably more severe—LP commitments remain scarce for all but those with a clear, differentiated edge.

Beneath the headline fundraising figure, fund sizes are contracting across most of the market. The median fund size fell to $15.3 million in Q1 2026 from $25 million in 2025—and with 25th percentile figures also declining while the 75th percentile holds flat, the compression is broad, sparing only the top of the market. The emerging manager figures warrant a closer read: Not all managers classified as emerging represent new entrants to the industry—spinouts from established platforms and new vehicles launched by known investors are included in the data. Conviction Partners, founded by former Greylock partner Sarah Guo, closed two funds in 2025; Seligman Ventures, a first-time fund with institutional lineage, closed in Q1 2026. For managers that are genuinely new to the market, the threshold has risen materially—a differentiated strategy and a clear manager-strategy fit are now prerequisites, not advantages.

The median fund size is shrinking

Median and average VC fund size ($M)



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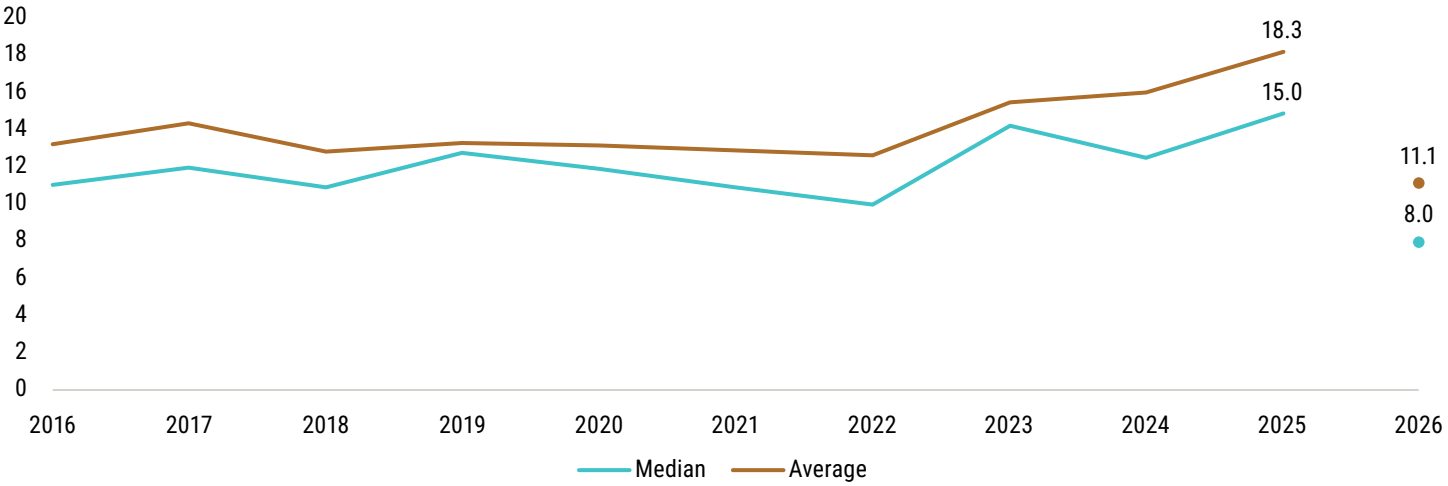
Median fund closing time drops to decade low, signaling concentration in established managers

Median and average time (months) to close for VC funds



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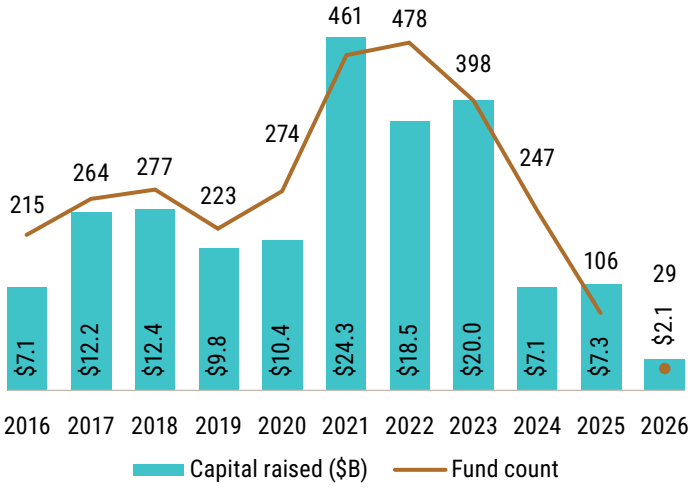
Annualized first-time fund count on track to exceed 2025 level

VC first-time fundraising activity



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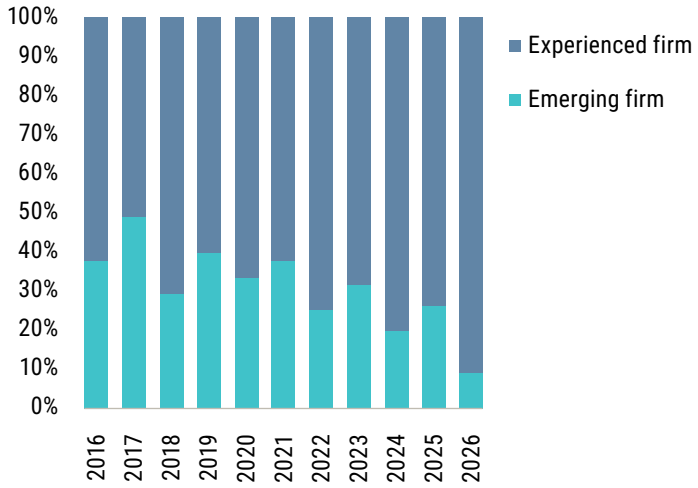
Established managers are making up a historically high share of total capital raised

Share of venture capital raised by manager experience



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The data on the time to close funds reinforces the bifurcation in the fundraising market. The median time to close a US VC fund fell from 15 months in 2025 to eight months in Q1 2026—not because fundraising has become easier, but because the funds that are closing quickly are those with strong LP relationships and established reputations. Until distributions improve and LP appetite broadens, the structural divide between managers that can raise and those that cannot is unlikely to narrow.

Q1 2026 US league tables

Most active pre-seed/seed investors

1	Transpose Platform Management	53
2	Pioneer Fund	40
3	Andreessen Horowitz	25
3	Y Combinator	25
5	Alumni Ventures	16
6	General Catalyst	14
7	SOSV	13
8	NC Tweener Fund	10
9	Antler	9
9	Talok Capital	9
11	500 Global	8
11	Batch Ventures (California)	8
13	E14 Fund	7
13	Gokul Rajaram	7
13	Keyhorse Capital	7
13	Lightspeed Venture Partners	7
13	Liquid 2 Ventures	7
13	Menlo Ventures	7
13	Plug and Play Tech Center	7
13	Right Side Capital Management	7
13	Team Ignite Ventures	7
13	True Ventures	7

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Most active early-stage investors

1	Andreessen Horowitz	25
2	Team Ignite Ventures	22
3	Y Combinator	20
4	LvlUp Ventures	18
5	Sequoia Capital	17
6	Accel	15
6	Alumni Ventures	15
6	SBXi	15
9	General Catalyst	14
9	Lightspeed Venture Partners	14
11	Arvo Venture Capital	11
11	Khosla Ventures	11
11	Valor Equity Partners	11
14	8VC	10
14	Menlo Ventures	10
14	Transpose Platform Management	10
17	Bessemer Venture Partners	9
17	GV	9
19	Batch Ventures (California)	8
19	Conviction Partners	8
19	Felicis	8
19	FJ Labs	8
19	GrowthX Capital	8
19	LeapYear (US)	8
19	Phosphor Capital	8

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Most active late-stage investors

1	LvlUp Ventures	19
2	Andreessen Horowitz	16
3	Gaingels	15
4	Y Combinator	14
5	Sequoia Capital	12
6	Alumni Ventures	11
7	General Catalyst	9
7	Lightspeed Venture Partners	9
9	Insight Partners (New York)	8
9	New Jersey Commission on Science, Innovation and Technology	8
11	8VC	7
11	Bessemer Venture Partners	7
11	Impact Assets	7
11	Index Ventures	7
11	In-Q-Tel	7
11	Kleiner Perkins	7
11	Mana Ventures	7
18	Keyhorse Capital	6
18	Khosla Ventures	6
18	Launch Tennessee	6

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Most active venture-growth investors

1	Fidelity Management & Research Company	9
1	Qatar Investment Authority	9
3	Coatue Management	8
4	Alumni Ventures	6
4	BlackRock	6
4	NVIDIA	6
4	Team Ignite Ventures	6
8	Andreessen Horowitz	5
8	General Catalyst	5
8	GreatThings	5
8	Inertia Ventures	5
8	Insight Partners (New York)	5
8	Octant Ventures	5
8	RA Capital Management	5
8	Sequoia Capital	5

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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 2 years old and the round is the first institutional investment in the company, the deal will be tagged as pre-seed unless otherwise stated. Regulatory filings under $10 million for deals where investors are unknown are classified as seed unless pre-seed parameters are met.

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

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

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 because they are likely to be participating at the late stages immediately 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 are 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 the 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 earlier. 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 GP is used. Only funds based in the US 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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3: "Challenger Report: February Cuts Plunge, YTD Hiring Falls 56%," Challenger, Gray & Christmas, March 5, 2026.

4: "USTR Initiates Section 301 Investigations Relating to Structural Excess Capacity and Production in Manufacturing Sectors," Office of the United States Trade Representative, March 11, 2026.

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