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2025
ANNUAL

US
VC Valuations and Returns Report

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If your classification, growth profile, or capital plan has shifted, it can be beneficial to reassess your 409A framework.

Revisit Your Valuation

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PitchBook is introducing our new PitchBook Valuation Estimates, the industry's first daily, standardized valuation framework designed to improve transparency in private markets and reflect how markets are pricing companies today.

Powered by AI-driven valuation intelligence, PitchBook Valuation Estimates combines machine learning with best-in-class private market data, public market signals, and capital structure insight to support sourcing, due diligence, and portfolio monitoring across the private capital lifecycle.

Launching with coverage of more than 15,000 VC-backed companies, PitchBook Valuation Estimates provides investors, advisors, and auditors with a transparent framework they can apply consistently across portfolios, sectors, and market cycles.

Institutional Research Group

Kyle Stanford, CAIA
Director, VC Research
kyle.stanford@pitchbook.com

Emily Zheng
Senior Research Analyst, Venture Capital
emily.zheng@pitchbook.com

Susan Hu
Quantitative Research Analyst
susan.hu@pitchbook.com

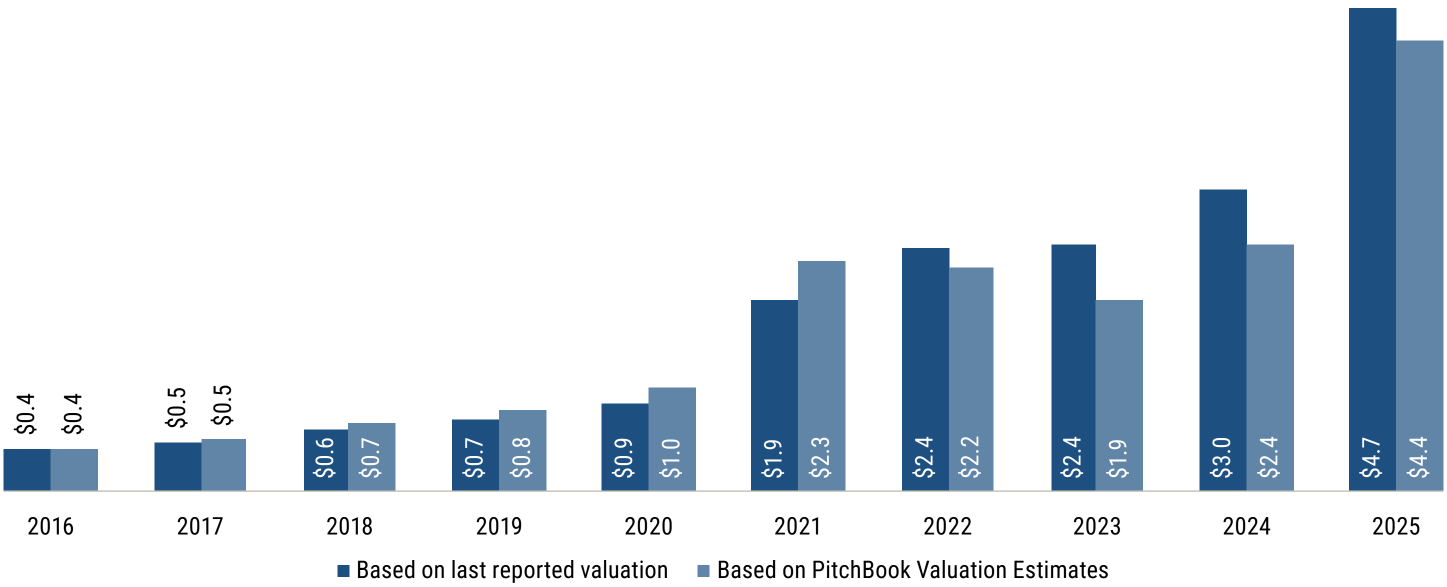
pbinstitutionalresearch@pitchbook.com

Published on February 10, 2026

Market overview

Valuations are being updated less frequently, as the average unicorn last raised over 2.5 years ago

Aggregate unicorn post-money valuation ($T)



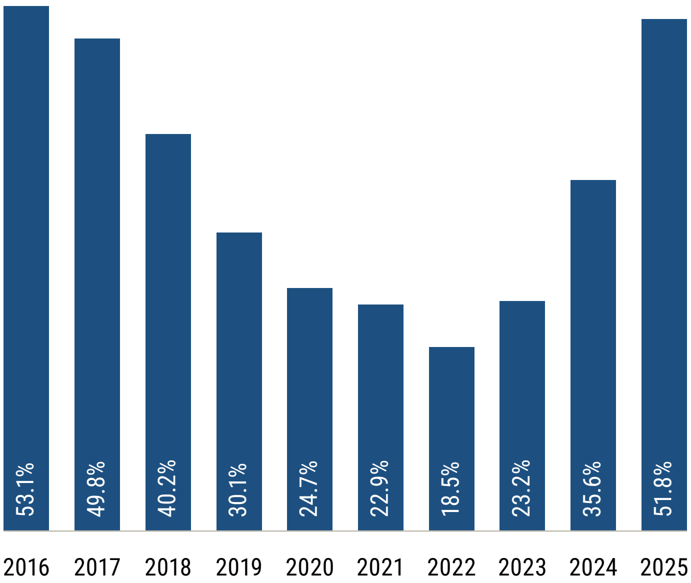
Source: PitchBook • Geography: US • As of December 31, 2025

The US venture market has become increasingly concentrated in a small group of perceived winners, while the long tail of startups remains under pressure. VC has always operated under a power law, where a few names drive most returns, but recent market dynamics have intensified this effect. AI has been a primary driver of this concentration as investors compete to gain exposure to what is widely viewed as the next major technological wave. If AI delivers broad-based productivity gains and durable economic value, this concentration may prove justified. If not, there is a risk that venture investors have overallocated and losses will be amplified.

In effect, the venture market now operates as two distinct ecosystems; while the largest names raise frequent rounds at rapidly rising valuations, a substantial portion of the market has struggled to raise fresh capital. Unicorns are a great example of this widening gap. At the end of 2025, there were 857 unicorns worth a combined $4.7 trillion, based on post-money valuations from each company's latest primary round or publicly disclosed

Value is heavily concentrated among the top 10 names

Value of 10 largest unicorns as a share of all unicorn value



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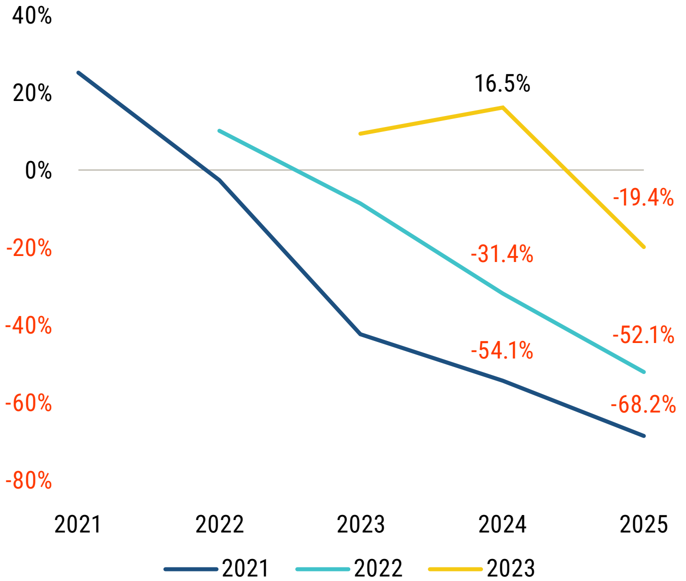
As primary valuations become more outdated, discounts increase

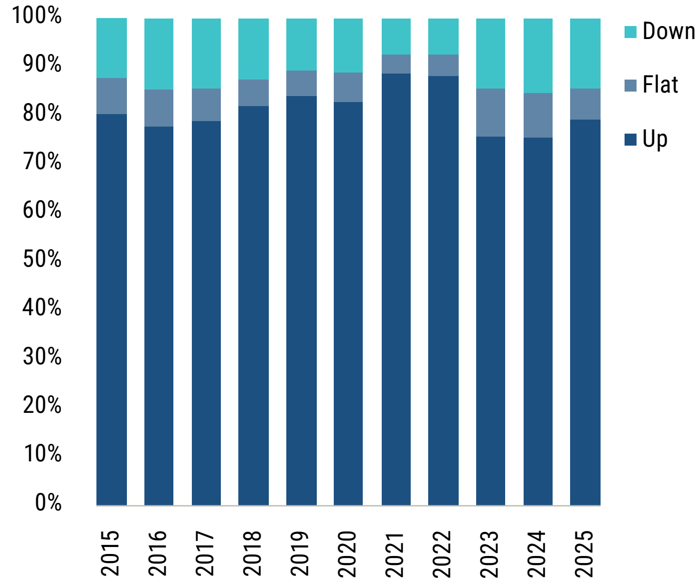
Average premium/discount to last round by cohort



Source: PitchBook • Geography: US • As of December 31, 2025
Note: Each cohort is separated by the year of its last primary round. For example, the 2021 cohort is composed of startups that last raised in 2021.

Share of VC deal count by up, down, and flat rounds

20.9% of rounds were down or flat in 2025



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secondary transactions. However, this market size does not take into consideration that, on average, these valuations were set over 2.5 years ago under materially different market conditions. Since then, tighter capital availability has reshaped investor expectations. As a result, many valuations for private companies have not been adjusted to current fundamentals.

PitchBook Valuation Estimates factor in current conditions, resulting in a slightly smaller and more top-heavy unicorn market at $4.4 trillion. The top 10 companies account for 51.8% of the value, up from just 18.5% in 2022. Standouts like OpenAI and Anthropic have raised multiple rounds and seen their valuations increase several times over. On the other tail end, we estimate that over one-quarter of unicorns have fallen below the $1 billion mark since their last priced round, which contributed to the market size's slight decline.

Even beyond unicorns, the gap between marked and realizable value is unevenly distributed. Companies that have not raised capital recently tend to exhibit the widest disconnect between reported valuations and underlying performance, reflecting outdated pricing assumptions and a lack of recent market validation. This gap is most pronounced among startups that last raised during the pandemic-era boom, when abundant liquidity, low interest rates, and elevated risk tolerance drove valuations to historic highs. Since then, macroeconomic conditions have shifted materially, with higher rates and a prolonged venture stalemate fundamentally altering valuations. As a result, startups that last raised in 2021 and 2022 are trading at an average 68.2% and 52.1% discount, respectively, in 2025.

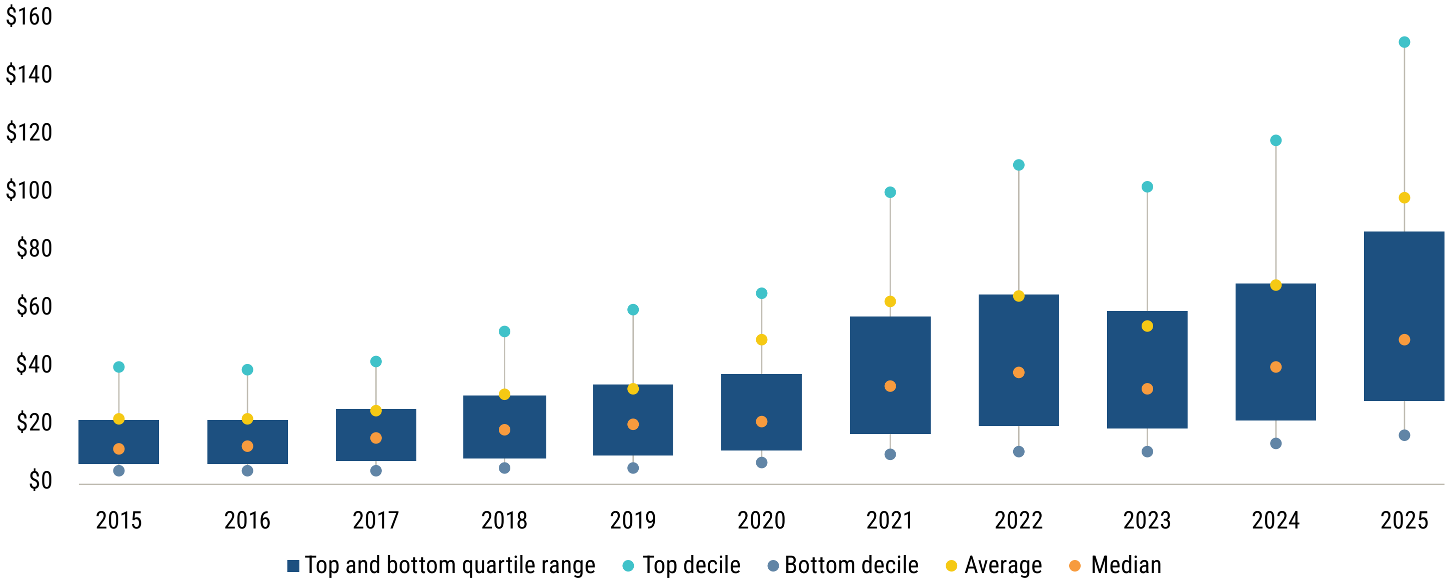
By contrast, companies that last raised in 2023 have already absorbed many of these macro changes, finalizing their valuations under more disciplined assumptions like slower growth expectations and a higher cost of capital. While many of these startups still face valuation markdowns, the magnitude of repricing is meaningfully smaller than for pandemic-era vintages. Startups that last raised in 2023 are trading at an average 19.4% discount in 2025.

Taken together, these patterns reinforce that valuations outside the top tier of startups are less about overpricing and more about staleness. As dealmaking remains infrequent and liquidity limited, timing has become a critical determinant of how closely private valuations reflect current market realities. As more companies come back to the market and finally reset valuations, we expect to see a continued prevalence of flat and down rounds and muted step-ups, as we have observed over the past three years.

Dealmaking

Median Series A jumps 22.5%

Series A VC pre-money valuation ($M) dispersion



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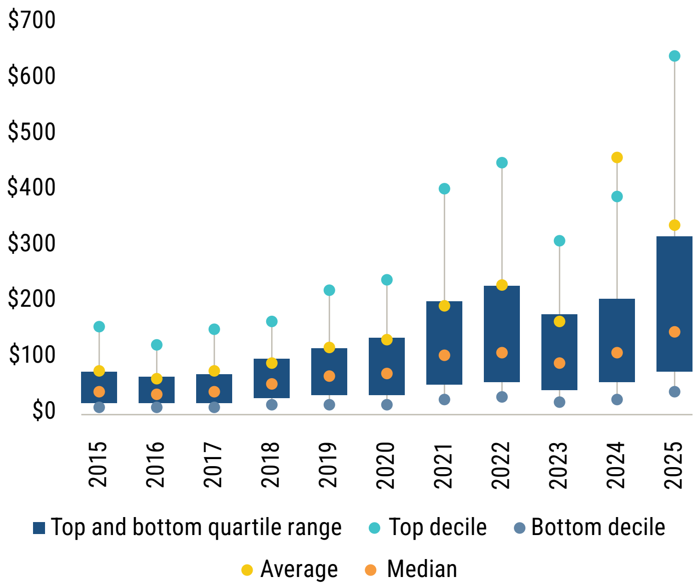
Median Series B $35 million above 2021

Series B VC pre-money valuation ($M) dispersion



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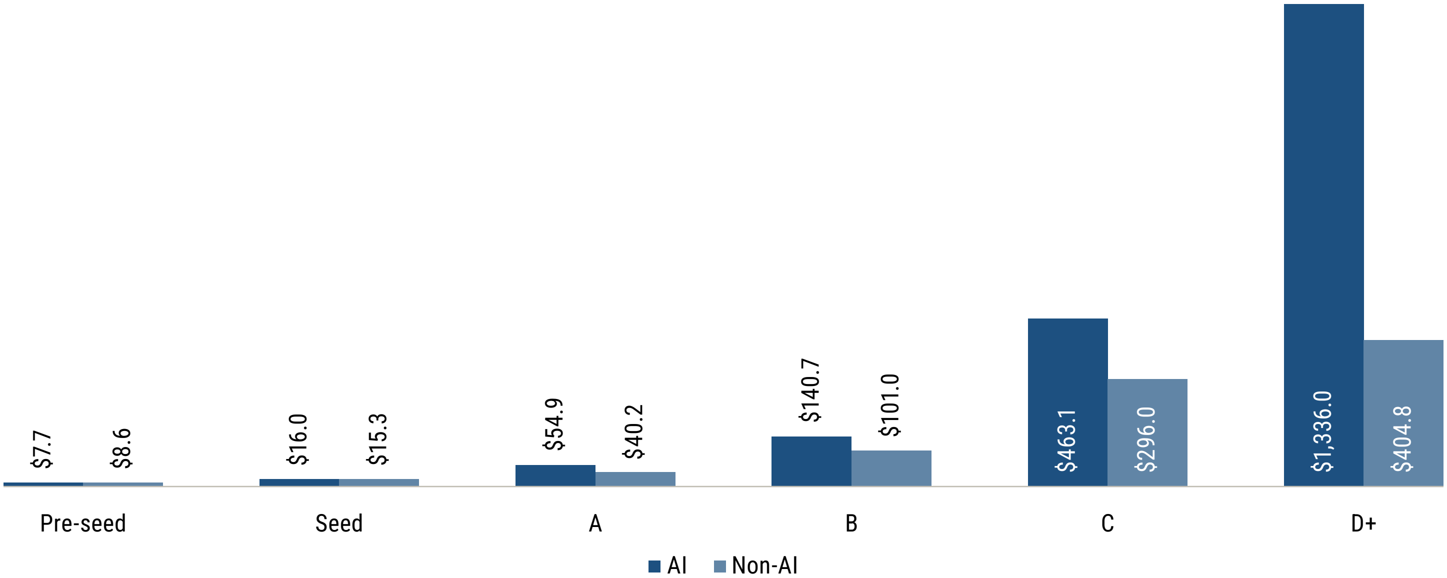
Though not on the same scale as in 2021, the uptick in deal activity in 2025 coincided with an increasingly competitive market. Top-decile valuations surged across all series, while medians also reached new highs. Compared with 2024, top-decile valuations increased 13% at seed, 29% at Series A, and 64% at Series B. These were topped by 137% and 100% growth at Series C and D+, respectively. The valuation step-ups of these rounds further highlight the competitive investment landscape. Top-decile Series A rounds saw a median step-up of 3.2x, while top-decile Series B rounds saw a median step-up of 3.6x. Both were significantly higher than step-ups for all rounds, at 1.8x for both series. With the high competition at the early stages, companies showing outlier revenue growth are able to drive pricing negotiations. Our Dealmaking Indicator model shows that the market has quickly returned to being startup-friendly.

High conviction deals with high valuations are representative of AI's hold on the gaze of VCs. Median pre-money valuations for AI companies are reaching premiums of 39.3% above non-AI companies at Series B and 56.4% at Series C. These are being boosted by large investors willing to pay up, corporate spending driving revenue growth, and the hype around the

AI premium increases in later series

2025 median VC pre-money valuation ($M) for AI deals versus non-AI deals by series



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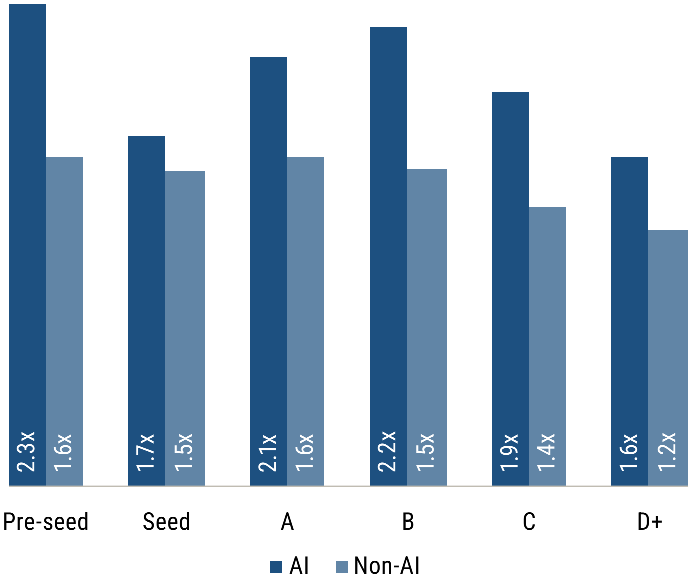
technology as the next phase of economic evolution. This is causing valuation growth for AI companies to supersize. For Series A rounds completed in 2025, AI company valuations are growing at an annualized rate of 42%, far ahead of the 24% rate for the entire market. At Series B, valuations increased from companies' last round by 109% annually, more than double the 49.6% annualized figure for the entire market. These growth rates are not trivial, and the trend will continue into 2026 as the hype and pace around AI continue to develop.

With AI driving venture market pricing, valuations across regions have shifted back toward hubs amid market concentration. The Bay Area represented nearly 23% of all US completed VC deals in 2025, a rebound from 2022 lows as high-quantity, large investors such as Y Combinator, Andreessen Horowitz, and Lightspeed Venture Partners increased their deployment and re-upped their cash bases with new funds. Bay Area Series A valuations in 2025 came at a 56.8% premium to non-Bay Area deals. While revenue growth has been supercharged by AI, a simpler reason for the higher valuations in the Bay Area points to the high number of firms in the market competing for deals, as well as relatively larger fund sizes, enabling higher pricing.

Median step-ups higher for AI

2025 median AI VC valuation step-up by series



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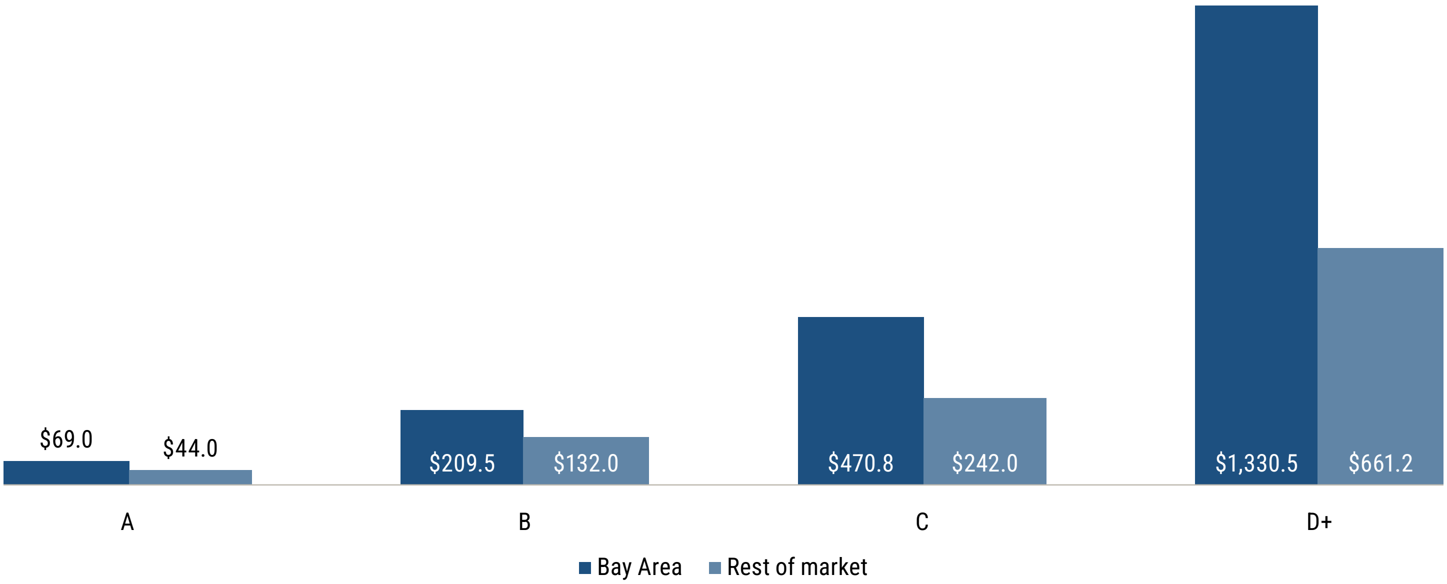
Bay Area prices markedly higher

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



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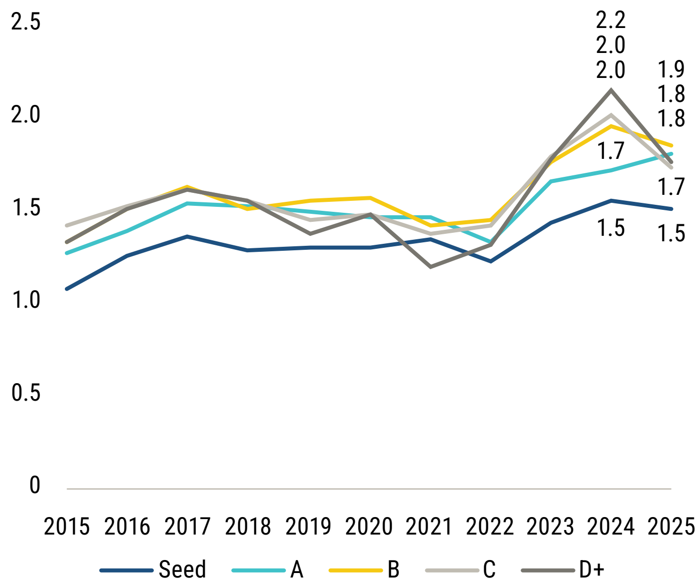
The market narrative's focus on high prices and AI has obscured the fact that venture capital remains difficult to access for a large portion of companies. Down rounds continue to make up 14.3% of completed deals, just 1% lower than the 2024 high. There remains considerable recalibration occurring in US VC. 2025 IPOs shone a bright light on this pricing problem, with 14 of the 17 unicorns going public doing so at a lower valuation than they received in private rounds. Fast and hyped markets rarely lead to proper price fundamentals. As current valuations stretch, future liquidity markets will need to be even frothier.

Time between rounds came down

Median time (years) between rounds by series



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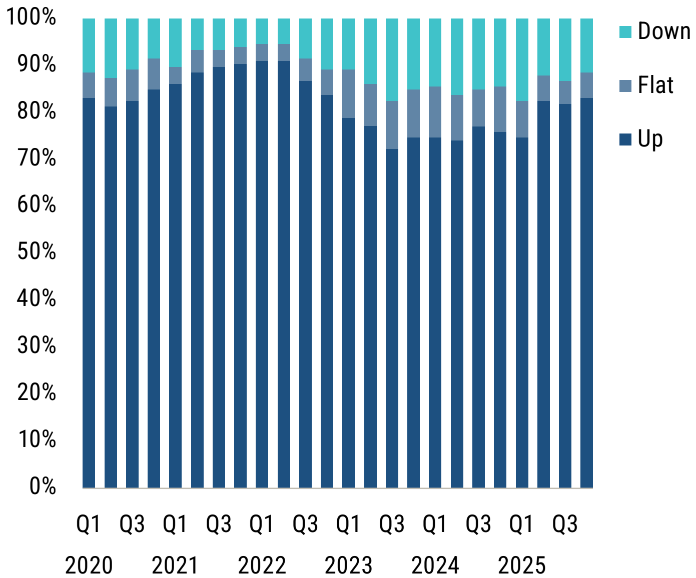
Down rounds still high

Quarterly share of VC deal count by up, down, and flat rounds



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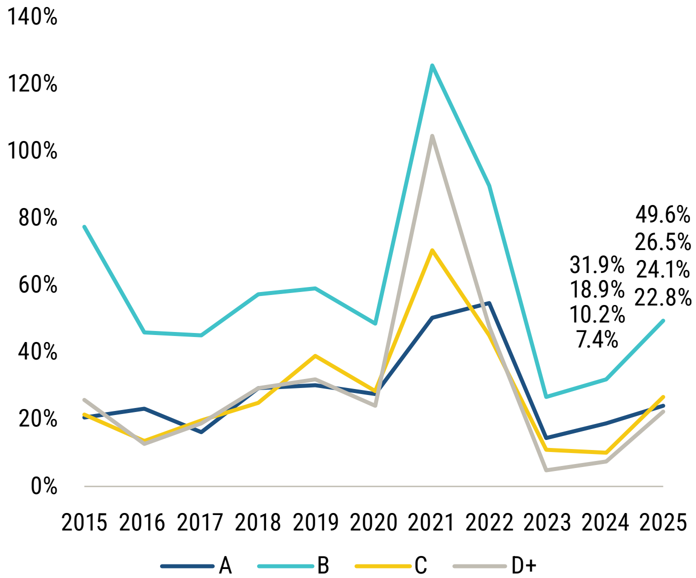
RVVC increased in 2025

Median relative velocity of value creation (RVVC) between rounds by series



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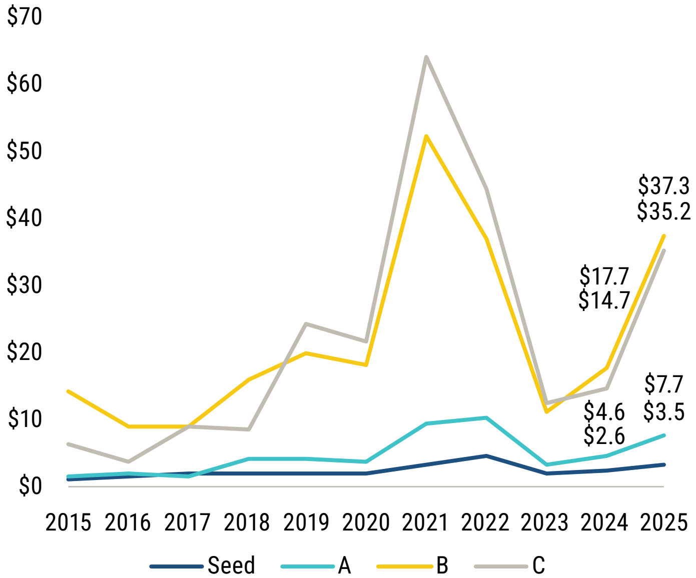
VVC jumps due to high step-ups

Median velocity of value creation (VVC) ($M) between rounds by series



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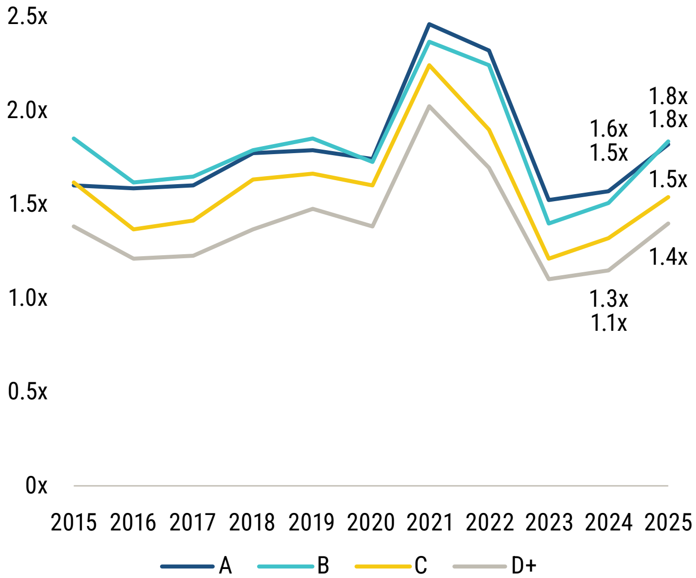
Step-ups back to historical norms

Median step-up by series



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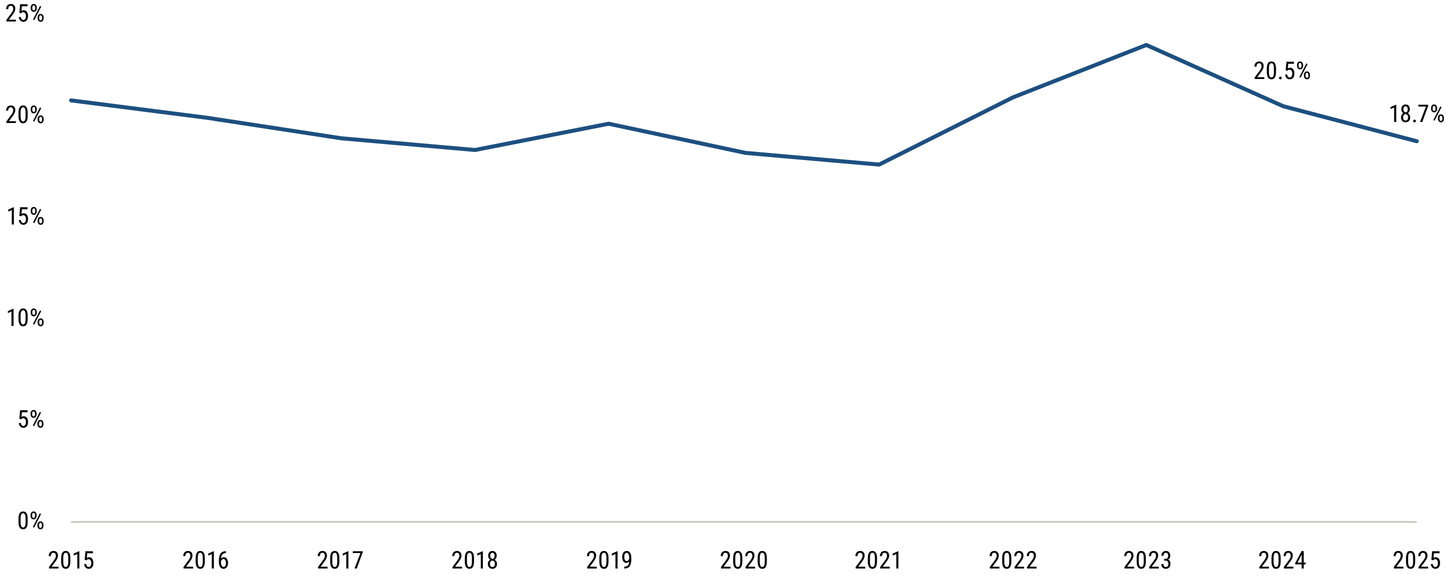
Cumulative dividends as a share of all deals fall
Cumulative dividends as a share of all VC deals with disclosed terms



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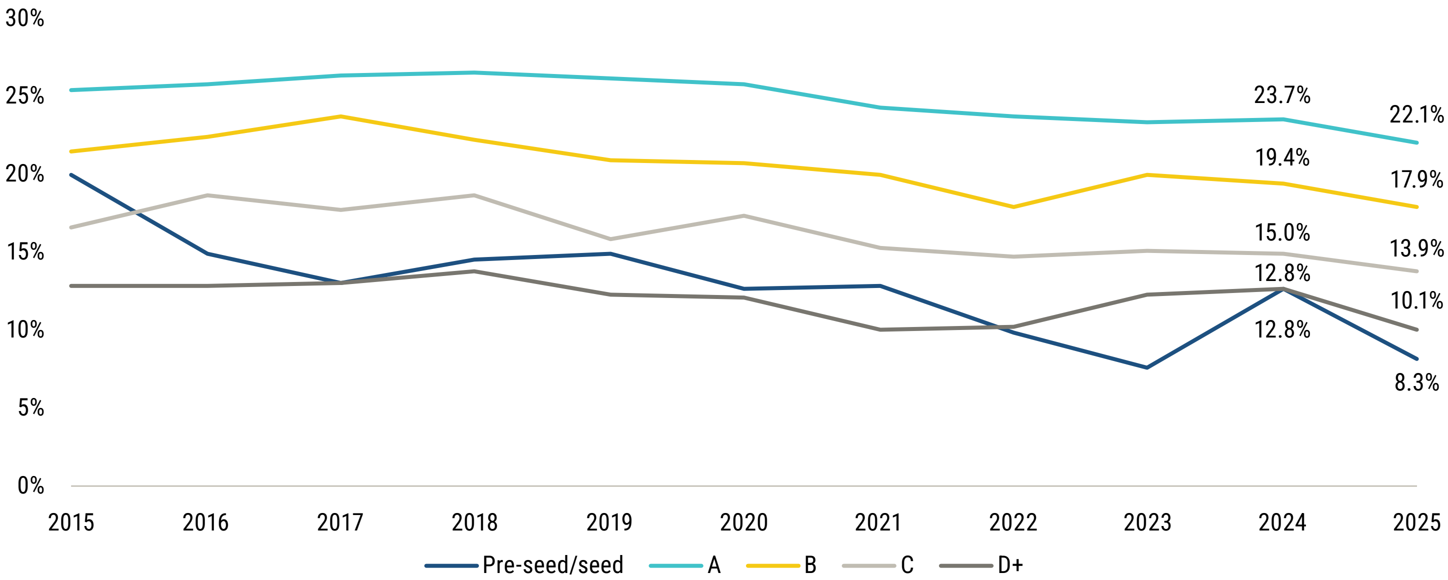
Stake sizes continue to fall
Median VC share acquired by series



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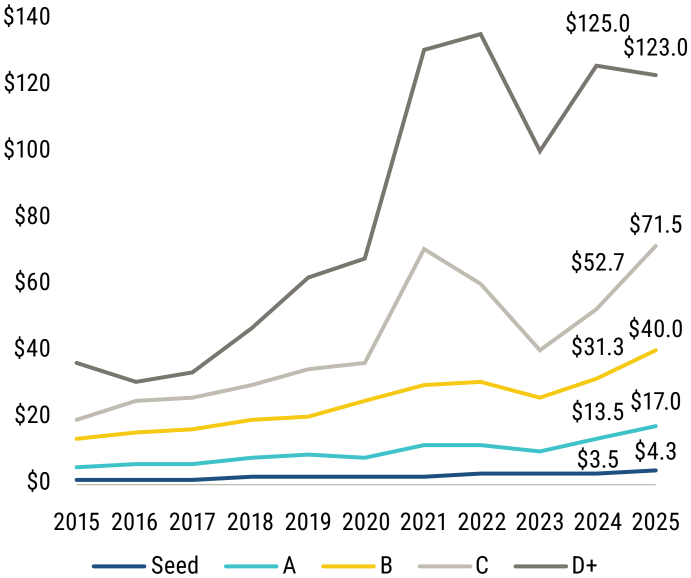
AI

AI deal values increase across most series
Median AI VC deal value ($M) by series



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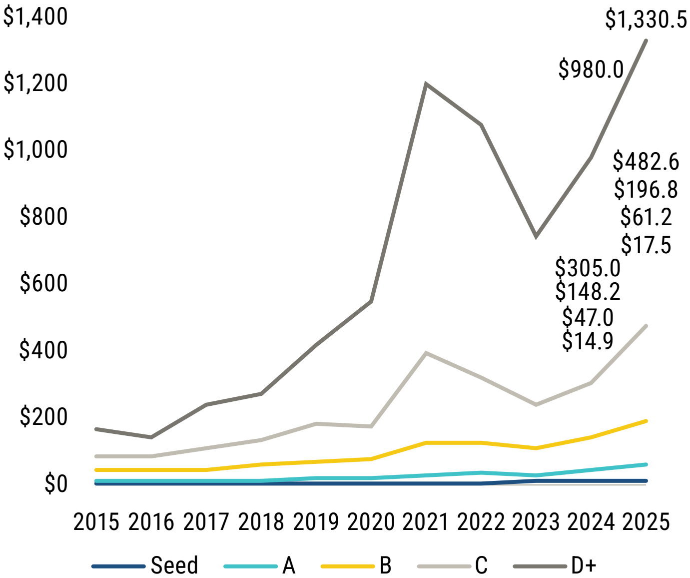
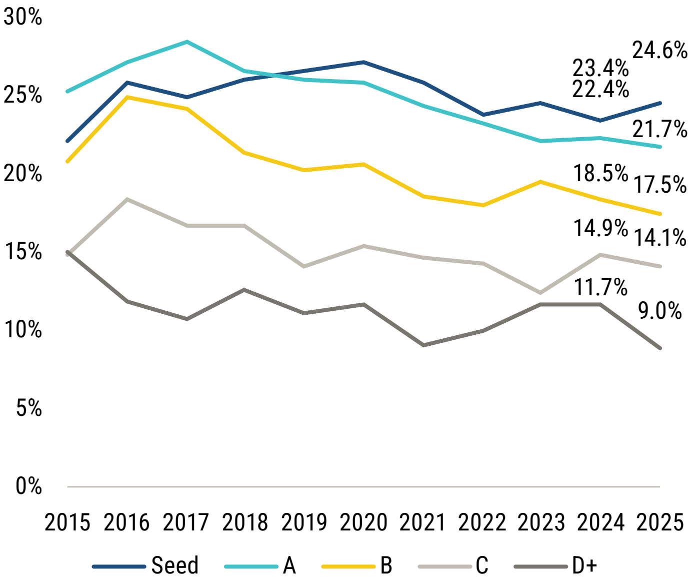
Valuations rise rapidly for AI startups
Median AI VC pre-money valuation ($M) by series



Source: PitchBook • Geography: US • As of December 31, 2025

Competition is lowering investor stakes
Median AI VC share acquired by series



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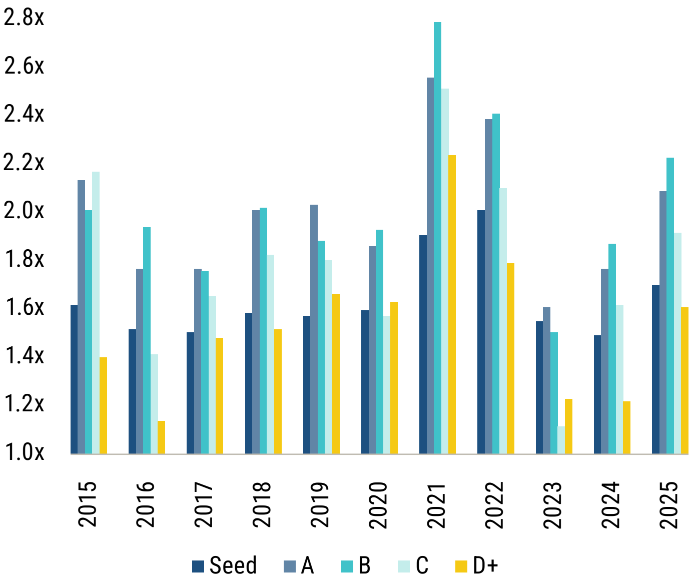
Step-ups have increased across the board
Median AI VC valuation step-up by series



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A WORD FROM MORGAN STANLEY AT WORK

The path to an IPO in an AI-driven world

Not all late-stage private companies are alike, especially in today's climate.

Consider this: The IPO market has changed considerably since 2020 and 2021, when most IPOs were in the software sector. That was no longer true in 2025 and likely won't be true in the next year or two, because software companies, in particular, are facing a much higher bar to going public due to the perceived structural disadvantages of doing so in an AI-driven world.

At least at the moment, enterprises don't appear to be reallocating their IT budgets from traditional software solutions to AI. Instead, their budgets are expanding to tap AI opportunities. Despite this, incumbent software companies are under growing pressure to demonstrate how they plan to accelerate or maintain growth in the face of AI-related disruptions. Without definitive signals of success from these companies, investors remain cautious, especially as historical growth rates in the software sector have slowed from around 20% expected growth in 2021 (and even 30% for high-growth companies) to roughly 10% today.

Compare this with high-performing AI companies, some of which have quickly grown to $100 million or more in recurring revenue. As long as these companies have an AI solution rooted in actual customers and earnings, they will have a credible path to an IPO at premium valuation multiples. The debate here is how durable—or ephemeral—their growth is, and right now, it's too early to tell.

Access to capital is also uneven.

Speaking of superscale private companies, those that have durable access to capital have the luxury to choose if, how, and when they want to go public. For these companies, the evolution of the secondary market has put more tools in their tool kit, allowing them to delay IPOs by conducting tender offers or secondary sales for their employees. This enables them to postpone pricing during periods of market volatility and potentially optimize their valuation by controlling their IPO timing.

Rohan Mehra
Managing Director
Morgan Stanley, Head of Global AI Banking
Rohan is a managing director at Morgan Stanley's Technology Investment Banking group, where he focuses on advising companies in AI infrastructure, software, and internet across their lifecycle. He has been with Morgan Stanley for nearly two decades in Menlo Park and New York City, with experience in both investment banking and leveraged finance.

Steve Liu
Executive Director
Morgan Stanley at Work, Head of Valuation Services (Private Markets)
Steve is responsible for leading the Private Markets Valuation group at Morgan Stanley at Work and oversees client engagement, strategic partnerships, and business development activities. He has provided financial advisory services to domestic and international clients from startups to Fortune 100 companies. He has received the Accredited Senior Appraiser designation in business valuation from the American Society of Appraisers.

Conversely, there are mid- to late-stage capital-intensive companies whose need for capital surpasses what the private market can provide. These companies may need to go public for liquidity purposes, even if they're not fully operationally ready.

Then there are the late-stage private companies that may be experiencing moderate growth or revenue acceleration and are evaluating whether to go public, pursue M&A, or arrange additional private rounds. The challenge they're grappling with is the complexity of operating as a public company in a market that imposes real penalties for missed quarterly targets or poor execution.

The valuation backdrop remains dynamic.

In general, IPO valuations in 2025 were lower than peak private rounds from roughly five years ago. We have seen several situations where IPO valuations were discounted relative to the last private round, although generally the market views the value at an IPO as a reset from what happened previously, so the discount has no bearing on the performance of the IPO.

That said, the market-determined multiple is only one input that informs valuation. The other key components of the formula are overall company value and core earnings and revenue metrics. Companies that have a certain valuation expectation should set achievable earnings and revenue targets—and then hit those targets—in order to be awarded what's considered a "fair" valuation.

This can get somewhat muddled when secondary buyers anticipate the IPO and get more aggressive ahead of the offering. That tendency can see buyers overpay, fueling seller expectations for share prices. If the IPO market continues to expand in 2026, we might see a shift in favor of sellers. Even then, late-stage private companies should understand that an IPO valuation alone can be a red herring. An IPO doesn't mark the end of the journey—in many respects, it's just the beginning.

Operating as a public company is hard, and it can be harder for companies that try to push valuations beyond marketplace expectations. Public markets tend to be more disciplined, weighing profitability trajectories, revenue quality, sustainable growth, and governance. This helps explain why private valuations may not align with public market pricing. Companies that optimize long-term financial outcomes—rather than relying solely on IPO negotiation tactics—are best positioned to drive meaningful value over time.

IPO valuations can have far-reaching consequences.

One last thought on one of the unintended impacts of these trends: Because IPO valuations can affect equity compensation, from a workplace perspective, companies should benchmark their equity compensation levels against those of their competitors in both public and private markets to be sure they remain competitive. This involves analyzing industry standards for equity grants and total compensation levels, which can provide insights into the right cash and equity mix for employees. Additionally, companies should organize their equity plan data to make sure it is up-to-date and accurate at the demographic, compensation expense, and ownership levels. Automations and integrations with existing HR and payroll systems can help maintain data accuracy, which is crucial for valuation purposes.

Educating employees about the value of their equity and how it will change post-IPO is also vital. This helps employees remain engaged and realize value from their equity holdings, which can positively impact the company's valuation.

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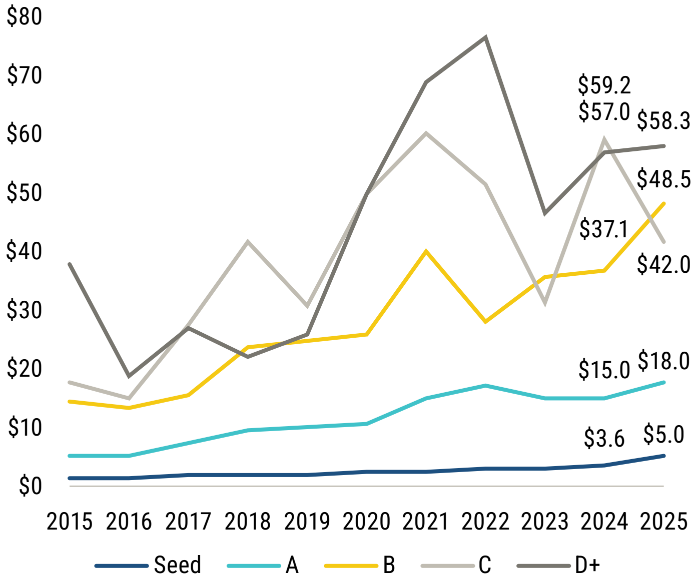
Life sciences

Life sciences deal values continue to grow

Median life sciences VC deal value ($M) by series



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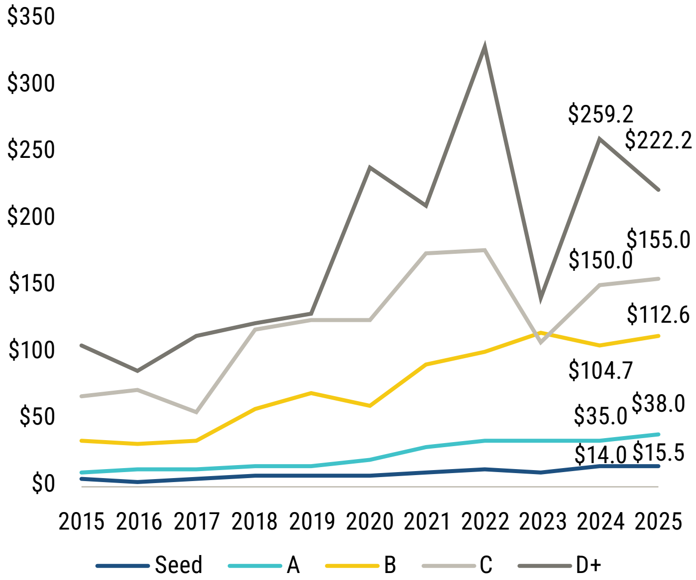
Valuations increase for most series

Median life sciences pre-money valuation ($M) by series



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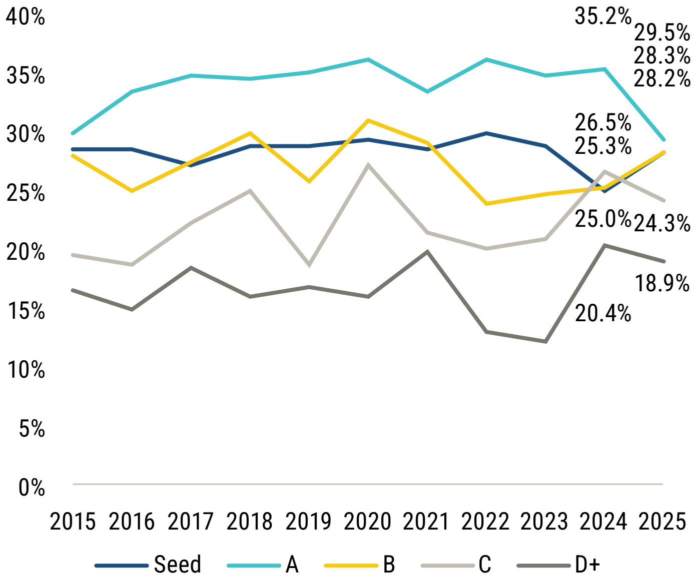
Stakes remain similar to 2024 levels

Median life sciences VC share acquired by series



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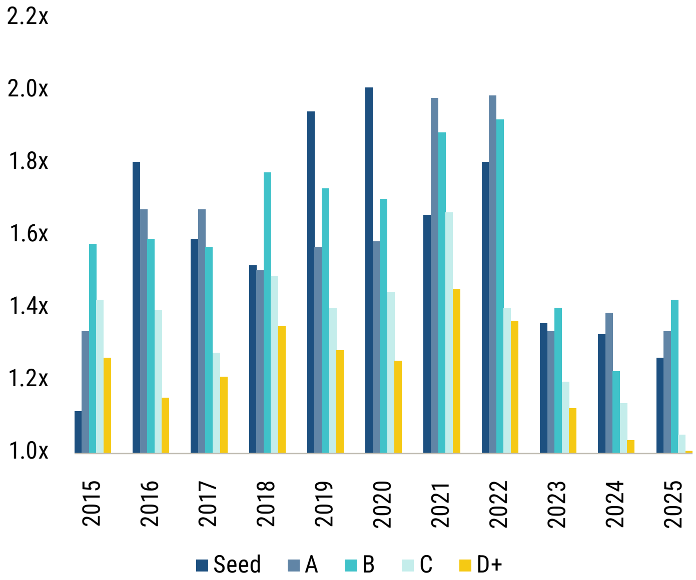
Life sciences step-ups remain muted

Median life sciences VC valuation step-up by series



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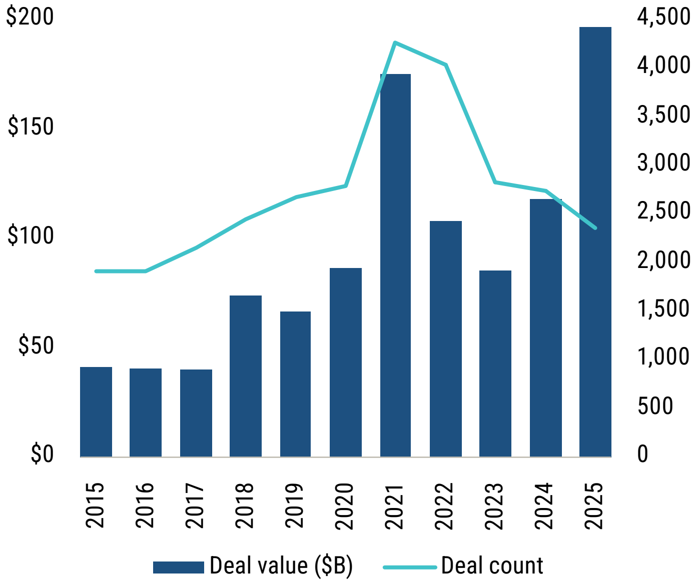
Investor trends

Surge in CVC deal value

VC deal activity with corporate VC (CVC) participation



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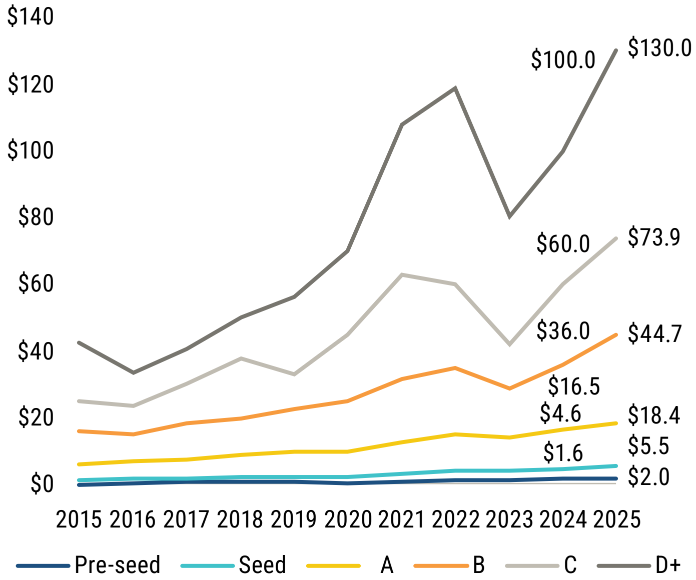
Deal values have increased across the board

Median deal value ($M) with CVC participation by series



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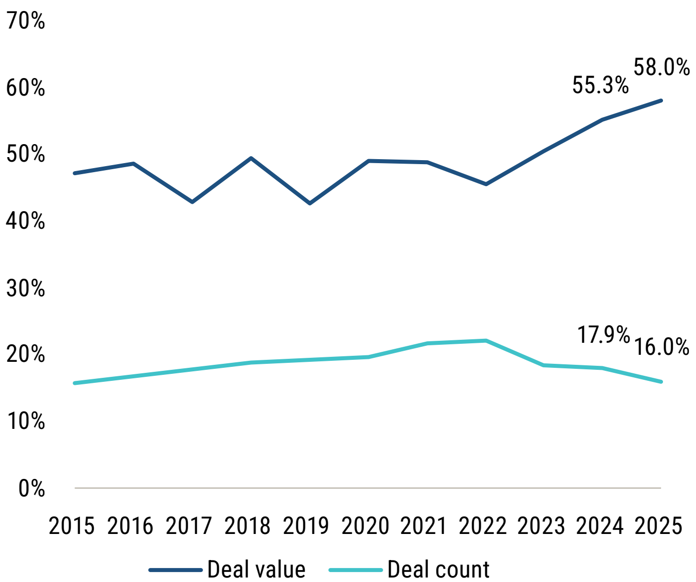
Megadeals are driving CVC dealmaking

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



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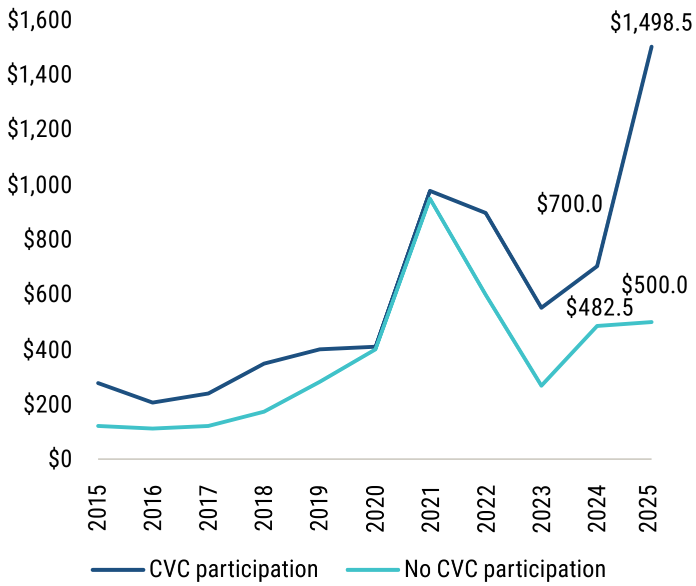
Corporate dollars going into later-stage startups are propping up valuations

Median Series D+ VC pre-money valuation ($M) by CVC participation



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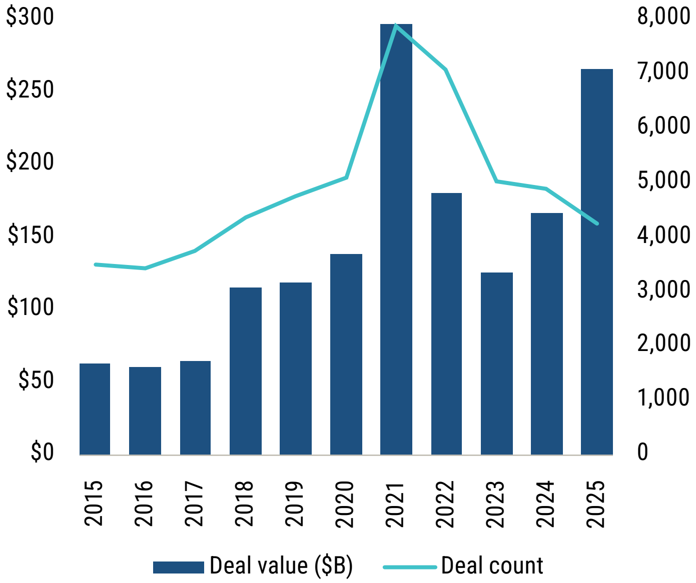
Nontraditional investor deal count continues to decline

Deal activity with nontraditional investor participation



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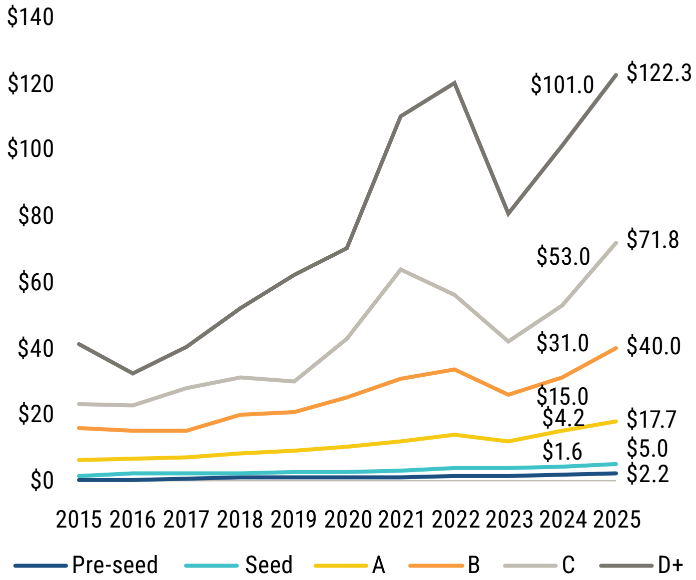
Deal value growth mirrors overall venture trends

Median deal value ($M) with nontraditional investor participation by series



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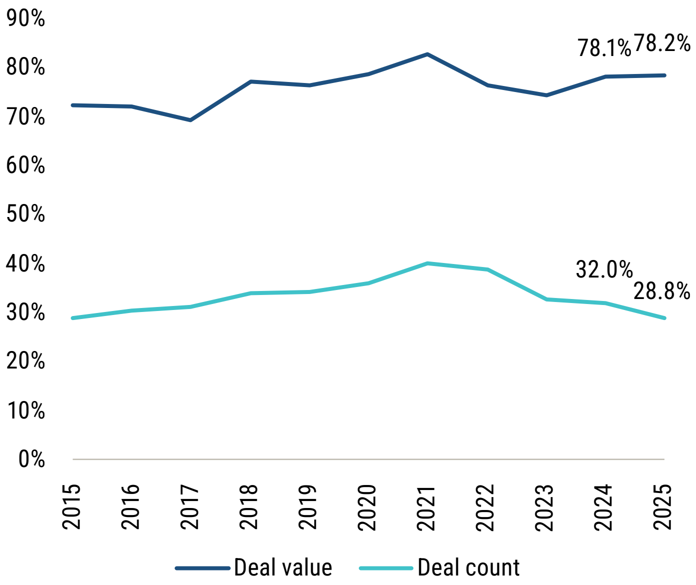
Nontraditional investors are investing in large venture deals

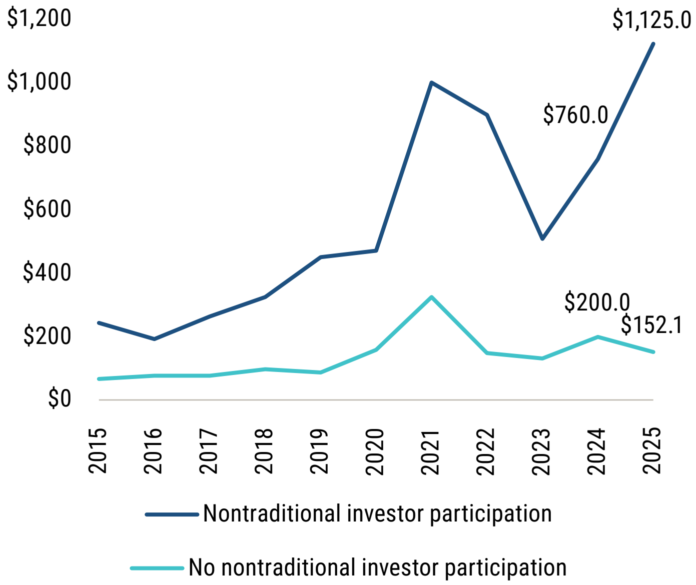
Deal activity with nontraditional investor participation as a share of all VC deal activity



Source: PitchBook • Geography: US • As of December 31, 2025

Median Series D+ pre-money valuation crossed 2021 levels

Median Series D+ VC pre-money valuation ($M) by nontraditional investor participation

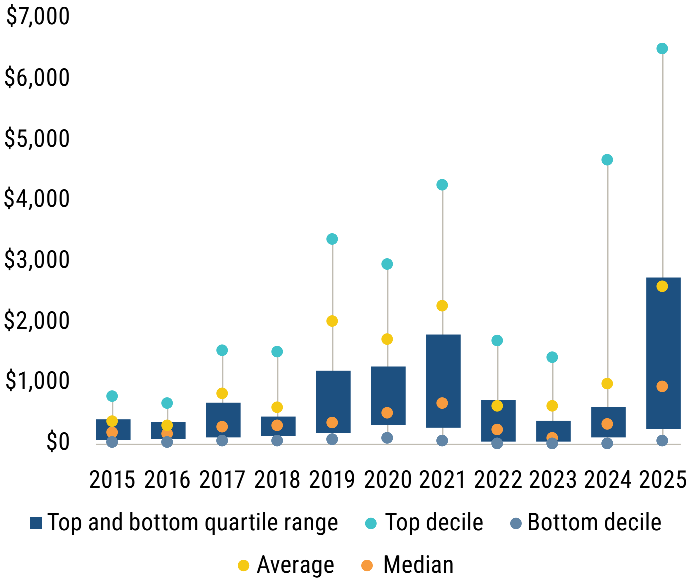


Source: PitchBook • Geography: US • As of December 31, 2025

Liquidity

Public listing valuations are reaching record highs

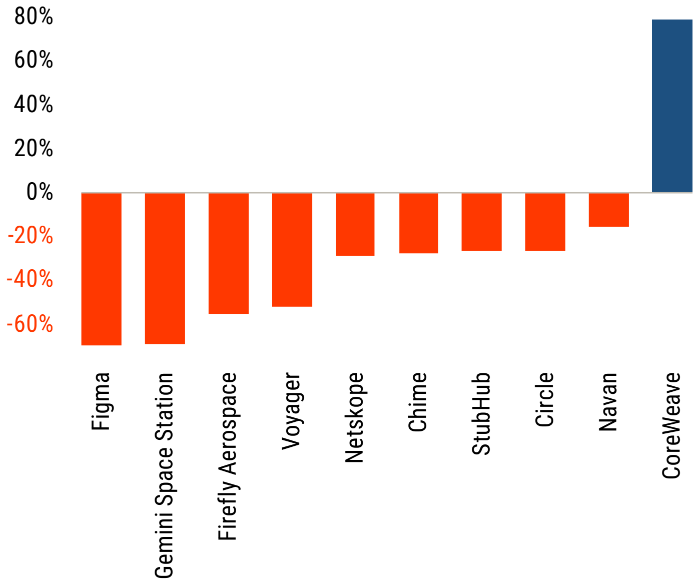
VC-backed public listing valuation ($M) dispersion



Source: PitchBook • Geography: US • As of December 31, 2025

Post-IPO performance has been mixed

Post-IPO performance of select 2025 listings from first close



Source: PitchBook • Geography: US • As of December 31, 2025

IPOs

The IPO market's momentum fluctuated between hot and cold in 2025. Despite several outsized price pops, by year-end, most of 2025's largest listings traded below their first-day close. Figma's highly anticipated IPO in July illustrates this dynamic: The stock surged roughly 250% on its first day of trading, yet fell 69.6% by December 31. This divergence raises the question of whether 2025 marks the beginning of a durable reopening of the IPO market or merely a brief opportunistic window that can only be answered after lockup periods expire and long-term investor conviction is established.

Valuation compression was the defining theme for 2025 IPOs. The median step-up for public listings was actually a step-down at 0.97x, meaning most companies went public at valuations below their most recent private round. The discounts were often steep when compared with peak private valuations, which commonly date back to the pandemic era. However, this tradeoff was worthwhile enough for 48 companies to complete IPOs in 2025. There is significant value in unlocking the public markets, especially for mature companies seeking additional funding that the private markets can no longer provide, and for certain sectors with high investor demand driven by policy tailwinds, such as AI, space technology, crypto, fintech, and national security.

While painful in the short term for founders and late-stage investors, valuation resets will ultimately benefit the venture ecosystem. The normalization of down round IPOs has laid the groundwork for a sustainable exit recovery by lowering the bar for going public, reducing stigma around valuation adjustments and allowing companies to shed the golden handcuffs of inflated pandemic-era marks.

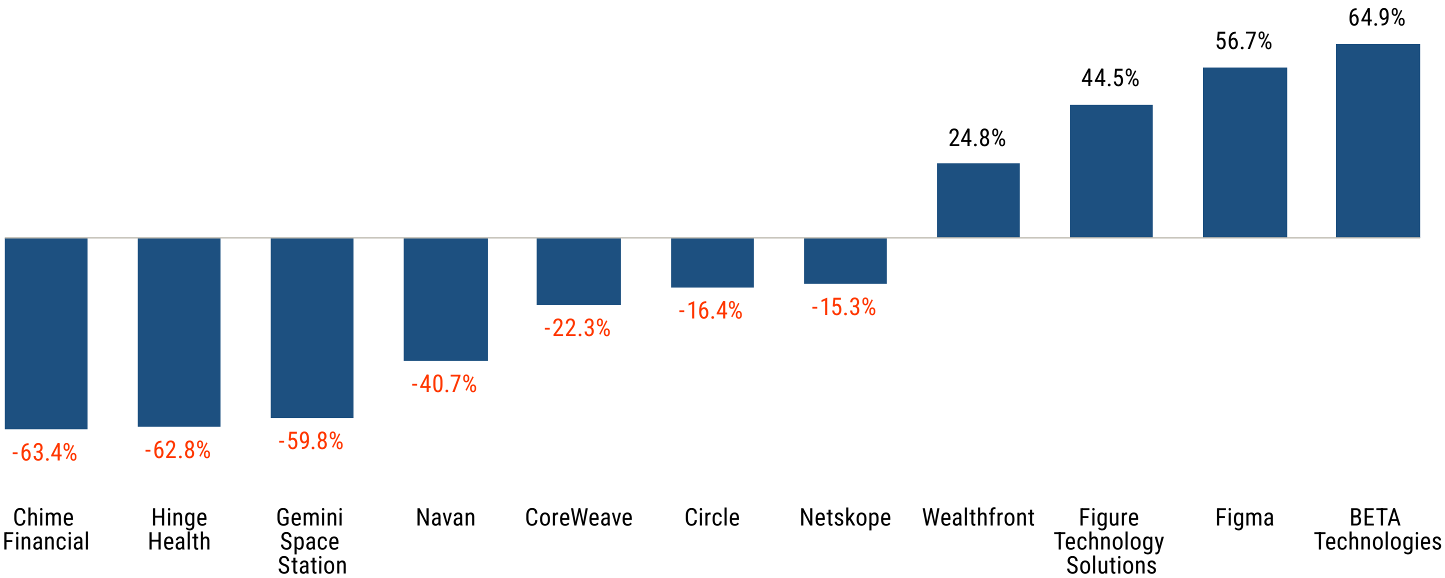
M&A

M&A activity in 2025 was concentrated in a narrow set of high-value transactions, particularly in AI. While much of the venture landscape has faced sustained valuation compression, AI-related startups have remained comparatively insulated as strategic buyers compete for scarce technical talent, proprietary models, and infrastructure that can accelerate product road maps or close capability gaps.

For the rest of venture, M&A returns remained muted. The median valuation step-up for acquisitions reached 1.2x in 2025, an improvement from the prior two years but still well below

Down round IPOs are the new normal

Select 2025 IPO valuations relative to their private market peaks by company



Source: PitchBook • Geography: US • As of December 31, 2025

the 2x peak observed in 2021. Regulatory scrutiny continues to weigh on large-scale transactions, with the Federal Trade Commission (FTC) maintaining a cautious stance despite leadership changes. As a result, acquisition activity has skewed toward smaller deals, supported by valuation resets, pent-up liquidity demands, and constrained late-stage funding.

In response to the FTC's constraints, large technology companies have been pursuing alternative deal structures that replicate acquisition economics without triggering regulatory review. In December, NVIDIA announced a non-exclusive licensing agreement with Groq valued at $20 billion that effectively transferred Groq's assets and senior leadership without a traditional acquisition. Similarly, Meta's $14.3 billion investment for a 49% stake in Scale AI in June included the hiring of the company's founder and key personnel.

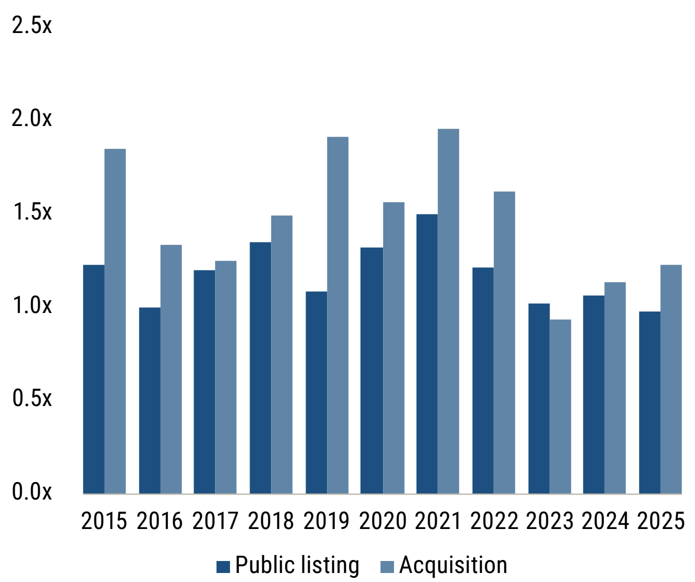
Taken together, these dynamics suggest a bifurcated M&A market. Acquisitions (and pseudo-acquisitions) are most frequently occurring at the lower (and upper) ends of the valuation spectrum in today's regulatory environment. Until the FTC's stance materially eases, we expect similar behavior throughout 2026.

Secondaries

Secondary pricing dynamics have become valuable resources for re-assessing valuations. Currently, the market is strongly bifurcated. Startups that have completed a recent primary round command a clear advantage, benefiting from fresher valuations and greater pricing transparency. Companies that raised capital from Q1 2024 to Q3 2025 traded at modest median discounts of 0% to 8.5% on Forge Global.

A majority of 2025 IPOs have been valuation step-downs

Median VC step-up at exit by type



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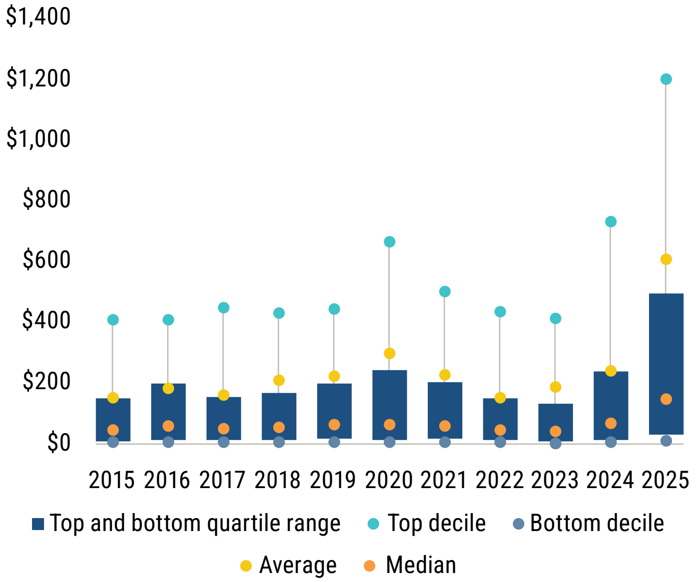
Acquisition valuations have risen

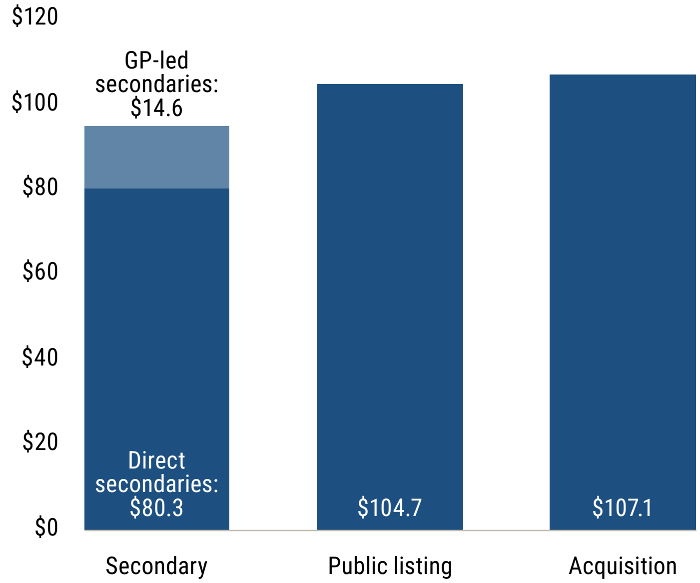
VC acquisition valuation ($M) dispersion



Source: PitchBook • Geography: US • As of December 31, 2025

2025 was a pivotal year for venture secondaries

Trailing 12-month VC exit value ($B) by type



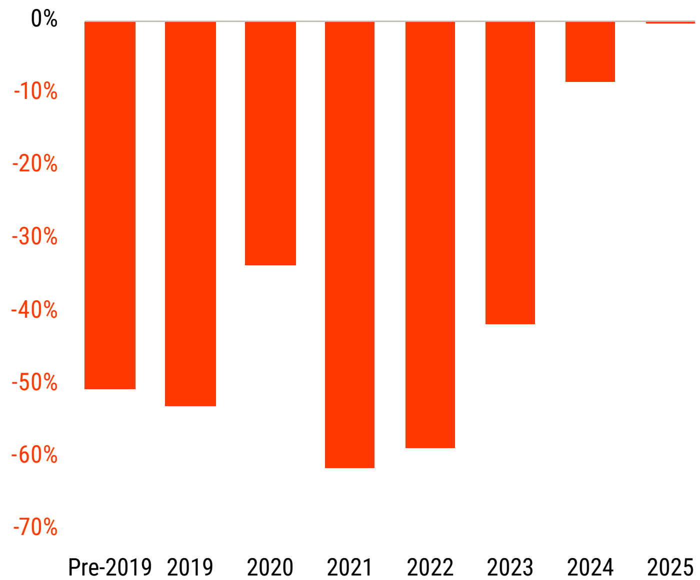
Source: PitchBook • Geography: US • As of September 30, 2025

In contrast, companies whose last primary round occurred during the 2020-2022 boom face steeper median discounts ranging from 33.6% to 61.5%. In many cases, these startups have been unwilling or unable to pursue primary down rounds that would formally reset valuations toward current fundamentals. As a result, completed secondary trades have become a de facto source of valuation correction, often forcing markdowns that primary markets have deferred.

Overall, secondaries have proven to be not only a liquidity solution but also a source of more real-time valuations. This has inspired Wall Street to bet big on this market, with recent acquisitions by Goldman Sachs, Morgan Stanley, and Charles Schwab. The secondary market's insights will not only be a boon for its private wealth clients looking to invest in venture's most promising startups, but also for their advisory businesses that are in the business of pricing exits.

Recent primary rounds give clear pricing advantage for secondaries

Median secondary discounts by year of last primary round

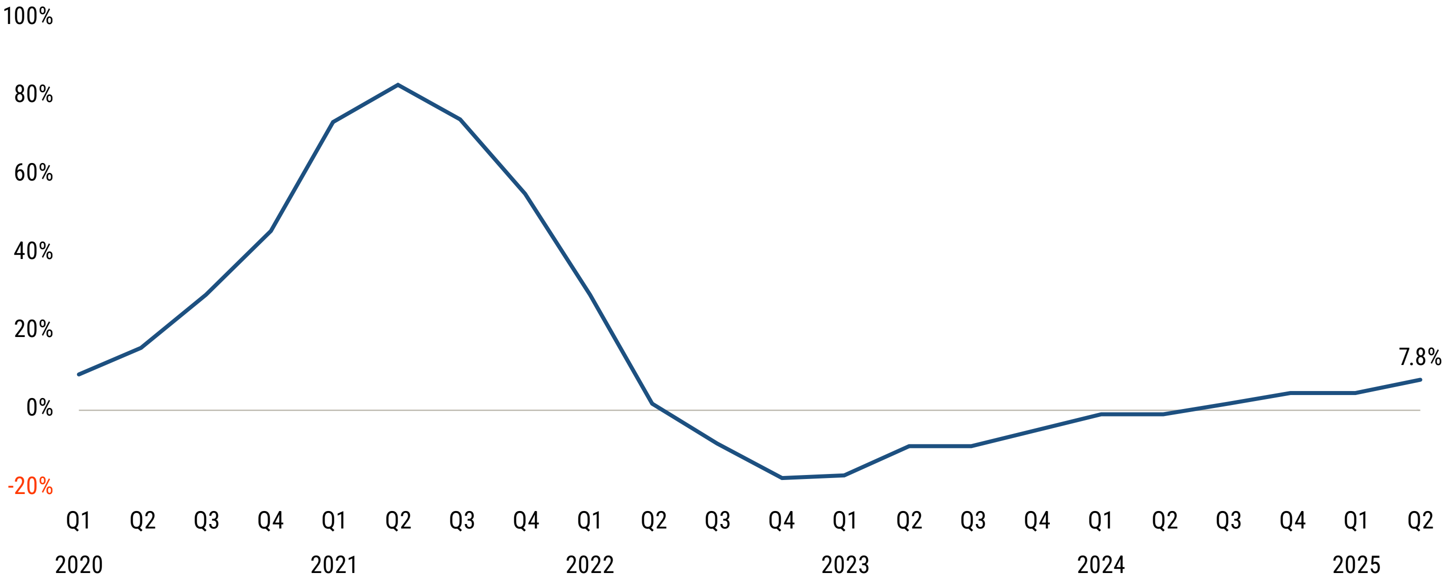


Source: Forge Global • Geography: US • As of September 30, 2025

Returns

Rolling one-year IRR shows continued improvements

VC rolling one-year IRR



Source: PitchBook • Geography: US • As of June 30, 2025

Venture performance continued to stabilize through Q2 2025, with the rolling one-year IRR remaining positive. Short-term returns improved to approximately 7.8% as of June 30, 2025, after the drawdowns experienced in 2022 and 2023. While a return to the elevated levels seen in 2021 appears unlikely in the near term, performance has begun to move back toward longer-term norms in the double digits. These gains have been largely driven by valuation stabilization and fewer write-downs, rather than by a broad-based increase in realizations.

Cash flow dynamics continue to constrain venture returns. Distribution yield has also increased to double digits—11.2% of net asset value (NAV), up from 7.5% at the 2023 trough. Even so, contributions continued to exceed distributions, resulting in persistently negative net cash flows of approximately $45 billion over the first two quarters of 2025. Venture remains a net consumer of capital rather than a source of meaningful cash returns for LPs. At the same time, aggregate dry powder has edged down from its 2023 peak of $318.2 billion to $299.3 billion, as funds deploy capital amid a subdued fundraising environment.

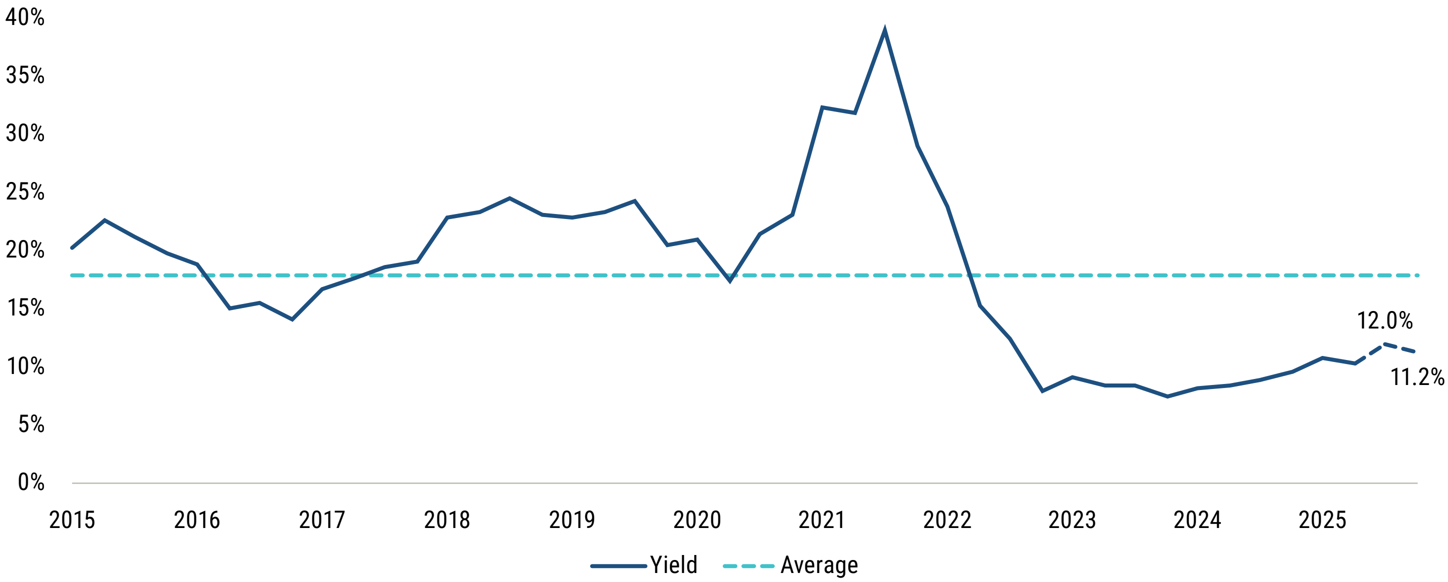
Cash flows remain deeply negative

VC cash flows ($B)

Source: PitchBook • Geography: US • As of June 30, 2025

Modest improvement in distribution yield

VC 12-month distribution yield as a share of NAV



Source: PitchBook • Geography: US • As of December 31, 2025

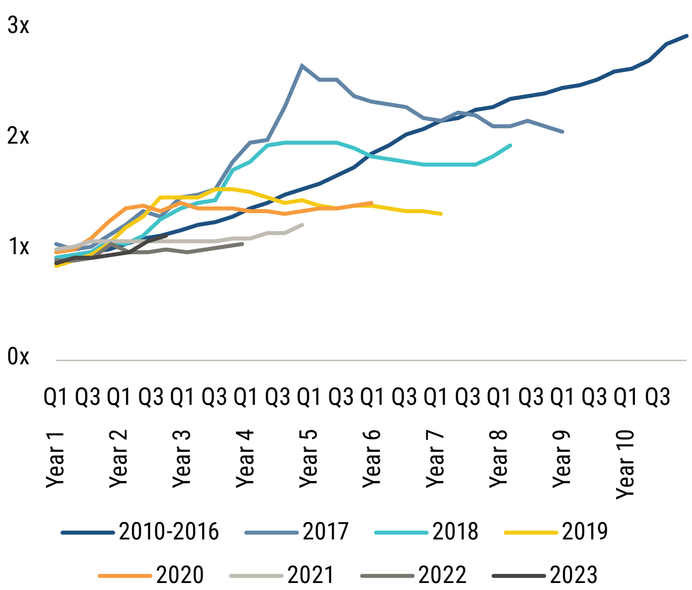
Note: The values for Q3 and Q4 2025 were estimated from venture exit values. Data is based on funds that are five years or older and as of June 30, 2025.

As valuation pressure eases, differences in entry timing and exposure to exits are becoming clearer in vintage-level performance. Funds raised between 2010 and 2016 benefited from more favorable entry environments, reaching an average TVPI of roughly 2.0x by year six, with top-decile outcomes exceeding 3.1x. In contrast, vintages raised during and immediately after the pandemic entered the market at elevated valuations and were subsequently reset by the correction. As a result, these cohorts are, on average, trending well below historical norms.

The 2019 vintage, now approaching midlife for a traditional venture fund, sits at an average TVPI of approximately 1.3x, with even the top-decile performance still trailing 2010-2016 norms at around 1.8x. However, more recent vintages raised following the 2022 reset, including 2023, are starting from a healthier base, with early performance tracking closer to historical trajectories. Early performance is not indicative of final outcomes, but most vintages historically have not meaningfully changed course, aside from those that benefited from the exceptional exit window of 2020 and 2021—an environment unlikely to resurface soon.

2023 vintage TVPI starts on a healthier trajectory

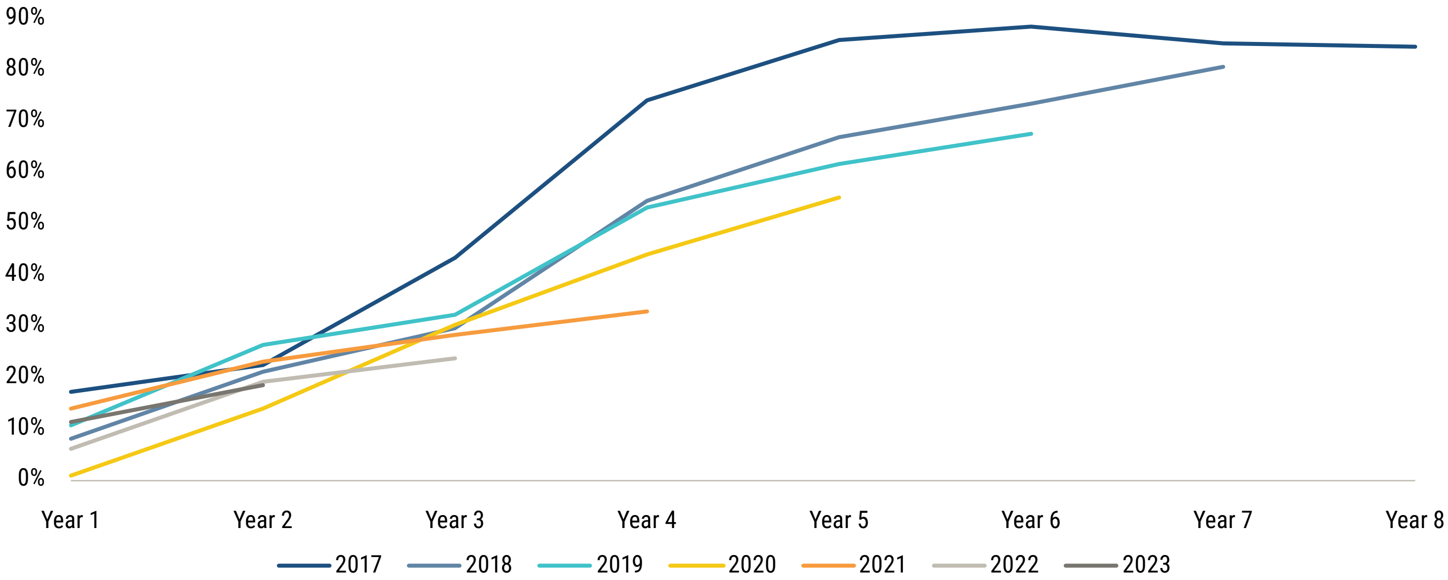
Quarterly average VC TVPI by vintage



Source: PitchBook • Geography: US • As of June 30, 2025

2021 funds lag historical norms by year four

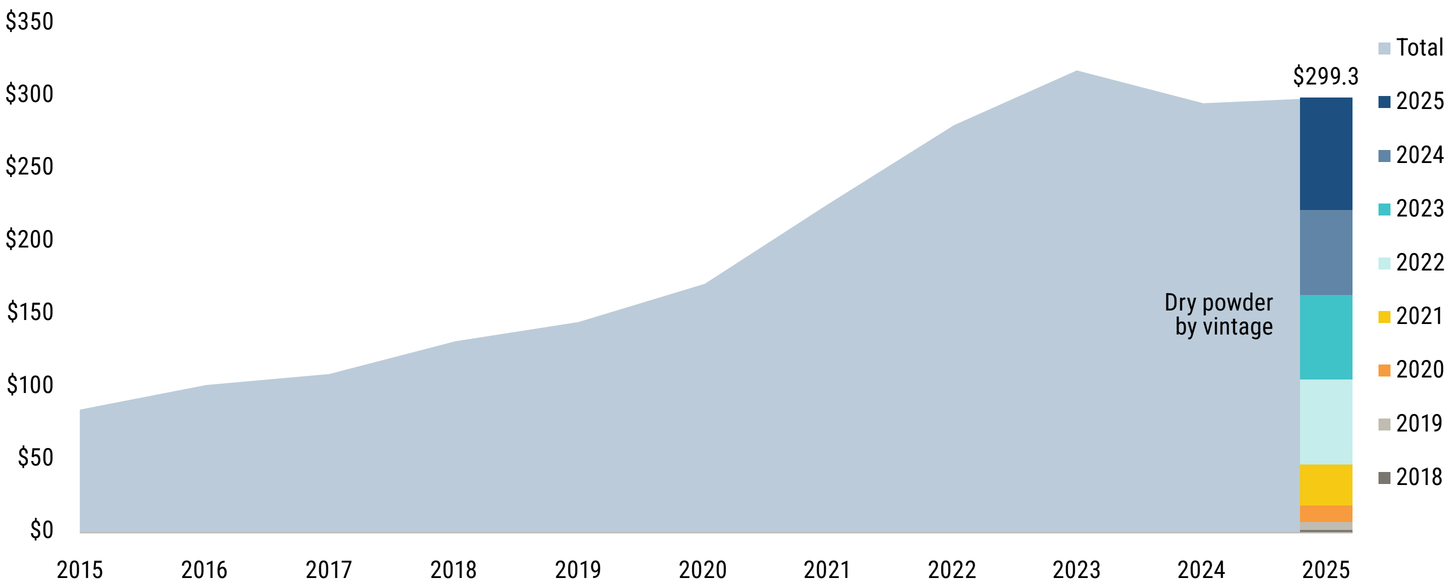
Share of DPI greater than zero by vintage



Source: PitchBook • Geography: US • As of June 30, 2025

Dry powder has slowly declined

VC dry powder ($B)



Source: PitchBook • Geography: US • As of June 30, 2025

Realizations are beginning to broaden with fund age, though progress remains uneven across vintages and performance tiers. Among older vintages, distributions are now widespread, with more than 80% of 2017 and 2018 funds having reported at least one distribution. For younger vintages earlier in their fund lives, roughly 30% or fewer of 2021 and later funds have distributed by their fourth year since inception. Historically, by around the fourth year of a fund's life, more than half of venture funds have reported DPI greater than zero. While these early distributions are modest, improving exit activity suggests venture funds are moving toward a more constructive environment for realizations as vintages mature.

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Nizar Tarhuni
Executive Vice President of Research and Market Intelligence

Paul Condra
Senior Director, Global Head of Private Markets Research

Kyle Stanford, CAIA
Director, VC Research

Report created by:

Kyle Stanford, CAIA
Director, VC Research

Emily Zheng
Senior Research Analyst, VC

Susan Hu
Quantitative Research Analyst

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