



2025 VENTURE CAPITAL REPORT

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Overview

Although exit markets remain challenging, 2025 was a year of continued recovery for venture capital financing activity.

Total investment increased moderately compared to 2024, driven primarily by sustained enthusiasm for AI companies, which now dominate investor attention across nearly every financing stage. The market split that emerged in 2024 became even more pronounced in 2025, with AI companies commanding premium valuations and capturing a disproportionate share of capital, while non-AI companies faced a more challenging fundraising environment.

Deal activity grew across financing stages, with investors demonstrating increased confidence in early-stage opportunities while maintaining more selective capital deployment at later stages.

Median valuations continued their ascent toward 2021 highs, though the distribution of deal outcomes remained highly uneven. Ten companies received more than half of all venture capital investment dollars in 2025, reflecting investors' focus on funding fewer, higher-quality companies in an environment where M&A and IPO liquidity remains limited.

Methodology

The data in this report is collected from private company equity financing transactions, pre-seed SAFE issuances and pre-seed convertible note issuances in which Gunderson Dettmer represented either the company or an investor. This report does not include data from any convertible note or SAFE financings occurring after a company's first equity financing. Data is allocated to the period in which the initial closing of the applicable transaction occurred.

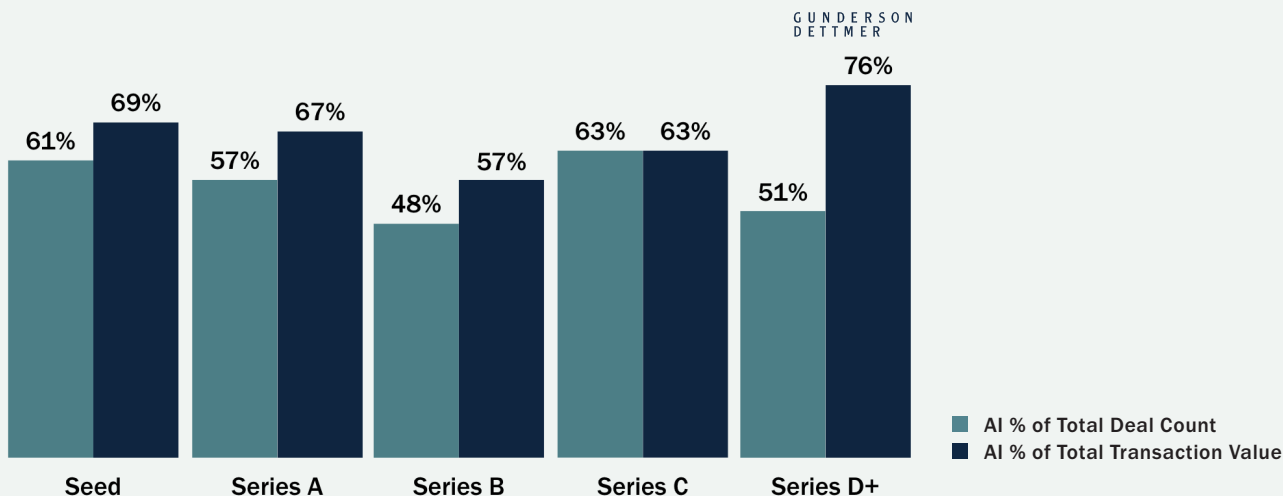
For data related to AI investments, companies are categorized based on the PitchBook industry vertical definition for Artificial Intelligence & Machine Learning, which includes:

Companies developing technologies that enable computers to autonomously learn, deduce and act, through utilization of large data sets. The technology enables development of systems that collect and store massive amounts of data and analyze that content to make decisions based on probability and statistical analysis. Applications for Artificial Intelligence & Machine Learning include speech recognition, computer vision, robotic control and accelerating processes in the empirical sciences where large data sets are essential. (www.pitchbook.com)

This is Gunderson Dettmer's year-in-review venture capital report, analyzing data collected from the thousands of venture financing transactions in which we represented clients. The report examines market trends in deal count, valuation and transaction size and includes a spotlight section on the unique factors affecting AI deal-making. Included throughout are insights from Gunderson partners, who have negotiated more venture financings than any other law firm every year for the past decade, according to PitchBook.

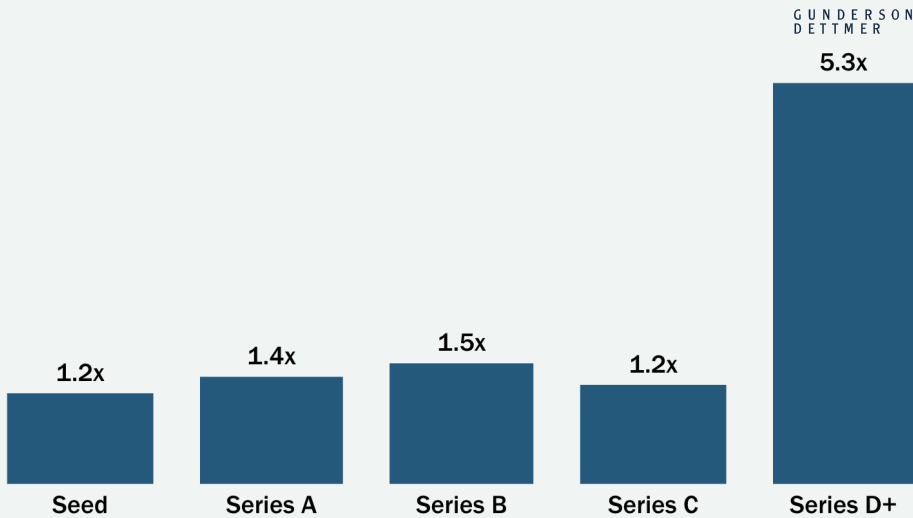
AI continues to define venture capital

AI Share of Deal Count vs. AI Share of Total Transaction Value



AI continues to be the defining force in VC investing. Comparing AI deal count to AI total transaction value shows the disproportionate allocation of investor dollars toward AI companies, even at the earliest stages. While financings for AI companies represented 48% to 63% of total deal count, these transactions captured significantly higher portions of total capital—ranging from 57% at Series B to 76% at Series D+. This pattern highlights that AI companies are not only closing more deals, but also raising substantially larger rounds than their non-AI counterparts.

AI Valuation Premiums



The valuation premium for AI companies remained substantial across all stages in 2025, though with notable variation. The median pre-money valuation of AI companies was 1.2 to 1.5 times higher than the valuation of non-AI companies for seed through Series C rounds and then expanded dramatically at Series D+, where AI companies were valued an extraordinary 5.3 times higher than non-AI companies. This Series D+ measure is boosted by a small number of companies with extremely high valuations. However, even if the top decile of deals (based on pre-money valuation) is removed from the data set, the AI valuation premium is still 3.7 for Series D+ deals.

The extreme valuation premium for Series D+ rounds raises questions about whether the market is overpricing late-stage AI companies. If any of the foundational model companies move forward on their widely reported IPO plans, the companies' financial disclosures, IPO pricing and post-offering stock performance will provide investors with new data that will influence private market valuations. A successful wave of AI IPOs could validate current private market valuations, while disappointing public market performance could trigger a recalibration of expectations.

Higher benchmarks for early-stage companies

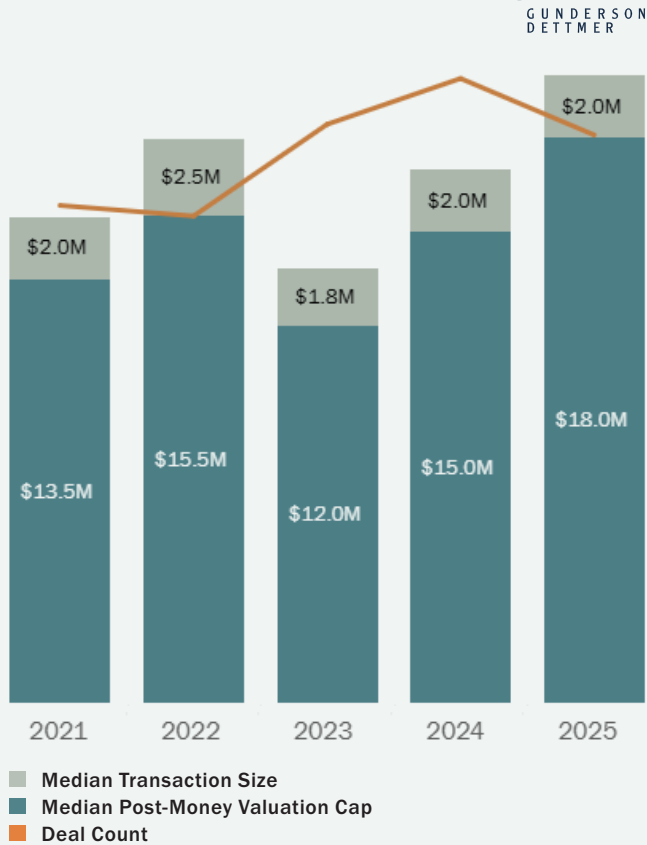
An emerging theme in early-stage VC investing is a higher bar for companies raising capital. This increased competition has been driven by AI coding tools, which are lowering startup costs and removing barriers to entry for new companies. At the same time, layoffs at large tech companies have provided a talent pool of new founders, resulting in a strong supply of new company formations. And with AI assistance, these young companies are achieving early milestones much quicker.



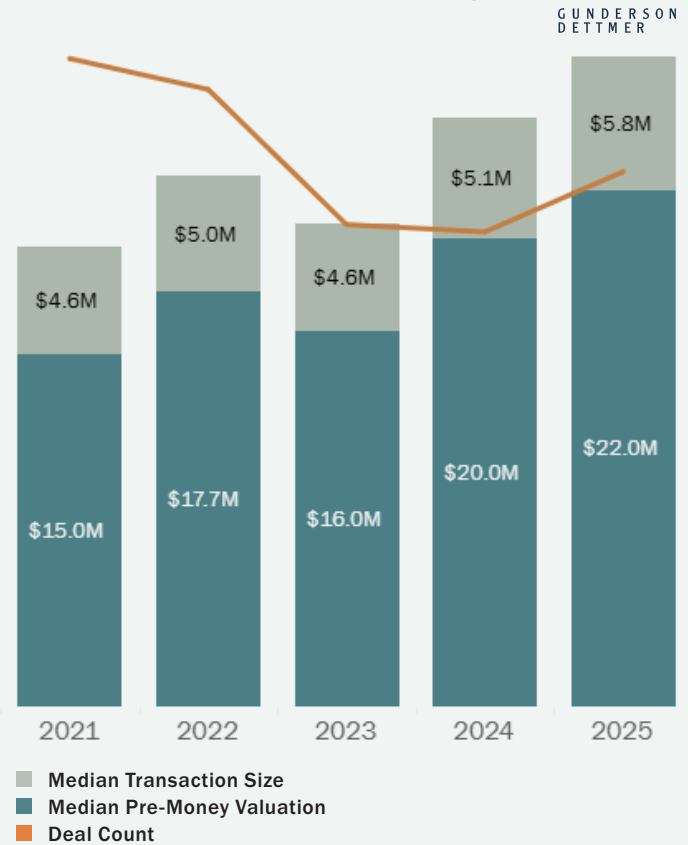
“There has been healthy growth in fundraising activity over the past year, but we’re still seeing a bifurcated financing market for AI companies compared to everyone else. For the most part, the companies getting deals done are the ones who are in front of the market shift and have a compelling story about how they fit into this new technology landscape.”

Dan Green
Partner, Silicon Valley

Pre-Seed SAFE/Note Financings



Series Seed Financings



In certain sectors, the criteria for early founders may have gone from time to market, to whether a company has revenue, to whether a company’s revenue is high-quality. This evolution tracks the market integration of a transformational technology like AI, where winners include the AI companies themselves and also the companies utilizing the new technology to create value.



“The goalposts are moving for what makes an attractive VC investment. AI tools have completely reset metrics like burn rate and go-to-market time, as more companies are reaching early milestones quicker and with less money. With this much competition, VC support is increasingly defining the winners.”

Ibrahim Elshamy
Partner, Los Angeles

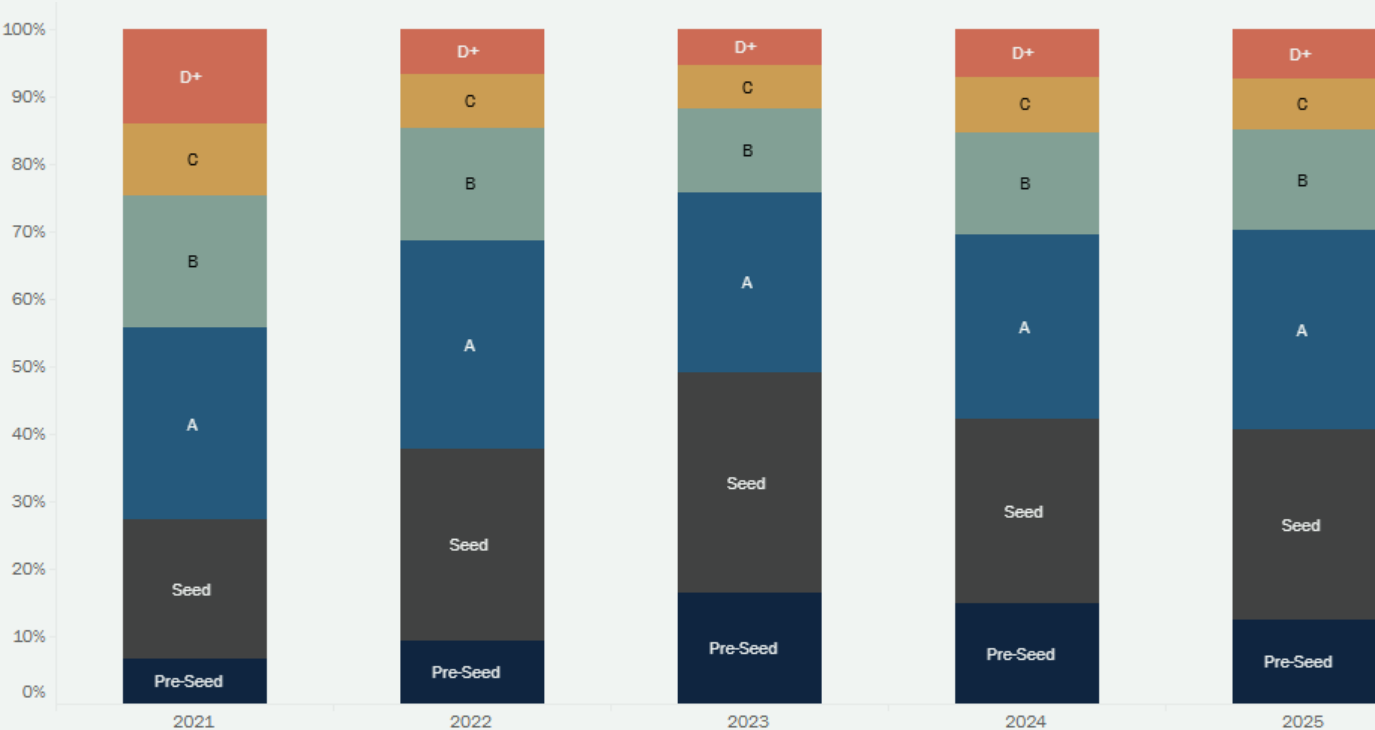
For pre-seed deals, median transaction size showed no year-over-year growth, while the median post-money valuation cap grew over 20% to reach an all-time high of \$18.0 million, illustrating investors’ expectations for quicker growth with less capital.

Seed data also reflected a record high for valuation, with the median pre-money valuation growing 10% year-over-year to reach \$22.0 million in 2025. When viewed in context with the more stringent funding metrics facing companies, the higher valuations are not overt signals of founder leverage; rather, founders are achieving meaningful milestones before seeking outside capital, ensuring that they have the performance indicators to warrant premium valuations. But AI enthusiasm from investors is undoubtedly helping them in this pursuit. Seed financings had the second highest proportion of AI-focused investments out of all rounds, as investors sought to identify the next wave of AI innovators before valuations escalated further.

Growing Series A valuations and cautious movement upstream

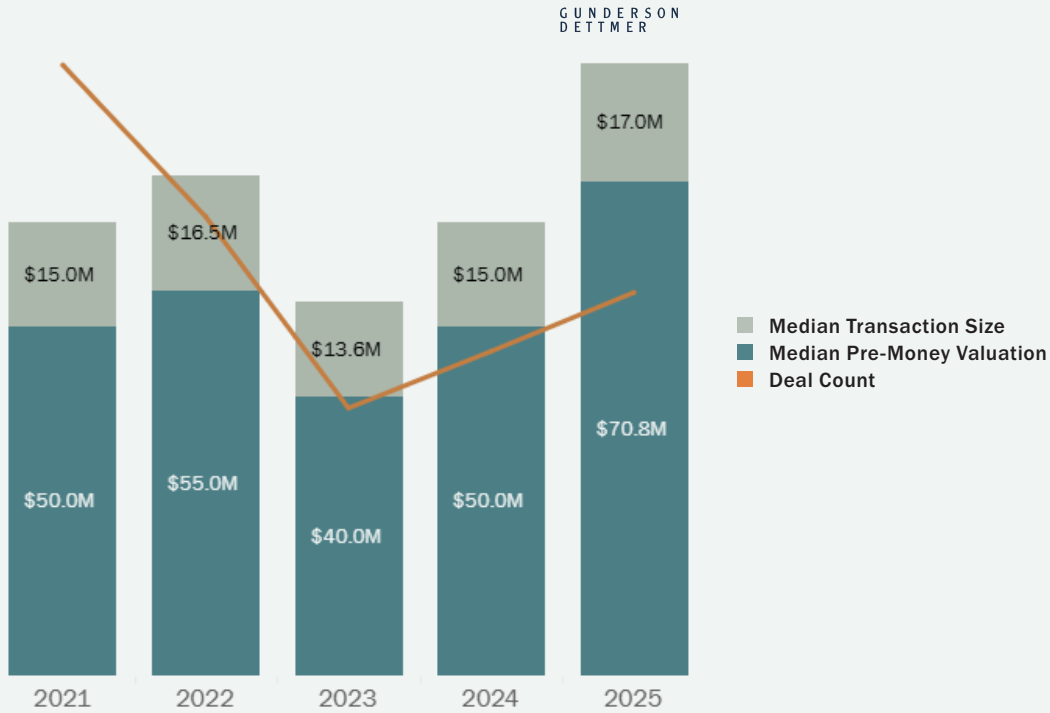
Distribution of VC Rounds by Series

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While 2025 looked very similar to 2024 in the distribution of deals across stages, there were subtle signals that investors continued to ease constraints on post-seed capital. While pre-seed deal count reflected year-over-year declines in both absolute terms and as a percentage of total financings, seed financings increased in both categories. Viewed collectively, the volume of activity in these earliest stages showed little change from 2024 to 2025. In contrast, Series A deal count increased 18% in 2025. Series A financings also represented a slightly larger portion of total financings in 2025 compared to 2024, while the percentage of post-Series A rounds held steady. These numbers suggest that investors were stretching past the earliest stages, re-funding some of the many companies that received seed capital in the tight market of the post-pandemic years.

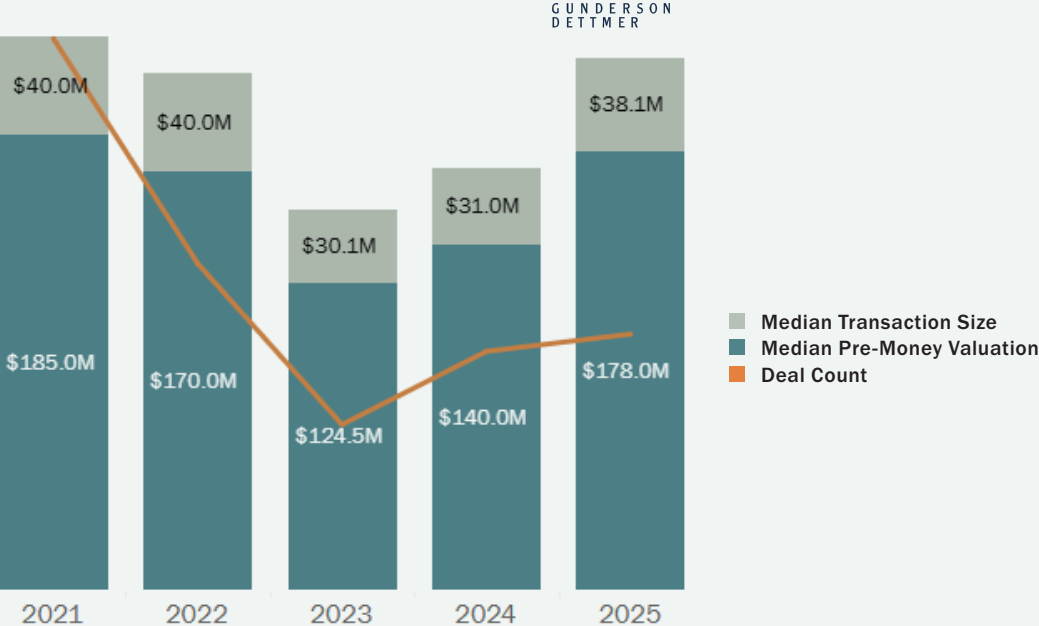
Series A Financings



At the same time, the median pre-money valuation for Series A financings surged to an all-time high of \$70.8 million for 2025, representing a 42% year-over-year increase. This sharp step-up is partly a function of the same selection effects at play in seed rounds: with investors imposing more demanding performance thresholds before committing capital, only companies that clear a higher bar can fundraise, and those that do so are rewarded with premium valuations. Series A growth is notable because it is not limited to AI companies. A broader range of businesses are securing strong Series A pricing, even as AI continues to dominate the narrative. Alongside AI leaders, companies seeing policy and regulatory tailwinds—particularly in cryptocurrency, defense technology, and aerospace—have also experienced meaningful valuation expansion, as rule changes and stated priorities of the current presidential administration have helped drive more capital to these sectors.

Capital crunch for mid-stage companies

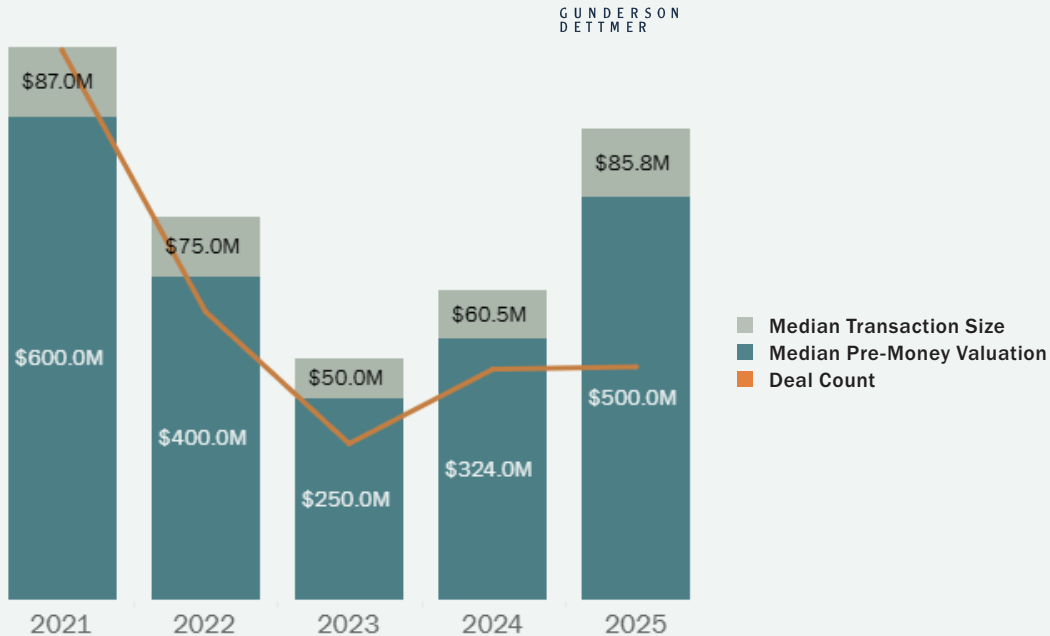
Series B Financings



Data from Series B financings hints at a pivot in investor sentiment at this stage. Series B activity in 2025 reflected more modest growth than seed and Series A stages, with deal count increasing only 7% year-over-year. This tightening is observed alongside a (relative) decline in AI focus at this stage. While AI companies were the target of a substantial 48% of Series B financings, this percentage is the lowest among all rounds and nearly 10% below both seed and Series A measures. While M&A activity has remained slow overall, 2025 saw an uptick in activity around this stage, which follows the narrative shown in the financing data. Investors are finding fewer worthy financing targets in this stage, especially in AI, and many companies unable to secure additional venture funding pursued acquisition exits.

For the companies that did complete Series B financings in 2025, the median pre-money valuation was \$178.0 million, which reflects a year-over-year increase of 21%, while median transaction size grew 23% to \$38.1 million. This matched growth in valuation and transaction size indicates that investors are maintaining discipline about ownership targets while still providing premium valuations for promising companies.

Series C Financings



Series C financing data showed no year-over-year growth in deal count but the highest increases among all rounds in both valuation and transaction size. Median transaction size and median pre-money valuation for Series C financings in 2025 grew 41% and 54%, respectively, compared to 2024. The flat deal count at this stage combined with surging deal economics indicates extreme selectivity by investors, who are focusing capital allocations on a small subset of companies. This point is emphasized by the fact that Series C financings included the highest percentage of down rounds among all stages.

The data shows that the companies that investors were willing to fund were largely AI companies, as AI companies comprised 63% of Series C financing recipients in 2025, the highest concentration among any financing stage. And, unlike in other stages, AI companies in Series C rounds did not receive a disproportionately high share of total transaction value. This is an effect of the down round deals (including down rounds for multiple AI companies) included in the Series C financing data and supports the notion that investors are seeing risk at this stage and allocating capital more conservatively.

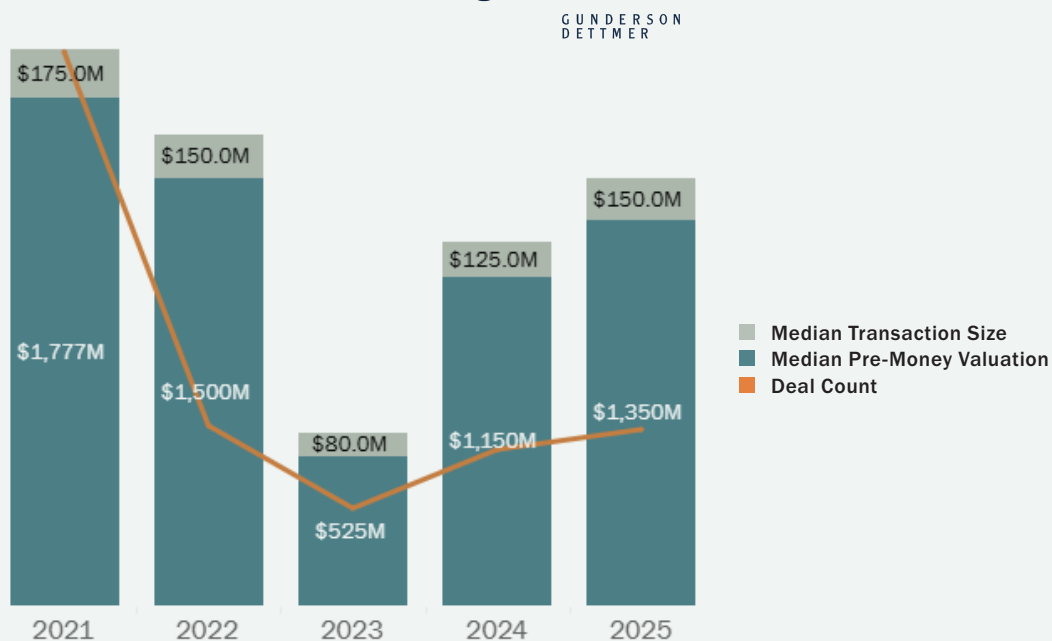


“Economic uncertainty is tightening an already competitive environment for Series B and Series C funding. But there are some exceptional companies in the market right now, and investors are still willing to provide premium valuations to standout performers.”

Lou Soto
Partner, Silicon Valley

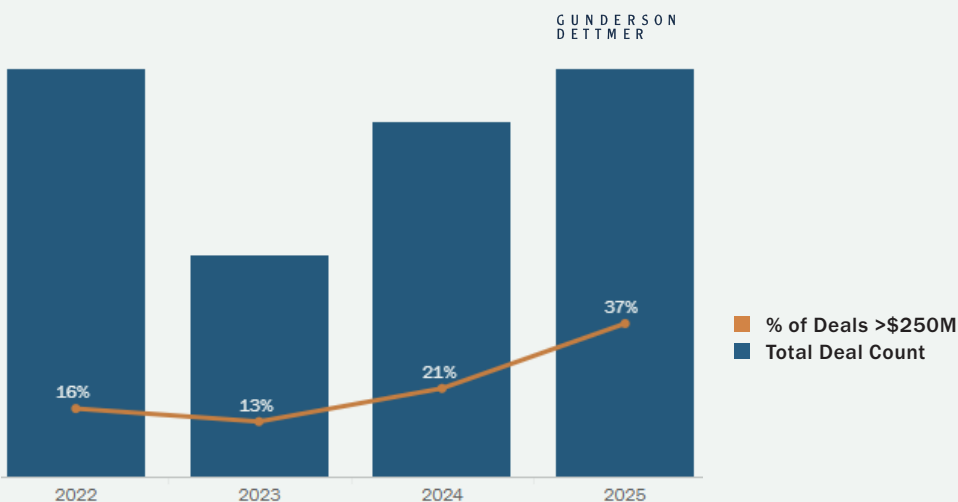
AI mega-deals continue to shape later-stage market

Series D+ Financings



Series D+ deal count rose 14% year-over-year, and data shows that this increase in activity was driven by deals at the highest end of the range. The percentage of Series D+ deals with transaction values over \$250 million grew from 21% in 2024 to 37% in 2025, which pushed Series D+ median transaction size 20% higher year-over-year. AI companies have been the main beneficiaries of these mega-deals, including in eight of the ten largest financings in 2025. Investors looking for exposure to the AI growth story are often choosing deals at the latest stages, where perceived winners have already been established. This is especially true for strategic investors, who are participating in later-stage financings for AI companies to a greater extent than other stages and verticals.

Series D+ Deal Count vs. Share of Deals Over \$250M



In addition, these growth investors are showing less price sensitivity than earlier stage investors. Series D+ financing data shows that positive momentum from 2024 continued into 2025, as the median pre-money valuation for Series D+ deals rose 17% year-over-year. That growth has been driven largely by supersized valuations for later-stage AI companies. In 2025, the median pre-money valuation in Series D+ rounds for AI companies was 5.3 times the valuation of non-AI companies. This 530% premium is over three times higher than for any other financing stage, signaling the impact of especially large AI deals in this group. The \$1.35 billion median pre-money valuation for Series D+ financings in 2025 is 76% of the all-time high of \$1.78 billion from 2021, although 2025 deal count was less than half that of 2021. Together, these signals indicate that later-stage investors are being very selective, but with more focus on choosing targets than on price.

Secondary transactions are playing a vital role in growth financings

Despite an uptick in M&A transactions in 2025, multiple years of slow M&A and IPO activity has left a growing pool of later-stage companies looking for exit opportunities. Secondary transactions, or purchases of shares directly from existing stockholders, have been crucial in easing the pressure valve of liquidity needs. For the high-performing companies that investors are willing to fund at later stages, secondary purchases have become a common deal term. These purchases provide much-needed liquidity to founders, employees and early investors in the absence of other exit events, while allowing new (or existing) investors to acquire shares without diluting the existing cap table.

In 2025, nearly 40% of Series D+ financing rounds included a secondary component in which investors purchased shares from founders or employees. Secondaries are bolstering both deal activity and transaction size, as later-stage financings have evolved to serve the dual roles of fulfilling company capital needs and also providing interim liquidity to company equity holders. So far, secondaries have played a much larger role in providing liquidity to founders and employees than to investors, although the balance could shift if investors continue to see a shortfall in traditional exit events.



“We are seeing an increase in secondary activity as investors are using company-coordinated secondary purchases as entry points into sought-after growth companies or to sweeten their term sheets in competitive deals. These transactions have been a boost for later-stage activity, even as traditional exits are picking back up.”

Hilary Adams
Partner, New York



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