Valuation & Financial Advisory | Investment Banking

Industry Update

Venture Capital

Q2 2025

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Stats at a Glance

As of Q2 2025

Unicorns YTD
46

Q2 Exit Count
394

Q2 Total Exit Value
$67.7B

$69.9B	Total Equity Funding
4,001	Number of Deals
$1.7M	Average Deal Size
238	Active Fund Count
10.9%	VC 12-Month Distribution Yield*

*For US VC's as % of NAV, as of December 31, 2024

Source: PitchBook-NVCA Venture Monitor, Q2 2025

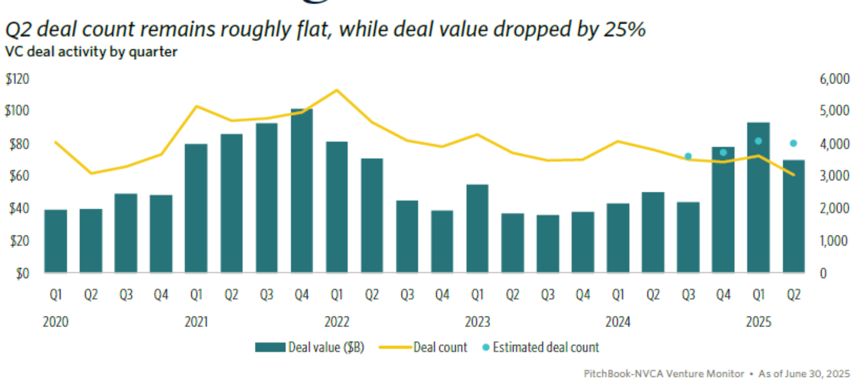
2 Market Overview

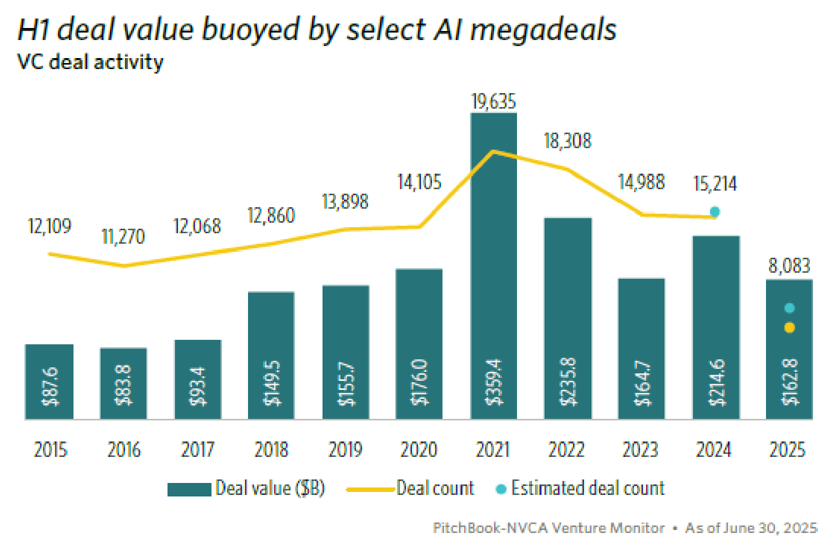
Funding, Deals, Exits

In Q2 2025, venture capital firms deployed $69.9 billion across an estimated 4,001 deals, marking a 24.8% quarter-over-quarter decline in total deal value. The largest transaction of Q2 was Scale AI's $14.3 billion venture-growth round, the second-largest VC deal on record. It's important to note that Q1's deal value was skewed by OpenAI's immense $40.0 billion financing, the largest venture capital deal in history. Given the size of the OpenAI round, the apparent decline in deal values quarter-over-quarter reflects a normalization in deal flow rather than a broad-based weakening in market sentiment.

Fueled by select outsized Q1 deals and persistent AI momentum, venture-growth-stage deal activity surged in the first half of 2025, with $83.9 billion deployed across an estimated 499 deals. On an annualized basis, this implies $167.8 billion in growth-stage venture capital deployment, far surpassing the 2021 peak of $91.6 billion and marking a potential record-setting year for this stage. In Q2, five AI deals topped $1.0 billion, including Scale AI, Safe Superintelligence, Thinking Machine Labs, Anduril, and Grammarly. The sector represented 64.1% and 35.6% of H1 2025 deal value and count, respectively, highlighting sustained investor conviction.

Dealmaking





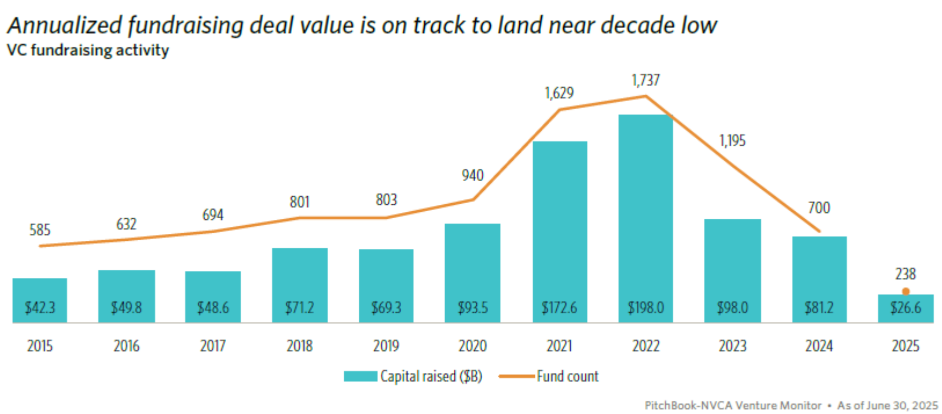
Source: PitchBook-NVCA Venture Monitor, Q2 2025

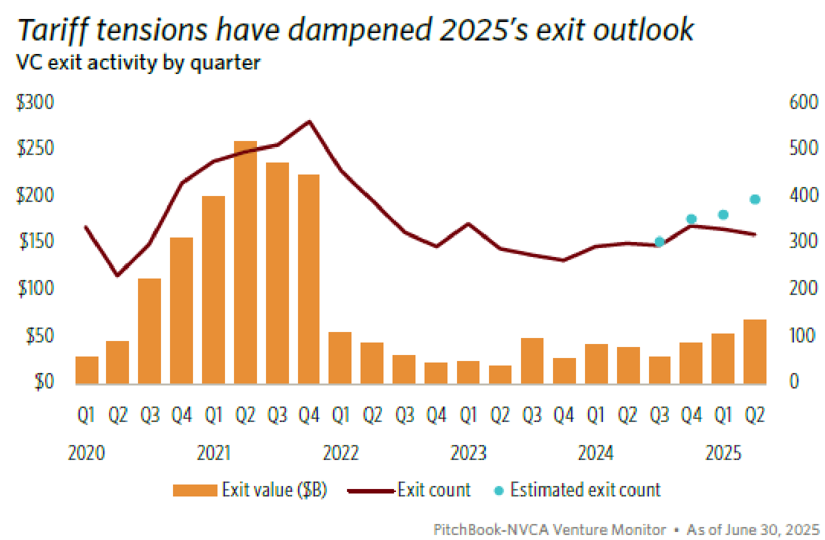
3 Market Overview (cont.)

Funding, Deals, Exits

Exit activity continued its ascent in Q2, generating $67.7 billion across 394 exits, which is the highest quarterly value since Q4 2021. Unlike Q1, where CoreWeave was the lone unicorn to go public, six companies with pre-money valuations over $1.0 billion completed their IPOs in Q2. In Q2, nearly every major listing debuted at significantly lower valuations than their highs. Notable examples include financial technology company Chime, digital health company Hinge Health, advertising platform MNTN, and stablecoin issuer Circle.

US VC fundraising remained subdued in H1 2025, as the prolonged liquidity crunch continued to weigh on LP sentiment. During the first half of the year, $26.6 billion was raised across 238 funds, putting the annualized fundraising pace near the decade low. This figure would mark a 33.7% YoY decline in terms of capital raised, building on already weak momentum from 2024. As of Q2 2025, the median time to close a US VC fund stretched to 15.3 months, up from 12.6 months in 2024—the longest fundraising cycle in over a decade.





Source: PitchBook-NVCA Venture Monitor, Q2 2025

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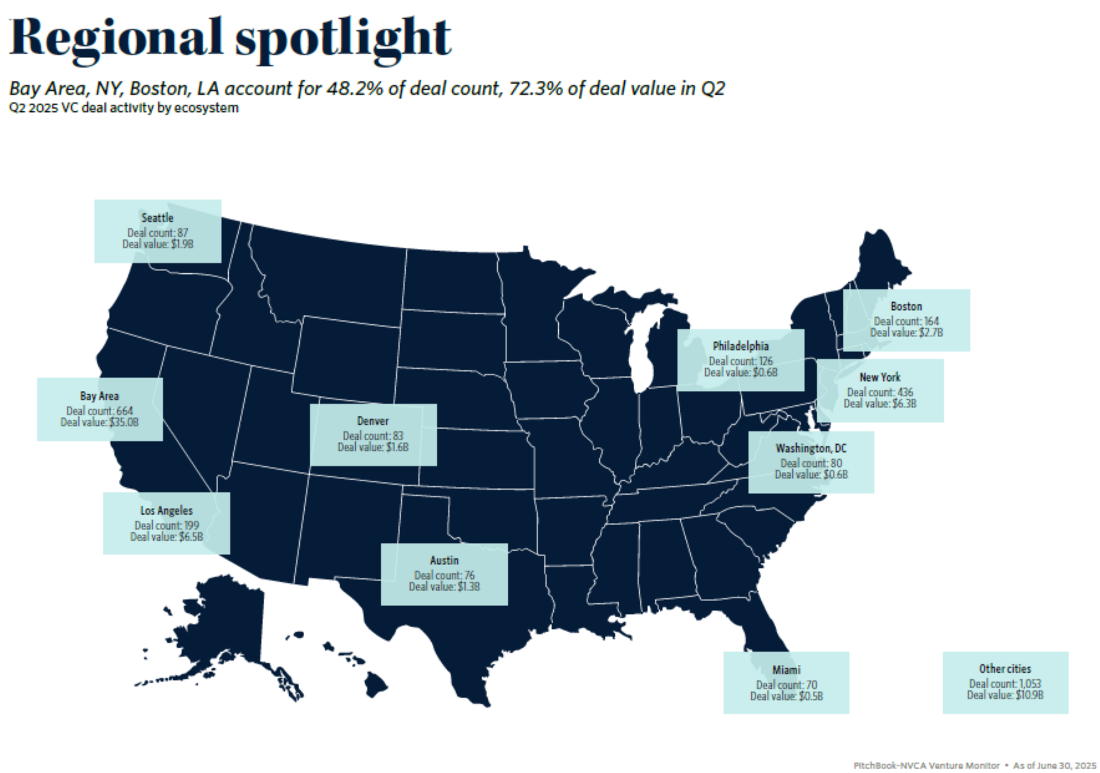
Regional Analysis

Established & Developing US Regions

The venture environment appears to be on the road to recovery as equity issuance volumes improve and M&A startup activity trends positive. Economic growth expectations remain hampered by significant uncertainty resulting from U.S. trade policy as consumer sentiment remains low and negotiations with international trading partners continue. However, many of the “worst-case” scenarios resulting from a prolonged trade war have not materialized, the April market correction was short-lived, and AI remains at the forefront of public and private markets alike.

Key tech hubs such as the Bay Area, New York, Los Angeles, and Boston sustained their roles as primary centers of venture activity, generating 72.3% of all deal value in Q2. Emerging markets lost significant market share to key hubs within the U.S., with a 73.4% / 26.6% split between established and emerging markets, respectively.

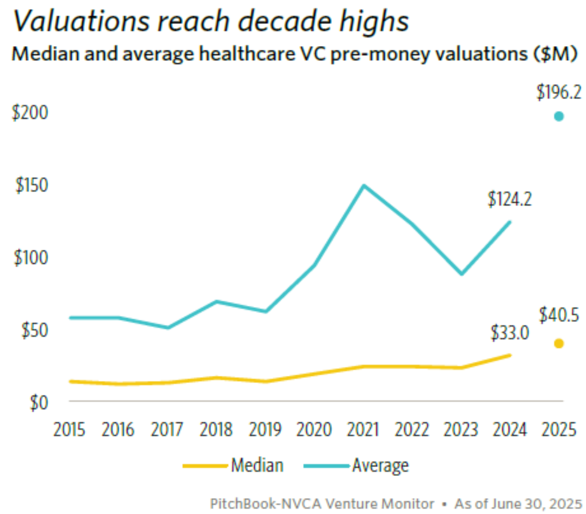


Source: PitchBook-NVCA Venture Monitor, Q2 2025

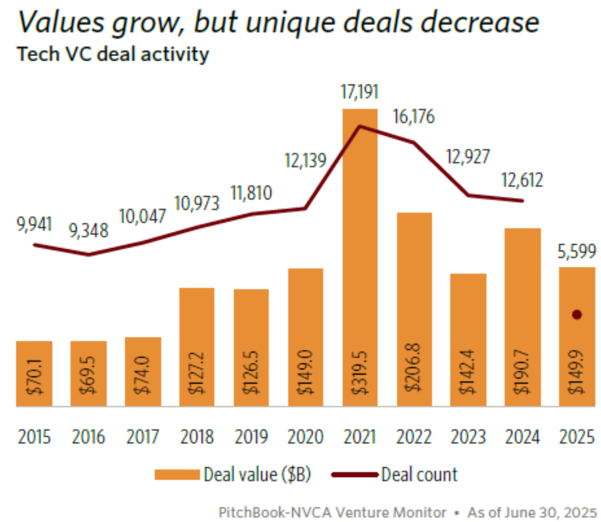
Key Deal Factors by Sector

Summary

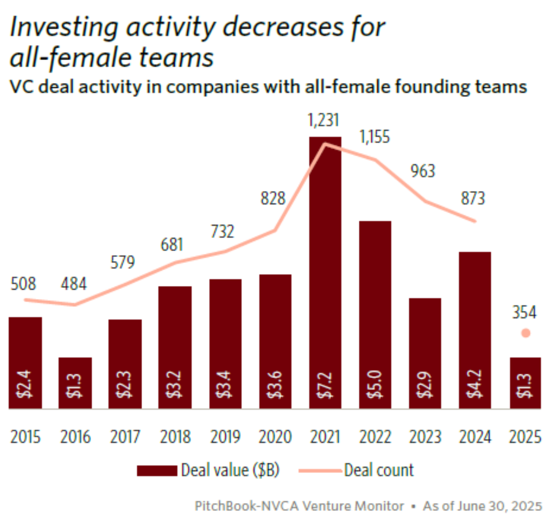
Healthcare



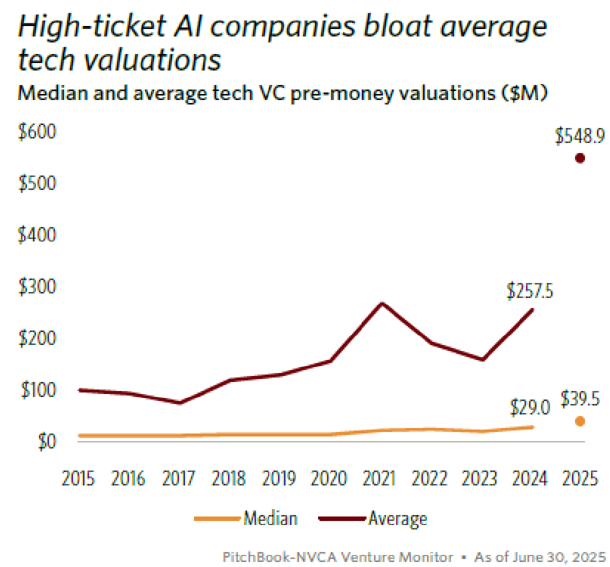
Tech



Female-Founded Businesses



AI



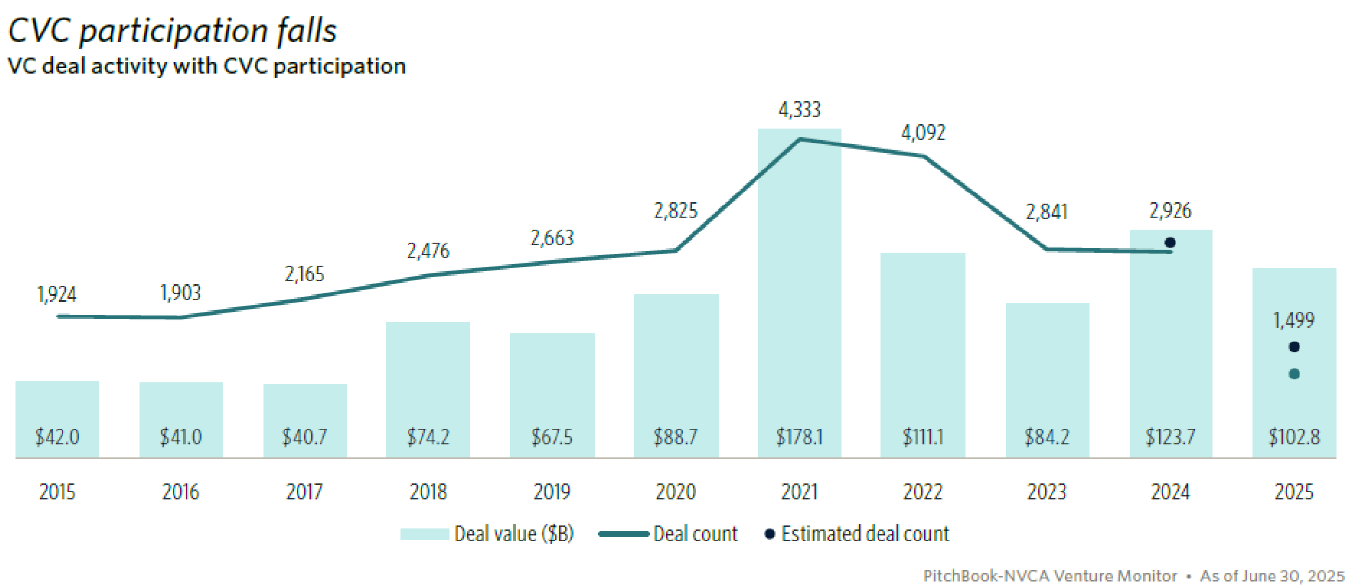
Source: PitchBook-NVCA Venture Monitor, Q2 2025

6 Investor Trends

Corporate Venture Capitalists ("CVCs") Deploy Slowly

Corporate investors have continued to withdraw from VC. So far this year, only 1,112 corporate investors have closed a deal, representing 35.7% of the 2022 high. These investors are also shifting their strategy, relying less on seed deals, which now account for just 24% of CVC deals. At this pace, 2025 could see the lowest share of pre-seed/seed CVC deals since 2017, signaling a move toward less risk in the current environment.

CVCs are motivated to invest in AI to avoid disruption. 42% of CVC deals have occurred into an AI company in 2025, up from 35% in 2024 and just 25% in 2021. Crossover investors have largely stayed on the sidelines, despite their participation in many billion-dollar-plus AI deals. Crossover investors participated in only $11.0 billion worth of VC deals—the lowest total in six quarters and the third lowest since 2020. Outside of OpenAI and Anthropic's deals this year, crossover funds have been absent from many other large AI investments. Looking ahead, the growing shift towards registered investment advisors ("RIAs"), which currently number less than 30 in the traditional VC space, will be a key trend to watch.



Source: PitchBook-NVCA Venture Monitor, Q2 2025

7 Houlihan Capital

About Us

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Houlihan Capital is SOC-compliant, a FINRA and SIPC member and committed to the highest levels of professional ethics and standards.

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- **Business Valuations**
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  - SPAC Fairness Opinions
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- **Purchase Price Allocation (ASC 805)**
- **Goodwill Impairment Testing (ASC 350)**
- **Stock-based Compensation (ASC 718, IRC 409A)**

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