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Venture Capital Report 2024-Q3

Global exit activity, median valuations, and median round sizes have continued to decline but remaining comparable to the first two quarters of this year, suggesting stability in the market. Such stability implies a certain resilience within the venture capital market for the time being. Moreover, overall global deal activity continues its downward trajectory as hopes for additional interest rate cuts linger (while noting the Americas experienced the largest portion of VC funding globally this quarter). Investors invested 10% less into startups across all stages this quarter, although such numbers still reflect a 22% increase compared to Q3 2023. A growing concern amongst analysts is the notable decrease in fund formation; according to the Venture Capital Journal, to match last year's totals, managers would need to double their closings in the current fourth quarter.

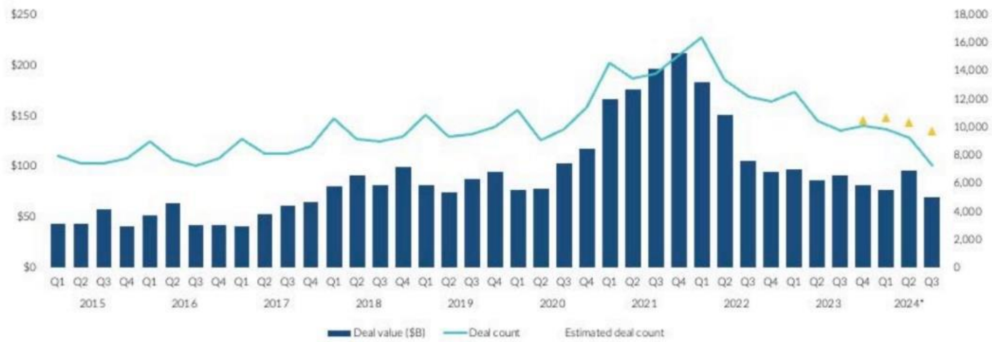
On a positive note, overall fund sizes have reached a record high of $168 million in the first three quarters, with a significant increase in the number of funds valued at $1 billion or more, rising from just 4 at the end of Q1 to 13. Nevertheless, reports are showing earlystage down rounds stabilizing, seed valuations continuing upward, and Series A valuations climbing for the first time this year…all proving the market remains resilient.

BUHLER DUGGAL & HENRY

Exits continue to face significant challenges, with only 10 companies managing to go public in the U.S. in the third quarter, resulting in a total exit value of $11.2 billion. The high number of companies staying private for longer negatively impacts distributions to limited partners, creating further complications for both investors and founders. M&A activity could be the opportunity that leads the charge in the fourth quarter and the beginning of next year as investors approach deals bearing in mind recent interest rate cuts across the globe. The biotech sector has emerged as a leader in public offerings this past quarter, with Bicara Therapeutics, Zenas BioPharma, and BioAge Labs going public in September and achieving a combined initial valuation of approximately $2.3 billion.

Discussions about a potential IPO resurgence in late 2025 continue to circulate within the industry.

Meanwhile, the North American tech sector saw an impressive $19 billion invested in AI startups. According to CB Insights, one in every three venture capital dollars has flowed into the AI sector, with Crunchbase reporting similar data sharing AI startups captured 28% of all venture capital dollars in Q3. However, recent data for the quarter may be skewed by OpenAI's massive $6.6 billion financing round (announced two days into the fourth quarter), which has fueled the ongoing momentum in the AI space and indicates a robust outlook for continued investment in the area. The influx of capital into AI highlights the sector's critical role in shaping the future for venture capital in the tech sector. This quarter saw a reemergence of early-stage unicorn companies, exceeding the number of early-stage unicorns for all of 2023, thanks to a handful of AI startups. Given such proven success and continued growth with fundraising and this year's economic instability, other sectors may feel the pressure to consider incorporating AI into their products and services.



Source: PitchBook's Global VC Deal Activity

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