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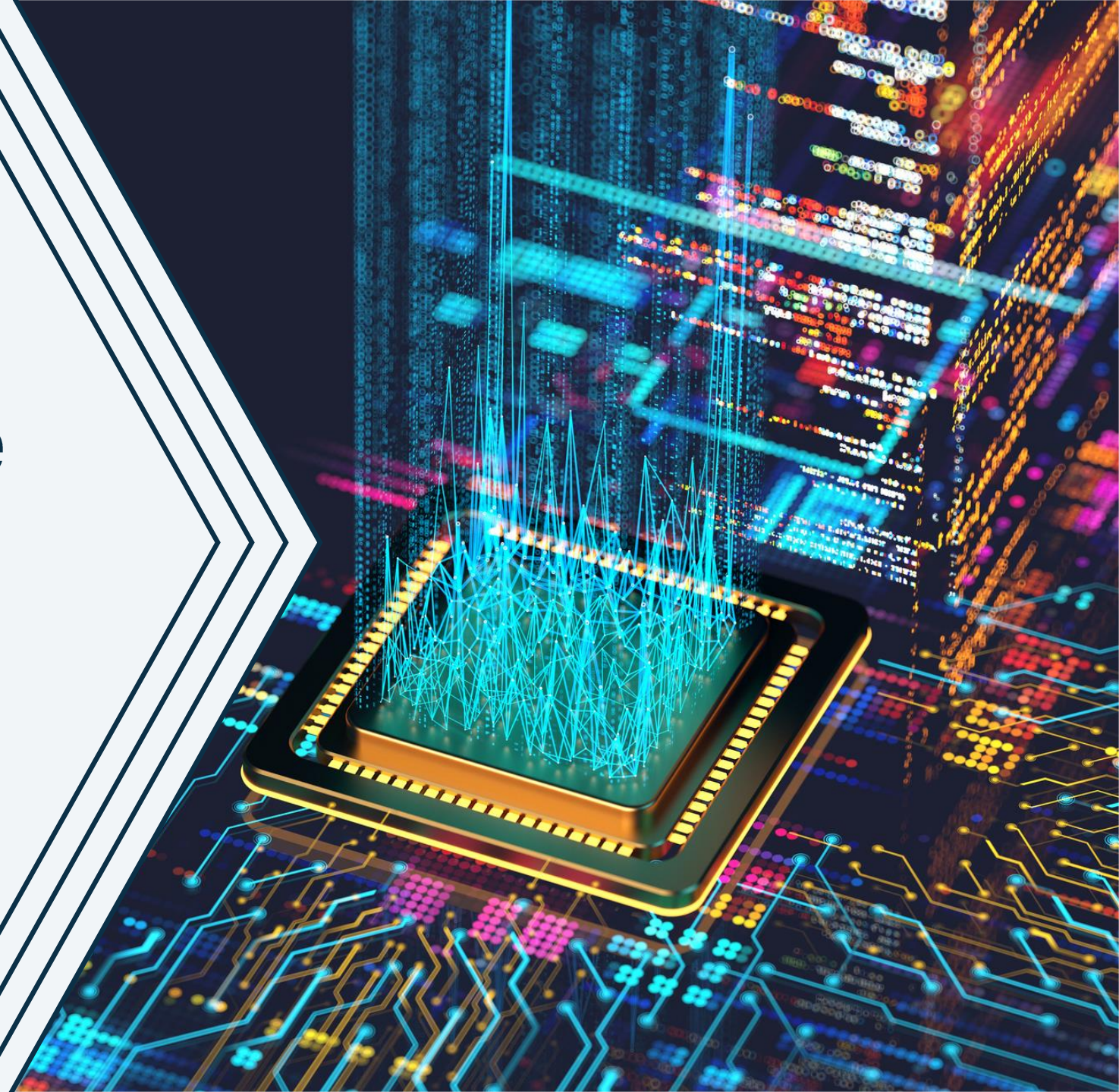
State of Enterprise Software

An Overview of Trends in the Venture-Backed Enterprise Software Sector

2025



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Rising AI Tide Lifts All Boats

> “The transformative power of GenAI looms over the enterprise software ecosystem, but the extent of its reach remains an open question. Trust, credibility and limiting bias are the keys to mass AI adoption.”

While disruption and change are constants of the innovation economy, true platform shifts come around only so often. Web adoption after the invention of the World Wide Web. Mobile following the release of the iPhone and Android. Cloud computing with the launch of AWS, Azure and Google Cloud.

Today, we stand on the precipice of a seismic shift that may well overshadow the impact of these technological leaps. The transformative power of GenAI looms over the enterprise software ecosystem, but the extent of its reach remains an open question. Trust, credibility and limiting bias are the keys to mass AI adoption.

Unsurprisingly, this emerging platform shift has created a frenzy of interest among investors. Roughly 40% of fundraising capital raised in 2024 came from funds that listed AI as a focus — up from just 10% in 2021. Meanwhile, AI companies commanded 45% of US venture capital (VC) investment in enterprise software startups — an increase from 9% as recently as 2022.

However, the bulk of this early investment has been directed toward capital-intensive hypergrowth and/or core AI businesses. More than three-quarters of capital invested into US AI startups came from rounds of $100M+.

What do these numbers mean on the ground? For startups that aren’t raising mega-rounds (or at least not yet), the landscape remains challenging: lower Series A graduation rates, a higher bar for raising VC rounds across life stages and a continued emphasis on unit economics and smart growth. These companies feel pressure to create efficiency and solve mission-critical problems for a customer base that is increasingly reassessing overall budget and slow-rolling procurement decisions in the face of ongoing tariff threats and macroeconomic uncertainty. The silver lining of this challenging landscape is that the companies carving out paths to raise capital and grow their businesses are remarkably resilient, with strong underlying metrics, enhanced product offerings addressing critical needs across the enterprise and established product-market fit.

Much like trying to forecast the future of the web in 1998 or mobile in 2007, we are aware that the AI-native landscape is still in its infancy, and we are only just beginning to grasp what it might look like. Looking across our portfolio, we are extremely encouraged by the long-term viability of the current cohort of growth-stage software startups. Given the level of innovation, we are confident that these new startups will be the market leaders of tomorrow.

Rob Helm
Senior Market Manager
Tech Banking
Silicon Valley Bank
rhelm@svb.com

Andrew McCarty
Senior Vice President
Tech Banking
Silicon Valley Bank
amccarty@svb.com

Perspectives on the Enterprise Software Market

AI's Undeniable Potential

"Pinegrove's broad reach across the fund and startup ecosystem gives us a unique lens into this pivotal moment for AI. On one end, our managers are energized by AI's potential to drive breakout opportunities — from life sciences to financial services — by augmenting human capability through intelligent agents that free teams to focus on higher-value work. On the other, there's caution around inflated valuations and echoes of past hype cycles. Still, with AI-native companies reaching scale at unprecedented speed, the impact feels both undeniable and enduring."

PINEGROVE | **Dave Mullen**
Partner

It's All About Trust

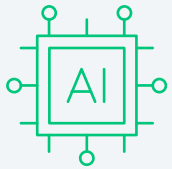
"Selling startup technologies to large enterprises is one of the toughest challenges because it's all about trust, confidence and credibility — which startups have to earn. The same applies to AI. Without explainability, human oversight and secure deployment, adoption stalls. Trust is the real barrier. The next wave of innovation won't be driven by smarter models alone, but by smarter, more trustworthy delivery."

aisquared | **Darren Kimura**
Chief Executive Officer

Four Themes To Watch in 2025

Macro:
Shifting Tides Could Alter the Enterprise Landscape

Ongoing tariff threats, market volatility and resulting macroeconomic uncertainty are changing the landscape for software startups. This disruption will unfortunately leave no corner of the economy untouched, and software startups will not be immune as customers tighten budgets and stretch procurement cycles. Balancing this, though, is the reality that the software space is more insulated from direct tariff impacts than other industries, such as hardware-intensive industries tied to global supply chains. This environment also creates competitive opportunities for companies that can use their own resources more efficiently and demonstrate mission-critical value to customers.



Artificial Intelligence:
A Wave of Disruption Worth Surfing

Much of the early excitement and capital has been directed toward large, name-brand, core AI businesses. However, AI company formation and disruption have permeated across all layers of the software stack, from the data layers and infrastructure, to the application layer, to the cybersecurity solutions seeking to secure organizations against evolving threats and attack surfaces. AI already accounts for 35% of all US VC deal count activity. We expect this number to only grow and likely blur as AI becomes more ubiquitous. Think, for instance, of the evolution of mobile. Today, we don't draw distinctions between software companies with and without a mobile component. In the future, AI, like mobile, will be table stakes.

Capital:
The AI-Driven Reset: Navigating the Next Era

While fundraising is normalizing to pre-pandemic levels, however, beneath the surface there is increased concentration of capital. At the same time, LP dollars are shifting toward funds focused on AI. Liquidity constraints also have LPs concentrating capital with established GPs that have proven track records. There's broad recognition that AI is the next major technology wave — following Web 2.0, mobile and cloud computing — where venture historically generated outsized returns. As the pendulum swings in investors' favor, GPs are selectively investing in the best of breed. This is leading to historically low Series A graduation rates and deal activity concentrated in AI-first companies showing product market fit.

Exits:
Recycling of Capital Will Be Crucial To Fund Next Cycle

Exits — and the liquidity they generate for founders, employees and investors — have been the missing ingredient in recent years. The IPO market remains sluggish today due to market uncertainty, with only a few standout deals. However, M&A is gaining momentum. Cash runway has returned to pre-pandemic levels, and over half of US enterprise software startups are expected to raise capital in the next year. With investors being selective and a closed IPO window, startups may need to explore alternative financing or exit options. Larger corporates with significant cash reserves are expected to invest in strategic technologies like AI, potentially driving further acquisitions. A recovery in exits is essential to reinvigorate venture returns and fuel the next cycle of innovation.

Macro

AI Resiliency Despite Macro Headwinds

This year has brought its own share of chaos — heightened geopolitical tensions, interest rate uncertainty and public market volatility. Wading against the macro current is AI. A recent SVB poll of CFOs of VC-backed tech companies found that enterprise software startups ranked AI adoption as their top concern. This isn't to minimize other challenges such as a potential trade war, which could have knock-on effects ranging from reduced software spend to compressed margins. Rather, it highlights that despite a number of possible challenges, one thing is certain: *AI is the top priority*. "What was done with cloud computing was amazing. But, at its core, that shift was about digitizing infrastructure. GenAI is digitizing intelligence, which is a paradigm shift more similar to the adoption of electricity or the internet," notes Darren Kimura, CEO of AI Squared.

This innovation, however, doesn't come cheap. Most new large language model (LLM) costs millions of dollars to develop, and foundational AI companies are churning out several per year. The metric that may best capture this activity is NVIDIA's revenue. The AI chipmaker has cornered the market on semiconductors needed to train new models, and its sales are rising in proportion to public adoption of AI. Companies materially leveraging AI (i.e., AI-exposed) are seeing a boost not only in revenue, but in popular operational metrics such as revenue per employee (RPE). While efficiency metrics such as RPE are trending favorably, overall burn remains heavy for AI companies.

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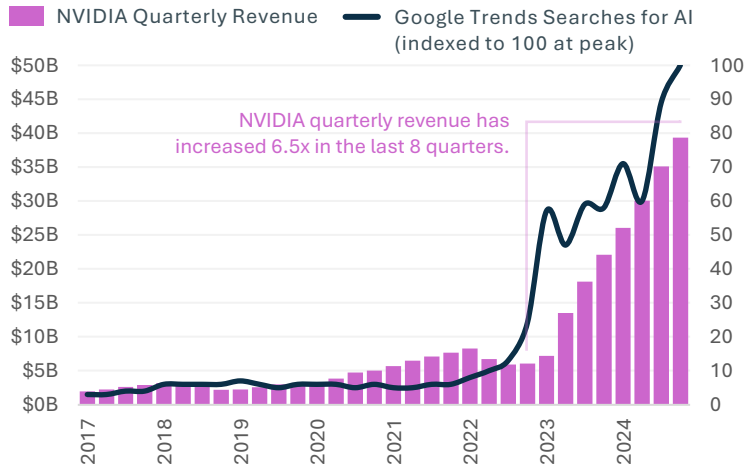
Macro Concerns Diverge by Sector

Ranking Macro Challenges by Tech Sector[1]

	Enterprise Software	Consumer Internet	Fintech	Frontier Tech
AI Adoption	1	3	2	5
Inflation/Rates	2	1	1	2 (Tie)
Regulation	3	2	3	6
Labor Markets	4	5	4	4
Geopolitics	5	6 (Tie)	5	7
Supply Chain	6	6 (Tie)	7	1
Tariffs and Trade	7	4	6	2 (Tie)

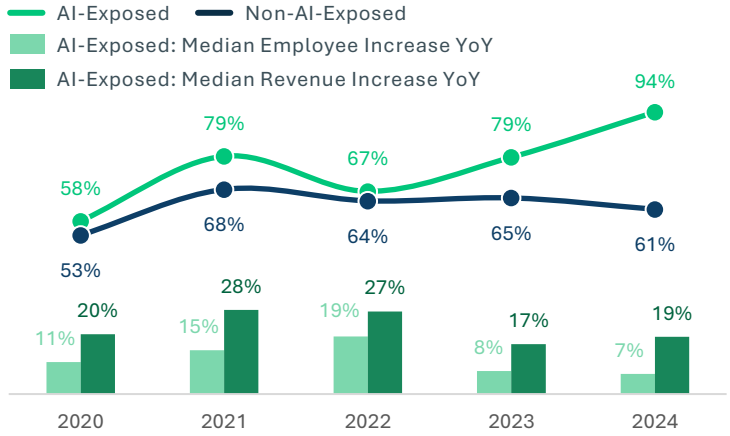
NVIDIA's Revenue Rocket Ship

NVIDIA's Quarterly Revenue and Google Searches for "AI"[2]



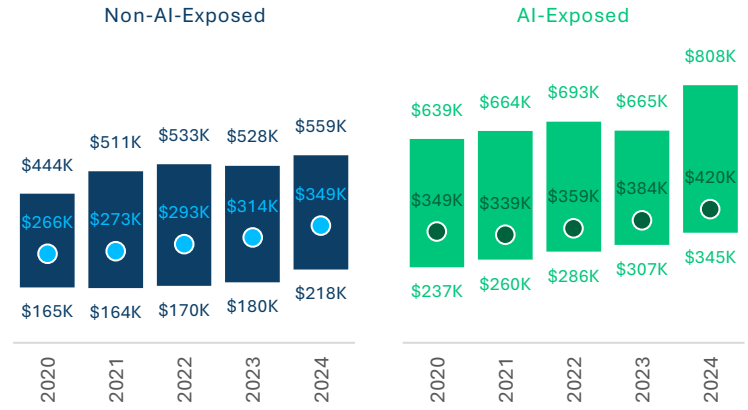
RPE Improving for AI-Exposed Companies

Share of Companies With Increasing RPE by Year and Median Increase in FTE and Revenue YoY[3,4,5]



RPE Higher for AI-Exposed Companies

Median and Middle 50% for RPE by Year[3,4,5]



Notes: 1) The 8th category was "Other." Findings based on a survey from the SVB Advantage CFO report of more than 200 finance leaders across the innovation economy, conducted in February 2025. 2) Google Trends searches as of 3/31/2025. 3) Based on total revenues and full-time employees (FTE). 4) AI-exposed companies determined using SVB methodology. 5) Data for US companies listed on major US exchanges.

Source: Google Trends, S&P Capital IQ, SVB Advantage CFO Survey 2025 and SVB analysis.

Fundraising and Investment

Fundr(AI)sing in Tougher Times

Funds caught in between established and emerging managers better knock on wood because they're slowly being hollowed out. Since 2020, there has been a clear bifurcation in the market, where the biggest funds focus on making large investments and, in some cases, nearly "index" the venture market. On the other hand, small funds carve out niches, targeting specific founders, technologies, stages or geographies. The strength of both ends of the spectrum is marginalizing mid-sized funds.

This leaves mid-sized funds in a precarious position. Their role is less clear. Most are neither behemoths able to compete in mega-deals nor niche funds in hyper-specialized markets. This could lead to consolidation and a less competitive market, with capital and talent increasingly concentrated among a few top firms.

One area that most funds, large and small, have been focusing on is AI. More than 15% of US VC funds list AI as a focus — twice the amount it was just five years ago. While this may not seem impressive, this subset accounts for ~40% of total capital raised from US VC funds in 2024. Those with an AI tilt also close above their initial target size ~3x as often as funds that don't list AI as a target. These funds are also closing ~17% above target. Put all together, this reflects not only the investor enthusiasm around the space, but also the funds required to properly deploy into capital-intensive hypergrowth AI startups.

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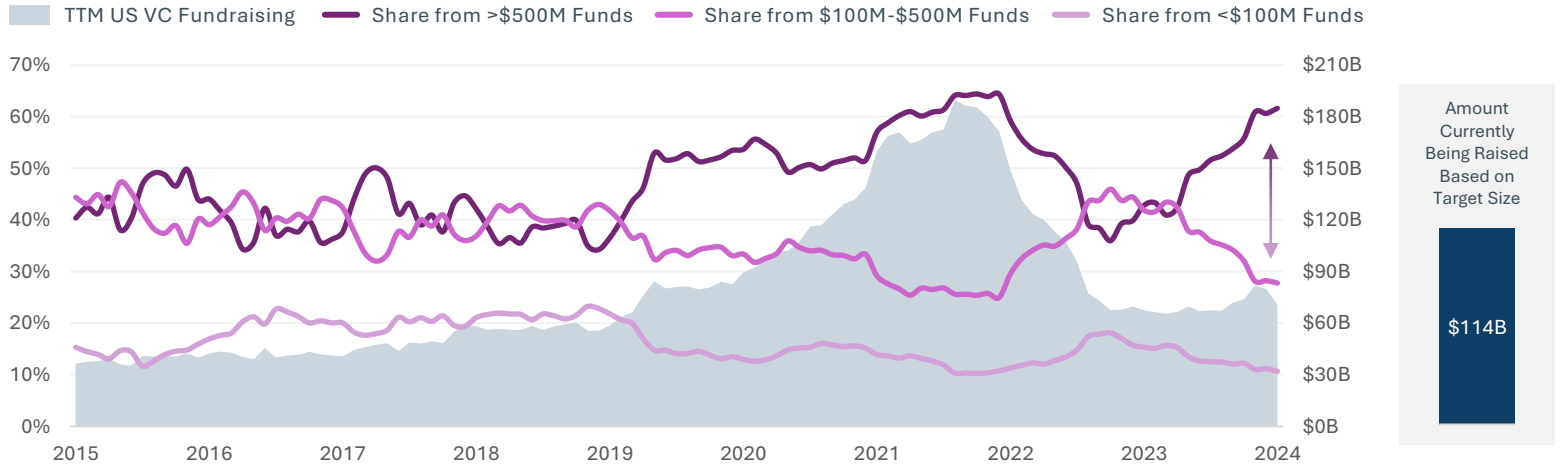
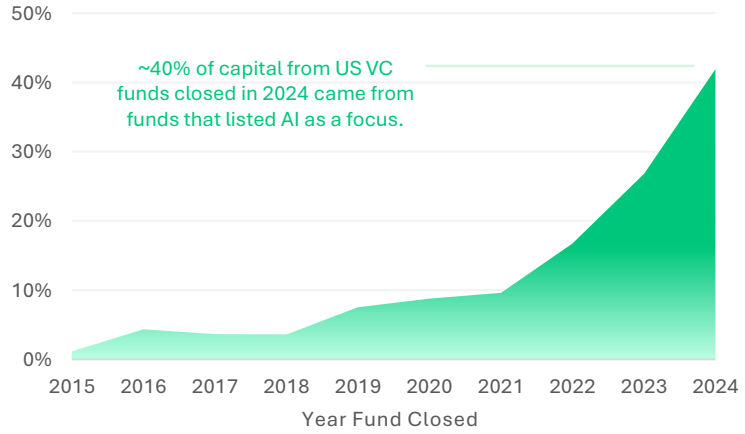
Fundraising Down to Pre-Pandemic Levels as Middle Gets Hollowed Out

Trailing Twelve Months (TTM) US VC Fundraising and Share of Capital Raised by Select Fund Sizes[1]



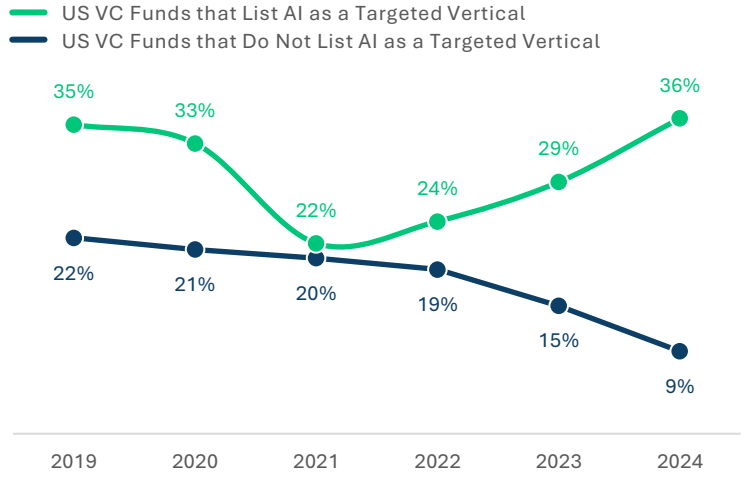
Funds Targeting AI at an Increasing Clip

Share of Capital from Closed US VC Funds That List AI as a Targeted Vertical[2]



Funds Focusing on AI Draw More Capital

Share of Funds Above Initial Target for Closed US VC Funds[3]



Notes:1) Based on fund manager location. For closed US VC funds only, based on Preqin definitions. 2) Based on funds that list artificial intelligence as a targeted vertical. Funds may have multiple targeted verticals. 3) Based on final close size and initial fund target size.
Source: Preqin and SVB analysis.

All Aboard! Investors Swim Towards AI

Contrary to what many expected, venture investment is on the upswing and back to 2022 levels. While US VC deal activity fell 8% in 2024, US VC investment totaled $214B — a 30% YoY increase and the third-highest annual total on record. The recovery marks an about-face for the venture ecosystem. Last year started at a low point, after eight straight quarterly declines in annual VC investment, and ended on a hot streak with three quarterly increases.

This seems to have only continued in 2025 with mega-deals (defined here as $100M+ rounds) back in full force. Through Q1, there have been 107 mega-deals — the most since Q2 2022. Leading the charge were multibillion-dollar raises from AI bellwethers such as OpenAI and Anthropic. In fact, while AI has only accounted for 6% of all mega-deals this year, the dollars from those deals represented ~50% of the capital raised in mega-deals.

Exclude AI investment and the story changes. There is no meaningful investment uptick for companies not leveraging AI, with investment for this group essentially flat for the last year. While the growing concentration in specific subsectors and deal sizes may scream "bubble" to some, history shows that you cannot tell the story of venture investment without acknowledging the innovation wave that lifts the larger VC boat. Don't fear the wave — hop on board and ride it.

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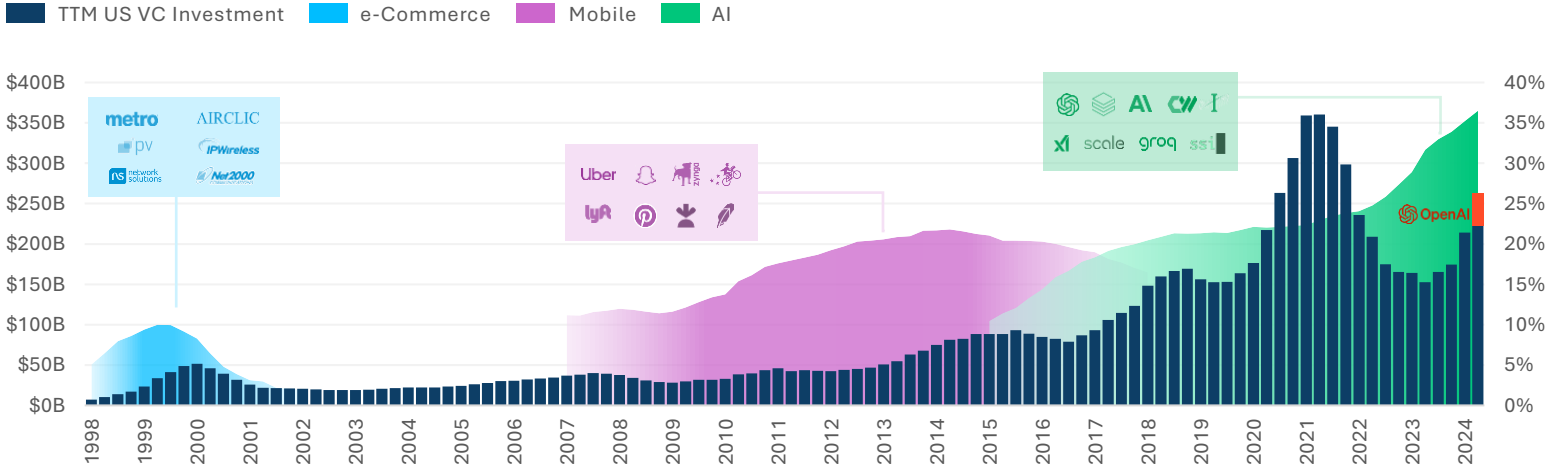
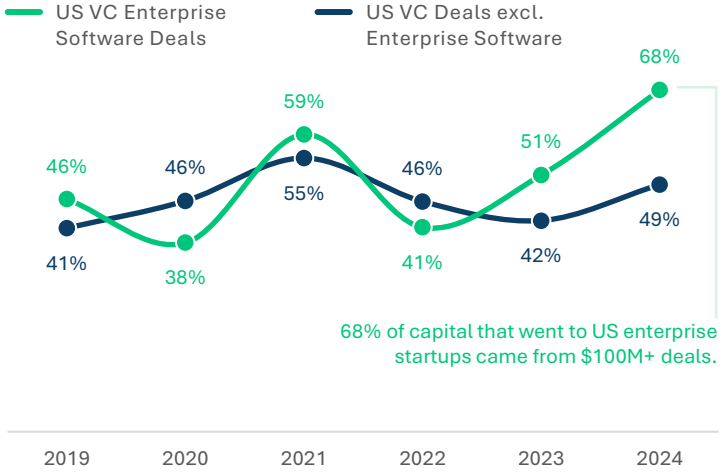
US Venture Investment Being Carried by AI Optimism

TTM of US VC Investment and Share of US VC Deal Count from Selected Technologies[1,2]



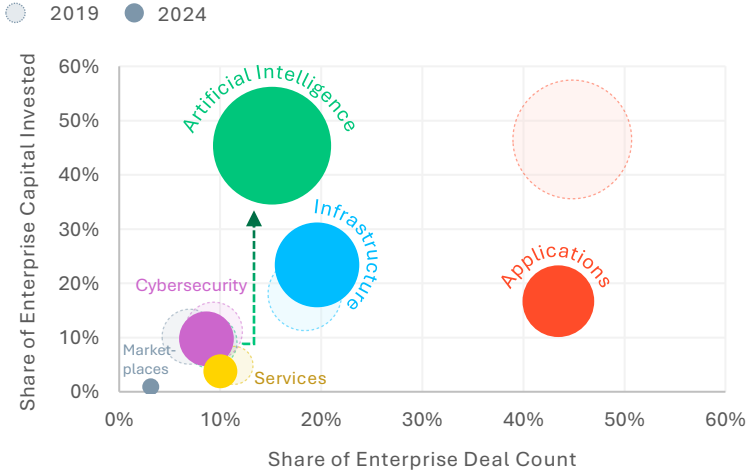
Mega-Deals Moving the Venture Needle

Share of Capital Invested from $100M+ US VC Deals[3]



AI Takes Lion's Share of Enterprise Deals

Share of US VC Enterprise Deals by Subsector[3]



Notes: 1) VC investment includes early-stage, late-stage, seed, Series A+ and corporate deals with a series attached to the deal. 2) Selected technology verticals determined using PitchBook Data, Inc.'s taxonomy. 3) Based on SVB proprietary taxonomy.

Source: PitchBook Data, Inc., SVB proprietary taxonomy and SVB analysis.

Series A Bottleneck Hits Enterprise

The Series A crunch is well-documented. And while enterprise software might be a more desirable place to invest, the sector is not immune and is taking its medicine. Graduation rates have continued to trickle down across enterprise subsectors, due in part to seed extensions becoming more common as well as significant growth in the amount of capital raised at a seed round. For instance, seed extension rounds accounted for 28% of all US VC enterprise software seed deals in 2024. Meanwhile, the median amount raised in an initial seed round for enterprise startups is $2.8M — 34% higher than the median in 2021.

With more capital (and higher valuations) comes loftier expectations. This, in part, has raised the bar for Series A benchmarks expected of enterprise software seed cohorts. Take, for example, the bottom quartile for revenue at time of Series A financing in 2024 ($1.3M), which was the median revenue at time of Series A financing in 2021.

Looking forward, until the seed cohorts get digested (i.e., raise, fail or exit), graduation rates are likely to remain muted. Couple this with potential ongoing market uncertainty, and we may see a "flight to quality" where investors continue to be extremely selective in their capital deployment — potentially making it even harder to raise the next round. Those left in the dust will need to seek an exit. More on that later.

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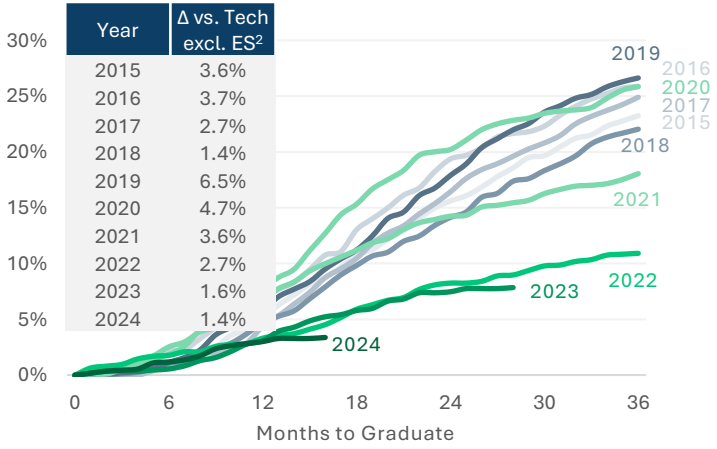
Series A Graduation Rates Fall

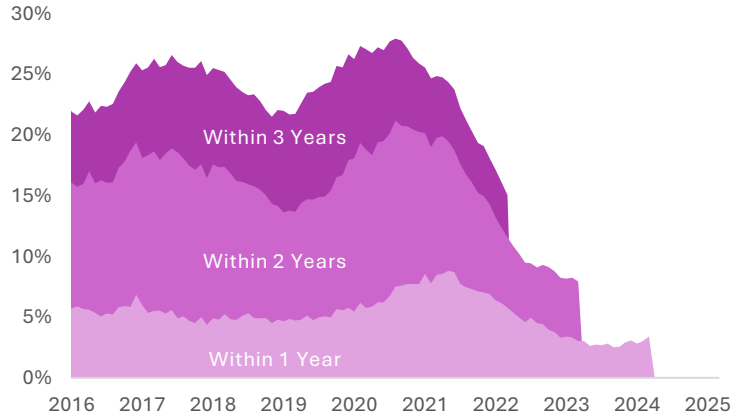
US Enterprise Software Graduation Rates from Seed to Series A[1]

Year	Δ vs. Tech excl. ES[2]
2015	3.6%
2016	3.7%
2017	2.7%
2018	1.4%
2019	6.5%
2020	4.7%
2021	3.6%
2022	2.7%
2023	1.6%
2024	1.4%



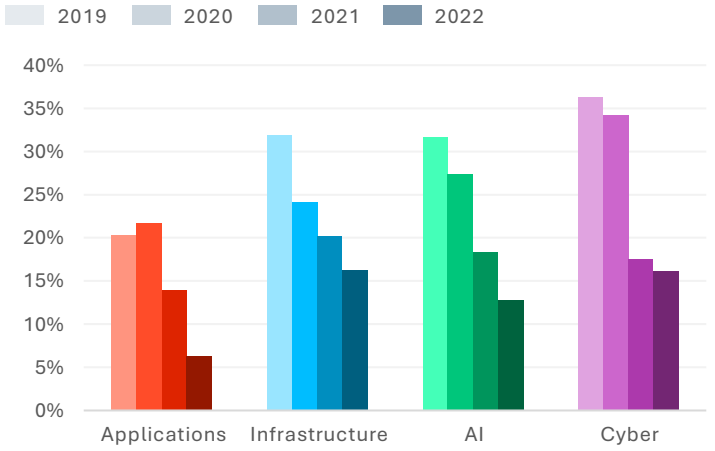
Startups Taking Longer To Graduate

US Enterprise Software TTM Graduation Rate from Seed to Series A Within Selected Timeframes[1]



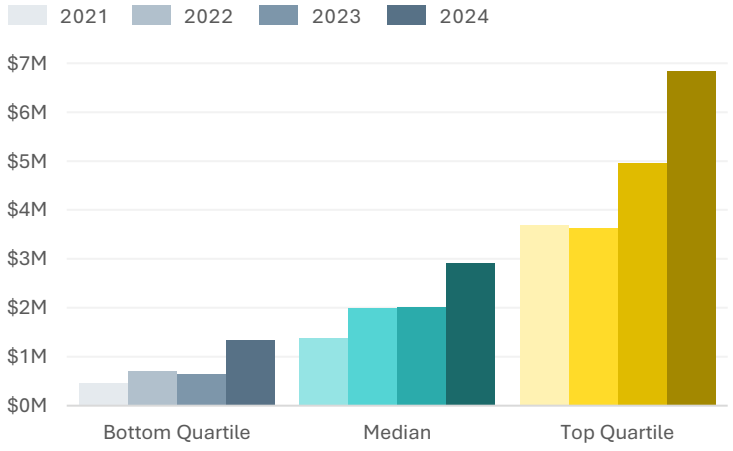
Subsectors Not Immune to Broader Trend

Seed to Series A Graduation Rates Within 2.5 Years by Enterprise Software Subsector[1]



Series A Revenue Threshold Increases

Series A Revenue Level at Financing for US Enterprise Software by Quartile[1,3]



Notes: 1) Sector and subsectors determined using SVB proprietary taxonomy. 2) Delta symbolizes "change." Tech includes all other tech sectors as defined by SVB proprietary taxonomy excluding Enterprise Software. 3) Revenue at Series A excludes extension rounds.
Source: PitchBook Data, Inc., SVB proprietary data and SVB analysis.

Enterprise Unicorns Hold Their Horses

The herd of US VC-backed enterprise software unicorns continues to grow, albeit at a slower pace relative to previous years. The current cohort accounts for 40% of all US VC-backed unicorns by count (in line with historical norms) and aggregate valuation (nearly 2.5x the share a decade ago). Where recent cohorts separate themselves is their speed in achieving unicorn status. For the 2024 cohort, the median time to reach unicorn status from a company's founding year was 3.6 years — a year quicker than consumer and frontier startups, and 2.5 years quicker than fintechs. To no surprise, within enterprise software, AI startups continue to stand out. Since 2021, on a median basis, AI companies have achieved unicorn status in ~4.5 years, which is much quicker compared to applications and infrastructure (8 years), and cybersecurity (6 years) startups.

While new unicorn creation has been impressive in recent years, unicorn exits are a different story. The enterprise unicorn herd stands above 300, with few exiting, closing their doors or taking a down round below a $1B post-money valuation. This has pushed the distribution to skew older, with the median age standing at 11.5 years. With the growth of the herd, so too comes growing demand for liquidity. But with the IPO window effectively shut, and large scale M&A being tougher to execute with the overhanging macro climate, many run the risk of ending up in no man's land. This is evident in the uptick in "Zombiecorns" — those with poor revenue growth and unit economics.

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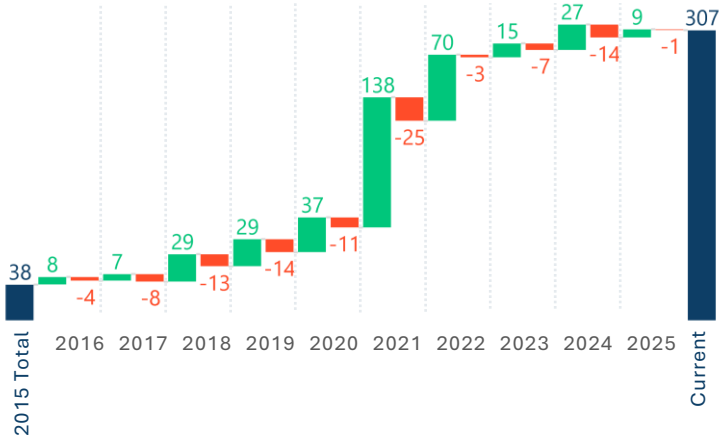
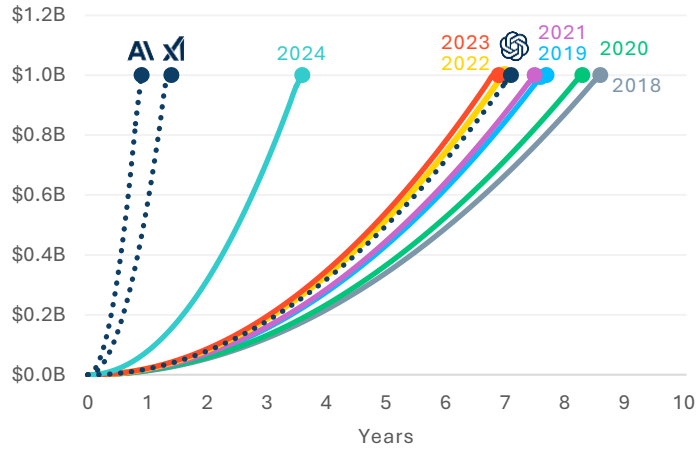
Overall Unicorn Creation Slows

Number of US Enterprise Software Unicorns Added and Removed by Year[1]



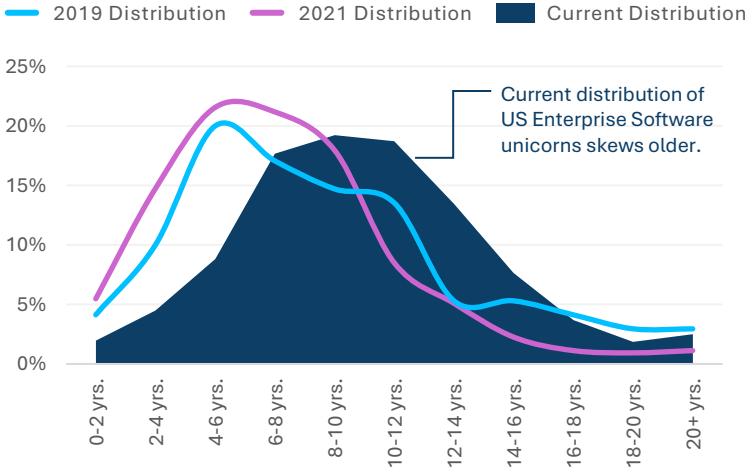
Time to Unicorn Accelerates

Median Time to Unicorn From Founding Year for US Enterprise Software Startups and Select Companies[1]



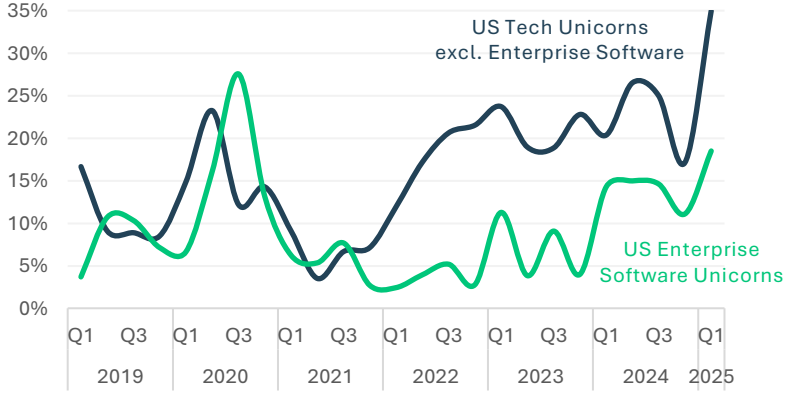
Unicorns Are Skewing Older

Current Age Distribution of US Enterprise Software Unicorns[1]



Unicorns Become Zombiecorns

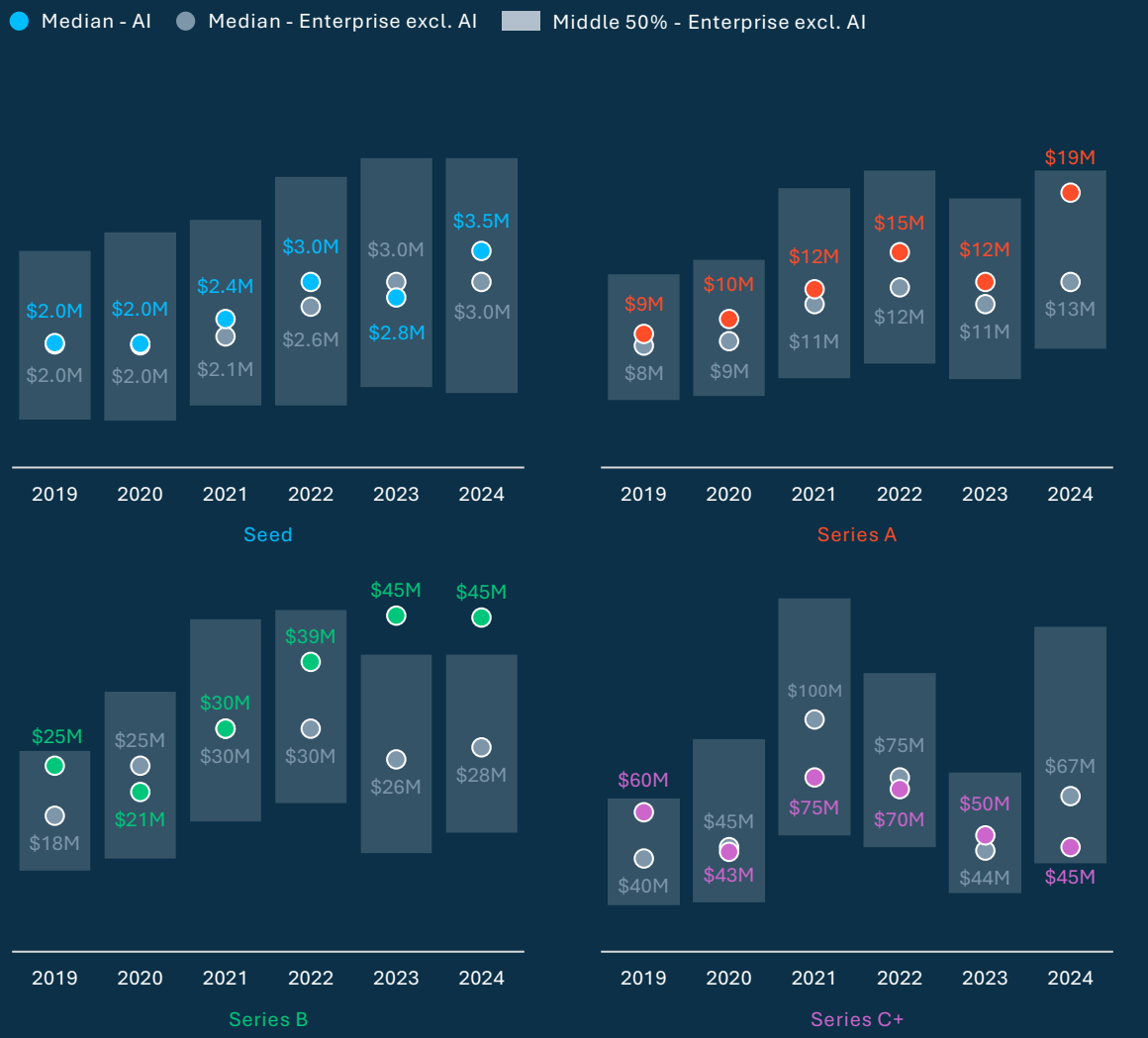
Share of US Enterprise Software Unicorns That Are Unprofitable and Have Declining Revenue YoY[1,2]



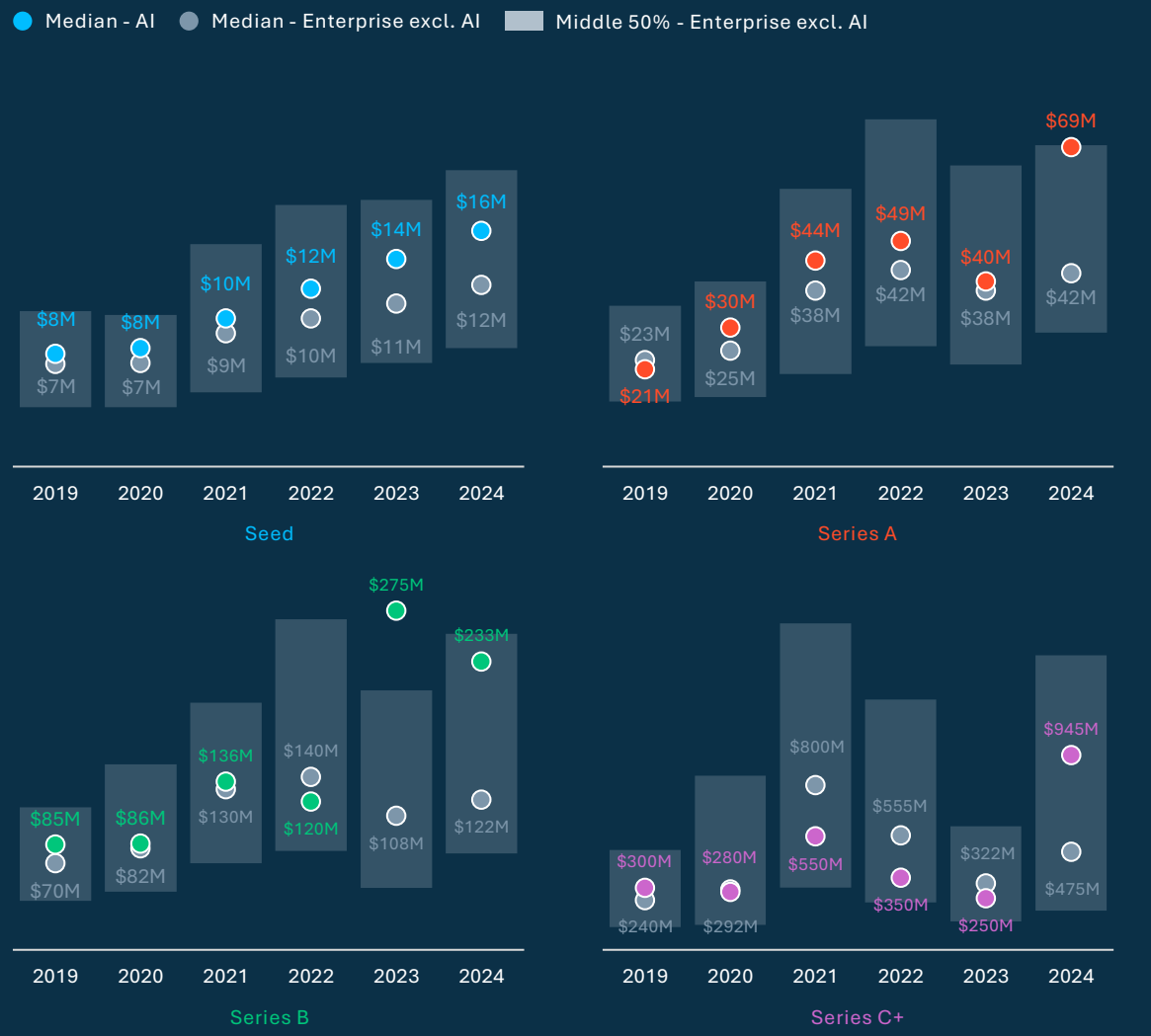
Notes: 1) Sector and subsectors determined using SVB proprietary taxonomy. 2) Based on annualized quarterly revenue and operating margins.
Source: PitchBook Data, Inc., SVB proprietary data and SVB analysis.

Enterprise VC: Deal Sizes and Pre-Money Valuations by Series

Capital Raised[1,2]



Pre-Money Valuations[1,2]



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Notes: 1) Series defined by PitchBook Data, Inc. 2) Enterprise Software and AI defined by SVB proprietary taxonomy.
Source: PitchBook Data, Inc. and SVB analysis.

Financials and Benchmarks

Managing Costs Remains the Focus

Cash remains king. In climates like today's, it cannot be understated how important burn and cash runway management is to a startup's success and longevity.

Across stages, on a median basis, smaller enterprise software startups are seeing runway trickle lower while later-stage companies are holding steady. This is likely due in part to earlier-stage startups having fewer levers to pull. The quickest way to extend runway is to cut costs and improve margins, which every single subsector and life stage accomplished last year. For earlier-stage startups, walking the tightrope of managing burn to extend runway — without compromising revenue growth through product development or go-to-market (GTM) strategies — remains a key challenge. Revenue growth is a critical metric for raising the next funding round. These challenges will only be exacerbated by subdued investment appetite, should investors continue to get more selective with deal flow and lack of exits slow the liquidity flywheel.

From a subsector standpoint, AI startups were the only cohort of startups to see their runway increase on a median basis. This is reflective of both the cash injections AI startups have received from investors looking to capitalize on the current opportunity as well as the boost in revenue that AI startups have experienced from increased customer appetite and usage.

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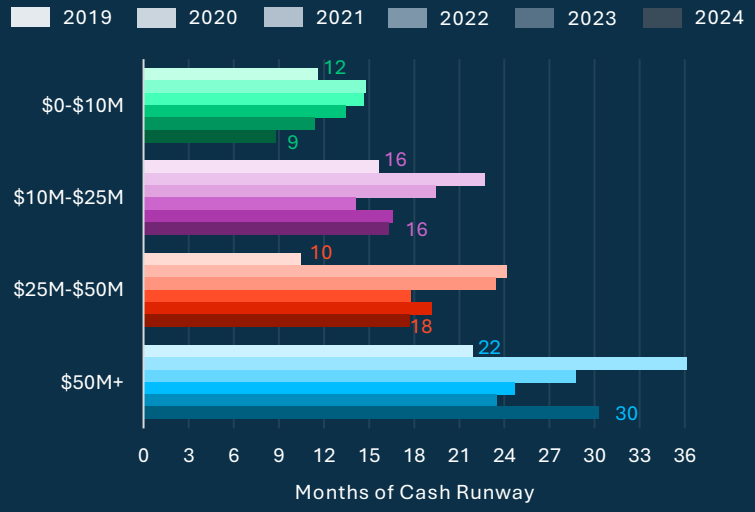
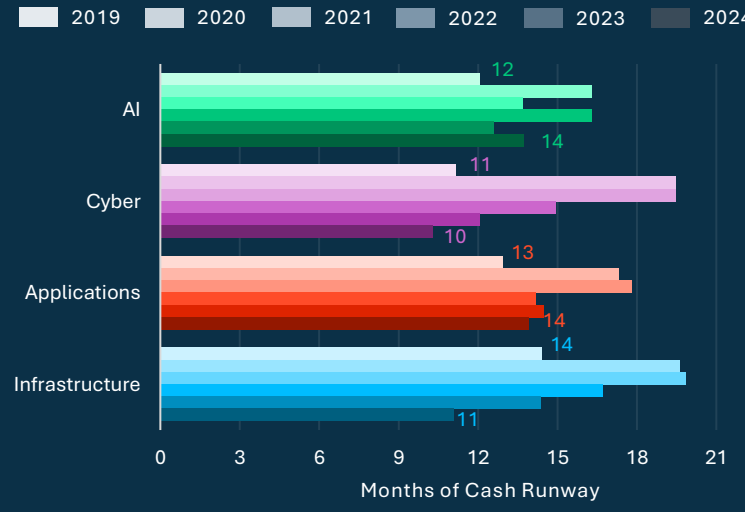
Late-Stage Sees Runway Jump

Median Cash Runway for US Enterprise Software by Revenue[1,2]



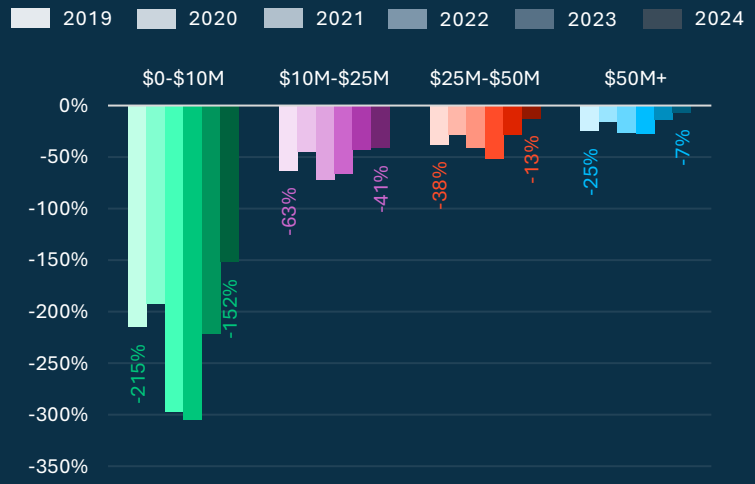
AI Is the Only Industry To See Runway Increase

Median Cash Runway for US Enterprise Software by Subsector[2,3]



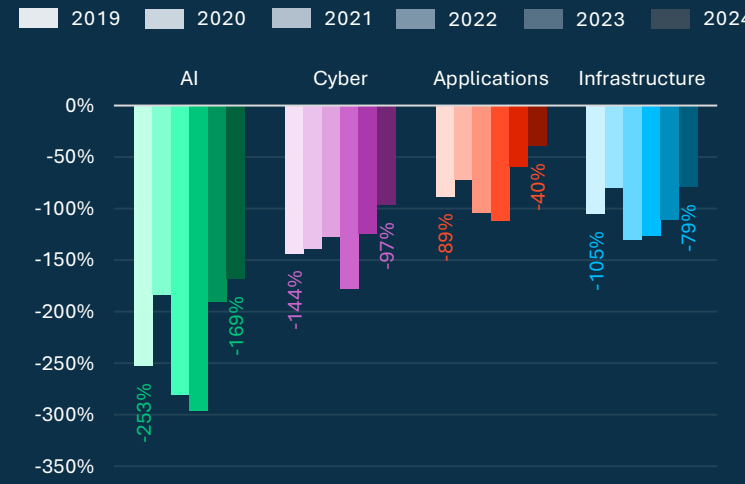
Startups Rein in Costs Across Life Stages

Median EBITDA Margin for US Enterprise Software by Revenue[1,4]



AI Burn Remains Elevated

Median EBITDA Margin for US Enterprise Software by Subsector[3,4]



Notes: 1) Revenue buckets based on latest annualized quarterly data. 2) Runway based on Q4 data of the respective year. 3) Subsectors based on SVB proprietary taxonomy. 4) EBITDA margin based on Q4 data of the respective year.
Source: SVB proprietary data and SVB analysis.

Revenue Growth Stalls for Most

Revenue growth is declining across life stages. As firms pull back on enterprise spending, startups are feeling the pinch. Balancing profitability and growth will be the key. For late-stage US enterprise software startups, this is often viewed through the Rule of 40.[1] This metric has continued to slide as growth rate declines have outpaced the progress in margins. The median Rule of 40 for US enterprise software startups with $50M+ in revenue was 9% in 2024, down from 21% in 2021. Additionally, the share of startups above the Rule of 40 threshold has fallen to 13%, down from 31% in 2021.

However, when it comes to attracting capital and investor interest, the best of breed will always find a way. Using a mix of proprietary data and qualitative analysis, we built a cohort of top-performing US enterprise software startups. These metrics give a glimpse under the hood of the fastest growing companies we work with. Notably, we have yet to see much substance to back up the "SaaS is dead" narrative. The vast majority has stuck with a SaaS model, though there's been a shift toward a core subscription offering with consumption features layered on. As AI Squared CEO Darren Kimura notes, "The principles behind SaaS still apply, but the dynamic is shifting toward value, which is driving the rise of consumption-based pricing. Enterprise software still demands security, scale and predictability, which supports a SaaS-like foundation. But beyond that, features should be priced based on the value they deliver. It's all about finding the right balance to meet evolving enterprise needs."

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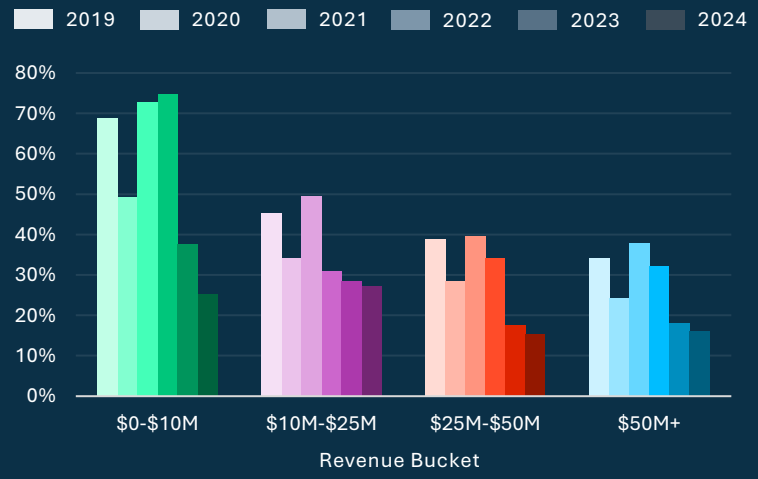
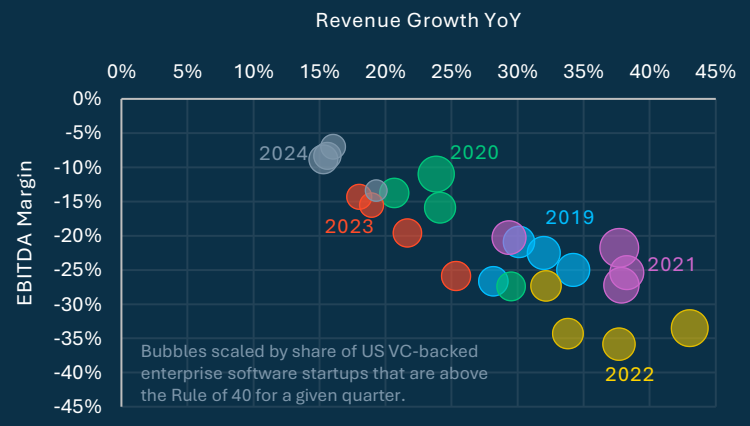
Revenue Growth Stalls in 2024

Median Revenue Growth for US Enterprise Software[2,3]



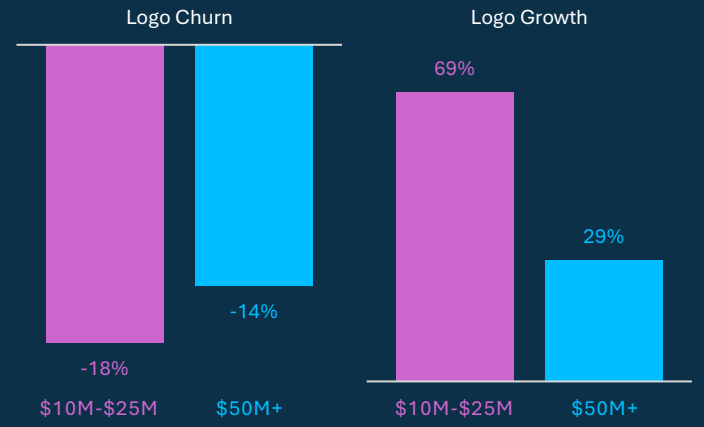
Rule of 40 on the Decline Since 2021

Median Rule of 40 for US Enterprise Software Startups with $50M+ Revenue[3]



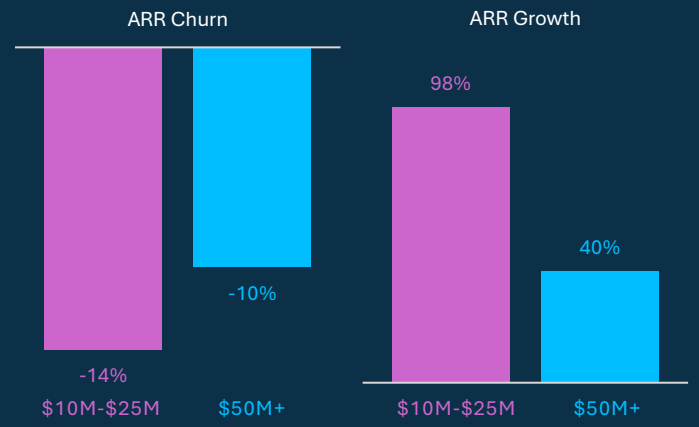
The Best of Breed Keep Adding Logos

Median YoY Increase in Total Logos by Stage for Select Higher-Performing US Enterprise Software Startups



ARR on the Rise for Top Enterprise Startups

Median YoY Increase in Total ARR by Stage for Select Higher-Performing US Enterprise Software Startups[4]



Notes: 1) The Rule of 40 is a commonly used financial metric for enterprise software companies that states the sum of the revenue growth rate and the profit margin should be 40% or higher. 2) Revenue buckets based on latest annualized quarterly data. 3) Revenue growth and EBITDA margins based on annualized Q4 data of the respective year. 4) Annual recurring revenue.

Source: SVB proprietary data and SVB analysis.

Spotlight: AI

Special Contribution from PÎNEGROVE

AI: Fast Growth, High Burn, Big Backers

Despite the decreasing cost of software and higher-efficiency scale for AI startups, capital requirements for AI may remain elevated due to high compute costs, expenses of attracting top-tier talent, and building proprietary infrastructure for training, fine-tuning and deploying models. When analyzing proprietary Pinegrove Venture Partners data, the average AI startup is scaling to $100M in ~2 years (for the 2022 cohort), which is nearly a quarter of the time from just a decade ago. However, the amount of capital to get there has kept up pace. The average AI startup is simultaneously burning through $100M in ~3 years (for the 2022 cohort), which is roughly half the time it took a decade ago. In that light, AI companies will maintain the need for massive capital investment from venture capital, private equity and corporate investors.

Insert the large multi-stage managers with built-up war chests. Large multi-stage managers may continue to capture increasing amounts of value accruing to AI startups with their ability to meet these funding needs, relative to smaller competitors in market. However, don't count out the competition and their ingenuity. Smaller venture funds are competing in AI by building deeper founder relationships and offering hands-on technical support. They often provide unique value like GPU access, infra credits or AI-specific GTM help. Many are deeply embedded in AI research or open-source communities, giving them early access to emerging talent. Some also differentiate through global sourcing, flexible check sizes and curated founder ecosystems.

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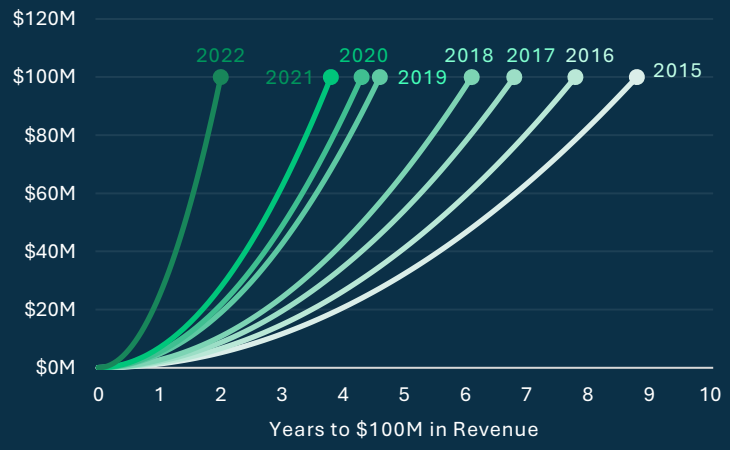
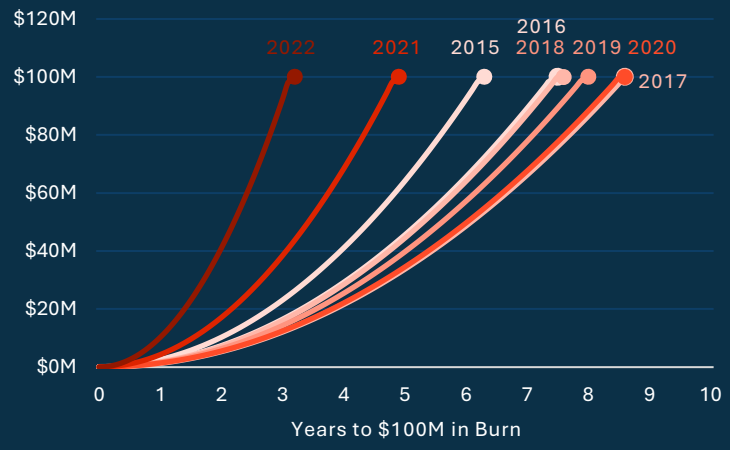
AI Enabling Rapid Scale

Average Time From Founding Year to $100M in Revenue for AI Companies



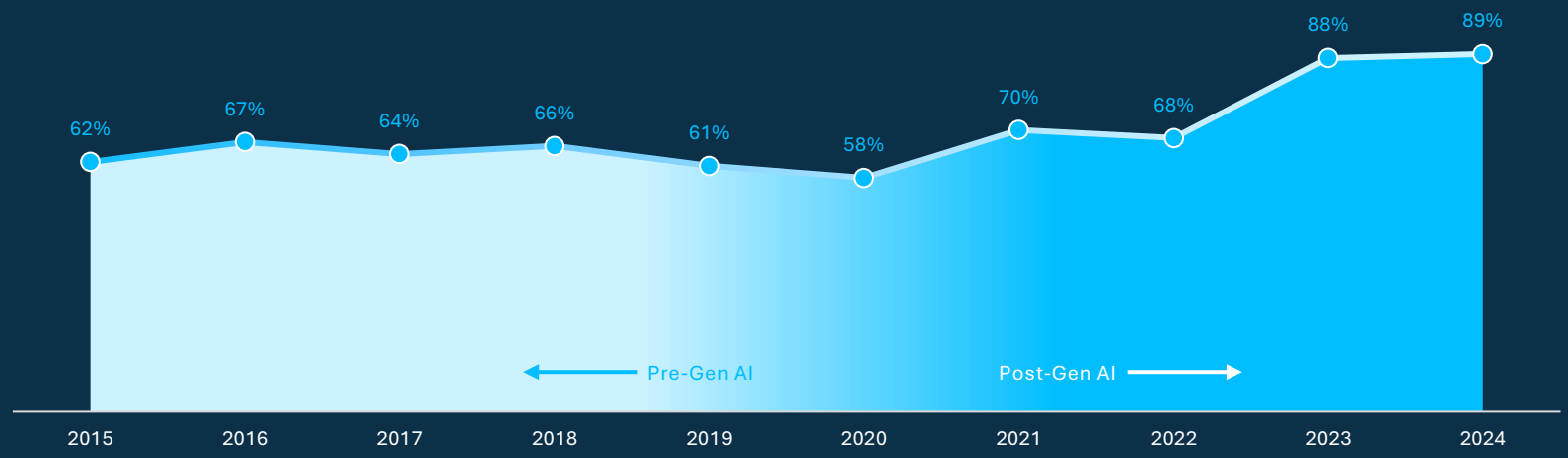
Burn Happening at an Increasing Clip

Average Time From Founding Year to $100M in Expenses for AI Companies



Large Multi-Stage Investors May Be Capturing an Increasing Amount of Value in AI

Aggregate Share of Value Captured by Large Multi-Stage Funds of AI[1]

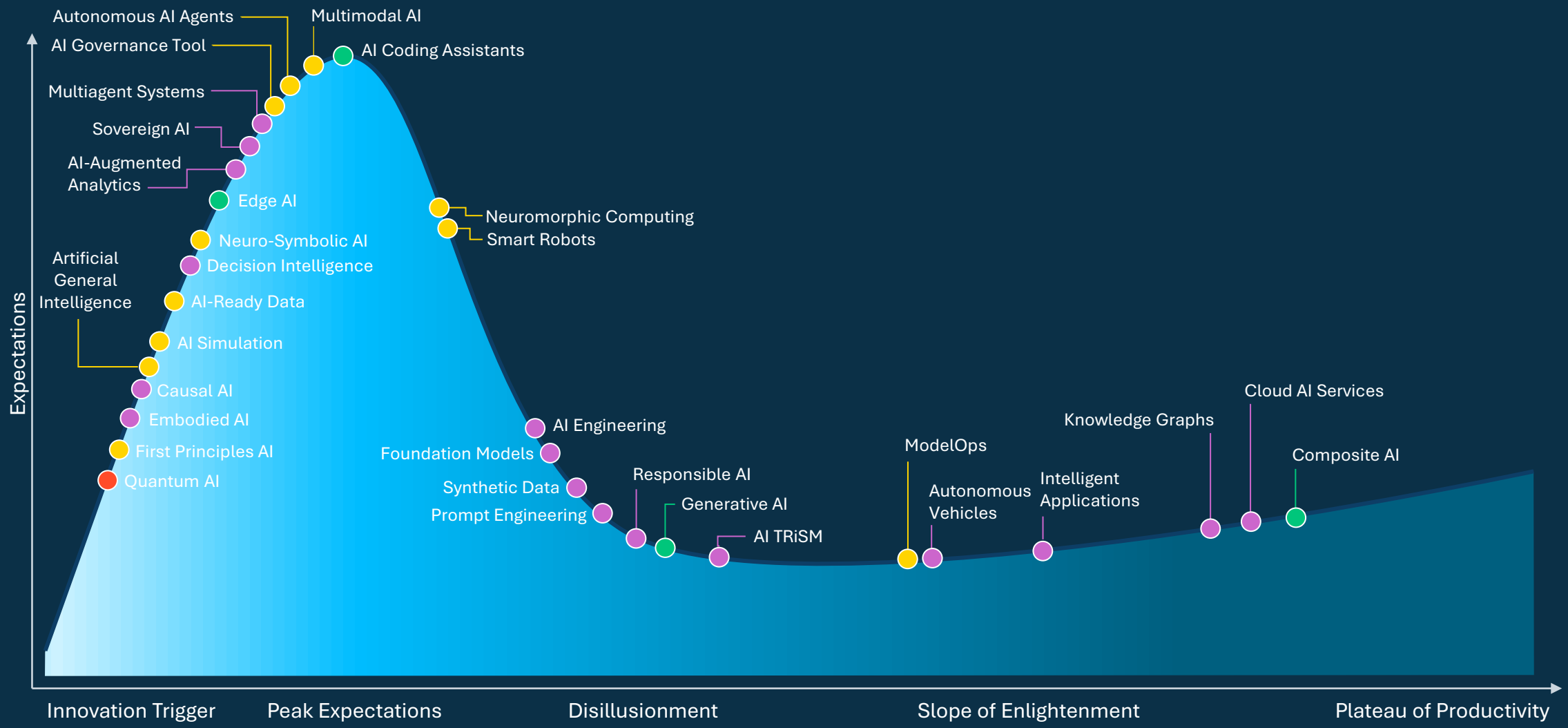


Notes: 1) Data tracks all venture deals for the years associated and measures the total value generated to date. Value is defined as the growth in post-money valuation minus the increase in capital raised. Large multi-stage investors are identified from a proprietary list of firms actively tracked by Pinegrove Venture Partners.

Source: Pinegrove Venture Partners proprietary data and SVB analysis.

The AI Hype Cycle: Future Opportunities

Plateau will be reached in: 0-2 years 2-5 years 5-10 years More than 10 years



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Source: Pinegrove Venture Partners analysis.

The Hurdles and Hopes in Tech

Most Important Challenges and Opportunities by Year Sized by Importance Score[1]

2021 2022 2023 2024

Using notes and materials from five years of manager conversations, we applied our proprietary AI systems to identify the most cited challenges and opportunities in AI by year. This analysis reflects recurring themes, ranked by importance and tracked over time to highlight how priorities have evolved.

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Notes: 1) Importance score determined using Pinegrove Venture Partners proprietary ranking system based on investment discussions.
Source: Pinegrove Venture Partners proprietary data.

Exits

IPOs Stall as Firms Press Pause

Heading into the year on the back of a successful public exit for ServiceTitan, most investors were optimistic about a prosperous IPO market in 2025. CoreWeave provided a glimmer of hope it would kick-start the market, but "Liberation Day" brought things to a screeching halt.

Arguably one of the biggest knock-on effects for the innovation economy of heightened trade tensions is the ongoing uncertainty limiting exit options. Potential acquirers are less likely to make large, transformational acquisitions with less clarity on how to value a business. Simultaneously, companies may be hesitant to exit amid the market volatility if they're not confident they'll receive a favorable public debut and valuation multiple. To the latter point, revenue multiples at IPO have already come down dramatically since the IPO boom when valuations were at their frothiest.

The IPO bar is higher today, and few enterprise software startups surpass it. Most are either too small, growing too slowly or don't have a clear path to profitability. Couple this with plenty of deployable late-stage capital for those in need that also meet the proper criteria, and there is less of a need to go public. Liquidity concerns are real for investors, though. However, until the IPO window thaws, look for secondary markets or M&A activity to provide some relief.

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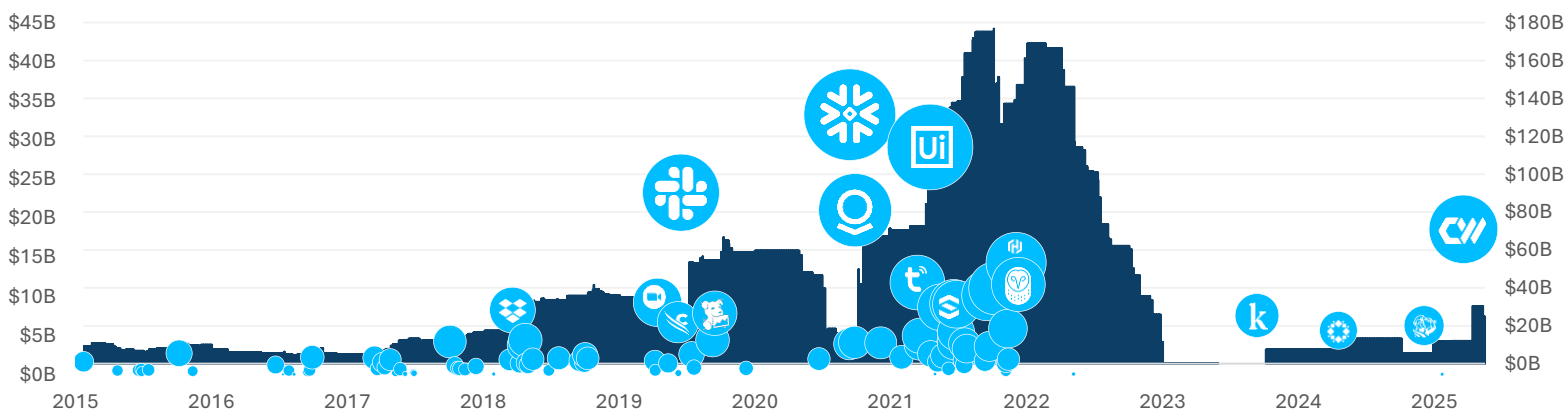
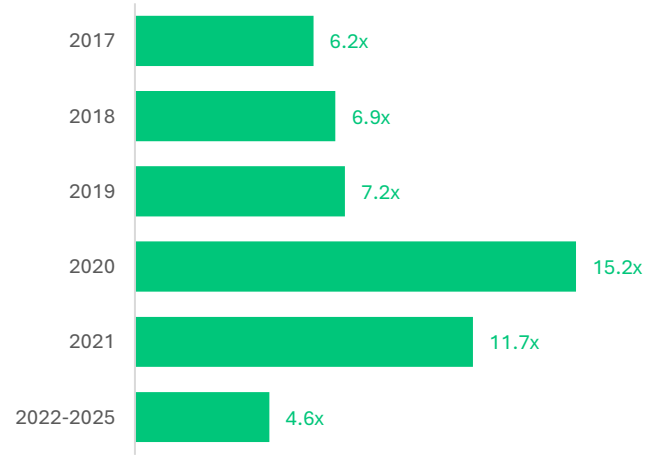
IPO Window Remains Closed, But When It Thaws It May Burst

IPO Valuation and TTM Value for US VC-Backed Enterprise Software IPOs[1,2]



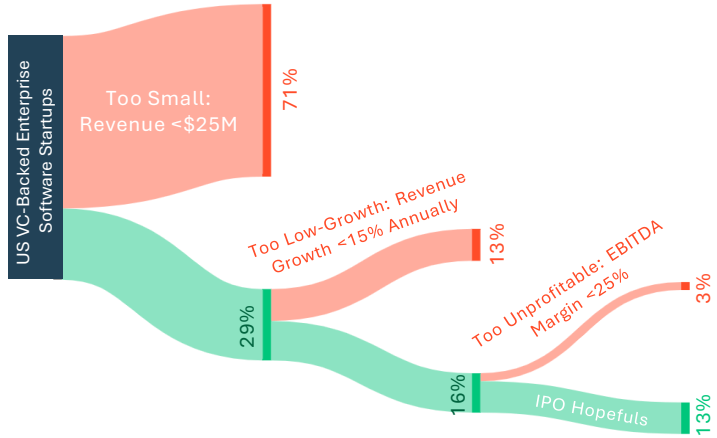
Under the Public Lights, Multiples Shrink

Median Revenue Multiple at IPO for US Enterprise Software IPOs[3]



IPO Hopefuls Few and Far Between

US Enterprise Software Cohort Breakdown by IPO Likelihood[4]



Notes: 1) Enterprise Software defined using SVB proprietary taxonomy. 2) Value defined as aggregate IPO post-valuation. 3) Revenue multiple determined using TTM revenue and the company's post-valuation at IPO. 4) Based on SVB's proprietary data.
Source: PitchBook Data, Inc., S&P Capital IQ, SVB proprietary data and SVB analysis.

Increased Appetite for Acquisitions

After constant gripes of M&A not holding up its end of the bargain, the tides are finally turning. Driving the enthusiasm was Google's $32B acquisition of Wiz — its largest deal ever. Not only did it provide much-needed liquidity, but it also potentially signaled where enterprise spend is headed — security and AI. While splashy deals grab headlines, most are happening at the early stage. Looking at M&A deal activity for US enterprise software startups, a growing share is exiting at the seed stage. This is a function of both larger strategics scooping up tech and talent early, as well as seed startups failing to meet the necessary benchmarks to raise a Series A.

More acquisitions may be on the way. Darren Kimura, CEO of AI Squared, who splits his time as an investor, highlighted that "There's a noticeable shift in mindset and a growing appetite for exit opportunities. In the past, many would have doubled down on growth. Today, if an M&A option looks reasonably attractive, teams are more willing to consider it, particularly if it means they can continue building technology that contributes to the rise of this AI revolution." The AI revolution has also paved the way for VC-led roll-ups, a PE-style play that allows AI-native startups to transform legacy businesses and services — driving growth and liquidity. Add in a sluggish IPO market, the need for nearly half of all US enterprise software startups to raise (or exit) in the next year and S&P 500 Tech cash at $604B,[1] and it's a recipe for more activity. The liquidity will be much needed to reinvigorate venture returns and jump-start funding for the next wave of startups.

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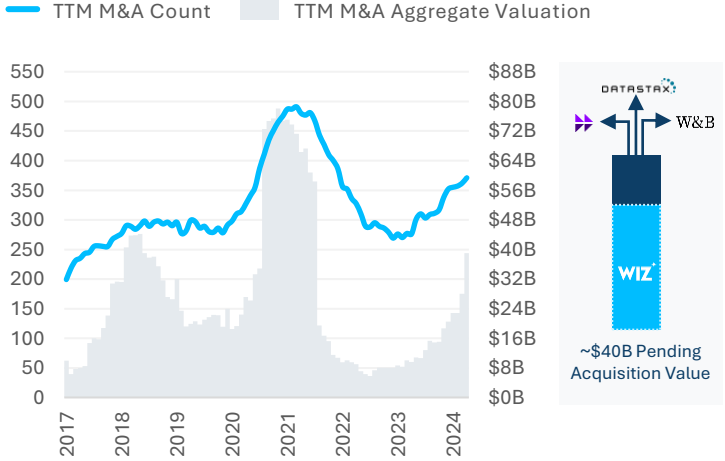
Enterprise Startups Start To Get Scooped Up

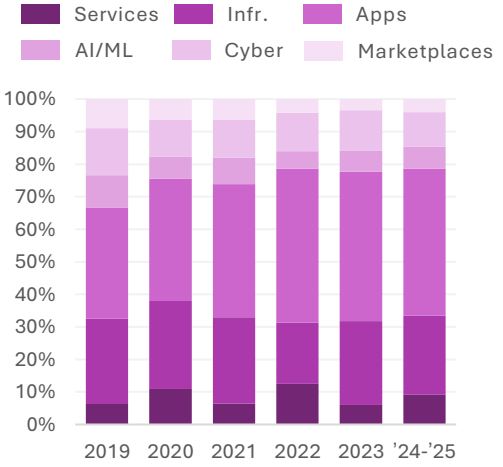
TTM M&A Count and Value of US Enterprise Software Startups[2,3]



Hot Subsectors and Most Acquisitive Firms

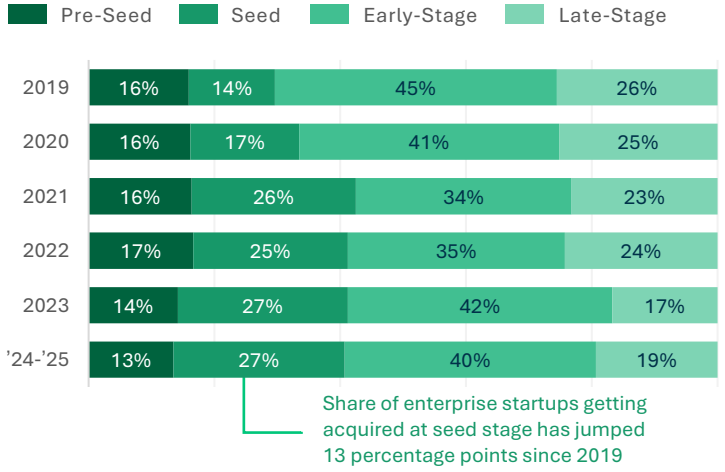
US Enterprise M&A by Subsector and Most Active Firms[2,4]

Most Active Acquirers of Enterprise Startups 2024-25	
Rank ↓	Company
1	NVIDIA
2	Cloudflare
3	IBM
4	Cisco
5	Salesforce
6	databricks
7	harness
8	snowflake
9	stripe
10	*Multiple Investors*



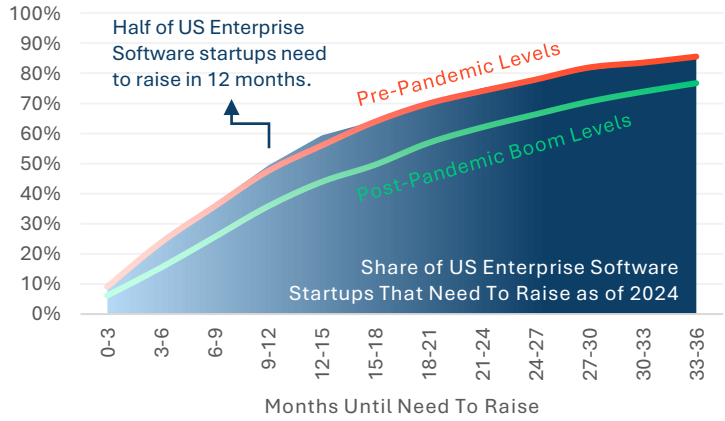
More Startups Exiting at the Seed Stage

Share of US Enterprise Startups Acquisitions by Stage[2,5]



Runway Back to Pre-Pandemic Levels

Share of US Enterprise Software Startups Needing To Raise by Timeframe[2,6]



Notes: 1) Data as of 3/31/2025. Tech defined by SVB. 2) Enterprise tagging based on SVB proprietary taxonomy. 3) Not all deals have disclosed valuations. 4) 2024-2025 includes data from 1/1/2024-4/30/2025. 5) Pre-seed includes accelerator/incubator and angel rounds. Early-stage includes Series A and B as well as early-stage as defined by PitchBook Data, Inc. Late-stage includes Series C+ as well as late-stage as defined by PitchBook Data, Inc. 6) Runway data as of latest available quarterly data.

Source: S&P Capital IQ, PitchBook Data, Inc., SVB proprietary data and SVB analysis.

Definitions

Sector

Enterprise Software: Software that is developed in order to satisfy the needs of businesses and organizations. Main subsectors include artificial intelligence, cybersecurity, enterprise applications and enterprise infrastructure.

Subsectors

Artificial Intelligence: Technology that enables machines to do tasks that would otherwise require human intervention. Includes core AI (i.e., foundational models), CyberAI, AI infrastructure and AI applications.

Cybersecurity: Technologies and services designed to protect networks, computers, applications and data from attack, damage or unauthorized access or attack. Includes network management software.

Enterprise Applications: Technologies that are built on top of the underlying infrastructure. Includes categories such as sales software, operations software, marketing software, HR tech, communication software, collaboration software and vertical specific softwa re.

Enterprise Infrastructure: The foundational framework that underpins the underlying technological platform. Includes categories such as business intelligence and analytics, developer tools, microservices and data infrastructure.

About the Authors

Lead Authors

Rob Helm
Senior Market Manager
Tech Banking
Silicon Valley Bank
rhelm@svb.com

Rob Helm is head of Consumer and Enterprise Relationship Management in Northern California. In this role for the SVB Commercial Bank, he oversees leadership, client relationships and strategy.

Andrew McCarty
Senior Vice President
Tech Banking
Silicon Valley Bank
amccarty@svb.com

Andrew McCarty is a Senior Vice President on SVB's NorCal Enterprise Software team. In this role, he advises startups and their founders on creative banking and financing solutions while leveraging SVB's network to maximize clients' probability of success.

Market Insights Authors

Andrew Pardo, CFA
Senior Analytics Researcher
SVB Market Insights
Silicon Valley Bank
apardo@svb.com

Andrew Pardo and the SVB Market Insights team leverage SVB's proprietary data, a deep bench of subject-matter experts, and relationships with world-class investors and founders to develop a holistic view of the innovation economy.

Contributors

Dave Mullen
Partner
Venture Capital
Pinegrove Venture Partners
dave@pinegrove.vc

Alexey Lagerberg
Senior Data Scientist
Venture Capital
Pinegrove Venture Partners
alexey@pinegrove.vc

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