2025

Venture Report

Elevate

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Introduction

Venture markets don't just turn on a dime. Given the cutting edge nature of the technology that we invest in, you'd think that these markets would be nimble, with a high degree of adaptability. The inconvenient truth? Venture markets are highly cyclical, the antithesis of the secular growth companies that we are so capitalistically attracted to. The underlying fundamental macro environment has its grip firmly on the gas pedal, and whether we like it or not, can throttle on/off as it pleases.

2024 was a year defined by this dynamic. On the surface, venture capital (VC) rebounded: Total deal value surged nearly 29%, and after years of stagnation, late-stage capital showed some signs of life. But the forces shaping the recovery were macro first, and venture second. On the former, there were challenges abound. Inflation remained sticky and treasury yields climbed. The Fed cut rates three times, yet the bond vigilantes refused to allow the long end of the curve to subdue its aggressive northeastern climb. This kept financial conditions tighter than many had hoped.

On the latter, AI remained the defining technology theme, both as a deflationary force and as the dominant investment thesis. It made some industries more efficient, compressing margins and shrinking TAMs for those selling into them, while also fueling a renewed gold rush in infrastructure, semiconductors, and model development. The divergence in AI's impact created a stark valuation split: Companies riding the AI wave commanded premiums, while those facing AI-driven disruption saw capital retreat. VC is supposed to be about finding the future, but in 2024, it became just as much about avoiding an abundant amount of obsolescence.

Exits remained a major bottleneck to progress in VC. While IPO volume tried to be en vogue again, it was still a fraction of what we witnessed during the Zero Interest Rate Period (ZIRP). Mergers and acquisitions (M&A), the backbone of venture liquidity, remained sluggish, thanks to regulatory overhang and a stubborn bid/ask spread gap that kept buyers and sellers at odds in the late-stage VC markets. With exit markets constrained, limited partners (LPs) saw depressed distributions, further weighing on fundraising and liquidity across the VC ecosystem.

As we enter 2025, the defining question isn't whether VC is recovering, but what type of recovery this will be. The easy money era is clearly over. As the Fed Funds Rate (FFR) has declined, the premium willing to be paid for organic growth has increased. However, it's different this time. Investors are demanding efficiency, durability and clear paths to profitability. AI will continue to act as both an accelerant and a disruptor. Funding will chase the biggest opportunities, but not all companies will be on the right side of the trend. Late-stage capital will return as rates decline, but not in the way we saw last cycle.

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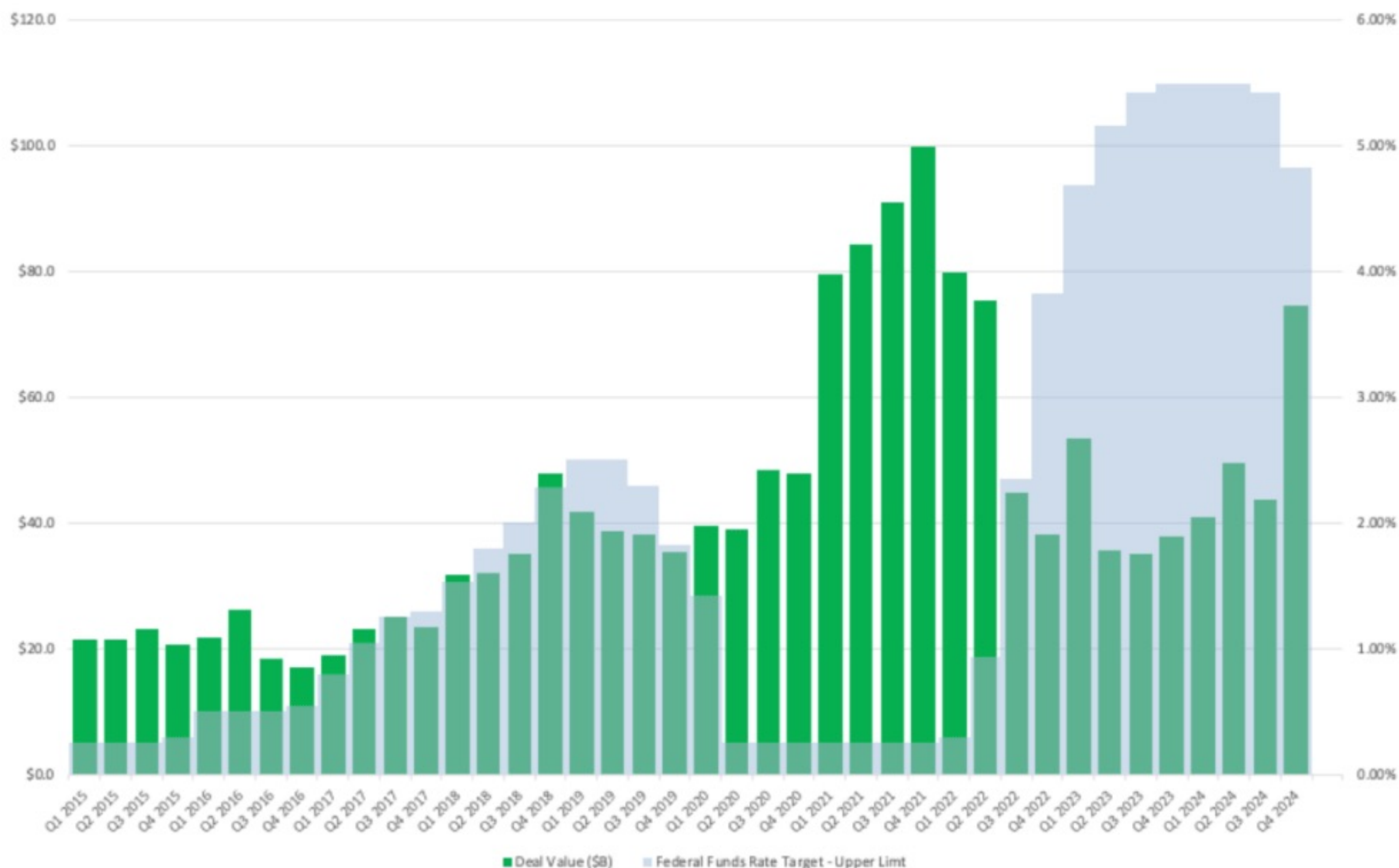
U.S. Venture Capital Deal Value vs. Fed Funds Rate



VC markets don't move in isolation. The macro backdrop dictates the terms. And in 2025, those terms are changing faster than we've ever seen before.

Join the journey with the Elevate Research Desk as we cover 2024 in review, and what 2025 may hold for VC. Enjoy!

-ERD Team

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2024 VC Market

A Recovery, but Not for Everyone

The venture capital market demonstrated a notable resurgence in 2024, with total deal value increasing by 28.9% to $209 billion, surpassing pre-pandemic levels. While deal volume also experienced growth, it expanded at a more modest rate of 3.7%, reaching 15,260 transactions. This trend highlights a key shift in the market: **Capital deployment is recovering, but it is increasingly concentrated in larger funding rounds.**

Valuations, particularly for AI companies, soared. The demand for AI infrastructure, foundation models, and enterprise automation meant startups in those categories were commanding massive multiples.

The numbers from Carta's 2024 State of Startups tell the story:

- Seed-stage pre-money valuations: **$12.5M** for non-AI startups vs **$17.9M** for AI startups, a **42% premium**.
- Series A pre-money valuations: **$40.0M** for non-AI startups vs **$51.9M** for AI startups, a **30% premium**.
- Series B pre-money valuations: **$95.0M** for non-AI startups vs **$143.0M** for AI startups, a **50% premium**.

In short, AI dictated the premium. If you weren't in AI, or at least convincingly AI-adjacent, you likely didn't see the same tailwinds.

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AI Reshapes the Venture Ecosystem

AI is no longer just an operational tool - it's a fundamental driver of innovation across companies being invested in. Startups are leveraging AI to scale faster, improve efficiency, and create new business models. In 2024, 37% of venture funding went to AI, which represented 17% of deals. This is up from 21% of total funding and 13% of total deal count in 2023.

The five largest deals of 2024 were all AI companies, underscoring the sector's dominance in venture funding. Databricks led the way with a $10 billion Series J in December, followed by OpenAI's $6.6 billion raise in October. xAI secured two massive rounds, a $6 billion Series B in May and another $6 billion Series C in November, while Anthropic closed a $4 billion round that same month. With most of these megadeals occurring in Q4, AI played a crucial role in revitalizing the global VC market, driving total global funding from $56.5 billion in Q3 **$86.2 billion in Q4 2024 alone!**

Early-stage AI investments dominated in 2024, making up three out of every four AI-related deals. Among U.S. startups, Series A AI companies raised $18.2 billion, while Series B AI companies secured $19.6 billion, both significantly outpacing the $8 billion raised by Series E AI companies. These stages are seen as a "safe haven" for investors, offering a longer runway to navigate the current market's limited exit opportunities.

Markets such as enterprise AI agents, generative AI for customer support, industrial humanoid robots, and autonomous driving systems saw the highest year-over-year deal growth in 2024, driven by advancements in AI integration. AI also fueled significant growth in industrial sectors, including water treatment systems and sustainable cement and concrete development. Deals involving AI-powered water treatment systems surged by 113%, while AI-driven sustainable cement deals increased by 44%.

AI has become the hottest table in the venture casino, drawing in investors by the herd with FOMO growing by the minute. Everyone wants a spot, hoping they've arrived just in time for the hottest roll we've seen since Web 2.0. But there's a lingering cloud hanging over the game. Like that jinx of a roller that takes a spot next to you, we find ourselves wondering: Did we already hit a 7 and just haven't realized it?

The COVID-era capital boom flooded startups with funding, and investors are still waiting to see if those bets will ever really pay off. Has the money already been wiped from the table, or is this just the next evolution of the game, where AI fuels a wave of innovation, with near term exits remaining cold for years to come?

With IPO windows still tight and M&A slow, the venture world is left with a massive amount of chips on the table, waiting to see if the next roll brings a windfall...or just more waiting. One thing is certain, though: The VC markets can't afford another 7.

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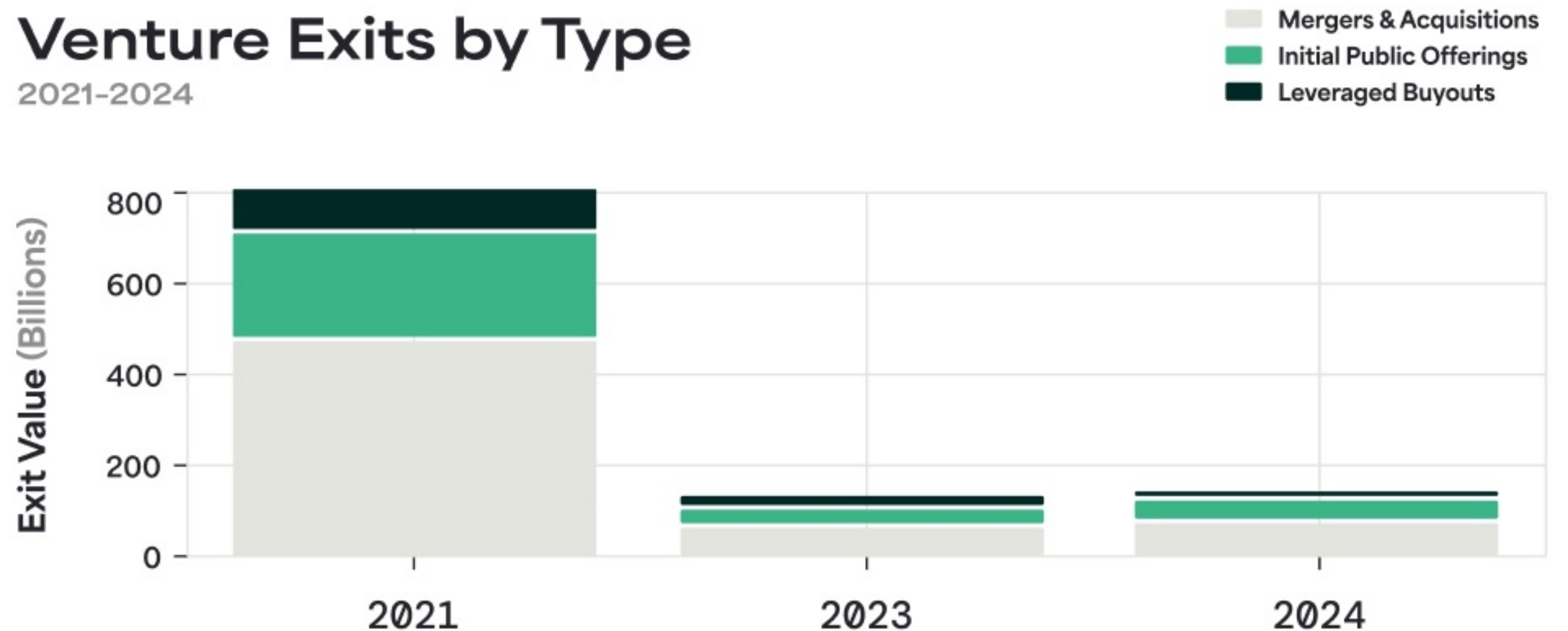
1. https://carta.com/data/ 2. https://www.cbinsights.com/research/report/venture-trends-2024/

2024 VC Market

Exit Activity: Progress, But a Long Way to Go

Exits are the bottleneck that venture can't ignore. 2024 saw 1,259 exits worth $149.3B, a 24.4% increase from the dismal numbers of 2023. But let's be clear: This is still a fraction of **2021's peak of $841.5B**.



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U.S. Exit Activity

Mergers & Acquisitions
Initial Public Offerings
Leveraged Buyouts

Exit Value (Millions)

800
600
400
200
0

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

IPOs tried to be en vogue again, but they barely moved the needle. Public listings climbed to $43.4B, up from $30.2B, a 43.8% increase. A strong number, sure. But it's still below 2017's level of $52.7B and a distant memory from the ZIRP peak of $644.7B in 2021.

The good news? **Venture-backed IPOs made up 46% of total global IPO proceeds**, meaning that, when listings did happen, they were more driven by venture-backed companies than corporate spinouts. The exhibit below lists the ten largest venture-backed IPOs by offering in 2024.

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But the real problem wasn’t IPOs, it was M&A paralysis.

While recognizing that this is subjective, we believe that regulatory scrutiny has remained a major hurdle for M&A. The FTC, backed by the DOJ, put more deals under the microscope, blocking acquisitions that would have sailed through in prior years.

Their goal? Limiting big tech dominance and preserving competition. The result has been fewer exit options, longer holding periods, and LPs waiting even longer for liquidity.

Top Venture-Backed IPOs in 2024

Company Name	Industry	Offering Size ($M)	Valuation ($M)	Revenue ($M)	Valuation/ Revenue	IPO Date	Performance Since IPO
Astera Labs (NAS: ALAB)	Application Specific Semiconductors	819.72	5,597.03	115.79	48.3x	3/20/2024	114.03%
Rubrik (NYS: RBRK)	Network Managemetn Software	752.00	5,629.88	627.89	9.0x	4/25/2024	142.31%
Reddit (NYS: RDDT)	Social/Platform Software	748.00	5,405.77	804.03	6.7x	3/21/2024	477.59%
ServiceTitan (NAS: TTAN)	Business/Platform Software	624.80	6,264.85	724.36	8.7x	12/12/2024	40.92%
Ibotta (NYS: IBTA)	Application Software	577.34	2,661.23	344.67	7.7x	4/17/2024	-16.03%
Tempus AI (NAS: TEM)	Biotechnology	410.70	6,129.85	562.02	10.9x	6/14/2024	141.73%
CG Oncology (NAS: CGON)	Drug Discovery	380.00	1,206.17	0.20	5,912.6x	1/25/2024	50.11%
Bicara Therapeutics (NAS: BCAX)	Drug Discovery	362.25	978.95	0.00		9/13/2024	-25.11%
Septerna (NAS: SEPN)	Drug Discovery	331.20	799.25	0.98	814.7x	10/25/2024	28.00%
Kyverna (NAS: KYTX)	Drug Discovery	319.00	898.10	0.00		2/8/2024	-86.23%

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M&A Exit Activity

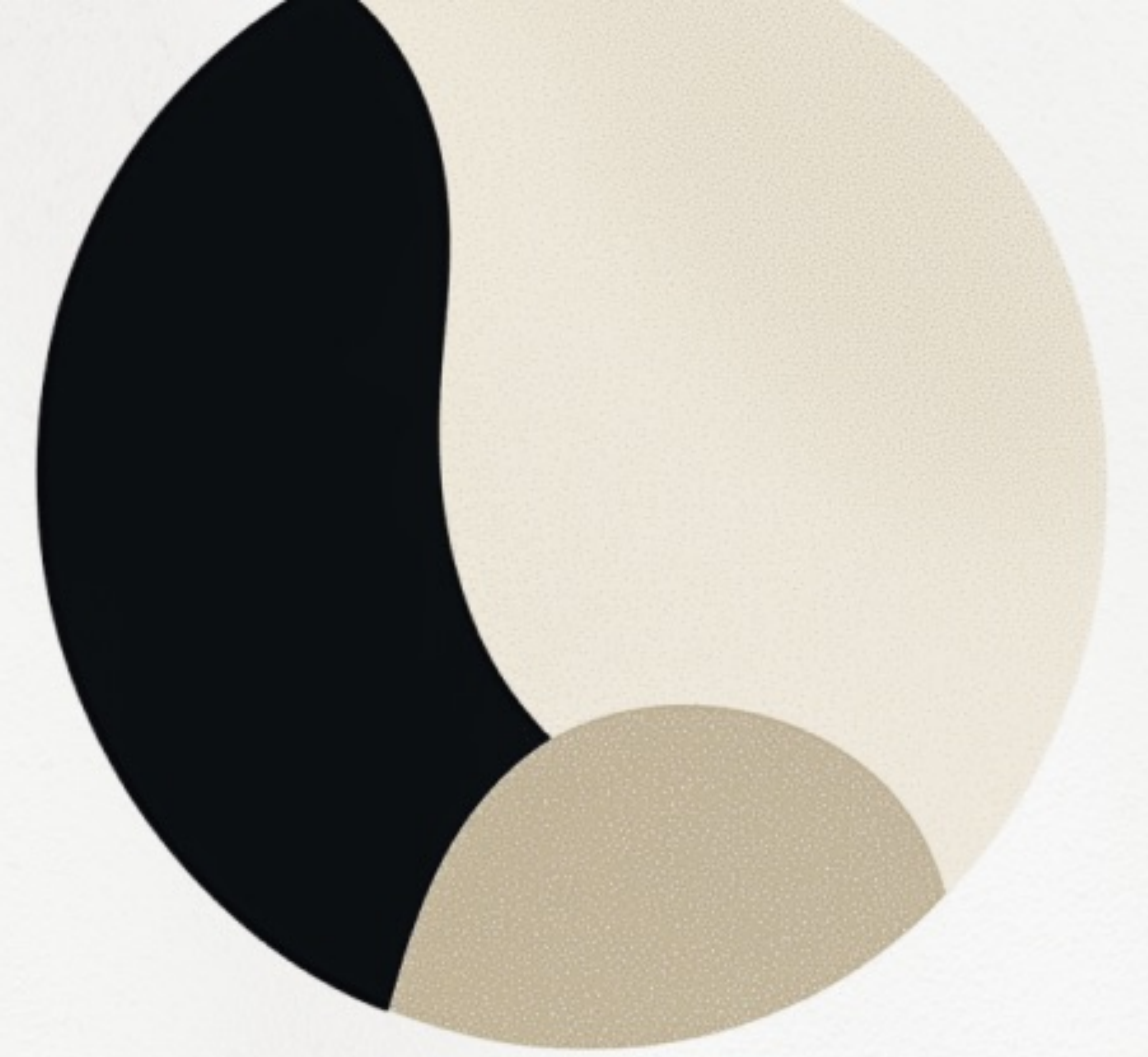
2014-2024

Exit Value
Exit Count

Exit Value (Billions)
800
600
400
200
0

Exit Count
-2000
-1800
-1600
-1400
-1200

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024



Coming into 2025, with a new administration that has historically been pro business with a red carpet for less regulations, capital markets were optimistic that the 2023 rules created by the Biden Administration would be upended. On February 18, 2025, the new FTC Chair announced that he would be keeping the Joint 2023 Merger Guidelines in effect and will serve as the framework for the FTC's merger-review analysis.

All of that said, there still could be a small shift happening, but it's likely to not be aided by Federal Policy, at least for the foreseeable future. While the number of acquisitions dropped slightly (-1.6%) in 2024, **total acquisition value surged 26.73% to $82.6B**, meaning that when deals happened, they were larger. For an extremely depressed M&A market, we'll take any green shoots that we can get.

Far from a healthy exit market, 2024 at least showed some progress.

Unfortunately, what we once thought the Fed controlled, appears...out of control.

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Macro Read:

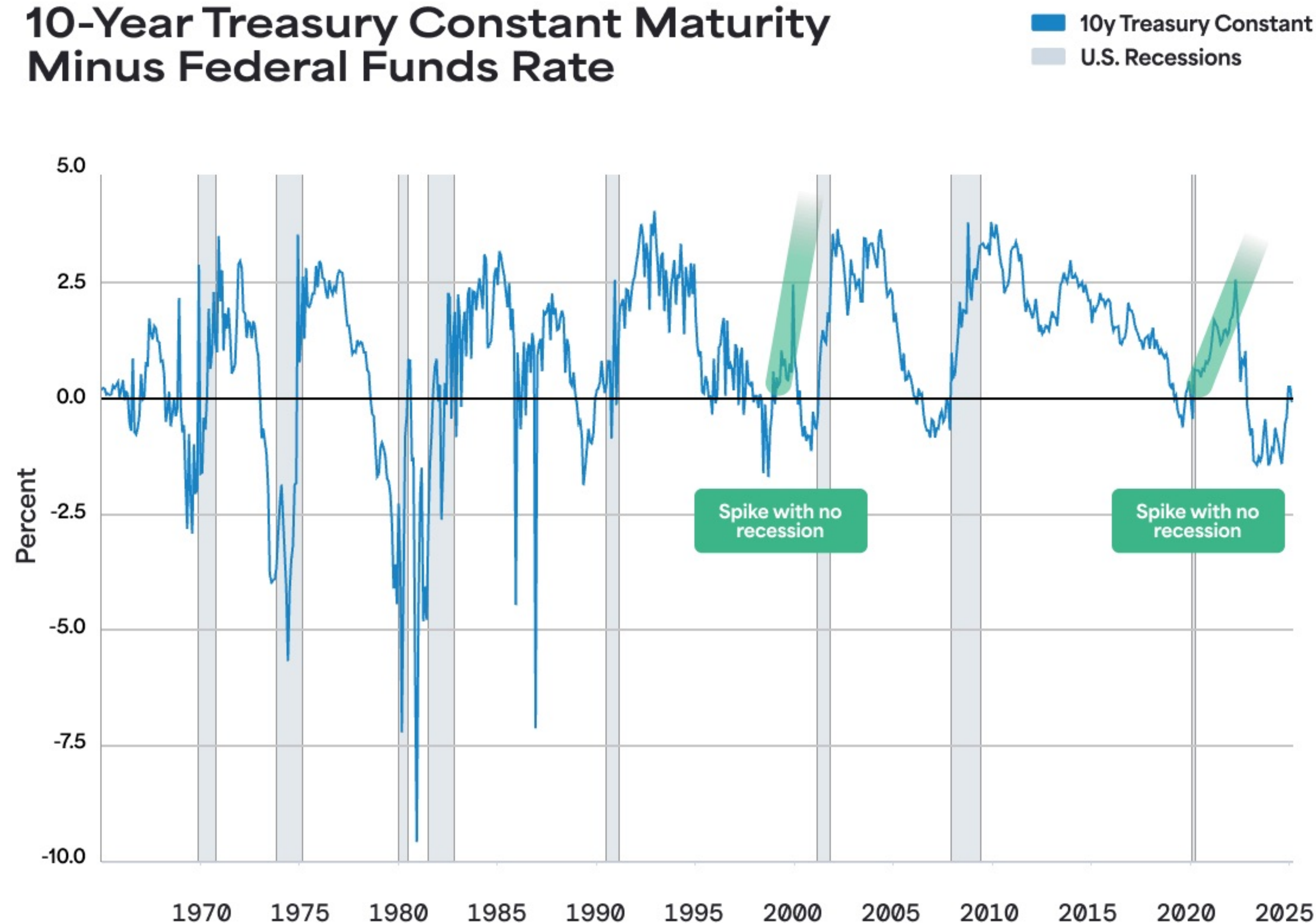
The Fed Is Cutting, But the Market Isn't Cooperating

VC has always lived in the shadow of macro forces. But 2024 made one thing clear: **If you're not watching the bond market, you're missing the plot.**

The prevailing wisdom has always been that lower Fed rates meant lower Treasury yields, which helps risk assets like VC. But that's not what has happened in this easing cycle. **The Fed cut rates three times in 2024, yet the 10-year Treasury yield went the opposite direction, climbing from 3.63% in September to 4.55% by January 2025.**

While this dynamic isn't unprecedented, it's exceedingly rare. Historically, when the FFR jumps meaningfully above the 10-year Treasury yield, a recession isn't far behind. But history isn't law - it's precedent. And there are exactly two times this has happened without a downturn.

So, what's the real signal here? Is this the opening act of another recession or one of those rare market head-fakes? More importantly, if rate cuts are supposed to be the pressure release valve, why isn't the Fed pivot working?



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Source: Federal Reserve Bank of St. Louis via FRED

The Fed Pivot That Wasn't

Investors expected rate cuts to ease financial conditions and fuel a risk-on rally. Instead, the cost of capital got more expensive.

Why? Because the Fed controls the short end of the curve, but **the bond market controls the long end.**

And the bond market didn't buy the narrative. In 2024, long-term yields rose, presumably because:

1. **Inflation Wasn't Dead Yet:** Core inflation remained sticky, keeping rate expectations elevated.
2. **Government Debt Levels Exploded:** Record fiscal deficits flooded the market with Treasury supply, pushing yields higher.
3. **Global Demand for U.S. Debt Weakened:** Foreign buyers, particularly China, pulled back on Treasury purchases, forcing domestic investors to absorb the excess.

Simply put: The Fed was cutting, but the bond market didn't care.

Why This Matters for Venture

For venture, the long end of the curve is what matters most. It heavily influences how investors discount future cash flows, how LPs allocate capital, and how late-stage companies are valued. When the 10-year yield rises, valuations compress, capital tightens, and liquidity events stall.

This also causes consumer borrowing to remain expensive, slowing down overall economic growth prospects. While the Fed controls the overnight rate, the bond market determines mortgage rates, auto loans, and credit cards. With the initiation of an easing cycle, we typically expect all of the stated above to begin improving, and instead in 2024, we got a venture landscape that looked like this:

- **Sluggish M&A**
- **Muted IPO Activity**
- **Liquidity-Constrained LPs**

Even with more rate cuts expected in 2025 (albeit that number is shrinking), it's clear that the biggest risk isn't monetary policy: **It's that the bond market remains in control.**

The Bond Market Holds the Crystal Ball

We're in rare territory. The Fed is easing, but fiscal policy is pushing in the opposite direction. Record deficit spending is flooding the Treasury market with supply, forcing yields higher.

Venture investors need to recognize:

- **Valuations will stay compressed outside of AI**
- **LPs will remain cautious until exits improve**
- **Growth-stage capital will stay expensive**

The old rules, i.e. **Fed cuts = risk-on rally**, no longer apply. This time is different. **The venture recovery won't be dictated by what the Fed does next, it will be dictated by how the bond market reacts. And so far, it's making an already difficult recovery even harder, leading to mixed results in VC beyond the coasts.**

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Greater Midwest Region as Percentage of Total VC Deals in 2024

11.0%
10.5%
10.0%
9.5%
9.0%
8.5%
8.0%

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

VC Regional Trends:

Mixed Results in the Midwest

The Midwest venture market in 2024 showcased its resilience and growing appeal. Deal value climbed **4.7% to $9.0 billion**, proving that capital isn't just flowing, it's being deployed with greater conviction. While deal volume dipped **8.2%**, this reflects a broader industry shift toward **fewer, higher-quality investments**, a potential sign that Midwest startups are attracting larger checks and presumably more committed backers.

Through market shifts and evolving investor priorities, the Midwest **held its ground**, accounting for **9.61% of total U.S. venture deals**, just shy of its historical **9.8% average**. And while the region's share of total U.S. deal value declined from **8.1% in 2022 to 5.6% in 2024**, this is less about a retreat and more about where dollars are clustering: AI, deep tech, and high-burn startups on the coasts pulled in an outsized share of capital.

But if history is any indicator, **capital efficiency wins in the long run**, especially in a secular high rate environment. In our opinion, the Midwest continues to offer some of the best venture arbitrage opportunities in the country.

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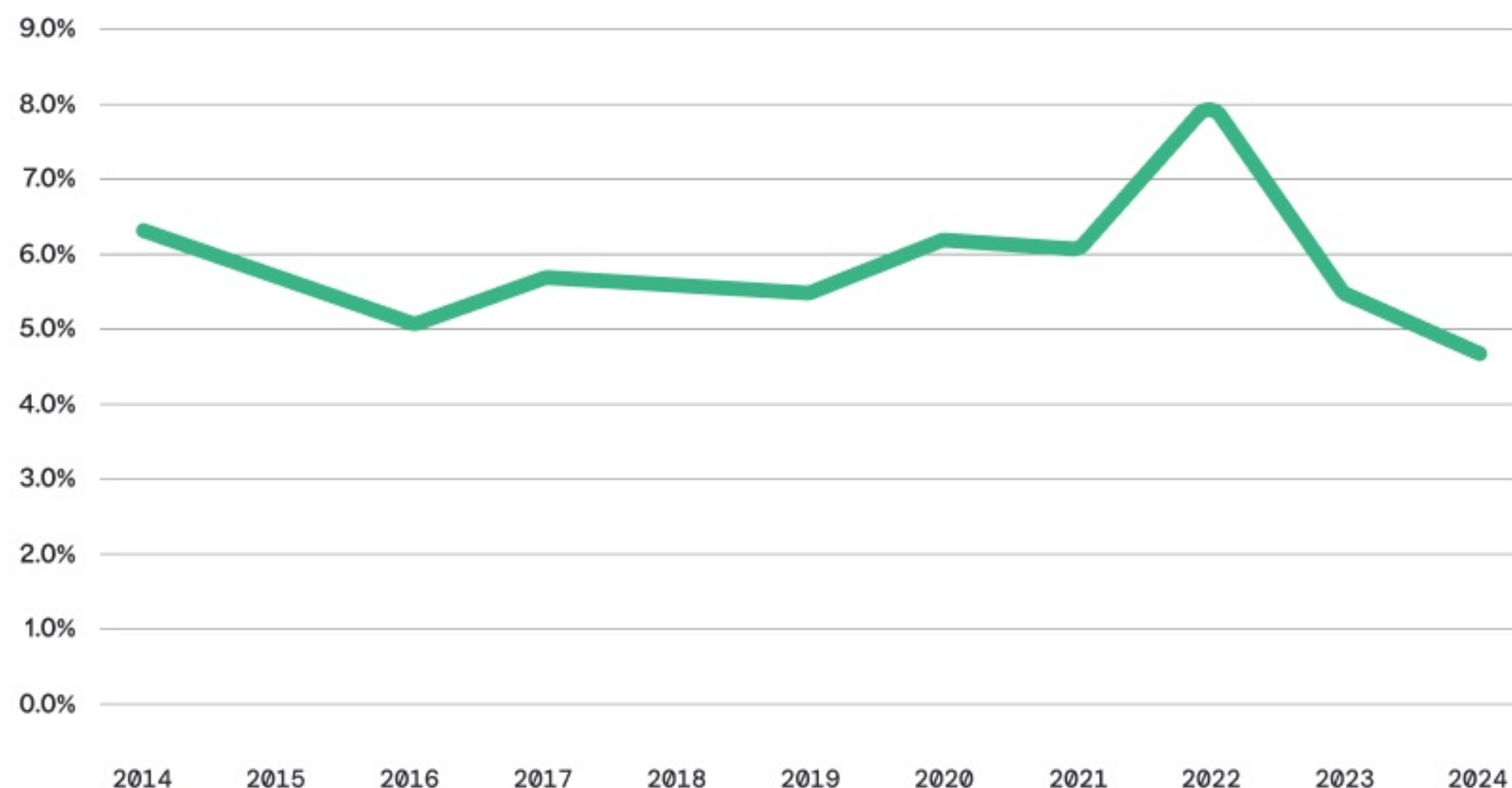
3. Source: US Bureau of Labor Statistics **4.** Sources: Federal Reserve Bank of St. Louis; U.S. Federal Open Market Committee via FRED

Shifting National Trends

Zooming out, the Midwest's share of total U.S. venture dollars has been declining. In 2022, the region captured **8.1% of national deal value**, but by 2024, this figure had dropped to **5.6%**, closer to its historical norm. This reflects a broader trend where AI, deep tech, and high-burn startups in coastal markets are attracting the lion's share of venture capital.



State Level Highlights:

At the state level, the Midwest showed significant variation in performance: Illinois led the region with **$2.7 billion** in deal value, accounting for **29.8% of the Midwest's total VC activity**. Minnesota followed with **$1.6 billion**. Ohio, Michigan, and Indiana each secured **$1.1 billion** in deal value.

ILLINOIS

$2.7 billion in deal value

MINNESOTA

$1.6 billion in deal value

OHIO

$1.1 billion in deal value

MICHIGAN

$1.1 billion in deal value

INDIANA

$1.1 billion in deal value

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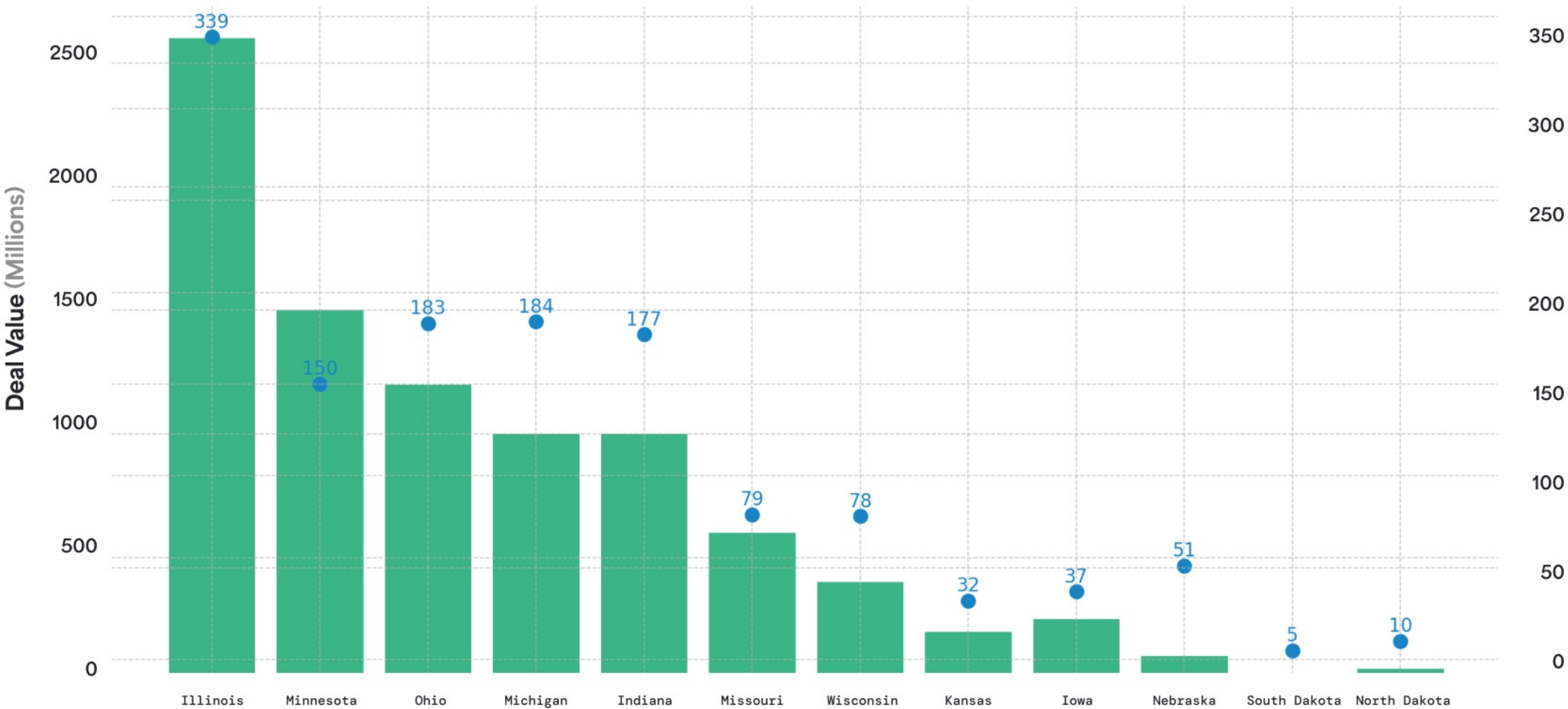


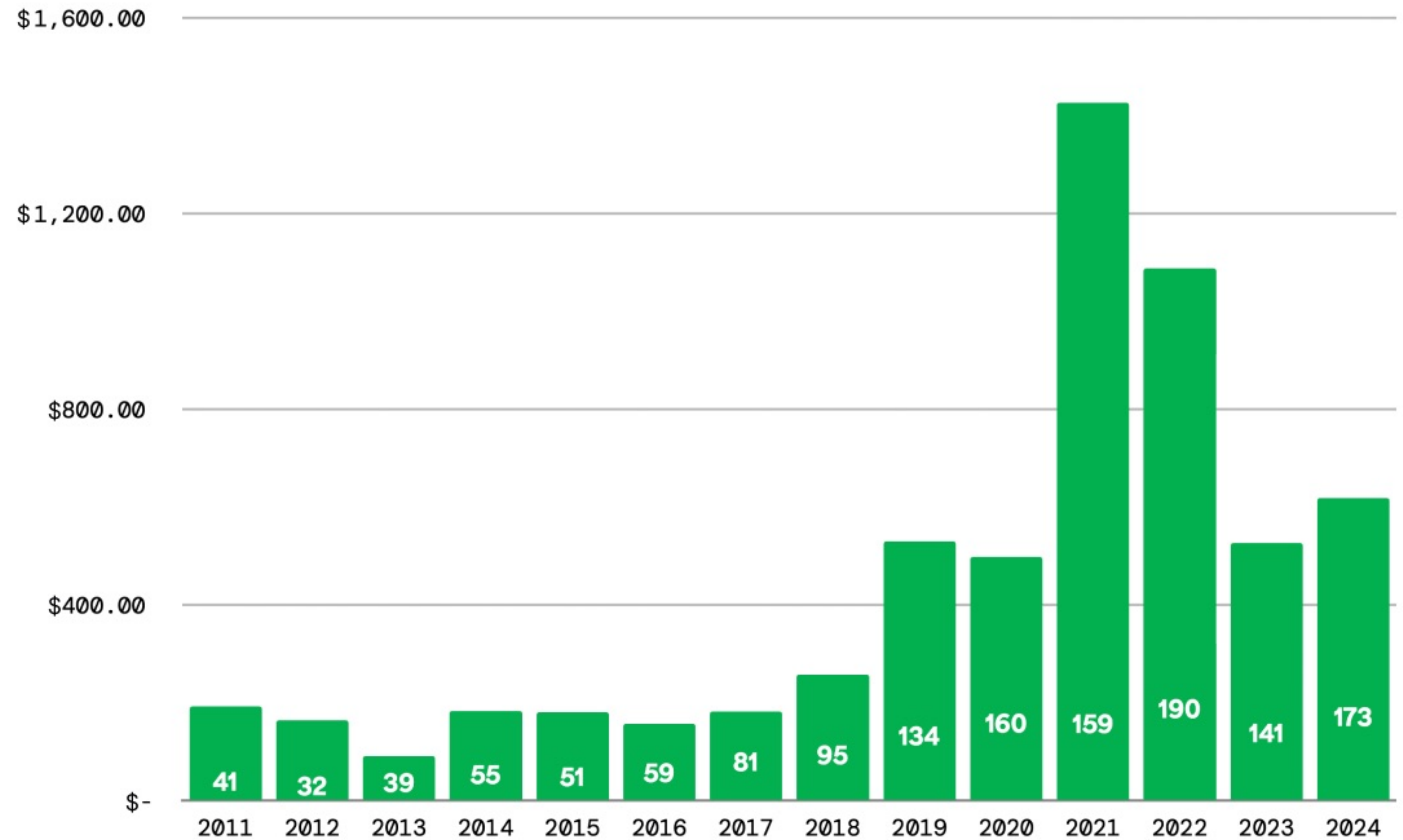
Greater Midwest Region Venture Capital Deal Value and Count
Deal Value
Deal Count
Deal Value (Millions)
2500
2000
1500
1000
500
0
350
300
250
200
150
100
50
0
339
150
183
184
177
79
78
32
37
51
5
10
Illinois
Minnesota
Ohio
Michigan
Indiana
Missouri
Wisconsin
Kansas
Iowa
Nebraska
South Dakota
North Dakota

Indiana's VC Momentum:

Strong Growth, Stronger Foundations

On paper, Indiana was a breakout story in 2024. The NVCA-PitchBook Venture Monitor Report highlighted a milestone: Over $1 billion in venture deal value for the first time, a remarkable 99.4% year-over-year increase. Deal count also ticked up 6.41% to 177, reinforcing the momentum in the state's venture ecosystem.

A closer look at Elevate Ventures' proprietary dataset, which incorporates verified deal tracking, presents a more measured, but still encouraging, picture. **Total deal value reached $619 million, a 17.5% increase, while deal count climbed 22.7% to 173**. While the numbers may not match the headline-grabbing figures, the trajectory is undeniably positive. Growth is happening, and more importantly, it's happening in a way that signals sustainability, stronger deal flow, and increasing investor confidence in Indiana's startup ecosystem.



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Where the Money Went:

As expected, later-stage deals dominated, accounting for 68.1% of total deal value ($421.44M). Early-stage companies captured 19% ($117.82M), while seed rounds made up 12.9% ($79.75M).

Distribution of Deals by Stage

Deal Type	Deal Count	Deal Value
Seed Round	102	$79.75
Early Stage VC	40	$117.82
Later Stage VC	31	$421.44
Total	**173**	**$619.00**

Sector trends also tell a compelling story:

- **B2B** remains the anchor, attracting **$337.0M** in deal value.
- **Life sciences** held strong at **$154.91M**.
- **B2C** lagged at **$37.35M**, reflecting a broader national trend.
- **Manufacturing/Energy/Defense** saw an explosion, with a staggering 3,105% YoY increase to **$89.75M**, showing that hard tech in the Midwest is gaining serious traction.

Distribution of Deals by Sector

Sector	Deal Count	Deal Value
M/E/D	14	$89.75
B2B	99	$337.00
B2C	32	$37.35
B2C	32	$37.35
Life Sciences	28	$154.91
Total	**173**	**$619.00**

Early-Stage Investing:

The Backbone of Indiana's Growth

While sector-specific investments saw impressive growth, **early-stage funding remained the foundation of Indiana's venture ecosystem**. Smaller rounds continued to account for the majority of deal activity, reinforcing the state's role as a launchpad for emerging startups. This focus on early-stage investing isn't just a trend, it's a sign of long-term ecosystem health, as strong seed and Series A activity lays the groundwork for future breakout successes.

At the same time, larger deals made a significant impact. The **top ten largest VC deals in 2024 accounted for over 70% of total deal value**, reflecting a growing willingness among investors to write bigger checks for high-potential companies. We see this as an effect of the natural evolution of the Indiana technology Ecosystem. Since 2018, there has been a clear trend of elevated amounts of capital being deployed into VC within the State. The breakout companies will continue to demand larger checks in the later stage, highlighting a key need for growth capital as the ecosystem continues to mature.

Distribution of Deals by Size

Deal Size	Deal Count	% of Deal Count
Undisclosed	13	7.51%
$0 - $0.49M	76	43.93%
$0.5 - $.99M	19	10.98%
$1.0 - $4.99M	46	26.59%
$5.0 - $9.99M	7	4.05%
$10.0 - $14.99M	6	3.47%
$15M+	6	3.47%
Total	**173**	**100%**

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The Midwest:

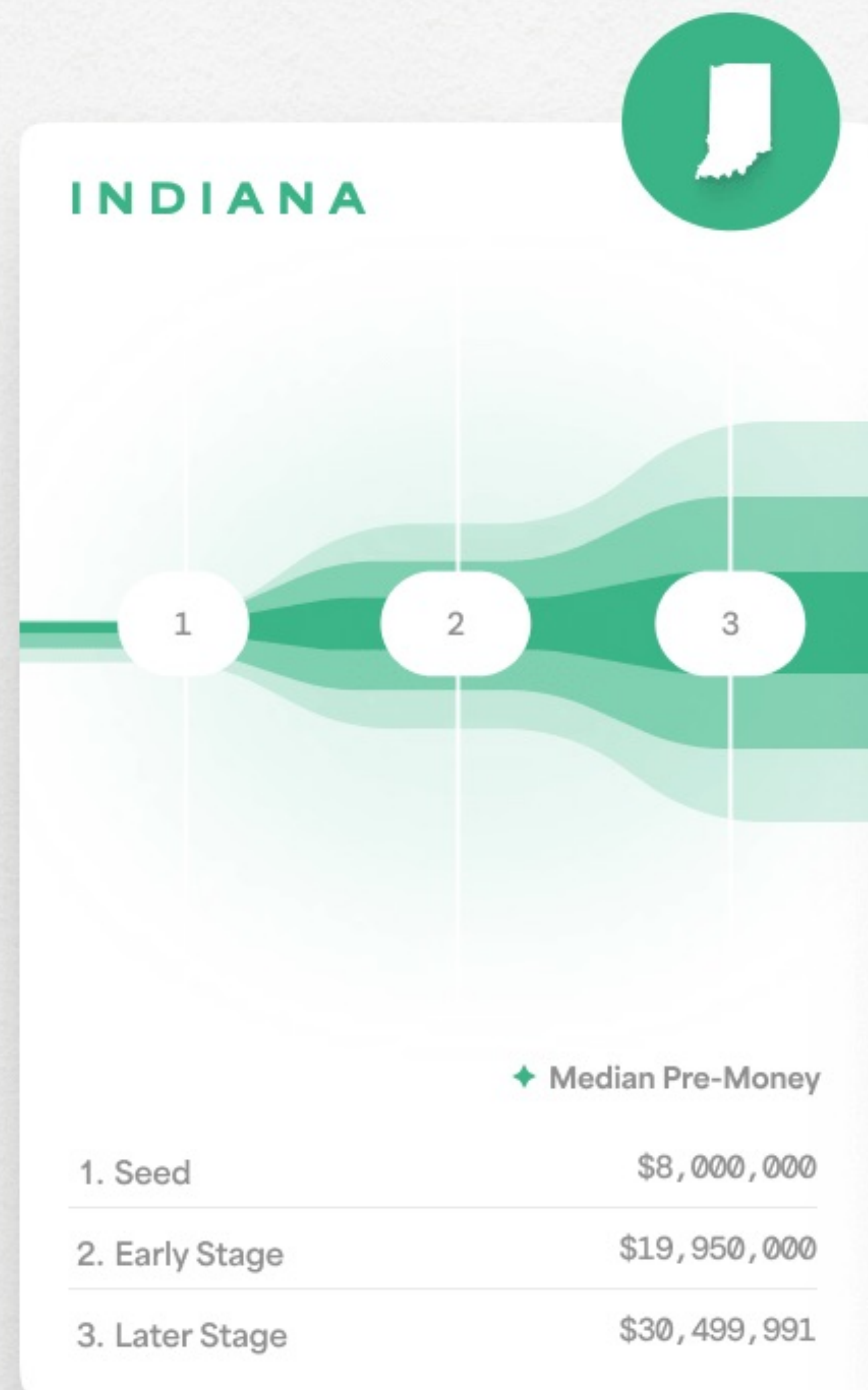
A Prime Opportunity for Venture Arbitrage

The Midwest has long been one of the best-kept secrets in VC. A place where investors can buy low and hold big equity stakes at steep discounts to coastal markets. That trend is alive and well.

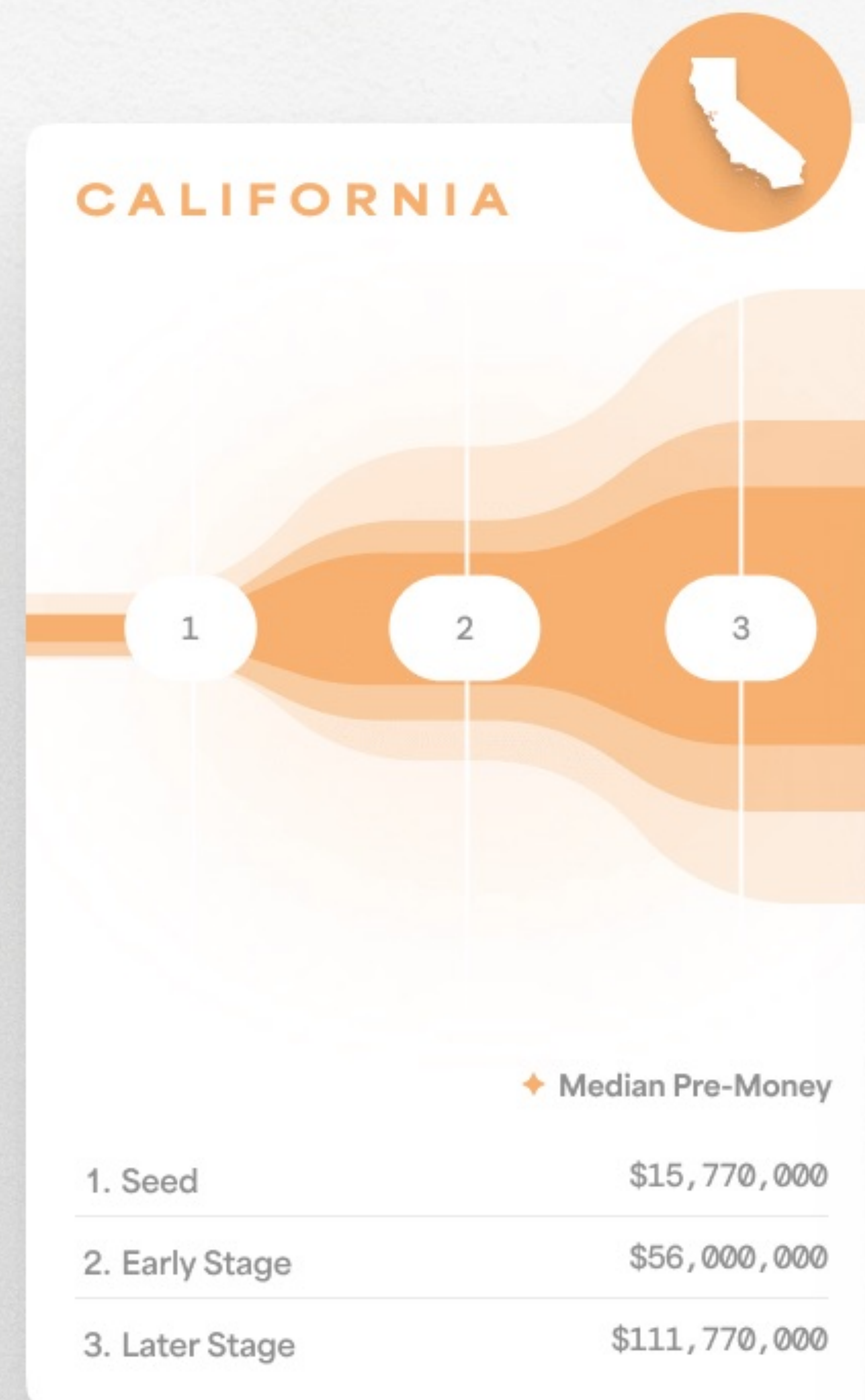
- In 2024, the median pre-money valuation for early-stage startups in Indiana sat at $19.95M, compared to a $47.6M national median. A whopping 58.1% discount!
- In California, that number climbed even higher to $56M, putting Indiana startups at an even larger 64.4% discount to the West Coast.

This isn't a new phenomenon. A 2020 Kauffman Fellows study found that Midwest investors typically receive 2.4x more equity for the same capital as those investing in the Pacific and Northeast regions. For capital-efficient investors, the Midwest remains a high-upside, low-cost entry point into venture.

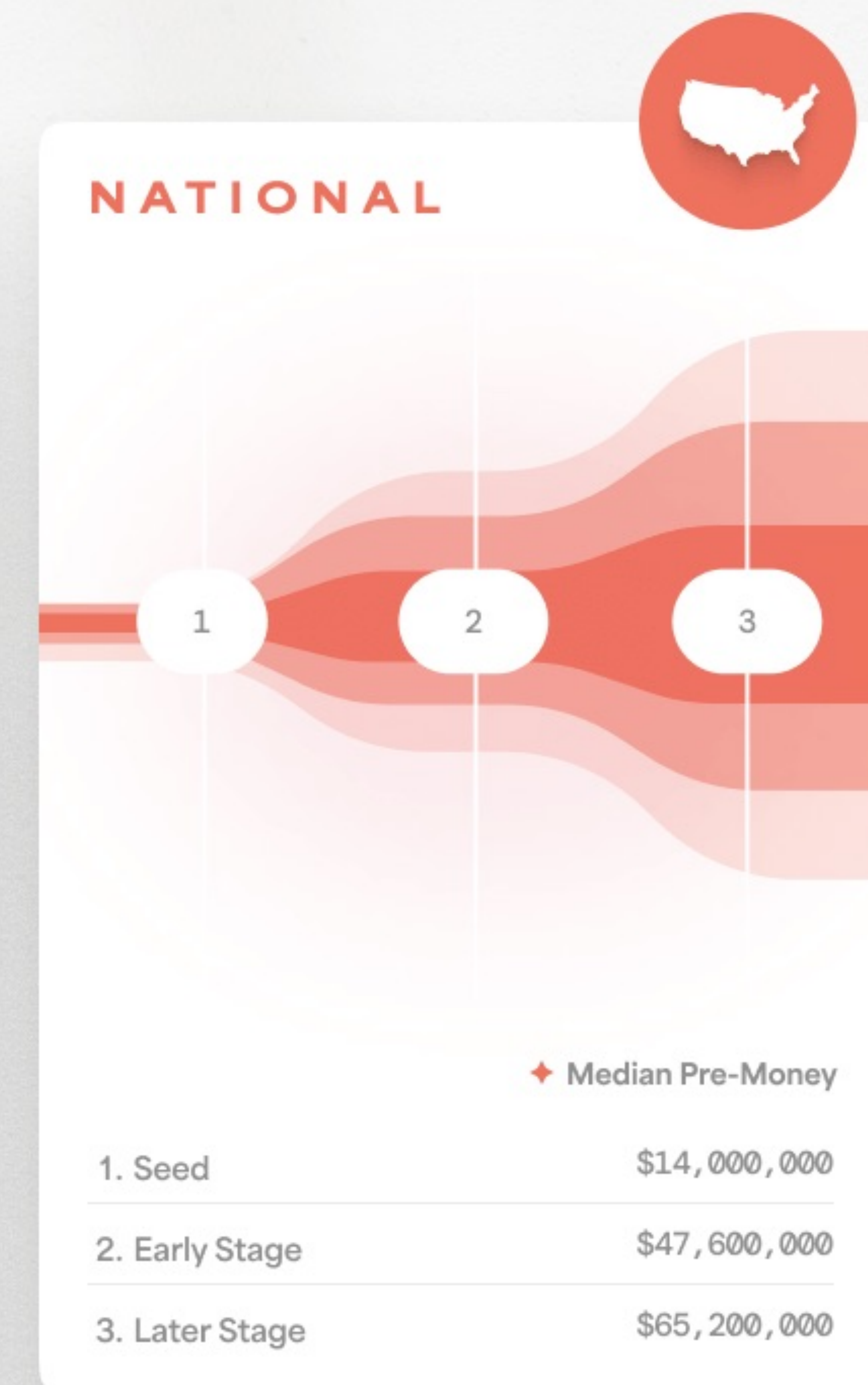
Median Pre-money Valuation by Stage



	Median Pre-Money
1. Seed	$8,000,000
2. Early Stage	$19,950,000
3. Later Stage	$30,499,991



	Median Pre-Money
1. Seed	$15,770,000
2. Early Stage	$56,000,000
3. Later Stage	$111,770,000



	Median Pre-Money
1. Seed	$14,000,000
2. Early Stage	$47,600,000
3. Later Stage	$65,200,000

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6. https://www.kauffmanfellows.org/journal/valuations-are-higher-in-the-...

Elevate

Elevate Ventures:

Driving Growth in the Innovation Capital of the World®

At Elevate Ventures, we continue to lead the charge in early-stage investing across Indiana and beyond. In 2024, **we deployed $14.4M across 94 deals**, bringing our total investment since inception to **$186.5M across 606 companies—a portfolio that has attracted $2.4B in co-investment.**

And the track record speaks for itself:

- PitchBook has ranked Elevate as the **most active VC in the Great Lakes region** every quarter since Q1 2017.
- Indiana's venture ecosystem is scaling, but it's still early. With the right capital formation, the next decade could see Indiana not just dominate the Midwest but solidify its place as the **Innovation Capital of the World®.**

The pieces are there. The capital is flowing. The question now? Whether this momentum holds, or if the broader market headwinds slow the region's trajectory. Expanding access to growth equity will be the next critical step in ensuring Indiana isn't just where startups are born, but where they scale, thrive, and define the future of innovation.

But Indiana's trajectory doesn't exist in a vacuum. VC, whether in the Midwest or on the coasts—moves in lockstep with macro forces that are anything but predictable. As we look ahead, the real challenge isn't just deploying capital, but navigating an environment where the rules seem to be shifting by the day.

$14.4M

Invested in Indiana startups (2024)

606 Hoosier Companies

Backed by Elevate Ventures

#1 VC in the Great Lakes

Every quarter since 2017 (PitchBook)

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The Future:
It's Messy

With the advantage of ~2 months of hindsight, we are optimistic about the future, but it's a bit messy. On the positive side, we believe that the long end of the curve will be subdued, leading to a long awaited easing of financial conditions, which should be favorable for VC. But we worry what the cause of that could be. While we believe that the near term impacts of AI and the long term impacts of DOGE efforts will be deflationary in nature, there are incalculable permutations and much uncertainty of what the possible outcomes will be beyond subduing inflation.

Ultimately, it's difficult to recall a time when both the private and public sectors were experiencing such rapid, simultaneous transformation. If market participants and economists thought they had a difficult job forecasting post-Covid, we're sorry to say that the next 12 months isn't going to be any easier. With that in mind, here are our top 3 predictions for the next year. Spoiler alert...it's messy!

1. Long End of the Curve Finally Declines, Unlocking Late-Stage and Growth Capital

After years of high-rate headwinds, **the long end of the yield curve will begin to decline** due to a broadening of productivity gains from AI and strategic government initiatives, specifically the Department of Government Efficiency (DOGE).

This will directly benefit VC markets in three key ways:

- **Increased LP allocations:** As fixed-income returns normalize, institutional investors will increase the rate at which they shift back toward growth asset classes like VC.
- **IPOs:** Lower rates and regulatory easing will breathe life back into the IPO market - Making IPOs Great Again (MIGA).
- **Revival of growth-stage funding:** Late-stage investors have been on the sidelines due to high discount rates and a massive bid/ask spread caused by residual ZIRP euphoria; lower yields and higher profits narrows the gap and will bring them back, benefiting Series C+ companies.

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2. Before the Benefits Above are Felt, There's Going to be Pain

You can't pull $1T out of the U.S. economy and expect business as usual. While we believe DOGE initiatives will ultimately be a net positive for both the broader economy and VC, capital doesn't instantly reallocate itself. **The transition will take time, and with it comes volatility.**

The U.S. economy doesn't digest capital shifts overnight. Look at Covid: Direct stimulus checks hit wallets fast, providing an immediate boost. But the ripple effects of government spending through indirect programs, subsidies, and policy shifts, took years to fully work through the system. Government spending, like an earthquake, creates both an epicenter and aftershocks. The initial disruption is complex and unpredictable, but its effects spread far and wide, impacting sectors that may not even be obvious at first. **Nearly five years later, those stimulus-driven aftershocks are still being felt.**

While the current administration is exploring ways to redirect capital into the private sector as quickly as possible, potentially through a "DOGE Dividend", the execution risk is high. Move too fast, and inflation flares up again. Move too slow, and economic momentum stalls, increasing the risk of a recession. Either way, **markets are facing their kryptonite: Uncertainty.**

Markets hate uncertainty. As public equities hover near all-time highs with historically extended valuations, **uncertainty around fiscal policy will likely drive multiple compression. That means a slower recovery for VC in the near term.**

3. The Reprioritization of Growth Creates a Dichotomy in Valuation

There's an underlying **scarcity of true organic growth** in the market, and it's only going to get worse from here. Below the surface, there's a lot needing unpacked...

A. AI Deflationary Forces Are Compressing Margins and Reducing Market Size in Some Sectors

- AI and automation are making many industries more efficient (profitable), and as a result, **shrinking TAMs for certain SaaS companies.**
- Companies that once relied on expensive headcount-based pricing models (e.g., sales automation, legal tech, HR software) are being disrupted by AI-driven productivity gains, **reducing their pricing power and growth potential.**
- This means companies will have to **compete harder for the same dollars**, making true organic growth more elusive.

B. Post-ZIRP Era Has Reset Customer Buying Behavior

- In the ZIRP era, companies could afford to experiment with new SaaS tools and high-risk vendors. Now, every dollar is scrutinized.
- Now, buyers are more selective, **requiring clearer ROI** and have a reduced willingness to spend on new software or services.
- This is leading to **longer sales cycles, increased churn, and a shift toward vendor consolidation**, all of which slow growth.

C. The Saturation of Certain Tech Markets

- Many of the easiest software opportunities have already been capitalized on, **leading to a more crowded market with lower incremental growth opportunities.**
- As a result, startups must work harder to **differentiate, expand internationally, or create entirely new categories to drive sustained organic growth.**

With long-term interest rates expected to decline in 2025, investors will begin paying up for companies that **demonstrate strong organic growth**. In a world where cheap capital is no longer abundant, growth driven by **product-market fit and operational excellence** (rather than excessive spend) will command premium valuations.

Growth is back baby...but not at all costs.

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Conclusion

If one were to look at surface-level numbers for the VC market, you'd likely feel confident that a rebound is well underway. But, the devil is always in the details. Whether you are a founder or an investor, understanding those devilish details is critical to finding alpha in a market roiled with uncertainty. At Elevate Ventures, we've spent decades building and investing in technology companies, but few markets have tested conviction and adaptability like this one. Ripe with uncertainty from all angles, the entire continuum of capital markets feels exorbitantly unpredictable.

So how do you find alpha in this market? How do you navigate such uncertain times? We believe that at the core, outsized returns are **where curiosity meets capital**. Whether it be the macro environment or cutting-edge technologies that are being brilliantly created from the abyss daily, you have to have an unrelenting desire to **go further and further down the rabbit hole.** Markets will ebb, and markets will flow. That's the business that we are in.

But the ones who win in markets like this aren't just riding the waves, they're the ones **questioning the currents, spotting the undercurrents, and knowing when to lean in when others pull back**. Alpha doesn't live in the obvious. It exists in the overlooked, the misunderstood, and the ideas that seem just a little too early, until suddenly, they're not.

Hopefully, from the research we've presented, you have a better understanding of what's truly happening several layers deeper than at first glance. Like a filtered influencer's Instagram picture, a look beyond the edges of the photo tells the true picture. **We are in uncertain times, and as we look out at the table, we don't see high probabilities anywhere on the board**. **But that's exactly why, for those willing to play the long game, the best bets constantly find themselves in front of you.**

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Thank You

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