

# AI funding kicks into overdrive in Q4 2024

EY US VC Trends 2024 – Q4 report



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# Investment in VC-backed companies rose 57% in Q4, with four large AI deals underpinning growth.

## In brief:

- 01** VC-backed companies raised over \$62.2 billion in Q4 2024, a 57% increase from Q3 2024. 2024 was the third largest year on record for VC investment.
- 02** AI-driven deals continued to elevate VC activity, increasing by fivefold since Q4 2023, representing over 60% of all Q4 fundraising.
- 03** While VC investment amounts rose, deal volume fell below the 10,000-mark for the year for the first time since 2012.

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Investment in artificial intelligence (AI) companies continued to transform the venture capital (VC) market this past quarter, with four large AI deals accounting for \$26.6 billion in Q4 2024. AI deals represented over 60% of the total investment in VC-backed companies last quarter. Overall VC investment increased 57%, from \$39.6 billion in Q3 2024 to \$62.2 billion this past quarter, the highest dollar amount since Q1 2022. For the year, investment in VC-backed companies totaled over \$180 billion, up 27% from 2023.

While dollar volumes are on the upswing, the number of deals dropped significantly, falling below 10,000 for the year, the lowest annual deal volume since 2012. This demonstrates the challenges that legacy companies face as investors focus on AI and emerging technologies.

## US venture capital investment trends over time

Our interactive database provides a historical analysis of US VC trends. Analyze by sector, date range, region, deal stage, and more.

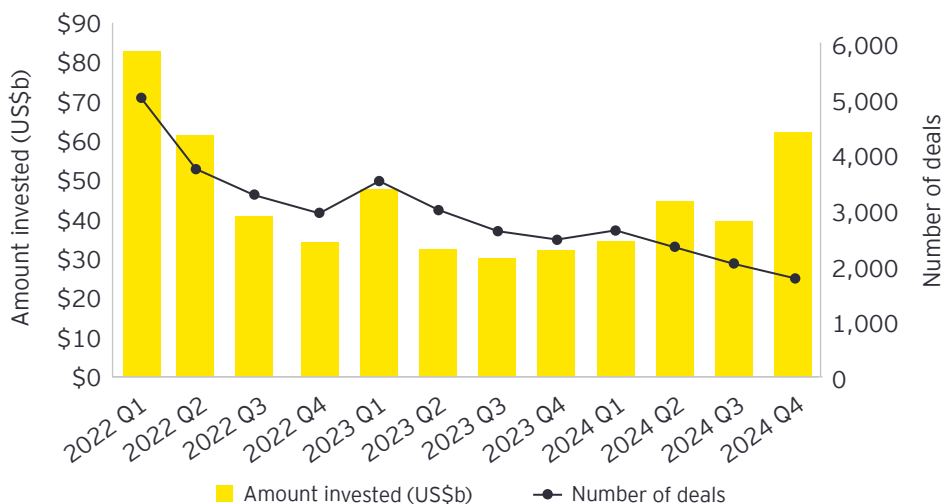


Fund formation continued to lag, failing to reach \$100 billion<sup>1</sup> for the second consecutive year. In Q4, the number of VC funds that closed barely exceeded 100, the lowest since Q2 2020.

Lack of liquidity is affecting both deal volume and fund formation. We will likely continue to see ongoing liquidity challenges as many companies come to the end of their runway. Secondary offerings will remain a key strategy for managing LP liquidity concerns. With an expected pickup in [M&A](#) and [IPO](#) activity in 2025, this could lay the groundwork for a turnaround in the future.

## Deals and dollars invested

### Equity financings in US VC-backed companies



Sources: Crunchbase website, [www.crunchbase.com](http://www.crunchbase.com), as of January 5, 2025, EY analysis

We include equity financings into VC-backed companies headquartered in the US. Sources of cash investments include, but are not limited to, VC firms, corporate investors, other private equity firms and individuals.

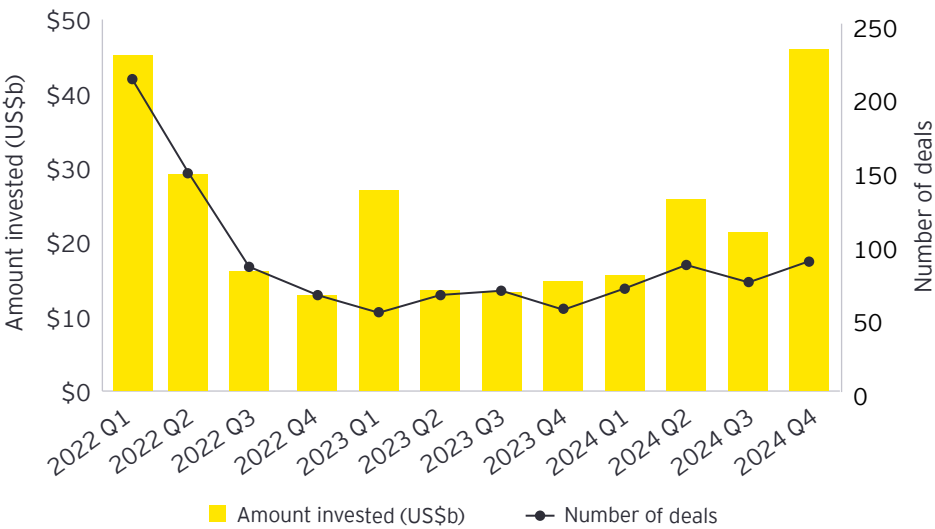


## Mega-round financing

Mega-round deal count increased by 21% quarter-over-quarter, and overall mega-round deals accounted for 74% of all capital deployed. The past quarter saw a significant increase in capital-intensive AI deals, which skewed results. This phenomenon will likely continue to play out over the next several years given that we’re early in the AI revolution. This will be further fueled by AI advancements such as agentic AI and required innovations around semiconductors and energy solutions.

### Mega-round financing

Investments totaling \$100m+



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## Sectors

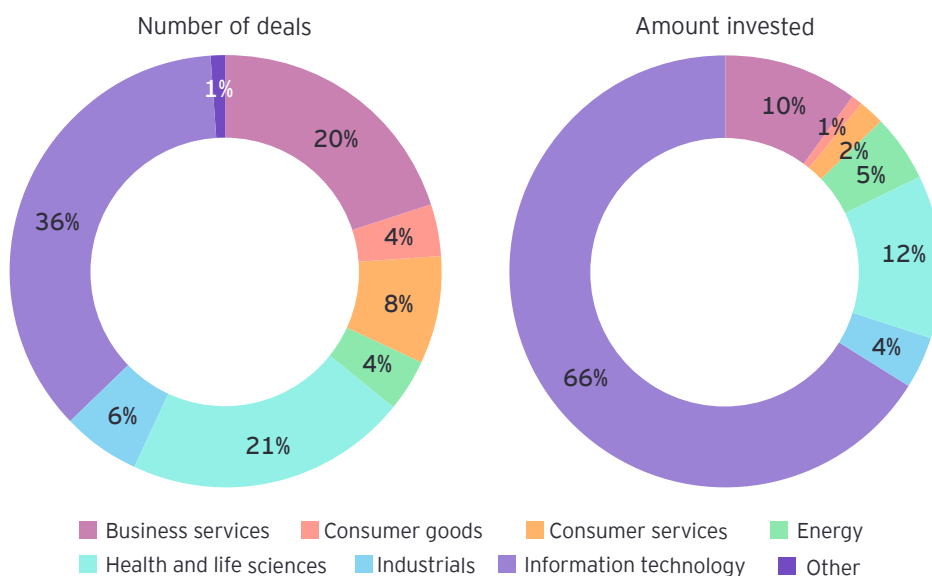
With AI deals accounting for six of the top 10 deals, IT continued to dominate the VC space, representing two-thirds of all dollars invested in Q4. Software led and health and life sciences finished second, while financial services continued to decline. Renewable energy continued to show strength this past quarter, growing by over fivefold, and the overall energy sector appears poised for ongoing growth, with AI and cryptocurrency driving a resurgence in demand for the energy resources needed to support computing power.

Given the dominance of AI funding this year, IT investment overshadowed all other sector categories. It accounted for 48% of investment in 2024, which represents:

- Over 2x as much as health and life sciences
- Over 5x as much as consumer goods and services
- Nearly 10x as much as energy

## Investment by sector

US VC investment across industries, Q4 2024



Sources: Crunchbase website, [www.crunchbase.com](http://www.crunchbase.com), as of January 5, 2025, EY analysis

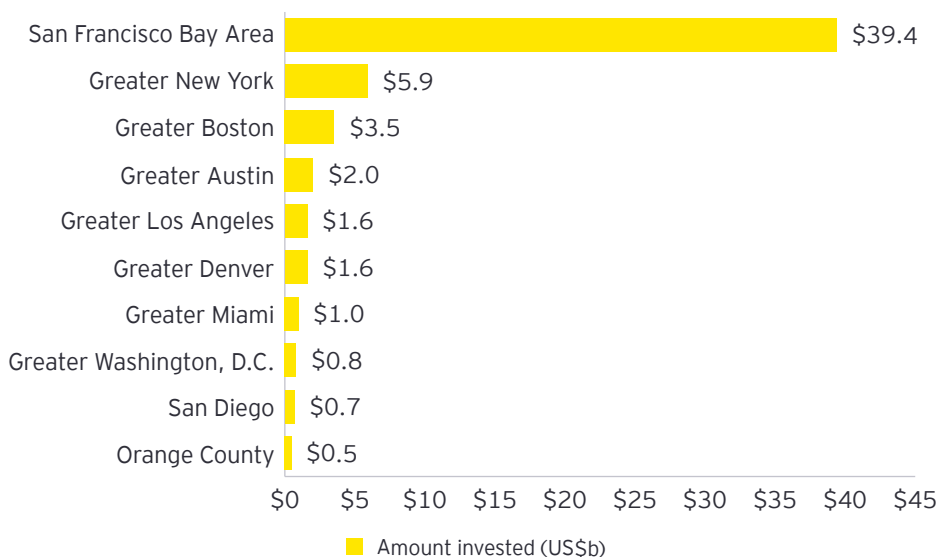
We include equity financings into VC-backed companies headquartered in the US. Sources of cash investments include, but are not limited to, VC firms, corporate investors, other private equity firms and individuals.

## Regions

Driven by activity in the IT sector that featured a number of major AI deals, the Bay Area accounted for more than half of all investment in VC-backed companies. Six of the top 10 deals originated in the Bay Area. New York and Boston finished second and third, respectively. A large deal for an IT company pushed Austin ahead of Los Angeles, while Denver also cracked the top 10 on the strength of a large deal for an energy company.

### Investment by region

#### US VC investment in top 10 markets, Q4 2024



Sources: Crunchbase website, [www.crunchbase.com](https://www.crunchbase.com), as of January 5, 2025, EY analysis

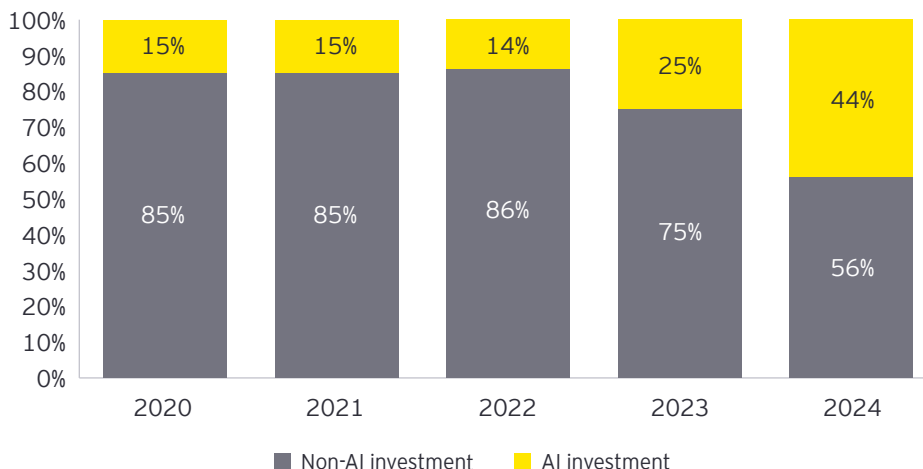
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## Overall outlook

Looking ahead, we expect the focus on AI to extend well beyond 2025. With the infrastructure for AI still relatively immature, investment dollars should continue to flow into this space for the immediate future, capturing an expected 45% of all VC funding in 2025, building on the trend from 2024. As the AI landscape matures, investments will shift to general applications from deeper, infrastructure-driven deals.

## Investment in AI

### US VC-backed companies



Sources: Crunchbase website, [www.crunchbase.com](http://www.crunchbase.com), as of January 5, 2025, EY analysis

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We will continue to see liquidity issues. This is hardly surprising given that some \$4.1 trillion<sup>2</sup> is still tied up in 55,000 companies in the US startup ecosystem. The new administration could usher in regulatory changes that open the door for a relaxed M&A environment, paving the way for more founders to return cash to investors and starting a flow of capital back into the ecosystem. This could also set the stage for more companies to go public.

Building on the momentum from Q4, we expect the VC market to continue growing into 2025 and potentially surpass \$200 billion next year. In a [recent EY survey](#), an overwhelming 91% of entrepreneurs said they are planning to fundraise over the next 18 to 24 months.

In this environment, companies that are leveraging AI in their value proposition will enjoy an inherent advantage. Those that don't will need to either hunker down or consider alternatives. Founders also need to think carefully as they consider potential options from investors. Not every investor is the right match, and founders should not rush into a situation that doesn't work. Also, investors will be more likely to reward companies with a more cost-effective business model. This is a good time to be lean.

<sup>1</sup> Pitchbook, January 4, 2025.

<sup>2</sup> Pitchbook, January 4, 2025.





## Summary

Fueled in large part by investment in AI companies, the VC market closed 2024 on a high note. Total investment in VC-backed companies increased 27% from 2023, totaling more than \$180 billion. On the other hand, the total number of deals fell below 10,000 for the first time since 2012. For the near future, companies that have integrated AI into their value proposition will draw the most attention, particularly those bringing new applications to market.





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