

A16ZGROWTH

STATE OF MARKETS

September 2026

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Table of Contents

- 01 **Tech Is The Everything Cycle**
- 02 **AI Is A Generational Platform Shift**
- 03 **Capex Is Working**
- 04 **Atoms Are So Back**
- 05 **SaaSpocalypse? More Like SaaS-Prove-It**
- 06 **Take a Walk On The Private Side**
- 07 **It's A Brave New World For Startups, Too**
- 08 **PrivateCos Telling The Macro Story**



Tech Is The Everything Cycle

Tech Is The Everything Cycle

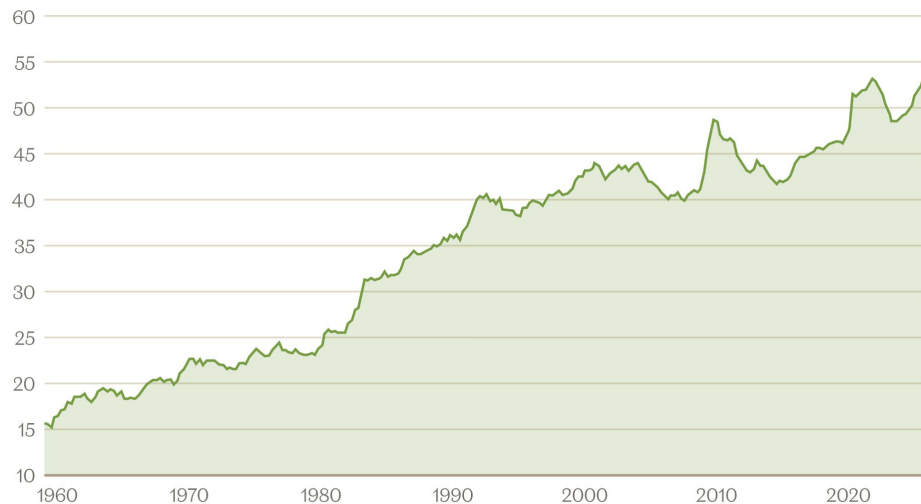
Tech has gone from a “cottage industry” to the prime mover in the global economy. At this point, every company is, in some sense, a tech company—you’d be hard-pressed to find a truly pen n’ paper business.

More than any other sector, tech is driving investment, R&D cycles, earnings growth and margin expansion. The largest, most profitable, and fastest-growing companies the world has ever known, are tech companies. The AI infrastructure buildout alone is responsible for all or nearly all of net-new construction spending, blue collar job-growth, durable goods imports, net-new IG-issuance, etc. AI infra is arguably the only pro-cyclical impulse firing in the economy right now.

The point is that tech has left the cottage. Tech is the Everything Cycle now, and it’s not looking back.

Tech Is Now 55% of All U.S. Capital Spending

High-tech share of capital spending in nominal GDP (percent)



Source: LSEG, Datastream and Yardeni Research, (May 5, 2026) and Bureau of Economic Analysis.

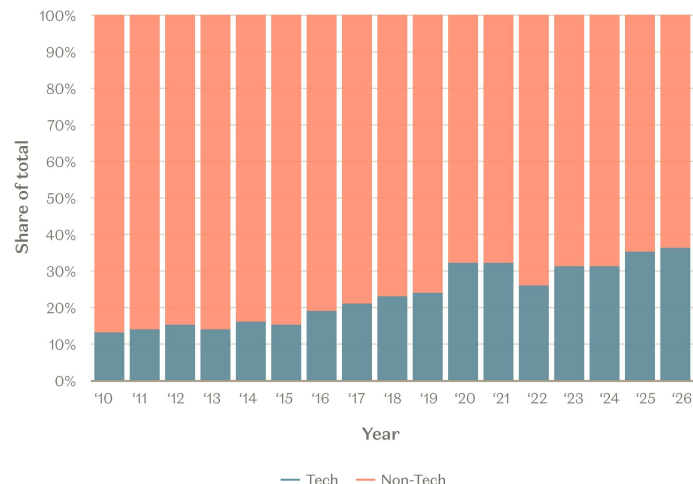
Note: Includes high-tech equipment, software, and R&D

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The World's Largest Companies Are Tech Companies

Tech Is ~35% of the Global 100 By Count ...

Tech share of the 100 largest publicly traded companies (ex-China), by count

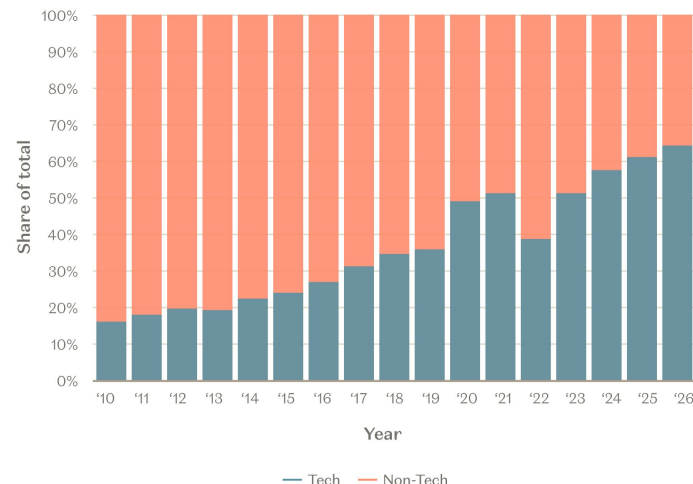


Source: CapIQ for financials and year-end count (as of 8.28.26). Tech broadly defined and categorization may not be exhaustive. See full disclosure for details.

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... And ~60% of the Global 100 By Market Cap

Tech share of the 100 largest publicly traded companies (ex-China), by market cap



Source: CapIQ for financials and year-end count (as of 8.28.26). Tech broadly defined and categorization may not be exhaustive. See full disclosure for details.

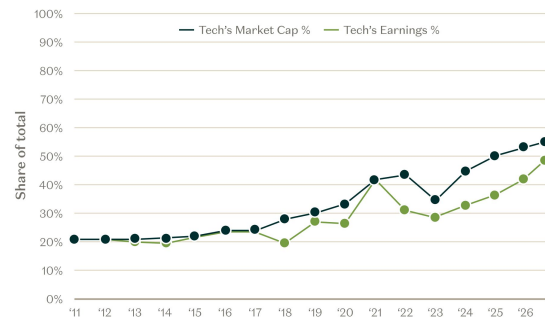
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Tech Drives Value Creation & Earnings Growth

Tech Cos are driving the lion's share of value creation and earnings growth, and have been for at least a decade.

Tech Accounts For Nearly Half The Profits in the SP500

Tech's share of earnings and market cap for the SP500

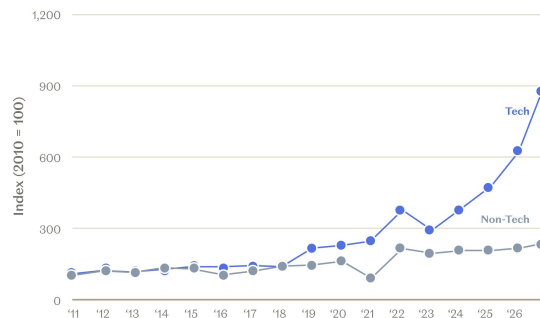


Source: CapIQ for earnings and year-end market cap for S&P 500 constituent members (as of 8.28.26) (ex-China). Coverage limitations pre-2018, likely overstates tech's earlier share (and understates the relative growth). Tech broadly defined and categorization may not be exhaustive. See full disclosure for details.

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Tech Earnings Have Grown ~3.8x More Than Non-Tech

Cumulative earnings growth SP500 (100=2010)

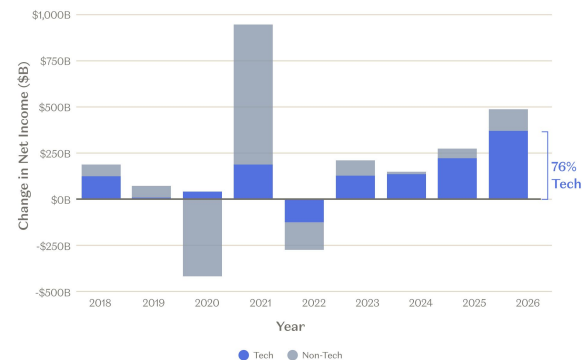


Source: CapIQ for earnings and year-end market cap for S&P 500 constituent members (as of 8.28.26) (ex-China). Coverage limitations pre-2018, likely overstates tech's earlier share (and understates the relative growth). Tech broadly defined and categorization may not be exhaustive. See full disclosure for details.

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Tech Contributed ~76% Of Earnings Growth

Contribution to sp500 annual earnings growth



Source: CapIQ for financials and year-end S&P 500 constituent members, for each year, as of 8.28.26 (ex-China). Tech broadly defined and categorization may not be exhaustive. See full disclosure for details.

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Tech Drives Margin Expansion

Margins are historically wide, and while nearly every sector has seen margin expansion recently, tech has been the standout.

Margins Are Historically Wide

SP500 quarterly earnings/sales

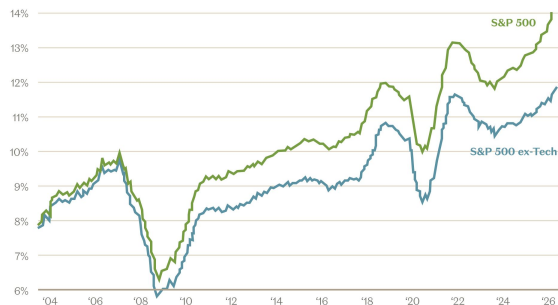


Source: JPMAM (8/26/26)

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Margin Expansion For Tech (But Non-Tech, Too)

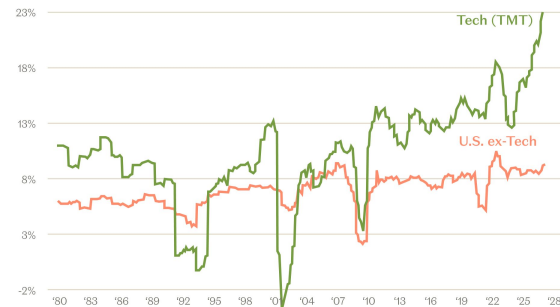
SP500 reported 12m margins



Source: FactSet, Refinitiv, SG Cross Asset Research/Equity Strategy (8.20.26)

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Profit Margin: Tech vs. The Rest (It's No Contest)



Source: Topdown Charts, LSEG (8.28.26)

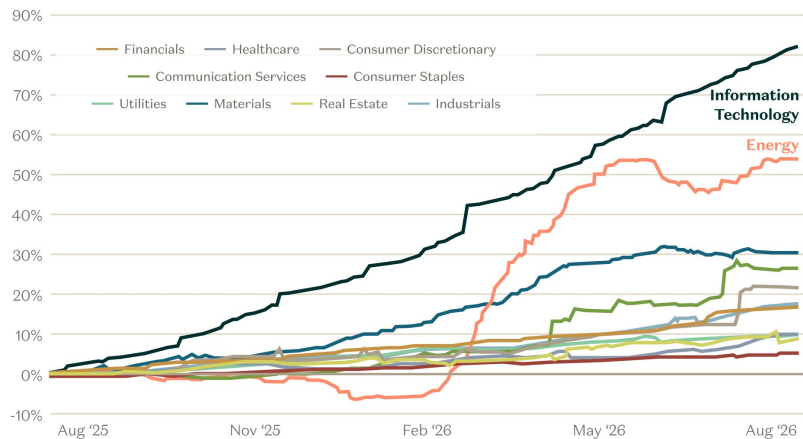
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... Leading To (Very) Strong Fundamental Performance

Tech (and Energy) are leading earnings growth, but growth is broad-based: 94% of S&P500 companies met or beat EPS estimates.

Tech And Energy Have Led, But EPS Growth Is Broad

SP500 sector earnings per share growth since Aug. 27, 2025

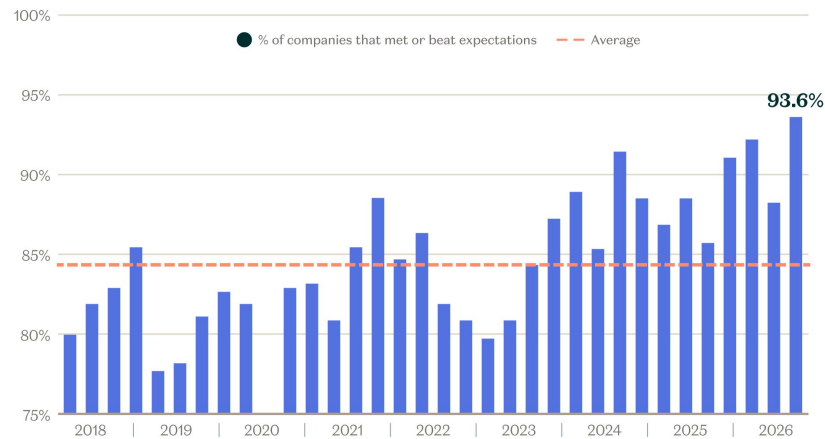


Source: JPMAM (as of 8.27.26)

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An Historic Share of Companies Are Beating Estimates

% of S&P 500 companies that met or beat EPS estimates



Source: Citi Wealth, Bloomberg Finance L.P. Data as of August 10, 2026.

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Hard To Call It A “Bubble”

The market keeps setting new ATHs, but it's profits, not prices doing the work. Despite growing profits (off an already high base), multiples have actually compressed, while performance is driven entirely by earnings growth

You Don't See That Everyday: Earnings Surge, While Multiples Compress

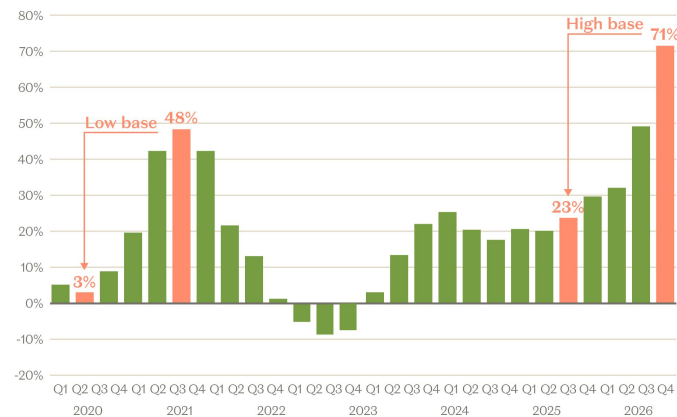


Source: JPMAM, Bloomberg Finance L.P. Data as of August 27, 2026.

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Tech Profits Are Growing Off An Already High Base

SP500 Tech Earnings (yoy%)



Source: Charkidmatt.com (\$28.26)

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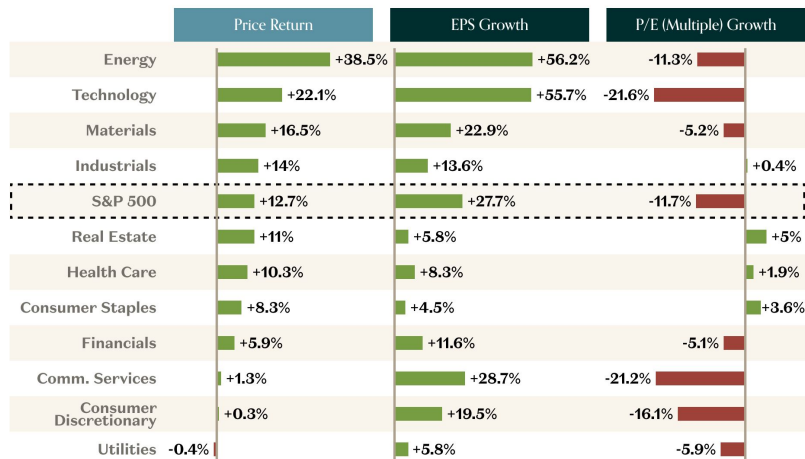
While Earnings Grow—off an already high base—multiples continue to compress

Multiple Compression Across the Board, But Especially Tech

Tech is up by more than 20% on the year, even with multiples ~20% below their 5-year average

Returns Are Driven By Profits, Not Price

Year-to-date; Earnings & Multiple Contribution

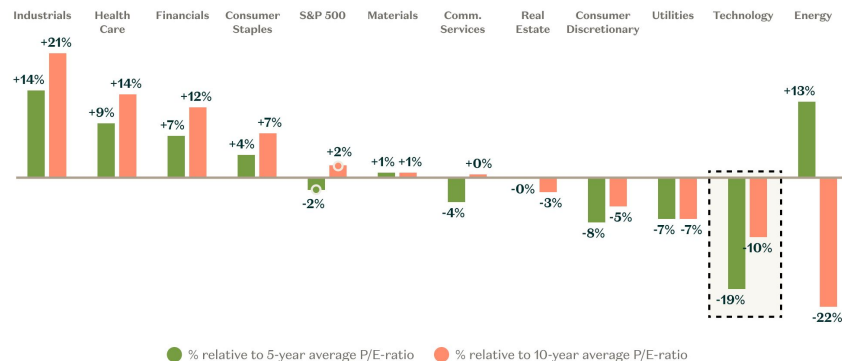


Source: Duality Research (8.30.26)

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Tech P/E Multiples Are Well-Below Long-Term Averages

SP500 sector multiples, relative to 5- and 10-year averages



Source: Duality Research (8.30.26)

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The Market Is Not a Mag-Whatever Story, Anymore

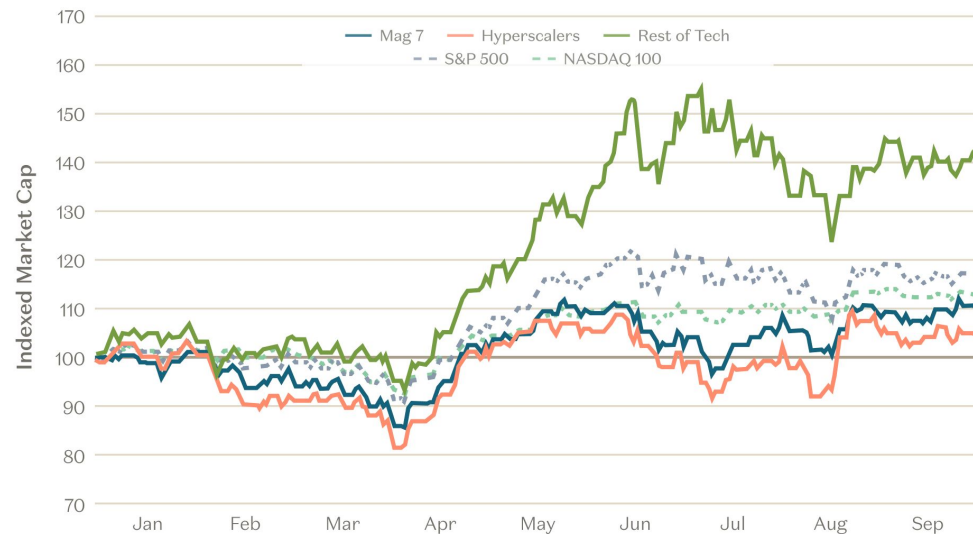
Last year, performance and returns was a concentrated story: the Mag 7 dominated the field.

This year, the field has raced ahead, while the biggest tech companies have lagged the indexes. The most straightforward explanation for the shift is unpacked in the next section: hyperscalers are pouring their profits into the AI buildout.

Hyperscaler spending has been driving semiconductor earnings to unprecedented heights, and market returns have followed the money.

Rest Of Tech, Not Mag 7, Has Carried The Year

Indexed performance, ytd



Source: Capital IQ, through Sep. 9, 2026 (ex-China). Tech co segmentation list for illustrative purposes only, and may not be exhaustive. See full disclosure for details

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Momentum, Retail, and Leverage

Retail continues to be an important mover-of-markets, where leverage and momentum contribute to increased volatility. Unlike the meme-stonk era, retail has piled into the consensus themes.

Momentum On The Way Up (And On The Way Down)

Indexed return of select factors

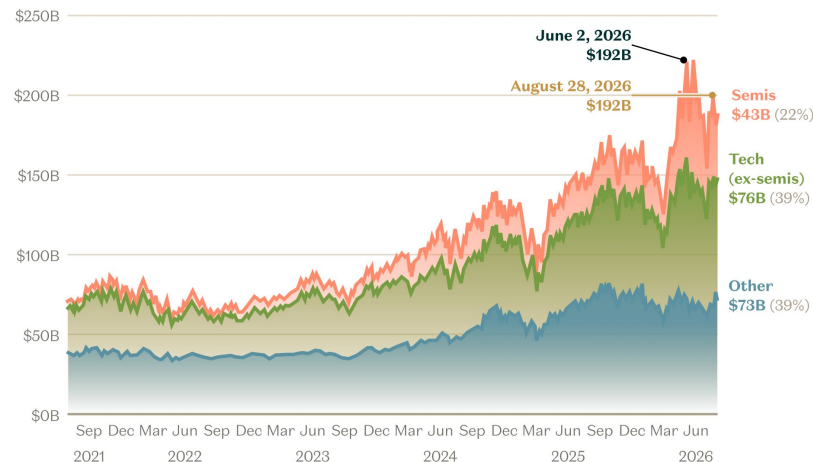


Source: DataStream, Goldman Sachs Global Investment Research (8.28.26)

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Retail Goes Long Levered ETFs

Leveraged ETF AUM, daily since 2020



Source: Bloomberg, Citadel Securities, Global Market Intelligence (as of 8/28/26)

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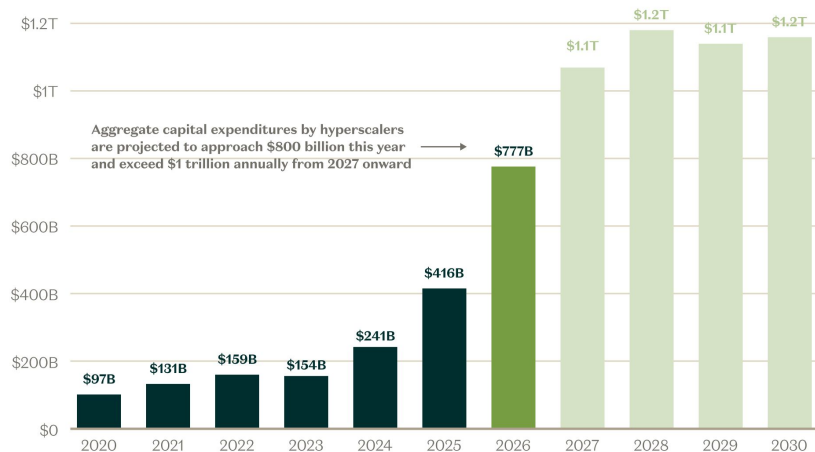


AI Is A Generational Platform Shift

We'll Let You In On A Little Secret: AI Capex is Big. Really Big.

Capex Is A Multi-Trillion Dollar Affair

Hyperscaler capex (actual and consensus est.)

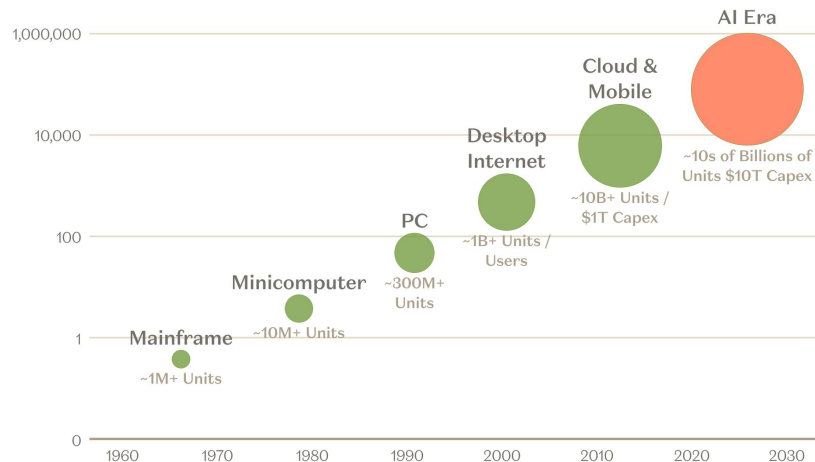


Source: Vanguard calculations, based on data from Bloomberg, as of July 31, 2026. Hyperscalers include Alphabet, Amazon, Meta, Microsoft, and Oracle. Forecasts for 2026 onward reflect Bloomberg consensus estimates.

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Every Compute Cycle Is Bigger Than The Previous One

Devices / Users (MM in log scale)



Source: Morgan Stanley Investment Research (9.14.26)

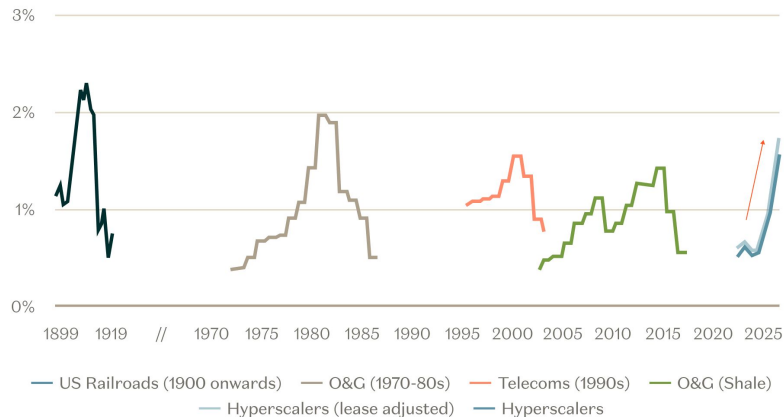
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We Keep Underestimating The Capex To Meet Demand

Every year the street tries to forecast capex, and every year that forecast has fallen short. Demand for compute, and to some extent, prices, has lifted investment into Jackie Wilson territory: higher and higher.

Capex Is Past Or Near The Peaks Of Cycles Past

Sector capex as % of US GDP through each cycle's speculative build phase

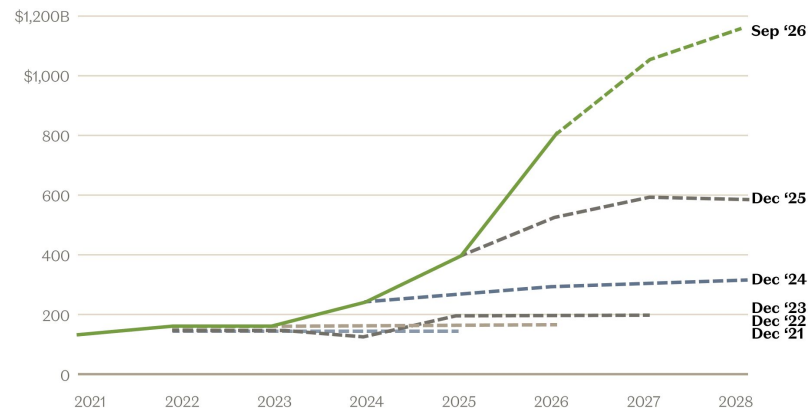


Source: BofA Global Research (Aug. 2026)

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Hyperscaler Capex Keeps Exceeding Expectations

Big 5 hyperscaler capex estimates, by year



Source: CapiQ for consensus estimates (as of 9.18.26). Hyperscalers = Amazon, Google, Meta, Microsoft, and Oracle.

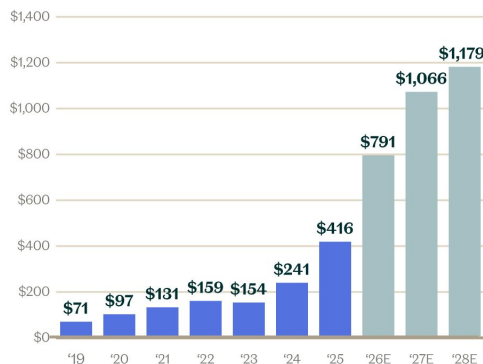
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Capex Is Eating Hyperscaler Cashflows (For Now)

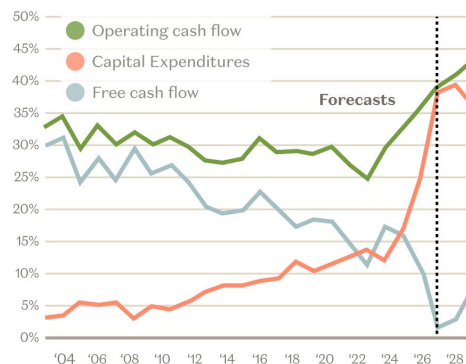
Surging profits for hyperscalers have funded the lion's share of capex, the flipside of which has been a steep drop in FCF that is expected to persist until ~2028.

Capex Is Eating Cashflows . . . For Now

Hyperscaler Capex



Hyperscaler FCF (% of Sales)



Source: JPMAM Guide To Markets (Aug. 2026)

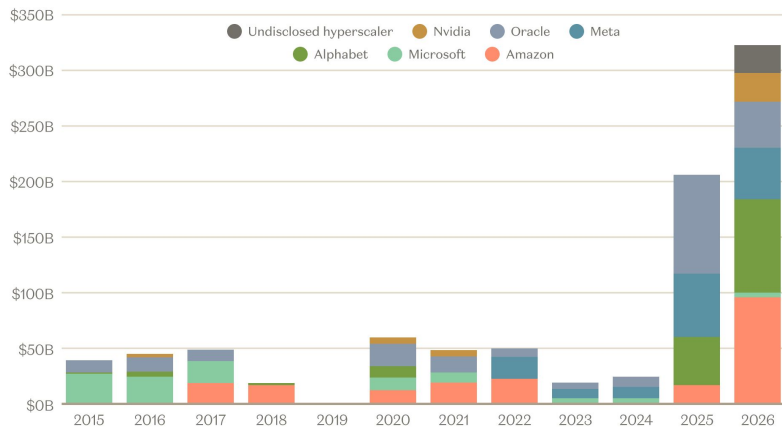
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Debt Markets Step In (On and Off Balance Sheet)

With hyperscaler cash fully-tapped, credit markets have sprung to life. Lending to Uncle Sam is no longer the only game in town.

Borrowing Bigly For The Build Out

Hyperscalers and Nvidia new IG debt and SPVs

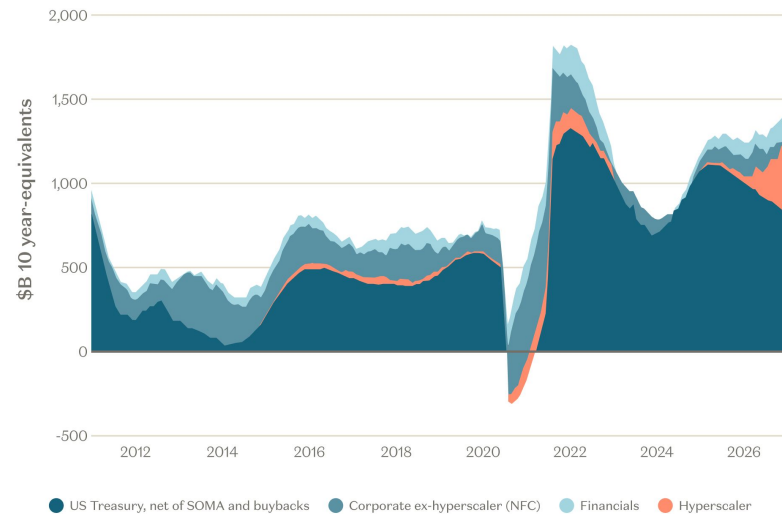


Source: Bloomberg, JPMAM, August 31, 2026

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AI Borrowing Is Longer Term Commitment

Net duration supplied to US market, change in the stock of 10-year equivalents over 12 months, \$bn. Monthly. Treasury is net of SOMA and of buybacks.



Source: Brian Setser, TreasuryDirect auction history, NY Fed SOMA holdings, Fiscal Data buybacks, Bloomberg, as of 9.25.26.

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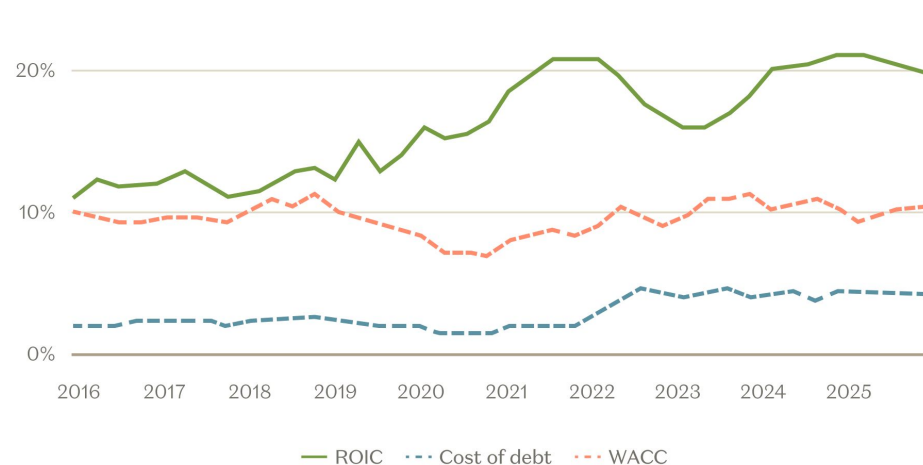
Hyperscaler ROE Still Higher Than Their Cost of Borrowing

Debt certainly raises the stakes, and the numbers are big, but what ultimately matters is the return on investment. For now, hyperscaler ROIC is well-above their cost of borrowing.

These are (again) historically profitable companies, which until recently, borrowed very little. They are borrowing to invest in hard assets that are generating steady (and rising) cashflows. It's a combination that lenders know and love.

Hyperscaler ROIC Is Above Their Cost Of Borrowing

Returns on invested capital (ROIC), cost of debt and weighted average cost of capital (WACC)



Source: BofA Global Research (Aug. 2026)

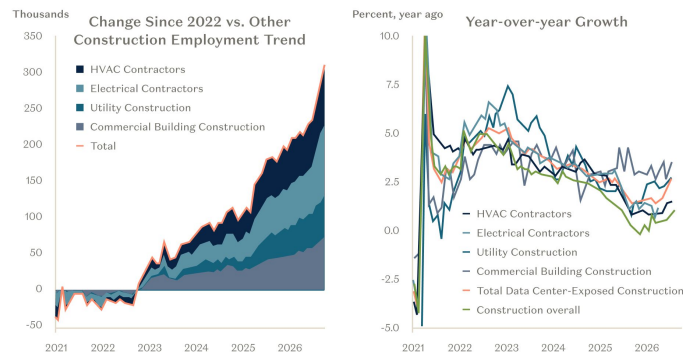
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Capex Is Having A Positive Impact On The Broader Economy

The AI buildout has led to a run on skilled labor, with a big premium to hard hat wages.

Data Centers Have Caused A Surge In Construction And Skilled Trades Hiring. And Demand Is Accelerating

Construction employment in data center-exposed categories has increased by more than 300k

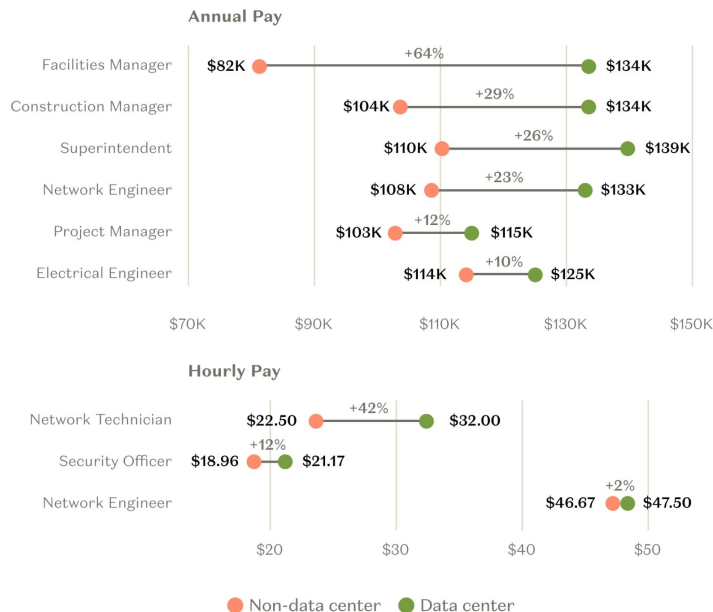


Source: US Bureau of Labor Statistics, Haver Analytics, Goldman Sachs Global Investment Research (9/1/26)

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Data Centers Pay Premium Wages

Median posted pay for data center vs. non-data center postings with the same job title, Jan-Jun 2026.



Source: Indeed, August 19, 2026, not seasonally adjusted. Median posted base pay on US employer postings, Jan-Jun 2026, among postings outside Installation & Maintenance that disclose pay. Data center postings are compared with non-data center postings carrying the same normalized job title and the same pay basis. Titles need more than 50 postings on each side to be shown.

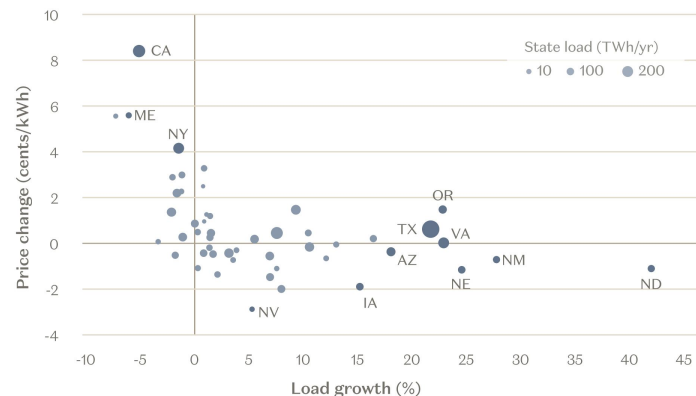
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Surprise! Data Centers May Be Lowering Your Electricity Bill

Electricity costs, too, have come down due to economies of scale: a large, steady source of electricity demand covers an outsized share of the grid's fixed costs, easing the burden on ratepayers.

The Largest Increases in Electricity Prices Came with the Largest Decreases In Demand

Load growth v. Price Change (2019-25).



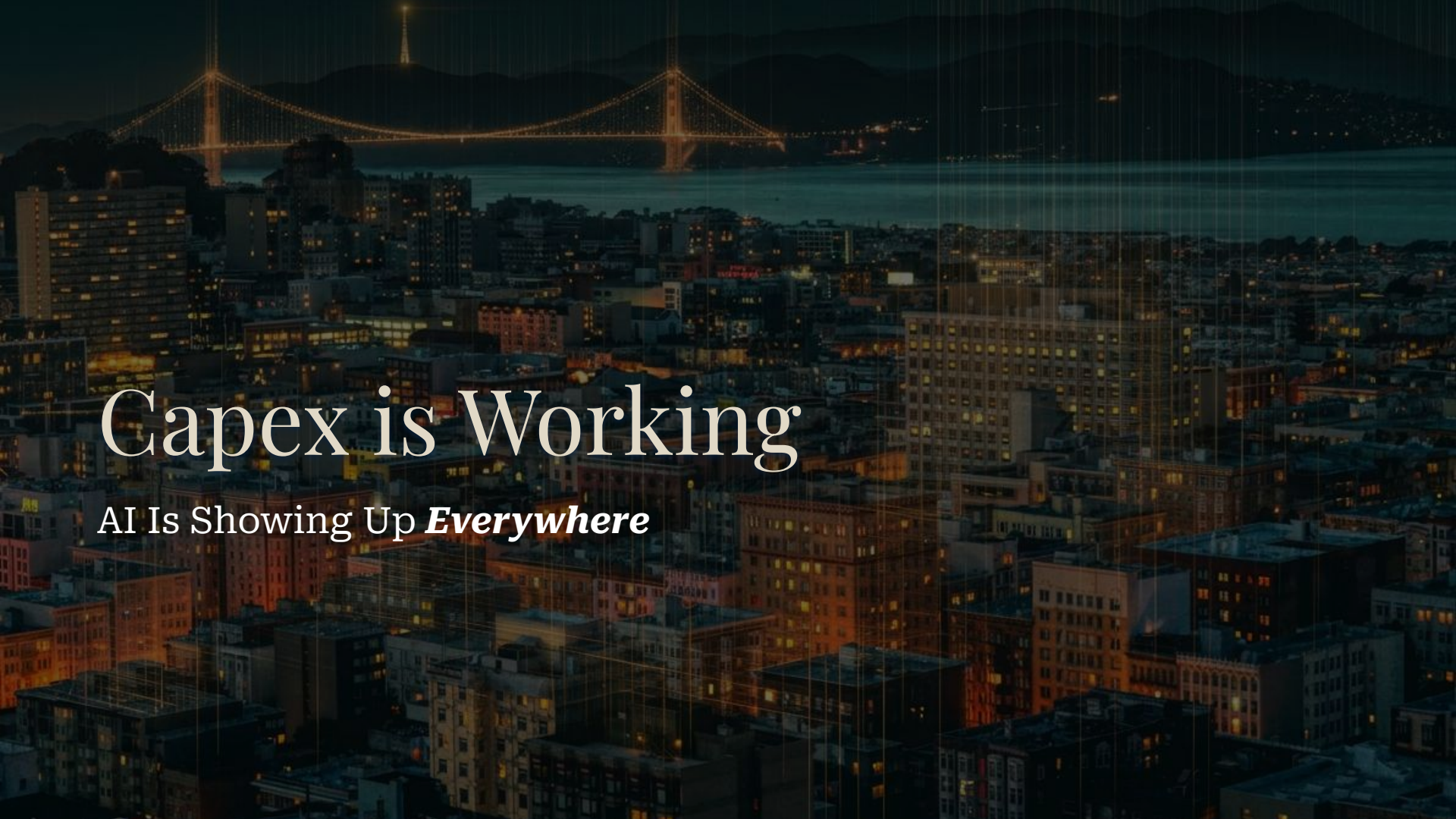
Notes: City Journal (July 14, 2026) Chart adapted from R. Wiser et al., "Retail Electricity Price Trends and Drivers: Data Update-2026 Edition," Lawrence Berkeley National Laboratory and The Brattle Group, April 2026 Price changes in cents/kWh, inflation adjusted to 2025\$. Load growth is percent change in retail sales

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"We estimate for every 10% increase in data center capacity average residential retail prices fell by approximately 0.4% on average . . . The result is interpreted thus: from 2019 to 2024 the average residential customer lived in a state where data center capacity grew 160%, which caused their rates to fall by 6%."

Have Data Centers Raised Your Electric Bill?

Watten, Bistline, Blanford (Aug. 24, 2026)

An aerial night view of San Francisco, showing the Golden Gate Bridge illuminated against the dark sky, with the city lights and hills in the background.

Capex is Working

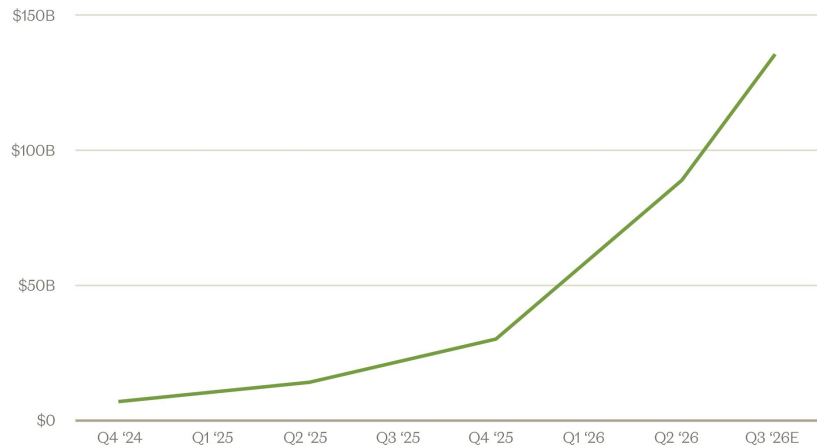
AI Is Showing Up ***Everywhere***

Revenue Growth Is Unprecedented For Speed and Scale

The justification for all this investment is straightforward: demand for AI is like nothing we've ever seen.

Unprecedented Revenue Ramp

OAI & Anthropic ARR

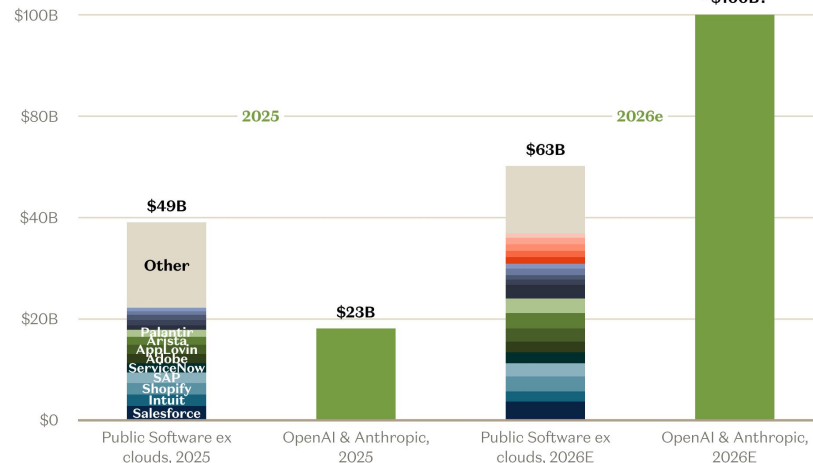


Source: YipitData (as of 9/18/26)

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Labs Have Added More Revenue In 2026 Than All Of Public Software Combined

In billions



Source: CapIQ for software (ex-hyperscalers) revenues and estimates, YipitData for labs, \$74B new-sen as of 9.18.26, but fy '26 unknown.

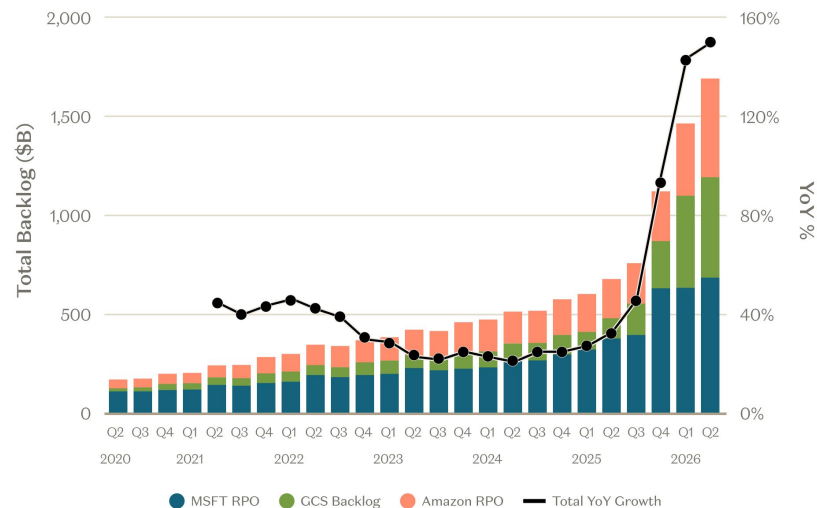
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Hyperscalers Keep Saying The Same Thing: Demand > Supply

Cloud revenue backlogs have doubled yoy, and while cashflow is near-negative for now, it's expected to come roaring back in two-years' time.

Cloud Revenue Backlog Piling Up

Major cloud revenue backlogs, total and yoy

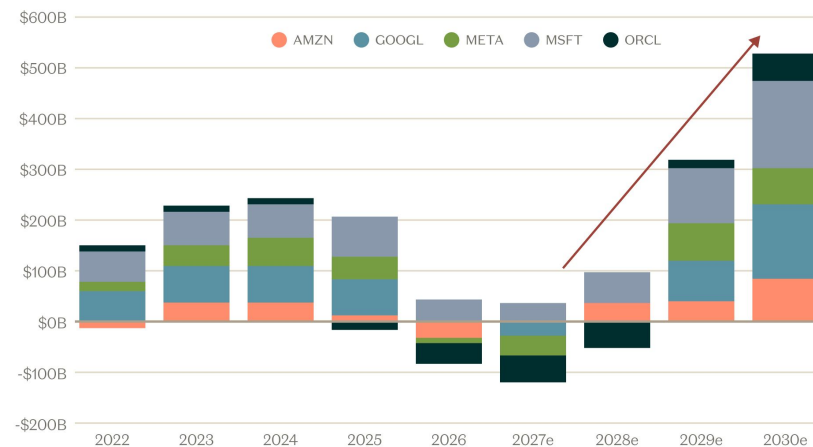


Source: Filings

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Hyperscaler FCF: Back With A Vengeance(?)

Realized and Consensus Hyperscaler Free Cash Flow



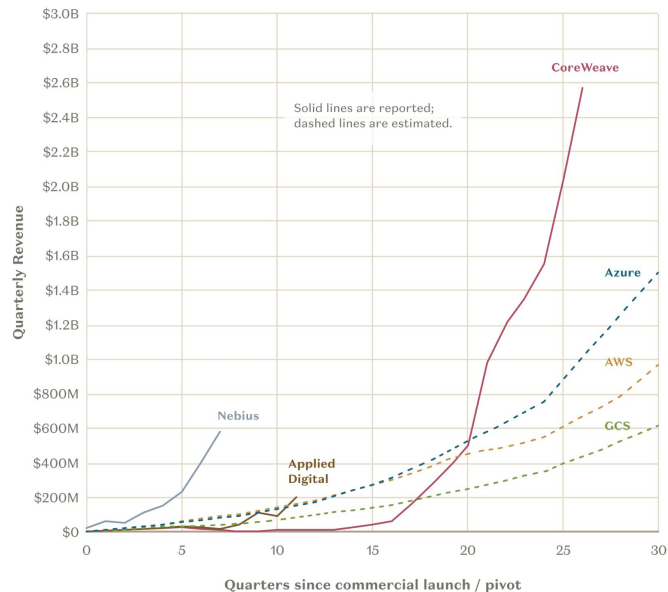
Source: FactSet, Goldman Sachs Global Investment Research (8.28.26)

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Neoclounds Are Also Growing Historically Quickly

Neoclounds Are Growing Quickly

Quarterly revenue, quarters since launch

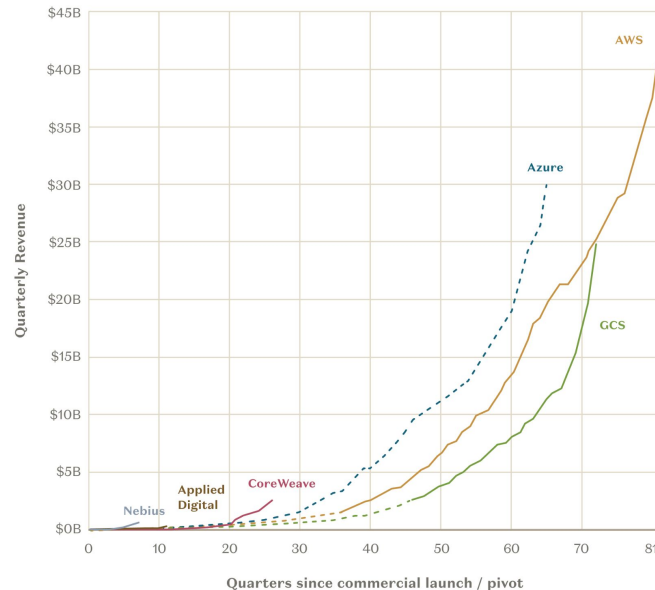


Sources: Internal analysis, company filings and earnings releases, as of August 12, 2026. Cloud revenues estimated from disclosed growth rates, not actual reported revenues. IREN (\$34M) not displayed.

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Neoclounds Have Room to Run?

Quarterly revenue quarters since launch



Sources: Internal analysis, company filings and earnings releases, as of August 12, 2026. Cloud revenues estimated from disclosed growth rates, not actual reported revenues, where dashed lines are estimates and solid lines are disclosed actuals. IREN (\$34M) not displayed.

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Reports Of GPU Obsolescence Are Greatly Exaggerated

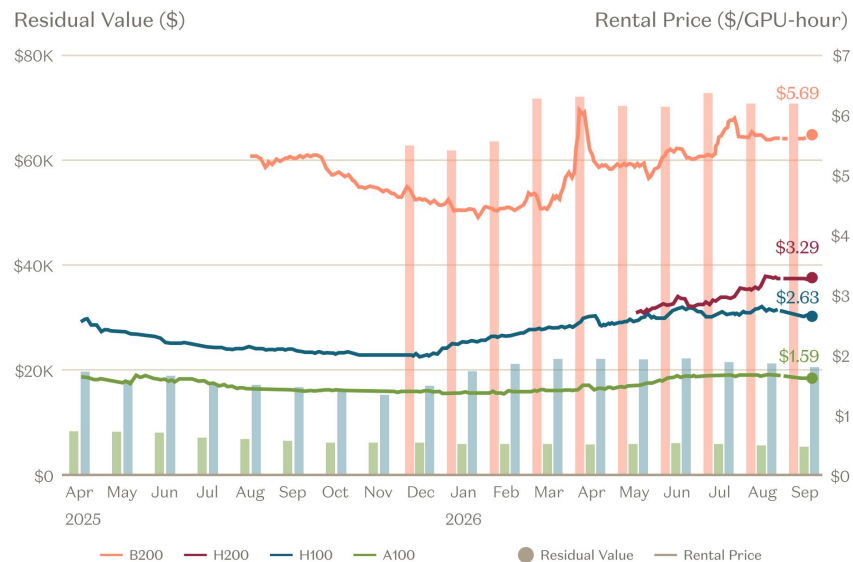
Every new generation of chips was supposed to render the older generations obsolete, the bears claimed. “The depreciation schedules keep getting longer—what is this chicanery?!” they howled.

It turns out that depreciation schedules might not be long enough. As demand for compute keeps accelerating, GPU rental prices and residual values keep climbing and/or holding steady, even for the oldest generation of chips.

It’s not chicanery, so much as simple unit economics, that have made all this capital allocation look pretty smart, thus far.

Reports Of Obsolescence Greatly Exaggerated: GPUs Getting More Valuable Over Time

GPU residual value, inferred from rental rates



Source: Silicon Data (9.7.26)

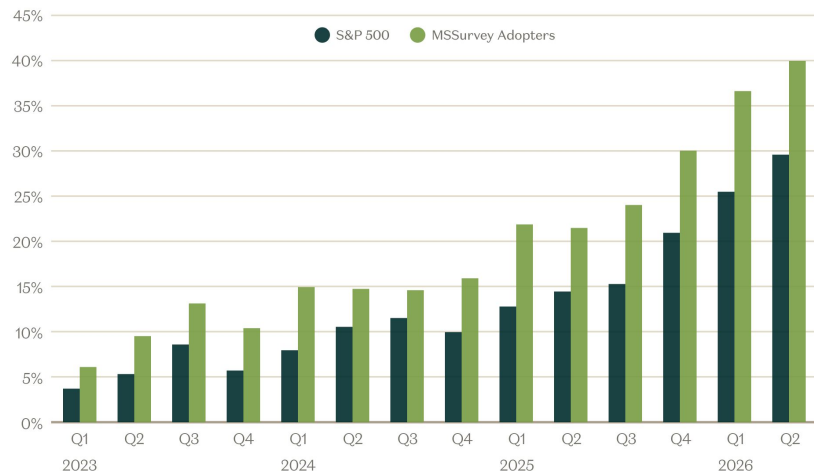
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Despite All The Demand, It's Still So Early

AI adoption is broad and impactful, but still relatively shallow.

Companies With Quantifiable AI Impact Rising

% of companies providing quantifiable AI impact



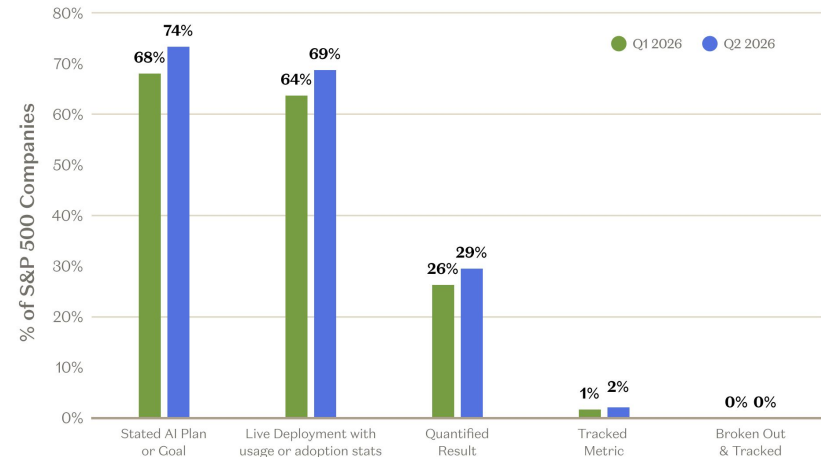
Note: Companies mentioning multiple quantifiable benefits from AI are only counted once in this chart.

Source: AlphaWise, Morgan Stanley Research (7/27/26)

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69% of the S&P 500 Point To A Live AI deployment. Only 2% Disclose A Metric They Track Over Time

Share of SP500 companies



Source: Apollo Daily Spark (9.11.26)

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Anecdota Around AI ROI Abound



AI Shopping & Ads

“...customers who use Alexa for shopping spend an average of over 40% more per order...”

“Ads Agent...6% lower cost-per-acquisition...”

Earnings Release, Amazon, Q2, July 2026



AI Ad Performance

“...GEM... a 15% uplift in conversations on Facebook”

“...Advantage+... 13% incremental lift in purchases and a 16% increase in add-to-cart conversions.”

Susan Li, CFO, Meta, Q2, July 2026



AI Ad Performance

“...Sidekick...drove like an 8% increase in new merchants reaching 5 orders within 15 days.”

“AI search...80% higher than traditional organic search.”

Harley Finkelstein, President, Shopify, Q2, August 2026



AI ACV & Deployments

“ServiceNow AI crossed \$1 billion in annual contract value in Q2 2026”

Earnings release

“...Agentic deployments of ServiceNow AI increased ninefold in just 9 months.”

Bill McDermott, Chairman and CEO, ServiceNow, Q2, July 2026



AI Underwriting

Affirm used the model to approve. . . applications that its existing system would have declined, including . . . limited credit histories and no FICO scores. . . that produced 3.4% more completed purchases, and those additional loans performed better than a comparable expansion.”

Company release Sept. 2026



AI Claims Handling

“Our LAE ratio declined to a record low 5%... continued advances in AI and automation across our claims operation...”

Shareholder letter, Lemonade, Q2, July 2026



AI Cost Efficiency

“...AI also continued to drive outsized efficiency gains...reduced our cost to serve...10% for each of the last four years.”

Chris Britt, CEO, Chime, Q2, August 2026



CoCo Adoption

“CoCo surpassed 9,100 accounts... adding more than 2,000 accounts in the quarter alone...”

Earnings release, Snowflake, Q2 FY27, September 2026



Copilot Revenue & Seats

“...GitHub Copilot... Copilot revenue accelerated over 60% quarter-over-quarter.”

“...We now have over 30 million paid Microsoft 365 Copilot Seats...”

Satya Nadella, Chairman and CEO, Microsoft, Q4 FY26, July 2026



AI Shopping

“The number of customers using Sparky is up 70% from last year...”

“...Customers and members who use Sparky for shopping spend 40% more per order than other who don’t.”

John Furner, President and CEO, Walmart, Q2 FY27, August 2026

Enterprise AI Spending Has Plenty of Room-to-Run

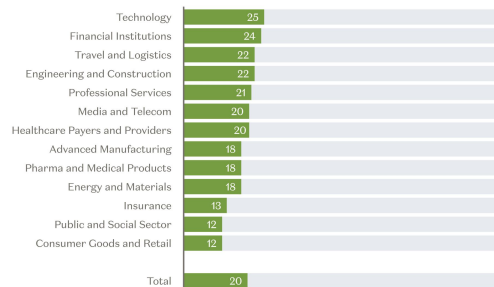
Most companies are not cost-constrained, and intend to spend more on AI.

In the big scheme of things, AI spend is a tiny share of the overall cost stack.

Consider that cloud reached ~4% of IT spend in year two. Most estimates of AI spend are below that, and TAM for AI is considerably larger than IT budgets.

Only 20% Of Orgs Cite Cost As A Constraint

Organization has constrained AI use because of AI-related costs (% respondents)

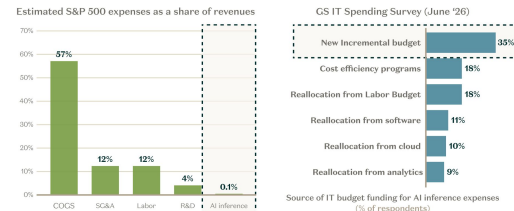


Source: McKinsey & Company (Aug. 2026)

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Enterprise AI Spending Has Plenty Of Room To Run

New incremental budget is the largest source of AI spending, but inference is still just a tiny slice of the overall cost stack.

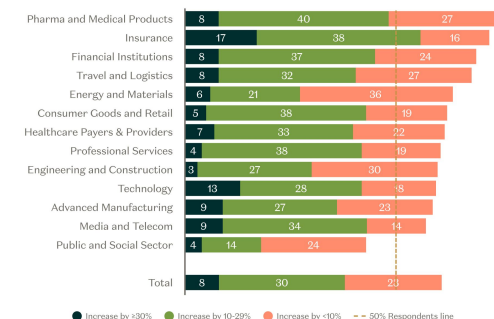


Source: (LHS) FactSet, Goldman Sachs Global Investment Research; (RHS) Goldman Sachs Global Investment Research (8/14/26)

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A Majority Of Every Sector (But One) Expects To Increase AI Spend

Expected change in enterprise-wide investments in the next year (% of respondents)

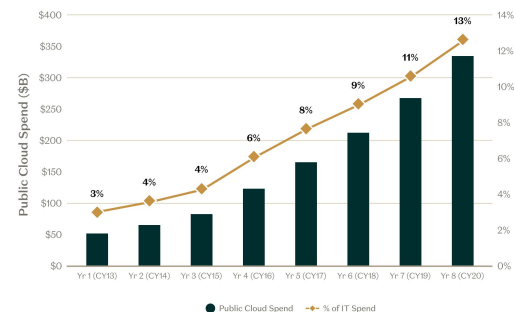


Source: McKinsey & Company (August 2026)

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By Comparison, Cloud Reached ~4% Of IT Budgets In Year 2 (And AI TAM Is Considerably Larger)

Estimated share of IT budget spend dedicated to public clouds since inception (rounded)



Source: Morgan Stanley Investment Research (9/2/26)

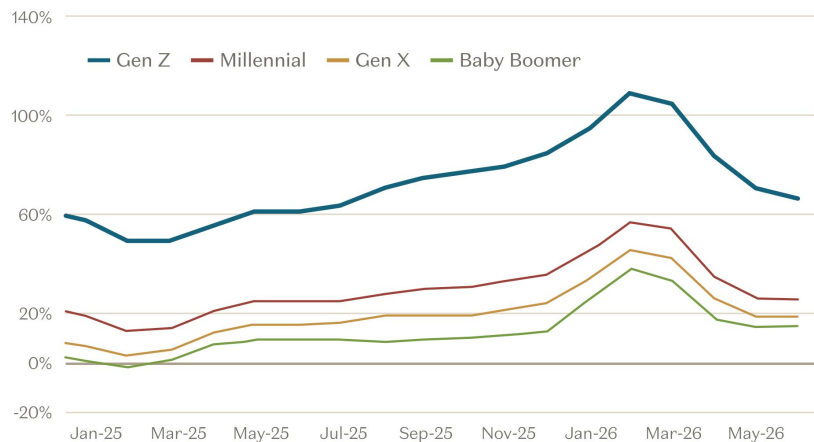
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Let's Just Say That There Were Signs

Elsewhere, there's been an explosion of code, and a surge in entrepreneurship.

Gen Z Entrepreneurship Is Growing

Monthly business applications (monthly, rolling 12m sum, yoy%)



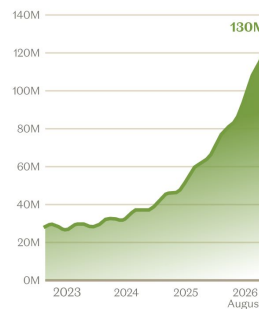
Source: Bank of America Institute, internal data (July 2026)

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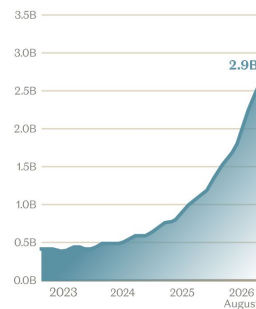
AI's Code-spllosion

Merged PRs, commits, new repos (by month)

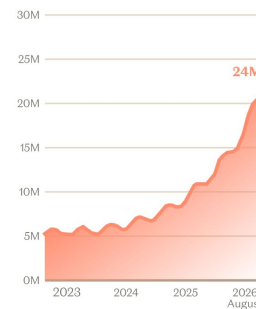
Merged pull requests per month



Commits per month



New repos per month



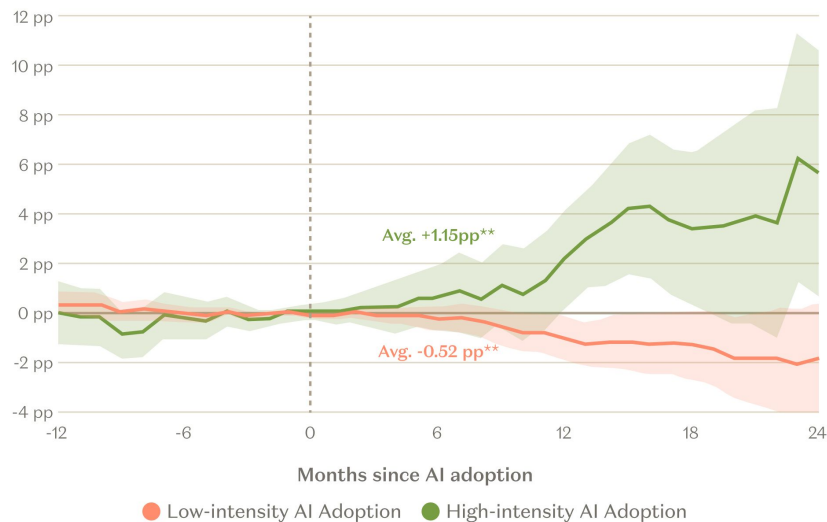
Source: Github (Aug. 2026)

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AI Intensity Leads to MORE Hiring, Especially For SWEs

AI is Taking Making Entry-Level Jobs?

Change in entry-level headcount share at companies by AI adoption intensity, compared to not-yet adopters

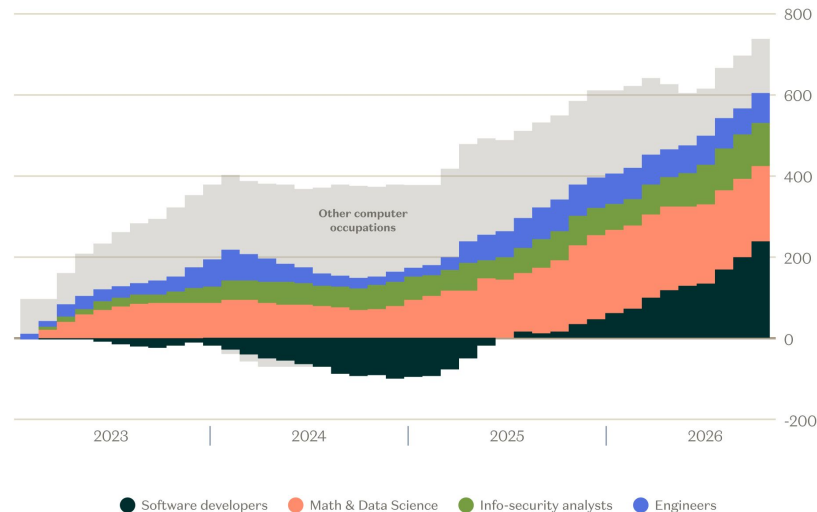


Source: Revello Labs + Ramp AI index

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Above Trend Hiring For Technical Roles

United States, additional AI-related white-collar jobs*, '000



Bureau of Labour Statistics; The Economist (9.4.26) *Actual jobs minus jobs expected if sectors followed broader hiring trends

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More Signs That We're Still Early: Beneath the Surface, AI Is Not Normal

The impressive aggregate picture actually obscures what is going on beneath the surface: adoption is wide, but mostly shallow (for now).

Growth is driven by a tiny share of power-users, who are unlocking more value with increasingly sophisticated tools and implementations.

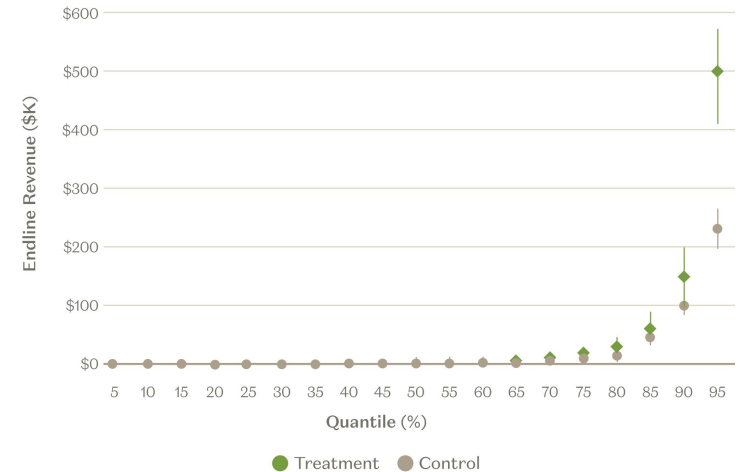
As the cost of intelligence falls, demand continues to increase for both frontier and non-frontier models. Agents especially are driving parabolic growth in token demand, as routing, caching, and other efficiency gains, make them economically viable. It's Jevons Paradox in real-time.

The exponential increase in demand is driving the price of compute upwards—even 4-5 yo GPUs cost roughly the same as they did a year ago.

And all of this is driven by just the top 1% of users, who are only beginning to scratch the surface of what's possible. Eventually, the rest of the market will catch on (or else be left behind).

AI Natives Generate More Revenues At The Tail

Revenues by quantile



Source: Mapping AI into Production, Kim, Kim, Koning <https://ssrn.com/abstract=6513481>

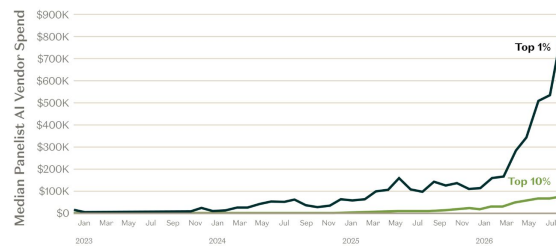
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Power Users Are Pulling Away

A tiny fraction are using orders of magnitude more AI than the field, and the gap has been widening since early this year.

AI Power Usage: Top 1% Outspends The Top 10% By ~8X

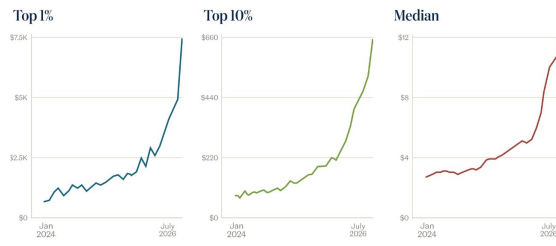
Median total AI vendor spend, by top centile and decile



Source: YipitData (9.2.26)

Everyone Is Spending More On AI (But Some A Lot More Than Others)

AI spend per employee per month

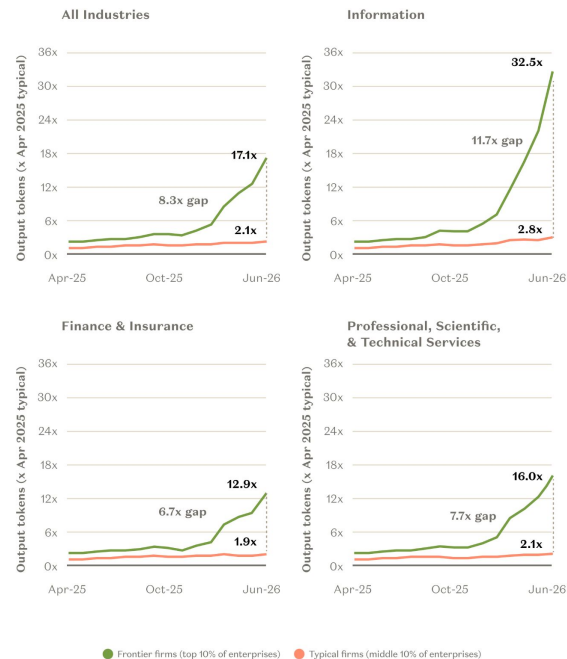


Source: Ramp AI Index (8/12/26), business spend data from Ramp. AI spend includes LLM subs, coding agents, API, and GPU cloud spend.

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AI Power Users Pulling Away From The Field

Output tokens, top decile v. middle decile, indexed April 2025



● Frontier firms (top 10% of enterprises) ● Typical firms (middle 10% of enterprises)

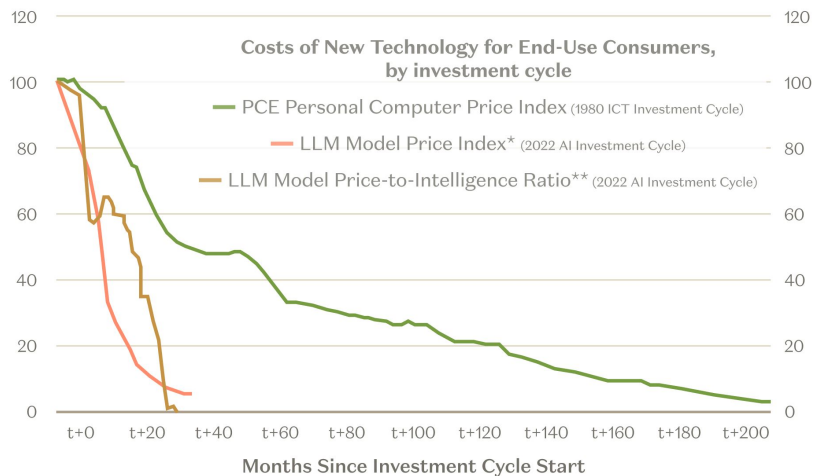
Source: OAI Signals, "What Frontier Firms are doing differently" Aug. 12, 2026.

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Jevons Paradox: Cheaper Intelligence, More Demand

The Price of Intelligence Is Falling Quickly

Cost of AI has deflated as much in ~3 years, as PCs deflated in ~1.5 decades



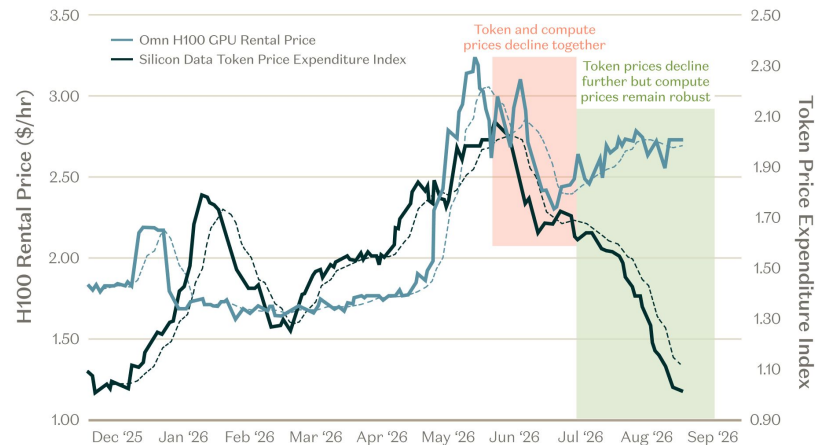
Notes: *Price per million tokens averaged across difference LLM models, indexed to March 2023; **Quality-adjusted LLM model price index from Demireu, Fradkin, Tadelis, and Peng, 2025

Source: Goldman Sachs Global Investment Research, Department of Commerce (July 10, 2026)

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Jevons: Compute Prices Rise As Token Prices Fall

H100 GPU Rental Price vs. Silicon Data Price Expenditure Index



Source: Ornn, Silicon Data, Bloomberg, as compiled by Citadel Securities, data as of Aug 2026.

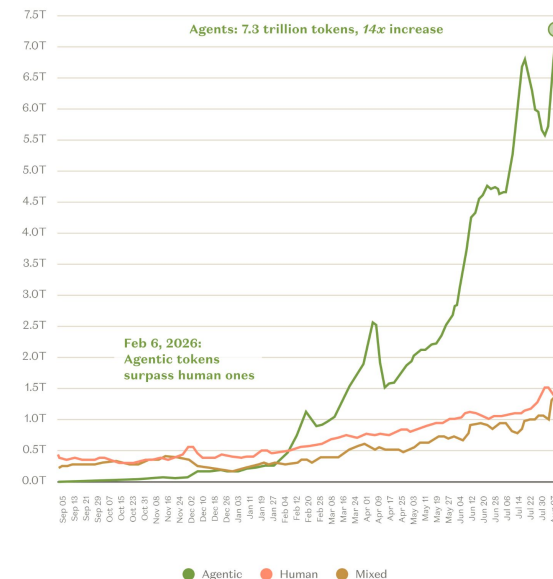
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Cheaper Tokens Have Ushered In The Age of Agents

... and Token Demand Goes (Even More) Parabolic

Agents Are Using Far More Tokens Than People

7-day average token usage on OpenRouter, by type

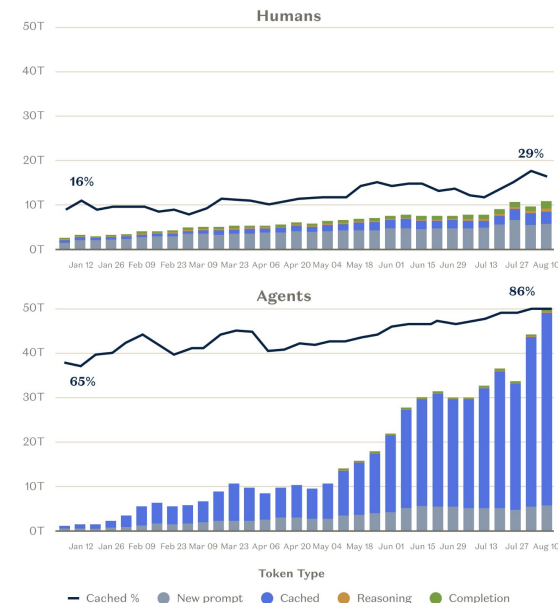


Source: openrouter.ai/rankings

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Agents Are Caching In

Over 85% of agentic token burn comes from the cached prompt



Source: openrouter.ai, Jan. 5-Aug. 16, 2026

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Instead of Open v. Closed, Why Not Both?

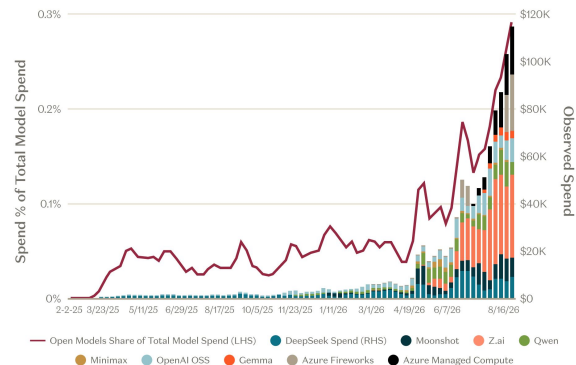
Cheaper intelligence is expanding the surface area of demand, which means that model competition is not a zero-sum-game.

To the contrary, tiered performance and pricing is giving firms more opportunities to unlock use-cases, up and down the value chain.

In the bigger scheme of things, open-weight tokens are increasing share, but overall token spend is increasing, as well, with frontier models still capturing a premium for frontier problems.

Open Models Growing Quickly (But Still A Tiny Slice Of The Overall Spending Pie)

Spending on China-based open models via AWS, Azure, GCP

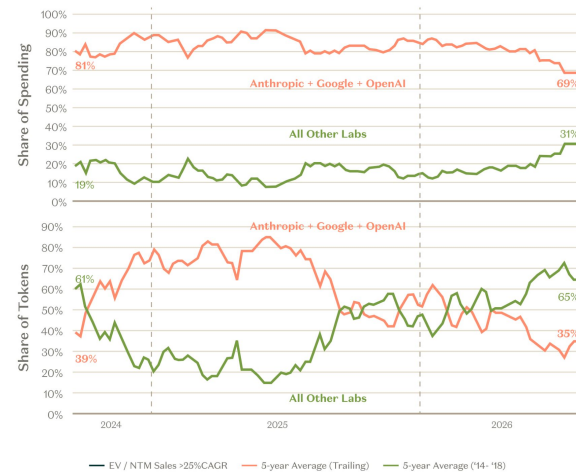


Source: YipitData (8.28.26)

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Frontier Labs Capture ~70% of the Spend, On 35% Of The Tokens (With Tokens Up 600x Over 2 Years)

Share of tokens and spend across OpenRouter



Source: OpenRouter.ai (8.28.26)

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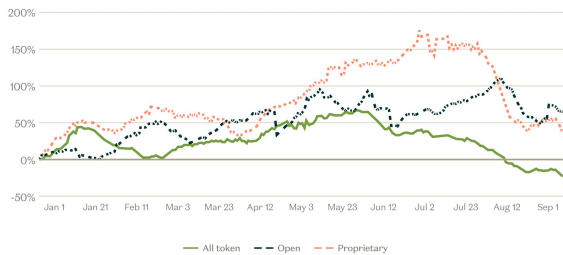
As Users Optimize Their Spend, Demand for Compute Only Builds

Like GPUs, older models are far from obsolete. As the overall cost of intelligence falls, the pie keeps growing, with frontier and non-frontier models splitting share.

Increased efficiency begets more demand, driving compute prices steadily upwards.

Price/Token Is Falling, Driven By Proprietary Models

SiliconData Token Expenditure Index (blended price/token)

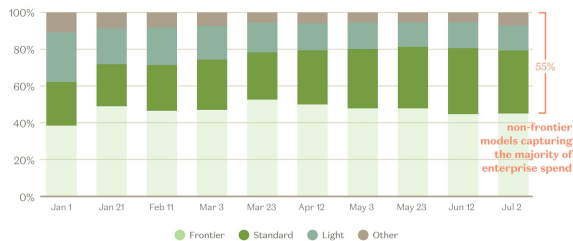


Source: SiliconData (9.1.26)

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While Older Models Learn New Tricks

Share of enterprise spend on frontier v. non-frontier models

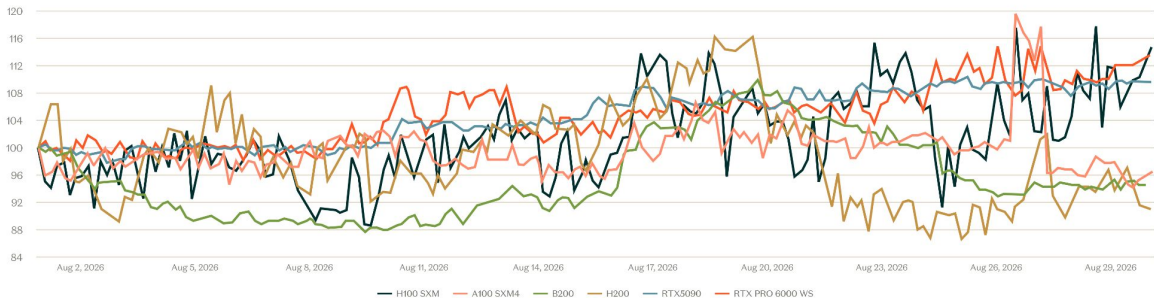


Source: Ramp AI Index Frontier includes expensive models like Opus and Sol. Standard includes mid-tier models like Terra and Sonnet.

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Token Demand Drives GPU Rental Prices (Even For Older GPUs)

Rental prices, by accelerator (Aug 1=100)



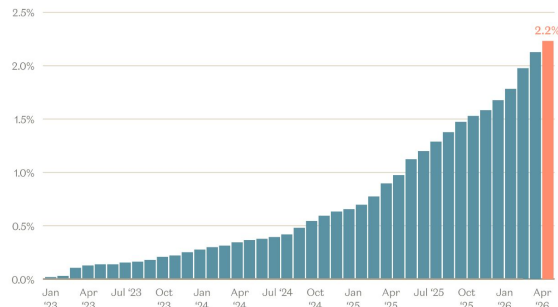
Source: Orm Exchange (8.31.26)

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On the Consumer Side, Things Are *(Also)* Just Getting Started

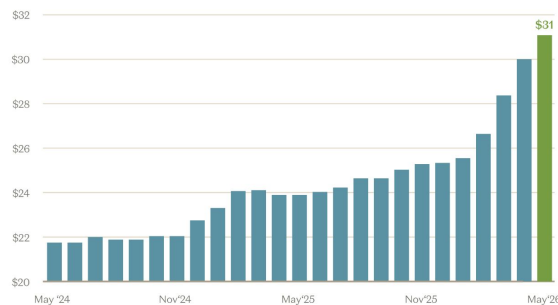
More and More Households are Paying for AI

Share of US Households with paid AI subscriptions



Households are Spending More on AI

Average monthly spend on AI subscriptions (among subscribers)

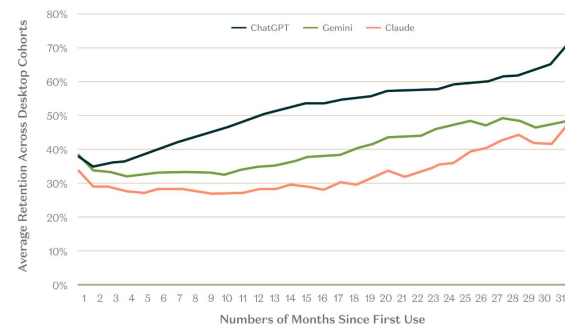


Source: PNC Research, Internal Data (July 13, 2026)

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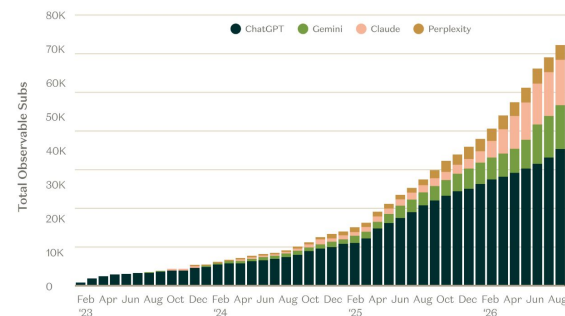
Steep Growth With Retention Curves That Smile

Average retention by desktop provider across monthly cohorts



Paid Consumer Subscriptions ~5x Since 2025

Total US active consumer subscriptions



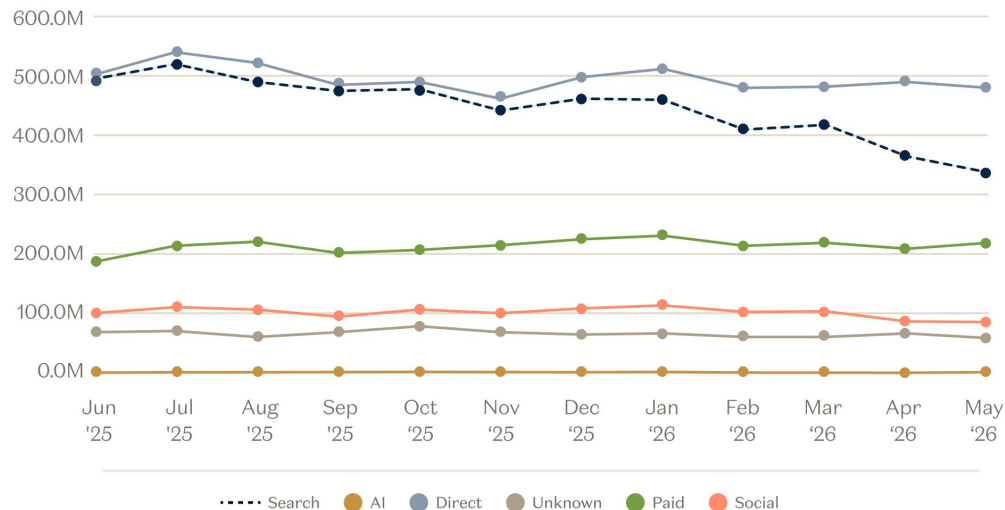
Source: YipitData, Desktop Web Traffic Data; E-receipt Data (9.8.26)

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Consumer AI: Search Referrals Gaining (but still very small)

Search Is Less of a Source

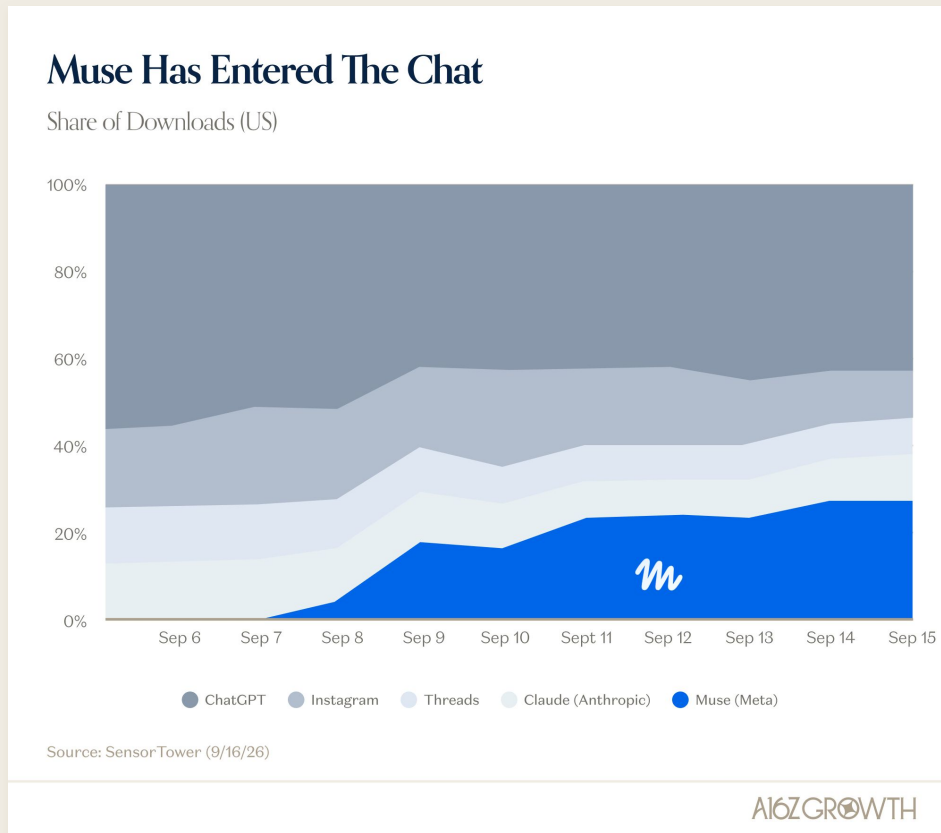
Absolute traffic, by channel



Source: Ahrefs

A16ZGROWTH

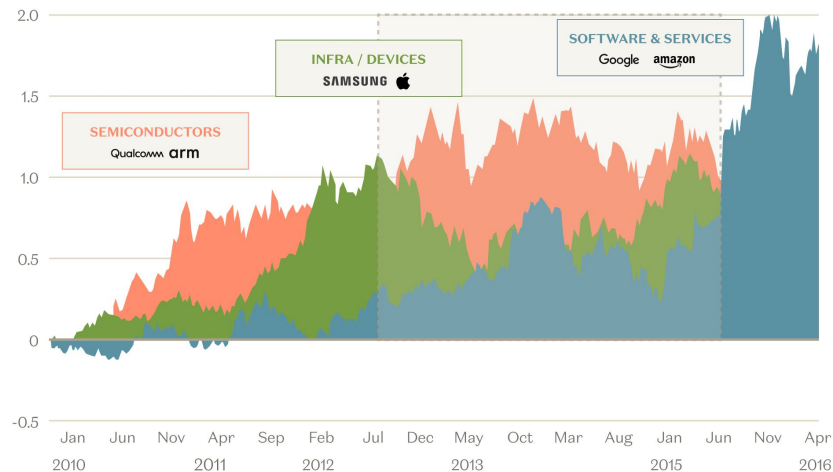
Waiting for the SuperApp: Muse Has Entered the Chato



Not The First Capex Rodeo: Semis Led Software Before

First Semis, Then Software

Relative Stock Performance During Mobile Internet



Relative Stock Performance During Mobile Internet:

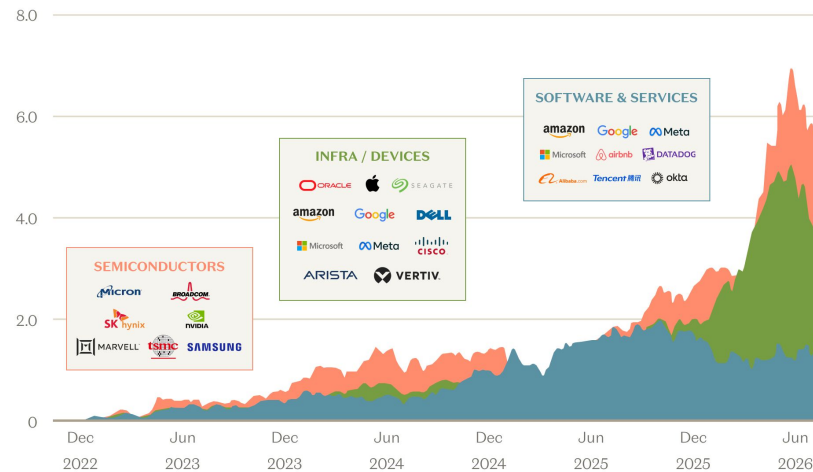
● Semiconductors ● Infrastructure ● Software & Services

Source: Morgan Stanley Research, FactSet

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Semis Then Software, Take Two (AI Edition)

Relative Stock Performance During Mobile Internet



Relative Stock Performance During Mobile Internet:

● Semiconductors ● Infrastructure ● Software & Services

Source: Morgan Stanley Research, FactSet (9.14.26)

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Atoms Are So Back

AI has led to a broader rotation from bits to atoms

Follow The Money

Returning to markets, all of this AI supply and demand, has had a profound impact on the types of businesses that are driving performance. For more than a decade, software was the star of the show, but with the advent of AI, hardware has taken center stage.

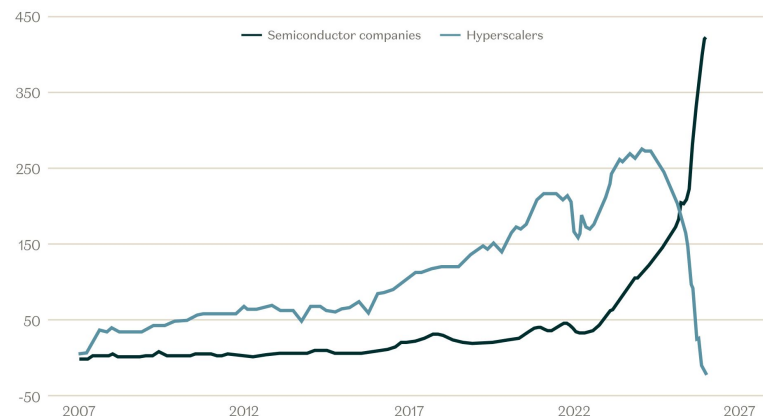
The multi-trillion capex super-cycle has caused a surge in demand for, among other things, GPUs, HBM memory, power components, skilled trades, and even copper, that has far outstripped supply. The result has been historic earnings growth for traditionally sleepy, cyclical sectors, and stock prices have responded, accordingly.

To be clear, it's not only AI-infra driving the rotation from Bits to Atoms. EVs and solar power have also precipitated a massive grid glow-up. Defense spending is on the rise. Rockets and robots are both emerging new frontiers. Global politics and secular aging have lent urgency to the task of rebuilding an industrial base that will support core manufacturing, innovation, and automation.

We've entered a new cycle of real assets, and while tech is running through all of it, capital-light bits is no longer the (only) name of the game. Another Age of Atoms has arrived.

Hyperscaler FCF Has Become Semiconductor FCF

12M fwd FCF, billions



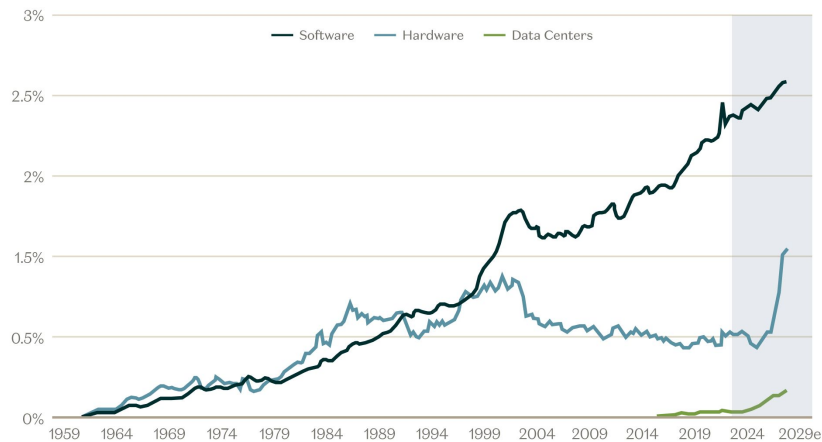
Source: BofA Investment Research, as of 8.30.26. Hyperscalers = amzn, googl, meta, msft, orcl. Semis = nvda, mu, avgo, amat.

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Follow The Money: Capex ➡ AI infra (cont.)

Investment Was A Software Story, Until Recently

US Nominal Investment (SAAR, % GDP)

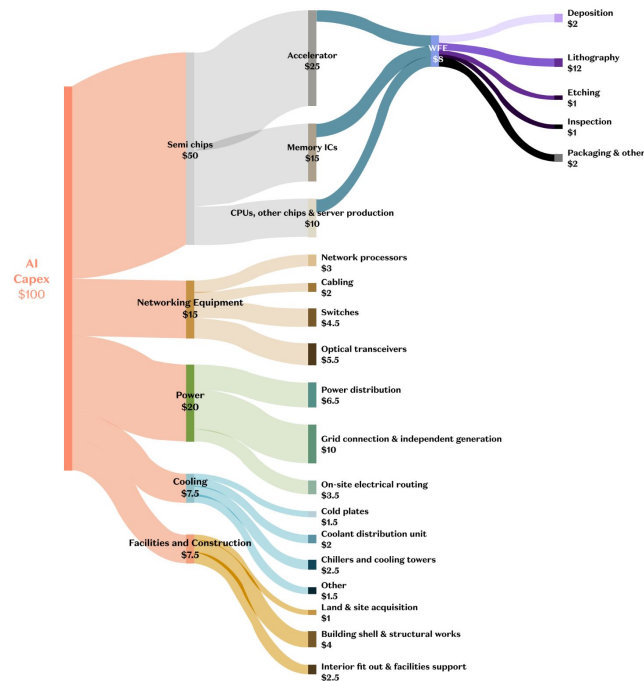


Source: Deutsche Bank Research (Aug. 2026)

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Following The AI Capex Money

Illustrative \$100 Capex Across the Supply Chain



Source: BNP Paribas Equity Research, SankeyMATIC, *high level estimates subject to change given rapidly shifting costs and demand-supply (Aug. 2026)

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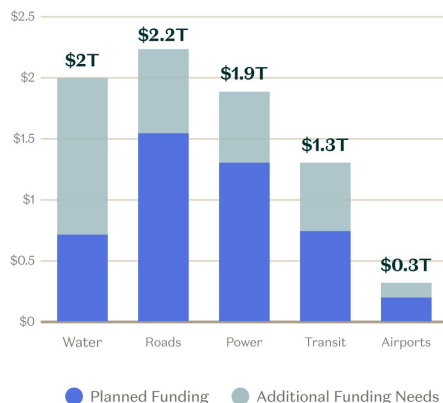
The Rotation From Bits to Atoms Is More Than Just Chips

Infrastructure and industrial needs are massive. Globally, ~\$90T of investment is necessary by 2040.

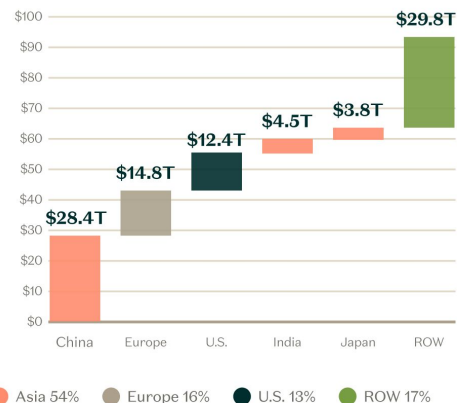
Global Infrastructure Needs Are Massive

USD trillions (2024-33)

U.S. Infra funding & funding gaps (2024-33)



Global Infra investment needs by region (2016-40)



Source: JPMAM Guide To Markets (Aug. 2026)

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A Growing Manufacturing Base

U.S. Factory Activity In Expansion Mode

ISM's manufacturing gauge signaled the strongest growth since 2022

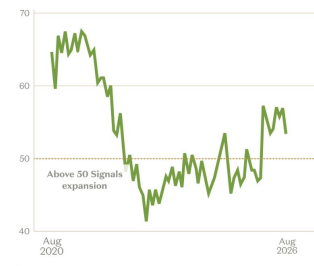
Manufacturing PMI



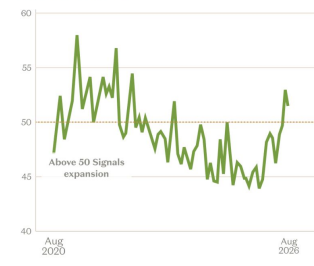
Production Index



New Orders Index



Employee Index



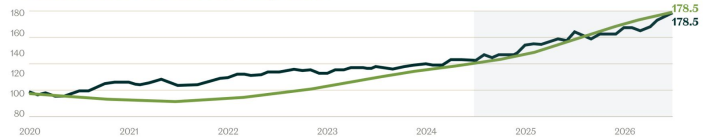
Source: Institute for Supply Management; Bloomberg (8.15.26)

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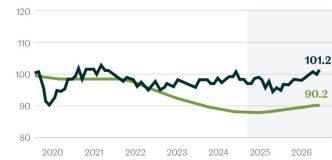
Manufacturing Output Is Running Ahead Of Capacity

U.S. manufacturing capacity and output by industry: 2019 avg = 100

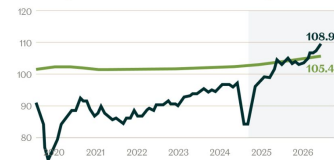
Semiconductors & Electronic Components



Electrical Equipment



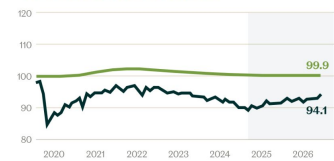
Aerospace & Miscellaneous Transport



Machinery



Fabricated Metal Products



Source: Federal Reserve G.17 (9.14.26)

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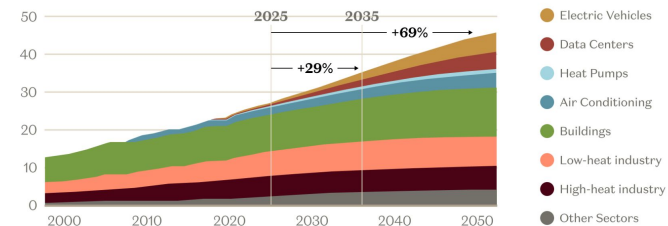
Electrification of Everything

Growing Electricity Demand Is More Than Data Centers

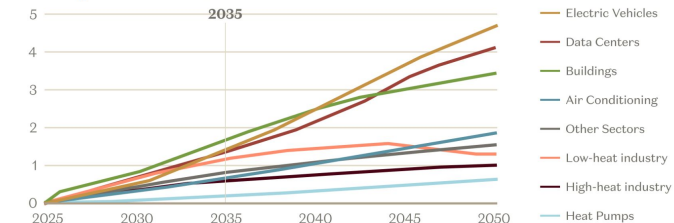
Absolute and relative growth estimated, by source

Absolute Growth, estimated

Thousand terawatt-hours



Relative growth from 2025

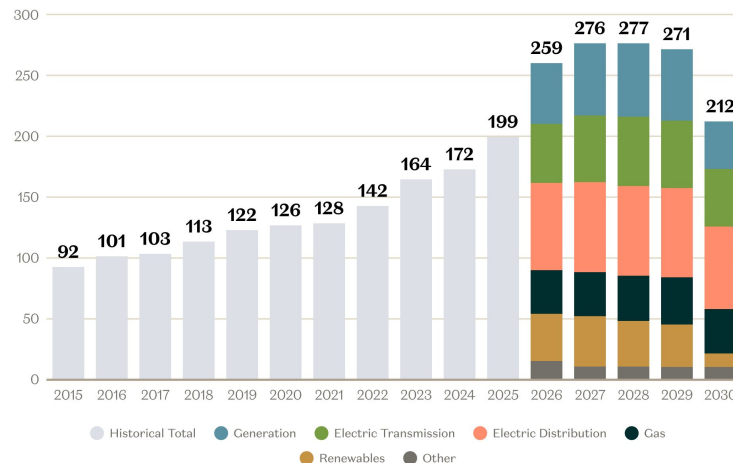


Source: Bloomberg NEF 2026 Energy Outlook

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Utilities Capex To Exceed \$1T By 2030

Annual capex (\$B) (est)



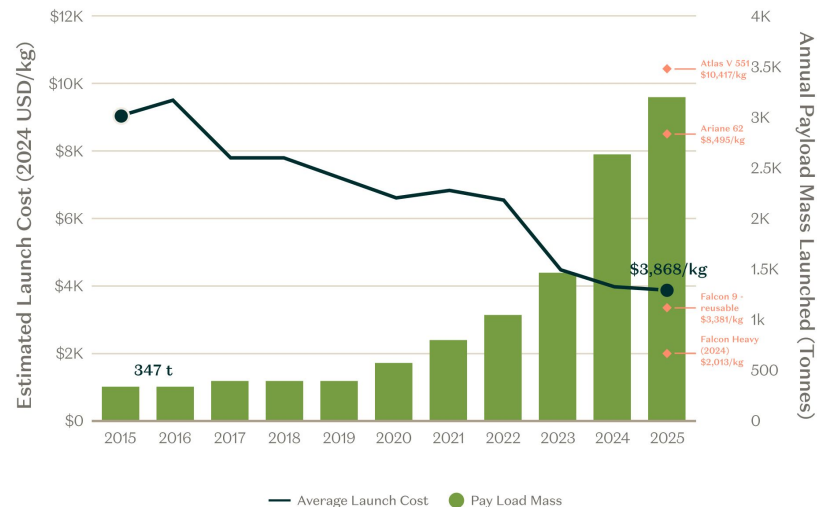
Source: S&P Global/RRR (4.23.26)

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Rockets To More Than Just The Moon

Cheaper Rocket Launches 🤝 More Payload

Global annual estimates, 2015-2025

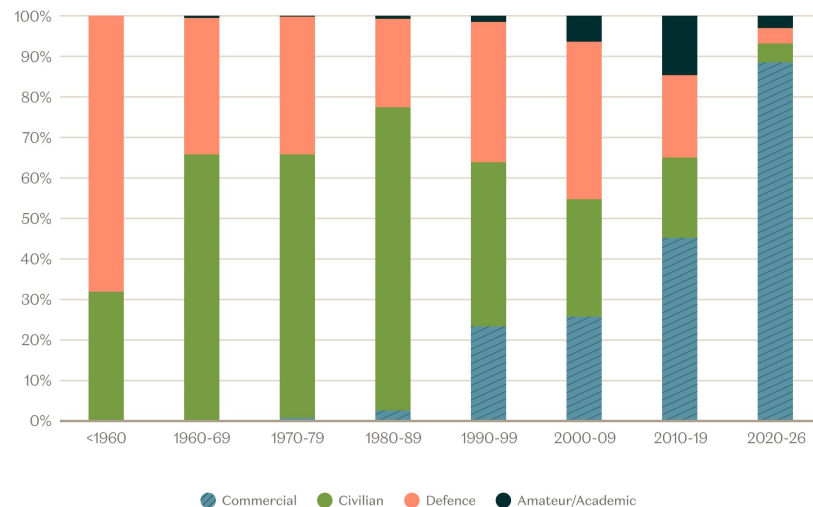


Source: Terzi & Nicoli (2026)

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Outer Space Is A Place Of Business

Owner/operator share of launched objects, as of May 9, 2026



Source: General Catalog of Artificial Space Objects (05/09/26)

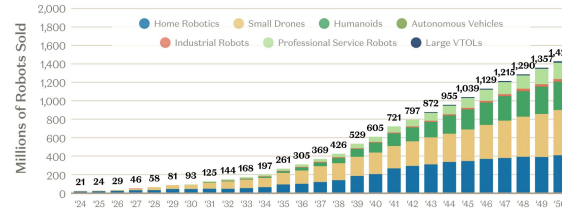
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We're Going To Need More Robots, And Those Robots Need More Parts

AI is triggering another great wave of automation and robotics. As of now, most of the supply chain is overseas. That's changing.

We're Going To Need A Lot More Robots ...

Est. annual robot sales

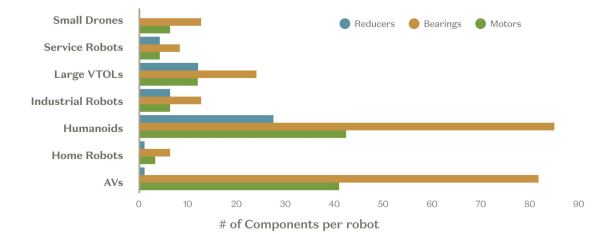


Source: Morgan Stanley Research estimates, 9.13.26

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... And A Lot More Robot Parts

Key actuator components per robot (26e)

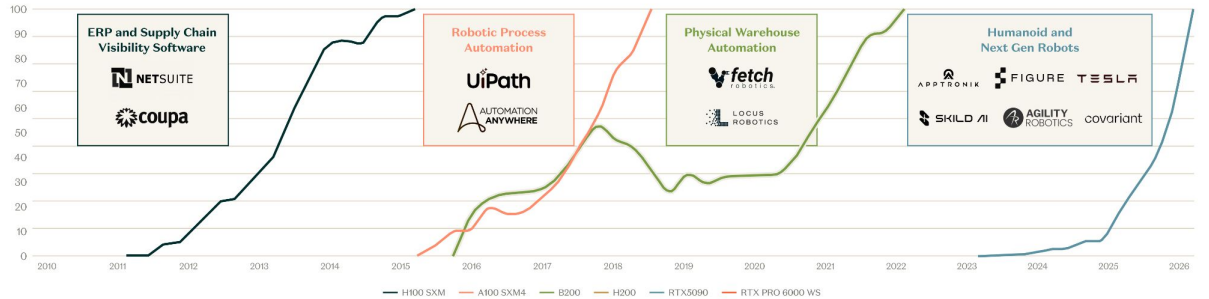


Source: Morgan Stanley Research estimates, 9.13.26

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Another Automation Wave, Inbound?

Earnings call mentions of each tech, indexed to zero at start and 100 at maximum mention frequency



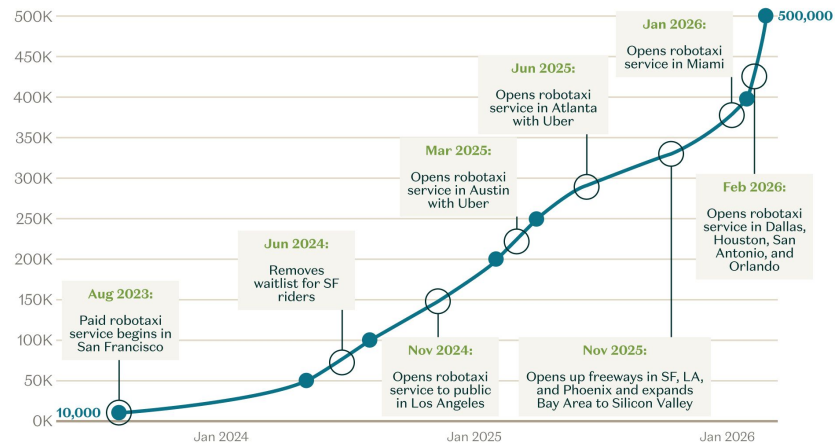
Source: SVB Physical AI & The Future of Robotics (July '26)

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Robotaxis Inbound

Waymo's Quick Ascent to Half a Million Weekly Robotaxi Rides

Rides per week

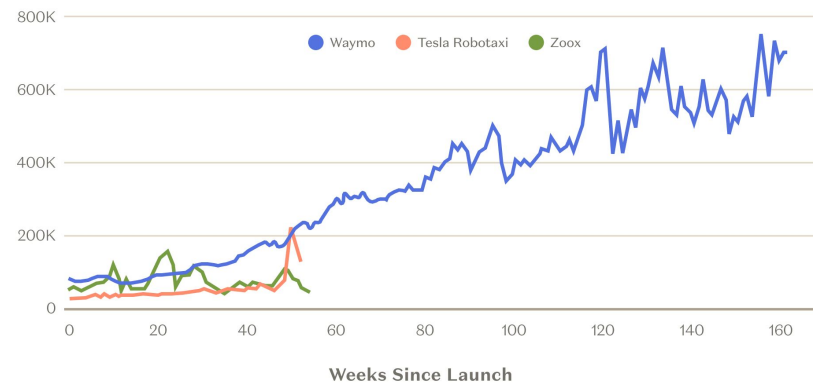


Source: TechCrunch (5.27.26). For a full list of a16z portfolio companies visit a16z.com/investment-list.

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All Hail Robotaxis

U.S. weekly active users, since commercial launch



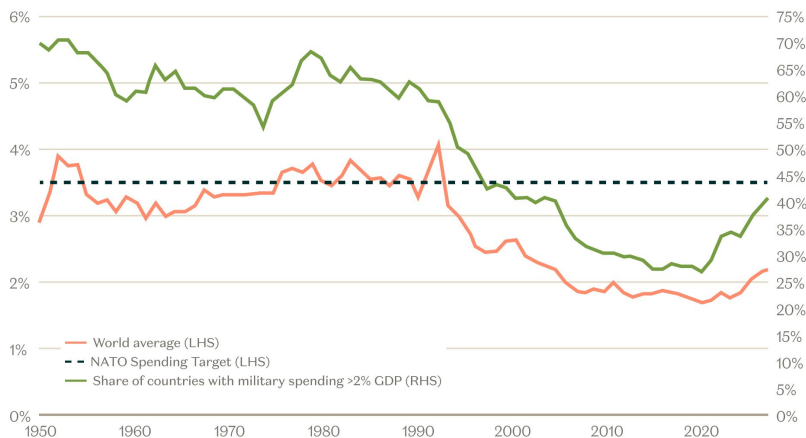
Source: SensorTower (as of 9.24.26), Waymo start 8.21.23, Tesla 9.22.25, Zoox 9.8.25. For a full list of a16z portfolio companies visit a16z.com/investment-list.

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Rising Defense Spending

Global Defense Budgets Rising

World defense spending as a % of GDP (1950-2025)



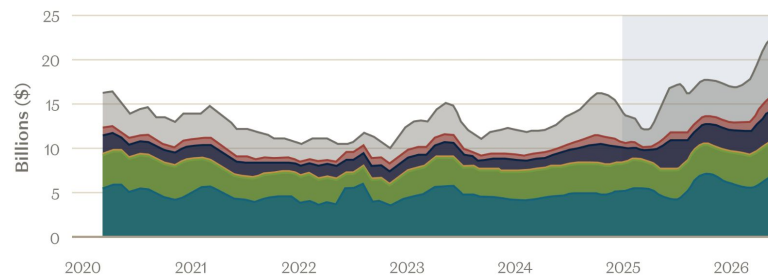
Source: IMF's April 2026 World Economic Outlook

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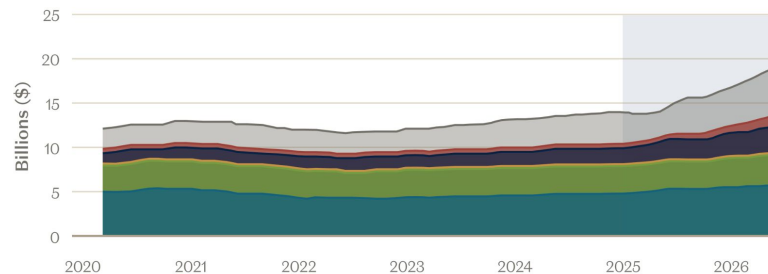
Defense Orders and Production Are On The March

Defense orders and shipments, by category

New Orders



Shipments



● Defense aircraft & parts ● Search & navigation ● Communications
 ● Ships & boats (est.) ● Missiles & space (est.) ● Small arms & ordnance (est.)

Source: U.S. Census Bureau M3 Survey and BEA NIPA Table 3.11.5, nominal. M3 "other defense" sub-categories estimated using BEA defense gross-investment shares for ships, missiles and other equipment.

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The Rotation To Atoms Has Flipped The Field In Markets

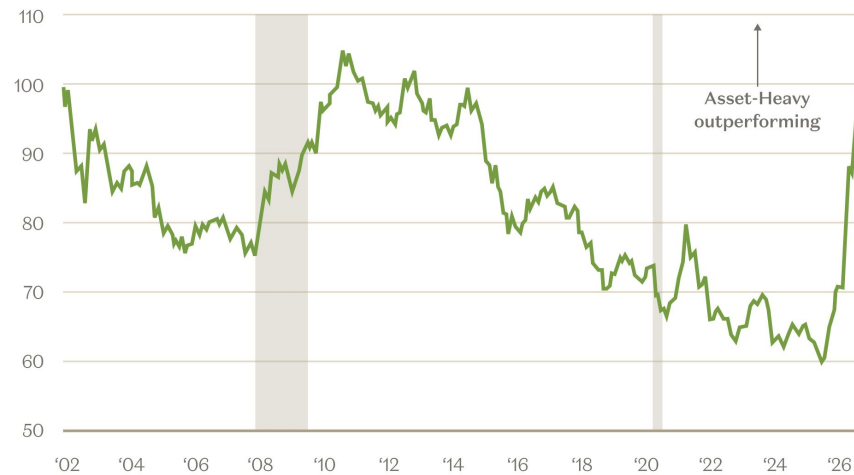
Unsurprisingly, this great leap forward in Atoms investment is showing up in market pricing. After a decade-long of capital-light dominance, capital-heavy businesses have flipped-the-field.

It's not that capital-light businesses (like software) have performed poorly (SaaSocalypse notwithstanding), so much as tech's largest and most profitable companies—and thereby the world's largest and most profitable companies—are pouring those profits into hardware like never before.

The net result is the AI Supply Chain has been the winning trade, thus far. That's the chipmakers, the optical interconnectors, the turbine shippers, the liquid coolers, and everything in between.

Asset-Heavy Flips-the-Field on Asset-Light

Asset-heavy v. asset-light indexed performance (US)



Source: Datastream, Goldman Sachs Global Investment Research (6/16/26)

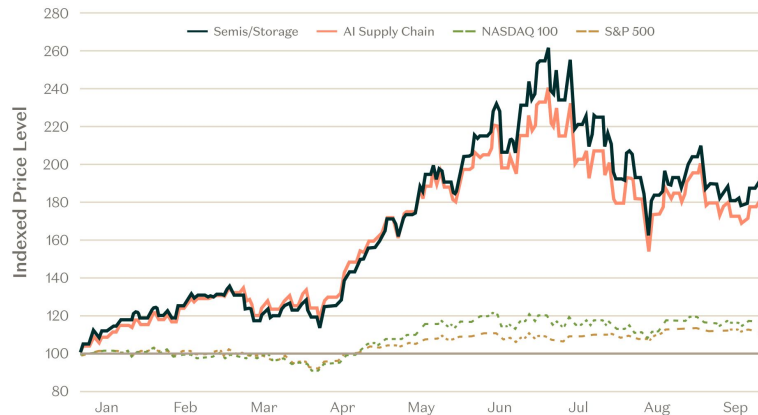
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The AI Supply Chain Has Been The Winning Trade

... and there's been no bigger winner than memory.

AI Supply Chain (Especially Memory) Win The Year

YTD, through Sep. 9, 2026

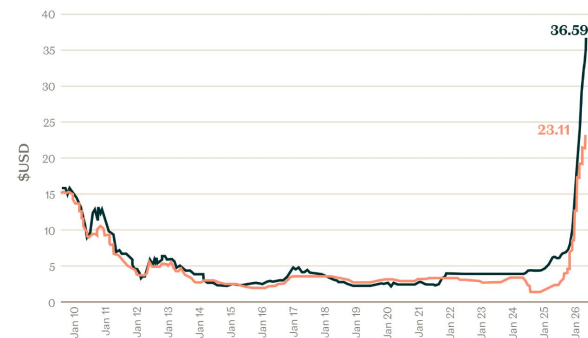


Source: Capital IQ, through Sep. 9, 2026. Universe of software cos and categorization for illustrative purposes only, and may not be exhaustive. See full disclosure for details. AI Supply Chain N=89; Semis/Storage N=60.

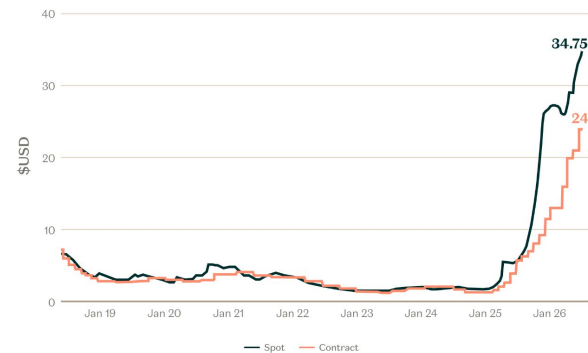
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NAND and DRAM Memory Prices To The Moon

MLC 64Gb 8Gx8 spot and contract



DDR4 8Gb 1Gx8 2666 Mbps spot and contract



Source: DRAMeXchange, TrendForce, Morgan Stanley Research (8/20/26)

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What If Semis Are Still Cheap?

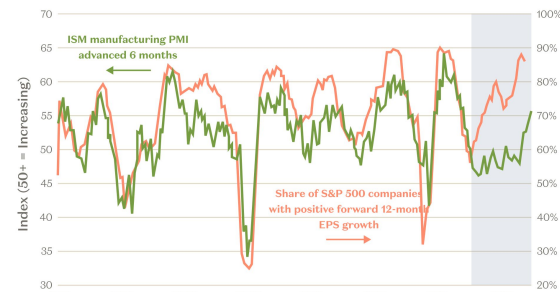
The funny thing is, though, that as stellar as market performance has been, there's an argument that it hasn't been stellar enough. Forward earnings multiples for some of the largest chipmakers, are well-below what the sky high expectations for earnings growth would normally predict.

There too the reason is fairly straightforward: demand is highly contingent on hyperscaler capex, and seasoned investors in cyclical are always wary of the cycle's peak.

It's also true that necessity is the mother of invention, and with great profit margins, one can expect great efficiency gains for power, compute and memory, right around the corner.

A Narrow Chip Cycle: Earnings Are Growing More Quickly Than Broader Manufacturing Activity

SP500 companies with positive fwd EPS grow v. ISM manufacturing PMI



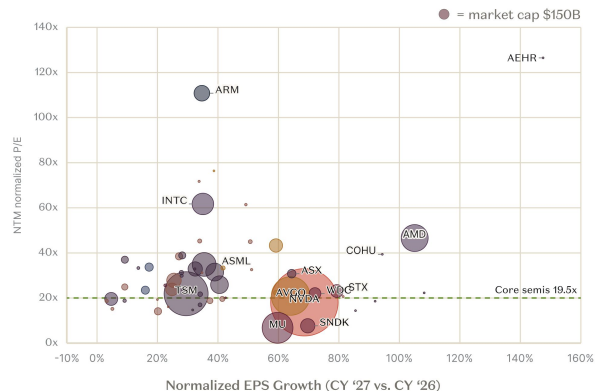
Source: FactSet, Bloomberg, JPMAM, August 2026

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But capex shows no indication of a slowdown any time soon, and if demand for intelligence is indeed infinite, then this cycle may not be like the other cycles.

Big Discounts on Big Chipmakers?

Calendarized consensus EPS growth v. NTM P/E



Source: S&P Global / Capital IQ, As of 8/14/26, internal calculations. Note: Calendarized EPS growth compares CY2027 with CY2026 using normalized actuals and consensus estimates across differing fiscal year ends. Adjacent non-semiconductor companies included are WDC, SNDK and STX (storage hardware) and CDNS and SNPS (software / EDA). Consensus estimates are aggregated by CapIQ and do not reflect a 16x analysis.

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If that's the case, then future investors are going to have a hard time looking back on those multiples . . . between all the tears, that is.

The Semi Supply Chain Remains Backlogged

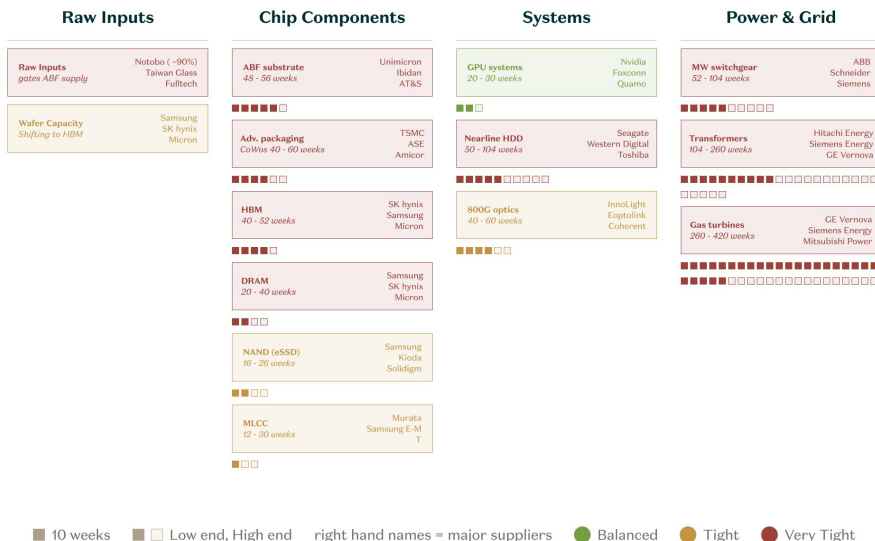
Whatever skepticism may preside, ~3 years into the buildout, supply is still lagging demand.

Somehow the GPUs keep arriving on time, but every other piece of the supply chain continues to have unusually long lead-times.

And even if you can get your chips, it's an open question if you can power them up.

Buildout Backlog: At Least The GPUs Are Timely

Chips are one-time, but making the chips and powering them up, is a different story



Source: TrendForce component lead-time tracker, Sep 14, 2026; trade trackers report longer effective waits: DRAM allocation 40+ wks; nearline HDD ~2 yrs; advanced packaging reports: CoWoS / flip-chip and HBM lead times exceeding 52 wks in 2026; TrendForce optics research • Lumentum, Coherent, IQE earnings calls (Aug-Sep 2026); EML lasers quoted at 52+ wks; range inferred, no published module lead time; electrical equipment trackers (Terrapin, DistroForge): transformers ~128 wks avg, large units 3-5 yrs; GE Vernova Q2 2026 earnings call: heavy-duty turbines ordered today deliver ~2031; 116 GW backlog.



SaaSpocalypse?

More Like Software's Selective Selloff,
As SaaS Enters a 'Prove-It' Era

More Prove-It Than Pocalypse

The flipside of hardware's outperformance, has been software's relative malaise. 2026 began with the SaaSocalypse: a seemingly undifferentiated sell-off of formally high-flying public SaaSos, as AI prepared to eat their collective lunch.

What's transpired, however, is better described as "prove it," than -pocalypse.

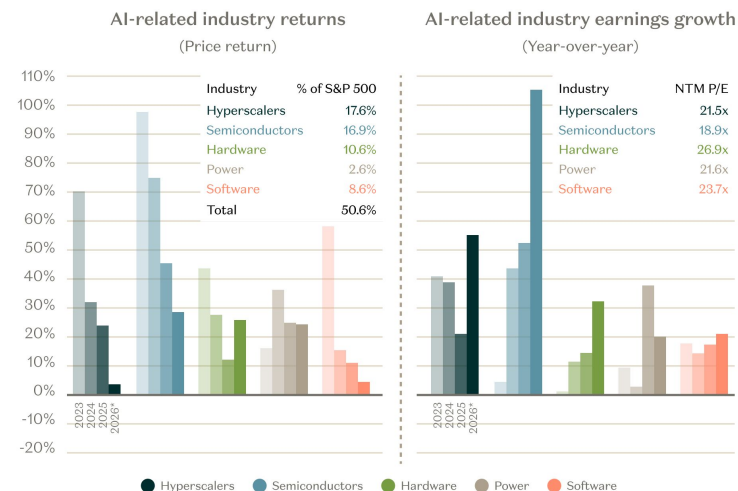
SaaS has re-rated (gradually, and then suddenly) to reflect the industry's broader shift from growth to profitability. As the share of high-growth, less-profitable companies has given way to slower-growth, more-profitable companies, multiples have compressed accordingly. At the same time, if you're still a high-flyer, your multiples are still pretty, pretty good.

Likewise, AI has certainly raised some doubts about defensibility and terminal value, but not uniformly. Companies with perceived (and/or demonstrated) defensibility and/or AI tailwinds, have outperformed. Cyber and observability has been a standout category, and vertical saas has experienced less compression than horizontal.

Regardless of market-pricing, and the disruption that AI may or may not bring, it remains the case that the underlying *fundamentals* for SaaS has been remarkably stable thus far. Both revenue growth and operating leverage have showed little signs of deterioration (yet), even if their not quite as impressive as before.

Fundamentals Have Been Stronger Than Returns (Especially For Software)

Price return and earnings growth, by AI-related industry, yearly



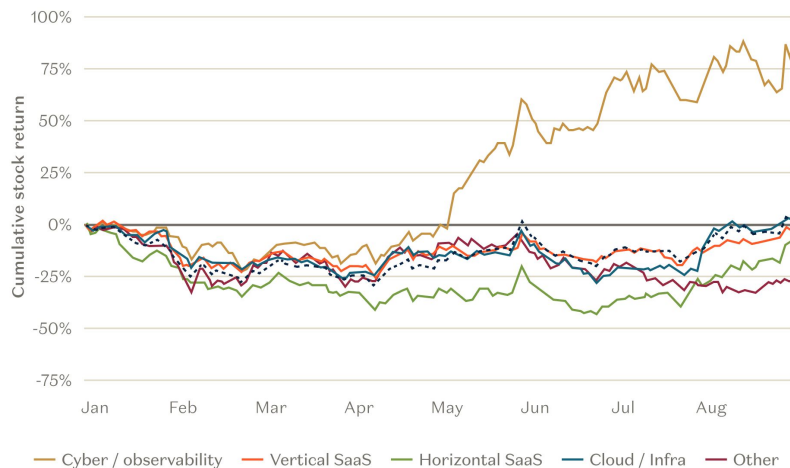
Source: JPMAM Guide to Markets (Aug. 2026)

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Software's Selective Selloff: Cyber > Vertical > Horizontal

Cyber Is Still The Runaway Software Winner

\$IGV constituents, cap-weighted ytd performance, by category

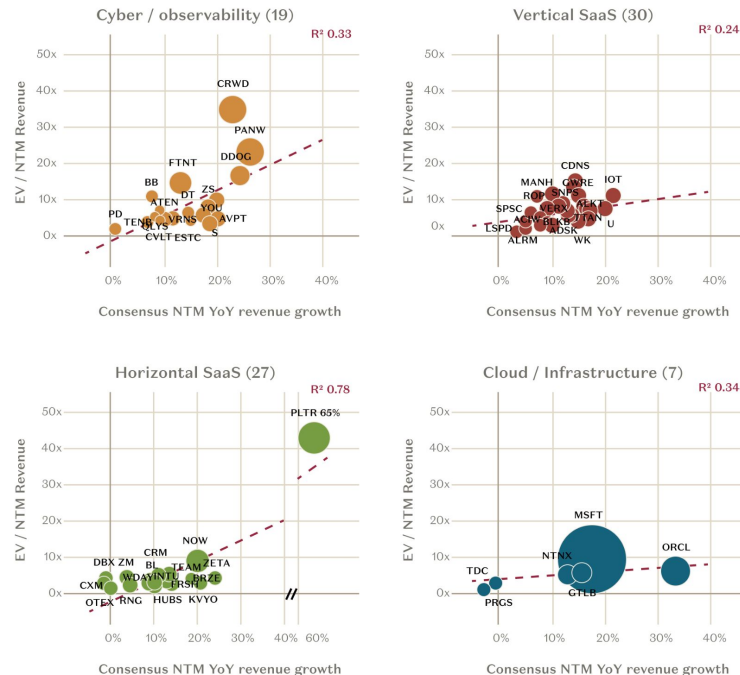


Source: CapIQ (as of 08/31/26), internal analysis. Category returns are weighted by current market capitalization.

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Of All The Software, Cyber Gets the Premium Multiple

\$IGV constituents, EV/NTM revenue by consensus NTM growth (bubble area = market cap)



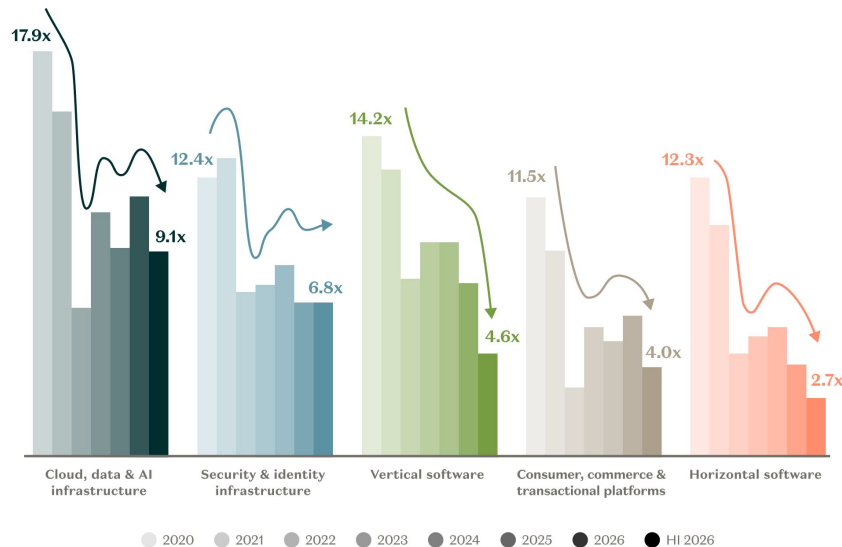
Source: CapIQ for financials and consensus estimates, as of 8/31/26. Some names excluded for size and/or categorization.

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Software Multiples Compress, But Not Uniformly

Multiple Compression: Some Tech Fared Better Than Others

Median EV/TTM revenue, by segment

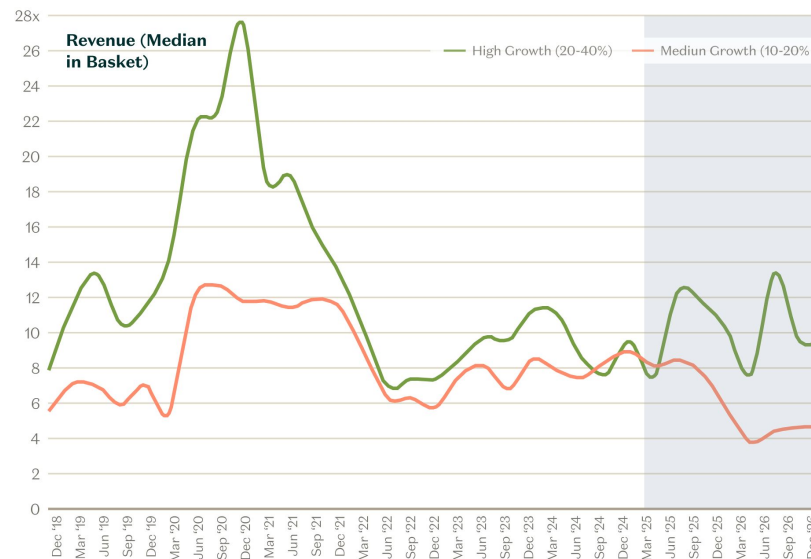


Source: JPMAM (8.20.26)

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High Growth Software Multiples Have Normalized. Slower Growth, Not So Much.

TEV/Forward Revenue, by high and medium growth



Source: CapIQ for pricing and consensus estimates, as of 9.18.26. Universe of software cos for illustrative purposes only, and may not be exhaustive. See full disclosure for details

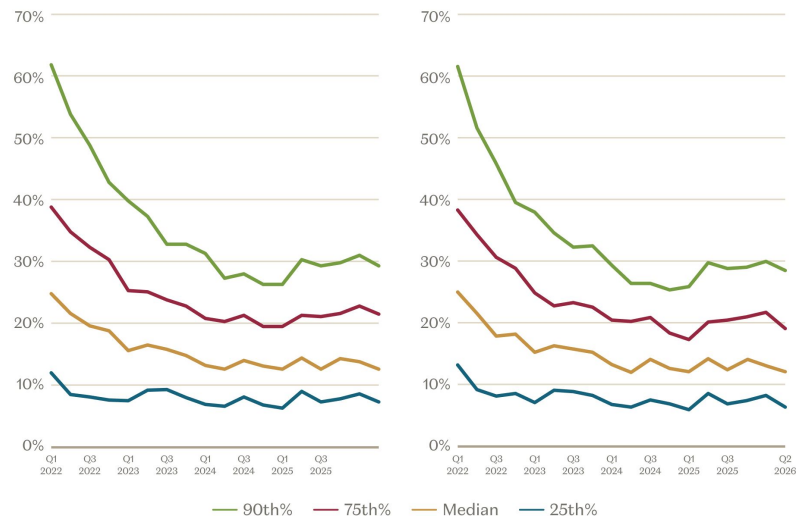
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Growth And Operating Leverage Stable Or Improving (Mostly)

Software Revenue Growth Has Slowed, But Stabilized

Software and saas reported revenue growth yoy, by cohort

All software — reported quarterly revenue growth SaaS — reported quarterly revenue growth

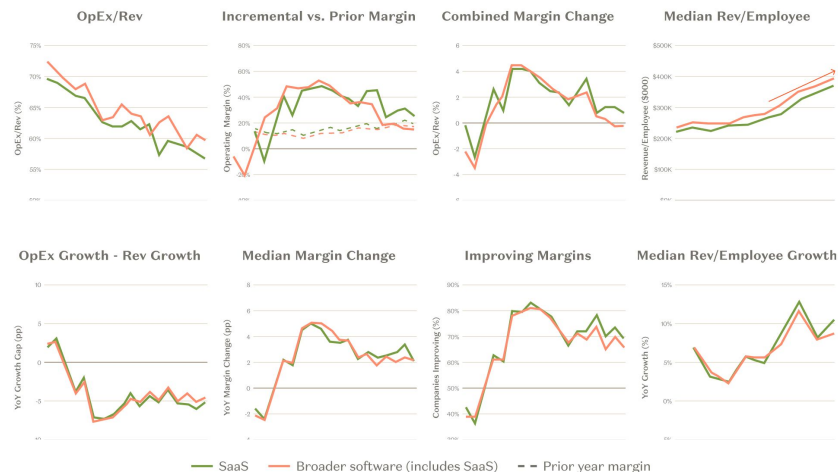


Source: Financials and consensus estimates from CapIQ (ex-China). As of Sep. 11, 2026. Universe of software cos and segmentation for illustrative purposes only, and may not be exhaustive. See full disclosure for details. Growth software N=122-132, SaaS N=98-105.

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Operating Leverage For Software Cos Stable Or Improving

Measures of operating leverage, software and saas



Source: CapIQ for reported data (as of Sep. 8, 2026) (ex-China). Universe of software cos for illustrative purposes only, and may not be exhaustive. See full disclosure for details. SaaS: YoY N=96-103; OpEx/rev N=98-103; expense growth N=96-103; rev/empl N=48-89 (growth N=47-87). Broader software: YoY N=150-165; OpEx/rev N=153-165; expense growth N=150-165; rev/empl N=72-141 (growth N=71-135).

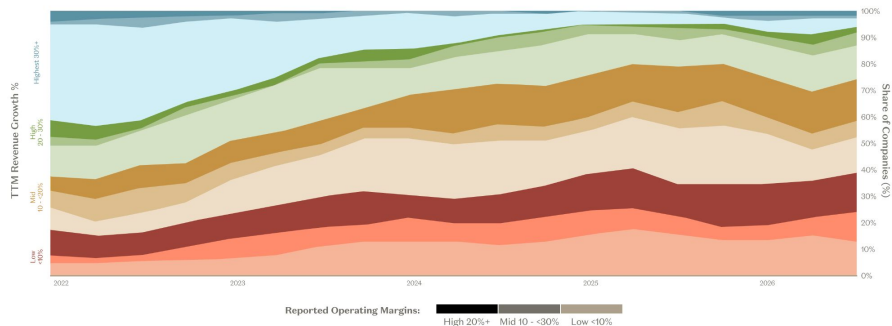
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In The Bigger Scheme Of Things, SaaS (And Software) Have Traded Growth For Profitability

The share of high-growth software companies is a fraction of what it once was, but profitability is now the norm.

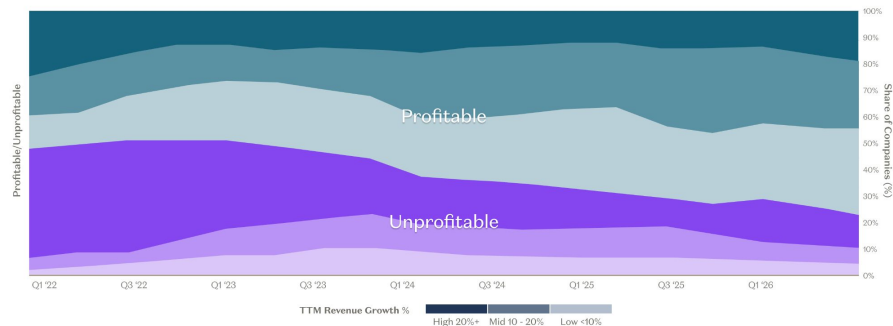
High-Growth SaaS Has Become Rare, But Lower-Growth, High-Margin SaaS Is Common

Share of public saas by revenue growth band, segmented by margin



~75% Of Software Is Profitable Now, But Only ~30% Is Growing 20%+

Share of public software, profitable v. unprofitable, by TTM revenue growth band

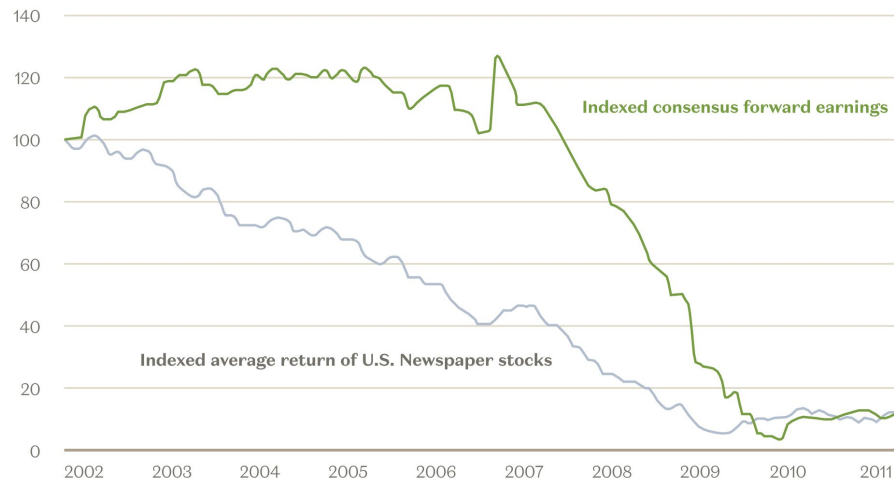


Source: CapIQ for financials (as of 9.8.26) (ex-China). N=148-160 for software, and 94-101 for saas, as composition changes over time. Tech co segmentation list for illustrative purposes only, and may not be exhaustive. See full disclosure for details

Will Software Go the Way of Print Media?

Newspaper Stocks Sold-Off 5 Years Before Earnings Collapsed

Indexed return of Newspaper Stocks and Consensus Fwd Earnings



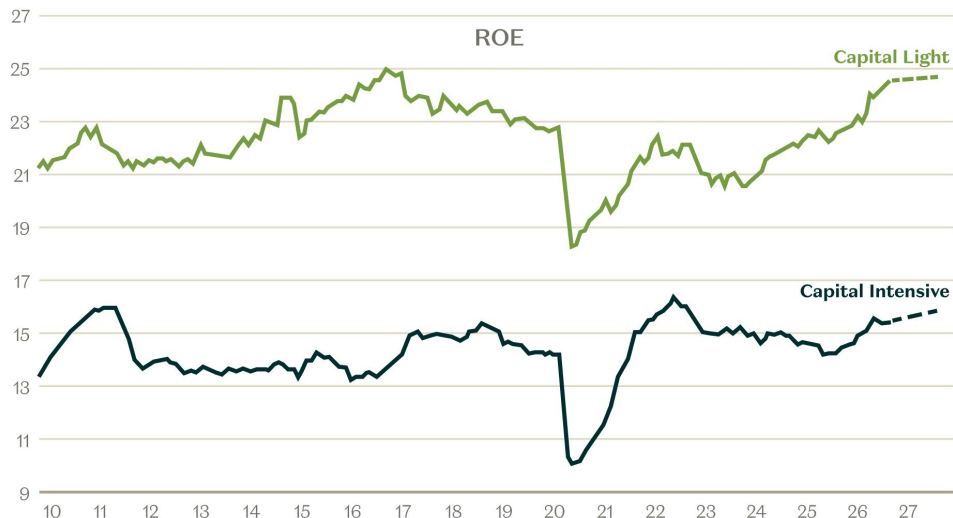
Source: FactSet, Goldman Sachs Global Investment Research

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... Or Is AI A Rising Tide of ROE to Lift All Boats?

Great ROE Expectations For Capital Light Business

ROE of capital intensive and capital light



Source: FactSet, Datastream, Goldman Sachs Global Investment Research (7.7.26). Note: Trimmed mean of ROE.

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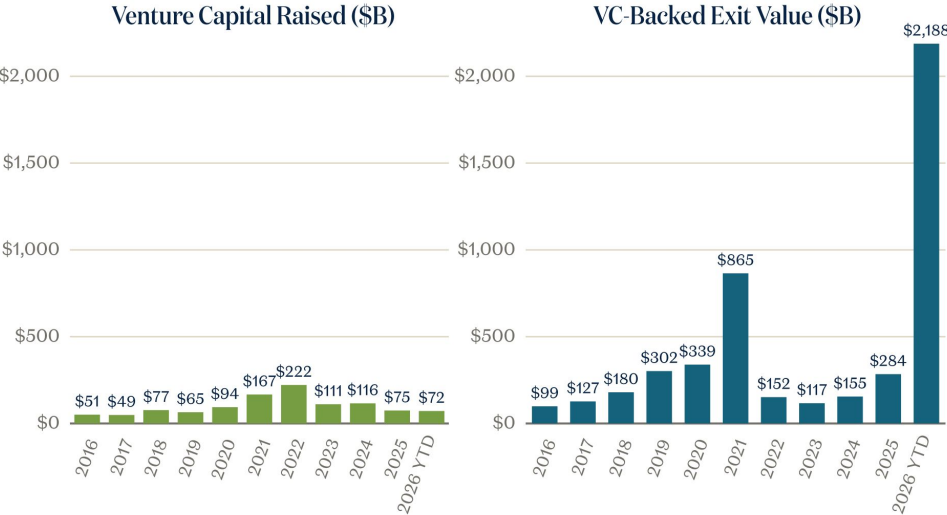
A nighttime aerial view of San Francisco, California. The Golden Gate Bridge is illuminated and spans the background over the water. The city's dense urban landscape is visible, with numerous buildings lit up from within, creating a warm glow against the dark night sky. The text "Take a Walk on the Private Side" is overlaid in a white serif font on the left side of the image.

Take a Walk on the Private Side

An Historically Large IPO

A New High Watermark For IPOs

2016-2026 YTD, \$ billions



Source: Pitchbook, US VC fundraising & exit value of VC-backed companies. As of June 30, 2026.

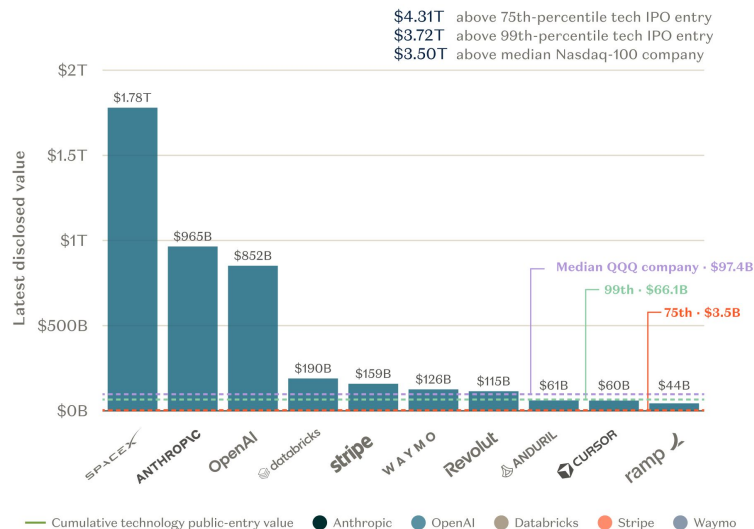
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The Most Valuable Private Cos Are Larger Than Ever

... And value creation is happening on the private side.

\$3-4 Trillion in Value Accruing On The Private Side

Latest disclosed private valuations against comparable "go public" benchmarks

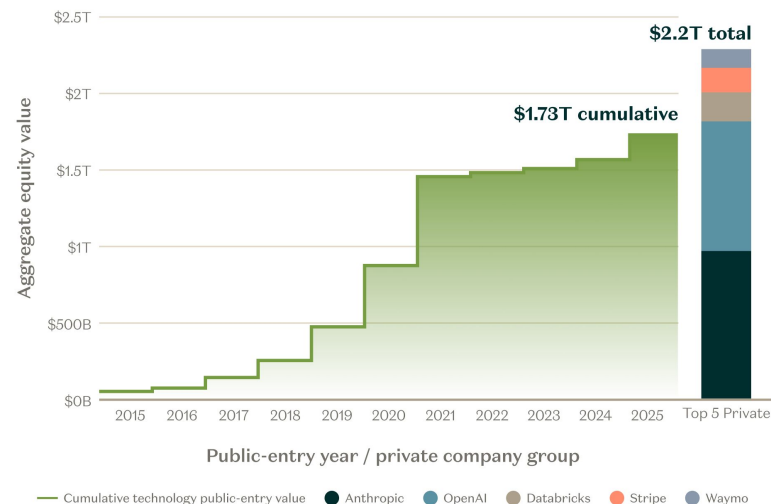


Source: PitchBook for last-reported valuations, CapIQ for first close, market caps, and Nasdaq constituents, as of 9.1.26. IPO source data through 2025. For a full list of a16z portfolio companies visit a16z.com/investment-list.

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Five Largest Private Companies Are Larger Than the Past Decade of Tech IPOs Combined

Cumulative value of tech IPOs v. last-reported valuations of top 5 private techcos (ex-China)



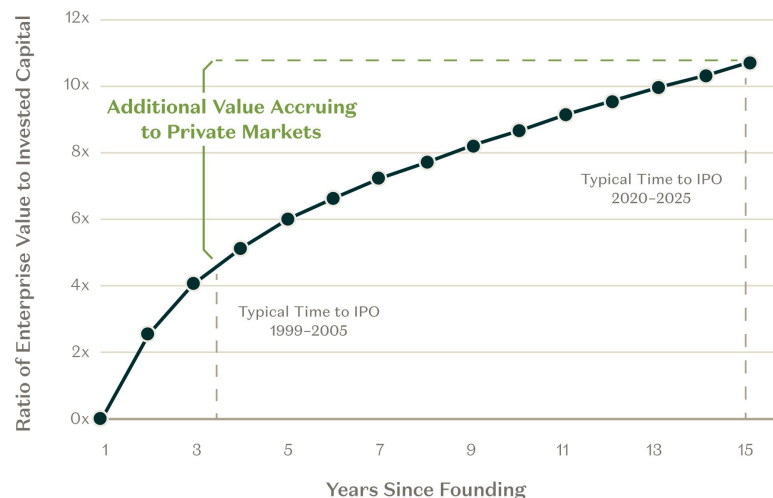
Source: CapIQ for first day close, Pitchbook for exits and last-reported valuations (as of 9/1/26). Sample n=322 technology public entries. For a full list of a16z portfolio companies visit a16z.com/investment-list.

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Private-For-Longer: Skip Small Cap, Go Straight to Mega

Private-For-Longer Means Value Accrues On The Private Side

Ratio of EV to invested capital

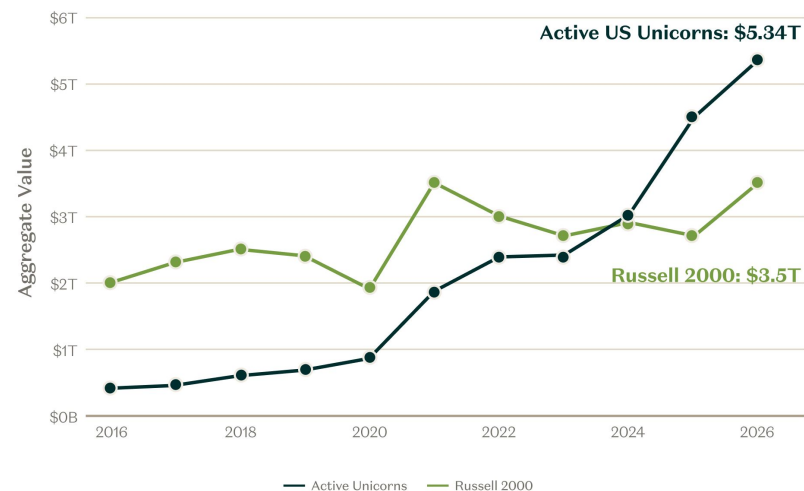


Source: Carlyle Analysis; Ritter, J. (2026), "Initial Public Offerings: Updated Statistics." Bloomberg. Brown, Keith C., Wiles, Kenneth W., "The Growing Blessing of Unicorns: The Changing Nature of the Market for Privately Funded Companies," Journal of Applied Corporate Finance, 2020.

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Unicorns Have Lapped Small Caps

Aggregate post-money valuation of active US unicorns v. Russell 2000



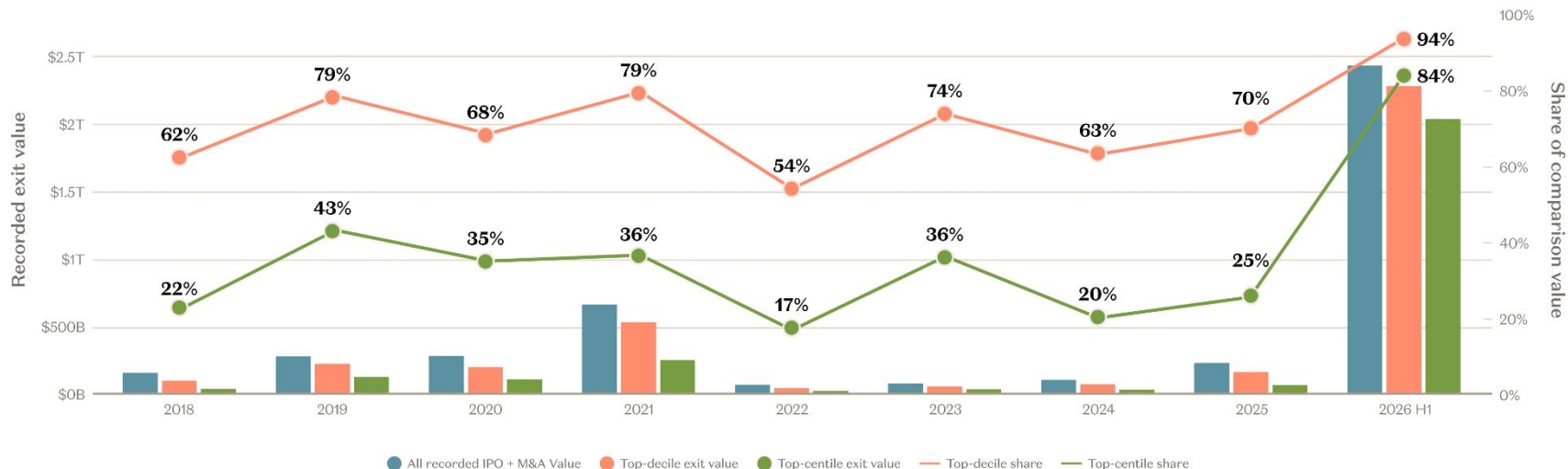
Source: PitchBook-NVCA Q2 2026 Venture Monitor data pack, as of June 30, 2026; CapIQ for FTSE Russell annual US Indexes reconstitution summaries, 2016-2026, with 2026 market caps as of Apr. 30, 2026

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Power Law Abides, But Even More So

Top 1% Of Exits Account For 84% Of Exit Value, And Top 10% Account for 94%

Total exit value, share by centile and decile (US)



Source: PitchBook for exits and values, as of Jul. 20, 2026. Sample: 2018-25 n=2,751 valued exits; 2026 H1 n=197

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Secondary Markets Tell The Same Story

Discounts are few and far between, and the best companies trade a premium

Plenty of Bids, But Fewer Asks: Less Than 60% Of Employees Tender Their Shares, Subscription Rates At ATHs

Median subscription rate & median seller participation rate of tender offers administered on Carta by Q1 2021-Q2 2026



Source: © 2026 eShares, Inc. dba Carta, Inc. ("Carta") (8/20/26)

Tender Discounts Are Rare And Small

Distribution of discount from last round price to tender offer price | Only includes TOs ≤ 1 year from last round | H1 21-H1 26

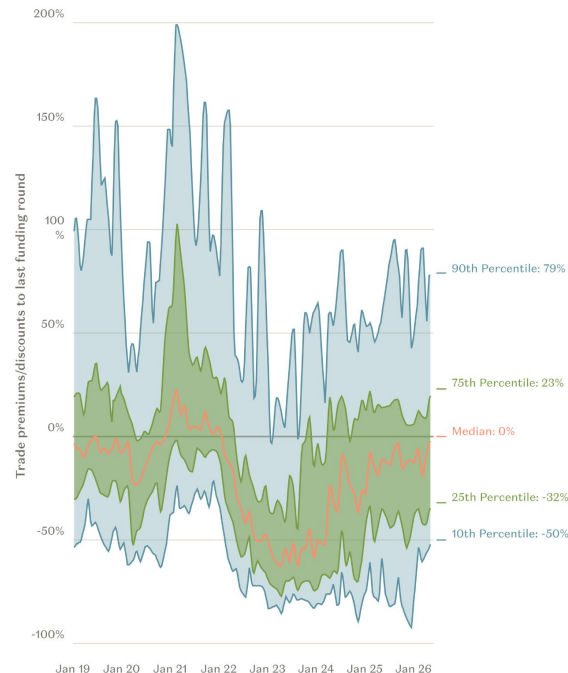


Source: 2026 eShares, Inc. dba Carta, Inc. ("Carta"). (8/20/26)

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No Discounts In the Secondary Market

Distribution of Trade Premiums/Discounts to Last Primary Round
January 2019-June 2026



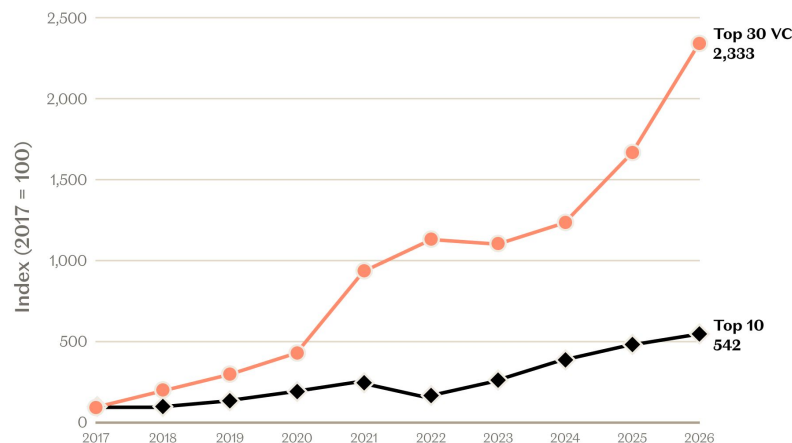
Source: Forge Data, as of June 30, 2026.

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Power Law Applies To Managers, As Well

Top VC Portfolios Have Appreciated A Lot More Than The Top 10 Public Cos

Indexed change in value of Top 30 VC portfolios v. Top 10 Public Cos

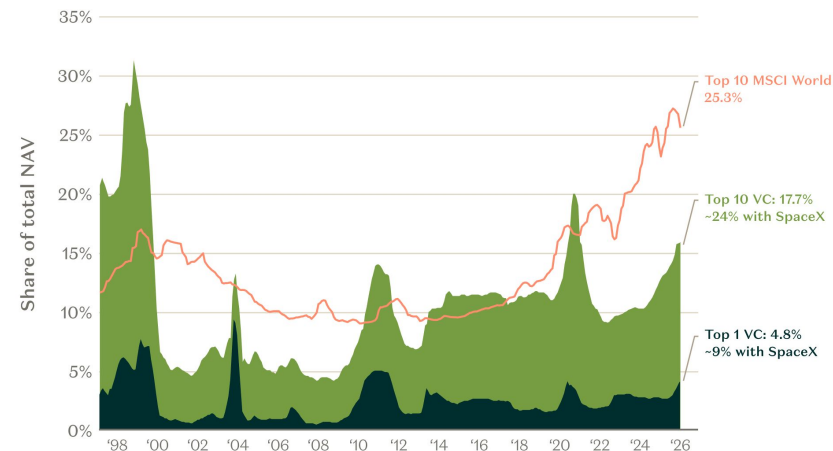


Source PitchBook, "A few VC firms are poised to win the future," (7.20.26), CapIQ for year-end top 10 market cap across NYSE or Nasdaq.

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Venture Capital in 2026: A Crowded Top

Share of total NAV, 1998-Q1 2026



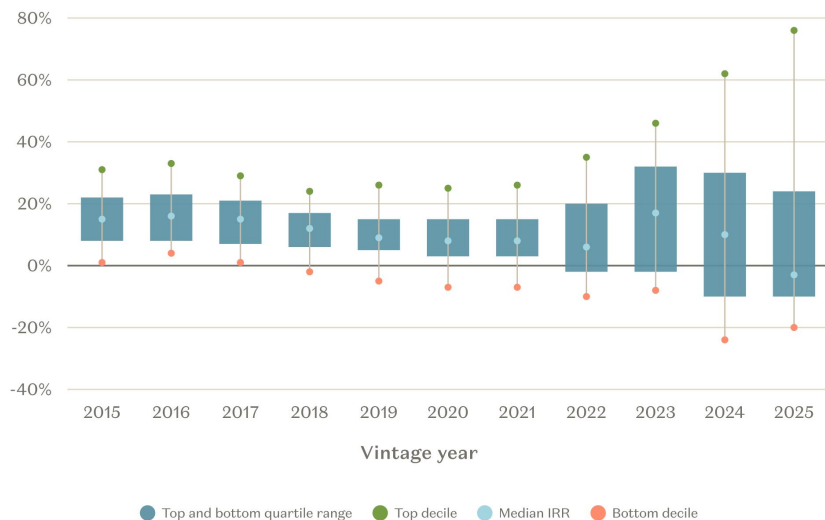
Source: MSCI Private Capital Solutions. Figures represent quarterly concentration metrics from the MSCI Global Venture Capital Closed-End Fund Index as of Q1 2026. Pro-forma estimates reflect SpaceX incorporation into the IPO and recent acquisitions.

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For VC Funds, The Difference Between Top Decile And The Rest Has Never Been Wider

VC Dispersion Has Never Been Wider

Dispersion of VC IRRs by vintage



Source: PitchBook, Geography: US. As of December 31, 2025.

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It Pays To Be Top Decile

Net IRR, Net TVPI, and DPI by fund vintage | Data as of Q1 2026

Year	Net IRR by percentile				Net TVPI by percentile				DPI by percentile			
	25th	50th	75th	90th	25th	50th	75th	90th	25th	50th	75th	90th
2017	3.2%	9.2%	15.5%	25.0%	1.14x	1.64x	2.20x	3.46x	0.08x	0.31x	0.60x	1.18x
2018	1.9%	7.5%	15.3%	28.0%	1.05x	1.40x	2.14x	3.87x	0.00x	0.15x	0.42x	1.12x
2019	-0.2%	5.4%	11.8%	21.5%	0.99x	1.24x	1.62x	2.59x	0.00x	0.02x	0.16x	0.56x
2020	-3.2%	3.2%	11.2%	20.1%	0.89x	1.12x	1.54x	2.22x	0.00x	0.01x	0.13x	0.39x
2021	-4.3%	1.3%	8.5%	15.2%	0.88x	1.04x	1.29x	1.54x	0.00x	0.00x	0.02x	0.16x
2022	-3.6%	3.7%	14.0%	26.6%	0.92x	1.08x	1.33x	1.68x	0.00x	0.00x	0.00x	0.12x
2023	-9.2%	0.6%	12.0%	32.1%	0.87x	1.00x	1.20x	1.63x	0.00x	0.00x	0.00x	0.06x
2024	-14.6%	-3.3%	14.7%	40.5%	0.87x	0.97x	1.14x	1.35x	0.00x	0.00x	0.00x	0.00x

This report is based on data from 2,775 venture funds on Carta closed from the start of 2017 through the end of Q1 2026. Combined, these funds raised about \$119.3 billion in total capital.
Source: Carta. Data as of Q1 2026.

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It's A Brave New World For Startups, Too

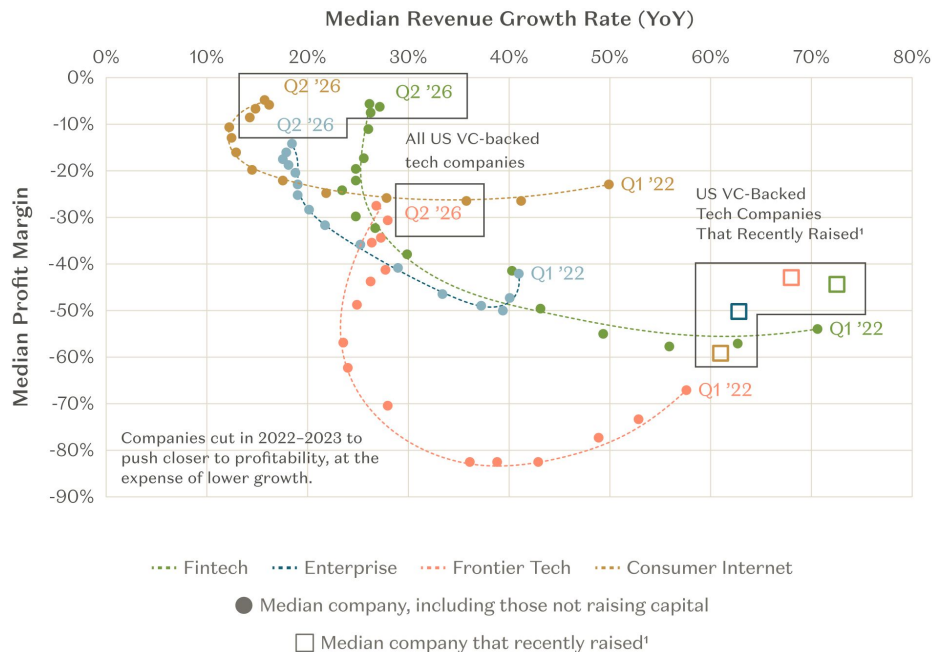
Adjusting To Life After ZIRP

Not unlike Public Cos, when ZIRP ended, startups traded growth for profitability.

That said, raising fresh equity tends to require rapid growth. The companies who have successfully raised recently are still growing at a pace in-line (or faster) with peak-ZIRP.

Startups Trade Growth For Profitability (Except The Ones Raising)

Median revenue growth and profit margin, by sector '22-'26



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Everything Is AI Computerse

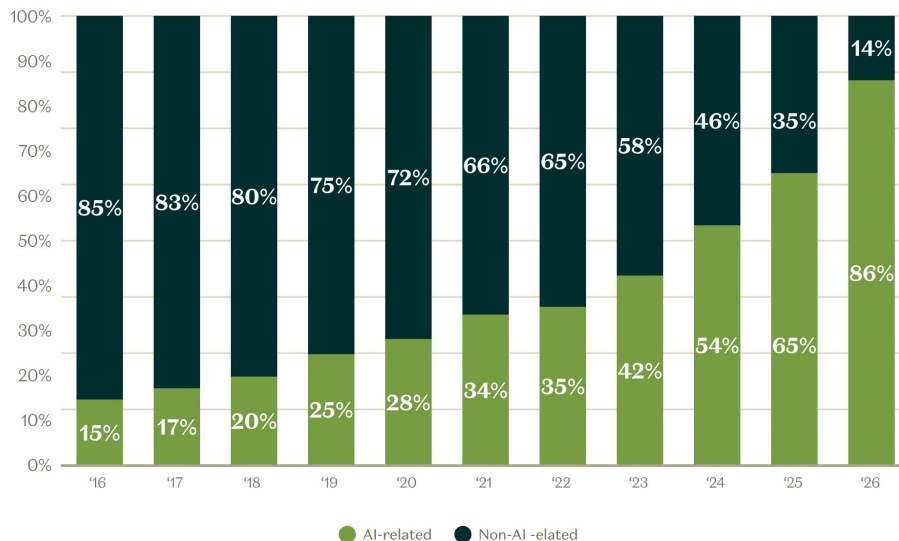
This cycle is not like the previous ones

Concentration has been a theme of the new cycle. A smaller number of funds are deploying at larger sizes into fewer startups in, an increasing share of which are located in Silicon Valley, and nearly all of them are “AI-related.”

There is one sense, however, in which all that concentration is a bit misleading. Beneath the surface, there has been a mix-shift in the kinds of companies that are being funded. Venture dollars are flowing to enterprise software and consumer apps, as they always have, but also traditionally out-of-scope services (e.g. legal, accounting) and formally less-popular capital-intensive verticals, like semis, power, and defense.

Everything Is AI Computer

Share of US VC deal value



Source: JPMAM Guide to Markets (Aug. 2026)

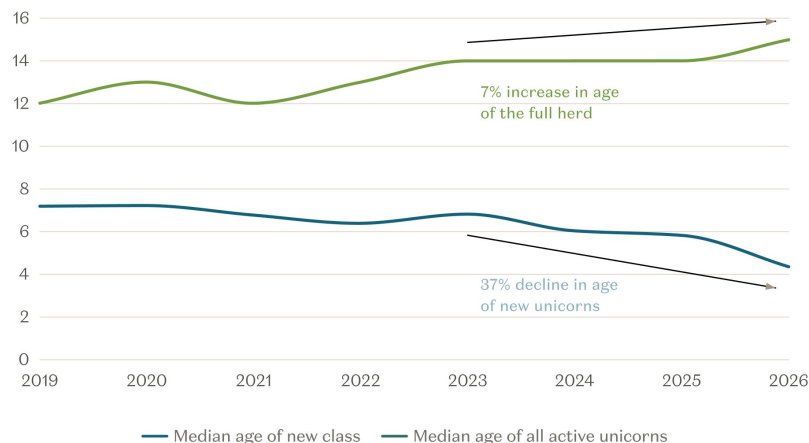
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A New Breed Of Unicorn

Bigger, faster, younger.

A New Breed Of Unicorn: New Unicorns Get Younger

Unicorn age for new unicorns and the complete unicorn cohort

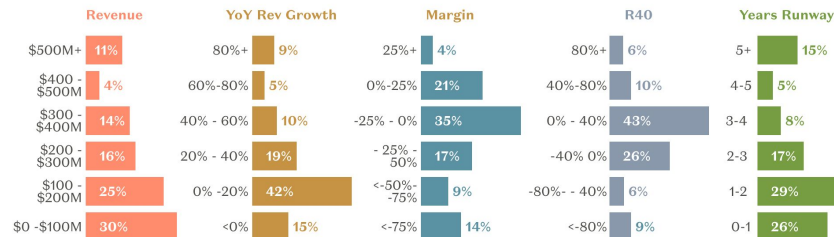


Source: SVB State of Markets H2 '26. SVB proprietary data, taxonomy, and analysis.

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Unicorns: Mostly Profitable, Mostly Growing $\leq 20\%$

Select benchmarks for U.S. VC-backed tech unicorns in 2026



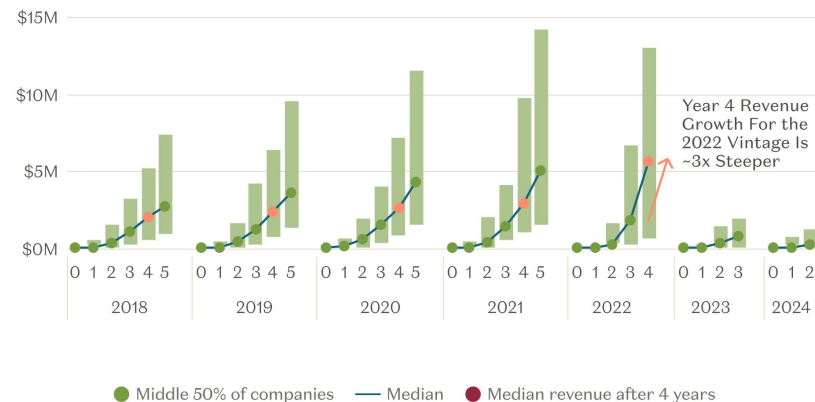
Source: SVB State of Markets H2 '26. SVB proprietary data, taxonomy, and analysis.

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The AI Generation Is Built Differently?

Post-AI Startups On A Different Growth Curve

Revenue by years since founding for VC-backed companies (excl. large AI hyperscalers)



Source: SVB State of Markets H2 '26. SVB proprietary data, taxonomy, and analysis.

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Top AI Apps Growing ~5x Off A Smaller Base And ~2.5x Off A Larger Base

Approximate ARR yoy, top AI apps, by revenue base-year



Source: Proprietary data, approximate based on inconsistent reporting windows and frequency. Top AI apps = total revenue, with starting ARR \$1-\$200M during observed period

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Private Co Data Is Telling the Macro Story

One under-considered recent phenomenon is the extent to which private techcos are increasingly generating the leading signal on the most important economic questions (and often telling their own stories in the process)

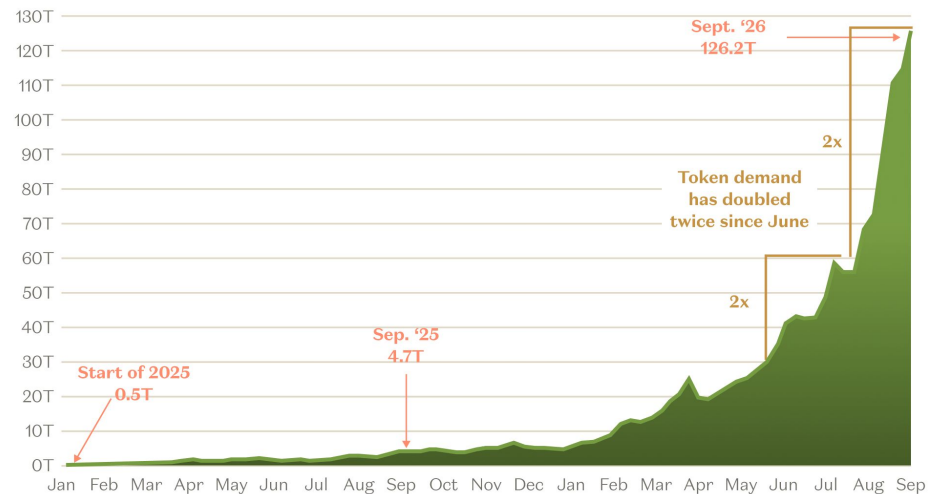


Token Rails

Openrouter has become a leading source of data to observe the parabolic growth of token demand

Token Demand ~27x YoY, And Doubling ~Monthly

Weekly tokens on OpenRouter



Source: OpenRouter.ai 9.16.26

AI6ZGROWTH

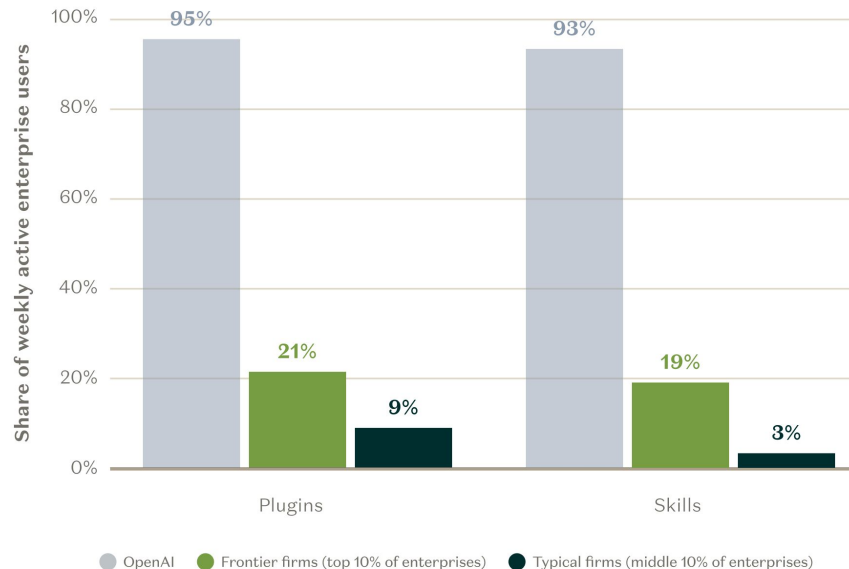
OpenAI

AI Adoption Is Wide and Shallow (*For Now*)

OAI research and data have highlighted the not-normal distribution of AI usage

AI Power Users Are Using AI Power Tools

Plugins and Skills adoption, top decile v. middle decile v. OAI



Source: OAI Signals, "What Frontier Firms are doing differently" Aug. 12, 2026. For a full list of a16z portfolio companies visit a16z.com/investment-list.

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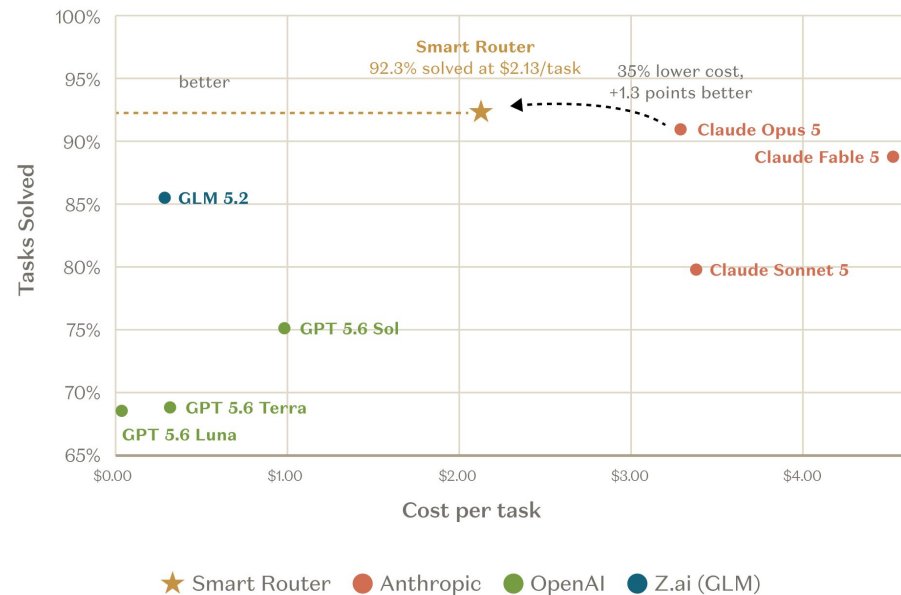


The Token Efficient Frontier

Companies like Databricks have published research demonstrating model optimization strategies, as cheaper intelligence brings more use cases into scope

Databricks “Smart Router” Seeks The Efficient Frontier

Evaluation of Smart Router on Databricks Coding Tasks



Source: Managing AI Coding Costs at Scale, Databricks blog (8/7/26) For a full list of a16z portfolio companies visit a16z.com/investment-list.



Kalshi

Pricing the Forward Compute Curve

The price of compute has become one of the most important KPI behind the trillion dollar buildout, and Kalshi has been making the market

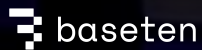
Kalshi Pricing The Forward GPU Curve

Price of Nvidia B200 compute by end of month?



Source: Kalshi (8.18.26). For a full list of a16z portfolio companies visit a16z.com/investment-list.

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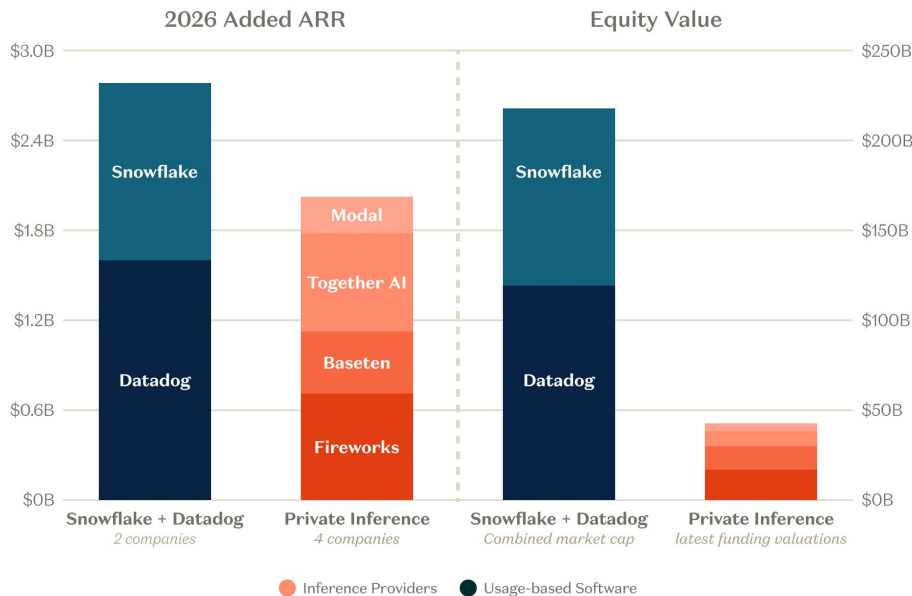


Inference & Insinuations

Outside of the leading clouds and neoclouds, a new infrastructure layer is emerging. Specialized inference providers provide visibility into the speed and scale of the ecosystem's growth.

Inference Added ~3/4 The Revenue, at ~1/5 The EV

Estimated ARR added and valuation, private inference v. leading public data infrastructure



Source: CapIQ for public revenues and market caps (as of 9.18.26). Fireworks Series D Announcement (Jul 15, 2026); Fireworks Series C Announcement (Oct 28, 2025); Modal Series C Announcement (May 21, 2026); The Information — Baseten (May 26, 2026); The Information — Together AI (Mar 5, 2026); Baseten Series F Announcement (Jun 22, 2026); Together AI Series C Announcement (Jul 1, 2026)

stripe

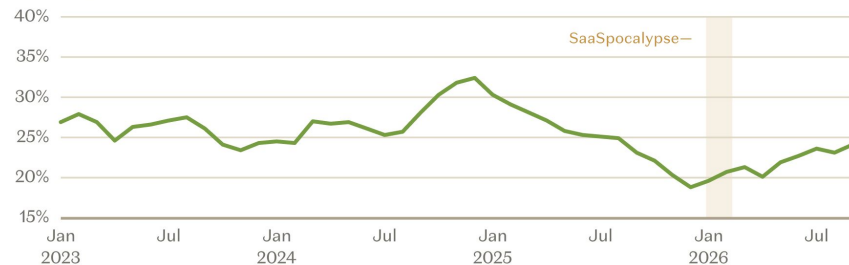
SaaS ...acceleration?

Stripe has unmatched visibility into payment flows, and their data is even more counter to the SaaS Pocalypse narrative: far from dead, SaaS revenues accelerated into the new year.

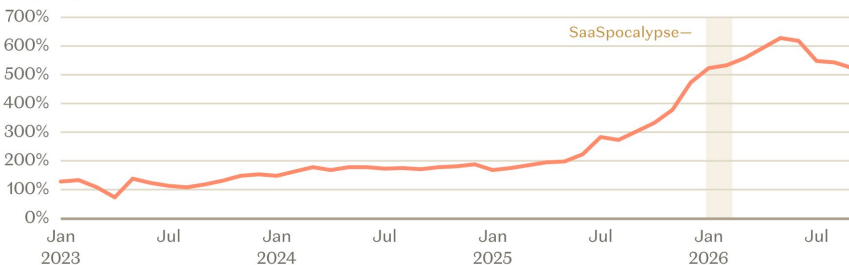
Narrative Violation: SaaS Accelerated Into The 'SaaS Pocalypse'

Seasonally adjusted year-over-year percent, by maturity

Mature (1+ year)



Young (<1 year)



Source: Stripe Economics (9:10:26). For a full list of a16z portfolio companies visit a16z.com/investment-list

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AI is Saving Lives

That AI will revolutionize even the most labor-intensive services is our story, and we're sticking to it. It's early, but Protege data shows some early returns: AI is already saving lives

Some evidence shows mortality falls in health systems adopting AI fastest

In-system mortality per 100k patients, by ambient AI adoption (share of notes referencing AI tools).



Source: For a full list of a16z portfolio companies visit a16z.com/investment-list.

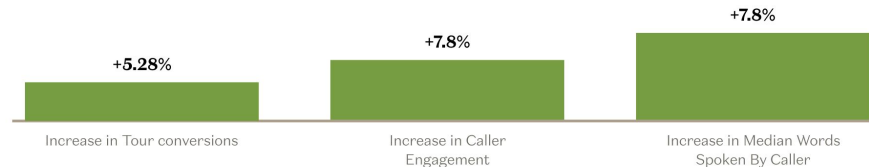
Elise^{AI}

Making life easier for renters and owners with AI

AI is diffusing into the broader economy in disparate ways. Sometimes the benefits are substantial, but often they are incremental at the margins (which, nonetheless, have a tendency to add up to something quite substantial).

Improving The Tenant Experience With AI

Change in outcomes, after AI "Voice Localization"



Source: EliseAI (1.16.26). For a full list of a16z portfolio companies visit a16z.com/investment-list.

Elise^{AI} | A16Z

In late November 2025, EliseAI worked with Elevenlabs and Cartesia . . . to collect a series of high level voices with specific regional accents curated from their robust voice library . . . The underlying hypothesis was that, given existing research showing consumers are more likely to transact with people who sound like them, that switching to localized voices would positively impact lead-to-tour conversion rates.

**ANDURIL***Castelion***COVENANT**

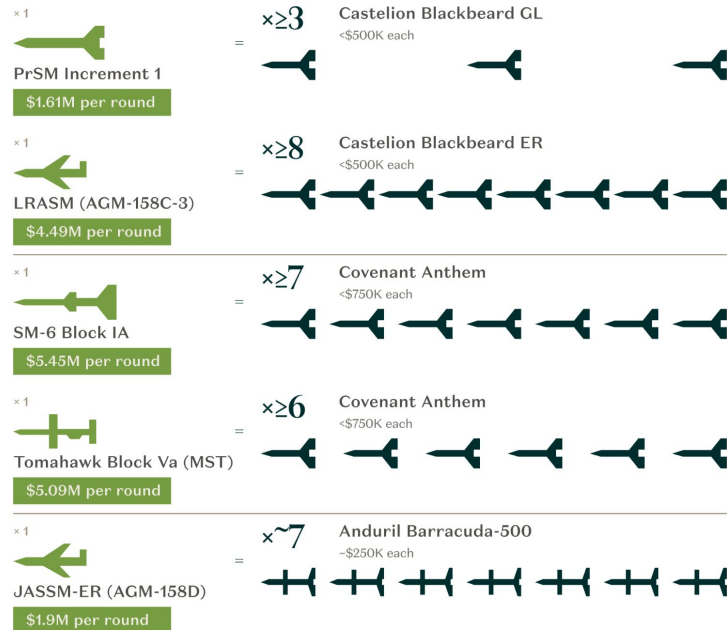
A New Defense Prime

Not only is defense spending rising, but priorities have changed. Munitions are smaller, cheaper, and built for scale.

There's A New Breed Of Munition: Smaller, Cheaper, And Built For Scale

For the unit price of one incumbent round, the number of new-entrant rounds the same money buys.

Legacy Round



"For a full list of a16z portfolio companies visit a16z.com/investment-list."

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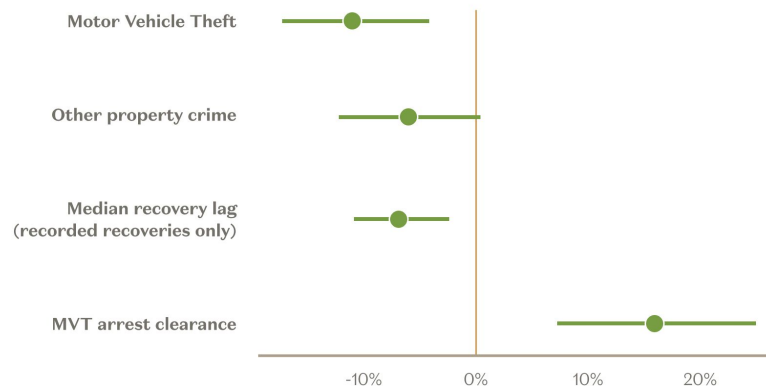
FLOCK

Stopping Crime Is Good Actually

Hardware innovation is making a difference beyond chips and defense. ALPRs are a force-multiplier for chronically understaffed police departments.

Flock Reduced Auto-Theft, Increased Clearance Rates, And Shortened Auto-Recovery Times

Percent change, months 0-12 after Flock deployment vs. previous 12m



Source: Manhattan Institute (9.22.26), Scott M. Mountgos and Ian T. Adams, "Working Paper: Automated License Plate Readers, Vehicle Theft, and Clearance," Table 2, CrimRxiv, Aug. 16, 2026. Note: Figure shows percent change in months 0-12 after deployment vs. months -12 to -1, with 95% confidence limits. For a full list of a16z portfolio companies visit a16z.com/investment-list.

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Collectibles Are Timeless

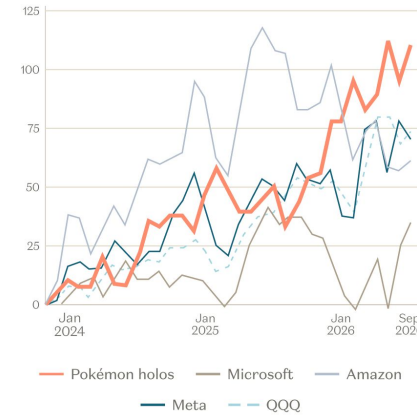
Amidst all the AI, there are other changes afoot. Social media has upended traditional retail distribution, and creators are building their own brands. Combined with an increasing desire for scarce things (like collectibles), it's led the birth of a new QVC.

Collect Them All, While Supplies Last

Pokemon beats the index as collectibles and live auctions take flight

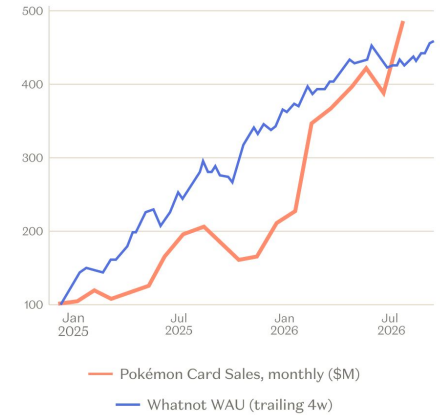
Pokémon Prices vs. Technology Stocks

Indexed Change



Pokémon Sales and Whatnot WAU

Indexed Change



Source: PriceCharting, CapIQ, GemRate, SensorTower (as of 9.28.26). For a full list of a16z portfolio companies visit a16z.com/investment-list.

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Looking Ahead...

The Big Untapped Opportunities



Heavy-use
consumer



Robotics



Autonomy



AI x Bio



Personal
Health



Diffusion into the
Enterprise beyond
Coding



New era of
American Dynamism

