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Artificial Intelligence

State of the Market - Day 2 Takeaways from Citi's Global TMT Conference

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CITI'S TAKE

We hosted Citi's Global Head of Technology Investment Banking (Mark Keene), Head of Growth Equity (Cully Davis), and Global Chairman of Technology Investment Banking (Brian Truesdale) for a panel discussion on September 9, 2026, at our Global TMT Conference in NYC, moderated by Heath Terry. The conversation covered capital markets momentum, the M&A landscape, and the outlook for private company market activity. Key takeaways below.

Capital markets activity is at record levels, though breadth remains narrow. Tech IPO issuance has exceeded $130B year-to-date, already surpassing the prior four-year high set in 2021, with full-year volumes potentially reaching $230-250B and average IPO volumes running 4x pre-Covid levels. Total market technology investment banking fee wallet stands at $8.7B, up 30% year-over-year, with equities up over 100% and IG debt up 60%, driven almost entirely by AI and semiconductor-related issuance. However, with only 11-12 tech IPOs priced this year against that volume, breadth remains limited, and the panelists expect 2027 to be the year sub-$1B market cap companies return to the market in scale, as the backlog of companies that have stayed private via tender offers and secondary transactions begins to clear.

M&A landscape is a tale of two markets, with strategics driving AI-related activity while sponsor LBOs remain largely dormant. Tech M&A volumes are down approximately 20% year-over-year, with software the primary drag. Leveraged debt markets remain difficult to underwrite and LP scrutiny of long-term terminal values has weighed on sponsor conviction, with average portfolio duration extending to 6-7 years. However, forced selling has not materialized despite roughly 800 sponsor-owned companies of scale sitting in portfolios. Strategics, by contrast, are active, with 18 of 20 recent tech deals done by corporate buyers, 80% citing AI as the primary rationale. The panelists expect a constructive regulatory environment could catalyze further AI deals, citing recent combinations involving names such as Cursor and Hugging Face.

The AI financing ecosystem is maturing and broadening. Hyperscaler capex is approaching $1T annually, with the number of hyperscalers participating in the buildout expanding from 4 players to 8-9. The panelists view IG balance sheets across the largest technology companies capable of taking on significant incremental debt capacity at current ratings. The investor base is broadening to include banks, insurance, private credit, and private equity through structured

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vehicles and transactions such as Meta's $30B JV with Blue Owl. The panelists view these structures as signs of a maturing ecosystem. Looking ahead, the panelists size the total private company universe at approximately $4T, with average last-round valuations implying an $8T mark-to-market, suggesting approximately $850B in potential IPO proceeds over the next three years as that supply potentially comes to market.