A16Z GROWTH

STATE OF MARKETS

September 2026

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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

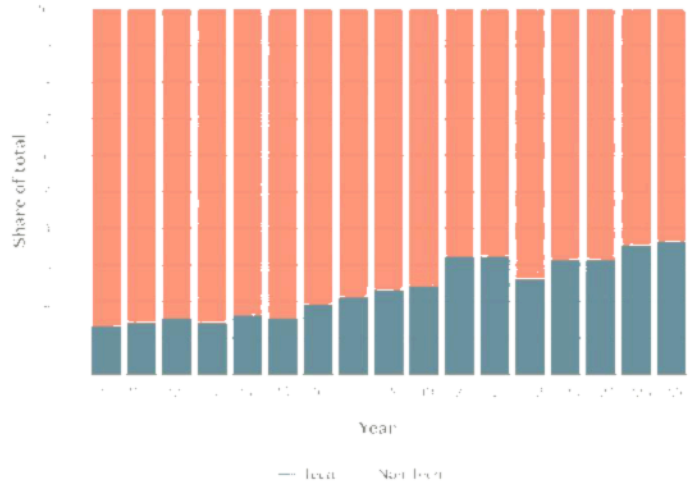
High tech share of capital spending in nominal GDP (percent)



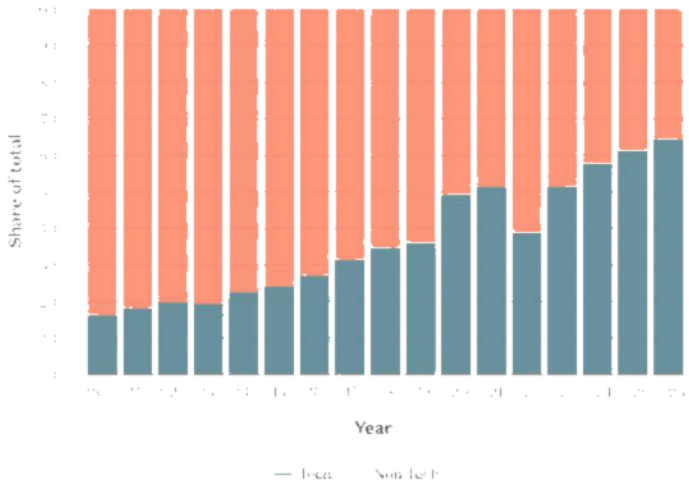
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The World's Largest Companies Are Tech Companies

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



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

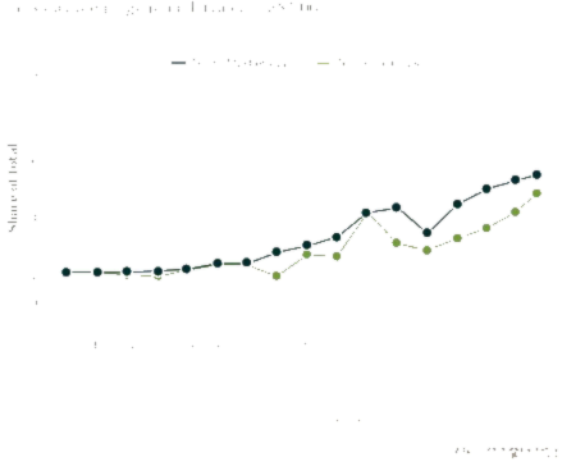


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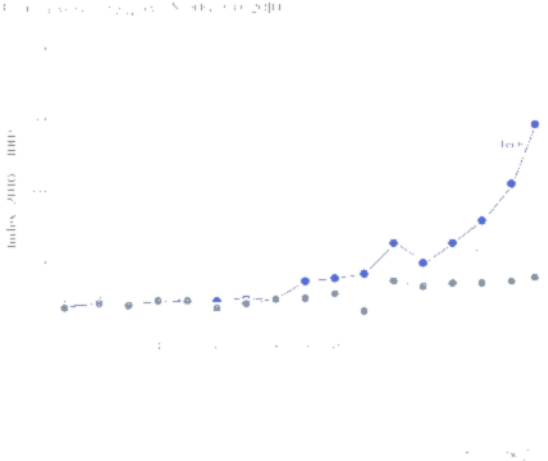
Tech Drives Value Creation & Earnings Growth

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

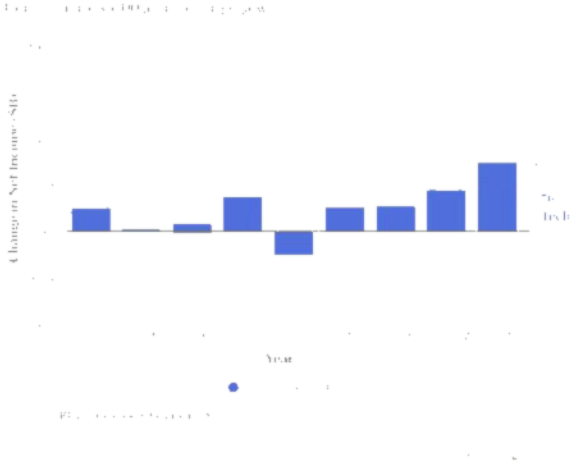
Tech Accounts For Nearly Half The Profits in the SP500



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



Tech Contributed ~76% Of Earnings Growth



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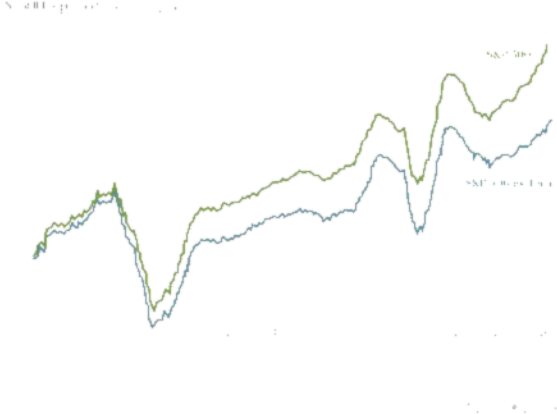
Tech Drives Margin Expansion

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

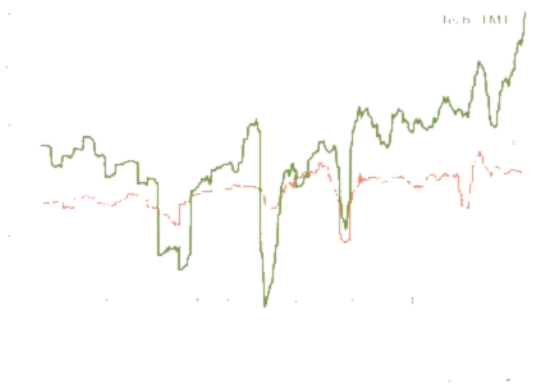
Margins Are Historically Wide



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



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

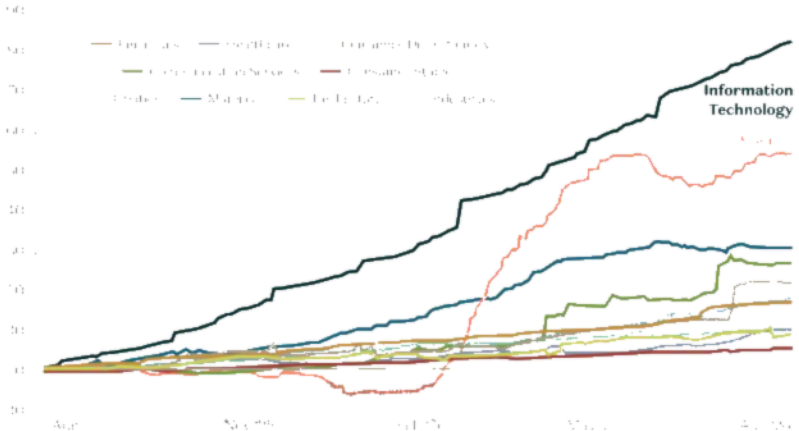


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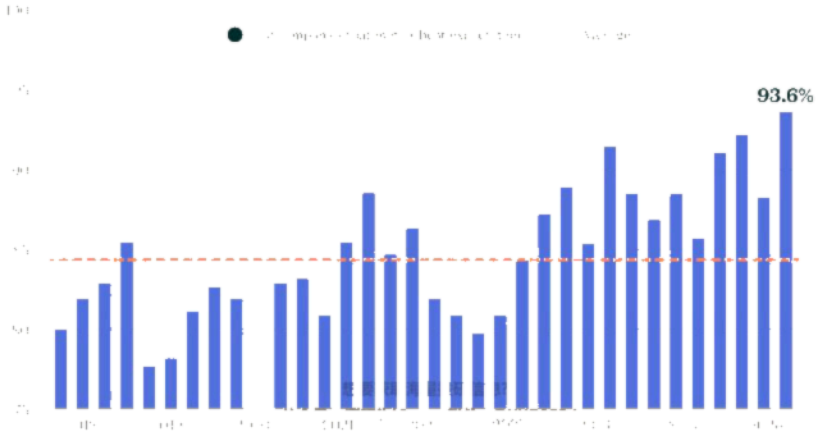
. . . Leading To (Very) Strong Fundamental Performance

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



An Historic Share of Companies Are Beating Estimates



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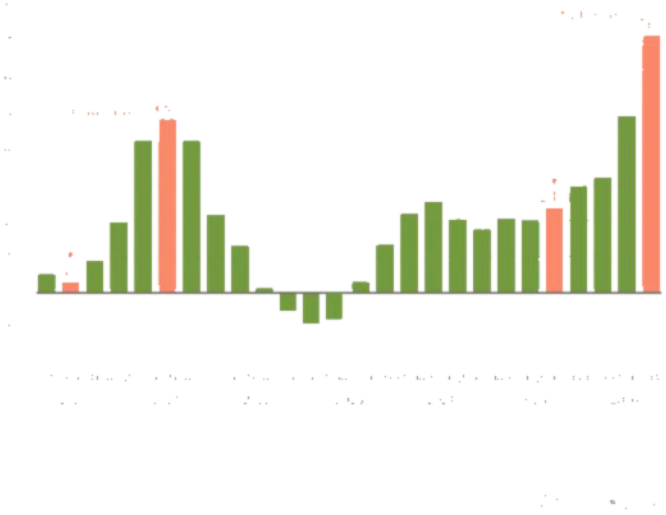
Hard To Call It A “Bubble”

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



Tech Profits Are Growing Off An Already High Base



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

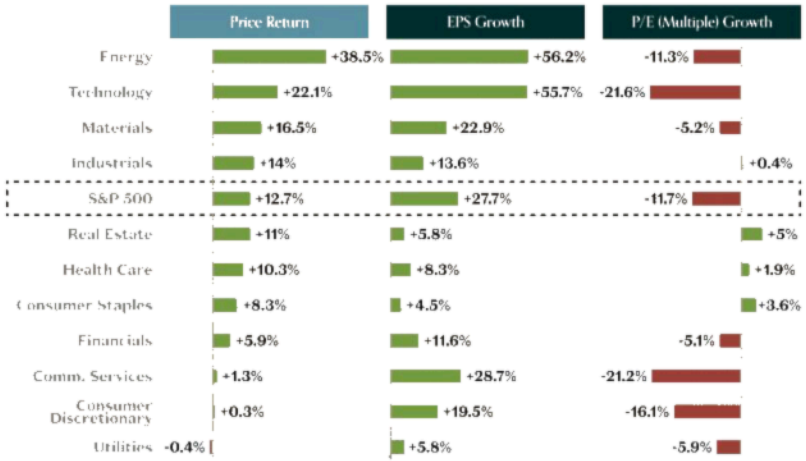
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Multiple Compression Across the Board, But Especially Tech

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

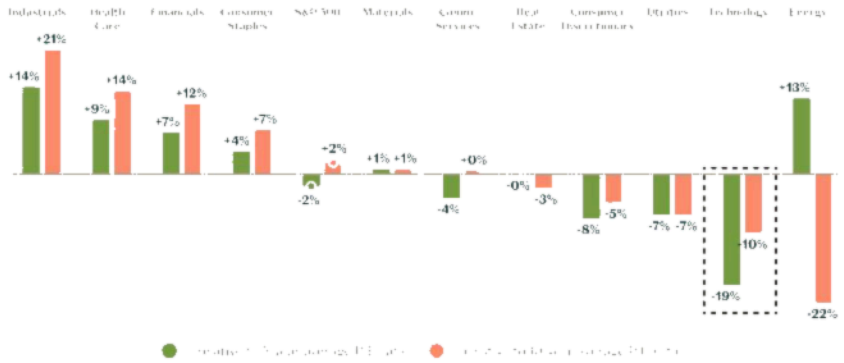
Returns Are Driven By Profits, Not Price

Year-to-date Earnings & Multiple Contribution



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

S&P500 sector multiples relative to 5- and 10-year averages



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The Market Is Not a Mag-Whatever Story, Anymore

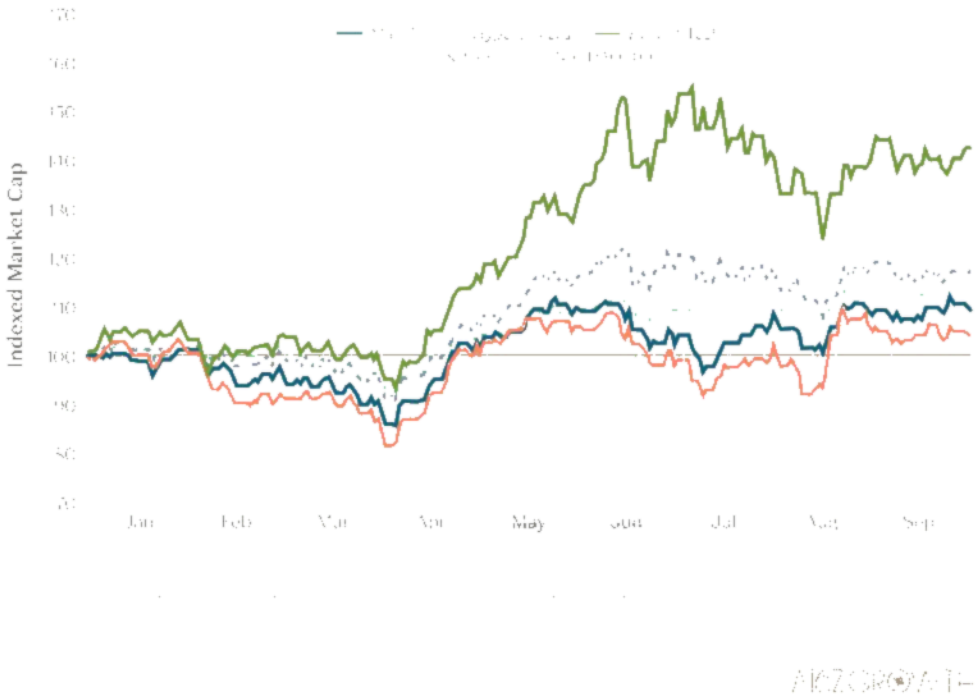
Last year, performance and returns was a concentrated story: the Mag 7 dominated the field.

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



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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



Retail Goes Long Levered ETFs

Leveraged ETF AUM, daily since 2020



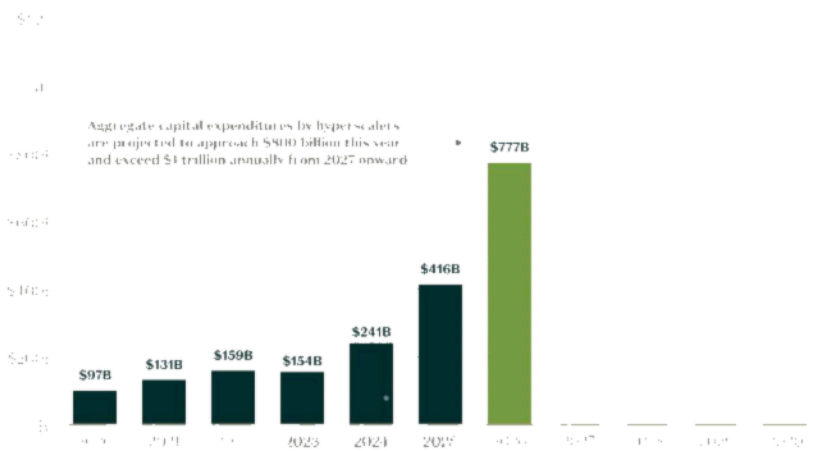
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AI Is A Generational
Platform Shift

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

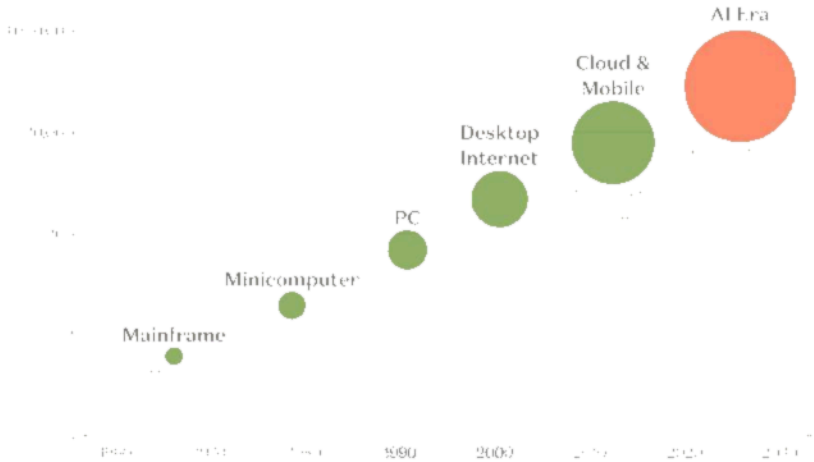
Capex Is A Multi-Trillion Dollar Affair

Hyperscaler capex, actual and consensus ($B)



Every Compute Cycle Is Bigger Than The Previous One

Devices + Users (MM) on log scale

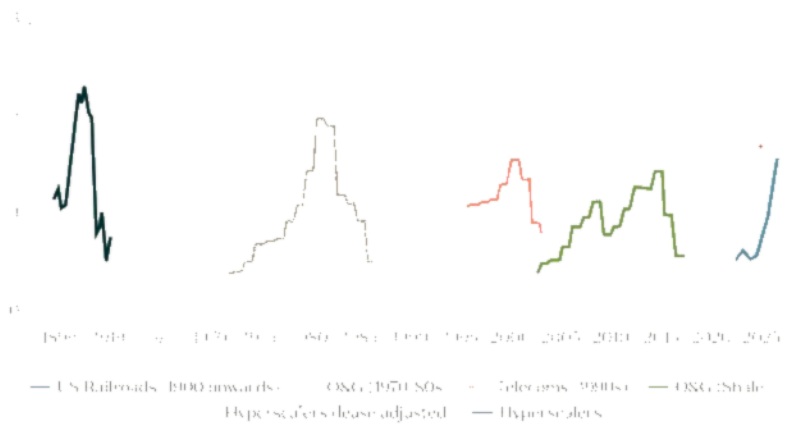


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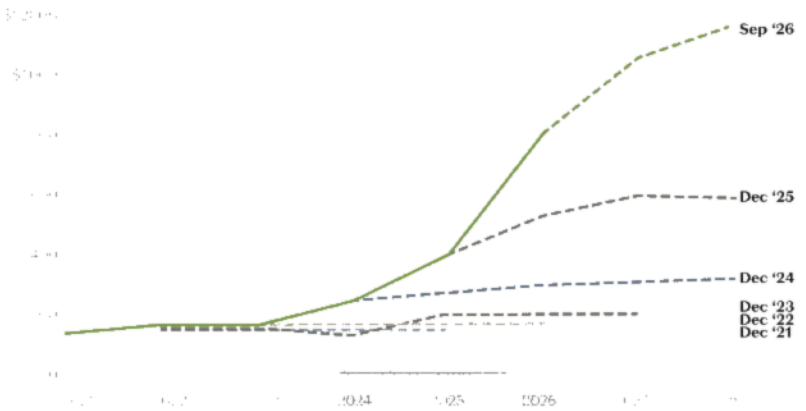
We Keep Underestimating The Capex To Meet Demand

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



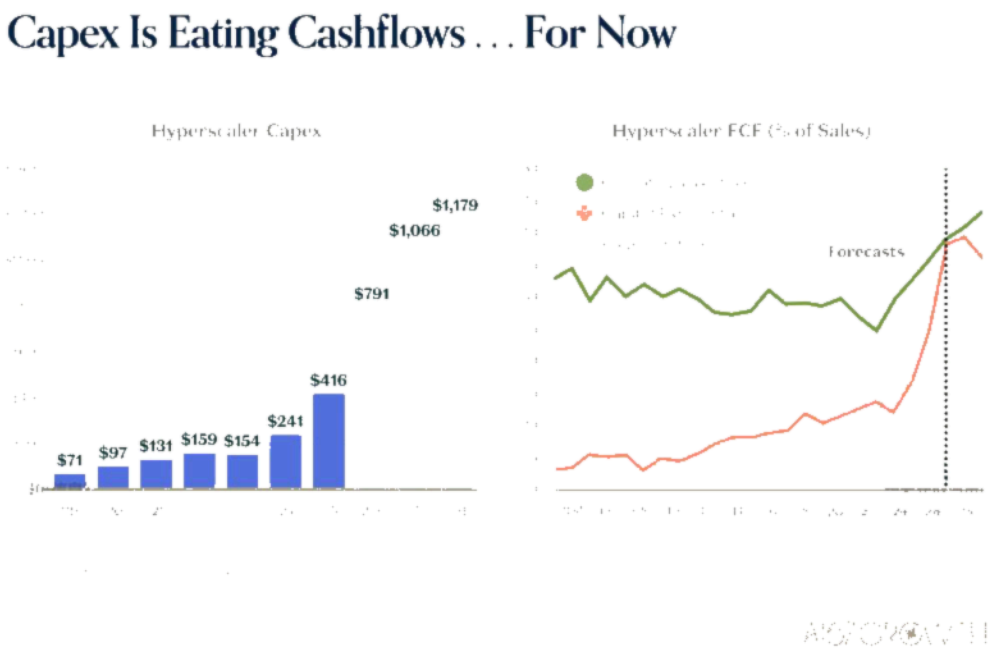
Hyperscaler Capex Keeps Exceeding Expectations



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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.



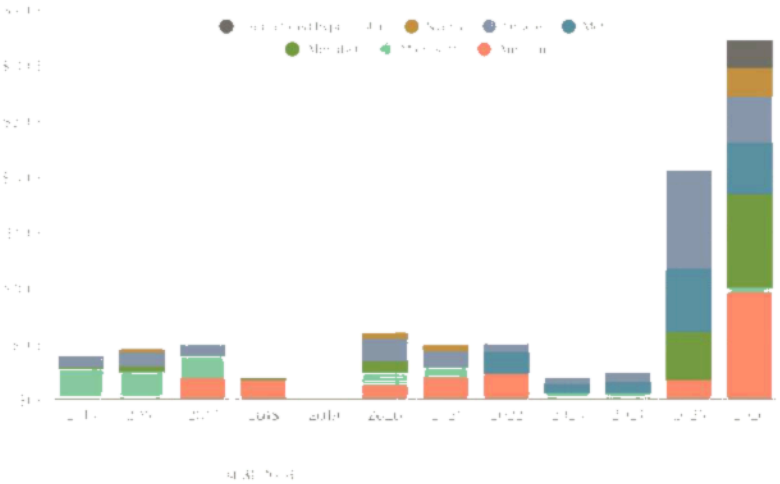
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Debt Markets Step In (On and Off Balance Sheet)

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

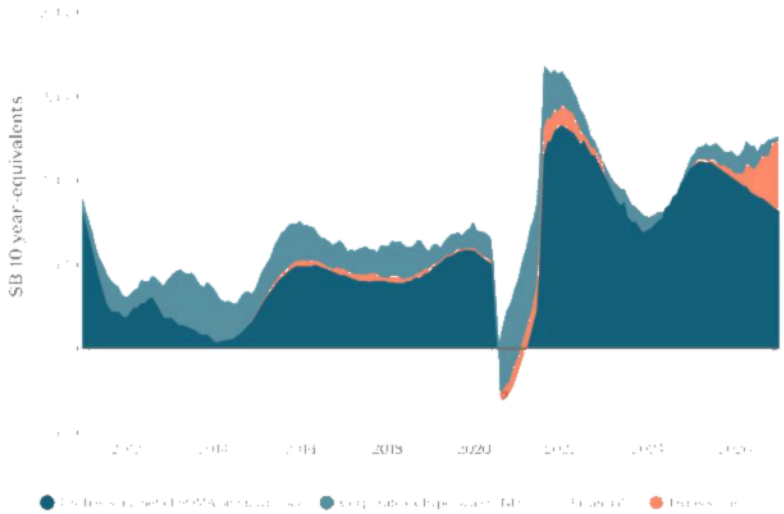
Borrowing Bigly For The Build Out

Hyperscalers and Neocloud new IG credit and SPVs



AI Borrowing Is Longer Term Commitment

Net duration supplied to U.S. market, ranges, full stock of 10-year equivalents over 12 months Slot Monthly Treasuries, ex. of SOMA, and co buybacks



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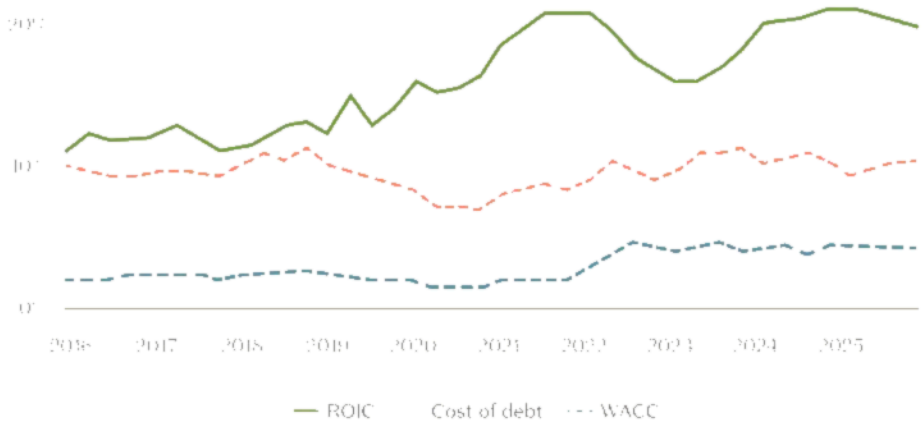
Hyperscaler ROE Still Higher Than Their Cost of Borrowing

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)

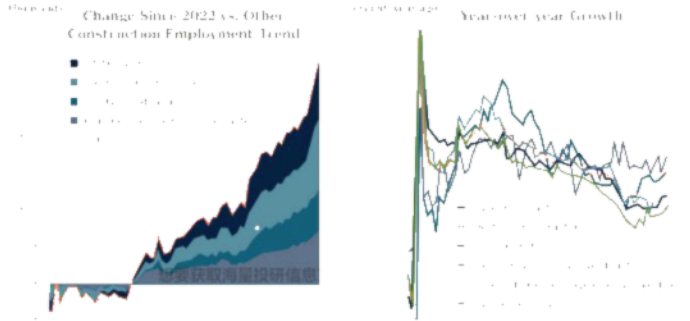


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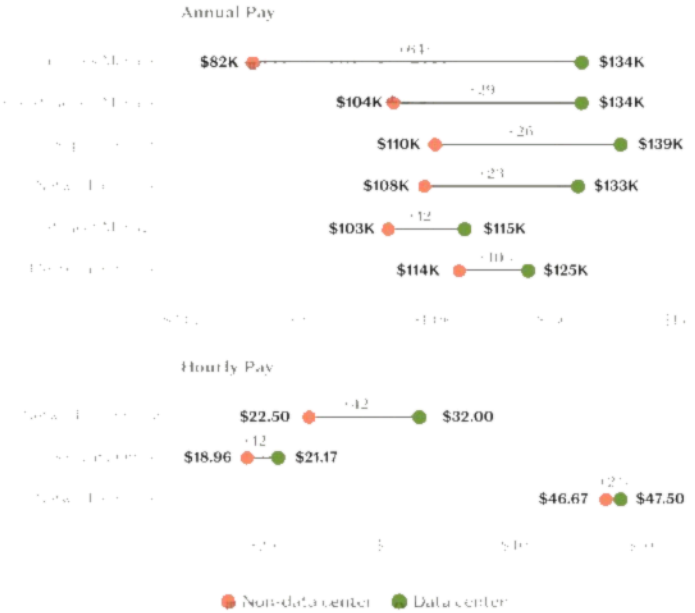
Capex Is Having A Positive Impact On The Broader Economy

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



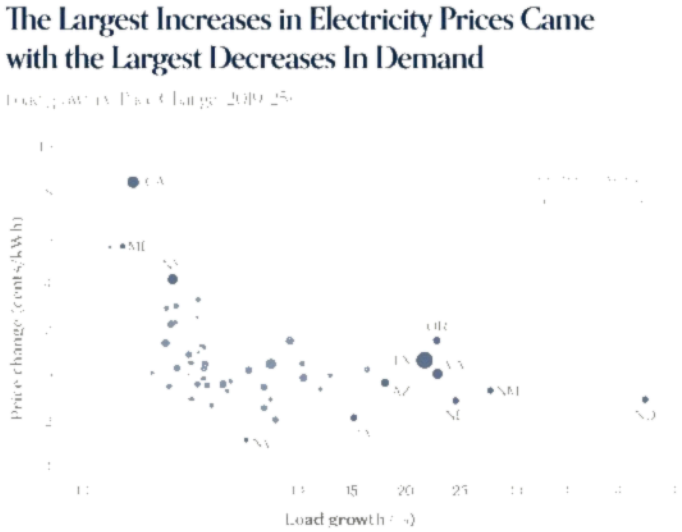
Data Centers Pay Premium Wages



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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.

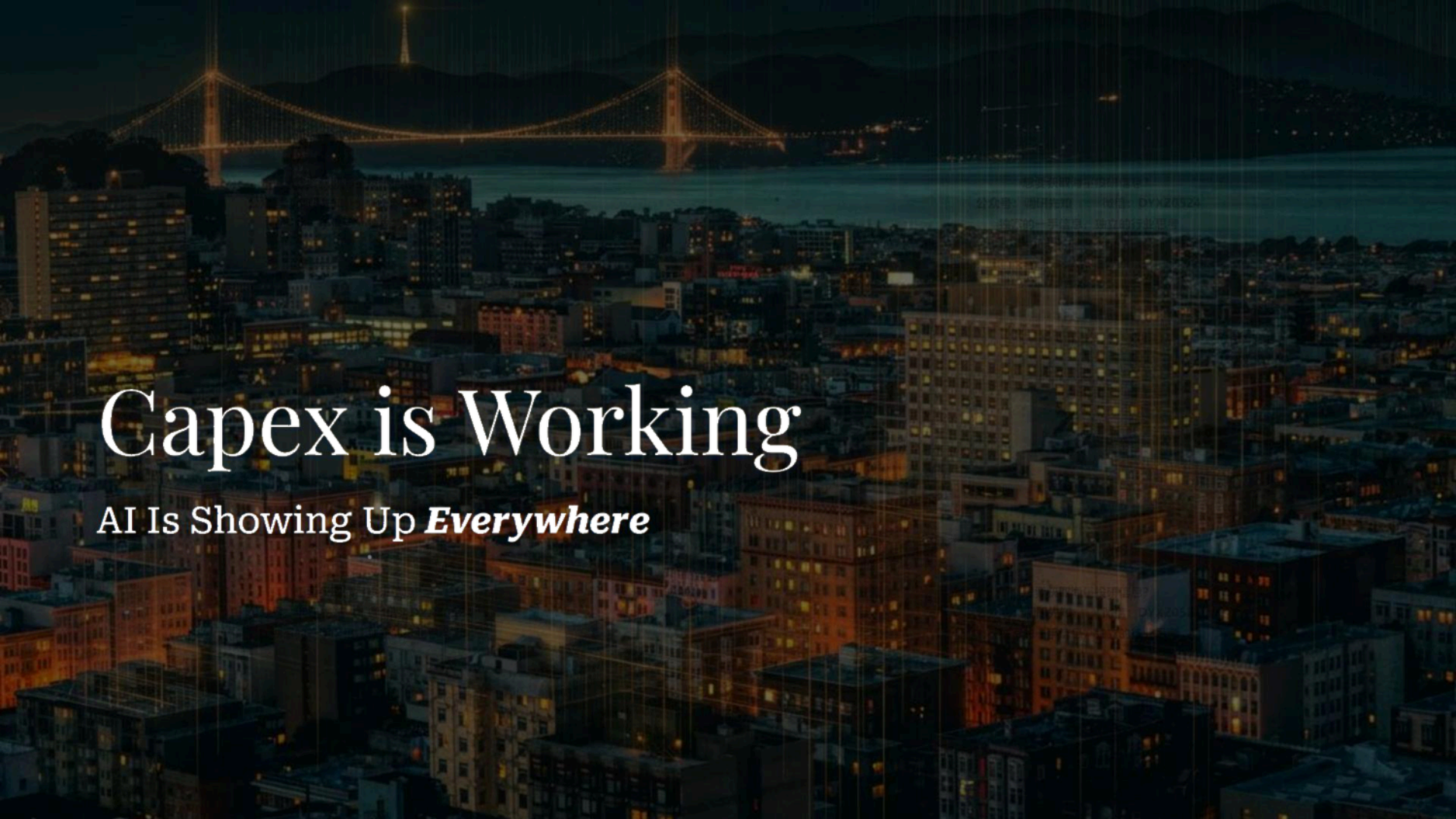


"We estimate for every 10% increase in data center capacity average residential retail prices fell by approximately 0.4% on average . . . The result is interpreted thus: from 2019 to 2024 the average residential customer lived in a state where data center capacity grew 160%, which caused their rates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

Have Data Centers Raised Your Electric Bill?

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

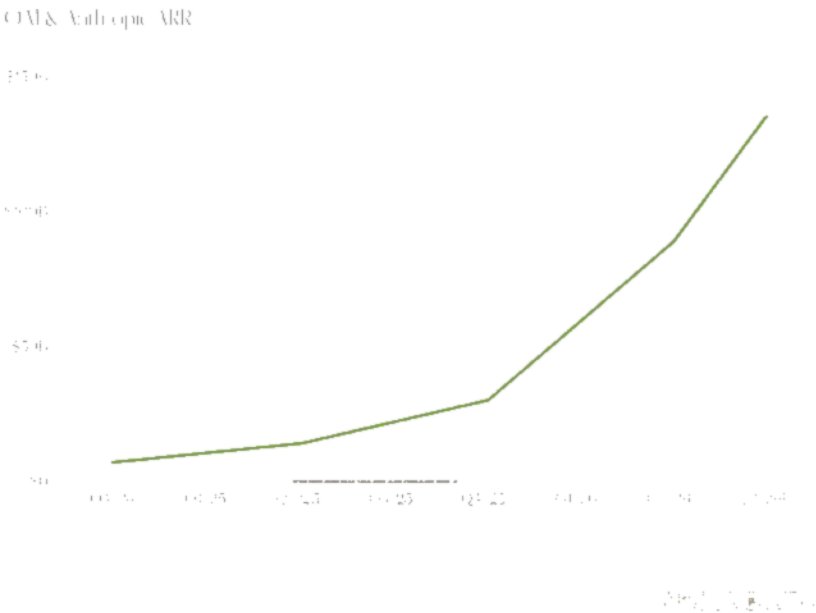
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Capex is Working
AI Is Showing Up *Everywhere*

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



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



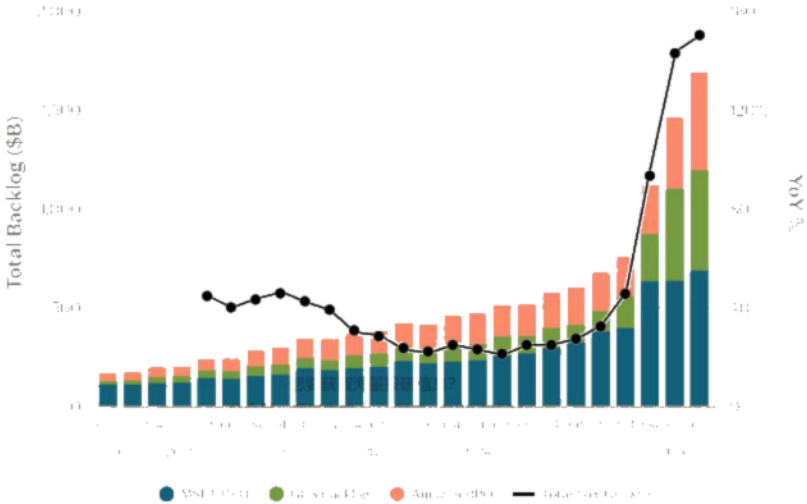
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Hyperscalers Keep Saying The Same Thing: Demand > Supply

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.

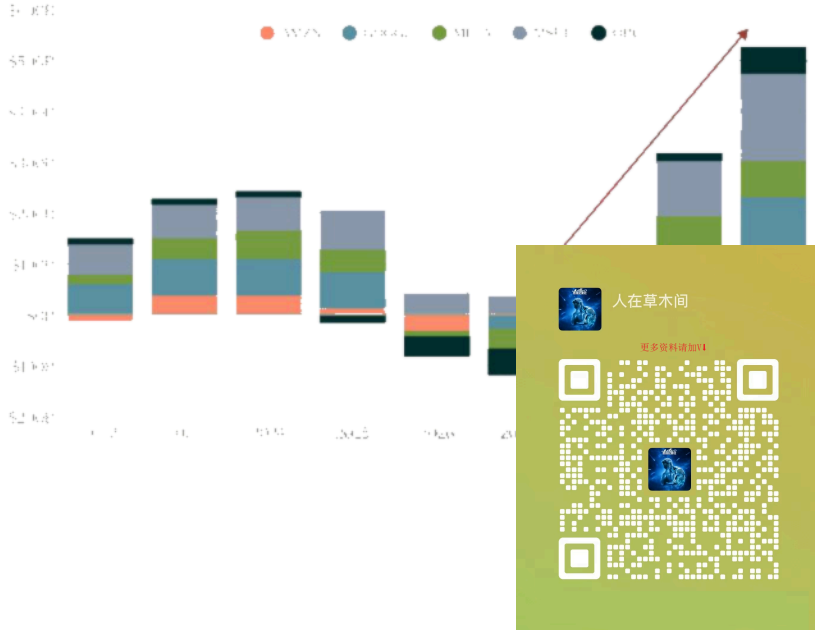
Cloud Revenue Backlog Piling Up

Major cloud revenue backlogs, total and yoy



Hyperscaler FCF: Back With A Vengeance(?)

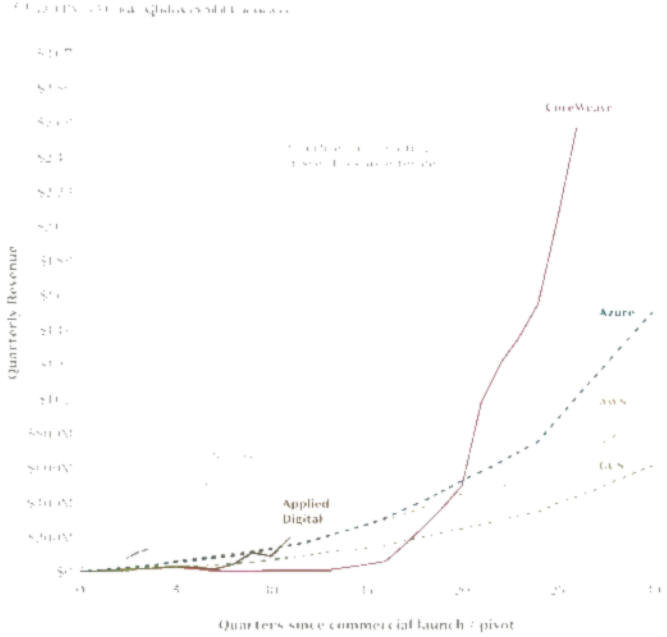
Realized and Consensus Hyperscaler Free Cash Flow



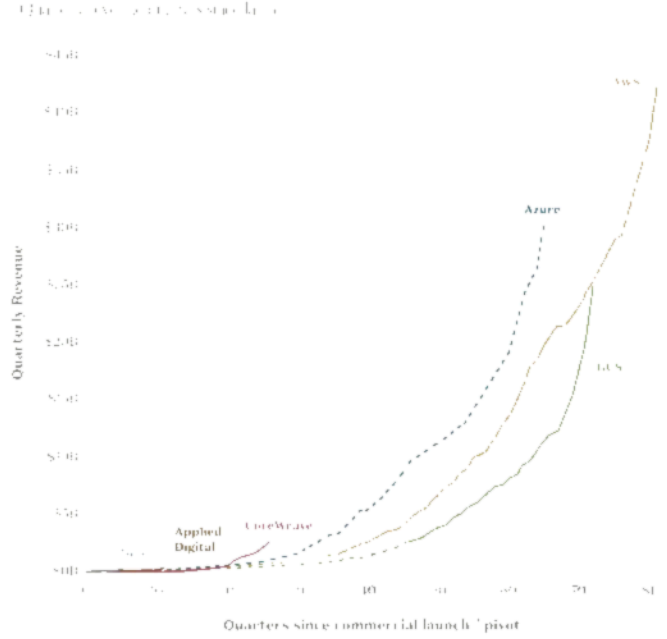
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Neoclouds Are Also Growing Historically Quickly

Neoclouds Are Growing Quickly



Neoclouds Have Room to Run?



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Reports Of GPU Obsolescence Are Greatly Exaggerated

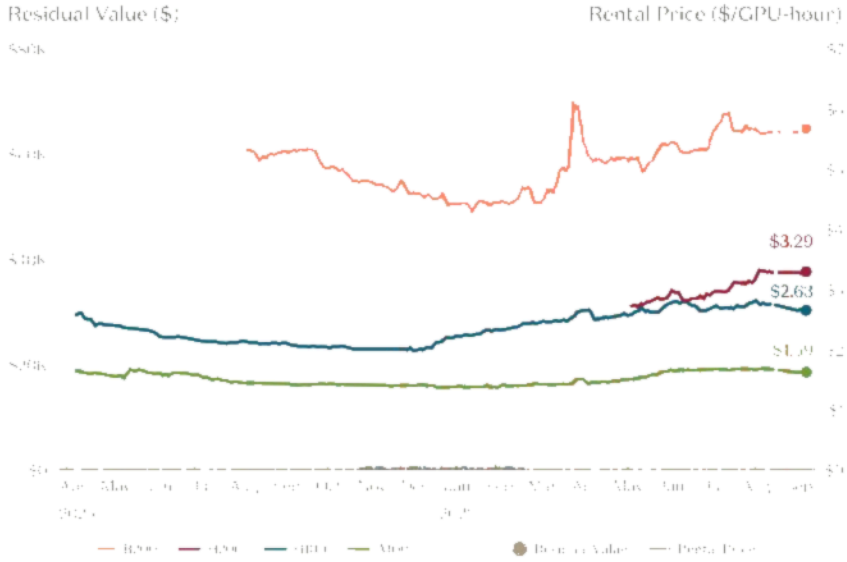
Every new generation of chips was supposed to render the older generations obsolete, the bears claimed. “The depreciation schedules keep getting longer–what is this chicanery?!” they howled.

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 (blended) vs. rental rates

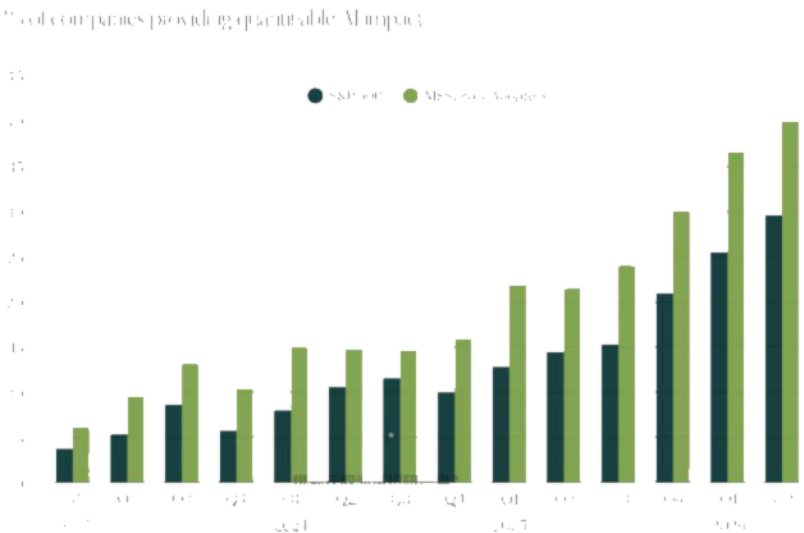


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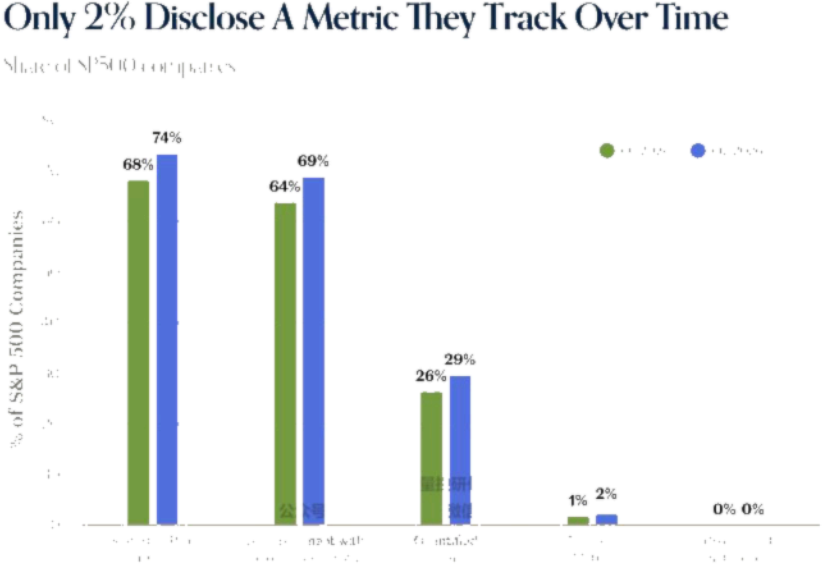
Despite All The Demand, It's Still So Early

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

Companies With Quantifiable AI Impact Rising



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



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Anecdata Around AI ROI Abound

amazon

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

Meta

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

shopify

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

servicenow

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."

Jon McDermott, Chief Operating Officer, ServiceNow, Q2, July 2026

affirm

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 website, Sept 2026

Lemonade

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

chime

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

snowflake

CoCo Adoption

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

Christian Kleinerman, EVP Product, Snowflake, Q2, September 2026

Microsoft

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, July 2026

Walmart

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."

Jordan Turner-Trauring, Chief Technology Officer, Walmart U.S., 27, August 2026

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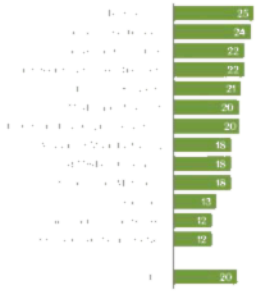
Enterprise AI Spending Has Plenty of Room-to-Run

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

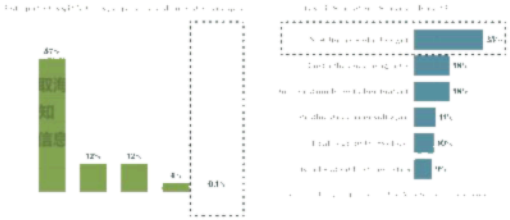
In the big scheme of things, AI spend is a tiny share of the overall cost stack.

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.

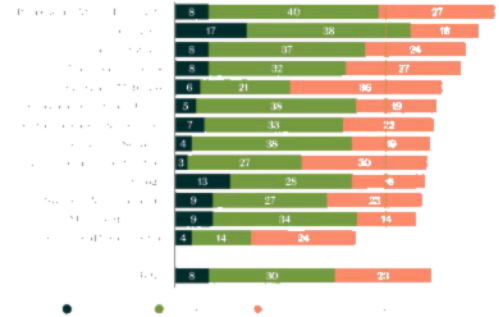
Only 20% Of Orgs Cite Cost As A Constraint



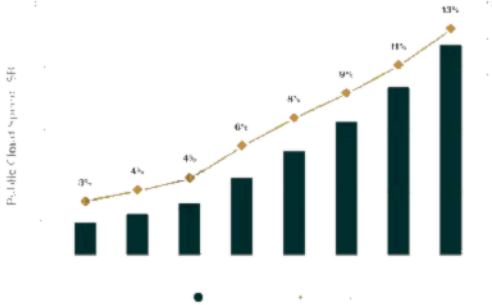
Enterprise AI Spending Has Plenty Of Room To Run



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



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



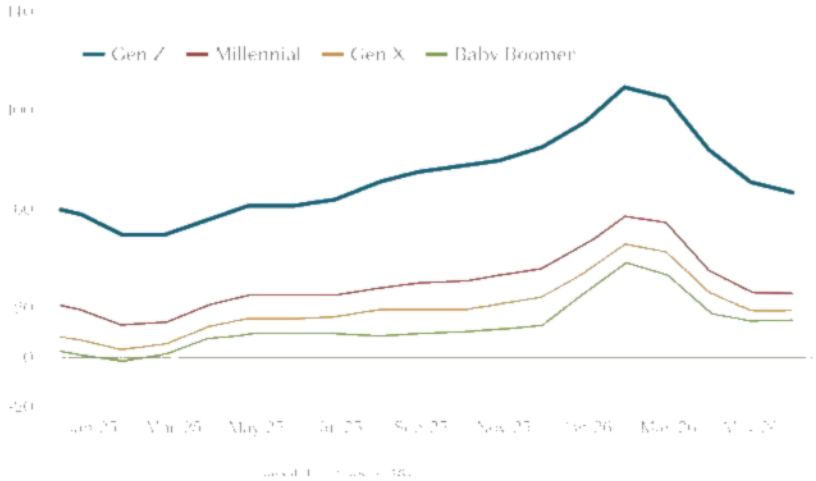
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Let's Just Say That There Were Signs

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

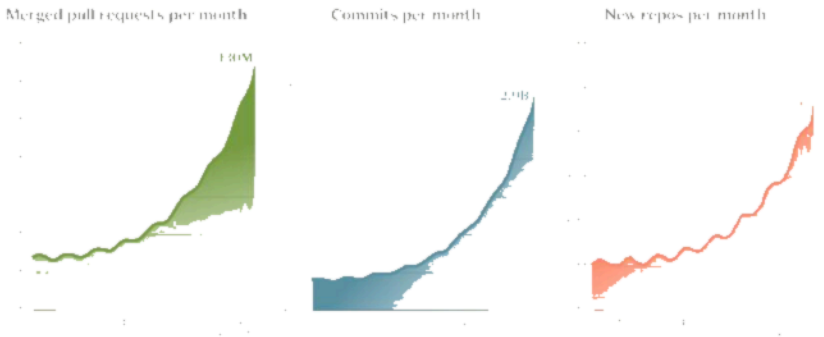
Gen Z Entrepreneurship Is Growing

Monthly business applications annually rolling 12 month average %



AI's Code-splosion

Merged PRs, commits, new repos/day, monthly

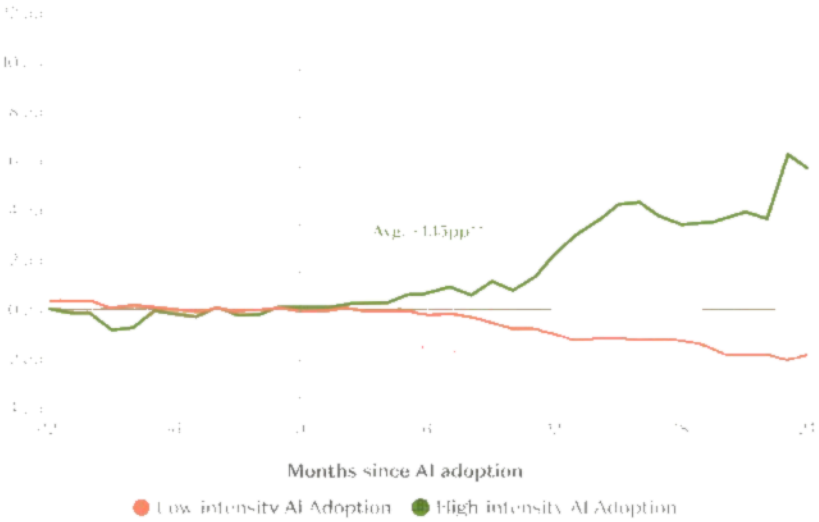


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AI Intensity Leads to MORE Hiring, Especially For SWEs

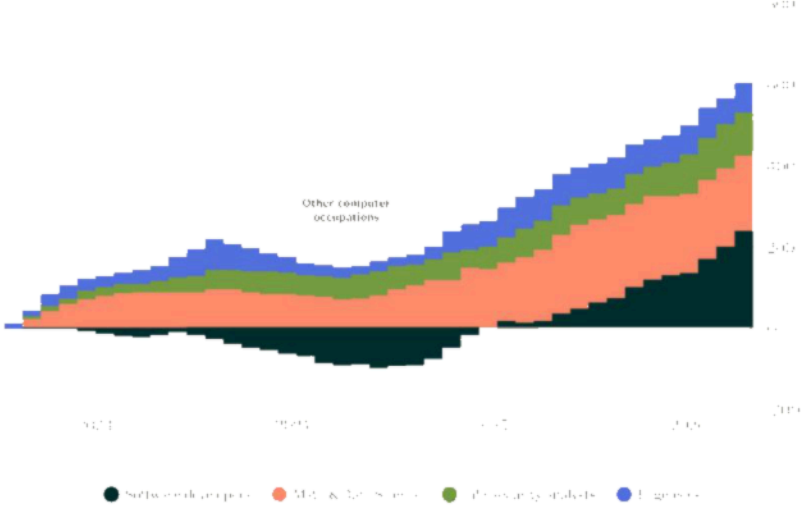
AI is ~~Taking~~ Making Entry-Level Jobs?

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



Above Trend Hiring For Technical Roles

United States incremental AI-related white collar jobs* '000



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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).

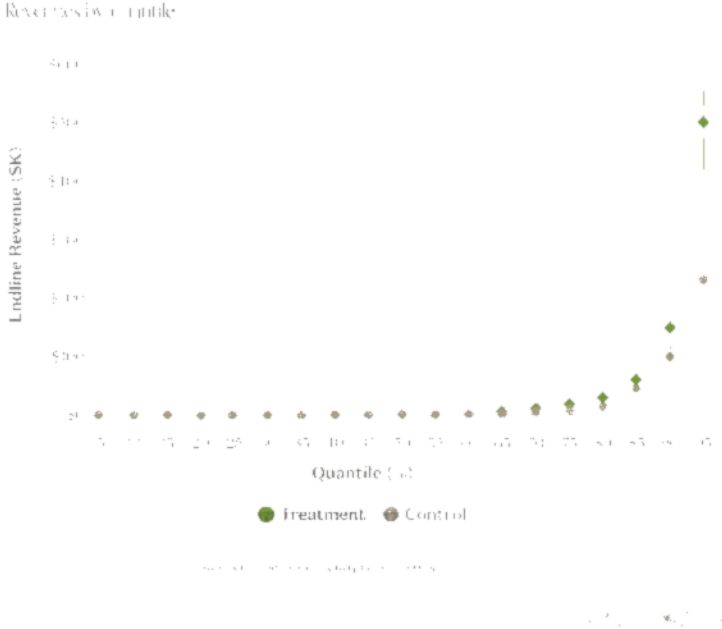
Growth is driven by a tiny share of power-users, who are unlocking more value with increasingly sophisticated tools and implementations.

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

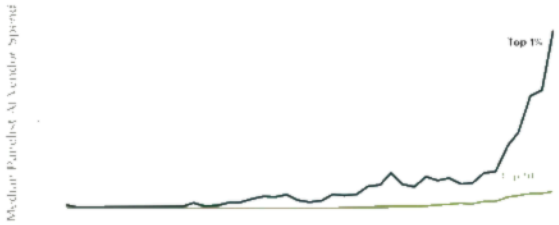


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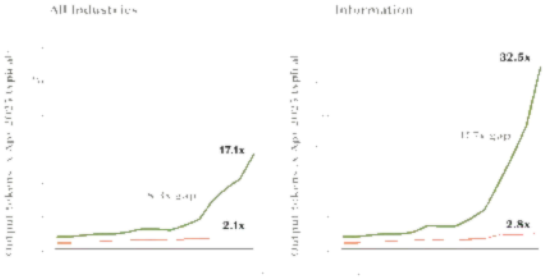
Power Users Are Pulling Away

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

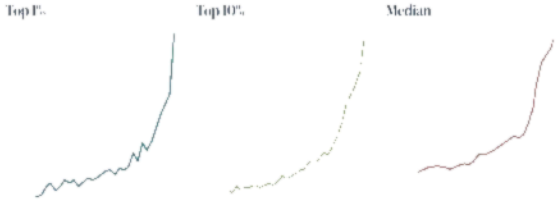
AI Power Usage: Top 1% Outspends The Top 10% By ~8X

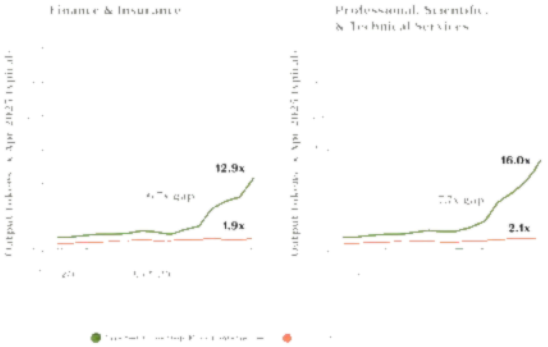


AI Power Users Pulling Away From The Field



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



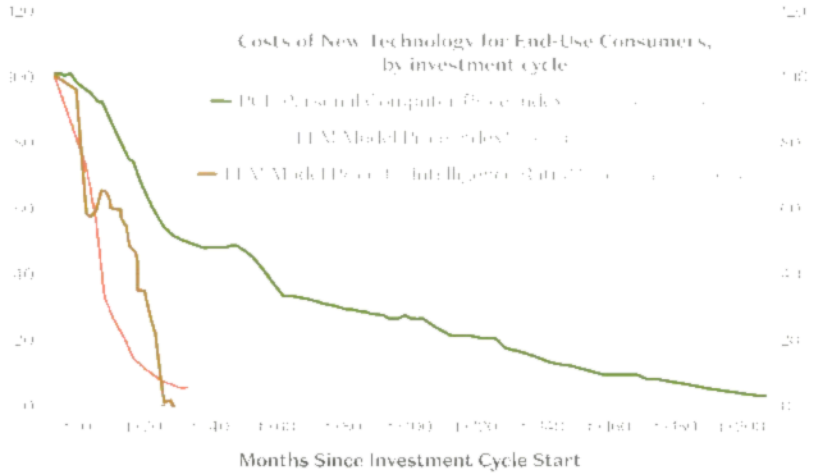


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Jevons Paradox: Cheaper Intelligence, More Demand

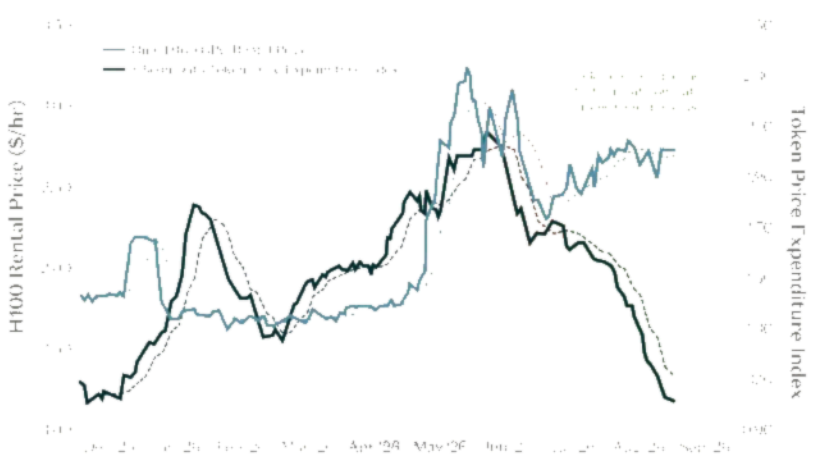
The Price of Intelligence Is Falling Quickly

Cost of AI Tasks Defined as Cost to Train 3 years as PCs deflated in ~5 decades



Jevons: Compute Prices Rise As Token Prices Fall

H100 GPU Rental Prices vs Silicon Data Price Expenditure Index

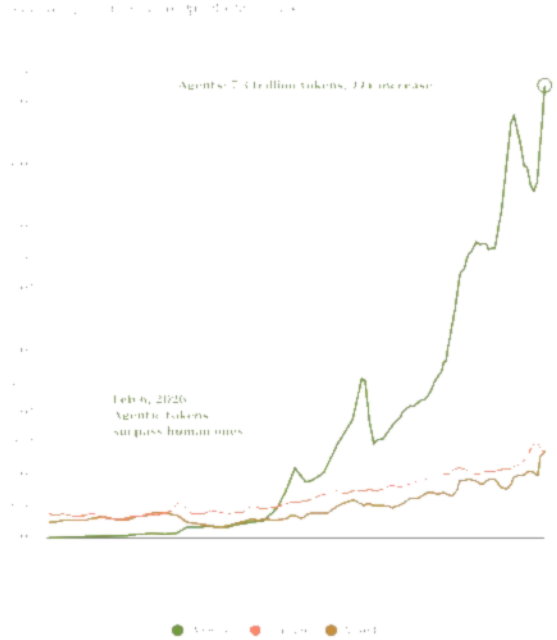


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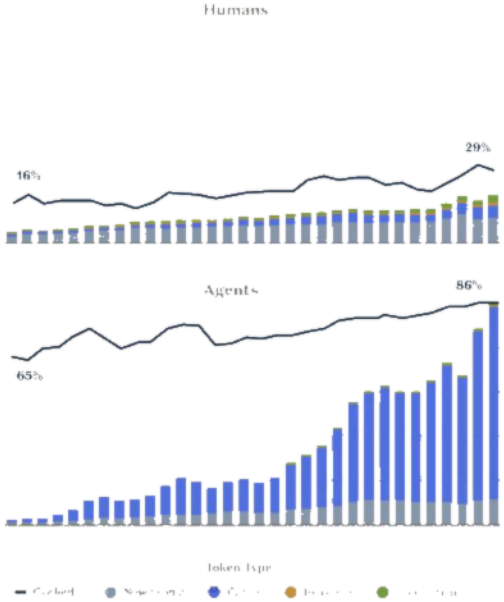
Cheaper Tokens Have Ushered In The Age of Agents

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

Agents Are Using Far More Tokens Than People



Agents Are Caching In



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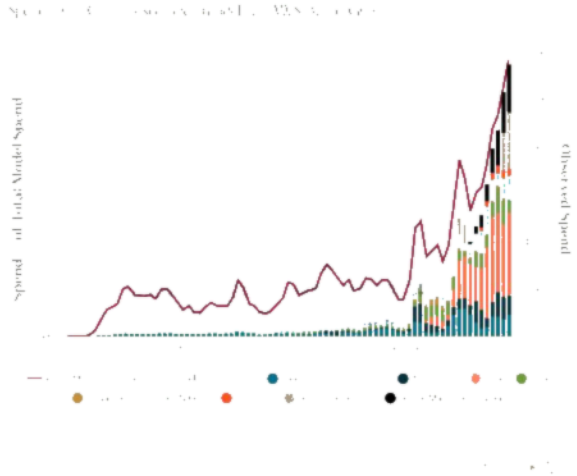
Instead of Open v. Closed, Why Not Both?

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)



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



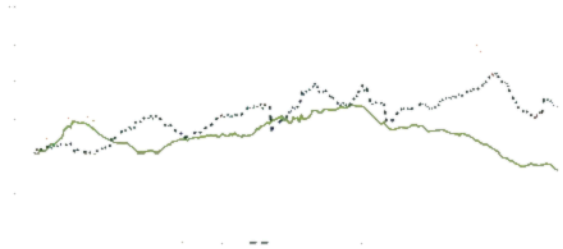
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As Users Optimize Their Spend, Demand for Compute Only Builds

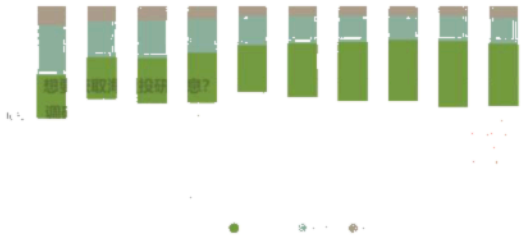
Like GPUs, older models are far from obsolete. As the overall cost of intelligence falls, the pie keeps growing, with frontier and non-frontier models splitting share.

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

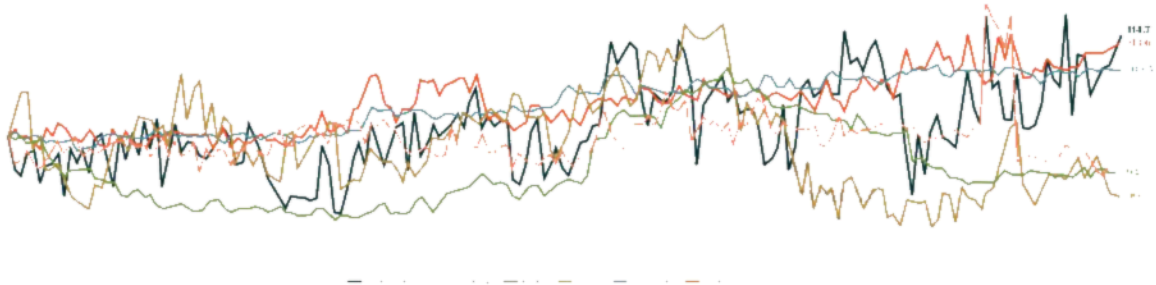
Price/Token Is Falling, Driven By Proprietary Models



While Older Models Learn New Tricks



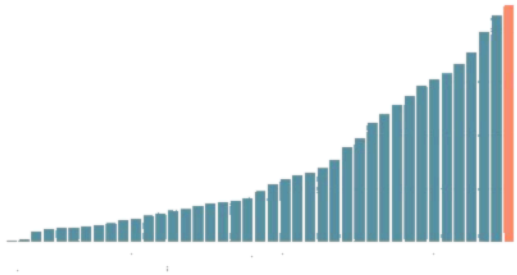
Token Demand Drives GPU Rental Prices (Even For Older GPUs)



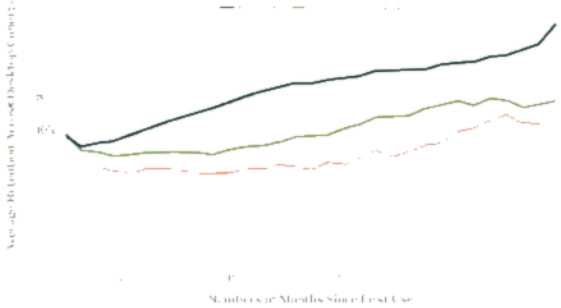
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On the Consumer Side, Things Are *(Also)* Just Getting Started

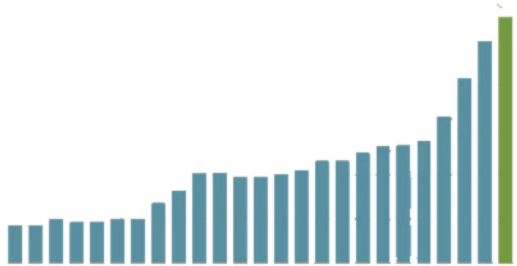
More and More Households are Paying for AI



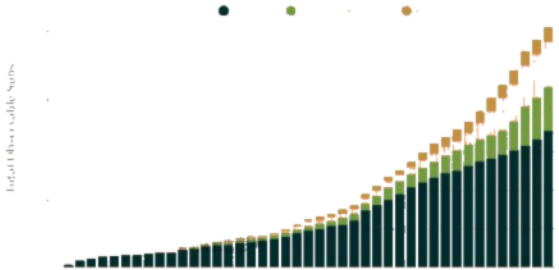
Steep Growth With Retention Curves That Smile



Households are Spending More on AI

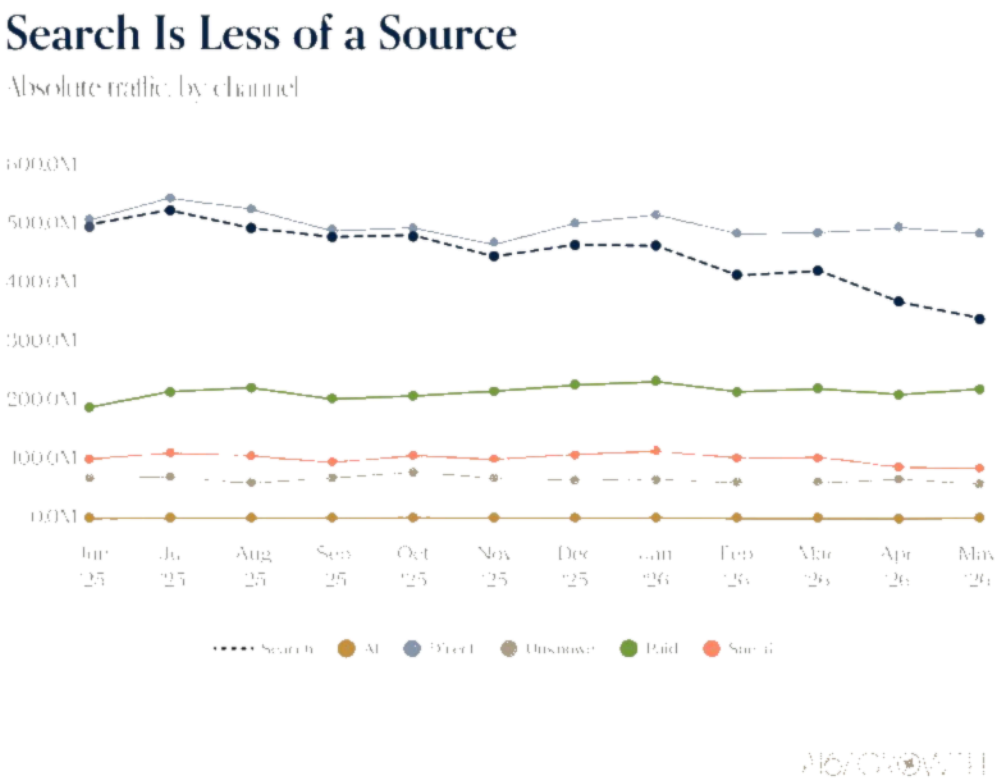


Paid Consumer Subscriptions ~5x Since 2025



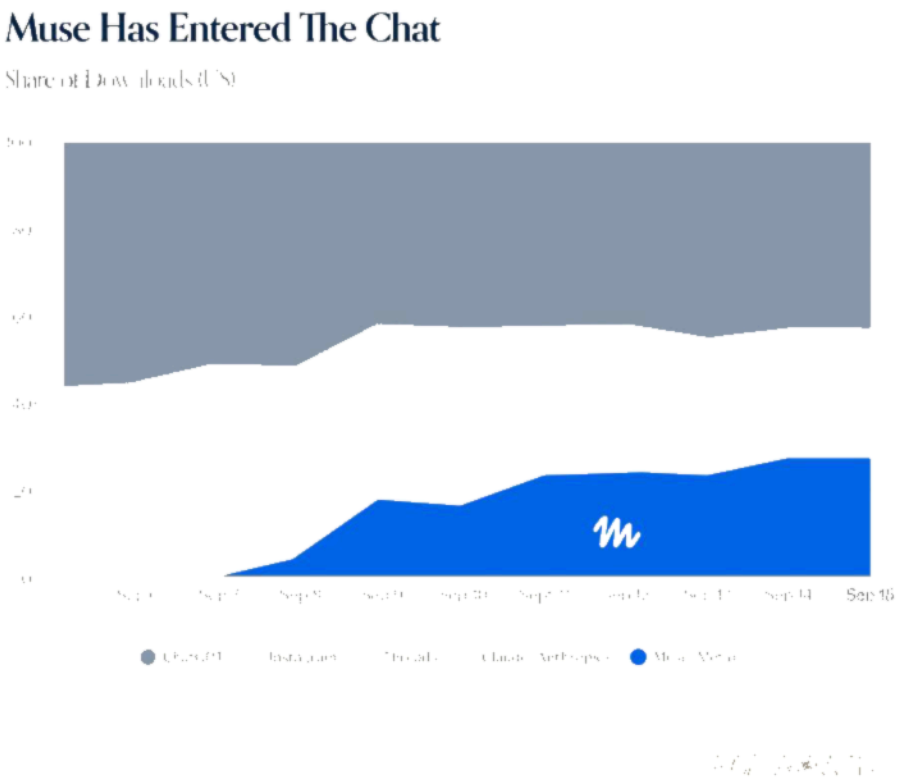
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Consumer AI: Search Referrals Gaining (but still very small)



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Waiting for the SuperApp: Muse Has Entered the Chat

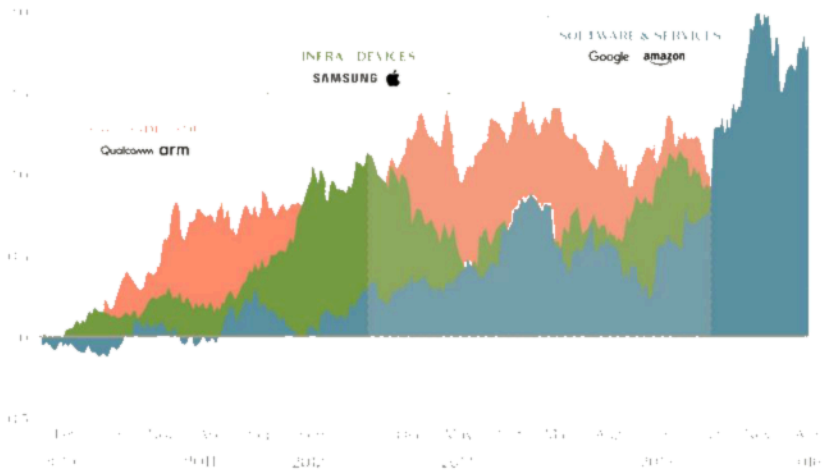


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Not The First Capex Rodeo: Semis Led Software Before

First Semis, Then Software

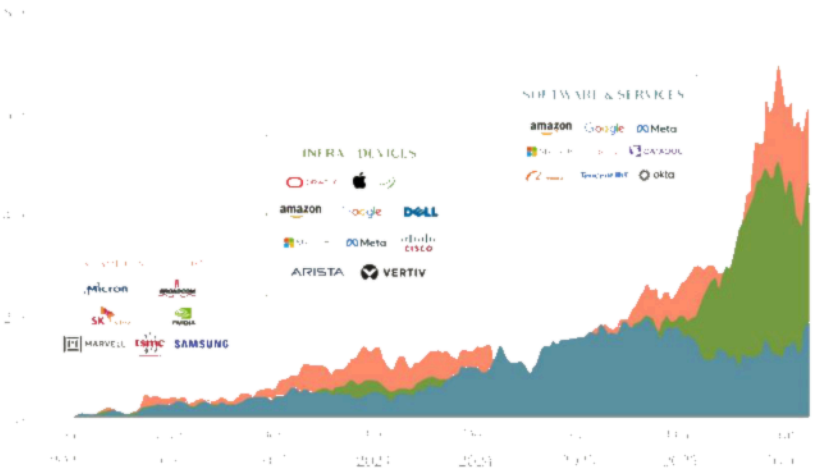
Relative Stock Performance During Mobile Internet



Relative Stock Performance During Mobile Internet:

Semis Then Software, Take Two (AI Edition)

Relative Stock Performance During Mobile Internet



Relative Stock Performance During Mobile Internet:

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Atoms Are So Back
AI has led to a broader rotation from bits to atoms

Follow The Money

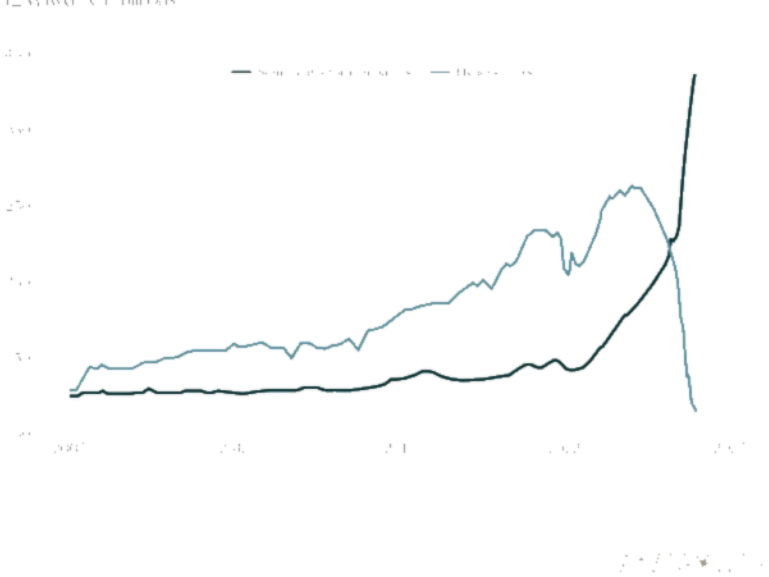
Returning to markets, all of this AI supply and demand, has had a profound impact on the types of businesses that are driving performance. For more than a decade, software was the star of the show, but with the advent of AI, hardware has taken center stage.

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.

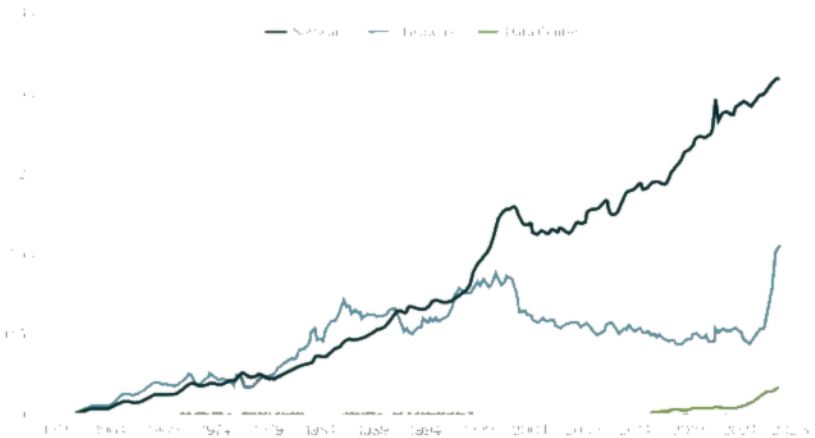
Hyperscaler FCF Has Become Semiconductor FCF



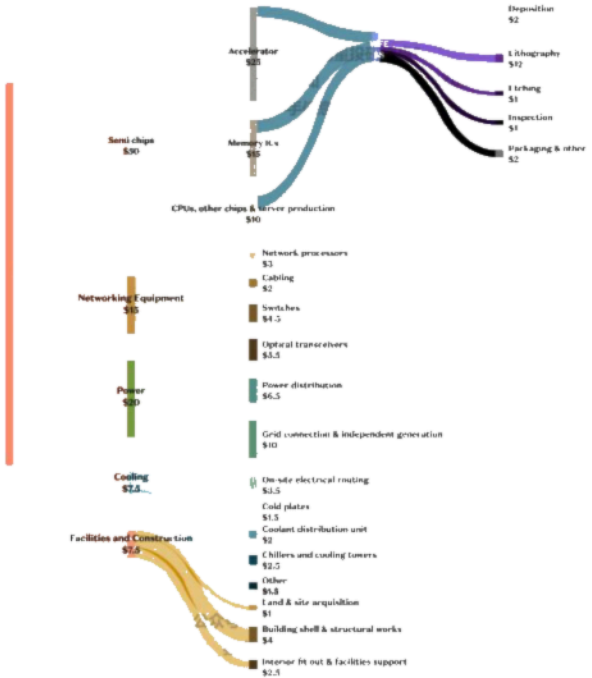
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Follow The Money: Capex ↠ AI infra (cont.)

Investment Was A Software Story, Until Recently



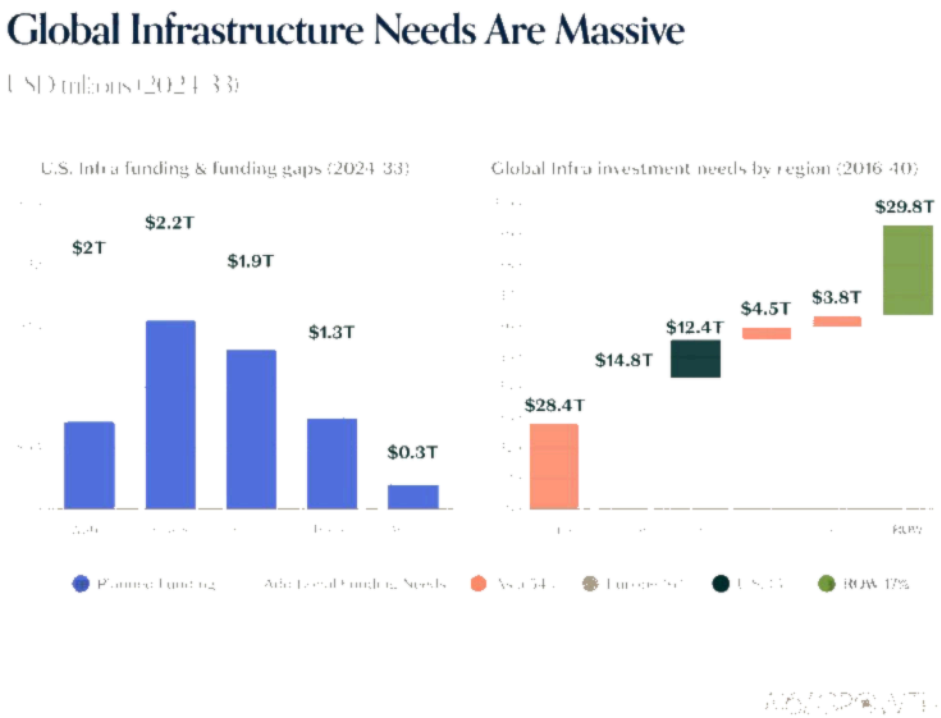
Following The AI Capex Money



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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.



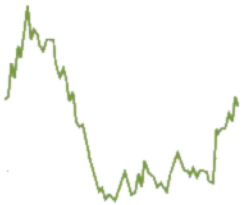
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A Growing Manufacturing Base

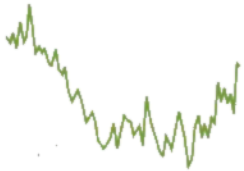
U.S. Factory Activity In Expansion Mode

ISM's factory-reporting gauge signaled the strongest growth since 2022

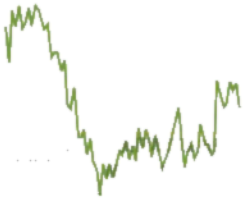
Manufacturing PMI



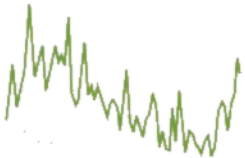
Production Index



New Orders Index



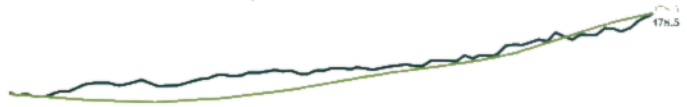
Employee Index



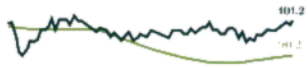
Manufacturing Output Is Running Ahead Of Capacity

Actual vs. capacity, select industries, 2017 avg. = 100

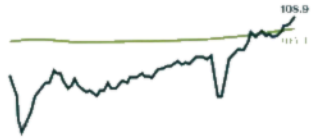
Semiconductors & Electronic Components



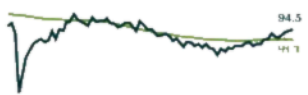
Electrical Equipment



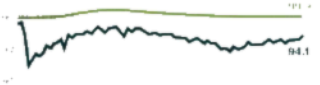
Aerospace & Miscellaneous Transport



Machinery



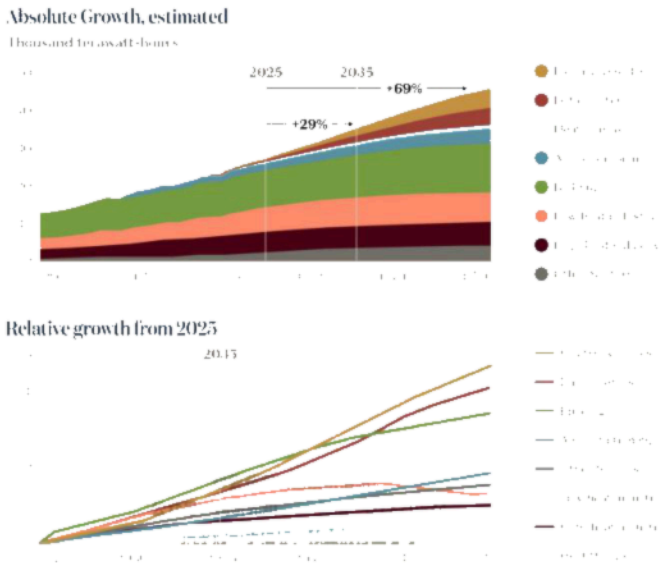
Fabricated Metal Products



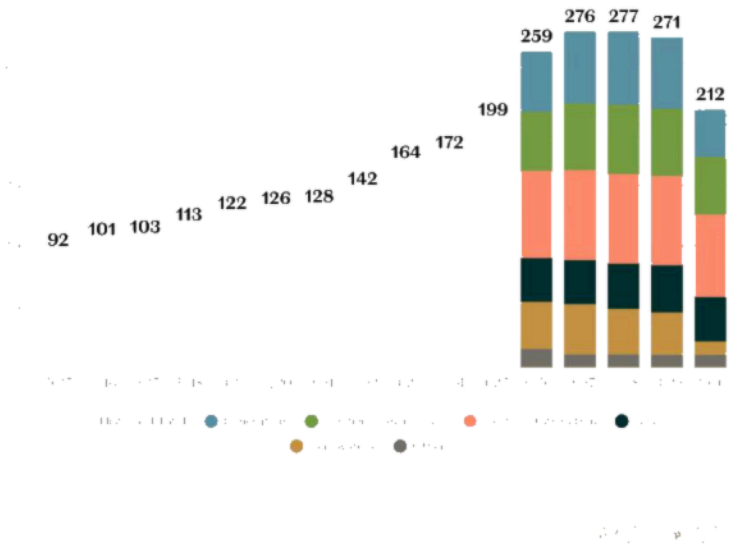
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Electrification of Everything

Growing Electricity Demand Is More Than Data Centers



Utilities Capex To Exceed $1T By 2030

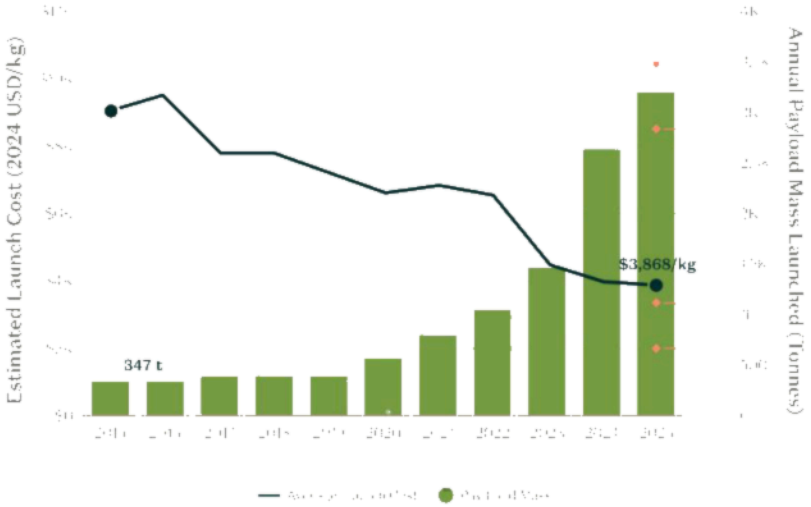


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Rockets To More Than Just The Moon

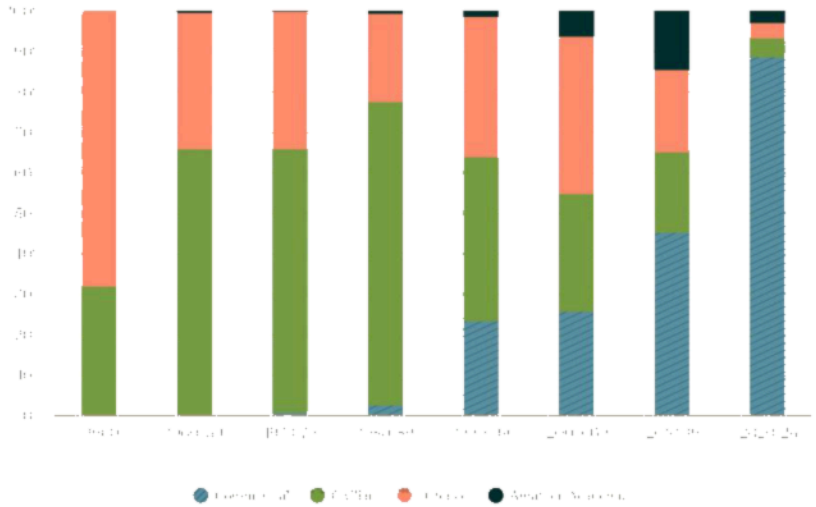
Cheaper Rocket Launches 🤝 More Payload

Global Launch Vehicle Costs, 2015-2025



Outer Space Is A Place Of Business

Owner-operator's share of Launched Objects, as of May 9, 2026

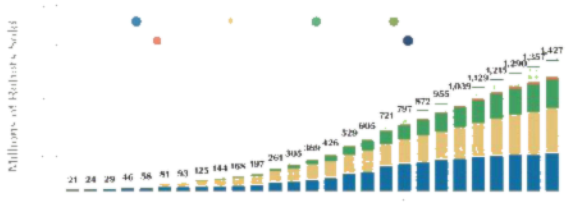


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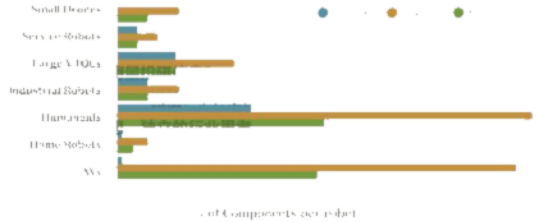
We're Going To Need More Robots, And Those Robots Need More Parts

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

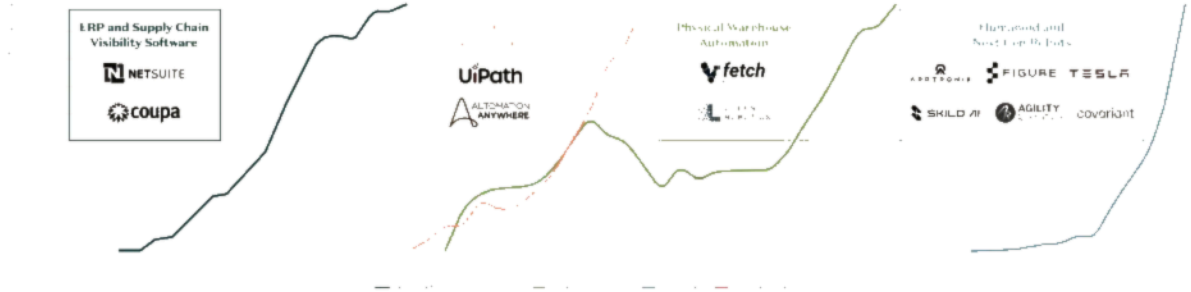
We're Going To Need A Lot More Robots . . .



. . . And A Lot More Robot Parts



Another Automation Wave, Inbound?

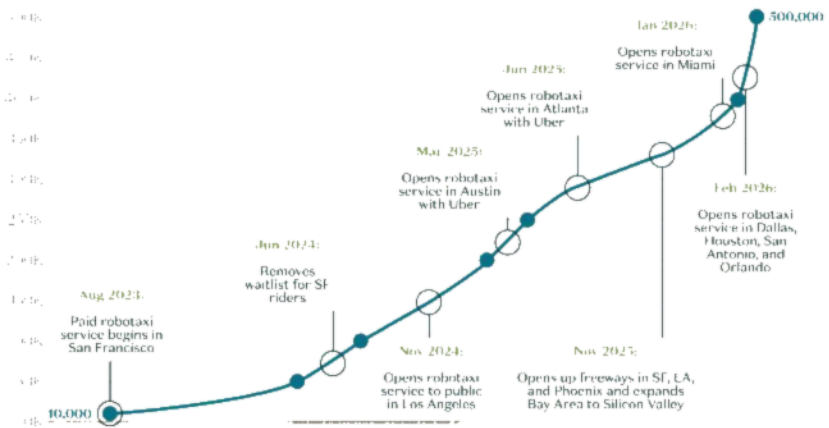


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Robotaxis Inbound

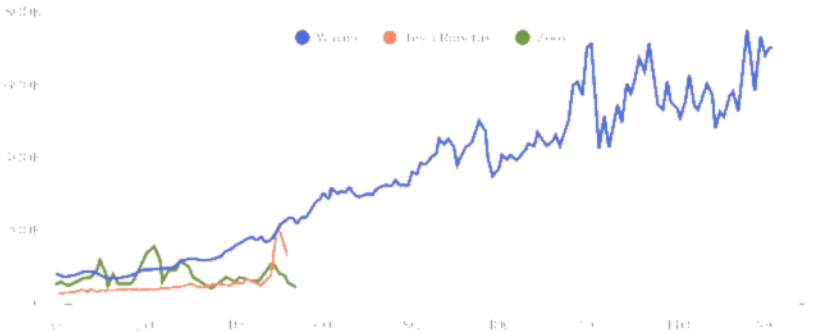
Waymo's Quick Ascent to Half a Million Weekly Robotaxi Rides

Rides per week



All Hail Robotaxis

U.S. weekly active users since commercial launch

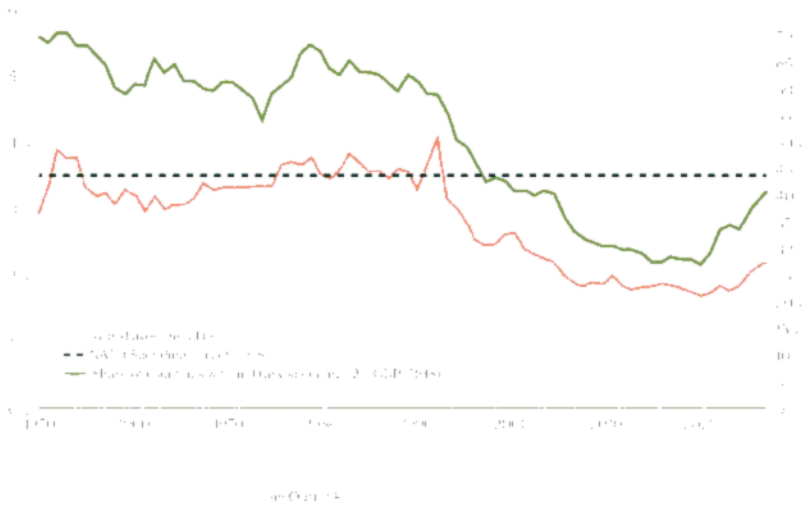


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Rising Defense Spending

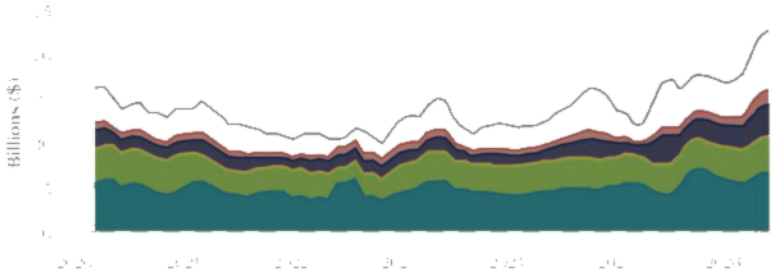
Global Defense Budgets Rising

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

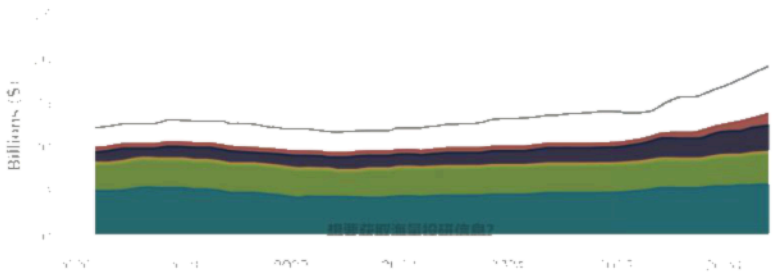


Defense Orders and Production Are On The March

New Orders



Shipments



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

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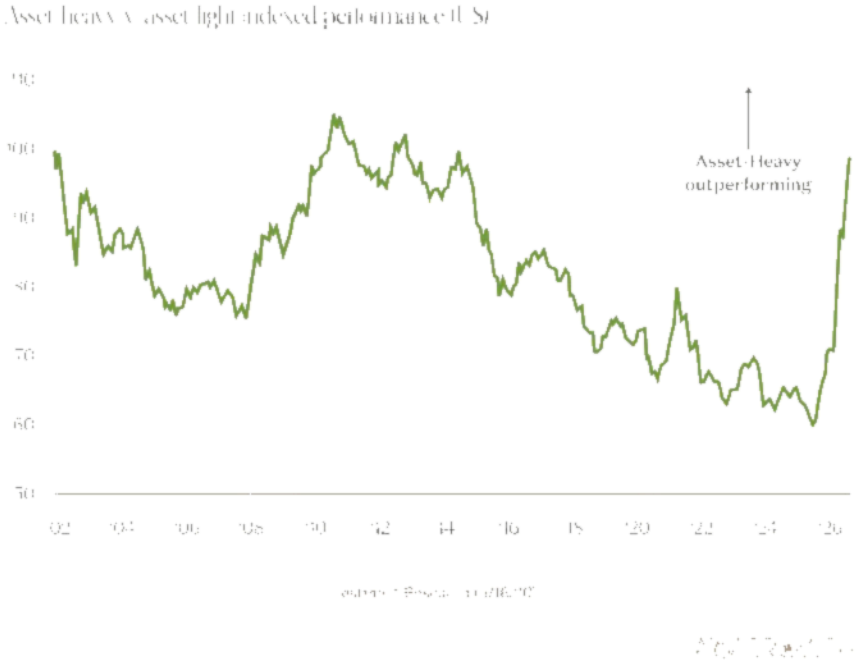
The Rotation To Atoms Has Flipped The Field In Markets

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 (SaaSpocalypse 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

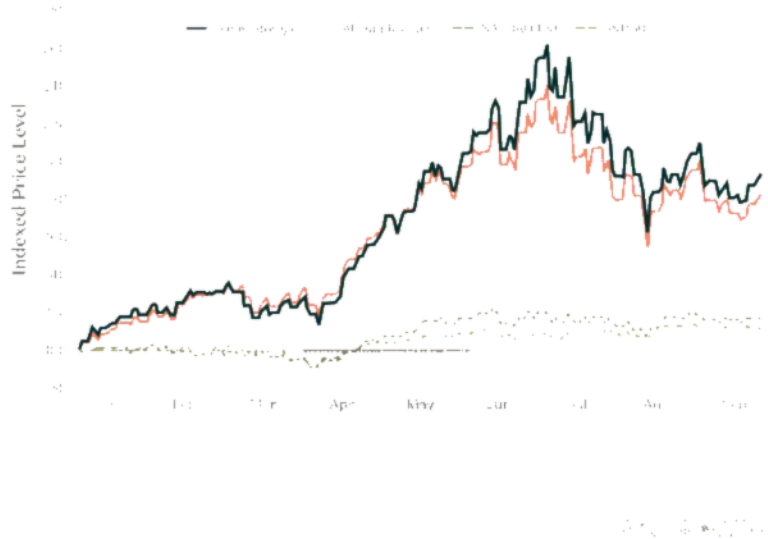


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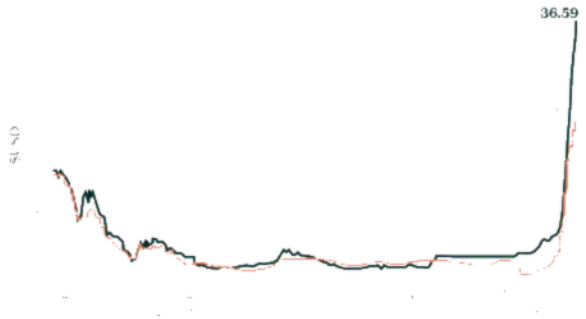
The AI Supply Chain Has Been The Winning Trade

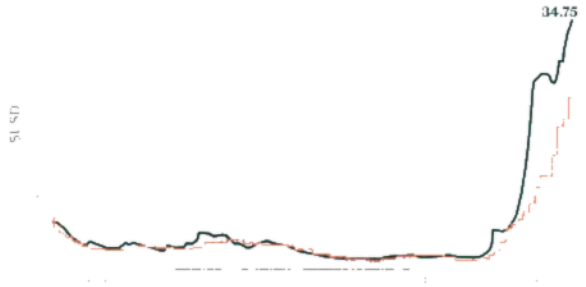
. . . and there's been no bigger winner than memory.

AI Supply Chain (Especially Memory) Win The Year



NAND and DRAM Memory Prices To The Moon





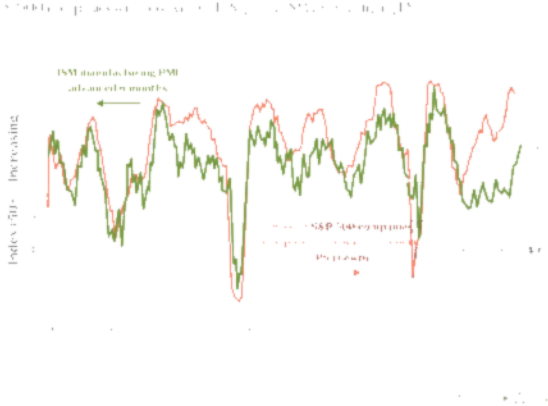
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What If Semis Are Still Cheap?

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 cyclicals are always wary of the cycle's peak.

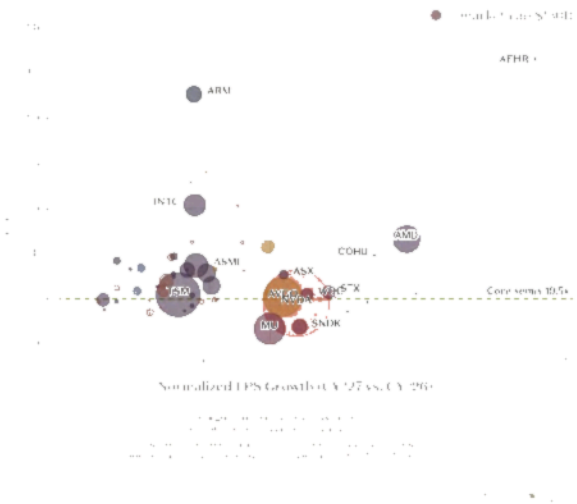
A Narrow Chip Cycle: Earnings Are Growing More Quickly Than Broader Manufacturing Activity



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.

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?



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.

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The Semi Supply Chain Remains Backlogged

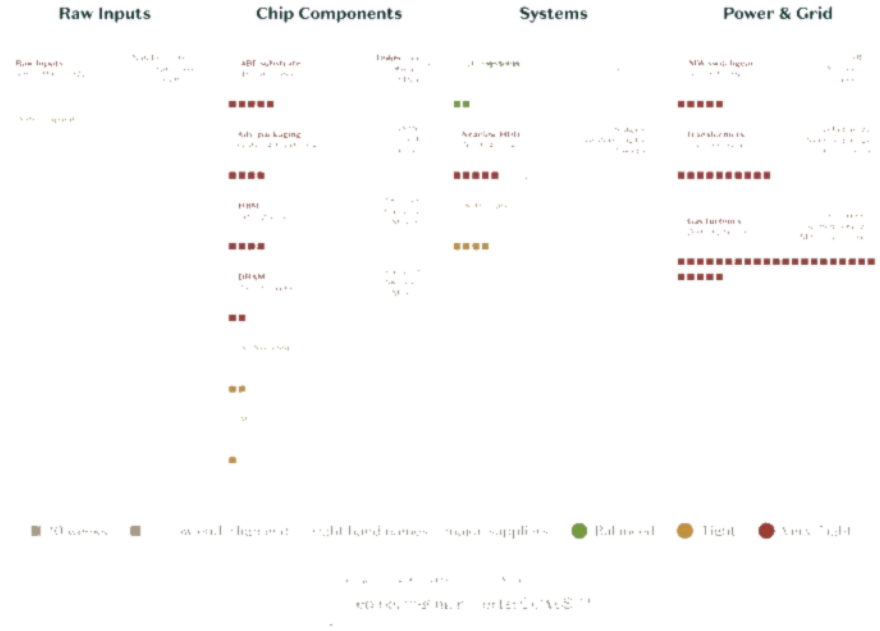
Whatever skepticism may preside, ~3 years into the buildout, supply is still lagging demand.

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 thing, but making the chips and powering them up is a different story



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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 SaaSpocalypse: a seemingly undifferentiated sell-off of formally high-flying public SaaScos, as AI prepared to eat their collective lunch.

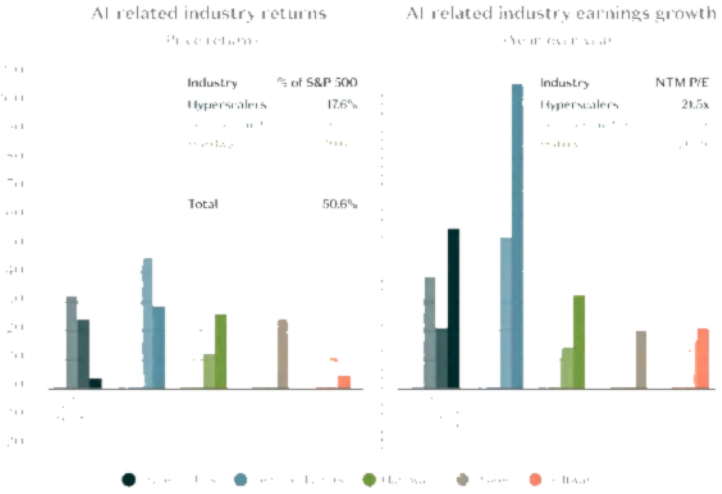
What's transpired, however, is better described as "prove it," than -pocalypse.

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)

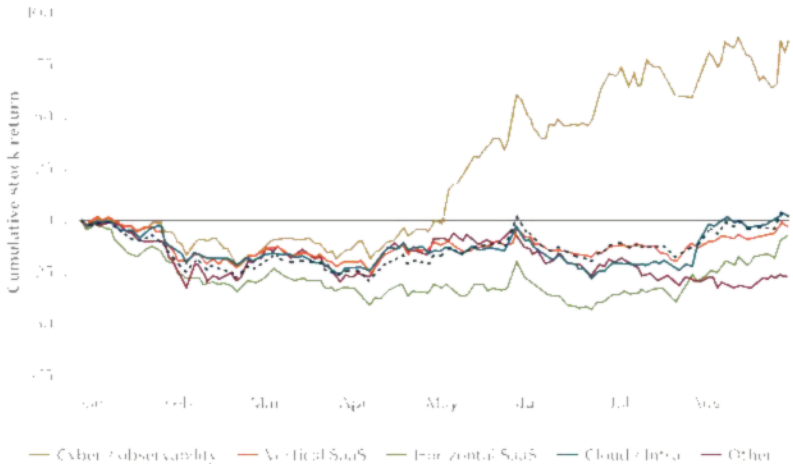


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Software's Selective Selloff: Cyber > Vertical > Horizontal

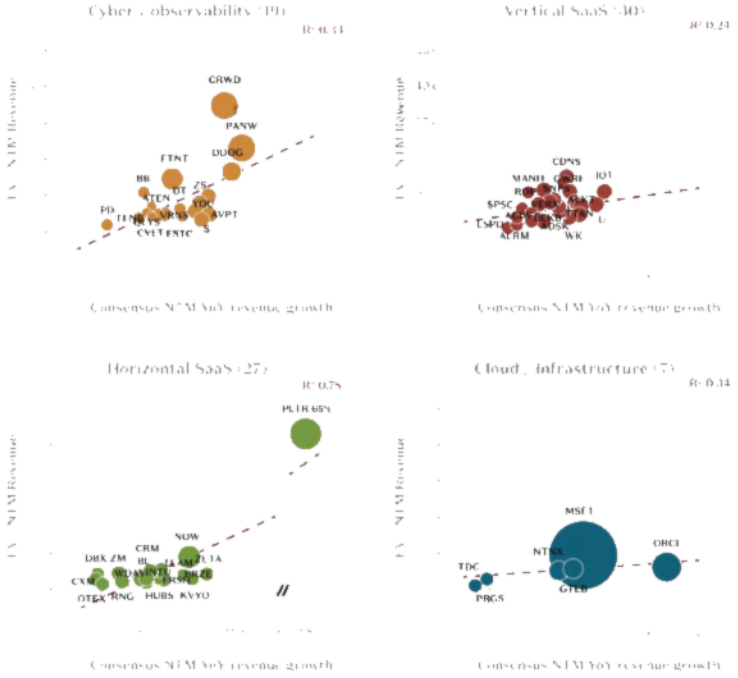
Cyber Is Still The Runaway Software Winner

SIGA constituents, equal-weighted, YTD performance by category



Of All The Software, Cyber Gets the Premium Multiple

SIGA constituents, EV / NTM revenue by consensus NTM revenue growth, bubble size = market cap

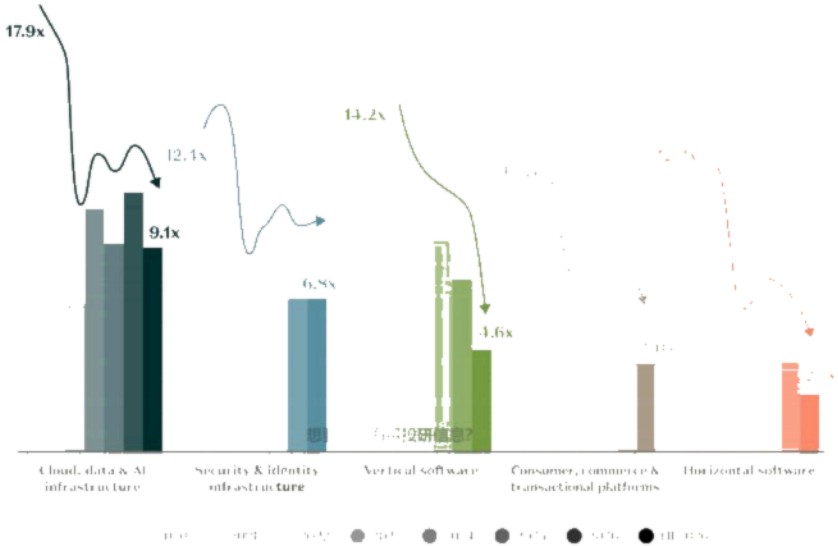


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Software Multiples Compress, But Not Uniformly

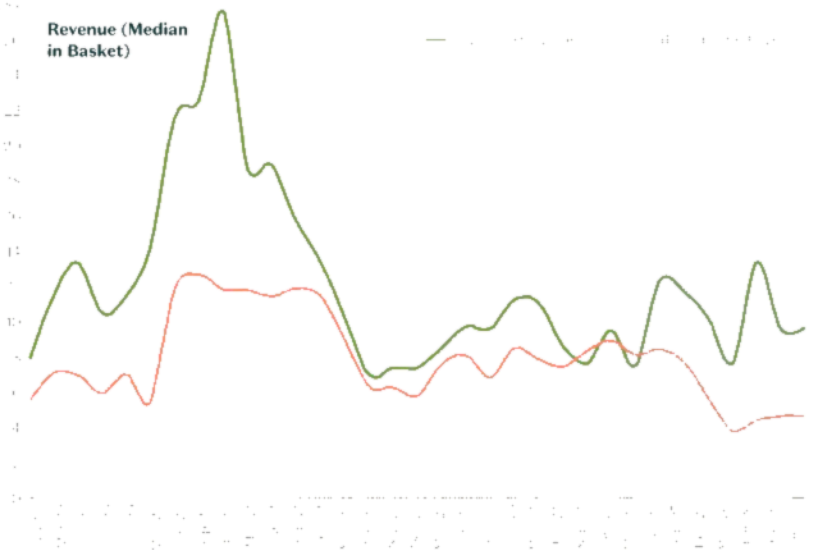
Multiple Compression: Some Tech Fared Better Than Others

Median EV/TTM revenue by segment



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

EV/forward Revenue by high and median growth

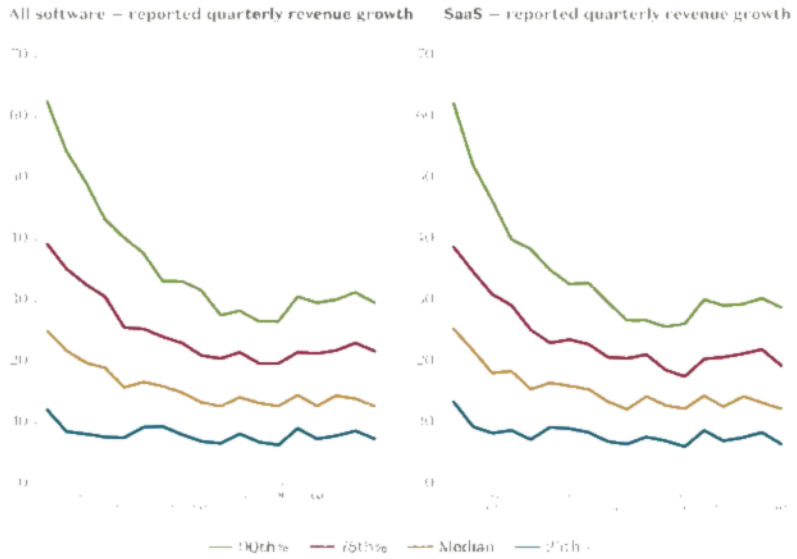


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Growth And Operating Leverage Stable Or Improving (Mostly)

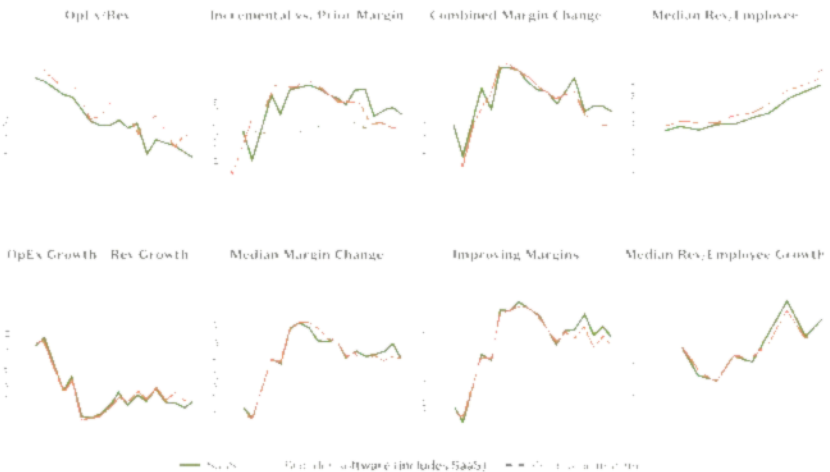
Software Revenue Growth Has Slowed, But Stabilized

Software and SaaS reported revenue growth over time, by cohort



Operating Leverage For Software Cos Stable Or Improving

Measures of operating leverage: software and SaaS

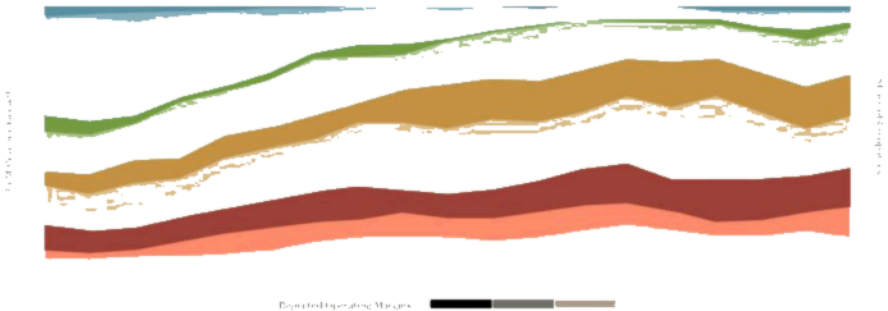


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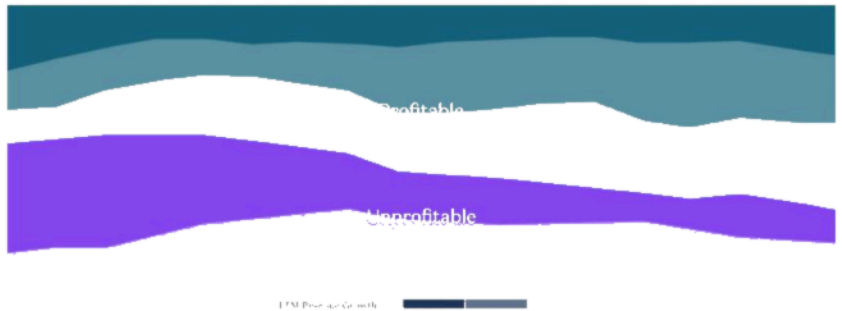
In The Bigger Scheme Of Things, SaaS (And Software) Have Traded Growth For Profitability

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



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



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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

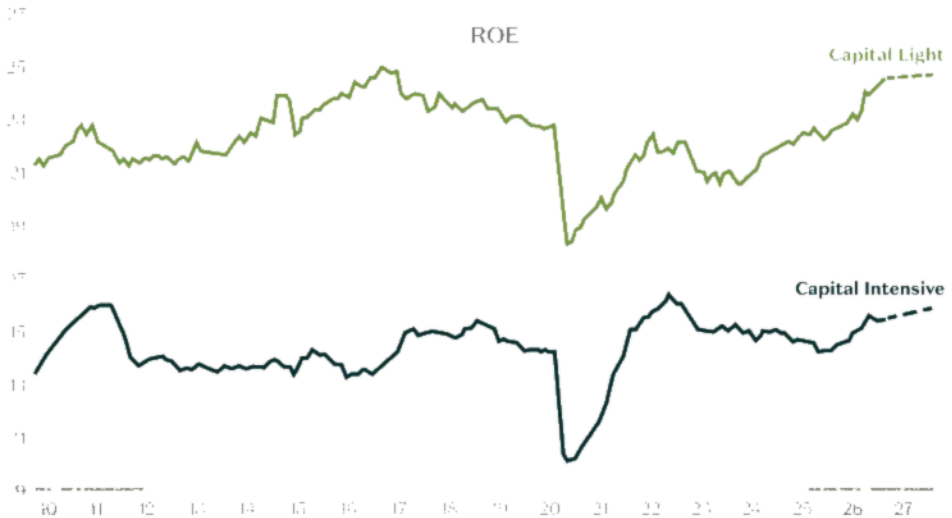


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. . . Or Is AI A Rising Tide of ROE to Lift All Boats?

Great ROE Expectations For Capital Light Business

ROE of capital intensive and capital light



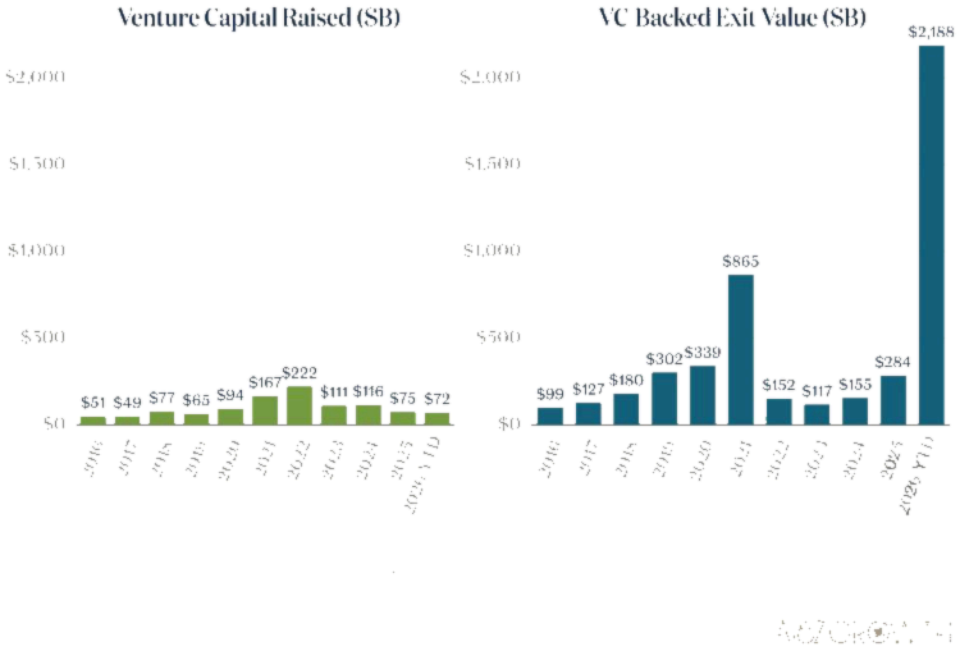
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Take a Walk on the
Private Side

An Historically Large IPO

A New High Watermark For IPOs

2016-2026 YTD, $ billions

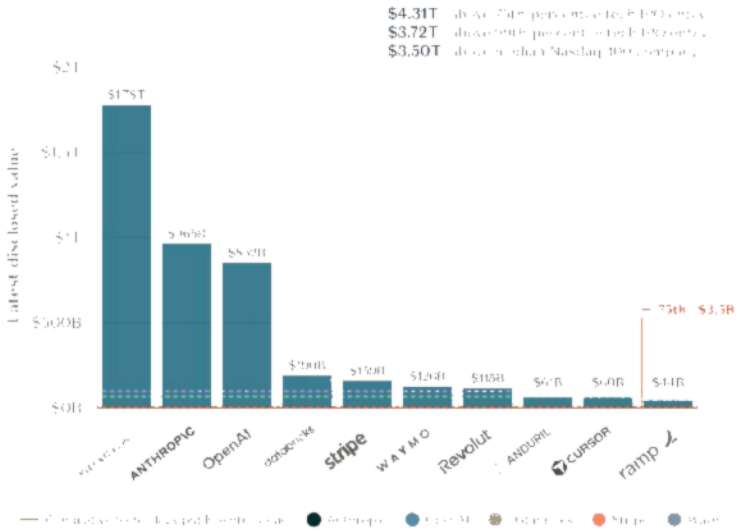


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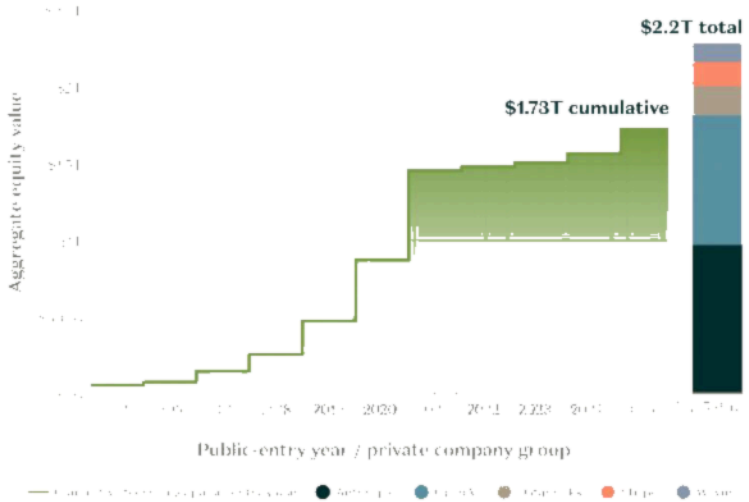
The Most Valuable Private Cos Are Larger Than Ever

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

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



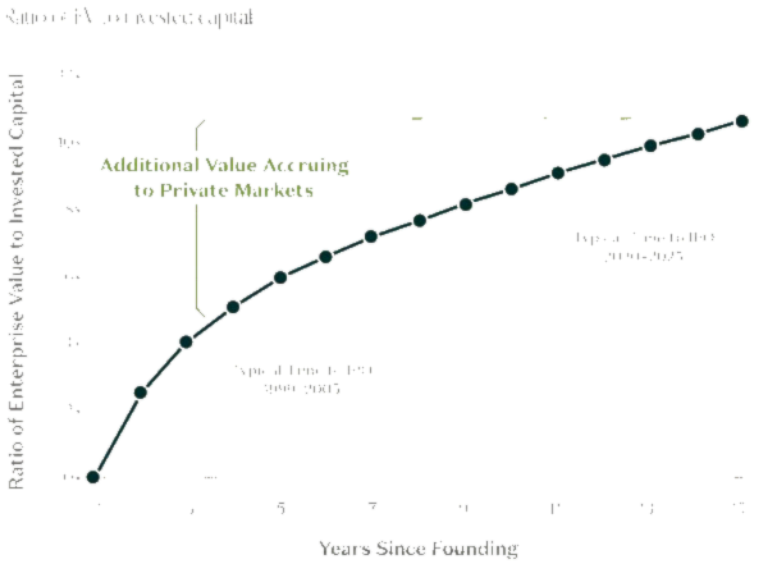
Five Largest Private Companies Are Larger Than the Past Decade of Tech IPOs Combined



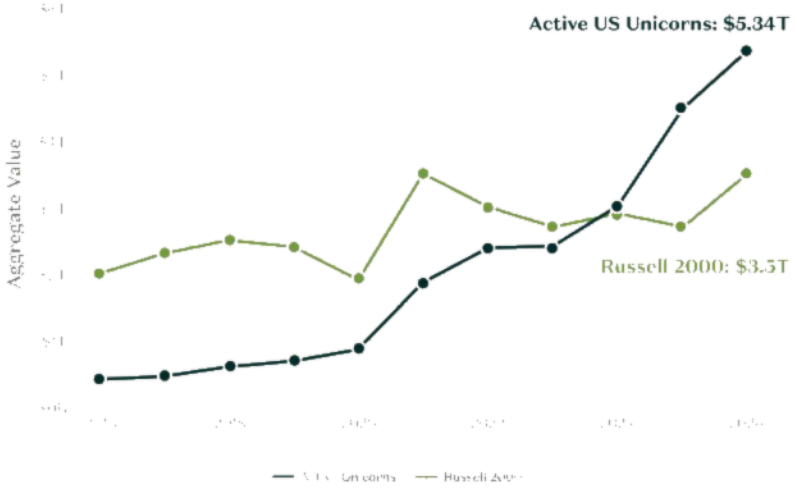
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Private-For-Longer: Skip Small Cap, Go Straight to Mega

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



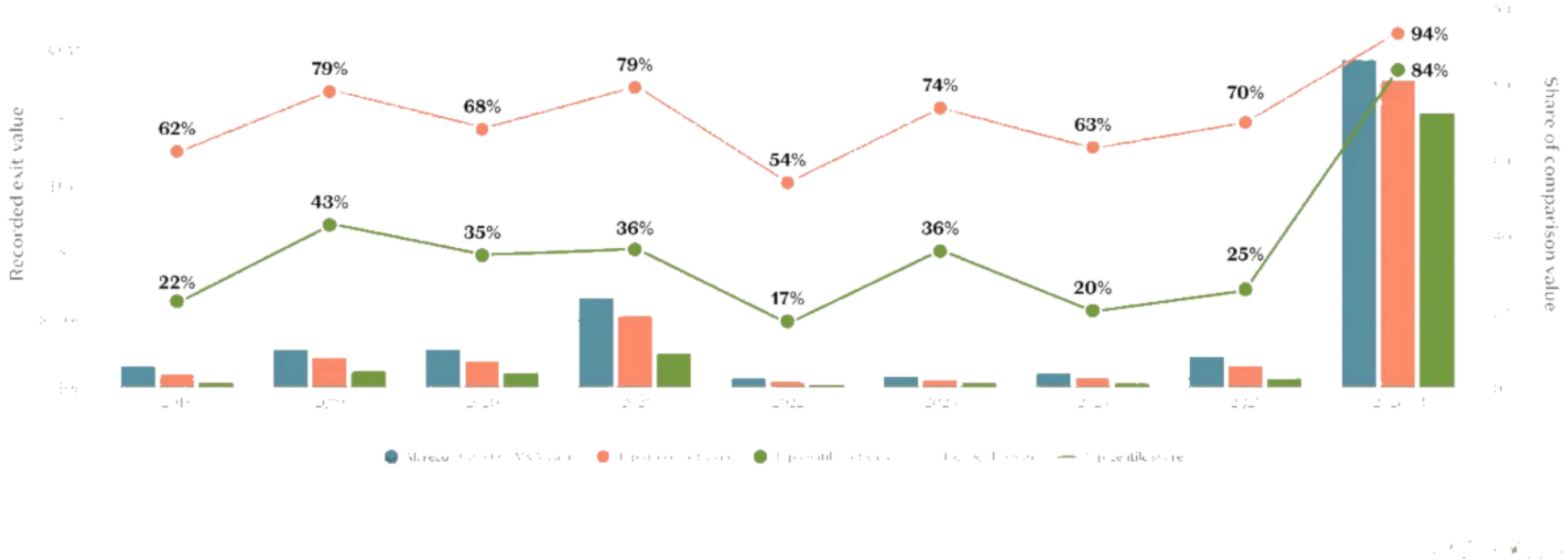
Unicorns Have Lapped Small Caps



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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%

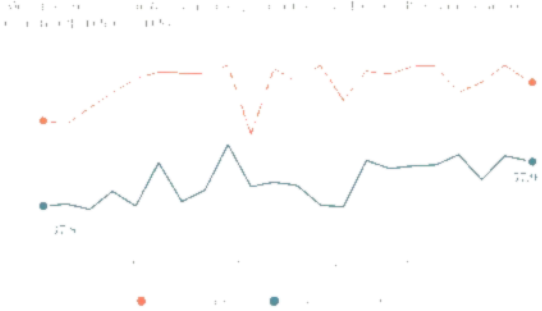


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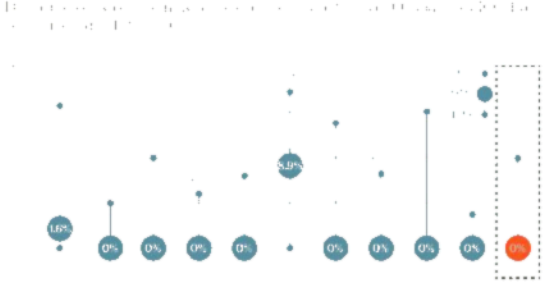
Secondary Markets Tell The Same Story

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

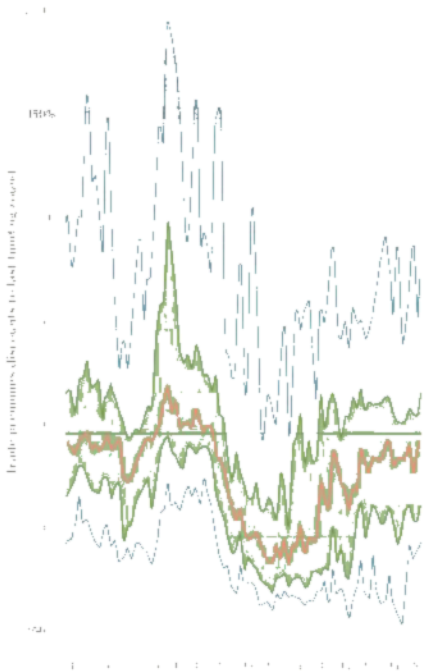
Plenty of Bids, But Fewer Asks: Less Than 60% Of Employees Tender Their Shares, Subscription Rates At ATHs



Tender Discounts Are Rare And Small



No Discounts In the Secondary Market

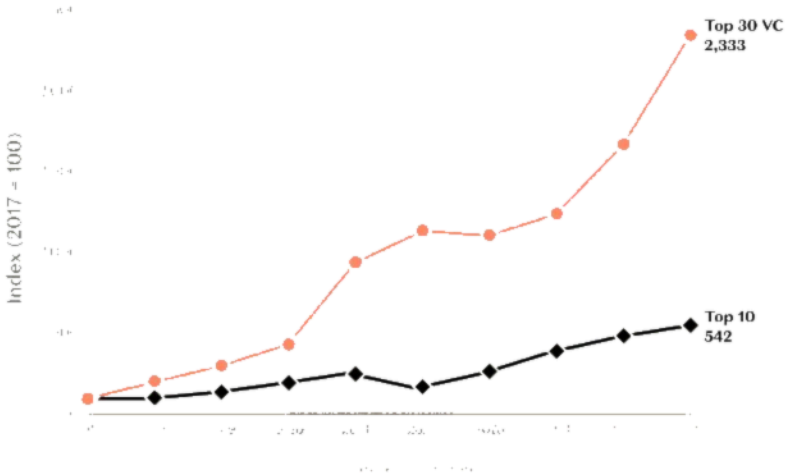


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Power Law Applies To Managers, As Well

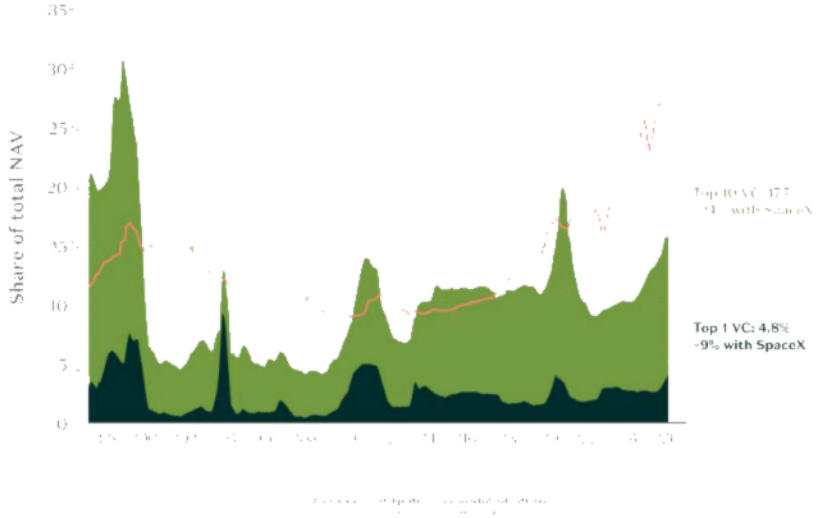
Top VC Portfolios Have Appreciated A Lot More Than The Top 10 Public Cos

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



Venture Capital in 2026: A Crowded Top

Share of total NAV, 1998 Q1 2026

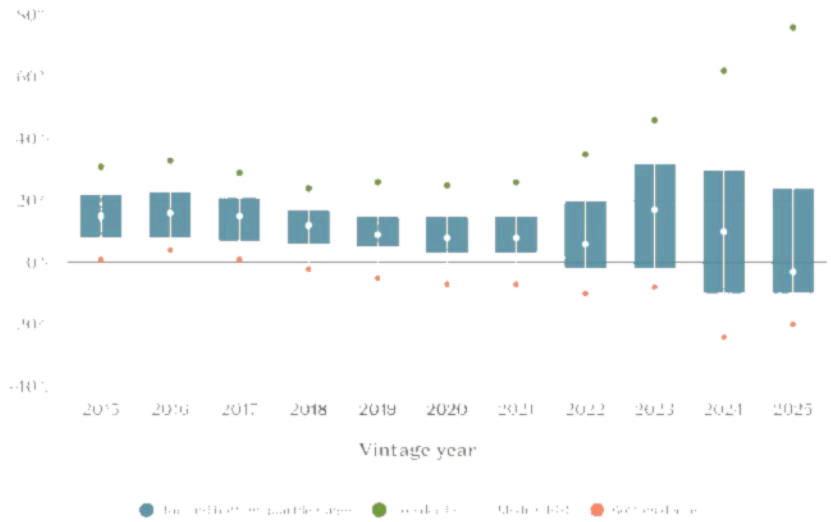


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For VC Funds, The Difference Between Top Decile And The Rest Has Never Been Wider

VC Dispersion Has Never Been Wider

Dispersion of VC IRRs by vintage



It Pays To Be Top Decile

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

	Net IRR by percentile				Net TVPI by percentile				DPI by percentile			
Year	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**

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It’s A Brave New World
For Startups, Too

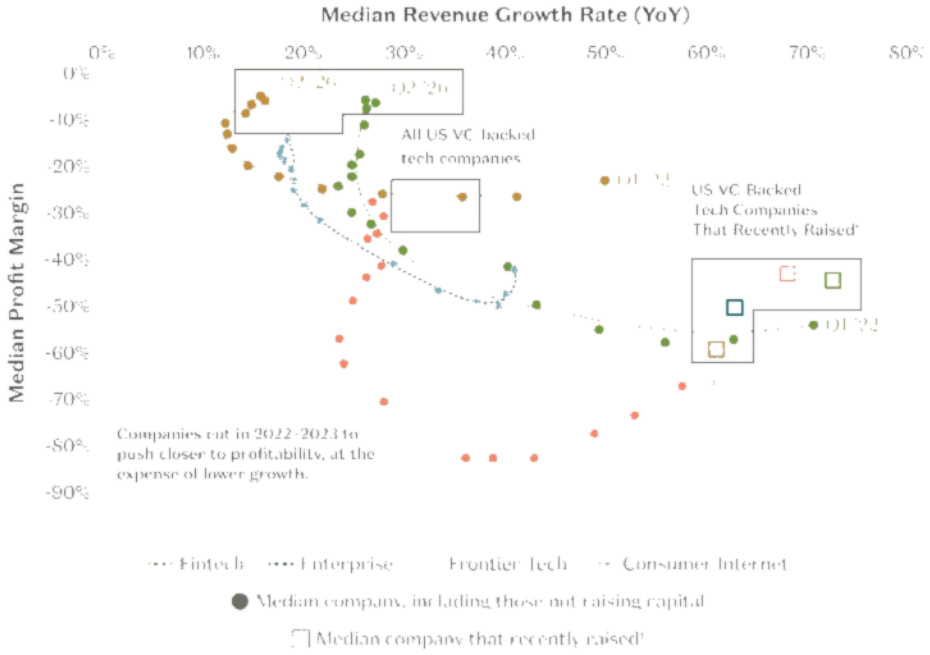
Adjusting To Life After ZIRP

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



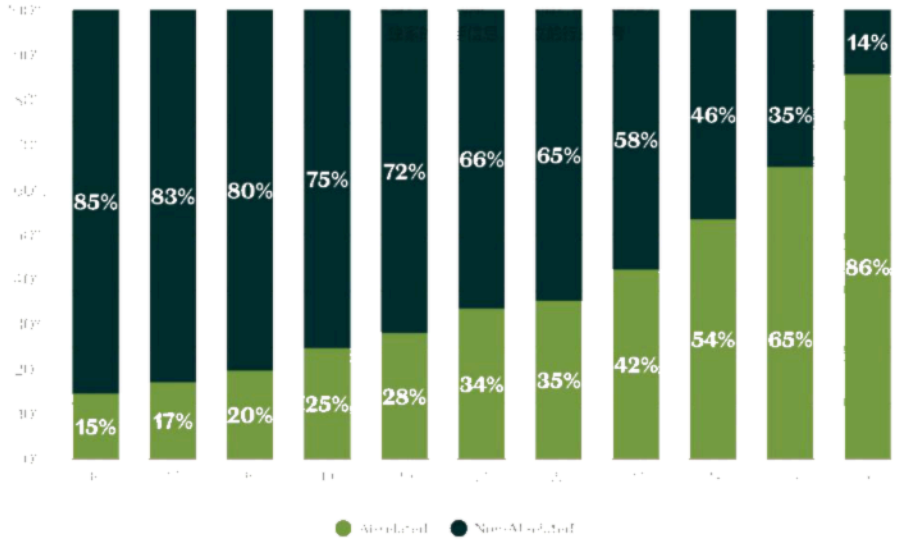
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Everything Is AI Computer

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.



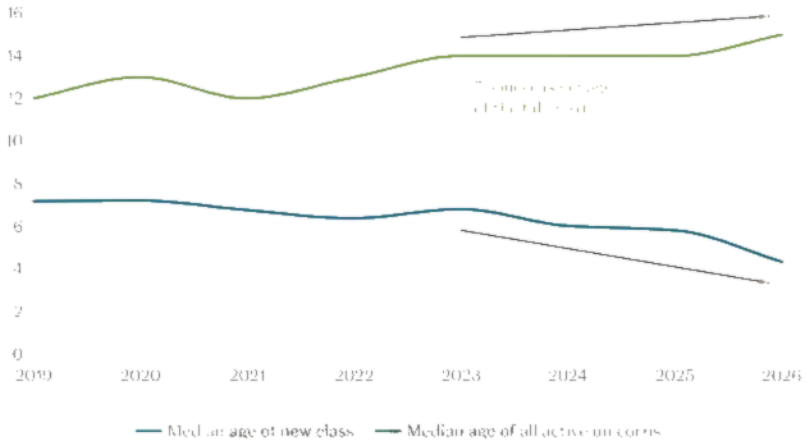
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A New Breed Of Unicorn

Bigger, faster, younger.

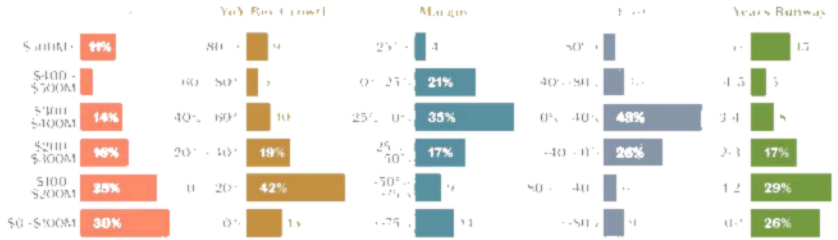
A New Breed Of Unicorn: New Unicorns Get Younger

The median age for new unicorns and the complete unicorn cohort



Unicorns: Mostly Profitable, Mostly Growing ≤ 20%

Select benchmarks for US VC-backed tech companies in 2026

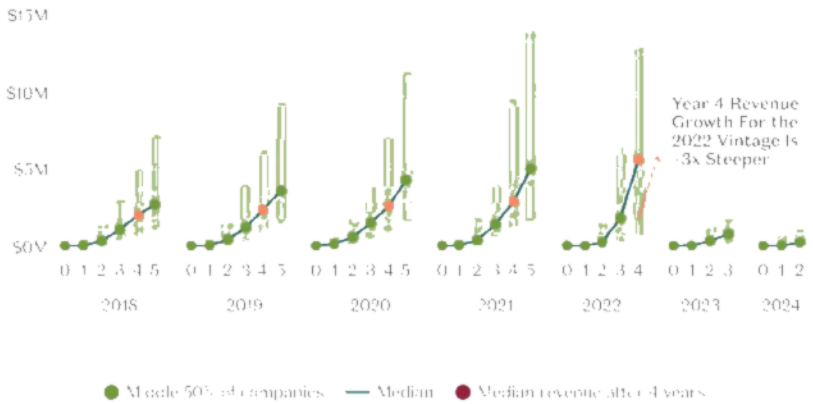


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The AI Generation Is Built Differently?

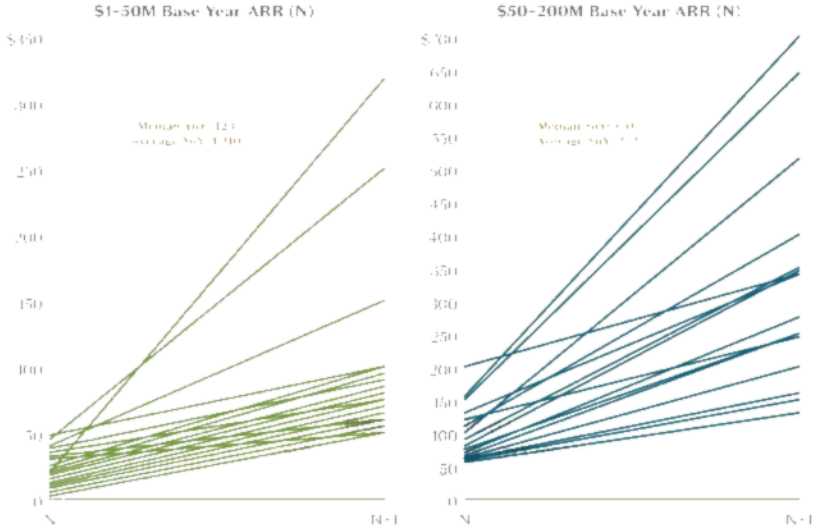
Post-AI Startups On A Different Growth Curve

Revenue (x) years since founding for VC-backed companies (est. large AI hyperscalers)



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

Approximate ARR (y) vs. (top AI apps by revenue base year



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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)

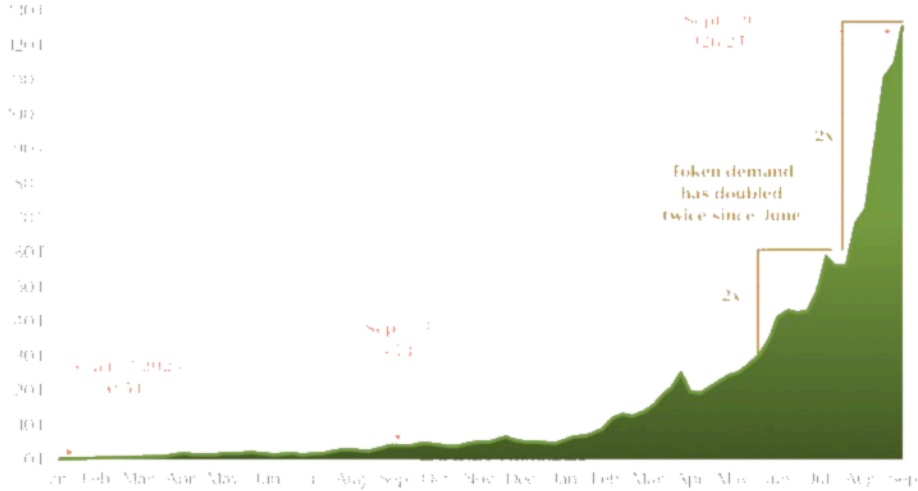
openrouter

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



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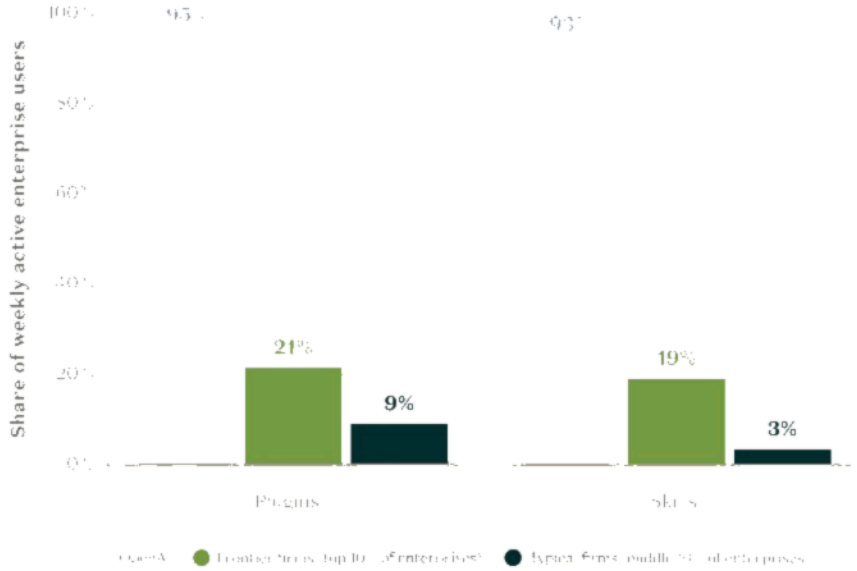
OpenAI

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 vs. middle decile, OAI



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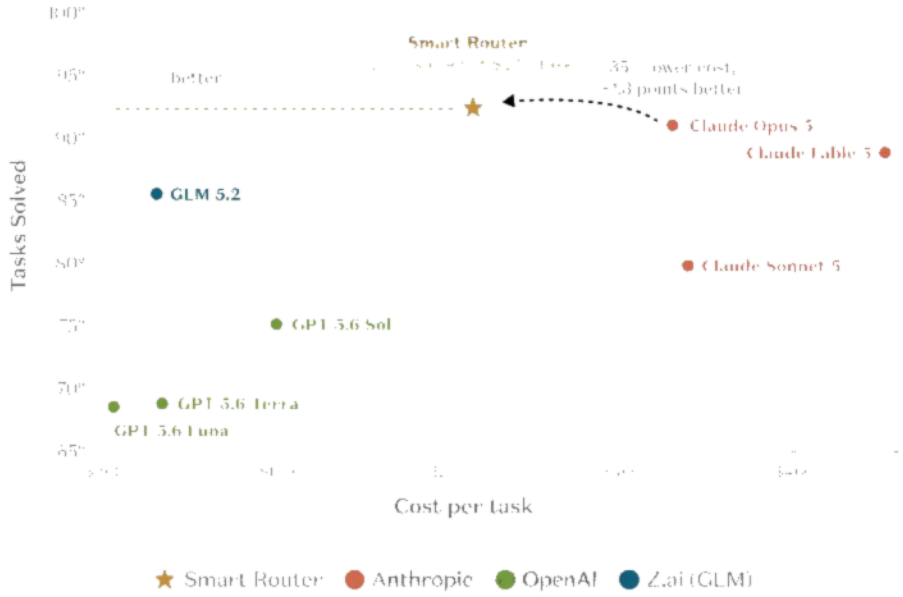
databricks

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



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Kalshi

Pricing the Forward Compute Curve?

The price of compute has become on 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?



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baseten Fireworks AI

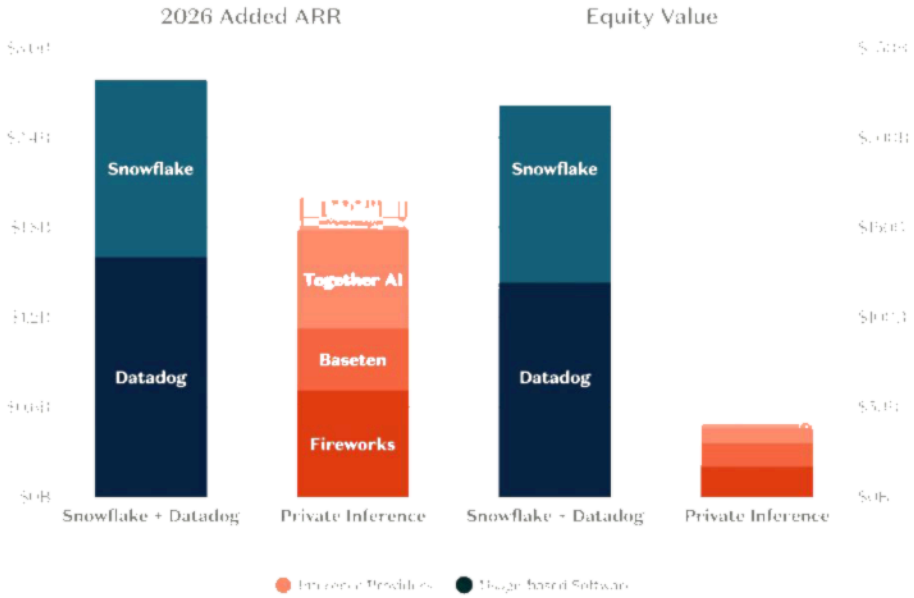
Modal together.ai

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 vs. leading public data infrastructure



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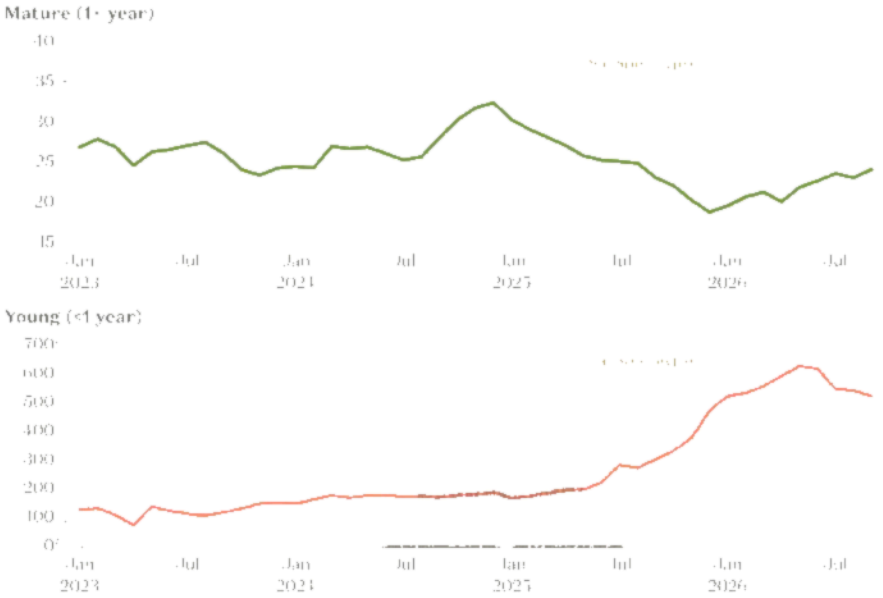
stripe

SaaS . . .acceleration?

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

Narrative Violation: SaaS Accelerated Into The 'SaaSpocalypse'

Seasonally adjusted year over year percent by maturity



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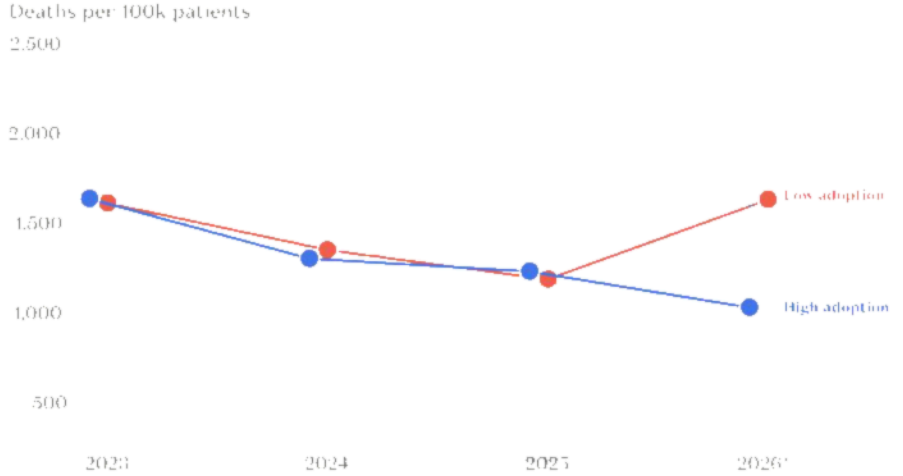
Protege

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).



Protege a16z

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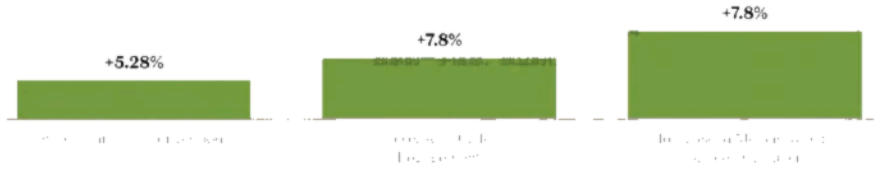
EliseAI

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



EliseAI 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.

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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.

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

Legacy Round

PrSM Increment 1
$1.61M per round

LRASM (AGM-158C-3)
$4.49M per round

SM-6 Block IA
$5.45M per round

Tomahawk Block Va (MST)
$5.09M per round

JASSM-ER (AGM-158D)
$1.9M per round

×≥3 Castelion Blackbeard GL

×≥8 Castelion Blackbeard ER

×≥7 Covenant Anthem

×≥6 Covenant Anthem

×~7 Anduril Barracuda-500
~$3.49K each

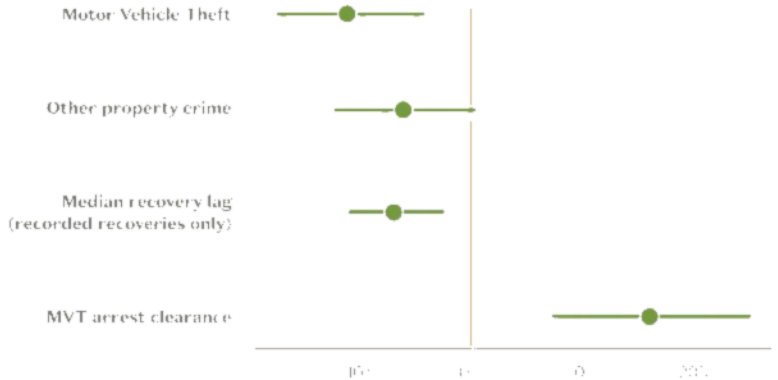
FLOCK

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



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whatnot

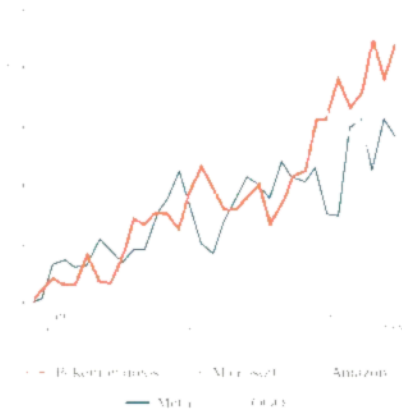
Collectibles Are Timeless

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.

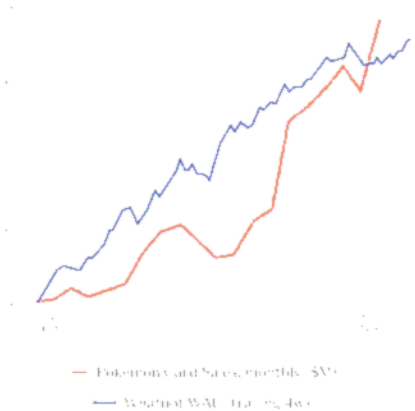
Collect Them All, While Supplies Last

Pokemon beats the indexes as collectibles and live auctions take flight

Pokémon Prices vs. Technology Stocks



Pokémon Sales and Whatnot WAU



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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

