



Emerging Companies & Growth Quarterly Report

Q2 2026

LATHAM & WATKINS^{LLP}

2026 Global VC Market Outlook

AI adoption, infrastructure needs, and strategic technologies are likely to shape the next phase of VC.

Agents Become the Next AI Battleground

Coding agents, orchestration layers, and reasoning workflows are poised for wider enterprise adoption.

Compute Keeps Pulling Capital Downstream

AI accelerators, memory, neoclouds, and data center power should remain critical to scaling AI.

Dual-Use Hard Tech Stays in Focus

Autonomy, space technology, and advanced manufacturing are likely to retain strategic importance.

Clinical-Stage Biotech Draws Conviction

Clinically validated oncology, immunology, and cell therapy assets could see the strongest interest.

Capital Returns to Fintech Infrastructure

Payments rails, stablecoins, and financial infrastructure are positioned for renewed momentum.

Securing AI Gains Urgency

AI-native detection, model protection, and machine identity governance could become more valuable.

Quantum Moves Toward Commercialization

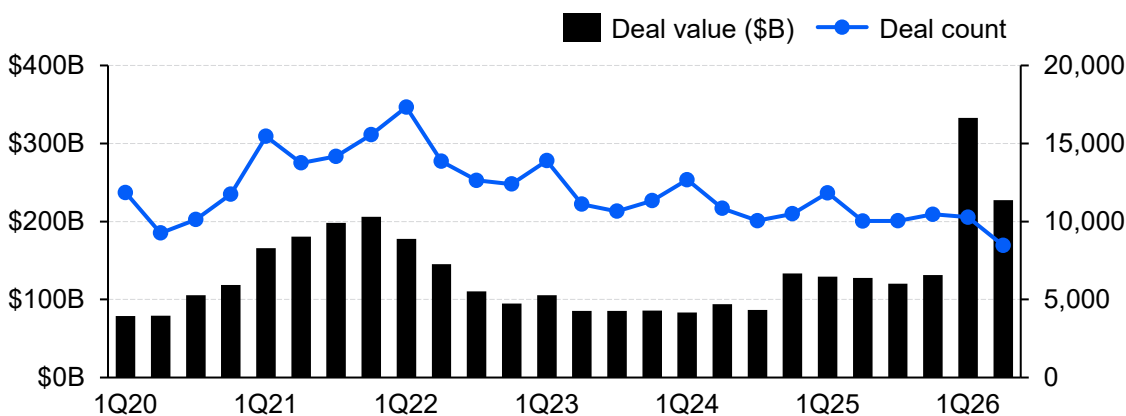
Advances in hardware and hybrid AI-quantum applications could bring commercial use cases closer.

VC Deal Activity

VC momentum accelerated in H1 2026 as mega-rounds concentrated capital at the top.

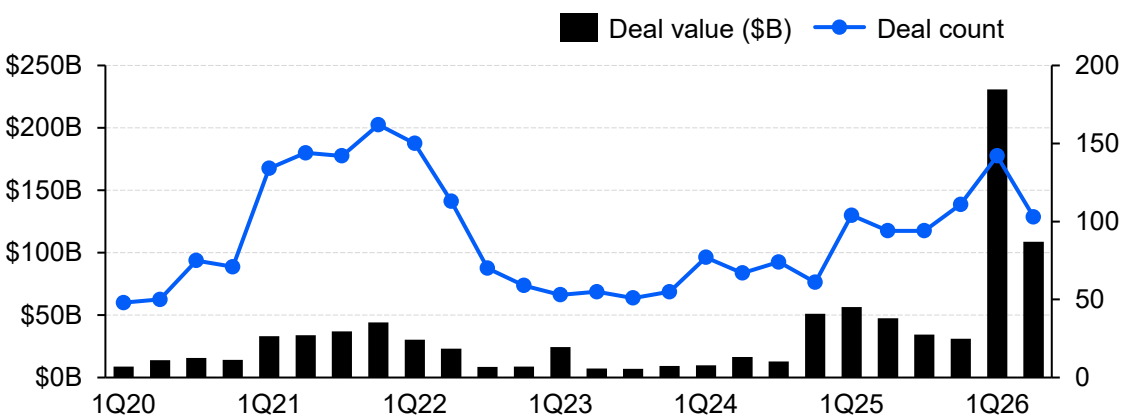
H1 2026 deal value already exceeded full-year 2025, powered by mega-rounds.

Global VC deal activity



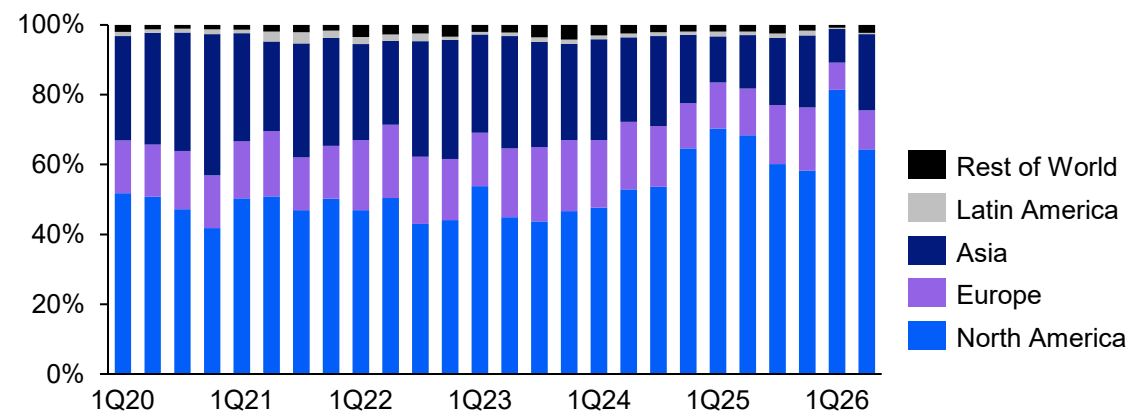
US unicorn deal value hit records in H1 2026.

US unicorn VC deal activity



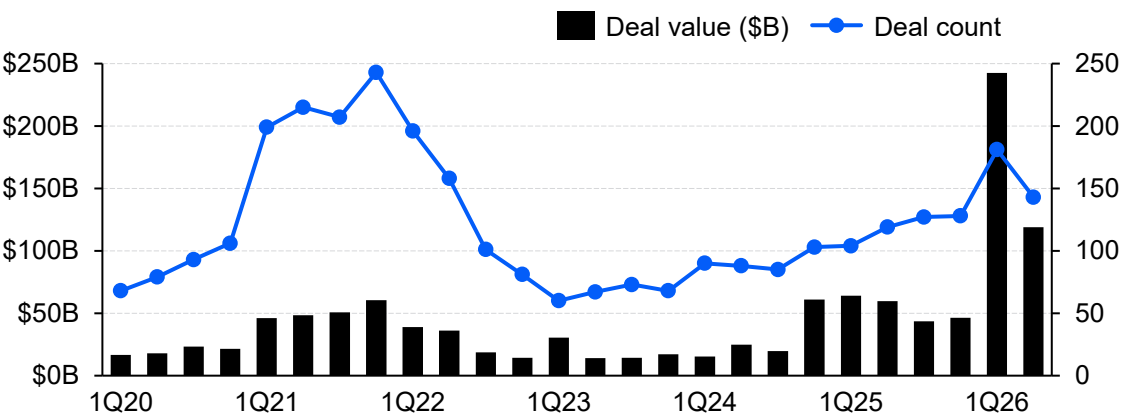
VC deal value concentrated further in North America in H1 2026

Share of global VC deal value across regions



AI dominated the largest rounds, driving mega-round value to new highs

US VC mega-round (\$100M+) deal activity

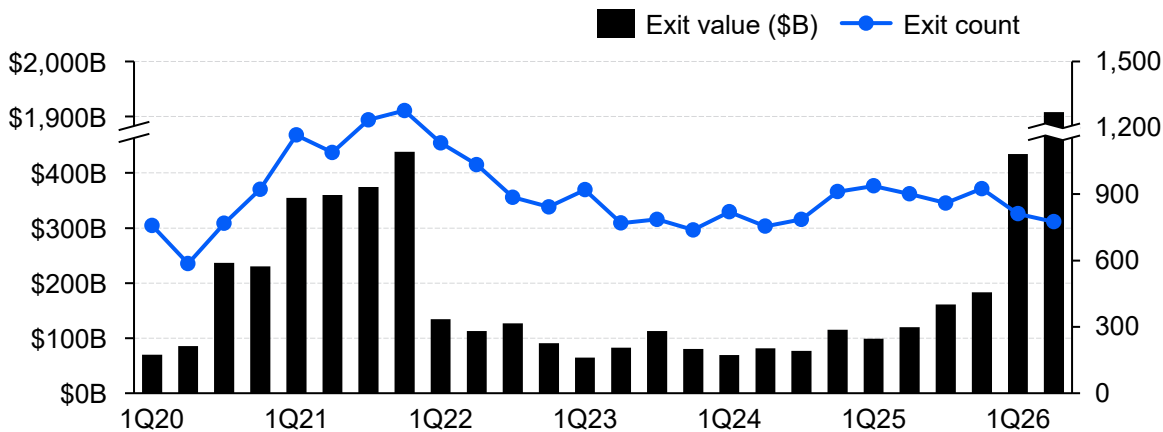


VC Exit Activity and Alternative Financing Paths

H1 2026 exit value reached a record, driven by one outsized listing.

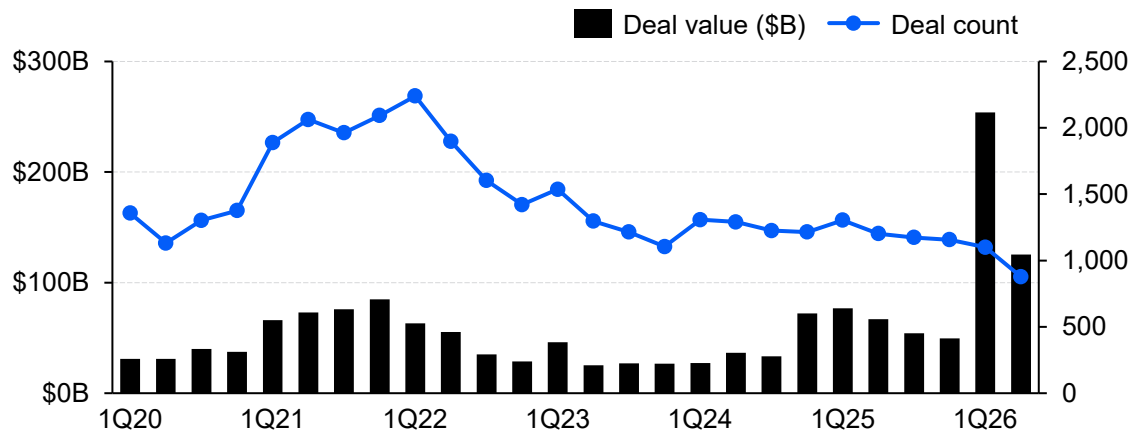
VC exit value soared to a record high, driven by one outsized listing.

Global VC exit activity



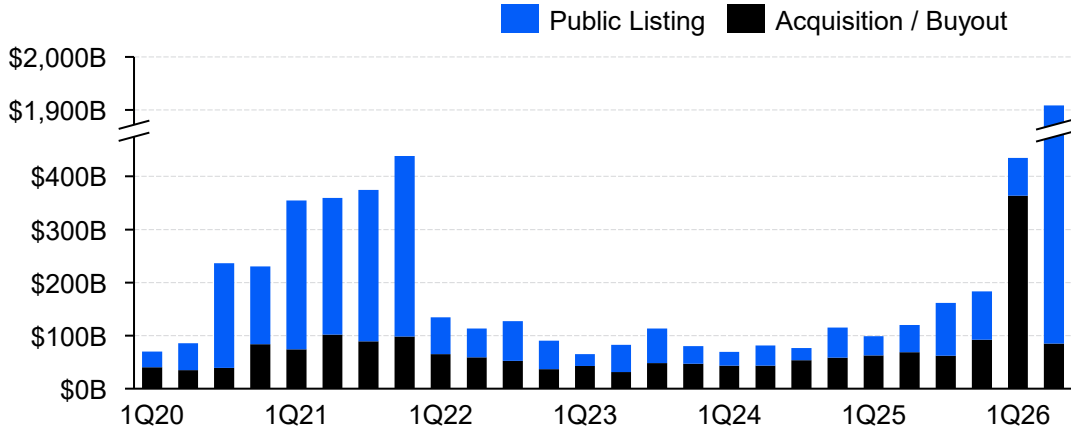
Nontraditional investor capital concentrated in the largest US deals.

US VC deal activity with nontraditional investor* participation



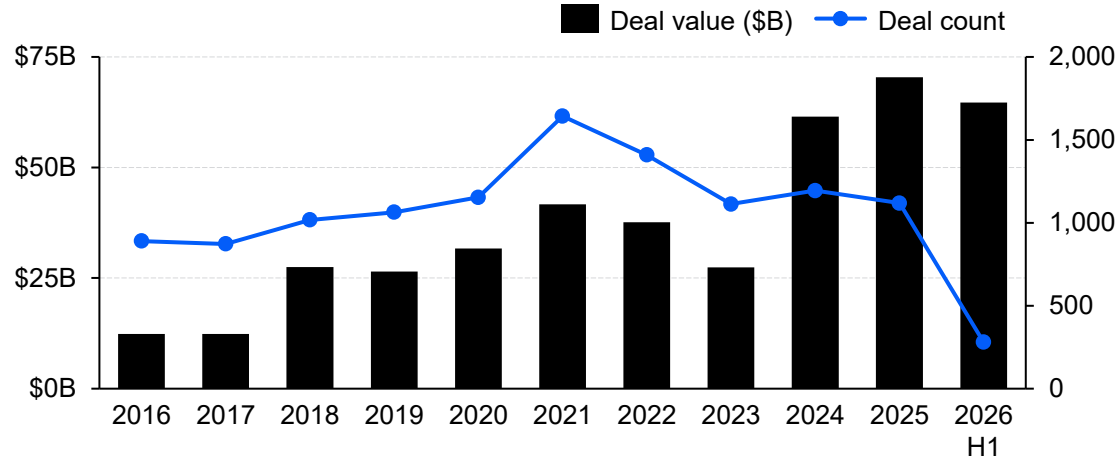
Public listings led H1 2026 exit value as acquisitions hit a decade high

Global VC exit value by type



Venture debt stayed active but concentrated in fewer, larger loans

US venture debt deal activity



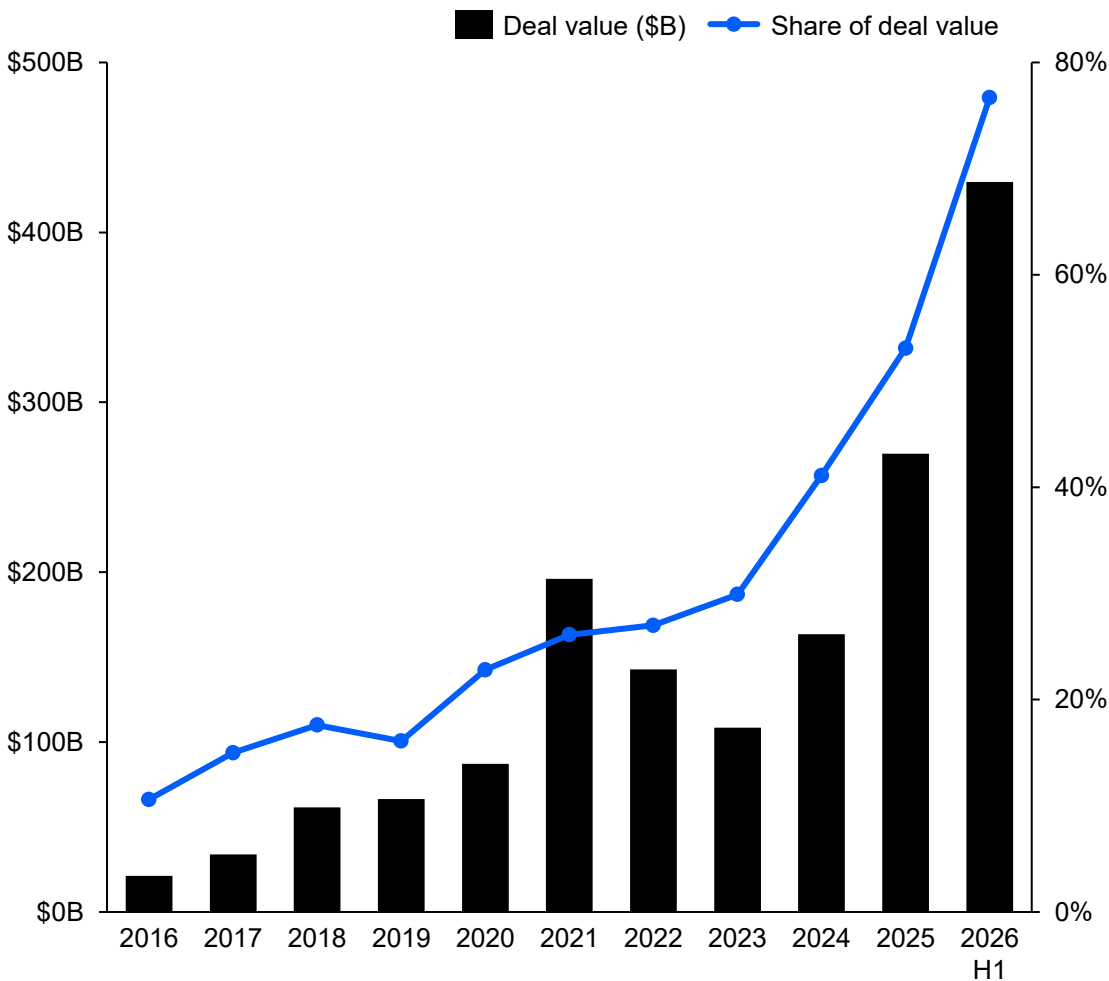
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
*Note: NTI includes CVC investors, PE investors, asset managers, hedge funds, mutual funds, SWFs; As of 6/30/2026

AI Deal Activity

AI continued to command a larger share of global VC activity in H1 2026.

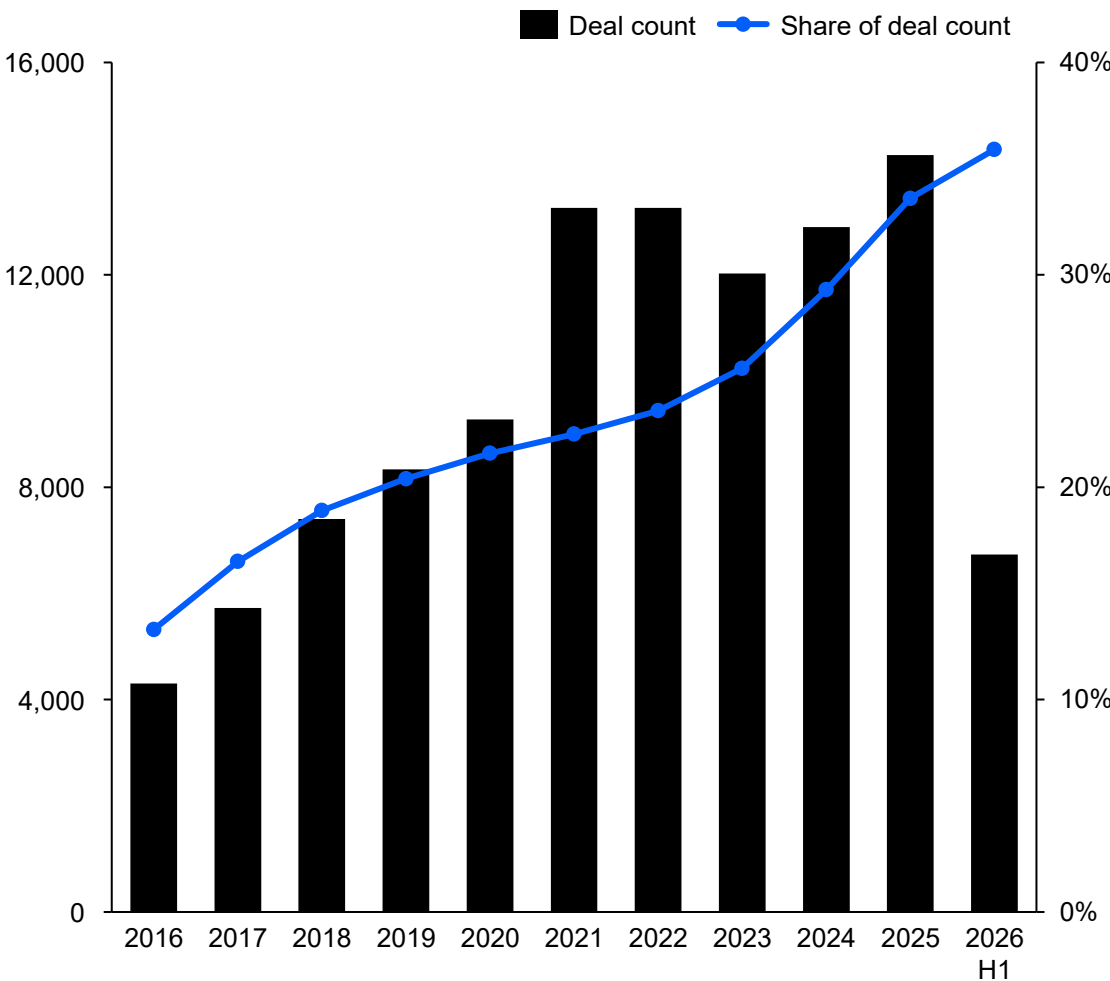
Global AI VC deal value surged to a record in H1 2026.

Global AI VC deal value



AI continued to capture a larger share of global VC deal count.

Global AI VC deal count

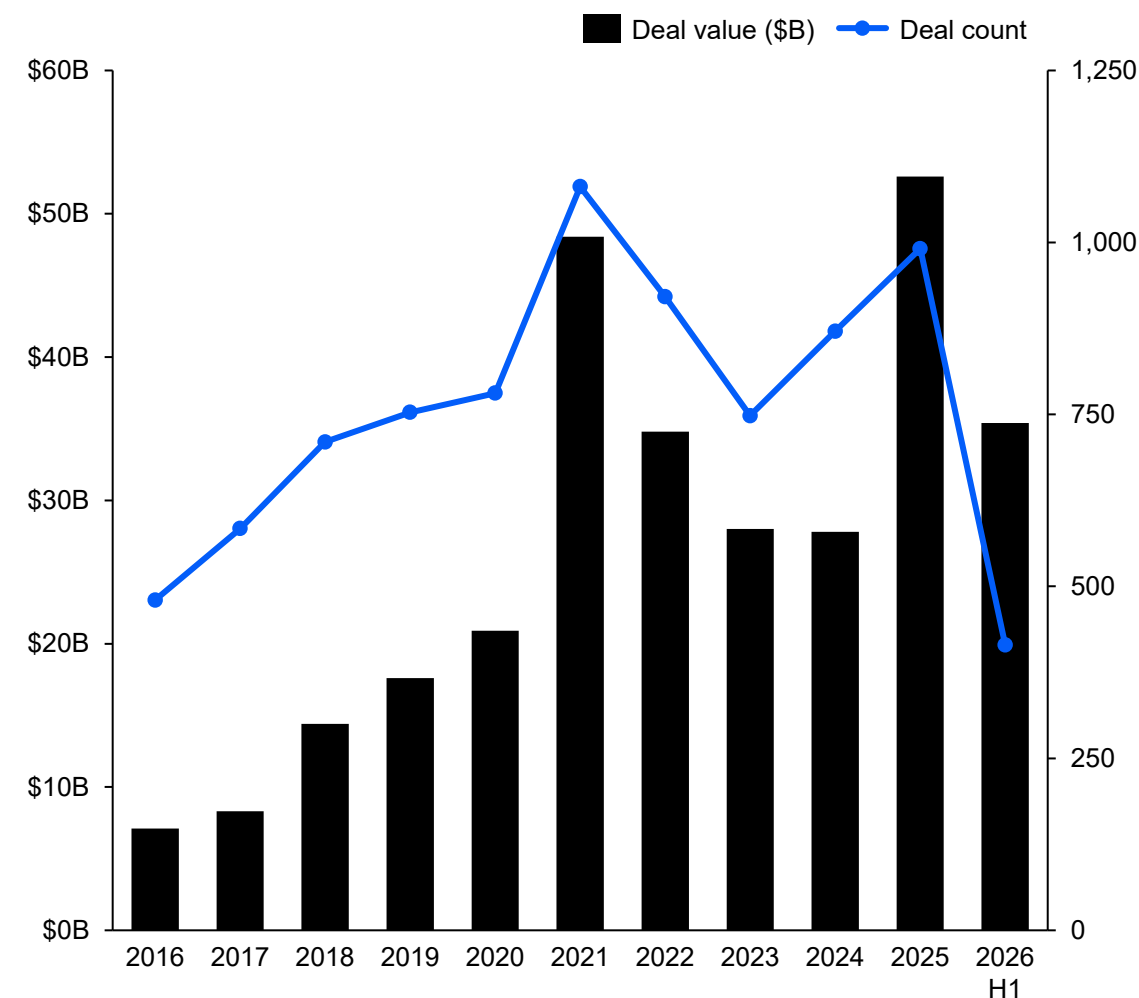


Defense Tech Deal Activity

Mega-rounds sustained defense tech funding, while one listing transformed reported exit value.

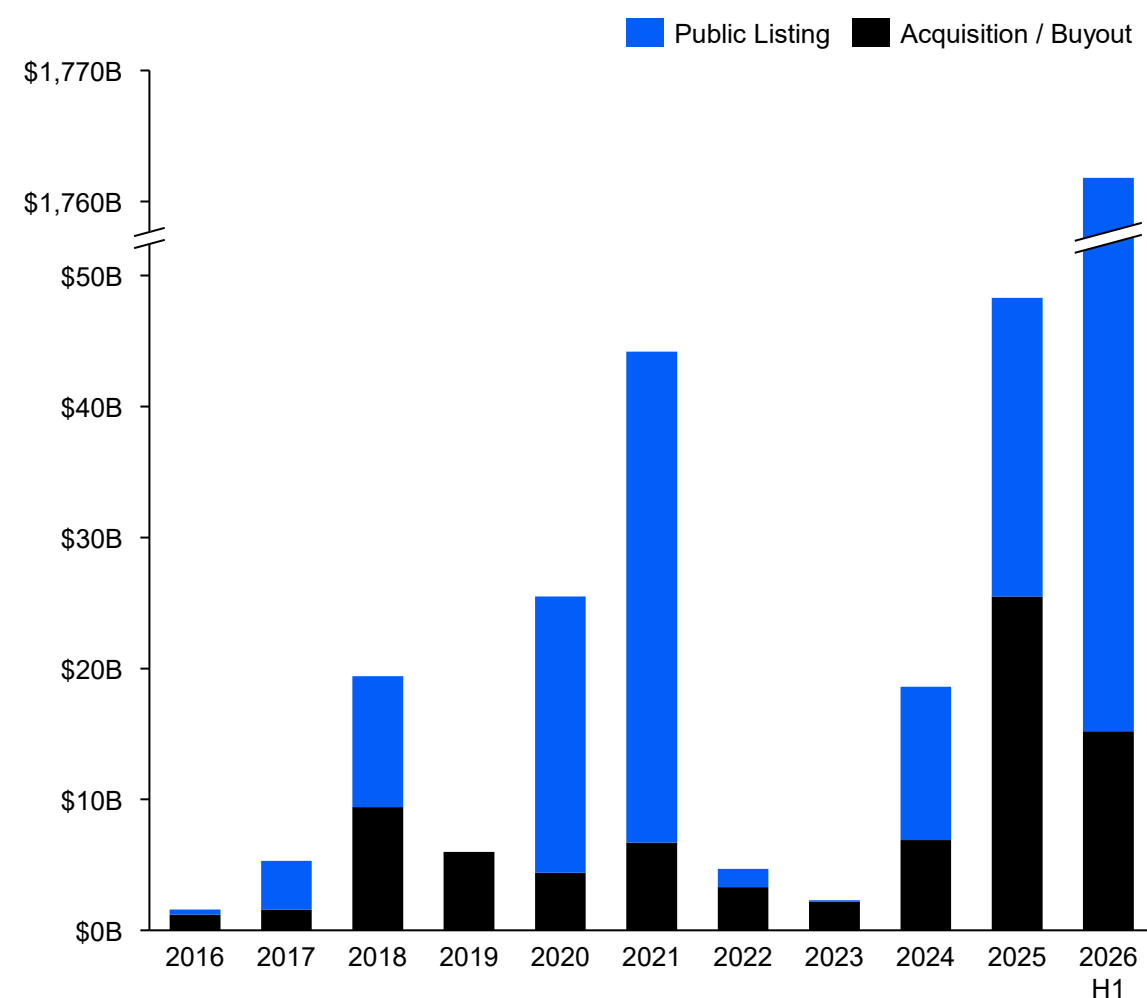
Defense tech funding stayed elevated as capital concentrated in mega-rounds.

Global defense tech VC deal activity



Excluding Q2's mega-listing, H1 2026 exit value still topped every prior year.

Global defense tech VC exit value (\$B) by type

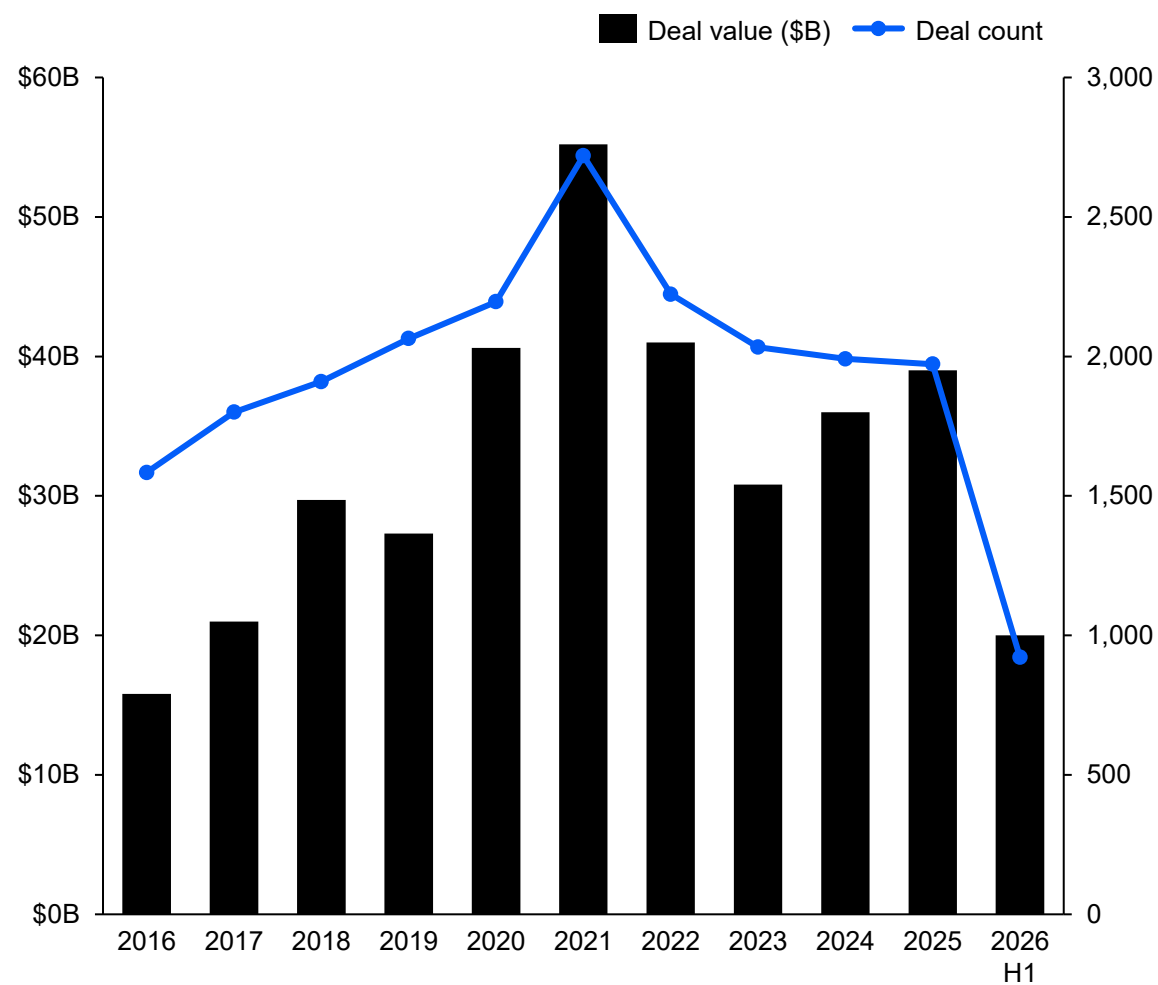


Life Sciences Deal Activity

Life sciences funding stayed strong on fewer, larger rounds as the mix tilted toward early-stage.

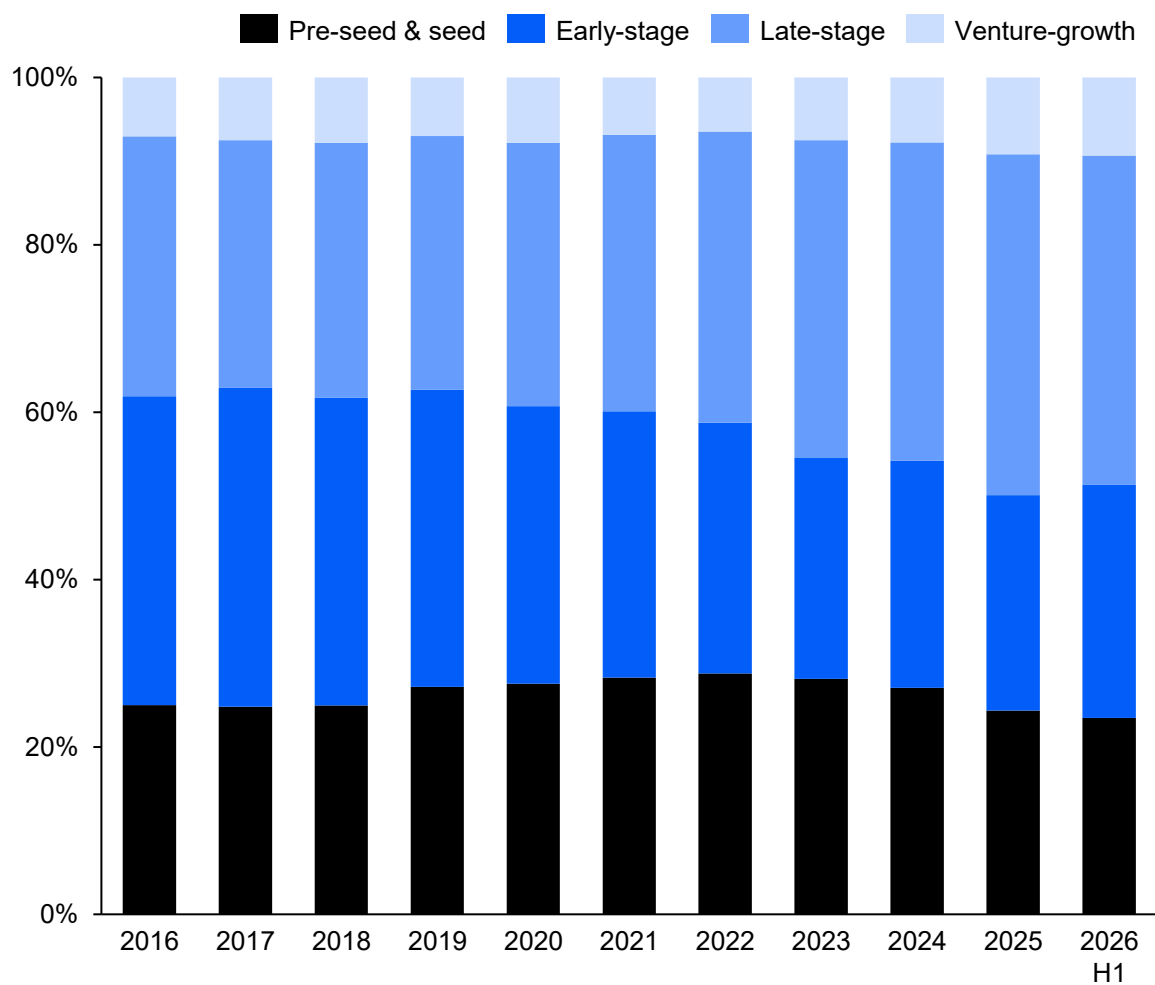
Funding held steady on fewer, larger rounds in H1 2026.

US life sciences VC deal activity



Early-stage rounds gained share of US life sciences deal count in H1 2026.

Share of US life sciences VC deal count by series

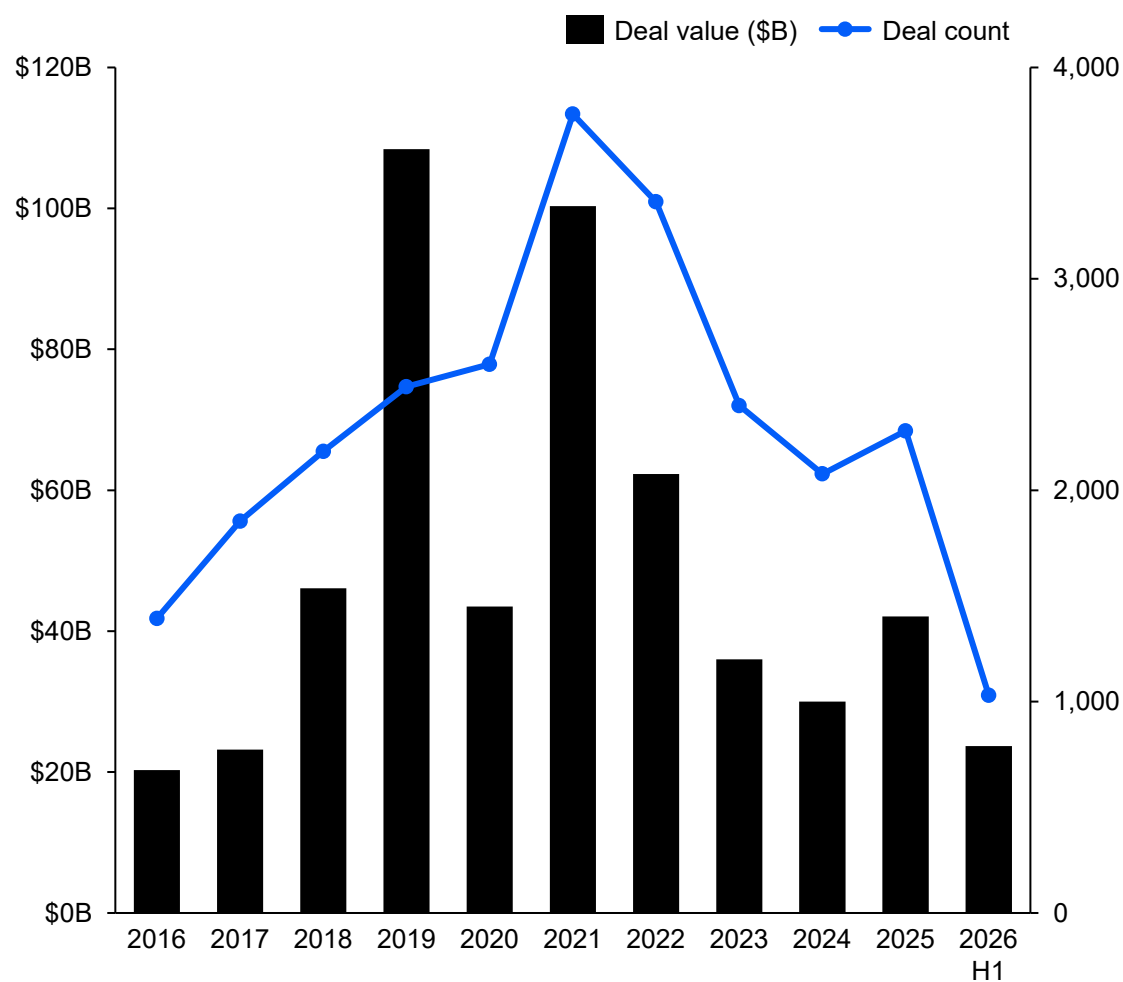


Fintech Deal Activity

Fintech stayed resilient in H1 2026 as valuations hit record highs across stages.

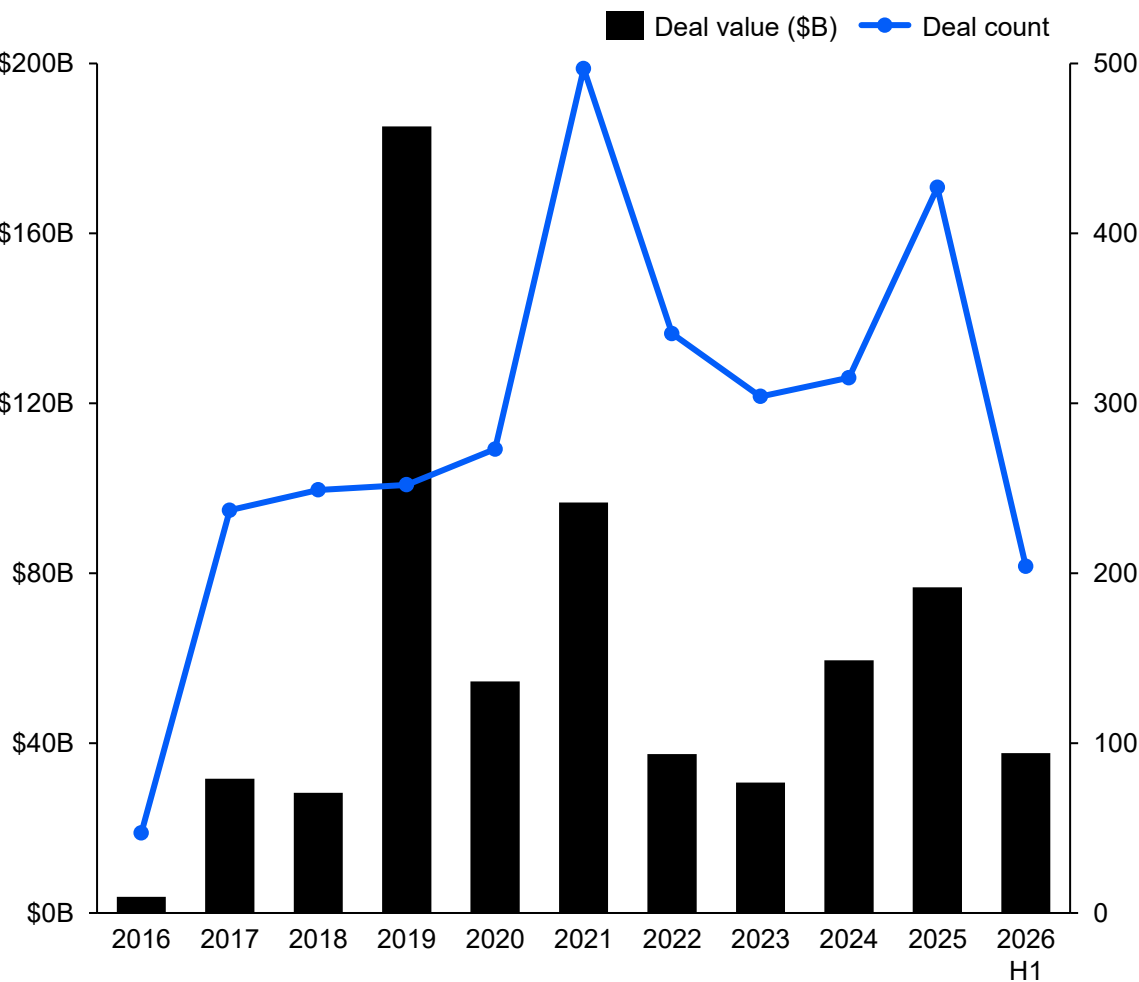
Fintech VC deal value rose on record-high valuations.

Global fintech VC deal activity



Fintech M&A stayed healthy year-to-date despite greater selectivity in Q2.

Global fintech M&A deal activity

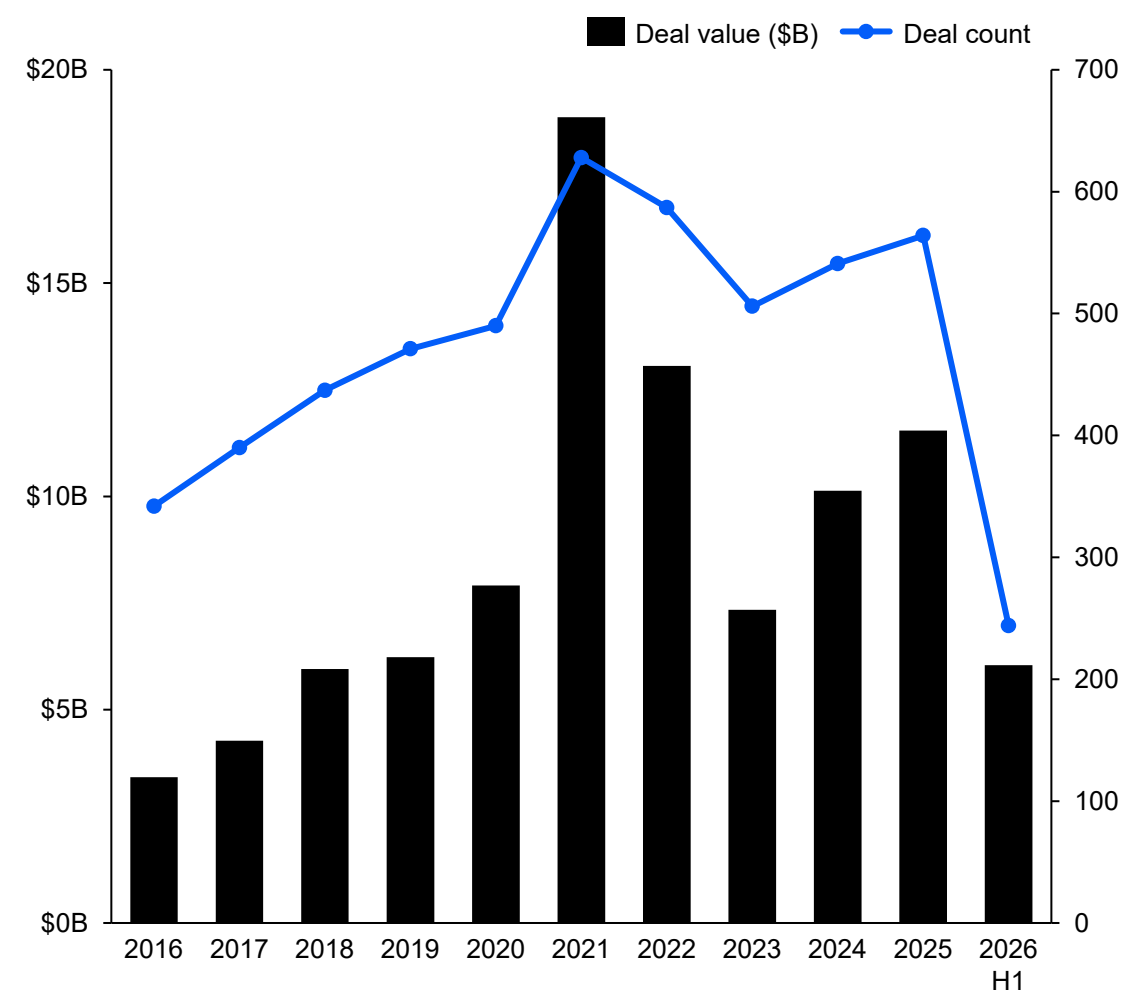


Cybersecurity Deal Activity

Cybersecurity funding remained on pace with 2025 while exit value set a record in H1 2026.

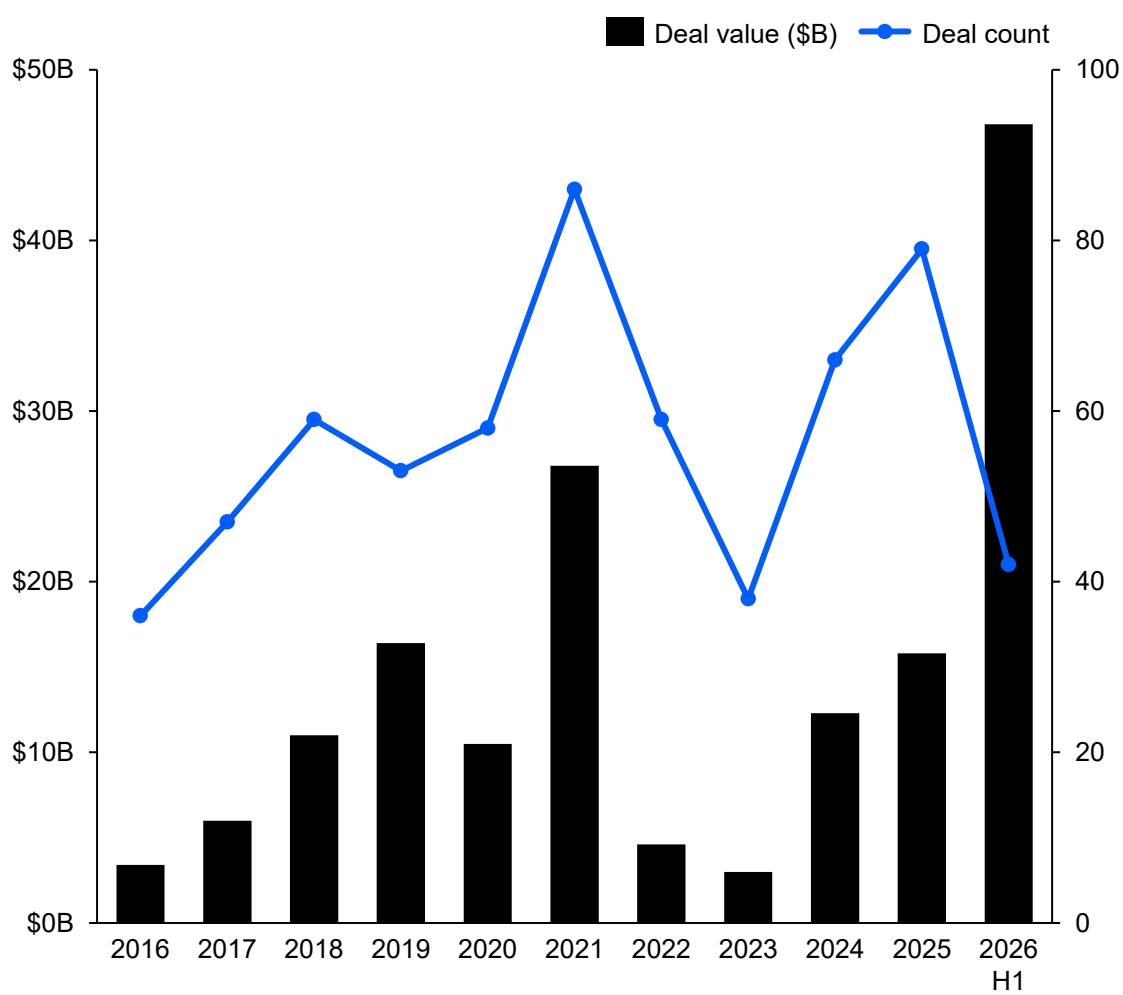
US cybersecurity VC funding remained broadly on pace with 2025.

US cybersecurity VC deal activity



US cybersecurity exit value surged to a record in H1 2026.

US cybersecurity VC exit activity

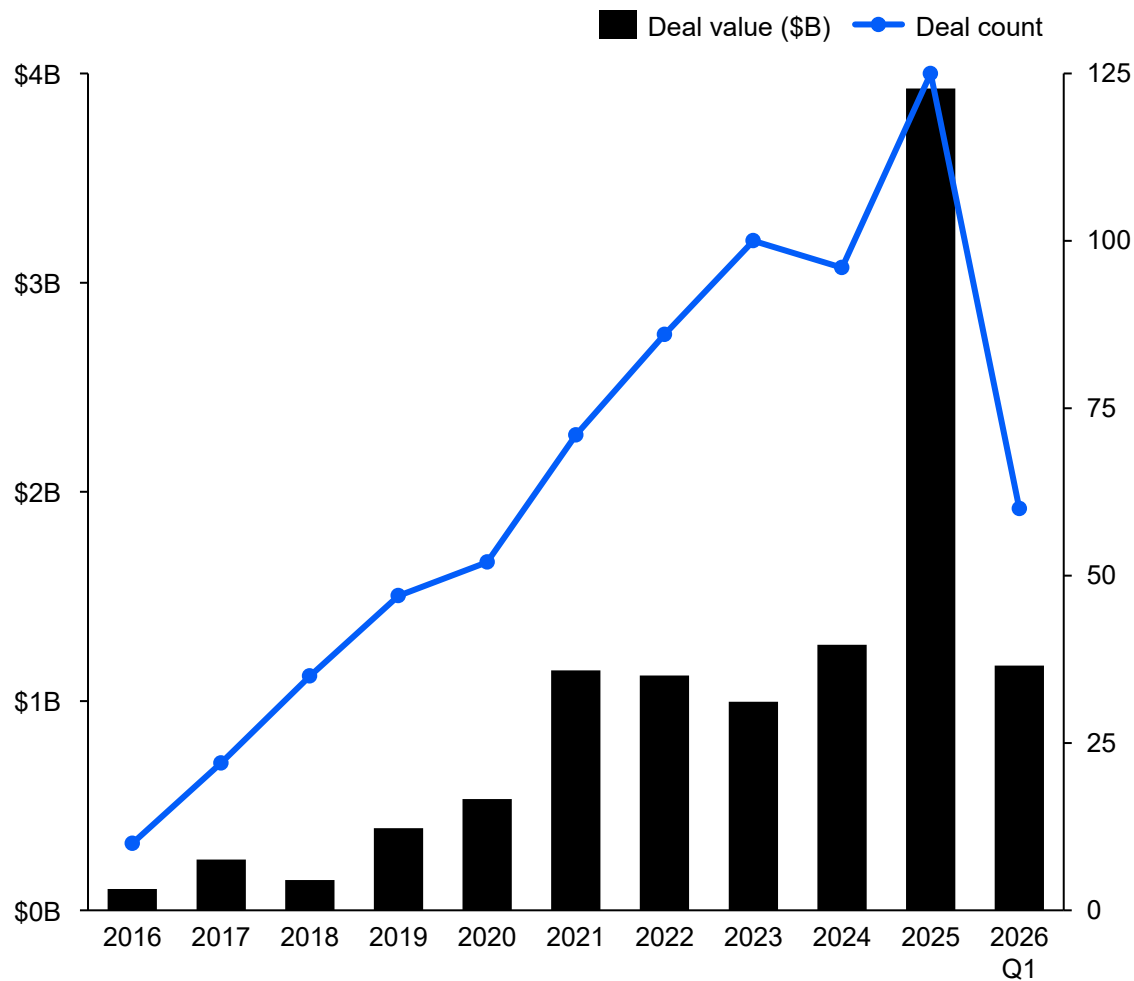


Quantum Computing Deal Activity

Q1 2026 kept quantum near record pace, with Europe overtaking North America by deal value.

Q1 2026 deal value held its elevated pace, tracking on par with 2025's record.

Global quantum computing VC deal activity



Europe took the largest share of quantum VC deal value in Q1 2026.

Global quantum computing VC deal value by region

