Emerging Companies & Growth Quarterly Report

Q3 2026

LATHAM & WATKINS LLP

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H1 2027 VC Market Outlook

AI is maturing from frontier lab bets into a broader buildout, and capital is following.

AI Capital Moves Beyond Frontier Labs

Capital is likely to broaden toward applications and infrastructure as the largest rounds normalize.

Debt Becomes a Core Tool for Funding Compute

Data center and model developers are increasingly turning to venture debt as capital needs grow.

Defense Tech Shifts From Funding to Liquidity

Hypersonics, munitions, and autonomy could see more listings as defense-specific funding scales.

Biotech Funding Broadens Across Stages

Oncology and clinical-stage assets should draw interest as healthcare leads the IPO pipeline.

Fintech Capital Concentrates in Scaled Platforms

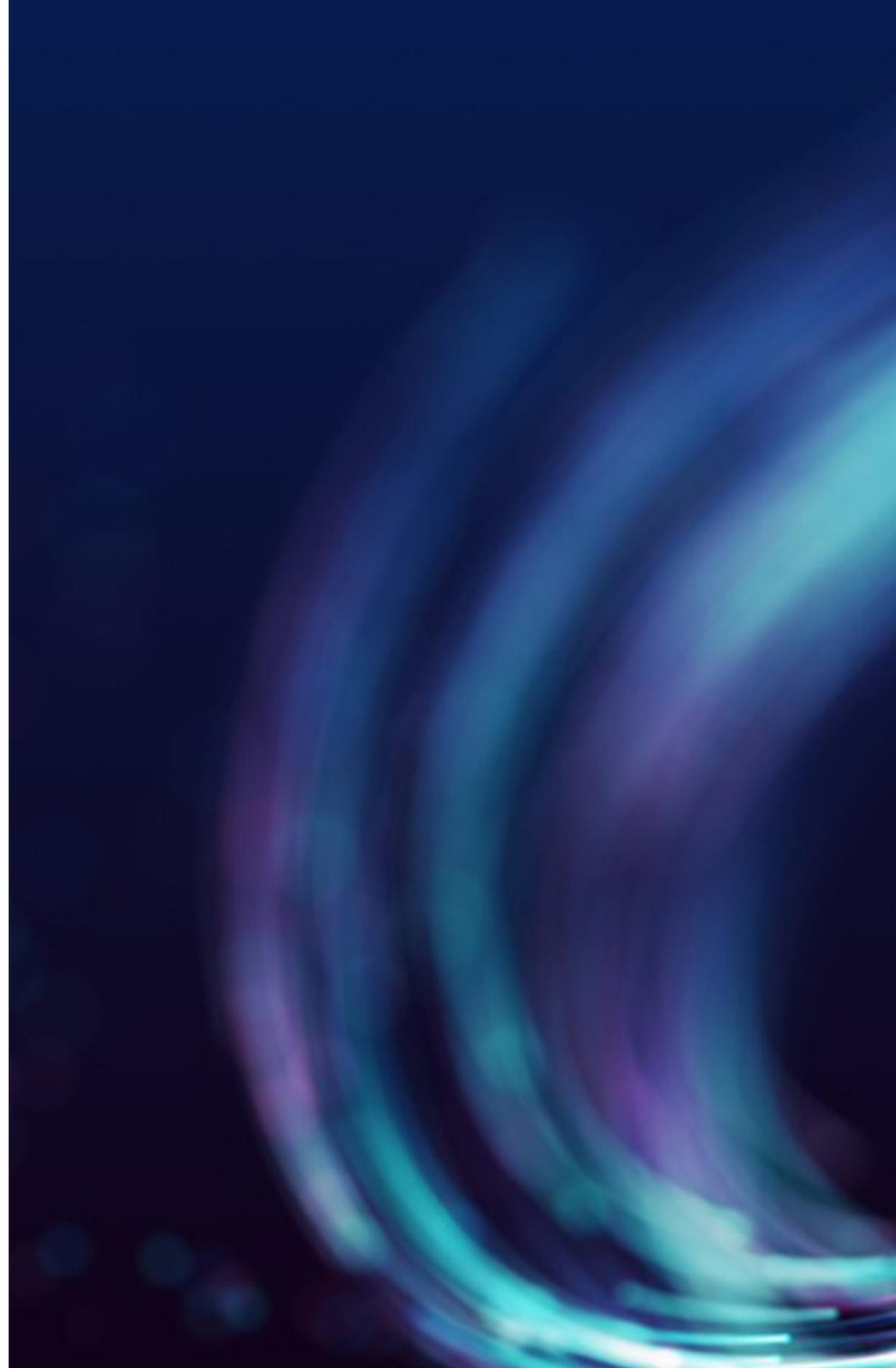
Payments and financial infrastructure are positioned to attract larger rounds and strategic buyers.

AI Security Moves From Financing to M&A

Agent security and machine identity are set to drive consolidation as strategics buy rather than build.

Quantum Finds a Path to Public Markets

Hardware developers could see more listings and growth capital as public investors back the sector.

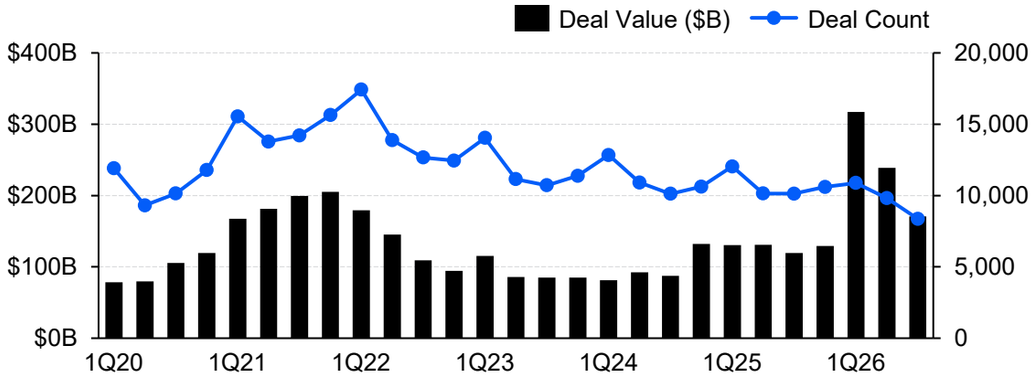


VC Deal Activity

2026 VC deal value already topped full-year 2025 as Q3 eased from H1.

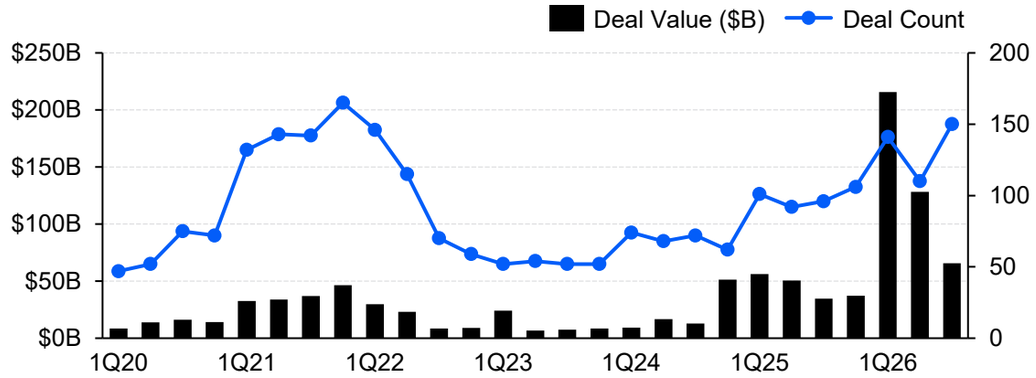
Deal value surpassed 2025 as fewer, larger rounds drove activity.

Global VC Deal Activity



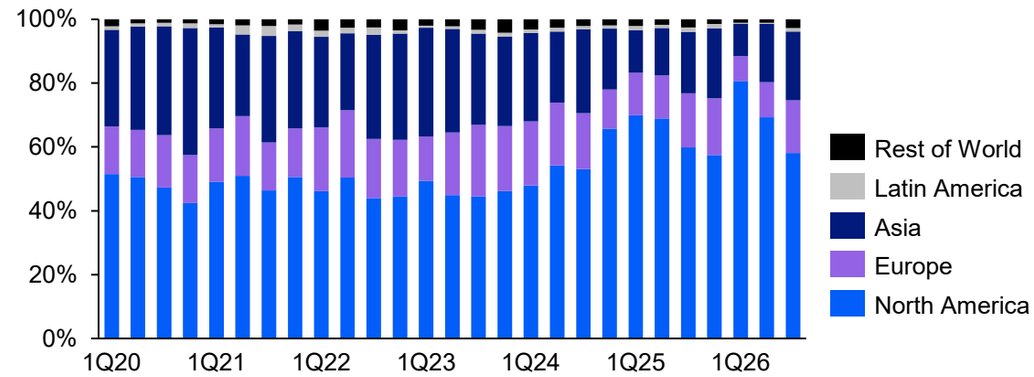
Unicorn deal value more than doubled 2025 as Q3 deal count climbed.

US Unicorn VC Deal Activity



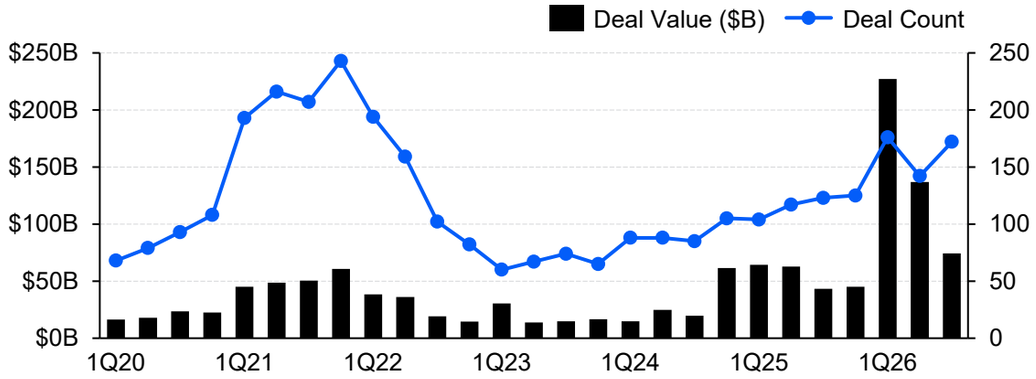
North America took a larger share of 2026 deal value, easing in Q3.

Share of Global VC Deal Value by Region



$100M+ rounds drove most of Q3 value, even without frontier lab outliers.

US VC Mega-Round ($100M+) Deal Activity



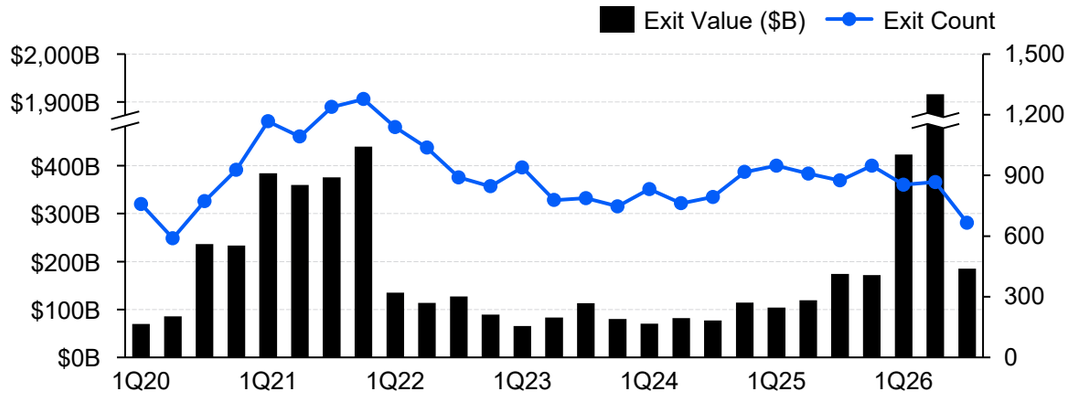
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
Note: As of 9/30/2026

VC Exit Activity and Alternative Financing Paths

Q2's mega-listing lifted 2026 exits as alternative financing reached new highs.

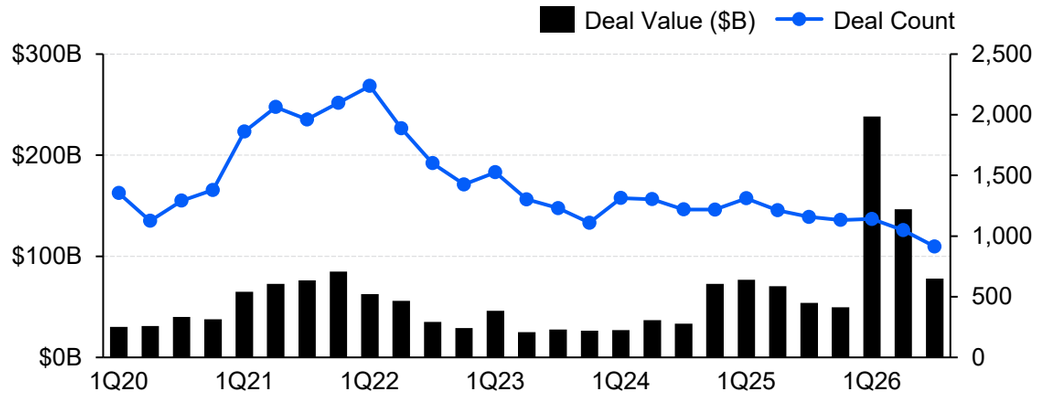
Exit value hit a record as exit count eased.

Global VC Exit Activity



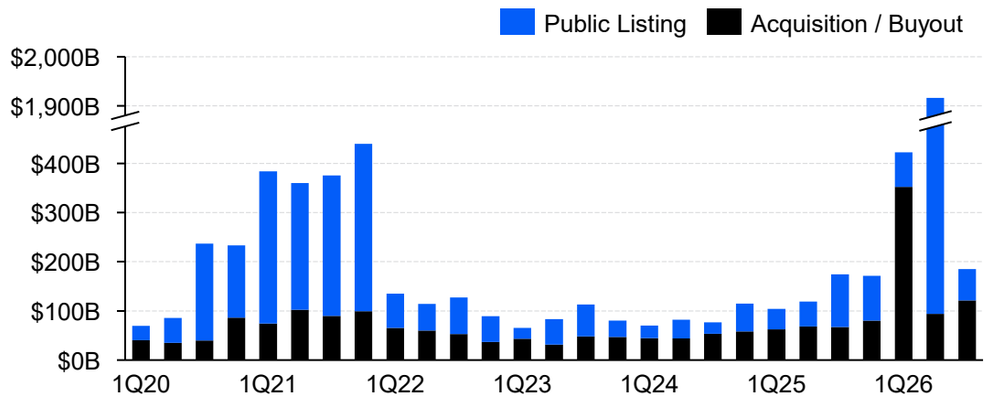
Nontraditional investor capital hit a record, focused on the largest rounds.

US VC Deal Activity with Nontraditional Investor* Participation



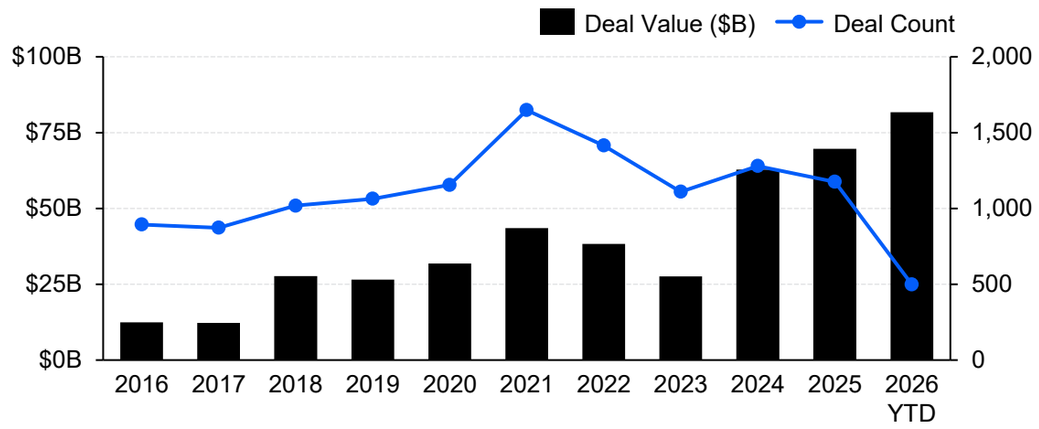
Acquisition value hit a record and rose in Q3 as listings normalized.

Global VC Exit Value by Type



Frontier model loans lifted venture debt value to a record level.

US Venture Debt Deal Activity



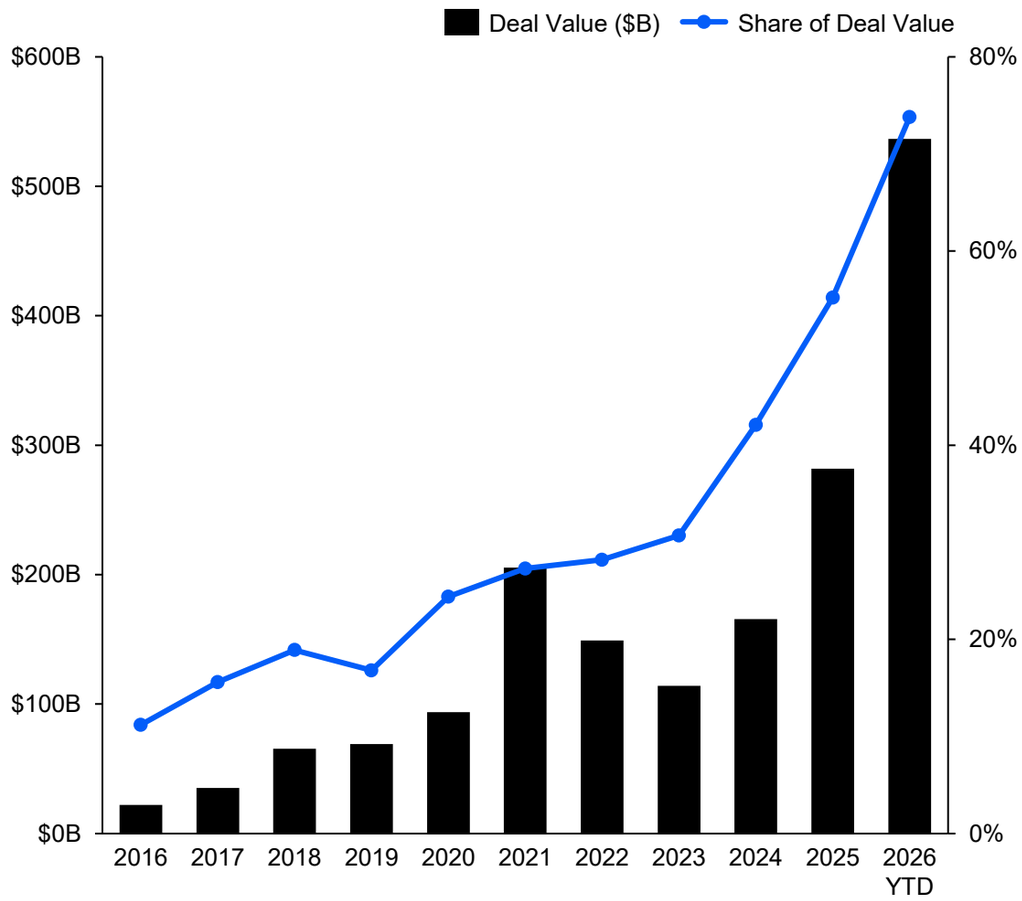
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
Note: *Nontraditional investor includes CVC investors, PE investors, asset managers, hedge funds, mutual funds, and SWFs; data as of 9/30/2026

AI Deal Activity

AI captured record shares of global VC value and deal count in 2026.

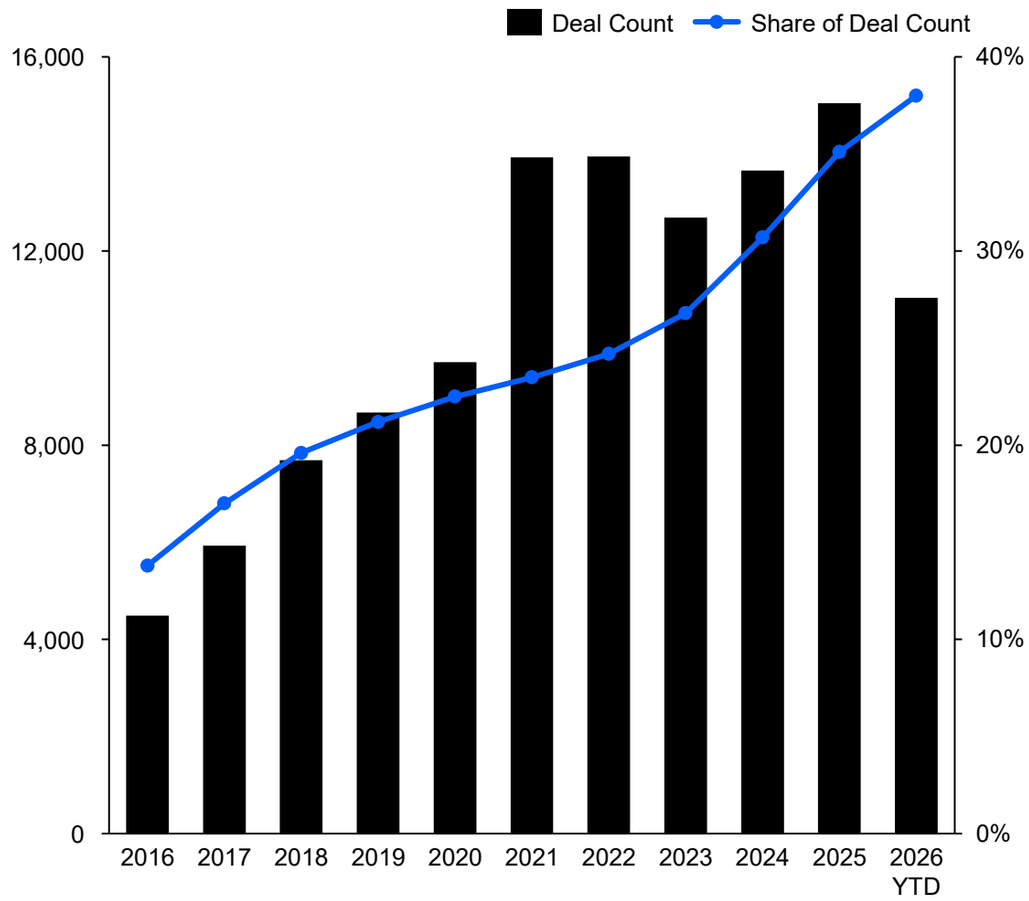
AI deal value nearly doubled from 2025, capturing most of global VC funding.

Global AI VC Deal Value



AI deal count is on pace with 2025 as its share rose to a record.

Global AI VC Deal Count



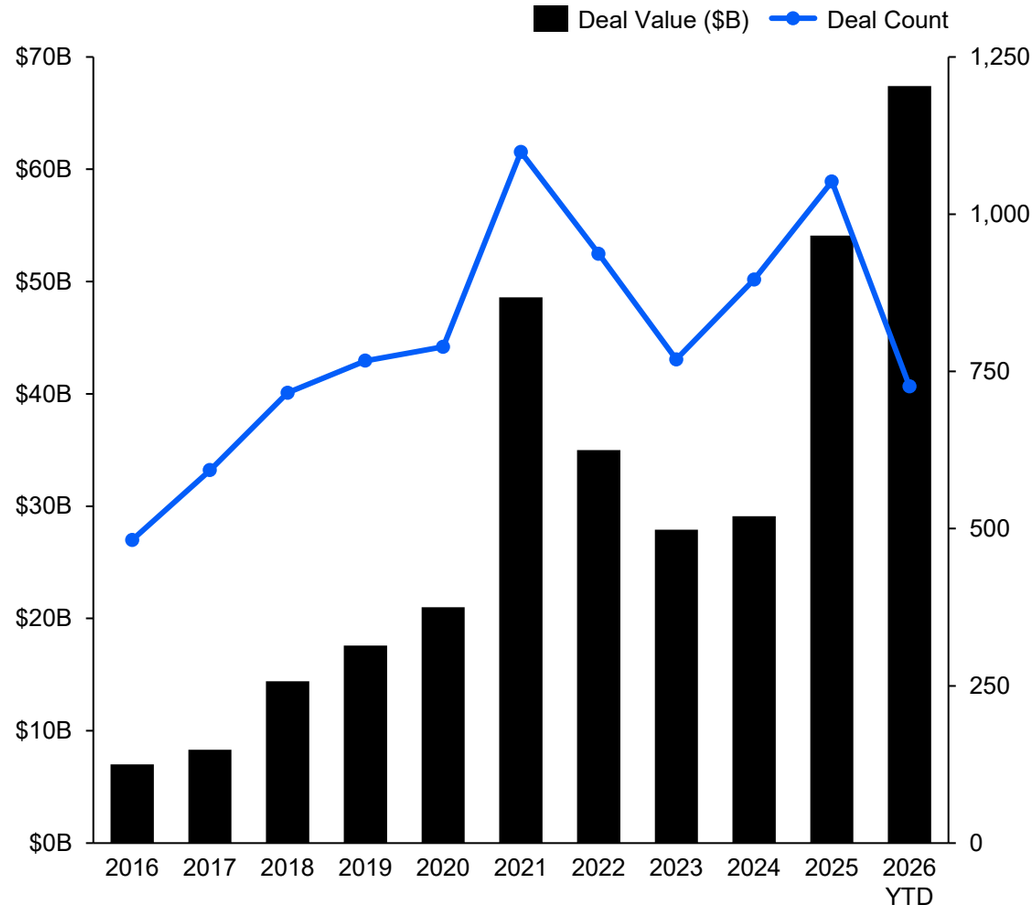
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
Note: As of 9/30/2026

Defense Tech Deal Activity

Defense tech set records in both funding and exits through Q3 2026.

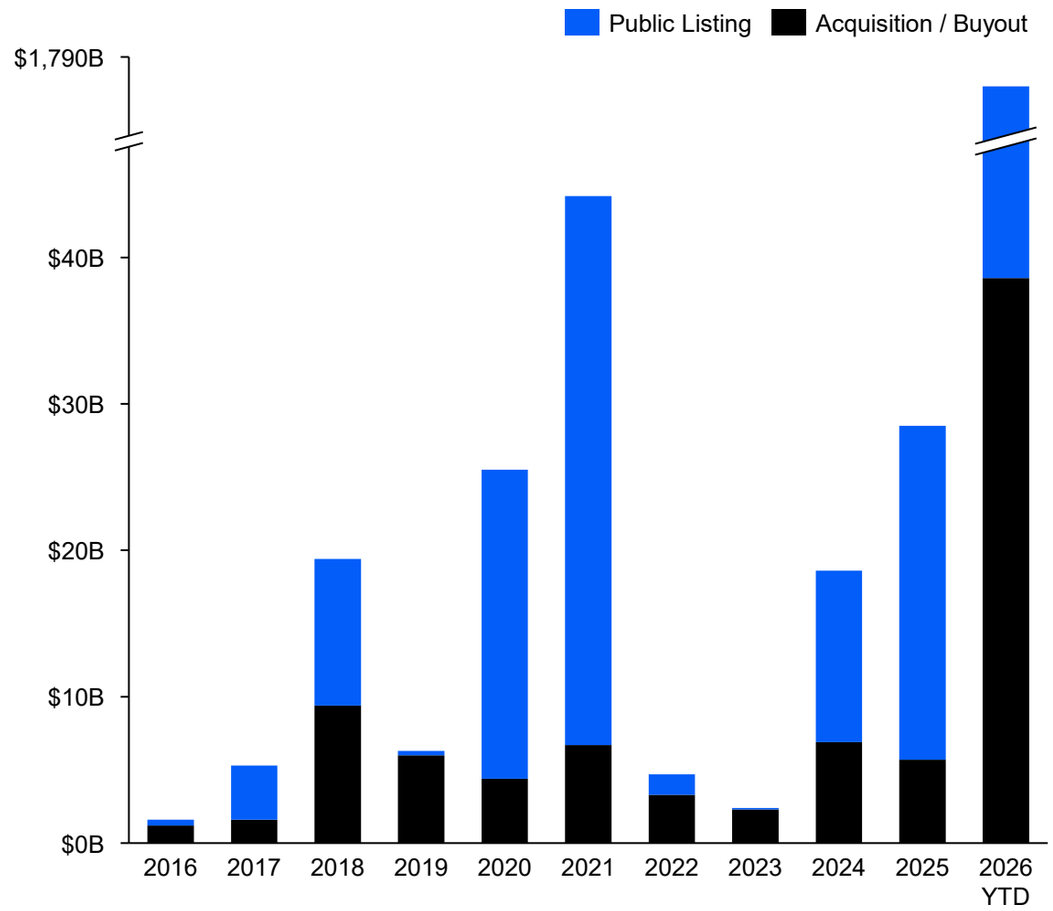
Defense tech funding surpassed full-year 2025 on fewer, larger rounds.

Global Defense Tech VC Deal Activity



Q2's mega-listing drove record exits as listings gained share of exit count.

Global Defense Tech VC Exit Value by Type



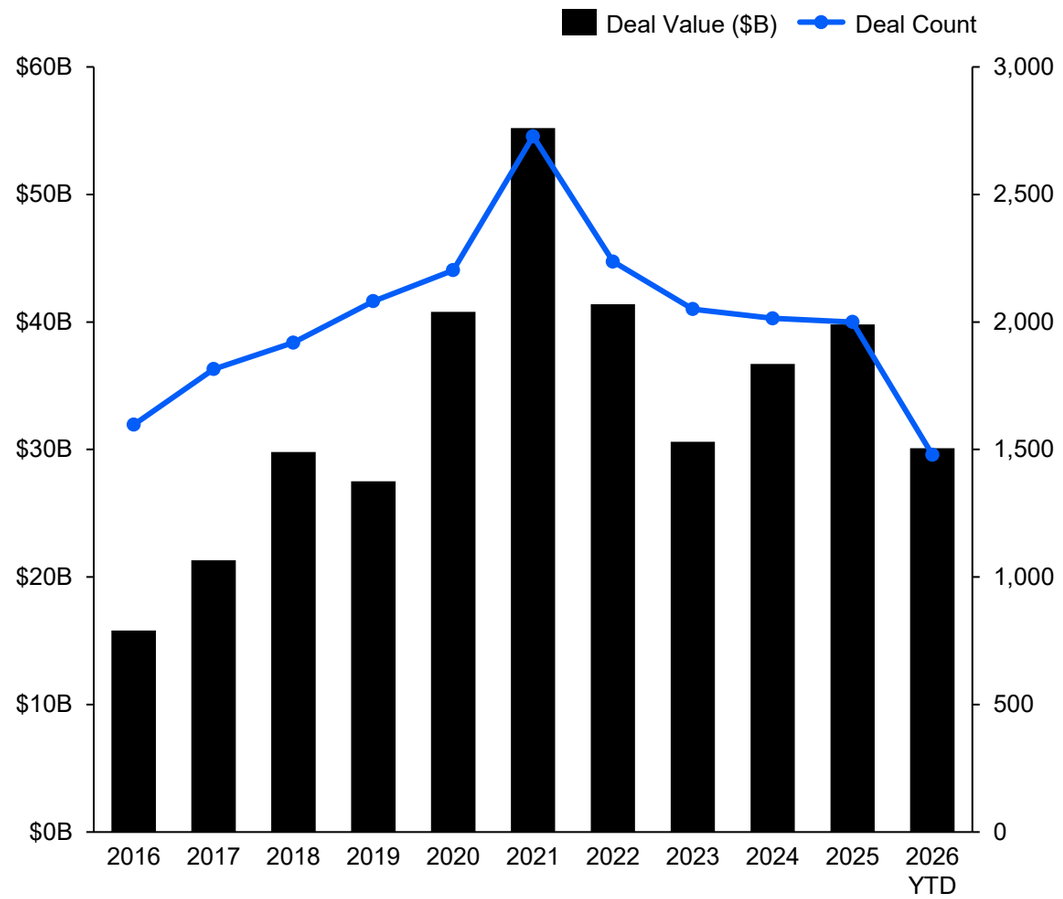
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Life Sciences Deal Activity

US life sciences funding is on pace with 2025 as the stage mix broadened.

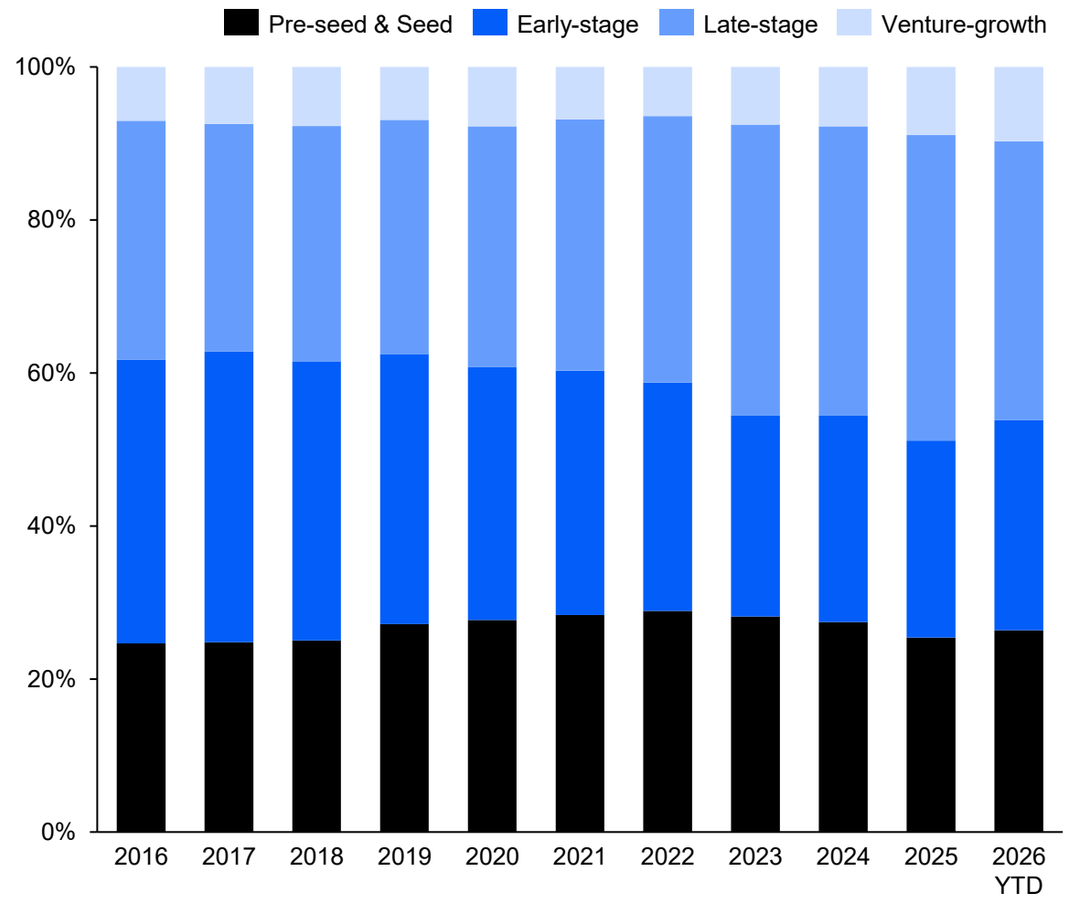
Funding and deal count are both tracking in line with 2025.

US Life Sciences VC Deal Activity



Early-stage and venture-growth rounds gained share as late-stage eased.

Share of US Life Sciences VC Deal Count by Stage



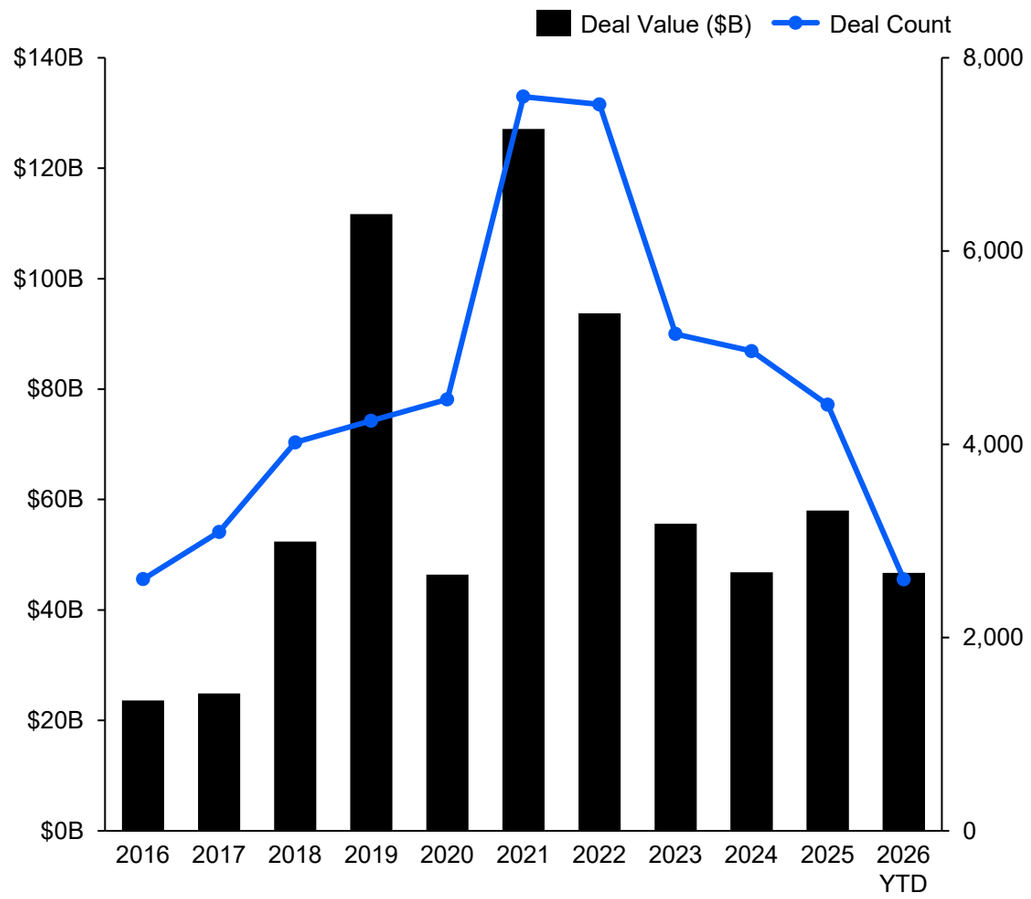
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
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Fintech Deal Activity

Global fintech value is pacing ahead of 2025, with Europe more selective.

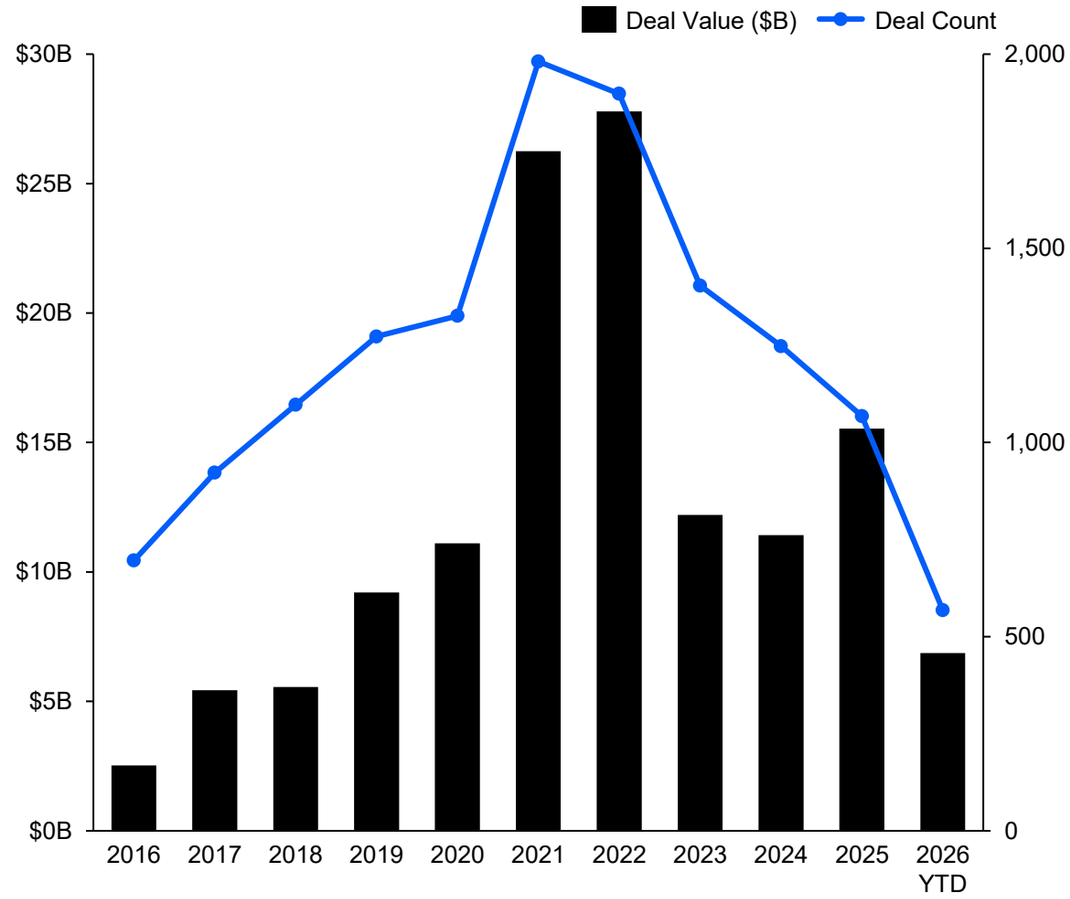
Global fintech value held up in 2026 as larger rounds offset fewer deals.

Global Fintech VC Deal Activity



European fintech activity eased as AI drew a growing share of capital.

Europe Fintech VC Deal Activity



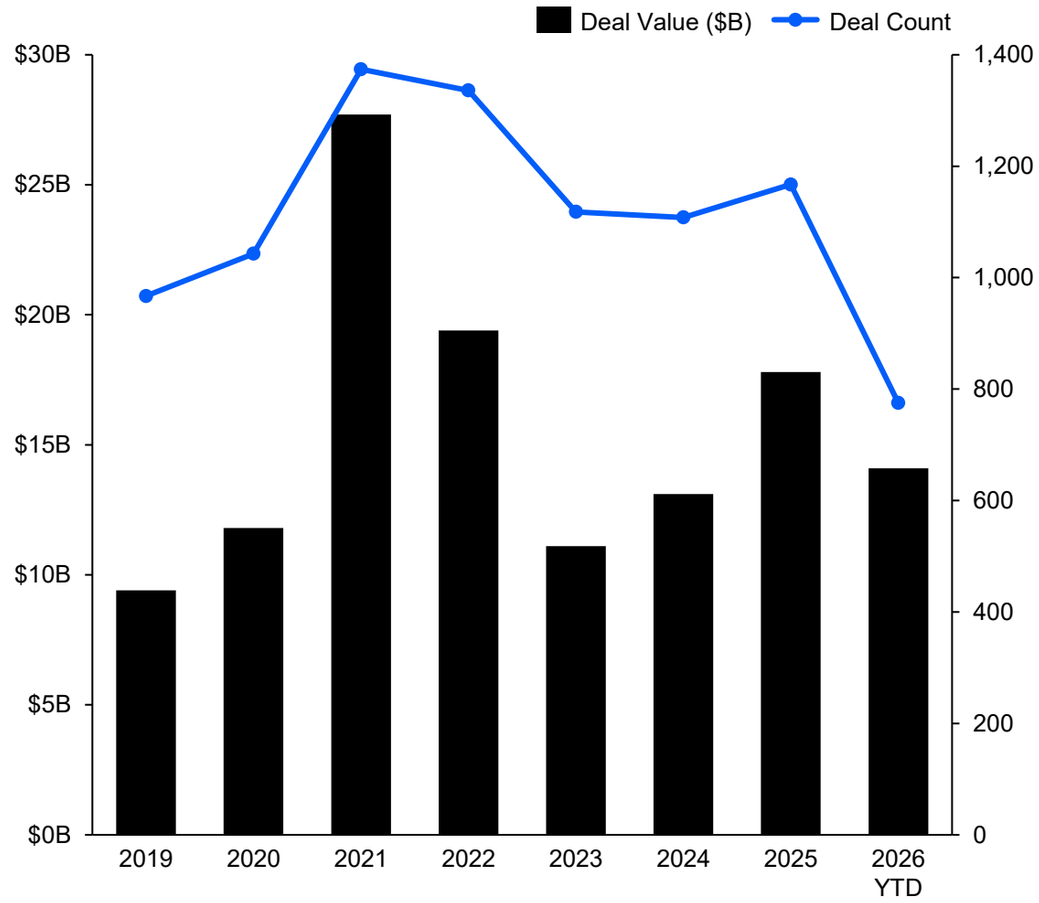
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
Note: As of 9/30/2026

Cybersecurity Deal Activity

Cybersecurity deal count paced ahead of 2025 as M&A shifted to tuck-ins.

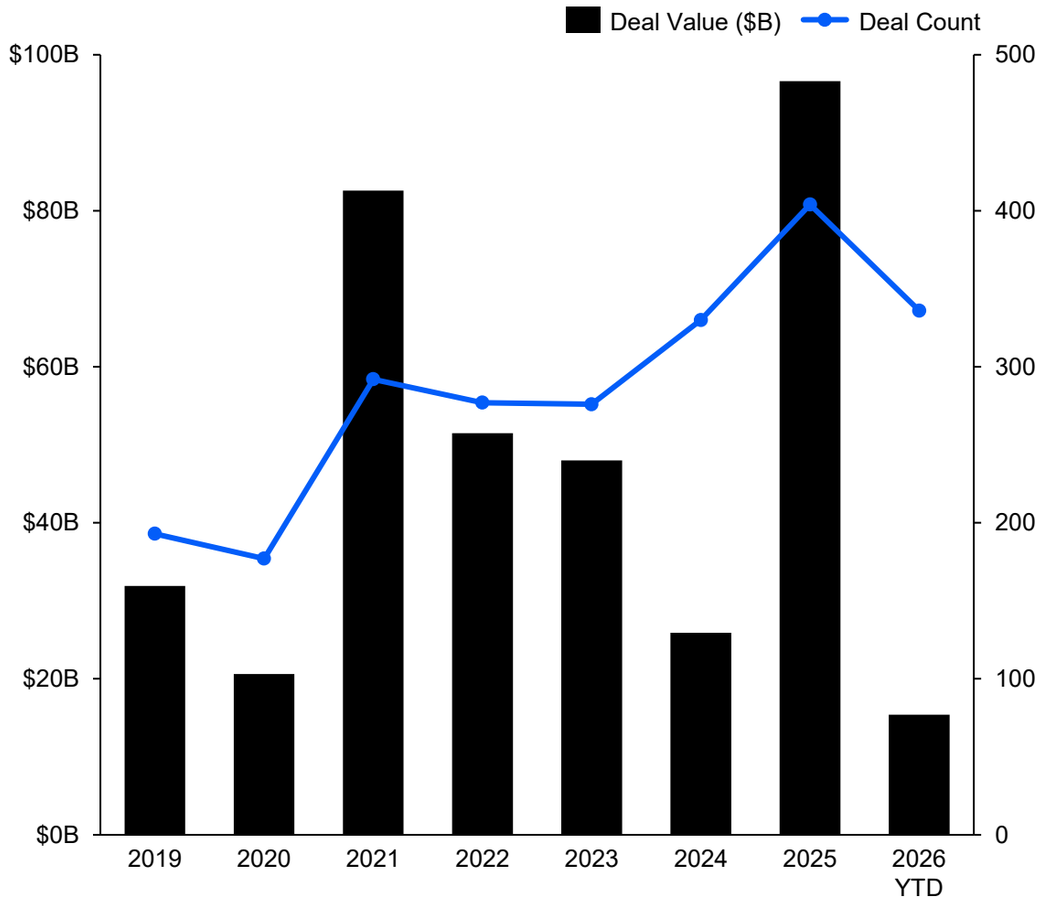
Cybersecurity funding is pacing ahead of 2025 on fewer, bigger bets.

Global Cybersecurity VC Deal Activity



M&A deal count is pacing above 2025 as strategics choose to buy over build.

Global Cybersecurity M&A Activity



Sources: PitchBook, 451 Research, Momentum Cyber, Latham & Watkins Tactical Opportunities Analysis
Note: As of 9/30/2026

About the Emerging Companies & Growth Practice

Latham's Emerging Companies & Growth Practice advises startups, emerging companies, and the investors that fuel their growth. With an integrated global platform spanning key venture and growth capital hubs, we guide clients through every stage of their lifecycle — from formation and early-stage financings to IPOs and beyond. Combining deep market experience with leading capital markets and M&A capabilities, we deliver strategic, commercially focused advice to help clients scale, navigate complexity, and seize opportunities.

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