Emerging Companies & Growth Quarterly Report

Q1 2026

LATHAM & WATKINS LLP

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2026 Global VC Market Outlook

The next wave of VC capital should favor AI, hard tech, and scaled adoption

Agents Become the Next AI Battleground

Autonomous workflows, copilots, and orchestration layers move closer to production.

Physical AI Favors Durable, Hard-Asset Platforms

Robotics, automation, and autonomy combine AI exposure with lower obsolescence risk.

Capital Flows to National Security Innovation

Defense and dual-use technologies stay in focus as commercial adoption accelerates.

AI Stack Keeps Pulling Capital Downstream

Compute, semis, neoclouds, and data infrastructure remain essential to scaled AI deployment.

AI Risk Pushes Cyber Back to the Forefront

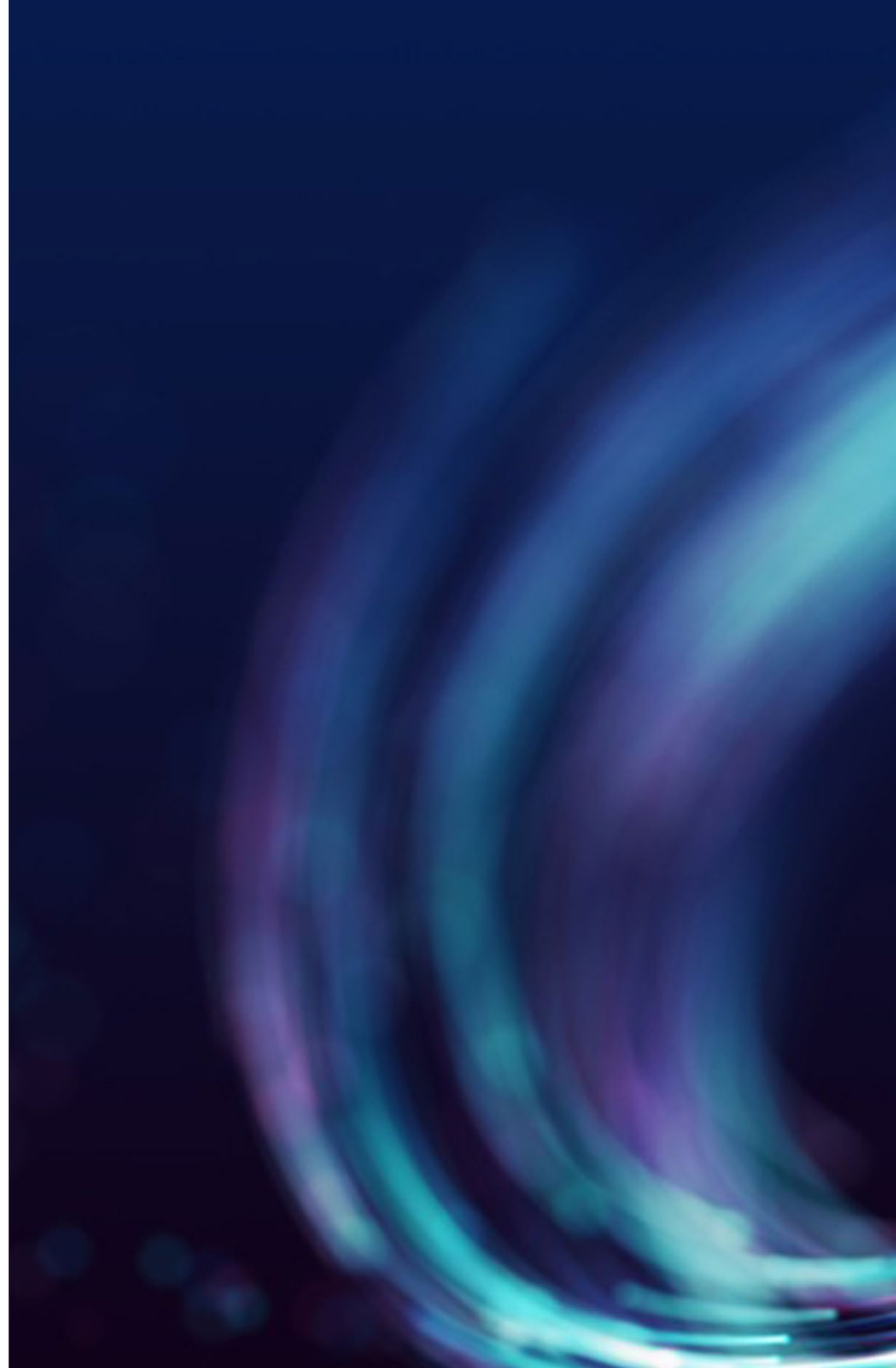
Model security, machine identity, and critical infrastructure resilience gain urgency.

Healthcare AI Moves Closer to Scaled Adoption

Clinical workflows, care delivery, and operational platforms gain clearer adoption paths.

Capital Returns to Fintech's Infrastructure Layer

Payments rails, finance software, and digital-asset infrastructure regain relevance.

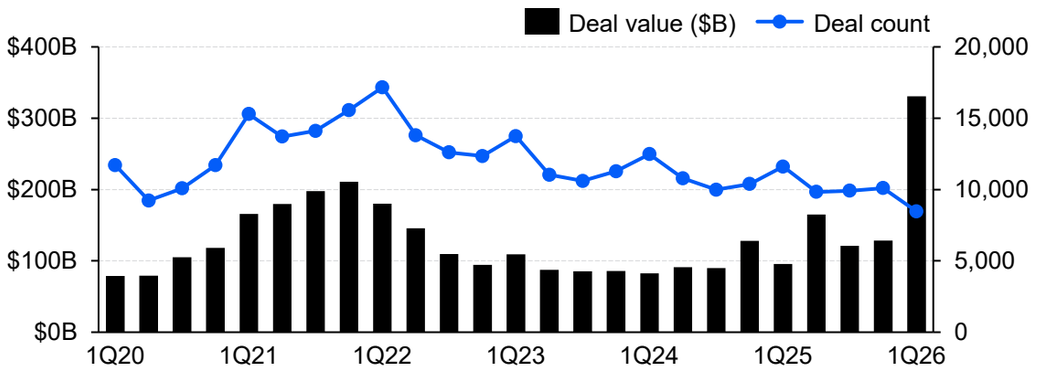


VC Deal Activity

VC momentum accelerated in Q1 2026 as unicorns captured larger share of US deal value

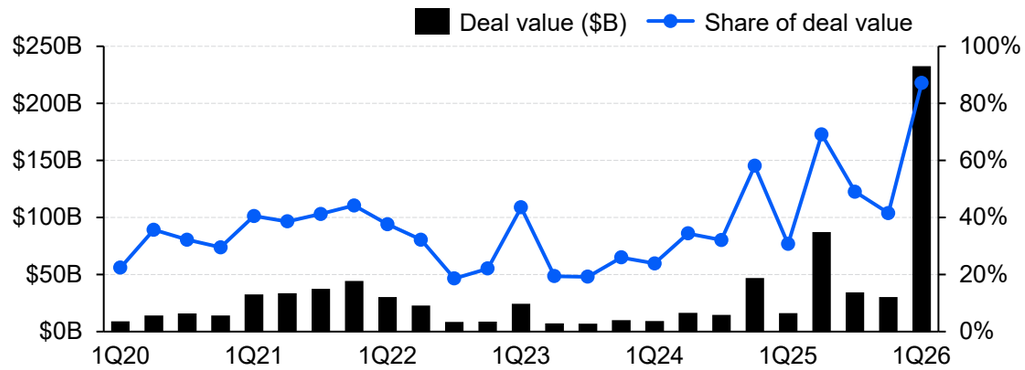
Q1 2026 saw record-high global VC deal value, driven by mega-deals

Global VC deal activity



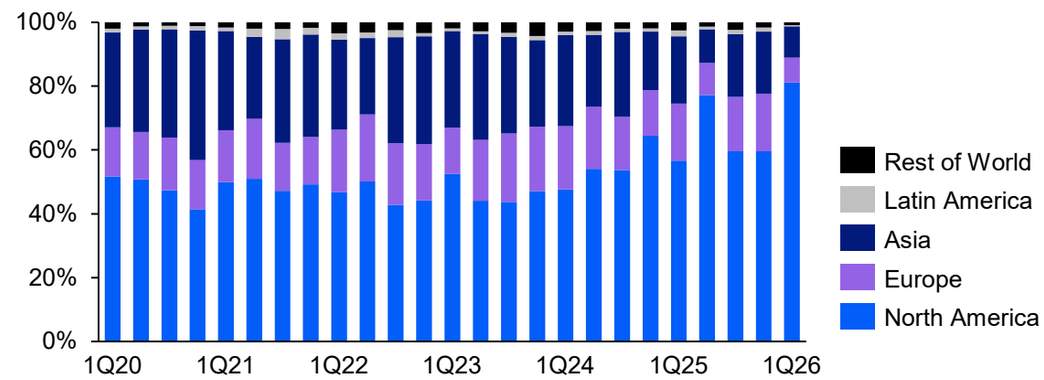
US unicorn deal value reached an all-time high in Q1 2026

US unicorn VC deal value



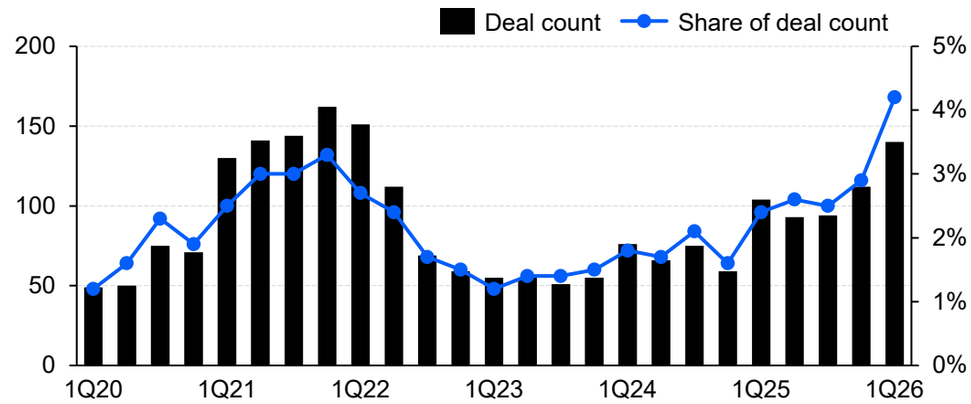
Global VC value concentrated further in North America

Share of global VC deal value across regions



US unicorns took a larger share of VC deal count

US unicorn VC deal count



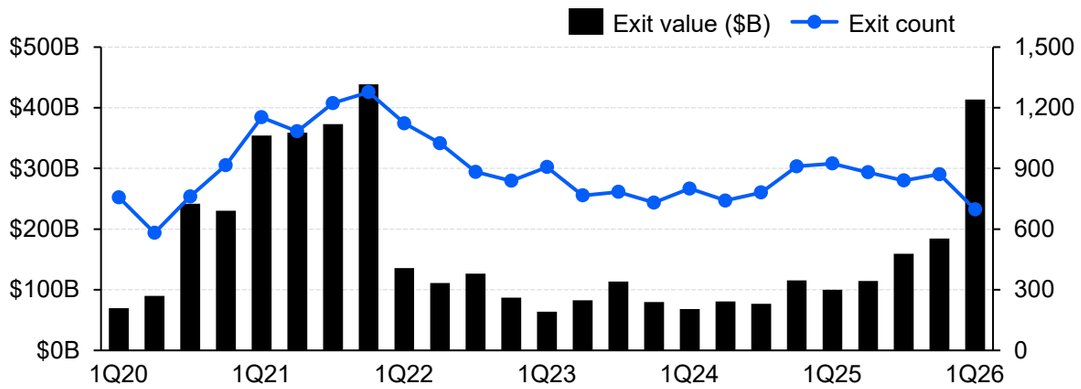
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
Note: As of 3/31/2026

VC Exit Activity and Alternative Financing Paths

Q1 2026 showed stronger exits alongside continued crossover and venture debt activity

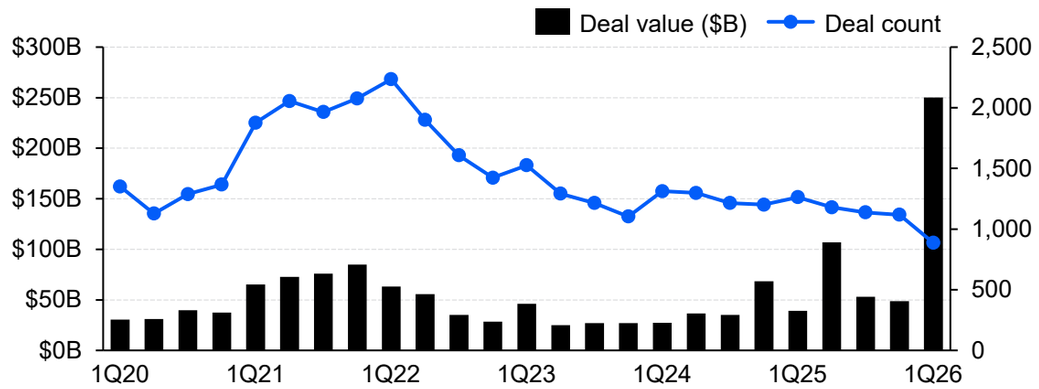
Global VC exits rebounded in Q1 2026

Global VC exit activity



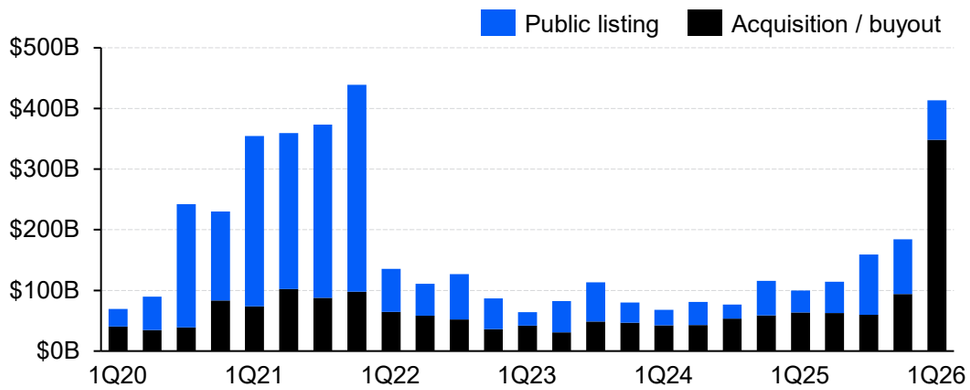
Nontraditional investor capital concentrated in larger US VC deals

US VC deal activity with nontraditional investor* participation



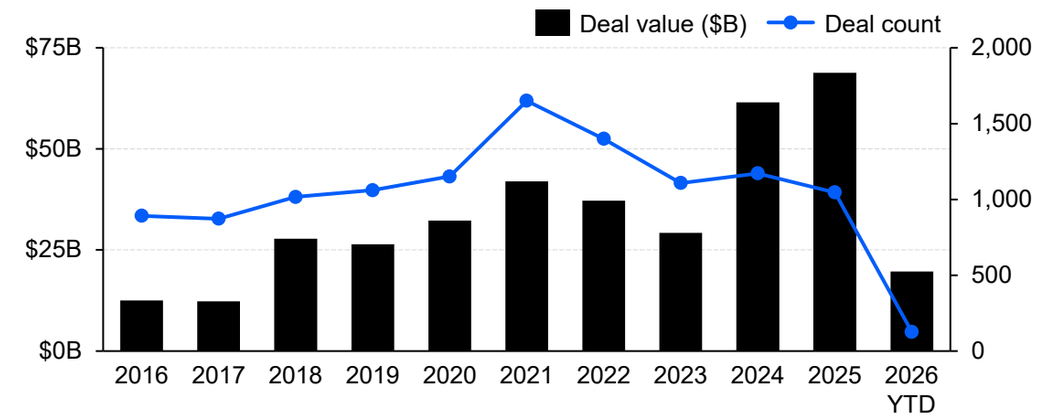
Q1 2026 global VC exits were led by acquisitions and buyouts

Global VC exit value ($B) by type



Venture debt remained active as an alternative financing path

US venture debt deal activity



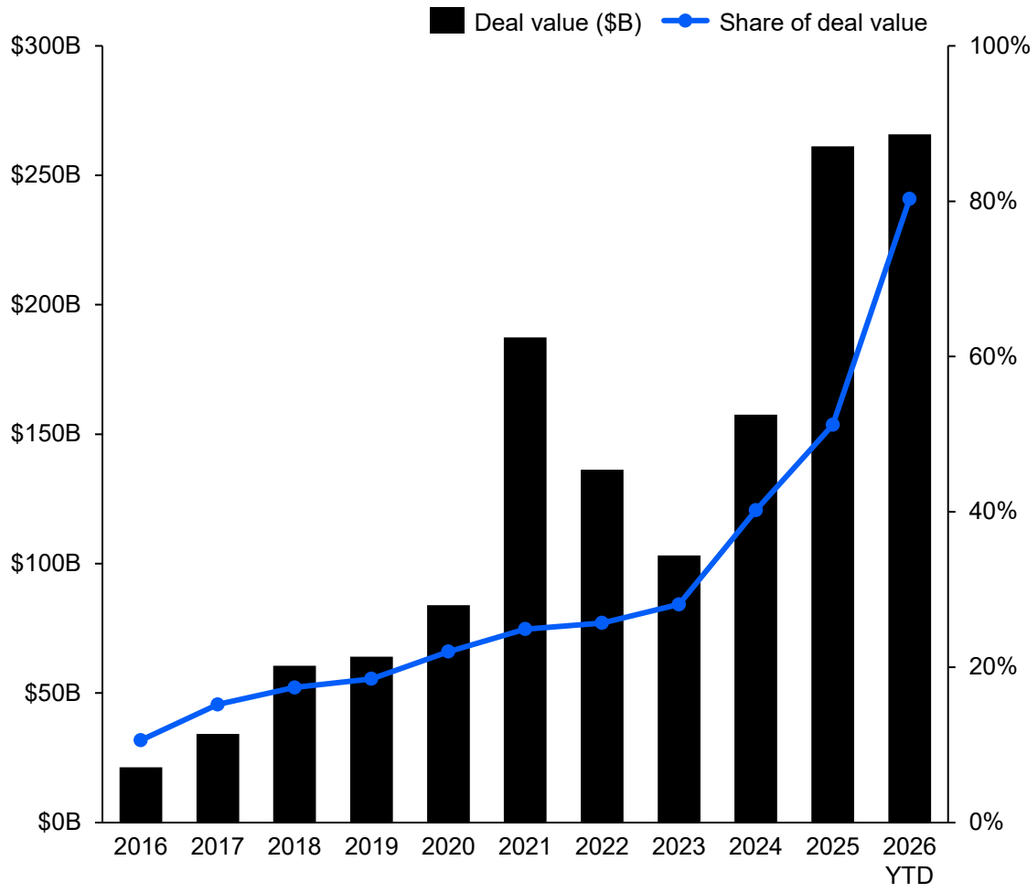
Sources: PitchBook, Latham & Watkins Tactical Opportunities Analysis
Note: *NTI includes CVC investors, PE investors, asset managers, hedge funds, mutual funds, SWFs; as of 3/31/2026

AI Deal Activity

AI continued to command a larger share of global VC activity

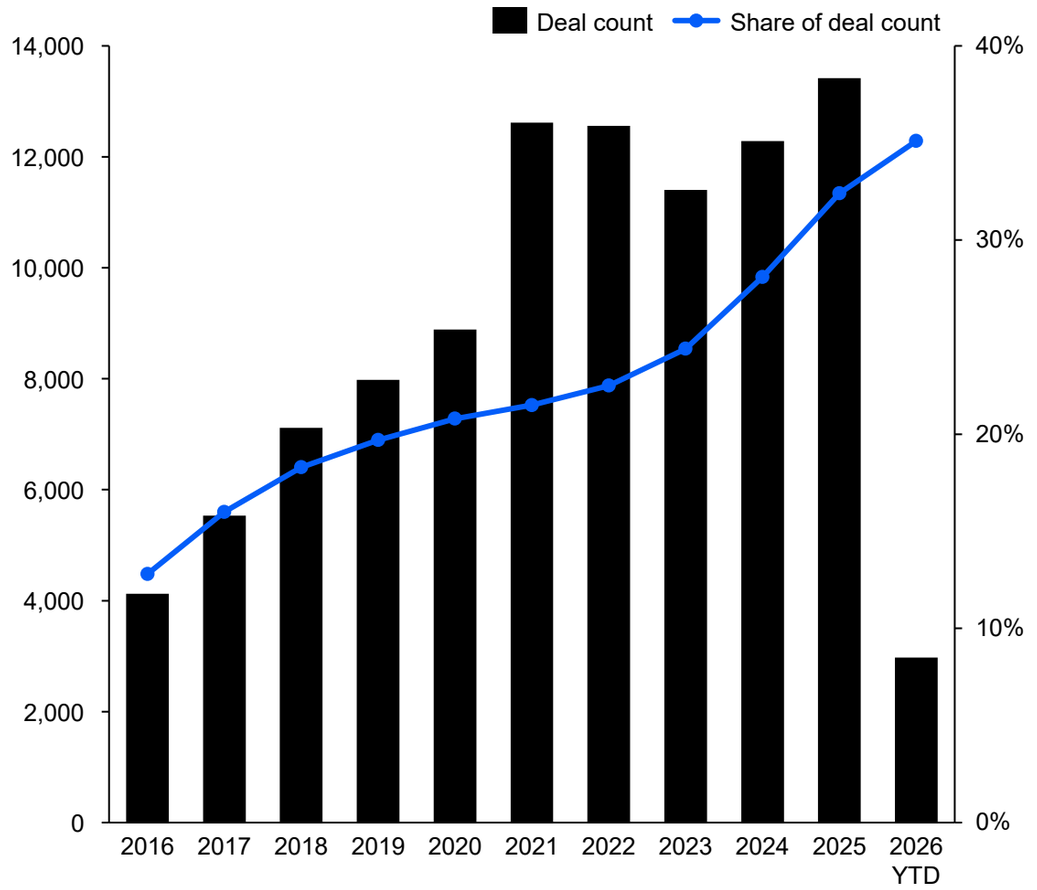
Global AI VC deal value reached a new high in Q1 2026

Global AI VC deal value



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

Global AI VC deal count



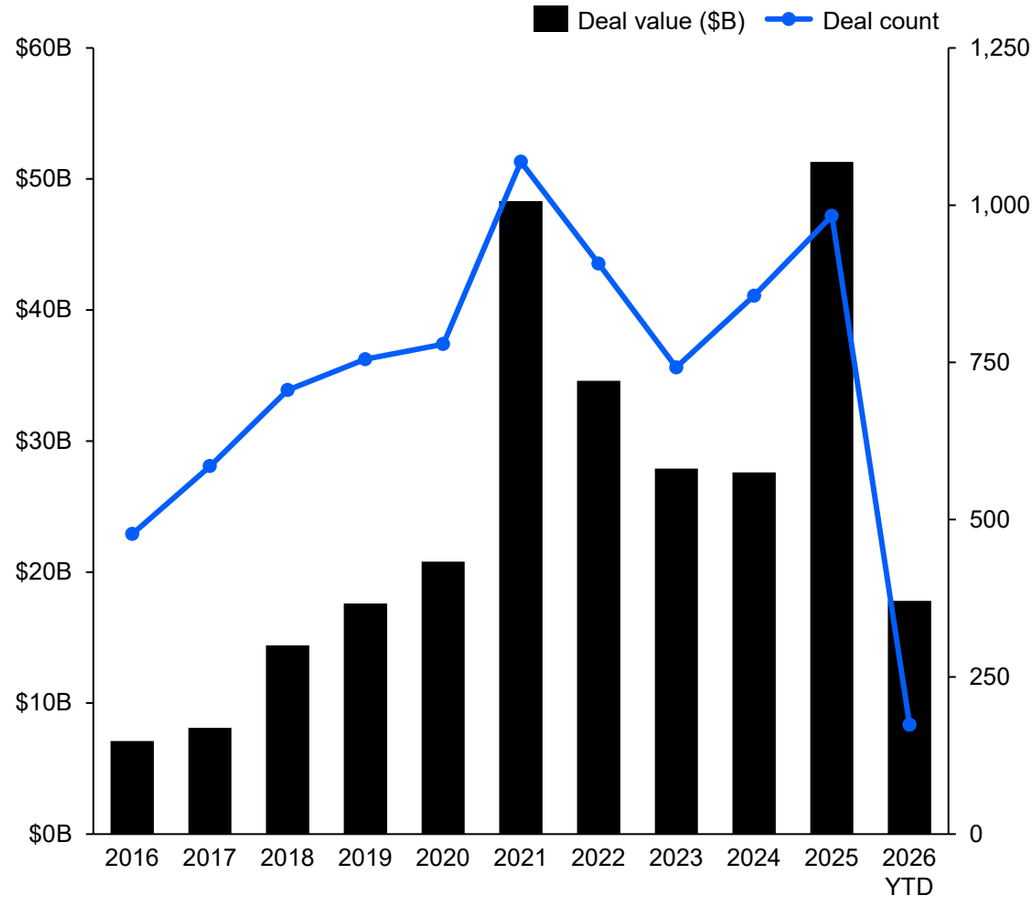
Sources: PitchBook, Preqin, Latham & Watkins Tactical Opportunities Analysis
Note: As of 3/31/2026

Defense Tech Deal Activity

Defense tech activity stayed elevated in Q1 2026 across funding and exits

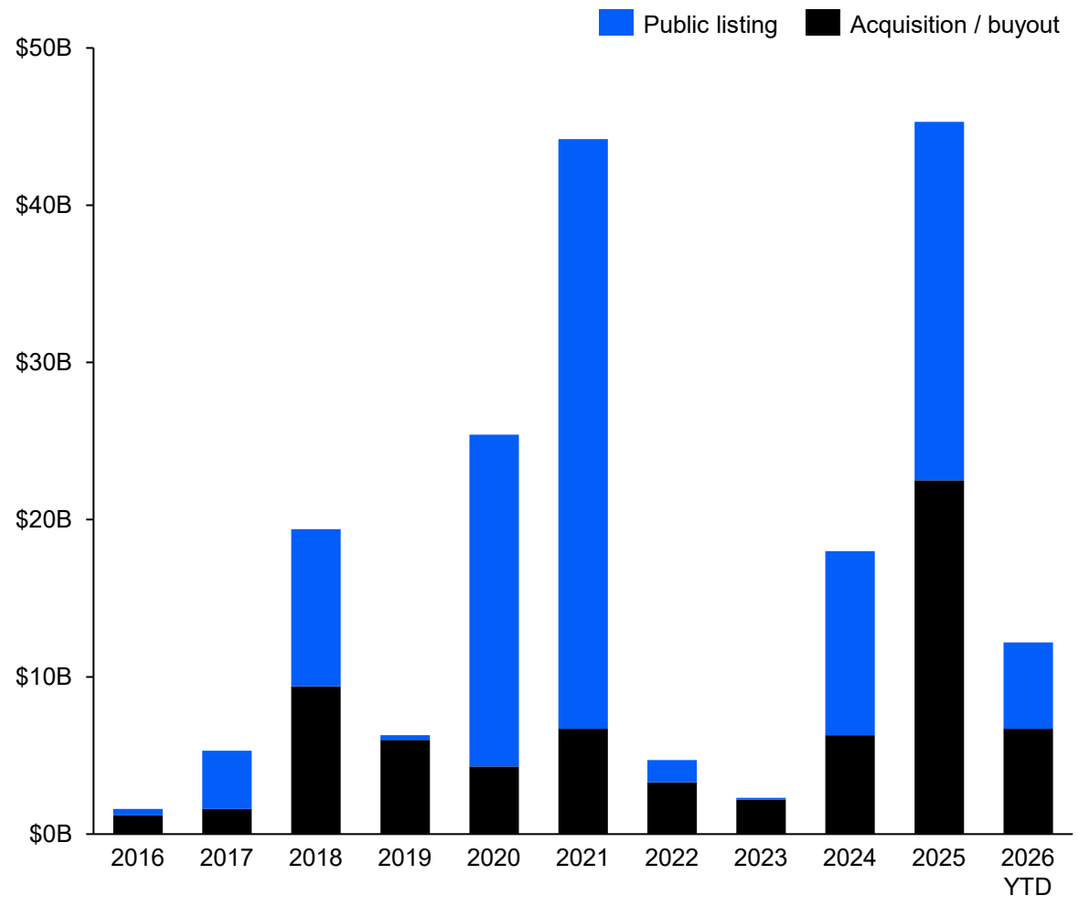
Defense tech activity continued at elevated pace

Global defense tech VC deal activity



Defense tech exits stayed active across M&A and public listings

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



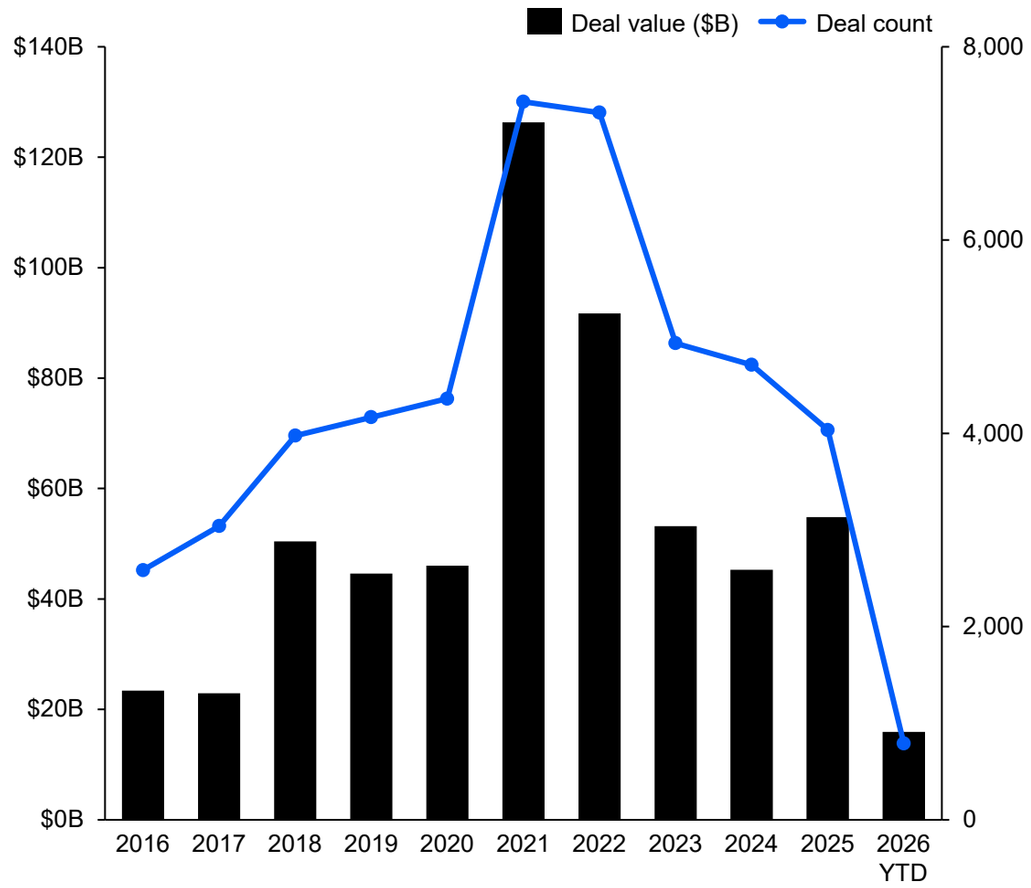
Sources: PitchBook, Preqin, Latham & Watkins Tactical Opportunities Analysis
Note: As of 3/31/2026

Fintech Deal Activity

Fintech activity remained resilient in Q1 2026 across VC and M&A

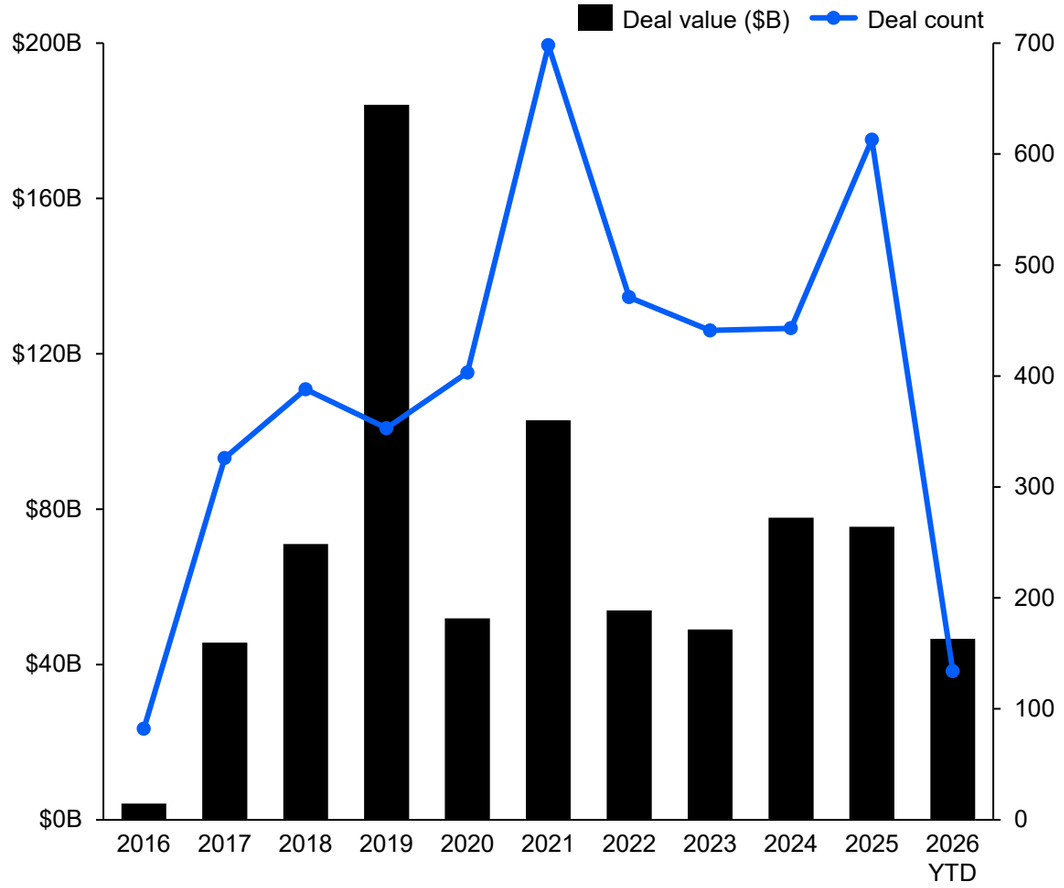
Fintech VC dealmaking remained active in Q1 2026

Global fintech VC deal activity



Fintech M&A activity showed continued momentum in Q1 2026

Global fintech M&A deal activity



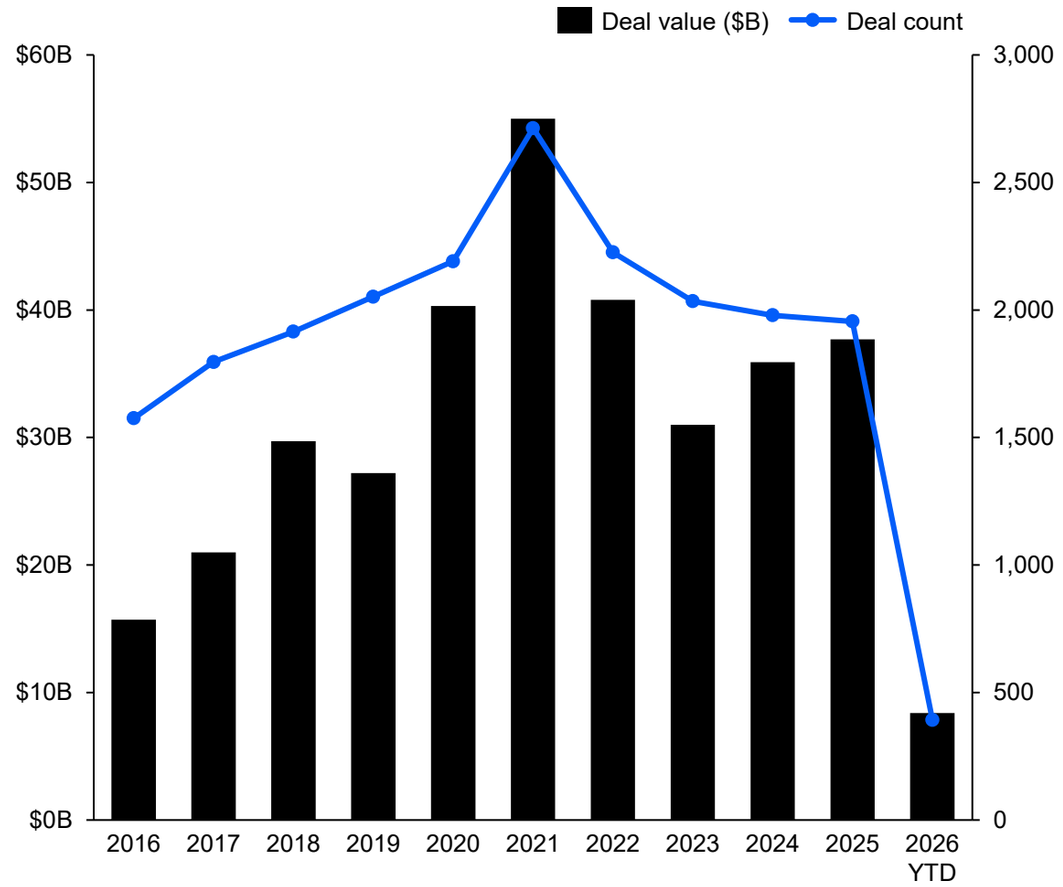
Sources: PitchBook, Preqin, Latham & Watkins Tactical Opportunities Analysis
Note: As of 3/31/2026

Life Sciences Deal Activity

Life sciences VC activity stayed selective and skewed more later-stage

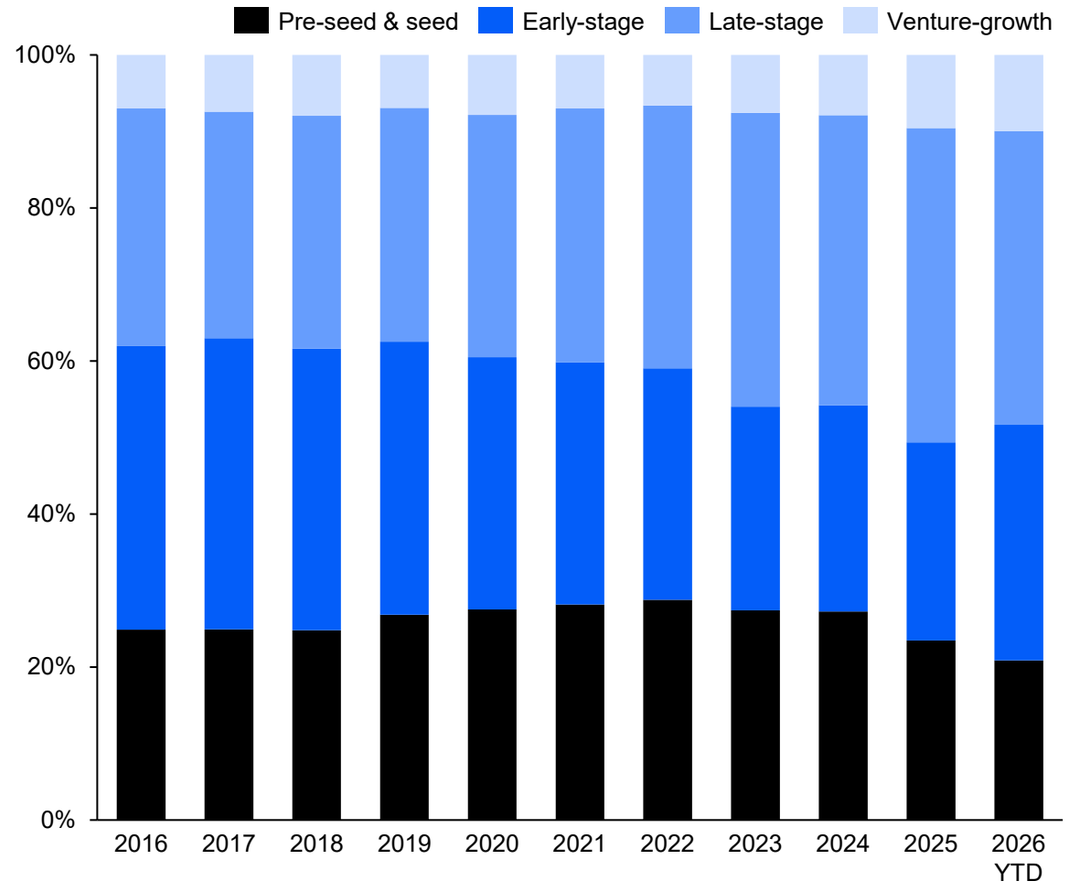
US life sciences VC deal activity was selective in Q1 2026

US life sciences VC deal activity



US life sciences deal mix shifted further toward later-stage rounds

Share of US life sciences VC deal count by series



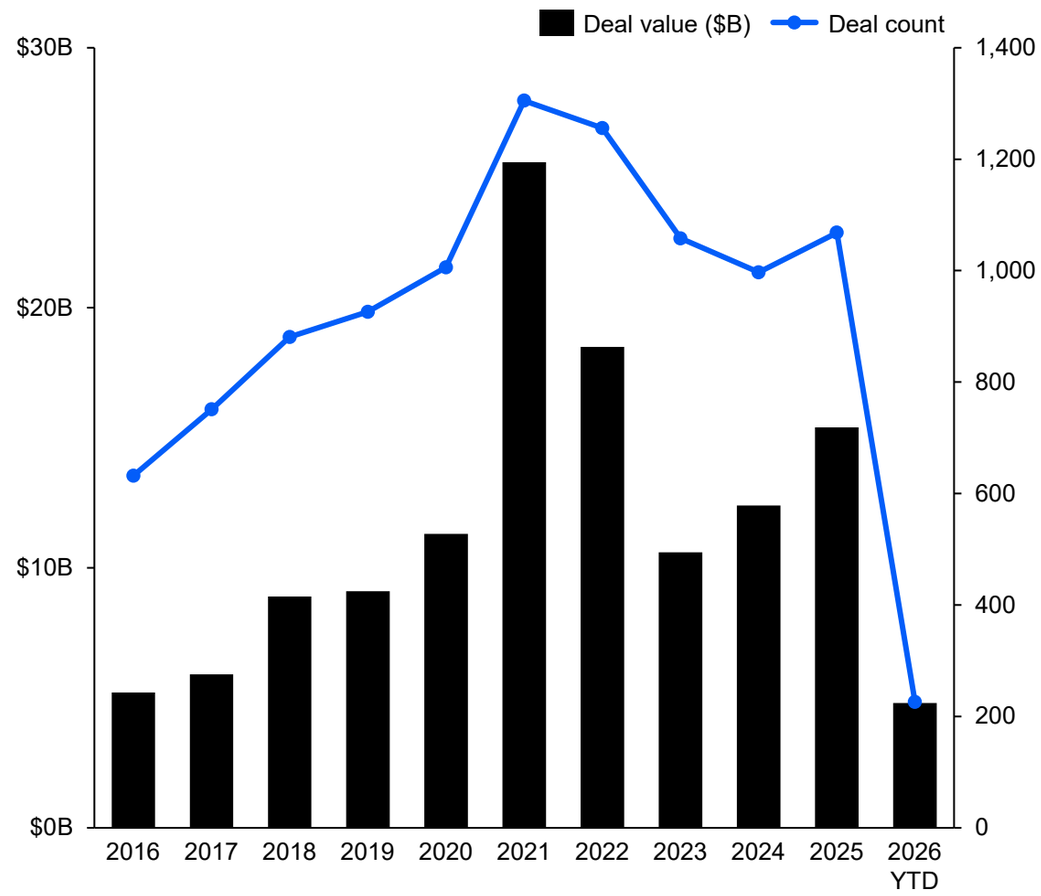
Sources: PitchBook, Preqin, Latham & Watkins Tactical Opportunities Analysis
Note: As of 3/31/2026

Cybersecurity Deal Activity

Cybersecurity remained an active capital destination across VC and M&A

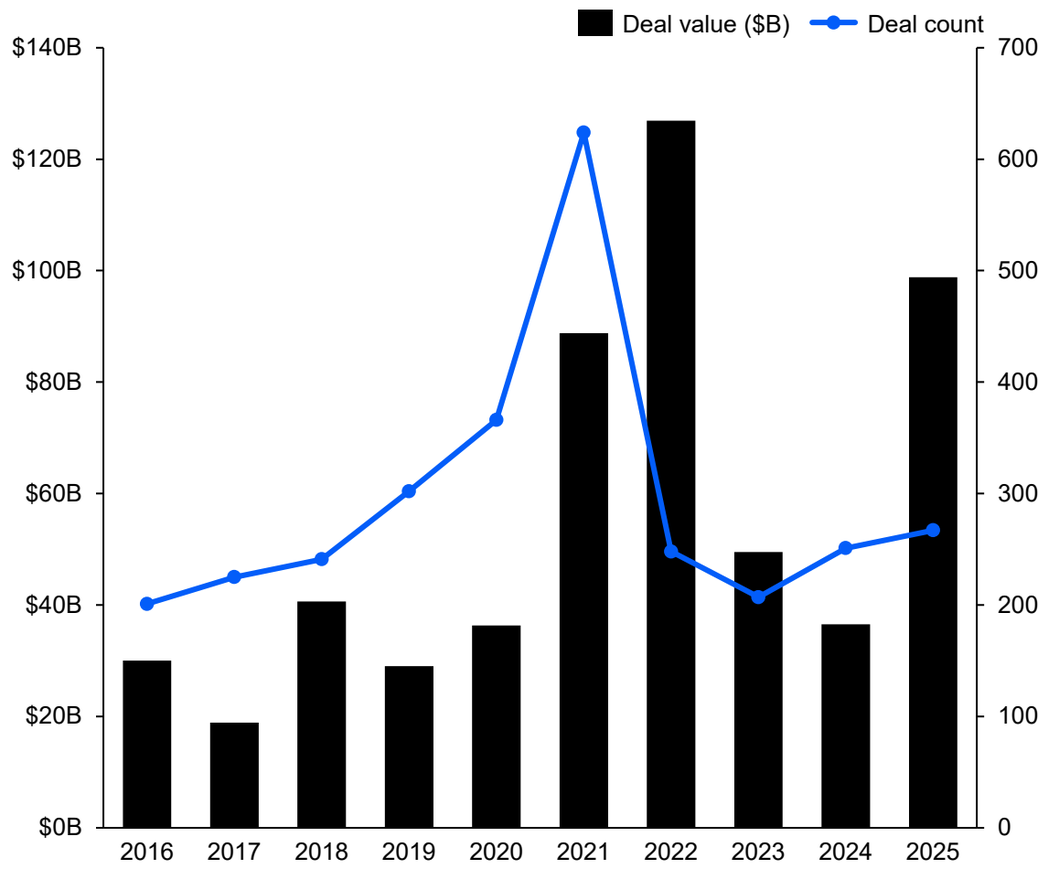
Cybersecurity VC activity continued at pace in Q1 2026

Global cybersecurity VC deal activity[1]



Cybersecurity M&A regained momentum in 2025

Global cybersecurity M&A deal activity[2]



Sources: PitchBook, Preqin, Latham & Watkins Tactical Opportunities Analysis
Note: 1) As of 3/31/2026, 2) As of 12/31/2025

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