

The State of AI Venture Capital in 2025: AI Boom slows with fewer Startups but bigger Bets

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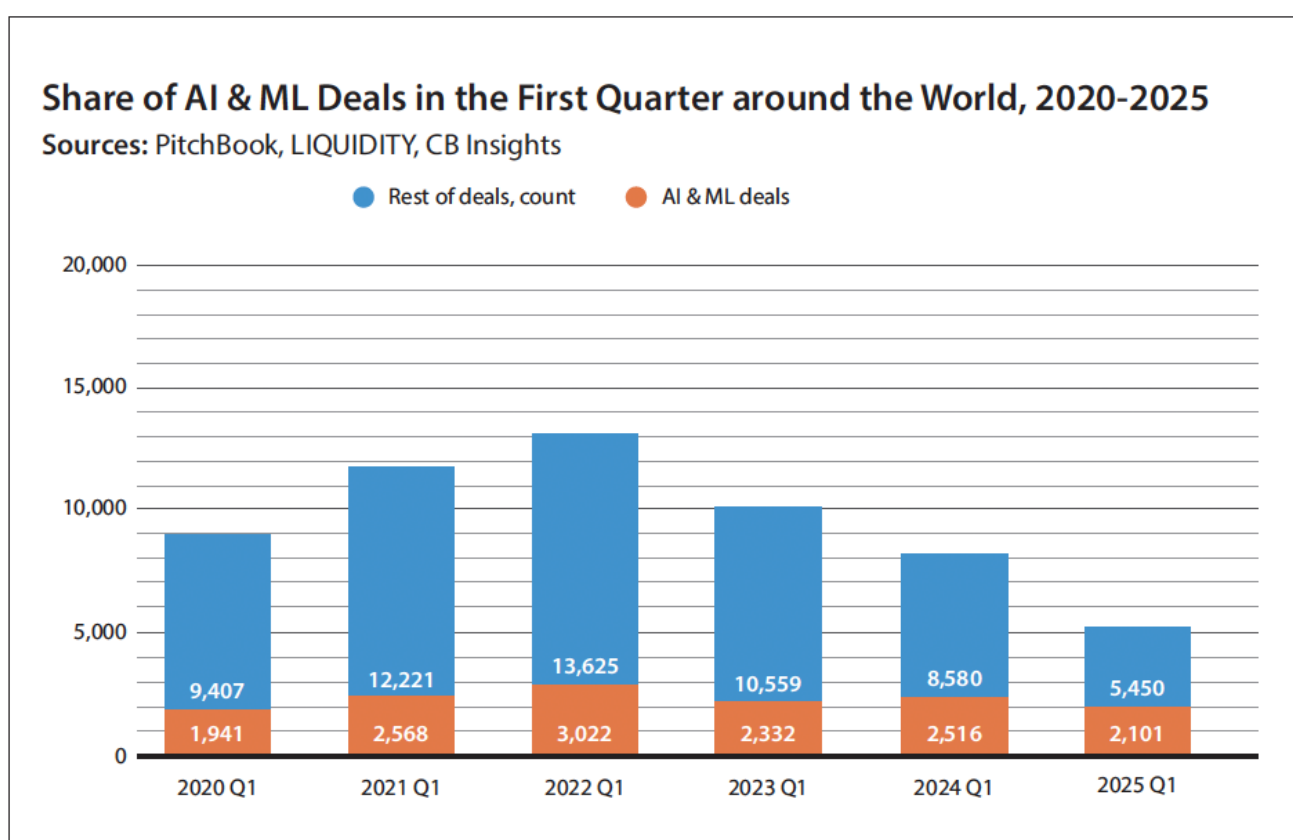
June 10, 2025. Paul Hoffman.

Venture capital funding in artificial intelligence has surged over the past decade, transforming the landscape of startup investing. Back in 2015, AI accounted for just 8.6 percent of global VC deal activity. By the first quarter of 2025, that share had jumped to 27.8 percent, representing 57.9 percent of all venture capital raised. Yet despite this explosive growth, recent data suggests investor enthusiasm may be cooling.

The team at BestBrokers analysed VC activity in artificial intelligence and machine learning startups using data from PitchBook, CB Insights, and LIQUiDITY. With the global AI market predicted to reach USD 4.8 trillion by 2033, the sector still commands massive attention, highlighted by OpenAI's record-setting USD 40 billion private funding round. However, the number of VC-backed AI deals dropped to a five-year low in Q1 2025, with only 2,101 completed funding rounds, down from 2,516 in Q1 2024 and 3,022 in Q1 2022. This signals a potential turning point in the current AI investment boom.

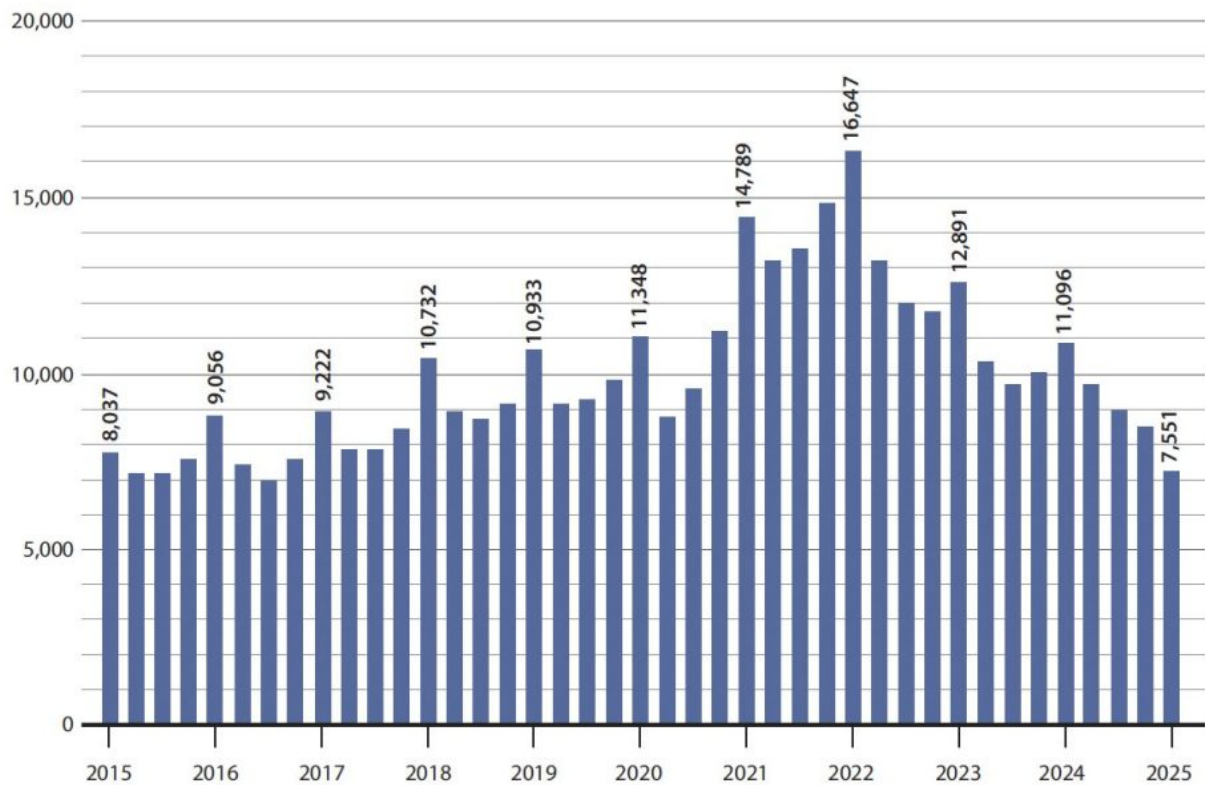
In January, Deepseek, a barely two-year-old Chinese AI startup, nearly burst the AI bubble when it revealed its model, which was reportedly just as good as OpenAI's ChatGPT but at a fraction of the cost. This claim shook the markets and urged investors to rethink the billions

of dollars poured into expensive, resource-intensive and energy-hungry projects. More recently, London-based AI startup Builder.ai filed for insolvency following months of financial issues. Shockingly, the company, which was backed by Microsoft and Qatar's sovereign wealth fund, was accused of using Indian coders who manually worked behind the screens, posing as AI tools.



Global VC deal count by quarter

Sources: PitchBook, LIQUIDITY, CB Insights



The story of the startup, which reached a valuation of USD 1 billion at its peak, can now be used as a reminder to investors to better research and audit the startups they are funding, especially ultra-ambitious ones with bold claims and in promising industries such as machine learning, artificial intelligence and deep tech. But the drop in the number of VC deals in AI startups is not just a reflection of investors' wariness; it is mirroring a wider downward trend in venture capital funding. In Q1 2025, AI deals dropped 16.5 percent to 2,101, while the decline in all venture capital deals was much more significant.

Compared to Q1 2024, when there were more than 11 thousand fundings, there were only

7,551 venture capital deals in the first quarter of this year, a collapse of 32 percent. The money raised by startups, however, has increased, with VC firms' funding reaching USD 126.3 billion in the first quarter of 2025. Still, it is nowhere near the record-high venture capital activity in 2021. In the last quarter of that year, the funding raised from venture capital firms peaked at USD 211.4 billion, according to data from Pitchbook.

57.9 percent of Total VC Investment for 2025 went into AI Startups

Venture capital deal volume was relatively low this quarter, with 7,551 reported VC-backed deals. This represents the lowest reported quarterly deal count in over ten years. Despite the decline in volume, the funding in Q1 2025 was the highest since 2022, with VC firms investing USD 126.3 billion in startups worldwide.

Twenty-twenty one was also the year when a large number of venture-backed startups reached a post-money valuation of USD one billion or more, becoming what is known as unicorns. Despite the challenges posed by the Covid-19 pandemic (or because of them), there were also record-breaking exits, including notable IPOs such as those of cryptocurrency exchange Coinbase and EV maker Rivian. Early 2025 marked the highest VC investment in AI on record, with global AI-related deals totaling USD 73.1 billion, accounting for 57.9 percent of all VC-backed funding. While OpenAI's recent USD 40 billion investment round led by SoftBank made up a significant portion of that total, Q1 2025 would still rank as the strongest first quarter for AI venture deals even without this landmark investment.

Although AI VC deals have surged in value, deal count actually fell to its lowest point since Q1 2021, as explained above. VC firms recorded a total of 2,101 AI investment deals this quarter, compared to 2,516 in Q1 2024 and 2,332 in Q1 2023. This trend may be attributed to the high failure rate of newly founded AI startups; data shows that over 90 percent of AI startups fail within the first five years. VC firms are increasingly cautious about investing in AI startups without a clear path to monetisation. The largest AI investments in Q1 2025 were all late-stage deals, reflecting a preference for backing proven companies over taking risks in an increasingly saturated market.

Deepseek, a barely two-year-old Chinese AI startup, nearly burst the AI bubble when it revealed its model, which was reportedly just as good as OpenAI's ChatGPT but at a fraction of the cost.

The Biggest VC Deals So Far in 2025

OpenAI made history this year by signing a USD 40 billion private funding deal, with SoftBank as the lead investor. Not only was this the biggest AI deal of the year, it also broke the record for the largest private tech investment of all time. Following the deal, OpenAI's valuation rose to USD 300 billion, making it the world's most valuable AI startup and the third most valuable unicorn globally, after ByteDance and SpaceX.

Anthropic's USD 3.5 billion funding round, led by VC firm Lightspeed Venture Partners, placed the company in second for the highest private funding round of the quarter. The deal raised Claude AI's parent company's valuation from USD 58 billion to USD 61.5 billion. Anthropic now ranks third among all AI startup unicorns.

Coming in third is Infinite Reality, a 3D technology, AI, and entertainment company. Earlier this year, it received a USD three billion investment from an anonymous contributor (who according to the startup cited by the Forbes is represented or connected to Sterling Equities and the prominent Katz family), raising its valuation to USD 12 billion. In April 2025, Infinite Reality's valuation rose again to USD 15.5 billion following its acquisition of an AI avatar company.

Despite not generating revenue or having a product on the market, Safe Superintelligence has already attracted several high-profile investors, including Andreessen Horowitz and Lightspeed Venture Partners. Founded in mid-2024 by Ilya Sutskever, OpenAI's former Chief AI Scientist, the company has raised USD three billion in private investments as of Q1 2025. Its most recent USD two billion round boosted its valuation from USD 5 billion to USD 32 billion.

In February 2025, the Kingdom of Saudi Arabia announced it would sponsor AI chipmaker Groq with a USD 1.5 billion commitment at the LEAP 2025 technology conference. The company has since announced plans to

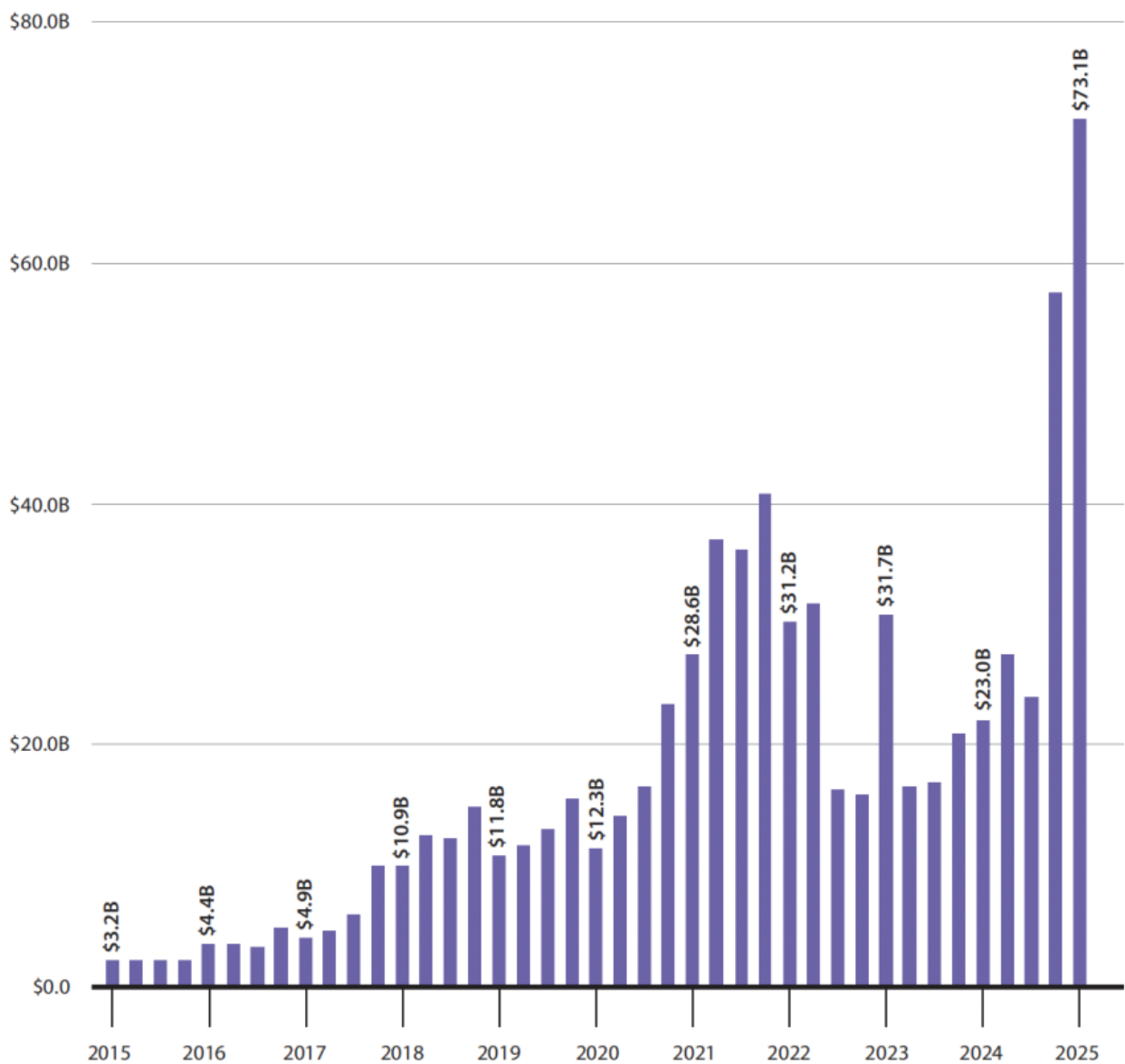
open new data centres in Dammam, the capital of Saudi Arabia's Eastern Province. Groq previously reached a valuation of USD 2.8 billion in August 2024 after a USD 640 million funding round led by investors including BlackRock Private Equity Partners, Cisco Investments, and Samsung Catalyst Fund. Specific details regarding any change in Groq's valuation following the Saudi deal have not been publicly disclosed.

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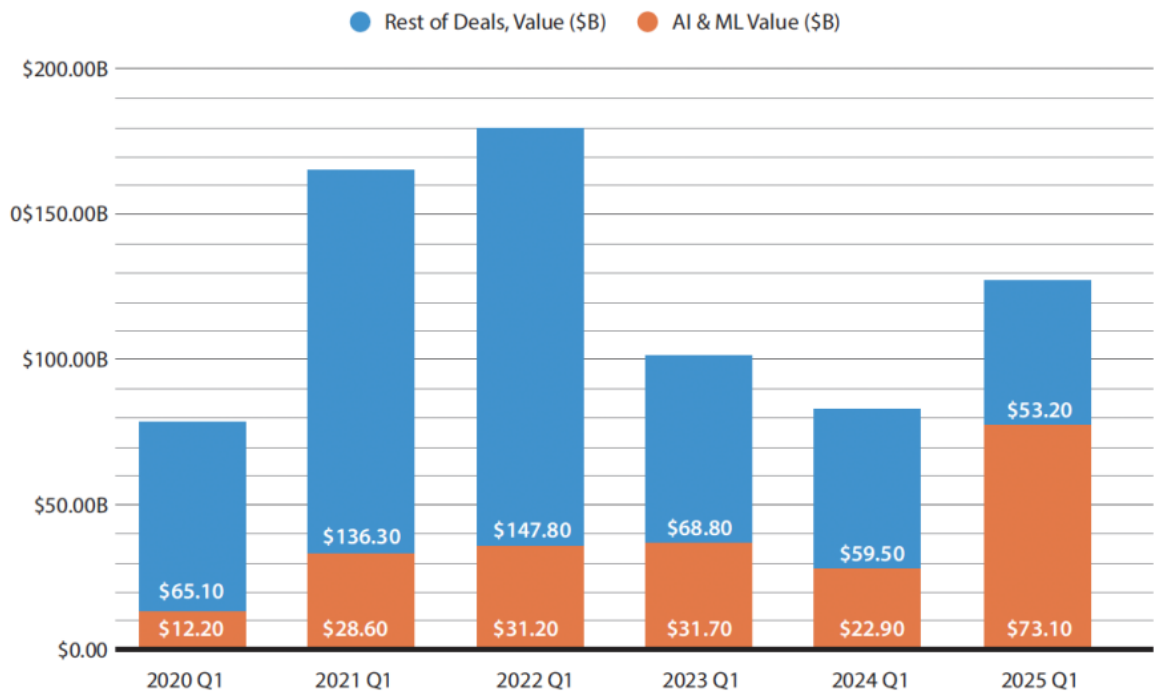
Global AI & ML VC deals Value of deals by quarter

Sources: PitchBook, LIQUIDITY, CB Insights



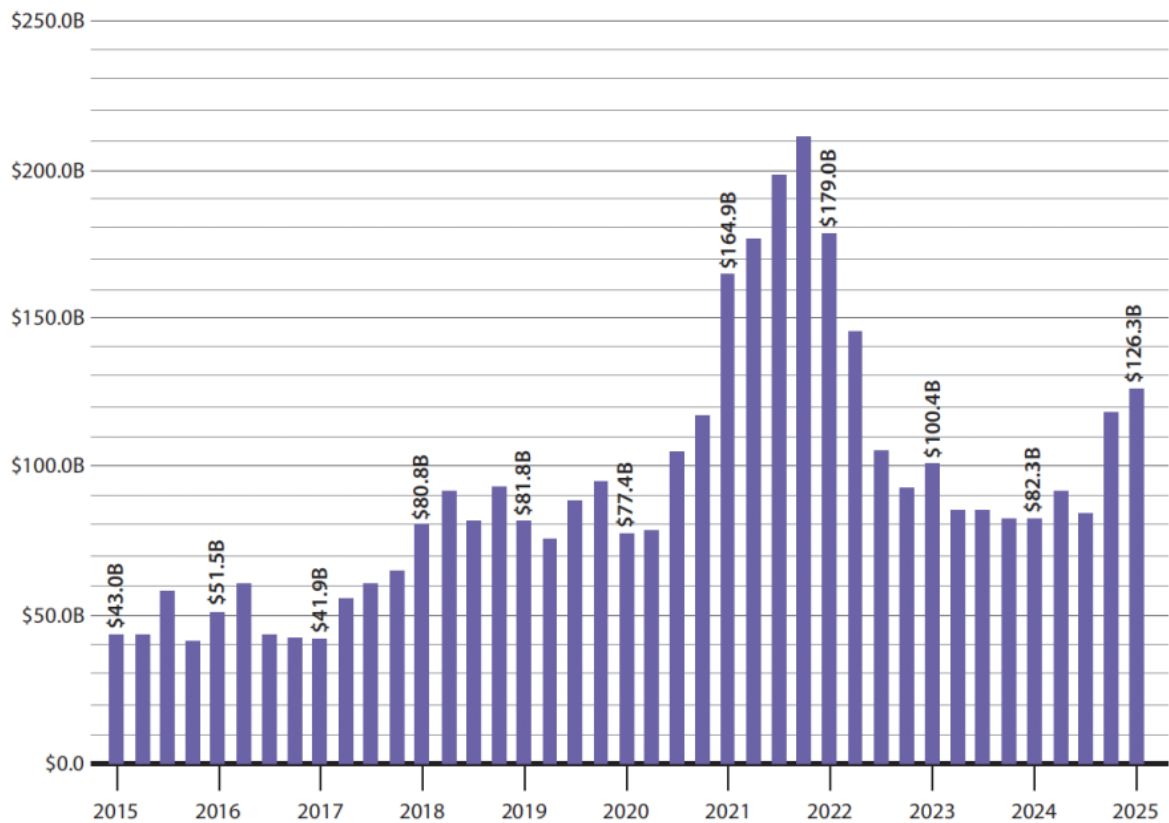
AI & ML Deal Value in the First Quarter around the World, 2020-2025

Sources: PitchBook, LIQUIDITY, CB Insights



Global VC deal value by quarter

Sources: PitchBook, LIQUIDITY, CB Insights



The Venture Capital Firms behind the AI Investment Boom

SoftBank Group Corp has been investing heavily in AI in recent years, primarily through its tech and AI investment vehicles, Vision Fund 1 and Vision Fund 2. The company's combined assets under management (AUM) across all funds total approximately USD 166 billion, making SoftBank Group the largest single tech-focused investment entity. It recently signed a USD 40 billion deal with OpenAI in the largest private tech investment in history.

In December 2024, SoftBank Group CEO Masayoshi Son announced that the company would invest USD 100 billion in AI infrastructure. The project was officially presented in January by U.S. President Donald Trump, just hours after his inauguration, at a press conference at the White House alongside Masayoshi Son, OpenAI's Sam Altman and Oracle's Larry

Ellison. The initiative, called the Stargate Project, is said to bring a USD 500-billion investment in the U.S. AI industry.

Andreessen Horowitz, also known as a16z, is an American VC firm founded in 2009. As of 2025, it manages USD 74.7 billion in assets and is a major investor in the tech sector. In April 2025, Andreessen Horowitz co-funded Anysphere, the maker of Cursor, in a USD 900 million Series C round alongside Thrive Capital and Accel. A16z has also invested in medical AI, including a USD 300 million deal with Abridge, a clinical conversations AI startup, and an USD 8.2 million funding round for Scribenote, an AI-powered veterinary scribe platform.

Tiger Global Management, formerly known as Tiger Technology, is a U.S.-based VC firm established in 2001. It currently manages USD 69.6 billion in assets, ranking as the third-largest venture firm globally by AUM. In 2021, Tiger Global co-led a USD 300 million fundraising round with D1 Capital for U.S. AI startup Groq, pushing its valuation past USD one billion and granting the company unicorn status. More recently, Tiger Global invested USD 100 million in EnCharge AI, an emerging AI chip developer. Sequoia Capital has maintained a strong focus on technology investments since its founding in 1972. Its AI investment portfolio spans consumer tech, entertainment, industrial, health, and defence sectors. As of 2025, Sequoia manages USD 60.5 billion in assets, with 2,809 total investments and 867 active portfolio companies. In late 2024, the firm co-invested USD six billion in Elon Musk's xAI during its Series C round. The deal was made in collaboration with a16z, BlackRock, Fidelity Management & Research Company, Kingdom Holding, and Lightspeed, among others. Lightspeed Venture Partners specialises in growth, seed, and early-stage tech investments. As of the latest data, the firm manages USD 31.2 billion in assets globally. Earlier this year, it led a USD 3.5 billion Series E funding round for Anthropic, valuing the company at USD 61.5 billion. Alongside Sapphire Ventures and WestBridge Capital, Lightspeed also invested over USD 102 million in Yellow AI, a U.S.-based customer service automation startup. The funding spanned three rounds and pushed Yellow AI's valuation to over USD 500 million.

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VC AI & ML Investment by Region

North America is home to the vast majority of VC firms, with 6,350 active venture investors at the end of 2024 and 15,556 venture deals completed throughout the year. In Q1 2025 alone, there have been 3,155 VC-backed deals in the region, including 1,056 focused on AI. North American VC investments account for more than half of global deal value at 50.26 percent, and a striking 89.3 percent of AI investment value, totaling USD 65.30 billion, was made by VC firms based in North America. European VC firms invested USD 5.10 billion in AI during Q1 2025 across 525 deals, representing 24.98 percent of the 2,101 VC-backed AI deals for the quarter. Asia ranked third, with 395 deals amounting to USD 2 billion. In Latin America, there were 35 AI and ML deals totaling USD 200 million. Data from the rest of the world shows 90 additional AI deals were made, with a combined investment of USD 500 million. Globally, venture deals peaked in 2021 with 57,386 recorded transactions, while AI has accounted for an increasingly larger share of total VC activity in recent years.

<http://bestbrokers.com/forex-brokers/the-stateof-ai-venture-capital-in-2025-ai-boomslows-with-fewer-startups-but-biggerbets/>

The Largest AI Funding Rounds in 2025 as of June 2, 2025

Company	Deal Value	Company Valuation	Investor (s)
1 OpenAI	\$40B	\$300B	Microsoft, SoftBank Group, Founders Fund, Magnetar Capital
2 Anthropic	\$3.50B	\$61.5B	Lightspeed Venture Partners, Salesforce Ventures, Alphabet
3 Infinite Reality	#3.00B	\$15.5B	Sky Sports, T-Mobile Ventures, World Wrestling Entertainment
4 Safe Superintelligence	#2.00B	\$32B	Greenoaks, Alphabet, Andreessen Horowitz
5 Groq	\$1.50B	\$2.8B	Kingdom of Saudi Arabia
6 Anysphere	\$0.90B	\$9B	Thrive Capital, Accel, Andreessen Horowitz
7 Lambda	\$0.4B	\$2.5B	Andrej Karpathy, NVIDIA, ARK Invest, Fincadia Advisors
8 Runway	\$0.31B	\$3B	General Catalyst, Baillie Gifford, Fidelity Investments, NVIDIA
9 Together AI	\$0.31B	\$3.3B	General Catalyst, NVIDIA, Prosperity7 Ventures
10 Harvey	\$0.30B	\$3B	Sequoia Capital, Coatue, OpenAI Startup Fund

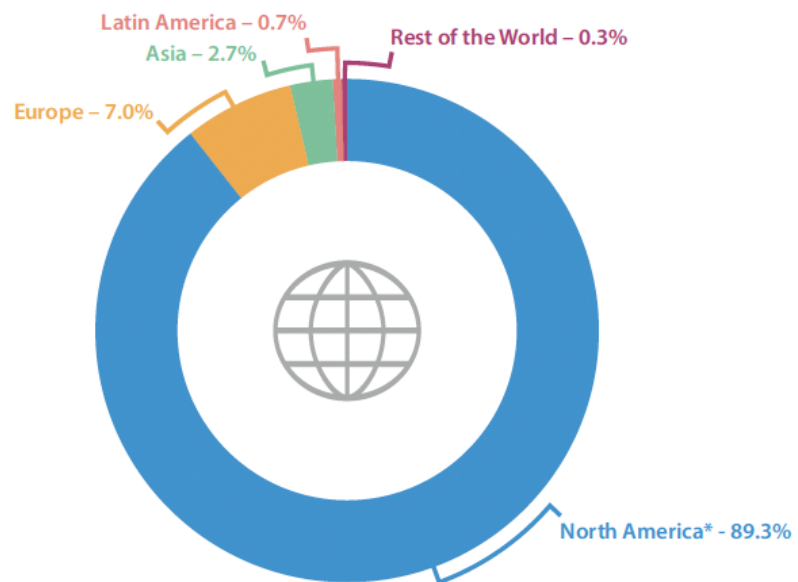
Data Sources: PitchBook, LIQUIDITY, CB Insights

The World's Top 10 Venture Capital Firms Ranked by Assets under Management

	Venture Capital Firm	Assets under Management	Notable Investments
1	Softbank Group Tokyo Japan	\$166B	Open AI, GDS
2	Andreessen Horowitz Menlo Park, CA, US	\$74.7B	Scale AI, Celestial AI, OpenAI
3	Tiger Global Management New York City, NY, US	\$69.6B	ElevenLabs, xAI, Perplexity
4	Sequoia Capital Menlo Park, CA, US	\$60.5B	Databricks, xAI, Anysphere, ElevenLabs
5	Lightspeed Venture Partners Menlo Park, CA, US	\$31.2B	Perplexity, Synthesia, Together AI
6	New Enterprise Associates Chevy Chase, MD, US	\$27.80B	Anthropic, xAI
7	Dragoneer Investment Group San Francisco CA, US	\$25.6B	Scale AI
8	Accel Palo Alto, CA	\$23.7B	Evisort, Albert Invent
9	Technology Crossover Ventures Menlo Park, CA, US	\$20.0B	Scale AI, Speak
10	Bessemer Venture Partners Menlo Park, CA, US	\$18.8B	Perplexity, Anthropic

Data sources: U.S. Securities and Exchange Commission, Company Reports

Total value of AI & ML VC Deals by region, Q1 2025



As of 3/31/2025

*North America excluding Mexico, which is included in Latin America

Data Sources; PitchBook, LIQUIDITY, CB Insights