Q1 2026 Global Venture Capital: AI pushes investments to record high

Authors
Joerg Landsch (BVK Board member and Head Central CVC at Deutsche Bank)
Attila Dahmann (Head of Market Research at BVK)

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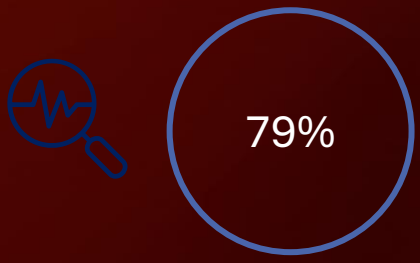
Executive summary

Investment Volume

Global VC investment volume increased to an all-time high of $286bn in Q1 2026, representing a 185% YoY increase compared to $100bn in Q1 2025. 43% came from OpenAI's record breaking single investment round of $122bn.

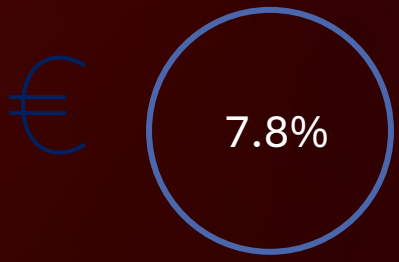
Exit Market

High exit volume of $414bn in Q1 impacted mostly by xAIs “internal” acquisition of SpaceX for $250bn. Excluding xAI transaction exit market shows solid activity in line with Q4 2025 with public markets trading near all-time high.



Investment Trends

Artificial intelligence continues to dominate global venture capital allocation with $226bn in funding in Q1 2026 representing 79% of total investments. Beside AI capital is substantially flowing into segments such as security/ defence, semiconductors and robotics.



EU / Germany

Investments in EU and Germany in particular are increasing with European investments up 8% to $22.0bn and Germany up 50% to $3.0bn. However, the scale-up gap is growing further with European global VC share of only 7.8%. The OpenAI single funding round of $122bn accounts for twice of Europe’s total annual investment volume.

1. Investment Activity: Record funding driven by unprecedented capital concentration

The first quarter of 2026 marks a new record peak in global venture capital investment activity. Total funding reached approximately $285.5bn, representing the highest quarterly volume on record. The headline figure is significantly influenced by a single transaction: OpenAI's record breaking single VC transaction of $122bn financing alone accounted for around 43% of total global funding, highlighting the increasing impact of individual mega-deals on aggregate market dynamics and huge AI expectations.

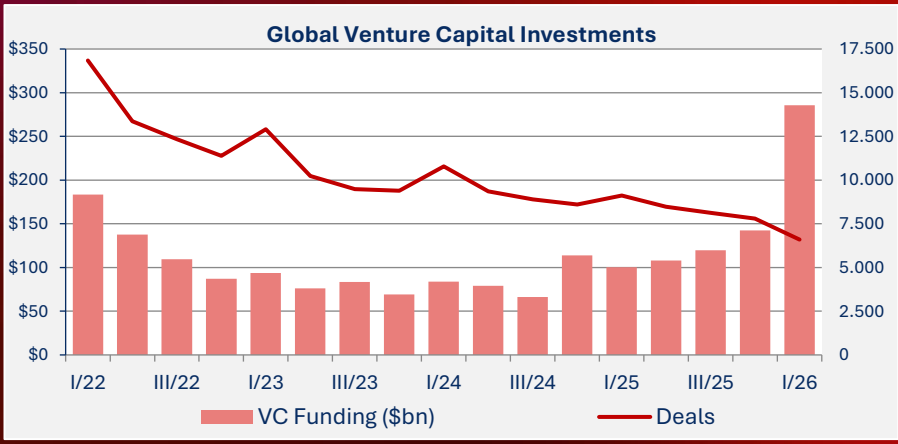


***Chart 1**: Global VC Investments in Terms of Volume and Deal Count, Source: CBInsights*

Even when excluding OpenAI transaction, Q1 2026 global funding volumes remain very significant at approximately $163.5bn, representing the strongest quarterly result since early 2022 . This confirms that the Venture Capital growth cycle observed throughout 2025 continues.

In contrast to rising investment volumes, deal activity declined further. The number of transactions fell to 6,598 deals, marking the lowest level since Q4 2016 and a continued decline from recent years. This divergence between funding and deal count reflects an ongoing structural shift toward fewer but significantly larger financing rounds.

Mega-rounds (deals worth $100m or more) dominated the market to an unprecedented degree. In Q1 2026, approximately $244bn was invested through mega-rounds, accounting for around 86% of total funding. This represents a further acceleration of the trend observed throughout 2025, where capital increasingly concentrates around a small number of perceived category leaders.

2. Investment Themes: AI remains dominant with capital shifting towards hard tech

Artificial intelligence continues to dominate global venture capital allocation. In Q1 2026, AI-related companies attracted approximately $226bn in funding, representing by far the largest share of total investment . As in previous quarters, this was driven by a small number of exceptionally large financing rounds, including OpenAI ($122bn) and Anthropic ($30bn), as well as additional investments in companies such as xAI ($7.5bn).

While "Core AI" remains the central investment theme, the composition of investments continues to evolve. Beyond large language model developers, capital is increasingly flowing into adjacent segments such as AI infrastructure, semiconductors, robotics, and autonomous systems. This reflects a broader shift from pure software applications toward capital-intensive deep tech and "physical AI" domains. Moreover Security & Defense is experiencing growing capital inflows.

At the same time, it becomes increasingly evident that "AI" is not a homogeneous category. The underlying business models range from foundational models to application-layer solutions and industrial use cases such as robotics or defence technologies. It is therefore expected that the current broad AI categorisation will continue to fragment into more clearly defined segments over time.

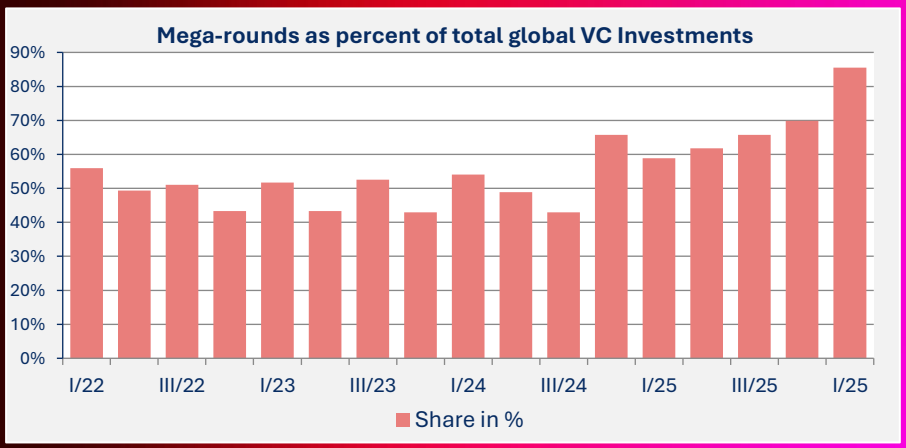


***Chart 2**: Mega-rounds as percentage of total funding, Source: CBInsights*

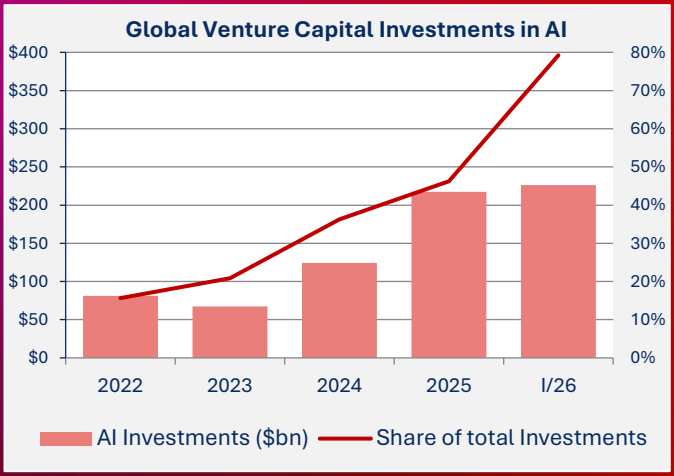


Chart 3: *Global VC investments in AI, Source: CBInsights*

Despite the dominance of large-scale investments, early-stage activity remains structurally important. Early-stage deals still account for the majority of transactions, although capital allocation is increasingly skewed towards later-stage rounds.

3. Investor trends: Continued consolidation and concentration of activity

The number of active investors declined further in Q1 2026, falling to 10,000 globally, representing a 10% decrease compared to the previous quarter. This marks the lowest level since 2020 and indicates a continued consolidation of venture capital activity. At the same time, established venture capital firms increased their relative importance. Leading investors remained highly active, particularly in large financing rounds, suggesting that capital and deal flow are increasingly concentrated among a smaller group of experienced market participants.

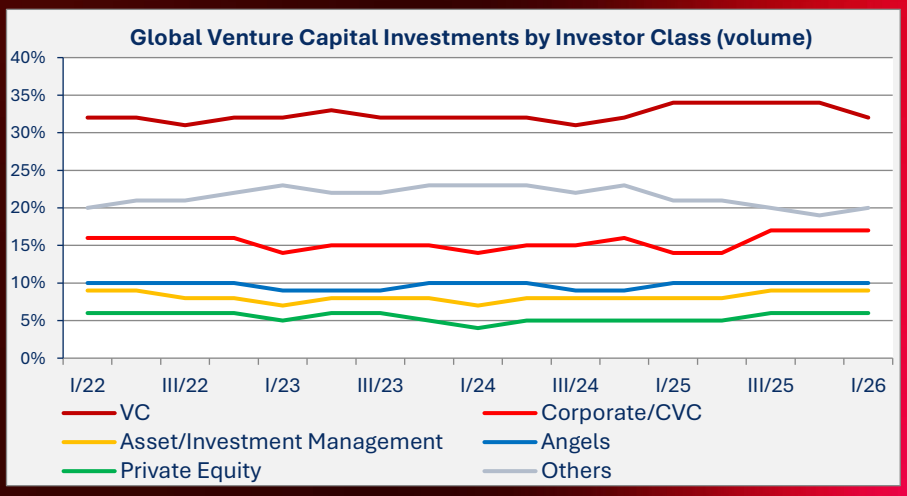


Chart 4: *Global VC investments by Investor Class, Source: CBInsights*

Venture capital funds remain the dominant capital source globally, their overall share of total investments remained relatively stable at around 32%. Other investor groups, like corporates/corporate venture capital (CVC), asset management/investment and private equity firms as well as pensions, sovereign wealth funds, endowments, family offices continue to play a significant role in global investments and successful financing rounds. Corporates and corporate venture capital (CVC) have solidified their position as an (increasingly) important group, particularly driven by investments in mega-rounds of AI companies.

➔ ***to be continued on page 5***

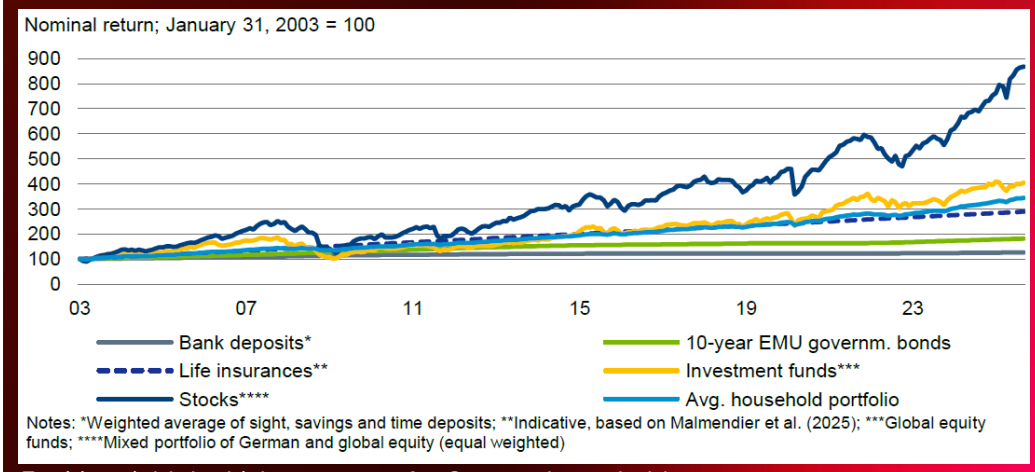
Expertise from Deutsche Bank Research

Private pension reform in Germany – a bold move towards capital markets

The German government is debating an overhaul of private pension provision. The current reform proposal aims for a more attractive, transparent, and return-oriented third pillar of retirement savings. It is slated for implementation in early 2027.

The reform is crucial given that the first pillar, the public pay-as-you-go system, faces mounting strain from demographic change, and therefore supplementary private pension income becomes vital, as in other countries. The existing Riester model has serious drawbacks, including low returns and high costs.

A key novelty is the planned "old-age provision account". It would move away from expensive mandatory guarantee products and allow up to 100% equity exposure. This opens the door for effective low-cost solutions with possibly much higher returns. The proposal also includes elements of other countries' successful pension systems. Still, the tax incentives (incl. public grants) seem modest, and the 1% cost cap relatively high. Moreover, guarantee products will remain available. Perhaps the biggest issue is people will still have to actively sign up for the scheme ("opt-in"), which could limit participation.



Equities yield the highest returns for German households in the medium to long term, Sources: Bloomberg Finance LP, ECB, BVI, Malmendier et al. (2025), Deutsche Bank Research

Surveys show that Germans are increasingly aware of the need for change. A well-designed "old-age provision account" could help to channel more retail savings from low-interest deposits and insurance claims into higher-yielding stock markets. Indeed, this has the potential to become a true game-changer for German households' financial well-being in their old age.

Beyond the individual benefits, stronger funded pensions could have positive knock-on effects on the broader economy. They would make more funding available for innovative companies and infrastructure investments. A back-of-the-envelope calculation suggests that the scheme might generate more than EUR 8 bn of additional investments in European stock markets every year, which could narrow Europe's investment gap and increase competitiveness.

Authors:
Ursula Walther, Analyst, Deutsche Bank Research
Jan Schildbach, Senior Economist, Deutsche Bank Research

Source: Read the full article here,

https://www.dbresearch.com/PROD/IE-PROD/PDFVIEWER.calias?pdfViewerPdfUrl=PROD0000000000620489&rwnode=REPORT

4. Valuations and unicorns

Valuations continued to expand with the most pronounced gains concentrated in later-stage companies. Median global Series D+ valuations rose sharply from $713.3m to $1.8bn quarter over quarter, while both Series C and Series B companies posted gains of more than 50%. Even at the earlier stages, momentum remained solid, with Series A valuations increasing from $41.2m to $56.6m, up roughly 37.4%. The divergence between late-stage and early-stage valuations changes suggests a market that is rewarding scale and maturity, while increasing exit expectations.

At the extreme upper end of private markets, a handful of companies raised money at a higher valuation, OpenAI raised $122bn at an $840bn valuation, Waymo secured $16bn at a $126bn valuation. Anthropic completed its Series G round, raising $30bn at a $380bn valuation. These transactions reflect the strong appetite for category-leading private companies. The creation of new unicorns continues its upward trajectory. This quarter witnessed a robust unicorn creation with forty-five new companies valued at over $1bn, a significant and constant increase compared to 2023 in Q1 2025, 33 in Q2 2025, and 38 in Q4 2025. Currently there are 1,364 unicorns worldwide.

5. Exits: high tickets, low volume, and geopolitical uncertainty

Public market conditions remain supportive, with major indices such as the S&P 500, Nasdaq, DAX, and Dow Jones Industrial Average trading near all-time highs. This comes after an initial dip due to geopolitical uncertainty, from which they have since recovered. This robust performance supports private market pricing, despite ongoing geopolitical concerns and elevated oil prices. The central question for the remainder of 2026 is whether this favorable environment will persist amid broader macro uncertainty.

Exit activity has surged alongside deal volume, marking a strong rebound in liquidity. Q4 2025 delivered a solid $184.3bn in exits, but momentum accelerated further in Q1 2026, which recorded $413.5bn in transactions, remarkably close to the all-time high of $438.8bn seen in Q4 2021. However, the exit volume was fueled by xAIs $250bn acquisition of SpaceX, excluding this “internal” transaction the first quarter exit volume reached solid $163m in line with previous quarter.

For private market investors, this was a constructive, but not exciting development after several quarters of moderate exit activity. A pickup in realizations should restore liquidity, improve fund distribution, and give managers more flexibility to redeploy capital across new investments.

A few IPOs occurred in Q1, particularly in Asia. Among the standouts were Japan’s fintech leader PayPay, debuting at a valuation exceeding $12bn, and Zhipu.AI, the first large language model company to go public. Listed in Hong Kong at approximately $6.6bn, Zhipu.AI has since seen its market capitalization surge past $50bn, highlighting strong investor appetite for AI businesses. On the M&A side, beside SpaceX’s $250bn acquisition of xAI, Alphabet closed its $32bn acquisition of cybersecurity firm Wiz, the biggest cybersecurity exit on record. Exit volume in Europe saw only modest growth, increasing from $18.0bn last quarter to $18.7bn in Q1 2026. While the improvement is limited, it suggests that liquidity is gradually being rebuilt in the region after a softer period.

6. Regional dynamics: US dominance reaches new levels, Europe remains structurally constrained

Regional developments in Q1 2026 further reinforce the structural imbalance in global venture capital markets. The United States attracted approximately $236bn (Q1 2025: $103.2bn) in venture funding, accounting for the vast majority of global investment volume. This dominance is particularly pronounced in mega-round activity, where the US captured the overwhelming share of large-scale financings.

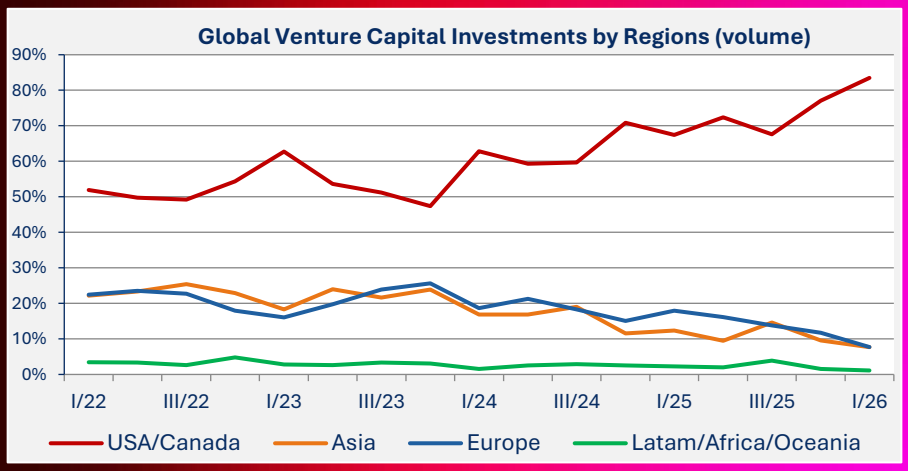


Chart 5: *Regional split VC investment volume, Source: CB Insights*

By contrast, Europe recorded approximately $22.0bn in funding, up 18% compared to Q1 25 with $18.6bn across 1,534 deals, broadly in line with Asia, which reached $21.9bn across 1,842 transactions . While both regions continue to generate a significant share of global deal activity (Europe approx. 23%, Asia approx. 28%), their share of invested capital remains disproportionately low.

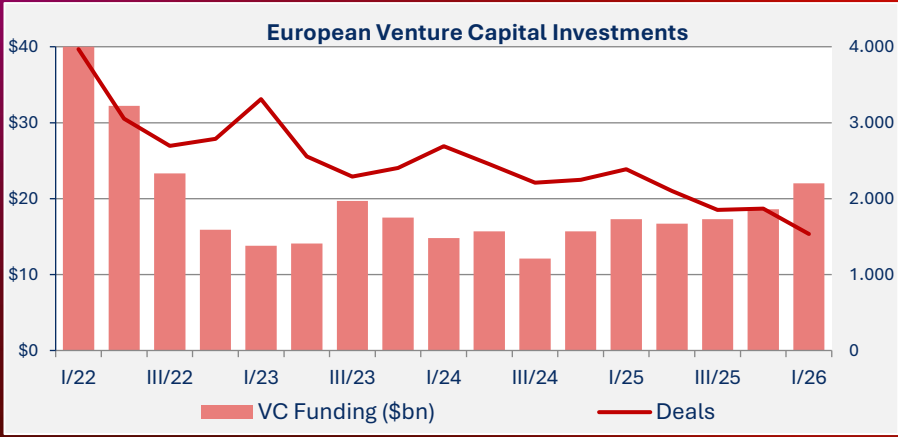


Chart 6: *European Venture Capital Investments, Source: CBInsights*

This divergence is especially visible in late-stage financing. Of the $244bn invested globally in mega-rounds, only a limited share ($12.8bn, 5%) was deployed in Europe, underlining the region's persistent gap in scaling companies through later growth phases the so called scale-up gap. Overall, Europe continues to participate in global venture activity at a steady level but remains "punching below its weight" in terms of capital allocation, particularly in capital-intensive sectors such as artificial intelligence and deep tech.

7. Insights into Europe and a closer look at Germany

In Q1 2026, Europe recorded total venture funding of approximately $22.0bn across 1,534 deals, corresponding to around 23% of global deal activity, but only a limited share of 7.8% on total invested capital. This divergence between deal share and funding volume highlights a persistent structural pattern: Europe continues to generate startups at a comparatively prominent level, while lagging in terms of large-scale capital deployment.

In Q1, Europe closed 39 mega-rounds (>$100m) totaling $12.8bn, accounting for 58% of Europe's quarterly funding. Late-stage round dominated the quarter most notably Global Technical Reality (UK, $1.9bn), NScale (UK, $1.6bn), Neura Robotics (Germany, $1.2bn), Wayve (UK, $1.2bn) and AMI Labs (France, $1bn).

Within Europe, investment activity remains highly concentrated in its three largest markets. The United Kingdom continues to lead in terms of overall funding volume ($8.6bn). France ($3.2bn) has further strengthened its position, particularly in artificial intelligence and deep tech, benefiting from its ability in recent quarters to attract large individual financing rounds. At $3bn, Germany reached a 50% increase from the previous quarter, marking its best quarterly result since Q2 2022.

Overall, Europe shows further signs of growth. Early- and mid-stage investment activity remains comparatively strong, while late-stage financing continues to represent the primary bottleneck for scaling companies. Access to large growth rounds remains limited and is still significantly dependent on international investors, particularly from the United States. Overall, Germany continues to play a central role within the European venture landscape, but similar to Europe as a whole, it remains constrained in its ability to scale companies into global market leaders, particularly in capital-intensive sectors such as artificial intelligence and deep tech. Initiatives like European Tech Champion Initiative, the Scale-up Europe Fund and WIN & Tibi will support filling this gap.

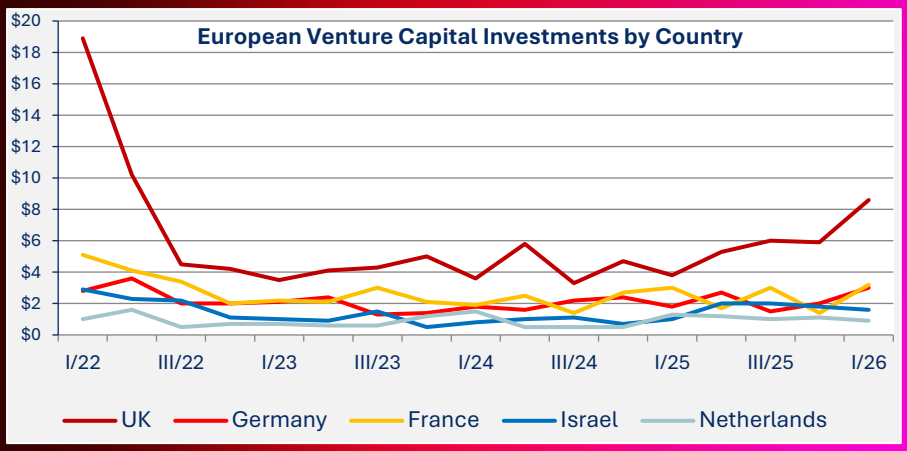


Chart 7: *European Venture Capital Investments by country, Source: CBInsights*

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Expertise from Noerr

European Sovereignty and Venture Capital: From Regulation to Investable Capacity

"European sovereignty" has become an often-used phrase in public discourse. It has emerged against the current backdrop of geopolitical instability, perceived or real ruptures in traditional multilateral alliances, and a concern in many European capitals around supply chains and sustainable access to affordable energy, critical minerals and technological innovation. The term is multi-faceted. It is used in public policy debates and economic or defence and security strategy papers. It is also, however, one of the few policy phrases that may turn out to have a direct impact on term sheets for financing transactions. In the venture capital context, it invokes a rather practical question: can a European – or, for that matter, German – technology company develop its core IP, access computing power, data, talent and capital, and sell its products and services across the Single Market, and beyond, without being forced — legally, commercially or financially — to move its centre of gravity elsewhere?

Europe has long been strong at regulating markets and setting standards (albeit often at the level of the smallest common denominator among Member States), but far less successful at turning the Single Market into a true scaling market for homegrown technology companies. The European Commission's Startup and Scaleup Strategy, which was launched in late May 2025, openly recognises this problem: Proclaiming the goal that emerging tech companies should "Choose Europe to Start and Scale", it aims to reduce the reasons for innovative companies to relocate outside the EU and notes that around 60% of global scaleups are based in North America, compared with only 8% in the EU. The Commission's stated priorities — innovation-friendly regulation, access to finance, market uptake, talent and infrastructure — are clearly the right ones. The harder question is how to translate them from mere policy slogans into the legal architecture of a European sovereignty agenda. One year in, it is time for an early assessment of how the project has fared so far.

The first pillar is the new digital rulebook. The AI Act entered into force on 1 August 2024 and is becoming applicable in several phases, with key obligations already relevant for founders and investors. For Venture Capital, this means that legal due diligence in AI companies or data-driven businesses can no longer be limited to IP ownership and data protection compliance. It must also verify product classification, provider/deployer roles, training-data provenance, model governance, transparency obligations, cybersecurity, human oversight and post-market monitoring. The EU Commission's "Digital Omnibus" Regulation proposal of November 2025, which aims to optimise the application of the digital rulebook by, inter alia, bringing down compliance costs, shows that policymakers appear to understand the risk of over-complexity: the aim is to simplify implementation, extend certain SME and small mid-cap exemptions, support sandboxes and real-world testing, and reduce governance fragmentation.

For European founders and their investors, the lesson is clear: regulatory capability is becoming part of the product. A company that can document data provenance, model lifecycle controls, security-by-design and contractual allocation of AI risks will not merely "pass legal" in the investment process. It will sell more easily to regulated customers, survive procurement scrutiny and shorten enterprise sales cycles. Conversely, a startup that cannot sufficiently explain where its data come from, where computing activity takes place, who bears regulatory responsibility, or whether its product is caught by cybersecurity rules will encounter difficulties in securing institutional funding long before it faces an enforcement action for any actual non-compliance.

The flip side of this story is cost. Compliance is expensive work — AI Act documentation, NIS2 and CRA conformity, export-control workflows, evidence trails for data governance — and it runs through a company's entire lifecycle. At the founding stage, much of it should be done long before a company has meaningful revenue, raising the fixed cost of simply being a startup in Europe. As the company grows, the compliance burden grows with it and feeds into ever larger funding requirements — precisely where the European capital stack is thinnest. European scaleups still raise most of their growth rounds from US funds, or move closer to those funds to access them at all. Public initiatives are starting to push back at both ends. The European Investment Fund continues to anchor much of Europe's early-stage VC ecosystem; the Commission's Scaleup Europe Fund is designed to provide the kind of late-stage tickets that European LPs on their own have struggled to write, and Germany's WIN initiative has set out to channel more institutional capital, including from insurers and pension funds, into venture and growth equity. Whether any of this will be enough is a fair question. The point is simply that regulation and funding need to develop together. A rulebook that raises the cost of starting and scaling, without a capital stack capable of absorbing it at either end, starts being an entry barrier.

The second pillar is (national) company law. Most German startups are structured as a limited liability company (GmbH), and the German VC market has become relatively efficient at working with this legal form. In the absence of a detailed statutory framework specifically

designed for technology companies with evolving captables and within a legal system where model contracts are far less advanced and accepted as in the US, companies, investors and legal practitioners have developed practicable solutions on the basis of the Limited Liability Companies Act, which was originally enacted in 1892. Over the past two decades or so, a body of standard clauses and legal concepts has evolved that are dealing with governance matters, share classes, financing instruments such as convertible loans and SAFE notes, vesting schemes and investor preference rights and which represent a fair degree of practical, albeit not "codified", convergence of terms. But the familiar frictions and inefficiencies remain: notarised share transfers, time-consuming formalities around capital measures, complex employee participation structures fraught with legal uncertainties and taxation risks lead to a persisting need for cross-border investor education, often leading to frustration. Many institutional investors who put "local equivalent to NVCA Series A terms" in their term sheet with a German start-up have found themselves caught up in principled discussions between the involved lawyers about the exact scope of responsibilities of an advisory board or the right conceptual approach to reps and warranties in an early stage funding round.

The EU Commission's March 2026 "EU Inc." proposal — the cornerstone of the so-called 28th regime — is therefore potentially much more than a branding exercise. The proposal envisages an optional, digital-by-default European corporate framework, including incorporation within 48 hours for less than EUR 100, simplified lifecycle procedures, digital share transfers, a general openness to modern financing instruments and an optional employee stock option scheme with harmonised deferred taxation.

The value of such a regime, if implemented, will depend on whether it is built for venture practice rather than administrative elegance and whether it truly contributes to the creation of a pan-European company law framework, including corporate mobility within the Single Market. It must accommodate preferred shares, liquidation preferences, founder vesting, leaver provisions, convertible instruments, employee pools, minority protections, drag/tag rights and efficient cap-table maintenance. It should also be able to interlink with tax, insolvency and employment laws as well as dispute resolution mechanisms. If EU Inc. merely adds a European label to 27 national implementation layers, it will not succeed. If it becomes a trusted optional vehicle for European and international investors, it could reduce redomiciliation pressure and become one of the most important startup-law reforms in Europe. One area of particular relevance are management and employee incentive programmes. For founders in Germany, sovereignty also means being able to hire and retain world-class talent here. This is directly connected to sovereignty: without competitive equity incentives, the talent base moves elsewhere.

The third pillar relates to infrastructure and resilience. Germany's recent measures in this regard are directly relevant to Venture Capital because ambitious European regulation will only lead to investable companies if it is matched by physical and digital capacity. The German Special Fund for Infrastructure and Climate Neutrality provides EUR 500 billion over the span of 12 years, with funding allocated to federal investments, the Climate and Transformation Fund, federal states and municipal infrastructure. Areas of priority include transport infrastructure, education, digitalisation, housing and energy infrastructure. The "High-Tech Agenda Germany" formulated by the German Federal Government identifies AI, quantum technologies, microelectronics, biotechnology, fusion and climate-neutral mobility as key technologies, while also highlighting red tape reduction, new financing instruments, access to critical raw materials, research infrastructure and civil-military collaboration as levers.

In light of these initiatives, for German deep-tech, climate-tech, defence-tech, cybersecurity, semiconductor, data-centre and AI-infrastructure companies, the legal environment increasingly includes public funding, procurement rules, state-aid constraints, export controls, foreign direct investment screening, dual-use regulation and supply-chain security. These issues now belong in the investment memo and are part of the tool-box of sophisticated legal counsel.

The resilience agenda reinforces this point. Germany's KRITIS Umbrella Act introduces nationwide and cross-sector minimum standards for critical infrastructure protection for various industry sectors. At the EU level, the NIS2 regime creates a unified cybersecurity framework for 18 critical sectors, while the Cyber Resilience Act introduces mandatory cybersecurity requirements for hardware and software products with digital elements.

Yet supply-side regulation only works if there is a demand side willing to buy. European customers — including public-sector buyers — frequently default to US market leaders, partly out of habit and risk aversion, but also because many of these markets are platforms where network effects mean the winner takes most. A serious sovereignty agenda therefore cannot be a general "buy European" campaign aimed at consumers — that would remain a political slogan. It has to focus on the sectors where dependence is actually strategic: cloud and AI infrastructure, cybersecurity, critical communications, defence-relevant dual-use technologies. In those sectors, public spending,

procurement preferences and lead-customer commitments from regulated buyers should be concentrated.

Properly understood, “European sovereignty” is a legal and regulatory project to reduce structural dependence: on foreign capital markets, non-European computing power, overseas governing law and legal standards, opaque supply chains and administrative fragmentation that pushes founders away from product and customers.

Europe has often been told that it regulates what others invent. While this criticism is too simple, it is not groundless. The AI Act, the “EU Inc.” proposal, Germany’s infrastructure programmes and the KRITIS resilience framework point to a more strategic dimension. The test will be whether Europe can turn rules into investable capacity. A sovereign Europe is not one in which every startup remains small and compliant. It is one in which more startups are enabled to become global category leaders without giving up their European legal identity, governance, IP or values. For Venture Capital, this is not a patriotic or parochial slogan. It is a deal strategy.

Throughout 2026, Noerr will present insights into the German and European VC landscape from a legal and regulatory perspective.

Authors:

Felix Blobel

Rechtsanwalt (Lawyer) and Notary, Partner, Co-Head of Private Equity and Venture Capital

Sascha Leske

Rechtsanwalt (Lawyer), Steuerberater (Tax Consultant), Partner

8. Outlook for the remainder of 2026

Reflecting on our set of expectations for 2026:

We are (more than) confident global venture capital investment will reach above $500bn as projected. In the first quarter 57.2% of the number above has been deployed, more precisely $286bn. Driven by a record high Q1, an annual total investment volume of around $700bn is feasible, possibly even surpassing the 2021 record depending on upcoming mega-rounds (e.g. Anthropic).

European investment has risen 23% on quarterly basis, going from $17.8bn to $22.0bn, on par with our 2-3y projection on European Venture Capital market reaching annual $100bn in investments. Our forecast remains the same: growing European VC market to $100bn annually in a period of 2-3 and reaching a 16-18% global share.

In terms of exit market, we continue being confident, that the exit market will show increased activity in 2026. Aggregate corporate and corporate venture capital relative investment levels remain at 17%, close to our 18% to 20% expectations.

Sources

- CBInsights “State of Venture 2026” Report
- Deutsche Bank Research

Appendix

***Annex 1**: List of largest rounds in Q1 2026, Source: CBInsights*

Company	Round amount in USD	Region	Industry
OpenAI	122	US	Internet Software & Services
Anthropic	30	US	Internet Software & Services
Waymo	16	US	Transportation Services
xAI	7.5	US	Internet Software & Services
DayOne	2	Singapore	Internet Software & Services
Shield AI	2	US	Internet Software & Services
Global Technical Reality	1.9	UK	Towers & Infrastructure
Saronic	1.8	US	Aerospace & Defense
NScale	1.6	UK	Internet Software & Services
Skild AI	1.4	US	Machinery & Equipment

***Annex 2**: List of largest rounds in Europe in Q1 2026, Source: CBInsights*

Company	Round amount in USD	Region	Industry
Global Technical Reality	1.9	UK	Towers & Infrastructure
NScale	1.6	UK	Internet Software & Services
Neura Robotics	1.2	Germany	Machinery & Equipment
Wayve	1.2	UK	Internet Software & Services
AMI Labs	1	France	Internet Software & Services
Legora	0.55	Sweden	Internet Software & Services
Element	0.356	Russia	Electronic Components
Parloa	0.35	Germany	Internet Software & Services
Mews	0.3	Netherlands	Internet Software & Services
Kandou AI	0.225	Switzerland	Chips & Semiconductors

Bundesverband Beteiligungskapital –
German Private Equity and Venture Capital Association (BVK)

Reinhardtstraße 29b

10117 Berlin

www.bvkap.de

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