Corporate Venture Capitalists Are Redefining Venture Capital

MARCH 2025 REPORT

Data provided by PitchBook

CVC: A vital player in today's evolving deal landscape

Optimism abounds in the global venture ecosystem at the start of 2025 despite risks from economic uncertainties and geopolitical conflicts. Companies focused on fundamentals have largely completed their retrenching process after the bull market conditions from late 2020 to early 2022.

However, a major challenge remains for both investors and companies seeking funding: reduced liquidity and a tougher dealmaking environment, leading to fewer active venture capitalists.[1] Companies now face stricter benchmarks for product innovation, operations, and financial performance while maintaining fiscal discipline.

Achieving these goals requires more than just institutional venture capital; corporate venture capital (CVC) is essential.

The growing importance of corporate venture capital

CVCs, whether financial, strategic, or hybrid models, offer distinct advantages over traditional venture capital. These advantages include early market entry, access to existing research and technical expertise, and the ability to collaborate on product development aligned with business cycles.

Despite increasing scrutiny from their corporate parents,[2] CVCs have become more flexible and independent, giving them greater freedom to support and invest as needed. Many corporations have moved their venture arms to operate more autonomously or have launched additional units to align investing strategies with business strengths.[3, 4]

Corporate cash reserves fuel CVC investment

Research shows CVCs boost overall corporate performance, especially strategically.[5] With record-high corporate cash levels,[6] CVCs are well equipped financially to make investments, as most of their capital is drawn directly from their parent companies' balance sheets.

At the same time, liquidity has been sluggish in recent years,[7] mainly due to a backlog of existing unicorns. This situation underscores the unique advantages of CVCs, particularly their ability to offer greater flexibility and optionality in exit timelines.

In today's market, companies need more than just capital; they require access to go-to-market channels and strategic networks. This type of nonfinancial support is becoming even more essential, particularly as rapid technological disruption, partly driven by AI,[8] compels corporate parents to strengthen their research & development capabilities and improve their competitive edge.

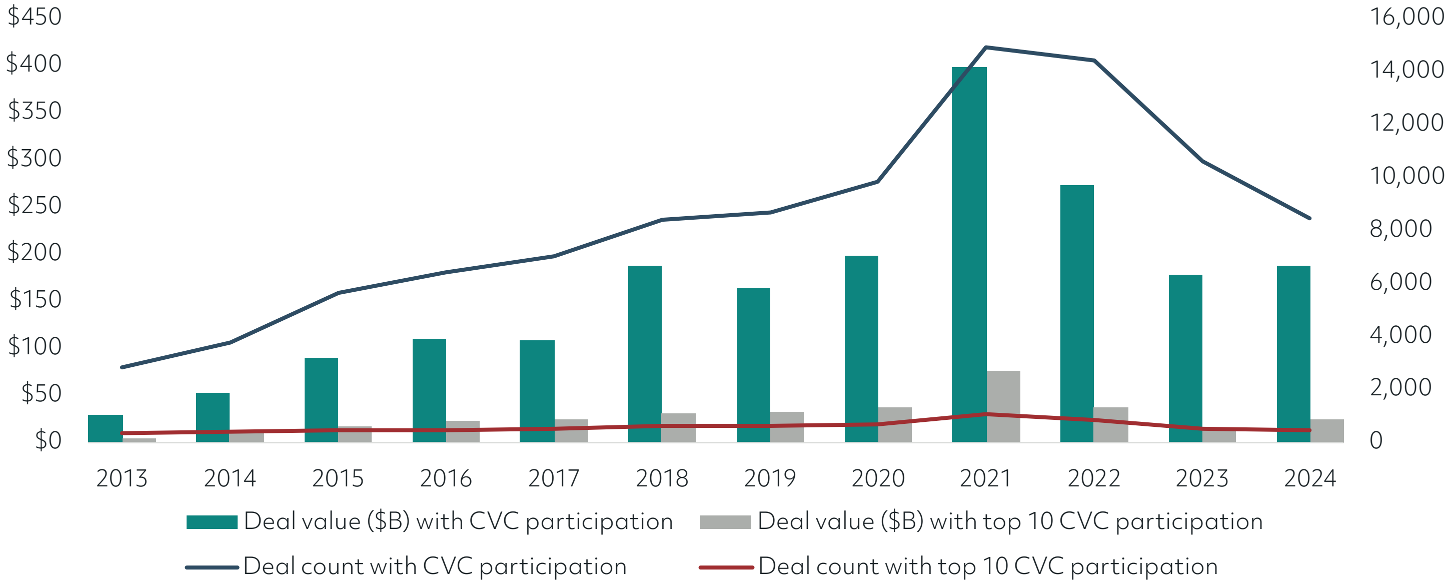
Market data reflects this shift, with the most active CVCs ramping up their investments starting in 2024.

Contents

1: "Startup Investor Ranks Have Fallen Another 25%—Can They Come Back to Life?" PitchBook, Rosie Bradbury, October 11, 2024.
2: "State of CVC 2024," Counterpart, Silicon Valley Bank, September 2024.
3: "Why Are Corporates Increasingly Spinning-Out Their CVC Units?" Sifted, Alberto Onetti, May 10, 2021.
4: "Corporate Investors Hold Steady as VCs Retreat," Global Corporate Venturing, Kaloyan Andonov, January 15, 2023.
5: "The Performance Effects of Corporate Venture Capital: A Meta-Analysis," Springer Nature, The Journal of Technology Transfer, Patrick Haslanger, Erik E. Lehmann, and Nikolaus Seitz, July 13, 2022.
6: "US Corporate Stockpiles Grow, Soaring to Record $4.11 Trillion," Bloomberg, Nina Trentmann, June 13, 2024.
7: "Q4 2024 PitchBook-NVCA Venture Monitor," PitchBook, NVCA, Kyle Stanford, Emily Zheng, and Kaidi Gao, Q4 2024.
8: "State of CVC 2024," Counterpart, Silicon Valley Bank, September 2024.

Trend analysis

VC deal activity with CVC investor participation (with top 10 breakout)



Source: PitchBook • Geography: Global • As of December 31, 2024

CVCs drive positive financing impact

During the past four years, global VC financing contracted, and CVC declined in tandem. Global venture funding dropped sharply from its 2021 peak, stabilizing between 2023 and 2024 in terms of total VC investment. CVC-backed rounds mirrored this trend.

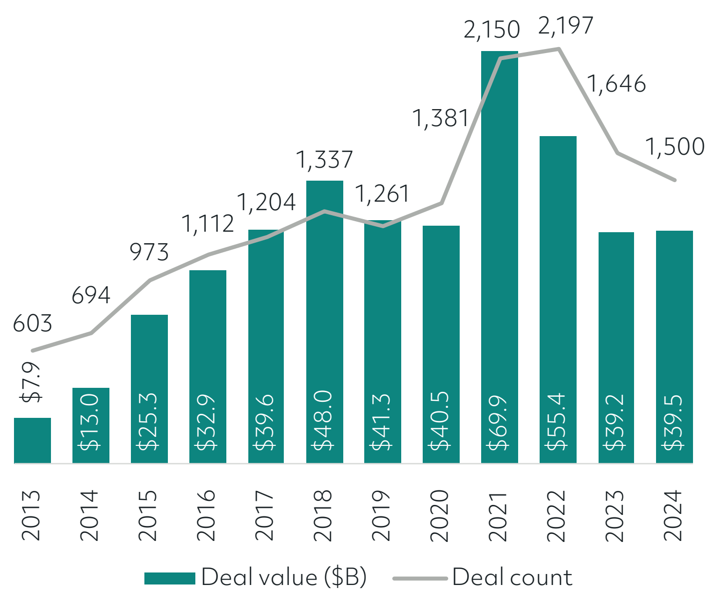
However, a closer look at the market-wide data reveals some key differences. While total VC deal activity involving the top 10 corporate investors rebounded in terms of VC invested between 2023 and 2024, the number of active CVC-backed deals worldwide saw a marginal increase. Moreover, worldwide financing levels with lead CVC investors participating barely compressed in 2023 and 2024. Deal metrics show that CVC participation meaningfully boosts round sizes, while pre-money valuations boom.

Even at the early stage, the median pre-money valuation with CVC participation exceeded market-wide figures by at least 100% from 2016 to 2023.

Unlocking the power of the CVC model

These trends highlight the clear advantages of the CVC model, particularly in today's environment. CVC players will pull back in tandem with the broader market when universal factors come into play, such as the liquidity crunch of recent years, rising capital costs, or uncertain economic growth. However, experienced CVC teams often remain more active, continuing to exert upward pressure on financing metrics due to their unique incentives and resources.

VC deal activity with a lead CVC investor



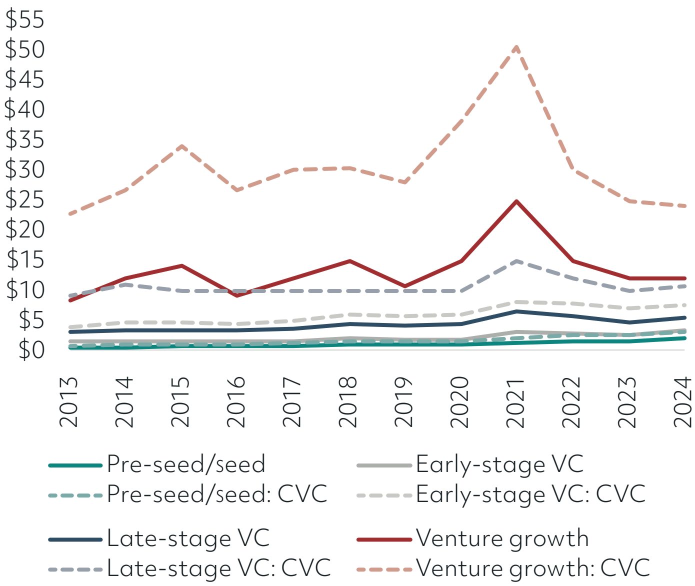
Source: PitchBook • Geography: Global • As of December 31, 2024

CVC teams benefit from many intrinsic factors that create material advantage to portfolio companies, including access to distribution networks, management expertise, additional customer channels, and extensive partner networks.

Analyzing CVC participation by their years in operation illustrates additional insights. The longest-established CVCs consistently average close to two deals per year, a pattern that has held since 2017. Meanwhile, CVCs aged six to 10 years have remained the most active recently, regardless of the market pullback.

In recent years, consistent financing from CVCs has been crucial for portfolio and startup companies, especially as many VCs paused activity.[9]

Median VC deal value ($M) by stage and CVC investor participation



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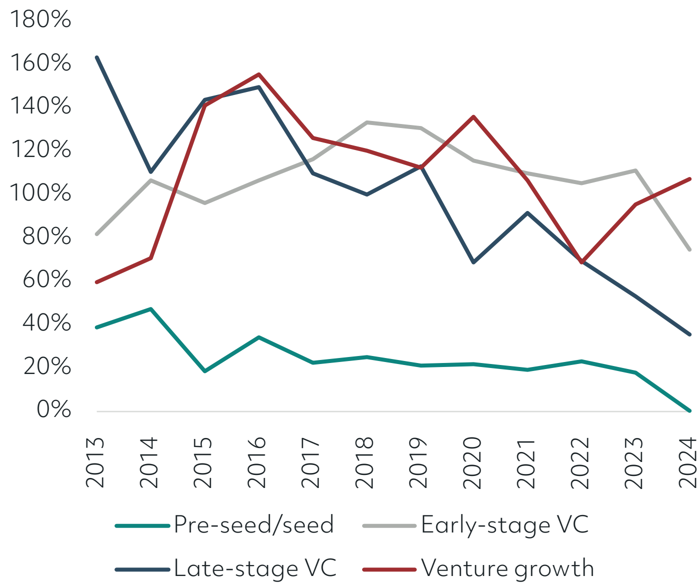
Spread between median pre-money valuations with CVC investor participation by stage



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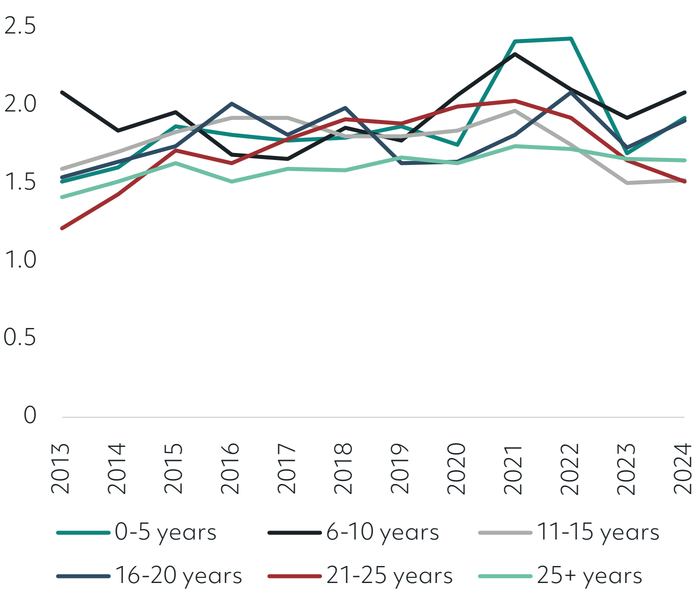
Average deal count by CVC age buckets



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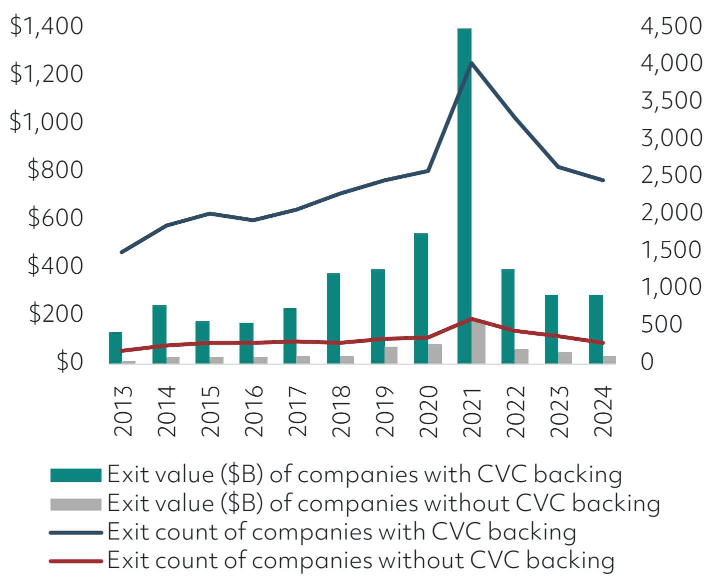
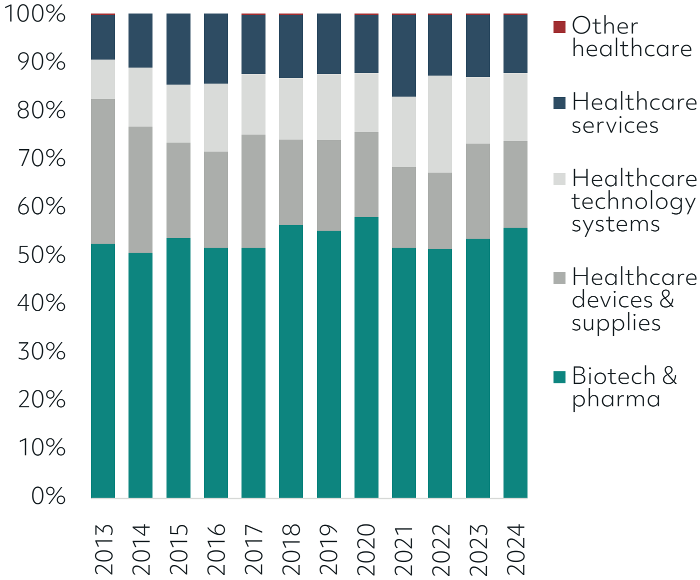
VC exit activity by CVC backing status



Source: PitchBook • Geography: Global • As of December 31, 2024

9: "Startup Investor Ranks Have Fallen Another 25%—Can They Come Back to Life?" PitchBook, Rosie Bradbury, October 11, 2024.

Share of healthcare VC deal value by sector



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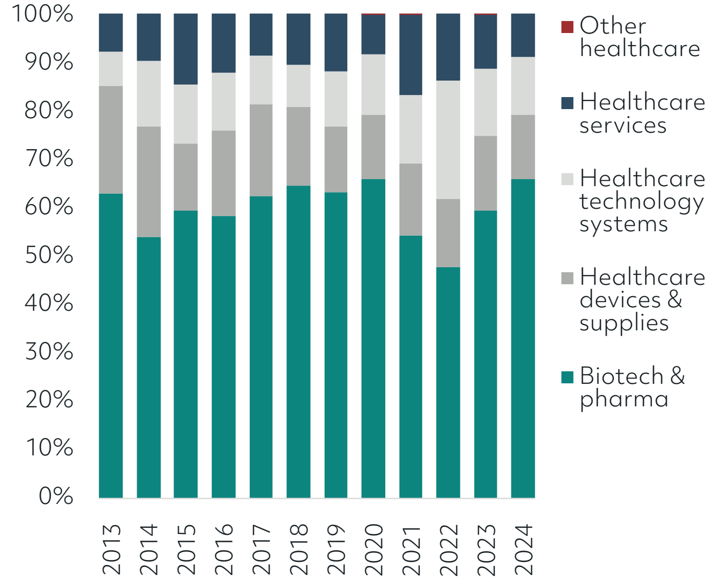
Share of healthcare VC deal value with CVC participation by sector



Source: PitchBook • Geography: Global • As of December 31, 2024

More importantly, CVC-backed companies see significantly higher exit rates, with aggregate exit values far surpassing those without corporate backing. In 2024, CVC-backed exits totaled $289.2 billion across nearly 2,500 deals, compared with $31.4 billion from 290 exits without CVC participation.

Despite the overall decline in IPOs by venture-backed companies, CVC-backed companies impressively completed 285 listings in 2023 and 208 in 2024—numbers that rival those of 2014 to 2019.

CVC participation in healthcare: Biotech & pharma

The healthcare sector, particularly biotech & pharma, has been significantly influenced by CVC funds.

In 2024, VC investments in biotech & pharma reached $23.4 billion, the third highest on record, with more than 60% involving CVC participation. Since 2022, other healthcare segments saw CVC involved in 33% to 50% of all VC investments, emphasizing CVC's role in driving innovation within biotech & pharma.

For example, the Merck Global Health Innovation Fund (MGHIF) participated in two notable deals: Qure.ai, an AI-driven imaging platform, raised $65 million in Series D funding in September 2024. The second investment, cold-chain logistics platform CargoSense, secured an $8 million Series A, led by the MGHIF.

These deals illustrate the diverse roles CVCs play: Qure.ai's larger funding round with a bevy of notable VCs was aided by the MGHIF's ongoing relationship with it. Qure.ai aims to use the funds to expand the market in the US plus improve often-expensive foundational AI modeling. CargoSense benefited from Merck's supply chain team's expertise, which helped it cycle through product improvements.

These collaborations highlight the strategic benefits of CVC partnerships beyond financial contributions.

The future of CVCs in the global venture landscape

The current panoply of market conditions, combined with the swift rebound of CVC participation in large financings in 2024, highlight how CVCs are now playing a key role in the volatile global venture ecosystem going forward.

The consistent financing activity of leading and established CVC programs, along with their significant impact on financing metrics, will be crucial for growth companies. This is especially important as challenges like economic growth slowdowns, geopolitical volatility, and disruptive technological innovations continue to shape the landscape in 2025.

Methodology

PitchBook's standard reports methodology for venture datasets was used and can be found here. All datasets that indicate CVC participation are based on the participation of a given firm that is tracked as a corporate or corporate venture capital entity in PitchBook. The specific portions of VC invested that a corporate/CVC entity contributed are unknown, so the total deal values are at the overall round level, not the specific contributions of corporate/CVC entities. PitchBook defines CVC as any of the following entities: corporation, corporate VC, corporate development, PE-backed company, or VC-backed company.

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