

# J&A Capital Markets Report

# Generative AI

March 2023

Companies within the Generative Artificial Intelligence (AI) sector have raised over \$15 billion since 2022. Many companies, including OpenAI, have attracted the attention of Silicon Valley and the financial media, bringing the sector to the forefront of venture conversations.

Venture capital transactions account for 45% of the capital deployed into announced Generative AI capital market transactions and 77% of all transactions conducted in the sector. The venture capital transactions showcase the momentum and growth potential of the industry.

## AUTHORS

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### GARETH WALDECK

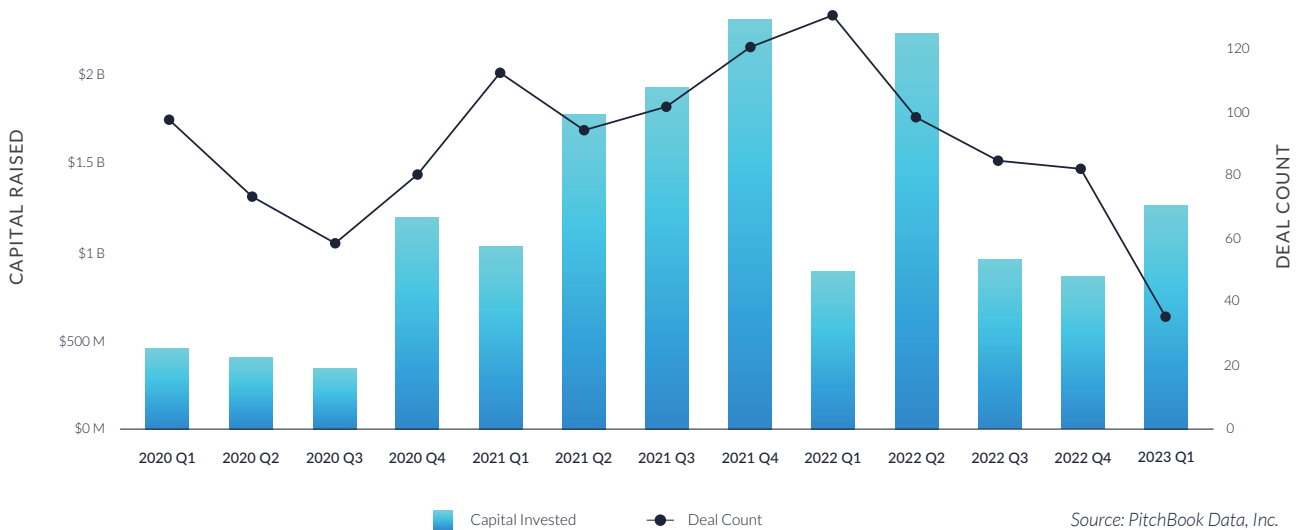
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# Introduction to Artificial Intelligence Research and Analytics

AI language models utilize AI in complex linguistic structures that allow human-like interactions. The technology is set to disrupt traditional search engines by providing detailed answers to queries rather than just providing links.

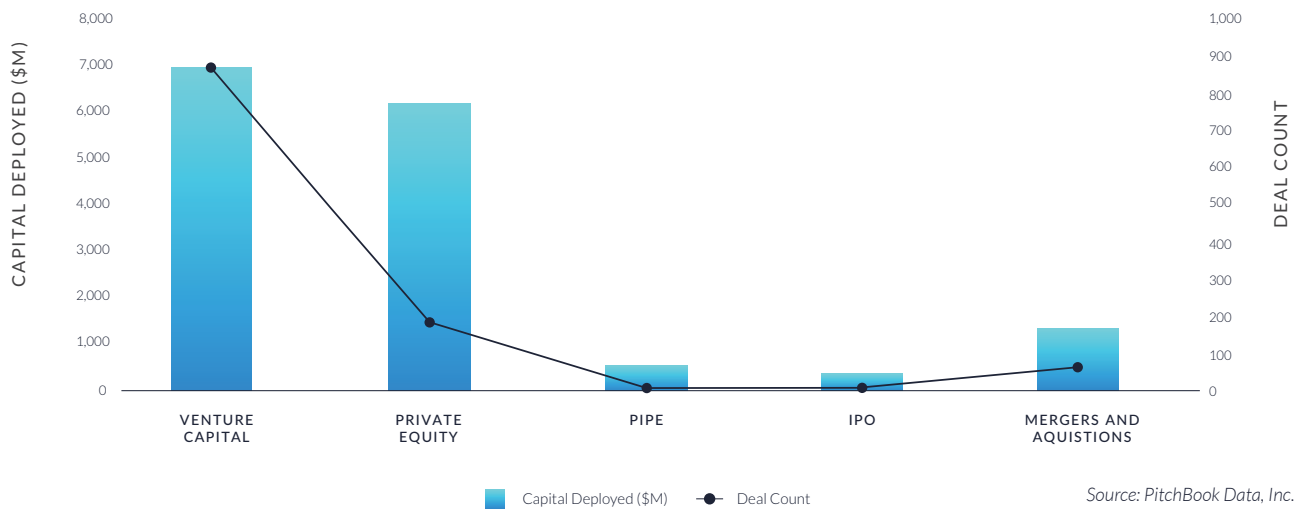
The latest generation of AI language models has a wide variety of applications, including, by not limited to, complex coding, drafting legal contracts, and even creating music and art.

## Generative AI: Capital Market Activity

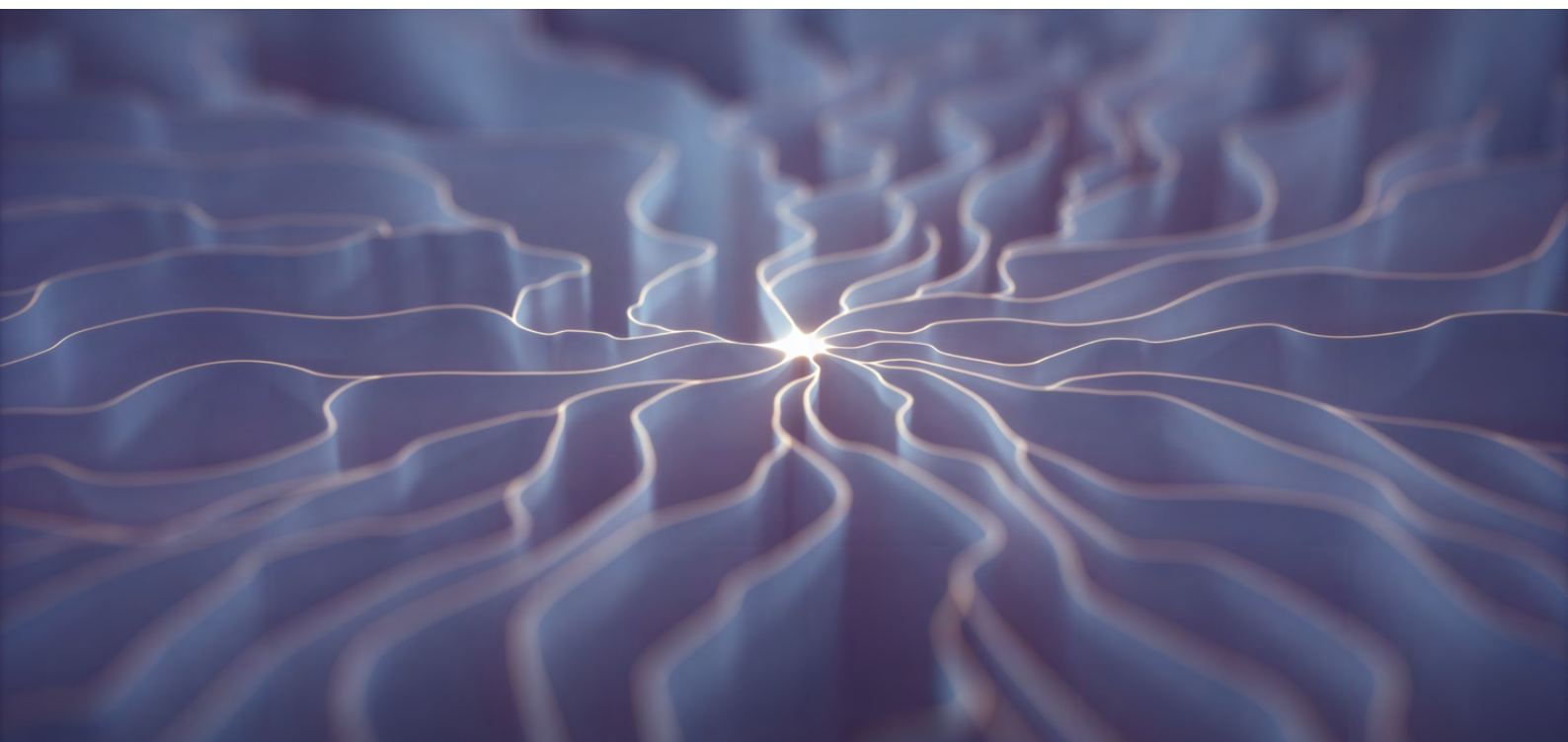


- Since 2020, \$15 billion has been invested in Generative AI companies across 1,164 transactions. The average deal size of approximately \$13 million indicates the sector’s early-stage nature and growth potential.
- Anthropic, an AI safety and research company, conducted the largest transaction in the period, closing closed \$580 million Series B round in April 2022 at a pre-money valuation of \$3.42 billion. A consortium of angel investors and Alphabet conducted the deal.
- OpenAI conducted a private secondary transaction with Fenrir Asset Management of an undisclosed amount on January 13, 2023. The company’s most significant capital raised to date of \$1 billion was completed in July 2019, with Microsoft being the sole investor.

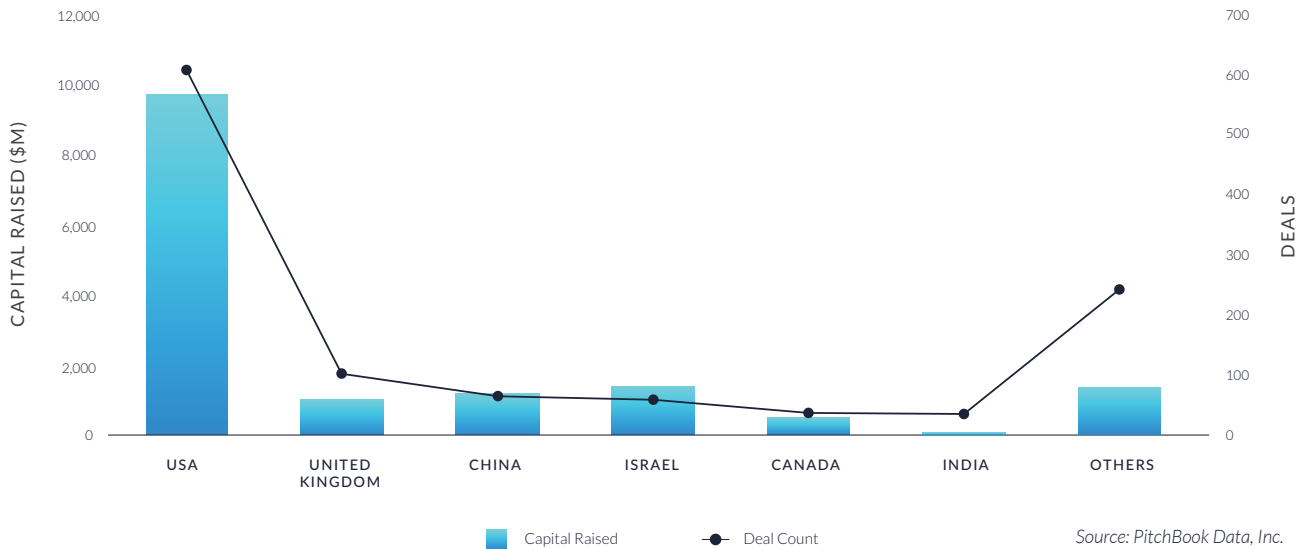
## Announced Generative AI Capital Market Deals (2020-2022)



- Approximately \$7 billion has been invested into early-stage AI research and analytics companies through venture capital transactions. The capital was deployed over 871 deals with a median size of \$8 million.
- Venture capital transactions, including grants, seed and angel funding, and accelerator programs, contributed 45% of the capital deployed into announced Generative AI capital market deals. These transactions accounted for 77% of the deal count conducted in the sector over the same period.
- POs and PIPEs accounted for a smaller portion of market activity due to the early stage of the technology and companies.



## Generative AI Research Capital Market Activity by Country (2020-2022)



- USA-based Generative AI companies raised \$9.7 billion through 608 transactions, with a median deal size of approximately \$16 million between 2020 and 2022. USA-based companies raised 64% of the capital deployed in the sector, accounting for 52% of the deal count over the same period.
- Companies from Israel, China, and the United Kingdom have also conducted significant capital market transactions raising \$1.43 billion, \$1.22 billion, and \$1.07 billion, respectively.

Generative AI is set to disrupt many industries, including search engines, client services, and IT services. Early-stage companies are well-funded in the sector, particularly in the USA, by some of the largest technology companies, such as Google and Microsoft. Investors and founders need to be aware of the opportunities and threats that AI research and analytics technologies possess.