https://www.wsj.com/tech/ai/millions-of-coders-love-this-ai-startup-can-it-last-45b72441

TECHNOLOGY | ARTIFICIAL INTELLIGENCE   Follow

Millions of Coders Love This AI Startup. Can It Last?

Cursor, which launched one of the fastest-growing AI tools of all time, is at the center of the boom-or-bust debate in Silicon Valley

By *Angel Au-Yeung* Follow

Dec. 1, 2025 12:00 pm ET

Michael Truell, co-founder and CEO of Cursor. ANDRIA LO

Quick Summary ⌄

- Cursor's valuation increased from $2.5 billion in January to $29.3 billion, but the company is currently losing money.
  View more

Silicon Valley insiders have started calling Cursor, the AI coding tool, the fastest-growing product of all time.

Two of its biggest fans: OpenAI's Sam Altman and Nvidia's Jensen Huang, who has said he wants all of his 40,000 coders to use it.

Even though the company's valuation soared from $2.5 billion in January to $29.3 billion today, it loses money, according to people familiar with its finances. And the tool relies heavily on the underlying artificial-intelligence models of companies such as OpenAI and Anthropic, which are actively competing for the same software engineering users who have made Cursor a runaway hit.

That has put the startup's staying power in question and at the heart of a raging debate in Silicon Valley. Millions of users love it, but they aren't sure it will last.

"The risk that we see is, what happens if Google comes along, turns off model access for a company like Cursor and then makes their own version of Cursor?" said Kyle Cesmat, an engineering manager at Coinbase Global, who is responsible for the crypto exchange's AI strategy.

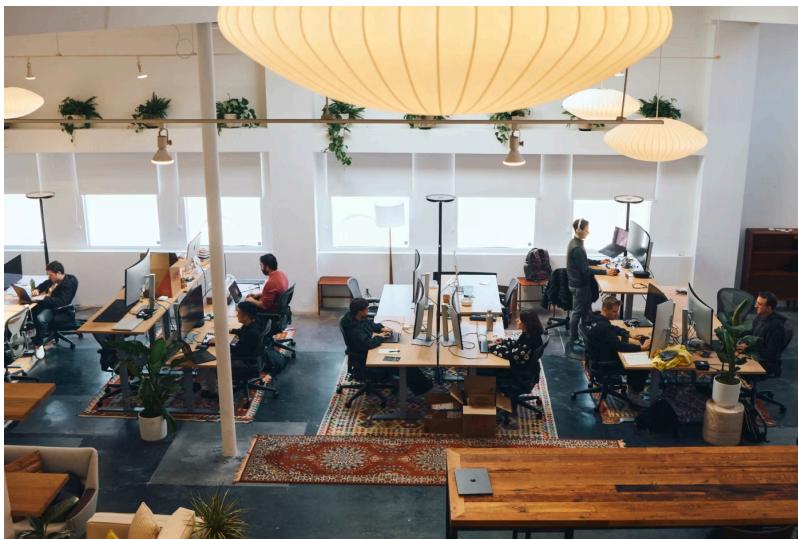So far, an army of coders who love it have silenced many skeptics.

"Coding has been the first breakout category of tools revolutionized by AI," said Barry McCardel, co-founder and chief executive of data analytics startup Hex, based in San Francisco. Earlier this year, enough of his developers had individual accounts that he decided to get an enterprise account for the company. He pays roughly $40,000 a year for 70 of his engineers, designers and product managers to use Cursor.

The company says the pricing can vary based on how often it is being used and what features they are choosing. Users say it and other tools that make use of the expert coding capabilities of AI can make some engineers up to 10 times as productive, enough to lead some to fear its impact and how it will affect their jobs.

Cursor Chief Executive Michael Truell, 25 years old, dismissed such concerns, saying it is a problem for another day.

"We are so far away from anything that looks like coding going away," he said in an interview. "We will always exist to be a tool that helps humans take an idea in their head, a vision of what they want to see on the computer, and have it show up on the screen. That is why we exist."

The startup's cultural oddities have added to its allure. Cursor works out of North Beach, the historic Italian neighborhood with a bohemian flare that is decidedly separate from the AI epicenter in downtown San Francisco.

Cursor's office in San Francisco. ANDRIA LO

Its four founders—Truell, Sualeh Asif, Arvid Lunnemark and Aman Sanger—started building Cursor out of a living room in 2023. There is a no-shoes policy in the office, the floor is lined with ornate rugs for socked feet, and a chef named Fausto serves lunch six days a week for its 250 employees.

For a company that started as an encrypted messaging startup just two years ago, Cursor has come a long way.

Truell grew up in New York City, the son of two journalists who have worked for The Wall Street Journal and the New York Times. He started programming in middle school and met his three MIT co-founders in 2018.

After graduating, they moved to San Francisco in 2022 and after a monthlong brainstorming session, embarked on a plan to build an encrypted messaging system, working on it for a few months before deciding the market was too small.

It took three months for them to build the first iteration of what is now known as Cursor. For the rest of 2023, they "lived like monks," resisting outside hires and focused maniacally on building a user-friendly tool. By the end of 2023, their startup had less than 10 employees.

In 2024, Cursor mostly spread through word-of-mouth among developers. The company spent almost no money on external marketing. Tech executives who heard about it from their employees found it difficult to get in touch with the company.

"I sought out Michael [Truell] on LinkedIn," said Coinbase's Cesmat. "My original contact was with a temp executive assistant because I couldn't find anyone else to talk to."

Eventually, Truell and the team grew more aggressive about hiring, flying around the world to persuade people to join them, even if they had previously said no.

They pursued Oskar Schulz, a former classmate at MIT, for more than a year. "Now, we try to close people a bit faster," he said.

The company started organizing Cursor pop-up cafe events this fall, taking over local coffee shops and turning them into a co-working space for engineers to connect. They have gone around the world, from San Francisco and New York to Mumbai and Karachi, Pakistan (one of the co-founders is from Karachi).

A few weeks ago when the company was preparing for a big launch, they decided to buy a full-page ad in a newspaper. An ad in a national newspaper felt too flashy, so they opted for the Sunday edition of a local paper in San Francisco. The ad included a link to a Cursor webpage along with a heartfelt letter that started with: "Dear Developers."

"We monitored the traffic to the link and it was like, 112 people, of which probably were 50 people of our own team figuring out where this link went," said Schulz.

Even with a somewhat haphazard marketing strategy, Cursor's growth has ballooned in 2025.

The company's annualized sales—an extrapolation of the next 12 months' revenue based on recent sales—grew from $100 million to $1 billion this year.

By this metric, some Silicon Valley insiders have started calling Cursor the fastest-growing product of all time. "I've never seen this in any other company since I've been investing," said Miles Clements, a partner at venture firm Accel since 2009 who led Cursor's most recent funding round.

While growth has been robust, Cursor has faced high costs for computing firepower and AI model access operated by OpenAI, Anthropic, Google and others.

In October, it launched its own AI model called Composer, partially to reduce its dependency on the biggest AI labs. Two weeks after the model launch, the company announced it had raised over $2 billion in venture funding—an indication of significant interest and just how much it faces in expenses.

Composer is fueled by years' worth of product use data that Cursor has been collecting from developers since its launch in 2023. This data is valuable: A one-hour session of developer data using an AI coding tool could cost as much as $500,

according to startups that hire contractors to help train AI models. Some users praised its capabilities for quick tasks but said they still rely on bigger AI models like those from Anthropic for more complex work.

The ultimate fate of the company rests on the question of what will become a commodity first, said McCardel, the startup founder whose employees persuaded him to use Cursor.

Will model builders such as Anthropic or OpenAI become a commodity as they compete with cheaper models such as DeepSeek, which emerged from China? Or will it be the likes of Cursor, which hosts the software built by others that does most of the programming magic?

"It's just an interesting dynamic to see who will be able to commoditize who faster," he said.

Write to Angel Au-Yeung at angel.au-yeung@wsj.com

Videos

1/22/26, 8:45 AM

Millions of Coders Love This AI Startup. Can It Last? - WSJ