CB INSIGHTS

2023

The state of generative AI in 7 charts

Where is all this data from?

The CB Insights platform has the underlying data included in this report

We break down the generative AI landscape across funding trends, top-valued startups, most active VCs, and more.

The buzz around generative AI — which refers to AI technologies that generate entirely new content, from lines of code to images to human-like speech — has reached a fever pitch.

The tech news cycle has been dominated by applications like ChatGPT, a chatbot that tallied up 1M users in under a week following its late 2022 release. But beyond the headlines, a wave of startups have already entered the market and are rapidly expanding the use cases for generative AI, tackling everything from search engines to motion capture animation.

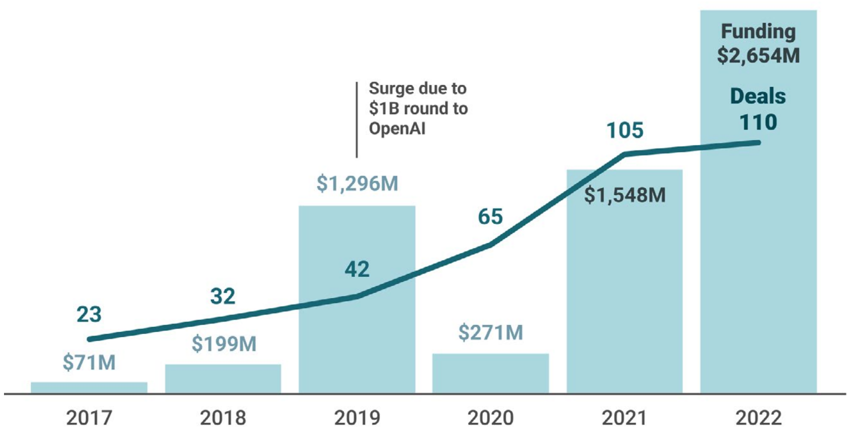
The vast majority of these startups have received little to no equity funding — signaling that there is still a massive opportunity for investors to get in early on this potentially transformative technology.

Using CB Insights data, we dug into the generative AI landscape. Below, we cover:

1. Equity funding and deal trends
2. Company breakdown by funding stage
3. Top valuations in generative AI
4. Where the money's going in generative AI
5. Which categories are gaining the most momentum
6. Which applications are hot — and which are not
7. Most active VCs

Let's dive in.

Investor interest in generative AI soared in 2022



Source: CB Insights

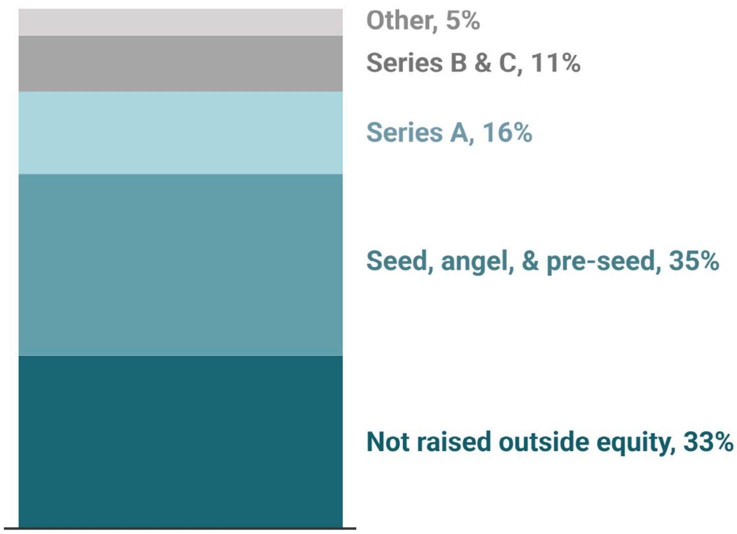
2022 was a record year for investment in generative AI startups, with equity funding topping $2.6B across 110 deals.

The year's largest rounds went to these companies:

- Anthropic, an AI model developer and research outfit ($580M Series B)
- Inflection AI, which focuses on human-computer interfaces ($225M Series A)
- Cohere, a developer-focused NLP toolkit ($125M Series B)
- Jasper, an AI-powered content creation suite ($125M Series A)

More than two-thirds of generative AI companies have not yet raised a Series A round (or later)

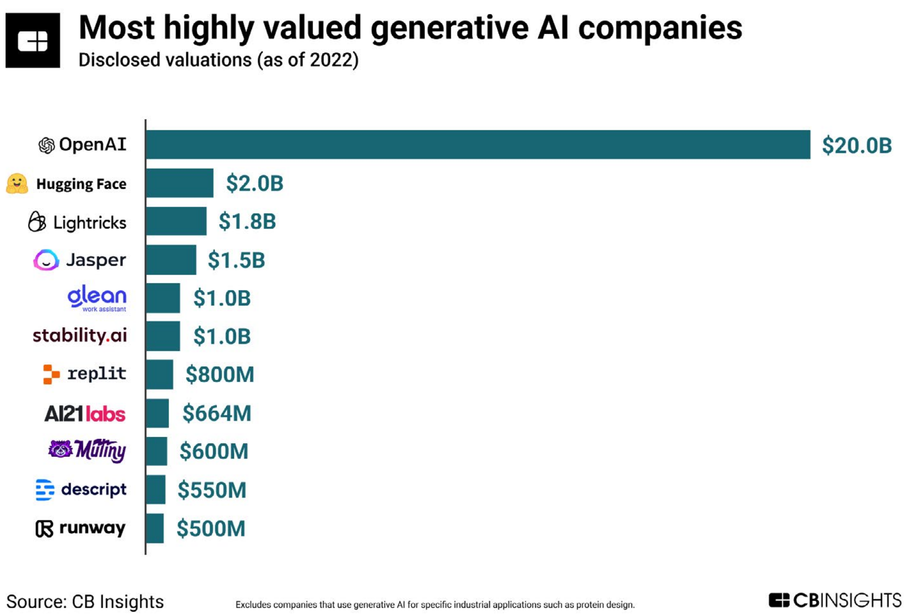
Percent of companies by latest disclosed round



Source: CB Insights

The generative AI space is nascent.

Among the 250+ generative AI companies we've identified, 33% have yet to raise any outside equity funding. Another 51% are Series A or earlier, highlighting the early-stage nature of the space.



So far, the generative AI space has seen 6 companies reach unicorn status (valued at $1B+), including:

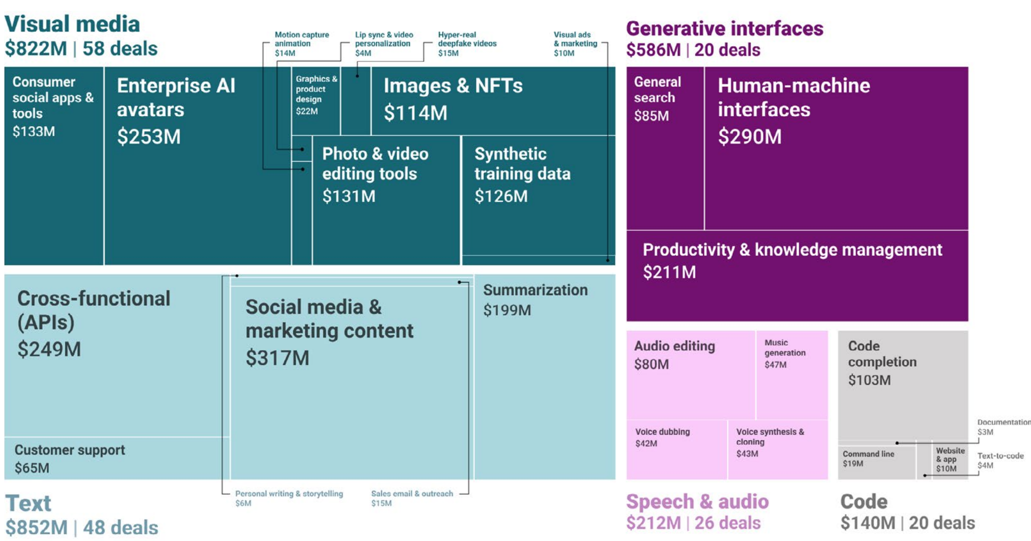
- OpenAI
- Hugging Face
- Lightricks
- Jasper
- Glean
- Stability AI

The most recent entrants to the unicorn club are Jasper and Stability AI, following their $100M+ mega-rounds in Q4'22.

Meanwhile, it's rumored that OpenAI — which just raised a multi-billion-dollar round from Microsoft — was recently valued at $29B. Its latest disclosed valuation of $20B comes from a secondary share sale in 2022.

Where is all the money going in generative AI?

Distribution of generative AI funding, 2021 – 2022

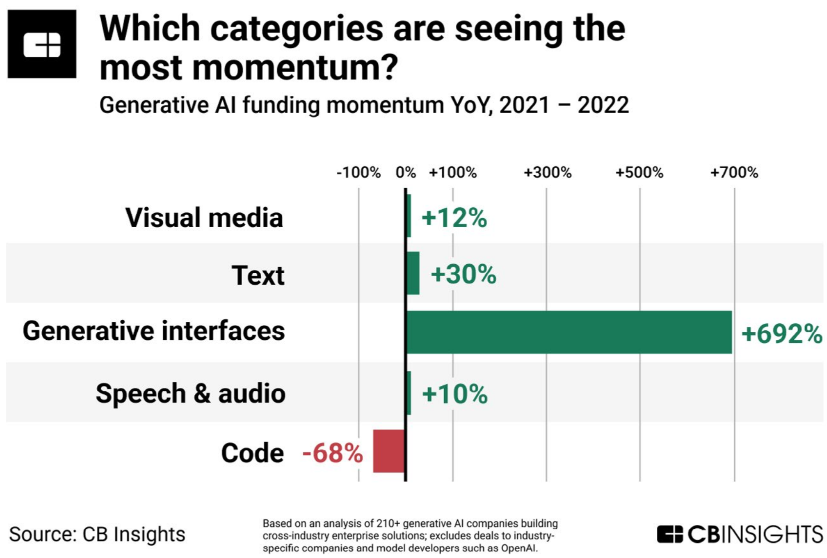


Source: CB Insights

Based on an analysis of 210+ generative AI companies building cross-industry enterprise solutions; excludes deals to industry-specific companies and model developers such as OpenAI.

There is a wide range of emerging focus areas in the generative AI space, which we've mapped here. Among these, companies in text generation — which includes text summarization, story generation, and marketing content automation — have received the most funding, raising $852M in equity funding across 48 deals since 2021.

Meanwhile, companies in visual media generation — creating everything from still images to lip-synced videos to avatars for enterprises — have led generative AI deal volume, seeing 58 deals totaling $822M since 2021. Check out our generative AI market map for detailed descriptions of these and other areas.



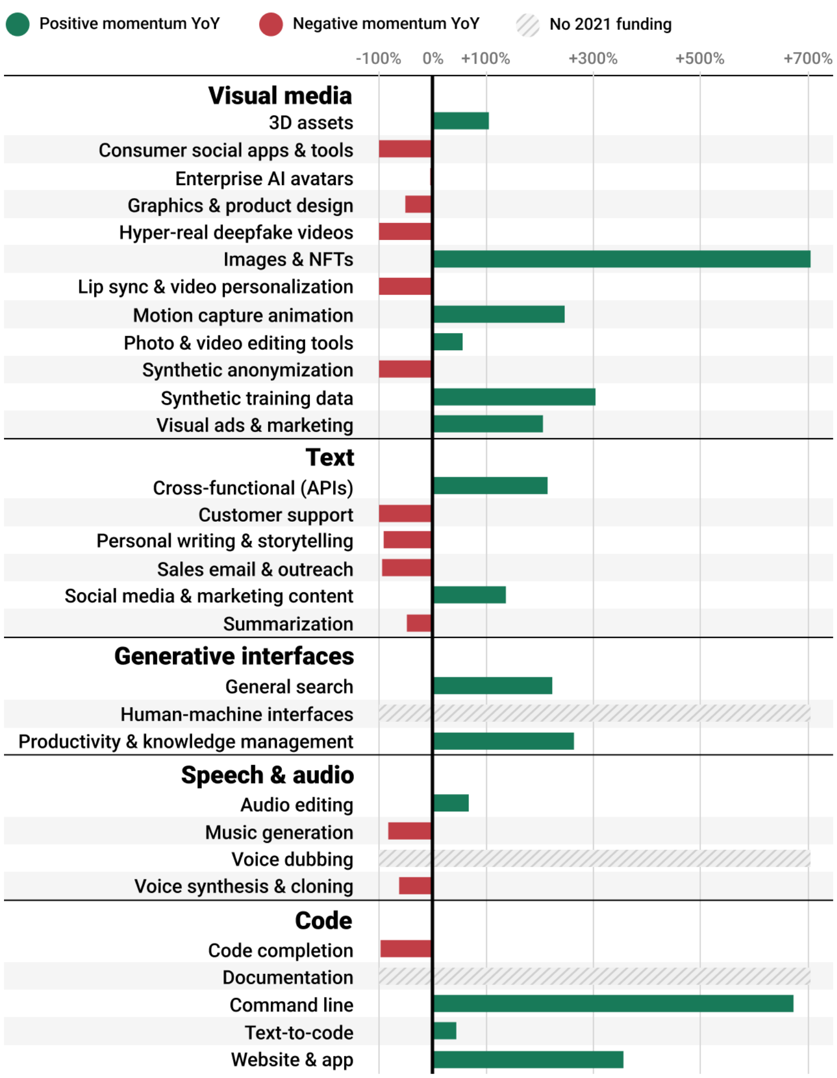
The generative interfaces category took off in 2022, with funding growing nearly 8x YoY to reach $520M. These companies are applying generative models across industries to process natural language commands and power applications such as web search, private search (within company servers and apps), and productivity and knowledge management.

The generative interfaces category also includes companies building the next generation of human-machine interfaces, which aim to make interacting with computers as conversational as it is to talk to people.

Code generation was the only category not to see funding pick up speed in 2022. After reaching over $100M in funding in 2021, the category saw just $34M in 2022. One code generation startup — Kite — even closed its doors in late 2022, after struggling to generate revenue.

Which applications are seeing the most momentum?

Generative AI funding momentum YoY, 2021 – 2022



Source: CB Insights

Based on an analysis of 210+ generative AI companies building cross-industry enterprise solutions and categorized by primary application; excludes deals to industry-specific companies and model developers such as OpenAI.

However, funding has been more uneven when looked at from the perspective of specific generative AI applications.

In 2022, the images & NFTs application within visual media generation saw the biggest gain, with funding up over 700% YoY. Among the largest deals here was an October $101M seed round to Stability AI, the creator of the text-to-image model Stable Diffusion.

On the other hand, 2 applications cooled off compared to 2021: consumer social apps & tools (down from $133M to zero); and customer support using text generation (down from $65M to zero).

Insight Partners is the most active VC in generative AI

By number of companies backed, 2021 – 2022

VC	Company count
INSIGHT PARTNERS	7
KLEINER PERKINS	4
SEQUOIA	4
RADICAL VENTURES	4
ADDITION	4
Index Ventures	4
Lightspeed	3
Section 32	3
FOUNDERS FUND	3
SOUND)))	3

Source: CB Insights

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Given the generative AI space's relative immaturity, many investors haven't clearly defined their investment strategies here. But that's starting to change.

Since 2021, Insight Partners has backed 7 generative AI companies — nearly twice as many as the next most active VC. Insight Partners added 5 generative AI companies to its portfolio in 2022 alone.

For more on generative AI, CB Insights clients can explore:

- Our market map of 250 generative AI vendors
- A list of 10+ ESPs that rank vendors across segments of the generative AI space
- The Generative AI tab of our AI Expert Collection