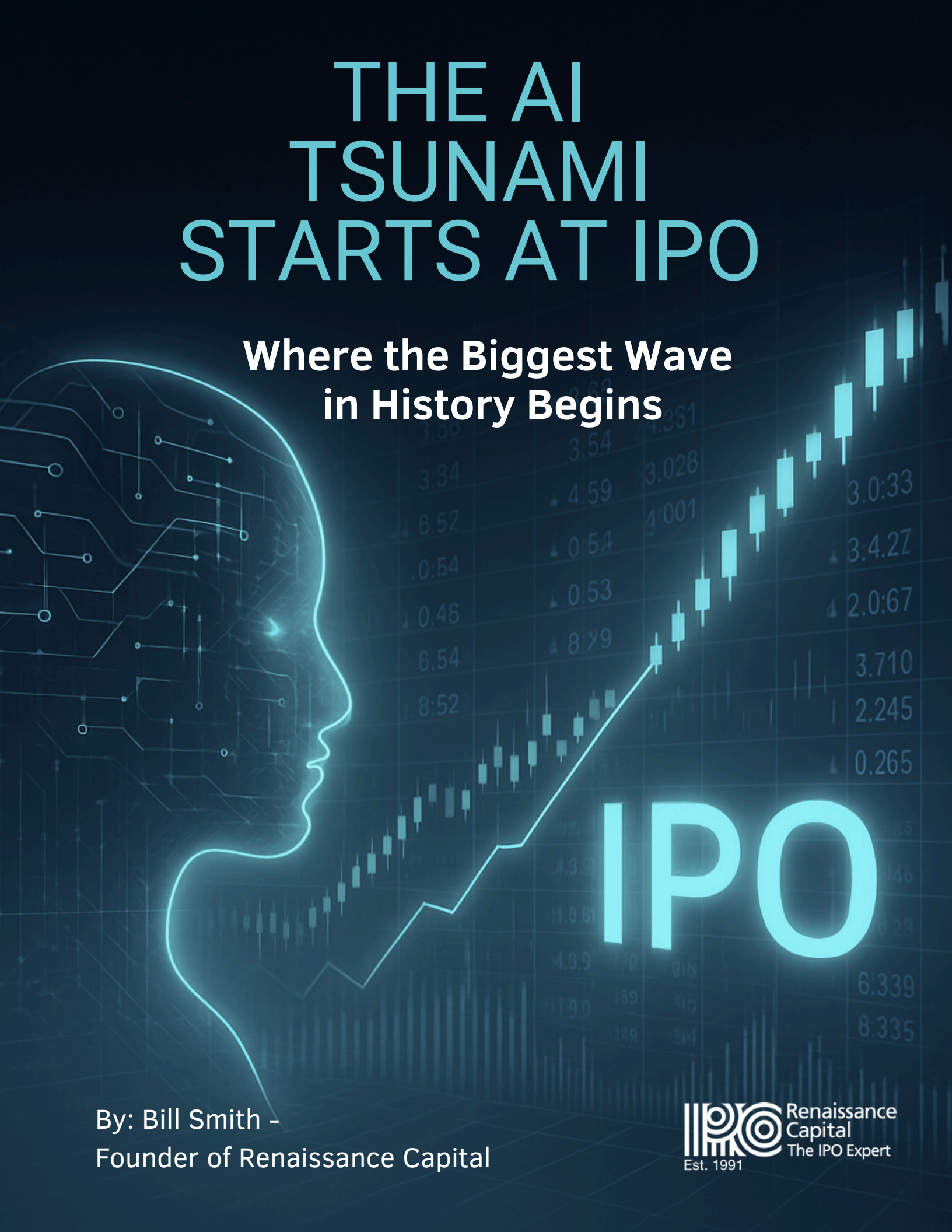
# THE AI TSUNAMI STARTS AT IPO

## Where the Biggest Wave in History Begins

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# The Great AI IPO Wave

## The Ground Floor of the AI Revolution

On November 30, 2022, OpenAI released ChatGPT to the world, kicking off the defining technological revolution of our era. All at once, it spawned an AI arms race, a gold rush, and the greatest investment opportunity of a lifetime. Venture capitalists poured billions of dollars into new AI startups. Fast forward to today: thousands of AI startups have been founded since that watershed moment, and many are at the point where tech companies typically consider going public. **Investors that want to own a piece of this future will find it in the IPO market.** Because now, in 2025, we're staring down the barrel of the largest sector-specific IPO wave in market history.

## The ChatGPT Genesis: Birth of an Entire Industry

That November launch triggered a frenzy in both AI usage and investment. ChatGPT shattered records by reaching 100 million users in 60 days, and immediately rewired how entrepreneurs, investors, and technologists viewed the possible. Venture capital hotbed Sand Hill Road was buzzing with pitch meetings for companies that literally didn't exist weeks before.

The numbers tell an extraordinary story. In Renaissance Capital's three decades of tracking IPO markets, we've never seen anything quite like this. Our research shows that thousands of private AI startups incorporated since ChatGPT, a sharp increase from prior years. At the flick of a switch, the world witnessed a complete structural shift in entrepreneurial activity.

The funding followed immediately. This wasn't just Silicon Valley, either. From Austin to Boston, from London to Tel Aviv, entrepreneurs everywhere were suddenly AI entrepreneurs. In a July 2025 interview, futurist Peter Diamandis stated: "There's a billion dollars a day being invested in AI."

What made this possible was OpenAI's decision to make their technology accessible through Application Program Interfaces (APIs). Overnight, the barriers to entry for AI development collapsed. You no longer needed a PhD from Stanford and $50 million in computing infrastructure to build an AI company. You needed a good idea, some coding skills, and an API key. The "API Economy" served as a catalyst for the entire AI industry, similar to how the early internet allowed thousands of companies to build web-based businesses without owning the underlying telecom networks, or how the railroad allowed producers to more than 10x their addressable market.

There are plenty of historical parallels between now and 1995-1997, when the internet's infrastructure matured enough to support a wave of new businesses. If anything, the biggest difference between is the speed and scale at which the AI revolution has reshaped global industry. Of course, some companies will exceed even our wildest expectations, while others will prove to be all sizzle and no steak. Naturally, the smartest investors are already scouring the IPO market to get in on the next Amazon or Nvidia, and avoid the next Pets.com.

## The Simple Math Behind the AI IPO Timeline

Through Renaissance Capital's analysis of over 11,000 IPOs, we know that historically, companies take 5-7 years from founding to public offering. Technology companies have generally been faster, about 4-5 years on average, but AI companies are able to compress this timeline dramatically.

Why? Scalability. Traditional businesses need to build physical infrastructure, hire and train workforces, establish distribution networks, and gradually expand their market presence. AI-powered businesses can scale from zero to millions of users with relatively minimal incremental costs. Once product-market fit is achieved, growth can be exponential rather than linear.

The timeline math is straightforward. Companies founded in the wake of ChatGPT's launch in late 2022 will approach their three-year mark by the end of 2025. This is the inflection point where successful companies move beyond proof-of-concept to real revenue generation and market validation. The AI startups with the strongest growth trajectories will be prime IPO candidates by year end, and that number will ramp up in the following three years.

That three-year window from late 2025 to 2028 will see an unprecedented number of AI-related companies go public. The market conditions are aligning perfectly: regulatory clarity is improving, institutional investors are hungry for AI exposure, and public markets have demonstrated strong appetite for quality AI companies.

# A Small Sample of the AI Startups in the IPO Pipeline

### FOUNDATION MODEL COMPANIES:

- **OpenAI** - ChatGPT, GPT models
- **Anthropic** - Claude family of models
- **xAI** - Grok family of models
- **Cohere** - Enterprise-focused LLMs
- **Mistral AI** - Open-source LLMs
- **Inflection AI** - Personal AI assistant

### AI INFRASTRUCTURE & TOOLS:

- **Hugging Face** - Model repository tools
- **Cerebras** - AI optimized chips
- **Weights & Biases** - MLOps & testing
- **Pinecone** - Vector database for AI apps
- **Scale AI** – Data and ML infrastructure

### AI APPLICATIONS & SERVICES:

- **Perplexity AI** - AI-powered search engine
- **Character.AI** - Conversational AI characters
- **Jasper** - AI content generation for marketing
- **Copy.ai** - AI writing assistant
- **Runway** - AI video generation and editing
- **Midjourney** - AI image generation
- **Stability AI** - Stable Diffusion image models
- **Harvey** - AI for legal professionals
- **Hebbia** - AI for fin. analysis, research
- **Glean** - AI search and data mgmt.
- **Writer** - Enterprise AI writing
- **ElevenLabs** - AI voice generation platform

# Beyond Pure-Play: The AI Enhancement Revolution

Here's where most investors miss the bigger picture. The coming IPO wave isn't just about pure-play AI companies like OpenAI, Anthropic, or xAI. It's about the thousands of traditional businesses that are fundamentally transformed by artificial intelligence. This is where the Amazon analogy is useful to understanding the opportunity ahead.

Amazon wasn't an internet company when it IPO'd in 1997. It was a bookstore enabled by the internet. Granted, without the web, Amazon's online bookstore business model couldn't have existed. But calling Amazon an "internet stock" missed the point – it pioneered a retail revolution made possible by new technology.

Today's AI revolution follows the same pattern. The companies that will dominate the next IPO wave won't all be building foundation models or AI infrastructure. Instead, they'll span every sector, using AI to achieve breakthroughs in efficiency, customer experience, or market reach.

The financial services transformation is equally dramatic. AI-driven lending platforms are underwriting loans with better risk assessment and faster processing than traditional banks. Fraud detection systems powered by machine learning are saving financial institutions billions while improving customer experience. Wealth management platforms are providing personalized investment advice previously available only to high-net-worth clients.

Traditional manufacturers have become technology companies through AI adoption. The operational gains alone are staggering, with predictive maintenance reducing downtime by 30-50%, and supply chain optimization cutting costs while improving delivery times. AI is also transforming the products themselves. Quality control systems can now achieve precision levels impossible with human inspection while enabling mass customization. AI-driven design accelerates product innovation cycles, creating better products faster. This dual impact of operational efficiency and enhanced product capabilities is accelerating growth in unlikely areas.

Our valuation analysis at Renaissance Capital shows that AI-enhanced traditional companies often receive higher multiples than their non-AI competitors. The market recognizes that AI provides an edge that shows up as a fundamentally improved business model.

We see two distinct categories of AI IPO opportunities: "AI Native" companies built from the ground up around artificial intelligence, and "AI Adopted" companies that have transformed traditional business models through AI integration. Both categories are experiencing explosive growth, but the AI Adopted companies often have the advantage of proven business models enhanced by new technology, while AI Native companies tend to be nimble disruptors.

## The Data Supports the IPO Tsunami

Right now there is a historic build-up of 1,000s of private AI companies. After a boom in private funding in 2021, and a three-year IPO bottleneck from 2022 to 2024, the dam is finally about to break open. Private investors are eager to take their older portfolio companies public in order to free up capital for future funds.

We are tracking over 250 companies that we classify as "IPO-ready", meaning they have the financial metrics, growth trajectories, and market positions associated with successful listings.

The venture capital pipeline tells the story in hard numbers. Over $116 billion in AI funding in the first half of 2025 alone, across hundreds of companies. That’s more than we’d normally see invested across all sectors on average. More than the inflation-adjusted total for all VC dollars invested in the full-year of 1999.

All that private investment will need to find an exit eventually, and venture capital has three primary paths: secondary sales, M&A, and IPOs.

1. Secondary sales: Early-stage VCs can increasingly get liquidity by selling their stakes to large asset managers, but this only kicks the can down the road, since those asset managers will ultimately require an exit themselves.

2. M&A: Corporate buyers are already scooping up hot AI companies; pay attention if a promising AI startup is acquired by a public company. However, most cutting-edge AI startups won't take the M&A route. Founders often resist giving up control of their companies, and acquisitions are less viable once valuations hit a certain size.

3. IPOs: Initial public offerings will continue to be the gold standard by which AI companies enter public investor portfolios. At Renaissance Capital, we also track direct listings and SPAC mergers. In addition to VC-backed companies, growth equity and corporate carve-outs will supply a stream of AI-related IPOs.

Even if more companies follow the lead of Stripe and SpaceX and stay private for longer, the sheer number of AI unicorns minted on a daily basis anticipates a busy IPO calendar during the years ahead. We predict a significant portion of IPOs between late 2025-2028 will be AI-related, which could mean 200+ AI companies going public in a compressed timeframe.

Public market appetite is already evidenced by existing AI stock performance. Companies with clear AI integration strategies are trading at significant premiums to their traditional competitors. Investor demand is not just a function of superior operating metrics, either, but of the scarcity value associated with AI stocks. This premium creates a powerful incentive for private AI companies to access public markets sooner rather than later.

US investors can also expect opportunities from abroad. European AI companies are increasingly eyeing US public markets for their superior liquidity and valuation multiples. Chinese AI companies are also considering the Nasdaq/NYSE. The US is positioning itself as the global hub for AI IPOs, supported by clear regulatory standards and the world's deepest capital markets.

## What It Means for the IPO Market

Get ready to see the word "AI" in a lot more IPO prospectuses. Our estimate of 200+ AI-related IPOs between 2026-2028 represents over $500 billion in new public market value. An entirely new sector is being created within the public markets.

Investment banks are already adapting. Major underwriters are building dedicated AI IPO teams with specialized technical expertise. The traditional due diligence process is evolving to address AI-specific risks and opportunities: data quality, model performance, competitive moats, data flywheel effects, and regulatory compliance across multiple jurisdictions.

Suffice to say, most public market investors are unprepared for the nuances of evaluating AI companies. Meanwhile, the sheer volume of AI IPOs will overwhelm traditional research capabilities. In other words, reading this means you're in the right place.

At Renaissance Capital, we've developed an AI-specific classification system to allow investors to better understand how IPOs fit within the AI Value Chain. These classifications may evolve over time, but so far, every AI IPO we've evaluated has fit into one of the categories below.

- AI Infrastructure & Equipment
- AI Model Developers
- AI Development & Deployment Tools
- AI Applications
- Autonomous Systems & Robotics
- AI Adopters / Users

With AI reshaping the economy so dramatically, the IPO market's transformation is a given. But one thing won't change. Immediately following their IPO, companies will still be under-researched by mainstream investors. If anything, the volume of deals and complexity of AI business models will prolong that period, creating opportunities for those with the right investing frameworks.

## Investment Strategy for the Coming Wave

For over three decades, Renaissance Capital has helped institutional investors navigate the biggest waves of innovation — from the PC revolution to the internet boom, the mobile era, and now the AI Renaissance. Each cycle followed a familiar pattern: initial skepticism, explosive growth, market saturation, and then full integration into the economy.

The AI IPO wave is bigger and faster than anything we've seen before. That means two things for you as an investor:

1. The risks are higher: AI IPOs will be more volatile, complex, and hype-driven than traditional technology IPOs.
2. The rewards are greater: Early identification of quality companies and disciplined evaluation can lead to exceptional returns.

What works for our institutional strategies can be applied by individual investors. With the right framework, you can:

- Spot the AI companies with staying power before the crowd catches on
- Use volatility to your advantage, buying strong businesses others are ignoring
- Stay disciplined when markets get noisy, avoiding hype-driven traps

When dozens of AI companies go public at once, attention scatters. That's where patient, systematic investors gain the edge, turning short-term chaos into long-term opportunity.

## Building a Smart AI Portfolio

When building a diversified portfolio (spreading your money across different investments), you should include different types of AI companies. Think of it like not putting all your eggs in one basket.

There are two main types of AI companies to consider:

**Pure AI Companies:** These companies focus only on building AI technology. They create the basic AI systems, the computer power needed to run AI, or special AI tools. These investments are riskier but could make you more money. They might completely change their industry, or they might fail if better technology comes along.

**Traditional Companies Using AI:** These are regular businesses that use AI to work better. For example, a shipping company might use AI to plan delivery routes 40% faster. These companies are usually safer investments because they already have steady businesses.

The key is to look for companies where AI gives them a real advantage that's hard for competitors to copy. This creates lasting value, not just a temporary edge. By mixing both types in your portfolio, you balance the chance for big gains with more predictable returns.

Keep in mind that the first developer of a new technology is not necessarily the best. History is full of innovators that either fail to scale, or fail to build off of their initial innovation. So when an upstart is challenging an incumbent, try to differentiate between a copycat or "me-too" story, and a real disruptor that is winning customers and taking market share. The early wave of AI IPOs will likely receive the most attention and potentially inflated valuations. History suggests that some of the best long-term opportunities emerge in the second and third waves, when initial enthusiasm has moderated but fundamental innovation continues.

When investing in new stocks, don't feel pressured to buy shares on the day of the IPO. There is nothing wrong with waiting for the right set-up. In fact, the best times to purchase a hyped-up IPO is often after the first major pullback in the months following the listing, as well as after the lock-up period has expired. Keep an eye on your favorite AI plays. The cycle of hype and skepticism means that there will be price pullbacks when very little has changed fundamentally.

Lastly, make risk management your guiding investment principle. The internet boom taught us that not every company riding a technology wave survives its inevitable maturation. Our approach focuses on identifying companies with sustainable competitive advantages, proven management teams, and business models that can thrive beyond the initial AI hype cycle.

## How You Can Invest Like a Pro in the AI IPO Boom

Positioning for the AI IPO flood requires a new approach to investing. The volume alone demands systematic screening processes, in addition to individual company evaluation.

Click the link to receive our **FREE checklist for AI IPO evaluation**, which includes several non-traditional factors: data quality and competitive moats around data access, technical team depth and retention, regulatory compliance sophistication, and customer concentration risks. Companies that scored well across these dimensions have outperformed during the volatile early phases of their public life.

IPO Pro's new AI Screen is an essential tool for tracking new AI stocks. Exclusive to IPO Pro, the screen allows users to track and star promising AI stocks, evaluate their performance, sort by AI subcategories, and filter by the degree to which they rely on AI, ranging from "Minimal AI Usage" to "AI-Centric Business Model."

Renaissance Capital's popular MUSCLE Method for IPO evaluation will only become more valuable as we approach the AI IPO wave. You do not need IPO Pro to use the MUSCLE Method, but the platform does streamline the process by design.

You can also access several free IPO resources at www.RenaissanceCapital.com, though you'll need to sign up for our premium platform, IPO Pro, to be fully prepared for the AI IPO wave. IPO Pro has dashboards, deal alerts, calendars, enhanced profiles, exclusive content, and screens, all designed to help investors succeed in the IPO market.

## The Opportunity Ahead

The ChatGPT moment kick-started an entire ecosystem of companies that are about to flood the public markets. The internet created Amazon, Google, and Facebook, none of them direct "internet providers" like AOL or CompuServe, but all companies fundamentally enabled by the internet. The AI revolution is following the same pattern, but at unprecedented scale and speed.

It’s no exaggeration to say that we're seeing the transformation of entire industries. Healthcare, finance, manufacturing, education, transportation – every sector is being redefined by AI integration. The companies that master this integration and achieve public market access during the 2025-2028 window represent one of the greatest wealth creation opportunities in market history.

The question isn't whether this IPO wave is coming, since the venture capital pipeline, startup maturation timelines, and institutional investor demand make it inevitable. The question is whether investors will be positioned to recognize and capture the opportunities as they emerge.

For investors willing to do the analytical work, understand the new evaluation frameworks, and maintain discipline during inevitable volatility, the coming AI IPO wave represents a once-in-a-generation opportunity to participate in the early stages of the next great technological transformation.

We've been here before. For over three decades, we've guided institutional and individual investors through every major tech revolution - from the early internet boom to the mobile transformation to cloud computing. Each time, we've helped our clients separate the real winners from the hype.

Now, with AI reshaping entire industries, we're drawing on that same proven experience to help you navigate these opportunities. We know which companies have real competitive advantages and which ones are just riding the wave. That expertise makes all the difference when the stakes are this high.

Here’s to capturing tomorrow’s winners.

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