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Article

"To IPO or Not to IPO" - Recent 2025 IPOs and AI Valuation Framework

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Abstract: The IPO market in 2025 has witnessed a selective rebound following the prolonged underperformance of the 2021 cohort. This paper examines the valuation dynamics and market reception of recent IPOs, with a focus on SaaS and technology companies, and compares them to the 2021 experience. Through case studies of firms that chose to go public, such as Figma and Coreweave, as well as companies that remained private, including Databricks and Stripe, and those that underperformed, like Chime, the study identifies key factors influencing public market outcomes. Findings indicate that investor preferences have shifted from growth-at-all-costs to sustainable, margin-aware, and AI-leveraged growth. The paper also proposes categorization of AI tickers, and introduces Revenue Weighted Metric (RWM), to better represent relationship between growth, profitability and 2025 public market valuations. The paper concludes with implications for founders and investors regarding IPO timing, strategic positioning, and a new AI valuation playbook in face of public market reactions to AI value creation in 2025.

Keywords: IPO valuation; SaaS; AI-driven growth; public market strategy; operational efficiency; 2025 IPO cohort; fintech; technology IPOs; Revenue Weighted; valuation framework; Rule of 40; financial metrics

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1. Introduction

The initial public offering (IPO) market has undergone a dramatic shift since the post-pandemic boom of 2021. During that year, more than 170 companies went public, many of which have since lost over one-third of their value, marking one of the most disappointing IPO cohorts in recent history. The combination of speculative enthusiasm, zero-interest monetary policy, and abundant venture capital created inflated valuations that proved unsustainable once macroeconomic conditions tightened.

After nearly three years of stagnation, the IPO window reopened in early 2025 with a wave of renewed activity. Figma (FIG) captured market attention by soaring more than 360 percent on its first trading day, suggesting a revival of investor confidence. In contrast, Chime (CHYM) fell by roughly 15 percent on debut, highlighting that market sentiment remains selective and highly dependent on sector fundamentals.

This paper investigates how public market appetite for software-as-a-service (SaaS) and technology companies has evolved by comparing the valuation patterns, business models, and market reactions of the 2021 and 2025 IPO cohorts. The analysis argues that the public market's preference has shifted fundamentally—from rewarding aggressive, unprofitable expansion to valuing margin-safe, AI-enhanced, and efficiency-driven growth models.

The remainder of the paper is organized as follows: Section 2 reviews the collapse of the 2021 IPO cohort; Sections 3 to 6 present case studies of 2025 companies that either went public or chose to remain private; Section 7 introduces a new valuation framework that includes both a categoirzation of AI-related tickers, and Revenue-Weighted Metric

("RWM") as a replacement of "Rule of 40" / "Rule of X" frequently used in the post-2021, pre-AI period; Section 8 concludes with insights into evolving valuation frameworks and public market readiness for future IPO cycles.

2. The 2021 IPO Debacle

2.1. Overview of 2021 IPO Market

The year 2021 witnessed a remarkable surge in IPO activity, with over 170 companies entering public markets, predominantly from the enterprise SaaS and fintech sectors, including a handful of notable tickers below (Table 1):

Table 1. Illustrative Table of Stock Price Reactions to 2021.

Ticker	Company	IPO Date	1 Month %	3 Month %	12 Month %
COIN	Coinbase	4/14/2021	-21%	-26%	-55%
RBLX	Roblox	3/10/2021	3%	32%	-40%
RIVN	Rivian	11/10/2021	14%	-39%	-67%
DOCS	Doximity	6/24/2021	25%	59%	-22%
FRSH	Freshworks	9/22/2021	-1%	-38%	-72%
S	SentinelOne	6/30/2021	16%	31%	-45%
MNDY	Monday.com	6/10/2021	29%	118%	-46%
COUR	Coursera	3/31/2021	-1%	-9%	-49%
DUOL	Duolingo	07/28/2021	-14%	35%	-32%
APP	AppLovin	4/15/2021	-4%	0%	-28%
BMBL	Bumble	2/11/2021	4%	-33%	-60%
VTEX	Vertex	7/21/2021	3%	-13%	-85%
BASE	Couchbase	7/22/2021	0%	-6%	-20%
Average			5%	10%	-50%

This influx of IPOs occurred against the backdrop of historically low interest rates, abundant venture capital, and a post-pandemic market eager for high-growth opportunities. Retail investors, fueled by easy access to trading platforms and heightened risk appetite, contributed significantly to the speculative enthusiasm that drove initial valuations to unprecedented levels. Many of these companies went public with impressive revenue growth figures, though a substantial portion were still unprofitable or had limited visibility into sustainable margins [1].

Despite the initial optimism, the post-IPO performance of the 2021 cohort proved disappointing. On average, these companies experienced a decline of approximately 50 percent in their stock prices within the first twelve months. Several factors contributed to this underperformance. First, investor expectations were often misaligned with the companies' underlying financial health [2]. While growth rates were high, profitability metrics were frequently weak or deferred, leading to skepticism once the market reassessed risk. Second, macroeconomic conditions shifted rapidly in 2021 and 2022, as inflationary pressures and expectations of Federal Reserve interest rate hikes began to dampen enthusiasm for high-growth, capital-intensive ventures. This transition from a low-rate to a rising-rate environment exposed vulnerabilities in companies that had relied heavily on cheap capital to fuel expansion [3].

Furthermore, the 2021 IPO wave coincided with the tail end of the SPAC (Special Purpose Acquisition Company) boom. Many SPAC-backed firms, some with limited operating history or pre-revenue models, went public in the same period. The underperformance of these SPACs contributed to overall market skepticism and

heightened scrutiny of all IPO candidates. In addition, several companies eventually chose to go private again or delay their public market ambitions, illustrating that the market was not yet prepared to reward purely growth-driven stories without demonstrable path to profitability [4].

In sum, the 2021 IPO cohort highlighted structural weaknesses in the growth-at-all-costs model. High valuations driven by speculative demand, coupled with unproven profitability and changing macroeconomic conditions, created an environment in which even well-known SaaS and fintech companies struggled to sustain their initial market performance. This period serves as a critical benchmark for understanding the dramatic shift in investor appetite observed in the reopening of the IPO market in 2025 [5].

2.2. Causes of the Collapse

Several interrelated factors contributed to the widespread underperformance of the 2021 IPO cohort, reflecting both macroeconomic pressures and structural market dynamics [6]. One of the most significant drivers was the shift in macroeconomic conditions. Following a period of historically low interest rates that had fueled growth investing, 2021 and 2022 saw a surge in inflation and expectations of rapid interest rate hikes by the Federal Reserve. This sudden tightening of monetary policy increased the cost of capital for high-growth companies, particularly those with unproven profitability, and forced investors to reassess the risk-reward profile of speculative IPOs. Companies that had previously been able to justify aggressive valuations through projected growth trajectories found themselves vulnerable to market scrutiny as the discount rates applied to future earnings increased [7].

In parallel, the market underwent a fundamental revaluation of corporate performance metrics. During the 2021 boom, many investors were willing to overlook weak profitability in favor of rapid revenue growth and market share expansion. However, as economic conditions tightened, the emphasis shifted from "growth at all costs" to "profitable efficiency." Companies that could not demonstrate scalable business models, operational discipline, or clear paths to positive cash flow faced sharp downward pressure on their stock prices. This structural shift highlighted the limitations of a market driven primarily by speculative enthusiasm rather than fundamentals [8].

The collapse of the SPAC market further exacerbated the situation. A wave of unprofitable, pre-revenue companies entered public markets through SPAC mergers, often without the rigorous scrutiny applied to traditional IPOs. Many of these firms failed to meet performance expectations, generating widespread investor fatigue and skepticism toward all high-growth offerings. The underperformance of SPAC-backed companies amplified the downward pressure on valuations across the broader IPO market, creating a contagion effect that affected even traditional enterprise SaaS and fintech IPOs [9].

Finally, a number of companies that had recently gone public chose to revert to private ownership or delay further public engagement. These take-privates, including Mimecast (MIME), served as cautionary signals, reinforcing investor wariness and contributing to the overall negative sentiment surrounding the 2021 IPO cohort.

Collectively, these macroeconomic shifts, market revaluation, SPAC failures, and private market reversions explain the sharp decline in post-IPO performance observed in 2021. The confluence of these factors underscores that high growth alone was insufficient to sustain valuations, and highlights why investors in 2025 approached IPO opportunities with far greater selectivity and emphasis on operational efficiency and margin sustainability.

2.3. Summary Insight

The performance of the 2021 IPO cohort highlights several structural weaknesses in the growth-oriented valuation paradigm that dominated the market at the time. Many companies went public with impressive revenue growth figures, yet lacked clear

pathways to profitability, leaving investors exposed to the risks of cash burn and margin deterioration. In addition, total addressable markets (TAMs) were frequently overestimated, with companies projecting rapid adoption without sufficient empirical evidence of market demand or scalability. This led to inflated valuations that were not supported by underlying fundamentals, creating a mismatch between investor expectations and actual performance.

Moreover, aggressive marketing and sales spending, often aimed at accelerating growth metrics, proved unsustainable when revenue growth slowed or capital markets tightened. High customer acquisition costs and inefficient sales operations exacerbated the disconnect between reported growth and long-term financial health. Combined with broader macroeconomic pressures and SPAC-related market fatigue, these factors contributed to widespread post-IPO underperformance and investor caution.

The lessons from 2021 are clear: public markets have limited tolerance for growth that is not paired with operational efficiency, profitability visibility, and credible market sizing. For companies considering an IPO, these insights underscore the importance of balancing expansion ambitions with sustainable business fundamentals. This shift in market expectations sets the stage for the reopening of the IPO window in 2025, where firms with margin-resilient, AI-leveraged growth models were able to capture renewed investor interest and achieve stronger valuation outcomes.

3. The 2025 IPO Environment

3.1. Macro and Market Context

After nearly three years of IPO dormancy following the post-pandemic boom, the public markets in early 2025 began to exhibit signs of stabilization and renewed investor interest. Global monetary policies have largely stabilized, with central banks moderating interest rate hikes after aggressive tightening in 2022 and 2023. Inflationary pressures have started to ease in major economies, restoring a measure of confidence among institutional and retail investors alike. This macroeconomic environment has created a cautiously optimistic backdrop for companies considering going public, particularly those with strong growth fundamentals and clear paths to profitability.

At the same time, sectoral demand has shifted, reflecting the broader technological and economic trends of 2025. Investors are increasingly focused on firms operating at the intersection of artificial intelligence (AI), cloud computing, and infrastructure services. The early success of AI-driven tools and the acceleration of digital transformation initiatives across enterprises have elevated investor interest in companies capable of delivering scalable, high-margin solutions. As a result, IPO candidates in these sectors are receiving stronger market attention and more favorable valuation multiples compared to their peers in traditional SaaS or consumer-facing segments.

Another critical factor influencing the 2025 IPO landscape is the relative decline in venture capital funding. After several years of abundant private capital, investors have become more selective, tightening their investment criteria and focusing on profitability and operational efficiency. This focus on liquidity and returns has prompted companies to explore public markets as a viable alternative for raising growth capital and providing liquidity to early investors. The combination of private funding's seek of liquidity and renewed public market appetite has created a window of opportunity for high-quality firms to capture both capital and investor attention.

Overall, the macroeconomic and market context of 2025 reflects a cautious but positive environment for IPOs. Stabilized monetary policies, sector-specific demand for AI and infrastructure solutions, and the push from constrained private funding collectively set the stage for a more selective and efficiency-focused IPO market. Companies that can demonstrate both sustainable growth and operational discipline are now better positioned to attract investor interest and achieve successful market debuts,

contrasting sharply with the indiscriminate exuberance that characterized the 2021 IPO cohort.

3.2. Shift in Valuation Logic

The reopening of the IPO market in 2025 has been accompanied by a notable shift in the criteria that public investors use to value companies. Unlike the growth-at-all-costs mentality that dominated the 2021 cohort, investors are now placing greater emphasis on gross margin quality, sales and marketing (S&M) efficiency, and cash flow visibility. Firms that demonstrate the ability to grow without proportionally increasing costs are rewarded with higher valuation multiples, reflecting the market's preference for sustainable and operationally disciplined growth.

In addition, the incorporation of AI into business models has become a key differentiator. Companies leveraging AI to enhance productivity, automate processes, or provide scalable solutions are receiving premium valuations, as the public market increasingly associates AI integration with defensible competitive advantages and long-term revenue potential. This contrasts sharply with earlier periods, where high revenue growth alone, regardless of profitability or operational leverage, was sufficient to drive investor enthusiasm. In Section 7, this paper will also explore a brand new valuation framework that adjusts the weights of growth vs. profitability based on AI value proposition.

Overall, the 2025 IPO environment favors firms that combine growth with efficiency, clear profitability trajectories, and defensible technology moats. Valuation now reflects not only the size of a company's revenue or market opportunity but also the quality of its business model and its ability to sustain margins over time. This new framework has significant implications for companies deciding whether to go public, shaping both timing and investor targeting strategies.

4. Case Studies: "To IPO"

4.1. Figma (FIG)

Figma is a collaborative design software-as-a-service (SaaS) platform that has gained widespread adoption among both individual designers and enterprise teams. Its product is characterized by strong network effects, where user collaboration and shared workflows enhance the overall value of the platform. This user stickiness has translated into high retention rates and a scalable customer base, making Figma a particularly attractive candidate for public market investors seeking sustainable growth.

Financially, Figma has demonstrated consistent year-over-year growth exceeding 40 percent, coupled with gross margins above 80 percent. The company has maintained a disciplined approach to spending, keeping its burn rate relatively low compared with other high-growth SaaS firms. This combination of rapid growth and operational efficiency positions Figma as a prime example of a firm capable of delivering both scale and profitability visibility.

Figma's IPO in early 2025 was met with exceptional market enthusiasm. The stock surged more than 360 percent on its first trading day, reflecting strong investor appetite for high-quality, AI-augmented productivity tools. While the price experienced a subsequent correction following the release of the company's first earnings report, it remained above the initial IPO price, underscoring the resilience of investor confidence in firms with proven growth fundamentals.

Although Figma could have pursued secondary private funding rounds to provide liquidity for early investors, the company chose to go public to capitalize on the reopened IPO window and favorable market conditions. The case of Figma illustrates how companies that combine scalable, AI-enhanced solutions with solid financial discipline can achieve premium valuations in the 2025 market. Its success highlights the importance

of aligning growth ambitions with margin sustainability and operational transparency, key factors that distinguish market-ready IPO candidates from less-prepared peers.

4.2. Coreweave

Coreweave is a specialized AI infrastructure provider that delivers GPU cloud solutions designed to support high-performance computing and machine learning workloads. The company has capitalized on the rapid adoption of AI technologies across industries, positioning itself as a critical enabler for enterprises and research organizations requiring scalable, high-throughput computing resources. By focusing on GPU-based cloud offerings, Coreweave differentiates itself from traditional cloud providers, offering both flexibility and performance optimized for AI workloads.

From a financial perspective, Coreweave has experienced explosive growth fueled by surging demand for AI infrastructure. The company has demonstrated improving operating leverage, reflecting its ability to scale capacity without proportionally increasing costs. Its strong financial position is further reinforced by backing from leading venture capital firms and strategic partnerships with hyperscale cloud providers, which enhance both credibility and market reach. These factors combine to make Coreweave an attractive candidate for public market investment.

Coreweave's IPO was met with a strong market debut, achieving a valuation premium relative to legacy cloud peers and signaling investor confidence in the AI infrastructure sector. The company successfully monetized a phase of rapid growth while maintaining access to capital markets, providing liquidity to early investors without compromising its operational strategy.

The case of Coreweave illustrates how the "AI infrastructure narrative" aligns with contemporary investor priorities. Firms that deliver scalable, high-margin solutions in sectors experiencing structural demand growth are more likely to achieve favorable public valuations. Coreweave's successful market entry demonstrates the importance of combining technological differentiation, operational efficiency, and strategic financial planning when pursuing an IPO. In doing so, it reinforces the broader trend in 2025 of investors favoring companies with both high-growth potential and defensible business models, particularly those leveraging AI as a core growth engine.

4.3. Common Takeaways

The analysis of Figma and Coreweave reveals several common factors that contributed to their successful IPOs in 2025. First, both companies demonstrated high gross margins and efficient growth metrics, reflecting disciplined operational management alongside rapid top-line expansion. This combination allowed investors to perceive a clear path toward profitability, reducing the risk associated with high-growth firms that lack margin visibility.

Second, both firms benefited from strong exposure to AI-related demand. Figma leveraged AI to enhance its collaborative design platform, improving productivity and user engagement, while Coreweave provided critical GPU cloud infrastructure for AI workloads. In each case, the integration of AI into the core business model created a compelling narrative for investors, signaling scalable, technology-driven growth that aligns with broader market trends.

Finally, market timing played a crucial role. By going public during a period of renewed investor optimism, following a prolonged IPO dormancy since 2021, both companies were able to capture favorable valuations and strong market attention. The combination of solid financial fundamentals, sector-specific growth potential, and strategic timing underscores why these firms outperformed peers that either delayed IPOs or entered public markets with less robust positioning.

Collectively, these insights suggest that successful 2025 IPOs are characterized not only by rapid growth but also by operational efficiency, alignment with high-demand

technological trends, and careful consideration of market conditions. Understanding these factors is essential for evaluating other companies contemplating whether to pursue a public offering in the current environment, setting the stage for the subsequent analysis of firms that chose to remain private.

5. Case Studies: "Not to IPO"

5.1. Databricks

Databricks operates a leading AI and data lakehouse platform that has achieved widespread adoption across enterprise clients. Its platform integrates large-scale data processing with machine learning capabilities, enabling organizations to derive actionable insights from complex datasets. The company has experienced rapid revenue growth, reflecting strong demand for AI and cloud-based analytics solutions. However, profitability remains distant, as a substantial portion of revenue is reinvested in research and development to maintain technological leadership and expand product offerings.

In 2025, Databricks opted to delay its IPO. Management cited concerns over potential public market discounts driven by uncertainties in AI monetization cycles and the challenge of communicating long-term profitability trajectories to public investors. Instead, the company pursued private funding rounds with sovereign and institutional investors, securing favorable valuations while maintaining flexibility in capital allocation. This approach allows Databricks to continue investing aggressively in product innovation, expand into new markets, and experiment with emerging AI applications without the constraints of quarterly earnings pressure.

The case of Databricks illustrates a strategic rationale for remaining private: preserving operational flexibility, avoiding premature public scrutiny, and maintaining control over long-term valuation. By delaying its IPO, Databricks aligns its market entry with the maturation of its business model and broader market understanding of AI-driven value creation, thereby reducing the risk of undervaluation at the time of public offering.

5.2. Stripe

Stripe is a global fintech company providing payment processing and financial infrastructure solutions to businesses of all sizes. Its platform supports a wide range of payment methods and cross-border transactions, enabling rapid global expansion and adoption. While Stripe has achieved significant revenue scale, its margins are comparatively thinner due to high costs associated with payment processing infrastructure and regulatory compliance, which limits near-term profitability.

Given these financial dynamics, Stripe has opted to remain private for the time being. The company continues to raise private funding at attractive valuations and has explored secondary liquidity options to provide partial exits for early investors. The decision reflects a broader market reality: high-growth fintech companies with substantial operational costs and constrained margins often face public market undervaluation if forced to go public prematurely. By staying private, Stripe can focus on scaling operations, improving efficiency, and preserving long-term value without being constrained by short-term public market expectations.

This approach underscores the importance of strategic timing and financial discipline when considering public market entry. Stripe's case highlights that even highly successful and globally recognized companies may find it optimal to postpone an IPO to avoid valuation compression and maintain operational freedom.

5.3. Common Takeaways

A comparative analysis of Databricks and Stripe reveals several common characteristics of companies choosing not to pursue public offerings in 2025. First, these firms demonstrate reluctance to accept lower public market multiples, especially when their growth trajectories involve significant reinvestment or margin pressure. By

remaining private, they preserve the ability to achieve higher valuations in later funding rounds or eventual IPOs when operational metrics are more robust and market conditions more favorable.

Second, staying private allows companies to maintain greater operational freedom. Without the scrutiny of quarterly earnings reports and public investor pressure, management can experiment with product innovation, allocate capital toward long-term strategic priorities, and adjust growth strategies with flexibility. This freedom is particularly valuable in sectors such as AI infrastructure or fintech, where rapid technological evolution and regulatory complexity necessitate careful, adaptive management.

Overall, "not-to-IPO" companies illustrate a deliberate strategy to prioritize long-term value preservation over short-term market visibility. Their choices reflect a nuanced understanding of market dynamics, highlighting that public listing is not always the optimal path for high-growth but margin-constrained enterprises.

6. Case Study: "Failed Public Market Fit" – Chime (CHYM)

Chime is a digital neobank that offers fee-free banking and credit-building services, targeting younger, tech-savvy consumers seeking alternatives to traditional financial institutions. The company has gained notable attention in the fintech space due to its user-friendly interface, streamlined account setup, and emphasis on low-cost banking. However, its IPO performance in early 2025 revealed significant market constraints. On its first trading day, Chime's stock fell approximately 15 percent and has continued to underperform, signaling investor skepticism despite the broader reopening of the IPO market.

Several factors contributed to Chime's disappointing debut. First, the company experienced slowing user growth relative to projections, raising questions about the scalability of its customer base. Second, unit economics were weak, with customer acquisition costs remaining high and margins limited by the low-fee business model. This combination of slowing growth and uncertain total addressable market (TAM) scalability undermined investor confidence in long-term profitability. Third, Chime relied heavily on marketing spend to drive user acquisition, yet the brand's loyalty and engagement metrics were insufficient to sustain organic growth or justify continued high spending levels. These issues collectively limited the public market's willingness to value Chime at levels comparable to more operationally disciplined or technology-driven peers.

Chime's experience serves as a cautionary tale, highlighting the limits of market appetite for consumer-focused fintech models that have yet to demonstrate clear paths to profitability. Even in a reopened IPO window characterized by investor optimism, the public markets remain selective, favoring companies with defensible business models, scalable margins, and proven growth levers. The case underscores the importance of aligning product-market fit, unit economics, and customer retention with market expectations prior to pursuing a public listing.

7. Discussion: The New IPO Playbook

The comparison between the 2021 and 2025 IPO cohorts illustrates a significant evolution in public market valuation frameworks and investor expectations. In 2021, the IPO market was primarily driven by rapid top-line growth, with year-over-year increases exceeding 50 percent often viewed as sufficient justification for high valuations, even in the absence of profitability. Narratives emphasizing market disruption and first-mover advantage dominated investor decision-making, and retail investors played a disproportionate role in shaping enthusiasm for new listings. Profitability and operational efficiency were largely secondary considerations, allowing companies with weak unit economics or unproven business models to access public capital at elevated valuations.

By contrast, the 2025 IPO landscape reflects a markedly different approach. Investors now emphasize sustainable, efficient growth over sheer revenue expansion. Profitability has become central to valuation, with metrics such as gross margin quality, sales and marketing efficiency, and cash flow visibility serving as key indicators of long-term business health. The dominant narrative has shifted toward "AI-enabled defensibility," where technology-driven differentiation and scalable solutions are required to justify premium valuations. Additionally, the investor base has become more institutional, with long-term capital providers evaluating operational discipline and resilience rather than participating in speculative demand spikes (Table 2).

Table 2. Comparison of IPO Valuation Emphasis: 2021 vs 2025.

Metric	2021 Emphasis	2025 Emphasis
Growth rate	>50% YoY	Sustainable, efficient growth
Profitability	Deprioritized	Central to valuation
Narrative	"Disruption"	"AI-enabled defensibility"
Investor base	Retail-heavy	Institutional return

In the next phase of software valuation, however, AI increasingly play a significant yet complicated role. While it is still early to separate AI value creation from overall growth or margin improvements, a new AI-oriented valuation playbook is starting to form. Here I propose a "Revenue-Weighted Metric" ("RWM"), which represents a more nuanced linear relationship between growth and profitability based on the specific AI grouping of a ticker, that correlates with the current market valuations of software companies:

$$RWM = \ w * Revenue \ \ Growth \ \ \% + (1 - w) * Op \ \ Margin \ \ \%$$

where w is the linear coefficient with value between 0 and 1, that varies based on how the market perceives a ticker's AI value category. (Note that "Rule of 40" / "Rule of X" represents the framework where w = 0.5, i.e. revenue growth and op margin are given equal weight in RWM.)

In order to illustrate further this methodology, I explored its efficacy in a Core Software Universe of 34 names, categorized below (Figure 1), and examined the valuation regression results using both the Rule of X and the blended Revenue Weighted Metric approaches (Figure 2). Before any categorization, Rule of X (where w = 0.5 universally) no longer gives meaningful correlation to valuation ($R^2 = 0.166$).

	Category	Company	LTM Rev Growth (%)	Op Margin (%)	EV/LTM Rev	Revenue Weight	RWM	Rule of 40
1	AI Game Changers	META	21.3	42.6	8.5	0.95	22.3	63.9
1	AI Game Changers	AAPL	6.4	32.0	9.8	0.95	7.7	38.4
1	AI Game Changers	ORCL	9.7	31.5	11.6	0.95	10.8	41.2
1	AI Game Changers	GOOGL	13.4	32.7	9.9	0.95	14.4	46.1
1	AI Game Changers	MSFT	15.6	46.3	12.3	0.95	17.1	61.9
1	AI Game Changers	PLTR	47.2	21.8	99.8	0.95	46.0	69.0
2	AI Dev Ops - "Building Blocks"	DDOG	26.6	-1.3	16.4	0.88	23.3	25.3
2	AI Dev Ops - "Building Blocks"	MDB	21.9	-7.4	10.9	0.88	18.4	14.5
2	AI Dev Ops - "Building Blocks"	S	25.4	-36.5	5.0	0.88	18.0	-11.1
2	AI Dev Ops - "Building Blocks"	PATH	8.3	-2.0	3.9	0.88	7.0	6.3
2	AI Dev Ops - "Building Blocks"	SOUN	120.5	-117.5	31.7	0.88	92.0	3.0
2	AI Dev Ops - "Building Blocks"	CFLT	21.6	-34.7	6.1	0.88	14.8	-13.2
2	AI Dev Ops - "Building Blocks"	ESTC	17.0	-2.1	4.1	0.88	14.7	14.9
2	AI Dev Ops - "Building Blocks"	TEM	72.6	-21.4	13.0	0.88	61.3	51.2
2	AI Dev Ops - "Building Blocks"	SNOW	28.4	-13.9	20.0	0.88	23.3	14.5
3	AI Applications	WDAY	13.2	9.4	5.9	0.80	12.4	22.6
3	AI Applications	ADBE	10.7	36.6	5.8	0.80	15.9	47.3
3	AI Applications	HUBS	19.2	-1.5	5.9	0.80	15.1	17.7
3	AI Applications	APP	98.5	55.0	31.7	0.80	93.3	153.5
3	AI Applications	CRM	8.3	20.6	5.4	0.80	10.8	28.9
3	AI Applications	TEAM	23.0	-6.8	6.9	0.80	17.1	16.2
3	AI Applications	TWLO	12.8	0.0	3.7	0.80	10.3	12.8
3	AI Applications	SAP	15.7	27.4	6.5	0.80	18.0	43.1
3	AI Applications	SHOP	30.3	15.8	18.8	0.80	27.4	46.1
3	AI Applications	NOW	21.1	14.4	12.6	0.80	19.7	35.4
4	AI Reactors	FSLY	9.5	-23.2	3.1	0.45	-8.5	-13.8
4	AI Reactors	COUP	16.6	2.5	1.5	0.45	8.9	19.1
4	AI Reactors	DOCU	8.3	8.1	4.2	0.45	8.2	16.3
4	AI Reactors	VEEV	16.0	28.9	10.7	0.45	23.1	44.8
4	AI Reactors	DBX	-0.4	26.4	4.0	0.45	14.3	26.0
4	AI Reactors	ZM	3.9	22.9	3.6	0.45	14.3	26.7
4	AI Reactors	COIN	47.4	30.5	9.4	0.45	38.1	77.9
4	AI Reactors	PINS	16.8	6.9	3.7	0.45	11.4	23.7
4	AI Reactors	BOX	6.3	6.7	4.3	0.45	6.5	13.0

Figure 1. Core Software Universe (N = 34) for AI RWM analysis. That before any categorization, Rule of X (where w = 0.5 universally) no longer give meaningful correlation to valuation (R^2 = 0.166):

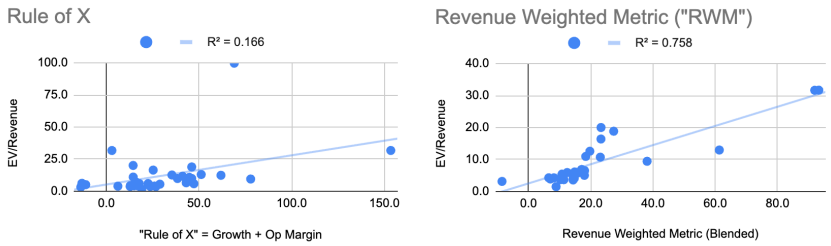

Figure 2. Valuation Regression Charts (Left: against Rule of X; Right: against blended Revenue Weighted Metric) (Note blended Revenue Weighted Metric chooses different weightings for different groups of AI category, see below for details).

This is likely a result of an increasing number of outliers where growth or topical relevance in AI overshadows margin profitability as a deciding factor of valuation. In contrast, preview of the RWM method shows a more statistically significant result between RWM and EV / Revenue (R^2 = 0.758), which we will elaborate below.

We mainly divide the tickers into 4 key categories:

"AI Game Changers": this group includes the most topical tickers in AI headlines, but exclusively limited to software companies (e.g. excluding NVDA, AMD, etc.). These companies likely have foundational layer power, or serves as foundation to AI deployment (e.g. PLTR).

Revenue-weighted metric best represents the correlation when w = 0.95, namely when growth is considered with 19x significance as margin. Note all tickers in this group have positive margins and significant scale, but w = 0.95 simply implies that growth is the predominant measurement of value for this group (Figure 3).

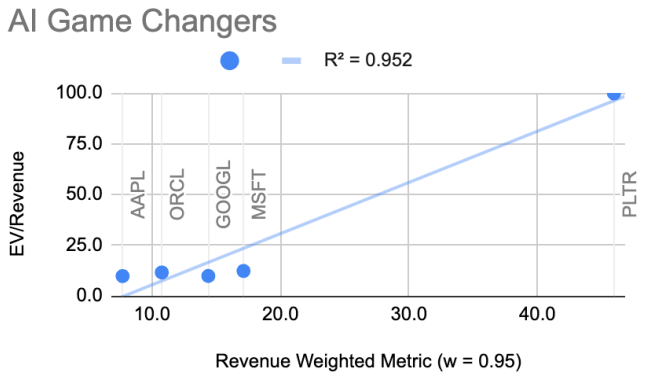

Figure 3. AI Game Changers Regression.

"AI Dev Ops – Building Blocks": DevOps tickers that have rapidly adapted to the new AI landscape and remain central to AI developer tools ecosystem, from observability (e.g. DDOG), search (ESTC) to security (S).

Revenue-weighted metric best represents the correlation when w = 0.88, namely when growth is considered with 7x significance as margin. Note most tickers in this group have negative margin, which potentially leads to margin not being a relevant indicator for this group, but compared to Group 1, valuation for this group is not purely based on growth or topical relevance; line of sight to profitability is positively rewarded (e.g. DDOG, MDB close to breakeven and have double-digit EV / LTM Rev) (Figure 4).

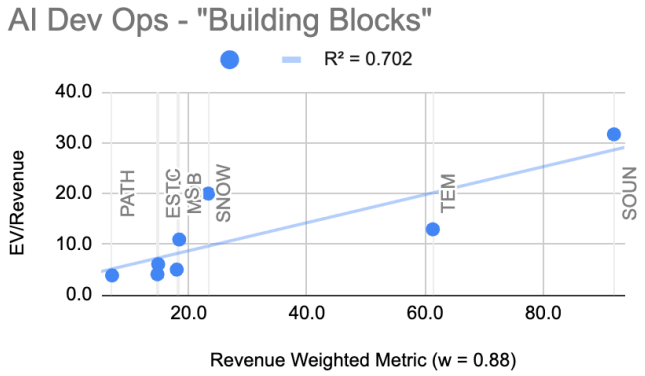

Figure 4. AI Building Blocks Regression.

"AI Applications": This group includes companies that purely applies AI to their products, and have so far demonstrated AI-driven product value.

Revenue-weighted metric best represents the correlation when w = 0.65, namely when growth is considered with 1.8x significance as margin. While growth is still more significant mover of valuation than margin, for this group margin becomes a lot more important, given they are not directly topical or an active building block of AI dev tools, but use AI to accelerate product development or go-to-market. For this group, AI is more a lever for which ROI of investment to monetization matters concretely.

Note that with more ample data, it would be interesting to explore "AI RWM", i.e. the combination of AI-attributed growth and AI-attributed margin uplift (Figure 5).

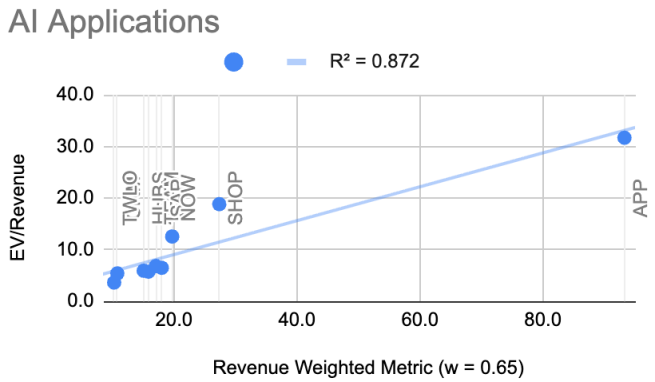

Figure 5. AI Applications Regression.

"AI Reactors": This group is either net neutral / not affected by AI trends, or at the very early stage of proving value from AI.

Revenue-weighted metric best represents the correlation when w = 0.45, namely when growth is considered with 0.8x significance as margin. Compared to the traditional Rule of X method, more emphasis is placed on profitability over growth for this group, when they are in a more defensive position to the AI disruptors, and are thus regarded as value tickers by investors (Figure 6).

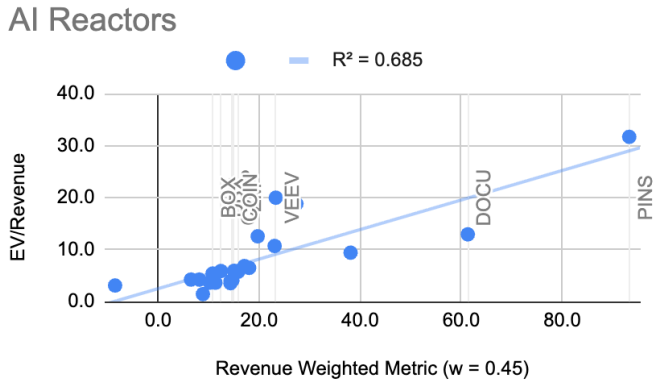

Figure 6. AI Reactors Regression.

Based on the above 4 categories, it becomes clear that investors attribute varying degrees of significance to profitability, dependent on the underlying AI story of the company. For the clear leaders "AI Game Changers" group, close to no weight is given to margin (w = 0.95), since growth is indicative of not only the company's own AI adoption, but a signal of the status of AI innovation. "AI DevOps – Building Blocks" are also seen as a close affiliate to the first group (w = 0.88), since companies in this category are directly contributing to and benefiting from the AI development ecosystem. The "AI Applications" group starts to see more emphasis on ROI and margin profitability (w = 0.65), given that these enterprise leaders represent the capability of AI integrating into the enterprise ecosystem and broader economy. For those without a clear story to AI, profitability remains a strong indicator, increasingly outweight growth (w = 0.45).

While this categorization is very limited to a small subset of core software universe, and the impact of AI is rapidly changing, an emerging framework for software companies start to form. It's worthwhile to call out that as more AI-attribution data becomes available, a more important analysis will be to analyze the AI-attributed growth and AI-attributed profitability uplift, which could further reflect more subtle dynamics within each group.

8. Conclusion

The rebound of the IPO market in 2025 reflects a clear recalibration of investor expectations compared with the post-pandemic 2021 cohort. The analysis of recent IPOs demonstrates that growth alone no longer guarantees premium valuation; instead, public investors now demand a combination of operational discipline, margin visibility, and strategic market positioning. Successful 2025 IPOs, such as Figma and Coreweave, illustrate the importance of aligning AI-driven innovation with scalable business models, validated total addressable markets (TAM), and proven growth levers. These companies were able to capture favorable valuations by demonstrating both technological defensibility and operational efficiency, reinforcing the patterns summarized in Figure 2.

For founders and investors, these findings highlight the need to treat IPO timing as a function not only of market opportunity but also of capital efficiency and narrative alignment. Companies that enter the public markets prematurely, without demonstrating sustainable margins or a clear pathway to profitability, risk underperformance, as seen in the case of Chime. Conversely, firms that strategically manage their growth, leverage AI where it adds measurable value, and communicate credible business fundamentals can optimize both valuation and investor reception.

Looking forward, whether 2025 represents a structural reopening of the IPO market will depend on the continued performance of early entrants and sustained investor trust in AI-enabled business models. The market's selective appetite underscores that public listings remain a tool best employed when operational readiness, financial transparency, and technological differentiation converge. A revenue-weighted method illustrates that with AI integrating into the economy at an accelerating pace, investors place varying emphasis on profitability dependent on the underlying AI story. In sum, the new IPO playbook prioritizes sustainable, efficient growth, technological defensibility in the age of AI, and strategic timing—marking a departure from the speculative exuberance of the 2021 era and providing a roadmap for companies considering public market entry in the years to come.

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