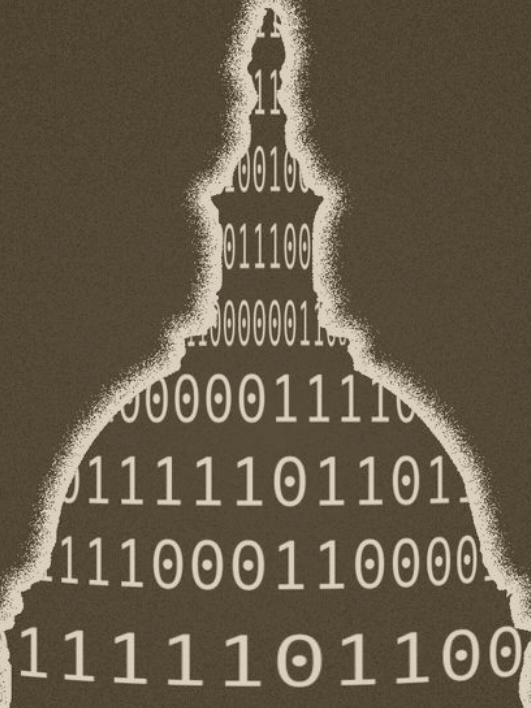


# Artificial Intelligence Outlook: Key Policies & Deals

## CONTENTS

- [Introduction](#)
- [Overview](#)
- [Investments in AI](#)
- [Industry transformations](#)
- [AI in dealmaking](#)
- [AI and policymaking](#)



## Introduction

Welcome to the latest Axios Pro report.

Artificial intelligence is changing everything, with significant implications for both the public and private sectors. In the former, policymakers are wrestling with regulatory challenges and the threat of misinformation. In the latter, investors must sift through the flood of new companies and technologies for the best investment opportunities.

### **Why it matters**

Nobody can predict what the advent of artificial intelligence will bring in the next few days, let alone the next few years. That's why we've tasked our team of 16 Pro reporters with staying current on everything changing across key sectors like health care, energy and tech.

In this report, our expert deals and policy teams uncover what matters in AI right now, both in the public and private sectors.

### **The bottom line**

Axios Pro is here to keep you up-to-date through all the changes AI is bringing, tell you where capital is being deployed and help you understand how Washington is reacting.

Learn more about Axios Pro by visiting [AxiosPro.com](https://AxiosPro.com).

# Overview

Artificial intelligence promises to transform industries around the world. Here's a look at the impact AI is having on investment opportunities, as well as the technology's potential for changing the way that the investing and dealmaking sector operates.

## Why it matters

Breakthroughs in machine learning, natural language processing and generative AI are upending expectations about how—and how fast—work gets done.

## Context

ChatGPT entered the public consciousness at the end of 2022 and kicked off a frenzy of activity among policymakers, academics, enterprise founders and leaders of established corporations. AI technology has the potential to supercharge productivity, disrupt established industries and change everything from medical treatment protocols to privacy law.

## What's happening

Investment dollars poured into AI-related enterprises and ventures, defying headwinds that depressed VC and PE investments generally in 2023.

Venture funding for AI exceeded \$50 billion in 2023, with generative AI investment jumping five times over 2022 as investors saw potential in technology that can create new data, text and images.

PE investment in generative AI jumped from \$1 billion in 2022 to \$2.2 billion last year, peaking in the third quarter when \$928 million flowed into companies, up from \$122 billion for the same period in 2022.

## Thought bubble

The Wild West days of AI investment may be winding down, amid proposed regulation on AI that could rightsize valuations while giving investors more guard rails.



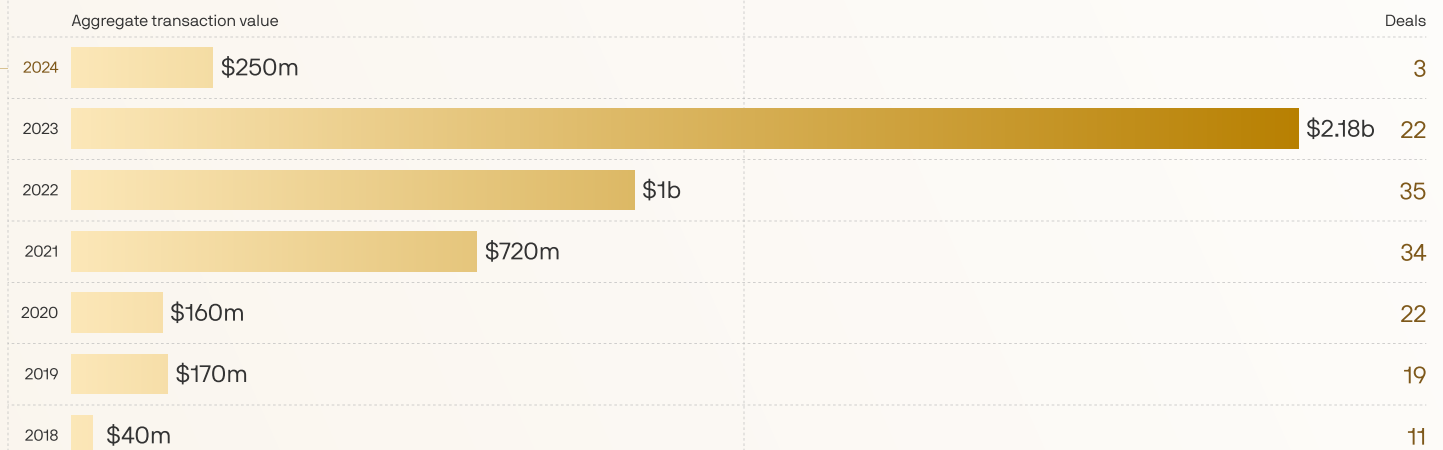
Claire Rychlewski  
Axios Pro: Deals Editor

## What's next

Dealmakers and other investors are focused on the foundational technologies and hardware that enable AI, as well as opportunities flowing from AI's ability to transform industries such as fintech, health tech, retail and climate.

## Global PE/VC-backed investments in generative AI

Annually; 2018-2024



Year-to-date through February 15, 2024

Analysis includes global whole-company acquisitions, minority stake acquisitions, and asset acquisitions, and rounds of funding announced between Jan. 1, 2018, and Feb. 15, 2024, where the target is a generative artificial intelligence company, and the buyer/investor is or includes a private equity or venture capital firm. Analysis is limited to S&P Global Market Intelligence covered companies. Excludes terminated deals.

Data compiled Feb. 16, 2024.

PE/VC = private equity or venture capital.

Source: S&P Global Market Intelligence.

© 2024 S&P Global.

Investors and dealmakers have focused heavily on the building blocks that will unlock AI's capabilities: developing the software, training the models, manufacturing the high-end computer chips and generating the electricity required for it all.

## Why it matters

The promise of AI will be realized only if its developers have the resources they need to perfect, produce and operate sophisticated AI models.

## What's happening

The enormous capital requirements of training AI models led to significant investment activity in 2023, with generative AI accounting for 77% of the investment dollars in this space.

For the full year, nearly \$22 billion flowed into generative AI startups. The five largest funding rounds in this space went to generative AI ventures: OpenAI, Inflection AI, Anthropic, Databricks and Aleph Alpha. Collectively, they netted more than \$14 billion in investment.

Generating enough power to fuel that work, along with the production of advanced semiconductors to enable it, is creating investment opportunities in climate-friendly power production.

## Yes, but

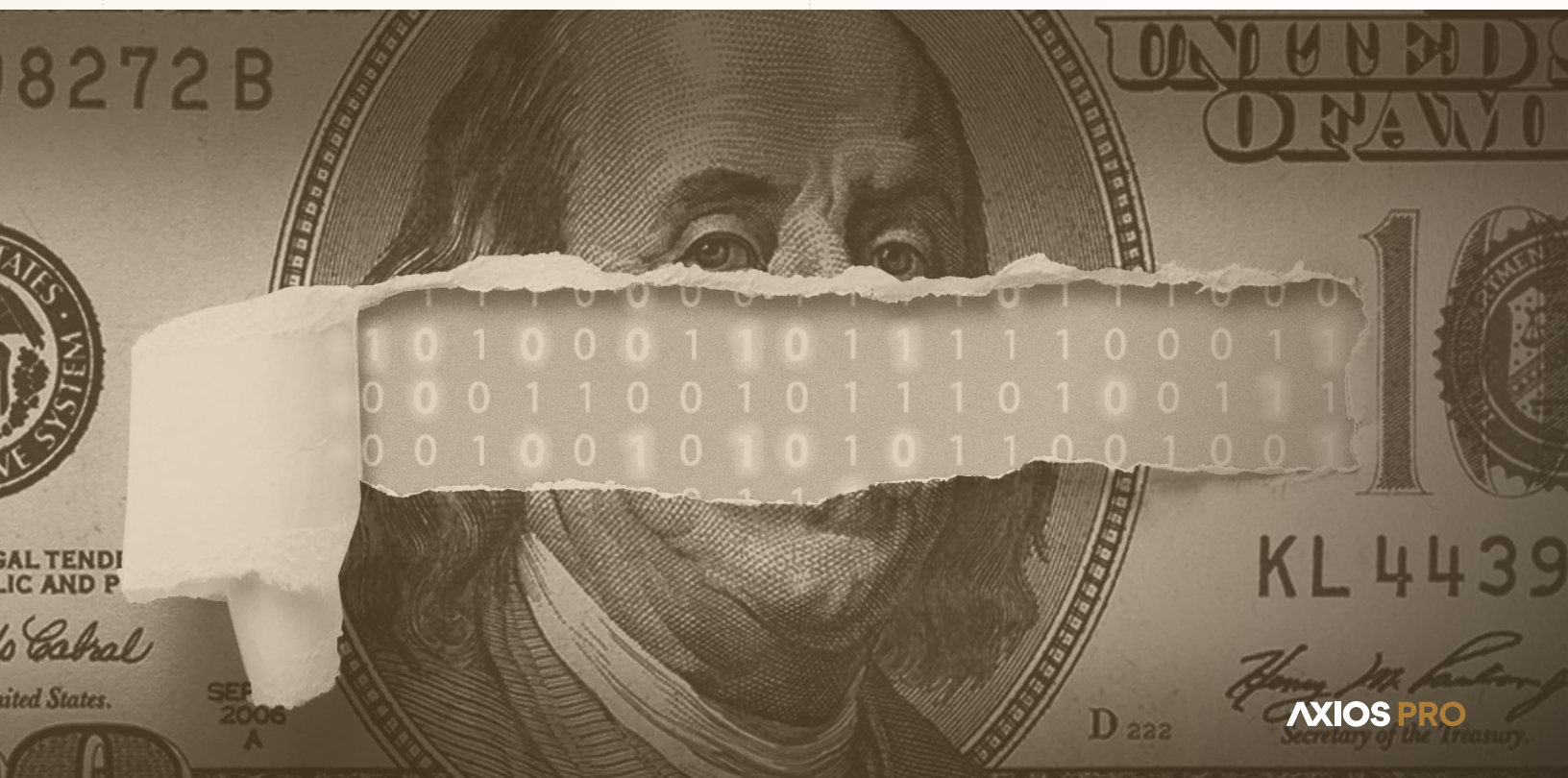
Some investors are urging caution about paying too much attention to the foundational pieces of AI, comparing it to what happened with electrification of the United States. Money initially flowed into power generating and distributing companies, but investors who instead focused on companies making use of that electricity ultimately fared better.

## Thought bubble

For example, the financial services industry has been cautious implementing the newest Generative AI tech in their core departments due to the industry's rigorous regulations. Newer technologies in the space have focused on becoming recommendation engines with a human decision-maker in the background. Similarly, as bad actors use AI to make more sophisticated fraud attempts, investors and companies have poured millions into fraud prevention AI.



Lucinda Shen  
Fintech Deals reporter



AI has the potential to change virtually every industry, allowing computers to perform work that until now has been the sole purview of humans.

## Why it matters

Ventures that develop AI technology to change how we work and navigate the world will disrupt entire sectors of the economy and generate value for owners.

## What's happening

Investors are betting on AI's ability to handle the drudgery that goes along with many jobs, as well as the technology's ability to perform back-office functions quickly and accurately. Functions as mundane as inventory management in retail and medical billing in hospitals are prime candidates for technology to reduce business costs and speed work processes.

Retailers and supply chain managers are finding ways to speed up everyday tasks with AI. Gather AI, which offers drone-powered warehouse inventory monitoring that works 15 times faster than people, raised a \$17 million Series A extension in March.

With the help of voice recognition technology, tools known as ambient AI scribes document medical interactions to lessen the administrative burdens of doctors. The promise of making doctors more efficient helped clinical documentation company Abridge raise \$150 million in Series C funds.

AI can process large sets of medical data to improve productivity in medical billing. Health care billing tech provider CodaMetrix notched \$40 million in Series B funding.

## Thought bubble

With several already in market, medical scribes hold the potential to reinvigorate doctor-patient interactions, which are often hampered by administrative burden and bottlenecks.



Erin Brodwin  
Health Tech Deals reporter

## What's next

Many other investors are looking at technology that performs knowledge work, such as producing legal briefs based on the law and the fact circumstances of individual clients; identifying serious illnesses from medical records and wearable devices; and detecting fraud in financial transactions.

Thomson Reuters Ventures made eight generative AI investments last year in areas such as AI assistants for lawyers and accountants. This investment included the \$650 million purchase of San Francisco-based Casetext, an AI legal research technology for litigators.

ArteraAI, which develops AI tests to personalize therapy for cancer patients, raised \$20 million in additional funding.

Travelers Insurance acquired Boston-based Corvus Insurance, which uses AI to help brokers predict and prevent complex cyber risks, for \$435 million.

# AI in dealmaking

Dealmakers are thinking about how they can use AI themselves to make their own operations more efficient and effective.

## Why it matters

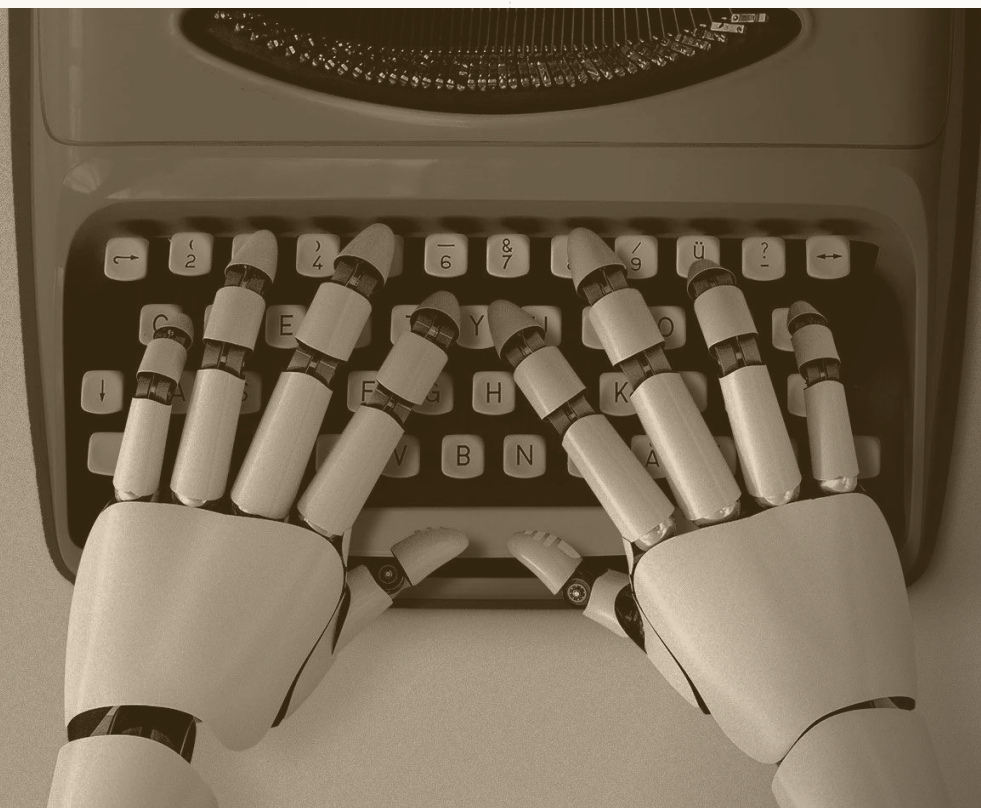
Every edge is important in the complex arenas of VC, PE and M&A, so those who effectively harness AI's potential could gain a major competitive advantage over laggards.

## What's happening

Comparatively few dealmakers are currently using AI, with just 16% using generative AI for M&A processes. That figure is expected to reach 80% in three years. PE and VC also are at the starting line in their use of AI, and adoption is likely to explode in these areas.

## Details

AI's ability to process enormous data sets quickly has the potential to transform the way dealmakers work. The technology can be trained to help source deals and spot deviations in contract language, or perform due diligence and process documents automatically.



# AI and policymaking

Meanwhile, policymakers are wrestling with how to get their legislative arms around the AI issue.

## Why it matters

Lawmakers in Congress and members of the executive branch are struggling to figure out how to both support innovation in the AI space while also creating appropriate regulatory guardrails.

## The latest

Efforts to block the use of AI in deceptive political content stalled in the Senate and likely won't see any movement before November's election. However, the Future of AI Innovation Act sailed through the Senate Commerce Committee late July, marking a big step forward for the legislation that aims to promote AI innovation and safety standards.

House Speaker Mike Johnson is a skeptic about regulating AI, telling Axios he's wary of any "red tape" that would stifle AI development.

## Details

President Biden named Vice President Kamala Harris as his administration's AI czar. Her responsibilities focused on strengthening international rules and norms around the technology.

Now the presumptive Democratic nominee, Harris has said that protecting against the dangers of AI doesn't have to come at the expense of supporting innovation.

## Thought bubble

Legislative efforts have largely faded as the election nears and all eyes are on the presidential candidates. Harris would bring continuity, while Trump would undo much of his predecessor's work.



**Maria Curi**  
Tech Policy reporter

We the U.S.

## Go deeper

Learn more about Axios Pro and how we can help guide you through changes brought about by artificial intelligence by subscribing at [AxiosPro.com](https://AxiosPro.com).

Every update we send is written just like this report: trustworthy, efficient and distinctive.

### **Need Axios Pro for your team or company?**

[Speak to our team](#) about Axios Pro Corporate Subscriptions.