2026

pilot

Pilot Capital Efficiency Index

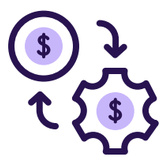
A data-driven look at startup efficiency

Topline findings



Over the past two years, startups have grown more efficient in how they operate.

They reduced burn through 2024 and carried that discipline forward even as spending began to rise again in 2025.



Startups strengthened margins through execution, not austerity.

Gross margins improved as businesses scaled, especially among those that continued to hire.



Teams reinvested without reverting to past excess.

Burn increased modestly in 2025, but from a far more disciplined baseline than in previous growth cycles.



More companies are reaching profitability sooner than the market narrative suggests.

A growing share are already profitable, with many others within reach under current operating trends.



Companies with more runway deployed capital more effectively.

They converted spending into growth more efficiently than those under near-term pressure.

Executive summary

The past two years have not been easy for startups. Capital dried up. Fundraising slowed. Layoffs continued to make headlines. The growth-at-all-costs mentality gave way to tougher conversations about burn, runway, and survival. As funding conditions worsened for many teams, startups had to operate with greater discipline, and investors and operators questioned whether startups could adapt to a more constrained funding environment or whether many companies were fragile, overextended, or dependent on the next funding cycle.

The data in the inaugural Pilot Capital Efficiency Index shows that as funding availability declined, startups focused on improving how they deployed capital. They cut costs without an equivalent drop in activity. Over time, these changes translated into higher efficiency, and those practices persisted. What began as short-term adjustments became part of how these companies now operate.

Through 2024, startups reduced burn relative to growth. When funding conditions improved in 2025, they didn't abandon those habits. They increased spending without reversing earlier gains in burn efficiency.

That discipline paid off. Startups reached profitability sooner than the traditional market narrative suggests. Gross margins improved as companies scaled, especially among teams that continued to hire. These gains came from stronger execution and operating leverage, rather than short-term cost reductions.

With that, we'd like to introduce The Pilot Capital Efficiency Index. We hope it grows into the new industry-standard barometer of how startups translate capital into operating outcomes, using the financial data they generate in the course of running their businesses. Rather than relying on external signals like funding rounds, valuations, or surveys, the index examines metrics that reflect day-to-day execution.

The index draws on real operating data from nearly 1,000 VC-backed companies to track how startups deploy capital day to day. By examining burn efficiency, profitability timelines, margin quality, payroll productivity, runway behavior, and expense discipline, the index shows what changed inside companies as conditions shifted.

So far, it reveals that startups are more resilient than often given credit for. The era of easy money and effortless growth may not return in the same form but this generation of startups has adapted by learning how to operate with intention. They operated through a period of constrained funding, made changes to improve efficiency, and carried those lessons forward. As macro conditions improve, they are not reverting to old habits.

The kids are going to be all right.



About the Data and Methodology

The Pilot Capital Efficiency Index is based on anonymized bookkeeping data from nearly 1,000 VC-backed companies using Pilot's financial platform. Unlike surveys or self-reported metrics, the analysis draws directly from the financial records companies generate as they operate, capturing actual spending, revenue, and cash flow behavior.

Because the index is built on complete financial data rather than responses or estimates, it reflects what companies do in practice, not how they describe their behavior. The metrics examined include burn-to-growth ratio, time to profitability, gross margin, payroll productivity, runway, and expense composition.

Results are reported in aggregate and segmented by revenue, runway, and efficiency profiles where sample size allows. The analysis is observational and does not establish causality. Findings reflect the Pilot customer base and may not generalize to the full startup ecosystem.

What the data shows

01 How startups improved operating efficiency over time

KEY TAKEAWAY

Startups made measurable efficiency improvements during periods of constrained funding and sustained them over time. In a weak market, startups had no choice but to grow more cost efficient. That became their normal. Now, even as the market strengthens, they are maintaining those habits.

WHY THIS MATTERS

The new baseline for capital efficiency is higher than before.

During the downturn, startups became more efficient

As funding conditions tightened through 2024, startups slowed hiring, delayed nonessential spending, and focused more closely on converting existing demand. As a result, median burn-to-growth ratios declined steadily. Our data shows that **median burn-to-growth fell from 6 in Q4 2023 to 3.7 by Q3 2024**, demonstrating how efficiently startups converted spend into revenue.

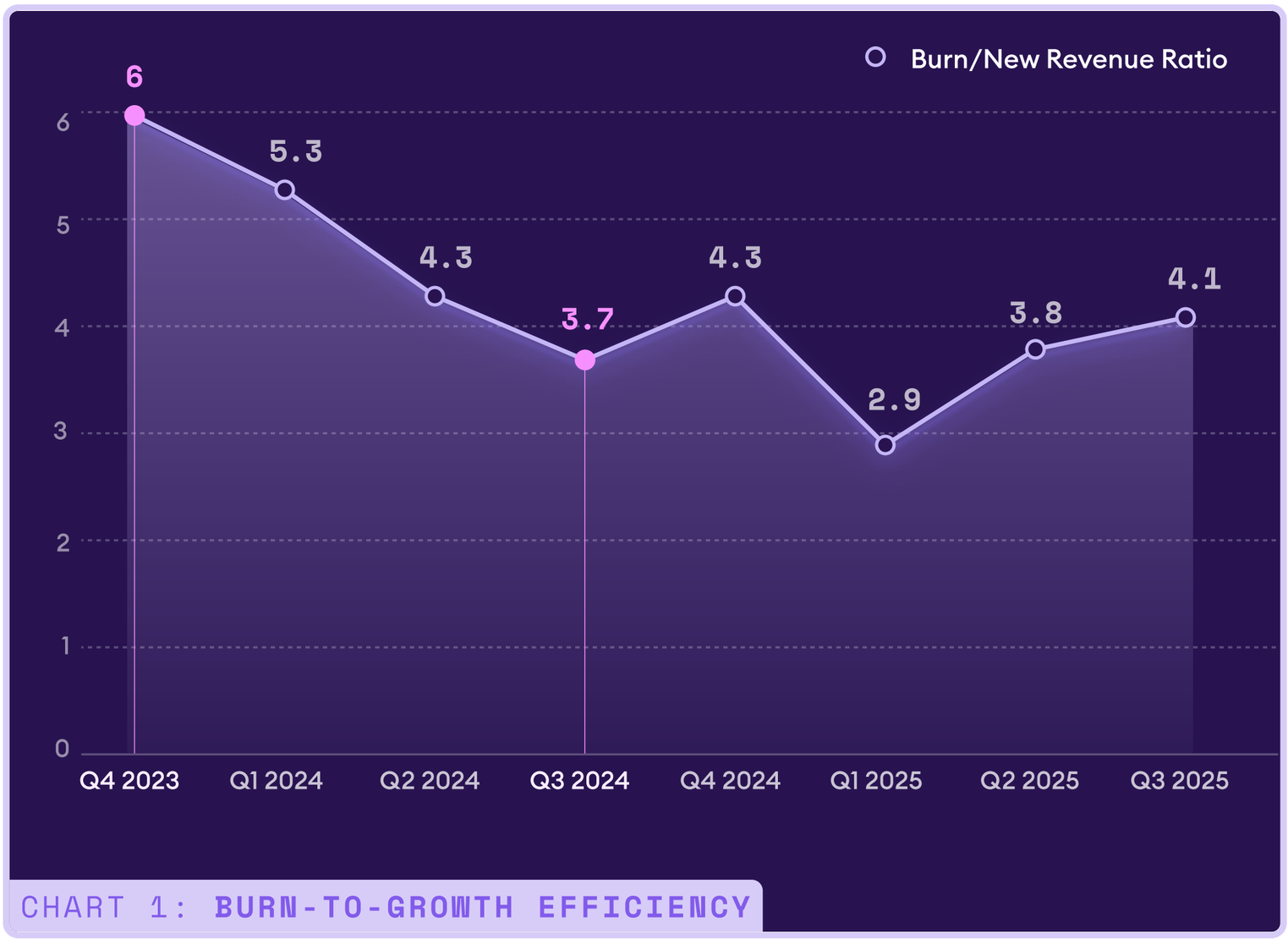


CHART 1: **BURN-TO-GROWTH EFFICIENCY**

As conditions improved, discipline held

When money started flowing again in 2025 and optimism for growth returned, burn began to rise again. But startups did not revert to earlier operating behavior.

Although burn-to-growth ratios increased modestly after reaching a low of **2.9 in Q1 2025**, they remained well below late-2023 levels through Q3 2025, as startups increased spending while keeping burn relative to growth below prior-cycle levels.

02 The path to profitability is shorter than the narrative suggests

KEY TAKEAWAY

Startups are reaching profitability faster than widely assumed: **in just 4.2 years**. Often years earlier than the six-to-eight-year timeline that most founders and investors expect.

WHY THIS MATTERS

The prevailing assumption is that venture-backed startups require many years of sustained losses before reaching break-even. That assumption shapes how founders plan, how investors evaluate risk, and how the broader market judges startup health. Our data shows otherwise.

Reaching profitability sooner

Across startups in the Pilot dataset, the median time to profitability is 4.2 years, using three consecutive months of positive net income as the definition. That timeline is materially shorter than the commonly cited six-to-eight-year path to profitability.

By 2025, approximately **20.3% of startups in the dataset were already profitable, while 15.8% are on a strong path to profitability**, meaning that they are within two years of reaching that milestone.

The data also shows clear differences by scale. Companies in the **$100K to $500K revenue range reach profitability in a median of 4.0 years**, while companies with **more than $2M in revenue reach profitability in a median of 5.3 years.** Higher-revenue companies often take longer to reach break-even because they continue investing in growth.

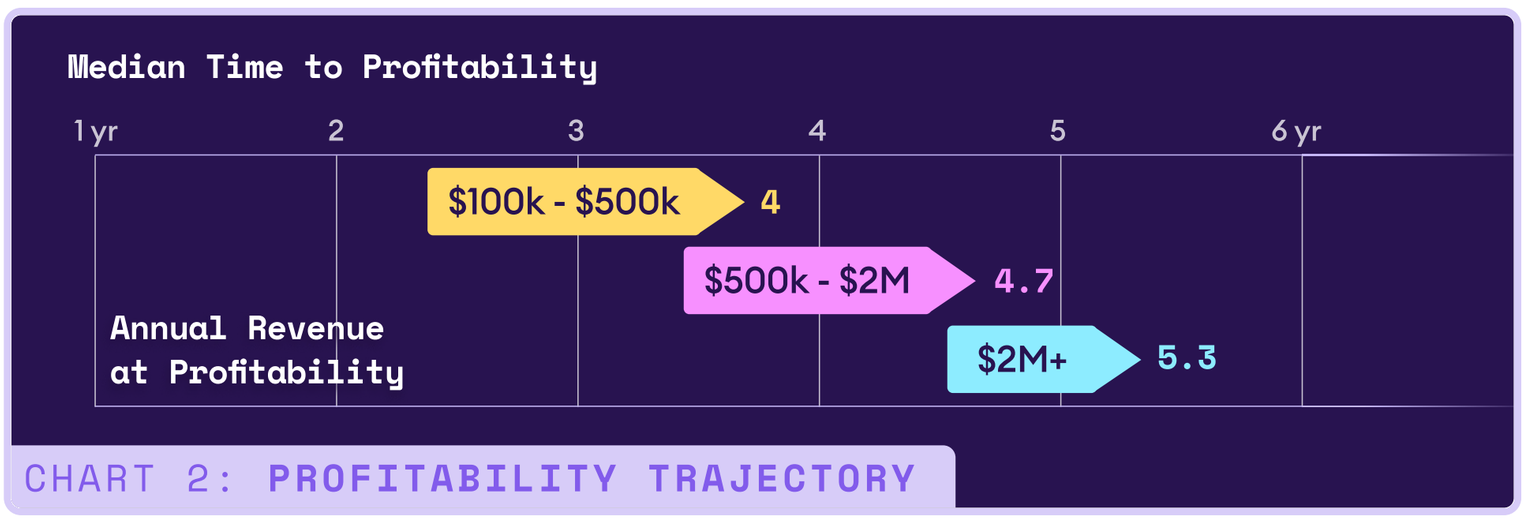
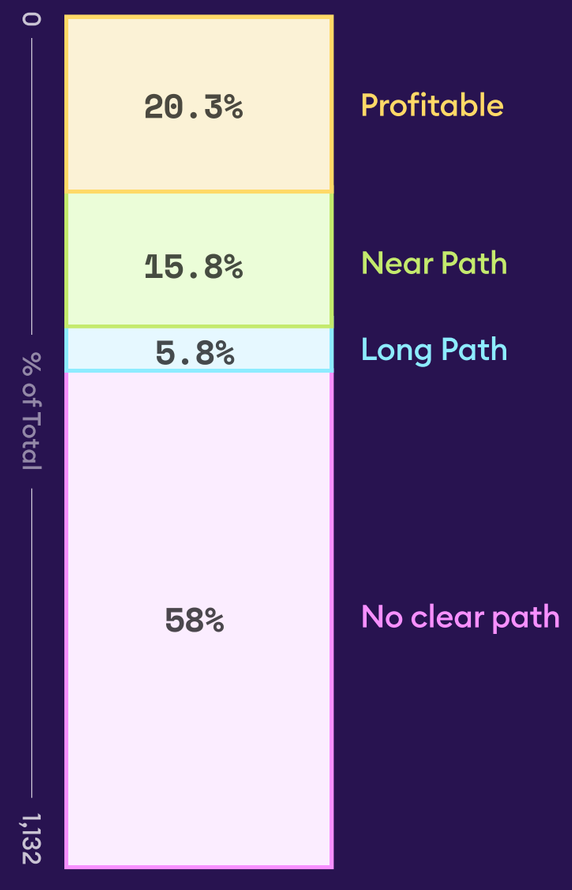


CHART 2: PROFITABILITY TRAJECTORY



CATEGORY	MEDIAN MONTHLY BURN	MEDIAN MARGIN	MEDIAN MONTHS OF RUNWAY
Profitable	-$57,652	80.3%	N/A
Near Path	$43,919	84.8%	10.4
Long Path	$109,565	89.8%	13.4
No Clear Path	$144,174	87.7%	13.1

CHART 3: **PROFITABILITY TRAJECTORY**

03 Startups strengthened margins through execution, not austerity

KEY TAKEAWAY

Startups improved gross margins through better execution and operating leverage, not by simply cutting their way to efficiency.

WHY THIS MATTERS

Margin expansion is often assumed to come from pulling back. The data shows a different pattern. Even as startups navigated tighter conditions and continued to invest in their teams, margins improved steadily.

Margins strengthened over time

Median gross margins increased from 76.7% in 2023 to 79.9% in 2024, reaching 81.7% in 2025: an increase of 5 percentage points over two years. These gains reflect sustained improvements in unit economics and operating execution, not temporary cost reductions.

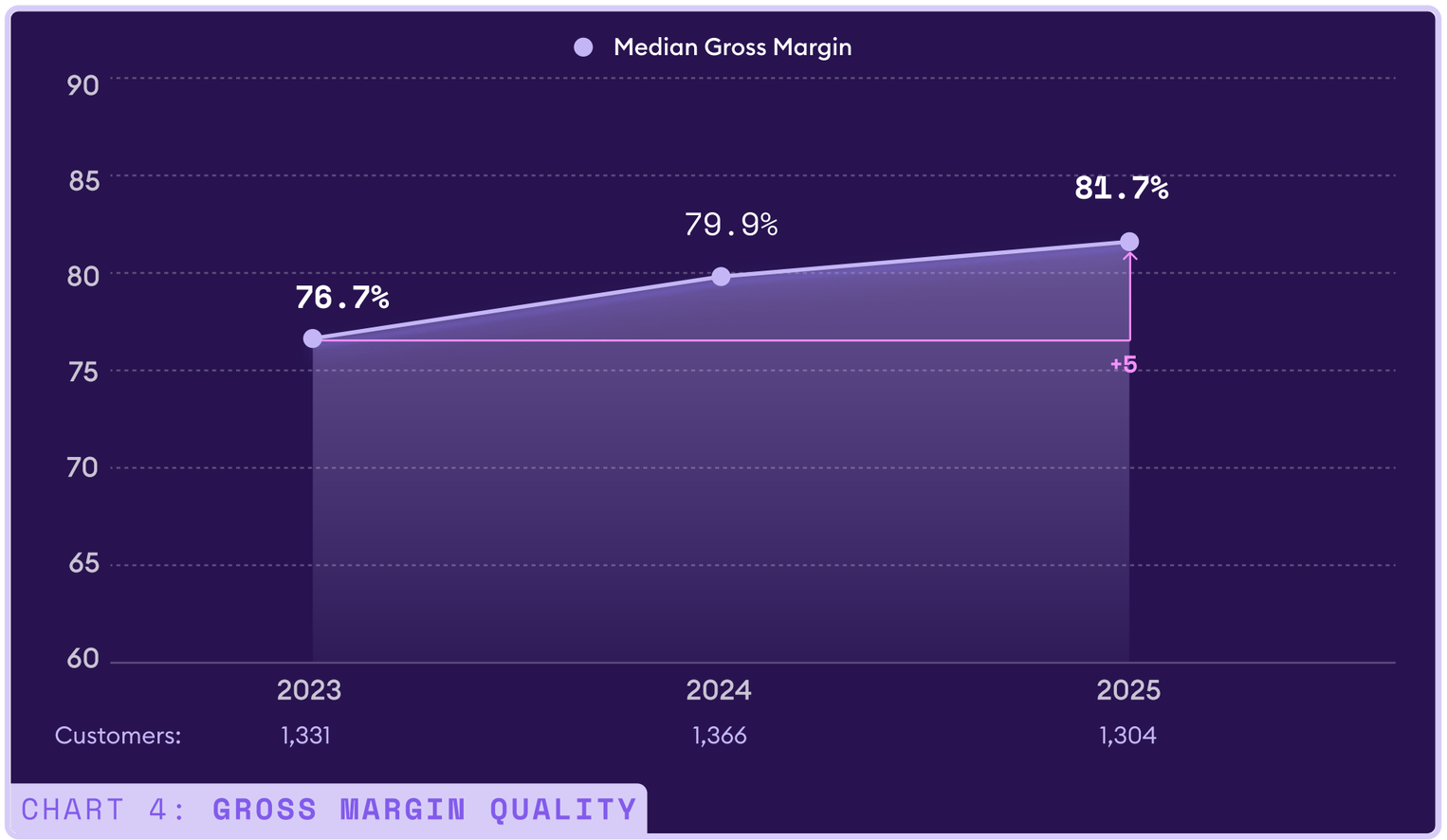


CHART 4: **GROSS MARGIN QUALITY**

Margin gains coincided with continued hiring

Margin improvement did not require freezing payroll. Companies with **faster-growing payroll were more likely to improve gross margins** than those with slower headcount growth. Startups with **fast payroll growth (>75% YoY)** saw a **median gross margin improvement of +0.6%**, compared with +0.1% among companies with slow payroll growth.

Startups that continued to invest in their teams were often the ones that improved margins the most.

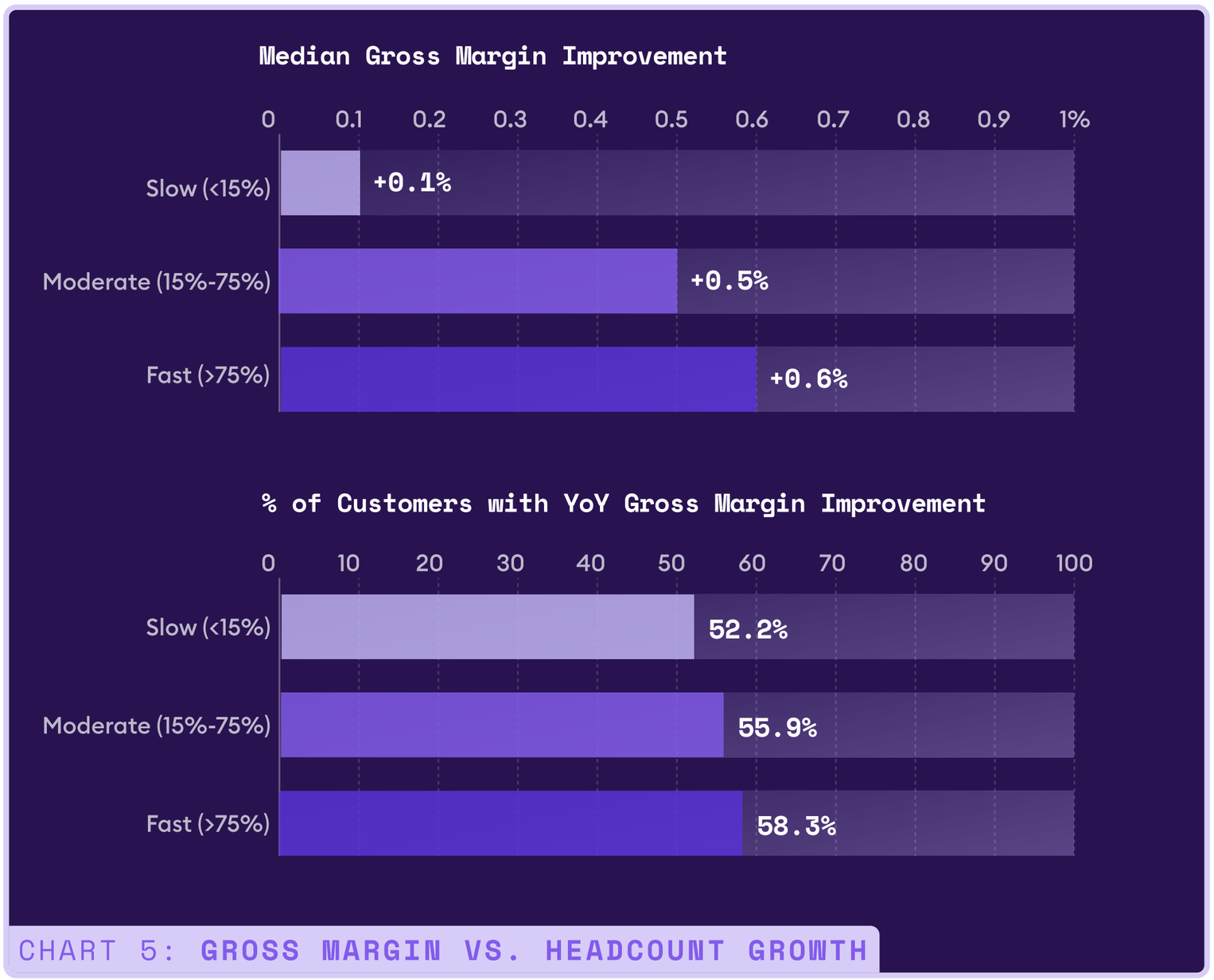


CHART 5: **GROSS MARGIN VS. HEADCOUNT GROWTH**

04 Runway reflects discipline, not hesitation

KEY TAKEAWAY

Startups with more runway tend to deploy capital more effectively, getting more growth out of each dollar they spend than those operating under near-term pressure.

WHY THIS MATTERS

Investors often treat runway as a simple countdown clock: a sign of caution or stalled momentum. In practice, it reflects prior operating decisions. Companies with more runway earn it by converting spending into growth more efficiently, giving them greater flexibility in how and when they invest.

Runway and capital efficiency

Startups with longer runway turn spending into growth more effectively than those facing near-term constraints. Companies **with 24 or more months of runway post a median burn-to-growth ratio of 5.0**, compared with **8.4** among companies with **less than 12 months of runway**.

Startups with **12–23 months of runway** show even weaker efficiency, with a **median burn-to-growth ratio of 10.9**, suggesting that runway alone is not enough. What matters is how it is earned and how capital is deployed.

With more time to plan and prioritize, startups are better positioned to invest deliberately, rather than reacting tactically to short-term pressure.

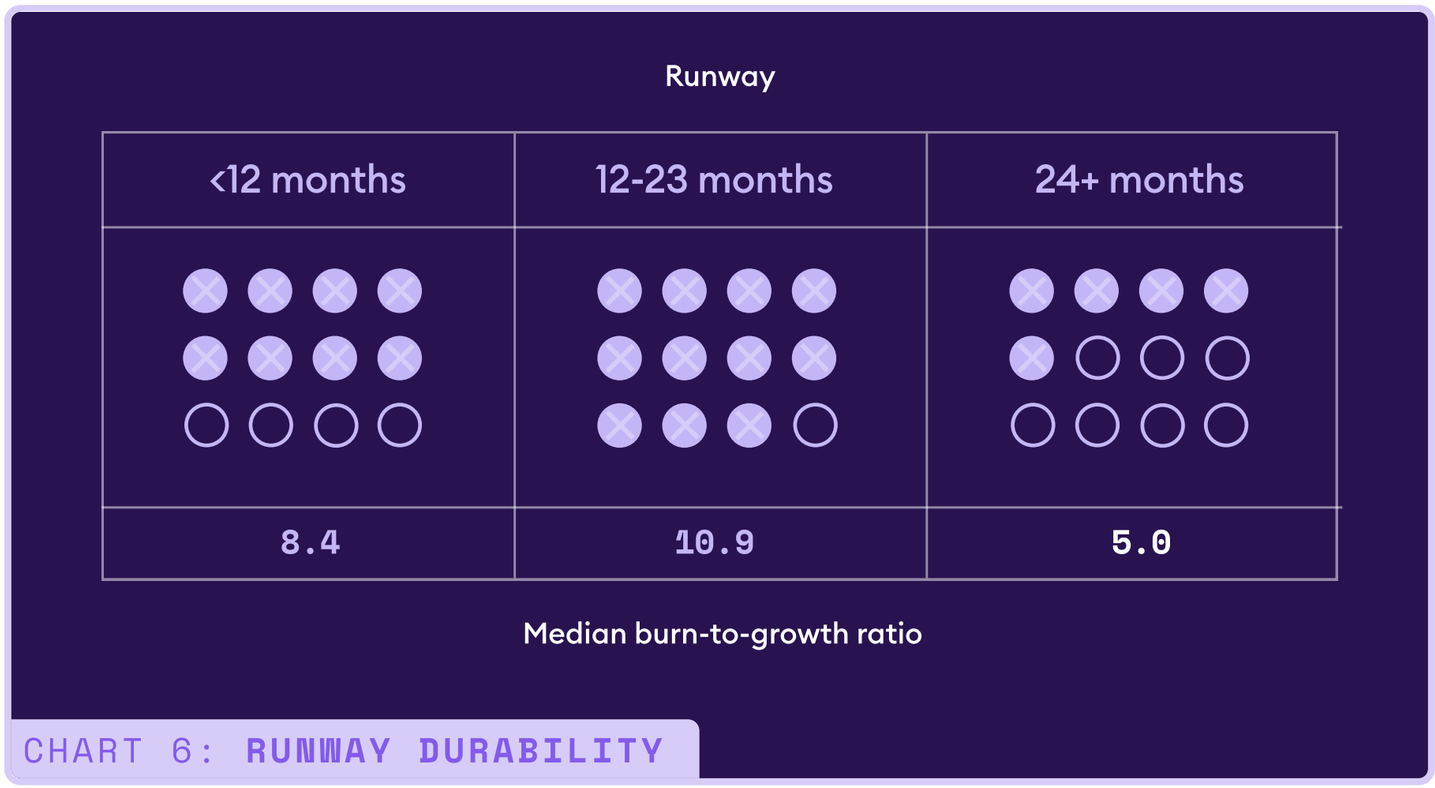


CHART 6: **RUNWAY DURABILITY**

Changes in startup operating efficiency

Investors, operators, and commentators have often perceived startups as fragile, overextended, or dependent on continued access to capital. The past few years put those assumptions to the test. The era of abundant capital made inefficiency easier to tolerate. When funding conditions tightened, that tolerance disappeared.

Startups responded by changing how they allocate capital and manage growth. Those operating practices continued even as funding pressure eased. Startups reinvested with clearer priorities, scaled with stronger margins, and resumed growth without reversing earlier improvements in efficiency.

This represents a meaningful shift in how startups operate. Companies that allocate capital more carefully are better positioned to grow sustainably as opportunities expand.

The operating data suggests that these perceptions have not kept pace with reality. Based on how startups now run their businesses, today's companies operate more efficiently and with greater resilience than they are often given credit for.

The Pilot Capital Efficiency Index will continue to track how these behaviors evolve.

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