Exclusive

Two OpenAI Business Partners Each Discuss $2 Billion Valuation

Image via Getty

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OpenAI's rapid growth continues to boost the prospects of suppliers and other business partners whose sales are also climbing quickly.

Anysphere, which develops Cursor, an artificial intelligence coding assistant powered in part by OpenAI technology, has received investment offers from venture capitalists at a valuation of around $2.5 billion, up more than six times from its valuation in a deal roughly four months ago, according to two people with direct knowledge of the situation.

Meanwhile, Mercor, a staffing provider OpenAI and other AI developers use to find contractors, has spoken to investors about raising at least $100 million at a valuation of as high as $2 billion—eight times higher than its valuation in a financing six months ago, according to two people with direct knowledge of the discussions.

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A slew of OpenAI vendors and business partners have capitalized on the company's momentum, most notably Microsoft, OpenAI's biggest benefactor. Numerous startups that supply the ChatGPT developer with data center servers to power its technology or contractors who evaluate its models have also attracted capital as OpenAI's valuation and revenue (as well as its losses) have soared.

Revenue at Anysphere, whose Cursor assistant autocompletes and rewrites code for developers as they type, has increased rapidly lately. The company's subscription revenue has risen to a pace of nearly $50 million a year, or around $4 million per month, according to two people with direct knowledge of the situation. That's up from a pace of more than $20 million in revenue a year, or over $1.6 million per month, as of October, The Information previously reported.

The $2.5 billion–valuation investment offer would be about 50 times the startup's forward revenue, or in line with valuation multiples of other AI firms. Its gross profit margins couldn't be learned. Six other AI coding startups have a private valuation of between $1 billion and $3 billion, according to the Generative AI Database.

OpenAI itself has financed Anysphere, as have Andreessen Horowitz and Thrive Capital, which are both OpenAI shareholders. John Schulman, a co-founder at OpenAI who recently joined Anthropic, is also named as an investor in the company, according to a job posting by Anysphere.

But OpenAI recently began to compete more aggressively with Cursor through new features it launched in ChatGPT. And OpenAI is doubling down on developing AI assistant features and products that would further ratchet up the competition. Software developers are among the top customers of ChatGPT, which the company projected would generate about $3 billion in subscription revenue this year.

Cursor ranks high in The Information 50 list of promising startups. Developers using Cursor can power the service with large language models from OpenAI as well as rivals such as Anthropic.

Cursor differentiates itself from competitors by incorporating knowledge of a developer's entire code base in its suggestions, developers say. For instance, the assistant can suggest lines of code in the developer's coding style and understand how different files in the same project relate to each other.

Armies of Human Evaluators

The potential deal involving Mercor comes six months after the company, founded two years ago, raised capital at a $250 million valuation in a deal led by Benchmark that also included investment from two OpenAI directors, Adam D'Angelo and Larry Summers, as well as Peter Thiel, a co-founder of Founders Fund. Since then, the company has supplied OpenAI with contractors to evaluate its AI models.

Mercor recently received multiple term sheets, including one from Felicis Ventures, and could opt to raise money at a lower valuation than $2 billion, one of the people said. It has projected that by the end of 2024, its revenue will reach a pace of $50 million annually, or more than $4 million per month, this person said. (Such firms typically report revenue as a gross figure that includes the amount contractors keep for their work, but it isn't clear if that's the case with Mercor's figures.)

Left to right: Mercor's co-founders Adarsh Hiremath, Brendan Foody and Surya Midha. Photo via Mercor

Part of Mercor's appeal to investors is its work with AI developers, including OpenAI, which need experts in subjects like law and medicine to help train models, said a person briefed on the round. Another major AI developer, Meta Platforms, also has used Mercor to find contractors, the startup has told a potential investor.

Mercor could threaten bigger rivals such as Scale AI and Turing, which are different from Mercor in that they typically manage the contractors as well as the work those people do for customers, while Mercor doesn't necessarily manage its contractors' work.

Mercor, which uses AI to interview and screen candidates, similar to how Turing operates, has more than 300,000 workers registered with its marketplace, including former engineers at Google and Amazon, according to its website. (Turing, by comparison, says millions of software engineers are part of its marketplace.)

Scale and other competitors such as Labelbox and Surge AI have attracted high valuations on strong demand from AI developers that need human workers to evaluate AI models so developers can tweak them to perform better in a range of tasks. But there are signs that some AI companies may be looking to cut out these vendors in favor of bringing the work in-house. Elon Musk's xAI, for instance, is hiring "AI tutors" with expertise in Japanese or mathematics to help the company improve its models, though it also has been using Turing to make its models better at coding, The Information reported.

Scale recently announced a new product, Expert Match, that—similar to Mercor's core service—lets AI developers connect directly with contractors to train models. Labelbox has also been developing a service to help AI companies hire such workers, a person with direct knowledge of the effort said.

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