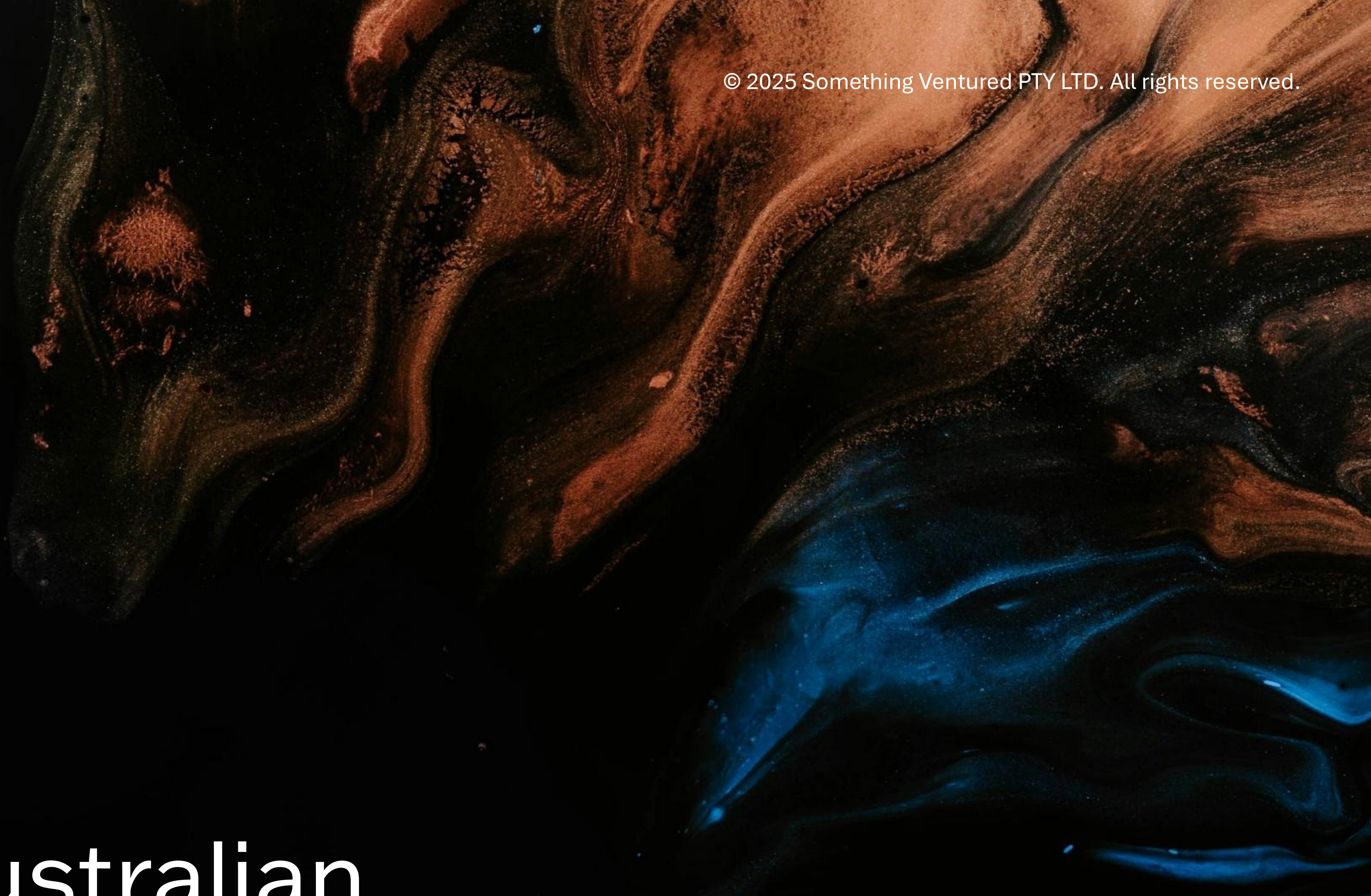
2024



State of Australian Startup Funding

CUT THROUGH venture

Folklore Ventures

Acknowledgement

We acknowledge Aboriginal and Torres Strait Islander Peoples as the Traditional Custodians of the land, waterways and sky across Australia.

We pay our respects to Aboriginal and Torres Strait Islander cultures and Elders past and present.

The State of Australian Startup Funding is proudly brought to you by

CUT THROUGH venture

Folklore Ventures

Supported by

KPMG

CORRS CHAMBERS WESTGARTH

HSBC

QIC

launchvic

AUSTRALIAN INVESTMENT COUNCIL

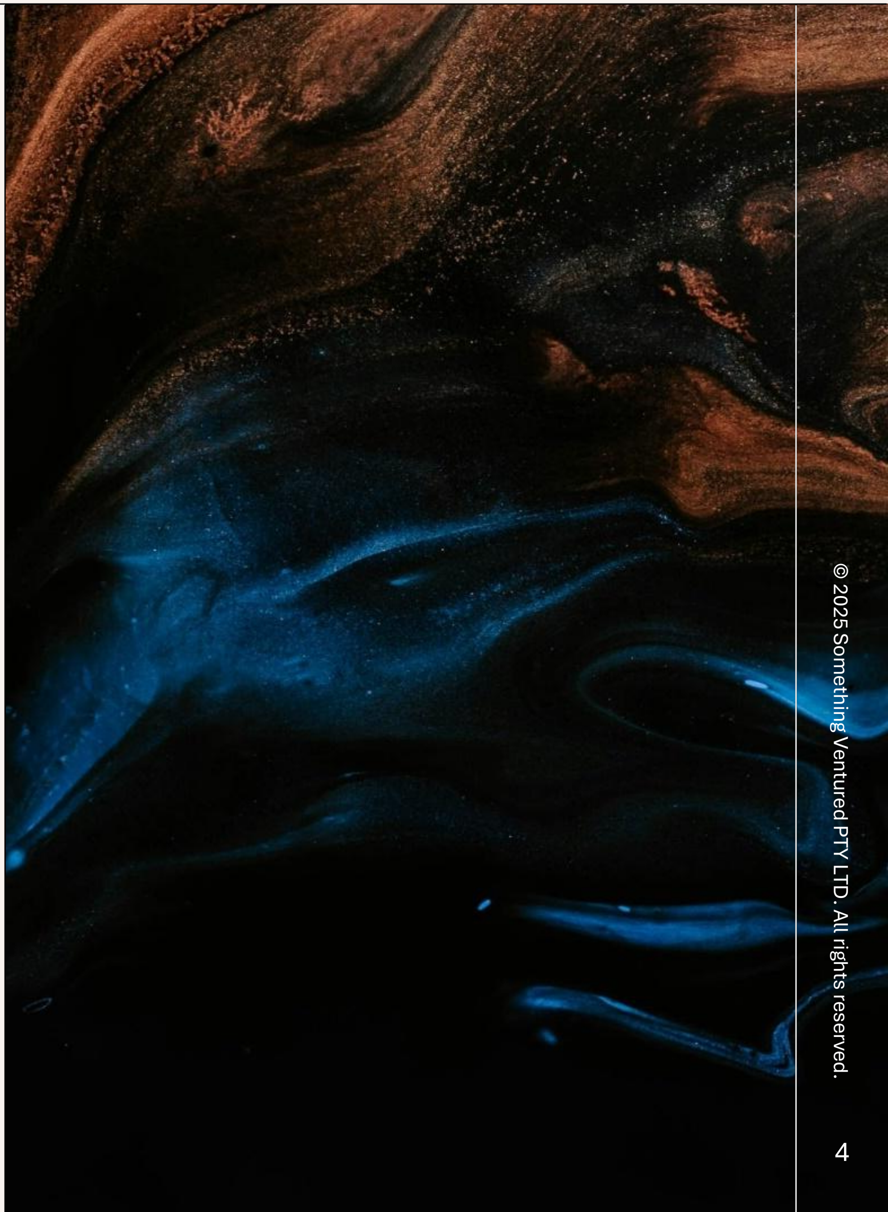
NSW GOVERNMENT

Investment NSW

With contributions from

1835i
AFTERWORK
airtree
ALIAVIA ventures
ALICE ANDERSON FUND
ALIUM CAPITAL MANAGEMENT
ANTLER
ARCHANGEL
artesian
ATHLETIC VENTURES
aussie angels
BLACK SHEEP CAPITAL
BLACKBIRD
BUILD CLUB
Bupa
cake.
Capital X
CapXcentric
CarthonaCapital
Co Ventures
(Energy)Lab
Euphemia
evp_
F5 COLLECTIVE
FinTech Australia
FIRST AUSTRALIANS CAPITAL
First Nations FINANCE
FIRST NATIONS X
Five V / Capital
FLYING FOX
FRAZIS CAPITAL PARTNERS
galileo
GiantLeap
GXE
impactsheet.
INNOVATION BAY
INSIGHT PARTNERS
investible
Jelix VENTURES
KAARLI
kashcade
lighter CAPITAL
VENTURES M8
MA Growth Ventures
MAIN SEQUENCE
MAKE IT HAPPEN HQ
MARSHALL INVESTMENTS
MIGHTY PARTNERS
MIND VENTURES
New&Improved
NextGen Ventures
NiceTo REPRESENT
OCHRE VENTURES
OIF
ONE ROOF
ONE VENTURES
OVERNIGHT SUCCESS
Paloma
Perennial Partners
Platform ADVISORY PARTNERS
Possible VENTURES
prosus
PURPOSE VENTURES
QBE Ventures
RAMPERSAND
RE MARK ABLE Remarkable
SALUS
scale investors
SecondQuarter
Shearwater
SIDE STAGE VENTURES
Skalata
SKIP CAPITAL
SoftBank Investment Advisers
sprint. founders first
Square Peg
Startmate
techstars_
TEN13
tenacious ventures
TENMILE
The Club
The Cultural Intelligence Project
Tidal
Tractor Ventures
tribe Global Ventures
Tripple
UNIQUEST
Virescent Ventures
WADE INSTITUTE
WHAT THE HEALTH
WOLLEMI

Index



A word from Cut Through Venture

Chris Gillings

Cut Through Venture & Five V Capital

Australians still embrace our alias of the 'lucky country', a term coined in 1964 as a negative critique of our reliance on natural resources, favourable climate, and geographical isolation. While we've all benefited from Australia's past fortune, a continued focus on traditional industries like mining, real estate, and banking won't propel us forward in an innovation-driven global economy. What got us here won't get us where we need to go.

To secure Australia's relevance in the modern global economy, we must expand our *"surface area for luck"* by combining our long-standing strengths with a bold cultural shift that embraces calculated risk-taking and prioritises innovation. To use a VC idiom, we must skate to where the puck is going.

None of Australia's unicorn startups plan to list on the Australian Stock Exchange. This is a powerful signal that our domestic market is not perceived as a viable launchpad for growth. Australia invests around 1.7% of its GDP in research and development, trailing the OECD average of roughly 2.5% and well behind leaders like the United States. At the same time, many top business graduates still favour traditional roles in finance or consulting over opportunities at organisations driving innovation – or, for those who do, they often choose to take their talents abroad.

Imagine an Australia where innovation and technology form the backbone of our economy – where our brightest talent chooses to stay in Australia to drive ventures that redefine industries rather than conform to conventional roles. By 2035, Australia could be recognised globally as a small-but-mighty powerhouse in software, renewable energy, and medical technology, propelled by our talent, continuous research and robust venture funding. Achieving this future requires transforming our regulatory environment and tax incentives while, as a culture, reframing setbacks as stepping stones to success.

Governments and investors in other countries are recalibrating to prioritise innovation and emerging technologies. From Silicon Valley to Tel Aviv to Singapore, other countries are creating vibrant startup ecosystems and directing substantial resources toward research and development. We must embrace this shift if Australia wants to remain competitive globally. We cannot afford to stand apart from a movement that positions innovation as the cornerstone of sustainable growth and competitiveness.

Central to this transformation is our world-class university system, which must evolve from simply supplying talent to traditional sectors into a driving force for entrepreneurship. Strengthening STEM education, expanding scholarships, and forging closer industry-academia partnerships will help commercialise research and ensure that our top intellectual capital stays in Australia to fuel a deep and dynamic innovation ecosystem.

Realising this vision also demands a coordinated policy response. We must cut bureaucratic hurdles that slow startup growth, introduce competitive tax incentives and grants to boost research and development and build stronger links between industry and investors to keep promising ventures within our borders. At the same time, investing in support systems for founders – like affordable childcare and mentoring programs – will empower more entrepreneurs to thrive without feeling compelled to seek opportunities overseas.

The time to act is now. We cannot afford to remain anchored to outdated sectors or rely on luck alone to shape our destiny. By diversifying our industries, nurturing local talent, and fostering a robust innovation ecosystem, Australia can redefine what it means to be lucky – not by leaving our future to chance but by creating it through deliberate, bold action.

Thank you for reading and being part of the conversation on Australian innovation. Enjoy the Report, and keep creating your own luck.

A word from Folklore Ventures

Folklore Ventures

Alister Coleman

Founder & Managing Partner
Folklore Ventures

This State of Australian Startup Funding Report marks the 4th year Australian funds, founders, and contributors have come together to highlight the scale and breadth of an industry that barely existed only 10 years ago.

With the support of our industry, Folklore Ventures and Cut Through Venture hope to provide a collective understanding of Australia's startup funding landscape and local startups competing globally, and to encourage the next generation of founders to start great Australian technology companies.

Over the last 12 months we saw improved investor confidence and increased deal volumes in seed rounds, alongside an uptick median round sizes. Statistically seed stage investment weathers VC market downturns best, and Australian seed stage allocations have recovered from their 2023 lows. If this last year of recovery rhymes with history, and if one considers history a marker for the future, there is good reason to be optimistic about 2024 vintage companies.

One would strain to not see a common focus across our industry as AI became more discussed and debated, as discretion over "AI" investments became more discerning, and early exits reinforced an emerging understanding of AI's rapid change. Yet the story is not just one of positive sentiment towards AI, broad investment activity in healthtech, robotics and automation, fintech, cyber, climate tech and B2B SaaS bodes well for industries where a critical mass of prospective investments is emerging.

However, the Australian startup landscape is not yet experiencing wholesale up-and-to-the-right investment activity. Whilst Series A and B deal volumes increased, median deal sizes fell, and valuation elasticity took hold as the cohort of 2021/22 funded startups adjusted to contemporary valuation metrics. In 2024 the operating zeitgeist of Series A and B companies settled into a cold bath of sustainability and more patient growth. And that's not all that bad, for we Aussie's are a resilient bunch, and an uptick in A$50m-plus rounds indicates we have good reason to be optimistic about a cohort of startup teams more efficient in operation, battle-scarred from challenge, and primed to build globally.

It is important to remember that building successful companies and breakthrough technology takes time, and as time passes, we move closer to a coming wave of liquidity and returns. Yet investing in startups is all about asymmetric returns, and not plodding to the finish line with modest outcomes, it is full of missteps and missed opportunity, and feedback loops intended to create something of value. Whilst short-termism may get the better of those seeking quick gains, or spur some to comment on everything and risk nothing, we should not allow cynicism and impatience to wet-blanket the ambitions of our best and brightest. This coming liquidity wave will not merely benefit investors, it will also act as a distribution of wealth between investors, founders and startup teams benefiting from employee option plans, and fuel a generational effect of continued investment and the creation of new startups and jobs in Australian technology.

We are living through the evolution of the Australian VC sector and we believe collective awareness and collective encouragement is needed to ensure we collectively succeed.

We hope you enjoy the insight shared in this Report, for 2024 shows there is much to be encouraged about.

01.

The State of Venture Capital

The Australian startup funding landscape showed signs of renewed energy in the latter half of 2024, with total capital raised by startups for the year ranking as the third highest on record. This uptick, coupled with stabilising valuations, suggested a shift away from the heightened caution of 2023. However, investors remain wary of lingering macroeconomic headwinds, a lack of local M&A and IPO activity, and mixed portfolio health.

Australian investors were not immune to the AI fever that gripped global venture markets in 2024. This heightened enthusiasm for the sector has not yet translated meaningfully in the funding data. Its influence is more apparent within established verticals, rather than in standalone "AI-first" deals.

Entering 2025, there is cautious optimism that improving conditions will drive further momentum. While the heady, record-breaking days of 2021 are in the past, most funding ecosystem participants believe the worst is also behind us. This sets the stage for steady and measured progress in the year ahead.

The Key Things to Know

01.

Funding rises amid a hopeful market

The Australian startup ecosystem announced $4.0 billion in funding across 414 deals in 2024, marking an 11% increase in funding from 2023 and the third highest year on record. Valuations show signs of stabilising, softening last year's advantageous conditions for investors. While funding is up, sentiment remains measured amid a prolonged lull in local M&A and IPOs. Heightened due diligence and a demand for signs of greater traction underscore investor caution. An acceleration in momentum will likely depend on macroeconomic factors improving.

02.

Early rounds see larger cheques, fierce competition

Pre-seed and Seed deal size medians rose, reaching $1 million and $3 million, respectively. Angels and global funds intensified competition for high-potential founders, favouring disciplined validation over speculative bets. This shift reflects caution but rewards milestones. Founders who delayed raising capital until 2024 built stronger traction, attracting higher valuations. Investors wrote larger early-stage cheques, indicating appetite for both targeted themes and more progressed opportunities, in contrast to the exuberance of 2021.

03.

Fintech leads funding as AI excitement grows

Fintech led 2024 with $947 million raised, rebounding after a slower 2023. ClimateTech followed with $609 million and topping the deal count, while Biotech and MedTech raised $347 million combined. Eastern seaboard states again hosted the bulk of deals. AI remains an investor magnet but this shows sparsely in the aggregate data, as many AI-driven ventures are categorised under other market verticals. Standalone AI-first startups did not feature high in the funding ranks, though industry anticipation continues to grow.

04.

Later rounds draw big cheques amid caution

While deals beyond the Series A remained subdued compared to the boom-time era, $50 million-plus deals rose from 2023 levels. Local tech or VC-backed IPOs remained scarce, with only Cuscal and Guzman y Gomez listing. Investors reported lengthier due diligence and 65% said they participated in down rounds. Investors reported that bridging rounds made up at least 20% of their investments, reflecting varied conditions for portfolio companies. Nonetheless, most firms met deployment targets, reflecting cautious optimism.

05.

Gender equity progress, scale-up gap persists

Deal participation of all-women and mixed gendered founder teams reached record highs at early stages in 2024, featuring in 42% of Angel and Pre-Seed deals and 29% of Seed rounds. These gains highlight targeted initiatives addressing gender disparities. However, representation dropped to 19% at Series A and 16% beyond, while overall capital share fell from 18% in 2023 to 15%. Persistent barriers at stages beyond the Seed round reinforce the need for continued and broader support to open the door for later stage success for women founders.

06.

Limited partners remain wary, many VCs challenged

Australian VCs faced a mixed fundraising environment in 2024, with 23% reporting closing funds but 37% raising less capital than expected. Competition intensified as global dry powder remained high, but institutional LPs stayed cautious locally. In Australia, without established track records and target fund sizes sub-$100M, most firms remain reliant on private investors or family offices. VCs observed rising appetite for differentiated strategies and homegrown expertise, signalling potential relief ahead for proven managers.

07.

International capital allocators continue local interest

Foreign investors participated in 57% of Australian deals in 2024, attracted by robust technical talent and cost-effective growth. This global influx was particularly evident in Series B+ rounds, where global funds returned with larger cheques despite measured deployment.

63% of local startups sought overseas backing to scale internationally, citing strategic networks and broader funding pools. While some fear crowding out domestic players, most agree that foreign involvement bolsters Australia's visibility and fosters competition – helping to drive innovation.

08.

Outlook 2025: Sustainable, confident growth ahead

74% of investors foresee higher deal volumes in 2025, driven by stabilising valuations and renewed interest in AI, HealthTech, and ClimateTech. Many anticipate more cooperative dealmaking, with a recognition of the benefit of a diversified panel of investors on the cap table. Sustained growth depends on macroeconomic stability, improved liquidity through IPOs or M&A, and consistent investor confidence. If these factors materialise, 2025 could mark a turning point, solidifying Australia's evolution into a stronger, more resilient startup ecosystem.

THE STATE OF AUSTRALIAN STARTUP FUNDING 2024

Agriculture / Agtech

ExoFlare
NITRONIC
SAFE AG SYSTEMS
Nontox
X-CENTRIC
nbryo
algEnie
FARMBOT MONITORING SOLUTIONS
BioScout
Cropify
VIRIDIAN RENEWABLE TECHNOLOGY
AgriWebb
IIF

Artificial Intelligence / Big Data

getmee
Zeligate
fairgo.ai
Jaimee
Sindy
Lorikeet
phonely
CARESQUARE
TrueState
axify
marqo
Brainfish
whyhive
Heatseeker
SEESTONE
Delphinus Lab
mapAI
Affinda
DataCo
Your Beautiful Life
Redactive
SpatialGPT.ai

Biotech / MedTech

WearOptimo
PSYLO
Aravax
ElitaGenetics
GPN vaccines
LEVUR
proto
BiomeMega
S2N
BCAL diagnostics
OMNISCIENT
ProximaBio
CARTherics
exteRNA
number8bio
Baymatob
atmo
eyeonic
Celosia Therapeutics
neo-bionica
CellBauhaus
flow.ai
KINOXIS
Alkira bio
Cauldron
GeneS
INVENTIA LIFE SCIENCE
neurotologix
gelomics
CAMBIUM
ELECTROGENICS LABS

Cybersecurity / Data Privacy / Digital ID

FirstWave
data zoo
bugcrowd
validient
brandsec
recant.ai
VAULT
nullify

Blockchain / Cryptocurrency / Web3

Bitstaker.io
PEXX
ZETA
KASU
Pyx
CUBE
LOMBARD
verida
PRISMA
VaultEscrow
RISE
Drift

Legaltech

Dark Patterns Laboratory
Tendl
Josef
Matilda
willed
Graceview
Pactify
Atticus
BusinessKitz
Deeligence
Safewill
Ajust
Mary Technology

Deep Tech

QUANTUM BRILLIANCE
PROTO AXIOM
INFIGOLABS
Q-CTRL
diraq

Climate Tech / CleanTech

TOTEX
orkestra
RAYGEN
BLOCK TEXX
fugu
GREAT WRAP
BYGEN
Monty
Velox
KC8 Capture Technologies
sumday
Gaia
sircel
BEARHUG
JUPITER IONICS
ELEMENT ZERO
ARC
CLIMATECH ZERO
ENAXIOM
InterEarth
Gridcog
allegro
BROWNEE
ohmie
CarbonHQ
DECARICE
Sable
Hysata
METRO ELECTRO
NRN
Renewable Metals
EVOS
CARBONAUGHT
AVESS ENERGY
OPTIGRID
Planet Price
amber
WATER & CARBON
CARBON FRIENDLY
Earthodic
AZZO
SAMSARA
GREEN GRAVITY
MGA THERMAL
Eco Detection
wollemai
GRIDSTORE
CONRY
after.

Consumer Product (non Food / Bev)

EARTHLETICA
Flashback
ALT.
auric
CLUTCH
IDA
ULTRA VIOLETTE
SOLBARI

Ecommerce / Retail

CartIgniter
BRAUZ
BAZAA
Shopfront
Zello
ATELIER
keeyu.
klean
goodwork.ai

Design / Publishing / Collaboration

JigSPACE
Frontcover
Braiv
shutterspeed
Nucanon
DISCO
GRAPHICS
jubjub
8seats
ZENN
MELODIE
Kindling
Cuttable
V2

Space/Aviation/Defence

AICRAFT
METAKOSMOS
ESPER
GILMOUR SPACE
FLEET
STRALIS

DevTeach/Developer Tools

Bugster
morfless/

Gaming / Esports

Saltwater Games
illuvium

EdTech / Training

PEEPLCOACH
LoveHeart AI
PAPERLY
Polymath
maxme
BUILD CLUB
OUTREAD
enrola
Learna
Edexia
CLEVERBEAN
INNOVATION BAY
matched
markmywords

Food / Beverage

naturo
FIZZ
EAST FORGED
NAKED RIVALS
The Leaf Protein Co.
HAWKE'S BREWING CO.
MOUNTAIN CULTURE
GUZMAN Y GOMEZ
GRAVITY DRINKS CO
BAE JUICE

Enterprise / Business Software

FLK
balo
SeenCulture
SafetyCulture
Skedyul
rosterfy
Subble
deputy
TALY
Sitemate
restoke
lyngo
Subbix
Attekus
diversity atlas
hapana
accoil
apromore
Dovetail
PMY
OD-AI
demtech
TOTAL SYNERGY
tability

Transportation/Logistics/Supply Chain

Veyor
splend
neara
LUMACHAIN ILLUMINATE OUR FUTURE
SwitchBoard
SupplyScope
OFLOAD
loopit
sendle

Hardware / Robotics / IOT

Myriota
conflux TECHNOLOGY
telemattica
JET CHARGE
nexobot
HURTEC
ATEC
ADR
andromeda
LIQUID INSTRUMENTS
NOA
xefco
AQUILA
milliBeam
GigaComm
Veyro
RELECTRIFY
FIBERSENSE
RADIANARC

Fintech

ATHENA
CITO
Payble
carusc
raindrop
kashcade
DASH
SpendAble
ensombl:
COVER GENIUS
constantinople
Marmalade
shift
InDebted
WeMoney
MONEY CATCHA
InvestorHub
deltapeer
betashares
MIGHTY PARTNERS
RDC
JustFund
slice
honey
Primary
aglow
GROW INC.
Bridgit

Healthtech

BORNE
MACUJECT
hola health
HIT-IQ
Umps
FEMTEK
updoc
VALD
MIRROR
kite therapy
immunosis
Metabolic HEALTH SOLUTIONS
WeGuide
Understanding Zoe
PEAK MEDICAL
humanetix
EVOLT
stu
PLANCARE
minikai
neurode
Canopy
everbility
TROVA
Clean Slate
Sonder
CORAMETIX
FOREMIND
PREVE
RemagineLabs
kismet
23strands
eugene.
Go Locum
Kali
BARE.
CareWindow
CP

MarTech / AdTech / SalesTech

Bello
freckle.
askable
A
MUTINEX
Linkby.
WRAPPR
flowingbee
COMMUNITI LABS
dooh.ly
Visuo
hümii
zitcha
PROFITPEAK
iion
viewa
prophet
WORKREX

PropTech / RealTech / Construction

HAMMERTECH
enviz
ProcurePro
HoMe
VISIBUILD
1Breadcrumb
SAFETY FROM SPACE
hometime
MATRAK
VAPAR
asseti
Toolbox
willow
Archistar
unseen
terria
bindi MAPS
handdii
buildpass
DEEP SPACE

Marketplace

1Wheel
hatch
SpacetoCo
Genero
tixel
FRESHO
touramigo
hopstep
Preplocal.com
marketboomer
anni.
DIRECTO
YÜME
ideally
networksX

Social Networking / Media

FOREVER NETWORK
spoony
Gether
BASKETBALL FOREVER
DCG
FEMALE STARTUP CLUB
NEWSIE
ReciMe

A shift from uncertainty to strength in Australian tech

> “What a year! Fresh off the fear, uncertainty, and doubt of the past couple of years, 2024 showed real signs of promise and return to growth for the sector, especially in the back half.
>
> With incredible fortitude and now also the depth of experience of founders, investors, and operators, the Australian tech and startup sector is set for a golden decade.
>
> We have never seen the depth and quality we are seeing now, and all at a time when the Australian brand is super hot in international markets.
>
> This is what a lot of people have been working towards for a decade or more... bring it on.”

Paul Naphtali

Managing Partner
Rampersand

> “In 2024, Australia's economy exhibited modest growth and inflationary pressures amid global challenges. For the startup ecosystem this resulted in cautious investor sentiment, tighter capital availability, and a greater emphasis on profitability over rapid growth.
>
> I’m expecting 2025 to bring more and bigger funding rounds as the capital raised during COVID comes to the end of its deployment period combined with a number of VCs raising capital for new funds now.
>
> Technological advancements in ClimateTech, including innovations in sustainable agriculture and renewable energy storage, are expected to gain significant attention. Meanwhile, HealthTech is set to rise in prominence, with areas like aged care, longevity solutions, and FemTech leading the charge.
>
> I’m excited for 2025!”

Georgia Barkell

Managing Partner
Sprint Ventures

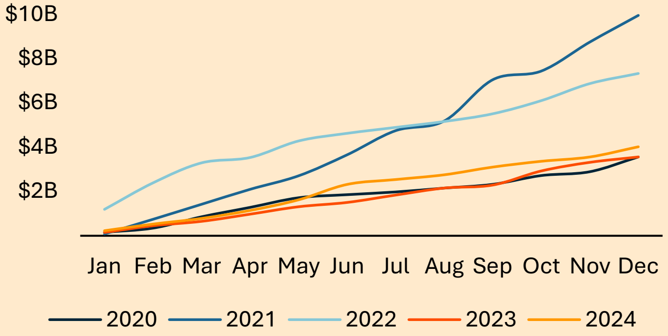
Australian Venture Capital in 2024

414 Deals

$4.0B Funded

1 New unicorn

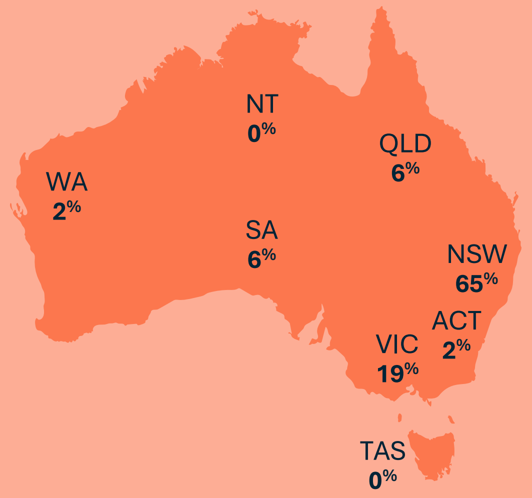
Total Capital Raised



55% of investors saw a portfolio company shut down

93% of investors saw a portfolio company layoff staff

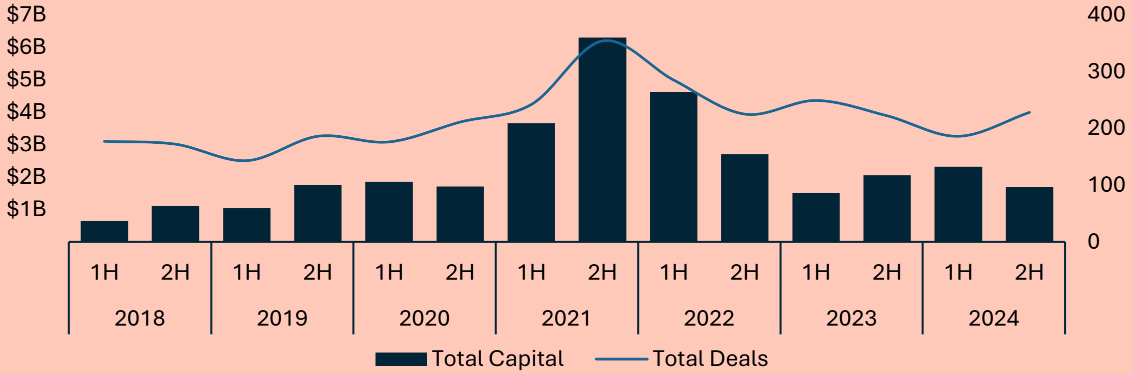
Share of Capital Raised by State



Top Funded Sectors

$947M	Fintech
$609M	Climate Tech / CleanTech
$347M	Biotech / MedTech
$235M	Enterprise / Business Software
$222M	Cyber / Privacy / Digital ID
$221M	Hardware / Robotics / IOT

Total Capital Raised and Number of Deals



Female Founders Funding

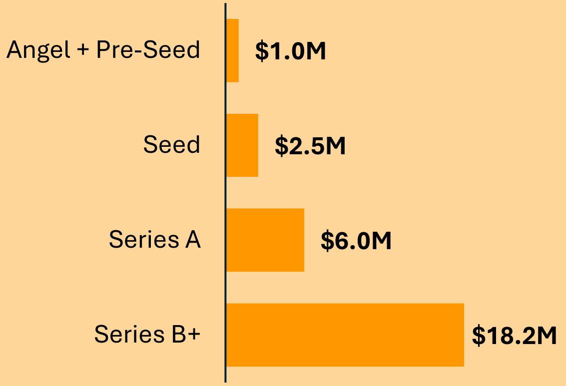
Equity Capital Raised

↓ down from **18%** in 2023

Deal Participation

↑ Up from **26%** in 2023

Median Deal Size



From cautious sentiment to a resurgence in energy

“For the casual observer, 2024 was a fascinating year for the startup and scaleup ecosystem - marked by a distinctly positive shift in deal volume and quality as the year progressed.

It was great to see companies within the Folklore portfolio, in strong strategic positions, return to the market for funding in the second half with large rounds completed.

The year may be marked in retrospect as the high-water mark of AI “hype” – which cascaded to even the earliest stages. The investor’s challenge is to work through right vs hype with curiosity and diligence. I see green shoots with business models in this arena treating probabilistic model outcomes (hallucinations) as a feature, not a bug. As ever, we’re excited to be meeting, working with and learning from visionary talent, building the next generation of wonderful companies.”

Mitchell Bissinger

Investor

Folklore Ventures

“The Australian venture capital landscape in 2024 demonstrated its resilience once again. The first half of 2024 saw a welcome stabilisation, with momentum beginning to build throughout the second half, principally fuelled by AI optimism.

With companies embracing the operational and market discipline that has been a hallmark of Australian success stories, macro tailwinds on the horizon, and of course, the paradigm shift driven by AI (in which, we are still so incredibly early), we have never been more excited to be investing in the Australian ecosystem.”

Jerry Stesel

Founding Partner

OIF Ventures

“2024 was a great time to be an early-stage investor. The Australian ecosystem is showing signs of a robust resurgence, driven by the AI wave and increased investor activity across all stages.

We saw higher deal flow than ever before, with 2024 our busiest year on record. We invested more capital and made a higher number of investments into ANZ startups than 2023, and we had a record number of founders coming in to pitch to our investment committee.

2024 also saw a number of milestones in Aussie deep tech, from the Federal and Queensland State Governments’ investment into PsiQuantum to the country’s first orbital launch permit granted to Gilmour Space Technologies and growth stage deals into frontier tech companies like Fleet Space.”

Michael Tolo

General Partner

Blackbird Ventures

Cautious enthusiasm and confidence returns to venture

The Australian venture capital market saw a turbulent but ultimately positive 2024. The year began with a slow Q1 – the lowest level of deal activity in years – before gaining momentum in Q2 and closing with over $4.0 billion raised across 414 deals for the year. This represents an 11% increase on 2023's $3.6 billion, making 2024 the third-largest year in Australian venture capital history.

Elevated early-stage activity emerged as a key trend, with heightened competition driving up deal sizes at the Pre-Seed and Seed stages. Investors were willing to commit more capital to secure standout opportunities, reflecting a growing return of confidence in early-stage startups. Later-stage funding conditions remained challenging, which was evident in the data and expressed in our investor interviews.

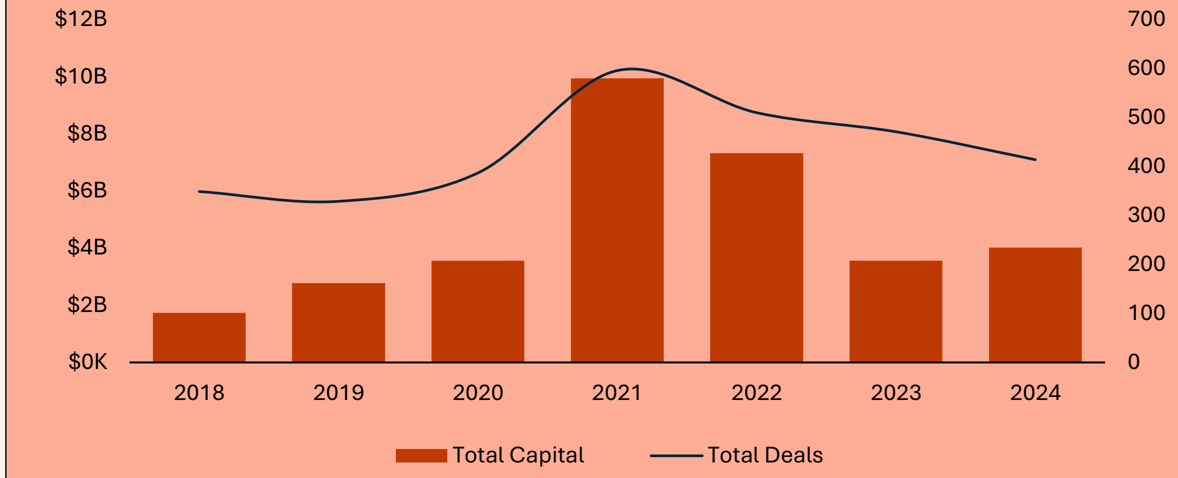
Many companies faced down rounds, internal bridge financing, or rounds with overly structured terms, reflecting a more cautious investment climate which prioritised fundamentals and sustainable growth over aggressive expansion.

The total number of announced deals declined compared to 2023. In part, this was driven by fewer accelerator program cohort announcements. In addition, there is anecdotal evidence of an increase in small unannounced or ASIC-reported SAFE rounds, and a general upward shift in investors stage preferences. However, this decline was offset by larger average round sizes, as capital flowed into fewer but higher-quality opportunities, with early-stage and mid-sized rounds attracting the most attention.

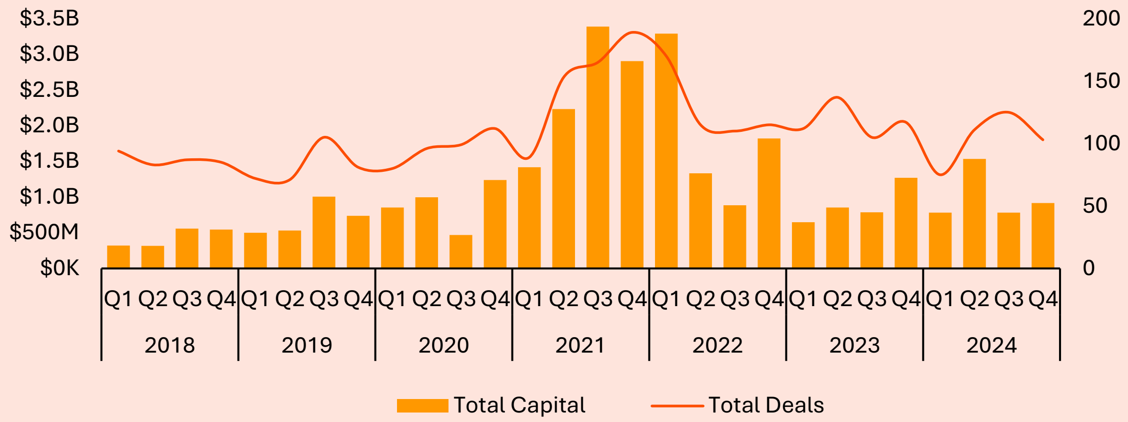
By the end of 2024, Australia's venture capital market showed signs of stabilisation. Renewed momentum at the early-stage has sparked optimism, even as late-stage funding remains constrained by tighter capital availability.

As the ecosystem applies lessons learned from the turbulence of recent years, it is charting a more deliberate and resilient path forward, driven by a commitment to delivering the innovation Australia needs to remain relevant in the global economy.

Total Capital Raised and Number of Deals – Annual



Total Capital Raised and Number of Deals – Quarterly



Valuations stabilise amid renewed investor confidence

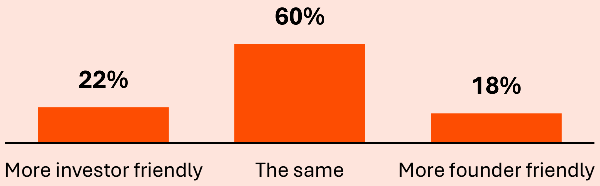
Reported valuations in the Australian venture capital market steadied throughout 2024, following sharp declines in 2022 and a volatile 2023. Surveyed investors cited a modest recovery in valuations across all stages compared to last year, however valuations remain well below the peak levels seen during the exuberant market of 2021.

This stabilisation was driven by greater macroeconomic certainty, stronger competition for deals – particularly at the Pre-Seed and Seed stages – and a gradual return of investor confidence.

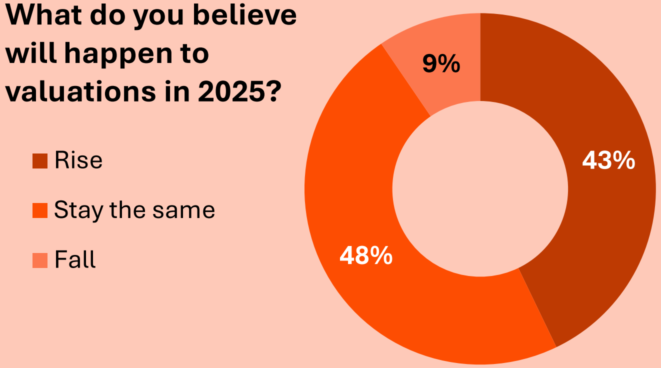
Looking ahead to 2025, most investors expect deal terms to hold steady, with some anticipating a shift favouring founders as market conditions evolve. Only 9% of respondents foresee further valuation declines, and early-stage startups are poised to benefit most as the market continues its recalibration.

Investor survey insights

How do you anticipate deal terms will evolve over the next 12 months?

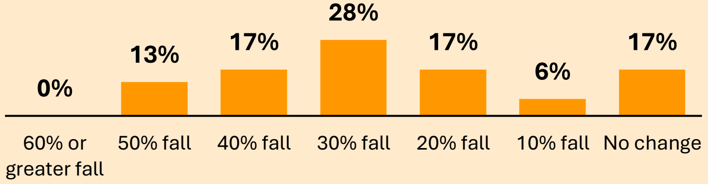


What do you believe will happen to valuations in 2025?



For deals at each stage, what is your best estimate of valuation change from peak pricing?

Pre-Seed / Seed

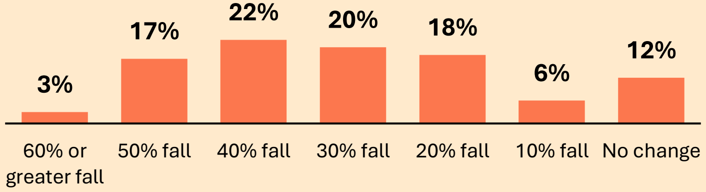


Average Fall

26%

7% recovery from 2023

Series A / B

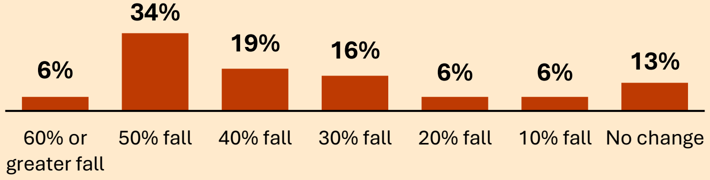


Average Fall

30%

11% recovery from 2023

Series C+



Average Fall

35%

12% recovery from 2023

> “We’re back! Early-stage deal flow has accelerated and growth rounds are back on the cards.
>
> We’re meeting lots of ambitious founders using all the advances in multimodal models to solve novel problems across consumer and enterprise software. These AI-native entrepreneurs are using tools across the stack to scale faster with fewer people than ever before.”

Jackie Vullinghs

Partner
Airtree

Valuation vs. Value: why headline numbers don't tell the whole story

Partner Insight

When startup founders announce a big raise with a jaw-dropping headline valuation, it's easy to assume the numbers reflect reality. But the truth is often far more complicated. Beneath the surface are terms like liquidation preferences and anti-dilution rights, which can drastically alter the effective valuation, and the payouts founders and investors receive at exit.

Here's the kicker: some deals are structured to make a round appear like a flat or even up round compared to the last valuation. But once you account for terms like 2x liquidation preferences, the real valuation can reveal it was effectively a down round.

Headline vs. effective valuation

Let's illustrate this with an example, a startup raises two investment rounds:

- **Series A Investor:** Purchased 11.3m shares by investing $10 million at a $50 million post-money valuation with a fully participating 1x liquidation preference.
- **Series B Investor:** Purchased 18.8m shares by investing $50 million at a $200 million post-money valuation with a fully participating 2x liquidation preference.
- **Founder:** Holds 45 million ordinary shares with no liquidation preferences.

At first glance, the founder seems well-positioned. A **60% ownership stake** at a $200 million valuation suggests their equity is worth $120 million. **But here's what happens at a $200m exit:**

Preferences come first

- Series B Investor takes $100 million (2x their $50 million investment).
- Series A Investor takes $10 million (1x their $10 million investment).
- That's $110 million out the door before the founder or anyone else sees a dollar.

The remaining pie

After the $110 million in preferences, only $90 million is left for all shareholders to split based on ownership. The result?

- **Founder:** 60% of $90m = $54 million (27% of the total exit).
- **Series A Investor:** 15% of $90m = $13.5 million, so their total becomes $10m + $13.5m = $23.5 million (11.8% of the total exit).
- **Series B Investor:** 25% of $90m = $22.5 million, so their total becomes $100m + $22.5m = $122.5 million (61.3% of the total exit).

While the headline valuation implied the founder's stake was worth $112.5 million, their real payout tells a different story – **just $54 million**, or **less than half** the headline figure.

Why private markets obscure value

In private venture markets, price discovery is weak compared to public markets due to limited transparency. Valuations can be distorted by deal terms that mask economic reality.

To avoid the optics of a down round, investors may keep valuations flat or inflated by adjusting liquidation preferences, participation rights, or anti-dilution clauses. However, these changes can significantly dilute the founder's stake, making it crucial to focus on share price by class rather than the headline valuation.

The impact of preferences

1. **Preferences change the game:** Later-round investors with high preferences take an outsized share of proceeds, especially in mid-sized or disappointing exits. In our example, the Series B investor captures 67.5% of the value at a $200 million exit.
2. **Preferences trump percentages:** Ownership percentages mean little when senior investors' preferences dominate the payout. Founders must look beyond percentages and headline valuations to understand their equity's real worth.
3. **Valuation is not value:** A $200 million valuation doesn't mean the business is truly worth $200 million. The real value lies in the terms and how they play out during an exit.

What founders should do

1. **Ask the hard questions:** Don't just focus on the valuation. Ask questions like: *"What are the terms of each share class?"; "How do preferences impact my payout at different exit sizes?"; "What happens in a downside scenario?"*
2. **Run the numbers:** Perform a waterfall analysis to see how proceeds would be distributed in different exit scenarios. This simple exercise can reveal the gap between the headline valuation and the effective value for founders.
3. **Work with experienced advisors:** Startup lawyers and venture specialists can help you navigate terms like liquidation preferences, anti-dilution rights, and participation rights.
4. **Negotiate terms, not just valuation:** A high valuation can feel like a win, but terms that offer aggressive downside protection to investors can leave founders holding less than expected. Focus on structuring deals that align with your long-term vision.

Final thought

Raising capital isn't just about a high valuation—it's about structuring deals that align incentives, protect equity, and drive sustainable value.

So next time a company boasts a sky-high valuation, remember: the headline number doesn't tell the whole story. Dig into the details, ask the right questions, and understand the deal's true value.

Warwick Donaldson

Startup Capital Raising Coach
CapXcentric & The Aussie Startup Capital Nerd

Early-stage deal sizes hit highs as competition rebounds

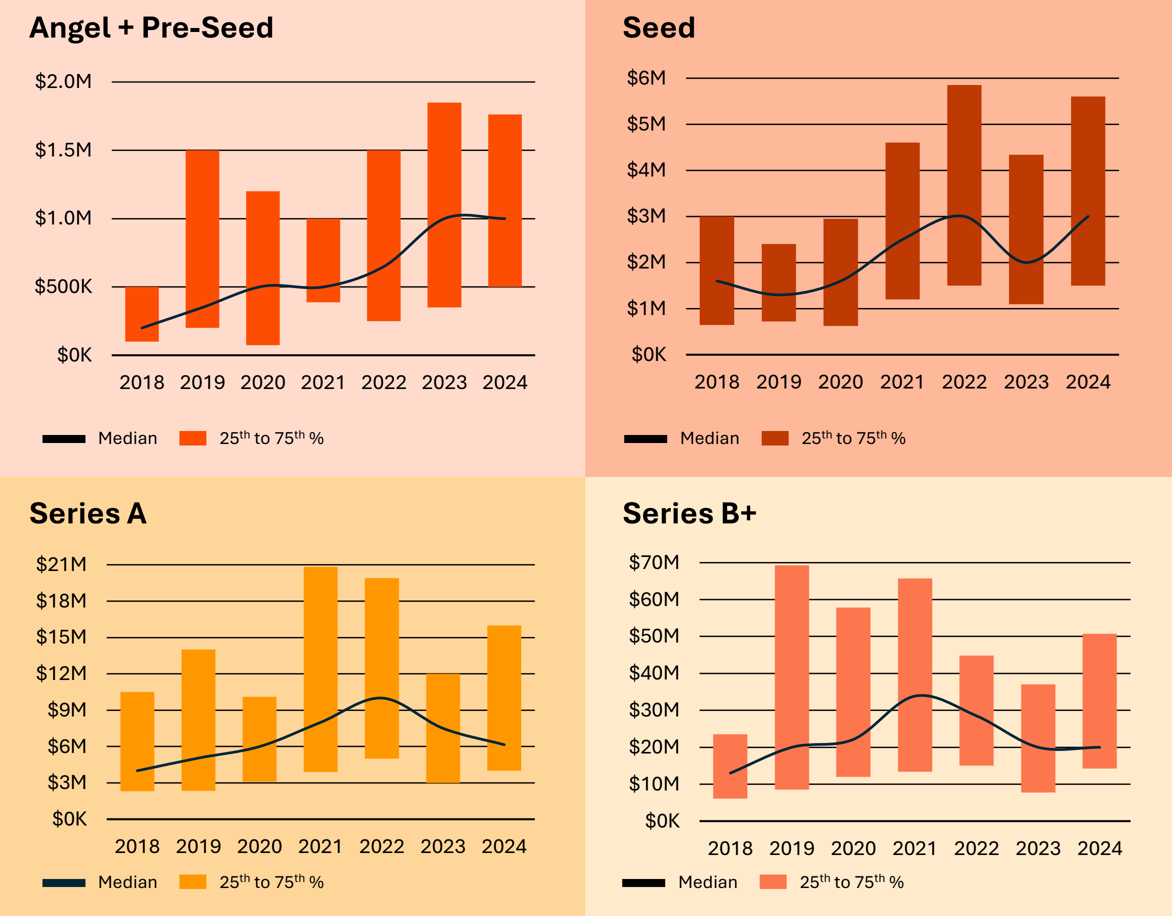
Competition for early-stage deals intensified in 2024, driving record-high deal sizes and signalling renewed investor confidence. Later-stage funding was subdued, with founders raising smaller, more targeted rounds to adapt to a selective market.

Pre-Seed and Seed deal sizes hit record levels in 2024, reflecting the increasing sophistication and depth of early-stage investors. A wide range of participants – from individual angels to international funds – competed with local VCs for standout opportunities, driving up median deal sizes. This record-setting growth, even compared to the 2021 boom, can be attributed to many first rounds being raised later in a startup's lifecycle. Many founders spent 2022/23 building stronger proof points and refining business models before approaching investors in 2024. Unlike 2021, when capital often flowed to unproven concepts, 2024 marked a more disciplined and selective era for early-stage funding.

Series A and later-stage deal sizes continued to shrink. Founders deliberately raised smaller, more efficient rounds, while global late-stage funds remained cautious about returning to the Australian market.

These conflicting dynamics reflected a selective and cautious funding environment as the ecosystem works to stabilise.

Changing median round sizes



30%

Pre-seed and Seed deals became more competitive in 2024 vs 2023
(vs 48% in 2023 comparing 2022)

33%

Series A and B deals became more competitive in 2024 vs 2023
(vs 19% in 2023 comparing 2022)

25%

Series C+ deals became more competitive in 2024
(vs 90% less competitive in 2023 comparing 2022)

Progress made amid market uncertainty

“2024 saw Australian founders operate with ever-increasing efficiency and technical capability, which signals a very positive sign for the vintage of 2024-founded companies.

As an industry, Australia’s VC ecosystem has demonstrated increased excitement and support for the future of early-stage companies, which should flow through to a positive 2025 as opportunities to back world class founders building advanced technology companies continue.

Regardless of the efficiencies brought about by technology – we believe that outlier returns will always be found by backing those with long-range ambition and the execution to match.

Performance-wise, Australia’s venture ecosystem continues to punch well above its weight, yet more needs to be done to ensure that our flywheel of talent continues to have the opportunities to create the success stories of the next generation and we provide that opportunity for the best and brightest to stay in Australia.”

Rebecca Bannan

Investor

Folklore Ventures

“2024 was a year of significant change, setting the stage for 2025. Nearly half the global population participated in elections, with most incumbent parties losing position, while CEO turnover reached a decade-high.

In 2025, political and corporate stability is expected, providing clearer direction for investors and a more favourable environment for founders to thrive in the medium term (i.e. 4 years, or the average term for politicians/CEOs).

These new regimes are focusing on narrowing priorities, improving efficiency, and addressing affordability, creating ample selling opportunities for entrepreneurs. However, we expect conditions to remain similar to last year, with a small number of VCs and startups consolidating most of the capital from discerning investors and customers.”

Charlie Ill

Chief Executive Officer

Investible

“On the whole 2024 seemed to still be a quiet year for VC deals, which was to be expected with high inflation rates globally and the uncertainty of elections in many democratic countries. For those startups that raised, valuations were reasonably flat, while others bunkered down and focused on the radical idea of moving towards profitability targets.

However towards the end of the year there are green shoots appearing and we are optimistic for 2025, expecting to see VC funds starting to raise capital again and early stage companies being able to get stronger funding rounds away.”

Derek Gerrard

Co-Founder & General Partner

Purpose Ventures

Larger deals see modest recovery in a disciplined market

Larger funding rounds made a cautious comeback in 2024, reflecting a more selective and sustainable-growth-focused investment climate. While there were signs of improvement, the later-stage funding market remains well below the exuberant heights of 2021 and early 2022.

Many companies that raised mid-sized rounds in 2021 have struggled to progress to larger deals due to falling valuations and challenging conditions. Some shifted their focus to profitability, while others turned to venture debt or smaller bridge rounds to extend their runway.

The modest recovery in large deals reflects a recalibrated funding environment. Investors are prioritising sustainable growth and solid fundamentals, with fewer willing to back rapid expansion at any cost.

21 $50M+ deals announced

(vs 15 in 2023)

20 largest deals accounted for 50% of total funding

(vs 45% in 2023)

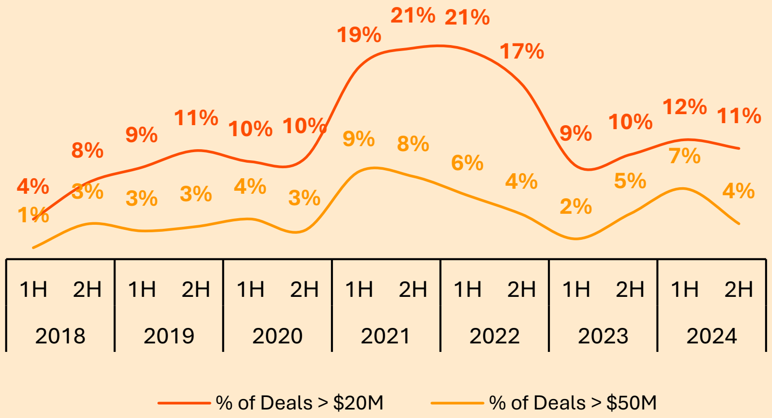
$100M+ Deals

22 in 2021	**12** in 2022	**6** in 2023	**8** in 2024

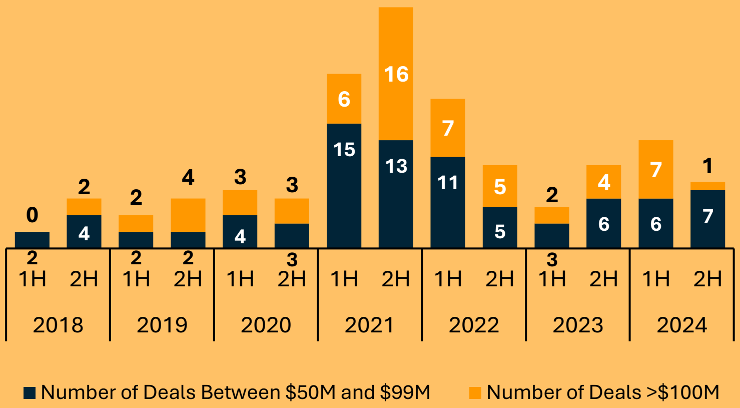
$50M+ Deals

50 in 2021	**28** in 2022	**15** in 2023	**21** in 2024

% of Deals Greater than $20M



Deals Greater than $50M & $100M



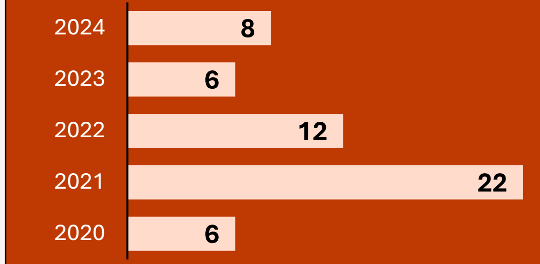
Deals greater than $50 million

22 deals exceeded $50 million in 2024, with nine surpassing $100 million.

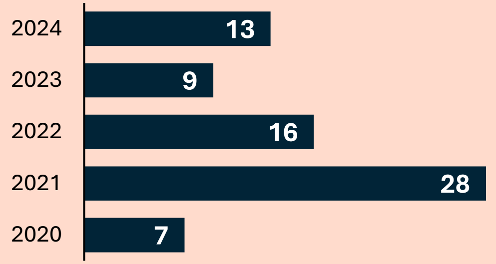
These large transactions spanned a variety of sectors, showcasing broad investor interest. Notably, eight deals included participation from at least one international fund. It is possible that a portion of the reported deal values included debt or a secondary sell-down. While we sought direct feedback from investors, founders and advisors close to the transactions, most were verified but some details remain unclear.

betashares	$300M	N/A	Fintech
Hysata	$172M	Series B	Climate Tech / CleanTech
bugcrowd	$156M	Series E	Cyber / Privacy / ID
FLEET	$150M	Series D	Space / Aviation / Defence
GUZMAN Y GOMEZ Mexican Kitchen	$135M	N/A	Food / Beverage
COVER GENIUS	$120M	Series E	Fintech
honey	$108M	Series A	Fintech
HAMMERTECH	$105M	Series B	Proptech / Realtech / Const
samsara eco	$100M	Series A	Climate Tech / CleanTech
o&t OMNISCIENT NEUROTECHNOLOGY	$89M	Series C	Climate Tech / CleanTech
Q-CTRL	$86M	Series B	Deep Tech
SafetyCulture	$75M	Series E	Enterprise / B2B Software
JET CHARGE	$72M	Series C	Climate Tech / CleanTech
Aravax	$66M	Series B	Biotech / MedTech
ATHENA HOME LOANS	$62M	Series E	Fintech

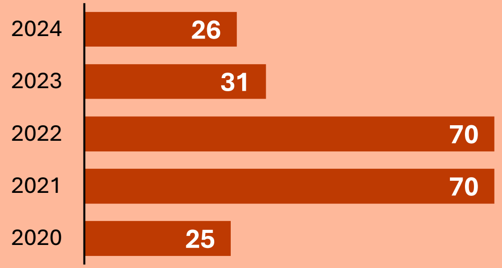
Deals greater than $100M



Deals between $50M-100M



Deals between $20-50M



Deals greater than $50 million

GROW INC.	InDebted	deputy	GILMOUR SPACE
$60M Series D	$60M Series C	$55M Series B	$55M Series D
Fintech	Fintech	Enterprise / B2B Software	Space / Aviation / Defence

RAYGEN	constantinople	Myriota
$51M Series D	$50M Series A	$50M Series E
Climate Tech / CleanTech	Fintech	Space / Aviation / Defence

“We saw up, flat and down rounds this year and a general balancing of the power dynamics between investors and companies.

Sentiment continues to improve with both buoyant capital markets and a steady rate environment. Private investors still remain highly discerning but are showing increased appetite to put capital to work.

Portfolio management remains key in helping companies re-start growth, prepare for capital raise or an exit. A few successful floats as well as M&A takeovers also saw an increase in later stage activity and return of pre-IPO rounds, with all segments of private and public markets firing (or starting to). This bodes well for more deployment as well as more IPOs and exit activity into 2025.”

Karen Chan

Portfolio Manager
Perennial Partners

“In our view, the Australian venture market in 2024 has been resilient and optimistic amidst ongoing macro challenges worldwide.

We've seen many Australian companies hitting impressive milestones this year, with many of our portfolio companies successfully raising significant follow-on funding from local VC firms and international growth funds, which are increasingly interested in backing Australian startups.

AI remains a game-changer, driving excitement and adoption far beyond tech-focused industries. Industries like legal, healthcare, and financial services are increasingly embracing AI, highlighting its transformative potential. This broader adoption gives us real confidence in the long-term trajectory of this current wave of AI innovation.

While global challenges remain, Australia's ecosystem has shown it can adapt and thrive, creating exciting opportunities for founders and investors alike.”

An Vo

Partner
TEN13

Deals greater than $20 million

neara
$45M
Series C
Transport / Logistics / Supply

RDC
RICH DATA CO
$37M
Series B
Cyber / Privacy / ID

data zoo
$35M
Series D
Fintech

shift
$35M
Series D
Fintech

diraq
$34M
Series B
Deep Tech

kismet
$33M
Seed
Healthtech

proto
THERAPEUTICS
$32M
Series A
Biotech / MedTech

OFLOAD
$31M
Series C
Transport / Logistics / Supply

V2
$30M
N/A
AI / Big Data

Jet Zero
AUSTRALIA
$30M
Series A
Climate Tech / CleanTech

amber
$29M
Series C
Climate Tech / CleanTech

Sitemate
$28M
Series A
Enterprise Software

Drift
$25M
Series B
Block / Crypto / Web3

apromore
$23M
Series B
Enterprise / B2B Software

diraq
$23M
Series A
Deep Tech

QUANTUM BRILLIANCE
$23M
Series A
Deep Tech

VAULT
Australia's Secure Cloud Specialist
$23M
Series B
DevOps

DASH
$22M
Unknown
Fintech

askable
$22M
Series A
MarTech / AdTech / Sales

FIBERSENSE
$22M
Series B
Hardware / Robotics / IOT

updoc
$20M
Series B
Healthtech

splend
$20M
Series C
Transport / Logistics / Supply

EVOLT
$20M
Series C
Healthtech

PROTO AXIOM
$20M
N/A
Deep Tech

AZZO
technology comes together
$20M
Series A
Deep Tech

Australia leans in where it has an advantage

“We’ve never been more energised to support the next generation of great Australian founders. In 2024, we saw a notable shift in momentum – with increased available capital, impressive homegrown (and repatriated) talent, and broadened global pathways for expansion. The Australian venture ecosystem flywheel is gaining speed, driving a growing pipeline of exceptional early-stage founders and companies being built here, while attracting the attention of international investors who are increasingly eager to engage with this dynamic and promising ecosystem.

There has also never been a better time to be an Australian founder on the world stage. Against the odds, our small market has delivered early signals of global leadership in key emerging technologies. In 2025, this success will be underscored by Australia’s strategic position in the APAC region, offering an unfair advantage to Australian founders: direct access to diversified global markets amidst a rapidly shifting geopolitical landscape.

The picture is being painted; an emerging legacy of global tech giants born from this region, and a thriving ecosystem poised for rapid growth. If 2024 marked the shift in momentum, 2025 will bring velocity.”

Elli Hanson

Principal Investor
Side Stage Ventures

“After a quieter 2023, we witnessed a groundswell of enthusiasm return to fintech throughout 2024, as fresh capital and innovative solutions spark renewed optimism. With next year’s Federal Election shining a spotlight on cost-of-living issues – where fintechs are already making tangible impact – there are signs that 2025 could be a breakout year for the sector.

We’ve never been more energised to see how this wave of ingenuity could reignite broader startup funding and position Australia as a global leader in the space.”

Rehan Mark D'Almeida

Chief Executive Officer
FinTech Australia

“Healthtech remains a standout for its transformative potential. 2024 Healthtech companies are garnering their highest median pre-money valuations across stages in several years, following a dip from 2022 to 2023. With an aging population and increasing demands on the healthcare system, we’re seeing significant innovation in preventive care, mental health, and telehealth solutions and have witnessed companies rapidly scale with AI-centric business models.

However, many still lack access to growth capital needed to scale beyond the early stages. Bridging this gap will require collaboration between investors, policymakers, and health providers to create pathways for these startups to achieve both impact and commercial sustainability.”

Alon Greenspan

Managing Partner
Mind Ventures

True influence of AI not yet showing in the data

Artificial intelligence dominated global venture capital in 2024, driving innovation across traditional industries. In Australia, however, AI's impact is less visible in funding data, despite its growing influence.

Most Australian startups with core AI functionality operate at the application layer, meaning they are classified within other market sectors – such as Fintech or Healthtech – rather than as standalone AI companies. By contrast, deals classified as "AI" under the report's taxonomy refer to AI-first startups: those whose primary focus is delivering AI models, infrastructure, tooling, or data management as their core product or service.

Broader sector trends in Australia mirror global patterns. Fintech led funding with $947M, and Climate Tech/CleanTech, which saw a minor overall decline compared to 2023, placed second, raising $609M across 55 deals. Biotech/MedTech and HealthTech also saw strong growth, supported by both established and emerging specialist investors.

AI's influence is particularly evident in SaaS, where it is driving efficiency, automation, and new capabilities. From predictive analytics in Fintech to AI-powered tools in healthcare, the technology is advancing innovation across industries. Although it doesn't currently standout as a leading category in the funding data, AI remains a driving force behind many of 2024's top-performing sectors.

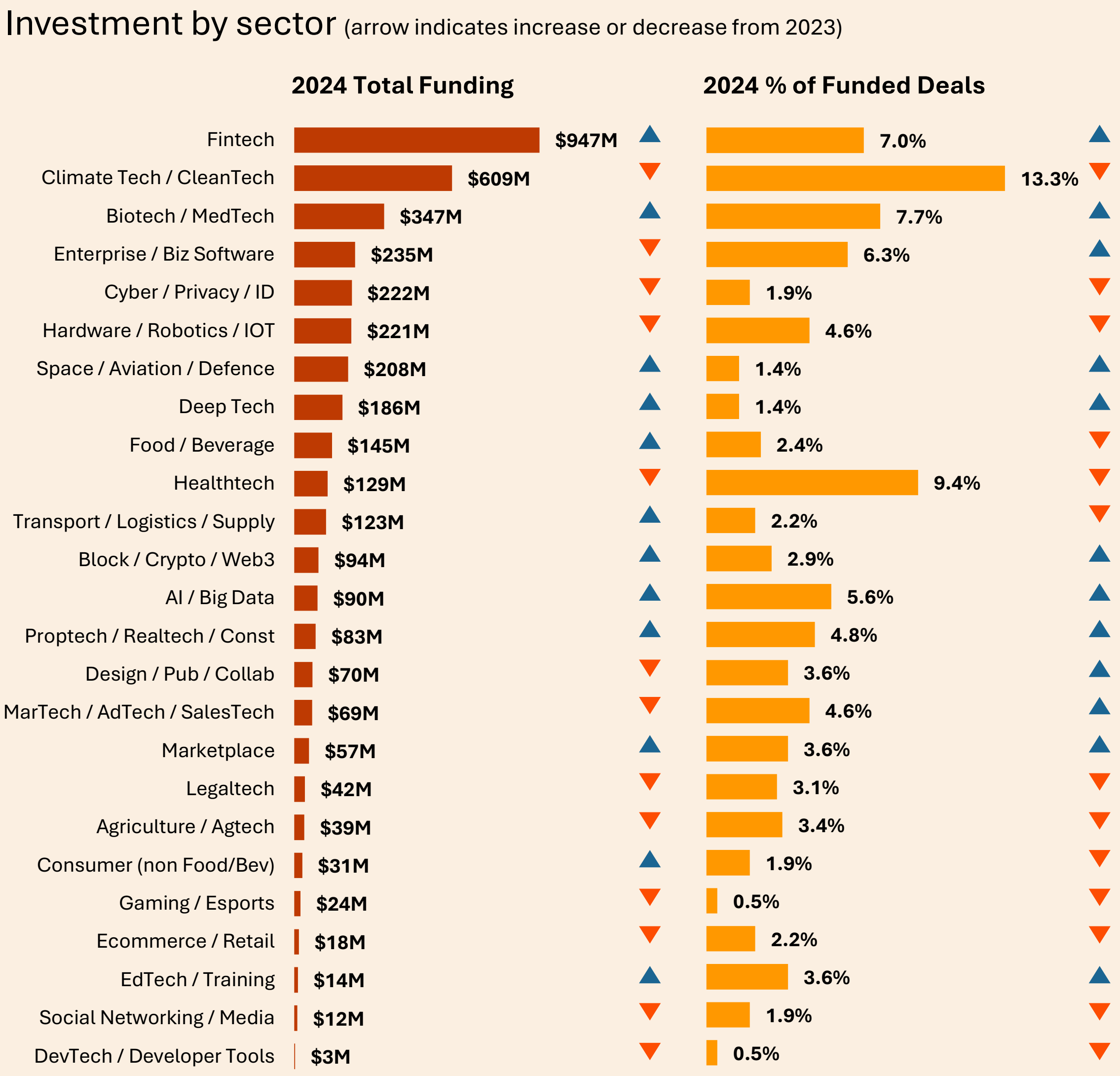
As AI adoption continues to grow, Australian startups are navigating both opportunities and challenges. The evolving regulatory environment is requiring founders and investors to carefully manage compliance risks, even as AI reshapes industries and investment strategies.

13 of 25

sectors saw a rise in total funding compared to 2023

55 deals

in Climate Tech/CleanTech, securing the top deal count spot for the second consecutive year



Investment by sector (arrow indicates increase or decrease from 2023)

Dry powder: A maturing market for climate tech funding

Partner Insight

Despite a challenging environment in 2024, the continued flow of capital and the growing maturity of the sector point to a positive long-term trajectory for climate tech funding.

The amount of dry powder earmarked for climate tech stands at a healthy US$86 billion globally, according to Sightline Climate, down 8% from the end of 2023 as a result of increased deployment by an earlier vintage of mega-funds. New funds raised for climate investments increased 20% in 2024, leaving a significant amount of capital ready to be deployed.

While climate funds continued to attract capital in 2024, investors today are more cautious and more selective, focusing on capital efficiency and strong business fundamentals. This has resulted in a renewed focus on more proven businesses with mature technologies and a clearer path to profitability. Venture capital has also started to give way to growth equity, private equity, and infrastructure funds that offer relatively safe and predictable returns in uncertain economic times.

Despite the influx of new capital, a significant funding gap remains for companies scaling up from early stages. This "missing middle" presents a challenge for companies seeking to commercialise and deploy breakthrough technologies.

This is a real issue for startups in Australia: climate tech topped the number of deals recorded by Cut Through in the first nine months of 2024, but a large proportion were Accelerator rounds. At later stages, the sector depends heavily on international investment, although we have recently seen new government funding being deployed via the National Reconstruction Fund (NRF). Climate tech companies can help their chances of scaling successfully by engaging with overseas investors at a relatively early stage.

Outlook for 2025

Climate tech funding in 2025 will hinge on several key trends. Successful exits will be crucial for maintaining confidence in the sector, as they will encourage Limited Partners (LPs) to continue backing climate tech investments at scale.

Second, given increasing investor caution in the sector, FOAK (First-of-a-Kind) projects will rely more heavily on blended capital approaches, including philanthropy, corporate balance sheets, and government grants and loans. Infrastructure funds are unlikely to invest in unproven technologies.

2025 will also provide more clarity on regional approaches to climate incentives, from tax credits to carbon market mechanisms and feed-in tariffs. The new US administration may prioritise deregulation which would expedite project development. However, uncertainty surrounding China's role in next-gen climate tech could increase costs and expose supply chain vulnerabilities.

Preferred sectors in 2025 are likely to include artificial intelligence (AI) and clean tech that is relevant to national security. AI-driven solutions are seen as helping to address energy infrastructure challenges, develop new materials, and optimise energy systems.

Finally, investors are likely to prioritise execution over ambition. Sectors like hydrogen and direct air capture face demand resets as a result of uncertain economics. BloombergNEF recently revised its forecast for green hydrogen production, predicting that costs could remain as high as US$5.09 per kilogram by 2050 – more than three times its previous estimate.

BNEF data also points to a growing focus on commercialisation, with some VC firms raising funds specifically for growth-stage businesses. Against a cautious backdrop, solutions that are cost-competitive, scalable, and backed by real demand will find themselves at the front of the queue for funding.

To read more on this topic, download Sightline Climate's The Climate Tech Capital Stack and New Funds report, sponsored by HSBC Innovation Banking.

Alan Watters

Director, Tech Sector & Venture Lead
HSBC Corporate Banking Australia and New Zealand

---

1. The Climate Tech Capital Stack and New Funds, Sightline Climate, December 2024 https://www.sightlineclimate.com/reports
2. Cut Through Quarterly 3Q 2024, October 2024 https://www.cutthrough.com/insights/cut-through-quarterly-3q-2024
3. BloombergNEF, December 2024 https://www.bloomberg.com/news/articles/2024-12-23/green-hydrogen-prices-will-remain-stubbornly-high-for-decades
4. Where the Smart Climate Tech Venture Money is going in 2025, Bloomberg, 2 January 2025 https://www.bloomberg.com/news/articles/2025-01-02/climate-tech-investing-trends-in-2025-what-sectors-to-watch

AI to take centre stage in new tech cycle

"In 2024, AI shifted from experimentation to delivering real impact – streamlining operations and powering new product offerings.

Into 2025, we see huge potential for AI to drive change in traditional industries that have yet to fully embrace technology.

In 2025, we're excited to continue to support founders solving big problems, whether in climate, health, traditional industries, or entirely new frontiers."

Olivia Grivas

Principal
Skip Capital

"While AI blazed ahead in 2024, broader Australian startup funding cooled as later stage investors played it safe.

But there's a noticeable shift heading into 2025 – seed-stage founders are more excited and bringing stronger products to market, potentially signalling the start of a new tech cycle."

James Alexander

Partner
Galileo Ventures

"This year we saw the funding market continue to bifurcate into distinct strategies.

The first – driven by a tightening of the investment market at all stages – are businesses able to demonstrate a clearer path to profitability within a reasonable amount of both time and capital.

On the other hand, investors continue to back those taking big swings with the allure of a potential 'category leader' outcome. Naturally, many are building on top of an AI thesis: the obvious candidate for the next 'platform shift'. Yet funds have remained disciplined, balancing large addressable markets against the "red ocean" nature of many AI use cases – perhaps being wary of looking to be wrong twice in the same way vis-à-vis previous bouts of runaway FOMO."

Alex Khor

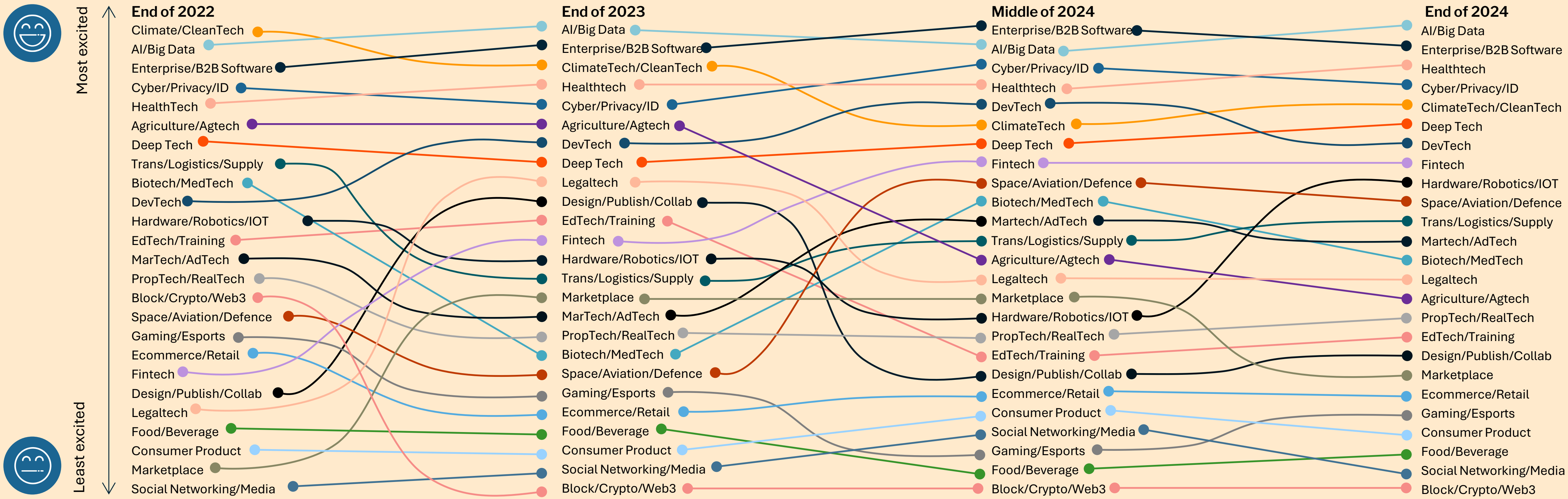
Partner
AfterWork Ventures

Shifting investor popularity across sectors

The sector popularity shuffle continued in 2024, with AI/Big Data and Enterprise Software cementing their positions as top priorities for investors.

HealthTech climbed to third place, while Climate Tech remained prominent but experienced a slight dip in enthusiasm as investors broadened their focus. Non-software focussed sectors such as Space/Aviation/Defence and Hardware gained significant mindshare. These industries benefited from heightened geopolitical interest and high-profile local advancements in technology, driving increased investor attention.

Investor survey insight



Australia's opportunity to lead in AI

Partner Insights

AI isn't just a buzzword anymore – it's here, and it's changing how we work, live, and innovate. While Australian AI funding numbers might not reflect the hype yet, the buzz is undeniable. For local builders, this is our chance to shine.

One of the biggest shifts we're seeing is the move from traditional SaaS to AI-as-a-Service. Static software is being replaced by intelligent tools that don't just automate tasks – they run entire workflows. These AI "managers" are streamlining processes in ways we never imagined.

Australia's AI ecosystem is already making waves. Companies like Relevance AI are pioneering data analysis tools that empower businesses to harness unstructured data. Creative platforms like Leonardo AI are revolutionizing image generation, making it easier for artists and designers to bring ideas to life. Even major players like Canva are incorporating AI features that help users create stunning designs in seconds.

Startups like Lorikeet and Unsloth AI are showing how nimble, bootstrapped teams can develop cutting-edge tools for automation and productivity. At Build Club, we see these builders up close – our community is creating AI solutions that automate jobs, boost efficiency, and deliver real results for businesses, all while scaling faster than ever.

What's exciting is how quickly AI is reshaping industries. While SaaS products often take years to find their footing, AI solutions can make an impact in months. Builders here are thriving in areas like generative AI, custom integrations, and data analysis, proving we can deliver world-class results on a global stage.

This is driving the rise of the AI workforce – tools that don't just help, but actively take over repetitive work so people can focus on creative, higher-value tasks. Corporate Australia is catching on fast, adopting AI at a speed we haven't seen with any other tech wave.

At Build Club, we're all about helping Australian builders ride this wave. Whether it's connecting them with tools, community, or opportunities, we're here to make sure they're equipped to lead. AI isn't just the next big thing – it's a workforce revolution.

And if we play our cards right, Australia has everything it takes to lead the charge.

Annie Liao

Founder
Build Club

Incremental progress for women founders, but later stage challenges persist

Female-only and mixed-gender teams made progress at the earliest stages of funding in 2024, with Pre-Seed and Seed deal participation showing clear improvement. This momentum has yet to carry through to later stages, where systemic challenges persist.

Female representation in Pre-Seed and Seed deals increased to their highest ever level, while at the Series A participation fell and Series B+ deals remained stuck at 16%. These numbers underscore the difficulty that remains for female founders in accessing growth capital as their businesses scale.

Despite growing awareness of funding inequities and efforts to address them, meaningful change at the later stages remains elusive. Early-stage progress offers hope that these gains will eventually flow through, but the data highlights the need for ongoing action to address barriers.

The improvements at the earliest stages are proof that targeted initiatives are making an impact. Sustained focus and commitment will be critical to ensuring these early wins result in equitable representation across all stages of the funding lifecycle.

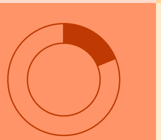
42%

of Angel + Pre-seed deals had women founders
(vs 27% in 2023)

29%

of Seed deals had women founders
(vs 20% in 2023)

19%

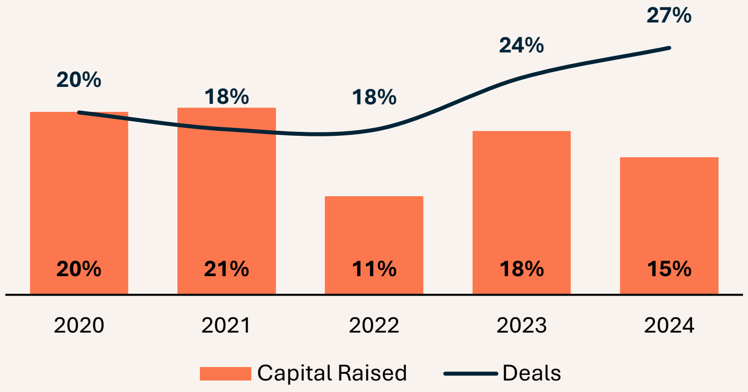


of Series A deals had women founders
(vs 22% in 2023)

16%

of Series B+ deals had women founders
(vs 16% in 2023)

Share of capital raised and # deals to founding team with at least one woman founder



"Lived experience" is having a moment, particularly for women founders. We're seeing a growing recognition of the unique insights and perspectives that women bring to the table. By investing in women-led startups, we're not only closing the gender investment gap, but also tapping into a powerful source of long-overlooked innovation.

Lived experience is particularly relevant in the context of AI-driven businesses. LLM's trained on female data sets or trained by women founders, are seizing the opportunity of solving challenges by women, for women and beyond.

Founders meanwhile: beware the pink-washing. Not all investment dollars are created equal. Do your investors actually care about the gender gap or are they just very late to a party they ignored for a very long time?"

Samar Mcheileh
Managing Partner
Scale Investors

Unlocking underrepresented opportunities

"In a world increasingly marked by political division and institutional stagnation, we are seeing innovators step up to address the world's most pressing problems. This year, transformative advancements in technology, particularly AI, have unlocked opportunities across a wide range of sectors that have long been overlooked.

One example is women's health – a global market valued at nearly US$60 billion and growing rapidly. Startups addressing critical issues such as fertility, menopause, and endometriosis are creating impactful solutions for over half the population while also building resilient market opportunities.

Similar trends are playing out in other sectors, from climate tech to mental health, demonstrating strong commercial potential to deliver both financial returns and improved societal outcomes."

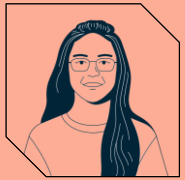
Rachel Yang

Partner
Giant Leap

"Investor sentiment remained cautiously optimistic throughout 2024. Q4 stood out as the period of highest deal activity of the year for us. We are particularly excited to see an increased representation of women founders in deep tech in this year, compared to the previous year.

We also saw growing participation from strategic buyers and investors traditionally focused on other asset classes.

Looking ahead, we believe investors who demonstrate a strong commitment to social impact, diversity, and position themselves as supportive partners providing values beyond capital will remain highly competitive in the ecosystem."



Michelle Vu

Investment Manager
Alice Anderson Fund

Movement in the global unicorn stable, under cloud of opacity

Australia's roster of startup unicorns remained relatively steady this past year, with Deputy as the sole confirmed newcomer crossing the mythical billion-dollar threshold.

This subdued pace contrasts sharply with the exuberance of 2021, when multiple homegrown ventures achieved unicorn status amid abundant capital and soaring investor enthusiasm.

Beneath this calmer surface, however, lies a deeper story – one shaped by the opaque nature of private market valuations and the outsized influence of blockbuster deals in sectors like AI.

Globally, the largest funding rounds of 2024 were dominated by AI companies. OpenAI secured financing at a staggering US$157 billion valuation, while Elon Musk's xAI raised US$6 billion, and Anthropic pulled in US$2.75 billion. These record-breaking deals overshadowed other sectors, funnelling vast amounts of capital into a small group of AI players at valuations that may reflect investor urgency as much as underlying performance.

Unlike public companies, private firms can go years without formal repricing. Many unicorns from the 2021 boom still hold valuations set during their last major funding rounds, even when secondary market trades suggest lower values today. This lag creates uncertainty about which companies truly remain unicorns.

In Australia, several prominent startups from that era have not raised fresh capital, making it difficult to confirm whether they still belong to the billion-dollar-club – or if recent secondary trades indicate more modest valuations. And that's without factoring in complex deal structures designed to preserve paper valuations.

The illiquid nature of private markets, irregular fundraising cycles, and headline-grabbing deals in hot sectors like AI make it increasingly challenging to compile a real-time list of unicorns. With economic pressures mounting, a key question arises: Are these valuations rooted in current realities, or are they merely an overhang of the last high bid? The answer will likely emerge as market dynamics push companies toward more frequent repricing or public listings restart en masse.

Raised or disclosed valuation in 2024

Canva	ROKT	Culture Amp	deputy
$49B	$US3.5B	$2B	$1.1B

No price discovery in 2024

Airwallex	SafetyCulture	go1	iMMUTABLE
$8.8B	$2.7B	$3B	$3.5B
employmenthero	scalapay	linktree	PET CIRCLE .COM.AU
$2B	$1.9B	$1.5B	$1.1B
CYARA	simPRO	Octopus Deploy	GUZMAN Y GOMEZ™
$1B+	$1B+	$1B+	Retired to ASX

VC fundraising tough, optimism for 2025

Australian venture capital firms faced a challenging fundraising environment in 2024, with many struggling to meet their targets. However, signs of improving LP appetite offer cautious optimism for the year ahead.

The global fundraising landscape was marked by declining totals, cautious LP sentiment, and heightened competition for capital. High-net-worth individuals and family offices stepped in as institutional LPs pulled back – a trend we are used to in Australia, where most LPs remain private investors and families. This reflects the relative nascency of the asset class locally.

In Australia, 23% of surveyed investors reported a successfully completed fundraise in 2024, but of those, 37% raised less than expected, highlighting the difficulty of the market. Many local funds lack the long-term track records that institutional LPs require, increasing their reliance on smaller-scale investors. On a positive note, 35% of respondents reported a slight rise in LP appetite, especially for funds with unique strategies or strong local connections.

Looking ahead, 73% of survey respondents plan to raise in the next two years. The ecosystem is cautiously optimistic, but future growth will depend on attracting a broader and more diverse LP base while building stronger track records and points of difference.

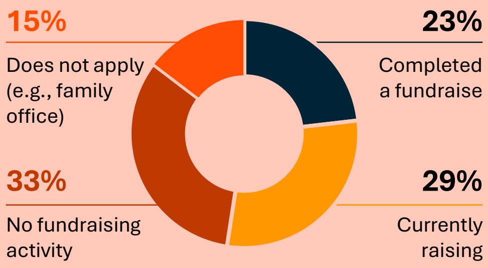
37%

of investors who raised in 2024 raised less than they targeted

15%

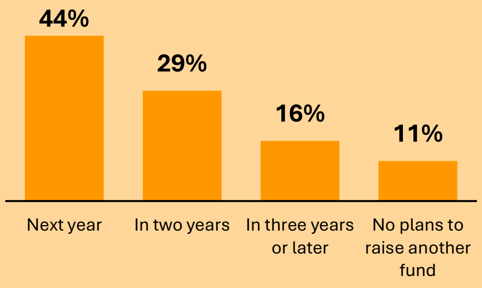
of investors who raised in 2024 raised more than they targeted

Did your firm raise a new fund in 2024?

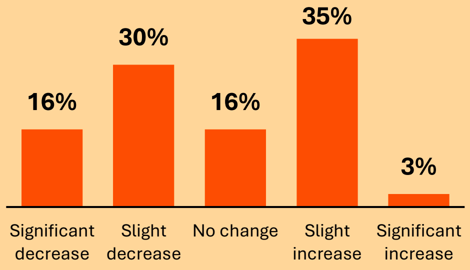


Investor survey insights

When does your firm expect to raise its next fund?



What was your perception of Limited Partner appetite for Australian venture capital in 2024 compared with recent years?



> The fundraising landscape presents some challenges, but there remains strong interest from unique LPs, family offices, and other institutional investors to participate in Australian venture funds with a distinct point of difference. It's encouraging to see both local and international investors continuing to back the Australian venture ecosystem.
>
> Having raised our inaugural fund at Athletic Ventures, we're thrilled to deploy capital behind the next wave of champion founders and firmly embed athletes in the startup arena.

Matt de Boer

Co-Founder
Athletic Ventures

Evolving strategies driving the next wave of success

"I have been delighted and unsurprised to see the strongest Aussie startups thriving. Raising capital is hard work and not always successful for both startups and the fund managers backing them. So it has been disappointing to see negative press around less established fund managers struggling to raise capital.

New and emerging VC funds are most often the major source of capital for our pipeline of tech startups. Without this essential pipeline, we won't have the successful ones that create jobs and economic growth for Australia."

Andrea Gardiner

Founder, CEO & CIO
Jelix Ventures

"The dynamics of venture capital in Australia are evolving. Smaller, agile funds are demonstrating that meaningful returns don't always require waiting for unicorn exits.

By getting in early and selling down stakes to downstream investors, Flying Fox has consistently generated strong outcomes for founders and our LPs – even in uncertain markets. This approach reflects our belief that great companies are built steadily, and great returns can be realised without solely relying on outsized, high-risk bets."

Kylie Frazer

Partner
Flying Fox Ventures

2024 was another tough year in the venture capital industry and for early-stage companies.

But as Littlefinger said, "chaos is a ladder" and we've noticed that the best founders have used a combination of creativity, gumption and financial discipline to set themselves further ahead of the pack.

The increased scrutiny on the industry has provided a well-needed reality check, and this experience over the last few years will serve it in good stead over the longer term as venture capital evolves into a more mainstream asset class.

Rohan Workman

Co-Founder & CEO
Skalata Ventures

"As the tides of venture ebb and flow, young founders illuminate the edges of resourcefulness and adaptability. Unanchored by traditional thinking, they shine brightest in uncertain times.

This generational wave of young ambition continues to surge into uncharted territory. In 2024, over 10 student-founded startups raised their first venture capital, including two who set sail for YCombinator.

While we are not yet the natural home where audacious youth turn to dream, the culture on campus is evolving. More students now dare to build ventures that begin with the boldest visions possible – a movement we're proud to amplify at NextGen Ventures."

Mitchell Hughes

Founding Partner
NextGen Ventures

Investor activity in 2024 shows cautious rebound

Investor participation in 2024 increased modestly, but is still well below pre-2022 levels. While the overall number of investors increased, the most active investors scaled back, reflecting a more selective approach to capital deployment.

The number of investors making more than five investments rose to 29, up from 18 in 2023, highlighting a more concentrated distribution of activity. However, 71% of the most active investors announced fewer deals than the previous year, and four of the 30 most active reported no new investments at all.

The data highlights a recalibrated funding environment, where investors are prioritising quality over quantity and exercising greater discipline in deploying capital. By focusing on fewer, high-conviction investments and providing ongoing support to existing portfolios, investors are adapting to a market that demands precision.

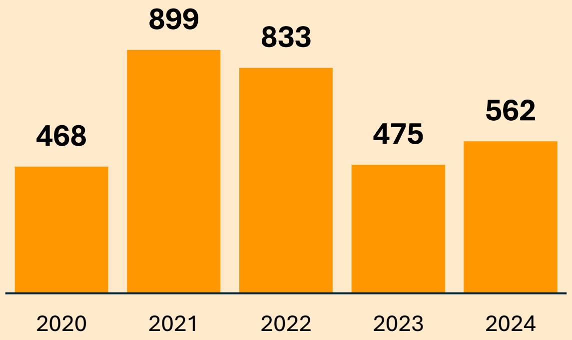
This shift reflects a broader emphasis on sustainable growth and long-term value creation as the ecosystem adjusts to a more selective and measured approach.

29
Investors made more than 5 investments in 2024 (vs 18 in 2023)

4
of the 30 most active investors in 2023 announced no new investments in 2024

71%
of the 30 most active investors in 2023 announced fewer investments in 2024 than 2023

Number of investors recorded across all deals



While the reported decline in the number of investors across deals since 2021 is directionally accurate, nuanced evolving market dynamics affect year-on-year comparisons. For example, ‘party rounds’ have been replaced by syndication by angel groups and funds meaning many investors no longer appear on cap tables, likely understating the true level of participation of individual angels in deals.

> “The venture landscape continued to adapt throughout 2024 as the market gradually improved.
>
> We observed an increase in investment activity towards the end of the year however conditions remained uneven where startups without clear traction experienced difficulty. Wealth Managers were particularly active in the venture growth market by participating in post Series A direct company funding rounds on behalf of their clients. Several venture firms raised capital directly into their firm by allowing investors to invest in the manager entity to support future growth.”

Ed Hooper
Chief Executive Officer
GXE

Global funding: Evolution of Australia’s funding environment in 2024

Partner Insight

Amanda Price

Partner & Head of High Growth Ventures
KPMG Australia

We are all aware of the capital-raising challenges that Australian startups have been navigating over the past two years. The slowdown of late 2022 continued in 2023, something that dramatically changed how founders have had to operate and altered the dynamics of scaling a startup in Australia.

However, Australia does not operate in a vacuum. We are part of an interwoven fabric of global venture capital. The emergence of Australia’s startup ecosystem over the past decade means we are increasingly aligned with other international jurisdictions. Expanding globally is a key goal for many, if not most, Australian high-growth ventures. International capital trends are becoming a strong signal by which to measure our own local venture market.

A challenging year for global VC

2024 was a challenging year for global venture capital market. Investors continued to be very selective with their investments, focusing primarily on later stage deals and companies with clear paths to sustained profitability. However, the last three months of the year saw a spike in deals, with overall VC invested reaching the highest levels since mid-2022.

At the same time comparable markets to Australia such as the UK, Canada and Spain – show that Australia has not been unique in the challenges we face.

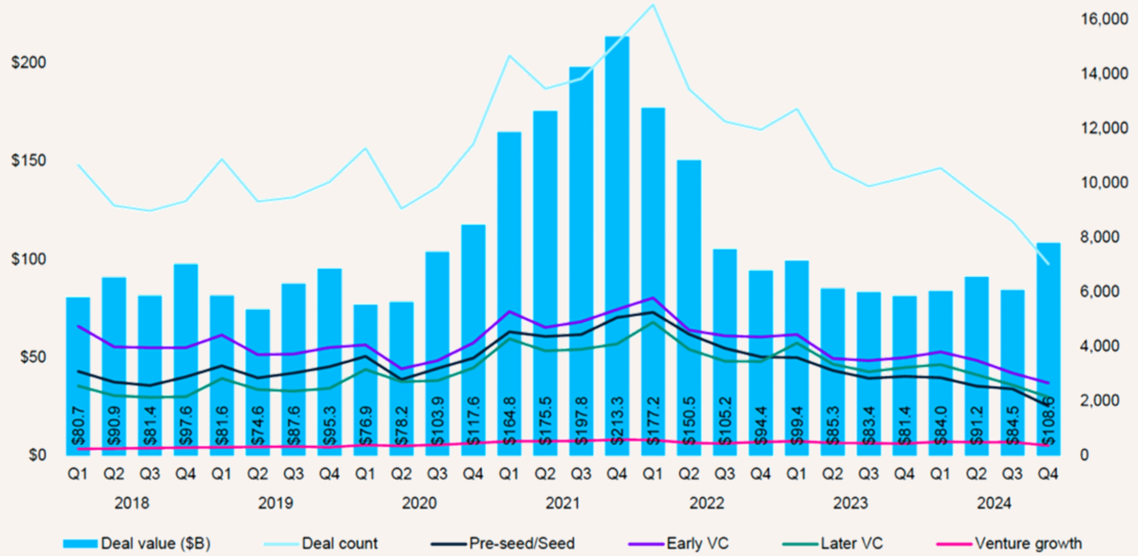
UK: VC investment in the UK picked up considerably towards the end of 2024, although UK government Budget announcements, are likely to add to investor caution. The fintech sector in the UK started to see some movement in the M&A space and is well positioned to see additional activity heading into 2025.

Canada: VC investment in Canada rose further in Q4’24, surpassing US$2.5 billion for the first time since Q1, 2022. This increase was despite uncertainties related to the US presidential election in November and related concerns about potential changes that could be made by the incoming administration, including the possible introduction of tariffs.

Spain: VC investment in Spain in 2024 was US$2.1 billion, less than half of that experienced at the peak of investment in 2021. However, overall funding was still up 46% compared to 2019 levels.

continued on next page.

Global venture capital financing (US$ Billion)



Canada, Spain and UK venture capital financing (US Dollars)

	2019	2020	2021	2022	2023	2024
Canada	$5.7B	$4.4B	$13.6B	$9.7B	$6.7B	$7.3B
Spain	$1.5B	$1.8B	$4.5B	$3.5B	US$2.2B	$2.1B
UK	$15.1B	$17.8B	$35.9B	$31.4B	$20.3B	$19.4B

Source: Venture Pulse, Global Analysis of Venture Funding, KPMG Private Enterprise, data from PitchBook

Global funding: Evolution of Australia’s funding environment in 2024 continued

Partner Insight

What this means for founders and VCs in Australia

While startups often benchmark against the US, as the major global VC market and one that most Australian founders aspire to enter, when analysing how the Australian ecosystem is faring, it is worth noting that Australia’s trends more closely resemble other international markets. Founders would also do well to be across the global trends shaping the overall global funding environment.

Three Global VC trends to shape investment in 2025

1. **Secondary fundraising markets continue to emerge**

   While VC fundraising was down considerably year-over-year, one area of fundraising really stood out. Interest in secondary funds – vehicles created to give investors liquidity as an alternative to M&A – shot up in 2024, with funds raised reaching a record high of over $100 billion. Given the extended exit drought, interest in doing secondary transactions has grown quite considerably over the last couple of years. This was already seen locally with Canva’s secondary market share transaction which was announced in November 2024.

2. **Early stage investment is still in decline**

   Globally, VC investment at the Angel and Seed stages both declined for the second straight year in 2024. This was perhaps not surprising given the uncertain macroeconomic environment over the course of the year and the extended “exit drought” which has seen few listings and acquisitions of later stage ventures that would provide fuel to global VC markets.

   The macro-economic conditions also drove VC investors to prioritise later stage deals and investments in companies with well-proven business models, commercial viability, and clear paths to profitability. The major exception to this rule was the AI sector, with AI-focused startups across all deal stages able to attract significant investment.

3. **AI is driving VC investment at all stages**

   In the last quarter of 2024, the AI space globally attracted a major proportion of all global VC funding this quarter. Over $32 billion of this funding came from mega deals ($1 billion+) including Databrick’s $10 billion raise, a $6.6 billion raise by OpenAI, a $6 billion raise by xAI, a $5.6 billion raise by Waymo, a $4 billion raise by Anthropic, and a $1.3 billion raise by GreenScale. The US attracted the vast majority of AI investment this quarter, although all regions saw increasing interest in AI-focused companies.

   AI model and infrastructure companies attracted many of the largest deals towards the end of 2025, as interest and competition in the space remains very hot.

   Startups focused on the application of AI to address specific challenges and industries also saw substantial interest from VC investors across all regions.

As we kickstart 2025, we can hope that we continue to see increased levels of funding available for Australian startups. What the global data shows is that Australian founders are facing a relatively level playing field compared to their global peers. This should provide a strong thesis to support global ambitions for our best and brightest startups.

Bridging Australian startups to global success

"Despite the shifting global VC landscape in 2024, U.S. and international investors are showing real excitement around Australian startups - and for good reason.

Early stage Australian startups are very capital-efficient, with valuations 50-60% lower than comparable U.S. deals, whilst also building incredibly innovative companies, making them highly attractive for global investors and potential acquirers.

When Aussie startups do expand into the U.S., they see healthy valuation uplifts and significant traction. However, navigating cultural nuances, different customer buying behaviours, and U.S. investor expectations can be challenging. As a U.S. based firm investing in Australian and U.S. based female founded tech startups, ALIAVIA Ventures is uniquely positioned to understand the U.S. differences, acting as a bridge to help our founders scale beyond Australia."

Marisa Warren

Founder & Managing Partner
ALIAVIA Ventures

United States of America & Australia

"As an international fund with one foot firmly in the Australian ecosystem, we continue to be impressed by the standard of founding teams here. We've observed a shift in the level of ambition, the types of challenges being attacked, and the frontier technologies being harnessed to solve them.

Science and engineering-led teams are using AI, compute, advanced materials and manufacturing, lasers, sensors, photonics, genomics, neurotech and new energy systems to move the needle on human health, climate, productivity and other societal challenges. We also see universities, governments, accelerators, angels and new types of hybrid investors adjusting and combining to help Australia commercialise critical technologies that contribute to our sovereign capability, society and the planet.

We're excited to keep backing mission-driven teams in Australia."

Chris Hitchen

General Partner
Possible Ventures

Germany & Australia

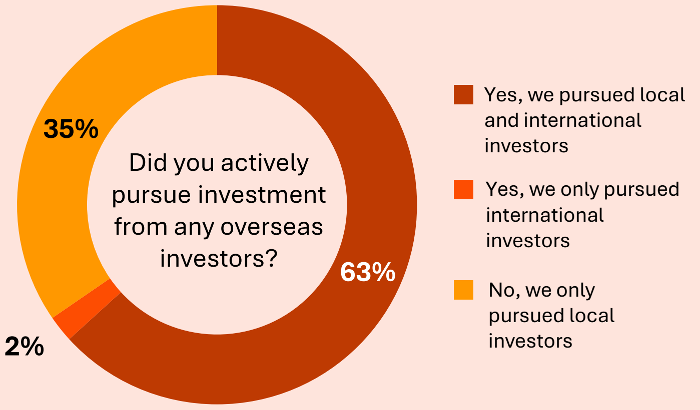
International interest in Australian startups remains strong

International investor participation in Australia's startup ecosystem grew in 2024, with greater involvement across all funding stages. Series B participation by international investors rebounded after tumbling in 2023, signalling renewed confidence in Australia's scaling opportunities.

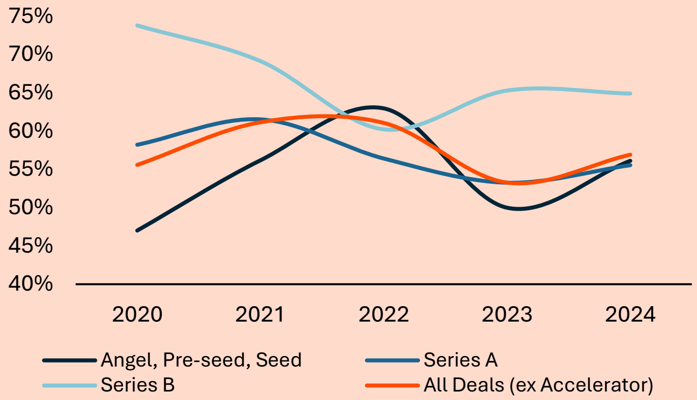
Founders increasingly sought global capital, with 63% of surveyed founders pursuing a mix of local and international investors, while only 35% chose to rely solely on domestic funding. International investors highlighted Australia's growing reputation for producing world-class startups, particularly in business software, Biotech, and Fintech. Many overseas funds interviewed also pointed to founder scrappiness and the collaborative nature of the ecosystem as key drivers of long-term potential.

Looking ahead, 62% of local investors expect international activity to increase further in 2025. With a maturing funding landscape and high-quality opportunities on offer, Australia's startup ecosystem is well-positioned to attract even greater global engagement.

Founder survey insights



Percentage of deals participated in by International Investors



Top 5 reasons to seek funding from an international investor

01 **Support in global expansion**

02 **Greater risk appetite**

03 **Size of investment possible**

04 **Limited local funding options**

05 **More favourable deal terms**

Investor survey insights

62% of local investors
expect overseas startup investors to increase activity in Australia in the next 12 months (down from 70% in 2023)

57% of 2024 deals[1]
included at least one international investor in the round (up from 53% in 2023)

(1) Excludes Accelerator deals

Blend of ambition and efficiency draw attention from abroad

“Founders in Australia are independent thinkers who not only understand capital allocation but consistently embrace the challenge of solving large, audacious problems.

These companies are built with a global mindset from the get-go, harnessing the best of Western innovation, while tapping into deep local talent pools – this approach has positioned the market as one of the most capital-efficient venture ecosystems globally, that has produced a disproportionate share of large venture outcomes.”

Sachin Bhanot

Head of SEA & ANZ investments
Prosus Ventures

Netherlands

“At SoftBank Investment Advisers, we believe in the transformative power of artificial intelligence and technology. This same ethos is evident in Australia’s dynamic startup ecosystem, where founders embrace a ‘global from day one’ mindset and leverage AI to tackle challenges across diverse sectors, creating solutions with the potential to redefine industries on a global scale.

Fuelled by a deep talent pool, long-term ambition, and a relentless commitment to innovation, Australia’s ecosystem thrives on world-class research and a uniquely collaborative culture.

We look forward to partnering with these visionary entrepreneurs, propelling the next generation of transformative companies.”

Chris Lee

Partner
SoftBank Investment Advisers

United Kingdom

“For two decades, Insight Partners has been investing in and fuelling the growth journeys of innovative Australian software companies. This tech ecosystem reflects many of the global trends we’re excited about–a growing appetite for AI, a renewed confidence in the market from both founders and investors, and a global mindset that enables companies to scale.

We’re bullish on this growing tech ecosystem and look forward to continuing our collaboration and partnership with Australia’s vibrant community of software startups and scaleups.”

Rachel Geller

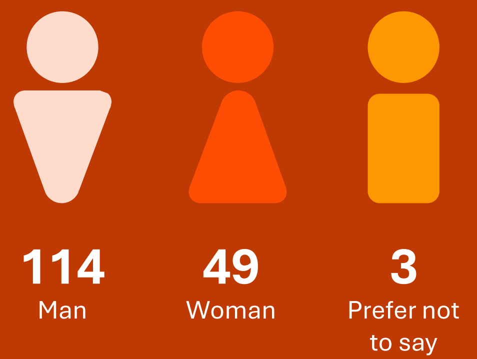
Managing Director
Insight Partners

United States of America

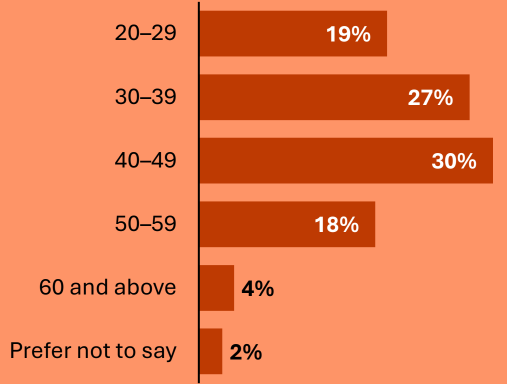
Investors we surveyed

We received 168 responses from professional startup investors from across Australia in December 2024. The survey questions varied based on their role and level of seniority of the respondent, with each answering a tailored subset of questions.

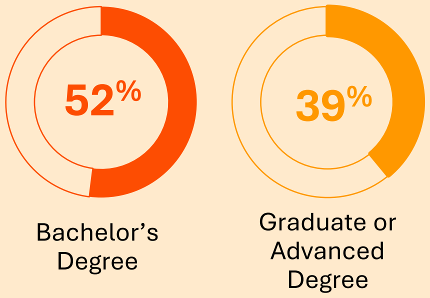
Gender



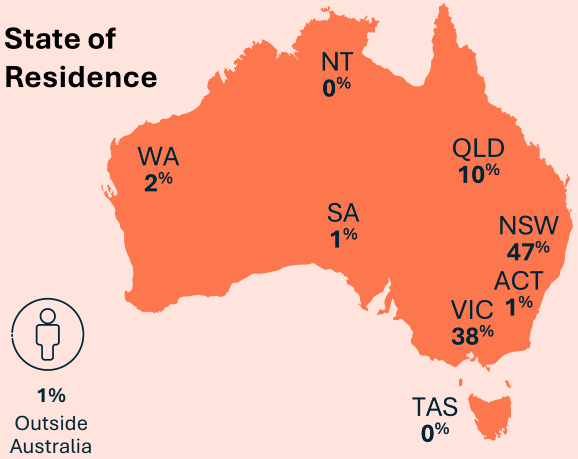
Age



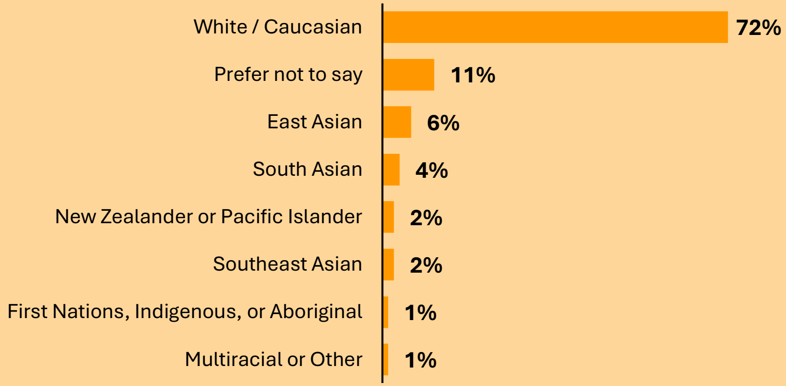
Highest level of education



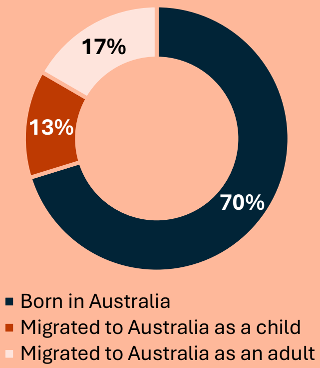
State of Residence



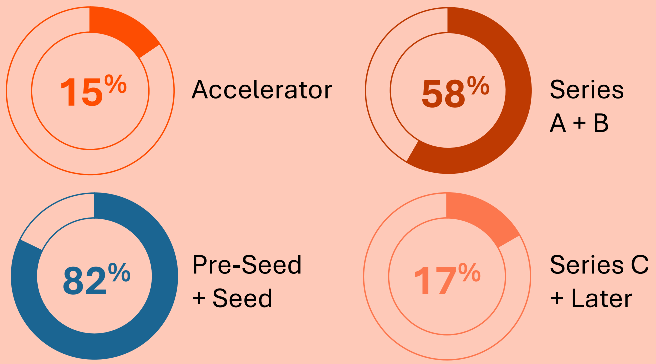
Ethnicity



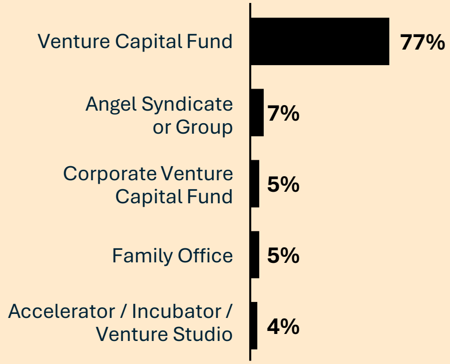
Heritage



Invests at the...



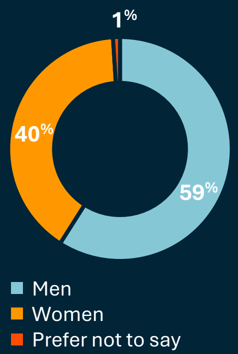
Works at a...



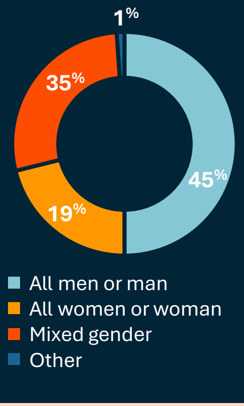
Founders we surveyed

With the help of a diverse network of ecosystem participants, we surveyed a broad cross-section of startup founders, with 392 founders participating. This sample may not fully reflect the entire founder ecosystem, so the findings should be viewed in the context of the participant breakdown. Aligned with this report's mission to provide valuable insights, we are committed to refining our data collection methods to expand the survey's reach and improve the representativeness of the data with each report released.

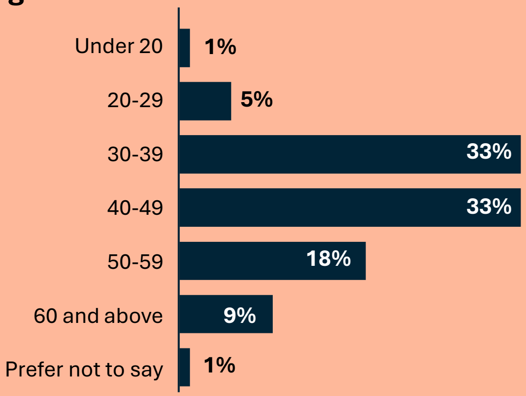
Gender



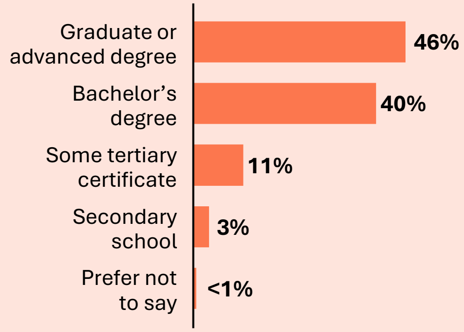
Founding Team Genders



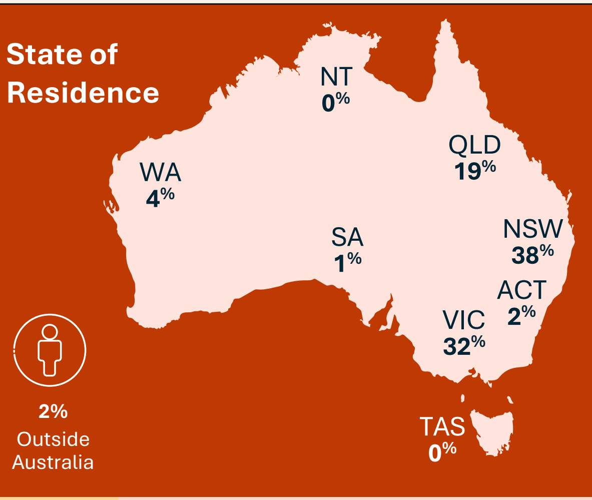
Age



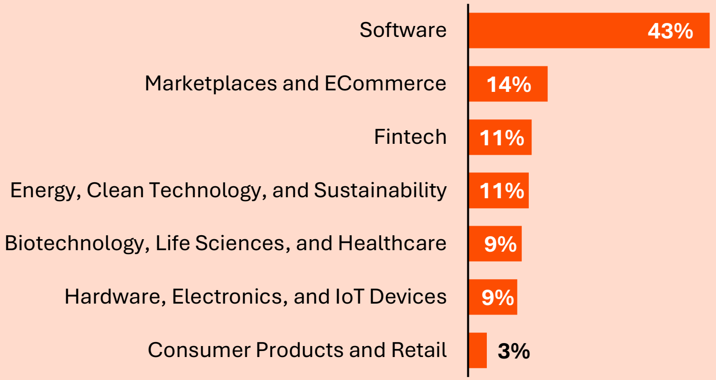
Highest education level



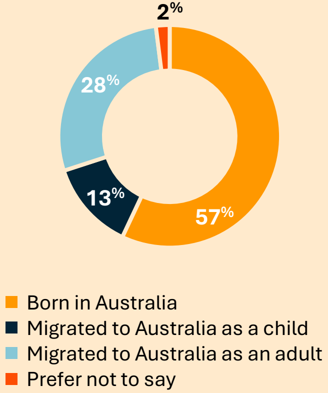
State of Residence



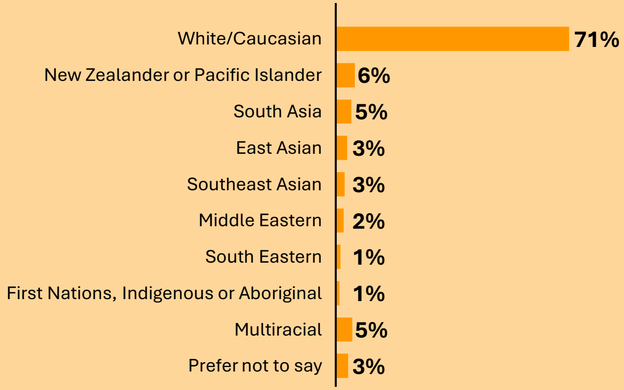
Startup Segment



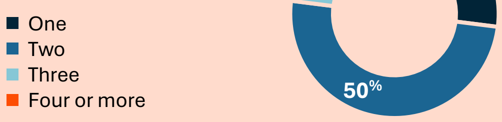
Heritage



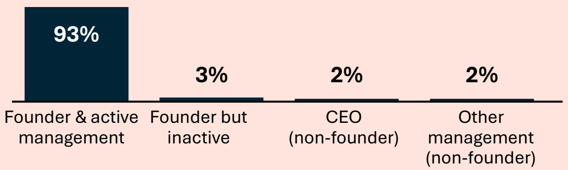
Ethnicity



Size of founding team



Role at the company



Investors move forward at measured pace

Investors embraced a measured approach to dealmaking in 2024, prioritising diligence, capital efficiency, and quality over speed. Despite some challenges, there were signs of optimism and adaptability within the ecosystem.

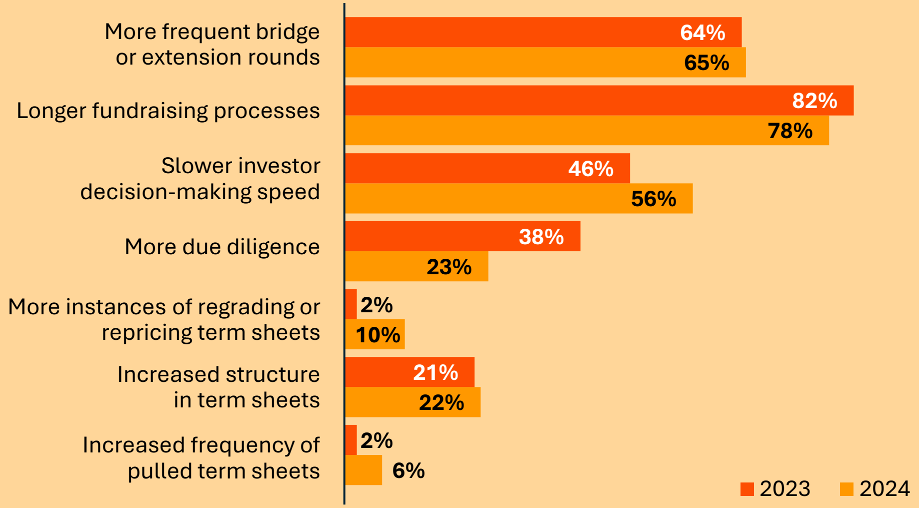
Lengthier fundraising processes persisted, with 82% of investors reporting slower decision-making and deeper due diligence compared to previous years. Encouragingly, 58% met their investment expectations, and 14% exceeded them, demonstrating resilience amidst caution. Proactive sourcing also gained traction, with 43% of investors increasing outbound engagement with founders to stay competitive.

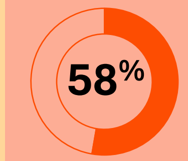
Publicly unannounced bridging rounds emerged as a key trend, with 39% of investors indicating that at least 20% of their investments fell into this category. The rise in down rounds – where 65% of investors participated in deals below prior valuations – reflecting recalibrated expectations.

Despite these hurdles, the shift toward quality and sustainability marks a healthy evolution in local funding dynamics.

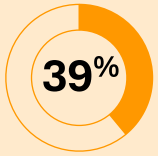
Investor survey insights

What changes in fundraising dynamics have you observed as a result of the change in market environment in 2024?

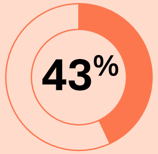




of investors said they made as many investments as they expected in 2024. 14% said they made more

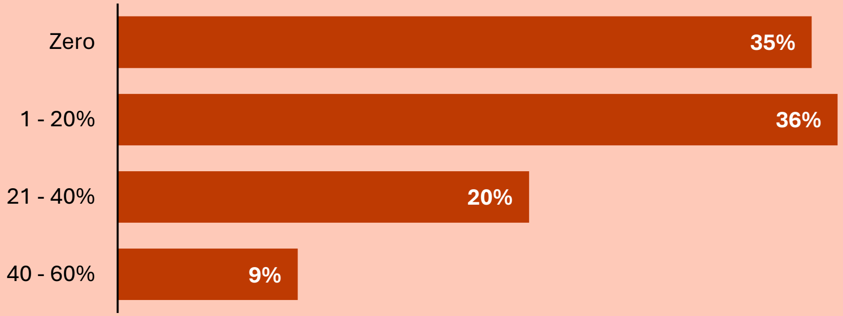


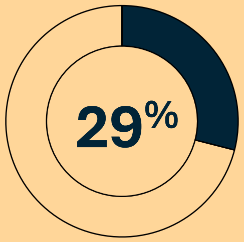
of investors said at least 20% of their investments were in unannounced bridging rounds



of investors said they increased their level of outbound to founders in 2024

What percentage of deals you participated in were a down round from the previous priced round?





of investors said that at least 20% of the deals they participated in were down rounds

Investors continue to press for survival over growth

Investors prioritised sustainability and caution, urging startups to extend runway and reduce burn. While pragmatic for navigating short-term challenges, if sustained this approach risks limiting innovation and delaying scaling opportunities.

Just 22% of surveyed investors advocated for increased growth investment, while 53% advised portfolio companies to cut costs and preserve cash. Balancing immediate survival with long-term ambitions proved difficult, with 25% of investors recommending equity raises to boost cash reserves. The continued strain on startups was clear: 55% of investors reported portfolio company failures – up from 41% in 2023 – and 93% observed layoffs, reflecting the pressure to streamline operations in a challenging funding environment.

Down rounds were another defining feature of the year, with 65% of investors participating in at least one, underscoring the shift toward more realistic valuations. While difficult, these adjustments are laying the groundwork for a healthier and more sustainable growth trajectory moving forward.

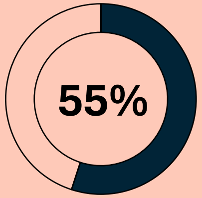
> “2024 was a watershed year for Australian VC that demonstrated the ecosystems emerging maturity. While funding was often tough for founders and funds, unlike the 2000s it didn’t dry up entirely, demonstrating new resilience in the asset class. 2024 also marked the broad technological shift from cloud to AI that will underpin the next ten-year growth cycle.”

Quentin Wallace

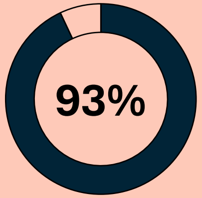
Co-Founder & Partner
Archangel Ventures

Investor survey insights

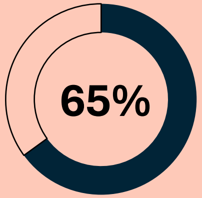
Operating and funding outcomes remain mixed



saw a portfolio company fail
(vs 41% in 2023)

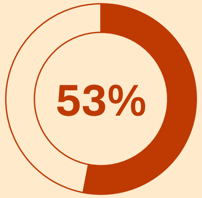


saw a portfolio company conduct layoffs
(vs 90% in 2023)

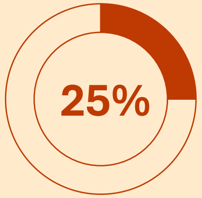


of investors participated in a down round
(vs 54% in 2023)

Advice to founders in 2024



recommended reducing cash burn to extend runway
(vs 80% in 2023)



recommended increasing cash on hand by raising equity
(vs 8% in 2023)

> “In 2024 we saw clear markings of a two-state market. The numerous large funding rounds were set against a backdrop of a number of high-profile closures.
>
> Companies that could demonstrate fast and efficient growth saw strong funding interest; those that couldn't faced difficult decisions.”

Zac Zavos

Managing Partner
Shearwater Capital

Investment landscape shifting with new opportunities

“The bar continues to be raised in the Australian start up ecosystem, which is now benefiting from multiple generations of founders and investors, most notably in FinTech and Business SaaS. Even so, investment activity and corporate venture capital specifically was muted in 2024. I am cautiously optimistic that 2025 could be a bumper year for the ecosystem as valuations stabilise.

Corporate Venture Capital is patient capital, and participation in deals to invest or acquire in 2025 will be influenced by two key factors. First is the willingness of the ecosystem to back more creative financing and value creation mechanisms. This presents significant opportunity as investors, founders and LPs look for liquidity events. Second, the macro context remains challenging for corporate Australia. CVC is reaching an inflection point. Interestingly, there is growing divergence in CVC strategies as the conditions force more deliberate decision making. This should be positive in the long term for the maturing of the Australian start up ecosystem.”

Lynn Thompson

Global Head of Strategy and Partnerships
QBE Ventures

“The Australian venture capital market began stabilising in 2024, setting the stage for a transformative 2025. This year is poised to bring both disruption and opportunity, shaped by global political shifts, inflationary pressures and more groundbreaking advancements in next-generation AI.

As investor and founder confidence grows, the venture capital landscape presents attractive opportunities. Expectations continue to build for increased transactions, robust M&A activity and improved exit opportunities. With unlocked liquidity, reinvestment of institutional capital should increase, providing opportunities for growth across the ecosystem.

We’re excited to see what the next year holds and remain committed to supporting the ecosystem in Queensland and nationally.”

Crystal Russell

Head of Asia Pacific
QIC Private Equity

Nick Guest

Partner
QIC Private Equity

More than capital in the investor-founder relationship

The relationship between founders and their major investors continues to be shaped by value-add support. Of the founders surveyed, 66% recognised these additional benefits and 78% don't regret partnering with their lead investor.

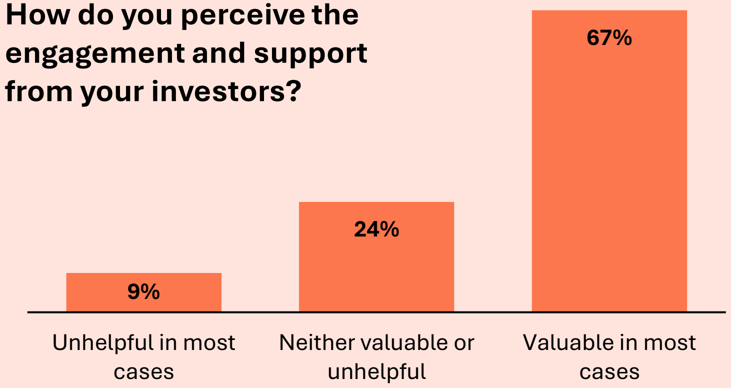
Highly practical services like introductions to potential customers and other investors stood out as the most valuable forms of investor support for founders surveyed. Many investors also provided critical resources for growth, such as mentorship in leadership, strategy, and international expansion. Help with access to talent and experienced operator support was less valued.

This emphasis on value-add support reflects the ongoing evolution of the investor-founder relationship. By offering guidance in areas where investors are uniquely advantaged over founder/operators, they are strengthening their value as strategic partners and building deeper trust with founders.

As founders increasingly seek tailored, high-impact assistance, the ability of VCs to deliver meaningful non-programmatic value will be crucial in attracting the next generation of transformative startups.

Founder survey insights

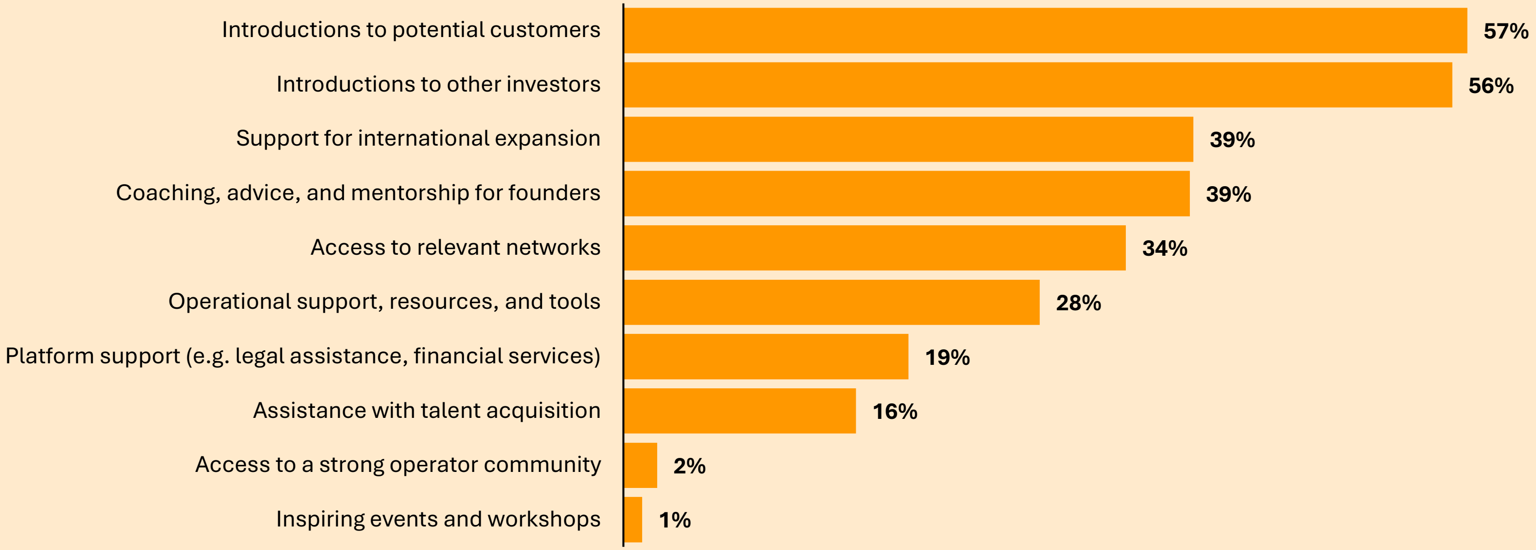
How do you perceive the engagement and support from your investors?



78% of founders would accept an investment from their most recent lead investor knowing what they know now

66% of founders believe their investors provided value beyond the capital invested in 2024

Besides capital, which types of investor support would you find most valuable?



Survey insights: investor value proposition to founders

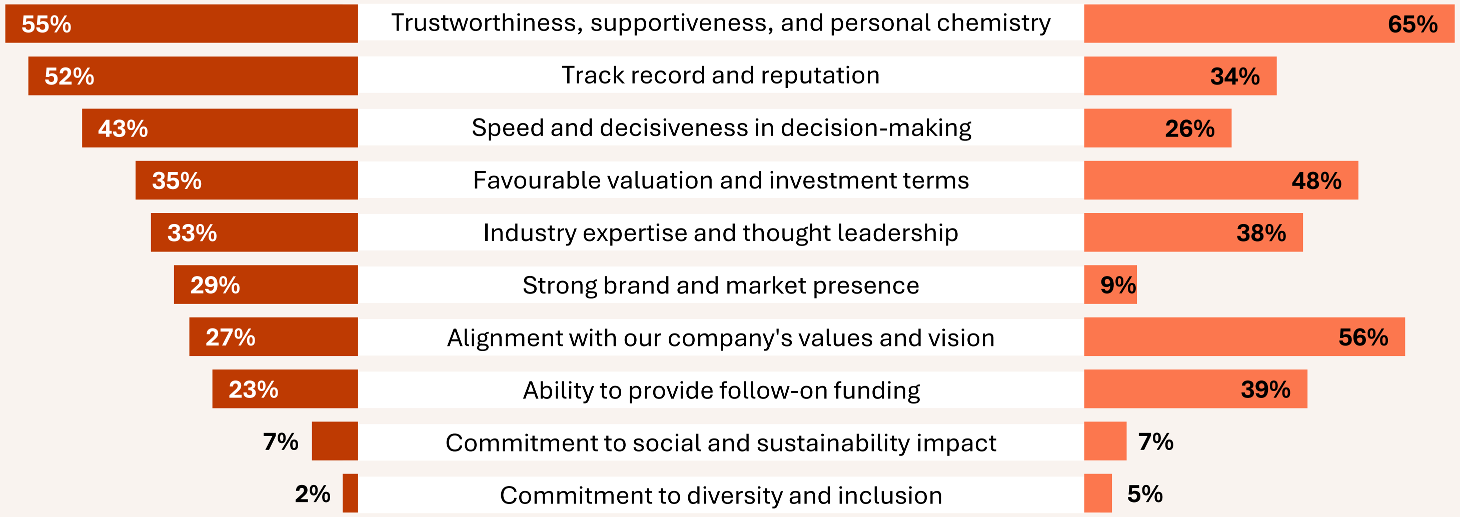
Founder and investor survey insights

Investors

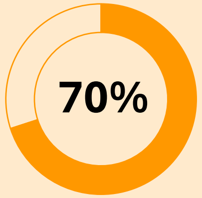
In your opinion what are the most decisive factors to win a competitive deal?

Founders

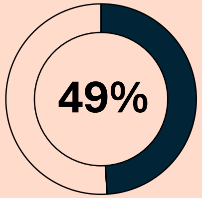
When choosing an investor, which qualities are most important?



55%	Trustworthiness, supportiveness, and personal chemistry	65%
52%	Track record and reputation	34%
43%	Speed and decisiveness in decision-making	26%
35%	Favourable valuation and investment terms	48%
33%	Industry expertise and thought leadership	38%
29%	Strong brand and market presence	9%
27%	Alignment with our company's values and vision	56%
23%	Ability to provide follow-on funding	39%
7%	Commitment to social and sustainability impact	7%
2%	Commitment to diversity and inclusion	5%



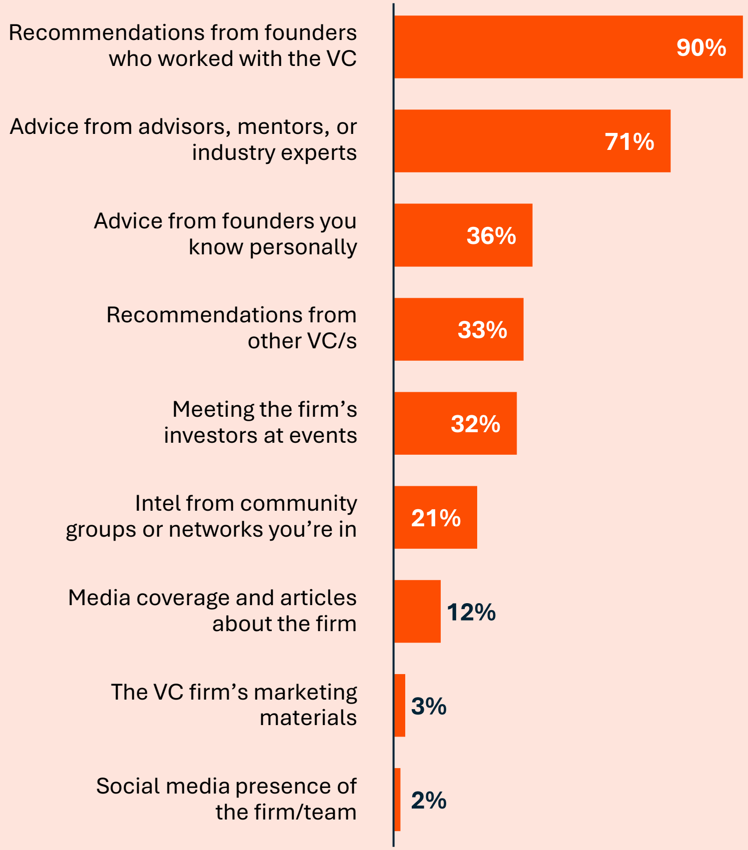
of founders don't believe there are many funding options available to Australian startups **(vs 75% in 2023)**



of founders don't feel supported by the wider Australian entrepreneurial community and startup ecosystem **(vs 34% in 2023)**

Founder survey insights

When deciding which VCs to engage with, which sources of information would influence you the most?

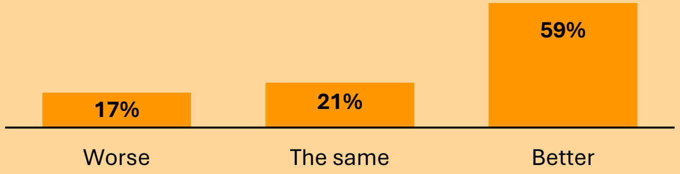


Recommendations from founders who worked with the VC	90%
Advice from advisors, mentors, or industry experts	71%
Advice from founders you know personally	36%
Recommendations from other VC/s	33%
Meeting the firm's investors at events	32%
Intel from community groups or networks you're in	21%
Media coverage and articles about the firm	12%
The VC firm's marketing materials	3%
Social media presence of the firm/team	2%

Investor survey insights: 2024 deal activity

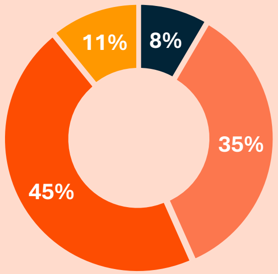
Most investors reported improved market conditions, stronger deal flow, and heightened competition, with later-stage deals seeing the greatest increase in interest. While bridging rounds and down rounds remained commonplace, they showed a slight decline compared to 2023.

Compared to 2023, describe the current state of the startup funding market



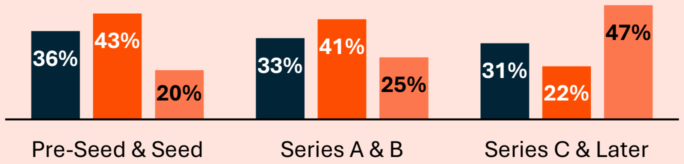
How would you rate the quality of deal flow this year compared to last year?

- Worse
- Same
- Better
- Significantly better



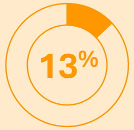
What was your perception of deal competitiveness at the each stage compared to 2023?

- Less competitive
- No change
- More competitive



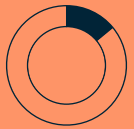
What percentage of your investments were internal or bridging rounds?

Greater than zero
(vs 84% in 2023)



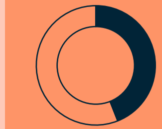
More than 40%
(vs 32% in 2023)

Based on survey responses, Cut Through Venture estimates that **15-20% of 2024 venture capital** rounds were internal bridging rounds



14%
made more investments than expected in 2024

27%
made less investments than expected in 2024



44%
made investments via a Secondary purchase in 2024

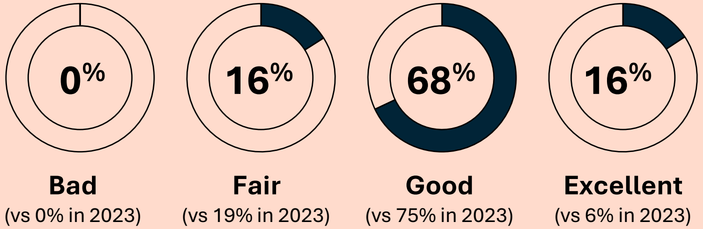
> “While recent years have seen a slowdown in overall venture capital investment in Australian startups, a positive shift is emerging.
>
> Global VCs, particularly from the US and Singapore, are increasingly recognizing the potential of early-stage Australian ventures from Seed and beyond. This growing interest, coupled with the development of a secondary market, offers promising pathways for liquidity and signals a maturing startup ecosystem.
>
> In response to shifting market dynamics, there has been a focus on profitability. However, the fundamentals of startup success remain unchanged and it seems clear now that a more appropriate view when considering next round funding is – capital efficiency matters (not profit), but growth is still number one.”

Dan Gavel
Director
Black Sheep Capital

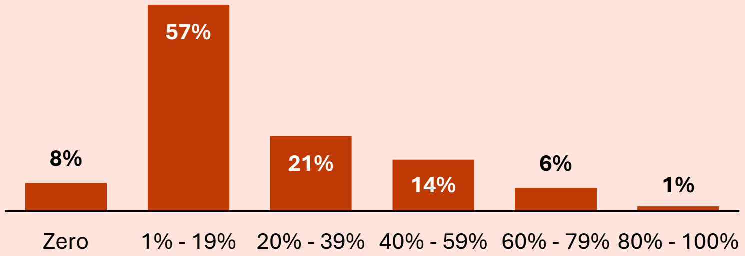
Investor survey insights: 2024 portfolio health

Investors reported an overall improvement in portfolio health but they continue to operate in support mode, with many concentrating efforts on safeguarding the viability and success of their existing investments via bridging finance and operating support. Layoffs and company closures were frequent occurrences – a feature of every startup ecosystem globally.

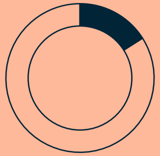
How would you rate the overall health of your current portfolio companies?



What percentage of your portfolio companies do you estimate laid off staff this year?



16%



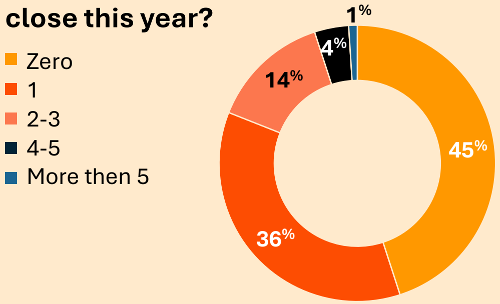
reported a higher failure rate of portfolio companies than in 2023

(vs 19% in 2023)

64% participated in a down round (vs 54% in 2023)

82% invested in a portfolio companies bridging round

How many of your portfolio companies were forced to close this year?



> Charles Darwin's quote has never been more relevant: "It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change". We are about to see which founders are the most responsive to change and believe significant shifts will occur in pureplay SaaS.
>
> Whilst the future is always somewhat uncertain, we are excited for the disruption that lies ahead. In 2025 we will continue our focus on helping investors and portfolio companies navigate the generational shift created by AI tools finally becoming functional at scale.

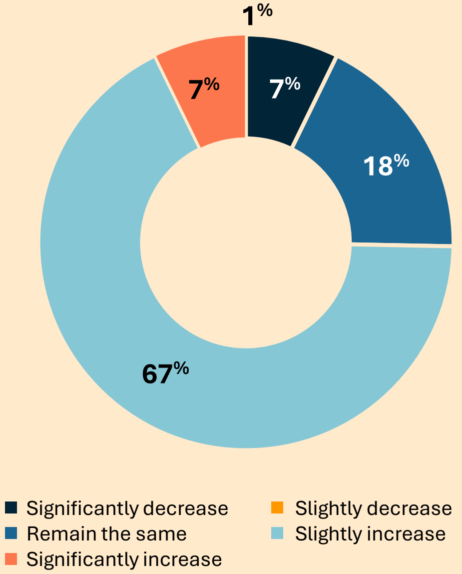
Don McKenzie

Co-Founder
Tribe Global Ventures

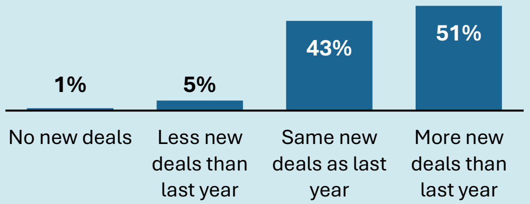
Investor survey insights: Looking to 2025

Investors are optimistic heading into 2025, with three-quarters expecting investment levels to rise compared to 2024. Half are confident their firm will close more deals, while most believe deal terms will either hold steady or tilt in favour of founders.

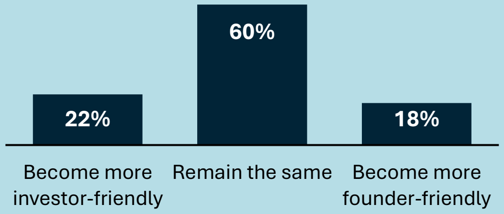
In 2025, do you expect to see startup investment activities in Australia?



In 2025, what do you expect your firm's deal activity to be?



Expectation of deal terms over the next 12 months



Five sectors' investors are most excited about next year have remained unchanged over the past two years.

60%	**AI/Big Data** (1st in 2023)
37%	**Enterprise/B2B Software** (2nd in 2023)
27%	**HealthTech** (4th in 2023)
12%	**Cyber/Privacy/ID** (5th in 2023)
22%	**Climate/CleanTech** (3rd in 2023)


74% expect ecosystem investment activities to increase in 2025

(vs 66% in 2024)


51% expect startup investment activities to increase in 2025

(vs 70% in 2024)


78% expect deal terms to stay steady or become more founder friendly in 2025

(vs 62% in 2024)

> Early-stage investment offers a crystal ball into the future of late-stage opportunities. From what we're seeing on the ground today, Australia's startup landscape in 2026-2029 promises to be extraordinarily dynamic. For the first time, we're achieving gender parity between all-male and mixed-gender founding teams at the Pre-Seed level – a breakthrough that will reshape our future startup ecosystem.
>
> These founders aren't just iterating on existing models; they're fundamentally reimagining how entire industries operate.

Maxine Minter

General Partner

Co Ventures

Founder survey insights: Looking to 2025

Australian founders are entering 2025 with measured confidence, balancing hope with a pragmatic approach to growth. While determined to secure funding, investors interviewed said that large segments of the founders they support are doubling down on operational efficiency and sustainable metrics to enhance their appeal to future investors.

It is likely that founders willing to complete the survey bias toward those who have funding plans on the horizon, and this showed in the data. Nonetheless, of those surveyed, 74% intend to raise capital in 2025, indicating strong fundraising plans despite the challenges of the current market. Many spent 2024 focusing on strengthening business fundamentals and proving out traction in preparation for a raise.

Despite their determination, the perception of limited funding options in Australia remains a significant challenge. Nearly half of founders expressed concerns about insufficient funding avenues, emphasising the need for greater diversification of resources and access across industries. While founders are stepping up to meet investor expectations, the ecosystem must evolve to ensure the necessary support for their continued success.

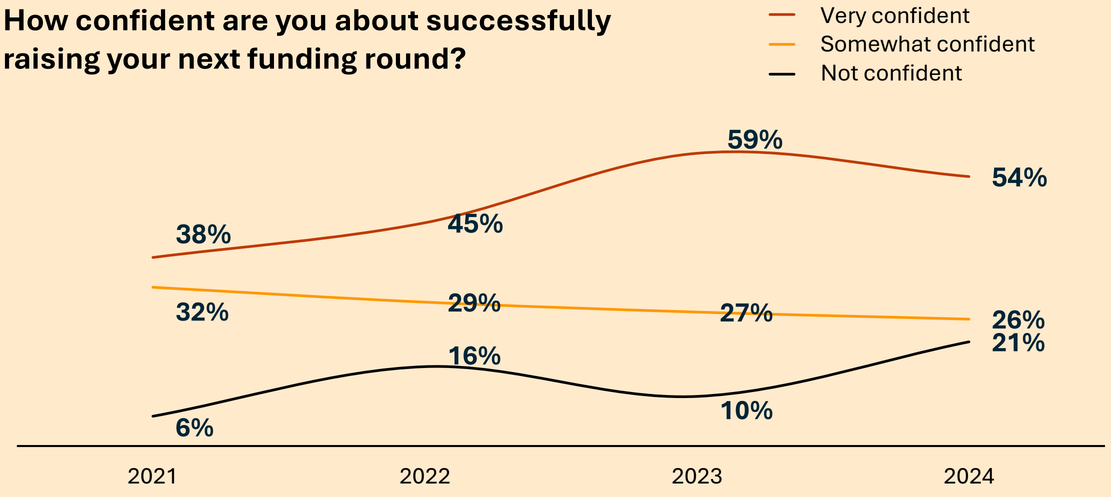
74% said they plan to raise capital in 2025

11% said they plan to never raise capital again

80% are confident they'll successfully raise their next funding round

49% believe there aren't many funding options available to Australian startups

How confident are you about successfully raising your next funding round?



Diversity

A note from The State of Australian Startup Funding team

We worked hard to gather survey responses from a diverse group of founders across the Australian ecosystem. Founders were asked to complete an anonymous survey, sharing information about their age, gender, ethnicity, and heritage. While we recognise that diversity is complex and influences fundraising experiences in many ways, the report team doesn't currently have the capability to collect detailed demographic data on funded founders beyond gender. As a result, this report doesn't include analysis of funding outcomes based on other demographic factors.

As with last year, we acknowledge that this data may not capture the experiences of all founders but instead provides a snapshot of the ecosystem. Even so, we believe it's important to share what we've gathered and remain committed to expanding our efforts to include more inclusive and representative data in the future. We're incredibly grateful to the investors, accelerators, and community leaders who helped us collect responses in 2024.

Investor survey insight

What activities does your firm conduct to promote better funding outcomes for all founders?

Ensuring diversity within our investment team	61%	Ensure diversity in portfolio management and boards	28%
Initiatives to diversify sourcing channels	48%	Mentorship for underrepresented founders	23%
Source deals from underrepresented entrepreneur networks	46%	Diversity training for team and portfolio	22%
Recording and analysing diversity metrics	55%	Partnerships with diversity-focused accelerators	22%
Collaboration with groups to promote diversity	36%	Funds for underrepresented-led businesses	13%
Maintaining diversity in partnerships and committees	45%	No specific diversity and inclusion initiatives	13%

> "I'm seeing more women of colour starting businesses, but not enough are making it to later stages of funding. Many face barriers like lack of access and networks, and investors often overlook them because their pitch doesn't fit the 'VC mould.'
>
> If we're serious about backing outliers, investors need to be intentional about taking the time to understand these founders. Every year, more women of colour enter entrepreneurship, but we must ensure they have the support to thrive. With nearly half of Australians having a parent born overseas, capital needs to be allocated so that our founders better reflect the country we live in."

Ananya Sinha

Investor
Artesian

Diversity in Australian Startups

Partner Insights

2024 has been a transformative year for inclusivity in Australia's startup ecosystem. Leading organisations such as Skalata are making purposeful strides, deploying capital to diverse founder cohorts, while other generalist funds like Flying Fox and CoVentures are actively creating initiatives to better support founders, in particular women. Techstars has also set industry benchmarks with its highly diverse accelerator programs.

A particular highlight has been the rise of cultural diversity, with 28% of founders now coming from non-English speaking backgrounds. This progress is exemplified by one of the year's largest acquisitions, led by Bangladeshi migrant Robin Kudha.

Across the board, there is growing momentum, with more firms recognising the need to build an inclusive innovation ecosystem.

Understanding the funding gap

However, despite these positive strides, women founders still face significant funding disparities. Increased participation in funding rounds hasn't translated into equitable capital allocation. The numbers reveal systemic biases in how investment decisions are made.

This funding gap doesn't just impact today's entrepreneurs, it sends a discouraging message to potential founders, creating a ripple effect that according to founder verbatim has deterred the desire for future participation. While some doors are opening, the road to truly equitable funding remains a challenging journey.

Support system challenges

Another obstacle has been the loss of crucial grant funding. The discontinuation of the Boosting Female Founders program has left many women-led startups without vital early-stage funding. At the same time, support organisations are struggling to sustain operations with several government initiatives being changed or being cut altogether, further exacerbating the issue.

These gaps in infrastructure jeopardise the progress made so far, leaving diversity initiatives vulnerable. Without sustainable mechanisms to support these organisations, the ecosystem risks losing momentum in its drive for inclusivity.

Systemic barriers and cultural change

Beyond funding and infrastructure, systemic barriers continue to limit opportunity access for underrepresented founders. Established networks often critical for gaining traction and funding in the startup world remain difficult to penetrate. While mentorship programs are growing, they are not yet accessible to all founders, leaving gaps in support.

These barriers are reflective of broader systems challenges that require deliberate and sustained efforts to overcome. Without systemic change, the ecosystem cannot fully capitalise on the potential of diverse talent.

Looking forward

The progress seen in 2024 proves that change is possible, but achieving true inclusivity will require sustained commitment and strategic action. It's not enough to maintain the current momentum, we need to build on it while addressing entrenched issues in order to drive real transformation.

This will demand collective effort from all ecosystem stakeholders, including investors, accelerators, industry bodies, and government agencies. The foundation for change exists, but realising its full potential will require active collaboration and accountability.

To move forward, the ecosystem must prioritise developing sustainable funding mechanisms for support organisations, expanding mentorship opportunities, and creating robust accountability frameworks. Transparent reporting and regular progress assessments should underpin these efforts.

Ultimately, the goal is not just to improve diversity statistics but to create an ecosystem where innovation thrives because of the breadth of perspectives and experiences contributing to it. By focusing on these priorities, the Australian startup landscape can become a place where diversity is not just valued but seen as a fundamental driver of success and growth.

Preethi Mohan

Founder & Chief Executive Officer
NiceTo

Insights on diversity in startup funding and founder support

The survey findings reveal varying experiences in Australia's entrepreneurial and startup ecosystem across gender and ethnicity.

Non-white men report feeling the least supported, while women generally feel more supported than men. Perceptions of external capital challenges also differ, with women – particularly non-white women – far more likely to believe that gender affects their fundraising efforts. Men, by contrast, cited gender as a factor far less. Across all groups, there is a shared perception that startup funding options are limited, with non-white women expressing this concern most strongly.

Ethnicity also emerges as a significant barrier for non-white founders, especially women, whereas white founders report far fewer challenges in this regard.

Men of all backgrounds remain highly confident in their ability to secure future funding, while confidence among women shows a clear gap – non-white women report the lowest levels. These insights highlight the need to address both perceived and actual barriers to funding to create a more inclusive entrepreneurial environment.

I feel supported by the wider Australian entrepreneurial and startup ecosystem

	Non-white	White
Men	35%	49%
Women	54%	58%

I am confident in my ability to raise my next funding round

	Non-white	White
Men	88%	84%
Women	59%	75%

I believe my ethnicity has affected their ability to raise external capital

	Non-white	White
Men	45%	14%
Women	66%	13%

I believe my gender has affected their ability to raise external capital

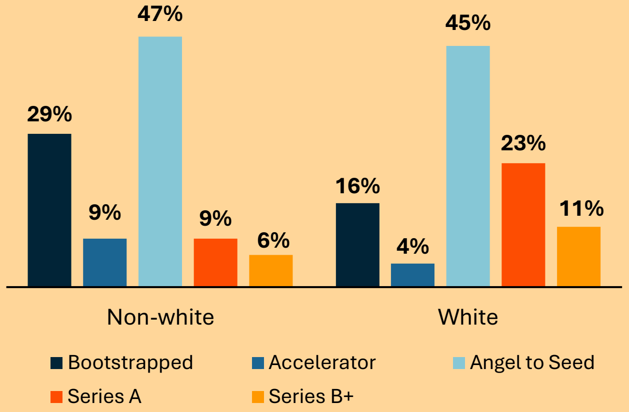
	Non-white	White
Men	29%	17%
Women	74%	67%

I feel there are many funding options available to Australian startups

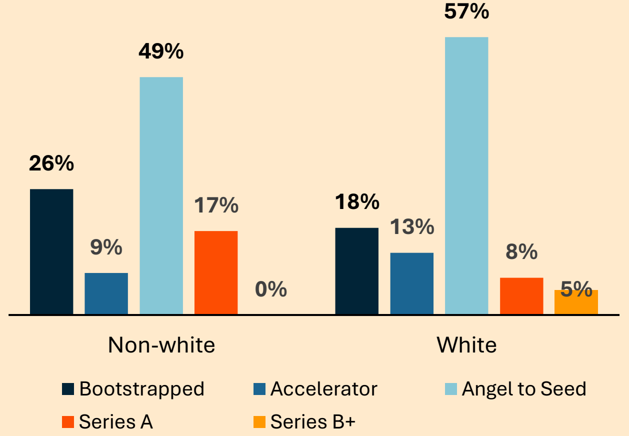
	Non-white	White
Men	33%	32%
Women	17%	31%

What is the latest round of funding raised?

Men



Women



Keeping your money out of court: avoiding litigation in venture capital investments

Partner Insights

Startup companies have all the ingredients to create the perfect recipe for litigation – a fast-paced environment with many stakeholders wearing many different hats who have diverse views and interests.

The founder who is passionate about the business they created may be unhappy about new investors trying to take control of the company, while investors may be frustrated about a founder who isn't running the company in the way they expect.

While disputes are often dealt with privately behind closed doors, where they do end up in court it can provide interesting lessons for other founders and startup investors.

Where do things often go wrong?

While there are a range of potential sources of misalignment, some common areas include:

- **Strategic direction and decision-making:** Founders and investors may have different visions about where the company is heading and where it should spend its money, with minority shareholders often feeling powerless if they do not have rights set out in a shareholders' agreement.
- **Removal of the founder:** Investors may seek to remove the founder from an executive position, including for performance issues, inappropriate behaviour or simply because the company has outgrown them.
- **Cap table disputes:** Parties may disagree on the interpretation of share conversion or dilution provisions, or the pricing and terms of the next capital raising round.
- **Liquidity events:** Shareholders may have limited exit options, which can cause disagreements about whether they can selldown as part of a funding round and whether the company should be sold.

The legal strategies

Some of the legal arguments which are often raised in this context include:

- **Shareholder oppression:** Courts have taken a wide view about what may constitute "oppressive conduct" – for example, it can potentially include removing a person from management of a company where they have a legitimate expectation of being involved in management. Courts have also found that dilutive share issues or the payment of excessive remuneration can be oppressive.
- **Breach of fiduciary duties:** Large shareholders will often appoint nominee directors on the boards of startup companies, which can be problematic if they are acting in the interests of their appointer rather than the startup company itself, or if they have other business interests which conflict with the company's activities.
- **Breach of contract:** Conduct by shareholders may be in breach of a shareholders' agreement or an executive services contract, such as a breach of non-compete provisions.
- **Unfair dismissal:** The removal of a founder from an executive role can lead to an unfair dismissal claim against the company. While there may be valid reasons to remove a founder for performance issues or inappropriate conduct (such as mistreatment of staff, promotion of a toxic culture of workplace bullying, or misappropriating company funds), their termination should be handled with care having regard to employment law advice.

Mitigation strategies

Founders and investors can mitigate the risk of disputes by taking the following steps:

- **Due diligence:** Be careful who you do business with – ensure that not only are the interests of founders and investors aligned, but that personalities are similarly aligned, and reference checks are undertaken before the investment is made.
- **Transaction documentation and approvals:** Startup companies should have a well drafted shareholders' agreement, constitution, documents relating to any equity transactions (e.g. subscription agreements, options agreements, SAFEs and convertible notes etc) and clear records of shareholder and board approvals. Where rights are expressly set out and decisions properly recorded, it can be more difficult for a shareholder to claim they have been unfairly treated.
- **Negotiate a separation quickly:** If the marriage isn't working, it's often best for everyone to find a solution where an aggrieved shareholder can exit the company. This might include the sale of their shares into the next funding round, the buyback of their shares by the company or arrangements where they step down from board or executive roles as part of an agreed settlement process.
- **Seek independent advice:** Courts will often have regard to whether a party sought independent advice before making decisions which are alleged to be oppressive or a breach of duties. Legal advisers also see a high volume of transactions and therefore may be able to come up with pragmatic solutions, or act as an intermediary between parties where the relationships have broken down.

With the media keen to run stories about disputes between startup founders and investors, venture capital litigation not only takes the company's focus away from its growth ambitions, but it may also taint the company's ability to raise money from investors in future capital raising rounds. Similarly, the reputation of founders and investors may also be tarnished. Pre-emptive steps which provide a pathway for dispute resolution will usually be in the best interests of all stakeholders.

Jonathan Farrer
Partner
Corrs Chambers Westgarth

Burnet Wang
Associate
Corrs Chambers Westgarth

Collaborating for a stronger startup ecosystem

Partner Insight

As the leader of an economic development agency in the NSW Government, I am continually exploring better ways to grow and diversify the state's economy. Our local ecosystem of startup businesses is a critical driver of growth and productivity, and it is an ongoing priority of the NSW Government to ensure that we support the right conditions for innovative businesses to take root and flourish.

While I have only been in my current role for a short time, I have been struck by the incredible ideas, drive and passion of the NSW startup founders I have met. Particularly founders from diverse backgrounds who have overcome significant challenges to realise their ideas. The rich diversity of communities across Australia coupled with growing dynamism are a key strength. The impact of this strength on our nation's ability to bring innovations to market cannot be underestimated.

Australia's innovation sector has shown significant growth relative to pre-pandemic levels, with an increasing number of businesses engaging in innovative activities. In 2022-23, 45.7% of Australian businesses were innovation-active, marking the highest rate in the past decade.

How then, can government improve its role as a steward of the startup ecosystem? How can we unlock more opportunities for founders, and better connect startups with the resources and knowledge present in research institutions and larger businesses?

The first thing we can do is provide a long-term vision that details the government's ambition for our innovation ecosystem. A clear and compelling vision provides a signal to businesses, research-institutions and investors on where government intends to focus its efforts. If successful, the vision influences decisions by these participants in the ecosystem.

Increasingly, governments around the world are using mission-oriented approaches to drive innovation and industry growth. The strength of mission-oriented approaches lies in their ability to incentivise innovation and cross-sector collaboration to solve complex problems that matter to society. Delivering strong results via a mission will realise social benefits as well as economic ones. Transforming Australia's economy for a carbon-constrained future is an example of a complex challenge that has the potential to create new green industries and diversify our exports. Startups are and should continue to be part of this future.

Another step state and territory governments can take is to dial down the competition between each other and dial up cooperation in areas that make sense. Too often, growing an innovation ecosystem is viewed as a zero-sum game in which one jurisdiction's loss is another one's gain. However, there are other models that we can use to connect the strengths and assets based in different locations and present a clearer value proposition for Australia to the rest of the world.

For example, the NSW Government is investing $96 million in an RNA research and manufacturing facility at Macquarie University in Sydney and $119 million in R&D and pipeline development. These investments will translate research into a sustainable commercial pipeline of RNA therapeutics, boost biosecurity, and enhance productivity in health, agriculture and other industries. These outcomes will, in turn, support medical and agricultural startups, attract talent, and foster cross-border collaboration across Australia.

Similarly, Quantum Australia, based at the University of Sydney and funded by the Australian and state governments, will connect quantum startups nationwide with research institutions and industry. This initiative builds on the NSW Government's long-standing investments in research, infrastructure, startups, and talent development, while complementing other major investments across Australia.

There is also considerable scope for state and territory governments to coordinate their efforts better with the Commonwealth Government. Startup founders currently have a large array of programs and services on offer from both levels of government. Navigating through these offerings can be difficult and time-consuming, particularly for startup founders who are often time-poor.

Lack of coordination can sometimes mean that programs are unnecessarily duplicative while critical barriers in a startup's journey are left unaddressed. In a fiscally constrained environment, it is critical to seize any opportunities to better align programs and leverage federal government investment for the benefit of startups.

There is also a disconnect between the strong research and development capabilities in Australia and NSW and the low rates of commercialisation in some key sectors. There is an opportunity for greater engagement between the research sector and SMEs to increase the potential to address local social and environmental challenges, and to scale into global markets. Creating the right conditions to support companies involves access to capital, skilled workers and global opportunities. Scaling and retaining innovative intensive firms are key to creating a strong and diversified economy.

Finally, government can focus more on promoting and advocating for the innovation ecosystem. This may involve helping an innovation precinct to communicate its value proposition to international investors or attracting global business and talent through major events such as SXSW Sydney. The proposed new vision for Tech Central will ensure there is the right mix of infrastructure, amenity and connection to build a vibrant community that promotes NSW innovation to the world.

There are so many amazing stories we can tell to generate interest in startups as a career choice, investment opportunity or potential collaboration. I am excited to be leading an organisation that is forging new partnerships with startups, the investment community and the innovation ecosystem at large to ensure a strong pipeline of businesses that are led by capable executives, ready to take on the world.

Rebecca McPhee

Deputy Secretary
Investment NSW

The importance of being earnest (investors)

Partner Insights

2024 proved to be another tough year for the VC market; nevertheless, the strength of the sector shone through. Despite uncertain economic times, stubbornly high interest rates, and geopolitical uncertainty, the Australian VC sector continued to evolve.

Deal volumes, sizes, and valuations were noticeably lower compared to the bumper years of 2020 and 2021. However, in 2024, we saw continued innovations in the VC sector with new funds, unique value propositions, and novel structures coming to market. Through the VC Support Program offered by LaunchVic, eight new funds were established in Victoria alone–a mix of ESVCLPs, special purpose vehicles, and evergreen funds targeting healthtech, climatetech, consumertech, agtech, deeptech, and women founders. More broadly, the sector has welcomed new funds for B2B SaaS, fintech, defencetech, and Indigenous founders, to name a few. Meanwhile, existing fund managers have also continued to raise new funds.

At LaunchVic, we also observed new investors entering the ecosystem, albeit at a lower rate than in 2020 and 2021. In a tough market, this remains a positive development and a sign of growing maturity.

On the less positive side, we have seen an increasing number of early-stage founders presenting with investor terms that could have long-term negative impacts on their businesses. Ongoing economic uncertainty has undoubtedly shifted the power dynamic between investors and founders in favour of investors.

At LaunchVic, we see investment terms offered to early-stage founders through various channels, including our Alice Anderson Fund and Hugh Victor McKay Fund, as well as through our office hours programs and general networks. This year, we have observed a rise in tighter valuations, which is reasonable given the current market–despite frequent complaints from founders! However, we have also seen more problematic investment terms, including excessive founder dilution at early stages, unprecedented warranties, and unfair control terms.

The vast majority of early-stage investors act responsibly toward the sector and the startups they invest in. However, inexperienced (or unscrupulous) investors can sometimes impose terms on founders that lead to, at best, misunderstandings and, at worst, misaligned interests, disputes hindering growth, talent retention issues, and companies that are unattractive to follow-on investors.

The worst terms we encounter at LaunchVic often come from well-meaning lawyers–typically friends or relatives of founders–who lack startup legal experience. With so many free resources available, including those from the Australian Investment Council and private legal firms, it is surprising that new founders still struggle to navigate this landscape.

This highlights the importance of ongoing education–for both new early-stage founders and new investors.

For early-stage founders, investment readiness should go beyond creating a polished pitch deck. It involves understanding the "rules of the game," including best practices and the implications of the terms they’re offered. This process need not be overwhelming; high-quality accelerator programs and peer networks can be effective ways to quickly build this knowledge.

For new investors, education is equally critical. Programs like the Wade Institute of Entrepreneurship's VC Catalyst program provide excellent resources to equip investors with the skills, networks, and confidence to act responsibly within a maturing venture ecosystem.

Successful early-stage investment terms must strike a balance between protecting investors’ interests and empowering founders to grow their businesses. Collaboration, transparency, and a shared vision are crucial to achieving this balance.

Investors should focus on terms that align incentives rather than creating adversarial relationships. Founders must fully understand the implications of the terms they accept to ensure they do not compromise their business's long-term potential for short-term funding.

2025 is unlikely to bring a significant shift in the economic outlook. At LaunchVic, our hope is that the sector continues to innovate and that we collectively support the Australian startup ecosystem to grow and contribute to the country’s future economic prosperity.

Dr Kate Cornick

Chief Executive Officer
LaunchVic

Sector Deepdives

As the Australian startup ecosystem evolves, reporting on sectors has become increasingly complex. In 2022, Cut Through Venture partnered with several Australian venture capital firms to create a sector taxonomy to help address this challenge. However, startups often defy categorisation and rarely fit neatly into a single sector, which can limit the usefulness of sector-level analysis for some readers.

For these sector deepdives, we've leveraged advancements in AI-powered tooling to refine how we classify sectors. By utilising large language models, we can process and analyse vast amounts of data at scale. While manual review of these classifications wasn't feasible due to the sheer volume of companies involved, we are confident the results are directionally accurate. That said, some errors are inevitable, and so the charts in the following slides should be viewed in that context. To increase reliability, we employed two AI models – OpenAI's GPT-4o Mini and Meta's LLAMA 3.170b – running in parallel to cross-verify outputs.

In the following pages, the contributing investors provided their insights independently of the data. By taking this approach, we aimed to incorporate external perspectives that go beyond the deal data, resulting in a more balanced and comprehensive view.

We're excited by the potential of these AI tools to deepen our analytical capabilities and look forward to collaborating with organisations focused on specific sectors, industries, or company types on future reports.

Agtech

2024 has been a year of extraordinary challenges and opportunities for agri-food. As climate change intensifies, the role of scalable solutions has never been more critical.

A cornerstone of the economy

Spanning 55% of Australia's land and valued at $3.6 trillion, agriculture employs nearly 300,000 workers and contributes 13.6% of exports. Despite accounting for up to 17% of national greenhouse gas emissions, it is also actively championing solutions that align reductions in emissions intensity with profitability and resilience. These efforts have positioned Australia as a global leader, with emissions intensity in key sectors like cattle and grains already below global averages.

Yet, with climate pressures threatening over $85 billion in production value, the need for bold innovation and sustainable systems is more urgent than ever.[1]

Growth and challenges

The agtech landscape is marked by both promise and disparity, with the ability to attract investment varying widely across sub-sectors. For example, globally, autonomy, robotics, and biologicals together captured 52% of agtech funding in Q3 2024 (PitchBook). Major deals, such as Monarch Tractor's US$133 million Series C and Carbon Robotics' US$70 million Series D, highlight the momentum in these areas.

In contrast, sub-sectors like vertical farming and alternative proteins – in Australia and globally – face mounting challenges. However, even here, there are nuances to appreciate. Plant-based and precision fermentation startups have struggled with operational hurdles, market saturation, waning investor interest, and high-profile closures. Meanwhile, cellular agriculture, aided by regulatory breakthroughs that have approved the sale of cultured meat products across more geographies, including the USA, has maintained some momentum given the growing acceptance and commercialisation potential.

Despite the varied performance of these sub-sectors, one theme stands out: business model innovation is essential for unlocking the full potential of technologies along the agri-food value chain.

Business model innovation: the key to adoption

While agtech is brimming with groundbreaking technologies, many solutions fail to achieve widespread adoption and meaningful impact due to structural, rather than technological, barriers.

Innovators face challenges such as misaligned incentives, limited access to capital, and entrenched market structures that favour traditional methods over disruptive innovations. Additionally, agriculture's long timelines, natural systems (e.g., seasonality), and inherent risks often clash with funding models and expectations of faster-moving venture industries.

Overcoming these challenges often requires a fundamental rethinking of how value is created, captured, and shared. Innovative business models and capital stacks are needed to align incentives and ensure solutions reach - and deliver economic value to - end users.

Business model innovation isn't only about achieving commercial success; it's about equipping agriculture to adapt and thrive in an era of increasing climate volatility. As climate change accelerates, investment in adaptive and resilient systems is both an economic and environmental imperative.

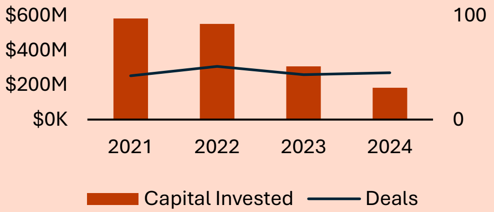
The future of Agtech: opportunities and imperatives

The future of agri-food demands solutions that go beyond digital tools. It requires rethinking physical processes–how we grow crops, manage waste, reduce emissions, and produce food sustainably. By aligning incentives across the value chain and pairing technology with business model innovation, the sector can unlock transformational change that aligns profitability and sustainability.

Vela Georgiev

Chief Operating Officer & Operating Partner
Tenacious Ventures

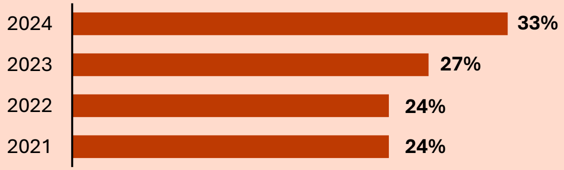
AI-categorised analysis (Beta)



Median deal size

	2023	2024
Pre-Seed	$1.4M	$1.1M
Seed	$2.0M	$1.3M
Series A	$6M	$5M
Series B+	$15M	$11M

Female founder deals %



Top subsectors in 2024

	% Deal Count
Climate & Sustainability Solutions	22%
Agri-Biotech & Inputs Innovation	18%
Supply Chain & Market Access	18%
Crop & Soil Management	18%
Livestock & Aquaculture Management	9%

---

[1] Australian Bureau of Agricultural and Resource Economics and Sciences. Agricultural Outlook. https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook. Accessed Nov. 2024.

Artificial Intelligence

2024 saw a shift in how AI in Australia is being perceived, funded and built. Now representing a quarter of venture capital funding, it is becoming clearer where founders might have opportunity to create generational businesses, and equally where investors can deliver outsized returns.

The evolution of the stack

The AI stack is evolving at a breakneck pace since the public launch of ChatGPT in November 2022, which saw decades of behind-the-scenes R&D pushed into the mainstream. The following two years were marked with a Cambrian explosion of AI development, notably leading to a convergence of model providers, fertile ground for startups at the application layer, and increasing competition amongst Big Tech.

The foundation layer is becoming increasingly oligopolistic and mostly dominated by Big Tech who drove many mega deals (Microsoft x OpenAI, Amazon x Anthropic). These model providers are aggressively innovating and pushing the limits of existing transformer architectures and scaling laws. (Arguably) 2024's biggest development was OpenAI's o1 launch which showcased reasoning capabilities. This new frontier allows models to "think" before responding, moving beyond just pattern recognition. It's hard not to be optimistic about the use cases this unlocks - shifting compute allocation from pre-training to inference allows founders to tackle more complex problems like those in STEM fields.

The application layer saw substantial activity in the past year, representing 35% of deal count - investors pivoted from skeptical "wrapper" dismissals to recognising genuine value creation. The AI ecosystem is maturing, investment frameworks are being reshaped, and investors are questioning whether it makes sense to be assessing these businesses like vertical SaaS. The market and founder thesis must always hold true, but the customer utility is fundamentally different and begins to diverge on finer points like pricing - how will charging on a per-seat evolve as software replaces those seats?

Australians do software very well - we don't expect the quality to change, but founders will need to adapt to the way customers purchase, engage and extract value.

2024, the year of the agent

AI agents took centre stage this year, showcasing capabilities that far surpassed traditional chatbots, which still placed the onus of the task on the user. These agents demonstrated an ability to perceive, plan, and act with minimal human oversight - effectively replacing both software and labour costs.

2024 was a big year for designing and prototyping - we're excited to see the impact these agents will have in production, particularly as they're supported by emerging reasoning and multi-modal capabilities. Take fraud detection as an example, concurrently analysing different data formats (text, tables, images) allows for context-rich interpretation and enhances the accuracy of identifying complex and evolving fraud patterns.

Primary questions emerging from this boom revolve around how this technology will be adopted, what defines a superior product, and whether competition drives the value of these agents upwards, or into a race to the bottom.

Have we reached peak (anti) hype?

The initial exuberance experienced post-ChatGPT's launch was met with a testing period of fast pivots, product discovery challenges, and difficulties for some in securing downstream capital. Investors are becoming more discerning around revenue traction, driven by 'pilot-happy' behaviours from enterprises with an 'AI mandate', renewal cycles will be crucial to determine whether real problems are being solved.

In 2024, we saw a more balanced approach, tempering enthusiasm with caution. Now, the bar has been raised; being 'AI-first' is no longer enough. With AI becoming central to most modern tech stacks, investors will look to scrutinise a company's competitive edge. Going into 2025, founders that employ proprietary architectures, GTM excellence and product elegance will be best placed to outcompete the crowd.

We're also likely to see increased M&A activity going into 2025. In Australia, exceptional talent pools flocked to AI startups, presenting attractive acquisition targets for enterprises late to the AI game, or acquihires for competitors. Coupled with talks of offshore deregulation, pending domestic merger reforms and a (prospective) easing rate environment, we may see more early-stage deals transact faster, but without the long term value creation required by venture capital. Time will tell, and if this is the case we hope durable AI companies servicing high value customers becomes the primary focus of Australian founders.

Sachin Samarawickrama

Investor
Folklore Ventures

AI-categorised analysis (Beta)

The rapid adoption of AI technologies by startups in 2024 makes time series analysis unsuitable for this segment. Many companies only incorporated AI into their tech stack in 2024, so investors in earlier funding rounds did not consider the AI theme in their decision to invest.

Total capital
$1.0B in 2024

Deal count
104 in 2024

Female founder deals %
22% in 2024

Median deal size

	2024
Pre-Seed	$1.0M
Seed	$2.5M
Series A	$5M
Series B+	$27M

Technology Breakdown in 2024

	% Deal Count
Decision Support & Optimisation	55%
Generative AI at Application Layer	35%
Infrastructure & Hardware	4%
Computer Vision	2%
Deep Learning Platforms	2%
Robotics & Autonomous Systems	1%

Biotech, Medtech and Healthtech

Medtech/Biotech – The tortoise, not the hare

After the understandable peak mid-Covid, the medtech and biotech sectors saw an inevitable decline in activity until 2023, particularly against the backdrop of the excitement of other deeptech sectors like AI. However, one of the benefits of being a 'O.G' in the venture capital and startup sector is a tendency towards durability and this year has seen a slow but steady recovery in both deal activity in Australia (and abroad), and we have seen the IPO door re-open in the US. At main sequence for example, we have seen a substantial increase in both biotech and medtech deal flow over 2024 in 2024, with the latter outpacing the former by about 3 :1 While this may be surprising to some, we believe this reflects the extremely strong, historical capability Australia has developed over several decades in the medtech sector.

Cousins, not siblings

What remains true, however, is that biotech and medtech are still very different sub-sectors. Median valuations for biotech companies continue to exceed medtech valuations at almost every stage of funding. Traditionally, this reflected the larger quanta of capital required to shepherd biotech opportunities – particularly therapeutics – through the clinical phases prior to an exit or a transaction. However, regulatory requirements mean that the capital required to advance many medtech companies is increasing, and the stark reality is medtech companies still don't attract the same price at exit – with the median valuation at exit (typically, licencing partnerships) still hovering at about $100m in the US compared to biotech where the median exit is often substantially more, particularly in biopharma with a median M&A greater than $600M. As a result, the risk return profiles still favour the weight of life science VC funding swinging toward the therapeutics sub-sector in Australia.

Australian life science venture capital is excellent but insufficient

It is important to note that while Australia has excellent, long term life science investors, such as Brandon capital, One Ventures and IP Group, with substantial backing from Australian superannuation funds, it is still not sufficient. Even the best biotech and medtech companies in Australia struggle to raise the capital needed to navigate their path to exit from Australian investors alone. As a result, most companies will seek to raise capital from US or international investors at Series A or Series B, forcing them to re-domicile to the U.S. If we are to keep our best and brightest in Australia, we need a deeper bench of capital to support these companies from Series A/B and beyond. It is our hope the NRF will provide an additional catalyst that will help to bridge the gap for those companies that are successful to stay in Australia.

Exit optionality

The enduring trend we see are pharmaceutical and medical device companies out-sourcing the riskiest and earliest stages drug development to biotechs and medtechs. Pharmaceutical companies acquire assets only once they have proven success in clinical stage, with only the most competitive assets acquired at phase 1 or pre-clinical stage. However, our experience is also that medtech companies often need to go further again – not just proving clinical efficacy but demonstrating product market fit before attracting acquisition interest. This adds a level of complexity to medtech companies as they scale, having to incorporate sales and direct to consumer skillsets to the company to build a 'business' rather than execute an asset strategy.

However, 2024 saw a re-opening of the IPO window for both biotech and medtech in the US. Our experience is that Australia tends to follow the public market trends approximately 6-12 months later and should these companies continue to perform well, this should bode well for both sectors in 2025.

Cause for optimism in 2025

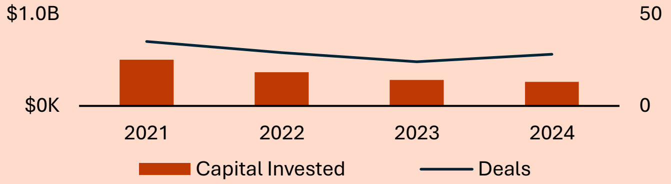
After a challenging few years, we believe 2025 is poised for a resurgence for both biotech and medtech longer.

Elaine Stead

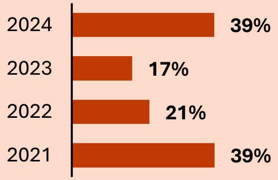
Principal
Main Sequence Ventures

AI-categorised analysis (Beta)

Biotech & Medtech



Female founder deals %

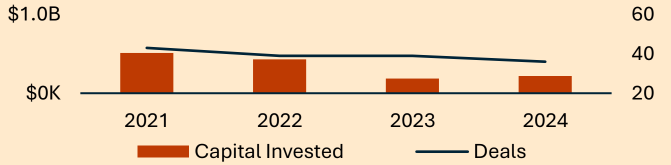


Category Breakdown – 24

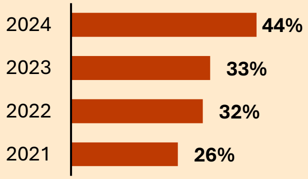
	% Deal Count
Biopharmaceuticals & Therapeutics	76%
Medical Devices & Equipment	42%
Diagnostic & Imaging	22%
Regenerative Medicine	11%

AI-categorised analysis (Beta)

Healthtech



Female founder deals %



Category Breakdown – 24

	% Deal Count
Patient Engagement & Care Management	50%
Digital Health Platforms & Telemedicine	46%
Healthcare Analytics & AI	31%

Biotech, Medtech and Healthtech continued

Healthcare remains a hot and emotive area for government, investors, and consumers as 2024 saw 24 health techs raise a collective AU$167m in funding.

Much of this was received by the virtual healthcare providers we saw explode during 2020 thanks to the melting pot of technology advancements and the Covid-19 pandemic forcing a change in user behaviour to fast track adoption. Companies born in this era have now secured further funding and industry recognition, examples being Hola Health raising $4.5m and Updoc $20m with both being recognised in Deloitte's Fast 50.

Many new on-demand health service providers are also now extending into more challenging areas to deliver virtually such as mental and musculoskeletal health. Looking ahead to 2025 and beyond, AI-powered diagnostic tools, personalised medicine platforms, and even quantum computing applications in drug discovery are emerging as potential major disruptors.

While this innovation and provisioning is helping drive new levels of access and affordability, when operated alone as a single service, it also risks playing into the siloed nature of the Australian healthcare system. This is why it is essential that start-ups and funders look beyond just technological innovation and more towards integrating technology with traditional models of care that exist today and will continue well into the future.

The backbone of the healthcare system of tomorrow is people; doctors, allied health professionals, and nurses who deliver the care. Technology is there to support them in driving better health outcomes and accessibility. The biggest opportunity we have is breaking down these siloes through technology via the safe integration of data between health providers so that each element of the health system talks to one another in real time resulting in a connected healthcare experience.

This is where hospitals, insurers and other major healthcare stakeholders have a major role to play. For example, through Bupa's Ventures fund and its Connected Care strategy, we aim to bring services together physically and digitally to deliver simple, person-centred care – the 'right care' in the 'right place' at the 'right time'.

So, while funders, government and corporates should always be looking for the next big thing in health tec they should not ignore the bricks and mortar element of healthcare which is ripe for disruption via digital integration.

Adele Moynihan

Bupa Ventures Lead
Bupa Ventures

It is an exciting time to be in the biotech and medical sciences startup ecosystem.

Whether you are an investor, entrepreneur or venture builder – there is a convergence of technologies (particularly in understanding genetics, proteomics and metabolomics) enabling deeper understanding of disease, as well as improved product development (using tools in AI, sequencing and gene editing).

Australia's health tech venture sector made exciting steps forward in 2024 with new funders Tin Alley, BV and Tenmile all being very active in funding new innovations and further announcements of additional funding sources from Brandon Capital's Fund VI (A$270M) and WEHI's 66ten (A$66M).

We are now seeing larger Seed and Pre-Seed rounds for high quality projects, often syndicated and supported by multiple sophisticated investors. Australian syndicates are also beginning to build stronger reputations and serve as better trusted signals in attracting off-shore funding. Improved and growing sources of private capital allows increased investment in more platform technologies and the ability to fund promising programs deeper into development. Ultimately leading to stronger clinical data and hence increasing the likelihood of attracting further large scale capital for commercialisation.

Globally, big pharma showed its propensity to acquire strong science (despite a challenging economic backdrop and a stagnant IPO market) as they continue to face pressures from impending patent cliffs for many blockbuster drug areas over the next decade. Particularly in cardiometabolic disease (spurred on by commercialisation of GLP-1 drugs), immunology, targeted oncology (especially radiotherapeutics), genetic diseases and neurology.

Generally, pharma and biotech's continued to rationalise costs in a high-interest rate environment, by discontinuing low value scientific programs and cutting jobs. As quantitative easing begins, this is likely to lead to the alleviation of some of these pressures and improved asset valuations. Australia remains an attractive source for R&D with high quality sites, talent and attractive rebates such as the RDTI.

The ability to make precision therapeutics, diagnostics or devices and run tightly controlled, well informed and strongly governed clinical trials has never been better.

Aizaz Syed

Investment and Portfolio Manager
Tenmile

Business Software

The greater sin of 2021 was not over-paying but interpreting false product market fit signal in a market where corporate software budgets went unchecked.

The tide of corporate spend was floating most boats. But this didn't last long. Once the tide turned in the economy, we saw corporates rationalise their spend and consolidate their vendors. Software vendors that lacked a compelling or mission-critical value proposition saw contraction or churn (often both). Given enough time and with prudent management you can out-run your valuation; but what you can't out-run is a lack of true product market fit.

The software companies we are seeing now, that survived and thrived in the intervening period, are far more robust. They have survived trial by fire and come out the other side. They are leaner, more efficient, and have the benefit of learning from the boom times and what came after. They have been built to last.

The Seed and Series A stages of investment rebounded first and most quickly, as evidenced by activity levels reported by Cut Through and others. Series B and beyond funding rounds, as companies break through $10m in ARR and enter the scale-up phase, remain more selective and sparse. International investors that were the mainstay of the "growth" investment phase in the period of 2020 to 2022 have pulled back, but we are optimistic about their return as more start-ups graduate to scale-ups evidencing strong product market fit and global growth potential.

In our portfolio, scaling internationally continues to be the biggest challenge and biggest opportunity. The "when to go international?" question is critical as start-ups balance building scale in their home market versus the allure of proving out in larger markets abroad.

At Five V, we are incredibly enthusiastic about the current crop of B2B SaaS opportunities we are seeing. Australia continues to produce leaders in the space at a far higher clip than any other category in tech investing.

Ed Bigazzi

Managing Director
Five V Capital

B2B Software remains central to Australian tech innovation, with founders navigating a challenging economic landscape in 2024 to develop targeted solutions for historically underserved markets.

This year, we witnessed the nascent stages of AI innovation into B2B SaaS, with Australian founders exploring the capacity of large language models and generative systems to automate, reason and predict. Investors and customers received a glimpse of potential into the future of many business applications (sales, marketing, HR, legal) and verticals that had struggled to adopt software during the cloud era (health, aged care and other labour-intensive functions).

Vertical AI is emerging as a transformative opportunity by embedding intelligence directly into workflows and enabling businesses to charge based on outcomes rather than seats or usage. Australia's strong professional services sector has left B2B SaaS founders well-placed to capitalise on this opportunity.

Whilst this new technological wave has introduced novel B2B software concepts that reimagine productivity, there is still some ways to go in fundamentally disrupting existing business models and adding real customer value. This technological moment demands a measured approach – founders need to be technically sophisticated, deeply critical of AI's actual capabilities, and skilled at identifying practical applications. Despite the technological excitement, the fundamentals of building valuable B2B technology businesses remain unchanged.

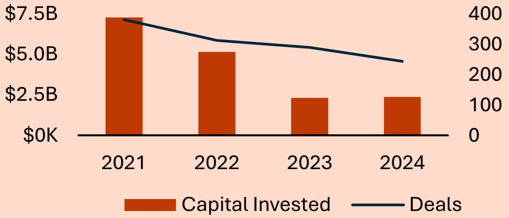
Unique insight, clever product design, deep industry understanding, and gritty founders with global ambition continue to be the differentiators in achieving early stage success. Great Australian founders, faced with adverse conditions in 2024, leaned into proven constraints: taking only the capital required, spending it efficiently and forcing themselves offshore into bigger markets.

As we look toward 2025, the potential for B2B software seems boundless. The groundwork laid in 2024 suggests we're on the cusp of a transformative era, where Australian innovation stands poised to unlock unprecedented opportunities in global technology markets.

Georgie Turner

Partner
Tidal

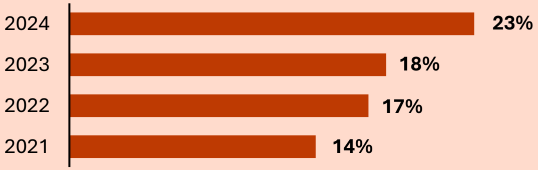
AI-categorised analysis (Beta)



Median deal size

	2023	2024
Pre-Seed	$580K	$1.0M
Seed	$2.0M	$2.5M
Series A	$7M	$5M
Series B+	$19M	$23M

Female founder deals %



Top subsectors in 2024

	% Deal Count
Climate Tech / CleanTech	13%
Healthtech	9%
Biotech / MedTech	8%
Fintech	7%
Modern Work	6%

Climate Tech

Climate tech is maturing, and that is a good thing.

2024 saw a healthy return to commercial focus in the Australian climate tech sector. Globally, the boom of 2021 and 2022 brought a tendency to overemphasise impact and altruistic drivers. In 2023, the global sector started to focus more on commercial fundamentals and measurable traction. This shift accelerated in Australia in 2024.

Our investment thesis has always been that large-scale, sustainable climate impact can only be achieved by commercially oriented companies offering the best value and cost competitive solutions to customers. Since we started investing in the sector in 2016, we have seen a steady increase in demand for climate solutions from consumers and industry. Customers increasingly have a burning platform, e.g., high energy prices for manufacturers, reliability for data centres, and resilience for electricity networks.

Despite some headlines, 2024 remained a robust year for climate tech in Australia. Funding remained solid, with climate tech consistently ranking amongst the top three sectors by deal volume. Companies with strong fundamentals continued to access large capital pools domestically and offshore, including Hysata ($172m from international strategic and financial investors) and JET Charge ($72m led by French asset manager Mirova). Conversely, as with all early-stage sectors, companies with weaker fundamentals found it harder to raise capital.

There are many reasons for optimism for 2025. Climate technologies are already winning in markets such as electricity generation (firmed renewables remain lowest cost) and transportation (global EV sales grew at 25% vs 2% for overall new vehicle sales in 2024). Operation of the electricity grid must change to accommodate the transition, creating exciting investment opportunities.

Capital remains available for quality opportunities, with considerable dry powder held by climate investors and government led funding emerging (e.g., the Future Fund's energy transition mandate) and likely to withstand political changes (given the superior economics of renewables).

More broadly, a business-friendly environment, emphasis on energy independence, and push for onshoring and supply chain security are all conducive to climate tech growth.

Kristin Vaughan

Managing Partner
Virescent Ventures

For the climate industry, 2024 was to be the year of “deploy, deploy, deploy!”

While the need for large scale deployment of climate solutions is more urgent than ever, the politicisation of climate unfortunately also intensified.

Faltering political resolve has thrown into sharper focus the need for clear commercial as well as climate rationale. That's seen growth-focused investors like Wollemi rewarding those startups who prioritised use of their VC funding in proving both the technological and commercial readiness of their solutions.

Enzymatic recycling pioneer Samsara Eco, which built strong commercial relationships early, exemplifies this approach. In contrast, for startups over-reliant on a green premium, subsidies or utilising a ‘spend your way to growth strategy’, navigating the growth-stage ‘valley of death’ is proving an existential challenge. This focus on commercial adoption is playing out across a range of subsectors.

In energy transition, most players are ignoring the political noise and pressing ahead, driven by the economics of renewables and decarbonisation imperatives. Interestingly, we're seeing opportunities for mature tech deployed in new ways and at smaller scale, such as distributed energy generation and storage solutions aggregating small-scale behind the meter assets to avoid challenges with interconnectivity and power distribution.

The more challenging economics of industrial decarbonisation have seen business model innovation rivalling technical innovation as an indicator of success. In a lean environment, climate technologies packaged as complete commercial solutions targeting opex rather than capex budgets are seeing the most traction.

There's continued momentum in circular economy and waste to value, helped by sound economics, proven technologies and strong legislative support. For larger corporates, with new mandatory climate disclosure requirements shining a spotlight on transition plans and climate commitments, high-quality and competitively priced offtake opportunities, particularly in natural capital, remain appealing. 2025 is more likely to bring more down rounds than a return to frothy valuations in climate tech. But for effective climate solutions with clear commercialisation pathways, capital is ready and waiting.

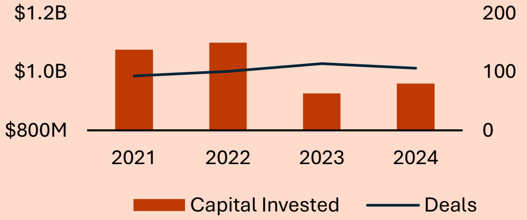
Michael Perak

Director
Wollemi Capital

Penny Wang

Director
Wollemi Capital

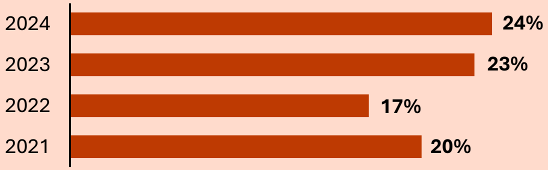
AI-categorised analysis (Beta)



Median deal size

	2023	2024
Pre-Seed	$1.5M	$925K
Seed	$2.0M	$2.0M
Series A	$6M	$6M
Series B+	$20M	$17M

Female founder deals %



Top subsectors in 2024

	% Deal Count
Agri + Food	22%
Circular Economy	18%
Data and Finance	11%
Built Environment	10%
Storage	8%

Deeptech

Australia's deeptech sector emerged onto the main stage in 2024. What was once niche, technical, and accessible only to domain specialists and research groups, is now gaining traction in mainstream discourse.

The pace of technological change, shifting geopolitical dynamics, and subsequent national security concerns have converged to elevate deeptech from a future promise to a present priority. Deeptech investments have shown robust growth in recent years, a trajectory that has accelerated through 2024. Anecdotally, more founders, investors, and policymakers are realising that deeptech can fuel national resilience and long-term economic prosperity.

The venture ecosystem is now seeing a significant increase in the number of deeptech startups across Australia. 22% of startups in Australia now consider themselves deeptech oriented. Public funding infrastructure is beginning to impactfully deploy capital to enterprises contributing to national resilience. Recent commitments from vehicles like the Queensland Investment Corporation (QIC), the National Reconstruction Fund (NRF), the Australian Strategic Capabilities Accelerator (ASCA), and Breakthrough Victoria (BV) demonstrate a tangible willingness to invest in technologies that underpin economic security, via critical infrastructure and supply chains, and sovereign capability, at a state and federal level. The NRF has deployed $100m in the last months of 2024 into companies working in deeptech and US Defence VC funding hit US$3B annually. These funding sources, combined with greater engagement from government agencies, are catalysing development in areas once lacking commercial support.

The academic sector, traditionally slow to commercialise, is now fostering more spinouts and emphasising entrepreneurship in deeptech fields. This environment has not only shortened the path from lab to market but also improved the overall quality and readiness of Australian deeptech startups. What we have seen is that universities which engage with experienced venture funds further accelerate this roadmap.

Despite a variety of public and private sector organisations contributing materially to Australia's deeptech ecosystem in response to intensified national defence and security concerns in multiple theatres., challenges to commercialisation remain substantial. Unlike pure software focussed companies, deeptech often involves intricate hardware development, long R&D timelines, and complex regulatory frameworks. Sales cycles for such products are often measured in years rather than months. Where patient capital and strategic partnerships exist, the potential for impactful outcomes and rewards is significant.

Looking to 2025

Greater momentum in the deeptech sector is likely as heightened geopolitical tension underwrites more funding into nationally significant technology. Navigating this landscape will require working with investors, advisors, and policymakers who understand its complexities and are fluent in both technological nuance and international regulation.

The trilateral AUKUS partnership will continue to spur collaboration in deep technology. Regulatory barriers between partners are being broken down, enabling exports and technology transfer. These include regulations that slow many space, drone, and aeronautic companies.

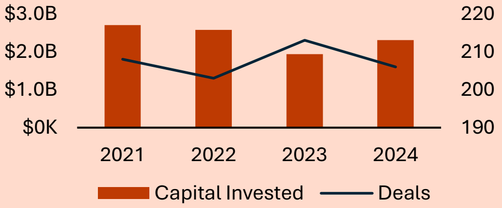
Moreover, the cost of prototyping deeptech products continues to decline, partly due to improved manufacturing and shared testing infrastructure. This reduction in early-stage costs allows startups to iterate more quickly and efficiently, accelerating their journey to market.

Deeptech's moment has arrived. With growing capital flows, supportive public policy, and the dawn of deeper national security, science, and technology partnerships with allied and partner countries, Australia's deeptech ecosystem is poised to become a cornerstone of the nation's future resilience and global technological standing.

Marten Peck

Partner
Salus Ventures

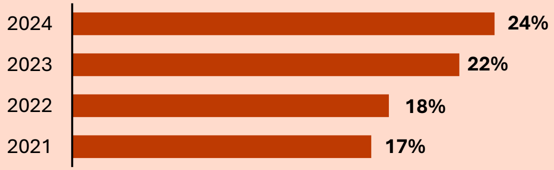
AI-categorised analysis (Beta)



Median deal size

	2023	2024
Pre-Seed	$1.0M	$1.1M
Seed	$2.2M	$2.5M
Series A	$9M	$8M
Series B+	$23M	$20M

Female founder deals %



Top subsectors in 2024

	% Deal Count
AI	32%
Energy, Climate, & Environmental	28%
Biotech & Computational Biology	14%
Medtech	13%
Advanced Materials & Nanotechnology	4%

Fintech

Everything GenAI is moving at breakneck speed, making it tricky to spot the standout players.

For finance and other critical sectors, the magic happens when GenAI teams up with TradAI to meet tough regulatory standards and ensure reliable outcomes. We're especially intrigued by agential solutions that streamline data, documents, and case management – think loan origination, tackling financial crime, and nailing compliance like never before.

Loyalty 2.0

Traditional loyalty and rewards programs offer points or cash-back on strict terms. The US is leading the charge in connected commerce, with loyalty programs that sync up effortlessly across every touchpoint – online, mobile, and in-store. Loyalty 2.0 presents a powerful opportunity for businesses to deepen customer relationships and drive long-term value. It is redefining customer relationships, offering personalised rewards and unparalleled flexibility to earn and redeem points wherever you go. Customers benefit from highly personalised rewards and the flexibility to earn and redeem points anywhere.

Next-gen payments

The $2.3 trillion payments industry is where fintech innovation is heating up. Banks are partnering with fintechs to enable real-time payments (RTP) and tackle interchange or surcharge fees in a seamless way. But it's the data-rich nature of digital payments that's the real game changer. The richness of data associated with digital payments will enable increased automation, interoperability, and efficiency across use cases such as payment reconciliation, prioritisation, and sanctions screening.

Embedded finance

The integration of financial services into non-financial platforms is no longer niche – it's snowballing. While sectors like e-commerce and travel are blazing the trail, industries like healthcare and education are next. The big question for businesses and banks? Build, buy, or partner with fintechs. As AI and data analytics take centre stage, expect hyper-personalised financial products that meet customers where they are, with exactly what they need.

Justin Greenstein

Chief Executive Officer
1835i

Investing in fintech felt like a lonely endeavor in 2022 and 2023. But now a ray of sunshine in 2024!

Both deal count and total funding for the sector have improved. On the ground, the pipeline of fintech companies coming through appeared to be higher quality than previous years with better traction behind them. We're excited for this positive trend to continue in 2025. The two areas we plan to spend more time on are: intersection of AI x fintech opportunities; and stablecoins as the foundation for a new payment rail.

Intersection of AI x fintech opportunities

We saw a lot of experimentation with AI capabilities applied to fintech in 2024. The most promising startups we saw used generative AI to: a) automate bookkeeping and reconciliation b) automate applications for monetary licences c) predict payment fraud.

We expect this experimentation to go into hyperdrive in 2025, particularly as the underlying AI capabilities vastly improve. What does a new generation of consumer and business fintech look like when capabilities like voice AI, agentic AI and computer use proliferate?

Stablecoins as the foundation for a new payment rail

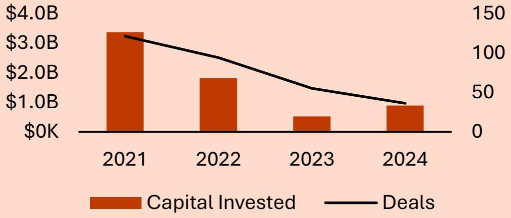
Crypto has many sceptics but it is undeniably back this year. In October 2024, Stripe acquired stablecoin platform Bridge for $1.1b – a significant exit, to be sure, but perhaps more important for the signal of credibility it gave to the whole stablecoin space.

Visa and Mastercard's position as the global payment rails have remained unassailable for many decades. One contender for alternative payment rails is real time payment networks but progress has been slow given they are typically government initiatives and connecting the networks internationally remains a challenge of coordination. Stablecoins is a new contender. If traditional enterprises weren't taking it seriously before, Stripe's acquisition of Bridge and the crypto-positive stance of the incoming US administration have made it hard to ignore.

Lucy Tan

Principal
Square Pig

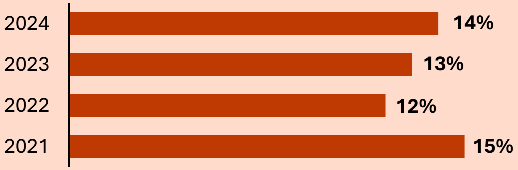
AI-categorised analysis (Beta)



Median deal size

	2023	2024
Pre-Seed	$2.2M	$2.3M
Seed	$2.9M	$3.2M
Series A	$10M	$15M
Series B+	$22M	$37M

Female founder deals %



Top subsectors in 2024

	% Deal Count
Lending & Credit	33%
Blockchain & Crypto	19%
Wealth & Investment	17%
Expense & Cash Flow Management	8%
Insurance & Risk Management	8%

Impact Investing

Impactsheet is a newsletter that showcases notable funding opportunities and achievements for impact-driven organisations, spotlighting significant grant funding and investments in for-profit impact businesses, non-profits and social enterprises (businesses that put people and planet first). In doing so, we aim to make capital more visible and accessible for impact entrepreneurs tackling the world's most pressing challenges.

While the funding activities we highlight represent only a fraction of the total activities in the sector, they nonetheless offer valuable insights into emerging trends. Here are some observations from our 19 publications in 2024.

Top Impact Areas Funded 2024 Funding received

We canvassed 125 instances of funding received by impact organisations, with the largest being the US$111 million raise by Hysata.

The top impact areas addressed by the funded organisations were: 1. Diversity, Equity and Social Inclusion: 27% 2. Climate and sustainability: 27% 3. Health: 22% 4. Education: 9% 5. Employment and skills: 5%

Funding opportunities

We shared 95 funding opportunities, ranging from $5,000 community grants to a USD$250M funding pool for women's health. The most commonly supported impact areas were: Diversity, Equity and Social Inclusion: 22% 2. General social enterprises/issues: 15% 3. Climate and sustainability: 13% 4. Business Innovation: 10% 5. Employment and skills support: 8% 6. Health: 7% 7. Education: 7%

Emerging Themes and Key Discussions in the Impact Sector in 2024

Beyond the numbers, 2024 has brought several recurring themes and debates, shaping the trajectory of the impact sector.

A push for financial sustainability

Funders are urging impact organisations to adopt sustainable models that combine purpose with profit. This shift challenges the idea that impact and financial returns are incompatible. Investments in sectors like climate tech show how solving societal challenges can also deliver strong business outcomes, encouraging organisations to move beyond grant dependency and attract investors seeking both impact and profitability.

The challenge of funding innovation for impact-driven organisations

Charities and social enterprises face unique hurdles when seeking funds for innovation. Some organisations turn to for-profit models to attract private investment, but this often creates tension with investors unfamiliar with the dual mission of achieving impact while remaining financially viable.

The role of intermediaries

There is a growing debate about the role of intermediaries in the impact funding ecosystem. While intermediaries provide valuable support, many sector leaders are calling for a larger share of government and philanthropic funding to flow directly to impact organisations. This shift could empower organisations to innovate more effectively, reduce resource redirection, and foster a more equitable and independent ecosystem for impact-driven initiatives.

2025 opportunities

Looking to 2025, we expect the top impact areas outlined above to remain the focus of funding and investment. Several significant funding pools will be available to support these efforts.

For example, Virescent has launched a new $200 million fund for climate tech innovations, and WEHI Ventures has introduced its first strategic investment fund of $66 million to accelerate Healthtech R&D. Government initiatives are also set to play a critical role with the Department of Employment and Workplace Relations unveiling its $21.9 million WorkFoundations program, which funds organisations assisting individuals with complex barriers to employment. There's also the $11.6 million allocated to the Social Enterprise Development Initiative (SEDI), which supports social enterprise growth nationwide. Philanthropic contributions include the Work Integration Social Enterprise (WISE) Grant program, with more than $4.7 million grant funding pooled from leading philanthropic organisations. These funding pools signal strong and diverse support for Australia's impact-driven enterprises in the year ahead.

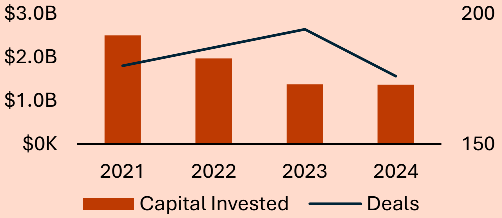
Melissa Ran

Co-founder
Impactsheet.co

Christina Chun

Co-founder
Impactsheet.co

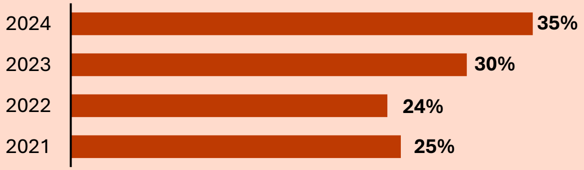
AI-categorised analysis (Beta)



Median deal size

	2023	2024
Pre-Seed	$1.3M	$1.0M
Seed	$1.5M	$1.7M
Series A	$6M	$5M
Series B+	$18M	$17M

Female founder deals %



Top subsectors in 2024

	% Deal Count
Climate	85%
Health	59%
People	26%

Impact Investing continued

> “In 2024, we saw an increase in the volume and quality of impact deals, with lots of interesting niches appearing at the intersections of themes like climate, regenerative tech, cities, health and wellbeing, gender equality, affordable housing and, of course, generative AI and machine learning.
>
> Many impact investments are attracting more mainstream capital as the risks of climate change and social inequality become better understood. We’re also seeing an increase in quality late-stage and private equity opportunities, indicating that more impact companies are maturing to this later stage.
>
> We have had a great year with a number of exciting investments made into areas such as energy transition, decarbonisation, biodiversity tech, innovation in the justice system, mental health tech, carbon-aware retirement savings and affordable housing.”

Sally Hill
General Manager
Tripple

> “Over the next 10 to 20 years, more than AU$5.4 trillion will transfer to younger generations in Australia, reshaping startup funding priorities.
>
> This unprecedented wealth shift is driving growth in Impact Investing, where financial returns go hand in hand with creating social change. Accessibility and Disability Tech are key areas of focus, backed by major regulatory shifts and growing public support. Startups drawing on the lived experience of disability are delivering innovative solutions that transform lives and open markets.
>
> While Disability Tech is gaining momentum among VC funds and accelerators worldwide, the AU$20 trillion spending power of people with disability and their friends and family is still widely underestimated. This presents an extraordinary opportunity for startups to unlock substantial market potential.”

Zara Fulton
Head of Investment
Remarkable Tech, Cerebral Palsy Alliance

02.

The State of Liquidity

In 2023, this report marked a decade of modern Australian venture capital, highlighting the increasing prioritisation of delivering liquidity – and, over the past year, the conversation around liquidity has only grown more pressing.

Funds in the second innings of their first funds' lifecycle have expanded their focus from active investing and portfolio management to driving cash returns. In today's uncertain markets, textbook gold-standard exits – such as IPOs – remain out of reach for most. As a result, many founders and investors are turning to secondary sales, strategic acquisitions, or continuation vehicles to fill the void.

These evolving and expanding paths to liquidity reflect both the maturity and the growing resilience of Australia's innovation ecosystem. While venture capital remains a promising asset class, its ultimate success lies in consistently returning capital to Limited Partners. Now more than ever, local VCs face the challenge of proving that early-stage innovation can deliver tangible outcomes – even amid extended timelines and ongoing macroeconomic headwinds.

Five Things to Know

01.

Global IPOs stagnate despite surging public markets

Equity markets surged globally in 2024 driven largely by mega-tech companies with AI exposure. Despite this optimism, the number of companies going public dropped significantly. Institutional investors remained cautious due to valuation concerns, ongoing market volatility, and regulatory uncertainties – factors that deterred most scaleups from pursuing IPOs. Meanwhile, large late-stage growth funds continued to back mega-rounds, enabling tech unicorns to remain private for longer.

Although a few notable global tech IPOs – including Reddit, ServiceTitan, and Astera Labs – occured, Guzman y Gomez was the only significant VC-backed company to go public on the ASX.

02.

Venture funds struggle with prolonged illiquidity

In 2024, 55% of surveyed investors reported no exits, underscoring how fewer distributions have led to more cautious commitments for new funds. This has slowed deal-making and stifled further investment in earlier-stage companies. As a result, many VC firms are struggling to raise capital themselves, creating a ripple effect throughout the venture ecosystem.

Additionally, 46% of investors indicated that Limited Partner interest had declined compared to last year. With IPO and large-scale M&A remaining scarce, fundraising cycles have stretched longer, and the recycling of capital has slowed significantly.

03.

Secondary markets offer partial capital release

To address the lack of traditional exit opportunities, many investors and founders turned to secondary sales, particularly at later stages. 59% of surveyed Series B or later founders said they'd sold shares to secondary buyers, and 23% of investors said they sold secondaries in 2024.

High-profile Australian companies like Canva and Employment Hero completed major secondary transactions in 2024, providing meaningful liquidity to employees and early investors. Surveyed investors reported that discounts in these transactions have narrowed to around 15%. However, while secondary markets can provide partial liquidity, they are not a complete substitute for established exit routes such as IPOs or full acquisitions.

04.

Strategic acquisitions and private equity filling the gap

Although the number of acquisition deals declined in 2024, targeted mergers and acquisitions remained a viable path to liquidity for certain high-growth startups, particularly for sub-$200 million exits. Corporates focused on strategic acquisitions to expand their product offerings or enter adjacent markets.

Private equity activity rose to 14% of the market, driven in large part by more attractive valuations and the availability of profitable tech companies seeking capital. This route has become an appealing alternative for founders not yet ready to pursue public listings.

05.

Growth funds and continuation solutions emerge

Growth-stage funds from firms such as EVP, Five V Capital, and OneVentures launched to help fill the liquidity gap by offering secondary purchases and providing capital for scaling. For breakeven or profitable startups still poised for expansion, these structures enable continued growth while preserving upside for founders, employees, and investors who choose to remain involved. Continuation funds have also gained traction, allowing venture capital firms to extend their investment timelines for high-performing portfolio companies. These approaches can introduce added complexity, and not all startups qualify for this support.

Despite a challenging exit environment, the strategies help support sustained startup growth until public markets become more receptive.

Exits remain top of mind, but are yet to materialise for many

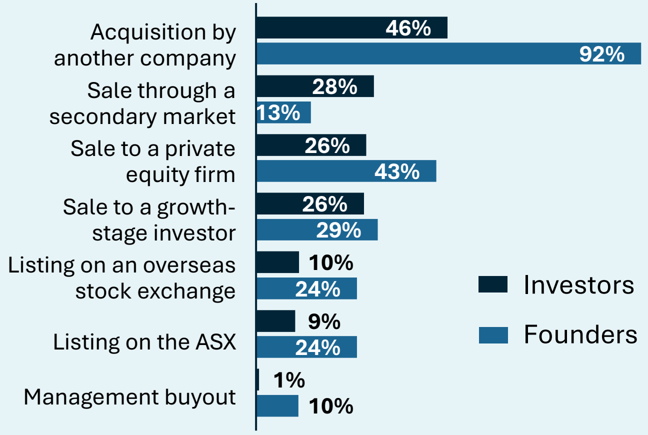
In 2023, this report highlighted that investor attention had shifted towards exits, driven by looming fund horizons. This trend persisted into 2024, with 56% of survey respondents noting increased discussions around exits at their firms.

Actual exit activity remained subdued – 55% of investors reported no exits during the year, while only 22% achieved more than one. Both investors and founders consider a trade sale as the most practical option for achieving liquidity. Founders, however, showed a notable shift in their views on exits to private equity or growth funds, perceiving these routes as more likely than they did last year – and more likely than venture investors do.

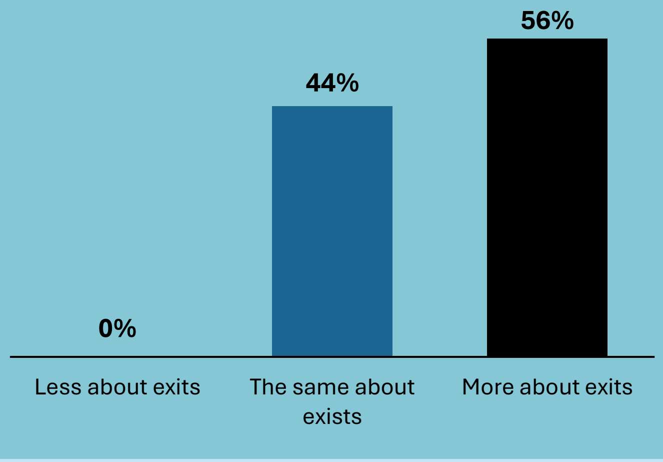
Public listings were viewed as the least likely exit outcome. Despite their status as the traditional "gold standard," public listings have historically been rare and so this is not unexpected. Collectively investors and founders now consider an ASX listing less likely than pursuing an overseas one, a telling indication of attitudes toward the local exchange.

Investor and Founder survey insights

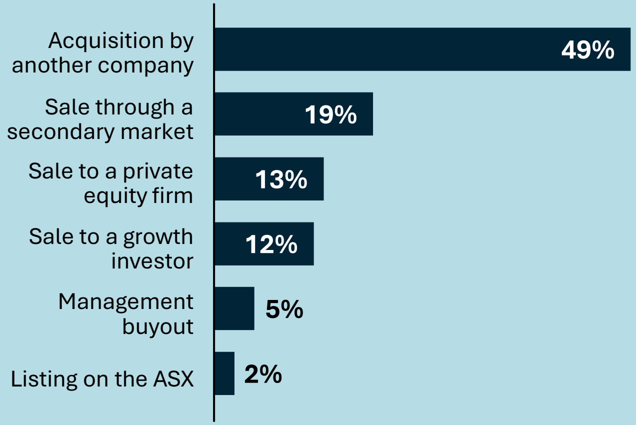
What exit strategy do you view as most likely?



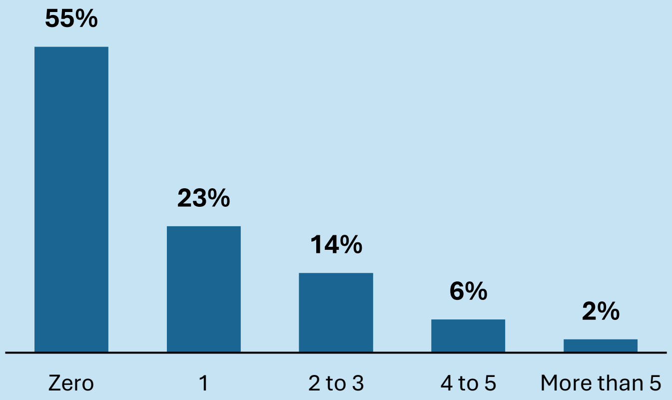
Investors: Compared to this time last year, your firm is talking:



Investors: What type of exits have you seen across your fund(s) this year?



Investors: How many exits did your firm have this year?



Despite a lacklustre 2024, conditions are set for healthy M&A in 2025

Partner Insight

With stabilisation of the macro-environment and a clearer view of interest rates, tech M&A activity has reset to a new norm over the past year.

Thomas Petrakos

Founder / Director
Platform Advisory Partners

With M&A deal count down 44%, the heady days of 2021 are well and truly behind us as acquirers run the ruler over targets in a far more meticulous and methodical way. Corporates are looking to make acquisitions that are highly strategic and clearly add value as opposed to more opportunistic or non-core acquisitions. This has been evident by groups looking to buy capability that add to their product roadmap (think Canva acquiring Leonardo AI), capture market share (Datasite acquiring Ansarada) or move into an adjacent market where cross-sell and operational efficiencies are achievable (Unimarket acquiring VendorPanel).

Deal size has continued to track up over time, with 2024 exhibiting a significant 69% increase on 2023, as corporates are looking to make bigger, more meaningful acquisitions that move the needle. Prime examples include:

- Altium being acquired by Renesas Electronics for $9.1b
- Energy Exempla leverage buy-out by Vista and Blackstone for US$1b
- Illion being acquired by Experian for $820m
- Payapps being acquired by Autodesk for $600m

Australia is considered fertile grounds for global groups, with 51% of 2024 technology transactions involving overseas acquirers, up from 42% in 2019. This is not just about our robust legislative system, being native English speaking or providing offshore groups a good excuse to visit a couple of times a year! No, it's around the fact that we have a well-developed tech ecosystem, with funding and support to nurture great companies, with Australia seen as a great test ground for the rest of the world.

You don't have to take our word for it – when Uber acquired Car Next Door it was the first time globally, they had ventured into the car sharing space as a proof of concept in deciding whether it was translatable to the rest of the world.

We have seen countless transactions sell to offshore parties that had more conviction and were more aggressive on valuation, pointing to the fact that in a large majority of cases, there is a need to run a no-stone unturned, global process to get the best possible outcome for founders and VCs alike.

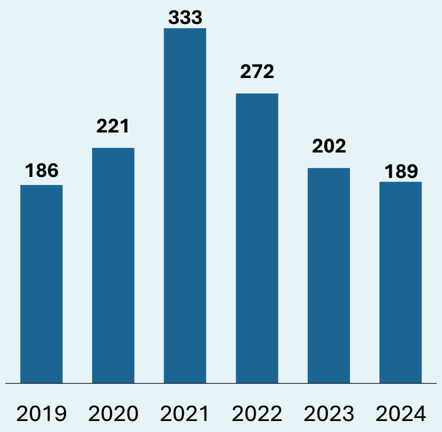
Private Equity funds have come back to the party

As valuations have tempered to more normalised levels, we are seeing far more activity from buy-out and private equity funds, accounting for 14% of deal flow in 2024, up from the 9% average across 2019-2022. Being priced out in 2021 by trade players and economic conditions giving pause in 2022, there has been a flurry of M&A activity to play catch up on capital deployment cycles and take advantage of market dynamics. With only a handful of local private equity firms that specialise in tech, most activity was from offshore groups that were looking for new investment platforms or bolt-on acquisitions to their existing portfolio companies.

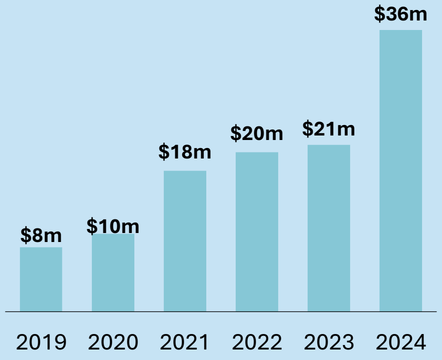
In general, the US$10m ARR minimum threshold continues to hold true to attract overseas funds, in particular initial or 'platform' acquisitions, with many also applying a minimum level of North American revenue exposure. Whilst there has been activity across listed and unlisted markets, the public jousting we saw with the likes of Nitro appears to have abated.

continued on next page.

Technology M&A Deals



Median Deal Size



PitchBook Data, Inc.
Data has not been reviewed by PitchBook analysts

Despite a lacklustre 2024, conditions are set for healthy M&A in 2025 continued

Partner Insight

2025 is shaping up to be a strong year.

Amidst expectations of falling interest rates over the year, conditions are becoming more conducive to M&A activity. With a significant rise in the number of funded tech companies and a tightening funding environment, a natural phase of consolidation emerges. For the strongest to thrive, a 1 + 1 = 3 approach is required.

Even the big names are becoming highly acquisitive, with 2025 already off to a flying start led by WiseTech and Employment Hero already cementing acquisitions. In this current environment, it is around strategic positioning and remaining relevant. In tech, if you're not growing, you're dying, and with the notion that AI is going to eat everyone's lunch, there is a resolve for many to act now and remain ahead of the curve.

VCs in the spotlight

There will be pent-up demand for exits over the coming years as VCs look to either wrap up early vintages or demonstrate capital return.

The last decade has seen an unprecedented amount of venture funds flow to start-up and growth companies. Whilst VC investing is a game of patience, the maturing sector should be getting to the point of balancing exits with new investment, however what is evidenced is a genuine exit lag that has knock on ramifications.

2024 saw the slowest exit rate for VCs out of investments seen over the past six years, at 5.8% of all VC backed businesses. This is a far cry from 2021 which hit 10.4%, greater than one in ten companies going through a liquidity event. 2024 was also a year of reckoning for many portfolio companies, with sunset exits (i.e. administration, bankruptcy, recapitalisation etc) hitting an all-time high of 49% of all exits in 2024. In a mature, stable market, the expectation would be somewhere in the vicinity of 10-14%, representing an average hold period of 7-10 years across all growth stages (angel, venture, growth). Whilst Australia's venture sector is still in growth phase with the number of active VC backed businesses increasing 69% from 2019 to 2024 to 2,361 companies, approximately 40% of VC backed businesses from 2010 to 2014 have not had a liquidity event.

The lack of exits causes a number of issues

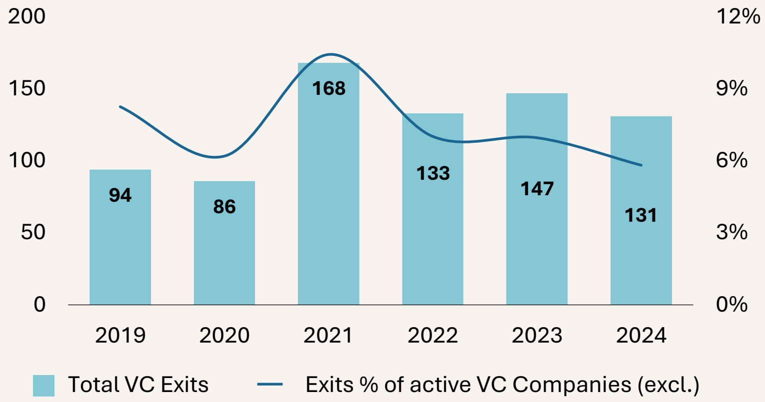
Early vintage funds are coming up against a hard stop, where after fund life extensions, there is a requirement to return capital to Limited Partners that may have originally contributed capital 12 years ago.

More recently established funds looking to raise a subsequent fund, struggle to raise without actual exits and dollars returned to investors, a large number of which are happy to wait before putting more money into venture capital.

The end outcome is capital trapped in businesses that may be in low growth mode and a slowing of the recycling of capital that reduces the amount of funding for more recent start-up cohorts.

VCs are actively trying to solve for this dilemma, with the proliferation of continuation and opportunity funds as a follow on and liquidity vehicle, some discreetly going direct to third parties to sell down their stake in companies at a discount and other exotic structuring being used to sell positions back to founders. No doubt we will see some creative solutions be employed over the coming years that will provide much needed relief and ironically, act as a catalyst to increase the flow of funds into the venture space.

Venture capital exits



PitchBook Data, Inc.
Data has not been reviewed by PitchBook analysts

Tough year for ASX capital markets, but a more positive outlook for 2025

Partner insight

Paul Tontodonati

Co-Founder & Director
Platform Advisory Partners

Sam Karamoshos

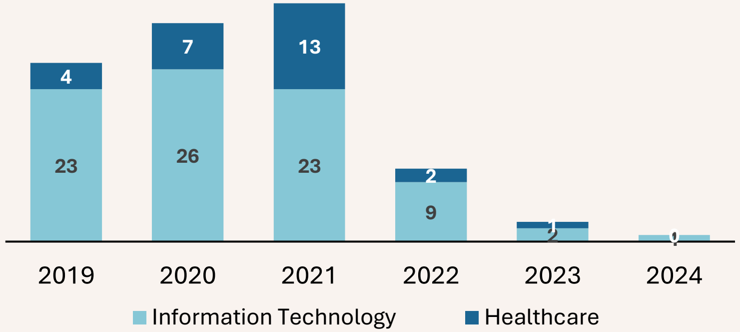
Associate
Platform Advisory Partners

Improvement in ASX IPO activity is expected in 2025, in part because it can't get any worse.

ASX IPO activity for information technology and healthcare companies slowed from already lacklustre levels in 2023 to an almost grinding halt in 2024. After a particularly strong run through to 2021, the IPO window has slowly tightened to being shut through most of 2023 and 2024, but we may be starting to see some early signs of life.

Cuscal's November IPO raised over $336m, giving it a market capitalisation of $480m and was the only ASX information technology IPO of 2024. This excludes the Guzman and Gomez burrito-tech blockbuster in June that captivated the attention of public market investors and saw strong post-listing support doubling from an IPO price of $22 per share to in excess of $44 in early December.

ASX IPO Count



PitchBook Data, Inc.
Data has not been reviewed by PitchBook analysts

Cuscal's long road to an IPO

Cuscal Limited, an Australian payments infrastructure provider, had been on a path toward an ASX IPO for a number of years, encountering several challenges before its successful ASX debut on November 25.

In 2023, Cuscal planned to raise $367 million through an IPO, aiming for a market capitalisation of $514 million. However, due to unfavourable market conditions, the company decided to postpone its plan. In mid-2024, Cuscal revived its IPO plans, seeking $40 million in new capital to support growth strategies, with the remaining amount allowing existing shareholders to partially divest.

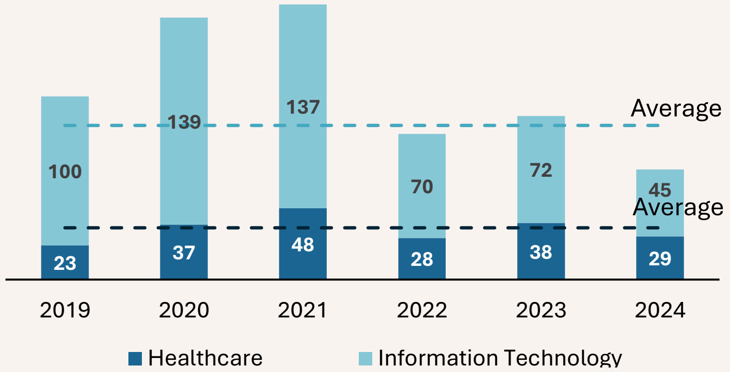
Leading up to the IPO, Cuscal faced scrutiny over its risk management practices, with APRA issuing warnings regarding the company's risk settings, particularly its governance and compliance systems. However, having built familiarity with the business over a long period of time, public markets were prepared to look through the risk and provided the capital support sought. Either that or the valuation of 7.7x Adj FY25 EV/EBITDA was cheap enough to justify bearing the risk.

Upon its ASX debut on November 25, 2024, Cuscal's shares opened at $2.50 but experienced a decline, closing at $2.31 - a 7.6% drop on the first day and the price remains below its issue price. Given the anticipation surrounding the year's only tech IPO, the lack of post-listing price support is concerning, however given the large quantum of monies able to be raised, it does suggest that there is ample dry powder on the sidelines awaiting well priced tech opportunities.

2024 saw more take privates than IPOs

While ASX IPO activity has been quiet, there have been a number of notable take privates with Soprano acquiring Whispir in January, Renesas acquiring Altium and Datasite acquiring Ansarada in February, Accel-KKR acquiring K2Fly in June, and Vector Capital acquiring Bigtincan in December.

ASX Total Funding Deals



PitchBook Data, Inc.
Data has not been reviewed by PitchBook analysts

continued on next page.

Tough year for ASX capital markets, but a more positive outlook for 2025 continued

Partner insight

IPO drought hasn't prevented activity in Healthcare stocks

Capital raisings for ASX listed companies, outside of IPOs, have continued, but the relative cadence of activity has varied by sector. Within the healthcare sector, there were 29 raisings via PIPE (private investment into public equities) and secondary offers in 2024, which is relatively consistent with the average of 35 per year seen in the prior 5 years. Of the 29 raisings, 15 occurred in a busy 3-month period between May and July. Some notable transactions included the $170m raised for Opthea, $120m raised for Clarity Pharmaceuticals and $35m for Imricor Medical Systems, demonstrating the important role that the ASX plays for Healthcare companies given the relative lack of dry powder available within the Australian healthcare venture capital sector.

Information Technology ASX activity well below recent years

Information technology companies on the ASX have been much less active, by deal count, compared to the prior 5-year average (down 58%). While Cuscal, Vista Group, Drone Shield, Weebit-Nano and Spirit Technology Services all chalked up $20m+ raisings, Life360 decided upon a dual-listing on the NASDAQ to "help the company raise capital to fund bigger acquisitions in the future" amid the slowdown in ASX activity.

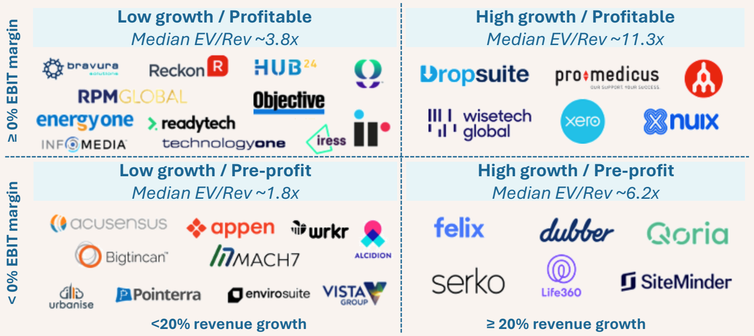
Most concerning was the fact that activity for IT companies was less than half of 2019 volume, which was prior to the COVID-period peak. The lacklustre activity was also despite positive market conditions with the ASX 200 enjoying a strong year (up 9%) and global markets in strong upward trends.

Preferences shifting towards growth over profitability

As a generalisation, public market investors have historically seen information technology companies as 'growth stocks' and have been willing to overlook near-term profitability in the hope of larger long-term growth and returns. However, throughout 2023, ASX listed information technology companies were prioritising, and were rewarded for, pathways to profitability. At the time low-growth and profitable SaaS companies were trading at a median LTM revenue multiple of 3.7x, while high-growth and pre-profit SaaS companies were trading at 5x multiples. 2024 has seen a return to ASX investors rewarding growth with low-growth and profitable companies seeing their median LTM revenue multiple steady at 3.8x, while high-growth and pre-profit companies have seen their median multiple increase 25% to 6.2x.

High growth and profitable companies however have seen the greatest median multiple increase (up 93% to 11.3x), with companies exceeding Rule of 40 strongly rewarded. Some standouts include WiseTech and Pro Medicus that have surged 61% and 161% respectively and now trade at 37x and 152x last 12-months revenue.

SaaS EV/Revenue multiple by growth and profitability



PitchBook Data, Inc.
Data has not been reviewed by PitchBook analysts

Outlook for 2025

After a quiet period for ASX IPOs in healthcare and information technology, 2025 may be the year that sees an acceleration in activity – notwithstanding the low base – towards the levels seen prior to the COVID-peak. Sustained positive performance by the ASX index, increasing growth orientation and strong preference for liquid investments by institutional allocators, provide some of the key ingredients for the IPO window reopening.

The listing of Guzman and Gomez for a valuation of $2.2b may have seemed unthinkably aggressive this time last year, and yet it has since surged to a valuation of $4b, demonstrating the desire of investors to access growth stocks. Some might still think the GYG valuation is "Mad Mex", but the market seems content paying extra for guacamole.

While private markets have done an incredible job of supporting valuations of tech companies in recent years, the valuation multiples being achieved by WiseTech and Pro Medicus, amongst others, is likely to tempt strong performing private companies to go public.

As a sign of what may come locally, ServiceTitan, a US-based software provider for trades businesses, debuted on the Nasdaq on December 13, raising US$625m. Shares surged over 40% on the first day of trading, closing at $101, valuing the company near $9 billion. The successful debut indicated strong investor demand and may encourage other venture-backed companies to pursue IPOs, signalling a potentially favourable environment for ASX listings in 2025.

ASX: a misunderstood exit path for startups

Partner Insight

In Australia, most unicorns and decacorns are funded through the ASX. Companies like Xero ($25 billion), Wisetech ($40 billion), TechnologyOne ($10 billion), and of course Afterpay ($39 billion sale) used the ASX to reach unicorn status and beyond, all while offering daily liquidity to employees and early investors. Which is an intriguing contrast to the venture-funded market, which placed ‘listing on the ASX’ near dead last as their expected exit outcome on the 2024 State of Australian Startup survey. We think there are two reasons to reconsider:

Firstly, listed companies raise money faster and easier than in private markets, both in good times and bad.

There are often only days between a deal announcement on the ASX and cash settlement. Founders often think listing is a particularly unwelcome distraction when times get tough, and of course a falling share price has a way of commanding attention. But in an emergency, listed companies can offer discounts to a long list of funds willing to back a company through a tight spot - at a price.

Private companies don’t have that option. Most venture funds back winners only, regardless of their initial excitement and support of a new company. This can take management teams by surprise when an erstwhile close relationship with a venture funder fails to translate to follow-on capital.

Secondly, there’s an impression that companies are undervalued on the ASX, whereas US investors understand long term opportunities better - and price them accordingly. But today, the reality is companies or opposite. Companies on the ASX that reach a certain scale count amongst the most richly valued on the global market. Examples include Wisetech (44x EV/Sales), Pro Medicus (163x EV/Sales), TechnologyOne (53x EV/Sales) and Orthocell (60x EV/Sales).

These valuation premiums may reflect a temporary market regime. Or there may be a structural reason. Australia is a wealthy country, and there are constant inflows into equity funds with very few growth opportunities on the ASX to choose from. These valuation premiums, and the advantages of being listed when things go wrong, should be front of mind for companies considering options for their next raise.

PreIPO

In the leadup to 2021, investing at the PreIPO stage was an easy winner. Funds invested in companies through convertible notes offering yield, seniority, and a discount to listing price, usually around 25%. A booming IPO market ensured that first day performance was often strong, so 50-100% day 1 returns post-listing were common.

In a tale as old as finance, the success of this strategy led to new fund launches and more capital deployed, only for the IPO window to shut decisively, where it has remained for most private companies since. PreIPO investors expecting a return of capital in 1 or 2 years have been stuck with investments made 2020-2021, in companies that were anticipating a near-term listing that didn’t eventuate. This created immense pressure for the sector, with funds forced into tough decisions around allocating limited capital to struggling companies, or looking for new opportunities. And fresh capital for a PreIPO strategy is a particularly tough sell.

As night follows day, this downturn created a buyer’s market, and funds who do have access to fresh capital have an extremely attractive opportunity set. Funds can dictate price and terms with much less competition. If 2020-2021 was the worst time to invest in these strategies, today must count as one of the best. But the sector will only recover when the IPO market reopens in full.

Healthcare

Biotech fared worse than software in 2022. As with preIPO funds, generalist investors flooded the sector targeting ‘platform’ technologies that promised to revolutionize drug discovery, only for the market to have its worst downturn in living memory. A record number of healthcare companies traded below cash. Many have since delivered drugs and produced exceptional returns, but most companies, and the biotech index itself, remains in a funk. A good example is CRISPR and gene editing technologies - which worked, but proved expensive, unpopular, and disastrous for investors.

There is an equivalent situation developing today in AI-focused drug discovery platforms, which have attracted a lot of attention in the AI boom, only for enormous cash burns and distant revenue prospects leading to poor returns. Everyone is looking for an untapped AI opportunity, but perhaps the next Nvidia is Nvidia.

In Australia, there have been multiple billion-dollar successes in healthcare, but these have typically focused on a particular disease and were mostly funded by specialists. Again, these opportunities have been funded on the ASX.

To give some examples, Telix built an $8 billion company through the biotech downturn, and Neuren Pharmaceuticals brought a drug to market and is enerating substantial revenues. Several other companies on the ASX reached unicorn status, like Clarity Pharmaceuticals. So there has been plenty of opportunity, but it takes a specialist focus, and the bulk of wealth creation has occurred in the listed market.

In Summary

In the decade leading up to 2021, waves of capital flowed through the market, pushing most companies up and down together. That regime is largely over.

With interest rates high, consumers pressed on all sides, and private funds still working through investments made in the challenged 2020-2021 vintages, it may be some time before a wave of enthusiasm lifts all asset prices. Listed markets have fared better, and for all the excitement around the small number of VC winners, the ASX has supported a number of companies into unicorn and decacorn status, while offering a capital lifeline to many companies that would have otherwise failed in 2022-2023.

But for investors and entrepreneurs the opportunity set is richer than ever. One thing’s for sure though - success requires substantially more work and less reliance on luck than ever.

Michael Frazis

Portfolio Manager
Frazis Capital Partners

The state of global technology funding

Partner Insight

The technology sector led the strong performance of global equity markets in 2024, fuelled by investors' insatiable appetite for any equity story that might benefit from the worldwide surge in interest in artificial intelligence.

Global markets in 2024: AI fever gets real

The FTSE All-World Technology Index finished the year up 35.0%, outpacing the overall index, which was up 17.7%.[1] Strong earnings at the biggest tech names, lower interest rates and expectations of an AI-powered boost to margins continued to outweigh concerns about ongoing geopolitical tensions.

Within technology, AI dominated investors' attention – especially in the hardware segment. As of November 2024, stocks tied to the build-out of AI infrastructure had risen 80% since the start of the year, AI enablers were up 30% and early AI adopters had risen 7%.[2]

AI also emerged as a driver of returns across the wider market. The IT sector is leading the adoption of AI, with HSBC Global Research data showing about 23% of IT businesses already using AI, and a further 8% saying they will within the next six months. Tech giants including Microsoft and Meta are enjoying a revenue boost from AI services, such as copilot, cloud computing and AI advertising tools. Professional services and education are the next biggest adopters.

As time goes on, the performance improvements will penetrate more deeply into other sectors, such as healthcare, where AI has the potential to augment both drug development and patient care.

But it is already clear that the promise of gains in productivity and profitability from AI has fundamentally reshaped the outlook for equity markets over the last two years.

Outlook for 2025: The productivity potential

Even after such a strong upswing in valuations, the potential of technology is arguably still being underplayed by the market. HSBC Global Research expects technology to drive further gains in equities over the next 12 months.

"We expect global earnings to grow a strong 11% in 2025," says Alastair Pinder, HSBC's Head EM and Global Equity Strategist. "Margin expansion, driven by lower input costs and AI productivity gains, is seriously under-appreciated."

There has been much debate over the extent to which recent stock price performance will be sustainable, given market volatility in the second half of 2024. But we believe that the AI trade will shift from being driven by speculation and promise to being underpinned by substantive revisions to earnings expectations.

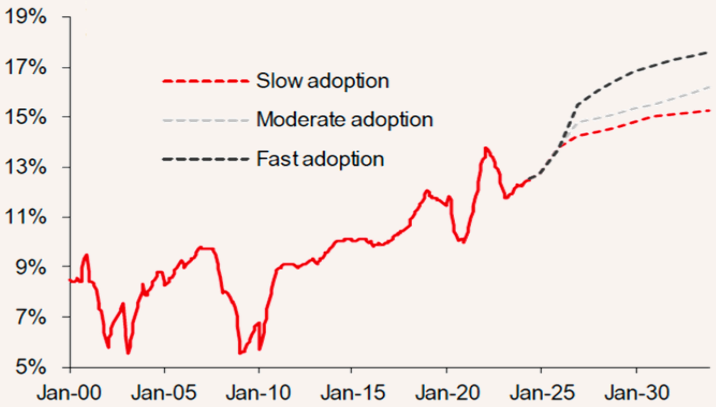
On that score, the outlook appears bright, with 12-month forward earnings per share for key AI beneficiaries rising by 17% in 2024. And we expect to see more success in monetising AI over the next few quarters, led by the mega-caps at first.

continued on next page.

Alan Watters

Director, Tech Sector & Venture Lead
HSBC Corporate Banking ANZ

AI and potential productivity lift to margins: S&P 500 net profit margin under different AI adoption scenarios



Source: FTSE Russell, Factset, HSBC

The state of global technology funding continued

Partner Insight

Much of this will come from the rapidly increasing power of generative AI and the potential offered by the large language models that have brought this technology to prominence.

Bloomberg predicts that generative AI will grow to be a USD1.3 trillion market over the next decade, up from just USD40 billion in 2022 – a staggering compound annual growth rate of 43%.[3]

Australia's AI sector will benefit from this too. New research from Microsoft finds that generative AI will account for 90% of the projected AUD18.8 billion in annual AI revenue in the country by 2035.[4]

The counterweight to the promise is the risk of a more volatile world trade environment amid global tariff uncertainty. A volatile US yield curve also indicates continued uncertainty over the possibility of a recession.

Fundraising in 2025: Closing the growth gap

Heading into 2025, the big question is whether continued strength in global technology stocks will spur a long-anticipated revival of primary capital raising. After peaking in 2021 on a flood of liquidity, startup funding fell precipitously in 2022 and 2023, and recovered only slightly in 2024, according to Crunchbase figures.[5]

The sluggish IPO market has created an unprecedented backlog of VC investments looking for an exit. As of October 2024, the number of US unicorns – unlisted companies valued at over USD1 billion – had reached 739, according to HSBC Innovation Banking. This has had a knock-on effect on VC funding, as slower distributions leave investors with less capacity for new deals.

As in the public markets, the dominance of AI in the tech landscape is creating a two-tier market for private funding of early-stage ventures. Non-AI companies face a particularly challenging environment. In the first 10 months of 2024, we calculate that 42% of US venture capital went to AI firms – almost doubling from the 22% recorded two years ago.

With exits stalled, companies looking to scale up face a pronounced funding gap at Series B and beyond.

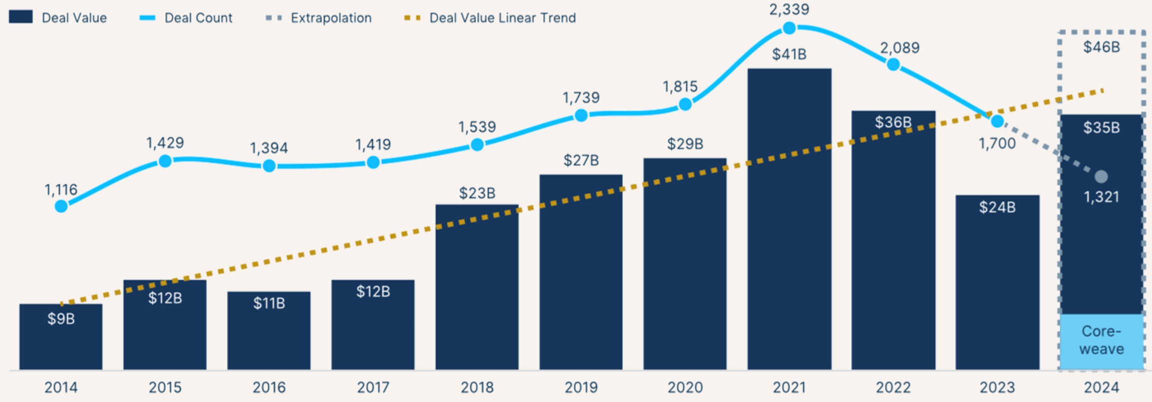
Venture debt has emerged as a critical way of bridging that gap in growth funding for promising tech firms. In the US, venture debt had an exceptionally strong year in 2024, with bigger deals helping to drive record projections for the market. This performance has come after two years in which venture debt deal volumes fell from their 2021 high.

As well as compensating for the lower availability of VC funding, demand for debt is also being driven by a rise in the cost of equity at late-stage tech businesses, making founders less willing to accept the dilutive effect of fresh equity and preferring to finance their cash burn with more palatable debt.

Beyond the US market, there are encouraging pockets of activity in Europe. UK startups raised USD16.2 billion in venture capital in 2024, with generative AI and fintech among the most popular segments.[6] European start-ups also ramped up their use of venture debt funding in 2024, especially in the first half, according to data from Sifted.[7]

As interest rates decline in 2025 and the IPO and VC markets gather pace, we are hopeful of a strong rebound in tech funding globally. For businesses looking for capital, a focus on AI looks set to boost their chances of success.

US venture debt deal activity over past decade



PitchBook Data, Inc. Data has not been reviewed by PitchBook analysts

---

1) https://research.ftserussell.com/Analytics/FactSheets/Home/DownloadSingleIssue?issueName=AWD10
2) Global Equity 2025 Outlook, HSBC Global Research
3) https://www.bloomberg.com/professional/insights/data/generative-ai-races-toward-1-3-trillion-in-revenue-by-2032/
4) https://pub-c2c1d9230f0b4abb9b0d2d95e06fd4ef.r2.dev/sites/66/2024/11/AU-New-AI-Economy.pdf
5) https://news.crunchbase.com/venture/global-funding-data-analysis-ai-eoy-2024/
6) UK Deep Dive, Dealroom.co & HSBC Innovation Banking
7) https://sifted.eu/articles/venture-debt-funding-2024

Depth and breadth of secondary buyers continues to expand

Secondary transactions – where founders, employees and current investors sell a portion of their shares to another investor – are increasingly common and gaining broader acceptance among all investors on the capital table.

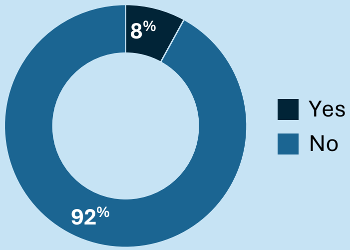
With opportunities for a complete exit still muted, the demand to engage specialist funds, growth funds, and family offices as purchasers of positions continues to grow at a significant pace as funds near the end of their investment horizon.

In response, more specialised local vehicles entered the market in 2024, while international deep-pocketed funds focused on scale-up investing remained highly active. Surveyed founders benefited as well, with the majority of later-stage founders reporting having taken money off the table through secondary sell-downs.

Investor survey insights

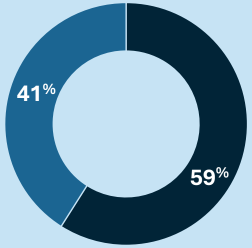
Have you or any of your founding team members participated in a secondary share sale?

(Series A and earlier)



Have you or any of your founding team members participated in a secondary share sale?

(Series B, Series C or later)

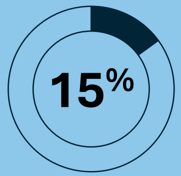


VCs surveyed believe a secondary sale as the 2nd most likely way of exiting their portfolio positions

In the secondary market, what is your best estimate of the average discount or premium paid relative to the company's prior priced round?

Median response:

(vs 20% in 2023)



> The year has been marked by extreme contradictions – in one sense public equities and cryptocurrencies have rallied (usually correlated with improved conditions for early-stage fundraising), and yet in the same breath interest rates remain high and the larger funds are increasingly deploying at much later stages as they chase DPI (primarily due to pressure from their LPs).
>
> All-in-all, it feels like a hard time for the 'average' early-stage business to raise capital and valuations remain compressed, but the best start-ups continue to get funded.

Damian Fox

Partner

Carthona

Liquid secondary market required to grease the liquidity flywheel

I suspect that most Australian investors would agree with the notion of the US being the forward indicator of many market developments likely to arrive on the sandy beaches of Australia.

The US ecosystem was the first and most successful in matching technology innovation with risk capital, allowing it to produce more valuable companies at a higher frequency than anywhere else. This value creation in private markets led to the early development of secondary transactions - and shortly it became common for secondary rounds in late-stage private businesses to be as large (or sometimes larger) than many IPOs.

In 2024 Canva brought the world of IPO-scale-secondaries to Australia in the form of its monster U$1.5bn tender offer. Shortly after, SafetyCulture completed a $90m secondary and there are other late-stage Australian companies exploring similar processes. Large secondaries like these often foreshadow IPO plans and are used as duration matching mechanisms. They help companies to “clear the decks”, replacing natural short-term sellers with long term holders to improve the probability of price stability after an IPO. As we move into 2025 and beyond, the lineup of valuable late-stage Australian technology companies will grow and, like the US, we expect the frequency of large-scale secondaries transactions to correspondingly increase.

That increase is logical if for no other reason that secondaries in any asset class tend to be a derivative of its aggregate value. So as Australia’s VC backed companies continue to create value, the dollar demand for liquidity from VCs, founders, employees, angels and early investors tends to increase too.

Australia is facing a structural liquidity cycle (which we have written about before). The early local VC vintages that backed the first wave of successful technology companies are actively seeking to realise some of this value and distribute proceeds to investors. This cycle will repeat itself as subsequent vintages backing the next wave of generational technology business approach maturity. This underlies the theme of liquidity being a permanent and growing part of a healthier domestic ecosystem.

All this sell side growth begs the question of how an ecosystem solves for liquidity supply at scale. The US has solved this with large crossover and secondaries fund with billions under management. So, where’s the buy side capital in Australia coming from?

Traditional VC funds occasionally participate in secondaries within their own portfolios and SecondQuarter specialises in secondaries. But we estimate that, even combined, there’s probably not quite enough supply to meet the exceptional value creation seen in our ecosystem over the past decade - a lot of secondary demand just isn’t being filled, particularly at the growth-stage.

So perhaps the current state of secondaries in Australia is best summarised by a question: if liquidity is the grease in the wheels of the local ecosystem, where will that grease actually come from?

Ian Beatty

Managing Partner
SecondQuarter Ventures

> “Public markets have made all time HIGH’S in 2024, and pundits believe a doveish interest rate cycle and pro-business policies will lead to public markets continuing to be strong in 2025, and likely to make higher-new-highs. In contrast, the IPO market has been DRY for one of the longest periods in history.
>
> In the US there have been limited but strong Tech IPOs from Reddit (up 300%+), Astera Labs (+180%), Lineage and Rubrik. Even in Australia, the likes of GYG (up 100%+) and Cuscal are sizeable IPOs that have performed well. If successful IPOs in the US of SpaceX, Stripe, Databricks and Klarna happen, that augers well for the ASX and the Australian Tech-Innovation system and IPO exits.”

Rajeev Gupta

Founder
Alium Capital

The increasing role of growth funds

The Australian and New Zealand B2B software landscape is at an inflection point. Over the last decade, thousands of B2B software startups have been funded.

VCs who raised funds 6 – 10 years ago are approaching their end of fund life, are looking to return capital to investors, and may be unable to continue to support even their well performing portfolio companies. The market is relatively liquid for later stage B2B software businesses - a range of global and domestic specialist funds are keen to write $50m+ cheques.

Our view – and the reason for EVP launching its Opportunities Fund – is that this confluence of factors means there is a dearth of flexible minority capital at the early growth stage (~$5m+ ARR companies seeking $5 – 15m in equity).

Investors in this space can help in a few ways. First, they can provide liquidity to early-stage investors, founders and employees. Cap tables can be messy, and it may suit everyone to buyout angels, as well as allow founders to realise some of their hard work and buy a home or support their families. Second, they can provide growth capital for the next leg of the company's journey. Funding and exit markets are more attractive with scale, and growth capital can help unlock that value.

There is a 'best of both worlds' outcome for shareholders in businesses at this early stage where they can:

1. take some money off the table
2. realise most of their value later alongside a minority growth-stage investor's exit.

It's useful to partner with a specialist B2B software investor – many of the challenges across companies in the space rhyme. From product development, to new segment or geographical expansion, and pricing and packaging, there are best practices that a specialist B2B software investor can help with.

Australia and New Zealand has some of the world's best talent and software leaders, and growth capital will play an increasingly pivotal role in helping them scale.

Misha Saul

Head of EVP Opportunities Fund
EVP

The emergence of newly established Australian growth funds is evidence of a maturing local market – and a critical step in providing founders with a broader set of capital pathways. By international standards, growth equity is underrepresented in Australia relative to GDP. Our ecosystem has continually decried the 'misses' – the promising Australian technology companies that have bypassed the local market, delivering storied successes to overseas investors.

In their defence, Australian founders have been historically more dependent on international funds to fuel their Series B+ rounds, on capital markets to pursue liquidity or on buyout funds for a nearer-term exit. All options are challenging to execute and collectively aren't matching the level of opportunity available for Aussie companies.

Enter Australian growth funds, which provide founders with meaningful capital ($10M-$30M+), potential additional liquidity and an experienced active investor to support them for the Series B+ phase of growth.

Growth funds play a critical role in elevating Australian technology globally. We believe that pursuing meaningful international expansion, from the vantage point of Australia, typically requires ~$10M in fresh capital.

We need local, accessible growth investors that can sufficiently fund international teams and product iteration in order to set up Aussie founders for success. In addition to cheques – it's important to note that later stage does not mean 'steady state'. Growth after Series B+ brings new challenges and the need for business model disruption to be a truly world-class competitor.

Good local growth stage funds can provide fresh eyes on capital allocation, international go-to-market support, governance, exit pathways and the courage to support Australian founders to compete at a global scale.

Leading deal flow indicators suggest very strong Series B+ opportunities in 2025, and we are excited to continue supporting and championing Aussie founders on the global stage.

Justine Carzino

Investment Director
OneVentures

Private equity as an exit strategy: six crucial considerations

Partner Insight

Exits have come under the microscope in the past couple of years, exacerbated by subdued market conditions and a relatively inactive IPO market. There is one option that, while popular elsewhere, has yet to become a feature of the Australian market: sale to a PE fund.

Navleen Prasad

Chief Executive Officer
Australian Investment Council

Like VC, PE investment has been critical for the growth of many businesses across our economy. Both are driven by the goal of preparing portfolio companies for their next phase, prioritising sustainable growth over short-term gains. Both use their specialist skills to scale businesses, refine operations and unlock greater value over the long term.

For the right business, PE investment can be a logical next step, evolving a start-up's investment journey into a new, transformative phase. Transitioning to PE investment may be an attractive option for portfolio companies that are not ready, or may never be ready, for the listed market.

So, how does a VC assess whether their investment is attractive to a PE investor? Understanding what PE looks for when acquiring venture-backed businesses sheds light on how start-ups transition into maturity and thrive in their next chapter.

1. Timing

PE may begin showing interest or becoming involved from the series C round onward, as portfolio companies start demonstrating a proven track record of revenue growth, often showing signs of profitability, and presenting a business model that is ready to scale.

2. Business fundamentals

PE managers emphasise the importance of a strong product, which often leads to great product-market fit, and well-established economic fundamentals, as critical factors that can make a venture-backed business stand out in the market.

Furthermore, quality of technology has also emerged as a pivotal differentiator for potential PE acquirers. Where typical PE-backed firms have usually had a strong focus on profitability, venture-backed startups have in most cases had the ability to invest more in building high quality technology.

3. Financial metrics

The Rule of 40 is often cited among PE investors as a key metric for evaluating acquisition targets. Managers typically seek businesses whose revenue growth rate and profit margin sum to at least 40 per cent, as this indicates a healthy balance between driving growth and maintaining profitability.

Beyond this, a reasonable valuation remains a fundamental consideration for PE investors. Historically in Australia, a significant challenge has been that either the Rule of 40 or an attractive valuation has been absent, making it difficult to secure interest from PE investment teams.

4. Profitability and sustainable returns

The transition from rapid to sustainable growth is a notable milestone in a portfolio company's journey. It's a time when management teams may need to shift gears and think differently about their success measures.

VC-backed companies traditionally prioritise rapid growth, with an appetite for reinvestment and expansion. This is appropriate for the start-up phase of a business where the focus is on product development, marketing and building a customer base. However, once the business has achieved the right product-market fit, ultra-long-term goals need to be balanced with more medium-term objectives.

continued on next page.

Private equity as an exit strategy: six crucial considerations continued

Partner Insight

PE investors generally expect to hold their investment for three-to-five years, with the expectation of realising a return for their investors at the conclusion of that hold period. The focus is on profitability, sustainable returns and growth. It's for these reasons that PE investment makes more sense once the business has the right product-market fit.

In Australia, there seems to be a shift, with more management teams transitioning in terms of planning and mindset to a more balanced profit and growth orientation.

5. Cultural alignment and management equity

Cultural alignment is usually considered very important, since PE investors will often look to retain the existing management team. Ensuring a robust cultural fit and shared vision for the future is a top priority for PE investors, even to the extent that they will walk away from prospective deals if this alignment is not present.

When PE backs an existing management team, equity stakes are a significant consideration. However, the dynamics are different in every situation. In all cases, management engagement and incentivisation remain crucial factors for investors. PE firms gain greater confidence from a scenario in which management is committed to maintaining a substantial stake in the business after the deal, signalling their confidence in the company's potential for future upside.

6. Alignment on exit strategy

PE investors will, when doing acquisition due diligence, evaluate feasible exit strategies. This can be a more complex evaluation where the founders retain significant control over exits. PE investors will consider whether there is alignment on exit expectations, or whether the necessary alignment can be achieved. This presents VC investors with an opportunity to work with and educate founders on pragmatic exit strategies, helping to navigate these complexities.

What to expect from a PE investor

Newly acquired businesses can expect immediate implementation of short-term plans, which in turn will help develop strategy for the next three to five years. PE will work with management to agree a plan that sets the benchmarks for the business to track toward each year in terms of revenue, EBITDA, and other key metrics.

This may involve creating a financial plan, potential restructuring efforts, and addressing immediate operational priorities. It often involves evaluating and aligning the management team, refining the company's strategic vision, and addressing longer-term goals. It can also include a management equity plan, ensuring that equity compensation is closely tied to achieving milestones outlined in the value creation strategy.

As we look to the future, it is evident that while exit activity has faced challenges in recent times, PE is well-positioned to play a more significant role in supporting Australian startups and VC-backed businesses. By offering a compelling alternative for exits, PE can help bridge the gap between early-stage innovation and sustained growth, unlocking new opportunities for domestic businesses to scale and thrive.

Equity beyond capital

Partner Insight

Equity is a huge aspect of the startup culture, allowing startup teams to share in a company's success. Yet, the transformative potential of equity is often overshadowed by misunderstandings and miscommunications. The latest Cake data shows a troubling trend: in Australia, employee understanding and value perception of equity are declining. However, this creates a huge opportunity for companies to rethink how they approach equity – not just as a financial instrument, but as a tool to inspire, align, and create meaningful value for all their stakeholders.

The purpose of equity

Equity is more than just numbers on a spreadsheet; it's a promise that when the company succeeds, so do the people who made that success possible. At its best, equity aligns the organization's mission with the aspirations of its employees, creating a shared sense of purpose.

When employees see equity as a bridge between their professional contributions and personal goals, it creates a sense of ownership and motivation. Equity isn't just about wealth creation; it's about giving employees a stake in the vision they're helping to build. For this alignment to take root, leaders must articulate the purpose behind equity – why it exists, how it works, and what it means for an individual's future.

The equity knowledge gap

Despite its potential, equity is often misunderstood. Recent Cake data shows a troubling decline in employee understanding and value perception of equity. In 2024, 28% of employees considered equity unimportant, an 8% increase from the 2023 data. This growing disconnect isn't just a statistical anomaly; it's a symptom of poor communication and lack of education.

While some companies struggle with equity communication, others have demonstrated that clear and consistent communication can drive positive outcomes. Data shows that teams with regular updates on equity value and milestones (26%) report significantly higher motivation and a stronger sense of connection to the company's success from its employees. This highlights the transformative potential of equity when it's made transparent and understandable.

Employers play a critical role in bridging the knowledge gap. Transparent communication, accessible tools, and ongoing education are essential to demystify equity. Employees should understand not only the mechanics of equity – vesting schedules, dilution, and exit scenarios – but also its broader significance as a tool for shared success. By making equity relatable and relevant, companies can reignite its value in the eyes of their teams.

Democratizing access to equity

Inclusivity remains a significant challenge in equity distribution. Only 28% of Australian companies issue equity to 100% of their employees, leaving a majority of team members excluded from its benefits. Equity should not be a privilege reserved for top-tier executives or founders; it should be accessible to all employees, regardless of their role or geography. The more each team member can feel like a founder with similar rights to equity, the more potential is unlocked from each person.

Democratizing equity starts with a cultural shift. Companies must recognize the value of inclusive equity policies, not just as a gesture of fairness but as a strategic advantage. Inclusive equity creates loyalty, motivation, and a sense of belonging, which are critical for long-term success. Practical steps, such as simplifying equity plans and integrating equity education into onboarding processes, can make equity more accessible to everyone.

The future of equity

The future of equity lies in its ability to create meaning and value for all stakeholders. To achieve this vision, companies must:

1. **Reimagine equity communication**: simplify and personalize equity education to ensure every employee understands its purpose and potential. Celebrating equity milestones can have an emotional and motivational impact, such as recognizing employees who reach significant vesting milestones. These moments underscore the importance of equity as more than a financial tool – it becomes a symbol of their contribution and connection to the company's journey.
2. **Prioritize inclusivity:** develop policies that extend equity to all employees, fostering a culture of shared success. Regular communication about company achievements strengthens the connection between equity and employee motivation. Sharing progress on revenue milestones and growth helps employees see the tangible outcomes of their equity, even if the specifics of value fluctuate over time.
3. **Celebrate the ripple effect:** highlight stories of reinvestment and mentorship to inspire others and showcase equity's transformative power.
4. **Leverage technology:** use platforms like Cake to streamline equity management, making it more accessible and transparent to everyone on the team. Streamlining equity management is another critical step as observed by some of our customers. Companies benefit from tools that allow for dynamic updates to vesting and simplify cap table management. These systems enable quick and accurate responses to investor inquiries, eliminating delays and ensuring transparency. Having reliable processes in place ensures equity remains accessible and understandable for all stakeholders

Cake's mission is to accelerate startup team motivation with equity ownership. We believe that equity should be a tool for alignment, empowerment, and growth available to all – not a source of confusion or exclusivity. By prioritizing education, inclusivity, and ecosystem building, we can create a future where equity is a force for good, driving meaningful outcomes for individuals, companies, and communities.

Kim Hansen

Chief Executive Officer
Cake Equity

03.

The State of the Gender Equity Gap

The funding landscape for women-led ventures in 2024 showed modest gains but highlighted persistent challenges. All-women and mixed-gender founding teams featured in a record share of early-stage deals, signalling growing investor understanding of the value of diverse teams. This progress did not extend to larger follow-on rounds, as the share of total capital allocated to women-led startups remained low.

While more VCs are seeking opportunities with female or mixed-gender teams, the lack of major deals above $50 million underscores a barrier to meaningful scale. Closing this gap requires not just initial access but ensuring women-led ventures are given the opportunity to secure the capital needed to become market leaders.

Both investors and founders agree that progress demands practical, measurable steps. Some funds are working to reduce bias and create a level playing field but results so far have been incremental.

Five Things to Know

01.

Record early-stage wins but funding falls short

In 2024, female and mix-gender founding teams reached an unprecedented 27% share of total deals, driven by robust participation at Pre-Seed and Seed stages.

Despite this progress, their overall share of capital declined to 15%, indicating a persistent gap between early activity and larger funding allocations. While investors show growing interest at the earliest stages, later and typically far larger rounds remain elusive for most women-led startups, stifling their scale-up potential and momentum.

02.

High-value deals critical for future growth

Since 2019, all-women teams have secured only three deals above $50 million, representing just 2.2% of such transactions in Australia.

For many startups, the scarcity of large cheques hinders their ability to achieve meaningful scale, highlighting a persistent obstacle beyond the early rounds. Greater access to later-stage funds could help women-led ventures expand market reach, attract specialised talent, and drive broader innovation. Strengthened follow-on investment remains vital for progress.

03.

Investors signal interest but impact lags

Most Australian investors who completed at least two deals in 2024 backed a female or mixed-gender team, reflecting a generally positive step.

Only 13% of the 50 most active VCs made more than half of their investments in women-led startups. While this signals incremental change, capital allocations continue to favour male-only teams, underscoring the need for consistent, robust follow-through and objective evaluation criteria.

04.

Confidence wavers amid competitive global environment

In contrast to the United States, where women's share of funding held steady, Australia's women founders reported slowing progress in later stages in 2024.

Our Founder Survey found that 83% of local women entrepreneurs plan to raise capital this year, but whether investor interest will lead to larger cheques remains uncertain. Sustained industry commitment is key to strengthening founder confidence, to position Australia alongside top global ecosystems, and unlocking greater potential from all entrepreneurs.

05.

Practical measures key to long-term equity

Venture firms are increasingly examining internal processes to reduce bias, such as diversifying investment committees and standardising due diligence frameworks.

More sustained initiatives are needed to help women founders access resources, expand networks, and compete for later-stage capital. Incremental changes at the Seed stage alone will not suffice; women-led ventures must navigate every growth phase to achieve stronger economic returns and foster a more dynamic Australian startup ecosystem.

Progress at the early-stage drives participation but not dollars

Mixed-gender and all-women founding teams achieved their highest deal participation rates on record, but lack of later stage deals completed meant share of capital reversed.

The proportion of deals involving at least one female founder continued to grow in 2024, reaching 27%. However, the figure for all-female teams dipped slightly from the high set in 2023.

The picture was different when it came to the share of total capital. Teams with a female founder saw their share of funding drop to 15%, while all-woman teams received just 2%. As has been the case throughout the rise in deal participation, the gap between funding volumes and deal numbers largely stems from female founders struggling to gain momentum in later funding stages, where much larger capital amounts are typically raised.

There is genuine reason for optimism in the positive trends seen at the early-stage level, but only if these translate into maintained momentum in later rounds. So far, there's no clear evidence in the data that this is happening.

> “When it comes to closing the gender funding gap, we still have a mountain to climb. Despite the growing awareness of the underlying issues, the numbers are not significantly changing. While we see some indicators of positive change at the earliest stages, we still need to see this translate to later stage rounds.
>
> Continued underinvestment in women founders is an underinvestment in strong economic outcomes. It's critical that we attract the best and brightest of all genders to the innovation ecosystem. Women must be able to see a pathway to success in startups – as founders, investors and operators.
>
> Investing in women founders is a key part of a strong investment thesis. It has been positive to see capital and funds and angel syndicates proactively and publicly targeting women founders and diverse founding teams over the past year. I hope to see that activity grow in 2025.
>
> We all have an interest in changing the statistics, and we all have a role to play. At a minimum, every single one of us can be proactive about opening our networks to women founders to help them raise capital and finding opportunities to raise their visibility.”

Jess Baird Walsh

Founder
Capital X

Deals that included a female-founded startup

2020	2021	2022	2023	2024
21%	19%	20%	25%	27%
at least one female	at least one female	at least one female	at least one female	at least one female
8% all female	**6% all female**	**8% all female**	**10% all female**	**9% all female**

Total capital invested in female-founded startup

2020	2021	2022	2023	2024
20%	21%	12%	18%	15%
at least one female	at least one female	at least one female	at least one female	at least one female
3% all female	**2% all female**	**2% all female**	**3% all female**	**2% all female**

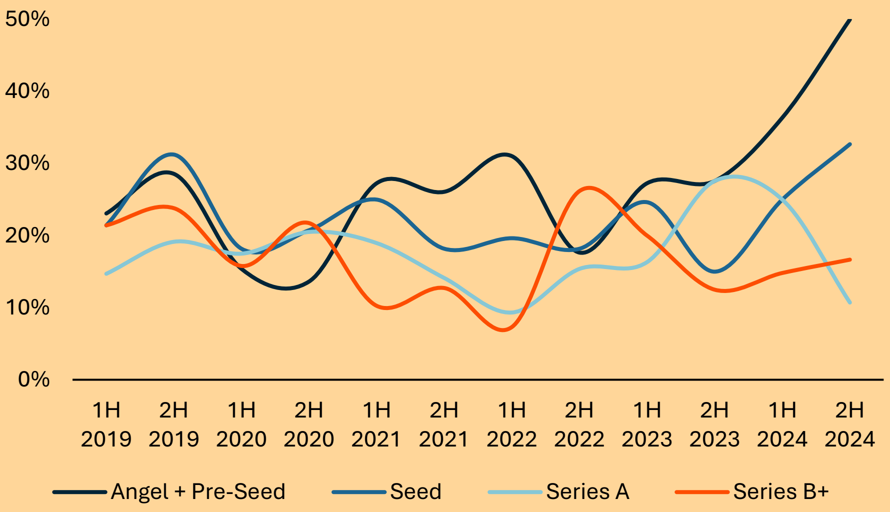
Female founder deal participation

The share of deals involving women founders grew steadily quarter-on-quarter throughout 2024, making it the strongest year on record for female-led companies based on this measure.

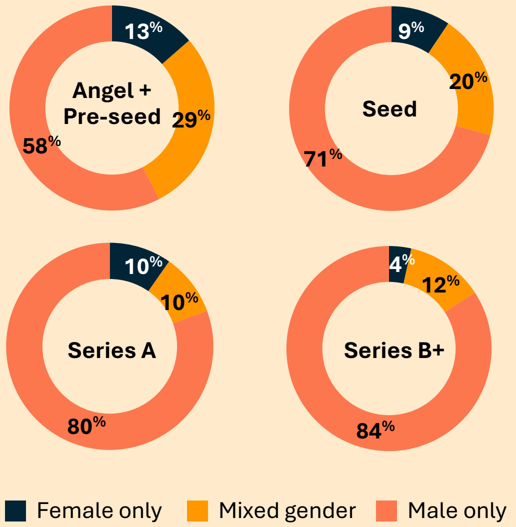
Participation at the Pre-Seed and Seed stages reached new highs, as did involvement in Accelerator programs. This was largely driven by strong representation in several major accelerator programs and the launch of new initiatives specifically designed to support women entrepreneurs.

However, female founder participation declined as funding stages progressed. Series B+ deals saw modest improvement in the second half of the year compared to the first. In contrast, the second half of the year marked a record low for female participation at the Series A stage.

Share of deals by teams with at least one female founder



2024 deal breakdown by team gender



Median deal size by gender

2024	$3.2M All male	$1.4M Mixed gender	$1.0M All female
2023	$3.0M All male	$1.9M Mixed gender	$430K All female
2022	$5.4M All male	$3.5M Mixed gender	$1.5M All female
2021	$5.0M All male	$3.9M Mixed gender	$2.5M All female
2020	$2.5M All male	$1.5M Mixed gender	$650K All female

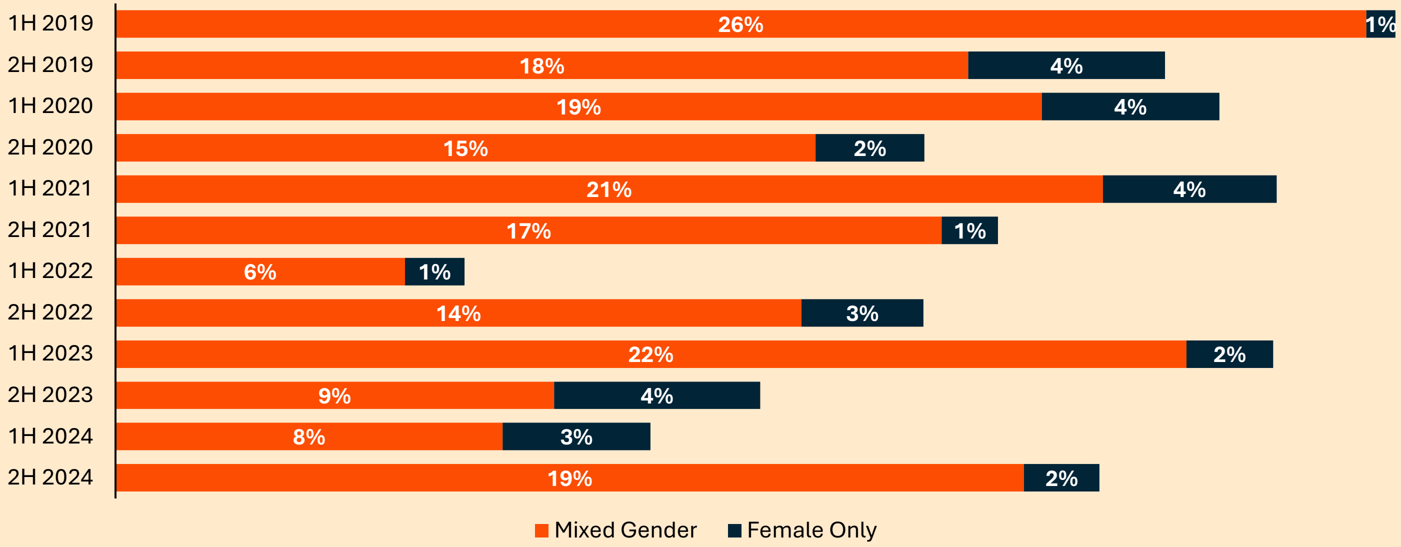
Progress at the early-stage drives participation but not dollars

The funding gap for women-founded startups remains stark, driven by the scarcity of large-scale funding rounds secured by all-female teams.

Since 2019, all-women teams have completed only three $50M+ funding rounds and seven $20M+ rounds, representing just 2.2% of $50M+ deals and 1.9% of $20M+ deals during the period. By comparison, mixed-gender founding teams accounted for 22% of $50M+ deals and 16% of $20M+ rounds.

It's evident that without securing larger funding rounds, all-female teams are unlikely to significantly increase their share of total capital from investors. While Pre-Seed, Seed, and Series A rounds are important milestones, they will not meaningfully shift the overall capital distribution.

Share of total capital raised by female founders



> "Australia's funding ecosystem for women remains a glaring gap, with outdated models and biases leaving female founders underfunded and overlooked. The issue isn't just about access -it's about alignment. Women-led businesses often fall outside the high-growth tech lens of traditional VC, despite driving innovation and impact in the 'Female Economy.'
>
> To ignite generational change, we must reimagine funding with flexible, women-focused solutions that meet the diverse needs of female entrepreneurs. It's time to shift capital flows, break down systemic barriers, and create an ecosystem where women can thrive, lead, and build the future on their terms."

Bree Kirkham

Chief Operating Officer

F5 Collective

The data we need to evolve our ecosystem

Partner Insight

When we talk about startup funding in Australia, we tend to focus on what we can see: big rounds, major trends, and media-friendly stories. But what's missing?

Despite increasing data, gaps persist in understanding how capital flows. Some gaps exist because journalists have limited resources to dig deeper, but others persist because founders, investors, and ecosystem players don't - or won't - offer visibility into specific issues.

The media does a good job of covering what's visible, but by necessity, it works within the limits of the information it can access. And because the media plays a significant role in shaping what's considered relevant or important to discuss, these gaps don't just affect investors and policymakers - they impact founders, influencing their decisions, expectations, and willingness to participate in the system.

The challenge isn't just about getting more data; it's about collecting more nuanced, precise, actionable data that helps us progress.

From our perspective covering the startup ecosystem through our weekly newsletter, Overnight Success, several key areas remain underexplored, limiting the depth of insight available to founders, investors, and policymakers:

Gender funding equality

As an ecosystem, we lack robust data on how many women are seeking funding, getting funded, or not attempting to pitch venture investors.

Progress has been made with some VCs reporting gender data through Equity Clear. Yet, we see concerns about accuracy and fear of scrutiny leading to underreported information and an incomplete picture.

Public discourse vs. reality

Startups in the spotlight rarely represent the overall funding landscape, and their stories tend to focus on the extremes of success or failure.

This tendency by the media misses the solid, silent majority of startups. Gaining better insight into these founders, companies, sectors, and stages of business that are securing funding - or not - would offer a clearer perspective on the status of early-stage funding.

Impact of accelerators and angels

Accelerator programs have undoubtedly helped expand participation for founders and operators at their early stages.

To expand their impact, more work could be done to understand their 'top-of-funnel' and longitudinal data. Who is applying versus who is accepted, and how does participation in these programs impact long-term startup success?

For angel investors, structured data on gender, location, background, investment patterns, reinvestment rates, and their role in shaping the pipeline for later-stage funding is missing.

More granular insights could help justify continued private and public investment and allow policymakers to support the innovation economy better.

Everyone in the ecosystem bears responsibility for ensuring the most important conversations happen. If founders, investors, and operators want the startup narrative to better reflect the reality and diversity of the ecosystem - for better or worse - they need to engage more meaningfully with media, track and transparently share more data, and help surface the trends that aren't yet mainstream.

Will Richards

Co-founder / Senior Associate
Overnight Success / Encour

Gemma Clancy

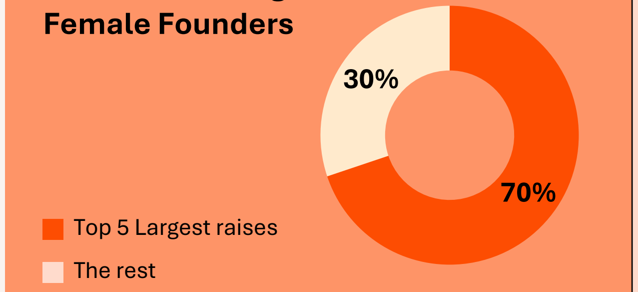
Co-founder / Co-founder
Overnight Success / Stella Startups

Substantial share of funding received by a few

In contrast to 2023, a major contributor to the decline in capital secured by female founders was a sharp drop in medium-sized deals. Deals were heavily skewed towards sub-$5M rounds, with the majority of capital concentrated among a small number of top-performing raisers.

The five largest deals involving female founders accounted for 70% of the total funding secured by female-led startups. The largest accounted for almost half. Overall, founding teams with at least one female member participated in 14% of deals exceeding $50M, 17% of deals over $20M, and 14% of deals above $10M.

Share of Funding to Female Founders



Top 5 Female Founded Startup Funding Rounds

2021
$1.3B
Airwallex
Canva
frank body
MR YUM
Octopus Deploy

2022
$286M
Airwallex
TRADE SQUARE
LIQUID INSTRUMENTS
lyka
LUMACHAIN

2023
$310M
constantinople
Silicon Quantum Computing
SECURE CODE WARRIOR
loam
FLEET

2024
$336M
FLEET
Aravax
constantinople
Kismet
RDC RICH DATA CO

All Other Female Founded Startups

2021
$1.1B

2022
$443M

2023
$300M

2024
$91M

2024 Top 20 Female Founded Startup Funding Rounds

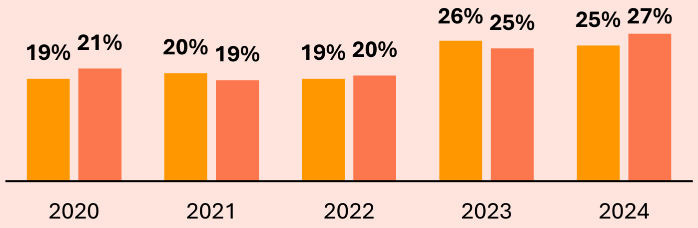
Startup	Sector	Round Size	Stage
Fleet Space Technologies	Space / Aviation / Defence	$150M	Series B+
Aravax	Biotech / MedTech	$66M	Series B+
Constantinople	Fintech	$50M	Series A
Rich Data Corporation	Fintech	$37M	Series B+
Kismet	Healthtech	$33M	Seed
Prota Therapeutics	Biotech / MedTech	$32M	Series A
Drift Lab	Block / Crypto / Web3	$25M	Series B+
Evolt360	Healthtech	$20M	Series B+
Ultra Violette	Consumer (non Food/Bev)	$15M	Series B+
Liquid Instruments	Hardware / Robotics / IOT	$15M	Series B+
Water & Carbon Group	Climate Tech / CleanTech	$15M	Unknown
BCAL Diagnostics	Biotech / MedTech	$11M	Series B+
Solbari	Consumer (non Food/Bev)	$10M	Series A
Cauldron	Biotech / MedTech	$10M	Series A
Inform Ag	Agriculture / Agtech	$7M	Series A
Earthodic	Climate Tech / CleanTech	$6M	Seed
Sumday	Climate Tech / CleanTech	$5M	Series A
Neurode	Healthtech	$5M	Angel + Pre-Seed
VAPAR	Proptech / Realtech / Const	$5M	Series A
Great Wrap	Climate Tech / CleanTech	$5M	Series A

Where Australia slipped, the US held steady

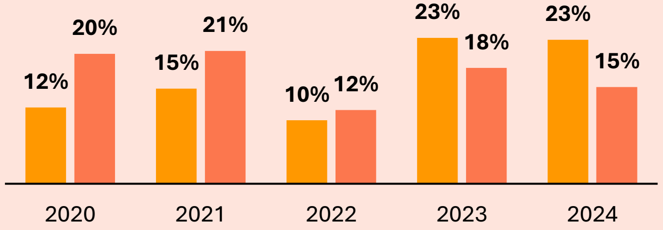
The flow of venture capital funding to female founders remains limited globally. Similar to trends observed in Australia over the past five years, in the United States, funding and deal share for founding teams that are not exclusively male have generally trended upwards, albeit at a slow pace.

In the US, female founders saw their total share of funding remain flat while their deal participation decrease marginally in 2024. While encouraging from a global trend perspective, it is disappointing that similar progress was not reflected in Australia.

Deals involving female-only and mixed gendered founding teams



Total capital to female-only and mixed gendered founding teams



🟧 United States 🟥 Australia

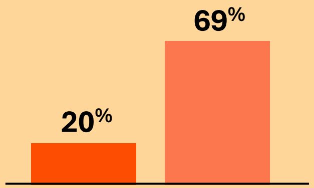
> Investing in women founders isn't just the right thing to do – it's the smart thing to do. Women-led startups consistently outperform and create ecosystems of opportunity, yet they remain underfunded. Venture capital has a chance to amplify this impact and redefine success for the next decade. However, unconscious bias remains a major barrier, costing us not only financially but in the transformative innovation left unrealised.

Frances Goh

Head of Community & Growth
One Roof

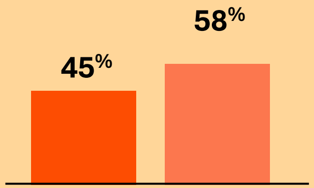
Founder survey insights

🟥 Male founders 🟧 Female founders



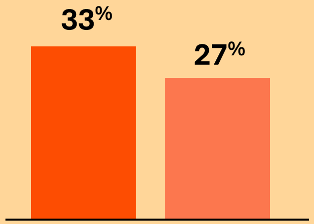
Believe their gender has impacted their ability to raise

(vs Males 9% and Female 83% in 2023)



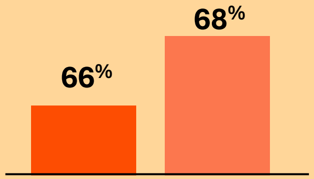
Feel supported by the wider Australian entrepreneurship community and startup ecosystem

(vs Males 57% and Female 33% in 2023)



Believe there are "Many funding options available for Australian startups"

(vs Males 26% and Female 14% in 2023)



Felt supported by their investor(s) and could rely on them for more than just capital

(vs Males 57% and Female 33% in 2023)

Enough Talk: It is time to close the gender investment gap

Partner insight

Albert Einstein famously said, 'Insanity is doing the same thing over and over again and expecting different results'. Yet here we are – another year has passed with no meaningful increase in VC dollars flowing to women-led startups.

But why would we have expected anything different? There has been no material shift in government support for female founders; most VCs remain anchored to outdated archetypes; and the tech industry has faced another turbulent year marred by high-profile harassment allegations.

One of the greatest frustrations this past year has been the unintended consequences of shining a spotlight on the gender investment gap. Women founders are increasingly questioning whether they should even bother applying for VC funding. Well-intentioned VCs trying to address the issue are being publicly shamed when their initiatives don't achieve immediate success.

The evidence is overwhelming: investing in diverse teams is good for business and the economy. Estimates suggest that funding women to the same extent as men could add between AUD $70 billion and $135 billion to the economy. This is one of Australia's greatest untapped economic levers. So why hasn't anything changed?

The need for a new playbook

The challenges are complex and persistent. But as long as we keep playing by the same old rules, it doesn't take Einstein to predict that funding outcomes for women will remain frustratingly unchanged. Achieving a gender-equitable flow of capital will require us to break the mould - it's time for a new playbook.

The term "systems change" has gained momentum over the past year. At its core, this embodies a recognition that for too long we have focused on "fixing women" - teaching them to navigate an investment landscape designed by and for men. While this remains crucial in the short term, long term progress demands that we identify and dismantle the barriers preventing women from being funded at the same levels as men, and replace them with equitable systems.

Some of these barriers may appear minor - for example, holding networking events at family-unfriendly times such as breakfasts or evenings, rather than during the working day. However, these practices collectively create an environment that signals to women: "This isn't for you."

Seizing the opportunity

The good news is that Australia is already a global leader in creating capital markets for investing in women - just not within its own borders. The Gender Equity Branch of the Department of Foreign Affairs and Trade (DFAT), through its flagship Investing in Women program, has invested over AUD $100M into Southeast Asia, with 80% of all new investments of the agency being required to demonstrate that they effectively address gender equality in implementation.

Is your mind blown? It should be.

If the Australian Government applied these same principles domestically, it could pave the way for genuine, sustainable change in how capital flows to women-led startups. To put it in perspective, VC deployed a total of $3.5 billion in Australia in 2023. Yet the National Reconstruction Fund alone is AUD $15 billion. Our policy-makers could drive meaningful impact by allocating domestic innovation funding with a gender-equity lens, just as they do for our regional neighbours.

Collaboration and leadership

It is not all doom and gloom. Outcomes for female founders at the Pre-Seed and Seed stage show encouraging signs, and we are seeing more initiatives and funds focused on driving dollars to women-led startups. But meaningful progress will require collaboration across industry, government, ecosystem and institutions. There is no magic bullet.

Only by working together can we dismantle the systemic barriers that perpetuate inequity, foster a culture of experimentation and accountability, and unlock the economic potential of women-led startups to create a future where opportunity knows no gender.

Noga Edelstein

Founder, Investor, Advisor
Grand Plans

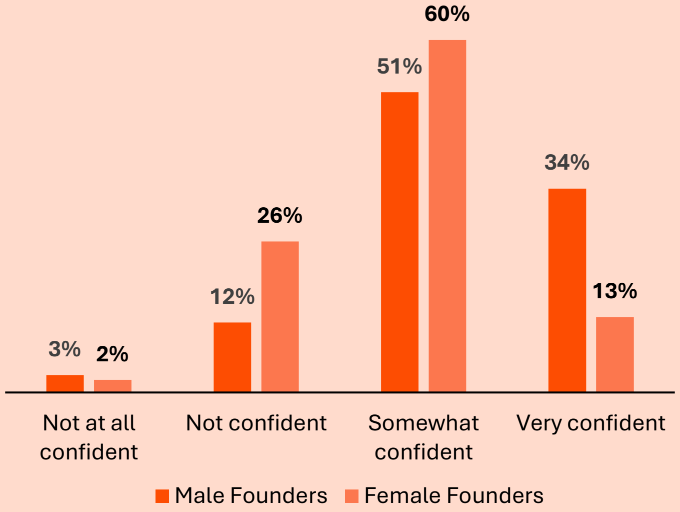
Fundraising confidence lower for female founders

While the majority of female founders surveyed felt at least somewhat confident in their ability to raise their next round, there was a clear disparity in confidence levels between male and female founders.

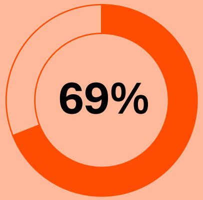
Among Australian investors who completed at least two investments in 2024, most backed at least one female or mixed-gender founding team. Across the investor landscape, excluding accelerator programs, five investors made three or more investments, another 14 made two investments, and 10 made one investment each.

Founder survey insights

How confident are you about successfully raising your next finding round?

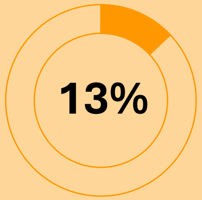


	Male Founders	Female Founders
Not at all confident	3%	2%
Not confident	12%	26%
Somewhat confident	51%	60%
Very confident	34%	13%



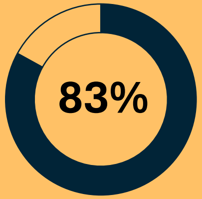
of the 50 most active VC investors invested in female-founded startups

(vs 58% in 2023)



of the 50 most active VC has at least half of their deals involve a female founder

(vs 26% in 2023[1])



of surveyed female founders plan to raise capital in the next 12 months

(vs 82% in 2023)

> “Many VCs are trying to solve the funding gap through meeting with more women founders and then reducing bias throughout the decision-making process.
>
> This is critical work, however these actions don’t account for the fact that only ~15% of startups are women co-founded in the first place.
>
> We believe the opportunities to have true impact lie further upstream, from when women are in University deciding which career they should dedicate their life to, through to supporting some of the top women leaders in the ecosystem.
>
> The belief is that to drive lasting ecosystem-level change we need to level the playing field for women at every stage.”

Phoebe Pincus

Chief Operating Officer
Startmate / Ladymates

---

1. Incorrectly stated in 2023 report

Reducing inequality in startup funding requires engagement from everyone

Partner insight

This time last year, in this very report, the indomitable Nicola Hazell described the pace of change for funding women-led startups as 'glacial'. Shockingly enough, 12 months later, that remains true.

As a journalist and a writer in the startup space, I find myself on the fringes, looking in; asking questions and observing. From where I'm standing, the conversations around the gender funding gap are shifting.

We're seeing more initiatives emerging to tackle historical inequity, more funds committing to change and (finally, thank god) more widespread acknowledgement that the problem isn't with women founders, but the systems in which they exist.

But still, the numbers themselves do not budge. At least, not far.

What strikes me again and again is that, when this comes up in conversation, women will often rattle off the most recent gender funding stats, unprompted and off the top of their head.

Men, at least in my experience, are less likely to know the numbers, and they're shocked to learn them.

Some will name the women they know of who have secured VC backing, as if this somehow disproves the experiences of all those who haven't. Others almost refuse to believe it. They know it's bad, but it can't be that bad... can it?

Either way, we see women engaging with this problem. They're writing about it, posting about it, talking about it and worrying about it. For the most part, it's women seeking and building solutions.

Some men are joining the ranks, of course, proving themselves true allies. But many are still unaware or unconcerned. And with so much data now available, so much coverage and conversation, that disengagement starts to feel deliberate.

Of course, it's dangerous to lump any group together as homogenous, and women do have very different views and opinions when it comes to approaching the funding challenge.

I hear different opinions on what constitutes, or should constitute a 'woman-led' business, for example.

Elsewhere, some women seek better access to networks and opportunities. Others say they need money, not mentorship.

Some say we're not doing enough. Others say it's simply too soon to see the effects of what we are doing.

Some believe the bias in the VC ecosystem is unconscious. Others share anecdotes that very much suggest otherwise.

Some are simply sick to death of talking about this, but feel obliged to continue.

For the most part, however, what women founders have in common is optimism, and a drive to move in the right direction. They all believe we can do better; they all want to see change and to be a part of creating it. They're engaging in the challenge, where many of their male counterparts are not.

We can't close this gap if it's only women looking at it face-on.

And, while I'm at it, we can't create real equality without also acknowledging the inequities facing other marginalised founders – those with disabilities, people of colour, migrants and LGBTQIA+ folk, to name a few.

Sure, we can challenge prospective investors on their funding stats. We can celebrate the women investors backing women. We can encourage underrepresented founders to share their stories, positive and negative. And we can amplify those voices as best we can.

But ultimately, if half the population (let's be honest, the people holding most of the power) are resistant to change – or worse, unable to see a problem in the first place – then we're going to be perpetually pushing a rock uphill.

While we're busy doing that, great businesses, great people and great economic opportunities will continue to quietly slip by.

Stephanie Palmer-Derrien

Writer & Editor
The Club & Freelance

04.

The State of First Nations Entrepreneurship

Although comprehensive data on the experiences of First Nations entrepreneurs remains limited, insights from organisations and funds dedicated to supporting these founders reveal a period of significant growth and momentum for First Nations entrepreneurs. This section highlights the perspectives of some key stakeholders who are actively investing in and advocating for these founders.

For Australia to build a truly innovative entrepreneurial ecosystem, it must harness talent from diverse backgrounds, communities, and life stages. This will not only expand opportunities nationwide but also create a ripple effect, inspiring more individuals from underrepresented groups to enter entrepreneurship and broadening the investor base shaping the future of Australia’s economy.

Five Things to Know

01.

Indigenous enterprises evolving with cultural reciprocity

First Nations businesses integrate cultural reciprocity with commercial goals, generating both social and economic returns. This approach ensures that growth is not solely profit-driven but also reinforces cultural heritage.

By aligning capital with structured support, First Nations enterprises can scale sustainably while staying rooted in their traditions.

02.

Persistent funding gaps limit sustainable growth

Despite heightened visibility, First Nations founders face systemic capital shortages and restrictive philanthropic models that stifle long-term potential. Proposed tax reforms and access to untied funding pools could improve viability and encourage broader participation.

Direct investment, coupled with cultural intelligence in decision-making, ensures more equitable capital deployment.

03.

Structural challenges demand more targeted interventions

First Nations entrepreneurs often contend with geographic isolation, inadequate infrastructure, and limited networks, which hinder scalability. These challenges are compounded by a lack of deep cultural insight among investors.

Tailored mentorship, regional support programs, and collaborative initiatives can help bridge these gaps and strengthen local ecosystems.

04.

Impact-focused investment models sustain Indigenous economies

First Nations enterprises balance profit motives with community obligations, creating sustainable revenue streams that preserve cultural identity. As impact-focused investments gain traction, accelerator programs and Indigenous-led funds play a critical role in providing support that aligns with local realities, fostering both social and economic growth.

05.

Strategic investment drives wide-ranging First Nations innovation

Investor engagement must go beyond funding to embrace cultural literacy and equitable collaboration, empowering First Nations entrepreneurs to access global networks, adopt new technologies, and thrive in high-growth sectors.

Local angel groups and overseas knowledge sharing drive this progress, positioning First Nations enterprises as leaders in inclusive growth. Aligning investment with First Nations values fosters culturally attuned entrepreneurship, enabling purpose-driven ventures to redefine global frontiers.

Time to pull the lever

Partner Insights

Philanthropy and tax reform: A dual approach to Indigenous Business Growth

While the Indigenous business sector contributes more than $16 billion to the Australian economy, it remains notoriously undercapitalised at all stages, particularly in pipeline development and the startup ecosystem.

Australia's philanthropic system, despite its significant potential to address capital barriers and drive change, is a lever yet to be pulled.

The current framework, particularly regarding DGR1 status and Private Ancillary Funds (PAFs), inadvertently perpetuates barriers rather than fostering genuine economic reconciliation. To unlock Indigenous business growth and economic independence requires fundamental reform.

Traditional philanthropy's approach of restricted giving undermines the development of sustainable Indigenous enterprises. The system's preference for funding non-operational costs and short-term projects creates a dependency cycle rather than supporting genuine growth and intergenerational wealth creation.

A dual approach combining reformed philanthropic giving with strategic investment could revolutionize Indigenous business funding. This requires reimagining both how philanthropic capital is deployed and how tax structures can better serve Indigenous entrepreneurship.

Foundations must recognize Indigenous businesses as legitimate recipients of philanthropic capital, moving beyond traditional grant-making to embrace untied funds for pipeline development and operations alongside nurtured capital impact investment models, allowing Indigenous enterprises to build sustainable operations without the constraints of conventional funding cycles.

Tax reform is equally crucial - Indigenous businesses need specialised tax treatment until they reach market parity, including company tax exemptions during their growth phase, with a gradual transition to standard rates. Similarly, the DGR1 system requires restructuring to enable Indigenous-owned businesses direct access to philanthropic funds, acknowledging their inherent social impact and community benefit.

Strategic philanthropic investment, distinct from traditional giving, through equity investments, patient capital loans, and matched funding recognizing Indigenous enterprises' unique value proposition could provide the breakthrough needed for Indigenous business growth.

A mandated minimum 4% of PAF distributions should flow directly to Indigenous-owned entities, with particular attention to gender and geographic equity. Thus, guaranteeing capital flow and a reliable funding pipeline for Indigenous enterprises while ensuring broader market participation.

Success requires moving beyond restricted traditional philanthropic giving to embrace a nuanced understanding of Indigenous business models, where social impact and commercial success coexist.

This shift demands enhanced funder cultural intelligence and recognition that Indigenous businesses, built on reciprocity, deliver both financial returns and community benefits.

The transformation requires wholesale revision of how we view philanthropic capital, tax structures, and Indigenous business potential. Only comprehensive reform can create an equitable funding environment that supports genuine Indigenous economic independence and intergenerational prosperity.

Cara Peek

Yawuru/Bunuba woman from Rubibi

Founder & Head of Innovation

The Cultural Intelligence Project

Building the future for Indigenous entrepreneurship

Partner Insights

Empowering Indigenous entrepreneurship with untied funds and global vision

Make It Happen HQ is not just a First Nations Innovation Hub and Think Tank; it is a movement redefining the landscape of Indigenous entrepreneurship. With a firm foundation across Australia and expanding partnerships in North America, we are guided by the aspiration to create intergenerational wealth, financial independence, and cultural pride for First Peoples. Our mission reflects a profound belief: Indigenous entrepreneurship thrives when it is led, supported, and celebrated by First Nations people themselves.

A call for untied funds

To truly empower First Nations entrepreneurs, the approach to funding must evolve. Untied funds–free from restrictive conditions or expectations of co-contributions–are critical for fostering innovation and independence. Too often, Indigenous organisations are expected to compete with established commercial ventures or long-standing non-profits for limited funding pools. This dynamic is neither equitable nor effective. Indigenous entrepreneurs must have access to dedicated, culturally intelligent funding channels that reflect the unique realities of their journeys.

Self-accountability and community advocacy

A thriving entrepreneurial ecosystem is built on the foundation of self-accountability and mutual support. At Make It Happen HQ, we advocate for a cultural shift where First Nations people become each other's champions–sharing knowledge, celebrating successes, and serving as ambassadors for Indigenous innovation. This collective approach ensures that success is not just individual but a shared achievement that uplifts entire communities.

Fostering global relationships and trade

The future of Indigenous entrepreneurship is global. Make It Happen HQ envisions a world where the rich heritage of First Peoples is a cornerstone of international trade and collaboration. By establishing meaningful global relationships, we create opportunities for First Nations entrepreneurs to connect with international markets, share their cultural wealth, and drive economic growth on a global scale.

Moving beyond allyship to accompliceship

Our journey requires more than allies; it needs accomplices–partners who are committed to the success of Indigenous entrepreneurs as if it were their own. Accomplice partners understand that their role extends beyond pro bono support. They invest in the ecosystem, foster geographic equity, and ensure that funding decisions are culturally intelligent and informed by lived experience.

Overcoming systemic challenges

The challenges we face are systemic. From funders' misconceptions about profit-making to the lack of understanding about Indigenous and rural entrepreneurship, these barriers hinder progress. The disconnect between decision-makers in metropolitan areas and the realities of starting a business in regional or remote Australia exacerbates the issue. Indigenous entrepreneurs often juggle full-time work and side hustles to fund their dreams, with little to no generational wealth to fall back on.

At Make It Happen HQ, we tackle these challenges head-on by providing tailored, cross-industry support that aligns with the needs and aspirations of First Nations entrepreneurs. From Esports to eCommerce, STEAM, and social impact measurement, our ecosystem is as diverse as the people it serves.

The path forward

To sustain and grow our impact, Make It Happen HQ needs untied funds, global partnerships, and a shift in the narrative around Indigenous entrepreneurship. Funders must step up, not as passive supporters but as active participants in shaping a future where Indigenous businesses are thriving, globally connected, and self-sufficient.

Together, we can weave the threads of culture, innovation, and opportunity into a tapestry that showcases the strength and potential of First Peoples. Join the Make It Happen movement–not just as a partner, but as an accomplice in transforming the entrepreneurial landscape for generations to come.

Adele Peek
Yawuru/Bunuba woman from Yawuru

Founder & Head of Digital Strategy
Make It Happen HQ

Unlocking Indigenous business potential = collaboration (and capital)

Partner Insights

The consequences of a small Indigenous business ecosystem mean the failure of any of those businesses carries greater weight. Access to capital remains one of the biggest hurdles.

Whilst initiatives like the Indigenous Procurement Policy have opened doors, they're not enough to drive real long-term growth or close the economic gap. It's not just about more funding. Indigenous businesses thrive in ecosystems that combine capital with hands-on education, mentoring, and peer support. These businesses don't fit neatly into typical business models – they operate at the intersection of community, culture, and commerce. While this can be a challenge for mainstream commercial strategies, it can also provide a unique competitive advantage.

A shift is underway. Indigenous business leaders are increasingly stepping up, creating solutions for their own communities based on their own terms, and moving away from dependency on government grants and charting a more sustainable path. Investment vehicles, funds, and programs are emerging that recognise the values, benefits and needs of Indigenous entrepreneurs.

First Nations Finance is leading this charge in 2025, offering financial products to corporate Australia and reinvesting profits into community-focused initiatives. One milestone in 2025 is the launch of the first-ever First Nations branded credit card. Programs being launched like the Entrepreneur's Academy and DreamFund Capital combine funding for First Nations entrepreneurs with mentoring, education, and tools to help businesses launch, evolve and thrive for the long term.

The collaboration between First Australians Capital and the Black Excellence Fund also exemplifies how Indigenous-led investment vehicles are reshaping the financial landscape. By pairing capital with cultural grounding and mentorship, they're enabling businesses to succeed without compromising their identity or values.

These initiatives are part of a larger movement to transform how capital flows within Indigenous business circles. The goal isn't just to scale individual businesses but to uplift entire communities, ensuring the benefit of economic growth ripples far and wide. Collaboration and a shared vision remain key. When Indigenous entrepreneurs, investors, and allies come together – practicing open innovation – the rising tide lifts all boats.

Unlocking capital isn't just about growing Indigenous businesses – it's about drawing on 60,000 years of expertise in managing one of the world's most uncertain environments. Helping to build resilience in a part of the Australian economy that's been under-developed and under-resourced for too long. This is about partnership, not charity.

By supporting Indigenous enterprises, we're investing in a stronger, more sustainable and inclusive future for all Australians.

Stephen Rutter
Trawlwoolway man from Tebrakunna Country

Director
First Nations Finance

Empowering the oldest living culture: First Nations entrepreneurship in the modern world

Partner Insights

As Co-Chair of First Nations X, I am proud to share our vision for Indigenous entrepreneurship – a movement that is more than a pathway to economic success. It is a reclaiming of sovereignty, an assertion of cultural pride, and a foundation for intergenerational prosperity.

First Nations entrepreneurship reflects the resilience of the world's oldest living cultures, adapting to contemporary challenges while rooted in values such as reciprocity, respect, and interconnectedness. These principles have guided our people for millennia, ensuring survival and thriving in harmony with the land. Today, these same values can redefine Australia's startup ecosystem, driving innovation that is both culturally grounded and globally impactful.

Indigenous entrepreneurs in Australia are breaking through systemic barriers, including limited access to capital and culturally attuned mentorship. Despite these challenges, over 12,000 Indigenous businesses generate more than $2 billion annually, with First Nations businesses being 100 times more likely to employ First Nations people. This is not merely economic activity – it is cultural revitalisation and community upliftment.

At First Nations X, we envision a thriving startup ecosystem that empowers First Nations entrepreneurs to lead, innovate, and connect globally. Through initiatives like our investor readiness programs, international trade and investment missions, and partnerships with global organisations, we are bridging ecosystem gaps in funding, capability, and opportunity. Our work is fuelled by the belief that First Nations entrepreneurs are not just participants but architects of Australia's economic future.

Our mission extends beyond financial metrics. It includes fostering self-determination and creating opportunities for First Nations startups to see themselves as leaders in technology, sustainability, and social impact. By embedding Indigenous knowledge – our ancestral intelligence – into modern innovation, we blend ancient wisdom with cutting-edge technology. This ensures solutions that are not only effective but deeply respectful of cultural heritage.

Imagine an Australia where the world's oldest knowledge systems inform AI, environmental conservation, and education. A future where Indigenous entrepreneurs lead in preserving biodiversity, revitalising languages, and developing sustainable industries. This is not a distant vision; it is happening now, through the efforts of First Nations businesses and communities that value innovation as a tool for cultural continuity.

First Nations entrepreneurship is a story of resilience, determination, and hope. It is time for the worlds oldest living culture to take its rightful place at the forefront of modern innovation.

Jahna Cedar
Nyiyaparli woman living on Noongar Boodja

Principal Consultant
Jahna Cedar Consulting

Co-Chairperson
First Nations X

The social enterprise nature of First Nations businesses

Partner Insights

Every First Nations business I've encountered has one thing in common: they all give back. Whether through community-focused initiatives, employment opportunities, or reinvesting profits into social causes, First Nations entrepreneurship is inherently tied to the principle of reciprocity.

This isn't a coincidence – it's a reflection of deeply ingrained cultural values. Growing up, we are taught that giving back to your community is not just encouraged but expected. And this ethos is evident in every First Nations founder I've met over the last twenty years, and even more so in my new role as Investment Manager at Ochre Ventures.

It's this shared value of giving back that makes First Nations entrepreneurship so unique and impactful. These businesses are not only addressing their own economic independence but also contributing to the social and cultural fabric of their communities. For many founders, success isn't just measured in profits but in the cultural capital they create.

This value system was on full display when we ran Ochre's first pre-accelerator program at the end of 2024, funded by LaunchVic. The program brought together a cohort of talented First Nations founders, all in the early stages of their entrepreneurial journeys. While their business ideas spanned industries – from technology to recycling – the common thread was clear: every business model included giving back to their communities. It wasn't an afterthought or an add-on – and I didn't push it – it just happened naturally, as it always does.

For me, this reaffirmed what makes First Nations entrepreneurship such a vital part of Australia's future. These businesses are not just creating wealth but are also addressing social inequities, preserving culture, and fostering resilience within their communities. They're proof that profit and purpose can coexist and thrive.

At Ochre, we're just getting started, having raised $30M so far, with more on the way. Our goal is to help First Nations businesses at every stage of growth, from early ideas in our pre-accelerator to larger investments that scale established ventures. We want to ensure that First Nations entrepreneurs have the tools, networks, and capital they need to succeed on their own terms.

We plan to be a major player in Australia's venture scene, building a comprehensive ecosystem for First Nations entrepreneurship. The rise of these businesses isn't just an economic story – it's a cultural one, rooted in values of reciprocity and self-determination. And it's a story I'm very proud to support.

Kyle Turner
Wiradjuri man

Investment Manager
Ochre Ventures

Empowering First Nations investment: fuelling a bold startup future

Partner Insights

First Nations entrepreneurship is on fire in 2024, transforming Australia's economic landscape. With startups breaking ground in high-growth sectors, innovative models like the Blak Angels Investment Network are leading the charge – blending global best practices with local innovation to break down barriers and deliver results.

Globally, trailblazing networks like Raven Indigenous Capital Partners, Investors of Color Network, and 1863 Ventures out of the U.S. prove how angel investment supercharges equity, growth, and innovation. These models combine culturally informed investments with hands-on support – mentorship, capacity-building, and inclusive platforms – delivering big wins for underrepresented entrepreneurs. The outcomes of which we're seeing in the U.S. with their founders building the ecosystem from a grassroots level coupled with new innovative models.

Australia's First Nations ecosystem is tapping into this global momentum. Cross-border collaborations and knowledge exchange are transforming our approach, proving that when geography shrinks, opportunity grows.

Breaking barriers, building futures

First Nations startups face tough challenges: limited access to capital, geographic isolation, and a lack of intergenerational wealth. Angel investment is rewriting this narrative:

- **Fuelling innovation:** Unlocking early-stage funding to supercharge startups in AI, clean energy, and advanced manufacturing.
- **Creating pathways:** Offering mentorship and powerful networks to build capacity and resilience.
- **Driving jobs and growth:** Turning local talent into global players, delivering cutting-edge solutions and jobs for communities.

In December 2024, a U.S. First Nations trade and investment delegation brought their expertise to Australian shores, leaving behind a playbook of insights that will ripple through the ecosystem for years to come.

Australia's moment to lead

Australia is standing at a crossroads. By embracing the energy of networks like Blak Angels and showcasing First Nations entrepreneurs on global stages – through initiatives like First Nations House – the country can ignite innovation and turn bold ideas into global breakthroughs, lead with purpose by aligning capital with culture and community, and create lasting impact to build a future where First Nations startups thrive.

First Nations angel investment isn't just about funding – it's about creating a movement. By matching capital with purpose, Australia has the chance to lead globally, empowering First Nations entrepreneurs to create, compete, and conquer. The result? Thriving communities, powerful cultural leadership, and an unstoppable engine of investment and innovation.

Les Delaforce
Gumbaynggirr/Dunghutti man
living on Noongar Boodja

Deputy Chair
First Nations X

First Nations entrepreneurs hold the key to leadership and cultural preservation

Partner Insights

First Nations entrepreneurs and business owners play crucial roles in driving self-determination for Aboriginal communities. The way we share our stories and define ourselves shapes our collective future.

Through entrepreneurship, we can lead the charge in cultural preservation, financial empowerment, and community leadership.

As a Yawuru and Karrajarri man from Broome, in Northwest Australia, my upbringing was deeply rooted in culture, with little exposure to the world of business or entrepreneurship. Like many in our communities, I was taught to become an employee and work for others but was rarely encouraged to consider owning a business or investing to create financial freedom.

My journey into entrepreneurship

My journey began as an apprentice electrician. Through hard work and dedication, I climbed the ranks to secure my current role. While I earn a good salary and have a stable career, I realized that being an electrician was not my purpose. Through self-awareness, I discovered my ability to take risks and learn from mistakes, which has enabled me to create a sustainable lifestyle.

Today, I strive to share my knowledge of both business and culture, navigating both worlds effortlessly. My goal is to empower others to embrace their cultural heritage while pursuing financial independence and entrepreneurial success.

The importance of financial education

Financial education is a cornerstone of empowerment for First Nations entrepreneurs. While there is a growing push to make capital more accessible, understanding how to manage and invest that capital is equally important. Before gaining access to large sums of money, we need to understand how to invest appropriately, achieve returns, and scale our businesses effectively.

I have been fortunate to gain firsthand experience in the financial system, not through generational wealth or formal business knowledge but through determination and self-education. By investing in property, shares, and businesses, I learned valuable lessons about financial management. My business Kaarli was self-funded within its first year, eliminating the need for further personal investment or external debt. This approach allowed me to learn and make mistakes without significant repercussions.

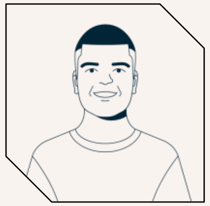
Balancing cultural integrity with business knowledge

In the realm of "Blak cladding," we must tread carefully to balance cultural integrity with business acumen. Too often, businesses lack either cultural knowledge or business expertise, leading to imbalances and missed opportunities. It is our responsibility as First Nations entrepreneurs to ensure that cultural knowledge is shared authentically, and that proper acknowledgment is given when using outsourced cultural resources.

Collaboration is key. By working together and sharing knowledge, we can bridge gaps between cultural and business understanding. This collective effort is the only way we will secure our rightful place at the table and practice strong self-determination.

A call to action

Self-determination begins with each of us. By combining cultural knowledge, entrepreneurial spirit, and financial literacy, we can uplift our communities and take our rightful place as leaders in both cultural preservation and economic growth. Let us work together, reach back to bring our people forward, and share the true essence of Indigenous culture with the world.



Samuel Edgar
Yawuru / Karajarri from Broome in the Northwest

Owner and Founder
Kaarli

Bridging financial gaps for First Nations entrepreneurs

Partner Insight

First Australians Capital is the first and only national First Nations-led fund manager and business advisory organisation that connects investment markets with the Indigenous economy, offering tailored solutions to build capacity and investment readiness for First Nations businesses.

Through our work, we aim to transform the economic landscape for First Nations entrepreneurs, paving the way for long-term economic independence and equity. 2024 was a pivotal year for First Nations entrepreneurship in Australia, showcasing both remarkable achievements and persistent challenges.

Progress and impact

The journey from economic dispossession to meaningful participation and financial well-being is a profound testament to First Nations' resilience – a story that remains largely untold. First Nations businesses are driving significant economic contributions, with the latest data revealing that First Nations businesses are annually contributing more than $16 billion to the Australian economy, employing 116,795 people and paying $4.2 billion in wages (Evans, 2024).

In 2024 FAC's contributions included:

- Supporting First Nations Founders: Through capacity-building initiatives and tailored financing solutions, we supported 199 businesses in 2024, creating 820 new jobs across diverse industries and directly impacting 1,848 First Nations economic participants.
- Right Capital, Right Support: With the launch of the Catalytic Impact Fund (CIF) and progress on the Black Excellence Fund (BEF), FAC is pioneering equity-focused funding solutions that address systemic barriers to capital access.
- Championing Diversity: Our support extends to regional businesses (52%) and female-led enterprises (31%), ensuring a broad and equitable distribution of resources.

Challenges and barriers

Despite significant progress, First Nations entrepreneurship still faces systemic and structural challenges. Access to capital remains a major barrier, as many First Nations businesses struggle to secure funding due to a mismatch between traditional financial products and the unique operational realities of these enterprises. A shift towards culturally informed investment strategies is essential. Additionally, capacity building is critical, as 64% of the businesses supported by FAC would not have accessed capital otherwise, highlighting the need for initiatives that enhance entrepreneurial readiness and strengthen foundational capabilities. Entrepreneurs in remote regions also face significant hurdles, including high operational costs, limited infrastructure, and restricted access to networks and mentorship opportunities. Furthermore, mainstream investment strategies often fail to recognise the depth and nuances of First Nations knowledge systems, underscoring the need for greater cultural intelligence in decision-making and screening processes.

Vision for the future

FAC is committed to bold collaboration, innovation, and decisive action in driving change for First Nations businesses. With approximately $15 million in Funds Under Management, our **Catalytic Impact Fund** has already made a significant impact and will continue to grow, providing sustainable support for First Nations entrepreneurs.

The forthcoming **Blak Excellence Fund** will further elevate our mission by reimagining venture capital within the First Nations ecosystem. The BEF challenges traditional, extractive investment models, prioritising community benefit over profit and ensuring long-term empowerment for First Nations businesses.

First Nations entrepreneurship is a story of resilience, innovation, and immense potential. By embracing this entrepreneurial spirit, we can ensure that First Nations businesses play a central role in shaping Australia's economic future, honouring the world's oldest living cultures while embracing the opportunities of tomorrow.

At FAC, we are proud to contribute to this evolving narrative, championing a more inclusive, innovative, and equitable business ecosystem for First Nations people. Through our work, we are fostering sustainable growth and empowering communities to shape their own futures.

Kyah Bell
Wulugurukaba, Juru, and Bindal woman

Director of Equities
First Australians Capital

05.

The State of Angel Investing

Angel investing in Australia continues to evolve, both in the profile of participants and in how they choose to deploy capital. According to the 2024 Angel Survey, newcomers from diverse professional backgrounds are testing their early-stage investing skills – some with prior founder or startup experience, others exploring the startup space for the first time.

At the same time, the survey indicates that overall angel deal activity has slowed as investors become more selective about traction and risk. Larger cheque sizes and direct investments are increasing, reflecting growing confidence among seasoned angels. However, this cautious optimism coincides with a potentially shifting policy landscape that could limit entry for new angel investors.

As the boundaries of where angels and VCs hope to invest continue to blur, the competition to identify standout opportunities has never been fiercer. For now, Australia's angel community seems poised for further change, shaped by growing experience, regulatory developments, and the enduring allure of supporting ambitious founders.

Five Things to Know

01.

A broad range of angel backgrounds emerge

The 2024 Angel Survey received responses from 256 participants spanning technology, venture capital, finance, medical, and other fields. 64% reported annual incomes above $250k, and nearly half were over 50 years old.

Experience levels varied: some started investing prior to 2018, while others began angel investing in 2024. This diversity underscores the range of perspectives shaping Australia's early-stage investment environment.

02.

Slower investment despite compelling valuations

Despite only 12% of respondents believing startups are overvalued, 2024 saw a notable decline in angel deal volume. Many respondents now expect greater operational traction before committing, citing a desire to reduce risk. Seed remains the preferred entry point; however, a growing number of angels are targeting later-stage ventures.

This shift places them in direct competition with VC funds, intensifying the hunt for standout opportunities.

03.

Larger average cheques and direct investment on the rise

Survey participants reported larger commitments than in previous years, with 68% investing $25k or more and 33% exceeding $50k per deal. Direct investments also gained favour over group or syndicate models, possibly reflecting the survey participants' greater experience levels.

Team quality, business model, and market size remain the top decision criteria. Men showed a stronger interest in mission and market potential, while women placed greater emphasis on team composition and social impact.

04.

Founder experience shapes early-stage enthusiasm

61% of angels surveyed had worked at a startup, and half have current or prior founder experience. These 'operator angels' typically invest earlier, drawing on first-hand operational knowledge and networks. Their practical insights often help ventures overcome early hurdles, creating a cycle where successful founders fund the next generation.

This alignment between founders and investors fosters deeper collaboration and a more resilient startup ecosystem.

05.

Policy changes could limit new angel entrants

Industry feedback highlights concerns over proposed wholesale thresholds of $450k income and $4.5M in assets, which could potentially exclude newer and lower-wealth angels. Many question whether wealth alone is a reliable measure of sophisticated risk awareness.

Alternative frameworks emphasise education or formal training, enabling more qualified individuals to invest regardless of net worth. With greater insight into high-risk asset classes, these newer angels could broaden capital availability while maintaining essential investor protections.

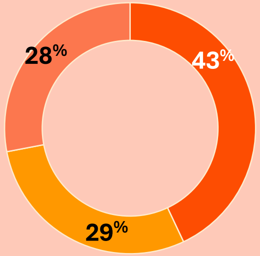
Angels we surveyed

We received survey responses from 256 angel investors throughout Australia. Distribution channels included angel networks, syndicate platforms, and organisations providing angel investing education.

First angel investment

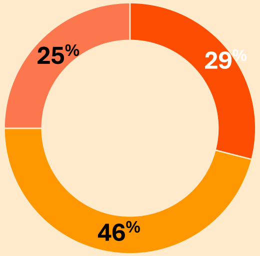
69%	26%	69%	15%
2017 or earlier	2018 - 2020	2021 - 2023	2024

Startup experience



- 🟥 Previously worked at a startup
- 🟧 Currently work at a startup
- 🟥 Never worked at a startup

Founder experience



- 🟥 Never founded startup
- 🟧 Founded previous startup
- 🟥 Founded current startup

Profession

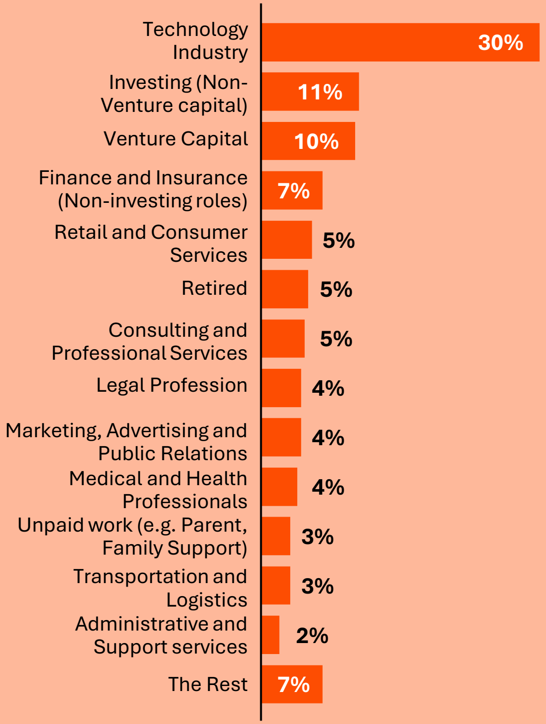
Men

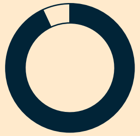
Technology Industry	61%
Investing (Non VC)	48%
Venture Capital	46%
Finance and Insurance (Non-Investing)	55%
Retired	36%

Women

Technology Industry	32%
Retail and Consumer Services	24%
Marketing, Advertising, and PR	16%
Investing (Non VC)	10%
Venture Capital	10%

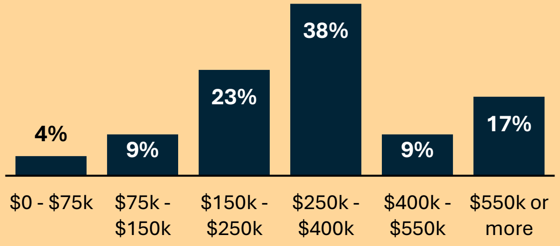
Profession



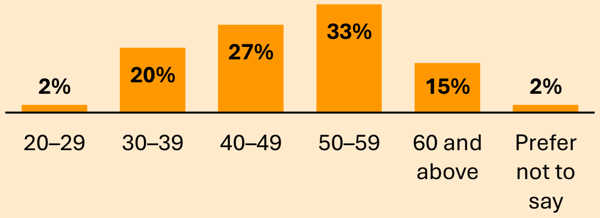


93% Wholesale investor

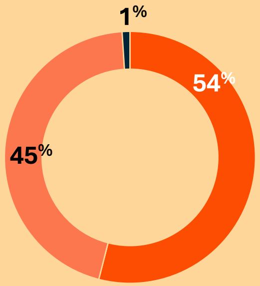
Annual income



Age



Highest level of education completed



- 🟥 Graduate or advanced degree
- 🟥 Bachelor's degree
- ■ Some university or tertiary certificate

Adapting angel thresholds to support innovation growth

Partner Insight

In 2024 we saw more uncertainty in the startup funding ecosystem stemming from potential legislation changes in financial regulations. This included changes to how super could be taxed, but one that caused the most uproar was potential changes to the Wholesale Investor Tests – the thresholds by which investors are deemed wholesale or retail.

Quick recap:

- In January, it was reported a consultation paper from Treasury had (quietly) gone out publicly for feedback which included questions about whether the tests were still appropriate. At that time submissions were closed with only ~45 received, none from the tech ecosystem.
- While the government never officially said they were considering increasing the thresholds, ASIC's submission advocating for this, was particularly concerning given they're the regulatory body for financial services. They proposed raising the income and assets thresholds to $450k and $4.5m respectively.
- The ecosystem rallied. People spoke out, we spoke to ministers, got on radio, and an additional 35+ submissions were provided to Treasury.
- The deadline for their recommendations, originally due mid-2024, was pushed back. Instead, a Parliamentary Inquiry into the test thresholds was launched in March.
- 127 submissions were provided to the Inquiry by the deadline in May.
- The public hearing for the Inquiry was conducted over 2 days in October. During this the government seemed to favour keeping the legislation unchanged, seeing little benefit in raising the thresholds.
- Treasury has still not provided their recommendations to government and the findings from the Inquiry have not yet been published. While we believe it's unlikely the findings will trigger drastic changes, there is still the possibility this fight isn't over yet.
- While the immediate danger of making things worse seems to have passed, there is still the question of whether the current regulations should be improved and how.

These regulations (implemented 20 years ago) are black and white, you either have the money or you don't.

Fundamentally we believe the assumption "that individuals who have the required value in assets or income have the ability to understand and take on additional risks" is flawed.

Some of the best angel investors, both in terms of identifying great startup opportunities and actually being helpful to those companies, are what we call operator angels - those who work in and around startups. However, that doesn't often correlate with earning a high income.

What should we do?

While financial thresholds can be a useful test (they are clear, easy to measure), it's imperative we enable knowledge and experience based tests as well. The core principle of this type of test would be evaluating the individual's knowledge based on predefined parameters (ex. investment principles, risk management, investment-type risks).

Education is a simple and effective driver for this – Investors who have completed an approved course on investing in high-risk assets, would be able to gain a wholesale certificate, which could be widely accepted by AFSLs.

This approach would align investor eligibility with actual market knowledge and serve as a way to include those who would benefit from having access to a greater range of investments while still protecting those who need it.

What impact would this have?

When we enable an educated group of angels who are truly 'sophisticated' in their investing knowledge, Australia has the potential to benefit from several positive economic outcomes.

- **Speed of innovation:** A boost in private investment alongside tangible support of technology companies by angels, grows GDP, creates jobs, and pulls us ahead competitively.
- **Long-term wealth building opportunities for young people:** Enabling under 35s to take a more active role in their financial literacy and planning, leads to better future wealth outcomes.
- **Diversity:** Removing systemic disadvantages for underrepresented demographics increases diversity while helping to close the wealth gap.

The Australian Government has the opportunity to substantially improve these regulations and contribute to a stronger innovation ecosystem.

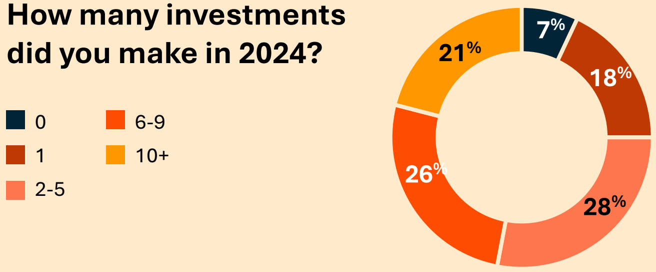
Cheryl Mack

Chief Executive Officer
Aussie Angels

How angels invested in 2024

Many angels pulled back in 2024, with clear differences emerging by gender and income – female and higher-income angels slowed their investment pace compared to 2023. Syndicate and group-based investing also lost ground as the preferred approach, marking a shift in how angels are choosing to deploy capital.

How many investments did you make in 2024?



20% incomes under $550K increased their investing (vs 2023)

0% incomes over $550K increased their investing (vs 2023)

Investments made in 2024 vs 2023

41% made fewer investments in 2024

43% made the same investments in 2024

16% made more investments in 2024

Male Angels

35% made fewer investments than 2023

32% expect to invest more next year

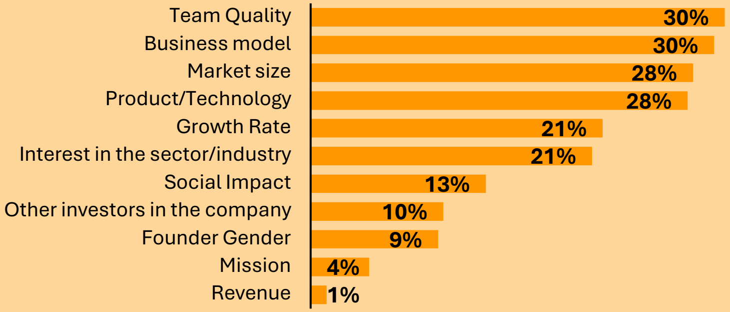
Female Angels

60% made fewer investments than 2023

20% expect to invest more next year

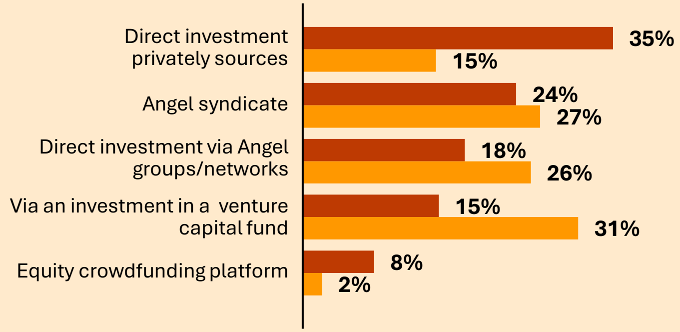
Top considerations when investing

(% of respondents who selected)



How did you angel invest in 2024?

(% of respondents who selected)



Difference in priorities when assessing a startup (difference in selection as a priority)

Mission – plus 5%   Revenue – plus 1%   Growth Rate   Product/Technology   Other investors in company – plus 3%   Social Impact – plus 11%

Higher priority by men ← **Equal priority** → **Higher priority by women**

Market size – plus 3%   Business model – plus 2%   Interest in the sector/industry   Founder Gender – plus 7%   Team Quality – plus 15%

Resilience and adaptability driving angel investing trends

Partner Insight

Investment landscape

The early-stage investment landscape in 2024 saw a decline in the overall volume of investments. However, the average investment size remained consistent with previous years, reflecting a stable level of confidence among those who continued to participate. Valuations for pre-Series A companies also held steady, demonstrating resilience in a challenging market.

Interestingly, the quality and quantity of companies applying for funding through the Innovation Bay Horizon community increased, indicating a growing pool of high-calibre founders seeking early-stage capital. Despite this, we observed a cautious sentiment among angel investors, driven in part by the lack of realised returns. Approximately 20% of our community reported stepping back from making new investments, underscoring the need for further progress in liquidity opportunities.

Key metrics

In 2024, the Horizon community invested over $11 million into early-stage companies, with an average investment size of $300,000 per person. The most prominent sectors included:

- Artificial Intelligence (AI)
- MedTech
- Robotics and Automation
- B2B SaaS
- AgTech
- Renewables

These trends highlight the continued alignment of investor focus with transformative technologies and sustainable solutions.

Applications to the ARENA Renewable Energy Showcase reached record levels, with nearly 90 companies applying to pitch, compared to just over 50 the previous year. While B2B SaaS remains the dominant business model across applications, hardware tech companies saw notable growth, accounting for 21% of total submissions. Within renewables, however, only 19% of applications focused on hardware, with the majority being software-based solutions. Additionally, AI emerged as a significant focus, representing 16% of all applications.

Founder profiles and valuations

Valuations varied widely in 2024, influenced by factors such as founder experience and market dynamics. Second-time founders with pre-revenue companies sought valuations exceeding $8 million on average, compared to $4 million for first-time founders. Later-stage companies with non-profitable business models experienced downward pressure on valuations, driven by cost-cutting efforts to achieve profitability. Conversely, later-stage companies with a clear path to profitability garnered strong interest from investors.

Emerging trends

SpaceTech Investment: The Horizon community made its first investment in SpaceTech this year, reflecting a growing appetite for opportunities in this sector.

AI and B2B SaaS Dominance: These sectors continued to lead in investor interest, driven by their scalability and potential for high impact.

Investor Sentiment: Our late-2024 sentiment analysis revealed the strongest optimism in two years. Investors are particularly drawn to companies with strong product-market fit, experienced teams, and scaling customer engagement.

Challenges and opportunities

While the Horizon community has not recorded any failed investments in 2024, the funding environment remains challenging, with many startups focused on survival rather than growth. Corporate M&A activity remains subdued in Australia, particularly in the early-stage tech ecosystem. This contrasts with the US market, where corporate venture capital (CVC) acquisitions are increasingly used to solve specific problems and secure talent.

We believe there is an untapped opportunity for Australian CVCs to adopt similar strategies, leveraging acquisitions to drive innovation and address critical challenges. This approach could foster greater liquidity in the local market and create a more dynamic ecosystem.

Outlook

Despite the challenges, 2024 has shown signs of resilience and adaptability within the early-stage ecosystem. The Horizon community remains committed to fostering innovation and supporting founders through this period of recalibration. By encouraging a collaborative approach between investors and corporate players, there is significant potential to unlock new opportunities and drive long-term growth in the Australian startup ecosystem.

Phaedon Stough

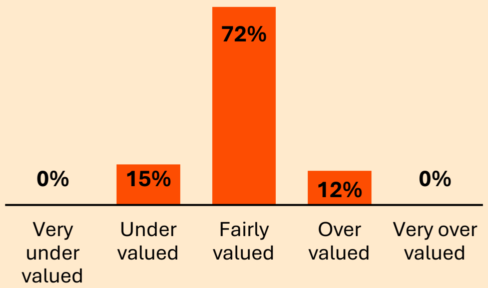
Chief Executive Officer and Co-Founder
Innovation Bay

Angels shifting later in more uncertain times

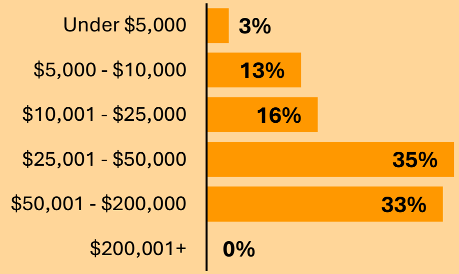
Angel investors showed greater caution in 2024, shifting part of their focus from Pre-Seed to Seed stages and placing greater emphasis on proven traction.

Angel syndicate and group leads we spoke to and surveyed reiterated challenges like low engagement and slower decision-making, reflecting a more deliberate and selective approach to investing.

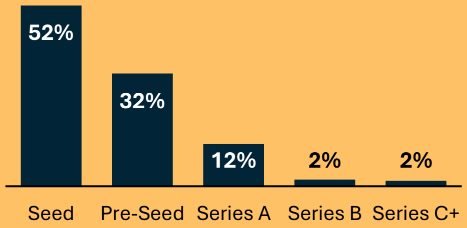
Australian startups are currently



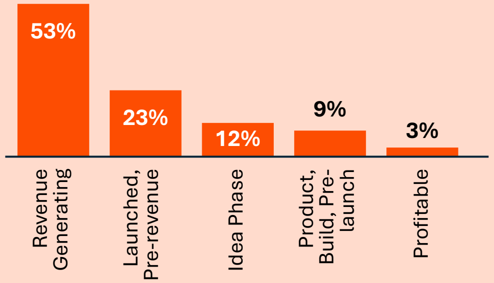
Typical investment size



Preferred round for investment

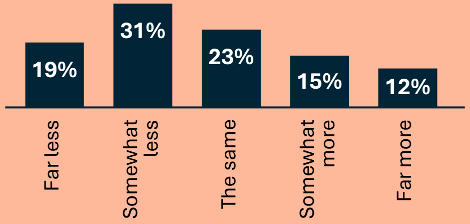


Preferred business maturity for investment

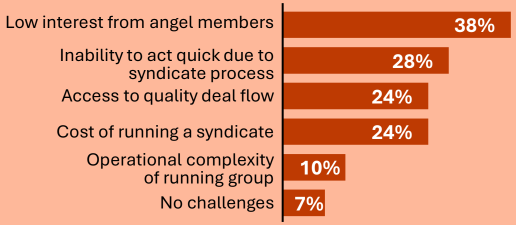


Angel group and syndicate lead insights

How many investments did your angel group make vs 2023



Biggest challenges running a syndicate in 2024 (% of respondents who selected)



> “In general, we are seeing angel groups contributing smaller investments than a few years ago as investors slowly rebuild confidence and are adopting a cautious approach to the asset class. This is consistent with what I’m seeing in the US market. Relatively fewer early-stage funds are consistently investing at Pre-Seed stage which will hopefully see them reap the rewards of their early conviction. The Department of Industry Sciences and Resources statistics suggest a modest increase in Pre-Seed cheque size and a slight decrease in businesses funded, while the number of new funds conditionally registered is the lowest since FY14/15.
>
> It feels like early-stage investors have sought more certain opportunities which puts them more in conflict with larger funds who can aggressively wield capital to get the allocation they want.”

Ben Armstrong
Managing Partner
Archangel Ventures

15% Male Angels | **4%** Female Angels

think startups are currently over valued

Angels and professional investors agree and diverge on sectors

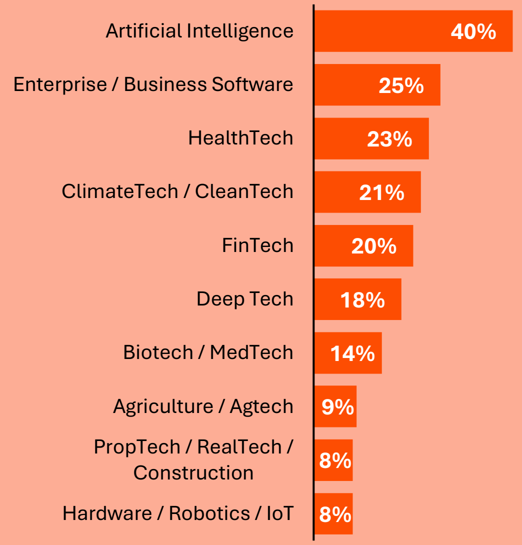
Angel investors exhibited a narrower focus of areas of interest than that of professional investors, with both overlapping and diverging sector preferences.

Angel investors showed strong focus on high-profile sectors such as AI, Enterprise/Business Software, and HealthTech, reflecting their preference for scalable opportunities with near-term growth potential. ClimateTech and FinTech also ranked highly on their list of priorities. In contrast, professional investors displayed a broader focus, showing interest in areas like Cybersecurity and DeepTech, which often required specialised expertise and longer timeframes to deliver returns.

While both groups viewed Blockchain and Crypto unfavourably, their levels of scepticism differed. Professional investors placed the sector at the bottom of their priorities, but angel investors were even more pessimistic, with 30% identifying it as one of the least preferred sectors for 2025. Similarly, Gaming and Esports failed to generate excitement from either group.

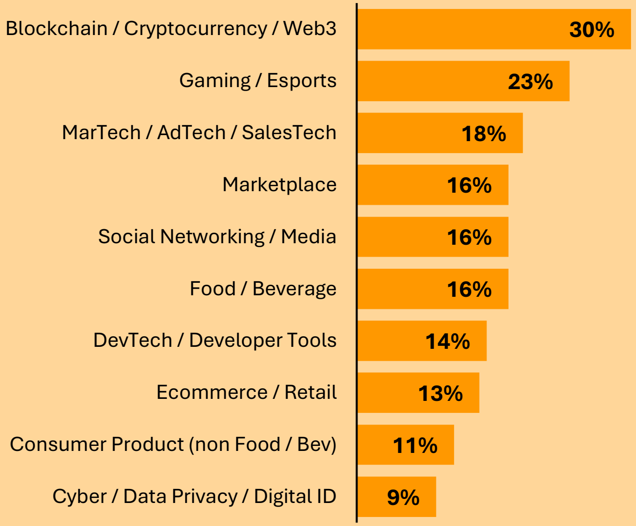
10 most exciting sectors for 2025

(% appearing in top 3)



10 least exciting sectors for 2025

(% appearing in top 3)



Most exciting sectors for male angels

- Artificial Intelligence
- Enterprise / Business Software
- FinTech

3 most exciting sectors for female angels

- Artificial Intelligence
- ClimateTech / CleanTech
- Food / Beverage

> “Beyond typical market cycles, this contraction calls upon investors to redefine how we evaluate company resilience. As funding sources rightly become more selective, smart capital is gravitating toward founders who've built durable, capital-efficient growth in essential sectors – not just those who excel at fundraising.
>
> On this, Angels and VCs are increasingly aligned in backing founders who drive transformative impact and operational excellence. Rather than constraining opportunity, this emphasis on quality is creating exceptional returns for investors who can identify where market fundamentals converge with discipline in execution.”

Emily Rich
Partner
M8 Ventures

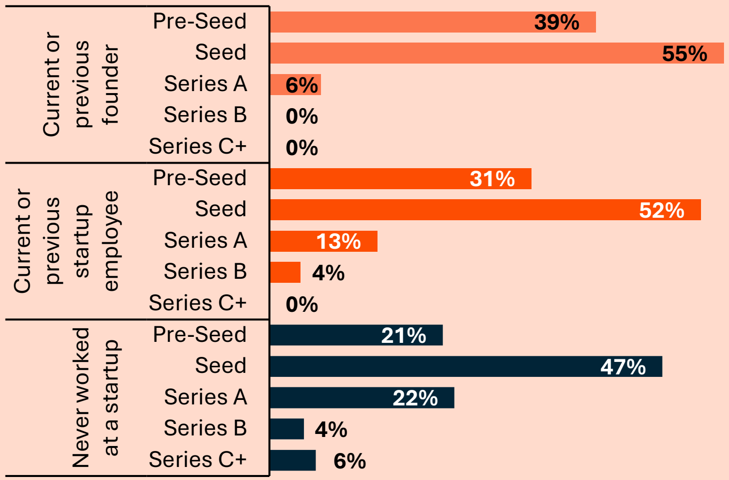
Founders critical part of the angel investment puzzle

Angels who are founders or possess startup operational experience tend to invest at earlier stages and commit more capital.

Many startup employees and founders delve into angel investing, creating a powerful “flywheel effect” within the ecosystem. As former founders and operators, using their hands-on experience in building businesses and their deep networks in the startup community, they understand the challenges of entrepreneurship and use that insight to help early-stage ventures overcome obstacles and scale effectively.

By funding and mentoring the next generation of entrepreneurs, these angel investors contribute to a cycle where successful startups go on to produce new founders, employees, and investors. This self-reinforcing dynamic drives innovation and strengthens the broader ecosystem. With their practical understanding that startup success depends on execution, resilience, and timing – not just a great idea – they play a pivotal role in building sustainable growth and opportunities for others.

Investment stage preferences by founder status



Prefer to invest Pre-Revenue

Current or previous founder: **50%**

Current or previous startup employee **46%**

Never worked at a startup: **31%**

Top three reasons for investing in a startup

Current or previous founder:	Current or previous startup employee:	Never worked at a startup:
1. Team Quality	1. Business model	1. Interest in Sector
2. Product/Technology	2. Team Quality	2. Market Size
3. Market Size	3. Product/Technology	3. Growth Rate

> “This year has reminded us just how vital a strong startup community is, especially in tough times. We’ve seen founders, investors, and ecosystem players leaning on each other for support, sharing experiences, and collaborating in ways that have been truly transformational.
>
> In a challenging funding environment, this sense of community has been a cornerstone for resilience and growth. By fostering trust and mutual support, we’re not just navigating the present - we’re building stronger, more connected foundations for the future.”

Ian Gardiner

Director and Co-Founder
Innovation Bay

Bridging the gap: How education and smart investment fuel ecosystem success

Partner Insight

Australia's startup ecosystem has made big strides over the past decade, but gaps remain that prevent it from realising its full potential. Chief among these is a hesitation to back founders early, when their need for both belief and support is greatest.

As Michael Batko, CEO of Startmate, puts it, "Australia needs more believers in venture capital – people willing to back founders at their earliest stages, rather than just saying, 'you're too early.'" His words highlight a critical challenge: the conservative investment culture that leaves too many promising ideas underfunded or unsupported. Bridging this gap requires more than just capital – it demands a shift in mindset, and education plays a vital role in achieving that.

Closing the knowledge gap

While financial resources often dominate the conversation, the knowledge gap in Australia's startup ecosystem is just as significant. For founders, this means navigating the complexities of pitching, scaling, and building viable business models. For investors, it's about developing the confidence to take risks on bold ideas and investing throughout the startup journey.

By equipping participants with knowledge, skills, and connections, investor education programs can serve as the foundation for making impactful investments and cultivating ecosystems that foster innovation and growth.

Programs like Wade Institute's VC Catalyst, Startmate's First Believers, and Airtree's Explorer Program help address the knowledge gap. These initiatives offer more than theory – they connect founders and investors to a shared "repository of knowledge," as VC Catalyst alumna Amanda Derham describes, enabling them to test ideas, refine propositions, and build networks that they can tap into for knowledge and support.

The stories emerging from education programs in Victoria demonstrate their impact. Take family office investor David Porter, who amplified his investments in early-stage health and climate ventures with skills and connections gained through completing VC Catalyst. Or Tando Matanda, who drew upon knowledge acquired through the program to supercharge her startup Musa: a venture health assessment platform, designed to close the information gap and create a truly insight and data-driven funding ecosystem.

Impact beyond dollars

Education isn't just a solution to funding challenges – it's a way to build strong communities. It creates spaces where founders and investors collaborate, share insights, and learn from one another. Educational programs, regardless of scale, act as "brains trusts," helping entrepreneurs road-test their ideas and investors sharpen their instincts. These communities are integral to the health and growth of startup ecosystems.

It's also key to building diversity. Targeted education programs broaden the pool of participants in venture investing and ecosystem building, creating inclusive environments that drive innovation.

The impact of these programs extends beyond individual learning. For instance, membership of the VC Catalyst alumni network is consistently cited as one of the program's most valuable outcomes. This engaged community continues to support each other, fostering long-lasting connections and creating a culture of continuous learning, highlighting the enduring and transformative value of education.

The future of Australia's ecosystem

Australia has the talent, ambition, and creativity to rival the world's leading startup hubs. But to compete on a global stage, it must embrace education as a core pillar of its startup ecosystem. By investing in knowledge, we enable founders to innovate boldly and investors to believe in them.

The journey ahead isn't just about more funding – it's about smarter, more informed funding. Education builds not just businesses, but ecosystems where innovation thrives. It aligns stakeholders with shared goals and values, fostering a more cohesive and collaborative environment.

Wade Institute Director Nick Kaye underscores the importance of education in building a thriving ecosystem: "Programs like VC Catalyst, funded by LaunchVic, demonstrate that education and ecosystem-building are not just complementary – they're inseparable", he says. "By equipping investors with the right knowledge, these initiatives are building a more resilient, inclusive ecosystem that can weather challenges and seize opportunities."

As we look to the future, one thing is clear: education isn't just an enabler – it's the key to funding Australia's future.

Andrew Middleton

Program Director
Wade Institute of Entrepreneurship

Building a robust angel ecosystem

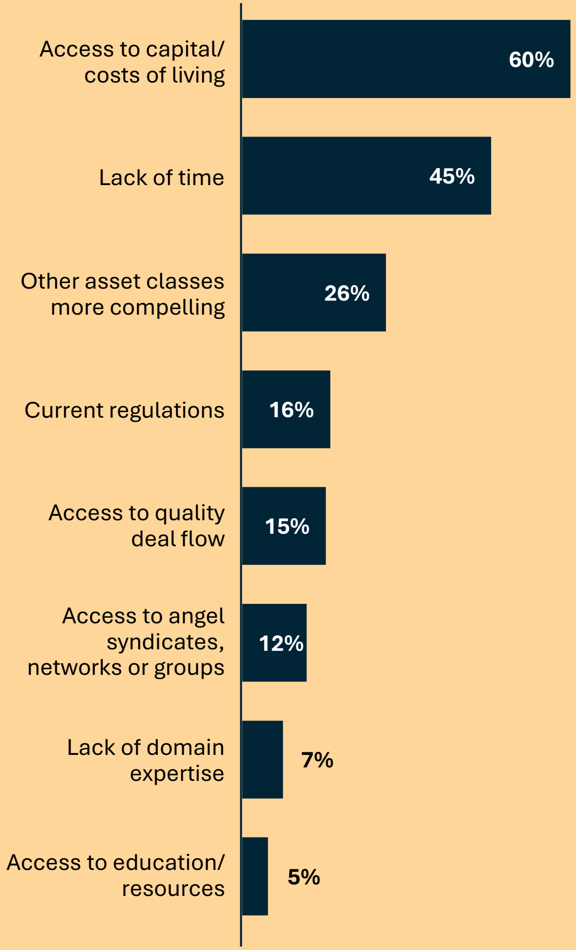
> “Developing a thriving angel investing ecosystem in Australia hinges on reliable and consistent regulation that strikes a balance between attracting new investors and protecting them in this high-risk sector.
>
> Simplifying wholesale investor requirements and ensuring they are fit for purpose will broaden participation without exposing new angels to undue risk. Just as in the fund space, more exits for angels will kick-start a flywheel of further investment, making it important for funds and founders to support exit opportunities for early angel via secondaries.
>
> The growth of tech platforms powering syndicates will continue to lower entry barriers, enabling smaller investments to flow into promising startups. Equally important are education and community initiatives that equip new investors with the knowledge and skills to make informed, risk-adjusted decisions.
>
> By aligning policy, platforms, and education, Australia can create an environment where angel investing flourishes, driving the next wave of innovation.”

Simon McKendry

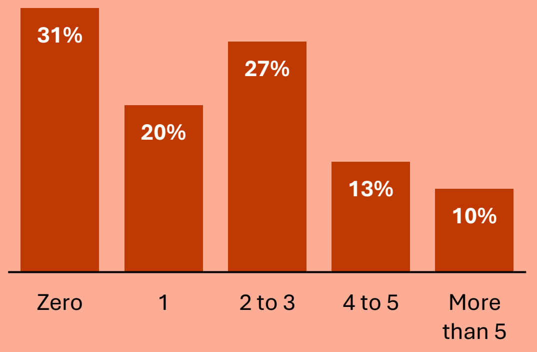
Director
Cut Through Angels & OnePitch VC

What are your biggest limitations to doing more new angel investments?

(% of respondents who selected)



How many total exits have you had from your angel investments?



Average exits by number of years angel investing

0
exits
1 year angel investing

1.6
exits
2-4 years angel investing

1.7
exits
5-10 years angel investing

3.7
exits
10+ year angel investing

06.

The State of Venture Debt

Building on its growing prevalence as a funding bridge in 2023, venture debt in 2024 has shifted from a contingency measure to a core part of some Australian startups' financing strategies. Larger loan sizes and flexible structures are driving its adoption, offering founders a way to extend runway or fund growth without immediately diluting ownership. This shift reflects the continued maturation of Australia's funding landscape, where debt-based instruments now sit alongside traditional equity rounds as a viable option.

It's far from free money. Rising interest rates and the ongoing scarcity of local exit options have made lenders more selective, favouring startups with steady cash flow and strong VC backing.

The role of debt will undoubtedly evolve further, and some negative outcomes will undoubtedly emerge. However, the combination of increased options and a growing understanding of its value among founders suggests it will remain a key pillar of Australia's startup financing ecosystem.

Five Things to Know

01.

Debt gains momentum as a key funding option

Venture debt has emerged as a long-term solution rather than a short-term fix, with loan sizes and high-profile success stories driving its acceptance. Startups are increasingly turning to it as a key financing avenue for growth initiatives and acquisitions, supported by endorsements from prominent investors.

Once seen as a temporary bridge, venture debt has evolved, with more market entrants fostering greater competition and more diverse structures. This shift has firmly established debt financing as a mainstream option in Australia's startup funding landscape.

02.

Uncertain markets drive debt uptake

Geopolitical tensions, slower economic growth, rising interest rates, and resulting softened valuations have pushed founders to explore ways to protect their ownership. Debt offers a way to raise capital without diluting equity, making it attractive in a climate that rewards cautious spending over inflated valuations.

By bridging cash flow gaps and extending runway, since 2022 venture debt has shifted from a stopgap measure to a deliberate funding strategy.

03.

Equity funding gap paired with stricter lending

There's no formal register to track it, but it's clear that dry powder in the venture capital market remains high. While there's plenty of capital on hand, accessing it has become significantly more challenging. The lack of local exits has further compounded the issue, reducing liquidity across the ecosystem.

Venture debt is helping to bridge this gap but in 2024, it too was harder to come by as lenders applied stricter criteria than equity investors, and founders are adjusting to these demands.

Startups struggling with poor cash flow face even steeper hurdles. Without strong fundamentals, venture debt remains inappropriate and out of reach.

04.

VCs continue to increase support of debt

Venture capital firms surveyed and interviewed for this year's report are increasingly advocating for some startups to include debt in their funding mix alongside equity rounds. By blending the two, startups can pursue growth opportunities without overly diluting ownership.

This collaborative approach between VCs and debt providers underscores the market's growing embrace of hybrid financing models, creating stronger partnerships and more balanced risk-sharing.

05.

Positive outlook for 2025

The outlook for venture debt in Australia remains positive heading into 2025, buoyed by growing awareness and an expanding pool of lenders. However, the market's relative immaturity and persistent global uncertainties – such as ongoing interest rate pressures – could slow its adoption. Not to mention, the local asset class has yet to be tested by a major economic slowdown.

New entrants and evolving product offerings are expected to intensify competition, giving founders more options but also pushing lenders to innovate.

From bridging to building capital

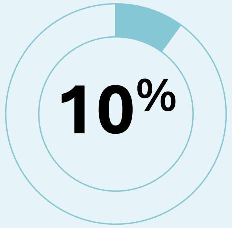
In 2023, venture debt emerged as a promising contender in startup financing. By 2024 it firmly established itself as a strategic cornerstone funding option.

2024 was another a pivotal year for venture debt, marking its transition from a niche funding solution to a central pillar of startup financing strategies. Once dismissed as a secondary option, venture debt is now a deliberate and strategic choice for growth-focused founders.

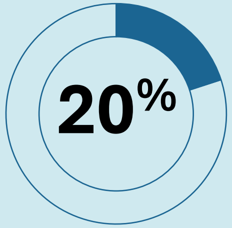
Startups are no longer using venture debt solely to bridge funding gaps. Instead, it has become a tool to scale operations, execute acquisitions, and accelerate R&D. This shift has been driven by better awareness and education across the ecosystem, with venture capitalists playing a key role. Record levels of referrals from VCs in 2024 underline the strengthened collaboration between equity and debt financiers, fostering a more cohesive and dynamic investment landscape.

Looking ahead, 2025 is set to build on this momentum. More founders and investors now see debt as a primary instrument for scaling their businesses, not just a fallback. As this perception takes hold, venture debt will continue to add depth and flexibility to the startup funding landscape.

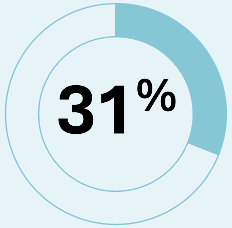
22% of VCs said they advised portfolio companies to investigate venture debt in 2024



of surveyed Pre-Seed / Seed startups reported having taken venture debt



of surveyed Series A startups reported having taken venture debt



of surveyed Series B+ startups reported having taken venture debt

> “The growth of the venture debt market among larger, later-stage companies highlights a significant shift in priorities for businesses that once thrived on abundant equity funding.
>
> Now under pressure to deliver value for shareholders and employees, these companies are intensely focused on minimizing dilution. Venture debt has emerged as a favoured solution, providing a bridge to future equity rounds or complementing existing ones.
>
> Larger businesses seeking venture debt prioritise simplicity and flexibility. We are seeing a clear trend toward structures without warrants and facilities that offer upsizing options for future growth opportunities, including M&A.
>
> This pragmatic approach aligns with the broader market focus on efficiency over the previous "growth at all costs" mindset – a shift we believe is sensible in today's economic environment.”

Alex Mount
Executive Director
MA Growth Ventures

Looking beyond equity as a capital solution

"The venture debt market in Australia is steadily gaining momentum as founders and investors are increasingly exploring funding options alongside equity to scale their business and investments.

Though tougher equity market conditions have played a part in driving this trend, growing awareness and adoption is positioning venture debt as a strategic funding source for specific purposes and at key growth milestones.

In established markets like the US and UK, venture debt has long been a cornerstone of scale-up funding, representing 15-20% of all capital raised, compared to ~2% in Australia. There is substantial room for growth, though this gap will narrow, as the Australian market evolves, and more companies and investors consider the advantages of leveraging debt to drive value."

Ethan Singer

Partner

Mighty Panthers

"In 2024, we at Lighter Capital observed significant improvement in the Australian market for non-dilutive revenue-based financing compared to 2023. Across our portfolio companies in both the U.S. and Australia, we saw higher year-over-year revenue growth rates and more exits – through acquisitions or large equity rounds – than in the past two years.

Additionally, we've noticed a growing awareness across the startup ecosystem about the various forms of financing available. This includes a better understanding of non-dilutive funding, not only as an alternative to venture capital, but also as a complement to equity funding.

We're excited to witness what appears to be the natural maturation of the Australian market."

Melissa Widner

Chief Executive Officer

Lighter Capital

"I'm excited to see debt deal activity picking up in late 2024 as market sentiment improves. This year, companies have leveraged debt for acquisitions or as a cash buffer, giving time to scale and prepare for future funding. With more priced-up rounds, debt is also complementing equity to fuel growth.

It's great to see the local market expanding with diverse players and innovative solutions. Mature markets like Europe and the US show what's possible - debt represented 14% of VC funding in Europe's first nine months of 2024.

Achieving even a fraction of that here would mark substantial progress for our ecosystem.

Debt funding has many advantages for founders and investors. It's an underutilised but incredibly powerful tool."

Nick Gainsley

Partner

OneVentures

Who is fit for venture debt?

Venture debt is now considered an independent or complementary source of funding rather than a lesser alternative

As venture debt has matured so has the criteria in which lenders will fund. More founders are being rejected when they are looking to debt as a lifeline to stay afloat. For mature companies who have significant year on year growth or are cash flow positive, it's a great option instead of equity depending on the use case.

Types of Venture Debt

	Revenue Based	Revolving Credit Facility	Term Loan	Specialised Financing
Who is it for	Seed round raised or revenue generating	Series A+ Cashflow positive or neutral	Series A+ Cashflow positive or neutral	Varies
Why is it used	Customer acquisition or purchasing inventory	A line of credit that can be accessed at any time during for various reasons	Customer Acquisition, market expansion, M&A etc	Typically used as a cash advance i.e. R&D incentive, accounts receivable etc
How it works	Paid back as a % of revenue	Fixed or Variable interest repayments on the borrowed amount	Fixed or Variable interest repayments on the borrowed amount	Fixed cost based on the amount borrowed
What they look for	At or nearing $1M annualised (recurring) revenue >3 months runway	Varies	At or near A$3-5M ARR >12 months runway	Evidence of upcoming cash flow
	High-growth; VC-backed	Predictable monthly cashflow	>30-50% YoY revenue growth	Varies

> "The Aussie venture capital market has matured, now offering a diverse range of venture debt products. From traditional working capital loans to advances on future receivables, like the R&D tax incentive refund, businesses across the spectrum – whether pre-revenue or generating millions – are catered for.
>
> With this evolution has come an advancement in founders' capital strategies, too. There's a more deliberate focus on securing capital that's appropriate for their business. It's great to see founders actively pursuing not just speed and simplicity in a loan, but evaluating which loan type meets their needs, like maximum runway extension and confidence over the future repayment of borrowed funds."

Alex Simmons
Chief Executive Officer
Kashcade

Closing a debt round in 2024

In 2024 we saw the diligence process for venture debt providers look more and more similar to venture capital, with a focus on positive cash flow and evidence of growth rather than simply potential. The main difference for founders now being the utility of why they would raise debt instead, or in many cases, in addition to equity.

Rising interest rates affect venture debt providers in a different way. Whilst it may not have a material impact in the rates passed down to startups, depending on how they source their funds, it ultimately makes a material impact to the returns they need to show to their own Limited Partners or investors.

Funders of debt have a reduced appetite for risk compared to those funding equity providers. Where banks and other financial instruments are providing greater returns, so too do venture debt providers – they must outperform the banks. This has led to a consolidation of providers in the US and will challenge the market here in Australia.

Preparation
The venture debt due diligence process will increasingly resemble equity capital raising, with more rigorous processes.

Purpose
Startups need a clear strategy for using the debt, such as funding key growth initiatives.

Achieving a successful raise

Metrics
Startups should have a solid plan for profitability, often reflected in their burn rate and runway, and demonstrating consistent revenue growth or hitting certain revenue milestones. Startups should display robust operational metrics to reassure lenders they can service their debt obligations.

Raising early
Venture debt providers do not want to be a lender of last resort.

> “In 2024, Australia’s venture debt market has been navigating a tough economic climate. Decision-making has slowed, and scaling companies are facing cash flow pressures as customers take longer to pay.
>
> Equity raises are also taking more time to come together, reflecting a more cautious approach across the board. Demand for debt has increased but suitability has been lower. At Tractor Ventures we have held a clear focus on quality over quantity. Venture debt remains a crucial source of flexible funding, helping growth-stage companies stay on track in what has been a slower, more deliberate market landscape.”

Jodie Imam
Chief Executive Officer
Tractor Ventures

Understanding a venture debt funds structure and incentives

Founders can benefit greatly from understanding how venture debt funds operate and the obligations these funds have to their own investors. A venture debt fund must deliver attractive returns to its Limited Partners, and this requirement shapes how the fund prices and structures loans for startup founders.

In Australia, most venture debt funds operate under one of two broad models:

01.

Fixed return

Fixed-return funds typically raise capital from LPs or institutional banks at a specific point in time and target a predetermined rate of return – usually a premium above prevailing interest rates. For instance, if the benchmark interest rate is 10% at the time Fund 1 is established, the fund might aim for a return of 15–20%.

Since rates are effectively locked in at inception, fluctuations in market interest rates have minimal impact on a fixed-return fund's performance. While this structure reduces volatility, it also requires the fund to maintain a consistent flow of deals that generate returns at or above its cost of capital.

02.

Variable Return

Variable-return structures, sometimes referred to as warehousing facilities, take a more flexible approach by raising capital on an as-needed basis rather than in one lump sum. The returns from these funds are more sensitive to changes in market interest rates, which can lead to greater volatility in terms.

As interest rates shift, these funds must consistently outperform lower-risk alternatives, such as fixed-term bank deposits. This creates a need for frequent adjustments to loan terms or pricing to ensure that the fund continues to offer competitive returns to its LPs. Founders engaging with these funds should be prepared for such changes to align with the fund's evolving performance goals.

By understanding the distinctions between fixed-return and variable-return models, founders can better anticipate how a venture debt fund's return expectations may shape the terms of their loans. Ultimately, debt investors must deliver appropriate risk-adjusted returns to remain competitive. Startups should aim to align their fundraising strategies with the specific incentives and constraints of the venture debt fund they engage with.

> “As the Australian VC ecosystem continues to evolve, growth credit (venture debt) is emerging as a critical capital solution that bridges the gap between equity financing and traditional bank lending.
>
> We're observing a marked increase in sophistication among both lenders and borrowers, with more tailored debt structures that reflect the unique dynamics of high-growth, technology-driven businesses.
>
> Forward-thinking founders and equity investors look to integrate debt strategies early, recognising that well-structured credit can extend runway, minimise dilution, and provide financial flexibility without compromising equity value.”

David Marshall

Managing Director
Marshall Investments

07.

The State of Accelerators & Venture Studios

Accelerators and venture studios continued refining their models in 2024, adapting to tighter funding conditions and a more experienced founder community. Leading accelerators have shifted from focusing on education or pitch-readiness to becoming mentor-driven, founder-centric communities, offering hard-to-replicate guidance.

This evolution reflects the reality that most early-stage venture building knowledge is now readily accessible. True differentiation lies in tailored support for each startup’s unique operational challenges. Similarly, investor access – once the key appeal of demo days – has become less critical in a close-knit ecosystem where founders and investors often interact organically.

Venture studios, once met with scepticism, have re-emerged with more refined models. By delivering hands-on operational support and guaranteed early funding, studios ensure startups are investor-ready from the outset. This approach addresses past sustainability concerns and attracts founders with deep industry expertise who need additional technical or operational capabilities.

Five Things to Know

01.

Education no longer the central value proposition

Accelerators used to stand out by offering structured education, covering everything from refining an MVP to crafting a compelling pitch. Much of that content is freely available, shared widely online by top programs and investors. In response, the most successful accelerators have shifted focus, building their curricula around mentorship and founder-centric communities – areas that are far harder to replicate online.

By emphasising specialised knowledge and practical guidance, they provide startups with a stronger foundation to navigate early-stage challenges and a slow funding environment.

02.

Investor access as a commodity

Demo days once brought in crowds of eager investors and provided a unique outlet for investors and founders to meet. But in Australia's tight-knit ecosystem, most founders and investors have many channels to meet. Simple introductions aren't enough anymore.

Accelerators and venture studios are stepping up by offering deeper support – tailored programs, operational resources, and better alignment with founder needs. By staying involved beyond a single pitch, they help founders secure the sustained backing needed to drive stability and growth in the local startup landscape.

03.

Specialisation for deeper impact

As accelerators evolve, more programs are targeting niche areas like specific demographics or industries that require technical expertise. This approach follows the 'access as a service' model, creating opportunities for underrepresented entrepreneurs while building stronger, industry-specific networks.

By focusing on well-defined sectors, specialised accelerators make it easier for startups to enter the market, lower risks, and improve their chances of securing funding or commercial contracts.

04.

Evolving funding models

The continued flow of corporate and government grants shows remaining confidence in accelerator programs. This funding allows for more selective founder recruitment, targeted skill-building, and clearer investment pathways.

As accelerators and venture studios refine their strategies, they provide investors with cleaner cap tables and scalable businesses ready for follow-on funding, strengthening their role in the venture ecosystem.

05.

Venture studios return with refined models

Once viewed with scepticism, venture studios are making a comeback by launching businesses that are investor-ready from the start. By offering expert guidance, guaranteed early funding, and hands-on operational support, they address previous concerns about sustainability.

More founders with deep industry expertise – but limited technical resources – are choosing these updated studios, highlighting the ongoing demand for efficient, well-supported pathways to market.

Venture studios vs Accelerators – what's the difference?

Last year marked a pivotal evolution for accelerators. Traditionally focused on educational content, pitch coaching, and investor exposure through demo days, they began to differentiate themselves by offering unique benefits.

Chief among these were enhanced access to experienced founders and mentors, aimed at accelerating learning and growth for participants.

This year, that evolution continued, but differentiation through traditional methods alone proved insufficient. With room for only a few true generalist accelerators in the market, we've seen a notable shift toward specialisation. Many accelerators are now defining their niche, often by focusing on specific industries or demographics.

Accelerators are rethinking their curriculum. Specialised programs are increasingly shaped by industry partners, ensuring content aligns with sector-specific challenges and opportunities. Across the board, there's a stronger emphasis on helping startups commercialise their solutions and secure paying customers during the program itself. 'Getting to the next funding round', while still an important value proposition for most programs, has been deprioritised by many programs – with several leading programs going so far as to discourage investor conversations until the final stages of the accelerator programming.

Venture studios have also continued to adapt. Founder-friendly terms are now industry standard, making this model increasingly attractive. We're hearing that more founders – particularly those with deep subject matter expertise – are selecting venture studios as their preferred starting point.

The ecosystem is becoming more interconnected, with venture capital firms working more closely with studios to source deal flow. Startups emerging from venture studios are increasingly successful in raising capital, and many studios are evolving into hybrid models, raising their own funds to invest directly alongside their studio programs.

Venture Studios

Actively build startups from the ground up, acting as a co-founder and offering expertise, operational support, and capital to turn innovative ideas into market-ready companies.

Who's it for	Entrepreneurs at the ideation stage of their venture
Typical duration	Until self-sustaining or exit
Support provided	Comprehensive operational support including, tech, legal, financial, HR services
Funding	As required, combination of direct capital and benefit-in-kind labour services
Equity stake	Wide range, typically between 10-80%
Subcategories	Aligned to corporate, consulting firm, or VC fund
Business model	Heavily dependent on mission-aligned organisations for financial support, given that each new venture starts life as a cost centre

Accelerators

Short-term, intensive programs for early-stage ventures, providing mentorship, access to community, resources, and funding to expedite growth and attract subsequent investor interest.

Who's it for	Pre-seed or Seed stage founders
Typical duration	3-6 month fixed-term program
Support provided	Community, mentorship, education, networking, and funding
Funding	Typically $50K to $300K
Equity stake	5-20%
Subcategories	Independent or aligned to corporate, VC fund, university, or government branch. General in nature or focused on a specific industry group or serving certain demographics
Business model	Heavily dependent on mission-aligned organisations or government grants, plus fee income from an attached fund structure, given that the bulk of economic return accruing is via investment outcomes

Accelerators play a unique role beyond capital

“The cohort-based model of accelerator investment presents a real opportunity to address the systemic biases that see such a large amount of funding flow to male founders.

We were proud that 83% of our Techstars companies had at least one woman founder - setting a new benchmark for Australian accelerators!”

Kirstin Hunter

Managing Director
Techstars

“What does the startup world need? Believers. Right at the beginning.

The most lazy VC rejection is “you’re too early”. Finding founders before anyone else believes in them is what gives VCs the right to invest and leads to outsized returns.

Find the rough, unpolished gems before they are obviously shiny to the common eye - anyone can buy a diamond in the shop, but can you unearth it? It takes patience, skill and courage. We need more First Believers.”

Michael Batko

Chief Executive Officer
Startmate

“Australian startups have proven they can punch well above their weight globally, with the third-highest liquidity behind the US and China.

However, the reality for many founders is that building and scaling companies here remains challenging. Smaller raises, sluggish growth, and lower valuations require founders to cultivate a global mindset from day one.

Navigating these dynamics whilst securing offshore capital demands resilience and a strategic approach to building global businesses. For many founders, this includes leveraging networks worldwide, validating flexible, borderless business models, and securing funding from local investors who understand the complexities of scaling globally.”

Mike Abbott

Partner
Antler

An evolution for accelerators

The last 24 months have seen Accelerators adapt and evolve from the original Y Combinator model

While the market for generalist accelerators has become smaller, there remains a place for those who have excelled over the past two decades. Established accelerators, particularly those that were early to the market, continue to benefit from significant network effects and strong alumni networks, allowing them to maintain relevance despite a more competitive landscape.

For the broader market, however, we've seen a clear breakout in specialisation. In Australia, the major areas of focus include industry-specific programs, female founder initiatives, university-led accelerators, corporate-backed models, and government-funded programs.

In today's tighter funding environment, accelerators are becoming a more attractive option for founders, particularly those who need additional traction to appeal to investors and secure funding.

To stay competitive, all accelerators are being pushed to evolve their offerings. Programs are shifting toward a more practical approach, prioritising support for startups to land early customers and demonstrate real growth. Metrics that worked in the past – such as high-level traction – are no longer sufficient.

> "In a challenging fundraising environment we've seen founders increasingly recognise that a more sophisticated approach to capital raising is needed. As a result, there's been more focus in the startup ecosystem on investment readiness, moving beyond pitch prepping to a much more granular focus on how to tackle the many challenges of raising capital. When founders understand investment criteria and processes, know what questions to ask during reverse due diligence, and what to look out for in a term sheet, the traditional power imbalance between investors and founders becomes more evened out.
>
> Overall, we're hoping to see due diligence streamlined for both parties, less time spent raising, more rounds closed, and ultimately, startups having more impact."

Audun Fiskerud

Program Lead
EnergyLab

The future of accelerators: differentiation and impact

Partner Insights

The Australian accelerator landscape has evolved rapidly in the past decade, with generalist powerhouses like Techstars and Startmate building strong legacies. However, as free resources become increasingly available, key questions emerge: what is the future of accelerators? Will generalist models thrive, or does the future lie in specialisation?

A new era of specialisation

As online resources become abundant, startups will increasingly seek tailored support that goes beyond standard playbooks. Remarkable's 10-year focus on disability tech has been ahead of this shift.

By specialising, Remarkable addresses the unique challenges of startups improving the lives of people with disabilities, a market valued globally at over $US13 trillion.

Focused accelerators provide unmatched value through:

- **Tailored support:** Individualised pathways that meet startups' specific challenges.
- **Deep expertise and connections:** Relevant mentors, investors, and market access.
- **Strategic capital:** Investment aligned with mission and market needs.

This approach drives measurable impact, with Remarkable alumni securing $100m+ in funding and directly improving the lives of over 1 million people with disability globally.

Speed: a founder's most valuable resource

Time is a founder's greatest asset. Accelerators fast-track access to networks, knowledge and capital, and niche-focused programs magnify these gains, helping founders move further, faster.

Remarkable mentors and coaches already deeply understand, and are passionate about, the nuances of the disability sector. This level of relevant, context-specific support allows founders to bypass the inefficiencies of explaining, educating, or securing buy-in from individuals unfamiliar with the industry.

Whether it's an investor who already understands the market potential of assistive technology or a mentor who can anticipate regulatory hurdles unique to the space, the program is designed to remove friction and accelerate progress.

Remarkable's focused approach enables founders to skip ahead, unlocking relevant expertise, experience and networks immediately, saving critical time. The ability to compress learning curves and unlock tailored insights early in a startup's journey is not just a nice-to-have, it's a crucial differentiator.

The power of community

Community remains a cornerstone of accelerator success, and niche programs unlock the greatest value for founders through cultivating diverse, yet relevant communities.

- **Diverse and cohesive cohorts:** Founders are often each other's biggest support, coming with a wealth of expertise and knowledge to collaborate, problem-solve, celebrate wins, and find a sense of belonging.
- **Mission-driven networks:** Coaches, mentors, investors and connectors with a shared vision amplify outcomes and drive greater impact.
- **Building ecosystems:** Accelerators should not just support startups; they should build and strengthen the local and global ecosystem surrounding them.

Remarkable's model demonstrates that fostering a targeted, mission-driven community not only supports founders but builds businesses that create meaningful change.

The future: evolving for impact

The future success of accelerators relies on the ability to evolve and adapt to changing needs of founders. To remain relevant and impactful, accelerators must go beyond traditional models, offer differentiated value, foster diverse and inclusive cohorts, and strengthen the ecosystems around them.

By focusing on deep sector expertise, tailored support, and unlocking networks at speed, programs like Remarkable demonstrate how specialised accelerators drive real outcomes and may emerge as the most sustainable model. As the startup landscape becomes more competitive and resource-rich, those that continually refine their value proposition and prioritise founder success will shape the next wave of innovation.

Emma Earley

Global Head of Programs
Remarkable

The new normal for venture studios

The perception of venture studios has seen a notable shift in 2024, following more local startups graduating and going on to raise venture back rounds.

More founders, particularly those with limited technical skills but the subject matter expertise, are turning to venture studios to help bring their ideas to life and work as a ‘co-founder’ rather than an agency.

Tailwinds for the venture studio segment

01. Co-existing with venture capital

Venture capital engagement with startups emerging from studios is rising. The stigma once associated with studio-backed startups is diminishing, unlocking more investment and growth within the space.

02. Specialisation to de-risk market entry

Market or industry specialist studios, with their networks, existing data, and insights, can de-risk market entry by delivering pilot programs and beta products efficiently.

03. Access to talent

Successful studios, akin to seasoned founders, can attract talent that 'idea stage' companies typically cannot access. Coupled with specialist in-house support, this provides startups with a distinct talent edge.

04. Founder-friendly terms

Studios have recognised that a startup's initial funding terms and cap table condition are crucial for future investment attraction. Many now stand out by proposing more founder-friendly terms, aligning long-term interests effectively.

> “Venture studios remain a nascent but rapidly evolving part of the ANZ startup ecosystem. 2024 saw over AU$40m raised by venture studio portfolio companies, including Tracksuit, Marmalade, and Ideally. Studio-backed companies such as these have highlighted the potential for best-in-class growth and lower failure rates.
>
> This is consistent with global data on venture studios which shows strong IRR performance for studios due to these two factors. This year’s record funding for Studio-backed startups is enabled by shifting VC perceptions of studios which is unlocking new funding and growth pathways for studio-backed startups. While many new venture studio models are being tested (not all of which will succeed) the growing interest and early results demonstrate that the venture studio model is here to stay.”

Antony Ede

Partner
New + Improved Ventures

Venture studios: the rise of an underdog

Partner Insights

In 2024 we saw a hugely positive swing in sentiment towards the Venture Studio model. Many Venture Studio spinouts made their mark; Paloma's portfolio, for example, surpassed $250m in value and success stories like Marmalade (and Tracksuit from our peers, TRA Labs) provided evidence that the Venture Studio model has the potential to become one of the largest sources of value creation in the Australian tech industry.

The horror stories of pillaged cap tables and poor-quality work that once haunted the category have diminished this year and we've found high calibre founders are increasingly viewing the Venture Studio model as their first choice when it comes to building their startup. On the investor side, whilst some VCs still cling to ingrained beliefs about the superiority of an in-house team, most are now actively engaging with us to source high-quality deal flow.

As ecosystem trust continues to grow, Venture Studios are beginning to cement their position.

So, what can we expect from 2025?

Demand for model transparency

As the popularity of the model grows, we expect more and more Venture Studio players to pop up in 2025. We also expect that founders will be demanding transparency around terms and true founder friendliness from the partner they choose.

For us at Paloma, a good Venture Studio must ensure incentives are 100% aligned with the venture. In practice, this means only being incentivised through equity (and not through misaligned fee structures).

It's critical for founders to have visibility over how a Venture Studio operates, and how this contribution will be compensated. A good Venture Studio is deeply in the weeds with founders and only experiences upside when the Venture does well.

More cash to splash

Venture Studios contribute both capital and people in order to greatly accelerate the growth of a startup.

In 2024 we began writing more significant cheques through our fund. We expect this trend to continue into 2025 as we (and other venture studios) raise larger funds and increase our capacity to back our ventures from day 0.

Startup darlings

Globally speaking, startups created in Venture Studios are thriving. They achieve Seed funding twice as fast and exit 33% quicker than conventional startups1.

The US leads the charge with a more mature scene, emboldened by success stories including Snowflake and Medium.

Australia's ecosystem hasn't yet had the same runway as its global peers but we're seeing strong predictors of success.

Paloma has grown total portfolio revenue from $5m to $43m in just three years (representing 19% compound growth on a quarterly basis). Our portfolio companies are also reaching $1m ARR in about 20 months, far quicker than the industry benchmarks.

Paloma's portfolio is expected to hit $500m in 2025, and we think it's only a matter of time before the model creates a venture valued at over $1b, right here in Australia.

Ultimately the success of Venture Studios in Australia comes down to track record. 2024 has laid the foundations and built trust in the model. In 2025 we aim to demonstrate that this model has the potential to become one of the best sources of venture creation in the Australian tech scene. The proof is in the pudding after all.

Poppy Trewhella

Partner
Paloma

---

[1] https://inniches.com/startup-studios-research

Appendices

Acknowledgments

This report would not be possible without the generous support of countless individuals and organisations who helped make it happen.

Chris and Alister would like to thank to Laura Warden, Rochelle Ritchie, Simon McKendry, Kristine Pangilinan, Haris Qureshi, Jamyson Gouveros, Esha Arora, and Ananya Dave for their time and dedication in compiling the fourth edition of The State of Australian Startup Funding report.

Laura Warden

Head of Operations
Folklore Ventures

Rochelle Ritchie

Marketing and Communications Manager
Folklore Ventures

Simon McKendry

Director
Cut Through & OnePitch

Kristine Pangilinan

Research Associate
Cut Through Venture

Haris Qureshi

Founder
This Week in Australian Startups

Jamyson Gouveros

Esha Arora

Ananya Dave

Cut Through Venture Summer Associates

We'd also like to thank the 126 venture capital funds, angel syndicates and ecosystem champions who collaborated with us, as well as the hundreds of members of the startup community who shared their insights by completing our surveys.

Finally, thank you to the sponsors of the report, **Corrs Chambers Westgarth**, **HSBC**, and **KPMG**, **QIC**, **Investment NSW**, **LaunchVIC** and **The Australian Investment Council** for supporting the Australian startup ecosystem.

Methodology and Disclosure

Startup funding data

Cut Through Venture provided the equity funding data in the report. Cut Through Venture gathers funding data from various publicly available sources, including press releases, social media, and investor memos. Data is also provided directly to Cut Through Venture by Australian startup ecosystem participants, including investors and founders. To be included in the Cut Through Venture data set, all deals must be validated by ASIC filings, an investor or founder involved, or via a press release citing parties to the deal.

To be included as a funding event, the transaction must result in an infusion of capital into the startup, in return for the investor taking equity in the business. Exits, grants, prizes, venture debt, and secondary equity transactions are excluded from the data. Best efforts were made to exclude these funding sources; however, mistakes may have been made.

Cut Through Venture uses publicly available information, including LinkedIn and company websites, to augment the deal data collected. This additional information includes information about the founders of the startup and background information on the startup.

Survey data

Survey data was collected from:

- 168 venture capitalists and other professional startup investors
- 392 startup founders
- 256 angel investors

All survey responses were anonymous, and the survey collected no Personally Identifiable Information. Participants were asked to self-select their gender identities and provide information related to their age, location, and demographic information for analysis purposes. All questions were optional. Given the anonymity of the responses, it was not possible to validate the authenticity of the responses. The survey tool used was JotForm.

Interviews

The report team conducted several interviews with investors and ecosystem leaders on the basis that the perspectives they gave were given without attribution. These insights helped shape the narrative of the report.

Images

Images in this report were sourced from Unsplash and are royalty free. Profile photos in the report were created by a freelance artist.

Disclosure

This report was prepared based on data and other information from sources believed to be reliable but Cut Through Venture does not warrant its completeness or accuracy. Any opinions and estimates constitute the judgment of the contributors as of the date of this material and are subject to change without notice. This report does not provide any financial product or investment advice, does not consider the investment objectives, financial situation, or needs of any person, and is not intended as an offer or solicitation for the purchase or sale of any financial instrument.

The editor of this report, Chris Gillings, is an investor at Five V Capital and Cut Through Angels. He is an investor in some of the startups and a Limited Partner in some of the funds mentioned in this report.