

# THE FUTURE AT RISK: CANADA'S SHRINKING STARTUP PIPELINE

 Leaders Fund

With support from  
Specter

Copyright 2025

# Table of Contents

<u>Executive Summary</u>	3
<u>Key Insights</u>	5
<u>How Healthy is Canada's Startup Pipeline?</u>	6
<u>Where are Canada's Founders Building?</u>	9
<u>A Tale of Diverging Outcomes</u>	11
<u>A. Total funding</u>	11
<u>B. Graduation rates</u>	12
<u>C. Pace and momentum</u>	13
<u>D. Round sizes</u>	14
<u>E. Use of non-dilutive funding</u>	15
<u>COVID and Canada's Slow Recovery</u>	16
<u>Creating the Conditions to Win</u>	17
<u>Methodology</u>	19
<u>About Leaders Fund</u>	20

# Executive Summary

There's been no shortage of discussion about the health of Canada's tech ecosystem. I've avoided jumping in, preferring to put my head down and work. But in recent years, I've had a nagging feeling that Canada is losing ground in the key areas that anchor the foundations of a healthy ecosystem: rates of company formation, strong funding partners, effective government support, and ultimately, the creation of globally competitive companies.

The Canadian startup pipeline seems to be shrinking while other ecosystems seem busier than ever. Among Canadian-focused VC peers, I've noticed a telling shift in their language from "we invest in Canadian companies" to "we invest in Canadian founders, wherever they reside." I personally know many founders who have moved to the US to start their companies.

Until now, the conversation has largely been based on vibes and anecdotes. So with support from our friends at Specter, a database that tracks global startup activity, we dug into the data and set out to answer whether there were actual observable trends worthy of discussion. We studied overall company formation, and dove into 2,932 venture-backed companies founded by Canadians who have raised more than \$1M USD between 2015 and 2024. For this analysis, startups that raised over \$1M USD were considered "High-Potential." While data from 2023 and 2024 will continue to evolve as companies disclose rounds, the trends are already clear, and they are alarming. The headline is this:

**COVID was a massive dislocating event for Canada, and we're losing ground.**

The data points to two critical findings:

## **1. Canada's startup engine is stalling while peers surge ahead.**

In 2015, the US produced 11x as many High-Potential startups as Canada. By 2024, that multiple had increased to 45x.

Canada's share of High-Potential companies created among the US, EU, and Israel slipped from 4.3% in 2015 to 3.8% in 2020. By 2024, that figure had fallen to 1.5%. Over the same period, the US increased its share from 55.2% in 2015 to 57.3% in 2020, and 68.2% in 2024.

In other words, Canada is contributing fewer of the world's High-Potential startups, decreasing the chances of building homegrown breakout firms and all the benefits they bring.



## 2. Founders are increasingly starting their companies abroad.

From 2015-2020, roughly 70% of Canadian-founded High-Potential startups were launched in Canada. By 2024, that number had fallen to 32.4% while nearly half (48%) were started in the US. On average, the US-based Canadian founders raised nearly twice as much capital and progressed through funding stages at much higher rates.

COVID clearly awakened something in many founders that made them believe Canada may not be the best place to build. Here's the thing: I don't blame any entrepreneur for making a decision they think is in their best interest. In any industry, being in the cluster improves the odds of success, and in tech, that cluster is and has always been Silicon Valley. Many founders, frustrated by some of the restrictive COVID policies in the world, and a general contempt towards their success, simply left.

We need to reverse these trends and grow our share of exceptional founders who choose to build in Canada. **Founders matter.** They create jobs, attract investment, and anchor the ecosystem. Winning begets more winning. Strong economies thrive on activity, competition, and functioning systems. **Without a strong pipeline of startups, we risk fewer jobs, less investment, and a shrinking chance of building the next generation of global champions.**

This isn't just a 'founder' problem though. Canadian investors often undervalue homegrown opportunities, hesitate until others lead, and leave room for American investors to step in and reap the benefits. We need to see and back the talent we have here early, and take more risk. Well-intentioned government programs like SR&ED bog down startups with process instead of helping them grow, or fund applicants who take advantage of the system.

If we believe startups are critical to the prosperity of our country, and I wholeheartedly do, we need to act with urgency. We can't rely on founders' nationalistic pride as the reason they build here. Canada simply must offer a better product to keep them.

Recent policy changes in the US highlight how much ecosystems are shaped by deliberate choices. Their new \$100K H-1B visa fee makes it harder for companies to bring talent south. Our window of opportunity, to lower barriers to building while the US raises them, is now. We should consider radical changes like eliminating capital gains on startups, making Canadian tech purchases tax deductible, channeling government resources into key industries we have the right to be #1 in, and maybe even put Tobi Lutke's face on the \$5 bill (I'm not joking). We need to celebrate our successes, not vilify them, and take bold decisive action to jolt us out of this stupor we're in.

Sincerely,



Gideon Hayden  
Co-founder and Managing Partner  
Leaders Fund

# Key Insights

Since the COVID pandemic in 2020:

## Canada's startup engine is stalling while peers surge ahead.

COVID shook tech ecosystems worldwide, and while the US, the EU, and Israel rebounded, Canada has failed to recover.

**45x**

more startups raised  
\$1M+ in the US  
than Canada

## Founders are increasingly starting their companies abroad.

In 2024, nearly half (48%) of companies founded by Canadians that raised more than \$1M were headquartered in the US.

### CANADIAN FOUNDERS IN THE US

raise

**2x**

the amount  
of capital.

reach Series B

**9**

months  
earlier.

### HOW TO UNLEASH CANADA'S TECH ECOSYSTEM

#### 1. Eliminate capital gains on startups.

Make exits tax-free for founders, employees, and investors to create an incentive to build in Canada.

#### 2. Adopt a "Buy Red" mentality.

Encourage Canadian companies to buy Canadian tech, and offer tax credits to incentivize them.

#### 3. Let 1,000 companies bloom.

Invest boldly in priority sectors and let the market decide on the winners.

#### 4. Bring founders to the table.

Create a committee of entrepreneurs to redesign grants and tax credits to actually work for startups.

#### 5. Invest in future leaders.

Cultivate leadership capacity to nurture builders who understand how prosperity is created and how to lead.

#### 6. Put Tobi Lutke on the \$5 bill.

Celebrate Canadian tech icons to inspire ambition and embrace winning.

# How Healthy is Canada's Startup Pipeline?

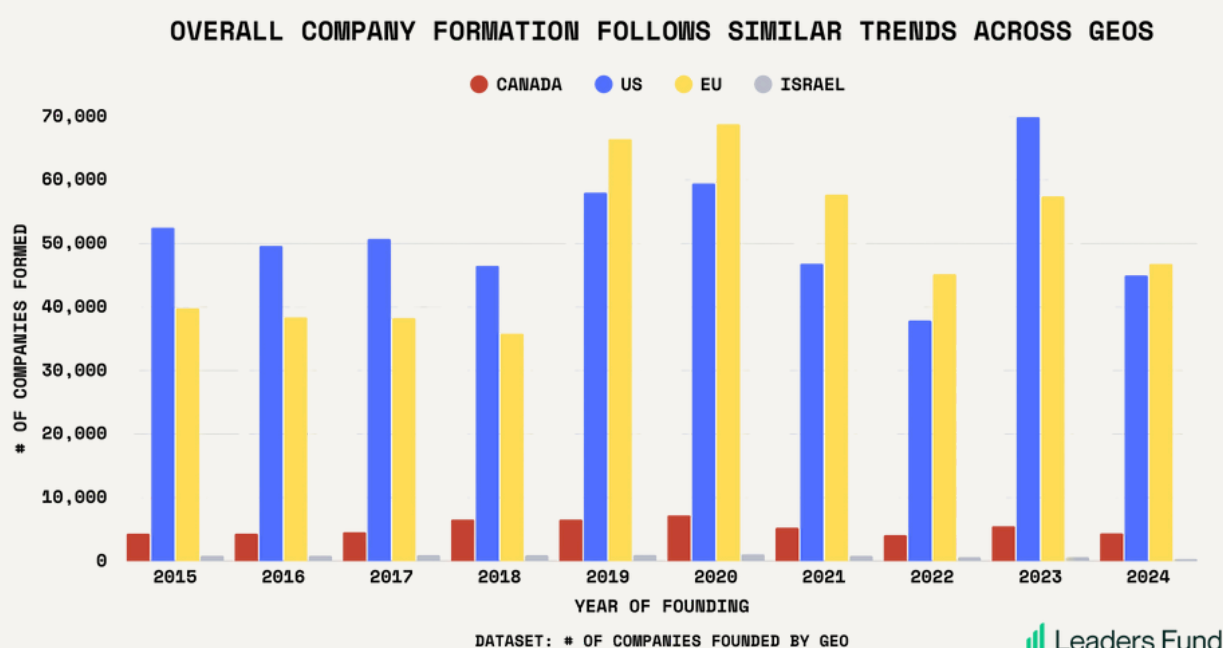
Company formation is a leading indicator of how productive a startup ecosystem will be over time. The power law applies here: a few breakout companies can outweigh hundreds of small ones. Shopify alone has generated more enterprise value than thousands of average startups combined. The catch is that in 2006, no one could have predicted the company's trajectory that has led to the creation of \$200B+ of enterprise value. The only reliable strategy is to maximize "shots on goal": the more companies we form, the greater our odds of producing the next global leader.

So how many startups are we actually creating and how does Canada compare internationally?

## Overall Startup Activity

We compared overall company formation across Canada, the US, the EU, and Israel. We find Israel to be especially interesting because it has one of the world's most dynamic tech ecosystems, producing a high proportion of global leaders despite its small population.

We found that formation trends look broadly consistent across geographies through the 2010s, with all ecosystems taking a hit after COVID in 2020.

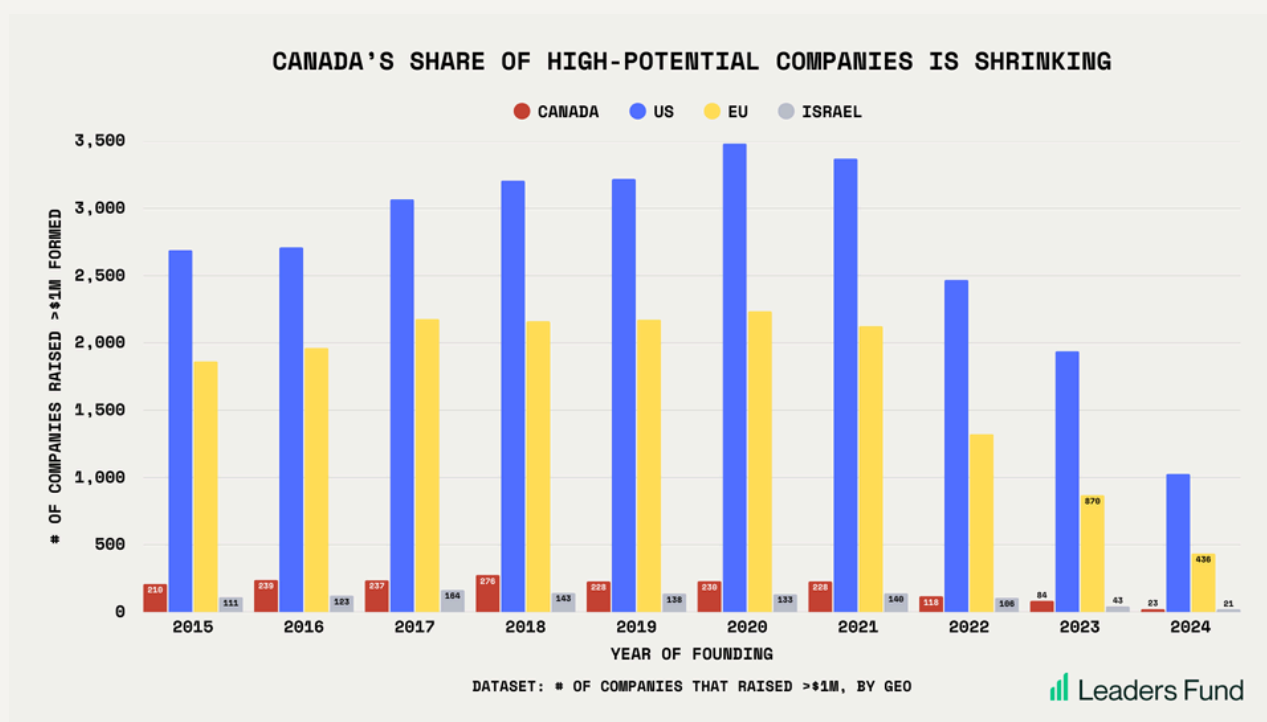


## High-Potential Startup Activity

Overall company formation is only one lens. To gauge the strength of those cohorts, we looked at companies that raised more than \$1M USD (for the purpose of this brief, we will refer to startups that raised more than \$1M USD as “High-Potential” startups).

The relative differences across geographies are revealing: all regions experienced a decline in activity after COVID, but Canada’s share of High-Potential companies continued to fall as the US, the EU, and Israel pulled further ahead.

**Canada is falling further behind its peers in producing High-Potential startups.**



### CANADA'S SHARE OF HIGH-POTENTIAL COMPANIES IS SHRINKING

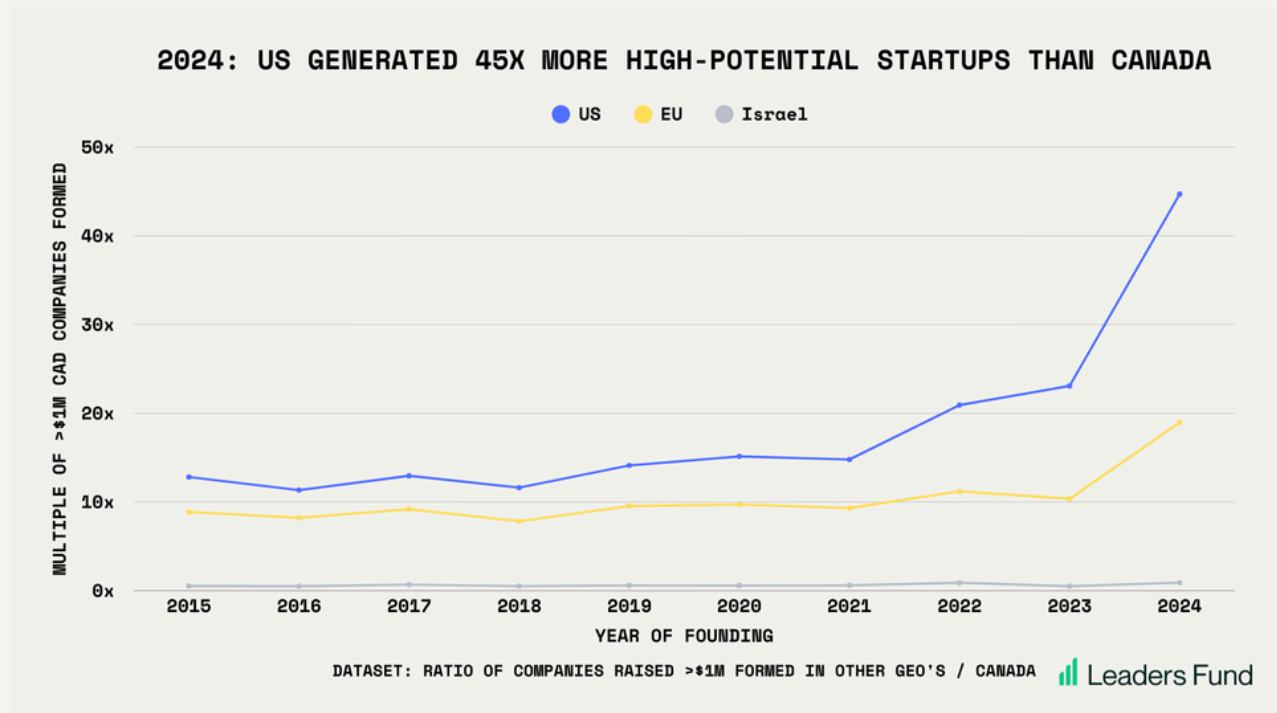
	CANADA	US	EU	ISRAEL
2015	4.3%	55.2%	38.2%	2.3%
2016	4.7%	53.8%	39.0%	2.4%
2017	4.2%	54.3%	38.6%	2.9%
2018	4.8%	55.4%	37.4%	2.5%
2019	4.0%	55.9%	37.8%	2.4%
2020	3.8%	57.3%	36.8%	2.2%
2021	3.9%	57.5%	36.3%	2.4%
2022	2.9%	61.5%	32.9%	2.6%
2023	2.9%	66.0%	29.6%	1.5%
2024	1.5%	68.2%	28.9%	1.4%

Dataset: % OF COMPANIES FORMED THAT RAISED >\$1M, BY GEO

Leaders Fund

We looked at the ratio of High-Potential startups in the US, the EU, and Israel compared to Canada. From 2015 to 2020, these ratios were relatively stable. In 2020, however, they diverged sharply, with other countries producing companies that reached that benchmark at much higher rates than Canada.

**Until 2020, the US produced 11-15x the number of High-Potential Canadian startups. By 2024, that multiple had jumped to 45x.**



## Startup Funding Success Rates

We examined the share of all companies formed that went on to raise more than \$1M. Israel outperformed every other ecosystem: in 2022, 16.7% of new companies crossed that mark — double the US hit rate and 8x that of Canada.

**CANADIAN COMPANIES ATTRACT FUNDING AT LOWER RATES**

	CANADA	US	EU	ISRAEL
2015	4.8%	5.1%	4.8%	12.6%
2016	5.5%	5.5%	5.1%	14.3%
2017	5.2%	6.0%	5.7%	17.2%
2018	4.2%	6.9%	6.0%	15.3%
2019	3.5%	5.6%	3.3%	13.8%
2020	3.2%	5.9%	3.3%	12.1%
2021	4.3%	7.2%	3.7%	16.8%
2022	2.9%	6.5%	2.9%	16.7%
2023	1.5%	2.8%	1.5%	6.3%
2024	0.5%	2.3%	0.9%	5.7%

DATASET: % OF COMPANIES FOUNDED RAISED >\$1M, BY GEO  
Leaders Fund



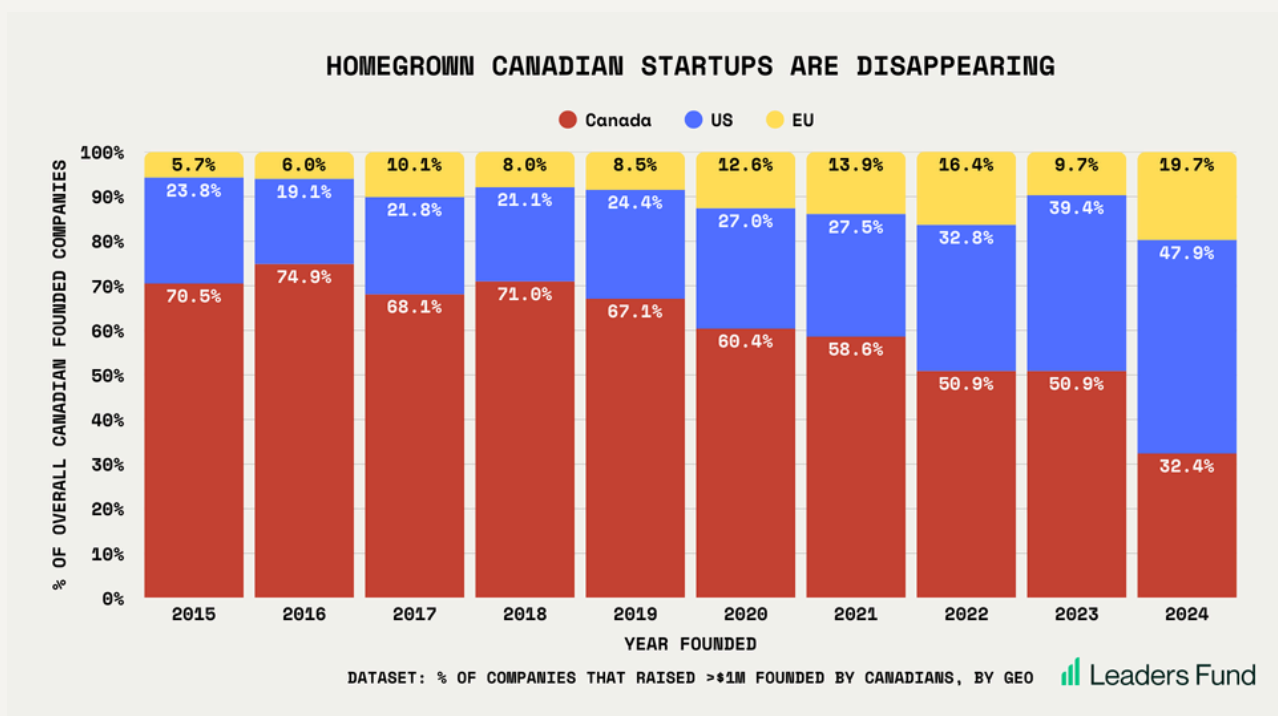
# Where are Canada's Founders Building?

The challenge in answering this question is that there's no dataset I'm aware of showing how many Canadians living abroad have founded tech companies. To approximate this, we looked at where founders were educated to give us a strong proxy of whether a company could have been founded in Canada. The dataset is segmented as follows:

1. **Canada** = Canadian HQ companies regardless of education
2. **US** = Canadian-educated founders, HQ in the US, where the founding team is > 50% Canadian educated
3. **EU** = Canadian-educated founders, HQ in the EU, where the founding team is > 50% Canadian educated

We focused on High-Potential Canadian companies because access to capital is a critical ingredient for long-term success, and these are the companies most likely to scale. Of course some of the best companies are bootstrapped, and this analysis would not capture those, but we believe this is representative of the trend.

From 2015 to 2020, about 66%-75% of High-Potential companies founded by Canadians were based in Canada. Starting in 2020, coinciding with the COVID pandemic, that number began to drop precipitously: 60% in 2020, 59% in 2021, and 51% in both 2022 and 2023. By 2024, fewer than one-third (32%) were headquartered in Canada, compared to nearly half (48%) in the US and one-fifth (20%) in the EU.



The data will continue to evolve as companies disclose rounds, but the trend is already clear:

**In 2024, for the first time, more Canadian-educated founders raised more than \$1M in the US than in Canada. At least so far.**

To assess performance, we examined the success rate of companies specifically founded by Canadians based on where they are headquartered, regardless of how much they have fundraised. The performance gap is massive. Of all companies founded in Canada, an average of just 3.6% went on to raise more than \$1M. Among companies founded by Canadians abroad, the hit rate is far higher: 26% in the US and 19% in the EU.

CANADIANS WHO START THEIR COMPANY ABROAD RAISE AT HIGHER RATES			
	CANADA	US	EU
2015	4.8%	32.7%	15.3%
2016	5.5%	27.1%	18.8%
2017	5.2%	30.4%	22.0%
2018	4.2%	28.7%	22.1%
2019	3.5%	28.2%	21.6%
2020	3.2%	29.4%	23.0%
2021	4.3%	30.8%	28.7%
2022	2.9%	25.5%	22.5%
2023	1.5%	15.1%	7.0%
2024	0.5%	10.6%	9.2%
Average	3.6%	25.8%	19.0%

DATASET: % OF COMPANIES FOUNDED RAISED >\$1M, BY GEO

Leaders Fund

It's impossible to say whether higher fundraising rates reflect the strength of those ecosystems or simply the quality of the founders who choose to build there. What's clear is that Canadian-educated founders abroad seem to raise money at higher rates than those in Canada.

Where founders choose to build matters. The next section discusses how that decision determines their access to capital, pace of scaling, and ultimately their odds of success.



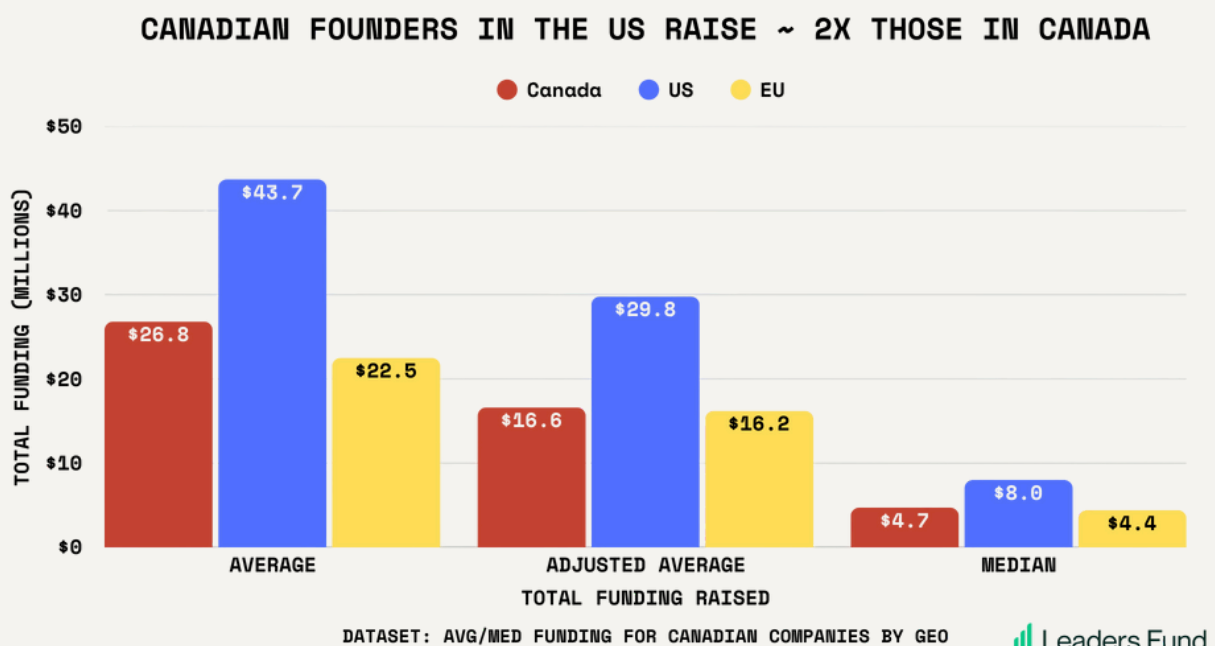
# A Tale of Diverging Outcomes

An analysis of companies founded by Canadians between 2015 and 2024 reveals clear differences across key indicators based on where they're located, from total funding raised and graduation rates to funding rounds, round sizes, and use of non-dilutive capital. This dataset strictly looks at the companies that have raised more than \$1M. All figures in USD.

## A. Total Funding

From 2015-2024, companies inside Canada raised on average \$26.8M in total funding, compared to \$43.7M for those Canadian founders based in the US and \$22.5M for the EU. The gap between Canadian and US performance holds even after adjusting the average to remove the top 1% of mega-funded outliers: \$16.6M in Canada, \$29.8M in the US, and \$16.2M for the EU. The same pattern appears for the median level of funding: \$4.7M in Canada, \$8.0M in the US, and \$4.4M in the EU.

No matter how you slice it, **Canadian startups founded in the US raise almost twice as much capital as those founded in Canada.**

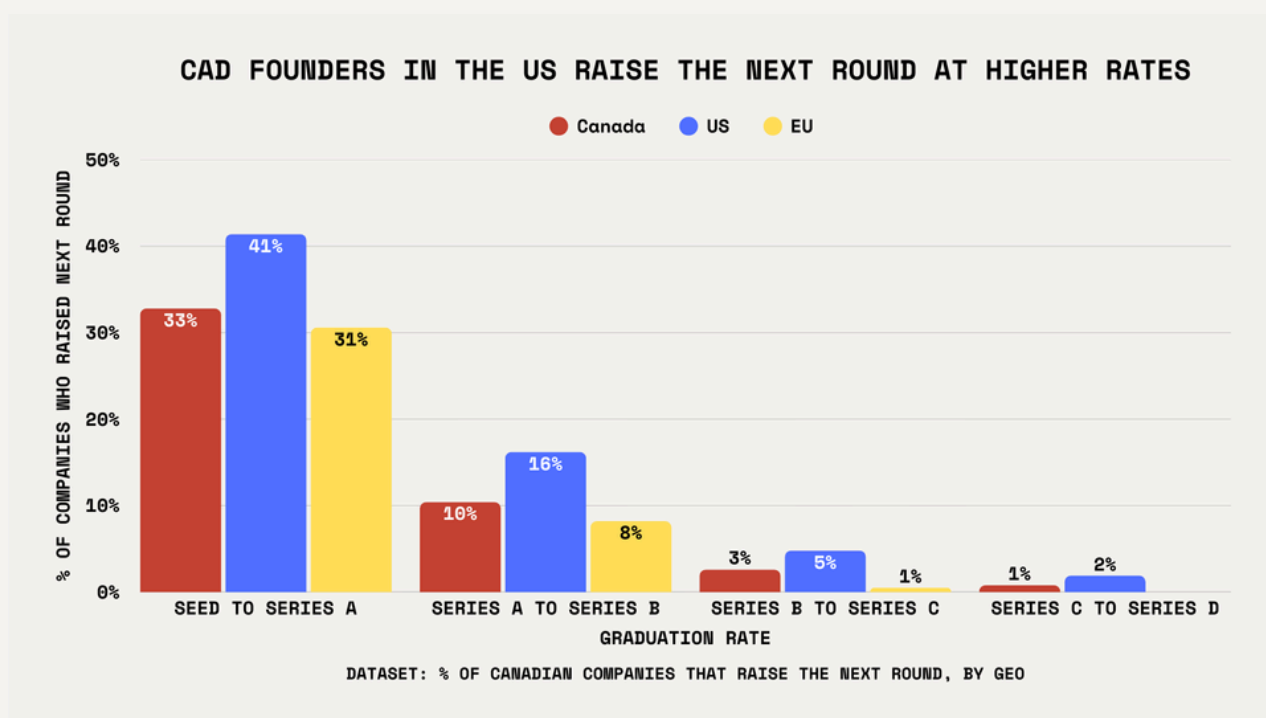


## B. Graduation Rates

While funding gaps between Canada and the US are clear, there's also a real divergence when we look at progression through the funding stages.

Our analysis shows that companies founded in Canada are less likely to advance beyond the early rounds than those who build in the US, and if they do, it takes longer. In other words, fewer Canadian-based companies ever reach the larger, later rounds that drive scale. This pattern also helps explain the gap in total funding:

**It isn't simply that rounds are smaller in Canada, it's also that more companies stall out before they get the chance to raise bigger rounds.**



### C. Pace and Momentum

Graduation rates show if companies advance; pacing shows how quickly they get there. Here, too, the gap is clear: Canadian-based startups take longer to move between funding rounds.

From initial funding to Series A, Canadian companies have a median gap of 30 months, compared to 24 months in the US and 27 months for the EU. That's 25% longer than the pace in the US.

The gap persists at later stages as well. From Series A to Series B, Canadian startups take a median of 32 months, compared with 29 months in the U.S. and ~31 months across the EU.

From Series B to Series C, Canadian startups move at roughly the same pace as their international peers: about 30 months in Canada and the EU, compared to 27 months in the US. (Note this could reflect the small sample size or that the few Canadian companies reaching Series B tend to have strong momentum.)

**By the time a Canadian startup reaches Series B, its US-based counterpart has had roughly a 9-month head start in the market.**

CANADIAN  
STARTUPS ENDURE

9

more months

OF RUNWAY TO FINANCE BEFORE MAJOR FUNDING

FOR US COMPETITORS TO PULL AWAY

OF UNCERTAINTY FOR FOUNDERS AND EMPLOYEES



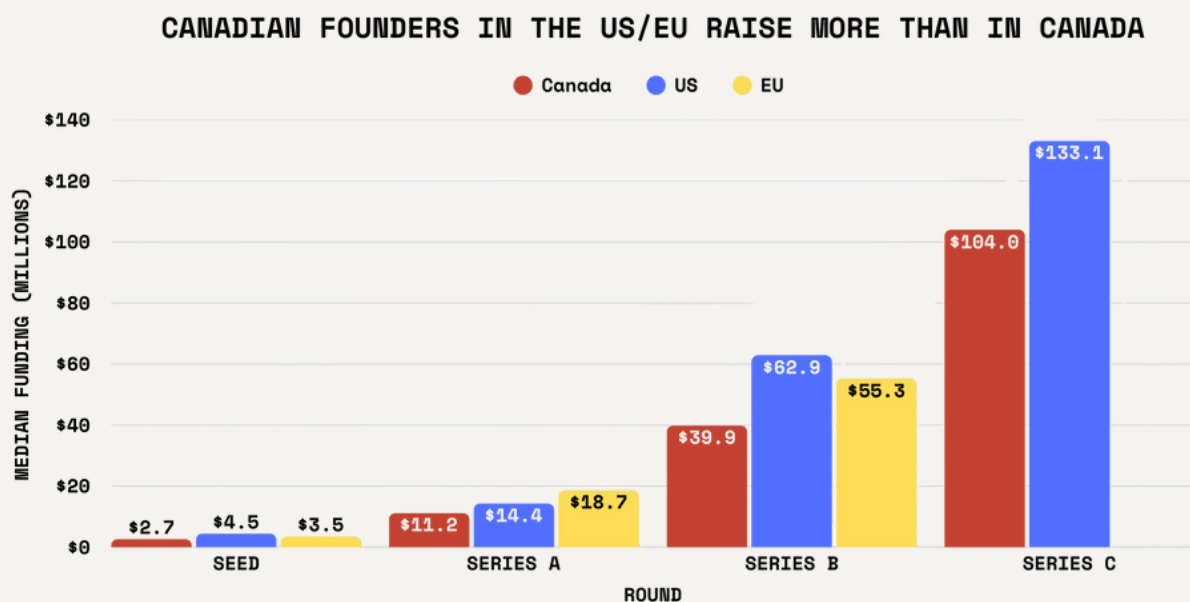
## D. Round Sizes

Faster pacing can create an advantage, but round size determines how much fuel is in the tank for the next stage. Canadian startups consistently raise smaller rounds than their Canadian-founded US peers.

At the Seed stage, Canadian-based companies raise a median of \$2.7M — just 59% of the US median (\$4.5M). The gap persists but shrinks at Series A, with \$11.2M in Canada (78% of the US median of \$14.4M).

By Series B, the difference increases again: \$39.9M in Canada, or 63% of the US median of \$62.9M. At Series C, the US maintains its lead: \$104M in Canada versus \$133.1M in the US (78%).

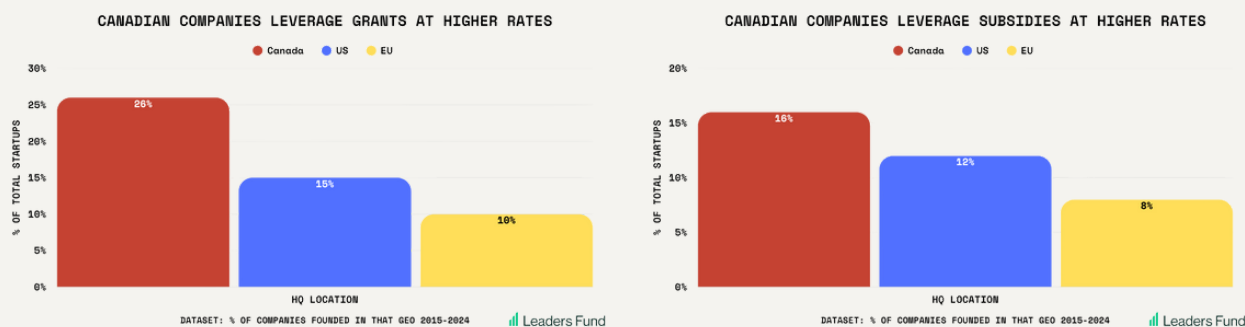
**At every stage, Canadian-based startups are at a capital disadvantage relative to their US counterparts.**



DATASET: MEDIAN ROUND SIZES BY ROUND, CANADIAN FOUNDERS, BY GEO Leaders Fund

## E. Use of Non-Dilutive Funding

Smaller early-stage rounds often push Canadian-based founders to look beyond equity, and the data shows they turn to grants and government programs far more than their international peers.



This makes sense: Canada has an extensive network of federal and provincial programs like IRAP, SR&ED tax credits, and regional innovation grants. Many early-stage startups use these to extend runway without giving up equity.

On the surface, this heavy use of non-dilutive capital speaks to the strength of Canada's public support system. But it also raises a harder question: Are we seeing the outcomes we'd expect to get a return on investment from these programs? Why aren't we seeing stronger commercialization outcomes?

The reality is that these programs often operate on a different timeline than the companies they aim to support. Application and processing times can be lengthy, and even after approval, it may take months or even years before funds are disbursed. For founders moving quickly to capture market opportunities, these delays can shape how and when government funding is used.

Non-dilutive capital can be a lifeline, providing crucial months of runway, reducing dilution, and enabling longer development cycles before the next equity raise. However, if these capital sources are not accessible or if they are abused and misallocated, they create more harm than good. As an example, Canadian taxpayers spend \$5B a year on SR&ED and often that IP ends up leaving the country. It makes no sense that Canadian taxpayers fund research being monetized elsewhere.

# COVID and Canada's Slow Recovery

It's hard to overstate the impact COVID had on Canada's tech ecosystem. Across every measure, 2020 marked a sharp downturn for Canada. And while other geographies rebounded, we didn't.

For anyone paying attention this probably isn't a huge surprise. Across the US, Israel, and Canada, one striking difference was how much longer Canadian startups took to return to the office and reignite the intensity needed to compete globally. That delay still echoes in the data.

Canada also faced unique headwinds. Our restrictions and lockdowns were among the longest in the world. At the same time, the rise of remote work lowered the barriers to relocating, and the US became the main beneficiary.

COVID was a clear turning point: what began as a temporary shock has left a lasting drag on our innovation economy.

There are signs of renewed energy in the ecosystem, but until that translates into more breakout companies, the story won't change. Talking about "being back" won't matter unless and until we start producing winners at a higher rate.

# Creating the Conditions to Win

Canada's ability to produce world-class talent is not in question. The challenge, and the opportunity, is to capture more of the economic and societal value that talent creates here at home. Talent may be our greatest export, but when commercialization happens abroad, so do the jobs, tax revenue, and ecosystem benefits.

Recent US policy changes are a reminder that ecosystems are shaped by deliberate choices. The new \$100K H-1B visa fee will add real costs for companies bringing talent south. Now is the time to make it easier to choose Canada by offering a better product to founders. This needs to be a place where ambitious entrepreneurs believe that staying is the best choice for their company and future. The more founders we can convince of that, the better the odds are that the next Shopify is built here. Winning begets winning, and our goal should be to create the best conditions possible for founders to win at home.

## How to Get Canada's Tech Ecosystem Back on Track:

- **Eliminate capital gains on startups:** Introduce a more aggressive Canadian version of the US Qualified Small Business Stock, which allows shareholders in small businesses to pay 0% capital gains tax on exits, on shares held for more than 5 years. If founders, employees, and investors could work hard and win tax free that would be a massive incentive to build here.
- **Adopt a “Buy Red” mentality, make it tax deductible:** In Israel, most startups raise locally and reach their first few million of ARR with Israeli customers. They call it “Buy Blue,” and it helps startups land early design partners who define the product and become customers, which allows them to raise money, and scale. Canada needs its own “Buy Red” culture that supports our founders at home while also challenging them to be more ambitious and competitive on the global stage. We should be far more willing to test, design, and buy each other's products (assuming they're the best option), while also challenging each other to win abroad. **The government should make it tax deductible to buy Canadian technology.**
- **Let 1,000 companies bloom:** China's "Mass Entrepreneurship and Mass innovation" strategy offers a useful model (Bill Gurley posted [research on this topic](#) recently). Instead of trying to pick winners, the government should identify priority industries we can be #1 in, invest massively in incentivizing startup formation in those areas, and let the free market decide which companies rise to the top and endure. China's EV market was born out of this strategy, and now they have BYD and Xiaomi producing world leading EVs. Canada should take a similar approach. What are the sectors where we can be the best in the world?

- **Let founders shape the government programs meant to serve them:** These initiatives are often designed by people who have never operated a business, resulting in grants and tax credits that take months to access, or funding rules that don't match how startups actually operate. A standing committee of founders could help governments revamp these programs so they actually work for entrepreneurs.
- **Invest in our pipeline of future leaders:** Looking further ahead, part of the solution lies in deliberately developing the next generation of leaders — treating it not as enrichment, but as a national imperative. Canada needs to cultivate leaders with the mindset to take risks, build globally significant companies, and lead with conviction. One model to consider is the Nation Builder program at Huron University, which is designed to nurture thoughtful, courageous leaders who understand how prosperity is created and how to lead with knowledge and ambition.
- **Celebrate Canadian ambition:** We have a tendency to vilify success when we need to put our winners on a pedestal. Put Tobi Lutke's face on the \$5 bill. Let's illustrate what is possible to achieve in this country, and inspire others to build here.

What gives me hope is that while the trend isn't great, we do have world-class companies and founders building here. Shopify, Ada, Cohere, 360 Insights, Mantle, Wealthsimple, Tailscale and many others have proven that it is possible to build global leaders from Canada. Young and exciting startups like Turbopuffer, Moonvalley and Datacurve have chosen to start their companies here. There is a fresh energy in the ecosystem that doesn't yet show up in the data, but it's real. Our job is to nurture it: to prioritize entrepreneurship, put founders on a pedestal, and celebrate their ambition as a national asset. We need to make it easier, not harder, for them to accomplish their dreams here in Canada.



# Methodology

This study draws on a dataset of over 1 million startups across the US, EU, Israel and Canada. It also segments those into 2,932 venture-backed companies founded by Canadians between 2015 and 2024 (inclusive) that have raised more than \$1M USD. Founding dates are based on official company registration records. We anticipate additional updates to the 2023 and 2024 cohorts over the next several years.

To assess the scale of lost opportunity and value leakage, companies were segmented into two categories:

- In Canada: Companies founded and headquartered in Canada, regardless of where the founders were educated
- Abroad: Companies founded in the US or elsewhere by Canadian-educated entrepreneurs (defined as those in which more than half of the founding team, or the CEO was educated in Canada)

For the purposes of this analysis, companies with headquarters in Canada were classified as having "stayed," while those headquartered outside Canada were classified as having "left."

All data collection and analysis was conducted between July 29 and August 21, 2025.

# About Leaders Fund

Leaders Fund is an early-stage VC firm that backs exceptional teams building transformational, must-have enterprise software. As operators-turned-investors with 12 successful exits, a portfolio of companies that have grown to \$100M+ in ARR, and multiple unicorns, we guide founders on the path to category leadership, from securing 10 cornerstone customers to category leadership. It's a hands-on, high-conviction model: we back only a few new companies each year so we can show up when it matters most. Learn more at [leaders.vc](https://leaders.vc).

Contact:  
[info@leaders.vc](mailto:info@leaders.vc)