OCTOBER 2023

CUT THROUGH QUARTERLY

AUSTRALIAN VENTURE CAPITAL

FUNDING REPORT

Q3 2023

Supported by

Deloitte. | CORRS CHAMBERS WESTGARTH | HSBC | WOTSO | SecondQuarter

CUT THROUGH venture

Q3 2023

CUT THROUGH venture

AUSTRALIAN VENTURE CAPITAL FUNDING

$739M
TOTAL FUNDING

77
DEALS

THANK YOU TO OUR SUPPORTERS

AND AUSTRALIA'S TOP STARTUP INVESTORS FOR THEIR CONTINUED PARTNERSHIP

CONTENTS

CUT THROUGH'S VIEW:

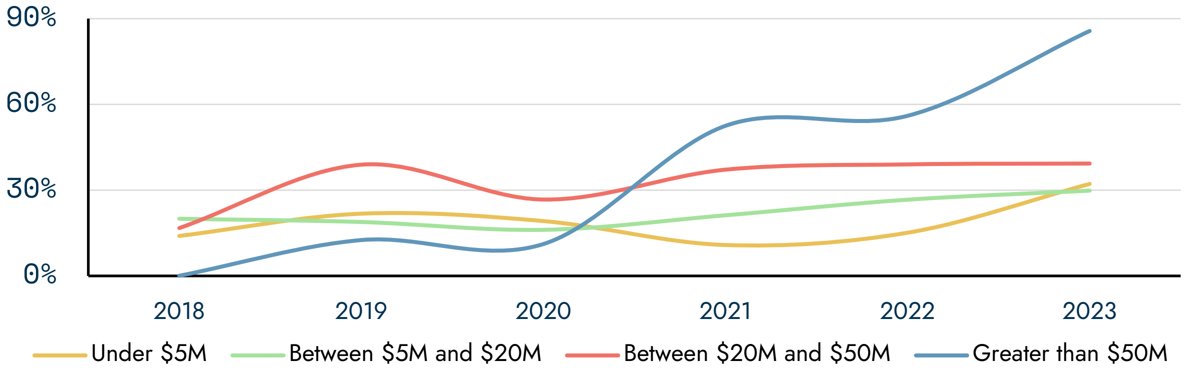
WE'RE STILL HERE (SAID THE GLOBAL FUNDS)

Contrary to prevalent anecdotal commentary, the Australian ecosystem has not been abandoned by international investors. A closer look at the data reveals a more nuanced situation, indicating sustained and possibly even intensified (in the scheme of things) international interest in Australian startups.

In 2023, the percentage of deals that included at least one international investor reached an unprecedented high across all funding rounds. While this represents a relatively lower total investment in Australian startups (given the overall slowdown), the data challenges the perception that global investors have retreated any more than their domestic counterparts.

This trend is underscored by our latest quarterly Australian VC survey which found that 46% of respondents co-invested with international counterparts in the past six months. Only a quarter noted witnessing an international investor bypassing a follow-on investment opportunity in a jointly owned portfolio company.

Percentage of deals involving an international investor



Moreover, 51% of investors anticipate an uptick in activities from international players in the upcoming six months.

The market has seen a few notable exits. Several of the most active funds from 2021-22, such as Tiger Global, Sequoia, A16Z, and January Capital, have yet to announce deals in 2023.

Many Series B and later rounds in 2021-22 were spearheaded by global funds boasting eye watering FUM. Among the international investors that have temporarily halted local activities, these mega funds are most prevalent.

The question that now looms large is whether the post-Zoom-deal-doing world will provide fertile terrain for overseas investors with minimal local presence to allocate substantial capital on foreign soil.

Chris Gillings
Venture Capital @ Five V Capital
Founder @ Cut Through Angels

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Cut Through Angels is a generalist Pre-Seed and Seed investor.
apply: www.cutthrough.com/investments

TL;DR – FIVE THINGS TO KNOW

Total funding in 2023 year-to-date now marginally outpaces the first nine months of 2020. Funding and deal numbers dropped in Q3 compared to Q2, but our survey reveals a marked shift in investor sentiment.

01

The race between 2020 and 2023 for third place is on. Total funding this year has slightly surpassed the first three quarters of 2020, even with Q3 lagging behind Q2. Historically, Q4 was the strongest quarter in 2020, 2021, and 2022. Whether this trend continues in 2023 will determine the momentum and mood in which we enter 2024.

02

Our Q3 investor survey discovered a pronounced turn in investor outlook. More than half of investors see the investment climate as improved compared to the last quarter. The proportion of funds suggesting their portfolio companies to raise capital as usual has tripled from Q2. 94% noted no portfolio company closures, up from 81% in Q2.

03

Sub-$5M funding rounds plummeted to 2019 levels, and no mega deals over $100M were announced. Solid cash flow management has its limits for scaleups that are still expected to grow quickly, and so the big question for us whether we'll see an increase in mature startup acquisitions, more startups shutting down, or a resurgence of substantial funding to sustain growth.

04

Climate Tech & Clean Tech dominated in funding and deal count and rebounded into the top five investor favourites after a post-2022 dip. HealthTech, Biotech & MedTech, and EdTech saw numerous smaller, early-stage deals, while Consumer Products, Social Networking & Media, and Gaming & Esports remained unloved. Fintech dropped out of the top five funded sectors for the first time in two years.

05

Female only founding teams grabbed their highest percentage share of funding since 4Q20, though 80% of those funds flowed to just two female led startups. For the first time in our recorded data, median deal sizes for female-founded startups edged above all-male teams during the quarter.

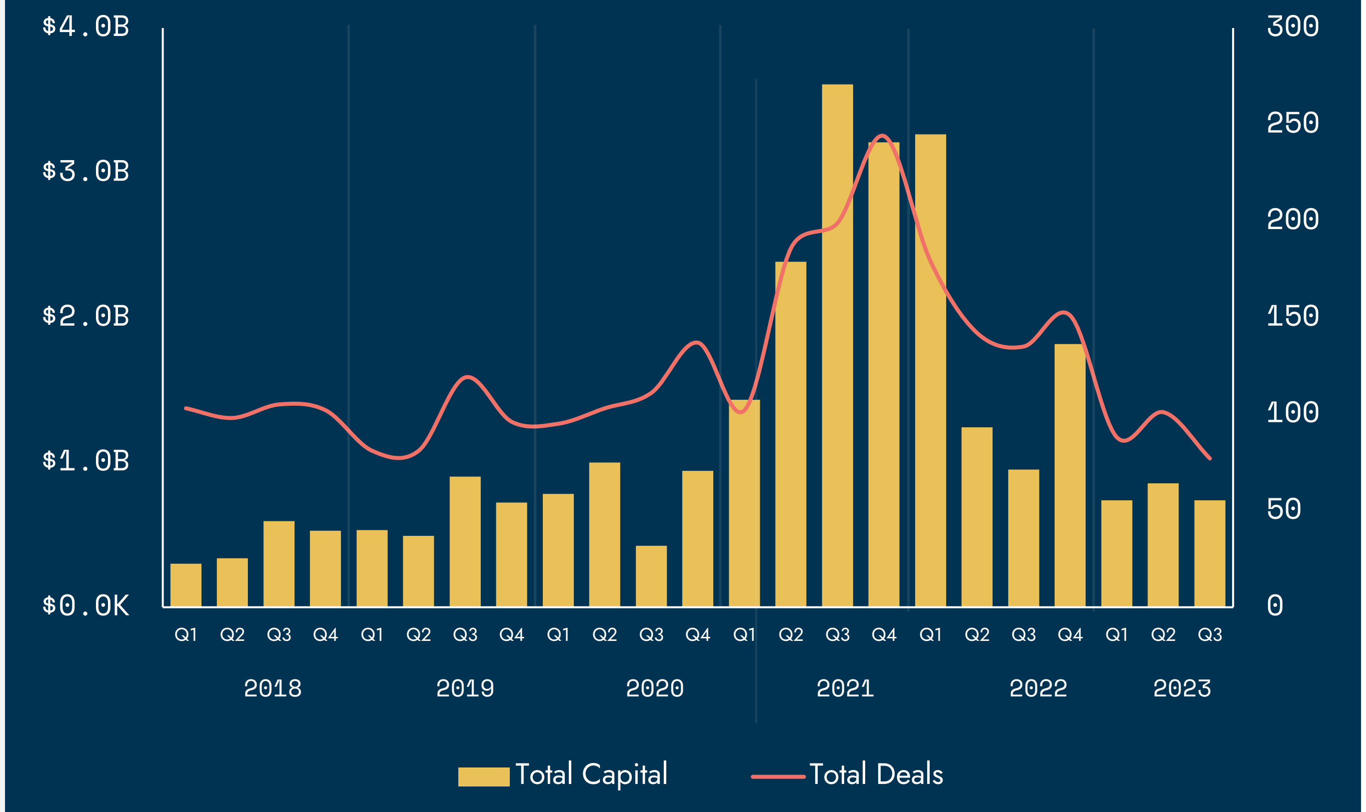
THE HEADLINE FIGURES

In Q3 2023 Australian startups announced

$739M

Capital raised across

77 DEALS



PARTNER INSIGHT:

PERSPECTIVES ON CURRENT DEAL TERMS

CORRS CHAMBERS WESTGARTH

As noted in Cut Through Quarterly, there has been a decline in deal activity in the Australian venture capital market, with many VC firms chasing smaller deals given the lack of quality late-stage opportunities. This environment has impacted not only the pricing of funding rounds, but also the funding structures and deal terms which are being negotiated.

From a funding structure perspective, we are seeing more bridge rounds which have used SAFE or convertible note structures, to allow founders to defer setting a valuation for their company until a later-stage funding round. However, we are seeing priced series rounds for companies in the rights sectors, in particular where artificial intelligence is a key business driver for the company.

In relation to deal terms, given the challenging market environment, investors now often have more leverage in relation to both pricing and other deal terms. Depending on the funding instrument used, the AIC template documents have often been seen as starting points for "market positions", including preference share terms with a 1 x participating liquidation preference, a broad-based weighted average anti-dilution provision and dividends on an as converted basis.

However, in the current environment we have seen investors becoming increasingly demanding about deal terms to de-risk their investments, which reflects the competitive dynamics of negotiations with founders.

Some examples of terms we have seen on recent term sheets include:

- Multiple liquidation preferences: 1 x liquidation preferences still feature in a majority of deals, but they are no longer a given, and we are seeing an increasing number of rounds closing with multiple liquidation preferences;
- Participating liquidation preferences: where the investor is entitled to a liquidation preference and also to participate with ordinary shareholders on a pro-rata basis in a liquidation event;
- Full ratchet anti-dilution: where the share price of the investor is adjusted to reflect the share price of any subsequent down round;
- Founder Revesting: where founder vesting schedules are reset on completion of a funding round as a means of reaffirming the founders' long-term commitment to the business (noting that such provisions are usually coupled with a founder lock-up restricting founders from selling vested shares); and
- US-style management rights letters, which include rights to consult with and advise the Company's management and rights to receive information including financial information and Board materials, and other side letter arrangements.

Founders should make decisions on these terms on an informed basis, and in some cases by giving ground on certain terms they may be able to hold firmer on valuation. For example, founders who are astute and well-advised may find that conceding on these terms (within reason) helps to counter valuation mark-downs that might otherwise result in a down round.

That said, founders should seek to avoid being cornered into making a bad deal. If the deal terms for a priced round don't stack up, founders may want to consider exploring alternative funding structures such as SAFEs or convertible notes. These structures may be preferable to a priced round where the startup only needs a small amount of capital to extend its runway.

Whatever terms end up being agreed, founders and investors also need to consider how those terms will play out in the company's next priced funding round. As an example, founders may take some comfort that terms negotiated with a lead investor is a Series A round may be renegotiated and watered-down during negotiations for a Series B round with a different lead investor. On the other hand, onerous terms which are applied across multiple funding rounds can lead to significant dilution for founders, particularly where the company does not perform well.

One final tip for founders – engage your lawyer to review the term sheet before it is agreed. While term sheets are usually non-binding, it will be difficult to re-negotiate these terms at the long-form document stage.

PARTNER INSIGHT:

CAPTURING THE CLIMATE TECH OPPORTUNITY

Deloitte.

The Green Economy requires a new wave of innovation

The transition to net zero is the greatest economic challenge of our time and is rapidly disrupting business models, methods of collaboration, and the economics of comparative advantage. Reaching a net-zero emission economy by 2050 will require new ways of thinking, working, investing, and collaborating. Requiring a collective annual investment of USD $9 trillion[1], the transition won't come cheap - but with most of this investment being directed towards high-growth sectors like climate tech, the economic opportunity is enormous. According to projections, the climate tech market is set to reach $94.5 billion[2] by 2029, boasting an impressive CAGR of 24.5%[3].

This presents an opportunity for Australian innovation to create a significant export business with solutions spanning renewable energy, carbon capture, and green manufacturing.

The role of the private sector in accelerating climate tech adoption

Our decarbonisation ambitions simply won't be met unless the private sector becomes an enthusiastic adopter of climate tech, especially within high-emission sectors. Corporates have the unique power to be the first customers, strategic partners for proof-of-concept initiatives, and will gain competitive advantage for being early movers, benefiting from the economic promise of the new markets and economies created from the emerging decarbonisation engine[4]. However, despite this potential, many organisations may remain cautious, hesitating to make substantial investments in climate tech at scale.

Potential bottlenecks

Corporates are presented with various challenges when adopting climate tech:

- The landscape for sustainability reporting and disclosure requirements is complex, and the regulatory frameworks that mandate them are rapidly evolving.
- Timing is everything. In the case of hydrogen technology and investment acceleration, Australia must act quickly to ensure ongoing cost competitiveness, adoption and export or risk being left behind by other major markets such as the USA and Europe who have enacted large scale incentives schemes.
- Decarbonisation rests on the pace of technological change. The International Energy Agency estimates that almost half the reductions required to achieve 2050 goals will come from technologies that are currently in the demonstration or prototype phase. We need leaps in innovation, but perhaps more importantly, leaps in the acceleration of climate tech scale and adoption.
- Navigating the climate tech ecosystem alone is daunting. There are thousands of innovators at every stage of maturity across different solution areas. Larger companies seeking partnerships with startups need to systematically explore the technology ecosystem to find fit-for-purpose solutions, and early-stage companies often need cultivation and support.
- Bridging the gap between ambition and action requires new and improved governance structures, skills, and capabilities. Deloitte's five-step climate-led transformation framework is an example of a systematic approach organisations should adopt to identify the required steps to set targets and meet them.

Climate tech represents an unprecedented opportunity for the Australian startup and innovation ecosystem but tapping into the opportunity requires a coordinated effort to remove bottlenecks and better connect innovation to industry in a way that is customised and yet scalable. We must collaborate to accelerate.

1. Net Zero 2050 scenario from the Network for Greening the Financial System (NGFS)
2. https://www.iea.org/reports/net-zero-by-2050
3. https://www.statista.com/statistics/1411210/climate-tech-market-size-worldwide
4. https://www.deloitte.com/au/en/issues/climate/asia-pacific-turning-point.html

PARTNER INSIGHT:
HOW VENTURE DEBT IS ENHANCING THE START-UP LANDSCAPE

Technology is quickly becoming one of Australia's most important sectors. As of 2023, it is our third largest industry and is projected to account for 13% of GDP by 2030, at AUD$250 billion.

What's more, Australia's technology scene is home to some of the world's biggest start-up success stories, with names like Atlassian and Canva launching their successful growth stories from our shores. Now, Australia is the fourth largest start-up hub in the APAC region.

Recently though, the industry has encountered some growing pains, with start-ups struggling to secure finance as investors navigate shifting economic sands and exercise more caution when deploying capital.

The Venture debt landscape

These funding challenges are exacerbated by the state of Australia's venture debt market, which is nascent and highly fragmented. Venture debt has not traditionally been a common funding instrument for Australian tech startups and scaleups seeking growth capital.

Fundamentally, venture debt is a form of senior debt financing accessible by venture capital-backed growth companies, which lack the assets or historical cash flows required for traditional debt financing. Generally, venture debt financing is structured as a term loan or revolver and offers a range of payment options. The loan facility can also include purchase rights for company stock, granting the lender a share of the financial upside if a company's equity investors decide to sell their stake.

Compared with the US and Europe, the infancy of Australia's venture debt market, coupled with the abundance of equity capital raised and deployed between 2019-2022, means that venture debt makes up only a small percentage of the capital in circulation across venture capital-backed companies.

Despite a slowdown in the IPO market post-COVID – ASX figures show IPOs dropped from 241 in calendar year 2021 to 107 in 2022 – and the collapse of several tech lenders in early 2023, venture debt has re-emerged as a viable option for founders and their advisors, providing a wider range of strategies to navigate the lifecycle from seed to scaleup, and beyond.

HSBC's role in the technology and innovation ecosystem

Venture debt is a specific area of expertise for HSBC. With years of experience working with later-stage technology companies, we are now expanding our support of start-up companies. Recently, HSBC announced the expansion of our HSBC Innovation Banking division, launching a venture debt offering in the U.S. to support companies from Series A through to highly complex multi-national businesses.

From October, HSBC will introduce its venture debt offering to Australia. As the leading international bank for innovative companies around the world, the introduction of our Venture Debt solution will increase the specialised support we provide to innovative local companies who need flexible, long-term, and trusted banking relationships to help them reach their next milestone or capitalise on opportunities as they arise. Initially focused on later-stage growth companies, clients can also access a range of APIs and digital payment solutions, the award-winning HSBCnet digital platform, and digital onboarding.

PARTNER INSIGHT:

THE RAPIDLY EVOLVING STATE OF SECONDARIES

SecondQuarter

London, sometime around 2014, give or take a year. I'm sitting at my desk and I get a call from a Swiss colleague who says "have you taken a look at that Spotify secondary yet?". Spotify was going places FAST at that time and I remember thinking "cripes, who would be nuts enough to sell down now?". It turns out it was Northzone, a Swedish VC who backed Spotify very, very early - and their reason for selling was quite legitimate. They had already accumulated some huge gains on paper and Northzone's investors had more or less said "well done for investing in Spotify guys, but can we have some cash now please?". So they sold down a portion of their very valuable holding and presumably made a lot of people rather happy - or, if not happy, just quite well-off.

This is an early example of a venture "secondaries" transaction - where shares in a venture-backed company are sold by one of its shareholders to someone else. Only just recently Blackbird did something very similar with a portion of their large stake in Canva. And it has become widely accepted for founders, employees, and angel investors to also sell some of their shares as they support and build great technology companies.

Although commonplace in the US and Europe for some time, its growing acceptance in Australia has been driven by the maturing of the local venture ecosystem and more recently by market volatility increasing the demand for cash. And right now there are more people than ever interested in exploring secondaries transactions. Sellers often have distinct motivations when selling their shares. VC investors need to distribute cash back to their investors. Founders and employees use the proceeds from secondaries to pay down a mortgage or fund school fees and other family expenses. And Angel and other early investors tend to recycle the proceeds back into other seed-stage companies.

Each one of these secondaries transactions requires a buyer - and buyers understandably tend to focus on the companies that are performing. So the caveat to the idea of secondaries being accepted is that they usually only happen when a company is going reasonably well.

Unlike public stocks, there is no liquid market where vendors can quickly and easily sell their shares. So secondaries tend to be structured processes that happen with support from the founder. Founders are the nexus point of the investor register and there is not one secondary we've seen that doesn't involve them. They have a good sense whether existing investors might want to buy the stock or whether there may be a secondaries specialist or another external investor that could be interested. If anyone reading this is interested in exploring a secondary, the founder is the best place to start.

One of the inevitable next steps is pricing. Venture-backed companies tend to be valued at the price of the most recently issued preferred stock. This stock comes with priority rankings and other features that make it less risky than common stock. So common stock, which doesn't come with these bells and whistles, is worth a little bit less. So when a secondary transaction involves the sale of common stock, there is often a discount applied to reflect this.

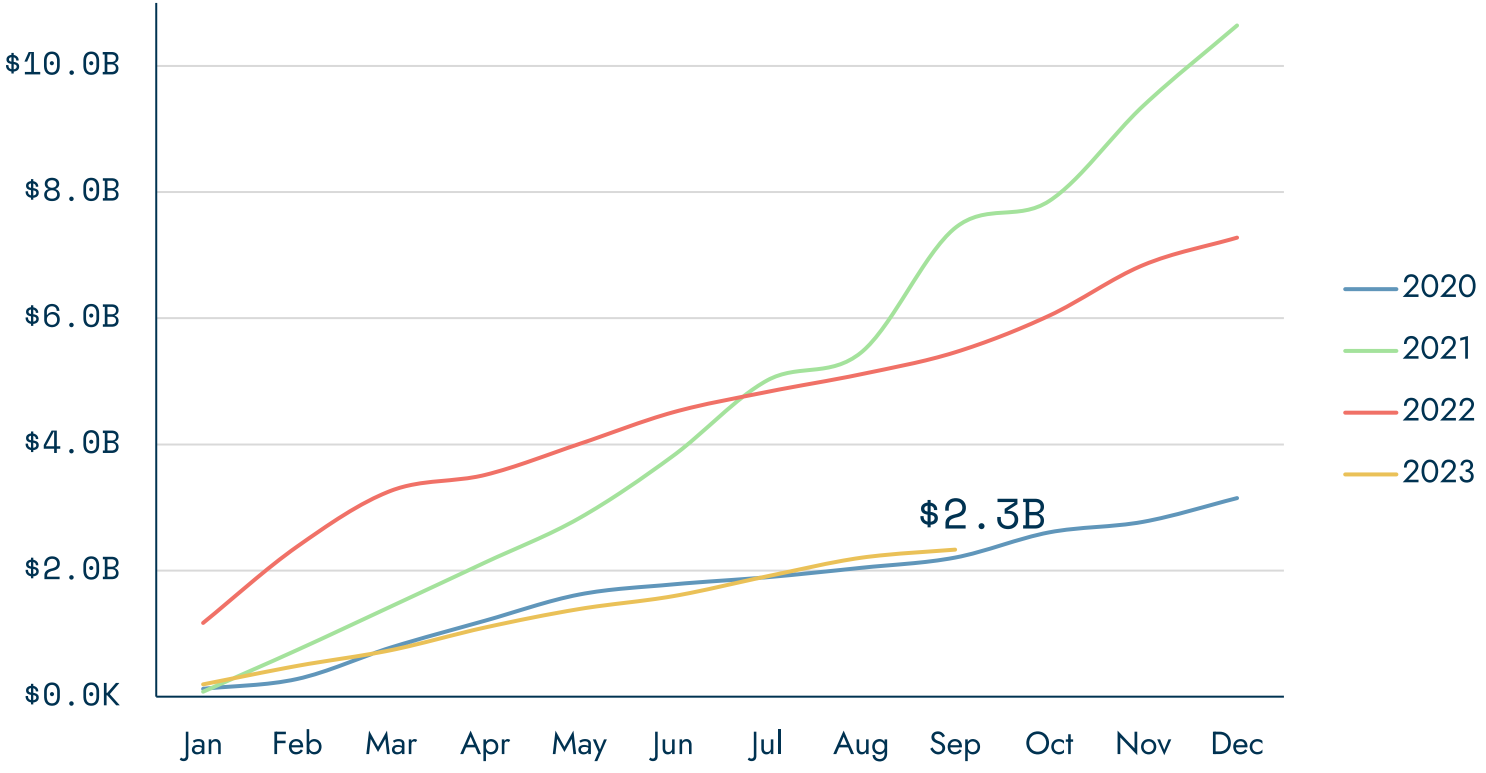
This year we have seen secondary transactions complete in companies ranging from Series A through to companies valued at $1bn+. These transactions have ranged in size from less than $50k to many millions of dollars. They have been done between funding rounds and some have been tacked onto a funding round. Each process we've been involved with has been different.

Tens of billions of dollars of value has been created in Australia's venture ecosystem over recent years and if liquidity is required on only a small percentage of this each year, I imagine we'll continue to see secondaries become an increasingly important feature of our landscape.

Ian Beatty
Co-Founder & Managing Partner
SecondQuarter Ventures

TOTAL CAPITAL RAISED

Funding to Australian startups edged marginally above the 2020 run rate, albeit the $739M announced in Q3 fell short of the amount seen in Q2 by 9%. Total announced funding in 2023 stands at 42% compared to the same period in 2022. Due to a rise in smaller internal rounds, startups and funds are underreporting funding events. We believe this underreporting accounts for 10-15% of the total funding volume.



INVESTOR INSIGHT

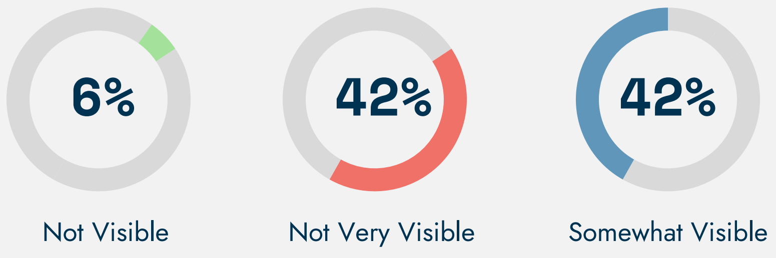
"Most investors with available capital are now actively re-entering the market, looking for deals at the right valuation. A significant factor dragging transaction volume is founders' optimism: the hope for over-the-top valuations to return, or their ability to grow into their prior capital raise, avoiding a down round.

Another stark reality is also that several funds have exhausted their reserves and might not be able to raise again."

Investor
Investor Sentiment Survey
September 2023

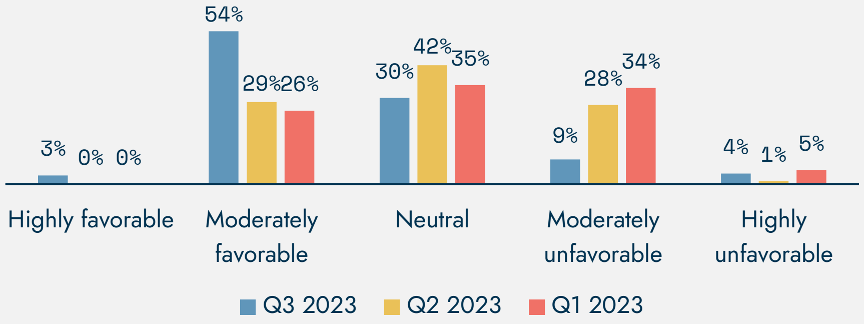
INVESTOR INSIGHTS: DEAL ACTIVITY

How would you describe the level of international investor activity in the Australian startup funding market in Q3?

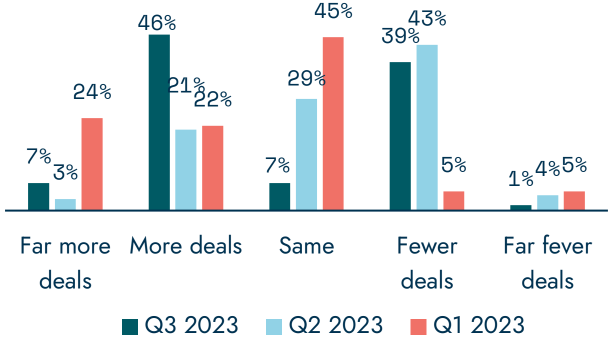


10% Unsure & 0% Highly Visible

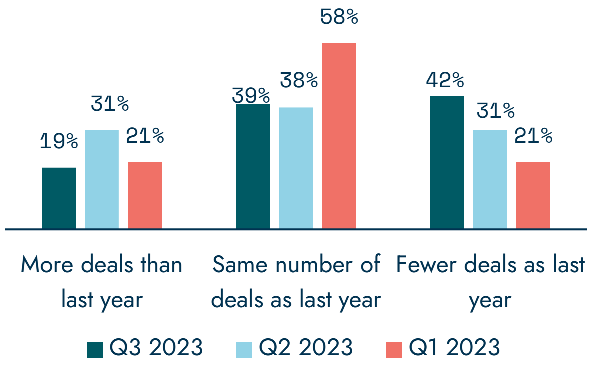
Compared to this time last quarter, how would you describe the current state of the startup funding market?



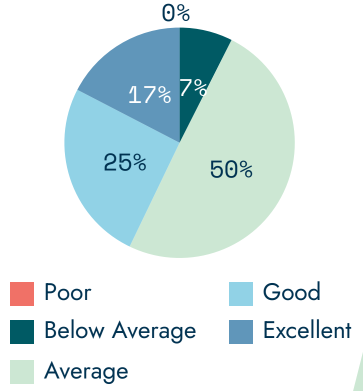
Compared to this time last quarter, how would you best describe the volume of new deals your team is assessing?



What do you believe will best describe your teams deal activity for the remainder of the year?



How would you rate the quality of deal flow in the current market environment?



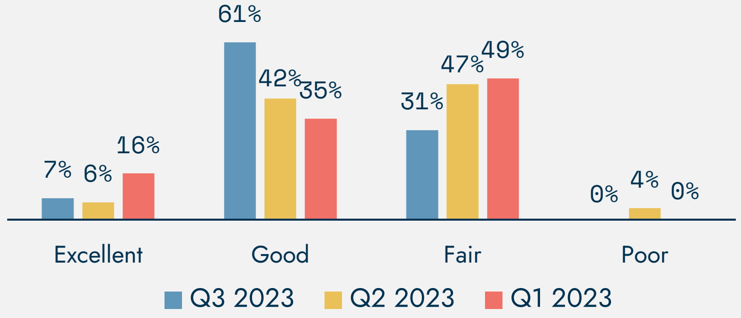
"In the past few months, we've seen our fellow VCs actively re-engaging in the market.

They're more open to startup introductions and keen to explore new opportunities. The investment scene is clearly shifting gears from defence to offence."

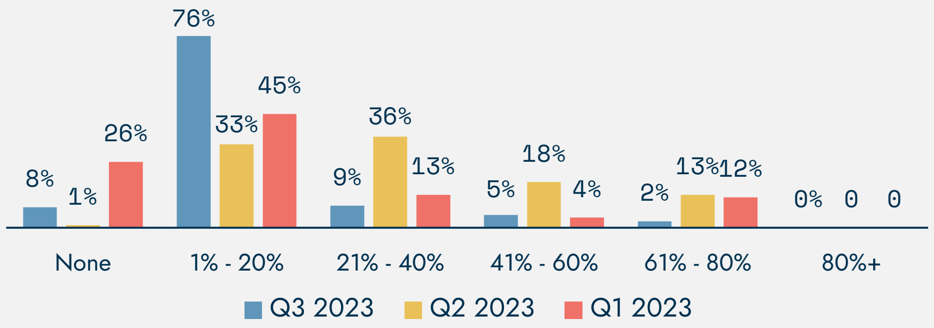
Investor
Investor Sentiment Survey
September 2023

INVESTOR INSIGHTS: PORTFOLIO

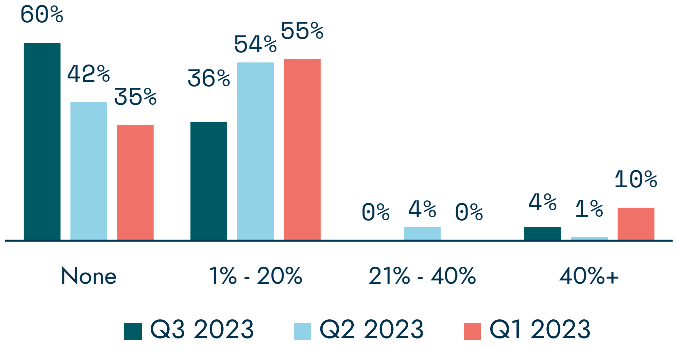
How would you rate the overall health of your current portfolio companies?



What percentage of your portfolio companies have had to lay-off staff this quarter or plan to?



What percentage of your portfolio companies took on venture debt this quarter?



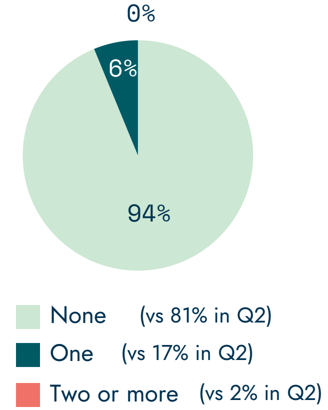
Give market conditions, what is the most common recommendation you've given to founders about their fundraising approach?

43% Raise a bridge round from current investors (vs 61% in Q2)

29% Raise as normal (vs 9% in Q2)

28% Delay fundraising (vs 30% in Q2)

How many of your portfolio companies forced to shut down this quarter?



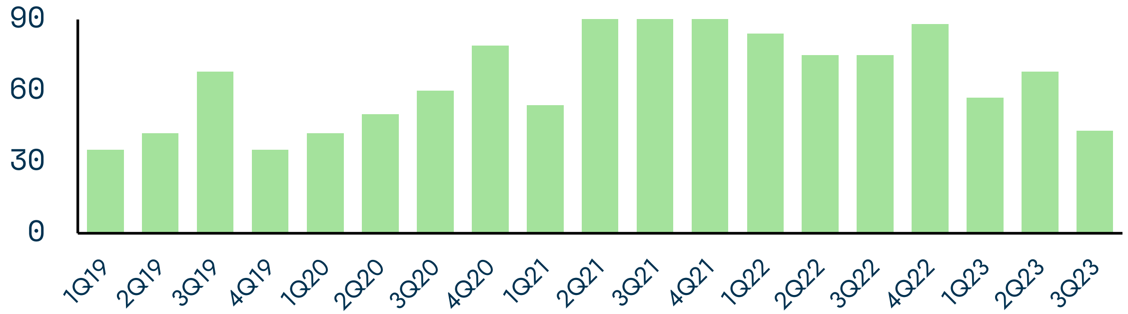
"Successful founders understand that raising capital is not just about funds—it's about securing time. They should raise to thrive, giving themselves the runway to prove product-market fit and gain traction, especially at Pre-Seed. At this stage, valuation isn't merely a number; it's a strategic balance between ambition and reality for sustainable growth. Fortunately, many founders are adopting this mindset in early rounds."

Investor
Investor Sentiment Survey
September 2023

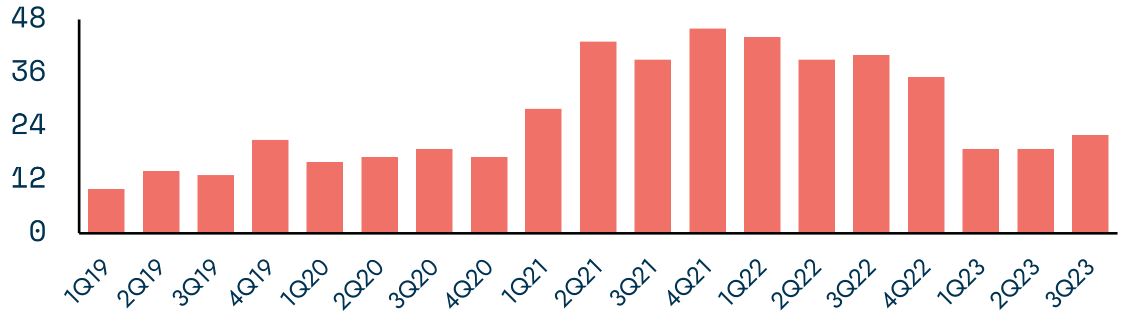
SMALL ROUNDS SLIDE BACKWARDS

The number of sub $5M rounds announced slid dramatically to a level not seen since 2019. When Startmate's cohort is backed out of the data, the number announced deals slid back to levels not seen since 2018. We do know that smaller rounds are being under reported through public channels, and founders are holding back on releasing funding announcements. This data will be made available through formal channels like ASIC and the IIC, at which point our data set will be updated to reflect these transactions.

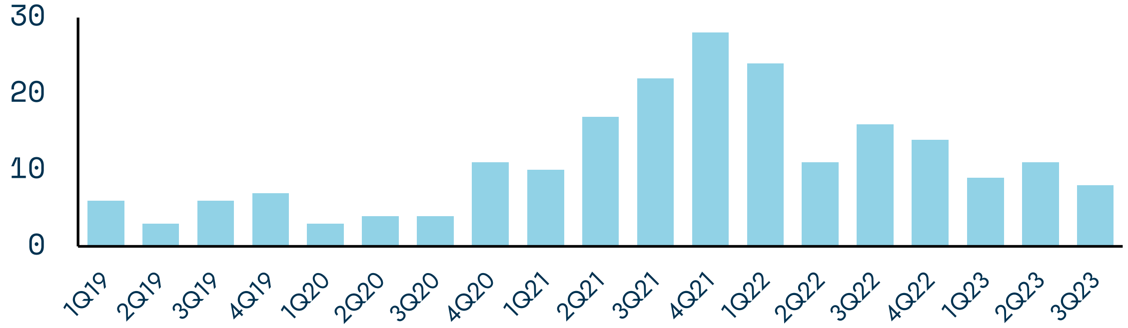
Sub $5M Rounds



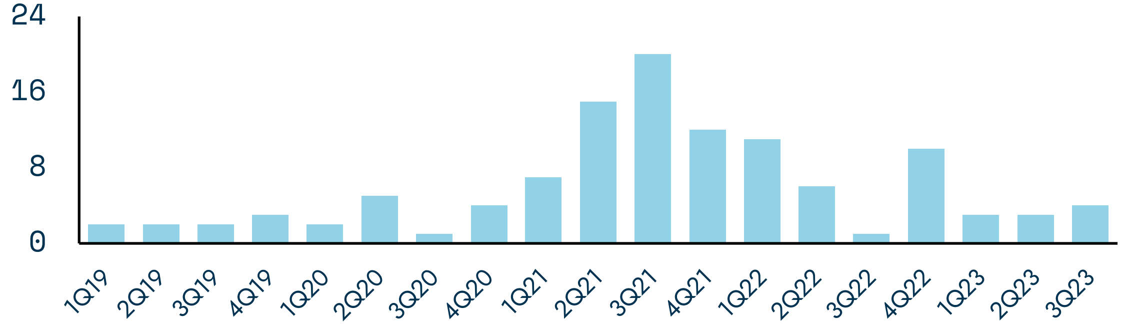
$5M to $19.9M Rounds



$20M to $49.9M Rounds

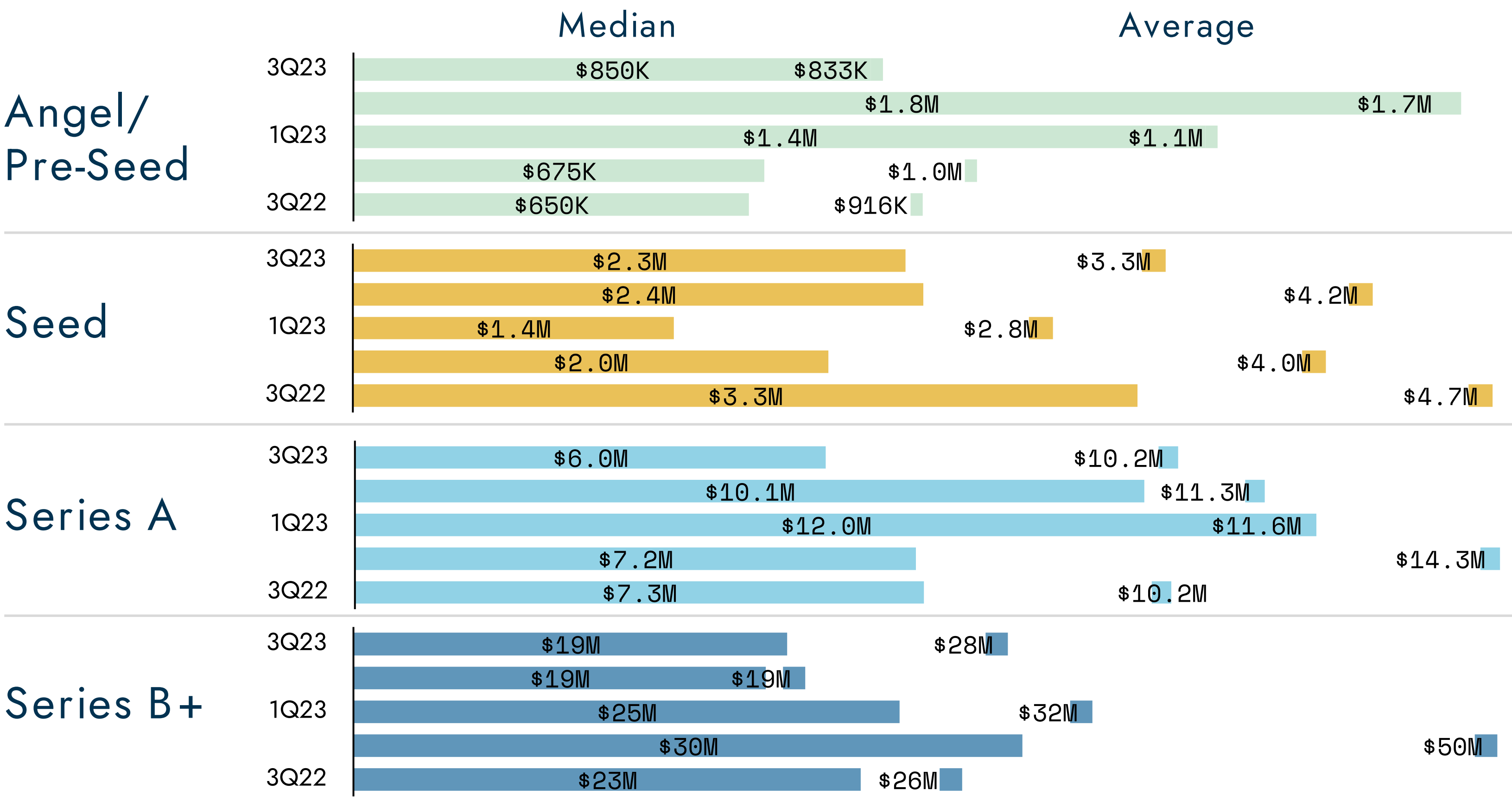


$50M+ Rounds



CHANGE IN DOLLARS RAISED BY ROUND

It's been a year since the notable decrease in mega-rounds started. Consequently, this year, the average deal size for this quarter compared to 2Q23 has become consistent across all stages, except for the Seed stage. Even without any $100M rounds, Series B+ rounds defied the recent trend across all other stage of decreasing deal sizes relative to recent prior quarters.



Median up 31% from a year ago

Average 9% down from a year ago

Median 30% down from a year ago

Average 29% down from a year ago

Median 17% down from a year ago

Average 1% up from a year ago

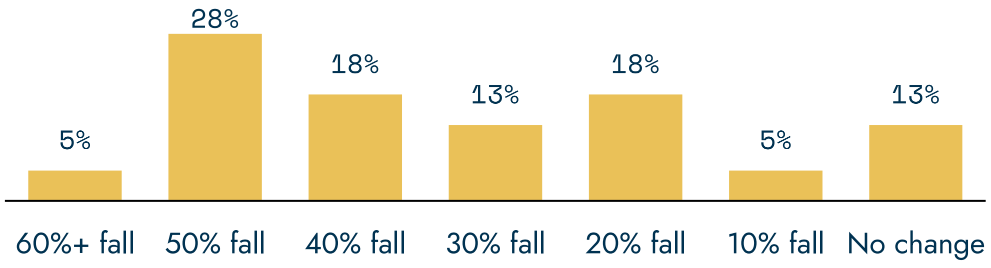
Median 15% down from a year ago

Average 8% up from a year ago

VALUATIONS

INVESTOR INSIGHT:
For deals at the {>>>} stage, what is your best estimate of the valuation change from peak pricing?

Seed

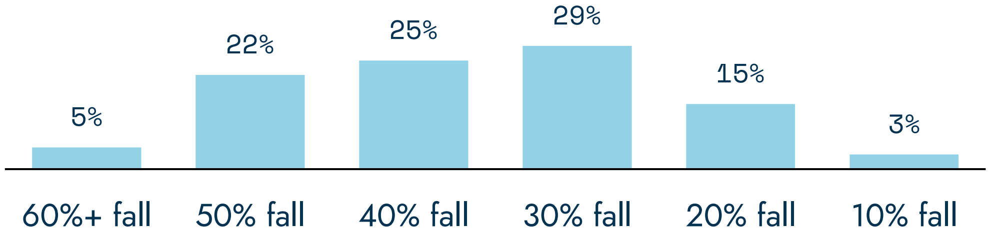


Average fall:

32%

vs 34% in Q2

Series A + B

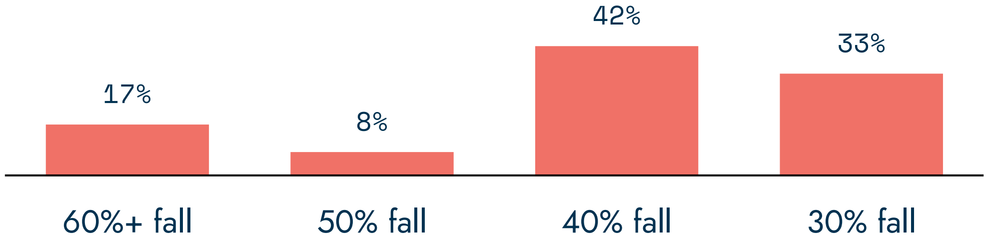


Average fall:

36%

vs 44% in Q2

Series C+



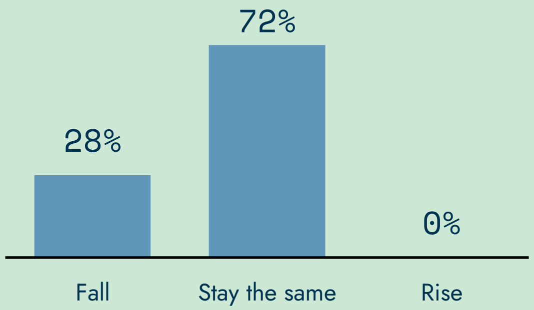
Average fall:

41%

vs 48% in Q2

Cut Through Venture Investor Sentiment Survey September 2023

What do you believe will happen to valuations for the remainder of the year?



Cut Through Venture Investor Sentiment Survey September 2023

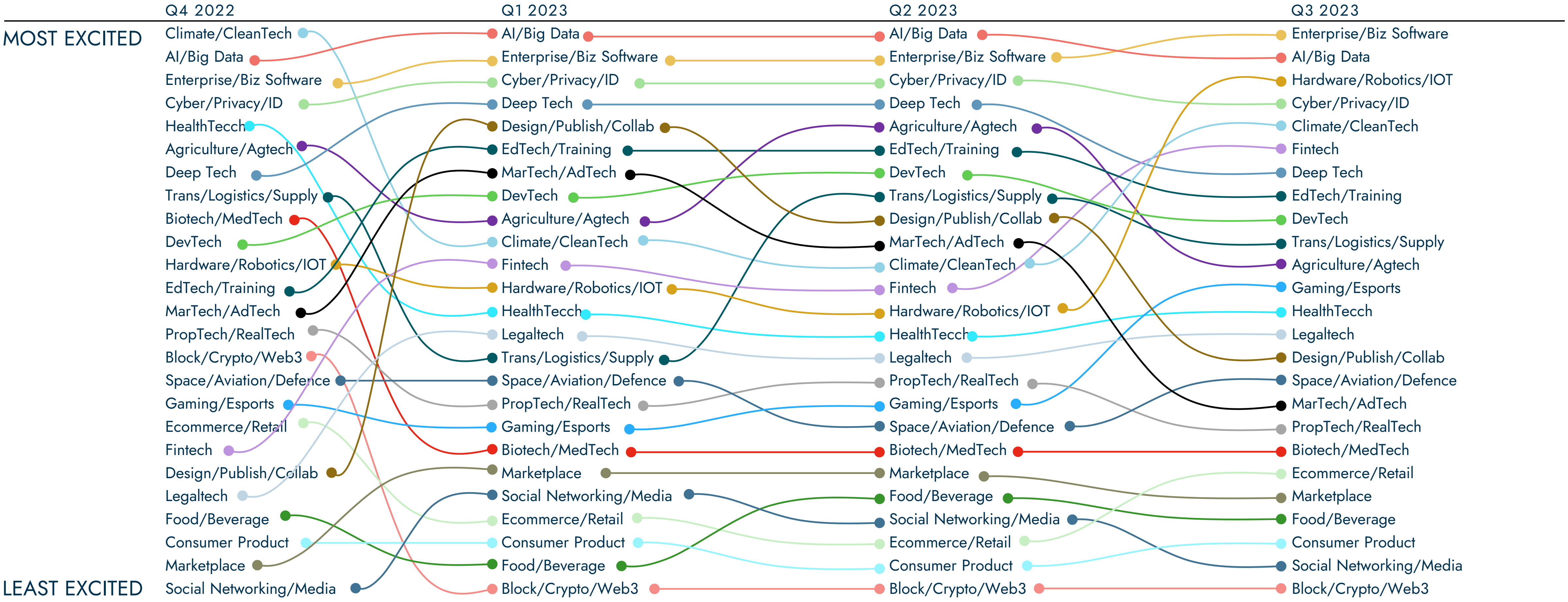
INVESTOR INSIGHT

"Deal multiples have come off substantially. We're finally seeing the valuation expectation gap between founders and investors converge. Deal term negotiations are quicker than they were early this year."

Investor
Investor Sentiment Survey
September 2023

SECTOR SHIFTS IN POPULARITY

INVESTOR INSIGHT: Which sectors are you most /least excited about?



Cut Through Venture Investor Sentiment Survey September 2023

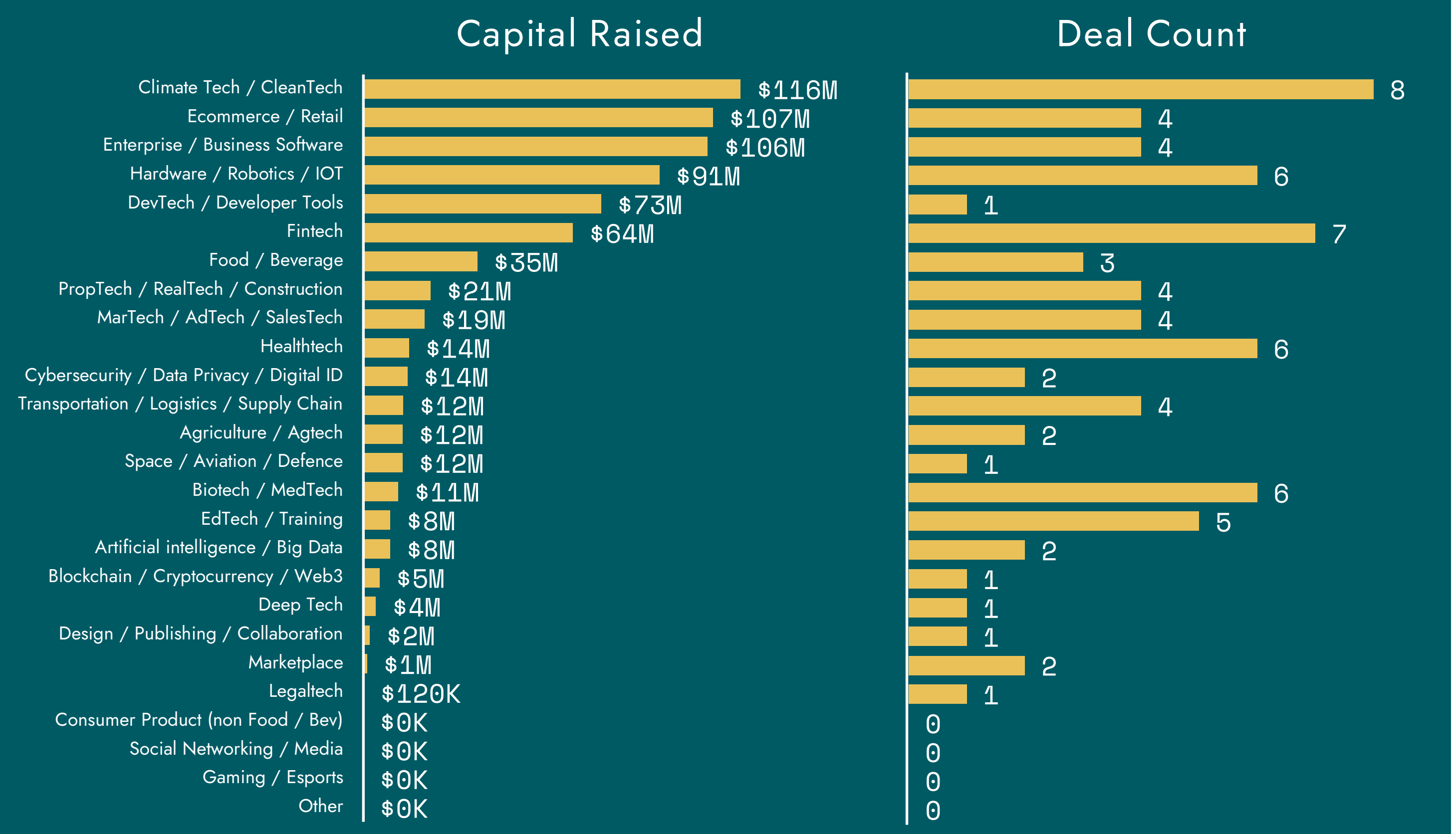
SECTOR SHARE OF FUNDING & DEALS

Climate Tech & CleanTech, Enterprise & Business Software, Hardware, Robotics & IOT, DevTech and Fintech all appeared in the top 10 "most popular" (previous page) and "most funded" sectors of the quarter.

For the first time, Climate Tech & Clean Tech topped the quarter's most funded and highest deal count lists. The segment also clawed its way back into the top five most popular amongst investors for the first time from its big tumble from the top spot at the end of 2022.

HealthTecch and Biotech & MedTech saw significant deal activity but on earlier-stage smaller deals. The same was true for EdTech & Training startups, with a very active quarter from a deal count perspective.

Consumer Products continued to be unloved, as did Social Networking & Media, and Gaming & Esports.



SECTOR FUNDING OVER TIME

For the first time in two years, Fintech fell out of the top five most funded sectors, while Climate/CleanTech reached the number one position for the first time ever. We haven't seen any pure-play Artificial Intelligence mega-rounds pull that sector into the top five yet, however, if global trends hit our shore and market rumours are accurate, it'll happen soon.

Most Highly Funded Sectors

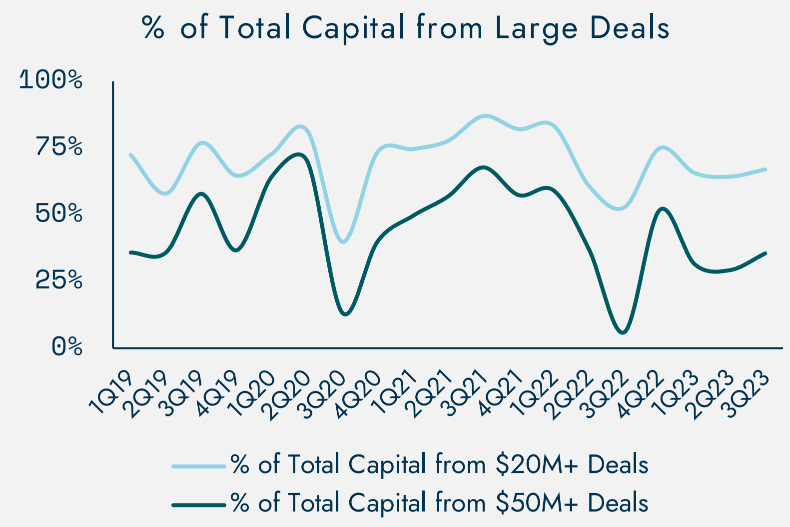
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
1	Enterprise/Biz Software	EdTech	Fintech	Fintech	Fintech	Biotech/MedTech	Climate/CleanTech
2	Fintech	Ecommerce/Retail	HealthTecch	Hard/Robot/IOT	Agriculture/Agtech	HealthTecch	Ecommerce/Retail
3	Blockchain/Crypto/Web3	Enterprise/Biz Software	Food/Beverage	Biotech/MedTech	Hard/Robot/IOT	Fintech	Enterprise/Biz Software
4	PropTech	Trans/Logistics/Supply	Biotech/MedTech	Climate/CleanTech	Marketplace	Climate/CleanTech	Hard/Robot/IOT
5	Social/Media	Fintech	Climate/CleanTech	Food/Beverage	Biotech/MedTech	Hard/Robot/IOT	DevTech/Developer Tools

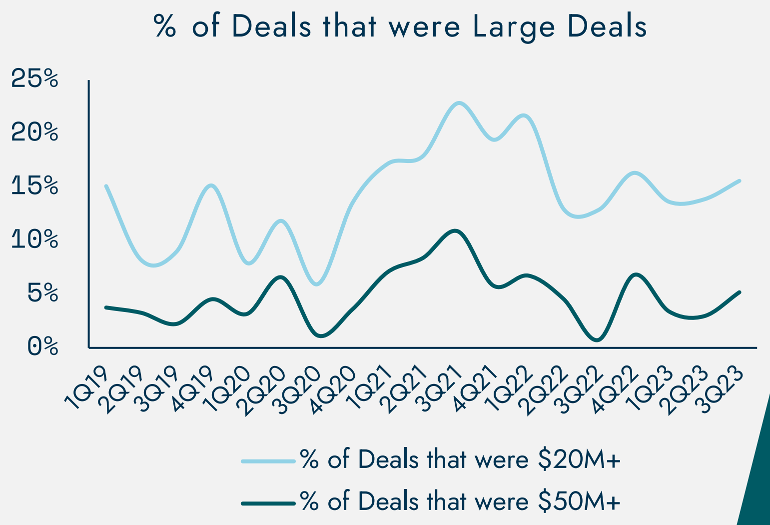
Most Deals by Sector

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
1	Fintech	Fintech	Fintech	Enterprise/Biz Software	Fintech	Fintech	Climate/CleanTech
2	Blockchain/Crypto/Web3	Climate/CleanTech	HealthTecch	HealthTecch	HealthTecch	HealthTecch	Fintech
3	Enterprise/Biz Software	Hard/Robot/IOT	Climate/CleanTech	Climate/CleanTech	Climate/CleanTech	Climate/CleanTech	Hard/Robot/IOT
4	Climate/CleanTech	Enterprise/Biz Software	Marketplace	Biotech/MedTech	Marketplace	= EdTech, Enterprise/Biz Software, Biotech/MedTech, Hard/Robot/IOT	HealthTecch
5	Hard/Robot/IOT	HealthTecch	Biotech/MedTech	Fintech	Biotech/MedTech		Biotech/MedTech

LARGE DEALS WAITING IN WINGS?

Mega deals were elusive, with no announcements of funding rounds exceeding $100M. Although we know several large deals are lined up for strategically timed announcements, the pressing question for us is whether we'll witness an uptick in acquisitions of mature startups lacking venture-style growth, an increase in startups shutting down, or a resurgence of massive funding rounds needed to sustain their operations. Solid cash flow management has its limits, especially when companies must deliver the high growth that investors expect.





3 Average $100M+ deals per quarter in 2022.

0 $100+ deals in Q3 2023

INVESTOR INSIGHT

"I find that the Series C+ funding stages are still waiting to find their footing in terms of fair market value, meaning that valuations and corresponding revenue multiples are yet to adjust to the trends we see globally.

This is possibly because there are so few deals at that level and coupled with recent large raises from several multistage funds that now need to deploy, it creates a sub-competitive environment wherein companies won't be forced to reconsider their valuation."

Investor
Investor Sentiment Survey
September 2023

30 LARGEST DEALS OF Q3 2023

The thirty largest deals, totalling $660M, represented 89% of all funds raised in Q2. Just four startups raised $50M+, and 12 raised more than $20M – the overall contribution to total funding of these larger deals hit a 2023 high but remains less than half of the level seen in mid 2022.

Ecommerce / Retail	DevTech/Developer Tools	Enterprise / Biz Software	Hardware / Robotics / IOT	Climate Tech / CleanTech
$75M	$73M	$64M	$50M	$36M
Series D	Series C	Series B	Series A	Series A

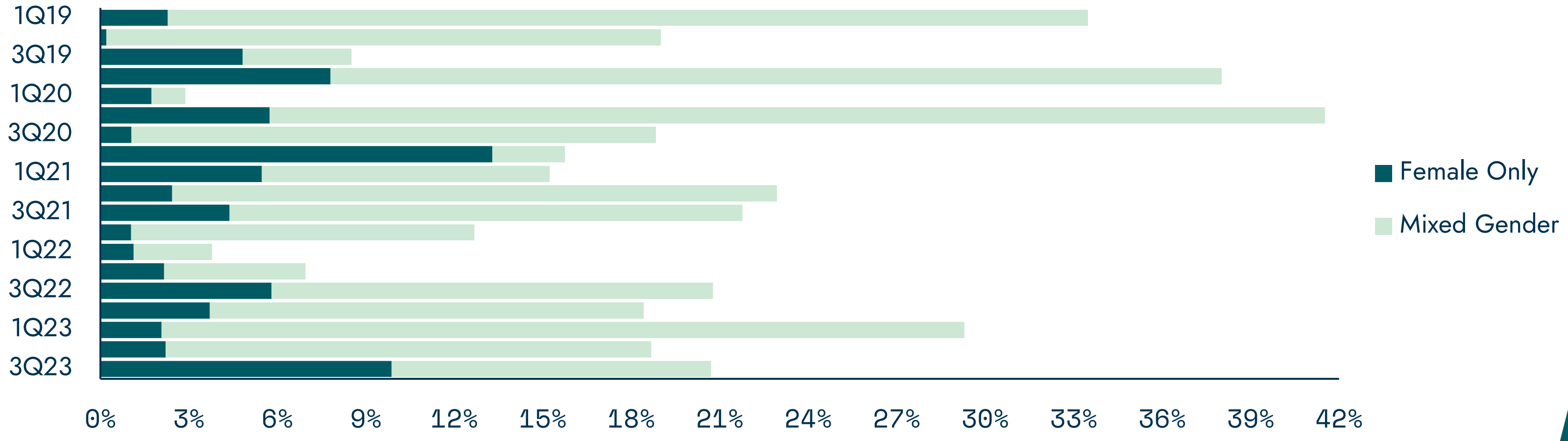
Startup	Sector	Round	Stage
SafetyCulture	Enterprise / Business Software	$34.0M	Series E
Lyre's Spirit Co	Food / Beverage	$34.0M	Series B
Amp	Ecommerce / Retail	$28.5M	Series A
Stockspot	Fintech	$28.0M	Unknown
Plotlogic	Hardware / Robotics / IOT	$28.0M	Series B
Hysata	Climate Tech / CleanTech	$23.9M	Series B
Upstream Energy	Climate Tech / CleanTech	$20.0M	Unknown
Lumi Finance	Fintech	$15.0M	Series C
Pendula	MarTech / AdTech / SalesTech	$14.5M	Series C
Okra Solar	Climate Tech / CleanTech	$12.0M	Series A
High Earth Orbit Robotics	Space / Aviation / Defence	$12.0M	Series A
Awayco	Fintech	$11.0M	Unknown
Goterra	Climate Tech / CleanTech	$10.0M	Seed

Startup	Sector	Round	Stage
Plerion	Cybersecurity / Data Privacy / Digital ID	$10.0M	Seed
Nomad Atomics	Hardware / Robotics / IOT	$10.0M	Series A
Neara	Transportation / Logistics / Supply Chain	$10.0M	Series B
MGA Thermal	Climate Tech / CleanTech	$8.3M	Series B
Marqo	Artificial intelligence / Big Data	$8.1M	Seed
Vitable	HealthTecch	$7.5M	Series B
Programa	PropTech / RealTech / Construction	$7.5M	Series A
MEQ Probe	Agriculture / Agtech	$6.0M	Series A
Sensand Technologies	Agriculture / Agtech	$6.0M	Unknown
EngageRM	Enterprise / Business Software	$6.0M	Series A
Ravel Technologies	PropTech / RealTech / Construction	$6.0M	Series A
ENA Respiratory Pty Ltd	Biotech / MedTech	$5.9M	Series B

FUNDING TO FEMALE FOUNDERS

Funding to female-only founder teams clawed to its highest percentage contribution since 4Q20, albeit on significantly lower total funding levels than in 2021 and 2022. Funding share to female founders in 2023 remains marginally lower than the record level set in 2020. Secure Code Warrior, Silicon Quantum Computing, and Goterra secured 87% of the $152M raised by female founders.

Percentage share of total capital raised by female founders



Q3 2023 largest rounds by female founders

Secure Code Warrior	$73M	Series C
Silicon Quantum Computing	$50M	Series A
Goterra	$10M	Seed
Deckard Technologies	$5M	Unknown
Verve	$3M	Seed

Percentage share of total capital raised by female founders

2023
23% at least one female
5% female only

2022
10% at least one female
3% female only

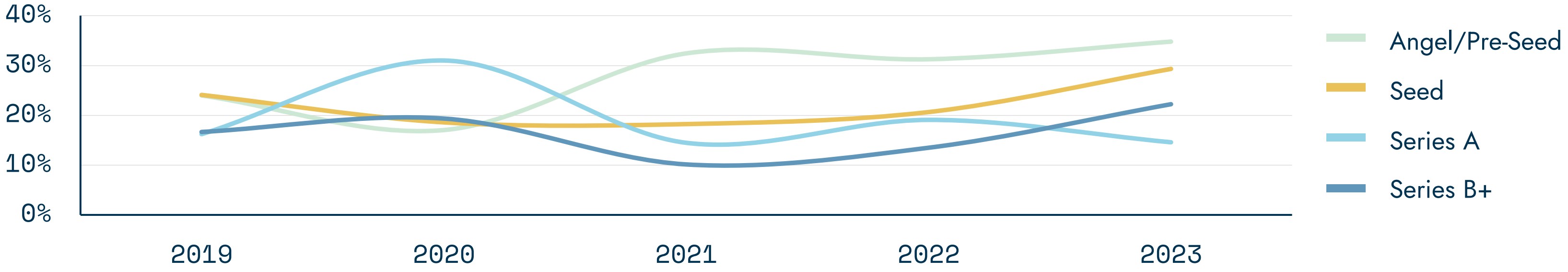
2021
21% at least one female
2% female only

2020
25% at least one female
6% female only

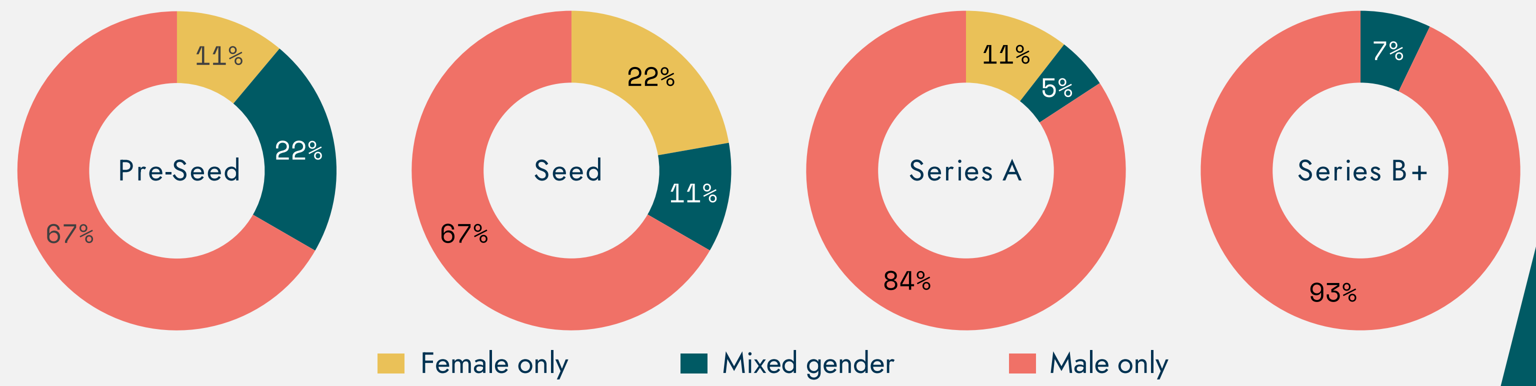
FEMALE FOUNDER DEAL PARTICIPATION

Female founder deal participation remains at its highest level across all deal stages except Series A, which fell even further to its lowest level in five years. Notably, given the overall market slowdown in 2023, the absolute count of female founders funded in 2023 is lower than that of the 2021-22 market peak. For the first quarter in our dataset, the median deal size for female-founded startups was higher than that of all-male founding teams.

Share of deals by teams with at least one female founder



Q3 2023 share of deals by teams with at least one women founder



Median deal size by gender

	All male founders	At least one female
Q3 2023	$2.7M	$2.8M
2022	$3.8M	$2.3M
2021	$5.4M	$3.0M
2020	$3.0M	$1.3M

SUPPORTERS

CORRS CHAMBERS WESTGARTH

Corrs Chambers Westgarth is Australia's leading independent law firm. Corrs provides legal services across the full spectrum of matters, including major transactions, capital raisings, intellectual property, employment law and disputes.

Corrs has a cross-disciplinary team which has a deep understanding of the needs of startups and high growth companies. We act for both startups and a range of investors, including local and international venture capital funds, strategic investors and universities. We have experience advising from seed rounds through to larger raises and exits.

Corrs has also developed CorrsEdge, a cutting-edge online platform which gives start-ups the legal support they need at the early stage of their growth cycle. The platform offers access to over 30 intelligent legal documents with dynamic automation capabilities which enables users to generate bespoke documents and tailor them for their business. The Corrs Edge platform saves times and money, allowing startups to ensure that they have high quality legal documents without the typical costs of using a top tier law firm.

For more information: corrs.com.au/capabilities/m-a-capital-markets/venture-capital-markets

HSBC

HSBC is one of the world's largest banking and financial services organisations, with assets of US$3,014bn as of 30 June 2023.

In Australia, the HSBC Group offers an extensive range of financial services through a network of 33 branches and offices. These services include retail and commercial banking, trade finance, treasury and financial markets, payments and cash management and securities custody.

HSBC works to support innovative companies to grow quicker, easier and more efficiently by combining decades of experience banking startups with a global focus on technology coverage and an international footprint, including capabilities in 62 countries.

HSBC offers start-ups a range of specialised banking services designed to meet the specific needs of innovative companies, including access to a range of APIs and digital payment solutions, the award-winning HSBCnet digital platform, and digital onboarding.

For more information, contact:

- Alan Watters | Director | Corporate Origination and Tech Sector Lead | alan.watters@hsbc.com.au
- Ciaran Scott | Director | Head of Corporate Banking NSW & QLD | ciaran.scott@hsbc.com.au
- Scott Bannon| Managing Director | Head of Client Coverage | scott.bannon@hsbc.com.au

SUPPORTERS

At Deloitte, our purpose is to make an impact that matters. To set high standards of excellence and achieve them. To help our clients realise their ambitions.

GreenSpace Tech by Deloitte navigates the rapidly changing climate tech landscape and identifies opportunities for organisations to both decarbonise and create sustainable competitive advantage through leveraging, applying, and scaling the right climate technology solutions for their business.

Leveraging an ecosystem spanning start-ups, research institutes, incubators, accelerators, and universities GreenSpace Tech tracks thousands of climate technologies, their maturity, scale, and applicability and connects them to industry. We combine start-up commercialization and climate knowledge to support organisations to unlock value through the integration of the right climate technologies.

For more information: deloitte.com/global/en/issues/climate/greenspacetech.html

WOTSO is a leading FlexSpace provider catering specifically to startups and small to medium businesses by offering flexible space solutions that perfectly align with your requirements.

We offer three flexible space solutions. WorkSpace is at the core of our services, offering various offices, desks, meeting rooms, and event spaces. Joining WorkSpace under the WOTSO umbrella are our new CookSpace and HealthSpace. CookSpace provides fully equipped kitchens and a supportive community for culinary professionals to refine their skills and launch their ventures. Similarly, HealthSpace caters to health and wellness professionals, providing purpose-built environments for delivering services and collaborating with peers.

What sets us apart is our commitment to flexibility. We eliminate lock-in contracts, leasing deposits, and legal fees, allowing you to use our spaces for as long as you need, from hours to weeks to months or longer. As a WOTSO member, you gain access to a vibrant community, advanced facilities, and plenty of networking opportunities. Join WOTSO today and experience a tailored FlexSpace solution that meets your needs.

For more information: wotso.com

SUPPORTERS

SecondQuarter

SecondQuarter Ventures is the first specialist venture secondaries fund in Australia and New Zealand. We purchase shares in rapidly growing venture-backed technology companies from founders, employee and early shareholders. We also provide liquidity to investors in the region's best venture capital funds.

Since 2020 we have helped shareholders in exceptional technology companies and investors in high-performing venture funds with liquidity. In doing so, we have created a portfolio of exposures to some of the best technology companies created in Australia and New Zealand.

For more information: secondquarter.vc

Work with Cut Through Venture

For partnership opportunities, please contact us at team@cutthroughventure.com

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 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, and secondary equity transactions are excluded from the data. 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 founder(s) of the startup and background information on the startup.

Survey data

Survey data was collected from venture capital firms, angel syndicate leads, and family offices.
161 participants completed the survey.

All survey responses were anonymous, and the survey collected no sensitive information. Participants were asked to self-select their gender identities and provide information related to their age, location, and background 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.

Disclosure:

This report was prepared based upon 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 may be an investor in some of the startups or a Limited Partner in some of the funds mentioned in this report.

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